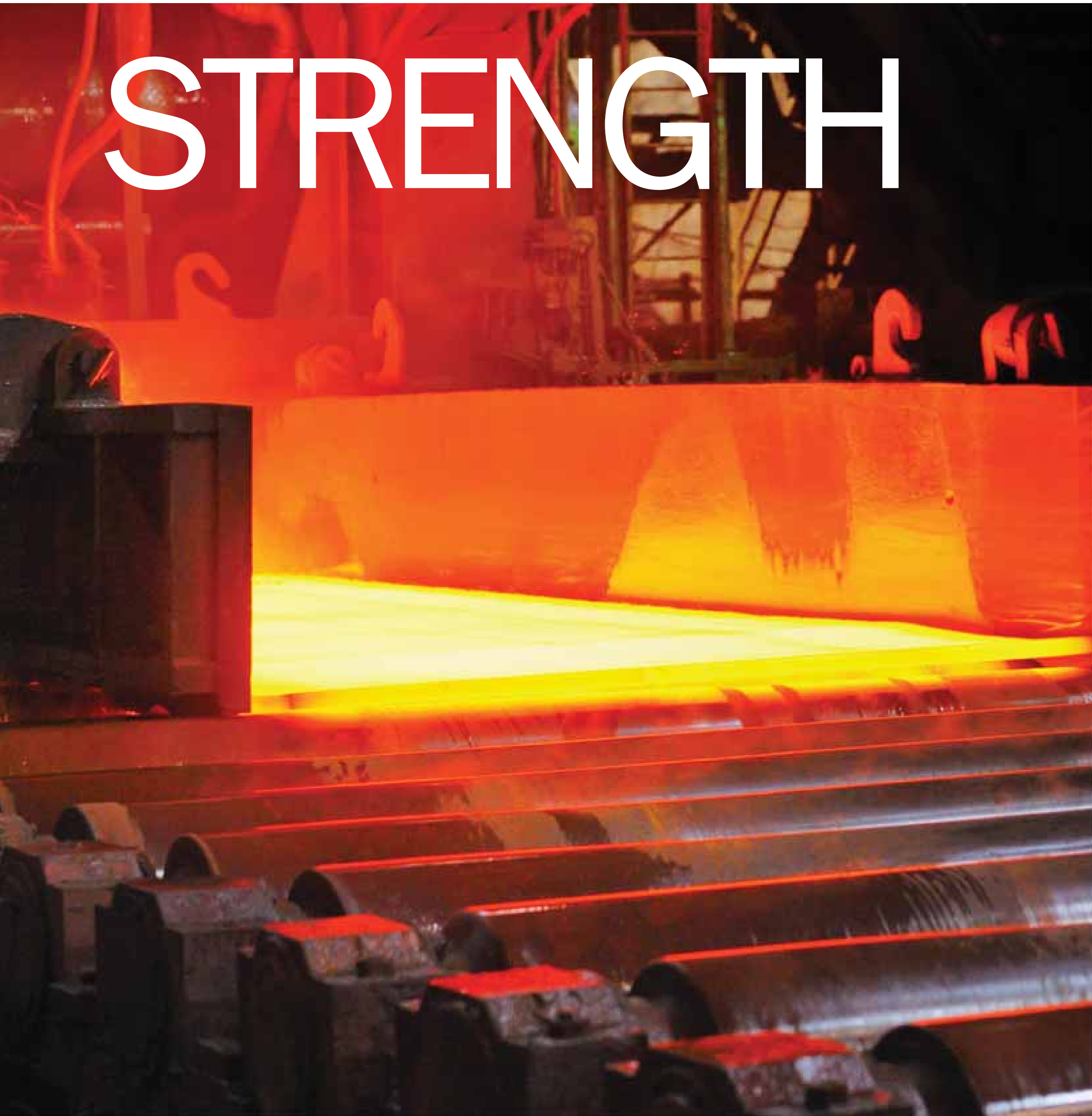
EVRAZ

EVRAZ plc | 2013 ANNUAL REPORT AND ACCOUNTS



EVRAZ plc is a global, vertically integrated, steel, mining and vanadium business with operations in the Russian Federation, the USA, Canada, the Czech Republic, Italy, Ukraine, South Africa and Kazakhstan. The Company is listed on the London Stock Exchange.

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STRATEGIC REPORT 08–41

BUSINESS UNITS' REVIEW 42–71

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Mining

The mining segment plays an important role in securing supply of raw steelmaking materials – coking coal and iron ore – to major steel plants of EVRAZ. Post the acquisition of Raspadskaya in 2013, EVRAZ significantly increased its investment and resource to coking coal and became the leading coking coal producer in Russia with strong growth prospects.

Steel

Key steelmaking facilities are located in Russia, North America, Europe and South Africa. The Company is the leader in the Russian long steel product and rail market, as well as playing a prominent role in the North American long steel, rail and tubular product markets.

Vanadium

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

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WHO WE ARE

EVRAZ today

A major global vertically integrated steel and mining company

An industrial enterprise that spans four continents and employs more than 105,000 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 250 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

Coking coal mining, processing and sale

Iron ore mining and enrichment

Manufacturing and sale of vanadium products

Energy, trading operations and logistics

42 Read more about this topic on page 42

Our values

Like all companies our primary focus is to enhance long-term shareholder value. Underpinning this is a commitment to excellence across all aspects of our operations. This includes, as priorities, developing and supporting our people, continuous improvement and technological enhancement, dealing openly and constructively with customers, suppliers, our local communities and other stakeholders, and a remorseless focus on health, safety and good environmental practice.

Because of downward pressure on sales prices it has been a challenging time; but the directors and management believe that the strength of our underlying values will be central to the Company's long term success.

2013 Key Figures

15.5m tonnes
Sales of steel products to third parties (+1% vs. 2012)

US$902m
Capital expenditures (-28% vs. 2012)

US$1,821m
EBITDA* (-10% vs. 2012)

*Please see definition on page 22

US$6,534m
Net debt (+2% vs. 2012)

8.3b tonnes
Proven and probable reserves of iron ore

US$458m
Free cash flow (-41% vs. 2012)

1.9b tonnes
Proven and probable reserves of coking ore

US$61/tonne
Cash cost of iron ore products at 58% Fe (-12% vs. 2012)

16.1m tonnes
Crude steel output (+1% vs. 2012)

US$64/tonne
Cash cost of coking coal concentrate (-12% vs. 2012)

US$348/tonne
Cash cost of slab (-7% vs. 2012)

2013 HIGHLIGHTS

Operating results

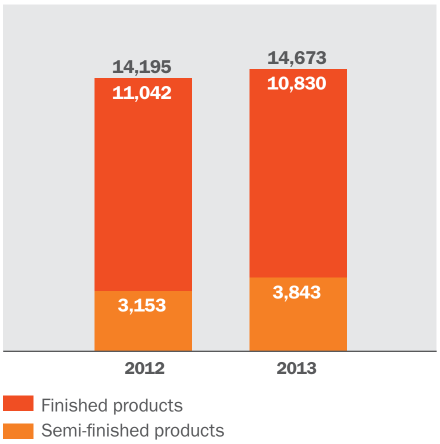
EVRAZ produced 16.1 million tonnes (+1% vs. 2012) of crude steel and sold 15.5 million tonnes (+1%) of steel products

Production of raw coking coal increased to 18.9 million tonnes (+22%) with both coal assets Yuzhkuzbassugol and the Raspadskaya coal company contributing significantly to the growth

Overall production of saleable iron ore products decreased to 20.4 million tonnes (-2%) on the back of lower output by the Russian operations largely driven by the disposal of high cost operation EVRAZ VGOK

The vanadium division produced 21,077 tonnes (+0.1%) of vanadium slag and sold 23,287 tonnes (+10%) of vanadium products

Steel products output, kt



Financial results

EVRAZ revenues were US$14,411 million (-2%). Decline in steel and steel products prices led to a US$798 million decrease and in prices for mining products to a US$182 million decrease in consolidated revenue

The Company reported consolidated EBITDA of US$1,821 million (-10%)

Net loss was US$572 million compared to US$425 million net loss in 2012 mostly due to impairment of assets (US$446 million) (+8%) and foreign exchange loss (US$258 million) (+6%)

Operating cash flow was US$1,900 million (-11%), while free cash flow reached US$458 million (-41%)

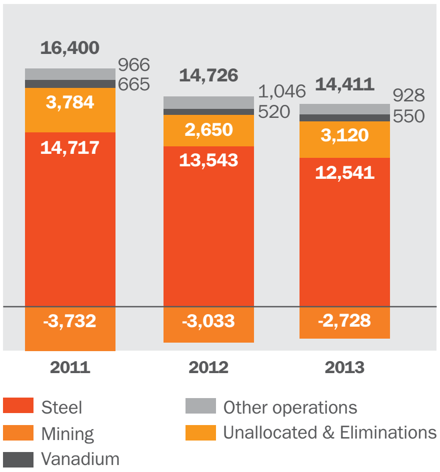
Net debt was US$6,534 million (+2%) due to the acquisition of Raspadskaya with net debt of US$400 million

EVRAZ's* issuer credit ratings (S&P B+, Stable; Moody's Ba3, Stable; Fitch's BB, Stable)

CAPEX of US$902 million (-28%) resulting from the investments' optimisation programme

The directors recommend a dividend of 6 cents per share to be consistent with their intention of distributing, where appropriate, a proportion of the margin on disposals as dividends, and as an indication of confidence in the Company's position. The US$90.4 million represents the approximate cash portion of the proceeds from the sale of EVRAZ Vitkovice Steel, leaving US$196.6 million for the reduction of debt

Consolidated revenue by segment, US$ million



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

Corporate and M&A developments

Completion of acquisition of an indirect controlling interest in OJSC Raspadskaya bringing effective interest to 81.95% for US$964 million in equity and cash

Acquisition of the 51% stake in Timir joint venture iron ore greenfield for a US$159 million cash consideration

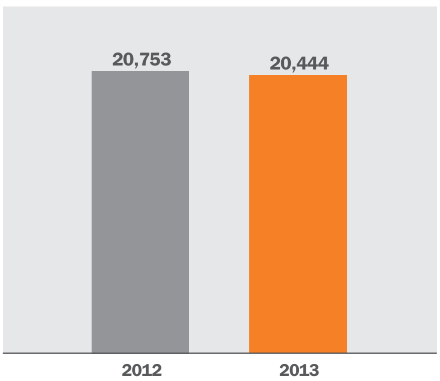
Disposal of lossmaking assets in iron ore and coal mining – EVRAZ VGOK, Abakan and Teya mines of Evrazruda and the Gramoteinskaya steam coal mine for cash consideration of c.US$20 million

Disposal of EVRAZ Vitkovice Steel based on the enterprise value of US$287 million

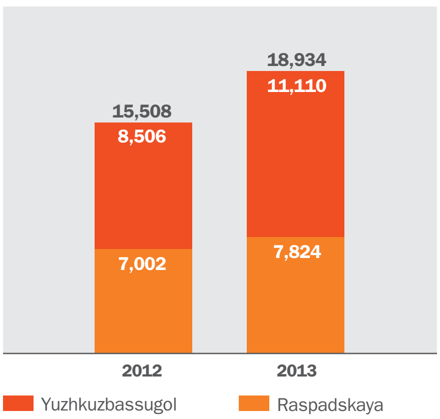
US$964m

Completion of acquisition of an indirect controlling interest in OJSC Raspadskaya

Iron ore production, kt

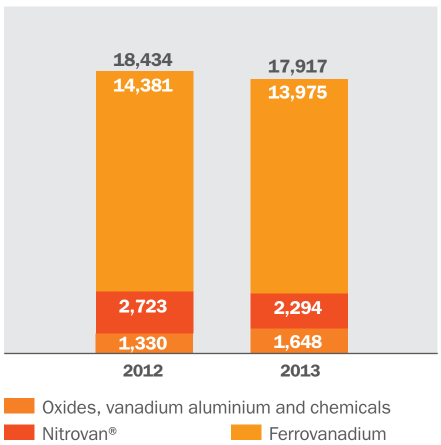


Raw coking coal production*, kt



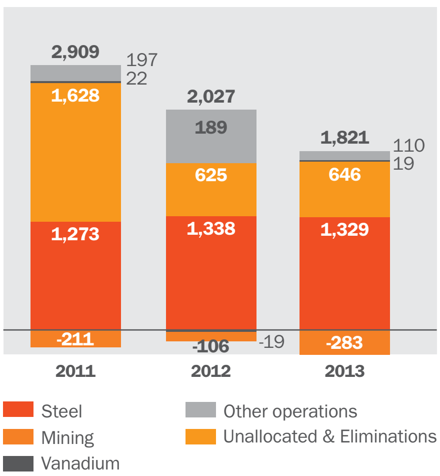
* 2012 data for Raspadskaya is on a pro forma basis, as Raspadskaya is consolidated in the results of EVRAZ from 16 January 2013

Vanadium production, t of V*

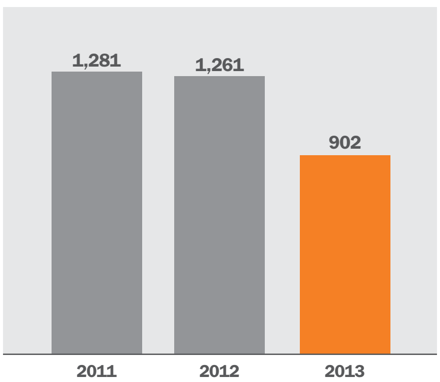


* Calculated in pure vanadium equivalent.

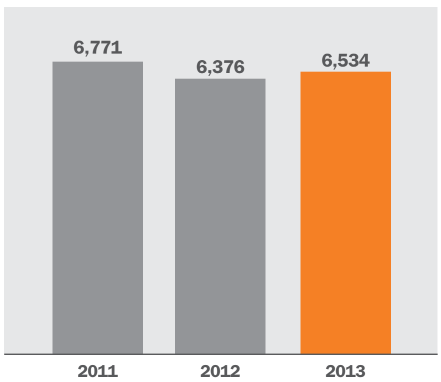
Consolidated EBITDA by segment, US$ million



Capital expenditures, US$ million



Net debt, US$ million



US$159m

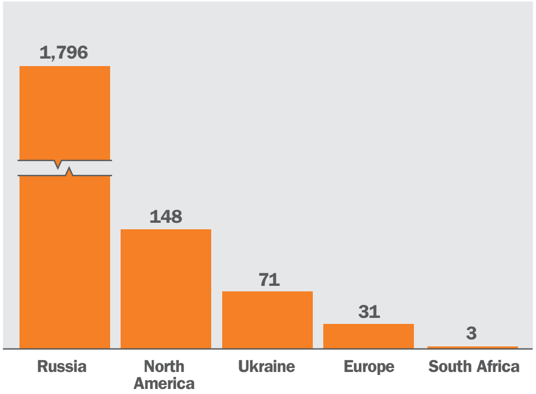
Acquisition of the 51% stake in Timir joint venture iron ore greenfield

US$20m

Disposal of EVRAZ VGOK, Abakan and Teya Mines, Gramoteinskaya steam coal mine

MAP OF EVRAZ OPERATIONS

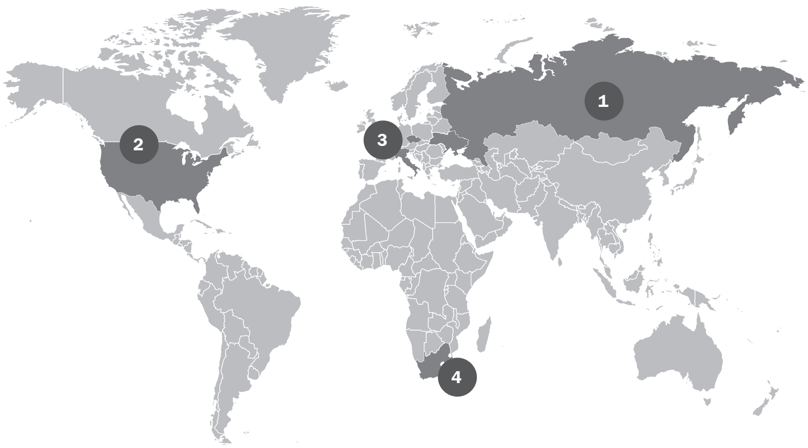
EBITDA by region* US$m

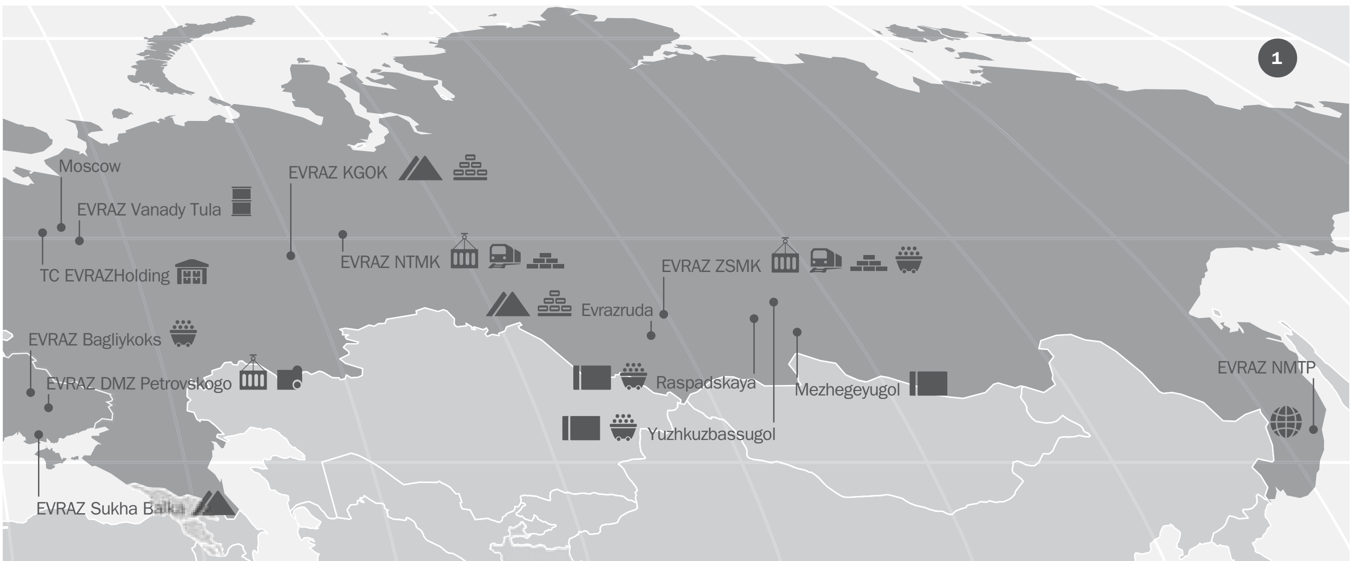


*Consolidated EVRAZ plc EBITDA also includes unallocated EBITDA of US$228 million

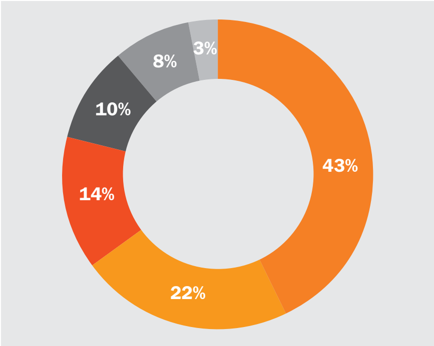
At a glance

- 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 105,000 people



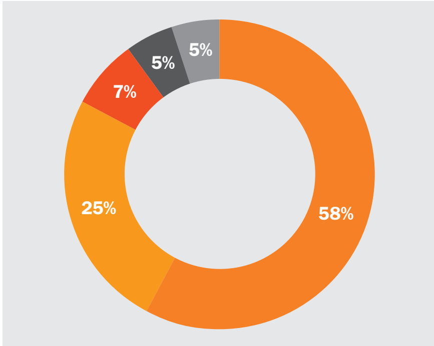


Revenues by region, %



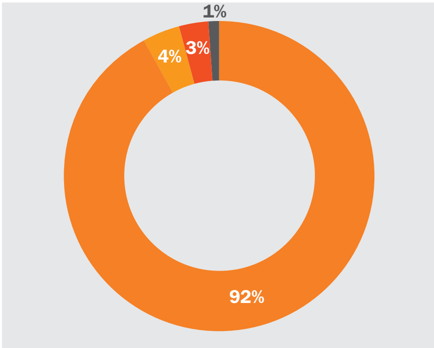
Russia
Americas
Asia
Europe
CIS
Africa & RoW

Output of finished steel products by region, %

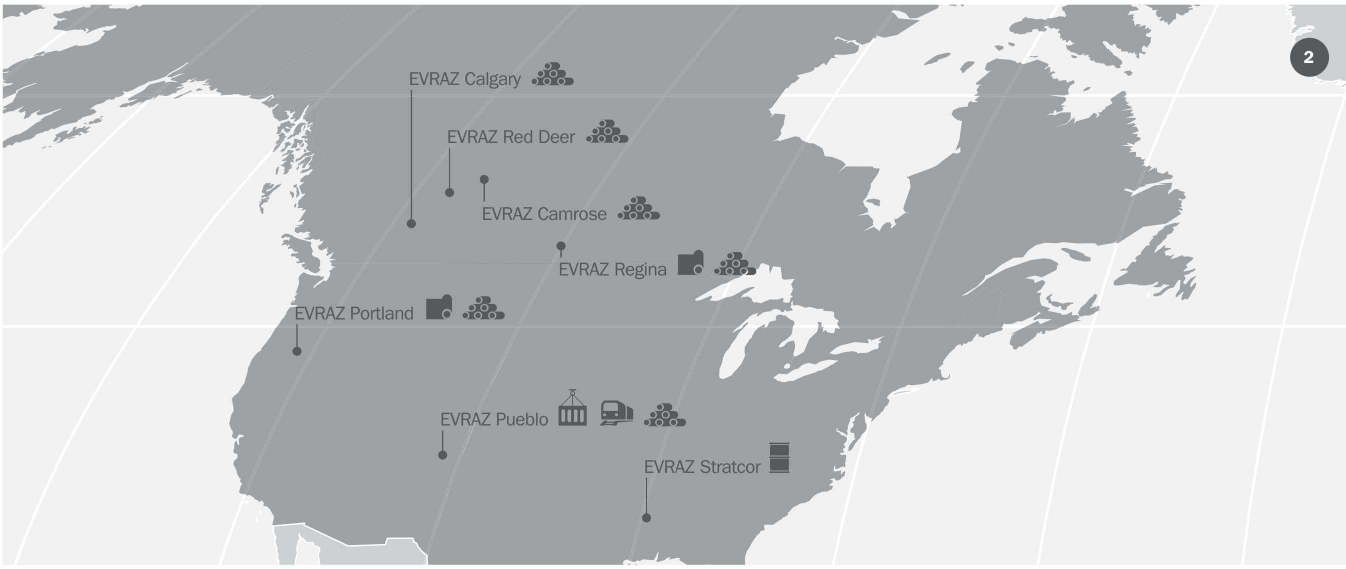


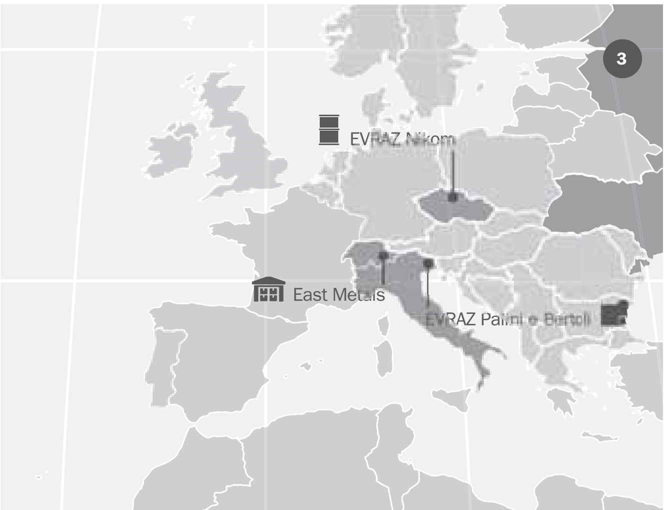
Russia
North America
Europe
Ukraine
South Africa

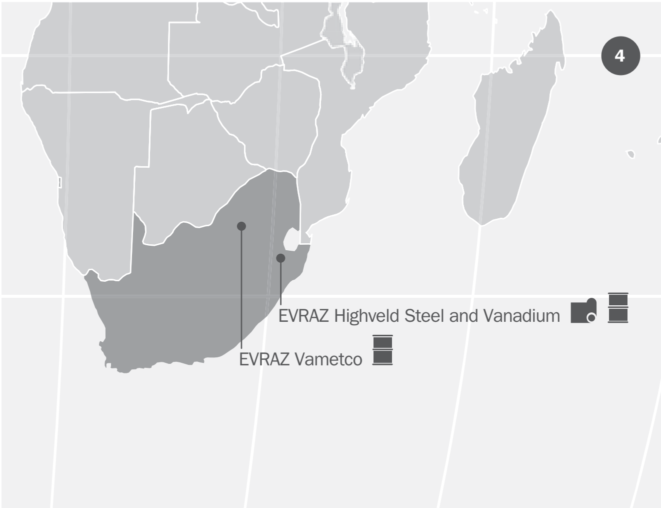
Employees by region, %



Russia & CIS
North America
Africa
Europe







Railway products

Tubular products

Flat-rolled products

Vanadium products

Logistics

Trading Company

STRATEGIC REPORT

In this section:

EVRAZ'S strategy in action

In this section the Company explains the objective and the strategy it is following to achieve the objective. The business model is set out on the following pages. The explanations on how EVRAZ measures progress using key performance indicators are provided, the principal risks EVRAZ faces are described, alongside with what is done to mitigate these risks. We discuss the financial performance of the Company and describe EVRAZ's approach and progress in social responsibilities. This Strategic Report aims to inform shareholders of the Company and help them to assess the extent to which the Directors performed their duty to promote the success of the Company.

CHIEF EXECUTIVE OFFICER'S REVIEW

Alexander Frolov

Dear Shareholders,
Through the sound fundamentals of our business and our vision we endeavour to deliver sustainable ongoing growth and value.

However, 2013 was another challenging year for the global steel and coal mining industries, characterised by strong cyclical headwinds, which EVRAZ was not immune to. Although we managed to increase external steel sales by 1% to 15.5 million tonnes and substantially grew the output of coking coal by 22% to 18.9 million tonnes, our EBITDA was US$1,821 million in 2013, 10% less than in 2012. Due to the relatively high financial leverage of the Company, shareholder value also came under pressure during the course of 2013.

Whereas many factors are beyond our control, such as the cyclicality of the broad commodity market, EVRAZ possesses certain fundamental value drivers that we believe will define the Company's future performance and ultimately create value for our shareholders.

Overview of Health, Safety and Environmental performance

The safety of our employees remained the key priority in 2013. Although the number of fatalities decreased compared to 2012, the fact that 18 employees lost their lives at work is deeply regrettable. All of the incidents have been meticulously investigated and analysed in order to mitigate against recurrence and identify other workplace risks. We remain committed to our strategic goal of zero fatality incidents.

We have been focusing on sustained training to underline the importance of adherence to our improved operating standards as we endeavour to progress towards a zero-harm environment. We have also adopted a proactive approach to the promotion of more disciplined behaviour at the workplace, accompanied by continual engagement, on the part of workers and managers, in appropriate training courses. In line with this, we have engaged a significant number of mid-level managers from various business areas to impart their appreciation of the importance of safety awareness across all key production sites.

Balance sheet deleverage strategy, cost cutting and capex revision

Management's response to the current market situation has encompassed a thorough review of EVRAZ's balance sheet, strategic options and business portfolio.

In terms of the financial strategy, our priority was to address the debt leverage by focusing on the generation of positive free cash flow, which reached US$458 million in 2013. The ratio of net debt to EBITDA amounted to 3.6x, which we consider as being high. The current target, through organic deleveraging and disposals, is to reduce the net debt to EBITDA ratio to below 3.0x by 2016 year-end.

Important contributors to the free cash flow in 2013 were the positive effects of the operating efficiency and cost cutting programmes which we initiated during the year. The plan provided for staff optimisation, including a headcount reduction and the implementation of more efficient work shifts; reduced maintenance downtime at our steel mills and the efficient repositioning of longwalls in coking coal mines; enhanced extraction yields and reduced conversion costs – all of which yielded total savings of approximately US$303 million.

In 2014, we will extend our operating costs' reduction programme to save US$350-400 million and, post a comprehensive review of general and administrative costs, we are aiming to reduce costs by an additional US$100 million on an annualised basis from 2015 compared to 2013 level, including a reduction of US$50 million to be achieved in 2014.

In addition, we significantly revised our investment plans and doubled the Internal Rate of Return threshold with regard to the suspension of projects below 40% compared with 20% we used to have previously. As a result, capex in 2013 was reduced by approximately US$400 million from the originally budgeted US$1.3 billion to US$902 million. Deferred projects included the construction of the Yuzhny rolling mill and expenditures on certain higher cost coal mines. In 2014, we expect to achieve a further reduction in capital spending and end up with less than US$900 million.

Disposals and closure of high cost and other assets

In the current market reality, certain aspects of our steel and mining asset base have become economically inefficient and structurally high cost. During 2013 management refined and commenced implementation of an action programme focused on the divestment or closure of specific high cost and/or loss making assets. Key developments included the shutdown of the Irba mine, the sale of the Abakan and Teya mines at Evrazruda, the disposal of EVRAZ VGOK, preparations for the shutdown of the Abashevskaya coal mine, the closure of the plate rolling mill at EVRAZ ZSMK and the suspension of EVRAZ Claymont Steel.

EVRAZ possesses certain fundamental value drivers that will define the Company's future performance and ultimately create value for our shareholders.

In addition we temporarily suspended EVRAZ Palini e Bertoli, our Italian plate rolling mill, in order to release significant working capital.

We have continued to negotiate with an expanded list of potential purchasers of EVRAZ Highveld Steel and Vanadium in South Africa and we will update the market on developments in due course.

On 3 April 2014, we successfully completed the sale of EVRAZ Vitkovice Steel, our Czech subsidiary, based on the enterprise value of US$287 million, including US$89 million for equity. The sale reflected management's belief that strategic options for the development of the operation within EVRAZ were limited.

Value drivers

We believe that our value drivers are our fundamental low cost positions with access to proprietary raw materials, which enables us to secure the required quantities and quality of iron ore and coking coal at costs which are below the market's conservative estimates of long run pricing.

Iron ore

Our core iron ore business, EVRAZ KGOK, has historically been an important contributor to the Company's free cash flow with cash costs for iron ore products (58% Fe) of US$46 per tonne before credits from a vanadium by-product. The mining volumes of EVRAZ KGOK fully cover the requirements of EVRAZ NTMK. It is anticipated that the low cost position of EVRAZ KGOK will be sustained throughout the current operations and during the development of the new Sobstvenno-Kachkanarskoye iron ore deposit, located in close proximity to the current open pits, with an estimated mine life of more than 100 years.

In addition, the successful implementation of cost savings and operational improvements at all of the Company's iron ore mining assets, together with the sale and shutdown of high cost operations, resulted in a reduction of blended cash costs (58% Fe) from US$69/tonne in 2012 to US$61/tonne in 2013 with potential further savings in 2014 and beyond.

EVRAZ has also entered the Timir iron ore joint venture arrangement focused on the development of iron ore deposits in Southern Yakutia. The rationale behind our acquisition of a 51% interest in the project is the prospect of securing adequately priced supplies of iron ore for EVRAZ ZSMK, our major Russian steel mill situated in Western Siberia, post the depletion of Evrazruda's reserves in 5-7 years. Timir's substantial iron ore resources and proximity to the existing infrastructure provide for the efficient development of the project as a low cost operation.

Coking coal

With regard to coking coal the Company took a major step forward in 2013 with the acquisition of Raspadskaya, a transaction designed to harden the competitive advantage of being the market leader in the Russian coking coal market; primary attractions include the long life of the mineral resources and a broad customer base.

Raspadskaya, even at its current relatively low levels of raw coal production, is one of Russia's lowest cost coking coal companies, with an average cash cost of concentrate of $54.9/t in 2013. The Raspadskaya mine possesses exceptional assets of high quality

CHIEF EXECUTIVE OFFICER'S REVIEW

Continued

semi-hard coking coal with proven and probable reserves extending to upwards of 100 years; production, however, has yet to return to the levels achieved prior to the tragic accident in 2010. Our investment to date has been largely focused on mine restoration and the implementation of measures designed to ensure safe working conditions. The underground mine is now operating with two longwalls and the production plan envisages the commissioning of two additional longwalls in 2014. Overall, Raspadskaya expects to increase its output of raw coking coal by up to 40% to 11 million tonnes in 2014.

We commissioned the new coking coal mine Yerunakovskaya VIII in February 2013 ahead of schedule and on budget with nameplate capacity of 3 million tonnes of semi-hard coking coal at mined raw coal cash costs of less than US$40/t – one of the lowest among CIS coal mines. The mine, with an estimated life span of approximately 63 years, was fully ramped up with effect from February 2014.

Looking to the future and given the current tough coking coal market, our mine portfolio optimisation programme will result in the growth of capacity at low cost mines which will replace the high cost operations, thereby enabling a further decrease in blended cash costs.

We have undertaken to execute only the first stage of our greenfield Mezhegey project involving a limited cash commitment. However, Mezhegey is one of the key drivers of our long-term plan to develop EVRAZ's coking coal base and possesses the potential to become a reliable, quality coal, export-oriented operation.

The processing operations of EVRAZ NTMK benefit from its ability to utilise the proprietary technology and vanadium rich iron ore produced by EVRAZ KGOK located nearby.

Steel

In the steel segment we enjoy the benefit of owning high quality steel assets with strong market positions in multiple geographies and product lines.

As the market leader in the Russian construction long product market and the leading manufacturer of rails in Russia and North America we are intent on continuing to improve our product mix through selective investments. For example, the successful launch of the rail mill at EVRAZ ZSMK in 2013 following a major modernisation programme allows us to produce premium head hardened rails, including 100 metre rails suitable for high speed railways. In order to strengthen our global leadership in rail production, we are also progressing a rail mill project in EVRAZ North America which will allow us to improve rail quality, increase the mill's capacity and expand technical customer support and product development. The modernisation programme is proceeding as planned with project completion expected in mid-2014.

EVRAZ NTMK sustainably improved its profitability in 2013 as a result of the implementation of Pulverised Coal Injection (PCI) technology which led to reductions in the consumption of natural gas and coke of 42% and 22% respectively, accompanied by an increase in pig iron production capacity of 100,000 tonnes per annum. Based on this positive experience we have been adopting PCI technology at our second steelmaking plant in Russia, EVRAZ ZSMK, despite some delays.

The fundamental advantage enjoyed by EVRAZ North America is the geographical location of the facilities in the western part of the USA and Canada, regions that are light in steel production but well exposed to demand from the oil and gas industry and premium rail infrastructure customers. EVRAZ's focus on research and development strengthens the portfolio of high value-added rail and tubular products, thereby safeguarding our dominant market positions.

Vanadium

The processing operations of EVRAZ NTMK benefit from its ability to utilise the proprietary technology and vanadium rich iron ore produced by EVRAZ KGOK located nearby. Due to the nature of EVRAZ's iron ore assets and its ownership of vanadium processing facilities we will continue to be a major player in the global vanadium market.

Dividends and dividend policy

The directors recommend a dividend of 6 cents per share to be consistent with their intention of distributing, where appropriate, a proportion of the margin on disposals as dividends, and as an indication of confidence in the Company's position. The US$90.4 million represents the approximate cash portion of the proceeds from the sale of EVRAZ Vitkovice Steel, leaving US$196.6 million for the reduction of debt.

Going forward, the dividend policy has been revised to support the financial strategy of deleveraging and envisages that the regular dividends will be paid only when the net leverage (net debt/EBITDA) target of below 3.0x is achieved. The Board reserves the right to propose special dividends in the event of asset disposals.

Update on Ukrainian situation

The geopolitical developments around Ukraine could have an impact on our operations, as we have assets both in Ukraine and Russia. However, to date our operations have not been adversely affected. We will update the market as appropriate.

Outlook

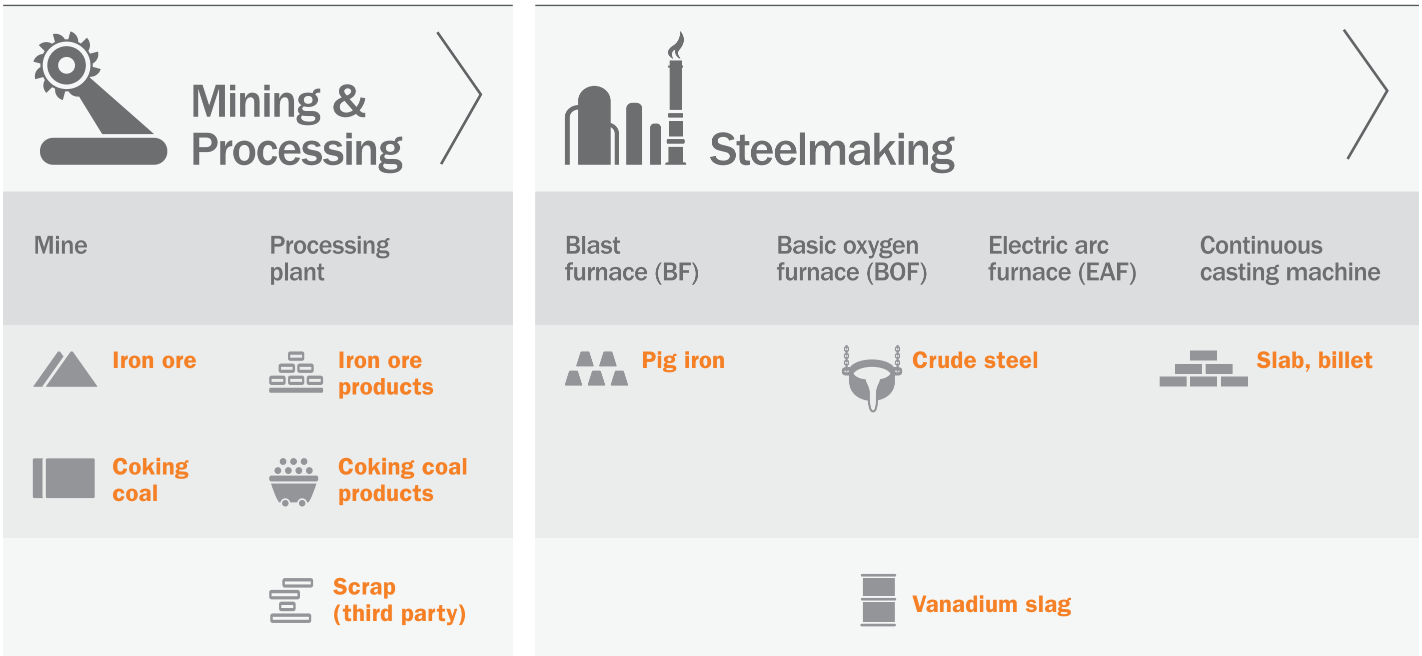
2014 has started mildly positively in most regional steel markets – long steel volumes in Russia are picking up fuelled by the start of the construction season, prices for railway products are stable, while the severe winter in North America is pushing prices higher. There have been also growth in prices for our semi-finished products in Asian markets.

However, certain risks remain, in particular the growth of seaborne supply of steelmaking raw materials over the medium term and geopolitical risks. Management's response to potential continued volatility in markets consists of comprehensive cost cutting programmes, deleveraging and the disciplined development of growth options in order to be well prepared for the next upturn of the cycle.

Overall, taking into account market conditions and management's initiatives, the Board is comfortable with expectations for the year.

Alexander Frolov
Chief Executive Officer
EVRAZ plc
8 April 2014

EVRAZ'S BUSINESS MODEL



1. Mining iron ore
EVRAZ's iron ore facilities are integrated with key steelmaking operations with the two businesses being aligned in terms of:

a) geographical location close to one another (EVRAZ NTMK steel mill and EVRAZ KGOK iron ore mining in the Urals; EVRAZ ZSMK steel mill and Evrazruda iron ore mines in Siberia);
b) proprietary technologies: EVRAZ NTMK produces crude steel from vanadium-rich iron ore of KGOK using the proprietary duplex method of steelmaking and vanadium slag extraction.

In addition, EVRAZ KGOK is a large scale open pit mine, enabling it to be sustainably a low cost producer. For more information on EVRAZ KGOK performance please refer to page 51.

Self-sufficiency of EVRAZ in iron ore is 68%.

Self-coverage of EVRAZ in iron ore is 96%.

Cash costs in 2013 were US$61/tonne.

50 For key highlights of the year please refer to pages 50 and 66

2. Mining coking coal
EVRAZ owns two coking coal subsidiaries – Yuzhkuzbassugol and Raspadskaya, and has a portfolio of diversified premium hard (Zh + GZh) and semi-hard (GZh) coking coal grades that are in demand both in the domestic and global markets. EVRAZ consumes a large portion of the mined coking coal at its core steelmaking plants in CIS and the remainder is sold domestically or exported to Asia and Europe. After the acquisition of Raspadskaya coal mining company in January 2013, the market share of EVRAZ in the Russian and Ukraine domestic market significantly increased and reached 25%, while the coking coal business is becoming an important independent line of business activity.

Self-sufficiency of EVRAZ in coking coal is 80%.

Self-coverage of EVRAZ in coking coal is 171%.

Cash costs in 2013 were US$64/tonne.

54 For key highlights of the year please refer to pages 54

Processing
EVRAZ owns iron ore and coal processing/coke making facilities to prepare raw materials for use in steel production.

50 For key highlights of the year please refer to pages 50 and 54

3. Steelmaking
The Company produces steel from own raw materials – iron ore and coking coal, as well as from third party scrap (primarily in North America and partially at EVRAZ ZSMK). EVRAZ owns low-cost full-cycle integrated iron and steelmaking plants in Russia, Ukraine and South Africa, as well as plants operating electric arc furnaces in North America and at EVRAZ ZSMK. Proximity to iron ore and coal mines allow for low cost production of high quality steel. In addition to secure the cost leadership advantage EVRAZ NTMK implemented in 2013 a project on PCI technology allowing for the sustainable reduction of cash costs in steelmaking.
For more details please refer to pages 45, 59, 63 and 64.

Cash costs of slab production in 2013 were US$348/tonne.

Cash costs of billet production in 2013 were US$406/tonne.

45 For key highlights of the year please refer to pages 45, 59, 63 and 64

EVRAZ's business model originates from processing proprietary steelmaking raw materials, such as iron ore and coking coal, and goes all the way to production of high quality steel products consumed mainly by large scale infrastructure players.

EVRAZ is a complex business and it creates value at each step of the integrated value chain. The commitment to economically efficient vertical integration allows guaranteeing supplies, cost control and quality of raw materials to ensure low cost positions and competitiveness of saleable products. EVRAZ believes that the business model has proved its sustainability.

4. Rolling
EVRAZ is a leading Russian producer of high quality steel finished products, including long steel products, such as angles, rebars and H-beams, used in construction. EVRAZ channels is also the #1 producer of rails globally with rail production located in Russia and North America. The Company is also well positioned from the geographical perspective both in Russia – EVRAZ NTMK (close to key regional markets) and in North America providing for the high market share in tubular products and rails in the western part of Canada and the USA.

44 For key highlights of the year please refer to pages 44

5. Sales and logistics
The Company sells its products in local and international markets based on an in-depth understanding of customers' needs and the opportunity to rapidly adjust production volumes to market trends. The access to proprietary logistics infrastructure in the Far East, Russia – Nakhodka Sea Port secures the stability of deliveries to key export destinations, including Asia and North America.

70 For key highlights of the year please refer to pages 70

6. Extracting additional value from specialty products – Vanadium
Due to the composition 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 low cost.

67 For key highlights of the year please refer to pages 67

STRATEGIC CONTEXT IN 2013

MARKETS AND TRENDS

EVRAZ is exposed to global steel and mining industry trends as well as to the following key regional and product markets – Russia (construction long steel market, railway product market, coking coal market), North America (construction long steel market, rail, flat rolled and tubular markets), Asia and Europe.

Key global and regional trends in steel market

Challenging economic conditions, such as economic stagnation or slow growth in developed economies, combined with global steelmaking overcapacity and expectations of slowing consumption growth in China were the major factors affecting the performance of the global steel sector in 2013. This adverse market environment was reflected in steel prices which fell in 2013.

Global crude steel production saw moderate growth of 3.1% in 2013 compared to 2012, primarily driven by strong production levels in China which resulted in 6.6% increase in Chinese output. Despite the global increase in production, global capacity utilisation rates still remain below 80% and declined by 1.0% compared to 2012. Global finished steel consumption saw modest growth of 3.6% compared to 2012 on the back of 6.1% increase in the consumption of finished steel products in China.

Russian steel demand is primarily driven by the construction and infrastructure sectors and, therefore remains highly sensitive to economic cycles. According to the latest Rosstat data, Russian GDP growth slowed considerably to 1.3% in 2013 compared to 3.4% in 2012. As a result, crude steel production declined by approximately 1 million tonnes or 1.3% compared to 2012, representing the first reduction in output since 2009.

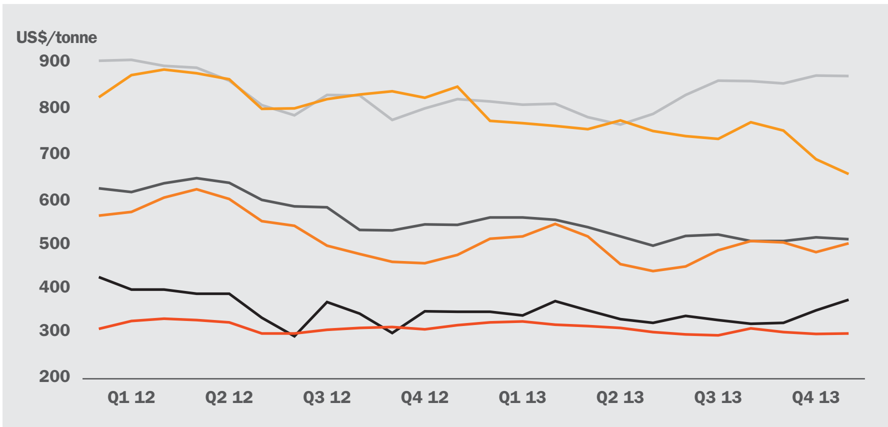
Demand for finished long products in Russia increased by 2.5% year on year according to Metall Expert. Despite the visible increase in Russian rebar consumption from the previous year (+10%, reaching 8.6 million tonnes), there was a notable decline in price levels (-10% year on year) in 2013. This was due to weaker fundamentals in the international marketplace and, as a result, higher competition from Ukrainian and Belorussian imports into Russia. Additionally, new rebar capacities were launched in Russia in H2 2013, which led to oversupply and, thus, further downward pressure on prices.

Global crude steel production and finished steel consumption growth y-o-y

Crude steel production
Finished steel consumption

Source: Worldsteel

Steel products prices



Slabs, Russia, FOB Far East
Plate, USA, domestic, ExW
Billets, FOB Black Sea
Scrap, Russia, CPT
Rebars, Moscow, Russia
Scrap, AMM Chicago Index

Source: Metall Courier, Metall Expert

The Russian steel market outlook remains uncertain as the slowdown in investment activity and manufacturing continues and GDP growth is forecast to remain below the global average in 2014.

For more information on EVRAZ's sales of steel products in Russian market please refer to page 46.

US crude steel production decreased by 2% in 2013 compared to 2012, with consumption of finished steel products declining by 0.6%.

The pricing environment marginally improved with hot rolled coil price growing by 4.2%.

Flat products experienced pricing pressure from imports and domestic suppliers of commodity grades for most of the year. High levels of competition also impacted the heat treated and specialty grades market; this pressure is likely to be sustained in 2014 with new heat treated capacity coming on line.

Oil country tubular goods (OCTG) demand shifted into alloy and premium connections from carbon grades as a result of increased horizontal drilling of longer wells accompanied by the need for high corrosion resistance materials.

Intense competition in the North American OCTG market from imports has caused pricing declines and the commoditisation of products. At the time of publication of this report the US Department of Commerce has been considering introduction of anti-dumping measures against producers from certain countries (Vietnam, Thailand, India, etc.). The final determinations by the Department of Commerce in respect of the countries involved in the anti-dumping case are due on 7 July 2014.

US steel demand is expected to grow in 2014, on the back of the improving economy and activity levels in the automotive, energy and construction sectors.

For more information on EVRAZ's sales of steel products in North American market please refer to page 59.

European crude steel production increased by 1.5% in 2013 compared to 2012, whereas consumption of finished steel products declined by 0.2%. The environment in Europe remained challenging in 2013 with activity in the important construction and automotive sectors falling resulting in an oversupply of steel.

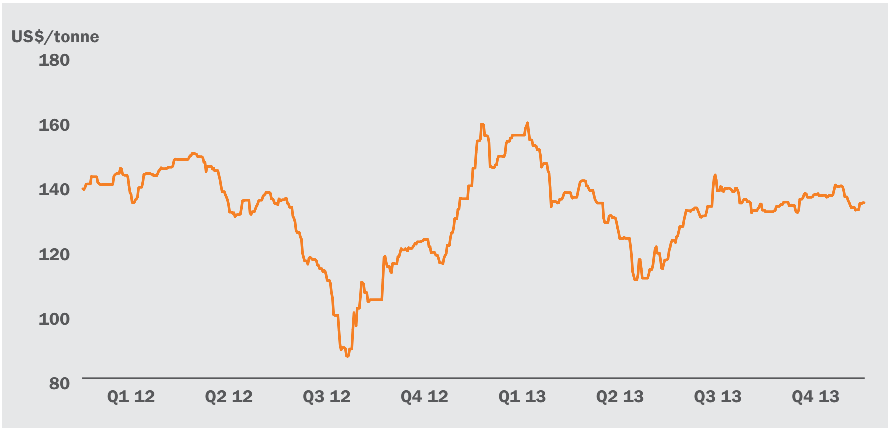
Nevertheless, leading indicators have begun to show signs of recovery. The European steel market is expected to see a gradual improvement in market environment in 2014, supported by a moderate increase in real consumption and balanced stock levels at the start of the year.

Iron ore market

Global iron ore supply grew by 6% year on year in 2013. Australia was the largest contributor to growth adding more than 90 million tonnes of new supply and recording a 17% year on year increase compared to 2012. BHP Billiton, Rio Tinto and FMG accounted for c.80% of total volume growth in Australia.

H1 2013 was characterised by strong volume expansion and subdued demand fundamentals with the benchmark price for China CFR iron ore fines (62% Fe) falling by 20% to US$110/t. In H2 2013 the re-acceleration of China's steel production as a result of government

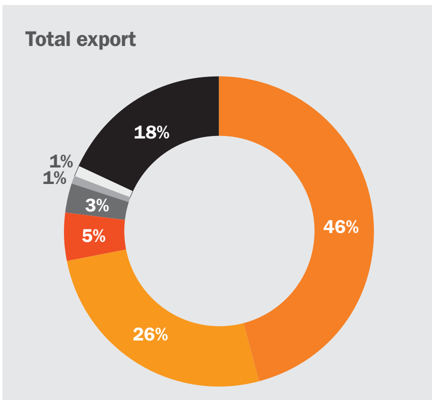
Iron ore prices

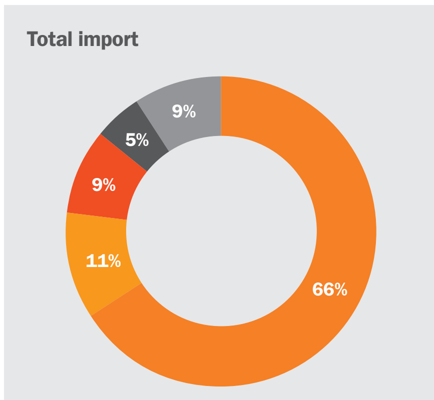


China CFR (spot, 62% Fe)

Source: Bloomberg

Iron ore export and import* breakdown by country, %





Australia
Brazil
South Africa
North America
India
EU-27
Rest of the World

China
Japan
EU-27
South Korea
Rest of the World

* Total export, total import = 1,251 mt

Source: Credit Suisse Research

MARKETS AND TRENDS

Continued

stimulus over the summer months spurred an increase in construction and infrastructure activity which accounted for the majority of underlying demand for steel. This China-driven improvement in demand fundamentals led to a trend reversing with prices peaking briefly above US$140/t in August 2013. The benchmark China CFR spot price closed at US$134/t as at 31 December 2013, marginally below the average for the year of US$135/t.

Looking ahead, iron ore supply growth will continue to play an important role in setting the market balance globally in 2014.

Prices for iron ore products in Russia reflected trends in the international markets.

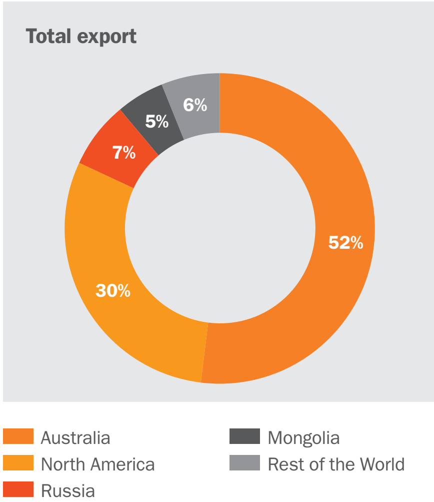
For more information on EVRAZ's iron ore sales please refer to page 53.

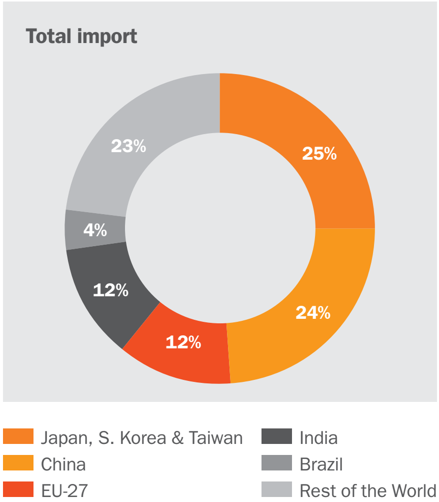
Coking coal market

In 2013, the global seaborne coking coal market remained relatively balanced with strong growth in Chinese imports offsetting supply-side expansion. The high price environment of the last 2-3 years with contract settlements in excess of US$250-300/t has created both cyclical and structural headwinds which the market is facing today. From a cyclical standpoint, high prices have incentivised a wave of large scale capacity additions from key exporting regions (e.g. Australia) and new countries (Mongolia, Mozambique). From a structural standpoint, major steelmakers were incentivised to research 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 (except Mongolia) added capacity in 2013. Total global coking coal exports increased by 8% in 2013, with the seaborne trade exceeding 310 million tonnes. Australia, which accounts for more than half of global seaborne exports, and Russia added 12% and 24% to their exports, respectively.

Coking coal export and import* breakdown by country, %





* Total export, total import = 314 mt

Source: Credit Suisse Research

China accounted for 24% of seaborne coal imports in 2013 and remained the key driver of demand growth globally, with imports increasing 38% in year on year terms to total 74 million tonnes. Japan, South Korea, Taiwan and India registered moderate growth at 3% year on year. OECD demand remained largely flat over the period, reflecting muted signs of recovery in steel/pig iron production in Europe and the US.

Continued supply-side pressure on prices became apparent during the period, with the benchmark FOB Queensland HCC spot falling by nearly 15% over the course of the year to US$136/t as at 31 December 2013. Spot price averaged US$151/t in 2013, a 22% decline compared to 2012.

In the mid to long term EVRAZ expects the global coking coal market to stay relatively balanced with the upside in coal prices coming from the cost curve support.

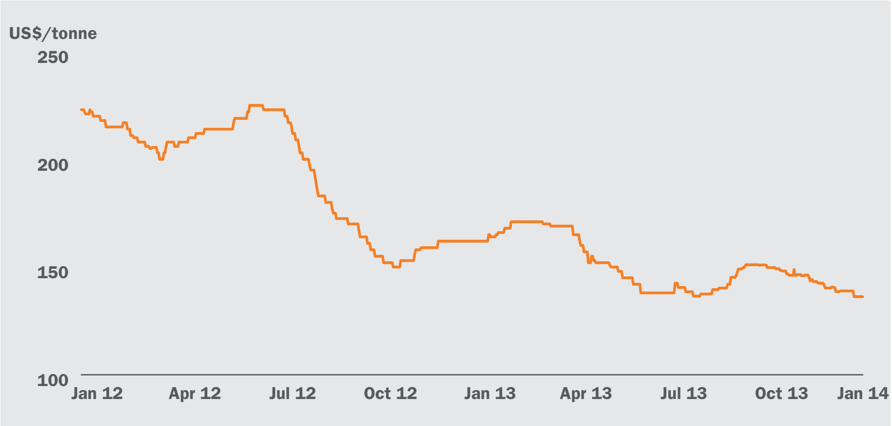
For more information on EVRAZ's sales of coking coal please refer to page 56.

