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

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS PROSPECTUS MAY ONLY BE DISTRIBUTED WITHIN THE UNITED STATES TO QIBS (AS DEFINED BELOW) OR OUTSIDE OF THE UNITED STATES TO NON-US PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**")). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THIS PROSPECTUS (THE "**NOTES**") HAVE NOT BEEN, AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") OR (2) A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your Representation: In order to be eligible to view this Prospectus or make an investment decision with respect to the Notes, you must be (i) a non-U.S. Person outside of the United States or (ii) a QIB. By accepting the e-mail and accessing this Prospectus, you shall be deemed to have represented to us that (i) you are (a) a QIB, or (b) not a U.S. Person, or acting for the account or benefit of a U.S. Person, and that the electronic mail address you have provided and to which this electronic transmission has been sent is not located in the United States; (ii) you consent to delivery by electronic transmission; and (iii) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any Notes. You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver, forward or distribute this Prospectus (or any reproduction of this Prospectus) to any other person.

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

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

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

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Joint Lead Managers nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

U.S.$1,000,000,000 6.50% NOTES DUE 2020

EVRAZ GROUP S.A.

Issue price of the Notes: 100%

Evraz Group S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg having its registered office at 46A, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, registered with the Register of Trade and Companies under number B105615 (the "**Issuer**" and, together with its consolidated subsidiaries, "**Evraz**"), is issuing an aggregate principal amount of U.S.$1,000,000,000 6.50% Notes due 2020 (the "**Notes**") (the "**Offering**"). The Notes will be constituted by, and have the benefit of, a trust deed dated 22 April 2013 (the "**Trust Deed**"), between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**").

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

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 22 April 2020. All, but not some only, of the Notes are subject to redemption at their principal amount (together with interest accrued to but excluding the redemption date) at the option of the Issuer at any time in the event of certain changes affecting taxation in any Relevant Jurisdiction (as defined in Condition 8 of the Notes (*Taxation*)). The Issuer may also redeem the Notes, in whole or in part, at any time on at least 30 days' notice but not more than 60 days' notice to Noteholders at their principal amount plus Applicable Premium (as defined in Condition 19 of the Notes (*Definitions*)), together with accrued interest to the redemption date (see Condition 7.3 of the Notes (*Redemption at Make-Whole*)).

Interest on the Notes is payable semi-annually in arrear on 22 October and 22 April of each year commencing on 22 October 2013, as described in Condition 5 of the Notes (*Interest*). The Notes will bear interest from, and including, 22 April 2013 at a rate of 6.50% per annum. The issue price of the Notes is 100% of their principal amount, and the issue date of the Notes is 22 April 2013 (the "**Issue Date**").

INVESTING IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "*RISK FACTORS*" BEGINNING ON PAGE 16.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and, subject to certain exceptions, may not be offered or sold in the United States, or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act). Accordingly, the Notes are being offered and sold only to qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on the exemption from registration under the Securities Act provided by Rule 144A (the "**Rule 144A Notes**") and (ii) in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") (the "**Regulation S Notes**"). Prospective purchasers of the Rule 144A Notes are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".

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

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

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

Joint Lead Managers and Bookrunners

ING **J.P. Morgan**

Joint Lead Manager

UBS Investment Bank

The date of this Prospectus is 18 April 2013.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

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

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

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

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

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

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or ING Bank N.V., London Branch, J.P. Morgan Securities plc and UBS Limited (the "**Joint Lead Managers**") or the Trustee to subscribe for or purchase any Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Joint Lead Managers and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers, sales and deliveries of Notes and distribution of this Prospectus and other offering material, see "*Subscription and Sale*".

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

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

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

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

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

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE JOINT LEAD MANAGERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS DOCUMENT, AND NOTHING CONTAINED IN THIS DOCUMENT IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. NONE OF THE JOINT LEAD MANAGERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS DOCUMENT. EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON THE JOINT LEAD MANAGERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION OR ITS INVESTMENT DECISION. EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN THE NOTES MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF THE ISSUER AND EVRAZ AND ITS OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

NOTICE TO U.S. INVESTORS

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "**U.S. SEC**"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

For certain additional restrictions applicable to U.S. investors see "*Transfer Restrictions*" and "*Subscription and Sale*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO UNITED KINGDOM RESIDENTS

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

NOTICE TO RUSSIAN FEDERATION INVESTORS

Under Russian law, the Notes are securities of a foreign issuer. The Notes are not eligible for initial offering or distribution and circulation in Russia unless otherwise permitted under Russian law. Neither the issue of the Notes nor a securities prospectus in respect of the Notes has been, or is intended to be, registered with the Federal Service for Financial Markets ("**FSFM**"). The information provided in this Prospectus is not an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer the Notes in Russia or to, or for the benefit of, any Russian person or entity. No person should at any time carry out any activities in breach of the restrictions set out in "*Subscription and Sale—Russian Federation*".

AVAILABLE INFORMATION

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

FORWARD LOOKING STATEMENTS

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

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

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

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

Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision.

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

ENFORCEABILITY OF JUDGMENTS

The Issuer is a corporation organised under the laws of Luxembourg. All of its officers reside outside the U.S. In addition, the majority of the Issuer's assets and the majority of the assets of its directors and officers are located outside the U.S. As a result, it may not be possible to effect service of process within the U.S. upon the Issuer or its directors and officers or to enforce in the U.S. courts or outside the U.S. judgments obtained against them in U.S. courts or in courts outside the U.S., including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the securities laws of any state or territory within the U.S. There is also doubt as to the enforceability in England and Wales, whether by original actions or by seeking to enforce judgments of U.S. courts, of claims based on the federal securities laws of the U.S.

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

In Luxembourg, the enforcement of judgments obtained outside of Luxembourg is conditional upon obtaining an enforcement order in Luxembourg pursuant to Regulation (EC) 44/2001 or Regulation (EC) 805/2004 or exequatur proceeding pursuant to the Luxembourg New Code of Civil Procedure as the case may be. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Luxembourg.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Market and Other Statistical Data

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

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

Market data used in this Prospectus, as well as certain statistics, including statistics in respect of product sales, volumes of third parties and market share have been extracted from official and industry sources and other third party sources that the Issuer believes to be reliable, such as the Central Bank of the Russian Federation (the "**CBR**"), the International Monetary Fund (the "**IMF**"), Worldsteel, Metal Expert, the U.S. Geological Survey and the Russian State Mineral Resources Agency ("**Rosnedra**"), among others. Unless otherwise stated, the reserve and resources data for Evraz included in this Prospectus has been extracted from a report by the IMC Group Consulting Ltd. ("**IMC**").

Presentation of Financial Information

The Issuer's audited consolidated financial statements in respect of the financial years ended 31 December 2012, 2011 and 2010 (the "**Consolidated Financial Statements**") were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and audited in accordance with International Standards on Auditing as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*". The Consolidated Financial Statements can be found beginning on page F-2 of this Prospectus.

Presentation of Non-IFRS Measures

This Prospectus contains certain non-IFRS measures, including "liquidity", "Adjusted EBITDA", "net debt" and "amounts available under credit facilities". Evraz uses these measures as supplemental measures because they are regularly used by security analysts, rating agencies, investors and other parties to evaluate a company's operating performance. Non-IFRS measures, including "liquidity", "Adjusted EBITDA", "net debt" and "amounts available under credit facilities", have important limitations as analytical tools and investors should not consider them in isolation or as substitutes for analysis of Evraz's results as reported under IFRS. These and similar measures are used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing these measures as reported by Evraz to the measures as reported by other companies.

Currencies

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

Exchange Rate Information

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

The table below sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the Rouble and the U.S. dollar, based on the official exchange rate quoted by the CBR. Fluctuations in the

exchange rates between the rouble and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of Evraz's financial statements and other information presented in this Prospectus.

	Roubles per U.S. dollar			
Year Ended 31 December	**High**	**Low**	**Average[1]**	**Period End**
2008	29.38	23.13	24.86	29.38
2009	36.43	28.67	31.93	30.24
2010	31.78	28.93	30.38	30.48
2011	32.68	27.26	29.38	32.20
2012	34.04	28.95	31.09	30.37

	Roubles per U.S. dollar			
Year Ended 31 December	**High**	**Low**	**Average[1]**	**Period End**
January	30.42	30.03	30.26	30.03
February	30.62	29.93	30.16	30.62
March	31.08	30.51	30.80	31.08
April (through 17 April)	31.72	30.88	31.26	31.45

Source: CBR

Note:

(1) The average of the exchange rates on the last business day of each month for the relevant annual period and on each business day for any other period.

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

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

References

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

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

Rounding

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

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OVERVIEW

Overview of Evraz

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

Evraz is a vertically integrated steel, mining and vanadium business with operations in Russia, Ukraine, North America, the European Union and South Africa. In 2012, Evraz produced 15.9 million tonnes of crude steel and sold 15.3 million tonnes of rolled steel products to third parties. According to Metal Expert, Evraz was the third largest crude steel producer by crude steel volume in Russia in 2012, and the largest manufacturer by volume of long products for the construction and railway industries in Russia and the CIS in 2012. Evraz also produces significant quantities of iron ore and coking coal, most of which are used in its own steelmaking operations. In 2012, Evraz produced 20.8 million tonnes of iron ore products and 8.5 million tonnes of coking coal, as well as 2.3 million tonnes of steam coal. Evraz is also one of the leading producers of vanadium globally. In 2012, Evraz produced 18.4 thousand tonnes of ferrovanadium and other finished vanadium products.

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

- Steel production facilities:
  - EVRAZ United West-Siberian Iron and Steel Plant ("**United EVRAZ ZapSib**"), the business unit that combines two integrated steel production facilities: the former West-Siberian and Steel Plant ("**ZapSib**"), located near Novokuznetsk, in the Kemerovo region of Russia, which is one of the largest construction steel producers in Russia, and Novokuznetsk Iron and Steel Plant ("**NKMK**"), located in Novokuznetsk, which is one of the leading rail producers globally;
  - EVRAZ Nizhny Tagil Iron and Steel Plant ("**EVRAZ NTMK**"), located in Russia's Nizhny Tagil, in the Sverdlovsk region, one of the largest integrated steel production mills in Russia and a producer of vanadium slag;
  - EVRAZ Dnepropetrovsk Iron and Steel Works ("**EVRAZ DMZP**"), located in Dnepropetrovsk, Ukraine, an integrated steel mill specialising in the manufacture of billets and construction rolled products;
  - EVRAZ Inc. N.A. and EVRAZ Inc. N.A. Canada (together referred as "**EVRAZ North America**"), a diversified steel manufacturer in North America, located at multiple sites in the United States and Canada producing steel pipes, plates and long products; and
  - EVRAZ Palini e Bertoli ("**EVRAZ Palini**"), located in Italy, a manufacturer of high quality plate products.
  - Evraz has also initiated the process of disposing of several additional steel production facilities, each of which is currently accounted for as held for sale:
    - EVRAZ Vitkovice Steel a.s. ("**EVRAZ Vitkovice**"), a manufacturer of rolled steel products located in Czech Republic; and
    - EVRAZ Highveld Steel and Vanadium Limited ("**EVRAZ Highveld**"), located in South Africa, a producer of steel and vanadium slag.

- Iron ore mining and processing facilities:
  - EVRAZ Kachkanarsky Mining-and-Processing Integrated Works ("**EVRAZ KGOK**"), located in the Sverdlovsk region near EVRAZ NTMK in Russia;
  - Vysokogorsky Ore Mining and Processing Enterprise ("**EVRAZ VGOK**"), located in the Sverdlovsk region near EVRAZ NTMK in Russia;
  - Evrazruda ("**Evrazruda**"), which operates iron ore mines in the Kemerovo region near United EVRAZ ZapSib, in the Republic of Khakassia and in south Krasnoyarsk Krai in Russia; and
  - EVRAZ Sukha Balka ("**EVRAZ Sukha Balka**") located in the Dnepropetrovsk region of Ukraine, near EVRAZ DMZP; and
  - Mapochs Mine, a subsidiary of EVRAZ Highveld Steel and Vanadium, located in Roossenekal in the Limpopo region of South Africa, which mines titaniferous magnetite ore.

- Coal mining:

  - Yuzhkuzbassugol ("**Yuzhkuzbassugol**"), located in the Kemerevo region in Russia, near United EVRAZ ZapSib, a producer of coking coal, steam coal and concentrate.

- Vanadium production facilities:

  - Strategic Minerals Corporation ("**Stratcor**") with operations in the United States and South Africa;
  - EVRAZ Nikom, a.s. ("**EVRAZ Nikom**"), a ferrovanadium producer located in the Czech Republic; and
  - EVRAZ Vanady-Tula ("**EVRAZ Vanady-Tula**") located in Russia.

- Other principal assets include:

  - EVRAZ Nakhodka Trade Sea Port, one of the largest ports in the Russian Far East and through which Evraz ships most of its Russian exports;
  - East Metals A.G. ("**East Metals**") and Trading Company EvrazHolding ("**TC EvrazHolding**"), two of Evraz's sales and trading companies; and
  - EVRAZ Metall Inprom, which operates 62 steel service centres located in Russia and Kazakhstan that finish and distribute steel products produced by Evraz.

Evraz also currently indirectly owns a 41% equity interest in Raspadskaya, one of Russia's largest coking coal producers. In January 2013, EVRAZ plc acquired an additional 41% equity interest in Raspadskaya, resulting in an 82% consolidated equity interest in Raspadskaya by Evraz's parent company, EVRAZ plc, while the remaining 18% of shares are publicly traded on the Moscow Exchange. For additional information on Raspadskaya, please see "*Business—Mining Business—Raspadskaya*".

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

Overview of Consolidated Financial and Other Information

The selected consolidated financial information set forth below presents historical consolidated financial information and other operating information of the Issuer as of 31 December 2012, 2011 and 2010 and for the years then ended. The selected consolidated financial information has been extracted without material adjustment from, and should be read in conjunction with, the Consolidated Financial Statements. The selected consolidated financial information should also be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

	2012	2011	2010
		(U.S.$ millions)	
CONSOLIDATED STATEMENT OF OPERATIONS DATA			
Revenues	14,726	16,400	13,394
Cost of revenues	(11,797)	(12,473)	(10,319)
Gross profit	**2,929**	**3,927**	**3,075**
Selling and distribution expenses	(1,211)	(1,154)	(807)
General and administration expenses	(850)	(920)	(732)
Other operating income and expenses, net	(615)	8	(206)
Profit from operations	**253**	**1,861**	**1,330**
Non-operating income and expense, net	(148)	(987)	(697)
Profit before tax	**105**	**874**	**633**
Income tax expense	(229)	(420)	(163)
Net profit/(loss)	**(124)**	**454**	**470**
Net profit/(loss) attributable to equity holders of the parent entity	**(97)**	**462**	**486**
Net loss attributable to non-controlling interests	(27)	(8)	(16)
Net income/(loss) per share	(0.65)	3.21	3.51
Weighted average number of ordinary shares outstanding	148,881,040	143,956,990	138,623,788
Steel segment income statement data			
Revenues[(1)]	13,543	14,717	12,123
Profit/(loss) from operations	845	580	878
Mining segment statement of operations data			
Revenues[(1)]	2,650	3,784	2,507
Profit/(loss) from operations	(455)	1,150	613
Vanadium segment statement of operations data			
Revenues[(1)]	520	665	566
loss from operations	(67)	(13)	(10)
Other operations statement of operations data			
Revenues[(1)]	1,046	966	823
Profit from operations	150	162	77
CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA (at year end)			
Cash and cash equivalents	1,314	801	683
Net debt	5,937	6,442	7,184
Total assets	17,696	16,983	17,539
Equity attributable to equity holders of the parent entity	5,372	5,565	5,689
Non-controlling interests	168	225	247
Long-term debt, net of current portion	6,370	6,593	7,097
CONSOLIDATED CASH FLOWS DATA			
Net cash flows from operating activities	2,153	2,647	1,662
Net cash flows (used in)/from investing activities	(1,301)	(1,188)	(744)
Net cash flows (used in) financing activities	(301)	(1,282)	(899)

Note:

(1) Segment revenues include inter-segment sales.

Overview of the Notes	
Issuer	Evraz Group S.A.
Issue	U.S.$1,000,000,000 6.50% Notes due 2020
Issue Price	100% of the principal amount of the Notes
Issue Date	22 April 2013
Maturity Date	22 April 2020
Joint Lead Managers	ING Bank N.V., London Branch, J.P. Morgan Securities plc and UBS Limited
Trustee	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent	The Bank of New York Mellon, London Branch
Paying Agent(s)	The Bank of New York Mellon, London Branch; The Bank of New York Mellon (Luxembourg) S.A.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
Interest	The Notes will bear interest from and including 22 April 2013 at a rate of 6.50% per annum payable semi-annually in arrear on 22 October and 22 April in each year, commencing on 22 October 2013.
Form and Denomination	The Notes will be issued in registered form, in minimum denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof. The Regulation S Notes will be represented by interests in a Regulation S Global Note Certificate and the Rule 144A Notes will be represented by the Rule 144A Global Note Certificates, in each case without coupons. The Global Note Certificates will be exchangeable for Individual Certificates only in the limited circumstances specified in the Global Note Certificates. No Individual Certificate will be available in bearer form.
Initial Delivery of Notes	On or before the Issue Date, the Regulation S Global Note Certificate will be registered in the name of a nominee for, and deposited with The Bank of New York Mellon, London Branch as common depositary for Euroclear and Clearstream, Luxembourg, and the Rule 144A Global Note Certificate will be registered in the name of Cede & Co., and deposited with The Bank of New York Mellon, London Branch as custodian for DTC.
Risk Factors	An investment in the Notes involves a high degree of risk. See "*Risk Factors*".
Status of the Notes	The Notes are direct, unconditional and unsecured obligations of the Issuer which rank and will rank *pari passu*, without any preference among themselves, with all other outstanding present and future unsecured and unsubordinated obligations of the Issuer.
Covenants	The Terms and Conditions of the Notes (the "**Terms and Conditions**") contain restrictions on certain activities of the Issuer and certain subsidiaries of the Issuer, including: (i) limitation on the incurrence of liens; (ii) limitation on the incurrence of indebtedness; (iii) limitation on transactions with affiliates; (iv) limitation on asset sales; (v) limitation on certain mergers and similar transactions; (vi) requirements for the maintenance of authorisations, property and insurance; (vii) requirements for the payment of taxes and other claims; (viii) requirement for the provision of certain financial information; (ix) restriction on change of line of business; and (x) limitation on dividend and other payment restrictions affecting Material Subsidiaries, and an obligation to declare and pay dividends by Material Subsidiaries.

	There are significant exceptions to the requirements contained in these covenants and certain covenants cease to apply should the Issuer achieve multiple investment grade ratings. Provided there has been no Issuer Substitution (as defined below), the Terms and Conditions permit the Issuer to designate EVRAZ plc as guarantor of the Notes (the "**Designation**") to add EVRAZ plc as a guarantor of the Notes and require EVRAZ plc to comply with the Terms and Conditions. As a result of the Designation, EVRAZ plc will become subject to the Terms and Conditions of the Notes (including the covenants set out in Condition 4) and any intercompany transaction among EVRAZ plc, on the one hand, and the Issuer and its subsidiaries, on the other, will be treated in the same manner as transactions among the Issuer and its Subsidiaries prior to the Designation. After Designation, reports required to be provided to Noteholders under the Terms and Conditions will be provided by, and will contain consolidated financial information of, EVRAZ plc (instead of the Issuer) and the Leverage Ratio (as defined in the Terms and Conditions) and other financial measures will be calculated based on the consolidated financial statements of EVRAZ plc (instead of the Issuer). The Designation will be subject to conditions, including meeting a Leverage Ratio test on a pro forma basis giving effect to the Designation, and that at the time of the Designation, the assets and indebtedness of EVRAZ plc on a stand-alone basis be less than 10% of the consolidated assets and indebtedness of EVRAZ plc on a consolidated basis. See Condition 4 ("*Covenants*") and Condition 19 ("*Definitions*") for a further description of the restrictions and definitions set forth above.
Issuer Substitution	The Issuer may, without the consent of the Noteholders, elect that EVRAZ plc be substituted in its place as issuer (such substitution, an "**Issuer Substitution**"), provided the conditions set out in Condition 3.8 are met. Upon any Issuer Substitution, references to "Issuer" in the Terms and Conditions of the Notes, the Trust Deed and the Agency Agreement will be deemed to be to EVRAZ plc rather than the Issuer. See "*—Substitution of the Issuer*". If a Ratings Downgrade (as defined in Condition 19) occurs within 60 calendar days of an Issuer Substitution, a holder of a Note will have the option to require the Issuer to redeem such Note at its principal amount together with accrued and unpaid interest (if any). See "*—Redemption at the option of Noteholders following a Ratings Downgrade*".
Cross Acceleration	The Notes contain a cross acceleration provision in respect of certain indebtedness of the Issuer or any Material Subsidiary (as defined in Condition 19 ("*Definitions*") in excess of U.S.$50 million (or its equivalent in another currency) in the aggregate. See Condition 10 ("*Events of Default*").
Ratings	The Notes have been rated BB−(EXP) by Fitch and B+ by Standard & Poor's. The Issuer has been rated BB− (stable) by Fitch, Ba3 (stable) by Moody's and B+ (stable) by Standard & Poor's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. The ratings do not address the likelihood that the principal of the Notes will be prepaid or paid on a particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser would be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Redemption at Make Whole	The Issuer may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, plus accrued and unpaid interest to, the redemption date. See Condition 7.3 ("*Redemption at Make-Whole*").
Redemption for Taxation Reasons	The Issuer may redeem the Notes, in whole but not in part, at their principal amount together with interest accrued to but excluding the date of redemption in the event of certain changes in taxation by a Relevant Jurisdiction. See Condition 7.2 ("*Redemption for Taxation Reasons*").

Redemption at the option of Noteholders following a Rating Downgrade	If following Issuer Substitution a Rating Downgrade occurs, the holder of a Note will have the option to require the Issuer to redeem such Note at 100% of its principal amount together with accrued and unpaid interest (if any). See Condition 7.4 ("*Redemption at the option of Noteholders upon a Rating Downgrade*").
Taxation	Except as set forth herein, payments in respect of the Notes will be made without any deduction or withholding for or on account of taxes of any Relevant Jurisdiction.
ERISA	In general, subject to certain conditions,Benefit Plan Investors (as defined in "*ERISA and Certain Other U.S. Considerations*") will be eligible to purchase (or hold any interest in) the Notes. See "*ERISA and Certain Other U.S. Considerations*".
Listing	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.
Selling Restrictions	United Kingdom, United States and Russian Federation. See "*Subscription and Sale*".
Governing Law and Jurisdiction	The Notes, the Trust Deed and the Agency Agreement (as defined below) and any non-contractual obligations arising out of or in relation to the Notes, the Trust Deed and the Agency Agreement are governed by English law and contain provisions for disputes to be referred to the English courts. The provisions of articles 86 to 94-8 of the Luxembourg law of 10 August 1915, as amended, on commercial companies are excluded.
Use of Proceeds	The net proceeds to Evraz from the Offering of the Notes are expected to be approximately U.S.$995,000,000, and Evraz intends to use these net proceeds to refinance existing indebtedness as described in "*Use of Proceeds*".
Security Codes	Regulation S ISIN: XS0808638612 Common Code: 080863861 Rule 144A ISIN: US30050AAF03 Common Code: 78394986 CUSIP: 30050AAF0
Clearing	Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Notes) and DTC (in the case of the Rule 144A Notes).
Yield	The annual yield of the Notes when issued is 6.50%.

RISK FACTORS

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

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

RISKS RELATING TO EVRAZ'S BUSINESS AND INDUSTRY

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

Evraz's primary products, steel, coal, iron ore and vanadium, are subject to cyclical market conditions. The steel industry is cyclical because the major industries in which the majority of its steel customers operate, and particularly the construction industry, are themselves cyclical and sensitive to changes in general economic conditions. The demand for steel products is thus generally correlated with macroeconomic fluctuations in the economies in which steel producers sell products, which are, in turn, affected by global economic conditions. Coal and iron ore are subject to similar cyclical fluctuations, as is vanadium. Moreover, as Evraz's primary products are sold to similar markets, there is a high degree of correlation between the cyclicality of each product. The prices of these commodities, and of Evraz's steel products, more generally, are influenced by many factors, including demand, worldwide production capacity, capacity utilisation rates, raw material costs, exchange rates and trade barriers. Both demand for and global production capacity of, and, as a result, the price of, these commodities and Evraz's steel products have been heavily influenced by the emerging markets, particularly China and India. For example, China is the largest global steel producer, and the balance between its domestic production and consumption has been an important driver of steel prices globally. The global economic downturn that began in 2008 resulted in a sharp decline in the demand for, and prices of, steel, iron ore, coal and vanadium products in the last quarter of 2008 and first quarter of 2009. Despite a subsequent partial recovery in steel prices over the past couple of years, prices remain generally below their previous peaks. Throughout much of 2012, steel prices softened globally, with steel demand subdued as a result of the uncertain macroeconomic environment. There can be no guarantee that steel prices will not continue to decline. A sustainable weakness in sectors of the economy that are substantial consumers of steel products in particular could adversely affect Evraz's business.

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

Evraz's business is dependent on the global economic environment.

The global economic downturn that began in 2008 had a significant adverse impact on the steel and mining industries, including both pricing and demand for steel products and iron ore and coal. This period was also characterised by extreme volatility in the debt and equity markets, which led to severe reductions in liquidity and a general increase in the cost of borrowing for private sector borrowers. The second half of 2009, the year 2010 and the first half of 2011 were characterised by a number of positive developments in the global markets, as key emerging and developing economies demonstrated a strong demand for raw materials, supported by government stimulus initiatives. This was coupled with general restocking in the steel market and growth of consumption in the U.S. market. According to the IMF, global GDP increased by 5.2% in 2010 compared to 2009 and increased by 3.8% in 2011 compared to 2010. The second half of 2011 and 2012 were characterised by an uncertain and volatile macroeconomic environment in both emerging and developed markets that negatively affected commodity markets including the steel industry. As a result, overall world economic growth decelerated and, according to the IMF, global GDP increased by 3.2% in 2012 compared to 2011. The global economy is subject to a number of uncertainties, including mounting government deficits, discontinuation of certain government stimulus programmes, deflation in certain markets and continuing high levels of unemployment. If global economic conditions deteriorate

or a similar economic contraction were to reoccur in any of Evraz's key geographic markets, the resulting contraction in demand for many of Evraz's products and the tightening of the credit markets could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

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

Evraz derived 42% of its total consolidated revenues in 2012 from sales to customers in Russia and 24% of its total consolidated revenues in 2012 from sales to customers in North America. The overall success of Evraz's operations, therefore, is closely tied to the economic prosperity, stability and demand for its products from these two regions. The economies of these two regions can be volatile and unpredictable. The Russian economy, for example, has experienced significantly fluctuating growth rates over the past two decades. In 2009, the effect of the global economic and financial crisis resulted in Russia's real GDP declining by 7.8% and a decline in industrial production by 10.8%. In the same year, the United States posted a real GDP decline of 2.4% and its industrial production declined by 9.7%. With the gradual global recovery in 2010 and 2011, Russia's real GDP increased by 4.3% in each of these years, and the United States experienced a 3.0% and 1.7% real GDP increase, respectively. In 2012, the volatile economic environment led to a softening of real GDP growth in Russia, which, according to Rosstat, increased by 3.4% compared to 2011. At the same time, the United States posted a 2.2% real GDP increase in 2012, according to the U.S. Department of Commerce. Moreover, Evraz's primary market in Russia is the construction industry, which is particularly vulnerable to general economic downturns, leaving Evraz exposed to such downturns. Any significant decrease in demand for steel products or decline in the price of these products, particularly in Russia or in North America, could result in significantly reduced revenues, thereby materially adversely affecting Evraz's business, financial condition, results of operations and future prospects.

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

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

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

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

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

The manufacturing processes of all steel producers and mine operators depend on critical pieces of equipment, which may, on occasion, go out of service unexpectedly as a result of failures, unplanned maintenance or otherwise. Evraz's steel manufacturing processes depend on critical pieces of steelmaking equipment, such as furnaces, continuous casters and rolling equipment, and electrical equipment, such as transformers. This equipment could be damaged or malfunction. In the event of equipment failure or damage to its facilities, Evraz may experience loss of revenues or customers due to material plant shutdowns or periods of reduced production and may require large capital expenditures to repair or replace faulty machinery or to repair damaged facilities. In addition, the mining business involves a number of other risks and hazards normally associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or property. In particular, hazards associated with Evraz's open-pit mining operations include flooding of the open pit, collapses of the open-pit wall, accidents related to the operation of large open-pit mining and rock transportation equipment, accidents related to the preparation and ignition of large scale open-pit blasting operations, production disruptions due to weather and hazards related to the disposal of mineralised wastewater, such as groundwater and waterway contamination. Hazards associated with Evraz's underground mining operations include: underground fires and explosions, including those caused by flammable gas; cave-ins or ground falls; discharge of gases; flooding; sinkhole formation and ground subsidence; and other accidents and conditions resulting from drilling, blasting and removing and processing material from an underground mine. If any of these hazards or accidents results in significant injury to employees and/or damage to equipment or other property, Evraz may experience unexpected production delays, increased production costs and increased capital expenditures to repair or replace equipment or property, as well as claims from affected employees or their survivors and environmental and other authorities for any alleged breaches of applicable laws or regulations. For example, in May 2010, a methane gas explosion occurred at Raspadskaya, killing 91 miners and rescuers. Operations at the mine were halted as a result of the explosion and the mine is currently not fully restored. In March 2013, a mine shaft flooded at Yuzhkuzbassugol's Osinnikovskaya mine, killing four miners and resulting in the temporary closure of the mine. Any such disruptions to mining, delays and costs could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

Steel production and mining and vanadium operations are capital intensive and Evraz may not be able to fund its capital expenditures as planned or achieve its strategic targets.

Steel production and mining and vanadium operations are capital intensive. Evraz plans to continue to invest in its production facilities. It intends to make selective investments designed to optimise production efficiency, such as introducing pulverised coal injection ("**PCI**") technology in its steel production and modernising production facilities, including the reconstruction of its rail mills. Evraz also plans to expand its mining operations by participating in greenfield projects. Investments in greenfield projects carry a high degree of uncertainty and may not be successful. Failure of any greenfield projects in which Evraz invests could have a material adverse effect on Evraz's business, financial condition and results of operations. Total capital expenditures were U.S.$1,258 million in 2012.

Evraz's planned capital expenditures may be adversely affected by the following factors: changes in the terms of existing financing arrangements; changes in economic conditions; fluctuations in the Russian or global steel markets; regulatory developments; delays in project completion; cost overruns; restrictions in financing documents; and defects in design or construction. Although Evraz was able to fund its capital expenditures in 2010, 2011 and 2012 from resources generated from operating activities, it is possible that in the future Evraz may have difficulty in financing its capital expenditures at currently budgeted levels and external sources of financing may not be available at an acceptable cost or at all in the amounts Evraz requires. See "*—Evraz's business is dependent on the global economic environment*". A similar market reaction to that which occurred in the recent global financial crisis may occur in the future and adversely impact the ability of companies such as Evraz to borrow from banks or obtain financing through the capital markets and may increase the cost of such borrowing or financing. In such a case, Evraz could substantially reduce its capital expenditure for a limited period of time without significantly impacting its current operations, but such a reduction could limit Evraz's future growth. Evraz's potential inability to fully finance its planned capital expenditures in the future or to finance such expenditures at an acceptable cost or at all, may have an adverse impact on Evraz's business, financial condition, results of operations and future prospects.

EVRAZ's strategy provides for achieving certain ambitious iron ore and coking coal self-coverage targets. See "*Business—Strategy*". The targets are necessarily based upon a number of assumptions and estimates that, while considered reasonable by EVRAZ, are inherently subject to significant market, business, operational, and competitive uncertainties and contingencies, many of which are beyond EVRAZ's control, and upon assumptions with respect to future business decisions that are subject to change. The success of EVRAZ's strategy is subject to

significant uncertainties and contingencies beyond EVRAZ's control, and no assurance can be given that the strategy will be effective or that the anticipated benefits from the strategy will be realised in the periods for which targets have been prepared, or at all. Accordingly, EVRAZ cannot provide any assurance that these targets will be realized, and the targets may vary materially from EVRAZ's actual results.

Evraz may fail to realise the expected benefits from, or may incur unanticipated costs associated with, future acquired entities or assets.

As part of its strategy, Evraz regularly evaluates potential acquisition opportunities and from time to time may engage in preliminary discussions with a variety of potential counterparties. When making acquisitions, it may not always be possible for Evraz to conduct a detailed investigation of the nature of the assets, the risks and the profitability of the business being acquired due to, among other things, time constraints in making an investment decision and inadequate or incomplete financial or operational information about the target. As a result, Evraz may be subject to unforeseen risks or valuation adjustments and/or may acquire businesses that are less profitable than originally expected. Additionally, the integration process associated with any acquisition involves inherent costs and uncertainties and potential strains on management resources. Whilst management has successfully integrated acquired businesses in the past, there can be no assurance that Evraz will not encounter integration challenges, including material delays or unexpected costs, or fail to realise in full or in part the expected benefits of any future acquisitions. The occurrence of any of the above could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

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

The estimates concerning Evraz's iron ore and coal reserves contained in this Prospectus, including those of IMC, are subject to considerable uncertainties. See "*Business – Evraz's mining reserves*". These estimates are based on interpretations of geological data obtained from sampling techniques and projected rates of production in the future. Actual production results may differ significantly from reserves estimates. It may take many years from the initial phase of drilling and exploration before production is possible. During that time, the economic feasibility of exploiting a discovery may change as a result of changes in the market price of iron ore or coal. In addition, some of Evraz's mining reserves have not yet been evaluated in accordance with international methodologies. Additionally, Evraz's reserves and resources estimates are disclosed on a different basis to those disclosed in registration statements and other documents filed with the U.S. SEC, which follow the requirements set out in the U.S. SEC Guide 7. Under U.S. SEC guidelines, all or any part of measured or indicated resources may not be classified as reserves. Furthermore, there is a great amount of uncertainty as to the existence of "inferred resources" and as to whether they can be mined legally or economically. Accordingly, it should not be assumed that all or any part of inferred resources will be upgraded to a higher category and neither inferred resources nor some of Evraz's reserves would have been classified as such had Evraz disclosed its reserves and resources on the same basis as disclosure made in a registration statement filed with the U.S. SEC.

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

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

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

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

Evraz's business depends on the issuance, validity and renewal of its licenses, including subsoil licenses for its global mining operations. Evraz currently conducts its mining operations under licenses that expire over time. The continued validity and extension of these licenses are conditional upon Evraz's compliance with their terms, which generally include obligations to restore the mined land, maintain a certain level of production, implement certain investment commitments, recruit qualified personnel, maintain necessary equipment and a system of quality

control, comply with environmental laws and periodically submit information to licensing authorities. Evraz's failure to comply with any of these conditions could result in the suspension, amendment, termination or non-renewal of a mining license or could compel Evraz to incur substantial costs in eliminating or remedying violations. If Evraz is unable to obtain, maintain or renew necessary licenses or is only able to obtain or renew them with newly introduced material restrictions, it may be unable to operate its business as in the past and may be unable to fully exploit its reserves, and its business, results of operations and future prospects could be materially adversely affected.

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

Evraz is a leveraged company with a significant amount of loans and borrowings. Total loans and borrowings as of 31 December 2012 amounted to approximately U.S.$7,912 million, including approximately U.S.$1,542 million of short-term loans and current portion of long-term loans. Cash and cash equivalents as of 31 December 2012 amounted to approximately U.S.$1,314 million and bank deposits amounted to U.S.$674 million. The contractual terms associated with certain loans and borrowings contain various covenants in respect of the activities of Evraz. These covenants impose restrictions in respect of certain transactions and Evraz is required to meet certain financial ratios, including restrictions in respect of its indebtedness.

Although Evraz is currently in compliance with its financial covenants, there can be no assurance that Evraz will continue to comply with such covenants in the future. Evraz's continued compliance with these covenants depends on a number of factors, some of which are outside of Evraz's control. Evraz's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment. In particular, management believes that, as of 30 June 2013, Evraz may not be in compliance with the financial covenants under certain bank loans. Evraz is taking active steps to ensure ongoing compliance with financial covenants under its bank loans. Evraz is considering a number of alternatives to address this situation when it arises, including, if and when necessary, a refinancing of certain borrowings, a financial covenant reset, waiver(s) from lenders and/or a prepayment of certain loan facilities using available cash from operations. While Evraz believes, based on past experience, that as and when necessary it will be able to reset relevant financial covenants or obtain a waiver from lenders, or that otherwise it will be able to prepay certain facilities, there can be no assurance that it will be able to achieve such relief or that such relief will prevent further such occurrences in the future.

In the event of any breach of Evraz's banking covenants, in case Evraz is unable to timely obtain a waiver or reset of the covenant, or to repay or refinance the relevant bank loans, the lending banks would be entitled to declare an event of default and, as a result of cross-default provisions, default may also arise in respect of substantially all of the other financial indebtedness of Evraz, including the Notes. Such an event would permit Evraz's lenders, including the holders of Notes, to demand immediate payment of the outstanding borrowings under the relevant debt instruments. See Note 1 to the Consolidated Financial Statements noting that the Consolidated Financial Statements have been prepared on a going concern basis, and discussing the uncertainty and instability of the current economic environment, and the potential effect on Evraz's covenant compliance under certain bank loans and directors and management consideration of alternatives to proactively address the situation.

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

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

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

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

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

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

Evraz's steel mills and mining operations involve potential environmental consequences, including generation of pollutants and storage and disposal of wastes and other hazardous materials. Evraz's operations generate significant amounts of pollutants and waste, some of which are hazardous, such as sulphur oxide, sulphuric acid, organic compounds and multi component sludges containing heavy metals (chrome, copper, nickel and zinc). The discharge, storage and disposal of such hazardous waste are subject to environmental regulations, including some that require the clean-up of contamination and reclamation. Pollution risks are often challenging to characterise precisely and any related clean-up cost estimates are often subjective and made on the basis of certain assumptions. Evraz's operations are also associated with the emission of carbon dioxide and other "greenhouse gases". Evraz's operations in the European Union are currently exposed to a carbon market established under the EU Emissions Trading System. Ongoing international negotiations that aim to limit greenhouse gas emissions may result in the introduction of additional regulations in the future and may have an adverse impact on Evraz's operations. In addition, there is a risk that governments in emerging markets countries in which Evraz operates, such as Russia, Ukraine and South Africa, may introduce stricter environmental legislation or regulations. Continuation of the global trend towards stricter laws and regulations may result in significant increases in the cost of complying with (or failing to comply with) such environmental rules and regulations and could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects. Evraz is also subject to health and safety laws, regulations and standards, including workplace health and safety requirements.

Evraz's compliance with these environmental, health and safety laws and regulations necessitates a commitment of significant financial resources. These laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from environmental, health and safety incidents and other impacts of Evraz's past and current operations, as well as the operations of previous owners of Evraz's assets, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations. In the ordinary course of its business, Evraz faces a certain number of administrative inquiries, remedial orders or lawsuits from public or private partners. While none of these are currently material to Evraz, there can be no assurance that a future such event would not have a material adverse effect on Evraz. Furthermore, evolving regulatory standards and expectations may result in increased litigation and/or increased costs, all of which could have a material and adverse effect on Evraz's business, financial condition, results of operations and future prospects.

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

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

If competition authorities in any of the jurisdictions in which Evraz operates were to conclude that Evraz acquired or created a new company or reorganised members of EVRAZ in contravention of anti-monopoly legislation or were to increase the level of control they exert over certain of Evraz's operations, Evraz could face administrative sanctions, be required to divest certain assets or be subject to limitations in its operating flexibility.

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

Several of Evraz's Russian subsidiaries (EVRAZ NTMK, United EVRAZ ZapSib, EVRAZ KGOK and Metallenergofinance) have a market share in excess of 35% and are included in the FAS's register. An entity that has a market share in excess of 35% is presumed to hold a dominant market position and is prohibited from abusing such position. In connection with enforcing merger control regulations, or where there has been a breach of antimonopoly regulations, the FAS has the authority to issue mandatory prescriptions to Russian subsidiaries of Evraz. Russian anti-monopoly legislation allows FAS to regulate the prices charged to consumers affected by such acquisitions/founding or dominant market position, and allows customers to bring claims against companies for price collusion.

EVRAZ NTMK, Yuzhkuzbassugol and EVRAZ KGOK are subject to FAS directives that regulate the prices charged in Russia by those members of Evraz for steel frames, coal concentrate and vanadium containing iron ore and also require public disclosure of the pricing policy for these products. The FAS has also ordered Evraz to maintain the production volumes of rails at EVRAZ NTMK and United EVRAZ ZapSib, of H-beams and channels at EVRAZ NTMK and United EVRAZ ZapSib, of high vanadium iron ore, sinter and pellets at EVRAZ KGOK and ferrovanadium at EVRAZ Vanady-Tula, and also not to discriminate against purchasers of these products.

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

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

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

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

Although Evraz believes its labour relations with its employees are good, a work slowdown or a work stoppage could occur at any of Evraz's operating units or greenfield operations. For, example, there was a strike at Evraz Highveld in July and August 2012 related to a labour dispute around Evraz's decision to introduce a four shifts schedule to decrease overtime, which lasted for four weeks and resulted in the temporary shutdown of operations at EVRAZ Highveld for that period. At most of Evraz's business units, there are collective bargaining agreements in place with labour unions. Any future work stoppages, disputes with employee unions or other labour related developments or disputes, including any such stoppages in connection with the renegotiation of collective bargaining agreements, could result in a decrease in Evraz's production levels and adverse publicity and/or an increase in costs, which could have a material adverse effect on Evraz's business, results of operations, financial condition and future prospects. In addition, competition for skilled labour is intense in the steel and mining industries, and labour costs are increasing significantly, particularly in Russia. The demand for and hence costs associated with employing skilled engineers, construction workers and operators is likely to continue to increase, reflecting the significant demand from other industries and public infrastructure projects. Moreover, increases in statutory rates may result in higher defined contributions paid to the Russian state funds for employees that may be exposed to hazardous substances. Continued high demand for skilled labour and continuing increases in labour costs could make it difficult for Evraz to attract qualified employees at a commercially reasonable cost or at all and such a difficulty could have a material adverse effect on Evraz's business, results of operations, financial condition and future prospects.

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

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

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

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

Evraz sells most of its railway products in Russia to Joint Stock Company "Russian Railways" ("**Russian Railways**") (pursuant to a multi-year contract, which expires at the end of 2017), which is the primary customer for rails made by Evraz's Russian subsidiaries, accounting for 79% of Evraz's total Russian sales of rails by volume in 2012. While demand from Russian Railways for railway products has historically been consistent, any reduction in Russian Railways' investment budget, their supply requirements for railway products, a decrease in the purchase prices of such products or increased competition from other producers for sales to Russian Railways could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

Currency fluctuations, in particular the appreciation of the Rouble against the U.S. dollar, may materially adversely affect Evraz's results of operations.

Evraz, like many large multinational companies, faces a mismatch of the currencies in which its revenues and costs are denominated. As a result, it is vulnerable to some degree to margin erosion if the currencies in which its costs are denominated appreciate against the currencies in which its revenues are denominated.

The mix of Evraz's revenues and costs is such that appreciation of the Rouble against the U.S. dollar tends to result in an increase in Evraz's costs relative to its revenues, while depreciation of the Rouble against the U.S. dollar tends to result in a decrease in Evraz's costs relative to its revenues. In 2012, for example, the Rouble appreciated on average against the U.S. dollar (to an average exchange rate of Rouble 31.09 to the U.S. dollar in 2012, compared to an average rate of Rouble 29.38 to the U.S. dollar in 2011), but this appreciation was more than offset by increased prices for Evraz's steel products, both in Russia and internationally. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations for the Years Ended 31 December 2012, 2011 and 2010*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Inflation*". Any further significant appreciation of the Rouble against the U.S. dollar, in the absence of an increase in domestic demand for steel products, may materially adversely affect Evraz's financial condition and results of operations.

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

Wage increases in Russia or Ukraine may reduce Evraz's profit margins.

Wage costs in Russia and Ukraine have historically been significantly lower than wage costs for similarly skilled employees in more developed markets, such as North America and Europe. While wage costs have been increasing globally, wage costs in Russia and Ukraine generally have been increasing and at a faster rate than wages in North America and Europe. If wage costs continue to increase in Russia or Ukraine, and do so more rapidly in the future, and if Evraz is not able to adjust its prices to recover such increases in costs, this could result in a reduction in Evraz's profit margins. Unless Evraz is able to continue to increase the efficiency and productivity of its employees, in particular in Russia and Ukraine, wage increases could have a material adverse effect on its business, results of operations, financial condition and future prospects.

Inflation could increase Evraz's costs and decrease operating margins.

The inflation rate in Russia averaged 7.2% from 2010 to 2012, according to Rosstat. As Evraz tends to experience inflation driven increases in certain of its Rouble denominated costs, including salaries, rents and fuel and energy costs, which are sensitive to rises in the general price level in Russia, its costs in U.S. dollar terms will rise, assuming the Rouble-to-dollar exchange rate remains constant. See "*—Currency fluctuations, in particular the appreciation of the Rouble against the U.S. dollar, may materially adversely affect Evraz's results of operations*". In this situation, due to competitive pressures, Evraz may not be able to increase the prices it charges for its products sufficiently to preserve operating margins. Accordingly, inflation in Russia could increase costs and have the effect of decreasing operating margins, which, in turn, could have a material adverse effect on Evraz's business, results of operations, financial condition and future prospects.

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

For steel and mining companies, energy costs, particularly the cost of electricity, comprise a significant portion of the cost of production. Evraz's Russian operations' electricity supply is both provided by internal sources (42% in 2012) and purchased from Russian electricity suppliers (58% in 2012). Since 1998, the Russian electricity market has been the subject of various stages of reform, the primary purposes of which are to introduce competition, liberalise the wholesale electricity market and move from regulated pricing to a market based system. The most recent step has been price liberalisation, which took effect from 1 January 2011. Evraz's Russian operations purchase significant amounts of electricity from various privatised generation companies in Russia that were formerly government controlled. In 2012, the price of electricity consumed by Russian subsidiaries of Evraz rose by

1.4% in U.S. dollar terms. Any potential interruptions in the supply of energy, as well as price liberalisation and changes in legislation or other factors that may result in higher wholesale prices for electricity for Evraz's Russian subsidiaries, could have a material adverse effect on Evraz's business, results of operations, financial condition and future prospects.

Furthermore, Evraz faces much higher electricity prices for the operation of its non-Russian facilities than it does for its Russian facilities and may face interruptions in the electricity supplies to those facilities, particularly in South Africa, which could have a material adverse effect on Evraz's business and results of operations. In recent years, South Africa has experienced electricity supply shortages. In addition, any substantial increase of electricity prices in South Africa could adversely affect Evraz's future profitability to the extent that it is unable to pass on higher costs to its customers. This could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

In addition, Evraz's Russian operations purchase significant volumes of natural gas from subsidiaries of Gazprom, a government controlled entity, as well as from independent gas producers. Changes in Russian government policy might impact gas producers, particularly Gazprom, and thus Evraz's supply of natural gas. Moreover, Evraz may also face interruptions in the supply of natural gas to its Ukrainian assets due to periodic disputes that may arise between Ukraine and its principal natural gas supplier, Russia. Thus, any interruption in the supply of natural gas or a substantial increase in costs associated with satisfying its demand for natural gas, could adversely affect Evraz's business, financial condition, results of operations and future prospects.

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

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

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

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

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

The Issuer's Russian subsidiaries are in many instances the largest employers in the cities in which they operate, for example, EVRAZ NTMK in Nizhny Tagil, United EVRAZ ZapSib in Novokuznetsk and EVRAZ

KGOK in Kachkanar. While the Issuer does not have any specific legal or social obligations or responsibilities with respect to these regions, its ability to reduce the numbers of its employees may nevertheless be subject to political and social considerations. Any inability to make planned reductions in numbers of employees in response to reduced demand or otherwise or to make changes to Evraz's operations could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

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

Evraz is indirectly controlled by Lanebrook Limited ("**Lanebrook**"), which, as at the date of this Prospectus, directly held a 63.46% share in EVRAZ plc, which in turn holds a 100% interest in Evraz. As a result of its controlling interest in EVRAZ plc, Lanebrook has the ability to exert control over certain actions of EVRAZ plc, including actions requiring the approval of EVRAZ plc, as the sole shareholder of Evraz. As such, Lanebrook has the ability to exert control over the election of directors, the declaration of dividends, the appointment of management and other policy decisions of EVRAZ plc, and in turn, Evraz. While transactions with Lanebrook and its affiliates can benefit Evraz, the interests of Lanebrook or its affiliates (including those holding the Notes (see "*Subscription and Sale"*)) could at times conflict with the interests of the other shareholders and the creditors of Evraz. EVRAZ is required to comply with the related party transactions regime under the UK Listing Rules and has in the past sought and continues to seek to conduct all related party transactions on an arm's length basis, and has adopted procedures for entering into transactions with related parties. However, should any conflicts of interest arise between EVRAZ, its affiliates and Lanebrook or its affiliates, resulting in the conclusion of transactions on terms not determined by market forces, such conflict of interest could adversely affect EVRAZ's business, financial condition and results of operations.

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

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

Changes to or in the application or interpretation of the Cypriot tax system could materially adversely affect Evraz's business.

Evraz's Russian subsidiaries are held indirectly through the Issuer's wholly owned subsidiary, Mastercroft Limited, which is incorporated in Cyprus. A company that is tax resident in Cyprus is subject to Cypriot taxation and qualifies for benefits available under the Cypriot tax treaty network, including the double taxation treaty with Russia (provided that all other requirements set by the treaty are met). In addition, a European Union parent company may be able to claim tax benefits under European Union tax directives including benefits with respect to dividends paid from Cypriot resident subsidiary companies. There can be no assurance, however, that the Cypriot tax residence status of Evraz's Cypriot subsidiaries, including Mastercroft Limited, will not be challenged. If the tax residency of any of those companies were to be successfully challenged, such companies would be unable to make use of the Cypriot tax treaty network and could be subject to tax elsewhere. In addition, if a Cypriot company was found not to be tax resident in a European Union member state, the tax benefits under European Union tax directives referred to above may be restricted or eliminated. Such consequences may significantly increase Evraz's tax burden and adversely affect its financial position. Changes made to the current Cypriot tax regime, including changes resulting from the measures adopted by the European Union, the IMF and the government of Cyprus in March 2013, could have a material adverse effect on Evraz's tax and financial position. See "*—Risks Relating to Russia and Other Emerging Markets—Certain government policies, or the selective and arbitrary enforcement of such policies, could have an adverse effect on Evraz's business, financial condition, results of operations and future prospects, as well as investments in the emerging markets more generally*".

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

A protocol amending certain provisions of the double tax treaty between Russia and Cyprus was signed in October 2010 (the "**Protocol**") and it is effective from 1 January 2013. The Protocol, amongst other matters, explicitly permits Russia to impose dividend withholding tax in respect of any so-called "excessive" interest paid by a Russian resident company to a Cypriot resident company under Russian domestic "thin capitalisation" rules. The Protocol also states that a widely used Cyprus tax treaty exemption from Russian withholding tax on income arising on the disposal of shares in Russian real estate rich companies will no longer (save for certain exceptions) apply beyond the date four years after the Protocol comes into force.

Given that all of the Issuer's Russian subsidiaries are held indirectly through Mastercroft Limited, which is a Cypriot company, the above noted changes, as well as certain other amendments to treaties with other jurisdictions that are proposed by the Russian Ministry of Finance, may have an adverse effect on Evraz's financial position.

Russian tax legislation is relatively undeveloped and subject to frequent change and approaches to tax law enforcement and interpretation of legislation in Russia are unstable, not well developed and can be unpredictable and selective.

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

Evraz operates in various jurisdictions and many of its subsidiaries are incorporated outside of Russia. Russian tax laws as currently in effect do not contain detailed rules on the taxation in Russia of foreign companies. It is possible that such rules will evolve and such developments and/or changes in the approach of the Russian tax authorities or the courts in the interpretation and application of existing laws could mean that Evraz could become subject to additional taxation in Russia. Additional tax exposures resulting from above noted changes or developments could adversely affect the financial position of Evraz's Russian subsidiaries, despite any planning efforts.

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

Tax returns in Russia generally remain open and subject to audit by the tax authorities for a period of three calendar years. Russian tax legislation also imposes a three-year time limit for the imposition of fines for underpayment of taxes and other tax offences. However, the law allows this time limit to be extended if a taxpayer actively obstructs or hinders a tax audit. These concepts of obstructing or hindering, however, are not defined and therefore their scope is unclear and may be broadly interpreted by the tax authorities in order to carry out audits and apply penalties beyond the three-year term. There is therefore no guarantee that the tax authorities will not review Evraz's Russian subsidiaries' compliance with Russian tax laws beyond the normal three-year limitation period.

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

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

RISKS RELATING TO RUSSIA AND OTHER EMERGING MARKETS

The majority of Evraz's assets are located in emerging markets, which are subject to greater risks than the more developed markets.

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

Political and governmental instability and possible political conflicts could create an uncertain operating environment, hindering Evraz's long-term planning ability, and could have an adverse effect on Evraz's business, financial condition, results of operations and future prospects.

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

Although the political situation in Russia has stabilised since 2000, future political instability could result in a worsening overall economic situation, including capital flight and a slowdown of investment and business activity.

Shifts in government policy and regulation in Russia could also lead to political instability and disrupt or reverse political, economic, regulatory and other reforms. Any significant change in or suspension of the Russian government's programme of reform, major policy shifts or lack of consensus between the government, parliament and other national or regional authorities, as well as powerful economic groups could lead to a deterioration in the investment climate that might limit the ability of Evraz to obtain financing in the international capital markets or otherwise have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

Any political uncertainty in Ukraine may also lead to political, legal and economic instability. Parliamentary elections were last held in Ukraine in October 2012, resulting in most parliamentary seats being held by the ruling party. Any circumstances or changes affecting the stability of the Ukrainian government or involving a rejection or reversal of reform policies favouring privatisation, industrial restructuring and administrative reform may have a material adverse effect on the Ukrainian economy and Evraz's business, financial condition, results of operations and future prospects.

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

Major policy shifts could hinder or reverse political, economic and regulatory reforms. Government authorities may adopt policies that could adversely affect private sector companies generally or in any particular sector, or in which there is significant foreign ownership. For example, within the international sphere, Russia has adopted a more assertive approach to the definition and pursuit of its interests. If Russia were to adopt restrictive economic measures against countries that are important to Evraz's business, or if trade between Russia and such

countries were otherwise to be interrupted for political reasons, Evraz's business, financial condition, results of operations and future prospects could be materially and adversely affected.

For example, on 24 March 2013, the government of Cyprus, the European Union and the IMF reached a provisional agreement regarding the provision of a EUR10 billion loan and related finance package to Cyprus, such loan and finance package being conditional on Cyprus implementing a comprehensive economic adjustment program (the "**Cyprus Economic Adjustment Program**"). The full scope of the Cyprus Economic Adjustment Program is still under discussion, but it will include a scheme for the reorganization of the Cypriot banking system which will result in Cyprus Popular Bank Public Co Ltd ("**Cyprus Popular Bank**"), Cyprus' second largest bank, being absorbed into Bank of Cyprus plc and deposit holders with credit balances of in excess of EUR100,000 held with Cyprus Popular Bank or Bank of Cyprus plc suffering significant losses. Although Cypriot banks reopened on 28 March 2013, restrictions on bank transfers and withdrawals from banking institutions in Cyprus remain in effect as at the date hereof in order to enable Cyprus to implement of the Cyprus Economic Adjustment Program. The consequences of the recent disruption to the Cyprus banking system and the anticipated implementation of the Cyprus Economic Adjustment Program are unforeseeable and may adversely affect the legal and economic environment in Cyprus. Further change to the legal, taxation or regulatory regime in Cyprus or in other countries could have an adverse impact on Evraz's business, financial condition, results of operations and future prospects.

Moreover, regulatory authorities in emerging markets countries often tend to have a high degree of discretion and at times appear to exercise their discretion selectively or arbitrarily, without hearing or prior notice. Such arbitrary governmental actions have reportedly included denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Furthermore, government authorities have the power in certain circumstances to interfere with the performance of, nullify or terminate contracts and, through their tax, environmental and prosecutorial arms, may engage in selective investigations and prosecutions of particular companies or persons. In this environment, Evraz's competitors may receive preferential treatment from certain governmental authorities, which could give Evraz's competitors a competitive advantage. Unlawful, selective or arbitrary government action, if directed at Evraz's operations, could have a material adverse effect on Evraz's business, financial condition, results of operations or future prospects.

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

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

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

On 7 May 2008, the Federal Law No. 57-FZ "On the Procedure for Implementing Foreign Investment in Commercial Enterprises Having Strategic Importance for Securing the National Defense and Security of the State" (the "**Law on Strategic Enterprises**") became effective. Under the Law on Strategic Enterprises, foreign investors (or their groups of companies) acquiring direct or indirect "control" (as defined in the Law on Strategic Enterprises) over Russian companies that have strategic importance for securing the national defense and security of Russia ("**Strategic Enterprises**") are required to obtain the prior approval, or, in certain cases, post-transaction approval, of a special commission created by the Russian Government (the "**Foreign Investments Supervision Commission**"). Such approval is subject to a determination by the Federal Security Service of Russia that the acquisition of control does not threaten the national defense and security of the Russian state. Additionally, the approval may be subject to the fulfilment of certain conditions by the foreign investor, including, among others, implementing the Strategic Enterprise's business plan, ensuring the employment of a certain number of personnel and processing in Russia of

the natural resources produced by the Strategic Enterprise in Russia. If a transaction were to be concluded without the pre or post, as applicable, approval of the Foreign Investments Supervision Commission, the regulator may attempt through a Russian court to block voting of that interest in the subsidiary that had been designated a Strategic Enterprise.

Strategic Enterprises include companies that conduct certain types of activities listed in the Law on Strategic Enterprises, for example, companies that produce and sell metals and alloys that are used for production of weapons and military machinery and hold a dominant position in the market for the production and sale of such metals and alloys are considered Strategic Enterprises. Under the Law on Strategic Enterprises, certain Russian subsidiaries of Evraz (for example the EVRAZ Nakhodka Trade Sea Port which is on the list of natural monopolies in the field of transportation terminal and support services) may be recognised as Strategic Enterprises. If a company is on the list of natural monopolies, the presumption is that it is a Strategic Enterprise.

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

Russian and Ukrainian property law is subject to uncertainty and contradiction.

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

Crime and corruption could create a difficult business climate in the emerging markets.

Despite governmental campaigns against organised crime and corruption, such activities could have a material adverse effect on the business climate in Russia generally, and on Evraz's operating results and financial position in particular.

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

Russia, Ukraine and South Africa are developing economies, with a large portion of their GDP being supported by strong export activity. This makes their economies particularly vulnerable to global market downturns or slowdowns.

Russia

The Russian economy has been subject to abrupt downturns in the past. At the onset of the global financial and economic crisis in the latter part of 2008 and the early part of 2009, commodity prices on the world market plunged, with the price of crude oil, for example, decreasing by more than 70% between July 2008 and the

beginning of 2009. Prices subsequently recovered over the first half of 2009. As a major oil producer, Russia is particularly vulnerable to such price fluctuations. Russia is also a major producer and exporter of metal products and its economy is vulnerable to fluctuations in world commodity prices and the imposition of tariffs and/or anti-dumping measures by the United States, the European Union or by other principal export markets. A sustained decline in the prices of crude oil, natural gas and other commodities could have a substantial adverse impact on the Russian economy, which, in turn, could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects. Although from 2010 to 2012 prices substantially recovered, decreases or fluctuations in world commodity prices would in the future have a materially adverse impact on the Russian economy, which in turn could have a material adverse effect on Evraz's Russian operations, affecting its business, results of operations and future prospects.

Ukraine

The severity with which Ukraine's economy was affected by the global financial and economic crisis was primarily due to the fact that a significant portion of Ukraine's economy relies on the production and exportation of metal and agricultural products and is therefore especially vulnerable to decreases in demand for exports, as well as to fluctuations in world commodity prices and the imposition of tariffs by the United States and the European Union. As a result of the global financial and economic crisis, In particular, Ukraine's relatively heavy reliance on exports of ferrous and non ferrous metals and their products (approximately 34%, 32% and 27% of total goods exports value in 2010, 2011 and 2012, respectively) makes the country's export revenues, and, by extension, its broader macroeconomic performance, vulnerable to decreases or fluctuations in global metal demand or prices. Although 2010 through 2012 has seen significant recovery, decreases or fluctuations in world commodity prices could in the future have a material adverse effect on the Ukrainian economy, which in turn could have a material adverse effect on Evraz's Ukrainian operations, affecting its business, results of operations and future prospects.

South Africa

Although South Africa's real GDP rose by 3.1% in 2010, by 3.5% in 2011 and 2.5% in 2012, the overall deterioration in global growth negatively affected the country's economy and investments into South Africa, as well as export growth. The European Union is South Africa's largest export market. A decline in demand for imports from the European Union could have a material adverse effect on South African exports and South Africa's economic growth, and, in turn, on Evraz's South African operations, affecting its results of operations and future prospects.

Any of the following risks, which the Russian, Ukrainian and South African economies have experienced at various times in the past and some of which they experienced in 2012, 2011 and 2010, could have a material adverse effect on the investment climate in Russia, Ukraine and South Africa and, in turn, may adversely affect or have already adversely affected Evraz:

- significant declines in GDP and consumption;
- high levels of inflation;
- an unstable currency and instability in the local currency market;
- pervasive capital flight;
- corruption and the penetration of organised crime into the economy;
- significant increases in unemployment and underemployment;
- the impoverishment of a large portion of the population; and
- widespread tax evasion.

Russia's and Ukraine's physical infrastructure is in poor condition.

The physical infrastructure in Russia and Ukraine, including rail and road networks, power generation and transmission, communication systems and building stock, largely dates back to Soviet times and has not been adequately funded and maintained. Electricity and heating shortages in some regions of Russia have seriously disrupted the local economies. For example, in August 2009, an accident at the Sayano Shushenskaya hydroelectric power plant in Russia resulted in a significant portion of the supply to the local power grid being lost, which led to

widespread power failure in the region and forced all major users of electric power, such as aluminium smelters, to switch to generators. Road conditions throughout Russia and Ukraine are also poor, with many roads not meeting modern quality requirements. The Russian Government and the Ukrainian Government are actively pursuing the reorganisation of the nation's rail, electricity and telephone systems. Any such reorganisation may result in increased charges and tariffs while failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. The poor condition or further deterioration of Russia's and Ukraine's physical infrastructure may harm both nations' economies, disrupt access to communications, increase the cost of doing business in Russia or Ukraine or disrupt business operations, any or all of which could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

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

During the 1990s, Russian and Ukrainian currency regulation and control regimes severely limited, and, at times, prohibited, certain hard currency payments and operations. The liberalisation of these regimes was followed by approximately 10 years of generally stable currency climate in the countries where Evraz operates. However, with the onset of financial instability in certain countries such as Cyprus or Greece, the introduction of restrictions or prohibitions in currency regulation and control regimes in these or other countries facing financial or budget difficulties cannot be excluded. There can be no assurance that as a result of financial instability new restrictions or prohibitions in currency regulation and control regime will not be imposed.

In the Republic of South Africa, however, capital flows to and from the Republic of South Africa are currently limited by exchange controls. South African law provides for exchange control regulations that restrict the export of capital from the Republic of South Africa without the prior approval of the South African Reserve Bank. These regulations limit the extent to which entities can borrow funds from non-South African sources for use in the Republic of South Africa. In 1995, the South African government began relaxing certain exchange control regulations and has recently stated that it intends to continue this gradual relaxation. The extent to which the South African government may further relax such exchange controls cannot be predicted with certainty. Despite this relaxation, controls could be re-imposed or new restrictions imposed on capital mobility from the Republic of South Africa.

Restrictions or prohibitions on hard currency payments and operations, such as those currently in effect in South Africa, could limit Evraz's ability to invest in its capital improvement programmes, pursue attractive acquisition opportunities, purchase raw materials or sell its products internationally. In addition, such restrictions or prohibitions may limit Evraz's ability to repatriate earnings from securities of its subsidiaries located in the country where such restrictions or prohibitions apply, or otherwise have a negative impact on the capital markets of that country. The consequences of any new restrictions or prohibitions in Russia, in particular, as well as in Ukraine, South Africa, Cyprus or other countries could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

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

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

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

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

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

- inconsistencies between and among the constitution, laws, presidential decrees and governmental, ministerial and local orders, decisions, resolutions and other acts;
- limited judicial and administrative guidance on interpreting legislation;
- gaps in the regulatory structure due to the absence of or delay in implementing regulations;
- the relative inexperience of judges and courts in interpreting new principles of Russian and Ukrainian law, particularly in relation to business and commercial law;
- bankruptcy procedures that are still under development;
- a lack of judicial independence from political, social and commercial forces;
- problematic and time-consuming enforcement of both domestic and foreign judicial orders and international arbitration awards;
- a high degree of discretion on the part of governmental authorities, leaving significant opportunities for arbitrary government action; and
- a tendency to formalism in interpreting procedural requirements; including a willingness to order the liquidation of a company due to its formal non-compliance with certain requirements, the nature of which can be unclear, during formation, reorganisation or operation.

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

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

Although the Issuer is incorporated in Luxembourg, most of Evraz's assets are located in Russia and some in Ukraine. Judgments rendered by a court in any jurisdiction outside Russia or Ukraine are likely to be recognised by courts in Russia only if (i) an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia (or Ukraine) and the country where the judgment is rendered and/or (ii) a federal law of Russia (or Ukraine) providing for the recognition and enforcement of foreign court judgments is adopted. No such federal law has been passed and no such treaty exists between Luxembourg, the United Kingdom or the United States and Russia/Ukraine for the reciprocal enforcement of foreign courts' judgments. In the absence of an applicable treaty or convention providing for the recognition and enforcement of judgments in civil and commercial matters between the United Kingdom or the United States and Russia/Ukraine, a judgment of a court in England or the United States may be recognised and enforced in Russia/Ukraine only on the grounds of reciprocity. In each case, reciprocity must be established and, in the absence of a developed court practice, it is difficult to predict whether a Russian or Ukrainian court will be inclined to recognise and enforce a Luxembourg, English or U.S. court judgment on the grounds of reciprocity in any particular instance.

In South Africa, Evraz may be subject to legislative requirements stemming from Broad Based Black Economic Empowerment.

Broad Based Black Economic Empowerment ("**BBBEE**") is a core tenet of the South African Government's initiative to address the economic exclusion of previously disadvantaged South Africans by encouraging the redistribution of wealth and opportunities to such persons. As part of this initiative, the BBBEE Act of 2003, which became effective in April 2004, aims to facilitate BBBEE by: promoting economic transformation to

allow meaningful participation by black people in the economy; changing the racial composition of ownership and management structures in enterprises; promoting investment programmes that lead to BBBEE; enabling access to economic activities, infrastructure and skills for black women and rural and local communities; increasing the extent to which workers, communities and co-operatives own and manage enterprises; and promoting access to finance for black economic empowerment. The Codes of Good Practice (the "**Codes**"), issued by the Department of Trade and Industry, cover concepts such as the measurement of ownership and management control, preferential procurement, employment equity, skills development, enterprise development and socio economic development. The Codes intend to encourage both public and private enterprises, through the issuing of licenses (e.g. water, emissions and waste licenses), concessions, sale of assets (e.g. the Mapochs Mine Empowerment Deal) and preferential procurement, to implement appropriate BBBEE initiatives. As the BBBEE Act of 2003, the Codes and other policy measures designed to implement the goals of BBBEE are subject to multiple interpretations by multiple branches of the South African Government, there can be no assurance that Evraz's South African operations will be viewed by the executive or judicial branches of the South African Government as remaining in compliance with the requirements established by the Codes. Although EVRAZ Highveld was awarded a Level 5 BBBEE contributor rating by the South African National Accreditation System accredited agency B-Logic in September 2011, and the assessment of the rating for the 2012 financial year is underway, any future non-compliance or accusation of non-compliance could result in the imposition of administrative sanctions, which could materially and adversely affect Evraz's South African business, results of operations and future prospects.

RISKS RELATING TO THE NOTES AND THE TRADING MARKET

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

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

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

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

The obligations of the Issuer under the Notes, for which there is no guarantor, may be effectively subordinated to other secured obligations of the Issuer to the extent of the collateral over which security has been given and structurally subordinated to the existing obligations, both secured and unsecured, of the Issuer's subsidiaries. As of 31 December 2012, the principal amount of Evraz's consolidated indebtedness (consisting for the purposes of this paragraph of long-term and short-term interest bearing loans and borrowings) amounted to U.S.$7,932 million. Some of this indebtedness is secured indebtedness of the Issuer's subsidiaries and the Notes may be structurally subordinated to this secured indebtedness.

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

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

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

The Terms and Conditions will, among other things, restrict, with certain exceptions, the ability of the Issuer and in certain cases its Subsidiaries (as defined in Condition 19 of the Notes (*Definitions*)) to (i) incur liens; (ii) incur indebtedness; (iii) engage in transactions with affiliates; (iv) sell assets; and (v) undertake certain mergers and similar transactions. The terms and conditions of the 8.875% notes issued by the Issuer due in 2013 (the "**2013 Notes**"), and the 7.40% notes due in 2017 (the "**2017 Notes**"), the 9.50% notes due in 2018 (the "**9.50% 2018 Notes**") and the 6.75% notes due in 2018 (the "**6.75% 2018 Notes**") are substantially similar. In addition, the conditions of notes issued by the Issuer due in 2015 (the "**2015 Notes**") and guaranteed by Mastercroft Limited, restrict, up to the scheduled redemption dates, with certain exceptions, the ability of the Issuer and its Material Subsidiaries (as defined in the *Conditions* of the 2015 Notes) to (i) incur liens; (ii) incur indebtedness (which restriction applies to Subsidiaries, as such term is defined in the *Conditions* of the 2015 Notes); (iii) engage in transactions with affiliates; (iv) sell assets; and (v) undertake certain mergers and similar transactions.

Although these restrictions are intended to preserve the creditworthiness of Evraz and the Notes, as well as of the 2013 Notes, the 2015 Notes, the 2017 Notes, the 6.75% 2018 Notes and the 9.50% 2018 Notes, they may also hinder the ability of Evraz to implement its business strategy and could have a material adverse effect on Evraz's business, financial condition, results of operations or prospects.

To the extent that Evraz does not comply with the Terms and Conditions of the Notes, the 2013 Notes, the 2015 Notes, the 2017 Notes, the 6.75% 2018 Notes and the 9.50% 2018 Notes or any other indebtedness and is not able to obtain a waiver, the relevant indebtedness (including the Notes) as well as other indebtedness may become immediately repayable. Any such acceleration of Evraz's indebtedness would have a material adverse effect on its business, financial condition, results of operations and prospects.

The Notes may be subject to prepayment.

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

EU Savings Directive

Under Council Directive 2003/48/EC on the Taxation of Savings Income (the "**European Union Savings Directive**"), member states are required to provide to the tax authorities of another member state details of payments of interest and other similar income (similar income for this purpose includes payments on redemption of the Notes representing any discount on the issue of the Notes or any premium payable on redemption) paid by a paying agent (within the meaning of the European Union Savings Directive) to an individual resident or certain types of entities called "residual entities", within the meaning of the European Union Savings Directive, established in that other European Union member state. For a transitional period, however, Austria and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner (within the meaning of the European Union Savings Directive) does not comply with one of two procedures for information reporting, the relevant European Union member state will levy a withholding tax on payments to such beneficial owner. The withholding tax system will apply for a transitional period. The current rate of the withholding is 35%. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. No withholding will be required where the Noteholder authorises the paying agent (within the meaning of the European Union Savings Directive) making the payment to report the payment or present a certificate from the relevant tax authority establishing exemption therefrom. Also with effect from 1 July 2005, a number of non-European Union countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino (the "**Non-European Union Countries**")) and certain dependent or associated territories (Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Saint Eustatius, Bonaire, St. Maarten, Cayman Islands, Turks and Caicos Islands, Anguilla and Aruba (together with the Non-European Union Countries, the "**Territories**") have agreed to adopt similar measures (either provision of information or transitional withholding arrangements) in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) established within such countries or Territories to, or collected by such a paying agent for, an individual resident or a "residual entity"

(within the meaning of the European Union Savings Directive) established in a European Union member state. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those Territories in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) established in Luxembourg to, or collected by such a paying agent for, an individual resident or a "residual entity" (within the meaning of the European Union Savings Directive) established in one of those Territories.

The European Commission has proposed certain amendments to the European Union Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a member state which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, an additional amount under the terms of the Notes may not be required to be paid by the Issuer or any Paying Agent or any other person with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a member state that is not obliged to withhold or deduct tax pursuant to the European Union Savings Directive, any other European Union Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

The Notes are subject to interest rate risk.

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

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

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor Currency's equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes.

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

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

Legal investment considerations may restrict certain investments.

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

The Notes may only be transferred in accordance with the procedures of the depositaries in which the Notes are deposited.

Except in limited circumstances, the Notes will be issued only in global form with interests therein held through the facilities of Euroclear, Clearstream, Luxembourg and/or DTC. Ownership of beneficial interests in the Notes is shown on, and the transfer of that ownership is effected only through, records maintained by Euroclear, Clearstream, Luxembourg and/or DTC or their nominees and the records of their participants. The laws of some

jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in the Notes. Because Euroclear, Clearstream, Luxembourg and/or DTC can only act on behalf of their participants, which, in turn, act on behalf of owners of beneficial interests held through such participants and certain banks, the ability of a person having a beneficial interest in a note to pledge or transfer such interest to persons or entities that do not participate in the Euroclear, Clearstream, Luxembourg and/or DTC systems may be impaired.

The Issuer may issue additional Notes with identical terms that may have a negative impact on the market value of the original Notes.

The Issuer may, without the consent of the Noteholders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, may be treated as a separate series for U.S. federal income tax purposes. If the additional Notes are issued with OID and the original Notes had no OID, or the additional Notes have a greater amount of OID than the original Notes, this may have a negative impact on the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

USE OF PROCEEDS

The net proceeds to Evraz from the offering of the Notes are expected to be approximately U.S.$995,000,000. Evraz intends to use these net proceeds to refinance its existing indebtedness.

CAPITALISATION

The following table sets forth, as at 31 December 2012, Evraz's consolidated historical cash and cash equivalents, short- and long-term borrowings, equity and total capitalisation.

	As at 31 December 2012
	(U.S.$ millions)
Cash and cash equivalents, including short-term deposits[(1)]	2,058
Short-term borrowings (including current portion of long-term borrowings)[(1)]	1,619
Long-term borrowings, net of current portion[(1)(2)]	6,372
Issued capital	404
Additional paid in capital	1,419
Revaluation surplus	173
Legal reserve	39
Unrealised gains and losses	5
Accumulated profits	4,852
Translation difference	(1,520)
Non-controlling interests	168
Total equity	5,540
Total capitalisation[(3)(4)]	11,912

Notes:

(1) Include balances of disposal groups held for sale.

(2) For a description of Evraz's long-term borrowings, please see Note 21 to the Consolidated Financial Statements.

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

(4) Events occurring 31 December 2012 affecting capitalisation include, among others:

In March 2013, Evraz re-purchased 9.25% rouble-denominated notes totalling 12,265 million roubles (U.S.$399 million at the exchange rate as of the date of the transaction) following the expiration of the option of holders to accept a new coupon of 8.75% per annum due 20 March 2015. The remaining notes with the aggregate principal amount of 2,735 million roubles (approximately U.S.$89 million) became a long-term debt and continue to be traded on the Moscow Exchange. Evraz may resell the repurchased notes on the market at any time.

Starting from 1 January 2013, Evraz will apply the amended IAS 19 "Employee Benefits" which introduced recognition of actuarial gains and losses and past-service costs in the period when they occur. The actuarial gains and losses are recorded in other comprehensive income and past-service costs are recognised in profit or loss. This amendment is required to be applied retrospectively. At 31 December 2012, Evraz had U.S.$332 million of unrecognised actuarial losses, net of unrecognised past-service costs (See Note 23 to the Consolidated Financial Statements), they will decrease Evraz's equity and increase the liabilities under defined benefit plans.

