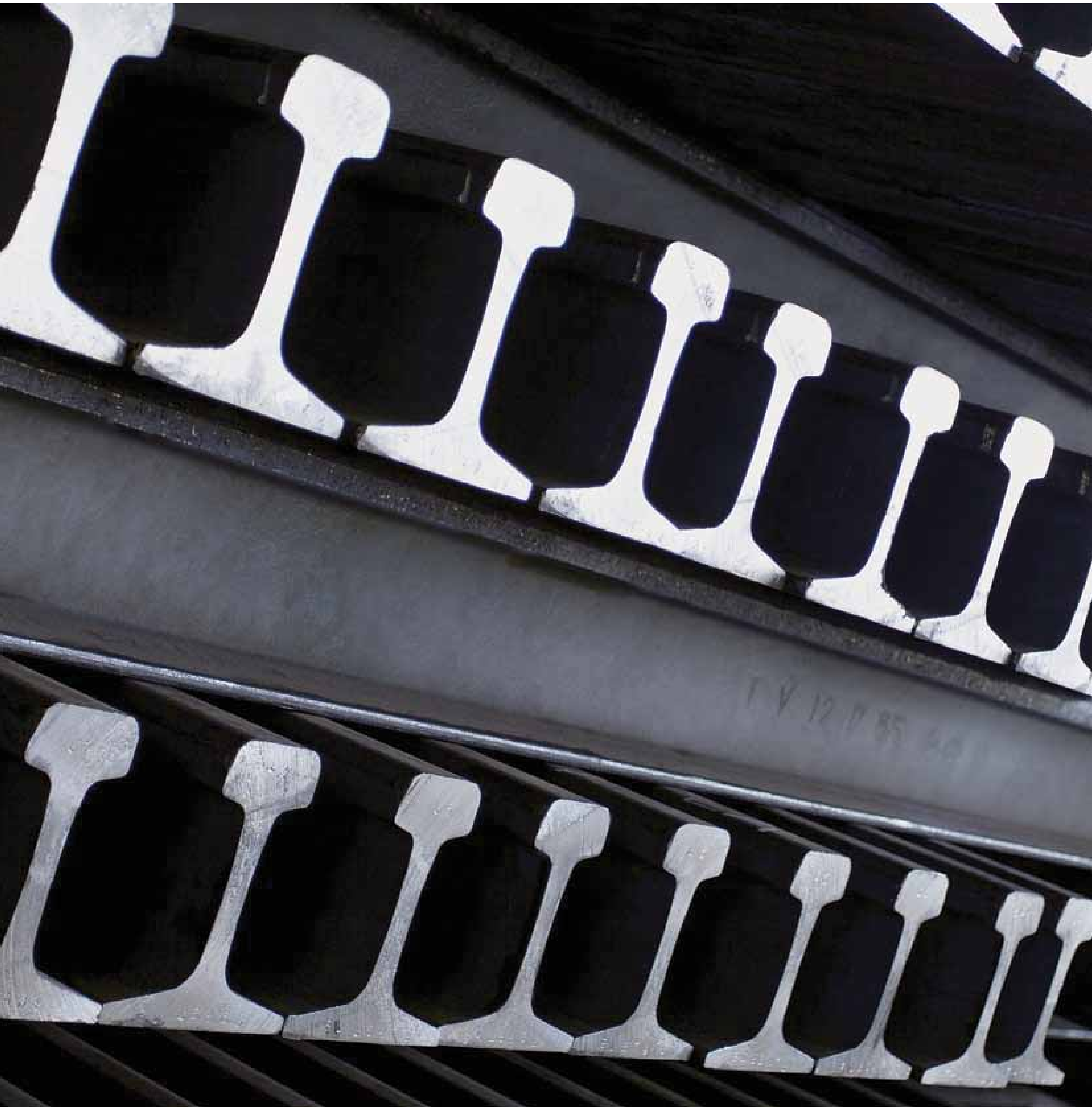
Making the world stronger

Annual Report and Accounts 2012



EVRAZ plc is a global, vertically-integrated, steel, mining and vanadium business with operations in the Russian Federation, Ukraine, the Czech Republic, Italy, the USA, Canada and South Africa. The Group is listed on the London Stock Exchange and is a constituent of the FTSE 100 index.

15.9 million tonnes
Consolidated crude steel production

100%
Self-coverage in iron ore

142%
Self-coverage in coking coal (including Raspadskaya)

Key steelmaking facilities of the Company are located in Russia, North America, Europe and South Africa. The Company is the leader in the Russian long steel product market and plays a prominent role in the North American long steel and tubular product markets. The majority of the consolidated revenues and EBITDA are generated by the Steel segment.

Mining segment plays an important role in securing supply of raw steelmaking materials to major steel plants of EVRAZ. EVRAZ enjoys a healthy pipeline of low cost growth options in Mining.

EVRAZ is among the largest producers of vanadium globally and the only large-scale producer of vanadium-rich iron ore in Russia.

Who We Are

EVRAZ today

- One of the largest vertically integrated steel and mining companies in the world
- A global industrial enterprise that spans four continents and employs more than 110,000 people
- The market leader in Russian and CIS construction and railway products
- The number 1 producer of rails and large diameter pipes in North America
- One of the leading producers in the global vanadium market
- A constituent of FTSE 100 index and the only steel stock in UK FTSE All-Share index; part of MSCI UK and MSCI World Indices

What We Do

- Manufacturing and sale of steel and steel products
- Iron ore mining and enrichment
- Coal mining and processing
- Manufacturing and sale of vanadium products
- Trading operations and logistics

2012 Key Developments

US$14.7 billion

Revenues in 2012

15.3 million tonnes

Sales of steel products to external parties in 2012

Operating results:

- EVRAZ produced 15.9 million tonnes (-5%) of crude steel and sold 15.3 million tonnes (-1%) of steel products. Production of steel products (net of re-rolled volumes) decreased to 14.3 million tonnes (-6%)
- The decrease in steel output was driven by a variety of both internal and macroeconomic factors including the large scale modernisation programme underway at the Russian operations
- A largely stable performance from the iron ore mining division with output totalling 20.8 million tonnes (-2%)
- Raw coking coal production increased to 8.5 million tonnes (+35%) as a result of operational efficiencies whilst steam coal output declined to 2.3 million tonnes (-23%)
- The vanadium division produced 21,060 tonnes (+2%) of vanadium slag and sold 21,100 tonnes (-21%) of vanadium products

Our Values

We believe that our responsibilities encompass all our stakeholders including shareholders, customers, employees and communities in the areas where we operate. We endeavour to deliver ongoing growth and value while, at the same time, pursuing environmentally responsible policies within a framework of sustainability.

Financial results:

- EVRAZ revenues were US$14,726 million (-10%)
- The Group achieved consolidated EBITDA of US$2,012 million (-31%)
- Net loss was US$335 million compared to US$453 million net profit in 2011
- Operating cash flow was US$2,143 million (-19%)
- Net debt was US$6,184 million (-4%)
- EVRAZ's[1] issuer credit ratings (S&P B+, Stable; Moody's Ba3, Stable; Fitch's BB-, Stable)
- CAPEX of US$1,261 million (-2%)
- EVRAZ paid out US$375 million in final and interim dividends in the course of 2012. No final dividend for 2012 to preserve the financial standing of the Company and provide greater strategic flexibility

Corporate developments:

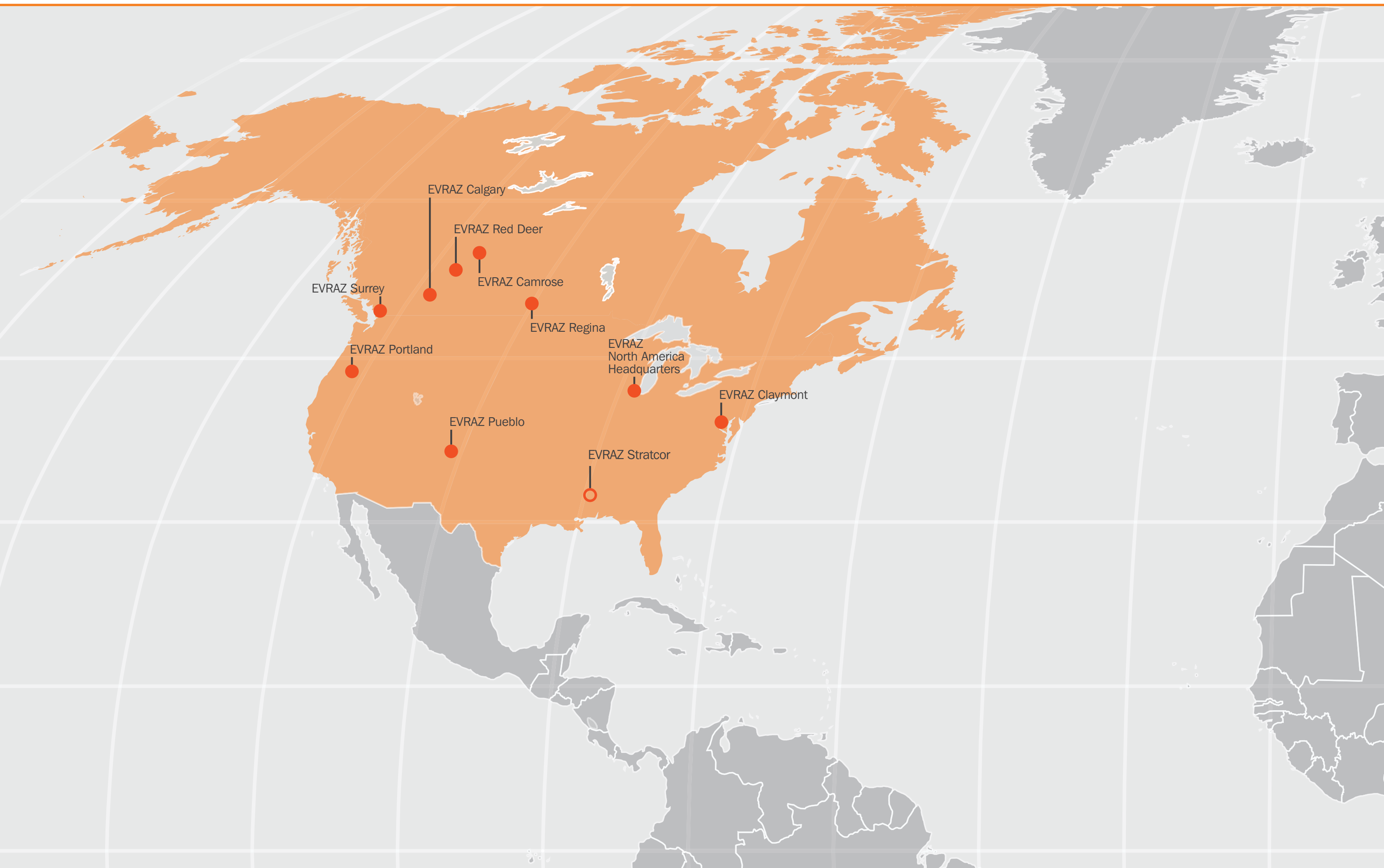
- Adoption of a new Code of Business Conduct and the Group's anticorruption policies and initiatives to ensure compliance with the UK Bribery Act
- Alexander Izosimov appointed as Independent Non-Executive Director
- Enhanced composition of the Audit and Remuneration Committee towards the goal of best corporate governance practice
- Inclusion in MSCI UK and MSCI World Indices in May 2012

M&A developments:

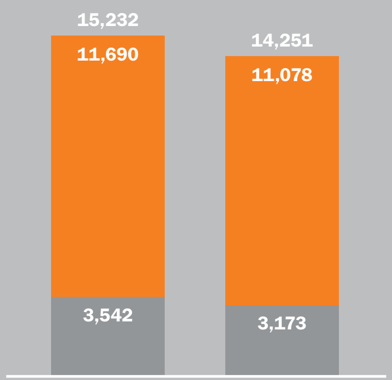
- Agreement to acquire controlling interest in Raspadskaya coal mining company for equity and cash bringing effective interest to 81.95%
- Sale of EvrazTrans for US$306 million cash consideration while securing long-term railway transportation needs of Russian operations

1 All ratings refer to Evraz Group S.A., except for Fitch's, which also refers to EVRAZ plc

Geography of EVRAZ Operations



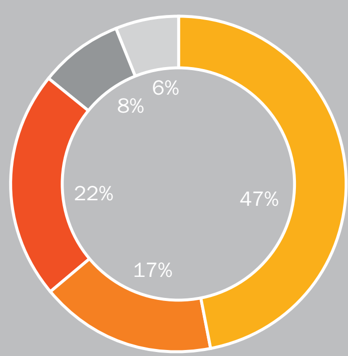
Steel products' output by EVRAZ*, Kt



Finished products
Semi-finished products

* Steel products, net of re-rolled volumes

Breakdown of finished products' output

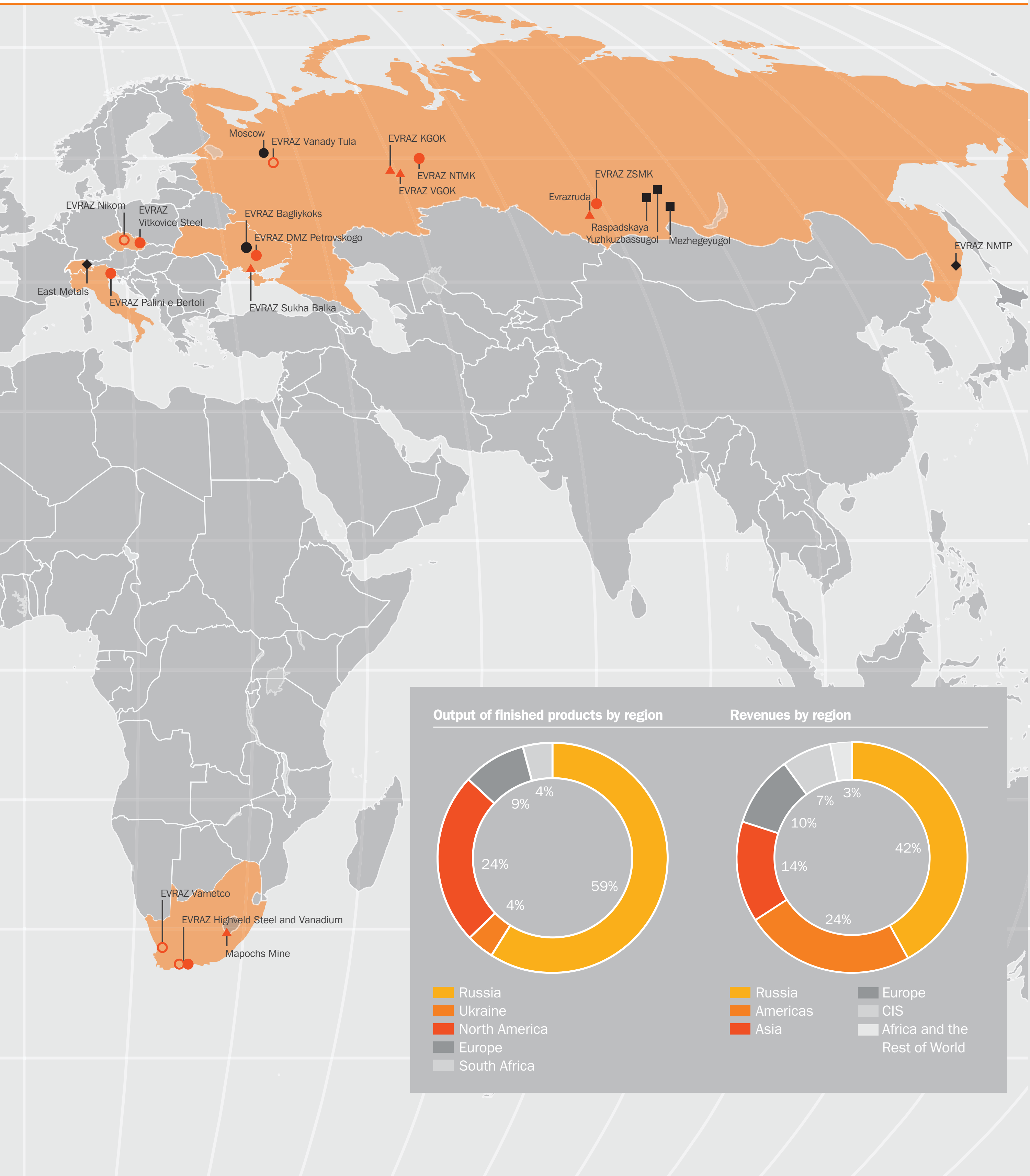


Construction products
Railway products
Flat-rolled products
Tubular products
Other steel products

- The main vertically integrated steelmaking plants are located in Russia, complemented by smaller steel mills and rolling facilities in North America, Europe and South Africa
- Coal mining assets are based in Russia
- Iron ore mining operations are located in Russia, Ukraine and South Africa
- Vanadium assets are scattered across the globe and include Russia, United States, Europe and South Africa
- EVRAZ employs more than 110,000 people

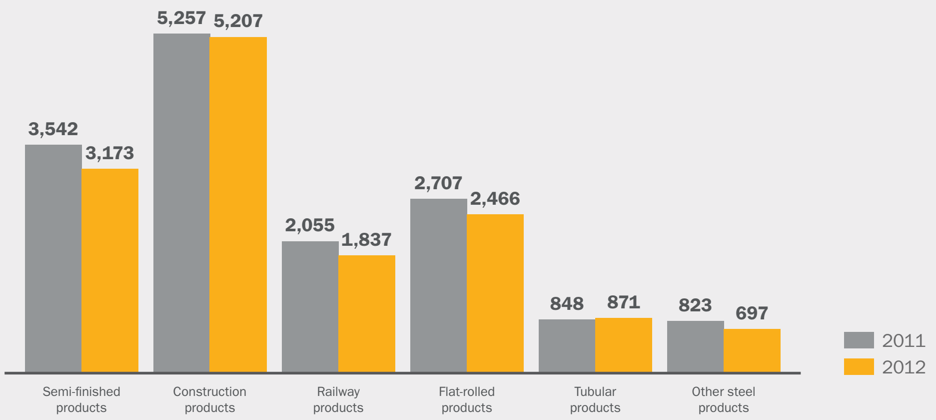
Type of business

- Steel Production
- Iron Ore Mining
- Coal Mining
- Coke Production
- Vanadium Production
- Logistics and Trading

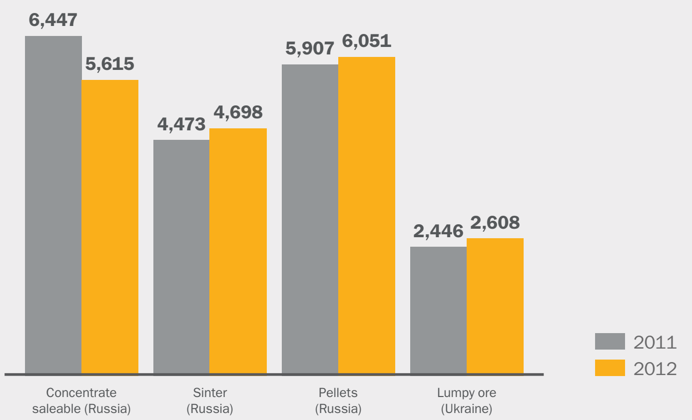


Performance Highlights

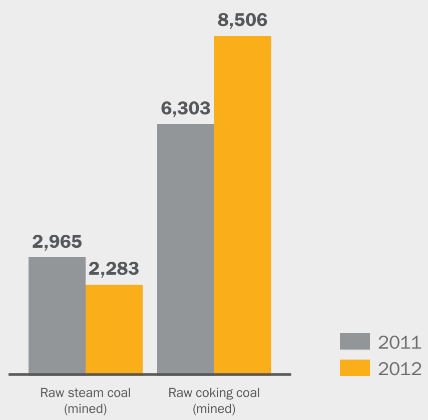
Output of steel products, Kt



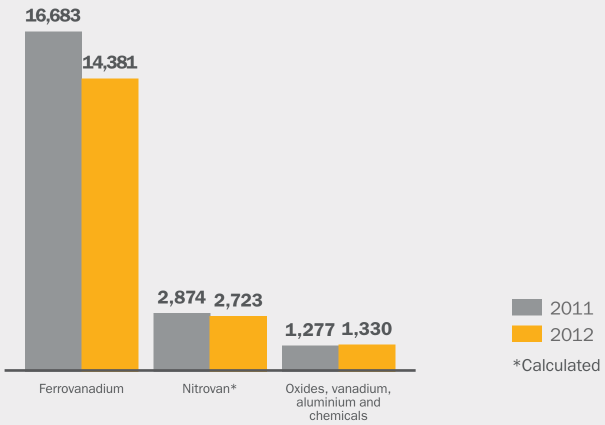
Iron ore production volumes, Kt



Coal production volumes, Kt

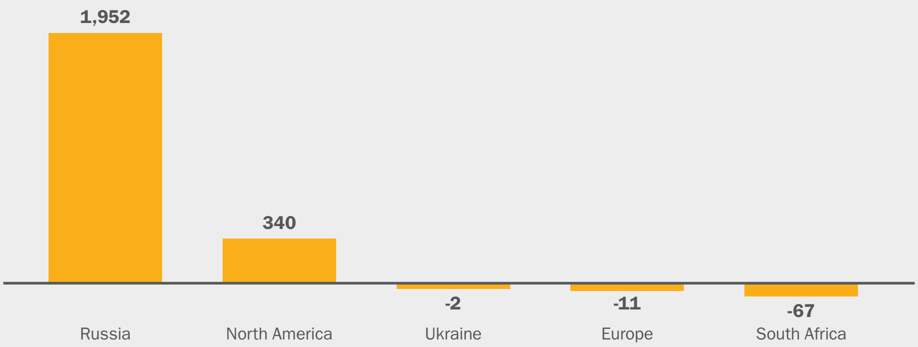


Vanadium, t of V*



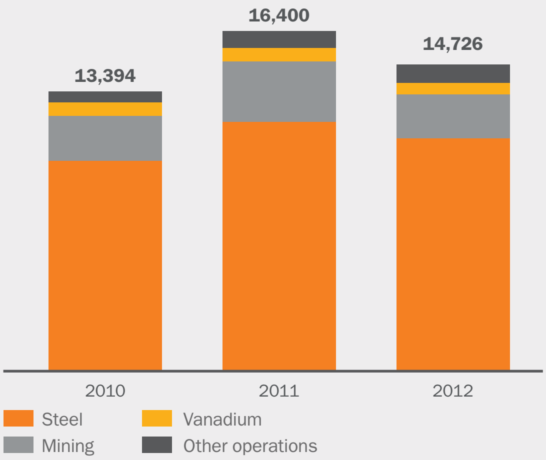
*Calculated in pure vanadium equivalent

EBITDA by region, US$ mln

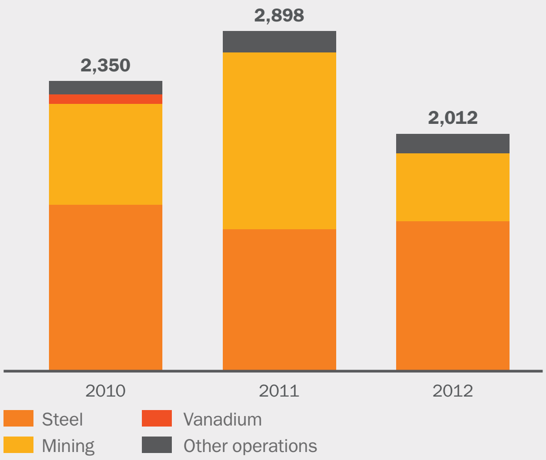


*Consolidated EVRAZ plc EBITDA also includes unallocated and other countries EBITDA of US$(200)m in 2012

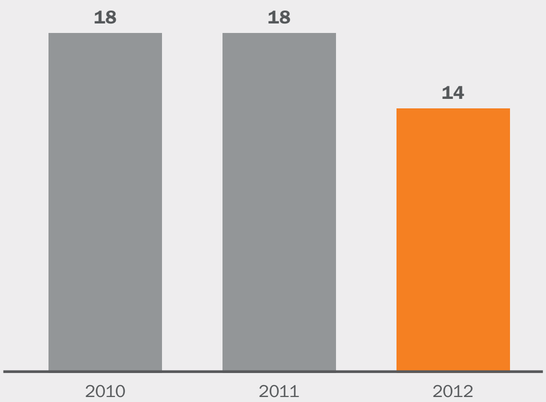
Consolidated revenue by segment, US$ mln



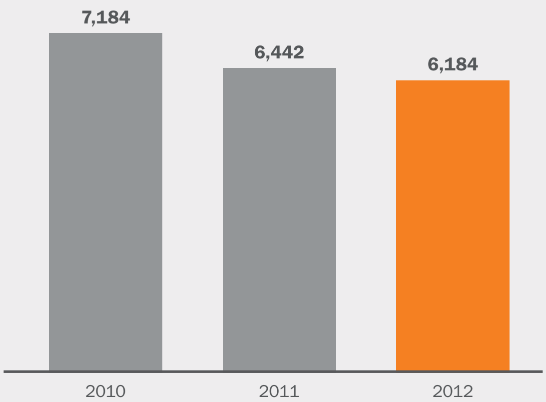
Consolidated EBITDA by segment, US$ mln



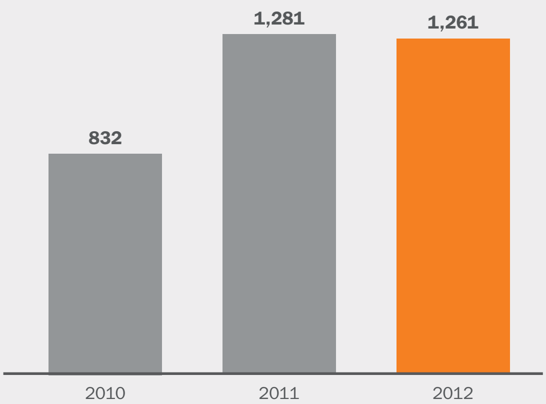
EBITDA margin, %



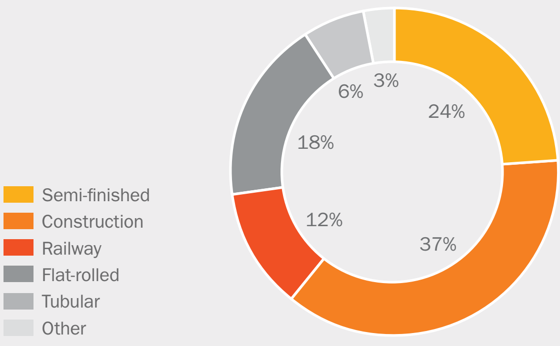
Net debt, US$ mln



Capital expenditures, US$ mln



Steel sales volumes by product* – Total 15.3 mt



*External sales

Chairman's Statement
Alexander Abramov

The Board's priorities in the prevailing business climate were to preserve the Company's long-term competitive advantages and protect shareholder value in the face of diverse potential macroeconomic scenarios.

Dear Stakeholders,
It gives me much pleasure to present our Annual Report for 2012.

The year 2012 proved to be another challenging phase for the global steelmaking industry which operated in a highly uncertain and volatile environment. Despite this, EVRAZ delivered creditable operational and financial results which serve to illustrate the intrinsic resilience of the Company.

Corporate governance
Since our admission to the FTSE 100 in December 2011, we have undertaken a number of initiatives to further strengthen our corporate governance. These include the adoption of a new Code of Business Conduct which is currently being embedded across the Group, together with specific anti-corruption policies and initiatives designed to ensure compliance with the UK Bribery Act, including improved training and the implementation of refined internal procedures for employees.

Furthermore, we have strengthened our Board with the appointment of Alexander Izosimov as an independent Non-Executive Director in February 2012, thereby increasing the ratio of independent Directors on the Board to 50%. We have also introduced changes to the composition of the Audit and Remuneration Committees in order to accommodate a better representation of independent Non-Executive Directors.

I have every confidence that the professional experience, leadership skills, integrity and balance of interests reflected in the membership of the current Board and Committees represents the right blend to promote the development of the Company and set ambitious challenges for management.

As the Chairman of the Board I fully recognise the importance of ensuring that my fellow Directors understand and take into account the views of our investors while deliberating Board decisions. In order to facilitate and strengthen the relations and communication between shareholders and the Board, Sir Michael Peat, our Senior Independent Non-Executive Director, began a programme of proactive communications with our major investors. In particular, Sir Michael has held a number of meetings with representatives of large investment funds which have been mandated to vote and/or engage in dialogue on behalf of investment institutions on matters related to corporate governance and sustainability.

Health, Safety and Environment ("HSE")
Regretfully, the number of fatalities increased in the reporting year despite such focus and our ongoing investment in safety programmes. Sadly, there were some additional fatalities since the beginning of 2013. This experience reinforces my view that the Board still has much to do to drive the all-important changes to mindsets and safety culture within our operations. We remain committed to further improvements in the Company's HSE policies alongside increased training for employees and a continuation of our zero-tolerance policy with regard to non-compliance with safety rules. Led by the Board's HSE Committee, we have already drawn up additional programmes to mitigate the risk of such accidents in the future and the Board will continue to provide leadership in this area, monitoring HSE performance and working closely with management.

Furthermore we are fostering and overseeing a programme which will result in a more comprehensive level of non-financial reporting, including the publication of greenhouse gas emissions in anticipation of the introduction of the new UK regulation. Our intention is to create a sound platform designed to ensure responsible and sustainable development on the part of the Company.

Strategy
The Board's priorities in the prevailing business climate were to preserve the Company's long-term competitive advantages and protect shareholder value in the face of diverse potential macroeconomic scenarios. Having reviewed and refined our strategic development plan we chose to concentrate our efforts on programmes designed to promote operational excellence at existing facilities, while adhering to strict capital disciplines with regard to new projects.

We are approaching the conclusion of a major modernisation programme at our Russian steelmaking facilities and are currently commissioning a number of mining projects.

One of the principal highlights related to the purchase of a controlling interest in the Raspadskaya coking coal company, a transaction that establishes EVRAZ as the largest producer of coking coal in Russia. The approximately US$964 million acquisition, which will yield major benefits through enhanced vertical integration, was primarily funded through equity, thereby avoiding a commensurate cash outflow. The transaction was successfully completed in mid-January 2013. A key objective for the Board during 2013 is to ensure the smooth integration of Raspadskaya into EVRAZ's operating model and the maximisation of operational synergies.

We constantly monitor the progress of major investment projects versus initial expectations and external market factors, a process that allows us to maintain flexibility in conjunction with our long term approach of sustaining a balance between financial stability, growth and shareholder returns.

In addition, management continued to focus on streamlining our business model and assessing options designed to increase free cash flow. In line with this, we disposed of EvrazTrans, a transport subsidiary, to a third party for cash consideration of approximately US$306 million. This divestment enabled us to exit from a non-core asset while securing our transportation needs for the foreseeable future on advantageous terms. The Board intends to pursue further attractive opportunities to improve return on capital employed. We gave careful consideration to the performance of our assets and the strategic options available and decided to classify certain underperforming assets as assets-held-for-sale, namely EVRAZ Vitkovice Steel and EVRAZ Highveld Steel and Vanadium, thereby paving the way for ongoing options. In March 2013 we made the next step in this process by announcing the execution of a non-binding term sheet on the sale of our stake in EVRAZ Highveld to a consortium of South African investors.

Dividends

In 2012, EVRAZ continued to make dividend payments in line with the Company's stated dividend policy of targeting a long-term average dividend payout ratio of at least 25% of consolidated net profit adjusted for non-recurring items. In July 2012, following shareholder approval at the AGM, EVRAZ paid a final dividend in respect of 2011 in the amount of 17 cents per share (US$228 million in total). In addition, in August 2012, EVRAZ's Board declared an interim dividend of 11 cents per share (US$147 million in total) based on the results for the first half of 2012. The Board, having reviewed the results in respect of the financial year to 31 December 2012 and after taking into account the substantial deterioration in the respective prices of steel and steel raw materials towards the year-end, has decided to forgo the recommendation of a final dividend in respect of 2012 in order to preserve the financial standing of the Company and provide greater flexibility to manage the current market environment.

EVRAZ's 20th anniversary

Two decades ago my partners and I set up a small trading house which has evolved into one of the largest global steelmaking companies in the world with operations spanning four continents and seven countries. The scale of growth and the success of the Company would have been inconceivable had it not been for the hard work and dedicated support of our stakeholders – shareholders, employees, clients and trading partners. I would like to take this opportunity to express the Board's sincere appreciation and congratulate you all on this shared anniversary. I am confident that the Company is well placed to continue to deliver value to all stakeholders through the delivery of operational excellence and sound financial results.

Alexander Abramov
Chairman of the Board
EVRAZ plc

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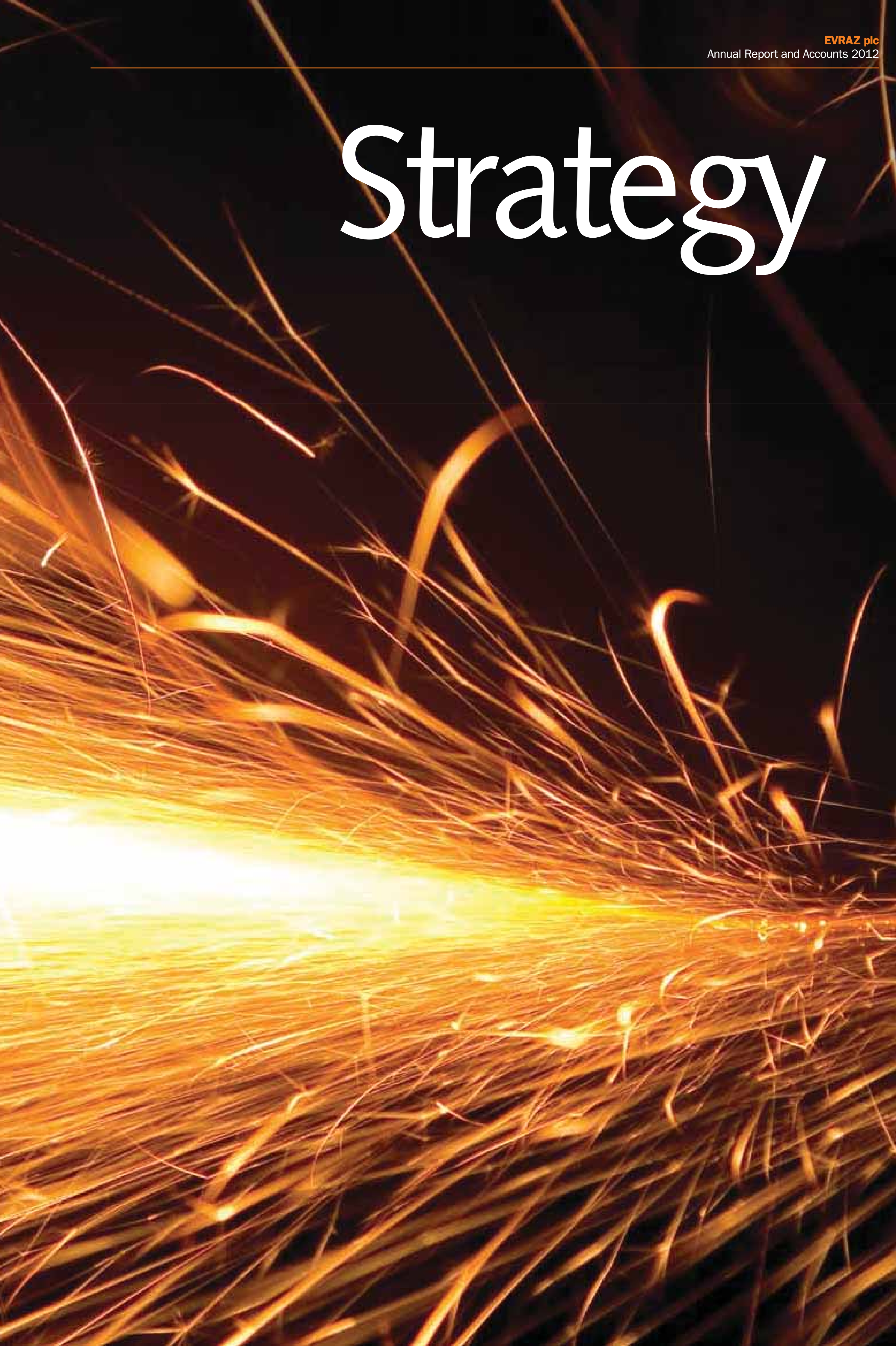
Strategy



Chief Executive Officer's Report
Alexander Frolov

While we expect 2013 to continue to provide challenging short-term risks, we are committed to investing in our future growth by increasing mining volumes, improving our product mix and reducing costs.

Dear Stakeholders,
The year 2012 was characterised by challenging trading conditions for the global steelmaking industry. Although some recovery was seen during the first half of the year, there was a significant deterioration in sentiment towards the year end. As a result, steel and raw material markets remained highly volatile with global steel industry capacity experiencing substantial underutilisation.

The subdued steel and raw materials pricing environment took its toll on EVRAZ's financial performance. Although the Company demonstrated respectable operating results, we experienced a 10% decline in revenues to US$14,726 million against 2011, while EBITDA was 31% lower at US$2,012 million.

Overview of Health, Safety and Environmental performance

Throughout 2012 we brought a strong focus to bear on safety and risk management but, although we have made some progress in this area over recent years, we still have a long way to go.

In order to improve the accuracy of our statistics in respect of lost time incidents we pursued a rigorous policy of zero-tolerance with regard to the concealment and/or misrepresentation of health and safety incidents throughout the year. Although the Lost Time Injury Frequency Rate indicator showed an increase in 2012 compared with 2011, we believe that this partly reflected the consequent increase in reporting activity. However, I am firmly of the opinion that the efforts brought to bear by management on health and safety issues, typified by an intensified focus on the thorough investigation of all incidents prior to the implementation of necessary corrective actions across the Group, will ultimately lead to sustainable improvement in this area.

Tragically, we recorded 25 separate fatal accidents at our operations in 2012 and 6 more since the beginning of 2013. We continue to implement additional training and improve our HSE culture to ensure that relevant issues are addressed in a timely and adequate manner. The underlying causes of any accidents are now evaluated and shortcomings addressed on a more consistent basis, with the ultimate objective of operating a zero harm environment. Our current priority is to appreciably heighten our employees' awareness and understanding of HSE issues at all levels.

2012 market environment and business performance

During 2012 the global macro environment remained highly imbalanced and uncertain in both the emerging and developed markets. Many countries faced deep financial issues, encompassing the sovereign debt crisis and economic difficulties in the Eurozone, uncertainty in relation to the fiscal cliff in the US and a slowdown in the Chinese economy, particularly during the second half of the year, all of which weighed on world markets. As a result, overall world economic growth decelerated in the reporting year.

The negative macro sentiment affected almost all commodity markets, with the steel market proving no exception. The demand outlook for steel products deteriorated substantially during the course of the year. Volatility in steelmaking raw material prices promoted caution and led to destocking on the part of market participants.

As a result of these factors, a promising start to 2012 gave way to a year characterised by challenges and we are therefore cautious about near-term prospects. However, EVRAZ's strong competitive cost base, superior operating efficiency and flexible investment programme enable me to view the Company's long-term outlook with confidence.

Steel segment

Global steel prices continued to soften throughout much of 2012 with steel demand subdued as a result of the uncertain macroeconomic environment. Despite this, we continued to run our Russian and North American steelmaking facilities at high levels of utilisation due to the cost efficient nature of our operations and the resilience of some of our niche products.

EVRAZ derives significant benefits from its ability to adjust production plans and strategically adapt output to meet market conditions. The location of key steelmaking facilities allows the Company to efficiently deliver steel products to Russia, CIS, Asia and Middle East regions, thus taking full advantage of a favourable situation in a particular geographical market. In Russia we decreased the ratio of export sales during 2012 in order to take advantage of the ongoing momentum in steel demand from the domestic construction industry.

Good progress was made in terms of our commercial objectives and management's focus on maintaining our position as a low cost producer was reflected in the ongoing implementation of pulverised coal injection (PCI).

We also undertook a large scale modernisation programme in our railway product group which necessitated the suspension of operations at the EVRAZ ZSMK rail mill from April 2012 to January 2013. The rail mill is now fully operational and, as a result, EVRAZ has increased its overall rail capacity in Russia to 1.5 million tonnes per annum and improved the quality and other characteristics of the rails produced. In addition, we established a separate division for railway products in order to concentrate the operational and sales effort, as well as to focus on product development in this important market.

We also derive considerable benefits from the favourable locations of our steel facilities in the Western US and Canada which allow us to offer customers shorter lead times than competitors and save on transportation costs. This proved particularly important during 2012 when demand in North America remained strong, especially for rails, while regional prices for tubular products also held firm. We have successfully implemented our expansion into high value added steel products (such as head hardened rails, premium connection OCTG tubes and heat treated seamless pipe) and we also succeeded in increasing the internal supply of steel slabs in Russia to serve our operations in Europe and North America.

Poor end-user sentiment continued to dominate European markets as the weak economic outlook and financial uncertainty persisted amid attempts to find a solution to the Eurozone debt crisis.

Our performance in South Africa during 2012 was negatively impacted by industrial action, which interrupted production in mid-year before giving way to a prolonged ramp up period. Overall demand for steel in the African region proved sluggish. As part of our continued effort to improve allocation of capital, we decided to dispose of our South African steel operation – EVRAZ Highveld and signed a non-binding term sheet in March 2013.

Mining segment

During the year we completed a number of significant initiatives which, we believe, will secure cost efficient long-term supplies of iron ore and coking coal for our core Russian steelmaking facilities.

We achieved a solid performance in iron ore, reflected in relatively flat production year-on-year, together with the continuation of a high self-coverage ratio. The principal highlight was the successful ramp up of EVRAZ KGOK to 56 million tonnes of iron ore per annum (9.7 million tonnes of saleable products) – the lowest cost asset in the Company's iron ore mining portfolio. This was accompanied by a number of initiatives designed to reduce costs and optimise iron ore mining operations. For more detailed information please refer to pages 43 to 44.

Coking coal production increased with our Yuzhkuzbassugol coal mining subsidiary producing 8.5 million tonnes of raw coking coal in 2012 compared with 6.3 million tonnes in 2011. This is the result of continued management focus on operational improvements at all of our coal mining operations. For more detailed information please refer to pages 46 to 48.

Construction of the new Yerunakovskaya VIII coking coal mine, which enjoys a nameplate capacity of 2.5 million tonnes of raw coal per annum, was completed in 2012. We expect the mine, which was commissioned in February 2013, to ramp up to full production in 2014.

We have also secured project financing for the development of Phase I of the Mezhegey coal deposit which will serve to increase EVRAZ's production of hard coking coal by a further 1.5 million tonnes per annum. Mezhegey will produce hard coking coal which is in short supply in the Kuzbass region of Russia.
In addition, Mezhegey benefits from a relatively low methane content resulting in improved safety and cost performance.

One of the major developments of 2012 was the agreement to purchase a controlling interest in Raspadskaya, one of Russia's largest independent coking coal companies, a transaction which closed in January 2013. The consideration largely comprised EVRAZ equity, a factor that served to lower cash outflow. I have every confidence that the purchase of Raspadskaya will secure the long-run low cost position of EVRAZ's coking coal business while, at the same time, providing us with a strategic option to increase volumes with relative ease. Consequent to the acquisition of Raspadskya, EVRAZ's self-coverage in coking coal surpassed 100% and our intention is to deliver excess coking coal production to the market, while securing those grades of coal which are in deficit for our operations.

Vanadium segment

In 2012 we continued to be the only major producer of vanadium in Russia with an important share of the global market. Overall, EVRAZ's vanadium business experienced a mixed year, with labour issues in South Africa and shortages of third party feedstock in the United States impacting negatively, while Russian operations ran at full utilisation rates to meet demand.

Embedding a new culture throughout EVRAZ

We began the critical process of changing the Company's culture through the introduction of the EVRAZ Business System ("EBS") in 2011. EBS represents a radical transformation of the way EVRAZ conducts its business and I am delighted to report that we made good progress in embedding this new methodology across our operations in 2012.

By way of example, I would like to cite two pilot areas at EVRAZ ZSMK which were chosen for the implementation of a new maintenance system – a section in both the long product rolling mill and the blooming mill – where more efficient organisation of work processes resulted in enhanced productivity and savings on spare parts and the optimisation of stocks which amounted, in total, to more than RUB121 million (US$4 million).

Another successful example is EVRAZ KGOK, where the repair times in certain shops were drastically reduced and productivity improvement projects have led to savings of approximately RUB37 million (US$1.2 million). For more detailed information on the results achieved through the utilisation of EBS please refer to pages 24 to 25.

Capital expenditure, debt position and liquidity

In 2012, capital expenditure totalled US$1.3 billion with development capex mainly channelled to the development of the Yerunakovskaya VIII mine (US$135 million), PCI projects at Russian steelmaking facilities (US$109 million), the major rail mill modernisation programme at EVRAZ ZSMK (US$143 million) and the construction of mini-mills in the south of Russia and in Kazakhstan (US$72 million).

As at the year end, our total debt amounted to US$8.2 billion with cash of US$2.1 billion (including short-term financial assets). This allows us to comfortably fulfil scheduled redemptions of US$1.1 billion in 2013. The current liquidity position underpins the manageable debt structure of the Company with the next major debt maturities scheduled for Q4 2014.

Nevertheless, we continued to consider new funding options during the year, including the US$195 million project finance loan obtained for the development of the Mezhegey coal project Phase I. The structure of this loan provides for proper risk mitigation in respect of the enterprise, while enhancing the overall investment profile of the Company.

During the year we also continued to streamline the structure of our public debt covenants through the removal of a net leverage ratio maintenance covenant under a Eurobond issue, which served to align this issue with other Eurobond issues.

2013 Outlook

Despite a positive start to 2013 in certain international steel markets we remain cautious with regard to the outlook for steel. Notwithstanding some recent signs of stabilisation, global prospects remain fragile, with strong downside risks and volatility likely to persist throughout the year. As a result, both producers and customers are waiting for clearer indications of sustainable trends.

Due to our attractive position on the global cost curve, we anticipate that our steelmaking facilities will continue to operate at high utilisation rates and, as a result, we expect our steel production volumes in 2013 to be broadly in line with the 2012 performance. Steel prices have been volatile since the beginning of the year while iron ore price has grown moderately, coking coal price stagnated. We are anticipating an uptick in the demand of steel construction products in the Russian market as the new construction season approaches.

Stock levels are well managed across our business. Export sales volumes are currently booked for over one month's production and inventories at traders and at our mills and ports remain low.

In 2013, we expect to reduce capex spending by ca. 10% vs. 2012, as we approach the completion of key investment projects.
The Company maintains sufficient flexibility in its investment plans to be able to respond adequately to a potential worsening of the macro environment.

While we expect 2013 to continue to provide challenging short-term risks, we are committed to investing in our future growth by increasing mining volumes, improving our product mix and reducing costs. Although the full benefit of these investments will be realised in the medium to long-term, we anticipate some positive impact in 2013.

EVRAZ's leaders were ambitious in their plans for the Company when they founded the enterprise 20 years ago. Although the scale of the Company's operations has grown considerably since then, we retain the same ambitions to develop EVRAZ into one of the most prominent steel producers in the world. EVRAZ enjoys a strong array of inter-aligned assets which leaves us well positioned to achieve our long-term objective of maximising shareholder value through a balance of investment, financial stability and dividend distributions. I would like to congratulate all our stakeholders on this anniversary and thank each of you for your ongoing support for management's efforts and development plans.

Alexander Frolov
Chief Executive Officer
EVRAZ plc

Market Review

Global economic growth of 3.3% in 2012 was primarily driven by the BRICs countries, and in particular China and India, which grew by 7.6% and 5.1% respectively. In contrast, macroeconomic conditions in developed countries remained challenging with the EU-27 economy contracting 0.5% while the US economy demonstrated a modest improvement with growth of 2%.

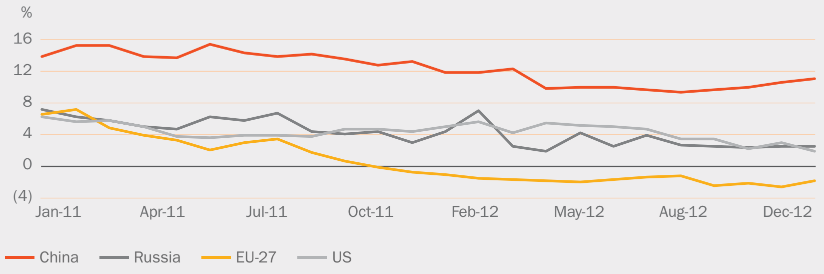
During 2012, global industrial output mirrored the overall strong GDP growth within emerging markets, while in developed markets industrial production levels were weaker.

The contrasting economic conditions between the developed world and emerging markets have resulted in the latter becoming the main driver of demand for commodities including iron ore, coal and steel. This trend has been especially pronounced in China and Asia in general, where a number of significant infrastructure development projects are underway, and is expected to continue during 2013.

Economic growth in developed countries is expected to rebound in 2013, driven by the continuing recovery in the USA, where markets for housing, vehicles and consumer products are starting to show positive momentum.

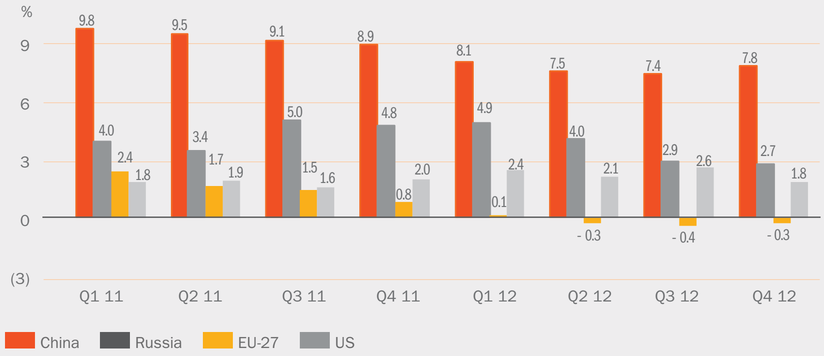
+3.3%
Global economic growth in 2012

Industrial production growth



Source: Global Insight

GDP growth



Source: Global Insight

Steel Industry in 2012

The global steel industry in 2012 remained structurally oversupplied, with average global utilisation rates below 80%. As a result steel prices significantly softened during 2012, especially in the second half of the year.

Steel producers were heavily exposed to the European Union, where the continuing debt crisis impacted heavily on industrial activity and apparent steel consumption. More broadly, the market developments in numerous segments of the global steel industry were uneven and varied greatly between different geographical markets. While emerging markets were enjoying healthier demand growth, steelmakers in the developed world were focusing on differentiation through the production of more niche products.

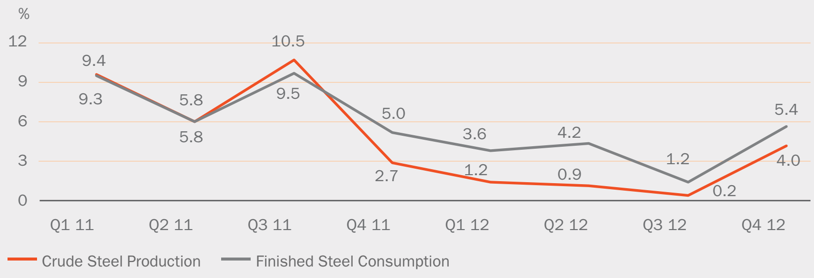
According to *Metall Expert* consumption of long products in Russia increased in 2012 by 8.8%, including increases in rebar and beam consumption by 19%. The main drivers of the growth in consumption were construction (+13% y-o-y), fabrication of metal structures (+13%) and seamless pipes (+8%). The Russian construction sector is expected to grow by 4% in 2013, which will continue supporting Russian steel demand, with overall apparent consumption of steel anticipated to exceed 22 million tonnes based on estimates from CRU (+5%).

In the United States consumption of long products, one of EVRAZ's key product groups, grew by over 10% compared to 2011. Restocking efforts throughout the supply chain and heightened end-user demand contributed to a sharp increase in US long product consumption during the first part of 2012. However these gains were partially offset by intensified US market uncertainty, towards the middle and end of the year, due to ongoing concerns surrounding the Eurozone debt crisis and economic deceleration in China. In 2013, US steel consumption growth is expected to exceed the rest of developed world, including the EU and Japan.

Growth in the large diameter gas pipeline market in North America remained constrained as low natural gas prices have led to a reduction in natural gas drilling activity, with a 44% decrease in active gas rigs compared to 2011, according to data from *Baker Hughes*. Should the US Government approve legislation to allow liquefied natural gas (LNG) exports, demand for natural gas pipelines over the next 3-5 years should be spurred.