Vanadium market

Global vanadium demand in 2013 was estimated at 75.6 thousand tonnes with 90% consumed by the steel industry. Vanadium supply in 2013 was estimated at 75.2 thousand tonnes with China supplying nearly half of the amount. The benchmark Europe CIF Ferrovanadium price declined by 9% over the course of the year to US$26/kg as at 31 December 2013. The average price was US$28/kg in 2013, an 11% increase compared to 2012.

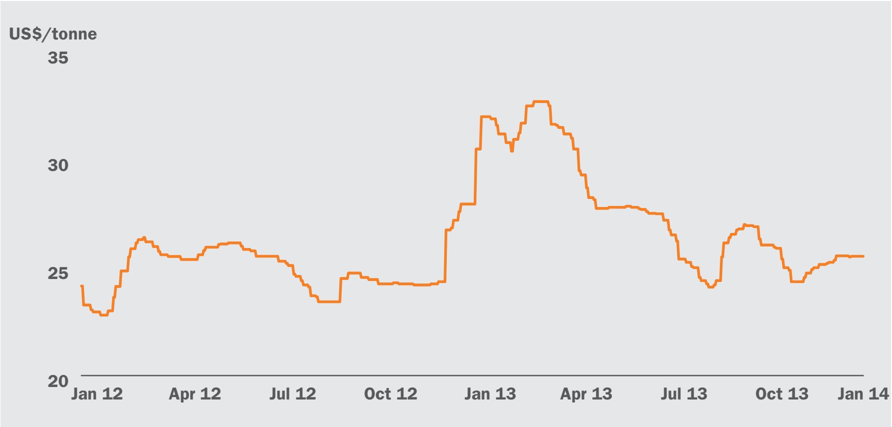
For more information on EVRAZ's sales of vanadium products please refer to page 67.

Coking coal spot prices



Queensland FOB (spot, HCC)
Source: Bloomberg

Spot prices for vanadium



CIF Europe FeV (70-80%)
Source: Bloomberg

STRATEGIC OBJECTIVE

The strategic objective of EVRAZ is to create long term value for shareholders through the efficient production of coking coal, iron ore and steel products.

The Company aims to be a low cost producer of raw materials, while in steelmaking it seeks a large scale production base of standard products increasingly extended by higher value products.

Value Drivers

These are the primary factors which strongly influence value creation and enable EVRAZ to generate positive long term returns over the economic cycle:

1. Large, long life reserves and low cost key iron ore assets which remain attractive even at conservative long term prices
2. Significant reserves of hard and semi-hard coking coal being mined in the low half of the cost curve and being in sustained demand in the Russian and export markets
3. Globally competitive and efficient Russian steelmaking operations
4. Leading market positions and full product range in the Russian construction long steel supported by the prominent distribution network
5. Global leadership in the rail market with dominant positions in Russia and the United States
6. Strong footprint in North America aligned to the region's oil & gas and railway industries.

Key strategic priorities

The strategic priorities are targeting unlocking the potential of value drivers.

Iron ore

The strategic priorities in iron ore include the cost management at EVRAZ KGOK to abate the inflationary pressures inherent to the mining industry and to preserve its low cost position through a number of operational improvement programmes. Meanwhile, the long-term viability of the operation shall be driven by the development of the Sobstvenno-Kachkanarskoe deposit that is located in the immediate proximity to the existing open pits and which has proven and probable reserves of 6.9 billion tonnes of iron ore bringing the life of mine to over 100 years. The estimated capital expenditure of the first stage of the project is US$150 million to be spent until 2018.

In 2013 the mines of Evrazruda were undergoing an important restructuring programme – while one high cost mine was closed, the Company sold another two mines, a processing plant and related infrastructure for a nominal consideration. As a result, in the medium term Evrazruda will be able to supply iron ore to EVRAZ ZSMK at costs below anticipated market prices.

Timir iron ore partnership with the mineral reserve base of 911 million tonnes of iron ore at Taezhnoe deposit under the Russian classification is envisaged to replace the depleting reserves of Evrazruda in the long run and become an anchor supplier to EVRAZ ZSMK. The plans for Timir include the development by open pit of the Taezhnoye deposit located close to the existing infrastructure – a railroad, power grid and a paved road, having an estimated capacity of 3 million tonnes of pre-enriched iron ore concentrate per annum. The Company envisages the delivery of the iron ore to the existing Abagur processing facility with currently estimated cash costs of US$35 per tonne on ex-works basis. The estimated capital expenditure of the first stage of the project is US$180 million to be spent until 2017.

Coking coal

The acquisition of the controlling interest in the Raspadskaya coal company completed in January 2013 for US$964 million settled in cash and new equity of EVRAZ marks an important step in the coal strategy of the Company. The Company believes that the acquisition of Raspadskaya was made at low point of the commodity cycle while understanding how to create shareholder value even at the lowest coking coal forward pricing curve, as c.24% of the volumes of Raspadskaya are consumed intragroup forming the anchor demand. To secure the benefits of this exceptional investment EVRAZ is focused on returning Raspadskaya's operations to full annual capacity of 10-11 million tonnes with estimated capex of US$11 per tonne. EVRAZ also benefits from the broad customer base of Raspadskaya and has been consolidating its sales and marketing experience, in particular with a view of expanding EVRAZ's position in export coal markets. As production and sales volumes increase, Raspadskaya's rouble-denominated cost of production are expected to decrease, helping secure Raspadskaya's and EVRAZ's low cost position in the coking coal business in the future. In 2014 and 2015, as the Company will have to bear the costs of delivering on the commitment to enhance production and establishing a more prominent place in export markets, in particular in Asian-Pacific region, EVRAZ expects, at the current near term horizon forward curve pricing, Raspadskaya to be marginally free cash flow negative or breakeven. The management is confident, however, that in the medium to long term Raspadskaya will be a significant value driver.

At the legacy coking coal operations, the Company is focused on growing output at the new and promising mines, such as the Yerunakovskaya VIII and closing structurally unprofitable mines, e.g. the Abashevskaya mine. While the overall coking coal output at Yuzhkuzbassugol is to remain broadly flat going forward, the Company intends to benefit from an improved cost position.

Given the current tough coking coal market, EVRAZ decided to proceed only with the first stage of the Mezhegey project, with estimated investment capex of US$207 million to be spent in 2012–2015.

Steel

EVRAZ benefits from a globally competitive, low cost Russian steelmaking business which remains attractive even at conservative long term prices. EVRAZ NTMK steel mill has a high value added product mix, with exposure both to the Russian construction market (e.g. premium beam production), railway market (e.g. locomotive railway wheels) and export high quality slab market (e.g. API certified slab capacity), while EVRAZ ZSMK is the easternmost integrated steel mill in Russia with capacity to produce high value added products (premium rails). The strong positions of the Company in the Russian construction market are underpinned by a proprietary leading domestic steel distribution network.

Following the 2013 launch of the modernised rail mill at EVRAZ ZSMK production capacity has increased to 950,000 tonnes of premium rails such as the 100 metre head hardened rails for the high speed trains of Russian Railways and the new Asian and American markets. The new rails have been certified by the Russian authorities which paves the way for the beginning of commercial sales not only in Russia, but also to customers in the CIS. The first batches of head hardened rails have already been delivered to the Russian Railways.

Alexander Kuznetsov
Vice President, Strategic Development and Operational Planning

What is the reason and approach for the asset optimisation?

The economic and market environment both globally and in our key markets has changed dramatically over the course of 2012 and 2013. The shift in long term trends calls for optimisation of our asset base to improve our cash flow generation. At first we identified assets which under current environment generate losses or have no growth prospects for EVRAZ, then we analysed whether we can realise a turnaround plan for such an asset. If the answer was positive and estimated returns were meeting our requirements we considered the plan, if no we put the asset on sale. If sale was not successful we shut down the asset.

Do you have a plan of divestments?

We have a strong and balanced portfolio of core operations that has been established over the years as far as our key assets are concerned. So, we are very careful in our disposals. According to the optimisation plan we completed divestment of EVRAZ Vitkovice Steel, Evrazruda's Abakan and Teya iron ore mines, Mundybashsky processing plant and related infrastructure, Yuzhkuzbassugol's Yubileynaya, Kazankovskaya and Gramoteinskaya coal mines, EVRAZ VGOK iron ore plant heat and power generating facility, Tsentralnaya TETs. So I think that our main target at the moment is to dispose of EVRAZ Highveld Steel and Vanadium.

EVRAZ NTMK sustainably improved its profitability in 2013 as a result of successful implementation of the PCI technology followed by the reduction of steelmaking costs by US$7 per tonne. Based on this positive experience the Company is adopting the PCI technology at the second steelmaking plant in Russia, EVRAZ ZSMK, despite some delays. The commissioning is expected in the second half of 2014.

The Company is approaching the commissioning of the Vostochny rolling mill in Kazakhstan which is expected to produce up to 200,000 tonnes of rebars in 2014 and reach its nameplate capacity of 450,000 tonnes per annum of products serving strong demand in Central Asian markets. Among the advantages of the new rolling mill is its technological link with EVRAZ ZSMK which will supply billets to be re-rolled at the Vostochny mill.

EVRAZ also has a strong footprint in North America aligned to the region's oil & gas and railway industries. In North America the Company is focusing on the productivity enhancement programmes that aim to protect and expand market positions in the western part of the USA and Canada. The key projects include the organic growth at the EVRAZ Pueblo rail mill by 10% to 526,000 tonnes of rails per annum; an expansion of premium threading and yield improvement initiatives.

Vanadium

EVRAZ will continue focusing on strengthening of its leading positions on the global vanadium market being underpinned by the vast mineral resource base and ability to extract vanadium as a by-product from steel operations at low costs.

Summary of disposals, shutdowns and suspensions

In 2013, as part of a wider plan on cost cutting EVRAZ elaborated the action plan for assets that have become economically inefficient and structurally loss making in the current market environment. The key target of the action plan was to eliminate losses from these operations. The Company disposed certain assets, including EVRAZ VGOK; Abakan and Teya mines with related infrastructure and processing plant; Tsentralnaya TETs, etc. for either a nominal or small cash consideration. At the same time some of the assets were suspended (EVRAZ Claymont Steel) or closed such as Irba iron ore mine, the plate rolling mill at EVRAZ ZSMK and currently in-progress shutdown of the Abashevskaya coal mine.

EVRAZ Palini e Bertoli mill was temporarily suspended with a view to releasing c. US$60 million working capital in an environment of squeezed spreads between finished flat rolled steel products and semis in the European market. In the future, the Company will consider the restarting of operations subject to market conditions.

Following an extensive analysis of strategic options in the end of 2012 EVRAZ decided to sell EVRAZ Vitkovice Steel as there are limited strategic growth options for this asset within the group. In April 2014 the Company successfully closed the sale for consideration of US$89 million adjustable for the actual level of the working capital. In addition the buyers have assumed US$198 million of EVRAZ Vitkovice Steel's debt liabilities, including the repayment of US$128 million of EVRAZ's inter-company debt.

Links

The KPIs of the Company on page 22 show how the Company has performed against the strategic objective and priorities:

- cash costs of production and inventory turnover are indicative of efficiency of the operations;
- EBITDA and sales volumes are reflecting the growth projects;
- LTIFR and environmental non-compliance represent the degree of success of HSE policy.

The Business Model on pages 14 – 15 highlights where each of the value drivers fits into the business.

The Chief Executive Officer's Review on pages 10 – 13 provides details of progress with these objectives, describes how the Company has positioned itself during the year.

The Strategic Context on pages 16 – 19 helps to position these objectives in the current global economic environment.

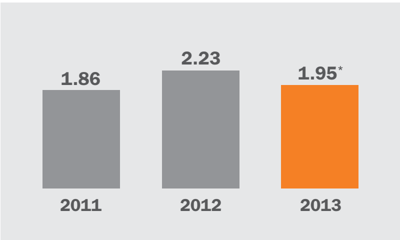
Summary of disposals, shutdowns and suspensions

Disposal	Shutdown	Suspension
EVRAZ VGOK iron ore plant	Evrazruda's Irba iron ore mine	EVRAZ Palini e Bertoli
Evrazruda's Abakan and Teya iron ore mines, Mundybashsky processing plant and related infrastructure	Plate rolling mill at EVRAZ ZSMK	EVRAZ Claymont Steel
Yuzhkuzbassugol's Yubileynaya and Kazankovskaya coal mines		
Tsentralnaya TETs	Yuzhkuzbassugol's Abashevskaya coal mine	
EVRAZ Vitkovice Steel		

KEY PERFORMANCE INDICATORS

EVRAZ measures the overall progress using eight key performance indicators.

LTIFR (per million hours)



1.95
-12.6%

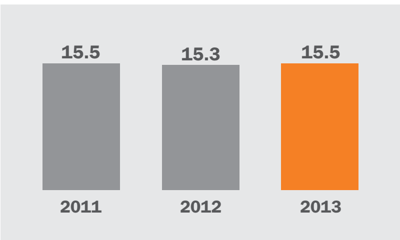
The Lost Time Injury Frequency Rate (LTIFR) represents the number of Lost Time Injuries (LTI's) that occurred over a period time per 1,000,000 hours worked in that period. Fatalities are excluded from LTIFR and amounted to 18 casualties in 2013 vs. 25 in 2012. Management remains committed to the zero fatality target.

The measurement of performance enables the Company to identify and manage issues.

Detailed information of HSE performance is provided in the Corporate Social Responsibility report on pages 35 – 41.

* LTIFR excludes fatalities. It will be the new standard from 2014 forward not to include fatalities in the LTI/FR numbers according to the World Steel Association practices.

Steel Sales Volumes (million tonnes)



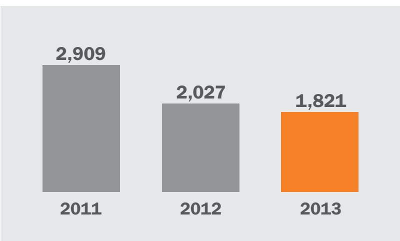
15.5
+1.3%

EVRAZ measures total steel sales in millions of tonnes, combining all types of steel products which are produced around the world.

Steel sales are the most significant contributor to the Company's consolidated revenue. The sales volumes of steel products depend on both market conditions and operational factors.

Detailed information on key factors that affected the Company's sales volumes is provided in the Business Review section on pages 44 – 71.

EBITDA (US$ million)



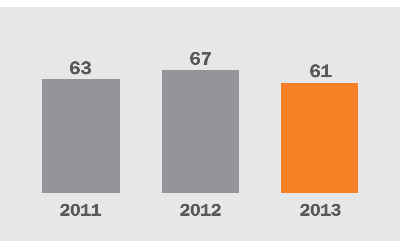
1,821
-10.2%

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

Detailed information on the financial performance is provided in the Financial Review section on pages 28 – 34.

Inventory Turnover (days)



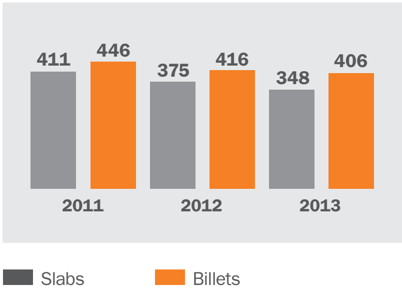
61
-9.0%

Inventory turnover is the average number of days required to manufacture and sell inventory.

Inventory turnover is calculated by dividing average quarterly inventory balances for the reported year by the cost of goods sold and multiplied by 365.

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

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



-7.2%
Slabs

-2.4%
Billets

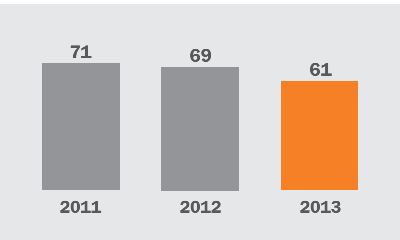
Defined as the production cost less depreciation and the result is divided by production volumes of saleable steel semi-products.

Raw materials from EVRAZ's mining segment are accounted for on an at-cost-basis.

EVRAZ considers cost leadership as key to its competitive advantage.

The introduction of the PCI technology at EVRAZ NTMK (described on pages 46) contributed to the reduction of cash costs of the Russian steel mills in 2013.

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



61
-11.6%

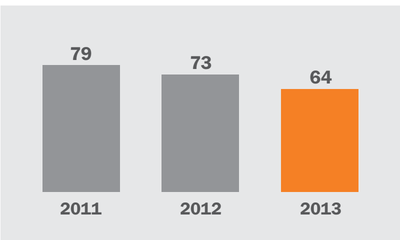
Defined as the cost of revenues and SG&A expenses less depreciation and other non-cash items, the result is divided by sales volumes.

Adjustments are made for iron ore products containing various grades of Fe (pellets, sinter, iron ore concentrate) to reflect an average Fe content of 58%. Cash costs are on an EXW basis.

The Company uses cash cost as a measure, because EVRAZ considers cost leadership as key to its competitive advantage.

The asset optimisation programme in iron ore, including the disposal of EVRAZ VGOK, Abakan and Teya mines of Evrazruda and the shutdown of Irba mine (described on pages 51 – 53) contributed to the reduction of cash costs of the Russian iron ore business in 2013.

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



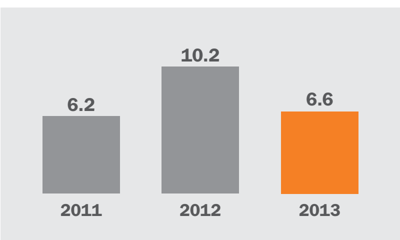
64
-12.3%

Defined as the production cost less depreciation, the result is divided by production volumes.

The Company uses cash cost as a measure, because EVRAZ considers cost leadership as key to its competitive advantage.

The consolidation of the Raspadskaya coal company, growth of coal production both at Yuzhkuzbassugol and the Raspadskaya coal company (described on pages 56 – 58) contributed to the reduction of cash costs of the coking coal business in 2013.

Environmental Non-compliance (US$ million)



6.6
-35.3%

The Company records all environmental incidents at operations to measure compliance with environmental standards covering: water discharges, air emissions, waste, and general work activity.

This KPI sets out the total sum of accrued environmental levies (taxes) for the impact caused in excess of established standards and penalties/claims accepted for payment.

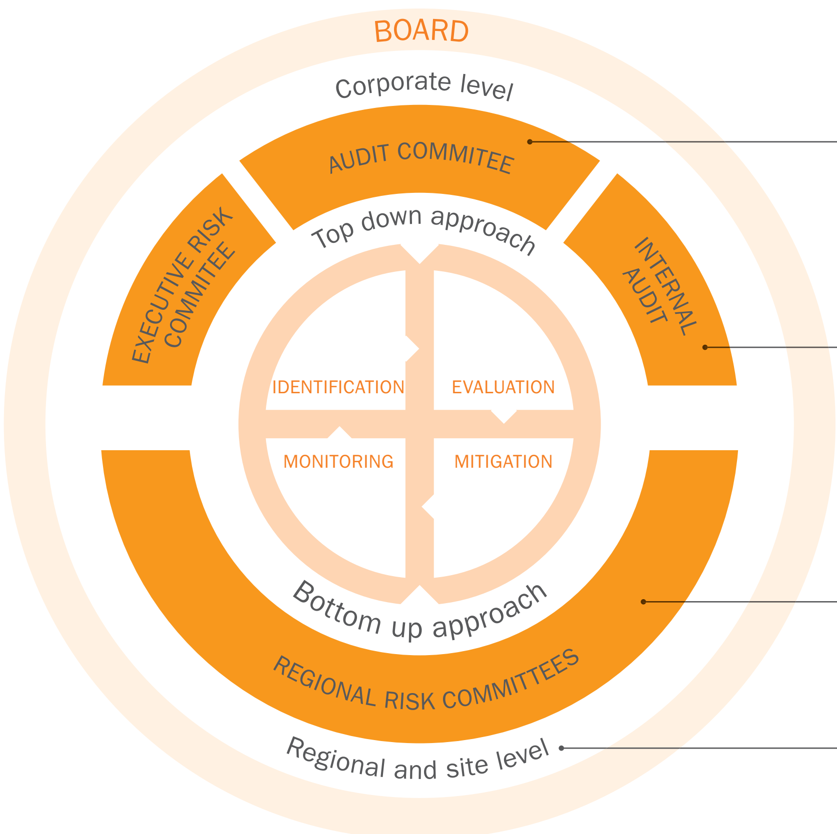
EVRAZ is committed to minimising its impacts upon the environment and has a target of achieving zero environmental incidents.

PRINCIPAL RISKS AND UNCERTAINTIES

Like all businesses, EVRAZ is affected by, and must manage, risks and uncertainties that can impact its ability to deliver its strategy. While the risks can be numerous, the principal risks faced by the Group as identified by the Board are described below along with the corresponding mitigating actions and changes in the risk level during the year.

To date the Group has not been significantly impacted by recent geopolitical developments relating to Ukraine. There is a risk, however, that, if these events were to escalate, there could be an impact on EVRAZ's operations in the country (EVRAZ generated 7% of consolidated revenue from its Ukrainian business). In addition, EVRAZ may be affected by government sanctions if they are broadened from the current level.

Risk Management System



Reviews the effectiveness of risk management and internal controls systems. Supports the Board in monitoring risk exposure against risk appetite.

Supports the Audit Committee in reviewing the effectiveness of the risk management and internal controls systems.

Support the Executive Risk Committee in reviewing and monitoring effectiveness of risk management.

Promoting risk awareness and safety culture.

Risks

Risk	Risk description	Trend of the risk 2012–2013 and Mitigations
Global economic factors, industry conditions and cost effectiveness	EVRAZ Steel, Mining and Vanadium operations are highly dependent and sensitive to the global macroeconomic environment, economic and industry conditions, eg global supply/demand balance for steel and particularly for iron ore and coking coal which has the potential to significantly affect both product prices and volumes across domestic and export markets. As EVRAZ's operations have a high level of fixed costs, global economic and industry conditions can impact the Company's operational performance and liquidity.	Risk direction: ▲ EVRAZ has a focused investment policy aimed at reducing and managing the cost base with the objective of being among the sector's lowest cost producers. For further information please refer to the Strategic market context section of the Strategic report on pages 16 – 19.
Health, safety and environmental (HSE) issues	Safety and environmental risks are inherent to the Company's principal business activities of steelmaking and mining. Further, EVRAZ operations are subject to a wide range of HSE laws, regulations and standards, the breach of any of which may result in fines, penalties or other sanctions. Such actions could have a material adverse effect on the Company's business, financial condition and business prospects.	Risk direction: ◀▶ HSE issues have direct oversight at Board level and HSE procedures and material issues are given top priority at all internal management level meetings. Management KPIs include a material factor for safety performance. EVRAZ has instigated a programme to improve the management of safety risks across all business units with the objective of embedding a new safety, harm-free culture at all management and operational levels. Safety training has been reviewed and strengthened and an operational safety assessment is undertaken for all new projects. For further information please refer to the Corporate Social Responsibility report on pages 35 – 41.
Dependency on certain key markets	The Company's profitability is highly dependent on limited geographical markets, i.e. 43% of EVRAZ revenues are derived from Russia, and 22% from North America and also dependent on the mix between semi-finished and finished steel products.	Risk direction: ◀▶ The strategic risks and opportunities within these regions are regularly reviewed, including consideration of the quality and nature of the Company's product portfolio, relative cost effectiveness and the sustainability of industry sector market positioning together with effective in-house (EVRAZ Metall Inprom) and external distribution networks. For further information please refer to the respective sections of the Business Review on pages 44 – 71.
Capital projects and expenditure	EVRAZ's maintenance and development capital expenditure, in addition to capital expenditure focused on improving the Company's cost effectiveness, is aligned to the Company's and external market expectations for each particular project and to maximise levels of investment returns. Economic issues outside those factored into the Company's business plans including regulatory approvals, may negatively impact the Company's anticipated free cash flow and cause certain elements of the planned capital expenditure to be re-phased, deferred or abandoned with consequential impact on the Company's planned future performance.	Risk direction: ◀▶ Project delivery is closely monitored against project plans resulting in high level action to manage project investment both for timely delivery and for planned project expenditure. In the course of 2013 the Company revisited key assumptions of the main investment projects and performed scenario analysis, which resulted in the suspension and/or postponement of certain projects. For further information please refer to the Strategic Report on pages 11 and 21.

PRINCIPAL RISKS AND UNCERTAINTIES

Continued

Risks

Risk	Risk description	Trend of the risk 2012–2013 and Mitigations
Human Resources (HR)	The principal HR risk is the quality and availability of critical operational and business skills of EVRAZ management and employees, particularly in certain regions and for particular business units, eg mining professionals including engineers, mining experts and project managers. Associated risks involve selection, recruitment, training and retention of employees and qualified executives. There is also a risk of employee union action. Union relations are largely stable, although the Company had a short-lived labour action at its vanadium operations in South Africa in 2013, and an extended period of negotiations with certain labour unions in Russia. As a result of HR risks, the Company's growth plans might be jeopardised.	Risk direction: ◀▶ Succession planning is a key feature of EVRAZ's human resources management. EVRAZ seeks to meet its leadership and skill needs through retention of its employees, internal promotion, structured professional internal mentoring and external development programmes. For further information please refer to the Corporate Social Responsibility report on pages 35 – 41.
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 and regulations, or otherwise impact the Company's operations. New laws, regulations or other requirements could have the effect of limiting the Company's ability to obtain financing in international markets, or selling its products.	Risk direction: ▲ Although these risks are mostly not within the Company's control, 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.
Business Interruption	Prolonged outages or production delays, especially in coal mining, could have a material adverse effect on the Company's operating performance, production, financial condition and future prospects. In addition, long term business interruption may result in loss of customers, competitive advantage being compromised and damage to the Company's reputation	Risk direction: ▲ The Company has defined and established business continuity plans, procedures and protocols which are subject to regular review and audit of their appropriateness and effectiveness. The Company carries certain business interruption insurance, except for particular mining events. Business interruptions in mining mainly relate to production safety. Measures to mitigate these risks include methane monitoring and degassing systems, timely mining equipment maintenance, employee safety training. In 2013 EVRAZ had to suspend mining works at the Raspadskaya underground mine in May-July due to increased levels of carbon monoxide. A set of safety measures was undertaken in order to alleviate the causes of hazards. For further information please refer to the Coal section of the Business Review on pages 54 – 58.

Risks

Risk	Risk description	Trend of the risk 2012–2013 and Mitigations
Treasury	EVRAZ, as with many other large and multi-national corporates, faces various treasury risks including liquidity, credit access, currency fluctuations, and interest rate and tax compliance risks.	Risk direction: ◀▶ EVRAZ employs skilled specialists to manage and mitigate such risks and the management of such risks is embedded in internal controls. Oversight of the key risks is reported within the monthly Board reports and by the review of compliance of such internal controls by a management independent internal audit function, which reports to the Audit Committee on a monthly basis. In 2013 EVRAZ undertook certain actions in order to extend the debt maturity profile and lower short term external funding needs, i.e. through issuing US$1,000 million Eurobonds due in 2020, as well as. proactively managing the remaining portion of debt subject to maintenance covenants. The EVRAZ Treasury management team and the directors regularly and pro-actively review all funding requirements and exposures. For further information please refer to the Financial Review on pages 28 – 34.
Taxation	EVRAZ operates in various jurisdictions, and changes to national tax laws, including those which could be adopted based on recommendations by international organisations (eg OECD's BEPS project etc) are not within management's control. Russian tax legislation is developing and undergoes frequent changes; tax law enforcement is subject to varying interpretations. Management's interpretation of such legislation may be challenged by the relevant regional and federal authorities, which could adversely affect the financial position of EVRAZ's Russian subsidiaries, despite any planning efforts.	Risk direction: ▲ EVRAZ has a taxation control function which monitors planned changes to tax laws, analyses their impact on EVRAZ's operations and reports them to the Company's management on a quarterly basis. Management's possible actions to address tax challenges include making provisions (if applicable) in the financial statements; implementing if necessary, changes to the Company's organisational structure and adjustments to cash flow structure.

FINANCIAL REVIEW

Giacomo Baizini

"Management's focus on the cost optimisation, disposal and closure of structurally unprofitable assets and free cash flow generation to achieve the debt reduction started to bear the fruits in 2013. Despite challenging market environment, we managed to decrease the cost of revenue, achieve solid positive free cash flow and demonstrate healthy debt management results."

Overview

As a result of the challenging conditions in the market for steel and steelmaking raw materials, the Company recorded a net loss of US$572 million for 2013, compared to a net loss of US$425 million in 2012. Falling prices in 2013 caused revenue to decline by 2.1% to US$14,411 million; consequently EBITDA decreased by 10% to US$1,821 million.

Free cash flow for the period was positive at US$458 million, however net debt increased by 2.5% to $6,534 million, as a result of the consolidation of Raspadskaya's debt. As of today we have no debt with maintenance covenants that require testing prior to 30 June 2014. For details please refer to page 34.

As of 31 December 2013, the Company's cash and short-term deposits amounted to US$1,611 million, compared to short-term debt of US$1,893 million[1]. The Company has already started to work on refinancing the major maturities due in the second half of 2014.

Corporate developments

In January 2013, we completed the acquisition of a controlling interest in the Raspadskaya coal company for US$964 million, a transaction which was primarily financed by equity accompanied by a US$202 million cash component payable in equal quarterly instalments ending on 15 January 2014.

In addition, in April 2013 we acquired a 51% stake in Timir, a joint-venture with Alrosa (the shareholder agreement gives joint control), created for the development of major iron ore deposits in Yakutia, Russia, for RUB4,950 million (ca. US$159 million) payable in quarterly instalments until 15 July 2014.

In 2013, in line with our mining asset optimisation programme, we disposed of EVRAZ VGOK iron ore and processing plant for a US$20 million cash consideration; of a number of Evrazruda's iron ore assets and utilities companies for a total cash consideration of approximately US$306,000; and of the Gramoteinskaya thermal coal mine for a RUB10,000 cash consideration.

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 2013, and include US$35 million of cash and cash equivalents and US$78 million of debt (including US$76 million of short-term debt).

As part of a strategic realignment of our asset base, the Group was proceeding with disposals of EVRAZ Highveld Steel and Vanadium and the EVRAZ Vitkovice Steel operations initiated at the end of 2012. Accordingly these assets continued to be accounted for as assets held for sale at the end of the year. The Company completed the sale of EVRAZ Vitkovice Steel on 3 April 2014 for a consideration of US$89 million adjustable for the actual level of the working capital. In addition the buyers assumed US$198 million of debt liabilities, including the repayment of US$128 million of EVRAZ's inter-company debt. The sale of EVRAZ Highveld Steel and Vanadium is expected to be completed in 2014.

In addition, in 2013 the Company suspended operations at EVRAZ Claymont Steel and EVRAZ Palini e Bertoli, which had a certain impact on our financial results.

Statement of operations

Group revenues for 2013 decreased by 2.1% to US$14,411 million, with revenues from the Group's steel segment amounting to US$12,541 million or 87% of total Group's revenue.

Steel sales volumes slightly increased to 15.5 million tones compared to 15.3 million tonnes in 2012. The decline in revenues was largely due to a decrease in prices, in line with the general negative trend in steel pricing. Average Steel segment revenue per tonne decreased by 8.6% in 2013 compared to 2012 reflecting weak market environment.

Steel revenues were also impacted by changes in the Group's product mix during 2013 due to the suspension of operations of EVRAZ Claymont Steel and EVRAZ Palini e Bertoli and closure of EVRAZ ZSMK plate rolling mill. While sales volumes of flat-rolled steel products declined, a part of semi-finished production was switched from internal consumption to external sales.

Mining revenues increased by 17.7% to US$3,120 million in the period, compared to US$2,650 million in 2012. The growth in revenues was primarily the result of the consolidation of Raspadskaya.

Steel segment EBITDA in 2013 is slightly lower than in 2012 as a result of declining prices for all steel products all over the world, partly offset by lower raw material prices.

Revenues

(US$ million)

Segment	2013	2012	Change	Relative Change
Steel	12,541	13,543	(1,002)	(7.4)%
Mining	3,120	2,650	470	17.7%
Vanadium	550	520	30	5.8%
Other operations	928	1,046	(118)	(11.3)%
Eliminations	(2,728)	(3,033)	305	(10.1)%
Total	**14,411**	**14,726**	**(315)**	(2.1)%

Revenue by region

(US$ million)

Region	2013	2012	Change	Relative Change
Russia	6,136	6,191	(55)	(0.9)%
Americas	3,242	3,571	(329)	(9.2)%
Asia	2,062	2,115	(53)	(2.5)%
Europe	1,385	1,450	(65)	(4.5)%
CIS	1,175	996	179	18.0%
Africa	404	397	7	1.8%
Rest of the world	7	6	1	16.7%
Total	**14,411**	**14,726**	**(315)**	(2.1)%

EBITDA

(US$ million)

Segment	2013	2012	Change	Relative Change
Steel	1,329	1,338	(9)	(0.7%)
Mining	646	625	21	3.4%
Vanadium	19	(19)	38	(200.0%)
Other operations	110	189	(79)	(41.8%)
Unallocated	(226)	(199)	(27)	13.6%
Eliminations	(57)	93	(150)	(161.3%)
Total	**1,821**	**2,027**	**(206)**	(10.2%)

FINANCIAL REVIEW

Continued

Cost of revenues, expenses and results

(US$ million)

Item	2013	2012	Change	Relative Change
Cost of revenue	**(11,468)**	**(11,803)**	**335**	**(2.8%)**
Gross profit	**2,943**	**2,923**	**20**	**0.7%**
Selling and distribution costs	(1,183)	(1,211)	28	(2.3%)
General and administrative expenses	(877)	(839)	(38)	4.5%
Impairment of assets	(446)	(413)	(33)	8.0%
Foreign exchange gains/(losses), net	(258)	(41)	(217)	529.3%
Other operating income and expenses, net	(160)	(161)	1	(0.6%)
Profit from operations	**19**	**258**	**(239)**	**(92.6%)**
Interest expense, net	(676)	(631)	(45)	7.1%
Gain/(loss) on financial assets and liabilities, net	(43)	164	(207)	(126.2%)
Gain on disposal group classified as held for sale, net	(25)	18	(43)	(238.9%)
Other non-operating gains/(losses), net	112	(5)	117	n/a
Loss before tax	**(613)**	**(196)**	**(417)**	**212.8%**
Income tax benefit/(expense)	41	(229)	270	n/a
Net loss	**(572)**	**(425)**	**(147)**	**34.6%**

Mining EBITDA was positively impacted by additional coking coal sales volumes, contributed by the consolidation of Raspadskaya. This factor was partly offset by falling prices for coal and iron ore products.

The increase in Vanadium EBITDA largely reflected the recovery in prices of vanadium in alloys and chemicals.

The decrease in the Other operations segment EBITDA is mainly attributable to the disposal of our transportation subsidiary EvrazTrans at the end of 2012.

Eliminations mostly reflect unrealised profits or losses of the mining segment in transactions with the subsidiaries relating to the Steel segment. In 2012, the amounts were positive due to high levels of intersegment inventory at the end of 2011 which were realised during the year. In 2013, there was an increase in the balances of steel products which included higher margins of mining subsidiaries, and this led to a deduction from the sum total of all segments EBITDA to arrive at the realised consolidated EBITDA.

The Group's cost of revenue decreased by 2.8% to US$11,468 million in 2013 compared with US$11,803 million in 2012. This was mostly due to a 12% fall in raw material costs and a 16% reduction in depreciation charges which, in turn, were partially offset by higher staff costs and services purchased.

The consolidation of Raspadskaya in 2013 added US$463 million to cost of revenues, while decreasing the expense on coking coal by US$93 million.

The cost of raw materials, the largest single cost item, decreased by US$487 million in 2013 driven mostly by lower coking coal and scrap costs which fell by US$388 million and US$237 million respectively. This decrease was partially offset by an increase in iron ore costs by US$106 million mainly due to lower intragroup sales resulting from the EVRAZ VGOK disposal in September 2013 and closure of the Irba mine at Evrazruda. The reduction in coking coal costs in 2013 was attributable to reduction in the price of purchased coking coal, consolidation of Raspadskaya (US$93 million) and lower volumes of coking coal purchased from the market following the disposal of the Ukrainian coking plant DKHZ in 2012 (US$84 million). A decrease in scrap costs was primarily due to lower volumes of purchases from third parties in North America, in addition to lower prices in Russia and North America. EVRAZ has also implemented operational improvement plans that resulted in optimisation of yields at the Russian steel mills.

The costs for semi-finished products fell by 6% primarily due to lower prices and lower consumption of pig iron by EVRAZ Vitkovice Steel as a result of lower production volumes.

Auxiliary material costs increased by 4%, or US$44 million, due to the consolidation of Raspadskaya, which accounted for US$115 million of additional costs, which was offset primarily by the effect from cost optimisation programmes.

Expenditure on services increased by 11%, or US$70 million, primarily as a result of the consolidation of Raspadskaya which added US$38 million and higher volumes of coal processed at third party coal washing facilities which increased costs by US$33 million.

The cost of goods for resale increased by 4%, or by US$26 million. The increase of US$36 million is due to the purchase by EVRAZ Metal Inprom, the Company's retail trading arm, of more third party products to meet customer demand.

Breakdown of the cost of revenue

(US$ million)

Item	2013	% of revenue	2012*	% of revenue	Change	Relative change
Revenue	**14,411**		**14,726**		**(315)**	**(2)%**
Cost of revenue	11,468	80%	11,803	80%	(335)	(3%)
Raw materials, incl.	3,539	25%	4,026	27%	(487)	(12%)
Iron ore	787	6%	681	5%	106	16%
Coking coal	640	4%	1,028	7%	(388)	(38%)
Scrap	1,333	9%	1,570	11%	(237)	(15%)
Other raw materials	779	6%	747	4%	32	4%
Semi-finished products	456	3%	485	3%	(29)	(6%)
Auxiliary materials	1,027	7%	983	7%	44	4%
Services	736	5%	666	5%	70	11%
Goods for resale	678	5%	652	4%	26	4%
Transportation	836	6%	787	5%	49	6%
Staff costs	1,940	13%	1,743	12%	197	11%
Depreciation	919	6%	1,100	7%	(181)	(16%)
Electricity	633	4%	574	4%	59	10%
Natural gas	405	3%	416	3%	(11)	(3%)
Other costs	299	3%	371	3%	(72)	(19%)

Transportation costs increased by 6%, or by US$49 million, due to the consolidation of Raspadskaya which added US$45 million in costs.

Staff costs increased by 11%, or by US$197 million, due to the consolidation of Raspadskaya, which was responsible for US$133 million of the rise, and higher wages at the Group's ongoing operations, which rose in accordance with collective bargaining agreements. The increase in staff costs was partially offset by the personnel optimisation programme.

Total depreciation, depletion and amortisation in cost of goods sold amounted to US$919 million in 2013 compared to US$1,100 million in 2012. The depletion charge was significantly reduced in 2013 compared to 2012, from US$467 million to US$194 million despite a US$32 million charge due to the Raspadskaya acquisition in January 2013. The decrease in the depletion expense was caused by the revision and detailing of mining plans as part of the independent JORC valuations performed during the year. The overall mining plans for ore bodies with extraction plans going beyond 40-100 years were disaggregated into separate components of proved and probable reserves that are excluded from the calculation of the depletion charge until actual production begins. This resulted in a better matching of the current depletion charge with the estimated costs of extraction. The decrease was partially offset by consolidation of Raspadskaya (US$109 million).

Electricity costs increased by 10%, or by US$59 million, due to higher electricity prices across all regions and higher consumption of electricity by Russian operations, partially compensated by implementation of operational improvements. Natural gas expenditure, on the contrary, decreased by 3%, or by US$11 million due to operational improvements resulting in reduced consumption of gas by the Russian and Ukrainian operations, including lower consumption at EVRAZ NTMK following the implementation of the PCI technology.

Other costs include taxes, change in WIP and finished goods, and minor items of energy costs.

The decrease in other costs in 2013 by 19% is mostly driven by increase in stock of WIP and finished goods.

Selling and distribution expenses were 2.3% lower than in 2012 mainly due to suspension of amortisation of intangibles for assets classified as held for sale and the lower volumes of long distance sales that were partially offset by Raspadskaya consolidation.

General and administrative expenses were 4.5% higher than in 2012 mainly due to Raspadskaya consolidation (which accounted for 6.6% of total general and administrative expenses for 2013) that was partially offset by disposal of EVRAZ VGOK in October 2013 and reduction of expenses at Evrazruda and EVRAZ Highveld Steel and Vanadium as a result of significant cost saving initiatives.

* There are some differences in figures for 2012 published in the previous annual report due to adjustments in pension liability accruals and minor corrections of intersegment eliminations before cost items.

FINANCIAL REVIEW

Continued

Impairment loss of US$446 million consisted mostly of a US$326 million impairment of assets of EVRAZ Claymont Steel suspended due to soft demand in the market and US$96 million relating to several mines of Yuzhkuzbassugol, where the production plans were revised, and other mines of Yuzhkuzbassugol (Kusheyakovskaya, Abashevskaya and Gramoteinskaya) standing idle.

Foreign exchange losses increased from a US$41 million loss in 2012 to a US$258 million loss in 2013. This, in large part, is due to the currency fluctuations in respect of intra-group debts between subsidiaries with different functional currencies. Since there is no IFRS concept of a Group's functional currency, gains/(losses) of one subsidiary recognised in the Statement of Operations are not offset with the exchange differences of another subsidiary with a different functional currency and thus these amounts cannot be eliminated on a consolidated level.

Interest expenses incurred by the Group have fallen steadily over the last two years as a result of the refinancing of debt at lower interest rates on a comparative basis. The increase in interest expenses from US$654 million in 2012 to US$699 million in 2013 is mostly caused by the consolidation of Raspadskaya (US$42 million).

In accordance with IFRS 3 "Business Combinations" with regard to a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in the income statement. In 2013 the Group recorded a US$89 million gain on derecognition of the equity interest related to Raspadskaya ($94 million) and MediaHolding Provincia ($5 million loss) held before the business combinations.

Losses on financial assets and liabilities amounted to US$43 million and comprised mostly unrealised losses of US$106 million and realised gains of $51 million on the change in the fair value of derivatives – currency and interest rate swaps for the rouble-denominated bonds.

The Company had an income tax benefit of only US$41 million, notwithstanding a loss before tax of US$613 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.

Cash flow

(US$ million)

Item	2013	2012	Change	Relative change
Cash flows from operating activities before change in working capital	1,535	1,733	(198)	(11.4)%
Changes in working capital	365	410	(45)	(11.0)
Net cash flows from operating activities	**1,900**	**2,143**	**(243)**	**(11.3)%**
Short-term deposits at banks, including interest	677	(656)	1,333	n/m
Purchases of property, plant and equipment and intangible assets	(902)	(1,261)	359	(28.5)%
Other investing activities	(39)	373	(412)	n/m
Net cash flows from/(used in) investing activities	**(264)**	**(1,544)**	**1,280**	**(82.9)%**
Net cash flows from/(used in) financing activities	**(1,367)**	**(42)**	**(1,325)**	**3,154.8%**
Effect of foreign exchange rate changes on cash and cash equivalents	(48)	32	(80)	n/m
Net increase in cash and cash equivalents	**221**	**589**	**(368)**	**(62.5)%**

Cash flows from operating activities before changes in working capital fell by 11.4% in 2013 to US$1,535 million reflecting lower product prices compared to 2012.

In 2013, US$365 million were released from working capital reflecting lower prices of the Company's products, better inventory management and debts collection efforts.

Free cash flow for the period was a positive US$458 million.

Capex and key projects

In 2013, we reduced our total capital expenditure to US$902 million compared to US$1,261 million in 2012 as a result of a comprehensive review of the Company's investment programme. In 2013, we finalised the modernisation of the rail mill at EVRAZ ZSMK, commissioned the Yerunakovskaya VIII coking coal mine and saw our PCI project at EVRAZ NTMK become fully operational. We also made good progress with the Mezhegey Phase I and the Vostochny rolling mill projects, while the Yuzhny rolling mill project was put on hold in light of the current market environment.

Financing and liquidity

We started 2013 with total debt of US$8,440 million. This number does not include the debt of Raspadskaya of US$558 million which was consolidated from 16 January 2013. Due to favourable capital markets conditions in the first half of 2013 we issued a 7-year US$1 billion Eurobond with a record-low coupon of 6.50%. The proceeds were used to refinance rouble bonds of approximately US$399 million and prepay the outstanding balance of US$759 million of the US$950 million syndicated pre-export facility, whose original final maturity was in November 2015. Later in the year, we also used some excess liquidity coming from the Eurobond and operating cash flows to repay a number of shorter term facilities, including a US$150 million bank loan at Raspadskaya.

As a result of these actions, total debt decreased by US$274 million to US$8,166 million as at 31 December 2013, while our net debt increased by US$158 million to US$6,534 million at 31 December 2013 compared to US$6,376 million as at 31 December 2012. Interest expense accrued in respect of loans, bonds and notes was US$617 million for 2013, compared to US$588 million for 2012.

Calculation of free cash flow

(US$ million)

Item	2013
EBITDA	1,821
Non-cash items	(37)
EBITDA (excluding non-cash items)	1,784
Changes in working capital	365
Income tax paid	(249)
Net Cash flows from operating activities	1,900
Interest and similar payments	(501)
Capital expenditure	(902)
Purchases of subsidiaries (net of cash acquired) and interests in associates/ joint ventures	(30)
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	1
Other cash flows from investing activities	(10)
Free Cash Flow	**458**

Capital expenditure for 2013

(US$ million)

Construction of Yerunakovskaya VIII mine	66	Ramp-up completed in Q1 2014. Production of 3 million tonnes of raw coking coal per annum
Mezhegey (Phase I)	54	First batches of coal mined. Ramp-up to be completed by 2016. Capacity of 1.5 mtpa
EVRAZ ZSMK rail mill modernisation	46	Ramp-up largely completed. Obtained certification for head hardened rails. Rail mill capacity increased to 950 ktpa
PCI at EVRAZ ZSMK	43	Reduction of coke and natural gas consumption in blast furnaces. To be launched in Q3 2014
Vostochny Rolling Mill (Kazakhstan)	42	Hot tests commenced in Q1 2014. Production capacity of 450 ktpa of long steel products
Other development projects	192	
Maintenance	459	
Total	902	

FINANCIAL REVIEW

Continued

Following the syndicated loan repayment, the remaining debt having maintenance financial covenants comprises only a few bilateral facilities totalling approximately US$260 million. In view of the continuing uncertainty, in June 2013 we agreed with the lenders to suspend financial covenants testing as at 30 June 2013 and as at 31 December 2013. These covenants include only two key ratios calculated on the basis of Evraz Group S.A.'s consolidated financials: a maximum net leverage and a minimum EBITDA interest cover. The ratios will be tested again starting from 30 June 2014 with the levels of 3.5x and 3.0x respectively.

The risk of breaching financial covenants based on the consolidated figures as at 30 June 2014 and as at 31 December 2014 remains in place. However, management believes that, if necessary, it will be possible to agree with the lending banks and export credit agencies (ECAs) either to further suspend the testing of the financial covenants, or to amend the levels so that the risk of breach is removed. These negotiations may be held in parallel to negotiations on a potential new pre-export financing. Our Eurobond covenants currently do not limit our ability to refinance EVRAZ's consolidated indebtedness.

Our cash and deposits on 31 December 2013 amounted to US$1,611 million and our short-term debt on December 2013 stood at US$1,893 million.

Restatement of 2012 Financial Statements

As reported in presenting our semi-annual accounts we identified a classification error in the 2012 annual financial statements which related to foreign exchange movements attributable to certain subsidiaries disposed of in 2012. These foreign exchange losses had not been recycled from the equity reserve back through the statement of operations, as required by the relevant accounting standard. The error represents a one-off non-cash item, does not affect 2012 EBITDA, CAPEX, free cash flow, or net assets of the Company, and does not have an impact on the measurement of any of the group's covenants. For more details, please refer to Note 2 of the Financial statements.

IAS 19 "Employee Benefits", which was revised in 2011 and became effective for annual periods beginning on or after 1 January 2013, introduced full recognition of defined benefit obligations in the statement of financial position whereas under the previous standard we accounted for a part of the obligation relating to unrealised actuarial gains/losses under the corridor approach. The revised standard also changed the accounting for certain components of defined benefit obligations. The comparatives for the annual results have been restated to reflect this revision to the standard and for further details see Note 2 of the consolidated financial statements.

Dividends

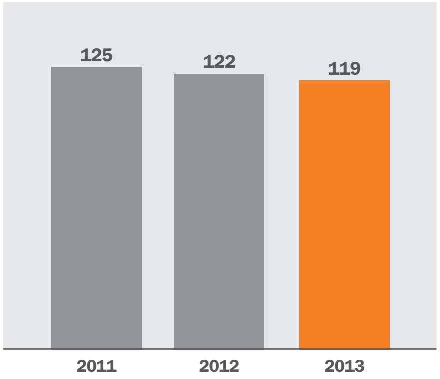
The directors recommend a dividend of 6 cents per share to be consistent with their intention of distributing, where appropriate, a proportion of the margin on disposals as dividends, and as an indication of confidence in the Company's position. The US$90.4 million represents the approximate cash portion of the proceeds from the sale of EVRAZ Vitkovice Steel, leaving US$196.6 million for the reduction of debt.

Going forward, the dividend policy has been revised to support the financial strategy of deleveraging and envisages that the regular dividends will be paid only when the net leverage (net debt/EBITDA) target of below 3.0x is achieved. The Board reserves the right to propose special dividends in the event of asset disposals.

Giacomo Baizini
Chief Financial Officer
EVRAZ plc
8 April 2014

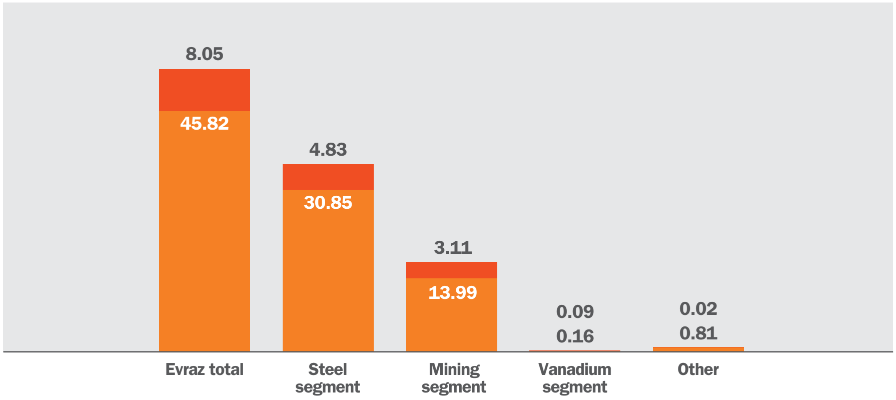
CORPORATE SOCIAL RESPONSIBILITY

EVRAZ key air emissions dynamics, kt



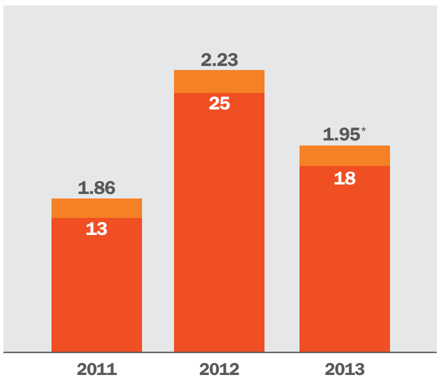
The above graph illustrates the reduction in the total amount of the key air emissions nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds rebased to 2011.

EVRAZ greenhouse gas (GHG) emissions, mt CO_2e



Direct emissions (Scope 1)
Indirect energy emissions (Scope 2)

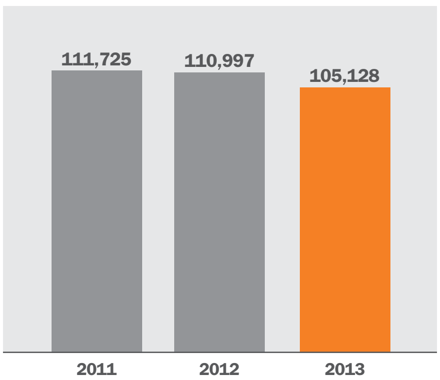
Lost time injury frequency rate (LTIFR, per 1 million hours) and fatalities



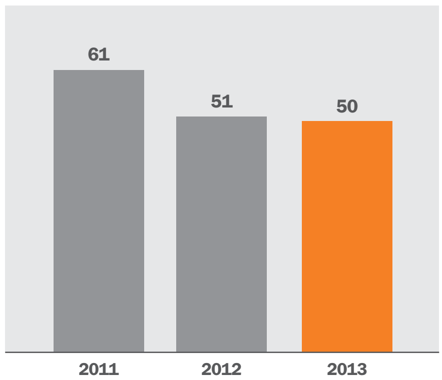
LTIFR
Fatalities

*LTIFR excludes fatalities. It will be the new standard from 2014 forward not to include fatalities in the LTIFR numbers according to the World Steel Association practices.

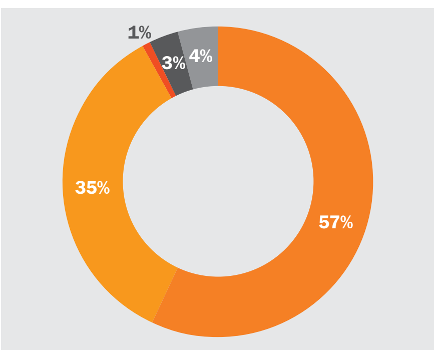
Number of employees



Social expenses, US$ million

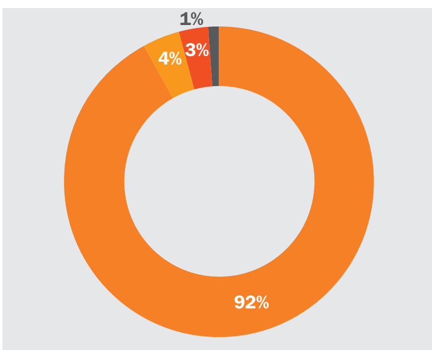


Employees by business, %



Steel
Mining
Vanadium
Other
Unallocated

Employees by region, %



Russia & CIS
North America
Africa
Europe

CORPORATE SOCIAL RESPONSIBILITY

Continued

EVRAZ approach

EVRAZ 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 2013 in key areas of CSR including human rights, health and safety, environmental performance, human capital management and community engagement 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 Strategic Report (Principal Risks and Uncertainties section on pages 24 – 27).

Strategy and governance

EVRAZ's directors and management share the opinion that a company cannot – in the long-term – operate in isolation from the wider community in which it operates. The Company's broader stakeholder base is making increasing demands that EVRAZ be held accountable for the social and environmental impacts of its operations. The Company is committed to improving HSE performance through the implementation of enhanced business processes, as well as management and control systems. 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 pages 88 – 89.

The HSE function at the corporate and site level is coordinated by the Vice President of HSE Michael Shuble who regularly reports to the Board Committee on material HSE issues and attends certain meetings of the Board of Directors. 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.

Human rights

EVRAZ implements the OECD Guidelines for Multinational Enterprises to ensure a uniform approach to business standards across the Company's global operations. The company's commitments are based on internationally recognised standards and respect for all human rights, including civil, political, economic, social, and cultural rights. In particular, EVRAZ fully endorses the provisions of the Universal Declaration of Human Rights and strives at all times to uphold them.

EVRAZ seeks to develop and maintain a work environment that is free from discrimination and ensures equal rights, where every employee has the opportunity to contribute to the Company's overall results, and to realise his/her abilities and potential.

2013 progress

In 2012 after determining the key challenges and focus areas, EVRAZ set five year targets (2012-2017) for its sustainability performance. This table sets out progress towards these goals in 2013.