In January 2013, Evraz repaid revolving credit lines to Nordea Bank and did not make borrowings with the bank subsequent to the repayment. At 31 December 2012, these credit lines with a carrying value of U.S.$400 million were classified as non-current debt as the Group had an unconditional right to roll them over for a period exceeding 12 months after 31 December 2012. There are no terms or conditions which preclude Evraz from borrowing of these funds.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set forth below presents historical consolidated financial information and other operating information of the Issuer as of 31 December 2012, 2011 and 2010 and for the years then ended. The selected consolidated financial information has been extracted without material adjustment from, and should be read in conjunction with, the Consolidated Financial Statements. The selected consolidated financial information should also be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

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

	Year ended 31 December		
	2012	**2011**	**2010**
		(U.S.$ million)	
CONSOLIDATED INCOME STATEMENT DATA			
Revenues	14,726	16,400	13,394
Cost of revenues	(11,797)	(12,473)	(10,319)
Gross profit	**2,929**	**3,927**	**3,075**
Selling and distribution expenses	(1,211)	(1,154)	(807)
General and administration expenses	(850)	(920)	(732)
Other operating income and expenses, net	(615)	8	(206)
Profit from operations	**253**	**1,861**	**1,330**
Non-operating income and expense, net	(148)	(987)	(697)
Profit before tax	**105**	**874**	**633**
Income tax expense	(229)	(420)	(163)
Net profit/(loss)	**(124)**	**454**	**470**
Net profit/(loss) attributable to equity holders of the parent entity	**(97)**	**462**	**486**
Net profit/(loss) attributable to non-controlling interests	(27)	(8)	(16)
Net income/(loss) per share	(0.65)	3.21	3.51
Weighted average number of shares outstanding	148,881,040	143,956,990	138,623,788
Steel segment income statement data			
Revenues[1]	13,543	14,717	12,123
Cost of revenues[1]	(11,154)	(12,375)	(9,983)
Gross profit	2,389	2,342	2,140
Selling and distribution expenses	(1,130)	(1,097)	(761)
General and administration expenses	(466)	(469)	(403)
Other operating income and expenses, net	52	(196)	(98)
Profit from operations	845	580	878
Mining segment income statement data			
Revenues[1]	2,650	3,784	2,507
Cost of revenues[1]	(2,306)	(2,363)	(1,569)
Gross profit	344	1,421	938
Selling and distribution expenses	(118)	(118)	(110)
General and administration expenses	(141)	(143)	(117)
Other operating income and expenses, net	(540)	(10)	(98)
Operating profit/(loss)	(455)	1,150	613
Vanadium segment income statement data			
Revenues[1]	520	665	566
Cost of revenues[1]	(494)	(610)	(501)
Gross margin	26	55	65
Selling and distribution expenses	(50)	(21)	(23)
General and administration expenses	(37)	(43)	(36)
Other operating income and expenses, net	(6)	(4)	(16)
Operating loss	(67)	(13)	(10)
Other operations income statement data			
Revenues[1]	1,046	966	823
Cost of revenues[1]	(779)	(716)	(601)
Gross margin	267	250	222
Selling and distribution expenses	(88)	(85)	(91)
General and administration expenses	(22)	(21)	(27)
Other operating income and expenses, net	(7)	18	(27)
Operating profit	150	162	77
Total assets	17,696	16,983	17,539
Equity attributable to equity holders of the parent entity	5,372	5,565	5,689
Non-controlling interests	168	225	247
Long-term debt, net of current portion	6,370	6,593	7,097
CONSOLIDATED CASH FLOWS DATA			
Net cash flows (used in)/from operating activities	2,153	2,647	1,662
Net cash flows (used in)/from investing activities	(1,301)	(1,188)	(744)
Net cash flows (used in)/from financing activities	(301)	(1,282)	(899)

	Year ended 31 December		
	2012	2011	2010
		(U.S.$ million)	
OTHER MEASURES			
Consolidated Adjusted EBITDA[(2)]	2,022	2,899	2,350
Steel segment Adjusted EBITDA[(2)]	1,326	1,262	1,485
Vanadium segment Adjusted EBITDA[(2)]	(19)	22	53
Mining segment Adjusted EBITDA[(2)]	622	1,628	935
Other operations Adjusted EBITDA[(2)]	189	197	144
Net Debt[(3)]	5,937	6,442	7,184
Cash and cash equivalents	1,314	801	683

Notes:

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

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

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

(3) Net Debt represents long-term loans, net of current portion, plus short-term loans and current portion of long-term loans and finance leases less cash and cash equivalents and short-term bank deposits (excluding restricted deposits). Net Debt is not a balance sheet measure under IFRS and it should not be considered as an alternative to other measures of financial position. Evraz's calculation of Net Debt may be different from the calculation used by other companies and therefore comparability may be limited. Net Debt is a measure of Evraz's operating performance that is not required by, or presented in accordance with, IFRS. Although Net Debt is a non-IFRS measure, it is widely used to assess liquidity and the adequacy of a company's financial structure. Evraz believes Net Debt provides an accurate indicator of its ability to meet its financial obligations, represented by gross debt, from its available cash. Net Debt allows Evraz to show investors the trend in its net financial condition over the periods presented. However, the use of Net Debt effectively assumes that gross debt can be reduced by cash. In fact, it is unlikely that Evraz would use all of its cash to reduce its gross debt all at once, as cash must also be available to pay employees, suppliers and taxes, and to meet other operating needs and capital expenditure requirements. Net Debt and its ratio to equity, or leverage, are used to evaluate Evraz's financial structure in terms of sufficiency and cost of capital, level of debt, debt rating and funding cost, and whether Evraz's financial structure is adequate to achieve its business and financial targets. Evraz's management monitors the Net Debt and leverage or similar measures as reported by other companies in Russia or abroad in order to assess Evraz's liquidity and financial structure relative to such companies. Evraz's management also monitors the trends in its Net Debt and leverage in order to optimise the use of internally-generated funds versus funds from third parties.

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

	Year ended 31 December,		
	2012	2011	2010
		(U.S.$ million)	
Consolidated Adjusted EBITDA reconciliation			
Profit from operations	253	1,861	1,330
+ depreciation, amortisation and depletion	1,259	1,153	925
+ impairment of assets	413	104	147
+ (gain)/loss from disposal of property, plant and equipment	56	50	52
+ forex (gain)/losses	41	(269)	(104)
Consolidated adjusted EBITDA*	2,022	2,899	2,350
Steel segment Adjusted EBITDA reconciliation			
Profit from operations	845	580	878
+ depreciation, amortisation and depletion	556	546	558
+ impairment of assets	58	78	81
+ (gain)/loss from disposal of property, plant and equipment	38	29	33
+ forex (gain)/losses	(171)	29	(65)

	Year ended 31 December,		
	2012	2011	2010
	(U.S.$ million)		
Steel segment adjusted EBITDA*	1,326	1,262	1,485
Mining segment Adjusted EBITDA reconciliation			
Profit/(loss) from operations	(455)	1,150	613
+ depreciation, amortisation and depletion	611	530	282
+ impairment of assets	354	31	20
+ (gain)/loss from disposal of property, plant and equipment	17	20	18
+ forex (gain)/losses	95	(103)	2
Mining segment adjusted EBITDA*	622	1,628	935
Vanadium segment Adjusted EBITDA reconciliation			
Profit/(loss) from operations	(67)	(13)	(10)
+ depreciation, amortisation and depletion	47	34	47
+ impairment of assets	—	—	16
+ (gain)/loss from disposal of property, plant and equipment	1	—	—
+ forex (gain)/losses	—	1	—
Vanadium segment adjusted EBITDA*	(19)	22	53
Other operations Adjusted EBITDA reconciliation			
Profit from operations	150	162	77
+ depreciation, amortisation and depletion	38	40	37
+ impairment of assets	1	(5)	30
+ (gain)/loss from disposal of PPE	—	1	1
+ forex (gain)/losses	—	(1)	(1)
Other operations adjusted EBITDA*	189	197	144

* Includes inter-segment sales.

Net Debt has been calculated as follows:

	Year ended 31 December,		
	2012	2011	2010
	(U.S.$ million)		
Net debt calculation			
Add:			
Long-term loans, net of current portion	6,370	6,593	7,097
Short-term loans and current portion of long-term loans	1,542	613	714
Finance leases	13	39	57
Less:			
Short-term bank deposits	(674)	(2)	(1)
Cash and cash equivalents	(1,314)	(801)	(683)
Net Debt	5,937	6,442	7,184

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

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

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

Overview

Evraz is a vertically integrated steel, mining and vanadium business with operations in Russia, Ukraine, North America, the European Union and South Africa. In 2012, Evraz produced 15.9 million tonnes of crude steel and sold 15.3 million tonnes of rolled steel products to third parties. According to Metal Expert, Evraz was the third largest crude steel producer by crude steel volume in Russia in 2012, and the largest manufacturer by volume of long products for the construction and railway industries in Russia and the CIS in 2012. Evraz also produces significant quantities of iron ore products and coking coal, most of which are used in its own steelmaking operations. In 2012, Evraz produced 20.8 million tonnes of iron ore and 8.5 million tonnes of coking coal, as well as 2.3 million tonnes of steam coal. Evraz is also one of the leading producers of vanadium globally. In 2012, Evraz produced 18.4 thousand tonnes of ferrovanadium and other finished vanadium products.

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

- Steel production facilities: United EVRAZ ZapSib, the business unit that combines two integrated steel production facilities: ZapSib, located near Novokuznetsk, in the Kemerovo region, Russia, one of the largest integrated construction steel producers in Russia, and NKMK, located in Novokuznetsk, a steel mill which is one of the leading rail producers globally; EVRAZ NTMK, located in Russia's Nizhny Tagil, in the Sverdlovsk region, one of the largest integrated steel production mills in Russia and a producer of vanadium slag; EVRAZ North America, a diversified steel manufacturer in North America, with sites located throughout the United States and Canada, producing steel pipes, plates and long products; EVRAZ DMZP, located in Dnepropetrovsk, Ukraine, an integrated steel mill specialising in the manufacture of billets and construction rolled products; and EVRAZ Palini, located in Italy, a manufacturer of high quality plate products. Evraz has also initiated the process of disposing of several additional steel production facilities, each of which is currently accounted for as held for sale: EVRAZ Vítkovice, a manufacturer of rolled steel products located in Czech Republic; and EVRAZ Highveld, located in South Africa, a producer of steel and vanadium slag.

- Iron ore mining and processing facilities: EVRAZ KGOK and EVRAZ VGOK, located in the Sverdlovsk region near EVRAZ NTMK in Russia; Evrazruda, which operates iron ore mines in the Kemerovo region near United EVRAZ ZapSib, in the Republic of Khakassia and in south Krasnoyarsk Krai in Russia; and EVRAZ Sukha Balka located in the Dnepropetrovsk region of Ukraine, near EVRAZ DMZP; Mapochs Mine, a subsidiary of EVRAZ Highveld Steel and Vanadium, located in Roossenekal in the Limpopo region of South Africa, which mines titaniferrous magnetite ore.

- An integrated coal mining company producing coking, steam coal and concentrate: Yuzhkuzbassugol, located in the Kemerevo region in Russia, near United EVRAZ ZapSib.

- Vanadium production facilities: Stratcor with operations in the United States and South Africa; EVRAZ Nikom, a ferrovanadium producer located in the Czech Republic; and EVRAZ Vanady-Tula located in Russia.

- Other principal assets, including EVRAZ Nakhodka Trade Sea Port, one of the largest ports in the Russian Far East and through which Evraz ships most of its Russian exports; East Metals and TC EvrazHolding, two of Evraz's sales and trading companies, and EVRAZ Metall Inprom which operates 62 steel service centres located in Russia and Kazakhstan, that finish and distribute steel products produced by Evraz.

Evraz also currently indirectly owns a 41% equity interest in Raspadskaya, one of Russia's largest coking coal producers. In January 2013, EVRAZ plc acquired an additional 41% equity interest in Raspadskaya, resulting in an 82% consolidated equity interest in Raspadskaya by Evraz's parent company, EVRAZ plc, while the remaining 18% of shares are publicly traded on the Moscow Exchange. For additional information on Raspadskaya, please see "*Business—Mining Business—Raspadskaya*".

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

Business Structure

Segments

Evraz's business is divided into four principal segments:

- the steel production segment, comprising the production and sale of semi-finished and finished steel products, coke and coking products, and refractory products;
- the mining segment, comprising the production, enrichment and sale of iron ore and coking and steam coal;
- the vanadium segment, comprising the production and sale of vanadium products; and
- other operations include logistics (including EVRAZ Nakhodka Trade Sea Port) and supporting activities.

Inter-segment Sales

Evraz is a vertically integrated steel and mining group. In 2012, Evraz's mining segment supplied approximately 74% and 44% of Evraz's steel segment's total iron ore and coking coal requirements, respectively. An additional 12% of Evraz's steel segment's coking coal requirements were supplied by Raspadskaya. For additional information on Evraz's iron ore and coking coal self-coverage see "*Business — Mining Business*". In turn, Evraz's steel segment supplies grinding balls, mining uprights and coke to Evraz's mining segment for use in its operations. The objective of Evraz's vertical integration is not, however, to only use raw materials produced by its subsidiaries. Rather, Evraz takes a commercial approach to sourcing its raw materials, and may buy and sell iron ore and coal to and from third parties (instead of internal sources) depending on a number of factors, including pricing, grade and quality of coal and geographic proximity of raw materials to Evraz's facilities.

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

Acquisitions and Disposals

Evraz has sought to develop an integrated steel and mining business through the purchase of assets that it believes offer significant value creation potential, particularly in the light of Evraz's implementation of improved working practices and operational methods. Evraz also, from time to time, disposes of certain assets. Acquisitions during the period under review were the acquisition of certain scrap yards located in the United States in 2012 and the entities now referred to as Evraz Metall Inprom (Inprom Group) and Kachkanar Heat and Power Plant in 2010 and 2011, respectively. The only material disposal during the period under review was Evraz's sale of its rail transportation subsidiary, Evraztrans, to Russian freight rail operator NefteTransService, finalised on 12 December 2012.

Significant Factors Affecting Results of Operations

General Economic Condition

Beginning in 2008 and continuing into 2009, the global economy experienced a significant downturn, the effects of which continued to some degree through 2012. The second half of 2009 and 2010 were characterised by a number of positive developments in the global economy, as key emerging and developing economies demonstrated a strong demand for raw materials, supported by government stimulus initiatives. This was coupled with general

restocking in the steel market and growth of consumption in the U.S. market. As a result, Evraz's financial results for 2010 were positively impacted as revenues grew in response to the increased demand in Evraz's markets. In 2011, the sovereign debt problems in Europe and the USA added extra volatility to commodity markets and led to an additional uncertainty in the process of recovery of the global economy. Further, despite softening of steel and raw material prices in the second half of 2011, an improved overall market environment resulted in revenue growth and improved results of operations. In 2012, however, challenging conditions for the global steelmaking industry, including a subdued pricing environment, negatively impacted Evraz's financial performance.

Evraz expects increased activity in the Russian construction sector and infrastructure spending in Russia as the Russian Government has announced plans for large capital expenditures, including construction in preparation for the Sochi Winter Olympics, a Far East development programme and a fourth motorway ringroad around Moscow. In addition, Evraz believes that significant construction projects associated with Russia's hosting of the 2018 World Cup will positively impact Evraz's future results of operations.

Volume and Pricing

Evraz's revenue is dependent to a significant extent on pricing and volume of its products as well as the product mix. Factors that can impact volume, pricing and product mix include: (i) levels of global demand and supply for steel products in the construction and other industries; (ii) Evraz's ability to meet increased demand for products given facility production capacities; and (iii) overall volume of product in the market.

In 2012, Evraz's Russian and Ukrainian steel operations were operating at near or full economic capacity, while its other operations had capacity for additional production. Similarly, Evraz's vanadium processing capacities were fully utilised in 2012. In each of 2010 and 2011, Evraz sold 15.5 million tonnes of steel products, as compared to 15.3 million tonnes of steel products in 2012. The marginal decrease in Evraz's steel sales from 2011 to 2012 largely reflected poor conditions in the European markets.

Production from Evraz's mining segment in the period under review amounted to 19.8 million tonnes, 21.2 million tonnes and 20.8 million tonnes of sellable iron ore products in 2010, 2011 and 2012 respectively. Evraz mined 7.5 million tonnes, 6.3 million tonnes and 8.5 million tonnes of raw coking coal in 2010, 2011 and 2012 respectively, and Evraz mined 3.8 million tonnes, 3.0 million tonnes and 2.3 million tonnes of raw steam coal in 2010, 2011 and 2012, respectively.

Evraz's production for ferrovanadium and other finished vanadium products amounted to 18.4 thousand tonnes in 2012, compared to 20.9 thousand tonnes in 2011 and 17.3 thousand tonnes in 2010.

The average price per tonne at which Evraz sold its steel and vanadium products varied across its products and geographies, but prices generally increased during 2010, were stable for most of 2011 and declined in 2012. Prices of iron ore and coal do not have a significant impact on Evraz's consolidated results as Evraz consumes a significant portion of the iron ore and coal it produces.

The decreases in volumes discussed above, together with lower prices, resulted in decline in Evraz's EBITDA margin to 13.7% in 2012, from 17.7% in 2011 and 17.5% in 2010.

Foreign Exchange

As a major part of Evraz's revenues is generated in U.S. dollars and its reporting currency is U.S. dollars, but incurs costs in several currencies, particularly the Rouble. Evraz's results are impacted by the movements of the currencies in which it incurs costs against the U.S. dollar. The volatility of local currencies against the U.S. dollar contributed to a general decrease in costs (in U.S. dollar terms) in 2012 compared to 2011 and increase in costs in 2011 compared to 2010. The table below shows the movements in the average exchange rates of currencies relevant to Evraz's subsidiaries against the U.S. dollar between 2012 and 2011 and between 2011 and 2010:

Currency	**2012 vs. 2011**	**2011 vs. 2010**	**Operations**
	(% Change)		
Rouble	(5)%	3%	EVRAZ's Russian operations
Czech Koruna	(10)%	8%	EVRAZ Vitkovice Steel
Euro	(8)%	5%	EVRAZ Palini e Bertoli
South African Rand	(12)%	1%	EVRAZ Highveld Steel and Vanadium
Ukrainian Hryvnia	(0.3)%	(0.4)%	EVRAZ's Ukrainian operations
Canadian Dollar	(1)%	4%	EVRAZ Inc. N.A. Canada

Cost Factors

Evraz's business requires large amounts of raw materials, semi-finished products, fuel and energy. The raw materials that Evraz uses include coking coal, coke, iron ore and scrap iron. Evraz purchases these inputs from third party providers and produces them at its subsidiaries. As a result, Evraz's results of operations can be impacted by volatility in the costs of, and the availability of, these raw materials. Evraz sources a large percentage of its coal and iron ore requirements from its subsidiaries, which partially mitigates the impact on Evraz's results from increased prices of raw materials. In addition to raw materials, fuel and other energy costs represent a substantial portion of Evraz's production costs. Fuel and energy costs generally increased from 2010 to 2011, but decreased in 2012.

Transportation costs for raw materials and finished products also affect Evraz's results of operations. Competition in the railway transport industry in Russia is limited and Evraz is, in part, dependent on Russian Railways, the monopoly railway service provider for delivery of both raw materials and products. Russian Railways regularly increases tariffs for its services and can do so at a rate which is higher than the rate at which Evraz can increase its prices. A change in shipment terms for most domestic sales of Russian operations from an ExWorks basis to a "carriage paid to" basis in April 2011 also tended to increase Evraz's costs and revenues. See "—*Selling and Distribution Costs*".

During 2012, Evraz on average employed 110,446 employees (including contractors). Staff costs impact Evraz's results of operations. Employee costs and other costs, such as auxiliary materials and services which Evraz purchases, are costs that are not generally tied to the volume of product that it sells. These costs are, however, a smaller percentage of its overall costs than raw materials, energy and transport costs and do not have as significant an impact on Evraz's results of operations.

Acquisitions and Disposals

Evraz's operating results were affected by its acquisitions and disposals of assets. See Note 4 to Evraz's Consolidated Financial Statements. On 31 December 2012, Evraz initiated a tender process for the sale of EVRAZ Vitkovice and EVRAZ Highveld, and accordingly these businesses were classified as assets held for sale in Evraz's consolidated financial statements as of and for the year ended 31 December 2012. See Note 12 to the Consolidated Financial Statements.

Seasonality

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

Critical Accounting Policies

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

Recent Developments

In January 2013, EVRAZ plc acquired an additional 41% equity interest in Raspadskaya, resulting in an 82% consolidated equity interest in Raspadskaya by Evraz's parent company, EVRAZ plc, while the remaining 18% of shares are publicly traded on the Moscow Exchange.

On 27 March 2013, Evraz announced the signing of a non-binding term sheet in respect of the proposed sale of its 85% stake in EVRAZ Highveld.

On 2 April 2013, EVRAZ plc signed an agreement to acquire a stake in OJSC Timir ("**Timir**") for a total consideration of RUB4,950 million to be paid in several instalments. At completion, EVRAZ plc will receive a 51% stake in Timir, OJSC Alrosa ("**Alrosa**") will own 49% minus one share and Vnesheconombank will receive one

share. Timir is a joint venture between EVRAZ plc and Alrosa created for the development of the Timir iron ore project in southern Yakutia, Russia.

Interim Dividends

On 28 March 2013, Evraz Group S.A. declared interim dividends for 2013 in the amount of U.S.$130 million.

Results of Operations for the Years Ended 31 December 2012, 2011 and 2010

The following table sets out Evraz's consolidated income statement data for the years ended 31 December 2012, 2011 and 2010.

	Year ended 31 December					
	2012		2011		2010	
	Amount	Percentage of revenue	Amount	Percentage of revenue	Amount	Percentage of revenue
	(U.S.$ million, except percentages)					
Income statement data						
Revenue[1]	14,726	100%	16,400	100.0%	13,394	100.0%
Cost of revenue	(11,797)	(80.1)%	(12,473)	(76.1)%	(10,319)	(77.0)%
Gross profit	**2,929**	**19.9%**	**3,927**	**23.9%**	**3,075**	**23.0%**
Selling and distribution costs	(1,211)	(8.2)%	(1,154)	(7.0)%	(807)	(6.0)%
General and administrative expenses	(850)	(5.8)%	(920)	(5.6)%	(732)	(5.5)%
Other operating income and expenses, net	(615)	(4.2)%	8	0.0%	(206)	(1.6)%
Profit from operations	**253**	**1.7%**	**1,861**	**11.3%**	**1,330**	**9.9%**
Non-operating income and expenses, net	(148)	(1.0)%	(987)	(6.0)%	(697)	(5.2)%
Profit/(Loss) before tax	**105**	**0.7%**	**874**	**5.3%**	**633**	**4.7%**
Income tax expense	(229)	(1.6)%	(420)	(2.5)%	(163)	(1.2)%
Net profit/(Loss)	**(124)**	**(0.9)%**	**454**	**2.8%**	**470**	**3.5%**
Net profit attributable to equity holders of the parent entity	(97)	(0.7)%	462	2.8%	486	3.6%
Net profit attributable to minority interests	(27)	(0.2)%	(8)	(0.0)%	(16)	(0.1)%

Note:

(1) Includes revenue from sales of services of U.S.$359 million, U.S.$323 million and U.S.$250 million for the years ended 31 December 2012, 2011 and 2010, respectively. Sales of services consist primarily of heat and electricity supply, port charges, transportation and steel coating.

In the years ended 31 December 2012, 2011 and 2010, transactions with related parties accounted for approximately 0.7%, 0.4% and 0.3% , respectively, of Evraz's revenue. In addition, Evraz made purchases from associates (coal from Raspadskaya and iron ore from Yuzhny GOK). See "*Related Party Transactions*" and Note 16 to the Consolidated Financial Statements.

Revenue

Evraz's consolidated revenue in 2012 totalled U.S.$14,726 million, a 10.2% decrease compared to revenue of U.S.$16,400 million in 2011. Decreases in both prices and volumes contributed to the decline in consolidated revenues. Price decreases accounted for U.S.$1,107 million or approximately 66% of this revenue decline, while volume decreases (mainly of mining and vanadium products) accounted for U.S.$567 million or approximately 34% of the decrease in revenue.

Sales in the steel and mining segments accounted for the majority of the decrease in revenues due to lower average prices of steel products and lower average sales prices and volumes of mining products.

Evraz's sales volumes of steel products to third parties decreased from 15.5 million tonnes in 2011 to 15.3

million tonnes in 2012. While aggregate steel sales volumes only marginally changed in 2012 compared to 2011, there were variations in Evraz's principal markets. The decrease in steel sales volumes primarily reflects the fall in sales of steel products in Europe. The overall sales of Evraz's European operations decreased by 0.3 million tonnes in 2012. Export sales volumes from Evraz's Russian and Ukrainian operations increased by 0.1 million tonnes, offset by a decrease in sales volumes in Russia by 0.1 million tonnes, while sales volumes in the Ukrainian market remained unchanged. Sales volumes of Evraz's North American operations increased by 0.1 million tonnes, while steel sales volumes of Evraz's South African operations remained largely flat.

Evraz's consolidated revenue in 2011 totalled U.S.$16,400 million, a 22.4% increase compared to revenue of U.S.$13,394 million in 2010. Increases in both prices and volume contributed to this revenue growth. Price increases accounted for U.S.$2,774 million or approximately 92% of this revenue growth, while volume increases accounted for U.S.$232 million or approximately 8% of the revenue growth. About 8% of the revenue growth included in the effect on price was attributable to the change in shipment terms by Evraz's Russian mills to domestic customers (excluding sales of rails to Russian Railways) from ExWorks to CPT Incoterms beginning in April 2011. Transportation in 2011 for "carriage paid to" ("**CPT**") shipments in Russia, included in revenue for 2011, amounted to approximately U.S.$248 million.

The steel segment accounted for the majority of the increase in revenue from 2010 to 2011 due to higher average prices of steel products. Evraz's sales volumes of steel products to external customers in 2011 remained at the same level as in 2010. While total steel sales volumes did not change in 2011 compared to 2010, there were some changes between the markets. Sales volumes in the Russian and Ukrainian markets increased by 1.2 million tonnes and 0.1 million tonnes, respectively, as compared to 2010. This increase was fully offset by a decrease in export sales volumes from Evraz's Russian and Ukrainian operations, which reflected Evraz's strategy to direct sales away from export markets where prices for its steel products were generally lower du, and to direct sales to domestic CIS markets, where prices for steel products were higher than in export markets. Sales volumes of Evraz's European increased by 0.1 million tonnes, while volumes of North American operations decreased by 0.1 million tonnes. Steel sales volumes of Evraz's South African operations remained flat during 2010 and 2011.

The following table shows the average prices of Evraz's principal products in 2012, 2011 and 2010 (encompassing semi-annual breakdowns of both the Russian and non-CIS export markets):

	Year ended 31 December					
	2012		2011		2010	
	2nd half	1st half	2nd half	1st half	2nd half	1st half
	(U.S.$ per tonne, except percentages)					
	Average Russian and CIS prices for Evraz's Russian and Ukrainian products[1]					
Construction products						
Rebars	697	691	745	735	618	556
H-Beams	987	1,009	956	997	890	829
Channels	726	742	773	778	671	626
Angles	708	707	739	749	636	594
Wire rods	654	676	726	706	573	524
Wire	723	702	835	797	664	608
Railway products						
Rails	820	785	809	787	637	599
Wheels	1,451	1,394	1,428	1,382	1,241	1,175
Flat-rolled products						
Plates	634	696	736	791	630	601
Semi-finished products						
Slabs	501	583	582	615	493	446
Pig Iron	440	457	503	551	399	392
Pipe blanks	659	706	728	693	579	569
Other steel products						
Grinding balls	817	887	907	902	778	676
Rounds	633	708	748	766	648	574

	Year ended 31 December					
	2012		2011		2010	
	2nd half	1st half	2nd half	1st half	2nd half	1st half

	(U.S.$ per tonne, except percentages)					
	Average non-CIS export prices for Evraz's Russian and Ukrainian products[2]					
Construction products						
H-beams	675	736	831	772	611	531
Rebars	620	620	696	784	572	519
Wire rods	601	648	721	662	558	521
Semi-finished products						
Billets	573	622	662	596	546	487
Slabs	519	587	653	647	579	488
Pig Iron	381	n/a	512	523	391	—
Flat-rolled products						
Plates	n/a	n/a	733	n/a	725	633
	Average prices for Evraz's non—CIS operations products[3]					
Construction products						
SA operations—H-beams	761	825	866	880	788	797
Flat-rolled products						
European operations – plates	709	786	871	943	800	684
North American operations – commodity plates	943	1,030	1,087	1,100	829	801
North American operations – speciality plates	1,144	1,235	1,367	1,306	1,185	1,074
South African operations – commodity plates	759	855	923	999	893	788
Tubular products						
North American operations – large diameter pipes	1,418	1,347	1,374	1,148	1,361	1,264

Notes:

(1) Prices for sales denominated in Roubles and Ukrainian Hryvnia are converted into U.S. dollars at the average monthly exchange rate to the U.S. dollar as stated by the CBR and National Bank of Ukraine. Average U.S. dollar prices are calculated as a weighted average of sales prices in the relevant half-year period.

(2) Average price data relates to sales by East Metals AG.

(3) Prices for sales denominated in Euros, Czech Korunas, South African Rand and Canadian dollars are converted into U.S. dollars at the average exchange rate to the U.S. dollar for the period under consideration as stated by the relevant Central bank.

The following table presents Evraz's consolidated revenue by segment for 2012, 2011 and 2010:

	Year ended 31 December		
	2012	**2011**	**2010**
	(U.S.$ million, except percentages)		
Revenue by segment			
Steel segment			
To third parties	13,333	14,524	11,976
To mining segment	129	164	123
To vanadium segment	2	2	1
To other operations	79	27	23
Total steel segment	**13,543**	**14,717**	**12,123**
Mining segment			
To third parties	635	1,037	736
To steel segment	1,973	2,706	1,747
To other operations	42	41	24
Total mining segment	**2,650**	**3,784**	**2,507**
Vanadium segment			
To third parties	505	640	536
To steel segment	15	25	30
Total vanadium segment	**520**	**665**	**566**
Other operations			

To third parties	253	199	146
To steel segment	568	554	507
To mining segment	225	213	170
Total other operations	**1,046**	**966**	**823**
Eliminations	(3,033)	(3,732)	(2,625)
Consolidated revenue	**14,726**	**16,400**	**13,394**
% from steel segment	90.6%	88.6%	89.4%
% from mining segment	4.3%	6.3%	5.5%
% from vanadium segment	3.4%	3.9%	4.0%
% from other operations	1.7%	1.2%	1.1%

The following table presents the geographic breakdown of Evraz's consolidated revenue in 2012, 2011 and 2010 (based on location of customer) in absolute terms and as a percentage of total revenue.

	Year ended 31 December					
	2012	**% of total**	**2011**	**% of total**	**2010**	**% of total**
	(U.S.$ million, except percentages)					
Russia	6,191	42.0%	6,632	40.4%	4,692	35.0%
Americas	3,571	24.2%	3,741	22.8%	3,162	23.6%
Asia	2,115	14.4%	2,350	14.3%	2,671	20.0%
Europe	1,450	9.9%	1,941	12.0%	1,422	10.6%
CIS	996	6.8%	1,187	7.2%	960	7.2%
Africa	397	2.7%	544	3.3%	485	3.6%
Rest of the world	6	0.0%	5	0.0%	2	0.0%
Total	**14,726**	**100%**	**16,400**	**100%**	**13,394**	**100%**

Revenue from sales in Russia decreased in absolute terms but increased as a proportion of total revenue in 2012 as compared to 2011. The revenue decrease in absolute terms was largely driven by a reduction in the sales volumes of iron ore concentrate to Mechel, from approximately 1 million tonnes in 2011 to nil in 2012 due to termination of the supply contract with Mechel in July 2011 and lower average steel prices in the Russian market. The increase in revenue from sales in Russia in 2012 as a proportion of total revenue was attributable to relatively stable prices for railway and construction products on the Russian market compared to declining steel prices on other markets. Revenue from sales in Russia increased both in absolute terms, and as a proportion of total revenue in 2011 as compared to 2010. The principal driver was continuing growing demand for construction products in the Russian market in 2011, supported by additional sales through the sales branches of EVRAZ Metall Inprom.

Revenue from sales in North America decreased in absolute terms but increased as a proportion of total revenue in 2012 as compared to 2011. The principal driver of the higher proportion of revenue from North America was growth in steel sales volumes, in particular of flat-rolled products. Revenue from sales in North America increased in absolute terms, but decreased as a proportion of total revenue in 2011 as compared to 2010. The principal driver of the lower proportion of revenue from North America was lower growth of average steel prices in North America compared to growth of Evraz's average steel prices across all regions.

Revenue from sales in Asia decreased in absolute terms but slightly increased as a proportion of total revenue in 2012 as compared to 2011. The principal driver of the higher proportion of revenues from Asia was an increase in exports of semi-finished products from Russia. Revenue from sales in Asia decreased both in absolute terms and as a proportion of total revenue in 2011 as compared to 2010. The principal driver of the lower proportion of revenue from Asia was a decrease in exports of semi-finished products from Russia.

Revenue from sales in Europe decreased in absolute terms and decreased as a proportion of total revenue in 2012 as compared to 2011. This was largely driven by the decrease in demand for steel product in Europe which

resulted in a significant decline in prices by an average of approximately 20% and a decline in steel sales volumes. Revenue from sales in Europe increased both in absolute terms and as a proportion of total revenue in 2011 as compared to 2010. The principal driver was higher than average growth in prices supported by increased sales volumes.

Revenue from sales in Africa decreased in absolute terms and decreased as a proportion of total revenue in 2012 as compared to 2011. The decrease in revenues from Africa was a result of lower steel sales prices and volumes**.** The lower steel sales volumes also reflected lost production during an industrial strike at Evraz Highveld in the summer 2012. See "*Business—Employee relations*".

Revenue from sales in the CIS decreased in absolute terms and as a proportion of total revenue in 2012 as compared to 2011. The principal driver of the lower proportion of revenue from CIS was lower sales volumes of steel products. In 2011, CIS revenue increased in absolute terms but remained constant as a proportion of total revenue as compared to 2010. The principal drivers of the growth in the CIS sales were higher sales volumes of iron ore products and higher average steel prices.

Steel Segment

Steel segment revenue decreased by 8.0% to U.S.$13,543 million in 2012 as compared to U.S.$14,717 million in 2011. This was primarily a result of lower steel sales prices in 2012 compared to 2011 as illustrated in the price table above.

Steel segment revenue increased by 21.4% to U.S.$14,717 million in 2011 as compared to U.S.$12,123 million in 2010. Steel segment revenue was affected by increasing prices for steel products during 2011, as described above.

The following table presents Evraz's steel segment sales by major product groups (including inter-segment sales) in 2012, 2011 and 2010.

	Year ended 31 December					
	2012		2011		2010	
	Steel segment sales	Percentage of total	Steel segment sales	Percentage of total	Steel segment sales	Percentage of total
	(U.S.$ million, except percentages)					
Construction products[(1)]	4,331	32.0%	4,430	30.1%	3,337	27.5%
Flat-rolled products[(2)]	2,268	16.7%	2,763	18.8%	2,007	16.6%
Railway products[(3)]	1,743	12.9%	1,969	13.4%	1,472	12.1%
Tubular products[(4)]	1,288	9.5%	1,322	9.0%	1,309	10.8%
Semi-finished products[(5)]	2,066	15.3%	2,235	15.2%	2,340	19.3%
Other steel products[(6)]	492	3.6%	592	4.0%	411	3.4%
Other products[(7)]	1,355	10.0%	1,406	9.5%	1,247	10.3%
TOTAL	**13,543**	**100%**	**14,717**	**100%**	**12,123**	**100%**

Notes:

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

The proportion of revenue attributable to sales of construction products increased in 2012 as compared to 2011, primarily as the result of higher sales volumes of construction products on the Russian market. The proportion of revenue attributable to sales of construction products increased in 2011 as compared to 2010 as the result of increased sales volumes and prices of construction products in Russia.

The proportion of revenue attributable to sales of railway products decreased in 2012 as compared to 2011, primarily as the result of a decrease in sales volumes resulting from constrained capacity due to the reconstruction of the rail and beam mill at United EVRAZ ZapSib, which Evraz expects to be fully completed in 2013. The

proportion of revenue attributable to sales of railway products increased in 2011 as compared to 2010 due to the growth in sales volumes.

The proportion of revenue attributable to sales of flat-rolled products (primarily plates) decreased in 2012 as compared to 2011, primarily as the result of a significant decline in sales prices, particularly on the European markets. The proportion of revenue attributable to sales of flat-rolled products (primarily plates) increased in 2011 as compared to 2010 due to the growth in sales volumes of Evraz's Russian, North American and European operations.

The proportion of revenue attributable to sales of tubular products marginally increased in 2012 as compared to 2011, primarily as the result of higher average sales prices and despite a 4% decrease in sales volumes. The proportion of revenue attributable to sales of tubular products decreased in 2011 as compared to 2010. This decrease was due to the relative stability of prices and volumes for tubular products compared to the growing revenues of other product groups.

The proportion of revenue attributable to sales of semi-finished products marginally increased in 2012 as compared to 2011, primarily due to an increase in export sales volumes to Asia. The proportion of revenue attributable to sales of semi-finished products decreased in 2011 as compared to 2010 due to lower sales volumes of semi-finished products sold by Evraz's Russian and Ukrainian operations to export markets.

Revenue from sales of other steel products (mainly rounds, grinding balls and mine uprights sold in Russia) decreased as a proportion of steel segment revenue in 2012 as compared to 2011, primarily as the result of lower average sales prices and decreased sales volumes of rounds. Revenue from sales of other steel products increased in 2011 as compared to 2010 as a proportion of steel segment revenue due to higher sales volumes and prices.

Revenue attributable to non-steel sales increased as a proportion of total sales in 2012 as compared to 2011, primarily as the result of an increase in sales of chemical products, metal scrap and other services in 2012 through Evraz's Russian operations. Revenue attributable to non-steel sales decreased as a proportion of total sales in 2011 as compared to 2010 due to a decrease in sales volumes of coke and relatively stable prices compared to steel products.

Steel segment sales to the mining segment totalled U.S.$129 million in 2012 compared to U.S.$164 million in 2011. This decrease was primarily attributable to a decline in sales prices. Steel segment sales to the mining segment totalled U.S.$164 million in 2011 compared to U.S.$123 million in 2010. The increase is attributable to higher sales prices.

Revenue from sales in Russia amounted to 44% of Evraz's steel segment revenue in 2012, compared to 42% in 2011. This increase was attributable to the relatively stable sales volumes on the Russian market (in particular for construction products) and smaller price reductions (made possible by stable rails prices) than the average reduction in steel sales prices across all Evraz's markets. Revenue from sales in Russia amounted to 42% of Evraz's steel segment revenue in 2011, compared to 35% in 2010. The increased share of revenue from sales in Russia is primarily attributable to the reallocation of steel volumes from Asian export markets to the Russian market in 2011.

Mining Segment

Evraz's mining segment revenue decreased by 30.0% to U.S.$2,650 million in 2012 as compared with U.S.$3,784 million in 2011. This decrease was primarily attributable to decreasing iron ore and coking coal prices, as well as lower sales volumes of steam coal concentrate and iron ore concentrate largely due to termination of the iron ore supply contract with Mechel in July 2011.

Total sales volumes of Evraz's mining segment in 2012 as compared to 2011 decreased by 6.6% in respect of iron ore products (in particular due to the termination of the supply contract with Mechel in July 2011) and decreased by 12.0% in respect of coal products. In particular, sales volumes of coking coal and coking coal concentrate decreased by 2.8%. Sales volumes of steam coal and steam coal concentrate decreased by 30.6% due to lower volumes of raw steam coal mined as steam coal facilities were not operational during the first quarter of 2012 due to longwall repositioning and the temporary suspension of operations at one mine after an accident in November 2012.

Evraz's mining segment revenue increased by 50.9% to U.S.$3,784 million in 2011 as compared with U.S.$2,507 million in 2010. This increase primarily reflected higher prices of iron ore and coking coal products in 2011 as compared to 2010.

Total sales volumes of Evraz's mining segment in 2011 as compared to 2010 increased by 17.8% in respect of iron ore products and decreased by 9.1% in respect of coal products. In particular, "nominal" sales volumes of coking coal (includes raw coking coal and coking concentrate) decreased by 4.4% due to the processing of a higher proportion of raw coking coal into coking coal concentrate by Evraz's mining segment, which was subsequently sold at higher prices. During the period under review, Evraz had a raw coal to concentrate yield of approximately 0.7 tn/tn. The decrease in respect of total coking coal product sold reflects the fact that YuKU sold more concentrate and less raw coal in 2011, which impacted the total tonnes sold, even though, in terms of concentrate, tonnes sold for the period increased by 4.0%. Sales volumes of steam coal decreased by 17.2% due to lower volumes of raw steam coal mined as some steam coal facilities were not operating in 2011.

The following table presents Evraz's mining segment sales in 2012, 2011 and 2010:

	Year ended 31 December					
	2012		2011		2010	
	Mining segment sales	Percentage of total	Mining segment sales	Percentage of total	Mining segment sales	Percentage of total
	(U.S.$ million, except percentages)					
Iron ore products	**1,724**	**65.1%**	**2,438**	**64.4%**	**1,526**	**60.9%**
Iron ore concentrate	494	18.6%	723	19.1%	516	20.6%
Sinter	405	15.3%	576	15.2%	369	14.7%
Pellets	630	23.8%	853	22.5%	521	20.8%
Other	195	7.4%	286	7.6%	120	4.8%
Coal products	**791**	**29.8%**	**1,247**	**33.0%**	**901**	**35.9%**
Raw coking coal	111	4.2%	157	4.1%	161	6.4%
Coking coal concentrate	553	20.8%	862	22.8%	501	20.0%
Raw steam coal	56	2.1%	52	1.4%	108	4.3%
Steam coal concentrate	71	2.7%	176	4.7%	131	5.2%
Other revenue	**135**	**5.1%**	**99**	**2.6%**	**80**	**3.2%**
TOTAL	**2,650**	**100%**	**3,784**	**100%**	**2,507**	**100%**

The following table shows the average price trends of the mining segment's iron ore products in 2012, 2011 and 2010 with half-yearly breakdowns:

	Year ended 31 December					
	2012		2011		2010	
	2nd half	1st half	2nd half	1st half	2nd half	1st half
	(U.S.$ million, except percentages)					
	Average prices for Evraz's mining segment products[1]					
Iron ore products						
Concentrate	84	93	105	120	89	88
Sinter	80	108	123	137	109	78
Pellets	96	112	134	147	114	77
Coal products						
Raw coking coal	64	82	91	101	78	60
Coking coal concentrate	128	148	223	197	154	126
Raw steam coal	42	36	35	37	47	48
Steam coal concentrate	112	131	130	117	103	121

Note:

(1) Prices for sales denominated in Roubles and Hryvnia are converted into U.S. dollars at the average semi-annual exchange rate of the Rouble and Hryvnia to the U.S. dollar as stated by the CBR and the National Bank of Ukraine respectively.

Evraz also currently holds an effective 41% equity interest in the Raspadskaya coking coal producer. Revenue attributable to Raspadskaya is therefore not consolidated in the Consolidated Financial Statements and

Evraz's share of its net profits is accounted for as "Share of profits (losses) of joint ventures and associates". See "— *Non-Operating Income and Expense*".

Mining segment sales to the steel segment amounted to U.S.$1,973 million (74.5% of mining segment sales) in 2012 compared to U.S.$2,706 million (71.5% of mining segment sales) in 2011 and U.S.$1,747 million (69.7% of mining segment sales) in 2010.

Approximately 74% of Evraz's iron ore requirements by volume were met by Evraz's mining segment in 2012 as compared to 78% in 2011 and 71% in 2010. Approximately 56% of Evraz's coking coal requirements were satisfied by supplies from Raspadskaya and YuKU in 2012, as compared to 52% in 2011 and 51% in 2010.

Approximately 32% of Evraz's external revenue from sales by Evraz's mining segment in 2012 were to customers in Russia, as compared to 44% in 2011. The increase in the share of third party sales outside Russia is largely attributable to the termination of iron ore concentrate supplies to Mechel and a significant reduction of steam coal sales volumes to third parties in Russia.

Approximately 44% of Evraz's external revenue from sales by Evraz's mining segment in 2011 were to customers in Russia, as compared to 50% in 2010. The increase in the share of third party sales outside Russia is attributable to higher sales volumes of iron ore in the CIS and European markets.

Vanadium Segment

Vanadium segment revenue decreased by 21.8% to U.S.$520 million in 2012 as compared to U.S.$665 million in 2011. Sales volumes decreased from 27.4 thousand tonnes of pure vanadium content in 2011 to 21.5 thousand tonnes of pure vanadium content in 2012. Revenue from sales of vanadium slag in 2012 was 6.0% of vanadium segment revenue.

Vanadium segment revenue increased by 17.5% to U.S.$665 million in 2011 as compared to U.S.$566 million in 2010. This reflected significantly higher sales volumes in respect of vanadium products in 2011 as compared to 2010, despite some decrease in prices. Sales volumes increased from 20.6 thousand tonnes of pure vanadium content in 2010 to 27.4 thousand tonnes of pure vanadium content in 2011. Revenue from sales of vanadium slag in 2011 was 11.4% of vanadium segment revenue.

The following table presents Evraz's vanadium segment sales in 2012, 2011 and 2010:

	Year ended 31 December					
	2012		2011		2010	
	Vanadium segment sales	Percentage of total	Vanadium segment sales	Percentage of total	Vanadium segment sales	Percentage of total
	(U.S.$ million, except percentages)					
Vanadium in slag	**31**	**6.0%**	**76**	**11.4%**	**39**	**6.9%**
Vanadium in alloys and chemicals	**476**	**91.5%**	579	87.1%	516	91.2%
Other revenue	**13**	**2.5%**	**10**	**1.5%**	**11**	**1.9%**
TOTAL	**520**	**100%**	**665**	**100%**	**566**	**100%**

The following table presents the average price trends of Evraz's ferrovanadium and other final vanadium products between 2012 and 2010 (encompassing half-yearly breakdowns):

	Year ended 31 December					
	2012		2011		2010	
	2nd half	1st half	2nd half	1st half	2nd half	1st half
	(U.S.$ per tonne of pure vanadium in the products, except percentages)					
	Average prices for Evraz's vanadium products[(1),(2)]					
EVRAZ Highveld	25,860	26,046	27,270	30,626	30,583	27,804
Stratcor	33,040	26,225	35,156	34,959	46,268	29,827
East Metals AG	25,672	25,298	24,601	28,010	29,064	26,788

Notes:

(1) Prices for sales denominated in Roubles are converted into U.S. dollars at the average monthly exchange rate to the U.S. dollar as stated by the CBR. Average U.S. dollar prices are calculated as a weighted average of sales prices in the relevant half-year period.

(2) Prices for sales denominated in South African Rand are converted into U.S. dollars at the average exchange rate to the U.S. dollar for the period under consideration as stated by the South African Reserve Bank.

Other Operations

Evraz's revenue in respect of its other operations segment increased by 8.3% to U.S.$1,046 million in 2012 as compared to U.S.$966 million in 2011. This growth was driven by increases in energy operations, Evraztrans Ukraine and Nakhodka Trade Sea Port activities. Evraz's revenue in respect of its other operations segment increased by 17.4% to U.S.$966 million in 2011 as compared to U.S.$823 million in 2010. This increase was driven by increases in energy operations and Evraztrans' activities. Revenue in respect of Evraz's other operations segment was largely derived from the following operations (sales figures shown below include sales within the same segment):

- Sales at EVRAZ Nakhodka Trade Sea Port, which provides various sea port services to Evraz, totalled U.S.$92 million in 2012 as compared to U.S.$79 million in 2011 and U.S.$75 million in 2010. Inter-segment sales accounted for 34%, 52% and 71% of such revenue in 2012, 2011 and 2010, respectively. This decrease is primarily due to increased services rendered to third parties.

- Evraztrans (until its disposal by Evraz on 12 December 2012) acted as a railway transport provider for Evraz's steel segment. Sales at Evraztrans (including Russian and Ukrainian operations) amounted to U.S.$202 million in 2012 as compared to U.S.$189 million in 2011 and U.S.$114 million in 2010. Evraztrans derives the majority of its revenue from inter-segment sales, which accounted for 74%, 74% and 81% of revenue in 2012, 2011 and 2010, respectively. Russian operations of Evraztrans were disposed of on 12 December 2012, except for the portion of the business engaged in the transportation of pellets from EVRAZ KGOK to EVRAZ NTMK.

- Metallenergofinance ("**MEF**") supplies electricity to Evraz's steel and mining segments and to third parties. MEF's sales amounted to U.S.$381 million in 2012 as compared to U.S.$444 million in 2011 and U.S.$371 million in 2010. Inter-segment sales accounted for 87%, 84% and 81% of MEF's revenue in 2012, 2011 and 2010, respectively.

- Sinano Ship Management ("**Sinano**") provides sea freight services to Evraz's steel segment. Sinano's sales totalled U.S.$120 million in 2012, U.S.$106 million in 2011 and U.S.$116 million in 2010 . Sinano derives close to 100% of its revenue from inter-segment sales.

- West Siberian Heat and Power Plant ("**ZapSib Power Plant**") is an energy-generating branch of ZapSib which supplies electricity and heat to ZapSib and external customers. The revenue of ZapSib Power Plant amounted to U.S.$188 million in 2012, U.S.$122 million in 2011 and U.S.$84 million in 2010. Intra-group sales accounted for 78%, 76% and 78% of revenue in 2012, 2011 and 2010, respectively.

External sales in respect of Evraz's other operations segment, primarily comprising sales of energy by MEF and ZapSib Power Plant, the provision of port services by EVRAZ Nakhodka Trade Sea Port and the provision of transportation services by Evraztrans, increased from U.S.$146 million in 2010 to U.S.$199 million in 2011 and U.S.$253 million in 2012.

Cost of Revenue and Gross Profit

Evraz's consolidated cost of revenue amounted to U.S.$11,797 million, representing 80.1% of Evraz's consolidated revenue, in 2012 as compared to U.S.$12,473 million, representing 76.1% of Evraz's consolidated revenue in 2011 and U.S.$10,319 million, representing 77.0% of Evraz's consolidated revenue, in 2010. The decrease in gross profit margin in 2012 as compared to 2011 was primarily due to a decrease in volumes and prices of mining products, as a decrease in average steel prices was offset by a similar decrease in the prices of other raw materials. The increase in gross profit margin in 2011 as compared to 2010 was primarily due to an increase in the prices of steel and mining products.

The table below presents cost of revenue and gross profit by segment for 2012, 2011 and 2010, including percentage of segment revenue.

	Year ended 31 December					
	2012		2011		2010	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
			(U.S.$ million, except percentages)			
Steel segment						
Cost of revenue	(11,154)	(82.4)%	(12,375)	(84.1)%	(9,983)	(82.3)%
Raw materials	(5,804)	(42.9)%	(7,355)	(49.9)%	(5,508)	(45.4)%
Iron ore	(1,992)	(14.7)%	(2,568)	(17.4)%	(1,867)	(15.4)%
Coking coal	(1,539)	(11.4)%	(1,985)	(13.5)%	(1,443)	(11.9)%
Scrap	(1,569)	(11.6)%	(1,942)	(13.2)%	(1,522)	(12.6)%
Other raw materials	(704)	(5.2)%	(860)	(5.8)%	(676)	(5.5)%
Semi-finished products	(476)	(3.6)%	(781)	(5.3)%	(650)	(5.4)%
Transportation	(541)	(4.0)%	(499)	(3.4)%	(529)	(4.4)%
Staff costs	(1,068)	(7.9)%	(981)	(6.7)%	(794)	(6.5)%
Depreciation	(451)	(3.3)%	(436)	(3.0)%	(415)	(3.4)%
Energy[1]	(954)	(7.0)%	(985)	(6.7)%	(791)	(6.5)%
Other[2]	(1,860)	(13.7)%	(1,338)	(9.1)%	(1,296)	(10.7)%
Gross profit	2,389	17.6%	2,342	15.9%	2,140	17.7%
Mining segment						
Cost of revenue	(2,306)	(87.0)%	(2,363)	(62.4)%	(1,569)	(62.6)%
Raw materials	(137)	(5.1)%	(277)	(7.3)%	(129)	(5.1)%
Transportation	(267)	(10.1)%	(275)	(7.3)%	(141)	(5.6)%
Staff costs	(556)	(21.0)%	(523)	(13.8)%	(395)	(15.8)%
Depreciation	(593)	(22.4)%	(516)	(13.6)%	(268)	(10.7)%
Energy[1]	(260)	(9.8)%	(266)	(7.0)%	(246)	(9.8)%
Other[2]	(493)	(18.6)%	(506)	(13.4)%	(390)	(15.6)%
Gross profit	344	13.0%	1,421	37.6%	938	37.4%
Vanadium segment						
Cost of revenue	(494)	(95.0)%	(610)	(91.7)%	(501)	(88.5)%
Raw materials	(198)	(38.1)%	(317)	(47.6)%	(202)	(35.6)%
Transportation	(1)	(0.2)%	(2)	(0.3)%	(2)	(0.4)%
Staff costs	(65)	(12.5)%	(71)	(10.7)%	(62)	(10.9)%
Depreciation	(23)	(4.4)%	(28)	(4.2)%	(44)	(7.8)%
Energy[1]	(68)	(13.1)%	(71)	(10.7)%	(70)	(12.4)%
Other[2]	(139)	(26.7)%	(121)	(18.2)%	(121)	(21.4)%
Gross profit	26	5.0%	55	8.3%	65	11.5%
Other operations						
Cost of revenue	(779)	(74.5)%	(716)	(74.1)%	(601)	(73.0)%
Gross profit	267	25.5%	250	25.9%	222	27.0%
Unallocated						
Cost of revenue	(10)		5		5	
Gross profit	(10)		5		5	
Eliminations—cost of revenue	*2,946*		*3,586*		*2,330*	
Eliminations—gross profit	*(87)*		*(146)*		*(295)*	
Consolidated cost of revenue	**(11,797)**	**(80.1)%**	**(12,473)**	**(76.1)%**	**(10,319)**	**(77.0)%**
Consolidated gross profit	**2,929**	**19.9%**	**3,927**	**23.9%**	**3,075**	**23.0%**

Notes:

(1) Includes electricity, heat, natural gas and fuel used in production processes, such as fuel oil.

(2) Includes repairs and maintenance, industrial services, auxiliary materials such as refractory products, goods for resale, taxes in cost of revenue, and effect of changes in work-in-progress and finished goods inventories.

Steel Segment

Evraz's steel segment cost of revenue decreased to 82.4% of steel segment revenue or U.S.$11,154 million in 2012 from 84.1% of steel segment revenue, or U.S.$12,375 million in 2011, from 82.3% of steel segment revenue, or U.S.$9,983 million in 2010.

The principal factors affecting the change in Evraz's steel segment cost of revenue in absolute terms in 2012 as compared to 2011 were as follows:

- Raw material costs decreased by 21.1%, primarily due to a significant decline in prices for principal raw materials (in particular prices for coking coal and iron ore) coupled with a decrease in the production volumes of steel products (net of re-rolled volumes within the Group).

- Costs of semi-finished products decreased by 39.1% due to a lower share of external purchases of semi-finished products by EVRAZ's North American and European operations, as well as lower market prices for those semi-finished products that were purchased.

- Transportation costs increased by 8.4%. Railway charges in relation to the transportation of Evraz's steel products to the relevant ports, which represent a major component of these costs, increased as a result of higher railway tariffs. An increased share of internal semi-finished products supplied by Evraz's Russian operations to its North American operations also contributed to higher costs attributable to ocean freight expenses.

- Staff costs increased by 8.9% largely due to higher wages and salaries of production staff which rose in accordance with the trade union agreements for all operations.

- Depreciation and depletion costs increased by 3.4% due to an increase in Evraz's depreciable asset base following the completion of major investment projects at EVRAZ NTMK and United EVRAZ ZapSib in 2011 and 2012.

- Energy costs decreased by 3.1% due to lower energy prices for the North American operations and the depreciation of local currencies against the U.S. dollar for other Evraz operations.

- Other costs increased by 39.0% due to a significant increase in the external purchase of goods from third parties for subsequent resale by EVRAZ Metal Inprom and the destocking of goods in ports, which contributed to the cost of revenue in addition to production costs.

The principal factors affecting the change in Evraz's steel segment cost of revenue in absolute terms in 2011 as compared to 2010 were as follows:

- Raw material costs increased by 33.5%, primarily due to an increase in prices of all key main raw materials (in particular coking coal and iron ore) and the appreciation of the Rouble, Czech Koruna, South African Rand and Canadian Dollar against the U.S. dollar.

- Costs of semi-finished products increased by 20.2% mainly due to increased slab usage volumes in Evraz North America, and a higher than average cost of slabs.

- Transportation costs decreased by 5.7% due to lower export sales volumes of steel products from Russia to Asia.

- Staff costs increased by 23.6%. Wages and salaries of production staff rose in accordance with the trade union agreements for all operations. Other factors influencing this increase included increased salaries due to an increase in employees reflecting higher production volumes in 2011 as compared to 2010 and the appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar.

- Depreciation and depletion costs increased by 5.1% mainly due to the appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar, acquisition of fixed assets and capitalisation of repairs by Evraz's Russian operations.

- Energy costs increased by 24.5% due to higher energy prices and the appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar.

- Other costs increased by 3.2% due to appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar.

Steel segment gross profit increased to U.S.$2,389 million in 2012 from U.S.$2,342 million in 2011 and U.S.$2,140 million in 2010. Gross profit margin amounted to 17.6% of steel segment revenue in 2012 compared to 15.9% in 2011 and 17.7% in 2010. The increase in gross profit margin in 2012 as compared to 2011 primarily reflected lower cost of raw materials. The increase in gross profit in 2011 as compared to 2010 reflected increased average prices of steel products as well as better product mix.

Mining Segment

Evraz's mining segment cost of revenue increased to 87.0% of mining segment revenue, or U.S.$2,306 million, in 2012 compared to 62.4% of mining segment revenue, or U.S.$2,363 million, in 2011 and 62.6% of mining segment revenue, or U.S.$1,569 million, in 2010.

The principal factors affecting the change in mining segment cost of revenue in absolute terms in 2012 compared to 2011 were:

- Raw material costs decreased by 50.5%. This decrease was primarily due to a decrease in volumes of external ore purchased for processing and subsequent resale to third parties and depreciation of the average exchange rate of the Russian rouble against the U.S. dollar.

- Transportation costs decreased by 2.9% primarily due to depreciation of the average rate of the Russian rouble against the U.S. dollar.

- Staff costs increased by 6.3%. This increase was largely attributable to an increase in wages and salaries in accordance with trade union agreements.

- Depreciation costs increased by 14.9%, primarily due to a revision in the basis for calculation of depletion for mining operations.

- Energy costs decreased by 2.3%, primarily due to the depreciation of local currencies against the U.S. dollar.

- Other costs decreased by 2.6%, primarily due to the depreciation of local currencies against the U.S. dollar. Other costs consisted primarily of contractor services and materials for maintenance and repairs and certain taxes.

The principal factors affecting the change in mining segment cost of revenue in absolute terms in 2011 compared to 2010 were:

- Raw material costs increased by 114.7%. This increase resulted from higher volumes and higher prices of external coking coal purchased by the mining segment for processing (as a result of a decrease in YuKU mining volumes), increased prices of purchased iron ore and the appreciation of the average rates of the Rouble against the U.S. dollar.

- Transportation costs increased by 95.0% primarily due to increased costs of railway transportation to ports related to export sales of mining products, increased volumes of iron ore transportation and a higher proportion of external transport services at Evrazruda, an increase of transportation tariffs and the appreciation of the Rouble against the U.S. dollar.

- Staff costs increased by 32.4%. The increase was largely attributable to increases in the wages and salaries of production staff, which rose in accordance with trade union agreements for Russia and Ukraine, growth of volumes at EVRAZ KGOK and appreciation of the Rouble against the U.S. dollar.

- Depreciation and depletion costs increased by 92.5% due to the new valuation of mineral reserves in 2011, fixed assets additions and appreciation of the Rouble against the U.S. dollar.

- Energy costs increased by 8.1% due to an increase in prices of electricity and natural gas, growth in production volumes at KGOK and appreciation of the Rouble against the U.S. dollar.

- Other costs increased by 29.7% due to an increase in goods for resale (primarily from coal purchased from the external market for the steel segment), changes in work in progress and finished goods, higher prices for contractor services and materials for maintenance, increases in mineral extraction taxes and appreciation of the Rouble against the U.S. dollar.

Mining segment gross profit increased from U.S.$938 million in 2010 to U.S.$1,421 million in 2011 and decreased to U.S.$344 million in 2012, representing a gross profit margin of 13% of mining segment revenue in 2012 compared to 37.6% of mining segment revenue in 2011 and 37.4% in 2010. The decrease in the gross profit margin in 2012 as compared to 2011 was primarily attributable to a higher depletion base and lower prices for mining products. The increase in gross profit margin in 2011 as compared to 2010 was attributable to growth in prices of iron ore and coal.

Vanadium Segment

Vanadium segment cost of revenue decreased by 19.0% to U.S.$494 million, or 95.0% of vanadium segment revenue, in 2012 from U.S.$610 million, or 91.7% of vanadium segment revenue, in 2011 and U.S.$501 million or 88.5% of vanadium segment revenue, in 2010. The decrease in Evraz's vanadium segment's cost of revenue in 2012 as compared to 2011, in absolute terms, was primarily attributable to a decrease in sales volumes and the depreciation of local currencies against the U.S. dollar. The increase in Evraz's vanadium segment's cost of revenue in 2011 as compared to 2010, in absolute terms, was primarily attributable to higher sales volumes.

Gross profit of Evraz's vanadium segment decreased to U.S.$26 million from U.S.$55 million in 2011, itself a decrease from gross profit of U.S.$65 million in 2010. The aggregate result was a gross profit margin of 5.0% of vanadium segment revenue in 2012 as compared to a profit of 8.3% in 2011 and of 11.5% in 2010, due to the factors described above.

Other Operations

The other operations segment's cost of revenue increased to 74.5% of other operations revenue, or U.S.$779 million, in 2012 as compared to 74.1%, or U.S.$716 million, in 2011 and 73.0%, or U.S.$601 million, in 2010.

The major components of cost of revenue at EVRAZ Nakhodka Trade Sea Port are staff and auxiliary materials costs. The major component of Evraztrans' cost of revenue (during the periods under review until its disposal by Evraz on 12 December 2012) is rental and maintenance of railway cars. The major component of MEF's cost of revenue is the purchase of electricity from power generating companies. The major components of ZapSib Power Plant's cost of revenue are steam coal for power generation, depreciation and staff costs; while the major component of Sinano's cost of revenue is ship hire fees.

Selling and Distribution Costs

Selling and distribution costs increased by 4.9% to U.S.$1,211 million in 2012, representing 8.2% of consolidated revenue, as compared to U.S.$1,154 million in 2011, representing 7.0% of consolidated revenue, and U.S.$807 million in 2010, representing 6.0% of consolidated revenue. Selling and distribution costs largely consist of transportation expenses related to Evraz's selling activities.

The following table presents selling and distribution costs by segment in 2012, 2011 and 2010, including as a percentage of segment revenue.

	Year ended 31 December					
	2012		2011		2010	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(U.S.$ million, except percentages)					

Steel segment	**(1,130)**	**(8.3)%**	**(1,097)**	**(7.5)%**	**(761)**	**(6.3)%**
Transportation costs	(788)	(5.8)%	(714)	(4.9)%	(446)	(3.7)%
Staff costs	(125)	(0.9)%	(107)	(0.7)%	(65)	(0.6)%
Bad debt provision	(5)	(0.1)%	(28)	(0.2)%	(17)	(0.1)%
Depreciation	(87)	(0.6)%	(126)	(0.9)%	(122)	(1.0)%
Other costs[(1)]	(125)	(0.9)%	(122)	(0.8)%	(111)	(0.9)%
Mining segment	**(118)**	**(4.5)%**	**(118)**	**(3.1)%**	**(110)**	**(4.4)%**
Transportation costs	(94)	(3.5)%	(78)	(2.1)%	(70)	(2.8)%
Staff costs	(3)	(0.1)%	(9)	(0.2)%	(3)	(0.1)%
Bad debt provision	(3)	(0.1)%	(7)	(0.2)%	(17)	(0.7)%
Other costs[(1)]	(18)	(0.8)%	(24)	(0.6)%	(20)	(0.8)%
Vanadium segment	**(50)**	**(9.6)%**	**(21)**	**(3.2)%**	**(23)**	**(4.1)%**
Transportation costs	(14)	(2.7)%	(14)	(2.1)%	(11)	(1.9)%
Staff costs	(3)	(0.6)%	(2)	(0.3)%	(3)	(0.5)%
Depreciation	(22)	(4.2)%	(4)	(0.6)%	(2)	(0.4)%
Other costs[(1)]	(11)	(2.1)%	(1)	(0.2)%	(7)	(1.3)%
Other operations	**(88)**	**(8.4)%**	**(85)**	**(8.8)%**	**(91)**	**(11.1)%**
Eliminations	*175*		*167*		*178*	
Total	**(1,211)**	**(8.2)%**	**(1,154)**	**(7.0)%**	**(807)**	**(6.0)%**

Note:

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

Steel Segment

Selling and distribution costs amounted to 8.3%, 7.5% and 6.3% of Evraz's steel segment revenue in 2012, 2011 and 2010, respectively.

The primary factors affecting the changes in the steel segment's selling and distribution costs in 2012 as compared to 2011 were:

- Transportation costs increased by 10.4% due to an increase in railway tariffs in Russia and a change in shipment terms for most domestic sales of Russian operations from an ExWorks basis to a "carriage paid to" basis, or CPT, in April 2011 (while in 2012 these shipments were made on a CPT basis for the entire year).

- Staff costs increased by 16.8%, primarily due to an increase in the number of sales staff at EVRAZ Metal Inprom and Trading Company EvrazHolding, higher sales-related remuneration at EVRAZ Metal Inprom, increased selling staff costs allocated to the steel segment at East Metals and an increase in average salaries in accordance with trade union agreements at Russian steel operations.

- Bad debt expense decreased by 82.1% to U.S.$5 million in 2012 compared to U.S.$28 million in 2011. The decrease in bad debt expense was primarily attributable to lower provisions relating to overdue receivables from Tagil Energo, which purchases heat from NTMK.

- Depreciation costs decreased by 31.0%, largely reflecting a decrease in the depreciation of intangible assets by Evraz Highveld (while increasing such depreciation costs in the vanadium segment).

- Other selling costs increased by 2.5%, primarily due to higher advertising expenses and the sponsorship of sport events.

The primary factors affecting the changes in the steel segment's selling and distribution costs in 2011 as compared to 2010 were:

- Transportation costs increased by 60.1% primarily due to a change in shipment terms for most domestic sales of Russian operations from ExWorks to CPT in April 2011. Other factors that contributed to the increase were higher freight rates and increased product handling in Evraz North America, the acquisition of Inprom group in December 2010 and the appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar.

- Staff costs increased by 64.6%. This increase is attributable to the acquisition of Inprom group in December 2010, increases in salaries in accordance with trade union agreements and increases in the social tax rate in Russia, increases in the number of sales staff in Evraz North America and appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar.

- Bad debt expense increased by 64.7% from U.S.$17 million in 2010 to U.S.$28 million in 2011. The increase in bad debt expense was primarily attributable to additional doubtful debt provisions made against receivables from Tagil Energo, which purchases heat from EVRAZ NTMK.

- Depreciation costs increased by 3.3% largely reflecting appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar.

- Other selling costs increased by 9.9%, primarily due to the acquisition of Inprom group in December 2010 and appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar.

Mining Segment

Selling and distribution costs amounted to 4.5%, 3.1% and 4.4% of the mining segment's revenue in 2012, 2011 and 2010, respectively.

The principal factors affecting the changes in the mining segment's selling and distribution costs in 2012 as compared to 2011 were:

- Transportation costs increased by 20.5% in 2012, primarily due to a change in 2011 of shipment terms for most domestic sales from an ExWorks basis to a CPT basis.

- Staff costs decreased by 66.7% primarily due to a lower mining product sales volumes.

- Bad debt expense decreased by 57.1% to U.S.$3 million in 2012 compared to U.S.$7 million in 2011 primarily due to a reduction in the doubtful debt allowance for energy supplies in the Kemerovo region.

- Other selling costs decreased by 25.0%, primarily due to a reduction in insurance expenses related to the export sales of mining products.

The principal factors affecting the changes in the mining segment's selling and distribution costs in 2011 as compared to 2010 were:

- Transportation costs increased by 11.4% primarily due to the increase in railway tariffs, higher KGOK sales volumes and appreciation of the Rouble against the U.S. dollar.

- Staff costs increased by 200.0%. This increase was primarily attributable to an increased number of sales staff allocated to the mining segment in Evraz's trading companies.

- Bad debt expense decreased from U.S.$17 million in 2010 to U.S.$7 million in 2011, primarily due to a reversal of the provision made in 2010 against accounts receivable from Kazankovskaya mine (an associate of YuKU).

- Other selling costs increased by 20.0%, primarily due to additional marketing expenses, sales commissions and agent fees related to Evraz's export sales from Russia and Ukraine.

Vanadium Segment

Selling and distribution costs increased to U.S.$50 million in 2012 compared to U.S.$21 million in 2011 and U.S.$23 million in 2010. These movements represented 9.6%, 3.2% and 4.1% of Evraz's vanadium segment revenue in 2012, 2011 and 2010, respectively. The increase in 2012 as compared to 2011 was primarily attributable to a higher depreciation of intangible assets at Evraz Highveld due to a change in the expected pattern of consumption of future economic benefits relating to the customer relationships allocated to the vanadium segment, as well as a one-off positive effect from recovery of custom duties related to export sales of vanadium slag in 2011. The decrease in 2011 as compared to 2010 was primarily attributable to the return by tax authorities of customs duties related to EVRAZ NTMK export sales of vanadium slag.

Other Operations

Selling and distribution costs amounted to 8.4%, 8.8% and 11.1% of other operations' revenue in 2012, 2011 and 2010, respectively. These changes in selling and distribution costs were largely attributable to the share of third party freight services required in respect of Sinano's shipping activities.

General and Administrative Expenses

General and administrative expenses decreased to U.S.$850 million in 2012 from U.S.$920 million in 2011 and U.S.$732 million in 2010. These expenses represented 5.8%, 5.6% and 5.5% of consolidated revenue in 2012, 2011 and 2010, respectively.

The following table presents general and administrative expenses by segment for 2012, 2011 and 2010, including as a percentage of segment revenue.

	Year ended 31 December					
	2012		2011		2010	
General and administrative expenses by segment	**Amount**	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**
	(U.S.$ million, except percentages)					
Steel segment	**(466)**	**(3.4)%**	**(469)**	**(3.2)%**	**(403)**	**(3.3)%**
Staff costs	(197)	(1.4)%	(187)	(1.3)%	(163)	(1.3)%
Taxes, other than on income	(77)	(0.6)%	(91)	(0.6)%	(82)	(0.7)%
Other[1]	(192)	(1.4)%	(191)	(1.3)%	(158)	(1.3)%
Mining segment	**(141)**	**(5.3)%**	**(143)**	**(3.8)%**	**(117)**	**(4.7)%**
Staff costs	(72)	(2.7)%	(70)	(1.9)%	(53)	(2.1)%
Taxes, other than on income	(27)	(1.0)%	(26)	(0.7)%	(27)	(1.1)%
Other[2]	(42)	(1.6)%	(47)	(1.2)%	(37)	(1.5)%
Vanadium segment	**(37)**	**(7.1)%**	**(43)**	**(6.5)%**	**(36)**	**(6.4)%**
Staff costs	(18)	(3.5)%	(21)	(3.2)%	(19)	(3.4)%
Taxes, other than on income	(2)	(0.4)%	(3)	(0.5)%	(2)	(0.4)%
Other[1]	(17)	(3.2)%	(19)	(2.8)%	(15)	(2.6)%
Other operations	**(22)**	**(2.1)%**	**(21)**	**(2.2)%**	**(27)**	**(3.3)%**
Unallocated[3]	(185)		(250)		(155)	
Eliminations	1		6		6	
TOTAL	**(850)**	**(5.8)%**	**(920)**	**(5.6)%**	**(732)**	**(5.5)%**

Notes:

(1) Includes depreciation, insurance and bank and other service costs.

(2) Includes rent, insurance, bank and other service costs.

(3) Relates principally to staff costs.

Steel Segment

General and administrative expenses decreased to U.S.$466 million in 2012 from U.S.$469 million in 2011 and U.S.$403 million in 2010. It represented 3.4%, 3.2% and 3.3% of the steel segment's revenue in 2012, 2011 and 2010, respectively.

The principal factors affecting the changes in the steel segment's general and administrative expenses in 2012 as compared to 2011 were:

- Staff costs increased by 5.3%, primarily due to an increase in salaries in accordance with trade union agreements at Russian mills and higher staff levels at Evraz's North American operations.

- Taxes, other than on income, and including property, land and local taxes, decreased by 15.4%. The decrease was primarily due to lower non-deductible VAT expenses in Ukraine and lower property taxes in Russia following the receipt of tax relief relating to electric power line assets.

- Other general and administrative expenses marginally increased by 0.5%. The increase was primarily attributable to the maintenance of non-production facilities.

The principal factors affecting the changes in the steel segment's general and administrative expenses in 2011 as compared to 2010 were:

- Staff costs increased by 14.7% due to an increase in salaries in accordance with trade union agreements at Russian mills, an increase in the social tax rate in Russia, additional staff costs related to the relocation of EVRAZ North America's head office to Chicago and appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar.

- Taxes, other than on income, and including property, land and local taxes, increased by 11.0%. The increase was primarily due to higher land and property tax rates at Russian mills, expenses related to a revision of past periods' VAT filings by Inprom, provisions related to VAT receivable by EVRAZ DMZP from doubtful debtors and appreciation of the Rouble, Czech Koruna, Euro and South African Rand against the U.S. dollar.

- Other general and administrative expenses increased by 20.9%. This increase is principally attributable to an increase in consulting services in Russia (including costs related to the merger of ZapSib and NKMK), an increase in recruitment, training and business trips in North America, expenses related to East Metals A.G.'s office relocation to Zug and appreciation of the Rouble, Czech Koruna, Euro, South African Rand and Canadian Dollar against the U.S. dollar.

Mining Segment

General and administrative expenses decreased to U.S.$141 million in 2012 from U.S.$143 million in 2011, itself an increase from U.S.$117 million in 2010. These expenses represented 5.3%, 3.8% and 4.7% of mining segment revenue in 2012, 2011 and 2010.

The principal factors affecting the changes in the mining segment's general and administrative expenses in 2012 as compared to 2011 were:

- Staff costs increased by 2.9% due to an increase in salaries in accordance with trade union agreements at Russian mills.

- Taxes, other than on income, increased by 3.8% largely due to an increase in property tax at Yuzhkuzbassugol following completion of mine construction at Alardinskaya and at EVRAZ KGOK following integration of the Kachkanar Power Plant.

- Other expenses decreased by 10.6% largely due to one-off expenses at EVRAZ KGOK in 2011, which were attributable to accrued reserves made in relation to possible fines and payments related to antimonopoly and ecology legislation, and depreciation of the average rate of the Rouble against the U.S. dollar.

The principal factors affecting the changes in the mining segment's general and administrative expenses in 2011 as compared to 2010 were:

- Staff costs increased by 32.1% due to an increase in salaries in accordance with trade union agreements at Russian mills, an increase in the social tax rate in Russia and appreciation of the Rouble against the U.S. dollar.

- Taxes, other than on income, decreased by 3.7% largely due to a cancellation of additional expenses related to a land tax at Evrazruda that accrued in 2010.

- Other expenses increased by 27.0% largely due to an increase in accounting and other professional services costs, provisions made at KGOK for possible fines and payments relating to antimonopoly and environmental legislation for a total amount of U.S.$5.6 million, and appreciation of the Rouble against the U.S. dollar.