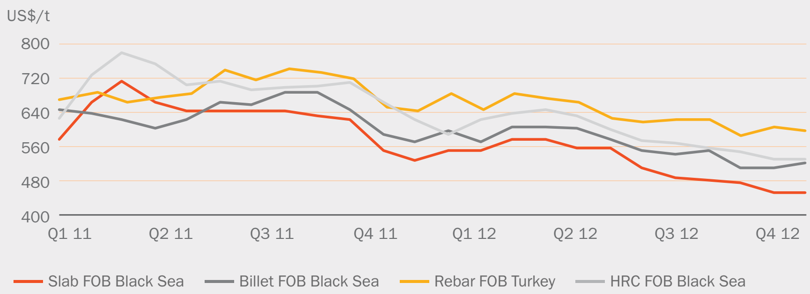
Imports of oil country tubular goods (OCTG) to the US were up 25% in 2012 from 2,608 thousand tonnes to 3,258 thousand tonnes, and accounted for approximately 55% of the US OCTG consumption according to *Pipelogix*. The reliance by the USA on OCTG imports provides the potential for substitution with locally made products, as produced by EVRAZ in North America.

Global crude steel production and finished steel consumption growth



Source: CRU

Steel products price developments



Source: CRU, Bloomberg, Datastream

1.5bt

World crude steel production in 2012

Iron Ore Market in 2012

While iron ore market volumes remained largely flat in 2012, prices deteriorated throughout the year as a result of the subdued demand from the steel industry. Destocking of both steel and raw materials throughout the majority of 2012 also put further downward pressure on prices.

The seaborne market is the largest constituent of global trade in iron ore, with an overall volume of 1.1 billion tonnes in 2012. China dominates seaborne demand with imports of 720 million tonnes in 2012, while Australia and Brazil are the largest exporters of iron ore. During 2012, Chinese imports grew more rapidly than consumption, as the lower pricing environment resulted in the displacement of some higher cost domestic tonnage.

On the supply side, the Australian producers continued to ramp-up production volumes, with an increase of 8% compared to 2011, which offset the respective 9% and 27% falls in Chinese and Indian production.

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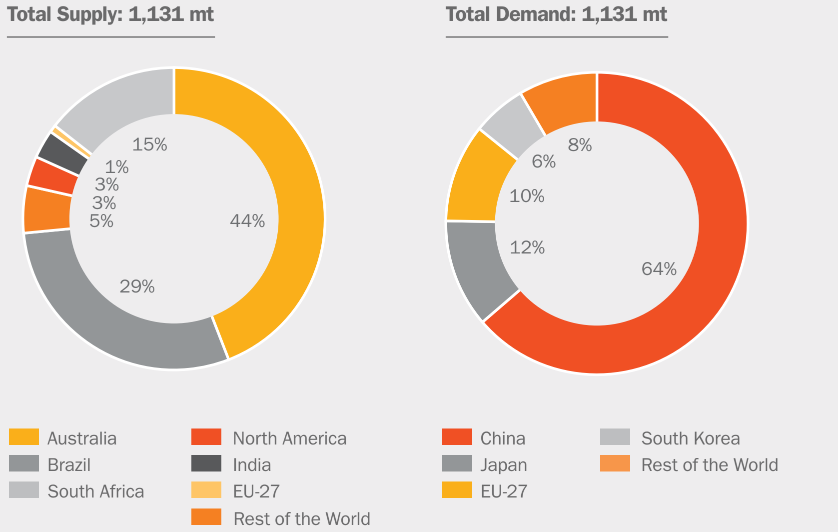
The benchmark price for China CFR iron ore fines fell by 23% in 2012 as global steel production growth stalled and major steelmakers continued to rely on inventories to sustain near term production volumes. Iron ore prices reached a low of under US$90/t in September 2012, although had recovered to above US$140/t by December 2012, following an improved near term pricing outlook as a result of increased restocking and a further slump in Indian iron ore export levels.

1.8bt

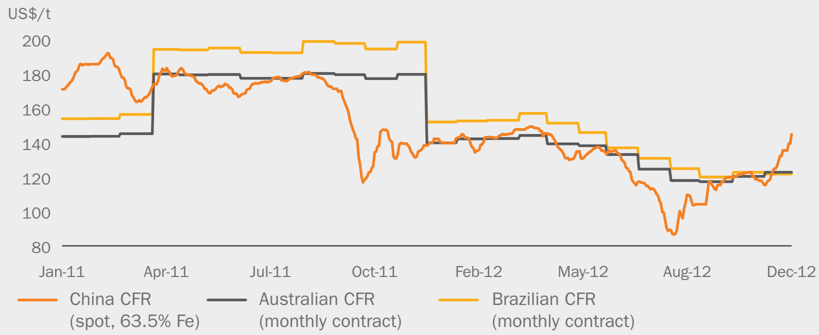
Iron ore production in 2012

Share of iron ore seaborne: supply and demand



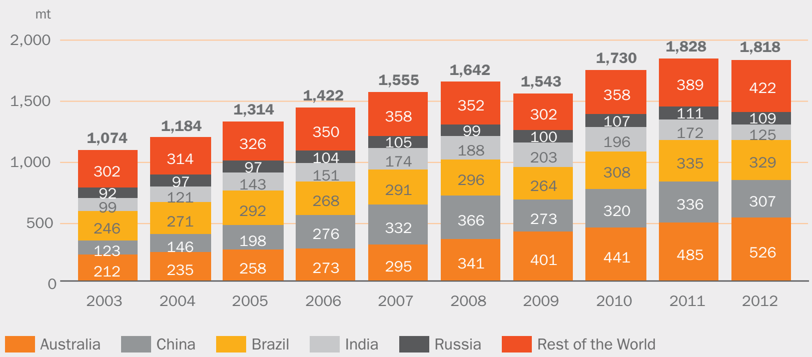
Source: Credit Suisse Research

Spot vs. contract prices for iron ore fines prices



Source: CRU

Iron ore production



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Rest of the World	302	314	326	350	358	352	302	358	389	422
Russia	92	97	97	104	105	99	100	107	111	109
India	99	121	143	151	174	188	203	196	172	125
Brazil	246	271	292	268	291	296	264	308	335	329
China	123	146	198	276	332	366	273	320	336	307
Australia	212	235	258	273	295	341	401	441	485	526
Total	1,074	1,184	1,314	1,422	1,555	1,642	1,543	1,730	1,828	1,818

Source: CRU

Coking Coal Market in 2012

In 2012 the global coking coal market remained in oversupply, as price settlements above US$300/t in prior years had created more incremental supply than the market has been able to absorb. In addition to increased supply, the environment of high prices caused a structural shift in the steelmaking industry with steelmakers researching new technologies to limit consumption of coking coal by replacing it with cheaper coal grades, such as PCI coal.

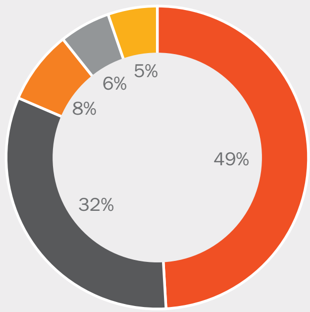
All major coking coal exporting countries added capacity in 2012, with Australia, which represents nearly half of total global exports, up 8% to 144 million tonnes, North America up 5% to 95 million tonnes and Russia up 13% to 16 million tonnes. In addition to increased supply from the established producers, 2012 also saw the emergence of two new frontier coking coal suppliers – Mongolia and Mozambique, which jointly added 5 million tonnes of incremental supply. Overall global coking coal exports increased by 8% in 2012 to 294 million tonnes.

Coking coal import growth was relatively subdued during 2012, with volumes up just 3%, to 278 million tonnes, and largely flat compared to 2010 levels. China and India accounted for 31% of global coal imports in 2012 and remained the key drivers of demand growth, with import levels increasing by 15% (51 million tonnes) and 8% (36 million tonnes) respectively during the year. In other regions, imports of coking coal either remained flat or decreased compared to 2011 levels.

Market imbalance and excess supply of coking coal continued to put downward pressure on prices in 2012, with the benchmark price of contract and spot FOB Australian HCC falling by nearly 30% over the course of the year to US$170/t.

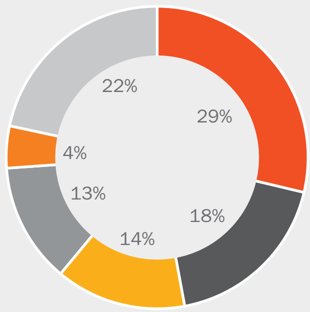
Share of coking coal exports in 2012

Total export: 294 mt



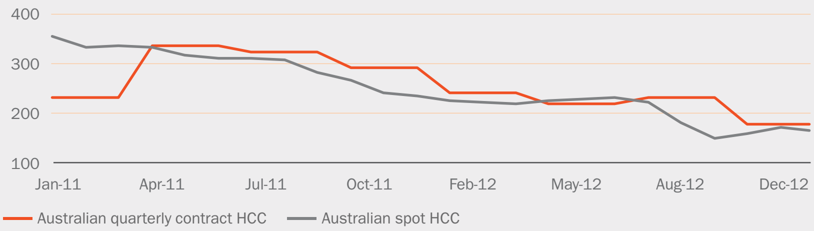
Share of coking coal imports in 2012

Total import: 278 mt



Source: CRU and Credit Suisse Research

Spot vs. contract hard coking coal prices



Source: CRU and Credit Suisse Research

294mt

Total coking coal exports in 2012

Vanadium Market in 2012

Vanadium is predominantly used as an alloying agent to increase the strength of steel. Nearly 85% of the vanadium used in this process is ferrovanadium, which is used as an alloying agent for iron and steel, while vanadium pentoxide is used as a catalyst for the production of sulphuric acid. Vanadium demand is heavily aligned with levels of steel production, particularly high-strength steel grades.

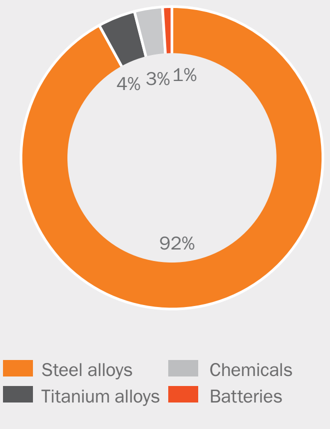
Global vanadium demand in 2012 was estimated at 81,000 tonnes with 92% consumed in the steel industry.

Vanadium production in 2012 was estimated at 70,000 tonnes with China supplying nearly half of global production.

Market imbalances drawing on the large volumes of inventories continued to provide pricing support throughout 2012. Ferrovanadium prices recorded an average 20% increase in 2012 and reached a high of US$28/kg at the end of December (European Fe-V price).

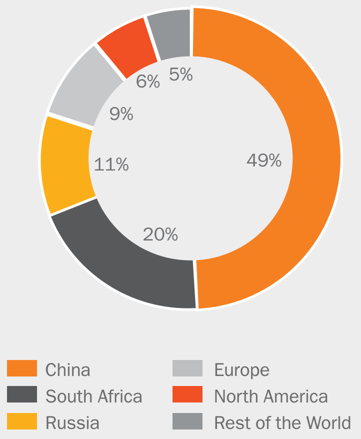
Vanadium demand by application

Total Demand: 81 kt



Vanadium supply by country

Total Production: 70 kt

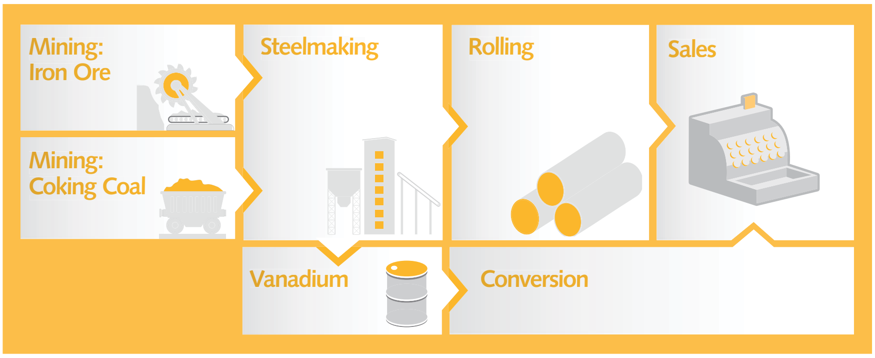


Source: Metal Bulletin estimates, Bloomberg for price data.
Note: (1) Supply defined as production of vanadium oxides or downstream products.

81kt

Vanadium demand in 2012

EVRAZ's Business Model



EVRAZ creates value by processing its proprietary mineral resources into high-end steel products for its large scale global infrastructure clients. Efficient operations, continued pursuit of economically attractive asset development and search for value-enhancing M&A transactions are the fundamental features of EVRAZ's approach.

The health and safety of its employees is the primary focus of all decision making at EVRAZ. The Company also places great emphasis on the recruitment and development of its workforce, as this provides the backbone for all of EVRAZ's operations.

EVRAZ's value chain

1. Iron ore

EVRAZ's iron ore supplies are fully vertically integrated for its key steelmaking facilities. The Company mines and processes iron ore to produce high quality marketable concentrate. EVRAZ's iron ore assets are located close to the Company's steelmaking facilities which minimises associated transportation costs. EVRAZ is currently 100% self-covered in iron ore.

2. Coking coal

EVRAZ is a leading coking coal producer in Russia. The Company operates underground mines and processing plants in Kuzbass, the primary coking coal region of Russia. EVRAZ consumes a proportion of the coking coal produced at its core steelmaking plants in CIS and the remainder is sold domestically or exported to Asia and Europe. As part of the Company's drive for increased coking coal self-coverage, EVRAZ acquired a controlling stake in the Raspadskaya coal mining company. On a pro forma basis, coking coal self-coverage of the combined entity would have been about 142% in 2012.

3. Steelmaking

Steelmaking is the core of EVRAZ's business. The Company produces steel from proprietary iron ore and coking coal, as well as collected scrap. Due to the close proximity of its raw materials base and efficient operation of its steelmaking plants, EVRAZ produces high quality steel at a low cost. Semi-finished steel products can be further rolled into finished products at EVRAZ's worldwide processing facilities or sold to third parties in Europe, Asia and Middle East.

4. Rolling

EVRAZ specialises in production of construction (long) steel products in CIS. These products, including rebar and H-beams are used for construction of bridges, stadiums, offices and residential buildings. EVRAZ is also a world leader in railway products both in terms of quality and volume produced.

5. Sales

The Company strives to market its products directly at local and international markets. This gives EVRAZ an in-depth understanding of its customers' needs and the opportunity to rapidly adjust production volumes to market trends.

6. Vanadium

Vanadium is a valuable ferroalloy which is added to steel in order to make it stronger. Due to the unique geological characteristics of EVRAZ's iron ore reserves in Russia and South Africa the Company is able to extract vanadium from by-products at its steelmaking plants at very low cost.

Distinctive capabilities and sources of competitive advantages

Proprietary mineral resource base

Historically EVRAZ's operations were designed as a single production chain consisting of a proprietary mineral resource base and a steelmaking facility. EVRAZ's steelmaking plants are the most natural consumers of the Company's own iron ore and coking coal as they are have been designed to process unique components of the raw materials and are located in close proximity to the resource base.

Unique product mix & presence in key markets

EVRAZ produces a superior portfolio of products, and is the leading producer of construction steel products in the CIS, a global player in railway products and a major constituent of the North American tubular product market. The Company creates value by applying its technical expertise to the production of high quality steel products, for sophisticated applications, and to secure market leading positions. The Company's production facilities are located close to key markets, reducing transportation costs, decreasing working capital requirements and allowing EVRAZ to react flexibly and swiftly to changes in customers' requirements.

Geographical diversification

EVRAZ's operations are spread over 7 countries in 4 continents. The Company's global presence provides it with the ability to monitor market developments both along the production chain and geographically. This ability has become especially important following the divergence of economic growth and steel consumption between developed and emerging markets over recent years.

Low cost & efficient operations

The major steelmaking facilities of EVRAZ are located in CIS, which is structurally a low cost region for steel production due to low prices on key inputs such as gas and labour. This provides EVRAZ an opportunity to create value when exporting steel produced in CIS to either proprietary rolling facilities in Europe and USA or to customers globally. EVRAZ also creates value by maximising efficiently at its operations, using the EVRAZ Business System, which minimises processing costs and the production cycle.

Leading global vanadium producer

EVRAZ delivers value in its vanadium business as a result of its unique low cost position on the global cost curve. This position is secured by the historical combination of iron ore and steelmaking facilities in Russia and South Africa as well as by the fact that vanadium is produced efficiently as a by-product of its main steelmaking operations.

EVRAZ's Strategy

The Strategic Objective of EVRAZ is to create long term value for shareholders by maintaining a balance between investment, financial stability and dividend payment.

Strategic Objective	Commercial Objectives	Development Principles
To create long term value for shareholders by maintaining a balance between investment, financial stability and dividend payment	• Further vertical integration and development of the raw materials base • Strengthening of competitive positions in key markets • Development of the product portfolio • Enhancement of cost leadership positions in steelmaking	• Health, Safety and Environment • Human Capital • Customer Focus • EVRAZ Business System • Growth

Corporate Social Responsibility
CSR report can be found at page 54 of the report.

Risk Management
The Group's business and operations are exposed to various business risks. The principal risks of EVRAZ can be found at page 28 of the report.

Key Performance Indicators
EVRAZ's financial and non-financial KPIs to measure and manage its performance can be found at page 26 of the report.

Given the context of the global steel industry in which EVRAZ operates, achieving this core aim depends upon delivering a number of Commercial Objectives:

- Further vertical integration and development of the raw materials base
- Strengthening of competitive positions in key markets
- Development of the product portfolio
- Enhancement of cost leadership positions in steelmaking

In view of the scale of ongoing improvement in a business as large as EVRAZ, which spans four continents and employs more than 110,000 people, it is important to establish and adopt a clear set of Development Principles. These principles, which demonstrate the Company's commitment to change, consist of five elements which, together, provide a solid foundation for long term sustainable development.

The Development Principles cover:
1. Health, Safety and Environment
2. Human Capital
3. Customer Focus
4. EVRAZ Business System
5. Growth

By delivering on the first four principles EVRAZ will achieve growth. Well managed growth will ultimately lead to EVRAZ delivering on the commitment to create long term value for shareholders.

Commercial objectives

Further vertical integration and development of raw materials base

2012 was a highly volatile year for commodities including coking coal and iron ore. However, EVRAZ believes that these fluctuations and subdued pricing were short-term and of a temporary nature. At the same time, all fundamentals remain intact: China, being the largest consumer of commodities, continues to experience a structural lack of resources; and iron ore and coking coal markets are still concentrated on the supply side, which allows the major players to react swiftly to changes in demand. These factors should continue to support prices of iron ore and coking coal for the next 5 to 10 years.

Given the market outlook and competitive advantages of EVRAZ, arising from the geographical proximity of the proprietary mineral resource base and key steelmaking facilities, the Company has set long term targets of 120% self-coverage in iron ore and 130% in coking coal excluding production volumes of Raspadskaya. This implies total production of 22 million tonnes of saleable iron ore products per annum and 15 million tonnes of raw coking coal per annum from 2016. The Company intends to maximise the intragroup consumption of proprietary key raw materials and sell the excess in the open market.

Coking coal

EVRAZ continues to develop the coking coal business both organically and through the transformational acquisition of Raspadskaya, which was completed in January 2013. The pipeline of organic development projects includes the construction of the Yerunakovskaya VIII mine with a production capacity of 2.5 million tonnes of raw coking coal per annum and the Mezhegey project with a projected production capacity of 6.5 million tonnes of hard coking coal per annum.

In 2012, the Company completed the construction of the Yerunakovskaya VIII mine in the Kuzbass region for the production of semi-hard coking coal. The first coal was mined in February 2013, with total annual production projected to reach 1.2 million tonnes in 2013. The ramp-up to full capacity of 2.5 million tonnes per annum will take place in 2013 with the mine reaching nameplate capacity by 2014. Coal washing will take place at the existing facilities and the coal concentrate will be utilised by EVRAZ's steelmaking plants in Russia. Proven and probable reserves of Yerunakovskaya VIII mine under JORC classification amount to 85 million tonnes of semi-hard coking coal. Total capital spending under the project amounted to US$310 million, which is almost 20% below the budget target. The estimated cash cost of raw coal production is US$40 per tonne, which places Yerunakovskaya VIII mine in the lowest quartile of CIS producers in terms of the cash cost curve. Coal from the Yerunakovskaya VIII mine will be utilised intragroup and sold in the market.

EVRAZ continues to work on the Mezhegey Phase I project, a world class coking coal deposit located in the largest undeveloped coal province in Russia. Total reserves of deposits covered by EVRAZ's licences amount to 763 million tonnes of hard coking coal based on exploration works of prior periods. During the first stage EVRAZ envisages mining 1.5 million tonnes of raw coking coal using room-and-pillar technology, thereafter utilising road haulage to the railway station and subsequently transporting the coal to proprietary coal washing plants in the Kuzbass region of Russia. The total capital budget for the first stage is US$195 million, funded principally through project finance from Gazprombank with limited recourse to EVRAZ plc. Cash costs of production of raw coking coal, including transportation to the coal washing plant, is estimated at US$70 per tonne, which is comparatively low for the production of hard coking coal in Russia. The first coal is expected to be mined in October 2013, with ramp-up to full capacity scheduled for 2014. The majority of production will be utilised by EVRAZ ZSMK.

The Mezhegey Phase II project involves both mining and coal washing facilities at the mine site. The main trigger for execution of the second stage will be the completion of the construction of a 400 km railway connecting the area with the Trans-Siberian railroad. The construction of the rail link is expected to be financed by the Russian government.

In 2012, EVRAZ made a major commitment to non-organic investment in coking coal assets via the agreement in respect of the acquisition of the Raspadskaya coal company. The Company has been a JV partner with the management of Raspadskaya since 2005 and has been actively involved in the strategic decision making process. Hence, the acquisition of Raspadskaya not only complements the Company's strategy to expand the mining business, but also captures operational synergies based on the aforementioned knowledge of Raspadskaya's assets. The integration of Raspadskaya into EVRAZ's business strengthens EVRAZ's market positions in Russia and Ukraine, significantly increases intragroup coal consumption and consolidates Asian export sales through the logistics infrastructure of Nakhodka Sea Port. For more information on Raspadskaya please refer to page 23.

Iron ore

EVRAZ's major iron ore projects include the brownfield development of the Sobstvenno-Kachkanarskoye deposit and the Timir greenfield project located in the Yakutia region.

In 2012 the Company finalised the feasibility study of the Sobstvenno-Kachkanarskoye deposit and received government approvals in February 2013. The 6.9 billion tonnes of iron ore confirmed by the Russian State Commission on Mineral Reserves provide 140 years of stable output at EVRAZ KGOK. Development of the deposit will enable EVRAZ to sustain the level of annual iron ore production at EVRAZ KGOK at 56 million tonnes. Total capex to realise the first stage of the project until 2016 is in excess of US$240 million. EVRAZ KGOK plans to commence production of iron ore at Sobstvenno-Kachkanarskoye in 2015. The iron ore mined will be sufficient to cover the needs of EVRAZ NTMK's production facilities in the foreseeable future.

In April 2013 EVRAZ signed an agreement to acquire the stake in the Timir company which holds licences for four iron ore deposits in Southern Yakutia with total reserves under the Russian classification of 3.5 billion tonnes of iron ore (Russian geological categories of A+B+C1). Among these deposits, the Tayozhnoye deposit is considered to be the most attractive with 341 million tonnes of fully explored reserves for open pit mining, with ore grades of 38-40% Fe and near to the existing infrastructure (located 4 km from railway, 6 km from power grid). In 2012, EVRAZ finalised a scoping study for the project with current estimates indicating a capital budget of US$1.8 billion. The mining capacity of the Tayozhnoye open pit is estimated at 15 million tonnes of iron ore per annum with first ore scheduled to be mined in 2018. Convenient geographical location of the Tayozhnoye deposit on a railway connected to the TransSiberian railroad provides for competitive delivery of iron ore products to EVRAZ ZSMK and Southeast Asian countries through the Far East of Russia.

Strengthening of competitive positions in key markets and development of product portfolio

EVRAZ expects that global steel consumption will grow at a moderate rate over the next two years due to uncertain economic conditions across the globe. Nevertheless, this provides the Company with an opportunity to increase its focus on specific niche products in key markets, i.e. enhance the leading global market position in railway products and in the CIS construction steel products' market.

In 2012, EVRAZ completed the modernisation programme at the rail and beam mill at EVRAZ ZSMK, which is now capable of producing high quality rails, including 100 metre rails suitable for high-speed railways. As a result of this project, EVRAZ is targeting growth in production capacity from the rail mill at EVRAZ ZSMK from 750 thousand tonnes to 950 thousand tonnes per annum with total available railway capacity at EVRAZ's Russian assets of 1.5 million tonnes. The full ramp-up of the rail mill at EVRAZ ZSMK is expected by mid-2013.

In 2013, EVRAZ plans to commission a new rolling mill, Vostochniy, in Kazakhstan, with a total annual capacity of 450 thousand tonnes of rebar thus strengthening our position in this growing market. EVRAZ is looking to expand its sales in Kazakhstan from the current level of 210 Ktpa to 300 Ktpa by 2015. The feedstock (square billet) for the mill will be delivered from EVRAZ ZSMK allowing the Company to manage sales of semi-finished products between domestic and export market with greater flexibility. The launch of the second rolling mill, in Russia, – Yuzhniy – with a total capacity of 450 thousand tonnes of rebar and sections per annum, is targeted for 2014.

At the beginning of 2013 EVRAZ North America embarked on a project to expand heat-treatment capacity at the Calgary mill in Western Canada from 80 thousand tonnes to 200 thousand tonnes per annum in order to strengthen margins. Mill modernisation will also provide for a 65 thousand tonne increase in mill welding capacity. The project is expected to be completed by 2014.

EVRAZ's Strategy (Continued)

Enhancement of cost leadership positions in steelmaking

EVRAZ has maintained its key competitive advantage of being a low cost steel producer through operational and strategic initiatives.

The management believes that CIS is one of the lowest cost regions for steel production in the world, enabling EVRAZ to benefit from lower production costs compared to some of its global competitors, i.e. EVRAZ benefits through both sales of low-cost Russian slabs to global markets and through synergies created by being able to supply feedstock to certain of its non-Russian subsidiaries.

In 2012 EVRAZ completed construction of the pulverised coal injection (PCI) project at EVRAZ NTMK. The consumption of natural gas is estimated to reduce by 50%, coke by 20% and the increase in capacity for pig iron production should amount to 100 thousand tonnes per annum. The project is expected to reach designated parameters during the first half of 2013. A similar PCI project is underway at EVRAZ ZSMK which is expected to be completed by mid-2014 with a similar 20% decrease in coke consumption, full elimination of natural gas consumption and additional pig iron capacity of 260 thousand tonnes per annum.

In 2012 EVRAZ approved a plan to enhance the effectiveness of EVRAZ DMZ Petrovskogo. The Company intends to adopt the standard upgrades that have been successfully implemented at the Russian steelmaking facilities. These include: PCI technology aimed at fully eliminating natural gas consumption, improvements to blast furnace productivity through a new air separation unit, and debottlenecking of processes at the sinter screening and structural mill stages. The implementation of PCI projects and improvements at the blast furnace will contribute to the growth of pig iron production from 860 thousand tonnes to 1.35 million tonnes per annum by 2014 and to a reduction of ca. 20% in the cash costs of billet production.

Development principles

1. **Health, Safety and Environment.** During the last two years EVRAZ has significantly increased its focus on health, safety and environment (HSE) performance. The long-term target of HSE policy is to prevent all fatal accidents and to comply with environmental standards. To achieve these targets EVRAZ has implemented programmes which ensure compliance with rigorous safety standards in every EVRAZ workplace and which provide all employees with relevant safety training. The Company has established a dedicated corporate HSE function at management level and has linked the remuneration of senior executives to the achievement of safety performance targets. In addition, the Board HSE Committee reviews the Company's performance in this area and recommends improvements where appropriate.
2. **Human capital.** EVRAZ perceives the attraction and retention of high calibre employees as an integral element of the Company's sustainable success. As well as providing competitive levels of remuneration by industry standards, EVRAZ provides significant professional development support for its employees. For instance, the Company cooperates with the leading Russian Skolkovo Business School annually through the EVRAZ New Leader programme which provides management learning opportunities based on global best practice. This initiative is a part of EVRAZ's human capital strategy with an ultimate goal of comprehensively supporting the development of middle management to create a pool of qualified successors to fulfil the management challenges of the future and adopt senior roles within the Company.
3. **Customer focus.** Given the versatile industry landscape, EVRAZ takes into full account the importance of customer loyalty. The Company's long-term target is to minimise customer claims, late delivery and incomplete orders. The results of 2012 provide evidence that the Company is on track in meeting its long-term targets, with a quadrupled decrease in late delivery and incomplete orders compared to 2011, and visibly improved customer satisfaction with the quality of claim processing. EVRAZ's strategic effort includes the development of new products designed to match evolving customer requirements and generate additional value from tailored solutions. The goal is to expand the proportion of new products to 5% of the total product mix. Priority niche segments are identified based on rigorous research and selection. As a first step in this programme, EVRAZ has launched a new product development pilot project at the railway shop of EVRAZ NTMK. Similar projects will be initiated at other operations during the course of 2013.
4. **EVRAZ Business System.** As a part of EVRAZ's comprehensive efforts to reduce costs at key industrial facilities, the Company continues to implement the EVRAZ Business System. The core of this programme is comprised of a set of Lean production practices affecting various areas including safety, work flow and maintenance optimisation, and warehouse management. The key objective is the elimination of production losses due to unplanned machine downtime with the aim of decreasing cash costs on a sustainable basis. A detailed breakdown of the elements which make up the EVRAZ Business System can be found on page 24.
5. **Growth.** The pursuit of growth options is confined to the key areas of EVRAZ's expertise, such as development of the raw materials base, the promotion of further vertical integration, strengthening of the competitive positions in key markets, development of the product portfolio and the enhancement of cost leadership positions in steelmaking.

Research and development

EVRAZ constantly seeks to improve operations at its facilities, principally through enhancing operating efficiency, reliability and capacity. The majority of these measures constitute incremental improvements to current activities and, as a result, are undertaken in conjunction with regular operational maintenance and monitoring. Where appropriate, EVRAZ seeks to register any rights to intellectual property that may result from these efforts.

Delivering Growth in 2013

Overview of Raspadskaya's Business

Following completion of the acquisition of Raspadskaya, EVRAZ has become the largest producer of coking coal in Russia and is expected to generate substantial operational synergies including the optimisation of different coal grades in the combined coal products' portfolio. The acquisition increases EVRAZ's coking coal self-coverage, which is consistent with the Company's strategy of increasing its resource base of raw materials needed for steelmaking.

Raspadskaya is located in the Kemerovo region of Russia and consists of three underground mines and an open-pit mine, a coal washing plant, a coal transportation network and a number of integrated infrastructure companies.

The Raspadskaya's coking coal washing plant is the largest in Russia, with a production capacity of 15 million tonnes per annum and includes technology which allows for the coal blend to be adjusted and an integrated quality control laboratory.

In 2012, Raspadskaya mined 7 million tonnes of raw coal, with sales volumes of coal products (semi-hard coking coal concentrate and hard raw coking coal) totalling approximately 5 million tonnes.

As at 31 December 2011, the Raspadskaya had over 1.3 billion tonnes of high quality coking coal reserves, which is sufficient to sustain production for over 90 years. Additionally, Raspadskaya has a proven track record of reserve base expansion, with ca. 533 million tonnes of high quality coking coal reserves added since 2006.

Raspadskaya has a diversified customer base, supplying coking coal to the majority of the Russian steel majors, such as EVRAZ, MMK, NLMK, Koks, Mechel, etc., as well as customers in the Asia-Pacific region and Eastern Europe (Ukraine).

EVRAZ Business System

The EVRAZ Business System ("EBS") is the practical expression of EVRAZ's vision which aims to reduce costs, improve quality and safety and eliminate waste*. EBS incorporates the business principles and tools of the Lean management philosophy to manage change and create a culture of continuous improvement within the Company. It consists of a set of principles that define the way the Company operates and the way people think and act. EBS applies in every part of the business and every process in the organisation.

The main objectives of EBS are to design out overburden and inconsistency and to eliminate waste. The most significant effects on process value delivery are achieved by designing a process capable of delivering personal customer requirements and business results smoothly.

EBS objectives

- Grow leaders who thoroughly understand the work, live the philosophy, and teach it to others.
- Develop exceptional people and teams who follow Company's philosophy.
- Respect the extended network of partners and suppliers by challenging them and helping them improve.
- EVRAZ understands customer value and focuses its key processes to continuously increase it. The ultimate goal is to provide perfect value to the customers through a perfect value creation process that has zero waste.

The Company uses the following tools in order to apply the Lean philosophy throughout EVRAZ and involve the workforce in improving their business:

- Strategy Development and Deployment Matrix – a form used to show relationships between 3-5 year objectives, improvement priorities, targets, resources required and benefits to the organisation;
- Value Stream Analysis to analyse and design the flow of materials and information required to bring a product or service to a consumer;
- A3 Thinking provides for a systematic method to identify opportunities for improvements in the workplace, realise them daily as well as make the transformation planning and problem solving;
- Cell Development is the area where work is performed and improvement is made. This area includes such items as 6S, Flow, Standard Work, Pull and Visual Management, which ensure a safe and effective work environment.

EBS in action

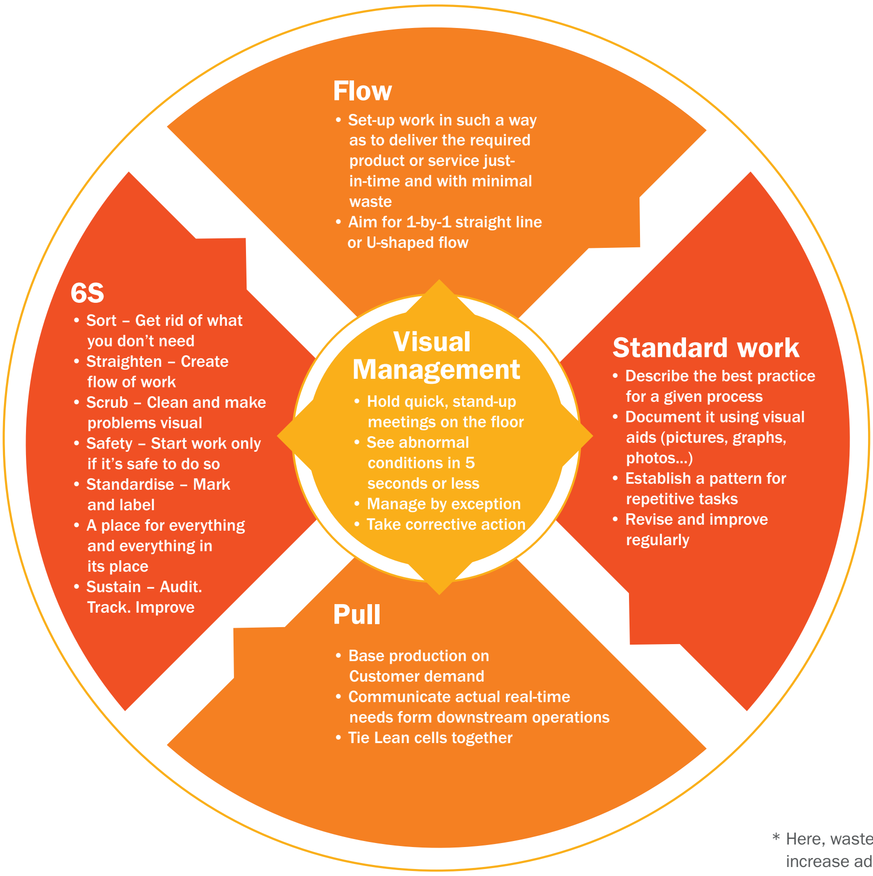
In two years since the introduction of the EVRAZ Business System the Company has achieved significant results in the improvement of its processes and procedures.

While in 2011 the Company mostly concentrated on introducing the principles of Lean philosophy and deploying some of the basic Lean tools and instruments, 2012 was focused on expanding that knowledge and consolidating it in so-called lean "pilots" with the aim of increasing the efficiency of various work areas at sites and offices. This allowed the Company not only to develop specific areas but also provided key examples of how to implement the EVRAZ Business System in practical terms.

A large part of that effort was concentrated on building cells, especially those dedicated to maintenance and repairs. The first pilot area was the continuous caster #4 at EVRAZ NTMK, one of the most critical pieces of equipment of the plant. The result was an increase in the speed and quality of repairs of bender rolls for the shop.

Cells also laid the ground for changing the Company's current function-oriented approach to management to team based problem solving that allows the cross functional members to determine the root cause to problems and develop concrete countermeasure plans to resolve them.

In 2012, EVRAZ initiated a study into aligning the organisation along product lines to create a system where marketing, sales, finance, product development and operations can work across the Company tackling various processes with the goal of making them less wasteful and more cost-effective.



* Here, waste refers to anything that does not advance the process or increase added value

Risk register within EBS

With risk being a critical element in the ability to achieve business strategies EVRAZ is incorporating the risk register as a key element in the Company Mission Control Rooms. This process allows the management to assess the risks and develop counter measures thus to align the organisation and maintain the trajectory of improvement toward the Company's True North Goals. This is a significant step for EVRAZ as the Lean principles are deployed within the EVRAZ Business System.

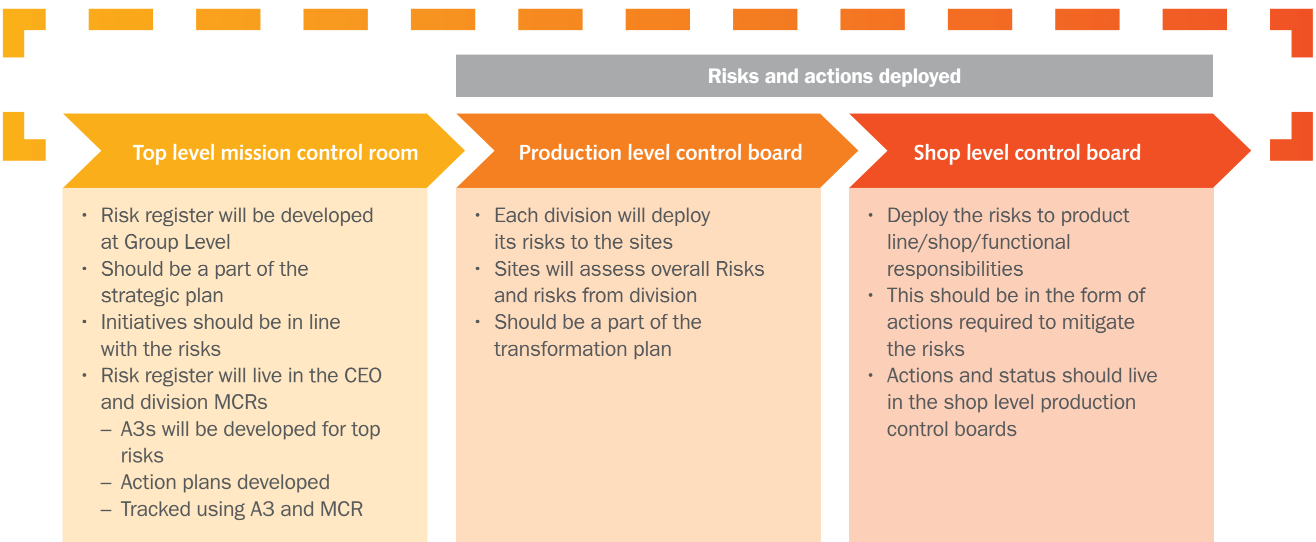
EVRAZ will take a measured approach to risk management that enables:

- an understanding of the level of risk exposure that can be tolerated
- an understanding of the type of risks faced and how to measure them
- where the level of risk exposure is too high that a suitable level of mitigation exists
- the ongoing assessment of the effectiveness of mitigation
- prompt action where existing arrangements are found to be inadequate or ineffective
- an awareness of risk at all levels within EVRAZ to ensure that risks can be escalated to a level of management that can effectively respond to them

Key targets for 2013

As EVRAZ strives to enhance quality and efficiency, the Company has set a goal for 2013 to develop a Lean maintenance and procurement system for 20% of critical equipment at all sites. While efforts in 2012 were concentrated on the deployment of 6S, in 2013 the focus will be shifted to increasing the 6S score of the Company to a minimum of 50%. Management also plan to increase the amount of training and recognition for improvements by employees (one EBS target is 100% recognition of all improvement efforts in the Company). Finally, the management of EVRAZ intends to set up a model Lean facility for each of the divisions which will give each business unit an example of what a Lean production site should look like. This initial enterprise will lead the way for other EVRAZ sites to follow suit in due course.

EBS risk register flow chart



Key Performance Indicators

EVRAZ uses a range of financial and non-financial KPIs to measure and manage its performance.

LTIFR (per million hours)

Lost Time Injury Frequency Rate (LTIFR) represents the number of Lost Time Injuries (LTI's) that occurred over a period time per 1,000,000 hours worked in that period.

EVRAZ is committed to the highest standards of health and safety and measuring performance enables the Company to identify and manage issues.

Steel Sales Volumes (million tonnes)

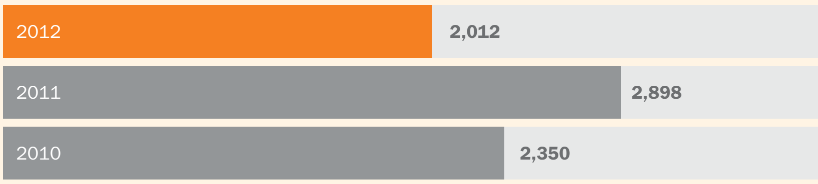
We measure our total steel sales in millions of tonnes, combining all types of steel which we produce around the world.

The volume of steel we sell is a key determinant of our performance and an indicator of conditions in our markets.

EBITDA (US$ million)

EBITDA represents profit from operations plus depreciation, depletion and amortisation, impairment of assets, loss (gain) on disposal of property, plant and equipment and foreign exchange loss (gain).

EBITDA reflects our fundamental earnings potential, it measures the cash earnings that can be used to pay interest, repay the principal, finance capital expenditures and dividends.



Inventory Turnover (days)

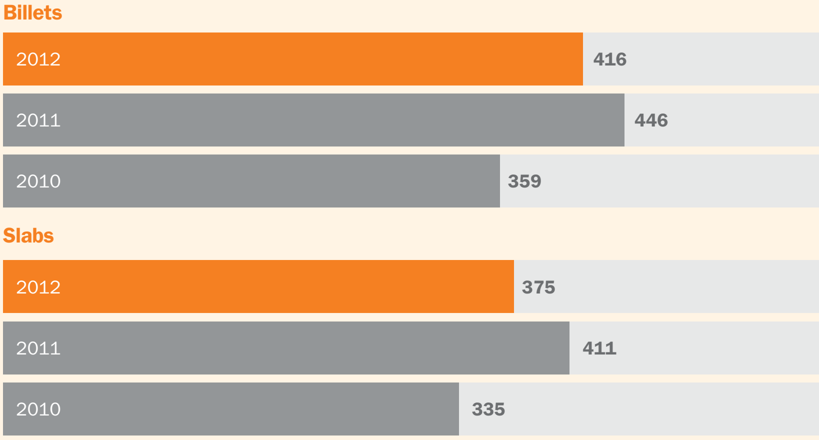
Inventory turnover is the average number of days required to manufacture and sell inventory. The inventory turnover is determined as the average quarterly inventory balances for the reported year divided by the cost of goods sold and multiplied by 365.

Inventory turnover indicates the efficiency of our production planning process and our sales and marketing management.

Average Cash Cost (including maintenance Capex) of Russian Steel Facilities for Slabs and Billets (US$/tonne)

Cash cost is defined as the production cost less depreciation, the result is divided by production volumes of saleable steel semi-products. Raw materials from EVRAZ's mining segment are accounted for on at-cost-basis of the Mining segment.

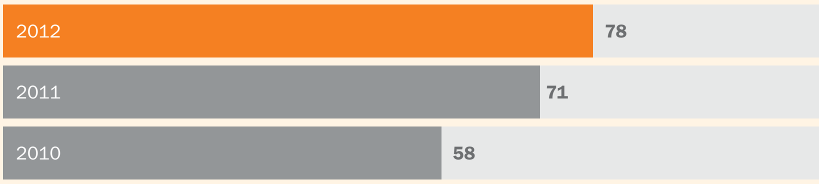
We use cash cost as a measure, because EVRAZ considers cost leadership as key to its competitive advantage.



Average Cash Cost of Russian Iron Ore Products (Fe 58%) (US$/tonne)

Cash cost is defined as the cost of revenues and SG&A expenses less depreciation and other non-cash items, the result is divided by sales volumes. Adjustments are made for iron ore products containing various grades of Fe (pellets, sinter, iron ore concentrate) to reflect average Fe content 58%. Cash costs are on an EXW basis.

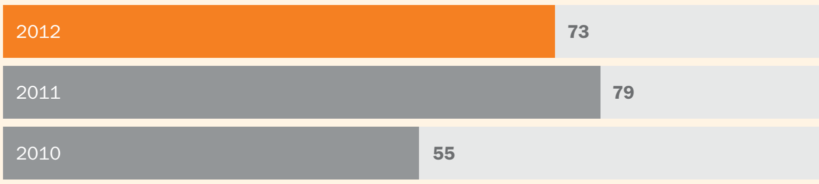
We use cash cost as a measure, because EVRAZ considers cost leadership as key to its competitive advantage.



Average Cash Cost of Washed Coking Coal (US$/tonne)

Cash cost is defined as the production cost less depreciation, the result is divided by production volumes. Adjustments are made for part of volumes of raw coking coal processed at coal washing plants of other companies (not Yuzhkuzbassugol).

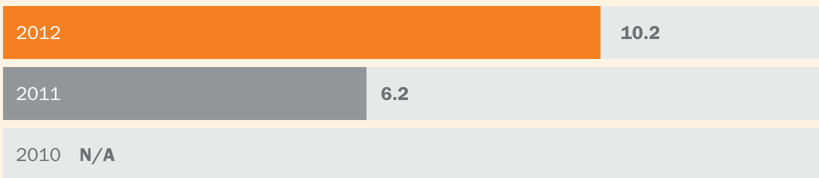
We use cash cost as a measure, because EVRAZ considers cost leadership as key to its competitive advantage.



Environmental Fines (US$ million)

We record all environmental incidents at our operations to measure compliance with environmental standards covering: water discharges; air emissions; waste; and general work activity. This KPI measures environmental performance in the broadest possible way and sets out the total sum of fines imposed on EVRAZ in the year.

EVRAZ is committed to minimising its impacts upon the environment and have a target of achieving zero incidents.



Note: In 2012, revenue was excluded from reported KPIs due to a renewed focus by management on efficiency rather than gross metrics of operating and financial performance. KPIs on average cash cost for slabs and billets at Russian operations have replaced average cash cost of Russian rolled steel products as a better metric for comparison of the cost performance of the Group with the peer group. Cash costs of washed coking coal and cash cost of Russian iron ore products (rebased to 58% Fe content) were added to reflect the performance of the Mining segment of the Group.

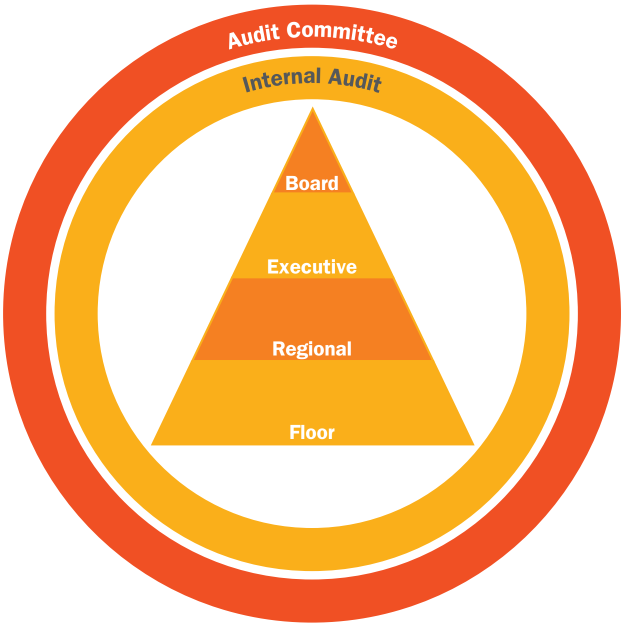
Principal Risks and Uncertainties

Effective management of risk is essential to achieving EVRAZ's objective of delivering long-term value to shareholders and to the protection of its assets, people and reputation. Identifying, evaluating and managing business risks are integral to the way EVRAZ runs its business.

Strategic Risks

Risk Type	Risk	Mitigation
Impact of Global Macroeconomics and Industry Cyclicality	EVRAZ's sales, profits, balance sheet and potentially the economic viability of projects and investments could be adversely impacted by macroeconomic factors such as: • The cyclical nature of the steel, mining and vanadium industries with prices strongly influenced by economic conditions; • Potential disparities between global steel and raw material production capacity which could influence pricing; and • Adverse fluctuations in RUB/USD exchange rates and other foreign currencies.	EVRAZ's operations are diversified across a number of geographic markets thereby providing some protection from adverse economic conditions. Production is focused primarily on the infrastructure segment of the steel markets where the Company commands leading market shares and benefits from high barriers to entry. EVRAZ's vertically integrated business model serves to protect the Company from higher raw material input prices and various pricing formulas are utilised in respect of contracts. In addition, products are sold under a range of contracts, some of which are linked to raw material prices. A proportion of products are supplied on long-term contracts. EVRAZ's operations are generally low cost in comparison with much of the Company's peer group, a factor which provides some mitigation against economic fluctuations. EVRAZ's main foreign exchange risk is the potential impact on the asset value of the Group's Russian operations; this risk is mitigated in that all products are priced in US dollars or on a USD related price.
Safety	Safety risks are inherent to the Company's principal business activities of steelmaking and mining. EVRAZ employees face a range of risks including the potential dangers of fire, explosions and electrocution. Additional risks, specific to individual mines, include methane levels, rock falls caused by geological conditions, and accidents involving equipment and/or vehicles. EVRAZ faces risks including regulatory fines, penalties and adverse impacts on reputation and, in the extreme, the withdrawal of mining or plant environmental licences thereby curtailing operations for an indefinite period.	EVRAZ has instigated a programme to improve the management of safety risks across all business units and embed a new culture at all levels within the Company, supported by operational manuals and detailed procedures. This system is subject to oversight at Group and site level in order to ensure all HSE systems are aligned and that response to safety risks is co-ordinated, consistent and complete. EVRAZ has reviewed the Group's training activities in order to ensure that all employees can provide strong and professional leadership with regard to safety issues. EVRAZ reviews the performance of all contractors against Group policies and contractual safety requirements. In the event of non-compliance by contractors the Group takes appropriate action, including contract termination. An operational safety assessment represents a primary aspect of all new projects, particularly new mines where measures to contain methane levels are a priority.

EVRAZ Risk management framework



Strategic Risks

Risk Type	Risk	Mitigation
Capital Projects and Expenditures	The advancement of EVRAZ's strategic objectives is, in large part, dependent upon the completion of a number of important projects designed to enhance the Company's key product delivery, reduce production costs and increase the vertical production of our raw material inputs. The economic viability of capital projects could be impacted by increases in capital costs due to delays and other factors, unforeseen changes to future metal and metallic coal prices and the acquisition and retention of relevant operating licences. In addition, the profitability of new projects could be impacted by higher than expected operating and Life of Mine (LOM) costs due to variables such as lower than expected coal and iron ore quality, coal seam economics and technical processing and engineering factors. In addition, the cost to EVRAZ of maintaining current mines is subject to various factors which are outside the Company's control, including the price of consumables.	EVRAZ reviews all proposed capital projects on a risk return basis. The Group sets expected internal rates of return (IRR) for each project as thresholds for approving the allocation of capital based on the net present value (NPV) of expected cash flows from invested capital. The IRR and NPV are also reviewed based on sensitised cash flows using variables for commodity prices, inputs and sales, and volumes (mines). Before undertaking the development of a mine, EVRAZ takes into account a range of considerations and utilises independent experts to review various factors such as: resource estimates; studies of ore quality in relation to market demand and value; mine development costs; mining techniques (open pit or underground) and associated investments; logistic options, including transport and power; environmental impacts; and labour availability. Cash costs and full sustainable cash costs over LOM are also reviewed compared to local and open market metrics. Each project is presented for approval against the Group's risk matrix to assess the downside in respect of each project and any potential mitigating actions. Project delivery is closely monitored against project plans to ensure that investments are on time and on budget and to assess any changes in project and capital expenditure against the approved NPV.
Environmental Incidents	Mining and steel production carry an inherent risk of environmental impacts and incidents, relating to issues as diverse as water usage and quality of water discharged, air emissions, metallurgical waste recycling, tailings management and community discontent. Consequentially, EVRAZ faces risks including regulatory fines, penalties and adverse impacts on reputation and, in the extreme, the withdrawal of mining or plant environmental licences thereby curtailing operations for an indefinite period.	EVRAZ has put strong environmental systems, procedures and controls into place. Environmental risks are the responsibility of the regional business units with oversight from the Group's HSE team, HSE Committee and, ultimately, EVRAZ's Board. The majority of EVRAZ's operations are certified under ISO 14001 and the Company continues to work towards bringing the remaining plants to certification. EVRAZ is currently compliant with REACH requirements.