Area of focus	Challenges	Targets	Progress to date
Health and Safety	Impact of operations on the health and physical condition of EVRAZ employees	• consistent reduction in lost time injury frequency rate (LTIFR) • avoidance of any fatal incidents across the Group	LTIFR 1.95 (2012: 2.23) 18 fatalities (2012: 25)
Environment[1]	Impact of operations on the environment (air, water, waste)	• 5% reduction in air emissions[2] • 15% decrease in fresh water consumption • 100% of non-mining waste recycled or used[3]	3.6% reduction since 2011 18.4% reduction since 2011 105.7%[3] in 2013 (2012: 103.9%, 2011: 109.6%)
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	Achieved 100% coverage of personal development plans (PDP) 122 employees selected as high potential (HiPo) with 12% promoted to new roles within EVRAZ
Community Relations	Effective management of relations with local communities, which affect the Company's reputation and ongoing licence to operate	• contribution to the local development of communities in which EVRAZ operates, through education, training and employment of the local population	EVRAZ continued supporting community initiatives with US$50 million of social expenses spent worldwide

1 Environmental targets are based on 2011 performance levels.
2 Including nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds only.
3 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.

This aspiration is reflected in the Company's internal codes and principles, including our Business Conduct Policy "The EVRAZ Way", downloadable from the corporate website www.evraz.com/governance/documents/

For additional details on employee engagement and social and community programmes please refer to pages 40 – 41.

In line with its strategic objectives, relevant non-financial metrics (LTIFR and Environmental non-compliance) are incorporated into the Company's KPIs to measure and manage its performance. For EVRAZ KPIs please refer to pages 22 – 23.

Health and safety performance

In 2013 we saw an improvement in our health and safety performance. Regrettably the Company recorded 18 employee and 6 contractor fatalities, however this was a decrease from the 32 (25 employees and 7 contractors) experienced in 2012. Additional details are provided in the Chief Executive Officer's Review (page 10) and Letter from Chairman (page 74). The Company has a target to achieve zero fatalities and serious injuries.
In 2013, LTIFR showed a quarter on quarter improving trend with a final year end decrease of 19% in comparison with the previous year, and in line with our stated goal of achieving a long-term downward trend in Lost Time Injury Frequency Rate.

In 2014, the Company aims to reduce LTIFR by 20% in comparison with 2013.

Safety analysis demonstrates that two categories of lost time injuries (LTI) – slips, trips and falls and injuries resulting from contact with or being struck by moving, rotating parts of equipment or mechanisms – together represent around 60% of all LTI recorded in 2013. Ongoing progress in the area of walkways and improvements to working surfaces will remain a focus at all facilities. There will remain a zero tolerance policy towards alcohol and drug intoxication and increased accountability when safety violations are identified.

The Company plans to implement an energy isolation programme LOTO (Lockout, Tryout) at all EVRAZ facilities in 2014. LOTO is a systematic approach to establish a zero energy state to all equipment before any type of work is completed especially during maintenance or repair.

Environmental performance

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

EVRAZ is on track to meet the five-year environmental targets adopted in 2012:

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

In 2013 EVRAZ spent approximately US$38 million on measures to ensure environmental compliance and US$17 million on projects to improve its environmental performance. In the period from 2013 to 2017, the Group is committed to spending more than US$260 million on environmental programmes across its operations.

Environmental levies and fines for non-compliance across the Group decreased by 35% from US$10.2 million in 2012 to US$6.6 million in 2013.

There were no significant environmental incidents at EVRAZ assets during 2013.

EVRAZ is committed to continuing to strengthen its environmental management system and increasing the number of operations compliant with ISO 14001. EVRAZ currently 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, a European Union regulation concerning the Registration, Evaluation, Authorisation & restriction of Chemicals[4]. In June 2013 EVRAZ facilities passed the second stage of product registration according to REACH Regulation requirements. As a result EVRAZ is able to continue sales of a number of products to the customers in the European Economic Area. EVRAZ's goal is to ensure continued compliance with REACH requirements in order to eliminate possible risks to supplying customers in the European Economic Area.

Air emissions

The reduction of air emissions is one of EVRAZ's main environmental objectives. Emissions are primarily comprised of 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.

In 2013 EVRAZ NTMK reduced key air emissions by approximately 1.9 thousand tonnes mostly due to the introduction of Pulverised Coal Injection (PCI) technology.

Additionally, EVRAZ Highveld updated its monitoring system to provide more precise data and to improve operational control; this resulted in a reduction of almost one thousand tonnes of air emissions versus its 2012 performance.

4 REACH – Regulation (EC) N° 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, authorisation 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.

CORPORATE SOCIAL RESPONSIBILITY

Continued

Furthermore, the sale of EVRAZ VGOK and Tsentralnaya heat and power station in Novokuznetsk in 2013 led to a reduction of almost 3.7 thousand tonnes of emissions, which was partially offset by an increase of 1.6 thousand tonne of air emissions as a result of the integration of the Raspadskaya Coal Company.

Overall, air emissions from operations have declined by 4.4% since 2011 and by 2.4% in 2013.

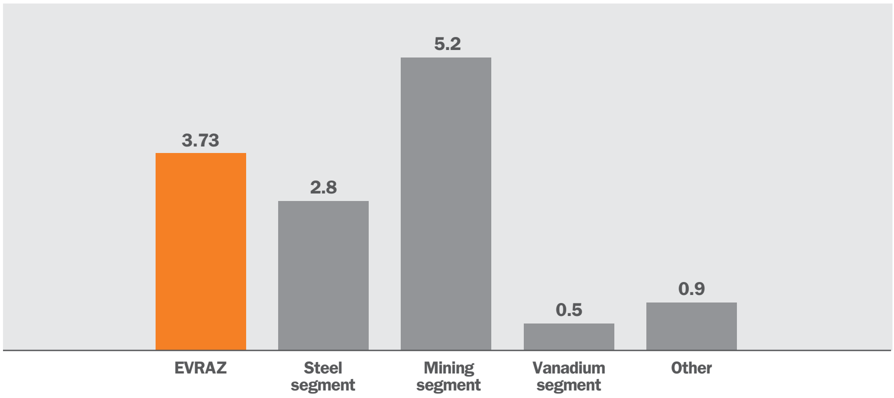
Greenhouse gas emissions

EVRAZ recognises the importance of abating climate change and supports the global effort to reduce greenhouse gas emissions into the atmosphere. In 2013, following the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013 EVRAZ undertook to assess full greenhouse gas (GHG) emissions from facilities under its control.

The assessment covered direct (Scope 1) emissions of all six "Kyoto" GHGs[5] and indirect (Scope 2) emissions from the use of electricity and heat. The inventory approach[6] was based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (IPCC 2006) and WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. The Company provides data in tonnes of carbon dioxide (CO_2) equivalent (tCO_2e) calculated using IPCC 2006 global warming potentials.

GHG emissions data was collected for the first time in 2013 to establish this year as a baseline. The steel segment is responsible for more than half of gross greenhouse gas emissions from operations, while almost two thirds of full emissions from the mining segment are due to fugitive methane leakage, caused by methane ventilation from underground mines and post-mining emissions from coal.

GHG emissions per net revenue, kg CO_2e/US$



EVRAZ GHG Emissions in 2013, $MtCO_2e$	2013
Total GHG emissions	53.87
Split:	
Direct (Scope 1)	45.82
Consisting of:	
CO_2	34.41
CH_4	11.33
N_2O	0.08
PFC+HFC	0.0002
SF_6	–
Indirect (Scope 2)	8.05

EVRAZ reports an intensity ratio relating its annual GHG emissions to its activities —total Scope 1 and 2 emissions per consolidated revenue for the Company as a whole and each operating segment (see graphs). Additionally, specific emissions in the steel segment per tonne of steel products are compared to average specific emissions of WorldSteel association members for 2012. Higher specific GHG emissions in the EVRAZ steel segment may be due to the key role that integrated iron and steel works (that inherently emit more GHGs than rolling mills) play in EVRAZ steel production output.

Water consumption and water 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 2013 almost 80% of EVRAZ total water intake was from surface sources, including rivers, lakes and reservoirs.

Total fresh water consumption in 2013 was 368 million cubic metres,12.7% less than in 2012 (422 million cubic metres) and 18.4% less than in 2011. Water discharge decreased by 29 million cubic meters during 2012-2013.

In 2012, EVRAZ adopted a new water management strategy for EVRAZ ZSMK and Yuzhkuzbassugol which has already significantly improved the water management performance of these operations.

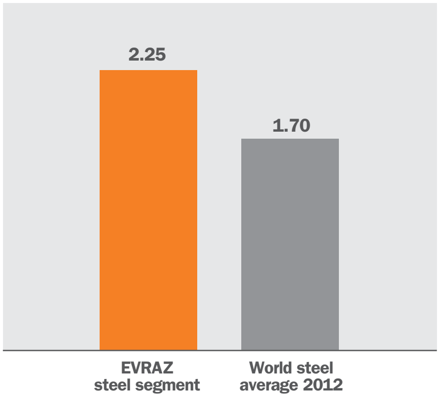
At EVRAZ ZSMK a new local water rotation cycle with a sludge dewatering installation that re-uses dewatered sludge in production as a raw material was introduced and this reduced fresh water consumption by 4.7 million cubic metres. In total, the water management programme reduced water consumption by 11.5 million cubic metres in 2013.

In 2014, Yuzhkuzbassugol plans to complete a water treatment installation at Uslkovskaya mine which allows more treated mine water into the production process instead of fresh water pumped from the river.

5 Carbon dioxide – CO_2, methane – CH_4, nitrous oxide – N_2O, hydrofluorocarbons and perfluorocarbons – HFC+PFC, and sulphur hexafluoride – SF_6.

6 The inventory of emissions includes all entities the Group controls. Entities that were disposed of during the year were included for the period they were part of the Group. Only entities that were deemed immaterial for consolidated emissions based on their operational indicators were omitted. Direct CO_2 emissions from operations were calculated using the carbon balance method for carbon flows within production facilities, including fuel use. Emissions of other GHGs were calculated based on measured volumes, inventory changes or IPCC 2006 factors and models (including that for post-mining coal methane emissions) where direct measurement data were not available. Indirect emissions were estimated using emission factors specifically developed for the country or region, if available, or otherwise factors provided by UK Defra.

Specific (Scope 1 and 2) GHG emissions in steel segment, tCO_2e per t of product



The sale of the Tsentralnaya heat and power station in Novokuznetsk with old cooling technology also resulted in a reduction of 30 million cubic metres fresh water intake.

Water pumped from mines (mine dewatering process) is not included in the fresh water consumption target although pumped water is in part used for technology needs. In 2013, 37 million cubic meters of mine water were pumped out in comparison with 47 million cubic meters in 2012.

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. In line with the Company's strategy to reduce waste storage volumes and enhance waste disposal, EVRAZ sites regularly reviews opportunities for waste recycling and reuse. For example, EVRAZ Vanady Tula increased its waste recycling rate from 100% in 2011 up to 219% in 2013 due to recycling of prior periods' waste. EVRAZ steel mills generated 8.8 million tons of metallurgical waste (slag, sludge, scale) in 2013 while 10.7 million tonnes were recycled and reused. In total, in 2013 EVRAZ recycled or reused 106%[7] of non-mining waste and by-products compared to 104% in 2012.

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

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 2013, 14% or 21 million tonnes of such waste material were reused compared to 28% or 27 million tonnes in 2012.

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

Human capital

EVRAZ recognises the importance of working with people and for people. Great efforts are invested in ensuring EVRAZ is a sustainable Company that can support its growth strategy through its human capital management. Goals and initiatives of EVRAZ's HR strategy are aimed at developing employee skills and improving production safety levels through training and performance management.

In 2013 the Company employed more than 105,000 people. The 5% decrease (from approximately 111,000 in 2012) was mainly caused by the initiated headcount reductions after shutting down and/or disposing of uneconomic facilities in the reporting period to improve productivity. Thus the headcount reduction at Evrazruda amounted to about 3,000 employees and he disposal of VGOK led to the loss of approximately 4,600 employees. Additionally following the acquisition of Raspadskaya in January 2013 certain functions were unified and merged including headcount processes with about 8,230 employees of Raspadskaya incorporated in the structure of EVRAZ and some headcount reductions at Yuzhkuzbassugol. The number of compulsory redundancies across all operations totalled about 6,500 employees in 2013.

Performance management

To encourage good performance and ensure there is a clear link between corporate and individual objectives, performance management systems are implemented across the Company. Business tasks and development targets of the performance management process include Key performance indicators (KPI) of certain business units aligned with the Company's strategic principles and personal development plans. Further initiatives to motivate employees and provide career development perspectives are based on the results of these performance management plans.

Talent management

EVRAZ places a great deal of emphasis on developing high potential employees, as set out in our five year target. In 2013 EVRAZ continued developing two closely related programmes - HiPo and EVRAZ New Leaders focused on preparing employees for future leadership roles in the Company and developing talented employees worldwide to become future operational and technical leaders.

122 employees were selected for the HiPo pool in 2013. 12% of them have already been promoted to new roles within the Company. All HiPos developed personal development plans and were actively involved in Company's LEAN and HSE initiatives. Additionally, in 2013, 59 EVRAZ employees from the USA, Canada, South Africa, Czech Republic, Switzerland, Ukraine and Russia participated in the EVRAZ New Leaders Programme hosted by the Skolkovo Moscow School of Management. 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. This programme finished in September 2013 with 35% of participants having received new assignments by the end of 2013. A new EVRAZ New Leaders programme with an engineering and technical specialisation started in March 2014.

Talent management issues are supervised by the 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. In 2013 Talent Committees were introduced at all sites. This instrument helps engage management into the process of identifying and developing successors to the key positions.

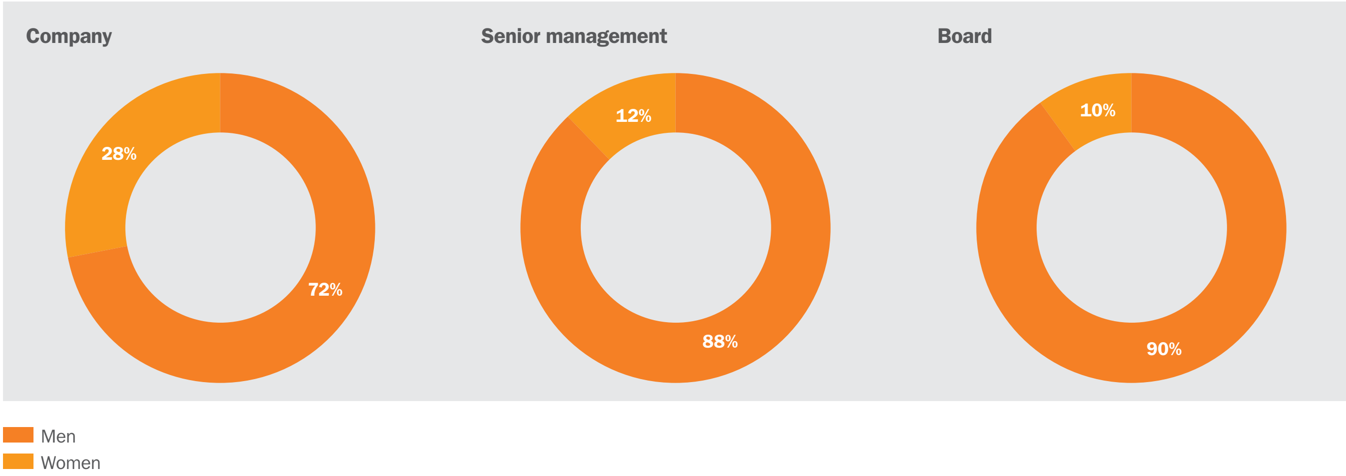
Educational programmes

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. In 2013 12 Schools of Chief Specialists took place aimed at developing and preparing successors for technical experts and 3 technical forums aimed at solving real production issues in our business divisions. TIPS (Theory of Inventive Problem Solving) methods were actively implemented in all such initiatives.

CORPORATE SOCIAL RESPONSIBILITY

Continued

Diversity of employees, senior management and directors, %



* As at 31 December 2013, 75,800 (72%) of EVRAZ workforce were men and 29,328 (28%) women. Of these, 57 are considered senior management (50 men and 7 women). EVRAZ's current female representation amongst the Board's membership is 10% with one woman on the Company's board of directors.

In order to improve safety levels for our employees in line with our stated targets, health and safety related training was extended to all employees in various forms, from formal training initiatives to regular health and safety briefings taking place at the Company.

In 2014 EVRAZ plans to include all employees in standard HSE educational programmes.

Diversity

The Company believes that diversity plays an important role in a successful business. 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 employees. Full consideration is given to applications from people with disabilities, having regard to their particular aptitude and abilities. EVRAZ values all types of diversity, but focuses on gender balance at all levels of the business with a view of improving the percentage of women in senior management each year to help the Company ensure a more balanced range of skills and management styles.

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 (about 75%), 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 aimed at engaging employees in dialogue and making it easier to track their feedback. The Company uses a variety of print and online communication channels. In addition, an anonymous whistle-blowing system allows employees to confidentially raise questions about any possible issue they face using a number of tools, including internal surveys, suggestion boxes and a special anonymous hotline. In 2013 the hotline received about 1,800 inquiries, which were addressed by the Company's management in a timely manner.

Social and community programmes

EVRAZ takes its social responsibilities seriously. Making a contribution to local communities by supporting various community initiatives in the countries and regions where it operates is an integral part of how EVRAZ conducts its business, and sets its priorities.

EVRAZ's social expenses worldwide were US$50 million in 2013.

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). The projects are subdivided 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.

In 2013, EVRAZ provided assistance and funding for a number of projects including equipping children centres, orphanages, schools and playgrounds in Novokuznetsk, Tashtagol and Nizhny Tagil and expanding its programmes on hippotherapy and aquatherapy in the Urals.

In Kachkanar, a city in Sverdlovsk Region where EVRAZ KGOK is located and in a nearby settlement Valerianovsk, EVRAZ supported several infrastructure development projects in 2013 as well as supporting several sports clubs.

EVRAZ also ran a grant competition "City of Friends, City of Ideas" in Kachkanar in order to support local initiatives. 13 social projects were selected out of 36 project proposals reviewed by the members of the supervisory board. The projects are aimed at improving the city infrastructure, developing youth culture and organising leisure activities. The youngest project team to receive EVRAZ grant was a group of school students aged 14-15.

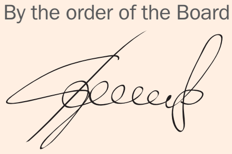
EVRAZ North America's primary area of charitable giving focuses on children's literacy. Through its Reading Sparks™ platform, in 2013, the company funded a new literacy programme for the Pueblo City School system in Pueblo, Colorado, United States, established reading rooms at community centres in Regina, Saskatchewan and Red Deer, Alberta, Canada, supported reading programmes at elementary schools in Regina, and funded the children's section of the new public library in Claymont, Delaware, United States.

Additional non-profit organisations and charitable causes supported by EVRAZ North America in 2013 included the United Way, Boys & Girls Clubs, YMCA Centres, and the American Red Cross.

In the Ukraine, EVRAZ's initiatives included funding reconstruction of paved roads, improving city landscaping in Krivoy Rog, where production facilities of the EVRAZ Sukha Balka ore enrichment plant are located, and organising ecological events to clear the vicinities of EVRAZ DMZ and EVRAZ Bagleykoks plants.

Our Strategic Report, as set out on pages 08 to 41 inclusive, has been reviewed and approved by the Board of Directors on 8 April 2014.

By the order of the Board



Alexander Frolov
Chief Executive Officer
EVRAZ plc
8 April 2014

BUSINESS UNITS' REVIEW

In this section:

Describing EVRAZ's business

In this section we discuss the operating performance of EVRAZ's business units throughout the year.

BUSINESS UNITS' REVIEW

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, hence the segments are subdivided on a geographic or product basis, for example Steel: Russia, Steel: North America, Iron ore: Russia and Coal: Russia. This enables EVRAZ to provide investors with a clearer view of the performance of each of its key operating units.

The steel operating segment represents the core of EVRAZ's business with operations spread over four continents. The Company is a prominent participant in multiple steel product markets with a specialised focus on the infrastructure sector.

In 2013, EVRAZ's consolidated crude steel output totalled 16.1 million tonnes, a 1% increase compared to 2012, while gross production of steel products rose by 2% to 16.0 million tonnes. Reduced production levels in Europe and North America due to the suspension of certain operations were offset by increased production at the Company's Russian, Ukrainian and South African steel mills. The completion of a number of major investment projects in 2013 also contributed to improved operational results compared to 2012. For more details please refer to the respective parts of this Business Units' Review.

EVRAZ's mining operations produced 68% and 80% of the Company's requirements in iron ore and coking coal respectively. In 2013, the production of saleable iron ore products decreased by 1% as a result of the disposal of EVRAZ VGOK and certain mines of Evrazruda as part of the Company's ongoing restructuring programme within the iron ore business. For more information on the strategic priorities in EVRAZ's iron ore business please refer to the Strategic Report on page 11.

Raw coking coal output increased by 22% (on a pro-forma basis). The main drivers of this growth were the acquisition and integration of the Raspadskaya coal company in January 2013 and the commissioning of a new coking coal mine – Yerunakovskaya VIII. The effect of these factors on the business and prospects of the Company's mining segment is described in more detail in the Strategic Report on pages 11 – 12.

In 2013, the Company's vanadium segment focused on maximising utilisation levels at its ferrovanadium production facilities. Ferrovanadium production at EVRAZ's facilities increased by 4% as a result. For more information please refer to the Vanadium section of the Business Units' Review on pages 67 – 69.

EVRAZ's trading and distribution arms focused on further strengthening customer relations and building their presence in key local markets during the year. In 2013, the Company's utilities business pursued a number of programmes to improve efficiency whilst disposing of marginal capacity. Please refer to the description of EVRAZ's other businesses on pages 70 – 71 of the Business Units' Review.

Total output of key products by EVRAZ*

Product, '000 tonnes	2012	2013	2013/2012, change
Coke (saleable)	1,416	1,380	(2.6)%
Pig iron	12,031	12,553	4.3%
Pig iron (saleable)	261	341	30.4%
Crude steel	15,932	16,109	1.1%
Steel products, gross**	15,701	15,972	1.7%
Steel products, net of re-rolled volumes***	14,195	14,673	3.4%
Semi-finished products	3,153	3,843	21.9%
Finished products	11,042	10,830	(1.9)%
Construction products	5,207	5,186	(0.4)%
Railway products	1,801	1,903	5.7%
Flat-rolled products	2,465	2,108	(14.5)%
Tubular products	872	927	6.4%
Other steel products	697	706	1.3%
Iron ore concentrate, saleable (Russia)	5,615	4,692	(16.4)%
Sinter (Russia)	4,698	4,396	(6.4)%
Pellets (Russia)	6,051	6,301	4.1%
Lumpy ore (Ukraine)	2,608	2,973	14%
Raw coking coal (mined)****	15,509	18,933	22.1%
Coking coal concentrate (production)****	10,983	13,664	24.4%

* 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 mills. However, such volumes are eliminated as intercompany sales for the purposes of EVRAZ's consolidated operating results.

*** Here and below there are minor differences in some figures for 2012 published in the previous annual report due to a correction to volumes of railway products.

**** 2012 data is presented including Raspadskaya's figures on a pro forma basis, while Raspadskaya is consolidated in the results of EVRAZ plc from 16 January 2013.

STEEL: RUSSIA

EVRAZ's key Russian steelmaking assets

Fast facts

EVRAZ ZSMK

Capacity:
- Crude steel: 8.9 mtpa
- Construction products: 3.4 mtpa
- Rails: 950 ktpa

Employees*: 22,508 (2012: 23,481)
Ownership: 100% interest

EVRAZ NTMK

Capacity:
- Crude steel: 4.5 mtpa
- Construction products: 1.3 mtpa
- Rails: 510 ktpa
- Other railway products: 500 ktpa

Employees: 17,419 (2012: 17,494)
Ownership: 100% interest

Operations

Two fully integrated steelmaking plants EVRAZ NTMK and EVRAZ ZSMK include:
- coke and chemical processing facilities
- sinter plant
- blast furnaces
- basic oxygen furnaces
- 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, broad-flange beam mill, heavy section mill, wheel rolling mill, ball rolling mill

Products

- 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, head hardened, 100 meter rails, wheels, etc.
- Industrial steel: grinding balls, arch rock support, etc.

* Number of employees here and throughout the report as of 31 December 2013

EVRAZ's Russian steel production

Product, '000 tonnes	2012	2013	2013/2012, change
Crude steel	11,675	11,904	2%
Steel products, net of re-rolled volumes**	10,556	10,799	2%
Semi-finished products	4,091	4,517	10%
Finished products	6,465	6,282	(3)%
Construction products	4,281	4,185	(2)%
Flat-rolled products	334	120	(64)%
Railway products	1,310	1,409	8%
Other steel products	540	568	5%

** 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

What EVRAZ said and did in 2013 and 2014 targets

2013 plans	2013 achievements	2014 targets
Ramp-up of PCI project at EVRAZ NTMK to achieve nameplate capacity	The PCI project at EVRAZ NTMK reached designed parameters in April 2013	
Completion of construction works on the PCI project at EVRAZ ZSMK	Construction works are on-going, however, the project schedule and implementation were revisited and extended to reduce planned capital expenditure in 2013	To launch PCI technology at EVRAZ ZSMK in H2 2014
Increasing customer focus and enhancing delivery flexibility and options	Expansion of deliveries by trucks and increased optionality for customers through small-volume deliveries	To launch a new CRM project To increase warehouse supplies To improve the quality of work with claims
Review of project to construct an additional converter shop at EVRAZ NTMK	The project was put on hold to reduce capital requirements	To be revised as part of EVRAZ's capital expenditure review
Review project to install a ball rolling mill and modernise a wire rolling mill at EVRAZ ZSMK	Under review	To make a decision on whether to proceed with both projects
Bring modern air separation plants at EVRAZ NTMK into operation at the end of 2013	The project was largely completed	To finalise the project implementation by Q3 2014
Commence production of rebars and small sections at the Vostochny rolling mill in Kazakhstan	Construction works were largely completed and hot tests started	The rolling mill is expected to reach its designed annualised nameplate capacity of 450,000 tonnes of rebars in H2 2014
Overhaul procurement systems to increase inventory turnaround, lower storage costs and improve productivity	Reduction of stocks in supporting materials led to cost savings of about US$25 million (797 million RUB)	
		To master high grade slab production for a domestic tubular producer

Operational highlights:

- the PCI project at EVRAZ NTMK was completed allowing for a sustainable reduction in operating costs of up to US$7 per tonne of crude steel. The project cut coke and natural gas consumption from 405 kg/t to 315 kg/t of pig iron and 130m^3/t to 75m^3/t of pig iron respectively, on the back of usage of 133 kg of PCI coal per tonne of pig iron;
- hot tests at the Vostochny light-section rolling mill in Kostanay, Kazakhstan commenced. The mill is expected to achieve its nameplate annual capacity of 450,000 tonnes of construction products in the second half of 2014 and will produce rebars in various lengths with a diameter of 10 to 40 mm, including unique A500СП rebars that will allow construction customers to reduce steel consumption. Among the advantages of the new rolling mill is its technological link with EVRAZ ZSMK which will supply billets to be re-rolled at the Vostochny mill;
- the plate rolling mill at EVRAZ ZSMK was closed due to its low profitability in the prevailing market conditions. The mill had been underutilised from 2010 and its closure was part of the cost saving initiatives undertaken by the Company in 2013. For details please refer to page 21;
- construction of the Yuzhny rolling mill was put on hold due to unfavourable market conditions;
- the project to improve the supply of industrial gases to EVRAZ NTMK via the construction of modern air separation plants was largely completed by Praxair during 2013. However, due to delays in obtaining the required permissions from the electricity grid company, commissioning was postponed till 2014.

2013 production and sales

In 2013 EVRAZ ZSMK produced 6 million tonnes of pig iron, 7.5 million tonnes of crude steel and 6.7 million tonnes of steel products. EVRAZ ZSMK focused on reducing operating costs by closing its unprofitable plate mill and will also close a number of coke batteries in 2014.

In 2013, EVRAZ NTMK produced 4.9 million tonnes of pig iron, 4.4 million tonnes of crude steel and 4.3 million tonnes of steel products. EVRAZ's NTMK steel mill consumes iron ore products made from unique vanadium rich iron ore mined at the nearby EVRAZ KGOK operation. Vanadium slag extracted from pig iron at EVRAZ NTMK's converters is then used by producers of ferroalloys and vanadium products. For details on the performance of the vanadium segment please refer to pages 68 – 69.

As a result of the introduction of PCI technology EVRAZ NTMK has increased annual pig iron capacity by 100,000 tonnes. In the reporting period EVRAZ NTMK also undertook a number of works to enhance flexibility and improve productivity at one of the continuous casting machines.

Crude steel output at EVRAZ's Russian operations increased by 2% in 2013 compared to 2012, reaching 11.9 million tonnes. This increase was due to the implementation of the PCI project at EVRAZ NTMK and related operational improvements as well as efficiency gains at the blast furnaces of both Russian steel mills.

In 2013, shipments from EVRAZ NTMK and EVRAZ ZSMK remained stable with capacity utilisation remaining high. The Russian domestic market accounted for approximately 53% of EVRAZ NTMK's overall sales volumes in

2013 with the remainder exported. At EVRAZ ZSMK, the split between local and export sales was 49% and 51% respectively. Approximately 80% of the two Russian steel mills' finished steel products were shipped to the local Russian market, and 20% were exported. Most of the construction products are supplied to Russian steel distributors, while the main end-users are construction companies.

In 2013, efforts to improve product and service quality continued. In particular, the further expansion of EVRAZ's distribution operations allowed the Group to increase the share of small-volume deliveries by trucks, as well as shipments of assorted orders by rail.

Continuing an initiative first implemented for rebar and sections, EVRAZ standardised and improved the quality of beams. In 2014, EVRAZ NTMK and EVRAZ ZSMK, will produce new products including rebar A600C, AT100 and new types of sheet piles.

In 2013, Russian demand for finished long products increased by 2.5% year-on-year, while rebar consumption increased by 10%. Meanwhile the rebar price declined by 10% compared to 2012 on the back of a weak European market and, as a result, higher competition from Ukrainian and Belorussian producers. In addition, new rebar capacity was launched in H2 2013. At the same time pricing for other construction steel products in Russia was firmer.

That said, EVRAZ managed to limit the negative impact from falling prices by optimising the Company's product mix and geographical sales structure. The average selling price for EVRAZ's construction products declined by 5% compared to 2012.

Interview with Alexey Ivanov, Vice President, Steel business unit, Russia

CUSTOMER FOCUS

What are EVRAZ's key customers? How do you compete with other steel producers?

As a rule, EVRAZ's key customers are large infrastructure players, and they focus on the product range, price and service that can be offered to them. In today's highly competitive market in order to expand our client base we are looking for new ways of marketing our products and creating value for customers.

What are these new ways?

We strive to better understand our customers' requirements and take into account our customers' needs. Thus, we have increased the share of small-volume deliveries by trucks, as well as shipments of assorted orders by rail. Our beam consumers can order, for example, beams in non-standard lengths suitable for a particular use, which allows them to minimise the steel losses. By helping our clients solve their problems and implement a comprehensive approach to services we can become the supplier of choice.

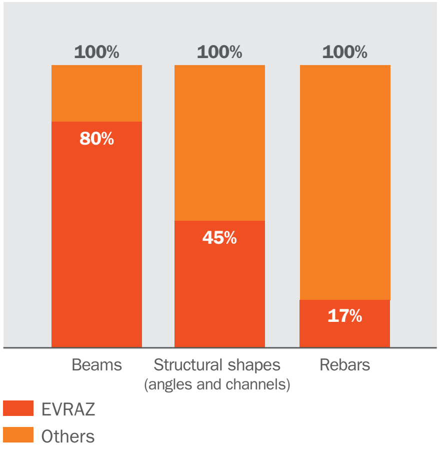
How do you monitor your customers' satisfaction?

We conduct independent client satisfaction surveys annually. In 2013, telephone interviews and questionnaires were used to gather comments by the consumers of the different types of steel products produced by EVRAZ. Metal traders and end users demonstrated high levels of loyalty, 85%, and trust, 81%, towards the Company. The level of loyalty increased by 3% compared to 2012. Client satisfaction was also high, with as many as 87% of clients satisfied with EVRAZ's product range and stable level of stocks at warehouses. 81% of all clients (compared to 75% in 2012) noted that EVRAZ has the best service among other steel producers.

How do you use the results of the survey?

Such surveys enable us to test our business processes, products, and services against customer need, find our weak points and eliminate flaws before they result in us losing our partners' trust. Customers value reliability and predictability of supplies. Negative comments carry useful information based on which we can improve our services.

EVRAZ products' market share in Russia



Average selling prices by EVRAZ Russia

US$/tonne	2012	2013
Slabs	552	491
Billets	596	528
Rebars	691	634
Beams	979	979

STEEL: RUSSIA

Continued

Railway products: Russia

What EVRAZ said and did in 2013 and 2014 targets

2013 plans	2013 achievements	2014 targets
Ramp-up of the rail mill at EVRAZ ZSMK with a target output of 720,000 tonnes for 2013	Total rail production volumes amounted to 463,000 tonnes due to technical delays	To produce 665,000 tonnes of rails at EVRAZ ZSMK
Commence production of 100 meter and head-hardened rails at EVRAZ ZSMK	Compliance certificate for 100 meter head-hardened rails was received	To start supplying 100 meter rails, and expand the product line of head-hardened rails for high speed applications
Increase railway wheel production volumes by 10% compared to 2012	Lower volumes of railcar production in Russia and CIS led to decreased demand for wheels	Develop sales to North America and start supplies to Europe

Operational highlights:

- the EVRAZ ZSMK rail mill restarted following completion of the large scale modernisation programme. The rail mill is expected to be fully operational in 2014 with an expanded nameplate capacity of 950,000 tonnes of rails per annum;
- EVRAZ obtained a compliance certificate for its DT-350 R-65 head-hardened rails with a length of up to 100 meters paving the way for commercial production and sales of such rails from 2014;
- completed first 10,000 tonne shipment of 25-meter head-hardened rails for Russian Railways;
- EVRAZ was approved as a freight wheel manufacturer by Deutsche Bahn (Germany), VUZ (Czech Republic) and NS Roanoke (USA);
- EVRAZ and Russian Railways signed an agreement on technical cooperation to develop new railway products with improved longevity (rails, railway wheels, tyres and fasteners);
- EVRAZ NTMK's wheel production shop achieved the international IRIS standard for its quality management system.

2013 production and sales

EVRAZ Russian mills produced 1,409 million tonnes of railway products in 2013, an 8% increase compared to 2012 following the launch of the modernised rail mill. Rails remained a key product for EVRAZ in 2013, accounting for approximately 8% of the Group's total Russian steel product output.

In 2013, 917,000 tonnes of rails produced in Russia were sold by the Company, including 765,000 tonnes in Russia and 152,000 tonnes in the CIS and Baltic countries.

EVRAZ supplied 615,000 tonnes of rails to Russian Railways in the year, 15% more than in 2012. At the same time, in 2013 Russian Railways imported almost 300,000 tonnes of rails mainly from Japan and Austria as the EVRAZ ZSMK rail mill was ramping up its production. EVRAZ aims to gradually replace these imported volumes with its own domestic product which benefits from more competitive pricing and lower logistics costs. EVRAZ has also signed a long term contract to supply rails to the Moscow metro which is expected to further enhance the Company's market position in Russia. In 2013, EVRAZ's market share for railway wheels in the CIS increased by 4% to 29% compared to 2012. Wheel sales amounted to 177,000 tonnes.

EVRAZ signed a long term contract with the leading Russian rail car manufacturer Uralvagonzavod for the supply of wheels. The volumes to be delivered by EVRAZ under the contract are expected to mitigate any negative impact from the contraction of the Russian railcar market.

In 2013, following receipt of international certifications, EVRAZ supplied the first consignment of 4,000 wheels produced in Russia to North America and expects to continue and expand sales to the North American market in 2014. In addition, a trial batch of freight railway wheels will be supplied to Deutsche Bahn in H1 2014.

Average price of EVRAZ's Russian railway products

US$/tonne (ex works)	2012	2013
Railway products	891	852

Interview with Ilya Shirokobrod, Vice President, Railway business unit

GROWTH

What was the main achievement of 2013 for EVRAZ's Railway business unit?

In 2013, we completed the large scale project to reconstruct the EVRAZ ZSMK rail mill. As a result, we now have the most advanced rail production facilities in Russia. EVRAZ was the first in the country to receive a compliance certificate for head-hardened R65 DT350 rails with lengths of up to 100 metres, a unique product in the market. These rails ensure high performance and allow for more efficient maintenance and repair technologies. The new hardening system improves the durability of rails substantially and reduces railway maintenance costs, as well as ensuring better safety and speed. Launching the production of head-hardened 100 metre rails lays the foundation for the establishment of a high speed railway system in Russia.

Is Russian Railways the only buyer of your rails?

Russian Railways, which consumes up to 70% of the rails produced in Russia, is the major and most important buyer of our rails and we have long standing and mutually advantageous relations with them. But we also have other buyers of our railway products both in Russia and other CIS countries and there is great potential to enter other export markets.

In 2013 we also renewed compliance certificates for the majority of the other rails that we produce, as well as certified and expanded the market for our rail wheels to ensure we meet our customers' requirements and railway transport safety regulation.

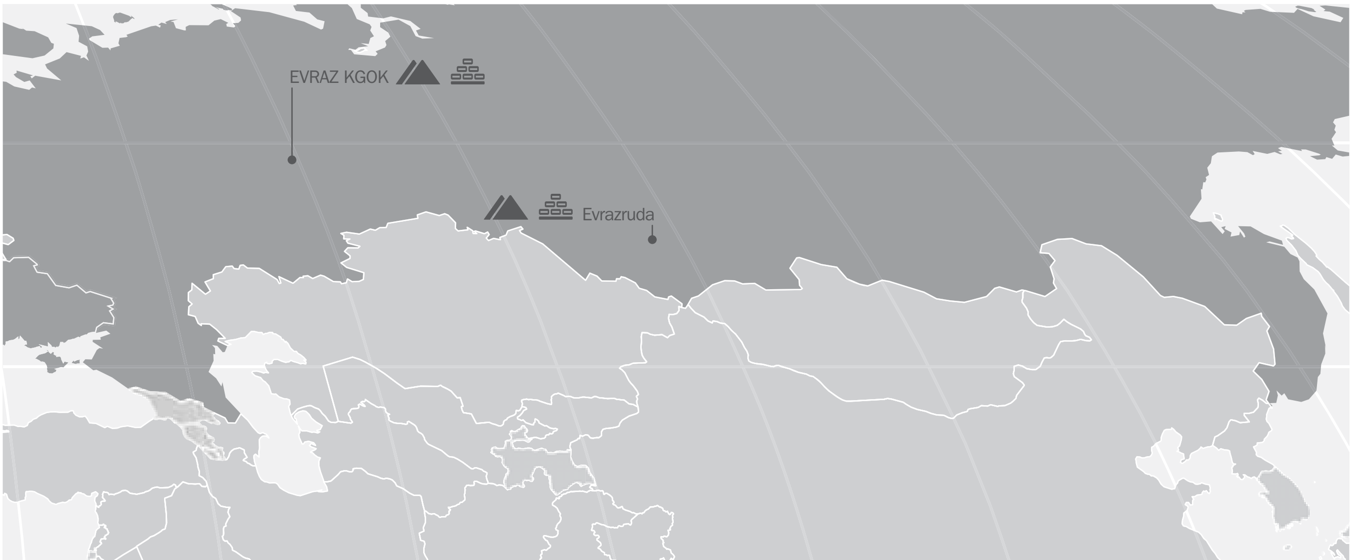
Can your rails compete with products made by other international producers?

As a result of the modernisation programmes which we have undertaken at our rail mills, we can compete with the best rails of many producers from around the world. We have launched production of new products and had them certified both in Russia and in other countries in the CIS and elsewhere. Also, we recently held the EVRAZ International Rail Committee where the Company's Russian and American specialists discussed a unified strategy for expanding production, improving the quality of all types of railway products and providing a wide range of services.

What other products except rails can EVRAZ offer to international clients?

In 2013, the first 4,000 rail wheels produced by EVRAZ NTMK were shipped to America. NS Roanoke, an operator of class one railroads in the USA, has also approved the quality of EVRAZ's wheels. We expect to supply another 15,000–20,000 in 2014. We have also received a number of European certificates enabling us to start deliveries to European markets and international buyers, for example a TSI certificate for our BA318 wheels used on freight railcars, a preliminary Deutsche Bahn certificate, and a certificate for new types of locomotive wheels to be supplied to General Electric.

IRON ORE: RUSSIA



EVRAZ's key Russian iron ore mining assets (as of April 2014)

Fast facts	Operations/Assets	Products
EVRAZ KGOK **Run of mine:** 57 mtpa **Saleable products:** 9.8 mtpa **Employees:** 7,102 (2012: 7,389) **Ownership:** 100% interest	• 3 open pits at Gusevogorskoye deposit • Crushing, processing, sintering and pelletising workshops • Licence for development of Sobstvenno-Kachkanarskoye deposit	• Sinter • Pellets • Crushed stone
Evrazruda **Run of mine:** 11 mtpa* **Saleable products**: 3.9 mtpa **Employees:** 5,524 (2012: 8,496) **Ownership:** 100% interest	• 3 iron ore mines: – Tashtagol, Kaz, Sheregesh (Kemerovo region) • 1 processing plant: – Abagursky (Kemerovo region) • 1 limestone mine: – Gurevsky (Kemerovo region)	• Iron ore concentrate • Crushed stone • Limestone

* Includes run of mine of discontinued operations

Note: Iron ore reserves as at 1 July 2013 under the JORC Code are given on page 213.

EVRAZ's Russian iron ore production

Product, '000 tonnes	2012	2013	2013/2012, change
EVRAZ KGOK:			
Raw iron ore	55,478	56,762	2.3%
Concentrate (for sale)	24	7	(70.8)%
Sinter	3,575	3,538	(1.0)%
Pellets	6,051	6,301	4.1%
Evrazruda (continuing operations):			
Raw iron ore	5,210	5,315	2.0%
Concentrate	2,082	2,032	(2.4)%
Total:			
Raw iron ore	60,688	62,077	2.3%
Concentrate	2,106	2,039	(3.2)%
Sinter	3,575	3,538	(1.0)%
Pellets	6,051	6,301	4.1%
Disposed operations (EVRAZ VGOK and EVRAZ's Mundybashsky processing plant and Teya, Abakan and Irba mines)*:			
Raw iron ore	10,372	8,363	(19.4)%
Concentrate	3,509	2,653	(24.4)%
Sinter	1,123	858	(23.6)%
Total (including discontinued operations):			
Raw iron ore	71,060	70,440	(0.9)%
Concentrate	5,615	4,692	(16.4)%
Sinter	4,698	4,396	(6.4)%
Pellets	6,051	6,301	4.1%

* VGOK was consolidated until 2 October 2013, Teya and Abakan iron ore mines of Evrazruda – until 26 December 2013, Evrazruda's Irba iron ore mine – until 1 July 2013

Operational highlights:
In line with the Group's strategic priorities, the Iron ore: Russia business unit focused on developing those large scale and low cost operations that will support the efficient vertical integration of EVRAZ (for details please refer to page 20). The operational and development plans of all assets were thoroughly reviewed during the year and revised based on their ability to sustainably generate positive free cash flow in the medium-term. Based upon the results of this review, the Group's Russian iron ore assets were split into two groups: core (EVRAZ KGOK, certain facilities of Evrazruda, and the Sobstvenno-Kachkanarskoye project) and assets subject to restructuring (Irba, Abakan, Teya mines of Evrazruda; EVRAZ VGOK, and the Mundybashsky processing plant).

Below is the description of key developments in 2013:

- construction of a new tailings dump at EVRAZ KGOK, which is required for safe operation of the processing facilities, progressed well. Meanwhile 3 years of the operational life have been added to the current tailings reservoir by feeding it with a thickened pulp. Survey works were nearly completed, major technical decisions approved and a tentative contract for the supply of major equipment concluded;
- the Sobstvenno-Kachkanarskoye deposit, adjacent to the current mining operations of EVRAZ KGOK, is an important project that should secure the low cost position of this asset for the long term. In 2013 the Company finalised the project documentation and received relevant state approvals for the development of the Sobstvenno-Kachkanarskoye deposit. Following a thorough review of the options for the deposit, management recalibrated the development plans in order to mitigate short term capital requirements while preserving its long term investment case. As a result, the timeline for development works has been extended with the project split into phases with initial production from 2018. The estimated capital expenditure of the first stage of the project is US$150 million;
- a restructuring programme at Evrazruda was launched with the aim of improving operational efficiency by shutting down and/or disposing of uneconomic facilities, improving productivity through headcount reductions and the implementation of a series of low cost projects with fast returns.

IRON ORE: RUSSIA

Continued

What EVRAZ said and did in 2013 and 2014 targets

2013 plans	2013 achievements	2014 targets
Implementation of an operational improvement programme at EVRAZ KGOK	Mining volumes at EVRAZ KGOK increased from 55.5 million tonnes to 56.8 million tonnes, while output of saleable products reached 9.8 million tonnes vs. 9.7 million tonnes in 2012	To maintain full mining capacity utilisation at EVRAZ KGOK
Finalisation of technical project documentation for the development of the Sobstvenno-Kachkanarskoye deposit	Technical project documentation was finalised and a new phased development plan was created to minimise initial capital requirements	To obtain necessary approvals and permits covering technical aspects, land, environmental and other issues
Commencement of work on EVRAZ KGOK's tailing dump	Survey completed and major technical details for the project agreed; contracting work launched	Environmental and state expert reviews will be conducted to obtain permits and approvals
Restructuring of Evrazruda's operations to optimise production costs	The high cost operations of Evrazruda and other iron ore assets were disposed of	To implement the expansion project at the Sheregesh mine and establish a development programme for the Abagursky processing plant
Complete conceptual studies on geology, beneficiation and infrastructure for the Timir iron ore development project to define development options	Conceptual plan for Timir (development of Taeozhnoye deposit) project was approved	To conduct a pre-feasibility study and evaluate project finance options

The major elements of the programme in the year were:

- the permanent closure of the high cost Irba mine;
- the disposal to a local investor of the Abakan and Teya iron ore mines, two utilities companies and the Mundybashsky processing plant for a total cash consideration of RUB10 million;
- good progress on delivering the Sheregesh expansion project to increase raw iron ore production to 2.5 million tonnes per annum from the current level of 2.0 million tonnes by the end of 2014;

• in September 2013, EVRAZ disposed of the EVRAZ VGOK operation for a consideration of US$20 million, calculated on a debt free basis. EVRAZ VGOK was the highest cost operation in the Company's iron ore mining portfolio when accounting for transportation costs to EVRAZ ZSMK.

In April 2013, EVRAZ acquired a 51% stake in the Timir joint venture which holds licences to four iron ore deposits in Southern Yakutia. Given the challenging outlook for the global iron ore market, in 2014 the Company intends to conduct a thorough pre-feasibility study to determine the project's viability under various macroeconomic scenarios and to evaluate project finance options in order to minimise balance sheet risks for EVRAZ.

Shipments of iron ore products in 2013

			External sales	
Product, '000 tonnes	EVRAZ NTMK	EVRAZ ZSMK	Russian market	Export markets
EVRAZ KGOK	7,889	646	367	893
Pellets	4,355	646	356	893
Sinter	3,534	–	11	–
Evrazruda (including discontinued operations)	–	3,895	–	–
Concentrate	–	3,895	–	–
Purchased from the market:				
Pellets	–	1,477	–	–
Sinter	195	14	–	–
Concentrate	–	2,802	–	–
Total*	**8,084**	**8,834**	**367**	**893**

* Excludes 36,000 tonnes of pellets from KGOK to EVRAZ DMZ Petrovskogo in Ukraine

2013 production and sales

Production of saleable iron ore products decreased by 6% in 2013 and amounted to 15.4 million tonnes compared with 16.4 million tonnes in 2012.

In 2013, EVRAZ KGOK mined 57 million tonnes of ore with an average Fe grade of 15.5%. Total output of saleable products was 9.8 million tonnes, including 6.3 million tonnes of pellets (61% Fe) and 3.5 million tonnes of sinter (54% Fe). The key customers of EVRAZ KGOK are EVRAZ NTMK and EVRAZ ZSMK, which accounted for 88% of supplies, with the remaining 12% sold externally. In order to cut transportation costs and improve profit margins, sales to domestic customers have been prioritised over export customers. Domestic sales were 4% of total external sales in 2013 compared to 1% in 2012 and this positive trend is expected to continue.

In 2013, Evrazruda mined 10.2 million tonnes of iron ore with an average Fe grade of 30.9% which was used to produce 3.9 million tonnes of iron ore concentrate (61.6% Fe), all of which was supplied to EVRAZ ZSMK. The results include the volumes of the Teya and Abakan mines, which will continue to supply iron ore to EVRAZ on market terms, but accounted for as external purchases subsequent to their disposal.

In 2014, VGOK will also supply iron ore products to EVRAZ ZSMK on market terms.

Interview with Marat Atnashev, Vice President, Iron ore business unit, Russia

ASSET OPTIMISATION

In October 2013, EVRAZ announced the sale of its oldest iron ore asset in the Urals, EVRAZ VGOK. What was the rationale for the disposal?

EVRAZ VGOK was developed to supply iron ore to the EVRAZ NTMK steel mill also located in the Urals region. However, once EVRAZ NTMK switched to using only EVRAZ KGOK's vanadium containing iron ore products as feedstock in 2009, EVRAZ VGOK's production was no longer technically compatible with EVRAZ NTMK's steelmaking operations. As a result EVRAZ VGOK sold its products mostly on the open market and to EVRAZ ZSMK. The cash cost of iron ore concentrate production at EVRAZ VGOK is over US$100, amongst the highest in the mining industry, and in the current economic environment with decreasing prices for iron ore EVRAZ VGOK's operations were unprofitable.

Why wouldn't the Company supply EVRAZ VGOK's iron ore to its EVRAZ ZSMK steel operations?

Although EVRAZ ZSMK could use EVRAZ VGOK's production, it is situated a long way from EVRAZ VGOK, in Siberia, Novokuznetsk, Kemerovo region. This distance would make supplies of EVRAZ VGOK's iron ore financially unviable.

What was the value of the sale?

EVRAZ sold EVRAZ VGOK to NPRO URAL for a US$20 million consideration, calculated on a debt free basis.

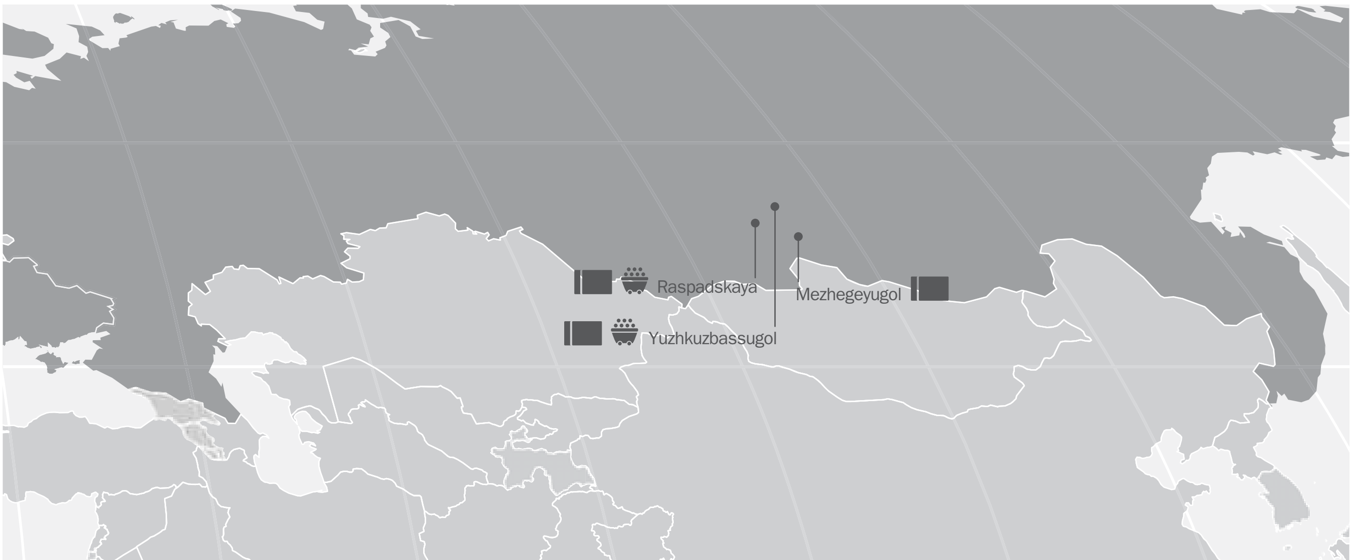
What is the economic effect of the EVRAZ VGOK's disposal?

Management estimates the annualised positive effect at US$16-17 million at current spot prices.

Is EVRAZ going to cooperate with the new owner of VGOK in the future?

Yes. Simultaneous with the signing of the VGOK sale agreement, we have signed a three-year agreement for the supply of iron ore concentrate from VGOK to EVRAZ ZSMK on iron ore market terms, processing of by-products on preferential terms and a 10-year agreement for VGOK to process certain of EVRAZ NTMK's by-products. The new owner of VGOK is a large iron ore producer in the Urals region and also works closely with many steelmakers in the region.

COAL: RUSSIA



EVRAZ's key Russian coal mining assets

Fast facts	Operations/Assets	Products
Yuzhkuzbassugol **Run of mine:** 11 mtpa **Employees:** 11,536 (2012: 14,768) **Ownership:** 100% interest	• 6 coking coal mines: – Abashevskaya – Alardinskaya – Yesaulskaya – Osinnikovskaya – Uskovskaya – Yerunakovskaya VIII • 1 steam coal mine: – Kusheyakovskaya • 3 coal washing plants: – Abashevskaya – Kuznetskaya – EVRAZ ZSMK coal washing plant (part of EVRAZ ZSMK)	• Hard and semi-hard coking coal (grades Zh, GZh and KS under Russian classification) • Steam coal (grades G under Russian classification) • PCI coal*
Raspadskaya **Run of mine:** 8 mtpa **Employees:** 8,232 (2012: 8,231) **Ownership:** 82% interest	• 3 underground mines: – Raspadskaya – Raspadskaya-Koksovaya – MUK-96 • 1 open-pit mine: Razrez Raspadsky • 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 **Employees:** 158 **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

* A wide range of coals can be used in PCI, including steam coal which has lower carbon content than coking coal.

Note: Coking coal reserves as at 1 July 2013 under the JORC Code are given on page 212.