Vanadium Segment

General and administrative expenses decreased to U.S.$37 million in 2012 from U.S.$43 million in 2011, itself an increase from U.S.$36 million in 2010. These expenses represented 7.1%, 6.5% and 6.4% of vanadium segment revenue in 2012, 2011 and 2010, respectively. The decrease in general and administrative expenses in 2012 as compared to 2011 was attributable to a reduction in staff costs across all vanadium operations, a reduction in insurance expenses at EVRAZ Highveld and a lower other general and administrative expenses. The increase in general and administrative expenses in 2011 as compared to 2010 was primarily due to an increase in salaries, an increase in the number of employees and business trips at Stratcor, an increase in salaries and the social tax rate at Vanady-Tula, and appreciation of the Rouble, Czech Koruna and South African Rand against the U.S. dollar.

Other Operations

General and administrative expenses increased to U.S.$22 million in 2012 from U.S.$21 million in 2011, itself a decrease from U.S.$27 million in 2010. These expenses represented 2.1%, 2.2% and 3.3% of other operations segment's revenue in 2012, 2011 and 2010, respectively. The increase in general and administrative expenses in absolute terms in 2012 as compared to 2011 was primarily attributable to a one-off tax benefit at EVRAZ Nakhodka Trade Sea Port in 2011. The decrease in general and administrative expenses in 2011 as compared to 2010 was primarily due to a reversal of the provision against tax risks related to VAT at Nakhodka Trade Sea Port made in 2010.

Unallocated

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

Unallocated general and administrative expenses decreased to U.S.$185 million in 2012 from U.S.$250 million in 2011, itself an increase from U.S.$155 million in 2010. The decrease in 2012, as compared to 2011, was primarily attributable to a one-off benefit from a reduction in staff bonus at EvrazHolding in 2012 (U.S.$32 million), one-off expenses related to the premium listing on the London Stock Exchange in 2011 (U.S.$19 million), and the reallocation of expenses such as director fees and professional services from Evraz to EVRAZ plc in 2012 (U.S.$8 million). The increase in 2011, as compared to 2010, was primarily attributable to staff costs at EvrazHolding (which increased by U.S.$30 million due to higher social tax rates, average salaries, bonuses and the hiring of additional staff), expenses related to share option incentive plans for Evraz's senior management (U.S.$23 million), expenses related to the premium listing of EVRAZ plc on the LSE (U.S.$19 million), an increase in salaries and the social taxes for EvrazTekhnika and OUS (U.S.$6.5 million), costs related to the relocation of all Moscow based staff to the new office building, and appreciation of the average exchange rate of the Rouble against the U.S. dollar.

Other Operating Income, Net of Other Operating Expenses

Other operating expenses, increased to U.S.$615 million in 2012 from income of U.S.$8 million in 2011 and from an expense of U.S.$206 million in 2010. These amounts represented 4.2%, 0.0%, and 1.6% of consolidated revenue in 2012, 2011 and 2010, respectively. Other operating income and expenses consist primarily of gain (loss) on the disposal of property, plant and equipment, impairment of assets, foreign exchange rates gain (loss) and social and social infrastructure expenses. Social and social infrastructure expenses include such items as maintenance of medical centres, recreational centres, sponsorship of sports teams and charitable events.

The following table presents other operating income and expenses by segment for 2012, 2011 and 2010, including as a percentage of segment revenue.

	Year ended 31 December					
	2012		2011		2010	
Other operating income and expenses by segment amount revenue	**Amount**	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**
			(U.S.$ million, except percentages)			
Steel segment						
Social and social infrastructure maintenance expenses	(39)	(0.3)%	(50)	(0.3)%	(47)	(0.4)%
Loss on disposal of property, plant and equipment	(38)	(0.3)%	(29)	(0.2)%	(33)	(0.3)%
Impairment of assets	(58)	(0.4)%	(78)	(0.5)%	(81)	(0.7)%
Foreign exchange gain/(loss)	171	1.3%	(29)	(0.2)%	65	0.6%
Other income (expense), net	16	0.1%	(10)	(0.1)%	(2)	(0.0)%
Total	**52**	**0.4%**	**(196)**	**(1.3)%**	**(98)**	**(0.8)%**
Mining segment						
Social and social infrastructure maintenance expenses	(11)	(0.4)%	(11)	(0.3)%	(9)	(0.4)%
Loss on disposal of property, plant and equipment	(17)	(0.6)%	(20)	(0.5)%	(18)	(0.7)%
Impairment of assets	(354)	(13.4)%	(31)	(0.8)%	(20)	(0.8)%
Foreign exchange gain/(loss)	(95)	(3.6)%	103	2.6%	(2)	(0.1)%
Other income/(expense), net	(63)	(2.4)%	(51)	(1.3)%	(49)	(1.9)%
Total	**(540)**	**(20.4)%**	**(10)**	**(0.3)%**	**(98)**	**(3.9)%**
Vanadium segment						
Loss on disposal of property, plant and equipment	(1)	(0.2)%	—	—	—	—
Impairment of assets	—	—	—	—	(16)	(2.8)%
Foreign exchange gain/(loss)	—	—	(1)	(0.1)%	—	—
Other income/(expense), net	(5)	(1.0)%	(3)	(0.5)%	—	—
Total	**(6)**	**(1.2)%**	(4)	**(0.6)%**	**(16)**	**(2.8)%**
Other operations						
Social and social infrastructure maintenance expenses	(1)	(0.1)%	—	—	(1)	(0.1)%
Loss on disposal of property, plant and equipment	—	—	(1)	(0.1)%	(1)	(0.1)%
Impairment of assets	(1)	(0.1)%	5	0.5%	(30)	(3.7)%
Foreign exchange gain/(loss)	—	—	1	0.1%	1	0.1%
Other income/(expense), net	(5)	(0.5)%	13	1.4%	4	0.5%
Total	**(7)**	**(0.7)%**	**18**	**1.9%**	**(27)**	**(3.3)%**
Unallocated	**(117)[(1)]**		**195[(1)]**		**32**	
Eliminations	**3**		**5**		**1**	
Total other operating income and expenses, net	**(615)**	**(4.2)%**	**8**	**0.0%**	**(206)**	**(1.6)%**

Note:

(1) Foreign exchange gain/(loss) on intercompany loans

Total social and social infrastructure expenses amounted to U.S.$51 million in 2012, U.S.$61 million in

2011, and U.S.$64 million in 2010. Evraz's social and social infrastructure expenses are largely dependent on the general economic climate and the changes in this expense reflect changes in the economy and Russian steel and mining industry.

Total loss on the disposal of property, plant and equipment amounted to a loss of U.S.$56 million in 2012, compared to U.S.$50 million in 2011 and U.S.$52 million in 2010. The loss in 2012 was primarily attributable to the disposal of assets at Evraz's Russian operations. The loss in 2010 and 2011 was primarily attributable to the disposal of assets at the Russian and the South African steel and mining operations.

Total impairment of assets amounted to U.S.$413 million in 2012, compared to U.S.$104 million in 2011 and U.S.$147 million in 2010. Impairment was partly attributable to impairment of goodwill in the amount of U.S.$nil, U.S.$nil and U.S.$16 million (related to Stratcor) in 2012, 2011 and 2010, respectively. Evraz also recognised impairment of assets, other than goodwill, in the amounts of U.S.$413 million, U.S.$104 million and U.S.$131 million in 2012, 2011 and 2010, respectively, including impairment of certain items of property, plant and equipment and intangible assets. The significant part in 2012 was attributable to the non-current assets of Evrazruda. For an additional discussion on total impairments of assets, see Notes 5, 9, 10 and 13 to the Consolidated Financial Statements.

The total foreign exchange loss amounted to U.S.$41 million in 2012, while in 2011 and 2010 there were gains in the amount of U.S.$269 million and U.S.$104 million, respectively.

The foreign exchange loss in 2012 primarily related to the loss in respect of Rouble-denominated inter-company loans issued by Evraz's Russian subsidiaries to Mastercroft Finance Ltd, a Cyprus-based subsidiary of the Issuer (loss recognised by Mastercroft Finance Ltd), and U.S. denominated inter-company loans issued by Evraz's Russian subsidiaries (loss recognised by Evraz's Russian subsidiaries) due to appreciation of the average rate of exchange of the Rouble against the U.S. dollar between 31 December 2011 and 31 December 2012.

The foreign exchange gain in 2011 primarily related to gains in respect of inter-company loans issued by Evraz's Russian subsidiaries to Mastercroft Finance Ltd in Roubles (gains recognised by Mastercroft Finance Ltd) and inter-company loans issued by Evraz's Russian subsidiaries in U.S. dollars (gains recognised by Evraz's Russian subsidiaries) due to depreciation of the Rouble against the U.S. dollar between 31 December 2010 and 31 December 2011.

The foreign exchange gain in 2010 included Evraz's gains in respect of inter-segment loans issued to subsidiaries in local currencies other than such subsidiaries' functional currencies, which appreciated against the U.S. dollar between 31 December 2009 and 31 December 2010 (in particular, due to EICA), and gains in respect of inter-segment loans issued by subsidiaries in local currencies, which depreciated against U.S. dollar between 31 December 2009 and 31 December 2010 (in particular, Evraz's Russian operations).

Profit from Operations

Profit from operations was U.S.$253 million in 2012, representing 1.7% of consolidated revenue, compared to U.S.$1,861 million in 2011, representing 11.3% of consolidated revenue, and U.S.$1,330 million in 2010, representing 9.9% of consolidated revenue. The change in profit from operations in 2012 as compared to 2011 is primarily attributable to a decrease in consolidated gross profit margin and higher losses related to impairment of assets and foreign exchange losses. The increase in profit from operations in 2011 as compared to 2010 was attributable to an increase in consolidated gross profit margin, an increase in selling and distribution costs, an increase in general and administrative expenses and an increase in other operating income, in each case, for the reasons described above. The following table presents profit (loss) from operations by segment for 2012, 2011 and 2010, including as a percentage of segment revenue.

	Year ended 31 December					
	2012		2011		2010	
Profit (loss) from operations by segment	**Amount**	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**
	(U.S.$ million, except percentages)					
Steel segment	845	6.2%	580	3.9%	878	7.2%
Mining segment	(455)	(17.2)%	1,150	30.4%	613	24.5%
Vanadium segment	(67)	(12.9)%	(13)	(2.0)%	(10)	(1.8)%
Other operations	150	14.3%	162	16.8%	77	9.4%

Unallocated	(313)		(50)		(118)	
Eliminations	93		32		(110)	
Total	**253**	**1.7%**	**1,861**	**11.3%**	**1,330**	**9.9%**

Non-Operating Income and Expense

Non-operating income and expense includes interest income, interest expense, share of profits (losses) of associates and joint ventures, gains (losses) on financial assets and liabilities and other non-operating gains (losses). The table below presents these items for 2012, 2011 and 2010, including as a percentage of consolidated revenue.

	Year ended 31 December					
	2012		2011		2010	
	Amount	Percentage of revenue	Amount	Percentage of revenue	Amount	Percentage of revenue
	(U.S.$ million, except percentages)					
Interest income	23	0.2%	17	0.1%	13	0.1%
Interest expense	(644)	(4.4)%	(708)	(4.2)%	(728)	(5.4)%
Gain/(loss) on disposal groups classified as held for sale, net	314	2.1%	8	0.0%	(14)	(0.1)%
Gain/(loss) on financial assets or liabilities, net	164	1.1%	(355)	(2.2)%	8	0.0%
Bargain purchase gain	—	—	—	—	4	0.0%
Share of profits/(losses) of associates and joint ventures	1	0.0%	55	0.3%	21	0.2%
Other non-operating gains/(losses), net	(6)	0.0%	(4)	(0.0)%	(1)	(0.0)%
Total	**(148)**	**(1.0)%**	**(987)**	**(6.0)%**	**(697)**	**(5.2)%**

Interest income increased to U.S.$23 million in 2012 from U.S.$17 million in 2011, itself a decrease from U.S.$13 million in 2010. Interest income primarily comprises interest on bank accounts and deposits.

Interest expense amounted to U.S.$644 million in 2012 as compared to U.S.$708 million in 2011 and U.S.$728 million in 2010. The decrease in interest expense in 2012 as compared to 2011 related primarily to a reduction in the average cost of debt. The decrease in interest expense in 2011 as compared to 2010 related to a reduction in the total level of debt.

Gain on disposal of assets held for sale amounted to U.S.$314 million in 2012, including a gain of U.S.$200 million attributable to the sale of the Mezhegey coal field to EVRAZ plc, a gain of U.S.$190 million from the sale of Evraztrans business to a third party and a gain of U.S.$14 million attributable to the disposal of a loss-making coke and chemical plant in Ukraine. These gains were partially offset by a loss of U.S.$83 million attributable to the difference between the carrying value of the net assets of the subsidiaries held for sale and the expected consideration and a loss of U.S.$6 million attributable to the sale of 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. Gain on disposal of assets held for sale amounted to U.S.$8 million in 2011, see Note 12 to the Consolidated Financial Statements.

Net gain on financial assets and liabilities amounted to a gain of U.S.$164 million in 2012, compared to a loss of U.S.$355 million in 2011 and a net gain of U.S.$8 million in 2010. The gain in 2012 was primarily attributable to a gain of U.S.$177 million on the swap contracts on Rouble-denominated bonds, which was partially offset by other losses on financial assets and liabilities. The net loss in 2011 was attributable to losses on the conversion of bonds of U.S.$161 million and on extinguishment of debts of U.S.$71 million, a change in fair value of derivatives of U.S.$110 million and an impairment loss on Evraz's investments in Delong Holdings Limited ("**Delong Holdings**") of U.S.$20 million. The net gain in 2010 included a gain from sales of Ukraine VAT government bonds of U.S.$6 million, a net gain on foreign currency swaps on Russian bonds of U.S.$4 million and an impairment of financial assets of Evraz's investments in Delong Holdings of U.S.$4 million.

The bargain purchase gain in 2010 was U.S.$4 million, all of which was attributable to the acquisition of the Inprom Group.

Share of profits of associates and joint ventures increased from U.S.$21 million in 2010 to U.S.$55 million in 2011 and declined to U.S.$1 million in 2012 and was largely related to income (losses) attributable to Evraz's interest in Raspadskaya and Streamcore (see Note 11 to the Consolidated Financial Statements).

Income Tax Expense (Benefit)

Income tax expense amounted to U.S.$229 million in 2012, compared to an income tax expense of U.S.$420 million in 2011 and U.S.$163 million in 2010. Evraz's income tax expense in 2010 was partially offset by a benefit of U.S.$125 million relating to enacting a new tax code in Ukraine.

Evraz's effective tax rate, defined as income tax expense (benefit) as a percentage of profit (loss) before tax, increased from 25.8% in 2010 to 48.1% in 2011 and to 218.1% in 2012. In 2012, the higher effective tax rate was primarily due to the large tax losses at certain Russian subsidiaries, that could not be offset against taxable gains earned by other subsidiaries. Other factors included certain non-deductible social expenses and expenses relating to Evraz's financing activities. In 2011, the increase in the effective tax rate was primarily due to the effect on profit before tax from one-off non-deductible items such as the incentivised conversion of convertible bonds due 2014 and the early repurchase of Eurobonds due 2013.

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

As a result of the factors set forth above, Evraz's net profit attributable to equity holders of the parent entity decreased to a net loss of U.S.$97 million in 2012 from a net profit of U.S.$462 million in 2011 and U.S.$486 million in 2010.

Net Profit (Loss) Attributable to Non-controlling Interests

Net loss attributable to non-controlling interests in subsidiaries amounted to U.S.$27 million in 2012, compared to a net loss U.S.$8 million in 2011 and net loss of U.S.$16 million in 2010.

Liquidity and Capital Resources

Capital Requirements

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

Evraz's capital expenditure programme is focused on the reconstruction and modernisation of its existing production facilities in order to reduce costs, improve process flows and expand its product range. See. Evraz also plans to utilise capital expenditure to increase its production, sales and market shares of higher margin products. Evraz spent U.S.$1,258 million in total annual capital expenditures in 2012. Evraz's capital expenditure plans are subject to potential increases or decreases and timing modifications depending, among other things, on the development of market conditions and the cost and availability of funds. See "*Business—Investment Programme*".

Evraz's acquisitions of subsidiaries (net of cash acquired) totalled U.S.$12 million in 2012, while purchases of non-controlling interests in subsidiaries amounted to U.S.$1 million and purchase of interest in associates amounted to U.S.$nil million.

Capital Resources

The following table presents Evraz's cash flow activity for 2012, 2011 and 2010.

	Year ended 31 December		
	2012	**2011**	**2010**
		(U.S.$ million)	
Net cash flows from operating activities	2,153	2,647	1,662

Net cash flows (used in)/from investing activities	(1,301)	(1,188)	(744)
Net cash flows used in financing activities	(301)	(1,282)	(899)
Net increase/(decrease) in cash and cash equivalents	583	118	12
Cash and cash equivalents at beginning of year	801	683	671
Cash of disposal groups classified as assets held for sale	(70)	–	–
Cash and cash equivalents at end of year	**1,314**	**801**	**683**

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

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

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

Net cash provided by operating activities amounted to U.S.$2,153 million in 2012 as compared to U.S.$2,647 million in 2011 and U.S.$1,662 million in 2010. Cash provided by operating activities before working capital adjustments decreased to U.S.$1,743 million in 2012 from U.S.$2,529 million in 2011 and U.S.$2,030 million in 2010. Working capital movements in 2012, 2011 and 2010 were largely attributable to changes in value of inventories due to prices and changes in trade receivables and payables and changes in tax position.

Net cash used in investment activities totalled U.S.$1,301 million in 2012 as compared to U.S.$1,188 million in 2011 and U.S.$744 million in 2010. Substantially all the cash used in investment activities related to purchases of property, plant and equipment in 2011 and 2012 and in short-term deposits at banks in 2012.

Net cash used in financing activities amounted to U.S.$301 million in 2012 as compared to U.S.$1,282 million in 2011 and U.S.$899 million in 2010. These changes reflect a reduction in debt and interest paid and proceeds from bank overdrafts and credit lines in 2012.

The most significant outstanding credit facilities obtained by Evraz directly from capital markets and from international and Russian banks to finance its capital requirements outstanding as of 31 December 2012 included:

Nordea Bank U.S.$404 Million Credit Facilities

In July 2010, EVRAZ NTMK, ZapSib and TC EvrazHolding signed three loan facilities from Nordea Bank totalling U.S.$404 million, initially maturing in June 2014 and subsequently extended to June 2016. The facilities refinanced Nordea Bank's loans totalling U.S.$357 million that were due in 2010, as well as certain other short-term debt. As at 31 December 2012, Evraz had U.S.$404 million principal outstanding under the facilities.

U.S.$950 Million Syndicated Structured Credit Facility

On 19 November 2010, Evraz Group S.A. signed a U.S.$950 million structured credit facility, maturing in 2015 and secured with assignment of sales proceeds under certain export contracts. The proceeds of the facility were used to fully prepay the outstanding amount of the U.S.$3,214 million syndicated facility with the final maturity falling on 2012. As at 31 December 2012, Evraz had U.S.$759 million principal outstanding under the facility.

Gazprombank U.S.$500 Million Credit Facility

On 20 October 2011, EVRAZ NTMK signed a U.S.$500 non-revolving million credit facility maturing in 2016, secured by a suretyship from EVRAZ KGOK. The facility refinanced Gazprombank's U.S.$300 million loan that was due in 2015. As at 31 December 2012, Evraz had U.S.$500 million principal outstanding under the facility.

U.S.$610 Million Revolving Credit Facility

On 23 December 2011, EVRAZ Inc. NA, EVRAZ Inc. NA Canada and other Evraz's North American subsidiaries signed a U.S.$610 million five-year revolving credit ABL facility. The facility is secured with the inventories and receivables of the borrowers. The credit facility was arranged by a group of banks co-ordinated by GE Capital Markets, Inc. The facility replaced the GE Capital CAD300 million ABL facility and the GE Capital U.S.$225 million asset-based loan which terminated in December 2011 and June 2011, respectively. As at 31 December 2012, Evraz had U.S.$298 million principal outstanding under the facility.

Evraz Rouble Bonds

From 2009 to 2011, Evraz's subsidiaries EvrazHolding Finance LLC and SIBMETINVEST LLC issued several series of Rouble denominated bonds which are guaranteed by the Issuer and currently outstanding and publicly traded on the Moscow Exchange.

On 22 October 2009, Evraz's subsidiary SIBMETINVEST LLC issued RUB20 billion (approximately U.S.$686 million) bonds with a five-year put/call option bearing a coupon of 13.50% per annum, payable semi-annually.

On 26 March 2010, Evraz's subsidiary EvrazHolding Finance LLC issued RUB15 billion (approximately U.S.$506 million at the exchange rate as of the date of the transaction) bonds with a three-year put/call option bearing a coupon of 9.25% per annum, payable semi-annually. In March 2013, the holders of the 9.25% rouble-denominated bonds were offered, in accordance with the terms of such bonds, the opportunity to receive a new coupon of 8.75% per annum through 20 March 2015 or put the bonds back to EvrazHolding Finance LLC at nominal value. By 26 March 2013, the date of the expiration of the option, EvrazHolding Finance LLC re-purchased bonds totalling 12,265 million roubles (U.S.$399 million at the exchange rate as of the date of the transaction). The remaining bonds with the aggregate principal amount of 2,735 million roubles (approximately U.S.$89 million) continue to be traded on the Moscow Exchange. The re-purchased bonds remain outstanding and may be resold at any time.

On 1 November 2010, EvrazHolding Finance LLC issued RUB15 billion (approximately U.S.$487 million at the exchange rate as of the date of the transaction) bonds with a five-year put/call option at a coupon rate of 9.95% per annum, payable semi-annually.

On 7 and 9 June 2011, EvrazHolding Finance LLC issued RUB15 billion (approximately U.S.$540 million at the exchange rate as of the date of the transaction) bonds and RUB5 billion (approximately U.S.$181 million at exchange rate as of the date of transaction) bonds with a five-year put/call option at a coupon rate of 8.40% per annum payable semi-annually.

Proceeds from the issues were used to refinance certain shorter term debt of Evraz.

All Rouble bonds issued by EvrazHolding Finance LLC and Sibmetinvest LLC are guaranteed by Evraz Group S.A., admitted to trading on the Moscow Exchange (list "B") and are included in the Central Bank of Russia's Lombard list. For additional information on currency swap contracts entered to manage Evraz's currency exposure see Note 26 of the Consolidated Financial Statements.

Evraz Eurobonds

Evraz Group S.A. has five outstanding Eurobonds issued since 2005 with maturities ranging between 2013 and 2018.

On 10 November 2005, Evraz issued U.S.$750 million 8.25% notes due 2015. As at 31 December 2012, notes for the amount of U.S.$577 million remain outstanding.

On 24 April 2008 and with an additional issue on 23 May 2008, Evraz issued U.S.$1.3 billion 8.875% notes due in April 2013 and U.S.$700 million 9.50% notes due in April 2018. As at 31 December 2012, notes for the

amount of U.S.$534 million and U.S.$509 million, respectively, remain outstanding.

On 27 April 2011, Evraz issued U.S.$850 million 6.75% notes due in April 2018 and used the proceeds to repurchase existing Eurobonds due in 2013. As at 31 December 2012, notes for the amount of U.S.$850 million remain outstanding.

On 24 April 2012, Evraz issued U.S.$600 million 7.40% notes due in April 2017. As at 31 December 2012, notes for the amount of U.S.$600 million remain outstanding.

Liquidity

As the table below illustrates, Evraz's estimated liquidity, defined as cash and cash equivalents, amounts available under credit facilities and short-term bank deposits with original maturity of more than three months, totalled U.S.$2,944 million as at 31 December 2012 and U.S.$2,125 million as at 31 December 2011.

	As of 31 December	
	2012	**2011**
	(U.S.$ million)	
Estimated Liquidity		
Cash and cash equivalents	1,314	801
Amount available under credit facilities	956	1,322
Short-term bank deposits	674	2
Total estimated liquidity	2,944	2,125

As at 31 December 2012, Evraz had unutilised borrowing facilities in the amount of U.S.$956 million, including U.S.$231 million of committed facilities and U.S.$725 million of uncommitted facilities.

As at 31 December 2012, committed facilities consisted of credit facilities available for Russian (including CIS) and North American operations in the amounts of U.S.$206 million and U.S.$25 million, respectively.

As at 31 December 2012, uncommitted facilities consisted of revolving credit lines of U.S.$576 million with western banks for export trade financing at East Metals AG and credit facilities available for South African, European and Russian operations in the amounts of U.S.$35 million, U.S.$89 million and U.S.$25 million, respectively.

Evraz's current ratio, defined as current assets divided by current liabilities, decreased from 1.77 as of 31 December 2010 and as of 31 December 2011 to 1.50 as of 31 December 2012. The decrease in the current ratio for 2012 compared to 2011 was primarily attributable to classification of Evraz's Rouble Bonds and Eurobonds with scheduled repayment in the first half of 2013 as short-term borrowings (the total amount is more than U.S.$1 billion).

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

Contractual Obligations and Commercial Commitments

The following table sets forth the principal amount of Evraz's obligations in respect of loans and borrowings as of 31 December 2012, 2011 and 2010 by period:

	As of 31 December														
	2012					2011					2010				
Obligations in respect of borrowings	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
	(U.S.$ million)														

Short-term loans and borrowings (including current portion of long-term borrowings)	**1,450**	1,450	—	—	—	**533**	533	—	—	—	**625**	625	—	—	—
Long-term loans and borrowings	**6,482**	—	1,037	3,991	1,454	**6,725**	—	1,286	4,009	1,430	**7,392**	—	308	6,526	558
Total	**7,932**	1,450	1,037	3,991	1,454	**7,258**	533	1,286	4,009	1,430	**8,017**	625	308	6,526	558

Evraz pledged inventory with a carrying value of U.S.$319 million, U.S.$250 million and U.S.$203 million as of 31 December 2012, 2011 and 2010, respectively.

As of 31 December 2012 and 2011, Evraz had accrued liabilities in respect of post-employment benefits provided to employees of certain of its subsidiaries pursuant to collective bargaining agreements and defined benefit plans of U.S.$294 million and U.S.$296 million, respectively. These amounts represent the present value of Evraz's defined benefit obligation less the fair value of plan assets and adjusted for unrecognised actuarial gains (losses) and past service costs, discounted to present value.

Defined contributions are made by Evraz to the Russian and Ukrainian state pension, social insurance, medical insurance and unemployment funds at the statutory rates in force (approximately 34%), based on gross salary payments. Evraz has no legal or constructive obligation to pay further contributions in respect of such benefits, its only obligation being to pay contributions as they fall due. These contributions are expensed as incurred.

As of 31 December 2012, Evraz had contractual commitments for the purchase of production equipment and construction works of approximately U.S.$533 million.

Evraz has made a commitment to reduce environmental pollution and contamination in accordance with an environmental protection programme. In the period from 2013 to 2022, Evraz is committed to spending approximately U.S.$267 million under this environmental programme.

The following table sets forth the debt maturity profile in principal amount of Evraz as of 31 December 2012:

	As of 31 December							
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**Later than 2018**	**Total**
			(U.S.$ million)					
Bank loans	421	379	376	1,245	41	24	71	**2,557**
Eurobonds	534	—	577	—	600	1,359	—	**3,070**
Rouble bonds	495	658	494	658	—	—	—	**2,305**
Total	**1,450**	**1,037**	**1,447**	**1,903**	**641**	**1,383**	**71**	**7,932**

Tax Contingencies

Russian and Ukrainian tax, currency and customs legislation are subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of Evraz may be challenged by the relevant regional and federal authorities. Recent events within Russia suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, Evraz has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities, which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these Consolidated Financial Statements could be up to approximately U.S.$19 million.

Social Commitments

Evraz is involved in a number of social programmes aimed to support education, health care and social infrastructure development in towns where Evraz's assets are located. In 2013, Evraz plans to spend approximately U.S.$159 million under these programmes.

Inflation

Whereas Evraz's revenue depends substantially on international prices for steel products, Evraz's costs are closely linked to domestic cost factors. Inflation moderated in Russia during recent years; the rate was 6.6% in 2012, 6.1% in 2011 and 8.8% in 2010. The table below shows the trends in consumer price indices from 2010 to 2012 in countries where Evraz has production facilities.

	2010	2011	2012	2010 to 2012	Source
Russian Consumer Price Index, change in Rouble[1]	8.8%	6.1%	6.6%	23.1%	Federal State Statistics Service
Ukrainian Consumer Price Index, change in UAH[1]	9.1%	4.6%	(0.2)%	13.9%	State Statistics Committee of Ukraine
U.S. Consumer Price Index, change in U.S.D[1]	1.5%	3.0%	1.7%	6.3%	U.S. Bureau of Labour Statistics
Canadian Consumer Price Index, change in CAD[1]	2.4%	2.3%	0.8%	5.6%	Statistics Canada
Italian Consumer Price Index, change in EUR[1]	1.9%	3.3%	2.3%	7.7%	Istituto nazionale di statistica
Czech Consumer Price Index, change in CZK[1]	2.3%	2.4%	2.4%	7.3%	Czech Statistical Office
South African Consumer Price Index, change in ZAR[1]	3.4%	6.4%	5.7%	16.3%	Statistics South Africa

Note:

(1) Represents the change from 31 December of the prior year to 31 December of the indicated year.

The table below presents changes in the nominal exchange rates of national currencies against the U.S. dollar from 2010 to 2012 in countries where Evraz has production facilities.

	2010	2011	2012	2010 to 2012	Source
Nominal Rouble/ U.S.$ exchange rate, change[1]	(0.8)%	(5.3)%	6.0%	(0.4)%	CBR
Nominal UAH/ U.S.$ exchange rate, change[1]	0.3%	(0.4)%	0.0%	(0.1)%	National Bank of Ukraine
Nominal CAD/ U.S.$ exchange rate, change[1]	5.7%	(2.2)%	2.2%	5.6%	Bank of Canada
Nominal EUR/ U.S.$ exchange rate, change[1]	(7.2)%	(3.2)%	2.0%	(8.4)%	The European Central Bank
Nominal CZK/ U.S.$ exchange rate, change[1]	(2.0)%	(6.0)%	4.6%	(3.6)%	Czech National Bank
Nominal ZAR/ U.S.$ exchange rate, change[1]	11.3%	(18.6)%	(4.1)%	(13.1)%	The South African Reserve Bank

Note:

(1) Represents the change from 31 December of the prior year to 31 December of the indicated year.

Quantitative and Qualitative Disclosures in respect of Market Risk

Overview

In the ordinary course of its business Evraz is exposed to risks related to changes in exchange rates, interest rates, commodity prices, energy and transportation tariffs. Evraz does not usually enter into hedging or forward contracts in respect of any of these risks except that Evraz concluded swap contracts in 2010 through 2012 to

manage the currency exposure on Rouble-denominated bonds in the total amount of 70,000 million Russian Roubles (See Note 26 in the Consolidated Financial Statements).

Exchange and Interest Rate Risk

Evraz's presentation currency is the U.S. dollar. The functional currency of Evraz's Russian subsidiaries is the Rouble, while the functional currencies of Evraz's subsidiaries located in other countries are the Czech Koruna in respect of Vitkovice, the Euro in respect of Palini, the Rand in respect of Evraz Highveld and the South African operations of Stratcor, the Hryvnia in respect of the Ukrainian subsidiaries, the Canadian dollar in respect of EICA and the U.S. dollar in respect of other subsidiaries.

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

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

The mix of Evraz's revenue and costs is such that appreciation in real terms of the local currencies of its subsidiaries against the U.S. dollar tends to result in an increase in Evraz's costs relative to its revenue, while depreciation of the local currencies against the U.S. dollar in real terms tends to result in a decrease in Evraz's costs relative to its revenue. For example, according to the CBR the Rouble appreciated in real terms against the U.S. dollar by 4.0%, 1.1% and 7.2% in 2010, 2011 and 2012, respectively.

In addition, nominal depreciation of the local currencies against the U.S. dollar would typically result in a decrease in the reported U.S. dollar value of Evraz's assets (and liabilities) denominated in local currencies, while nominal appreciation of the local currencies against the U.S. dollar would typically result in an increase in the reported U.S. dollar value of Evraz's assets (and liabilities) denominated in local currencies. Moreover, nominal appreciation/depreciation of the local currencies against the U.S. dollar generally has a similar effect when the income statements of Evraz's subsidiaries are translated into U.S. dollars in connection with the preparation of the Consolidated Financial Statements. For example, according to the CBR the average exchange rate of the Rouble against the U.S. dollar appreciated in nominal terms by 4.3% and 3.4% in 2010 and 2011, respectively, and depreciated by 5.5% in 2012.

The following table summarises Evraz's outstanding principal amounts of interest bearing debt, including loans and other borrowings, by currency and interest rate method as of 31 December 2012 and 31 December 2011:

	As of 31 December									
	2012					2011				
	U.S. dollar-denominated	Rouble-denominated	Euro-denominated	Denominated in other currencies	Total	U.S. dollar-denominated	Rouble-denominated	Euro-denominated	Denominated in other currencies	Total
					(U.S.$ million)					
Total debt, of which	**5,140**	**2,305**	**380**	**107**	**7,932**	**4,751**	**2,175**	**326**	**6**	**7,258**
Fixed-rate debt	3,100	2,305	102	—	5,507	2,470	2,175	118	—	4,763
Variable-rate debt	2,040	—	278	107	2,425	2,281	—	208	6	2,495

From 2010 to 2012, Evraz issued rouble-denominated bonds in the total amount of 70,000 million Roubles. For more information see Note 21 to the Consolidated Financial Statements. To manage the currency exposure, Evraz entered into currency swap contracts under which it agreed to deliver U.S. dollar-denominated interest payments at rates ranging from 4.45% to 8.90% per annum plus the notional amount totalling U.S.$2,177 million, in exchange for rouble-denominated interest payments plus the notional amount totalling 63,790 million Roubles (U.S.$2,100 million at the exchange rate as of 31 December 2012). The exchange is exercised on approximately the same dates as (or in any event before) the dates on which payments are due under the bonds.

A hypothetical, instantaneous and simultaneous 10% appreciation of the Rouble, Euro, Czech Koruna and South African Rand against the U.S. dollar as of 31 December 2012 would have resulted in an increase of approximately U.S.$310 million in principal amounts of interest bearing debt denominated in Roubles, Euros, Czech Korunas and South African Rand held as of 31 December 2012.

Evraz incurs interest rate risk on liabilities with variable interest rates. In case of changes in the current market fixed or variable interest rates, management considers the refinancing of a particular debt on more

favourable terms. With regard to cash flow sensitivity analysis for variable rate instruments please refer to Note 29 to the Consolidated Financial Statements.

Commodity Price Risk

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

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

Electricity, Natural and Transportation Tariff Risk

Evraz is also exposed to uncertainty with regard to the prices of the electricity and natural gas that it consumes in the production of steel and the mining of iron ore and coal. Prices in respect of both electricity and natural gas in Russia and Ukraine are currently below market prices in Western Europe and are regulated by government authorities in both countries, thereby limiting Evraz's exposure to fluctuations in the cost of these products.

In response to the natural gas price uncertainties, Evraz started in 2010 implementation of PCI technology in the production of pig iron at its Russian steel mills United EVRAZ ZapSib and EVRAZ NTMK. This is expected to allow Evraz to use steam coal as fuel for blast furnaces by the end of February 2013 for EVRAZ NTMK and by end of December 2013 for United EVRAZ ZapSib. PCI technology is also expected to allow Evraz to discontinue using natural gas in blast furnaces and to save annually up to 650 million cubic metres of natural gas at EVRAZ NTMK and up to 600 million cubic metres at United EVRAZ ZapSib. Coke consumption is estimated to decrease by more than 20% as a result of implementation of PCI technology. Management believes the initiative will also reduce Evraz's environmental impact.

Russian Operations

The Russian electricity sector is characterised by limited competition and regulated prices. Pricing policy is determined by the Federal Tariffs Service, a governmental agency authorised to regulate prices in respect of the power generated by regional electricity companies, power transmission, dispatch services and inter-regional trade, and is influenced by regional energy commissions that are authorised to regulate prices within a specific region. Power may also be purchased from the Federal Wholesale Electricity Market ("**FOREM**"). Most sellers of power on the domestic market are regional generation companies and most participants in FOREM are regional generating companies that seek to sell a power surplus to regional generating companies with supply deficits as well as industrial companies granted special access to FOREM. Evraz's subsidiary MEF has been granted such access to FOREM.

In 2012 and 2011, Evraz's Russian operations purchased approximately 5,728 million kWh and 6,501 million kWh of electricity, representing approximately 58% and 63% of their respective requirements, from local electricity companies, former subsidiaries of UES. The latter was the government controlled national holding company for the Russian power sector restructured and liquidated in June 2008. The Government has implemented a liberalisation plan for electricity pricing aimed at increasing the proportion of electricity sales made via a market based pricing system. Moreover, according to the Russian Government's Macroeconomic Long-term Forecast, electricity tariffs for industrial users will reach 7.4-7.5 U.S. cents per kWh in 2014. Evraz's average cost of electricity in Russia was 5.9 U.S. cents per kWh in 2012 and 5.8 U.S. cents per kWh in 2011. Assuming a price of 7.5 U.S. cents per kWh, Evraz's Russian operations would have incurred additional costs of approximately U.S.$90 million and U.S.$108 million in the years ended 31 December 2012 and 2011 respectively. Further electricity price increases may occur in the future as the industry is further restructured and becomes controlled to a greater extent by the private sector.

Evraz's Russian operations also purchase significant amounts of natural gas (3,030 million cubic metres and 2,962 million cubic metres in 2012 and 2011 respectively), primarily for the production of electricity and heat energy at Evraz's facilities, from Gazprom's subsidiaries. Gazprom is a state controlled company and is the dominant producer and monopoly distributor of natural gas within Russia. Domestic natural gas prices are regulated by the government and have been rising during recent years. Evraz's average price for natural gas in Russia reached U.S.$97 per thousand cubic metres and U.S.$96 per thousand cubic metres in 2012 and 2011, respectively. Despite these recent price increases, natural gas prices in Russia remain significantly below western European levels, a factor that helps to provide Evraz with a cost advantage over its non-Russian competitors. According to the Russian Government's Macroeconomic Long-term Forecast, domestic gas prices for industrial users will reach U.S.$130 per thousand cubic metres in 2014. Assuming a price of U.S.$130 per thousand cubic metres, Evraz's Russian operations would have incurred additional costs of approximately U.S.$101 million and U.S.$101 million in 2012 and 2011 respectively.

Ukrainian Operations

Evraz, through the purchase of DMZ, DKHZ, Dneprokoks, Bagleykoks and Sukha Balka in 2008, has extended its operations to Ukraine where the electricity and natural gas markets are also characterised by regulated prices.

Natural gas prices have been a matter of negotiation between the Russian state-owned monopoly Gazprom and the Ukrainian Government since winter 2005-2006. The expected Russian natural gas price level for Ukraine in 2013 is U.S.$505 per thousand cubic metres. In 2012 and 2011 Evraz's Ukrainian operations purchased approximately 118 million cubic metres and 140 million cubic metres of natural gas at an average price of U.S.$487 per thousand cubic metres and U.S.$387 per thousand cubic metres, respectively. Assuming a price of U.S.$505 per thousand cubic metres, Evraz's Ukrainian operations would have incurred additional costs of approximately U.S.$2 million and U.S.$16.6 million in 2012 and 2011, respectively.

Higher natural gas prices, inflation and other factors will encourage the authorities to also increase electricity prices. The estimated mid-term indicative price level for the Ukrainian electricity market of 11.0 U.S. cents per kWh corresponds to inflation trends and to current price levels in the Czech Republic. Evraz's Ukrainian operations purchased approximately 483 million kWh and 526 million kWh of electricity at an average price of 10 U.S. cents and 8.6 U.S. cents per kWh in 2012 and 2011 respectively. Assuming a price of 11.0 U.S. cents per kWh, Evraz's Ukrainian operations would have incurred additional costs of approximately U.S.$5 million and U.S.$12 million in 2012 and 2011, respectively.

Transportation

Evraz is also exposed to fluctuations in transportation costs. Transportation costs influence Evraz's financial results directly as a component of raw material costs and the costs of transporting finished products to Nakhodka Trade Sea Port or another designated off-take location. Although Evraz's customers in Russia generally pay the transportation costs of steel and mined products from the production site to the delivery location, the prices that Evraz receives may be adversely affected by transportation costs to the extent that Evraz will have to reduce its prices to be able to compete with other producers that are located closer to customers and are therefore less impacted by increases in transportation costs. In recent years, the Russian Government has only indexed railway tariffs in line with inflation without adding other tariff-increasing elements and Evraz expects this policy to continue in the immediate future. Consequently, Evraz does not currently expect fluctuations in railway tariffs to have a significant impact on margins.

INDUSTRY

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

Steel Industry

Overview

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

The global steel industry is affected by a combination of factors, including general economic trends, worldwide production capacity, fluctuations in steel imports and protective trade measures. The steel industry is cyclical and highly competitive and has historically often been characterised by excess world supply. The rapid economic development of China and India in recent decades has fuelled global demand for steel and has tilted the historical supply-demand balance and contributed to a period of sustained price growth through to the first half of 2008.

The economic crisis in late 2008 and early 2009 accompanied by the decrease in demand for steel products and lack of consumer confidence resulted in sharp decline in steel prices. Financial turmoil and the global economic downturn prevented many steel consumers from restocking their inventories. Recovery of steel prices began in the second half of 2009 in response to improving global economic conditions, and increased sharply in the first half of 2010 as effects of restocking replaced the de-stocking experienced in 2009. In early 2011, the price of steel rose sharply after the flooding in Australia restricted the seaborne supply of coking coal, a vital raw material for the production of crude steel, however, growth of steel prices began to slow down in the second quarter of 2011 as the conditions in the global steel market continued to deteriorate as a result of worldwide macroeconomic uncertainty and the risk of escalating recession in the European Union. The slowing economic growth in China and the United States, as well surplus steelmaking capacities worldwide, were also contributing factors. From October 2011 and through 2012, steel prices have declined considerably as a result of uncertain global macroeconomic environment and the European sovereign debt crisis.

The steel industry operates predominantly on a regional basis as a result of the high cost of transporting steel and the restrictive effects of protective tariffs, duties and quotas. Steel production has historically been concentrated in the European Union, North America, Japan and the former Soviet Union. However, steel production in Asia, particularly in China and India, has grown in importance over the past decade and levels of global imports and exports have generally increased as production has shifted towards low-cost production regions. Moreover, while production in Europe, Japan and the United States remains significant, steel producers in those regions have increasingly focused on the rolling and finishing of semi-finished products.

Production and Consumption Trends

According to preliminary annual data of Worldsteel, world crude steel output in 2012 was 1,548 million tonnes, representing an increase of 0.7%, compared to output in 2011. In 2012, China remained the largest single producer of steel in the world (producing approximately 717 million tonnes of crude steel). China's steel production in 2012 increased by 2% from 2011, and accounted for approximately 46% of global steel production.

World Crude Steel Production

The following table sets forth estimated crude steel production data by country or region from 2007 to 2012:

World Crude Steel Production	**2007**	**2008**	**2009**	**2010**	**2011**	**2012[1]**
			(million tonnes)			
Europe	241	230	168	207	217	209
CIS (excluding Russia and Ukraine)	9	9	8	8	8	8
Russia	72	69	60	67	69	70
Ukraine	43	37	30	33	35	33
North America (excluding the U.S.)	35	33	24	31	32	33

World Crude Steel Production	2007	2008	2009	2010	2011	2012[1]
			(million tonnes)			
U.S.	98	91	58	80	86	89
South America	48	47	38	44	48	47
Middle East/Africa	35	34	33	37	39	41
Asia (excluding China, India and Japan)	94	94	82	99	111	112
China	490	512	577	639	702	717
Japan	120	119	88	110	108	107
India	53	58	64	69	73	78
Oceania	9	8	6	8	7	6
World total	**1,347**	**1,341**	**1,236**	**1,432**	**1,536**	**1,548**
Annual change (%)	—	*(0.4)*	*(7.9)*	*15.8*	*7.3*	*0.7*

Note:

(1) Preliminary figures

Source: Worldsteel

The industry is currently seeing a shift in demand from "commodity steel" to "high value-added steel" or "specialised steel" in developed markets. However, the strategy and product mix of steel producers generally varies between producers in industrial countries and producers in emerging markets.

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

According to Worldsteel, global steel consumption was 1,413 million tonnes in 2012, representing an increase of 1.2% compared to consumption in 2011. All major steel consuming regions demonstrated a slowdown in growth rates of steel consumption in 2012 as compared to 2011, with Europe experiencing a 7% decline in steel consumption. China is the world leader in steel consumption. According to Worldsteel, China consumed 646 million tonnes of steel in 2012, which is approximately 46% of all global consumption.

World Finished Steel Products Consumption

The following table sets forth estimated finished steel consumption data by country or region from 2007 to 2012:

World Finished Steel Consumption	2007	2008	2009	2010	2011	2012
			(millions tonnes)			
Europe	230	212	143	174	188	175
CIS	56	50	36	48	55	56
U.S.	108	98	59	80	89	97
NAFTA (excluding the U.S.)	33	32	24	31	32	34
South America	41	44	33	45	46	47
Middle East/Africa	65	70	69	72	74	76
Asia (excluding China, India and Japan)	125	127	106	126	136	139
China	418	447	551	588	634	646
India	52	51	58	65	70	72
Japan	81	78	53	64	64	64
Oceania	8	9	6	8	7	7
World total	**1,218**	**1,218**	**1,140**	**1,300**	**1,395**	**1,413**
Annual change (%)	—	0.0	(6.4)	14.0	7.3	1.2

Source: Worldsteel

Asian steel producers have emerged as the largest producers of commodity steel, as the majority of the consumption of commodity steel is in Asian and other emerging markets.

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

Consolidation

Over the last decade, growth and consolidation of both steel consumers and raw material suppliers has weakened the relative bargaining power of steel producers and put pressure on their margins. In response, the steel industry itself began a phase of consolidation which included, among others, the merger of Arcelor and Mittal Steel in 2006, Essar Group's purchase of the Algoma Steel Corporation and Tata Group's acquisition of Corus Group (both in 2007). During this period of consolidation, Evraz acquired control of Claymont and Oregon Steel in the United States and Canadian steel and pipe assets of IPSCO. The consolidation trend is also apparent in the CIS where in 2010 Metinvest Group and Ilyich Iron and Steel Works decided to combine their assets creating a steel producer with a combined production capacity of 20 million tonnes per annum.

Consolidation has enabled steel companies to lower their production costs and allowed for more stringent supply-side discipline, including through selective capacity closures which helped enhance the overall efficiency and utilisation rates across the board. However, despite the level of consolidation over the last decade, the steel industry remains highly fragmented.

Russian Steel Industry

According to Worldsteel, production of steel in Russia grew between 1998 and 2008, at an average annual rate of 5%. Global financial turmoil and economic uncertainties and downturn caused a sharp decline in production of steel in 2008 of approximately 5%, followed by an even more significant decrease in 2009 of approximately 12%. Economic recovery resulted in a sharp increase of production in 2010 of 12%, followed by gradual increases in 2011 and 2012 of approximately 3% each year.

According to preliminary Worldsteel statistics, Russia ranked as the world's fifth largest producer of steel, producing approximately 70 million tonnes of crude steel, or approximately 5% of global production, increasing its crude steel output by 3% compared to 2011.

In 2012, Russian producers exported 27 million tonnes of semi-finished and finished steel products, according to the Russian Federal Customs Service. A significant part of Russian steel exports include semi-finished products, particularly slabs, billets and pipe blanks. The following table sets forth the distribution of Russian exports by product type in 2011 and 2012:

Export of Russian steel by product type	2011	2012
	(%)	
Semi-finished products	**50**	**54**
Finished rolled steel	**45**	**41**
Flat products	*33*	*31*
Long products	*12*	*10*
Tubular products	**5**	**5**
Welded pipes	*3*	*3*
Seamless pipes	*2*	*2*

Source: Metall Courier

Asia, the Middle East and the European Union are the primary destinations for exports by Russian steel producers. Exports of steel products from Russia are primarily regulated by the Law on Foreign Trade Activity and Russian international treaties. For example, there are several treaties with the United States, which establish minimum prices and/or quotas for certain types of steel products which are exported from Russia to the United States. These treaties also provide that the export of steel products by Russian exporters to the United States is conducted on the basis of licenses issued by the Russian authorities.

The Russian steel industry is relatively consolidated, with six large producers, including Evraz, OJSC NLMK, Severstal, OJSC Magnitogorsk Iron & Steel Works ("**MMK**"), Holding Company Metalloinvest ("**Metalloinvest**") and OJSC Mechel ("**Mechel**"), accounting for 81% of domestic crude steel production in 2012 according to Metall Courier.

Russian Steel Market

Steel consumption in Russia rose by 2% in 2012 and reached 42 million tonnes according to Worldsteel. Despite this increase, volumes of steel consumed in Russia are substantially less than in developed countries such as Japan, which

consumed 64 million tonnes in 2012, and the United States, which consumed approximately 97 million tonnes in 2012 according to Worldsteel. Among BRICS countries, Russia is the third largest market after China and India, and it is the largest steel market in the CIS.

Steel Production Process

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

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

According to Worldsteel, approximately 68% of crude steel produced globally in 2011 used BOFs, and EAFs were used for the production of 29% of crude steel produced globally. The oxygen converter process is generally considered to be the most efficient steelmaking route for producing large volumes of high quality steel. Accordingly, BOFs have largely substituted less competitive and less cost efficient open hearth furnaces.

Types of Steel

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

- Long products include blooms, slabs, billets, wire, rebars, beams and rails. Long products are largely used in the construction, machine building, engineering and infrastructure industries such as railways, road construction;
- Flat products include hot and cold rolled steel, plates, galvanised steel, pre-painted steel, transformer steel and dynamo steel. Flat products are commonly used in various industries, including construction, electrical engineering, machine building, automotive, energy, shipbuilding, and tube and pipe production.

Mining Industry

Iron Ore

Overview

Iron ores are rocks and minerals from which metallic iron can be extracted. The global iron ore industry is characterised by a high degree of consolidation, with Vale, Rio Tinto and BHP Billiton accounting for approximately 63% of the global seaborne iron ore trade according to Raw Materials Group and Evraz's estimates. The major iron ore producing countries are Australia, Brazil and China, as well as India and Russia.

The dominance of the major producers in the market has recently led to significant changes in pricing terms. 2008 was a very strong year in terms of pricing, with iron ore spot prices rising well above contract prices. However, as a result of previously established price contracts, global iron ore producers were unable to realise higher profits. In response to this, the major producers have established a new quarterly pricing mechanism based on the spot price over three previous months.

Historically, Western Europe, Japan and China have been the major iron ore consumption centres. In 2012, they accounted for and 9%, 11% and 64% of global consumption, respectively. Since 2002, China and certain countries in the CIS have been showing significant increases in demand driven by increasing steel production in these areas. Since that

time, global consumption of steel, and thus of iron ore, has significantly increased. China has recently experienced the highest growth in iron ore consumption, with an increase in demand of more than 67% from 445 million tonnes in 2008 to 745 million tonnes in 2012, according to Worldsteel and other sources.

According to Metal Expert, in 2012 iron ore spot prices (China Fe 64% CPT) have declined by 11% from U.S.$135 per tonne to U.S.$121 per tonne. Global iron ore production has risen by 78% from 980 million tonnes in 2000 to 1,748 million in 2012.

Russian Iron Ore Market

According to Metal Expert, in 2012, total iron ore production in Russia was approximately 103 million tonnes. For the same period, total iron ore exports were approximately 25 million tonnes, and total imports were approximately 8 million tonnes. Imports to Russia are generally limited by high transportation costs and the lack of port facilities in the Far East and on the Black Sea that are capable of handling large ships. Russian iron ore production is highly concentrated and integrated in steelmaking holdings. Four of the largest iron ore producers, namely Metalloinvest, Evraz, Severstal and NLMK, accounted for approximately 81% of total iron ore production in Russia in 2012 according to Metal Expert and Rudprom.

Iron Ore Production Process

In 2011, approximately 89% of iron ore mined in Russia was extracted by open-pit methods, with the balance extracted from underground mines according to Metal Expert and Evraz's estimates. After extraction, the ore is processed further in order to increase its iron concentration. The iron ore is then crushed to a powder-like consistency and iron-rich particles are separated from the waste rock by magnetic separation to produce iron ore concentrate. This concentrate is then formed into pellets or sinter that are suitable for use as blast furnace feed.

Coal

Overview

Coal may be divided into steam (thermal) coal and coking (metallurgical) coal. Steam coal is used in electricity generation and for industrial applications, while coking coal is used to manufacture coke for use in blast furnaces and other metallurgical applications. Coking coal swells when heated in coke ovens to produce hard coke, which is used in the steelmaking process. Approximately 13% of total hard coal production is currently used by the steel industry and approximately 70% of total global steel production is dependent on coal according to Worldsteel. In the production of steel, approximately 400-500 kilograms of coke is used per tonne of hot metal.

In recent years, the global coal industry has consolidated, partly as a result of oil companies and other non-mining companies exiting the sector. As a result of this consolidation, coal suppliers have gained more pricing power.

Historically, Australia, China, Indonesia and South Africa have been the largest coal-producing countries, with Russia increasing its share of world supply in recent years. Between 1990 and 2011, world coal production was estimated to have increased from 4,740 million tonnes to 7,695 million tonnes according to BP Statistical Review of World Energy.

Russian Coal Market

Russia has the world's second largest proven coal reserves after the United States. As of the end of 2011, its proven coal reserves totalled approximately 157 billion tonnes, accounting for 18% of the world's proven reserves according to BP Statistical Review of World Energy, and in 2011 Russia produced 334 million tonnes of coal. World Coal Association estimates that in 2011, Russia exported approximately 103 million tonnes of coal, of which approximately 86% was steam coal and the balance was coking coal.

Coal production in Russia is concentrated in the Kuznetsk Basin and the Kansko-Achinskii Basin, which are east of the Ural Mountains, and together account for the majority of Russia's total coal production. In 2012, coking coal production in Russia was approximately 69 million tonnes according to Metal Expert. In 2012, approximately 62% of Russia's coking coal production capacity was owned by, or by entities affiliated with, Russian steel producers according to Metal Expert.

Coking coal concentrate prices in Russia decreased from approximately U.S.$145 per tonne in January 2012 to U.S.$104 per tonne in January 2013 according to Metal Expert.

Coal Production Process

Approximately two-thirds of the coal mined in Russia is extracted by open-pit methods, with the rest extracted by underground mining. After mining, depending on the ash content of the coal, the coal is processed in a preparation plant, where it is crushed and washed. Nearly all Russian coking coal must be prepared into coking coal concentrate before use in coke making. As such, industrial use of raw coking coal is limited, with the exception of certain higher grades of "fat" coals which are relatively scarce. Coking coal concentrate is then transported to coke making plants and integrated steel plants for conversion to coke used in the production of pig iron, an intermediary stage product in steelmaking using the BOF method.

Vanadium Industry

Overview

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

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

The largest vanadium-rich iron ore deposits are situated in Russia, South Africa and China and these countries are the world's largest producers of vanadium, producing in aggregate approximately 63 thousand tonnes of vanadium in 2012, according to the U.S. Geological Survey. There has recently been a significant increase in global demand for vanadium. Globally, resources of vanadium exceed 63 million tonnes and the world's proven vanadium reserve base was estimated to be 14 million tonnes in 2011, according to the U.S. Geological Survey. At current levels of consumption, these reserves are expected to be sufficient to last for more than 100 years. Major consumers of vanadium products are located within North America, Europe, Asia, primarily China, and Japan.

According to London Metal Bulletin quotations, the price of vanadium has significantly increased from U.S.$23 per kilogram in January 2012 to U.S.$32 per kilogram in February 2013. Throughout most of 2012, vanadium prices stayed within the range of U.S.$23 per kilogram to U.S.$28 per kilogram. Historically, the highest price of vanadium was U.S.$128 per kilogram in April 2005.

BUSINESS

Overview

Evraz is a vertically integrated steel, mining and vanadium business with operations in Russia, Ukraine, North America, the European Union and South Africa. In 2012, Evraz produced 15.9 million tonnes of crude steel and sold 15.3 million tonnes of rolled steel products to third parties. According to Metal Expert, Evraz was the third largest crude steel producer by crude steel volume in Russia in 2012, and the largest manufacturer by volume of long products for the construction and railway industries in Russia and the CIS in 2012. Evraz also produces significant quantities of iron ore products and coking coal, most of which are used in its own steelmaking operations. In 2012, Evraz produced 20.8 million tonnes of iron ore and 8.5 million tonnes of coking coal, as well as 2.3 million tonnes of steam coal. Evraz is also one of the leading producers of vanadium globally. In 2012, Evraz produced 18.4 thousand tonnes of ferrovanadium and other finished vanadium products.

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

- Steel production facilities: United EVRAZ ZapSib, the business unit that combines two integrated steel production facilities: ZapSib, located near Novokuznetsk, in the Kemerovo region, Russia, one of the largest integrated construction steel producers in Russia, and NKMK, located in Novokuznetsk, a steel mill which is one of the leading rail producers globally; EVRAZ NTMK, located in Russia's Nizhny Tagil, in the Sverdlovsk region, one of the largest integrated steel production mills in Russia and a producer of vanadium slag; EVRAZ North America, a diversified steel manufacturer in North America, with sites located throughout the United States and Canada, producing steel pipes, plates and long products; EVRAZ DMZP, located in Dnepropetrovsk, Ukraine, an integrated steel mill specialising in the manufacture of billets and construction rolled products; and EVRAZ Palini, located in Italy, a manufacturer of high quality plate products. Evraz has also initiated the process of disposing of several additional steel production facilities, each of which is currently accounted for as held for sale: EVRAZ Vítkovice, a manufacturer of rolled steel products located in Czech Republic; and EVRAZ Highveld, located in South Africa, is a producer of steel and vanadium slag.

- Iron ore mining and processing facilities: EVRAZ KGOK and EVRAZ VGOK, located in the Sverdlovsk region near EVRAZ NTMK in Russia; Evrazruda, which operates iron ore mines in the Kemerovo region near United EVRAZ ZapSib, in the Republic of Khakassia and in south Krasnoyarsk Krai in Russia; and EVRAZ Sukha Balka located in the Dnepropetrovsk region of Ukraine, near EVRAZ DMZP; Mapochs Mine, a subsidiary of EVRAZ Highveld Steel and Vanadium, located in Roossenekal in the Limpopo region of South Africa, which mines titaniferrous magnetite ore.

- An integrated coal mining company producing coking, steam coal and concentrate: Yuzhkuzbassugol, located in the Kemerevo region in Russia, near United EVRAZ ZapSib.

- Vanadium production facilities: Stratcor with operations in the United States and South Africa; EVRAZ Nikom, a ferrovanadium producer located in the Czech Republic; and EVRAZ Vanady-Tula located in Russia.

- Other principal assets, including EVRAZ Nakhodka Trade Sea Port, one of the largest ports in the Russian Far East and through which Evraz ships most of its Russian exports, East Metals and TC EvrazHolding, two of Evraz's sales and trading companies, and EVRAZ Metall Inprom which operates 62 steel service centres located in Russia and Kazakhstan, that finish and distribute steel products produced by Evraz.

Evraz also currently indirectly owns a 41% equity interest in Raspadskaya, one of Russia's largest coking coal producers. In January 2013, EVRAZ plc acquired an additional 41% equity interest in Raspadskaya, resulting in an 82% consolidated equity interest in Raspadskaya by Evraz's parent company, EVRAZ plc, while the remaining 18% of shares are publicly traded on the Moscow Exchange. For additional information on Raspadskaya, please see "*—Mining Business—Raspadskaya*".

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

History

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

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

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

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

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

Year	Sector	Subsidiary Acquired
2001	Steel	Nizhny Tagil Iron and Steel Plant (EVRAZ NTMK), an integrated steel mill that primarily produces railway and construction long products, pipe blanks and other products
		West Siberian Iron and Steel Plant (ZapSib, currently a part of United EVRAZ ZapSib), an integrated steel mill that primarily produces construction long products and semi-finished products
2002	Mining	Vysokogorsky Ore Mining and Processing Plant (EVRAZ VGOK) produces sinter from its iron ore resources, as well as iron ore concentrate, limestone, crushed stone and other products
2003	Steel	Novokuznetsk Iron and Steel Plant (NKMK, currently a part of United EVRAZ ZapSib), an integrated steel mill specialising in the production of rolled long steel products for the railway sector and semi-finished products
	Other	Nakhodka Trade Sea Port (EVRAZ Nakhodka Trade Sea Port), one of the largest ports in the Far East of Russia, from where Evraz ships a significant part of its exports
2004	Mining	Kachkanarsky Ore Mining and Processing Plant (EVRAZ KGOK), which produces sinter and pellets from vanadium-rich iron ore
		Evrazruda Iron Ore Processing Complex (Evrazruda), which produces iron ore concentrate with operating mines in the Kemerovo region, the Republic of Khakassia and the Krasnoyarsk region
		An indirect equity interest in Raspadskaya
2005	Steel	Palini e Bertoli (EVRAZ Palini), a rolling mill located in Italy, which produces customised steel plate products
		Vitkovice Steel a.s.(EVRAZ Vitkovice), an integrated steel mill which is the largest platemaker in the Czech Republic
2006	Vanadium	Strategic Minerals Corporation (Stratcor), one of the world's leading producers of vanadium alloys and chemicals for the steel and chemical industries, with operations in the USA and South Africa
2007	Steel	Oregon Steel Mills (now a part of EVRAZ Inc. N.A.), a producer of plates, pipes, rails and other long steel products, with operations in the USA and Canada
		DMZ Petrovskogo (EVRAZ DMZP), an integrated steel mill specialising in the manufacture of pig iron, steel and rolled products, and Ukrainian coking plants: Dneprokoks (which currently is part of EVRAZ DMZP), Dneprodzerzhinsk Coke Chemical Plant (DKHZ, sold in 2012) and Bagleykoks
	Steel and Vanadium	Highveld Steel and Vanadium Corporation (EVRAZ Highveld), one of the largest steel producers in South Africa, with primary positions in medium and heavy structural sections and ultra thick plate and a leading producer of vanadium products
	Vanadium	EVRAZ Nikom, a ferrovanadium producer located in the Czech Republic
	Mining	Yuzhkuzbassugol, a vertically integrated group which is one of the largest coking coal producers in Russia. Yuzhkuzbassugol owns and operates 10 coal mines and two coal enrichment mills
		Sukha Balka Iron Ore Mining and Processing Complex (EVRAZ Sukha Balka), operates two underground mines in Ukraine for the production of lumping iron ore

	Other	West-Siberian heat and Power Plant, an energy generating company located in Novokuznetsk (Russia)
2008	Steel	Claymont Steel (now a part of EVRAZ Inc. N.A.), a producer of plates located in the USA
		IPSCO's plate and tubular business (now a part of EVRAZ Inc. N.A. Canada), located in Canada
2009	Steel	Carbofer Metall (a part of EVRAZ Metall Inprom), one of the largest Russian steel distribution networks
	Vanadium	Vanady-Tula (EVRAZ Vanady-Tula), the largest Russian producer of vanadium products
2010	Steel	Inprom (a part of EVRAZ Metall Inprom), a Russian steel distribution network

Following an internal reorganisation in 2011, the coke-chemical production facility of Dneprokoks was merged with EVRAZ DMZP. In August 2012, Evraz sold Dneprodzerzhinsk Code Chemical Plant to Lanebrook Ltd.

In December 2012, Evraz sold one of its subsidiaries, Evraztrans, which provides railway transportation services using both its own and rented railcars, to Russian freight rail operator NefteTransService ("**NTS**").

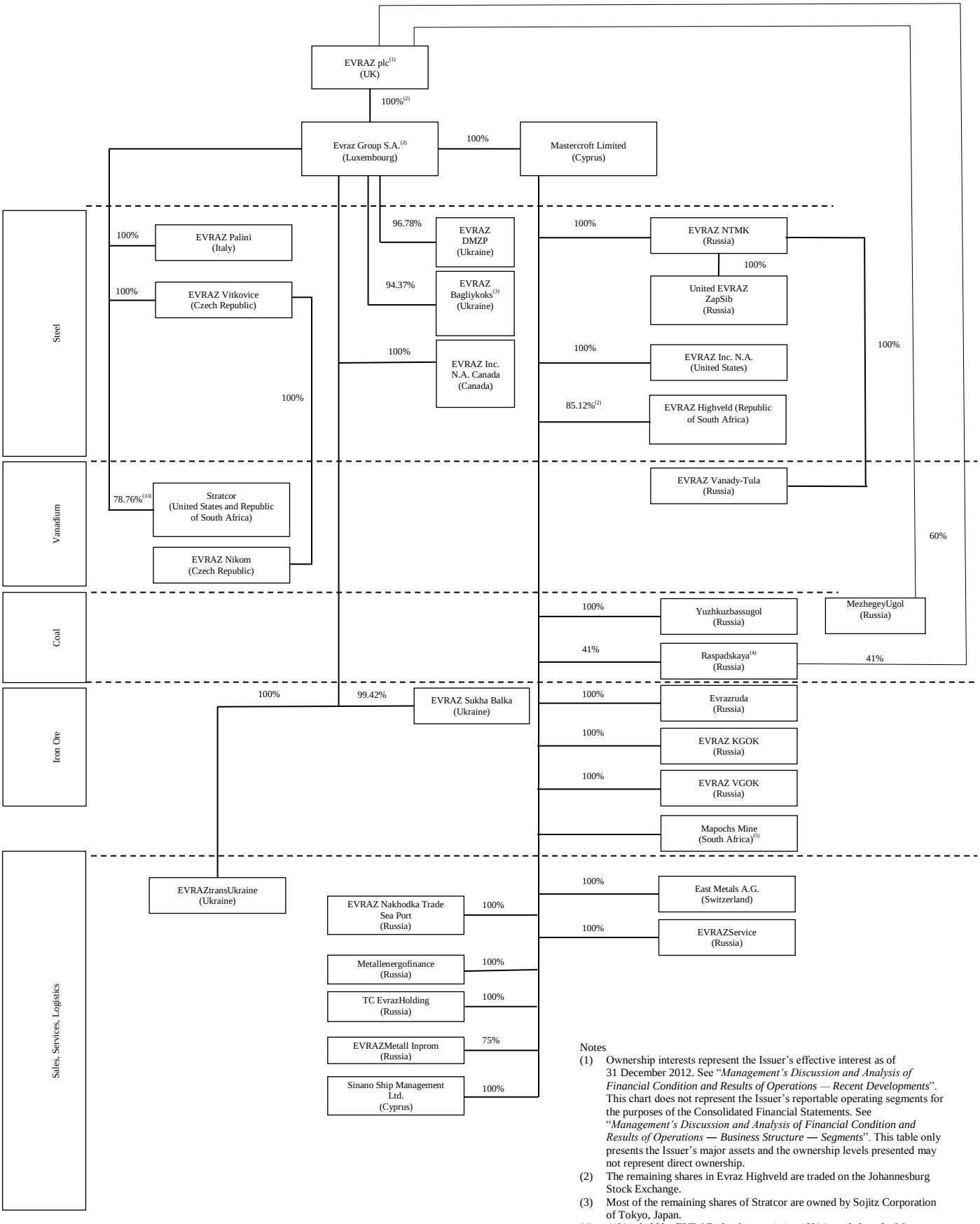
On 27 March 2013, Evraz announced the signing of a non-binding term sheet in respect of the proposed sale of its 85% stake in EVRAZ Highveld.

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

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

Organisational Structure

The organisational structure of Evraz as of 31 December 2012 is as follows:



Notes

(1) Ownership interests represent the Issuer's effective interest as of 31 December 2012. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments*". This chart does not represent the Issuer's reportable operating segments for the purposes of the Consolidated Financial Statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Business Structure — Segments*". This table only presents the Issuer's major assets and the ownership levels presented may not represent direct ownership.

(2) The remaining shares in Evraz Highveld are traded on the Johannesburg Stock Exchange.

(3) Most of the remaining shares of Stratcor are owned by Sojitz Corporation of Tokyo, Japan.

(4) 41% is held by EVRAZ plc, the remaining 18% is traded on the Moscow Exchange.

(5) 74% owned by EVRAZ Highveld.

In operational terms, Evraz's business is divided into four principal segments:

- **the steel production segment**, comprising the production and sale of semi-finished and finished steel products, coke and coking products, and refractory products;
- **the mining segment**, comprising the production, enrichment and sale (to the steel segment and third parties) of iron ore and coking and steam coal;
- **the vanadium segment**, comprising the production and sale of vanadium products, vanadium slag arising in steel-making process is also allocated to vanadium segment; and
- **the other segment**, comprising energy generating companies, a sea port, shipping and railway transportation companies.

Business Model and Value Chain

The discussion set forth below relates to the business model, value chain and strategy of EVRAZ, which is based on the business operations of Evraz Group S.A. and its subsidiaries.

EVRAZ seeks to create value by processing its proprietary mineral resources into high-end steel products for the construction and railway industries and infrastructure development projects. Efficient operations, continued pursuit of economically attractive asset development and a search for value-adding acquisitions are fundamental features of EVRAZ's approach.

The health and safety of EVRAZ's employees is a focus of decision making. A great emphasis is also placed on the recruitment and development of EVRAZ's workforce, as this provides the backbone for all operations.

EVRAZ's value chain includes:

- **Iron ore.** EVRAZ mines and processes iron ore to produce high quality marketable concentrate. EVRAZ's iron ore assets are located close to its steelmaking facilities which minimises associated transportation costs. EVRAZ is currently 100% self-covered in relation to iron ore.

- **Coking Coal.** EVRAZ is a leading coking coal producer in Russia, operating underground mines and processing plants in Kuzbass, the primary coking coal region of Russia. EVRAZ consumes a proportion of the coking coal produced at its core steelmaking plants in CIS and the remainder is sold domestically or exported to Asia and Europe. See "*—Strategy— Further vertical integration and development of raw materials base*".

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

- **Rolling.** In the CIS, EVRAZ specialises in the production of long steel products, in particular, for use in the construction and railway industries. These products, including rebar and H-beams are used for construction of bridges, stadiums, offices and residential buildings. EVRAZ believes that it is also a world leader in railway products in terms of both quality and volume produced. EVRAZ also specialises in the production of flat-rolled, tubular and railway products in North America and plates in Europe.

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

- **Vanadium** is a valuable ferroalloy which is added to steel in order to make it stronger. Due to the rich vanadium content of EVRAZ's iron ore reserves in Russia and South Africa, EVRAZ is able to extract vanadium from by-products of its steelmaking and capture additional margins.

Competitive Strengths

EVRAZ believes that its key competitive advantages include:

- A proprietary mineral resource base;
- Low cost and efficient operations;
- Unique product mix and presence at key markets;
- Geographic diversification, with operations across four continents; and
- Being a leading global vanadium producer.

Strategy

The main strategic objective of EVRAZ is to create long term value for shareholders by maintaining a balance between investment, financial stability and dividend payments.

Given the context of the global steel industry in which EVRAZ operates, achieving this objective depends upon meeting a number of goals:

Further vertical integration and development of raw materials base

EVRAZ seeks to further integrate all elements of its value chain, with a particular focus on the development of its raw materials base. Given the competitive advantages relating to the geographical proximity of EVRAZ's mineral resource base and key steelmaking facilities, EVRAZ has set long term targets of achieving 120% self-coverage in iron ore and 130% self-coverage in coking coal by the end of 2016. EVRAZ intends to maximise the intragroup consumption of its own raw materials and sell the excess in the open market. In line with this objective, in January 2013 EVRAZ plc acquired a further 41% interest in Raspadskaya (in addition to the 41% equity interest in Raspadskaya held by Evraz), contributing to control over EVRAZ's raw material costs.

EVRAZ has a number of investment projects aimed at achieving further vertical integration and developing its raw materials base. For further information please see "*Business Description—Investment program*".

Strengthen competitive position in its existing markets

EVRAZ expects that global steel consumption will grow at a moderate rate over the next two years, with higher rates of consumption being constrained by uncertain levels of economic growth across the globe. Nevertheless, this uncertain climate provides EVRAZ with an opportunity to increase its focus on specific niche products in key markets, i.e., enhancing its leading global market position in railway products and in the CIS construction steel products' market. EVRAZ plans to strengthen its current market position by enhancing the quality of its products and widening its product portfolio.

In order to maintain its leading position in the Russian and global rail market, EVRAZ completed a modernisation programme in 2012 at the United EVRAZ ZapSib rail and beam mill, which is now able to produce high-quality rails, including 100 metre rails, to match Russian Railways' requirements for rails suitable for high-speed railways. With the ramp up of this project in the course of 2013, the total railway production capacity of EVRAZ's Russian assets has increased to 1.5 million tonnes per annum.

EVRAZ also plans to commission new rolling mills in Kazakhstan and the south of Russia and to invest in a heat treatment facility at its Calgary mill in Western Canada. For further information please see "*Business Description—Investment program*".

Enhance cost leadership position

EVRAZ seeks to maintain its key competitive advantage of being a low-cost producer of steel products through various operational and strategic initiatives. EVRAZ's management believes that the CIS is one of the lowest cost regions for steel production worldwide, enabling EVRAZ to benefit from lower production costs compared to certain of its competitors. EVRAZ thus benefits through both sales of low-cost Russian slabs to global markets and through synergies created by being able to supply feedstock to certain of its non-Russian subsidiaries.

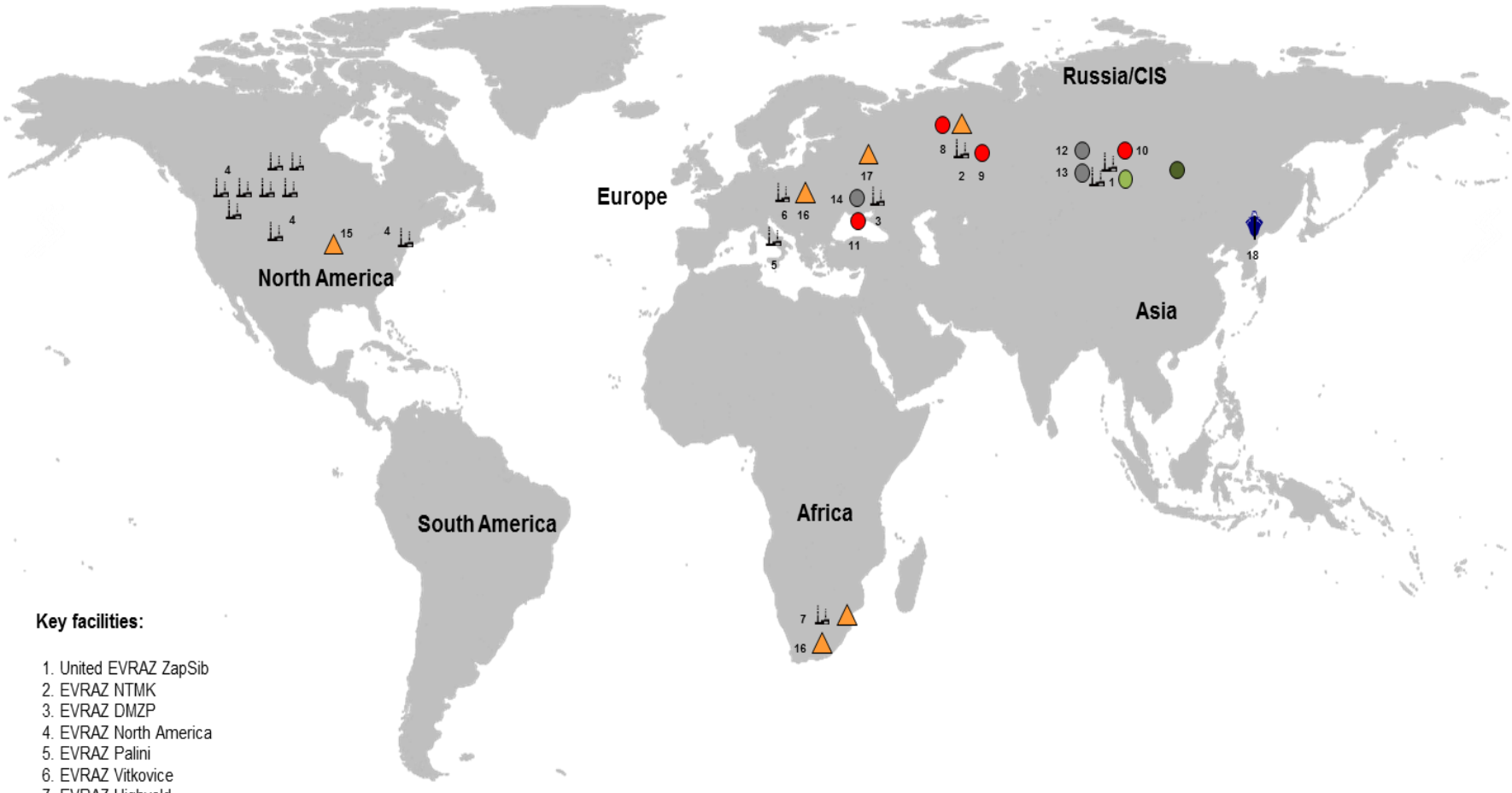
In 2012, EVRAZ completed the implementation of PCI technology at EVRAZ NTMK in order to decrease steelmaking costs. A similar PCI technology project is underway at United EVRAZ ZapSib. For other related projects, please see "*Business Description—Investment program*".