Principal Risks and Uncertainties (Continued)

Strategic Risks

Risk Type	Risk	Mitigation
Human Resources	EVRAZ's employees represent a key resource and are critical to the delivery of the Company's objectives. Principal risks involve the selection, recruitment, training and retention of employees, together with securing appropriately qualified executives with regard to current and new operations. Succession planning in respect of EVRAZ's senior management is under constant review although this does not preclude issues in relation to key roles. Whereas the aforementioned issues are applicable throughout the Group's global operations, the ongoing expansion of mining operations in Russia has led to a particular shortage of experienced and skilled mining professionals. This risk is exacerbated by the climatic conditions and/or remote locations pertaining to certain of the Company's current and potential mines. Certain regulatory and cultural factors can also prove disincentives in terms of recruitment from outside Russia. There is a risk of employee union action, as witnessed at the Group's South African operations during 2012, although such action is not indicative of the overall state of labour relations at EVRAZ which are largely favourable. However, this cannot preclude the risk of future industrial disputes.	EVRAZ continually assesses its human resources requirements and seeks to meet its leadership and skills needs through the retention of employees and internal promotion. EVRAZ maintains structured and professional internal mentoring and external development programmes including EVRAZ's New Leaders programme, focused on high potential employees, and Talent management supervision conducted by the Company's Talent Committee. The Company has instigated clearly assigned responsibilities and programmes designed to maintain close relationships with employee unions throughout its operations. EVRAZ seeks to be proactive and timely in response to the needs and concerns of trade unions.
Business Interruption	Steel making and mining operations are subject to a number of operational risks which have the potential to cause prolonged production delays or shut-downs. These include equipment failure, regulatory requirements in respect of safety concerns, geological and technical challenges, climatic conditions, interruptions to power supplies and disruptions to transportation services. Additionally, long-term business interruption may result in loss of customers and damage to the Company's reputation.	EVRAZ has established protocols and procedures across all of its activities to mitigate the effects of business interruption. The Company has initiated planned maintenance programmes at the majority of its plants and records of minor interruptions are reviewed for the purpose of identifying prospective problems of greater magnitude. KPIs are utilised at each of the Group's plants, units and mines, encompassing all significant interruptions. All of the Company's operations possess disaster recovery plans which are reviewed regularly by Internal Audit. The Group also carries business interruption insurance, excluding mining operations.
Potential Actions by Governments	EVRAZ operates in a number of countries and there is a risk that governments or government agencies could adopt new laws, regulations or other requirements which could have an adverse impact on the Group's operations and business. Such developments could also have the effect of limiting the Group's ability to obtain financing in international markets.	EVRAZ and its executive teams are members of various national industry bodies and, as a result, contribute to the thinking of such bodies and, when appropriate, participate in relevant discussions with political and regulatory authorities. EVRAZ also has programmes in place across the Group's operations to support the Company's "good corporate citizen" credentials.

Strategic Risks

Risk Type	Risk	Mitigation
Treasury Risk	As with many other large multinational companies, EVRAZ faces various treasury risks including liquidity, credit, and interest rate risks. Adverse events in global financial markets could affect the Group's ability to raise new debt, refinance existing debt and/or lead to higher debt service costs. The Group's current debt facilities include certain covenants in relation to equity, net debt and interest expense. A breach of these covenants could result in certain of the Group's borrowing facilities becoming repayable immediately. EVRAZ is subject to significant counter-party risk via receivables from commercial and financial institutions.	EVRAZ manages liquidity risk by maintaining adequate cash and borrowing facilities, as well as through cash management procedures that continually monitor forecast and actual cash flows and by matching funding with the Group's cash needs and re-financing obligations. Covenant compliance is managed by close monitoring of the overall Group's business performance and, again, with the continual review of forecast and actual cash flow. Free cash flow, net of capital expenditure, total funding, maturity profile and covenants are considered at each EVRAZ Board meeting. With regard to risk management of funding cost, the majority of the Company's funding has been secured on a fixed interest basis. The Group manages counter-party risk with commercial customers through a combination of letters of credit and, where creditworthiness is uncertain, by pre-payments. In the event that credit terms are longer than the Group's standard payment terms, collateral is sought. There is no significant concentration of credit risk within EVRAZ's customer base. The credit worthiness of all financial institutions with which EVRAZ has cash balances or places deposits is kept under regular review. The majority of the Group's funding is denominated in US dollars. Major funding in other currencies, primarily the Russian rouble, is substantially dollar hedged with financial institutions.
Cost Competitiveness	Most product groups in the steel industry are highly cost competitive and this is particularly relevant to the Groups' key markets in Russia and North America. Although EVRAZ is active in the manufacture and sale of niche products, the Group is able to focus on specific geographic regions and enjoys certain cost advantages linked to customer proximity, volume and quality, the majority of the Group's steel production remains cost and price sensitive. Steel making is a high capital cost industry and the impact of lower plant utilisation increases the underlying cost per tonne of crude and rolled steel, reducing any profit margin. At the Group's Russian plants, employees tend to represent the majority of the local community's active workforce. Changing production requirements can, therefore, lead to local political and social challenges.	The majority of the Group's recent investments have been designed to significantly reduce costs, as illustrated by the Company's utilisation of PCI technology within its steelmaking operations in order to reduce energy costs and enable the use of cheaper, lower quality carbon (coal/coke) inputs; the focus on the development of the Group's key cost competitive rail and beam production for both domestic and export markets; investment in the production of high quality slab which can be further processed by the Group's international plants, particularly for the North American market; and the expansion and control of the Company's Russian domestic steel distribution network. The Group continues to develop a number of new greenfield and brownfield mining operations which will produce higher quality coal and iron ore at a lower cash cost, thereby benefiting the Company's overall steel making cost per tonne.

Operating Review

Operating Performance Overview

EVRAZ groups its operations into four principal operating segments: Steel, Mining, Vanadium and Other. Within each of these operating segments there are dedicated management teams which focus on particular geographies and/or product lines.

The steel operating segment represents the core of EVRAZ's business with operations spread over 4 continents. The Company is a prominent participant in multiple steel product markets with a specialised focus on the infrastructure sector. In 2012, consolidated output of crude steel totalled 15.9 million tonnes, a 5% decrease compared to 2011, while gross production of steel products fell by 4% to 15.7 million tonnes. These decreases in steel output were the result of a variety of both internal and macroeconomic factors.

The most important of these internal factors was the large scale modernisation programme implemented at the Company's Russian assets, which included an upgrade of the rail mills at EVRAZ NTMK and EVRAZ ZSMK, an overhaul of the electric arc furnace at EVRAZ ZSMK and the implementation of PCI projects at both EVRAZ NTMK and EVRAZ ZSMK. The completion of this ambitious investment programme will allow EVRAZ to benefit from superior prices, an increased volume of high value added products in the product mix and improved efficiency and safeguard the competitiveness of the Company's long run cost position.

EVRAZ's North American steelmaking facilities enjoyed a healthy demand for all product groups in 2012, which led to a strong performance, particularly in tubular and long products. Meanwhile, EVRAZ's European operations suffered from temporary suspensions and the Company's South African operations were adversely impacted by labour strikes and the subdued macro outlook in the region. EVRAZ mining operations cover a substantial portion of Company's consumption of iron ore and coking coal, with major mining facilities located in Russia, Ukraine and South Africa. In 2012 EVRAZ's self-coverage in iron ore was almost 100% and 73% (excluding Raspadskaya) in coking coal. Following the completion of acquisition of Raspadskaya, the Company's self-coverage in coking coal increased to 142% (based on 2012 results).

In 2012, EVRAZ's total iron ore products' output decreased by 2% to 20.8 million tonnes, predominately due to a lower output of saleable concentrate in Russia, where processing of third party raw iron ore was terminated due to unfavourable economic conditions, and the suspension of Evrazruda's Irba mine. The Company's Ukrainian iron ore operations demonstrated a strong performance in 2012, recording a 7% growth in output of lump iron ore following improvements to the mine's processing facilities. Raw coking coal production at Yuzhkuzbassugol increased by 35% to 8.5 million tonnes in 2012 and Raspadskaya also demonstrated strong growth with production increasing by 12% to 7.0 million tonnes (on 100% basis).

The agreement on acquisition of a controlling interest in Raspadskaya was a significant milestone for EVRAZ's coal mining business in 2012, and following completion of the transaction in January 2013 the effective interest of EVRAZ increased to 82%. The Raspadskaya's coal mining business complements the Company's existing coal operations, enhances EVRAZ's self-coverage in raw materials for steelmaking and progresses the Company's strategy of growing its mining presence.

EVRAZ's vanadium business experienced a mixed 2012, with labour issues in South Africa and shortages of third party feedstock in the United States negatively affecting operations, while Russian operations ran at full utilisation rates to meet demand. Total production of vanadium slag increased by 2% and exceeded 21,000 tonnes in 2012, while total ferrovanadium produced at EVRAZ's own facilities reached 7,259 tonnes.

Operational highlights at EVRAZ's other businesses during 2012 included the expansion of cargo handling capacity at EVRAZ NMTP (Nakhodka Trade Sea Port) in the Far East of Russia, which is the main route for exports of EVRAZ's steel products and coking coal to Asian markets. In 2012 the trading and distribution arms of EVRAZ focused on improvements to the customer experience across the whole product range and in all key local markets. A further highlight during the year was the sale of EvrazTrans as part of the continued effort by EVRAZ's management to streamline the business and optimise capital allocation.

In November 2012, following the careful review of the Company's strategic priorities the Board decided to consider options with respect to EVRAZ Highveld and EVRAZ Vitkovice Steel. As of 31 December 2012, these subsidiaries were classified as assets held for sale. In March 2013 the Company announced the execution of a non-binding term sheet in respect of the sale of its 85% stake in EVRAZ Highveld to a consortium of South African investors for an indicative cash consideration of approximately US$320 million. The consolidated operating results of EVRAZ for 2012 include 454,000 tonnes of crude steel and 638,000 tonnes of steel products produced by EVRAZ Vitkovice Steel. In addition to this, in 2012 EVRAZ Highveld's output totalled 572,000 tonnes of crude steel and 461,000 tonnes of steel products.

Total output of key products by EVRAZ*

Product, '000 tonnes	2011	2012	2012/2011, change
Coke (saleable)	1,468	1,446	(1.5)%
Pig iron	11,858	12,031	1.5%
Pig iron (saleable)	131	263	101.0%
Crude steel	16,773	15,932	(5.0)%
Steel products, gross**	16,349	15,701	(4.0)%
Steel products, net of re-rolled volumes	15,232	14,251	(6.4)%
Semi-finished products	3,542	3,173	(10.4)%
Finished products	11,690	11,078	(5.2)%
Construction products	5,257	5,207	(1.0)%
Railway products	2,055	1,837	(10.6)%
Flat-rolled products	2,707	2,466	(8.9)%
Tubular products	848	871	2.7%
Other steel products	823	697	(15.4)%

* Numbers in this table and the tables below may not add to totals due to rounding. Per cent changes are based on numbers prior to rounding.

** Gross volume of steel products in the tables includes those re-rolled at other EVRAZ's mills. However, such volumes are eliminated as intercompany sales for purposes of EVRAZ's consolidated operating results.

Steel: Russia

Key steelmaking assets of EVRAZ in Russia

Name	Operations	Products
EVRAZ ZSMK **Capacity:** • Crude steel: 8.9 mtpa • Construction products: 3.4 mtpa • Rails: 950 ktpa **Employees:** 22,848 **Ownership:** 100% interest **EVRAZ NTMK** **Capacity:** • Crude steel: 4.5 mtpa • Construction products: 1.3 mtpa • Rails: 510 ktpa **Employees:** 17,145 **Ownership:** 100% interest	**Two fully integrated steelmaking plants** EVRAZ NTMK and EVRAZ ZSMK including: • coke and chemical processing facilities • sinter plant • blast furnaces (BFs) • basic oxygen furnaces (BOFs) • blooming plant, slab and billet continuous casting machines • electric arc furnaces, ladle furnaces and vacuum vessel • rolling mills: medium section mill «450», light section mills «250-1» and «250-2», wire mill, rail and structural mills, rail fastening mill, plate rolling mill, broad-flange beam mill, heavy section mill, wheel rolling mill, ball rolling mill	• Metallurgical products: coke, pig iron • Semi-finished products: slabs, billets, pipe blanks • Long products: rebars, rod, structural products • Railway products: heavy-haul rails, low-temperature and high speed rails, 100 meter rails, wheels, etc. • Industrial steel: grinding balls, arch rock support, etc.

Steel production by EVRAZ in Russia

Product, '000 tonnes	2011	2012	2012/2011, change
Crude steel	12,125	11,675	(4)%
Steel products, net of re-rolled volumes*	10,942	10,592	(3)%
Semi-finished products	4,202	4,091	(3)%
Finished products	6,739	6,502	(4)%
Construction products	4,220	4,281	2%
Flat-rolled products	356	334	(6)%
Railway products	1,564	1,346	(14)%
Other steel products	600	540	(10)%

* Net of re-rolled volumes in Russia. Results of semi-finished products include volumes re-rolled at European and North American rolling mills of EVRAZ

Steel: Russia (Continued)

Steel products: Russia

Operational Highlights:

- completion of the PCI project at EVRAZ NTMK which will result in a reduction of coke consumption by 20% and natural gas by 50% through the use of an additional 150 kg of PCI coal per tonne of pig iron. Design and construction works on PCI project at EVRAZ ZSMK continued;
- ramp-up of steel production capacity at EVRAZ NTMK to 4.5 million tonnes per annum;
- a further step towards the long-term target of product mix expansion to high value added products, with the start of production of new beams from continuously cast billets;
- improved recovery rates of vanadium from slag at EVRAZ NTMK – 83.5% vs. budgeted 75.8%;
- increase electricity generation capacity of the EVRAZ ZSMK power plant by almost 10% or 350,000 kWh compared to 2011.

2012 Production

In 2012 EVRAZ ZSMK (EVRAZ Consolidated West Siberian Metallurgical Plant) produced 5.7 million tonnes of pig iron, 7.3 million tonnes of crude steel and 6.5 million tonnes of steel products.

EVRAZ NTMK (EVRAZ Nizhny Tagil Metallurgical Plant) processes unique vanadium rich iron ore which serves as an alloying component of steel and allows for production of steel and finished goods with improved physical characteristics. Vanadium slag extracted from pig iron at the converter stage is also used as a raw material by producers of ferroalloys and vanadium products. In 2012, EVRAZ NTMK produced 4.8 million tonnes of pig iron, 4.3 million tonnes of crude steel and more than 4.3 million tonnes of steel products.

Overall, in 2012 crude steel output at EVRAZ's Russian operations decreased by 4% compared to 2011 to 11.7 million tonnes due to the major modernisation of an electric arc furnace and upgrade of the rail mill at EVRAZ ZSMK. EVRAZ's other Russian steel plant, EVRAZ NTMK, operated at utilisation rates of almost 100% throughout the year.

Efforts to reduce operating costs at EVRAZ NTMK and EVRAZ ZSMK during 2012 were focused on improvements to regular maintenance works and streamlining of dealings with third party service providers, which allowed for cost savings amounting to almost US$83 million (RUB 2.5 billion) during the reporting year. The 2013 cost saving initiatives will be targeted towards an overhaul of the Company's procurement system to increase inventory turnaround, lower storage costs and improve productivity.

Pursuant to the long-term contract for supply of industrial gases to EVRAZ NTMK signed two years ago with Praxair Rus, the latter is building new modern air separation plants at the EVRAZ NTMK site. Upon completion, Praxair will supply EVRAZ NTMK with more than 3,000 tonnes of oxygen, nitrogen and argon daily. As a result, the Company will also increase its energy efficiency by more than 30%. By the end of 2012 most construction works have been completed, more than 90% of the equipment has been delivered, major large-size units are being installed. The new plants are scheduled to commence operation at the end of 2013. The project is financed by Praxair.

In 2012, EVRAZ continued the implementation of its customer focus strategy. A number of measures have been developed in order to promote customer loyalty, provide better service and ensure a timely response to changing market conditions. These include, but are not limited, to introduction of an enhanced technical support system, a more flexible approach to pricing, an extension of truck deliveries and closer cooperation with project institutes and end-users. In order to improve customer knowledge of EVRAZ and its products, customers will also have an opportunity to visit the Company's steel mills and participate in product seminars.

EVRAZ continued to dominate the Russian long products market during 2012, with its market share in beams totalling 80%, structural shapes (angles and channels) 45% and rebars 19%. Generally the Russian long products market demonstrated healthy demand dynamics in 2012, with rebars and beams recording a growth of 19% compared to 2011. This demand was mostly driven by increased infrastructure and industrial construction activity. In contrast, the Russian market for hot-rolled sections ended 2012 with a minor reduction in demand with historically low flat steel prices causing an increase in hollow section use in applications, where substitution is possible.

During 2012, prices for all long products, except railway products, were suppressed by weak underlying pricing for billets in international markets.

2013 Targets:

- ramp-up of PCI project at EVRAZ NTMK to achieve nameplate capacity;
- completion of construction works on PCI project at EVRAZ ZSMK;
- increased customer focus and enhanced delivery flexibility and options;
- review of investment projects for the construction of an additional converter shop at EVRAZ NTMK in addition to the installation of a ball rolling mill and modernisation of a wire rolling mill at the plant.

Average steel and steel products selling prices by EVRAZ in Russia

USD/tonne (ex works)	2011	2012
Coke	231	191
Pig iron	466	353
Steel products		
Semi-finished products	529	457
Construction products	732	677
Flat-rolled products	706	607
Other steel products	790	729

Railway products: Russia

Operational Highlights:

- completion of the major modernisation of the rail mill at EVRAZ ZSMK boosting capacity and allowing for the production of 100 meter rails;
- the upgrade of the rail mill at EVRAZ NTMK and subsequent increased capacity of 510,000 tonnes per annum and start of production of rails with extended life cycles and enhanced warranties;
- an increase in the EVRAZ NTMK wheel shop's capacity to 540,000 wheels per annum, as part of the expansion of the mill's mechanical treatment area.

2012 Production

In 2012, EVRAZ established a new Railway products business unit to enhance the management structure and marketing capability for one of the Company's key product groups.

EVRAZ accounts for over 90% of production of rails and 35% of rail wheels in Russia, and supplies a wide range of related products for railway infrastructure, a number of which are produced in Russia by EVRAZ only.

In 2012, output of railway products by EVRAZ ZSMK and EVRAZ NTMK decreased by 14% to 1.3 million tonnes, following the closure of the rail mill at EVRAZ ZSMK for modernisation from April 2012 until the end of the year. The mill's modernisation will allow the Company to expand the railway product mix with new 100 meter rails, which it will be the first Russian mill to produce, and enhance the rail mill's capacity to 950,000 tonnes per annum. Following the completion of modernisation project in January 2013 EVRAZ has started hot tests of the equipment and the certification of new railway products.

Due to the closure of the EVRAZ ZSMK rail mill in 2012, the Russian rail market moved into a significant supply deficit and Russian Railways, one of EVRAZ's largest customers, was forced to place some orders internationally. However the Company expects to supply over 80% of Russian Railways orders in 2013 following the ramp up at EVRAZ ZSMK rail mill. Rails remained a key product for EVRAZ in 2012, accounting for approximately 10% of total Russian steel product output.

In 2012 EVRAZ signed a memorandum of understanding with Russian Railways outlining key provisions of a 5-year supply contract that becomes valid from 2013. The supply contract commits EVRAZ to supplying major volumes of rail products to Russian Railways, including rails up to 100 meters long.

EVRAZ continues to enjoy a geographical advantage for its railway wheels output, has benefitted from high product quality following the production facilities upgrade and has long-term relationships with customers. In 2012, the share of EVRAZ wheel shipments to CIS countries increased by 12% with a slight increase in the high margin segment of wheels for maintenance needs. In addition, EVRAZ signed a 5-year contract with Uralvagonzavod, Russia's biggest railcar manufacturer, for the supply of railway wheels and steel sections for railcars.

During 2012, EVRAZ continued the expansion of its product range and started deliveries of wheels to the United States and Europe. EVRAZ's long-term memorandum with GHH-Valdunes, one of the leading European wheel manufacturers, aimed at supporting EVRAZ's expansion into the European wheel market was one of the segment's milestones of the year. Additionally, EVRAZ received approval from AAR (Association of American Railroads) to supply a trial batch of railway wheels to the North American market with first shipments effected in Q4 2012.

In 2012 average prices for railway products enjoyed positive developments due to EVRAZ's improved product mix following the rail mill upgrade at EVRAZ NTMK.

2013 Targets:

- ramp-up of the rail mill at EVRAZ ZSMK with a target output of 720,000 tonnes for 2013;
- commencement of production of 100 meter and head-hardened rails at EVRAZ ZSMK;
- increase of railway wheel production volumes by 10% compared to 2012.

Average railway products selling prices of EVRAZ in Russia

USD/tonne (ex works)	2011	2012
Railway products	882	891

Steel: North America

Key steelmaking assets of EVRAZ in North America

Name	Operations	Products
EVRAZ North America **Capacity:** • Crude steel: 3.0 mtpa • Flat-rolled products: 2.7 mtpa • Tubular products: 2.2 mtpa • Long products: 840 ktpa **Employees:** 4,324 **Ownership:** 100% interest	**Flat-rolled product group:** • Portland, Oregon • Claymont, Delaware • Regina, Saskatchewan • Surrey, British Columbia **Tubular product group:** • Portland, Oregon • Calgary, Alberta • Red Deer and Camrose, Alberta • Regina, Saskatchewan • Pueblo, Colorado **Long product group:** • Pueblo, Colorado	• **Flat-rolled products:** steel plate, coil and structural tubing used in the construction of liquid storage tanks, vessels, bridges, rail cars, armour; coil and plate used in manufacturing of goods by the tubular products group • **Tubular products:** steel pipes including large-diameter American Petroleum Institute (API) grade pipes used for oil and gas pipelines and small-diameter API grade welded and seamless pipes for use in down-hole drilling and in the collection of oil and gas application • **Long products:** railroad rail and rod & bar used to make wire products; round billets used in the production of other long products and goods by the tubular products group

Steel production by EVRAZ in North America

Product, '000 tonnes	2011	2012	2012/2011, change
Crude steel	2,332	2,411	3%
Steel products, net of re-rolled volumes	2,646	2,662	1%
Flat products group	1,007	969	(4)%
Tubular products group	848	872	3%
Long products group			
Construction products	302	331	10%
Railway products	490	491	0%

EVRAZ North America is a leading steel manufacturer in the United States and Canada. The business of EVRAZ North America is organised into three primary divisions: flat products, tubular products and long products.

Operational Highlights:

- Flat product group – completion of investments in air permits and the reheat furnace upgrades at EVRAZ Claymont to ensure its compliance with environmental standards;
- Tubular product group – significant improvements in productivity with Camrose electric resistance weld mill improving its first pass yield by 16% compared to 2011. Regina Spiral weld line improved by 14% and Red Deer weld line improved by 8%. Additionally, Regina and Portland spiral mills were restarted and a premium thread line at the Red Deer facility was launched;
- Long product group – commencement of improvements to the rail mill in Pueblo, Colorado. Engineering and design works were successfully carried out and the project is on track for completion in 2013. EVRAZ also acquired scrap yards in Colorado to secure scrap needs of Pueblo rail mill.

Production 2012

In 2012, EVRAZ's North American steel mills demonstrated strong performance in all product segments with total output of flat, tubular and long steel products exceeding 2.6 million tonnes, with utilisation rates high throughout the reporting year.

In 2012, EVRAZ North America identified and evaluated a number of major capital projects that will be instrumental to the long-term growth of the North American business of EVRAZ, including construction of spiral double joiner in Portland, an increase in incremental capacity of premium thread line at Red Deer and an upgrade of rail mill and steelmaking capacity at Pueblo.

In markets for Flat product group, EVRAZ North America enjoys a 20% share of the North American plate market by physical volumes and has a significant competitive advantage in the Western US and Canada due to the favourable location of the Portland facility. This enables EVRAZ to offer the market shorter lead times than competitors. On the East coast of US, the flexibility and domestic origin of Claymont's products allow EVRAZ to serve bridge and other non-residential construction markets, while niche products distinguish EVRAZ from competitors in the railcar industry.

Demand from railcar manufactures has increased due to continued urbanisation and increased construction in western Canada and USA. At the same time overall plate price levels remained weak and showed steady decline throughout the year, with EVRAZ North America being no exception to this.

In Tubular product group, 2012 was a difficult year with many American large diameter product mills either idled or on reduced crews. However, EVRAZ North America's large diameter mills have been operating at close to maximum capacity. Moreover, due to high demand for large diameter products, EVRAZ restarted the Portland Spiral mill during the first half of 2013.

EVRAZ has maintained a leading position in OCTG in Western Canada, with an approximate 40% market share and an estimated 12% market share for heat treated (alloy) OCTG pipe. EVRAZ's proximity of production compared to its major Western Canadian competitors continued to be a differentiating factor, both in terms of lead time advantages and responsiveness to local customers' demands. EVRAZ has announced an expansion of heat treating and threading at the Calgary facility, to increase the heat treat capacity by 150% and threading capacity by 40%.

In 2012, EVRAZ recorded growth in high-quality heat treated (alloy) pipe and premium connections. Horizontal/directional wells, which require more high-quality, high-strength alloy products and premium connections, increased to 73% of the total U.S. rig activity (up from 69% in 2011). The increase in horizontal/directional wells is expected to lead to a 6% increase in 2013 OCTG consumption, according to OCTG Situation Report. Overall average annual prices for the Tubular product group remained largely flat in 2012.

In the Long product group, EVRAZ Pueblo rail mill set record volumes of 490,000 tonnes in 2012. EVRAZ market share continued to increase, despite growing imports and intense domestic competition, due to the Company's advanced head hardening technology and overall quality improvements. The rail market continues to be strong, as the Class One railroads continue to invest in infrastructure to support growth in the oil and gas industry.

In the reporting year, EVRAZ's rod and bar business grew in spite of significant increases in imports from China and Brazil. Continued quality improvements, the addition of a third crew at the rod and bar mill and record steelmaking production ensured an improvement of EVRAZ's market position. Rod and bar prices softened slightly during 2012.

In 2012, EVRAZ North America continued to focus on its customers with significant improvements in on-time in-full performance as well as the introduction of new products. EVRAZ North America's long products enjoyed on-time performance of over 90% through the year.

2013 Targets:

- Increase in steelmaking capacity and quality improvements at Pueblo. Billet production capacity will be expanded by 52,000 tonnes upon completion of the project in 2013. The project is also expected to improve conversion costs and the steel produced is to be re-rolled by the Tubular and Long product groups;
- Flat product group – growth of capacity, lowering cost position and improvement of operational stability;
- Tubular product group – further focus on areas critical for profitability (productivity, first pass yield, working capital management) and the start of major capital projects in heat treating and threading;
- Long product group – improvements in rail quality (strengthening of surface, etc.) and ramp-up of capacity to 580,000 tonnes per annum.

Average selling prices of EVRAZ North America

USD/tonne (ex works)	2011	2012
Construction products	897	843
Railway products	1,023	987
Flat-rolled products	1,134	1,019
Tubular products	1,486	1,497

Steel: Europe

Key steelmaking assets of EVRAZ in Europe

Name	Operations	Products
EVRAZ Palini e Bertoli **Capacity:** 450 ktpa of steel products **Employees:** 140 **Ownership:** 100% interest	**Rolling mill**	• Plate

Steel production by EVRAZ in Europe*

Product, '000 tonnes	2011	2012	2012/2011, change
Crude steel	776	454	(42)%
Steel products	1,267	1,028	(19)%
Construction products	131	69	(48)%
Flat-rolled products	1,057	920	(13)%
Other steel products	79	39	(51)%

*including volumes produced by EVRAZ Vitkovice Steel classified as held for sale

2012 Production
In 2012 EVRAZ Palini e Bertoli mill was running at rates close to full capacity with production totaling 417,000 tonnes.
In 2012, EVRAZ streamlined and consolidated management functions of EVRAZ Palini e Bertoli and EVRAZ Vitkovice Steel. The sales function was also restructured, targeting more efficient geographic coverage and increased support for customers in the domestic markets and Germany.

The extensive cost cutting programme undertaken by management delivered significant improvements to yields, lowered fixed and transportation costs, with overall savings of almost US$10 million in 2012.
In 2012 EVRAZ Palini e Bertoli continued to operate in an extremely challenging macroeconomic environment. The production of steel fell by 4.7% in the European Union in 2012, while the world steel output rose by 1.2%. European steelmakers were impacted by subdued demand as a result of the Eurozone debt crisis and an uncompetitive cost position compared to the rest of the world. Meanwhile, EVRAZ Palini e Bertoli maintained a strong competitive position in core product groups during 2012, due to rigorous quality commitments, efficient and flexible production process and strong relationships with customers. The facility also benefits from its ability to serve a wide range of customers in Europe, Middle East and North Africa. In 2012, prices for EVRAZ Europe's products decreased due to deteriorating market conditions in Europe and a shorter spread between plate and slab prices.

2013 Targets:
- increased focus on timely and proper deliveries, meeting demand for high value added products and improved customer experience in core Italian and German markets.

Average selling prices of EVRAZ in Europe

USD/tonne (ex works)	2011	2012
Flat-rolled products	907	743

Steel: Ukraine

Key steelmaking assets of EVRAZ in Ukraine

Name	Operations	Products
EVRAZ DMZ Petrovskogo **Capacity:** 1.2 mtpa of crude steel **Employees:** 6,347 **Ownership:** 96.78% interest	**Steel plant:** • Blast furnaces (BFs) • Basic oxygen furnaces (BOFs) • Rolling and blooming mills	• Billet • Specialty construction products • Specialty flat products • Coke
EVRAZ Bagliykoks **Capacity:** 747 ktpa **Employees:** 1,572 **Ownership:** 94.37% interest	**Coke plants**	

Steel production by EVRAZ in Ukraine

Product, '000 tonnes	2011	2012	2012/2011, change
Crude steel	860	820	(5)%
Steel products	737	702	(5)%
Semi-finished products	213	244	15%
Finished products	524	458	(13)%
Construction products	426	357	(16)%
Other steel products	98	101	3%
Coke (saleable)	936	942	1%

Production 2012

In 2012 the output of EVRAZ DMZ Petrovskogo totalled 820,000 tonnes of crude steel and 702,000 tonnes of steel products. This was a 5% reduction compared to 2011 and was a result of planned maintenance works at blast furnaces, the oxygen generation unit and the basic oxygen furnace shop.

In 2012, EVRAZ's management enacted a two-stage investment programme for the modernisation of the steel plant, which includes an upgrade of steelmaking facilities and the introduction of PCI technology. An additional programme, focused on cost reduction through the decentralisation of the compressed air supply, was launched and a water recycling system was commissioned for crude steel casting machines.

In 2012, EVRAZ Bagliykoks disposed of the DKHZ coke plant as part of the Company's optimisation programme allowing EVRAZ Bagliykoks to secure higher coke batteries' usage (82% in 2012 vs. 66% in 2011).

One of the highlights of the reporting year at EVRAZ Bagliykoks was the launch of a key ecological project aimed at lowering volumes of water discharged. Furthermore, a project to implement an automated system for environmental monitoring by EVRAZ Bagliykoks was developed and agreed with state authorities during 2012.

In terms of customer focus, in 2012 EVRAZ DMZ Petrovskogo implemented numerous new products, several of which were designed specifically for European market. The facility

Steel: Ukraine (Continued)

also obtained a quality management certificate under ISO 9001:2008, which opens new sales destinations for EVRAZ DMZ Petrovskogo's steel products.

Additionally, EVRAZ Bagliykoks tailored its coal mix for specific customers in order to secure attractive prices.

In 2012, new consumers of coke nuts were secured following alteration of crushing process, and overall customer base widened in Ukraine and Russia.

Average selling prices for steel products in 2012 declined due to the European sovereign debt crisis.

2013 Targets:

- EVRAZ DMZ Petrovskogo – commencement of the approved investment programme and continuing efforts towards higher volumes of water recycling;
- EVRAZ Bagliykoks – the completion of the plant's ecological project, further operational improvements and installation of a pilot automated system for environmental monitoring.

Average selling prices of EVRAZ Ukraine

USD/tonne (ex works)	2011	2012
Coke	308	214
Pig iron	491	339
Steel products		
Semi-finished products	569	523
Construction products	691	645
Other steel products	989	885

Iron Ore: Russia

Key iron ore mining assets of EVRAZ in Russia

Name	Operations	Products
EVRAZ KGOK **Mining capacity:** 56 mtpa **Proven & Probable (P&P) reserves:** 1.1 mt* **Employees:** 6,515 **Ownership:** 100% interest	• **3 open pits** at Gusevogorskoye deposit • Crushing, enrichment, sintering and pelletising workshops • Licence for development of Sobstvenno-Kachkanarskoye deposit	• Sinter • Pellets • Crushed stone

Evrazruda
Mining capacity: 11 mtpa
P&P reserves: 249 mt*
Employees: 8,389
Ownership: 100% interest
	• **6 iron ore mines:**
	  • Tashtagol, Kaz, Sheregesh (Kemerovo region)
	  • Abakan and Tyoya (Khakassia region)
	  • Irba (Krasnoyarsk region)
	• **2 processing plants:**
	  • Abagursky and Mundebashsky (Kemerovo region)
	• **1 limestone mine** – Gurevsky (Kemerovo region)
		• Iron ore concentrate
		• Crushed stone
		• Limestone

EVRAZ VGOK **Mining capacity:** 5 mtpa **P&P reserves:** 110 mt* **Employees:** 4,325 **Ownership:** 100% interest	• Vysokogorskoye deposit (Magnetitovaya mine) • Lebyazhinskoye deposit (Zapadny open pit) • Yestyuninskoye deposit (Estuninskaya mine) • Goroblagodatskoye deposit (Yuzhnaya mine) • Sintering workshop, wet separation factory, two ore crushing and dry magnetic separation factories	• Iron ore concentrate • Sinter • Limestone • Crushed stone • Iron flux

* As of 1 July 2011 under the JORC Code

Iron ore production by EVRAZ in Russia

Product, '000 tonnes	2011	2012	2012/2011, change
Concentrate, saleable	6,447	5,615	(13)%
Sinter	4,473	4,698	5%
Pellets	5,907	6,051	2%

Iron Ore: Russia (Continued)

Operational Highlights:

EVRAZ's iron ore mining unit made good progress on a number of projects to maintain existing operations, develop new sources of production and improve operating efficiencies during 2012. Examples of these projects include:

- completion of the EVRAZ KGOK expansion which increased production capacity by approximately 10% to 55 million tonnes of iron ore per annum;
- confirmation by the Russian State Commission on Mineral Reserves of a 6.9 billion tonnes iron ore reserve with an Fe grade of 16% at the Sobstvenno-Kachkanarskoye iron ore deposit at EVRAZ KGOK, followed by receipt of approvals from government agencies in early 2013 to begin its development;
- appointment of key contractors for the construction of a new tailings dump and thickening facilities at EVRAZ KGOK following a project optimisation process and detailed feasibility study;
- integration of the Kachkanar Heat and Power Station into EVRAZ KGOK's operations and the completion of a pre-feasibility study on its modernisation;
- successful ramp-up of backfilling facilities at Evrazruda's Tashtagol mining operation allowing access to pockets of rich iron ore;
- completion of a debottlenecking programme at the Abagur beneficiation plant at Evrazruda resulting in the elimination of losses at the beneficiation stage and a substantial growth in iron ore concentrate output during winter periods;
- ongoing production ramp-up at the highly promising Sheregesh mining operation from the current 1.9 million tonnes of iron ore per annum to 4.8 million tonnes per annum by 2017. The implementation of modern mining and iron ore transportation methods at Sheregesh, which is part of Evrazruda, will ensure a long-term cost of production of saleable iron ore concentrate at USD 70 per tonne; and
- finalisation of a feasibility study on the modernisation of Evrazruda's Abakan mining operation to upgrade mining and iron ore transportation methods with the aim of achieving long-term production costs for saleable iron ore concentrate of USD 70 per tonne.

2012 Production

In 2012, EVRAZ KGOK mined 56 million tonnes of ore with a total output of saleable products of 9.7 million tonnes, including 6.1 million tonnes of pellets and 3.6 million tonnes of sinter. The key customer of EVRAZ KGOK is EVRAZ NTMK. In 2012, the share of external sales was approximately 9%.

As at 1 July 2011, total proven and probable iron ore reserves of the Gusevogorskoye deposit under the JORC Code were approximately 1,136 million tonnes with an average Fe grade of 16%. In addition EVRAZ KGOK holds a licence to develop the contiguous Sobstvenno-Kachkanarskoye titanium magnetite deposit which has a mineral resource base of 8.2 billion tonnes of iron ore. The licence for development of this deposit is valid till 2026.

In 2012, Evrazruda mined 11.0 million tonnes of iron ore resulting in production of 4.4 million tonnes of iron ore concentrate, all of which was delivered to EVRAZ ZSMK. As of 1 July 2011, total proven and probable iron ore reserves of Evrazruda under the JORC Code were estimated at approximately 249 million tonnes grading 31.8% Fe.

In November-December 2012 the Irba mining operation of Evrazruda was suspended due to unfavourable market conditions.

As a result of an impairment test in the new pricing environment, the Company has recognised an impairment loss of US$356 million related to the current operations of Evrazruda as of 31 December 2012. For more details please refer to note 6 of the Financial Statements. At the same time, the Company continues to evaluate options to increase the efficiency of this operation and implement development plans.

In 2012, EVRAZ VGOK mined 4.6 million tonnes of iron ore resulting in production of 1.2 million tonnes of iron ore concentrate and 1.1 million tonnes of sinter. EVRAZ VGOK supplies finished products to EVRAZ's steel plants, primarily to EVRAZ ZSMK and EVRAZ NTMK and insignificant volumes to third parties.

As of 1 July 2011, total proven and probable iron ore reserves of EVRAZ VGOK under the JORC Code were estimated at approximately 110 million tonnes with an average grade of 27.8% Fe.

2013 Targets:

- implementation of operational improvement and productivity enhancement programmes at EVRAZ KGOK;
- finalisation of technical project documentation on the development of the Sobstvenno-Kachkanarskoye deposit and commencement of work on EVRAZ KGOK's tailing dump; and
- restructuring of Evrazruda's operations to optimise production costs by, amongst other things, increasing iron ore mining volumes at the most efficient mining operations (Sheregesh and Abakan) and the suspension of production at higher cost operations.

Iron Ore: Ukraine

Key iron ore mining assets of EVRAZ in Ukraine

Name	Operations/deposits	Products
EVRAZ Sukha Balka **Mining capacity:** 3.5 mtpa **P&P reserves:** 86 mt* **Employees:** 3,384 **Ownership:** 99.42% interest	**2 underground mines:** • Yubileynaya • Frunze	• Lump ore

* As of 1 July 2011 under the JORC Code

Iron ore production by EVRAZ in Ukraine

Product, '000 tonnes	2011	2012	2012/2011, change
Lump ore	2,446	2,608	7%

Operational Highlights:

Key operational highlights at EVRAZ Sukha Balka during 2012 include:

- successful implementation of an operational debottlenecking programme which is expected to improve efficiency and productivity at both underground mines;
- the progression of a number of investment projects which will extend the life of the mine and increase mining capacity;
- construction of a new shaft which will enable the exploitation of deeper deposits at 1,340 meters and 1,420 meters which contain iron ore reserves of 10 and 12 million tonnes respectively; and
- implementation of the major part of a new electrical safety programme to reduce the risk of electrical hazards.

2012 Production

EVRAZ Sukha Balka's total lump ore production in 2012 was 2.6 million tonnes, a 7% increase on 2011 levels as a result of the repositioning of a skip conveyor.

EVRAZ Sukha Balka's domestic sales amounts to 53% of production, including deliveries of 37% to Yuzhny Mining and Enrichment Plant and Dnepropetrovsk Integrated Iron and Steel Works. There are also shipments to customers outside of Ukraine by rail and sea (47% of total output).

As of 1 July 2011 total proven and probable reserves under the JORC Code were estimated at 86 million tonnes with an Fe grade of 57%.

2013 Targets:

In 2013, EVRAZ Sukha Balka intends to finalise the implementation of its electrical safety programme.

Coal: Russia

Key coal mining assets of EVRAZ in Russia

Name	Operations	Products
Yuzhkuzbassugol **Proven & Probable (P&P) reserves:** 624 mt* **Employees:** 11,432 **Ownership:** 100% interest	**6 coking coal mines** • Abashevskaya (Zh) • Alardinskaya (KS) • Yesaulskaya (Zh) • Osinnikovskaya (Zh) • Uskovskaya (GZh) • Yerunakovskaya VIII (Zh/GZh) **2 steam coal mines** • Gramoteinskaya (D/PCI coals) • Kusheyakovskaya (G/PCI coals) **3 coal washing plants** • Abashevskaya • Kuznetskaya • ZSMK preparation plant	• Hard and semi-hard coking coal (grades Zh, GZh and KS under Russian classification) • Semi-soft coking coal (grade G under Russian classification) • Steam coal (grades D, G under Russian classification) • PCI coal****
Raspadskaya **P&P reserves:** 1,314 mt** **Employees:** 8,231 **Ownership:** 82% interest	**3 underground mines:** • Raspadskaya (GZh, Zh, GZhO) • Raspadskaya-Koksovaya (K, KO) • MUK-96 (GZhO) **1 open-pit mine:** • Razrez Raspadsky (GZh, GZhO, Zh) **1 coal washing plant**	• Hard coking coal (grade K under Russian classification) • Semi-hard coking coal (grades GZh, KO under Russian classification) • Semi-soft coking coal (grade GZhO under Russian classification)
Mezhegeyugol **Reserves:** 763 mt*** **Employees:** 23 **Ownership:** 60.02% interest	**2 deposits** • Mezhegey coal deposit • Eastern field of the Western part of the Ulug-Khemsky coking coal deposit	• Hard coking coal (grade Zh under Russian classification)

* As of 1 April 2012 under the JORC Code
** As of 31 December 2011 according to IMC
*** Category A+B+C1 reserves under the Russian geological classification based on exploration works of prior periods
**** A wide range of coals can be used in PCI, including steam coal which has lower carbon content than coking coal

Coal production

Product, '000 tonnes	2011	2012	2012/2011, change
Yuzhkuzbassugol			
Raw coking coal (mined)	6,303	8,506	35%
Raw steam coal (mined)	2,965	2,283	(23)%
Coking coal concentrate (production)	6,501	6,477	(0)%
Produced from own raw coal	4,374	4,968	14%
Produced from third party coal	2,127	1,510	(29%)
Steam coal concentrate (production)	859	421	(51)%
Raspadskaya*			
Coking coal (mined)	6,251	7,002	12%

* Reported numbers are for 100% production.

Operational Highlights:

Following a strategic review significant progress was made at Yuzhkuzbassugol to support the long-term viability of operations during 2012, including the approval of investment projects to maintain long-term mining volumes at the Osinnikovskaya, Uskovskaya and Alardinskaya mines:

- two sets of longwall equipment were acquired and brought into operation at the Uskovskaya and Alardinskaya mines ahead of schedule;
- Osinnikovskaya mine successfully shortened the period for longwall repositioning to 60 actual days vs planned 80 days;
- a debottlenecking programme at Osinnikovskaya and Abashevskaya mines resulted in improved mine performance;
- construction of the Yerunakovskava VIII mine was completed ahead of schedule with operations commencing in February 2013;
- completion of construction and installation of equipment at the Raspadskaya mine aboveground facilities; and
- signing by Raspadskaya of the memorandum of understanding with Hyundai Steel.

In addition, significant work to modernise and enhance operations at Yuzhkuzbassugol continued with a focus on improving gas drain-out, ventilation, speed of penetration, longwall repositioning and the mechanisation of roof-bolting. It is expected that this work will result in improved safety and reliability, increased productivity and improved mining volumes as a result of reduced operating costs.

At the Mezhegeyugol joint venture (EVRAZ's interest 60%), which is developing two significant greenfield hard coking coal deposits in Tyva in the south of Siberian region, EVRAZ completed planned geological exploration, design works and began construction of power infrastructure at the site. EVRAZ also secured project financing for continued development works with limited recourse to the parent company.

2012 Production

Yuzhkuzbassugol

Yuzhkuzbassugol mined 8.5 million tonnes of coking coal in 2012 (100% of the planned volumes), 35% more than in 2011. This increase was due to improved mine performance following the successful implementation of operational improvement programmes, with key activities described above. In total, 2.3 million tonnes of steam coal were mined, or 91% of the production plan, with the shortfall primarily due to the suspension of mining at the Gramoteinskaya mine in Q4 2012 following a methane gas burst.

Key customers of Yuzhkuzbassugol comprise EVRAZ ZSMK, EVRAZ NTMK and EVRAZ DMZ Petrovskogo.

Estimated proven and probable reserves at Yuzhkuzbassugol under the JORC Code were equal to approximately 624 million tonnes of coking coal as at 1 April 2012.

Raspadskaya

As at 31 December 2012 EVRAZ held a 41% effective interest in Raspadskaya. On 16 January 2013 EVRAZ increased its interest in Raspadskaya to 82%.

In 2012, raw coking coal output by Raspadskaya increased by 12% to 7 million tonnes in spite of a challenging market environment. This included 2.7 million tonnes of raw coal mined at faces 4-9-23 and 4-7-25 of the Raspadskaya mine.

Raspadskaya's 2012 total sales volume for coal products was approximately 5.0 million tonnes, a 8% increase compared to 2011. An increase in Russian sales and the delivery of additional volumes under contract options, combined with increased export shipments resulted in Q4 2012 sales volumes growing by 40% compared to Q3 2012.

In October 2011, Raspadskaya began to sell coal to Ukraine, and in mid-April 2012 it resumed sales to Asia. During 2012, Raspadskaya also worked to resume export sales and begin selling its products into new markets. Raspadskaya's export shipments increased significantly in the second half of 2012 and the Raspadskaya brand was promoted through direct contacts, coking coal testing and shipping to numerous Asian countries. In 2012 the share of exports in total sales volumes totalled 15%, while the share of sales to Asia-Pacific reached one third of all export volumes.

On 8 October 2012 Raspadskaya signed a memorandum of understanding with Hyundai Steel to supply up to 300,000 tonnes of coal products per year, from April 2013. In March 2013, the respective contract was executed by Raspadskaya and Hyundai Steel.

As of 31 December 2011, Raspadskaya had proven and probable coking coal reserves of 1,314 million tonnes, measured and indicated resources of 1,809 million tonnes and inferred resources of 262 million tonnes, according to a report from IMC.

Coal: Russia (Continued)

Performance of coal washing plants of EVRAZ in 2012

'000 tonnes	Max raw coking coal throughput (capacity)	Total raw coal processed, 2012	Capacity utilisation, 2012	Raw coking coal processed, 2012	Output of coking coal concentrate	Preparation yield for coking coal
Abashevskaya	2,800	1,960	70%	1,489	937	63%
Kuznetskaya	5,400	4,830	89%	4,775	3,162	66%
ZSMK coal washing plant	5,000	3,650	73%	3,650	2,375	65%
Total	**13,200**	**10,440**	**79%**	**9,914**	**6,474**	**65%**

Raspadskaya mine's Rehabilitation

The underground fire at the Raspadskaya mine following the May 2010 explosions has been completely sealed by blast-resistant walls. To control the content of air in the mine, reduce dangerous gas levels in the sealed area and extinguish fires from the surface, Raspadskaya drilled new shafts and injected a large volume of nitrogen and inert foam into the areas of the mine affected by the fires. Drilling of shafts to the sealed area of the mine and the periodic injections of nitrogen and inert foam into this area are continuing. By the end of 2012, the following initiatives had been undertaken to contain and eliminate the fire:

- pumping in 12,000 cubic meters of sludge material;
- pumping in 1.9 million cubic meters of nitrogen gas; and
- pumping in over 260 million cubic meters of inert foam.

Further work on the reconstruction of the mine targets principal objectives to eliminate all dangers relating to the accident: reducing the size of the mine's sealed area where fires continue through the construction of new blast-resistant walls and extinguishing the fires in the sealed area of the mine, through continued drilling of new shafts to the sealed area and further injections of nitrogen and inert foam.

Independent technical consultant IMC has had extensive discussions with senior managers and Directors of Raspadskaya about the explosion, its aftermath and the progressive rehabilitation programme and considers that a very responsible and detailed approach has been adopted. All initiatives and suggestions have been considered utilising all the national and international expertise available.

Coal washing plants

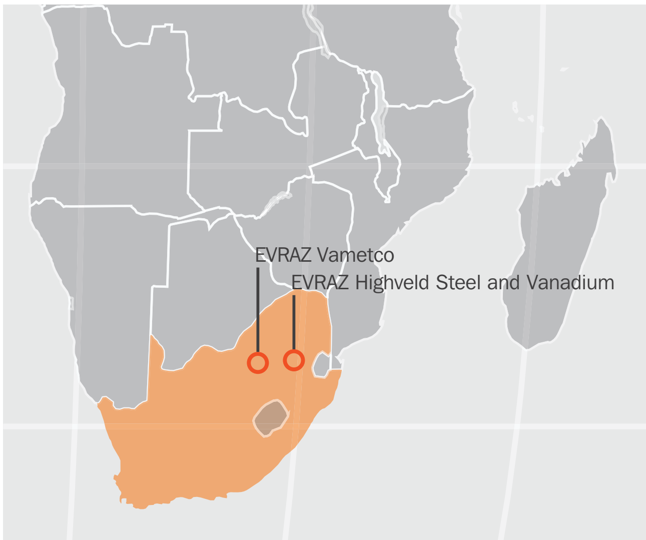
The operating performance of EVRAZ's coal washing plants during the year tracked raw coking coal production of Yuzhkuzbassugol. Additional processed volumes of coking coal were purchased from third parties, including deliveries from Raspadskaya in the amount of 667,000 tonnes, of which 428,000 tonnes were shipped to Ukrainian operations.

Internal consumption of coking coal concentrate by EVRAZ's plants amounted to 2.3 million tonnes. Intragroup sales of coking coal concentrate totalled 3.3 million tonnes in 2012. External sales comprised 668,000 tonnes of coking concentrate shipped to domestic consumers and 34,000 tonnes sold in international markets.

2013 Targets:

- The key targets for EVRAZ's Russian coal mining operations in 2013 include:
- The gradual ramp-up of the Yerunakovskaya VIII mine to reach an estimated output of 1 million tonnes of semi-hard coking coal by the end of 2013;
- Realisation of Mezhegey Project Phase I, including the completion of design documentation, completion of the power infrastructure and work camp as well as construction of the main industrial facilities with first coal expected by the end of 2013;
- Implementation of ongoing projects aimed at maintaining and developing the mining capacity of major coking coal mines – Osinnikovskaya, Uskovskaya and Alardinskaya;
- Execution of a pilot project on draining-out of gases with long directional boreholes at Alardinskaya mine;
- Integration of the Raspadskaya business in the operational model of EVRAZ;
- Continuation of the Raspadskaya mine reconstruction programme;
- Increase of coal production at Raspadskaya by approximately 40% compared to 2012; and
- Increase of Raspadskaya's export coal concentrate sales to 35% of total sales.

Vanadium



Key vanadium assets of EVRAZ in the world

Name	Operations/facilities	Products
EVRAZ Vanady Tula (Russia) **Capacity:** • 7,200 mtV of V2O5: • 5,000 mtV of FeV **Employees:** 670 **Ownership:** 100% interest	• Hydrometallurgical shop (V_2O_5 production); • Electrometallurgical shop (FeV production)	• Vanadium pentoxide (V_2O_5) • Ferrovanadium (FeV) • Oxide vanadium product
EVRAZ Nikom (Czech Republic) **Capacity:** 4,455 mtV of FeV **Employees:** 48 **Ownership:** 100% interest	• Metallurgical shop (FeV production)	• Ferrovanadium (FeV)
EVRAZ Stratcor (USA) **Employees:** 95 **Ownership:** 78.76% interest	• Chemicals production	• Oxides • Specialty vanadium chemicals • Vanadium alloys • Vanadium halide
EVRAZ Vametco (South Africa) **Capacity:** • 3,600 mtV of V2O3 • 2,900 mtV of Nitrovan® **Employees:** 446 **Ownership:** 66.95% effective interest	• Modified vanadium oxide production • Nitrovan® production	• Modified vanadium oxide (V_2O_3) • Nitrovan®

Vanadium (Continued)

Vanadium production by EVRAZ

Product, tonnes of V*	2011	2012	2012/2011, change
Vanadium in slag (gross production)	20,741	21,060	2%
Russia	12,860	14,856	16%
South Africa	7,881	6,205	(21)%
Vanadium in final products (saleable)			
Ferrovanadium	16,683	14,381	(14)%
Produced at own facilities	6,321	7,259	15%
EVRAZ Vanady Tula	2,562	2,715	
EVRAZ Nikom	3,759	4,544	
Processed at 3rd parties' facilities	10,362	722	(31)%
Nitrovan®	2,874	2,723	(5)%
Oxides, vanadium-aluminum and chemicals	1,277	1,330	4%

* Calculated in pure vanadium equivalent (the same applies to the below description)

Operational Highlights:
In 2012, a programme of operational improvements was undertaken at EVRAZ Vanady Tula, which focused on debottlenecking and increasing vanadium pentoxide production capacity. Additional works on EVRAZ Vanady Tula's pulp filtration plant continued, with the aim of improving working conditions, increasing mechanisation, cutting operational losses and increasing pentoxide production volumes in 2013. EVRAZ Vanady Tula also continued to increase tailing utilisation levels, and during the year the volume of tailings recycled exceeded annual production levels.