EVRAZ's Russian coal production

Product, '000 tonnes	2012*	2013	2013/2012, change
Yuzhkuzbassugol			
Raw coking coal (mined)	8,506	11,110	31%
Raw steam coal (mined)	2,283	1,432	(37)%
Coking coal concentrate (production)	4,102	5,821	42%
Steam coal concentrate (production)	421	99	(76)%
Raspadskaya			
Raw coking coal (mined)	7,002	7,824	12%
Coking coal concentrate (production)	4,506	5,252	17%
EVRAZ ZSMK coal washing plant			
Coking coal concentrate (production)	2,375	2,591	9%
Total			
Raw coking coal (mined)	15,508	18,934	22%
Coking coal concentrate (production)	10,983	13,664	24%
Raw steam coal (mined)	2,283	1,432	(37)%
Steam coal concentrate (production)	421	99	(76)%

* 2012 data for Raspadskaya is on a pro forma basis, as Raspadskaya is consolidated in the results of EVRAZ from 16 January 2013

Performance of EVRAZ's coal washing plants in 2013

'000 tonnes	Max raw coal throughput (capacity)	Total raw coal processed, 2013	Capacity utilisation, 2013	Raw coking coal processed, 2013	Output of coking coal concentrate, 2013	Preparation yield for coking coal
Abashevskaya	3,600	2,120	59%	2,089	1,501	72%
Kuznetskaya	5,800	5,411	93%	5,319	3,474	65%
Raspadskaya*	10,600	7,284	69%	7,284	5,252	72%
ZSMK coal washing plant	5,000	4,061	81%	4,061	2,591	64%
Total	**25,000**	**18,876**	**76%**	**18,753**	**12,818**	**68%**

* Underloaded in 2013 due to lack of own raw coal in sufficient quantity and a lack of technical ability to enrich third party raw coal

COAL: RUSSIA

Continued

What EVRAZ said and did in 2013 and 2014 targets

2013 plans	2013 achievements	2014 targets
Ramp-up of the Yerunakovskaya VIII mine and production of 1.4 million tonnes of coking coal	The mine launched ahead of schedule and below budget with production targets exceeded	To reach full mining capacity of 2.5 million tonnes of coking coal per annum
Maintaining and developing the mining capacity of coking coal mines – Uskovskaya, Osinnikovskaya, and Alardinskaya while implementing innovative technologies	Production at Uskovskaya mine increased by 12% year-on-year, at Alardinskaya mine by 91%	
Integration of the Raspadskaya business	Certain management functions were unified and merged (financial reporting, headcount and salary budgeting processes)	To complete integration of Raspadskaya
Grow coal production at Raspadskaya by approximately 40% compared to 2012	Actual production in 2013 was 7.8 million tonnes (+12%) due to the temporary suspension of mining at the Raspadskaya underground mine	To increase coal production at Raspadskaya by up to 40% compared to 2013 depending on the performance of the Raspadskaya underground mine
Continuation of the Raspadskaya mine reconstruction programme	A summary of works performed on the restoration of the mine is provided on page 57	
Increase Raspadskaya's export coal concentrate sales to 35% of total sales	In 2013 export deliveries comprised 37% of total sales	To enhance EVRAZ's sales expertise in the domestic and international coking coal markets
Realisation of Mezhegey Project Phase I with first coal expected by the end of 2013	Mining works began in December 2013	To mine 0.3 million tonnes of coking coal at the Mezhegey deposit
		To continue optimisation of the asset portfolio (for details please refer to page 21)

Operational highlights:

- the Yerunakovskaya-VIII mine was launched in February 2013 ahead of schedule and below budget. This coking coal mine has a nameplate capacity of 2.5 to 3 million tonnes per annum with an estimated cash cost of US$40 per tonne of raw coal, one of the lowest among CIS underground coal mines. The second longwall at the mine was launched in February 2014 and Yerunakovskaya-VIII will ramp up to full capacity this year;
- coking coal at the Alardinskaya mine was mined with two longwalls that allowed EVRAZ to increase production to 3.3 million tonnes of KS grade coking coal in 2013;
- tunnelling and further preparation works were suspended at the Abashevskaya coking coal mine with a view to close the mine in Q1 2014 due to high operating risks (large concentration of underground waters) and elevated production costs. The shutdown is in line with the Company's plan to increase production efficiency and reduce costs at Yuzhkuzbassugol;
- EVRAZ purchased a controlling interest in the Raspadskaya coal company, one of Russia's largest coking coal companies, and started the process of integrating Raspadskaya into the EVRAZ business structure. Certain management functions were unified and merged. The integration will continue in 2014;
- EVRAZ decided to divest its steam coal business and sold the Gramoteinskaya steam coal mine, as part of the company-wide programme of asset portfolio optimisation and disposal of non-performing and non-core assets;
- mining works at the Mezhegey coking coal deposit in the Republic of Tyva commenced with the first coal mined in December 2013;
- the Company undertook a programme to improve degassing at the Yuzhkuzbassugol's mines to minimise the risk of explosions and fires and to increase productivity.

2013 production and sales

Yuzhkuzbassugol

Yuzhkuzbassugol mined 11.1 million tonnes of coking coal in 2013, a 31% increase over 2012 volumes. The major contributors to this increase were: the launch of a second longwall at the Alardinskaya mine with the mine's total output almost doubling (3.3 million tonnes of coal mined in 2013 compared to 1.8 million tonnes in 2012); the ramp-up of the Yerunakovskaya VIII mine (1.4 million tonnes); and increased productivity at the Uskovskaya (2.4 million tonnes in 2013 vs. 2.1 million tonnes in 2012) and Yesaulskaya (1.8 million tonnes in 2013 vs. 1.5 million tonnes in 2012) mines. Meanwhile the growth plans of the Osinnikovskaya mine were hampered by a tragic accident and a month long suspension of production at the mine.

In 2013, steam coal production amounted to 1.4 million tonnes, 37% less than in 2012, primarily due to the curtailment of production at the Gramoteinskaya mine following the suspension of operations at the end of 2012 and the mine's subsequent disposal in October 2013. The disposal of the Gramoteinskaya mine was in line with EVRAZ's plan for divesting non-performing assets.

In 2013 a SAP ERP management system trial started at Yuzhkuzbassugol. The system allows for the automation of most of the basic functions of the mine relating to finance and accounting, logistics, supply and material requirements planning and the cost of repairs. The project allows a single SAP template to be applied to all EVRAZ's mining operations, providing the Company with more accurate information and enhancing existing systems. In the reporting period most of the modules were implemented across the mines and washing plants with HR module scheduled for introduction in 2014.

The Company expects to maintain Yuzhkuzbassugol's mining volumes at approximately 10 million tonnes of coal in 2014.

Raspadskaya
The following initiatives were undertaken as part of the integration of the Raspadskaya coal company into EVRAZ's operational model:

- unification of HSE programmes, including a combined HSE policy, a system for reporting warnings and the development of a comprehensive audit programme;
- implementation of a common HR policy;
- centralisation of the financial reporting and accounting function, while the budgeting process was brought in line with EVRAZ's standards including with regards to capital expenditures;
- a sales and marketing policy for EVRAZ and the Raspadskaya coal company was developed for the Russian Federal Antimonopoly Service.

In 2013, Raspadskaya's raw coking coal output increased by 12% to 7.8 million tonnes. This positive result was achieved despite a 1.3 million tonnes, or 48%, decline in production compared to 2012 levels at the Raspadskaya underground mine. The decline was the result of production being suspended in May-June 2013 due to excessive carbon monoxide levels in one part of the mine. Having completed the necessary actions to rectify the situation, underground mining operations at Raspadskaya restarted on 5 July 2013 and a new longwall was launched on 25 December 2013.

Lower output at the Raspadskaya underground mine was offset by higher (+1.7 million tonnes, or 75%) production volumes at the Razrez Raspadsky open pit which ramped up its production to target levels and extracted over 4.0 million tonnes of coking coal in the year. The Raspadskaya-Koksovaya mine increased its production by 30% compared to 2012 reaching 0.9 million tonnes. The MUK-96 mine increased production by 0.2 million tonnes achieving total production of 1.5 million tonnes.

Annual production of coking coal concentrate increased by 17% due to higher raw coal mining volumes. In 2013, the concentrate output ratio at the Raspadskaya preparation plant was 72.1%.

Restoration works at the Raspadskaya underground mine damaged in 2010 as a result of series of explosions continued:

- mine paths and tunnels were cleared, with the work to be continued in 2014;
- a ventilation shaft of the block #4 ("Glukhaya") was rebuilt and will be put into operation in 2014;
- approximately 80% of the scheduled mining works required for commissioning new longwalls in 2014 were completed.

The Company continues to explore the potential to unlock additional value in combination with the legacy assets of Yuzhkuzbassugol.

Mezhegeyugol
In 2013, design documentation for the Mezhegey project was enhanced and state permits for construction of the mine were obtained. A preliminary coal quality report was also prepared. The facilities necessary to begin mining operations under the first phase of the project were installed and two sets of room and pillar mining equipment were delivered.

At the end of 2013 mining works started with a mining plan of 300,000 tonnes of coal in 2014.

Capital expenditures for the project amounted to US$54 million (excluding licence costs) in 2013. An additional US$76 million is expected to be invested in 2014.

In 2013, consumption of coking coal concentrate by EVRAZ's plants amounted to 7.7 million tonnes. External sales amounted to 6.1 million tonnes, including 3.6 million tonnes shipped to Russian consumers and 2.5 million tonnes sold in export markets.

COAL: RUSSIA

Continued

In 2013, Yuzhkuzbassugol sold 8.2 million tonnes of coal products, including 4.6 million tonnes of raw coking coal and 3.6 million tonnes of coking coal concentrate. 0.8 million tonnes of raw coking coal were sold to the market and 3.8 million tonnes were shipped to EVRAZ plants.

EVRAZ's Russian and Ukrainian steel mills – EVRAZ ZSMK, EVRAZ NTMK and EVRAZ DMZ Petrovskogo – remained Yuzhkuzbassugol's key customers in 2013. Intragroup deliveries by Yuzhkuzbassugol accounted for 65% of its total sales. In 2013, long-term contracts with Mechel, Severstal, KemerovoKoks and some others were signed for the supply of coal from Yuzhkuzbassugol as well as from Raspadskaya.

In 2013 Raspadskaya coal company's sales volumes of coking coal concentrate amounted to approximately 5.1 million tonnes, an 18% increase compared to 2012. 3.0 million tonnes, or 58% of all concentrate was sold to customers in Russia, 0.6 million tonnes, or 11% was sold to Ukraine, with 1.6 million tonnes, or 31% of the total directed to the Asia-Pacific region.

The price of coking coal in the Russian domestic market remained flat in H1 2013, despite downward pressure from global steel markets. However, due to continuing weak steel industry fundamentals, domestic coal prices declined in H2 2013.

Interview with Sergey Stepanov, Vice President, Coal business unit, business unit Russia

LABOUR SAFETY AND EFFICIENCY

What was the focus of the Coal Division in 2013?

In the past few years attitudes to labour safety have been changing. We have now created a culture across our operations of zero tolerance of unsafe working conditions. We have begun a programme to increase safety by making management personally responsible and accountable for implementing and supervising labour safety principles. All employees get involved in the programme and undergo training on how to work safely. We pay special attention to issues such as monitoring gas levels, maintenance, transportation safety, electrical safety and additional precautions when performing dangerous works.

Are the safety and efficiency programmes which EVRAZ is implementing interrelated?

Yes, they are. To give you an example: as safety has become our top priority, we decided to stop mining works at the Abashevskaya mine. It is the ultimate solution of all safety issues, and we have adopted a series of initiatives, including job placements of the released miners at the Company's other mines, to ensure social issues are managed appropriately. The main argument in favour of shutting the mine was the high risk of flooding due to large underground water accumulation. Unfortunately, we had an accident with a mine flood at another mine in March 2013 that resulted in four fatalities. Our aim, therefore, has been to prevent similar accidents in the future. Aside from the labour safety risk, the Abashevskaya mine is one of the oldest mines in the Kuzbass area and cash costs are approximately twice as high as the current market price which makes operations uneconomic in current market conditions.

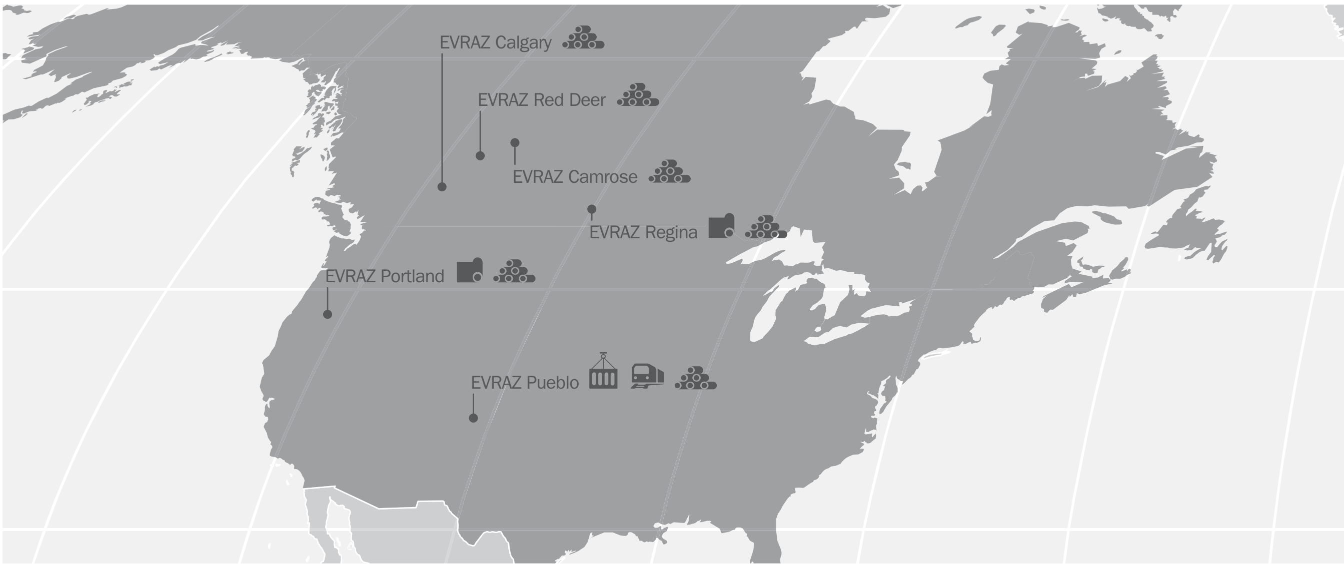
What were the other initiatives in 2013 to reduce costs and increase efficiency?

In line with the Company wide plan to optimise our asset portfolio and divest non-performing operations, we have concluded that the steam coal mining business is non-core and sold one of our two steam coal mines, Gramoteinskaya.

What were the Coal division's main achievements in 2013?

There were a number of significant achievements in 2013 which I would like to highlight – the launch of the Yerunakovskaya VIII mine, the acquisition of the Raspadskaya coal company, continued works on the restoration of the Raspadskaya underground mine and the launch of coal mining at the Mezhegey project.

STEEL: NORTH AMERICA



EVRAZ's key North American steelmaking assets (as of April 2014)

Fast facts	Operations	Products
EVRAZ North America **Capacity:** • Crude steel*: 2.6 mtpa • Flat-rolled products: 2.3 mtpa • Tubular products: 2.2 mtpa • Long products: 900 ktpa **Employees:** 4,240 (2012: 4,599) **Ownership:** 100% interest	• Flat product group: – Portland, Oregon – Regina, Saskatchewan – Claymont, Delaware (currently suspended) • Tubular product group: – Portland, Oregon – Calgary, Alberta – Red Deer and Camrose, Alberta – Regina, Saskatchewan – Pueblo, Colorado • Long product group: – Pueblo, Colorado	• Flat 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

* Hereinafter excludes capacity of suspended Claymont steel mill and includes the updated capacity at other North American steel mills.

EVRAZ's North American steel production

Product, '000 metric tonnes	2012	2013	2012/2013, change
Crude steel	2,411	2,180	(10)%
Steel products, net of re-rolled volumes	2,662	2,760	4%
Flat products group	968	990	2%
Tubular products group	872	927	6%
Long products group			
Construction products	331	348	5%
Railway products	491	494	1%

STEEL: NORTH AMERICA

Continued

What EVRAZ said and did in 2013 and 2014 targets

2013 plans	2013 achievements	2014 targets
Increase steel billet production capacity at EVRAZ Pueblo by 52,000 tonnes in 2013 and improve conversion costs	Yields have improved and EVRAZ Pueblo has the capability to consistently cast high carbon billets with capacity increased by approximately 50,000 tonnes	To increase steelmaking volumes at EVRAZ Pueblo by 5% to 1.2 million tonnes
Flat products: grow capacity, lower cost positions and improve operational stability	Capacity increases were postponed due to uncertainties in the Canadian market and constrained capex. Conversion costs per tonne of saleable product decreased by 3%	To develop the flat products group to capture incremental demand created by LNG liquefaction terminal projects on the West Coast
Tubular products: further focus on areas critical for profitability (productivity, first pass yield, working capital management)	Progress achieved in reducing overhead costs as well as improving conversion costs on large diameter pipes vs. 2012. However, improvements to yields and operational stability of mills were behind plan	Yields and operational stability to remain the highest priority for 2014
Tubular products: start of major capital projects in heat treating and threading	The second premium threading line for OCTG pipe at EVRAZ Red Deer was commissioned, doubling capacity	To fully utilise EVRAZ Red Deer's premium threading capacity and to expand the range of OCTG premium and semi-premium connections in order to provide clients a full range of products
Long products: improvements in rail quality and ramp-up of EVRAZ Pueblo's capacity to 526,000 tonnes of rails per annum	Equipment upgrades were commissioned, a new product technology centre was established	To launch a new welding technology and to expand production of the Pueblo rail mill to 526,000 tonnes (by 10%)
		To introduce new rod & bar products

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:

1. Update on key development projects:

- EVRAZ North America launched a programme to rationalise its asset portfolio as part of EVRAZ's strategy on asset optimisation and cost improvements:
  - operations at the Claymont facility were suspended as a result of soft market conditions. The Company is currently studying strategic options for this mill;
  - the Company sold its cut-to-length facility in Surrey, as EVRAZ had excessive capacity in this region. Clients will be served from EVRAZ Portland and Regina facilities.
- The Long products division progressed with two key organic growth projects at the EVRAZ Pueblo facility with the aim of expanding steelmaking and rail mill capacities along with improving product quality:
  - upgrades to EVRAZ Pueblo's steelmaking operations were completed, resulting in improved yields, and improved ability to consistently cast high carbon billets to support the next generation of rail and rod products;
  - EVRAZ Pueblo also received the "Best Operational Improvements Award" for Steel Excellence at the AMM Steel Success Strategies conference in recognition of its operational achievements, especially at the rail mill facility (as described below).
- The OCTG segment of the Tubular products division commissioned a second premium threading line at EVRAZ Red Deer doubling premium threading capacity on time and within budget. The facility is expected to achieve full utilisation in 2014 and is a key element of the Company's overall OCTG strategy. The implementation of this project will further strengthen the Company's market position in the premium segment. EVRAZ will continue to expand OCTG heat treatment capacity in Western Canada to target the high margin alloy pipe market, which has seen high growth rates as a result of the rapid development of Alberta oil sands and US shale drilling.
- The Camrose DSAW line and Portland spiral mills were restarted, having undergone quality and yield upgrades further strengthening our market position in the Large diameter segment of the Tubular products division.
- The planned increase to steelmaking capacity in Regina was postponed due to uncertainties in the Canadian flat steel market and the decision to optimise capex across the Company.

2. Cost optimisation initiatives:

- In 2013, lean initiatives were launched at all product divisions aimed at improving yields, conversion costs and production volumes.
  - conversion costs per tonne decreased by 3% on average in the Flat product division to US$217 per tonne;
  - efforts at the Regina spiral mill resulted in over 20% first pass yield improvements and 5% improvements in yield;
  - sound progress was made in the Tubular product group: improved large diameter pipe yields supported a more than 5% conversion cost reduction vs. 2012.

In addition, in 2013 an overtime reduction project contributed US$10 million of savings vs. 2012.

2013 production and sales

Volumes increased across all product groups compared to 2012 despite unplanned downtime in Q1 and Q3 of 2013 related mainly to electrical failures and caster break-outs. Maintenance procedures and controls are being adjusted to prevent a recurrence of these issues.

Long product division
In the Long product division, EVRAZ undertook upgrades to the rail mill at EVRAZ Pueblo to improve the quality of premium rail production to meet industry leading standards with a particular focus on advanced automated inspection systems, improved end straightness and better head hardening capabilities. A new product technology centre was established, staffed with scientists, engineers, metallurgists, and equipped with a state-of-the-art lab to enable advanced internal testing and the accelerated development of next-generation products. Annual rail mill capacity rose by 10% from 475,000 metric tonnes to 526,000 tonnes, while output reached 494,000 tonnes in 2013.

The primary goal of EVRAZ's North American rail segment in 2014 is to launch new welding technology, which will improve weld life, therefore reducing total life cycle costs and improving safety for customers. Continuous work on product quality, operational costs and new client services is also expected to improve margins.

The rod and bar mill at EVRAZ Pueblo increased its production rate by approximately 6% compared to 2012, while significantly extending the Group's product offering.

Tubular product division
EVRAZ enjoys a leading market share in North America due to strong customer relationships, multiple plant footprint, favourable geographic locations and Made in Canada labelling for further development of its large diameter pipe business. 2013 was a successful year for large diameter pipes with volumes more than doubling vs. 2012 and the Company achieved its highest historical shipments across an increased product range. The Portland and Camrose large diameter mills were restarted to meet additional demand. Demand for large diameter pipes is expected to remain driven by new export terminals and associated pipelines and sustainable oil pipeline demand from Canada.

Small diameter OCTG production at the lower end of the market was impacted by intense competition from imports causing pricing declines and the commoditisation of low-end products. Shipments of OCTG pipes were in line with 2012 volumes. To meet market demand from horizontal, directional, and unconventional drilling, EVRAZ North America plans to expand the range of OCTG Premium and Semi-Premium connections to offer full range of sizes to clients.

EVRAZ North America's average prices

US$/tonne (ex works)	2012	2013
Construction products	843	764
Railway products	987	932
Flat-rolled products	1,019	860
Tubular products	1,497	1,318

Flat product division
Production of flat-rolled products by EVRAZ North America remained largely unchanged in 2013 at 990,000 tonnes. This performance was achieved despite heavy pricing pressure from imports and domestic suppliers of commodity grades during most of 2013 and the suspension of the EVRAZ Claymont mill in Q4 2013. The flat product group intends to focus on developing its capabilities to capture a large share of the incremental demand created by the installation of new LNG liquefaction terminal projects on the West Coast.

Sales volumes and prices
EVRAZ North America's total sales showed a decrease of approximately 2% compared to 2012 driven by unplanned stoppages in Pueblo and Regina as well as competition from imports. Aggressive importing into North American markets has led to the initiation of a trade action against nine countries by the United States Federal Government which may result in the introduction of anti-dumping measures against producers from certain countries (Vietnam, Thailand, India etc.). The final determinations by the US Department of Commerce in respect of the countries involved are due on 7 July 2014.

In 2013, EVRAZ North America sold almost 40,000 tonnes of new products, including rod & bar, rails and tubular premium products, e.g. QB1-HT, a new semi-premium connection.

The competitive conditions described above adversely influenced the Company's sales mix and spread. This negative impact was, however, offset with operational improvements and the introduction of new products to the market.

STEEL: NORTH AMERICA

Continued

Interview with Pavel Tatyanin, Senior Vice President, International business

ACCOMPLISHMENTS OF THE INTERNATIONAL BUSINESS UNIT

What were the achievements of the International division in 2013?

In Calgary, heat-treated pipe production volumes hit an all-time high of 7,400 tonnes. In Regina, December 2013 saw an all-time monthly record in flats production. In Ukraine, at DMZ Petrovskogo, last year they posted a 21% year-on-year steel production increase – despite all the hardships the plant has seen. At EVRAZ Highveld, January of 2014 has been the best month over the last 3 and a half years – thanks to a huge internal effort against the background of a growing market.

What is the market environment in North America and how does it affect EVRAZ North America's business?

Although EVRAZ North America is commonly perceived solely as a steel-making company, we increasingly benefit from the North American oil and gas renaissance. Our large diameter pipe assets are the most direct and obvious beneficiaries. Performance in the previous two or three years was good, with solid demand and well utilised capacities and we are well positioned to have yet another good year in 2014.

An LNG (liquefied natural gas) pipeline between Canada and Portland is already in the works and EVRAZ is best positioned to benefit from the development of LNG as it is a reliable pipe supplier with a solid reputation.

OCTG, or small diameter pipes, including drill pipes, pipe casings and oil pipes, are another segment that is set for growth. Based on the location of our assets, we expect demand for OCTG to come from oil and gas producers in the Dakotas, West Canada and Colorado; for them, a shortage of OCTG is currently a major production-limiting factor.

Demand for flats is driven both internally, by our growing pipe production volumes, and externally, by the demand coming from railway tank makers.

What will you focus on to ensure growth of the business in North America?

While we have a firm foothold in those regions, we must not lose our focus: improving product quality is key to sustaining and growing our presence. Speaking of pipe quality, for example, today, unfinished "green pipe" is a major part of our sales. To change that and add more value, we are set to grow our finishing capacities. A heat treatment line is under way in Alberta; our premium connection offering is good and we will build on that technology further.

STEEL: EUROPE

EVRAZ's key European steelmaking assets

Fast facts	Operations	Products
EVRAZ Palini e Bertoli **Capacity:** 450 ktpa of steel products **Employees:** 133 (2012: 141) **Ownership:** 100% interest	Rolling mill	Plate

EVRAZ's European steel production* (EVRAZ Palini e Bertoli)

Product, '000 tonnes	2012	2013	2012/2013, change
Flat-rolled products	417	230	(45%)

* Steel production numbers exclude EVRAZ Vitkovice Steel, which was classified as asset held for sale during the year

Due to unfavourable market conditions EVRAZ decided to temporarily suspend operations at EVRAZ Palini e Bertoli's plate mill from 20 August 2013. The Company will closely monitor developments in the European plate market and any further decisions on re-opening the mill will be subject to prevailing market conditions.

STEEL: UKRAINE

EVRAZ's key Ukrainian steelmaking assets

Fast facts	Operations	Products
EVRAZ DMZ Petrovskogo **Capacity:** 1.2 mtpa of crude steel **Employees:** 5,913 (2012: 6,141) **Ownership:** 96.78% interest **EVRAZ Bagliykoks** **Capacity:** 747 ktpa **Employees:** 1,484 (2012: 1,488) **Ownership:** 94.37% interest	• Steel plant: – Blast furnaces – Basic oxygen furnaces – Rolling and blooming mills • Coke plants	• Billet • Specialty construction products • Specialty flat products • Coke

EVRAZ's Ukrainian steel production*

Product, '000 tonnes	2012	2013	2012/2013, change
Crude steel	820	995	21%
Steel products	702	854	22%
Semi-finished products	244	359	47%
Finished products	458	494	8%
Construction products	357	407	14%
Other steel products	101	87	(13)%
Coke (saleable)	913	788	(14)%

* Numbers can be different from the published earlier due to minor alterations in calculations

What EVRAZ said and did in 2013 and 2014 targets

2013 plans	2013 achievements	2014 targets
Commence approved investment programme at EVRAZ DMZ Petrovskogo (PCI, power plant, mill 800, furnace of mill 550, sinter screening)	Investment programme initiatives underway with engineering solutions developed and tender procedures completed	To implement the modernisation of mill 800; to complete the technical design of sinter screening installation; to complete the technical design of a reheat furnace reconstruction at mill 550
Continuing efforts towards higher volumes of water recycling at EVRAZ DMZ Petrovskogo	Equipment was installed with feasibility study and water audit procedures launched as part of the water recycling project	To reduce wastewater discharges by 9 million cubic tonnes per year starting from 2014
Completion of the ecological project at EVRAZ Bagliykoks to reduce water discharges	Construction works were completed to reconstruct the heat station demineraliser plant	To commission the modernised heat station demineraliser plant
Further operational improvements and installation of a pilot automated system for environmental monitoring at EVRAZ Bagliykoks	The project was postponed until 2014 because of delays in integration of the municipal system	To commission one automated environmental monitoring post
		To reach the average daily production of 3 kt of pig iron at EVRAZ DMZ Petrovskogo
		To become proficient in the production and sale of new steel profiles at EVRAZ DMZ Petrovskogo
		To implement the project to debottleneck mill 1050 to produce higher margin long billets (instead of short billets)

2013 production and sales

In 2013, EVRAZ DMZ Petrovskogo produced 995,000 tonnes of crude steel and 854,000 tonnes of steel products. The increase in production volumes was the result of increased blast furnace efficiency following a number of operational improvements in the melting process, improved coke quality and less downtime for repairs.

EVRAZ DMZ Petrovskogo increased consumption of intragroup coal in its coke production from 49% to 66%, whilst also improving the quality of coke and consequently increasing the productivity of its blast furnaces. In 2014, work to stabilise the blast furnace operation will continue with the aim of lifting average daily production to 3,000 tonnes of pig iron by securing a stable supply of high quality coke and thus leading to efficiency gains.

Additionally, EVRAZ DMZ Petrovskogo's blast furnace shop eliminated the consumption of natural gas using a "zero gas melting process". As a result production costs were reduced by replacing more expensive natural gas with less costly metallurgical coke. Consequently cash costs of saleable steel products decreased by 11% in 2013 to US$600/t from US$674/t in 2012.

Implementation of the PCI project at EVRAZ DMZ Petrovskogo continues on schedule and in line with budget with investments of US$0.8 million in 2013. A feasibility study was completed with key contractors identified.

The Company aims to increase the share of higher value added products in its product portfolio. In 2013, several new product lines, in particular construction profiles for the European market, were designed and launched at EVRAZ DMZ Petrovskogo with sales totaling 80,000 tonnes. In 2014, the production team plans to become proficient at making seven new profiles of auto rims to be sold in the Russian market.

Following the optimisation programme and a greater focus on increasing in-house consumption of steelmaking materials, EVRAZ Bagliykoks reached its highest level of coke oven battery utilisation in the last 5 years, at 97% in 2013.

During 2013, 90% of construction works were implemented for the ecological project at EVRAZ Bagliykoks aimed at reducing the amount of return water discharge, with operations to be started in 2014.

The implementation of the automated environmental monitoring system at EVRAZ Bagliykoks announced in 2013 was postponed till 2014 when the automated monitoring post starts its operation. Currently, monitoring is carried out manually in line with legal requirements.

Sales of construction steel to Russia amounted to 164,000 tonnes, and an additional 155,000 tonnes were sold to customers outside the CIS.

Average selling prices for most steel products in 2013 decreased due to the continuing price declines in global steel markets.

Average selling prices of EVRAZ Ukraine

US$/tonne (ex works)	2012	2013
Coke	214	213
Pig iron	337	356
Steel products		
Semi-finished products	524	465
Construction products	646	600
Other steel products	884	878

IRON ORE: UKRAINE

EVRAZ's key Ukranian iron ore mining assets

Fast facts	Operations	Products
EVRAZ Sukha Balka **Run of mine:** 3.0 mtpa **P&P reserves:** 86 million tonnes* **Employees:** 4,199 (2012: 4,248) **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	2012	2013	2012/2013, change
Lump ore	2,608	2,973	14%

What EVRAZ said and did in 2013 and 2014 targets

2013 plans	2013 achievements	2014 targets
Implement electrical safety programme	The programme was implemented and its scope increased	To complete programme implementation reaching the target of removing 50% of electrical networks below the surface
		To start extraction of blast furnace iron ore with Fe content of 63%

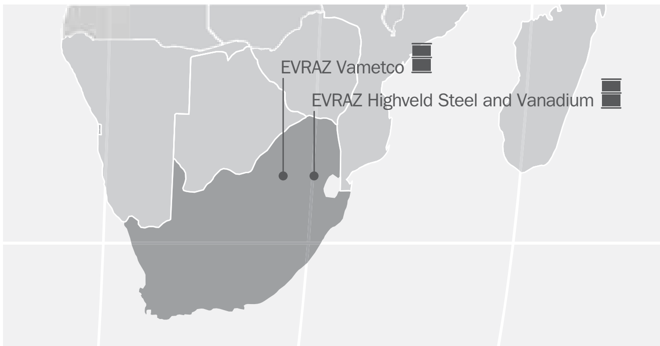
Operational highlights:
Key operational highlights at EVRAZ Sukha Balka during 2013 include:

- total lump ore production in 2013 was 3 million tonnes, a 14% increase compared to 2012 as a result of mine debottlenecking programmes;
- a technical feasibility study was conducted to assess the possibility of extracting blast furnace ore with a Fe content of 63% (the ore can be fed directly into the blast furnace bypassing the sintering stage);
- the electrical safety programme was implemented and the scope extended with 12 diesel locomotives purchased to replace underground electrical networks.

2013 production and sales
EVRAZ Sukha Balka's domestic sales amounted to 62% of production, including deliveries of 17% to the Yuzhny Mining and Enrichment Plant and EVRAZ DMZ Petrovskogo. There were also export shipments to customers outside of Ukraine by rail and sea (38% of total output).

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

VANADIUM



EVRAZ's key vanadium assets

Fast facts	Operations/Assets	Products
EVRAZ Vanady Tula (Russia) **Capacity:** • 7,350 mtV of V_2O_5: • 5,000 mtV of FeV **Employees:** 657 (2012: 672) **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:** 4,845 mtV of FeV **Employees:** 53 (2012: 48) **Ownership:** 100% interest	• Metallurgical shop (FeV production)	• Ferrovanadium (FeV)
EVRAZ Stratcor (USA) **Employees:** 84 (2012: 95) **Ownership:** 78.76% interest	• Chemicals production	• Oxides • Specialty vanadium chemicals • Vanadium alloys • Vanadium halide
EVRAZ Vametco (South Africa) **Capacity:** • 3,600 mtV of V_2O_3 • 3,000 mtV of Nitrovan® **Employees:** 412 (2012: 440) **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*	2012	2013	2012/2013, change
Vanadium in slag (gross production)	21,060	21,077	0%
Russia	14,856	14,403	(3)%
South Africa	6,205	6,675	8%
Vanadium in final products (saleable)			
Ferrovanadium	14,381	13,975	(3)%
Produced at own facilities	7,259	7,465**	3%
EVRAZ Vanady Tula	2,715	2,607	(4)%
EVRAZ Nikom	4,544	4,845	7%
Processed at 3rd parties' facilities	7,122	6,510	(9)%
Nitrovan®	2,723	2,294	(16)%
Oxides, vanadium-aluminum and chemicals	1,330	1,648	24%

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

** Includes also 13t produced at EVRAZ Stratcor

What EVRAZ said and did in 2013 and 2014 targets

2013 plans	2013 achievements	2014 targets
Increase vanadium output at all EVRAZ plants	Production increased at EVRAZ Nikom and EVRAZ Vanady Tula and decreased at EVRAZ Stratcor and EVRAZ Vametco	To increase production by 10% and expand the daily throughput of vanadium pentoxide to 50 tonnes at EVRAZ Vanady Tula
Completion of the pulp filtration project and implementation of a new enhanced maintenance system at EVRAZ Vanady Tula	EVRAZ Vanady Tula completed installation of new pulp filtration equipment and fully implemented a new maintenance system	To decrease costs and improve productivity following the installation of pulp filtration equipment
Increase of production capacity at EVRAZ Nikom through the modernisation of the current production line	The project was put on hold due to a shortage of input feedstock (vanadium pentoxide)	
Completion of the project to use slag from EVRAZ NTMK to alleviate feedstock shortages at EVRAZ Stratcor and increase output of specialty high value added vanadium chemicals	The project is underway	To use tailings in conversion to eliminate more expensive third-party feedstock. Increase output of specialty high value added vanadium chemicals

Operational highlights:

- Record production of vanadium pentoxide at EVRAZ Vanady Tula in 2013 of 7,352 tonnes, an increase of 3.3% or 235 tonnes compared to 2012;
- In 2013 EVRAZ Vanady Tula installed new pulp-filtration equipment that will allow the company to cut operational costs and further increase production of vanadium pentoxide in 2014 by 4% (or 296 tonnes) compared to 2013;
- EVRAZ Stratcor has resumed its position as a reliable supplier of specialty high value added vanadium chemicals. In 2013 the Company resolved issues relating to unstable feed stock supplies by replacing third party material with vanadium slag sourced from EVRAZ NTMK;
- In 2013 EVRAZ Vametco experienced safety stoppages enforced by the South African Department of Mineral Resources (“DMR”). Vametco’s management implemented various mitigating measures identified by the DMR to minimise unplanned safety stoppages in the future;
- Various labour optimisation initiatives were initiated during the year to increase labour productivity and reduce costs. A productivity optimisation project resulted in cost savings totalling US$4 million in 2013. This will be an ongoing area of focus for all vanadium assets in 2014.

2013 production and sales

In 2013, the Company focused on fully utilising its proprietary production capacity and as a result did not require additional third party conversion services to the same extent as in 2012, when production was impacted by reduced vanadium pentoxide availability. Production of ferrovanadium at EVRAZ’s own facilities increased by 3%.

In 2013, EVRAZ Vanady Tula produced 7,352 tonnes of vanadium pentoxide. Of this production, 2,650 tonnes were further processed into ferrovanadium at EVRAZ Vanady Tula, whilst 4,398 tonnes were consumed by EVRAZ Nikom and the balance was sold to a third party. As a result of the operational improvements programme, the daily throughput at EVRAZ Vanady Tula increased by 8% compared to 2012 to 42 tonnes of pentoxide by the end of 2013, with a maximum daily rate of 50 tonnes. The vanadium pentoxide extraction yield also rose from 76% at the beginning of the year to 82% in December 2013.

EVRAZ Vanady Tula sold 53% of total ferrovanadium volumes to the Russian domestic market, including intragroup deliveries of 12% to EVRAZ ZSMK, EVRAZ NTMK and EVRAZ DMZ Petrovskogo. Generally, Russian & CIS markets remained strong over 2013 with ferrovanadium sales volumes increased by 4.1% compared to 2012 to 3,475 tonnes.

In 2013, EVRAZ Nikom produced 4,845 tonnes of ferrovanadium, 7% higher compared to 2012. EVRAZ Nikom delivered most of its products to North America (47% of total sales), Europe (33%), Asia, South America and the CIS.

Production of oxides, vanadium aluminium and chemicals increased by 24% in 2013 compared to 2012 due to the resolution of feedstock supply issues faced by EVRAZ Stratcor during 2012.

In 2013, EVRAZ Vametco produced 2,549 tonnes of modified vanadium oxide and 2,294 tonnes of its proprietary Nitrovan® product. The decrease in Nitrovan’s output was driven by a labour strike in September – October 2013 and the temporary suspension of operations initiated by the DMR, which lasted for two weeks from November to December 2013. EVRAZ Vametco increased throughput yield to 75% through improved roasting efficiency and an improved first pass yield.

Despite a challenging economic environment, demand for vanadium remained firm in 2013 both for steel and non-steel applications. Production growth, especially from new projects, was limited resulting in a largely balanced market outside China with periods of market tightness, which supported pricing.

EVRAZ’s average vanadium product prices

US$/tonne of V (ex works)	2012	2013
Vanadium in final products		
Ferrovanadium	24,062	26,581
Nitrovan®	27,900	28,945
Oxides, vanadium aluminium and chemicals	32,579	34,295

OTHER BUSINESSES

EVRAZ's key trading, logistics and other auxiliary assets

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

What EVRAZ said and did in 2013 and 2014 targets

2013 plans	2013 achievements	2014 targets
Increase cargo turnover at the Nakhodka sea port to 8 million tonnes in 2013	Port handling volumes rose to 7.4 million tonnes in 2013 but due to shortages in coal and metals delivered to the port the target wasn't met	To increase port handling volumes to 9.4 million tonnes
Modernise and upgrade the Nakhodka coal sea port handling capacities to increase coal capacity incrementally from 2013 to reach 5 Mtpa by 2015	In 2013 coal port handling volumes increased by 57% to 3.6 mtpa	To increase coal port handling volumes by another 56% to 5.6 mtpa
Improve Trading Company EvrazHolding's customer loyalty	Sales support programmes were successfully implemented	To launch a new CRM project
Centralise processing of customer claims and complaints at EVRAZ Metall Inprom	Key customer expectations were identified and customer service standards were developed. As a result the number of complaints decreased by 58%	To launch a new CRM project
Continuation of operational improvement programmes at key power generating facilities in Russia	The Company disposed of loss making heat and power station Tsentralnaya TETs in Novokuznetsk; 100% collection of funds from external energy consumers	To develop internal power networks at EVRAZ ZSMK and EVRAZ NTMK

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 2013, cargo turnover at the port increased by 7% and totalled 7.4 million tonnes, including 3.4 million tonnes of coal and 3.6 million tonnes of ferrous metals. EVRAZ shipped 1.3 million tonnes of proprietary coal and 3.4 million tonnes of steel products through EVRAZ NMTP. In 2013, coal handling volumes increased by 57% mostly due to the expansion of warehouse capacity and the expansion and construction of new discharges which allowed the unloading of 60 railcars per day.

Sinano provides sea freight services and historically delivered up to 4 million tonnes of EVRAZ's products to clients. In 2013 the Company decided to sell all four of Sinano's vessels, as the prevailing market conditions didn't warrant the operation of proprietary vessels. One vessel was sold in November 2013, while the remaining three vessels were sold in Q1 2014.

Trading Company EvrazHolding (TC EvrazHolding) is EVRAZ's trading arm for Russian & CIS markets covering all of the Group's products. Sales of steel products by TC EvrazHolding in 2013 amounted to 6.5 million tonnes.

In 2013, the Company successfully implemented sales support programmes for key products:

- a loyalty program was introduced for key domestic customers which helped ensure an increase in EVRAZ's share of the Siberian rebar market from 68% to 77%;
- a customer relations programme was developed to cover beam sales in the European part of Russia. The programme enabled EVRAZ to successfully compete with imported products and helped ensure the EVRAZ's market share remained at approximately 80% despite growing competition in the Russian market.

In 2013, TC EvrazHolding improved customer satisfaction, according to the results of an independent study. Claim processing was improved, resulting in a 40% reduction of total claims. The Company also increased deliveries of smaller lots by trucks (+30% vs. 2012). In addition, EVRAZ increased the availability of products in merchandise cars (+50% in 2012), allowing for a more flexible response to customer demand.

In 2014, the Company will continue to develop and improve its services including through the launch of a new CRM project where every customer will have an on-line personal account for order tracking and monitoring payment and application status. In addition, customer loyalty programmes to retain and expand the account base in the Russian market will be extended. To meet customer demand product lines will be extended in 2014 to include new product types in U-channels, wheels and track shoes. The programme to promote sales of niche products will be continued and (rebar А500СП) complemented with new types of rebars (including А600СП).

EVRAZ Metall Inprom is the second largest Russian steel trading company with an 11% market share. It finishes and distributes steel products (rebar, structural shapes, sheet, pipe) produced mostly by EVRAZ in Russia and Ukraine. Thanks to EVRAZ Metall Inprom, EVRAZ has access to information about the state of the market. In addition, by utilising EVRAZ Metall Inprom's warehouses the Group is able to ensure a more stable capacity utilisation across EVRAZ's Russian steel mills even in periods of declining demand.

In 2013, EVRAZ Metall Inprom increased its sales of steel products to 2 million tonnes a 1.3% rise compared to 2012. EVRAZ steel products amounted to 1.3 million tonnes, or 58% of total sales, a 9% increase in 2013

In order to reduce costs, EVRAZ Metall Inprom closed a number of non-profitable branches and trading sites and reduced headcount, which resulted in cost saving of US$2 million.

In 2013 EVRAZ Metall Inprom received an award for having the best sales network in Russia because of its wide geographic presence, customer focus, portfolio and the quality of products and services it offers.

In 2014 EVRAZ Metall Inprom plans to increase sales volumes by 2% and retain its overall market share. In addition, the Company aims to focus on improving the efficiency of business processes whilst expanding its tubular products options.

In 2014, EVRAZ Metall Inprom will participate in the Russian state projects on infrastructure development, including preparation for the 2018 World Cup.

East Metals AG, located in Switzerland, trades EVRAZ's Russian, Ukrainian and South African steel products in international markets. In 2013 the Company maintained strong positions in its key strategic product segments: merchant slabs and square billets. Sales volumes of square billets increased from 1.3 million tonnes to 1.6 million tonnes, mainly as a result of the closure of the plate mill at EVRAZ ZSMK in June 2013.

EVRAZ's major energy assets are located in Russia and in 2013 supplied 43% 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.

In 2013, EVRAZ continued to improve operational performance at key power generating facilities. Measures were undertaken to ensure 100% collection of funds from external energy consumers for the heat and power produced and supplied by the Company's plants.

In line with the plan to divest non-core and non-performing assets, in September 2013 EVRAZ sold Tsentralnaya TETs, a loss making heat and power station, located in Novokuznetsk, Russia, that generated and sold heat to the city of Novokuznetsk.

In 2014, EVRAZ will launch an internal power network development project to increase energy self-sufficiency at EVRAZ ZSMK. In 2013, approval was received to continue construction of a turbine generator at the NTMK heat and power plant. The Company is looking to shift to cheaper energy supply markets and exclude third-party intermediaries from the energy supply chain. In line with this plan, the Raspadskaya coal company will be transferred to the wholesale power market with the contracts of third-party suppliers terminated.

Metallenergofinance supplies electricity to EVRAZ's steel and mining segments and to third parties. Total volumes of realised energy in 2013 amounted to 6.5 billion kW/h including 5.6 billion kW/h of intragroup deliveries.

EvrazEnergoTrans is a power grid operator, which transmitted 5.5 billion kW/h in 2013 including 3.6 billion kW/h intragroup deliveries.

GOVERNANCE

In this section:

Embedding good governance

In this section we introduce the Board of Directors and senior management. We describe our approach to corporate governance and remuneration.

LETTER FROM CHAIRMAN

Dear stakeholders,
The year 2013 witnessed several important events and initiatives, the results of which are set to become key drivers of the Company's long-term development.

In line with our strategy we successfully completed a number of major projects, encompassing both our steel and mining operations, designed to heighten efficiency and underwrite organic growth. We also significantly increased our presence in coking coal with the acquisition, in January 2013, of a controlling interest in the Raspadskaya coal company.

Such developments took place against an unfavourable trading background with the global steel and mining sectors widely exposed to strong cyclical pressures, duly reflected in a softening of prices across the majority of product groups. Consequently, the Board was extensively engaged in the reassessment of key business risks in the "new normal reality", a review of capital allocation principles and adjustments to our ongoing strategy. The Board enjoyed regular, in-depth and mutually challenging meetings with the Company's senior executive team, variously focused on strategy, performance, responsibility and accountability.

In view of evident interest in the Company's performance and strategies on the part of private shareholders and large investment funds, the Board has advocated a wider engagement of Directors and management in stakeholder communications. In line with this the heads of EVRAZ's business units participated in almost half of our meetings with investors during 2013. We believe that shareholder access to management has become all the more important during the post 2008 period of economic turbulence and we welcome this dialogue which serves to impart new perspectives to Directors and management. The participation of line managers at the Company's investor meetings is ongoing.

The Board also held an extensive review of the Company's health and safety performance. While noting a decrease in the number of fatal accidents that occurred in 2013 versus 2012, we fully acknowledge that EVRAZ still has a long way to go to attain its zero fatality target. Embedding a zero tolerance culture across the entire organisation is currently at the forefront of our agenda following our investments in the creation of a safer working environment and the introduction of further safety rules and regulations. Changing employees' mindsets in relation to their own safety and the safety of their colleagues is of vital importance and represents a challenge which we will vigorously pursue throughout 2014 and beyond. Positive changes have already been achieved through the sharing of best practice know-how throughout our operations, a policy much in keeping with our appointment of a highly experienced head of health and safety, drawn from our North American operations.

In addition, the remuneration of senior management is directly linked to the safety performance of specific business units.

The aforementioned deliberations between the Board and senior executives led to a series of initiatives primarily designed to streamline the Company's business. These included closures and divestments of inefficient capacity and the implementation of rigorous cost reduction measures, accompanied by the reinforcement of stringent health and safety policies, all of which are covered in detail in the preceding aspects of the report. To summarise, I believe that EVRAZ is now well prepared to withstand the cycle's lows and, having retained its growth options, is equally well placed to take advantage of the next stage in the cycle.

This is the Company's first Annual Report under the new reporting requirements and, as such, contains detailed information regarding various non-financial matters. Certain highlights in this regard are listed below.

EVRAZ's Board believes that effective corporate governance is essential to the long-term success of the business and remains committed to strong governance policies and the implementation of such. I am pleased to inform you that the Company has complied with most of the provisions of the UK Corporate Governance Code and has explained one instance in respect of non-compliance. For details please refer to page 79.

Our corporate governance framework is constantly reviewed, while our Board committees play a pivotal role in ensuring the effectiveness of procedures. Each committee chairman has provided a report which explains the committee's role and the work carried out during the year. For details please refer to pages 83 to 104.

The Board considered various matters raised in the changes to the Directors' Report and Corporate Governance Code, particularly greenhouse gas (GHG) emissions, diversity and remuneration policy.

In order to comply with the requirement on GHG emission reporting, we have revised our existing practices that were valid for separate operations within the vast geographies of our business and set up a Group wide system of GHG reporting. The data on GHG emissions in respect of 2012 and 2013 together with the methodology used can be found on pages 38 – 39.

Your Board strongly supports the principle of boardroom diversity in all its aspects and, as opportunities present themselves, appointments of appropriately qualified candidates will lead to adjustments in the gender ratio. I am firmly of the opinion, however, that appointments to the Board should be made on merit, based on objective, transparent criteria, namely that Directors should possess the right skill sets, experience and backgrounds to enable them to add value to the work of the entire Board. I believe that the current composition of the Board meets such criteria, and that the Company's procedures for the appointment of new directors to the board are in line with the UK Corporate Governance Code. For further details, please see the Directors' biographies on pages 76 – 77.

During 2013, the Board approved a number of Company policies, including the Anti-corruption Policy and changes to the Code of Business Conduct. The Directors have committed to promote these practices and endeavour to ensure strict observance of the Company's principles and values by all employees.

I would like to take this opportunity to encourage stakeholders to inform us of any questions or concerns they may have regarding the Company's operations and/or its approach to the various issues outlined above. Please communicate directly with the Company or with Sir Michael Peat, EVRAZ's Senior Independent Director, who is competent to address many issues himself and is empowered to bring shareholders' concerns to the attention of the Board and management.

I would also like to extend my sincere thanks to all employees for their hard work and dedication and to shareholders and other stakeholders for their continued support.

Alexander Abramov
Chairman of the Board
EVRAZ plc
8 April 2014

BOARD OF DIRECTORS

Alexander Abramov

Non-Executive Chairman (born 1959)

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.

Committee membership: Member of the Nominations Committee.

Skills and experience: Mr. 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, a member of the Board of Directors of the Russian Union of Industrialists and Entrepreneurs (an independent non-governmental organisation), a director of OJSC Bank International Financial Club, a member of the Board of Skolkovo Institute for Science and Technology and a member of the Board of Moscow University of Physics and Technology.

Alexander Frolov

Chief Executive Officer (born 1964)

Appointment: 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.

Committee membership: Member of the Health, Safety and Environment Committee.

Skills and experience: 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

Non-Executive Director (born 1969)

Appointment: 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.

Committee membership: Member of the Audit Committee and of the Health, Safety and Environment Committee.

Skills and experience: Ms. 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.

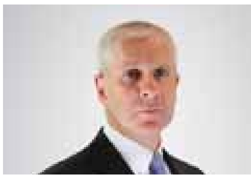
Eugene Shvidler

Non-Executive Director (born 1964)

Appointment: 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.

Committee membership: Member of the Nominations Committee.

Skills and experience: 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

Non-Executive Director (born 1964)

Appointment: 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.

Committee membership: None

Skills and experience: Mr. 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.

Sir Michael Peat

Senior Independent Non-Executive Director (born 1949)

Appointment: Appointed to the Board of EVRAZ plc on 14 October 2011.

Committee membership: Chairman of the Nominations Committee and a member of the Audit Committee.

Skills and experience: 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, a director of CQS Management Limited, a Non-executive Director of Tamar Energy Limited and Chairman of the Advisory Board of GEMS UK. He is an MA, MBA and Fellow of the Institute of Chartered Accountants in England and Wales.

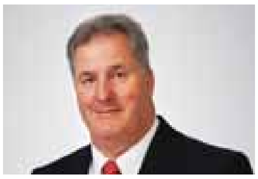
Duncan Baxter

Independent Non-Executive Director (born 1952)

Appointment: 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.

Committee membership: Chairman of the Remuneration Committee and a member of the Audit Committee.

Skills and experience: 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.



Karl Gruber

Independent Non-Executive Director (born 1952)

Appointment: 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.

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

Skills and experience: Mr. Gruber has over 35 years' experience in the international metallurgical mill business. He has 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. Further he has executed various consultancy projects for steel industry and served as CEO and Chairman of the Management Board of LISEC Group.

Alexander Izosimov

Independent Non-executive Director (born 1964)

Appointment: Appointed to the Board of EVRAZ plc on 28 February 2012.

Committee membership: Member of the Remuneration Committee and a member of the Nominations Committee.

Skills and experience: 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, Dynasty Foundation, LM Ericsson AB and Transcom SA, as well as on the executive board of ICC (International Chamber of Commerce). He previously served as director and Chairman of the GSMA (global association of mobile operators) board of directors, and was also a director of Baltika Breweries, confectionery company Sladko, and IT company Teleopti AB.

Terry Robinson

Independent Non-Executive Director (born 1944)

Appointment: 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.

Committee membership: 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.

Skills and experience: Mr. 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 was elected to the Board of OJSC Raspadskaya, a subsidiary of EVRAZ, at the Company's AGM in 2013. The Board is satisfied that this nomination has no impact on Mr Robinson's independence.

VICE PRESIDENTS OF EVRAZ PLC

Pavel Tatyanin
Senior Vice President
Head of International Business

Leonid Kachur
Senior Vice President
Business Support and Interregional Relations

Marat Atnashev
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[1]
Vice President
Raw Materials Sales

Natalia Ionova
Vice President
Human Resources

Aleksey Ivanov
Vice President
Steel Division

Michael Shuble
Vice President
Health, Safety and Environment

Vsevolod Sementsov[2]
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
Vice President
Coal Division

Timur Yanbukhtin
Vice President
Business Development and International Business

Elena Zhavoronkova
Vice President
Legal Affairs

1 In March 2013 Grigory Botvinovskiy was appointed Vice President of Raw Materials Sales; prior Mr. Botvinovsky was Vice President of Vanadium Assets
2 In June 2013 Vsevolod Sementsov was appointed Vice President of Corporate Communications.

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 2013 EVRAZ complied with all the principles and provisions of the UK Corporate Governance Code (2012 version) with the following exception:

- 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. More than 50% of EVRAZ activities and operations are based in the Russian Federation, and Olga Pokrovskaya's technical and regional experience and qualification, as a past senior audit manager at Arthur Andersen and as Head of Corporate Finance at Russian oil company Sibneft is of particular value to the Committee. 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. The Audit Committee includes three non-executive directors, all independent, which we believe mitigates any potential risks.

Board responsibilities and performance

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;
- Approval of internal regulations and policies.

During the year ended 31 December 2013, the Board considered a wide range of matters, including:

- the Company's strategy and key priorities;
- the performance of key businesses;
- consolidated budget and budgets of business units;
- the interim and full year results and 2012 Annual Report;
- the Group's corporate restructuring;
- the implementation of projects;
- transactions, including Raspadskaya's acquisition and asset disposals, and borrowing activities;
- HSE updates;
- corporate governance matters and Company's policies, including approvals of the Anti-corruption Policy, the Code of Conduct, Directors and Officers Liability Insurance Policy, changes to the Share Dealing Code;
- amendments to the Board committees' Terms of Reference;
- listing considerations and UK regulatory updates.

Chairman and Chief Executive

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

The Board is chaired by Alexander Abramov. 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.

Alexander Frolov is the Company's Chief Executive. The Chief Executive Officer is responsible for leading the Group's operating performance and day-to-day management of the Company and its subsidiaries. He is supported by the executive team. Membership of the executive team is set out on page 78.

CORPORATE GOVERNANCE REPORT

Continued

Meetings of the Board, Board composition and AGM

EVRAZ plc held 10 scheduled Board meetings and 2 extraordinary meetings held in form of conference calls and exchange of emails during 2013.

Members of senior management attended meetings of the Board by invitation. They delivered presentations on the status of projects and performance of the business units.

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

	Board	Remuneration Committee	HSE Committee	Audit* Committee	Nominations Committee	AGM
Total meetings in 2014 (until 8 April)	3	1	1	4	–	–
Total meetings in 2013	12	3	2	11	2	1
Directors' participation:						
Alexander Abramov	12/12	–	–	–	2/2	1/1
Duncan Baxter	11/12	3/3	–	11/15	–	1/1
Alexander Frolov	12/12	–	2/2	–	–	1/1
Karl Gruber	12/12	3/3	2/2	–	–	1/1
Alexander Izosimov	12/12	3/3	–	–	2/2	1/1
Sir Michael Peat	12/12	–	–	11/15	2/2	1/1
Olga Pokrovskaya	12/12	–	2/2	11/15	–	1/1
Terry Robinson	12/12	–	2/2	11/15	2/2	1/1
Eugene Shvidler	12/12	–	–	–	2/2	1/1
Eugene Tenenbaum	12/12	–	–	–	–	1/1

* The Audit Committee met 11 times in 2013 and 4 times since the beginning of 2014 until the publication date of this annual report.

Board composition and independence

	Date of appointment	Years of tenure as at 31 December 2013
Non-Executive Independent Directors (5)		
Duncan Baxter	14 October 2011	3
Karl Gruber	14 October 2011	3
Alexander Izosimov	28 February 2012	2
Sir Michael Peat, Senior Independent Director	14 October 2011	3
Terry Robinson	14 October 2011	3
Non-Executive Directors (4)		
Alexander Abramov, Chairman	14 October 2011	3
Olga Pokrovskaya	14 October 2011	3
Eugene Shvidler	14 October 2011	3
Eugene Tenenbaum	14 October 2011	3
Executive Director (1)		
Alexander Frolov, CEO	14 October 2011	3
Total Board size (10)		

As at 31 December 2013, the Board of EVRAZ plc consisted of ten members, comprising the Non-Executive Chairman, eight Non-Executive Directors and one Executive Director.