In view of the scale of on-going improvement in EVRAZ's business, EVRAZ has established and adopted a set of development principles which provide a solid foundation for long term sustainable development. The development principles cover (i) health, safety and environment, (ii) human capital, (iii) customer focus, (iv) EVRAZ business system (a part of EVRAZ's comprehensive efforts to reduce costs at key industrial facilities) and (v) growth. Well-managed growth is expected to allow EVRAZ to deliver on its objective of creating long-term value for shareholders.

Operations

Location of operations

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



Key facilities:

1. United EVRAZ ZapSib
2. EVRAZ NTMK
3. EVRAZ DMZP
4. EVRAZ North America
5. EVRAZ Palini
6. EVRAZ Vitkovice
7. EVRAZ Highveld
8. EVRAZ KGOK
9. EVRAZ VGOK
10. Evrazruda
11. EVRAZ Sukha Balka
12. Yuzhkuzbassugol
13. Raspadskaya
14. EVRAZ Bagliykoks
15. Stratcor
16. EVRAZ Nikom
17. EVRAZ Vanady-Tula
18. EVRAZ Nakhodka Trade Sea Port

Steel mills

Iron ore mining

Coal mining

Vanadium

Sea ports

Mezhegey coal deposit (development)

Taezhnoe iron ore deposit (Timir JV)

The table below summarises information about Evraz's principal steel, coal, iron ore and vanadium assets as at 31 December 2012:

Company	Country	Commodity	Evraz's ownership interest	Remaining ownership interest
Steel:				
United EVRAZ ZapSib ...	Russia	Crude Steel, Rolled Steel	100%	N/A
EVRAZ NTMK	Russia	Crude Steel, Rolled Steel Vanadium in slag	100%	N/A
EVRAZ DMZP.....	Ukraine	Crude Steel, Rolled Steel	96.78%	The remaining shares are traded on PFTS Stock Exchange in Ukraine
EVRAZ Bagliykoks	Ukraine	Steel coke	94.37%	The remaining shares are traded on PFTS Stock Exchange in Ukraine
EVRAZ Vitkovice[(1)].....	Czech Republic	Crude Steel, Rolled Steel	100%	N/A
EVRAZ Palini	Italy	Rolled Steel	100%	N/A
EVRAZ North America...	USA, Canada	Crude Steel, Rolled Steel	100%[(2)(3)]	N/A
EVRAZ Highveld[(1)].....	South Africa	Crude Steel, Rolled Steel Vanadium in slag	85.12%	The remaining shares are traded on the Johannesburg Stock Exchange and represented by ADRs.
Iron Ore Mining:				
EVRAZ KGOK	Russia	Iron ore	100%	N/A
EVRAZ VGOK	Russia	Iron ore	100%	N/A
Evrazruda	Russia	Iron ore	100%	N/A
EVRAZ Sukha Balka	Ukraine	Iron ore	99.42%	The remaining shares are traded on PFTS Stock Exchange in Ukraine and represented by GDRs.
Coal Mining:				
Yuzhkuzbassugol.....	Russia	Coal	100%	N/A
Vanadium:				
Stratcor	USA	Vanadium products	78.76%	Most of the remaining shares are held by Sojitz Corporation of Tokyo, Japan.
EVRAZ Nikom.....	Czech Republic	Ferrovanadium	100%	N/A
EVRAZ Vanady-Tula.....	Russia	Vanadium	100%	N/A
Raspadskaya	Russia	Coal	41%	In January 2013, EVRAZ plc acquired an additional 41% of the shares, 18% are traded on the Moscow Exchange.

Notes:

(1) Asset classified as held for sale.

(2) EVRAZ North America represents EVRAZ Inc. N.A. and Evraz Inc. N.A. Canada.

(3) Nippon Steel Corporation holds a 10% interest in EVRAZ Rocky Mountain Steel, one of EVRAZ North America's steel facilities in Pueblo, Colorado.

Steel Business

Evraz's steel business operates globally, with steelmaking facilities in Russia, Ukraine, North America, the European Union and South Africa.

Markets and customers

Russia and Ukraine: Evraz sells the majority of its steel products to the construction, railway, mining and pipe manufacturing industries through its trading company TC EvrazHolding, exports through East Metals and conduct retail sales through its network of steel dealers, which are combined into EVRAZ Metall Inprom. Evraz adjusts the product mix of its Russian and Ukrainian facilities on a monthly basis, depending on the demand and profitability of particular products. Sales outside Russia and the CIS from Evraz's Russian and Ukrainian facilities comprise primarily semi-finished products for re-rolling and finished products for the construction and other industries.

North America: EVRAZ North America in the United States and Canada sells a wide array of specialty and commodity steel products, including discrete plate, coil, welded and seamless pipe (both small and large diameter) for oil and gas applications, hollow structural sections, rail and wire rods and reinforcing bars. EVRAZ North America sells the majority of its steel products to the oil and gas, railway and infrastructure (e.g. bridges and power transmission facilities) sectors. EVRAZ North America produces a portion of its slab and billet needs for use in its rolling mills and generates a portion of Evraz's scrap needs for the production of slab and billets. EVRAZ North America also processes scrap in several locations across central and western Canada, North Dakota and Colorado. In addition, a portion of its slab and billet needs are provided by Evraz's Russian facilities.

Italy: Evraz's Italian facility, EVRAZ Palini, sells quality plates to construction, shipbuilding and automotive industries primarily in Europe.

Czech Republic: Evraz's facility in the Czech Republic, EVRAZ Vitkovice, sells quality plates, sheet piles and flame-cut shapes to customers in the construction, mechanical engineering, machine building and energy industries, mainly in Europe.

South Africa: EVRAZ Highveld produces plates, coil and structural sections sold predominantly in South Africa and to niche export markets. The customer base is well established, with the top 10 steel products customers representing approximately 65% of consolidated revenue during the year ended 31 December 2012.

Sales

The table below shows Evraz's global consolidated sales volume (to third parties and inter-segment sales) of its principal steel products for the years ended 31 December 2012, 2011 and 2010.

	Year ended 31 December					
	2012		2011		2010	
	(thousands of tonnes)	*%*	*(thousands of tonnes)*	*%*	*(thousands of tonnes)*	*%*
Product[1]						
Construction sector	**5,658**	**37.0**	***5,505***	***35.5***	***5,081***	***32.8***
Rebars	2,346	15.3	1,950	12.6	1,910	12.3
Beams	1,071	7.0	1,011	6.5	767	4.9
Channels	888	5.8	939	6.1	886	5.7
Angles	534	3.5	564	3.6	534	3.4
Wire rods	326	2.1	439	2.8	504	3.3
Wire	166	1.1	134	0.9	129	0.8
Other Construction Products	327	2.1	468	3.0	351	2.3
Railway sector	***1,843***	***12.1***	***2,093***	***13.5***	***1,905***	***12.3***
Rails	1,241	8.1	1,464	9.4	1,354	8.7
Wheels and wheel blanks	177	1.2	171	1.1	144	0.9
Tires	52	0.3	49	0.3	48	0.3
Other railway products	373	2.4	409	2.6	359	2.3

	Year ended 31 December					
	2012		2011		2010	
	(thousands of tonnes)	*%*	*(thousands of tonnes)*	*%*	*(thousands of tonnes)*	*%*
Flat-rolled products	***2,725***	***17.8***	***2,868***	***18.5***	***2,569***	***16.6***
Commodity plate	2,085	13.6	2,273	14.7	1,950	12.6
Specialty plate	373	2.4	308	2.0	259	1.7
Other flat products	266	1.7	287	1.9	360	2.3
Tubular products	***879***	***5.7***	***912***	***5.9***	***924***	***6.0***
Large diameter line pipe	193	1.3	185	1.2	312	2.0
ERW pipe and casing	257	1.7	262	1.7	137	0.9
Seamless pipe	117	0.8	129	0.8	96	0.6
Casing and tubing	270	1.8	290	1.9	378	2.4
Other	42	0.3	46	0.3	1	0.0
Other steel products	***552***	***3.6***	***635***	***4.1***	***546***	***3.5***
Rounds	152	1.0	253	1.6	224	1.4
Grinding balls	226	1.5	220	1.4	200	1.3
Mine uprights	108	0.7	85	0.5	67	0.4
Strips	7	0.0	17	1.1	18	0.1
Other	58	0.4	60	0.4	37	0.2
Semi-finished products	***3,636***	***23.8***	***3,479***	***22.5***	***4,481***	***28.8***
Slabs	1,748	11.4	1,841	11.9	2,001	12.9
Billets	1,434	9.4	1,183	7.6	1,996	12.9
Pig iron	198	1.3	75	0.5	85	0.5
Pipe blanks	227	1.5	350	2.3	393	2.5
Other semi-finished products	30	0.2	30	0.2	6	0.0
Total	**15,292**	**100.0**	**15,492**	**100.0**	**15,565**	**100.0**
Inter-segment sales	**115**		**58**		**59**	

Note:

(1) For the year in which Evraz acquires a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz.

The table below represents Evraz's global consolidated sales volume (to third parties and inter-segment sales) by markets for the years ended 31 December 2012, 2011 and 2010.

	Year ended 31 December					
	2012		2011		2010	
	(thousands of tonnes)	*%*	*(thousands of tonnes)*	*%*	*(thousands of tonnes)*	*%*
Market:						
Russia	6,570	43.0	6,722	43.4	5,543	35.7
CIS	802	5.2	849	5.5	872	5.6
Europe	1,450	9.5	1,562	10.1	1,472	9.5
Americas	2,746	18.0	2,766	17.9	2,662	17.2
Asia	3,249	21.2	3,020	19.5	4,424	28.5
Africa	474	3.1	573	3.7	532	3.4
Rest of world	1	0.0	1	0.0	1	0.0
Total	**15,292**	**100.0**	**15,492**	**100.0**	**15,506**	**100.0**
Inter-segment sales	**115**		**58**		**59**	

CIS (Russia and Ukraine)

Evraz operates its Russian steel business through two Russian subsidiaries, EVRAZ NTMK and United EVRAZ ZapSib (consisting of production facilities of ZapSib and NKMK), and its Ukrainian business through the EVRAZ DMZP steel plant and EVRAZ Bagliykoks coking plant. These operations are described in further detail below. In 2012, approximately 67% of the sales volume of Evraz's Russian and

Ukrainian subsidiaries were in the CIS markets, with Ukraine and Kazakhstan accounting for the principal CIS markets after Russia.

Markets and customers

Evraz sells the majority of the steel products made by its Russian and Ukrainian facilities to the construction, railway, mining and pipe manufacturing industries.

Construction sector

The principal products for the construction sector made by Evraz's Russian and Ukrainian facilities are rebars, H-beams, channels, angles and wire rods. In terms of segment revenues, the construction market represents the largest market for steel products manufactured by Evraz's Russian and Ukrainian subsidiaries, comprising, in 2012, approximately 45% of revenues attributable to Evraz's Russian and Ukrainian subsidiaries. Russia constitutes Evraz's principal market in the construction sector, and in 2012, Evraz was the leading producer of H-beams in Russia, accounting for approximately 79% of total sales volumes of H-beams that year, according to Metal Expert. Evraz's share in the rebar market in Russia amounted to 18% in 2012.

Railway sector

Evraz's Russian and Ukrainian subsidiaries manufacture various products for the railway sector, including rails, wheels, rail fasteners, axle blanks, railcar uprights, Z sections and rough tires. Evraz sells railway products primarily to Russian Railways, which accounted for approximately 11% of the total steel volume sold by Evraz in Russia (excluding inter segment sales) in 2012. In light of the significant underinvestment in the Russian railway system in the past, Russian Railways announces and periodically provides updates on its plans to make significant investments in maintenance, reconstruction and related infrastructure. The investment budget of Russian Railways is expected to be approximately RUB342 billion for 2013 and approximately RUB368 billion for 2014. Evraz sells railway products to Russian Railways pursuant to a long-term contract which expires in the end of 2017, and under which prices are revised on a quarterly basis in accordance with a defined price formula. As a result, Evraz expects significant demand for its railway products over the coming years. In September 2012, Evraz signed a five-year contract with Uralvagonzavod for the supply of railway wheels and other steel products.

In order to improve the management of its key product groups, in April 2012 Evraz established a separate division for railway products headed by a respective vice-president. The railway products division focuses on production and sales as well as product development for railway applications.

Rails

Evraz produces rails at EVRAZ NTMK and United EVRAZ ZapSib, which are the only producers of rails in Russia and currently the only domestic supplier of rails to Russian Railways. Russian Railways is the primary Russian customer for Evraz's rails and sales by Evraz to Russian Railways accounted for approximately 79% of Evraz's total Russian sales of rails by volume in 2012, with the remaining products sold to a range of customers. In 2012, Evraz's share in the Russian Rail market amounted to 71%, with the remaining share constituted primarily of import rails. Evraz is the only Russian producer of rails (including high-speed 100 metre rails).

Evraz successfully completed the preliminary qualifications required to become a supplier of railway wheels for Deutsche Bahn. As a result, EVRAZ NTMK is now certified as a solid-rolled wheel manufacturer in accordance with Deutsche Bahn internal standards. EVRAZ NTMK has been qualified as a class 2 wheel manufacturer, which includes the most complex freight traffic class V wheels. Subject to a positive outcome of tests of a pilot lot of wheels to be submitted to Deutsche Bahn, EVRAZ NTMK will be able to participate in regular tenders to supply wheels to Deutsche Bahn.

Other finished and semi-finished products, billets, slab, pig iron and blooms

Evraz's Russian and Ukrainian subsidiaries supply a variety of finished products to the mining sector. Evraz's finished products include grinding balls, which it primarily sells to ore enrichment plants in

Russia, and mine uprights, which it primarily sells to mining companies. Evraz's production facilities provide for flexible production of billets or slabs and, in addition, Evraz's Russian and Ukrainian subsidiaries sell pipe blanks to pipe manufacturers for pipe and wire production almost exclusively to the Russian market, as well as small volumes of plates and other products.

Sales

Evraz's Russian and Ukrainian subsidiaries produce steel for sale in the Russian and CIS markets and for export. Sales in Russia are typically of finished products, which generally provide higher margins than are available from sales of semi-finished products. Evraz believes that it has a strong market position in Russia in many of its primary product markets. Evraz's sales destinations in the rest of the CIS are primarily to Ukraine and Kazakhstan.

Evraz conducts its Russian, Ukrainian and CIS sales through its wholly owned trading companies, TC EvrazHolding and TH EVRAZ resource Ukraine. In 2010, Evraz acquired a 100% interest in the Inprom Group's holding entity, which owned steel traders throughout Russia and a chain of 27 steel service centres located in the industrially developed regions of Russia. This purchase followed Evraz's acquisition in 2009 of six steel trading companies which have 35 steel service centres in Russia (formerly known as Carbofer) through the acquisition of their holding company. These operations have been substantially consolidated within EVRAZ Metall Inprom. EvrazMetall Inprom also sells products on a smaller individual-quantity basis. Sales to the construction industry are made to independent regional distributors and stockists, which sell a range of products in smaller lots to end consumers. Sales to the industrial sector are made directly to the customer. Sales to Russian Railways are made directly to Russian Railways, without the use of independent distributors. Russian Railways is the principal customer for Evraz's rails and most other railway products produced in Russia. The majority of Evraz's Russian and Ukrainian sales agreements require prepayment, although, in 2010, 2011 and 2012, railway products were sold to Russian Railways based on framework agreements with annually revised contracts within the framework. The agreement with Russian Railways provides for payment after delivery.

The following table summarises Evraz's sales of steel produced by its Russian and Ukrainian subsidiaries in the periods indicated.

	Year ended 31 December		
	2012	**2011**	**2010**
	(thousands of tonnes)		
Sales (excluding inter-segment sales)			
Russian and CIS sales	7,370	7,568	6,410
Non-CIS export sales	3,613	3,385	4,674
Total	**10,983**	**10,953**	**11,084**
Inter-segment sales	**115**	**58**	**59**

The following table sets out the product mix of consolidated sales in Russia and the CIS for Evraz's Russian and Ukrainian subsidiaries for the periods indicated (by volume):

	Year ended 31 December		
	2012	2011	2010
	(share of total sales volume, as a percentage)		
Steel Products			
Pig iron	0.2	0.4	0.5
Semi-finished products	5.4	8.2	10.2
Construction products	61.8	56.7	54.8
Railway products	17.7	20.5	22.8
Flat-rolled products	7.8	6.0	3.9
Tubular products	0.6	0.6	0.0
Other steel products	6.5	7.6	7.8
Total	**100.0%**	**100.0%**	**100.0%**

Evraz's Russian and Ukrainian subsidiaries' exports of steel outside Russia and the CIS

Evraz's Russian and Ukrainian subsidiaries export primarily semi-finished products, as well as some finished products, mainly wire rods, rebars and channels. The semi-finished products that Evraz's Russian and Ukrainian subsidiaries export have not historically been subject to protective trade barriers. In 2012, exports outside Russia and the CIS of Evraz's Russian and Ukrainian subsidiaries amounted to 33% of the total steel sales volume of its Russian and Ukrainian subsidiaries, an increase from 31% of the total steel sales volume in 2011. Billets historically accounted for the largest share of export sales; however, in an effort to emphasise slab production, Evraz has commissioned additional slab-casting capacity and, consequently, the share of contribution of slabs to total exports has been increasing.

In 2012, Evraz's Russian and Ukrainian subsidiaries sold 67% of their steel products within Russia and the CIS, as compared to 69% of their steel products in 2011.

Evraz's Russian and Ukrainian subsidiaries conduct all exports outside of Russia and the CIS through Evraz's subsidiaries, East Metals A.G. The principal non-CIS export market for the products of Evraz's Russian and Ukrainian subsidiaries is the Asian market.

The following table sets out the distribution of the consolidated export sales (in terms of volume) by export region for the periods indicated of Evraz's Russian and Ukrainian subsidiaries for the periods indicated:

	Year ended 31 December		
	2012	2011	2010
	(thousands of tonnes)[1]		
Asia	3,185	2,958	4,208
Europe	394	314	402
Africa	34	34	47
Americas	—	79	16
Other	—	—	—
Total	**3,613**	**3,385**	**4,673**

Note:

(1) Figures in this table take into account only third party sales and no inter-segment sales.

The following table sets out the product mix of consolidated export sales outside Russia and the CIS for Evraz's Russian and Ukrainian subsidiaries for the periods indicated (by volume).

	Year ended 31 December		
	2012	2011	2010
	(share of total sales volume, as a percentage)[1]		
Steel Products			
Pig iron	1	2	1
Semi-finished products	82	79	79
Construction products	15	18	18
Railway products	1	1	1
Flat-rolled products	0	0	1
Other steel products	1	0	0
Total	**100%**	**100%**	**100%**

Note:

(1) Figures in this table take into account only third party sales and no inter-segment sales.

Suppliers of raw materials

The principal materials used by Evraz's Russian and Ukrainian subsidiaries in their production of steel include coking coal and coke, iron ore sinter and pellets, ferroalloys, scrap and refractory materials. As part of its vertical integration, and considering cost of raw materials from external and internal sources Evraz seeks, where economic to do so, to maximise the share of these inputs that are obtained from other members of its consolidated group or from Raspadskaya. This strategy helps to ensure reliability of supply. Recently, growth in raw material prices together with increased demand has led to increases in the prices of key raw materials.

Coking coal and coke

For its Russian and Ukrainian subsidiaries, Evraz obtains coking coal mostly from Yuzhkuzbassugol, a wholly owned subsidiary, and Raspadskaya. In 2012 Evraz obtained approximately 68% of its coking coal requirements for steelmaking activities in Russia and Ukraine from Yuzhkuzbassugol and Raspadskaya while some coal types were sold to third parties and the required coal purchased from third parties. The remaining coking coal requirements were sourced from other suppliers, mainly from Mechel, with contracts on a monthly basis. Total coking coal volume produced by Yuzhkuzbassugol in 2012 represented, in terms of volumes, approximately 70% of Evraz's steelmaking requirements of coking coal for its Russian and Ukrainian operations. See "*—Coal—Coking coal concentrate self*-coverage". In 2012, Evraz consumed approximately 76% of Yuzhkuzbassugol's coking coal production and approximately 22% of Raspadskaya's coking coal production to meet its coking coal requirements for its steelmaking activities in Russia and the Ukraine. Yuzhkuzbassugol and Raspadskaya are located in close proximity to Evraz's steelmaking business. See "*—Mining Business—Coking coal mining production facilities*".

Evraz's Russian and Ukrainian operations supplied 100% of the 2012 coke requirements for Evraz's Russian and Ukrainian steelmaking subsidiaries. In addition, Evraz produced approximately 1,444 thousand tonnes of coke (dry weight) to be sold to third parties in Russia and the CIS in 2012.

Iron ore

For its Russian and Ukrainian subsidiaries, Evraz obtains sinter and pellets primarily from its subsidiaries Evrazruda, EVRAZ KGOK, EVRAZ VGOK and EVRAZ Sukha Balka (through YUGOK Ukraine), as well as from third party suppliers. Evraz's iron ore production in Russia and Ukraine in 2012 represented, in terms of volumes, approximately 97% of its total iron ore requirements in Russia and Ukraine, although Evraz chose to consume only 77% of these requirements and to purchase the remaining 23% from third parties due to price, location and grade considerations. In 2012, Evraz's Ukrainian subsidiaries are more reliant on third parties for the sourcing of iron ore due to the lack of enrichment facilities in Ukraine. Evraz's Russian and Ukrainian steelmaking facilities consumed approximately 7,323 thousand tonnes of concentrate, 6,081 thousand tonnes of pellets and 5,679 thousand tonnes of sinter. See "*—Mining Business—Iron ore mining production facilities*".

The objective of Evraz's vertical integration is to use raw materials produced by its subsidiaries to the extent practicable, but to take a commercial approach to sourcing its raw materials, to which end Evraz will buy and sell iron ore and coal to third parties depending on a number of factors, including pricing, the grade of coal and geographic proximity of raw materials to Evraz's facilities. For purposes of transportation costs (railway tariff) efficiency, Evraz purchases iron ore, primarily iron ore concentrate for United EVRAZ ZapSib from Mechel's Korshunovsky GOK.

The table below sets out the main suppliers of iron ore for Evraz's Russian and Ukrainian steelmaking operations for the periods indicated.

	Year ended 31 December					
	2012		2011		2010	
	(thousands of tonnes)	*(share, as a percentage)*	*(thousands of tonnes)*	*(share, as a percentage)*	*(thousands of tonnes)*	*(share, as a percentage)*
Internal Supply:						
EVRAZ KGOK	8,402	43.6	8,399	43.7	7,709	40.6
Evrazruda	4,403	22.9	4,908	25.5	4,265	22.4
EVRAZ VGOK	1,934	10.0	1,278	6.6	1,079	5.7
EVRAZ Sukha Balka	10	0,1	30	0.2	134	0.7
	14,749	**76.6**	**14,615**	**76.0**	***13,187***	***69.4***
External Supply:						
Mikhailovsky GOK	254	1,3	803	4.2	2,568	13.5
Korshunovsky GOK	1,185	6.2	1,333	6.9	1,398	7.4
Karelskiy GOK	1,178	6.1	592	3.1	—	—
MMK (Ukraine)	—	—	—	—	461	2.4
YUGOK (Ukraine)[1]	1,396	7.3	1,340	7.0	503	2.6
Others	493	2.5	557	2.9	894	4.7
	4,506	**23.4**	4,625	24.0	***5,824***	***30.6***
Total	**19,255**	**100.0**	**19,240**	**100.0**	**19,011**	**100.0**

Note:

(1) Volumes of iron ore purchased from YUGOK (Ukraine) include iron ore concentrate produced by YUGOK (Ukraine) from EVRAZ Sukha Balka iron ore.

Ferroalloys

For its Russian and Ukrainian subsidiaries, Evraz primarily obtains ferroalloys from the Chelyabinsk Electrometallurgical Mill, the Aksu Ferroalloy Plant, the Bratsk Ferroalloy Plant and the Satka Iron-Smelting Works, as well as from some Ukrainian producers. Evraz's relationships with these providers are each governed by separate agreements with different counterparties. Renewed monthly, each sets out conditions as to prices, volumes and terms of supply.

Scrap

For its Russian and Ukrainian subsidiaries, Evraz obtains scrap from a number of third parties and obtains it internally from waste created by its blooming mills and rolling mills. In 2012, United EVRAZ ZapSib, EVRAZ NTMK and EVRAZ DMZP obtained approximately 35%, 85% and 79% of their scrap requirements from internal supply, with the remaining obtained from third parties. Due to the volatile nature of the scrap market, Evraz does not enter into master or long-term agreements for its scrap supply.

Refractory materials

For its Russian and Ukrainian subsidiaries, Evraz purchases the refractory materials it requires from third party suppliers. Evraz's major suppliers of refractory materials are Duferco S.A. (Switzerland), AGC Industries (Germany), RHI AG (Austria), Maverton Refracteries Ltd (Great Britain), Calderys (France) and Vesuvius (Germany). Evraz also purchases refractory materials from Russian producers Magnesit (DALMOND LTD.), Pervouralsky Dinasovy Zavod, TD BKO and Bogdanovichskoe AO Ogneupory, as

well as from some Ukrainian producers. Evraz's relationships with these providers are each governed by master agreements which are renewed on an annual basis.

Logistics

Transportation of raw materials

Transportation costs influence Evraz's Russian and Ukrainian operations, as a component of raw material costs, which affects the prices Evraz can charge for its products and, thus, the competitiveness of the products with those of other producers. With respect to Evraz's Russian subsidiaries, Russian Railways is the main provider of rail transportation services for factory-bound shipments of raw materials. Tariffs for rail shipments are set by Russian Railways and are regulated by Russian Railways and the Federal Tariff Services and are generally adjusted on an annual basis.

Transportation of steel in Russia and Ukraine

Evraz's steel mills operate their own transportation facilities for transportation over short distances, such as between stages of the production process, and shipments of raw materials and products to and from railway stations. For transportation over long distances, Evraz relies on rail and ships. The transportation costs from the steel mill to the designated delivery point are included in the product sales price.

In Russia, railways tariffs for rail shipments are set by government policy on railway transportation, and the Federal Tariff Service is responsible for implementing relevant railway tariffs. Tariffs, which are generally adjusted on an annual basis, vary based on distance and other factors. In December 2012, Evraz completed the disposal of its Russian railcar operating subsidiary, Evraztrans, which owned 4,114 gondola railcars prior to disposal. Evraz retained special-purpose hoppers previously owned by Evraztrans.

In Ukraine, railway tariffs are set by the Ukrainian government and are subject to periodic increases. To reduce Evraz's dependency on the Ukraine Railway Company, which is controlled by the Ukrainian government, Evraz operates its own railway transportation company EVRAZ Trans Ukraina which used close to 2,200 railcars across Ukraine in 2012 and transported, apart from third party goods, approximately 1,400 thousand tonnes of goods for Evraz in Ukraine.

Transportation of steel for exports of Evraz's Russian and Ukrainian subsidiaries

With respect to the export sales of its Russian and Ukrainian subsidiaries to non-CIS destinations, Evraz is responsible for transportation costs from the designated off-take location to the relevant port or transport transfer location designated by the buyer. Evraz ships a significant proportion of the exports of its Russian subsidiaries through its EVRAZ Nakhodka Trade Sea Port, one of the largest ports in the Russian Far East, which has an annual capacity of approximately 9 million tonnes. For Ukrainian export sales, Evraz's main off-take locations are the ports of Illichivsk, Odessa and Yuzhny. In 2012, the majority of volumes of non-CIS steel product sales of Evraz's Russian and Ukrainian subsidiaries were shipped through EVRAZ Nakhodka Trade Sea Port. Export sales of raw materials in 2012 were shipped primarily through EVRAZ Nakhodka Trade Sea Port and Novorossiysk Commercial Sea Port. Evraz also ships some exports to end customers, including exports of raw materials from Russia to Ukraine, directly by rail.

Evraz also owns and operates four vessels with a total deadweight capacity of 95,465 tonnes, which covered approximately 39% of cost insurance freight (CIF) and cost and freight (CFR) shipping requirements of Evraz's Russian and Ukrainian subsidiaries in 2012. Evraz uses these vessels to transport its products from EVRAZ Nakhodka Trade Sea Port. The acquisition of these vessels in 2004 reduced Evraz's exposure to price and capacity fluctuations in the global shipping market.

Energy

The steelmaking process requires significant amounts of electricity and natural gas.

Electricity

For its Russian and Ukrainian subsidiaries, Evraz obtains electricity for producing steel from regional generation companies in Russia and Ukraine and from internal sources.

Evraz generates electricity in order to meet some of its own energy needs through ZapSib Power Plant and NKMK Power Plant (energy generating subsidiaries of United EVRAZ ZapSib which supply electricity and heat to Evraz steel production facilities and third party customers in Russia), a power plant at EVRAZ NTMK and through Kachkanar Power Plant, which was acquired and integrated into EVRAZ KGOK's operations in 2012. In addition, Metallenergofinance, Evraz's electricity supply subsidiary, purchases electricity on the wholesale market to supply Evraz subsidiaries.

In 2012, Evraz's Russian subsidiaries purchased approximately 5,728 million kWh of electricity, 58% of their requirements, from generation companies in Russia. In 2012, Evraz's Russian subsidiaries obtained approximately 42% of their total electricity requirements from internal sources: two power plants of United EVRAZ ZapSib, EVRAZ NTMK Power Plant and Kachkanar Power Plant, which were acquired in 2012. The average cost of electricity for its Russian and Ukrainian operations from external sources was 5.9 and 10.0 cents per kWh, respectively, in 2012.

Natural gas

Evraz's Russian and Ukrainian subsidiaries consume natural gas in their blast furnaces and in the production of heat and electricity. For its Russian subsidiaries, Evraz purchases natural gas from subsidiaries of Gazprom as well as from independent gas producers. For its Ukrainian subsidiaries, Evraz purchases natural gas from subsidiaries of Naftogaz. Average natural gas tariffs for industrial consumers in Russia have increased significantly in recent years, reaching approximately RUB3,009 (approximately U.S.$97) per thousand cubic metres in 2012. Average natural gas tariffs for Evraz's Ukrainian operations were approximately UAH3,883 (approximately U.S.$487) per thousand cubic metres in 2012.

Competitors

The Russian and Ukrainian domestic steel market is characterised by high levels of competition for customers, raw materials and capital. While the Russian domestic market for flat products is led by MMK, Severstal and NLMK, Evraz believes it has maintained its leading position in the Russian market for long products. Its principal competitors in this market are Mechel, NSMMZ, Severstal and MMK. Evraz also faces competition from some Ukrainian steel producers whose product range is similar to that of Evraz. However, the production costs of these Ukrainian companies, which are generally comparable to those of Russian companies, are offset by higher transportation costs (except to western Russian regions). The major competitors of Evraz in the export markets of its Russian subsidiaries are low-cost producers of semi-finished products located in Ukraine, Brazil and China.

North America

Evraz operates its North American steel business out of EVRAZ Inc. N.A. and Evraz Inc. N.A. Canada, which together comprise EVRAZ North America. EVRAZ Inc. N.A., a holding company for Evraz's U.S. operations, includes EVRAZ Rocky Mountain Steel, EVRAZ Claymont Steel, EVRAZ Oregon Steel and General Scrap Partnership. Evraz Inc. N.A. Canada., a holding company for Evraz's Canadian operations, includes Camrose Pipe Corporation, EVRAZ Calgary Works, EVRAZ Red Deer Works, EVRAZ Regina Steel, EVRAZ Camrose Works, EVRAZ Surrey Works and General Scrap Inc.

Markets and customers

Evraz sells the majority of the steel products made by its North American subsidiaries to the construction, pipe making and railway sectors.

Construction sector

The principal products made at EVRAZ North America for the construction sector include plates, rod and bar products, structural tubing and coiled plate.

Railway sector

EVRAZ North America manufactures various products for the railway sector, mainly rails. EVRAZ North America produces high quality, standard carbon and high-strength, deep head-hardened rail. In 2012, EVRAZ North America produced 491 thousand tonnes of rails, as compared to 490 thousand tonnes in 2011.

Pipe making

As of 31 December 2012, EVRAZ North America was a leading supplier of line pipe for oil and natural gas transmission, producing large-diameter API grade line pipe, and medium-diameter ERW pipe for the construction, oil and gas industries. In 2012, EVRAZ North America produced 872 thousand tonnes of pipe products, as compared to 848 thousand tonnes in 2011. According to Evraz's own estimates, EVRAZ North America's design capacity represents approximately 23% of the total capacity of large diameter line pipe produced and sold in North America in 2012.

Sales

EVRAZ North America sells goods primarily within North America. EVRAZ North America targets a diverse customer base located primarily west of the Mississippi River and in western Canada.

In 2012, Evraz's North American subsidiaries sold 2,680 thousand tonnes of steel, which represented approximately 17% of steel segment sales volumes, as compared to 2,646 thousand tonnes in 2011.

North American sales of Evraz's North American subsidiaries

Evraz's customers in North America are located throughout the United States and Canada. As Evraz's construction products consist of some commodity products, its sales prices are closely linked to prevailing market prices. EVRAZ North America also produces and sells specialty plate and armour plates produced by EVRAZ Claymont Steel and EVRAZ Oregon Steel production facilities.

The following table sets out Evraz's North American sales of steel by product produced by its North American subsidiaries in the periods indicated (by volume):

	Year ended 31 December		
	2012	**2011**	**2010**
	(share of total sales volume, as a percentage)[1]		
Steel Products			
Construction products	12.0	11.7	14.4
Railways products	19.0	18.1	15.0
Flat-rolled products	36.6	36.4	34.6
Tubular products	31.2	32.8	35.5
Other steel products	1.2	1.0	0.5
Total	**100.0%**	**100.0%**	**100.0%**

Note:

(1) Figures in this table take into account only third party sales and no inter-segment sales.

Evraz's North American exports

Evraz generally does not export the products it makes at EVRAZ North America to locations outside North America.

Suppliers of raw materials

The principal materials used by EVRAZ North America in steel production include slabs, scrap, billets, coiled plate, HBI, pig iron and ferroalloys. Slabs are mainly obtained from Mittal and Mitsui externally, and from EVRAZ North America, EVRAZ NTMK and EVRAZ Vitkovice, internally. In 2012, approximately 32% of slabs were obtained from EVRAZ NTMK and EVRAZ Vitkovice, approximately 60% were produced internally by EVRAZ North America, with the remaining 8% of slabs purchased from third parties. Evraz supplied approximately 660 thousand tonnes of semi-finished products from EVRAZ NTMK to EVRAZ North America in 2012. In 2012, a total of 97% of all of the EVRAZ North America's billet requirements were produced by EVRAZ Rocky Mountain Steel at its Pueblo Mill.

Logistics

Transportation of raw materials

Transportation costs, primarily comprising of ocean freight, influence EVRAZ North America's operations, as a component of raw material costs.

With respect to EVRAZ North America, Marian Shipping is the main provider of ocean transportation services for shipments of raw materials. BNSF is the main provider of rail transportation services for factory bound shipments of raw materials. The Pueblo steel mills also operate their own rail common carrier for transportation over short distances.

Transportation of steel in North America

EVRAZ North America's products are shipped by rail and by truck, and transportation of products to customers is co-ordinated by EVRAZ North America.

Transportation costs for the delivery of finished goods are generally passed on to Evraz's customers at break-even or very small margins.

In 2012, the majority of products manufactured or processed by EVRAZ North America were shipped by rail.

Energy

The steelmaking process requires significant amounts of electricity and natural gas.

Electricity

EVRAZ North America purchases electricity on its local market. For 2012, the average market cost of electricity purchased by EVRAZ North America was 5.0 U.S. cents per kWh. In 2012, EVRAZ North America purchased approximately 1,945 million kWh of electricity.

Natural gas

For EVRAZ North America, Evraz purchases natural gas on its local market and directly from natural gas suppliers at spot or for longer-term periods. For 2012, the average cost of natural gas for EVRAZ North America amounted to U.S.$115 per thousand cubic metres. For 2012, approximately 274 million cubic metres of natural gas was purchased by EVRAZ North America.

Competitors

The major competitors of EVRAZ North America include the plate, rod and bar, coiled plate and rail producer Mittal USA; the plate, structural and bar products producers Nucor and SSAB; the rod and bar producer Ivaco; the structural tubing producers Maruichi American Corporation and Vest Industries; the rail producers Steel Dynamics, Nippon Steel and JFE Steel; and the tubular producers Welded Tube, US Steel, TMK, Tenaris, Jindal SAW, Berg and Wellspun. EVRAZ North America's main competitors in the rails steel market are Nippon Steel and JFE Steel.

Europe

Evraz operates its European steel business through its European subsidiaries, EVRAZ Palini and EVRAZ Vitkovice.

Markets and customers

Construction, mechanical engineering, machine-building and energy sectors

Evraz sells most of the steel products made by EVRAZ Palini and EVRAZ Vitkovice to the construction, mechanical engineering, machinery/machine-building and energy industries, including plate products, sheet piles and flame-cut shapes.

Slabs

In 2012, EVRAZ Vitkovice sold 18 thousand tonnes of slabs to Evraz's North American subsidiaries of Evraz and 27 thousand tonnes to EVRAZ Palini. There were no sales of slabs to third parties.

Sales

The following table summarises Evraz's sales of steel produced by its European subsidiaries in the periods indicated.

	Year ended 31 December		
	2012	2011	2010
	(thousand tonnes)		
Sales (excluding inter-segment sales)			
Sales within Europe	986	1,243	1,054
Export sales outside Europe	22	53	152
Total	**1,008**	**1,296**	**1,206**

European sales

Evraz's customers in Europe are located throughout the continent. In 2012, the Czech Republic, Germany, Italy and Poland were the four largest markets for Evraz's European subsidiaries in Europe. As Evraz's products, in particular its construction products, are commodity products, its sales prices are closely linked to prevailing market prices.

The following table sets out the European consolidated sales product mix for Evraz's European subsidiaries for the periods indicated (by volumes):

	Year ended 31 December		
	2012	2011	2010
	(share of total sales volume, as a percentage)[1]		
Steel Products			
Semi-finished products	—	1.5	—
Construction products	5.7	8.6	12.1
Flat-rolled products	92.5	88.1	86.5
Other steel products	1.8	1.8	1.4
Total	**100.0%**	**100.0%**	**100.0%**

Note:

(1) Figures in this table take into account only third party sales and no inter-segment sales.

Evraz's European exports

Plates and sheet piles are the principal export products of Evraz's European subsidiaries. Evraz's European subsidiaries export either directly or via a network of agents. Export sales of Evraz's European subsidiaries consist primarily of plate products.

Products made at EVRAZ Palini and EVRAZ Vitkovice are exported primarily to Europe, the Middle East and Africa (**"EMEA"**) and Russia.

Suppliers of raw materials

The principal material used by EVRAZ Palini in its production of rolled plates and rolled products is semi-finished products, approximately 71% of which came from EVRAZ NTMK in 2012, reflecting Evraz's vertical integration. EVRAZ Palini sources the remainder of its requirements from Azovstal, Ilyich Iron and Steel Works or NLMK.

The principal materials used by EVRAZ Vitkovice in steel production include liquid pig iron, ferroalloys, scrap and refractory materials. Historically, liquid pig iron is purchased from ArcelorMittal Ostrava, located in the same production area, ferroalloys are purchased from several suppliers in the Czech Republic and Slovakia, scrap is purchased from a number of third parties and from internal sources from waste created by its mills and refractory material is obtained from several suppliers in the Czech Republic and Slovakia. In 2012, Evraz's Russian operations supplied 346 thousand tonnes of semi-finished products to EVRAZ Palini and 211 thousand tonnes to EVRAZ Vitkovice.

Logistics

Transportation of raw materials

Transportation costs influence Evraz's European operations, as a component of raw material costs, which affects the prices that Evraz can charge customers for its products and, thus, the competitiveness of the products with those of other producers. Costs associated with the transportation of raw materials have increased in recent years.

With respect to EVRAZ Vitkovice, Czech Railways is the main provider of rail transportation services for raw materials. EVRAZ Palini transports raw materials by ship to Italian ports. From ports, raw materials are shipped by rail or by road depending on the location of the port. Each of EVRAZ Palini and EVRAZ Vitkovice agrees transportation tariffs with its respective transport service providers.

Transportation of steel within Europe

EVRAZ Palini ships its products mainly by road, although it also uses railway and water transport. EVRAZ Vitkovice ships its products primarily by rail using either railcars owned by Czech Railways or railcars owned by private companies.

Transportation of steel for exports of Evraz's European subsidiaries

EVRAZ Palini exports through San Giorgio and Monfalcone Ports EVRAZ Vitkovice exports through sea ports at Szczecin, Gdynia, Gdansk, Rijeka and Coper.

Energy

The steelmaking and rolling processes require significant amounts of electricity and natural gas.

Electricity

EVRAZ Palini and EVRAZ Vitkovice Steel purchase electricity from their respective local markets, where prices for electricity have historically been higher than in the Russian market. For 2012, the average market cost of electricity purchased by EVRAZ Palini and EVRAZ Vitkovice was 17.7 U.S. cents

per kWh and 11.0 U.S. cents per kWh, respectively. In 2012, EVRAZ Palini and EVRAZ Vitkovice purchased approximately 22 million kWh and 121 million kWh of electricity, respectively.

Natural gas

For its European subsidiaries, Evraz purchases natural gas in its local markets, where average natural gas tariffs historically have been higher than in the Russian market. For 2012, the average cost of natural gas amounted to U.S.$435 per thousand cubic metres and U.S.$386 per thousand cubic metres for EVRAZ Palini and EVRAZ Vitkovice, respectively. For 2012, approximately 23 and 45 million cubic metres of natural gas were purchased by EVRAZ Palini and EVRAZ Vitkovice, respectively.

Competitors

The major competitors of Evraz's European subsidiaries on the plate market are Ruuki, Ilsenberger Grobblech, ThyssenKrupp, Voest Alpine Grobblech, Huta Batory, Arcelor Mittal Galati, Stomana, Huta Czestochowa, Officine Tecnosider, Trametal, Valsider and Marcegaglia. The major competitors on the sheet pile market are Salzgitter, Celsa, Gallardo, Corus, Arcelor Mittal and HSP Salzgitter. EVRAZ Palini and EVRAZ Vitkovice also face competition from strip producing facilities, including Arcelor Mittal, U.S. Steel Kosice and others.

The Republic of South Africa

Evraz operates its South African steel business through its South African subsidiary, EVRAZ Highveld, which is listed on the Johannesburg Stock Exchange under the symbol EHS.

Markets and customers

EVRAZ Highveld produces hot rolled coil and plate, as well as medium to heavy structural sections. In 2012, it was the second largest steel producer and supplier in South Africa. The majority of steel products produced by EVRAZ Highveld are sold for use in the construction, manufacturing and fabrication industries. EVRAZ Highveld sold approximately 79% of its steel product range to the domestic market in 2012: 63% of this volume was sold to five key customers located in South Africa.

Sales

The following table summarises sales of steel produced by EVRAZ Highveld in the periods indicated.

	Year ended 31 December		
	2012	**2011**	**2010**
	(thousand tonnes)		
Sales (excluding inter-segment sales)			
Sales within South Africa	389	474	410
Export sales outside South Africa	230	123	200
Total	619	**597**	**610**

Domestic sales of EVRAZ Highveld

The following table sets out the domestic consolidated sales product mix for EVRAZ Highveld for the periods indicated (by volume):

	Year ended 31 December		
	2012	**2011**	**2010**
	(share of total sales volume, as a percentage)[1]		
Steel Products			
Semi-finished products	5.1	6.5	1.4
Construction products	35.8	30.4	22.8

	Year ended 31 December		
	2012	2011	2010
	(share of total sales volume, as a percentage)[1]		
Railways products	3.0	5.7	4.4
Flat-rolled products	56.1	57.4	71.4
Total	**100.0%**	**100.0%**	**100.0%**

Note:

(1) Figures in this table take into account only third party sales and no inter-segment sales.

Evraz's South African exports

EVRAZ Highveld primarily exports sections, though it also exports plates and semi-finished products. In 2012, the main export regions for products made at EVRAZ Highveld, in terms of volume, were Africa, North America and the Middle East.

The following table sets out the product mix of consolidated export sales of EVRAZ Highveld for the periods indicated (by volume):

	Year ended 31 December		
	2012	2011	2010
	(share of total sales volume, as a percentage)[1]		
Steel Products			
Semi-finished products	74.3	41.4	28.5
Construction products	18.3	35.6	48.8
Flat-rolled products	7.4	23	22.7
Total	**100.0%**	**100.0%**	**100.0%**

Note:

(1) Figures in this table take into account only third party sales and no inter-segment sales.

Suppliers of raw materials

The principal materials used by EVRAZ Highveld in steel production include coal, iron ore, dolomite, silica quartz, ferroalloys, scrap and refractory materials. Coal is obtained from Muhanga, Shanduka, Coalvest and Exxarol. EVRAZ Highveld obtains lumpy iron ore from its subsidiary, Mapochs Mine, an open cast mine. Ferroalloy supplies are obtained from Afro Minerals, Ore & Metals and Silicon Smelters. Scrap is generated internally from waste created by its mills. Refractory materials are obtained from major global producers, as well as several local suppliers.

Logistics

Transportation of raw materials

Transportation costs influence EVRAZ Highveld's operations indirectly, as a component of raw material costs, which affects the prices that Evraz can charge customers for its products and the competitiveness of the products with those of other producers. EVRAZ Highveld transports most of its raw materials within South Africa via various road transporters and the railway network operated by Transnet.

Transportation of steel in South Africa

EVRAZ Highveld transports its products mainly by road to its domestic customers, although it does use railway transport for the dispatch of certain steel products. Approximately 63% of road transport volume in 2012 was transported by Tornado transport which operates a transport depot adjacent to the facilities. The balance of road transport was transported in 2012 by PJ Botha, Rapid Freight and Bokamoso.

Transportation of steel for exports of EVRAZ Highveld

EVRAZ Highveld's exports to Richards Bay port are transported mostly by rail and to Durban port mainly by road. From the ports, EVRAZ Highveld's exports are transported to their final destinations by ship. The terms of EVRAZ Highveld's transportation contracts generally provide for payment free on board (FOB).

Energy

The steelmaking process requires significant amounts of electricity and natural gas.

Electricity

EVRAZ Highveld purchases electricity in its local market. For 2012, the average market cost of electricity purchased by EVRAZ Highveld was 6.2 U.S. cents/kWh.

ESKOM, the South African national power generation company, is EVRAZ Highveld's principal supplier of electricity. EVRAZ Highveld has experienced intermittent power outages in previous years, reflecting intermittent power outages across the country. In 2012, EVRAZ Highveld purchased approximately 1,418 million kWh of electricity.

Natural gas

EVRAZ Highveld purchases natural gas on its local market, where average natural gas tariffs historically have been higher than in the Russian market. Sasol Gas is the sole supplier of natural gas to EVRAZ Highveld. For 2012, the average cost of natural gas for EVRAZ Highveld amounted to U.S.$130. In 2012, 51 million cubic metres were purchased by EVRAZ Highveld.

Competitors

The major competitor of EVRAZ Highveld is the South African plate and coil producer AMSA, as well as foreign steel producers exporting their steel products to the country.

Steel Production Facilities

Evraz produces crude and rolled steel at United EVRAZ ZapSib (both at ZapSib and NKMK), EVRAZ NTMK, EVRAZ DMZP, EVRAZ North America, EVRAZ Vitkovice and EVRAZ Highveld. In addition, Evraz produces rolled products at EVRAZ Palini.

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

		Production		
		Year ended 31 December		
	Annual design capacity[1]	2012	2011	2010
		(thousand tonnes)		
United EVRAZ ZapSib	10,095	7,329	7,871	8,118
EVRAZ NTMK	4,589	4,346	4,254	3,836
EVRAZ DMZP	1,230	820	860	884
EVRAZ Vitkovice	950	454	776	354
EVRAZ North America	2,700	2,411	2,332	2,317
EVRAZ Highveld	900	572	681	783
Total	**20,464**	**15,932**	**16,774**	**16,292**

Note:

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

United EVRAZ ZapSib

United EVRAZ ZapSib comprises two key production facilities of Evraz, ZapSib and NKMK, both of which are located near Novokuznetsk, in the Kemerovo region of Russia and produced an aggregate of 7,329 thousand tonnes of crude steel and 6,493 thousand tonnes of steel products in 2012. ZapSib and NKMK were acquired by Evraz in 2001 and 2003, respectively, and in 2011 NKMK was merged with ZapSib.

Evraz believes that United EVRAZ ZapSib is the fourth largest steel mill in Russia and the largest steel mill in Siberia as of 31 December 2012. United EVRAZ ZapSib occupies an area of over 3,000 hectares and is located 25 kilometres from the city of Novokuznetsk, in the Kemerovo region.

United EVRAZ ZapSib is an integrated steel mill which specialises in long hot-rolled steel products primarily used in the construction industry and also produces semi-finished products such as slabs. Evraz also believes that United EVRAZ ZapSib is the leading rail producer in Russia, producing a full range of rails. United EVRAZ ZapSib's products are sold across the CIS and globally.

Production facilities of United EVRAZ ZapSib include coke production, sinter production and iron-making production, which are processed in three blast furnaces. Steelmaking operations are conducted at two oxygen converter mills which comprise five BOFs and two EAFs. Semi-finished products are produced at the blooming mill and four continuous casting machines. Finished steel goods are produced at nine various rolling mills.

In 2013, Evraz completed the reconstruction of the NKMK rail mill, which allows production of a full range of rails with length of 8 to 100 metres. United EVRAZ ZapSib also has two power plants, ZapSib Power Plant and NKMK Power Plant.

Facilities

Coke production

As of 31 December 2012, United EVRAZ ZapSib had five coke oven batteries in operation which produced 3,667 thousand tonnes of coke, compared to 3,693 thousand tonnes in 2011. Its coke-chemical production facilities include coal preparation shops, a rectification shop and a tar processing shop. United EVRAZ ZapSib also operates coke by-product production facilities.

Pig iron and crude steel production

ZapSib has three blast furnaces in operation, with an annual design capacity of 5,927 thousand tonnes of pig iron. Blast furnaces #1 and #2 were recommissioned after reconstructions in 2007 and 2005, respectively. Blast furnace #3 went through the overhaul repair in 2008.

Steelmaking at ZapSib is conducted in two oxygen converter mills which consist of five BOFs with an annual design capacity of 8,633 thousand tonnes. In order to produce high quality steels, some of the steel produced in BOFs at the oxygen converter mill #2 is further processed in a ladle furnace, which was commissioned in 2005.

United EVRAZ ZapSib also produces steel in two EAFs at its NKMK site, with an annual design capacity of 1,462 thousand tonnes of crude steel. EAFs are fed by pig iron partially supplied by ZapSib facilities and partially by scrap. The steel produced in EAFs is then processed in two ladle furnaces in order to improve its quality. In 2012, Evraz temporarily shut down one EAF for a major reconstruction for a period of approximately five months.

Semis production

United EVRAZ ZapSib operates one eight-strand continuous casting machine, commissioned in 1995, which produces square billets, and a two-strand continuous slab casting machine, commissioned in 2005. In 2012, United EVRAZ ZapSib produced 1,163 thousand tonnes of billets and 1,137 thousand tonnes of slabs as compared to 1,103 thousand tonnes and 1,234 thousand tonnes in 2011, respectively. United

EVRAZ ZapSib also operates a blooming mill which produces blooms, billets and slabs. In 2012, the blooming mill produced 3,941 thousand tonnes of slabs and billets, as compared to 3,805 thousand tonnes in 2011.

Evraz also operates two continuous casting machines at NKMK.

Rolling mills

United EVRAZ ZapSib operates nine rolling mills. Rolling facilities at the ZapSib site include two medium section mills 450, two small section mills 250 and one wire mill. The medium section mill 450 serves to roll billets into structural shapes and bars varying in length from 4.5 metres to 12 metres. Profiles include round, strip and angled bars, flanged beams, channels and other shapes. At small section mills, billets are rolled to round and reinforcing bars and to angle sections. The wire mill produces wire and round bar.

Five rolling mills are located at NKMK site and include a rail and structural steel mill, a plate mill, a sectional mill and two ball rolling mills. The rail and structural steel mill consumes steel primarily produced in EAFs through the two continuous casting machines. Evraz conducts thermal treatment of produced rails in order to further improve the quality of the final product.

Power plants

United EVRAZ ZapSib operates two power plants located on its sites, ZapSib Power Plant and NKMK Power Plant, with the total operating capacity of 376 MW. In 2012, the two plants generated 3,242 million kWh of energy, as compared to a total of 2,866 million kWh of energy in 2011.

Production

ZapSib site concentrates its production on long products for the construction and engineering sectors, iron and steel casting, coke by-products, low harden ability steel wire cord, cold-resistant rebar and welding wire. NKMK site concentrates on the production of rails.

In 2012, United EVRAZ ZapSib produced 5,716 thousand tonnes of pig iron, compared to 5,644 thousand tonnes in 2011. In 2012, it produced 7,329 thousand tonnes of steel in 2012, compared to 7,871 thousand tonnes in 2011.

In 2012, United EVRAZ ZapSib's total production of rolled steel products amounted to 6,493 thousand tonnes of rolled products in 2012, compared to 7,030 thousand tonnes in 2011. The decrease in the production was largely attributable to the reconstruction of a rail mill at the NKMK site in 2012, which resulted in 291 thousand tonnes of railway products produced by United EVRAZ ZapSib in 2012 compared to 702 thousand tonnes in 2011.

United EVRAZ ZapSib produced 3,667 thousand tonnes of coke in 2012, as compared to 3,693 thousand tonnes in 2011.

EVRAZ NTMK

EVRAZ NTMK is located in Nizhny Tagil, in the Sverdlovsk region, approximately 140 kilometres north of Ekaterinburg. Nizhny Tagil is one of the oldest mining and steel production centres in Russia with over 300 years of production history. EVRAZ NTMK currently occupies an area of approximately 1,490 hectares, most of which it owns. EVRAZ NTMK also produces semi-finished products such as slabs, and specialises in long hot-rolled products, particularly in H-beams, angle sections and profile sections, which are primarily used in the construction industry. EVRAZ NTMK also produces rails and wheels and rims for railcars. EVRAZ NTMK was acquired by Evraz in 2001.

Facilities

EVRAZ NTMK is an integrated steel production mill. It consists of coke-chemical production facilities, two blast furnaces, steelmaking facilities (one oxygen converter shop consisting of four LD Convertors), four continuous casters, seven rolling mills and a power and heat generating plant.

Coke production

The coke-chemical production facility currently consists of two coking plants, which operate four coking batteries producing both wet and dry quenched coke. In 2012, EVRAZ NTMK produced 2,409 thousand tonnes of coke, compared to 2,293 thousand tonnes in 2011. EVRAZ NTMK also operates by-product processing facilities, including a chemical plant, coke pitch plants and pitch distillation and rectification plants, the products of which it sells primarily to third parties.

Pig iron and crude steel production

EVRAZ NTMK operates two blast furnaces which were reconstructed in 2004 and 2006 to improve their efficiency in processing high vanadium content iron ore (such as that produced at EVRAZ KGOK). These two blast furnaces have an annual design capacity of 4,727 thousand tonnes of pig iron.

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

The steel production comprises of an oxygen converter shop (consisting of four LD converters), with an annual design capacity of 4,589 thousand tonnes of crude steel. The unique vanadium ferrous ore from EVRAZ KGOK results in the natural ferroalloying of steel, which enables EVRAZ NTMK to produce steel and finished products with improved characteristics. Vanadium slag produced from pig iron in the converter shop is used as a raw material by producers of ferroalloys and vanadium products, it is being sold primarily to EVRAZ Vanady-Tula, as well as to some third-party customers, including customers in China. Blast furnace slag is granulated and then sold to cement plants. In order to produce high quality steels, the steel produced in the LD converters is further processed in one of three ladle furnaces which were commissioned in 1995, 1997 and 2004.

Semis production

EVRAZ NTMK operates four continuous casting machines in the converter shop, with an annual design capacity of 4,336 thousand tonnes of crude steel. The first continuous casting machine was installed in 1995 and produces round billets for rolling railway wheels and tires and pipe blanks, as well as blooms for rolling rails, H-beams and pipe blanks. A second continuous casting machine, commissioned in 1996, produces both slabs and large blooms. A third continuous casting machine, commissioned in 2001, produces blooms, shaped billets for rolling H-beams, channels and sheet piles. A fourth continuous casting machine was commissioned in August 2004 and produces large slabs. In line with Evraz's vertical integration, EVRAZ NTMK supplied EVRAZ North America with approximately 73% of its external slab requirements in 2012.

Rolling mills

EVRAZ NTMK operates seven primary rolling mills (a rail fastener mill, a broad-flange beam mill, a rail and structural mill, heavy section and ball rolling mills and a wheel and tire rolling mill). The design of these mills allows for a flexible product mix. EVRAZ NTMK upgraded its wheel rolling operations from 2004 to 2012.

Power plant

EVRAZ NTMK operates a power plant that in 2012 produced 987 million kWh of energy, as compared to 959 million kWh of energy in 2011.

Production

In 2012, EVRAZ NTMK produced 4,838 thousand tonnes of pig iron, compared to 4,694 thousand tonnes in 2011. In 2012, EVRAZ NTMK produced 4,346 thousand tonnes of crude steel, compared to 4,254 thousand tonnes in 2011. EVRAZ NTMK's primary products are railway products (rails and wheels), construction products, particularly H-beams, and semi-finished products. In 2012, EVRAZ NTMK produced 4,328 thousand tonnes of rolled products, compared to 4,104 thousand tonnes in 2011. The increase was largely due to an increase in the production of construction products and railway products. EVRAZ NTMK is also the world's second largest processor of vanadium-enriched ores with subsequent vanadium recovery in oxygen blast furnaces and in oxygen converters using special technologies.

EVRAZ DMZP and EVRAZ Bagliykoks

EVRAZ DMZP is an integrated steel mill and coke-chemical production facility located in Dnepropetrovsk, Ukraine. It specialises in the production and sale of pig iron, steel, semi-finished and construction rolled products. EVRAZ DMZP's main products include I-beams, angles, channels, square billets, tube billets, crane and tram rails, sections for automobile rims and agricultural sections. EVRAZ Bagliykoks is a coke production facility located in Dniprodzerzhynsk, Ukraine.

Facilities

The production facilities of EVRAZ DMZP include coke-chemical production facilities, two blast furnaces, steelmaking facilities (three oxygen converters) and two rolling mills.

Coke production

Following an internal reorganisation in 2011, the coke-chemical production facility of Dneprokoks was merged with EVRAZ DMZP. In 2012 and 2011, Dneprokoks as a part of EVRAZ DMZP produced approximately 126 thousand tonnes and 197 thousand tonnes of coke (in dry weight), respectively. In 2012 and 2011, EVRAZ Bagliykoks produced 615 thousand tonnes and 512 thousand tonnes of coke (in dry weight), respectively. Coke produced at EVRAZ DMZP and EVRAZ Bagliykoks is used in the production at EVRAZ DMZP, the remaining portion is sold to various local steelmakers in Ukraine and Russia.

Pig iron and crude steel production

EVRAZ DMZP operates two blast furnaces with annual design capacity of 1,135 tonnes.

EVRAZ DMZP produces steel in three oxygen converters with an annual design capacity of 1,230 thousand tonnes.

Semis production

EVRAZ DMZP produces blooms to feed its rolling mills at its blooming mill with annual designed capacity of 1,200 thousand tonnes.

Rolling mills

EVRAZ DMZP operates two rolling mills: a medium-section mill '550'; and a rail and structural steel mill '800'.

Production

EVRAZ DMZP was Ukraine's eighth largest steel producer in terms of crude steel production in 2012. Its total annual output in 2012 was 857 thousand tonnes of pig iron and 820 thousand tonnes of crude steel, as compared to 862 thousand tonnes of pig iron and 860 thousand tonnes of crude steel in 2011. In 2012, EVRAZ DMZP produced 458 thousand tonnes of rolled products, as compared to 524 thousand tonnes in 2011. In 2012, EVRAZ DMZP produced 244 thousand tonnes of semi-finished products, as compared to 213 thousand tonnes in 2011 (net of rerolled semi-finished products).

EVRAZ North America

EVRAZ North America is a diversified steelmaker and a leader in the large diameter pipe and rail markets in the region. EVRAZ North America's operations comprise eight production facilities across the United States and Canada. Overall capacities include approximately 3,360 thousand tonnes of rolled steel capacity, 2,700 thousand tonnes of melt shop capacity and 1,720 thousand tonnes of tube making capacity.

Facilities

EVRAZ North America operations are headquartered in Chicago, Illinois. Evraz's North America operations have been expanded through a number of acquisitions in recent years, namely that of Oregon Steel in 2007 and Claymont Steel and the IPSCO Tubulars business in 2008. Former IPSCO's Canadian assets, including the Regina Steel mill, as well as plate and pipe production facilities in Regina, Calgary and Red Deer, are now part of Evraz's North American operations.

EVRAZ North America operates primarily through the following business units:

- **EVRAZ Oregon Steel**, comprising a rolling mill, a heat-treating facility, a structural tubing mill and a spiral mill;
- **EVRAZ Rocky Mountain Steel**, comprising a rail mill, a rod and coiled reinforcing bar mill, a seamless pipe mill and a melt shop and billet caster that supplies round billets for the Pueblo rail, rod and bar and seamless pipe mills. Nippon Steel Corporation ("**Nippon**") owns approximately 10% of the subsidiary that owns the steel facilities in Pueblo, Colorado;
- **EVRAZ Claymont Steel**, comprising a carbon plate mill and a melt shop and slab caster; and
- **EVRAZ Regina Steel,** comprising a steelmaking and rolling mill, a steel and coil processing centre, 24″ ERW and 2″ ERW tubular mills and spiral mills.

Other EVRAZ North America facilities include EVRAZ Calgary Works, EVRAZ Red Deer Works, EVRAZ Camrose Works, EVRAZ Surrey Works, General Scrap Partnership and Oregon Ferroalloy Partners, a joint venture with Reliance Steel established in 1999, in which EVRAZ North America has a 60% stake. In all, EVRAZ North America has three mini-mills, three plate and coil rolling mills, a rail mill, a rod and bar mill and nine tubular mills.

Production

EVRAZ North America organises its business into three primary product groups: flat products, tubular products and long products, which represented 34%, 41% and 25%, respectively, of EVRAZ North America's revenue for the year ended 31 December 2012.

In 2012, EVRAZ North America produced 2,411 thousand tonnes of steel compared to 2,332 thousand tonnes in 2011. In 2012, it produced 2,662 thousand tonnes of rolled product, as compared to 2,646 thousand tonnes in 2011. In 2012 this total of rolled product comprised 331 thousand tonnes of construction products; 491 thousand tonnes of railway products, 872 thousand tonnes of tubular products, 938 thousand tonnes of flat-rolled product and 31 thousand tonnes of other steel products. In 2011, the total comprised 302 thousand tonnes of construction products, 490 thousand tonnes of railway products and 848 thousand tonnes of tubular products, 980 thousand tonnes of flat-rolled and 27 thousand tonnes of other steel products.

EVRAZ North America sells the majority of its steel products to the construction, pipe making and railway sectors. In 2012, EVRAZ North America's facilities produced approximately 17% of its scrap needs, 60% of its slab needs and 97% of its billet needs. EVRAZ NTMK and EVRAZ Vitkovice supplied EVRAZ North America with approximately 32% of its slab requirements in 2012. This partial integration of EVRAZ North America's facilities enhances the efficiency of its operations and makes it less reliant on third party external suppliers of raw materials.

EVRAZ Vitkovice

EVRAZ Vitkovice is one of the leading European manufacturers of rolled steel products, located in Ostrava, Czech Republic. It largely supplies customers in Europe. It is the leading producer of heavy plates in the Czech Republic. Evraz acquired EVRAZ Vitkovice in 2005.

Facilities

EVRAZ Vitkovice's production facilities currently consist of a steel shop producing slabs, two rolling mills, including one Four-High plate rolling mill, one heavy section mill and cut shapes production facilities.

Steel production

The steel mill consists of a secondary metallurgy shop equipped with a vacuum station, submerged lance, degassing unit (integrated system of secondary metallurgy), ladle furnace and continuous casting machine. The one-strand caster has an adjustable curved crystalliser, water and air cooling and slight reduction of the strand. The quality of the casting process is computer controlled. The installation of the integrated system of secondary metallurgy at the steel mill has enabled the mill to produce better quality and higher grade products.

The key supplies of liquid pig iron for EVRAZ Vitkovice's steel shop are sourced from the blast furnaces of Arcelor Mittal Ostrava and are covered pursuant to a long-term contract valid until March 2015. Volumes and prices are negotiated on a quarterly basis.

Rolling mills

Rolling facilities include Four-High plate mill and Heavy section mill. Both mills enable the rolling from internal and external inputs. The plate rolling segment currently consists of a finishing line and a 3.5 Four-High Rolling Mill founded in 1971 and modernised in 1999. This modernisation resulted in a substantial improvement in the quality of rolled plates and an expansion in product portfolio. The 3.5 Four-High Rolling Mill's equipment is designed as a one-stand device with automatic monitoring of the rolling process. The heavy section mill was founded in 1913 and has been modernised several times, most recently in 1993. Products consist of sheet piles, beams, crane rails, round bars and rims. A pushing type furnace is used for heating slabs. The heavy section mill consists of four reversible two-high stands in an open layout.

Production

The aggregate production of the steel mill was approximately 454 thousand tonnes of steel in 2012, as compared to approximately 776 thousand tonnes in 2011. The aggregate production of the plate rolling mill was approximately 527 thousand tonnes in 2012, as compared to approximately 666 thousand tonnes in 2011. The aggregate production of the heavy section mill was approximately 70 thousand tonnes in 2012, as compared to approximately 137 thousand tonnes in 2011. The aggregate production of cut shapes was approximately 19 thousand tonnes in 2012, as compared to approximately 22 thousand tonnes in 2011.

EVRAZ Palini

EVRAZ Palini is a plate rolling mill operator located in San Giorgio di Nogaro (in the province of Udine), Italy. EVRAZ Palini supplies customers located primarily in Europe. EVRAZ Palini produces customised, high quality plate products for the construction, shipbuilding, energy and pressure vessels industries. Evraz acquired EVRAZ Palini in 2005.

Facilities

EVRAZ Palini production facilities consist of a Four-High mill for the production of steel plates and a Two-High mill, built in 2005 in an effort to speed up the production and complement the Four-High mill's rolling process. EVRAZ Palini's production facilities have an annual design capacity of 450 thousand tonnes of plates of a wide range of sizes and qualities.

Production

In 2012, EVRAZ Palini produced 417 thousand tonnes of rolled products, compared to 420 thousand tonnes in 2011.

EVRAZ Highveld Steel and Vanadium Corporation

EVRAZ Highveld is a vertically integrated iron, steel and vanadium slag producer. In 2012, it was South Africa's second largest steelmaker. It is the primary producer of heavy structural sections and thick plate in South Africa. Evraz acquired its controlling stake in EVRAZ Highveld in 2007.

Facilities

EVRAZ Highveld's steel production facilities include liquid iron production facilities, steelmaking facilities, four continuous casters and two rolling mills. EVRAZ Highveld's production facilities have an annual design capacity of 900 thousand tonnes of crude steel.

Pig iron and crude steel production

EVRAZ Highveld operates 13 pre-reduction kilns and six electric smelting furnaces (four open slag bath furnaces and two submerged arc furnaces). Kilns are fuelled by pulverised coal and fed with iron ore, coal, dolomite and silica. The kiln product, which contains partially reduced iron ore, is then smelted in electric furnaces. The steel production shop consists of four ladle emplacements used for the extraction of vanadium slag and three basic oxygen furnaces. Normally only two of the oxygen furnaces are operational, with the third on standby. The basic oxygen furnaces have an annual design capacity of 900 thousand tonnes.

Casting

EVRAZ Highveld operates four continuous casting machines: a single-strand slab caster, two two-strand bloom casters, and a four-strand billet caster. The aggregate annual design capacity of the casters is 1,300 thousand tonnes. The machines are of the curved type and equipped with curved copper moulds. In 2012, EVRAZ Highveld's caster machines produced 299 thousand tonnes of slabs, 258 thousand tonnes of blooms and 15 thousand tonnes of billets. In 2011, the caster machines produced 322 thousand tonnes of slabs, 298 thousand tonnes of blooms and 51 thousand tonnes of billets.

Rolling mills

EVRAZ Highveld operates two rolling mill complexes: a universal structural mill and a flat rolling mill. In 2012, EVRAZ Highveld produced 446 thousand tonnes of rolled products, compared to 513 thousand tonnes of rolled products produced in 2011.

Production

EVRAZ Highveld produced 620 thousand tonnes of pig iron and 572 thousand tonnes of crude steel in 2012, compared to 660 thousand tonnes and 681 thousand tonnes in 2011. In 2012, EVRAZ Highveld's structural mill produced 203 thousand tonnes of rolled steel products, compared to 225 thousand tonnes in 2011. EVRAZ Highveld's flat mill produced 243 thousand tonnes of flat products in 2012 compared to 287 thousand tonnes in 2011.

Mining Business

Evraz produces iron ore at Evrazruda, EVRAZ KGOK and EVRAZ VGOK in Russia, at EVRAZ Sukha Balka in Ukraine and at Mapochs Mine, a subsidiary of EVRAZ Highveld, in South Africa. Evraz produces coking coal at Yuzhkuzbassugol and its equity investee Raspadskaya in Russia, with Yuzhkuzbassugol also producing steam coal. Evraz primarily uses this iron ore and coking coal at its steelmaking operations, with some sales to third parties. Iron ore and coking coal are generally commodity products, and most customers make purchases on the basis of price, including transportation costs.

Iron ore

Evraz processes iron ore into concentrate, sinter and pellets prior to sale. Iron ore produced at EVRAZ KGOK has a high vanadium grade, and thus can only be used in large quantities where blast furnaces have been specially modified to support the high vanadium levels. Blast furnaces at EVRAZ NTMK and United EVRAZ ZapSib are specifically designed to use vanadium-rich iron ore in their

production and Evraz's Russian steelmaking plants remain the major customers for iron ore produced at EVRAZ KGOK.

As a part of its strategy, Evraz seeks to be self-covered in iron ore.

Iron ore self-coverage

	2012	2011	2010
Consumption (thousand tonnes)	20,629	20,687	20,616
Production (thousand tonnes)	20,454	21,170	19,799
Self-Coverage[(1)(2)]	99%	102%	96%

Notes:

(1) Self-coverage, % = total production divided by total steel segment consumption.

(2) Percentages do not represent the actual consumption of internally produced iron ore as Evraz sells some of the iron ore it produces and purchases coal from third parties due to grade, processing requirements and transport considerations.

Markets and customers

In 2012, Evraz sold 18,637 thousand tonnes of iron ore products, of which 14,737 thousand tonnes consisted of inter-segment sales, compared to 19,951 thousand tonnes of iron ore products sold in 2011, of which 14,692 thousand tonnes consisted of inter-segment sales. The majority of Evraz's external mining segment sales consist of sales of iron ore.

Both Evraz's mining subsidiaries and steelmaking subsidiaries sell raw materials to third parties. Evraz's iron ore mines, such as EVRAZ KGOK, sell iron ore directly to third parties or via Evraz's trading subsidiaries, TC EvrazHolding and East Metals. Evraz's steelmaking subsidiaries sell excess iron ore directly to third parties.

Sales

The following table summarises Evraz's iron ore sales (excluding other sales) for the periods indicated

	Year ended 31 December		
	2012	2011	2010
	(thousands of tonnes)		
Iron ore sales (excluding inter-segment sales)			
CIS and Russian sales	1,864	2,905	2,193
Non-CIS export sales	2,036	2,354	1,601
Total	3,900	**5,259**	**3,794**
Inter-segment sales	14,737	**14,692**	**13,142**

Logistics

Evraz transports its mined products to customers by Russian Railways in Russia and Ukrainian Railways in Ukraine. Transportation costs are generally included in the sales product price.

Competitors

Evraz's Russian and Ukrainian iron ore mining complexes supply about 1% of pellets to the Russian market and approximately 16% of sintering ore to the Ukrainian market (not including captive supplies). Due to its immaterial market share in Russia, Evraz does not compete with other iron ore market producers. Evraz's main competitors of sintering ore in the Ukrainian market are Zaporozhsky Ore Mining Plant and Krivorozhsky Ore Mining Plant.

Coal

In line with its strategy, Evraz intends to be self-covered in coking coal and continues to develop its coking coal business.

Coking coal concentrate (washed coking coal) self-coverage

	2012	2011	2010
	(thousand tonnes)		
Consumption, excl. coke for sale	7,580	7,625	8,074
Yuzhkuzbassugol production	5,560	4,237	4,697
Raspadskaya production	5,228	4,573	5,435
Self-Coverage(1)(3)	73%	56%	58%
Self-Coverage(2)(3)	142%	116%	125%

Notes:

(1) Represents Evraz's Yuzhkuzbassugol total production divided by total steel segment consumption, excluding coke for sale.

(2) Represents Evraz's Yuzhkuzbassugol total production plus the proportionate share of Raspadskaya's total production divided by total steel segment consumption, excluding coke for sale.

(3) Percentages do not represent the actual consumption of internally produced coking coal as Evraz sells some of the coal it produces and purchases coal from third parties due to grade, processing requirements and transport considerations.

Markets and customers

In 2012, Evraz sold 7,565 thousand tonnes of coal of which 5,376 thousand tonnes were intra-group sales. In 2011, Evraz sold 8,595 thousand tonnes of coal (of which 6,141 thousand tonnes were intra-group sales). A significant percentage of Evraz's coal production is consumed within Evraz.

Evraz's coking coal mines, such as Yuzhkuzbassugol, sell coking coal to third parties through TC EvrazHolding. Evraz's steelmaking subsidiaries also sell excess raw materials that they do not use in production to third parties. Evraz's steelmaking subsidiaries sell excess coking coal through TC EvrazHolding.

Evraz's mining operations had total sales revenue of U.S.$2,650 million in 2012, of which U.S.$2,015 million consisted of inter-segment sales, a decrease from U.S.$3,784 million in 2011, of which U.S.$2,747 million consisted of inter-segment sales. In Russia, Evraz sells its mining segment products to end customers, both internal and external, that are generally located near to Evraz's mines, due to the high transportation costs of mined products relative to the market prices. In 2012, inter-segment sales of coal and iron ore amounted to 77% of total mining segment sales (by volume), as compared to 73% in 2011.

Sales

The following table summarises Evraz's coal sales (excluding other sales) for the periods indicated.

	Year ended 31 December		
	2012	**2011**	**2010**
	(thousands of tonnes)		
Coal sales (excluding inter-segment sales)			
CIS and Russian sales	1,592	1,254	1,641
Non-CIS export sales	597	1,200	1,694
Total	2,189	**2,454**	**3,335**
Inter-segment sales	5,376	**6,141**	**6,120**

Logistics

Evraz transports its mined products to customers by Russian Railways in Russia and Ukrainian Railways in Ukraine. Transportation costs are generally included in the sales product price.

Competitors

Evraz sells the majority of the coking coal it produces to its own subsidiaries, with the rest of its production volume sold to third parties.