In 2012, the key challenge of EVRAZ Stratcor was to secure additional sources of feedstock following significant disruptions to supplies as a result of a major explosion at a third party's operation. To mitigate the adverse impact of disruptions, a project to enable the processing of vanadium slag from EVRAZ NTMK was approved in the second half of 2012 with construction works scheduled to start in 2013.

Additionally, in 2012 EVRAZ worked with US Federal authorities to successfully revoke a 17 year old anti-dumping duty on imports of Russian ferrovanadium and nitrided vanadium.

In 2012, production at EVRAZ Vametco was impacted by stoppages resulting from the breakages of key equipment at the beginning of the year and a lack of slag supply in the middle of the year.

2012 Production
In 2012, EVRAZ Vanady Tula produced 7,117 tonnes of vanadium pentoxide and 2,715 tonnes of ferrovanadium. EVRAZ Vanady Tula's domestic sales of FeV amounted to 47% of production, including intragroup deliveries of 12% to EVRAZ ZSMK, EVRAZ NTMK, and EVRAZ DMZ Petrovskogo.

In 2012, EVRAZ Nikom produced 4,544 tonnes of ferrovanadium. EVRAZ Nikom delivers most of its products to North America (approximately 58%), Europe (20%), Asia, South America and CIS.

In 2012, EVRAZ Vametco produced 3 thousand tonnes of modified vanadium oxide and 2 thousand tonnes of its proprietary Nitrovan® product.

2013 Targets:
The key targets of EVRAZ's vanadium operations in 2013 include:
- increasing vanadium output at all EVRAZ plants;
- completing the pulp filtration project and the implementation of a new enhanced maintenance system at EVRAZ Vanady Tula;
- increasing production capacity at EVRAZ Nikom through the modernisation of the current production line; and
- completion of the project to use slag from EVRAZ NTMK to alleviate feedstock shortages at EVRAZ Stratcor and increase the output of specialty high value added vanadium chemicals.

Average selling prices for vanadium products of EVRAZ

USD/tonne of V (ex works)	2011	2012
Vanadium in final products		
Ferrovanadium	27,653	24,062
Nitrovan®	29,506	27,900
Oxides, vanadium aluminium and chemicals	36,194	32,579

Other Businesses

Key assets of EVRAZ in trading, logistics and other auxiliary services

Name	Location	Services provided
EVRAZ NMTP	Russia	Logistics
Sinano	Europe	Logistics
Trading Company EvrazHolding	Russia	Trading
EVRAZ Metall Inprom	Russia	Trading
East Metals AG	Europe	Trading
ZapSib Power Plant (part of EVRAZ ZSMK)	Russia	Electricity and heat generation
Power Plant at EVRAZ NTMK (part of EVRAZ NTMK)	Russia	Electricity and heat generation
Kachkanar Power Plant (part of EVRAZ KGOK)	Russia	Electricity and heat generation
Metallenergofinance	Russia	Electricity supplies
EvrazEnergoTrans	Russia	Power grid

EVRAZ ships most of its exports to Asia through EVRAZ NMTP, Nakhodka Trade Sea Port, which is one of the largest ports in the Russian Far East.

In 2012, cargo turnover at the port increased by 10% vs. 2011 and totalled 6.9 million tonnes. EVRAZ plans to further increase cargo turnover to over 8 million tonnes in 2013.

Coal port handling facilities are being modernised and upgraded with a target annual coal capacity of 5 million tonnes per annum by 2015, however capacity is expected to increase incrementally from 2013.

Sinano provides sea freight services and delivers up to 4 million tonnes of EVRAZ products to clients every year. EVRAZ owns and operates four vessels with a total deadweight capacity of 95,465 tonnes, which covered approximately 25% of 2012 shipping requirements for EVRAZ's Russian and Ukrainian subsidiaries on a CIF/CFR basis. EVRAZ's fleet transports semi-finished and long steel products, coal, vanadium slag and other materials. In 2012, Sinano launched a project to implement SAP in order to enhance its operational efficiency and offer a higher level of customer service. The system will become operational in 2013.

Trading Company EvrazHolding is EVRAZ's trading arm for Russian & CIS markets covering the whole range of the Group's products. In 2012, sales of steel products totalled 6.8 million tonnes and Trading Company EvrazHolding strengthened its position in key product segments in Siberia and the Urals.

In 2012, Trading Company EvrazHolding conducted customer research which demonstrated very high levels of customer satisfaction, with a customer loyalty score of 82%. A key achievement in 2012 was a fourfold decrease in the number of late deliveries and incomplete orders as compared to 2011.

Trading Company EvrazHolding plans to continue improving customer loyalty by enhancing the flexibility of pricing, improving stock availability, reducing customer delivery claims and improving product quality.

EVRAZ Metall Inprom is one of the leading Russian steel trading companies which finishes and distributes steel products (rebar, structural shapes, sheet, pipe) produced mostly by EVRAZ (EVRAZ ZSMK and EVRAZ NTMK in Russia and EVRAZ DMZ Petrovskogo in Ukraine). In 2012 EVRAZ Metall Inprom sold almost 2 million tonnes of steel products compared to 1.7 million tonnes in 2011.

EVRAZ Metall Inprom has delivered steel products for the construction of sports facilities including for the Olympic Games (for example, the reconstruction of the railway station and the construction of the new Central Olympic Stadium as well as the main media centre), a football stadium in Kazan for Universiada, and a stadium in Saransk for the Football World Cup. Among other significant projects are the construction of the Vostochny space base and works for the Moscow and Samara subways.

As part of EVRAZ's strategy of focusing on customers, a quality monitoring bureau was established to manage a centralised process for processing customer claims and complaints.

East Metals AG (EMAG), located in Switzerland, trades EVRAZ's Russian, Ukrainian and South African steel products on international markets. In 2012, a new core IT system was implemented at East Metals AG, which is based on SAP functionality and represents one of the best in class solutions for trading companies. Implementation of the new system allowed EMAG to further integrate all major areas of its operations including sales, procurement, logistics and finance and make all management processes leaner and more efficient.

During 2012, EMAG increased sales to MENA markets (mainly Iraq and Turkey), by 300 thousand tonnes and completed its maiden shipments of steel slabs to India. A further significant achievement was an increase in sales to end users.

EVRAZ's major energy assets are located in Russia and in 2012 supplied 42% of the Company's electricity needs. The ZapSib Power Plant supplies electricity and heat to EVRAZ ZSMK and external customers whilst a second power plant is in operation at EVRAZ NTMK.

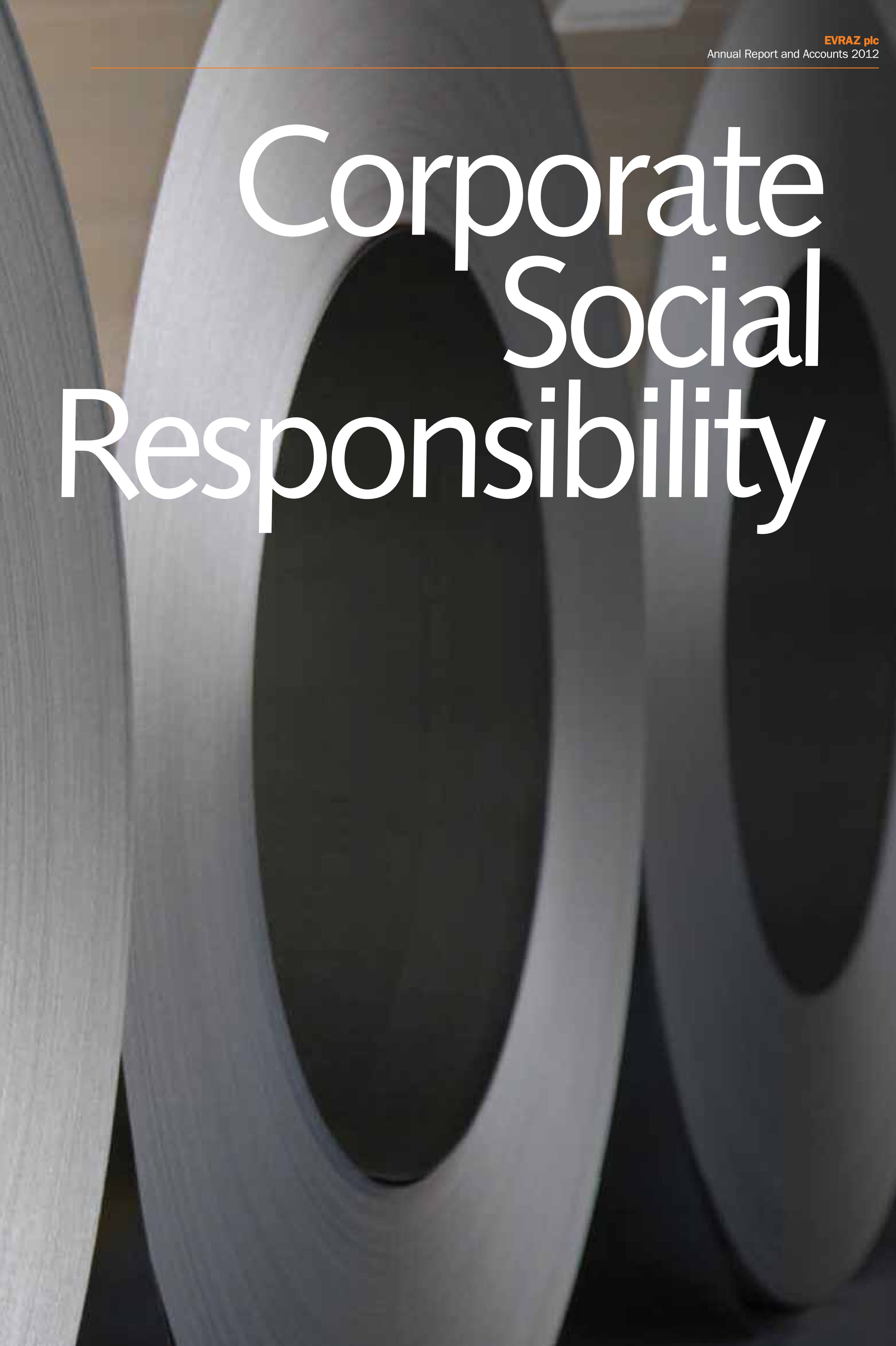
During 2012 the Kachkanar Power Plant was integrated into EVRAZ KGOK's operations, generating operating efficiencies of several million US dollars. In addition, the initial stage of a project to increase generating capacity at the ZapSib Power Plant by 17% compared to 2011 levels was approved.

In 2013, EVRAZ plans to continue with programmes on operational improvements at key power generating facilities.

Metallenergofinance supplies electricity to EVRAZ's steel and mining segments and to third parties. Total volume of realised energy in 2012 amounted to 6.5 billion kW/h including 5.7 billion kW/h of intragroup deliveries.

EvrazEnergoTrans is a power grid operator, which transmitted 4.9 billion kW/h in 2012 including 4.6 billion kW/h intragroup deliveries.

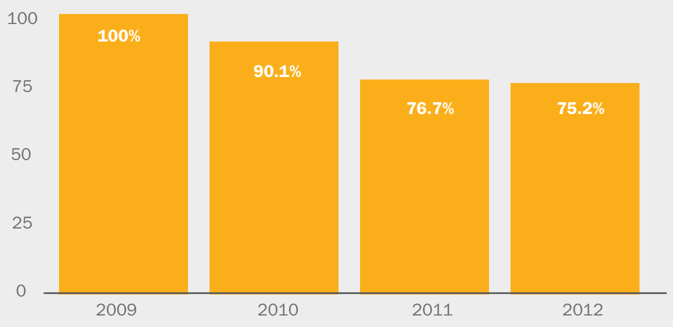
Corporate Social Responsibility



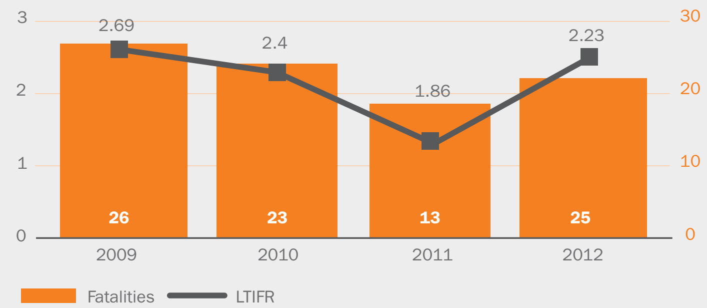
Corporate Social Responsibility

EVRAZ air emissions

The below graph illustrates the reduction in the total amount of the key air emissions nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds rebased to 2009.



Lost time injury frequency rate (per 1 million hours worked) Fatalities



In the period from 2012 to 2017, the Group is committed to spending approximately US$303 million on environmental programmes across its operations.

EVRAZ approach

The Company takes its social responsibilities seriously, addressing and monitoring all aspects of corporate social responsibility (CSR) that are relevant to the business.
This section of the report provides an overview of EVRAZ policies and performance in the relevant areas of CSR including human rights, health and safety, environmental performance, human capital management and community engagement in 2012 as well as an outline of how the Company intends to improve its performance in the years ahead.

Additional relevant disclosures are contained in the Principal Risks and Uncertainties section on page 28 and the Corporate Governance Report on page 73.

Strategy and governance

Strategic direction in the areas of health, safety and environment comes from the Board of Directors, which has established a dedicated Health, Safety and Environment (HSE) Committee to lead the Board's thinking on health and safety issues, as well as taking responsibility for environmental, safety and local community matters. Details of the terms of reference and activities of the Committee are set out in the Corporate Governance Report on page 81.

The Company is committed to improving HSE performance through the implementation of enhanced business processes, as well as new management and control systems. The HSE function at the corporate and site level is coordinated by the Vice President of HSE Michael Schuble who regularly reports to the Board Committee on material HSE issues.
At site level, each plant manager takes overall responsibility for HSE compliance, reporting to both the site management and corporate-level HSE management.

The safety, health and environmental policy implemented at the Group-wide level aims at meeting or exceeding all applicable national legislation and increasing the level of industrial safety and labour protection as well as reducing the Group's environmental footprint across the operations.

In addition to internal codes and principles, EVRAZ implements the OECD Guidelines for Multinational Enterprises to ensure a uniform approach to business standards across the Company's global operations. EVRAZ fully endorses the provisions of the Universal Declaration of Human Rights and strives at all times to uphold them.

Key challenges

Upon review of the business, EVRAZ has identified the four most significant ongoing CSR challenges as:

- **Health and safety** – the health and safety of Company's employees are of paramount importance. The steel and mining industries have inherent risk that needs to be managed effectively to ensure a safe working environment. EVRAZ constantly strives to improve the performance by avoiding or mitigating these risks.
- **Environmental footprint** – the Company's operations can have a significant impact on the environment. EVRAZ is committed to meeting or exceeding legal requirements in order to reduce its environmental footprint, thus making the world a cleaner place.
- **Human capital management** – retaining the best talent requires investment in the development of the Company's employees in order to secure long-term stability of the business and drive technological development.
- **Community relations** – EVRAZ is a long-term investor in its areas of operation and is committed to ensuring that local communities benefit from Company's presence.

Targets

After determining the key challenges and focus areas, EVRAZ has set the following 5 year targets for its sustainability performance.

Area of focus	Challenges	5 year targets
Health and Safety	Impact of operations on the health and physical condition of EVRAZ employees	• consistent reduction in lost time injury frequency rate • avoidance of any fatal incidents across the Group
Environment[1]	Impact of operations on the environment (air, water, waste)	• 5% reduction in air emissions[1] • 15% decrease in fresh water consumption • 100% of non-mining waste recycled or used[2]
Human Capital	Development of employees to secure the long-term stability of the business	• 100% of middle management covered by development programme • creation of a pool of successors for middle and top management
Community Relations	Effective management of relations with local communities, which affect the Company's reputation and ability to operate at existing operations	• contribution to the local development of communities in which EVRAZ operates, through education, training and employment of the local population

Review of 2012 performance

Health and Safety Performance

In 2012, the Company adopted a number of new Group-wide policies and requirements in order to standardise and improve HSE management system:

- alcohol, drugs and smoking policy;
- work at heights requirements;
- personal protective equipment requirements;
- contractors' management requirements;
- occupational risk assessment requirement;
- induction training on labour protection, industrial safety, fire safety and the environment;
- fundamental environmental requirements;
- corporate environmental reporting guidelines.

Developed in 2011, the EVRAZ HSE reporting system has led to improved incident reporting and a full year of consistent data in 2012. HSE performance data is now submitted by subsidiaries to the corporate HSE directorate on a monthly basis to ensure permanent monitoring. Information on any significant incidents is immediately escalated to management in order to enable appropriate investigations to take place, with further development of preventative and corrective actions.

As a result, statistics on lost time incidents for 2012 are more comprehensive and accurate than in previous years. This has partially contributed to the 20% reported increase in LTIFR (lost time injury frequency rate calculated as number of lost working hours due to injuries per 1 million hours worked) seen in 2012. EVRAZ remains committed to achieving a long-term downward trend in LTIFR.

Regrettably in 2012 the Company recorded 25 separate fatal accidents at EVRAZ operations during the year. The key hazardous factor leading to 40% of EVRAZ fatalities in 2012 was the influence of mobile equipment or parts thereof. Another 40% is composed of rock falls in coal and ore, falling objects and falling from heights taken together. At the same time, the analysis of lost time injuries (LTI's) demonstrates that two categories of LTI's – fall-overs and equipment related injuries – contribute to 42.5% of all LTI's recorded in 2012.

Based on thorough analysis the Company has identified opportunities to reduce safety incidents. To tackle these key problems, two company wide programmes are being launched in 2013. EVRAZ will take reasonable measures to ensure the walkways at all facilities are safe and do not create risks for employees using them on a daily basis. The facility managers will analyse all walkways from the point of view of hazardous factors and will make sure that all hazards – including moving machinery, high-voltage electricity, steam and gas pipelines, etc. – are effectively fenced off from the pathways employees are using on a regular basis. Secondly, the Group will focus on working at heights' safety measures for employees and contractors.

2013 Targets

In 2013 the Company aims to reduce LTIFR by 20% in comparison with 2012 and has a clear target to reduce fatalities in the ongoing journey to achieve zero fatalities and serious injuries.

Environmental performance

Steelmaking and mining sites use substantial amounts of energy and water and can affect water quality, air quality, waste and land use. EVRAZ's environmental strategy is to minimise the negative impact of its operations and use natural resources efficiently, seeking optimal solutions for industrial waste management.

1 Environmental targets are based on 2011 performance levels. Including nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds only.
2 The rate between amount of waste recycled or used vs. annual waste generation, not including mining waste. It can exceed 100% due to recycling of prior periods' waste.

Corporate Social Responsibility (Continued)

In 2012 EVRAZ spent approximately US$35 million on measures to ensure environmental compliance (including US$18 million on water management projects) and more than US$30 million on projects to improve its environmental performance. In the period from 2013 to 2017, the Group is committed to spending more than US$300 million on environmental programmes across its operations.

In the course of 2012, the Company reviewed the environmental strategy using risk assessment tools, and set the following five-year targets:

- 5% reduction in air emissions;
- 15% decrease in fresh water consumption;
- 100% of non-mining waste recycled or used.

Although environmental fines across the Group increased in 2012, no significant environmental incidents were recorded. EVRAZ is committed to continuing strengthening the environmental management system and increasing the number of operations compliant with ISO 14001. Now EVRAZ has 13 ISO 14001 certified sites, including the largest facilities: EVRAZ NTMK, EVRAZ ZSMK, EVRAZ DMZ Petrovskogo, EVRAZ Highveld, EVRAZ Vítkovice and EVRAZ Palini e Bertoli.

EVRAZ supports the human health and the environment goals of REACH Regulation[1], and EVRAZ entities completed the registration procedure for all of the products which fall within the scope of the law (within the registration deadlines) and gained all necessary registration numbers at the end of 2010. In compliance with the requirements of the regulation and its amendments, all necessary safety data sheets for EVRAZ entities' products were developed according to the new EU format on languages of countries of supply and sent to our customers. EVRAZ is currently preparing for the next key stage being the registration of 2013 substances in close cooperation with customers, associations, consortia and respective SEIF members.

Air emissions

Reduction of air emissions is one of EVRAZ's main environmental objectives. Emissions primarily comprise nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds. The Company has made significant progress in reducing air emissions through investments in modern technologies and withdrawal of obsolete equipment. As a result air emissions from steelmaking operations have declined by 25% since 2009 and by 1.5% in 2012.

In 2012, EVRAZ completed a number of upgrades of existing operations and developed a new programme for reducing air emissions at EVRAZ ZSMK. Another key project finalised in 2012 was the upgrade of air pollution control equipment at EVRAZ Claymont Steel in the United States. The site installed additional equipment to capture and control air contaminants and reduce air emissions from the melt shop. The project was implemented over the course of the last three years and required investment of US$17 million.

In 2012, the Group undertook a project to reduce its carbon dioxide emissions within the framework of the Joint Implementation (JI) mechanism of the Kyoto Protocol. The project specifies reconstruction of EVRAZ NTMK plant's blast furnaces #5 and #6 with the introduction of efficient resource saving technologies for pig iron production to reduce fuel consumption. This also resulted in CO_2 emission reductions. Projects which are eligible to participate in JI must comply with certain monitoring and measurement requirements, to generate a volume of Emissions Reduction Units (ERUs), equivalent to the volume of emissions reductions achieved, which can be sold in the international market. EVRAZ NTMK generated 1.9 million ERUs generating revenues of US$6 million that will be re-invested into environmental improvement projects.

The main emissions issue associated with the Company's coal mining operations is the release of methane gas after mine degasification. The concentration of methane is low and therefore there is no available and economically viable technology to capture and utilise this gas at present. However, EVRAZ continues to investigate solutions for minimising the quantity of methane emitted from the coal mining operations.

Water consumption and wastewater discharge

The objective of the Company is to use water resources efficiently and to prevent any negative impacts on water quality through environmental incidents.

In 2012 almost 87% of all water intakes were from surface sources, such as rivers, lakes and reservoirs. The total fresh water intake in 2012 was 422.3 million cubic metres. This is 6.5% less than in 2011 (451.6 million cubic metres).

The water pumped from mines (mine dewatering process) is not included in the fresh water intake target, although pumped water is in part used for technology needs. In 2012, 46.7 million cubic metres of mine water were pumped out in comparison with 44.0 million cubic metres in 2011.

In 2012 EVRAZ adopted a new water management strategy for EVRAZ ZSMK and Yuzhkuzbassugol which is expected to significantly improve the water management performance of these operations.

Waste management

Mining and steelmaking operations produce significant amounts of waste including waste rock, spent ore and tailings (waste from processing ore and concentrates). EVRAZ aims to reduce the amount of waste it produces, to reuse natural resources where possible and to dispose of waste in a manner that minimises the environmental impact whilst maximising operational and financial efficiency. Until recently much of the waste EVRAZ produced was simply stored in landfills, however the Company is developing a strategy to reduce waste storage volumes and enhance waste disposal.

In total, in 2012 EVRAZ recycled or reused 104%[2] of waste and by-products from its non-mining assets compared to 109.6% in 2011.

EVRAZ's strategy for dealing with non-hazardous mining wastes, such as depleted rock, tailings and overburden is to use them where possible for land rehabilitation and the construction of dams or roads. In 2012, 27.8% or 27 million tonnes of such waste material were reused compared to 46.7% or 45.6 million tonnes in 2011.

All non-recyclable waste is stored in facilities which are designed to prevent any harmful substances contained in the waste escaping into the environment.

In 2012 EVRAZ ZSMK and Yuzhkuzbassugol were recognised by the administration of Kemerovo region and Kuzbass Waste Processors Association for their contribution to environmental protection, secondary resources disposal, and cooperation in the establishment of the waste processing industry in the Kuzbass region.

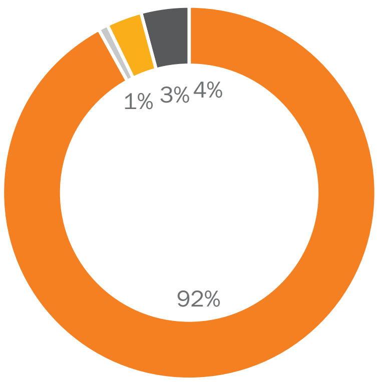
1 REACH – Regulation (EC) No. 1907/2006 of the European Parliament and of the Council according to which as of June 1, 2007 all chemical substances, mixtures and substances in articles (in some cases) produced in or imported to European Economic Area (EEA) territory above 1 tonne per year are subject to mandatory procedures such as registration, evaluation, authorization and restriction of chemicals. If chemicals are not registered in accordance with REACH the products are not allowed to be manufactured in or imported into the EEA.

2 The rate between amount of waste recycled or used vs. annual waste generation, not including mining waste.

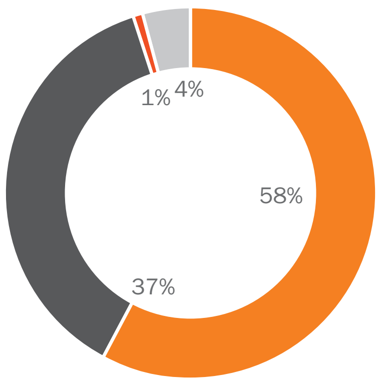
Human capital

EVRAZ recognises the importance of working with people and for people. Therefore one of the key pillars of the Company's long-term development plan is the development of its human capital. EVRAZ remains committed to providing equal rights to its employees regardless of their race, nationality, gender or sexual orientation, and the Company recognises the importance of diversity when recruiting talented employees.

Employees by region



Employees by business



Performance

As of 31 December 2012 EVRAZ employed more than 110,000 people across Europe, Africa and North America, with the majority located in Russia and the Commonwealth of Independent States.

In 2012 EVRAZ focused on the following HR activities:

- **Becoming an industry leader in terms of labour conditions.** EVRAZ is focused on ensuring a high level of working conditions for all employees, regardless of their location. Favourable and safe working conditions are one of the most important factors that motivate staff. The Company provides health insurance, transport and food for its employees.
- **Youth outreach.** Youth outreach is one of the key pillars in developing EVRAZ's human capital. EVRAZ strives to engage the young generation in the Company's enterprises. The Company arranges visits to schools to present professional orientation programmes, invites pupils to the plants, and works with young employees to offer them various opportunities for professional growth. EVRAZ has developed a number of initiatives to attract highly talented students and graduates, such as paid internships, relocation compensation for interns and graduates, scholarships for students after successful training subject to subsequent employment; and corporate grants for the higher professional education of young employees.

EVRAZ offers young employees various opportunities for both professional and personal development by implementing individual plans for career development, education and training; organising professional contests such as: "Best young employee", "Best in profession" and "Best young leader"; and youth scientific and technological conferences. The EVRAZ's Youth organisation runs sporting and entertainment events.

In September 2012 Nizhny Tagil hosted the First Youth Forum of EVRAZ [Case 1]

- **Identify and develop high potential employees (HiPo).** In 2012 a lot of attention was paid to the development of high potential employees. EVRAZ has two closely related schemes in place, known as HiPo development and the New Leaders Programme. One focuses on the development of selected high potential employees in preparation for future leadership roles in Russia, while the other develops talented employees worldwide to become future operational and technical leaders. Talent management issues are supervised by a special Talent Committee comprising key EVRAZ executives, all of whom are actively involved in and personally responsible for, tutoring and overseeing a given pool of HiPos.

For HiPo, the Company's goal is to select and prepare a set of suitable candidates for future roles as Russian business leaders.

Additionally, in 2012, 59 EVRAZ employees from the USA, Canada, South Africa, Czech Republic, Switzerland, Ukraine and Russia, all of whom possess diplomas of higher engineering training and actual production experience, participated in the EVRAZ New Leaders Programme. The programme's objectives are to shape a future international management team who could potentially hold leading positions at the Company's enterprises, to encourage the development of general management skills and engineering competency, and to establish projects directed at the improvement of EVRAZ's production system.

- **The preservation and development of engineering and technical expertise.** EVRAZ capitalises on its technical employees' expertise by involving them in the development of educational materials and training courses. Thus EVRAZ ensures experts and trainees are prepared for handling business issues. [The preservation and development of engineering and technical expertise [Case 2]
- **Standard educational programmes.** In 2012 the Company introduced integrated corporate competence, adapted for all levels of management, from operational supervisors to executive management. Training programmes were developed in accordance with the corporate model and are now implemented across EVRAZ's educational centres. The programme's goal is to increase management efficiency. Graduates of the programme include: the leading specialists of the businesses, heads of technical areas, and subdivision heads. In 2012 100% of leaders and 40% of senior masters successfully completed the programme. In the second half of 2012, the training programmes were supplemented with a course on corporate standards of HSE, including modern tools of safety management.

Plans for 2013 include the continuing implementation of the majority of the 2012 programmes, as well as further enhancements and implementation of new HR programmes.

Key targets for 2013 include: 100% of employees engaged in development programmes, and new vacancies offered first to internal candidates.

Corporate Social Responsibility (Continued)

Cooperation with labour unions
EVRAZ respects its employees' rights and aims to build a constructive and positive relationship with the labour unions which represent them. All EVRAZ sites operate through the collective bargaining agreement model. The Company has generally high levels of unionisation at operations, although this can vary significantly across operations and countries.

Regular discussions and formal and informal meetings of the management and the unions are conducted at all EVRAZ facilities in Russia and globally.

Internal communications
EVRAZ is committed to keeping its employees informed of major corporate developments to the highest possible extent, and ensuring they understand and are aligned with the business strategy. EVRAZ has a well-developed internal communications system including an anonymous whistle-blowing system that allows employees to confidentially raise questions about any possible issue they face. The whistle-blowing system uses a number of tools, including internal surveys, suggestion boxes and a special anonymous hotline. In 2012 the hotline received more than 2,200 inquiries, which were addressed by the Company's management in a timely manner.

Social and community programmes
EVRAZ contributes to local economies by providing jobs, paying taxes and looking after the communities where it operates. The Company takes its social responsibilities seriously, addressing and monitoring all aspects of corporate social responsibility (CSR) that are relevant to the business.

EVRAZ supports various community initiatives in the countries and regions where present. EVRAZ's social expenses worldwide were US$51 million in 2012.

Most assistance is channelled through charitable foundations set up by the Company and managed by local supervisory boards. EVRAZ's charity funds operate in Russia (Siberia and the Urals) and the Czech Republic. The projects in Russia are divided into three categories: children, local communities and sports. Projects for children include providing assistance for children with special needs (especially those with cerebral palsy), such as no-cost treatment, purchasing special equipment for local hospitals, organising workshops for parents and doctors, providing essential equipment for day care centres, and career development. Besides in 2012 special projects aimed at bettering living conditions were further rolled out in the regions where the Company's plants, facilities and offices are located. Thus EVRAZ funded the reconstruction of a railway crossing in the north of the city of Nizhniy Tagil (Ural) and funded construction of a paved road along the river Aba in Novokuznetsk (Siberia), as well as further expanded its programme of neighbourhood beautification by placing more courtyards in selected neighbourhoods, and installing children playgrounds, benches and sandboxes in some of them.

Social investments in Ukraine included support for Vasilkovsky neurological hospital, Gorky Theater and instalment of a sun dial.

The EVRAZ Charity Fund in the Czech Republic supports the long-term development of the Moravian-Silesian region with funds directed towards medical, educational and psychological support for children suffering from various disabilities of the central nervous system, in particular those suffering from cerebral palsy. EVRAZ also supports Vitkovice hockey club.

EVRAZ's social investments in South Africa aim to empower communities through education, health, housing, community, infrastructure and supply chain initiatives.

EVRAZ North America launched a new community programme in 2012. The Reading Sparks™ children's literacy programme included employee engagement activities, book distributions to school children in Claymont, funding for public school reading programmes such as the "Battle of the Books" in Regina, Saskatchewan, Canada, as well as donations to community centres in Regina and in Camrose, Alberta, Canada, for books and reading rooms.

Additional non-profit organisations and charitable causes supported by EVRAZ North America in 2012 include the United Way, Boys & Girls Clubs, American Cancer Society, Boy Scouts of America, YMCA Centres, and numerous food drives, youth sports teams, and hospitals.

Besides EVRAZ supports Dinamo sport club, Uralochka, a professional women volleyball team, hockey club Metallurg in Novokuznetsk and several children sports clubs, including the award-winning Federation of Sambo and Judo in the city of Kachnkanar in the Urals region. The Company also sponsored the Russian Geographical Society as well as the Volleyball Federation of Russia.

Transformation in South Africa
EVRAZ Highveld's transformation and social responsibility activities support B-BBEE (Broad-Based Black Economic Empowerment) to create a better South Africa for all. The Company's transformation policy (including the B-BBEE Act and the Broad-Based Socio-Economic Charter for the South African Mining Industry) is aligned with legislative and prescriptive measures aimed at achieving accurate demographic reflection within the organisation.

The policy formalises the Company's respect for diversity and its contribution to advance transformation in areas such as preferential procurement and socio-economic development, employment equity, skills development and the development of local entrepreneurs.

The Company retained its Level 5 B-BBEE scorecard with a score of 56.20, showing progress towards our target of 59.48 and an improvement on the score of 55.48 in 2011. The scorecard measures three core elements of BEE: direct empowerment through ownership and control of enterprises and assets, human resource development and employment equity, indirect empowerment through preferential procurement and enterprise development.

The main instrument in attracting skills to achieve the targeted demographic mix remains the Company's benefits and remuneration packages, which are regularly benchmarked against others in the mining and industrial sectors.

CSR Case Studies

Case 1: The First Youth Forum of EVRAZ

EVRAZ pays great attention to the development of the potential of young employees. The Company believes that young people are the future and youth organisations take an active part in the life of the Company. To attract and retain young employees in each enterprise EVRAZ operates a programme, “The Youth”, which involves training young employees, testing their professional skills, and organising cultural and sporting events.

About 150 young miners and metal-makers from EVRAZ’s Russian operations took part in the Company’s First Youth Forum. The event took place in September 14th 2012 in Nizhny Tagil and lasted for three days. During this time the young employees of EVRAZ operations in Siberia, the Urals and the Far East took part in various training activities, had direct contact with the senior management of EVRAZ and socialized with their colleagues from other regions.

The goal of the event was to unite the young employees of EVRAZ and use their knowledge and energy in the implementation of EVRAZ’s policies.

Case 2: Preserving and developing engineering and technical expertise at our operations

The participants of the project are experts from the plants and engineering technicians of the same profession potentially capable of taking the expert’s place.

The programme consists of two courses: the School of Senior Experts, in which top-level technical employees pass their knowledge onto future experts, and the School of Progressive Experience, which allows the experts to share knowledge with a view to improving business processes.

The work of the School of Senior Experts is based on the following approaches:

1. LEARN: Participants are trained and examined on the areas of focus at their enterprise.
2. ACT: The participants put their new knowledge into practice as they work on individual projects to solve business issues with the help of LEAN technologies.
3. TEACH: The programmes are individual for every enterprise implementing them, and are run by the chief technical professionals. Experts are educated to work as lecturers. Graduates of the school use their experience to prepare materials for educational books that EVRAZ is developing.

In 2012 about 145 experts and 300 potential successors took part in the programme.

The second course, the School of Progressive Experience, aims to promote the exchange of experience and sharing of knowledge within the Company. This involves practical activities, involving experts in the process of operational improvements, allowing them to discuss and resolve engineering and technological issues, and planning progress for the year 2013. As a result The School of Progressive Experience helps the employees to form a fresh view on everyday business processes and offer ideas to improve them.

In 2012 almost 160 employees participated in the programme. In 2013 EVRAZ aims to expand both courses, establishing 10 Schools of Senior Experts and 4 Schools of Progressive Experience.

The scope of the course will grow as external experts from Research Institutes, client companies, and suppliers are invited to participate.

Financial Review

Financial Review

Giacomo Baizini

"The financial results for 2012 reflect the subdued steel pricing environment, however we have managed to retain balance sheet flexibility and preserve our solid liquidity position. While the business outlook for 2013 remains challenging we continue to focus on efficiency improvements and the optimisation of our asset portfolio."

Basis of preparation

The consolidated financial statements of the Group on pages 102 to 167 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union and the presentation currency is US dollars.

Overview

As a result of a general weakness in the market for steel and steelmaking raw materials, the Company recorded a net loss of US$335 million for 2012, compared to a net profit of US$453 million in 2011. Gross profit deteriorated as falling prices affected revenue and we were also impacted by an impairment of US$413 million. Our EBITDA decreased 31% to US$2,012 million in 2012.

Cash flow generation was utilised in the continuing investment to upgrade and maintain our operations, as well as to declare a final dividend for 2011 and an interim dividend for the first half of 2012. Free cash flow for the year was positive, and we increased borrowings to prepare for the repayment of Rouble bonds and Eurobonds due in 2013. As of 31 December 2012, the Company held cash and short-term deposits for a total of US$2,064 million, compared to short-term debt of US$1,862 million[1].

As part of a strategic alignment of our asset base at the end of 2012, the Group decided to dispose of EVRAZ Highveld Steel and Vanadium and EVRAZ Vitkovice Steel operations. Accordingly these assets are accounted for as assets held for sale as at the year-end. In March 2013 we announced the execution of a non-binding term sheet on sale of EVRAZ Highveld.

In January 2013 we completed the acquisition of a controlling interest in Raspadskaya coal company, which was mostly financed by equity, and via a US$202 million cash component payable in equal quarterly instalments ending on 15 January 2014.

In addition, in April 2013 we announced the acquisition of a 51% stake in Timir, a joint-venture with Alrosa, created for the development of large iron ore deposits in Yakutia, Russia for RUB4,950 million (ca. US$160 million).

Revenues (US$ million)

Segment	Revenue 2012	Revenue 2011	Change	Relative change
Steel	13,543	14,717	(1,174)	(8.0)%
Mining	2,650	3,784	(1,134)	(30.0)%
Vanadium	520	665	(145)	(21.8)%
Other operations	1,046	966	80	8.3%
Eliminations	(3,033)	(3,732)	699	(18.7)%
Total	**14,726**	**16,400**	**(1,674)**	**(10.2)%**

Group revenues for 2012 decreased by 10.2% to US$14,726 million of which steel products' revenues (excluding intersegment sales) amounted to US$12,137 million or 82%. Steel sales volumes decreased only marginally from 15.5 million tonnes in 2011 to 15.3 million tonnes. The reduction in revenues was due largely to a decrease in sales prices, in line with the general trend in steel pricing.

EVRAZ was also impacted by a poorer product mix during the year as steel from EVRAZ ZSMK was used for the production of lower margin billets because the rail mill modernisation programme halted rail production in April 2012. As the EVRAZ ZSMK rail mill has been operational from 12 January 2013, and the ramp-up will be completed in the fourth quarter of 2013, we expect an improved product mix during 2013. In addition adverse market conditions impacted sales volumes of the Group's flat-rolled products in Europe.

1 Hereinafter debt and cash balances include the amounts held at operations that were classified as assets/liabilities held for sale, which were separately presented in the statement of financial position as of 31 December 2012, and include US$70 million of cash and cash equivalents and US$79 million of debt.

EBITDA (US$ million)

Segment	EBITDA 2012	EBITDA 2011	Change	Relative change
Steel	1,326	1,262	64	5.1%
Mining	622	1,628	(1,006)	(61.8)%
Vanadium	(19)	22	(41)	(186.4)%
Other operations	189	197	(8)	(4.1)%
Unallocated	(199)	(243)	44	(18.1)%
Eliminations	93	32	61	190.6%
Total	**2,012**	**2,898**	**(886)**	**(30.6)%**

EBITDA for 2012 was US$2,012 million, compared to US$2,898 million in 2011, largely reflecting the fall in revenues. The fall in prices and volumes of iron ore and coking coal had an adverse impact on EBITDA of the Mining segment.

Cost of revenues, expenses and results (US$ million)

Item	2012	2011	Change	Relative change %
Cost of revenue	**(11,797)**	**(12,473)**	**676**	**(5.4)**
Gross profit	**2,929**	**3,927**	**(998)**	**(25.4)**
Selling and distribution costs	(1,211)	(1,154)	(57)	4.9
General and administrative expenses	(860)	(921)	61	(6.6)
Impairment of assets	(413)	(104)	(309)	297.1
Foreign exchange gains/(losses), net	(41)	269	(310)	(115.2)
Other operating income and expenses	(161)	(157)	(4)	2.5
Profit from operations	**243**	**1,860**	**(1,617)**	**(86.9)**
Interest expense	(645)	(708)	63	(8.9)
Gain/(loss) on financial assets and liabilities, net	164	(355)	519	146.2
Gain on disposal group classified as held for sale, net	114	8	106	1,325.0
Other non-operating gains/(losses), net	18	68	(50)	(73.5)
Profit/(loss) before tax	**(106)**	**873**	**(979)**	**(112.1)**
Income tax benefit/(expense)	(229)	(420)	191	(45.5)
Net profit/(loss)	**(335)**	**453**	**(788)**	**(174.0)**

Cost of revenue decreased by 5.4% to US$11,797 million in 2012 compared to 2011 as a result of a number of factors. Raw material costs decreased by 20% largely due to lower purchase prices for iron ore, coking coal and scrap. The costs for semi-finished products fell by 39%, as more slabs were procured internally, for further re-rolling, as opposed to being purchased from third parties. Expenditure on services decreased by US$9 million, as inflationary pressure was balanced by a 5% devaluation of the Rouble and through cost savings at many of our operations. Goods for resale increased by 55% as EVRAZ Metal Inprom increased the purchase of third party products to satisfy customer demand. Transportation costs increased by 7% following an increase in Russian railway tariffs and higher volumes of intragroup shipments of semi-products. The 2012 labour cost increase is partially attributed to carryover effects of 2011 salary increases that were negotiated based on more favourable 2011 market conditions, however these were somewhat offset, at least in Russia, by the Rouble devaluation.

Total depreciation, depletion and amortisation amounted to US$1,259 million for 2012, compared to US$1,153 million for 2011. The increase is due mainly to a larger depletion expense at Yuzhkuzbassugol following a revaluation of reserves in July 2011. While higher reserves were recognised, the future development costs per tonne of coal are higher than previously estimated. In 2012, management revised its mining plans to exclude some reserves that are not expected to be developed earlier than 2040-2070 and updated the reserves valuation accordingly. This led to a minor reduction of reserve base and a significant decline in estimated future development costs used in the calculation of the depletion charge. The amount of depreciation in cost of revenue was US$1,100 million for 2012.

Financial Review (Continued)

We achieved a reduction in electricity costs of US$49 million through increased proprietary generation at EVRAZ ZSMK and lower consumption at our European operations due to reduced activity. Natural gas expenditure was also slightly reduced as increases in prices were offset by devaluation of the local currencies, and reduced consumption volume as a result of lower level activity in Europe.

The large increase in other costs is mostly due to changes in finished goods inventory and work in progress, which increased by US$192 million in 2011, but decreased by US$53 million in 2012 due to destocking at the end of the year.

Breakdown of cost of revenue (US$ million)

Item	2012	2011	Change	Relative change %
Cost of revenue	**(11,797)**	**(12,473)**	**676**	**(5)%**
Raw materials, incl.	(4,091)	(5,137)	1,046	(20)%
Iron ore	(681)	(873)	192	(22)%
Coking coal	(1,050)	(1,389)	339	(24)%
Scrap	(1,570)	(1,943)	373	(19)%
Other raw materials	(790)	(932)	142	(15)%
Semi-finished products	(483)	(788)	305	(39)%
Auxiliary materials	(1,006)	(947)	(59)	6%
Services	(665)	(674)	9	(1)%
Goods for resale	(632)	(407)	(225)	55%
Transportation	(740)	(694)	(46)	7%
Staff costs	(1,765)	(1,628)	(137)	8%
Depreciation	(1,100)	(1,015)	(85)	8%
Electricity	(551)	(600)	49	(8)%
Natural gas	(416)	(427)	11	(3)%
Other costs	(348)	(156)	(192)	123%

Selling and distribution expenses were 4.9% higher than in 2011 mainly due to the carryover effect of a change to CPT sales terms in Russia, which was introduced in the first half of 2011, and a minor increase in volumes shipped. This was slightly offset by a reduction in bad debt expense due to better cash collection from municipalities that are using heat and electricity produced by the Group's subsidiaries at respective locations.

General and administrative expenses declined in 2012 by 6.6% mainly due to a lower staff bonuses accrual, the one off effect of expenses related to the premium listing that were incurred in 2011 and significant cost saving initiatives implemented at EVRAZ Highveld Steel and Vanadium during the year.

In 2012, we had a significantly higher impairment charge of US$413 million than in the previous year. US$356 million of this is attributed to the non-current assets of Evrazruda. For more details please refer to Note 6 of the Financial Statements.

Foreign exchange gains/(losses) moved from a US$269 million gain in 2011 to a US$41 million loss in 2012. This is in large part due to currency fluctuations on intragroup debt where the entities involved have different functional currencies. IFRS does not have a notion of a Group's functional currency, therefore gains/(losses) of one subsidiary do not have corresponding counterparts in another subsidiary and thus cannot be eliminated on consolidation. For example this is the case between Russian subsidiaries with rouble functional currency and our non-Russian entities with other respective functional currencies.

Interest expense incurred by the Group has fallen steadily over the last two years as we have refinanced debt at lower interest rates. Interest expense was US$645 million for 2012, compared to US$708 million for 2011.

Gains on financial assets and liabilities for 2012 were US$164 million, and dominated by a gain of US$177 million on the change in fair value of derivatives – currency and interest rate swaps for rouble bonds. This is a significant reversal of the position in 2011 where a loss of US$110 million was incurred on the swaps alone. In 2011 the loss on financial assets and liabilities also included the effect of a loss on early settlement of debt (US$71 million) and incentivised conversion of convertible bonds (US$161 million), as described in more details in Notes 7 and 21 of the financial statements.

The Group recognised a US$83 million loss on reclassification of EVRAZ Highveld Steel and Vanadium and EVRAZ Vitkovice Steel to assets held for sale. This was more than offset by a gain realised by the sale of EvrazTrans, and together with the effect of other minor disposals, led to a US$114 million gain on assets classified as held for sale.

In 2012, the Company accrued an income tax expense of US$229 million, notwithstanding a loss before tax of US$106 million. This was mostly due to losses at certain subsidiaries that could not be offset against profits of other subsidiaries, as well as the fact that some expenses are not deductible for tax purposes.

In 2012, the Company reported a US$335 million net loss, compared to a net profit of US$453 million in 2011.

Cash flow (US$ million)

Item	2012	2011	Change	Relative change %
Cash flows from operating activities before change in working capital	1,733	2,528	(795)	(31.4)
Changes in working capital	410	119	291	244.5
Net cash flows from operating activities	**2,143**	**2,647**	**(504)**	**(19.0)**
Short-term deposits at banks, including interest	(656)	5	(661)	(13,220.0)
Purchases of property, plant and equipment and intangible assets	(1,261)	(1,281)	20	(1.6)
Proceeds from sale of disposal groups	311	5	306	6,120
Dividends received and return of capital by joint venture	126	54	72	133.3
Other investing activities	(64)	29	(93)	(320.7)
Net cash flows used in investing activities	**(1,544)**	**(1,188)**	**(356)**	**(30.0)**
Dividends paid by the parent entity to its shareholders	(375)	(491)	116	(23.6)
Net proceeds from/(repayment of) bank loans and notes, overdrafts and credit lines, including interest	282	(591)	873	(147.7)
Gain on derivatives not designated as hedging instruments	81	66	15	22.7
Other financing activities	(30)	(266)	236	(88.7)
Net cash flows used in financing activities	**(42)**	**(1,282)**	**1,240**	**(96.7)**
Effect of foreign exchange rate changes on cash and cash equivalents	32	(59)	91	(154.2)
Net increase in cash and cash equivalents	**589**	**118**	**471**	**399.2**

Cash flows from operating activities before changes in working capital fell by 31% in 2012 to US$1,733 million reflecting the lower prices for our products in 2012 compared to 2011.

In 2012, US$410 million of working capital was released as a result of lower average prices, but also as part of the continued focus on managing the Group's working capital. In order to pre-finance the 2013 maturities of the put options on our 2013 rouble bonds, and of other bonds and notes, we deposited US$674 million at large Russian banks.

Capital expenditure was sustained at virtually the same level as in the previous year (US$1,261 million in 2012 compared to US$1,281 million in 2011). In 2012 made significant progress on many of the priority projects that we launched in 2010/2011, including the modernisation of the two rail mills in Russia, construction of Yerunakovskaya VIII coking coal mine, PCI for our Russian blast furnaces and construction of rolling mills at the south of Russia and in Kazakhstan. Whilst many projects neared completion during the year investment started on new projects such as Mezhegey Phase I.

Financial Review (Continued)

Summary of capital expenditure for 2012 (in millions of USD) is as follows

EVRAZ ZSMK rail mill modernisation	143	Launched after modernisation programme in January 2013, ramp-up to be completed by Q1 2014
Construction of Yerunakovskaya VIII mine	135	Production of 2.5 million tonnes of raw coking coal per annum. Ramp-up to be completed by Q1 2014
PCI at EVRAZ NTMK	58	Reduction of coke and natural gas consumption in blast furnaces. Construction completed in 2012, commissioned in Q1 2013
PCI at EVRAZ ZSMK	51	Reduction of coke and natural gas consumption in blast furnaces. To be commissioned in Q1 2014
Vostochniy mill (Kazakhstan)	41	Long products' capacity addition. Hot tests to start in Q3 2013
Yuzhniy mill (South Russia)	31	Long products' capacity addition. Hot tests to start in H2 2014
Mezhegey (Phase I)	15	Additional 1.5 million, ramp-up to be completed in H2 2014
Other investment projects	130	
Maintenance	657	
Total	1,261	

In December 2012 we completed the sale of EvrazTrans for a consideration of US$306 million. This, in addition to smaller disposals, resulted in a net positive contribution to our cash flow of US$311 million.

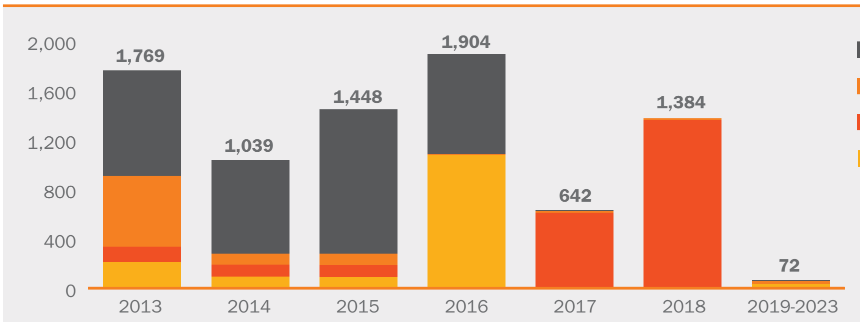
During the course of 2012 we also received US$88 million of dividends and US$38 million of capital returned by Corber, the Group's joint venture, and in turn paid US$375 million to our shareholders in dividends.

We also continued to benefit from realised gains on the swaps for the rouble bonds that generated another US$81 million of cash. We do not have any other significant hedging instruments.

The free cash flow for the Group was US$780 million in 2012.

Financing and liquidity

Debt maturities schedule*, US$ million



*excluding interest and lease payments and including debt maturities of disposal groups held for sale

We started 2012 with a total debt of US$7,245 million. Due to the favourable situation in capital markets in the first half of 2012, we decided to pre-finance our large bond maturities coming due in March and April 2013, in order to pro-actively manage the liquidity risk. To this end, in April 2012 we issued US$600 million of 5-year Eurobonds, and in December 2012 we issued US$250 million of ECP. As a result of these actions, our total debt increased to US$8,248 million as at 31 December 2012, while net debt decreased by US$258 million from US$6,442 million at 31 December 2011 to US$6,184 million at 31 December 2012. Interest expense accrued in respect of loans, bonds and notes was US$588 million for 2012, compared to US$649 million for 2011.

Given the uncertainty in our key ratios in the near term, we decided to approach our bank lenders to adjust some of our covenants. In June 2012 we agreed with the lenders to amend the levels on the two key maintenance covenants in most of our bank debt, namely the covenants to maintain (i) maximum net leverage ratio (ratio of net debt to 12-month consolidated EBITDA) and (ii) minimum EBITDA interest cover ratio (ratio of 12-month consolidated EBITDA to 12-month consolidated interest expense). Both ratios are based on Evraz Group S. A.'s, and not the whole Group's, consolidated financial statements. The new levels were set at 3.5x and 3.0x respectively, at the same time the definition of interest expense was adjusted to take account of cash gains on hedging arrangements related to rouble bond issues. On 31 December 2012, the net leverage ratio was 3.1x, and the EBITDA interest cover ratio was 4.0x. In December 2012, we also successfully obtained the consent of the holders of our 2015 Eurobonds to remove the maintenance covenant from these bonds. As a result, we do not have any maintenance test on any of our public debt, giving us added flexibility in case of market downturns negatively affecting our leverage.

Our Eurobond covenants currently limit our ability to incur new debt at Evraz Group S.A. and its subsidiaries, but do not limit our ability to refinance the debt of Evraz Group S.A. or to raise new debt at EVRAZ plc. In order to increase our financial flexibility, we have set up project financing in relation to the Mezhegey project Phase I. The project entity is a subsidiary of EVRAZ plc, but not a subsidiary of Evraz Group S.A., so any utilisation of this financing is not subject to the restriction of the incurrence covenants of the Evraz Group S.A. Eurobonds. As of 31 December 2012, we had US$5 million drawn under this facility.

Part of our bank loans continue to include covenants to maintain certain financial metrics related to profitability and leverage. As of 31 December 2012 the outstanding amount of such loans was US$1,424 million. Given the high volatility in the global steelmaking industry, we continue to closely monitor and proactively address any potential issues of future compliance with covenants associated with Company's financial indebtedness.

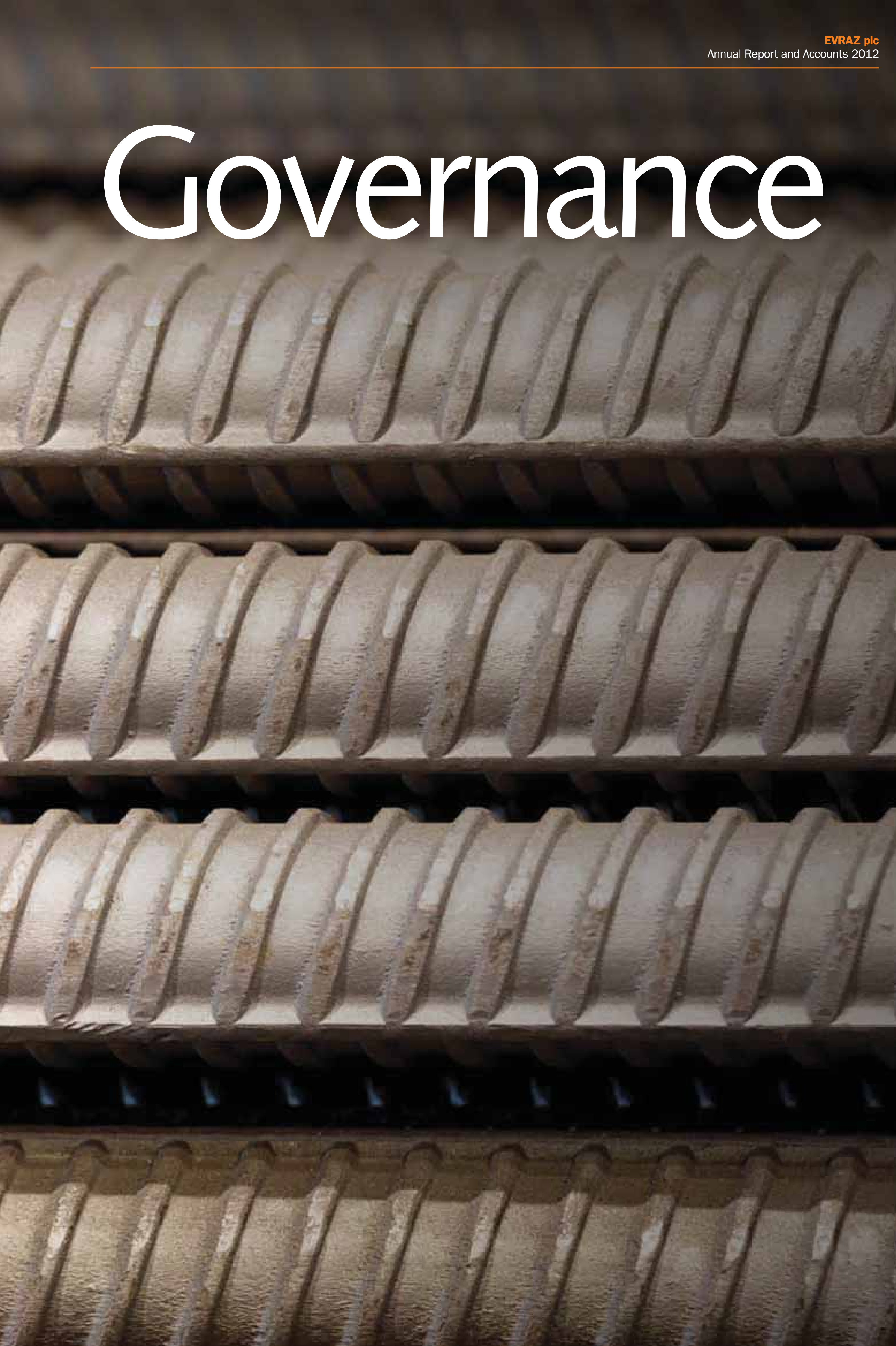
Our cash and deposits on 31 December 2012 of US$2,064 million compared to a short-term debt of US$1,862 million gives us confidence in our financial position.

Dividends

Based on the results of the first half of 2012 we declared an interim dividend of 11 cents per share. Due to the deterioration in the market environment, and consequently our performance, in the second half of 2012, the Directors have recommended to pay no final dividend for 2012.

Giacomo Baizini

Giacomo Baizini
Chief Financial Officer
EVRAZ plc
10 April 2013

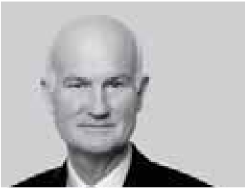


Governance

Board of Directors

Member of the Board	**Alexander Abramov,** **Non-Executive Chairman** **(born 1959)**	**Alexander Frolov,** **Chief Executive Officer** **(born 1964)**	**Olga Pokrovskaya,** **Non-Executive Director** **(born 1969)**	**Eugene Shvidler,** **Non-Executive Director** **(born 1964)**	**Eugene Tenenbaum,** **Non-Executive Director** **(born 1964)**
					
Appointment	Founded EvrazMetall, a predecessor of the Group, in 1992. CEO of EVRAZ Group S. A. until 1 January 2006, Chairman of EVRAZ Group S.A.'s Board until 1 May 2006. Appointed Chairman of EVRAZ plc on 14 October 2011.	Joined EvrazMetall in 1994 and served as EvrazMetall's Chief Financial Officer from 2002 to 2004 and as Senior Executive Vice President of Evraz Group S.A. from 2004 to April 2006. Chairman of the Board of Directors of Evraz Group S.A. from May 2006 until December 2008 and appointed CEO with effect from January 2007. Appointed CEO of EVRAZ plc on 14 October 2011.	Has been a member of the Board of Directors of Evraz Group S.A. since August 2006. Appointed to the Board of EVRAZ plc on 14 October 2011.	Member of the Board of Directors of Evraz Group S.A. since August 2006. Appointed to the Board of EVRAZ plc on 14 October 2011.	Member of the Board of Directors of Evraz Group S.A. since August 2006. Appointed to the Board of EVRAZ plc on 14 October 2011.
Skills and Experience	Alexander Abramov served as a Non-Executive Director from May 2006 until his re-appointment as Chairman of the Board on 1 December 2008. A Director of OJSC Raspadskaya, a member of the Bureau of the Board of Directors and a member of the Board of Directors of the Russian Union of Industrialists and Entrepreneurs (an independent non-governmental organization), and a Director of OJSC Bank International Financial Club.	Alexander Frolov has held various positions at EvrazMetall and other companies, predecessors of Evraz Group S.A., since joining in 1994 and has been a member of the Board of Directors of Evraz Group S.A. since 2005. Prior to joining EVRAZ, Mr. Frolov worked as a research fellow at the I.V. Kurchatov Institute of Atomic Energy.	Olga Pokrovskaya is head of corporate finance at Millhouse LLC and a member of the Board of Directors of Highland Gold Mining Ltd. Since 1997, Ms. Pokrovskaya has held several key finance positions with Sibneft, including head of corporate finance. From 1991 to 1997, she worked as a senior audit manager at the accounting firm Arthur Andersen.	Eugene Shvidler currently serves as Chairman of Millhouse LLC and Highland Gold Mining Ltd. He is also on the board of Directors of AFC Energy plc. Mr. Shvidler served as President of Sibneft from 1998 to 2005.	Eugene Tenenbaum is currently Managing Director of MHC (Services) Ltd. and serves on the Board of Chelsea FC Plc and Highland Gold Mining Ltd. 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.
Committee Membership	Member of the Nominations Committee	Member of the Health, Safety and Environment Committee	Member of the Audit Committee and of the Health, Safety and Environment Committee	Member of the Nominations Committee	–

Sir Michael Peat,
Senior Independent Non-Executive Director (born 1949)



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 HRH 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, Keeper of the Privy Purse and Treasurer to the Queen, and Receiver General of the Duchy of Lancaster. Sir Michael Peat was at KPMG from 1972, and became a partner in 1985. He left KPMG in 1993 to devote himself to his public roles. Sir Michael Peat is an Independent Non-executive on the Board of Deloitte LLP, Senior Adviser to CQS (UK) LLP, a member of the Barclays Wealth and Investment Management Advisory Committee, Senior Adviser to Mr Wafic Said and a Non-Executive Director of Tamar Energy Limited. He is an MA, MBA and Fellow of the Institute of Chartered Accountants.

Chairman of the Nominations Committee and a member of the Audit Committee

Duncan Baxter,
Independent Non-Executive Director (born 1952)

Member of the Board of Directors of Evraz Group S.A. since May 2011. Appointed to the Board of EVRAZ plc on 14 October 2011.

Duncan Baxter, resident in Jersey, has had many years' experience of international banking. He began his career in banking with Barclays International Bank in Zimbabwe before joining RAL Merchant Bank in 1978. In 1985, he became a Director of Commercial Bank (Jersey) Ltd, which was subsequently acquired by Swiss Bank Corporation (SBC). In 1988, he became managing Director of SBC Jersey Branch. Since leaving SBC in 1998 after its merger with UBS AG, he has undertaken a number of consultancy projects for international banks and investment management companies. He is a Non-Executive Director of Highland Gold Mining Ltd and also holds other Non-Executive Directorships. Mr. Baxter is a Fellow of the Institute of Chartered Secretaries and Administrators, the Securities Institute, the Chartered Institute of Bankers, the Institute of Management and the Institute of Directors.

Chairman of the Remuneration Committee and a member of the Audit Committee

Karl Gruber,
Independent Non-Executive Director (born 1952)

Member of the Board of Directors of Evraz Group S.A. since May 2010. Appointed to the Board of EVRAZ plc on 14 October 2011.

Karl Gruber has extensive experience in the international metallurgical mill business. He 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.

Chairman of the Health, Safety and Environment Committee and a member of the Remuneration Committee

Alexander Izosimov,
Independent Non-Executive Director (born 1964)

Appointed to the Board of EVRAZ plc on 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 Mars Inc, Mr Izosimov was a consultant with McKinsey & Co. (Stockholm, London) (1991-1996) and was involved in numerous projects in transportation, mining, manufacturing and oil businesses. Mr Izosimov currently serves on the boards of MTG AB, East Capital AB and Dynasty Foundation. He previously served as Director and Chairman of the GSMA (Global association of mobile operators) board of Directors, and was also previously a Director of Baltika Breweries, confectionery company Sladko, and IT company Teleopti AB. Mr. Izosimov is on the boards of Directors of LM Ericsson AB and Transcom SA, as well as on the executive board of ICC (International Chamber of Commerce).

Member of the Remuneration Committee and the Nominations Committee

Terry Robinson,
Independent Non-Executive Director (born 1944)

Member of the Board of Directors of Evraz Group S.A. since April 2005. Appointed to the Board of EVRAZ plc on 14 October 2011.

Terry Robinson is a qualified chartered accountant and has 40 years' international business experience. He spent 20 years at Lonrho PLC, the international mining and trading group, the last 10 years of which he served as a main board Director. Since 1998, he has been variously occupied with international business recovery engagements and investment projects including natural resources in the UK, Russia, the CIS and Brazil. He is independent Director and Deputy Chairman of Katanga Mining Limited and is also an independent and senior Non-Executive Director of Highland Gold Mining Ltd. He is a Fellow of the Institute of Chartered Accountants of England and Wales. Terry Robinson has been nominated for election to the Board of OJSC Raspadskaya, a subsidiary of EVRAZ, at the AGM of OJSC Raspadskaya that is to take place by the end of June 2013 at the latest. The Board is satisfied that this nomination has no impact on Mr Robinson's independence.

Chairman of the Audit Committee and a member of the Nominations Committee and of the Health, Safety and Environment Committee. He also chairs the Group's Risk Committee, which is an Executive Committee

Vice Presidents

Leonid Kachur
Senior Vice President,
Business Support and
Interregional Relations

Pavel Tatyanin
Senior Vice President,
Head of International Business

Marat Atnashev[1]
Vice President,
Iron Ore Division and
Major Projects

Giacomo Baizini
Vice President,
Corporate Affairs and CFO

Scott Baus
Vice President,
EVRAZ Business System

Grigory Botvinovskiy
Vice President,
Vanadium Assets

Natalia Ionova
Vice President,
Human Resources

Aleksey Ivanov
Vice President,
Steel Division

Michael Shuble[2]
Vice President,
Health, Safety and Environment

Oleg Kuzmin
Vice President,
Corporate Communications

Alexander Kuznetsov
Vice President,
Strategic Development and
Operational Planning

Artem Natrusov
Vice President,
Information Technologies

Yury Pavlov
Vice President,
Procurement

Ilya Shirokobrod
Vice President,
Railway Products Division

Sergey Stepanov[3]
Vice President,
Coal Division

Timur Yanbukhtin
Vice President,
Business Development,
International Business

Elena Zhavoronkova
Vice President,
Legal Affairs

1 On 13 December 2012 Marat Atnashev was appointed Vice President of the Iron Ore Division.
2 On 28 January 2013 Michael Shuble was appointed Vice President of Health, Safety and Environment
3 On 13 December 2012 Sergey Stepanov was appointed Vice President of the Coal Division.

Corporate Governance Report

Introduction

EVRAZ plc is a public company limited by shares incorporated in the United Kingdom. The Company is committed to high standards of corporate governance and control.

Further information on the Company's Corporate Governance policies and principles are available on the Company's website: www.evraz.com. The UK Corporate Governance Code is available at www.frc.org.uk.

Compliance with corporate governance standards

EVRAZ's approach to corporate governance is primarily based on the UK Corporate Governance Code published by the Financial Reporting Council (FRC) and the Listing Rules of the UK Listing Authority. The Company complies with the UK Corporate Governance Code or, if it does not comply, explains the reasons for non-compliance.

As of 31 December 2012 EVRAZ complied with all the principles and provisions of the UK Corporate Governance Code (2010 version) with the following exceptions:

- Contrary to provision C.3.1 of the UK Corporate Governance Code, Olga Pokrovskaya is a member of the Audit Committee, but does not meet the independence criteria set out in the UK Corporate Governance Code. Since more than 50% of EVRAZ activities and operations are based in the Russian Federation, Olga Pokrovskaya's technical and regional experience and qualification, as a past senior audit manager at Arthur Anderson and as Head of Corporate Finance at Sibneft is of particular value to the Committee and her experience would be extremely difficult to replicate, particularly as EVRAZ is seeking to strengthen diversity on its Board. The Company considers that, in light of her involvement with the Group over a number of years and her experience in this area, her membership of the Audit Committee is to the benefit of the Group.

At the beginning of 2012 EVRAZ was non-compliant with the following principles and provisions of the UK Corporate Governance Code (2010 version), however these deficiencies had been rectified by the end of the year:

- Contrary to provision C.3.1 of the UK Corporate Governance Code, only two of the three members of the Audit Committee were Independent Non-Executive Directors prior to 28 February 2012. On 28 February 2012 Sir Michael Peat, senior Independent Non-Executive Director, was appointed to the Audit Committee.
- Contrary to provision D.2.1 of the UK Corporate Governance Code, the Remuneration Committee did not solely comprise Independent Non-Executive Directors prior to 19 November 2012. On this date the Board decided that the membership of the Remuneration Committee should comprise only Independent Non-Executive Directors in line with the UK Corporate Governance Code and, consequently, Mr Abramov and Mr Tenenbaum stood down from the Remuneration Committee. Since 19 November 2012 the Remuneration Committee has consisted of three independent members: Duncan Baxter, Karl Gruber and Alexander Izosimov. The Company has therefore been compliant with provision D.2.1 of the UK Corporate Governance Code since that date.

Board of Directors

The members of the Board of EVRAZ plc as at 31 December 2012 were: Alexander Abramov (Chairman), Alexander Frolov (CEO), Olga Pokrovskaya, Eugene Shvidler, Eugene Tenenbaum, Duncan Baxter, Karl Gruber, Terry Robinson, Sir Michael Peat (senior Independent Non-Executive Director) and Alexander Izosimov.

Alexander Izosimov was appointed to the Board of EVRAZ plc on 28 February 2012 as an Independent Non-Executive Director.

EVRAZ plc held 11 scheduled Board meetings and 8 extraordinary meetings held in the form of conference calls and exchange of emails during 2012.

Corporate Governance Report (Continued)

The following table sets out the attendance of each Director at scheduled EVRAZ plc Board and Board Committee meetings.

Board meetings and Committees attendance during 2012

	Board meetings	Remuneration[1]	HSE	Audit[2]	Nominations[3]
Total meetings in 2013	4	1	1	4	0
Total meetings in 2012	11	4	2	10	2
Directors' participation:					
Alexander Abramov	10 of 11	4 of 4	–	–	2 of 2
Duncan Baxter	11 of 11	4 of 4	–	12 of 14	–
Alexander Frolov	11 of 11	–	2 of 2	–	–
Karl Gruber	11 of 11	3 of 4	2 of 2	–	–
Alexander Izosimov[4]	9 of 9	3 of 3	–	–	1 of 1
Sir Michael Peat	11 of 11	1 of 1	–	13 of 14	2 of 2
Olga Pokrovskaya	11 of 11	–	–	13 of 14	–
Terry Robinson	10 of 11	–	2 of 2	14 of 14	2 of 2
Eugene Shvidler	11 of 11	–	–	–	1 of 1
Eugene Tenenbaum	11 of 11	4 of 4	–	–	–

1 Sir Michael Peat was replaced by Alexander Izosimov from 1 March 2012. On 19 November 2012 Mr Abramov and Mr Tenenbaum stood down from the Remuneration
2 The Audit Committee met 10 times in 2012 and 4 times since the beginning of 2013 until the publication date of this annual report.
3 Alexander Izosimov and Eugene Shvidler were appointed to the Nominations Committee on 28 February 2012.
4 Appointed to the Board on 28 February 2012

Board balance and independence

As at 31 December 2012, the Board of EVRAZ plc consisted of ten members, comprising nine Non-Executive Directors and one executive Director. Half of the members of the Board were Independent Non-Executive Directors in compliance with the UK Corporate Governance Code. The Company regards this as an appropriate board structure.

Following the appointment of Alexander Izosimov on 28 February 2012 five members of the Board (those other than Alexander Frolov, Alexander Abramov, Olga Pokrovskaya, Eugene Shvidler and Eugene Tenenbaum) were deemed to be independent in character and judgement pursuant to the UK Corporate Governance Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In reaching its determination of independence, the Board concluded that each one provided an objective challenge to management and was willing to stand up to defend their own beliefs and viewpoints in order to support the ultimate good of the Company and to help develop proposals on strategy. The Board concluded that there were no relationships or circumstances likely to affect, or which might appear to affect, the judgement of any of its independent Non-Executive Directors.

For completeness, the Board considered an arm's length business arrangement between one of the Non-independent Non-Executive Directors and the son of Sir Michael Peat, the senior Independent Director of the Company, and satisfied itself that this arrangement has no impact on Sir Michael Peat's independence.

In addition, the Board noted the nomination of Terry Robinson, an Independent Non-Executive Director, to the Board of OJSC Raspadskaya, which became a subsidiary of the Company in January 2013, and was satisfied that this nomination had no impact on Mr. Robinson's independence.

Role of the Board

The Board and management of EVRAZ aim to pursue objectives in the best interests of EVRAZ, its shareholders and other stakeholders, and particularly to create long-term value for shareholders.

The EVRAZ's Board is responsible for the following key aspects of governance and performance:
- Financial and operational performance;
- Strategic direction;
- Major acquisitions and disposals;
- Overall risk management;
- Capital expenditures and operational budgeting;
- Business planning.

The Board has a formal schedule of matters specifically reserved for its decision. These include the following:
- Responsibility for the Group's long-term objectives and commercial strategy;
- Responsibility for the overall management of the Group;
- Reviewing performance in the light of the Group's strategy, objectives, business plans and budgets and ensuring that any necessary action is taken to deliver the required performance;
- Approving/reviewing changes relating to the Group's management and control structure, capital structure and major changes to corporate structure;

- Approving the Group's policies and all circulars, prospectuses and listing particulars;
- Approval of the Annual Report and Accounts, results announcements and interim management statements;
- Approving the dividend policy and any significant changes in accounting policies or practices;
- Approving resolutions and corresponding documentation to be put forward to shareholders at a general meeting;
- Ensuring maintenance of a sound system of internal control and risk management;
- Reviewing/approving changes and appointments to and removals from the Board and Board committees;
- Appointment, re-appointment or removal of the external auditor;
- Determining the remuneration policy for the Directors, company secretary and key senior management and remuneration policy of the non-executives subject to the articles of association and shareholder approval as appropriate;
- Undertaking a formal and rigorous review annually of its own performance, that of its committees and individual Directors.

Certain aspects of the Board's responsibilities have been delegated to appropriate committees to ensure compliance with the UK Companies Act, FSA Listing Rules and the UK Takeover Code.

The Board has delegated authority to the following committees to facilitate the routine business of the Company:
- Audit Committee;
- Health, Safety and Environment Committee;
- Nominations Committee; and
- Remuneration Committee.

The terms of reference for all committees of EVRAZ plc are available on the Company's website: www.evraz.com. Further detail on these committees and their activities are provided on pages 76 to 82.

Chairman and Chief Executive

The Board determines the division of responsibilities between the Chairman and the Chief Executive Officer.

The Chairman's principal responsibility is the effective running of the Board, ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Chief Executive Officer is responsible for leading the Group's operating performance and day-to-day management.

The main roles and responsibilities are outlined below:

Role of the Chairman

The Chairman's key responsibilities include:
- Presiding at all general meetings of the shareholders and the Board and being the guardian of the Board's decision-making processes;
- Leading the Board, including ensuring delegation of authority to executive Directors and management;
- Ensuring that the Board receives accurate, timely and clear information on the Group's performance and the issues, challenges and opportunities facing the Group so that the Board takes sound decisions and promotes the success of the Group;
- Setting Board agendas and ensuring that Board agendas take full account of the important, complex and contentious issues facing the Group and the concerns of all Board members and encouraging active engagement by all members of the Board;
- Ensuring that there is effective communication by the Group with its shareholders and ensuring that members of the Board develop an understanding of the views of the major investors in the Group;
- Ensuring there is a properly constructed induction programme for new Directors;
- Ensuring that the performance of the Board as a whole, its committees, and individual Directors is formally and rigorously evaluated at least once a year;
- Promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level.

Role of the Chief Executive Officer

The Chief Executive Officer's principal responsibility is running the business of the Company and its subsidiaries.

The key responsibilities of the CEO include:
- Proposing and developing the Group's strategy and overall commercial objectives, which he does in close consultation with the Chairman and the Board;
- Proposing to the Board and committee Chairmen:
  - a Schedule of Reserved Matters for the Board for its decision;
  - Terms of Reference for each Board committee; and
  - Other Board policies and procedures;
- Implementing, with the executive team, the decisions of the Board and its committees including those regarding an annual budget and financial plans, and identifying and executing new business opportunities;
- Ensuring that he/she maintains a dialogue with the Chairman on the important and strategic issues facing the Group, and proposing Board agenda items to the Chairman which reflect these;
- Providing information and advice on succession planning to the Chairman, the Nominations Committee and other members of the Board, particularly in respect of executive Directors;
- Progressing, in conjunction with the Chief Financial Officer and, where relevant, the Chairman, the communication programme with shareholders;
- Ensuring that the development needs of the executive Directors and other senior management reporting to him/her are identified and met;
- Ensuring that performance reviews are carried out at least once a year for each of the executive Directors and providing input to the wider Board evaluation process;
- Promoting, and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance.

Corporate Governance Report (Continued)

Board expertise
The Board has determined that as a whole it has the appropriate skills and experience necessary to discharge its functions. Executive and Non-Executive Directors have the experience required to contribute meaningfully to the Board's deliberations and resolutions. Full details of the skills and experience of the Board members are provided in the Board of Directors section above on pages 70 to 71.

Induction and professional development
The Chairman is responsible for ensuring that there is a properly constructed and timely induction programme for new Directors upon joining the Board. They have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities.

Performance evaluation
An internal performance evaluation of the Board was undertaken in December 2012 with the initiative and participation of the Nominations Committee of the Company. A questionnaire was distributed to all Board Directors for their response and comment. The results were discussed at the Board meeting in December and Board performance was deemed to be satisfactory.

The Company intends to conduct regular internal and external performance evaluation of the Board going forward in line with the UK Corporate Governance Code. Evaluation of the Board will be externally facilitated within three years following the Company's listing in 2011.

Board committees
The four principal Committees of the Board are the Audit Committee, the Remuneration Committee, the Nominations Committee and the Health, Safety and Environment Committee.

Audit Committee
The members of the Audit Committee at 31 December 2012 were Terry Robinson (Chairman of the Committee), Olga Pokrovskaya, Sir Michael Peat and Duncan Baxter. Sir Michael Peat was appointed to the Audit Committee on 28 February 2012. Terry Robinson and Sir Michael Peat are both Fellows of the Institute of Chartered Accountants in England and Wales, Olga Pokrovskaya is a past senior audit manager at Arthur Anderson and subsequently head of Corporate Finance at Millhouse LLC and Duncan Baxter is a member of the Institute of Bankers. All members of the Committee are considered to have recent and relevant financial experience.

Role of the Audit Committee
The Audit Committee has responsibility for monitoring the integrity of EVRAZ plc's Group financial statements. It oversees the Group's relationship with the external auditors and reviews the effectiveness of the external audit process. The Audit Committee also monitors the activity of the Internal Audit Department and reviews the effectiveness of the Group's Internal Controls and Business Risk Management Systems. The terms of reference of the Audit Committee are available on the Company's website www.evraz.com, and its duties are categorised under the following headings:
- Financial Reporting;
- Internal Controls and Business Risk Management Systems;
- Whistleblowing Procedures;
- Internal Audit/External Audit.

The Audit Committee met 10 times in 2012 and four times since the beginning of 2013 until the publication date of this Annual Report. Committee members were present in person at the majority of the meetings, while 4 meetings were conducted by conference call and one meeting was by e-mail exchange. The external auditor was present at all except three meetings: those when the Group's 3 and 9 months interim management statement and 12 months production reports were discussed, and the part of a meeting when the external auditors' performance was discussed. Such presence provided the auditors with the opportunity to gain direct information relevant to the external audit process; as well as assisting the Audit Committee with guidance on technical issues and factors relevant to the auditors when exercising their professional judgment.

The following sections summarise how the Audit Committee has fulfilled its duties in 2012, including the Committee's review of the 2012 Annual Report and Financial Statements.

Financial reporting
At its meeting in June 2012, the Audit Committee reviewed the 2011 Management Letter from the auditors together with management's responses to the matters raised. Following this review the Audit Committee requested that management create an Internal Control Manual and instigate a regular reporting process to the Audit Committee of all actual and potential legal actions and the progress of such actions. Certain potential legal actions were identified as requiring immediate notification to the Audit Committee, as part of the Group's risk management process, and Board oversight.

At the August 2012 meetings, the Audit Committee reviewed the Interim Unaudited Condensed Consolidated Financial Statements, the Interim Financial Results Announcement and the Draft Interim Analysts' Presentation. Particular areas of focus for the Audit Committee were:
- Operations classified as Assets held for Sale; EvrazTrans and DKHZ, the latter asset, a coking plant in Ukraine, representing a sale to a related party;
- Valuation of Mineral Reserves held by Yuzhkuzbassugol, the coal mining subsidiary, and the consequent impact of the change in depletion charges;
- Impairment of assets, the impairment models, the relative WACC used as discount rates, raw material and product prices, and independently supported assumptions;
- The buy-back of shares by the equity accounted entity, Raspadskaya;
- The acquisition of an additional 10 per cent ownership interest by the subsidiary entity that holds and operates the Mezhegey coal field project;
- The management's presentation of the Group's Accounting Judgements and Management Estimates;
- The Group's statement in the Interim Report as to the principal risks and uncertainties;

- Environmental commitments, and
- The Going Concern basis for preparing the accounts; considering both a base case and a pessimistic scenario. The Group signed covenant amendments in June 2012 and, as a consequence of these amendments, the Audit Committee reviewed the Going Concern note in the Group's Financial Statements.

Following the above consideration, the Audit Committee recommended the Going Concern statement, the Interim Unaudited Condensed Consolidated Financial Statements, the Interim Financial Results Announcement and the Draft Interim Analysts' Presentation for approval by the Directors.

At its March and April 2013 meetings, the Audit Committee reviewed the EVRAZ's Annual Report, including the Group's Financial Statements, the Group's audited Announcement for the year ended 31 December 2012 and the draft Analysts' Presentation. Particular areas of focus for the Committee's consideration were:

- The Group's Going Concern statement: specifically the committee considered the forward estimates of EBITDA, Total debt, Consolidated Net Debt, Interest expense and Consolidated Net debt for the period to June 2014. These projections were prepared on a base case and pessimistic case scenarios. As the Group's funding covenants are fixed on the operational performance and balance sheet of the previous holding company Evraz Group S.A., the key operational and balance sheet assumptions were considered at the Evraz Group S.A. consolidated level. In both the base case and the pessimistic case estimates, projections for certain of the Group's covenants suggested that in forward periods the Group might not be in compliance. The committee considered management's strategy and options to manage the Group's funding and liquidity needs so as to remain compliant with all covenant requirements, including testing the forward EBITDA and funding estimates, the probabilities of and the sourcing and terms for refinancing. Based on management's track record for resolving similar matters and the reviewed probabilities for the successful implementation of the management's funding and refinancing strategy and options, the Audit Committee concluded that there was no material uncertainty on the Group's ability to continue as a going concern and accordingly the Committee was able to recommend the going concern basis to the Directors.
- Impairment: resulting primarily from weakness of iron ore, coal and steel prices impairment tests were considered for the relevant Group Cash Generating Units (CGU) as well as all CGUs with goodwill allocated that are required to be tested annually regardless of impairment indications. The main impairment recognised was made for Evrazruda, a business unit involved with primarily mining iron ore. The parameters for testing the Group's CGU's are detailed in the Group Consolidated Financial Statements.
- Also the Committee considered potential impairment arising on the reclassification to assets held for sale of EVRAZ Vitkovice Steel, located in the Czech Republic and EVRAZ Highveld Steel and Vanadium, located in South Africa.
- The Committee considered the Accounting Policies detailed in note 2 following the company's proposal to capitalise the development works at the Mezhegy coal field following the final approval of its feasibility study. Hitherto, any such capitalisations relating to new mines have been relatively insignificant, however, whilst this is not a new Group accounting policy, the Committee advised that the policy be described in note 2 to the Financial Statements
- New and amended accounting standards: the Audit Committee considered the standards not effective for the Financial Statements as at December 2012. The one with material effect on Group financial statements is the amended IAS 19 "Employee Benefits" that removes "corridor approach" and introduces immediate recognition of actuarial gains and losses of long-term employee benefits in other comprehensive income. The revised standard will be implemented by the Group from 1 January 2013. If the revised standard was implemented from 1 January 2012, Group's equity as of 31 December 2012 would be US$322 million lower.
- The Audit Committee considered other significant accounting judgments and management estimates, including depreciation of assets and depletion of mining assets; site restoration provisions; allowance for doubtful debts; NRV allowance for inventories; gains or losses on derivatives not designated as hedging instruments and commitments and contingencies, the disposal of the EvrazTrans operation and in respect of the annual accounts the statement of Principal Risks and Uncertainties
- Further the Audit Committee considered Ernst and Young's report on their audit results for the year ended 31 December 2012, their statement and confirmation as to their continuing independence, the review of the audit and non-audit fees and the letter of representation required by the external auditor from EVRAZ management.

Internal controls and risk management

As part of the Group's Primary Listing requirements in October 2011, a comprehensive financial procedures report was prepared detailing the Group's Internal Controls and risk management systems and activity. As noted above, at the June 2012 Audit Committee it was requested that following this report, a Group Internal Control Manual be created. The final draft of this manual was reviewed by the Audit Committee at its meeting in November 2012. Following this it was subject only to final review and confirmation by certain Business Unit senior managers. The Group has in place internal controls and risk management systems in relation to the processes for both financial reporting and the preparation of consolidated statements. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS.

The Board has overall responsibility for the Group's systems of Internal Control, which includes Risk Management, and for reviewing the effectiveness of these systems. The system of internal control is designed to identify, evaluate and manage significant risks associated with the achievement of the Group's objectives. Because of the limitations inherent in any system of internal control, the Company's system is designed to meet its particular needs and the risks to which it is exposed. It is designed to manage risk rather than to eliminate risk altogether. Consequently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's risk management is primarily the responsibility of the executive management and a twice yearly review of the Group's risk profile is undertaken by the Group's Risk Committee, the members of which are the Group's senior management team, headed by the Group CEO. The Board has delegated to the Audit Committee the oversight of this committee's deliberations and the chair of the Audit Committee is the chair of the Group's Risk Committee.

The Group's Risk Committee reviews the Group's operations and determining the Group's principal risks and uncertainties according to an impact and probability score, nominating the appropriate risk owner and reviewing the actions necessary to mitigate such risks. Given the breadth of the Group's operations it was agreed that a system of regional and local risk committees should be established with specific accountability within the EVRAZ Business System, for the purpose of identifying, evaluating and establishing management actions for risk mitigation.

Corporate Governance Report (Continued)

An important part of the risk management process is the determination of appropriate risk appetite at operational, local, and Group management levels, thereby identifying particular risks and uncertainties which require specific Board oversight.

The Audit Committee reviews the Group's major risks and uncertainties prior to the publication of the Annual Report and interim management statements and presents the major risk register and risk matrix for the Board's consideration, together with a review and recommendations in respect of the Group's risk appetite.

On the basis of this review, the Board considers whether the measures that have been implemented to create an appropriate risk management framework are appropriate to the Group's business plans, strategies and operations.

The Audit Committee and the Board have kept under review the action taken by the Group to be compliant with the UK Bribery Act. Meetings of the Audit Committee and the Risk Committee have been held with the interim EVRAZ Compliance Officer, the EVRAZ Legal department and the EVRAZ communication team. A risk review has been compiled, training modules developed and key and relevant employees have been determined with key employees having taken either in-house or e-training.

At its June meeting the Audit Committee reviewed the Group's IT strategy including plans to replace the majority of the legacy IT platforms arising from the Group's various acquisitions with a common platform through a phased programme across the Group's operations. Subsequently, at its March 2013 meeting, following the Risk Committee review in November 2012, the Audit Committee reviewed the IT function's disaster recovery effectiveness and an audit of critical operational systems, together with the presented plans for immediate mitigation and medium term investment to ensure greater security of such critical systems.

The Audit Committee and the Board have reviewed the effectiveness of the project management processes and various initiatives have been agreed to improve project delivery.

Whistleblowing arrangements
EVRAZ has established whistleblowing hotlines within its operations encompassing a multi-lingual hotline in respect of its European operations. The facilities utilise a mixture of in-house and independent external third party arrangements.

The results are reported to the Audit Committee on a monthly basis, analysed by external and in-house facilities, and by HR, HSE, fraud and security. Internal Audit has specific responsibility for the overall oversight of whistleblowing activity and follow-up actions.

The Audit Committee reviews the effectiveness of the whistleblowing facilities as part of the Internal Audit's quarterly report to the Audit Committee. As a result of this review at the Audit Committee meeting in November 2012, the Committee requested management to revisit and revise the whistleblowing procedures in the Russian Federation in the light of two instances whereby the identity of the recorder had been prejudiced by the historic follow-up procedures. New and robust procedures have now been introduced to protect recorders' identities. The Audit Committee is satisfied that whistleblowing facilities remain adequate in all other operations and locations.

Internal audit
The Audit Committee receives quarterly reports and monthly updates from the Group's Internal Audit Department throughout the year. The monthly report summarises current business risks and issues, progress as to the completion of internal audit plans, including any significant issues identified in completed audits and Hot Line/whistleblowing statistics. The quarterly reports encompass the results of audits and any consequential agreed management action with regard to significant audit findings, an overview of the major risks as detailed in the Group's risk register, a security report, a progress report on the implementation of agreed management action and any modification to the agreed internal audit plan and a report in respect of the Internal Audit Department's KPIs.

The Group Internal Audit function's annual audit programme, across all operations, is structured to complete annual audits of the key financial and operational cycles with emphasis and audit time allocation where the Audit Committee or management perceives a higher level of risk. The key business cycles include processes and activities in production, operational and capital expenditure, inventory management, marketing and sales, finance and reporting, treasury, fixed assets, human resources, HSE, IT, corporate governance and secretarial, risk management, corporate and social responsibility expenditure, capital project management and support services.

The internal audit plans for 2012 were reviewed at the November 2011 Audit Committee meeting. The 2012 programme, in addition to audits of key business and financial processes and controls, provided specific audit time for the audit of capital projects and IT procedures and controls. At the same time the Audit Committee endorsed the Internal Audit Department's proposal to develop a process of internal control self-assessment by accountable management, thereby emphasising that ownership of internal control lies with management and is not a purely administrative or internal audit function. The Internal Audit Department carries out spot checks on the integrity of the management's self-assessment processes and reports to the Audit Committee on their findings.

The audit plan by separate audit is analysed in terms of man-days. Upon reviewing the audit plan the Audit Committee considers the Group's Internal Audit function's resource both in terms of total available man-days and in terms of the Internal Audit function's skill sets.

The Internal Audit Department takes part in a quality improvement programme which includes quality reviews of internal ongoing audit projects, periodic peer reviews, co-ordination with the external auditors and an external quality assessment review.

External auditor
The Audit Committee oversees the relationship with the external auditors. Ernst & Young has provided audit services to the Company prior and subsequent to its listing, first to EVRAZ Group S.A. on the secondary GDR market and subsequently to EVRAZ plc listed on the Main Market of the London Stock Exchange in 2011. A London audit partner was proposed and appointed subsequent to the Primary Listing. The current engagement of the external auditor was subject to a tender process in respect of the 2009 audit. In June 2012, prior to the Company's Annual General Meeting of shareholders, the Audit Committee considered and recommended to the Board the re-appointment of Ernst & Young. This review took into account the results of the auditor assessment process, including the quality of the work and communication undertaken by the external auditor and the level of audit fees. The Audit Committee discusses the requirements for partner rotation with the external auditor to ensure appropriate independence and objectivity are maintained. In November 2012, upon presentation of the 2012 external audit plan, the Audit Committee reviewed the quality and independence of service and also reviewed the FRC's Audit Inspection Unit's 2011/12 report concerning Ernst & Young. Details of the fees paid to Ernst & Young during the year are shown in note 32 to the Financial Statements.

The Group's External Auditors Selection Policy requires tendering external audit work at least once in five years.

In November 2012 the Audit Committee also reviewed the external auditor's terms of engagement in respect of the financial statements for the year ended 31 December 2012, including audit plans, the scope of the audit and timescales. The Audit Committee approved the audit plans and timescales and tabled the audit plans at the November Board meeting.

As part of its review of the financial statements prepared by the Company, the Audit Committee reviewed the findings of the external auditor in respect of the financial statements for the year ended 31 December 2012 at its 21 March and 8 April 2013 meetings and in respect of the financial statements for the six month period ending on 30 June 2012 at its August 2012 meeting. As part of each of these reviews, the Audit Committee met with representatives from Ernst & Young without management present, to ensure that there were no issues concerning the relationship between management and the external auditor which should be addressed. There were none. At each of these meetings, the Audit Committee also reviewed and approved the respective representation letters given to Ernst & Young by management.

In June 2012, the Audit Committee reviewed the letter to management detailing recommendations made by the external auditor in the course of the 2011 audit. In its review of the engagement of the external auditor, the Audit Committee had expressed some concern at the level of non-audit fees in 2011. As a result, in June 2012, the Audit Committee considered and approved a policy for the approval of services to be provided by EVRAZ's external auditor (a copy can be found on the Company's website). This policy is compliant with the requirements of the UK Corporate Governance Code published by the Financial Reporting Council (the "FRC"), FRC Guidance on Audit Committees and Auditing Practice Board (the "APB") Ethical Standard 5 "Non-audit services provided to audited entities". In addition, this policy details a general limit for fees relating to non-audit services other than further assurance services at 40% of the Group's audit services fees based on the latest approved annual audit service fees.

The non-audit fees in 2012 were US$842,000, 11% of the Group's audit service fees.

Evaluation
In November 2012, the Audit Committee conducted its annual self-assessment of performance. This assessment included a review of the Committee's membership, procedures and resources, its roles and responsibilities and its relationship with the Board. Concern was raised as to the appropriateness of the induction material. The Company Secretary has therefore been requested to provide suitable and detailed material for future new members of the Audit Committee. Aside from this observation, the Audit Committee concluded that its mandate and oversight performance was appropriate.

The Audit Committee also undertook an evaluation of the Internal Audit Department in combination with reviews from management and the external auditors. In general the Internal Audit function was held in high regard and in addition to providing a satisfactory internal control and risk management assurance service, the Internal Audit Department was believed to add value to the Group's systems and control functions. The Audit Committee discussed with the external auditors whether there were any additional complementary audit services which might be fulfilled by the Internal Audit Department and Ernst & Young said that, where appropriate, they continue to rely on the results of the Internal Audit Department's audits when scoping their audit plan. This evaluation was in addition to the independent evaluation, referred to above.

Remuneration Committee
On 19 November 2012 the Board, on the recommendation of the Nominations Committee, decided to ensure that the membership of the Remuneration Committee solely comprised Independent Non-Executive Directors in compliance with the UK Corporate Governance Code. Consequently, two members, Mr Abramov and Mr Tenenbaum stood down from the Committee. Therefore, as of 31 December 2012 the Remuneration Committee consisted of three independent members: Duncan Baxter (Chairman), Karl Gruber, and Alexander Izosimov. Alexander Izosimov replaced Sir Michael Peat on the Committee on 1 March 2012.

Role of the Remuneration Committee
The Remuneration Committee is a formal committee of the Board and can operate with a quorum of two Committee members.

Corporate Governance Report (Continued)

Responsibilities

The main responsibilities of the Remuneration Committee are:

- Determining and agreeing with the Board the framework or broad policy for the remuneration of the Chairman of the Board, the Company's Chief Executive Officer, the Board Secretary and key senior management, taking into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance;
- Reviewing and having regard to the remuneration trends across the Group when setting remuneration policy for Directors;
- Regularly reviewing the ongoing appropriateness and relevance of the remuneration policy;
- Determining the total individual remuneration package of the Chairman of the Board, the Board Secretary and key senior management, including pension rights, bonuses, benefits in kind, incentive payments and share options or other share awards within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive Officer;
- Approving awards for participants where existing share incentive plans are in place;
- Reviewing and approving any compensation payable to executive Directors and senior executives;
- Overseeing any major changes in employees' benefits structures throughout the Group.

During 2012, the EVRAZ's Remuneration Committee met four times. The purpose of the meetings was to consider and to make recommendations to the Board on management compensation and approval of the 2012 LTIP (Long-term incentive programme) awards and list of participants, as well as the remuneration packages of the Chairman, Non-Executive Directors, the Executive Director and key senior managers. For the Remuneration Report please refer to page 86.

Nominations Committee

The members of the Nominations Committee at 31 December 2012 were Sir Michael Peat (Chairman), Alexander Abramov, Terry Robinson, Alexander Izosimov and Eugene Shvidler. Mr Izosimov and Mr Shvidler were appointed on 28th February 2012.

Role of the Nominations Committee

The role of the Nominations Committee is to advise the Board on its composition, making recommendations to the Board with respect to the addition and replacement of Directors.

Responsibilities

The responsibilities of the Nominations Committee are as follows:

- Reviewing regularly the structure, size and composition of the Board and making recommendations to the Board on any appropriate changes;
- Identifying and nominating, for the Board's approval, suitable candidates to fill any vacancies for non-executive and, with the assistance of the Chief Executive Officer, executive Directors;
- Planning for the orderly succession of Directors to the Board;
- Recommending to the Board the membership and chairmanship of the Audit, Remuneration, and Health, Safety and Environment Committees; and
- Overseeing senior management development and succession plans to ensure that there is continuity of appropriate executive resource immediately below Board level.

The Committee met on two occasions during 2012, on 27 February and 19 November. All members were present for both meetings, with the Chief Executive Officer also in attendance:

- At its first meeting the Committee considered the appointment of a fifth Independent Non-Executive Director, to enhance the range of the Board's skills and experience and to ensure that half its members are independent non-executives. After an extensive search led by the Chairman of the Board, with the assistance of other Directors, and interviews by the Chairmen of the Board and the Nominations Committee, Alexander Izosimov was identified as the best candidate. This reflected the combination of senior international business experience, in markets in which the Group operates, and the independence which he would bring to the Board. The Committee therefore recommended the appointment of Mr Izosimov to the Board. No external adviser was engaged in the search for and appointment of Mr Izosimov, as the Board considered the Chairman to be the best positioned for such a task. The Nominations Committee also considered its own composition and work programme and recommended that Alexander Izosimov and Eugene Shvidler should become members of the Nominations Committee. In addition, the Committee considered the composition of the Audit and Remuneration Committees and recommended that Michael Peat should be appointed to the former and Alexander Izosimov to the latter.
- At its second meeting, the Committee considered compliance with the UK Corporate Governance Code and recommended that Alexander Abramov and Eugene Tenenbaum should step down as members of the Remuneration Committee to ensure that all its members are independent non-executives. The Committee also considered the mix of length of time in office, skill, experience and diversity of the Directors and the continuing independence of the independent non-executives, as a basis for Board development and succession planning. With respect to diversity, the Board has a mix of nationalities, reflecting the international nature of its business, but at present only one female Director. It is intended to appoint further female Directors when there is an opportunity and suitable candidates. In addition, the Committee considered the annual reviews of the performance of the Board, the Chairman and each Director, and made recommendations to the Board in these respects. The Committee also recommended the appointment of Olga Pokrovskaya to the Health, Safety and Environmental Committee.

An internal assessment of the Board's performance was undertaken. It was led by the senior Independent Non-Executive Director and was based on discussions with Directors and responses to a questionnaire.

During 2013 the Committee will continue to fulfill its general responsibilities, with particular emphasis on compliance with the UK Corporate Governance Code, development and succession planning for senior management, providing updates and training for Directors and facilitating an external review of the Board's performance.

Health, Safety and Environment Committee

The members of the Health, Safety and Environment Committee at 31 December 2012 were Karl Gruber (Chairman), Alexander Frolov, Terry Robinson and Olga Pokrovskaya (from 19 November 2012).

Role of the Health, Safety and Environment Committee

The Health, Safety and Environment Committee leads the Board's thinking on health and safety issues, as well as maintaining responsibility for environmental, safety and local community matters.

Responsibilities of the Health, Safety and Environment Committee are:

- Assessing the performance of the Group with regard to the impact of health, safety, environmental and community relations decisions and actions upon employees, communities and other third parties and on the reputation of the Group;
- On behalf of the Board, receiving reports from management concerning all fatalities and serious incidents within the Group and actions taken by management as a result of such fatalities or serious incidents;
- Reviewing the results of any independent audits of the Group's performance in regard to environmental, health, safety and community relations matters, reviewing any strategies and action plans developed by management in response to issues raised and, where appropriate making recommendations to the Board concerning the same;
- Making whatever recommendations it deems appropriate to the Board on any area within its remit where action or improvement is needed.

The Committee met on two occasions during 2012, on 17 April 2012 and 9 October 2012. The following sections summarise how the Committee has fulfilled its duties in 2012.

HSE performance assessment of the Group

The HSE committee reviewed HSE performance and EVRAZ HSE Policy implementation progress including the following metrics:

Health & Safety performance:

- Fatal incidents
- Fatal-Injury Frequency Rate (FIFR)
- Lost Time Injuries (LTI)
- Lost Time Injury Frequency Rate (LTIFR) calculated as number or lost working hours due to injuries per 1 million hours worked
- Fundamental safety requirements implementation

Environmental performance:

- Non-compliance related environmental levies (taxes) and penalties
- Air Emissions (Nitrogen Oxides NOx, Sulphur Oxides SOx, Dust and Volatile Organic Compounds)
- Non-mining waste and by-products generation, recycling and re-use
- Fresh water intake and water management aspects

The Committee reviewed the status of 2011 – 2012 initiatives and discussed the roadmap for 2013 HSE goals and actions, including:

- Drive a cultural change that involves moving the Group's safety programme from just a compliance perspective to instilling safety as a core part of the steelmaking and mining processes. A culture where safety is recognized as a core value from the top levels of management down to the front line employees and contractors.
- Improve personal responsibility and management accountability.
- Facilitate improved reporting and investigation skills. The evaluation of the 2012 serious incidents has led to a focused effort to
  - improve working conditions;
  - implement a 100% Tie off programme for working at heights;
  - separate pedestrian and vehicle traffic;
  - improve tools and personal protective equipment.
- All of these areas of focus also involve new and improved training for managers, employees and contractors.
- Facilitate a more proactive approach with the utilisation of risk or hazard assessment into the daily activity of all employees.

The Committee also considered environmental activities to minimise the risks of environmental incidents and issues such as water usage and quality of return discharged water, air emissions, metallurgical waste recycling, tailing dam overflow or collapse and community complaints. The key environmental initiatives are to be focused on the following in 2013: decrease of air emissions and fresh water consumption and increase of share of non-mining waste recycled or used.

Corporate Governance Report (Continued)

Fatalities and serious accidents reports review

In 2012 the Company recorded 25 fatal incidents which was a significant increase from the 13 experienced in 2011. The HSE Committee had reviewed the causes of fatalities and serious incidents within the Group and follow-up actions taken by the management. Additional details could be found in the Corporate Social Responsibility section on pages 54 to 56.

HSE audit results review

EVRAZ operations are the subject of HSE compliance inspections undertaken by supervising state bodies. The consequential risks of HSE regulation violation are regulatory fines, penalties or in the extreme withdrawal of mining or plant environmental licences thus curtailing operations.

The Committee approved the initiative to establish the Internal Industrial Audit Departments (IIAD) for the coal and mining assets and reviewed the summary of results of state bodies inspections vs. performance of IIAD. The Committee concluded that establishment of similar audit departments for the other assets seemed unnecessary at present due to the fact that their industrial risks level is lower and safety performance is better.

The Committee recommended improvements to existing control systems by including the personalised data for each identified case of violation into the statistics.

Other issues and recommendations

The Committee reviewed the results of the survey of the availability of skilled HSE personnel and HSE competency. The total percentage of employees aged over 51 years old involved with HSE services is 30%. The Committee recommended steps should be taken to attract younger people into the HSE structures and improve the competence of existing staff by providing more training and role exchanges to develop experience. In order to improve HSE responsibility at all levels (down to shop floor management) the Committee requested that additional measures should be developed by management and brought to the Committee for review.

The Committee members reviewed HSE internal communication measures and assessed them as positive.

The Committee members discussed the approach for the Sustainability report production. It was agreed that report should reflect the details of fundamental social risks for business and related strategies to meet these risks.

In the course of 2012 the Committee approved the following corporate policies for:
- alcohol, drug and smoking;
- fundamental environmental requirements.

Risk management and internal control

Risk management framework

The Group's business and operations are exposed to various business risks. While a number of these risks are operational or procedural in nature, several of these risks are inherent in the character and arise from the jurisdiction of the Group's international business activities, and others relate to changes in the global economy and are largely outside management's control.

The Board of Directors is ultimately responsible for maintaining our risk management and internal controls systems. The Board defines the Group's risk appetite, being a measure of residue risk by impact and probability and is responsible for monitoring our risk exposures to ensure that the nature and extent of significant risks taken by the Company are aligned with our overall goals and strategic objectives.

The Audit Committee supports the Board of Directors in monitoring our risk exposures and has been delegated responsibility for reviewing the effectiveness of our risk management and internal control systems. The Internal Audit provides assurance to the Audit Committee as to the effectiveness of internal controls and risk management systems through its audit of these systems and follow-up on implementation of mitigation actions by management. The Executive Risk Committee assesses risk exposure and evaluates the adequacy of processes in place to mitigate these risks and their implementation by management at the Group and Regional levels. Detailed risk assessment and evaluation of risk issues at the site, plant, mine and operational level were instigated in 2012. Substantially operational risks are managed by the Group's operational controls which are attested by Internal Audit; however, the Group is now instigating a parallel risk management process and culture at the operational level.

Risk management processes and internal controls operate across our steel plants, mines, ancillary service operations, capital projects and administrative functions. Risk management and internal control procedures are embedded within our business practices across function areas including finance, HSE, human resources, procurement, IT, legal, security and insurance management. There is detailed assessment of safety risks at all hazardous work places, steel plants and mines, and of project risks for all major projects which from 2012 include environmental risk assessments. The finance and strategic risks of major projects are prepared by the executive and presented to the Board for its consideration and key associated risks are kept under regular review by the Board.

Regional risk committees have been set up at all major regions of the Group's assets and lead the process to deploy the risk management at our major steel and mining operations. The Group Enterprise Risk Management (ERM) process is designed to identify, quantify, respond to and to monitor the consequences of a Risk Committee agreed executive risk register that encompasses both internal and external critical risks. This process is consistent with the listing rules published by the UK Financial Services Authority and is based on the Turnbull Guidance on Internal Control.

The ERM process is fully supported by the Board, the Audit Committee and executive management. Senior management is tasked with the development of the ERM process, identifying key risk elements and, to further risk management accountability, executive management is assigned ownership of the relevant risk areas, according to their designated functions.

Executive oversight of the Group risk profile is mandated to the Group's Executive Risk Committee, under the chairmanship of the Audit Committee Chairman and including the Group's CEO and Group's Vice Presidents. The role and responsibility of the Executive Risk Committee is to keep under review risk identification and the evaluation of risks and to supervise the entire risk management process including response and mitigation procedures. Particular scrutiny is given to risks having an 'inherent' risk greater than the Group's risk appetite and the mitigating actions to manage, where feasible, to a 'residual' risk evaluation directed below the Group's risk appetite.

The Group's executive management is responsible for embedding the agreed Risk Management related internal controls and mitigating actions throughout the entirety of the Group's business and operations and through all levels of management and supervisory personnel. Such practices serve to encourage a risk conscious business culture.

EVRAZ applies the following core principles to the identification, monitoring and management of risk throughout the organisation:
- Risks are identified, documented, assessed, monitored, tested and the risk profile communicated to the relevant risk management team on a regular basis;
- Business management and the risk management team are primarily responsible for ERM and accountable for all risks assumed in their operations;
- The Board is responsible for assessing the optimum balance of risk through the alignment of business strategy and risk tolerance on an enterprise-wide basis; and
- All acquired businesses are brought within the Group's system of internal control as soon as practicable.

EVRAZ's risk management framework

<table>
<tr><td rowspan="2">'Top-down approach':
oversight, identification assessment and management of risks at corporate level</td><td colspan="3">The Board of Directors:
• Overall responsibility for the Group's risk management and internal control
• Approves strategic objectives and the risk appetite</td></tr>
<tr><td>Executive Risk Committee
• Identifies, assesses and monitors Group-wide risks and mitigation actions</td><td>Audit Committee
• Supports the Board in monitoring risk exposure against risk appetite
• Reviews the effectiveness of risk management and internal controls systems</td><td>Internal Audit
• Supports the Audit Committee in reviewing the effectiveness of the risk management and internal controls systems</td></tr>
<tr><td rowspan="2">'Bottom up approach':
identification, assessment and management of risks at regional and site level and across the functions</td><td colspan="3">Regional risk committees
• Adopt regional risk appetite
• Support the Executive Risk Committee in reviewing and monitoring effectiveness of risk management
• Identification, assessment and management of risks at the regional level
• Monitoring risk management process and effectiveness of internal control</td></tr>
<tr><td colspan="3">Site/Product line/Shop/Project/Functional levels*
• Identification, assessment and mitigation of risks
• Promoting risk awareness and safety culture</td></tr>
</table>

* in progress

Risk management activity in 2012
In 2012, the Group established regional risk committees responsible for identifying and evaluating regional risks, instigating mitigating actions to manage these risks and nominating regional risk owners. Also in 2012 the Group's Executive Risk Committee established the methodology and set out procedures to instigate site, product line, shop, project and functional level risk management with the same aims and objectives as engaged at the Group's and Regional levels. The operational level will be particularly focused on Health and Safety, environmental management, human resources and security. Additionally in 2012, the Group has addressed the issues and risk exposures following on from the UK Bribery Act legislation. The Group has been active in the implementation of an anti-bribery and corruption programme. The implementation has presented various challenges primary of which has been developing the training materials prepared by UK lawyers in an on-line multi-lingual e-training facility. This facility has had to be custom developed, particularly there is no available Russian language off-the-shelf training material. Key Group and functional management have undergone training facilitated by UK lawyers and intermediate management is taking the e-training programme. Management who have successfully taken the in-person training and e-training are formally certified as to their understanding and compliance with the procedures and policies.

In 2013, Internal Audit will audit all the Group's UK Bribery Act and anti-corruption procedures and records to provide assurance over successful implementation.

EVRAZ risk profile
EVRAZ's original risk assessment across all plants, mines and operations in 2008 detailed all key risks. A number of these risks exhibited a common nature, e.g. global economy and industry conditions. Following the original risk assessment the Executive Risk Committee consolidated the risk profile to 40 specific risks. On a risk evaluation review, Impact/Probability and following agreed risk mitigation actions, these risks were detailed into the Group's risk register as to Inherent and Residual risk. From the 40 specific risks 17 risks were identified as high priority risks which were required to be monitored by the Risk Committee and the Audit Committee and regularly reviewed by the Board of Directors. Further, Internal Audit through its audit process reviews risk issues and reports critical risks to the Audit Committee and to the Executive Risk Committee. Where such reports suggest risks evaluation exceed the Group's risk appetite, these risks are presented by the Audit Committee to the Board for its attention and if necessary executive action and further remediation Board reports.

Corporate Governance Report (Continued)

From the 17 high priority risks, 9 risks are considered the Group's principal risks.

The principal risks of EVRAZ can be found on page 28 of the report.

Controls

EVRAZ's system of internal control has been designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement or loss. Consistent with its governance policies, the Group continues to improve the process through which the effectiveness of its system of internal control can be regularly reviewed as required by provision C.2.1 of the UK Corporate Governance Code. The process enables the Board and the Audit Committee to review the effectiveness of the system of internal control in place within the Group to manage significant business, operational and financial risks (including, environmental, safety and ethical risks) throughout the year.

The processes of preparation of Consolidated Financial Statements are designed to prevent any material misstatements and present such Financial Statements fairly in accordance with the Group's accounting policies. The use of our standard accounting manual and reporting pack by our finance teams throughout the Group ensures that transactions are recognised and measured in accordance with prescribed accounting policies and that information is gathered and presented in a consistent way that facilitates the production of the Consolidated Financial Statements.

The Audit Committee has the primary oversight role of the Group's internal control regime and has direction as to the internal audit function resources and the annual audit programme thereby ensuring that the Group's ongoing internal control process is adequate and effective.

Components of the system of internal control

Component of the system of internal control	Basis for assurance
Assurance framework – principle entity-level controls to prevent and detect error or material fraud, ensure effectiveness of operations and compliance with principle external and internal regulations	• Self-assessment by management at all major operations • Review of the self-assessment by Internal Audit
Documented regulations on establishment of delegated authorities, including approval of transactions and investment projects	• Monitored by controlling and established management committee and sub-committees • Reviewed by Internal Audit
Operating policies and procedures	• Implemented, updated and monitored by management • Reviewed by Internal Audit
Operating budgets	• Monitored by Controlling Unit • Reviewed by Internal Audit • Approved by the Board of Directors
Accounting policies and procedures as per the corporate accounting manual	• Developed and updated by Reporting department • Reviewed by Internal Audit

Internal audit

Internal audit is an independent appraisal function established by the Board to evaluate the adequacy and effectiveness of controls, systems and procedures, within EVRAZ, in order to reduce business risks to an acceptable level in a cost effective manner.

The latest version of Internal Audit Charter of EVRAZ plc was approved by the Board on 13 December 2012.

The role of the Internal Audit Department in the Group is to provide an independent, objective, innovative, responsive and effective value-added internal audit service through a systematic and disciplined approach by assisting management in controlling risks, monitoring compliance, improving the efficiency and effectiveness of internal control systems and governance processes.

In 2012, EVRAZ's Head of Internal Audit attended all the meetings of the Audit Committee and addressed any reported deficiencies in internal control as required by the Audit Committee. The Audit Committee continued to engage with executive management during the year to monitor the effectiveness of internal control and accordingly considered certain deficiencies that had been identified in internal control together with management's response to such deficiencies.

The internal audit planning process starts with the Group's strategy and includes the formal risk assessment process, and the process of identification of management concerns based on the previous audits results, and ends with an internal audit plan which is approved by the Audit Committee. Audit resource is predominantly allocated to risky areas and to the extent considered necessary is allocated to the company/processes universe with appropriate reservation for the ad hoc and follow-up assignments.

In 2012; Internal audit projects have covered the following principal group risks:
1. Financing of capital projects;
2. Health, safety and environmental;
3. Business interruption; and
4. Treasury and taxation.

The Company's internal audit is structured on a regional basis, reflecting the developing geographic diversity of the Group's operations. In light of this the head office internal audit function has been in process of aligning common internal audit practices throughout the Group through its quality assurance and improvement programmes.

During 2012 the internal audit function worked in cooperation with Ernst & Young, EVRAZ's external auditor, on an appraisal of the general competence, independence and professional objectivity of the Group's internal audit resource.

Further information regarding the Company's internal control processes can be found on the Company's website.

Conflicts of interest

Alexander Abramov is the Chairman of the Company and Alexander Frolov is the CEO. Ms. Pokrovskaya, Mr. Shvidler, Mr. Tenenbaum, Mr. Abramov and Mr. Frolov have been appointed to the Board of Directors of the Company by the major shareholder pursuant to the terms of the relationship agreement. The indirect and direct shareholdings of these Directors in the share capital of the Company are set out in the Directors' Report. No other conflicts of interests exist between the private interests of the Directors or members of senior management and their duties to the Company.

For completeness, the Board did consider an arm's length business arrangement between one of the Non-independent Directors and the son of Sir Michael Peat, the Senior Independent Director of the Company, and satisfied itself that this arrangement has no impact on Sir Michael Peat's independence.

In addition, the Board noted the nomination of Terry Robinson to the Board of OJSC Raspadskaya, a subsidiary of the Company, and was satisfied that this nomination had no impact on Mr. Robinson's independence.

Relations with shareholders

An ongoing dialogue with stakeholders is an essential aspect of corporate activity. We use various communication channels including announcements made via the London Stock Exchange, the Annual Report and Accounts, the Annual General Meeting (the AGM) and the Company's website www.evraz.com.

The Chairman of the Board, the Chief Executive, senior management and the investor relations team regularly engage with institutional investors to discuss the Company's operations and a wide range of issues including governance. Approximately 240 individual/group meetings, conferences and other public events involving the investment community took place during 2012.

The senior Independent Director, Sir Michael Peat, is available to shareholders if they have concerns that have not been resolved by contact through the normal channels of the Chairman, Chief Executive Officer or Chief Financial Officer or for which such contact is inappropriate.

Constructive use of Annual General Meeting

The AGM is an opportunity for shareholders to communicate with the Board and the Board welcomes their participation. The Chairman and the respective Chairmen of Committees will be present at the AGM to answer shareholders' questions. The next AGM will be held on 13 June 2013.

Details of the resolutions to be proposed at the next AGM can be found in the Notice of AGM. The Board has determined that voting on all resolutions at the AGM will be by way of a poll. Each member present in person or by proxy has one vote for each fully paid ordinary share of which she/he is a holder.

Information pursuant to the takeovers directive

The Company has provided the additional information required by DTR 7.2.7 (Directors interests in shares; appointment and replacement of Directors; powers of the Directors; restrictions on voting rights and rights regarding control of the Company) in the Directors' Report.

Remuneration Report

This report has been prepared in accordance with The Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. It also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance as set out in the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012.

The Group's auditors, Ernst & Young LLP, have audited the financial information contained in the tables set out in sections below on Non-Executive Directors' Remuneration and Executive Director's emoluments.

Summary Statement from the Remuneration Committee Chairman
Dear Shareholder,

I am pleased to present our Remuneration Report for 2012. Despite the challenging market environment over the past 12 months, we made good progress on our major modernisation programme and reached a milestone agreement on the acquisition of the controlling interest in Raspadskaya. Furthermore, we ran our core Russian steelmaking operations at full economic capacity and demonstrated strong utilisation rates at North American operations. Our continued focus will be on achieving strong financial returns for our shareholders, and we consider that our remuneration policy will play a vital role in helping us to achieve this.

We believe that our remuneration policy remains appropriate, and as such we made no major changes in 2012. However, in line with corporate governance best practice, we have changed the membership of the Remuneration Committee and as a result it is now comprised entirely of independent Non-Executive Directors, allowing for completely independent oversight and judgement.

The Committee is fully aware of its responsibilities in developing a balanced and structured remuneration policy, and takes into account the views of investors and their representatives when making decisions on executive remuneration.

The Chief Executive Officer participates in a bonus scheme, the KPIs of which are aligned with the creation of shareholder value. We have made some further changes with effect from 2013, the purpose of which is to align the bonus further with the Company's strategic objectives and priorities for the year.

At present, given our Chief Executive Officer's substantial shareholding in the Company, it is considered appropriate that he does not participate in any long-term incentive plan, nor in fact in any pension or superannuation scheme. Members of senior management are eligible to participate in a long-term incentive plan in order to ensure their interests are aligned with those of shareholders.

We recognise that we are moving into new territory in remuneration reporting. As such, we are taking appropriate actions to ensure that we add additional value to what was disclosed in our Remuneration Report last year, and we have provided a Remuneration Report which reflects some of the proposed reporting requirements put forward by the UK Government's Department for Business, Innovation and Skills ("BIS"). Although these are not due to come into effect until later this year, we are reflecting come of the proposed requirements as an early response to what is being asked of us. We are committed to providing clear and insightful disclosure for our shareholders, and we await the final BIS regulations due to be published later this year.

The Committee will continue to keep abreast of market trends and external expectations to ensure that the overall remuneration policy remains appropriate, in the context of business performance and strategy.

Members of the Remuneration Committee
The EVRAZ plc Remuneration Committee was constituted and appointed by the Board on 14 October 2011, and the Committee comprised the following Non-Executive Directors during the 2012 year:
- Duncan Baxter (Committee Chairman);
- Alexander Abramov[1]
- Eugene Tenenbaum[1]
- Karl Gruber;
- Sir Michael Peat[2];
- Alexander Izosimov[2]

1 Stood down on 19 November 2012
2 Sir Michael Peat was replaced by Alexander Izosimov from March 2012

On 19 November 2012 the Board, on the recommendation of the Nominations Committee, decided that it was important to ensure that the membership of the Remuneration Committee was comprised of only independent Non-Executive Directors in compliance with the UK Corporate Governance Code. Consequently, Mr Abramov and Mr Tenenbaum stood down from the Committee.

Therefore, as of 10 April 2013 the Remuneration Committee consists of three members:
- Duncan Baxter (Committee Chairman);
- Karl Gruber;
- Alexander Izosimov.

No Directors are involved in deciding their own remuneration. The Committee may invite other individuals to attend Committee meetings, in particular the Chief Executive Officer, the Head of Human Resources and external advisers for all or part of any Committee meeting as and when appropriate and necessary.

Role of the Remuneration Committee
The Remuneration Committee is a formal committee of the Board and can operate with a quorum of two Committee members. It is operated according to its Terms of Reference, a copy of which can be found on the Company's website.

The main responsibilities of the Remuneration Committee are:
- to determine and agree with the Board the framework or policy for the remuneration of the Chairman of the Board, the Company's Chief Executive Officer, the Company Secretary and key senior management and recommend Non-Executive Directors' remuneration;
- to take into account all factors which it deems necessary to determine such a framework or policy, including all relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance;
- to review and take into account the remuneration trends across the Group when setting remuneration policy for Directors;
- to review regularly the ongoing appropriateness and relevance of the remuneration policy;
- to determine the total individual remuneration package of the Chairman of the Board, the Company Secretary and key senior management, including pension rights, bonuses, benefits in kind, incentive payments and share options or other share awards within the terms of the agreed policy and in consultation with the Committee Chairman and/or Chief Executive Officer;
- to approve awards for participants where existing share incentive plans are in place;
- to review and approve any compensation payable to executive Directors and senior executives; and
- to oversee any major changes in employee benefits structures throughout the Group.

During 2012, the EVRAZ's Remuneration Committee met four times. The purpose of the meetings was to consider and to make recommendations to the Board in relation to the remuneration packages of the Chairman, Non-executive Directors, the Executive Director and key senior managers, as well as to approve the 2012 LTIP awards and list of participants.

Advisors
The Committee received advice during the year from independent remuneration consultants Deloitte LLP. Deloitte LLP was selected by the Committee to provide the Company remuneration consultancy services. Deloitte is a member of the Remuneration Consultant's Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

Sir Michael Peat is an independent non-executive on the Board of Deloitte LLP. Both the Chairman and the Remuneration Committee Chairman recognise the need to ensure that there is no conflict of interest arising from the appointment of Deloitte LLP as independent remuneration consultants. We are satisfied that the nature of Sir Michael's role at Deloitte LLP does not give rise to such conflict and that there are appropriate internal controls and segregation of duties in place. Sir Michael did not play a part in the tender and selection process.

Policy report
Details of the executive Director and Non-Executive Director remuneration policies are given in the following sections. The full text of the Remuneration Policy can be found on the Company's website www.evraz.com.

Currently none of the Directors receive any fees paid in shares of the Company and they are not entitled to participate in the Group's pension plan or long-term incentive schemes.

Executive Director remuneration

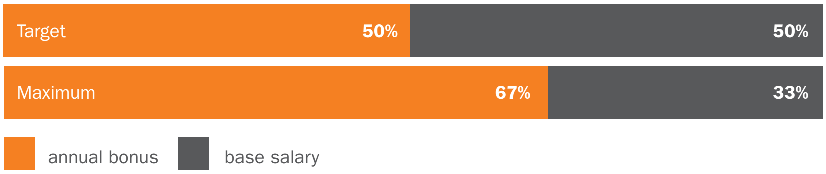
	Purpose and link to strategy	Operation	Performance metrics for 2013
Base salary	Reflects individual experience and role and attracts and retains world-class talent	Reviewed annually and fixed for 12 months	N/A
Benefits	Facilitates the recruitment and retention of executives and employees	The CEO is entitled to private healthcare and meal allowances	N/A
Annual bonus	Aligns executive remuneration to Company strategy through rewarding the achievement of annual financial and strategic business targets	Targets are reviewed annually and linked to corporate performance based on predetermined targets set by the Board of Directors	The bonus payout is based on achievement of the Company's KPIs (LTIFR, EBITDA, Current/approved NPV, Free Cash Flow and Cash Cost index with equal weighting 20%) to ensure focus is spread across the key aspects of Company performance and strategy

Mr. Alexander Frolov, as the Chief Executive Officer (CEO) is entitled to a base salary, a performance related bonus and provision of benefits. As a member of the Board of Directors he is also entitled to the Director's fee (US$150,000) and any applicable fees for participation in the work of the Board committees as laid out in the section on Non-Executive Director remuneration. Alexander Frolov's current shareholding (10.76% of issued share capital as of 10 April 2013) provides alignment to the delivery of long-term growth in shareholder value. As such, we do not consider it necessary for the CEO to participate in any long-term incentive plans, or to impose formal shareholding guidelines. However, the Remuneration Committee will review this on an ongoing basis.

The current balance between fixed and variable pay for the executive Director means that, on achievement of the set targets, 50% of remuneration is performance-related, rising to 66.7% for the achievement of maximum performance above the set targets.

Remuneration Report (Continued)

The composition of executive Director's remuneration is as follows:



Target remuneration comprises current base salary and on-target annual cash bonus. Maximum remuneration comprises current base salary and maximum annual cash bonus.

The pay and conditions of employees across the Group and market data have been taken into account when setting the CEO's remuneration.

The CEO did not hold any external appointments during the year.

Senior management remuneration
Senior managers are entitled to a base salary, a performance related bonus (KPIs aligned with Company's strategy), participation in the long-term incentive programme (with a 3 year vesting period) and the provision of benefits.

Non-Executive Director remuneration
The Company's policy on Non-Executive Director remuneration is based on the following key principles:

- Remuneration should be:
  - sufficient to attract and retain world-class non-executive talent;
  - consistent with recognised best practice standards for Non-Executive Director remuneration;
  - in the form of cash fees, but with the flexibility to forgo all or part of such fees (after deduction of applicable income tax and social security contributions) to acquire shares in the Company should the Non-Executive Director so wish;
  - set by reference to the responsibilities taken on by the non-executives in chairing the Board and its committees;
- Non-Executive Directors may not participate in the Company's share incentive schemes or pension arrangements.

A Non-Executive Director's remuneration consists of an annual fee of US$150,000 and a fee for committee membership (US$24,000) or chairmanship (US$100,000 in respect of the Audit Committee chairmanship and US$50,000 for the chairmanship of other committees). As disclosed last year, the fee for the Chairman of the Board was increased at the Board meeting on 28 February 2012 and amounts to US$750,000 from 1 March 2012 (this fee includes, for the avoidance of doubt, the Director's fees and the fees that are paid for committee membership). The fees payable for the chairmanship of a committee include the membership fee, and any Director elected chairman of more than one committee is only entitled to receive fees in respect of one chairmanship.

In addition the Company contributes an annual amount of US$30,000 towards secretarial and administrative expenses of Non-Executive Directors.

Implementation report

Executive Director's remuneration

Base salary
As disclosed in last year's report, from 1 March 2012, the CEO's salary reverted to the salary that was originally approved by the Remuneration Committee on 23 May 2008, of US$2,500,000 (which includes, for the avoidance of doubt, the Director's fee, the fees that are paid for committees' membership and any salary from an EVRAZ plc subsidiary). Due to the challenging economic environment at that time, the CEO voluntarily accepted a decrease in salary and deferred the approved increase in base salary to a later date. The CEO has waived the right to receive any catch-up payments forgone between 2008 and 2012. The Committee has not recommended a base salary increase for 2013.

Annual bonus outcome for 2012
The CEO is eligible to participate in a performance-related bonus which is subject to the agreement of the Remuneration Committee and approval by the Board of Directors. The bonus is linked to the achievement of performance conditions based on predetermined targets set by the Board of Directors. The target bonus is 100% of base salary with a maximum potential of up to 200% of base salary.

The bonus is linked to corporate performance. Three indicators were taken into account when determining the CEO's annual bonus for 2012: EBITDA (30% weighting), return on assets (40% weighting) and relative share price performance (30% weighting).

All targets were set at a very challenging level and during 2012 there were very tough market conditions, and as a result targets were not achieved (for example, relative share price performance was not achieved due to the high financial and operational leverage of the Company). Therefore, the CEO received no bonus.

KPIs	Weight	Target 2012	Result measurement Upper level	Planned level	Lower level	Actual 2012
EBITDA	30%	US$3,171mln	110%	100%	90%	US$2,012mln
Relative share price performance	30%	Average	5%	0%	-7.5%	-21.46%
Return on assets (ROA)	40%	5.2%	115%	100%	90%	-0.5%
Total	**100%**					**0%**

Annual bonus structure for 2013

New KPIs for 2013 have been developed and approved by the Board, to ensure a better alignment to the Company's strategy. The 2013 bonus is based on the achievement of the Company's KPIs (LTIFR, EBITDA, Current/approved NPV, Free Cash Flow and Cash Cost Index with equal weighting 20%) to ensure focus is spread across the key aspects of Company performance and strategy.

Pension and benefits

The CEO does not participate in any private pension plans. Benefits principally consist of a private healthcare and meal allowances.

Single figure of remuneration

Key elements of the CEO's remuneration package are set out below. Further details are contained in the audited table on page 91.

Alexander Frolov	2012 (US$, '000)	2011 (US$, '000)
Salary[1]	1,962	817
Director's fee[2]	174	155
Benefits[3]	5	130
Bonus	0	565
Total	**2,141**	**1,667**

1 There was an increase in salary in 2012 back to the agreed 2008 level.
2 Director's fee also includes fee for HSE committee membership (pro rata working days).
3 Figure for 2011 includes payment for holiday entitlement not used.

Executive Director's service contract

The CEO has a service contract with a subsidiary of EVRAZ plc. The terms of the CEO's service contract are summarised below:

Executive Directors	Date of contract	Notice period (months)
Alexander Frolov	31 December 2012	N/A*

* The service contract does not provide for any specific notice period and therefore, in the event of termination, the applicable notice period will be as provided for in the Russian labour code (where the termination is at the Company's initiative the entitlement to pay in lieu of notice is to 3 months' base salary). Other than entitlement to notice and a payment in lieu of notice, the CEO will not be entitled to compensation on termination of his contract.

Non-Executive Directors remuneration

Non-executive remuneration payable in respect of 2012 and 2011 is given below (audited information):

	2012 (US$, '000)			2011 (US$, '000)		
Non-Executive Director	Total fees[1]	Admin	Total	Total fees[1]	Admin	Total
Alexander Abramov	658	25	683	179	–	179
Alexander Izosimov	165	25	190	–	–	–
Eugene Shvidler	170	25	195	150	–	150
Eugene Tenenbaum	172	22.5	194.5	174	–	174
Karl Gruber	224	30	254	224	30	254
Duncan Baxter	224	30	254	110	19	129
Olga Pokrovskaya	176	22.5	198.5	174	–	174
Sir Michael Peat	224	30	254	48	6	54
Terry Robinson	298	30	328	279	30	309

1 Total fees include annual fees and fees for committee membership or chairmanship (pro rata working days).

Remuneration Report (Continued)

Non-Executive Directors letter of appointment
Each Non-Executive Director has a Letter of Appointment setting out the terms and conditions covering his or her appointment. They are required to stand for election at the first Annual General Meeting following their appointment and, subject to the outcome of the AGM, the appointment is for a further one year term. Over and above this arrangement, the appointment may be terminated by the Director giving three months' notice or in accordance with the Articles of Association.

All Directors are subject to annual re-appointment and accordingly each Non-Executive Director will stand for re-election at the AGM on 13 June 2013.

The key terms of the Non-Executive Directors' appointment letters are summarised below:

Non-Executive Directors	Date of contract	Notice period (months)
Alexander Abramov	14 October 2011	3 months
Duncan Baxter	14 October 2011	3 months
Karl Gruber	14 October 2011	3 months
Alexander Izosimov	28 February 2012	3 months
Sir Michael Peat	14 October 2011	3 months
Olga Pokrovskaya	14 October 2011	3 months
Terry Robinson	14 October 2011	3 months
Eugene Shvidler	14 October 2011	3 months
Eugene Tenenbaum	14 October 2011	3 months

Share ownership by the Board of Directors
As of 31 December 2012, the following Directors had beneficial interests in EVRAZ shares:

Directors	Total holdings, ordinary shares, %
Alexander Abramov	24.64%
Alexander Frolov	12.32%
Eugene Shvidler	3.50%

Further to the announcement on 16 January 2013 that EVRAZ has completed the acquisition of a 50% interest in Corber Enterprises Limited, which holds an 82% interest in OJSC Raspadskaya and its subsidiaries, the Company issued 132,653,006 new ordinary shares.

As a result the Directors' interests in EVRAZ shares were as follows as of 16 January 2013:

Directors	Total holding, ordinary shares, %
Alexander Abramov	22.42%
Alexander Frolov	11.20%
Eugene Shvidler	3.18%

From 16 January 2013 to 4 February 2013 some of the Directors sold the shares which resulted in the following changes in ownership:

Directors	Total holding, ordinary shares, %
Alexander Abramov	22.30%
Alexander Frolov	11.13%

Pursuant to the exchange of shares for warrants by Lanebrook in February 2013, Lanebrook's interest in EVRAZ changed which resulted in changes of ultimate holders' ownership.

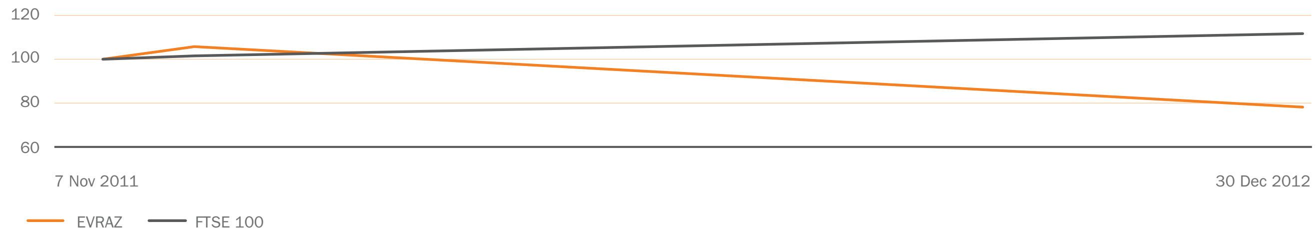
Thus, the Directors' interests in EVRAZ's shares as of 10 April 2013 were as follows:

Directors	Total holding, Ordinary shares, %
Alexander Abramov	21.55%
Alexander Frolov	10.76%
Eugene Shvidler	3.07%

All shares held by Directors are held outright, with no performance or other conditions attached to them, other than those applicable to all shares of the same class.

Performance graph

The following graph shows the Company's performance measured by total shareholder return compared to the performance of the FTSE 100 Index since EVRAZ plc's admission to the premium listing segment of the London Stock Exchange on 7 November 2011. The FTSE 100 Index has been selected as an appropriate benchmark as it is a broad based index of which the Company is a constituent member.



Shareholder considerations

We remain committed to ongoing shareholder dialogue and take an active interest in feedback received from our shareholders and voting outcomes. Following feedback from shareholders on the structure of our Remuneration Committee and on the recommendation of the Nominations Committee, we made changes to its composition.

Where there are substantial votes against resolutions in relation to Directors' remuneration, we shall seek to understand the reasons for any such vote and will detail any actions in response to these.

The following table sets out actual voting in respect of our previous remuneration report:

Number of votes '000s	For	Against	Abstain	Total
2011 Directors' Remuneration Report (2012 AGM)	1,071,353,172 (98.69%)[1]	14,166,679 (1.31%)	17,678,212	1,103,198,063

1 Percentage of votes cast.

Executive Director emoluments (audited information)

The remuneration payable to the executive Director in respect of the year is set out below in US dollars ('000):

US$, '000	Salary	Director's fee	Annual bonus	Benefits	Total 2012	Total 2011
Alexander Frolov	1,962	174	0	5	2,141	1,667

Including amounts payable to Non-Executive Directors, the aggregate amount of Directors' remuneration payable in respect of qualifying services for the year ended 31 December 2012 was US$4,692 thousand (2011: US$3,090 thousand).

Signed on behalf of the Board of Directors,

Duncan Baxter
Chairman of the Remuneration Committee
10 April 2013

Directors' Report

Principal activities
EVRAZ plc is a global vertically-integrated steel, mining and vanadium business with operations in the Russian Federation, Ukraine, the Czech Republic, Italy, the USA, Canada and South Africa. The Company has a premium listing on the London Stock Exchange and is included in the FTSE 100 Index. Additional information on the Group's operations during the year and the information that fulfils the requirements of the Business Review is provided in the Overview, Strategy, Operating Review, Corporate Social Responsibility, Financial Review and Governance sections of this document, which are deemed to form part of this report by reference.

Sustainable development
The Corporate Social Responsibility section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes.

Going concern
The financial position and performance of the Group and its cash flows are set out in the Financial Review section of the report on pages 62 to 67.

The Directors have considered the Group's debt maturity and cash flow projections and an analysis of projected debt covenants compliance for the period to the end of June 2014. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will continue in operation for the foreseeable future and has neither the intention nor the need to liquidate or materially curtail the scale of its operations.

For this reason the Group continues to adopt the going concern basis in preparing its financial statements. More details are provided in Note 1 to the consolidated financial statements on page 107 including further information regarding certain risks related to projected debt covenant compliance.

Results and dividends
Financial results of the Group are presented in the Financial Review of this Annual Report on pages 62 to 67.

Under the dividend policy, EVRAZ is targeting a long-term average dividend pay-out ratio of at least 25% of the consolidated net profit calculated in accordance with IFRS and adjusted for non-recurring items. In addition to the regular dividend payments, the Company may also employ special dividends from time to time at the discretion of the EVRAZ Board to return surplus capital to shareholders.

In August 2012, EVRAZ's Board declared an interim dividend of 11 cents per share (US$147 million in total) based on the results for the first half of 2012. The Board, having reviewed the results in respect of the financial year to 31 December 2012 and after taking into account the substantial deterioration in the respective prices of steel and steel raw materials towards the year-end, has decided to forgo the recommendation of a final dividend in respect of 2012 in order to preserve the financial standing of the Company and provide greater flexibility to manage the current market environment.

Fixed assets
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.

The last valuation of land was determined as at 31 March 2010 by an independent professionally qualified valuer. At that time, the market value of land was 1.7 times higher than its carrying value. At 31 December 2012, the carrying value of land amounted to US$181 million. In the opinion of the Directors, the total market value of land has not decreased significantly since the last valuation.

It is not practicable to estimate the market value of buildings and mineral reserves as at 31 December 2012.

Overseas branches
EVRAZ does not have any branches. The Company does, however, have a controlling interest in Evraz Group S.A., which owns steel production, mining and trading companies, as well as in EVRAZ Greenfield development. Information about the direct and indirect subsidiaries of EVRAZ is provided in the Additional Information (EVRAZ's Corporate Structure) section of this report on page 178.

Future developments
Information on the Group and its subsidiaries' future developments is provided in the Chairman's Statement, Chief Executive's Statement, Strategy, Operational Review and Financial Review sections of this report.

Financial instruments
The financial risk management and internal control processes and policies and details of hedging policy and exposure to the risks associated with financial instruments can be found in Note 29 to the Consolidated Financial Statements, the Corporate Governance section of this report on pages 84 to 85 and in the Financial Review on page 67.

Political and charitable donations
No political donations were made in 2012. The Company's corporate social expenditure supports initiatives that benefit local communities of the Group's operations in the areas of sports, education, charity funds, and infrastructure. In 2012, the Company set aside US$51 million for social and social infrastructure maintenance expenses. No donations were made to UK registered charities in 2012.

Events since the reporting date
The major events after 31 December 2012 are disclosed in Note 33 to the Consolidated Financial Statements on page 167.

Directors and their Interests

Biographical details of the Directors who served on the Board during the year are set out in the Corporate Governance section on pages 70 to 71.

Detailed information on share ownership by directors and their connected persons can be found in the Remuneration Report on page 90.

Members of EVRAZ plc Board do not receive share-based compensations.

Powers of Directors

Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company power to borrow money and also provide the power to make purchases of any of its own shares. The Directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of AGM.

Director appointment and re-election

The Group by ordinary resolution and the Directors have the power at any time to elect any person to be a Director, but the number of Directors must not exceed the maximum number fixed by the Articles of Association of the Company. Any person so appointed by the Directors will retire at the next Annual General Meeting and then be eligible for election. Under the Articles of Association each Director shall retire at the Annual General Meeting held in the fourth calendar year following the year in which he/she was elected or at such earlier Annual General Meeting as the Directors may decide. In accordance with the UK Corporate Governance Code, the Directors are subject to annual re–election.

Directors' liabilities (Directors' indemnities)

The Company has granted qualifying third party indemnities to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Acts. In addition, Directors and officers of the Company and its subsidiaries are covered by Directors & Officers liability insurance.

Substantial shareholdings

As of 31 December 2012, the following significant holdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of ordinary Shares	% of Issued ordinary Shares
Lanebrook Ltd.*	967,561,578	72.21
Lanebrook Ltd. Affiliates	37,499,997	2.80

* Lanebrook Ltd. (the Major Shareholder) is a limited liability company incorporated under the laws of Cyprus on 16 March 2006. It was established for the purpose of holding a majority interest in the Group. Lanebrook Ltd. is controlled by (i) Mr. Abramovich, who held a beneficial interest in 463,801,971 ordinary shares in EVRAZ plc (34.68%), (ii) Mr. Abramov, who held a beneficial interest in 329,622,798 ordinary shares in EVRAZ plc (24.64%), (iii) Mr. Frolov, who held a beneficial interest in 164,811,399 ordinary shares in EVRAZ plc (12.32%) and (iv) Mr. Shvidler, who held a beneficial interest in 46,825,407 ordinary shares in EVRAZ plc (3.50%). The percentages in this paragraph exclude any treasury shares and any shares held by or on behalf of EVRAZ pursuant to any employee incentive plan.

From 31 December 2012 to 10 April 2013 (being the last practicable date prior to the publication of this document), there was a decrease in the underlying number of beneficial interests held by each of Mr. Abramovich, Mr. Abramov, Mr. Frolov and Mr. Shvidler.

In October 2012 EVRAZ agreed the terms of an acquisition of a further 50% interest in Corber Enterprises Limited, a 82% shareholder of OJSC Raspadskaya and its subsidiaries, from Mr. Gennady Kozovoy and Mr. Alexander Vagin. The acquisition was completed in January 2013 when 132,653,006 new EVRAZ ordinary shares were issued in equal shares in favour of the sellers. The new shares were admitted to the Official List of the Financial Services Authority and began to be traded on the London Stock Exchange Main Market.

Pursuant to the terms of the acquisition, EVRAZ also issued to Messrs. Kozovoy and Vagin 33,944,928 new warrants to subscribe for 33,944,928 new ordinary shares in EVRAZ. Cash consideration was also agreed to be paid to the sellers in the amount of approximately US$202 million, payable in four equal instalments in Q1, Q2, Q3 2013 and Q1 2014.

In February 2013, following an agreement between EVRAZ's major shareholder, Lanebrook, and Messrs. Kozovoy and Vagin, the latter two shareholders exchanged all their warrants for Lanebrook's 33,121,022 EVRAZ shares. The 33,944,928 warrants, now held by Lanebrook, may be exercised at any time between 16 January 2014 and 16 April 2014.

As a result the following ultimate beneficial owners had interests in EVRAZ plc share capital (in each case, except for Mr. Kozovoy, held indirectly) as of 10 April 2013 (being the last practicable date prior to the publication of this document):

Shareholder	Number of ordinary Shares	% of issued share capital
Mr. Roman Abramovich	456,310,736	30.99%
Mr. Alexander Abramov	317,300,488	21.55%
Mr. Alexander Frolov	158,442,915	10.76%
Mr. Gennady Kozovoy	83,751,827	5.69%
Mr. Alexander Vagin	82,887,014	5.63%
Mr. Eugene Shvidler	45,257,031	3.07%

Directors' Report (Continued)

Significant contractual arrangements

The Major Shareholder and the Company have entered into a relationship agreement which regulates the ongoing relationship between them, ensures that the Company is capable of carrying on its business independently of the Major Shareholder and ensures that any transactions and relationships between the Company and the Major Shareholder are at arm's length and on normal commercial terms.

This agreement terminates if the Major Shareholder ceases to own or control (directly or indirectly) at least 30% of the Ordinary Shares in the Company or if the Major Shareholder ceases to have a larger interest in the Company than the interest of any other shareholder of the Company.

Under the relationship agreement, the Major Shareholder and the Company agree that: (a) the Major Shareholder has the right to appoint the maximum number of Non-Executive Directors that may be appointed whilst ensuring that the composition of the Board remains compliant with the UK Corporate Governance Code for so long as it holds an interest in 30% or more of the Company with each appointee being a ''Shareholder Director''; (b) the Major Shareholder shall, and shall procure, insofar as it is legally able to do so that each of its affiliates (excluding the Company and its subsidiary undertakings) (the ''Major Shareholder Group'') shall, save to the extent required by law, exercise its powers so far as it is able so that the Company is managed in compliance with the requirements of the Companies Act 2006, the Listing Rules and the Disclosure and Transparency Rules; (c) transactions, relationships and agreements between the Company and/or its subsidiaries (on the one hand) and the Major Shareholder or a member of the Major Shareholder Group (on the other) shall be entered into and conducted on an arm's length and normal commercial basis, unless otherwise agreed by a committee comprising the Non-Executive Directors of the Company whom the Board considers to be independent in accordance with paragraph B.1.1 of the UK Corporate Governance Code (the ''Independent Committee''); (d) the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, take any action which precludes or inhibits the Company and/or its subsidiaries from carrying on its business independently of the Major shareholder or any member of the Major Shareholder Group; (e) the quorum for any Board meeting of the Company shall be two, of which at least one must be a Director other than a Shareholder Director and/or a Director who is (or has, in the 12 months prior to the relevant date) any business or other relationship with the Major Shareholder or any member of the Major Shareholder Group which could materially interfere with the exercise of his or her independent judgement in matters concerning the Company (''Lanebrook Director''); (f) the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, subject to specified exceptions, take any action (or omit to take any action) to prejudice the Company's status as a listed company or its suitability for listing or its ongoing compliance with the Listing Rules and Disclosure and Transparency Rules; (g) the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, exercise any of its voting or other rights and powers to procure any amendment to the Articles which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement, and will abstain from voting on, and will procure that the Lanebrook Directors abstain from voting on, any resolution to approve a transaction with a related party (as defined in the Listing Rules) involving the Major Shareholder or any member of the Major Shareholder Group; (h) if any matter which, in the opinion of an independent Director, gives rise to a potential conflict of interest between the Company and/or its subsidiaries (on the one hand) and the Lanebrook Directors, the Major Shareholder or any member of the Major Shareholder Group (on the other), such matter must be approved at a duly convened meeting of the Independent Committee or in writing by a majority of the Independent Committee; and (i) for so long as the Major Shareholder holds an interest in 50% or more in the Company, the Major Shareholder undertakes that it will not and will use its reasonable endeavours to procure that no other member of the Controlling Shareholder Group becomes involved in any competing business (subject to certain exceptions) in Russia, the Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.

The Board is satisfied that the Company is capable of carrying on its business independently of the major shareholder and makes its decisions in a manner consistent with its duties to the Company and stakeholders of EVRAZ plc.

8.875% notes due 2013 and 9.50% notes due 2018, issued by Evraz Group S.A., as well as a structured credit facility agreement for a syndicated loan of US$759 million contain change of control provisions. If a change of control occurs under the terms of these notes, note holders will have the option to require Evraz Group S.A. to redeem notes together with interest accrued, if any. Under the structured credit facility terms, in the event of a change of control over Evraz Group S.A., any lender will have the right to cancel its commitments and declare that amounts relating to that lender's participation in the loan become immediately payable. At 31 December 2012, the principal amount of these borrowings amounted to US$1,802 million, accrued interest was US$21 million.

Supplier payment policy and practice

The Group does not have any specific published code, however the Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

Trade creditors of the Group at 31 December 2012 were US$1,100 million.

Annual General Meeting (AGM)

An annual general meeting shall be held in each period of six months beginning with the day following the Company's annual accounting reference date, at such place or places, date and time as may be decided by the Directors.

The 2013 AGM will be held on 13 June 2013 in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the chairmen of the Board committees.

Full details of the AGM, including explanatory notes, are contained in the Notice of AGM which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website www.evraz.com.

Electronic communications

A copy of the 2012 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website www.evraz.com. Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.

Purchase of own shares

Details of transactions with treasury shares are provided in Note 20 of the Consolidated Financial Statements on page 147.

Share capital

As of 31 December 2012 EVRAZ plc subscribed share capital is represented by 1,339,929,360 ordinary shares with a nominal value of US$1 each. As a result of acquisition of controlling interest in Raspadskaya on 16 January 2013 the Company issued 132,653,006 new EVRAZ ordinary shares, thus increasing EVRAZ's share capital to 1,472,582,366 ordinary shares. In addition the Company issued 33,944,928 warrants, which may be exercised at any time between 16 January 2014 and 16 April 2014.

The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares.

There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.

Articles of Association

The Company's Articles of Association have been adopted with effect from Admission on 7 November 2011 and contain, among others, provisions on the rights and obligations attaching to the Company's shares. The Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Share rights

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution, the directors. The Company may also issue shares which are, or are liable to be, redeemed at the option of the Company or the holder and, subject to applicable law, the Directors may determine the terms, conditions and manner of redemption of any such shares.

Voting rights

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share held by him.

A proxy is not be entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he been present in person. Unless the Directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him to the Company in respect of that share remains unpaid.

The trustee of the Company's Employee Share Trust is entitled, under the terms of the trust deed, to vote as it sees fit in respect of the shares held on trust.

Transfer of shares

The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. As of the date hereof, the Company does not have certificated shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The Directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

Auditors

Ernst & Young is the Company's auditor and will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc
10 April 2013

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on pages 70 to 71. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Responsibility Statement under the Disclosure and Transparency Rules

Each of the Directors listed on pages 70 to 71 confirm that to the best of their knowledge:

- the consolidated financial statements of EVRAZ plc, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole (the 'Group');
- the Directors' Report and the Financial Review on pages 92 to 95 and 62 to 67 include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

Statement of Directors' Responsibilities in Relation to the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the law, the Directors are required to prepare Group financial statements under IFRSs as adopted by the European Union and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under Company Law the Directors must not approve the Group and parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing each of the Group and parent company financial statements the Directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group and parent company;
- Select suitable accounting policies in accordance with IAS8:Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and estimates that are reasonable;
- Provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and parent company's financial position and financial performance; and
- State that the Group and parent company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures discloses and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, with respect to the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Director's Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules of the United Kingdom Listing Authority. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc
10 April 2013

Financial Statements

Independent auditor's report to the members of EVRAZ plc

We have audited the group financial statements of EVRAZ plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Operations, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 97, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the Directors' statement, set out on page 92, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of EVRAZ plc for the year ended 31 December 2012 and on the information in the Remuneration Report that is described as having been audited.

Ken Williamson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
10 April 2013

Notes:
1. The maintenance and integrity of the EVRAZ plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements
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Consolidated Statement of Operations

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

	Notes	Year ended 31 December 2012	2011	2010
Revenue				
Sale of goods	3	**$14,367**	$16,077	$13,144
Rendering of services	3	**359**	323	250
		14,726	16,400	13,394
Cost of revenue	7	**(11,797)**	(12,473)	(10,319)
Gross profit		**2,929**	3,927	3,075
Selling and distribution costs	7	**(1,211)**	(1,154)	(807)
General and administrative expenses	7	**(860)**	(921)	(732)
Social and social infrastructure maintenance expenses		**(51)**	(61)	(64)
Loss on disposal of property, plant and equipment		**(56)**	(50)	(52)
Impairment of assets	6	**(413)**	(104)	(147)
Foreign exchange gains/(losses), net		**(41)**	269	104
Other operating income		**75**	50	63
Other operating expenses	7	**(129)**	(96)	(110)
Profit from operations		**243**	1,860	1,330
Interest income	7	**23**	17	13
Interest expense	7	**(645)**	(708)	(728)
Share of profits/(losses) of joint ventures and associates	11	**1**	55	21
Gain/(loss) on financial assets and liabilities, net	7	**164**	(355)	8
Gain/(loss) on disposal groups classified as held for sale, net	12	**114**	8	(14)
Gain on bargain purchases	4	**–**	–	4
Other non-operating gains/(losses), net		**(6)**	(4)	(1)
Profit/(loss) before tax		**(106)**	873	633
Income tax benefit/(expense)	8	**(229)**	(420)	(163)
Net profit/(loss)		**$(335)**	$453	$470
Attributable to:				
Equity holders of the parent entity		**$(308)**	$461	$486
Non-controlling interests		**(27)**	(8)	(16)
		$(335)	$453	$470
Earnings/(losses) per share:				
basic, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$(0.23)**	$0.36	$0.39
diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$(0.23)**	$0.36	$0.39

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

Consolidated Statement of Comprehensive Income

(in millions of US dollars)

	Notes	Year ended 31 December 2012	2011	2010
Net profit/(loss)		**$(335)**	$453	$470
Other comprehensive income/(loss)				
Effect of translation to presentation currency		**286**	(620)	64
Net gains/(losses) on available-for-sale financial assets	13	**4**	(20)	(8)
Net (gains)/losses on available-for-sale financial assets reclassified to profit or loss	13	**–**	20	4
Income tax effect		**–**	–	–
		4	–	(4)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	9	**–**	(1)	(7)
Income tax effect	8	**–**	–	1
		–	(1)	(6)
Net gains/(losses) on available-for-sale financial assets of the Group's joint ventures and associates	11	**1**	–	–
Effect of translation to presentation currency of the Group's joint ventures and associates	11	**44**	(35)	(9)
Share of other comprehensive income/(loss) of joint ventures and associates accounted for using the equity method		**45**	(35)	(9)
Total other comprehensive income/(loss)		**335**	(656)	45
Total comprehensive income/(loss), net of tax		**$–**	$(203)	$515
Attributable to:				
Equity holders of the parent entity		**$28**	$(177)	$522
Non-controlling interests		**(28)**	(26)	(7)
		$–	$(203)	$515

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

Consolidated Statement of Financial Position

(in millions of US dollars)

The financial statements of EVRAZ plc (registered number 7784342) on pages 102 to 167 were approved by the Board of Directors on 10 April 2013 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

	Notes	31 December 2012	2011	2010
ASSETS				
Non-current assets				
Property, plant and equipment	9	**$7,792**	$8,306	$8,607
Intangible assets other than goodwill	10	**586**	838	1,004
Goodwill	5	**2,180**	2,180	2,219
Investments in joint ventures and associates	11	**561**	663	688
Deferred income tax assets	8	**66**	79	100
Other non-current financial assets	13	**92**	53	118
Other non-current assets	13	**103**	107	103
		11,380	12,226	12,839
Current assets				
Inventories	14	**1,978**	2,188	2,070
Trade and other receivables	15	**895**	971	1,213
Prepayments		**143**	176	192
Loans receivable		**19**	44	1
Receivables from related parties	16	**12**	8	80
Income tax receivable		**59**	83	54
Other taxes recoverable	17	**329**	412	353
Other current financial assets	18	**712**	57	52
Cash and cash equivalents	19	**1,320**	801	683
		5,467	4,740	4,698
Assets of disposal groups classified as held for sale	12	**930**	9	2
		6,397	4,749	4,700
Total assets		**$17,777**	$16,975	$17,539
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	**$1,340**	$1,338	$375
Treasury shares	20	**(1)**	(8)	–
Additional paid-in capital	20	**1,820**	2,289	1,742
Revaluation surplus		**173**	171	180
Legal reserve	20	**–**	–	36
Unrealised gains and losses	11,13	**5**	–	–
Accumulated profits		**3,356**	3,606	4,570
Translation difference		**(1,520)**	(1,851)	(1,214)
		5,173	5,545	5,689
Non-controlling interests		**200**	236	247
		5,373	5,781	5,936
Non-current liabilities				
Long-term loans	21	**6,373**	6,593	7,097
Deferred income tax liabilities	8	**927**	1,020	1,072
Finance lease liabilities	22	**11**	26	38
Employee benefits	23	**294**	296	315
Provisions	25	**257**	285	279
Other long-term liabilities	26	**170**	285	143
		8,032	8,505	8,944
Current liabilities				
Trade and other payables	27	**1,412**	1,460	1,173
Advances from customers		**157**	154	205
Short-term loans and current portion of long-term loans	21	**1,783**	613	714
Payables to related parties	16	**257**	98	217
Income tax payable		**48**	92	78
Other taxes payable	28	**195**	188	180
Current portion of finance lease liabilities	22	**2**	13	19
Provisions	25	**32**	53	54
Amounts payable under put options for shares of subsidiaries		**–**	9	6
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**8**	9	13
		3,894	2,689	2,659
Liabilities directly associated with disposal groups classified as held for sale	12	**478**	–	–
		4,372	2,689	2,659
Total equity and liabilities		**$17,777**	$16,975	$17,539

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

Consolidated Statement of Cash Flows

(in millions of US dollars)

	Year ended 31 December		
	2012	2011	2010
Cash flows from operating activities			
Net profit/(loss)	**$(335)**	$453	$470
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	**(38)**	12	(186)
Depreciation, depletion and amortisation *(Note 7)*	**1,259**	1,153	925
Loss on disposal of property, plant and equipment	**56**	50	52
Impairment of assets	**413**	104	147
Foreign exchange (gains)/losses, net	**41**	(269)	(104)
Interest income	**(23)**	(17)	(13)
Interest expense	**645**	708	728
Share of (profits)/losses of associates and joint ventures	**(1)**	(55)	(21)
(Gain)/loss on financial assets and liabilities, net	**(164)**	355	(8)
(Gain)/loss on disposal groups classified as held for sale, net	**(114)**	(8)	14
Gain on bargain purchases	**–**	–	(4)
Other non-operating (gains)/losses, net	**6**	4	1
Bad debt expense	**12**	49	48
Changes in provisions, employee benefits and other long-term assets and liabilities	**(40)**	(29)	(15)
Expense arising from equity-settled awards *(Note 24)*	**22**	23	2
Share-based payments under cash-settled awards *(Note 24)*	**–**	(1)	(3)
Other	**(6)**	(4)	(3)
	1,733	2,528	2,030
Changes in working capital:			
Inventories	**121**	(204)	(191)
Trade and other receivables	**(78)**	167	(239)
Prepayments	**37**	(2)	(44)
Receivables from/payables to related parties	**141**	(61)	(34)
Taxes recoverable	**120**	(123)	(91)
Other assets	**18**	(3)	38
Trade and other payables	**96**	367	107
Advances from customers	**(1)**	(44)	80
Taxes payable	**(43)**	44	5
Other liabilities	**(1)**	(22)	1
Net cash flows from operating activities	**2,143**	2,647	1,662
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(5)**	(3)	(46)
Proceeds from repayment of loans issued to related parties, including interest	**1**	46	5
Issuance of loans receivable	**–**	(4)	(1)
Proceeds from repayment of loans receivable, including interest	**4**	4	2
Return of capital by a joint venture *(Note 11)*	**38**	–	–
Purchases of subsidiaries, net of cash acquired *(Note 4)*	**(12)**	(36)	(27)
Purchases of interest in associates/joint ventures	**–**	–	(9)
Restricted deposits at banks in respect of investing activities	**–**	(1)	17
Short-term deposits at banks, including interest	**(656)**	5	29
Purchases of property, plant and equipment and intangible assets	**(1,261)**	(1,281)	(832)
Proceeds from disposal of property, plant and equipment	**9**	23	21
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	**311**	5	42
Dividends received	**88**	54	1
Other investing activities, net	**(61)**	–	54
Net cash flows used in investing activities	**(1,544)**	(1,188)	(744)

Continued on the next page

Consolidated Statement of Cash Flows (Continued)

(in millions of US dollars)

	Year ended 31 December		
	2012	**2011**	**2010**
Cash flows from financing activities			
Purchase of treasury shares in the course of the Group's reorganisation *(Note 20)*	**$(4)**	$–	$–
Purchase of treasury shares *(Note 20)*	**–**	(22)	–
Sale of treasury shares *(Note 20)*	**–**	3	–
Payments relating to conversion of bonds into shares *(Note 21)*	**–**	(161)	–
Proceeds from issue of shares by a subsidiary to non-controlling shareholders	**–**	1	–
Purchases of non-controlling interests *(Note 4)*	**(1)**	(51)	(13)
Dividends paid by the parent entity to its shareholders *(Note 20)*	**(375)**	(491)	–
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**(1)**	(1)	(1)
Proceeds from bank loans and notes	**2,706**	3,507	3,172
Repayment of bank loans and notes, including interest	**(2,716)**	(3,815)	(4,142)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**292**	(283)	106
Payments under covenants reset *(Note 21)*	**(7)**	–	(29)
Gain on derivatives not designated as hedging instruments *(Note 26)*	**81**	66	31
Collateral under swap contracts *(Note 18)*	**10**	(10)	–
Restricted deposits at banks in respect of financing activities	**2**	(1)	–
Payments under finance leases, including interest	**(29)**	(24)	(23)
Net cash flows used in financing activities	**(42)**	(1,282)	(899)
Effect of foreign exchange rate changes on cash and cash equivalents	**32**	(59)	(7)
Net increase in cash and cash equivalents	**589**	118	12
Cash and cash equivalents at the beginning of the year	**801**	683	671
Cash of disposal groups classified as assets held for sale *(Note 12)*	**(70)**	–	–
Cash and cash equivalents at the end of the year	**$1,320**	$801	$683
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$(559)**	$(586)	$(594)
Interest received	**7**	8	11
Income taxes paid by the Group	**(298)**	(443)	(341)

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

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 2011	$1,338	$(8)	$2,289	$171	$–	$–	$3,606	$(1,851)	$5,545	$236	$5,781
Net loss	–	–	–	–	–	–	(308)		(308)	(27)	(335)
Other comprehensive income/(loss)	–	–	–	–	–	5	–	331	336	(1)	335
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	(310)	331	28	(28)	–
Issue of shares in the course of the Group's reorganisation *(Note 20)*	2	–	–	–	–	–	8	–	10	(10)	–
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)
Purchase of treasury shares *(Note 20)*	–	(4)	–	–	–	–	–	–	(4)	–	(4)
Transfer of treasury shares to participants of the Incentive Plan *(Notes 20 and 24)*	–	11	–	–	–	–	(11)	–	–	–	–
Share-based payments *(Note 24)*	–	–	22	–	–	–	–	–	22	–	22
Reclassification of distributed dividends to share premium account *(Note 20)*	–	–	(491)	–	–	–	491	–	–	–	–
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	–	–	–	–	(375)	–	(375)	–	(375)
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2012	**$1,340**	**$(1)**	**$1,820**	**$173**	**$–**	**$5**	**$3,356**	**$(1,520)**	**$5,173**	**$200**	**$5,373**

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

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

Consolidated Statement of Changes in Equity (Continued)

(in millions of US dollars)

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

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

Notes to the Consolidated Financial Statements

year ended 31 December 2012

1. Corporate information

These consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 10 April 2013.