The Board considers that five Non-Executive Directors (Duncan Baxter, Karl Gruber, Alexander Izosimov, Sir Michael Peat and Terry Robinson) are independent in character and judgement and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, in compliance with the UK Corporate Governance Code.

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 independence of Mr. Robinson as a director of EVRAZ plc.

The Board has also satisfied itself that there is no compromise to the independence of, or existence of conflicts of interest, for those directors who serve together as directors on the boards of outside entities.

The Independent Non-executive Directors comprised the majority on and chaired all Board Committees.

Boardroom diversity

EVRAZ recognises the importance of diversity both at Board level and in the whole organisation. The Company is committed to increasing diversity across its global operations and we take diversity into account during the recruitment and appointment process striving to attract a variety of outstanding people with diverse backgrounds, skills, ideas and culture.

The Company believes that the present Board structure provides an appropriate balance of skills, knowledge and experience. The members comprise a number of different nationalities with a wide range of diverse skills sets, capabilities and experience from a variety of business backgrounds. EVRAZ's current female representation amongst the Board's membership is 10% with one woman, Olga Pokrovskaya, on the Company's Board of Directors.

When making new appointments, the Board's stance on diversity, including gender, is to act in good faith toward meeting the recommendation contained in Lord Davies' report of the 25% female board representation by 2015 while appointing the most appropriate candidate. To this end, female representation on the Board in particular was the focus of a meeting of the Nominations Committee in 2013. (See the Nominations Committee's report on page 87).

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. Non-Executive Directors assist the board by constructively challenging and helping develop strategy proposals. Most of the directors have been in post since the date of EVRAZ plc incorporation in October 2011.

Full details of the skills and experience of the Board members are provided in the Board of Directors section above on pages 76 to 77.

Induction and professional development

The Chairman is responsible for ensuring that there is a properly constructed and timely induction for new directors upon joining the Board. Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities. Directors' training in 2013 included an update by Ernst & Young on recent material changes to laws and regulations affecting their duties as directors, including governance matters.

The Chairman has proposed organising a visit by the directors to one or more of the Company's production sites in 2014, and the directors supported this initiative.

Performance evaluation

An internally facilitated Board evaluation was conducted in December 2013. The review was carried out 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 three levels: (i) between the members of the Nominations Committee, (ii) between Sir Michael Peat (as chairman of the Nominations Committee) and Alexander Abramov (as the chairman of the Board) and (iii) at the Board meeting in December. Board performance was deemed to be satisfactory. See also the Nominations' Committee report on page 87.

The Company undertakes regular internal performance evaluation of the Board in line with the UK Corporate Governance Code. Evaluation of the Board will be externally facilitated in 2014.

Board Committees

The Board is supported in its work by the following principal committees: the Audit Committee, the Remuneration Committee, the Nominations Committee and the Health, Safety and Environment Committee.

The table below sets out the role and composition of each committee:

Name of committee	Function	Composition	
Audit Committee	Audit, financial reporting, risk management and controls	All 4 members are non-executive directors, of which 3 are independent	83 For more information please refer to the Audit Committee Report on page 83
Nominations Committee	Selection and nomination of Board members	All 5 members are non-executive directors, of which 3 are independent	87 For more information please refer to the Nominations Committee Report on page 87
Remuneration Committee	Remuneration of Board members and top management	All 3 members are independent directors	93 For more information please refer to the Remuneration Committee Report on pages 93 and 103
HSE Committee	HSE issues and corporate citizenship	3 of 4 members are non-executive directors, of which 2 are independent	88 For more information please refer to the HSE Committee Report on page 88

Each committee has written terms of reference, approved by the Board, summarising its role and responsibilities.

The terms of reference for each committee are available on the Company's website www.evraz.com/governance/directors/committees

Reports from each committee follow.

Audit Committee

Dear Shareholder,

I am pleased to present the report of the Audit Committee for the financial year to 31 December 2013. I would like to thank the Committee members, the executive management team, the internal audit group and Ernst & Young, our external auditors, for their diligence and for their respective contributions to open discussion at our meetings.

Work of the Committee in 2013

At the Committee's meetings during 2013, we focused on financial reporting, including the Interim Management Statements, internal controls, internal audit, external audit, risk management including finance, operations, regulation, fraud and compliance. These matters were comprehensively reviewed and, when required, formally presented to the Committee by management, internal audit and the external auditors.

During the year the Committee also reviewed its own terms of reference, the internal audit charter, the Group's anti-corruption policy, drafting changes to the Group's Code of Conduct and the Group's insurance policy.

Financial Reporting for the financial year 2013

In addressing our key objective, namely to assist the Board in ensuring the integrity of its financial statements, the Audit Committee together with the assistance of both management and the external auditor, concentrated on:

- compliance with financial reporting standards and governance requirements;
- accounting areas that require significant judgments in applying accounting policies;
- the substance, consistency and fairness of management estimates;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's business model, strategy and performance.

Among other matters, the following were reviewed and tested by the Audit Committee in respect of the Interim Financial Statements and the full year Consolidated Financial Statements.

Financial reporting standards and governance requirements

Prior period restatement, correction for prior year error. See note 2 Consolidated Financial Statements (CFS) and Financial Review

During the review of the Interim Financial Statements, management identified an error, being the accounting as required by IAS 21, in respect of recycling accumulated translational gains/losses on the disposal of subsidiaries, as identified in note 2 of the CFS. Following a review of the substance of the error and possible control issues within the Group's financial accounting function, and in view of the fact that the error represented a material error in the 2012 Annual Financial Statements, management advised and recommended that the comparative figures in the 2013 Interim and Annual Financial Statements would require restatement.

The Audit Committee, taking into consideration the Companies Act 2006 and the Financial Conduct Authority's Disclosure and Transparency Rules (DTR), consulted with the Company's external auditors, stockbrokers and lawyers and concluded that the error was not pervasive to the Annual Financial Statements and that the withdrawal and reissuance of the 2012 Annual Financial Statements was not necessary, taking into account the fact that the issuance of the 2013 Interim Accounts with appropriate disclosures was imminent and that the error was not of a price sensitive nature, as would otherwise have required immediate disclosure in accordance with DTR. This conclusion, together with the opinions of the Company's external auditors and lawyers, was presented to the Board, together with an analysis of the principal reason for the financial function's error. The recommendation by management and the Audit Committee that the comparatives should be restated in the 2013 Financial Statements was reviewed and agreed by the Directors.

The Audit Committee has reviewed the issues leading to the restatement and discussed with management the remediation plans. This remediation has now been implemented to the satisfaction of the Committee.

Review of the new and revised accounting standards as well as standards issued but not yet effective

See note 2 CFS, Basis of Preparation, Changes in Accounting Policies

Amended IAS 19 Employee Benefits
See note 23, CFS
This amended standard is required to be applied retrospectively. The Audit Committee reviewed the retrospective changes to the 2010, 2011 and 2012 as required for the Statements of Operations and of Financial Position. While the impact on Statement of Operations is negligible, the retrospective impact on the Balance Sheet is material, in that it reduces accumulated profits by $256 million.

Areas of significant management judgement

Critical considerations made by the Audit Committee were:
Acquisition of subsidiaries: Corber.
See notes 4 and 11 CFS, and Chief Executive Officer's Review

In January 2013 the Company finalised the purchase of the 50 per cent of Corber Enterprises Limited that it did not previously own, thereby increasing its holding in the quoted (MICEX) OJSC Raspadskaya to 82 per cent.

The Audit Committee reviewed the valuation carried out by American Appraisal of all assets except net current assets; the valuation of proven and probable reserves of Raspadskaya was made by IMC Montan. These valuations result in a gain to Statement of Operations of US$94 million from the previously held investment in Corber, valued at a restated fair value of US$658 million.

In view of the fact that Raspadskaya was loss making in the year 2013, the Audit Committee reviewed an impairment analysis as at December 2013 on the carrying value of Corber. See note 6, CFS.

Assets held for Sale See note 12, CFS, Chief Executive Officer's and Financial review

Following a review of the Company's strategic priorities by the Board, the streamlining of the operating businesses in order to optimise the Group's assets has been a major consideration. Two nominated assets held for sale have been delayed: Evraz Highveld Steel and Vanadium Limited and Evraz Vitkovice Steel (EVS), both re-classified in the 2012 Consolidated Financial Statements as Assets held for Sale, with the then expectation that such sales would be closed in 2013.

CORPORATE GOVERNANCE REPORT

Continued

It was anticipated that Evraz Highveld would be sold to a party with which the Group had a Memorandum of Understanding (MOU). While this sale on the basis of the existing MOU remains a possibility, the Company has, in the second half of 2013, initiated a remarketing through a recognised local investment bank. This bidding process has suggested a lower consideration expectation thereby resulting in a value adjustment in the 2013 Financial Statements. The Audit Committee has met with the management overseeing the sale of Evraz Highveld. The Committee has seen sight of a letter, from the investment bank managing the sale, supporting management's judgement that it remains appropriate to classify the entity as Assets held for Sale, and that this sale will be completed during 2014.

Additionally, progress on the sale of EVS to 2012's identified buyer has similarly proved slow to reach fruition. However, this disposal has now been completed at the Company's estimated gross consideration within the Financial Statements. The Subsequent Events note in the Financial Statements records this disposal.

Going Concern See note 2, CFS
The Audit Committee considered a going concern analysis, prepared by management, using the Company's business model, including a base case and a flexed pessimistic case. The base case utilised parameters considered and adopted by the Board of Directors in respect of the Company's 2014 budget and also drew on the model adopted for the Company's forward strategy.

The most sensitive input related to the forward prices for steel, coal and iron ore. In the pessimistic case, capital expenditure and forward product prices were flexed, while the rouble/US$ rate was devalued from the business model's base case assumption.

The Audit Committee reviewed existing funding and committed sources of funds, together with the potential effects of a rouble devaluation on the Company's solvency considerations. In addition, the maintenance covenant remaining on a minor element of the Company's source of funding was reviewed and the Committee also considered probability with regard to significant lines of funding in relation to the Company's forward financing plan.

A further consideration was the "emphasis of matter" in relation to going concern noted in the publicly available Consolidated Financial Statements of Raspadskaya. It was confirmed that the Evraz Group's consolidated business model includes the stand-alone cash flow and free cash flow models of Raspadskaya, in relation to both the base and pessimistic case scenarios.

Following this detailed review the Audit Committee resolved to recommend to the Company's Directors that it is appropriate for the Financial Statements to be prepared on a going concern basis.

Management Estimates

Impairment See note 6, CFS
The key assumptions reviewed by the Audit Committee are detailed in the note above. Of the total impairment charge of US$446 million shown in the Statement of Operations, US$326 million of the impairment is related to Evraz Claymont Steel in North America, which is a suspended operation as described in the Strategic Report contained in the Annual Report.

The Audit Committee challenged management on the key sensitivities, forward commodity and product prices, the semi and finished mix of steel volumes, while also comparing the weighted average cost of capital assumptions (WACC) with management's WACC assumptions in respect of prior periods.

The Committee particularly challenged management on the fair value, or value in use assessments of cash generating units (CGU's) that showed marginal surplus over the carrying value in the Financial Statements.

Depletion charge of mining assets
See note 9, CFS and Financial Review
The depletion charge has significantly reduced year-on-year, from $467 million in 2012 to $194 million in 2013, despite a $32 million charge for Raspadskaya Coal acquired in January 2013. The depletion charge in relation to mining assets for the first half of 2013 was $124 million.

The material reduction in the 2013 depletion charge compared with 2012 and the material change in 2013's second half charge compared with the higher first half charge was extensively discussed by the Audit Committee.

An independent JORC valuation was made of the Yuzhkuzbassugol, Raspadskaya, Evrazruda and EVRAZ KGOK mining assets, as at 1 July 2013. The results and tabulation of the proven and probable reserves are included in the Annual Report.

Following upon this independent JORC valuation, the decrease in the depletion expense was caused by a resulting revision and detailing of mine plans. The overall mine plans, with prospective extraction extending beyond 40 – 100 years, were disaggregated into separate components of proven and probable reserves which are excluded from the calculation of the depletion charge until production begins. This results in a better matching of the current depletion charge with the estimated costs of extraction.

The Audit Committee was satisfied that the depletion charge for the year 2013 reflected the revised mine plans.

Consideration of the reporting changes to Annual Report

The Audit Committee initiated an educational exercise, held in November 2013, for those members of management responsible for the preparation of EVRAZ's 2013 Annual Report and subsequently organised a presentation by the external auditor, Ernst & Young LLP (EY), to the Board on the key reporting issues laid out in the Financial Reporting Council's (FRC) 'Guidance on the Strategic Report – Exposure Draft' published in August 2013 and the reporting changes implemented as described in the revised UK Governance Code 2012.

Following the Board presentation, the Directors resolved that the Audit Committee's Terms of Reference should be amended to include a duty to report on the assurance process for the completion of the Annual Report and to ensure the Annual Report and Accounts are fair, balanced and understandable.

As a consequence of this duty, the Audit Committee, in March 2014, presented for the Board's consideration a draft Principal Risks and Uncertainties section of the Annual Report and the Chairman of the Audit Committee has had meetings with the Group's CEO to discuss the CEO's own report and the strategy section of the Annual Report.

Evraz Group 2013 Annual Report

The Audit Committee has reviewed the form and content of the Group's 2013 Annual Report to shareholders. The Committee reported to the Board that it considers the Annual Report, taken as a whole, to be fair, balanced and understandable.

Other matters

Group Financial procedures manual

The Audit Committee received and considered the Group Financial Procedures manual detailing all the principal financial controls and revisions thereto. This report has been tabled at the Board to inform Directors of the relevant internal financial controls.

UK Bribery Act

Following upon the introduction in 2012 of training programmes, anti-corruption procedures and the necessary records, the Audit Committee requested management to instigate an external review of the compliance and framework of the Company's business processes and controls. A major international and qualified consulting organisation was engaged to conduct this review and has reported on compliance with laws of the Russian Federation and the UK Bribery Act. Although there are matters, processes and records that can be improved, the existing processes and controls were confirmed as fit for purpose.

To ensure that the existing processes continue to operate at a high level of integrity the Audit Committee has nominated that anti-corruption processes are regularly included for assurance in the annual Internal Audit programme.

Ukraine

In the light of current developments, the Audit Committee has reviewed the Company's various exposures and business risks in the Ukraine. The Group has no specific exposure in the Crimea. The Audit Committee paid particular attention to the impairment review of assets in the Ukraine together with tax receivables from the Ukraine government and risks to Free Cash Flow with possible impact on the Group's going concern considerations. See Principal Risks and Uncertainties.

Audit Committee self-assessment

A self-assessment of the Audit Committee was undertaken encompassing its composition, its duties and responsibilities, its access to management and its performance.

Risk Management and Internal Control

See Governance section, Risk management and Internal Control.

The Group Head of Internal Audit presented a half-yearly consolidated internal audit report for the consideration of the Audit Committee. The Audit Committee referred areas of significant risk in the Group's control environment, registering a higher score than the Group's risk appetite, to the Board for consideration and with recommended further action.

Action on all Internal Audit recommendations was reviewed quarterly by the Audit Committee and, where recommended actions fell short of agreed timelines, management was called to the Committee to provide explanation. A particular internal control concern related to independent bulk stocktaking in respect of scrap, ore and coal.

Through the Internal Audit function, the Audit Committee received and considered a six monthly fraud report from the Group's security function.

In July and November 2013, the Audit Committee reviewed the considerations of the Group's Risk Committee, including the Group's risk register and key divisional risk registers, together with the Security and Governance registers. Following these reviews, the committee considered the proposed Group's Risk appetite and the resulting proposal and revised Group Risk register were presented to the Board.

Internal Audit

In addition to the above the Audit Committee received from the Head of Internal Audit a monthly report detailing matters relating to business risks, audit programme progress, any time delays or changes to the agreed internal audit programme, a summary of any significant findings from completed audits, a report on any whistleblowing activity, any matters relating to the UK Bribery Act and an updated litigation summary.

The Committee reviewed all whistleblowing reports from Internal Audit.

The Committee reviewed the process and risk scoring with regard to the Internal Audit's recommendation for the 2014 audit programme; with certain amendments the committee approved this programme. The Audit Committee requested Internal Audit to perform an internal control review of Raspadskaya's financial and operational procedures and recommended an increase in the Internal Audit's resource in order to accommodate the additional work resulting from the Raspadskaya acquisition. The Head of Internal Audit holds regular meetings with the Chairman of the Audit Committee and the Committee reviews the allocated Internal Audit KPI's.

The Audit Committee undertakes an annual assessment of the effectiveness, independence and quality of the Internal Audit function by way of a questionnaire to Audit Committee members, management and to the external auditors.

External Audit

The Audit Committee reviews and discusses the external audit programme with regard to the Interim Review and Year-end audit. In particular the Committee reviews key audit risks and audit materiality and challenges audit scope, independence and EY's quality assurance processes.

The Audit Committee reviewed the Interim and Year-end reports with particular consideration given to EY's reports as to areas of significant estimation within the Group. Further, following upon the FRC's Audit Quality Thematic Review, published in January 2014, the Committee requested the external auditor to respond to matters detailed in the review, concerning EY's audit processes in relation to fraud and their processes for consideration of laws and regulations. The Audit Committee reviewed and discussed the external auditor's responses to these issues. The Audit Committee reviewed the letter of representation to be signed by management in respect of both the Interim review and the Year-end audit.

The Audit Committee, together with the relevant management, considered the external auditor's management letter following the 2012 audit, and reviewed the steps proposed by management in response to the external auditor's findings.

The Audit Committee held a session with the external auditors without management being present and enquired as to the appropriateness of the Company's accounting policies. The external auditor confirmed that the policies remain appropriate.

Correspondence from the Regulators FRC Audit Quality Review Team (AQRT)

EY's external audit team was subject to an Audit Quality review by the UK external audit regulator in relation to its audit of the 2012 Financial Statements. The results were shared with the Chairman of the Audit Committee and have been discussed with the EY audit partner. While some limited areas for improvement were identified, the results did not cause any concern for the Audit Committee in terms of the overall quality of the external audit process.

Non-audit services

See note 31, Financial Statements. Non-audit services are managed in accordance with the Group's policy for approval of services to be provided by the external auditor; the policy can be found on the Company's web-site.

Irrespective of the prior approval of the CFO or the Chairman of the Audit Committee, all non-audit fees are reported to the Audit Committee for noting and comment.

In 2013, non-audit fees totalled US$775,758, of which US$268,414 related to services in connection with the April 2013 bond issuance. Of the balance, the principal engagements were in connection with Tax advisory work in the United States, US$250,000, and advising on GHG reporting, US$149,000. None of the services were provided by personnel having a connection with the external audit.

Non-audit services represent 11 per cent of the audit fee of US$6,937,773.

Reappointment of the external Auditor

During the year the Audit Committee reviewed its policy regarding the selection of the Group's external auditor, the original practice being to seek a tender for external audit every five years. The Audit Committee considered the UK Governance Code's guidance that a tender be made every 10 years and have so amended the Company's policy. EY were appointed as auditors to the Company upon Listing in 2011. EY were the auditors to the predecessor group of companies and the audit was last tendered in 2009.

The rotation of the lead EY audit partner is every five years. The lead audit partner, Mr Ken Williamson, assumed that role for the 2011 audit.

Following the completion of a questionnaire by members of the Audit Committee and management, assessing the effectiveness, and quality of the audit and the independence of EY, together with a review of the FRC's report on EY, and EY's annual Transparency report; the Audit Committee has recommended the reappointment of EY as the external auditor.

Committee members and attendance

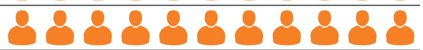
The Audit Committee has a majority of Independent Non-Executive Directors.

As explained in the Corporate governance report (page 79) the technical experience and regional expertise that Olga Pokrovskaya brings to the Committee is of immense value, underlined by the scale of the Company's Russian operations.

Attendees were: The external auditors Ernst & Young LLP (EY), Head of Group Internal Audit/ Secretary to the executive Risk Committee, Group head VP, the Group Compliance officer and the Group Chief Financial Officer. Senior members of the financial accounting team were also invited to attend the meetings.

The Committee also invited the VP's of Strategy, International Assets, Security, Projects, Procurement, Steel, Directors of IR and other senior executives to attend various meetings during the year.

The Audit Committee met eleven times in 2013 and four times since the beginning of 2014 until the publication date of this Annual Report.

Name	Attendance
Terry Robinson (Chairman)	
Duncan Baxter	
Sir Michael Peat	
Olga Pokrovskaya	

* Four meetings were held by conference calls.

Role of the Audit Committee:

- to assist the Board in ensuring the integrity of its Financial Statements.

Responsibilities of the Audit Committee:

- to review the announcements of the Financial Results, Financial Statements and Annual Report, and provide assurance in respect of all reporting regulations;
- to review the appropriateness of accounting policies and the key judgments and estimates;
- to assess and monitor the scope and effectiveness of internal controls and systems;
- to identify and challenge management as to financial and non-financial risks;
- to review and propose to the Board the appropriate level of the Group's risk appetite;
- to review the procedure of detecting, monitoring and managing the risk of fraud and regulatory compliance;
- to oversee the relationship with the external auditors and make recommendations to the Board regarding the appointment of the external auditor;
- to review the scope, resources, relationship, results, effectiveness and management action of internal audit and the internal audit's central recommendations;
- to report to the Board on whether the Audit Committee considers the Annual Report taken on a whole, to be fair, balanced and understandable.

Nominations Committee

Committee members and attendance

The members of the Nominations Committee at 31 December 2013 and throughout the year were Sir Michael Peat (Chairman), Alexander Abramov, Terry Robinson, Alexander Izosimov and Eugene Shvidler. Three of the five members of the Committee were independent non-executives.

The Committee met on two occasions during 2013, on 17 October and 12 December.

At its meeting on 17 October the Committee considered the following issues:

- The composition of the Board and the age, diversity and length of time in office of its members, as well as the continuing independence of the independent non-executives. It was agreed that the Board represented a good mix of skills and experience, that the Company had benefited from having a stable Board and a group of people who interact well, and that the independent non-executives continued to be independent. It was also agreed that greater female representation and, in due course, progressive change to bring fresh perspectives are desirable, and options in this respect were discussed. The Committee also considered the membership and chairmanship of Board committees and the committees' effectiveness. It was agreed that the chairmanship of the committees should be rotated over time.
- The Committee considered the performance of senior management and senior management succession planning, with important input from the Chief Executive. It was a wide-ranging and constructive discussion with conclusions deferred until the Committee's next meeting.
- Finally, the Committee considered directors' development and training requirements. It was concluded that a briefing on developments in UK Corporate Governance and Reporting should be provided to the Board as a whole (this was done at the November Board meeting) and that individual directors should be encouraged to identify and attend courses which meet their particular development and training requirements.
- At its meeting on 12 December, the Committee continued its discussion of senior management performance and succession planning. The Committee agreed with the Chief Executive's assessment of senior management and with his plans for development and succession, and were appreciative of the time and attention devoted to this important area.

The Committee also considered the results of the Board Effectiveness questionnaire. It was a detailed questionnaire, replies to which were submitted by all Board members, without attribution, directly to the Company's external Board Secretaries. They aggregated the replies which were considered by the Committee (and subsequently by all other Board members). The evaluation considered, inter alia, the balance of skills and experience on the Board, independence, knowledge of the Group, the content and effectiveness of meetings and diversity (including gender).The Committee concluded that it had been a helpful and encouraging exercise, with the results confirming that the Board was working well, but also including some helpful suggestions for improvement. These included actions to enhance the company secretarial function, training for directors, reporting to the Board by sub-committees and the allocation of time to agenda items.

Name	Attendance
Sir Michael Peat (Chairman)	
Alexander Abramov	
Terry Robinson	
Alexander Izosimov	
Eugene Shvidler	

All members were present for both meetings, with the Chief Executive in attendance.

Performance of the Chairman and individual directors

Prior to the Nominations Committee meeting on 12 December 2013 the Chairman of the Company and the Chairman of the Nominations Committee discussed the performance of the individual directors, including time available to devote to the Company's business. In addition, the Senior Independent Non-executive Director sought views from all directors about the performance and contribution of the Chairman.

Assessment of the Committee's effectiveness

The Committee's own effectiveness was considered as part of the review of the Board's effectiveness.

2014 priorities

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 and encouraging training for directors and facilitating an external review of the Board's performance during 2014.

CORPORATE GOVERNANCE REPORT

Continued

Health, Safety and Environment Committee

Committee members and attendance

The members of the Health, Safety and Environmental Committee at 31 December 2013 were Karl Gruber (Chairman), Alexander Frolov, Terry Robinson and Olga Pokrovskaya.

Name	Attendance
Karl Gruber (Chairman)	
Alexander Frolov	
Terry Robinson	
Olga Pokrovskaya	

The Committee met on two occasions during 2013, on 12 February 2013 and 18 September 2013.

Role of the Health, Safety and Environmental Committee

The Health, Safety and Environment Committee leads the Board's thinking on health and safety issues, as well as maintaining responsibility for environmental, security 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 following sections summarise how the Committee has fulfilled its duties in 2013. In addition to the scheduled meetings the Committee requested and now receives a monthly HSE summary report and the VP of HSE reports directly to the Board of Directors on a quarterly basis.

HSE Performance Assessment of the Group

The HSE committee reviewed the dynamics of HSE Performance and EVRAZ HSE Policy implementation progress.

Health & Safety

Health & Safety performance includes the following metrics:

- Fatal incidents
- 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
- Cardinal safety rules enforcement

The HSE Committee reviewed the causes of all fatalities and serious incidents within the Group and the follow-up actions taken by the management as well as the information related to the Company's internal incident investigation system (immediate actions/root causes/ systemic corrective actions). The Committee members concluded that the key task is to set standard work requirements on safety for all management levels. HSE topics have to become a fixed agenda item in daily work and management should provide effective safety training for employees.

The Committee reviewed the status of the 2012 – 2013 HSE initiatives and concluded that in most areas the initiatives started have to be further consequently implemented during 2014. The Committee reconfirmed the need to drive a cultural change where safety is recognised as a core value by every employee and contractor and discussed the roadmap for specific HSE goals and actions to be taken in 2014, including:

- enforcement of the minimum Personal Protective Equipment requirements;

- implementation of the lock out/try out (LOTO) energy isolation program to establish a zero energy state of all equipment before any type of work is commenced and completed, especially during maintenance and repair;
- facilitation of a more proactive approach to instill a risk or hazard assessment methodology into the daily activity of every employee;
- roll-out of behaviour safety conversations as an HSE management tool ensuring regular communications between the employees and their supervisors with a strong focus on unsafe actions to make sure incidents are prevented before they occur.

All of these areas of focus also involve new and improved training for managers, employees and contractors.

Environmental performance

Environmental performance includes the following metrics:

- 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 undertook an environmental performance benchmark analysis vs. similar companies of the same industry profile. The members concluded that EVRAZ has a good waste recycling rate due to processing of its old landfills, on the other hand EVRAZ steel making facilities have potential to improve fresh water consumption rate and decrease of air emissions per ton of steel produced.

The Committee reviewed 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.

It was noted that the main focus should be on environmental risk mitigation measures: waste water and air emission reduction programs that should be implemented during the next five years. In June 2013 EVRAZ Environmental Strategy was updated based on risk assessment and the cost options have been included into the financial models for the next five years. Environmental risk minimization measures have been considered by the management at Strategic sessions.

The members reviewed the new requirement on Greenhouse gases (GHG) emissions disclosure set by the Companies Act which was amended by the UK Parliament on August 6, 2013. The Committee made recommendations on the process of GHG data consolidation and reporting.

Details on HSE performance could be found in the Corporate Social Responsibility section on pages 35 to 41.

HSE audit results review

EVRAZ operations are subject to HSE compliance inspections undertaken by supervisory governmental agencies. The consequential risks of violating HSE regulations might be regulatory fines, penalties or – in the worst case scenario – withdrawal of mining or plant environmental licences thus curtailing operations.

The Committee Members of the Board reviewed:

- the performance statistics of Internal Industrial Audit Department (IIAD) for the coal and mining assets vs. the same data of the state control agency's inspections.
- the results of environmental due diligence at Raspadskaya Coal Company, which has been recently incorporated into the Company's management scope.
- the status of the HSE Committee decision on a system registering employees violating HSE requirements. The Committee issued a recommendation to create a unified consolidated violators tracking system and develop a standard set of corporate measures.

Other issues and recommendations

The Committee members reviewed the HSE reporting system, and made recommendations on the information, metrics and deadlines provided.

Risk management and internal control

Risk management process

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. In substance the report represents the Group Internal Control Manual. This Manual was last updated in March 2014. The Board has overall responsibility for the Group's processes of Risk Management and Internal Control, and for reviewing the effectiveness of these processes. In accordance with FRC guidance, the purpose of the risk management is designed to identify, evaluate and manage significant risks associated with the achievement of the Group's objectives. The Company's risk management procedures are designed to meet the risks to which it is exposed. Consequently, it can only provide reasonable and not absolute assurance against a risk being realised and a material misstatement or loss occurring. 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 undertakes a twice yearly review of the Group's risk profile. It reviews the Group's operations and determines 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 and their implementation by management at the Group and Regional levels. 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.

Given the breadth of the Group's operations it was agreed that a reporting process from the regional risk committees should be established with specific accountability to the Group Risk Committee through its members (Vice Presidents of Business Units), for the purpose of identifying, evaluating and establishing management actions for risk mitigation at a regional 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, anti-corruption 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 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 risk management at our major steel and mining operations.

CORPORATE GOVERNANCE REPORT

Continued

The Group Enterprise Risk Management (ERM) process is designed to identify, quantify, respond to and to monitor the consequences of a Risk Committee agreed risk register that encompasses both internal and external critical risks. This process is consistent with the listing rules published by the UK Financial Conduct Authority and is based on 'Internal Control: Revised Guidance for Directors on the Combined Code'.

An important part of the risk management process is the determination of appropriate risk appetite at Group management level, 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 the interim results and presents the major risk register and risk matrix for the Board's consideration and approval, together with a review and recommendations in respect of 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 risk management framework

'Top-down approach': oversight, identification, assessment and management of risks at corporate level	**The Board of Directors:** • Overall responsibility for the Group's risk management and internal control • Approves strategic objectives and risk appetite		
	Executive Risk Committee – Identifies, assesses and monitors group-wide risks and mitigation actions	**Audit Committee** – Supports the Board in monitoring risk exposure against risk appetite – Reviews the effectiveness of risk management and internal controls systems	**Internal Audit** – Supports the Audit Committee in reviewing the effectiveness of our risk management and internal controls systems
'Bottom up approach' identification, assessment and management of risks at regional and site level and across the functions	**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 of risk management process and effectiveness of internal control		
	Site levels • Identification, assessment and mitigation of risks • Promoting risk awareness and safety culture		

Risk management activity in 2013

In 2013 regional risk committees continued identifying, evaluating and instigating regional risk management mitigating actions. Detailed risk assessment and evaluation of risk issues at the plant and mine levels were conducted in 2013. Risk registers for Yuzhkuzbassugol and Raspadskaya were developed and reviewed by the Group Audit Committee.

The Group's Risk Committee reviewed the Group's risk profile in June and October 2013. Principal risks considered on the October meeting were then used in preparation of the Group consolidated budget for 2014 according to the new requirement for the budgeting process and aimed at enhancement of this process including balanced risk mitigation actions.

The Head of Internal Audit served as Secretary to the Risk Committee and participated in discussions of the Group's risk profile and mitigation actions as part of its monitoring process.

The Group has made good progress in making sure that its anti-bribery and anti-corruption programme is effective through a independent and external party attestation process. As noted above, from 2013 the budgeting process includes consideration of principle risks in building up budgets for initiatives mitigating those risks exposures.

Controls

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.

As of the end of the year 2013 the control environment of Raspadskaya is still in the process of integration into the control environment of the whole EVRAZ group.

A department of the Company headed by Senior Vice President Leonid Kachur has specific responsibility for preventing and detecting business fraud and abuse, including fraudulent behaviour of the Company's employees, customers and suppliers, which may cause a direct economic loss to business. Solid internal controls help minimise the risk, and EVRAZ's business security department ensures that appropriate processes are in place to protect the Company's interests.

Components of the system of internal control

Component of the system of internal control	Basis for assurance	Actions in 2013
Assurance framework – principal entity-level controls to prevent and detect error or material fraud, ensure effectiveness of operations and compliance with principal external and internal regulations	• Self-assessment by management at all major operations • Review of the self-assessment by Internal Audit	• Certification of the system of internal control took place in mid-year and at the end of 2013 and was facilitated and reviewed 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	• Signing power matrix defining transaction authority limits has been updated in 2013 • Signing power matrix is subject to approval by the Management committee of the Group
Operating policies and procedures	• Implemented, updated and monitored by management • Reviewed by Internal Audit	• Operating policies and procedures were updated as per the internal initiatives by operational management as well as a response to the Internal Audit recommendations
Operating budgets	• Monitored by Controlling Unit • Reviewed by Internal Audit • Approved by the Board of Directors	• Operating budgets were prepared and 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	• Accounting policies and procedures were updated as the standard process

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 2013, EVRAZ's Head of Internal Audit, being Secretary to the Audit Committee, attended all its meetings 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. In 2013 Internal Audit initiated a review of the effectiveness of the procedure of physical inventory on the Executive management committee as a further step in improving internal control in this area.

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 previous audits results, and ends with an internal audit plan which is approved by the Audit Committee. Audit resource is predominantly allocated to areas of higher risk and to the extent considered necessary, resource is allocated to the financial and business control and processes with appropriate resource reservation for the ad hoc and follow-up assignments.

In 2013 internal audit projects have covered the following principal group risks:

1. Capital projects management
2. Treasury and working capital management
3. Health and safety and environmental
4. Cost competitiveness
5. Business interruption and equipment downtime management

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.

Further information regarding the Company's internal control and risk management processes can be found on the Company's website www.evraz.com/governance/control

Conflicts of interest

For information on the Shareholder Agreement please refer to Significant contractual arrangements in Directors' Report on page 107.

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.

CORPORATE GOVERNANCE REPORT

Continued

For completeness, in 2012 the Board considered 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 through roadshows, group and one-on-one meetings to discuss the Company's operations and a wide range of issues including governance. Approximately 500 individual/group meetings, conferences and other public events involving the investment community took place during 2013. The Company's top management took an active part in the meetings giving the investors and analysts an opportunity to receive first-hand information about Company's operations and discuss concerns – the initiative that has been very much appreciated by the investors. We also held conference calls and a meeting with socially responsible investors (SRI) to discuss operational risks, health and industrial safety policies, environmental and social issues.

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.

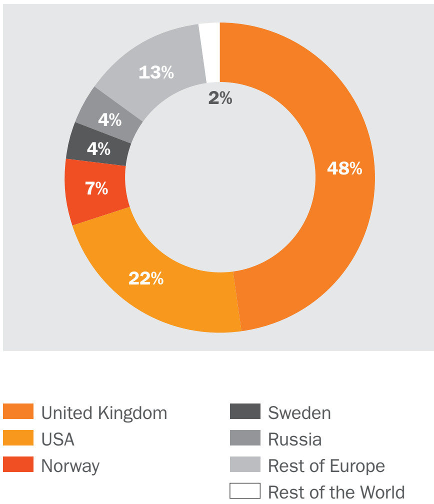
Constructive use of Annual General Meeting

The AGM is an opportunity for shareholders to communicate with the Board and the Board welcomes their participation. The next AGM will be held on 12 June 2014. The Chairman and the respective Chairmen of Committees will be present at the AGM to answer shareholders' questions.

Details of the resolutions to be proposed at the next AGM can be found in the Notice of AGM at www.evraz.com/investors/information/general_meeting

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.

Geographical distribution of institutional investor share ownership by geography – or by investment type – as at mid- January 2014



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 on pages 105 – 108.

REMUNERATION REPORT

This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013). 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.

This report contains both auditable and non-auditable information. The information subject to audit by the Group's auditors, Ernst & Young LLP, is set out in the Annual Remuneration Report and has been identified accordingly.

Letter from the Remuneration Committee Chairman

Dear Stakeholder,

On behalf of the board, I am pleased to present our Remuneration Report for 2013.

Despite the unfavourable economic and market conditions, affecting our financial results, EVRAZ has delivered on several key investment projects, which are aimed at developing EVRAZ's raw material base, improving its steel product mix and preserving the Company's low cost positions. Company's management initiated a cost reduction programme and have achieved good results in its implementation.

Many of the Company's achievements would not be possible without our people's keen involvement and contribution. That's why talent management and the retention of senior management and executives remained key items on our agenda during the year. We want to ensure that EVRAZ has a competitive remuneration mix that rewards our people's efforts and is aligned to the long-term and sustained performance of the company.

This report represents the first EVRAZ Remuneration Report to fully comply with the new Directors' remuneration reporting regulations introduced last year by the UK Government. As required by these regulations, this report is split into two sections, as follows:

- **Directors' remuneration policy**. This sets out details of the EVRAZ remuneration policy for Directors. This will be put to a binding vote at the 2014 AGM, and, subject to shareholder approval, will apply from the 2014 AGM.
- **Annual remuneration report**. This gives details of how remuneration was paid in 2013 and how we intend our policy to apply for 2014. This section will be put to an advisory shareholder vote at the forthcoming AGM.

The Committee reviewed the remuneration policy in detail as part of the move towards adopting the new regulations. We believe that our remuneration policy remains appropriate, and as such, there have been no major changes in the year. In particular, the following key features remain unchanged:

- The Chief Executive Officer participates in a bonus scheme based on the achievement of the Company's KPIs to ensure focus is spread across the key aspects of Company performance and strategy.
- Due to his substantial shareholding in the Company, the CEO does not participate in any long-term incentive plan, nor in any pension or superannuation scheme. Other members of senior management are eligible to participate in a long-term incentive plan to ensure shareholder alignment.

In terms of key decisions made in the year, the Committee determined that the CEO's salary for 2014 will remain frozen at the same level as 2013, reflecting the continuing challenging market conditions and low general increases to employees across the Company. Based on performance against the pre-determined KPIs and targets, the CEO's annual bonus pay out in respect of 2013 would have been 69% of maximum. However, after due consideration, and in the context of the Company's overall performance this year, the Committee and CEO jointly agreed to cap the annual bonus in respect of 2013 at the target level (50% of maximum).

In line with our commitment to good corporate governance, we will continue to monitor our investors' views, best practice developments and market trends on executive remuneration. These will be taken into account when deciding upon executive remuneration at EVRAZ in order to ensure our policy remains appropriate in the context of business performance and strategy.

Policy Report

Details of the executive Director and non-executive Director remuneration policies are given in the following sections. In accordance with section 439A of the Companies Act, a binding shareholder resolution to approve this report will be proposed at the Annual General Meeting of the Company to be held in 2014. This policy will apply to payments made from the 2014 AGM, subject to shareholder approval.

REMUNERATION REPORT

Continued

Remuneration policy

<table>
<tr><th>Element</th><th>Purpose and link to strategy</th><th>Operation</th><th>Maximum potential value</th><th>Performance metrics</th></tr>
<tr><td colspan="5">Executive Director</td></tr>
<tr><td>Base salary</td><td>Provides a level of base pay to reflect individual experience and to attract and retain high calibre talent.</td><td>Normally reviewed annually, taking into account individual and market conditions, including:
• size and nature of the role,
• relevant market pay levels,
• individual experience and pay
• increases for employees across the Group.

For the current CEO, base salary incorporates a Director's fee (paid to all Directors of the company for participation in the work of the Board committees – see the section on Non-Executive Director remuneration policy below).</td><td>Generally, the maximum increase per year will be in line with general level of increases within the Group.

However, there is no overall maximum opportunity as increases may be made above this level at the Committee's discretion, to take account of individual circumstances such as increase in scope and responsibility and to reflect the individual's development and performance in the role.</td><td>None</td></tr>
<tr><td>Benefits</td><td>To provide a market level of benefits, as appropriate for individual circumstances</td><td>Benefits currently include:
• private healthcare
• meal allowances

Other benefits (including pension benefits) may be provided if the Committee considers it appropriate. The current CEO does not currently participate in any pension scheme.

In the event that an executive Director is required by the Group to relocate, benefits may include but are not limited to relocation allowance and housing allowance.</td><td>Generally the cost of benefits will be in line with that for the senior management team. However the cost of insurance benefits may vary from year to year depending on the individual's circumstances.

The overall benefit value will be set at a level the Committee considers proportionate and appropriate to reflect individual circumstances. There is no total maximum opportunity.</td><td>None</td></tr>
</table>

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual bonus	Aligns executive remuneration to Company strategy through rewarding the achievement of annual financial and strategic business targets.	The Company operates an annual bonus arrangement under which awards are generally delivered in cash. Targets are reviewed annually and linked to corporate performance based on predetermined targets.	200% of base salary per financial year	The bonus is based on achievement of the Company's key quantitative financial, operational and strategic measures in the year to ensure focus is spread across the key aspects of Company performance and strategy. The exact measures and associated weighting will be determined on an annual basis, according to the Company's strategic priorities, however at least 60% will be based on Group financial measures. For achievement of threshold performance, 0% of maximum will be paid, rising straight line to 50% of maximum for target performance and 100% of maximum for outstanding performance. The Committee retains discretion to adjust bonus payments to reflect the overall performance of the Company.
Non-Executive Directors				
Chairman and Director Fees	To provide remuneration that is sufficient to attract and retain high calibre non-executive talent	Director fees are paid 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 taxes) to acquire shares in the Company should the Non-Executive Director so wish. Non-Executive Director fees are reviewed from time to time. Non-Executive Directors receive an annual fee for membership of the Board. Additional fees are payable by reference to other Board responsibilities taken on by the Non-Executive Directors (for example membership and chairmanship of the Board committees). The Chairman of the Board receives an all-inclusive annual fee. Expenses incurred in the performance of Non-Executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the expenses. This may include travel expenses, professional fees incurred in the furtherance of duties as a Director and the provision of training and development. In addition, the Company contributes an annual amount towards secretarial and administrative expenses of Non-Executive Directors Non-Executive Directors may not participate in the Company's share incentive schemes or pension arrangements. Total fees paid to Non-Executive Directors will remain within the limit stated in the Articles of Association.		

REMUNERATION REPORT

Continued

The Committee reserves the right to make any remuneration payments and payments for loss of office that are not in line with the policy set out above where the terms of the payment were agreed before the policy came into effect or at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

The Committee does not operate “clawback” arrangements on Directors’ remuneration on the basis that such arrangements would not be enforceable under the Russian Labor Code.

The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Performance measures and targets

Annual bonus measures and targets are selected to provide an appropriate balance between incentivising the Director to meet financial objectives for the year and achieving key operational objectives. They are reviewed annually by the Committee to ensure that the measures and weightings are in line with the strategic priorities and needs of the business.

Remuneration arrangements throughout the Group

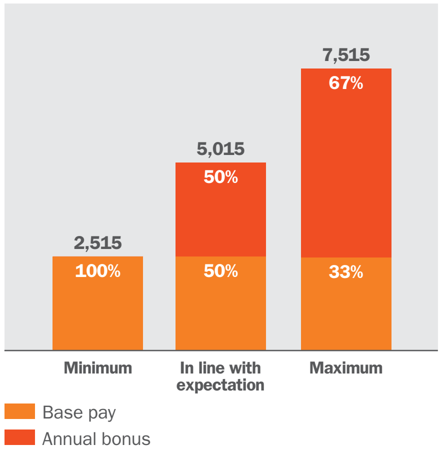
The remuneration approach and philosophy is applied consistently at all levels, including the Executive Director. This ensures that there is alignment with business strategy throughout the Company. Remuneration arrangements below the Board reflect the seniority of the role and local market practice and therefore the components and levels of remuneration for different employees may differ in parts from the policy set out above.

For instance, in addition to a base salary, a performance related bonus (KPIs aligned with Company’s strategy) and the provision of benefits, senior managers are also entitled to participation in a long-term incentive programme. This is designed to align interests of these individuals to the delivery of long-term growth in shareholder value. The current CEO already holds a substantial shareholding in the Company and therefore does not participate in this plan.

Illustration of the application of the remuneration policy

The chart below provides an indication of what could be received by the Executive Director under the proposed remuneration policy.

Application of the remuneration policy



	Minimum	In line with expectations	Maximum
Base pay	Base salary + value of annual benefits provided in 2013		
Annual bonus	0% of salary	100% of salary (target opportunity)	200% of salary (maximum opportunity)

Policy on recruitment of Executive Directors

In the event of hiring a new Executive Director, remuneration would be determined in line with the following policy. This policy has been developed to enable the Company to recruit the best candidate possible who will be able to contribute to the Company's performance and will help to reach its goals.

- So far as practicable and appropriate, the Committee will seek to structure pay and benefits of any new executive Directors in line with the current remuneration policy.
- Notwithstanding this, the Committee recognises that the Executive Director Remuneration policy set out above is tailored towards the only current Executive Director, the CEO, who has a significant shareholding in the Company. Any new Executive Director is likely to have a different fact-pattern to the current CEO, and thus the Committee believe it is important to retain the flexibility to be able to offer other elements, namely market competitive, share-based incentive programs, which are linked to the company's performance and designed to align the executive Director's interests to the delivery of growth in shareholder value.
- The maximum level of variable remuneration which may be granted at the time of recruitment (excluding any buyouts) will not exceed the on-going policy described in the policy table above by more than 200% of base salary. This additional headroom has been capped at a level comparable to maximum award levels seen in conventional long-term incentive plans operated in the wider UK listed market.
- The Committee's intention would be for any share-based incentive awards to be subject to performance conditions. Where the intention is to grant regular long-term incentive awards to a candidate, the Committee would seek appropriate shareholder approval for a new share plan in accordance with the Listing Rules.
- When setting salaries for new hires, the Committee will take into account all relevant factors, including the skills and experience of the individual, the market from which they are recruited and the market rate for the role. For interim positions a cash supplement may be paid rather than salary (for example a non-executive Director taking on an executive function on a short-term basis).
- To facilitate recruitment the Committee may need to compensate loss of remuneration arrangements on joining the company. In granting any buyout award, the Committee will take into account relevant factors including any performance conditions attached to the awards forfeited, the form in which they were granted (e.g. cash or shares) and the timeframe of the awards. The Committee will generally seek to structure the buyout on a comparable basis to awards forfeited. The overriding principle is that any buyout award would be at or below the commercial value of remuneration forfeited.
- The Committee retains the flexibility to alter the performance measures of the annual bonus for the first year of appointment, if the Committee determines that the circumstances of the recruitment merit such alteration.

Where an Executive Director is appointed from within the organisation, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following an acquisition of, or merger with another company, legacy terms and conditions will be honoured.

On appointment of a new Chairman or Non-Executive Director, their fees will typically be in line with the Policy as set out above. Any specific cash or share arrangements delivered to the Chairman or Non-Executives will not include share options or any other performance related elements.

Executive Director's service contract and loss of office policy

The CEO has a service contract with a subsidiary of EVRAZ plc.

The terms of the CEO's service contract are summarised below:

Executive Director	Date of contract	Notice period (months)
Alexander V. Frolov	31 December 2012	N/A

REMUNERATION REPORT

Continued

The CEO's 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 as in the Russian labour code from time to time (where the termination is at the Company's initiative the entitlement to pay in lieu of notice is currently limited to 3 months' base salary). The Committee may determine that a termination payment of up to 12 months' base salary should be paid, taking into consideration the circumstances of departure. Going forward, all new executive Directors contracts will provide for a notice period of no more than 12 months and for any compensation provisions for termination without notice will be capped at 12 months base salary and contractual benefits.

There is no automatic entitlement to annual bonus, and Executive Directors would not normally receive a bonus in respect of the financial year of their cessation. However, where an Executive Director leaves by reason of death, disability, ill-health, or other reasons that the Committee may determine, a bonus may be awarded. Any such bonus would normally be subject to performance and time pro-rating, unless the Committee determines otherwise.

Non-Executive Directors letters 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 AGM 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. Letters of appointment do not provide for any payments in the event of loss of office.

All Directors are subject to annual re-appointment and accordingly each Non-Executive Director will stand for re-election at the AGM on 12 June 2014.

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

Non-Executive Directors	Date of contract	Notice period
Alexander G. 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

Copies of the Directors' letters of appointment or, in the case of the Chief Executive Officer, his service contract, are available for inspection by shareholders at the Company's registered office.

Consideration of conditions elsewhere in the Company

Management prepares details of all employee pay and conditions which is considered by the Committee on an annual basis. The Committee takes this into consideration when setting the CEO's remuneration. However the Committee does not consider any direct comparison measures between the Executive Director and wider employee pay. The company does not formally consult with employees on Executive Director remuneration.

Consideration of shareholder views

When determining executive Director remuneration policy, the Committee takes into account the guidelines of investor bodies and shareholder views.

Annual Remuneration Report

In this section we provide a summary of remuneration paid out to our Directors for the 2013 financial year, and details of how the remuneration policy will be implemented in the following financial year.

Executive Director's remuneration

In 2013 year Mr Alexander Frolov, as the Chief Executive Officer (CEO) was 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 below on non-executive Director remuneration, however the Committee consider these fees to be incorporated in his base salary. Alexander Frolov's current shareholding (10.89% of issued share capital as of 8 April 2014) 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 on-going basis.

Single figure of remuneration (audited)

Key elements of the CEO's remuneration package received in relation to 2013 (compared to prior year) are set out below.

Alexander V. Frolov	2013 (US$)	2012 (US$)
Salary and Director fees	2,379,382[1,2]	2,136,000
Benefits	14,904	5,000
Bonus	2,500,000	0
Total	**4,894,286**	**2,141,000**

1) The CEO's salary of US $2,500,000 was set in US$ in 2008. In 2011 it was converted to Russian roubles at the prevailing exchange rate, reflecting the currency of payment, and this amount has remained unchanged since. Fluctuations in exchange rates means that the retranslated, reported US$ figure may vary year on year.
2) Also includes US$ 62,798 as Director's fees from Raspadskaya Coal Company, a company in which EVRAZ has a controlling shareholding.

REMUNERATION REPORT

Continued

Base salary

The current CEO's salary was approved by the Remuneration Committee on 23 May 2008 at a level 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).

For 2014, the CEO's salary will be US$2,500,000.

Pension and benefits (audited)

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

Annual bonus

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 and paid in cash. 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.

Annual bonus for 2013 (audited)

The bonus is linked to corporate performance. For 2013, five indicators with equal weightings of 20% were taken into account when determining the CEO's annual bonus, as follows: LTIFR, EBITDA, Current/approved NPV, Free Cash Flow and Cash Cost Index. The bonus pay-out is adjusted by a profitability coefficient, ranging between 70% and 130%, based on EBITDA performance versus budget.

The Committee reviews the resulting bonus pay-out to ensure that the resulting bonus pay-out is appropriate in light of the overall performance of the Company.

As shown in the table below, performance against the pre-determined KPIs and targets was strong, resulting in an annual bonus pay-out of 69% of maximum. However, after due consideration and in the context of the Company's overall performance in the year, the Committee and CEO jointly agreed to cap the annual bonus in respect of 2013 at the target level (50% of maximum), waiving any bonus above this level.

The table below sets out details of the targets set for each KPI, the actual achievement in the year and total pay-out level for the 2013 year bonus:

		Result Measurement				
KPIs	Target 2013	Upper level	Planned level (% of target)	Lower level	Actual 2013	Bonus payout (% of max)
LTIFR	1.97	80%	100%	120%	104%	40%
EBITDA	US$1,730m	120%	100%	80%	105%	63%
FCF	US$0m	US$200m	US$0m	US$200m	US$458m	100%
Current/approved NPV	85%	120%	100%	80%	96%	42%
Cash cost index	100%	90%	100%	110%	94%	81%
Total						**65%**
Profitability coefficient		1.3	1	0.7	1.0525	
Bonus payout						**69%** (138% of salary)
Discretionary adjustment						Capped at target bonus
Total bonus payout – post adjustment						**50%** (100% of salary)

Annual bonus for 2014

For 2014, the bonus framework will be broadly in line with the prior years. The pay-out will continue to be subject to the EBITDA profitability adjustment. Forward targets are considered by the Board to be commercially sensitive; however they will generally be disclosed in the subsequent year.

Non-Executive Directors remuneration

Non-executive remuneration payable in respect of 2013 and 2012 is given below (audited information):

Single figure of remuneration (audited)

	2013 (US$, '000)			2012 (US$, '000)		
Non-executive Director	Total fees(1)	Admin(2)	Total	Total fees(1)	Admin(2)	Total
Alexander G. Abramov	750	30	780	658	25	683
Alexander Izosimov	198	30	228	165	25	190
Eugene Shvidler	174	30	204	170	25	195
Eugene Tenenbaum	150	32.5	182.5	172	22.5	194.5
Karl Gruber	224	30	254	224	30	254
Duncan Baxter	224	30	254	224	30	254
Olga Pokrovskaya	198	32.5	230.5	176	22.5	198.5
Sir Michael Peat	224	30	254	224	30	254
Terry Robinson(3)	351.1	35.7	386.8	298	30	328

1) Total fees include annual fees and fees for committee membership or chairmanship (pro rata working days).
2) The Company contributes an annual amount of US$30,000 towards secretarial and administrative expenses of Non-Executive Directors.
3) Also includes US$ 58,800 (53,100 paid as fees and 5,700 as administrative expenses) for Chairmanship in Raspadskaya Coal Company, a company in which EVRAZ has a controlling shareholding.

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). For reference, 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 generally entitled to receive fees in respect of one chairmanship. The fee for the Chairman of the Board amounts to US$750,000 from 1 March 2012 (this fee includes, for the avoidance of doubt, the Directors fees and the fees that are paid for committee membership).

Fees will remain unchanged for 2014.

Aggregate Director's Remuneration

The aggregate amount of Director's remuneration payable in respect of qualifying services for the year ended 31 December 2013 was US$7,668 thousand (2012: US$4,692 thousand).

Share ownership by the Board of Directors (audited)

As set out earlier in this report, there are no formal minimum shareholding requirements currently in place, reflecting the CEO's current shareholding in EVRAZ.

As of 31 December 2013 the following Directors had beneficial interests in EVRAZ shares:

Directors	Number of shares	Total holding, Ordinary shares, %
Alexander Abramov	317,300,488	21.55%
Alexander Frolov	158,442,915	10.76%
Eugene Shvidler	45,257,031	3.07%

Pursuant to the exchange of shares for warrants by Lanebrook in January 2014, Lanebrook's interest in EVRAZ changed which resulted in changes of ultimate holders' ownership.

Thus, the Directors' interests in EVRAZ's shares as of 8 April 2014 was as follows:

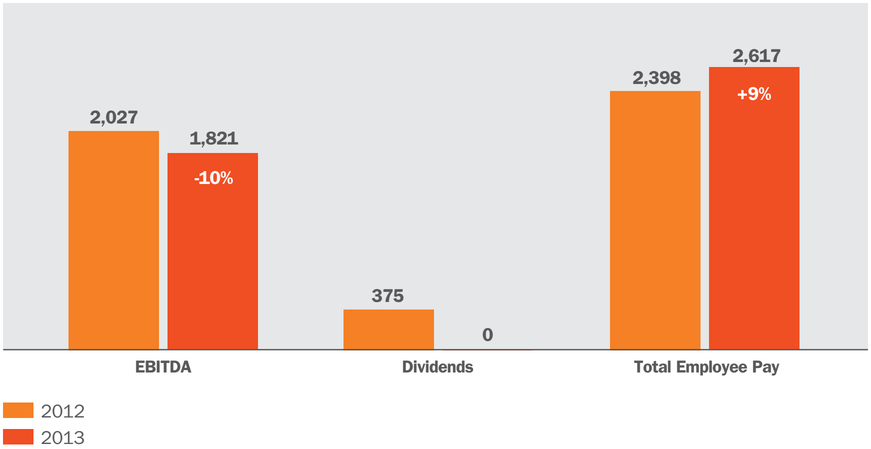
Directors	Number of shares	Total holding, Ordinary shares, %
Alexander Abramov	328,620,382	21.81%
Alexander Frolov	164,095,485	10.89%
Eugene Shvidler	46,864,423	3.11%

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.

Other Directors do not currently hold any shares in the Company.