Iron ore mining production facilities

Evraz conducts its iron ore mining production through its subsidiaries Evrazruda, EVRAZ KGOK, EVRAZ VGOK, EVRAZ Sukha Balka and EVRAZ Highveld.

The following table sets forth Evraz's production of iron ore in the periods indicated.

		Year ended 31 December		
	Average Iron Content[1] in 2012 (%)	**2012**	**2011**	**2010**
		(thousands of tonnes)		
Evrazruda				
Mined ore	29.5%	10,987	11,656	11,553
Concentrate (saleable)	58.5%	4,395	4,932	4,270
EVRAZ KGOK				
Mined ore	15.6%	55,478	54,140	50,002
Pellets	60.9%	6,051	5,907	5,616
Sinter	54.0%	3,575	3,533	3,040
EVRAZ VGOK				
Mined ore	26.3%	4,595	4,231	4,203
Concentrate (saleable)	60.5%	1,196	1,493	1,552
Sinter	55.2%	335	106	123
Staflux	45.1%	788	835	836
EVRAZ Sukha Balka				
Mined ore	57.3%	3,013	2,858	2,216
Lumping ore	59.4%	2,608	2,446	2,044
EVRAZ Highveld				
Mined ore	52.6%	1,781	1,896	2,324

Notes:

(1) Represents total iron.

(2) Does not represent actual consumption of internally produced coking coal as Evraz sells some of the coal it produces and purchases coal from third parties due to grade, processing requirements and transport considerations.

EVRAZ KGOK

EVRAZ KGOK is the fifth largest ore mining enterprise in Russia as of 31 December 2012, according to Rudprom and Evraz's own estimates. It is located in the Sverdlovsk region, approximately 140 kilometres from EVRAZ NTMK, its primary consumer. EVRAZ KGOK develops the Gusevogorskoye deposit of titanium magnetite ores that contain vanadium, allowing production of high-tensile alloyed steel products.

Production

EVRAZ KGOK produces sinter and pellets that are rich in vanadium oxide, which are loaded onto railcars and shipped to end consumers. These products generally have relatively high production costs c to industry standards, as the Fe content of EVRAZ KGOK ore is approximately 16%, which means that the ore must undergo enrichment and concentration. The high vanadium grade of EVRAZ KGOK's iron ore leads to the improved strength, ductility and anti-corrosion characteristics of steel produced from such ore, but also adversely affects the speed and effectiveness of the blast furnace smelting process.

EVRAZ KGOK also holds the license (valid until 2026) for the development of the Sobstvenno-Kachkanarskoye magnetite and titanium deposit, which is located in the Sverdlovsk region, next to the Gusevogorskoye deposit. EVRAZ KGOK intends to commence mining at the Sobstvenno-Kachkanarskoye deposit in 2015.

In 2012 and 2011, EVRAZ KGOK's total output was approximately 9,650 thousand tonnes and 9,461 thousand tonnes, respectively, of finished iron ore products (pellets and sinter). In 2012, EVRAZ KGOK produced 6,051 thousand tonnes of pellets, 3,575 thousand tonnes of sinter and 24 thousand tonnes of concentrate. In 2011, EVRAZ KGOK produced 5,907 thousand tonnes of pellets, 3,533 thousand tonnes of sinter and 22 thousand tonnes of concentrate.

EVRAZ VGOK

EVRAZ VGOK is located near Nizhny Tagil, approximately 10 kilometres from EVRAZ NTMK. United EVRAZ ZapSib is a primary consumer of EVRAZ VGOK. EVRAZ VGOK operates three underground ore mines and one open-pit deposit, as well as ore processing facilities.

Production

EVRAZ VGOK mines the Vysokogorskye, Lebyazhinskoye, Estuninskoye and Goroblagodatskoye iron ore deposits, enriches iron ore and produces iron ore concentrate, sinter, limestone, crushed stone, natural stone and other products. In addition to ore mines, EVRAZ VGOK owns a number of sintering factories, limestone and marble mines and processing units. EVRAZ VGOK supplies sinter to Evraz's steel mills, primarily EVRAZ NTMK, and also makes sales to third parties. In 2012, approximately 75% of the iron ore used in producing VGOK's saleable products consisted of EVRAZ VGOK's own production, with the remaining 25% sourced from by-products of the blast furnace process at EVRAZ NTMK and occasionally from other third party producers.

In 2012 and 2011 EVRAZ VGOK's total production of iron ore was 2,319 thousand tonnes and 2,434 thousand tonnes, respectively.

In 2012, EVRAZ VGOK produced 1,196 thousand tonnes of concentrate, 788 thousand tonnes of staflux and 335 thousand tonnes of sinter. In 2011, EVRAZ VGOK produced 1,493 thousand tonnes of concentrate, 835 thousand tonnes of staflux and 106 thousand tonnes of converter sinter.

Evrazruda

Evrazruda comprises a number of ore mining and ore enrichment enterprises in the Kemerovo region (Tashtagolsky, Kazsky, Sheregeshsky iron ore mines and Gurevsky ore limestone mine, the Abagurskaya Sinter and enrichment plant and the Mundybashskaya enrichment plant), in the Republic of Khakassia (Abakansky and Teisky mines) and in the south of Krasnoyarsk Territory (Irbinsky mine). Evrazruda sells iron ore primarily to United EVRAZ ZapSib.

Production

In 2012 and 2011 Evrazruda's total output of finished iron ore product (concentrate) was 4,395 thousand tonnes and 4,932 thousand tonnes, respectively.

Evraz plans to further develop the most promising mining operations at Evrazruda, the Sheregeshsky and Abakansky iron ore mines, and to restructure its least efficient capacities.

EVRAZ Sukha Balka

EVRAZ Sukha Balka is an iron ore mining and processing complex. In 2012, EVRAZ Sukha Balka was the ninth largest iron ore producer in Ukraine, according to Evraz's estimates.

EVRAZ Sukha Balka operates two underground iron ore mines (Yubileynaya and Imeni Frunze). Both mines have crushing and sorting facilities. The Yubileynaya mine is developed to 1,530 metres below the surface and the Frunze mine is developed to 1,290 metres below the surface. The estimated iron content in the ore varies from 56% to 59%. A dry magnetic separation unit at Yubileynaya mine permits EVRAZ Sukha Balka to produce ore with iron content of more than 60%. In addition to iron ores, the mines' deposits include reserves of more than 1 billion tonnes of magnetite quartzites.

Production

In 2012, EVRAZ Sukha Balka produced 2,608 thousand tonnes of iron ore, as compared to 2,446 thousand tonnes in 2011. EVRAZ Sukha Balka transports its product primarily by rail (Ukrainian Railways), though a portion of its exports is shipped by sea. EVRAZ Sukha Balka's principal clients on the local market are UGOK (Ukraine), which then also sells sinter to Evraz Ukrainian operations, and DMKD (Dnepropetrovsk Integrated Iron and Steel Works). Some major clients are also located in Europe.

EVRAZ Highveld's Mapoch mine

Mapochs mine is an operating division of EVRAZ Highveld which operates an open cast mine of magnetite iron ore located near Roossenekal, 140 kilometres north east from Witbank (Emalahleni), in South Africa. Mapochs mine produces lumpy iron ore and fines iron ore, and supplies it to EVRAZ Highveld, its primary customer.

Production

In 2012, Mapochs mine produced 1,174 thousand tonnes of lump ore and 607 thousand tonnes of fines iron ore, as compared to 1,257 thousand tonnes and 640 thousand tonnes in 2011, respectively.

Coking coal mining production facilities

Evraz conducts its coking coal mining production through its subsidiary Yuzhkuzbassugol. Evraz also currently indirectly owns a 41% equity interest in Raspadskaya, while EVRAZ plc owns an additional 41% equity interest, resulting in an 82% consolidated equity interest in Raspadskaya by EVRAZ plc. Both Yuzhkuzbassugol and Raspadskaya are located in the Kuznetsk coal basin, in the Kemerovo region. Coal deposits in the region are characterised by significant methane inclusions. EVRAZ plc also consolidates Mezhegeyugol, a joint venture company in which it holds a 60.02% equity interest and which develops coking coal deposits in the Republic of Tyva, Russia.

Yuzhkuzbassugol

Yuzhkuzbassugol is a coking coal and steam coal producer and is located in Novokuznetsk in the Kemerevo region. In 2012, Yuzhkuzbassugol was the third largest coking coal producer in Russia, according to Metal Courier. Yuzhkuzbassugol currently operates six coking coal mines, two steam coal mines, two enrichment plants and eight servicing entities. Yuzhkuzbassugol has licenses for all of its mines.

Yuzhkuzbassugol supplies its coking coal to most of the leading steel and by-product coke mills in Russia and exports coking coal to the CIS. The major consumers of Yuzhkuzbassugol's production are United Evraz ZapSib, EVRAZ NTMK and EVRAZ DMZP. As of 1 April 2012, its total proved and probable coal reserves were estimated to be 623,668 thousand tonnes, according to the international consulting firm IMC.

Production

In 2012, Yuzhkuzbassugol mined 10,789 thousand tonnes of raw coal, as compared to 9,268 thousand tonnes in 2011. In 2012 and 2011, Yuzhkuzbassugol produced 4,523 thousand tonnes and 4,949 thousand tonnes of coal concentrate, respectively. In 2012 and 2011 coking coal represented 79% and 68%, respectively, of Yuzhkuzbassugol's total coal mined, with the remaining production being steam coal.

Yuzhkuzbassugol has been the site of several explosions in recent years. On 19 March 2007, over 100 people were killed in a methane explosion at the Ulyanovskaya mine, and, on 24 May 2007, 39 people were killed in a methane explosion at the Yubileynaya mine. Although Yuzhkuzbassugol was not under the control of Evraz at the time of these incidents, in each case Rostekhnadzor, the Russian industrial-safety regulator, implicated dozens of Yuzhkuzbassugol officials for intentionally disabling the mine's safety systems. In March 2013, a mine shaft flooded at Yuzhkuzbassugol's Osinnikovskaya mine, killing four miners and resulting in the temporary closure of the mine.

Raspadskaya

Raspadskaya is a vertically integrated coal mining and enrichment complex that conducts business through subsidiaries located in the Kuznetsky coal basin in the Kemerovo region of Russia. Raspadskaya comprises two underground mines, an open-pit mine, an underground mine under construction and a coal enrichment plant, as well as a coal transportation network and a number of integrated infrastructure companies. Raspadskaya is one of Russia's largest coking coal producers, consisting of several different types of coking coal, and has significant reserves of semi-hard coking coal in Russia.

According to IMC, as of 31 December 2011, Raspadskaya had proved and probable coking coal reserves of 1,314 million tonnes, coking coal measured resources of 1,809 million tonnes and coking coal inferred resources of 262 million tonnes.

Production

In 2012, Raspadskaya mined 7,002 thousand tonnes of coking coal, as compared to 6,251 thousand tonnes in 2011. In 2012 and 2011, Raspadskaya produced 4,506 thousand tonnes and 3,765 thousand tonnes of coking coal concentrate, respectively.

On 9 May 2010, methane gas explosions at the Raspadskaya coal mine killed 91 miners and rescuers. Operations at the mine stopped as of that date but were resumed at one face in December 2010 and at one more face in October 2011. While the mine was out of operation, Evraz made up for any shortfall in coal supply by increasing consumption of coal produced by Evraz Group SA's subsidiaries and by purchasing coal on the market.

Vanadium Business

Evraz is the only producer of vanadium-rich ore in Russia and is the largest producer of vanadium slag outside China as of 31 December 2012. Vanadium is widely used in the production of high-strength steels, titanium alloys and chemical and petrochemical products.

Market and customers

Vanadium-rich ore is mined at EVRAZ KGOK. EVRAZ NTMK processes this ore, leading to the production of vanadium slag as a by-product, which EVRAZ NTMK, in turn, sells to Evraz's subsidiary EVRAZ Vanady-Tula and customers in China, and converts at Chusovskoy Metallurgical Plant.

EVRAZ Highveld is the only producer of vanadium slag in South Africa where vanadium bearing iron ore is processed to produce steel and by-product vanadium slag. The majority of this vanadium slag is processed by EVRAZ Highveld's subsidiary, Hochvanadium, at production facilities in Austria. Additionally, EVRAZ Vametco plant in South Africa processes slag and vanadium bearing ore to final products for the steel industry and some slag is sold to Vanchem Vanadium Products.

Evraz also produces and sells various vanadium products at Stratcor, EVRAZ Nikom and EVRAZ Vanady-Tula. The acquisitions of Stratcor, EVRAZ Nikom and EVRAZ Vanady-Tula provides Evraz with vanadium-processing capabilities and technical know-how allows it to extract higher margins and cash flows from vanadium products.

Evraz produced 21,060 metric tonnes of gross vanadium in slag in 2012, compared with 20,741 in 2011. Evraz also produced 18,434 metric tonnes of saleable vanadium in 2012 as compared to 20,834 metric tonnes in 2011.

Production

Evraz produces ferrovanadium at EVRAZ Nikom and EVRAZ Vanady-Tula, high purity vanadium pentoxide, vanadium alloy products for the titanium industry and various vanadium chemical products at Stratcor and the proprietary product Nitrovan® vanadium at EVRAZ Vametco Minerals Corporation ("EVRAZ Vametco"), and vanadium slag at both EVRAZ NTMK and EVRAZ Highveld.

The following table summarises Evraz's production of vanadium in slag and finished vanadium products for the periods indicated.

	Year ended 31 December[1]		
	2012	**2011**	**2010**
	(tonnes of Vanadium)		
Vanadium in slag	**21,060**	**20,741**	**20,664**
Vanadium in final products (saleable)			
Ferrovanadium (FeV), of which	14,381	16,683	13,507
Produced at own facilities	7,259	*6,321*	*5,252*
Processed at third parties' facilities	7,122	*10,362*	*8,255*
Nitrovan® (NV)	2,723	2,874	2,454
Oxides, vanadium aluminium and chemicals	1,330	1,277	1,317
Total production (vanadium in final products)[1]	**18,434**	**20,834**	**17,278**

Note:

(1) For the year in which Evraz acquires a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz. EVRAZ Vanady-Tula has been part of Evraz since 2 November 2009.

Sales

The table below presents Evraz's sales of final vanadium products (by volume), including inter-segment sales, for the periods indicated.

	Year ended 31 December		
	2012	**2011**	**2010**
	(thousand tonnes of Vanadium)		
Vanadium in slag	3.3	6.7	3.1

Vanadium in alloys and chemicals	18.2	20.7	17.5
Total[(1)]	21.5	**27.4**	**20.6**

Notes:

(1) For the year in which Evraz acquires a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz.

(2) EVRAZ Vanady-Tula has been part of Evraz since 2 November 2009.

Competitors

Evraz's principal competitors in the vanadium products market are Gulf Chemical Alloys, AMG Vanadium, Vanchem Vanadium Products, Treibacher, Xstrata and Glencore.

Vanadium production facilities

Evraz produces final vanadium products at Stratcor, EVRAZ Vametco, EVRAZ Nikom and EVRAZ Vanady-Tula.

Stratcor

Stratcor is one of the world's leading producers of high purity vanadium alloys and chemicals and is a major supplier of vanadium to the chemical and titanium industries. It is headquartered in Hot Springs, Arkansas in the United States, owns plants in the United States and South Africa.

Facilities

Stratcor has two wholly owned subsidiaries: (i) Stratcor, Inc., which has a plant in Hot Springs, Arkansas in the United States (the "**Hot Springs Plant**"); and (ii) EVRAZ Vametco, which operates a vanadium mine and mill in Brits, South Africa (approximately 30 miles west of Pretoria). EVRAZ Vametco's principal product is Nitrovan®, a proprietary vanadium-nitrogen product that efficiently strengthens steel. This value-added product is exported to steelmakers worldwide. Stratcor's sales staff is located in Pittsburgh, Pennsylvania.

Production

The Hot Springs Plant produces high-purity vanadium pentoxide, vanadium trioxide, ammonium metavanadate and various other vanadium chemicals and oxides. It has the capacity to produce 12 million pounds of vanadium pentoxide (V_2O_5) per annum. Stratcor sells the products made at the Hot Springs Plant to customers in the chemicals industry, as well as using them as raw materials in the production of Stratcor® vanadium-aluminium, which, in turn, is used by the titanium industry. EVRAZ Vametco's principal product is Nitrovan®, a proprietary vanadium-nitrogen product that efficiently strengthens steel and that Stratcor exports to steelmakers worldwide. In 2012 and 2011, Stratcor and its subsidiary EVRAZ Vametco produced an aggregate of 554 and 394 metric tonnes of vanadium oxides, 178 metric tonnes and 144 metric tonnes of liquid chemicals, 274 metric tonnes and 395 metric tonnes of vanadium aluminium and 2,723 metric tonnes and 2,895 metric tonnes of Nitrovan®, respectively.

EVRAZ Nikom

EVRAZ Nikom is a ferrovanadium producer located in the Czech Republic. EVRAZ Nikom has one processing facility, which it uses to process vanadium pentoxide received from EVRAZ Vanady-Tula and China and also vanadium trioxide from EVRAZ Vametco into ferrovanadium. In 2012, EVRAZ Nikom produced 4,544 tonnes of ferrovanadium as compared to 3,759 tonnes of ferrovanadium in 2011.

EVRAZ Vanady-Tula

EVRAZ Vanady-Tula was acquired by Evraz in 2009 and became a wholly-owned subsidiary of Evraz in 2010. According to Evraz estimates, EVRAZ Vanady-Tula is the largest Russian producer of ferrovanadium and has its production facilities in Tula, in the Tula region of Russia. In 2012, EVRAZ

Vanady-Tula produced 2,715 tonnes of ferrovanadium. In 2011, EVRAZ Vanady-Tula produced 2,563 tonnes of ferrovanadium.

Investment Programme

Evraz spent U.S.$1,258 million in 2012 and U.S.$1,281 million on capital expenditures in 2011. Evraz's current expected capital expenditure for 2013 is approximately U.S.$1.0 billion. However, actual capital expenditure for 2013 will depend on (and may be greater or less than the expected figure as a result of) a number of factors including those identified under "*Risk Factors — Risks Relating to Evraz's Business and Industry — Steel production and mining and vanadium operations are capital intensive, and Evraz may not be able to fund its capital expenditures as planned, or achieve its strategic targets*". The following is a description of Evraz's main investment projects: Evraz's strategy is reflected in its capital expenditure focus on investments in the development and improvement of production efficiency (such as introducing PCI), expansion of its mining operations to sustain vertical integration and modernisation of its production facilities to increase presence in value-added products (such as reconstruction of the rail mill at United EVRAZ ZapSib and development of the Kostanay Rolling Mill).

Steel segment - Key Investment Projects

Rail product group modernisation at United EVRAZ ZapSib and EVRAZ NTMK

In 2012, Evraz continued the large scale modernisation programme of its railway product group which required the temporary suspension of operations at United EVRAZ ZapSib rail mill (at NKMK facility) from April 2012 to January 2013). The rail mill at United EVRAZ ZapSib is currently operational and ramping up and, as a result, Evraz has increased its overall rail capacity in Russia to 1.5 million tonnes per annum and improved the quality and other characteristics of the rails produced. In 2012, a total of U.S.$143 million was spent on the project, which Evraz expects to be fully completed in 2013. The next stage encompasses the production of 100-metre heat-treated rails for high-speed railroads in line with the Russian long-term state programme to develop rail transportation in the country. In 2012, Evraz also completed the rail mill reconstruction at EVRAZ NTMK which allowed for the production of higher-quality rails.

PCI facilities at EVRAZ NTMK and United EVRAZ ZapSib

In 2012, Evraz completed the construction of a PCI facility at EVRAZ NTMK which is expected to decrease steelmaking costs, resulting in a reduction of coke consumption by 20% and a reduction of natural gas consumption by 50% through the use of additional PCI technology coal per tonne of pig iron. Evraz estimates that the introduction and ramp-up of PCI technology will allow an increase in pig iron production capacity to 100 thousand tonnes per annum. The project is expected to reach these designated parameters during the first half of 2013. Evraz anticipates that total investments in the PCI facility at EVRAZ NTMK will amount to U.S.$170 million, with the major part already invested during the construction phase. Investment in this project amounted to U.S.$58 million in 2012.

Evraz is also in the process of constructing a similar PCI facility at United EVRAZ ZapSib which is expected to be completed by mid-2014. With the introduction of PCI technology at United EVRAZ ZapSib, Evraz expects a similar 20% decrease in coke consumption, full elimination of natural gas consumption and additional pig iron capacity of up to 260 thousand tonnes per annum. Investments in the project in 2012 amounted to U.S.$51 million.

Kostanay Rolling Mill and Yuzhny Mill

In December 2010, Evraz approved plans to construct the Kostanay Rolling Mill in Kazakhstan and the Yuzhny Mill in the Rostov region, Russia. Evraz continues the construction of the Kostanay Rolling Mill in Kazakhstan which began in mid-2011. Evraz expects the Kostanay Mill to begin production by the end of 2013, which will permit Evraz to diversify its product mix, provide exposure to the local rebar market and help to establish a leading position in structural steel products in the CIS. The annual design capacity is planned to be approximately 450 thousand tonnes of rebar per year. Evraz anticipates that United EVRAZ ZapSib will supply billets to the Kostanay Rolling Mill. Total investment in the project is expected to amount to approximately U.S.$124 million. Evraz owns a 65% stake in the project, and its local partner is

Caspian Group. Evraz has obtained the necessary anti-monopoly and construction permits for the construction of the Kostanay Mill. Evraz also plans to build the Yuzhny Mill near the port of Ust-Donetsk, with an annual design capacity of approximately 450 thousand tonnes of light sections, including 315 thousand tonnes of rebar and 135 thousand tonnes of angles and channels. Evraz estimates that the total cost of the project will be approximately U.S.$142 million.

Other

In early 2013, EVRAZ North America commenced a project to expand heat-treatment capacity at its Calgary mill in Western Canada, from 80 thousand tonnes to 200 thousand tonnes per annum, in order to strengthen margins. The mill modernisation is also expected to provide for an increase in mill welding capacity of 65 thousand tonnes. This project is scheduled for completion in 2014 and has an expected cost of U.S.$64 million.

In 2012, Evraz approved a plan to enhance the effectiveness of EVRAZ DMZP. Evraz intends to adopt the standard upgrades that have been successfully implemented at the Russian steelmaking facilities. These include PCI technology aimed at fully eliminating natural gas consumption, improvements to blast furnace productivity through a new air separation unit, and debottlenecking of processes at the sinter screening and structural mill stages. The project will require an expected investment of U.S.$124 million.

Mining production segment - Key Investment Projects

Yerunakovskaya-VIII mine at Yuzhkuzbassugol

In 2012, Evraz completed the construction of a new coking coal mine, Yerunakovskaya-VIII, at its subsidiary, Yuzhkuzbassugol, in the Kuzbass region, Russia. The construction was launched in August 2011 and the first semi-hard coking coal was mined in February 2013. The mine is expected to ramp-up over the course of 2013 to reach a capacity of 1.2 million tonnes by year's end. Evraz anticipates that this will result in the production of 2.5 million tonnes of coal per annum, starting in 2014. Coal washing will take place at existing Evraz facilities and the coal concentrate will be utilised by Evraz's steelmaking plants in Russia, while mined coal is also expected to be sold in the market. Proven and probable reserves and resources of the Yerunakovskaya VIII mine under JORC classification amount to approximately 85 million tonnes and 225 million tonnes, respectively, of semi-hard coking coal, according to IMC. In 2012, capital spending under the project amounted to U.S.$135 million. Evraz estimates that the costs of raw coal production at Yerunakovskaya VIII mine will be in the lowest quartile of the cost curve for CIS producers.

EVRAZ KGOK

In 2012, Evraz successfully ramped up production at EVRAZ KGOK to 56 million tonnes of iron ore per annum. The ramp up was achieved primarily through bottle-neck optimisation, including an increase in efficiency in iron ore transportation and processing within the facility.

Evraz also expects to start brownfield development of the Sobstvenno-Kachkanarskoye iron ore deposit at EVRAZ KGOK. It is expected that the development of Sobstvenno-Kachkanarskoye will enable EVRAZ KGOK to maintain iron ore production of 56 million tonnes per annum. EVRAZ KGOK plans to commence production of iron ore at Sobstvenno-Kachkanarskoye in 2015.

Mezhegey coal deposit and Vostochny Siberian coking coal field

In March 2010, EVRAZ won the tender to develop the Mezhegey coal deposit in the Republic of Tyva, Russia. EVRAZ submitted a bid of approximately U.S.$32 million in the tender held by the Russian State Mineral Resources Agency. The relevant license was received in the first half of 2010. The Mezhegey coal deposit is located 800 kilometres east of United EVRAZ ZapSib, in the central part of the Republic of Tyva.

In February 2012, EVRAZ approved plans to develop the Mezhegey coking coal deposit located in the largest undeveloped coal province in Russia. According to Russian standards, the estimated total reserves and resources (A, B, C_1, C_2) of deposits covered by EVRAZ's licences amount to approximately 763 million tonnes of hard coking coal, according to Rosnedra. EVRAZ anticipates annual production of 1.3 million

tonnes of raw coking coal using room-and-pillar technology, to be transported via road haulage to the railway station and subsequently to proprietary coal washing plants in the Kuzbass region of Russia. The total capital budget for the first stage is estimated to be approximately U.S.$195 million, in respect of which project financing has been secured at the level of a project entity which is a subsidiary of EVRAZ plc. The first coal is expected to be mined in October 2013, and ramp-up to full capacity in 2014. It is expected that the majority of production will be utilised by United EVRAZ ZapSib.

In addition, in October 2010, Evraz won the tender held by the Russian State Mineral Resources Agency to develop the eastern field of the Western part of the Ulug-Khemsky coking coal deposit (the Vostochny coking coal field) in the central part of the Republic of Tyva, Russia. The license cost approximately U.S.$28 million and was received in late 2010. The Vostochny coking coal field is located 800 kilometres from United EVRAZ ZapSib, sharing a border with the Mezhegey coking coal deposit. Currently EVRAZ does not expect to make material investments in 2013 to develop the Vostochny coking coal field. Both the Mezhegey coal deposit and the Vostochny Siberian coking coal field will assist EVRAZ in maintaining its self-coverage in producing high quality hard coking coal after the depletion of existing deposits. Following the second stage of development, EVRAZ estimates annual production capacity at Mezhegey to be 6.5 million tonnes.

Timir Project

EVRAZ has signed an agreement to acquire a stake in Timir for a total consideration of RUB4,950 million to be paid in several instalments. At completion, EVRAZ will receive a 51% stake in Timir, Alrosa will own 49% minus one share and Vnesheconombank will receive one share. Timir is a joint venture between EVRAZ and Alrosa created for the development of the Timir iron ore project in southern Yakutia, Russia.

Evraz's Mining Reserves

Most of Evraz's iron ore and coal reserves have been evaluated according to international methodologies, namely under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("**JORC Code**").

International reporting methodologies classify a deposit as either a mineral resource or a mineral reserve. The mineral resources are further divided into three categories: an inferred mineral resource (whose geological characteristics can be estimated with a low level of confidence), an indicated mineral resource (whose geological characteristics can be estimated with a reasonable level of confidence) and a measured mineral resource (whose geological characteristics can be estimated with a high level of confidence). The mineral reserves are divided into probable reserves, which is the economically mineable part of an indicated and, in some circumstances, measured mineral resource and proved reserves, which is the economically mineable part of a measured mineral resource.

Evraz's reserves are based on drilling and geological data, and represent the part of the mineral resources that could be legally and economically extracted or produced at the time of the reserve estimation. Russian subsoil licenses are issued for defined boundaries and for specific periods. However, under the Subsoil Law, licenses are required to be extended by the relevant authorities at their scheduled termination at the initiative of the subsoil user if the extension is necessary to finish production in the field, provided that the licensee has not violated the conditions of the license. As Evraz currently plans to extend its licenses at their scheduled termination and believes that it will be entitled to do so, its reserves are stated based on the maximum projected useful lives of the relevant fields. However, there can be no assurance that Evraz will be able to extend its licenses, or that its licenses will not be withdrawn prior to their scheduled expiration. See "*Risk Factors—Risks Relating to Evraz's Business and Industry—Evraz's licenses may be suspended, amended or terminated prior to the end of their terms or may not be renewed*".

Evraz holds a total of 43 exploration and production licences with respect to its mining operations in Russia, two licenses in Ukraine and nine mining licences and permits in South Africa, which expire between 2012 and 2033. None of Evraz's mining licenses has ever been revoked or suspended.

Iron ore

The table below summarises Evraz's iron ore reserves in accordance with the JORC Code valued by an independent expert as of 1 July 2011, unless otherwise stated. Iron ore and coal reserves estimates set out below have been extracted without material adjustment from reports by the IMC Group Consulting Ltd.

	JORC Code		
Mine	**Total proved and probable**	**Average Iron content**	**Average V_2O_5 content**
	(thousand tonnes)	*(%)*	*(%)*
Evrazruda	248,709	28.8 – 36.3	n/a
EVRAZ KGOK[(1)]	1,994,360	15.6 – 16.5	0.12 – 0.16
EVRAZ VGOK	113,520	26.4 – 28.6	n/a
EVRAZ Sukha Balka[(2)]	86,325	53.1 – 55.5	n/a
Mapochs Mine	28,600	52.7	1.50
EVRAZ Vametco	29,100	29.8	1.66

Notes:

(1) Includes Sobstvenno-Kachkanarskoe deposit
(2) Includes high grade iron ore only, excluding low grade iron ore resources

Coal

The table below summarises Evraz's coal reserves in accordance with the JORC Code. Coal reserves estimates set out in the table below have been extracted without material adjustment from the report by the IMC Group Consulting Ltd., valued as of 1 April 2012.

	JORC Code				
Mine	**Proved**	**Probable**	**Total proved and probable**	**Average sulphur content**	**Average ash content**
		(thousand tonnes)		*(%)*	*(%)*
Yuzhkuzbassugol	475,531	148,137	623,668	0.20 - 1.47	3.3 - 18.0

Insurance

Evraz has obtained insurance for its non-Russian and non-CIS production facilities that it believes covers property risks at industry standard levels under a Property Master Programme (which covers EVRAZ North America, EVRAZ Highveld, Stratcor, EVRAZ Vametco and EVRAZ Palini). Coverage under the Property Master Programme, was obtained from FM Global, starting 1 July 2012, for the duration of one year.

Evraz has obtained insurance for its Russian and Ukrainian steel mills and iron ore mining facilities that it believes covers property risks at industry standard levels. Following customary industry practice, Evraz does not insure its coal mining assets, as such insurance is very limited in values and coverage, very expensive and not available for certain risks.

Evraz has obtained insurance for its chemical facility in the United States, Stratcor, which it believes covers property and business interruption risks at industry standard levels. Most of Evraz's insurance policies are, on balance, reinsured with underwriters possessing an A class rating.

Evraz maintains obligatory insurance required by local laws and employees' insurance policies required by the terms of collective bargaining agreements at all of its facilities. Employees' insurance generally includes medical insurance and accident insurance, and generally excludes life insurance. Evraz also self insures certain risks relating to its mining assets, and does not formally provision for these risks.

Evraz determines its policy coverage levels annually, and employs an independent assessor to determine possible maximum losses.

Legal Proceedings

Evraz has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on Evraz's operations or financial position. Possible liabilities, which were identified by Evraz at the end of the reporting period as those that can be subject to different interpretations of legislation and are not accrued in the financial statements could be up to approximately U.S.$27 million. For further information see Note 31 to the Consolidated Financial Statements.

South Africa Competition Commission investigation in relation to EVRAZ Highveld

In February 2008, the South African Competition Commission (the "**Competition Commission**") received a complaint from Petrel Engineering (Pty) Ltd, alleging that EVRAZ Highveld (then Highveld Steel and Vanadium Corporation Limited) and ArcelorMittal South Africa Limited were involved, whether directly or indirectly, in the fixing of the selling prices of their flat steel products. In April 2008, the Competition Commission initiated a complaint against various steel manufacturers, including EVRAZ Highveld. In June 2008, the Competition Commission expanded the investigation to include the South African Iron and Steel Institute ("**SAISI**"). EVRAZ Highveld believes SAISI was included in the complaint to determine whether the steel producers were involved in collusion involving price fixing or the fixing of trading conditions in contravention of Section 4(1)(b)(i) of the South African Competition Act, Act 89 of 1998 (the "**Competition Act**"), through SAISI. EVRAZ Highveld provided the Competition Commission with documentation and information requested by the Competition Commission and the Competition Commission conducted interviews with certain of EVRAZ Highveld employees in February 2009.

In March 2012, the Competition Commission submitted its Referral of Complaint to the South African Competition Tribunal (the "**Competition Tribunal**") seeking an order: (i) declaring that the conduct of ArcelorMittal South Africa Limited and EVRAZ Highveld contravened certain provisions of the Competition Act; (ii) directing ArcelorMittal South Africa Limited and EVRAZ Highveld to desist from the contravention of certain sections of the Competition Act; (iii) imposing administrative penalties against both ArcelorMittal South Africa Limited and EVRAZ Highveld of 10% of their respective total annual turnover in the Republic of South Africa (the maximum fine provided in the Competition Act), including turnover from exports from the Republic of South Africa, during their respective preceding financial year in respect of the contravention of Section 4(1)(b)(i) and (ii) of the Competition Act, or such other amount as the Competition Tribunal determined to be appropriate, and (iv) granting such further and/or alternative relief as the Competition Tribunal considered appropriate. The timing for resolution of this matter is currently unclear and will depend, in large part, on how the proceedings progress and when the Competition Tribunal is able to hold a hearing on the matter, which may occur, if at all, in 2013. EVRAZ Highveld has co-operated with the Competition Commission and intends to continue to do so. No decision has yet been announced by the Competition Tribunal as to whether it will impose any penalty against EVRAZ Highveld or, if imposed, the amount of any such fine. Should the Competition Commission be successful, which Evraz does not expect to be the case, it could give rise a maximum penalty of ZAR554 million (U.S.$65 million). Evraz believes that EVRAZ Highveld acted in compliance with applicable laws and regulations and no provision for this matter has been accrued as of 31 December 2012.

Environmental

Evraz operates in an industry that gives rise to environmental risks and its activities are highly regulated by environmental laws. The regulation covers the issues of air emissions, waste management, water discharges, disturbed land rehabilitation etc. A violation of environmental laws or failure to comply with the regulations or instructions of relevant environmental authorities could lead to, among other things, a temporary shutdown of all or a portion of a mill and/or the imposition of other costly compliance procedures. Evraz is aware of the possible environmental consequences of its production processes and pays constant attention to various aspects of the environment with a view to the prevention or minimisation of any adverse influences.

Evraz's goal is to continuously improve health, safety and environmental management ("**HSE**") through technologically improved production processes, with a clear system and hierarchy of management and control. Evraz is focused on the standardisation of HSE processes across its facilities and operations and seeks to create the most transparent system possible for HSE management, with a clear definition of the

functions and management hierarchy of all divisions involved. Industrial environmental control is organised at all Evraz assets in accordance with local legislation.

HSE activity at Evraz is managed at all levels, from the adoption of strategy to issues of operational management. Oversight of the HSE process and internal control has been enhanced with the establishment of the HSE committee of the Board of Directors of EVRAZ plc and management leadership has been given direction by the appointment of the vice president of HSE, who, in turn, reports directly to Evraz's Chief Executive Officer.

Evraz's environmental strategy is targeted at finding optimal solutions for industrial waste management, reduction of pollutant emissions, and rational use of natural resources. The key environmental objective of Evraz is the consistent reduction of waste emissions and the introduction of modern, environment-friendly and energy-efficient technologies. A large amount of obsolete equipment, which failed to meet environmental standards, has already been withdrawn as part of the re-equipment and modernisation programme at Evraz's production facilities, for example, the closure of all open-hearth furnaces at the Russian steel mills was completed by the end of 2008. As a result of this strategy the total air emissions that are involved in steel production (including nitrogen oxides, sulphur oxides, carbon monoxide and volatile organic compounds ("**VOC**") have been reduced in 2012 by more than 25% compared to the position in 2009. Evraz actively develops plans to reduce waste generation volume and to ensure proper waste storage. In 2012, 104% of non-mining waste and by-products generated by Evraz's assets were recycled or re-used. In 2011, it was 109.6%. Non-recyclable waste is stored in specially designed storage facilities that prevent any harmful substances contained in the waste from escaping into the environment.

Evraz is actively participating in the Environmental Policy Committee and Technology and Environment Committee of the World Steel Association (the "**WSA**") and also supports the WSA's "Air Quality Project" initiative, which was started in 2011. Evraz participates in the HSE committee of the non-commercial partnership "Russian Steel" and the HSE committee of the Russian Union of Industrialists and Entrepreneurs. Evraz participates in the Carbon Disclosure Project as a CDP Investor.

Evraz plans to continue reducing its environmental emissions as part of its capital investment programme. It has committed to various environmental protection programmes covering the years 2013 to 2022, under which Evraz will perform works aimed at reductions in environmental pollution and contamination. The cost of implementing these programmes is estimated at U.S.$267 million. This includes the capital and operational expenditure Evraz would have to make over foreseeable period to address known and potential environmental issues and the main social issues such as the possible relocation of communities from the sanitary protection zones surrounding some of the sites. The estimate does not include costs relating to the decommissioning of redundant equipment associated with any group asset, or any decommissioning or closure costs, including restoration costs, or charges that may be required as a result of changes in specifications of mill operation.

Evraz's mining operations require large areas of land for mining and waste storage. The mining, extraction and processing activities of Evraz normally give rise to obligations to conduct reclamation and restoration activities. Evraz has incurred liabilities for the restoration and rehabilitation of certain parcels of land at certain of its steel mills and mining sites. Evraz estimates that this restoration will involve expenditure of approximately U.S.$266 million as at 31 December 2012.

Evraz further plans to strengthen its HSE management systems on the corporate level and strives to implement environmental policies that are compliant with ISO 14001. Although Evraz has no legal obligation to obtain international certification, the steelmaking facilities at EVRAZ NTMK, United EVRAZ ZapSib, EVRAZ Nikom, EVRAZ Sukha Balka, EVRAZ Vitkovice, EVRAZ Highveld, EVRAZ Regina Steel (a part of EVRAZ North America) and EVRAZ Surrey Steel (a part of EVRAZ North America) have received ISO 14001 certification to date for their environmental management systems. The majority of these certifications have been achieved within the last few years, demonstrating the increased commitment Evraz has to managing HSE matters in a systemic and consistent manner.

Health and safety

Evraz adopted a corporate safety, health and environmental policy in early 2011 which has been implemented by each subsidiary. The policy imposes a direct responsibility on employees and managers to

ensure proper health and safety practices. Evraz's policy on beginning work only after ensuring safety, applying best available practices to minimise risks and prevent accidents and complying with legal requirements, openly demonstrates its commitment to a high level of health and safety.

In 2012, Evraz recorded a 20% increase in its lost time injury frequency rate compared to 2011, in part due to continued improvements in reporting processes and reliability of incident reporting. Evraz recorded 25 separate fatal accidents at its operations in 2012. Evraz is continuing to improve its internal HSE investigation processes aimed at identifying and implementing corrective actions to address underlying health and safety concerns. Evraz's mining operations are exposed to the greatest risks, with coal mining accounting for the highest health and safety risk, followed by ore mining and metallurgy.

Evraz's safety, health and environmental management system aims to mitigate the risk of any harm to its employees' health and safety. The company constantly monitors risks and the Company conducts ongoing monitoring of reported safety incidents to allow appropriate measures to be taken to mitigate identified risks. Health and safety managers distribute the corresponding information within the divisions of EVRAZ and provide the necessary data to the labour unions as well as health and safety representatives.

Health and safety developments

In 2010, a division was established which is organised and managed by the Vice-president responsible for Health, Safety and Environment. The division's specialists have developed common procedures to improve Evraz's health and safety management system including initiating an incident report procedure. Incident monitoring allows an information package about all serious incidents (fatal and lost time injury) to be provided to all health and safety specialists and Evraz's key management including the CEO. Under the health and safety reporting procedure, the health and safety division collects and analyses data on a monthly basis across the whole of the company to determine trends related to health and safety. In 2012, the HSE committee of EVRAZ plc approved additional corporate policies relating to environmental standards and drug, alcohol and smoking. It also approved the establishment of Internal Industrial Audit Departments to enhance HSE controls at Evraz's coal and mining assets.

Evraz seeks to promote and instil safety as a core value throughout its steelmaking and mining processes, present from the top levels of management to front line employees and contractors. An important part of this initiative is an increased measure of personal responsibility and management accountability in relation to health and safety matters, the implementation of effective health and safety policies and targeted training at all levels of the employee workforce.

Training

Evraz operates a series of safety programmes for its employees, including a health and safety management system that helps management to forecast the actions of employees in non-standard and dangerous situations and to take the correct management decisions, and also video training in labour safety, providing employees with a clear, accessible way to learn the main requirements and rules of safety.

Evraz has developed onsite safety monitoring services at its facilities, which analyse potential risks, develop measures to reduce these risks, and reduce the consequences of accidents.

In line with Evraz's commitment to safeguarding the health and safety of its employees and contractors, Evraz has, since 2008, received OHSAS 18001 certification of United EVRAZ ZapSib and EVRAZ NTMK in Russia, EVRAZ Palini in Italy, and EVRAZ Highveld and Mapochs Mine in South Africa.

Research and development

Evraz regularly seeks to improve the operations at its facilities, principally by improving operating efficiency, reliability and capacity. Most of such efforts constitute incremental improvements to current activities and, as a result, are undertaken in connection with regular operational maintenance and monitoring. Where appropriate, Evraz seeks to register any rights to intellectual property that may result from these efforts. Evraz does not believe that its research and development activities have a material impact on its results or operations.

Legal and compliance

Evraz has policies and procedures to manage legal risks and address tax and regulatory requirements and other compliance obligations. Evraz has legal departments at each of its principal operations, which set legal policy at a local level and support specific business activities and offices. At a group level, Evraz ensures adherence with relevant laws and regulations through an awareness and review process and has in place a number of manuals to provide guidance on a number of key areas to the localised legal and compliance functions.

Please see "*Directors and Management*" for further information on corporate governance.

Employees

Employees and contractors

The table below sets out the number of people employed by Evraz, including contracted personnel, as of 31 December 2012, 2011 and 2010.

	31 December		
	2012	**2011**	**2010**
Company			
Steel segment			
United EVRAZ ZapSib[1]	23,481	17,394	22,087
EVRAZ NTMK	17,494	16,025	16,035
EVRAZ DMZP, incl. Dneprokoks	6,141	6,517	6,618
EVRAZ Vitkovice	1,119	1,392	1,299
EVRAZ Palini	141	142	143
EVRAZ North America	4,498	3,902	3,605
EVRAZ Highveld	2,369	2,448	2,374
Bagleykoks	1,488	1,580	1,567
DKHZ	-	1,388	1,356
Other[1]	5,669	14,090	8,890
Mining segment			
Evrazruda	8,496	8,080	7,817
EVRAZ KGOK	7,389	7,190	7,196
EVRAZ VGOK	4,611	4,692	4,799
EVRAZ Sukha Balka	4,248	3,985	3,835
Yuzhkuzbassugol	14,768	14,042	14,128
Other	127	237	216
Vanadium segment			
Stratcor	534	502	490
EVRAZ Nikom	48	42	38
EVRAZ Vanady-Tula	672	668	694
Other	7	5	5
Other and unallocated operations			
Other	7,674	7,426	7,047
Total	110,974	**111,747**	**110,239**

Note:

[1] Reflects transfers of certain employees between United EVRAZ ZapSib and its subsidiaries in 2011 and 2012.

Beginning in 2008, Evraz began to optimise its personnel structure, primarily through a controlled reduction in the number of its employees, outsourcing non-production activities and reducing administrative staff. This optimisation effort remains ongoing, and has recently included the implementation of LEAN business principles, as established by the Lean Enterprise Institute, at all of Evraz's operations. While Evraz's productivity (as measured by tonnes of production per employee) is below western European standards, Evraz's production facilities in Russia are the principal employers in their respective towns and

regions, and reductions in the workforce are generally constrained by relevant Russian labour legislation, as well as other political and social considerations. For these reasons, Evraz manages reductions in the number of personnel it employs gradually and in a controlled manner.

Employee relations

Russian production facilities

Over 70% of employees of Evraz's Russian production facilities were members of trade unions at the end of 2012. Each of Evraz's Russian production facilities enter into collective bargaining arrangements with its trade unions bi-annually. The current agreements are based, generally, on the tariff agreement for the Russian steel and mining sectors (to which Evraz is a signatory), and provide for an increase in employee wages within the approved budgets and contain no restrictions on layoffs.

There have been no material strikes, work slowdowns or other cases of material industrial action at Evraz's Russian production facilities since 2006, when Evraz experienced a material slowdown in its steel production due to industrial action relating to wage negotiations. Evraz offers attractive employment opportunities, including above-average salaries in the respective regions where its subsidiaries operate. Evraz's management maintains a good working relationship with the trade unions.

Production facilities outside Russia

The number of unionised employees at Evraz's production facilities outside Russia varies depending on the facility and its country of location. At the end of December 2012, approximately 24%, 59% and 57% of employees at EVRAZ Palini, EVRAZ Vitkovice and EVRAZ North America, respectively, were unionised. Evraz's assets in South Africa have the most unionised employees among all of Evraz's production facilities outside Russia and Ukraine, with 80% of EVRAZ Highveld's staff and 87% of EVRAZ Vametco's employees, belonging to a trade union. There was a strike at EVRAZ Highveld in July and August 2012. The industrial action lasted for four weeks and was related to a four-shift operating schedule which EVRAZ Highveld implemented in order to comply with South African labour legislation limiting the amount of overtime employees can work to no more than 40 hours per month.

As of 31 December 2012, the number of unionised employees in Ukraine ranged from 77% of all employees of EVRAZ Sukha Balka to substantially all employees of Bagleykoks. Almost every Evraz production facility outside Russia enters into collective bargaining arrangements with its trade unions either bi-annually or, as in the case of EVRAZ Palini, every three to five years. Except as disclosed above, there have been no material strikes or other cases of industrial action at Evraz's production facilities outside Russia since Evraz acquired each of these facilities.

Employee benefits

The total liability recognised in the statement of financial position relating to Evraz's pension, retirement and similar benefits to its employees in 2012 was U.S.$294 million.

Evraz makes defined contributions to the Russian and Ukrainian state pension, social insurance, medical insurance and unemployment funds for its employees at the statutory rates in force (approximately 34% as at 31 December 2012), based on gross salary payments. Evraz has no legal or constructive obligation to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. Evraz's United States and Canadian subsidiaries 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. Evraz also maintains defined benefit pension plans and defined contribution plans through its South African, Italian and Czech subsidiaries.

In 2011, the International Accounting Standards Board amended IAS 19, which introduced the recognition of actuarial gains and losses in other comprehensive income for the period in which they occur. This amendment will be applied on a retrospective basis to annual periods beginning on or after 1 January 2013. At 31 December 2012 and 2011, Evraz had U.S.$332 and U.S.$261 million in actuarial losses, respectively, which will increase Evraz's liabilities under its defined benefit plans from 1 January 2013. For further information, see Note 23 to the Consolidated Financial Statements.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see Note 16 to the Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2012.

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

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

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

	Amounts due from related parties			Amounts due to related parties		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**
	(US$ million)					
Kazankovskaya	23	21	21	–	–	1
Lanebrook	–	–	53	–	–	–
Raspadsky Ugol	2	2	2	42	39	32
Vtorresource-Pererabotka	3	–	–	45	–	–
Yuzhny GOK	4	5	19	163	46	178
Other entities	16	9	9	6	13	6
	48	37	104	256	98	217
Less: allowance for doubtful accounts	(34)	(29)	(24)	–	–	–
	14	8	80	256	98	217

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

	Sales to related parties			Purchases from related parties		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**
	(US$ million)					
Interlock Security Services	1	1	1	48	43	37
Kazankovskaya	1	1	6	1	5	14
Raspadsky Ugol	8	8	11	127	207	192
Vtorresource-Pererabotka	14	–	–	485	–	–
Yuzhny GOK	66	42	20	124	165	67
Other entities	9	8	8	31	27	20
	99	60	46	816	447	330

For additional information about the balances and transactions with related parties, see Notes 4, 11 and 13 to the Consolidated Financial Statements.

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

Kazankovskaya is an associate of Evraz (See Note 11 to the Consolidated Financial Statements). Evraz purchased coal from the entity and sold mining equipment and inventory to Kazankovskaya. In 2012 and 2011, Evraz issued short-term loans to Kazankovskaya bearing an interest rate ranging from 8.1% to 8.5% per annum. As at 31 December 2012 and 2011, Evraz 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, of U.S.$5 million and U.S.$3 million, respectively.

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

In addition, in 2008, Evraz acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of U.S.$38 million (see Note 18 to the Consolidated Financial Statements). As part of the transaction, Evraz signed a put option agreement that gives Evraz the right to sell these shares back to Lanebrook for the same amount. The put option expires on 31 December 2013.

In 2012, Evraz sold one of its subsidiaries to Lanebrook (See Note 12 to the Consolidated Financial Statements).

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

Vtorresource-Perrerabotka is a new subsidiary of Streamcore (Cyprus), the Group's joint venture acquired in February 2012. It sells scrape metal to Evraz and provides scrap processing and other services. In 2012, the purchases of scrap metal from Vtorresource-Perrerabotka amounted to U.S.$399 million and 1.4 million tonnes.

Yuzhny GOK, the ore mining and processing plant, is an associate of Lanebrook. Evraz sells steel products to Yuzhny GOK and purchases sinter from the entity.

In addition to the purchase transactions disclosed above, in July 2011, Evraz 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 Evraz. The cash consideration (including VAT) amounted to U.S.$102 million.

The transactions with related parties were based on market terms.

PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding the ownership of the Issuer according to the Issuer's share register and information provided by EVRAZ plc as of the date of this Prospectus:

Based upon the Issuer's share register and information provided by EVRAZ plc, the Issuer is wholly owned by EVRAZ plc.

Shareholder	Percentage of the Outstanding Shares
EVRAZ plc	100.0%
Total (148,881,040 shares)[1]	100.0%

(1) Issued shares excluding 7,333,333 of the Issuer's treasury shares held by the Issuer itself.

EVRAZ plc and Exchange Offer

From 2 June 2005 until 8 February 2012 the Issuer had global depositary receipts ("**Evraz Group S.A. GDRs**") listed on the Official List of the London Stock Exchange. In October 2011, Evraz undertook an exercise to re-domicile to the United Kingdom and list on the premium segment of the Official List of the FSA by means of a share exchange offer. On 23 September 2011, EVRAZ plc was established as a public limited company incorporated under the laws of England and Wales. On 17 October 2011, EVRAZ plc announced an offer to acquire up to the entire issued and to be issued share capital of the Issuer, including those shares represented by Evraz Group S.A. GDRs, in exchange for ordinary shares in EVRAZ plc. Following the completion of the share exchange offer, the cancellation of the listing of Evraz Group S.A. GDRs and the acquisition of the remaining Evraz Group S.A. GDRs by Mastercroft Finance Limited, a trustee of the EVRAZ plc Employee Share Trust, the Issuer became wholly owned by EVRAZ plc, the new holding company for Evraz and EVRAZ.

As of the date of this Prospectus, the material assets of EVRAZ plc, other than its shares in Evraz, are represented by an indirect 41% equity interest in Raspadskaya, one of Russia's largest coking coal producers, and a 60.02% equity interest in MezhegeyUgol LLC, which holds licences and develops coking coal production at the Mezhegey coal deposit in the Republic of Tyva, Russia.

EVRAZ plc is under no obligation to provide funds to Evraz or its subsidiaries under the terms of the Notes or otherwise.

Principal shareholders of EVRAZ plc

Evraz is aware of the following persons who have an interest in three per cent. or more of EVRAZ plc's share capital (in each case held indirectly) as of the date of this Prospectus:

	As at the date of this Prospectus	
Name	No. of shares in EVRAZ plc	Percentage of issued share capital
Mr. Roman Abramovich[1]	456,310,736	30.99%
Mr. Alexander Abramov[1]	317,300,488	21.55%
Mr. Alexander Frolov[1]	158,442,915	10.76%
Mr. Gennady Kozovoy[1]	83,751,827	5.69%
Mr. Alexander Vagin	82,887,014	5.63%
Mr. Eugene Shvidler[1]	45,257,031	3.07%

Note:

(1) Indirect holding, mostly through Lanebrook Ltd.

The direct major shareholder in EVRAZ plc is Lanebrook Ltd., a limited liability company incorporated under the laws of Cyprus (the "**Major Shareholder**"), which as of the date of this Prospectus directly owns 63.46% of EVRAZ plc issued ordinary share capital. The Major Shareholder is controlled by Mr. Abramovich, Mr. Abramov, Mr. Frolov and Mr. Shvidler. As such, Mr. Abramovich, Mr. Abramov, Mr. Frolov and Mr. Shvidler indirectly control EVRAZ plc by way of their respective shareholdings in the Major Shareholder.

To the extent known to the Issuer, there are no arrangements, the operation of which may result in a change of control of the Issuer or EVRAZ plc.

For a description of the measures in place to ensure that control is not abused, see "*Directors and Management—Corporate Governance*" and "*—Major Shareholder of EVRAZ plc and Relationship Agreement*".

Major Shareholder of EVRAZ plc and Relationship Agreement

The Major Shareholder and EVRAZ plc have entered into a deed (the "**Relationship Agreement**") which regulates the ongoing relationship between them, to ensure that EVRAZ plc is capable of carrying on its business independently of the Major Shareholder and to ensure that any transactions and relationships between EVRAZ plc and the Major Shareholder are at arm's length and on normal commercial terms.

The Directors of EVRAZ plc have informed Evraz that they believe that the terms of the Relationship Agreement will enable EVRAZ plc to carry on its business independently of the Major Shareholder and ensure that all transactions and relationships between EVRAZ plc (on the one hand) and any member of the Major Shareholder (on the other) are, and will be, at arm's length and on a normal commercial basis.

DIRECTORS AND MANAGEMENT

Board of Directors of the Issuer

The Issuer's directors are as follows:

Name	Year of birth	Position
Alexander Roland Maria Gehrke	1967	Director
Jacob Mudde	1969	Director
Christiaan Frederik Van Arkel	1973	Director

The business address of the Issuer's directors is at the registered office of the Issuer.

Alexander Gehrke, born 1967 (Director)

Alexander Gehrke was elected to the Board of Directors of the Issuer on 15 May 2012. Mr. Gehrke also holds a managerial position at Dorwood S.A. and serves as a member of the Board of Directors of Evraz Greenfield Development S.A. He previously served as a managing director of Demag Investments S.à r.l., Luxembourg and held various positions at Avega S.à r.l. and KKR PEI SICAR S.à r.l. Mr. Gehrke has a degree in Business Administration from the University of Mannheim, Germany, in 1994 and holds a doctor's degree from the same University from 2002.

Jacob Mudde, born 1969 (Director)

Jacob Mudde was elected to the Board of Directors of the Issuer on 21 February 2013. Mr. Mudde is primarily employed at TMF Luxembourg S.A. He has a strong background in corporate law and over 12 years of international corporate and private trust experience. Mr. Mudde holds a degree in law from the Law School of the Erasmus University of Rotterdam and a degree in law and economics from the International School of Law and Economics. He previously held various positions at Equity Trust Co. Luxembourg (formerly TMF Luxembourg S.A.)

Christiaan Frederik Van Arkel, born 1973 (Director)

Christiaan Frederik Van Arkel was elected to the Board of Directors of the Issuer on 8 April 2013. Mr. Van Arkel is presently employed as a Team Leader at TMF Luxembourg S.A. / Equity Trust, previously serving as a Deputy Team Leader from 2008 to 2012. He previously worked as an Assistant Controller at Koninklijke Bunge B.V., from 2007 to 2008, and as a Trust Officer at Amaco Management Services B.V., from 2003 to 2007. Mr. Van Arkel graduated from Peter Stuyvesant College in Willemstad, Curaçao and holds a Dutch correspondence certificate.

Board of Directors of EVRAZ plc

The Directors of EVRAZ plc are as follows:

Name	Year of birth	Position
Alexander Abramov	1959	Non-Executive Chairman
Alexander Frolov	1964	Chief Executive Officer
Olga Pokrovskaya	1969	Non-Executive Director
Eugene Shvidler	1964	Non-Executive Director
Eugene Tenenbaum	1964	Non-Executive Director
Duncan Baxter	1952	Independent Non-Executive Director
Karl Gruber	1952	Independent Non-Executive Director
Alexander Izosimov	1964	Independent Non-Executive Director
Terry Robinson	1944	Independent Non-Executive Director
Sir Michael Peat	1949	Independent Non-Executive Director

The business address of EVRAZ plc's Board of Directors is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom.

Chairman

Alexander Abramov, born 1959 (Non-Executive Chairman)

Alexander Abramov was elected Chairman of the Board of Directors of Evraz with effect from 1 December 2008. Mr. Abramov was elected Chairman of the Board of Directors and Chairman of EVRAZ plc on 14 October 2011. He has served in similar roles with Evraz or its predecessors since founding EvrazMetall, the predecessor of Evraz, in 1992, and was a member of the Original Shareholder Group. Until 1 January 2006, he served as both Chairman of the Board of Directors and Chief Executive Officer (CEO) of Evraz; he continued to serve as Chairman of the Board until 1 May 2006. Mr. Abramov is also a member of the Board of Directors of EVRAZ NTMK and ZapSib. Mr. Abramov previously worked at the Institute of High Temperatures of the USSR Academy of Sciences. Mr. Abramov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1982, and he holds a Ph.D. in Physics and Mathematics. Mr. Abramov is a Bureau member of the Council of Entrepreneurs, an entity established by the Russian Government. Mr. Abramov is currently a member of the EVRAZ plc Nominations Committee. Mr. Abramov has, as at the date of this Prospectus, an indirect beneficial interest in approximately 21.55% of the outstanding shares of EVRAZ plc.

Executive Director

Alexander Frolov, born 1964 (Chief Executive Officer)

Alexander Frolov has been a member of the Board of Directors of Evraz since 2005 and was appointed CEO with effect from 18 January 2007. Mr. Frolov was elected CEO of EVRAZ plc on 14 October 2011. Mr. Frolov joined the Original Shareholder Group in 1994, and subsequently held various positions at EvrazMetall and Evraz. Mr. Frolov served as Evraz's Chief Financial Officer from 2002 to 2004 and as Senior Executive Vice President from 2004 to April 2006, responsible for the functions of strategy and business development, finance, corporate affairs and communications, business processes, human resources, legal affairs and information technology. From May 2006 until December 2008, Mr. Frolov served as Chairman of the Board of Directors of Evraz. Prior to joining Evraz, Mr. Frolov worked as a research fellow at the I.V. Kurchatov Institute of Atomic Energy. Mr. Frolov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1987, and he received a Ph.D. in Physics and Mathematics in 1991 from the Moscow Institute of Physics and Technology. Mr. Frolov is currently a member of the EVRAZ plc Health, Safety and Environmental Committee. Mr. Frolov has, as at the date of this Prospectus, an indirect beneficial interest in approximately 10.76% of the outstanding shares of EVRAZ plc.

Non-Executive Directors

Olga Pokrovskaya, born 1969 (Non-Executive Director)

Olga Pokrovskaya was appointed to the Board of EVRAZ plc on 14 October 2011. Olga Pokrovskaya has been a member of the Board of Directors of Evraz since August 2006. Since July 2006, Ms. Pokrovskaya has served as head of corporate finance at Millhouse LLC. From 1997, Ms. Pokrovskaya 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. Ms. Pokrovskaya graduated with honours from the State Financial Academy in 1991. Since January 2008, Ms. Pokrovskaya has been serving as a member of the Board of Directors of Highland Gold. Ms. Pokrovskaya is currently Head of Corporate Finance, Millhouse LLC and a member of the EVRAZ plc Audit and Health, Safety and Environmental Committees

Eugene Shvidler, born 1964 (Non-Executive Director)

Eugene Shvidler was appointed to the Board of EVRAZ plc on 14 October 2011. Eugene Shvidler has been a member of the Board of Directors of Evraz since August 2006. He currently serves as head of Millhouse LLC. Mr. Shvidler served as Senior Vice President of Sibneft from 1995 to 1998 and as President of Sibneft from 1998 to 2005. Prior to that, he was a member of the international tax group at Deloitte & Touche in New York from 1992 until 1994. Mr. Shvidler is a graduate of the I. M. Gubkin Moscow Institute of Oil and Gas with a speciality in applied mathematics and received an MBA in Finance and an M.S. in International Tax from Fordham University in 1991. Since January 2008, Mr. Shvidler has been serving as a member of the Board of Directors of Highland Gold Mining Ltd. Mr. Shvidler is currently a member of the EVRAZ plc Nominations Committee. Mr. Shvidler has, as at the date of this Prospectus, an indirect beneficial interest in approximately 3.07% of the outstanding shares of EVRAZ plc.

Eugene Tenenbaum, born 1964 (Non-Executive Director)

Eugene Tenenbaum was appointed to the Board of EVRAZ plc on 14 October 2011. Mr. Tenenbaum has been a member of the Board of Directors of Evraz since August 2006. Mr. Tenenbaum is currently Managing Director of Millhouse Capital UK Ltd and serves on the Board of Chelsea FC Plc. He served as Head of Corporate Finance for Sibneft in Moscow from 1998 through 2001. Mr. Tenenbaum joined Salomon Brothers in 1994 as Director for Corporate Finance where he worked until 1998. Prior to that, he spent five years in Corporate Finance with KPMG in Toronto, Moscow and London, including three years (1990-1993) as National Director at KPMG International in Moscow. Mr. Tenenbaum was an accountant in the Business Advisory Group at Price Waterhouse in Toronto from 1987 until 1989. Mr. Tenenbaum is a chartered accountant and holds a bachelors degree in Commerce and Finance from the University of Toronto.

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

Duncan Baxter was appointed to the Board of EVRAZ plc on 14 October 2011. Duncan Baxter has 25 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 Non-Executive Chairman of Highland Gold Mining Limited. He 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. Mr. Baxter is currently Chairman of the EVRAZ plc Remuneration Committee and a member of the EVRAZ plc Audit Committee.

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

Karl Gruber was appointed to the Board of EVRAZ plc on 14 October 2011. Karl Gruber has been a Member of the Board of Directors of Evraz Group SA (Independent) since May 2010. Mr. Gruber has extensive experience in the international metallurgical mill business. Mr. Gruber held various management positions, including eight years as a member of the Managing Board of VOEST-Alpine Industrieanlagenbau (VAI), first as Executive Vice President of VAI and then as Vice Chairman of the Managing Board of Siemens VAI. He also served as Chairman on the Boards of Metals Technologies (MT) Germany and MT Italy. Mr. Gruber graduated from Technical High School in Steyr, Austria in 1973 with a diploma in mechanical engineering. Mr. Gruber is currently Chairman of the EVRAZ plc Health, Safety and Environmental Committee and a member of the EVRAZ plc Remuneration Committee.

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

Alexander Izosimov has been a Member of the Board of Directors (Independent Non-Executive) since 28 February 2012. Alexander Izosimov has extensive managerial and board experience. From 2003-2011, he was President and CEO of VimpelCom, a leading emerging market telecommunications operator. From 1996-2003 he held various managerial positions at Mars Inc. and was Regional President for CIS, Central Europe and Nordics, and a member of their executive board. Prior to his position at Mars Inc., Mr. Izosimov was a consultant with McKinsey & Co. (Stockholm, London) (1991-1996) and was involved in numerous projects in transportation, mining, manufacturing and oil businesses. Mr. Izosimov currently serves on the boards of MTG AB, East Capital AB and Dynasty Foundation. He previously served as director and Chairman of the GSMA (Global association of mobile operators) board of directors, and was also previously a director of VimpelCom, Baltika Breweries, the confectionery company Sladko, and the information technology company Teleopti AB. Mr. Izosimov graduated from the Moscow Aviation Institute and holds an MBA from INSEAD. Mr. Izosimov is a member of the EVRAZ plc Remuneration and Nominations Committees.

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

Terry Robinson was appointed to the Board of EVRAZ plc on 14 October 2011. Terry Robinson has been a member of the Board of Directors of Evraz since April 2005. 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 Deputy Chairman of Toronto listed Katanga Mining Limited, a company with copper and cobalt mining operations in the Democratic Republic of the Congo, and is also an independent and senior non-executive director of Highland Gold Mining Limited, a London AIM listed company. He is a Fellow of the Institute of Chartered Accountants of England and Wales' non executive director special interest group. Mr. Robinson is currently Chairman of the EVRAZ plc Audit Committee and a member of the EVRAZ plc Nominations and Health, Safety and Environment Committees.

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

Sir Michael Peat was appointed to the Board of EVRAZ plc on 14 October 2011. Sir Michael Peat is a qualified chartered accountant with over 35 years' experience. He served as Principal Private Secretary to The Prince of Wales and HRH The Duchess of Cornwall from 2005 until 2011, and administered the Office of the Prince of Wales from 2002 until 2011. Prior to this, he spent nine years as Keeper of the Privy Purse and Treasurer to the Queen, and Receiver General of the Duchy of Lancaster, after spending six years as the Director of Finance and Property Services of the Royal Household. Sir Michael Peat was at KPMG from 1972, and became a partner in 1985. He was responsible for a 1986 study into the financial management of the Royal Household, and left KPMG in 1993 to devote himself to his public roles. Sir Michael Peat holds advisory roles at Barclays Wealth and CQS (UK) LLP and has a senior governance role at Deloitte LLP. He is a Fellow of the Institute of Chartered Accountants, and holds an MBA from INSEAD, and a degree from the University of Oxford. Mr. Peat is currently Chairman of the EVRAZ plc Nominations Committee and a member of the EVRAZ plc Audit Committee.

Senior Management

The Senior Management of EVRAZ comprises, in addition to the Directors listed above, the following persons:

Name	Year of birth	Position
Marat Atnashev	1977	Vice President, Major Projects
Giacomo Baizini	1970	Vice President of Corporate Affairs Chief Financial Officer
Scott Baus	1962	Vice President, Evraz Business System
Grigory Botvinovsky	1975	Vice President, Vanadium Assets
Natalia Ionova	1966	Vice President, Human Resources
Aleksey Ivanov	1975	Vice President, Head of Steel Division
Leonid Kachur	1961	Senior Vice President, Business Support and Interregional Relations
Oleg Kuzmin	1978	Vice President, Corporate Communications
Alexander Kuznetsov	1978	Vice President, Strategic Development and Operational Planning
Artem Natrusov	1971	Vice President, Information Technologies
Yury Pavlov	1962	Vice President, Procurement
Ilya Shirokobrod	1972	Vice President, Sales
Michael Shuble	1970	Vice President, Health, Safety and Environment
Sergey Stepanov	1977	Vice President, Head of the Coal Division
Pavel Tatyanin	1974	Senior Vice President, Head of International Business
Timur Yanbukhtin	1964	Vice President, Business Development and International Business
Elena Zhavoronkova	1970	Vice President, Legal Affairs

Marat Atnashev, born 1977 (Vice President, Major Projects)

Mr. Atnashev joined Evraz in 2011. Prior to this appointment he served as a Director of Major Projects at JSC Gazprom Neft. Before that he spent 10 years at TNK Group (TNK BP since 2003), where he held a number of positions including Director and Vice President of Major Projects and Engineering at TNK BP; Executive Director of the Performance Unit Kamennoe; Deputy Director General, Finance at JSC "Udmurtneft"; and Head of Logistics Support Division at JSC TNK. Mr. Atnashev graduated from the Moscow State University of Management, where he later earned a Ph.D in economics. He also holds an MBA from INSEAD business school (France) and graduated from Projects Academy at MIT in Boston, Massachusetts.

Giacomo Baizini, born 1970 (Vice President of Corporate Affairs and Chief Financial Officer)

Mr. Baizini joined EvrazHolding in Moscow in 2005 and has served as CFO since July 2009. Between 1998 and 2005, Mr. Baizini was a consultant with McKinsey's Milan and Tokyo offices. From 1994 to 1998, Mr. Baizini was a consultant with JMAC, a major Japanese consulting firm. Mr. Baizini holds a degree in physics from Oxford University. As at the date of this Prospectus, Mr. Baizini has a beneficial interest in 78,902 shares of EVRAZ plc.

Scott Baus, born 1962 (Vice President, Evraz Business System)

Mr. Baus was appointed as Vice President, Evraz Business System in 2011. Prior to his appointment, Mr. Baus worked as a Project Director at Evraz, from 2010. Before joining Evraz, from 2002 to 2010, Mr. Baus was Vice President Business Development with Simpler Consulting, Inc. From 1984 until 2002, Mr. Baus held positions with the Boeing Company. Mr. Baus graduated from Butler University in 1982 with a degree in engineering, and received a bachelor's degree in business management from Wichita State University in 1996.

Grigory Botvinovsky, born 1975 (Vice President, Vanadium Assets)

Mr. Botvinovsky joined Evraz in 2001. Prior to his appointment as Vice President, Vanadium Assets, Mr. Botvinovsky was the CEO of East Metals A.G., a Swiss-based Evraz global sales and trading arm. Mr. Botvinovsky previously served as General Director of Trading Company EvrazHolding, from 2006 to 2008, Senior Sales Manager in East Metals, from 2003 to 2005 and Head of Planning in the Commercial Division of Evraz NTMK, from 2001 to 2003. Mr. Botvinovsky has a degree from Plekhanov Russian University of Economics and a masters degree in finance and economics from 2000.

Natalia Ionova, born 1966 (Vice President, Human Resources)

Ms. Ionova, who joined Evraz in 2006 as Vice President, Human Resources, is responsible for HR policy and recruiting. Prior to joining Evraz, she served as Head of Human Resources at NDK Merkury. Ms. Ionova graduated from the Management Faculty of the Russian State University of Physical Training, Sports and Tourism (RGUFK) in 1987. Mrs. Ionova holds a Ph.D. in psychology.

Aleksey Ivanov, born 1975 (Vice President, Head of Steel Division)

Mr. Ivanov joined Evraz in 2002, and has served as Head of Steel Division since May 2011. Mr. Ivanov previously served as Head of the Siberia Division from 2009 until 2011, Senior Deputy CFO responsible for supervising Controlling and Treasury functions, from 2008 to 2009 and Director of Controlling, from 2002 to 2008. He has been a member of the Chartered Institute of Management Accountants since 2004. Mr. Ivanov graduated from INSEAD in 2002 and holds a finance degree from the Financial Academy of the Government of Russia.

Leonid Kachur, born 1961 (Senior Vice President, Business Support and Interregional Relations)

Mr. Kachur joined Evraz in 1993 and has served as Senior Vice President, Business Support and Interregional Relations since 2000. From 1995 to 2000 Mr. Kachur was Chief Executive of Interlock, responsible for security matters with Evraz and from 1993 to 1995 he served as Deputy Chief Executive at EvrazMetall, a predecessor of Evraz. Mr. Kachur graduated from the Moscow State Industrial University with a degree in engineering. As at the date of this Prospectus, Mr. Kachur has a beneficial interest in 3,017,172 shares of EVRAZ plc.

Oleg Kuzmin, born 1978 (Vice President, Corporate Communications)

Mr. Kuzmin joined Evraz as Vice President, Corporate Communications in February 2011. Before joining Evraz, Mr. Kuzmin was Director for Corporate Affairs at Interpipe, from 2008 to 2010, Head of Communications and External Relations at Eurocement group and occupied various management positions in the communications agency SPN Ogilvy Public Relations. Mr. Kuzmin graduated from Petrozavodsk State University with a degree in political science in 2011 and holds an Executive MBA from the Moscow International Higher Business School (Mirbis) from 2010. He has a degree in political science and public relations from Central European University (Hungary), a degree in sustainable development from Baltic University (Finland), and a degree in public relations and advertisement from Umeå State University (Sweden).

Alexander Kuznetsov, born 1978 (Vice President, Strategic Development and Operational Planning)

Mr. Kutznetsov joined Evraz in 2002 and was appointed Vice President for Strategic and Operational Planning in July 2009. Mr. Kuznetsov previously served as Director of Strategic Planning and Investment Analysis, from 2008 to 2009, as Head of the Financial Analysis and Valuation Department, from 2006 to 2008 and as Manager of the Capital Markets and International Investments Department, from 2002 to 2006. Mr. Kuznetsov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in applied mathematics and physics in 2001. He also received a master's degree in economics from the New Economic School in Moscow in 2002.

Artem Natrusov, born 1971 (Vice President, Information Technologies)

Mr. Natrusov joined Evraz in 2011 as Vice President of Information Technologies. Prior to joining Evraz, Mr. Natrusov held a number of positions managing information technology for Eldorado, the consumer electronics and household appliance retailer, from 2008 to 2011, for Allianz ROSNO from 2006 to 2008 and for Nestle Russia from 1998 to 2006. Mr. Natrusov has more than 16 years of experience in information technologies, including operational management and management of complex projects SAP and Oracle Applications. Mr. Natrusov graduated with honours from Moscow Institute of Electronic Technology in 1994 and received an MBA degree from University of Southern California in 1998.

Yury Pavlov, born 1962 (Vice President, Procurement)

Mr. Pavlov joined Evraz in 1996 and was appointed Vice President for Procurement in January 2011. Previously, Mr. Pavlov served as Director for Procurement, from 2008 to 2011, and Head of Treasury, from 2005 to 2008. From 2003 to 2005, Mr. Pavlov held various positions within Evraz's treasury and from 2000 to 2002 he was Head of the Financial Department of EvrazHolding. Mr. Pavlov graduated from the Moscow Institute of Physics and Technology in 1985. He holds a degree in economics, finances and credit (financial management) from the Financial Academy of the Government of Russia and an MBA degree from The Russian Presidential Academy of National Economy and Public Administration.

Ilya Shirokobrod, born 1972 (Vice President, Head of Railway Products Division)

Mr. Shirokobrod was appointed Vice President and Head of the Railway Products Division in April 2012. Mr. Shirokobrod previously served as Vice President for Sales, from 2011 to 2012 and as Managing Director of OOO Trading Company EvrazHolding from 2010 to 2012. Prior to joining Evraz, between 2005 and 2010, Mr. Shirokobrod held various positions in Centravis Limited, Alcoa CSI, Melitta Russland and Tetra Pak. From 1999 to 2005, he served as Commercial Director (Russian and Central Asia) and Chief Executive of Alcoa CIS. Mr. Shirokobrod graduated with honours from Saint-Petersburg State Technical University in 1995 with a degree in engineering physics and holds a Master of Sciences (engineering) degree. He received an Executive MBA from Stockholm School of Economics in 2005.

Michael Shuble, born 1970 (Vice President, Health, Safety and Environment)

Mr. Shuble was appointed Vice President, Health, Safety and Environment for Evraz in January 2013. He joined Evraz in May 2011 as Director, Safety – Flat Products Group, Evraz North America and was promoted to Vice President, Health, Safety and Environment for Evraz North America in June 2012. Prior to joining Evraz, Mr. Shuble was a Department Manager, Heath and Safety at ArcelorMittal Steel Indiana Harbour and he previously spent over 15 years with U.S. Steel. Mr. Shuble holds a bachelor's degree in safety sciences from Indiana University of Pennsylvania.

Sergey Stepanov, born 1977 (Vice President, Head of the Coal Division)

Mr. Stepanov joined Evraz as Vice President, Head of the Coal Division in November 2012. Prior to his appointment he served as Chief Operating Officer for Nordgold (previously a subsidiary of Severstal) and for Vorkutaugol. Mr. Stepanov received a bachelor's degree in economics, with honours, and a master's degree in finance, with honours, from the Lomonosov Moscow State University.

Pavel Tatyanin, born 1974 (Senior Vice President, Head of International Business)

Mr. Tatyanin was appointed Senior Vice President and Head of International Business in July 2009. His responsibilities include the financial performance of Evraz's steel and mining operations in North America, Europe and Africa together with the global vanadium business. He is also responsible, in an international context, for trading in steel and other commodities, strategic development and M&A transactions. Mr. Tatyanin joined Evraz in April 2001 and, between 2002 and 2004, held the posts of Deputy Chief Financial Officer and Director for Corporate Finance. He served as Senior Vice President and Chief Financial Officer from 2004 to 2009. Prior to joining Evraz in 2001, Mr. Tatyanin worked for OAO Financial Corporation Adamant. He holds bachelor's degree, with honours, in accounting and economics and a master's degree in economics from Moscow State University. As at the date of this Prospectus, Mr. Tatyanin has a beneficial interest in 449,860 shares of EVRAZ plc.