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

As a result of the reorganisation implemented by way of the share exchange offer made by the Company for the shares of Evraz Group S.A. in November 2011 (Note 20), the Company became a new parent entity of Evraz Group S.A. (Luxembourg), a holding company which owns steel production, mining and trading companies.

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. 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, %			Business activity	Location
	2012	2011	2010		
EVRAZ Nizhny Tagil Iron & Steel Plant	100.00	100.00	100.00	Steel production	Russia
EVRAZ United West-Siberian Iron & Steel Plant	100.00	100.00	100.00	Steel production	Russia
Novokuznetsk Iron & Steel Plant (in 2011 merged with West-Siberian Iron & Steel Plant)	–	–	100.00	Steel production	Russia
EVRAZ Vitkovice Steel a.s.	100.00	100.00	100.00	Steel production	Czech Republic
EVRAZ Highveld Steel and Vanadium Limited	85.12	85.12	85.12	Steel production	South Africa
EVRAZ Dnepropetrovsk Iron and Steel Works	96.78	96.77	96.04	Steel production	Ukraine
EVRAZ Inc. NA	100.00	100.00	100.00	Steel mill	USA
EVRAZ Inc. NA Canada	100.00	100.00	100.00	Steel mill	Canada
Yuzhkuzbassugol	100.00	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	100.00	100.00	100.00	Ore mining and processing	Russia
Evrazruda	100.00	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	99.42	99.42	99.42	Ore mining	Ukraine

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. According to management's current forecasts, at 30 June 2013 the Group may not be in compliance with financial covenants under certain bank loans, which, if not resolved, may trigger a cross default under other debt instruments. Such an event would permit the Group's lenders to demand immediate payment of the outstanding borrowings under the relevant debt instruments.

Directors and management have considered a number of alternatives to proactively address this situation, including, if and when necessary, a refinancing of certain borrowings, a financial covenant reset and a waiver from its lenders. The Group may incur additional costs related to these alternatives.

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

2. Significant accounting policies

Basis of preparation

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

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2012, but not adopted by the European Union, do not have any impact on the Group's consolidated financial statements.

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

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.

Group reorganisation in 2011

As the Group has been formed through a reorganisation in which EVRAZ plc became a new parent entity of the Group (Note 20), these consolidated financial statements have been prepared as a continuation of the existing group using the pooling of interests method.

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 2012.

New/Revised standards and interpretations adopted in 2012

- IFRS 7 – Disclosures – Transfers of Financial Assets (Amendment)

The amendment to IFRS 7 enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment had no effect on the Group's financial statements.

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment had no effect on the Group's financial position, performance or its disclosures.

Standards Issued But Not Yet Effective in the European Union

Standards not yet effective for the financial statements for the year ended 31 December 2012	Effective for annual periods beginning on or after
• Amendments to IAS 1 "Presentation of Financial Statements" – Changes to the Presentation of Other Comprehensive Income	1 July 2012
• IFRS 13 "Fair Value Measurement"	1 January 2013
• Amendments to IAS 19 "Employee Benefits"	1 January 2013
• Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities	1 January 2013
• IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	1 January 2013
• Amendments to standards following the May 2012 "improvements to IFRS" project	1 January 2013
• IFRS 10 "Consolidated Financial Statements"	1 January 2014
• IFRS 11 "Joint Arrangements"	1 January 2014
• IFRS 12 "Disclosure of Interests in Other Entities"	1 January 2014
• IAS 27 "Separate Financial Statements"	1 January 2014
• IAS 28 "Investments in Associates and Joint Ventures"	1 January 2014
• Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities	1 January 2014
• IFRS 9 "Financial Instruments"	1 January 2015

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

Amended IAS 19 "Employee Benefits" introduced recognition of actuarial gains and losses in other comprehensive income in the period they occur. This amendment is required to be applied retrospectively. At 31 December 2012 and 2011, the Group had $332 million and $261 million actuarial losses, respectively (Note 23), they will increase the Group's liabilities under defined benefit plans.

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:

- The Group determined that it obtained control over Corber on 16 January 2013 (Note 11). As of 31 December 2012, certain conditions relating to acquisition of an additional 50% ownership interest in Corber were not met. As such, the Group did not consolidate Corber in 2012.
- The Group determined that the future sale of EVRAZ Highveld Steel and Vanadium Limited and EVRAZ Vitkovice Steel does not constitute a discontinued operation as the expected disposal will not lead to the Group abandoning any geographical area of operation or any product line (Note 12).

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 2012, 2011 and 2010, the Group recognised an impairment loss of $404 million, $105 million and $109 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.

In 2012 and 2010, the change in estimates of useful lives of property, plant and equipment resulted in an additional depreciation expense of approximately $5 million and $10 million, respectively. In 2011, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a $16 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.

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 2012, 2011 and 2010 was $2,180 million, $2,180 million and $2,219 million, respectively. In 2012, 2011 and 2010, the Group recognised an impairment loss in respect of goodwill in the amount of $Nil, $Nil and $16 million, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 5.

Mineral reserves

Mineral reserves are a material factor in the Group's computation of 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.

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.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

2. Significant accounting policies (continued)

Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Site restoration provisions (continued)

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.).

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 2012, 2011 and 2010, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $101 million, $108 million and $117 million, respectively (Note 29).

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

Litigations

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. More details are provided in Note 31.

Current taxes

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

Deferred income tax assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes 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.

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.

2. Significant accounting policies (continued)

Foreign currency transactions (continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

2. Significant accounting policies (continued)

Investments in Associates

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

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

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

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

Interests in joint ventures

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

Property, plant and equipment

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

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

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

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

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15–60	19
Machinery and equipment	4–45	11
Transport and motor vehicles	7–20	10
Other assets	3–15	6

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

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

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

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

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 associate 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.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

2. Significant accounting policies (continued)

Intangible assets other than goodwill (continued)

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	11
Trade names and trademarks	5	–
Water rights and environmental permits with definite lives	5	2
Patented and unpatented technology	18	13
Contract terms	1–49	–
Other	5–10	6

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).

Emission rights

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

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

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

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

Financial assets

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

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

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

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

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.

2. Significant accounting policies (continued)

Financial assets (continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

2. Significant accounting policies (continued)

Equity (continued)

Dividends

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

Provisions

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

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

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

Employee benefits

Social and pension contributions

Defined contributions are made by the Group to the Russian and Ukrainian state pension, social insurance, medical insurance and unemployment funds at the statutory rates in force (approximately 34%), 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 liability recognised in the statement of financial position in respect of post-employment benefits is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligations.

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

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

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

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 24), 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.

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.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

2. Significant accounting policies (continued)

Deferred income tax

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

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

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

3. Segment information

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

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

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

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

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

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

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

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

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

Segment result is segment revenue less segment expense that is equal to earnings before interest, tax, 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 2012

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$13,884	$258	$192	$200	$–	$14,534
Inter-segment sales	324	2,261	317	606	(3,508)	–
Total revenue	14,208	2,519	509	806	(3,508)	14,534
Segment result – EBITDA	$1,096	$569	$54	$180	$87	$1,986

3. Segment information (continued)

Year ended 31 December 2011

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

Year ended 31 December 2010

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

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 2012

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue	**$14,208**	**$2,519**	**$509**	**$806**	**$(3,508)**	**$14,534**
Forecasted vs. actual revenue	**96**	**2**	**(3)**	**14**	**–**	**109**
Reclassifications and other adjustments	**(761)**	**129**	**14**	**226**	**475**	**83**
Revenue per IFRS financial statements	**$13,543**	**$2,650**	**$520**	**$1,046**	**$(3,033)**	**$14,726**
EBITDA	**$1,096**	**$569**	**$54**	**$180**	**$87**	**$1,986**
Forecasted vs. actual EBITDA	**(1)**	**3**	**7**	**(12)**	**–**	**(3)**
Exclusion of management services from segment result	**103**	**49**	**3**	**4**	**–**	**159**
Unrealised profits adjustment	**(6)**	**–**		**–**	**6**	**–**
Reclassifications and other adjustments	**134**	**1**	**(83)**	**17**	**–**	**69**
	230	**53**	**(73)**	**9**	**6**	**225**
EBITDA based on IFRS financial statements	**$1,326**	**$622**	**$(19)**	**$189**	**$93**	**$2,211**
Unallocated subsidiaries						**(199)**
						$2,012
Depreciation, depletion and amortisation expense	**(556)**	**(611)**	**(47)**	**(38)**	**–**	**(1,252)**
Impairment of assets	**(58)**	**(354)**	**–**	**(1)**	**–**	**(413)**
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**(38)**	**(17)**	**(1)**	**–**	**–**	**(56)**
Foreign exchange gains/(losses), net	**171**	**(95)**	**–**	**–**	**–**	**76**
	$845	**$(455)**	**$(67)**	**$150**	**$93**	**$367**
Unallocated income/(expenses), net						**(124)**
Profit/(loss) from operations						**$243**
Interest income/(expense), net						**$(622)**
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						**114**
Other non-operating gains/(losses), net						**(6)**
Profit/(loss) before tax						**$(106)**

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

3. Segment information (continued)

Year ended 31 December 2011

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

3. Segment information (continued)

Year ended 31 December 2010

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

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	2012	2011	2010
Steel production			
Construction products	**$4,322**	$4,423	$3,331
Flat-rolled products	**2,265**	2,760	2,005
Railway products	**1,737**	1,964	1,466
Tubular products	**1,288**	1,321	1,309
Semi-finished products	**2,066**	2,235	2,340
Other steel products	**459**	554	383
Other products	**1,109**	1,165	1,064
Rendering of services	**87**	101	77
	13,333	14,523	11,975
Mining			
Iron ore	**347**	586	330
Coal	**211**	392	355
Other products	**62**	39	26
Rendering of services	**15**	20	25
	635	1,037	736
Vanadium products			
Vanadium in slag	**31**	76	39
Vanadium in alloys and chemicals	**465**	558	493
Other products	**5**	4	3
Rendering of services	**4**	3	2
	505	641	537
Other operations			
Rendering of services	**253**	199	146
	253	199	146
	$14,726	$16,400	$13,394

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	2012	2011	2010
CIS			
Russia	**$6,191**	$6,632	$4,692
Ukraine	**473**	623	471
Kazakhstan	**355**	401	342
Others	**168**	163	147
	7,187	7,819	5,652
America			
USA	**2,293**	2,172	1,674
Canada	**1,234**	1,478	1,451
Others	**44**	91	37
	3,571	3,741	3,162
Asia			
Taiwan	**492**	360	459
Thailand	**451**	708	550
Indonesia	**355**	212	113
China	**178**	252	367
Korea	**118**	111	126
United Arab Emirates	**87**	315	410
Philippines	**87**	84	285
Mongolia	**67**	43	7
Jordan	**64**	6	29
Japan	**59**	81	71
Vietnam	**27**	33	93
Syria	**10**	51	65
Others	**120**	94	96
	2,115	2,350	2,671
Europe			
Italy	**224**	267	205
Germany	**204**	368	219
Austria	**160**	224	188
Czech Republic	**155**	205	189
Poland	**131**	221	139
Slovakia	**96**	94	64
Other members of the European Union	**261**	348	265
Turkey	**182**	145	118
Others	**37**	69	35
	1,450	1,941	1,422
Africa			
South Africa	**323**	472	407
Others	**74**	72	78
	397	544	485
Other countries	**6**	5	2
	$14,726	$16,400	$13,394

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

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	2012	2011	2010
Russia	**$6,072**	$6,153	$6,200
USA	**2,014**	2,047	2,119
Canada	**2,046**	2,069	2,166
Ukraine	**668**	759	892
South Africa	**43**	567	723
Czech Republic	**42**	213	241
Italy	**204**	206	221
Other countries	**94**	52	40
	$11,183	$12,066	$12,602

4. Acquisition of subsidiaries

Acquisitions of controlling interests

Inprom group

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

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

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

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

In 2010, cash flow on acquisition was as follows:

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

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

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

Acquisition of other controlling interests

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.

4. Acquisition of subsidiaries (continued)

Acquisitions of Controlling Interests (continued)

Disclosure of other information in respect of business combinations

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

Other payments for acquisition of subsidiaries

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

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

EVRAZ Group S.A.

On 17 February 2012, the Group purchased the remaining global depository receipts, representing 96,607.67 shares of Evraz Group S.A., for $4 million and exchanged them for the newly issued shares of EVRAZ plc. Since that date Evraz Group S.A. became a wholly-owned subsidiary of EVRAZ plc and a non-controlling interest amounting to $10 million was derecognised.

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.

Evraztrans

In 2011, the Group acquired an additional non-controlling interest of 24% in Evraztrans (Note 12), a subsidiary, which renders railway transportation services. The cash consideration amounted to $51 million. The excess of the amounts of consideration over the carrying values of non-controlling interests acquired amounting to $18 million was charged to accumulated profits.

Stratcor

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

LDPP

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

5. Goodwill

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

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2009	**3,081**	**(895)**	**2,186**
Adjustment to contingent consideration	8	–	8
Impairment	–	(16)	(16)
Stratcor, Inc.	–	(16)	(16)
Translation difference	43	(2)	41
At 31 December 2010	**3,132**	**(913)**	**2,219**
Adjustment to contingent consideration	(6)	–	(6)
Translation difference	(35)	2	(33)
At 31 December 2011	**3,091**	**(911)**	**2,180**
Goodwill recognised on acquisition of subsidiaries (Note 4)	4	–	4
Adjustment to contingent consideration	(5)	–	(5)
Goodwill allocated to disposal groups classified as held for sale (Note 12)	(23)	–	(23)
Translation difference	24	–	24
At 31 December 2012	**$3,091**	**$(911)**	**$2,180**

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

5. Goodwill (continued)

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	2012	2011	2010
EVRAZ Inc. NA	**$1,131**	$1,130	$1,130
Oregon Steel Portland Mill	**412**	412	412
Rocky Mountain Steel Mills	**410**	410	410
OSM Tubular – Camrose Mills	**157**	157	157
Claymont Steel	**135**	135	135
General Scrap	**16**	16	16
Others	**1**	–	–
EVRAZ Inc. NA Canada	**845**	827	845
Calgary	**232**	227	232
Red Deer	**56**	55	57
Regina Steel	**397**	389	397
Regina Tubular	**137**	134	137
Others	**23**	22	22
EVRAZ Palini e Bertoli	**76**	74	78
EVRAZ Vanady-Tula	**66**	63	66
Strategic Minerals Corporation	**20**	25	31
EVRAZ Nikom, a.s.	**39**	37	40
EVRAZ Highveld Steel and Vanadium Limited (Note 12)	**–**	24	29
EVRAZ Kachkanar Heat and Power Plant	**3**	–	–
	$2,180	$2,180	$2,219

6. Impairment of goodwill and other non-current assets

For the purpose of the impairment testing as of 31 December 2012 the Group assessed the recoverable amount of each cash-generating unit ("CGU") to which the goodwill was allocated or where indicators of impairment were identified.

The recoverable amount has been determined based on a value-in-use calculation using 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 respective business plans results using a zero real growth rate.

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 2013	Recoverable amount of CGU, US$ million	Carrying amount of CGU, US$ million
EVRAZ Inc. NA	5	10.80-12.03	steel products	$901	3,916	2,157
EVRAZ Inc. NA Canada	5	11.32-11.76	steel products	$1,066	2,546	1,851
EVRAZ Palini e Bertoli	5	14.20	steel plates	€608	220	193
EVRAZ Vanady-Tula	5	13.26	vanadium products	$23,756	172	112
Vametco	5	13.73	ferrovanadium products	$24,246	105	43
EVRAZ Nikom, a.s.	5	12.44	ferrovanadium products	$22,733	170	42
EVRAZ Highveld Steel and Vanadium Limited	5	13.28	ferrovanadium products steel products	$23,928 $769	612	443

6. Impairment of goodwill and other non-current 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 2013
EVRAZ Dnepropetrovsk Iron and Steel Works	5	13.85	steel products	$619
EVRAZ Nizhny Tagil Iron & Steel Plant	5	13.26	steel products	$698
EVRAZ United West-Siberian Iron & Steel Plant	5	13.26	steel products	$536
EVRAZ Vitkovice Steel a.s.	5	11.03	steel products	$838
EVRAZ Caspian Steel	5	12	steel mill under construction	$601
EVRAZ Yuzhny Stan	5	12	steel mill under construction	$640
EVRAZ Bagleykoks	5	15.64	coke	$227
Strategic Minerals Corporation	5	13.24	ferrovanadium products	$37,234
Yuzhkuzbassugol	17	14.49	coal	$88
Mezhegeyugol	29	14	undeveloped coal field	$133
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	7	14.83	ore	$74
EVRAZ Sukha Balka	21	16.91	ore	$60
EVRAZ Vysokogorsky Mining-and-Processing Integrated Works	17	14.83	ore	$86
Evrazruda	5	14.83	ore	$93
EVRAZ Nakhodka Trade Seaport	5	13.26	port services	$12

The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products and the increase in the forecasted costs.

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 United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Sukha Balka, EVRAZ Palini e Bertoli and EVRAZ Inc. NA cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $284 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 grow with a compound annual growth rate of 0%-6.5% in 2013 – 2017, 3.0% in 2018 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at EVRAZ United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Sukha Balka and EVRAZ Inc. NA cash-generating units. If the prices assumed for 2013 and 2014 in the impairment test were 10% lower, this would lead to an additional impairment of $411 million.

Sales volumes
Management assumed that the sales volumes of steel products would increase by 7% in 2013 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 United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, and EVRAZ Sukha Balka cash-generating units. If the sales volumes were 10% lower than those assumed for 2013 and 2014 in the impairment test, this would lead to an additional impairment of $119 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 United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Bagleykoks, EVRAZ Sukha Balka, EVRAZ Palini e Bertoli and EVRAZ Inc. NA cash-generating units. If the actual costs were 10% higher than those assumed for 2013 and 2014 in the impairment test, this would lead to an additional impairment of $1,048 million.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

6. Impairment of goodwill and other non-current assets (continued)

Cost control measures (continued)

The unit's recoverable amount would become equal to its carrying amount if the assumptions used to measure the recoverable amount changed as follows:

	Discount rates	Sales prices	Sales volumes	Cost control measures
EVRAZ United West-Siberian Iron & Steel Plant	0.09%	(0.05)%	(0.19)%	0.02%
EVRAZ Sukha Balka	3%	(3)%	(5)%	4%
EVRAZ Palini e Bertoli	6%	–	–	5%
EVRAZ Claymont Steel	2%	(6)%	–	3%
EVRAZ Bagleykoks	–	–	–	4%

In addition to the impairment losses recognised as a result of the impairment testing at the level of cash-generating units, the Group made a write-off of certain functionally obsolete items of property, plant and equipment and recorded an impairment relating to the VAT with a long-term recovery.

The summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2012

US$ million	Goodwill and intangible assets	Property, plant and equipment	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)

Year ended 31 December 2011

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Dneprodzerzhinsky Coke-chemical Plant	$–	$(59)	$(9)	$(68)
Yuzhkuzbassugol	–	(31)	–	(31)
Others, net	9	(15)	–	(6)
	$9	$(105)	$(9)	$(105)

Year ended 31 December 2010

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
Velcast	$–	$(38)	$–	$(38)
Evraz Highveld Steel and Vanadium Limited	–	(31)	–	(31)
Frotora Holdings Ltd. (Note 12)	(30)	–	–	(30)
Stratcor, Inc. (Note 5)	(16)	–	–	(16)
Yuzhkuzbassugol	–	(19)	–	(19)
Others, net	1	(21)	–	(20)
	$(45)	$(109)	$–	$(154)

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	2012	2011	2010
Cost of inventories recognised as expense	**$(6,266)**	$(7,106)	$(5,241)
Staff costs, including social security taxes	**(2,404)**	(2,228)	(1,743)
Depreciation, depletion and amortisation	**(1,259)**	(1,153)	(925)

In 2012, 2011 and 2010, the Group made a net reversal of the allowance for net realisable value in the amount of $2 million, $14 million and $35 million, respectively.

Staff costs include the following:

US$ million	2012	2011	2010
Wages and salaries	**$1,766**	$1,662	$1,347
Social security costs	**412**	404	257
Post-employment benefit expense	**83**	59	59
Share-based awards	**22**	23	2
Other compensations	**121**	80	78
	$2,404	$2,228	$1,743

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

	2012	2011	2010
Steel production	**63,054**	63,414	61,858
Mining	**38,878**	37,490	38,336
Vanadium products	**1,240**	1,212	1,178
Other operations	**3,884**	3,583	3,855
Unallocated	**3,404**	3,362	3,279
	110,460	109,061	108,506

The major components of other operating expenses were as follows:

US$ million	2012	2011	2010
Idling, reduction and stoppage of production, including termination benefits	**$(77)**	$(40)	$(45)
Restoration works and casualty compensations in connection with accidents	**(8)**	(4)	(17)
Site restoration provision accrued with respect to Kazankovskaya (Note 11)	**–**	(6)	–
Other	**(44)**	(46)	(48)
	$(129)	$(96)	$(110)

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

US$ million	2012	2011	2010
Bank interest	**$(103)**	$(154)	$(241)
Interest on bonds and notes	**(485)**	(495)	(423)
Finance charges payable under finance leases	**(3)**	(5)	(6)
Interest on liabilities relating to employee benefits and expected return on plan assets (Note 23)	**(28)**	(28)	(32)
Discount adjustment on provisions (Note 25)	**(19)**	(19)	(15)
Interest on contingent consideration	**(1)**	(1)	(1)
Other	**(6)**	(6)	(10)
	$(645)	$(708)	$(728)

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

US$ million	2012	2011	2010
Interest on bank accounts and deposits	**$13**	$6	$9
Interest on loans receivable	**6**	4	1
Interest on loans receivable from related parties	**–**	3	2
Interest on accounts receivable	**–**	–	1
Other	**4**	4	–
	$23	$17	$13

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

7. Income and expenses (continued)

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

US$ million	2012	2011	2010
Impairment of available-for-sale financial assets (Note 13)	**$–**	$(20)	$(2)
Loss on extinguishment of debts (Note 21)	**–**	(71)	–
Loss on conversion of bonds (Note 21)	**–**	(161)	–
Change in the fair value of derivatives (Note 26)	**177**	(110)	4
Other	**(13)**	7	6
	$164	$(355)	$8

8. Income taxes

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

	2012	2011	2010
Russia	**20.00%**	20.00%	20.00%
Canada	**25.54%**	26.50%	28.00%
Cyprus	**10.00%**	10.00%	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	**9.82%**	10.09%	10.09%
Ukraine	**21.00%**	23.00% and 25.00%	25.00%
USA	**38.20%**	37.95%	38.32%

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

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

US$ million	2012	2011	2010
Current income tax expense	**$(336)**	$(537)	$(415)
Adjustment in respect of income tax of previous years	**69**	129	(8)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**38**	(12)	260
Income tax expense reported in the consolidated statement of operations	**$(229)**	$(420)	$(163)

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	2012	2011	2010
Profit/(loss) before income tax	**$(106)**	$873	$633
At the Russian statutory income tax rate of 20%	**21**	(175)	(127)
Adjustment in respect of income tax of previous years	**69**	129	(8)
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**(53)**	(116)	–
Deferred income tax benefit resulting from reduction in tax rate	**–**	–	17
Deferred income tax benefit relating to changes in tax regulations other than tax rates	**–**	–	125
Effect of non-deductible expenses and other non-temporary differences	**(118)**	(282)	(261)
Unrecognised temporary differences recognition/reversal	**(165)**	(52)	5
Effect of the difference in tax rates in countries other than the Russian Federation	**31**	65	82
Tax on dividends distributed by the Group's subsidiaries to parent company	**(14)**	–	–
Share of profits in joint ventures and associates	**–**	11	4
Income tax expense reported in the consolidated statement of operations	**$(229)**	$(420)	$(163)

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 2012

US$ million	2012	Change recognised in statement of operations	Received from tax authorities	Change recognised in other comprehen-sive income	Change due to business combina-tions	Change due to disposal of subsidiaries	Transfer to disposal groups classifies as held for sale	Translation difference	2011
Deferred income tax liabilities:									
Valuation and depreciation of property, plant and equipment	**$900**	**(64)**	**–**	**–**	**(1)**	**(13)**	**(72)**	**29**	**$1,021**
Valuation and amortisation of intangible assets	**153**	**(30)**	**–**	**–**	**–**	**–**	**(39)**	**1**	**221**
Other	**83**	**(9)**	**–**	**–**	**–**	**(4)**	**–**	**3**	**93**
	1,136	**(103)**	**–**	**–**	**(1)**	**(17)**	**(111)**	**33**	**1,335**
Deferred income tax assets:									
Tax losses available for offset	**101**	**(37)**	**–**	**–**	**–**	**–**	**(17)**	**4**	**151**
Accrued liabilities	**112**	**26**	**–**	**–**	**–**	**(12)**	**(28)**	**3**	**123**
Impairment of accounts receivable	**32**	**(2)**	**–**	**–**	**–**	**(1)**	**–**	**2**	**33**
Other	**30**	**(52)**	**–**	**–**	**–**	**–**	**(7)**	**2**	**87**
	275	**(65)**	**–**	**–**	**–**	**(13)**	**(52)**	**11**	**394**
Net deferred income tax asset	**66**	**(5)**	**–**	**–**	**–**	**–**	**(13)**	**5**	**79**
Net deferred income tax liability	**$927**	**(43)**	**–**	**–**	**(1)**	**(4)**	**(72)**	**27**	**$1,020**

Year ended 31 December 2011

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

8. Income taxes (continued)

Year ended 31 December 2010

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

As of 31 December 2012, 2011 and 2010, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 10%. At 31 December 2012, the Group has not recognised a deferred tax liability and deferred tax asset in respect of temporary differences of $4,985 million and $8,975 million, respectively (2011: $5,686 million and $3,478 million, 2010: $5,764 million and $2,831 million, respectively). These differences are associated with investments in subsidiaries and were not recognised as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies, except for the companies registered in Cyprus and the United Kingdom where group relief can be applied. As of 31 December 2012, the unused tax losses carry forward approximated $3,398 million (2011: $3,481 million, 2010: $3,365 million). The Group recognised deferred tax asset of $101 million (2011: $151 million, 2010: $150 million) in respect of unused tax losses. Deferred tax asset in the amount of $728 million (2011: $694 million, 2010: $655 million) has not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $2,603 million (2011: $2,568 million, 2010: $2,555 million) for which deferred tax asset was not recognised arose in companies registered in Luxembourg, Cyprus, Russia and Ukraine. Losses in the amount of $2,414 million (2011: $2,479 million, 2010: $2,535 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $189 million will expire during 2013–2022 (2011: $89 million, 2010: $20 million).

9. Property, plant and equipment

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

US$ million	2012	2011	2010
Cost:			
Land	**$181**	$187	$177
Buildings and constructions	**2,825**	2,594	2,536
Machinery and equipment	**5,894**	5,798	5,734
Transport and motor vehicles	**402**	508	483
Mining assets	**3,074**	2,631	2,656
Other assets	**51**	75	84
Assets under construction	**1,177**	1,027	702
	13,604	12,820	12,372
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(1,218)**	(954)	(854)
Machinery and equipment	**(2,706)**	(2,358)	(2,046)
Transport and motor vehicles	**(225)**	(227)	(203)
Mining assets	**(1,628)**	(923)	(607)
Other assets	**(35)**	(52)	(55)
	(5,812)	(4,514)	(3,765)
	$7,792	$8,306	$8,607

9. Property, plant and equipment (continued)

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**	**35**	**1**	**1,269**	**1,319**
Assets put into operation	**1**	**210**	**590**	**59**	**254**	**4**	**(1,118)**	**–**
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	**(10)**	**(72)**	**(318)**	**(125)**	**(16)**	**(5)**	**(21)**	**(567)**
Change in site restoration and decommissioning provision	**–**	**4**	**(3)**	**–**	**52**	**–**	**–**	**53**
Translation difference	**4**	**74**	**109**	**14**	**76**	**–**	**53**	**330**
At 31 December 2012, cost, net of accumulated depreciation	**$181**	**$1,607**	**$3,188**	**$177**	**$1,446**	**$16**	**$1,177**	**$7,792**

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

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

9. Property, plant and equipment (continued)

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

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

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $92 million, $287 million and $250 million as of 31 December 2012, 2011 and 2010, respectively.

On 1 April 2012, the Group updated its mining plans relating mostly to the extraction of coking coal reserves. Consequently, the depreciation and depletion charge in 2012 is lower by $276 million compared to the amount that would have been charged in accordance with the previous mining plans.

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 2012 was $16 million (2011: $13 million, 2010: $5 million). In 2012, the rate used to determine the amount of borrowing costs eligible for capitalisation was 4.8% (2011: 4.6%, 2010: 6.3%), 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	2012	2011	2010
Cost:			
Customer relationships	**$878**	$1,230	$1,353
Trade names and trademarks	**28**	31	31
Water rights and environmental permits	**57**	64	64
Patented and unpatented technology	**9**	9	10
Contract terms	**–**	16	11
Other	**63**	55	53
	1,035	1,405	1,522
Accumulated amortisation:			
Customer relationships	**(373)**	(480)	(441)
Trade names and trademarks	**(28)**	(31)	(25)
Water rights and environmental permits	**–**	(7)	(6)
Patented and unpatented technology	**(8)**	(8)	(8)
Contract terms	**–**	(4)	(3)
Other	**(40)**	(37)	(35)
	(449)	(567)	(518)
	$586	$838	$1,004

As of 31 December 2012, 2011 and 2010, water rights and environmental permits with a carrying value of $56 million had an indefinite useful life.

10. Intangible assets other than goodwill (continued)

The movement in intangible assets for the year ended 31 December 2012 was as follows:

US$ million	Customer relationships	Trade names and trademarks	Water rights and environmental permits	Patented and unpatented technology	Contract terms	Other	Total
At 31 December 2011, cost, net of accumulated amortisation	**$750**	**$–**	**$57**	**$1**	**$12**	**$18**	**$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	**(149)**	**–**	**–**	**–**	**(12)**	**–**	**(161)**
Translation difference	**2**	**–**	**–**	**–**	**–**	**–**	**2**
At 31 December 2012, cost, net of accumulated amortisation	**$505**	**$–**	**$57**	**$1**	**$–**	**$23**	**$586**

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

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

10. Intangible assets other than goodwill (continued)

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

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

11. Investments in joint ventures and associates

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

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

US$ million	Corber	Streamcore	Kazankov-skaya	Other associates	Total
Investment at 31 December 2009	**$569**	**$44**	**$–**	**$21**	**$634**
Share of profit/(loss)	95	–	–	1	96
Impairment of investments	–	(23)	–	(10)	(33)
Translation difference	(8)	–	–	(1)	(9)
Investment at 31 December 2010	**656**	**21**	**–**	**11**	**688**
Additional investments	–	–	3	9	12
Write-off of loan receivable	–	–	(3)	–	(3)
Share of profit/(loss)	50	–	–	1	51
Reversal of impairment of investments	–	4	–	–	4
Dividends paid	(52)	–	–	(2)	(54)
Translation difference	(33)	(1)	–	(1)	(35)
Investment at 31 December 2011	**$621**	**$24**	**$–**	**$18**	**$663**
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
Translation difference	42	2	–	–	44
Investment at 31 December 2012	**$507**	**$36**	**$–**	**$18**	**$561**

11. Investments in joint ventures and associates (continued)

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

US$ million	2012	2011	2010
Share of profit/(loss), net	**$(4)**	$51	$96
Reversal of impairment/(impairment) of investments	**5**	4	(33)
Group's share in excess of net assets of ZAO Koksovaya transferred to Raspadskaya over consideration received (Note 12)	**–**	–	(42)
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$1**	$55	$21

Corber Enterprises Limited

Corber Enterprises Limited ("Corber") is a joint venture established in 2004 for the purpose of exercising joint control over economic activities of Raspadskaya Mining Group. Corber is registered in Cyprus. The Group had a 50% share in the joint venture, i.e. at 31 December 2012 it effectively owned approximately 41% in JSC Raspadskaya (2011 and 2010: 40%).

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

US$ million	2012	2011	2010
Mineral reserves	**$742**	$733	$798
Other property, plant and equipment	**924**	901	920
Other non-current assets	**70**	54	27
Inventories	**111**	84	77
Accounts and notes receivable	**252**	198	275
Cash	**8**	180	165
Total assets	**2,107**	2,150	2,262
Non-current liabilities	**593**	38	338
Deferred income tax liabilities	**172**	174	188
Current liabilities	**106**	455	82
Total liabilities	**871**	667	608
Non-controlling interests	**227**	243	335
Net assets	**$1,009**	$1,240	$1,319
Group's share of net assets	**505**	620	659
Add: cost of guarantee	**2**	2	2
Less: unrealised profits in inventory balance	**–**	(1)	(5)
Investment	**$507**	$621	$656

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

US$ million	2012	2011	2010
Revenue	**$542**	$726	$706
Cost of revenue	**(460)**	(361)	(323)
Other expenses, including income taxes	**(112)**	(246)	(139)
Net profit/(loss)	**$(30)**	$119	$244
Attributable to:			
Equity holders of the parent entity	**$(23)**	$93	$194
Non-controlling interests	**(7)**	26	50
Net profit/(loss)	**$(30)**	$119	$244
50% of unrealised profits on transactions with the joint venture	**1**	4	(2)
Group's share of profits/(losses) of the joint venture	**$(11)**	$50	$95

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.

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year ended 31 December 2012

11. Investments in joint ventures and associates (continued)

Corber Enterprises Limited (continued)

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.

Acquisition of a controlling interest in Corber

In October 2012, EVRAZ plc concluded a preliminary agreement with Adrolive Investments Limited for an acquisition of a 50% ownership interest in Corber 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 in 2013.

Management believes that this acquisition will increase the Group's coking coal self-coverage and generate substantial operational synergies to the Group, including the optimal use of various coal grades.

The purchase consideration includes 132,653,006 shares of EVRAZ plc issued on 16 January 2013, warrants to subscribe for 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 installments through 15 January 2014. Fair value of the consideration transferred totalled to $964 million and was determined by reference to the market value of EVRAZ plc shares at the date of acquisition.

The fair value of the equity interest in the acquiree held by the Group immediately before the acquisition approximated $650 million. If this business combination had occurred as of the beginning of 2012, the revenue of the combined entity would have been $15,133 million.

In addition to the information disclosed in respect of this acquisition, IFRS 3 "Business Combinations" requires the Group to disclose the amounts to be recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities and profit or loss of the combined entity as if this acquisition had occurred as of the beginning of the annual reporting period. It is impracticable to disclose this information because the Group has not completed purchase price allocation in accordance with IFRS 3 "Business Combinations".

Kazankovskaya

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

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

US$ million	2012	2011	2010
Mineral reserves	**$–**	$–	$–
Other property, plant and equipment	**–**	–	–
Inventories	**–**	–	1
Accounts receivable	**–**	1	1
Other current assets	**2**	2	1
Total assets	**2**	3	3
Non-current liabilities	**9**	69	65
Deferred income tax liabilities	**–**	3	4
Current liabilities	**116**	25	24
Total liabilities	**125**	97	93
Net liabilities	**$(123)**	$(94)	$(90)

The accumulated unrecognised losses in respect of Kazankovskaya amounted to:

US$ million	2012	2011	2010
Unrecognised losses	**$(39)**	$(27)	$(21)

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

US$ million	2012	2011	2010
Revenue	**$–**	$–	$14
Cost of revenue	**–**	(1)	(32)
Other expenses, including income taxes	**(23)**	(10)	(23)
Net loss	**(23)**	(11)	(41)
Group's share of loss of the associate	**$(12)**	$(6)	$(21)

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 is a preparation for the subsequent sale of the mines.

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	2012	2011	2010
Property, plant and equipment	**$55**	$40	$31
Accounts receivable	**59**	11	17
Total assets	**114**	51	48
Deferred income tax liabilities	**3**	1	4
Current liabilities	**39**	1	1
Total liabilities	**42**	2	5
Net assets	**$72**	$49	$43
Group's share of net assets	**36**	24	21
Group's share in goodwill	**–**	–	–
Investment	**$36**	$24	$21

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

US$ million	2012	2011	2010
Revenue	**$504**	$9	$10
Cost of revenue	**(472)**	(6)	(9)
Other expenses, including income taxes	**(18)**	(3)	(1)
Net profit	**$14**	$–	$–
Group's share of profit of the joint venture	**$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	2012	2011	2010
Property, plant and equipment	**$368**	$9	$2
Intangible assets	**149**	–	–
Goodwill	**18**	–	–
Other non-current assets	**35**	–	–
Accounts receivable	**290**	–	–
Cash and cash equivalents	**70**	–	–
Assets classified as held for sale	**930**	9	2
Deferred income tax liabilities	**75**	–	–
Non-current liabilities	**125**	–	–
Current liabilities	**278**	–	–
Liabilities directly associated with assets classified as held for sale	**478**	–	–
Non-controlling interests	**49**	–	–
Net assets classified as held for sale	**$403**	$9	$2

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

12. Disposal groups held for sale (continued)

The net assets of disposal groups classified as held for sale at 31 December related to the following reportable segments:

US$ million	2012	2011	2010
Assets classified as held for sale	**$930**	$9	$2
Steel production	**843**	8	–
Mining	**16**	1	2
Vanadium products	**71**	–	–
Liabilities directly associated with assets classified as held for sale	**478**	–	–
Steel production	**429**	–	–
Mining	**41**	–	–
Vanadium products	**8**	–	–
Non-controlling interests	**49**	–	–
Steel production	**40**		
Vanadium products	**9**	–	–

At 31 December 2012, the disposal groups held for sale consisted mostly of the assets and liabilities of EVRAZ Vitkovice Steel and EVRAZ Highveld Steel and Vanadium Limited ("EHSVL"), which the Group plans to sell in 2013. The difference between the carrying value of the net assets of the subsidiaries and the expected consideration amounting to $83 million was recognised as a loss on disposal groups classified as held for sale.

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 2010–2012.

US$ million	2012	2011	2010
Property, plant and equipment	**$130**	$1	$90
Other non-current assets	**13**	–	–
Inventory	**10**	–	–
Accounts receivable	**70**	–	22
Cash and cash equivalents	**2**	–	–
Total assets	**225**	1	112
Deferred income tax liabilities	**12**	–	13
Non-current liabilities	**7**	–	1
Current liabilities	**99**	–	–
Total liabilities	**118**	–	14
Non-controlling interests	**(2)**	–	–
Net assets	**$109**	$1	$98

The net assets of disposal groups sold in 2010–2012 related to the following reportable segments:

US$ million	2012	2011	2010
Assets classified as held for sale	**$225**	$1	$112
Steel production	**75**	–	–
Mining	**3**	1	112
Other operations	**147**	–	–
Liabilities directly associated with assets classified as held for sale	**118**	–	14
Steel production	**86**	–	–
Mining	**2**	–	14
Other operations	**30**	–	–
Non-controlling interests	**(2)**	–	–
Steel production	**(2)**	–	–

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

US$ million	2012	2011	2010
Net cash disposed of with subsidiaries	**$(2)**	$–	$–
Cash received	**313**	5	42
Net cash inflow	**$311**	$5	$42

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

12. Disposal groups held for sale (continued)

The disposal groups sold during 2010–2012 are described below.

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 $14 million gain on this sale.

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 $6 million loss on sale of this subsidiary.

Sale of Koksovaya

In April 2010, the Group sold ZAO Koksovaya to Raspadskaya, a subsidiary of Corber, the Group's joint venture (Note 11). ZAO Koksovaya is an operating hard coking coal mine, which owns the licence for the Tomusinskaya 5-6 coal deposit. As part of the transaction, the parties entered into a long-term off-take contract under which Raspadskaya committed to supply to the Group certain volumes of coal or concentrate produced from coal extracted on the Tomusinskaya 5-6 deposit during 2010–2019.

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

Other disposal groups held for sale

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

13. Other non-current assets

Non-current financial assets

US$ million	2012	2011	2010
Available-for-sale financial assets – investments in Delong Holdings Limited	**$21**	$17	$37
Derivatives not designated as hedging instruments (Note 26)	**2**	–	5
Restricted deposits	**4**	15	9
Loans to related parties (Note 16)	**–**	–	46
Loans receivable	**12**	18	17
Trade and other receivables	**4**	3	3
Other	**49**	–	1
	$92	$53	$118

Other non-current assets

US$ million	2012	2011	2010
Income tax receivable	**$33**	$26	$24
Input VAT	**17**	11	11
Defined benefit plan asset (Note 23)	**39**	28	19
Fees for future purchases under a long-term contract	**–**	–	11
Prepayments for purchases of subsidiaries (Note 4)	**–**	20	–
Prepayment for purchases of associates and joint ventures	**–**	–	9
Other	**14**	22	29
	$103	$107	$103

Available-for-sale financial assets

At 31 December 2012, the Group holds 82,853,998 shares of Delong Holdings Limited ("Delong"), which is approximately 15% of the entity's share capital. Delong is a flat steel producer headquartered in Beijing (China).

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

13. Other non-current assets (continued)

Available-for-sale financial assets (continued)

In 2010, the Group recognised $6 million impairment loss on Delong shares, including $4 million through other comprehensive income and $2 million through the statement of operations within the gain/(loss) on financial assets and liabilities caption. In 2011, a $20 million loss relating to the decline in quotations of Delong shares was recognised in the statement of operations. In 2012, the Group recognised a $4 million gain on the increase in market quotations in other comprehensive income.

Impairment of long-term taxes

In 2012, 2011 and 2010, the Group recognised an impairment relating to the VAT with a long-term recovery in the amount of $8 million, $9 million and $Nil, respectively. This loss was included in the impairment of assets caption of the consolidated statement of operations.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	2012	2011	2010
Raw materials and spare parts	**$959**	$975	$974
Work-in-progress	**397**	466	444
Finished goods	**622**	747	652
	$1,978	$2,188	$2,070

As of 31 December 2012, 2011 and 2010, the net realisable value allowance was $90 million, $90 million and $114 million, respectively.

As of 31 December 2012, 2011 and 2010, certain items of inventory with an approximate carrying amount of $319 million, $250 million and $203 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 21).

15. Trade and other receivables

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

US$ million	2012	2011	2010
Trade accounts receivable	**$939**	$1,002	$1,239
Other receivables	**32**	56	72
	971	1,058	1,311
Allowance for doubtful accounts	**(76)**	(87)	(98)
	$895	$971	$1,213

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

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	2012	2011	2010	2012	2011	2010
Kazankovskaya	**$23**	$21	$21	**$–**	$–	$1
Lanebrook Limited	**–**	–	53	**–**	–	–
Raspadsky Ugol	**2**	2	2	**42**	39	32
Vtorresource-Pererabotka	**3**	–	–	**45**	–	–
Yuzhny GOK	**4**	5	19	**163**	46	178
Other entities	**14**	9	9	**7**	13	6
	46	37	104	**257**	98	217
Less: allowance for doubtful accounts	**(34)**	(29)	(24)	**–**	–	–
	$12	$8	$80	**$257**	$98	$217

In 2012, 2011 and 2010, the Group recognised an expense for bad and doubtful debts of related parties in the amount of $4 million, $7 million and $15 million, respectively.

16. Related party disclosures (continued)

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

	Sales to related parties			Purchases from related parties		
US$ million	2012	2011	2010	2012	2011	2010
Interlock Security Services	**$1**	$1	$1	**$48**	$43	$37
Kazankovskaya	**1**	1	6	**1**	5	14
Raspadsky Ugol	**8**	8	11	**127**	207	192
Vtorresource-Pererabotka	**14**	–	–	**485**	–	–
Yuzhny GOK	**66**	42	20	**124**	165	67
Other entities	**9**	8	8	**31**	27	20
	$99	$60	$46	**$816**	$447	$330

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

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

Kazankovskaya is an associate of the Group (Note 11). The Group purchased coal from the entity and sold mining equipment and inventory to Kazankovskaya. In 2012 and 2011, 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, 2011: $3 million).

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

In addition, in 2008 the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. The put option expires on 31 December 2013.

In 2012, the Group sold one of its subsidiaries to Lanebrook (Note 12).

OOO Raspadsky Ugol (“Raspadsky Ugol”), a subsidiary of the Group’s joint venture Corber (Note 11), sells coal to the Group. Raspadsky Ugol represents approximately 12% of the Group’s coal consumption. The coal was sold at prevailing market prices at the dates of transactions. The Group sells steel products and renders services to Raspadsky Ugol.

Vtorresource-Pererabotka is a new subsidiary of Streamcore, the Group’s joint venture, acquired in February 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2012, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $399 million (1,366,423 tonnes).

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 2012, the volume of purchases achieved 1,432,473 tonnes.

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

The transactions with related parties were based on market terms.

Compensation to key management personnel

Key management personnel include the following positions within the Group:

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

16. Related party disclosures (continued)

Compensation to key management personnel (continued)

In 2010-2012, key management personnel totalled 55 people. 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	2012	2011	2010
Salary	**$21**	$20	$21
Performance bonuses	**14**	12	14
Social security taxes	**3**	1	1
Share-based payments (Note 24)	**10**	13	1
Termination benefits	**–**	3	4
Other benefits	**1**	1	3
	$49	$50	$44

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	2012	2011	2010
Input VAT	**$206**	$287	$241
Other taxes	**123**	125	112
	$329	$412	$353

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	2012	2011	2010
Investments in Yuzhny GOK (Note 16)	**$38**	$38	$38
Bank deposits	**674**	2	1
Restricted deposits at banks	**–**	7	13
Collateral under swap agreements (Note 26)	**–**	10	–
	$712	$57	$52

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	2012	2011	2010
US dollar	**$855**	$314	$306
Russian rouble	**347**	262	200
Canadian dollar	**80**	21	69
Euro	**17**	89	46
South African rand	**10**	80	49
Ukrainian hryvnia	**9**	25	10
Czech koruna	**–**	6	1
Other	**2**	4	2
	$1,320	$801	$683

20. Equity

Share Capital

Prior to the reorganisation on 7 November 2011, in which substantially all shares of Evraz Group S.A. were converted into shares of EVRAZ plc, the share capital of the Group comprised the share capital of Evraz Group S.A.

Share capital of Evraz Group S.A. before reorganisation

Number of shares	7 November 2011	31 December 2010
Ordinary shares of €2 each, issued and fully paid	156,214,373	145,957,121

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.

20. Equity (continued)

Share capital (continued)

Share capital of Evraz Group S.A. before reorganisation (continued)

Conversion of bonds into shares

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

Share capital of EVRAZ plc

	31 December	
Number of shares	2012	2011
Ordinary shares of $1 each, issued and fully paid	**1,339,929,360**	1,337,560,713

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

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

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

Information about the share exchange is summarised below.

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

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

At 31 December 2011, there were shareholders which did not accept the share exchange offer. Accordingly, the Group recognised non-controlling interests of $11 million representing these shareholders. On 17 February 2012, the Group purchased the remaining GDRs, representing 96,607.67 shares of Evraz Group S.A., for $4 million and exchanged them for 869,469 newly issued shares of EVRAZ plc. Since that date Evraz Group S.A. became a wholly-owned subsidiary of EVRAZ plc.

Treasury shares

	31 December		
	2012	2011	2010
Parent entity	EVRAZ plc	EVRAZ plc	Evraz Group S.A.
Number of treasury shares	**146,731**	775,410	7,333,333

In 2012, the Group purchased 869,469 shares of EVRAZ plc for $4 million and transferred 1,498,148 shares to participants of the Incentive Plan. The cost of treasury shares gifted under Incentive Plans, amounting to $11 million, was charged to accumulated profits.

In 2011, the Group purchased 235,878 shares of Evraz Group S.A. for $22 million, sold 34,332 shares for $3 million and transferred 115,389 shares to participants of the Incentive Plan (Note 24). The outstanding balance of the treasury shares has been exchanged into the shares of EVRAZ plc during the reorganisation described above. The cost of treasury shares gifted under an Incentive Plan, amounting to $11 million, was charged to accumulated profits.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

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:

	2012	2011	2010
Weighted average number of ordinary shares for basic earnings per share	**1,339,027,567**	1,293,795,125	1,247,614,092
Effect of dilution: share-based awards	–	2,689,622	134,937
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,339,027,567**	1,296,484,747	1,247,749,029
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$(308)**	$461	$486
Basic earnings/(losses) per share	**$(0.23)**	$0.36	$0.39
Diluted earnings/(losses) per share	**$(0.23)**	$0.36	$0.39

In 2010, 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 2011 and 2010, share-based awards (Note 24) had a dilutive effect. In 2012, the Group reported net loss. Consequently, they were antidilutive. In 2010, the convertible bonds were antidilutive as the interest (net of tax) per ordinary share obtainable on conversion exceeded basic earnings per share.

In 2011, the weighted average number of ordinary shares outstanding from 1 January 2011 to the date of the first share exchange ("the reorganisation date") was computed on the basis of the weighted average number of ordinary shares of Evraz Group S.A. outstanding during the period multiplied by the share exchange ratio. The number of ordinary shares outstanding from the reorganisation date to the end of 2011 was the actual number of ordinary shares of EVRAZ plc outstanding during that period. The weighted average number of ordinary shares outstanding and earnings per share for 2010 were recalculated using the share exchange ratio.

In 2013, in connection with the purchase of a controlling interest in Corber (Note 11), EVRAZ plc issued 132,653,006 shares and warrants to subscribe for an additional 33,944,928 shares exercisable at zero price. The number of the additionally issued shares is adjusted for dividends that could be declared during the period from the date of issue of the warrants till the date of their exercise.