Relative importance of spend on pay

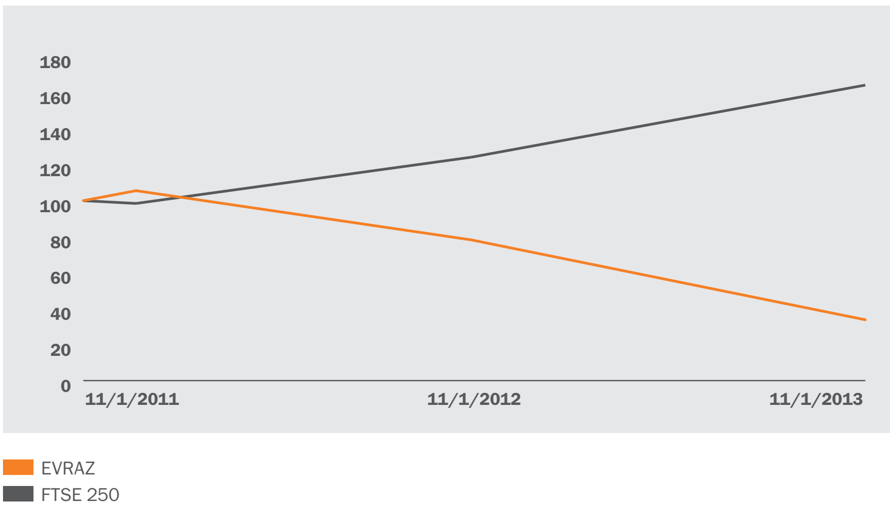
The graph below shows comparison of total cost of remuneration paid to all employees between current and previous years and financial metrics in US$ millions.



Performance graph

The following graph shows the Company's performance measured by total shareholder return compared to the performance of the FTSE 250 Index since EVRAZ plc's admission to the premium listing segment of the London Stock Exchange on 7 November 2011. The FTSE 250 Index has been selected as an appropriate benchmark as it is a broad based index of which the Company is a constituent member.

Total shareholder return performance



The table below shows the CEO's single figure of total remuneration over the past 3 years along with comparison of variable payments with maximum opportunity.

	CEO single figure or total remuneration (US$)	Annual variable element award rates against maximum opportunity
2013	4,894,286	50%
2012	2,141,000	0%
2011	1,667,000	11.3%

Percentage change in remuneration

The table below sets out the percentage change in remuneration elements of the Director undertaking the role of CEO and average figures for Russian based administrative personnel. We have selected this group of employees as an appropriate comparator as they are based in the same geographical market as the CEO, meaning they are subject to similar external environment/pressures.

	CEO	Russian administrative personnel
Salary	0%	4%
Benefits	200%(1)	8%
Annual bonus	N/A(2)	164%

(1) The increase in CEO benefits reflects a change in terms of private healthcare provided.
(2) It is not possible to calculate the percentage change in CEO annual bonus given the pay-out in respect of 2012 was $nil.

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken over the past year.

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 independent Non-Executive Directors during the 2013 year:

- 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 set and implement the remuneration policy for the remuneration of the Chairman of the Board, the Company's Chief Executive Officer, the Company Secretary and key senior management;
- 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 on-going 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 based remuneration within the terms of the agreed policy;
- 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.

Attendance

During 2013, the EVRAZ's Remuneration Committee met three times. The purpose of the meetings was to consider and to make recommendations to the Board in relation to the remuneration packages of the Executive Director and key senior managers, to approve the annual bonus for the 2012 results as well as to approve the 2013 LTIP awards and list of participants.

During the year, the Remuneration Committee undertook a detailed self-assessment. Upon consideration of the results, we are comfortable that the Remuneration Committee is independent and the current members possess the appropriate range of skills and experience to deliver a high quality contribution to our decision making.

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.

During the year, Deloitte advised the Committee on developments in the regulatory environment and investor views and in the development and disclosure of the Company's incentive arrangements. Total fee for advice provided to the Committee during the year was £31,100. No other services were provided to the Company by the advisor during the financial year.

Deloitte is a founding 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, an Independent Non-Executive Director of EVRAZ, is also 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.

The Committee is satisfied that the advice they have received has been objective and independent.

Shareholder considerations

We remain committed to on-going 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 in 2012.

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 results from the Annual General Meeting which was held on 13 June 2013 in respect of our previous remuneration report.

Number of votes	For	Against	Withheld	Total votes as % of issued share capital
Directors' Remuneration Report for the year ended 31 December 2012	1,058,394,986 (98.86%)[1]	12,190,735 (1.14%)	193,934	72.70%

(1) Percentage of votes cast.

These results illustrate the strong level of shareholder support for the Directors' remuneration framework.

Signed on behalf of the Board of Directors,

Duncan Baxter
Chairman of the Remuneration Committee
8 April 2014

DIRECTORS' REPORT

The Directors present their report to shareholders for the financial year ending 31 December 2013, which they are required to produce by law.

Introduction

For the purposes of the disclosures required under the Disclosure and Transparency Rules and the Listing Rules of the UKLA, cross references are made where appropriate to other sections of the Annual Report.

The Company was incorporated under the name EVRAZ plc as a public company limited by shares on 23 September 2011. EVRAZ plc listed on the London Stock Exchange in November 2011 and is a member of the FTSE 250 index.

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. Details of the Company's policies on diversity and employee engagement are provided in the Corporate Social Responsibility Section on pages 35 – 41.

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 28 – 34.

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.

Dividends

The directors recommend a dividend of 6 cents per share to be consistent with their intention of distributing, where appropriate, a proportion of the margin on disposals as dividends, and as an indication of confidence in the Company's position. The US$90.4 million represents the approximate cash portion of the proceeds from the sale of EVRAZ Vitkovice Steel, leaving US$196.6 million for the reduction of debt.

Going forward, the dividend policy has been revised to support the financial strategy of deleveraging and envisages that the regular dividends will be paid only when the net leverage (net debt/EBITDA) target of below 3.0x is achieved. The Board reserves the right to propose special dividends in the event of asset disposals.

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 210.

Future developments

Information on the Group and its subsidiaries' future developments is provided in the Chief Executive Officer's Review, Strategic Report, Business Units' 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 28 to the Consolidated Financial Statements, the Corporate Governance section of this report on pages 72 – 111 and in the Financial Review on page 33.

Political donations

No political donations were made in 2013.

Greenhouse gas emissions

In 2013, following the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013 EVRAZ undertook to assess full greenhouse gases' (GHGs) emissions from facilities under its control. Details can be found in the Corporate Social Responsibility section on pages 35 – 41.

Events since the reporting date

The major events after 31 December 2013 are disclosed in Note 32 to the Consolidated Financial Statements on page 200.

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 76 – 77.

Detailed information on share ownership by directors can be found in the Remuneration Report on pages 101 – 102.

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

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 Board has 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 may be eligible to annual re-election.

DIRECTORS' REPORT

Continued

Directors' liabilities (Directors' indemnities)

As at the date of this report, 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 have been and continue to be covered by Directors & Officers liability insurance.

Substantial shareholdings

As of 31 December 2013, the following significant holdings of voting rights in the share capital of the Company were disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of Ordinary Shares	% of Issued Ordinary Shares
Lanebrook Ltd.*	934,440,556	63.46
Lanebrook Ltd. Affiliates	42,870,614	2.91
Kadre Enterprises Ltd.**	83,751,827	5.69
Verocchio Enterprises Ltd.***	82,887,014	5.63

* 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 456,310,736 ordinary shares in EVRAZ plc (30.99%), (ii) Mr. Abramov, who held a beneficial interest in 317,300,488 ordinary shares in EVRAZ plc (21.55%), (iii) Mr. Frolov, who held a beneficial interest in 158,442,915 ordinary shares in EVRAZ plc (10.76%) and (iv) Mr. Shvidler, who held a beneficial interest in 45,257,031 ordinary shares in EVRAZ plc (3.07%). 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 2013 to 8 April 2014 (being the last practicable date prior to the publication of this document), there was an increase in the number of ordinary shares held by Lanebrook Ltd. and in the underlying number of beneficial interests held by each of Mr. Abramovich, Mr. Abramov, Mr. Frolov and Mr. Shvidler.

** Includes shares held by Gennady Kozovoy, Kadre's shareholder, both indirectly through Kadre and directly.

***Verocchio Ltd. is owned by Alexander Vagin.

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. On 3 October 2012, i.e. the time at which the terms of the issue of new shares and new warrants were fixed, the closing market price of the Company's shares was 247.30 pence per ordinary share. 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 Conduct 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 and Q2, Q3 2013 and in Q1 2014 (two payments).

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, held by Lanebrook, could be exercised at any time between 16 January 2014 and 16 April 2014. In January 2014, Lanebrook Ltd. exercised its 33,944,928 warrants to subscribe for new ordinary shares in EVRAZ plc. 33,944,928 new ordinary shares of US$1 each fully paid, ranking pari passu with the existing issued ordinary shares, were issued by the Company in favour of Lanebrook Ltd. and application was made to the London Stock Exchange and the UK Listing Authority of the FCA for their listing. The new shares were admitted to the Official List and to trading on the London Stock Exchange on 28 January 2014.

The Company's issued share capital as of 8 April 2014 is 1,506,527,294 ordinary shares.

As of 8 April 2014, the following significant holdings of voting rights in the share capital of the Company were disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of Ordinary Shares	% of Issued Ordinary Shares
Lanebrook Ltd.*	968,358,484	64.28
Lanebrook Ltd. Affiliates	42,870,614	2.85
Kadre Enterprises Ltd.**	83,751,827	5.56%
Verocchio Enterprises Ltd.***	82,887,014	5.50%

As a result of the warrant exercise the following ultimate beneficial owners had interests in EVRAZ plc share capital (in each case, except for Mr. Kozovoy, held indirectly) as of 8 April 2014 (being the last practicable date prior to the publication of this document):

Ultimate beneficial owner	Number of ordinary shares	% of issued share capital
Roman Abramovich	471,675,808	31.31%
Alexander Abramov	328,620,382	21.81%
Alexander Frolov	164,095,485	10.89%
Gennady Kozovoy	83,751,827	5.56%
Alexander Vagin	82,887,014	5.50%
Eugene Shvidler	46,864,423	3.11%

Significant contractual arrangements

The Major Shareholder and the Company have entered into a relationship agreement which regulates the on-going 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 on-going 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. Furthermore, the Independent Non-Executive Directors of the Company have conducted an annual review to consider the continued good standing of the Relationship Agreement and are satisfied that the terms of the Relationship Agreement are being fully observed.

9.50% notes due 2018, issued by Evraz Group S.A., 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. At 31 December 2013, the principal amount of these notes amounted to US$509 million.

DIRECTORS' REPORT

Continued

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 2014 AGM will be held on 12 June 2014 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 at www.evraz.com/investors/information/general_meeting.

Electronic communications

A copy of the 2013 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at 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 176.

Share capital

As of 31 December 2013 EVRAZ plc subscribed share capital was represented by 1,472,582,366 ordinary shares with a nominal value of US$1 each. In connection with an exercise by Lanebrook Limited ("Lanebrook"), EVRAZ's major shareholder, of 33,944,928 warrants to subscribe for new ordinary shares in EVRAZ plc, the Company issued 33,944,928 new ordinary shares of US$1 each fully paid, ranking pari passu with the existing issued ordinary shares. The newly issued shares were admitted to the Official List and to trading on the London Stock Exchange on 28 January 2014.

Since 28 January 2014, the Company's issued share capital has consisted of 1,506,527,294 ordinary shares, and the total number of voting rights in the Company is 1,506,527,294.

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, including the redeemable non-voting preference shares and the subscriber 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 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. Details of deadlines for exercising voting rights and proxy appointment will be set out in the 2014 notice of AGM.

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.

Our Directors' Report as set out on pages 105 to 108 inclusive has been prepared in accordance with, applicable English company law and was approved by the Board on 8 April 2014.

By order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc
8 April 2014

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 105 to 108. 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 whose names and functions are listed on pages 76 to 77 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 Annual Report and Accounts, including the Strategic Report 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.

DIRECTORS' STATEMENT UNDER THE UK CORPORATE GOVERNANCE CODE

The Board considers that the report and accounts taken as a whole, which incorporates the Strategic Report and Directors Report, is fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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
8 April 2014

FINANCIAL STATEMENTS

In this section:

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 2013 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 32. 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 111, 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 Group Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Group Financial Statements sufficient to give reasonable assurance that the Group 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 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 Group Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Group Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Group 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 2013 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.

Our assessment of risks of material misstatement

We identified the following risks that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- Goodwill, investment and non-current asset impairment
- Going concern
- The valuation and classification of assets held for sale

Our application of materiality

We determined materiality for the Group to be $54.7 million, which is 3% of EBITDA. Our materiality amount provided a basis for determining the nature and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures. We assessed our materiality calculation based on the EBITDA of the Group as we considered that to be the most relevant performance measure to the stakeholders of the entity.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (ie, our tolerance for misstatement in an individual account or balance) for the Group should be 50% of materiality, namely $27.3 million. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $2.7 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

In assessing the risk of material misstatement to the Group Financial Statements, our Group audit scope focused on the Group's main operating locations. We selected 16 components covering entities within Russia, Ukraine, Switzerland and the USA, which represent the principal business units within the Group and account for 89% of the Group's EBITDA. Six of these were subject to a full scope audit, whilst the remaining 10 were subject to audit procedures on specific accounts based on our assessment of the coverage obtained from full scope audits, the risks of material misstatement and the materiality of the Group's business operations. These components were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The audit work on the 16 components was executed at levels of materiality applicable to each individual entity, which were lower than Group materiality. For the remaining components, we performed other procedures to confirm that there were no significant risks of material misstatement in the Group Financial Statements.

The audit work in respect of the full scope locations was undertaken by separate component teams under the direction and supervision of the Group team. For components subject to audit procedures on specific accounts the work was undertaken either by separate component teams or directly by members of the Group audit team as appropriate. The senior statutory auditor is based in the UK but, since group management and operations reside in Russia, the Group audit team includes members from both the UK and Russia. The senior statutory auditor visited Russia three times during the current year's audit and there was regular interaction between team members within both jurisdictions.

Visits were undertaken by the Group team to component teams in the USA, Russia and Ukraine. The Group audit team interacts regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process.

Our principal responses to the risks identified above were as follows:

Goodwill, investments and non-current asset impairment

Refer to the Group Audit Committee report on page 83, the estimates and judgments on page 133 to 135 and the disclosures of impairment in Note 6 of the Group Financial Statements.

Our audit procedures included the challenge of management's assumptions used in their impairment models. We also tested the integrity of models with the assistance of our own specialists. We critically assessed the appropriateness of estimates included in the models and we challenged and carried out audit procedures on management's sensitivity calculations. We considered the appropriateness of the related disclosures provided in the Group Financial Statements.

Going concern

Refer to the Group Audit Committee report on page 83, the Directors' report on page 105 and within significant accounting policies on page 123.

With the assistance of our own specialists we performed audit procedures on, and challenged the accuracy and integrity of, management's cash flow projections and the related assumptions. We assessed the need for and availability of additional finance facilities by challenging managements assumptions of discretionary spend and obtaining evidence of committed and uncommitted facilities and other potential sources of funding. We considered the appropriateness of the disclosures made in the Group Financial Statements in respect of going concern.

In addition, we challenged management's consideration of the possible impact of the current political situation in Ukraine and related political sanctions on forecasts used for going concern modelling and the consideration of the recoverability of assets.

The valuation and classification of assets held for sale

Refer to accounting judgments within significant accounting policies on page 133 in Note 2 and the related Note 12 of the Group Financial Statements.

Our audit procedures included the challenge of management's assumptions as to the probability of sale completion within a period of 12 months from the balance sheet date based on the facts in relation to the progress of each sales process. We challenged management's assumptions as to the valuation of amounts classified as assets held for sale and the evidence available to support the estimated sales proceeds. We considered the appropriateness of the related disclosures provided in the Group Financial Statements.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:
- materially inconsistent with the information in the audited Group Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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 105, 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.

Other matter

We have reported separately on the Parent Company Financial Statements of EVRAZ plc for the year ended 31 December 2013 and on the information in the Directors' 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
8 April 2014

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.

CONSOLIDATED STATEMENT OF OPERATIONS

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

	Notes	2013	2012 restated*	2011 restated*
		Year ended 31 December		
Continuing operations				
Revenue				
Sale of goods	3	**$14,071**	$14,367	$16,077
Rendering of services	3	**340**	359	323
		14,411	14,726	16,400
Cost of revenue	7	**(11,468)**	(11,803)	(12,480)
Gross profit		**2,943**	2,923	3,920
Selling and distribution costs	7	**(1,183)**	(1,211)	(1,154)
General and administrative expenses	7	**(877)**	(839)	(903)
Social and social infrastructure maintenance expenses		**(50)**	(51)	(61)
Loss on disposal of property, plant and equipment		**(47)**	(56)	(50)
Impairment of assets	6	**(446)**	(413)	(104)
Foreign exchange gains/(losses), net		**(258)**	(41)	269
Other operating income		**53**	75	50
Other operating expenses	7	**(116)**	(129)	(96)
Profit from operations		**19**	258	1,871
Interest income	7	**23**	23	17
Interest expense	7	**(699)**	(654)	(715)
Share of profits/(losses) of joint ventures and associates	11	**8**	1	55
Gain/(loss) on derecognition of equity investments, net	4	**89**	–	–
Gain/(loss) on financial assets and liabilities, net	7	**(43)**	164	(355)
Gain/(loss) on disposal groups classified as held for sale, net	12	**(25)**	18	8
Other non-operating gains/(losses), net		**15**	(6)	(4)
Profit/(loss) before tax		**(613)**	(196)	877
Income tax benefit/(expense)	8	**41**	(229)	(420)
Net profit/(loss)		**$(572)**	$(425)	$457
Attributable to:				
Equity holders of the parent entity		**$(522)**	$(398)	$465
Non-controlling interests		**(50)**	(27)	(8)
		$(572)	$(425)	$457
Earnings/(losses) per share:				
basic, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$(0.35)**	$(0.30)	$0.36
diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$(0.35)**	$(0.30)	$0.36

* The amounts shown here do not correspond to the 2012 and 2011 financial statements and reflect adjustments made in connection with the obligatory change in the accounting policies and a correction of a prior period error (Note 2).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of US dollars)

		Year ended 31 December		
	Notes	2013	2012 restated*	2011 restated*
Net profit/(loss)		**$(572)**	$(425)	$457
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency		**(198)**	281	(615)
Exchange differences recycled to profit or loss	4,12	**(90)**	96	–
Net gains/(losses) on available-for-sale financial assets	13	**7**	4	(20)
Net (gains)/losses on available-for-sale financial assets reclassified to profit or loss	13	**–**	–	20
		(281)	381	(615)
Effect of translation to presentation currency of the Group's joint ventures and associates	11	**(11)**	44	(35)
Net gains/(losses) on available-for-sale financial assets of the Group's joint ventures and associates	11	**–**	1	–
		(11)	45	(35)
Items not to be reclassified to profit or loss in subsequent periods				
Gains/(losses) on re-measurement of net defined benefit liability	23	**119**	(74)	(97)
Income tax effect		**(30)**	14	31
		89	(60)	(66)
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	11	**–**	(2)	(1)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	9	**(9)**	–	(1)
Income tax effect	8	**2**	–	–
		(7)	–	(1)
Total other comprehensive income/(loss)		**(210)**	364	(718)
Total comprehensive income/(loss), net of tax		**$(782)**	$(61)	$(261)
Attributable to:				
Equity holders of the parent entity		**$(697)**	$(33)	$(235)
Non-controlling interests		**(85)**	(28)	(26)
		$(782)	$(61)	$(261)

* The amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made in connection with the obligatory change in the accounting policies and a correction of a prior period error (Note 2).

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 116 – 200 were approved by the Board of Directors on 8 April 2014 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

	Notes	31 December 2013	2012 restated*	2011 restated*
ASSETS				
Non-current assets				
Property, plant and equipment	9	**$9,251**	$7,792	$8,306
Intangible assets other than goodwill	10	**525**	586	838
Goodwill	5	**1,988**	2,180	2,180
Investments in joint ventures and associates	11	**191**	551	655
Deferred income tax assets	8	**86**	70	82
Other non-current financial assets	13	**140**	92	53
Other non-current assets	13	**62**	64	79
		12,243	11,335	12,193
Current assets				
Inventories	14	**1,641**	1,978	2,188
Trade and other receivables	15	**873**	895	971
Prepayments		**122**	143	176
Loans receivable		**21**	19	44
Receivables from related parties	16	**13**	12	8
Income tax receivable		**59**	59	83
Other taxes recoverable	17	**281**	329	412
Other current financial assets	18	**71**	712	57
Cash and cash equivalents	19	**1,576**	1,320	801
		4,657	5,467	4,740
Assets of disposal groups classified as held for sale	12	**804**	930	9
		5,461	6,397	4,749
Total assets		**$17,704**	$17,732	$16,942
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	**$1,473**	$1,340	$1,338
Treasury shares	20	**(1)**	(1)	(8)
Additional paid-in capital	20	**2,326**	1,820	2,289
Revaluation surplus		**162**	173	171
Other reserves	20	**156**	–	–
Unrealised gains and losses	11,13	**12**	5	–
Accumulated profits		**2,566**	3,004	3,406
Translation difference		**(1,687)**	(1,424)	(1,846)
		5,007	4,917	5,350
Non-controlling interests		**427**	200	236
		5,434	5,117	5,586
Non-current liabilities				
Long-term loans	22	**6,039**	6,373	6,593
Deferred income tax liabilities	8	**827**	855	960
Employee benefits	23	**481**	577	518
Provisions	24	**194**	257	285
Other long-term liabilities	25	**230**	181	311
		7,771	8,243	8,667
Current liabilities				
Trade and other payables	26	**1,395**	1,414	1,473
Advances from customers		**179**	157	154
Short-term loans and current portion of long-term loans	22	**1,816**	1,783	613
Payables to related parties	16	**458**	257	98
Income tax payable		**57**	48	92
Other taxes payable	27	**202**	195	188
Provisions	24	**39**	32	53
Amounts payable under put options for shares of subsidiaries		**–**	–	9
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**5**	8	9
		4,151	3,894	2,689
Liabilities directly associated with disposal groups classified as held for sale	12	**348**	478	–
		4,499	4,372	2,689
Total equity and liabilities		**$17,704**	$17,732	$16,942

* The amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made in connection with the obligatory change in the accounting policies and a correction of a prior period error (Note 2).

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		
	2013	2012 restated*	2011 restated*
Cash flows from operating activities			
Net profit/(loss)	**$(572)**	$(425)	$457
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	**(290)**	(38)	12
Depreciation, depletion and amortisation *(Note 7)*	**1,051**	1,259	1,153
Loss on disposal of property, plant and equipment	**47**	56	50
Impairment of assets	**446**	413	104
Foreign exchange (gains)/losses, net	**258**	41	(269)
Interest income	**(23)**	(23)	(17)
Interest expense	**699**	654	715
Share of (profits)/losses of associates and joint ventures	**(8)**	(1)	(55)
Gain/(loss) on derecognition of equity investments, net	**(89)**	–	–
(Gain)/loss on financial assets and liabilities, net	**43**	(164)	355
(Gain)/loss on disposal groups classified as held for sale, net	**25**	(18)	(8)
Other non-operating (gains)/losses, net	**(15)**	6	4
Bad debt expense	**8**	12	49
Changes in provisions, employee benefits and other long-term assets and liabilities	**(68)**	(55)	(40)
Expense arising from equity-settled awards *(Note 21)*	**25**	22	23
Share-based payments under cash-settled awards *(Note 21)*	**–**	–	(1)
Other	**(2)**	(6)	(4)
	1,535	1,733	2,528
Changes in working capital:			
Inventories	**229**	121	(204)
Trade and other receivables	**65**	(78)	167
Prepayments	**15**	37	(2)
Receivables from/payables to related parties	**131**	141	(61)
Taxes recoverable	**48**	120	(123)
Other assets	**(17)**	18	(3)
Trade and other payables	**(135)**	96	367
Advances from customers	**30**	(1)	(44)
Taxes payable	**4**	(43)	44
Other liabilities	**(5)**	(1)	(22)
Net cash flows from operating activities	**1,900**	2,143	2,647
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(2)**	(5)	(3)
Proceeds from repayment of loans issued to related parties, including interest	**–**	1	46
Issuance of loans receivable	**(2)**	–	(4)
Proceeds from repayment of loans receivable, including interest	**3**	4	4
Return of capital by a joint venture *(Note 11)*	**–**	38	–
Purchases of subsidiaries, net of cash acquired *(Note 4)*	**31**	(12)	(36)
Purchases of interest in associates/joint ventures *(Note 11)*	**(61)**	–	–
Restricted deposits at banks in respect of investing activities	**(2)**	–	(1)
Short-term deposits at banks, including interest	**677**	(656)	5
Purchases of property, plant and equipment and intangible assets	**(902)**	(1,261)	(1,281)
Proceeds from disposal of property, plant and equipment	**7**	9	23
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	**1**	311	5
Dividends received	**1**	88	54
Other investing activities, net	**(15)**	(61)	–
Net cash flows used in investing activities	**(264)**	(1,544)	(1,188)

* The amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made in connection with the obligatory change in the accounting policies (Note 2).

Continued on the next page

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(in millions of US dollars)

	Year ended 31 December		
	2013	2012 restated*	2011 restated*
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)*	**(6)**	–	(22)
Sale of treasury shares *(Note 20)*	**–**	–	3
Payments relating to conversion of bonds into shares *(Note 22)*	**–**	–	(161)
Proceeds from issue of shares by a subsidiary to non-controlling shareholders	**–**	–	1
Purchases of non-controlling interests *(Note 4)*	**–**	(1)	(51)
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	**1,976**	2,706	3,507
Repayment of bank loans and notes, including interest	**(3,978)**	(2,716)	(3,815)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**621**	292	(283)
Payments under covenants reset *(Note 22)*	**(1)**	(7)	–
Gain on derivatives not designated as hedging instruments *(Note 25)*	**51**	81	66
Collateral under swap contracts *(Note 18)*	**(21)**	10	(10)
Restricted deposits at banks in respect of financing activities	**–**	2	(1)
Payments under finance leases, including interest	**(8)**	(29)	(24)
Net cash flows used in financing activities	**(1,367)**	(42)	(1,282)
Effect of foreign exchange rate changes on cash and cash equivalents	**(48)**	32	(59)
Net increase in cash and cash equivalents	**221**	589	118
Cash and cash equivalents at the beginning of the year	**1,320**	801	683
Add back: decrease/(increase) in cash of disposal groups classified as assets held for sale *(Note 12)*	**35**	(70)	–
Cash and cash equivalents at the end of the year	**$1,576**	$1,320	$801
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$(586)**	$(559)	$(586)
Interest received	**23**	7	8
Income taxes paid by the Group	**(249)**	(298)	(443)

* The amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made in connection with the obligatory change in the accounting policies (Note 2).

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	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2012 (as previously reported)	$1,340	$(1)	$1,820	$173	$–	$5	$3,356	$(1,520)	$5,173	$200	$5,373
Correction of a prior period error *(Note 2)*	–	–	–	–	–	–	(96)	96	–	–	–
Change in accounting policies *(Note 2)*	–	–	–	–	–	–	(256)	–	(256)	–	(256)
At 31 December 2012 (as restated)	$1,340	$(1)	$1,820	$173	$–	$5	$3,004	$(1,424)	$4,917	$200	$5,117
Net loss	–	–	–	–	–	–	(522)	–	(522)	(50)	(572)
Other comprehensive income/(loss)	–	–	–	(7)	–	7	88	(263)	(175)	(35)	(210)
Reclassification of additional paid-in capital to accumulated profits in respect of the disposed subsidiaries	–	–	2	–	–	–	(2)	–	–	–	–
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(4)	–	–	4	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	2	(11)	–	7	(432)	(263)	(697)	(85)	(782)
Issue of shares *(Note 20)*	133	–	478	–	156	–	–	–	767	–	767
Acquisition of non-controlling interests in subsidiaries *(Note 4)*	–	–	1	–	–	–	–	–	1	(3)	(2)
Non-controlling interests arising on acquisition of subsidiaries *(Note 4)*	–	–	–	–	–	–	–	–	–	314	314
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary *(Note 20)*	–	–	–	–	–	–	–	–	–	2	2
Purchase of treasury shares *(Note 20)*	–	(6)	–	–	–	–	–	–	(6)	–	(6)
Transfer of treasury shares to participants of the Incentive Plan *(Notes 20 and 21)*	–	6	–	–	–	–	(6)	–	–	–	–
Share-based payments *(Note 21)*	–	–	25	–	–	–	–	–	25	–	25
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2013	**$1,473**	**$(1)**	**$2,326**	**$162**	**$156**	**$12**	**$2,566**	**$(1,687)**	**$5,007**	**$427**	**$5,434**

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2011 (as previously reported)	$1,338	$(8)	$2,289	$171	$–	$–	$3,606	$(1,851)	$5,545	$236	$5,781
Change in accounting policies *(Note 2)*	–	–	–	–	–	–	(200)	5	(195)	–	(195)
At 31 December 2011 (as restated)	$1,338	$(8)	$2,289	$171	$–	$–	$3,406	$(1,846)	$5,350	$236	$5,586
Net loss*	–	–	–	–	–	–	(398)	–	(398)	(27)	(425)
Other comprehensive income/(loss)*	–	–	–	–	–	5	(62)	422	365	(1)	364
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	(462)	422	(33)	(28)	(61)
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 21)*	–	11	–	–	–	–	(11)	–	–	–	–
Share-based payments *(Note 21)*	–	–	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	$3,004	$(1,424)	$4,917	$200	$5,117

* The amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made in connection with the obligatory change in the accounting policies and a correction of a prior period error (Note 2).

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	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2010 (as previously reported)	$375	$–	$1,742	$180	$36	$–	$4,570	$(1,214)	$5,689	$247	$5,936
Change in accounting policies *(Note 2)*	–	–	–	–	–	–	(137)	–	(137)	–	(137)
At 31 December 2010 (as restated)	$375	$–	$1,742	$180	$36	$–	4,433	$(1,214)	$5,552	$247	$5,799
Net profit*	–	–	–	–	–	–	465	–	465	(8)	457
Other comprehensive income/(loss)*	–	–	–	(1)	–	–	(67)	(632)	(700)	(18)	(718)
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)	–	–	406	(632)	(235)	(26)	(261)
Conversion of bonds *(Notes 20 and 22)*	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 21)*	–	11	–	–	–	–	(11)	–	–	–	–
Sale of treasury shares *(Note 20)*	–	3	–	–	–	–	–	–	3	–	3
Share-based payments *(Note 21)*	–	–	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	$–	$–	$3,406	$(1,846)	$5,350	$236	$5,586

* The amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made in connection with the obligatory change in the accounting policies (Note 2).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

year ended 31 December 2013

1. Corporate information

These consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 8 April 2014.

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, % 2013	2012	2011	Business activity	Location
EVRAZ Nizhny Tagil Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Vitkovice Steel a.s.	**100.00**	100.00	100.00	Steel production	Czech Republic
EVRAZ Highveld Steel and Vanadium Limited	**85.11**	85.11	85.11	Steel production	South Africa
EVRAZ Dnepropetrovsk Iron and Steel Works	**96.78**	96.78	96.77	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
Raspadskaya (till 16 January 2013 accounted for under equity method – *Notes 4 and 11*)	**81.95**	40.98	40.00	Coal mining	Russia
Yuzhkuzbassugol	**100.00**	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	**100.00**	100.00	100.00	Ore mining and processing	Russia
Evrazruda	**100.00**	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	**99.42**	99.42	99.42	Ore mining	Ukraine

2. Significant accounting policies

Basis of Preparation

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

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2013, but not adopted by the European Union, do not have any impact on the Group's consolidated financial statements.

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

Going Concern

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

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment. In response the Group implemented a number of cost cutting initiatives, reduced capital expenditures and significantly reduced the level of debt subject to financial maintenance covenants.

Based on the currently available facts and circumstances the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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.

2. Significant accounting policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements

Correction of a Prior Period Error

According to IAS 21 "The Effects of Changes in Foreign Exchange Rates" on the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, should be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised. In 2013, the Group discovered that in 2012 it did not reclassify the accumulated exchange losses in the amount of $96 million on the disposal of its subsidiaries – Dneprodzerzhinsk Coke Chemical Plant and Prichaly Kominterna. As such, the Group corrected this prior period error and has disclosed the restated consolidated statements of operations and comprehensive income, the statement of financial position and the relevant extract from the statement of changes in equity for the year ended 31 December 2012 below.

The correction of this error does not affect the Group's compliance with financial covenants at 31 December 2012.

Obligatory Change in the Accounting Policies Following the Amendments to IAS 19

Amended IAS 19 "Employee Benefits", which is effective for annual periods beginning on or after 1 January 2013, introduced a full recognition of deficit/(surplus) of a defined benefit obligation in the statement of financial position, net presentation of interest on the defined benefit liabilities and assets, new presentation of changes in defined benefit obligations and plan assets and additional disclosure requirements. These amendments are required to be applied retrospectively. As such, in these consolidated financial statements the Group adjusted the balances starting from the earliest prior period presented and the results of its operations for the respective periods.

Reclassifications

In 2013, the Group applied new accounting policies with respect to certain operating costs previously included in general and administrative expenses. Consequently, reclassifications have been made to the prior years financial statements to conform to the current year presentation: $21 million (2012) and $18 million (2011) have been reclassified from general and administrative expenses into cost of revenue.

2. Significant accounting policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

The effects of the restatements on the previously reported amounts are set out below.

Statement of Operations

	Year ended 31 December 2012			
	As previously reported	Reclassification of accumulated exchange losses	Change in accounting policies	Restated
Revenue				
Sale of goods	$14,367	$–	$–	$14,367
Rendering of services	359	–	–	359
	14,726	–	–	14,726
Cost of revenue	(11,797)	–	(6)	(11,803)
Gross profit	2,929	–	(6)	2,923
Selling and distribution costs	(1,211)	–	–	(1,211)
General and administrative expenses	(860)	–	21	(839)
Social and social infrastructure maintenance expenses	(51)	–	–	(51)
Loss on disposal of property, plant and equipment	(56)	–	–	(56)
Impairment of assets	(413)	–	–	(413)
Foreign exchange gains/(losses), net	(41)	–	–	(41)
Other operating income	75	–	–	75
Other operating expenses	(129)	–	–	(129)
Profit from operations	243	–	15	258
Interest income	23	–	–	23
Interest expense	(645)	–	(9)	(654)
Share of profits/(losses) of joint ventures and associates	1	–	–	1
Gain/(loss) on financial assets and liabilities, net	164	–	–	164
Gain/(loss) on disposal groups classified as held for sale, net	114	(96)	–	18
Other non-operating gains/(losses), net	(6)	–	–	(6)
Profit/(loss) before tax	(106)	(96)	6	(196)
Income tax expense	(229)	–	–	(229)
Net profit/(loss)	$(335)	$(96)	$6	$(425)
Attributable to:				
Equity holders of the parent entity	$(308)	$(96)	$6	$(398)
Non-controlling interests	(27)	–	–	(27)
	$(335)	$(96)	$6	$(425)
Earnings/(losses) per share:				
for profit/(loss) attributable to equity holders of the parent entity, US dollars, basic and diluted	$(0.23)	$(0.07)	$–	$(0.30)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

2. Significant accounting policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Comprehensive Income

	Year ended 31 December 2012			
	As previously reported	Reclassification of accumulated exchange losses	Change in accounting policies	Restated
Net loss	$(335)	$(96)	$6	$(425)
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency	286	–	(5)	281
Exchange differences recycled to profit or loss	–	96	–	96
Net gains/(losses) on available-for-sale financial assets	4	–	–	4
	290	96	(5)	381
Effect of translation to presentation currency of the Group's joint ventures and associates	44	–	–	44
Net gains/(losses) on available-for-sale financial assets of the Group's joint ventures and associates	1	–	–	1
	45	–	–	45
Items not to be reclassified to profit or loss in subsequent periods				
Gains/(losses) on re-measurement of net defined benefit liability	–	–	(74)	(74)
Income tax effect	–	–	14	14
	–	–	(60)	60
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	–	–	(2)	(2)
Total other comprehensive income/(loss)	335	96	(67)	364
Total comprehensive income/(loss), net of tax	$–	$–	$(61)	$(61)
Attributable to:				
Equity holders of the parent entity	$28	$–	$(61)	$(33)
Non-controlling interests	(28)	–	–	(28)
	$–	$–	$(61)	$(61)

Statement of Changes in Equity

	31 December 2012			
	As previously reported	Reclassification of accumulated exchange losses	Change in accounting policies	Restated
Accumulated profits	$3,356	$(96)	$(256)	$3,004
Translation difference	(1,520)	96	–	(1,424)

2. Significant accounting policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2012			
	As previously reported	Reclassification of accumulated exchange losses	Change in accounting policies	Restated
ASSETS				
Non-current assets				
Property, plant and equipment	$7,792	$–	$–	$7,792
Intangible assets other than goodwill	586	–	–	586
Goodwill	2,180	–	–	2,180
Investments in joint ventures and associates	561	–	(10)	551
Deferred income tax assets	66	–	4	70
Other non-current financial assets	92	–	–	92
Other non-current assets	103	–	(39)	64
	11,380	–	(45)	11,335
Current assets				
Inventories	1,978	–	–	1,978
Trade and other receivables	895	–	–	895
Prepayments	143	–	–	143
Loans receivable	19	–	–	19
Receivables from related parties	12	–	–	12
Income tax receivable	59	–	–	59
Other taxes recoverable	329	–	–	329
Other current financial assets	712	–	–	712
Cash and cash equivalents	1,320	–	–	1,320
	5,467	–	–	5,467
Assets of disposal groups classified as held for sale	930	–	–	930
	6,397	–	–	6,397
Total assets	$17,777	$–	$(45)	$17,732
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	$1,340	$–	–	$1,340
Treasury shares	(1)	–	–	(1)
Additional paid-in capital	1,820	–	–	1,820
Revaluation surplus	173	–	–	173
Unrealised gains and losses	5	–	–	5
Accumulated profits	3,356	(96)	(256)	3,004
Translation difference	(1,520)	96	–	(1,424)
	5,173	–	(256)	4,917
Non-controlling interests	200	–	–	200
	5,373	–	(256)	5,117
Non-current liabilities				
Long-term loans	$6,373	$–	$–	$6,373
Deferred income tax liabilities	927	–	(72)	855
Finance lease liabilities	11	–	–	11
Employee benefits	294	–	283	577
Provisions	257	–	–	257
Other long-term liabilities	170	–	–	170
	8,032	–	211	8,243
Current liabilities				
Trade and other payables	1,412	–	–	1,412
Advances from customers	157	–	–	157
Short-term loans and current portion of long-term loans	1,783	–	–	1,783
Payables to related parties	257	–	–	257
Income tax payable	48	–	–	48
Other taxes payable	195	–	–	195
Current portion of finance lease liabilities	2	–	–	2
Provisions	32	–	–	32
Dividends payable by the Group's subsidiaries to non-controlling shareholders	8	–	–	8
	3,894	–	–	3,894
Liabilities directly associated with disposal groups classified as held for sale	478	–	–	478
	4,372	–	–	4,372
Total equity and liabilities	$17,777	$–	$(45)	$17,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

2. Significant accounting policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Operations

	Year ended 31 December 2011		
	As previously reported	Change in accounting policies	Restated
Revenue			
Sale of goods	$16,077	$–	$16,077
Rendering of services	323	–	323
	16,400	–	16,400
Cost of revenue	(12,473)	(7)	(12,480)
Gross profit	3,927	(7)	3,920
Selling and distribution costs	(1,154)	–	(1,154)
General and administrative expenses	(921)	18	(903)
Social and social infrastructure maintenance expenses	(61)	–	(61)
Loss on disposal of property, plant and equipment	(50)	–	(50)
Impairment of assets	(104)	–	(104)
Foreign exchange gains/(losses), net	269	–	269
Other operating income	50	–	50
Other operating expenses	(96)	–	(96)
Profit from operations	1,860	11	1,871
Interest income	17	–	17
Interest expense	(708)	(7)	(715)
Share of profits/(losses) of joint ventures and associates	55	–	55
Gain/(loss) on financial assets and liabilities, net	(355)	–	(355)
Gain/(loss) on disposal groups classified as held for sale, net	8	–	8
Other non-operating gains/(losses), net	(4)	–	(4)
Profit before tax	873	4	877
Income tax expense	(420)	–	(420)
Net profit	$453	$4	$457
Attributable to:			
Equity holders of the parent entity	$461	$4	$465
Non-controlling interests	(8)	–	(8)
	$453	$4	$457
Earnings/(losses) per share:			
for profit/(loss) attributable to equity holders of the parent entity, US dollars, basic and diluted	$0.36	$–	$0.36

2. Significant accounting policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Comprehensive Income

	Year ended 31 December 2011		
	As previously reported	Change in accounting policies	Restated
Net profit	$453	$4	$457
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into presentation currency	(620)	5	(615)
Net gains/(losses) on available-for-sale financial assets	(20)	–	(20)
Net gains/(losses) on available-for-sale financial assets reclassified to profit or loss	20	–	20
	(620)	5	(615)
Effect of translation to presentation currency of the Group's joint ventures and associates	(35)	–	(35)
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability	–	(97)	(97)
Income tax effect	–	31	31
	–	(66)	(66)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	(1)	–	(1)
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	–	(1)	(1)
Total other comprehensive income/(loss)	(656)	(62)	(718)
Total comprehensive income/(loss), net of tax	$(203)	$(58)	$(261)
Attributable to:			
Equity holders of the parent entity	$(177)	$(58)	$(235)
Non-controlling interests	(26)	–	(26)
	$(203)	$(58)	$(261)

Statement of Changes in Equity

	Year ended 31 December 2011		
	As previously reported	Change in accounting policies	Restated
Accumulated profits	$3,606	$(200)	$3,406
Translation difference	(1,851)	5	(1,846)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

2. Significant accounting policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2011		
	As previously reported	Change in accounting policies	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$8,306	$–	$8,306
Intangible assets other than goodwill	838	–	838
Goodwill	2,180	–	2,180
Investments in joint ventures and associates	663	(8)	655
Deferred income tax assets	79	3	82
Other non-current financial assets	53	–	53
Other non-current assets	107	(28)	79
	12,226	(33)	12,193
Current assets			
Inventories	2,188	–	2,188
Trade and other receivables	971	–	971
Prepayments	176	–	176
Loans receivable	44	–	44
Receivables from related parties	8	–	8
Income tax receivable	83	–	83
Other taxes recoverable	412	–	412
Other current financial assets	57	–	57
Cash and cash equivalents	801	–	801
	4,740	–	4,740
Assets of disposal groups classified as held for sale	9	–	9
	4,749	–	4,749
Total assets	$16,975	$(33)	$16,942
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$1,338	$–	$1,338
Treasury shares	(8)	–	(8)
Additional paid-in capital	2,289	–	2,289
Revaluation surplus	171	–	171
Accumulated profits	3,606	(200)	3,406
Translation difference	(1,851)	5	(1,846)
	5,545	(195)	5,350
Non-controlling interests	236	–	236
	5,781	(195)	5,586
Non-current liabilities			
Long-term loans	6,593	–	6,593
Deferred income tax liabilities	1,020	(60)	960
Finance lease liabilities	26	–	26
Employee benefits	296	222	518
Provisions	285	–	285
Other long-term liabilities	285	–	285
	8,505	162	8,667
Current liabilities			
Trade and other payables	1,460	–	1,460
Advances from customers	154	–	154
Short-term loans and current portion of long-term loans	613	–	613
Payables to related parties	98	–	98
Income tax payable	92	–	92
Other taxes payable	188	–	188
Current portion of finance lease liabilities	13	–	13
Provisions	53	–	53
Amounts payable under put options for shares of subsidiaries	9	–	9
Dividends payable by the Group's subsidiaries to non-controlling shareholders	9	–	9
	2,689	–	2,689
Total equity and liabilities	$16,975	$(33)	$16,942

2. Significant accounting policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2010		
	As previously reported	Change in accounting policies	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$8,607	$–	$8,607
Intangible assets other than goodwill	1,004	–	1,004
Goodwill	2,219	–	2,219
Investments in joint ventures and associates	688	(7)	681
Deferred income tax assets	100	–	100
Other non-current financial assets	118	–	118
Other non-current assets	103	(19)	84
	12,839	(26)	12,813
Current assets			
Inventories	2,070	–	2,070
Trade and other receivables	1,213	–	1,213
Prepayments	192	–	192
Loans receivable	1	–	1
Receivables from related parties	80	–	80
Income tax receivable	54	–	54
Other taxes recoverable	353	–	353
Other current financial assets	52	–	52
Cash and cash equivalents	683	–	683
	4,698	–	4,698
Assets of disposal groups classified as held for sale	2	–	2
	4,700	–	4,700
Total assets	$17,539	$(26)	$17,513
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$375	$–	$375
Additional paid-in capital	1,742	–	1,742
Revaluation surplus	180	–	180
Legal reserve	36	–	36
Accumulated profits	4,570	(137)	4,433
Translation difference	(1,214)	–	(1,214)
	5,689	(137)	5,552
Non-controlling interests	247	–	247
	5,936	(137)	5,799
Non-current liabilities			
Long-term loans	7,097	–	7,097
Deferred income tax liabilities	1,072	(32)	1,040
Finance lease liabilities	38	–	38
Employee benefits	315	143	458
Provisions	279	–	279
Other long-term liabilities	143	–	143
	8,944	111	9,055
Current liabilities			
Trade and other payables	1,173	–	1,173
Advances from customers	205	–	205
Short-term loans and current portion of long-term loans	714	–	714
Payables to related parties	217	–	217
Income tax payable	78	–	78
Other taxes payable	180	–	180
Current portion of finance lease liabilities	19	–	19
Provisions	54	–	54
Amounts payable under put options for shares of subsidiaries	6	–	6
Dividends payable by the Group's subsidiaries to non-controlling shareholders	13	–	13
	2,659	–	2,659
Total equity and liabilities	$17,539	$(26)	$17,513

2. Significant accounting policies (continued)

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2013.

New/Revised Standards and Interpretations Adopted in 2013:

- Amendments to IAS 19 "Employee Benefits"

IAS 19 (revised) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amended standard is required to be applied retrospectively. The effects of the application of the revised IAS 19 are disclosed in the *Basis of Preparation* above.

New/Revised Standards and Interpretations Adopted in 2013: (continued)

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

- IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 "Financial Instruments: Disclosures".

- Amendments to IAS 1 "Presentation of Financial Statements" – Changes to the Presentation of Other Comprehensive Income

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings).

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"

This Interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. If the benefit from the stripping activity will be realised in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognises these costs as a non-current asset, only if certain criteria are met:

1) it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group;
2) the Group can identify the component of the ore body for which access has been improved; and
3) the costs relating to the stripping activity associated with that component can be measured reliably.

This is referred to as the 'stripping activity asset'. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset.

If the costs of the stripping activity asset and the inventory produced are not separately identifiable, the entity allocates the cost between the two assets using an allocation method based on a relevant production measure.

After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part.

- Amendments to standards following the May 2012 "Improvements to IFRS" project

Except for IAS 19 (revised), the amendments and new standards described above did not have a significant impact on the financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Significant accounting policies (continued)

Changes in Accounting Policies (continued)

Standards Issued But Not Yet Effective in the European Union

Standards not yet effective for the financial statements for the year ended 31 December 2013	Effective for annual periods beginning on or after
• 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
• Amendments to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets"	1 January 2014
• Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting"	1 January 2014
• Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	not defined
• IFRS 14 "Regulatory Deferral Accounts"	not defined
• IFRIC 21 "Levies"	not defined
• IFRS 9 "Financial Instruments"	not defined
• Annual Improvements to IFRSs 2010-2012 Cycle	not defined
• Annual Improvements to IFRSs 2011-2013 Cycle	not defined

* Standards have been endorsed by the European Union from 1 January 2013 but it was allowed by the European Financial Reporting Advisory Group (EFRAG) to apply them from the commencement date of the first financial year starting on or after 1 January 2014.

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.

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 51% ownership interest in Timir (Note 11) does not provide control over the entity (Note 11). In April 2013, the Group concluded a joint venture agreement with Alrosa under which major operating and financial decisions are made by unanimous consent of the Group and Alrosa, it ensures that no single venturer is in a position to control the activity unilaterally. Consequently, the Group determined that Timir constitutes a joint controlled entity under IAS 31 "Interests in Joint Ventures".
- 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).
- Management concluded that EVRAZ Highveld Steel and Vanadium Limited continues to meet the criteria of being classified as assets held for sale: it is being actively marketed for sale and management expects to complete the sale within 2014. The carrying value of its assets is based on management's best estimate of the proceeds of the sale which takes into account the results of negotiations to date including binding or non-binding bids where relevant.

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 2013, 2012 and 2011, the Group recognised an impairment loss of $240 million, $404 million and $105 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

2. Significant accounting policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Property, Plant and Equipment (continued)

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in use and, ultimately, the amount of any impairment.

Useful Lives of Items of Property, Plant and Equipment

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

On 1 January 2013, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a $43 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred.

In 2012, the change in estimates of useful lives of property, plant and equipment resulted in an additional depreciation expense of approximately $5 million. 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 2013, 2012 and 2011 was $1,988 million, $2,180 million and $2,180 million, respectively. In 2013, 2012 and 2011, the Group recognised an impairment loss in respect of goodwill in the amount of $149 million, $Nil and $Nil, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 5.

Mineral Reserves

Mineral reserves and the associated mine plans are a material factor in the Group's computation of a depletion charge. The Group estimates its mineral reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Estimation of reserves in accordance with the JORC Code involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgement and development of assumptions. Mine plans are periodically updated which can have a material impact on the depletion charge for the period. More details on the impact of this on the current year are provided in Note 9.

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the end of the reporting period based on the requirements of the current legislation of the country where the respective operating assets are located. The carrying amount of a provision is the present value of the expected expenditures, i.e. cash outflows discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgement is required in forecasting future site restoration costs.

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

2. Significant accounting policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Post-Employment Benefits

The Group uses an actuarial valuation method for the measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.). More details are provided in Note 23.

Allowances

The Group makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of 31 December 2013, 2012 and 2011, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $59 million, $101 million and $108 million, respectively (Note 28).

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

Deferred Income Tax Assets

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

Foreign Currency Transactions

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

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

The following exchange rates were used in the consolidated financial statements:

	2013		2012		2011	
	31 December	**average**	31 December	average	31 December	average
US$/RUB	**32.7292**	**31.8480**	30.3727	31.0930	32.1961	29.3874
EUR/RUB	**44.9699**	**42.3129**	40.2286	39.9275	41.6714	40.8848
EUR/US$	**1.3791**	**1.3281**	1.3194	1.2848	1.2939	1.3920
US$/CAD	**1.0636**	**1.0301**	0.9949	0.9994	1.0170	0.9893
EUR/CZK	**27.4250**	**25.9741**	25.1400	25.1435	25.8000	24.5858
US$/CZK	**19.8940**	**19.5648**	19.0550	19.5840	19.9400	17.6878
US$/ZAR	**10.4675**	**9.6508**	8.4838	8.2137	8.1319	7.2579
EUR/ZAR	**14.4210**	**12.8249**	11.1902	10.5553	10.5044	10.0909
US$/UAH	**7.9930**	**7.9930**	7.9930	7.9910	7.9898	7.9677
RUB/UAH	**0.2450**	**0.2512**	0.2632	0.2574	0.2495	0.2717

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

2. Significant accounting policies (continued)

Basis of Consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights, 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.

2. Significant accounting policies (continued)

Basis of Consolidation (continued)

Put Options over Non-controlling Interests

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

Investments in Associates

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

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

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

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

Interests in Joint Ventures

The Group's interest in its joint ventures is accounted for under the equity method of accounting whereby an interest in jointly 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	7
Other assets	3–15	12

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

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves. The depletion calculation, however, does not take into account future development costs for reserves which are not yet in the production phase.

2. Significant accounting policies (continued)

Property, Plant and Equipment (continued)

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

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

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures represent costs incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The expenditures include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. These costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Group commences recognition of expenditures related to the development of mineral resources as assets. These assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Leases

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

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

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

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

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.

2. Significant accounting policies (continued)

Intangible Assets Other Than Goodwill

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

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

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

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	12
Contract terms	10	10
Other	5–19	10

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

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

Emission Rights

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

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

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

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

Financial Assets

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

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

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

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

2. Significant accounting policies (continued)

Financial Assets (continued)

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

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

2. Significant accounting policies (continued)

Financial Guarantee Liabilities

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

Equity

Share Capital

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

Treasury Shares

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

Dividends

Dividends are recognised as a liability and deducted from equity only if they are declared before 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 34.2%), based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

Defined Benefit Plans

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

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. It is recorded within interest expense in the consolidated statement of operations.

The Group recognises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the consolidated statement of operations within 'cost of sales', 'general and administrative expenses' and 'selling and distribution expenses'.

2. Significant accounting policies (continued)

Employee Benefits (continued)

Other Costs

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

Share-based Payments

The Group has management compensation schemes (Note 21), under which certain senior executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with grantees is measured by reference to the fair value of the Company's shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

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

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

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

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

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

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

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

Revenue

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

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

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.

2. Significant accounting policies (continued)

Revenue (continued)

Interest

Interest is recognised using the effective interest method.

Dividends

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

Rental Income

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

Current Income Tax

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

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

Deferred Income Tax

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

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

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

3. Segment information

For management purposes, the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

3. Segment information (continued)

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

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

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

Year ended 31 December 2013

US$ million	**Steel production**	**Mining**	**Vanadium products**	**Other operations**	**Eliminations**	**Total**
Revenue						
Sales to external customers	**$13,350**	**$907**	**$283**	**$235**	**$–**	**$14,775**
Inter-segment sales	**492**	**2,239**	**266**	**468**	**(3,465)**	**–**
Total revenue	**13,842**	**3,146**	**549**	**703**	**(3,465)**	**14,775**
Segment result – EBITDA	**$1,114**	**$505**	**$33**	**$72**	**$94**	**$1,818**

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

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

3. Segment information (continued)

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

Year ended 31 December 2013

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue	$13,842	$3,146	$549	$703	$(3,465)	$14,775
Reclassifications and other adjustments	(1,301)	(26)	1	225	737	(364)
Revenue per IFRS financial statements	$12,541	$3,120	$550	$928	$(2,728)	$14,411
EBITDA	$1,114	$505	$33	$72	$94	$1,818
Exclusion of management services from segment result	147	43	4	3	–	197
Unrealised profits adjustment	–	(1)	(1)	–	(151)	(153)
Reclassifications and other adjustments	68	99	(17)	35	–	185
	215	141	(14)	38	(151)	229
EBITDA based on IFRS financial statements	$1,329	$646	$19	$110	$(57)	$2,047
Unallocated subsidiaries						(226)
						$1,821
Depreciation, depletion and amortisation expense	(549)	(447)	(14)	(35)	–	(1,045)
Impairment of assets	(349)	(86)	–	(11)	–	(446)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(27)	(19)	(1)	–	–	(47)
Foreign exchange gains/(losses), net	(73)	6	(1)	–	–	(68)
	$331	$100	$3	$64	$(57)	$215
Unallocated income/(expenses), net						(196)
Profit/(loss) from operations						$19
Interest income/(expense), net						$(676)
Share of profits/(losses) of joint ventures and associates						8
Gain/(loss) on derecognition of equity investments, net						89
Gain/(loss) on financial assets and liabilities						(43)
Gain/(loss) on disposal groups classified as held for sale						(25)
Other non-operating gains/(losses), net						15
Profit/(loss) before tax						$(613)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

3. Segment information (continued)

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	146	4	(83)	17	–	84
	242	56	(73)	9	6	240
EBITDA based on IFRS financial statements	$1,338	$625	$(19)	$189	$93	$2,226
Unallocated subsidiaries						(199)
						$2,027
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
	$857	$(452)	$(67)	$150	$93	$382
Unallocated income/(expenses), net						(124)
Profit/(loss) from operations						$258
Interest income/(expense), net						$(631)
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						18
Other non-operating gains/(losses), net						(6)
Profit/(loss) before tax						$(196)

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	130	66	(84)	20	–	132
	153	99	(89)	21	15	199
EBITDA based on IFRS financial statements	$1,273	$1,628	$22	$197	$32	$3,152
Unallocated subsidiaries						(243)
						$2,909
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
	$591	$1,150	$(13)	$162	$32	$1,679
Unallocated income/(expenses), net						192
Profit/(loss) from operations						$1,871
Interest income/(expense), net						$(698)
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						$877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

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	2013	2012	2011
Steel production			
Construction products	**$4,157**	$4,335	$4,435
Flat-rolled products	**1,776**	2,321	2,817
Railway products	**1,791**	1,751	1,976
Tubular products	**1,299**	1,364	1,411
Semi-finished products	**2,028**	2,066	2,235
Other steel products	**425**	461	556
Other products	**885**	948	992
Rendering of services	**71**	87	101
	12,432	13,333	14,523
Mining			
Iron ore	**389**	347	586
Coal	**732**	211	392
Other products	**62**	62	39
Rendering of services	**22**	15	20
	1,205	635	1,037
Vanadium products			
Vanadium in slag	**46**	31	76
Vanadium in alloys and chemicals	**477**	465	558
Other products	**4**	5	4
Rendering of services	**2**	4	3
	529	505	641
Other operations			
Rendering of services	**245**	253	199
	245	253	199
	$14,411	$14,726	$16,400

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	2013	2012	2011
CIS			
Russia	**$6,136**	$6,191	$6,632
Ukraine	**494**	473	623
Kazakhstan	**456**	355	401
Others	**225**	168	163
	7,311	7,187	7,819
America			
USA	**1,940**	2,293	2,172
Canada	**1,233**	1,234	1,478
Others	**69**	44	91
	3,242	3,571	3,741
Asia			
Taiwan	**549**	492	360
Thailand	**332**	451	708
China	**280**	178	252
Indonesia	**272**	355	212
Korea	**135**	118	111
Philippines	**99**	87	84
United Arab Emirates	**64**	87	315
Japan	**62**	59	81
Jordan	**57**	64	6
Mongolia	**43**	67	43
Vietnam	**13**	27	33
Syria	**–**	10	51
Others	**156**	120	94
	2,062	2,115	2,350
Europe			
Austria	**173**	160	224
Germany	**163**	204	368
Italy	**157**	224	267
Czech Republic	**151**	155	205
Slovakia	**123**	96	94
Poland	**100**	131	221
Other members of the European Union	**183**	261	348
Turkey	**314**	182	145
Others	**21**	37	69
	1,385	1,450	1,941
Africa			
South Africa	**361**	323	472
Others	**43**	74	72
	404	397	544
Other countries	**7**	6	5
	$14,411	$14,726	$16,400

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 2013

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	2013	2012	2011
Russia	**$7,463**	$6,062	$6,145
Canada	**1,837**	2,046	2,069
USA	**1,670**	2,014	2,047
Ukraine	**652**	668	759
Italy	**197**	204	206
Kazakhstan	**119**	65	22
Czech Republic	**40**	42	213
South Africa	**33**	43	567
Other countries	**6**	29	30
	$12,017	$11,173	$12,058

4. Acquisition of subsidiaries

Acquisitions of Controlling Interests

Corber

In October 2012, EVRAZ plc concluded a preliminary agreement with Adroliv Investments Limited for an acquisition of a 50% ownership interest in Corber, the parent of a coal mining company Raspadskaya, subject to the receipt of regulatory approvals and fulfillment of certain other conditions. On 16 January 2013, all the conditions were met and the Group obtained control over the entity. As a result, Corber became a wholly owned subsidiary of the Group on 16 January 2013.

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 an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014 and a cash consideration of $202 million to be paid in equal quarterly installments to 15 January 2014 (Note 32). Fair value of the consideration transferred totalled to $964 million, including $611 million relating to the shares issued, $156 million representing the fair value of the warrants and $197 million of present value of the cash component of the purchase consideration. The fair value of shares and warrants was determined by reference to the market value of EVRAZ plc shares at the date of acquisition.

In accordance with IFRS 3 "Business Combinations" in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in the income statement. The fair value of the equity interest previously held by an acquirer is further added to the purchase consideration in the purchase price calculation. The fair value of the equity interest previously held by the Group was $658 million. The fair value of the investment in Corber was determined using the market price of shares of Raspadskaya at the date of acquisition of an additional 50% share in Corber.

The Group recorded a $94 million gain on derecognition of the equity interest in Corber held before the business combination. This gain was determined as follows:

US$ million	16 January 2013
Fair value of shares held before the business combination	**$658**
Less: carrying value of the investment in the joint venture at the date of business combination based on equity method of accounting (Note 11)	**(496)**
Less: accumulated foreign exchange losses of the acquiree attributed to the Group's share in the joint venture	**(68)**
Gain on derecognition of equity investment	**$94**

4. Acquisition of subsidiaries (continued)

Acquisitions of Controlling Interests (continued)

Corber (continued)

In the interim consolidated financial statements for the six-month period ended 30 June 2013, the acquisition of Corber was accounted for based on provisional values as the Group, as of the date of authorisation of issue of the interim financial statements, has not completed purchase price allocation in accordance with IFRS 3 "Business Combinations". In these financial statements, the Group finalised its purchase price allocation on the acquisition of Corber and recognised adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities at the date of acquisition. The table below sets forth the fair values of identifiable assets and liabilities of Corber at 16 January 2013:

US$ million	Initial estimation of fair values	Final estimation of fair values
Mineral reserves and property, plant and equipment	$2,628	$2,607
Other non-current assets	71	9
Inventories	102	94
Accounts and notes receivable	134	134
Cash	144	144
Total assets	**3,079**	**2,988**
Deferred income tax liabilities	363	283
Non-current liabilities	614	649
Current liabilities	123	123
Total liabilities	**1,100**	**1,055**
Non-controlling interests	**357**	**311**
Net assets	**$1,622**	**$1,622**
Purchase consideration	**$1,622**	**$1,622**

At the acquisition date the Group measured non-controlling interests at fair value based on the market price of shares of Raspadskaya.

In 2013, cash flow on the acquisition was as follows:

US$ million	
Net cash acquired with the subsidiary	$144
Cash paid	(101)
Net cash inflow	**$43**

As of 31 December 2013, the unpaid purchase consideration was $101 million plus $1 million of accrued interest.

For the period from 16 January 2013 to 31 December 2013, Corber reported a net loss amounting to $157 million.

Acquisition of a Controlling Interest in MediaHolding Provincia

In 2013, the Group acquired an additional 45.5% ownership interest in MediaHolding Provincia for a cash consideration of $11 million. The fair value of the equity interest previously held by the Group (30%) was $4 million. The Group recorded a $5 million loss on derecognition of the equity interest in MediaHolding Provincia held before the business combination. The Group recognised $4 million of goodwill on the transaction. Subsequently, the Group acquired all non-controlling interests ($3 million) settled by the transfer of property and recognised the excess of the carrying value of the acquired non-controlling interests over the amount of consideration amounting to $1 million in additional paid-in capital.

Disclosure of Other Information in Respect of Business Combinations

If these business combinations had occurred as of the beginning of 2013, the revenue and net profit/(loss) of the combined entity would have been $14,438 million and $(579) million, respectively.

4. Acquisition of subsidiaries (continued)

Acquisitions of Controlling Interests (continued)

Acquisition of Other Controlling Interests

In 2013, the Group paid $1 million to an entity under control of two major shareholders for an acquisition of Telekon, a broadcasting company in Nizhny Tagil, Russia. An independent appraiser valued that business at $5 million.

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.

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 2011, the Group paid $3 million of synergy payments (Note 25) related to the acquisition of Stratcor in 2006.

Acquisitions of Non-controlling Interests in Subsidiaries

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.

5. Goodwill

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

US$ million	Gross amount	Impairment losses	Carrying amount
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)
Sale of subsidiaries (Note 12)	(72)	72	–
Translation difference	24	–	24
At 31 December 2012	**3,019**	**(839)**	**2,180**
Goodwill recognised on acquisition of subsidiaries (Notes 4 and 11)	18	–	18
Impairment	–	(149)	(149)
Adjustment to contingent consideration	(4)	–	(4)
Sale of subsidiaries (Note 12)	(14)	14	–
Translation difference	(57)	–	(57)
At 31 December 2013	**$2,962**	**$(974)**	**$1,988**

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	2013	2012	2011
EVRAZ Inc. NA	$996	$1,131	$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
General Scrap	16	16	16
Others	1	1	–
EVRAZ Inc. NA Canada	791	845	827
Calgary	217	232	227
Red Deer	52	56	55
Regina Steel	373	397	389
Regina Tubular	128	137	134
Others	21	23	22
EVRAZ Palini e Bertoli	79	76	74
EVRAZ Vanady-Tula	62	66	63
EVRAZ Vametco Holdings	16	20	25
EVRAZ Nikom, a.s.	37	39	37
EVRAZ Highveld Steel and Vanadium Limited (Note 12)	–	–	24
EVRAZ Kachkanar Heat and Power Plant	3	3	–
Provincia	4	–	–
	$1,988	$2,180	$2,180

6. Impairment of assets

The summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2013

US$ million	Goodwill and intangible assets	Property, plant and equipment	Inventory	Taxes receivable	Total
Evrazruda	$–	$32	$–	$–	$32
EVRAZ Claymont Steel	(154)	(147)	(25)	–	(326)
EVRAZ Dnepropetrovsk Iron and Steel Works	–	30	–	(2)	28
EVRAZ Inc. NA Canada	(19)	(6)	–	–	(25)
EVRAZ Nizhny Tagil Metallurgical Plant	–	(8)	–	–	(8)
EVRAZ Consolidated West-Siberian Metallurgical Plant	–	(20)	–	–	(20)
Kazankovskaya	(14)		–	–	(14)
Shipping companies	–	(11)	–	–	(11)
Yuzhkuzbassugol	–	(105)	–	–	(105)
Others, net	–	(5)	–	(1)	(6)
	$(187)	$(240)	$(25)	$(3)	$(455)
Recognised in profit or loss	(187)	(231)	(25)	(3)	(446)
Recognised in other comprehensive income	–	(9)	–	–	(9)

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6. Impairment of assets (continued)

Year ended 31 December 2012

US$ million	Goodwill and intangible assets	Property, plant and equipment	Inventory	Taxes receivable	Total
Evrazruda	$(1)	$(355)	$–	$–	$(356)
EVRAZ Dnepropetrovsk Iron and Steel Works	–	(47)	–	(4)	(51)
Others, net	–	(2)	–	(4)	(6)
	$(1)	$(404)	$–	$(8)	$(413)
Recognised in profit or loss	(1)	(404)	–	(8)	(413)

Year ended 31 December 2011

US$ million	Goodwill and intangible assets	Property, plant and equipment	Inventory	Taxes receivable	Total
EVRAZ Dneprodzerzhinsky Coke-chemical Plant	$–	$(59)	$–	$(9)	$(68)
Yuzhkuzbassugol	–	(31)	–	–	(31)
Others, net	9	(15)	–	–	(6)
	$9	$(105)	$–	$(9)	$(105)
Recognised in profit or loss	9	(104)	–	(9)	(104)
Recognised in other comprehensive income	–	(1)	–	–	(1)

The Group recognised the impairment losses as a result of the impairment testing at the level of cash-generating units. In addition, the Group made a write-off of certain functionally obsolete items of property, plant and equipment and recorded an impairment relating to VAT with a long-term recovery.

For the purpose of the impairment testing as of 31 December 2013 the Group assessed the recoverable amount of each cash-generating unit to which the goodwill was allocated or where indicators of impairment were identified.

The recoverable amounts have been determined based on calculation of either value-in-use or fair value less costs to sell. Both valuation techniques used cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the results of the respective business plans using a zero real growth rate. In determination of fair value less costs to sell the asset's value additionally includes the cashflows of future projects not started yet and the associated capital expenditure costs.

The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products, the increase in forecasted costs and changes in forecasted production volumes.

In 2013, the Group fully impaired Claymont Steel as it is expected that it will be idled due to soft demand in the market. The melt shop and the rolling mill ceased operations and were closed at the end of 2013, employees' contracts were terminated.

In 2013, the Group has divided Evrazruda into several cash-generating units, which were previously considered as one aggregated unit. This was done, because management has developed separate strategies for certain mines of Evrazruda. These strategies are based on each individual mine reserves, costs and potential profitability. The enrichment and service facilities, which cannot be reasonably allocated to each individual mine, were considered in aggregation in the impairment testing calculations. As a result, in 2013, the Group partially reversed an impairment of 2 mines.

6. Impairment of assets (continued)

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 2014	Recoverable amount of CGU, US$ million	Carrying amount of CGU, US$ million
EVRAZ Inc. NA	5	9.79-12.27	steel products	$821	2,836	2,097
EVRAZ Inc. NA Canada	5	10.99-11.28	steel products	$954	2,216	1,669
EVRAZ Palini e Bertoli	5	14.09	steel plates	€523	220	194
EVRAZ Vanady-Tula	5	13.69	vanadium products	$25,837	296	114
EVRAZ Vametco Holdings	5	14.61	ferrovanadium products	$25,794	129	37
EVRAZ Nikom, a.s.	5	12.59	ferrovanadium products	$24,002	61	41

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 2014
EVRAZ Dnepropetrovsk Iron and Steel Works	5	13.58	steel products	$544
EVRAZ Nizhny Tagil Metallurgical Plant	5	13.69	steel products	$616
EVRAZ Consolidated West-Siberian Metallurgical Plant	5	13.97	steel products	$503
EVRAZ Caspian Steel	5	13.14	steel mill under construction	$496
EVRAZ Yuzhny Stan	5	12.30	steel mill under construction	$579
EVRAZ Bagleykoks	5	12.97	coke	$241
Strategic Minerals Corporation	5	13.57	ferrovanadium products	$39,480
Yuzhkuzbassugol	17	12.67	coal	$81
Raspadskaya	22	13.37	coal	$69
Mezhegeyugol	29	13.72	undeveloped coal field	$121
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	7	15.22	ore	$76
EVRAZ Sukha Balka	19	15.61	ore	$62
Evrazruda	20	15.22	ore	$82
EVRAZ Nakhodka Trade Seaport	5	13.69	port services	$10

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 Consolidated West-Siberian Metallurgical Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Bagleykoks, Yuzhkuzbassugol, EVRAZ Palini e Bertoli, EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $470 million.

6. Impairment of assets (continued)

Sales Prices

The prices of the products sold by the Group were estimated using industry research. The Group expects that the nominal prices will grow with a compound annual growth rate of 0%-6.1% in 2014 – 2018, 3.0% in 2019 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at EVRAZ Consolidated West-Siberian Metallurgical Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Bagleykoks, Yuzhkuzbassugol, EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the prices assumed for 2014 and 2015 in the impairment test were 10% lower, this would lead to an additional impairment of $1,525 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase by 3% in 2014 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 Consolidated West-Siberian Metallurgical Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Bagleykoks, Yuzhkuzbassugol and EVRAZ Inc. NA cash-generating units. If the sales volumes were 10% lower than those assumed for 2014 and 2015 in the impairment test, this would lead to an additional impairment of $399 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 Consolidated West-Siberian Metallurgical Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Bagleykoks, EVRAZ Sukha Balka, Yuzhkuzbassugol, and EVRAZ Nikom and EVRAZ Inc. NA cash-generating units. If the actual costs were 10% higher than those assumed for 2014 and 2015 in the impairment test, this would lead to an additional impairment of $1,024 million.

The unit's recoverable amount would become equal to its carrying amount if the assumptions used to measure the recoverable amount changed by the following percentages:

	Discount rates	Sales prices	Sales volumes	Cost control measures
EVRAZ Consolidated West-Siberian Metallurgical Plant	0.5%	(0.3)%	(0.8)%	0.1%
EVRAZ Dnepropetrovsk Iron and Steel Works	4.6%	(3.5)%	(4.6)%	1.1%
EVRAZ Sukha Balka	–	–	–	5.4%
EVRAZ Bagleykoks	1.2%	(2.8)%	(1.1)%	0.2%
EVRAZ Palini e Bertoli	7.3%	–	–	–
Yuzhkuzbassugol	1.5%	(2.3)%	(2.4)%	3.0%
EVRAZ Nikom	–	–	–	9.1%
EVRAZ Inc. NA Canada				
Calgary	3.6%	(1.2)%	(4.1)%	7.5%
Red Deer	–	(7.4)%	–	–
Regina Steel	–	(7.6)%	–	–
Regina Tubular	4.3%	–	–	3.1%
EVRAZ Inc. NA				
Oregon Steel Portland Mill	0.3%	(0.1)%	(0.1)%	0.1%
Rocky Mountain Steel Mills	3.3%	(0.8)%	(2.3)%	4.8%
OSM Tubular – Camrose Mills	–	(7.3)%	–	–

7. Income and expenses

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

US$ million	**2013**	2012	2011
Cost of inventories recognised as expense	**$(5,673)**	$(6,266)	$(7,106)
Staff costs, including social security taxes	**(2,617)**	(2,398)	(2,224)
Depreciation, depletion and amortisation	**(1,051)**	(1,259)	(1,153)

In 2013, 2012 and 2011, the Group made a net reversal of the allowance for net realisable value in the amount of $33 million, $2 million and $14 million, respectively.

7. Income and expenses (continued)

Staff costs include the following:

US$ million	2013	2012	2011
Wages and salaries	**$1,922**	$1,766	$1,662
Social security costs	**488**	412	404
Post-employment benefit expense	**74**	77	55
Share-based awards	**25**	22	23
Other compensations	**108**	121	80
	$2,617	$2,398	$2,224

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

	2013	2012	2011
Steel production	**59,874**	63,054	63,414
Mining	**44,730**	38,878	37,490
Vanadium products	**1,227**	1,240	1,212
Other operations	**4,212**	3,884	3,583
Unallocated	**3,624**	3,404	3,362
	113,667	110,460	109,061

The major components of other operating expenses were as follows:

US$ million	2013	2012	2011
Idling, reduction and stoppage of production, including termination benefits	**$(73)**	$(77)	$(40)
Restoration works and casualty compensations in connection with accidents	**(18)**	(8)	(4)
Site restoration provision accrued with respect to Kazankovskaya (Note 11)	**–**	–	(6)
Other	**(25)**	(44)	(46)
	$(116)	$(129)	$(96)

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

US$ million	2013	2012	2011
Bank interest	**$(104)**	$(103)	$(154)
Interest on bonds and notes	**(513)**	(485)	(495)
Finance charges payable under finance leases	**(1)**	(3)	(5)
Net interest expense on employee benefits obligations (Note 23)	**(39)**	(37)	(35)
Discount adjustment on provisions (Note 24)	**(20)**	(19)	(19)
Discount adjustments and interest relating to liabilities for the purchase of Corber and Timir	**(13)**	–	–
Interest on contingent consideration	**(1)**	(1)	(1)
Other	**(8)**	(6)	(6)
	$(699)	$(654)	$(715)

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

US$ million	2013	2012	2011
Interest on bank accounts and deposits	**$15**	$13	$6
Interest on loans and accounts receivable	**5**	6	4
Interest on loans receivable from related parties	**–**	–	3
Other	**3**	4	4
	$23	$23	$17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

7. Income and expenses (continued)

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

US$ million	2013	2012	2011
Impairment of available-for-sale financial assets (Note 13)	**$–**	$–	$(20)
Loss on extinguishment of debts (Note 22)	**–**	–	(71)
Loss on conversion of bonds (Note 22)	**–**	–	(161)
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	**(55)**	177	(110)
Other	**12**	(13)	7
	$(43)	$164	$(355)

8. Income taxes

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

	2013	2012	2011
Russia	**20.00%**	20.00%	20.00%
Canada	**25.54%**	25.54%	26.50%
Cyprus	**12.50%**	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	**9.87%**	9.82%	10.09%
Ukraine	**19.00%**	21.00%	23.00% and 25.00%
USA	**38.90%**	38.20%	37.95%

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

US$ million	2013	2012	2011
Current income tax expense	**$(243)**	$(336)	$(537)
Adjustment in respect of income tax of previous years	**(6)**	69	129
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**290**	38	(12)
Income tax expense reported in the consolidated statement of operations	**$41**	$(229)	$(420)

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	2013	2012	2011
Profit/(loss) before income tax	**$(613)**	$(196)	$877
At the Russian statutory income tax rate of 20%	**123**	39	(175)
Adjustment in respect of income tax of previous years	**(6)**	69	129
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**4**	(53)	(116)
Effect of non-deductible expenses and other non-temporary differences	**(89)**	(136)	(282)
Unrecognised temporary differences recognition/reversal	**(84)**	(165)	(52)
Effect of the difference in tax rates in countries other than the Russian Federation	**93**	31	65
Tax on dividends distributed by the Group's subsidiaries to parent company	**–**	(14)	–
Share of profits in joint ventures and associates	**–**	–	11
Income tax expense reported in the consolidated statement of operations	**$41**	$(229)	$(420)

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 2013

US$ million	2013	Change recognised in statement of operations	Change recognised in other comprehen-sive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2012
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	**$1,096**	**(76)**	**(2)**	**353**	**(12)**	**(1)**	**(66)**	$900
Valuation and amortisation of intangible assets	**130**	**(20)**	**–**	**4**	**–**	**–**	**(7)**	153
Other	**69**	**(8)**	**–**	**13**	**(3)**	**–**	**(6)**	73
	1,295	**(104)**	**(2)**	**370**	**(15)**	**(1)**	**(79)**	1,126
Deferred income tax assets:								
Tax losses available for offset	**270**	**107**	**–**	**69**	**–**	**9**	**(16)**	101
Accrued liabilities	**153**	**11**	**(30)**	**12**	**(16)**	**3**	**(5)**	178
Impairment of accounts receivable	**16**	**(12)**	**–**	**–**	**(1)**	**–**	**(3)**	32
Other	**115**	**80**	**–**	**(1)**	**7**	**–**	**(1)**	30
	554	**186**	**(30)**	**80**	**(10)**	**12**	**(25)**	341
Net deferred income tax asset	**86**	**9**	**(3)**	**3**	**–**	**13**	**(6)**	70
Net deferred income tax liability	**$827**	**(281)**	**25**	**293**	**(5)**	**–**	**(60)**	$855

Year ended 31 December 2012

US$ million	2012	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2011
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$900	(64)	–	(1)	(13)	(72)	29	$1,021
Valuation and amortisation of intangible assets	153	(30)	–	–	–	(39)	1	221
Other	73	(9)	(3)	–	(4)	–	3	86
	1,126	(103)	(3)	(1)	(17)	(111)	33	1,328
Deferred income tax assets:								
Tax losses available for offset	101	(37)	–	–	–	(17)	4	151
Accrued liabilities	178	26	11	–	(12)	(28)	2	179
Impairment of accounts receivable	32	(2)	–	–	(1)	–	2	33
Other	30	(52)	–	–	–	(7)	2	87
	341	(65)	11	–	(13)	(52)	10	450
Net deferred income tax asset	70	(5)	1	–	–	(13)	5	82
Net deferred income tax liability	$855	(43)	(13)	(1)	(4)	(72)	28	$960

8. Income taxes (continued)

Year ended 31 December 2011

US$ million	2011	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	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	86	11	(2)	–	–	–	(7)	84
	1,328	(28)	(2)	–	–	–	(74)	1,432
Deferred income tax assets:								
Tax losses available for offset	151	14	–	–	–	–	(13)	150
Accrued liabilities	179	(17)	29	–	–	–	(13)	180
Impairment of accounts receivable	33	3	–	–	–	–	(3)	33
Other	87	(40)	–	–	–	–	(2)	129
	450	(40)	29	–	–	–	(31)	492
Net deferred income tax asset	82	(17)	3	–	–	–	(4)	100
Net deferred income tax liability	$960	(5)	(28)	–	–	–	(47)	$1,040

As of 31 December 2013, 2012 and 2011, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as either management does not intend to distribute accumulated earnings in the foreseeable future or the distribution is tax exempt. The current tax rate on intra-group dividend income varies from 0% to 10%.

At 31 December 2013, 2012 and 2011, the Group has not recognised deferred tax liabilities and deferred tax assets in respect of temporary differences associated with investments in subsidiaries 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 Russia, Cyprus and the United Kingdom where group relief can be applied.

The Group recognised deferred tax assets in respect of unused tax losses where it is probable that sufficient taxable profits will be available in the foreseeable future to offset these losses.

Tax losses for which deferred tax asset was not recognised arose in companies registered in Belgium, Cyprus, Czech Republic, Italy, Luxembourg, the Republic of South Africa, Russia, Ukraine, the United Kingdom and the USA.

9. Property, plant and equipment

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

US$ million	2013	2012	2011
Cost:			
Land	**$156**	$181	$187
Buildings and constructions	**2,749**	2,825	2,594
Machinery and equipment	**6,502**	5,894	5,798
Transport and motor vehicles	**386**	402	508
Mining assets	**4,276**	3,074	2,631
Other assets	**53**	51	75
Assets under construction	**986**	1,177	1,027
	15,108	13,604	12,820
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(1,195)**	(1,218)	(954)
Machinery and equipment	**(2,835)**	(2,706)	(2,358)
Transport and motor vehicles	**(199)**	(225)	(227)
Mining assets	**(1,597)**	(1,628)	(923)
Other assets	**(31)**	(35)	(52)
	(5,857)	(5,812)	(4,514)
	$9,251	$7,792	$8,306

The movement in property, plant and equipment for the year ended 31 December 2013 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2012, cost, net of accumulated depreciation	**$181**	**$1,607**	**$3,188**	**$177**	**$1,446**	**$16**	**$1,177**	**$7,792**
Assets acquired in business combination	**–**	**203**	**539**	**61**	**1,527**	**8**	**275**	**2,613**
Additions	**3**	**1**	**4**	**3**	**34**	**–**	**858**	**903**
Assets put into operation	**–**	**147**	**847**	**34**	**155**	**8**	**(1,191)**	**–**
Disposals	**–**	**(12)**	**(33)**	**(3)**	**(1)**	**–**	**(2)**	**(51)**
Depreciation and depletion charge	**–**	**(154)**	**(552)**	**(46)**	**(194)**	**(5)**	**–**	**(951)**
Impairment losses recognised in statement of operations	**(27)**	**(47)**	**(127)**	**(13)**	**(80)**	**–**	**(49)**	**(343)**
Impairment losses reversed through statement of operations	**1**	**21**	**31**	**–**	**56**	**–**	**3**	**112**
Impairment losses recognised or reversed through other comprehensive income	**–**	**(4)**	**(1)**	**–**	**(2)**	**–**	**(2)**	**(9)**
Transfer to assets held for sale	**(11)**	**(103)**	**(26)**	**(15)**	**(57)**	**(2)**	**(1)**	**(215)**
Change in site restoration and decommissioning provision	**15**	**4**	**7**	**–**	**(6)**	**–**	**–**	**20**
Translation difference	**(6)**	**(109)**	**(210)**	**(11)**	**(199)**	**(3)**	**(82)**	**(620)**
At 31 December 2013, cost, net of accumulated depreciation	**$156**	**$1,554**	**$3,667**	**$187**	**$2,679**	**$22**	**$986**	**$9,251**

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	1	2	4	8	35	1	1,268	1,319
Assets put into operation	–	210	590	59	254	4	(1,117)	–
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	16	7	5	–	28	3	1,293	1,352
Assets put into operation	–	193	522	66	101	7	(889)	–
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

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $29 million, $92 million and $287 million as of 31 December 2013, 2012 and 2011, respectively.

On 1 January 2013, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a $43 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred. In addition, in 2013, the Group updated its mining plans relating mostly to the extraction of coking coal reserves. Consequently, the depletion charge in 2013 is lower by $189 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).

9. Property, plant and equipment (continued)

The amount of borrowing costs capitalised during the year ended 31 December 2013 was $11 million (2012: $16 million, 2011: $13 million). In 2013, the rate used to determine the amount of borrowing costs eligible for capitalisation was 5.3% (2012: 4.8%, 2011: 4.6%), 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	**2013**	2012	2011
Cost:			
Customer relationships	**$773**	$878	$1,230
Water rights and environmental permits	**57**	57	64
Contract terms	**45**	–	16
Other	**90**	72	64
	965	1,007	1,374
Accumulated amortisation:			
Customer relationships	**(388)**	(373)	(480)
Water rights and environmental permits	**–**	–	(7)
Contract terms	**(1)**	–	(4)
Other	**(51)**	(48)	(45)
	(440)	(421)	(536)
	$525	$586	$838

As of 31 December 2013, 2012 and 2011, water rights and environmental permits with a carrying value of $57 million had an indefinite useful life.

The movement in intangible assets for the year ended 31 December 2013 was as follows:

US$ million	**Customer relationships**	**Water rights and environmental permits**	**Contract terms**	**Other**	**Total**
At 31 December 2012, cost, net of accumulated amortisation	**$505**	**$57**	**$–**	**$24**	**$586**
Assets acquired in business combination	**–**	**–**	**–**	**19**	**19**
Additions	**–**	**–**	**47**	**5**	**52**
Amortisation charge	**(56)**	**–**	**(1)**	**(7)**	**(64)**
Impairment loss recognised in statement of operations	**(37)**	**–**	**–**	**(1)**	**(38)**
Translation difference	**(27)**	**–**	**(2)**	**(1)**	**(30)**
At 31 December 2013, cost, net of accumulated amortisation	**$385**	**$57**	**$44**	**$39**	**$525**

The movement in intangible assets for the year ended 31 December 2012 was as follows:

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2011, cost, net of accumulated amortisation	$750	$57	$12	$19	$838
Assets acquired in business combination	1	–	–	–	1
Additions	–	–	–	13	13
Amortisation charge	(99)	–	–	(4)	(103)
Emission allowances granted	–	–	–	4	4
Emission allowances used/sold/purchased for the period	–	–	–	(7)	(7)
Impairment loss recognised in statement of operations	–	–	–	(1)	(1)
Transfer to assets held for sale	(149)	–	(12)	–	(161)
Translation difference	2	–	–	–	2
At 31 December 2012, cost, net of accumulated amortisation	$505	$57	$–	$24	$586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

10. Intangible assets other than goodwill (continued)

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

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2010, cost, net of accumulated amortisation	$912	$58	$8	$26	$1,004
Additions	–	–	–	4	4
Amortisation charge	(111)	(1)	–	(11)	(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	$12	$19	$838

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	Timir	Streamcore	Other associates	Total
Investment at 31 December 2010	**$649**	**$–**	**$21**	**$11**	**$681**
Additional investments	–	–	–	12	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)
Gains/(losses) on re-measurement of net defined benefit liability	(1)	–	–	–	(1)
Translation difference	(33)	–	(1)	(1)	(35)
Investment at 31 December 2011	**$613**	**$–**	**$24**	**$18**	**$655**
Additional investments	–	–	–	5	5
Write-off of loan receivable (Note 16)	–	–	–	(5)	(5)
Share of profit/(loss)	(11)	–	7	–	(4)
Reversal of impairment of investments	–	–	5	–	5
Dividends paid	(86)	–	(2)	–	(88)
Acquisition of non-controlling interests	(22)	–	–	–	(22)
Return of capital	(38)	–	–	–	(38)
Unrealised gains on financial assets	1	–	–	–	1
Gains/(losses) on re-measurement of net defined benefit liability	(2)	–	–	–	(2)
Translation difference	42	–	2	–	44
Investment at 31 December 2012	**$497**	**$–**	**$36**	**$18**	**$551**
Additional investments	–	149	–	–	149
Share of profit/(loss)	–	(1)	7	2	8
Dividends paid	–	–	–	(1)	(1)
Acquisition of controlling interests (Note 4)	(496)	–	–	(9)	(505)
Translation difference	(1)	(7)	(3)	–	(11)
Investment at 31 December 2013	**$–**	**$141**	**$40**	**$10**	**$191**

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

US$ million	**2013**	2012	2011
Share of profit/(loss), net	**$8**	$(4)	$51
Reversal of impairment/(impairment) of investments	**–**	5	4
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$8**	$1	$55

11. Investments in joint ventures and associates (continued)

Corber Enterprises Limited

Corber Enterprises Limited ("Corber") was a joint venture established in 2004 for the purpose of exercising joint control over economic activities of Raspadskaya Mining Group. 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: 40%). On 16 January 2013, the Group acquired a controlling interest in Corber (Note 4) and the joint venture accounting and disclosures ceased to apply from that date.

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

US$ million	2012	2011
Mineral reserves	$742	$733
Other property, plant and equipment	924	901
Other non-current assets	70	54
Inventories	111	84
Accounts and notes receivable	252	198
Cash	8	180
Total assets	2,107	2,150
Non-current liabilities	617	59
Deferred income tax liabilities	172	174
Current liabilities	106	455
Total liabilities	895	688
Non-controlling interests	223	239
Net assets	$989	$1,223
Group's share of net assets	495	612
Add: cost of guarantee	2	2
Less: unrealised profits in inventory balance	–	(1)
Investment	$497	$613

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

US$ million	**Period from 1 to 16 January 2013**	2012	2011
Revenue	**$32**	$542	$726
Cost of revenue	**(26)**	(460)	(361)
Other expenses, including income taxes	**(6)**	(112)	(246)
Net profit/(loss)	**$–**	$(30)	$119
Attributable to:			
Equity holders of the parent entity	**$–**	$(23)	$93
Non-controlling interests	**–**	(7)	26
Net profit/(loss)	**$–**	$(30)	$119
50% of unrealised profits on transactions with the joint venture	**–**	1	4
Group's share of profits/(losses) of the joint venture	**$–**	$(11)	$50

Buyback of Shares by Raspadskaya

In 2012, Raspadskaya, a subsidiary of Corber, the Group's joint venture, made a buyback of 9.94% of its shares from shareholders. At the end of February 2012, Corber sold 48,351,712 shares back to Raspadskaya for $248 million. As a result of the buyback, Corber effectively acquired an additional 1.95% share in Raspadskaya and its ownership interest increased to 81.95%.

The Group's share in the excess of the amounts of consideration over the carrying values of non-controlling interests acquired amounting to $22 million was charged to accumulated profits of the Group.

Return of Capital

In September 2012, the Board of directors of Corber decided to reduce its additional paid-in capital by $76 million by the return of funds to its shareholders. The Group received $38 million in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

11. Investments in joint ventures and associates (continued)

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. Total investments in the first phase of the Timir project are estimated at $180 million during the period from 2014 to 2016, with major investments starting from 2015.

The Group's consideration for this stake amounted to 4,950 million roubles ($159 million at the exchange rate as of the date of the transaction) payable in installments till 15 July 2014. The consideration was measured as the present value of the expected cash outflows. In 2013, the Group paid 1,980 million roubles ($61 million) of purchase consideration.

The Group accounted for its interest in Timir under the equity method (Note 2 – *Accounting Judgements*).

The table below sets forth the fair values of Timir's consolidated identifiable assets and liabilities at 3 April 2013:

US$ million	Final estimation of fair values
Mineral reserves and property, plant and equipment	$358
Accounts and notes receivable	2
Cash	2
Total assets	**362**
Deferred income tax liabilities	37
Non-current liabilities	7
Current liabilities	25
Total liabilities	**69**
Net assets	**293**
Net assets attributable to 51% ownership interest	**149**
Purchase consideration	**$149**

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

US$ million	2013
Mineral reserves and property, plant and equipment	**$343**
Accounts and notes receivable	**1**
Cash	**–**
Total assets	**344**
Deferred income tax liabilities	**36**
Non-current liabilities	**7**
Current liabilities	**25**
Total liabilities	**68**
Net assets	**276**
Net assets attributable to 51% ownership interest	**141**

In 2013, Timir's income and expenses comprised $1 million of other expenses.

11. Investments in joint ventures and associates (continued)

Kazankovskaya

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

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

US$ million	2012	2011
Accounts receivable	$–	$1
Other current assets	2	2
Total assets	2	3
Deferred income tax liabilities	–	3
Non-current liabilities	9	69
Current liabilities	116	25
Total liabilities	125	97
Net liabilities	$(123)	$(94)

At 31 December the accumulated unrecognised losses in respect of Kazankovskaya amounted to:

US$ million	2012	2011
Unrecognised losses	$(39)	$(27)

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

US$ million	2012	2011
Revenue	$–	$–
Cost of revenue	–	(1)
Other expenses, including income taxes	(23)	(10)
Net loss	(23)	(11)
Group's share of loss of the associate	$(12)	$(6)

In January 2013, the Group acquired an additional 50% in Kazankovskaya from Magnitogorsk Steel Plant for a cash consideration of 167 US dollars. The primary reason for the business combination was a preparation for the subsequent sale of the mine. The Group fully impaired $14 million goodwill, which arose on this acquisition. In August 2013, Kazankovskaya was sold (Note 12).

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	2013	2012	2011
Property, plant and equipment	**$49**	$55	$40
Inventories	**8**	9	
Accounts receivable	**131**	50	11
Total assets	**188**	114	51
Deferred income tax liabilities	**2**	3	1
Non-current liabilities	**31**		
Current liabilities	**75**	39	1
Total liabilities	**108**	42	2
Net assets	**$80**	$72	$49
Group's share of net assets	**40**	36	24
Investment	**$40**	$36	$24

11. Investments in joint ventures and associates (continued)

Streamcore (continued)

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

US$ million	2013	2012	2011
Revenue	**$477**	$504	$9
Cost of revenue	**(440)**	(472)	(6)
Other expenses, including income taxes	**(23)**	(18)	(3)
Net profit	**$14**	$14	$–
Group's share of profit of the joint venture	**$7**	$7	$–

12. Disposal groups held for sale

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

US$ million	2013	2012	2011
Property, plant and equipment	**$417**	$368	$9
Intangible assets	**73**	149	–
Goodwill	**–**	18	–
Other non-current assets	**21**	35	–
Inventory	**164**	102	
Accounts receivable	**94**	188	–
Cash and cash equivalents	**35**	70	–
Assets classified as held for sale	**804**	930	9
Deferred income tax liabilities	**62**	75	–
Non-current liabilities	**75**	125	–
Current liabilities	**211**	278	–
Liabilities directly associated with assets classified as held for sale	**348**	478	–
Non-controlling interests	**20**	49	–
Net assets classified as held for sale	**$436**	$403	$9

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	2013	2012	2011
Assets classified as held for sale	**$804**	$930	$9
Steel production	**652**	843	8
Mining	**–**	16	1
Vanadium products	**33**	71	–
Other operations	**119**	–	–
Liabilities directly associated with assets classified as held for sale	**348**	478	–
Steel production	**335**	429	–
Mining	**–**	41	–
Vanadium products	**9**	8	–
Other operations	**4**	–	–
Non-controlling interests	**20**	49	–
Steel production	**16**	40	–
Vanadium products	**4**	9	–

At 31 December 2013 and 2012, the disposal groups held for sale relating to the steel and vanadium segments consisted mostly of the assets and liabilities of EVRAZ Highveld Steel and Vanadium Limited, which the Group plans to sell in 2014, and EVRAZ Vitkovice Steel sold in April 2014 (Note 32). The difference between the carrying value of the net assets of these subsidiaries and the expected consideration amounting to $78 million (2013) and $83 million (2012) was recognised as a loss on disposal groups classified as held for sale. At 31 December 2013, the disposal groups held for sale relating to the other segment include an office building for the administrative staff in Moscow ($106 million).

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 2011–2013.

US$ million	2013	2012	2011
Property, plant and equipment	**$113**	$130	$1
Other non-current assets	**16**	13	–
Inventory	**17**	10	–
Accounts receivable	**49**	70	–
Cash and cash equivalents	**23**	2	–
Total assets	**218**	225	1
Deferred income tax liabilities	**7**	12	–
Non-current liabilities	**114**	7	–
Current liabilities	**84**	99	–
Total liabilities	**205**	118	–
Non-controlling interests	**–**	(2)	–
Net assets	**$13**	$109	$1

The net assets of disposal groups sold in 2011–2013 related to the following reportable segments:

US$ million	2013	2012	2011
Assets classified as held for sale	**$218**	$225	$1
Steel production	**18**	75	–
Mining	**164**	3	1
Other operations	**36**	147	–
Liabilities directly associated with assets classified as held for sale	**205**	118	–
Steel production	**–**	86	–
Mining	**173**	2	–
Other operations	**32**	30	–
Non-controlling interests	**–**	(2)	–
Steel production	**–**	(2)	–

12. Disposal groups held for sale (continued)

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

US$ million	2013	2012	2011
Net cash disposed of with subsidiaries	**$(23)**	$(2)	$–
Cash received	**24**	313	5
Net cash inflow	**$1**	$311	$5

The disposal groups sold during 2011–2013 are described below.

VGOK

In October 2013, the Group sold a wholly-owned subsidiary EVRAZ Vysokogorsky Iron Ore Mining and Processing Plant ("VGOK") to NPRO URAL.

The consideration comprised $20 million cash with a net present value of $18 million and the fair value of a 10-year agreement for the processing by VGOK of certain EVRAZ NTMK's waste products. The fair value of this contract was measured based on an incremental income to the Group and approximated $47 million. It was recognised as an intangible asset within the Contract terms category.

The Group recognised a $2 million loss on the sale of VGOK, including $23 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

Central Heat and Power Plant

In September 2013, the Group sold Central Heat and Power Plant located in the Kemerovo region (Russia) for 300 US dollars. The Group recognised a $1 million loss on this transaction.

Mines of Yuzhkuzbassugol

In 2013, the Group sold 3 coal mines in the Kemerovo region of Russia: Yubileinaya, Gramoteinskaya and Kazankovskaya. The aggregate consideration amounted to 630 US dollars. The Group recognised a gain of $34 million on these transactions, including $1 million cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations.

Assets of Evrazruda

In 2013, the Group sold 2 iron ore mines, ore processing plant and 2 electricity generating companies located in the Khakassia region of Russia. The gain on these transactions amounted to $21 million.

Evraztrans

In December 2012, the Group sold to a third party a business of its wholly owned subsidiary Evraztrans, which renders long-distance railway transportation services using own and rented railcars. Cash consideration amounted to $306 million. The Group recognised a gain of $190 million on this transaction.

Dneprodzerzhinsky Coke-chemical Plant

In August 2012, the Group sold to its parent a controlling interest in a loss-making coke-chemical plant located in Ukraine. Cash consideration amounted to $4. The Group recognised a $68 million loss on this sale, including a $82 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

Frotora Holdings Ltd.

In April 2012, the Group sold its ownership interest in a subsidiary whose assets comprised only rights under a long-term lease of land to be used for a construction of a commercial seaport in Ukraine. These rights were included in contract terms category of the intangible assets. In 2010, the Group recognised an impairment loss of $30 million in respect of these rights due to the change in plans for the use of this land. In 2012, the Group recognised a $20 million loss on sale of this subsidiary, including a $14 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

Other Disposal Groups Held for Sale

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

13. Other non-current assets

Non-current Financial Assets

US$ million	2013	2012	2011
Available-for-sale financial assets	**$30**	$21	$17
Derivatives not designated as hedging instruments (Note 25)	**–**	2	–
Restricted deposits	**6**	4	15
Receivables from related parties	**3**	–	–
Loans receivable	**10**	12	18
Trade and other receivables	**22**	4	3
Other	**69**	49	–
	$140	$92	$53

Other Non-current Assets

US$ million	2013	2012	2011
Income tax receivable	**$20**	$33	$26
Input VAT	**23**	17	11
Prepayments for purchases of subsidiaries (Note 4)	**–**	–	20
Other	**19**	14	22
	$62	$64	$79

Available-for-Sale Financial Assets

The Group holds approximately 15% in Delong Holdings Limited ("Delong"), a flat steel producer headquartered in Beijing (China). The investments in Delong are measured at fair value based on market quotations ($28 million, $21 million and $17 million at 31 December 2013, 2012 and 2011, respectively). The change in the fair value of these shares is initially recorded in other comprehensive income.

In 2013 and 2012, the Group recognised a gain of $7 million and $4 million, respectively, on the increase in market quotations in other comprehensive income. In 2011, a $20 million impairment loss relating to the prolonged decline in quotations of Delong shares was recognised in the statement of operations within the gain/(loss) on financial assets and liabilities caption.

Impairment of Long-Term Taxes

In 2013, 2012 and 2011, the Group recognised an impairment relating to VAT with a long-term recovery in the amount of $3 million, $8 million and $9 million, 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	2013	2012	2011
Raw materials and spare parts	**$764**	$959	$975
Work-in-progress	**291**	397	466
Finished goods	**586**	622	747
	$1,641	$1,978	$2,188

As of 31 December 2013, 2012 and 2011, the net realisable value allowance was $50 million, $90 million and $90 million, respectively.

As of 31 December 2013, 2012 and 2011, certain items of inventory with an approximate carrying amount of $63 million, $319 million and $250 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

15. Trade and other receivables

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

US$ million	2013	2012	2011
Trade accounts receivable	**$867**	$939	$1,002
Other receivables	**62**	32	56
	929	971	1,058
Allowance for doubtful accounts	**(56)**	(76)	(87)
	$873	$895	$971

Ageing analysis and movement in allowance for doubtful accounts are provided in Note 28.

16. Related party disclosures

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

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

	Amounts due from related parties			Amounts due to related parties		
US$ million	2013	2012	2011	2013	2012	2011
Kazankovskaya	**$–**	$23	$21	**$–**	$–	$–
Raspadsky Ugol	**–**	2	2	**–**	42	39
Vtorresource-Pererabotka	**4**	3	–	**13**	45	–
Yuzhny GOK	**5**	4	5	**336**	163	46
Liability to management of Raspadskaya for the acquisition of Corber (Note 4)	**–**	–	–	**102**	–	–
Other entities	**7**	14	9	**7**	7	13
	16	46	37	**458**	257	98
Less: allowance for doubtful accounts	**(3)**	(34)	(29)	**–**	–	–
	$13	$12	$8	**$458**	$257	$98

In 2013, 2012 and 2011, the Group recognised an expense for bad and doubtful debts of related parties in the amount of $Nil, $4 million and $7 million, respectively.

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

	Sales to related parties			Purchases from related parties		
US$ million	2013	2012	2011	2013	2012	2011
Genalta Recycling Inc.	**$–**	$–	$–	**$22**	$14	$10
Interlock Security Services	**1**	1	1	**51**	48	43
Kazankovskaya	**–**	1	1	**–**	1	5
Raspadsky Ugol	**–**	8	8	**5**	127	207
Vtorresource-Pererabotka	**16**	14	–	**462**	485	–
Yuzhny GOK	**62**	66	42	**150**	124	165
Other entities	**7**	9	8	**38**	31	27
	$86	$99	$60	**$728**	$830	$457

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 4, 11, 13 and 25.

Genalta Recycling Inc. is a joint venture of a Canadian subsidiary of the Group. It sells scrap metal to the Group.

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

16. Related party disclosures (continued)

Kazankovskaya was an associate of the Group (Note 11). The Group purchased coal from the entity and sold mining equipment and inventory to Kazankovskaya. In 2012 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). In 2013, the Group acquired a controlling interest in Kazankovskaya (Note 11) and subsequently sold the subsidiary to a third party (Note 12), consequently, this entity ceased to be a related party to the Group.

Lanebrook Limited is a controlling shareholder of the Company. In 2008, the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. In January 2014, the Group sold 0.14% of the shares to Lanebrook Limited for $5 million. The put option for the remaining shares expires on 31 December 2014.

In addition, in 2012 the Group sold one of its subsidiaries to Lanebrook (Note 12).

OOO Raspadsky Ugol ("Raspadsky Ugol"), a subsidiary of Raspadskaya (Note 11), sold coal to the Group and the Group sold steel products and rendered services to Raspadsky Ugol. In 2013, Raspadsky Ugol ceased to be a related party as the Group obtained control over the entity (Note 4).

Vtorresource-Pererabotka is a subsidiary of Streamcore, the Group's joint venture, acquired in 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2013 and 2012, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $370 million (1,420,990 tonnes) and $399 million (1,366,423 tonnes), respectively.

Yuzhny GOK, an ore mining and processing plant, is an associate of Lanebrook Limited. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2013, the volume of purchases achieved 1,549,958 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.

In 2013, 2012 and 2011, key management personnel totalled 57, 55 and 55 people, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	**2013**	2012	2011
Salary	**$24**	$21	$20
Performance bonuses	**13**	14	12
Social security taxes	**3**	3	1
Share-based payments (Note 21)	**11**	10	13
Termination benefits	**–**	–	3
Other benefits	**1**	1	1
	$52	$49	$50

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	2013	2012	2011
Input VAT	**$207**	$206	$287
Other taxes	**74**	123	125
	$281	$329	$412

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	2013	2012	2011
Investments in Yuzhny GOK (Note 16)	**$38**	$38	$38
Bank deposits	**–**	674	2
Restricted deposits at banks	**12**	–	7
Collateral under swap agreements (Note 25)	**21**	–	10
	$71	$712	$57

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	2013	2012	2011
US dollar	**$1,298**	$855	$314
Russian rouble	**195**	347	262
Canadian dollar	**50**	80	21
Euro	**3**	17	89
South African rand	**12**	10	80
Ukrainian hryvnia	**17**	9	25
Czech koruna	**–**	–	6
Other	**1**	2	4
	$1,576	$1,320	$801

At 31 December 2013 and 31 December 2012, the assets of disposal groups classified as held for sale included cash amounting to $35 million and $70 million, respectively.

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 22).

Share Capital of EVRAZ plc

	31 December		
Number of shares	**2013**	2012	2011
Ordinary shares of $1 each, issued and fully paid	**1,472,582,366**	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.

2013 Share Issue

On 16 January 2013, EVRAZ plc issued 132,653,006 shares in connection with the acquisition of a controlling interest in Corber (Note 4).

These shares were valued at their market quotation at the date of acquisition of Corber. The excess of the market value of shares issued over their nominal value in the amount of $478 million was recognised in a merger reserve within additional paid-in capital under section 612 of the Companies Act 2006 as all of the criteria for merger relief have been satisfied.

The purchase consideration for Corber includes warrants to subscribe for an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014. The number of the shares to be issued under these warrants is adjustable for dividends that could be paid during the period from the date of issue of the warrants until the date of their exercise. The fair value of warrants issued amounting to $156 million was credited to a separate reserve within equity. In January 2014, the warrants were exercised (Note 32).

20. Equity (continued)

Treasury Shares

	31 December		
	2013	2012	2011
Number of treasury shares	**302,717**	146,731	775,410

In 2013, the Group purchased 3,720,298 shares of EVRAZ plc for $6 million and transferred 3,564,312 shares to participants of Incentive Plans (Note 21). The cost of treasury shares gifted under Incentive Plans, amounting to $6 million, was charged to accumulated profits.

In 2012, the Group purchased 869,469 shares of EVRAZ plc for $4 million and transferred 1,498,148 shares to participants of Incentive Plans (Note 21). The cost of 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 Incentive Plans (Note 21). The outstanding balance of the treasury shares has been exchanged into the shares of EVRAZ plc during the Group reorganisation described above. The cost of treasury shares gifted under Incentive Plans, amounting to $11 million, was charged to accumulated profits.

Earnings per Share

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

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

	2013	2012	2011
Weighted average number of ordinary shares for basic earnings per share	**1,499,457,909**	1,339,027,567	1,293,795,125
Effect of dilution: share-based awards	**–**	–	2,689,622
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,499,457,909**	1,339,027,567	1,296,484,747
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$(522)**	$(398)	$465
Basic earnings/(losses) per share	**$(0.35)**	$(0.30)	$0.36
Diluted earnings/(losses) per share	**$(0.35)**	$(0.30)	$0.36

In 2011, share-based awards (Note 21) had a dilutive effect. In 2012 and 2013, they were antidilutive as the Group reported net loss.

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. In addition, 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.

The warrants issued in connection with the acquisition of a controlling interest in Corber (*2013 Share Issue* above) are included in the calculation of basic earnings per share starting from the date of their issue.

Dividends

Dividends declared by the parent company during 2011–2013 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

20. Equity (continued)

Dividends (continued)

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 Board of directors decided not to declare a final dividend for 2012 and this decision was approved by the Annual General Meeting of shareholders of EVRAZ plc in June 2013.

Subsequent to the reporting date the Board of directors proposed special dividends (Note 32).

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $1 million in 2013, 2012 and 2011.

Other Movements in Equity

Non-controlling Interests in Subsidiaries

In 2013, as a result of the acquisition of a controlling interest in Raspadskaya (Note 4), the Group recognised $311 million representing non-controlling shareholders owning approximately 18% in the entity.

In 2012 and 2011, 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 and $18 million, respectively, was charged to accumulated profits.

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.

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.

21. Share-based payments

On 14 December 2010, 13 October 2011, 6 September 2012 and 24 September 2013 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 2013 are presented below:

Number of Shares of EVRAZ plc	Total	Incentive Plan 2013	Incentive Plan 2012	Incentive Plan 2011	Incentive Plan 2010
11 April 2014	7,671,126	4,149,261	2,567,519	948,862	5,484
11 April 2015	7,572,876	4,149,261	3,423,615	–	–
11 April 2016	6,223,882	6,223,882	–	–	–
11 April 2017	6,224,178	6,224,178	–	–	–
	27,692,062	20,746,582	5,991,134	948,862	5,484

The plans are administrated by the Board of Directors of EVRAZ plc. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination, unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.

There have been no modifications or cancellations to the plans during 2011–2013. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

21. 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 2013 and 2012 was $1.89 and $3.41 per share of EVRAZ plc, respectively (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 2013	Incentive Plan 2012	Incentive Plan 2011	Incentive Plan 2010
Dividend yield (%)	4.0 – 8.8	1.9 – 5.4	3.6 – 4.8	1.2 – 1.5
Expected life (years)	0.6 – 3.6	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	$2.13	$3.61	$51.57	$103.83

The following table illustrates the number of, and movements in, share-based awards during the years.

	2013	2012	2011
Outstanding at 1 January	**12,069,571**	4,460,547	321,898
Granted during the year	**20,832,297**	9,892,313	335,069
Forfeited during the year	**(1,221,683)**	(785,141)	(45,960)
Vested during the year	**(3,988,123)**	(1,498,148)	(115,389)
Exchange into shares of EVRAZ plc	**–**	–	3,964,929
Outstanding at 31 December	**27,692,062**	12,069,571	4,460,547
Vested, not exercised	**98,647**	–	–

The actual quantity of the vested shares transferred by EVRAZ plc to the participants was reduced by 325,164 shares that represent withholding taxes and other deductions.

The weighted average share price at the dates of exercise was $1.52, $4.31 and $97.46 in 2013, 2012 and 2011, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2013, 2012 and 2011 was 1.7, 1.2 and 1.2 years, respectively.

In the years ended 31 December 2013, 2012 and 2011, expense arising from the equity-settled share-based compensations was as follows:

US$ million	**2013**	2012	2011
Expense arising from equity-settled share-based payment transactions	**$25**	$22	$23

In 2011, the Group paid $1 million relating to the cash-settled share-based awards under the incentive plans which were in place before 2010.

22. Loans and borrowings

As of 31 December 2013, 2012 and 2011, total interest-bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $1,069 million, $527 million and $339 million, respectively, and long-term loans and borrowings in the amount of $6,737 million, $7,652 million and $6,919 million, respectively, including the current portion of long-term liabilities of $660 million, $1,164 million and $193 million, respectively.

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

US$ million	2013	2012	2011
Bank loans	**$2,065**	$2,562	$2,613
European commercial papers	**–**	242	–
8.875 per cent notes due 2013	**–**	534	534
8.25 per cent notes due 2015	**577**	577	577
7.40 per cent notes due 2017	**600**	600	–
9.5 per cent notes due 2018	**509**	509	509
6.75 per cent notes due 2018	**850**	850	850
6.50 per cent notes due 2020	**1,000**	–	–
9.25 per cent bonds due 2013	**–**	494	466
13.5 per cent bonds due 2014	**611**	658	621
8.75 per cent bonds due 2015	**119**	–	–
9.95 per cent bonds due 2015	**458**	494	466
8.40 per cent bonds due 2016	**611**	658	621
Liabilities under 7.75 per cent bonds due 2017 assumed in business combination (Note 4)	**400**	–	–
Fair value adjustment to liabilities assumed in business combination	**27**	–	–
Other liabilities	**6**	1	1
Unamortised debt issue costs	**(68)**	(116)	(133)
Interest payable	**90**	93	81
	$7,855	$8,156	$7,206

At 31 December 2013 and 2012, the loans relating to the subsidiaries classified as held for sale (Note 12) amounted to $78 million and $79 million, respectively, including $76 million and $77 million, respectively, of short-term loans. In the statement of financial position they were included in liabilities directly associated with the assets held for disposal.

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

	Long-term borrowings			Short-term borrowings		
	2013	2012	2011	2013	2012	2011
US dollar	**7.33%**	7.13%	6.96%	**1.56%**	3.00%	2.89%
Russian rouble	**10.49%**	10.51%	10.37%	**7.21%**	11.52%	10.83%
Euro	**3.60%**	3.93%	4.66%	**3.75%**	2.75%	3.64%
Canadian dollar	**3.30%**	3.85%	–	**–**	–	–
Czech koruna	**–**	–	–	**–**	–	3.38%

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

US$ million	2013	2012	2011
US dollar	**$5,808**	$5,434	$4,790
Russian rouble	**1,837**	2,349	2,215
Euro	**268**	381	328
Canadian dollar	**10**	108	–
Czech koruna	**–**	–	6
Unamortised debt issue costs	**(68)**	(116)	(133)
	$7,855	$8,156	$7,206

22. Loans and borrowings (continued)

Pledged Assets

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

At 31 December 2013, 2012 and 2011, the Group had inventory with a carrying value of $63 million, $319 million and $250 million, respectively, pledged as collateral under the loan agreements.

At 31 December 2013, 100% shares of Mezhegeyugol and EVRAZ Caspian Steel were pledged as collateral under bank loans with a carrying value of $140 million. These subsidiaries represented 1.5% of the consolidated assets at 31 December 2013 and did not generate revenues in 2013.

Extension of the 9.25% Notes Due 2013

In March 2013, the holders of 9.25% rouble-denominated notes received an option to accept a new coupon of 8.75% per annum till 20 March 2015 or put the notes back to the Group at a nominal value. By 26 March 2013, the date of the expiration of the option, the Group re-purchased back notes totalling 12,265 million roubles ($399 million at the exchange rate as of the date of the transaction). The remaining notes with the aggregate principal amount of 2,735 million roubles ($84 million at the exchange rate as of 31 December 2013) continue to be traded on the Moscow Exchange.

The Group has a right to resell the repurchased notes on the market at any time and at its own discretion. In April and May 2013, the Group resold part of the notes for 1,000 roubles each and received 1,150 million roubles ($35 million at the exchange rate as of 31 December 2013).

Issue of Notes and Bonds

In April 2013, the Group issued notes for the amount of $1,000 million due in 2020. The notes bear semi-annual coupon at the annual rate of 6.50% and must be redeemed at their principal amount on 22 April 2020. The proceeds from the issue of the notes were used for the repayment of the 8.875% notes maturing on 24 April 2013, as well as certain bank loans.

In April 2012, the Group issued notes in the amount of $600 million due in 2017. The notes bear semi-annual coupon at the annual rate of 7.40% and must be redeemed at their principal amount on 24 April 2017. The proceeds from the issue of the notes were used for the repayment of certain bank loans.

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. The liabilities were fully settled upon maturity.

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).

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.

Compliance with Financial Covenants

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

Notes due in 2015, 2017, 2018 and 2020 totalling $3,536 million issued by Evraz Group S.A., a holding company directly wholly owned by EVRAZ Plc, have covenants restricting the incurrence of indebtedness by the issuer and its consolidated subsidiaries conditional on a gross leverage ratio. While the ratio level itself does not constitute a breach of covenants, exceeding the threshold triggers a restriction on incurrence of consolidated indebtedness, which is removed once the ratio goes back below the threshold. The effect of the restriction is such that Evraz Group S.A. and its subsidiaries are not allowed to increase the consolidated indebtedness at the level of Evraz Group S.A., but are allowed to refinance existing indebtedness subject to certain conditions.

22. Loans and borrowings (continued)

Compliance with Financial Covenants (continued)

The $400 million notes due 2017 issued by Raspadskaya in 2012 have covenants similar to those of Evraz Group S.A., but with the ratio calculation based on the consolidated numbers of OAO Raspadskaya and the restrictions applying only to OAO Raspadskaya and its subsidiaries. These restrictions have the same effect on Raspadskaya, but no effect on EVRAZ plc and its other subsidiaries that are not part of the Raspadskaya Group.

OOO UK Mezhegeyugol, which is a direct subsidiary of EVRAZ plc, is not subject to restrictions imposed by the above mentioned covenants. However, as a borrower of a $195 million project loan by Gazprombank, it is restricted from incurring any additional indebtedness without the consent of the lender.

The incurrence covenants are in line with the Group's financial strategy and, therefore, do not constitute any excessive restriction on its operations.

In addition to the incurrence covenants mentioned above, at 31 December 2013 the Group had loans with an aggregate principal amount of $251 million, which are subject to financial maintenance covenants. These covenants require Evraz Group S.A. to maintain two key ratios, consolidated net indebtedness to 12-month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits. According to the respective facility agreements, as amended in June 2013, these ratios are tested semi-annually on the basis of consolidated financial statements of Evraz Group S.A. starting from 30 June 2014. A breach of one or both of the ratios would constitute an event of default under the above mentioned facility agreements, which in its turn may trigger cross default events under other debt instruments of Evraz Group S.A. and its subsidiaries.

In June 2013, the Group entered into amendments to certain loan agreements with a total outstanding principal amount of approximately EUR 194 million. According to these amendments, the testing of financial maintenance covenants under the loan agreements was suspended in respect of the financial year 2013. If such amendments had not been signed, the Group would have been in breach of the financial covenants. The Group paid bank fees and legal costs of approximately $1 million in connection with these amendments.

At 30 June 2013, the Group had $404 million liabilities under loan agreements which contained financial restrictions which could have been breached upon the issue of the interim consolidated financial statements. The Group repaid these liabilities in full and terminated the loan agreements in July 2013.

In September 2013, Raspadskaya repaid a $150 million bank loan to remove the risk of a technical default in relation to this debt, which could cause a cross-default under 7.75% bonds issued by Raspadskaya.

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.

Unamortised Debt Issue Costs

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

Unutilised Borrowing Facilities

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

US$ million	2013	2012	2011
Committed	**437**	421	560
Uncommitted	**811**	725	762
Total unutilised borrowing facilities	**$1,248**	$1,146	$1,322

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.

23. Employee benefits (continued)

Ukrainian Plans

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

In 2011 and before, these preferential pensions were partially funded by the State Pension Fund. The Ukrainian subsidiaries gradually increased these contributions and starting from 2012 they pay 100% of preferential pensions. In addition, employees receive lump-sum payments on retirement and other benefits under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

In 2013, the amended pension legislation introduced annual indexation of pensions, at least up to the level of CPI. The indexation of pensions in a particular year depends on the availability of financial resources in the State pension fund. The subsidiaries are obliged to pay preferential pensions indexed according to the government's decision. The Group determined the amount of defined benefit obligations based on the assumption that pensions will be indexed despite possible insufficiency of money in the State pension fund, which would result in a non-fulfilment of this law by the fund itself and, consequently, would cancel the obligations of Ukrainian enterprises to pay higher pensions.

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	2013	2012	2011
Expense under defined contribution plans	**$488**	$412	$404

Defined Benefit Plans

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

In 2013, there were no significant plan amendments, curtailments, or settlements.

The Group's defined benefit plans are exposed to the risks of unexpected growth in benefit payments as a result of increases in life expectancy, inflation, and salaries. As the plan assets include significant investments in quoted and unquoted equity shares, corporate and governmental bonds and notes, the Group is also exposed to equity market risk.

23. Employee benefits (continued)

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2013, 2012 and 2011 and amounts recognised in the consolidated statement of financial position as of 31 December 2013, 2012 and 2011 for the defined benefit plans were as follows:

Net benefit expense (recognised in the statement of operations within cost of sales and selling, general and administrative expenses and interest expense)

Year ended 31 December 2013

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	**$(12)**	**$(4)**	**$(23)**	**$(1)**	**$(40)**
Net interest expense	**(20)**	**(9)**	**(9)**	**(1)**	**(39)**
Net actuarial gains/(losses) on other long-term employee benefits obligation	**7**	**–**	**–**	**1**	**8**
Past service cost	**(7)**	**–**	**–**	**–**	**(7)**
Curtailment gain	**2**	**–**	**2**	**–**	**4**
Net benefit expense	**$(30)**	**$(13)**	**$(30)**	**$(1)**	**$(74)**

Year ended 31 December 2012

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$(6)	$(3)	$(20)	$–	$(29)
Net interest expense	(17)	(8)	(10)	(2)	(37)
Net actuarial gains/(losses) on other long-term employee benefits obligation	(5)	–	–	–	(5)
Past service cost	(5)	–	(1)	–	(6)
Net benefit expense	$(33)	$(11)	$(31)	$(2)	$(77)

Year ended 31 December 2011

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$(7)	$(5)	$(17)	$–	$(29)
Net interest expense	(16)	(9)	(8)	(2)	(35)
Net actuarial gains/(losses) on other long-term employee benefits obligation	(12)	–	–	–	(12)
Past service cost	(1)	24	(2)	–	21
Net benefit expense	$(36)	$10	$(27)	$(2)	$(55)

23. Employee benefits (continued)

Gains/(losses) recognised in other comprehensive income

Year ended 31 December 2013

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Return on plan assets, excluding amounts included in net interest expense	**$(1)**	**$–**	**$30**	**$–**	**$29**
Net actuarial gains/(losses) on post-employment benefit obligation	**52**	**(11)**	**48**	**1**	**90**
	$51	**$(11)**	**$78**	**$1**	**$119**

Year ended 31 December 2012

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$–	$–	$27	$–	$27
Net actuarial gains/(losses) on post-employment benefit obligation	(20)	(5)	(75)	(1)	(101)
	$(20)	$(5)	$(48)	$(1)	$(74)

Year ended 31 December 2011

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other Plans	Total
Return on plan assets, excluding amounts included in net interest expense	$–	$–	$(24)	$–	$(24)
Net actuarial gains/(losses) on post-employment benefit obligation	(2)	(5)	(66)	–	(73)
	$(2)	$(5)	$(90)	$–	$(97)

Actual return on plan assets was as follows:

US$ million	**2013**	2012	2011
Actual return on plan assets including:	**$51**	$50	$1
US & Canadian plans	**52**	50	1
Russian plans	**(1)**	–	–

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23. Employee benefits (continued)

Net defined benefit liability

31 December 2013

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	**$232**	**$83**	**$728**	**$3**	**$1,046**
Plan assets	**(1)**	**–**	**(564)**	**–**	**(565)**
	231	**83**	**164**	**3**	**481**

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

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

23. Employee benefits (continued)

Movements in net defined benefit liability/(asset)

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2010	**$191**	**$77**	**$166**	**$24**	**$458**
Net benefit expense recognised in the statement of operations	36	(10)	27	2	55
Contributions by employer	(15)	(7)	(52)	(1)	(75)
(Gains)/losses recognised in other comprehensive income	2	5	90	–	97
Translation difference	(12)	–	(1)	(4)	(17)
At 31 December 2011	**202**	**65**	**230**	**21**	**518**
Net benefit expense recognised in the statement of operations	33	11	31	2	77
Contributions by employer	(16)	(8)	(54)	(2)	(80)
(Gains)/losses recognised in other comprehensive income	20	5	48	1	74
Disposal of subsidiaries	(1)	(5)	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	(18)	(18)
Translation difference	12	–	1	(1)	12
At 31 December 2012	**250**	**68**	**256**	**3**	**577**
Change in net benefit liability due to business combination	58	–	–	–	58
Net benefit expense recognised in the statement of operations	30	13	30	1	74
Contributions by employer	(25)	(9)	(40)	(1)	(75)
(Gains)/losses recognised in other comprehensive income	(51)	11	(78)	(1)	(119)
Disposal of subsidiaries	(10)	–	–	–	(10)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	5	5
Translation difference	(21)	–	(4)	(4)	(29)
At 31 December 2013	**$231**	**$83**	**$164**	**$3**	**$481**

23. Employee benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
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)	2	–	(21)
Benefits paid	(15)	(7)	(39)	(1)	(62)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	(15)	3	1	–	(11)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(7)	(4)	62	–	51
Actuarial (gains)/losses on benefit obligation related to experience adjustments	36	6	3	–	45
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 related to changes in demographic assumptions	2	–	1	–	3
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	25	3	72	–	100
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(2)	2	2	1	3
Disposal of subsidiaries	(1)	(5)	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	(18)	(18)
Translation difference	12	–	8	(1)	19
At 31 December 2012	**251**	**68**	**793**	**3**	**1,115**
Change in benefit obligation due to business combination	58	–	–	–	58
Interest cost on benefit obligation	20	9	31	1	61
Current service cost	12	4	23	1	40
Past service cost	7	–	–	–	7
Benefits paid	(24)	(9)	(43)	(1)	(77)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	25	–	23	–	48
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(81)	11	(71)	(2)	(143)
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(3)	–	–	–	(3)
Curtailment gain	(2)	–	(2)	–	(4)
Disposal of subsidiaries	(10)	–	–	–	(10)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	5	5
Translation difference	(21)	–	(26)	(4)	(51)
At 31 December 2013	**$232**	**$83**	**$728**	**$3**	**$1,046**

The weighted average duration of the defined benefit obligation was as follows:

Years	**2013**	2012	2011
Russian plans	**10.0**	11.8	10.4
Ukrainian plans	**10.0**	9.9	9.9
US & Canadian plans	**14.4**	15.8	13.8
Other plans	**10.0**	10.7	11.9

23. Employee benefits (continued)

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2010	**$1**	**$–**	**$463**	**$–**	**$464**
Interest income on plan assets	–	–	25	–	25
Return on plan assets (excluding amounts included in net interest expense)	–	–	(24)	–	(24)
Contributions of employer	15	7	52	1	75
Benefits paid	(15)	(7)	(39)	(1)	(62)
Translation difference	–	–	(7)	–	(7)
At 31 December 2011	**1**	**–**	**470**	**–**	**471**
Interest income on plan assets	–	–	23	–	23
Return on plan assets (excluding amounts included in net interest expense)	–	–	27	–	27
Contributions of employer	16	8	54	2	80
Benefits paid	(16)	(8)	(44)	(2)	(70)
Translation difference	–	–	7	–	7
At 31 December 2012	**1**	**–**	**537**	**–**	**538**
Interest income on plan assets	–	–	22	–	22
Return on plan assets (excluding amounts included in net interest expense)	(1)	–	30	–	29
Contributions of employer	25	9	40	1	75
Benefits paid	(24)	(9)	(43)	(1)	(77)
Translation difference	–	–	(22)	–	(22)
At 31 December 2013	**$1**	**$–**	**$564**	**$–**	**$565**

The amount of contributions expected to be paid to the defined benefit plans during 2014 approximates $78 million.

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

	2013		2012		2011	
	Quoted	**Unquoted**	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:						
Equity funds and investment trusts	**42%**	**38%**	43%	18%	38%	18%
Corporate bonds and notes	**15%**	**1%**	12%	12%	10%	14%
Governmental bonds and notes	**–**	**–**	–	8%	–	10%
Property	**–**	**2%**	–	2%	–	3%
Cash	**–**	**2%**	–	5%	–	7%
	57%	**43%**	55%	45%	48%	52%

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

	2013				2012				2011			
	Russian plans	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Russian plans	Ukrainian plans	US & Canadian plans	Other plans
Discount rate	**8%**	**14.0%**	**4.3-4.9%**	**3-8.3%**	7%	14.0%	3.9-5.1%	2.0-8.8%	8%	14.0%	4.0-5.3%	4.0-8.8%
Future benefits increases	**6%**	**6%**	**–**	**3%**	8%	8%	–	2%	8%	8%	–	3%
Future salary increase	**6%**	**7%**	**3.1-4%**	**–**	8%	8%	3.1-3.5%	3%	8%	8%	3.0-3.1%	2.0-6.3%
Average life expectation, male, years	**67.5**	**64.2**	**82.5-85.2**	**76.6-81**	65.8	64.2	83.0-84.7	73.3-81.1	65.8	64.2	83.0-83.5	72.7-81.1
Average life expectation, female, years	**78.3**	**74.7**	**86.7-87.7**	**74.2-87**	74.3	74.7	84.7-85.9	68.2-86.9	74.3	74.7	85.5-85.8	71.1-86.9
Healthcare costs increase rate	**–**	**–**	**6.1-7%**	**7.9%**	–	–	6-7%	7.0-7.3%	–	–	6.5-7%	7.3-7.5%

23. Employee benefits (continued)

Changes in the fair value of plan assets (continued)

The following table demonstrates the sensitivity analysis of reasonable changes in the significant assumptions used for the measurement of the defined benefit obligations, with all other variables held constant.

	Reasonable change in assumption	Impact on the defined benefit obligation, US$ million			
		Russian plans	Ukrainian plans	US & Canadian plans	Other plans
Discount rate	10%	$(16)	$(8)	$(45)	$(2)
	(10%)	19	10	52	2
Future benefits increases	10%	12	2	–	–
	(10%)	(11)	(2)	–	–
Future salary increase	10%	2	2	2	–
	(10%)	(2)	(2)	(2)	–
Average life expectation, male, years	1	2	1	14	–
	(1)	(2)	(1)	(15)	–
Average life expectation, female, years	1	2	–	4	–
	(1)	(2)	–	(5)	–
Healthcare costs increase rate	10%	–	–	1	–
	(10%)	–	–	(1)	–

The following table shows the effects of application of the revised IAS 19 in 2013: an increase/(decrease) in the amounts recognised in the consolidated financial statements as of 31 December 2013 and for the year then ended as compared to the amounts that would have been reported in accordance with the previous accounting policies.

US$ million	2013
Statement of Operations	
Cost of sales	**$(12)**
Interest expense	**13**
Statement of Financial Position	
Other non-current assets	**(44)**
Employee benefits	**258**
Accumulated profits	**90**
Translation difference	**8**
Non-controlling interests	**(1)**

24. Provisions

At 31 December the provisions were as follows:

US$ million	2013 Non-current	2013 Current	2012 Non-current	2012 Current	2011 Non-current	2011 Current
Site restoration and decommissioning costs	**$191**	**$24**	$252	$14	$283	$27
Legal claims	**–**	**8**	–	12	–	15
Other provisions	**3**	**7**	5	6	2	11
	$194	**$39**	$257	$32	$285	$53

In the years ended 31 December 2013, 2012 and 2011, the movement in provisions was as follows:

US$ million	Site restoration and decommissioning costs	Legal claims	Other provisions	Total
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**
Additional provisions	49	6	24	79
Increase from passage of time	17	–	–	17
Effect of change in the discount rate	(31)	–	–	(31)
Effect of changes in estimated costs and timing	3	(2)	–	1
Utilised in the year	(9)	(3)	(20)	(32)
Unused amounts reversed	(7)	(5)	(5)	(17)
Change in provisions due to business combinations	16	–	1	17
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(72)	–	–	(72)
Translation difference	(17)	–	(1)	(18)
At 31 December 2013	**$215**	**$8**	**$10**	**$233**

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 1.1% to 14% in 2013 (2012 and 2011: from 3.7% to 14%). The majority of costs are expected to be paid between 2061 and 2090.

25. Other long-term liabilities

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

US$ million	2013	2012	2011
Derivatives not designated as hedging instruments (Note 22)	**$219**	$115	$209
Contingent consideration payable for the acquisition of Stratcor	**8**	12	16
Deferred consideration payable for the acquisition of Inprom	**–**	10	11
Dividends payable under cumulative preference shares of a subsidiary to a related party	**14**	14	14
Employee income participation plans and compensations	**5**	7	2
Tax liabilities	**9**	18	26
Finance lease liabilities	**6**	13	39
Other liabilities to related parties	**2**	–	–
Other liabilities	**51**	16	16
	314	205	333
Less: current portion (Note 26)	**(84)**	(24)	(22)
	$230	$181	$311

Derivatives Not Designated as Hedging Instruments

To manage the currency exposure on the rouble-denominated bonds, the Group partially economically hedged these transactions: the Group concluded currency and interest rate swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 3.06% to 8.90% per annum plus the US dollar notional amount, in exchange for rouble-denominated interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts are summarised in the table below.

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
9.25 per cent bonds due 2013	2010	15,000	14,778	$500	5.75% – 5.90%
13.5 per cent bonds due 2014	2009	20,000	14,019	475	7.50% – 8.90%
9.95 per cent bonds due 2015	2010	15,000	14,997	491	5.65% – 5.88%
8.40 per cent bonds due 2016	2011	20,000	19,996	711	4.45% – 4.60%
8.75 per cent bonds due 2015	2013	3,885	3,735	121	3.06% – 3.33%

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US$ million	Bonds principal	Hedged amount	Swap amount
At 31 December 2011, US$ million	2,174	1,981	2,177
At 31 December 2012, US$ million	2,305	2,101	2,177
At 31 December 2013, US$ million	**1,799**	**1,612**	**1,798**

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques.

The fair value was calculated as the present value of the expected cashflows under the contracts at the reporting dates. Future rouble-denominated cashflows were translated into US dollars using the US$/RUR forward rate curve. The discount rates used in the valuation were the non-deliverable forward rate curve and the interest rate swap curve for US dollar at the reporting dates.

In 2013, 2012 and 2011, the change in fair value of the derivatives of $(106) million, $96 million and $(176) million, respectively, together with a realised gain on the swap transactions, amounting to $51 million, $81 million and $66 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

In March 2013, upon repayment of the 9.25% bonds, the related swap contracts matured.

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2013 and 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, the Group paid $3 million.

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year ended 31 December 2013

26. Trade and other payables

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

US$ million	2013	2012	2011
Trade accounts payable	**$969**	$1,100	$1,147
Accrued payroll	**225**	249	254
Other long-term obligations with current maturities (Note 25)	**84**	24	22
Other payables	**117**	41	50
	$1,395	$1,414	$1,473

The maturity profile of the accounts payable is shown in Note 28.

27. Other taxes payable

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

US$ million	2013	2012	2011
VAT	**$88**	$87	$81
Social insurance taxes	**64**	61	53
Property tax	**14**	11	17
Land tax	**10**	11	10
Personal income tax	**14**	14	12
Other taxes, fines and penalties	**12**	11	15
	$202	$195	$188

28. Financial risk management objectives and policies

Credit Risk

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

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

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2013, the major customers were Russian Railways and Enbridge Inc. (3.7% and 3.2% of total sales, respectively).

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

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

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

US$ million	2013	2012	2011
Restricted deposits at banks (Notes 13 and 18)	**$18**	$4	$22
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**90**	51	10
Long-term and short-term investments (Notes 13 and 18)	**68**	733	57
Trade and other receivables (Notes 13 and 15)	**895**	899	974
Loans receivable	**31**	31	62
Receivables from related parties (Notes 13 and 16)	**13**	12	8
Cash and cash equivalents (Note 19)	**1,576**	1,320	801
	$2,691	$3,050	$1,934

28. Financial risk management objectives and policies (continued)

Credit Risk (continued)

Receivables from related parties in the table above do not include prepayments in the amount of $3 million, $Nil and $Nil as of 31 December 2013, 2012 and 2011, 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.

	2013		2012		2011	
US$ million	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$604**	**$(1)**	$759	$(16)	$846	$(5)
Past due	**394**	**(58)**	284	(85)	306	(103)
less than six months	**324**	**(3)**	198	(11)	204	(24)
between six months and one year	**21**	**(8)**	20	(11)	30	(16)
over one year	**49**	**(47)**	66	(63)	72	(63)
	$998	**$(59)**	$1,043	$(101)	$1,152	$(108)

In the years ended 31 December 2013, 2012 and 2011, the movement in allowance for doubtful accounts was as follows:

US$ million	2013	2012	2011
At 1 January	**$(101)**	$(108)	$(117)
Charge for the year	**(8)**	(14)	(45)
Utilised	**36**	25	47
Disposal of subsidiaries	**7**	–	–
Translation difference	**7**	(4)	7
At 31 December	**$(59)**	$(101)	$(108)

Liquidity Risk

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

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

The Group prepares a rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. If necessary, the Group refinances its short-term debt by long-term borrowings. The Group also uses forecasts to monitor potential and actual financial covenants compliance issues (Note 22). Where compliance is at risk, the Group considers options including debt repayment, refinancing or covenant reset. The Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

28. Financial risk management objectives and policies (continued)

Liquidity Risk (continued)

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

Year ended 31 December 2013

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$–	$847	$635	$1,186	$3,075	$1,053	$6,796
Interest	–	7	492	412	627	106	1,644
Finance lease liabilities	–	–	–	–	1	3	4
Financial instruments included in long-term liabilities	–	29	53	72	152	28	334
Total fixed-rate debt	–	883	1,180	1,670	3,855	1,190	8,778
Variable-rate debt							
Loans and borrowings							
Principal	81	148	18	25	672	66	1,010
Interest	–	10	25	33	31	5	104
Finance lease liabilities	–	–	1	1	2	–	4
Total variable-rate debt	81	158	44	59	705	71	1,118
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	1	2	2	2	7
Trade and other payables	236	734	116	–	–	–	1,086
Payables to related parties	326	125	6	–	–	–	457
Dividends payable	5	–	–	–	–	–	5
Total non-interest bearing debt	567	859	123	2	2	2	1,555
	$648	$1,900	$1,347	$1,731	$4,562	$1,263	$11,451

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

28. 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

Payables to related parties in the tables above do not include advances received in the amount of $1 million, $Nil and $Nil as of 31 December 2013, 2012 and 2011, respectively.

Market Risk

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

Interest Rate Risk

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

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

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

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

28. Financial risk management objectives and policies (continued)

Market Risk (continued)

Interest Rate Risk (continued)

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

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

	2013		2012		2011	
	Basis points	**Effect on PBT**	Basis points	Effect on PBT	Basis points	Effect on PBT
		US$ millions		US$ millions		US$ millions
Liabilities denominated in US dollars						
Decrease in LIBOR	**(2)**	**$–**	(2)	$–	(6)	$1
Increase in LIBOR	**2**	**–**	2	–	6	(1)
Liabilities denominated in euro						
Decrease in EURIBOR	**(5)**	**–**	(4)	–	(15)	–
Increase in EURIBOR	**5**	**$–**	4	$–	15	$–

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	**2013**	2012	2011
US$/RUB	**$(2,686)**	$(1,478)	$4,402
EUR/RUB	**(337)**	(382)	(321)
EUR/US$	**108**	109	127
US$/CAD	**(209)**	(24)	(995)
EUR/CZK	**(18)**	4	35
US$/CZK	**(155)**	(176)	(229)
US$/ZAR	**(32)**	(9)	14
EUR/ZAR	**26**	69	77
US$/UAH	**(48)**	(168)	(156)
RUB/UAH	**15**	28	(1)

28. Financial risk management objectives and policies (continued)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis

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

	2013		2012		2011	
	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
US$/RUB	(10.10)	271	(11.09)	164	(11.36)	(500)
	15.00	(403)	11.09	(164)	11.36	500
EUR/RUB	(7.79)	26	(8.12)	31	(8.27)	27
	15.00	(51)	8.12	(31)	8.27	(27)
EUR/US$	(7.76)	(8)	(8.45)	(9)	(11.37)	(15)
	7.76	8	8.45	9	11.37	15
US$/CAD	(5.83)	12	(6.69)	2	(9.75)	97
	5.83	(12)	6.69	(2)	9.75	(97)
EUR/CZK	(5.85)	1	(6.38)	–	(5.87)	(2)
	5.85	(1)	6.38	–	5.87	2
US$/CZK	(10.82)	17	(12.64)	22	(13.96)	32
	10.82	(17)	12.64	(22)	13.96	(32)
US$/ZAR	(16.21)	5	(19.27)	2	(17.34)	(2)
	16.21	(5)	19.27	(2)	17.34	2
EUR/ZAR	(15.17)	(4)	(12.09)	(8)	(13.14)	(10)
	15.17	4	12.09	8	13.14	10
US$/UAH	–	–	(0.08)	–	(0.33)	1
	30	(14)	0.08	–	0.33	(1)
RUB/UAH	–	–	(11.07)	(3)	(11.33)	–
	13	2	11.07	3	11.33	–

Except for the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives not designated as hedging instruments (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2013		2012		2011	
	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
	(10.10)	183	(11.09)	271	(11.36)	252
US$/RUB	15.00	(213)	11.09	(217)	11.36	(201)

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.

28. 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:

	2013			2012			2011		
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	**30**	**–**	**–**	21	–	–	17	–	–
Derivatives not designated as hedging instruments	**–**	**–**	**–**	–	2	–	–	–	–
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	**–**	**219**	**–**	–	115	–	–	209	–
Deferred consideration payable for the acquisition of Inprom (Note 25)	**–**	**–**	**–**	10	–	–	11	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 25)	**–**	**–**	**8**	–	–	12	–	–	16
Amounts payable under put options for shares of subsidiaries	**–**	**–**	**–**	–	–	–	–	–	9

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.

	2013		2012		2011	
US$ million	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$209**	**$249**	$105	$131	$104	$115
Long-term variable-rate bank loans	**776**	**814**	2,115	1,956	2,109	1,943
8.875 per cent notes due 2013	**–**	**–**	542	554	535	567
8.25 per cent notes due 2015	**569**	**621**	562	643	560	588
7.40 per cent notes due 2017	**605**	**634**	604	642	–	–
9.5 per cent notes due 2018	**505**	**568**	503	591	501	529
6.75 per cent notes due 2018	**855**	**858**	854	889	853	769
6.50 per cent notes due 2020	**1,007**	**951**	–	–	–	–
9.25 per cent bonds due 2013	**–**	**–**	506	508	476	480
13.5 per cent bonds due 2014	**627**	**645**	675	728	635	693
8.75 per cent bonds due 2015	**122**	**121**	–	–	–	–
9.95 per cent bonds due 2015	**466**	**464**	501	511	472	485
8.40 per cent bonds due 2016	**614**	**592**	661	630	623	563
Liabilities under 7.75 per cent bonds due 2017 assumed in business combination (Note 4)	**431**	**417**	–	–	–	–
Other liabilities	**–**	**–**	1	1	1	1
	$6,786	**$6,934**	$7,629	$7,784	$6,869	$6,733

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1). The fair value of convertible bonds and long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates (Level 3). The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	2013	2012	2011
US$	**4.5 – 8.2%**	7.5 – 8.6%	8.2 – 9.1%
EUR	**2.7%**	2.9%	3.2%
RUB	**10.4%**	9.2%	9.7%

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.

28. Financial risk management objectives and policies (continued)

Capital Management (continued)

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. There were no changes in the objectives, policies and processes during 2013.

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

The capital requirements imposed by certain loan agreements included a $2,000 million minimum representing consolidated equity of Evraz Group S.A. less goodwill. In 2011–2013, the Group was in compliance with this requirement. In June 2013, this covenant was abolished.

29. Non-cash Transactions

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

US$ million	**2013**	2012	2011
Liabilities for purchases of property, plant and equipment	**$148**	$144	$93
Purchases of property, plant and equipment settled by an offset with accounts receivable	**–**	–	10
Loan issued to a partner of the Mezhegey coal field project	**2**	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 22)	**–**	–	553

30. Commitments and contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, Ukraine, the European Union, the USA, Canada and the Republic of South Africa. Russia, Ukraine and the Republic of South Africa are considered to be 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.

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

Taxation

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

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $60 million.

Contractual Commitments

At 31 December 2013, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $348 million.

In 2010, the Group concluded an agreement for the supply of oxygen, nitrogen and argon by a third party for a period of 20 years. The contractual price comprises a fixed component and a variable component. The total amount of the fixed component approximates 256 million euro. The agreement is within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 31 December 2013, the lease had not commenced.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. The Group budgeted to spend approximately $114 million under these programmes in 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

year ended 31 December 2013

30. 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 2014 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2013, the costs of implementing these programmes are estimated at $262 million.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position.

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

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 or contracts and are not accrued in these financial statements could be up to approximately $6 million.

31. Auditor's remuneration

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

US$ million	**2013**	2012	2011
Audit of the parent company of the Group	**$2**	$2	$4
Audit of the subsidiaries	**5**	5	7
Total assurance services	**7**	7	11
Services in connection with capital market transactions	**–**	–	3
Other non-audit services	**1**	1	2
Total other services	**1**	1	5
	$8	$8	$16

32. Subsequent events

Issue of Shares

On 27 January 2014, EVRAZ plc issued 33,944,928 shares in connection with the exercise of the warrants included in the purchase consideration for Raspadskaya (Note 4).

Sale of EVRAZ Vitkovice Steel

On 3 April 2014, the Group sold its wholly-owned subsidiary EVRAZ Vitkovice Steel ("EVS") to a third party. This rolling mill located in the Czech Republic was included in the steel segment of the Group's operations and classified as an asset held for sale during 2013 (Note 12).

The cash consideration is equal to $287 million for a business on a net debt free basis with a normalised working capital of $75 million. As of 31 December 2013, the actual third party net debt of EVS was $69 million, the intercompany debt was $127 million and the working capital was $55 million.

As a result of the sale of the subsidiary, the accumulated exchange gains of EVS, which were $61 million as of 31 December 2013, will be reclassified from equity to the consolidated profits of the Group in the 2014 financial statements.

Dividends

On 8 April 2014, the Board of directors of EVRAZ plc proposed to declare special dividends in the amount of $90.4 million, which represent $0.06 per share. The dividends will be paid out of the sale proceeds for EVRAZ Vitkovice Steel.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVRAZ PLC

We have audited the financial statements of EVRAZ plc for the year ended 31 December 2013 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 Directors' Responsibilities Statement on page 111, the directors are responsible for the preparation of the 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 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 and 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 parent company's affairs as at 31 December 2013 and of the parent company's 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 Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required 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 Directors' 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 2013. As described in the audit report on the group financial statements, the risk of assessing the carrying value of investments also relates to the parent company.

Ken Williamson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
8 April 2014

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 STATEMENT OF COMPREHENSIVE INCOME

(In millions of US dollars)

	Notes	31 December 2013	2012
General and administrative expenses		**$(14)**	$(11)
Impairment of investments	3	**(181)**	–
Foreign exchange gain		**7**	–
Interest expense	3,6,7	**(21)**	(1)
Dividend income	8	**715**	390
Net profit for the year		**506**	378
Total comprehensive income for the year		**$506**	$378

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 202 to 209 were approved by the Board of Directors on 8 April 2014 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

	Notes	31 December 2013	31 December 2012
ASSETS			
Non–current assets			
Investments in subsidiaries	3	**$3,318**	$2,343
Investments in joint ventures	3	**139**	–
		3,457	2,343
Current assets			
Dividends receivable	8	**113**	–
Current income tax receivable	3	**14**	–
		127	–
TOTAL ASSETS		**3,584**	2,343
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	4	**1,473**	1,340
Reorganisation reserve	4	**(584)**	(584)
Merger reserve	4	**478**	–
Warrants reserve	4	**156**	–
Share-based payments	5	**51**	26
Accumulated profits	4	**1,819**	1,315
		3,393	2,097
LIABILITIES			
Current liabilities			
Short-term loans	7	**–**	242
Payables to related parties	6	**103**	1
Trade and other payables	3	**88**	3
		191	246
TOTAL EQUITY AND LIABILITIES		**$3,584**	$2,343

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

SEPARATE STATEMENT OF CASH FLOWS

(In millions of US dollars)

	Notes	2013	2012
Cash flows from operating activities			
Net profit		**$506**	$378
Adjustments to reconcile net profit to net cash flows from operating activities:			
Impairment of investments	3	**181**	–
Foreign exchange gain		**(7)**	–
Interest expense	7	**21**	1
Dividend income	8	**(715)**	(390)
		(14)	(11)
Changes in working capital:			
Receivables from/payables to related parties	6	**–**	1
Taxes receivable	3	**(14)**	–
Trade and other payables		**(3)**	2
Net cash flow used in operating activities		**(31)**	(8)
Cash flows from investing activities			
Investments in subsidiaries	3	**(558)**	(248)
Payments to acquire shares in joint ventures	3	**(61)**	–
Dividends received	8	**602**	390
Return of funds by subsidiaries	3	**300**	–
Net cash flow from investing activities		**283**	142
Cash flows from financing activities			
Purchase of treasury shares	5	**(2)**	–
Proceeds from bank loans and notes	7	**–**	241
Repayment of bank loans and notes, including interest	7	**(250)**	–
Dividends paid to shareholders	4	**–**	(375)
Net cash flow used in financing activities		**(252)**	(134)
Net increase/(decrease) in cash and cash equivalents		**–**	–
Cash and cash equivalents at the beginning of the year		**–**	–
Cash and cash equivalents at the end of the year		**$–**	$–

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

(In millions of US dollars)

	Notes	Issued capital	Treasury shares	Reorganisation reserve	Merger reserve	Warrants reserve	Share-based payments	Accumulated profits	Total
At 31 December 2011		$1,338	$–	$(582)	$–	$–	$4	$1,312	$2,072
Total comprehensive income for the year		–	–	–	–	–	–	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
Total comprehensive income for the year		–	–	–	–	–	–	506	506
Share-based payment	5	–	–	–	–	–	25	–	25
Issue of share capital	4	133	–	–	478	156	–	–	767
Purchase of treasury shares	5	–	(2)	–	–	–	–	–	(2)
Exercise of options	5	–	2	–	–	–	–	(2)	–
At 31 December 2013		**$1,473**	**$–**	**$(584)**	**$478**	**$156**	**$51**	**$1,819**	**$3,393**

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

Strategic Report
Business Units' Review
Governance
Financial Statements

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. Corporate information

These separate financial statements of EVRAZ plc were authorised for issue in accordance with a resolution of the directors on 8 April 2014.

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. 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 2013, 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

Participations in subsidiaries, associates or joint ventures 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.

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 and joint ventures

Investments in subsidiaries and joint ventures consisted of the following as of 31 December 2013 and 2012:

	Ownership interest		Cost, US$ million	
	2013	2012	**2013**	2012
Subsidiaries				
Evraz Group S.A.	**100%**	100%	**2,220**	2,095
EVRAZ Greenfield Development S.A.	**100%**	100%	**134**	248
Corber Enterprises Limited	**50%**	–	**964**	–
			3,318	2,343
Joint Ventures				
OJSC Mining and Metallurgical Company Timir	**51.00001%**	–	**139**	–

Evraz Group S.A.

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 2013, the Company made a cash contribution to the share capital of Evraz Group S.A. for a total amount of $100 million.

In addition, the Company recognises share-based payments made to employees of subsidiaries under control of Evraz Group S.A. as an addition to the cost of its investments in Evraz Group S.A. (Note 5). In 2013 and 2012, share-based compensations amounted to $25 million and $22 million, respectively.

EVRAZ Greenfield Development S.A.

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.

In 2013, the Company made cash contributions to the share capital of EGD for a total amount of $357 million. Subsequently, when external financing was received, EGD decreased the share capital by $300 million and returned this amount to the Company in cash.

At 31 December 2013, the Company assessed the recoverability of its investment in EGD. The recoverable amount of the asset was based on a value-in-use calculation using cash flow projections based on the business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset. The discount rates were 13.72% and 14% in 2013 and 2012, respectively. As a result, the Company recognised an impairment loss of $171 million. The major drivers that led to impairment were the changes in expectations of long-term prices for coal and the decrease in the sales volumes.

Corber Enterprises Limited

On 16 January 2013, EVRAZ plc acquired a 50% ownership interest in Corber Enterprises Limited ("Corber"), the parent of a coal mining company Raspadskaya, and, consequently, the Group obtained control over the entity (the other 50% share in Corber is held by an indirect subsidiary of Evraz Group S.A.). The sellers were Adroliv Investments Limited, Verocchio Enterprises Limited and Kadre Enterprises Limited, entities under control of key management persons of Raspadskaya.

The purchase consideration includes 132,653,006 shares of EVRAZ plc issued on 16 January 2013, warrants to subscribe for an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014 and a cash consideration of $202 million to be paid in equal quarterly installments to 15 January 2014. Fair value of the consideration transferred totalled to $964 million, including $611 million relating to the shares issued, $156 million representing the fair value of the warrants and $197 million of present value of the cash component of the purchase consideration. The fair value of shares and warrants was determined by reference to the market value of EVRAZ plc shares at the date of acquisition. In 2013, the Company paid $101 million relating to this acquisition. As of 31 December 2013, the unpaid purchase consideration was $101 million plus $1 million of accrued interest.

In 2013, the Company paid $14 million of corporate tax in connection with the issue of warrants. As these warrants were exercised in 2014, the Company received reimbursement of payments made.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

3. Investments in subsidiaries and joint ventures (continued)

OJSC Mining and Metallurgical Company Timir

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 amounted to $149 million being the present value of the expected cash outflows at the exchange rate as of 31 December 2013. The consideration denominated in roubles is payable in installments till 15 July 2014. In 2013, the Company recognised within interest expense $7 million representing a discount adjustment to this liability. In 2013, the Company paid 1,980 million roubles ($61 million) of purchase consideration. At 31 December 2013, trade and other accounts payable included $88 million liabilities relating to this acquisition.

At 31 December 2013, the Company assessed the recoverability of its investment in Timir. The recoverable amount of the asset was based on a value-in-use calculation using cash flow projections based on the business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset (16.21%). As a result, the Company recognised an impairment loss of $10 million. The major driver that led to impairment was the change in expectations of long-term prices for iron ore.

4. Equity

Share Capital

	31 December	
Number of shares	**2013**	2012
Ordinary shares of $1 each, issued and fully paid	**1,472,582,366**	1,339,929,360

EVRAZ plc does not have an authorised limit on its share capital.

At 31 December 2013, the Company held 159,649 own shares. In addition, Mastercroft Finance Limited, an indirect subsidiary, had 143,068 and 146,731 shares of the Company at 31 December 2013 and 2012, respectively.

In January 2013, the Company issued 132,653,006 shares as part of consideration paid for acquisition of Corber (Note 3). These shares were valued at their market quotation at the date of acquisition of Corber. The excess of the market value of shares issued over their nominal value in the amount of $478 million was recognised in a merger reserve under section 612 of the Companies Act 2006 as all of the criteria for merger relief have been satisfied. Any future impairments of the carrying value of the investment in Corber can be transferred to the merger reserve, thus protecting distributable reserves.

In addition, the Company issued warrants to subscribe for an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014. The fair value of warrants issued amounting to $156 million was credited to a separate reserve within equity ("Warrant reserve").The warrants were exercised on 27 January 2014.

Reorganisation Reserve

Reorganisation reserve represents the difference between the net assets of Evraz Group S.A. at the date of the Group's reorganisation (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. This transaction increased the Company's share capital by $2 million with a corresponding charge to the reorganisation reserve.

Dividends

In 2012, 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

No dividends were declared in 2013.

5. Share-based payments

As disclosed in Note 21 of the consolidated financial statements, the Group has incentive plans under which certain employees ("participants") can be gifted shares of the Company.

In 2013, the Company spent $2 million for the purchase of its shares on the market for the subsequent transfer of these shares to participants. This loss was recognised in equity.

In 2013 and 2012, the Company recognised a $25 million and a $22 million expense, respectively, 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 2013 and 2012 amounted to 27,692,062 and 12,069,571 shares of EVRAZ plc, respectively. These awards included 98,647 vested shares at 31 December 2013, all others were unvested. More details are provided in Note 21 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.

In 2013 and 2012, OOO Evrazholding, an indirect subsidiary of the Company, rendered consulting services in the amount of $6 million and $2 million, respectively. At 31 December 2013 and 2012, the balances with related parties included accounts payable to OOO Evrazholding in the amount of $1 million.

As at December 2013, liabilities to related parties included $102 million payable for Corber's shares to Adroliv Investments Limited, Verocchio Enterprises Limited and Kadre Enterprises Limited. In 2013, the Company recognised within interest expense $6 million representing a discount adjustment to the liability and an interest on a tranche, which payment was postponed.

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.

7. Short–term loans

In December 2012, the Group issued European commercial papers with a nominal amount of $80 million and $170 million. These commercial papers bore an interest rate of 3.50% and 3.75%, respectively, and matured on 6 September 2013 and 4 December 2013, respectively. The proceeds from this issue amounted to $242 million.

In 2013 and 2012, the Company accrued $8 million and $1 million of interest expense in respect to these borrowings.

The European commercial papers were fully repaid by the Company in 2013.
At 31 December 2012, the fair value of the European commercial papers approximated their carrying amount.

8. Dividend income

In 2012, the Company received dividends from Evraz Group S.A. in the amount of $390 million.

In 2013, Evraz Group S.A. declared dividends to the Company in the amount of $715 million. The Company received $602 million in cash and $113 million were unpaid as of 31 December 2013.

9. Subsequent events

Issue of Shares
On 27 January 2014, EVRAZ plc issued 33,944,928 shares in connection with the exercise of the warrants included in the purchase consideration for Raspadskaya (Note 3).

Dividends
On 8 April 2014, the Board of directors of EVRAZ plc proposed to declare special dividends in the amount of $90.4 million, which represent $0.06 per share. The dividends will be paid out of the sale proceeds for EVRAZ Vitkovice Steel.

ADDITIONAL INFORMATION
EVRAZ'S CORPORATE 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 81.95%	EVRAZ Nikom, Czech Republic 100%	Sinano Shipmanagement Limited, Cyprus 100%
EVRAZ Inc NA, USA 100%	EVRAZ Sukha Balka, Ukraine 99.42%	Mezhegeyugol, Russia 60.02%	EVRAZ Stratcor, USA 78.76%	TC EvrazHolding, Russia 100%
EVRAZ Inc NA, Canada 100%			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 94.87%				Metallenergofinance, Russia 100%
EVRAZ Palini e Bertoli, Italy 100%				EVRAZEnergoTrans, Russia 100%
EVRAZ Vitkovice Steel, Czech Republic** 100%				
EVRAZ Highveld, South Africa** 85.11%				

* As at 31 December 2013
** Assets classified as held for sale
*** Effective interest

ADDITIONAL INFORMATION DATA ON MINERAL RESOURCES

Yuzhkuzbassugol JORC Equivalent Coal Reserves and Resources as at 1 July 2013

	Mineral Resources		Ore Reserves	
Mine	Category	'000t	Category	'000t
Abashevskaya	Measured	63,977	Proved	37,173
Underground Mine	Indicated	147,774	Probable	20,866
LOM 40 Years	Total	211,751	Total	58,039
Kusheyakovskaya	Measured	162,852	Proved	1,580
Underground Mine	Indicated	99,475	Probable	0
LOM 1 Year	Total	262,327	Total	1,580
Alardinskaya	Measured	384,471	Proved	82,341
Underground Mine	Indicated	261,514	Probable	10,341
LOM 49 Years	Total	645,985	Total	92,682
Gramoteinskaya	Measured	44,945	Proved	
Underground Mine	Indicated	34,367	Probable	
LOM 0 Years	Total	79,312	Total	
Yesaulskaya	Measured	61,756	Proved	11,116
Underground Mine	Indicated	51,890	Probable	31,995
LOM 37 Years	Total	113,646	Total	43,111
Osinnikovskaya	Measured	86,216	Proved	16,728
Underground Mine	Indicated	304,515	Probable	40,125
LOM 49 Years	Total	390,731	Total	56,853
Uskovskaya	Measured	149,369	Proved	127,117
Underground Mine	Indicated	44,674	Probable	4,813
LOM 84 Years	Total	194,043	Total	131,930
Yerunakovskaya VIII	Measured	106,504	Proved	106,504
Underground Mine	Indicated	119,049	Probable	13,164
LOM 63 Years	Total	225,553	Total	119,668
Yuzkuzbassugol	Measured	1,060,090	Proved	382,559
Total	Indicated	1,063,258	Probable	121,304
	Total	2,123,348	Total	503,863

Note
Resources include undiscounted reserves.
Reserves include adjustments for loss and dilution modifying factors.
LOM refers relates to Reserves.
Reserves and Resources are in-situ or ROM (Run of Mine) tonnes.

ADDITIONAL INFORMATION DATA ON MINERAL RESOURCES

Continued

Raspadskaya JORC Equivalent Coal Reserves and Resources as at 1 July 2013

	Mineral Resources		Ore Reserves	
Mine	Category	'000t	Category	'000t
Raspadskaya	Measured	1,133,900	Proved	234,106
LOM 98 Years	Indicated	0	Probable	624,493
	Total	1,133,900	Total	858,599
MUK 96	Measured	300,733	Proved	83,744
LOM 97 Years	Indicated	0	Probable	112,822
	Total	300,733	Total	196,566
Raspadskaya Koksovaya	Measured	426,580	Proved	83,389
LOM 70 Years	Indicated	0	Probable	106,505
	Total	426,580	Total	189,894
Raspadsky	Measured	138,117	Proved	75,743
LOM 28 Years	Indicated	0	Probable	44,444
	Total	138,117	Total	120,187
Raspadskaya	Measured	1,999,330	Proved	476,982
Total	Indicated	0	Probable	888,264
	Total	1,999,330	Total	1,365,246

Note
Resources include undiscounted reserves.
Reserves include adjustments for loss and dilution modifying factors.

EVRAZ Total JORC Equivalent Coal Reserves and Resources as at 1 July 2013

	Mineral Resources		Ore Reserves	
Enterprise	Category	'000t	Category	'000t
Yuzkuzbassugol	Measured	1,060,090	Proved	382,559
	Indicated	1,063,258	Probable	121,304
	Total	2,123,348	Total	503,863
Raspadskaya	Measured	1,999,330		476,982
	Indicated	0		888,264
	Total	1,999,330	Total	1,365,246
EVRAZ	Measured	3,059,420	Proved	859,541
Total	Indicated	1,063,258	Probable	1,009,568
	Total	4,122,678	Total	1,869,109

Note
Resources include undiscounted reserves.
Reserves include adjustments for loss and dilution modifying factors.

Evrazruda JORC Equivalent Iron Ore Reserves and Resources as at 1 July 2013

	Mineral Resources				Ore Reserves			
Mine	Category	'000t	Fe %	S %	Category	'000t	Fe %	S %
Teia	Measured	111,575	30.6	1.0	Proved	1,247	32.1	1.0
LOM 1 Year	Indicated	22,627	30.4	1.1	Probable	0	0.0	0.0
	Total	134,202	30.5	1.1	Total	1,247	32.1	1.0
Irbra	Measured	30,672	39.5	1.4	Proved	0	0.0	0.0
LOM 0 Years	Indicated	2,303	40.9	1.7	Probable	0	0.0	0.0
	Total	32,975	39.6	1.4	Total	0	0.0	0.0
Tashtagol	Measured	59,698	40.8	1.2	Proved	8,624	38	1
LOM 5 Years	Indicated	750	31.5	2.2	Probable	0	0	0
	Total	60,448	40.7	1.2	Total	8,624	38	1
Sheregesh	Measured	142,679	35.9	1.2	Proved	67,887	29.8	0.9
(Gorno-Shorsky)	Indicated	7,234	35.7	1.2	Probable	5,441	27.9	0.8
LOM 20+ years	Total	149,913	35.9	1.2	Total	73,328	29.7	0.9
Kaz	Measured	50,390	41.9	1.3	Proved	11,477	32.9	0.9
LOM 20+ Years	Indicated	12,680	41.5	1.3	Probable	0	0.0	0.0
	Total	63,070	41.9	1.3	Total	11,477	32.9	0.9
Abakan	Measured	101,833	40.9	2.5	Proved	5,455	32.4	1.0
LOM 3 Years	Indicated	4,363	38.3	2.5	Probable	46	32.8	1.7
	Total	106,196	40.8	2.6	Total	5,501	32.4	1.0
Evrazruda	Measured	496,847	37.1	1.5	Proved	94,690	31.1	0.9
Total	Indicated	49,957	35.2	1.3	Probable	5,487	28.0	0.8
	Total	546,804	37.0	1.5	Total	100,177	30.9	0.9

Note
Resources include undiscounted reserves.
Reserves include adjustments for loss and dilution modifying factors.
LOM refers relates to Reserves.
Reserves and Resources are in-situ or ROM (Run of Mine) tonnes.

ADDITIONAL INFORMATION DATA ON MINERAL RESOURCES

Continued

Kachkanarsky GOK (EVRAZ KGOK) JORC Equivalent Iron Ore Reserves and Resources as at 1 July 2013

	Mineral Resources				Ore Reserves			
Mine	Category	'000 t	Fe %	V2O5 %	Category	'000 t	Fe %	V2O5 %
Main	Measured	441,450	16.18	0.14	Proved	437,130	16.1	0.14
Open Pit	Indicated	8,300	16.18	0.14	Probable	8,210	16.1	0.14
LOM 29 Years	Total	449,750	16.18	0.14	Total	445,340	16.1	0.14
South	Measured	21,260	16.66	0.16	Proved	21,020	16.6	0.16
Open Pit	Indicated	39,460	16.66	0.16	Probable	39,020	16.6	0.16
LOM include in Main	Total	60,720	16.66	0.16	Total	60,040	16.6	0.16
North	Measured	653,250	15.7	0.12	Proved	638,310	15.6	0.12
Open Pit	Indicated				Probable			
LOM 26 Years	Total	653,250	15.7	0.12	Total	638,310	15.6	0.12
West	Measured	178,450	16.1	0.16	Proved	176,930	16.1	0.16
Open Pit	Indicated				Probable			
LOM 15 Years	Total	178,450	16.1	0.16	Total	176,930	16.1	0.16
Kachkanar Proper (Sobstvenno-Kachkanarskoye deposit)	Measured	5,113,120	16.7	0.15	Proved	5,165,830	16.5	0.14
Open Pit	Indicated	1,720,850	16.7	0.15	Probable	1,738,590	16.5	0.14
LOM 100 Years	Total	6,833,970	16.7	0.15	Total	6,904,420	16.5	0.14
Total	Measured	6,407,530	16.5	0.14	Proved	6,439,220	16.4	0.14
	Indicated	1,768,610	16.7	0.15	Probable	1,785,820	16.5	0.14
	Total	8,176,140	16.5	0.14	Total	8,225,040	16.4	0.14

Note
Resources include undiscounted reserves.
Reserves include adjustments for loss and dilution modifying factors.
LOM refers relates to Reserves.
Figures are based on the combined Measured and Indicated resources and assume mining loss and dilution factors. Reserves and Resources are in-situ or ROM tonnes.

EVRAZ Total JORC Equivalent Iron Ore Reserves and Resources as at 1 July 2013

	Mineral Resources			Ore Reserves		
Enterprise	Category	'000t	Fe%	Category	'000t	Fe%
Evrazruda	Measured	496,847	37.1	Proved	94,690	31.1
	Indicated	49,957	35.2	Probable	5,487	28.0
	Total	546,804	37.0	Total	100,177	30.9
Kachkanarsky	Measured	6,407,530	16.5	Proved	6,439,220	16.4
	Indicated	1,768,610	16.7	Probable	1,785,820	16.5
	Total	8,176,140	16.5	Total	8,225,040	16.4
EVRAZ	Measured	6,904,377	18.0	Proved	6,533,910	16.6
Total	Indicated	1,818,567	17.2	Probable	1,791,307	16.5
	Total	8,722,944	17.8	Total	8,325,217	16.6

Note
Resources include undiscounted reserves.
Reserves include adjustments for loss and dilution modifying factors.
Reserves and Resources are in-situ or ROM (Run of Mine) tonnes.

ADDITIONAL INFORMATION
TERMS AND ABBREVIATIONS

Term	Definition
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
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
Coal washing	The process of removing mineral matter from coal usually through density separation, for coarser coal and using surface chemistry for finer particles
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
Continuous casting machine	Process whereby molten metal is solidified into a "semi-finished" billet, bloom, or slab for subsequent rolling in the finishing mills
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
Deposit	An area of coal resources or reserves identified by surface mapping, drilling or development
Electric arc furnace	A furnace used in the steelmaking process which heats charged material via an electric arc
Feasibility study	A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the technical and economic viability of a project and to support the search for project financing
Finished products	Products that have completed the manufacturing process but have not yet been sold or distributed to the end user
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

Term	Definition
Head-hardened rails	High strength rails with head hardened by heat treatment
Heat-treatment	A group of industrial and metalworking processes used to alter the physical, and sometimes chemical, properties of a material
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
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
JORC Code	The Australasian Joint Ore Reserves Committee, which is widely accepted as a standard for professional reporting of Mineral Resources and Ore Reserves
Kt	Thousand tonnes
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
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
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
Mt	Million tonnes
Mtpa	Million tonnes per annum
Open pit mine	A mine working or excavation open to the surface where material is not replaced into the mined out areas
OCTG pipe	Oilfield Casing and Tubing Goods or Oil Country Tubular Goods – pipes used in the oil industry
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
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

ADDITIONAL INFORMATION TERMS AND ABBREVIATIONS

Continued

Term	Definition
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
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
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
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

ADDITIONAL INFORMATION CONTACT DETAILS

Registered Name and Number
EVRAZ plc (Company No. 07784342)

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Solicitors
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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
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United Kingdom
Tel: +44 (0) 870 873 5848
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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.

NOTES

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