Timur Yanbukhtin, born 1964 (Vice President, Business Development and International Business)

Mr. Yanbukhtin was appointed Vice President, Business Development and International Business in October 2009. After joining Evraz in 2002, Mr. Yanbukhtin served as Head of Capital Markets, from 2002 to 2005, as Vice President, Head of Corporate Finance, from 2005 to 2007, and as Vice President, Strategy and Business Development, from 2007 to 2009. Prior to joining Evraz, Mr. Yanbukhtin was Director for Business Development at Yandex, and held

various positions as Alfa Bank, Salomon Brothers and Pioneer Investments. Mr. Yanbukhtin graduated from the Moscow State University in 1986 with a degree in economics and received a master's degree in international and development economics from Yale University in 1994.

Elena Zhavoronkova, born 1970 (Vice President, Legal Affairs)

Ms. Zhavoronkova joined Evraz in June 2010 as Vice President, Legal Affairs. Prior to joining Evraz, Ms. Zhavoronkova worked as Head of the Legal Department of TMK. She also worked in United Industrial Corporation (OPK), a diversified holding company, as Head of the Legal Department in 2008. Ms. Zhavoronkova graduated from Moscow State Law Academy with a degree in legal affairs.

Corporate Governance

The Board of Directors of EVRAZ plc consists of the Non-Executive Chairman, one Executive Director and eight Non-Executive Directors.

EVRAZ plc regards all of its Non-Executive Directors other than Alexander Abramov, Olga Pokrovskaya, Eugene Shvidler and Eugene Tenenbaum as independent Non-Executive Directors within the meaning of "independent" as defined in the UK Corporate Governance Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Directors support high standards of corporate governance. As at the date of this Prospectus, the Board will include five independent Non-Executive Directors, meaning that at least half of the members of the Board (excluding the Chairman) will be independent Non-Executive Directors in compliance with the UK Corporate Governance Code. EVRAZ plc regards this as an appropriate board structure.

The Directors have established an audit committee, a remuneration committee, a nominations committee and a health, safety and environment committee.

Audit committee

The audit committee is chaired by Terry Robinson and its other members are Duncan Baxter, Sir Michael Peat and Olga Pokrovskaya. The audit committee meets not less than four times a year and has responsibility for, among other things, monitoring the integrity of EVRAZ's financial statements and reviewing EVRAZ's financial and accounting policies and practices. It oversees EVRAZ's relationship with its external auditors and review the effectiveness of the external audit process. The committee gives due consideration to laws and regulations including the provisions of the UK Corporate Governance Code, the requirements of the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules and any other applicable rules, as appropriate. It also has responsibility for reviewing the effectiveness of EVRAZ's system of internal controls and risk management systems. The ultimate responsibility for reviewing and approving the interim and annual financial statements remains with the Directors. The Directors consider that Terry Robinson has recent and relevant financial experience. Further details are set out in his biography under the heading "*—Board of Directors of EVRAZ plc*". Notwithstanding that Olga Pokrovskaya is not independent as defined in the UK Corporate Governance Code, EVRAZ plc considers that, in light of her involvement with EVRAZ over a number of years and substantial experience in this area, her membership of the Audit Committee is to the benefit of EVRAZ.

Remuneration committee

The remuneration committee is chaired by Duncan Baxter and its other members are Karl Gruber and Alexander Izosimov. The remuneration committee meets not less than once a year and has responsibility for making recommendations to the Board (i) on EVRAZ's policy on the remuneration of the Chairman, the Chief Executive Officer and Senior Management, and (ii) for the determination, within agreed terms of reference, and in consultation with the Chairman and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of the Chairman and the members of Senior Management, including pension rights and any compensation payments. The remuneration committee also ensures compliance with the UK Corporate Governance Code in this respect.

Nominations committee

The nominations committee is chaired by Sir Michael Peat and its other members are Alexander Abramov, Alexander Izosimov, Terry Robinson and Eugene Shvidler. The nominations committee meets not less than once a year and has responsibility for making recommendations to the Board on the composition of the Board and its committees and on retirements and appointments of additional and replacement Directors and ensuring compliance with the UK Corporate Governance Code.

Health, safety and environment committee

The health, safety and environment committee is chaired by Karl Gruber, and its other members are Alexander Frolov, Olga Pokrovskaya and Terry Robinson. The health, safety and environment committee advises and makes recommendations to the Board of Directors of EVRAZ plc with respect to monitoring and reviewing health, safety and environment policies, principles, practices and process; as well as monitoring and reviewing current and future regulatory issues relating to health, safety and the environment. The health, safety and environment committee meetings are integrated with the meetings of the Board of Directors of EVRAZ plc (at least twice annually and more frequently as required).

Conflicts of interest

Mr. Alexander Abramov is the Chairman of EVRAZ plc and Mr. Alexander Frolov is the CEO. Ms. Olga Pokrovskaya, Mr. Shvidler, Mr. Abramov, Mr. Tenenbaum and Mr. Frolov have been appointed to the Board of Directors of EVRAZ plc by the Major Shareholder pursuant to the terms of the Relationship Agreement. Mr. Shvidler, Mr. Abramov and Mr. Frolov, in addition to being directors of EVRAZ plc, have an interest in, or are otherwise affiliated to, the Major Shareholder. Should EVRAZ plc contemplate entering into any agreement or arrangement with the Major Shareholder there is a potential for there to be a conflict of interest between (i) each of Mr. Shvidler, Mr. Abramov and Mr. Frolov and their respective private interests and/or other duties and (ii) any duty each of them owe to EVRAZ plc as directors. As a listed company on the premium segment of the Official List of the Financial Services Authority, EVRAZ plc is required to comply with the UK Listing Rules relating to related party transactions. Through the operation of its Articles of Association and compliance with the Companies Act 2006, should an actual conflict of interest arise in respect of any director of EVRAZ plc, that director may be restricted from voting on any matter in which he is interested.

Save as disclosed in the paragraph immediately preceding this sentence, no other conflicts of interests exist between the private interests of the Directors or Members of Senior Management and their duties to EVRAZ plc or Evraz Group S.A.

Management of subsidiaries

In order to achieve integrated control over the activities of its operating facilities, Evraz established EvrazHolding LLC ("**EvrazHolding**") as the centralised management company. EvrazHolding is consolidated into the Consolidated Financial Statements on the basis of a currently exercisable option agreement to acquire the shares in EvrazHolding.

Evraz's subsidiaries, United EVRAZ ZapSib, EVRAZ NTMK, EVRAZ Nakhodka Trade Sea Port, EVRAZ VGOK, Evrazruda, EVRAZ KGOK, TC EvrazHolding, EVRAZ Vanady-Tula and Trade House EvrazHolding, have each appointed EvrazHolding as their management company. The management contracts are extended and renewed from time to time, and transfers all executive powers of the sole executive body of the above named companies in accordance with their respective Charters. EvrazHolding acts as the sole executive body of each of the companies that it manages, which responsibilities include entering into transactions on behalf of each company (within the limits provided for in the legislation), operating its bank accounts (provided that management of each of the companies it manages signs the relevant payment instructions) and representing it before various state and judicial agencies. Management is exercised by an officer of EvrazHolding acting under a power of attorney. Payments received by EvrazHolding are applied fully against its operating expenses and reflected fully in the appropriate line item of Evraz's Consolidated Financial Statements.

The Board of Directors of EVRAZ plc determines the strategies to be employed by Evraz, and EvrazHolding, in turn, implements these strategies with respect to each company that it manages, subject to approval by the boards of directors of such companies. Decisions by EvrazHolding are subject to the corporate governance procedures that have been adopted by the Board of Directors, as discussed above. EvrazHolding has established standard procedures for the companies it manages, including procedures related to budgeting, the approval of investments and capital expenditures and management information systems.

Proceedings against Directors and Management

At the date of this Prospectus, no member of the Board of Directors or Management of EVRAZ plc or the Board of Directors of the Issuer for at least the last five years:

- has had any convictions in relation to offences of fraud or dishonesty;

- has held an executive function in the form of a senior manager or a member of the administrative management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or

- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company of from acting in the management or conduct of the affairs of any company.

Remuneration of Directors and Management

The aggregate amount of remuneration paid by EVRAZ to the Issuer's non-executive directors and EVRAZ plc's non-executive directors as a group during the year ended 31 December 2012 was U.S.$3 million in salary. The aggregate amount of remuneration paid by EVRAZ to its key management personnel (46 individuals), including directors of the Issuer, vice presidents and top managers of major subsidiaries, as a group during the year ended 31 December 2012 was approximately U.S.$46 million in salary, bonuses, social security taxes, share-based payments, termination benefits and other. There are no potential conflicts of interest between any duties to EVRAZ and the private interests and/or other duties of any of EVRAZ plc's directors, executive officers or senior managers.

Certain members of the Board of Directors and of senior management have beneficial interests in shares of EVRAZ plc (see "*Principal Shareholders*").

THE ISSUER

Set out below is a summary of certain information concerning the Issuer, including provisions of the articles of incorporation of the Issuer, as amended (the "**Articles**"). This information is not exhaustive and reference should be made to the Articles and to the laws of Luxembourg.

General

The Issuer was incorporated under the laws of the Grand Duchy of Luxembourg on 31 December 2004 as a public limited liability company (*société anonyme*) for an unlimited period. Copies of its constitutional documents were filed for the first time with the Luxembourg Register of Trade and Companies of Luxembourg on 26 January 2005 and were published in the Mémorial C Recueil des Sociétés et Associations, No. 440, dated 12 May 2005. The registered office of the Issuer is located at 46A, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, and its telephone number is +352 24 14 33 1. The Issuer is registered with the Register of Trade and Companies of Luxembourg under number B105615. Since the Issuer's incorporation, the Articles have been amended several times by general meetings of the Issuer's shareholders with the last amendments made on 14 June 2012.

The Issuer owns its principal assets either directly (with respect to its non-Russian assets) or indirectly through its wholly owned subsidiary Mastercroft Limited (with respect to assets located in Russia).

Objects

The Issuer generally may engage in any business or activity which, in the judgement of the Board of Directors, is profitable or enhances the value of the Issuer's undertakings in any of its properties or assets and which is consistent with the objects as set forth in Article 4 of the Articles.

This Article 4 is set out in full below:

"The company shall have as its business purpose the holding of participations, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, entering into leases, including financial leases, dealing in commodities that are not securities, acquisition of assets generally, selling assets generally, giving security, giving and receiving indemnities and security.

The company may participate in the establishment and development of any financial, industrial or commercial enterprises, including the trusts and unincorporated associations, and may render any assistance by way of loans, guarantees, security or otherwise to subsidiaries, affiliated companies or parent companies. The company may borrow in any form and proceed to the issuance of bonds.

The company may carry on any business or activity whatsoever which may seem to the Board of Directors capable of being advantageously carried on in connection or in conjunction with or as ancillary to any of the foregoing or activities which the Board of Directors may consider expedient with a view to rendering profitable or enhancing directly or indirectly the value of the company's undertaking in any of its properties or assets.

In general, it may take any controlling and supervisory measures and carry out any operation which it may deem useful in the accomplishment and development of its purpose".

TERMS AND CONDITIONS

The U.S.$1,000,000,000 6.50% Notes due 2020 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes) of Evraz Group S.A. (the "**Issuer**") are constituted by a Trust Deed dated 22 April 2013 as may be amended or supplemented from time to time in accordance with the terms thereof (the "**Trust Deed**") made between the Issuer, and BNY Mellon Corporate Trustee Services Limited (the *Trustee*, which expression shall include its successor(s)) as trustee for the holders of the Notes (the "**Noteholders**").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Paying Agency Agreement dated 22 April 2013 (the "**Agency Agreement**") made between the Issuer, The Bank of New York Mellon, London Branch as Principal Paying Agent (the "**Principal Paying Agent**"), The Bank of New York Mellon (Luxembourg) S.A. as Registrar (the "**Registrar**") and the Transfer Agent and the Paying Agent, The Bank of New York Mellon, New York branch as the U.S. Paying Agent (and together with the Principal Paying Agent, the "**Paying Agents**") named therein and the Trustee are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the Issue Date at BNY Mellon Corporate Trustee Services Limited, One Canada Square, London E14 5AL, United Kingdom and at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, and are bound by, the Trust Deed and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Capitalised terms not defined in these Conditions shall have the meanings given to them in the Trust Deed.

The Conditions are modified by certain provisions contained in the Global Note Certificates. See "Summary of Provisions Relating to the Notes while in Global Form ".

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in registered form in the denomination of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof, without coupons attached. An individual note certificate (each an "**Individual Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Note and each Individual Certificate will have an identifying number which will be recorded on the relevant Individual Certificate and in the Register (as defined in Condition 3.1).

Individual Certificates issued with respect to Rule 144A Notes ("**Rule 144A Individual Certificates**") will bear the Securities Act Legend (as defined in the Trust Deed), unless determined otherwise in accordance with the provisions of the Agency Agreement by reference to applicable law. Individual Certificates issued with respect to the Regulation S Notes ("**Regulation S Individual Certificates**") will not bear the Securities Act Legend.

Upon issue, the Rule 144A Notes will be represented by a restricted note certificate (the "**Rule 144A Global Note Certificate**") and the Regulation S Notes will be represented by the unrestricted global certificate (the "**Regulation S Global Note Certificate**" and, together with the Rule 144A Global Note Certificate, the "**Global Note Certificates**"). The Rule 144A Global Note Certificate will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**") and the Regulation S Global Note Certificate will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee of The Bank of New York Mellon, London Branch as the common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

Except in the limited circumstances described in the Global Note Certificates, owners of interests in Notes represented by the Global Note Certificates will not be entitled to receive physical delivery of Individual Certificates in definitive form in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

1.2 Title

Title to the Notes passes only by transfer and registration in the Register and the Issuer's Register (each as defined in Condition 3.1). The holder of any Note will (except as otherwise required by law or as ordered by a

court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or the theft or loss of, the Individual Certificate (if any) issued in respect of it or anything written on it or on the relevant Individual Certificate) and no person will be liable for so treating the holder. In these Conditions, **Noteholder** and (in relation to a Note) **holder** mean the person in whose name a Note is registered in the Register.

2. STATUS OF THE NOTES

The Notes are direct, unconditional and unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. TRANSFER OF NOTES

3.1 The Register

The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement with an up-to-date copy to be kept with the Issuer at its registered office (the "**Issuer's Register**"). Under the terms of the Agency Agreement, the Registrar will, as soon as practicable, provide to the Issuer after each change to the Register an up-to-date copy of the Register to be maintained at the Issuer's registered office. In case of inconsistency between the Register and the Issuer's Register, the Issuer's Register shall prevail. Each Noteholder shall be entitled to receive only one Individual Certificate in respect of its entire holding.

3.2 Transfers

Subject to the terms of the Agency Agreement and to Conditions 3.5 and 3.6, a Note may be transferred by delivering the Individual Certificate issued in respect of it, with the form of transfer on the back duly completed and signed, to the specified office of the Registrar or any of the Transfer Agents. No transfer of a Note will be valid unless and until entered on the Register and the Issuer's Register.

Transfers of interests in the Notes evidenced by the Global Note Certificates will be effected in accordance with the Agency Agreement and rules of the relevant clearing systems.

Upon the transfer, exchange or replacement of a Rule 144A Note, a Transfer Agent will only deliver Individual Certificates with respect to Rule 144A Notes that bear the Securities Act Legend unless there is delivered to such Transfer Agent such satisfactory evidence, which may include an opinion of legal counsel, as may be reasonably required by the Issuer, that neither the Securities Act Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the U.S. Securities Act of 1933, as amended (the "**Securities Act**").

An interest in Notes represented by the Regulation S Global Note Certificate may be transferred to a person within the United States subject to the Agency Agreement and any applicable transfer restrictions under the Securities Act.

Interests in Notes represented by the Rule 144A Global Note Certificate may be transferred to a person who wishes to take delivery of any such interest in the form of an interest in Notes represented by the Regulation S Global Note Certificate only if a Transfer Agent receives a written certificate from the transferor (in the form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Interests in Notes represented by the Regulation S Global Note Certificate may be transferred to a person who wishes to take delivery of any such interest in the form of an interest in Notes represented by the Rule 144A Global Note Certificate only if a Transfer Agent receives a written certificate from the transferor (in the form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Rule 144A and the Securities Act Legend.

Transfers of Notes are also subject to the restrictions described under "Subscription and Sale" and "Transfer Restrictions" below.

3.3 Delivery of new Individual Certificates

Each new Individual Certificate to be issued on transfer of a Note or Notes will, within five business days of receipt by the Registrar or relevant Transfer Agent of the duly completed and signed form of transfer, be made available for collection at the specified office of the Registrar or relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Notes being transferred (free of charge to the holder), to the address specified in the form of transfer.

Except in the limited circumstances described in "Summary of Provisions relating to the Notes while in Global Form", owners of interests in Notes represented by the Global Note Certificates will not be entitled to receive physical delivery of Individual Certificates. Issues of Individual Certificates upon transfers of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and, in the case of Rule 144A Notes, compliance with the Securities Act Legend.

Where some but not all the Notes in respect of which an Individual Certificate is issued are to be transferred or redeemed, a new Certificate in respect of the Notes not so transferred or redeemed, will, within five business days of delivery or surrender of the original Individual Certificate to the relevant Transfer Agent or Registrar, be made available for collection at the specified office of the relevant Agent or, if so requested by the holder, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred or redeemed (free of charge to the holder), to the address of such holder appearing on the Register.

In this Condition 3, **business day** means a day (other than a Saturday or a Sunday) on which banks are open for business in the city in which the specified office of the Registrar and the relevant Transfer Agent to which the Individual Certificate in respect of the Notes to be transferred or relevant form of transfer is delivered is situated.

3.4 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any of the Transfer Agents, but only upon the person making such application for transfer paying or procuring the payment (or the giving of such indemnity as the Issuer or any of the Transfer Agents may require) of any tax, duty or other governmental charges which may be imposed in relation to such transfer.

3.5 Closed periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on (and including) the due date for any payment of principal of that Note or seven days ending on (and including) any Interest Record Date (as defined in Condition 6.1).

3.6 Regulations

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes exhibited in the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder upon request.

3.7 Designation of the Parent as Holdco

Provided there has been no Issuer Substitution pursuant to Condition 3.8, at any time, the Issuer may, without the consent of the Trustee or the Noteholders, by notice in accordance with Condition 13, elect that with immediate effect, for the purposes of the Conditions, the Parent be designated as Holdco (the "**Designation**") provided that the Parent fully and unconditionally guarantees (the "**Parent Guarantee**") the obligations of the Issuer and any Subsidiary Guarantor (if any) under the Notes and the Trust Deed and all amounts due under or in connection therewith in a deed supplemental to the Trust Deed in a form reasonably satisfactory to the Trustee (the "**Parent Deed of Guarantee**") pursuant to which the obligations of the Parent constitute direct,

unconditional and unsecured obligations of the Parent ranking at least equally with all other outstanding unsecured and unsubordinated obligations of the Parent, present and future. The date on which the Designation takes effect shall be the **Designation Date**.

Designation shall also be conditional on the following as at the time of Designation:

(a) substantially all of the issued share capital of the Issuer is owned directly or indirectly by the Parent;

(b) the Parent has no assets other than (i) cash, cash equivalents (including marketable securities) and investments in the Issuer and the Issuer's Subsidiaries (including shareholdings in, loans and advances to and dividends and lease payments receivable from, the Issuer or its Subsidiaries) and (ii) other assets with a book value not to exceed 10% of the Parent's total consolidated assets;

(c) the Parent's consolidated Indebtedness, other than Indebtedness that (i) is guaranteed by the Issuer or any Subsidiary of the Issuer, (ii) is Indebtedness of the Issuer or any Subsidiary of the Issuer or (iii) otherwise appears on the Issuer's consolidated balance sheet, does not exceed 10% of the Parent's total consolidated Indebtedness;

(d) the most recent consolidated financial statements of the Parent are prepared in accordance with IFRS consistently applied in substantially the same manner as applied to the most recent consolidated financial statements of the Issuer;

(e) immediately after giving effect to the Designation (and treating any Liens on any property or assets of the Parent as having been incurred by Holdco at the time of the Designation), no Potential Event of Default or Event of Default shall be continuing and a certificate as provided for in Clause 12(g) of the Trust Deed is delivered to the Trustee;

(f) as at the Designation Date, either (i) Parent would have been able to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 4.2(a) after giving pro forma effect to the Designation or (ii) the Leverage Ratio of Parent would be no worse after giving pro forma effect to the Designation than that of the Issuer;

(g) the Issuer delivers to the Trustee an opinion of counsel or of a tax adviser in a form and substance reasonably satisfactory to the Trustee, to the effect that the Noteholders in each of the Relevant Jurisdictions will not recognise income, gain or loss for tax purposes as a result of the Designation and that the Parent, were the Parent Guarantee called, would not be required to pay any additional amounts as provided or referred to in Condition 8 in circumstances other than where the payment of such amounts would otherwise be required by applicable law as at the Issue Date; and

(h) the Issuer delivers to the Trustee such legal opinion(s) that the Trustee may require as to the validity and enforceability of the Parent Guarantee, each in a form reasonably acceptable to the Trustee.

3.8 Substitution of Issuer

The Issuer (for the purposes of this Condition 3.8, the "**Original Issuer**") may, without the consent of the Noteholders, elect, by notice in accordance with Condition 13, that with immediate effect, the Parent be designated as Issuer (the Parent in such capacity for the purposes of this Condition 3.8, the "**New Issuer**") for the purposes of these Conditions, the Notes, the Trust Deed and the Agency Agreement (the "**Issuer Substitution**"). The Trustee and the Paying Agents shall enter into a deed supplemental to the Trust Deed and an agreement supplemental to the Agency Agreement, respectively, with the Original Issuer and the New Issuer in order to give effect to the Issuer Substitution, provided that:

(a) either:

(i) the Original Issuer shall fully and unconditionally guarantee (the "**Original Issuer Guarantee**") the obligations of the New Issuer and any Subsidiary Guarantor (if any) under the Notes and the Trust Deed and all amounts due under or in connection therewith in a form

reasonably satisfactory to the Trustee pursuant to which the obligations of the Original Issuer constitute direct, unconditional and unsecured obligations ranking at least equally with all other outstanding unsecured and unsubordinated obligations of the Original Issuer, present and future; or

(ii) immediately after the Issuer Substitution Date or any date on which an election is made pursuant to the last paragraph of this Condition, Aggregate Subsidiary Indebtedness (where for the purposes of such definition and for the avoidance of doubt, "Holdco" shall mean the Parent) does not exceed the Subsidiary Indebtedness Threshold after giving pro forma effect to the Issuer Substitution and any other similar and simultaneous obligor substitution relating to any other Indebtedness of the Group;

(b) the Directors of the New Issuer certify to the Trustee that:

(i) immediately after the Issuer Substitution Date, in connection with an Issuer Substitution pursuant to Condition 3.8(a)(ii), substantially all of the issued share capital of the Original Issuer is owned directly or indirectly by the New Issuer;

(ii) the most recent consolidated financial statements of the New Issuer are prepared in accordance with IFRS consistently applied in substantially the same manner as applied to the most recent consolidated financial statements of the Original Issuer;

(iii) immediately after giving effect to the Issuer Substitution (and treating any Liens on any property or assets of the New Issuer as having been incurred by Holdco at the time of the Issuer Substitution), no Potential Event of Default or Event of Default shall be continuing; and

(iv) as at the Issuer Substitution Date, (i) the New Issuer would have been able to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 4.2(a) after giving pro forma effect to the Issuer Substitution or (ii) the Leverage Ratio of the New Issuer would be no worse after giving pro forma effect to the Issuer Substitution than that of the Original Issuer.

(c) the Original Issuer delivers to the Trustee such legal opinion(s) as the Trustee may require as to the validity and enforceability of the Original Issuer Guarantee (in the case where Condition (a)(i) above applies only); and

(d) the Original Issuer delivers to the Trustee an opinion of counsel and/or of a tax adviser as requested and in a form and substance reasonably satisfactory to the Trustee, to the effect that the Noteholders in the jurisdictions of the Original Issuer and the New Issuer will not recognise income, gain or loss for tax purposes as a result of the Issuer Substitution and that the Original Issuer, were the Original Issuer Guarantee called, would not be required to pay any additional amounts as provided or referred to in Condition 8 in circumstances other than where the payment of such amounts would otherwise be required by applicable law as at the Issue Date.

The date on which the Issuer Substitution takes effect shall be the **Issuer Substitution Date**.

If an Issuer Substitution has been effected in reliance upon Condition 3.8(a)(i) and at any later date the requirements of Condition 3.8(a)(ii) can be satisfied, the New Issuer may, at its option, elect, by notice in accordance with Condition 13, with immediate effect, to deem the basis of the Issuer Substitution to have been pursuant to Condition 3.8(a)(ii) and two Directors of the New Issuer shall certify the same to the Trustee. The Trustee shall be entitled to rely on the certificate as sufficient evidence of the satisfaction of the requirements of Condition 3.8(a)(ii) in which event it will be conclusive and binding on the Noteholders. The Trustee shall, at the request and cost of the New Issuer, enter into such documents as are reasonably necessary to release the Original Issuer Guarantee. The date of any such election by the New Issuer shall constitute a new Issuer Substitution Date for the purposes of the definition of Rating Downgrade.

4. COVENANTS

For so long as any Note remains outstanding (as defined in the Trust Deed) Holdco and (to the extent applicable) any Obligor undertakes to comply with each of the following covenants:

4.1 Limitation on Liens

Holdco will not, and will not permit any of the Obligor(s), directly or indirectly, to create, incur, assume or suffer to exist any Lien (the "**Initial Lien**"), other than a Permitted Lien, on any of its property or assets, now owned or hereafter acquired, or any revenues, income or profits therefrom, securing any Indebtedness unless, at the same time or prior thereto, the liability of the Issuer or Guarantor(s) (if any), as the case may be, under the Notes and the Trust Deed or, as the case may be, under any Deed of Guarantee (if any) (a) is secured equally and rateably therewith to the satisfaction of the Trustee or (b) has the benefit of such other security or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or (c) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

Any Lien created for the benefit of the Noteholders pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien or (ii) the full, final and irrevocable payment of all amounts payable by the Issuer and the Guarantor(s) (if any) under the Notes, these Conditions, the Trust Deed and the Deeds of Guarantee(s) (if any).

4.2 Financial Covenants

(a) Except as provided in Conditions 4.2(b) and 4.2(c), Holdco shall not, and shall not permit any of its Subsidiaries to, incur any Indebtedness, except that if (i) no Potential Event of Default nor Event of Default as defined in Condition 10.1 shall have occurred and be continuing at the time, or would occur as a consequence, of the incurrence of such Indebtedness (provided that for the purposes of this Condition 4.2 no Potential Event of Default with respect to an Event of Default falling within Condition 10.1(c)(i) shall be deemed to have occurred unless and until the expiry of the period of 30 days referred to therein) and (ii) the Leverage Ratio is 3.5:1 or lower:

(i) the Issuer, the Guarantor(s) (if any) or a Finance Subsidiary may incur Indebtedness; and

(ii) any Subsidiary of Holdco (other than the Issuer, the Guarantor(s) or a Finance Subsidiary) may incur Indebtedness if Aggregate Subsidiary Indebtedness does not exceed the Subsidiary Indebtedness Threshold; and

(iii) a Subsidiary of Holdco may incur Indebtedness (the "**Subsidiary Indebtedness**") if, within 90 days after such incurrence, such Subsidiary fully and unconditionally guarantees (each, a "**Subsidiary Guarantee**" and collectively the "**Subsidiary Guarantee(s)**", and each such Subsidiary of Holdco, a "**Subsidiary Guarantor**" and collectively the "**Subsidiary Guarantors**") and together with the Parent following the Designation pursuant to Condition 3.7, or together with the Original Issuer, if the Original Issuer Guarantee is applicable following the Issuer Substitution pursuant to Condition 3.8(a)(i) the "**Guarantors**")) the obligations of the Issuer and each other Guarantor under the Notes and the Trust Deed and all amounts due under or in connection therewith in a deed supplemental to the Trust Deed the form of which must be satisfactory to the Trustee (each a "**Subsidiary Deed of Guarantee**") pursuant to which the obligations of the Subsidiary Guarantor constitute direct, unconditional and unsecured obligations of the Subsidiary Guarantor ranking at least pari passu with the Subsidiary Indebtedness.

(b) Condition 4.2(a) shall not, however, prohibit the incurrence by Holdco or any Subsidiary of Holdco of Acquired Indebtedness, provided that after giving pro forma effect to such acquisition or other transaction, (i) Holdco would have been able to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 4.2(a) or (ii) the Leverage Ratio would be less than it was immediately prior to giving effect to such acquisition or other transaction.

(c) At any time when the Leverage Ratio is greater than 3.5:1, Holdco and its Subsidiaries may only incur additional Indebtedness if it is permitted under Condition 4.2(b) or if it is Permitted Indebtedness.

4.3 Transactions with Affiliates

Holdco will not, and will not cause or permit any of its Material Subsidiaries to, directly or indirectly, enter into or make or amend any transaction or series of related transactions involving an aggregate value in excess of U.S.$50 million or its U.S. Dollar Equivalent (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of Holdco or any of its Subsidiaries unless such transaction or series of related transactions is entered into in good faith and in writing and:

(a) such transaction or series of related transactions is on terms that are no less favourable to Holdco or the relevant Material Subsidiary, as the case may be, than those that would be available in a comparable transaction in arm's length dealings with an unrelated third party; and

(b) such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the Relevant Board or in the event there is only one Disinterested Director of the Relevant Board, by such Disinterested Director,

provided, however, that this provision shall not apply to:

(i) any employment agreement, collective bargaining agreement or employee benefit arrangements with any officer or director of Holdco or any Material Subsidiary, including under any stock option or stock incentive plans;

(ii) payment of customary fees and compensation to employees, officers, directors, consultants or agents;

(iii) transactions between or among Holdco and its Subsidiaries;

(iv) transactions undertaken pursuant to contractual obligations or rights of the Issuer or its Subsidiaries in existence on the Issue Date (as in effect on the Issue Date), or any amendment thereto after the Issue Date (so long as such amendment is not disadvantageous to the Noteholders in any material respect in the reasonable opinion of the Relevant Board);

(v) transactions with customers, clients, suppliers, purchasers or sellers of goods or services, in each case, in the ordinary course of business and otherwise in compliance with the terms of these Conditions which are on terms at least as favourable to Holdco or the relevant Material Subsidiary, as the case may be, as might reasonably be obtained at such time from an unrelated third party;

(vi) sales of Capital Stock (other than Disqualified Capital Stock) of Holdco or the incurrence of Subordinated Shareholder Funding;

(vii) sales or other transfers or dispositions of accounts receivables and other related assets customarily transferred in a Qualified Securitisation Transaction, and acquisitions of Investments in connection with a Qualified Securitisation Transaction;

(viii) to the extent otherwise permitted pursuant to these Conditions, the payment of a dividend by Holdco or its Subsidiaries; and

(ix) to the extent otherwise permitted pursuant to these Conditions, the repurchase by Holdco or a Subsidiary of its Capital Stock pursuant to an offer that is made to all holders of such Capital Stock.

4.4 Asset Sales

Holdco will not, and will not permit any of its Material Subsidiaries and any Subsidiary Guarantor(s) (if any) to, consummate any Asset Sale, unless the proceeds received by Holdco or such Material Subsidiary or Subsidiary

Guarantor, as the case may be, are at least equal to the Fair Market Value of the assets sold or disposed of and an amount equal to such proceeds (less any costs incurred in relation to such Asset Sale) (*Disposal Proceeds*) is:

(a) applied to repay permanently any Consolidated Indebtedness (other than Indebtedness subordinated to the Notes and/or the Guarantee(s) (if any));

(b) invested in assets of a nature or type that is used or usable in the ordinary course of business of Holdco or any of its Subsidiaries, being the Core or Related Business;

(c) retained as cash deposited with a bank or invested in Cash Equivalents; and/or

(d) applied to finance the acquisition, merger, reorganisation or other combination of a business of the Group with the business of a Person whose business is similar to the Core or Related Business,

in each case within 360 days of the date when such proceeds are received; provided that if the Disposal Proceeds are applied pursuant to paragraph (c), Holdco, such Material Subsidiary, or any such Subsidiary Guarantor(s) (if any) as the case may be, shall apply or invest the Disposal Proceeds on or prior to the date falling 540 days after the date when such proceeds are received either to (i) repay permanently any Consolidated Indebtedness (other than Indebtedness subordinated to the Notes and/or the Guarantee(s) (if any)), (ii) invest in assets of a nature or type that is used or usable in the ordinary course of business of Holdco or any of its Subsidiaries, being the Core or Related Business or (iii) applied to finance the acquisition, merger, reorganisation or other combination of a business of the Group with the business of a Person whose business is similar to the Core or Related Business.

4.5 Mergers and Similar Transactions

(a) Subject to Conditions 4.5(b) and 4.5(c), Holdco will not, and will not permit any of its Material Subsidiaries and any Subsidiary Guarantor(s) (if any) to, in each case without the prior written consent of the Trustee (which consent may only be given by the Trustee if it is of the opinion that to do so will not be materially prejudicial to the interests of the Noteholders) or if approved by an Extraordinary Resolution (as defined in the Trust Deed):

(i) in the case of the Issuer or the Guarantor(s) (if any) (A) enter into any reorganisation (by way of a merger, accession, division, separation, transformation or other basis or procedure for reorganisation contemplated or as may be contemplated from time to time by Luxembourg legislation or, in the case of any Guarantor incorporated otherwise than in Luxembourg, such legislation as may be in force in the jurisdiction of such Guarantor (each such jurisdiction, a "**Guarantor Jurisdiction**")), (B) sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets to any Person or (C) permit any Person to merge with or into the Issuer or the Guarantor(s) (if any);

(ii) in the case of any of the Material Subsidiaries of Holdco (other than the Issuer or the Subsidiary Guarantor(s) (if any), (A) enter into any reorganisation (by way of a merger, accession, division, separation, transformation or other basis or procedure for reorganisation contemplated or as may be contemplated from time to time by the relevant applicable legislation) or (B) sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets.

(b) Condition 4.5(a) shall not apply if:

(i) Holdco or the Obligor(s) (if any) shall be the continuing Person, or the Person (if other than Holdco or the Obligor(s)(if any)) into which Holdco or an Obligor(if any) is merged or that acquired or leased such property and assets of Holdco or the Obligor(s) (if any) (the *Surviving Entity*) shall (A) be a company organised and validly existing under the laws of Luxembourg, any Guarantor Jurisdiction, Russia or a member of the European Union (as the European Union is constituted on the Issue Date), (B) expressly assume, by amendment to these Conditions, the Trust Deed and the Agency Agreement as the Trustee shall deem necessary, executed and delivered by such continuing Person to the Trustee, in a form and substance satisfactory to the Trustee, the due and punctual payment of the principal of and interest and any additional amounts under the Notes and the due and punctual performance and observance of all the covenants, conditions and other obligations of Holdco or the Obligor(s) (if any), as the case may be, in respect of the Trust Deed, the Notes and the Agency Agreement and a Guarantee

(if any) (C) deliver to the Trustee an opinion of counsel with respect to such amendment to these Conditions, the Parent Deed of Guarantee (if any), the Subsidiary Deed of Guarantee (if any), the Trust Deed and the Agency Agreement as the Trustee shall deem necessary in a form and substance satisfactory to the Trustee;

(ii) immediately before and after giving effect to such transaction or series of transactions on a pro forma basis (and treating any Indebtedness which becomes, or is anticipated to become, an obligation of Holdco or the other Obligor(s) (if any), as the case may be, or the Surviving Entity or any Subsidiary thereof as a result of such transaction or series of transactions as having been incurred by Holdco or the Obligor(s) (if any), as the case may be, or the Surviving Entity or such Subsidiary at the time of such transaction or series of transactions), no Potential Event of Default or Event of Default shall have occurred and be continuing and a certificate as provided for in Clause 12(g) of the Trust Deed is delivered to the Trustee;

(iii) Holdco delivers to the Trustee an opinion of counsel or of a tax adviser in a form and substance satisfactory to the Trustee, to the effect that the Noteholders in each of the Relevant Jurisdictions will not recognise income, gain or loss for tax purposes as a result of the merger or sale of assets and such Noteholders would, after the merger or sale of assets, be subject to taxes on the same amount and in the same manner and at the same times as would have been the case if such merger or sale of assets had not occurred; and

(iv) the Person (if other than Holdco or the Obligor (s) (if any)) principally undertakes, in its ordinary course of business prior to the merger, acquisition or lease, as the case may be, a Core or Related Business.

(c) Condition 4.5(a) shall not apply to any transactions between any of the Subsidiaries of Holdco (other than the Obligor (s) (if any)) that do not involve any Person that is not a Subsidiary of Holdco.

4.6 Maintenance of Authorisations

(a) Holdco shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary, in the opinion of Holdco or the relevant Material Subsidiary, to ensure the continuance of its corporate existence, its business and intellectual property relating to its business; and

(b) Holdco and the Obligor(s) (if any) shall obtain or make, and procure the continuance or maintenance of, all registrations, recordings, filings, consents, licences, approvals and authorisations, which may at any time be required to be obtained or made in Russia, Luxembourg, any Guarantor Jurisdiction or any other relevant jurisdiction for the purposes of the execution, delivery or performance of the Notes and the Trust Deed and for the validity and enforceability thereof,

provided that, in any case if Holdco, the Obligor(s) (if any) or, as the case may be, the relevant Material Subsidiary remedies any failure to comply with paragraphs (a) and (b) above within 90 days of such failure or of the occurrence of such event, then this covenant shall be deemed not to have been breached.

4.7 Maintenance of Property

Holdco shall, and shall cause each of its Material Subsidiaries to, cause all property used in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements and improvements thereof, all as, in the judgment of Holdco or the relevant Material Subsidiary, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times; provided that if Holdco or the relevant Material Subsidiary remedies any failure to comply with the above within 90 days of such failure or any failure relates to property with a value not exceeding U.S.$250,000,000 (or its U.S. Dollar Equivalent), this covenant shall be deemed not to have been breached.

4.8 Payment of Taxes and Other Claims

Holdco shall, and shall cause each of its Material Subsidiaries to, pay or discharge, or cause to be paid and discharged, before the same shall become overdue and without incurring penalties, (a) all taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of any of Holdco or its Material Subsidiaries and (b) all lawful claims for labour, materials and supplies which, if unpaid, might by law become a Lien (other than a Permitted Lien) upon the property of any of Holdco or its Material Subsidiaries; provided that none of Holdco or its Material Subsidiaries shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim described in this Condition 4.8 whose (i) amount, applicability or validity is being contested in good faith by appropriate proceedings (or has been the subject of such proceedings which have, within the then preceding 30 days, resulted in a final, non-appealable determination of liability in a definitively ascertained amount) and for which adequate reserves in accordance with IFRS as consistently applied or other appropriate provision has been made or (ii) amount, together with all such other unpaid or undischarged taxes, assessments, charges and claims, does not in the aggregate exceed U.S.$ 100,000,000 (or its U.S. Dollar Equivalent).

4.9 Insurance

Holdco shall procure that each of its Material Subsidiaries shall obtain and maintain insurance with an insurer or insurers of sufficient standing (in the reasonable judgment of the relevant Material Subsidiary) against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged in the jurisdiction(s) where it operates; provided, that if Holdco remedies any failure to comply with the above within 365 days of such failure or if such potential losses or risks (which may be assessed by reference to the actual risks and losses borne by the relevant Material Subsidiary over the preceding three years) do not exceed U.S.$250,000,000 (or its U.S. Dollar Equivalent), this covenant shall be deemed not to have been breached, provided that this Condition 4.9 shall not require Holdco to procure the obtaining or maintenance of any such insurance with respect to any of Holdco's Subsidiaries that is or are primarily engaged in the mining, extraction or refining of coal or coal products.

4.10 Financial Information

Holdco undertakes that it shall deliver to the Trustee:

(a) its audited annual consolidated financial statements, prepared in accordance with IFRS consistently applied with the corresponding financial statements for the preceding period, within 180 days of the end of the financial year to which such statements relate;

(b) its reviewed semi-annual consolidated financial statements, prepared in accordance with IFRS consistently applied with the corresponding financial statements for the preceding period, within 150 days of the end of the period to which such statements relate; and

(c) its other interim consolidated financial statements (if Holdco elects in its sole discretion to prepare any such other interim consolidated financial statements), prepared in accordance with IFRS consistently applied with the corresponding financial statements for the preceding period, within 150 days of the end of the period to which such statements relate,

in each case together with a certificate signed by one director and one officer appointed and authorised in writing by the Board of Directors of Holdco or, following Issuer Substitution, two authorised signatories of Holdco, in each case on terms satisfactory to the Trustee or two directors of Holdco stating that since the date of the last certificate or, if none, the Issue Date, each of Holdco and the Obligor (s) (if any), to the best of the signing individual's knowledge, has kept, observed, performed and fulfilled its obligations under, and complied with, these Conditions and the Trust Deed and is not in default and that there has not been an Event of Default or Potential Event of Default (or, if an Event of Default or Potential Event of Default shall have occurred, describing all such Events of Default or Potential Events of Default of which he may have knowledge).

4.11 Change of Business

Holdco shall not, and shall not permit any of its Material Subsidiaries to, conduct, operate, engage in or own any business other than the Core or Related Business of the Group.

4.12 Dividend and Other Payments By or Affecting Material Subsidiaries

(a) Holdco shall not, and shall not permit any of its Material Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction (which, for the avoidance of doubt, shall not include any encumbrance or restriction existing under or arising by reason of applicable law or regulation) on the ability of any such Material Subsidiary to:

(i) pay dividends or make any other distributions on its Equity Interests to Holdco or any of Holdco's Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits;

(ii) make any payments in respect of any Indebtedness owed to Holdco or any of Holdco's Subsidiaries;

(iii) make loans or advances to Holdco or any of Holdco's Subsidiaries; or

(iv) transfer any of its properties or assets to Holdco or any of Holdco's Subsidiaries.

However, the preceding restrictions shall not apply to encumbrances or restrictions existing under or by reason of:

(A) any encumbrance or restriction originally entered into by the Issuer or a Subsidiary of the Issuer prior to (and as in effect on) the Issue Date;

(B) these Conditions;

(C) encumbrances and restrictions imposed by the Notes, these Conditions, the Guarantee(s) (if any) or by other instruments governing other Indebtedness incurred by Holdco or any of Holdco's Subsidiaries (and if such Indebtedness is guaranteed, by the guarantors of such Indebtedness) ranking equally with the Notes (or the Guarantee(s) (if any)), provided that the encumbrances or restrictions imposed by such other instruments are not materially more restrictive, taken as a whole, than the restrictions imposed by these Conditions;

(D) encumbrances and restrictions contained in any agreement or other instrument of any Person acquired by Holdco or any Material Subsidiary of Holdco in effect at the time of such acquisition (but not created in contemplation thereof) which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(E) any encumbrance or restriction contained in the terms of any Indebtedness incurred pursuant to Condition 4.2 or any guarantees thereof or liens related thereto, provided that Holdco determines at the time any such Indebtedness is incurred (and at the time of any modification of the terms of any such encumbrance or restriction) that any such encumbrance or restriction will not materially affect Holdco's ability to comply, or cause its Material Subsidiaries to comply, with Condition 4.12(b) (as determined by Holdco in good faith), and further provided that the encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings or agreements (as determined by Holdco in good faith);

(F) customary non-assignment provisions in leases and other contracts for goods and services entered into in the ordinary course of business;

(G) any agreement for the sale or other disposition of a Material Subsidiary or any assets of Holdco or a Material Subsidiary that restricts distributions of that Material Subsidiary or such assets pending such sale or other disposition;

(H) customary limitations on the distribution of assets or property in joint venture agreements entered into in good faith, provided that such encumbrance or restriction is applicable only to such Material Subsidiary, and provided further that:

I. such encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable agreements (as determined by Holdco's Board of Directors in good faith); and

II. such encumbrance or restriction will not affect Holdco's ability to make any anticipated principal or interest payments on the Notes and the Guarantee, as applicable (as determined by Holdco's Board of Directors in good faith);

(I) solely with respect to paragraph (iv) above, Permitted Liens securing Indebtedness that limit the right of a debtor to dispose of the assets subject to such Liens;

(J) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(K) any encumbrances or restrictions of the type referred to in paragraph (a) of this Condition 4.12 that are imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of contracts, instruments or obligations; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings taken as a whole are, in the good faith judgment of the Board of Directors of Holdco, no more restrictive with respect to such encumbrances and restrictions than those contained in the encumbrances and restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

(b) Holdco shall use its commercially reasonable endeavours, to the extent lawful and in accordance with all required corporate procedures, (i) to procure that the Material Subsidiaries as a group declare and pay total dividends or other distributions on their Equity Interests (including, for the avoidance of doubt, any interim dividends or distributions) amounting in the aggregate to at least 35% of the aggregate annual net income of such Material Subsidiaries as calculated from the Reporting Package in respect of each year ending on 31 December not later than 365 days following the end of such year; provided that nothing in this Condition 4.12(b) shall be interpreted to impose a requirement on any particular Material Subsidiary to make a payment or distribution as described herein and (ii) to the extent such dividends or other distributions are paid in cash and received by a Subsidiary of Holdco other than the Obligor(s) (if any), to cause the portion of such cash dividends or other cash distributions actually received by such Subsidiary to be on-paid, directly or indirectly as the case may be, to Holdco or the Obligor(s) (if any) in accordance with the attributable direct or indirect ownership interest of Holdco or the Obligor(s) (if any) in the Equity Interests of each such payee Subsidiary; provided, that each payment of a dividend or other distribution on its Equity Interests paid by any Subsidiary of Holdco pursuant to this Condition 4.12(b) shall be subject to reduction for payment of any withholding or other dividend related tax or any other similar deduction that is required by applicable law or regulation.

4.13 Covenant Fall-Away

From and after the date on which the Rated Entity has reached Investment Grade Status, Holdco, the Obligor(s) (if any) and the Material Subsidiaries will be released from their obligations to comply with Conditions 4.2 to 4.9 inclusive, 4.11 and 4.12.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 22 April 2013 at the rate of 6.50% per annum, payable semi-annually in arrear in equal instalments on 22 October and 22 April in each year (each an "**Interest Payment Date**"). The first payment shall be made on 22 October 2013.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than six months, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6. PAYMENTS

Payment of interest on the Notes evidenced by the Global Note Certificates will be effected in accordance with the Agency Agreement and rules of the relevant clearing systems.

6.1 Principal and Interest

Payment of principal and interest due other than on an Interest Payment Date, will be made by transfer to the registered account of the Noteholder or by United States dollar cheque drawn on a bank in New York City mailed to the registered address of the Noteholder if it does not have a registered account. Payment of principal will only be made after surrender of the relevant Individual Certificate at the specified office of any of the Paying Agents.

Interest on Notes due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the "**Interest Record Date**"). Payments of interest on each Note will be made by transfer to the registered account of the Noteholder or by United States dollar cheque drawn on a bank in New York City mailed to the registered address of the Noteholder if it does not have a registered account.

6.2 Registered Accounts

For the purposes of this Condition, a Noteholder's registered account means the United States dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second Business Day before the due date for payment, and a Noteholder's registered address means its address appearing on the Register at that time.

6.3 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.

6.4 Payment Initiation

In relation to Individual Certificates, where payment is to be made by transfer to a Noteholder's registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated by wire transfer or cheque and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a Business Day, the first following day which is a Business Day) or, in the case of a payment of principal, if later, on the Business Day on which the relevant Individual Certificate is surrendered at the specified office of a Paying Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Individual

Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

If an amount which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

6.5 Initial Paying Agents, Transfer Agents and Registrar

The names of the initial Paying Agents, Transfer Agents and Registrar and their initial specified offices are set out at the end of these Conditions. The Principal Agent, the Paying Agents, Transfer Agents and Registrar act solely as agents of the Issuer and do not assume any obligations or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agents and Registrars provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) there will at all times be Paying Agents and Transfer Agents having specified offices in at least two major European cities approved by the Trustee which, so long as the Notes are listed on the Irish Stock Exchange, shall include such place as may be required by the rules and regulations of the Irish Stock Exchange or any other relevant authority; and

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent with a specified office in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC, any other European Union Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices of any Paying Agents, Transfer Agents or the Registrar will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed, or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 22 April 2020.

7.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the published application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 22 April 2013, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 or (ii) the Guarantor(s) (if any) would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

(b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor(s) (if any) taking reasonable measures available to it or them (as applicable),

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption. Prior

to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate on terms satisfactory to the Trustee signed by one director and one officer appointed and authorised in writing by the Board of Directors or two directors of the Issuer, or as the case may be, the Guarantor(s) (if any) stating that the requirement referred to in paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer, or as the case may be, the Guarantor(s) (if any) taking reasonable measures available to it or them and an opinion of independent legal advisors of recognised standing and qualified to advise on the law of the jurisdiction subjecting the payments to tax and causing additional amounts to be paid under Condition 8 to the effect that the Issuer or, as the case may be, the Guarantor(s) has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept and rely upon the certificate as sufficient evidence of the satisfaction of condition precedent (b) above and the opinion as sufficient evidence of the satisfaction of condition precedent (a) above, in which event they shall be conclusive and binding on the Noteholders. No such notice of redemption pursuant to this Condition shall be given (i) earlier than 90 days prior to the earliest date on which the Issuer, or as the case may be, the Guarantor(s) (if any) would be obliged to pay such additional amounts were a payment in respect of the Notes then due, or (ii) if the Issuer has already given a notice of redemption as described in Condition 7.6.

7.3 Redemption at Make-Whole

The Issuer may redeem the Notes, in whole or in part, at any time on at least 30 days' but not more than 60 days' notice to Noteholders in accordance with Condition 13, at a redemption price equal to the principal amount of U.S.$200,000 or integral multiples of U.S.$1,000 thereof in each case plus the Applicable Premium as of, plus accrued and unpaid interest to, the redemption date.

7.4 Redemption at the option of Noteholders upon a Rating Downgrade

If, following an Issuer Substitution, a Rating Downgrade occurs, the holder of a Note will have the option to require the Issuer to redeem such Note on the Put Option Settlement Date (as defined below) at 100% of its principal amount together with accrued and unpaid interest (if any) to the Put Option Settlement Date.

Promptly upon the occurrence of any such Rating Downgrade, the Issuer shall give notice thereof (a "**Rating Downgrade Event Notice**") to Noteholders in accordance with Condition 13, specifying (a) that a Rating Downgrade has occurred; (b) details of the Rating Downgrade; (c) the Put Option Period (as defined below); (d) the procedure for exercising the Put Option; and (e) that any Note not properly tendered or not tendered at all prior to the end of the Put Option Period will remain outstanding and continue to accrue interest and additional amounts (if any).

In order to exercise the Put Option, the holder of a Note must deliver, no later than 60 calendar days after the date on which the Rating Downgrade Event Notice is given (**the** "**Put Option Period**"), to the specified office of the Principal Paying Agent, evidence satisfactory to the Principal Paying Agent of such holder's entitlement to such Note and a duly completed put option election notice (a "**Put Option Election Notice**") specifying the principal amount of the Notes in respect of which the Put Option is exercised, in the form obtainable from the Principal Paying Agent. On the Business Day immediately following the end of the Put Option Period, the Principal Paying Agent shall notify the Issuer and the Trustee in writing of the exercise of the Put Option specifying the aggregate principal amount of the Notes to be redeemed in accordance with the Put Option. Provided that the Notes that are the subject of any such Put Option Election Notice have been delivered to the Principal Paying Agent prior to the end of the Put Option Period and the principal Paying Agent has notified the same to the Issuer, then the Issuer shall, as provided in Condition 6, redeem all such Notes on the date falling ten Business Days after the expiration of the Put Option period (the "**Put Option Settlement Date**"). No Put Option Election Notice, once delivered to the Principal Paying Agent in accordance with this Condition 7.4, may be withdrawn.

7.5 Purchases

The Parent or any of the Parent's Subsidiaries may at any time purchase Notes in any manner and at any price. If purchases are made by tender, tenders must be available to all Noteholders alike.

7.6 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of Holdco, or any of Holdco's Subsidiaries will forthwith be cancelled and accordingly may not be held, reissued or resold.

7.7 Notices Final

Upon the expiry of any notice as is referred to in Conditions 7.2 or 7.3 above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor(s) (if any) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (*Taxes*) imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor(s) (if any) will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) to, or on behalf of, a holder who is liable to the Taxes in respect of the Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(b) where such withholding or deduction is due because of the application of (i) the Luxembourg law dated 21 June 2005, as amended, implementing the EU Savings Directive (Council Directive 2003/48/EC) and several agreements concluded with certain dependent or associated territories of the European Union as amended from time to time or (ii) the Luxembourg law of 23 December 2005, as amended; or

(c) to, or on behalf of, a holder who would have been able to avoid such withholding or deduction by presenting the relevant Individual Certificate to another Paying Agent in a Member State of the European Union; or

(d) where an Individual Certificate in respect of which is presented for payment of principal more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days.

8.2 Interpretation

In these Conditions:

(a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Note holders by the Issuer in accordance with Condition 13; and

(b) **Relevant Jurisdiction** means Luxembourg or any political subdivision or any authority thereof or therein having the power to tax (in the case of payments by the Issuer) or a Guarantor Jurisdiction or any political subdivision or any authority thereof or therein having the power to tax (in the case of payments by the Guarantor(s) (if any)) or in any case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer (as a result of Issuer Substitution or otherwise) or, as the case may be, any Guarantor (if any) becomes subject in respect of payments made by it of principal and/or interest on the Notes.

8.3 Additional Amounts

Any reference in the Trust Deed, the Notes or these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed or the Notes.

9. PRESCRIPTION

Claims in respect of principal and interest in respect of the Notes will become prescribed unless made within periods of ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes, subject to the provisions of Condition 6.

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor(s) (if any) that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed in any of the following events ("**Events of Default**"):

(a) if default is made in the payment of any interest due in respect of the Notes or any of them and the default shall continue for a period of five Business Days;

(b) if default is made in the payment of any principal due in respect of the Notes or any of them;

(c) (i) if default is made in the performance, or if there is a breach, of any covenant or agreement of the Issuer or the Guarantor(s) (if any) under the Trust Deed (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with in paragraphs (a), (b) or 10.1(c)(ii)) and such default or breach shall continue for a period of 30 days after written notice has been given, by certified mail, (A) to the Issuer and the Guarantor(s) (if any) by the Trustee or (B) to the Issuer, the Guarantor(s) (if any) and the Trustee by holders of at least one-fifth in aggregate principal amount of the outstanding Notes; or

(ii) if default is made in the performance or breach of the provisions described in Condition 4.5;

(d) if any default in the payment of the principal, premium, if any, or interest on any Indebtedness (as extended by any applicable grace period) shall have occurred under any of the agreements, deeds, indentures or instruments under which the Issuer, the Guarantor(s) (if any) or any Material Subsidiary then has outstanding Indebtedness in excess of U.S.$50 million (or its U.S. Dollar Equivalent) in the aggregate;

(e) if the Guarantee(s) (if any) shall for any reason cease to be, or shall for any reason be asserted in writing by the Issuer or the relevant Guarantor(s) not to be, in full force and effect and enforceable in accordance with its terms, except to the extent contemplated by these Conditions and the Trust Deed;

(f) if one or more judgments, orders or decrees of any court or regulatory or administrative agency for the payment of money in excess of U.S.$75 million (or its U.S. Dollar Equivalent), either individually or in aggregate, shall be rendered against the Issuer, the Guarantor(s) (if any) or any Material Subsidiary or any of their respective properties and shall not be discharged and (if applicable) there shall have been a period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal or otherwise, shall not be in effect;

(g) if any holder or holders of at least U.S.$50 million (or its U.S. Dollar Equivalent) in aggregate principal amount of Indebtedness of the Issuer, the Guarantor(s) (if any) or any Material Subsidiary after a default under such Indebtedness notifies the Trustee of the intended sale or disposition of any assets of the Issuer, the Guarantor(s) (if any) or any Material Subsidiary that have been pledged to or for the benefit of such holder or holders to secure such Indebtedness or shall commence proceedings, or take any action (including by way of set-off, distress, execution or other similar process, including appointment of a receiver, administrative receiver, manager or similar officer), to retain in satisfaction of such Indebtedness or to collect on, seize, dispose of or apply in satisfaction of Indebtedness, assets of the Issuer, the Guarantor(s) (if any) or any Material Subsidiary (including funds on deposit or held pursuant to lock-box or other similar arrangements);

(h) if (i) proceedings are initiated against the Issuer, the Guarantor(s) (if any) or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed in relation to the Issuer, the Guarantor(s) (if any) or any Material Subsidiary or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within 14 days; or

(i) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have in the Trustee's sole opinion, an analogous effect to any of the events referred to in paragraphs (d) to (h) above,

provided that, in the case of any Event of Default described in paragraph (c) above, the Trustee has certified that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

For the purpose of determining whether the U.S. Dollar denominated threshold set forth in paragraph (f) above has been reached, the U.S. Dollar Equivalent of any judgment, order or decree of any court or regulatory or administrative agency for the payment of money denominated in another currency shall be calculated.

11. ENFORCEMENT

11.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor(s) (if any) (or any of them) as it may think fit to enforce the provisions of the Trust Deed and the Notes, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Notes unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

11.2 Enforcement by the Noteholders

No Noteholder shall be entitled to proceed directly against the Issuer or the Guarantor(s) (if any) unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

12. REPLACEMENT OF INDIVIDUAL CERTIFICATES

If any Individual Certificate representing a Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the costs and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may

require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Individual Certificates must be surrendered before replacements will be issued.

13. NOTICES

Notices to Noteholders shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of mailing.

So long as the Notes are represented by the Global Note Certificates and the Global Note Certificates are held on behalf of DTC, Euroclear or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream, Luxembourg for communication by it to entitled accountholders in substitution for notification as required by the Conditions, provided that for so long as the Notes are listed and admitted to trading on the Irish Stock Exchange, notices will also be filed at the Companies Announcements Office of the Irish Stock Exchange.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

14.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50% in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (as specified in the Trust Deed), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

14.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

14.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number)

resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor(s) (if any), the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed. For the avoidance of doubt Article 86 to 94-8 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended, are hereby excluded.

14.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification, abrogation, waiver, authorisation or determination shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

15.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

15.2 Trustee Contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor(s) (if any) and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor(s) (if any) and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. FURTHER ISSUES

The Issuer is at liberty, subject to Condition 4.2, from time to time without the consent of the Noteholders to create and issue further notes ranking *pari passu* in all respects (save for the issue price and the first payment of interest thereon) so that the same shall be consolidated and form a single series with the Notes. Any such further notes shall be constituted by a deed supplemental to the Trust Deed.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing Law

The Trust Deed and the Notes and any non-contractual obligations arising out of or in relation to the Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law.

The provisions of articles 86 to 94-8 of the Luxembourg law of 10 August 1915, as amended, on commercial companies are excluded.

17.2 Jurisdiction of English Courts

The Issuer has irrevocably agreed in the Trust Deed for the benefit of the Trustee and the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in

connection with the Trust Deed and the Notes and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has in the Trust Deed waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and the Noteholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed or the Notes respectively (together referred to as *Proceedings*) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of Process Agent

The Issuer has, in the Trust Deed, irrevocably and unconditionally appointed EVRAZ plc at 5th Floor, 6 St. Andrew Street, London EC4A 3AE for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes (or any of them), but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. DEFINITIONS

In these Conditions the following terms have the meaning given to them in this Condition 19.

12-Month Consolidated EBITDA means the aggregate Consolidated EBITDA for the two latest Measurement Periods preceding any date of determination for which consolidated financial statements of the Group are available.

Accounts Regulation means Article 3 of Regulation (EC) No. 1606/2002.

Acquired Indebtedness means Indebtedness of a Person (a) existing at the time such Person becomes a Subsidiary or is merged into or consolidated with Holdco or any Subsidiary of Holdco (b) assumed by such Person in connection with the acquisition of assets by such Person in each case provided that such Indebtedness was not incurred in connection with, or in contemplation of, such Person becoming a Subsidiary or such acquisition, as the case may be. Acquired Indebtedness shall be deemed to be incurred on the date the acquired Person becomes a Subsidiary or the date of the relevant acquisition of assets from any Person.

Affiliate of any specified Person means any other Person, directly or indirectly controlling, controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; provided that beneficial ownership of 20% or more of the Capital Stock with voting power of a Person shall be deemed to be control.

A**gency** means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not).

Aggregate Subsidiary Indebtedness means the aggregate amount of all Indebtedness of Subsidiaries of Holdco (without duplication (and without limiting the generality of the foregoing, calculating as one item of Indebtedness any Indebtedness in respect of which more than one Subsidiary is obligor) and excluding (a) Indebtedness of the Obligor(s) (if any), (b) Indebtedness of any Finance Subsidiary, (c) Indebtedness of any Subsidiary of Holdco incurred pursuant to Condition 4.2(a)(iii), (d) any guarantee by a Subsidiary of Holdco of the Indebtedness of any other Subsidiary of Holdco which is not an Obligor (if any) or a Finance Subsidiary, (e) Indebtedness of a Subsidiary of Holdco owing solely to Holdco or a Subsidiary of Holdco and (f) Indebtedness

of Mastercroft Limited outstanding on the Issue Date, in each case after giving effect on a pro forma basis to the incurrence of the Indebtedness of a Subsidiary of Holdco the permissibility of which is then being measured, the incurrence or repayment of any Indebtedness of Holdco or of the Subsidiaries of Holdco on or after the first day of the Measurement Period relevant for such calculation and, in each case, the receipt and application of the proceeds therefrom.

Applicable Premium means, with respect to a Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of such Note; and

(b) the excess of (i) the present value at such redemption date of the principal amount of the Note at maturity, plus all required interest payments that would otherwise be due to be paid in respect of such Note during the period between the redemption date and 22 April 2020, excluding accrued but unpaid interest at such redemption date, calculated using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points over (ii) the principal amount of such Note at maturity.

Approved Jurisdiction means the United States of America, Russia, Switzerland, Canada, the Republic of South Africa and any member state of the European Union as constituted on the Issue Date.

Asset Acquisition means (a) an Investment by Holdco or any Subsidiary of Holdco in any other Person pursuant to which such Person shall become a Subsidiary of Holdco or shall be consolidated or merged with Holdco or any Subsidiary of Holdco or (b) the acquisition by Holdco or any Subsidiary of Holdco of assets of any Person which constitute all or substantially all of the assets of such Person or which comprise a division or line of business of such Person.

Asset Sale means any lease, sale, sale and lease-back, transfer or other disposition either in one transaction or in a series of related transactions, by Holdco, the Obligor(s) (if any) or any of their respective Subsidiaries to a Person that is not part of the Group, of any Production Assets the value of which exceeds 10% of the total Production Assets of the Group in any 12-month period (determined in each case by reference to the most recently available audited annual financial statements or reviewed interim financial statements of Holdco prepared in accordance with IFRS); provided that "Asset Sale" shall not include sales or other dispositions of inventory or stock in trade in the ordinary course of business or assignments of or other arrangements over the rights or revenues arising from contracts for the sale of steel products at Fair Market Value.

Board of Directors means, as to any Person, the board of directors of such Person or any duly authorised committee thereof.

Business Day means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in both London and New York City.

Capital Lease Obligations means an obligation that is required to be classified and accounted for as a capital or finance lease for financial reporting purposes in accordance with IFRS and the amount of Indebtedness represented by such obligation will be the capitalised amount of such obligation at the time any determination thereof is to be made as determined in conformity with IFRS, and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

Capital Stock means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or nonvoting) of such Person's equity, including any preferred stock of such Person and depositary receipts representing such equity, whether now outstanding or issued after the Issue Date, including without limitation, all series and classes of such Capital Stock but excluding any debt securities convertible into such Capital Stock.

Cash Equivalents means:

(a) any evidence of Indebtedness with a maturity of one year or less issued or directly and fully guaranteed or insured by an Approved Jurisdiction or any Agency or instrumentality thereof; provided that the full faith and credit of an Approved Jurisdiction (or similar concept under the laws of the relevant Approved Jurisdiction) is pledged in support thereof;

(b) commercial paper with a maturity of one year or less issued by a corporation organised under the laws of an Approved Jurisdiction and rated at all times at least the same rating as that of the unsecured, unsubordinated debt obligations of Holdco or the Obligor(s) (if any), whichever is higher, by Standard & Poor's, Moody's or Fitch to the extent that the aggregate amount of Cash Equivalents (as defined in this paragraph (b)) invested by application of Disposal Proceeds does not exceed at any time U.S.$50,000,000 or its U.S. Dollar Equivalent; and

(c) commercial paper with a maturity of one year or less, issued by a corporation organised under the laws of an Approved Jurisdiction, and at all times listed or traded on the Moscow Interbank Currency Exchange to the extent that the aggregate amount of Cash Equivalents (as defined in this paragraph (c)) invested by application of Disposal Proceeds does not exceed at any time U.S.$50,000,000 or its U.S. Dollar Equivalent.

Consolidated Depreciation and Amortisation means the consolidated depreciation and amortisation of fixed assets and intangibles of Holdco as shown in the latest available consolidated cash flow statement of Holdco prepared in accordance with IFRS.

Consolidated EBITDA means the Consolidated Net Income (Loss) for any period, as adjusted by adding back, to the extent deducted in calculating Consolidated Net Income (Loss), without duplication, for such period:

(a) Consolidated Interest Expense;

(b) Consolidated Income Tax Expense;

(c) Consolidated Depreciation and Amortisation,

less any non-cash items increasing (decreasing) Consolidated Net Income (Loss) for that period.

Consolidated Income Tax Expense means in respect of any period the expenses of Holdco in respect of income taxes as shown in the consolidated profit and loss account of Holdco for such period prepared in accordance with IFRS.

Consolidated Indebtedness means at any date of determination (and without duplication) all Indebtedness of Holdco as calculated in accordance with the then most recently available consolidated financial statements of Holdco prepared in accordance with IFRS.

Consolidated Interest Expense means, in relation to any period, the total of the following as calculated in accordance with the consolidated financial statements of Holdco for such period prepared in accordance with IFRS:

(a) cash and non-cash interest expense (net of interest income) for the relevant period (excluding any amortisation of debt issuance costs), including, without limitation dividends accrued in respect of all Disqualified Capital Stock of Holdco (other than dividends payable solely in Capital Stock (other than Disqualified Capital Stock) of Holdco) (in each case, whether or not interest expense in accordance with IFRS);

(b) amortisation of debt discount;

(c) the net costs associated with hedging agreements (including amortisation of fees and discounts);

(d) the interest portion of any deferred payment obligations;

(e) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(f) accrued interest;

(g) interest due and payable under any guarantee, indemnity or equivalent arrangement;

(h) the interest component of any capital lease obligation accrued during the relevant period; and

(i) all capitalised interest of Holdco and its Subsidiaries (including, without limitation and for the avoidance of doubt, the Obligor(s) (if any)) in each case determined on a consolidated basis in accordance with IFRS.

Consolidated Net Income (Loss) means in respect of any period the consolidated net income (loss) of Holdco for such period as shown in the then most recently available consolidated profit and loss account of Holdco prepared in accordance with IFRS adjusted, to the extent included in calculating such net income (loss), by excluding, without duplication:

(a) gains or losses, net of taxes (less all fees and expenses relating thereto), in respect of dispositions of assets other than in the ordinary course of business;

(b) any net foreign exchange gain or loss;

(c) any gain or loss on net monetary position;

(d) any share of the profit or loss of any associated company, associated undertaking or unconsolidated joint venture;

(e) the cumulative effect of changes in accounting principles; and

(f) any extraordinary net of tax gains or losses that are distinguished by their unusual nature and the infrequency of their occurrence.

Consolidated Tangible Assets means, with respect to a Person, the total of all such Person's assets less (a) goodwill, trade names, trademarks, service marks, patents, licences, organisational expenses, research and development expenses, unamortised debt discount and expense, unamortised deferred charges and all other like intangible assets and (b) all write-ups of fixed assets, net of accumulated depreciation thereon, other than any revaluation made in accordance with IFRS, as reflected in the then most recent consolidated balance sheet of such Person and its consolidated Subsidiaries prepared in accordance with IFRS. For purposes of the calculation of Consolidated Tangible Assets, (i) if, during the relevant period contained in the definition of Subsidiary Indebtedness Threshold for which Consolidated Tangible Assets are being calculated, the relevant Person shall have made an Investment in any Subsidiary of Holdco (or any Person which becomes a Subsidiary of Holdco) or an acquisition of assets, including any acquisition of an asset which constitutes all or substantially all of an operating unit of a business, Consolidated Tangible Assets shall be calculated after giving pro forma effect thereto (provided in each case that such Subsidiary of Holdco or acquisition is not yet reflected in the consolidated balance sheet of such Person and its consolidated Subsidiaries) and (ii) negative goodwill shall be assigned a value of zero. For the purposes of this definition, whenever "pro forma effect" is to be given to an Investment of acquisition of assets such determination shall be made in good faith by a responsible financial or accounting officer of Holdco.

Core or Related Business means the business of (a) producing steel and ferrous metal products, (b) investing in property, plant or equipment for the production of steel and ferrous metal products, (c) mining and processing of raw materials and manufacturing equipment for the production of steel and ferrous metal products, (d) conducting business connected with the consumption of steel and ferrous metal products, (e) industrial construction for the production of steel and ferrous metal products, (f) automobile, railway and ship transportation of steel and ferrous metal products in connection with the Group's production of steel and ferrous metal products, including, without limitation, transportation via the Nakhodka Trade Sea Port or (g) evaluating,

participating in or pursuing any other activity or opportunity that is related to those identified in paragraphs (a) to (f) above.

Disinterested Director means, with respect to any transaction or series of related transactions, a member of the Relevant Board, who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. For the avoidance of doubt, a Person shall not be ineligible to constitute a Disinterested Director solely as a result of such Person owning any equity interests of the Issuer or Parent or any of their respective Subsidiaries or acting as an officer, director or employee of the Issuer or Parent or any of their respective Subsidiaries.

Disqualified Capital Stock means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, on or prior to the date that is 91 days after the date on which the Notes mature.

Equity Interests means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

Fair Market Value means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the relevant competent management body of the Issuer, Holdco or Material Subsidiary, as the case may be, or the Relevant Board (including a majority of the Disinterested Directors, if applicable) whose determination shall be conclusive if evidenced by a resolution of such relevant competent management body, or, with respect to any transaction or series of related transactions involving an aggregate value in excess of U.S.$50,000,000 (or its U.S. Dollar Equivalent), the price as determined by an Independent Appraiser.

Finance Subsidiary means a wholly owned Subsidiary of Issuer or a Guarantor (if any), the principal activities of which are the issuance for cash of notes, bonds, debentures, promissory notes and other debt securities and the borrowing of cash pursuant to loans, credit facilities and agreements, notes, certificates and other instruments evidencing Indebtedness and the lending of not less than 85% of the cash proceeds of such issuances and borrowings to the Issuer or such Guarantor, as the case may be.

Fitch means Fitch Ratings Limited or any successor to its ratings business.

Group means:

(a) prior to Designation or Issuer Substitution, the Issuer and its direct and indirect consolidated Subsidiaries; and

(b) on and following Designation or Issuer Substitution, the Parent and its direct and indirect consolidated Subsidiaries, including the Issuer.

Holdco means:

(a) prior to Designation or Issuer Substitution, the Issuer; and

(b) on and following Designation or Issuer Substitution, the Parent.

Indebtedness means, with respect to any Person at any date of determination (without duplication):

(a) all indebtedness of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto);

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services, which purchase price is due more than 120 days after the earlier of the date of placing such property in service or taking delivery and title thereof or the completion of such services;

(e) all Capital Lease Obligations of such Person;

(f) all Indebtedness of other Persons secured by a Lien granted by such Person on any asset (the value of which, for these purposes, shall be determined by reference to the balance sheet value of such asset in respect of the latest half year period of the Person providing the Lien) of such Person, whether or not such Indebtedness is assumed by such Person;

(g) all Indebtedness of other Persons guaranteed or indemnified by such Person to the extent such Indebtedness is guaranteed or indemnified by such Person;

(h) to the extent not otherwise included in this definition, net obligations under any currency or interest rate hedging agreements; and

(i) any amount raised under any other transaction (including, but without limitation to, any forward sale or purchase agreement) having the economic or commercial effect of a borrowing.

For the avoidance of doubt Indebtedness of any Person does not include (i) trade account payables arising solely in the ordinary course of business of such Person and maturing in less than 120 days (other than promissory notes and similar obligations incurred for the purpose of a borrowing), (ii) for the purposes of Condition 4.2 only, restructured tax payable reported in the most recent balance sheet prepared in accordance with IFRS of such Person, (iii) Indebtedness incurred by Holdco or a Subsidiary of Holdco in connection with a transaction where (x) such Indebtedness is borrowed from a bank or trust company incorporated in the Russian Federation, South Africa, any member state of the European Union as of the date of the Trust Deed, or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case having a combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by Standard & Poor's and A2 or the equivalent thereof by Moody's and (y) a substantially concurrent Investment is made by Holdco or any Subsidiary or Subsidiaries of Holdco in the form of cash deposited with the lender of such debt, or a Subsidiary or Affiliate thereof, in amount substantially similar to such debt and (iv) Subordinated Shareholder Funding.

For the purpose of Condition 10.1(g) only, Indebtedness shall be deemed not to include Indebtedness in respect of Non-Recourse Project Finance Indebtedness.

For the purpose of determining compliance with any U.S. Dollar denominated restriction on Indebtedness, the U.S. Dollar Equivalent of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; provided that (1) if such Indebtedness is incurred to Refinance other Indebtedness denominated in a currency other than U.S. Dollars, and such Refinancing would cause the applicable U.S. Dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such Refinancing, such U.S. Dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Indebtedness being Refinanced does not exceed the principal amount of such Indebtedness being Refinanced; and (2) the U.S. Dollar Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations as described above, the maximum liability upon the occurrence of the contingency giving rise to the obligation.

Independent Appraiser means any of PricewaterhouseCoopers LLC, KPMG LLC, Deloitte & Touche LLP or such investment banking, accountancy or appraisal firm of international standing selected by Holdco or the relevant competent management body of the relevant Material Subsidiary, provided it is not an Affiliate of Holdco, any Guarantor(s) (if any) or any Material Subsidiary.

IFRS means the International Financial Reporting Standards as adopted by the European Union as in effect from time to time.

Investment means, with respect to any Person, directly or indirectly, any advance (other than advances to customers in the ordinary course of business), loan (including guarantees), or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash) or other property to others or any payment for property or services for the account or use of others, or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures, or other securities (including, without limitation, any interests in any partnership or joint venture) or evidence of indebtedness issued or owned by any Person and all other items that would be classified as investments on a balance sheet prepared in accordance with IFRS; provided that:

(a) hedging obligations entered into in the ordinary course of business and in compliance with these Conditions; and

(b) endorsements of negotiable instruments in the ordinary course of business,

shall in each case be deemed not to be an Investment.

Investment Grade Rating means a rating equal to or higher than (a) BBB- (or the equivalent) by Fitch, (b) Baa3 (or the equivalent) by Moody's, (c) BBB- (or the equivalent) by Standard & Poor's or (d) if any of Moody's, Fitch or Standard & Poor's cease to publish ratings of securities, an equivalent rating by an internationally recognised statistical rating organisation.

Investment Grade Status shall be deemed to have been reached on the date that the Notes have an Investment Grade Rating from at least two of the three Rating Agencies.

Issue Date means 22 April 2013.

Issuer means:

(a) prior to Issuer Substitution, Evraz Group S.A., a public limited liability company (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 46A, avenue J.F.Kennedy, L-1855 Luxembourg Grand Duchy of Luxembourg and registered with the Register of Trade and Companies of Luxembourg under number B105615 or any successor entity thereof or Surviving Entity thereof within the meaning of Condition 4.5(b)(i)); or

(b) on or following Issuer Substitution, the Parent.