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

Dividends

Dividends declared by the parent company during 2010–2012 were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Declared by Evraz Group S.A.				
Interim for 2011	10/10/2011	28/10/2011	491	3.30
Declared by EVRAZ plc				
Final for 2011	18/06/2012	08/06/2012	228	0.17
Interim for 2012	29/08/2012	07/09/2012	147	0.11

In 2011, prior to the Group's reorganisation, Evraz Group S.A. declared interim dividends of $3.30 per share, including special dividends of $2.70 per share. In the consolidated financial statements of the Group for 2011 these dividends were charged against accumulated profits. At a meeting held on 15 May 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.

The shareholders' meeting held on 16 May 2011 resolved not to declare dividends for 2010.

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $1 million in 2012, 2011 and 2010.

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)

Other movements in equity

Acquisitions of non-controlling interests in subsidiaries

In 2012, 2011 and 2010, 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, $18 million and $3 million, respectively, was charged to accumulated profits and the excess of acquired non-controlling interests over the consideration amounting to $Nil, $Nil and $1 million, respectively, was recorded as additional paid-in capital.

In 2012, as a result of the completion of the Group's reorganisation, in which the remaining global depository receipts of Evraz Group S.A. were converted into the newly issued shares of EVRAZ plc, a 0.18% non-controlling interest in Evraz Group S.A. was derecognised (Note 4). This increased the shareholders' equity by $6 million.

Non-controlling interests in subsidiaries

In 2011, the Group sold a 49.98% share in the Mezhegey coal field project to a third party for a non-cash consideration of $34 million, which approximated the carrying value of a non-controlling interest arose on the transaction. In June 2012, the Group acquired an additional 9.996% ownership interest and its share in the project increased to approximately 60.016% (Note 4). During 2012 the non-controlling shareholder contributed $7 million to the Mezhegey coal field project.

In 2010, the non-controlling shareholder's right to put a 49% share in Frotora Holdings Ltd. ("Frotora") to the Group at fair value of the ownership interest become exercisable. The Group derecognised a 49% ownership interest in Frotora amounting to $6 million and accrued a liability for the same amount. In 2012, the Group sold Frotora to a third party (Note 12).

21. Loans and borrowings

As of 31 December 2012, 2011 and 2010, total interest-bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $527 million, $339 million and $381 million, respectively, and long-term loans and borrowings in the amount of $7,652 million, $6,919 million and $7,636 million, respectively, including the current portion of long-term liabilities of $1,164 million, $193 million and $244 million, respectively.

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

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

US$ million	2012	2011	2010
Bank loans	**$2,562**	$2,613	$3,472
European commercial papers	**242**	–	–
8.875 per cent notes due 2013	**534**	534	1,156
7.25 per cent convertible bonds due 2014 (Note 20)	**–**	–	650
8.25 per cent notes due 2015	**577**	577	577
7.40 per cent notes due 2017	**600**	–	–
9.5 per cent notes due 2018	**509**	509	509
6.75 per cent notes due 2018	**850**	850	–
13.5 per cent bonds due 2014	**658**	621	656
9.25 per cent bonds due 2013	**494**	466	492
9.95 per cent bonds due 2015	**494**	466	492
8.40 per cent bonds due 2016	**658**	621	–
Liabilities under bonds assumed in business combination	**1**	1	13
Unamortised debt issue costs	**(116)**	(133)	(192)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**–**	–	(104)
Interest payable	**93**	81	90
	$8,156	$7,206	$7,811

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

	Long-term borrowings			Short-term borrowings		
	2012	2011	2010	2012	2011	2010
US dollar	**7.13%**	6.96%	8.01%	**3.00%**	2.89%	3.06%
Russian rouble	**10.51%**	10.37%	11.17%	**11.52%**	10.83%	12.50%
Euro	**3.93%**	4.66%	5.05%	**2.75%**	3.64%	1.48%
Canadian dollar	**3.85%**	–	–	**–**	–	–
Czech koruna	**–**	–	–	**–**	3.38%	–

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

21. Loans and borrowings (continued)

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

US$ million	2012	2011	2010
US dollar	**$5,434**	$4,790	$6,079
Russian rouble	**2,349**	2,215	1,699
Euro	**381**	328	322
Canadian dollar	**108**	–	–
Czech koruna	**–**	6	7
Unamortised debt issue costs	**(116)**	(133)	(192)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**–**	–	(104)
	$8,156	$7,206	$7,811

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 2012, 2011 and 2010, the Group had inventory with a carrying value of $319 million, $250 million and $203 million, respectively, pledged as collateral under the loan agreements.

Issue of notes and bonds

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.

In December 2012, the Group issued European commercial papers in the amount of $80 million and $170 million bearing an interest rate of 3.50% and 3.75%, respectively, and maturing on 6 September 2013 and 4 December 2013, respectively.

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

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

In 2009, the Group issued bonds in the total amount of 20,000 million Russian roubles, which bear interest of 13.50% per annum and mature on 16 October 2014. In 2010, the Group issued bonds in the amount of 15,000 million Russian roubles bearing interest of 9.25% per annum with maturity on 22 March 2013 (Note 33), and bonds amounting to 15,000 million Russian roubles bearing interest of 9.95% per annum with maturity on 26 October 2015. In 2011, the Group issued bonds in the total amount of 20,000 million Russian roubles, which bear interest of 8.40% per annum and mature on 2 June 2016. The currency and interest rate risk exposures of these transactions were partially economically hedged (Note 26).

Repurchase of notes and bonds

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

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

Covenants reset

In 2012, the lenders under certain bank facilities and the holders of the 8.25% guaranteed notes due 2015 approved the requested amendments to the loan agreements and notes removing certain financial restrictions. The Group incurred $7 million with respect to this covenants reset.

In 2010, the Group paid the remaining $29 million of consent fees and legal fees in connection with the covenants reset, which was performed in 2009.

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.

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21. Loans and borrowings (continued)

Unutilised borrowing facilities

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

US$ million	2012	2011	2010
Unutilised borrowing facilities	**$1,146**	$1,322	$1,010

Loans of disposal groups classified as held for sale

At 31 December 2012, the loans relating to the subsidiaries classified as held for sale (Note 12) amounted to $79 million, including $77 million of short-term liabilities. They were included in liabilities directly associated with the assets held for disposal.

22. Finance lease liabilities

The Group has several lease agreements under which it has an option to acquire the leased assets at the end of lease terms ranging from 1 to 21 years. The estimated remaining useful life of leased assets varies from 1 to 29 years. The leases were accounted for as finance leases in the consolidated financial statements. The carrying value of the leased assets was as follows as at 31 December:

US$ million	2012	2011	2010
Buildings and constructions	**$2**	$2	$1
Machinery and equipment	**15**	22	22
Transport and motor vehicles	**–**	83	93
Assets under construction	**–**	–	10
	$17	$107	$126

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

Future minimum lease payments were as follows at 31 December:

	2012		2011		2010	
US$ million	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Not later than one year	**$3**	**$2**	$16	$13	$25	$19
Later than one year and not later than five years	**12**	**9**	29	24	41	33
Later than five years	**3**	**2**	3	2	5	5
	18	**13**	48	39	71	57
Less: amounts representing finance charges	**(5)**	**–**	(9)	–	(14)	–
	$13	**$13**	$39	$39	$57	$57

In the years ended 31 December 2012, 2011 and 2010, the average interest rates under the finance lease liabilities were 9.6%, 9.8% and 9.9%.

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 2010 and 2011, 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.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

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	2012	2011	2010
Expense under defined contribution plans	**$412**	$404	$257

Defined benefit plans

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

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2012, 2011 and 2010 and amounts recognised in the consolidated statement of financial position as of 31 December 2012, 2011 and 2010 for the defined benefit plans were as follows:

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

Year ended 31 December 2012

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	**$(6)**	**$(3)**	**$(20)**	**$–**	**$(29)**
Interest cost on benefit obligation	**(17)**	**(8)**	**(33)**	**(2)**	**(60)**
Expected return on plan assets	**–**	**–**	**32**	**–**	**32**
Net actuarial gains/(losses) recognised in the year	**(9)**	**(1)**	**(12)**	**–**	**(22)**
Past service cost	**(3)**	**–**	**(1)**	**–**	**(4)**
Net benefit expense	**$(35)**	**$(12)**	**$(34)**	**$(2)**	**$(83)**

Year ended 31 December 2011

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

Year ended 31 December 2010

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

23. Employee benefits (continued)

Actual return on plan assets was as follows:

US$ million	2012	2011	2010
Actual return on plan assets including:	**$50**	$1	$44
US & Canadian plans	**50**	1	44

Benefit liability

31 December 2012

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	**$251**	**$68**	**$793**	**$3**	**$1,115**
Plan assets	**(1)**	**–**	**(537)**	**–**	**(538)**
	250	**68**	**256**	**3**	**577**
Unrecognised net actuarial gains/(losses)	**(88)**	**(12)**	**(232)**	**–**	**(332)**
Unrecognised past service cost	**9**	**1**	**–**	**–**	**10**
Benefit asset	**–**	**–**	**39**	**–**	**39**
Benefit liability	**$171**	**$57**	**$63**	**$3**	**$294**

31 December 2011

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

31 December 2010

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

23. Employee benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2009	**$173**	**$72**	**$562**	**$20**	**$827**
Interest cost on benefit obligation	16	8	34	2	60
Current service cost	5	5	14	1	25
Past service cost	(4)	–	–	–	(4)
Benefits paid	(13)	(6)	(37)	(1)	(57)
Actuarial (gains)/losses on benefit obligation	17	(2)	39	–	54
Disposal of subsidiaries	(1)	–	–	–	(1)
Translation difference	(1)	–	17	2	18
At 31 December 2010	**192**	**77**	**629**	**24**	**922**
Interest cost on benefit obligation	16	9	33	2	60
Current service cost	7	5	17	–	29
Past service cost	1	(24)	3	–	(20)
Benefits paid	(15)	(7)	(39)	(1)	(62)
Actuarial (gains)/losses on benefit obligation	14	5	65	–	84
Translation difference	(12)	–	(8)	(4)	(24)
At 31 December 2011	**203**	**65**	**700**	**21**	**989**
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	24	5	75	1	105
Disposal of subsidiaries	(1)	(5)	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	(18)	(18)
Translation difference	13	–	8	(1)	20
At 31 December 2012	**$251**	**$68**	**$793**	**$3**	**$1,115**

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2009	**$1**	**$–**	**$403**	**$–**	**$404**
Expected return on plan assets	–	–	28	–	28
Contributions of employer	13	6	37	1	57
Benefits paid	(13)	(6)	(37)	(1)	(57)
Actuarial gains/(losses) on plan assets	–	–	16	–	16
Minimum funding requirements	–	–	1	–	1
Translation difference	–	–	15	–	15
At 31 December 2010	**1**	**–**	**463**	**–**	**464**
Expected return on plan assets	–	–	32	–	32
Contributions of employer	15	7	52	1	75
Benefits paid	(15)	(7)	(39)	(1)	(62)
Actuarial gains/(losses) on plan assets	–	–	(31)	–	(31)
Translation difference	–	–	(7)	–	(7)
At 31 December 2011	**1**	**–**	**470**	**–**	**471**
Expected return on plan assets	–	–	32	–	32
Contributions of employer	16	8	54	2	80
Benefits paid	(16)	(8)	(44)	(2)	(70)
Actuarial gains/(losses) on plan assets	–	–	18	–	18
Translation difference	–	–	7	–	7
At 31 December 2012	**$1**	**$–**	**$537**	**$–**	**$538**

The amount of contributions expected to be paid to the defined benefit plans during 2013 approximates $66 million.

23. Employee benefits (continued)

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

	2012	2011	2010
US & Canadian plans:			
Equity funds and investment trusts	**83%**	81%	86%
Corporate bonds and notes	**13%**	11%	11%
Property	**2%**	3%	0%
Cash	**2%**	5%	3%

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

US$ million	2012	2011	2010	2009	2008
Defined benefit obligation	**$1,115**	$989	$922	$827	$717
Plan assets	**538**	471	464	404	325
Deficit	**(577)**	(518)	(458)	(423)	(392)
Experience adjustments on plan liabilities	**122**	137	60	54	(38)
Experience adjustments on plan assets	**3**	(12)	9	24	16

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

	2012				2011				2010			
	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	**7%**	**14.0%**	**3.9-5.1%**	**2.0-8.8%**	8%	14.0%	4.0-5.3%	4.0-8.8%	8%	12.6%	5.1-5.8%	3.9-8.3%
Expected rate of return on assets	**8%**	**–**	**6.5-7.0%**	**–**	12%	–	0.9-7.1%	–	12%	–	0.9-7.3%	–
Future benefits increases	**8%**	**8%**	**–**	**2%**	8%	8%	–	3.0%	8%	8%	–	3%
Future salary increase	**8%**	**8%**	**3.1-3.5%**	**3%**	8%	8%	3.0-3.1%	2.0-6.3%	8%	8%	3.0-3.2%	2.0-6.5%
Healthcare costs increase rate	**–**	**–**	**6-7%**	**7.0-7.3%**	–	–	6.5-7%	7.3-7.5%	–	–	6.8-10%	6.5-7%

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

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

24. Share-based payments

On 14 December 2010, 13 October 2011 and 6 September 2012, 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 2012 are presented below:

Number of Shares of EVRAZ plc	Incentive Plan 2012	Incentive Plan 2011	Incentive Plan 2010
11 April 2013	2,857,558	792,969	656,697
29 March 2014	2,857,558	1,094,426	
29 March 2015	3,810,363	–	–
	9,525,479	**1,887,395**	**656,697**

The plans are administrated by the Board of Directors of the Company. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination, 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 2010–2012. In 2011, after the Group's reorganisation (Notes 1 and 20), the shares of Evraz Group S.A., which were granted to the participants, have been substituted by the shares of EVRAZ plc.

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year ended 31 December 2012

24. Share-based payments (continued)

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 2012 was $3.41 per share of EVRAZ plc (in 2011 and 2010 $48.26 and $102.07 per share of Evraz Group S.A., 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 2012	Incentive Plan 2011	Incentive Plan 2010
Dividend yield (%)	**1.9 – 5.4**	3.6 – 4.8	1.2 – 1.5
Expected life (years)	**0.6 – 2.6**	0.5 – 2.5	0.5 – 2.5
Market prices of the shares of EVRAZ plc (2011 and 2010: Evraz Group S.A.) at the grant dates	**$3.61**	$51.57	$103.83

The following table illustrates the number of, and movements in, share-based awards during the years.

	2012	2011	2010
Outstanding at 1 January	**4,460,547**	**321,898**	**–**
Granted during the year	9,892,313	335,069	334,755
Forfeited during the year	(785,141)	(45,960)	(12,857)
Exercised during the year	(1,498,148)	(115,389)	–
Exchange into shares of EVRAZ plc	–	3,964,929	–
Outstanding at 31 December	**12,069,571**	**4,460,547**	**321,898**

The weighted average share price at the dates of exercise was $4.31 and $97.46 in 2012 and 2011, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2012, 2011 and 2010 was 1.2, 1.2 and 1.4 years, respectively.

In the years ended 31 December 2012, 2011 and 2010, expense arising from the equity-settled share-based compensations was as follows:

US$ million	2012	2011	2010
Expense arising from equity-settled share-based payment transactions	**$22**	$23	$2

In 2012, 2011 and 2010, the Group paid $Nil, $1 million and $3 million, respectively, relating to the cash-settled share-based awards under the incentive plans which were in place before 2010.

25. Provisions

At 31 December the provisions were as follows:

	2012		2011		2010	
US$ million	Non-current	Current	Non-current	Current	Non-current	Current
Site restoration and decommissioning costs	**$252**	**$14**	$283	$27	$277	$28
Legal claims	**–**	**12**	–	15	–	17
Other provisions	**5**	**6**	2	11	2	9
	$257	**$32**	$285	$53	$279	$54

25. Provisions (continued)

In the years ended 31 December 2012, 2011 and 2010, the movement in provisions was as follows:

US$ million	Site restoration and decom-missioning costs	Legal claims	Other provisions	Total
At 31 December 2009	**$190**	**$6**	**$15**	**$211**
Additional provisions	23	18	12	53
Increase from passage of time	15	–	–	15
Effect of change in the discount rate	20	–	–	20
Effect of changes in estimated costs and timing	55	–	–	55
Utilised in the year	(5)	(5)	(15)	(25)
Unused amounts reversed	–	(2)	(1)	(3)
Translation difference	7	–	–	7
At 31 December 2010	**305**	**17**	**11**	**333**
Additional provisions	45	20	19	84
Increase from passage of time	19	–	–	19
Effect of change in the discount rate	(8)	–	–	(8)
Effect of changes in estimated costs and timing	(9)	(1)	–	(10)
Utilised in the year	(12)	(12)	(14)	(38)
Unused amounts reversed	(2)	(8)	(2)	(12)
Translation difference	(28)	(1)	(1)	(30)
At 31 December 2011	**310**	**15**	**13**	**338**
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	(120)	(1)	(2)	(123)
Translation difference	9	1	–	10
At 31 December 2012	**$266**	**$12**	**$11**	**$289**

Site restoration costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 3.7% to 14% in 2012 and 2011 (2010: 6.1% to 13%).

26. Other long-term liabilities

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

US$ million	2012	2011	2010
Contingent consideration payable for the acquisition of Stratcor	**$12**	$16	$24
Deferred consideration payable for the acquisition of Inprom (Note 4)	**10**	11	21
Dividends payable under cumulative preference shares of a subsidiary to a related party	**14**	14	14
Employee income participation plans and compensations	**7**	2	3
Tax liabilities	**18**	26	33
Derivatives not designated as hedging instruments (Note 21)	**115**	209	38
Other liabilities	**16**	16	24
	192	294	157
Less: current portion (Note 27)	**(22)**	(9)	(14)
	$170	$285	$143

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 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. In 2011 and 2010, the Group paid $3 million and $16 million, respectively.

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26. Other long-term liabilities (continued)

Derivatives not designated as hedging instruments

In 2009–2011, the Group issued rouble-denominated bonds in the total amount of 70,000 million Russian roubles (Note 21). To manage the currency exposure, the Group concluded currency and interest rate swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 4.45% to 8.90% per annum plus the notional amount totalling $2,177 million, in exchange for rouble-denominated interest payments plus the notional amount totalling 63,790 million roubles ($2,100 million at the exchange rate as of 31 December 2012). The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts are summarised in the table below.

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

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques. In 2012, 2011 and 2010, the change in fair value of the derivatives of $96 million, $(176) million and $(27) million, respectively, together with a realised gain on the swap transactions, amounting to $81 million, $66 million and $31 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

27. Trade and other payables

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

US$ million	2012	2011	2010
Trade accounts payable	**$1,100**	$1,147	$880
Accrued payroll	**249**	254	229
Other long-term obligations with current maturities (Note 26)	**22**	9	14
Other payables	**41**	50	50
	$1,412	$1,460	$1,173

The maturity profile of the accounts payable is shown in Note 29.

28. Other taxes payable

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

US$ million	2012	2011	2010
VAT	**$87**	$81	$90
Social insurance taxes	**61**	53	40
Property tax	**11**	17	14
Land tax	**11**	10	10
Personal income tax	**14**	12	10
Other taxes, fines and penalties	**11**	15	16
	$195	$188	$180

29. Financial risk management objectives and policies

Credit Risk

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

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

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2012, the major customers were Russian Railways and Enbridge Energy Partners (3.1% and 2.4% 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.

29. Financial risk management objectives and policies (continued)

Credit risk (continued)

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	2012	2011	2010
Restricted deposits at banks (Notes 13 and 18)	**$4**	$22	$22
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**51**	10	6
Long-term and short-term investments (Notes 13 and 18)	**733**	57	76
Trade and other receivables (Notes 13 and 15)	**899**	974	1,216
Loans receivable	**31**	62	18
Receivables from related parties (Notes 13 and 16)	**12**	8	124
Cash and cash equivalents (Note 19)	**1,320**	801	683
	$3,050	$1,934	$2,145

Receivables from related parties in the table above do not include prepayments in the amount of $Nil, $Nil and $2 million as of 31 December 2012, 2011 and 2010, 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.

	2012		2011		2010	
US$ million	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$759**	**$(16)**	$846	$(5)	$1,098	$(8)
Past due	**284**	**(85)**	306	(103)	377	(109)
less than six months	**198**	**(11)**	204	(24)	232	(16)
between six months and one year	**20**	**(11)**	30	(16)	27	(10)
over one year	**66**	**(63)**	72	(63)	118	(83)
	$1,043	**$(101)**	$1,152	$(108)	$1,475	$(117)

In the years ended 31 December 2012, 2011 and 2010, the movement in allowance for doubtful accounts was as follows:

US$ million	2012	2011	2010
At 1 January	**$(108)**	$(117)	$(92)
Charge for the year	**(14)**	(45)	(45)
Utilised	**25**	47	19
Translation difference	**(4)**	7	1
At 31 December	**$(101)**	$(108)	$(117)

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. 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.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

29. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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	$795	$678	$2,393	$1,380	$5,754
Interest	–	23	404	396	647	58	1,528
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	1,204	1,099	3,148	1,465	7,462
Variable-rate debt							
Loans and borrowings							
Principal	158	119	112	359	1,601	76	2,425
Interest	–	22	68	84	121	7	302
Total variable-rate debt	158	141	180	443	1,722	83	2,727
Non-interest bearing debt							
Financial instruments included in other liabilities	–	1	–	3	2	2	8
Trade and other payables	266	809	66	–	–	–	1,141
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	492	849	70	9	2	2	1,424
	$657	$1,529	$1,454	$1,551	$4,872	$1,550	$11,613

29. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Year ended 31 December 2011

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

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

29. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Year ended 31 December 2010

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

Payables to related parties in the tables above do not include advances received in the amount of $Nil, $Nil and $1 million as of 31 December 2012, 2011 and 2010, 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.

29. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

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

	2012		2011		2010	
	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)**	**$–**	(6)	$1	(25)	$4
Increase in LIBOR	**2**	**–**	6	(1)	100	(17)
Liabilities denominated in euro						
Decrease in EURIBOR	**(4)**	**–**	(15)	–	(25)	1
Increase in EURIBOR	**4**	**$–**	15	$–	100	$(2)

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	2012	2011	2010
USD/RUB	**$(1,478)**	$4,402	$3,419
EUR/RUB	**(382)**	(321)	(283)
EUR/USD	**109**	127	137
USD/CAD	**(24)**	(995)	(1,180)
EUR/CZK	**4**	35	38
USD/CZK	**(176)**	(229)	(282)
USD/ZAR	**(9)**	14	66
EUR/ZAR	**69**	77	41
USD/UAH	**(168)**	(156)	(1)
RUB/UAH	**28**	(1)	(43)

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

29. 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.

	2012		2011		2010	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US$ millions	%	US$ millions	%	US$ millions
USD/RUB	**(11.09)**	**164**	(11.36)	(500)	(9.70)	(332)
	11.09	**(164)**	11.36	500	9.70	332
EUR/RUB	**(8.12)**	**31**	(8.27)	27	(8.79)	25
	8.12	**(31)**	8.27	(27)	8.79	(25)
EUR/USD	**(8.45)**	**(9)**	(11.37)	(15)	(11.32)	(16)
	8.45	**9**	11.37	15	11.32	16
USD/CAD	**(6.69)**	**2**	(9.75)	97	(10.97)	129
	6.69	**(2)**	9.75	(97)	10.97	(129)
EUR/CZK	**(6.38)**	**–**	(5.87)	(2)	(5.30)	(2)
	6.38	**–**	5.87	2	5.30	2
USD/CZK	**(12.64)**	**22**	(13.96)	32	(13.79)	39
	12.64	**(22)**	13.96	(32)	13.79	(39)
USD/ZAR	**(19.27)**	**2**	(17.34)	(2)	(13.68)	(9)
	19.27	**(2)**	17.34	2	13.68	9
EUR/ZAR	**(12.09)**	**(8)**	(13.14)	(10)	(11.59)	(5)
	12.09	**8**	13.14	10	11.59	5
USD/UAH	**(0.08)**	**–**	(0.33)	1	(1.71)	–
	0.08	**–**	0.33	(1)	1.71	–
RUB/UAH	**(11.07)**	**(3)**	(11.33)	–	(9.94)	4
	11.07	**3**	11.33	–	9.94	(4)

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

	2012		2011		2010	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US$ millions	%	US$ millions	%	US$ millions
USD/RUB	**(11.09)**	**271**	(11.36)	252	(9.70)	167
	11.09	**(217)**	11.36	(201)	9.70	(137)

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.

29. Financial risk management objectives and policies (continued)

Fair value of financial instruments (continued)

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

	2012			2011			2010		
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	**21**	**–**	**–**	17	–	–	37	–	–
Derivatives not designated as hedging instruments	**–**	**2**	**–**	–	–	–	–	5	–
Liabilities measured at fair value									
Liability at fair value through profit or loss	**–**	**–**	**–**	–	–	–	–	–	16
Derivatives not designated as hedging instruments (Note 26)	**–**	**115**	**–**	–	209	–	–	38	–
Deferred consideration payable for the acquisition of Inprom (Note 26)	**10**	**–**	**–**	11	–	–	21	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 26)	**–**	**–**	**12**	–	–	16	–	–	24
Amounts payable under put options for shares of subsidiaries	**–**	**–**	**–**	–	–	9	–	–	6

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

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

	2012		2011		2010	
US$ million	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$105**	**$131**	$104	$115	$1,201	$1,198
Long-term variable-rate bank loans	**2,115**	**1,956**	2,109	1,943	1,807	1,663
8.875 per cent notes due 2013	**542**	**545**	535	559	1,144	1,248
7.25 per cent convertible bonds due 2014	**–**	**–**	–	–	551	650
8.25 per cent notes due 2015	**562**	**637**	560	581	555	615
7.40 per cent notes due 2017	**604**	**634**	–	–	–	–
9.5 per cent notes due 2018	**503**	**582**	501	520	499	565
6.75 per cent notes due 2018	**854**	**879**	853	759	–	–
13.5 per cent bonds due 2014	**675**	**670**	635	676	670	740
9.25 per cent bonds due 2013	**506**	**467**	476	468	502	498
9.95 per cent bonds due 2015	**501**	**474**	472	478	498	496
8.40 per cent bonds due 2016	**661**	**590**	623	559	–	–
Liabilities under 12.00 per cent rouble bonds due 2011 and 2013 assumed in business combination	**1**	**1**	1	1	13	12
	$7,629	**$7,566**	$6,869	$6,659	$7,440	$7,685

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

Currency in which financial instruments are denominated	2012	2011	2010
USD	**7.5 – 8.6%**	8.2 – 9.1%	7.7 – 8.3%
EUR	**2.9%**	3.2%	2.8%
RUB	**9.2%**	9.7%	12.0%

Capital management

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

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. In addition, the Group and certain of its subsidiaries are subject to externally imposed capital requirements (loans and bonds covenants) which are used for capital monitoring. There were no changes in the objectives, policies and processes during 2012.

Notes to the Consolidated Financial Statements (Continued)

year ended 31 December 2012

29. Financial risk management objectives and policies (continued)

Capital management (continued)

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 include a $2,000 million minimum representing consolidated equity of Evraz Group S.A. less goodwill. In 2010–2012, the Group was in compliance with this requirement.

30. Non-cash transactions

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

US$ million	2012	2011	2010
Liabilities for purchases of property, plant and equipment	**$144**	$93	$70
Purchases of property, plant and equipment settled by an offset with accounts receivable	**–**	10	12
Loan issued to a partner of the Mezhegey coal field project	**7**	36	–
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**	–	–
Carrying amount of convertible bonds transferred to equity upon debt conversion (Note 21)	**–**	553	–

31. Commitments and contingencies

Operating environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, Ukraine, the European Union, the USA, Canada and the Republic of South Africa. Russia, Ukraine and the Republic of South Africa are considered to be emerging 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 2012, the sovereign debt problems in Europe added extra volatility to commodity and financial markets and led to an additional uncertainty in the process of recovery of the global economy.

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

Taxation

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

Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $19 million.

Contractual commitments

At 31 December 2012, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $579 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 252 million euro. The agreement is within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 31 December 2012, 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. In 2013, the Group plans to spend approximately $159 million under these programmes.

31. Commitments and contingencies (continued)

Environmental protection

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

In addition, the Group has committed to various environmental protection programmes covering periods from 2013 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. The costs of implementing these programmes are estimated at $267 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. Possible liabilities which were identified by the Group at the end of the reporting period as those that can be subject to different interpretations of legislation and are not accrued in these financial statements could be up to approximately $27 million.

In 2008, the Competition Commission initiated a complaint against various steel manufacturers, including EVRAZ Highveld Steel and Vanadium Corporation Limited ("EHSVL"), alleging that EHSVL (then Highveld Steel and Vanadium Corporation) was involved, whether directly or indirectly, in the fixing of the selling prices and trading conditions for flat steel products. It was further alleged that EHSVL contravened the Competition Act by engaging in the exchange of information with a competitor through information exchanges and meetings of the South African Iron and Steel Institute or its committees.

In March 2012, the Commission referred the complaints to the South African Competition Tribunal for prosecution.

No decision has yet been announced by the Competition Tribunal as to whether it will decide to impose any penalty against EHSVL or, if imposed, the amount of any such fine. Should the Competition Commission be successful, which is not expected by management, it could raise a maximum penalty of R554 million ($65 million).

Management believes that EHSVL acted in compliance with applicable laws and regulations. Thus, no provision for this matter has been accrued as of 31 December 2012. The Group has cooperated with the Competition Commission throughout the investigation and intends to continue to do so.

32. Auditor's remuneration

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

US$ million	2012	2011	2010
Audit of the parent company of the Group	**$2**	$4	$2
Audit of the subsidiaries	**5**	7	6
Total assurance services	**7**	11	8
Services in connection with capital market transactions	**–**	3	1
Other non-audit services	**1**	2	1
Total other services	**1**	5	2
	$8	$16	$10

33. Subsequent events

Acquisition of a controlling interest in Corber

In January 2013, the Group obtained control over Corber, which owns 81.95% interest in JSC Raspadskaya (Note 11).

Extension of the 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 the 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 (approximately $89 million) 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.

Timir Iron Ore project

On 3 April 2013, the Group acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. The Group's consideration for this stake amounts to 4,950 million roubles (approximately $160 million) payable in installments through 15 July 2014. Total investments in the first phase of the Timir project are estimated at $1.8 billion during the period from 2013 to 2018. The Group and Alrosa are expected to finance the Timir project on a pro rata basis.

Independent auditor's report to the members of EVRAZ plc

We have audited the parent company financial statements of EVRAZ plc for the year ended 31 December 2012 which comprise the Separate Statement of Comprehensive Income, the Separate Statement of Financial Position, the Separate Statement of Cash Flows, the Separate Statement of Changes in Equity and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 97, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of EVRAZ plc for the year ended 31 December 2012.

Ken Williamson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
10 April 2013

Notes:
1. The maintenance and integrity of the EVRAZ plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Separate Statements
Contents

Separate Statement of Comprehensive Income

(In millions of US dollars)

	Note	Year ended 31 December 2012	Period from 23 September to 31 December 2011
General and administrative expenses		**$(11)**	$(1)
Interest expense	7	**(1)**	–
Dividend income	8	**390**	–
Net profit/(loss)		**378**	(1)
Total comprehensive income		**$378**	$(1)

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

Separate Statement of Financial Position

(In millions of US dollars)

The Financial Statements on pages 170 to 177 were approved by the Board of Directors on 10 April 2013 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

		31 December	
	Note	2012	2011
ASSETS			
Non–current assets			
Investments in subsidiaries	3	**$2,343**	$2,073
TOTAL ASSETS		**2,343**	2,073
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	4	**1,340**	1,338
Reorganisation reserve	4	**(584)**	(582)
Share–based payments	5	**26**	4
Accumulated profits	4	**1,315**	1,312
Total equity		**2,097**	2,072
LIABILITIES			
Current liabilities			
Short–term loans	7	**242**	–
Payables to related parties	6	**1**	–
Trade and other payables		**3**	1
		246	1
TOTAL LIABILITIES		**246**	1
TOTAL EQUITY AND LIABILITIES		**$2,343**	$2,073

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

Separate Statement of Cash Flows

(In millions of US dollars)

	Note	Year ended 31 December 2012	Period from 23 September to 31 December 2011
Cash flows from operating activities			
Net profit/(loss)		**$378**	$(1)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Interest expense	7	**1**	–
Dividend income	8	**(390)**	–
		(11)	(1)
Changes in working capital:			
Receivables from/payables to related parties	6	**1**	–
Trade and other payables		**2**	1
Net cash flow used in operating activities		**(8)**	–
Cash flows from investing activities			
Purchases of subsidiaries	3	**(248)**	–
Dividends received	8	**390**	–
Net cash flow from investing activities		**142**	–
Cash flows from financing activities			
Proceeds from bank loans an notes	7	**241**	–
Dividends paid to shareholders	4	**(375)**	–
Net cash flow used in financing activities		**(134)**	–
Net increase/(decrease) in cash and cash equivalents		**–**	–
Cash and cash equivalents at the beginning of the period		**–**	–
Cash and cash equivalents at the end of the year		**$–**	$–

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

Separate Statement of Changes in Equity

(In millions of US dollars)

	Note	Issued capital	Reorganisation reserve	Share-based payments	Accumulated profits	Total
At 23 September 2011		$–	$–	$–	$–	$–
Total comprehensive income/(expense) for the period		–	–	–	(1)	(1)
Share-based payment	5	–	–	4	–	4
Issue of share capital in exchange for the shares of Evraz Group S.A.	4	2,651	(582)	–	–	2,069
Reduction in par value of shares	4	(1,313)	–	–	1,313	–
At 31 December 2011		$1,338	$(582)	$4	$1,312	$2,072
Total comprehensive income for the period		–	–	–	378	378
Share-based payment	5	–	–	22	–	22
Issue of share capital in exchange for the shares of Evraz Group S.A.	4	2	(2)	–	–	–
Dividends declared	4	–	–	–	(375)	(375)
At 31 December 2012		**$1,340**	**$(584)**	**$26**	**$1,315**	**$2,097**

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

Notes to the Separate Financial Statements

for the year ended 31 December 2012

1. Corporate information

These separate financial statements of EVRAZ plc were authorised for issue in accordance with a resolution of the Directors on 10 April 2013.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company under the laws of the United Kingdom. The company was incorporated under the Companies Act 2006 with the registered number 7784342 (originally called Project Savannah plc which name was changed to EVRAZ plc by a resolution on 13 October 2011). The Company's registered office is at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.

As a result of the reorganisation implemented by way of the share exchange offer made by the Company for the shares of Evraz Group S.A., on 7 November 2011, the Company became a new parent entity of Evraz Group S.A., a joint stock company registered in Luxembourg in 2004.

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.

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

2. Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union and applicable requirements of the UK law.

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2012, but not adopted by the European Union, do not have any impact on the Company's financial statements.

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

Foreign currency transactions

The presentation and measurement currency of the Company is US dollar. Transactions in foreign currencies are initially recorded in US dollar at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Investments in subsidiaries

Participations in subsidiaries are initially stated at acquisition cost. Write-downs are recorded if, in the opinion of the management, there is any permanent impairment in value.

The cost of investment in Evraz Group S.A. was measured at the carrying amount of the equity items of Evraz Group S.A. as a separate legal entity at the date of the reorganisation (Note 3).

Dividend income is recognised as revenue when the shareholders' right to receive the payment is established.

All purchases and sales of investments are recognised on the settlement date, which is the date when the investment is delivered to or by the Company.

Accounts receivable

Accounts receivable are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable.

Cash and cash equivalents

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

Borrowings

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when 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 Company 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.

3. Investments in subsidiaries

Investments in subsidiaries consisted of the following as of 31 December 2012 and 2011:

	Ownership interest		Cost, US$ million	
	2012	2011	2012	2011
Evraz Group S.A.	100%	**99.82%**	**2,095**	2,073
EVRAZ Greenfield Development S.A.	100%	**–**	**248**	–
TOTAL			**2,343**	2,073

As described in Note 4, the Company acquired Evraz Group S.A. in 2011 by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A., which were entitled to receive 9 shares of EVRAZ plc for each share of Evraz Group S.A.

The cost of investments in Evraz Group S.A. was measured at the carrying amount of the equity items shown in the separate accounts of Evraz Group S.A. at the dates of share exchange. In addition, at 31 December 2012, the cost of investments in Evraz Group S.A. includes $26 million of share-based compensations to participants of Incentive Plans which are employed by the Company's indirect subsidiaries (Note 5).

In 2012, the Company acquired 100% of Susurrus Finance S.A. (Luxembourg) for a consideration of 36,000 euro. In May 2012, the name of the subsidiary was changed to EVRAZ Greenfield Development S.A. ("EGD"). Subsequently, the Company made a cash contribution to the share capital of EGD for a total amount of $248 million. This contribution was used by EGD for the purchase of a 60.016% share in the Mezhegey coal field project from Mastercroft Limited, an indirect subsidiary of the Company, for $245 million.

4. Equity

Share capital

	31 December	
Number of shares	2012	2011
Ordinary shares of $1 each, issued and fully paid	**1,339,929,360**	1,337,560,713

EVRAZ plc does not have an authorised limit on its share capital.

At 31 December 2012 and 2011, Mastercroft Finance Limited had 0.01% and 0.06% interest, respectively, in the Company's issued capital.

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

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

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

Information about the share exchange is summarised below.

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

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

Notes to the Separate Financial Statements (Continued)

for the year ended 31 December 2012

4. Equity (continued)

Share capital (continued)

The Company recognised a reorganisation reserve of $(582) million being the difference between the net assets of Evraz Group S.A. at 7 November 2011 and the par value of the issued shares of EVRAZ plc. This charge to equity reduced the amount of distributable reserves.

At 31 December 2011, there were shareholders which did not accept the share exchange offer. On 17 February 2012, Mastercroft Finance Limited, an indirect subsidiary of EVRAZ plc, purchased the remaining GDRs of Evraz Group S.A. and exchanged them for 869,469 newly issued shares of EVRAZ plc. Since that date Evraz Group S.A. became a wholly-owned subsidiary of EVRAZ plc. This transaction increased the Company's share capital by $2 million with a corresponding charge to the reorganisation reserve.

Dividends

In 2012 and 2011, the Company declared dividends as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Final for 2011	18/06/2012	08/06/2012	228	0.17
Interim for 2012	29/08/2012	07/09/2012	147	0.11

5. Share-based payments

As disclosed in Note 24 of the consolidated financial statements, in 2012 the Group has incentive plans under which certain employees ("participants") can be gifted shares of the Company.

After the Group's reorganisation the shares of Evraz Group S.A. granted under incentive plans have been substituted by the shares of EVRAZ plc. As such, EVRAZ plc recognised an expense arising from the share-based compensations from 7 November 2011 till 31 December 2011 in the amount of $4 million as a cost of investments in Evraz Group S.A. with a corresponding increase in equity. In 2012, the Company recognised a $22 million expense under the share-based compensations as a cost of investments in Evraz Group S.A. with a corresponding increase in equity.

The share-based awards which were not exercised at 31 December 2012 and 2011 amounted to 12,069,571 and 4,460,547 shares of EVRAZ plc, respectively. More details are provided in Note 24 of the consolidated financial statements.

6. Related party transactions

Related parties of the Company include its direct and indirect subsidiaries, 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 Company's parent or its shareholders represent related parties.

In 2011, there were no transactions with related parties, except for the share exchange with Mastercoft Finance Limited ("MFL") in the course of the reorganisation described in Note 4. MFL exchanged the global depository receipts ("GDRs") of Evraz Group S.A. into 775,410 shares of EVRAZ plc.

In 2012, Evraz Group S.A. paid general and administrative expenses on behalf of the Company in the amount of $4 million under the Paying Agency agreement.

In 2012, OOO Evrazholding, an indirect subsidiary of the Company, rendered consulting services in the amount of $2 million. At 31 December 2012, the balances with related parties comprised accounts payable to OOO Evrazholding in the amount of $1 million.

7. Short-term loans

In December 2012, the Group issued European commercial papers with a nominal amount of $80 million and $170 million bearing an interest rate of 3.50% and 3.75%, respectively, and maturing on 6 September 2013 and 4 December 2013, respectively. The proceeds from this issue amounted to $242 million.

At 31 December 2012, the fair value of the European commercial papers approximates their carrying amount.

8. Dividend income

In 2012, the Company received dividends from Evraz Group S.A. in the amount of $390 million.

9. Subsequent events

Acquisition of a controlling interest in Corber

In October 2012, EVRAZ plc concluded a preliminary agreement with Adrolive Investments Limited for an acquisition of a 50% ownership interest in Corber 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 (the other 50% share in Corber is held by an indirect subsidiary of Evraz Group S.A.).

Management believes that this acquisition will increase the Group's coking coal self-coverage and generate substantial operational synergies to the Group, including the optimal use of various coal grades.

9. Subsequent events (continued)

Acquisition of a controlling interest in Corber (continued)

The purchase consideration includes 132,653,006 shares of EVRAZ plc issued on 16 January 2013, warrants to subscribe for 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 installments through 15 January 2014. Fair value of the consideration transferred totalled to $964 million and was determined by references to the market value of EVRAZ plc shares at the date of acquisition.

Timir Iron Ore project

On 3 April 2013, the Company acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. The Company's consideration for this stake amounts to 4,950 million roubles (approximately $160 million) payable in installments through 15 July 2014. Total investments in the first phase of the Timir project are estimated at $1.8 billion during the period from 2013 to 2018. The Company and Alrosa are expected to finance the Timir project on a pro rata basis.

Dividends from Evraz Group S.A.

On 28 March 2013, the Board of Directors of Evraz Group S.A. declared interim dividends for 2013 in the amount of $130 million.

Additional Information
Group Structure

EVRAZ plc*

STEEL	IRON ORE	COAL	VANADIUM	OTHER BUSINESS
EVRAZ ZSMK, *Russia* 100%	EVRAZ KGOK, *Russia* 100%	Yuzhkuzbassugol, *Russia* 100%	EVRAZ Vanady Tula, *Russia* 100%	EVRAZ NMTP, *Russia* 100%
EVRAZ NTMK, *Russia* 100%	Evrazruda, *Russia* 100%	Raspadskaya,*** *Russia* 82%	EVRAZ Nikom, *Czech Republic* 100%	Sinano Shipmanagement Limited, *Cyprus* 100%
EVRAZ Inc NA, *USA* 100%	EVRAZ VGOK, *Russia* 100%	Mezhegeyugol, *Russia* 60.02%	EVRAZ Stratcor, *USA* 78.76%	TC EvrazHolding, *Russia* 100%
EVRAZ Inc NA, *Canada* 100%	EVRAZ Sukha Balka, *Ukraine* 99.42%		EVRAZ Vametco,**** *South Africa* 66.95%	EVRAZ Metall Inprom, **** *Russia* 100%
EVRAZ DMZ, *Petrovskogo, Ukraine* 96.78%				East Metals AG, *Switzerland* 100%
EVRAZ Bagliykoks, *Ukraine* 94.37%				Metallenergofinance, *Russia* 100%
EVRAZ Palini Bertoli, *Italy* 100%				EVRAZEnergoTrans, *Russia* 100%
EVRAZ Vitkovice Steel, *Czech Republic*** 100%				
EVRAZ Highveld, *South Africa*** 85.12%				

* As of 31 December 2012
** Assets classified as held for sale
*** As of 31 December 2012 EVRAZ held a 41% effective interest in Raspadskaya. On 16 January 2013 EVRAZ increased its interest in Raspadskaya to 82%
**** Effective interest

Additional Information Glossary

Term	Definition
Operations and Products	
API-certified	American Petroleum Institute certified (API grade) products
Beam	A structural element. Beams are characterised by their profile (the shape of their cross-section). One of the most common types of steel beam is the I-beam, also known as H-beam, or W-beam (wide-flange beam), or a 'universal beam/column'. Beams are widely used in the construction industry and are available in various standard sizes, e.g. 40-k beam, 60Sh beam, 70Sh beam as mentioned in this report
Billet	A usually square, semi-finished steel product obtained by continuous casting or rolling of blooms. Sections, rails, wire rod and other rolled products are made from billets
Blast furnace	The blast furnace is the classic production unit to reduce iron ore to molten iron, known as hot metal. It operates as a counter-current shaft system, where iron ore and coke is charged at the top. While this charge descends towards the bottom, ascending carbon containing gases and coke reduces the iron ore to liquid iron. To increase efficiency and productivity, hot air (often enriched with oxygen) is blown into the bottom of the blast furnace. In order to save coke, coal or other carbon containing materials are sometimes injected with this hot air
Brownfield	An exploration or development project which is either on industrial lands that are now vacant or underused or located within an existing operation, with the ability to share infrastructure and management
By-product	A secondary product which results from a manufacturing process or chemical reaction
Capex	Capital expenditure
CFR	Cost and freight, the seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel. Insurance for the goods is not included
Channel	U-shaped section for construction
CIF	Cost, Insurance and Freight, the same as CFR except that the seller must in addition procure and pay for the insurance
Coke	A product made by baking coal without oxygen at high temperatures. Unwanted gases are driven out of the coal. The unwanted gases can be used as fuels or processed further to recover valuable chemicals. The resulting material (coke) has a strong porous structure which makes it ideal for use in a blast furnace
Coke battery	A group of coke ovens operating as a unit and connected by common walls
Coking coal	Highly volatile coal used to manufacture coke
Concentrate	A product resulting from iron ore/coal enrichment, with a high grade of extracted mineral
Construction products	Include beams, channels, angles, rebars, wire rods, wire and other goods
Converter	A type of furnace that uses pure oxygen in the process of producing steel from cast iron or dry mix
Crude steel	Steel in its solidified state directly after casting. This is then further processed by rolling or other treatments, which can change its properties
Debottlenecking	Increasing capacity of a supply or production chain through the modification of existing equipment or infrastructure to improve efficiency
ECP	Eurocommercial Paper
Electric arc furnace	A furnace used in the steelmaking process which heats charged material via an electric arc.
Flat products or Flat-rolled steel products	Include commodity plate, specialty plate and other products in flat shape such as sheet, strip and tin plate
Greenfield	The development or exploration of a new project not previously examined
Grinding balls	Balls used to grind material by impact and pressure
Head-hardened rails	High strength rails with head hardened by heat treatment

Additional Information
Glossary (Continued)

Term	Definition
Iron ore	Chemical compounds of iron with other elements, mainly oxygen, silicon, sulphur or carbon. Only extremely pure (rich) iron-oxygen compounds are used for steelmaking.
JORC Code	The Australasian Joint Ore Reserves Committee, which is widely accepted as a standard for professional reporting of Mineral Resources and Ore Reserves
Ladle furnace	The secondary metallurgy vessel used between steelmaking and casting operations to allow the composition of molten steel to be brought to the required customer specification
Lean	Lean is philosophy of managing the business that is based on a set of principles that define the way of work
Long products	Include bars, rods and structural products that are ‘long’ rather than ‘flat’ and are produced from blooms or billets
Longwall	An underground mining process in which the coal face is dug out by a shearer and transported above ground by conveyors.
Lumpy ore	Iron ore between 6mm and 30mm in size. Lump is preferred in the blast furnace as its particle size allows oxygen to circulate around the raw materials and melt them efficiently
MENA	Middle East and North Africa
OCTG pipe	Oilfield Casing and Tubing Goods or Oil Country Tubular Goods – pipes used in the oil industry
Old order/New order mining rights	Reference terms for South African mining agreements. Old order mining rights are those licenses which were issued during the apartheid era, for New order mining rights to be awarded operators must collaborate with the Black Economic Empowerment partners
OSB technology	Open Slag Bath Furnace. An electric steelmaking furnace, where the electrodes are not submersed, but are operated in a “brush” arc mode, where the electrode is just above the liquid slag
Pellet	An enriched form of iron ore shaped into small balls or pellets. Pellets are used as raw material in the steel making process
Pig iron	The solidified iron produced from a blast furnace used for steel production. In liquid form, pig iron is known as hot metal
Pipe blank	A flat sheet of metal, a semi-finished product, sold to pipemakers to manufacture pipes
Plate	A long thin square shaped construction element made from slabs
Pulverised coal injection (PCI)	A cost-reducing technique in iron-making, where cheaper coal is prepared to replace normal coking coal in the blast furnace. The coal is pulverised into very small particles before injection into the furnace
Railway products	Include rails, rail fasteners, wheels, tyres and other goods for the railway sector
Raw steam coal	Also known as thermal coal. Mainly used in energy generation
Rebar	Reinforcing bar, a commodity grade steel used to strengthen concrete in highway and building construction. Rebar A500SP is a type of reinforcing bar that allows for a reduction in the metallic component of reinforced concrete, thereby significantly lowering construction costs
Rolled steel products	Products finished in a rolling mill; these include bars, rods, plate, beams etc
Rolling mill	A machine which converts semi-finished steel into finished steel products by passing them through sets of rotating cylinders which form the steel into finished products
SG&A	Selling, General and Administrative Expenses
Saleable products	Products produced by EVRAZ mines or steel mills which are suitable for sale to third parties
Self-coverage	The raw material requirement of EVRAZ’s steelmaking facilities fulfilled by EVRAZ owned mines
Scrap	Iron containing recyclable materials (mainly industrial or household waste) that is generally remelted and processed into new steel

Term	Definition
Semi-finished products	The initial product forms in the steel making process including slabs, blooms, billets and pipe blanks that are further processed into more finished products such as beams, bars, sheets, tubing, etc
Shale gas	Shale gas is an unconventional natural gas that exists in certain shale formations. Shale possesses low permeability, and the shale gas boom in recent years reflects the utilisation of modern technology including horizontal drilling, multi stage fracturing and micro seismic monitoring
Single-Minute Exchange of Die (SMED)	A production method used to speed up the production process and reduce waste
Sinter	An iron rich clinker formed by heating iron ore fines and coke in a sinter line. The materials, in pellet form, combine efficiently in the blast furnace and allow for more consistent and controllable iron manufacture
Slab	A common type of semi-finished steel product which can be further rolled into sheet and plate products
Slag	Slag is a byproduct generated when non-ferrous substances in iron ore, limestone and coke are separated from the hot metal in metallurgical production. Slag is used in cement and fertiliser production as well as for base course material in road construction
Steam coal	All other types of hard coal not classified as coking coal. Coal of this type is also commonly referred to as thermal coal
Tailings	Also called mine dumps, are the materials left over after the process of separating the valuable content from the uneconomic remainder (gangue) of an ore. These materials can be reprocessed using new methods to recover additional minerals
Titaniferrous ores	Ore containing or yielding titanium. Titaniferous magnetite deposits are a significant source of vanadium
Tubular products	Include large diameter line pipes, ERW pipes and casings, seamless pipes and other tubular products
Vanadium	A grey metal that is normally used as an alloying agent for iron and steel. It is also used to strengthen titanium based alloys
Vanadium pentoxide	The chemical compound with the formula V2O5: this orange solid is the most important compound of vanadium. Upon heating, it reversibly loses oxygen
Vanadium slag	Vanadium slag produced from pig iron in the converter shop and used as a raw material by producers of ferroalloys and vanadium products
Social Responsibility	
ISO 14001	The International Standardisation Organisation's standard for environmental management systems
ISO 9001:2008	The International Standardisation Organisation's standard for a quality management system
LTIFR	Lost time injury frequency rate, which represents the number of lost time injuries (1 day or more of absence) divided by the total number of hours worked expressed in millions of hours
OHSAS 18001	The internationally recognised assessment specification for occupational health and safety management systems

Notes

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Additional Information
Contact Details

Registered Name and Number
EVRAZ plc (Company No. 07784342)

Registered Office
5th Floor, 6 St. Andrew Street, London EC4A 3AE

Directors
Alexander Abramov
Duncan Baxter
Alexander Frolov
Karl Gruber
Alexander Izosimov
Sir Michael Peat
Olga Pokrovskaya
Terry Robinson
Eugene Shvidler
Eugene Tenenbaum

Secretary
TMF Corporate Administration Services Limited

Investor Relations
Tel: London: +44 (0) 207 832 8990
Moscow: +7 (495) 232 1370
ir@evraz.com

Auditors
Ernst & Young LLP

Solicitors
Linklaters LLP

Registrars
For information about proxy voting, dividends and to report changes in personal details, shareholders should contact the Company's registrar:
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom
Tel: +44 (0) 870 873 5848
Fax: +44 (0)870 703 6101
Email: webqueries@computershare.co.uk

Unsolicited telephone calls and correspondence
Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas-based 'brokers' who target US or UK shareholders, offering to sell them what often turns out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive.

If you receive any unsolicited investment advice:
- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/fsaregister and contacting the firm using the details on the register.
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.fsa.gov.uk/scams.
- If the calls persist, hang up.
- Details of any share dealing facilities that the company endorses will be included in Company mailings.

Electronic shareholder communications
EVRAZ uses its website www.evraz.com as its primary means of communication with its shareholders provided that the shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner in accordance with the Companies Act 2006.

Electronic communications allow shareholders to access information instantly as well as helping EVRAZ reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at www.investorcentre.co.uk. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's registrar, Computershare.

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Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)131 220 7990

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