Leverage Ratio means the ratio of Consolidated Indebtedness to 12-Month Consolidated EBITDA of Holdco after giving effect on a pro forma basis to:

(a) the incurrence of any Indebtedness the permissibility of which is then being measured, the incurrence or repayment of any other Indebtedness on or after the first day of the Measurement Period relevant for such calculation and, in each case, the receipt and application of the proceeds therefrom; and

(b) the exclusion of Consolidated EBITDA associated with any Asset Sales or the inclusion of Consolidated EBITDA associated with any Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the incurrence or assumption of Indebtedness) on or after the first day of the Measurement Period relevant for such calculation,

provided, however, that any such pro forma Consolidated EBITDA in respect of an Asset Acquisition may only be so included if such pro forma Consolidated EBITDA shall have been derived from (i) financial statements of, or relating to or including, such acquired entity, that have been prepared in accordance with IFRS, U.S. GAAP or any body of accounting principles that has been determined by the European Commission to be equivalent to IFRS as provided in the Accounts Regulation (without regard to any modifications to such principles that may be required after the date of such financial statements in connection with or pursuant to such determination) provided that such financial statements are available or can be prepared without unreasonable expense; or (ii) such other financial statements and information of the acquired entity that the chief financial officer of Holdco believes in good faith to present fairly the financial position of the acquired entity so as to permit such a pro forma Consolidated EBITDA to be prepared on the basis of reasonable assumptions and estimates.

Lien means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Affiliate of the seller, or any agreement to give any security interest) securing any obligation of any Person.

Material Subsidiary means at any relevant time a direct or indirect Subsidiary of Holdco:

(a) whose total consolidated assets represent not less than 10% of the total consolidated assets of Holdco, or whose gross consolidated revenues represent not less than 10% of the gross consolidated revenues of Holdco (determined by reference to the most recent publicly available annual or interim financial statements of the Issuer, prepared in accordance with IFRS); or

(b) to which is transferred all or substantially all the assets and undertakings of a Subsidiary of Holdco which immediately prior to such transfer is a Material Subsidiary.

provided that (i) notwithstanding the above, if Holdco is the Parent at any time, the Issuer shall be a Material Subsidiary at such time and thereafter and (ii) for the purpose of calculating the ratios set out in paragraph (a) above, the assets and revenues of any Subsidiary of Holdco shall be taken into account only (A) to the extent such assets and revenues are not eliminated in the preparation of the relevant consolidated financial statements of Holdco in accordance with IFRS and (B) in the same amounts as such assets and revenues are included in the relevant consolidated financial statements of Holdco.

Measurement Period means each financial half-year ending on 30 June or 31 December for which consolidated financial statements of Holdco (or the other relevant Person in respect of which the particular calculation is to be made, as the case may be) prepared in accordance with IFRS are available. For the avoidance of doubt, any non-balance sheet financial information for a Measurement Period ending on 31 December of any year shall be calculated by subtracting (a) the relevant information for the Measurement Period ending on 30 June of that year from (b) the equivalent information for that year.

Moody's means Moody's Investors Service Limited or any successor to its ratings business.

New Issuer has the meaning given to it in Condition 3.8.

Non-Recourse Indebtedness means Indebtedness with respect to which (as expressly set forth in the relevant instruments governing such Indebtedness):

(a) no member of the Group (other than a Project Subsidiary) (i) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (ii) is directly or indirectly liable as a guarantor or otherwise, or (iii) constitutes the lender; and

(b) no default (including any rights that the holders thereof may have to take enforcement action against the obligor thereof) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of any other member of the Group (other than a Project Subsidiary) to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

Non-Recourse Project Finance Indebtedness means any Indebtedness which is Non-Recourse Indebtedness and which is issued, borrowed or raised by a Project Subsidiary to finance the ownership, acquisition, development and/or operation of an asset or project where there is no recourse whatsoever for repayment thereof other than:

(a) recourse to the cash flow or net cash flow from such asset or project (including insurance proceeds); and/or

(b) recourse, for the purpose only of enabling amounts to be claimed in respect of such Indebtedness, over such asset or project or the income, cash flow or other proceeds deriving therefrom, *provided that* the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement.

Obligor means:

(a) Prior to Designation or Issuer Substitution, the Subsidiary Guarantors (if any);

(b) On and following Designation, the Issuer and the Subsidiary Guarantors (if any); and

(c) On and following Issuer Substitution, the Original Issuer (if the Original Issuer Guarantee is applicable pursuant to Condition 3.8(a)(i)) and the Subsidiary Guarantors (if any).

Original Issuer has the meaning given to it in Condition 3.8.

Parent means Evraz plc, a public limited company incorporated under the Laws of England and Wales, having its registered office at 5th floor, 6 St Andrews Street, London EC4A 3AE, United Kingdom or any successor thereof.

Parent Entity means, with respect to any Person, any direct or indirect parent company of such Person or any Affiliate thereof.

Permitted Indebtedness means:

(a) the incurrence by Holdco or any Subsidiary of Holdco of intercompany Indebtedness to Holdco and/or any Subsidiary of Holdco, provided that (i) any disposition, pledge or transfer of the rights under any such Indebtedness to any Person other than a disposition, pledge or transfer to Holdco or a Subsidiary of Holdco and (ii) any transaction pursuant to which any Subsidiary of Holdco that has Indebtedness owing to it from Holdco or another Subsidiary ceases to be a Subsidiary of Holdco, shall, in each case, be deemed to be an incurrence of such Indebtedness which shall not be permitted by this paragraph (a);

(b) Refinancing Indebtedness in respect of (i) the Notes, (ii) Indebtedness of the Issuer or its Subsidiaries outstanding on the Issue Date, (iii) Indebtedness incurred pursuant to Conditions 4.2(a) or 4.2(b) and (iv) Indebtedness incurred pursuant to this paragraph (b);

(c) obligations under hedging agreements entered into in the ordinary course of business for the purposes of protection against or benefiting from fluctuations in the rates of exchange or prices or interest rates and not for speculative purposes unrelated to transactions undertaken in the ordinary course of business;

(d) Indebtedness in respect of performance, bid, appeal and surety bonds, completion bonds and guarantees and letters of credit provided by Holdco or any of it Subsidiaries and that do not secure other indebtedness, in amounts and for purposes customary in the Core or Related Business;

(e) Indebtedness arising from netting arrangements and the honouring by a bank or other financial institution of a cheque, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of its incurrence;

(f) Indebtedness arising from agreements of Holdco or a Subsidiary of Holdco providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of any Subsidiary of Holdco; provided, that (i) the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including the Fair Market Value of non-cash consideration actually received by (or held in escrow as collateral for such Indebtedness for later release to) Holdco and its Subsidiaries in connection with such disposition (without giving effect to any subsequent changes in value) and (ii) such Indebtedness is not reflected on the balance sheet of Holdco or any Subsidiary of Holdco (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet shall not be deemed to be reflected on such balance sheet for purposes of this paragraph (f);

(g) Indebtedness in respect of workers' compensation claims or claims arising under similar legislation, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

(h) Indebtedness in respect of Capital Lease Obligations and Purchase Money Indebtedness, provided that the aggregate principal amount of such Indebtedness does not exceed the aggregate of the Fair Market Value (on the date of the incurrence thereof including any refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less, thereof as of the date of refinancing) of the property or assets acquired, constructed or leased and expenses in connection therewith, and provided further that the aggregate principal amount of such Indebtedness incurred under this paragraph (h) does not exceed U.S.$100 million (or its U.S. Dollar Equivalent) at any time outstanding;

(i) Indebtedness in respect of Non-Recourse Project Finance Indebtedness of any Project Subsidiary; and

(j) Indebtedness in an aggregate principal amount up to U.S.$300 million (or its U.S. Dollar Equivalent) incurred by Holdco or a Subsidiary of Holdco, provided however, that if an item of Indebtedness initially incurred pursuant to this paragraph (j) can subsequently be incurred pursuant to Condition 4.2(a), such Indebtedness shall be deemed to have been incurred under Condition 4.2(a) and not under this paragraph (j).

Permitted Liens means:

(a) Liens granted by a Subsidiary of Holdco in favour of the Issuer or the Guarantor(s) (if any) or a Subsidiary of Holdco or the Guarantor(s) (if any) or by the Issuer or the Guarantor(s) (if any) in favour of a Subsidiary of Holdco or the Guarantor(s) (if any) with respect to the property or assets, or any income or profits therefrom, of Holdco or the Guarantor(s) (if any) or such Subsidiary of Holdco, as the case may be;

(b) any Lien of the Issuer or any of its Subsidiaries existing on the Issue Date;

(c) Liens imposed by law, including but without limitation, Liens of landlords and carriers, warehousemen, mechanics, suppliers, material men, repairmen or other similar Liens arising in the ordinary course of business;

(d) any Lien on any property, income, assets or revenues of any Person existing at the time such Person is acquired, merged or consolidated with or into Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries and not created in contemplation of such event provided that no such Lien shall extend to any other property, income, assets or revenues of such Person or to any other property or assets of the Subsidiaries of such Person or Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries;

(e) any Lien existing on any property, income, assets or revenues prior to the acquisition thereof by Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries and not created in

contemplation of such acquisition; provided that no such Lien shall extend to any other property, income, assets or revenues of Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries;

(f) any extension, renewal or replacement of any Lien described in paragraphs (a) to (e) above, provided that (i) such extension, renewal or replacement shall be no more restrictive to the relevant Person in any material respect than the original Lien, (ii) the amount of Indebtedness secured by such Lien is not increased and (iii) if the property, income, assets or revenues securing the Indebtedness subject to such Lien are changed in connection with such refinancing, extension or replacement, the Fair Market Value of such property, income, assets or revenues is not increased;

(g) any Lien on the property, income, assets or revenues of Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries securing Indebtedness of Holdco, the Guarantor(s) (if any) or any of its Subsidiaries incurred in an aggregate principal amount outstanding at any one time not to exceed 20% of the total assets of Holdco (determined on a consolidated basis by reference to the then most recent publicly available annual or interim financial statements of Holdco prepared in accordance with IFRS). For the avoidance of doubt this paragraph (g) does not include any Lien created in accordance with paragraphs (a) above to (f) or (h) to (n) hereof;

(h) any Lien on the property, income, assets or revenues of Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries securing working capital facilities which make advances of a tenor of 180 days or less with an aggregate principal amount outstanding at any time not to exceed 10%, of the Consolidated Tangible Assets;

(i) any Lien on any property, income, assets or revenues of Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries (including any Capital Stock of an acquired company that is used as security in connection with the acquisition of such company) securing Indebtedness incurred for the purpose of financing all or part of the acquisition, maintenance, repair or construction of such property or assets provided that (i) such Lien is created solely for the purpose of securing Indebtedness incurred by Holdco, the Guarantor(s) (if any) or the relevant Subsidiary of Holdco in compliance with Condition 4.2, (ii) no such Lien shall extend to any other property or assets of Holdco, the Guarantor(s) (if any) or their respective Subsidiaries, (iii) the aggregate principal amount of all Indebtedness secured by Liens under this paragraph (i) on such property or assets does not exceed the purchase price of such property or assets (including customs duties, transport, insurance, construction and installation costs and other incidental costs and expenses of purchase and any VAT or similar taxes thereon) and (iv) such Lien attaches to such property or assets concurrently with the maintenance or repair thereof or within 90 days after the acquisition or commencement of construction thereof, as the case may be;

(j) any Lien granted in favour of a Person providing Non-Recourse Project Finance Indebtedness if the Lien is solely on the property, income, assets or revenues of the project for which the financing was incurred provided that (i) the person or persons providing such financing limits its recourse solely to the property, income, assets or revenues subject to such Lien, (ii) such Lien is created solely for the purpose of securing Indebtedness incurred by Holdco, the Guarantor(s) (if any) or a Subsidiary of Holdco or the Guarantor(s) (if any) in compliance with Condition 4.2, and (iii) no such Lien shall extend to any other property, income, assets or revenues of Holdco, or the Guarantor(s) (if any) or their respective Subsidiaries;

(k) any Lien upon any steel, ferrous metal, iron ore or coal export contract with or through any Material Subsidiary (including contracts for sale, transportation or exchange, utilisation and pooling declarations and agreements), and any related inventory and products, and proceeds thereof, which contract is entered into from time to time between any of Holdco or the Guarantor(s) (if any) or their respective Subsidiaries, on the one hand, and a purchaser in the ordinary course of the business of Holdco, the Guarantor(s) (if any) or such Subsidiaries, as the case may be, on the other hand, in a form that is customary in the steel, iron ore mining or coal mining industry, as applicable;

(l) any Lien in respect of obligations arising under hedging agreements so long as the related Indebtedness is permitted to be incurred under these Conditions and any such hedging agreement is not speculative;

(m) a right of set-off, right to combine accounts or any analogous right which any bank or other financial institution may have relating to any credit balance of any member of the Group; and

(n) any Lien for ad valorem, income or property taxes or assessments, customs charges and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which Holdco, the Guarantor(s) (if any) or any Subsidiary of Holdco or the Guarantor(s) (if any) has set aside in its accounts reserves to the extent required by IFRS.

Person means any individual, corporation, partnership, joint venture, trust, unincorporated organisation or government or any Agency or political subdivision thereof.

Potential Event of Default means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, could constitute an Event of Default.

Production Assets means property, plant and equipment of the Group determined in accordance with IFRS.

Project Subsidiary means any Subsidiary of the Issuer (a) the Capital Stock of which is partially held by third party investors, (b) which is established solely for the purpose of ownership, acquisition, development and operation of an asset or project and (c) which has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of any member of the Group (other than another Project Subsidiary).

Purchase Money Indebtedness means Indebtedness:

(a) where the aggregate principal amount of such Indebtedness does not exceed the Fair Market Value of the property, plant, equipment or capital assets purchased for use in the business of the Group as at the date of the incurrence thereof including any refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of refinancing, and the maturity of such Indebtedness does not exceed the anticipated useful life of the property, plant, equipment or capital assets being financed; and

(b) incurred to finance the acquisition, construction, improvement or lease of such property, plant, equipment or capital assets, including additions and improvements thereto;

provided, however, that such Indebtedness is incurred within 180 days after the acquisition, construction, improvement or lease of such property, plant equipment or capital assets by Holdco or a Subsidiary of Holdco.

Qualified Securitisation Transaction means any asset securitisation transaction or series of asset securitisation transactions that may be entered into by the Issuer, the Guarantor(s) (if any) or any Material Subsidiary pursuant to which such person may sell or otherwise transfer or dispose its accounts receivables and other related assets to (a) a Securitisation Entity (in the case of a transfer by the Issuer, the Guarantors) (if any) or any Material Subsidiary) or (b) any other Person (in the case of a transfer by a Securitisation Entity).

Rated Entity means (a) prior to the Designation Date or the Issuer Substitution Date, the Issuer; (b) with effect from the Designation Date, the Issuer or the Parent; or (c) with effect from the Issuer Substitution Date, the New Issuer.

Rating Agency means any of Fitch, Moody's or Standard & Poor's or if any of Fitch, Moody's or Standard & Poor's cease to publish ratings of securities, any other internationally recognised statistical rating organisation.

Rating Downgrade means the downgrade by one or more notches by any Rating Agency of any ratings then assigned to the Notes by such Rating Agency, provided (a) such downgrade occurs within 60 calendar days following the Issuer Substitution Date and (b) such Rating Agency shall have publicly announced that such downgrade results from the Issuer Substitution.

Refinance means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue Indebtedness in exchange or replacement for, such Indebtedness in whole or in part. **Refinanced** and **Refinancing** shall have correlative meanings.

Refinancing Indebtedness means Indebtedness that Refinances any Indebtedness of Holdco or any Subsidiary of Holdco, to the extent that:

(a) such Refinancing does not result in an increase in the aggregate principal amount of the consolidated Indebtedness of Holdco as of the date of such proposed Refinancing (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and plus the amount of reasonable fees and expenses incurred by Holdco in connection with such Refinancing);

(b) such Refinancing does not create Indebtedness with:

(i) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; or

(ii) a final maturity earlier than the final maturity of the Indebtedness being Refinanced; and

(c) if the Indebtedness being Refinanced is subordinated in right of payment to the Notes, such Refinancing Indebtedness is subordinated in right of payment to the Notes at least to the same extent as the Indebtedness being Refinanced; and

(d) if the Indebtedness being refinanced is solely Indebtedness of Holdco, then either (i) such Refinancing Indebtedness shall be Indebtedness solely of the Issuer or Parent or (ii) such Refinancing Indebtedness shall comply with Condition 4.2(a)(ii) or (iii).

Relevant Board means (a) prior to the Designation Date, the Board of Directors of the Issuer; (b) with effect from the Designation Date, the Board of Directors of Holdco; and (c) with effect from the Issuer Substitution Date, the Board of Directors of the New Issuer.

Reporting Package means, for any period, the financial statements of a Material Subsidiary prepared in accordance with IFRS and used in preparing the consolidated financial statements of Holdco for such period prepared in accordance with IFRS.

Russia shall mean the Russian Federation and any province or political subdivision or Agency thereof or therein, and "Russian" shall be construed accordingly.

Securitisation Entity means a wholly owned Material Subsidiary, or a wholly owned Subsidiary of another Person in which Holdco, the Guarantor(s) (if any) or any Affiliate of Holdco or the Guarantor(s) (if any) makes an Investment, and in each case to which Holdco, the Guarantor(s) (if any) or any Affiliate of Holdco or the Guarantor(s) (if any) transfers accounts receivables and related assets, that engages in no activities other than in connection with the financing of accounts receivables which is designated by the Board of Directors of Holdco or the Guarantor(s) (if any) (as provided below) as a Securitisation Entity; and

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(i) is guaranteed by Holdco, the Guarantor(s) (if any) or any Material Subsidiary;

(ii) gives recourse to or obliges Holdco, the Guarantor(s) (if any) or any Material Subsidiary (other than such Securitisation Entity) in any way; or

(iii) subjects any property or asset of Holdco, the Guarantor(s) (if any) or any Material Subsidiary (other than such Securitisation Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof,

in each case other than pursuant to representations, warranties, covenants and indemnities by Holdco, the Guarantors) (if any) or any Material Subsidiary that are reasonably customary in an accounts receivables securitisation transaction;

(b) with which none of Holdco, the Guarantor(s) (if any) or any Material Subsidiary (other than such Securitisation Entity) has any material contract, agreement, arrangement or understanding other than on terms no less favourable to Holdco, the Guarantor(s) (if any) or the relevant Material Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Holdco or the Guarantors) (if any), other than fees payable in the ordinary course of business in connection with servicing accounts receivable of such entity; and

(c) to which none of Holdco, the Guarantor(s) (if any) or the Material Subsidiaries (other than such Securitisation Entity) has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any designation of a Material Subsidiary or an Affiliate as a Securitisation Entity shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the relevant Board of Directors giving effect to the designation and any officers' certificate certifying that the designation complied with the preceding conditions and was permitted by these Conditions which shall be binding on the Trustee.

Standard & Poor's means Standard & Poor's Credit Market Services France SAS, or any successor to its ratings business.

Subordinated Shareholder Funding means any subordinated Indebtedness issued by Holdco or the Issuer to a Parent Entity of Holdco, that by its terms or pursuant to the terms of subordination agreement to which the Trustee, on behalf of the Noteholders, is a party:

(a) does not mature and is not mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder, in whole or in part, and does not include any provision requiring repurchase or otherwise become due and payable prior to the date that is one year after the date on which the Notes mature (other than through conversion or exchange of any security or instrument for Capital Stock of Holdco or the Issuer or for any other security or instrument meeting the requirements of the definition);

(b) does not require to provide for the payment, in cash, is interest or any other amounts prior to its final stated maturity (provided, interest may accrue while such subordinated Indebtedness is outstanding);

(c) does not provide for acceleration of its maturity or the exercise of remedies prior to the date that is one year after the date on which the Notes mature and are repaid other than by converting it into Capital Stock; and

(d) is not secured by a Lien on any asset of Holdco or any Subsidiary of Holdco.

Subsidiary of any Person means (a) any corporation more than 50% of the outstanding voting power of the Capital Stock of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof, (b) any limited partnership of which such Person or any Affiliate of such Person is a general partner, (c) any other Person in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries, directly or indirectly, has more than 50% of the outstanding partnership or similar interests or has the power, by contract or otherwise, to direct or cause the direction of the policies, management and affairs thereof or (d) any Person whose financial statements are required by IFRS to be consolidated into the financial statements of such Person.

Subsidiary Indebtedness Threshold means 30 % of Holdco's Consolidated Tangible Assets.

Treasury Rate means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity most nearly equal to the period from the redemption date to 22 April 2020. Holdco will obtain such

yield to maturity from the information compiled and published in the most recent Federal Reserve Statistical Release H. 15(519) which has become publicly available at least two Business Days prior to the redemption date. If such Statistical Release is no longer published, Holdco will use any publicly available source or similar market data. If the period from the redemption date to 22 April 2020 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, Holdco will obtain the Treasury Rate by linear interpolation, calculated to the nearest one-twelfth of a year, from the weekly average yields of U.S. Treasury securities for which such yields are given. If the period from the redemption date to 22 April 2020 is less than one year, Holdco will use the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year to make such calculation.

U.S. Dollar Equivalent means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with such other currency as most recently published under "Currency Rates" in the section of the Financial Times entitled "Currencies, Bonds & Interest Rates".

U.S. GAAP means United States generally accepted accounting principles as in effect from time to time.

Weighted Average Life to Maturity means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into:

(b) the sum of the products obtained by multiplying:

(i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by;

(ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of one or more QIBs and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

2. The Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs or (b) to a non-U.S. Person (as defined in Regulation S) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

3. The purchaser of the Notes will be deemed to represent, warrant and agree that either (A) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include, or are deemed to include, the assets of any such employee benefit plan subject to Title I of ERISA or other plan subject to Section 4975 the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (B) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, any such substantially similar U.S. federal, state, local or non-U.S. law) for which an exemption is not available. Any purported purchase of a Note (or an interest therein) that does not comply with the foregoing shall be null and void *ab initio*.

4. The Rule 144A Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend substantially to the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

   EACH PURCHASER OF THIS NOTE WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDES THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR OTHER NON_U.S. PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON_U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR

SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE. ANY PURPORTED PURCHASE OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID AB INITIO.

5. It understands that the Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

6. It understands that the Rule 144A Notes will be evidenced by a Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Notes may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

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

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and is purchasing the Notes in an offshore transaction pursuant to Regulation S.

2. It understands that such Notes have not been and will not be registered under the Securities Act and that it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of a QIB or (b) to a non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. The purchaser of the Notes will be deemed to represent, warrant and agree that it is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include, or are deemed to include, the assets of any such employee benefit plan subject to Title I of ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code. Any purported purchase of a Note (or any interest therein) that does not comply with the foregoing shall be null and void *ab initio*.

4. It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend substantially to the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

   EACH PURCHASER OF THIS NOTE WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975

OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE, THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE. ANY PURPORTED PURCHASE OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID AB INITIO.

5. It understands that the Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

6. It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Note Certificate. Before any interest in the Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

ERISA AND CERTAIN OTHER U.S. CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice (directly or indirectly) for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan. In considering an investment in the Notes of a portion of the assets of any Plan, as defined below, a fiduciary should determine, among other things, whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any federal, state, local, non-U.S. or other laws, rules or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Similar Laws**") relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Section 406 of ERISA and Section 4975 of the Code which are among the ERISA and Code fiduciary provisions governing plans, prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which any of the Issuer, the Joint Lead Managers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any Notes (or any interest in a Note), each purchaser (whether in the case of the initial purchase or in the case of a subsequent transfer) will be deemed to have represented and agreed either that (i) it is not and for so long as it holds a Note (or any interest therein) will not be a Plan, an entity whose underlying assets include, or are deemed to include, the assets of any such Plan (each of the foregoing, a "**Benefit Plan Investor**"), or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental, church or non-U.S. plan, any such substantially similar U.S. federal, state, local or non-U.S. law) for which an exemption is not available. Any purported purchase of a Note (or an interest therein) that does not comply with the foregoing shall be null and void *ab initio*.

Governmental plans as defined in Section 3(32) of ERISA, certain church plans as defined in Section 3(33) of ERISA and non-U.S. plans as described in Section 4(6)(4) of ERISA, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local, other federal or non-U.S. laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of Notes to a Plan is in no respect a representation by the Issuer, the Joint Lead Managers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Note Certificates

The Notes will be represented on issue by the Regulation S Global Note Certificate (deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg) and the Rule 144A Global Note Certificates (deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC).

Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates*". By acquisition of a beneficial interest in the Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, that it is located outside the United States and that it will transfer such interest only (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB, in each case in accordance with any applicable securities laws of any state of the United States. See "*Transfer Restrictions*".

Beneficial interests in the Rule 144A Global Note Certificate may only be held through DTC at any time. See "*Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates*". By acquisition of a beneficial interest in the Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See "*Transfer Restrictions*".

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth therein and in the Trust Deed, and with respect to Rule 144A Notes, as set forth in Rule 144A, and the Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*". A beneficial interest in the Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in the Regulation S Global Note Certificate and become an interest in the Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and become an interest in the Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of the Individual Certificates. The Notes are not issuable in bearer form.

In the event that a Global Note Certificate is exchanged for Individual Certificates, such Individual Certificates shall be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of U.S.$200,000 or U.S.$1,000 in excess thereof may need to purchase or sell, on or before the relevant Exchange Date (as defined below), a principal amount of Notes such that their holding is an integral multiple of U.S.$200,000 or U.S.$1,000 in excess thereof.

Amendments to Terms and Conditions

Each Global Note Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate will be made to the person who appears on the register of the Noteholders as holder of the Notes represented by a Global Note Certificate on the Clearing System Business Day immediately prior to the date of the relevant payment against presentation and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note Certificate to or to the order of the Principal Paying and Transfer Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. Upon any payment of principal or interest on a Global Note Certificate the amount so paid shall be endorsed by or on behalf of the Principal Paying Agent on behalf of the Issuer in the appropriate schedule to the relevant Global Note Certificate, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Notes. As used in this paragraph, "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as any Notes are evidenced by a Global Note Certificate and such Global Note Certificate is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders, rather than by publication in accordance with Condition 13. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the relevant clearing system, provided that for so long as the Notes are listed and admitted to trading on the Irish Stock Exchange, notices will also be filed at the Companies Announcements Office of the Irish Stock Exchange.

So long as any Notes held by a Noteholder are represented by a Global Note Certificate, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent through the relevant clearing system, in such a manner as the Principal Paying Agent and the relevant clearing system may approve for this purpose.

Meetings

The holder of each Global Note Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each U.S.$1,000 for which the relevant Global Note Certificate may be exchangeable.

Trustee Powers

In considering the interests of Noteholders while the Global Note Certificates are held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to each Global Note Certificate and may consider such interests as if such accountholders were the holders of any Global Note Certificate.

Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note Certificate.

Put Option

For so long as all of the Notes are represented by one or more Global Note Certificates and any such Global Note Certificates are held on behalf of Euroclear, Clearstream, Luxembourg or the DTC, the option of the Noteholders provided for in Condition 7.4 may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or the DTC as the case may be (which may include notice being given on such Noteholder's instruction by Euroclear, Clearstream, Luxembourg or the DTC or any common depositary for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised.

As used herein "Accountholder" means each person who is for the time being shown in the records of Euroclear, Clearstream Luxembourg or the DTC as the holder of a particular amount of Notes represented by the Global Note Certificate.

Exchange for Individual Certificates

Exchange

Each Global Note Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive form if: (i) a Global Note Certificate is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or any transfer agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 which would not be suffered were the Notes in definitive form and a notice to such effect signed by two directors of the Issuer or by any person(s) empowered by the Board of Directors of the Issuer to sign on behalf of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or the Transfer Agent and the Noteholders of its intention to exchange the relevant Global Note Certificate for Individual Certificates on or after the Exchange Date (as defined below) specified in the notice.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Individual Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note Certificate shall be exchanged in full for Individual Certificates and the Issuer will, free of charge to the Noteholders (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of the Rule 144A Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Individual Certificates issued in exchange for a beneficial interest in the Rule 144A Global Note Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

The holder of an Individual Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Individual Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Individual Certificate, the Issuer will deliver only Rule 144A Individual Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

CLEARING AND SETTLEMENT

Book-Entry Procedures for the Global Note Certificates

Custodial and depository links are to be established between DTC, Euroclear or Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See "*—Book-Entry Ownership*" and "*—Settlement and Transfer of Notes*".

Investors may hold their interests in the Global Note Certificates directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Note Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Summary of Provisions Relating to the Notes while in Global Form—Exchange for Individual Certificates*", DTC will surrender the Rule 144A Individual Certificate for exchange for individual Rule 144A Definitive Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note Certificate representing the Regulation S Notes will have an ISIN, a Common Code and a CUSIP number and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42A, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

DTC

The Rule 144A Global Note Certificate representing the Rule 144A Notes will have an ISIN, a Common Code and a CUSIP number and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under such Global Note Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate, and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Individual Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system, and its records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in the Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be effected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Rule 144A Global Note Certificate will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Note Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of the Notes will be made against payment therefor on the Closing Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade the Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of the Notes may be effected by such local settlement practices, and purchasers of the Notes between the relevant date of pricing and the Closing Date should consult their own advisers.

SUBSCRIPTION AND SALE

ING Bank N.V., London Branch, J.P. Morgan Securities plc and UBS Limited (together the "**Joint Lead Managers**") have, pursuant to a subscription agreement dated 18 April 2013 between the Issuer and the Joint Lead Managers relating to the Notes (the "**Subscription Agreement**"), severally agreed to subscribe or procure subscribers for the amount of Notes set out below at the issue price of 100% of the principal amount of the Notes (the "**Issue Price**") less combined commission and expenses, of up to approximately U.S.$.

Bank	Purchase Commitment
ING Bank N.V., London Branch	U.S.$476,850,000
J.P. Morgan Securities plc.	U.S.$476,850,000
UBS Limited	U.S.$46,300,000
Total	U.S.$1,000,000,000

The Subscription Agreement provides that the Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and the Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Joint Lead Managers must purchase all the Notes if they purchase any of the Notes. The offering of the Notes by the Joint Lead Managers is subject to receipt and acceptance and subject to the Joint Lead Managers' right to reject any order in whole or in part. The Subscription Agreement may be terminated in certain circumstances set out therein prior to the time that payment is due to the Issuer in respect of the Notes.

The Joint Lead Managers have advised the Issuer that they currently intend to make a market in the Notes. However, they are not obliged to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Issuer cannot provide any assurances to Noteholders as to the liquidity of or the trading market for the Notes.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received customary fees and expenses.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) except to certain qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain persons in offshore transaction in reliance on Regulation S under the Securities Act. In addition, until the expiration of 40 days after the commencement of the Offering, an offer or sales of the Notes within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

The Issuer has been informed that the Joint Lead Managers propose to resell the Notes at the offering price set forth on the cover page of this Prospectus within the United States to persons reasonably believed to be QIBs in reliance upon Rule 144A, and in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S. The price at which the Notes are offered may be changed at any time without notice. Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice substantially to the following effect:

> The Notes received hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account of benefit of US persons, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the

commencement of the offering and the closing date except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S under the Securities Act.

Offers and sales of the Notes in the United States will be made by those Joint Lead Managers or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder. To the extent that the Joint Lead Managers intend to effect any sales of the Notes in the United States, they will do so through their respective U.S. broker-dealer affiliates, or one or more U.S. registered broker-dealers or as otherwise permitted by applicable United States law.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the U.K.; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

Russian Federation

Each Joint Lead Manager has represented and agreed that it has not offered or sold or otherwise transferred and will not offer or sell or otherwise transfer as part of their initial distribution or at any time thereafter any Notes to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in Russia or to any person located within the territory of Russia unless and to the extent otherwise permitted under the law of Russia.

General

These selling restrictions may be modified by the agreement of the Issuer and the Joint Lead Managers following a change in a relevant law, regulation or directive.

Each Joint Lead Manager has agreed that it has, to the best of its knowledge and belief, complied and will comply in all material respects with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes this Prospectus (and any amendments thereof and supplements thereto) or any other offering or publicity material relating to the Notes or the Issuer.

No action has been taken, in any jurisdiction, by the Issuer or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes or possession or distribution of the Prospectus or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any prospectus, offering circular, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance in all material respects with any applicable laws and regulations, and all offers and sales of the Notes by it will be made on the same terms.

Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

TAXATION

The following summary of certain Luxembourg, United Kingdom and United States tax consequences of ownership of the Notes is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of the Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

Grand Duchy of Luxembourg

The following is a general discussion of certain Luxembourg tax consequences of the acquisition, ownership and disposal of the Notes by purchasers resident or non-resident in Luxembourg. The discussion is based on laws currently in force and as applied in practice on the date of this Prospectus, all of which are subject to change, possibly with retroactive effect. The information provided below does not purport to be a complete or exhaustive summary of the tax laws and practice currently applicable in Luxembourg. Prospective investors should therefore consult their own tax advisers regarding the tax consequences of investing in the Notes in their own particular circumstances.

Luxembourg tax residency of the Noteholders

A Noteholder will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding, execution, performance, delivery, exchange and/or enforcement of the Notes.

Withholding tax

Under Luxembourg tax law currently in effect, no withholding tax for Luxembourg resident and non-resident Noteholders on payments of interest (including accrued but unpaid interest) applies to the extent that the interest rate of the Notes is at arm's length and is not profit participating, subject to:

- the European Directive on the Taxation of Savings Income (as discussed below under "European Union") as implemented by the Luxembourg laws of 21 June 2005, as amended (applicable to non resident individuals and so-called residual entities); and

- (for Luxembourg resident individuals), the Luxembourg law of 23 December 2005, as amended, which has introduced a 10% withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005, as amended, implementing the European Union Savings Directive) in full discharge of Luxembourg income tax thereon for the Luxembourg resident individual acting in the course of the management of his private wealth;

to the extent such income is paid or allocated by a Luxembourg paying agent within the meaning of the laws of 21 June 2005 implementing the European Union Savings Directive. Responsibility for the withholding will be assumed by the Luxembourg paying agent. For the avoidance of doubt, the Issuer undertakes in Condition 6.5(b) of the Terms and Conditions to maintain a paying agent.

Taxation of the Noteholders

Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment, a permanent representative nor a fixed base of business in Luxembourg with which the holding of the Notes is connected will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of principal or interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Notes or capital gains realised upon disposal or repayment of the Notes.

Taxation of Luxembourg residents—General

Noteholders who are residents of Luxembourg, or non-resident Noteholders who have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes

is connected, must, for income tax purposes, include any interest received as business income in their taxable income. They will not be liable to any Luxembourg income tax on repayment of principal.

Luxembourg resident individuals

Taxation of capital gains

The definition of "capital gain" corresponds to the difference between the subscription or acquisition price and the sale price, but excludes any accrued interest income, which is taxed as portfolio income (as discussed below).

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes unless the Notes are disposed of within six months of the date of acquisition of such Notes or the disposal of the Notes precedes the acquisition of the Notes. Such speculative gain is taxable as miscellaneous income, and consequently added to the taxpayers' other income for determining their taxable basis. As such, it is subject to the progressive income tax table (up to a maximum of 43.60%). Yearly speculative gains less than €500 are exempted.

Taxation of the portion of the repurchase or redemption price corresponding to accrued but unpaid interest

Upon a repurchase or redemption of the Notes, the portion of the repurchase or redemption price corresponding to accrued but unpaid interest is taxable as portfolio income and consequently added to taxpayers' other income for determining their taxable basis. A yearly lump-sum deduction of €1,500 (which is doubled for married taxpayers who are taxable jointly) applies on total portfolio income received during the year.

Luxembourg resident companies (*société de capitaux)*

Noteholders that are Luxembourg resident companies or foreign entities of the same type that have a permanent establishment in Luxembourg with which the holding of the Notes is connected, must include in their taxable income (subject to corporate income tax and municipal business tax at the current aggregate rate of 29.22% for corporate Noteholders having their statutory seat in Luxembourg City in 2013) the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed. These Noteholders should not be liable for any Luxembourg income tax on repayment of principal upon redemption of the Notes.

Luxembourg net wealth tax (payable annually as at 1 January of each year at the rate of 0.5% on the company "unitary value" (which is comparable to the net asset value)) will not be levied on a Noteholder, unless (a) such holder is a fully taxable Luxembourg resident company other than a company governed by (i) the law of 22 March 2004 as amended, on securitisation; (ii) the law of 17 December 2010 as amended on undertakings for collective investment; (iii) the law of 13 February 2007 as amended on specialised investment funds or (iv) the law of 15 June 2004 as amended on the investment company in risk capital; or (v) the law of 11 May 2007 as amended on family estate management companies or (b) such Notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

Other Taxes and Duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Notes, unless the documents relating to the Notes are voluntarily registered in Luxembourg.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Noteholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Notes. No Luxembourg gift tax is levied upon a gift or donation of the Notes, if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

United Kingdom

The comments below are of a general nature based on current United Kingdom tax law as applied in England and Wales and the Issuer's understanding of HM Revenue & Customs published practice (which may not be binding on

HM Revenue & Customs) and are not intended to be exhaustive. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes. (In particular, Noteholders holding their Notes via a depositary receipt system or clearance service should note that they may not always be the beneficial owners thereof.) Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such Noteholders. Any Noteholders who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.

Withholding tax

While the Notes are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax. The Irish Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the Irish Stock Exchange for these purposes if they are listed and admitted to trading on the main market of the Irish Stock Exchange.

If the Notes cease to be so listed, interest payable on the Notes by the Issuer which has a United Kingdom source will generally be paid by the Issuer under deduction of income tax at the basic rate (currently 20%) unless (i) another relief applies, or (ii) the Issuer has received a direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

While the matter is not free from doubt, we would not expect interest payments under the Notes by the Original Issuer to have a United Kingdom source. However, further to the Issuer Substitution Date, while the matter is not free from doubt, we would expect interest payments under the Notes by the New Issuer to have a United Kingdom source.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Notes ceased to be listed as described above), Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Payments in Respect of the Guarantees

The United Kingdom withholding tax treatment of payments by a Guarantor under the terms of the Guarantees (if any) in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. In particular, the reliefs outlined above in relation to payments of interest by the Issuer may not apply to payments by a Guarantor under the terms of the Guarantees (if any). Accordingly, if a Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate.

Treatment of any Premium Payable on Redemption

Where Notes are to be, or may fall to be, redeemed at a premium as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to the rules on United Kingdom withholding tax outlined above and reporting requirements as outlined below.

Information Reporting

HM Revenue & Customs has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest; and securities transactions.

The persons from whom HM Revenue & Customs can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HM Revenue & Customs can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HM Revenue & Customs is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HM Revenue & Customs' power to obtain information about payments derived from securities.

In certain circumstances the information which HM Revenue & Customs has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

Taxation of Disposal (including Redemption) and Return

Corporate Noteholders

Noteholders within the charge to United Kingdom corporation tax will be subject to tax as income on all profits and gains from the Notes broadly in accordance with their statutory accounting treatment. Such Noteholders will generally be charged in each accounting period by reference to interest and other amounts which, in accordance with generally accepted accounting practice, are recognised in determining the Noteholder's profit or loss for that period. Fluctuations in value relating to foreign exchange gains and losses in respect of the Notes will be brought into account as income.

Other Noteholders

Interest

Noteholders who are either individuals or trustees and are resident or ordinarily resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable will generally be liable to United Kingdom tax on the amount of any interest received in respect of the Notes.

Transfer (including redemption)

A disposal of a Note by a Noteholder which is resident or ordinarily resident for tax purposes in the United Kingdom or, in certain circumstances, a Noteholder who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable may give rise to a chargeable gain or allowable loss for the purposes of taxation of capital gains. In calculating any gain or loss on disposal of a Note, sterling values are compared at acquisition and transfer. Accordingly, a taxable profit can arise even where the foreign currency amount received on a disposal is less than or the same as the amount paid for the Note.

Any accrued interest at the date of disposal will be taxed under the provisions of Chapter 2 of Part 12 of the Income Tax Act 2007 (Accrued Income Profits and Losses). A transfer of a Note by a Noteholder which is resident or ordinarily resident for tax purposes in the United Kingdom or, in certain circumstances, a Noteholder who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Note is attributable may give rise to a charge to tax on income in respect of an amount representing interest on the Note which has accrued since the preceding interest payment date.

Noteholders should be aware that if the Finance Bill, as ordered to be printed on 25 March 2013, is enacted without amendment, the concept of ordinary residence will be abolished for United Kingdom taxation purposes with effect on and after 6 April 2013.

Direct assessment to United Kingdom tax on interest

Interest which has a United Kingdom source may be chargeable to United Kingdom tax by direct assessment irrespective of the residence of the Noteholder. However, where the interest is paid without withholding or deduction on account of United Kingdom tax, the interest will not be assessed to United Kingdom tax in the hands of Noteholders who are not resident in the United Kingdom, except where the Noteholder carries on a trade, profession or vocation through a branch or agency, or in the case of a corporate holder, carries on a trade through a permanent establishment in the United Kingdom, in connection with which the interest is received or to which the Notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency, or permanent establishment.

Noteholders should note that the provisions relating to additional amounts referred to in "*Terms and Conditions—Taxation*" above would not apply if HM Revenue & Customs sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

United Kingdom Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer by delivery of a Note or on its redemption.

Certain U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * * *

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes at the issue price that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Sale and Retirement of the Notes

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. A U.S. Holder's tax basis in a Note will generally be its U.S. dollar cost. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income.

Gain or loss recognised by a U.S. Holder on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Notes.

Further Issues

The Issuer may, without the consent of the holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with original issue discount ("**OID**") even though the original Notes had no OID. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Backup Withholding and Information Reporting

Payments of principal and interest on, and the proceeds of sale or other disposition of Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the U.S. Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign Financial Asset Reporting

Legislation enacted in 2010 imposes new reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds $50,000 at the end of the taxable year or $75,000 at any time during the taxable year. The thresholds are higher for individuals living outside the United States and married couples filing jointly. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case, the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisers regarding the application of this legislation.

European Union

Under Council Directive 2003/48/EC on the taxation of savings income Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income (similar income for this purpose includes payments on redemption of the Notes representing any discount on the issue of the Notes or any premium payable on redemption) paid by a paying agent within the meaning of the European Union Savings Directive to an individual resident or certain types of entities called "residual entities", within the meaning of the European Union Savings Directive, established in that other European Union Member State. For a transitional period, however, Austria and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner, within the meaning of the European Union Savings Directive, does not comply with one of two procedures for information reporting, the relevant European Union Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system will apply for a transitional period. The current rate of the withholding is thirty-five (35)%. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. No withholding will be required where the Noteholder authorises the paying agent within the meaning of the European Union Savings Directive making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom. Also with effect from 1 July 2005, a number of non-European Union countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) and certain dependent or associated territories (Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Curaçao, Saba, Saint Eustatius, Bonaire, St. Maarten, Cayman Islands, Turks and Caicos Islands, Anguilla and Aruba—the "**Territories**") have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) established within such countries or Territories to, or collected by such a paying agent for, an individual resident or a "residual entity" (within the meaning of the European Union Savings Directive) established in a European Union Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of

those Territories in relation to payments made by a paying agent (within the meaning of the European Union Savings Directive) established in Luxembourg to, or collected by such a paying agent for, an individual resident or a "residual entity" (within the meaning of the European Union Savings Directive) established in one of those Territories.

The European Commission has proposed certain amendments to the European Union Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

The attention of Noteholders is drawn to Condition 8.1(b) of the Terms and Conditions of the Notes.

Noteholders and potential investors are advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Notes under the laws of their country of incorporation, establishment, citizenship, residence or domicile. The above statements on taxation are based on the laws and practices in force at the date of this Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position at the time of an investment will endure indefinitely.

INDEPENDENT AUDITORS

Ernst & Young S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg, with its registered office at 7, rue Gabriel Lippmann – Parc d'Activité Syrdall 2, L-5365 Munsbach, Luxembourg, and registered with the Registry of Trade and Companies of Luxembourg under number B.47.771, was designated during the general meeting of shareholders held on 15 May 2012, the Issuer's approved statutory auditor (*réviseur d'entreprises agréé).* Ernst & Young S.A. audited the consolidated financial statements of the Issuer as of 31 December 2012, 2011 and 2010, and for each year then ended.

Ernst & Young S.A. is registered as a corporate body with the official table of company auditors drawn up by the Luxembourg Ministry of Justice and is a member of the Institute of Auditors (*L'Institut des Réviseurs d'Entreprises*) and is approved by the *Commission de Surveillance du Secteur Financier* ("**CSSF**") in the context of the law dated 18 December 2009 relating to the audit profession.

INFORMATION RELATING TO THE TRUSTEE

BNY Mellon Corporate Trustee Services Limited is a professional trustee company, which is providing its services in relation to the Notes on an arm's length basis in consideration of a fee. Under the terms of the Trust Deed, the power of appointing new trustees is vested in the Issuer, but a trustee so appointed must in the first place be approved by an Extraordinary Resolution of Noteholders. The Noteholders have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees. The removal of any trustee is only effective if following the removal there remains a trustee (being a trust corporation) in office after such removal. In addition, BNY Mellon Corporate Trustee Services Limited, or any other trustee duly appointed, may retire at any time upon giving not less than 60 days' notice in writing to the Issuer. The retirement of any trustee is only effective if following the retirement there remains a trustee (being a trust corporation) in office after such retirement. If a trustee (being the only trustee which is a trust corporation) has given notice of its desire to retire, or has been removed by an Extraordinary Resolution of the Noteholders, and no appointment of a trust corporation as new trustee has become effective within 60 days of the date of such notice or Extraordinary Resolution, the trustee shall have the power of appointing such new trustee. However, no such appointment by the trustee shall take effect unless previously approved by an Extraordinary Resolution of Noteholders.

The Trust Deed also provides, *inter alia*, that the Trustee may act and/or rely on the opinion or advice of or a certificate of any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant or other expert (whether or not addressed to the Trustee), notwithstanding that such opinion, advice, certificate or information contains a monetary or other limit on the liability of any of the above mentioned persons in respect thereof.

GENERAL INFORMATION

1. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official Listing of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for purposes of the Prospectus Directive.

2. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and ISIN numbers for the Regulation S Notes are 080863861 and XS0808638612, respectively. The Common Code, ISIN and CUSIP Numbers of the Rule 144A Notes are 78394986, US30050AAF03 and 30050AAF0, respectively.

3. The Issuer has obtained all necessary consents, approval, authorisations or other orders for the issue of the Notes and the other documents to be entered into by the Issuer in connection with the issue of the Notes in Luxembourg.

4. The issue of the Notes and their offer, sale and listing was approved by the Board of Directors of the Issuer on 11 April 2013.

5. Except as described under "*Business—Legal Proceedings*" on page 127, Evraz is not presently involved, nor has it been in a period covering at least the previous 12 months, in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) that may have, or have had in the recent past, significant effects on the Issuer and/or Evraz's financial position or profitability.

6. There has been no significant change in the financial or trading position of Evraz since 31 December 2012, such date being the date of the latest audited consolidated financial statements.

7. There has been no material adverse change in the prospects of the Issuer since 31 December 2012, such date being the date of the latest audited financial statements.

8. Copies in English of the following documents may be inspected in physical form at the offices of the Principal Paying and Transfer Agent during usual business hours on any weekday (Saturday, Sunday and public holidays excepted) for so long as any Notes are outstanding:

   (a) the articles of incorporation of the Issuer;

   (b) the Consolidated Financial Statements audited in accordance with International Standards on Auditing as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*", for the years ended 31 December 2012, 2011 and 2010, together with the report of Ernst & Young Société Anonyme contained therein;

   (c) the Trust Deed to constitute the Notes; and

   (d) the Agency Agreement.

9. The Issuer prepares annual Consolidated Financial Statements and semi-annual interim condensed Consolidated Financial Statements in accordance with IFRS.

10. Save for the fees payable to the Joint Lead Managers, the Trustee and the Agents, so far as the Issuer is aware no person involved in the issue of the Notes has an interest that is material to the issue of the Notes.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2012, 2011 AND 2010

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Ernst & Young
Société anonyme
7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach
B.P. 780
L-2017 Luxembourg

Tel: +352 42 124 1
Fax: +352 42 124 5555
www.ey.com/luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Evraz Group S.A.
Société Anonyme
46A, avenue J.F. Kennedy
L-1855 Luxembourg

Following our appointment by the General Meeting of the Shareholders dated 15 May 2012, we have audited the accompanying consolidated financial statements of Evraz Group S.A., which comprise the consolidated statements of financial position as at 31 December 2012, 2011 and 2010, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, the consolidated statements of cash flows for each year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

ERNST & YOUNG

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Evraz Group S.A. as of 31 December 2012, 2011 and 2010, and of its financial performance and its cash flows for each year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Thierry BERTRAND

Luxembourg, 10 April 2013

Evraz Group S.A.
Consolidated Statement of Operations
(in millions of US dollars, except for per share information)

	Notes	Year ended 31 December 2012	2011	2010
Revenue				
Sale of goods	3	**$ 14,367**	$ 16,077	$ 13,144
Rendering of services	3	**359**	323	250
		14,726	16,400	13,394
Cost of revenue	7	**(11,797)**	(12,473)	(10,319)
Gross profit		**2,929**	3,927	3,075
Selling and distribution costs	7	**(1,211)**	(1,154)	(807)
General and administrative expenses	7	**(850)**	(920)	(732)
Social and social infrastructure maintenance expenses		**(51)**	(61)	(64)
Loss on disposal of property, plant and equipment		**(56)**	(50)	(52)
Impairment of assets	6	**(413)**	(104)	(147)
Foreign exchange gains/(losses), net		**(41)**	269	104
Other operating income		**75**	50	63
Other operating expenses	7	**(129)**	(96)	(110)
Profit from operations		**253**	1,861	1,330
Interest income	7	**23**	17	13
Interest expense	7	**(644)**	(708)	(728)
Share of profits/(losses) of joint ventures and associates	11	**1**	55	21
Gain/(loss) on financial assets and liabilities, net	7	**164**	(355)	8
Gain/(loss) on disposal groups classified as held for sale, net	12	**114**	8	(14)
Gain on sale of subsidiaries to the Company's parent	4	**200**	–	–
Gain on bargain purchases	4	–	–	4
Other non-operating gains/(losses), net		**(6)**	(4)	(1)
Profit/(loss) before tax		**105**	874	633
Income tax benefit/(expense)	8	**(229)**	(420)	(163)
Net profit/(loss)		**$ (124)**	$ 454	$ 470
Attributable to:				
Equity holders of the parent entity		**$ (97)**	$ 462	$ 486
Non-controlling interests		**(27)**	(8)	(16)
		$ (124)	$ 454	$ 470
Earnings/(losses) per share:				
basic, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$ (0.65)**	$ 3.21	$ 3.51
diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$ (0.65)**	$ 3.20	$ 3.51

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

Evraz Group S.A.
Consolidated Statement of Comprehensive Income
(in millions of US dollars)

	Notes	Year ended 31 December 2012	2011	2010
Net profit/(loss)		**$ (124)**	$ 454	$ 470
Other comprehensive income/(loss)				
Effect of translation to presentation currency		**285**	(620)	64
Net gains/(losses) on available-for-sale financial assets	**13**	**4**	(20)	(8)
Net (gains)/losses on available-for-sale financial assets reclassified to profit or loss	**13**	–	20	4
Income tax effect		–	–	–
		4	–	(4)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	**9**	–	(1)	(7)
Income tax effect	**8**	–	–	1
		–	(1)	(6)
Net gains/(losses) on available-for-sale financial assets of the Group's joint ventures and associates	**11**	**1**	–	–
Effect of translation to presentation currency of the Group's joint ventures and associates	**11**	**44**	(35)	(9)
Share of other comprehensive income/(loss) of joint ventures and associates accounted for using the equity method		**45**	(35)	(9)
Total other comprehensive income/(loss)		**334**	(656)	45
Total comprehensive income/(loss), net of tax		**$ 210**	$ (202)	$ 515
Attributable to:				
Equity holders of the parent entity		**$ 239**	$ (176)	$ 522
Non-controlling interests		**(29)**	(26)	(7)
		$ 210	$ (202)	$ 515

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

Evraz Group S.A.
Consolidated Statement of Financial Position
(in millions of US dollars)

	Notes	31 December 2012	2011	2010
ASSETS				
Non-current assets				
Property, plant and equipment	9	**$ 7,718**	$ 8,306	$ 8,607
Intangible assets other than goodwill	10	**586**	838	1,004
Goodwill	5	**2,180**	2,180	2,219
Investments in joint ventures and associates	11	**561**	663	688
Deferred income tax assets	8	**64**	79	100
Other non-current financial assets	13	**92**	53	118
Other non-current assets	13	**103**	107	103
		11,304	12,226	12,839
Current assets				
Inventories	14	**1,978**	2,188	2,070
Trade and other receivables	15	**895**	971	1,213
Prepayments		**143**	176	192
Loans receivable		**19**	44	1
Receivables from related parties	16	**14**	8	80
Income tax receivable		**59**	83	54
Other taxes recoverable	17	**327**	412	353
Other current financial assets	18	**713**	65	52
Cash and cash equivalents	19	**1,314**	801	683
		5,462	4,748	4,698
Assets of disposal groups classified as held for sale	12	**930**	9	2
		6,392	4,757	4,700
Total assets		**$ 17,696**	$ 16,983	$ 17,539
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	**$ 404**	$ 404	$ 375
Additional paid-in capital	20	**1,419**	2,289	1,742
Revaluation surplus		**173**	171	180
Legal reserve	20	**39**	39	36
Unrealised gains and losses	11,13	**5**	–	–
Accumulated profits		**4,852**	4,513	4,570
Translation difference		**(1,520)**	(1,851)	(1,214)
		5,372	5,565	5,689
Non-controlling interests		**168**	225	247
		5,540	5,790	5,936
Non-current liabilities				
Long-term loans	21	**6,370**	6,593	7,097
Deferred income tax liabilities	8	**927**	1,020	1,072
Finance lease liabilities	22	**11**	26	38
Employee benefits	23	**294**	296	315
Provisions	25	**257**	285	279
Other long-term liabilities	26	**170**	285	143
		8,029	8,505	8,944
Current liabilities				
Trade and other payables	27	**1,409**	1,459	1,173
Advances from customers		**157**	154	205
Short-term loans and current portion of long-term loans	21	**1,542**	613	714
Payables to related parties	16	**256**	98	217
Income tax payable		**48**	92	78
Other taxes payable	28	**195**	188	180
Current portion of finance lease liabilities	22	**2**	13	19
Provisions	25	**32**	53	54
Amounts payable under put options for shares of subsidiaries		**–**	9	6
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**8**	9	13
		3,649	2,688	2,659
Liabilities directly associated with disposal groups classified as held for sale	12	**478**	–	–
		4,127	2,688	2,659
Total equity and liabilities		**$ 17,696**	$ 16,983	$ 17,539

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

Evraz Group S.A.
Consolidated Statement of Cash Flows
(in millions of US dollars)

	Year ended 31 December		
	2012	**2011**	**2010**
Cash flows from operating activities			
Net profit/(loss)	**$ (124)**	$ 454	$ 470
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	**(38)**	12	(186)
Depreciation, depletion and amortisation *(Note 7)*	**1,259**	1,153	925
Loss on disposal of property, plant and equipment	**56**	50	52
Impairment of assets	**413**	104	147
Foreign exchange (gains)/losses, net	**41**	(269)	(104)
Interest income	**(23)**	(17)	(13)
Interest expense	**644**	708	728
Share of (profits)/losses of associates and joint ventures	**(1)**	(55)	(21)
(Gain)/loss on financial assets and liabilities, net	**(164)**	355	(8)
(Gain)/loss on disposal groups classified as held for sale, net	**(114)**	(8)	14
Gain on sale of a subsidiary to the Company's parent	**(200)**	–	–
Gain on bargain purchases	–	–	(4)
Other non-operating (gains)/losses, net	**6**	4	1
Bad debt expense	**12**	49	48
Changes in provisions, employee benefits and other long-term assets and liabilities	**(40)**	(29)	(15)
Expense arising from equity-settled awards *(Note 24)*	**22**	23	2
Share-based payments under cash-settled awards *(Note 24)*	–	(1)	(3)
Other	**(6)**	(4)	(3)
	1,743	2,529	2,030
Changes in working capital:			
Inventories	**121**	(204)	(191)
Trade and other receivables	**(78)**	167	(239)
Prepayments	**37**	(2)	(44)
Receivables from/payables to related parties	**142**	(61)	(34)
Taxes recoverable	**120**	(123)	(91)
Other assets	**18**	(3)	38
Trade and other payables	**95**	366	107
Advances from customers	**(1)**	(44)	80
Taxes payable	**(43)**	44	5
Other liabillities	**(1)**	(22)	1
Net cash flows from operating activities	**2,153**	2,647	1,662
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(8)**	(3)	(46)
Proceeds from repayment of loans issued to related parties, including interest	**3**	46	5
Issuance of loans receivable	**(1)**	(4)	(1)
Proceeds from repayment of loans receivable, including interest	**4**	4	2
Return of capital by a joint venture *(Note 11)*	**38**	–	–
Purchases of subsidiaries, net of cash acquired *(Note 4)*	**(12)**	(36)	(27)
Purchases of interest in associates/joint ventures	–	–	(9)
Restricted deposits at banks in respect of investing activities	**(2)**	(1)	17
Short-term deposits at banks, including interest	**(656)**	5	29
Purchases of property, plant and equipment and intangible assets	**(1,258)**	(1,281)	(832)
Proceeds from disposal of property, plant and equipment	**9**	23	21
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	**311**	5	42
Proceeds from sale of subsidiaries to the Company's parent *(Note 4)*	**244**	–	–
Dividends received	**88**	54	1
Other investing activities, net	**(61)**	–	54
Net cash flows used in investing activities	**(1,301)**	(1,188)	(744)

Continued on the next page

Evraz Group S.A.
Consolidated Statement of Cash Flows (continued)
(in millions of US dollars)

	Year ended 31 December		
	2012	**2011**	**2010**
Cash flows from financing activities			
Purchase of shares of EVRAZ plc in the course of the Group's reorganisation *(Note 18)*	**$ (4)**	$ –	$ –
Purchase of treasury shares *(Note 18)*	**–**	(22)	–
Sale of treasury shares *(Note 20)*	**–**	3	–
Payments relating to conversion of bonds into shares *(Note 21)*	**–**	(161)	–
Proceeds from issue of shares by a subsidiary to non-controlling shareholders	**–**	1	–
Purchases of non-controlling interests *(Note 4)*	**(1)**	(51)	(13)
Dividends paid by the parent entity to its shareholders *(Note 20)*	**(390)**	(491)	–
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**(1)**	(1)	(1)
Proceeds from bank loans and notes	**2,462**	3,507	3,172
Repayment of bank loans and notes, including interest	**(2,716)**	(3,815)	(4,142)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**292**	(283)	106
Payments under covenants reset *(Note 21)*	**(7)**	–	(29)
Gain on derivatives not designated as hedging instruments *(Note 26)*	**81**	66	31
Collateral under swap contracts *(Note 18)*	**10**	(10)	–
Restricted deposits at banks in respect of financing activities	**2**	(1)	–
Payments under finance leases, including interest	**(29)**	(24)	(23)
Net cash flows used in financing activities	**(301)**	(1,282)	(899)
Effect of foreign exchange rate changes on cash and cash equivalents	**32**	(59)	(7)
Net increase in cash and cash equivalents	**583**	118	12
Cash and cash equivalents at the beginning of the year	**801**	683	671
Cash of disposal groups classified as assets held for sale *(Note 12)*	**(70)**	–	–
Cash and cash equivalents at the end of the year	**$ 1,314**	$ 801	$ 683
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$ (559)**	$ (586)	$ (594)
Interest received	**7**	8	11
Income taxes paid by the Group	**(298)**	(443)	(341)

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity
(in millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Legal reserve	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2011	**$ 404**	**$ –**	**$ 2,289**	**$ 171**	**$ 39**	**$ –**	**$ 4,513**	**$ (1,851)**	**$ 5,565**	**$ 225**	**$ 5,790**
Net loss	–	–	–	–	–	–	(97)		(97)	(27)	(124)
Other comprehensive income/(loss)	–	–	–	–	–	5	–	331	336	(2)	334
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	(99)	331	239	(29)	210
Acquisition of non-controlling interests in subsidiaries *(Note 4)*	–	–	–	–	–	–	(31)	–	(31)	(6)	(37)
Derecognition of non-controlling interests on sale of subsidiaries *(Note 12)*	–	–	–	–	–	–	–	–	–	2	2
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary *(Note 20)*	–	–	–	–	–	–	–	–	–	7	7
Buyback of own shares by a joint venture's subsidiary *(Note 11)*	–	–	–	–	–	–	(22)	–	(22)	–	(22)
Share-based payments *(Note 24)*	–	–	22	–	–	–	–	–	22	–	22
Distribution to a shareholder – transfer of shares of EVRAZ plc to participants of Incentive plans *(Notes 20 and 24)*	–	–	(11)	–	–	–	–	–	(11)	–	(11)
Disposal of a non-contolling interest due to sale of a subsidiary to the Company's parent *(Note16)*	–	–	–	–	–	–	–	–	–	(30)	(30)
Reclassification of distributed dividends to share premium account *(Note 20)*	–	–	(491)	–	–	–	491	–	–	–	–
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	(390)	–	–	–	–	–	(390)	–	(390)
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2012	**$ 404**	**$ –**	**$ 1,419**	**$ 173**	**$ 39**	**$ 5**	**$ 4,852**	**$ (1,520)**	**$ 5,372**	**$ 168**	**$ 5,540**

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity (continued)
(in millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Legal reserve	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2010	$ 375	$ –	$ 1,742	$ 180	$ 36	$ –	$ 4,570	$ (1,214)	$ 5,689	$ 247	$ 5,936
Net profit	–	–	–	–	–	–	462	–	462	(8)	454
Other comprehensive income/(loss)	–	–	–	(1)	–	–	–	(637)	(638)	(18)	(656)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(8)	–	–	8	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(9)	–	–	470	(637)	(176)	(26)	(202)
Conversion of bonds *(Notes 20 and 21)*	29	–	524	–	–	–	–	–	553	–	553
Appropriation of net profit to legal reserve	–	–	–	–	3	–	(3)	–	–	–	–
Acquisition of non-controlling interests in subsidiaries *(Note 4)*	–	–	–	–	–	–	(18)	–	(18)	(33)	(51)
Sale of non-controlling interests in subsidiaries *(Note 20)*	–	–	–	–	–	–	–	–	–	34	34
Non-controlling interests arising on establishment of subsidiaries	–	–	–	–	–	–	(4)	–	(4)	4	–
Purchase of treasury shares *(Note 20)*	–	(22)	–	–	–	–	–	–	(22)	–	(22)
Transfer of treasury shares to participants of the Incentive Plan *(Notes 20 and 24)*	–	11	–	–	–	–	(11)	–	–	–	–
Sale of treasury shares *(Note 20)*	–	3	–	–	–	–	–	–	3	–	3
Share-based payments *(Note 24)*	–	–	23	–	–	–	–	–	23	–	23
Share exchange *(Note 20)*	–	8	–	–	–	–	–	–	8	–	8
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	$ 404	$ –	$ 2,289	$ 171	$ 39	$ –	$ 4,513	$ (1,851)	$ 5,565	$ 225	$ 5,790

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity (continued)
(in millions of US dollars)

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

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

1. Corporate Information

These consolidated financial statements were authorised for issue in accordance with a resolution of the directors of Evraz Group S.A. on 10 April 2013.

Evraz Group S.A. ("Evraz Group" or "the Company") is a joint stock company registered under the laws of Luxembourg on 31 December 2004. The registered address of Evraz Group is 46A, avenue J.F. Kennedy L-1855, Luxembourg.

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

At 31 December 2012 and 2011, EVRAZ plc (UK) held 100% and 99.82%, respectively, in Evraz Group S.A. Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group.

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

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

1. Corporate Information (continued)

Going Concern

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

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment. According to management's current forecasts, at 30 June 2013 the Group may not be in compliance with financial covenants under certain bank loans, which, if not resolved, may trigger a cross default under other debt instruments. Such an event would permit the Group's lenders to demand immediate payment of the outstanding borrowings under the relevant debt instruments.

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

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

2. Significant Accounting Policies

Basis of Preparation

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

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

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

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

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

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2012.

New/Revised Standards and Interpretations Adopted in 2012

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

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

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

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

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 2012	Effective for annual periods beginning on or after
▪ Amendments to IAS 1 "Presentation of Financial Statements" – Changes to the Presentation of Other Comprehensive Income	1 July 2012
▪ IFRS 13 "Fair Value Measurement"	1 January 2013
▪ Amendments to IAS 19 "Employee Benefits"	1 January 2013
▪ Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities	1 January 2013
▪ IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	1 January 2013
▪ Amendments to standards following the May 2012 "improvements to IFRS" project	1 January 2013
▪ IFRS 10 "Consolidated Financial Statements"	1 January 2014
▪ IFRS 11 "Joint Arrangements"	1 January 2014
▪ IFRS 12 "Disclosure of Interests in Other Entities"	1 January 2014
▪ IAS 27 "Separate Financial Statements"	1 January 2014
▪ IAS 28 "Investments in Associates and Joint Ventures"	1 January 2014
▪ Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities	1 January 2014
▪ IFRS 9 "Financial Instruments"	1 January 2015

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

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates

Accounting Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- 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).

Estimation Uncertainty

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

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2012, 2011 and 2010, the Group recognised an impairment loss of $404 million, $105 million and $109 million, respectively (Note 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate that impairment exists.

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.

In 2012 and 2010, the change in estimates of useful lives of property, plant and equipment resulted in an additional depreciation expense of approximately $5 million and $10 million, respectively. In 2011, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a $16 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred.

Fair Values of Assets and Liabilities Acquired in Business Combinations

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

Impairment of Goodwill

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Goodwill (continued)

The carrying amount of goodwill at 31 December 2012, 2011 and 2010 was $2,180 million, $2,180 million and $2,219 million, respectively. In 2012, 2011 and 2010, the Group recognised an impairment loss in respect of goodwill in the amount of $Nil, $Nil and $16 million, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 5.

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

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the end of the reporting period based on the requirements of the current legislation of the country where the respective operating assets are located. The carrying amount of a provision is the present value of the expected expenditures, i.e. cash outflows discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

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.).

Allowances

The Group makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of 31 December 2012, 2011 and 2010, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $101 million, $108 million and $117 million, respectively (Note 29).

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

Litigations

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Current Taxes

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

Deferred Income Tax Assets

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

Foreign Currency Transactions

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

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

2. Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

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

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

Basis of Consolidation

Subsidiaries

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

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

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

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

Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method.

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

Acquisition costs incurred are expensed and included in administrative expenses.

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Acquisition of Subsidiaries (continued)

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.

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control (continued)

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

Put Options over Non-controlling Interests

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

Investments in Associates

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

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

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

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

Interests in Joint Ventures

The Group's interest in its joint ventures is accounted for under the equity method of accounting whereby an interest in jointly 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.

2. Significant Accounting Policies (continued)

Property, Plant and Equipment

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

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

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

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

	Useful lives (years)	**Weighted average remaining useful life (years)**
Buildings and constructions	15–60	19
Machinery and equipment	4–45	11
Transport and motor vehicles	7–20	10
Other assets	3–15	6

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

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

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.

2. Significant Accounting Policies (continued)

Goodwill

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

Intangible Assets Other Than Goodwill

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

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

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

2. Significant Accounting Policies (continued)

Intangible Assets Other Than Goodwill (continued)

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	11
Trade names and trademarks	5	–
Water rights and environmental permits with definite lives	5	2
Patented and unpatented technology	18	13
Contract terms	1–49	–
Other	5–10	6

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

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

Emission Rights

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

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

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

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

2. Significant Accounting Policies (continued)

Financial Assets

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

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

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

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

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

2. Significant Accounting Policies (continued)

Financial Assets (continued)

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

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

Accounts Receivable

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

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

Inventories

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

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

2. Significant Accounting Policies (continued)

Value Added Tax

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

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

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

Cash and Cash Equivalents

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

Borrowings

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

Borrowing costs relating to qualifying assets are capitalised (Note 9).

Financial Guarantee Liabilities

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

Equity

Share Capital

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

2. Significant Accounting Policies (continued)

Equity (continued)

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%), 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.

2. Significant Accounting Policies (continued)

Employee Benefits (continued)

Defined Benefit Plans

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

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

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

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

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

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

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

The cost of equity-settled transactions with grantees is measured by reference to the fair value of the Company's shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

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

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

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

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

2. Significant Accounting Policies (continued)

Share-based Payments (continued)

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

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

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

Revenue

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

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

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

Sale of Goods

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

Rendering of Services

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

Interest

Interest is recognised using the effective interest method.

2. Significant Accounting Policies (continued)

Revenue (continued)

Dividends

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

Rental Income

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

Current Income Tax

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

Current income tax relating to items recognised 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.

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.

3. Segment Information (continued)

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

Year ended 31 December 2012

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	**$ 13,884**	**$ 258**	**$ 192**	**$ 200**	**$ –**	**$ 14,534**
Inter-segment sales	**324**	**2,261**	**317**	**606**	**(3,508)**	**–**
Total revenue	**14,208**	**2,519**	**509**	**806**	**(3,508)**	**14,534**
Segment result – EBITDA	**$ 1,096**	**$ 569**	**$ 54**	**$ 180**	**$ 87**	**$ 1,986**

Year ended 31 December 2011

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

Year ended 31 December 2010

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

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 2012

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue	$ 14,208	$ 2,519	$ 509	$ 806	$ (3,508)	$ 14,534
Forecasted vs. actual revenue	96	2	(3)	14	–	109
Reclassifications and other adjustments	(761)	129	14	226	475	83
Revenue per IFRS financial statements	$ 13,543	$ 2,650	$ 520	$ 1,046	$ (3,033)	$ 14,726
EBITDA	$ 1,096	$ 569	$ 54	$ 180	$ 87	$ 1,986
Forecasted vs. actual EBITDA	(1)	3	7	(12)	–	(3)
Exclusion of management services from segment result	103	49	3	4	–	159
Unrealised profits adjustment	(6)	–		–	6	–
Reclassifications and other adjustments	134	1	(83)	17	–	69
	230	53	(73)	9	6	225
EBITDA based on IFRS financial statements	$ 1,326	$ 622	$ (19)	$ 189	$ 93	$ 2,211
Unallocated subsidiaries						(189)
						$ 2,022
Depreciation, depletion and amortisation expense	(556)	(611)	(47)	(38)	–	(1,252)
Impairment of assets	(58)	(354)	–	(1)	–	(413)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(38)	(17)	(1)	–	–	(56)
Foreign exchange gains/(losses), net	171	(95)	–	–	–	76
	$ 845	$ (455)	$ (67)	$ 150	$ 93	$ 377
Unallocated income/(expenses), net						(124)
Profit/(loss) from operations						$ 253
Interest income/(expense), net						$ (621)
Share of profits/(losses) of joint ventures and associates						1
Gain/(loss) on financial assets and liabilities						164
Gain/(loss) on disposal groups classified as held for sale						114
Gain on sale of a subsidiary to the Company's parent						200
Other non-operating gains/(losses), net						(6)
Profit/(loss) before tax						$ 105

3. Segment Information (continued)

Year ended 31 December 2011

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue	$ 16,044	$ 3,512	$ 633	$ 822	$ (4,534)	$ 16,477
Forecasted vs. actual revenue	134	(1)	(5)	(4)	–	124
Reclassifications and other adjustments	(1,461)	273	37	148	802	(201)
Revenue per IFRS financial statements	$ 14,717	$ 3,784	$ 665	$ 966	$ (3,732)	$ 16,400
EBITDA	$ 1,120	$ 1,529	$ 111	$ 176	$ 17	$ 2,953
Forecasted vs. actual EBITDA	(63)	(10)	(5)	(1)	–	(79)
Exclusion of management services from segment result	91	43	3	2	–	139
Unrealised profits adjustment	(5)	–	(3)	–	15	7
Reclassifications and other adjustments	119	66	(84)	20	–	121
	142	99	(89)	21	15	188
EBITDA based on IFRS financial statements	$ 1,262	$ 1,628	$ 22	$ 197	$ 32	$ 3,141
Unallocated subsidiaries						(242)
						$ 2,899
Depreciation, depletion and amortisation expense	(546)	(530)	(34)	(40)	–	(1,150)
Impairment of assets	(78)	(31)	–	5	–	(104)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(29)	(20)	–	(1)	–	(50)
Foreign exchange gains/(losses), net	(29)	103	(1)	1	–	74
	$ 580	$ 1,150	$ (13)	$ 162	$ 32	$ 1,669
Unallocated income/(expenses), net						192
Profit/(loss) from operations						$ 1,861
Interest income/(expense), net						$ (691)
Share of profits/(losses) of joint ventures and associates						55
Gain/(loss) on financial assets and liabilities						(355)
Gain/(loss) on disposal groups classified as held for sale						8
Other non-operating gains/(losses), net						(4)
Profit/(loss) before tax						$ 874

3. Segment Information (continued)

Year ended 31 December 2010

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

3. Segment Information (continued)

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

US$ million	2012	2011	2010
Steel production			
Construction products	**$ 4,322**	$ 4,423	$ 3,331
Flat-rolled products	**2,265**	2,760	2,005
Railway products	**1,737**	1,964	1,466
Tubular products	**1,288**	1,321	1,309
Semi-finished products	**2,066**	2,235	2,340
Other steel products	**459**	554	383
Other products	**1,109**	1,165	1,064
Rendering of services	**87**	101	77
	13,333	14,523	11,975
Mining			
Iron ore	**347**	586	330
Coal	**211**	392	355
Other products	**62**	39	26
Rendering of services	**15**	20	25
	635	1,037	736
Vanadium products			
Vanadium in slag	**31**	76	39
Vanadium in alloys and chemicals	**465**	558	493
Other products	**5**	4	3
Rendering of services	**4**	3	2
	505	641	537
Other operations			
Rendering of services	**253**	199	146
	253	199	146
	$ 14,726	$ 16,400	$ 13,394

3. Segment Information (continued)

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

US$ million	2012	2011	2010
CIS			
Russia	**$ 6,191**	$ 6,632	$ 4,692
Ukraine	**473**	623	471
Kazakhstan	**355**	401	342
Others	**168**	163	147
	7,187	7,819	5,652
America			
USA	**2,293**	2,172	1,674
Canada	**1,234**	1,478	1,451
Others	**44**	91	37
	3,571	3,741	3,162
Asia			
Taiwan	**492**	360	459
Thailand	**451**	708	550
Indonesia	**355**	212	113
China	**178**	252	367
Korea	**118**	111	126
United Arab Emirates	**87**	315	410
Philippines	**87**	84	285
Mongolia	**67**	43	7
Jordan	**64**	6	29
Japan	**59**	81	71
Vietnam	**27**	33	93
Syria	**10**	51	65
Others	**120**	94	96
	2,115	2,350	2,671
Europe			
Italy	**224**	267	205
Germany	**204**	368	219
Austria	**160**	224	188
Czech Republic	**155**	205	189
Poland	**131**	221	139
Slovakia	**96**	94	64
Other members of the European Union	**261**	348	265
Turkey	**182**	145	118
Others	**37**	69	35
	1,450	1,941	1,422
Africa			
South Africa	**323**	472	407
Others	**74**	72	78
	397	544	485
Other countries	**6**	5	2
	$ 14,726	$ 16,400	$ 13,394

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

3. Segment Information (continued)

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

US$ million	2012	2011	2010
Russia	$ **5,998**	$ 6,153	$ 6,200
USA	**2,014**	2,047	2,119
Canada	**2,046**	2,069	2,166
Ukraine	**668**	759	892
South Africa	**43**	567	723
Czech Republic	**42**	213	241
Italy	**204**	206	221
Other countries	**94**	52	40
	$ **11,109**	$ 12,066	$ 12,602

4. Acquisition of Subsidiaries

Acquisitions of Controlling Interests

Inprom Group

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

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

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

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

4. Acquisition of Subsidiaries (continued)

Acquisitions of Controlling Interests (continued)

Inprom Group (continued)

In 2010, cash flow on acquisition was as follows:

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

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

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

Acquisition of Other Controlling Interests

On 1 January 2012, the Group obtained control over the operating activities of Kachkanar Heat and Power Plant (Russia), for which the Group paid $20 million in 2011. This payment was included in other non-current assets as of 31 December 2011 (Note 13). Goodwill arising on this business combination amounted to $3 million.

In 2012, the Group paid $12 million for the scrap yards located in the USA. Goodwill arising on this acquisition amounted to $1 million.

Disclosure of Other Information in Respect of Business Combinations

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

Other Payments for Acquisition of Subsidiaries

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

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

4. Acquisition of Subsidiaries (continued)

Acquisitions of Non-controlling Interests

Mezhegey Project

In June 2012, the Group acquired an additional 9.996% ownership interest in Actionfield Limited, which holds and operates the Mezhegey coal field project (Note 20). As a result, the Group increased its share in the project to approximately 60.016%.

The fair value of the consideration amounted to $36 million. It was agreed to settle the liabilities for the purchase by an offset with a loan receivable by the Group. The excess of the consideration over the carrying value of the acquired non-controlling interest amounting to $30 million was charged to accumulated profits.

In September 2012, the Group sold its share in the project to EVRAZ plc for a cash consideration of $245 million and recognised in the consolidated statement of operations a gain of $200 million being the difference between the proceeds from the sale and carrying value of the ownership interest sold. At the date of sale, cash balances of the disposed subsidiaries amounted to $1 million.

Evraztrans

In 2011, the Group acquired an additional non-controlling interest of 24% in Evraztrans (Note 12), a subsidiary, which renders railway transportation services. The cash consideration amounted to $51 million. The excess of the amounts of consideration over the carrying values of non-controlling interests acquired amounting to $18 million was charged to accumulated profits.

Stratcor

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

LDPP

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

5. Goodwill

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

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2009	**3,081**	**(895)**	**2,186**
Adjustment to contingent consideration	8	–	8
Impairment	–	(16)	(16)
Stratcor, Inc.	–	*(16)*	*(16)*
Translation difference	43	(2)	41
At 31 December 2010	**3,132**	**(913)**	**2,219**
Adjustment to contingent consideration	(6)	–	(6)
Translation difference	(35)	2	(33)
At 31 December 2011	**3,091**	**(911)**	**2,180**
Goodwill recognised on acquisition of subsidiaries (Note 4)	4	–	4
Adjustment to contingent consideration	(5)	–	(5)
Goodwill allocated to disposal groups classified as held for sale (Note 12)	(23)	–	(23)
Translation difference	24	–	24
At 31 December 2012	**$ 3,091**	**$ (911)**	**$ 2,180**

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

US$ million	2012	2011	2010
EVRAZ Inc. NA	**$ 1,131**	$ 1,130	$ 1,130
Oregon Steel Portland Mill	*412*	*412*	*412*
Rocky Mountain Steel Mills	*410*	*410*	*410*
OSM Tubular – Camrose Mills	*157*	*157*	*157*
Claymont Steel	*135*	*135*	*135*
General Scrap	*16*	*16*	*16*
Others	*1*	–	–
EVRAZ Inc. NA Canada	**845**	827	845
Calgary	*232*	*227*	*232*
Red Deer	*56*	*55*	*57*
Regina Steel	*397*	*389*	*397*
Regina Tubular	*137*	*134*	*137*
Others	*23*	*22*	*22*
EVRAZ Palini e Bertoli	**76**	74	78
EVRAZ Vanady-Tula	**66**	63	66
Strategic Minerals Corporation	**20**	25	31
EVRAZ Nikom, a.s.	**39**	37	40
EVRAZ Highveld Steel and Vanadium Limited (Note 12)	**–**	24	29
EVRAZ Kachkanar Heat and Power Plant	**3**	–	–
	$ 2,180	$ 2,180	$ 2,219

6. Impairment of Goodwill and Other Non-current Assets

For the purpose of the impairment testing as of 31 December 2012 the Group assessed the recoverable amount of each cash-generating unit ("CGU") to which the goodwill was allocated or where indicators of impairment were identified.

The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the respective business plans results using a zero real growth rate.

The key assumptions used by management in the value-in-use calculations with respect to the cash-generating units to which the goodwill was allocated are presented in the table below.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2013	Recoverable amount of CGU, US$ million	Carrying amount of CGU, US$ million
EVRAZ Inc. NA	5	10.80-12.03	steel products	$901	3,916	2,157
EVRAZ Inc. NA Canada	5	11.32-11.76	steel products	$1,066	2,546	1,851
EVRAZ Palini e Bertoli	5	14.20	steel plates	€608	220	193
EVRAZ Vanady-Tula	5	13.26	vanadium products	$23,756	172	112
Vametco	5	13.73	ferrovanadium products	$24,246	105	43
EVRAZ Nikom, a.s.	5	12.44	ferrovanadium products	$22,733	170	42
EVRAZ Highveld Steel and Vanadium Limited	5	13.28	ferrovanadium products steel products	$23,928 $769	612	443

6. Impairment of Goodwill and Other Non-current Assets (continued)

In addition, the Group determined that there were indicators of impairment in other cash generating units and tested them for impairment using the following assumptions.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2013
EVRAZ Dnepropetrovsk Iron and Steel Works	5	13.85	steel products	$619
EVRAZ Nizhny Tagil Iron & Steel Plant	5	13.26	steel products	$698
EVRAZ United West-Siberian Iron & Steel Plant	5	13.26	steel products	$536
EVRAZ Vitkovice Steel a.s.	5	11.03	steel products	$838
EVRAZ Caspian Steel	5	12	steel mill under construction	$601
EVRAZ Yuzhny Stan	5	12	steel mill under construction	$640
EVRAZ Bagleykoks	5	15.64	coke	$227
Strategic Minerals Corporation	5	13.24	ferrovanadium products	$37,234
Yuzhkuzbassugol	17	14.49	coal	$88
Mezhegeyugol	29	14	undeveloped coal field	$133
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	7	14.83	ore	$74
EVRAZ Sukha Balka	21	16.91	ore	$60
EVRAZ Vysokogorsky Mining-and-Processing Integrated Works	17	14.83	ore	$86
Evrazruda	5	14.83	ore	$93
EVRAZ Nakhodka Trade Seaport	5	13.26	port services	$12

The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products and the increase in the forecasted costs.

6. Impairment of Goodwill and Other Non-current Assets (continued)

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

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an additional impairment at EVRAZ United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Sukha Balka, EVRAZ Palini e Bertoli and EVRAZ Inc. NA cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $284 million.

Sales Prices

The prices of the products sold by the Group were estimated using industry research. The Group expects that the nominal prices will grow with a compound annual growth rate of 0%-6.5% in 2013 – 2017, 3.0% in 2018 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at EVRAZ United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Sukha Balka and EVRAZ Inc. NA cash-generating units. If the prices assumed for 2013 and 2014 in the impairment test were 10% lower, this would lead to an additional impairment of $411 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase by 7% in 2013 and would grow evenly during the following four years to reach normal asset capacity utilisation thereafter. Reasonably possible changes in sales volumes could lead to an additional impairment at EVRAZ United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, and EVRAZ Sukha Balka cash-generating units. If the sales volumes were 10% lower than those assumed for 2013 and 2014 in the impairment test, this would lead to an additional impairment of $119 million.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation of cost from these plans could lead to an additional impairment at EVRAZ United West-Siberian Iron & Steel Plant, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Bagleykoks, EVRAZ Sukha Balka, EVRAZ Palini e Bertoli and EVRAZ Inc. NA cash-generating units. If the actual costs were 10% higher than those assumed for 2013 and 2014 in the impairment test, this would lead to an additional impairment of $1,048 million.

The unit's recoverable amount would become equal to its carrying amount if the assumptions used to measure the recoverable amount changed as follows:

	Discount rates	Sales prices	Sales volumes	Cost control measures
EVRAZ United West-Siberian Iron & Steel Plant	0.09%	(0.05)%	(0.19)%	0.02%
EVRAZ Sukha Balka	3%	(3)%	(5)%	4%
EVRAZ Palini e Bertoli	6%	–	–	5%
EVRAZ Claymont Steel	2%	(6)%	–	3%
EVRAZ Bagleykoks	–	–	–	4%

6. Impairment of Goodwill and Other Non-current Assets (continued)

In addition to the impairment losses recognised as a result of the impairment testing at the level of cash-generating units, the Group made a write-off of certain functionally obsolete items of property, plant and equipment and recorded an impairment relating to the VAT with a long-term recovery.

The summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2012

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
Evrazruda	$ (1)	$ (355)	$ –	$ (356)
EVRAZ Dnepropetrovsk Iron and Steel Works	–	(47)	(4)	(51)
Others, net	–	(2)	(4)	(6)
	$ (1)	$ (404)	$ (8)	$ (413)

Year ended 31 December 2011

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Dneprodzerzhinsky Coke-chemical Plant	$ –	$ (59)	$ (9)	$ (68)
Yuzhkuzbassugol	–	(31)	–	(31)
Others, net	9	(15)	–	(6)
	$ 9	$ (105)	$ (9)	$ (105)

Year ended 31 December 2010

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
Velcast	$ –	$ (38)	$ –	$ (38)
Evraz Highveld Steel and Vanadium Limited	–	(31)	–	(31)
Frotora Holdings Ltd. (Note 12)	(30)	–	–	(30)
Stratcor, Inc. (Note 5)	(16)	–	–	(16)
Yuzhkuzbassugol	–	(19)	–	(19)
Others, net	1	(21)	–	(20)
	$ (45)	$ (109)	$ –	$ (154)

7. Income and Expenses

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

US$ million	2012	2011	2010
Cost of inventories recognised as expense	**$ (6,266)**	$ (7,106)	$ (5,241)
Staff costs, including social security taxes	**(2,401)**	(2,228)	(1,743)
Depreciation, depletion and amortisation	**(1,259)**	(1,153)	(925)

In 2012, 2011 and 2010, the Group made a net reversal of the allowance for net realisable value in the amount of $2 million, $14 million and $35 million, respectively.

Staff costs include the following:

US$ million	2012	2011	2010
Wages and salaries	**$ 1,763**	$ 1,648	$ 1,347
Social security costs	**412**	404	257
Post-employment benefit expense	**83**	59	59
Share-based awards	**22**	23	2
Other compensations	**121**	94	78
	$ 2,401	$ 2,228	$ 1,743

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

	2012	2011	2010
Steel production	**63,054**	63,414	61,858
Mining	**38,864**	37,490	38,336
Vanadium products	**1,240**	1,212	1,178
Other operations	**3,884**	3,583	3,855
Unallocated	**3,404**	3,362	3,279
	110,446	109,061	108,506

The major components of other operating expenses were as follows:

US$ million	2012	2011	2010
Idling, reduction and stoppage of production, including termination benefits	**$ (77)**	$ (40)	$ (45)
Restoration works and casualty compensations in connection with accidents	**(8)**	(4)	(17)
Site restoration provision accrued with respect to Kazankovskaya (Note 11)	**–**	(6)	–
Other	**(44)**	(46)	(48)
	$ (129)	$ (96)	$ (110)

7. Income and Expenses (continued)

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

US$ million	2012	2011	2010
Bank interest	**$ (103)**	$ (154)	$ (241)
Interest on bonds and notes	**(484)**	(495)	(423)
Finance charges payable under finance leases	**(3)**	(5)	(6)
Interest on liabilities relating to employee benefits and expected return on plan assets (Note 23)	**(28)**	(28)	(32)
Discount adjustment on provisions (Note 25)	**(19)**	(19)	(15)
Interest on contingent consideration	**(1)**	(1)	(1)
Other	**(6)**	(6)	(10)
	$ (644)	$ (708)	$ (728)

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

US$ million	2012	2011	2010
Interest on bank accounts and deposits	**$ 13**	$ 6	$ 9
Interest on loans receivable	**6**	4	1
Interest on loans receivable from related parties	**–**	3	2
Interest on accounts receivable	**–**	–	1
Other	**4**	4	–
	$ 23	$ 17	$ 13

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

US$ million	2012	2011	2010
Impairment of available-for-sale financial assets (Note 13)	**$ –**	$ (20)	$ (2)
Loss on extinguishment of debts (Note 21)	**–**	(71)	–
Loss on conversion of bonds (Note 21)	**–**	(161)	–
Change in the fair value of derivatives (Note 26)	**177**	(110)	4
Other	**(13)**	7	6
	$ 164	$ (355)	$ 8

8. Income Taxes

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

	2012	2011	2010
Russia	**20.00%**	20.00%	20.00%
Canada	**25.54%**	26.50%	28.00%
Cyprus	**10.00%**	10.00%	10.00%
Czech Republic	**19.00%**	19.00%	19.00%
Italy	**31.40%**	31.40%	31.40%
South Africa	**28.00%**	28.00%	28.00%
Switzerland	**9.82%**	10.09%	10.09%
Ukraine	**21.00%**	23.00% and 25.00%	25.00%
USA	**38.20%**	37.95%	38.32%

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

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

US$ million	2012	2011	2010
Current income tax expense	$ **(336)**	$ (537)	$ (415)
Adjustment in respect of income tax of previous years	**69**	129	(8)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**38**	(12)	260
Income tax expense reported in the consolidated statement of operations	$ **(229)**	$ (420)	$ (163)

8. Income Taxes (continued)

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

US$ million	**2012**	**2011**	**2010**
Profit/(loss) before income tax	$ **105**	$ 874	$ 633
At the Russian statutory income tax rate of 20%	**(21)**	(175)	(127)
Adjustment in respect of income tax of previous years	**69**	129	(8)
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**(53)**	(116)	–
Deferred income tax benefit resulting from reduction in tax rate	**–**	–	17
Deferred income tax benefit relating to changes in tax regulations other than tax rates	**–**	–	125
Effect of non-deductible expenses and other non-temporary differences	**(76)**	(282)	(261)
Unrecognised temporary differences recognition/reversal	**(165)**	(52)	5
Effect of the difference in tax rates in countries other than the Russian Federation	**31**	65	82
Tax on dividends distributed by the Group's subsidiaries to parent company	**(14)**	–	–
Share of profits in joint ventures and associates	**–**	11	4
Income tax expense reported in the consolidated statement of operations	$ **(229)**	$ (420)	$ (163)

8. Income Taxes (continued)

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

Year ended 31 December 2012

US$ million	2012	Change recognised in statement of operations	Received from tax authorities	Change recognised in other comprehen-sive income	Change due to business combina tions	Change due to disposal of subsidiaries	Trasfer to disposal groups classifies as held for sale	Translation difference	2011
Deferred income tax liabilities:									
Valuation and depreciation of property, plant and equipment	$ 887	(64)	–	–	(1)	(26)	(72)	29	$ 1,021
Valuation and amortisation of intangible assets	153	(30)	–	–	–	–	(39)	1	221
Other	83	(9)	–	–	–	(4)	–	3	93
	1,123	(103)	–	–	(1)	(30)	(111)	33	1,335
Deferred income tax assets:									
Tax losses available for offset	88	(37)	–	–	–	(13)	(17)	4	151
Accrued liabilities	112	26	–	–	–	(12)	(28)	3	123
Impairment of accounts receivable	32	(2)	–	–	–	(1)	–	2	33
Other	28	(52)	–	–	–	(2)	(7)	2	87
	260	(65)	–	–	–	(28)	(52)	11	394
Net deferred income tax asset	64	(5)	–	–	–	(2)	(13)	5	79
Net deferred income tax liability	$ 927	(43)	–	–	(1)	(4)	(72)	27	$ 1,020

Year ended 31 December 2011

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

8. Income Taxes (continued)

Year ended 31 December 2010

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

As of 31 December 2012, 2011 and 2010, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 10%. At 31 December 2012, the Group has not recognised a deferred tax liability and deferred tax asset in respect of temporary differences of $4,985 million and $8,542 million, respectively (2011: $5,686 million and $3,478 million, 2010: $5,764 million and $2,831 million, respectively). These differences are associated with investments in subsidiaries and were not recognised as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies, except for the companies registered in Cyprus and the United Kingdom where group relief can be applied. As of 31 December 2012, the unused tax losses carry forward approximated $3,324 million (2011: $3,481 million, 2010: $3,365 million). The Group recognised deferred tax asset of $88 million (2011: $151 million, 2010: $150 million) in respect of unused tax losses. Deferred tax asset in the amount of $726 million (2011: $694 million, 2010: $655 million) has not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $2,594 million (2011: $2,568 million, 2010: $2,555 million) for which deferred tax asset was not recognised arose in companies registered in Luxembourg, Cyprus, Russia and Ukraine. Losses in the amount of $2,405 million (2011: $2,479 million, 2010: $2,535 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $189 million will expire during 2013–2022 (2011: $89 million, 2010: $20 million).

9. Property, Plant and Equipment

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

US$ million	2012	2011	2010
Cost:			
Land	$ **181**	$ 187	$ 177
Buildings and constructions	**2,825**	2,594	2,536
Machinery and equipment	**5,894**	5,798	5,734
Transport and motor vehicles	**402**	508	483
Mining assets	**3,000**	2,631	2,656
Other assets	**51**	75	84
Assets under construction	**1,177**	1,027	702
	13,530	12,820	12,372
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(1,218)**	(954)	(854)
Machinery and equipment	**(2,706)**	(2,358)	(2,046)
Transport and motor vehicles	**(225)**	(227)	(203)
Mining assets	**(1,628)**	(923)	(607)
Other assets	**(35)**	(52)	(55)
	(5,812)	(4,514)	(3,765)
	$ **7,718**	$ 8,306	$ 8,607

The movement in property, plant and equipment for the year ended 31 December 2012 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2011, cost, net of accumulated depreciation	$ 187	$ 1,640	$ 3,440	$ 281	$ 1,708	$ 23	$ 1,027	$ 8,306
Assets acquired in business combination	3	7	14	–	–	–	–	24
Additions	–	2	4	8	35	1	1,265	1,315
Assets put into operation	1	210	590	59	250	4	(1,114)	–
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)
Sale of a subsidiary to the Company's parent	–	–	–	–	(69)	–	–	(69)
Change in site restoration and decommissioning provision	–	4	(3)	–	52	–	–	53
Translation difference	4	74	109	14	75	–	53	329
At 31 December 2012, cost, net of accumulated depreciation	$ 181	$ 1,607	$ 3,188	$ 177	$ 1,372	$ 16	$ 1,177	$ 7,718

9. Property, Plant and Equipment (continued)

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

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

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

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

9. Property, Plant and Equipment (continued)

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $92 million, $287 million and $250 million as of 31 December 2012, 2011 and 2010, respectively.

On 1 April 2012, the Group updated its mining plans relating mostly to the extraction of coking coal reserves. Consequently, the depreciation and depletion charge in 2012 is lower by $276 million compared to the amount that would have been charged in accordance with the previous mining plans.

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash-generating units (Note 6).

The amount of borrowing costs capitalised during the year ended 31 December 2012 was $16 million (2011: $13 million, 2010: $5 million). In 2012, the rate used to determine the amount of borrowing costs eligible for capitalisation was 4.8% (2011: 4.6%, 2010: 6.3%), which is the effective interest rate of borrowings that were outstanding during the period, other than borrowings made specifically for the purpose of obtaining qualifying assets.

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	**2012**	**2011**	**2010**
Cost:			
Customer relationships	$ **878**	$ 1,230	$ 1,353
Trade names and trademarks	**28**	31	31
Water rights and environmental permits	**57**	64	64
Patented and unpatented technology	**9**	9	10
Contract terms	**–**	16	11
Other	**63**	55	53
	1,035	1,405	1,522
Accumulated amortisation:			
Customer relationships	**(373)**	(480)	(441)
Trade names and trademarks	**(28)**	(31)	(25)
Water rights and environmental permits	**–**	(7)	(6)
Patented and unpatented technology	**(8)**	(8)	(8)
Contract terms	**–**	(4)	(3)
Other	**(40)**	(37)	(35)
	(449)	(567)	(518)
	$ **586**	$ 838	$ 1,004

As of 31 December 2012, 2011 and 2010, water rights and environmental permits with a carrying value of $56 million had an indefinite useful life.

10. Intangible Assets Other Than Goodwill (continued)

The movement in intangible assets for the year ended 31 December 2012 was as follows:

US$ million	**Customer relation-ships**	**Trade names and trademarks**	**Water rights and environ-mental permits**	**Patented and unpatented technology**	**Contract terms**	**Other**	**Total**
At 31 December 2011, cost, net of accumulated amortisation	**$ 750**	**$ –**	**$ 57**	**$ 1**	**$ 12**	**$ 18**	**$ 838**
Assets acquired in business combination	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Additions	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Amortisation charge	**(99)**	**–**	**–**	**–**	**–**	**(4)**	**(103)**
Emission allowances granted	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Emission allowances used/sold/purchased for the period	**–**	**–**	**–**	**–**	**–**	**(7)**	**(7)**
Impairment loss recognised in statement of operations	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Transfer to assets held for sale	**(149)**	**–**	**–**	**–**	**(12)**	**–**	**(161)**
Translation difference	**2**	**–**	**–**	**–**	**–**	**–**	**2**
At 31 December 2012, cost, net of accumulated amortisation	**$ 505**	**$ –**	**$ 57**	**$ 1**	**$ –**	**$ 23**	**$ 586**

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

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

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

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

11. Investments in Joint Ventures and Associates

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

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

US$ million	Corber	Streamcore	Kazankov-skaya	Other associates	Total
Investment at 31 December 2009	**$ 569**	**$ 44**	**$ –**	**$ 21**	**$ 634**
Share of profit/(loss)	95	–	–	1	96
Impairment of investments	–	(23)	–	(10)	(33)
Translation difference	(8)	–	–	(1)	(9)
Investment at 31 December 2010	**656**	**21**	**–**	**11**	**688**
Additional investments	–	–	3	9	12
Write-off of loan receivable	–	–	(3)	–	(3)
Share of profit/(loss)	50	–	–	1	51
Reversal of impairment of investments	–	4	–	–	4
Dividends paid	(52)	–	–	(2)	(54)
Translation difference	(33)	(1)	–	(1)	(35)
Investment at 31 December 2011	**$ 621**	**$ 24**	**$ –**	**$ 18**	**$ 663**
Additional investments	–	–	5	–	5
Write-off of loan receivable (Note 16)	–	–	(5)	–	(5)
Share of profit/(loss)	(11)	7	–	–	(4)
Reversal of impairment of investments	–	5	–	–	5
Dividends paid	(86)	(2)	–	–	(88)
Acquisition of non-controlling interests	(22)	–	–	–	(22)
Return of capital	(38)	–	–	–	(38)
Unrealised gains on financial assets	1	–	–	–	1
Translation difference	42	2	–	–	44
Investment at 31 December 2012	**$ 507**	**$ 36**	**$ –**	**$ 18**	**$ 561**

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

US$ million	2012	2011	2010
Share of profit/(loss), net	**$ (4)**	$ 51	$ 96
Reversal of impairment/(impairment) of investments	**5**	4	(33)
Group's share in excess of net assets of ZAO Koksovaya transferred to Raspadskaya over consideration received (Note 12)	**–**	–	(42)
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$ 1**	$ 55	$ 21

11. Investments in Joint Ventures and Associates (continued)

Corber Enterprises Limited

Corber Enterprises Limited ("Corber") is a joint venture established in 2004 for the purpose of exercising joint control over economic activities of Raspadskaya Mining Group. Corber is registered in Cyprus. The Group had a 50% share in the joint venture, i.e. at 31 December 2012 it effectively owned approximately 41% in JSC Raspadskaya (2011 and 2010: 40%).

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

US$ million	**2012**	**2011**	**2010**
Mineral reserves	**$ 742**	$ 733	$ 798
Other property, plant and equipment	**924**	901	920
Other non-current assets	**70**	54	27
Inventories	**111**	84	77
Accounts and notes receivable	**252**	198	275
Cash	**8**	180	165
Total assets	**2,107**	2,150	2,262
Non-current liabilities	**593**	38	338
Deferred income tax liabilities	**172**	174	188
Current liabilities	**106**	455	82
Total liabilities	**871**	667	608
Non-controlling interests	**227**	243	335
Net assets	**$ 1,009**	$ 1,240	$ 1,319
Group's share of net assets	**505**	620	659
Add: cost of guarantee	**2**	2	2
Less: unrealised profits in inventory balance	**–**	(1)	(5)
Investment	**$ 507**	$ 621	$ 656

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

US$ million	**2012**	**2011**	**2010**
Revenue	**$ 542**	$ 726	$ 706
Cost of revenue	**(460)**	(361)	(323)
Other expenses, including income taxes	**(112)**	(246)	(139)
Net profit/(loss)	**$ (30)**	$ 119	$ 244
Attributable to:			
Equity holders of the parent entity	**$ (23)**	$ 93	$ 194
Non-controlling interests	**(7)**	26	50
Net profit/(loss)	**$ (30)**	$ 119	$ 244
50% of unrealised profits on transactions with the joint venture	**1**	4	(2)
Group's share of profits/(losses) of the joint venture	**$ (11)**	$ 50	$ 95

11. Investments in Joint Ventures and Associates (continued)

Buyback of Shares by Raspadskaya

In 2012, Raspadskaya, a subsidiary of Corber, the Group's joint venture, made a buyback of 9.94% of its shares from shareholders. At the end of February 2012, Corber sold 48,351,712 shares back to Raspadskaya for $248 million. As a result of the buyback, Corber effectively acquired an additional 1.95% share in Raspadskaya and its ownership interest increased to 81.95%.

The Group's share in the excess of the amounts of consideration over the carrying values of non-controlling interests acquired amounting to $22 million was charged to accumulated profits of the Group.

Return of Capital

In September 2012, the Board of directors of Corber decided to reduce its additional paid-in capital by $76 million by the return of funds to its shareholders. The Group received $38 million in cash.

Kazankovskaya

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

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

US$ million	**2012**	**2011**	**2010**
Mineral reserves	**$ –**	$ –	$ –
Other property, plant and equipment	**–**	–	–
Inventories	**–**	–	1
Accounts receivable	**–**	1	1
Other current assets	**2**	2	1
Total assets	**2**	3	3
Non-current liabilities	**9**	69	65
Deferred income tax liabilities	**–**	3	4
Current liabilities	**116**	25	24
Total liabilities	**125**	97	93
Net liabilities	**$ (123)**	$ (94)	$ (90)

The accumulated unrecognised losses in respect of Kazankovskaya amounted to:

US$ million	**2012**	**2011**	**2010**
Unrecognised losses	**$ (39)**	$ (27)	$ (21)

11. Investments in Joint Ventures and Associates (continued)

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

US$ million	2012	2011	2010
Revenue	$ –	$ –	$ 14
Cost of revenue	–	(1)	(32)
Other expenses, including income taxes	**(23)**	(10)	(23)
Net loss	**(23)**	(11)	(41)
Group's share of loss of the associate	**$ (12)**	$ (6)	$ (21)

In January 2013, the Group acquired an additional 50% in Kazankovskaya from Magnitogorsk Steel Plant for a cash consideration of 167 US dollars. The primary reason for the business combination is a preparation for the subsequent sale of the mines.

Streamcore

The Group owns a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia.

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

US$ million	2012	2011	2010
Property, plant and equipment	$ **55**	$ 40	$ 31
Accounts receivable	**59**	11	17
Total assets	**114**	51	48
Deferred income tax liabilities	**3**	1	4
Current liabilities	**39**	1	1
Total liabilities	**42**	2	5
Net assets	**$ 72**	$ 49	$ 43
Group's share of net assets	**36**	24	21
Group's share in goodwill	**–**	–	–
Investment	**$ 36**	$ 24	$ 21

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

US$ million	2012	2011	2010
Revenue	$ **504**	$ 9	$ 10
Cost of revenue	**(472)**	(6)	(9)
Other expenses, including income taxes	**(18)**	(3)	(1)
Net profit	**$ 14**	$ –	$ –
Group's share of profit of the joint venture	**$ 7**	$ –	$ –

12. Disposal Groups Held for Sale

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

US$ million	2012	2011	2010
Property, plant and equipment	$ 368	$ 9	$ 2
Intangible assets	149	–	–
Goodwill	18	–	–
Other non-current assets	35	–	–
Accounts receivable	290	–	–
Cash and cash equivalents	70	–	–
Assets classified as held for sale	930	9	2
Deferred income tax liabilities	75	–	–
Non-current liabilities	125	–	–
Current liabilities	278	–	–
Liabilities directly associated with assets classified as held for sale	478	–	–
Non-controlling interests	49	–	–
Net assets classified as held for sale	$ 403	$ 9	$ 2

The net assets of disposal groups classified as held for sale at 31 December related to the following reportable segments:

US$ million	2012	2011	2010
Assets classified as held for sale	$ 930	$ 9	$ 2
Steel production	843	8	–
Mining	16	1	2
Vanadium products	71	–	–
Liabilities directly associated with assets classified as held for sale	478	–	–
Steel production	429	–	–
Mining	41	–	–
Vanadium products	8	–	–
Non-controlling interests	49	–	–
Steel production	40		
Vanadium products	9	–	–

At 31 December 2012, the disposal groups held for sale consisted mostly of the assets and liabilities of EVRAZ Vitkovice Steel and EVRAZ Highveld Steel and Vanadium Limited ("EHSVL"), which the Group plans to sell in 2013. The difference between the carrying value of the net assets of the subsidiaries and the expected consideration amounting to $83 million was recognised as a loss on disposal groups classified as held for sale.

12. Disposal Groups Held for Sale (continued)

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2010–2012.

US$ million	2012	2011	2010
Property, plant and equipment	$ **130**	$ 1	$ 90
Other non-current assets	**13**	–	–
Inventory	**10**	–	–
Accounts receivable	**70**	–	22
Cash and cash equivalents	**2**	–	–
Total assets	**225**	1	112
Deferred income tax liabilities	**12**	–	13
Non-current liabilities	**7**	–	1
Current liabilities	**99**	–	–
Total liabilities	**118**	–	14
Non-controlling interests	**(2)**	–	–
Net assets	$ **109**	$ 1	$ 98

The net assets of disposal groups sold in 2010–2012 related to the following reportable segments:

US$ million	2012	2011	2010
Assets classified as held for sale	$ **225**	$ 1	$ 112
Steel production	**75**	–	–
Mining	**3**	1	112
Other operations	**147**	–	–
Liabilities directly associated with assets classified as held for sale	**118**	–	14
Steel production	**86**	–	–
Mining	**2**	–	14
Other operations	**30**	–	–
Non-controlling interests	**(2)**	–	–
Steel production	**(2)**	–	–

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

US$ million	2012	2011	2010
Net cash disposed of with subsidiaries	$ **(2)**	$ **–**	$ –
Cash received	**313**	**5**	42
Net cash inflow	$ **311**	$ **5**	$ 42

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

12. Disposal Groups Held for Sale (continued)

The disposal groups sold during 2010–2012 are described below.

Evraztrans

In December 2012, the Group sold to a third party a business of its wholly owned subsidiary Evraztrans, which renders long-distance railway transportation services using own and rented railcars. Cash consideration amounted to $306 million. The Group recognised a gain of $190 million on this transation.

Dneprodzerzhinsky Coke-chemical Plant

In August 2012, the Group sold to its parent a controlling interest in a loss-making coke-chemical plant located in Ukraine. Cash consideration amounted to $4. The Group recognised a $14 million gain on this sale.

Frotora Holdings Ltd.

In April 2012, the Group sold its ownership interest in a subsidiary whose assets comprised only rights under a long-term lease of land to be used for a construction of a commercial seaport in Ukraine. These rights were included in contract terms category of the intangible assets. In 2010, the Group recognised an impairment loss of $30 million in respect of these rights due to the change in plans for the use of this land. In 2012, the Group recognised a $6 million loss on sale of this subsidiary.

Sale of Koksovaya

In April 2010, the Group sold ZAO Koksovaya to Raspadskaya, a subsidiary of Corber, the Group's joint venture (Note 11). ZAO Koksovaya is an operating hard coking coal mine, which owns the licence for the Tomusinskaya 5-6 coal deposit. As part of the transaction, the parties entered into a long-term off-take contract under which Raspadskaya committed to supply to the Group certain volumes of coal or concentrate produced from coal extracted on the Tomusinskaya 5-6 deposit during 2010–2019.

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

Other Disposal Groups Held for Sale

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

13. Other Non-current Assets

Non-current Financial Assets

US$ million	2012	2011	2010
Available-for-sale financial assets – investments in Delong Holdings Limited (Note 7)	**$ 21**	$ 17	$ 37
Derivatives not designated as hedging instruments (Note 26)	**2**	–	5
Restricted deposits	**4**	15	9
Loans to related parties (Note 16)	**–**	–	46
Loans receivable	**12**	18	17
Trade and other receivables	**4**	3	3
Other	**49**	–	1
	$ 92	$ 53	$ 118

Other Non-current Assets

US$ million	2012	2011	2010
Income tax receivable	**$ 33**	$ 26	$ 24
Input VAT	**17**	11	11
Defined benefit plan asset (Note 23)	**39**	28	19
Fees for future purchases under a long-term contract	**–**	–	11
Prepayments for purchases of subsidiaries (Note 4)	**–**	20	–
Prepayment for purchases of associates and joint ventures	**–**	–	9
Other	**14**	22	29
	$ 103	$ 107	$ 103

Available-for-Sale Financial Assets

At 31 December 2012, the Group holds 82,853,998 shares of Delong Holdings Limited ("Delong"), which is approximately 15% of the entity's share capital. Delong is a flat steel producer headquartered in Beijing (China).

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

In 2010, the Group recognised $6 million impairment loss on Delong shares, including $4 million through other comprehensive income and $2 million through the statement of operations within the gain/(loss) on financial assets and liabilities caption. In 2011, a $20 million loss relating to the decline in quotations of Delong shares was recognised in the statement of operations. In 2012, the Group recognised a $4 million gain on the increase in market quotations in other comprehensive income.

13. Other Non-current Assets (continued)

Impairment of Long-Term Taxes

In 2012, 2011 and 2010, the Group recognised an impairment relating to the VAT with a long-term recovery in the amount of $8 million, $9 million and $Nil, respectively. This loss was included in the impairment of assets caption of the consolidated statement of opertions.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	**2012**	2011	2010
Raw materials and spare parts	**$ 959**	$ 975	$ 974
Work-in-progress	**397**	466	444
Finished goods	**622**	747	652
	$ 1,978	$ 2,188	$ 2,070

As of 31 December 2012, 2011 and 2010, the net realisable value allowance was $90 million, $90 million and $114 million, respectively.

As of 31 December 2012, 2011 and 2010, certain items of inventory with an approximate carrying amount of $319 million, $250 million and $203 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 21).

15. Trade and Other Receivables

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

US$ million	**2012**	2011	2010
Trade accounts receivable	**$ 939**	$ 1,002	$ 1,239
Other receivables	**32**	56	72
	971	1,058	1,311
Allowance for doubtful accounts	**(76)**	(87)	(98)
	$ 895	$ 971	$ 1,213

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

16. Related Party Disclosures

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

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

	Amounts due from related parties			Amounts due to related parties		
US$ million	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Kazankovskaya	**$ 23**	$ 21	$ 21	**$ –**	$ –	$ 1
Lanebrook Limited	**–**	–	53	**–**	–	–
Raspadsky Ugol	**2**	2	2	**42**	39	32
Vtorresource-Pererabotka	**3**	–	–	**45**	–	–
Yuzhny GOK	**4**	5	19	**163**	46	178
Other entities	**16**	9	9	**6**	13	6
	48	37	104	**256**	98	217
Less: allowance for doubtful accounts	**(34)**	(29)	(24)	**–**	–	–
	$ 14	$ 8	$ 80	**$ 256**	$ 98	$ 217

In 2012, 2011 and 2010, the Group recognised an expense for bad and doubtful debts of related parties in the amount of $4 million, $7 million and $15 million, respectively.

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

	Sales to related parties			Purchases from related parties		
US$ million	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Interlock Security Services	**$ 1**	$ 1	$ 1	**$ 48**	$ 43	$ 37
Kazankovskaya	**1**	1	6	**1**	5	14
Raspadsky Ugol	**8**	8	11	**127**	207	192
Vtorresource-Pererabotka	**14**	–	–	**485**	–	–
Yuzhny GOK	**66**	42	20	**124**	165	67
Other entities	**9**	8	8	**31**	27	20
	$ 99	$ 60	$ 46	**$ 816**	$ 447	$ 330

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 4, 11 and 13.

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

16. Related Party Disclosures (continued)

Kazankovskaya is an associate of the Group (Note 11). The Group purchased coal from the entity and sold mining equipment and inventory to Kazankovskaya. In 2012 and 2011, the Group issued short-term loans to Kazankovskaya bearing an interest rate ranging from 8.1% to 8.5% per annum. At the reporting dates, the Group assessed the recoverability of these loans and recognised a loss, which was included in the other non-operating expenses caption of the consolidated statement of operations (2012: $5 million, 2011: $3 million).

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

In addition, in 2008 the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. The put option expires on 31 December 2013.

In 2012, the Group sold one of its subsidiaries to Lanebrook (Note 12).

OOO Raspadsky Ugol ("Raspadsky Ugol"), a subsidiary of the Group's joint venture Corber (Note 11), sells coal to the Group. Raspadsky Ugol represents approximately 12% of the Group's coal consumption. The coal was sold at prevailing market prices at the dates of transactions. The Group sells steel products and renders services to Raspadsky Ugol.

Vtorresource-Pererabotka is a new subsidiary of Streamcore, the Group's joint venture, acquired in February 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2012, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $399 million (1,366,423 tonnes).

Yuzhny GOK, an ore mining and processing plant, is an associate of Lanebrook Limited. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2012, the volume of purchases achieved 1,432,473 tonnes.

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

The transactions with related parties were based on market terms.

16. Related Party Disclosures (continued)

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:

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

In 2012, 2011 and 2010, key management personnel totalled 49, 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	**2012**	2011	2010
Salary	**$ 18**	$ 20	$ 21
Performance bonuses	**14**	12	14
Social security taxes	**3**	1	1
Share-based payments (Note 24)	**10**	13	1
Termination benefits	**–**	3	4
Other benefits	**1**	1	3
	$ 46	$ 50	$ 44

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of 31 December:

US$ million	**2012**	2011	2010
Input VAT	**$ 205**	$ 287	$ 241
Other taxes	**122**	125	112
	$ 327	$ 412	$ 353

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

18. Other Current Financial Assets

Other current assets included the following as of 31 December:

US$ million	2012	2011	2010
Investments in Yuzhny GOK (Note 16)	**$ 38**	$ 38	$ 38
Shares of the parent company	**1**	8	–
Bank deposits	**674**	2	1
Restricted deposits at banks	**–**	7	13
Collateral under swap agreements (Note 26)	**–**	10	–
	$ 713	$ 65	$ 52

In 2012, the Group purchased 869,469 shares of EVRAZ plc for $4 million and transferred 1,498,148 shares to participants of the Incentive Plans. The cost of treasury shares gifted under Incentive Plans, amounting to $11 million, was charged to additional paid-in capital.

In 2011, the Group purchased 235,878 shares of Evraz Group S.A. for $22 million, sold 34,332 shares for $3 million and transferred 115,389 shares to participants of the Incentive Plans (Note 24). The outstanding balance of the treasury shares has been exchanged into the shares of EVRAZ plc during the reorganisation described above. The cost of treasury shares gifted under an Incentive Plan, amounting to $11 million, was charged to accumulated profits.

19. Cash and Cash Equivalents

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

US$ million	2012	2011	2010
US dollar	**$ 853**	$ 314	$ 306
Russian rouble	**343**	262	200
Canadian dollar	**80**	21	69
Euro	**17**	89	46
South African rand	**10**	80	49
Ukrainian hryvnia	**9**	25	10
Czech koruna	**–**	6	1
Other	**2**	4	2
	$ 1,314	$ 801	$ 683

20. Equity

Share Capital

Number of shares	**2012**	**2011**	**2010**
Authorised			
Ordinary shares of €2 each	**257,204,326**	257,204,326	257,204,326
Issued and fully paid			
Ordinary shares of €2 each	**156,214,373**	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.

Conversion of Bonds into Shares

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

Treasury Shares

At 31 December 2012, 2011 and 2010, the Company had 7,333,333 treasury shares.

Earnings per Share

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

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

	2012	**2011**	**2010**
Weighted average number of ordinary shares for basic earnings per share	**148,881,040**	143,956,990	138,623,788
Effect of dilution: share-based awards	–	223,980	14,993
Weighted average number of ordinary shares adjusted for the effect of dilution	**148,881,040**	144,180,970	138,638,781
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	$ **(97)**	$ 462	$ 486
Basic earnings/(losses) per share	$ **(0.65)**	$ 3.21	$ 3.51
Diluted earnings/(losses) per share	$ **(0.65)**	$ 3.20	$ 3.51

In 2010, the weighted average number of ordinary shares for basic earnings per share does not include 7,333,333 shares of Evraz Group S.A. issued in 2009 to Lanebrook in exchange for the right to receive 7,333,333 shares lent under the shares lending transactions. These transactions had no impact on equity, as the Group's net assets did not change as a result of these transactions.

20. Equity (continued)

Earnings per Share (continued)

In 2011 and 2010, share-based awards (Note 24) had a dilutive effect. In 2012, the Group reported net loss. Consequently, they were antidilutive. In 2010, the convertible bonds were antidilutive as the interest (net of tax) per ordinary share obtainable on conversion exceeded basic earnings per share.

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

Dividends

Dividends declared by the parent company during 2010–2012 were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Declared by Evraz Group S.A.				
Interim for 2011	10/10/2011	28/10/2011	491	3.30
Interim for 2012	27/03/2012	27/03/2012	390	2.62

In 2011, 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 Evraz Group S.A. for 2011 these dividends were charged against accumulated profits. At a meeting held on 15 May 2012, the shareholders approved the distribution of those dividends from share premium. Consequently, in 2012, the Company decreased its additional paid-in capital and increased accumulated profits by $491 million.

The shareholders' meeting held on 16 May 2011 resolved not to declare dividends for 2010.

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $1 million in 2012, 2011 and 2010.

Legal Reserve

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

20. Equity (continued)

Other Movements in Equity

Acquisitions of Non-controlling Interests in Subsidiaries

In 2012, 2011 and 2010, the Group acquired non-controlling interests in certain subsidiaries (Note 4). The excess of consideration over the carrying value of non-controlling interests amounting to $30 million, $18 million and $3 million, respectively, was charged to accumulated profits and the excess of acquired non-controlling interests over the consideration amounting to $Nil, $Nil and $1 million, respectively, was recorded as additional paid-in capital.

Non-controlling Interests in Subsidiaries

In 2011, the Group sold a 49.98% share in the Mezhegey coal field project to a third party for a non-cash consideration of $34 million, which approximated the carrying value of a non-controlling interest arose on the transaction. In June 2012, the Group acquired an additional 9.996% ownership interest and its share in the project increased to approximately 60.016% (Note 4). During 2012 the non-controlling shareholder contributed $7 million to the Mezhegey coal field project.

In 2010, the non-controlling shareholder's right to put a 49% share in Frotora Holdings Ltd. ("Frotora") to the Group at fair value of the ownership interest become exercisable. The Group derecognised a 49% ownership interest in Frotora amounting to $6 million and accrued a liability for the same amount. In 2012, the Group sold Frotora to a third party (Note 12).

21. Loans and Borrowings

As of 31 December 2012, 2011 and 2010, total interest-bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $285 million, $339 million and $381 million, respectively, and long-term loans and borrowings in the amount of $7,647 million, $6,919 million and $7,636 million, respectively, including the current portion of long-term liabilities of $1,164 million, $193 million and $244 million, respectively.

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

21. Loans and Borrowings (continued)

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

US$ million	2012	2011	2010
Bank loans	$ **2,557**	$ 2,613	$ 3,472
8.875 per cent notes due 2013	**534**	534	1,156
7.25 per cent convertible bonds due 2014 (Note 20)	–	–	650
8.25 per cent notes due 2015	**577**	577	577
7.40 per cent notes due 2017	**600**	–	–
9.5 per cent notes due 2018	**509**	509	509
6.75 per cent notes due 2018	**850**	850	–
13.5 per cent bonds due 2014	**658**	621	656
9.25 per cent bonds due 2013	**494**	466	492
9.95 per cent bonds due 2015	**494**	466	492
8.40 per cent bonds due 2016	**658**	621	–
Liabilities under bonds assumed in business combination	**1**	1	13
Unamortised debt issue costs	**(113)**	(133)	(192)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	–	–	(104)
Interest payable	**93**	81	90
	$ **7,912**	$ 7,206	$ 7,811

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

	Long-term borrowings			Short-term borrowings		
	2012	2011	2010	2012	2011	2010
US dollar	**7.12%**	6.96%	8.01%	**2.15%**	2.89%	3.06%
Russian rouble	**10.51%**	10.37%	11.17%	**11.52%**	10.83%	12.50%
Euro	**3.93%**	4.66%	5.05%	**2.75%**	3.64%	1.48%
Canadian dollar	**3.85%**	–	–	**–**	–	–
Czech koruna	**–**	–	–	–	3.38%	–

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

US$ million	2012	2011	2010
US dollar	$ **5,187**	$ 4,790	$ 6,079
Russian rouble	**2,349**	2,215	1,699
Euro	**381**	328	322
Canadian dollar	**108**	–	–
Czech koruna	**–**	6	7
Unamortised debt issue costs	**(113)**	(133)	(192)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	–	–	(104)
	$ **7,912**	$ 7,206	$ 7,811

21. 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 2012, 2011 and 2010, the Group had inventory with a carrying value of $319 million, $250 million and $203 million, respectively, pledged as collateral under the loan agreements.

Issue of Notes and Bonds

In April 2012, the Group issued notes in the amount of $600 million due in 2017. The notes bear semi-annual coupon at the annual rate of 7.40% and must be redeemed at their principal amount on 24 April 2017. The proceeds from the issue of the notes were used for the repayment of certain bank loans.

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

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

In 2009, the Group issued bonds in the total amount of 20,000 million Russian roubles, which bear interest of 13.50% per annum and mature on 16 October 2014. In 2010, the Group issued bonds in the amount of 15,000 million Russian roubles bearing interest of 9.25% per annum with maturity on 22 March 2013 (Note 33), and bonds amounting to 15,000 million Russian roubles bearing interest of 9.95% per annum with maturity on 26 October 2015. In 2011, the Group issued bonds in the total amount of 20,000 million Russian roubles, which bear interest of 8.40% per annum and mature on 2 June 2016. The currency and interest rate risk exposures of these transactions were partially economically hedged (Note 26).

21. Loans and Borrowings (continued)

Repurchase of Notes and Bonds

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

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

Covenants Reset

In 2012, the lenders under certain bank facilities and the holders of the 8.25% guaranteed notes due 2015 approved the requested amendments to the loan agreements and notes removing certain financial restrictions. The Group incurred $7 million with respect to this covenants reset.

In 2010, the Group paid the remaining $29 million of consent fees and legal fees in connection with the covenants reset, which was performed in 2009.

Unamortised Debt Issue Costs

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

Unutilised Borrowing Facilities

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

US$ million	**2012**	**2011**	**2010**
Unutilised borrowing facilities	**$ 956**	$ 1,322	$ 1,010

Loans of Disposal Groups Classified as Held for Sale

At 31 December 2012, the loans relating to the subsidiaries classified as held for sale (Note 12) amounted to $79 million, including $77 million of short-term liabilities. They were separately presented in the statement of financial position.

22. Finance Lease Liabilities

The Group has several lease agreements under which it has an option to acquire the leased assets at the end of lease terms ranging from 1 to 21 years. The estimated remaining useful life of leased assets varies from 1 to 29 years. The leases were accounted for as finance leases in the consolidated financial statements. The carrying value of the leased assets was as follows as at 31 December:

US$ million	**2012**	**2011**	**2010**
Buildings and constructions	**$ 2**	$ 2	$ 1
Machinery and equipment	**15**	22	22
Transport and motor vehicles	**–**	83	93
Assets under construction	**–**	–	10
	$ 17	$ 107	$ 126

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

Future minimum lease payments were as follows at 31 December:

US$ million	**2012**		**2011**		**2010**	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Not later than one year	**$ 3**	**$ 2**	$ 16	$ 13	$ 25	$ 19
Later than one year and not later than five years	**12**	**9**	29	24	41	33
Later than five years	**3**	**2**	3	2	5	5
	18	**13**	48	39	71	57
Less: amounts representing finance charges	**(5)**	**–**	(9)	–	(14)	–
	$ 13	**$ 13**	$ 39	$ 39	$ 57	$ 57

In the years ended 31 December 2012, 2011 and 2010, the average interest rates under the finance lease liabilities were 9.6%, 9.8% and 9.9%.

23. Employee Benefits

Russian Plans

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

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

23. Employee Benefits (continued)

Russian Plans (continued)

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

Ukrainian Plans

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

In 2010 and 2011, these preferential pensions were partially funded by the State Pension Fund. The Ukrainian subsidiaries gradually increased these contributions and starting from 2012 they pay 100% of preferential pensions. In addition, employees receive lump-sum payments on retirement and other benefits under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

US and Canadian Plans

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

Other Plans

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

Defined Contribution Plans

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

US$ million	**2012**	**2011**	**2010**
Expense under defined contribution plans	$ **412**	$ 404	$ 257

Defined Benefit Plans

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

23. Employee Benefits (continued)

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2012, 2011 and 2010 and amounts recognised in the consolidated statement of financial position as of 31 December 2012, 2011 and 2010 for the defined benefit plans were as follows:

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

Year ended 31 December 2012

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Current service cost	**$ (6)**	**$ (3)**	**$ (20)**	**$ –**	**$ (29)**
Interest cost on benefit obligation	**(17)**	**(8)**	**(33)**	**(2)**	**(60)**
Expected return on plan assets	**–**	**–**	**32**	**–**	**32**
Net actuarial gains/(losses) recognised in the year	**(9)**	**(1)**	**(12)**	**–**	**(22)**
Past service cost	**(3)**	**–**	**(1)**	**–**	**(4)**
Net benefit expense	**$ (35)**	**$ (12)**	**$ (34)**	**$ (2)**	**$ (83)**

Year ended 31 December 2011

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

Year ended 31 December 2010

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

23. Employee Benefits (continued)

Actual return on plan assets was as follows:

US$ million	2012	2011	2010
Actual return on plan assets	**$ 50**	$ 1	$ 44
including:			
US & Canadian plans	**50**	1	44

Benefit liability

31 December 2012

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	**$ 251**	**$ 68**	**$ 793**	**$ 3**	**$ 1,115**
Plan assets	**(1)**	**–**	**(537)**	**–**	**(538)**
	250	**68**	**256**	**3**	**577**
Unrecognised net actuarial gains/(losses)	**(88)**	**(12)**	**(232)**	**–**	**(332)**
Unrecognised past service cost	**9**	**1**	**–**	**–**	**10**
Benefit asset	**–**	**–**	**39**	**–**	**39**
Benefit liability	**$ 171**	**$ 57**	**$ 63**	**$ 3**	**$ 294**

31 December 2011

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

31 December 2010

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

23. Employee Benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2009	**$ 173**	**$ 72**	**$ 562**	**$ 20**	**$ 827**
Interest cost on benefit obligation	16	8	34	2	60
Current service cost	5	5	14	1	25
Past service cost	(4)	–	–	–	(4)
Benefits paid	(13)	(6)	(37)	(1)	(57)
Actuarial (gains)/losses on benefit obligation	17	(2)	39	–	54
Disposal of subsidiaries	(1)	–	–	–	(1)
Translation difference	(1)	–	17	2	18
At 31 December 2010	**192**	**77**	**629**	**24**	**922**
Interest cost on benefit obligation	16	9	33	2	60
Current service cost	7	5	17	–	29
Past service cost	1	(24)	3	–	(20)
Benefits paid	(15)	(7)	(39)	(1)	(62)
Actuarial (gains)/losses on benefit obligation	14	5	65	–	84
Translation difference	(12)	–	(8)	(4)	(24)
At 31 December 2011	**203**	**65**	**700**	**21**	**989**
Interest cost on benefit obligation	17	8	33	2	60
Current service cost	6	3	20	–	29
Past service cost	5	–	1	–	6
Benefits paid	(16)	(8)	(44)	(2)	(70)
Actuarial (gains)/losses on benefit obligation	24	5	75	1	105
Disposal of subsidiaries	(1)	(5)	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	(18)	(18)
Translation difference	13	–	8	(1)	20
At 31 December 2012	**$ 251**	**$ 68**	**$ 793**	**$ 3**	**$ 1,115**

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 2009	**$ 1**	**$ –**	**$ 403**	**$ –**	**$ 404**
Expected return on plan assets	–	–	28	–	28
Contributions of employer	13	6	37	1	57
Benefits paid	(13)	(6)	(37)	(1)	(57)
Actuarial gains/(losses) on plan assets	–	–	16	–	16
Minimum funding requirements	–	–	1	–	1
Translation difference	–	–	15	–	15
At 31 December 2010	**1**	**–**	**463**	**–**	**464**
Expected return on plan assets	–	–	32	–	32
Contributions of employer	15	7	52	1	75
Benefits paid	(15)	(7)	(39)	(1)	(62)
Actuarial gains/(losses) on plan assets	–	–	(31)	–	(31)
Translation difference	–	–	(7)	–	(7)
At 31 December 2011	**1**	**–**	**470**	**–**	**471**
Expected return on plan assets	–	–	32	–	32
Contributions of employer	16	8	54	2	80
Benefits paid	(16)	(8)	(44)	(2)	(70)
Actuarial gains/(losses) on plan assets	–	–	18	–	18
Translation difference	–	–	7	–	7
At 31 December 2012	**$ 1**	**$ –**	**$ 537**	**$ –**	**$ 538**

The amount of contributions expected to be paid to the defined benefit plans during 2013 approximates $66 million.

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

	2012	2011	2010
US & Canadian plans:			
Equity funds and investment trusts	**83%**	81%	86%
Corporate bonds and notes	**13%**	11%	11%
Property	**2%**	3%	0%
Cash	**2%**	5%	3%

23. Employee Benefits (continued)

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

US$ million	**2012**	**2011**	**2010**	**2009**	**2008**
Defined benefit obligation	**$ 1,115**	$ 989	$ 922	$ 827	$ 717
Plan assets	**538**	471	464	404	325
Deficit	**(577)**	(518)	(458)	(423)	(392)
Experience adjustments on plan liabilities	**122**	137	60	54	(38)
Experience adjustments on plan assets	**3**	(12)	9	24	16

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

	2012				**2011**				**2010**			
	Russian plans	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	**7%**	**14.0%**	**3.9-5.1%**	**2.0-8.8%**	8%	14.0%	4.0-5.3%	4.0-8.8%	8%	12.6%	5.1-5.8%	3.9-8.3%
Expected rate of return on assets	**8%**	–	**6.5-7.0%**	–	12%	–	0.9-7.1%	–	12%	–	0.9-7.3%	–
Future benefits increases	**8%**	**8%**	–	**2%**	8%	8%	–	3.0%	8%	8%	–	3%
Future salary increase	**8%**	**8%**	**3.1-3.5%**	**3%**	8%	8%	3.0-3.1%	2.0-6.3%	8%	8%	3.0-3.2%	2.0-6.5%
Healthcare costs increase rate	–	–	**6-7%**	**7.0-7.3%**	–	–	6.5-7%	7.3-7.5%	–	–	6.8-10%	6.5-7%

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

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

24. Share-based Payments

On 14 December 2010, 13 October 2011 and 6 September 2012, the Group adopted Incentive Plans under which certain senior executives and employees ("participants") could be gifted shares of the parent company upon vesting.

In 2011, after the Group's reorganisation (Note 1) the shares of Evraz Group S.A., which were granted to the participants, have been substituted by the shares of EVRAZ plc.

The vesting date for each tranche occurs within the 90-day period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2012 are presented below:

Number of Shares of EVRAZ plc	**Incentive Plan 2012**	**Incentive Plan 2011**	**Incentive Plan 2010**
11 April 2013	2,857,558	792,969	656,697
29 March 2014	2,857,558	1,094,426	
29 March 2015	3,810,363	–	–
	9,525,479	**1,887,395**	**656,697**

The plans are administrated by the Board of Directors of 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 2010–2012.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of share-based awards granted in 2012 was $3.41 per share of EVRAZ plc (in 2011 and 2010 $48.26 and $102.07 per share of Evraz Group S.A., respectively). The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of a parent company reduced by the present value of dividends expected to be paid during the vesting period. The following inputs, including assumptions, were used in the valuation:

	Incentive Plan 2012	**Incentive Plan 2011**	**Incentive Plan 2010**
Dividend yield (%)	1.9 – 5.4	3.6 – 4.8	1.2 – 1.5
Expected life (years)	0.6 – 2.6	0.5 – 2.5	0.5 – 2.5
Market prices of the shares of EVRAZ plc (2011 and 2010: Evraz Group S.A.) at the grant dates	$3.61	$51.57	$103.83

24. Share-based Payments (continued)

The following table illustrates the number of, and movements in, share-based awards during the years.

	2012	2011	2010
Outstanding at 1 January	**4,460,547**	**321,898**	–
Granted during the year	9,892,313	335,069	334,755
Forfeited during the year	(785,141)	(45,960)	(12,857)
Exercised during the year	(1,498,148)	(115,389)	–
Exchange into shares of EVRAZ plc	–	3,964,929	–
Outstanding at 31 December	**12,069,571**	**4,460,547**	**321,898**

The weighted average share price at the dates of exercise was $4.31 and $97.46 in 2012 and 2011, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2012, 2011 and 2010 was 1.2, 1.2 and 1.4 years, respectively.

In the years ended 31 December 2012, 2011 and 2010, expense arising from the equity-settled share-based compensations was as follows:

US$ million	2012	2011	2010
Expense arising from equity-settled share-based payment transactions	**$ 22**	$ 23	$ 2

In 2012, 2011 and 2010, the Group paid $Nil, $1 million and $3 million, respectively, relating to the cash-settled share-based awards under the incentive plans which were in place before 2010.

25. Provisions

At 31 December the provisions were as follows:

US$ million	2012		2011		2010	
	Non-current	Current	Non-current	Current	Non-current	Current
Site restoration and decommissioning costs	**$ 252**	**$ 14**	$ 283	$ 27	$ 277	$ 28
Legal claims	**–**	**12**	–	15	–	17
Other provisions	**5**	**6**	2	11	2	9
	$ 257	**$ 32**	$ 285	$ 53	$ 279	$ 54

25. Provisions (continued)

In the years ended 31 December 2012, 2011 and 2010, the movement in provisions was as follows:

US$ million	Site restoration and decom-missioning costs	Legal claims	Other provisions	Total
At 31 December 2009	**$ 190**	**$ 6**	**$ 15**	**$ 211**
Additional provisions	23	18	12	53
Increase from passage of time	15	–	–	15
Effect of change in the discount rate	20	–	–	20
Effect of changes in estimated costs and timing	55	–	–	55
Utilised in the year	(5)	(5)	(15)	(25)
Unused amounts reversed	–	(2)	(1)	(3)
Translation difference	7	–	–	7
At 31 December 2010	**305**	**17**	**11**	**333**
Additional provisions	45	20	19	84
Increase from passage of time	19	–	–	19
Effect of change in the discount rate	(8)	–	–	(8)
Effect of changes in estimated costs and timing	(9)	(1)	–	(10)
Utilised in the year	(12)	(12)	(14)	(38)
Unused amounts reversed	(2)	(8)	(2)	(12)
Translation difference	(28)	(1)	(1)	(30)
At 31 December 2011	**310**	**15**	**13**	**338**
Additional provisions	27	18	21	66
Increase from passage of time	19	–	–	19
Effect of change in the discount rate	35	–	–	35
Effect of changes in estimated costs and timing	(1)	(4)	–	(5)
Utilised in the year	(7)	(11)	(20)	(38)
Unused amounts reversed	(6)	(6)	(1)	(13)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(120)	(1)	(2)	(123)
Translation difference	9	1	–	10
At 31 December 2012	**$ 266**	**$ 12**	**$ 11**	**$ 289**

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 3.7% to 14% in 2012 and 2011 (2010: 6.1% to 13%).

26. Other Long-Term Liabilities

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

US$ million	2012	2011	2010
Contingent consideration payable for the acquisition of Stratcor	**$ 12**	$ 16	$ 24
Deferred consideration payable for the acquisition of Inprom (Note 4)	**10**	11	21
Dividends payable under cumulative preference shares of a subsidiary to a related party	**14**	14	14
Employee income participation plans and compensations	**7**	2	3
Tax liabilities	**18**	26	33
Derivatives not designated as hedging instruments (Note 21)	**115**	209	38
Other liabilities	**16**	16	24
	192	294	157
Less: current portion (Note 27)	**(22)**	(9)	(14)
	$ 170	$ 285	$ 143

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2012, the Group was not required to pay this consideration due to the movements in the vanadium pentoxide market relative to the levels set in the agreement. In 2011 and 2010, the Group paid $3 million and $16 million, respectively.

Derivatives Not Designated as Hedging Instruments

In 2009–2011, the Group issued rouble-denominated bonds in the total amount of 70,000 million Russian roubles (Note 21). To manage the currency exposure, the Group concluded currency and interest rate swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 4.45% to 8.90% per annum plus the notional amount totalling $2,177 million, in exchange for rouble-denominated interest payments plus the notional amount totalling 63,790 million roubles ($2,100 million at the exchange rate as of 31 December 2012). The exchange is exercised on approximately the same dates as the payments under the bonds.

26. Other Long-Term Liabilities (continued)

Derivatives Not Designated as Hedging Instruments (continued)

The swap contracts are summarised in the table below.

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

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques. In 2012, 2011 and 2010, the change in fair value of the derivatives of $96 million, $(176) million and $(27) million, respectively, together with a realised gain on the swap transactions, amounting to $81 million, $66 million and $31 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

27. Trade and Other Payables

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

US$ million	2012	2011	2010
Trade accounts payable	**$ 1,100**	$ 1,147	$ 880
Accrued payroll	**249**	254	229
Other long-term obligations with current maturities (Note 26)	**22**	9	14
Other payables	**38**	49	50
	$ 1,409	$ 1,459	$ 1,173

The maturity profile of the accounts payable is shown in Note 29.

28. Other Taxes Payable

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

US$ million	2012	2011	2010
VAT	**$ 87**	$ 81	$ 90
Social insurance taxes	**61**	53	40
Property tax	**11**	17	14
Land tax	**11**	10	10
Personal income tax	**14**	12	10
Other taxes, fines and penalties	**11**	15	16
	$ 195	$ 188	$ 180

29. Financial Risk Management Objectives and Policies

Credit Risk

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

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

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2012, the major customers were Russian Railways and Enbridge Energy Partners (3.1% and 2.4% of total sales, respectively).

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

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

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

US$ million	**2012**	**2011**	**2010**
Restricted deposits at banks (Notes 13 and 18)	**$ 4**	$ 22	$ 22
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**52**	18	6
Long-term and short-term investments (Notes 13 and 18)	**733**	57	76
Trade and other receivables (Notes 13 and 15)	**899**	974	1,216
Loans receivable	**31**	62	18
Receivables from related parties (Notes 13 and 16)	**14**	8	124
Cash and cash equivalents (Note 19)	**1,314**	801	683
	$ 3,047	$ 1,942	$ 2,145

29. Financial Risk Management Objectives and Policies (continued)

Credit Risk (continued)

Receivables from related parties in the table above do not include prepayments in the amount of $Nil, $Nil and $2 million as of 31 December 2012, 2011 and 2010, respectively.

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

US$ million	2012		2011		2010	
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$ 761**	**$ (16)**	$ 846	$ (5)	$ 1,098	$ (8)
Past due	**284**	**(85)**	306	(103)	377	(109)
less than six months	**198**	**(11)**	204	(24)	232	(16)
between six months and one year	**20**	**(11)**	30	(16)	27	(10)
over one year	**66**	**(63)**	72	(63)	118	(83)
	$ 1,045	**$ (101)**	$ 1,152	$ (108)	$ 1,475	$ (117)

In the years ended 31 December 2012, 2011 and 2010, the movement in allowance for doubtful accounts was as follows:

US$ million	2012	2011	2010
At 1 January	**$ (108)**	$ (117)	$ (92)
Charge for the year	**(14)**	(45)	(45)
Utilised	**25**	47	19
Translation difference	**(4)**	7	1
At 31 December	**$ (101)**	$ (108)	$ (117)

Liquidity Risk

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

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

29. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

The Group prepares a rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. If necessary, the Group refinances its short-term debt by long-term borrowings. The Group also uses forecasts to monitor potential and actual financial covenants compliance issues. Where compliance is at risk, the Group considers options including debt repayment, refinancing or covenant reset. The Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

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

Year ended 31 December 2012

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ 7	$ 501	$ 553	$ 678	$ 2,390	$ 1,378	$ 5,507
Interest	–	23	396	396	646	57	1,518
Finance lease liabilities	–	1	2	4	8	3	18
Financial instruments included in long-term liabilities	–	14	3	21	100	24	162
Total fixed-rate debt	7	539	954	1,099	3,144	1,462	7,205
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	265	807	66	–	–	–	1,138
Payables to related parties	218	39	–	–	–	–	257
Amounts payable under put options for shares of subsidiaries	–	–	4	6	–	–	10
Dividends payable	8	–	–	–	–	–	8
Total non-interest bearing debt	491	847	70	9	2	2	1,421
	$ 656	$ 1,527	$ 1,204	$ 1,551	$ 4,868	$ 1,547	$11,353

29. Financial Risk Management Objectives and Policies (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	948	10	–	–	–	1,196
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	979	10	–	11	4	1,327
	$ 486	$ 1,244	$ 671	$ 1,828	$ 5,105	$ 1,627	$10,961

29. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended 31 December 2010

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

Payables to related parties in the tables above do not include advances received in the amount of $Nil, $Nil and $1 million as of 31 December 2012, 2011 and 2010, respectively.

Market Risk

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

Interest Rate Risk

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

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

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Interest Rate Risk (continued)

Fair Value Sensitivity Analysis for Fixed Rate Instruments

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

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

Cash Flow Sensitivity Analysis for Variable Rate Instruments

Based on the analysis of exposure during the years presented, reasonably possible changes in floating interest rates at the reporting date would 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.

	2012		2011		2010	
	Basis points	Effect on PBT	Basis points	Effect on PBT	Basis points	Effect on PBT
		US$ millions		*US$ millions*		*US$ millions*
Liabilities denominated in US dollars						
Decrease in LIBOR	**(2)**	$ –	(6)	$ 1	(25)	$ 4
Increase in LIBOR	**2**	–	6	(1)	100	(17)
Liabilities denominated in euro						
Decrease in EURIBOR	**(4)**	–	(15)	–	(25)	1
Increase in EURIBOR	**4**	$ –	15	$ –	100	$ (2)

Currency Risk

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

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

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

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

US$ million	2012	2011	2010
USD/RUB	**$ (1,476)**	$ 4,402	$ 3,419
EUR/RUB	**(382)**	(321)	(283)
EUR/USD	**109**	127	137
USD/CAD	**(24)**	(995)	(1,180)
EUR/CZK	**4**	35	38
USD/CZK	**(176)**	(229)	(282)
USD/ZAR	**(9)**	14	66
EUR/ZAR	**69**	77	41
USD/UAH	**(168)**	(156)	(1)
RUB/UAH	**28**	(1)	(43)

Sensitivity Analysis

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

	2012		2011		2010	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(11.09)**	**164**	(11.36)	(500)	(9.70)	(332)
	11.09	**(164)**	11.36	500	9.70	332
EUR/RUB	**(8.12)**	**31**	(8.27)	27	(8.79)	25
	8.12	**(31)**	8.27	(27)	8.79	(25)
EUR/USD	**(8.45)**	**(9)**	(11.37)	(15)	(11.32)	(16)
	8.45	**9**	11.37	15	11.32	16
USD/CAD	**(6.69)**	**2**	(9.75)	97	(10.97)	129
	6.69	**(2)**	9.75	(97)	10.97	(129)
EUR/CZK	**(6.38)**	**–**	(5.87)	(2)	(5.30)	(2)
	6.38	**–**	5.87	2	5.30	2
USD/CZK	**(12.64)**	**22**	(13.96)	32	(13.79)	39
	12.64	**(22)**	13.96	(32)	13.79	(39)
USD/ZAR	**(19.27)**	**2**	(17.34)	(2)	(13.68)	(9)
	19.27	**(2)**	17.34	2	13.68	9
EUR/ZAR	**(12.09)**	**(8)**	(13.14)	(10)	(11.59)	(5)
	12.09	**8**	13.14	10	11.59	5
USD/UAH	**(0.08)**	**–**	(0.33)	1	(1.71)	–
	0.08	**–**	0.33	(1)	1.71	–
RUB/UAH	**(11.07)**	**(3)**	(11.33)	–	(9.94)	4
	11.07	**3**	11.33	–	9.94	(4)

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis (continued)

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

	2012		2011		2010	
	Change in exchange rate	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(11.09)**	**271**	(11.36)	252	(9.70)	167
	11.09	**(217)**	11.36	(201)	9.70	(137)

Fair Value of Financial Instruments

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

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

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

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

	2012			2011			2010		
US$ million	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value									
Available-for-sale financial assets	**21**	–	–	17	–	–	37	–	–
Derivatives not designated as hedging instruments	–	**2**	–	–	–	–	–	5	–
Liabilities measured at fair value									
Liability at fair value through profit or loss	–	–	–	–	–	–	–	–	16
Derivatives not designated as hedging instruments (Note 26)	–	**115**	–	–	209	–	–	38	–
Deferred consideration payable for the acquisition of Inprom (Note 26)	**10**	–	–	11	–	–	21	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 26)	–	–	**12**	–	–	16	–	–	24
Amounts payable under put options for shares of subsidiaries	–	–	–	–	–	9	–	–	6

29. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

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

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

US$ million	2012		2011		2010	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Long-term fixed-rate bank loans	**$ 102**	**$ 126**	$ 104	$ 115	$ 1,201	$ 1,198
Long-term variable-rate bank loans	**2,115**	**1,956**	2,109	1,943	1,807	1,663
8.875 per cent notes due 2013	**542**	**545**	535	559	1,144	1,248
7.25 per cent convertible bonds due 2014	**–**	**–**	–	–	551	650
8.25 per cent notes due 2015	**562**	**637**	560	581	555	615
7.40 per cent notes due 2017	**604**	**634**	–	–	–	–
9.5 per cent notes due 2018	**503**	**582**	501	520	499	565
6.75 per cent notes due 2018	**854**	**879**	853	759	–	–
13.5 per cent bonds due 2014	**675**	**670**	635	676	670	740
9.25 per cent bonds due 2013	**506**	**467**	476	468	502	498
9.95 per cent bonds due 2015	**501**	**474**	472	478	498	496
8.40 per cent bonds due 2016	**661**	**590**	623	559	–	–
Liabilities under 12.00 per cent rouble bonds due 2011 and 2013 assumed in business combination	**1**	**1**	1	1	13	12
	$ 7,626	**$ 7,561**	$ 6,869	$ 6,659	$ 7,440	$ 7,685

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

Currency in which financial instruments are denominated	**2012**	**2011**	**2010**
USD	**7.5 – 8.6%**	8.2 – 9.1%	7.7 – 8.3%
EUR	**2.9%**	3.2%	2.8%
RUB	**9.2%**	9.7%	12.0%

29. Financial Risk Management Objectives and Policies (continued)

Capital Management

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

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. In addition, the Group and certain of its subsidiaries are subject to externally imposed capital requirements (loans and bonds covenants) which are used for capital monitoring. There were no changes in the objectives, policies and processes during 2012.

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

The capital requirements imposed by certain loan agreements include a $2,000 million minimum representing consolidated equity of Evraz Group S.A. less goodwill. In 2010–2012, the Group was in compliance with this requirement.

30. Non-cash Transactions

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

US$ million	**2012**	**2011**	**2010**
Liabilities for purchases of property, plant and equipment	**$ 144**	$ 93	$ 70
Purchases of property, plant and equipment settled by an offset with accounts receivable	**–**	10	12
Loan issued to a partner of the Mezhegey coal field project	**7**	36	–
Purchase of a non-controlling interest in the Mezhegey coal field project settled by an offset with a loan due to the Group (Note 4)	**40**	–	–
Carrying amount of convertible bonds transferred to equity upon debt conversion (Note 21)	**–**	553	–

31. Commitments and Contingencies

Operating Environment of the Group

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

Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions. The global economic recession resulted in a significantly lower demand for steel products and decreased profitability.

In 2012, the sovereign debt problems in Europe added extra volatility to commodity and financial markets and led to an additional uncertainty in the process of recovery of the global economy.

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

Taxation

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

Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $19 million.

31. Commitments and Contingencies (continued)

Contractual Commitments

At 31 December 2012, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $533 million.

In 2010, the Group concluded an agreement for the supply of oxygen, nitrogen and argon by a third party for a period of 20 years. The contractual price comprises a fixed component and a variable component. The total amount of the fixed component approximates 252 million euro. The agreement is within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 31 December 2012, the lease had not commenced.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. In 2013, the Group plans to spend approximately $159 million under these programmes.

Environmental Protection

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

In addition, the Group has committed to various environmental protection programmes covering periods from 2013 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. The costs of implementing these programmes are estimated at $267 million.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position. Possible liabilities which were identified by the Group at the end of the reporting period as those that can be subject to different interpretations of legislation and are not accrued in these financial statements could be up to approximately $27 million.

In 2008, the Competition Commission initiated a complaint against various steel manufacturers, including EVRAZ Highveld Steel and Vanadium Corporation Limited ("EHSVL"), alleging that EHSVL (then Highveld Steel and Vanadium Corporation) was involved, whether directly or indirectly, in the fixing of the selling prices and trading conditions for flat steel products. It was further alleged that EHSVL contravened the Competition Act by engaging in the exchange of information with a competitor through information exchanges and meetings of the South African Iron and Steel Institute or its committees.

31. Commitments and Contingencies (continued)

Legal Proceedings (continued)

In March 2012, the Commission referred the complaints to the South African Competition Tribunal for prosecution.

No decision has yet been announced by the Competition Tribunal as to whether it will decide to impose any penalty against EHSVL or, if imposed, the amount of any such fine. Should the Competition Commission be successful, which is not expected by management, it could raise a maximum penalty of R554 million ($65 million).

Management believes that EHSVL acted in compliance with applicable laws and regulations. Thus, no provision for this matter has been accrued as of 31 December 2012. The Group has cooperated with the Competition Commission throughout the investigation and intends to continue to do so.

32. Auditor's Remuneration

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

US$ million	**2012**	**2011**	**2010**
Audit of the parent company of the Group	**$ 2**	$ 4	$ 2
Audit of the subsidiaries	**5**	7	6
Total assurance services	7	11	8
Services in connection with capital market transactions	–	3	1
Other non-audit services	**1**	2	1
Total other services	**1**	5	2
	$ 8	$ 16	$ 10

33. Subsequent Events

Final Dividends

On 28 March 2013, Evraz Group S.A. declared interim dividends for 2013 in the amount of $130 million.

Extension of the Notes Due 2013

In March 2013, the holders of 9.25% rouble-denominated notes received an option to accept a new coupon of 8.75% per annum till 20 March 2015 or put the notes back to the Group at a nominal value. By 26 March 2013, the date of the expiration of the option, the Group re-purchased back the notes totalling 12,265 million roubles ($399 million at the exchange rate as of the date of the transaction). The remaining notes with the aggregate principal amount of 2,735 million roubles (approximately $89 million) continue to be traded on the Moscow Exchange. The Group has a right to resell the repurchased notes on the market at any time and at its own discretion.

REGISTERED OFFICE OF THE ISSUER

Evraz Group S.A.
46A, Avenue John F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

JOINT LEAD MANAGERS

ING Bank N.V., London Branch
60 London Wall
London EC2M 5TQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

UBS Limited
100 Liverpool Street
London EC2M 2RH
United Kingdom

LEGAL ADVISERS TO THE ISSUER

As to United States and English Law
Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

As to Russian Law
Linklaters (CIS)
Paveletskaya Square 2/2
15054 Moscow
Russian Federation

As to Luxembourg Law
Linklaters LLP
35, Avenue John F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS

As to United States and English Law
Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

As to Russian Law

Allen & Overy Legal Services
Dmitrovsky pereulok 9
107031 Moscow
Russia

LEGAL ADVISERS TO THE TRUSTEE

As to English Law
Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

INDEPENDENT AUDITORS OF THE ISSUER

Ernst & Young Société Anonyme
7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach
BP 780
L-2017 Luxembourg

TRUSTEE

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

LUXEMBOURG PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building Polaris
2-4 rue Eugene Ruppert
L 2453 Luxembourg
Grand Duchy of Luxembourg

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland