EVRAZ

25 YEARS

ANNUAL REPORT
& ACCOUNTS 2016

Making the World Stronger

Meet EVRAZ

- **ONE OF THE WORLD'S LARGEST** vertically integrated steel and mining companies
- **AMONG THE WORLD'S TOP** steel producers based on crude steel production of 13.5 mt in 2016
- **RUSSIA'S LEADER** in construction and railway product markets
- **NORTH AMERICA'S # 1 PRODUCER** of rails and large diameter pipes
- **RUSSIA'S LARGEST** coking coal producer

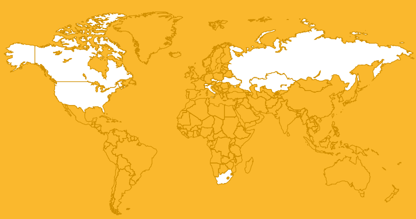
Production

13.5 mt
crude steel output in 2016

22.3 mt
raw coking coal output in 2016

19.7 mt
iron ore products output in 2016

Global presence



Steel

- Russia
- Kazakhstan
- Ukraine
- Switzerland
- Czech Republic
- Italy
- USA
- Canada
- South Africa

Coal

- Russia

Headquarters

- London

Our customers

Product type	Customer type
Semi-finished steel products	Steel rolling facilities
Construction products	Wholesale companies, traders
Railway products	Railways, rail carriers
Industrial products	Industrial companies
Coking coal concentrate	Steelmaking facilities
Raw coking coal	Steelmaking facilities
Tubular products	Energy transmission operators

About the report

This annual report ("the Report") presents the results for EVRAZ plc and its subsidiaries for 2016, divided into segments: Steel; Steel, North America; and Coal. It details the Group's operational and financial results and corporate social responsibility activities in 2016.

The Report has been prepared in accordance with the information disclosure requirements of the United Kingdom and the Financial Conduct Authority: the Companies Act 2006, the Listing Rules, the Disclosure and Transparency Rules, Competition and Market Authority Order. The Report has also been prepared taking into account the International Integrated Reporting Framework, the GRI G4 Sustainability Reporting Guidelines and ESMA Guidelines on Alternative Performance Measures. It has been approved by the Board of Directors.

The main theme of the Report is EVRAZ' strategic priorities, as detailed in the Strategic report section.

Contents

EVRAZ is a leader in infrastructure steel products globally and in the Russian coking coal market.

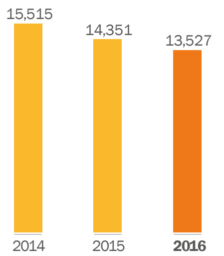
Online version of the Annual Report 2016

EVRAZ

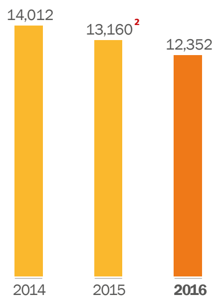
EVRAZ in figures

OPERATING HIGHLIGHTS

Crude steel output, kt

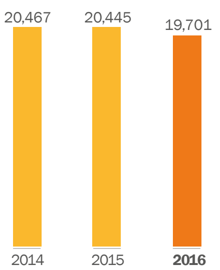


Steel products output[1], kt

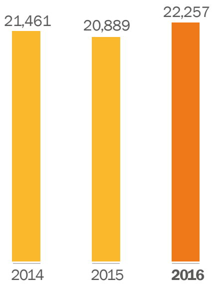


[1] Net of re-rolled volumes
[2] Change to the previously reported figures due to corrections of re-rolled volumes data

Iron ore products output, kt

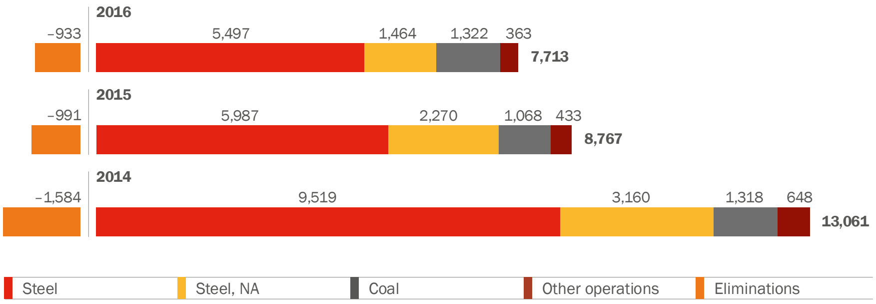


Raw coking coal production in Russia, kt

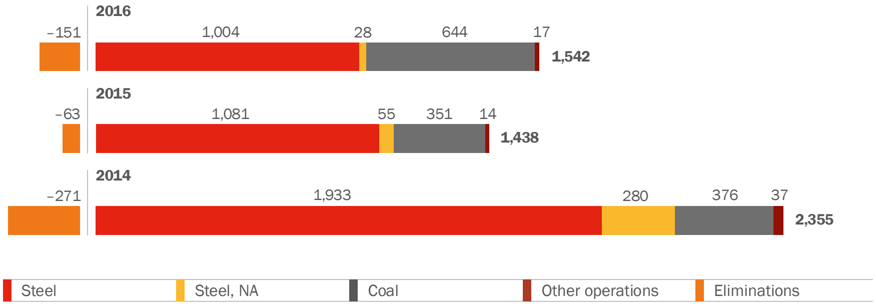


FINANCIAL HIGHLIGHTS

Consolidated revenues by segment, US$ million



Consolidated EBITDA[3] by segment, US$ million



Net debt

US$ **4,802** million
↓**10%** yoy

CAPEX[4]

US$ **428** million
0% yoy

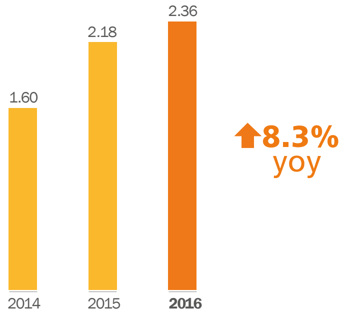
Net loss

US$ **188** million
↓**74%** yoy

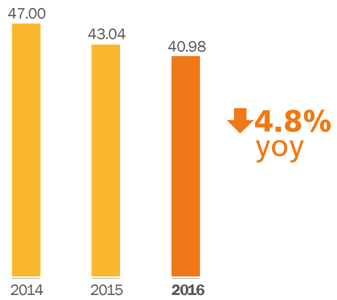
[3] *In 2015, management changed the definition of segment expense and EBITDA to make these indicators more comparable with Russian steel peers. Segment expense and EBITDA have now been adjusted to not include social and social infrastructure maintenance expenses. As a result, the Group restated EBITDA for both financial reporting atnd management accounts purposes for the year ended 31 December 2014.*
[4] *Including payments on deferred terms recognised in financing activities and non-cash transactions.*

CSR HIGHLIGHTS

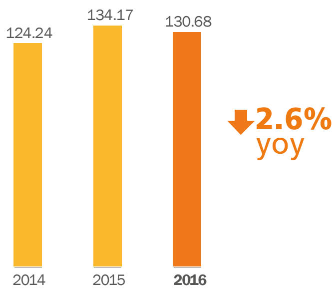
LTIFR (excluding fatalities), per million hours



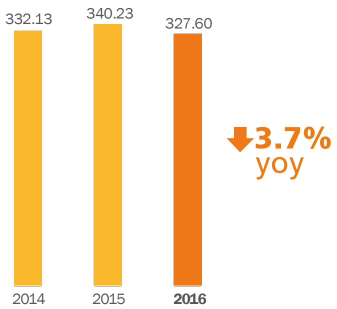
EVRAZ GHG emissions, $MtCO_2e$



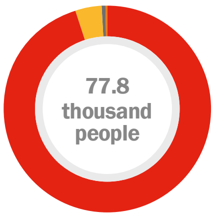
Key air emissions, kt



Fresh water consumption, million m^3

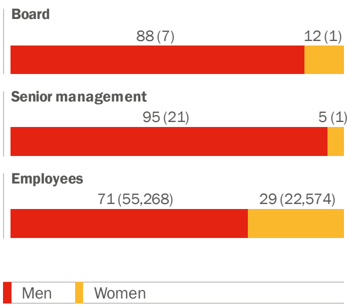


Employees by region in 2016, %



	%
Russia & CIS	95.2
North America	3.9
Africa	0.5
Europe	0.4

Diversity of employees, senior management and directors, % (number of people)



SHAREHOLDER STRUCTURE

Ultimate beneficial owners, % of voting rights[1]

	%
Roman Abramovich[2]	31.03
Alexander Abramov[3]	21.38
Alexander Frolov[3]	10.68
Gennady Kozovoy[4]	5.90
Alexander Vagin[4]	5.84
Eugene Shvidler[2]	3.09
Other	22.08

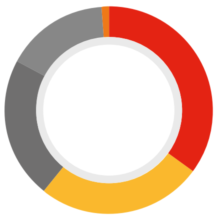
[1] *The Group is aware of the following ultimate beneficial owners who have an interest in three percent or more of EVRAZ plc's share capital (in each case, except for Gennady Kozovoy, held indirectly).*

[2] *The number of shares as per TR-1 Form: Notification of major interest in shares dated 7 June 2016. Includes pro-rata shareholding held via Lanebrook and additional shares held outside Lanebrook.*

[3] *The number of shares as per Notification on PDMRs dealing dated 30 December 2016.*

[4] *The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013. For Mr Kozovoy, includes shares held directly.*

Institutional shares by geography, %



	%
United Kingdom	35
Europe (excl. United Kingdom, Russia)	26
Russia	22
North America	16
Rest of the World	1

See Additional information on pages 258 for more details.

Chairman's introduction

Dear shareholder,

I am pleased to introduce EVRAZ' annual report for 2016, a year in which the Group delivered a solid performance and continued to make significant progress in enhancing the overall efficiency of its operations.

Market sentiment was shaped by several factors in 2016, including positive global price trends in steel and bulk commodities, driven by developments in China. At the same time, Russian and North American steel consumption declined amid unfavourable economic conditions, lower Russian GDP and falling oil prices.

While the outlook for metal prices remains uncertain, the increase in prices in 2016 was naturally beneficial for EVRAZ, and we hope that it marks the start of a sustained recovery.

Safety

In 2016, despite a substantial reduction in fatal incidents, and ongoing declining trends in the total number of Lost Time injuries, six people lost their lives. I would like to express my heartfelt condolences to the families and friends of the deceased. Safe working conditions remain a constant focus and an absolute priority for the Group and our executive management. We continue to strive to reduce the number of fatalities and injuries to zero and ensure that every one of our employees goes home safe every day. See pages 76-77

Governance

The Board continues to enhance its oversight of the Group's corporate governance and compliance with regulations and guidelines.

Over 2016, the Board focused on the execution of EVRAZ' strategy, its own effectiveness and the management of risks, including those arising from currency volatility, geopolitical instability and lower economic activity.

In the second half of the year, an evaluation of the Board's effectiveness was conducted. The results underline that the Board is well balanced and diverse, with the right mix of international business skills, experience and independence. See page 106

Board developments

The composition of the Board is reviewed regularly.

As disclosed in the 2015 annual report, Olga Pokrovskaya and Duncan Baxter stepped down from the Board in March 2016, following the strategic decision to streamline the Board in response to challenging market conditions. While this reduced the number of members from 10 to 8, the Board and I feel that we currently have the right balance of skills, experience and backgrounds to support and challenge the management team.

I would like to take this opportunity to thank my fellow directors for their support and the vision and intellect that they bring to the Board.

Our people

Our people are our greatest asset. EVRAZ' strength derives from the hard work and productivity of all of those at the Group. On behalf of the Board, I would like to thank everyone at EVRAZ for their hard work and contribution to delivering another set of positive results in 2016.

Outlook

Since 2014, the global metals and mining sector has experienced extremely challenging conditions. However, commodity prices appear to be stabilising and even showing modest signs of recovery. In the near term, the prospect of a better balance between demand and supply for most commodities should underpin this.

Nevertheless, the overall operating environment remains complex and volatile. The Board and management continue to scrutinise all realistically conceivable scenarios for the next five years, identifying potential opportunities, obstacles and risks and incorporating them into the Group's planning.

EVRAZ will celebrate its 25th anniversary of operation in 2017, and I look forward to the year with optimism.

We believe that we have the right assets focusing on the right commodities, as well as the capability and culture to build even more momentum and prosper in 2017 and beyond.

Alexander Abramov
Chairman of the Board EVRAZ plc

EVRAZ

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Our vision

EVRAZ is a leader in infrastructure steel products globally and in the Russian coking coal market.

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RETENTION
of low-cost position

See p. 19

PRUDENT
CAPEX strategy

See p. 20

DEBT
reduction

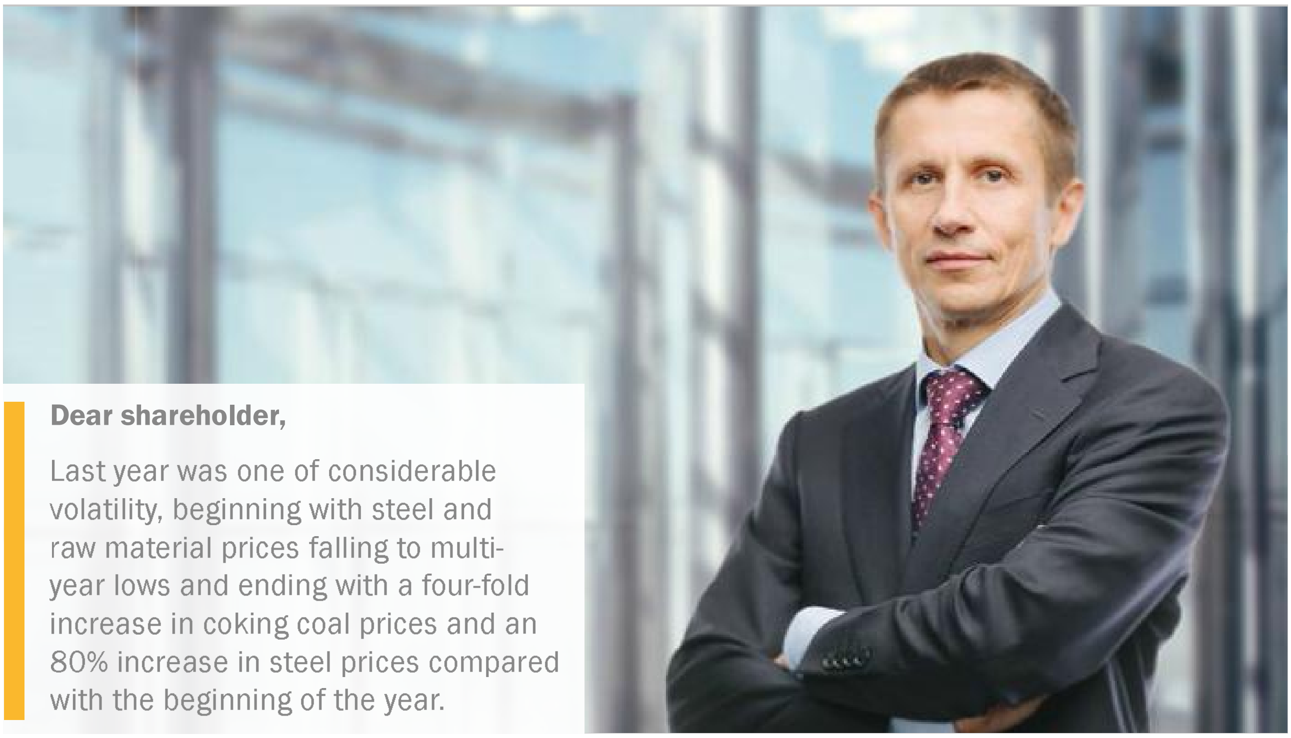
See p. 21

SUCCESS FACTORS

See p. 14

- **Health, safety & environment**
- **Human capital**
- **Customer focus**
- **Asset development**
- **EVRAZ business system**

Chief executive officer's letter



Dear shareholder,

Last year was one of considerable volatility, beginning with steel and raw material prices falling to multi-year lows and ending with a four-fold increase in coking coal prices and an 80% increase in steel prices compared with the beginning of the year.

Many of the market movements were driven by Chinese government measures, such as investment stimulus, limitations on coal production and ongoing steelmaking capacity optimisation.

While the market did not anticipate these developments, we tend to see China's efforts as positive for the global metals and mining industry. Ultimately, they should lead to more effective capacity utilisation and healthier margins worldwide. The results of 2016 support this view: on average, the dynamics of steel, coal and iron ore prices improved year-on-year.

Given the volatile nature of the industry, we believe that our efforts should remain focused on our long-term vision and be less dependent on short-term market fluctuations. EVRAZ creates value by serving infrastructure clients, mainly in the CIS and North America, and delivering coking coal to customers in Russia, Ukraine and Asia. As such, each year, the Group strives to reinforce its leading positions in these markets through higher quality, better service and greater efficiency.

In this light, in 2016, EVRAZ' strategy remained the same: to focus on business sustainability, develop the product portfolio, retain a low-cost position, make prudent CAPEX investments and reduce debt.

EVRAZ considers safety to be the number-one priority. In 2016, we continued to improve injury reporting transparency and implement standard safe work procedures across our operations.

EVRAZ also continued to focus on developing its steel product portfolio and premium coking coal sales at home and abroad, which had a total financial effect of US$169 million. Our cost position regarding steel and coking coal products remains one of the lowest in the world; in 2016, our cost-cutting programme brought an overall effect of US$316 million.

In addition, by maintaining a strategic approach to implementing investment projects and prudent financial discipline, we maintained CAPEX at US$428 million in 2016, the same level as a year before. We reduced net debt by US$547 million, from US$5,349 million on 31 December 2015 to US$4,802 million on 31 December 2016.

Overall, thanks to numerous improvement initiatives based on our long-term vision and more favourable market conditions, we delivered fairly strong financial results. EBITDA reached US$1,542 million, up 7.2% from US$1,438 million in 2015, driving the EBITDA margin from 16.4% to 20.0%, while free cash flow totalled US$659 million.

Steel segment

EVRAZ remains the largest producer of long steel products in Russia, with its market share in 2016 ranging from 14% for rebar to 72% for rails.

In 2016, Russian Railways, one major domestic customer, substantially increased its rail purchases due to its rail track maintenance cycle, a modernisation drive and underinvestment over the last couple of years. We continue to develop a joint technical partnership and customer focus initiatives with this important client.

As a market leader in construction steel, the Group supplied products for a number of infrastructure initiatives in Russia, including football stadiums for the 2018 World Cup, the Yamal-SPG natural gas project, the Zvezda shipyard in the Far East and the Zaryadye landscape park in Moscow.

EVRAZ exported 75 thousand tonnes of rails from its Russian mills in 2016, up 2.8 times from 27 thousand tonnes in 2015. In the reporting year, the Group also certified its rails for use in Europe, India and the Middle East and wheels for Europe, Latin America and Kazakhstan. Through a continuous focus on developing new products, EVRAZ became the first Russian company to master the production of 100-metre rails in accordance with European standards.

To maintain the competitiveness of our assets, in 2016, EVRAZ further decreased its semi-finished steel cash costs by 4.7% to US$185 per tonne through production yield improvements, labour optimisation and energy efficiency initiatives.

In addition, the Group launched a new project to build blast furnace 7 at EVRAZ NTMK. This will allow EVRAZ to shut down blast furnace 6 instead of performing category-1 repairs and maintain stable pig iron output.

Crude steel production volumes at the Group's mills in Russia and Ukraine remained primarily unchanged in 2016, totalling 12.2 million tonnes. Output of railway products increased to 1,166 thousand tonnes, up 16.5% year-on-year, as a result of operational improvements at EVRAZ ZSMK rolling mill and more favourable demand. The Group also resumed rolling operations at Palini e Bertoli due to good plate market fundamentals in Europe. For the year, the Steel segment's EBITDA amounted to US$1,004 million, down 7.1% from US$1,081 million in 2015.

Coal segment

In 2016, EVRAZ secured its leading position in the domestic coal market, with market shares for high-volatile hard and semi-hard coking coal grades of 33% and 51% respectively, and enhanced its presence in premium coal export markets. The Group's coal sales to Ukraine increased by 42% to 2.0 million tonnes, while sales to premium Asian markets totalled 2.6 million tonnes. Moreover, a customer-focused initiative to switch to formula-based contracts with domestic clients enabled EVRAZ to benefit from the surge in global coking prices during the year.

In 2016, investment activity focused primarily on maintaining current production volumes and ramping up the Mezhegey project. EVRAZ' coking coal cash cost position remained mostly unchanged as a result of productivity improvements and labour optimisation.

In addition, by effectively optimising mining process, the Group boosted raw coking coal production to 22.3 million tonnes, up 6.6% year-on-year. Driven by a surge in coking coal prices towards the year-end, and the implementation of customer-focused and cost-cutting initiatives, the Coal segment's EBITDA increased by 83.5% to US$644 million.

Steel, North America segment

Despite unfavourable demand dynamics in key product segments in North America, EVRAZ secured its position as the largest producer of large-diameter pipes (LDP) and rails, with respective domestic market shares of 27% and 28%. In 2016, the Group continued to focus on developing its product portfolio in key segments. EVRAZ completed major construction works for investment projects at the new LDP mill and a steelmaking upgrade in Regina, Canada, as well as created a tube coating joint venture. At present, the Group is qualifying new LDP grades and wall thicknesses with key customers. In addition to that, the research and development team launched three new tubular premium and semi-premium connections for OCTG products.

In 2016, the segment's crude steel output decreased by 23.7% to 1.4 million tonnes, while LDP production fell to 296 thousand tonnes amid demand issues relating to delays in approval for key pipelines. However, late in the year, the Canadian government approved the Kinder Morgan Trans Mountain Expansion Project and the Enbridge Line 3 Replacement Program, which will support demand for EVRAZ products in 2017. Low activity in the oil and coal industries led to the decline of railway shipments and consequently Class-I railways CAPEX. As a result, rail demand in North America was weaker than in 2015 and output of the segment's railway products decreased to 328 thousand tonnes. The segment's EBITDA totalled US$28 million.

Management

In 2016, Pavel Tatyanin, the CFO of EVRAZ, submitted his resignation to pursue other interests. I would like to thank Pavel for his leadership and valued contribution to EVRAZ over the last 15 years.

Replacing Pavel is Nikolay Ivanov, who joined the management team in November. I would like to welcome him and believe that his broad experience will help EVRAZ to successfully implement its financial strategy and take the support processes to the next level.

Outlook for 2017

As we progress into 2017, while market sentiment is positive, the outlook should remain cautious. Key risks include the pace of steel capacity optimisation in China and the general health of the country's economy.

In any market development scenario, EVRAZ will continue to act in accordance with the strategic priorities that will support its position as a leader in infrastructure steel products globally and in the Russian coking coal market.

Alexander Frolov
Chief Executive Officer

EVRAZ' business model

Our vision

EVRAZ is a leader in infrastructure steel products globally and in the Russian coking coal market.

Global market trends

See p. 22

In 2016, the global steel and bulk commodities industry experienced several price surges driven mostly by developments in the Chinese market. The price recovery was also supported by the supply side – we saw steel capacity closures in China, the beginning of global consolidation activities, and iron ore and coking coal mine closures across North America, China and other counties.

SUCCESS FACTORS

As part of its leadership drive, EVRAZ is implementing its strategy based on five key success factors.

- Health, safety & environment
- Human capital
- Customer focus
- Asset development
- EVRAZ business system

STRATEGIC PRIORITIES

EVRAZ' strategic priorities reflect current focus areas that are driven by market conditions and business fundamentals.

DEVELOPMENT of product portfolio and customer base

See p. 18

RETENTION of low-cost position

See p. 19

PRUDENT CAPEX strategy

See p. 20

DEBT reduction

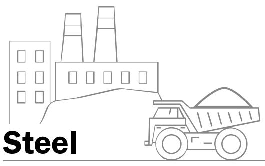
See p. 21

> EVRAZ will continue to act in accordance with its strategic priorities to make its business model more robust and explore options to maximise value for our shareholders and all our stakeholders.

Alexander Frolov
Chief Executive Officer

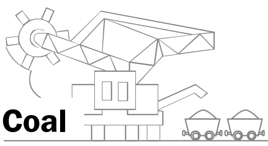
BUSINESS SEGMENTS

See our operational model on next page



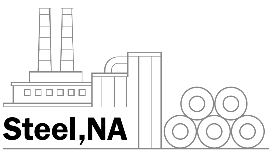
Steel

EVRAZ' Steel segment is mainly focused on steel production in the CIS from raw materials located close by to serve the domestic infrastructure and construction market while maintaining export flexibility. See p. 40



Coal

EVRAZ' Coal segment not only supplies the Group's steel mills with the necessary raw material, but also provides coking coal to major Russian coke and steel producers and serves export markets with its own sea port. See p. 54



Steel,NA

The Steel, North America segment's business model serves the premium markets of the Western United States and Western Canada with high-value-added steel products for infrastructure, rails and LD/OCTG pipes. See p. 64

COMPETITIVE ADVANTAGES

EVRAZ' competitive advantages provide lasting, group-wide benefits which are critical to our ability to generate, sustain and capture value over the long-term.

1 Leader in infrastructure steel products

Premium portfolio of railway, construction and tubular products with firm footprint in Russian, North American and global markets

2 Strong position in coking coal market

Largest coking coal producer in Russia with attractive portfolio of hard and semi-hard coking coal grades

3 Vertically integrated low-cost operations

Sound base of steel and coal assets in the first quartile of the global cost curve

THE VALUE WE CREATE

Shareholders. EVRAZ' experienced management team and corporate governance best practices provide the assurance that EVRAZ acts in the very best interest of its shareholders.

Employees. Development programmes and industry-leading working conditions make EVRAZ one of the most attractive employers in the regions of its operations.

Customers. An increasing focus on the development of value-added products, improvements of shipping terms and tailored client services provides additional value to our customers around the world.

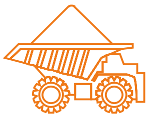
Suppliers and business partners. As the key buyer of auxiliary materials and services with above-board and transparent tendering processes, EVRAZ supports industries' growth and continual improvement.

Local communities. EVRAZ sees that business sustainability is ultimately connected with the prosperity of the regions of our operations and the satisfaction of the local communities, which we support through social and improvement programmes.

State bodies. EVRAZ contributes value to the government by providing construction and railway products for the development of infrastructure, and is also one of the largest taxpayers and employers in Russia.

Operational model

P&P reserves



8.2 bln t of iron ore
1.8 bln t of coking coal

Self-coverage

81% of iron ore
195% of coking coal

Number of employees
(as of 31.12.2016)

55,725 in Steel segment
14,974 in Coal segment
3,005 in Steel, NA segment

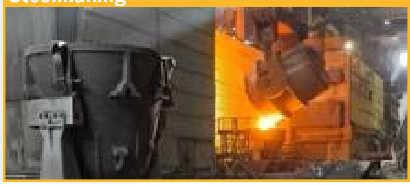
Operations

Steel segment

Raw materials

Iron ore products consumption[1], kt	18,956
3rd parties scrap purchases, kt	1,758
Coking coal products consumption[2], kt	7,275

Steelmaking



Outputs

Pig iron production, kt	11,314
Crude steel production, kt	12,157
Vanadium slag output, mtV	16,886

Rolling & processing

Outputs

Steel products output, kt	11,182
Vanadium products (saleable) output, mtV	12,861

[1] *Internal consumption (13,728 kt) and 3rd parties' iron ore products purchases (5,228 kt).*
[2] *EVRAZ' Steel segment receives the coking coal products from the Coal segment (concentrate and raw coal) and from 3rd parties (2,770 kt of concentrate and 1,144 kt of raw coal in 2016). All raw coal is processed at EVRAZ ZSMK washing plant (1,808 kt of concentrate produced in 2016).*

Coal segment

EVRAZ' unique combination of reserves, operations, product quality and clients make its Coal segment the crucial pillar of its business model. The synergy between the steelmaking and coal operations, combined with a broad export client base, provides the opportunity for further development of the coal business.

Coal mining

Outputs

Total raw coking coal mined, kt	22,257
Sales to Steel segment, kt	1,249

Coal washing

Outputs

Total coking coal concentrate sales, kt	12,750
Sales to Steel segment, kt	4,452

Steel, North America segment

Raw materials

3rd parties scrap puchases, kt	990

Steelmaking

Outputs

Crude steel production, kt	1,370
Slab purchases[3], kt	485

[3] *Including 466 kt from Steel segment and 19 kt from 3rd parties.*

Rolling

Outputs

Steel products output, kt	1,650

Interactive business model and operational model are available in the online version of the Annual Report 2016.

Sales to 3rd parties

	kt
Semi-finished products	5,601
Construction products	4,135
Railway products	1,134
Flat-rolled products	351
Tubular products	53
Other steel products	518

Iron ore products	4,218 kt
Vanadium products (saleable)	11,394 mtV

	kt
Coking coal concentrate, kt	8,298
Raw coal, kt	1,569

	kt
Flat-rolled products	536
Tubular products	534
Railway products	321
Construction products	281

EBITDA

US$ 1,004 million

↓7.1% yoy

The Steel segment's EBITDA fell amid negative steel price trends and a reduction in sales volumes. This was partly offset by lower expenses in US dollar terms due to rouble depreciation, as well as the effects of cost-cutting initiatives implemented in 2016 as part of the ongoing productivity improvement programme.

US$ 644 million

↑83.5% yoy

The Coal segment's EBITDA increased year-on-year on the back of higher sales prices and volumes, accompanied by the effects of cost-cutting initiatives and rouble depreciation, which was favourable for costs.

US$ 28 million

↓49.1% yoy

The Steel, North America segment's EBITDA was impacted by lower sales volumes and prices, stemming from a downturn in the OCTG and rail markets.

Success factors and KPIs

Alexander Kuznetsov
Vice President, Corporate Strategy and Performance management

"We base our annual KPI targets and initiatives on EVRAZ' vision of being a leader in infrastructure steel products worldwide and the Russian coking coal market."

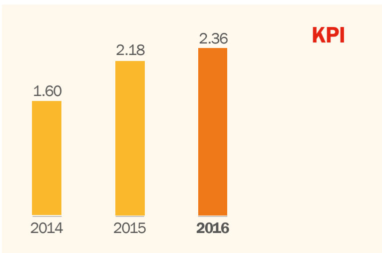
Health, safety & environment

Strategic goal. EVRAZ' top priority is the health and safety of its employees. The Group's strategic goal is to achieve and preserve LTIFR below a level of one by 2021.

Overview. Behaviour safety conversations, and developing and implementing standard safe work procedures are the two initiatives that have been consistently implemented across EVRAZ in 2016. Additionally, in 2016, EVRAZ assets started to implement their key risk localisation programmes, which will continue in 2017-2018.

Outlook. In 2017, EVRAZ will put extra focus on the quality of behaviour safety conversations, making sure issues raised during such conversations are duly addressed and changes are made to conditions and processes. EVRAZ will also continue its efforts to standardise all processes from both a safety and efficiency perspective. The 2017 annual target is to achieve LTIFR below 2.0x.

LTIFR (excluding fatalities)[1],
per 1 million hours



Despite the Group's efforts, there were 6 fatalities (6 employees and 0 contractors) at its sites during the year, and the lost-time injury frequency rate (LTIFR) reached 2.36, compared with 2.18 in 2015. One of the reasons for the increase in these statistics is the improved reporting through the implementation of an incident reporting system that the Group developed in-house and implemented in 2015. EVRAZ remains committed to the goal of reaching zero fatalities at its sites and will continue efforts to improve reporting transparency.

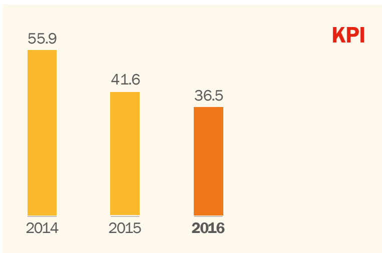
Human capital

Strategic goal. Involved, motivated, loyal and competent employees are the key pillar of the Group's business. EVRAZ aims to reach total standardisation of human resources processes organisation-wide.

Overview. During 2016, EVRAZ' efforts focused mainly on the "From Foreman to Managing Director" programme, which aims to evaluate and develop operations management to create a management candidate pool at plants. In response to market conditions in the beginning of the year, the Group has undertaken a headcount reduction programme and streamlined administrative functions. The total number of employees has decreased by 6,625 people.

Outlook. Looking into 2017, the Group's focus will be on employee engagement management, staff assessment and development programmes, as well as continuing ongoing initiatives to centralise HR functions and improve process quality.

Labour productivity steel[1],
US$/t



Labour costs per tonne of steel products decreased once again in 2016, down by 12.4% to US$36.5 per tonne compared with US$41.6 per tonne in 2015, due to the ongoing labour productivity improvement project pipeline.

[1] *Please see page 261 for details.*

Customer focus

Steel

Strategic goal. EVRAZ aims to increase the share of value-added products in its sales portfolio, secure its domestic market shares in railway and construction steel products, and to expand rail export shipments.

Overview. Last year, the Group's efforts on the domestic market supported demand for key products. In railway products, EVRAZ collaborated with its major client, Russian Railways, on shipment terms and services and benefited from the increase in its investment programme (see page 42). In structural products, EVRAZ targeted the substitution of welded plates and tubes with beams by offering better terms for the latter. In overseas destinations, EVRAZ increased the sales of railway products (up 43 kt), as well as premium slabs and billets (up 810 kt). The combined EBITDA effect from these initiatives was $US170 million.

Outlook. In 2017, the Group will continue expanding domestic and overseas sales of railway products by debottlenecking operations, developing new products, and optimising logistics. It will also analyse a number of product portfolio development options. EVRAZ also aims to increase domestic consumption of beams by offering engineering solutions for the civil construction industry.

Coal

Strategic goal. The Group's strategic goal is to maximise market share in Russia and Ukraine, while moving its export price formula closer to hard coking coal benchmarks.

Overview. Last year, EVRAZ' efforts helped to secure its position on the Russian market and to further expand its customer base in Ukraine, Europe and Asia. Formula-based contracts with domestic clients helped the Group to benefit from the international coking coal price surge (see page 62). Altogether, sales and marketing improvements added US$3 million to EBITDA last year.

Outlook. During 2017, EVRAZ plans to increase sales of premium mid-vol coal grades, optimise logistics to export destinations, and increase the premium for semi-hard coking coal.

Steel, North America

Strategic goal. EVRAZ North America aims to be the leading North American producer of large-diameter pipe with superior product capabilities and technical expertise, as well as the leading producer of rails with a strong portfolio of premium rail and technical relationships with customers.

Overview. During 2016, EVRAZ completed major construction on the investment projects in Regina to upgrade steelmaking capabilities, install a new large diameter pipe mill, and a new coating facility (see page 69). Additionally, the heat-treat expansion project in Calgary ramped up, allowing the Group to compete more effectively for ERW OCTG pipe demand in Western Canada.

Outlook. In 2017, the Group will benefit from the approval of pipelines and a recovery in oil and gas exploration activity. In addition, favorable results on trade cases in tubular and flat products should result in a more favorable pricing environment.

KPI
See page 18
for KPIs and detailed tracking

Success factors and KPIs

Asset development

Steel

Strategic goal. EVRAZ has an annual strategic target to generate cost-reduction initiatives in the amount of 2-3% of the cost base at every business unit across the Steel segment.

Overview. During 2016, the Group focused its cost-cutting efforts on production yields and auxiliary supply consumption improvements across its steel mills, labour optimisations and energy efficiency initiatives. These initiatives resulted in an EBITDA effect of US$134 million last year.

Outlook. In 2017, EVRAZ steel mills are going to implement a pig iron cost reduction programme, as well as continue to work on energy efficiency and procurement optimisations. The Group will also conduct most of the construction works for a new blast furnace project at the EVRAZ NTMK steel mill.

Coal

Strategic goal. The Group's strategic goal in the coking coal business is to reduce costs by 3-7% of the cost base every year and remain in the first quartile of the global cost curve.

Overview. During 2016, the Group's efforts to increase labour productivity, shorten mining equipment relocation periods and improve other operational efficiency measures had an EBITDA effect of US$94 million.

Outlook. In 2017, EVRAZ will continue to focus on improving mining and development productivity, as well as major equipment modernisation. The Group will also support current mining volumes by developing new seams at current mines and implementing a proactive degassing programme.

Steel, North America

Strategic goal. The Group's strategic goal is to be the lowest-cost producer of rails, LD, OCTG pipes and plate products when delivered to the Western United States and Western Canada.

Overview. Last year, the Group implemented cost-cutting programmes at the Portland and Regina rolling mills, and also achieved a US$30 million reduction in G&A expenses across all production facilities and headquarters. Efficiency improvements and negotiations with suppliers resulted in the optimisation of scrap and ferroalloys purchases. Altogether, the EBITDA effect was US$89 million.

Outlook. The primary focus for 2017 will be on the successful finalisation of the Regina steelmaking upgrade project, which will reduce alloying costs and increase capacity. The Group also plans to execute power cost reduction projects and decrease expenses on maintenance.

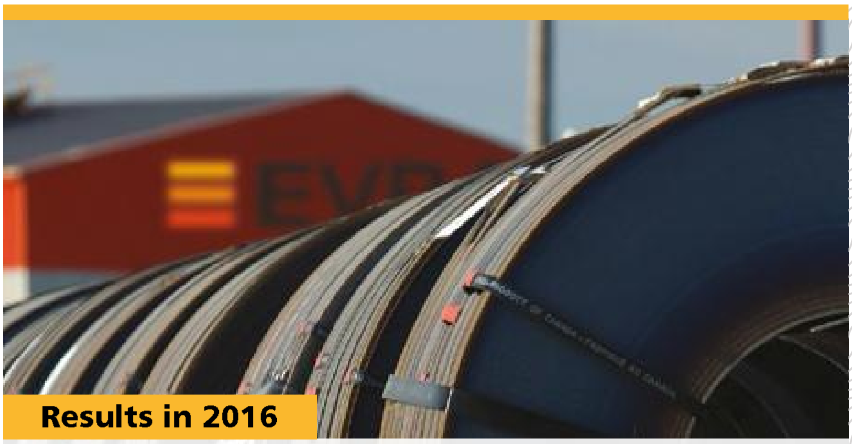
KPI
See page 19
for KPIs and detailed tracking

EVRAZ business system

Strategic goal. The EVRAZ Business System (EBS) is a combined approach to the Group's operations. The key elements are target-setting, people development, processes improvements, management system support, culture principles and necessary implementation infrastructure. The Group aims to implement 100% EBS-transformation organisation-wide, from the top management down to every worker on the shop floor.

Overview. In 2016, the Group's primary focus was on transitioning from a 'lean tools approach' to full EVRAZ Business System deployment through EBS-transformations. The 2016 targets were met in employee basic EBS tool trainings, rapid improvement events and the implementation of operational excellence projects.

Outlook. The key focus for 2017 will be on combining the efforts of vital corporate functions (including HR and HSE) to develop a sustainable process improvement system through EBS-transformation projects.



Results in 2016

Last year's cost-cutting initiatives delivered the EBITDA effect of US$316 million. Combined with a US$169 million gain from customer-focus efforts, EVRAZ' total EBITDA effect from initiatives was US$485 million in 2016.

EVRAZ' EBITDA reached US$1,542 million in 2016, up by 7.2% from US$1,438 million in 2015.

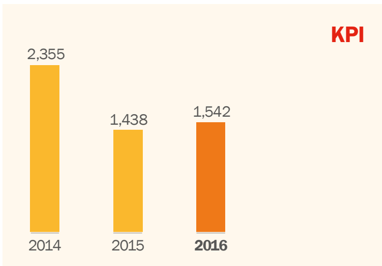
Free cash flow was US$659 million in 2016, down by 18% from US$799 million in 2015. The decrease can be explained by the reduction in net working capital release.

KPI

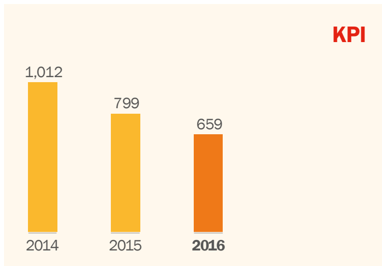
Number of EBS transformations implemented in 2016[1]

2 transformations

EBITDA[1]**,**
US$ million



Free cash flow[1]**,**
US$ million



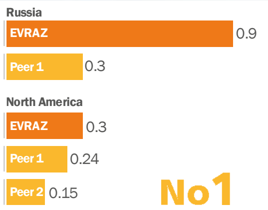
[1] *Please see pages 260-261 for details.*

Strategic priorities

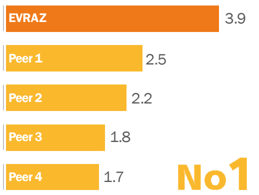
DEVELOPMENT of product portfolio and customer base

Premium infrastructure steel products, a wide range of coking coal grades, and modernised large-scale production sites make EVRAZ the leader in the markets where it operates.

Russian and North American rails production in 2016, mt

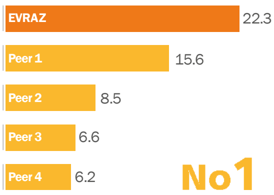


Russian long steel production in 2016[1], mt



[1] *Excluding railway products.*

Russian raw coking coal production in 2016, mt

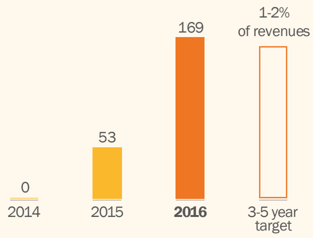


North American LDP production in 2016, mt

Customer focus programme[1], US$ million

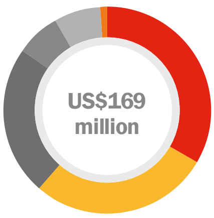
KPI

In 2015, we started tracking our customer focus programme, which in 2016 has brought an annual EBITDA effect of US$169 million.



Breakdown of customer focus programme effect in 2016

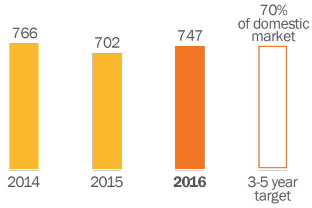
Most customer focus efforts were aimed at expanding rail sales, support domestic steel demand, optimise logistics and develop a new customer base.



	%
Rails	33
Logistics	28
Spread	23
Value-added semis	7
NPD	7
Other	2

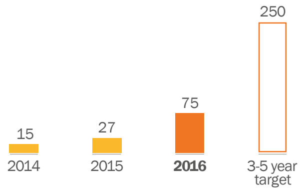
Key drivers

Rails sales volumes in Russia, kt



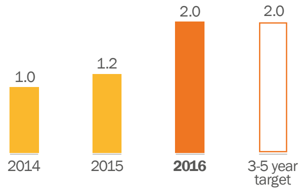
Rails sales on the Russian market remain stable through the cycle. With its key client, Russian Railways, EVRAZ targets securing a leading market share despite the increase in domestic competition.

Rails export sales volumes (excl. CIS), kt



EVRAZ' efforts to increase its presence on overseas rail markets boosted volumes to 75 kt in 2016. We target to reach c. 250 kt of rail exports.

Value-added semi-finished products sales volumes, mt



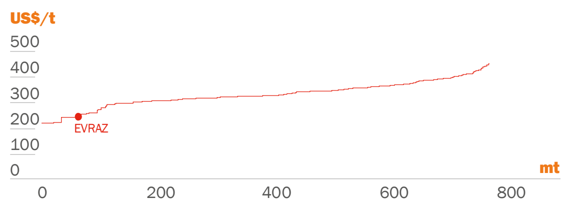
In 2016, EVRAZ substantially increased its value-added slabs and billets sales to the domestic and export markets with an average premium of US$10-12 per tonne to the base grade margin.

[1] *Please see page 261 for details.*

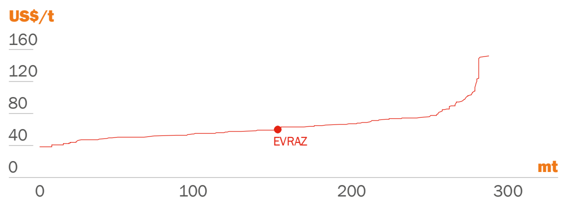
RETENTION of low-cost position

EVRAZ' assets are in the first quartile of global cost curves in semi-finished steel products and coking coal concentrate

Global steel slab cost curve, FOB in 2016, US$/t



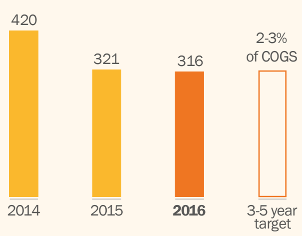
Global coking coal cost curve, FOB in 2016, US$/t



Cost-cutting programme[1], US$ million

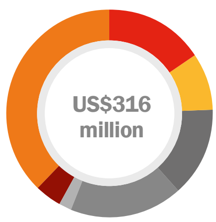
KPI

Average annual EBITDA effect from cost-cutting initiatives totalled US$316 million. Plan to keep the current pace of improvement with annual cost-cutting programme at the level of at least 2-3% from cost base.



Breakdown of cost-cutting programme effect in 2016

Cost savings in 2016 were focused on operational improvements, materials and services usage optimisation, as well as headcount reduction to improve productivity.

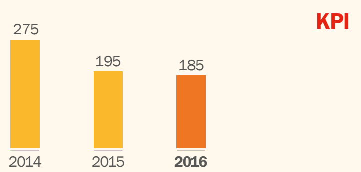


	US$ million
North American and Ukrainian assets optimisation programme	50
Cost reduction at iron ore assets	28
Operational efficiency on Russian steel assets	44
Productivity improvement at coal assets	56
Vanadium operations improvement	6
Asset optimisation	13
G&A costs & non-G&A headcount	119

Key drivers

Cash cost of semi-finished products[1], US$/t

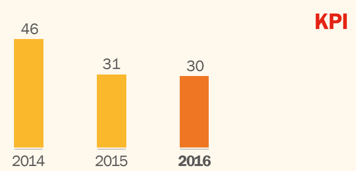
KPI



Cash costs of semi-finished products totalled US$185 per tonne in 2016, down by 4.7% from US$195 per tonne in 2015 due to operational improvements, volume stability and product mix optimisation.

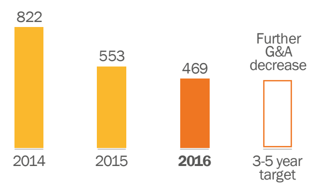
Coking coal concentrate cash cost[1], US$/t

KPI



The Coal segment's cash cost was US$30 per tonne in 2016, down by 2.5% from US$31 per tonne in 2015 due to increased volumes, mine optimisations, and G&A synergies.

G&A expenses, US$ million



G&A expenses have been reduced by c. 50% during the last three years, mainly due to the introduction of a new business unit management structure, the unification of administrative functions, office facility optimisations, general personnel reduction, and local currency devaluations. Further administrative cost reduction and simplification of the management structure are in the pipeline for the next couple of years.

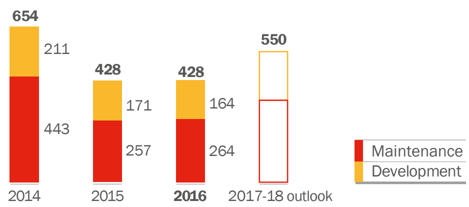
[1] *Please see page 261 for details.*

Strategic priorities

PRUDENT CAPEX strategy

The Group's investment projects are aimed at further developing its competitive advantages, while maintenance investments are focused on supporting the sustainability of EVRAZ' operations.

Annual CAPEX breakdown by maintenance and development, US$ million



Ongoing investment projects

Project	Effect	Total CAPEX, US$ million	Launch year[1]
Construction of blast furnace 7 at EVRAZ NTMK	Maintain the production of pig iron at EVRAZ NTMK at 5 million tonnes per year	191	2018
Regina steel and rolling upgrade	Improve steel quality, increase capacity for casting by 110 kt and rolling by 250 kt, and result in a crown yield saving from 0.75% to 1.1%	147	2017
Construction of an LDP mill at Regina	Expected to add 150 kt of tubular product capacity	73	2017
Grinding ball mill construction at EVRAZ NTMK	Allow to increase ball production to 300 kt by 2018, supporting our position on this market	17	2018

- Current investment projects are focused on efficiency improvement and selective product portfolio development.
- Over the medium term, maintenance CAPEX may increase to support current capacities, like the construction of a new blast furnace at EVRAZ NTMK and higher CAPEX to maintain coking coal mining volumes.

Investment projects implemented in 2014-2016

Project	Effect	Total CAPEX, US$ million	Launch year[1]
Construction of Yerunakovskaya VIII coal mine	Production of 3 million tonnes of raw coking coal	276	2014
Mezhegey project	Additional capacity of 1.5 mtpa of hard coking coal (grade Zh under Russian classification)	148	2015
EVRAZ Caspian Steel (Vostochny rolling mill, Kazakhstan)	Help improve EVRAZ' strategic position on the CIS construction steel market	122	2014
Sheregesh iron ore mine expansion	Decrease costs at Sheregesh mine by c. 50% and increase iron ore self-sufficiency at EVRAZ ZSMK	76	2015
Reconstruction of continuous casting machines (CCM) at EVRAZ ZSMK	Increase production of existing billet caster by 80% to partially replace blooming mill volumes and improve efficiency	43	2015

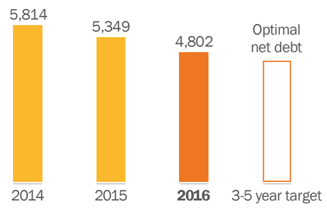
- Investment projects have been implemented with an aim to support EVRAZ' leadership on the Russian coking coal market and to increase our presence on the CIS infrastructure steel market.

[1] *Launch year means that facilities were built and started to operate, however stated capacity could not have been achieved that year*

DEBT reduction

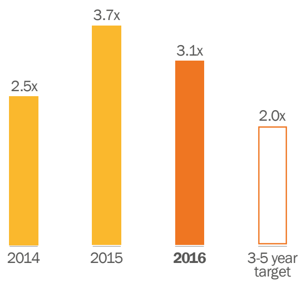
Debt repayment remains a priority over dividends and excessive CAPEX. EVRAZ was able to reduce net debt by US$0.5 billion in 2016, in addition to the US$0.5 billion reduction in 2015.

Net debt, US$ million



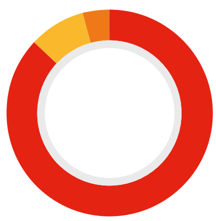
Net debt/EBITDA

- Despite reducing the net debt level, net leverage level remains high.
- EVRAZ continues to target to reach a long-term ratio of 2.0x.



Debt currency composition, as of 31.12.2016, %

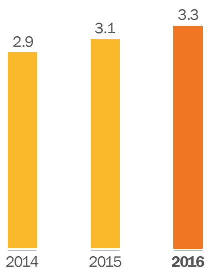
Evraz debt instruments are denominated predominantly in US dollars. Fluctuations of Russian rouble and Euro affect approximately 13% of debt.



	%
US$	87
RUB	9
EUR	4

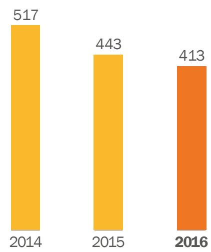
Weighted average debt maturity, years

Over the last couple of years, EVRAZ was able to increase average debt maturity from 2.9 years to 3.3 years thorough a series of refinancing actions for bonds as well as loan facilities.



Interest paid, US$ million

Interest payments have been reduced by more than US$100 million over the last three years due to the reduction of the total debt level.



Market overview

Global picture

During 2016, we saw positive global price trends in steel and bulk commodities with several spikes primarily driven by developments in China.

Steel prices, based on HRC (hot-rolled coil) FOB China contracts, surged by 53% from the beginning of the year to peak at US$430 per tonne in April, then falling back to the bottom of US$349 per tonne in June before gradually recovering to US$501 per tonne in December. The price recovery was driven by Chinese government investment stimulus, healthy domestic demand and rising raw materials prices. It was also supported by Chinese steel capacity cuts of 45 million tonnes per year, as well as global steel industry consolidation trends.

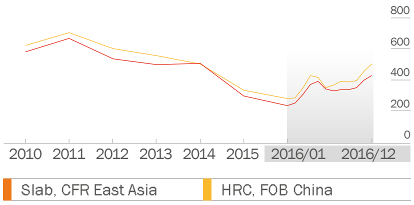
Chinese steel demand recovered slightly with 705 million tonnes consumed during 2016, up by 1% year-on-year thanks to improvements in the real estate and infrastructure sectors. Chinese steel export volumes remained high at 96 million tonne, however down by 4% y-o-y, putting pressure on European and North American domestic steel producers. This led Western governments to start trade investigations and introduce protective measures against several countries in HRC, rebar, plate and tubular products.

The iron ore market was driven by the changing sentiment in global steel markets with prices averaging US$58 per tonne for 62% Fe CFR China in 2016, up by 3% compared with US$56 per tonne in 2015. Local price peaks in April and October 2016 were explained by the supply rationalisation, announced project delays and trading activity. Chinese iron ore imports increased by 8% to 1,032 million tonnes in 2016 from 953 million tonnes in 2015 due to stable steel production and domestic capacity closures.

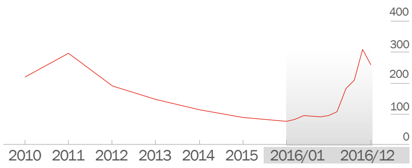
Coking coal prices surged, driven primarily by bankruptcies and mine closures in the US, a 276-day working limit at Chinese mines, and unfavourable weather conditions in China and Australia. Based on spot FOB Australia contracts, the hard coking coal price peaked at US$310 per tonne in November. In 2016, the price of hard coking coal averaged US$140 per tonne, compared with US$90 per tonne in 2015. Coking coal imports to China increased to 65 million tonnes in 2016, up by 12% year-on-year due to the deficit of domestic shipments.

Global demand for vanadium was 79.7 thousand tonnes in 2016, down 0.2% from 79.8 thousand tonnes in 2015. Demand from steel producers remained largely flat, while supply underwent some structural changes: lower prices caused shutdowns and measures to optimise vanadium feedstock allocation, which in turn prompted a recovery in prices from Q4 2016 onwards. The LMB FeV price averaged US$18.5 per kgV in 2016, down 0.6% from US$18.6 per kgV in 2015.

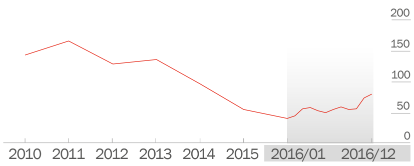
Global steel prices,
US$/t



Coal price,
US$/t



Iron ore price,
US$/t



Trends on EVRAZ' core markets

Russian steel consumption declined for the third year in a row due to the combined headwinds of a general economic recession, an 0.2% reduction in GDP, and low oil prices. While demand for long products went down, railway products performed more favourably, with Russian Railways increasing its orders by 50% last year (see page 42). Key steel product prices were also positive based on global benchmarks (see page 42).

US steel demand fell by 4% to 91.2 million tonnes in 2016. Despite relatively strong LDP market fundamentals, consumption decreased due to pipeline project delays. North American rails market was negatively influenced by low activity in energy E&P activity and in coal extraction, as well as the moderate CAPEX outlays from Class-I railroads (see page 65). Steel imports were down as a result of favorable rulings on trade cases and pending trade cases against certain producers. However, prices across major steel products were a mixed bag (see page 65).

Russian coking coal concentrate consumption remained mostly unchanged year-on-year in 2016. Export shipments rose by 15% due to a favourable price environment and highly competitive position on the global cost curve (see page 55). The uptick in local coking coal prices during the year was influenced by global benchmark trends (see page 55).

Long-term prospects

Industrialisation and urbanisation in developing countries, as well as continued development of advanced economies, continues to be the largest demand driver for steel and other commodities.

Global urbanisation

According to United Nations data, an estimated 54.5% of the world's population lived in urban settlements in 2016. By 2030, urban areas are projected to house 60% of people globally. This rise will require significant investments in housing and infrastructure construction, which will lead to an increase in steel demand. As a clear example, increasing urbanisation in China over the last 15 years has led to an increase in steel consumption per capita from c. 100 kg per capita in the beginning of 2000, to a peak of c. 540 kg per capita in 2013.

The current average level of apparent steel use per capita in developed countries (ex. Germany, US and Japan) is around 430 kg per capita. In contrast, in India, which in recent years has delivered steady economic growth, steel consumption per capita in 2015 was only c. 60 kg per capita. As a result, in coming years, ongoing development of India and key South-East Asian countries may drive substantial steel demand growth.

The upgrade of and significant investments into the US and Canadian infrastructure will support the demand for steel products in the region.

North America

The American Society of Civil Engineers says that the US needs massive investments in all essential infrastructure, from bridges and airports to dams and railways. According to the society's most recent infrastructure report card, the US earns a D+ for its infrastructure. The government's current investment programme views America's infrastructure as an opportunity for accelerated economic growth, targeting spending US$1 trillion on new investments by private institutions over 10 years. That programme will build the transportation, water, telecommunications and energy infrastructure needed to enable new economic development in the US.

In Canada, the government has announced the launch of a highly anticipated new infrastructure bank that provides project finance, support with evidence-based project prioritisation, and acts as a centre of excellence on project delivery, aiming to support US$186 billion in infrastructure spending over 11 years.

Infrastructure construction is very steel-intensive, which should support the demand for major steel products for several years, especially in structural steel, rails, tubes and plates.

Russian long steel consumption primarily depends on the real estate sector, as the residential construction industry consumes c. 80% of rebars produced in Russia.

Russian construction sector increase

Russian long steel consumption primarily depends on the real estate sector, as the residential construction industry consumes c. 80% of rebars produced in Russia.

Russia's construction industry has tremendous potential due to the current low level of residential property per capita and the extremely low mortgage activity when compared with developed countries. Russia has only 20-25 m^2 of housing per capita compared with 44 m^2 per capita in the UK and 70 m^2 per capita in the US.

Russia's residential loans to GDP ratio is just 4%, compared with 41% in Japan and 68% in the UK. A forecast economic recovery should drive increased investments in housing, support the mortgage industry, and elevate the demand for rebars, beams and structural steel products.

An analysis of the last ten years reveals a strong relationship between rebar consumption growth and GDP growth. This analysis has shown that a 1% increase in GDP leads to a 4% rise in Russian rebar consumption.

Financial review

> In 2016, we delivered healthy financial results, driven by efficiency initiatives and improved market conditions. EBITDA reached US$1,542 million, up 7.2% from US$1,438 million in 2015, boosting the EBITDA margin from 16.4% to 20.0%, while free cash flow totalled US$659 million.

Nikolay Ivanov
Chief Financial Officer

Statement of operations

The Group's consolidated revenues decreased by 12.0% to US$7,713 million compared to US$8,767 million in 2015 primarily as a result of falling prices and decreased demand in Q1 2016, starting from Q2 2016 the situation on EVRAZ' main markets started to improve.

In 2016, the Steel segment's revenues (including inter-segment) decreased by 8.2% year-on-year to US$5,497 million or 63.6% of the Group's total before elimination. The reduction was mainly attributable to lower revenues from sales of steel products, which fell by 8.6% year-on-year, primarily due to a drop in prices (down 4.9%) in line with global benchmarks. Revenues from sales of steel products were also impacted by changes in the Group's sales volumes (down 3.7%), which decreased from 12.8 million tonnes in 2015 to 12.3 million tonnes in 2016 on the back of worsening conditions on key markets, lower output at EVRAZ ZSMK due to planned capital repairs of blast furnaces, and the deconsolidation of EVRAZ Highveld Steel and Vanadium in April 2015.

Revenues, US$ million

Segment	2016	2015	Change	Change, %
Steel	5,497	5,987	(490)	(8.2)
Steel, North America	1,464	2,270	(806)	(35.5)
Coal	1,322	1,068	254	23.8
Other operations	363	433	(70)	(16.2)
Eliminations	(933)	(991)	58	(5.9)
Total	**7,713**	**8,767**	**(1,054)**	**(12.0)**

The Steel, North America segment's revenues fell by 35.5% year-on-year. The segment's revenues from sales of steel products dropped by 35.9%, driven by lower sales volumes (down 24.8%) and prices (down 11.1%). The key drivers of these, in turn, were significant reductions in EVRAZ North America's oil country tubular goods (OCTG) sales, resulting from a market slump amid low oil prices, weak tubular and rail markets in North America, and delays in pipeline projects.

The Coal segment's revenues rose by 23.8% year-on-year, supported by higher sales prices (up 21.4%) and volumes (up 2.4%). The increase in volumes was the result of the completion of longwall moves, as well as more favourable geological conditions at the Erunakovskaya-8 mine, improved productivity at the Uskovskaya and Osinnikovskaya mines, and the launch of room-and-pillar mining operations at Mezhegeyugol.

In 2016, the Steel segment's EBITDA fell amid negative steel price trends and a reduction in sales volumes. This was partly offset by lower expenses in US dollar terms due to rouble depreciation, as well as the effects of cost-cutting initiatives implemented in 2016 as part of the ongoing productivity improvement programme.

Higher prices for coking coal and scrap in local currencies also contributed to the decrease in the Steel segment's EBITDA, which was partially countered by lower prices for iron ore and ferroalloys on the Russian market.

The Steel, North America segment's EBITDA was impacted by lower sales volumes and prices, stemming from a downturn in the OCTG and rail markets.

The Coal segment's EBITDA increased year-on-year on the back of higher sales prices and volumes, accompanied by the effects of cost-cutting initiatives and rouble depreciation, which was favourable for costs.

Eliminations mostly reflect unrealised profits or losses that relate to the inventories produced by the Steel segment on the Steel, North America segment's balance sheet, and coal inventories produced by the Coal segment on the Steel segment's balance sheet.

The following table details the effect of the Group's cost-cutting initiatives.

Revenues by region, US$ million

Region	2016	2015	Change	Change, %
Russia	3,080	3,104	(24)	(0.8)
Americas	1,722	2,566	(844)	(32.9)
Asia	1,372	1,354	18	1.3
CIS (excl. Russia)	630	664	(34)	(5.1)
Europe	640	815	(175)	(21.5)
Africa and rest of the world	269	264	5	1.9
Total	**7,713**	**8,767**	**(1,054)**	**(12.0)**

EBITDA, US$ million

Segment	2016	2015	Change	Change, %
Steel	1,004	1,081	(77)	(7.1)
Steel, North America	28	55	(27)	(49.1)
Coal	644	351	293	83.5
Other operations	17	14	3	21.4
Unallocated	(109)	(130)	21	(16.2)
Eliminations	(42)	67	(109)	n/a
Total	**1,542**	**1,438**	**104**	**7.2**

Effect of Group's cost-cutting initiatives in 2016, US$ million

Effect	2016
Cost-cutting initiatives and productivity improvements, including	**184**
Broad optimisation program (incl. services, yields, auxiliary materials' structure) across North American and Ukrainian assets	50
Increased productivity and cost reduction at iron ore assets	28
Yields, raw materials' structure and services optimisation at Russian steel assets	44
Productivity improvement and cost reduction at coal assets	56
Vanadium operations improvement	6
Optimisation of asset portfolio	**13**
Reduction of general and administrative (G&A) costs and non-G&A headcount	**119**
Total	**316**

Revenues, cost of revenue and gross profit by segment, US$ million

	2016	2015	Change, %
Steel segment			
Revenues	5,497	5,987	(8.2)
Cost of revenue	(4,068)	(4,431)	(8.2)
Gross profit	1,429	1,556	(8.2)
Steel, North America segment			
Revenues	1,464	2,270	(35.5)
Cost of revenue	(1,243)	(1,977)	(37.1)
Gross profit	221	293	(24.6)
Coal segment			
Revenues	1,322	1,068	23.8
Cost of revenue	(701)	(758)	(7.5)
Gross profit	621	310	100.3
Other operations – gross profit	85	111	(23.4)
Unallocated – gross profit	(7)	(6)	16.7
Eliminations – gross profit	(157)	(80)	96.3
Total	**2,192**	**2,184**	**0.4**

Gross profit, expenses and results, US$ million

Item	2016	2015	Change	Change, %
Gross profit	**2,192**	**2,184**	**8**	**0.4**
Selling and distribution costs	(623)	(728)	105	(14.4)
General and administrative expenses	(469)	(553)	84	(15.2)
Impairment of assets	(465)	(441)	(24)	5.4
Foreign-exchange gains/(losses), net	(48)	(367)	319	(86.9)
Other operating income and expenses, net	(124)	(119)	(5)	4.2
Profit/(Loss) from operations	**463**	**(24)**	**487**	**n/a**
Interest expense, net	(471)	(466)	(5)	1.1
Gain/(loss) on financial assets and liabilities, net	(9)	(48)	39	81.3
Gain on disposals classified as held for sale, net	–	21	(21)	n/a
Loss of control over a subsidiary	–	(167)	167	n/a
Other non-operating gains/(losses), net	(75)	(23)	(52)	n/a
Loss before tax	**(92)**	**(707)**	**615**	**(87.0)**
Income tax benefit/(expense)	(96)	(12)	(84)	n/a
Net loss	**(188)**	**(719)**	**531**	**(73.9)**

Selling and distribution expenses decreased by 14.4% in 2016 due to rouble weakening and lower sales volumes to third parties.

General and administrative expenses fell by 15.2% in 2016. This was caused by lower staff costs, mainly due to headcount optimisations at EVRAZ North America and the Russian steel and coal plants, as well as to rouble and hryvnia weakening.

Impairment losses during the reporting period mainly include the write-off of goodwill and of certain functionally obsolete items of property, plant and equipment at subsidiaries in the US and Canada totalling US$430 million. The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products, the increase in forecast costs and changes in forecast production volumes.

Foreign exchange losses arose as a result of the depreciation of the Russian rouble, Ukrainian hryvnia, Kazakh tenge and Canadian dollar. The subsidiaries in these countries have US dollar-denominated debts, such as bonds and bank loans. In addition, there are some intra-group debts between subsidiaries with different functional currencies and, consequently, gains/(losses) of one subsidiary recognised in the statement of operations are not offset by the exchange differences of another subsidiary with a different functional currency.

Interest expenses incurred by the Group increased despite achieved debt reduction mainly due to growth of US dollar base rates that affects debt bearing variable interest rate and the larger portion of rouble-denominated debt, that bears higher nominal rates than debt denominated in US dollars. The interest expense for bank loans, bonds and notes amounted to US$439 million in 2016 and US$430 million in 2015.

Losses on financial assets and liabilities amounted to US$9 million and included, among other things, US$273 million of unrealised gains and US$250 million of realised losses on changes in the fair value of derivatives not designated as hedging instruments, accompanied by a realised gain amounting to US$14 million related to the interest portion of the change in fair value of the swaps-hedging instruments for rouble-denominated bonds. This effect was offset by a US$50 million loss on repaying debt, which is primarily a premium on repurchasing US dollar-denominated bonds.

In the reporting period, the Group had an income tax expense of US$96 million, compared with US$12 million in 2015. The change reflects the Group's better operating results.

Cash flow, US$ million

Item	2016	2015	Change	Change, %
Cash flows from operating activities before change in working capital	1,343	1,293	50	3.9
Changes in working capital	160	329	(169)	(51.4)
Net cash flows from operating activities	**1,503**	**1,622**	**(119)**	**(7.3)**
Short-term deposits at banks, including interest	4	4	-	-
Purchases of property, plant and equipment and intangible assets	(382)	(423)	41	9.7
Proceeds from sale of disposal classified as held for sale, net of transaction costs	27	44	(17)	(38.6)
Other investing activities	11	16	(5)	(31.3)
Net cash flows from / (used in) investing activities	**(340)**	**(359)**	**19**	**(5.3)**
Net cash flows from financing activities	**(1,369)**	**(962)**	**(407)**	**42.3**
Effect of foreign exchange rate changes on cash and cash equivalents	(10)	(12)	2	(16.7)
Net increase/(decrease) in cash and cash equivalents	**(216)**	**289**	**(505)**	**n/a**

Net cash flows from operating activities decreased by 7.3% compared with 2015 and US$160 million was attributed to the release in net working capital. Free cash flow for the period was US$659 million.

Calculation of free cash flow, US$ million

Item	2016	2015	Change	Change, %
EBITDA	1,542	1,438	104	7.2
EBITDA excluding non-cash items	**1,549**	**1,420**	**129**	**9.1**
Changes in working capital	160	329	(169)	(51.4)
Income tax accrued	(183)	(99)	(84)	84.9
Social and social infrastructure maintenance expenses	(23)	(28)	5	(17.9)
Net cash flows from operating activities	**1,503**	**1,622**	**(119)**	**(7.4)**
Interest and similar payments	(454)	(452)	(2)	0.4
Capital expenditures, including recorded in financing activities	(428)	(428)	-	-
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	27	44	(17)	(38.6)
Other cash flows from investing activities	11	16	(5)	(31.3)
Equity transactions	-	(3)	3	(100.0)
Free cash flow	**659**	**799**	**(140)**	**(17.5)**

For the definition of free cash flow,
please refer to page 260

CAPEX and key projects

In 2016, EVRAZ maintained a low level of capital expenditures of US$428 million. Two projects at EVRAZ Regina in Canada made good progress with the launch scheduled in Q1 2017. The Mezhegey coal mine project launched in Q2 2016 and is now ramping up production volumes. EVRAZ NTMK continued implementing its grinding ball mill construction project (in 2016 the engineering work was finished) and also started implementing the blast furnace 7 project (first iron is scheduled at the end of 2017).

Capital expenditures (including those recognised in financing activities) for 2016 in millions of US dollars can be summarised as follows.

Capital expenditures in 2016, US$ million

Steel mill upgrade Upgrade of EVRAZ Regina steel mill. In progress since Q2 2015. The aim is to improve steel quality, increase capacity for casting by 110 kt and rolling by 250 kt, and result in a crown yield saving from 0.75% to 1.1%.	82
Construction of an LDP mill Construction of a new mill at EVRAZ Regina has been in progress since Q2 2015 and is due to be completed in Q1 2017. Expected to add 150 kt of tubular product capacity.	24
Blast furnace 7 Construction of blast furnace 7 at EVRAZ NTMK has been in progress since Q3 2016. It is an alternative to the halt of blast furnace 6 for category-1 repairs.	10
Iron ore capacity expansion The Sheregesh mine's output is due to reach 4.8 mtpa of raw ore.	5
Coal deposit development Mezhegey (phase 1) was launched in Q2 2016. Capacity of 1.5 mtpa.	4
Grinding ball mill construction Construction of a new grinding ball mill at EVRAZ NTMK has been in progress since Q2 2015 and is due to be completed in Q3 2018. Expected to increase ball production to 300 kt by 2018.	2
Other development projects	37
Maintenance	**264**
Total	**428**

DEBT reduction

Financing and liquidity

At the beginning of 2016, total debt was US$6,724 million. The Group continued to focus its efforts on reducing debt and extending the maturity profile.

In March, EvrazHolding Finance LLC issued RUB15 billion (around US$221 million at the exchange rate on the transaction date) in five-year exchange-traded bonds due in 2021 with a 12.60% coupon payable semi-annually.

In April, EVRAZ entered into a multi-currency facility agreement with VTB Bank governing the general terms and conditions of loans of up to seven years with a total borrowing limit of US$300 million equivalent. During 2016, two tranches amounting to US$150 million and US$99 million were utilised under the facility in the form of loans repayable in 12 equal quarterly instalments starting April and September 2020, respectively.

In June, Evraz Group S.A. issued a US$500 million Eurobond due in 2022 with a 6.75% coupon payable semi-annually.

In October, EVRAZ utilised an additional US$85 million under its Framework agreement with Alfa-Bank repayable in 10 equal quarterly instalments starting in October 2020.

Proceeds from these new borrowings from banks and capital markets were used to refinance EVRAZ' existing maturities, primarily those coming due in 2017 and 2018, thus not increasing overall debt and extending the repayment schedule.

During 2016, in order to reduce total debt and interest expense, as well as to extend the maturity profile, EVRAZ prepaid several bank facilities, namely US$120 million of its US$500 million syndicated pre-export financing facility, US$81 million of the total principal of its US$125 million facility with Unicredit, US$87 million of its US$100 million facility with Nordea Bank, and the loan from Development Bank of Kazakhstan with a principal amount of US$90 million together with capitalised interest of US$23 million.

In April, EVRAZ prepaid €60 million of the outstanding principal under its credit facility with Gazprombank, and later in August 2016, the Group signed new loans with Gazprombank with amounts of approximately RUB18 billion and €180 million. During the following several months after signing, EVRAZ refinanced its existing credit facility with this bank: upon completion of the refinancing process, the maturity of this facility split into tranches of 30% and 70% of the principal was moved to 2021 and 2022, respectively.

During 2016, EVRAZ partly repurchased during two tender offers (in April and June), as well as from the open market, US$496 million of the outstanding principal of its 2018 Eurobonds, US$160 million of Raspadskaya's Eurobonds, and US$109 million of its 2017 Eurobonds. The remaining US$177 million principal of its 2017 Eurobonds was called in full and settled in August.

As a result of these actions, as well as scheduled drawings and repayments of bank loans, total debt fell by US$763 million to US$5,961 million as at 31 December 2016, while net debt dropped by US$547 million to US$4,802 million, compared with US$5,349 million as at 31 December 2015.

Due to the larger portion of rouble-denominated debt and growth of US dollar base rates during 2016, interest expenses accrued in respect of loans, bonds and notes were US$439 million in 2016, compared with US$430 million in 2015.

Net debt to EBITDA stood at 3.1 times, compared with 3.7 times as at 31 December 2015.

As at 31 December 2016, debt with financial maintenance covenants comprised a syndicated pre-export financing facility and various bilateral facilities with a total outstanding principal of around US$1,829 million. The maintenance covenants under these facilities include the two key ratios calculated on the basis of EVRAZ plc's consolidated financials: a maximum net leverage and a minimum EBITDA interest cover. In H1 2016, EVRAZ signed amendments to these facilities, whereby the testing of financial ratios was suspended for three semi-annual testing periods starting 30 June 2016, subject to compliance with certain additional restrictions on indebtedness and dividends. As a result, currently only one of the outstanding facilities has the minimum EBITDA interest cover ratio tested against a comfortable level of 1.5x.

As at 31 December 2016, EVRAZ was in full compliance with its financial covenants. Cash amounted to US$1,157 million and short-term loans and the current portion of long-term loans stood at US$392 million. Cash-on-hand and committed credit facilities are sufficient to cover all of EVRAZ' debt principal maturing in 2017 and 2018.

Key recent developments

In January 2017, EVRAZ made a partial prepayment of its US$500 million syndicated pre-export financing facility, settling another US$110 million of principal. The remaining outstanding under this facility is US$270 million.

EVRAZ

CSR review

Our approach

EVRAZ is a socially responsible company, addressing and monitoring all aspects of corporate social responsibility (CSR) that are relevant to the business. The CSR section of the Annual report on pages 74-94 provides an overview of the Group's policies and performance in 2016 in key areas of CSR, including human rights, health and safety, the environment, human capital management and community engagement, as well as an outline of how the Group intends to improve its performance in the years ahead. The Group considers these policies appropriate and effective.

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

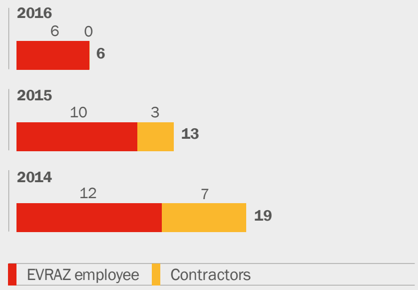
EVRAZ seeks to develop and maintain a work environment that is free from discrimination and ensures equal rights, where every employee has the opportunity to contribute to the Group's overall results, and to realise his/her abilities and potential.

This aspiration is reflected in the Group's internal codes and principles, including the Business Conduct Policy, "The EVRAZ Way", available on the corporate website at www.evraz.com/governance/documents/

Health & safety

The Group stated "100% safe behaviour" and "100% safe work conditions" as its strategic priority at all its sites. Safety is one of five EVRAZ strategic pillars. EVRAZ believes that the safety initiatives implemented across the Group are helping it support the development of its safety culture and will therefore have a lasting effect on saving its employees' lives, protecting their health, and maintaining the integrity of its operations. The two key initiatives in 2016 were targeted at reducing the number of unsafe actions through safety conversations on the shop floor, and unifying processes with the help of standard safe work procedures.

Fatalities



For more information, see page 75

LTIFR (excluding fatalities)

2.36 per 1 million hours

↑8.3% yoy

EVRAZ' LTIFR started to grow in 2015 as a result of the Group's systemic effort to ensure full transparency in reporting.

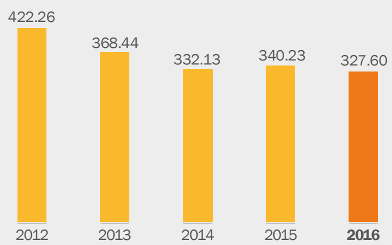
Environment

In 2012, after determining the key challenges and focus areas, EVRAZ voluntarily adopted five-year environmental targets[1] (over 2012–17) aimed at: reducing air emissions[2] by 5%; decreasing fresh water consumption by 15%.

[1] *Environmental targets are based on 2011 performance levels. In 2014, the HSE Committee of the Board of Directors reviewed the implementation of environmental targets and agreed to re-base fresh water consumption and air emission targets by excluding data related to the disposed assets due to its material effect on performance.*

[2] *Including nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds only*

EVRAZ fresh water consumption, million m^3

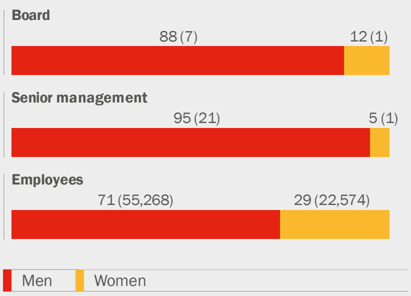


For more information, see page 78

Our people

EVRAZ continues to focus on working both with and for people. The Group's management recognises that reaching their business targets depends on carefully selecting new hires, providing quality training and ensuring that staff are properly motivated.

Diversity of employees, senior management and directors, % (number of people)



For more information,
see page 86

Number of employees 31 December 2016

77.8 thousand people

↓7.8% yoy

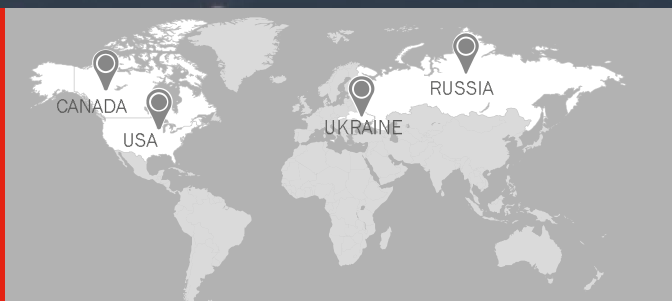
Reduction is mainly due to labour productivity improvements, outsourcing support functions, and asset optimisations.

Community relations

EVRAZ strives to maintain an open dialogue with the communities surrounding its areas of operation. The Group pays its taxes responsibly and cares for the wellbeing of its employees. Organisation-wide, operations are conducted in accordance with federal and local legislation. Managing directors and regional vice presidents take responsibility for communicating with local governments. HSE directors' duties include ensuring that plant operations meet all applicable rules and regulations. The regional corporate communications centres collaborate with non-profit organisations on charity, environmental, social, educational and sport projects.

For more information,
see page 90

EVRAZ for Cities



EVRAZ: City of Friends – City of Ideas

EVRAZ for Kids

EVRAZ for Sport

Principal risks and uncertainties
Risk management system

The risk management process aims to identify, evaluate and manage potential and actual threats to the Group achieving its objectives.

For more information, see the risk management and internal control section of the corporate governance report on pages 107-109

TOP-DOWN APPROACH

CEO
- Has ultimate responsibility for risk management, ensuring that it is in place and effectively functioning

BOARD OF DIRECTORS
- Has an oversight role
- Ensures that risk management processes are in place, adequate, effective
- Approves a risk appetite in accordance with the risk management methodology adopted by EVRAZ

Risk Management Group
- Identifies, assesses and monitors Group-wide risks and mitigation actions

Audit Committee
- Supports the board in monitoring risk exposure against risk appetite
- Reviews the effectiveness of risk management and internal control systems

Internal audit
- Supports the Audit Committee in reviewing the effectiveness of risk management and internal control systems

Oversight, identification, assessment and management of risks at corporate level

EFFECTIVE RISK MANAGEMENT

Identification, assessment and management of risks at regional and site levels and across functions

Site levels
- Identification, assessment and mitigation of risks
- Promoting risk awareness and safety culture

REGIONAL BUSINESS UNIT MANAGEMENT TEAMS
- Adopts regional risk appetite
- Support the Risk Management Group in reviewing and monitoring effectiveness of risk management
- Identification, assessment and management of risks at the regional level
- Monitoring of risk management process and effectiveness of internal control

BOTTOM-UP APPROACH

Risk migration in 2016 and robust assessment

In 2016, the management carried out a robust assessment of the principal risks facing the Group. The Audit Committee has carefully reviewed the assessment on behalf of the Board.

The assessment focused on the risks that could adversely affect the Group's strategies, evaluation of risks identified at the plant level to consider their relevance and significance for the Group, and detailed assessment of some specific areas where new risks have been identified or the risk profile has changed significantly. As a result, the principal risks have been confirmed.

Whilst the composition of the Group's principal risks has not changed compared with the previous year, a detailed analysis of their impact and probability of negative consequences for the Group has led to a recalibration in assessment of some of the risks.

The Group has also considered and assessed some risks not emphasised previously, eg IT security and IT infrastructure failure, HR succession planning, taxation, and other risks. Whilst the impact and probability analysis suggests that such risks could affect the Group's operations to some extent, the management does not consider those risks as being capable of seriously affecting the Group's performance, future prospects or reputation.

Additionally, the Group has considered how the UK referendum in favour of leaving the EU might impact its operations. The Group believes that the UK referendum results will not significantly affect its business.

Key developments in 2016

To enhance the transparency of risk reporting, the Group's Risk Committee was transformed into the Risk Management Group.

Like the Risk Committee, the new Risk Management Group is composed of the vice presidents under the leadership of the CEO. The Risk Management Group's role is to support the CEO in the day-to-day supervision and management of risk, as well as to provide assurance and advice to the Audit Committee members, on the effectiveness of the Company's risk management and internal control systems.

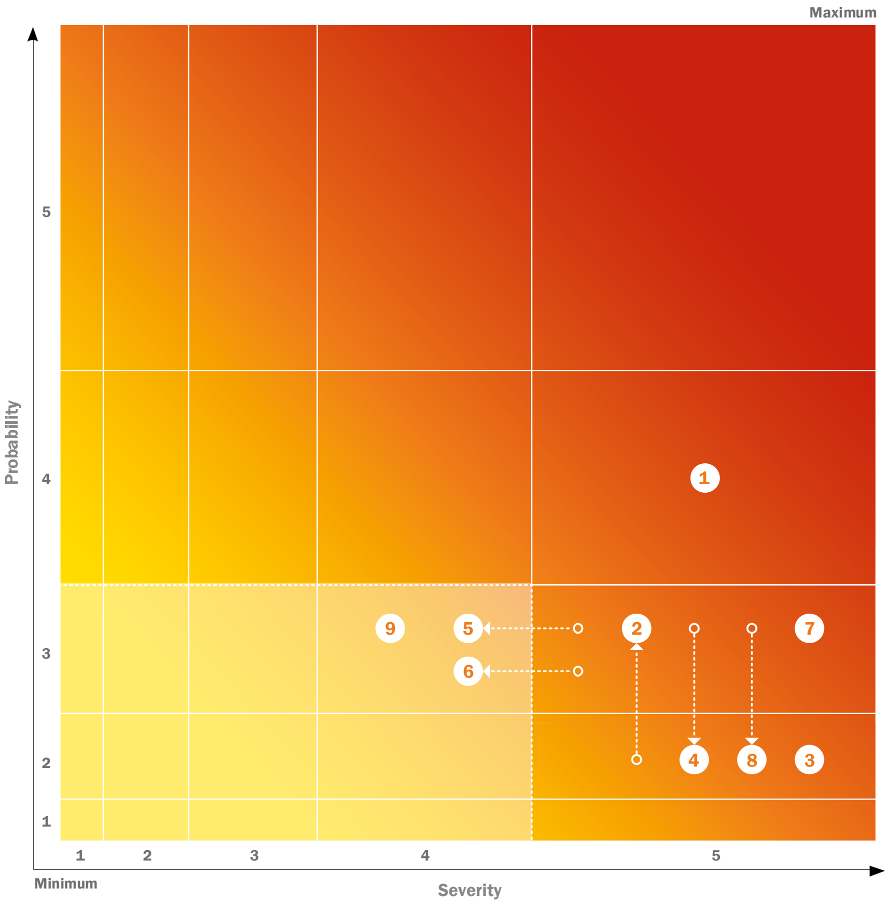
Principal risks and uncertainties heat map in 2016

Please see description of the mitigating actions on the next page.

Risk appetite level

Risk migration, yoy

1. Global economic factors, industry conditions
2. Competition
3. Cost effectiveness
4. Treasury: availability of finance
5. Functional currency devaluation
6. HSE: environmental
7. HSE: health, safety
8. Potential action by governments
9. Business interruption



Principal risks

Success Factors

- Health, safety & environment
- Human capital
- Customer focus
- Asset development
- EVRAZ business system

Strategic priorities

- Development of product portfolio and customer base
- Prudent CAPEX strategy
- Retention of low-cost position
- Debt reduction

#	Risk	Description	Mitigating/risk management actions in 2016	Direction/ Reason for change
1	**Global economic factors, industry conditions, industry cyclicality** Related with:	EVRAZ' operations are dependent on the global macroeconomic environment, as well as economic and industry conditions, eg the global supply and demand balance for steel, iron ore and coking coal, which affect both product prices and volumes across all markets. The Group's operations involve substantial fixed costs, and global economic and industry conditions can impact the Group's operational performance.	This is an external risk that is mostly outside the Company's control; however, it is partly mitigated by exploring new market opportunities, focusing on expanding the share of value-added products, further downscaling inefficient assets, suspending production in low-growth regions, and further reducing and managing the cost base with the objective of being amongst the sector's lowest-cost producers.	
2	**Product competition** Related with:	Excessive supply on the global market and greater competition. Low demand for construction products and increasing competition in this segment. Increasing competition in the rail product segment. Excessive supply of slabs on the global market and intensified competition.	Expand product portfolio and penetrate new geographic and product markets. Develop and improve loyalty and customer focus programmes and initiatives. Quality improvement initiatives. Focus on expanding the share of value-added products.	Intensified competition, mostly in the steel products market, mainly as a result of competitors' activity and introduction of new facilities.
3	**Cost effectiveness** Related with:	Most of the Group's steel production remains sensitive to costs and prices. Given the substantial product share of commodity semi-finished, which requires less customer service and is more cost driven, maintaining a low-cost position is one of EVRAZ' key business objectives in steelmaking, as well as in the iron ore and coking coal mining businesses.	For both the mining and steelmaking operations, the Group is implementing cost-reduction projects to increase the competitiveness of assets. Focused investment policy aimed at reducing and managing the cost base. Further expansion and control of the Group's Russian steel distribution network. Development of high value-added products.	
4	**Treasury: finance availability** Related with:	Impact from the possible introduction of limitations on repatriation of foreign-currency export revenues, as well as additional regulations or limitations on cross-border capital flows. Potential government action, including economic sanctions impacting Russian entities, might increase the Group's capital market risk regarding additional funding. EVRAZ is subject to counterparty risk via receivables from commercial customers. The Group's current debt facilities include certain covenants in relation to net debt and interest expense. A breach of these covenants could result in certain of the Group's borrowing facilities becoming repayable immediately.	Action to extend the debt maturity profile and diversify sources of funding, as well as proactively manage the remaining portion of debt subject to maintenance covenants. Liquidity risk is managed by revisiting capital expenditure plans, cost optimisation programmes, and continued asset portfolio rationalisation. Counterparty risk with commercial customers is managed through a combination of letters of credit and, where creditworthiness is uncertain, by prepayments.	Extension of debt maturity profile on more favorable terms.

#	Risk	Description	Mitigating/risk management actions in 2016	Direction/ Reason for change
5	**Functional currency devaluation** Related with:	Any significant fluctuation in subsidiaries' functional currencies relative to the US dollar could have a significant effect on the Group's financial accounts, which might impact its ability to borrow.	EVRAZ works to reduce the amount of intergroup loans denominated in Russian roubles and Ukrainian hryvnias to limit the possible devaluation effect on its consolidated net income.	Decrease in volatility of national currency in Russia.
6	**HSE: environmental** Related with:	Steel and mining production carry an inherent risk of environmental impact and incidents relating to issues as diverse as water usage, quality of water discharged, air emissions, waste recycling, tailing management, air emissions (including greenhouse gases), and community satisfaction. Consequently, EVRAZ faces risks including regulatory fines, penalties, adverse impact on reputation and, in the extreme, the withdrawal of plant environmental licences, which would curtail operations indefinitely.	Environmental risks matrix is monitored on a regular basis. Respective mitigation activity is developed and performed in response to the risks. Implementation of air emissions and water use reduction programmes at plants. Waste management improvement programmes. Most of EVRAZ' operations are certified under ISO 14001 and the Group continues to work towards bringing the remaining plants to ISO 14001 requirements. EVRAZ is currently compliant with REACH requirements. Participation in development of GHG emissions regulation in Russia. Reduction in GHG emissions as a positive side-effect of energy efficiency projects.	Implementation of mitigating/risk management actions focused on reduction of risks of environmental exposures.
7	**HSE: health, safety** Related with:	Potential danger of fire, explosions and electrocution, as well as risks specific to individual mines: methane levels, rock falls and other accidents could lead to outage or production delays, loss of qualified personnel, loss of material, equipment or product, or extensive damage compensation. Breach of any HSE laws, regulations and standards may result in fines, penalties and adverse reputational impacts and, in the extreme, the withdrawal of mining operational licenses, thereby curtailing operations for an indefinite period.	Management KPIs place significant emphasis on safety performance and the standardisation of critical safety programmes. Implementing an energy isolation programme. Introducing a programme of behaviour safety observations drives a more proactive approach to preventing injuries and incidents. Introducing a contractual safety programme. A series of health and safety initiatives related to underground mining. Maintenance and repair modernisation programmes, downtime management system.	
8	**Potential government action** Related with:	New laws, regulations or other requirements could limit the Group's ability to obtain financing on international markets, sell its products and purchase equipment. Risk of capital controls that affect the Group in terms of free flow of capital. EVRAZ may also be adversely affected by government sanctions against Russian businesses or otherwise reducing its ability to conduct business with counterparties. Risk of adverse geopolitical situation in countries of operation.	Whilst these risks are mostly outside the Group's control, EVRAZ and its executive teams are members of various national industry bodies. As a result, they contribute to the development of such bodies and, when appropriate, participate in relevant discussions with political and regulatory authorities. Procedures have been implemented to ensure that sanction requirements are complied with across the Company's operations.	Introduction of improved compliance monitoring procedures, development of compliance controls.
9	**Business interruption** Related with:	Prolonged outages or production delays, especially in coal mining, could have a material adverse effect on the Group's operating performance, production, financial condition and future prospects. In addition, long term business interruption may result in a loss of customers and competitive advantage, and damage to the Group's reputation.	The Group has defined and established disaster recovery procedures which are subject to regular review. Business interruptions in mining mainly relate to production safety. Measures to mitigate these risks include methane monitoring and degassing systems, timely mining equipment maintenance, and employee safety training. Detailed analysis of causes of incidents is performed in order to develop and implement preventative actions. Records of minor interruptions are reviewed to identify any more significant underlying issues.	

Viability statement

As a global steel and mining group, EVRAZ is exposed to a range of risks and inherent uncertainties that are explained more fully in this section. The Group's principal risks and its approach to managing them, together with the latest financial forecasts and five-year strategic plan, have formed the basis of this long-term viability assessment.

In accordance with provision C.2.2 of the UK Corporate Governance Code published in April 2016, the Board has assessed the Group's prospects over the period of the current strategic plan to December 2021 and considers it possible to form a reasonable expectation of the Group's viability over this five-year period. The assessment included consideration of the stress-testing detailed below, with particular attention paid to the forecast cash position and compliance with financial maintenance covenants in each scenario, as well as the mitigation plan developed by the management.

The assessment was underpinned by scenarios that encompass a wide spectrum of potential outcomes. These scenarios are designed to explore the Group's resilience to the significant risks set out **on pages 34-35**, as well as combinations of correlated risks. The key scenarios can be summarised as:

- Base scenario:
  - the key assumptions as disclosed in Note 6 to the financial statements under Impairment of assets **on pages 183-186**;
  - future pricing of steel and raw materials is within the range of the external analyst forecasts set out in Note 6;
  - annual steel volumes are assumed to vary from -9.0% to 5.0% compared with the 2016 level over the five-year period to December 2021;
- Global economic decline:
  - steel and raw material prices and exchange rates during 2017 and future periods are at the lower end of the external analyst forecast set out in Note 6;
  - sales volumes are assumed to remain at the level of the base scenario;
- Increased conversion costs in the CIS;
- Limited access to capital markets;
- Appreciation of local operating currencies;
- Business interruption:
  - lost production and restoration costs; and
- Combinations of correlated risks/scenarios.

The scenarios are designed to be severe but plausible. They take full account of the potential actions available to mitigate the occurrence and impact of the risk, and the likely effectiveness of such action. The process makes certain assumptions about the normal level of capital recycling likely to occur and considers whether additional financing facilities will be required and available in each scenario. EVRAZ considers that this stress-testing-based assessment of its prospects is reasonable, given the risks and inherent uncertainties facing the business.

The directors confirm that their assessment of the principal risks facing the Group is robust. Based upon this robust assessment and the stress-testing of Group prospects across several risk-related scenarios, the directors have a reasonable expectation that EVRAZ will be able to remain in operation and meet its liabilities as they fall due over the five-year period to December 2021.

In making this statement, the directors have made the following key assumptions:

- the continued availability of funding or refinancing, by way of capital markets, bank debt, and asset financing, of up to one-third of the current debt level in all the scenarios considered; and
- selling prices remain in line with prevailing market assumptions.

EVRAZ business system

Our approach

The EVRAZ Business System (EBS) is the methodology that EVRAZ applies to reduce costs, improve quality and safety, and eliminate waste, with an aim toward generating continuous improvements in business effectiveness.

The Group leverages EBS for change management and fostering a culture of constant improvement. The principles embodied in the management philosophy define how EVRAZ operates and inform how staff think and act. EBS has been embedded throughout the business and is applied in every one of the organisation's processes.

EBS transformation

In 2017, the Group plans to begin the next phase of EBS with a focus on uniting all the corporate functions in a drive to reduce production costs.

Whereas previously an instrumental approach was used, the EBS Transformation will introduce a new project-based methodology. The initiative is expected to be implemented throughout the Group's main operations by 2019.

The cross-functional project methodology is currently being implemented in the following ways:

- Introducing the EVRAZ principles (safety, respect, customer orientation, accountability and teamwork) in the management system to update the leadership behaviour model
- Iterating the EBS Transformation methodology for further application at the Group's business units
- Revising the EBS organisational structure to support the project approach implementation
- Developing a system of accounting KPIs

EBS objectives

- Achieving the annual production cost reduction target of 3%.
- Fostering outstanding teams whose members embrace the Group's philosophy.
- Encouraging the extended partner and supplier network to improve through mutual respect and exacting standards.
- Striving to eliminate waste in EVRAZ' value-creation process by better understanding customers' needs and focusing business processes on continuous improvement.

Key developments

In 2016, the targeted KPIs were achieved for training staff on the basic EBS tools and amount of RIEs[1].

In 2016, additional measures were also undertaken to introduce the following new EBS KPIs next year:

- Reducing annual production costs by 3%;
- Assessing employee engagement in implementing continuous production improvement ideas ("Idea Factory" work assessments, "Problem Solving Boards" etc).

9 projects aimed at increasing revenues or reducing production costs were implemented using the EBS methodology in 2016.

Objectives for 2017

In 2017, the primary focus for EBS will be:

- Achieving the 2017 production cost reduction target of 3%
- Meeting milestones to implement the EBS Transformation project throughout the Group's main operations by 2019
- Developing the employee engagement assessment methodology and beginning KPI monitoring

EVRAZ business system KPIs

	2012	2013	2014	2015	2016
People trained to EBS Level 2		4,312	9,559	18,024	21,454
Amount of RIE[1]	618	1,343	1,608	4,500	6,786
Amount of model lines where EBS was implemented		15	22	33	33
Share of critical assets covered by maintenance system	10	20	20	50	50[2]

[1] *Rapid improvement event*
[2] *This indicator did not change year-on-year because the initiative ended in 2016.*

EVRAZ' Strategic Report, as set out on pages 8-37 inclusive, has been reviewed and was approved by the Board of Directors on 28 February 2017

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By the order of the Board

Alexander Frolov
Chief Executive Officer, EVRAZ plc
28 February 2017

EVRAZ

Contents

BUSINESS REVIEW

EVRAZ is a leader in infrastructure steel products globally and in the Russian coking coal market.

Ensuring the safety of people and equipment is EVRAZ’ top priority in underground mining.

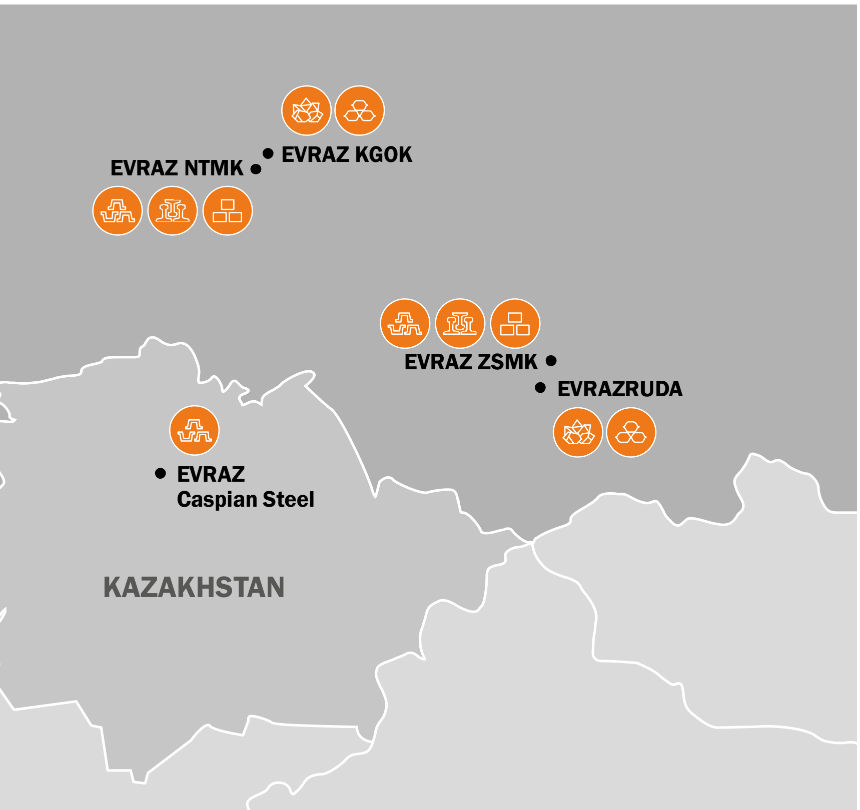
See about EVRAZ’ coal mining methods on page 59

Steel segment
Introduction and highlights

OUR VISION:

- Be a world leader in rail production
- Be a leader on the Russian construction steel market
- Be an efficient producer of premium products for infrastructure projects

EVRAZ is No 1 among rail suppliers and the leader in the construction steel market in Russia. The Steel segment's primary focus is producing steel in the CIS from closely located raw materials to serve the domestic infrastructure and construction market while maintaining export flexibility.



FINANCIAL HIGHLIGHTS

Revenues
US$ **5,497** million — ⬇8.2% yoy

EBITDA
US$ **1,004** million — ⬇7.1% yoy

EBITDA margin
18.3% — ⬆0.2pp yoy

CAPEX
US$ **163** million — ⬇10.9% yoy

PRODUCTION HIGHLIGHTS

Crude steel
12,157 kt — ⬇2.0% yoy

Steel products
11,182 kt — ⬇0.9% yoy

Iron ore products
19,701 kt — ⬇3.6% yoy

Vanadium products (saleable)
12,861 mtV — ⬇12.4% yoy

SALES HIGHLIGHTS (SALES TO 3RD PARTIES ONLY)

Semi-finished products
5,601 kt — ⬆0.02% yoy

Finished products
6,191 kt — ⬇6.6%yoy

Iron ore products
4,218 kt — ⬇4.6% yoy

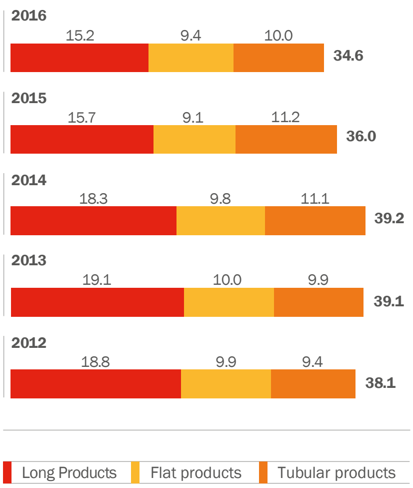
Vanadium products (saleable)
11,394 mtV — ⬇18% yoy

Market review

Russian steel market trends

Russia's economy contracted by a further 0.2% in 2016, driving steel consumption down by 4% to 34.6 million tonnes, compared with 36.0 million tonnes in 2015. Demand decreased by 3% for long steel and 11% for tubular products, but increased by 3% for flat products. Demand also weakened by 12% for rebar, angles and channels, while consumption of beams strengthened by 10%. The Russian rail market delivered the highest segmental growth, consumption surging by 52% to 1,050 thousand tonnes, compared with 690 thousand tonnes in 2015.

Russian steel consumption by product type, mt



Russian export volumes increased by 4% to 29.7 million tonnes for the year despite the flagging consumption figures, largely thanks to high export prices and a weaker Russian rouble year-on-year. The combination of these negative and positive effects left overall Russian steel product output mostly unchanged.

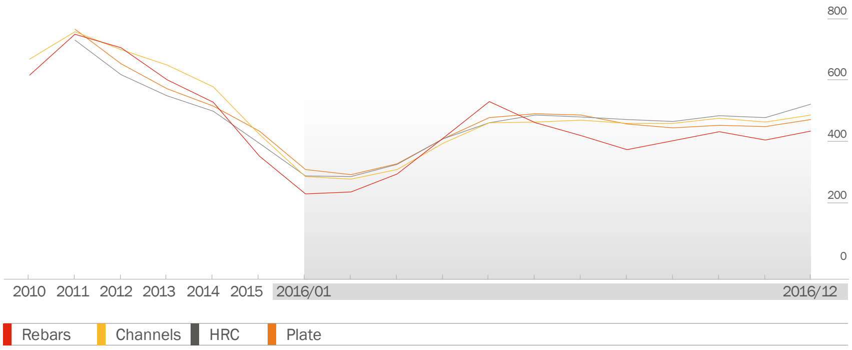
During 2016, Russian steel prices were influenced by positive global steel market trends. The rebar price CPT Moscow averaged US$386 per tonne, up 10% from US$352 per tonne in 2015. The price for channels remained mostly unchanged, averaging US$417 per tonne. Hot-rolled coil averaged US$430 per tonne CPT Moscow, up 9% from US$394 per tonne in 2015. Plates averaged US$422 per tonne, down 2% from US$433 per tonne in 2015.

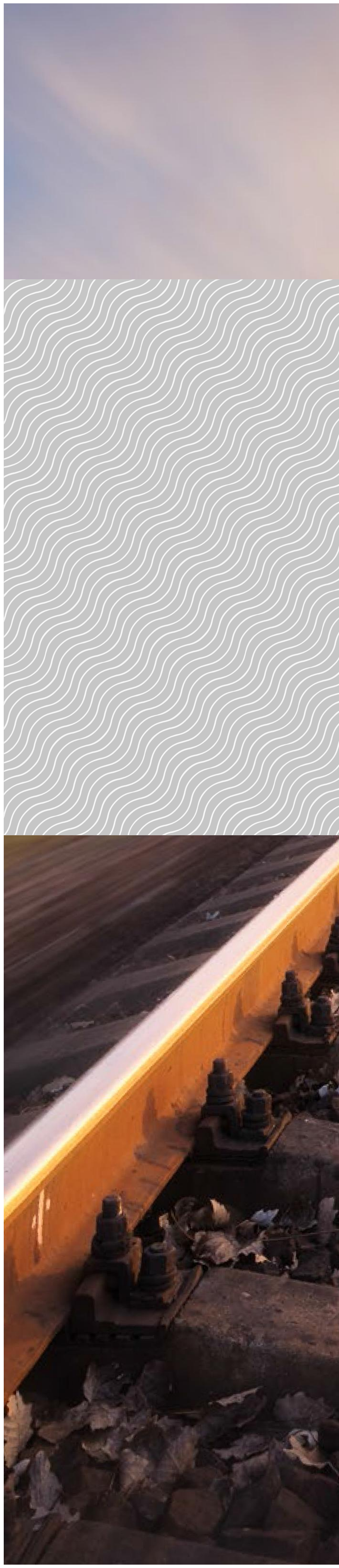
Other Steel segment market trends

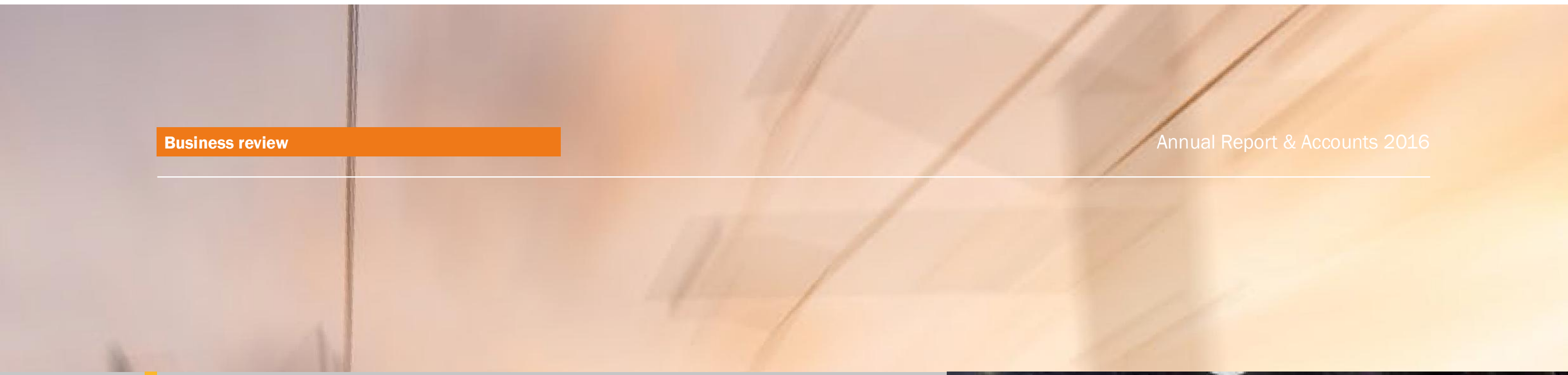
In Ukraine, domestic steel consumption rose by 26% to 3.7 million tonnes in 2016, up from 2.9 million tonnes in 2015, on the back of a nascent economic recovery following the political instability of 2014-2015. Export volumes edged up by 2% to 17.9 million tonnes.

Kazakh steel consumption dropped by 20% to 2.2 million tonnes in 2016, compared with 2.7 million tonnes in 2015, due to economic headwinds. Steel product exports climbed by 30% to 2.6 million tonnes on the back of favourable export conditions, including a surge in prices and local currency devaluation.

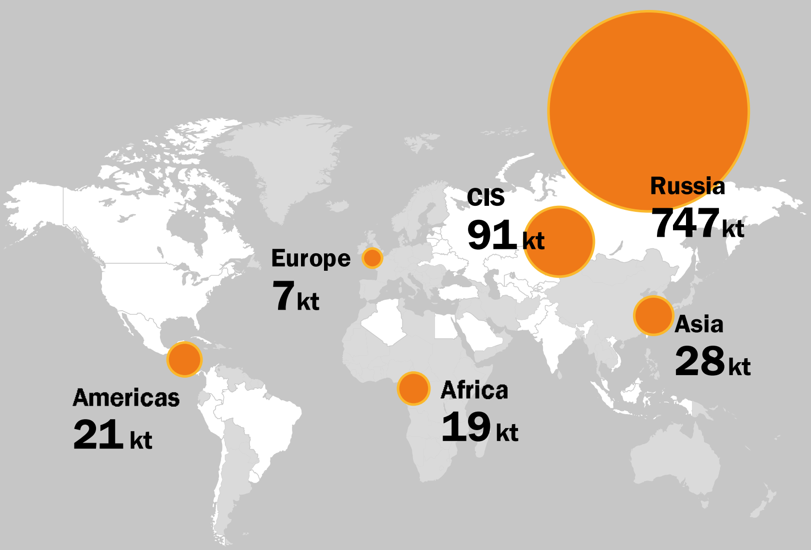
Russian steel prices, US$/t







Steel segment rails sales in 2016



72%
domestic market share in 2016

913 kt
total Steel segment rail sales in 2016

75 kt
Rails export sales volumes in 2016 (excl. CIS)

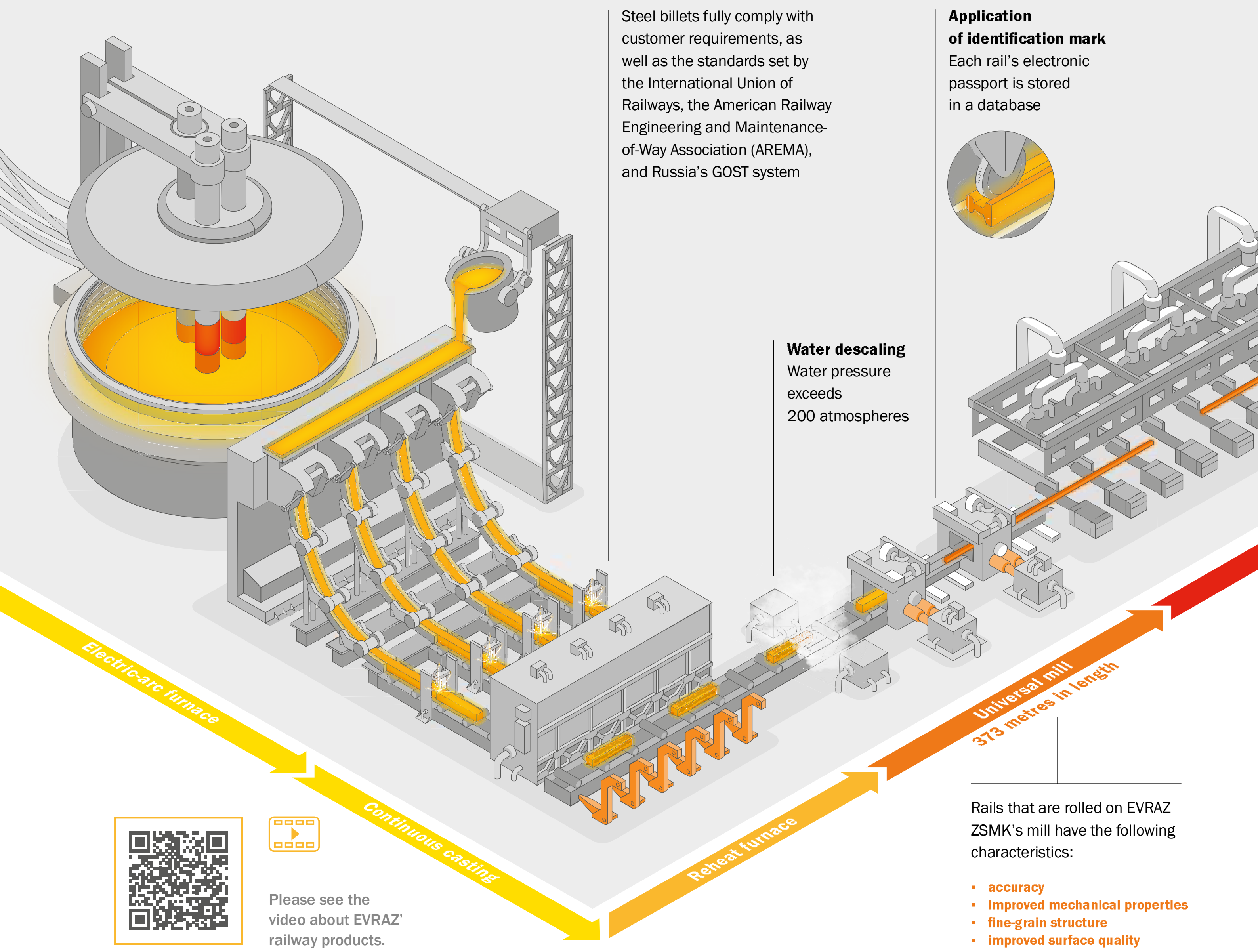
676 kt
sales to Russian Railways in 2016
↑ 7% yoy

EVRAZ IS RUSSIA'S LARGEST RAIL PRODUCER

See about production of 100-meter rails on next page

EVRAZ ZSMK produces 100-metre rails

EVRAZ uses state-of-the-art technology in Russia to produce world-class rails

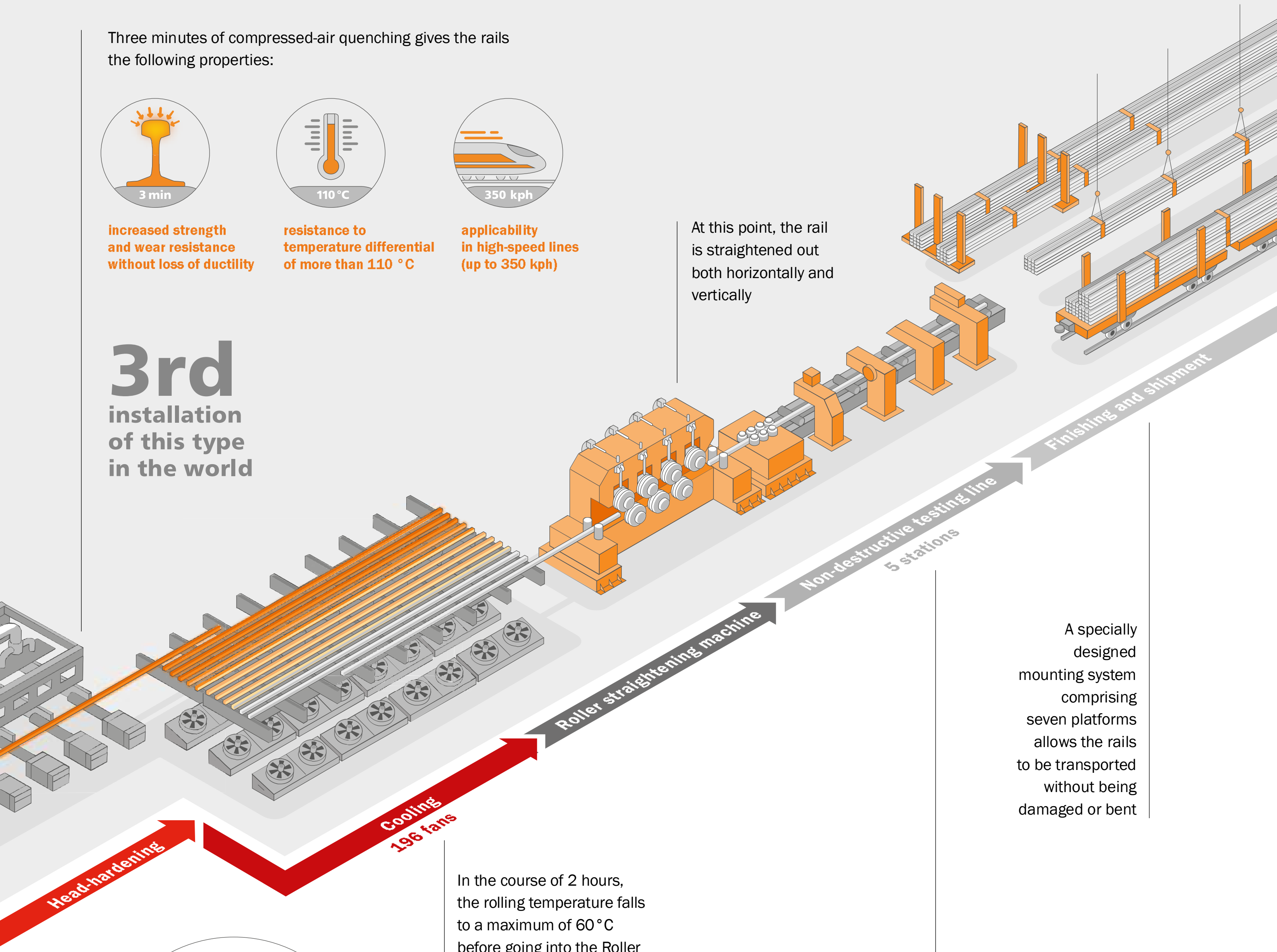


Rails that are rolled on EVRAZ ZSMK's mill have the following characteristics:

- accuracy
- improved mechanical properties
- fine-grain structure
- improved surface quality

Please see the video about EVRAZ' railway products.

Three minutes of compressed-air quenching gives the rails the following properties:



increased strength and wear resistance without loss of ductility

resistance to temperature differential of more than 110 °C

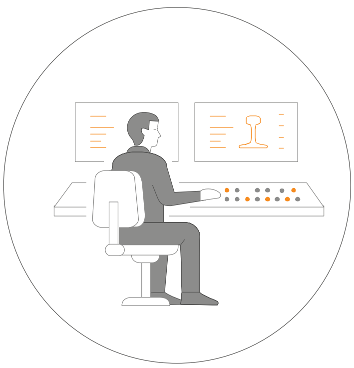
applicability in high-speed lines (up to 350 kph)

3rd
installation of this type in the world

At this point, the rail is straightened out both horizontally and vertically

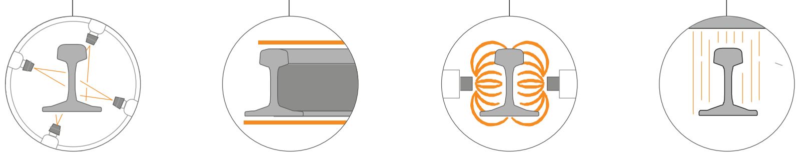
A specially designed mounting system comprising seven platforms allows the rails to be transported without being damaged or bent

In the course of 2 hours, the rolling temperature falls to a maximum of 60 °C before going into the Roller straightening machine



Control room

Information is verified by specialists and stored in a database



Section gauge

Inspect straightness over the length of the rail

Elekon device

Inspect the geometry of the section

Ultrasonic inspection station

Inspect for internal defects along the length of the rail

Eddy Current unit

Inspect the surface of the entire rail length

DEVELOPMENT
of product portfolio and customer base

Further rails portfolio development

Key developments 2016
- Rails for European, Indian and Middle Eastern markets were certified at EVRAZ ZSMK.
- Wheels for European, Latin American, Kazakhstan and Bangladesh markets were certified at EVRAZ NTMK.
- EVRAZ NTMK resumed rail production early in the year to meet rising domestic demand.

Outlook for 2017
- Maintain leading positions in the Russian and CIS transport segment by developing new profiles and supporting loyal clients.
- Increase the premium product share in the export portfolio by boosting rail export sales.
- Develop new European standard rail profiles for Deutsche Bahn (60E2, 54E4, 49E5) at EVRAZ ZSMK.
- Develop 4 new types of freight wheels for Europe, passenger wheels for Deutsche Bahn, and locomotive wheels for General Electric (US) at EVRAZ NTMK.
- Expand rail export sales geography (Thailand, Vietnam, Mozambique, Poland etc).

H-beam consumption development

Key developments 2016
- EVRAZ continued to implement its large beam demand improvement strategy using targeted pricing and working closely with developers and designers. This helped increase beam sales by 5% compared with 2015 despite a 10-15% decline in the construction market.
- EVRAZ NTMK developed 58 new profiles of beams meeting Russia's new GOST standard, as well as non-standard length beams to meet domestic customer needs.
- Beams for the US and Hong Kong markets were certified at EVRAZ NTMK.

Outlook for 2017
- Increase beam sales volumes by further implementing the beam promotion programme in residential construction and replacement of substitutes.
- Boost the share of premium products in the export portfolio by expanding beam export sales.
- Develop 13 beam profiles meeting the new GOST standard for Russia and the CIS, as well as 4 profiles meeting the ASTM (US) standard at EVRAZ NTMK.
- Maintain leading positions on the Russian and CIS construction segment by developing new profiles and supporting loyal clients.

Construction product portfolio development

Key developments 2016
- Rebars for the markets of the US, Germany, Poland, the Netherlands, Israel, the UK, and South Asia were certified at EVRAZ ZSMK.
- Welded rebar with vanadium alloying for the Russian market was developed at EVRAZ ZSMK.
- EVRAZ DMZ developed 9 new section profiles for the domestic and export markets.
- EVRAZ Caspian Steel developed 8 mm rebar production, expanding the commodity market exposure and increasing market share in construction steel.
- Production restarted in 2016 at EVRAZ Palini e Bertoli (Italy) thanks to an improved market environment.

Outlook for 2017
- Maintain leading positions on the Russian and CIS construction segment by developing new profiles and supporting loyal clients.
- Expand the share of premium products in the export portfolio by improving rebar export sales.
- Develop and certify A500B rebars for the Malaysian market at EVRAZ ZSMK.
- Develop 4 types of rebar meeting the new standard for Russia and the CIS at EVRAZ ZSMK.
- Develop 4 new large channel profiles at EVRAZ NTMK.
- Develop 5 planned European profiles at EVRAZ DMZ, fully filling out the European profile offering by the end of 2017.

Customer base development for value-added semis

Key developments 2016

- Expanding the client base (auto manufacturing and pipe makers) by increasing marketing activity.

Outlook for 2017

- Planned expansion of value-added semi offering by using more complex steel grades.

Customer focus and marketing

Key developments 2016

- Implementing a customer loyalty programme increased Siberian market share for several construction products. Average market share growth was 3-15%.
- Consumer focus, reliability and timely deliveries helped sign long-term contracts for grinding balls, which was one of the key factors behind EVRAZ' market share in this segment rising from 64% to 70%, despite the appearance of two competitors.
- By signing a contract with a key customer, EVRAZ restored its market share in Kazakhstan's construction steel segment to 74% (up ~23 percentage points since 2015).
- The first phase of a new online account for wholesale clients was launched, and the first stage of a unified call-centre for retail clients was completed.

Outlook for 2017

- Launch the second phase of the online account with enhanced capabilities for wholesale clients, launch online accounts, and implement stages two and three of the call-centre for retail clients.
- Several marketing initiatives are aimed at expanding sales volumes of steel products for the rail industry (wheels, railcar sections).

Quality increase

Key developments 2016

- Work has begun at EVRAZ ZSMK's rail rolling line to implement a new business management system that meets the IRIS international railway industry management system standard, and an audit review of the work has been conducted.
- Deutsche Bahn AG's specialists have performed a quality control audit of EVRAZ ZSMK's rails, which was passed successfully.
- The guarantee on head-hardened rails manufactured at EVRAZ ZSMK has been increased by 1.5 times to 700 million tonnes gross. The new guarantee is double any other in the world. This will reduce infrastructure servicing costs for buyers.
- Steel production defects have fallen from 1% to 0.5% at EVRAZ DMZ, helping eliminate customer complaints.
- EVRAZ DMZ' rolling mills successfully passed an audit of the quality and environmental protection management systems. TÜV SÜD audited the quality management system for compliance with the ISO 9001:2008 standard and the environmental protection management system for compliance with the ISO 14001:2004 standard.

Outlook for 2017

- Implement the new IRIS business management system at EVRAZ ZSMK.
- Agree with Deutsche Bahn on the procedures for ultrasound and eddy-current testing of production at EVRAZ ZSMK.
- Continue the steel defect reduction programme at EVRAZ DMZ.

RETENTION
of low-cost position

Continuous focus on efficiency improvement

The implementation of an efficiency improvement programme in the Steel segment continued in 2016. More efficient use of raw and basic materials saved US$41 million. Payroll expenses were also cut by US$40 million. Productivity growth generated an additional US$26 million. Reduction of G&A costs saved US$7 million. A reduction in auxiliary material consumption and the use of industrial services helped lower costs by US$4 million. Repair work optimisations led to an additional cost savings of US$0.4 million. Asset optimisation lowered expenses by US$0.4 million.

Additionally, a series of measures were undertaken to reduce energy costs by US$16 million.
See pages 84-85

The main cost-reduction programmes

Reduce pig iron production costs by 5% (combined initiative at EVRAZ NTMK and EVRAZ KGOK)

Actions in 2016:
Fe content in the sinter were increased and the coal charge was optimised.

Reduce pig iron production costs by 5% (combined initiative at EVRAZ ZSMK and Evrazruda)

Actions in 2016:
Increased concentrate output at the processing plant, coal charge optimisation, involvement of slag in the production line.

Continuous casting machine (CCM) reconstruction at EVRAZ ZSMK

Actions in 2016:
Construction completed.

Competitive iron ore production cash cost

A key event in 2016 was the increase in iron ore production volumes at Evrazruda's Sheregesh mine following the implementation of an investment project. Primary concentrate production totalled 2.8 million tonnes for the year, which is a new record for the mine.

PRUDENT CAPEX strategy

Key investment projects

Steelmaking

Construction of blast furnace 7 at EVRAZ NTMK. The project is aimed at supporting production during the overhauls of blast furnaces 5 and 6.

Status:
The foundations have been laid for the blast furnace itself, as well as the air heaters. The foundations are being laid for the casting yards. The belts are being installed for the blast-furnace jackets and air heaters.

CAPEX **US$191 million** IRR **–**

Grinding ball mill construction at EVRAZ NTMK. Construction of a new ball mill at EVRAZ NTMK targeting an increase in ball production and sales volumes.

Status:
General contractor has been selected, project documentation has been completed, the basic and detailed engineering designs have been prepared, and the working documents are being finalised.

CAPEX **US$17 million** IRR **26.5%**

Mining

Sheregesh iron ore mine development. The project is aimed at increasing Evrazruda's ore production volumes to 4.8 million tonnes per year. Production will be carried out using new sublevel caving technology and self-propelled equipment.

Status:
Raw ore production is 4.6 million tonnes per year. Primary concentrate production is 2.8 million tonnes per year. Share of raw ore produced using self-propelled equipment increased to 60% of overall production volumes.

CAPEX **US$76 million** IRR **13%**

Developing a central tailings storage facility at EVRAZ KGOK. Several measures are being implemented to maintain the operational capabilities of the current tailings storage facility.

Status:
The tender procedures have been completed, some of the project work is done.

CAPEX **US$24 million** IRR **–**

Transferring EVRAZ KGOK's northern quarry to a combined production mode. Maintaining production volumes at the Gusevogorskoye deposit.

Status:
Eight 130-tonne dump trucks have been purchased. Rail lines and contact systems have been built.

CAPEX **US$31 million** IRR **>100%**

Key maintenance projects

EVRAZ ZSMK

In May, EVRAZ ZSMK conducted upgrade work on blast furnace 1 ahead of the beginning of the construction season in Russia. The work was completed ahead of schedule and was planned for May due to the cold winter in the region where the plant is located. The repair work helped stabilise the blast furnace's operations and reduce specific fuel consumption by 2%.

EVRAZ NTMK

- The annual category-3 overhaul of blast furnace 6 took place in August.
- The annual category-3 overhaul of blast furnace 5 took place in October.

Sales volumes review

External steel product sales volumes at EVRAZ' Steel segment fell by 3.6% in 2016. The reduction explained mainly by sales volumes of construction products decrease by 9.8% year-on-year amid continued weak demand on the Russian market. Sales volumes of semi-finished steel products to third parties remained mostly unchanged in 2016. Railway products sales volumes rose 12.6% due to an uptick in purchases by Russian Railways and increased export shipments.

EVRAZ sales volumes of key finished products in Russia decreased in 2016. Russian rebar sales fell by 18% year-on-year, and angle and channel sales were down by 7% due to the ongoing construction industry slowdown. However, beam sales in Russia increased by 4% year-on-year thanks to portfolio development. Wheel sales in Russia rose by 3% due to increased new railcar production. Meanwhile, despite a competitor ramping up a mill in 2016, Russian rail sales climbed

Geographic breakdown of external steel product sales, kt

	2016	2015	Change, %
Russia	4,998	5,413	(7.7)
Asia	3,285	3,020	8.8
Europe	1,302	1,617	(19.5)
CIS	883	987	(10.5)
Africa, America and rest of the world	1,323	1,190	11.2
Total	**11,792**	**12,227**	**(3.6)**

Steel segment sales volumes, kt

	2016	2015	Change, %
Steel products, external sales	**11,792**	**12,227**	**(3.6)**
Semi-finished products	5,601	5,600	0.0
Construction products	4,135	4,583	(9.8)
Railway products	1,134	1,007	12.6
Flat-rolled products	351	383	(8.4)
Other steel products	571	654	(12.7)
Steel products, inter-segment sales	**521**	**560**	**(7.0)**
Total steel products	**12,313**	**12,787**	**(3.7)**
Vanadium products (tonnes of pure vanadium)	**16,655**	**18,074**	**(7.9)**
Vanadium in slag	5,261	4,082	28.9
Vanadium in alloys and chemicals	11,394	13,992	(18.6)
Iron ore products	**4,218**	**4,421**	**(4.6)**
Pellets	1,672	1,388	20.5
Iron ore concentrate	36	14	n/a
Other iron ore products	2,510	3,019	(16.9)

by 6% on the back of greater demand from Russian Railways, which bought 7% more rails from EVRAZ than in 2015. Sales of grinding balls increased by 3% due to stable demand.

Despite slower domestic shipments during the year, the Group sustained its strong positions in key high-value-added product segments. Its share of the domestic beam market held stable at 63%.

The market shares for rebars, structural shapes (channels and angles) and wheels dipped slightly by a respective 14%, 43% and 27%. The grinding ball market share expanded to 70%. EVRAZ remained the leader in rail production with a 72% market share in 2016, albeit down from 97% in 2015 due to the entrance of a new player.

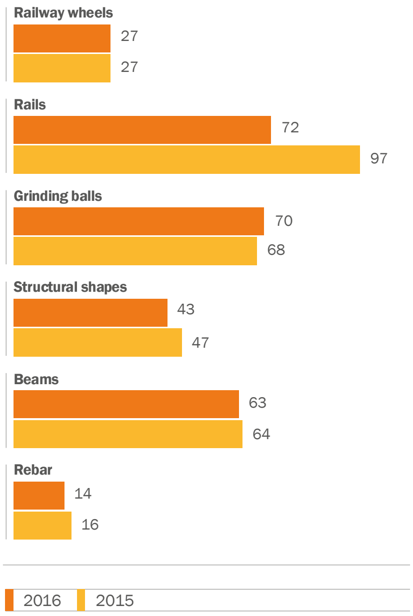
EVRAZ Caspian Steel rebar sales decreased by 30% to 180 thousand tonnes in 2016 due to low demand amid Kazakhstan's economic crisis.

Sales at EVRAZ DMZ increased by 5% to 975 thousand tonnes due to the improved local market situation and stable export sales volumes.

The Group's vanadium product sales volumes decreased by 7.5%, from 18,074 thousand tonnes of pure vanadium in 2015 to 16.722 thousand tonnes in 2016.

EVRAZ sold 1.7 million tonnes of iron ore pellets to third parties in the year, up by 20.5% from 2015, due to an increased demand in Russian market. Other external iron ore product volumes dropped by 15.9%.

EVRAZ market share in Russia by key products, %



Financial performance

Sales review

The Steel segment's revenues fell, mainly due to lower revenues from sales of steel products. The main drivers were lower prices (down 4.9%, mainly on semi-finished products) and sales volumes (down 3.7%, primarily of construction products).

Revenues from external sales of semi-finished products dropped by 9.3% due to lower average prices (down 9.3%). External sales of billets rose, while volumes of slabs and pig iron decreased compared with 2015, as billets had a higher profit margin. Lower slab volumes, mainly to the Russian and European markets, were partially offset by increased billet shipments to Africa.

Revenues from sales of construction products to third parties dropped, mostly due to reduced volumes (down 9.8%) as a result of weaker demand in the CIS (including Russia) and lower average prices (down 1.0%).

Geographic breakdown of external steel product sales, US$ million

	2016	2015	Change, %
Russia	2,222	2,342	(5.1)
Asia	1,001	1,047	(4.4)
Europe	438	578	(24.2)
CIS	384	437	(12.1)
Africa, America and rest of the world	424	448	(5.4)
Total	**4,469**	**4,852**	**(7.9)**

Revenues from external sales of railway products increased due to higher sales volumes (up 12.6%), partially offset by lower average prices (down 6.4%). The increase of railway products sales volumes in 2016 was attributable to operational improvements at EVRAZ ZSMK's rolling mill, an improved product mix, higher demand for rails from Russian Railways and export customers, as well as higher demand for railcar sections.

External revenues from flatrolled products dropped. This was mostly due to lower sales volumes (down 8.4%) and average prices (down 1.1%) following the deconsolidation of EVRAZ Highveld Steel and Vanadium, as well as to reduced demand.

Revenues from external sales of steel products in Russia decreased by 5.1% year-on-year, mainly due to reduced sales volumes (down 7.7%). However, the share of Russia in external sales of steel products increased from 48.3% in 2015 to 49.7% in 2016, mainly due to shifting sales from Europe and the CIS to the domestic market.

The Steel segment's revenues from sales of iron ore products fell by 7.2%. This was due to a decrease in sales volumes (down 4.5%) following the deconsolidation of EVRAZ Highveld Steel and Vanadium, as well as to lower iron ore prices (down 2.7%). Prices for iron ore products generally subsided in 2016, moving in line with global benchmarks.

The Steel segment's revenues from sales of vanadium products slipped by 0.7% due to a decrease in sales volumes (down 7.5%), which stemmed from the deconsolidation of EVRAZ Highveld Steel and Vanadium. This was partially offset by higher sales prices (up 6.8%), in line with market trends.

Steel segment cost of revenues

The Steel segment's cost of revenues fell by 8.2% year-on-year in 2016. The main reasons for the decline were:

- The cost of raw materials decreased by 3.5% due to several changes:
  - Iron ore consumption declined by 17.2%, amid lower pig iron production at EVRAZ ZSMK and a decrease in iron ore prices in local currencies on the Russian market, accompanied by rouble and hryvnia weakening in 2016. The reduction was partially offset by an increase in consumption of iron ore at EVRAZ DMZ due to higher pig iron output and an increase in prices in local currencies on the Ukrainian market.
  - Coking coal consumption surged by 10.3%, driven by higher global benchmark prices.

Steel segment revenues by products

	2016		2015		Change, %
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	
Steel products, external sales	**4,469**	**81.3**	**4,852**	**81.0**	**(7.9)**
Semi-finished products[1]	1,694	30.8	1,867	31.2	(9.3)
Construction products[2]	1,783	32.4	1,999	33.4	(10.8)
Railway products[3]	584	10.6	550	9.2	6.2
Flat-rolled products[4]	162	2.9	179	3.0	(9.5)
Other steel products[5]	246	4.6	257	4.3	(4.3)
Steel products, inter-segment sales	**184**	**3.3**	**238**	**4.0**	**(22.7)**
Including sales to Steel, North America	176	3.2	232	3.9	(24.1)
Iron ore products	**155**	**2.8**	**167**	**2.8**	**(7.2)**
Vanadium products	**301**	**5.5**	**304**	**5.1**	**(0.9)**
Other revenues	**388**	**7.1**	**426**	**7.1**	**(8.9)**
Total	**5,497**	**100.0**	**5,987**	**100.0**	**(8.2)**

[1] *Includes billets, slabs, pig iron, pipe blanks and other semi-finished products*
[2] *Includes rebar, wire rods, wire, beams, channels and angles*
[3] *Includes rail, wheels, tyres and other railway products*
[4] *Includes commodity plate and other flat-rolled products*
[5] *Includes rounds, grinding balls, mine uprights and strips*

This was partially offset by rouble and hryvnia weakening, as well as the deconsolidation of EVRAZ Highveld Steel and Vanadium.
  - Scrap consumption dropped by 7.1%, largely due to the rouble and hryvnia weakening, albeit partially offset by higher scrap prices in local currencies.
  - Other raw materials fell primarily due to the rouble's weakening, the deconsolidation of EVRAZ Highveld Steel and Vanadium, and a decrease in prices for vanadium materials and ferroalloys in 2016.
  - The decline in raw material costs is also attributable to cost-cutting initiatives, which reduced consumption.
- Auxiliary material costs were down by 8.2%, primarily due to the rouble's weakening and the deconsolidation of EVRAZ Highveld Steel and Vanadium. This was partly offset by higher prices in local currencies (mainly for refractories).
- Lower service costs were driven by the rouble and hryvnia weakening, as well as the deconsolidation of EVRAZ Highveld Steel and Vanadium.
- Transportation costs decreased by 9.6%, primarily due to the rouble's weakening.
- Staff costs fell by 14.3%, largely due to the rouble and hryvnia weakening and headcount optimisation, accompanied by the effect of EVRAZ Highveld Steel and Vanadium's deconsolidation. This was partly offset by wage inflation at Russian sites.
- Depreciation and depletion costs dropped by 7.0%, driven mainly by local currency depreciation.
- Lower energy costs were driven by the rouble and hryvnia weakening, accompanied by the effect of the deconsolidation of EVRAZ Highveld Steel and Vanadium. Lower energy costs were partly offset by an increase in tariffs in local currencies.
- Other costs decreased, primarily due to changes in goods for resale, intragroup URP, and the rouble and hryvnia weakening.

Steel segment gross profit

The Steel segment's gross profit decreased by 8.2% year-on-year, driven primarily by lower revenues from sales of steel products.

Steel segment cost of revenues

	2016		2015		Change, %
	US$ million	% of total segment revenuese	US$ million	% of total segment revenues	
Cost of revenues	**4,068**	**74.0**	**4,431**	**74.0**	**(8.2)**
Raw materials	1,720	31.3	1,782	29.8	(3.5)
Iron ore	289	5.3	349	5.8	(17.2)
Coking coal	826	15.0	749	12.5	10.3
Scrap	274	5.0	295	4.9	(7.1)
Other raw materials	331	6.0	389	6.6	(14.9)
Auxiliary materials	314	5.7	342	5.7	(8.2)
Services	221	4.0	276	4.6	(19.9)
Transportation	347	6.3	384	6.4	(9.6)
Staff costs	456	8.3	532	8.9	(14.3)
Depreciation	213	3.9	229	3.8	(7.0)
Energy	393	7.1	448	7.5	(12.3)
Other[1]	404	7.4	438	7.3	(7.8)

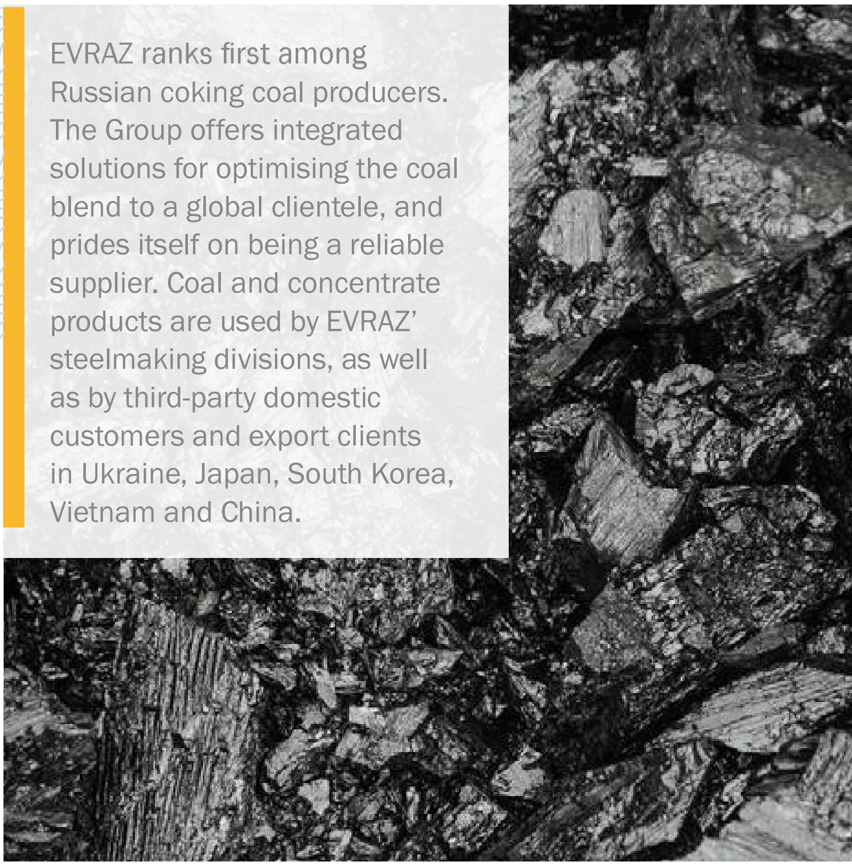
[1] *Includes goods for resale, taxes in cost of revenues, semi-finished products and inter-segment unrealised profit.*

Coal segment
Introduction and highlights

OUR VISION:
Leader in Russian coking coal market

PRODUCT PORTFOLIO:
The product portfolio includes a wide range of coking coal blends, including hard, semi-hard, and semi-soft.

EVRAZ ranks first among Russian coking coal producers. The Group offers integrated solutions for optimising the coal blend to a global clientele, and prides itself on being a reliable supplier. Coal and concentrate products are used by EVRAZ' steelmaking divisions, as well as by third-party domestic customers and export clients in Ukraine, Japan, South Korea, Vietnam and China.



FINANCIAL HIGHLIGHTS

Revenues	US$1,322 million	↑23.8% yoy
EBITDA	US$ 644 million	↑83.5% yoy
EBITDA margin	48.7%	↑15.8pp yoy
CAPEX	US$ 93 million	↓8.3% yoy

PRODUCTION HIGHLIGHTS

Raw coking coal	22,257 kt	↑6.6% yoy
Coking coal concentrate	12,492 kt	↑4.9% yoy

SALES HIGHLIGHTS (SALES TO 3RD PARTIES ONLY)

Raw coal	1,569 kt	↓17.6% yoy
Coking coal concentrate	8,298 kt	↑9.6% yoy

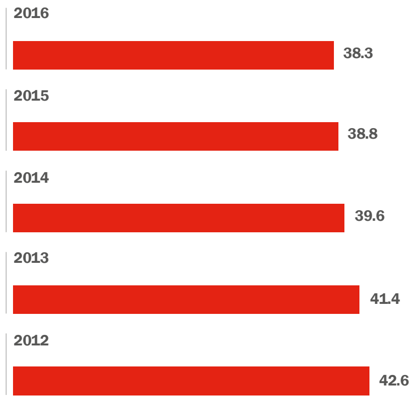
Market review

Russian coking coal market trends

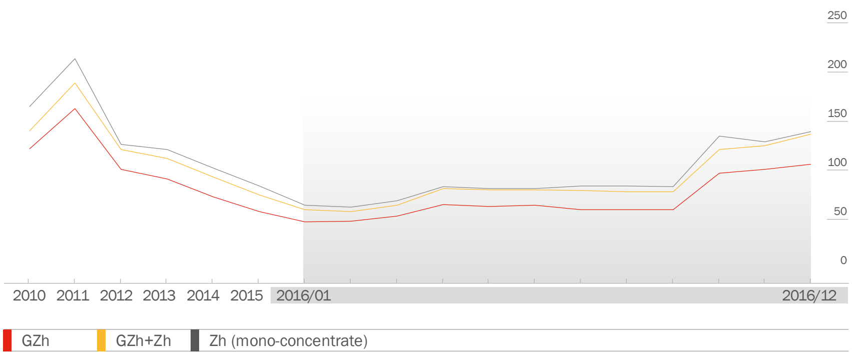
Russian coking coal concentrate consumption edged down by 1% to 38.3 million tonnes in 2016, compared with 38.8 million tonnes in 2015, due to the planned blast furnace overhauls at some steel plants. Export shipments rose by 15% to 20.8 million tonnes in 2016, up from 18.1 million tonnes in 2015, due to increased demand from Ukraine, Japan and South Korea.

Local coking coal prices improved in 2016, driven by global benchmark trends. Premium coking coal (Zh grade) averaged US$91 per tonne FCA Kuzbass, up by 9% from US$84 per tonne in 2015. Semi-soft coking coal (GZh grade) averaged US$69 per tonne, up by 18% year-on-year.

Domestic coking coal concentrate consumption, mt



Coal prices, US$/t



DEVELOPMENT
of product portfolio and customer base

Secure position as a major high-volatile HCC and SHCC supplier in Russia

Key developments 2016

In 2016, EVRAZ maintained leading positions on the Russian coking coal market thanks to the following developments:

- A new integrated solution for coal blend optimisation to meet clients' needs;
- More effective customer feedback mechanisms, including:
  - Improved client sessions to discuss their new product needs;
  - Conducting follow-up sessions with plant management to inform them of clients' new product needs;
  - Maintaining a constant dialogue at key industry conferences and exhibitions;
- Adopting international pricing benchmarks to improve transparency at clients' requests;
- Conducting site visits for new clients and regular audits at the request of loyal customers;
- Improving product quality by investing in equipment at processing plants reduced delivery rejections due to quality issues by 20%;
- Plant managers' motivation system has been changed to increase focus on product quality.

Outlook for 2017

- Maintain leading positions on Russian market by keeping product quality consistent;
- Improve reliability of deliveries;
- Increase mid-vol HCC production volumes;
- Increase production, as well as investments in expanding and overhauling production facilities.

Increase sales to Ukrainian market

Key developments 2016

- EVRAZ has substantially increased shipments to the Ukrainian market, reaching a market share of 12% in 2016.

Outlook for 2017

- To reach 3 mt of annual sales to Ukraine and gain a c. 20% market share.

Expand export portfolio

Key developments 2016

EVRAZ reached its ambitious 2016 export sales targets thanks to:

- Ensuring geographical sales flexibility:
  - Main export destinations: Ukraine, Japan, South Korea, and Vietnam;
  - Some volumes were exported to China on spot contracts;
- Conducting site visits for new clients and regular audits at the request of key customers.

Outlook for 2017

- Improve sales structure by diversifying geographically and maintaining balance between long-term contracts and spot deliveries;
- Key overseas export sales are aimed at South Korea and Japan;
- To reach 3 mt of annual sales to overseas markets.

RETENTION of low-cost position

Increase efficiency along the value chain

The Coal segment continues to implement a long-term efficiency improvement programme. In 2016, productivity growth generated an additional US$36 million. Payroll optimisations totalled US$23 million. Improving auxiliary material usage, industrial services and G&A saved another US$21 million. Asset optimisation lowered expenses by US$12 million.

Additionally, energy efficiency measures have reduced costs by US$2 million. For more information see page 85

The main projects for 2016

Optimisation of tunnel works and mine preparation

Improving degassing efficiency

Actions in 2016:
- Installing high-efficiency equipment for drilling degassing and relief holes.
- Mines equipped: Yerunakovskaya, Osinnikovskaya and Raspadskaya Koksovaya.

2017 plan:
- Begin degassing seams using long directional holes at Yerunakovskaya-VIII mine.
- Study best practise in Russia for degassing coal seams using directional holes from the surface.
- Continue experimenting with degassing seams using plasma impulse excitation.

Increase tunnelling rates

Actions in 2016:
Tunnelling rates grew c. 30% year-on-year in 2016 after adding high-efficiency tunnelling equipment:
- Four bolter miners were added. In November, a bolter miner at Yerunakovskaya-8 reached a stable rate of 450 meters per month.
- New tunnelling equipment is being put into operation at the Raspadskaya mine that has reached 300 meters per month.
- Fletcher roof bolters were put into operation at the Raspadskaya Koksovaya mine in October.

2017 plan:
- Tunnelling growth target for 2017 has been set at 25% year-on-year.
- Use new mining technology.
- Continue adding high-efficiency tunnelling equipment.

Improve face productivity

Increase operating time on clearing faces

Actions in 2016:
- Average daily operating time has increased by reducing accident and operational delays, as well as repair shift work.
- Average daily production is 8-20% above target year-on-year.
- Increase in load at Raspadskaya (up 43% year-on-year) and Uskovskaya (up 15% year-on-year) mines.

2017 plan:
- Introduce production time accounting and analysis systems to improve productivity at tunnelling faces by 25% year-on-year in 2017.

Increase concentrate output at coal washing plants

Upgrade plant production chain

Actions in 2016:
- Installed new equipment for additional production processes (hydrocyclones, high-frequency screening machines, chamber filter presses).

2017 plan:
- Launch flotation at the coal-preparation plant.

Optimise plant production process

Actions in 2016:
- Production processes have been automated, optimal equipment operations have been chosen.

2017 plan:
- Continue optimising equipment operations.

PRUDENT CAPEX strategy

Key investment project

The coal division's main investments have gone towards ensuring stable production by increasing efficiency: replacing and repairing worn-out equipment, and upgrading production processes by using more modern equipment (eg increasing tunnelling rates, degassing volumes, and concentrate output), as well as preparing new blocks and seams as future mining reserves.

Mezhegey project

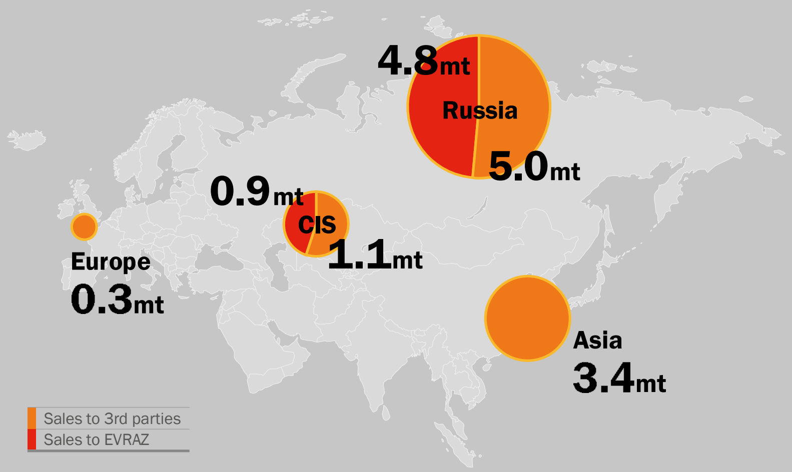
Additional capacity of 1.5 mtpa of hard coking coal (grade Zh under Russian classification)

Status:
Construction completed, start of room-and-pillar mining.

CAPEX **US$148 million** IRR **12%**

The Group plans to begin implementing investment projects aimed at maintaining current output levels in 2017.

Coal products sales in 2016



- Market share of Russia's high-vol coking coal grades by volumes

51% semi-hard coking coal

33% hard coking coal

- High-quality product portfolio with >80% of hard coking coal and semi-hard coking coal
- Diversified client portfolio

EVRAZ IS RUSSIA'S No1 COKING COAL PRODUCER

See about EVRAZ' coal mining methods on next page

EVRAZ key mining methods

How EVRAZ mines its coal – safety and efficiency are the top priorities

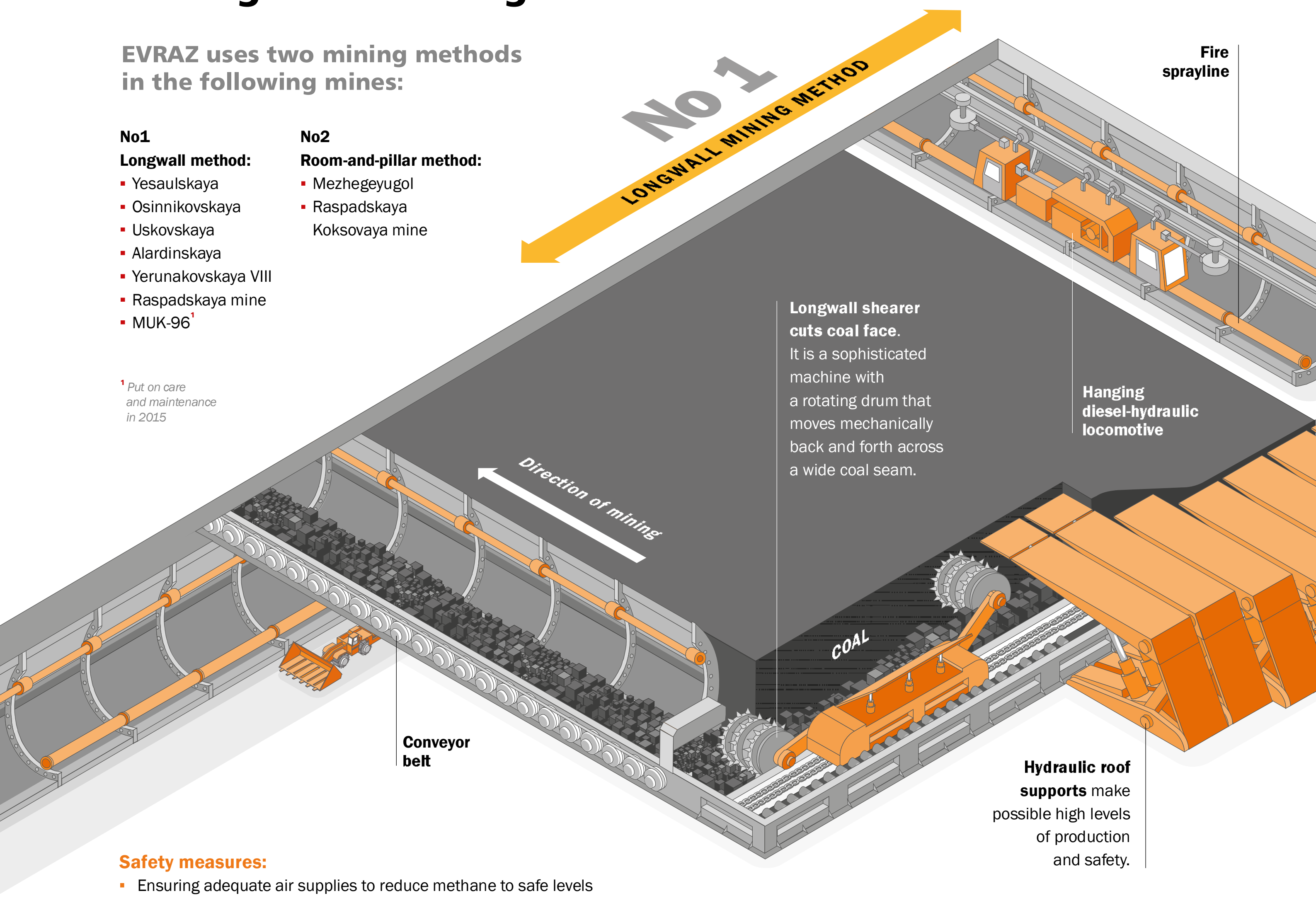
Underground mining

EVRAZ uses two mining methods in the following mines:

No1
Longwall method:
- Yesaulskaya
- Osinnikovskaya
- Uskovskaya
- Alardinskaya
- Yerunakovskaya VIII
- Raspadskaya mine
- MUK-96[1]

No2
Room-and-pillar method:
- Mezhegeyugol
- Raspadskaya
  Koksovaya mine

[1] *Put on care and maintenance in 2015*



Safety measures:
- Ensuring adequate air supplies to reduce methane to safe levels
- Ensuring that coal faces are degassed prior to beginning work
- Preventing self-combustion of coal seams
- Implementing measures to reduce injuries from tight working spaces and risk of collapse

EVRAZ has the following programmes to improve mining efficiency:
- Increasing working time at the coal face
- Increasing tunnelling rates, introducing modern tunnelling and roof-bolting equipment

Open-pit mining

Razrez Raspadsky is currently EVRAZ' only open-pit coal mining operation.

Advantages:

- Much safer than underground mining
- Flexible volumes depending on coal market demand

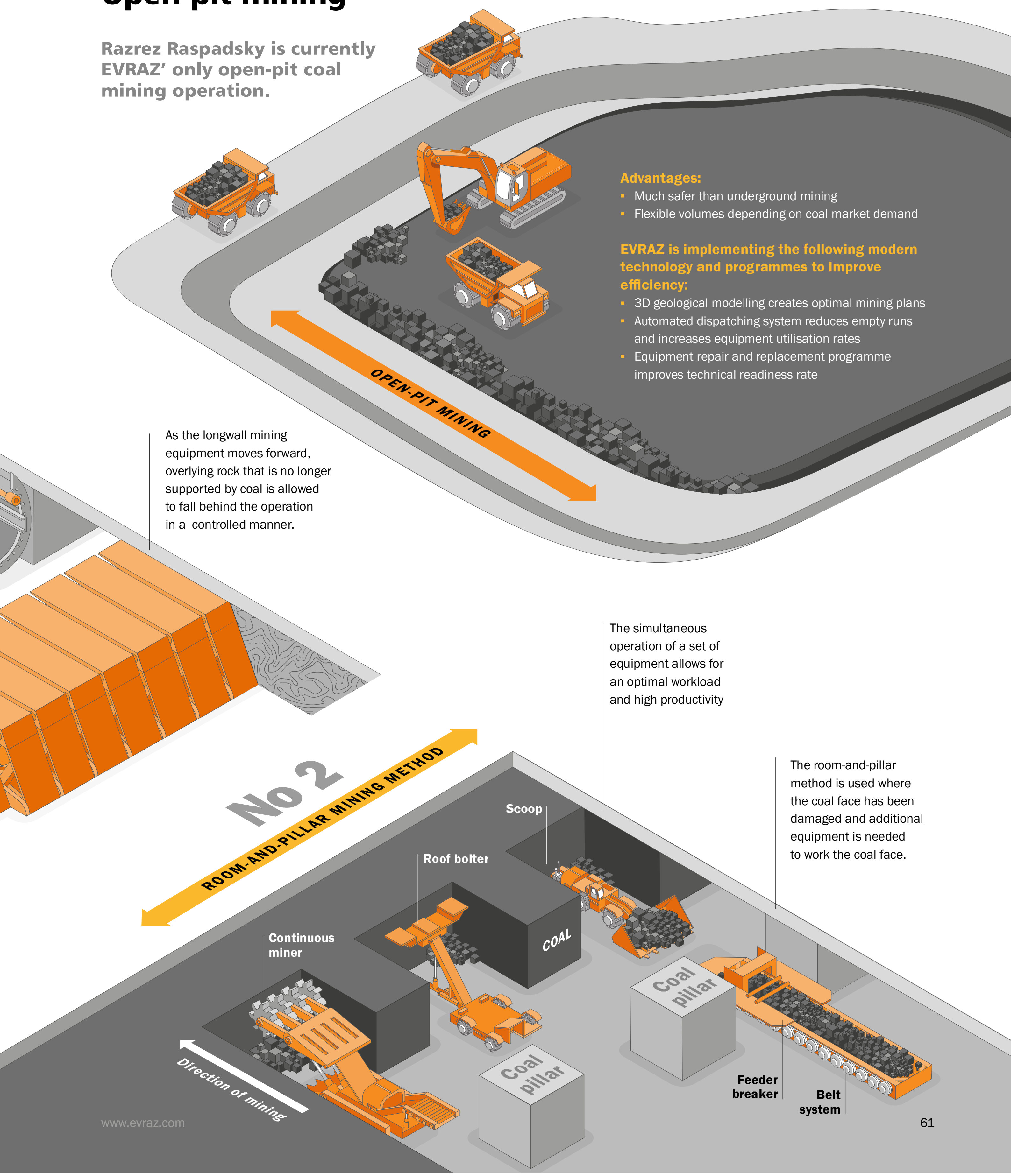
EVRAZ is implementing the following modern technology and programmes to improve efficiency:

- 3D geological modelling creates optimal mining plans
- Automated dispatching system reduces empty runs and increases equipment utilisation rates
- Equipment repair and replacement programme improves technical readiness rate

As the longwall mining equipment moves forward, overlying rock that is no longer supported by coal is allowed to fall behind the operation in a controlled manner.

The simultaneous operation of a set of equipment allows for an optimal workload and high productivity

The room-and-pillar method is used where the coal face has been damaged and additional equipment is needed to work the coal face.



Sales volumes review

EVRAZ' coking coal product sales climbed by 2% to 15.6 million tonnes in 2016, compared with 15.2 million tonnes in 2015, due to stable local and export demand, as well as higher production volumes at the Group's Mezhegeyugol facility following the launch of room-and-pillar mining operations in 2016.

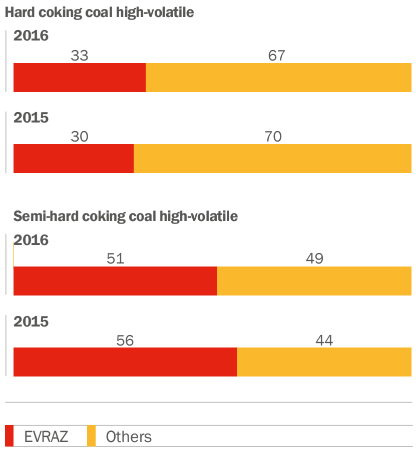
Intersegment coking coal product sales remained mostly unchanged at 5.7 million tonnes. Total external coking coal product sales rose by 4% year-on-year 9.9 million tonnes, compared with 9.5 million tonnes in 2015, thanks to the expanded customer base and stable coal quality.

Coking coal product sales on Russia's domestic market remained mostly unchanged 9.8 million tonnes, with around 49% consumed by EVRAZ' steelmaking facilities.

The Group's coal products export shipments increased by 8% in 2016 to 5.8 million tonnes, compared with 5.3 million tonnes the year before. EVRAZ was able to increase sales to the more profitable markets of Ukraine, Europe, South Korea and Japan by 32%, from 3.6 million tonnes in 2015 to 4.8 million tonnes in 2016.

In 2016 EVRAZ maintained its leading position in domestic market with 33% market share in high-volatile hard-coking coal grades and 51% in high-volatile semi-hard grades.

EVRAZ market share of Russia's high-vol coking coal grades, %



Coal segment sales volumes, kt

	2016	2015	Change, %
External sales			
Coal products	**9,867**	**9,474**	**4.1**
Coking coal	1,569	1,905	(17.6)
Coal concentrate	8,298	7,569	9.6
Inter-segment sales			
Coal products	**5,701**	**5,736**	**(0.6)**
Coking coal	1,249	1,348	(7.3)
Coal concentrate	4,452	4,388	1.5
Total, coal products	**15,568**	**15,210**	**2.4**

Financial performance

Sales review

The segment's overall revenues increased amid growth of sales prices due to the recovery of global demand. Additional support came from a temporary domestic supply deficit following the accident at Vorkutaugol's Severnaya mine. Sales volumes rose due to higher annual output at the Erunakovskaya-8 mine in 2016, following longwall moves and unfavourable geological conditions in 2015. In addition, productivity at the Uskovskaya and Osinnikovskaya mines improved, and annual output at Mezhegeyugol rose following the launch of room-and-pillar mining operations in 2016.

Revenues from internal sales of coal products increased due to higher prices (up 15.9%), partially offset by lower sales volumes (down 0.6%). Revenues from external sales of coal products also rose due to higher prices (up 21.7%) and sales volumes (up 4.1%).

In 2016, the Coal segment's sales to the Steel segment amounted to US$483 million (36.5% of sales), compared with US$419 million (39.2%) in 2015.

During the reporting period, roughly 48% of EVRAZ' coking coal consumption in steelmaking came from the Group's own operations, compared with 51% in 2015.

Coal segment revenues by product

	2016		2015		Change, %
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	
External sales					
Coal products	**756**	**57.2**	**601**	**56.2**	**25.8**
Coking coal	66	5.0	58	5.4	13.8
Coal concentrate	690	52.2	543	50.8	27.1
Inter-segment sales					
Coal products	**451**	**34.1**	**391**	**36.6**	**15.3**
Coking coal	42	3.2	47	4.4	(10.6)
Coal concentrate	409	30.9	344	32.2	18.9
Other revenues	**115**	**8.7**	**76**	**7.2**	**51.3**
Total	**1,322**	**100.0**	**1,068**	**100.0**	**23.8**

Coal segment cost of revenues

The main factors behind the decrease in the segment's cost of revenues compared with 2015 were:

- The cost of auxiliary materials decreased in 2016, primarily due to rouble weakening, as well as to the effect of cost-cutting initiatives.
- The increase in services costs was due to higher production volumes, though this was partially offset by rouble depreciation.
- Transportation costs declined as a result of the rouble weakening, which was partially offset by an increase in costs due to higher sales volumes in 2016.
- Staff costs were down due to rouble weakening and asset optimisation initiatives.
- Depreciation and depletion costs fell mostly due to rouble weakening and asset optimisation initiatives, including the suspension of operations at Raspadskaya's MUK-96 mine and the closure of a mine field 1 at Raspadskaya Koksovaya.
- Energy costs fell due the effect of currency movements, albeit partly offset by higher electricity prices in local currencies.
- Other costs increased, primarily due to changes in goods for resale and raw material costs, partially offset by the effect of the rouble weakening.

Coal segment gross profit

The Coal segment's gross profit amounted to US$621 million in 2016, up from US$310 million in 2015. The gross profit margin rose, primarily due to the increase in sales prices and volumes, cost-cutting initiatives and rouble depreciation's influence on costs.

Coal segment cost of revenues

	2016		2015		Change, %
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	
Cost of revenues	**701**	**53.0**	**758**	**71.0**	**(7.5)**
Auxiliary materials	113	8.5	106	9.9	(6.6)
Services	85	6.4	74	6.9	14.9
Transportation	126	9.5	146	13.7	(13.7)
Staff costs	163	12.3	194	18.2	(16.0)
Depreciation/Depletion	135	10.2	156	14.6	(13.5)
Energy	37	2.8	38	3.6	(2.6)
Other[1]	42	3.3	44	4.1	(4.5)

[1] *Includes primarily goods for resale and certain taxes, allowance for inventory, raw materials and inter-segment unrealised profit.*

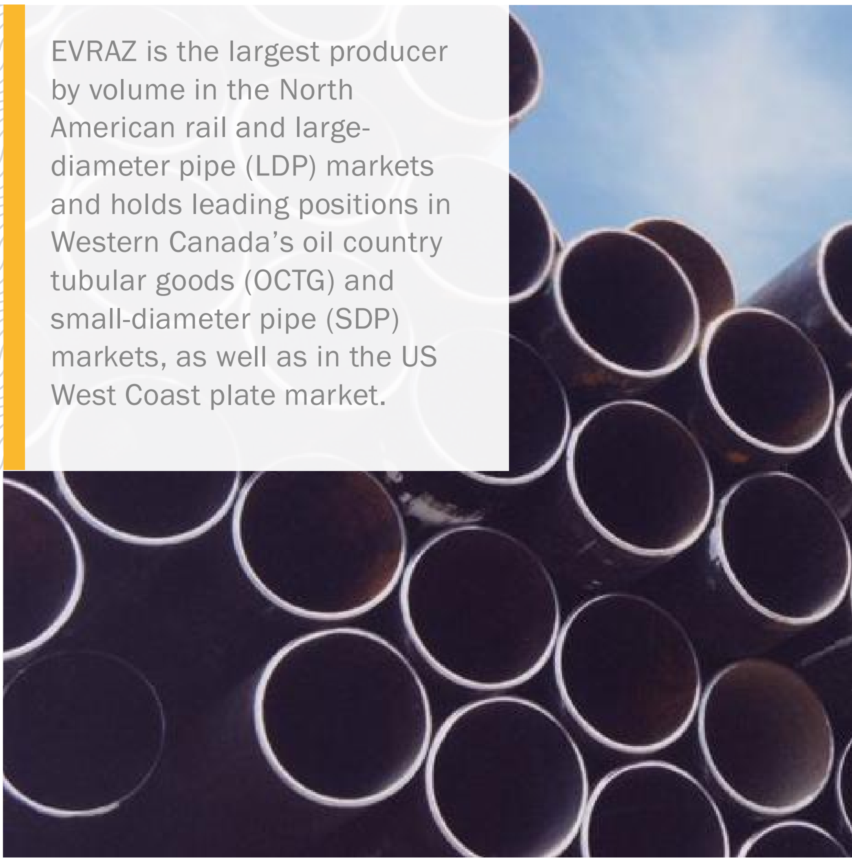
Steel, North America segment
Introduction and highlights

THE LONG DIVISION is the US' largest domestic producer of premium rail and the only rail producer in Western North America.

THE TUBULAR DIVISION is the largest North American producer of LDP, which is used for oil and gas pipelines, and the only supplier of fully "Made in Canada" LDP. It is also the largest OCTG producer in Western Canada.

THE FLAT DIVISION operates the only plate mill on the US West Coast.

EVRAZ is the largest producer by volume in the North American rail and large-diameter pipe (LDP) markets and holds leading positions in Western Canada's oil country tubular goods (OCTG) and small-diameter pipe (SDP) markets, as well as in the US West Coast plate market.



FINANCIAL HIGHLIGHTS

Revenues
US$1,464 million — ↓35.5% yoy

EBITDA
US$ 28 million — ↓49.1% yoy

EBITDA margin
2% — ↓0.4pp yoy

CAPEX
US$165 million — ↑20.4% yoy

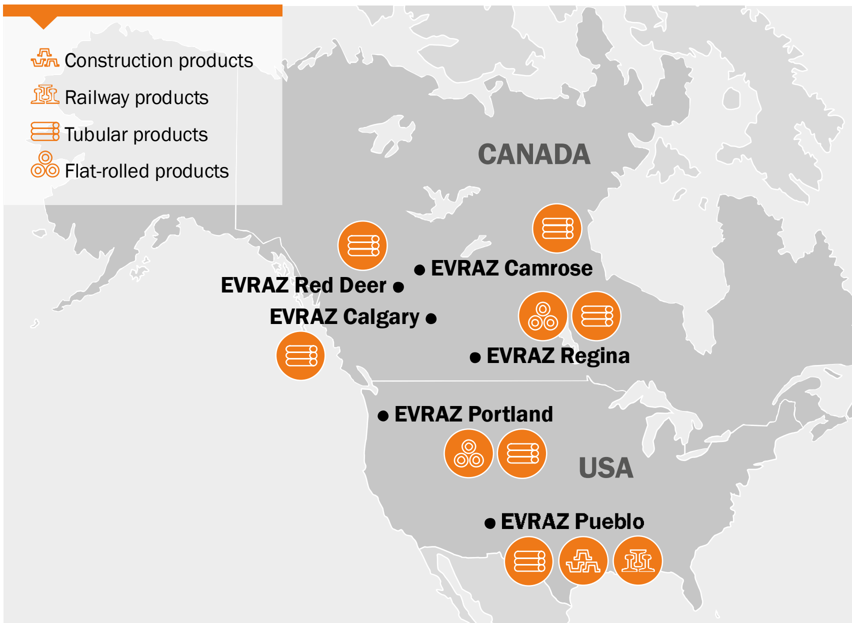
PRODUCTION HIGHLIGHTS

Crude steel
1,370 kt — ↓ 23.7% yoy

Steel products
1,650 kt — ↓ 26.2% yoy

SALES HIGHLIGHTS (SALES TO 3RD PARTIES ONLY)

Steel products
1,672 kt — ↓24.8% yoy



Market review

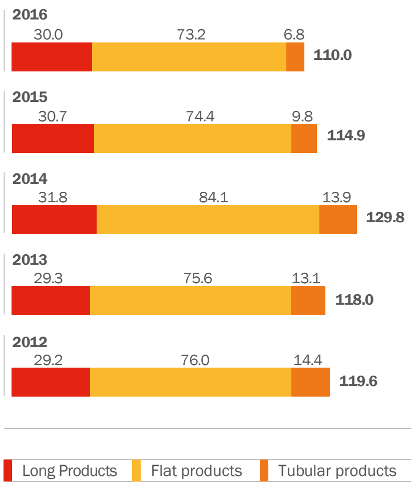
North American steel market trends

US steel product consumption decreased by 4.2% to 91.2 million tonnes in 2016, down from 95.1 million tonnes in 2015. Demand fell by 2.4% for long products, 1.6% for flat products and 30.2% for tubular products. Despite fairly strong large-diameter pipe (LDP) market fundamentals during the reporting period, demand fell to 1.1 million tonnes from 1.5 million tonnes in 2015 due to pipeline project delays. Amid low oil prices, the oil country tubular goods (OCTG) market bottomed out in 2016 with Canadian consumption estimated at 0.5 million tonnes. North America consumed 1.1 million tonnes of rails in 2016, a 24% decline from 2015 levels, amid reduced CAPEX spending at Class-I railroads due to weak energy E&P activity and lower coal shipments. Demand for wire rod and plate was stable.

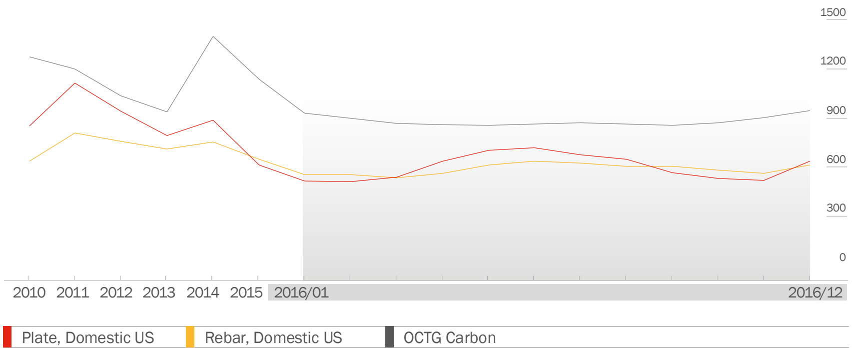
Finished steel product imports, which significantly influenced the US steel industry in 2015, dropped by 16% year-on-year to 23 million tonnes in 2016 amid anti-dumping duties and pending trade cases against certain producers.

Despite efforts to promote healthy competition and eliminate import dumping activity, weak North American demand undermined local steel prices. Prices dropped in 2016 by 2% to US$599 per tonne for flat products, by 9% to US$586 per tonne for rebar, and by 22% to US$881 per tonne for OCTG.

US and Canada finished steel consumption, mt



North America prices, US$/t



DEVELOPMENT of product portfolio and customer base

Marketing and customer focus

Tubular division

Key developments 2016

- Reached key milestones in the Regina upgrade project and expanded capabilities to supply thick-wall LDP, as well as state-of-the-art internal and external coatings.
- The combination of location and vertical integration are enabling EVRAZ to provide rapid turn-around of orders for OCTG distributors, enabling market share gains.
- Ramped up capacity in the Calgary OCTG heat treat line, effectively shifting the product mix towards higher-value products.
- EVRAZ obtained a favourable ruling in the trade case it brought in Canada against imports of LDP from China and Japan.
- Hot-rolled coil producers in the US obtained a favourable ruling that in turn reduced the supply of dumped and subsidised raw material.
- The Canadian government issued final approvals for two large pipeline projects.

Outlook for 2017

- EVRAZ expects to fully leverage the Regina upgrade project during the year to achieve improved economics and build upon the successful outcomes on trade cases in Canada (LDP) and in the US (hot-rolled coil) to expand our share of wallet with LDP customers.
- EVRAZ will leverage our strategic position and the favourable trends in the OCTG market to increase market share in Canada to 50%.
- EVRAZ will continue developing or licensing premium OCTG connections and seamless pipe offerings to fill gaps in our product portfolio and continue shifting our mix towards higher-value engineered solutions.

Long division

Key developments 2016

- Secured the first orders of APEX G2 rail from Class-1 railroads for in-track testing.
- During 2016, we doubled the duration of our contract with one of our major Class-1 customers and secured a 33% increase in share of wallet. In the period, we also secured contracts that allow us to retain the highest share of wallet for a domestic producer with the Western Class-1 railroads.
- Across the year, we expanded our capabilities to manage continuous welded rail, a key emerging trend with our Class-1 customers.
- During the year, we built upon findings from trials of our rail-welding technology to enhance the industrialisation and robustness of the process ahead of larger-scale customer in-track testing.

Outlook for 2017

- EVRAZ expects to continue increasing commercial sales of APEX G2 for customer in-track testing.
- EVRAZ also expects to resume in-track testing of our rail-welding technology with Class-1 railroads and proceed to commercialisation upon obtaining qualification.
- During 2017, EVRAZ will leverage our continuous welded rail capabilities to increase share with Eastern railroads. We expect to renew our contracts with key Eastern Class-1 railways during the year.

Flat division

Key developments 2016

- Secured new annual contract with major wind tower producer.
- Successfully renewed a 3-year contract with a major West Coast OEM customer.
- Increased armour plate exports by 200%.

Outlook for 2017

- Continue expanding long-term contracted OEM sales within the rail car and power transmission segments.
- Expand full qualification of our armour products with two more armoured car manufacturers.
- Re-enter the tool-steel plate market.

New product developments and quality increase

Tubular division

Key developments 2016

- Extended our size range for premium connections to 11 ¾” OD in unconventional thermal wells.
- Launched EVRlock heavy wall premium connection which extends the use of our QB1 and QB2 technology to the heavy-wall pipe used in fracking wells.
- Introduced EVRlock QB which targets the thermal completions connection segment and provides best in-class resilience to galling even after sustained thermal use.

Outlook for 2017

- Qualify heavy-wall LDP (up to 1” thickness) with customers.
- Develop and launch sour-service line-pipe product line.
- Continue expanding premium connections offerings to achieve a full portfolio. We will be launching the EVRlock EB, an API-compatible semi-premium connection for the US shale markets; developing high-burst, restricted-yield premium connections; and completing qualification of the EVRlock heavy wall premium connection we launched in 2016.

Long division

Key developments 2016

- EVRAZ continued conducting customer testing of the APEX G2 next generation of premium rail with four Class-1 railroads.
- EVRAZ has accumulated the required mileage to complete the first step required by the AAR to gain unconditional approval for rail wheels and expect to complete the second step in 2017.
- Substantially completed the development of 3 new AAR locomotive wheels that have broad market appeal in North America.

Outlook for 2017

- Expand in-track customer testing for the APEX G2 next-generation rail to two additional Class-1 railroads in North America.
- Finalise qualification with one Class-1 railroad.
- Extend the Apex G2 technology to our intermediate head hardened product line to achieve better fracture toughness and ductility.
- Launch research into achieving hardness at deeper levels in our rail products.
- Start the final step of the AAR process required to achieve unconditional qualification of rail wheels, a process that will likely extend into 2018.

Flat division

Key developments 2016

- Commenced rolling of high-technology near-zero thermal expansion alloys for the aerospace industry.
- Obtained full qualification of our ultra-high hardness 650 armour grades.
- Obtained full qualification of API 2 W grades for offshore applications.

Outlook for 2017

- Obtain qualification for structural fully restricted grades for use in seismic protection of structures.
- Develop an enhanced plate surface compatible with high-speed laser cutting processes.
- Obtain full qualification on additional domestic slab sources for armour grades.

RETENTION
of low-cost position

Key projects in 2016

During the year, our operations focused on adjusting controllable costs to bring them in-line with reduced volumes. Reduction of G&A costs saved US$42 million. A reduction in auxiliary material consumption and the use of industrial services helped lower costs by US$22 million. Repair work optimisations led to an additional cost savings of US$16 million. More efficient use of raw and basic materials saved US$5 million. Payroll expenses were also cut by US$4 million.

Optimisation of G&A, fixed cost, and Industrial Services

Workforce rationalisation and efficiency programme

Actions in 2016:
- During 2017, an aggressive cost-reduction programme in the Portland and Regina rolling mills sites effectively reduced costs in-line with volumes, maintaining cost per ton unchanged from prior year.
- The long division restructured the rail finishing area to reduce labour thanks to sustained improvements in operations.

2017 plan:
- Continue streamlining incidental and non-value adding processes.

Optimisation of consumption of raw materials and basic materials

Raw and auxiliary materials

Actions in 2016:
- Ferroalloys and other auxiliary materials declined faster than volumes thanks to a focused effort on realising efficiencies and achieving better pricing.
- When comparing full year 2015 and 2016, raw material expenditures declined (41)% while auxiliary materials declined (30)%

2017 plan:
- Leverage Regina upgrade project to reduce alloying cost.
- Flux and power reduction project in Regina steelmaking.

Optimisation of repair work

Reduction in maintenance CAPEX vs. prior year

Actions in 2016:
- Despite carrying out significant maintenance activities in the Pueblo and Portland sites, maintenance CAPEX and OPEX decreased 30% and 22% respectively compared to 2015

2017 plan:
- Continue rationalisation on maintenance CAPEX in the long and tubular divisions to align to production volumes.

PRUDENT CAPEX strategy

Key investment projects

Regina steel mills upgrades. Install a vacuum degasser, upgrade rolling mill, down coiler, and cooling bed in Regina.

Status:
- Completed upgrades to the continuous caster and to the rolling stands.
- Pending vacuum degassing and down coiler upgrades in 2017.

CAPEX **US$147 million** IRR **>35%**

Construction of an LDP mill at Regina. Install a two-step LDP mill in Regina.

Status:
- The new LDP mill is in ramp-up mode and producing saleable pipe for customer orders.
- The new coating mill is in operation and producing pipe for customer orders.

CAPEX **US$73 million** IRR **30%**

Key maintenance projects

During 2016, the Group's operations completed important maintenance projects:

- At EVRAZ Portland, the re-heat furnace was completely relined.
- At EVRAZ Pueblo, the team completed a large project that replaced key mechanical components of the electric arc furnace hood and executed upgrades to the electrical drives in the wire rod mill.
- At EVRAZ Regina, EVRAZ carried out upgrades to steel making and the rolling mill related to the upgrade project which was previously announced.

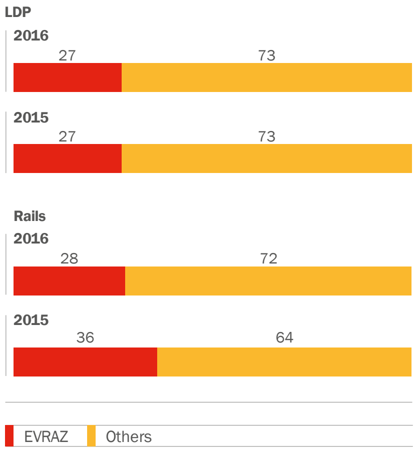
Sales volumes review

EVRAZ North America's steel product sales volumes fell by 24.8% from 2.2 million tonnes in 2015 to 1.7 million tonnes in 2016 due to market headwinds. Construction product sales volumes decreased by 12.2% to 281 thousand tonnes. EVRAZ sold 321 thousand tonnes of railway products in 2016, down by 38% from 518 thousand tonnes in 2015, amid lower demand from major customers. Flat product volumes slipped by 6% to 536 thousand tonnes in 2016, compared with 2015 volumes of 570 thousand tonnes.

Tubular products sales slid by 34.4% to 534 thousand tonnes in 2016, down from 814 thousand tonnes in 2015, primarily due to a 42% decline in OCTG products sales as a result of subdued oil and gas exploration and production activity in North America. LDP sales volumes declined 16% to 305 thousand tonnes due to approval delays on key pipelines.

EVRAZ North America maintained its leadership in rails and LDP during 2016 with market shares of roughly 28% by volume and 27%, respectively. In 2016, the Group almost completed the construction of an LDP mill at Regina, which should underpin its leadership position in LDP in 2017.

EVRAZ market share in North America by key products, %



Steel, North America segment sales volumes, kt

	2016	2015	Change, %
Steel products			
Construction products	281	320	(12.2)
Railway products	321	518	(38.0)
Flat-rolled products	536	570	(6.0)
Tubular products	534	814	(34.4)
Total	**1,672**	**2,222**	**(24.8)**

Financial performance

Sales review

The segment's revenues from steel product sales decreased due to lower sales volumes (down 24.8%) and the impact of lower sales prices (down 11.1%). Output declined mainly due to weak tubular and rail markets, along with extended planned outages in 2016.

Revenues from sales of construction products fell by 26.9%, primarily due to lower sales prices (down 14.7%) and sales volumes (down 12.2%). The fall in sales volumes was attributable to reduced demand for rod and bar products, as well as to the disposal of a structural tubing facility in Portland in March 2015.

Railway product revenues declined by 46.7%, driven by a 38.0% drop in volumes and a 8.7% reduction in average prices, in line with the general price trend in the US steel market. The rail market fundamentals were less positive, given moderate CAPEX of the Class-1 railroads due to lower traffic and a surplus inventory of rails.

Revenues from flat-rolled products fell, mainly due to lower prices (down 9.1%) and sales volumes (down 6.0%), which was caused by deteriorating conditions in the segment.

Revenues from tubular product sales decreased by 42.1%, primarily due to lower sales volumes (down 34.4%) and sales prices (down 7.7%). The drop in sales volumes was driven by weaker demand for OCTG, which in turn was caused by a slowdown in drilling activities due to the slump in oil prices.

Steel, North America segment revenues by product

	2016		2015		Change, %
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	
Steel products	**1,350**	**92.2**	**2,105**	**92.7**	**(35.9)**
Construction products[1]	158	10.8	216	9.5	(26.9)
Railway products[2]	232	15.8	435	19.2	(46.7)
Flat-rolled products[3]	372	25.4	438	19.3	(15.1)
Tubular products[4]	588	40.2	1,016	44.7	(42.1)
Other revenues[5]	**114**	**7.8**	**165**	**7.3**	**(30.9)**
Total	**1,464**	**100.0**	**2,270**	**100.0**	**(35.5)**

[1] Includes beams, rebar and structural tubing
[2] Includes rails and wheels
[3] Includes commodity plate, specialty plate and other flat-rolled products
[4] Includes large-diameter line pipes, ERW pipes and casing, seamless pipes, casing and tubing, and other tubular products
[5] Includes scrap and services

Steel, North America segment cost of revenues

The Steel, North America segment's cost of revenues fell by 37.1% year-on-year in 2016. The main drivers were:

- Raw material costs dropped by 39.3%, primarily due to lower consumption of scrap, ferroalloys and other raw materials. The main reasons for this were lower volumes of crude steel and finished products (primarily tubular products and rails), as well as cost-cutting initiatives, which reduced consumption.
- Costs of semi-finished products fell by 44.6%, amid lower production volumes of tubular products and a decline in prices for purchased slab.
- Auxiliary material costs decreased by 37.0%, as production volumes of crude steel and finished products dropped compared with 2015 and a cost-cutting plan was implemented.
- Service costs were down by 33.8%, as production volumes in 2016 fell year-on-year.
- Energy costs fell, due to a reduction in energy consumption resulting from a drop in production volumes and lower tariffs for energy and natural gas.
- Other costs decreased primarily due to changes in allowances for inventories on the back of lower inventory write-offs and slow-moving adjustments as a result of reduced inventory volumes, accompanied by the decline in transportation costs and changes in goods for resale.

Steel, North America segment gross profit

The Steel, North America segment's gross profit totalled US$221 million in 2016, down from US$293 million in 2015. The decline was primarily due to lower sales volumes amid the downturn on the OCTG and rail markets.

Steel, North America segment cost of revenues

	2016		2015		Change, %
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	
Cost of revenues	**1,243**	**84.9**	**1,977**	**87.1**	**(37.1)**
Raw materials	390	26.6	643	28.3	(39.3)
Semi-finished products	196	13.4	354	15.6	(44.6)
Auxiliary materials	102	7.0	162	7.1	(37.0)
Services	106	7.2	160	7.0	(33.8)
Staff costs	196	13.4	254	11.2	(22.8)
Depreciation	100	6.8	107	4.7	(6.5)
Energy	85	5.8	106	4.7	(19.8)
Other[6]	68	4.7	191	8.5	(64.4)

[6] Includes primarily allowances for inventories, goods for resale, certain taxes, transportation and inter-segment unrealised profit.

EVRAZ

Contents

CSR REPORT

EVRAZ is a socially responsible company, addressing and monitoring all aspects of corporate social responsibility that are relevant to the business

EVRAZ pays special attention to environmental protection

See more about EVRAZ actions on minimising the impact on the air and water on page 79

Our approach

EVRAZ is a socially responsible company, addressing and monitoring all aspects of corporate social responsibility (CSR) that are relevant to the business. This section of the report provides an overview of the Group's policies and performance in 2016 in key areas of CSR, including human rights, health and safety, the environment, human capital management and community engagement, and an outline of how the Group intends to improve its performance in the years ahead.

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

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

This aspiration is reflected in the Group's internal codes and principles, including the Business Conduct Policy, "The EVRAZ Way", available on the corporate website at www.evraz.com/governance/documents/

Health, safety and environment

Governance and approach

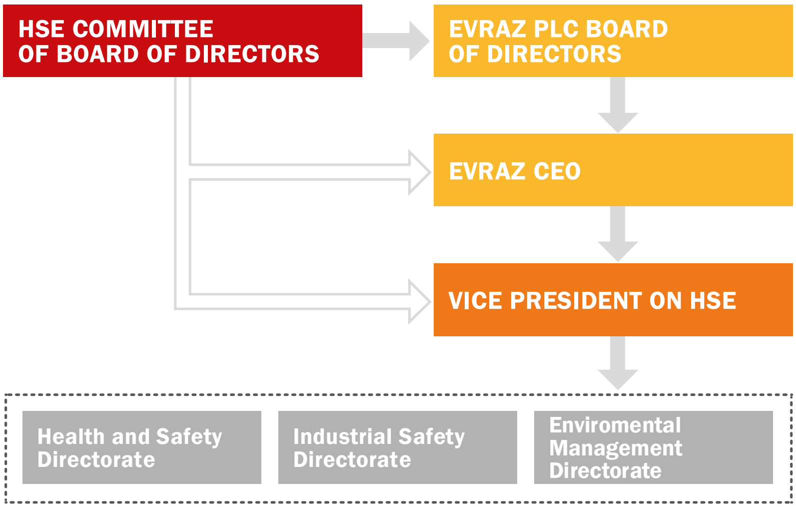
EVRAZ is devoted to improving occupational and industrial safety, as well as to protecting the environment wherever it operates. The Group aims to never stop improving HSE management at its assets by implementing technological improvements to its production processes, with a clear management and control system and hierarchy.

EVRAZ manages health, safety and environment (HSE) at every level of its business, from adopting strategy to responding to operational management issues. In 2010, the management created a HSE Committee that reports to the Board of Directors and is responsible for monitoring all HSE strategies, policies, initiatives and activities. In March 2011, EVRAZ introduced its Health, Safety and Environment Policy. In March 2016, EVRAZ revised its Health, Safety and Environment Policy and added a fourth cardinal rule to the all-Company safety rule list.

The HSE Committee deals with HSE issues at the executive level, and has appointed a vice-president of HSE to coordinate all activities in the area. Each individual enterprise has an HSE team to consider such issues that reports to the sites' management with a dotted line to the vice president of HSE. HSE compliance is the responsibility of each and every plant manager.

EVRAZ plays an active role in the World Steel Association's Environmental Policy (EPCO), Technology Policy (TPCO) and Safety and Health (SHCO) committees, as well as the HSE committees of Russian Steel, a Russia-based non-commercial partnership, and the Russian Union of Industrialists and Entrepreneurs.

HSE corporate management structure



HSE system

EVRAZ has achieved certification in its main steel mills under the ISO 14001 and OHSAS 18001 standards.

The HSE system's primary functions are to identify potential sources of environmental harm, as well as health and safety risks to personnel throughout the production cycle, from raw material purchases to finished product sales, as well as planning, distributing resources, collecting, analysing and submitting information, and reflecting emerging trends in indicators.

The HSE management process operates in a continuous cycle that includes:

- forecasting and assessing primary HSE risks;
- developing and implementing required measures;
- monitoring, reviewing, and investigating incidents;
- analysing performance, adjusting and establishing new HSE strategy objectives.

EVRAZ establishes, measures and assesses the primary indicators for HSE KPIs. The system is continuously improved by monitoring, promptly analysing and adjusting where needed.

HSE reporting system

EVRAZ' HSE reporting system is tasked with improving the collection and sharing of appropriate data organisation-wide. Constant monitoring is ensured by subsidiaries submitting monthly, quarterly and annual HSE performance data to the corporate HSE functions.

Periodic internal audits are undertaken to assess the Group's HSE policy compliance. Government agencies also perform external control functions. Any recommendations that follow from the inspections are analysed in detail to allow the necessary remedial actions to be taken.

EVRAZ' incident reporting rules are applied universally organisation-wide. All injuries involving any lost time and/or fatalities are recorded and a 'flash report' is immediately distributed to all affected managers. Standard 'lean' format investigations are then conducted and lessons learnt are subsequently disseminated to concerned parties. Every fatality, severy injury or serious incident is then reviewed by the HSE Committee, which also monitors the completion of all respective corrective actions.

HSE releases a monthly special report regarding the past month's injuries and incidents that includes relevant HSE KPIs like the lost-time injury frequency rate, fatalities and cardinal rule violations. The reports are distributed to all EVRAZ employees.

Health & safety

Our approach

As for all steelmakers, EVRAZ' employees and contractors work in an environment that has inherent health risks. Among these risks are moving machinery, excessive heat, high noise levels, high levels of dust and gas concentration, confined space and ergonomic stress. EVRAZ' underground operations have additional specific risks, including rock collapse.

The health and safety of employees is the Group's highest priority. Therefore, the Group takes every effort to manage and effectively mitigate the risks typical of the sectors EVRAZ is operating in. This is done through the implementation of enhanced production processes, as well as with new management and control systems. The Group strives to create a safe workplace at all enterprises and continues to develop relevant projects, provide employees with personal protective equipment and install cutting-edge safety equipment. More importantly, EVRAZ pays increasing attention to employees' behaviour, thus developing a safety culture to reinforce this effort. Regular safety conversations are aimed at increasing safety awareness among steelworkers and miners with regard to themselves and their colleagues.

Apart from increasing the safety of its own employees, the Group also works rigorously with contractors to improve their safety programmes. EVRAZ aims to reduce the number of contractors at all EVRAZ operations and gives preference to more established companies with clear safety-management practices. The addition of prequalification procedures, regular audits and post-assignment assessments helped this approach cut the number of LTIs among contractors in half compared with 2015 and drove the number of fatalities involving contractor employees down to zero.

The Group's LTIFR, which excludes fatalities, rose to 2.36 in 2016, up 8% year-on-year, after EVRAZ started to enforce transparency in reporting in 2015. While the total number of fatalities and severe injuries taken together has been decreasing over the recent years, the relative increase in recorded minor incidents is an indicator of an overall improvement in reporting transparency.

Results in 2016

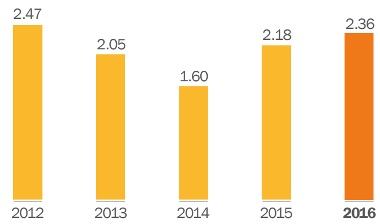
LTIFR. EVRAZ' LTIFR started to grow in Q2 2015 as a result of the Group's systemic effort to ensure full transparency in reporting. Since then, several LTIs that were not duly reported have led to serious consequences for the managers involved, which sent a clear message to both blue-collar employees and managers at all levels that the practice would no longer be tolerated.

The Group believes that it is much more important for the management team to have the full picture of the injury rates to be able to step in with corrective actions rather than to prop up statistics, and will therefore persist in driving any falsifications out of its facilities as inappropriate at any level. There is a clear temporal correlation between disciplinary action taken for falsifying facts or circumstances regarding an occupational injury and subsequent increase in the number of injuries reported.

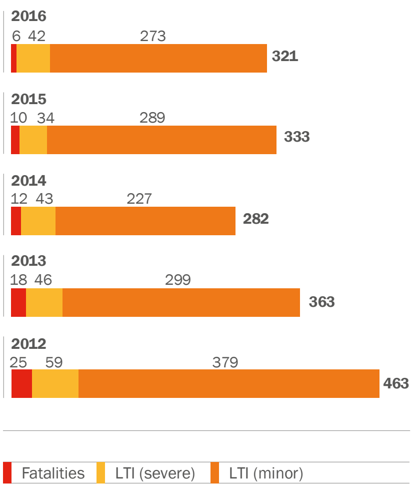
The other factor that has influenced the increase is the gradual reduction of total man-hours worked, which is mainly achieved through staff reductions in the administrative personnel that operates in a lower-risk environment and are therefore less prone to LTIs.

Fatalities. Although the number of fatalities is gradually going down, EVRAZ has faced six fatal incidents in 2016. Three of the above fatalities resulted from unsafe operations on moving machinery, one employee was fatally injured by a falling object, and another was killed by electric shock after unsafe actions on an electrical substation. The final one involved a rock collapse in a coal mine, the employee died in the hospital several days after the incident due to multiple fatal injuries.

LTIFR (excluding fatalities), per 1 million hours

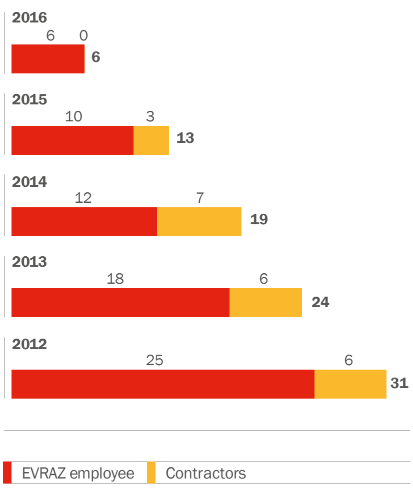


Number of injuries[1]



[1] *Without contractors*

Fatalities



Treatment of occupational diseases. All occupational diseases are treated under the Group's mandatory work-related accident and occupational disease insurance. EVRAZ is required by law to pay the premiums for this programme. Employees diagnosed with occupational diseases receive temporary disability benefits and their treatment costs are covered. The Group also provides financial assistance to such employees, depending on their circumstances and medical condition: for example, if they require lengthy medical treatment, they may receive compensation for moral harm. However, employees may not use these funds to arrange their own medical treatment.

Number of registered occupational diseases.

In 2016, there was a gradual decrease in the number of occupational diseases registered at EVRAZ' facilities worldwide: the 354 cases reported in 2016 makes for an 4% reduction compared with 2015 (when there were 368 cases), and an even more significant reduction compared with earlier years (for instance, 452 cases in 2013). Partially driven by a general reduction of man-hours, this is also a result of a closer look at working conditions and a corporate effort to eliminate highest-risk workplaces in terms of employee health.

Safety awards received in 2016

Awarding organisation: INTERCOMM 2016

Corporate Communications Lifestyle Nomination Winner. With its "Safety Week" campaign, EVRAZ was the best among projects targeting healthy lifestyle and family values

Awarding organisation: "Safety and Security" Section of the "Coal of Russia and Mining 2016" Expo

Design and implementation of the "Daily Feedback" IT Solution to ensure visual training material demonstration and express knowledge testing of employees before each shift.

Implementation of the Lock out - Try out system in coal mines.

Key projects

EVRAZ believes that the safety initiatives implemented across the Group are helping it support the development of its safety culture and will therefore have a lasting effect on its safety performance. The two key initiatives in 2016 were targeted at reducing the number of unsafe actions through safety conversations on the shop floor and unifying processes with the help of standard safe work procedures.

Safety conversations. Regular safety conversations taking place among employees and managers on shop floors are indispensable for building a positive safety culture. Recognising that such conversations are an essential part of promoting safe behaviour, EVRAZ introduced a system of scheduling such conversations regularly across its sites. Every manager, from a first line supervisor to the CEO, has a personal target to conduct a certain number of such conversations. This is in essence similar to the concept of behaviour safety audits, but EVRAZ chose to focus the attention of managers on the conversation aspect to make sure that they talk to their reports about safety right at the workplace.

In 2016, EVRAZ managers completed over 500,000 safety conversations with the Group's employees, many of them having at least one suggestion to improve safety at work. All these suggestions are analysed by the relevant supervisors and the key ones are tracked through completion.

Standard safe work procedures. One of the key principles of safe work is making sure that the respective process is initially designed in a safe way and all employees are trained to follow the procedure. To support this approach, EVRAZ decided that each structural unit should design 10 standard safe work procedures and implement them in accordance with the corporate requirements. These requirements imply employees' participation in developing these procedures, as well as proper training and verification on the part of the management team.

EVRAZ has designed and implemented over 2,000 standard safe work procedures in 2016.

Key risk localisation programmes. To make safety initiatives more industry specific and more tailor-made to the needs of respective facilities, EVRAZ suggested that business divisions design key risk localisation programmes. These consist of activities targeted at the areas that are of greatest concern from a safety perspective. Some divisions are investing extra efforts in gas safety, some are breakthroughs in working at height etc. This ongoing initiative was launched in 2016, but most of the activities are planned for 2017 and on.

Objectives for 2017

In 2017, in addition to continuing the key risk localisation programmes, EVRAZ plans to continue implementing the key initiatives targeted at developing safe employee behaviour – safety conversations and standard safe work procedures.

The two initiatives' methodologies are described in the section above. The key change in the safety conversations methodology is adding extra focus to the quality of such conversations, which will be monitored in two ways.

On the one hand, safety teams will be observing whether managers follow the safety conversations methodology when running such conversations. On the other hand, operations managers will be auditing the conversations run by their reports by checking whether they in fact took place, whether the non-conformities found by the audited manager reflect the real situation in his unit, and whether corrective actions suggested by employees were actually implemented and tracked though completion. Checklists have been designed to ensure consistency in both areas.

EVRAZ also plans to continue LOTO projects aimed at preventing machinery from releasing hazardous energy by physically locking the controls, as well as rolling out alcohol testing at the gate to ensure strict enforcement of EVRAZ' zero-tolerance policy.

EVRAZ believes that these programmes and initiatives will help the Group reduce its LTIFR down to 2.0 or lower, which is its overall target approved for 2017.

Environment

Environmental strategy

EVRAZ' steel and mining operations have significant energy and water requirements and can potentially impact the environment through waste generation, wastewater discharge, air emissions and land contamination.

Environmental legislation strictly regulates these operations and requires the Group to obtain environmental permits and licences. EVRAZ must maintain compliance with their terms for them to remain valid and be extended. This generally requires implementing certain environmental commitments, recruiting qualified personnel, maintaining necessary equipment and environmental monitoring systems, and periodically submitting information to environmental regulators. Noncompliance on any of these fronts carries the potential for the environmental permits and licences to be suspended, amended, terminated or not renewed, or could entail significant costs for the Group to eliminate or remedy any such violations.

EVRAZ strives to continuously improve its environmental management systems, including via its ongoing ISO 14001 audit programme. While international certification is not a legal requirement, nine of the Group's sites are currently certified to the ISO 14001 standard, including such key operations as EVRAZ NTMK, EVRAZ ZSMK and EVRAZ DMZ.

EVRAZ conducts an Environmental and Social Impact Assessment (ESIA) of all new operations and projects, during which it consults with local and regional governments, businesses and community members in the affected area. The ESIAs evaluate any potential direct and indirect impacts that the new operation may have on the local community and surrounding environment. The ESIA process entails creating mitigation plans to minimise and manage any potential impact, as well as consulting with local communities regarding any decisions that may be made throughout the project's life.

EVRAZ supports the European Union's health and environmental goals as established in Regulation (EC) No. 1907/2006 of the European Parliament and of the Council, which governs the registration, evaluation, authorisation and restriction of chemicals ("REACH"[1]). The Group strives to maintain REACH compliance.

The Group's environmental strategy aims to minimise any negative impacts caused by its operations, as well as to make efficient use of natural resources and find optimal industrial waste management solutions. Environmental compliance is a top long-term priority.

In 2012, after determining the key challenges and focus areas, EVRAZ voluntarily adopted five-year environmental targets (over 2012-17) aimed at:

- reducing air emissions[2] by 5%;
- decreasing fresh water consumption by 15%;
- recycling 100% of non-mining waste[3].

The Group's non-compliance-related environmental levies and fines increased by 7 % to US$2.1 million in 2016 from US$2.0 million as it was in 2015. No significant environmental permits or licences were missing or revoked in 2016, although the Russian government has tightened the requirements for obtaining environmental permits and licences. This was the reason for the delay in issuing some of the new permits, which led to non-compliance levies of US$ 0.5 million. EVRAZ' assets had no significant environmental incidents or material environmental claims during the reporting period.

The Group has committed to various environmental protection programmes for the period from 2016 to 2022.

As of 31 December 2016, the cost of implementing these programmes was estimated at

US$ **119** million

In 2016, EVRAZ spent

US$ **24** million

on measures to ensure environmental compliance

US$ **12** million

on projects to improve its environmental performance

By the end of the year, the Group had met the targets set for water consumption and recycling

↓ **17.3%** water consumption

120% of waste being recycled

(exceeding the 100% target by recycling waste from prior periods)

At the end of 2016, EVRAZ was yet to fulfil the target for air emissions, having registered

↑ **18.8%** since 2011

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

[2] *Including nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds only.*

[3] *The rate of the amount of waste recycled or used versus annual waste generation, not including mining waste. It can exceed 100% due to recycling of waste from prior periods.*

Air emissions

EVRAZ' top environmental priorities include decreasing air emissions. The primary air emissions comprise nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds.

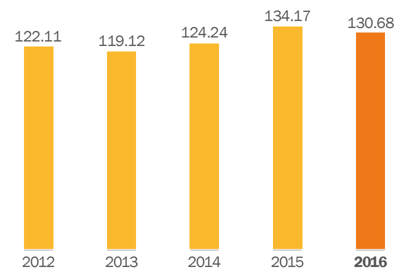
In 2011, before adopting its five-year environmental targets , the Group had already substantially reduced its air emissions. The current strategy for reducing air emissions envisages upgrading gas treatment systems, introducing modern technologies and eliminating obsolete equipment.

In 2016, key air emissions were down by 3.5 thousand tonnes (or 2.6%) compared with 2015.

The management has also decided to conduct a like-for-like analysis that re-bases the target by excluding data related to divested assets (EVRAZ VGOK, EVRAZ Vitkovice Steel, Evrazruda's Krasnoyarsk mines, EVRAZ ZSMK's central power plant, EVRAZ Highveld and EVRAZ NTMK's Nizhnesaldinsky metal mill), which shows that key air emissions at current assets have risen by 18.8% since 2011. This has been driven primarily by an increase in sulphur content in the coal and ore used at EVRAZ ZSMK's power and sinter plants, which has resulted in higher SOx emissions, and higher NOx emissions at EVRAZ KGOK.

However, EVRAZ' emission reduction initiatives are expected to decrease key air emissions over the coming years.

EVRAZ key air emissions,
kt



EVRAZ pays special attention to environmental protection

The Group strives to minimise its impact on the air and water by implementing modern technology, upgrading equipment, reusing and recycling production by-products, monitoring buffer zones, refurbishing slag storage facilities, and constantly monitoring air and water quality.

EVRAZ employees in Russia and Ukraine regularly take part in environmental campaigns, including: joining nationwide volunteer drives to clean up waterways, public squares and parks; and planting trees, hanging birdhouses, releasing young fish into rivers to restore their biodiversity, and recycling paper and batteries.

In 2016, EVRAZ employees participated in the following environmental campaigns: "Big Green Games – Make 2016!", "Kuzbass Forest", "Russian Water", and "Country of My Dreams", while employees of Ukrainian subsidiaries joined the "Clean Ukraine Up Together" campaign.

Staff at Evrazruda in Siberia planted more than 100 trees as part of the "Kuzbass Forest" campaign. They also released more than 170,000 tonnes of young fish. Raspadskaya employees cleaned up the shore of the Olzheras river in Mezhdurechensk, recycled 300 tonnes of batteries and 200 tonnes of paper, hung birdhouses, and planted 50 saplings in Mezhdurechensk. EVRAZ ZSMK staff cleaned up the shore of the Aba river and planted more than 100 pine trees.

In the Urals, EVRAZ NTMK employees created a new pedestrian avenue and planted several dozen trees; cleaned up an industrial architectural monument, the Kuibyshev Factory Museum, and planted a grove of more than 200 birches. EVRAZ KGOK staff cleaned up the city pond and decorated the city's central pedestrian avenue with flowering bushes.

In Ukraine, employees regularly take part in volunteer campaigns. As part of the "Clean Ukraine Up Together" campaign, EVRAZ DMZ staff planted 50 maples and cleaned up the Dievsky forest park. EVRAZ Sukha Balka and EVRAZ Yuzhkoks cleaned up city streets, parks and waterways. EVRAZ DMZ also launched a separate waste collection and recycling programme in 2016.

Greenhouse gas emissions

EVRAZ' operations also generate carbon dioxide and other greenhouse gas (GHG) emissions.

The Group understands the urgency of climate change prevention and supports the global effort to reduce the emission of GHGs into the atmosphere. In compliance with the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, EVRAZ measures the full GHG emissions its facilities and has taken part in the CDP Climate Change Programme since 2011.

The Group measures direct (Scope 1) emissions of all seven "Kyoto" GHGs[1] and indirect (Scope 2) emissions from the use of electricity and heat. The inventory approach[2] was based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (IPCC 2006) and the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. EVRAZ reports data in tonnes of carbon dioxide (CO_2) equivalent (tCO_2e), calculated using the IPCC Fourth assessment report (2007) global warming potentials.

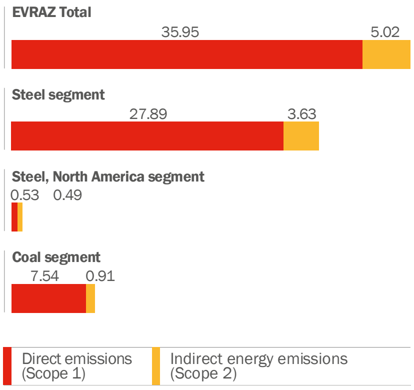
Data on GHG emissions were collected for 2016 and compared with 2013-2015 levels. The Steel segment continues to generate more than half of gross GHG emissions from Group operations. Nearly 92% of the Coal segment's full emissions come from fugitive methane (CH_4) leakage, which is caused by methane ventilation from underground mines and post-mining emissions from coal.

Overall GHG emissions from EVRAZ' operations fell by about 5% year-on-year in 2016. Emissions of CO_2 remain at the 2015 level due to the cumulative effect of a minor increase at the Steel segment (up around 0.4 million tCO_2e) and the cease in operations at EVRAZ Highveld Steel and Vanadium in 2016. In the Coal segment, CH_4 emissions dropped by 10% due to a lower methane content in the coal mined as well as lower coal extraction at some mines.

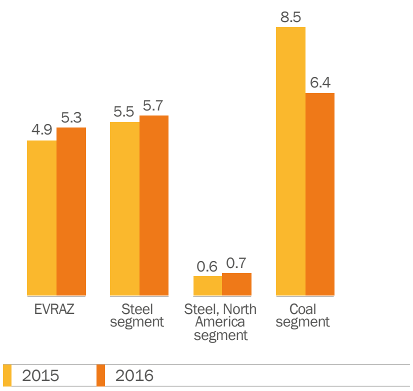
All told, EVRAZ brought down its Scope 1 emissions by 2% and its Scope 2 emissions by roughly 19%, due to the cease in operations at EVRAZ Highveld Steel and Vanadium in 2016 (which accounted for some 6%) and lower volumes of energy purchased by EVRAZ NTMK and EVRAZ ZSMK in 2016.

EVRAZ reports an intensity ratio relating its annual GHG emissions to its activities: total Scope 1 and 2 emissions per consolidated revenue for the Group overall and each operating segment (see graphs). In addition, specific emissions in the Steel segment per tonne of steel cast for 2013-16 are compared with average specific emissions of World Steel Association members for 2015. Higher specific GHG emissions in the Steel segment may be due to the key role played by integrated iron and steel works (which inherently emit more GHGs than rolling mills) in EVRAZ' steel production.

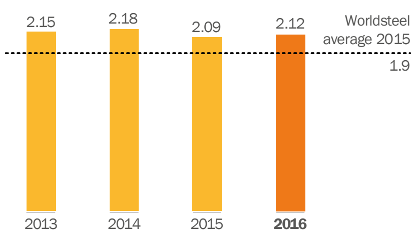
EVRAZ GHG emissions in 2016, $MtCO_2e$



GHG emissions per net revenue, kg CO_2e/US$



Specific Scope 1 and 2 GHG emissions from the Steel segment (incl. NA), t CO_2e per t of steel cast



[1] Carbon dioxide — CO_2, methane — CH_4, nitrous oxide — N_2O, hydrofluorocarbons and perfluorocarbons — HFC+PFC, sulphur hexafluoride — SF_6 and nitrogen trifluoride — NF_3.

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

EVRAZ GHG emissions, $MtCO_2e$

	2013	2014	2015	2016
Direct (Scope 1)	**42.92**	**39.05**	**36.87**	**35.95**
CO_2	33.78	31.08	29.13	28.95
CH_4	9.06	7.89	7.67	6.94
N_2O	0.08	0.08	0.07	0.07
PFC+HFC	0.0002	0.0002	0.0002	0.0001
SF_6	–	–	–	–
NF_3	–	–	–	–
Indirect (Scope 2)	**8.05**	**7.96**	**6.17**	**5.02**
Total GHG emissions	**50.97**	**47.00**	**43.04**	**40.98**

Water consumption and water discharge

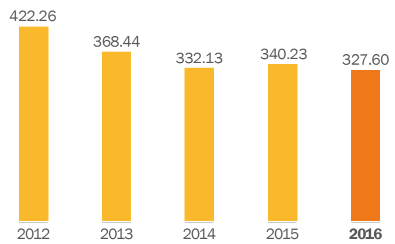
EVRAZ strives to make efficient use of water resources and prevent any negative water quality impacts through environmental incidents.

In 2016, almost 84% of EVRAZ total water intake for production needs was from surface sources, including rivers, lakes and reservoirs – the same result as in 2015.

In 2016, the ongoing water management performance improvement programmes at EVRAZ' operations began to show their first environmental benefits, evidenced by the 3.3% year-on-year reduction in fresh water consumption (down by 11.3 million cubic metres compared to 2015). Given the HSE Committee's decision to re-base the target by excluding data related to disposed assets, fresh water consumption was down by 78.2 million cubic metres (17.3%) compared with the 2011 adjusted baseline. Water discharge was reduced by 45.15 million cubic metres over 2012-2016.

Water pumped from mines (dewatering) is not included in the fresh water consumption target, although pumped water is partly used for technological needs. In 2016, 20.3 million cubic metres of mine water were pumped out and used, compared with 20.5 million cubic metres in 2015.

EVRAZ fresh water consumption, million m^3



Portland Riverbank Cap

EVRAZ Portland (Oregon Steel) operates a steel mill that has been situated on the eastern bank of Portland Harbor since 1968. Prior to and during the early years of the mill's operation, the riverbank was filled with dredge fill/soil and slag that were identified as a potential source of contamination to the river. The mill is part of the 10-mile-long Portland Harbor Superfund site and has entered a voluntary agreement with the Oregon Department of Environmental Quality (DEQ) to address potential sources of contamination from its property.

During 2015-2016, EVRAZ Portland implemented the "Riverbank Cap" project. The EVRAZ project team successfully met regulatory agreements, design objectives, and steel mill needs to achieve a common goal, and constructed the project under a strict time frame due to fish migration. This project provides environmental benefits by removing, capping, and stabilising the riverbank to prevent releases of contaminants into the Willamette River, and by enhancing shoreline riparian habitat. The shoreline was capped, stabilised, and enhanced with native vegetation. More than 18,000 cubic yards of contaminated soil was removed and replaced with clean material, and 10,000 native trees and shrubs were planted and are now thriving.

Waste management

Mining and steelmaking operations produce significant amounts of waste, including waste rock, spent ore and tailings (waste from processing ore and concentrates). EVRAZ aims to reduce the amount of waste that it produces, re-use natural resources where possible and dispose of waste in a manner that minimises the environmental impact while maximising operational and financial efficiency.

In line with the Group's strategy to reduce waste storage volumes and enhance waste disposal, EVRAZ enterprises regularly review opportunities for waste recycling and reuse.

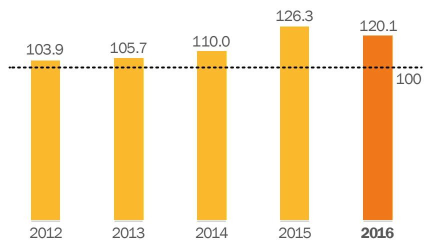
In 2016, EVRAZ steel mills generated 9.65 million tonnes of metallurgical waste (slag, sludge, scale etc) and recycled or reused 11.59 million tonnes. Overall, the Group recycled or reused 120.1% of non-mining waste and by-products in 2016, compared with 126% in 2015.

The main reason for the lower waste recycling rate is that EVRAZ ZSMK sold its slag processing plant and slag disposal facility to an external recycling company.

EVRAZ' strategy for dealing with non-hazardous mining wastes, such as depleted rock, tailings and overburden, is to use them where possible for land rehabilitation and the construction of dams or roads. In 2016, 18.2% or 28.7 million tonnes of such waste material were reused, compared with 17% or 24.6 million tonnes in 2015.

All non-recyclable waste is stored in facilities that are designed to prevent any harmful substances contained in the waste from escaping into the environment. Safety at such facilities is monitored extremely closely, and steps have been taken to mitigate as far as possible any danger to third parties in an emergency.

Recycling rate,
%



Waste management strategy

Order of preference

MINIMISE AT THE SOURCE	Improve technological processes to enhance product quality. Secure by-products without generating waste.
RE-USE	Re-use the main types of waste from metals production: slag, clinker and tailings, including from old dumps.
RECYCLE	Develop new products that feature various types of waste. Use inert waste to reshape land plots and build dams or roads.
BURN AS A FUEL/ GENERATE HEAT	Generate heat from hot slag. Use waste for heating (local boilers).
STORE	Store waste that cannot be used today safely, retaining the option of using the locations as industrial sites in the future.
BURN	**It is forbidden to:** "burn production and consumption waste without special facilities or dump it outside designated areas". (EVRAZ Fundamental Environmental Requirements)

EVRAZ DMZ reduces red smoke from blast furnaces

Emissions from the blast furnace casthouse have a significant environmental impact. The casting process generates red smoke, which rises into the air and forms a dust plume. Red smoke is generated when iron or its oxides evaporate due to the interaction of molten metal splash or streams of metal with atmospheric oxygen.

EVRAZ' experts have studied several types of equipment designed to reduce dust emissions. They selected a method of suppressing red smoke by using an inert gas when tapping hot metal into ladles. When filling the ladle with cast iron, nitrogen gas is injected to the metal stream through special nozzles. This forms a gas curtain over the surface that does not allow the metal to oxidise or red smoke to form; the curtain also covers the tap holes.

The dust-suppression system installed on the casthouse of blast furnace 3 has already proven its effectiveness: atmospheric dust emissions from BF-3 have fallen by 70%, or by 482.6 tonnes per year. BF-2 is now slated to be similarly equipped in 2017.

EVRAZ signs agreement with Russian Ministry of Natural Resources and Environment

Russia's Ministry of Natural Resources and Environment, Federal Service for the Supervision of Natural Resources, and the administrations of Kemerovo and Sverdlovsk regions have signed an environmental cooperation agreement with EVRAZ. The agreement covers a list of environmental actions that EVRAZ will implement in 2017, which has been declared the Year of the Environment in Russia.

As part of the agreement, EVRAZ NTMK will be retrofitting its coke dry quenching plant. The upgrade will allow natural gas to be replaced with coke in the blast furnace process and to significantly reduce the mill's emissions by 2017.

EVRAZ ZSMK will be modernising the dedusting systems in the sinter cooler of its sinter plant. It will also be implementing a water protection programme that envisages gradual transition to return water cycle and minimising the waste water discharge.

The head of Russia's Ministry of Natural Resources and Environment, Sergey Donskoy, said that the agreement is proof that EVRAZ is environmentally responsible, and that he expects an increasing number of Russian companies to contribute to environmental conservation in the future.

Environmental awards in 2016

Awarding organisation: Vernadsky Nongovernmental Ecological Fund

EVRAZ ZSMK
Winner in the Urban Ecology category at the XIII Vernadsky National Ecological Awards for the project titled "Modernising EVRAZ ZSMK".

Awarding organisation: Russian Ministry of Industry and Trade

EVRAZ NTMK
Winner in the Environmental and Resource Protection category at the High Social Efficiency Metal & Mining Company awards.

Awarding organisation: Associated Oregon Industries and Northwest Environmental Business Council

EVRAZ Portland
Oregon Industries Environmental Excellence Award for Portland Riverbank Cap project.

In addition, EVRAZ has received six regional awards in Russia's Kemerovo region.

Energy-saving measures

The Group worked to increase energy efficiency at its operations in 2016 by generating more electricity in-house and reducing the share of energy resources that it purchased. Initiatives to optimise the use of light, heat, fuel, compressed gas and separation products generated significant savings.

Steel segment

Steelmaking

EVRAZ NTMK reduction in energy purchases for 2016

↓66% yoy

EVRAZ ZSMK (Russia)

EVRAZ ZSMK's energy efficiency programme continued in 2016, including measures aimed at reducing the amount of electricity used to compress air at the Prokatnaya compressor station, shutting off natural gas supplies to some equipment at oxygen convertor shop 1 during operational downtime, and using less steam in the rail yard.

Natural gas consumption totalled 611.4 million cubic metres in the reporting period, a decrease of 40 million cubic metres year-on-year, due to fuel balance optimisation. Overall electricity usage amounted to 4,132 million kWh, which is 36 million kWh less than in 2015, thanks to the measures mentioned above.

EVRAZ NTMK (Russia)

EVRAZ NTMK implemented several projects as part of its energy efficiency programme, leading to a 66% reduction in electricity purchases, of which a 42% reduction came from outsourcing oxygen production, 12% was the result of increasing on-site electricity generation, and another 12% was due to lower consumption.

A total of 446 million kWh was purchased from external producers during the reporting period, which is 461 million kWh less than in 2015 as a result of these measures.

Natural gas consumption totalled 1,178 million cubic metres in 2016, up by 69 million cubic metres year-on-year as a result of increased gas usage by the blast furnaces, which was required to maintain the optimal balance of energy costs.

EVRAZ DMZ (Ukraine)

In 2016, EVRAZ DMZ undertook numerous initiatives to reduce spending on energy purchases and maximise its consumption of associated gases (from blast furnaces and coking facilities).

The power plant's energy structure was optimised by increasing the usage of associated gases from the blast furnaces and coking facilities. This reduced natural gas consumption to 16.8 million cubic metres. Further measures were undertaken to improve the accounting of energy sources (natural gas, electricity, and drinking water) in order to better monitor resource usage.

Overall, 37.9 million cubic metres of natural gas were used in 2016, which is 6.5 million cubic metres less than in 2015. Electricity consumption totalled 312.3 million kWh, down by 9.4 million kWh year-on-year.

EVRAZ Uzhkoks (Ukraine)

EVRAZ Uzhkoks' energy efficiency programme included: shutting down under-utilised power stations, replacing inefficient equipment, and installing frequency convertors on pumps in a number of production units.

These measures reduced electricity consumption by roughly 995 thousand kWh in 2016, to a total of 51.6 million kWh, of which 11.5 million kWh were purchased and 40.1 million kWh were generated on-site.

Total consumption for the year was up by 3 million kWh compared with 2015. The increase was due to the need to use equipment with high energy consumption during major repairs that were conducted in 2016: gas and air blowers, as well as gas pipelines. Without the programme, overall consumption would have been 52.5 million kWh.

Mining

Evrazruda (Russia)

Evrazruda's energy efficiency programme for 2016 included reducing electricity consumption by replacing incandescent light bulbs with LEDs in the underground tunnels of the Tashtagolskaya and Kazkaya mines, as well as changing the bearing material in the ball mills at the Abagursky branch.

Total electricity consumption was 434 million kWh, which was 12 million kWh less than in 2015 as a result of the programme.

EVRAZ Sukha Balka (Ukraine)

Installing energy saving lighting in the main haulageways as part of the energy efficiency programme reduced electricity consumption by 0.65 million kWh to 139.76 million kWh.

Reduction in energy consumption for 2016

14.2% yoy
in Coal segment

34.8% yoy
in Steel, North America segment

Coal segment

The main efforts of the Coal segment's ongoing energy efficiency programme in 2016 were aimed at reducing heat energy and electricity consumption:

- switching to less energy-intensive equipment (shutting down excess capacity)
- using equipment more efficiently
- shutting down the enrichment plant's drying machines during the summer

The result was a 49 million kWh overall reduction in energy consumption to 295 million kWh.

Steel, North America segment

EVRAZ North America's operations continued implementing energy-saving measures in 2016.

During the rebuild of the slab reheat furnace in Portland, our technical team upgraded the refractory material to a high-tech product that provides significantly higher insulation coefficients than other technologies. As a result, we expect energy savings of approximately four therms per short ton, or ca. 371 TJ in energy savings annually at full utilisation.

For 2016, electricity and natural gas consumption declined year-on-year in-line with production volumes from 1,623 GWh to 1,059 GWh and from 9,120 TJ to 6,357 TJ, respectively.

Social policy
Our people

Our approach

EVRAZ continues to focus on working both with and for people. The Group's management recognises that reaching their business targets depends on carefully selecting new hires, providing quality training and ensuring that staff are properly motivated.

Personnel profile

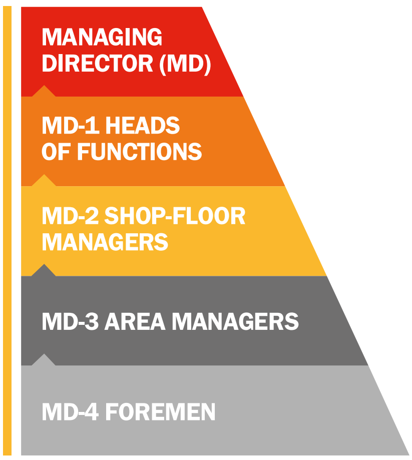
Staff recruitment policy

The Group's in-house HR function meets 99% of its recruiting needs, regardless of the type of position being filled (corporate or technical, specialist or management).

With a view toward attracting talented graduates and providing professional development for staff, EVRAZ has launched several initiatives in cooperation with leading universities:
- improving educational programmes for targeted training or retraining
- upgrading technical and scientific equipment
- supporting talented students through grants and scholarships
- offering internships

The Group prefers to promote from within, but when necessary goes outside the organisation to find the top experts in their fields.

Candidate assessments follow EVRAZ principles of safety, respect for people, customer orientation, accountability and teamwork, as well as the world-renowned Korn Ferry Learning Agility™ model.



Staff development

Staff development strategy. In 2016, EVRAZ continued its "From Foreman to Managing Director" program. This corporate selection, assessment and development procedure aims to improve the managerial skills of shop-floor supervisors, as well as to clearly define the responsibility and authority of every management level, from foreman to shop-floor manager.

In 2016, the Group launched a project focused on foremen, the first-line managers on the shop floor. The project's scope has been expanded to also include area managers. EVRAZ has developed the requirements for the area manager position, as well as a quarterly assessment system covering three areas: health and safety, people management, and process management.

Performance management. To encourage outstanding performance and ensure that corporate and individual goals are clearly linked, the Group has implemented performance management systems throughout its operations. The performance management process' business tasks and development targets include key performance indicators (KPIs) of certain business units aligned with EVRAZ' strategic principles and personal development plans. The performance management plans are used to create further initiatives to motivate staff and ensure career growth.

Training and development. EVRAZ places an emphasis on selecting, developing and promoting high-potential employees, as set out in its five-year goals.

EVRAZ draws on the technical expertise of its staff by obtaining their input when developing in-house educational materials and training courses to ensure that all employees are ready to tackle even the toughest issues that may arise in the course of doing business.

Corporate scientific and technical youth conference

Each year, teams compete to solve technical problems faced by real business units.

In 2016, 40 young engineers from eight of the Group's enterprises participated in the competition. They were familiarised with the production process (EVRAZ NTMK's converter unit), taught to use one of the "Theory of Inventive Problem Solving" (Russian abbreviation: TRIZ) tools, and developed solutions to five problems facing the business unit (two teams were assigned to each problem). The best solutions have been approved for implementation at EVRAZ NTMK in 2017.

> We have competed in the WorldSkills Hi-Tech championship for several years now, and our results keep getting better with each passing year. It makes me happy to see how the EVRAZ team spirit is already showing itself at international competitions. I would like to see more of our employees take part and win in future years.

Alexei Yuryev
Managing director of EVRAZ ZSMK

The Group launched its "Retaining and Developing Engineering Competency" programme in 2012 to establish a pool of subject matter experts with unique knowledge and empower them to maintain and transfer their expertise to their successors.

In 2016, youth technical conferences were held at all EVRAZ business units to brainstorm loss-reduction solutions. Technical directors and experts judged the solutions and the best of them are being implemented. At an HSE conference that was held at Raspadskaya, attendees came up with technical solutions and content to help improve safety.

Young specialists who attended the Group's scientific and technical conference helped solve problems that EVRAZ NTMK's oxygen plant has been facing using the "Theory of Inventive Problem Solving" (Russian abbreviation: TRIZ) method. Two young engineers' clubs also meet at EVRAZ ZSMK and Raspadskaya. The Group estimates that nearly 40% of the solutions developed using the TRIZ method have been implemented in production.

In 2016, EVRAZ held its first corporate WorldSkills championship and took part for the third time in the Russian Federation's WorldSkills hi-tech national championship. EVRAZ staff took silver prizes in three of the five skills competitions in which they took part.

In 2016, at production units in Ukraine, the first three sessions of the "Chief Engineer School" were held, as well as a technical forum dedicated to improving efficiency of mining operations.

The solutions that EVRAZ' experts and young professionals have come up with have been structured, collected into an engineering materials library, and posted on the corporate intranet.

Dmitry Fitz and Maxim Nutrikhin at III WorldSkills Hi-Tech Championship

In 2016, Russian, Ukrainian, US and Canadian engineers graduated the sixth EVRAZ New Leaders Programme, which is hosted by the Skolkovo Moscow School of Management to design and implement initiatives to improve process performance.

Assessment of training programme efficiency. As part of the "Retaining and Developing Engineering Competency" programme that was established in 2012, the Group gathered its top 360 experts to take part in training programs and technical forums, as well as to set tasks for and supervise projects involving young professionals.

From 2012 to 2016, a total of 63 sessions of the Chief Specialist School have been held. The Chief Specialist School is an engineering expertise development and improvement project programme for Group's employees.

For example, four of the programs developed and curated by the Group's experts as part of EVRAZ ZSMK's Chief Specialist School have already saved more than RUB10 million, according to preliminarily estimates.

Four silver medals, two teams among top five at international WorldSkills Hi-Tech 2016 championship

The IV WorldSkills Russia National Competition 2016 took place from 30 October to 3 November in Ekaterinburg, Russia. A total of 300 young professionals from 100 leading global companies competed. A panel of 420 experts, including international specialists from 20 different countries, judged the young professionals' work in 27 hi-tech industry competencies. EVRAZ' team included 11 employees of EVRAZ ZSMK, EVRAZ NTMK, EVRAZ KGOK and Evrazruda. Four of them took home silver medals in the following competencies: electrical installation, mechatronics (technology combining electronics and mechanical engineering), and welding technology.

The Group honours its experts, which already number 693 across the Russian and Ukrainian assets.

In 2016, a scientific and technical advisory board was also created under the guidance of the Group's CEO so that experts could benchmark the progress of technology and development of technological solutions.

Technical forums have become excellent venues for the Group's specialists to discuss and analyse technical issues, seek outside opinions, and develop implementation and action plans.

In 2016, three engineering forums involving international and Russian industry experts were held at the request of technical directors. The Group's specialists devised plans to reduce pig iron production costs, improve mining efficiency, and cut the amount of time that is spent on treatment and tunnelling faces.

Assessment of personnel

Each year, talent committees meet to approve the talent pool. In 2016, this process was automated using SAP's Success Factors system, which gathered all necessary information into one system, making it more intuitive, complete and accessible for the talent committees.

Various assessment methods are applied depending on the goals and category of personnel:

- Korn Ferry's Learning Agility™ model is used to select and assess the talent pool, select training programme participants, and make promotion decisions
- The "From Foreman to Managing Director" performance assessment project is used to assess shop-floor supervisors
- SHL testing and questionnaires are used to assess the reliability of staff working in high-risk environments
- At management request, 360° feedback sessions are conducted

Personal development plans are created and included in the corporate training programme based on the assessments.

Headcount

In 2016, EVRAZ had 77,842 employees, a reduction of 8% from 84,467 in 2015. This was mainly due to staff optimisation including the outsourcing of support functions and the closure of a poorly performing mine in the Coal segment (630 employees).

Diversity

EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees' rights receive equal protection, regardless of race, nationality, gender or sexual orientation. The Group also strongly values diversity in its recruitment efforts. People with disabilities are given full consideration to ensure that their unique aptitudes and abilities are taken into account.

Employee engagement

EVRAZ pays great attention to its internal communications processes and constantly seeks to build an efficient system, designed not only to keep information flowing, but also to increase employee loyalty and motivation.

Work with trade unions

EVRAZ strives to maintain constructive and positive relations with the labour unions that represent its employee's rights. Overall, there is a relatively high level of unionisation at the Group's enterprises (c. 73%), albeit with significant variations across operations and countries.

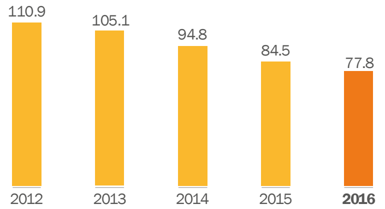
Foremen's councils have also been established at such enterprises as EVRAZ KGOK and Raspadskaya, as well as a master's council at EVRAZ NTMK, which are not intended to replace labour unions but rather to offer recommendations for improving labour conditions and other issues.

EVRAZ' relationship with labour unions is founded on the principle of social partnership. Members of the management regularly meet with union representatives for both formal and informal discussions at every EVRAZ facility, both in Russia and around the world.

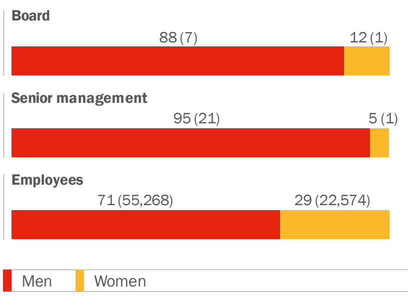
The labour unions at EVRAZ' enterprises are part of nationwide industrial unions (in Russia, this includes the Russian Mining and Metallurgical Union and the Russian Coal Industry Workers Union), and are also members of the Russian Federation of Independent Unions and international industrial union associations.

At the industry level, EVRAZ cooperates with labour unions through industry employer associations. The Group is a member of the Russian Coal Mining Industry Employers Association and the Russian Metallurgists

Number of employees at December 31, thousand people

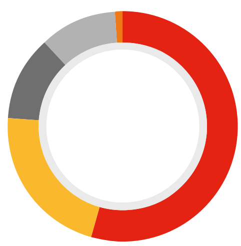


Diversity of employees, senior management and directors, % (number of people)



Breakdown of Hot Line enquiries in 2016, %

In 2016, the hotline received about 840 requests, all of which were investigated. The most popular issue with more than 460 calls concerned labour relations. Inside this topic the first place belongs to housekeeping services (114) and the second, to salaries (94). The number of questions regarding personal protective equipment was 29.



	%
Labor relations	55
Health and safety	21
Security related matters	12
General information requests	11
Others	1

Association. It is also part of the negotiations on agreements with employee associations at the industry level (coal and steel mining).

Collective bargaining agreements are in force at most EVRAZ operations. They are based on industry agreements and cover employment, working hours, salaries, HSE, benefits and welfare. They also guarantee labour unions' rights. In addition to state-guaranteed benefits, bargaining agreements offer supplemental privileges and social programmes for employees and their families, as well as retirees and veterans (voluntary health insurance for employees, workplace accident insurance, housing improvement assistance, various kinds of financial support, subsidised recreation and holiday vouchers, holiday gifts etc). Social programmes are region and industry-specific to provide maximum value and relevance for employees. Sporting and cultural events are held together with trade unions. Labour unions also help distribute benefits to employees, including vacation packages for stays at health resorts.

The bargaining agreements include sections on HSE that outline the employer's responsibility for providing employees a healthy and safe work environment. This includes providing personal protection equipment that exceeds the minimum government requirements, as well as offering medical check-ups and healthcare services at the employees' workplaces, providing public amenities, conducting HSE training and examinations, and more.

Industry-wide agreements with labour unions contain dedicated HSE sections.

Tracking employee engagement

Managing employee engagement is an important and significant tool for the Group to influence employee work efficiency and motivation.

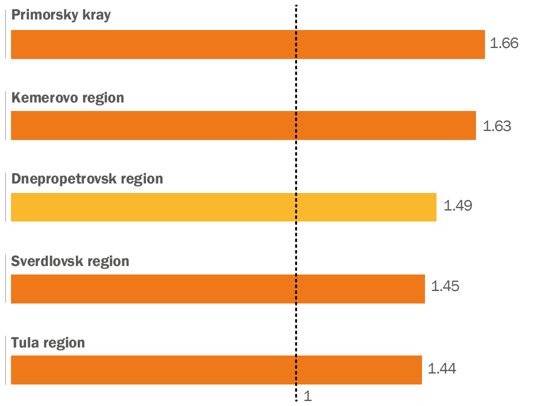
At the end of Q3 2016, phase one of the "Tracking Employee Engagement" project began. An employee engagement index has been measured based on AON Hewitt's model.

A large pilot survey was conducted as a part of the project at four business units in the Urals and Siberia. The project seeks to paint an accurate picture of the level of employee engagement and find ways to increase employee engagement. Future surveys are planned for additional EVRAZ business units.

Financial motivation

Ratio of average salary to average salary in the region

EVRAZ strives to motivate its employees by offering above-average salaries for the regions where they work.



Employee engagement awards in 2016

Awarding organisations: Russian Mining and Metallurgical Trade Union, Association of Russian Industrialists and Entrepreneurs, Russian Ministry of Industry and Trade.

EVRAZ NTMK
Winner of the "Environment and natural resource protection" award in the XIII national competition "Most Socially Effective Metal and Mining Company"

Evrazruda
Winner of the "Work with Youth" award in the XIII national competition "Most Socially Effective Metal and Mining Company"

Key projects

The staff costs in the 2017 budget have been kept at the level of the costs for 2016, in line with the target. Optimisation measures have been implemented at enterprises to ensure wage rises, including indexation stipulated in labour agreements.

Transform HR: the HR Service Solutions Centre (SSC) project has been launched with a goal of fully standardising and automating all core HR functions, and transferring the full HR workflow into SSC. The project aims to improve workflow quality and transparency, and to reduce related costs. To date, three Group enterprises have been transferred to SSC.

Objectives for 2017

The primary goal is conforming with best HR practises, maintaining high process quality and ensuring that the Group has engaged, motivated, loyal and competent staff.

Recruitment. The main focus in recruitment is to build on what has already been achieved and to improve university outreach.

Development and assessment of personnel.
- Extend the system of selection, evaluation and training for personnel of MD-1-4 level
- "From Foreman to Managing Director": the Group plans to cover shop-floor supervisors.

Engagement with employees. In 2017, EVRAZ aims to improve employee engagement organisation-wide.

Financial motivation. Projects are underway to improve the payroll system, including analysing and revising incentive tools organisation-wide to ensure that they are properly motivating employees while remaining aligned with business goals and simultaneously simplifying payroll procedures.

Transform HR. The HR SSC project has been launched and will be expanded to business units in the Urals.

Headcount. In 2017, the key focus will be on combining the efforts of HR and other vital corporate functions to develop a sustainable process improvement system through EBS-transformation projects.

Community relations

Our approach

EVRAZ strives to maintain an open dialogue with the communities surrounding its areas of operation. The Group pays its taxes responsibly and cares for the wellbeing of its employees. Organisation-wide, operations are conducted in accordance with federal and local legislation. Managing directors and regional vice presidents take responsibility for communicating with local governments. HSE directors' duties include ensuring that plant operations meet all applicable rules and regulations. The regional corporate communications centres collaborate with non-profit organisations on charity, environmental, social, educational and sport projects.

Relations with local communities

EVRAZ' numerous contributions to local economies benefit the communities where its operations are based.

The Group fosters lasting partnerships with these local communities and aims to improve the quality of life in the many regions where it conducts business. It has implemented socially responsible programmes benefitting special needs children, veterans and the elderly, and children's homes, as well as cultural, educational and sport projects, city infrastructure, and environmental impact reduction programmes. EVRAZ honours its responsibilities as a taxpayer and employer, providing development, training programmes, social protection and regionally competitive salaries to its employees. EVRAZ values its partnership with local governments and is committed to solving the issues facing the regions where it operates.

Community relations awards in 2016

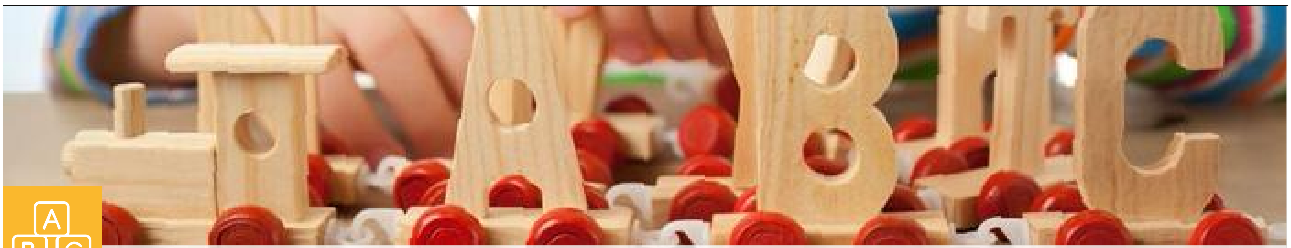
Alexey Kushnarev, managing director of EVRAZ NTMK, has received a letter of gratitude for his contribution towards improving children's health. Every year, about 1,200 children of NTMK employees attend a health-focused youth camp.

Nizhny Tagil city government

EVRAZ NTMK: "Best Philanthropists of Sverdlovsk region". EVRAZ NTMK was awarded as best philanthropist of the Sverdlovsk region among the companies from ferrous metallurgy.

Mining and smelting trade union of Russia

Evrazruda: "Mining and steel enterprise of high social effectiveness". Evrazruda was awarded first place in the nomination "Work with young people"



EVRAZ for Kids

This programme's main goal is to support children who have special needs and/or are socially vulnerable. EVRAZ organises special treatment and voluntary support for children with cerebral palsy and their families in the Urals and Siberia, and supports socially vulnerable children. Every year, EVRAZ sponsors specialised medical treatment for more than 500 children with special needs. The company has implemented cutting-edge treatment techniques, including phototherapy, art therapy, aquatic therapy, hippotherapy, and adaptive sports programmes, as well as massage courses for the children and training programmes for their parents, volunteers and teachers.

Each year, EVRAZ provides holiday presents for children in Russia. It also organises annual volunteer drives that provide books, office stationery, sport equipment and clothes for the start of the school year.

Activities in 2016:

- **Kachkanar, Russia** – EVRAZ sponsored a new diagnostic and preventative care centre to treat diseases affecting the vision of children with disabilities
- **Kachkanar, Russia** – EVRAZ purchased sports equipment for a specialised kindergarten and school, swimming pool, and hospital to successfully develop adaptive sports activities and improve the physical and psychological rehabilitation of children with disabilities
- **Mezhdurechensk, Siberia, Russia** – EVRAZ sponsored hippotherapy for 80 children
- **Urals, Russia** – EVRAZ sponsored 800 individual art therapy lessons, 20 group phototherapy sessions and 600 individual hippotherapy lessons
- **Siberia, Russia** – EVRAZ bought comfortable new buses for two orphanages
- **Urals, Russia** – EVRAZ sponsored 6 training workshops for teachers and volunteers, and organised nearly 20 exhibitions of photos and pictures from EVRAZ for Kids participants
- **Portland, Oregon, USA** – EVRAZ sponsored First Growth Children and Family Charities, benefitting the YWCA of Clark County, Randall Children's Hospital, New Avenues for Youth, Metropolitan Family Services and Friends of the Children

In 2016, EVRAZ sponsored the Russia-wide "Dream ski" charity programme, *which is aimed at promoting downhill skiing as part of a rehabilitation programme for children with cerebral palsy. In 2016, as part of this programme, EVRAZ helped launch a new project in Kemerovo region by providing specialised equipment that is used when conducting lessons with children. The first group of children have already completed their course of rehabilitation lessons. In December 2016, the "Dream ski" project opened a new course in the city of Mezhdurechensk, Russia.*

EVRAZ: City of Friends – City of Ideas

This programme's main goal is to improve the quality of life in Kachkanar, Russia, by developing culture, sport, and education, as well as by helping the elderly and children with special needs. Non-profit organisations present social projects to a jury, which then selects 10-15 winners who receive up to RUB100,000 to implement their projects.

Activities in 2016:

- In Kachkanar, 45 projects were presented as part of the EVRAZ: City of Friends – City of Ideas initiative and 13 of them received monetary grants
- A total of 70 people took part in the competition
- The winners included the Adapted Physical Education project to provide new sport equipment to promote physical education lessons for children with disabilities, and the Kitchen at Home project to equip a kitchen and hold cooking lessons for children from orphanages

Devoted to man's best friend *– in summer 2016, Kachkanar got a new statue of a dog nicknamed Druzhok (Russian for buddy or friend). It is both a monument and a collections box for donations to help homeless animals. The project was initiated by ninth-grade student Slava Shashkin.*

EVRAZ for Cities

EVRAZ supports the local infrastructure in the cities where it operates by donating funds to reconstruct roads, parks and theatres, as well as to equip schools, colleges and medical centres.

Activities in 2016:

- **Nizhny Tagil and Kachkanar, Russia** – EVRAZ provided sand and road material for municipal infrastructure
- **Urals, Russia** – EVRAZ helped equip and renovate educational facilities, including schools, technical schools and institutes
- **Siberia, Russia** – EVRAZ continued the renovation of Steelworkers' Park, opening an exercise facility and installing a sculpture of a mother bear with her cubs (bears are the symbol of Siberia)
- **Novokuznetsk**, **Russia** – EVRAZ sponsored road repairs and helped put up iron fences along the city's central streets
- **Novokuznetsk**, **Russia** – EVRAZ' six-year partnership with the local drama theatre continued, allowing it to bring plays for children and adults to Mezhdurechensk, Russia free of charge
- **Novokuznetsk**, **Russia** – EVRAZ' neighbourhood courtyard improvement programme has been ongoing 2007, during which time around 300 of the city's neighbourhood courtyards have been renovated
- **Mezhdurechensk**, **Russia** – EVRAZ helped provide a playground in the town's main square
- **Urals, Russia** – EVRAZ sponsored a contest to award MBA grants to students with the most innovative ideas
- **Krivoy Rog**, **Ukraine** – EVRAZ Sukha Balka sponsored the completion of a section of Nevskaya Street

In 2016, EVRAZ sponsored the construction of a new three-storey house in Russia's Tula Region *for the people who lived in the old stately home of steelworker Mosolov. The building, an eighteenth century architectural monument, was in critical condition. With EVRAZ' help, the families were able to move into safe new flats.*

EVRAZ for Sport

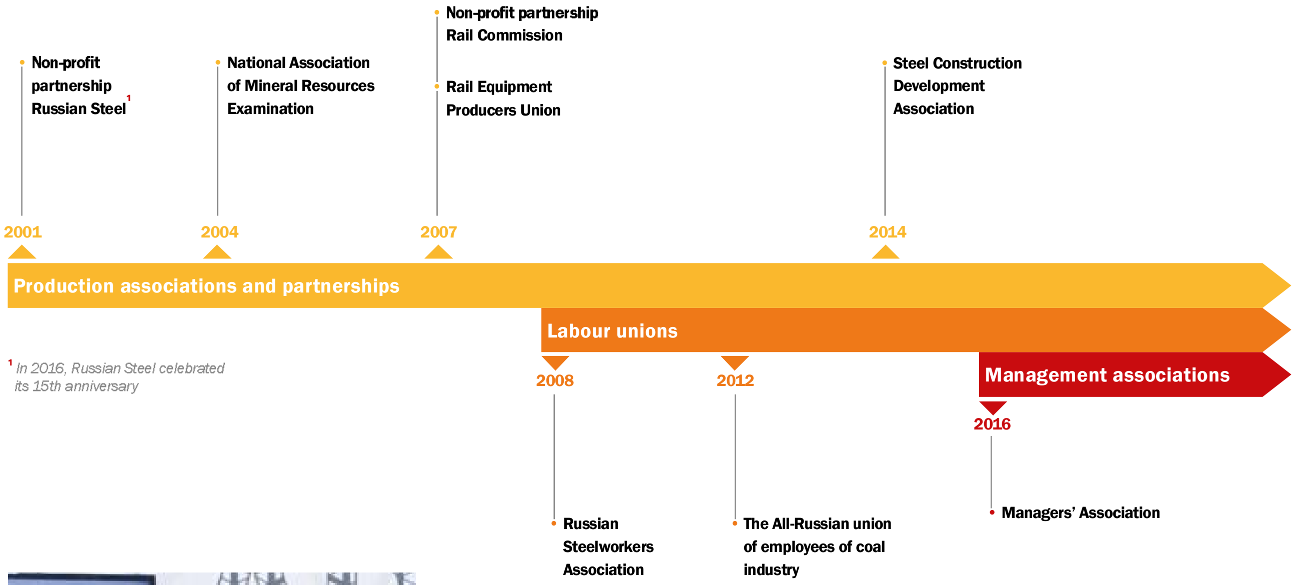
EVRAZ supports amateur and professional sports teams, as well as individual youth and adult athletes, by providing sport equipment and donating money to help them prepare for and participate in tournaments.

Activities in 2016:

- **Nihny Tagil and Kachkanar, Russia** – EVRAZ bought sport equipment, organised tournaments and sponsored athletes' participation in sports tournaments for athletics, taekwondo, sambo, hockey, football, kettlebell lifting, and shooting
- **Kachkanar, Russia** – EVRAZ sponsored the Olymp youth football team to participate in an international tournament in Sochi and they won first place
- **Nizhny Tagil, Russia** – EVRAZ helped promote 'steel workout' by buying special sport equipment and organising the first ever contest in the city
- **Nizhny Tagil, Russia** – EVRAZ sponsored BREAK DOWN T 2016, the first Russia-wide contemporary dance festival, which saw some 200 dancers compete
- **Siberia, Russia** – EVRAZ supported popular sport events, including skiing, running and orienteering competitions
- **Alberta, Canada** – EVRAZ sponsored the Enbridge® Alberta Ride to Conquer Cancer®, a two-day, 200-km bicycle ride through the Canadian Rockies that raised US$7.8 million for cancer research, clinical trials, enhanced care and the discovery of new cancer therapies at 16 cancer centres across Alberta

In 2016, EVRAZ organised a series of city festivals and 5km races called Take Five! in Nizhny Tagil and Novokuznetsk. *The goal was to promote sport and a healthy lifestyle, as well as to raise money for charitable needs. Some 2,000 people took part in the races, and nearly 6,000 attended the city festivals. All funds raised were donated to help develop adaptive sports programmes in Russia's regional cities.*

Participation in public organisations and initiatives



[1] *In 2016, Russian Steel celebrated its 15th anniversary*

EVRAZ continued the promotion of steel structure usage as a substitute for concrete in order to increase beams sales

In 2016, the Steel Construction Development Association (SCDA) continued to improve steel design codes and promote the use of steel structures in multi-storey civil buildings. Over the year, around 200,000 square metres of residential and parking space featuring steel structures was designed, and the work was begun. This created additional demand for around 8,000 tonnes of EVRAZ beams.

In addition, the SCDA published numerous manuals to simplify the design of fire-engineering and steel structures, as well as brochures to raise awareness about constructing multi-storey car parks and middle-rise residential buildings. The SCDA also held a contest for students, Steel2Real, which involved more than 130 participants from 23 universities. The winners received the chance to visit the Steel Construction Institute in London to gain new experience and ideas.

APCC

Steel construction development association

The SCDA was created to promote the use of steel structures as a substitute for concrete and other non-steel materials in construction in Russia. It unites steelmakers, steel fabricators and erectors, research institutes, design engineers and architects.

Anti-corruption

Our approach

EVRAZ is committed to strict compliance with the Law of the Russian Federation #273 "On Preventing Corruption," the UK Bribery Act, the US Foreign Corrupt Practices Act and other relevant local legal equivalents. EVRAZ has implemented internal policies on these matters to comply with both the letter and the spirit of these laws. The compliance team provides internal monitoring and control over areas generally perceived as holding risks of corruption at all EVRAZ assets.

The compliance manager routinely reports to the senior vice president for business support and interregional relations and delivers regular updates on the status of anti-corruption efforts to the Audit Committee.

Policies and regulations

EVRAZ subsidiaries in the Russian Federation, Ukraine, the US and Canada enforce a Code of Conduct and Anti-corruption policy, which are the key documents defining norms of ethical and responsible behaviour of employees in all circumstances.

All policies are available on the corporate intranet and employees are required to adhere to them by taking personal responsibility for compliant behaviour. Employees are encouraged to approach compliance managers whenever they have questions about expected course of actions in difficult situations or when they want to voice concerns about known policy violations.

Key developments in 2016

All elements of EVRAZ' compliance system have been implemented across its Russian and Ukrainian sites, which were considered priority targets for anti-corruption compliance efforts in 2016. This is explained by the admittedly higher risk of corruption in these countries as reported by Transparency International.

In March 2016, the esteemed organization assessed emerging market multinationals and published their research paper "Transparency in Corporate Reporting". The document mentioned the high results achieved by EVRAZ in building up its anti-corruption program. EVRAZ achieved a score of 85%, which compares favourably with the average of 74% for the technology sector or the average of 48% for all companies considered in the assessment.

Code of Conduct

The Code of Conduct is the key document that all employees are requested to adhere to and act in full accordance with. Every new employee is trained on the Code of Conduct on their first day of work. The document is available on the intranet and stresses the ultimate importance of ethical behaviour in all circumstances. Anti-corruption training and the tone set from the top of the organization emphasise the role of the Code of Conduct in the company's daily life.

ANTI-CORRUPTION POLICY

EVRAZ' Anti-corruption policy sets and explains key principles that have been adopted at all assets to prevent corruption. The policy is easily accessible on the corporate intranet for employees, interested parties and partners, who are all expected to be compliant with relevant anti-corruption legislation and principles upheld by EVRAZ.

Anti-corruption training policy

Consistent efforts in the area of anti-corruption education are an integral element of a well-thought-out compliance system. The policy adopted in December 2015 defines what positions and levels of authority are to undergo training in anti-corruption awareness. Specifically, all managers and specialists from compliance, legal, controlling, asset protection, investor and government relations, and HR are to receive training and pass a corresponding test. The same refers to all decision making and/or client managers from procurement and sales. Compliance managers are assigned discreet authority to analyse risk areas and decide who else needs to be trained.

Sponsorship and charity policy

All aspects of EVRAZ' sponsorship and charity efforts are regulated as necessary by this policy. Under it, the Group may consider supporting low-income or physically challenged individuals, and those suffering from conflicts or natural disasters. EVRAZ may choose to support certain projects in education, sport, health care, culture, and environment protection. All petitions are carefully considered in terms of legitimacy and transparency of purpose, the amount sought, and the reputation of the petitioner. The decisions are then taken by the Group CEO. When support is granted, sponsorship being its preferred form, such instances are followed up by experts under the vice president for corporate communications and compliance managers. This ensures full accountability and strict adherence of those supported to EVRAZ policy requirements.

Gifts and business entertainment policy

EVRAZ believes that business gifts and hospitality are accepted ways to demonstrate and further develop good relationships. At the same time, adequate consistent control over such expenses is very important and is among the key areas for anti-corruption compliance to watch. The policy defines rules and strict approval procedures to be followed when extending or receiving gifts and hospitality. In particular, all amounts above US$100 for a personal gift (received or given) and US$500 for hospitality (received or extended to a person) must be approved by the responsible compliance manager. To this end, an electronic notification system has been developed. The Internal Audit function conducts regular checks of the completeness and accuracy of records, either planned or requested by a compliance manager, and compliance specialists act on any recommendations promptly.

HOTLINE POLICY AND WHISTLE-BLOWING PROCEDURES

EVRAZ encourages employees to raise concerns to their line managers if they believe the company's policies or cardinal principles are somehow violated. If employees, clients, or contractors feel unable to do so via other means and procedures, a confidential hotline is available 24/7.

RULES ON SECURITIES DEALINGS

In 2016, the Group developed a set of measures to ensure compliance with the EU Market Abuse Regulation (the "MAR") which came into force in July 2016, including development of new Rules on securities dealings. All procedures relating to share dealings have been communicated to Persons Discharging Managerial Responsibility (PDMRs) and their Closely Associated Persons (CAPs). All PDMRs and permanent insiders have completed online training modules dedicated to MAR and Rules on securities dealings and passed relevant assessment.

Candidates' background and criminal record check

EVRAZ consistently performs thorough background and criminal record checks on all potential employees. Among other requirements and norms, the policy specifies that all necessary effort is invested only after the candidate gives written permission to work with his/her personal data. The company is committed to protecting each individual's privacy and works in full compliance with relevant laws on personal data.

Conflict of interest policy

A conflict of interest is a set of circumstances in which employees have financial or other personal considerations that may compromise or influence their professional judgment or integrity in carrying out their work responsibilities. The policy specifies how situations with signs of such conflicts are to be identified, considered, and duly taken care of. HR together with compliance managers routinely check if there are conflicts of interests in the company, whereas employees and particularly their managers are expected to provide information about any potentially risky situations. Special commissions consider cases that are reported and found to come up with the best possible solutions to each individual situation.

Contractors/suppliers due diligence check

To guard against unscrupulous, unreliable, or suspicious would-be agents and partners, the company runs comprehensive due diligence checks on a business or person prior to signing a contract. EVRAZ fervently upholds a know-your-partner/client policy and in doing so is fully compliant with the applicable anti-corruption laws. The investigation includes but is not limited to checking business reputation and solvency of the company, as well as the profile and reputation of its top management.

All business processes bearing high corruption risk are now duly covered by corresponding corporate regulations and policies, either updated or developed anew. The areas of concern include procurement of goods, works and services, government relations, archiving of tendering documentation, recruitment, sponsorship and charity payments, selling of goods, works and services. The effectiveness of these policies is closely monitored by the compliance and asset protection, internal audit and legal departments.

All EVRAZ sites have Anti-Corruption Compliance units. They routinely run checks on candidates, tenders, clients and potential conflicts of interest; conduct investigations into possible non-compliance with policies; monitor charity payments and hospitality spending; and act on whistleblower allegations of possible fraud, bribery or corruption.

Compliance Managers submit findings and any recommendations to local Managing Directors. Each month, the managers report all results to the Group's Compliance Officer and specialists under the Senior Vice President for Business Support. They review and analyse them and liaise with senior management as necessary.

Once a year, all Compliance Managers conduct comprehensive anti-corruption and fraud risk analyses in their respective areas. The findings are presented to local managers, who undertake corrective measures if necessary. The Group Compliance Officer then presents a consolidated analysis to the Audit Committee. The 2016 analysis, which found no major violations of anti-corruption statutes or cases of non-compliance with Group policies, was presented to the Committee in early February 2017.

Additional compliance control over payments to non-resident companies (specifically off-shore) is now also in place at Russian and Ukrainian assets. The Group has developed electronic means for compliance managers to approve such payments. Gifts and hospitality to be provided or accepted are also approved in the same fashion.

At EVRAZ North America, the Risk Committee approved a Conflict of Interest questionnaire that employees will be required to complete annually.

Anti-corruption training is progressing steadily. In 2016 alone, some 4,200 managers and specialists in Russia and Ukraine completed an online course developed by Thomson Reuters. Overall, the number of employees who have received training to date is close to 6,000. The programme is due to be developed further in 2017.

EVRAZ

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Board of Directors
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Alexander Abramov
Non-Executive Chairman

Alexander Frolov
Chief Executive Officer

Eugene Shvidler
Non-Executive Director

Eugene Tenenbaum
Non-Executive Director

Karl Gruber
Independent Non-Executive Director

Deborah Gudgeon
Independent Non-Executive Director

Alexander Izosimov
Independent Non-Executive Director

Sir Michael Peat
Senior Independent Non-Executive Director

Biographies of the members of the Board of Directors

Alexander Abramov
Non-Executive Chairman

Appointment: Alexander Abramov has been a Board member since April 2005. He was CEO and chairman of EVRAZ Group SA until 1 January 2006, and continued to serve as chairman until 1 May 2006. Mr Abramov was a non-executive director from May 2006 until his re-appointment as chairman of the Board on 1 December 2008. He was appointed chairman of EVRAZ plc on 14 October 2011.
Committee membership: Mr Abramov is a member of the Nominations Committee.
Skills and experience: Mr Abramov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1982, and he holds a PhD in Physics and Mathematics. He founded EvrazMetall in 1992. Mr Abramov is a Bureau member of the Russian Union of Industrialists and Entrepreneurs (an independent non-governmental organisation), a member of the Board of Skolkovo Institute for Science and Technology, and a member of the Board of Moscow University of Physics and Technology.

Alexander Frolov
Chief Executive Officer

Appointment: Alexander Frolov has been a Board member since April 2005. He was chairman of the Board of EVRAZ Group SA from May 2006 until December 2008, and was appointed CEO with effect from January 2007. Mr Frolov was appointed CEO of EVRAZ plc on 14 October 2011.
Committee membership: Mr Frolov is a member of the Health, Safety and Environment Committee.
Skills and experience: Mr Frolov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1987 and received a PhD in Physics and Mathematics in 1991.Prior to joining EVRAZ, he worked as a research fellow at the I.V. Kurchatov Institute of Atomic Energy. He joined EvrazMetall in 1994 and served as its chief financial officer from 2002 to 2004, then as senior executive vice president of EVRAZ Group SA from 2004 to April 2006.

Eugene Shvidler
Non-Executive Director

Appointment: Eugene Shvidler has been a Board member of EVRAZ Group SA since August 2006. He was appointed to the Board of EVRAZ plc on 14 October 2011.
Committee membership: Mr Shvidler is a member of the Nominations Committee.
Skills and experience: Mr Shvidler currently serves as chairman of Millhouse LLC and Highland Gold Mining Ltd. He is also on the Board of AFC Energy plc. Mr Shvidler served as president of Sibneft from 1998 to 2005 having previously been senior vice president from 1995. He holds an MSc and an MBA.

Eugene Tenenbaum
Non-Executive Director

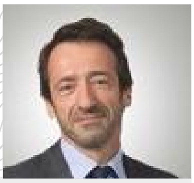
Appointment: Eugene Tenenbaum has been a Board member of EVRAZ Group SA since August 2006. He was appointed to the Board of EVRAZ plc on 14 October 2011.
Committee membership: None.
Skills and experience: Mr Tenenbaum is currently managing director of MHC (Services) Ltd and serves on the Board of Chelsea FC Plc. 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. He is a chartered accountant.

Karl Gruber
Independent Non-Executive Director

Appointment: Karl Gruber has been a Board member of EVRAZ Group SA since May 2010. He was appointed to the Board of EVRAZ plc on 14 October 2011.
Committee membership: Mr Gruber serves as chairman of the Health, Safety and Environment Committee. He is also a member of the Audit Committee and Nominations Committee.
Skills and experience: Mr Gruber has extensive experience in the international metallurgical mill business and holds a diploma in mechanical engineering. He has held various management positions, including eight years as a member of the Managing Board of VOEST-Alpine Industrieanlagenbau (VAI), first as executive vice president of VAI and then as vice chairman of the Managing Board of Siemens VAI. He also served as chairman on the Boards of Metals Technologies (MT) Germany and MT Italy. Further, he has executed various consultancy projects for the steel industry and served as CEO and chairman of the Management Board of LISEC Group.

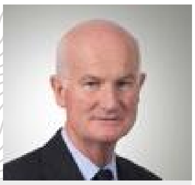
Deborah Gudgeon
Independent Non-Executive Director

Appointment: Deborah Gudgeon has been a Board member of EVRAZ plc since May 2015.
Committee membership: Ms Gudgeon serves as chairman of the Audit Committee and is a member of the Remuneration Committee.
Skills and experience: Ms Gudgeon started her career in 1983 as an accountant with Coopers and Lybrand and in 1987 became a senior accountant for Salomon Brothers International. She is a chartered accountant. From 1987 to 1995, Ms Gudgeon served as a finance executive at Lonrho PLC and was appointed a member of the Finance Committee in March 1993. From 1995 to 1998, Ms Gudgeon served as a director for Halstead Services Limited, and from 1998 to 2003, she served as a director of Deloitte, specialising in corporate finance. From 2003 to 2009, Ms Gudgeon served as a founder director of the Special Situations Advisory team for BDO LLP, providing integrated advice on corporate finance, restructuring, debt and performance improvement. Since 2011, Ms Gudgeon has served as managing director of Gazelle Corporate Finance Limited.



Alexander Izosimov
Independent Non-Executive Director

Appointment: Alexander Izosimov was appointed to the Board of EVRAZ plc on 28 February 2012.
Committee membership: Mr Izosimov is chairman of the Remuneration Committee. He is also a member of the Nominations Committee and the Audit Committee.
Skills and experience: Mr Izosimov has extensive managerial and board experience. From 2003 to 2011, he was president and CEO of VimpelCom, a leading emerging market telecommunications operator. From 1996 to 2003, he held various managerial positions at Mars Inc and was regional president for CIS, Central Europe and Nordics, and a member of the executive board. Prior to Mars Inc, Mr Izosimov was a consultant with McKinsey & Co (Stockholm, London) (1991-1996) and was involved in numerous projects in the transportation, mining, manufacturing and oil businesses. Until recently, Mr Izosimov served on the boards of MTG AB, Dynasty Foundation, LM Ericsson AB and Transcom SA. He also previously served as director and chairman of the GSMA (global association of mobile operators) board of directors, and was a director of Baltika Breweries, confectionery company Sladko, and IT company Teleopti AB. He holds an MBA from INSEAD.



Sir Michael Peat
Senior Independent Non-Executive Director

Appointment: Sir Michael Peat was appointed to the Board of EVRAZ plc on 14 October 2011.
Committee membership: Sir Michael Peat serves as chairman of the Nominations Committee and is a member of the Remuneration Committee
Skills and experience: Sir Michael Peat is a qualified chartered accountant with over 40 years' experience. He served as Principal Private Secretary to HRH The Prince of Wales from 2002 until 2011. Prior to this, he spent nine years as the Royal Household's Director of Finance and Property Services and then Treasurer to The Queen and Keeper of the Privy Purse. Sir Michael Peat was at KPMG from 1972, and became a partner in 1985. He left KPMG in 1993 to devote himself to his public roles. Sir Michael Peat is an independent non-executive on the Board of Deloitte LLP, a director of CQS Management Limited and a partner in CQS (UK) LLP, chairman of GEMS MENASA Holdings Limited, a non-executive director of Arbuthnot Latham Limited,a non-executive director of M&C Saatchi plc, a director of Architekton Limited, chairman of the Regeneration Group Limited and chairman of the Advisory Board of BellAziz Holdings Limited. He holds an MA and MBA, and is a fellow of the Institute of Chartered Accountants in England and Wales.

Management

Our organisational structure enables EVRAZ to most efficiently tackle current challenges, including further reduction of costs, improving the quality of products and services to strengthen the Company's leading position in the market, ensuring a higher efficiency of investments.

Alexander Frolov
Chief Executive Officer

Leonid Kachur

Senior Vice President, Business Support and Interregional Relations

Aleksey Ivanov

Senior Vice President, Commerce and Business Development

Nikolay Ivanov

Chief Financial Officer

New appointment

Mr Ivanov joined EVRAZ in November 2016. Since 2013 he served as executive vice president, CFO at VimpelCom. Previously he held various positions at TNK-BP including the first deputy executive vice president for exploration and production, having spent over 10 years with the company.
Mr Ivanov graduated from the Financial Academy of the Government of the Russian Federation with a degree in finance and credit, as well as Northeastern University, Missouri, USA, and the Truman University, USA, with a degree in accounting.

Alexander Kuznetsov

Vice President, Corporate Strategy and Performance Management

Ilya Shirokobrod

Vice President, Sales

Natalia Ionova

Vice President, Human Resources

Sergey Stepanov

Vice President, Head of the Coal Division

Alexey Soldatenkov

Vice President, Head of the Siberia Division

Maksim Andriasov

Vice President, Head of the Urals Division

Denis Novozhenov

Vice President, Head of the Ukraine Division

Michael Shuble

Vice President, Health, Safety and Environment

Anton Yegorov

Vice President, Legal

Sergey Vasiliev

Vice President, Compliance with Business Procedures and Asset Protection

Vsevolod Sementsov

Vice President, Corporate Communications

Artem Natrusov

Vice President, Information Technologies

Corporate governance report

Introduction

EVRAZ is a public company limited by shares incorporated in the United Kingdom. It is a premium-listed company on the Main Market of the London Stock Exchange and is a member of the FTSE 250 Index. EVRAZ is committed to high standards of corporate governance and control.

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

Compliance with corporate governance standards

EVRAZ' approach to corporate governance is primarily based on the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in April 2016 and the Listing Rules of the UK Listing Authority. The Company complies with the UK Corporate Governance Code or, if it does not comply, explains the reasons for non-compliance. During the year to 31 December 2016, EVRAZ complied with all the principles and provisions of the 2016 UK Corporate Governance Code (the Governance Code is available at www.frc.org.uk) with the following exceptions:

- Provision D.1.1 of the Governance Code requires that performance-related remuneration schemes should include malus and clawback provisions. The Company does not operate clawback arrangements and an explanation for this non-compliance is set out in the Remuneration Report on pages 120-129.

- Contrary to provision C.3.1 of the UK Corporate Governance Code, Olga Pokrovskaya was a member of the Audit Committee until her cessation as a Board member on 14 March 2016, but did not meet the independence criteria set out in the UK Corporate Governance Code. More than 50% of EVRAZ' activities and operations are based in the Russian Federation and Olga Pokrovskaya's technical and regional experience and qualification, as a past senior audit manager at Arthur Andersen and as head of corporate finance at Russian oil company Sibneft, continues to be of value to the Committee. Accordingly, she is invited to attend Board meetings in an advisory capacity and to attend Audit Committee meetings as an observer. Since 14 March 2016, the Audit Committee has consisted of three non-executive directors, all independent, which complies with the Code, and the Board considers that, as a whole, the Committee has competence relevant to the industry sector in which the Group operates.

Board responsibilities and performance

The Board and management of EVRAZ aim to pursue objectives in the best interests of EVRAZ, its shareholders and other stakeholders, and particularly to create long-term value for shareholders. The EVRAZ Board is responsible for the following key aspects of governance and performance:

- Financial and operational performance
- Strategic direction
- Major acquisitions and disposals
- Overall risk management
- Capital expenditure and operational budgeting
- Business planning
- Approval of internal regulations and policies

During the year ended 31 December 2016, the Board considered a wide range of matters, including:

- the critical success factors for strategic development of the Company's competitive advantages
- the performance of key businesses, including commercial initiatives to improve operational performances and revenues, with particular emphasis on North America
- consolidated group budget and budgets of individual business units
- the interim and full-year results, and the 2015 Annual Report
- the appropriateness of the going concern basis of financial reporting
- the assumptions, stress-test scenarios and mitigating actions used in preparing the Company's viability statement
- HSE updates
- investment project reviews
- changes to the composition of various Board committees
- implementation throughout the group over the next five years of the EVRAZ Business System to promote an operational culture of values and behaviours that support the drive for continuous improvement and business change
- linking succession planning to corporate strategy execution, and the need to look deeper into the group for future leaders
- compliance with the Market Abuse Regulation in relation to managing inside information, share dealing by insiders and online training of all insiders
- a review of the findings of the internally facilitated Board evaluation exercises and action plans resulting therefrom.

Chairman and chief executive

The Board determines the division of responsibilities between the chairman and the chief executive officer (CEO).

The chairman's principal responsibility is the effective running of the Board, ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Board is chaired by Alexander Abramov.

The CEO is responsible for leading the Group's operating performance, as well as day-to-day management of the Company and its subsidiaries. The Company's CEO is Alexander Frolov.

The CEO is supported by the executive team.

Board meetings, composition and AGM

EVRAZ plc held 10 scheduled Board meetings and two ad-hoc meetings held in the form of conference calls during 2016. In 2017, up to the date of this report's publication, two Board meetings were held.

The chief financial officer and the senior vice president (commerce and business development) attended all Board meetings, with other members of senior management attending meetings by invitation to deliver presentations on the status of projects and performance of business units.

The table below sets out the attendance of each current director at scheduled EVRAZ plc Board and Board Committee meetings in 2016.

As at 31 December 2016, the Board comprised the chairman, one executive director, and six non-executive directors, including a senior independent director. On 14 March 2016, Duncan Baxter and Olga Pokrovskaya stood down as directors, and Terry Robinson (who retired as a director on 18 June 2015) ceased to be an adviser to the Board. This change was agreed following a review of the composition of the Board, to enable financial savings to be achieved without compromising the quality of the Group's governance. Olga Pokrovskaya is invited to attend Board meetings in an advisory capacity and to attend Audit Committee meetings as an observer.

As a result, a number of changes were made to Board Committees: Alexander Izosimov assumed the chairmanship of the Remuneration Committee, Deborah Gudgeon and Sir Michael Peat joined the Remuneration Committee, and Karl Gruber stepped down from the Remuneration Committee. In addition, Karl Gruber joined the Audit Committee.

The Board considers that four non-executive directors (Karl Gruber, Alexander Izosimov, Sir Michael Peat and Deborah Gudgeon) are independent in character and judgement, and free from any business or other relationship that could materially interfere with the exercise of their independent judgement, in compliance with the UK Corporate Governance Code.

The independent non-executive directors comprise the majority on and chair all Board Committees.

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

Boardroom diversity

	%
Independent Non-Executive Directors	50
Non-Executive Directors	25
Chairman, Non-Executive	12.5
Executive Director	12.5

Board and AGM attendance by each director[1]

	Board	Remco	HSECo	Auditco	Nomco	AGM
Total Number of Meetings	**10**	**3**	**2**	**9**	**2**	**1**
Alexander Abramov	9/10	-	-	-	2/2	1
Alexander Frolov	10/10	-	2/2	-	-	1
Karl Gruber	10/10	1/1	2/2	6/6	2/2	1
Deborah Gudgeon	10/10	2/2	-	9/9	-	1
Alexander Izosimov	10/10	3/3	-	8/9	2/2	1
Sir Michael Peat	10/10	2/2	-	-	2/2	1
Eugene Shvidler	10/10	-	-	-	2/2	1
Eugene Tenenbaum	10/10	-	-	-	-	1

[1] In addition to the ten scheduled Board meetings held in 2016, two meetings were held by conference call to consider specific financing proposals. Mr Abramov and Mr Izosimov were each unable to attend one Board or Committee meeting due to a prior commitment or illness.

The following changes were made to the composition of the Board and its Committees with effect from 14 March 2016:

- *Olga Pokrovskaya stepped down from the Board and the Audit Committee but continued as a non-executive member of the Health, Safety and Environment Committee. Her meetings attendance during the year was Board 3/3, Audit Committee 3/3, and HSE Committee 2/2.*
- *Duncan Baxter stepped down from the Board, the Remuneration Committee and the Audit Committee. His meetings attendance during the year was Board 3/3, Remuneration Committee 1/1, and Audit Committee 3/3. Alexander Izosimov was appointed chairman of the Remuneration Committee (succeeding Duncan Baxter), Sir Michael Peat and Deborah Gudgeon joined the Remuneration Committee, and Karl Gruber stepped down from the Remuneration Committee and joined the Audit Committee.*

Boardroom diversity

EVRAZ recognises the importance of diversity both at the Board level and throughout the whole organisation. The Company remains committed to increasing diversity across its global operations and takes diversity into account during each recruitment and appointment process, working to attract outstanding candidates with diverse backgrounds, skills, ideas and culture. For more detailed information, see the Nominations Committee report on pages 116-117 and CSR report on pages 72-95.

The Company believes that the Board structure provides an appropriate balance of skills, knowledge and experience. The members comprise a number of different nationalities with a wide range of skills, capabilities and experience from a variety of business backgrounds. Biographies of the Board members are provided in the Board of Directors section.

Board expertise

The Board has determined that, as a whole, it has the appropriate skills and experience necessary to discharge its functions. Executive and non-executive directors have the experience required to contribute meaningfully to the Board's deliberations and resolutions. Non-executive directors assist the Board by constructively challenging and helping develop strategy proposals. Most of the directors have been in post since the date of EVRAZ plc incorporation in October 2011.

Induction and professional development

The chairman is responsible for ensuring that there is a properly constructed and timely induction for new directors upon joining the Board. Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities. For more detailed information, see the Nominations Committee report.

Performance evaluation

An internally facilitated annual Board evaluation was conducted in December 2016. As in the previous year, the review was carried out with the initiative and participation of the Company's Nominations Committee. Questionnaires were distributed to all Board directors for their response and comment. The results were discussed at three levels: (i) between the members of the Nominations Committee, (ii) between Sir Michael Peat (as chairman of the Nominations Committee) and Alexander Abramov (as chairman of the Board) and (iii) between the Board as a whole. Board performance was deemed to be satisfactory, notwithstanding the reduction in Board membership from 10 to 8 in 2016, and in overall terms the review was encouraging and useful. The Company undertakes regular performance evaluations of the Board in line with the requirements of the UK Corporate Governance Code and an externally facilitated review is planned for 2017.

Board composition as of 31 December 2016

Name	Position	Committee membership	Years of tenure
Executive Director			
Alexander Frolov	CEO	HSEC - member	5
Non-Executive Directors			
Alexander Abramov	Chairman	NC - member	5
Eugene Shvidler	Director	NC - member	5
Eugene Tenenbaum	Director	None	5
Non-Executive Independent Directors			
Karl Gruber	Director	HSEC - chairman AC - member NC - member	5
Deborah Gudgeon	Director	AC - chairman RC - member	1
Alexander Izosimov	Director	RC - chairman NC - member AC - member	4
Sir Michael Peat	Senior Independent Director	NC - chairman RC - member	5

NC - Nominations Committee, HSEC - Health, Safety and Environment Committee, AC - Audit Committee, RC - Remuneration Committee

Board committees

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

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

The terms of reference for each Committee are available on the Company's website: www.evraz.com.

The role and composition of each committee

Committee name	Function	Composition
Audit Committee	Audit, financial reporting, risk management and controls	All 3 members are independent non-executive directors See pages 110-115
Nominations Committee	Selection and nomination of Board members	All 5 members are non-executive directors, of which 3 are independent See pages 116-117
Remuneration Committee	Remuneration of Board members and top management	All 3 members are independent non-executive directors See pages 120-129
HSE Committee	HSE issues	2 of the 3 members[1] are non-executive with an independent chairman who is also a non-executive director of the Company. See pages 118-119

[1] *The members of the Health, Safety and Environment Committee at 31 December 2016 were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya who has continued as a non-executive member of the HSE Committee following her cessation as a Board member of the Company on 14 March 2016. With more than 50% of EVRAZ operations based in the Russian Federation, the Committee continues to value the contribution she brings in terms of her technical and regional experience.*

Risk management and internal control

EVRAZ maintains a comprehensive financial reporting procedures (FRP) manual detailing the Group's internal control and risk management systems and activity. The manual was last updated in December 2016. In line with the Financial Reporting Council (FRC) Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014. The aim of the risk management process is to identify, evaluate and manage potential and actual threats to the Group achieving its objectives.

EVRAZ' Enterprise Risk Management (ERM) process is designed to identify, quantify, respond to and monitor the consequences of these threats. The management maintains a risk register that encompasses both internal and external critical threats. The level of risk appetite approved by the Board is used to identify particular risks and uncertainties that require specific Board oversight. In 2016, regarding principal risks and uncertainties, this process was consistent with the UK Corporate Governance Code, the FRC Guidance on the Strategic Report issued in June 2014, and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014.

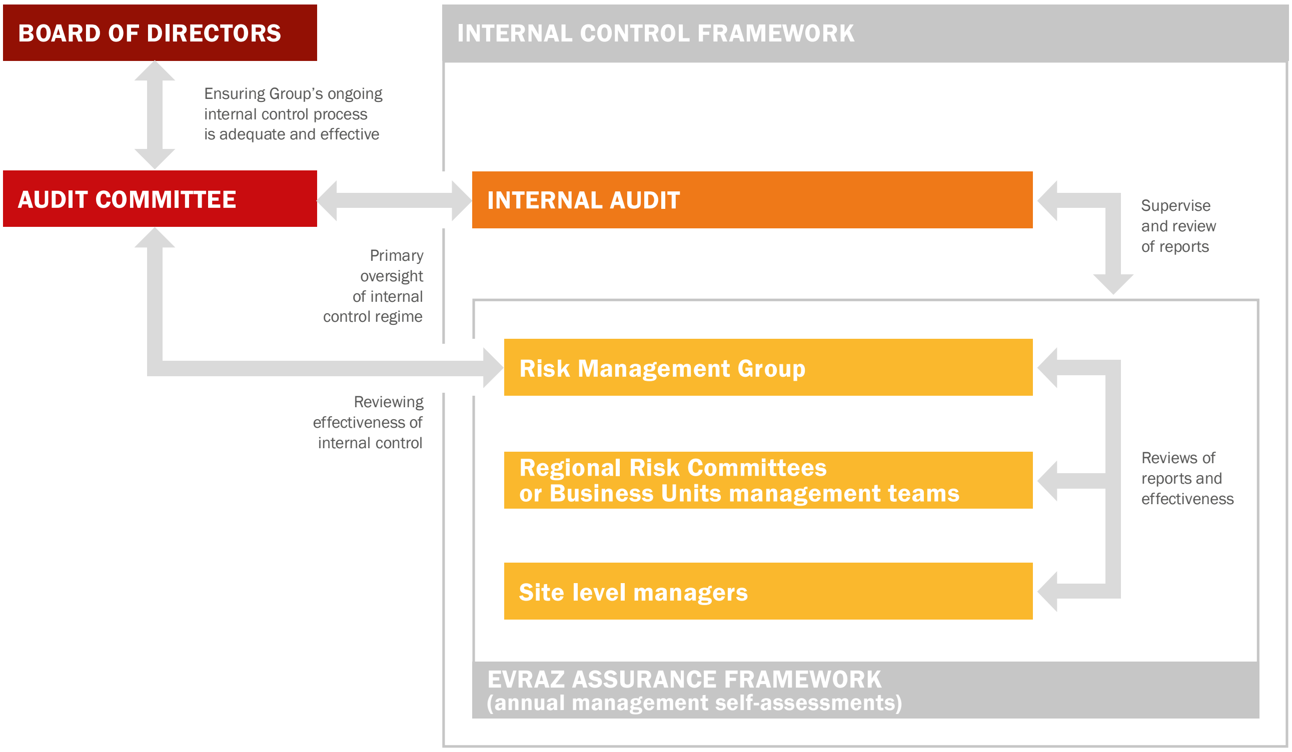
The executive management is responsible for introducing the agreed internal controls and mitigating actions related to risk management throughout EVRAZ' business and operations, as well as at all levels of management and supervision. This serves to encourage a risk-conscious business culture.

EVRAZ applies the following core principles to identifying, monitoring and managing risk throughout the organisation:

- Risks are identified, documented, assessed and monitored, and their profile is communicated to the relevant levels of the management team regularly. The business management team is primarily responsible for ERM and accountable for all risks assumed in the operations.
- The Board is responsible for assessing the optimum balance of risk (risk appetite) through the alignment of business strategy and risk tolerance on an enterprise-wide basis. In addition, the Board oversees risks above the Group's defined risk appetite and internal control weaknesses measured in excess of the risk appetite.
- A reporting process involving business unit management teams and other relevant bodies at major enterprises has been established. Its aim is to identify, evaluate and establish management actions for risk mitigation at a regional level, as well as at EVRAZ' major steel and mining operations. The Risk Management Group maintains a corporate risk register representing a summary of this information. Business unit management teams and other relevant bodies are accountable to the Risk Management Group by way of membership of the latter (vice presidents of business units and functions).
- All acquired businesses are brought within the Group's system of internal control as soon as practicable.

For additional information about principal risks and uncertainties see Strategic report on pages 32-36

Internal control



Components of the internal control system

Component	Basis for assurance	Action in 2016
Assurance framework – principal entity-level controls to prevent and detect error or material fraud, ensure effectiveness of operations and compliance with principal external and internal regulations	Self-assessment by management at all major operations Review of the self-assessment by the internal audit function	In 2016, the internal audit function certified and reviewed the internal control system; more straightforward connection between the result of the self-assessment of internal control by the management and an internal audit plan has been established
Investment project management	Monitored by established management committee and sub-committees Reviewed by internal audit	Continuous enhancement of procedures regarding quality and reporting control, as well as other elements of the project oversight process
Operating policies and procedures	Implemented, updated and monitored by management Reviewed by the internal audit function	Operating policies and procedures were updated as per the internal initiatives by operational management and in response to recommendations from the internal audit function
Operating budgets	Monitored by controlling unit Reviewed by the internal audit function Approved by the Board	Operating budgets were prepared, and approved by the Board
Accounting policies and procedures as per the corporate accounting manual	Developed and updated by the reporting department Reviewed by the internal audit function	Accounting policies and procedures were updated as part of the standard annual review process

The Board has delegated primary oversight of the Group's internal control process to the Audit Committee. The committee has tabled for the directors' consideration the major internal control findings in the areas where the Board's risk appetite has been exceeded.

To ensure that control is exercised effectively across operations, the Group has adopted annual management self-assessments of the internal control system using the EVRAZ Assurance Framework. The management rates and certifies the individual components of the framework. In 2016, all major production sites were certified as having effective internal control.

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

Internal audit

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

The Board approved the latest version of the internal audit charter on 28 February 2017.

The internal audit function's role in the Group is to provide an independent, objective, innovative, responsive and effective value-added internal audit service. This is achieved through a systematic and disciplined approach based on assisting management in controlling risks, monitoring compliance, and improving the efficiency and effectiveness of internal control systems and governance processes. Once a year, the function provides an opinion of the overall effectiveness of the Group's internal controls.

In 2016, EVRAZ' head of internal audit, as secretary of the Audit Committee, attended all the committee's meetings and addressed any reported deficiencies in internal control as required by the committee. The committee continued to engage with executive management during the year to monitor the effectiveness of internal control and, consequently, considered certain deficiencies that had been identified in internal control together with management's response to such deficiencies.

The internal audit planning process starts with the Group's strategy; includes the formal risk assessment process, consideration of the results of the self-assessment of internal control by the management, and the identification of management concerns based on the results of previous audits; and ends with an internal audit plan, which the Audit Committee then approves. Audit resources are predominantly allocated to areas of higher risk and, to the extent considered necessary, to financial and business controls and processes, with appropriate resource reservation for ad hoc and follow-up assignments.

In 2016, internal audit projects covered the following Group risks:

- Cost effectiveness
- Health, safety and environment
- Capital projects and expenditure
- Treasury and working capital management
- Human resources
- Compliance
- Business interruption, and equipment and infrastructure downtime management
- Transportation, sourcing, raw materials and energy supply
- IT security and IT infrastructure risk management
- Quality

EVRAZ' internal audit function is structured on a regional basis, reflecting the geographic diversity of the Group's operations. The Group's internal audit function works to align common internal audit practices throughout the Group via quality assurance and improvement programmes.

Our approach to risk appetite

Risk appetite is an important part of the risk management process that serves as a measure of the risks EVRAZ' management is willing to accept in pursuit of value. The Board has approved a risk appetite in accordance with the risk management methodology adopted by EVRAZ.

Risk appetite is considered in evaluating strategies and setting objectives within the Group's strategic cycle, in decision making and in developing risk management actions and methods, as well as in identifying particular risks and uncertainties that require specific Board oversight. The strategic objectives of the Group are aligned with and risk mitigation actions are reflective of the risk appetite approved by the Group. The Group adopts a robust approach in relation to risk management. Risk appetite for some specific business processes (eg in fraud, security, bribery and corruption, as well as in the health and safety process) is assessed, defined and evaluated separately from the rest of the processes.

The management reassesses the risk appetite at least annually via the Risk Committee/Risk Management Group. The Risk Management Group reports on the analysis performed to the Audit Committee, which makes recommendations to the Board regarding the level of risk appetite. The Risk Management Group and the Audit Committee last reviewed the Group's risk profile in October 2016 and finalised the assessment in January 2017. Based on the results of the most recent review, the management concluded that the approach for acceptance of risks within the company had not changed and that the risk appetite remained the same as in the prior year. An appropriate recommendation regarding the level of risk appetite was made to the Audit Committee and to the Board.

Objectives for 2017

Further risk management training for the Group's top management took place in early 2017.

In addition to the objective of inducting new members of the top management team into the corporate risk management process and practices, this training session supported the improved risk management reporting procedure that has been introduced as part of the transformation of the Risk Committee into the Risk Management Group. Further training on risk management and development of risk management system is planned for 2017.

Further information regarding EVRAZ' internal control and risk management processes can be found at www.evraz.com/governance/control.

For the reports from each committee, please see pages 110-129.

Audit Committee report

Deborah Gudgeon
Independent Non-Executive Director,
Chairman of Audit Committee

"Dear Shareholders, I am pleased to present the Audit Committee Report for the financial year ended 31st December 2016. I am delighted to welcome Karl Gruber as a member of the Audit Committee allowing us to benefit from his extensive experience in the steel industry. Over the course of the last year, I have visited our operations at NTMK, ZMSK and the Uskovskaya mine at Raspadskaya and will continue a rolling programme to visit all the key assets over the coming year.
Once again, I would like to extend the thanks of the Committee to the executive and financial management of the Company, the internal audit department and EY, our external auditor, for their continuing diligence and valued contributions to the work of the Committee."

The role and responsibilities of the Audit Committee are delegated by the Board and set out in the written terms of reference http://www.evraz.com/governance/directors/committees/.

Role and Responsibilities of the Audit Committee

During 2016, the Audit Committee reviewed and amended its terms of reference to reflect latest regulatory developments and the transformation of the Risk Committee into the Risk Management Group as detailed on page 33. The revised terms of reference for both the Audit Committee and the Risk Management Group were approved by the Board.

The Audit Committee minutes are tabled at the Board meeting for consideration, and the Chairman updates the Board orally on the Committee proceedings, making recommendations on areas covered by its terms of reference if appropriate.

During the year, the Committee members undertook a self-assessment process to consider the performance and composition of the Committee, its duties and responsibilities, and access to management. The results of this assessment were judged satisfactory. An external assessment will be undertaken during 2017.

EVRAZ also confirms its compliance, during the financial year commencing 1 January 2016, with the provisions of the Competition and Markets Authority Order 2014 on mandatory tendering and audit committee responsibilities.

Committee Members and Attendance

On 14 March 2016, Olga Pokrovskaya stood down from the Board and was replaced on the Audit Committee from that date by Karl Gruber. As a result, all of the Audit Committee members are Independent Non-Executive Directors. Karl Gruber has extensive experience in the steel industry and enhances the sectoral expertise of the Audit Committee. As disclosed in the Corporate Governance Report page 114, Olga Pokrovskaya continues to attend Audit Committee meetings as an observer, providing additional technical expertise and valuable regional expertise.

Senior members of the Group's finance function, the head of Group Internal Audit (who acts as secretary to the Audit Committee and the Risk Management Group), and the external auditors also attend Committee meetings. Key members of the management team and Risk Management Group are also invited to attend Committee meetings when appropriate; in 2016, these included the CEO and VP's of Strategy, Steel, IT, Security, Legal, Compliance and Personnel, the CFO of EVRAZ North America plc (hereinafter ENA) and the Director of Investor Relations. Other members of the EVRAZ management team and the Internal Audit Function were also invited to attend Committee meetings as appropriate.

The Audit Committee met 9 times during 2016 and 4 times in early 2017 before the publication of this Annual Report.

Details of committee attendance are set out on page 105

Activities and Work of the Committee during 2016

During 2016, the Audit Committee has continued to focus on the integrity of the Group's financial reporting, the related internal control framework and risk management, including finance, operations, regulatory compliance and fraud. These areas were comprehensively reviewed on an ongoing basis and the Committee received regular updates from the Company's financial and operational management, Internal Audit, the Compliance Officer and legal team, as well as the external auditors.

In line with regulatory guidance, the Audit Committee undertook a tender process to appoint an external auditor for the years ending 31 December 2017 and 2018, and recommended the reappointment of EY to the Board. Further details of the tender process are included later in this report.

The Committee monitored the progress of the 2016/17 financial transformation project which includes migration of the operations of three Russian accounting centres to one shared service centre in Novokutznetzk and changes to the operational model of the accounting function, and considered the implications for the quality, timeliness and continuity of financial reporting through the transition process and in the future. The financial statements for 2016 were prepared under the existing reporting structure and the Committee will continue to monitor the migration process during 2017.

The Committee monitored the process for collating information and reviewed the disclosure required in support of the Payment to Government filing on the website at 30 June 2016 and to Companies House by 30 November 2016. This review identified an error in the original filing on the website in which an amount was erroneously classified as a payment to government.

A verification process was undertaken by management, and reviewed by EY, to review the completeness and accuracy of the disclosure and an updated report was uploaded to the website and filed with the FCA.

In preparing the 2015 financial results, management identified an undisclosed related party transaction in respect of the prior year. Although the transaction itself was not material, management reviewed and updated the process for capturing, monitoring and approving related party transactions. This review, and the accuracy and completeness of the disclosures in the 2016 financial statements, were considered by the Committee and will be reviewed again during 2017.

The Committee reviewed and updated its own terms of reference, the internal audit charter and the Group Financial Reporting Procedures Manual ("FRP"). The effectiveness and status of the anti-corruption policy and sanctions risk compliance controls were reviewed throughout the course of the year, together with progress to meet the governance requirements of the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

At the request of the Board, the Audit Committee also considered the proforma Viability Statement and supporting analysis produced by management and reviewed by the Risk Management Group.

In December 2016, EVRAZ received advance notice from the Financial Reporting Council of its intention to review the judgements and estimates disclosures in the 2016 financial statements as part of its thematic review.

Significant Financial Reporting Issues considered by the Audit Committee in 2016

The primary objective of the Audit Committee is to support the Board in ensuring the integrity of the Company's financial statements and Annual Report including review of:

- compliance with financial reporting standards and governance requirements;
- the material financial areas in which significant accounting judgements have been made;
- the critical accounting policies and substance, consistency and fairness of management estimates;
- the clarity of disclosures; and
- whether the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model, strategy, principal risks and uncertainties.

Financial reporting standards and governance requirements

The full financial statements can be found on pages 138-255.

The Audit Committee considered a number of financial reporting issues in relation to the Interim Results for H1 2016 and the financial statements for 2016. These included the appropriateness of accounting policies adopted, disclosures and of management's estimates and judgements. The Committee considered papers produced by management on the key financial reporting judgements and reviewed reports by the external auditor on the full year and half year results which highlight any issues with respect to the audit work.

The financial statements continue to be impacted by fluctuations in the key functional currencies of the business (primarily the Russian rouble and, to a lesser extent, the Ukrainian hryvnia) against the US dollar, the presentation currency of the financial statements, as set out in Note 2. As a result, challenging the consistency and comparability of balances in the financial statements remains difficult but management separate out where appropriate the forex impact on areas of significant judgements and estimates.

The following financial reporting issues are considered significant.

Going concern (Note 2) and the viability statement

EVRAZ is exposed to a range of risks and inherent uncertainties as set out on pages 34-35, many of which are outside the control of the

Company. 2016 saw significant volatility in raw material prices with a four-fold increase in coking coal prices and steel prices rising 80% over the year. The Audit Committee reviewed management's going concern analysis which included both a base case and a flexed downside scenario which is based upon forward pricing close to the bottom of the range of current investment analyst forecasts, and a reduced level of budgeted capital expenditure. The Committee carefully considered the projected Use and Sources of Funds for the period to June 2018 which includes scheduled loan repayments, new committed funding and free cash flow after capital expenditure. Given the volatility of the current global supply/ demand environment, the Committee again focused on the pessimistic downside case and the implications on free cash flow and compliance with financial covenants.

Following these detailed considerations, the Audit Committee resolved to recommend the going concern basis of preparation for the Financial Statements as at 31 December 2016 to the Board.

The Committee reviewed the analysis supporting the viability statement before it was considered by the Board. The Committee reviewed the scenarios that might challenge viability, the key assumptions in each scenario and the proposed disclosures in the viability statement.

Areas of significant accounting judgement and management estimates

Impairment of goodwill and assets (Notes 5 and 6). The Committee considered management's impairment recommendations in the context of the current and future trading environment. Testing was undertaken as at 30 September 2016 and reassessed at 31 December 2016 when no further impairment triggers were identified. The continued weakness of the rouble means that the carrying values of Russian cash generating units remain low in US dollar terms and are largely not challenged by the value in use comparisons used to determine impairment, even in a negative pricing environment During H1 2016, the organisational, cash flow and asset interdependence of the ENA business was reassessed for the purpose of impairment testing and the constituent plants allocated to 5 new cash generating units based upon the end markets they serve.

As a result of deteriorating market conditions in North America during H2 2016, management undertook a detailed review which resulted in the reduction of both volume and price forecasts used in the impairment testing of these assets. Of the $465 million impairment charge in 2016, $446 million relates to the goodwill and PPE impairment of operations in North America. The balance of $19 million relates to the specific impairment of PPE at other cash generating units including unutilised assets at Raspadskaya and Yuzhny Stan, and increased site restoration provisions at Evrazruda and Yuzhkuzbassugol. As the operation of Palini e Bertoli has been restarted, the VIU was reassessed resulting in a partial reversal of the impairment already recognised on the idling of this asset. The Audit Committee considered this reversal and concluded that it was appropriate.

Other matters

In October 2016, Evraz entered into a contract to sell EVRAZ Yuzhkoks with consideration payable in a number of instalments to August 2017. Completion of the transaction requires fulfilment of several conditions not fully within the control of the parties to the transaction. Management consider that the agreement has not yet become unconditional and continue to treat EVRAZ Yuzhkoks as an asset held for sale in the financial statements, with consideration instalments already received classified as "advances from customers" in the statement of financial position. Given the uncertainty on completion, the Audit Committee accepted management's proposed treatment.

Property tax accrued and paid by production subsidiaries has been reclassified from general and administrative expenses to cost of revenue, and the costs and related expenses of certain personnel have been reclassified to better reflect the current operational structure and make the financial statements more comparable with industry peers. The Committee reviewed the implications of the change and the adequacy of the disclosure and were satisfied. The implications of the change are set out in Note 2.

EVRAZ internal policy is to undertake a valuation of mineral reserves on a regular basis, at least every three years, but the valuation due in 2016 was postponed due to cost reduction initiatives. A valuation will be undertaken during 2017 which will reflect the changes in mining plans and expected long term prices.

Fair, balanced and understandable

In considering whether the Annual Report is fair, balanced and understandable, the Committee reviewed the information it had received, discussions held with management throughout the year and the preparation process adopted. Management agreed the key overall messages of the Annual Report at an early stage to ensure a consistent message in both the narrative and financial reporting. Regular meetings were held to review the draft Annual Report and for management and Committee members to provide comments, and detailed review of the appropriate draft sections were undertaken by the relevant Directors and external advisers. The Committee particularly considered whether the description of the business, principal risks and uncertainties, strategy and objectives were consistent with the understanding of the Board, and whether the controls over the consistency and accuracy of the information presented in the Annual Report are robust.

Taking into account the disclosure implications of the issues discussed in this report, the Committee recommended to the Board that, taken as a whole, it considers the Annual Report to be fair, balanced and understandable. The Audit Committee recommended approval of the Group's 2016 Consolidated Financial Statements by the Board. Both recommendations were accepted by the Board.

Other Matters

UK Bribery Act ("UKBA")

The Committee continued to monitor the status of the procedures, controls and data collection of the Group's anti-corruption policy and Code of Conduct, including the regulation of interaction with state authorities introduced by the Company in November 2014, and progress in respect of the areas for improvement and implementation identified by the external audit in 2014. A comprehensive framework for annually monitoring compliance with EVRAZ' anti-corruption policies and identifying risk was developed during 2016 by the compliance, legal and internal audit teams. Using this framework, compliance was tested in November and December 2016 indicating further progress in reducing risk. Internal audit also tested the procedure and completeness for maintaining registers of entertainment costs, business gifts, charitable and sponsorship expenditure at a number of key entities during the year. Based upon the output, the mitigation plan and training programmes will be updated to reflect the increasing maturity of these processes.

In March 2016, Transparency International produced a report on "Transparency in Corporate Reporting: Assessing Emerging Market Multinationals". EVRAZ achieved a score of 85% for its anti-corruption programme compared to an average score of 48% for all the firms surveyed.

Sanctions Compliance Controls

Compliance with the control processes, procedures and reporting framework established to minimise the risk of breaching sanctions was tested by Internal Audit during the year, along with progress against the recommendations of the Group's external legal advisers, and found to be satisfactory. The controls and processes for monitoring compliance are regularly updated to incorporate the latest guidance from the Group's external legal advisers and there is a process of continuing education of compliance personnel and executive management.

Risk Management and Internal Control

This should be read in conjunction with Risk Management and Internal Control section on pages 107-109.

EVRAZ has an integrated approach to risk management to ensure that the review and consideration of risks inform the management of the business at all levels, the design of internal controls and internal audit process. During 2016, the Risk Committee was replaced by the Risk Management Group with membership comprising the Group's vice-presidents and chaired by the CEO.

The Group's financial reporting procedures, internal controls, risk management systems and activities are documented in a comprehensive Financial Reporting Procedures Manual (FRP). The manual was updated in December 2016 and reviewed by the Audit Committee in December 2016.

The Risk Management Group attended the Audit Committee in October 2016 and presented the updated Risk Register and their recommendation on the level of Risk Appetite. These were reviewed by the Audit Committee, along with the draft Statement of Principal Risks and Uncertainties to be included in the Annual Report, prior to the Board's consideration.

Internal Audit findings on control issues that exceed the Group's risk appetite are reported to the Board by the Audit Committee and followed up by the Group's Management Committee and the progress on resolving issues is monitored regularly.

The Audit Committee continues to receive bi-annual updates on whistleblowing reports together with a security report on the progress of follow-up investigations and resulting actions in relation to fraud and theft. Any significant whistleblowing report is reported to the Committee on an ad hoc basis when it arises.

Assessment of the Group's risk profile and control environment

Internal Audit reviews the Group's risk and control environment bi-annually and this is considered by the Risk Management Group and the Audit Committee. In particular, the Audit Committee considered whether the accelerated reporting timetable and financial transformation project had implications for the risk and control environment.

The Chairman of the Audit Committee tables the Internal Audit report judgement on the risk and control environment to the Board.

The Group continued the implementation of the IT security risk mitigation plan during 2016 and an external risk reassessment was undertaken in early 2017, revealing significant progress. The mitigation plan will be updated by March 2017 to recalibrate the mitigation plan to reflect the progress already made.

The EVRAZ policy on the level and economic terms of external insurance cover was reviewed by the Audit Committee in January 2017 and approved by the CEO. The Risk Register was amended in 2016 to acknowledge the level of self-insurance by the Group.

Internal Audit

The Audit Committee reviewed the internal audit plans for 2017 and recommended certain revisions in view of the macroeconomic environment, risk profile of the business and resources available. The plan was revised to reflect the updated risk analysis and to prioritise key business cycles and controls from a risk perspective. Overall, the Committee considers the current Internal Audit resource to be adequate for the internal control and risk management assurance requirements.

The Audit Committee reviewed and updated the Internal Audit Charter and Key Performance Indicators of the Internal Audit function in early 2017. An annual assessment of the effectiveness, independence and quality of the Internal Audit function was undertaken by way of a questionnaire to Committee members, management and the external auditors and was again found to be very satisfactory. An external assessment of the Internal Audit function in the Russian Federation, CIS and Europe was undertaken during 2015 and confirmed that it conformed to the International Standards for the Professional Practice of Internal Auditing, Code of Ethics and Definition of Internal Audit of the Institute of Internal Auditors.

The Head of Internal Audit is secretary to both the Audit Committee and Risk Management Group and prepares the minutes.

External Audit

The Audit Committee is responsible for monitoring the ongoing effectiveness and independence of the external auditor, and making recommendations to the Board as to the re-appointment of the auditor.

Effectiveness and Independence

The Audit Committee has an established framework through which it monitors the effectiveness, independence, objectivity and compliance of the external auditor with ethical, professional and regulatory requirements. These include:

- review and approval of the external audit plan for the interim review and year-end audit, including consideration of the audit scope, key audit risks and audit materiality measures, and compliance with best practice;

- review and approval of the external auditor's engagement letter;
- review of the FRC's Quality Inspection Report May 2016 (https://www.frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Inspection-Report-May-2016-Deloitte.pdf) and EY's response;
- consideration of the external auditors report on the Interim Review and Annual Report and Representation Letters; and
- reviewing the external auditors management letter on the 2015 audit with management, considering management's response and proposed actions, and requesting that Internal Audit undertake a follow-up audit of key areas.

The 2016 financial reporting timetable was accelerated compared to 2015, and the Audit Committee gave particular consideration to the implications for the external audit process and the resulting early hard close, acceleration of substantive procedures and year-end roll forward procedures.

Following completion of the 2015 audit, Mr Ken Williamson was replaced as Senior Statutory Auditor by Mr Steven Dobson. Management and members of the Audit Committee also completed a questionnaire to assess the effectiveness and independence of the external audit process in 2015, which was found to be satisfactory.

The Audit Committee holds regular meetings with the external auditor at which management are not present to consider the appropriateness of the Company's accounting policies and audit process. During 2016, the external auditor confirmed that these policies and processes were appropriate. The Committee Chairman also meets the Senior Statutory Auditor regularly outside of Audit Committee meetings.

Engagement of the external auditor for non-audit services is managed in accordance with the Group's policy which can be found on the Company's website: www.evraz.com. This policy identifies a range of non-audit services which are prohibited on the basis that they might compromise the independence of the external auditor, establishes threshold limits for the level of non-audit fees relative to audit fees and authorisation processes for the approval of all audit and non-audit fees. During 2016, non-audit fees totalled $612,000 and were primarily in relation to capital market transactions and cyber security risk assessment. Non- audit fees were 14.7% of the 2016 audit fee of $4.1 million. Irrespective of prior approval of the CFO and Audit Committee Chairman, all fees are reported to the Audit Committee for noting and comment.

The Audit Committee continues to consider EY to be effective and independent in their role as auditor.

Re-appointment of the external auditor

In view of the UK Governance Code guidance on re-appointment of the external auditor and the EU legislation on audit regulation, the Audit Committee resolved in 2015 to undertake a tender process during 2016 to allow for the appointment of an external auditor for the year ended 31 December 2017.

A Request for Proposal was sent to six firms who were judged to have suitable, relevant experience. Interested candidates who could confirm their independence attended a series of meetings with key management and with the Chairman of the Audit Committee before the deadline for submission of their proposals in the middle of July 2016. Based upon these submissions, management selected two candidates to make a presentation to a special meeting of the Audit Committee. The Audit Committee considered both proposals and presentations in accordance with a number of pre-agreed specific criteria including steel and mining experience in Russia and worldwide, experience of comparable complex organisations, quality control and local team experience, audit co-ordination and service delivery. Based upon this review, the Audit Committee concluded that Ernst & Young LLP ("EY") was the preferred candidate and recommended their reappointment as external auditor to the Board for the years ending 31 December 2017 and 2018.

Nominations Committee report

Sir Michael Peat
Senior Independent Non-Executive Director, Chairman of Nominations Committee

"Since EVRAZ' Board was reduced to eight directors in early 2016, the Nominations Committee has monitored the Board's composition to ensure that it remains appropriate and continues to uphold the integrity of the Company's corporate governance. As a committee, we are satisfied that this is the case but will continue to keep this in view during 2017. Although we anticipate that there will be a period of stability in the Board's membership for the foreseeable future, the Nominations Committee is beginning to look at its long-term succession planning to ensure that new directors are brought on to the Board who can maintain and, where appropriate, further enhance the skills, experiences and perspectives brought to bear on the Board's business and decisions."

Role

The Nominations Committee is responsible for making recommendations to the Board on the structure, size and composition of the Board and its committees, and overseeing succession planning for directors and senior management.

Committee members and attendance

The members of the Nominations Committee at 31 December 2016 were Sir Michael Peat (chairman), Alexander Izosimov, Karl Gruber, Alexander Abramov, and Eugene Shvidler. Sir Michael Peat served as the chairman of the Nominations Committee throughout the year.

Three of the five members of the committee were independent non-executives.

The committee met on two occasions during 2016.

The CEO attended all meetings and the company secretary acted as the committee's secretary.

Activity during 2016

During 2016, the committee considered the following issues.

Board evaluation output

In early 2016, the committee reviewed the output from the internally facilitated Board and committee evaluation process undertaken at the end of 2015. The committee conducted a further evaluation exercise in late 2016 and considered whether there were any issues that needed to be reviewed in relation to the composition of the Board. Whilst no immediate issues were identified, the committee continues to monitor any evolving needs in relation to Board membership. The committee also considered the results of the Board Committees Effectiveness review questionnaires issued in October 2016 and collated for review in December 2016.

The composition of the Board and its committees

Following the resignations from the Board in March 2016, the committee considered the composition of the Board and the new composition of the Audit and Remuneration committees, and agreed that the size and composition of each was appropriate to the ongoing needs of the Board and the Group. The committee agreed that the Board represented a good mix of skills and experience, and that the Group had benefited from having a stable board and a group of people who interact well.

Succession planning

The committee considered succession planning for the future non-executive directorate, recognising the length of service of each of the current independent non-executive directors. The committee noted that the process of succession planning would need to begin in the next three years.

In August 2016, members of the committee joined the members of the Remuneration Committee to receive a presentation from the chief executive officer on succession planning among the senior executive team. The committee also received reports from the chief executive officer on the recruitment process for the chief financial officer, who was appointed in November 2016.

Independence of non-executive directors

The committee undertook a review of the independent status of the non-executive directors based on the provisions in the UK Corporate Governance Code and confirmed the appropriateness of the independent status of each of the independent non-executive directors.

Best practices for Nominations Committee

The committee undertook a detailed review of the most recent developments in corporate governance impacting the work of the Nominations Committee. This included the FRC feedback statement published in May 2016 on 'UK Board Succession Planning'; and the updated target set by the Davies Review for 33% of FTSE350 directors to be female by 2020.

The committee also discussed the joint report issued by Ernst & Young and the ICSA in May 2016, entitled "Coming out of the Shadows" and used the 12 questions for Boards and Nomination Committees set out in that report as a basis for identifying future areas for development in relation to the role of the committee.

Performance of the chairman and individual directors

The senior independent non-executive director sought views from all directors about the performance and contribution of the chairman. The conclusions of this review were considered by the independent non-executive directors at a meeting on 27 January 2017. It was concluded, as previously, that the chairman continues to make an important contribution to the Group, including his knowledge and experience of, and contacts in, the industry. Prior to the Nominations Committee meeting on 27 January 2017, the chairman of the Group and the chairman of the Nominations Committee discussed the performance of the individual directors, including time available to devote to the Group's business.

Diversity policy

The Board's diversity policy is to have board membership that reflects the international nature of the Group's operations and at least two women as board members. Following Olga Pokrovskaya ceasing to be a director on 14 March 2016, this objective has been re-introduced. The Board will be reviewing its diversity policy with a view to 33% representation of women on the Group's board by 2020.

2017 priorities

The committee will continue to fulfil its general responsibilities with particular emphasis on compliance with the UK Corporate Governance Code, board diversity and succession planning. In addition, it will continue to consider development and succession planning for senior management. It will also provide and encourage training for directors and implement the recommendations from the forthcoming external review of the Board's performance.

Health, Safety and Environment Committee report

Karl Gruber
Independent Non-Executive Director
Chairman of Health, Safety and Environment Committee

“Each year, we evaluate our HSE strategy’s strengths and weaknesses to ensure that our performance measures up to our stakeholders’ expectations and addresses their concerns. EVRAZ’ HSE initiatives continue to bring life-saving improvements to our facilities. We monitor the leadership team’s activities to understand accountability and the overall efforts to change the safety culture. Identifying and evaluating environmental risk continues to guide measurable improvements related to air emissions, water consumption and discharge, as well as reducing and recycling solid waste streams. I believe the EVRAZ team demonstrates a willingness for continuous improvement, and as a committee, we believe the progress over the last few years will provide long-term value-creation for our stakeholders.”

Committee members

The members of the Health, Safety and Environment Committee at 31 December 2016 were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya.

Role of the Health, Safety and Environment Committee

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

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

The committee met on two occasions during 2016, on 3 February 2016 and on 10 August 2016 at EVRAZ’ headquarters in Moscow, Russia.

As per the 2016 plan, the committee chairman together with the HSE vice president has visited EVRAZ North America production sites to review HSE practices, as well as a European safety workshop conducted in Helsinki.

In addition to scheduled meetings, Committee members receive a monthly HSE summary report and a quarterly HSE report is provided to the Board.

The committee has considered and approved the matrix with roles and responsibilities of the corporate HSE team, reviewed HSE initiatives implemented during 2011-2016, and generally supported the initiatives carried out by the Group in recent years.

Since August 2016, the committee has started the practice of inviting divisional (operational) vice presidents to discuss the current challenges, as well as division-specific HSE initiatives.

The committee has reviewed the HSE reporting procedure and noted the effort taken by EVRAZ to improve the quality and transparency of health and safety reporting. It has recommended to improve the report by shaping it to be more target oriented, both for each division and for EVRAZ globally. The committee has also supported the decision to extend the reporting focus on micro injuries (first aid cases and medical treatment cases taken together).

The following sections summarise how the committee has fulfilled its duties in 2016.

HSE Performance Assessment of the Group

Health & Safety Performance

Health & Safety performance is measured by the following metrics:
- Fatal incidents
- Lost Time Injuries (LTI)
- Lost Time Injury Frequency Rate (LTIFR), which is calculated as the number of injuries resulting in lost time per 1 million hours worked
- Cardinal safety rules enforcement
- Progress of H&S initiatives

The HSE Committee has continued to review the causes of all fatalities and serious property damage incidents within the Group, as well as the follow up actions taken by the management. On the HSE Committee’s suggestion, each fatality case was animated using video format to provide a detailed description of the incident scene, sequence of events, root cause analysis and corrective actions taken. This practice will continue further if any fatality occurs.

The committee members have reviewed the status of 2016 H&S initiatives, and decided that priority HSE initiatives are generally on track. It was noted separately that extra focus should be added to improving the quality of safety conversations.

The committee has reviewed the alcohol testing process at various Group facilities and has suggested steps for further improvement of the procedure.

Additionally, the committee has reviewed the Coal Division's HSE initiatives, presented by Sergey Stepanov, the division vice president. The committee has noted that key initiatives have been developed to mitigate the major industrial safety risks related to coal mining:

- Improvement of ventilation and gas monitoring system
- Five-year gas drainage program development
- Prevention of spontaneous combustions
- Prevention of caving
- 20% face delays reduction because of rock tension

The committee has reviewed the plan and procedures for industrial safety audits of processes and structural units at EVRAZ facilities. Its suggestions include improving the existing plan for audits at steel and ore mining facilities: the audits shall be organised as cross-audits by representatives of similar operations from other EVRAZ facilities, as decided by the HQ Industrial Safety Team; the audit intensity should correlate with the risks highest on the risk matrix.

Environmental Performance

In 2016, the committee reviewed EVRAZ' environmental performance twice, including its progress in achieving the environmental targets set in 2012:

- Air emissions (nitrogen oxides – NOx, sulphur oxides – SOx, dust and volatile organic compounds)
- Non-mining waste and by-product generation, recycling and re-use
- Fresh water intake and water management aspects

The Committee has focused on the management of air, water and waste issues, as well as related projects designed to minimise environmental risks (such as air emissions reduction, water usage and discharged water return into production, metallurgical waste recycling), and has concluded that in most areas the initiatives that have been started need to be implemented further.

The committee has reviewed the risks and opportunities related to introduction of new Russian regulations. It was noted that the risk related with additional financial commitments due to environmental regulatory changes have been reviewed in the framework of the Russian Steel HSE Committee and consolidated positions have been provided to the regulator.

In addition, the extent of the Group's environmental compliance has been evaluated by analysing a set of compliance metrics:

- Non-compliance related environmental levies (taxes) and penalties
- EVRAZ environmental commitments and liabilities
- Major cases of environmental litigations and claims
- Coverage of assets by environmental permits/licenses
- Cases of public complaints
- Potential environmental incidents and prevention actions

In order to improve environmental compliance management, the committee has discussed a new approach in assessing the probability of environmental risks, and has agreed to update the Risk Assessment Methodology by adding a Time Factor coefficient that takes into account time limits for possible risk realisation. This is intended to help management review and set priorities for environmental CAPEX expectations.

The committee has reviewed the corporate environmental initiatives and site risk mitigation projects introduced during 2011-2016.

It was noted that the corporate environmental management system has been developed to prevent and mitigate environmental risks, as well as coordinate environmental liabilities, to ensure regulatory compliance and improve environmental performance. It was noted that the risk level has decreased due to the implementation of mitigation measures.

The committee members have reviewed the five-year environmental forecast representing environmental performance: key air emissions, freshwater consumption and non-mining waste recycling. The model that was presented was developed taking into consideration the future effects of environmental projects and investment projects with environmental effects (baseline scenario). Long-term enterprise development scenarios and asset disposal plans affecting the reduction of emissions and freshwater intake were also taken into account (alternative scenarios).

For more details on HSE performance, see the Corporate Social Responsibility section on pages 75-83.

HSE audit results review

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

The committee members reviewed:

- Findings of industrial safety audits performed by the Internal Industrial Safety Department
- Findings of audits of the HSE function performed by the Internal Audit Department
- Status of external environmental inspection carried out by environmental authorities and implementation of corrective actions

Remuneration report

Alexander Izosimov
Chairman of the Remuneration Committee

“In the current competitive environment, the Group aims to ensure that its Remuneration Policy is aligned with its business objectives, and retains and motivates qualified senior executives in order to deliver sustainable, long-term returns to shareholders.”

This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) (the “Regulations”). It also meets the relevant requirements of the Financial Conduct Authority’s Listing Rules and describes how the Board has applied the principles of good governance as set out in the UK Corporate Governance Code (April 2016).

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

Directors’ Remuneration Policy

The current Remuneration Policy was approved by shareholders at the AGM in June 2014. The Regulations require that shareholders formally approve the Remuneration Policy every three years and so it is intended that an updated Remuneration Policy will be put before shareholders for approval by way of a binding vote at the Company’s AGM on 20 June 2017. If approved by shareholders, the updated Remuneration Policy will have effect immediately thereafter. Prior to that date, the Company’s existing Remuneration Policy will continue to apply.

The Company reviewed the Remuneration Policy during the year and believes that it remains appropriate. As such, the 2017 Remuneration Policy will remain broadly unchanged from the Remuneration Policy approved by shareholders at the 2014 AGM.

Annual remuneration report

The second part of the report, the Annual remuneration report, sets out details of remuneration paid in 2016 and how the Group intends to apply its Remuneration Policy in 2017. This section will be put to an advisory shareholder vote at the forthcoming AGM.

Key decisions taken during the year

- The Committee reviewed the CEO’s salary and determined that his salary for 2017 will remain frozen at the same level as it has been since 2012. This reflects the continuing challenging market conditions and low level of wage increases to employees across the Group in general.
- Based on performance against the pre-determined KPIs and targets, the CEO’s annual bonus payout for 2016 was 40.78% of the maximum.

In line with its commitment to good corporate governance, EVRAZ will continue to monitor investors’ views, best-practice developments and market trends on executive remuneration. These will be taken into account when deciding on executive remuneration at EVRAZ to ensure that its Remuneration Policy remains appropriate in the context of business performance and strategy.

Policy report

Details of the Remuneration Policy relating to executive and non-executive directors are set out in the following section. In accordance with section 439A of the Companies Act 2006, a binding shareholder resolution to approve this report will be proposed at the Annual General Meeting of the Company to be held in 2017. If approved by shareholders, the Remuneration Policy will have effect immediately thereafter. Prior to that date, the Company's existing Remuneration Policy will continue to apply.

The main objectives of the Remuneration Policy are to attract, retain and reward talented staff and management, by offering compensation that is competitive within the industry, motivates management to achieve the Company's business objectives, encourages a high level of performance, and aligns the interests of management with those of shareholders.

Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Executive director				
Base salary	Provides a level of base pay to reflect individual experience and role to attract and retain high calibre talent.	Normally reviewed annually, taking into account individual and market conditions, including: size and nature of the role, relevant market pay levels, individual experience and pay increases for employees across the Group. For the current CEO, base salary incorporates a director's fee (paid to all directors of the Company for participation in the work of the Board committees and Board meetings – see the section on Non-executive Director Remuneration Policy below). Where a salary is paid in a currency other than US dollars, the Committee may make additional payments to ensure that the total annual salary equals the level of annual salary in US dollars.	Generally, the maximum increase per year will be in line with the overall level of increases within the Group. However, there is no overall maximum opportunity as increases may be made above this level at the Committee's discretion, to take account of individual circumstances such as increases in scope and responsibility and to reflect the individual's development and performance in the role.	None
Benefits	To provide a market level of benefits, as appropriate for individual circumstances to recruit and retain executive talent.	Benefits currently include private healthcare. Other benefits (including pension benefits) may be provided if the Committee considers it appropriate. The current CEO does not participate in any pension scheme during the reporting period. In the event that an executive director is required by the Group to relocate, or following recruitment, benefits may include but are not limited to a relocation, housing, travel and education allowance.	The cost of benefits will generally be in line with that for the senior management team. However, the cost of insurance benefits may vary from year to year depending on the individual's circumstances. The overall benefit value will be set at a level the Committee considers proportionate and appropriate to reflect individual circumstances, in line with market practices. There is no total maximum opportunity.	None

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

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

The CEO's incentive arrangements are subject to "malus", under which the Committee may adjust bonus payments downwards to reflect the overall performance of the Company. The Committee does not operate clawback arrangements on directors' remuneration on the basis that such arrangements would not be enforceable under the Russian Labour Code. The Committee will keep this under review and should the Russian Labour Code change, they will revisit the inclusion of such provisions in the Group's variable remuneration plans in order to comply with Provision D.1.1 of the 2016 Corporate Governance Code. This is noted in the Corporate Governance report on page 104.

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

Performance measures and targets

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

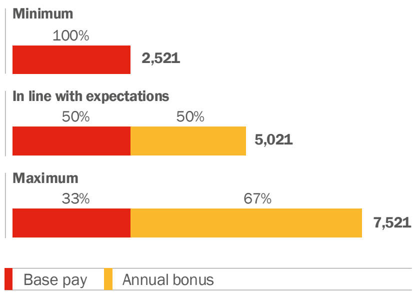
Remuneration arrangements throughout the Group

This remuneration approach and philosophy is applied consistently at all levels, up to and including the executive director. This ensures that there is alignment with business strategy throughout the Group. Remuneration arrangements below Board level reflect the seniority of the role and local market practices, and therefore the components and remuneration levels for different employees may differ in parts from the policy set out above.

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

Illustration of the application of the Remuneration Policy

The chart below provides an indication of what could be received by the executive director under the proposed Remuneration Policy.



Policy on recruitment of executive directors

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

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

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

On the appointment of a new chairman or non-executive director, their remuneration will typically be in line with the Remuneration Policy as set out above. Any specific cash or share arrangements delivered to the chairman or non-executive directors will not include share options or any other performance-related elements.

	Minimum	In line with expectations	Maximum
Base pay	**Base salary + value of annual benefits provided in 2016**		
Annual bonus	0% of salary	100% of salary (target opportunity)	200% of salary (maximum opportunity)

Executive director's service contract and loss of office policy

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

The terms of the CEO's service contract

Executive director	Date of contract	Notice period
Alexander V. Frolov	31 December 2016	N/A

The CEO's service contract does not provide for any specific notice period and therefore, in the event of termination, the applicable notice period will be as provided for in the Russian Labour Code from time to time (where the termination is at the Company's initiative, the entitlement to pay in lieu of notice is currently limited to three months' base salary). The Committee may determine that a termination payment of up to 12 months' base salary should be paid, taking into consideration the circumstances of departure. Going forward, all new executive directors' contracts will normally provide for a notice period of no more than 12 months and for any compensation provisions for termination without notice to be capped at 12 months' base salary and contractual benefits.

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

Non-executive directors letters of appointment

Each non-executive director has a letter of appointment setting out the terms and conditions covering their appointment. They are required to stand for election at the first AGM following their appointment and, subject to the outcome of the AGM, the appointment is for a further one-year term. Over and above this arrangement, the appointment may be terminated by the director giving three months' notice or in accordance with the Articles of Association. Letters of appointment do not provide for any payments in the event of loss of office.

All directors are subject to annual re-appointment and accordingly each non-executive director will stand for re-election at the AGM on 20 June 2017.

Copies of the directors' letters of appointment or, in the case of the CEO, the service contract, are available for inspection by shareholders at the Group's registered office.

Consideration of conditions elsewhere in the Company

Management prepares details of all employee pay and conditions, and the Committee considers them on an annual basis. The Committee takes this into account when setting the CEO's remuneration. However, the Committee does not consider any direct comparison measures between the executive director and wider employee pay. The Group does not formally consult with employees on executive director remuneration.

Consideration of shareholder views

When determining the Remuneration Policy, the Committee takes into account investor body guidelines and shareholder views.

The key terms of the non-executive directors' appointment letters

Non-executive directors	Date of contract	Notice period
Alexander G. Abramov	14 October 2011	Three months
Karl Gruber	14 October 2011	Three months
Alexander Izosimov	28 February 2012	Three months
Sir Michael Peat	14 October 2011	Three months
Deborah Gudgeon	31 March 2015	Three months
Eugene Shvidler	14 October 2011	Three months
Eugene Tenenbaum	14 October 2011	Three months

Annual remuneration report

This section summarises remuneration paid out to directors for the 2016 financial year, and details of how the Remuneration Policy will be implemented in the 2017 financial year.

Executive director's remuneration

In 2016, the CEO, Alexander Frolov, was entitled to a base salary, a performance-related bonus and provision of benefits. As a member of the Board, he is also entitled to a directors' fee (US$150,000) and any applicable fees for participation in the work of the Board Committees as laid out in the section below on non-executive director remuneration. However, the Committee considers these fees to be incorporated in his base salary. Alexander Frolov's current shareholding (10.68% of issued share capital as of 1 March 2017) provides alignment with the delivery of long-term growth in shareholder value. As such, the Committee does not consider it necessary for the CEO to participate in any long-term incentive plans or to impose formal shareholding guidelines. However, the Committee will continue to review this on an ongoing basis.

Single total figure of remuneration (audited)

Key elements of the CEO's remuneration package received in relation to 2016 (compared with the prior year)

Alexander V. Frolov	2016 (US$)	2015 (US$)
Salary and director fees[1]	2,500,000	2,500,000
Benefits	21,184	19,935
Bonus	2,038,870	666,650
Total	4,560,054	3,186,585

Base salary

The current CEO salary was approved by the Committee on 23 May 2008 at US$2,500,000 (which includes, for the avoidance of doubt, the directors' fee, fees paid for Committee membership and any salary from an EVRAZ plc subsidiary).

For 2016, the CEO's salary will remain unchanged at US$2,500,000.

Pension and benefits (audited)

The CEO does not currently receive any pension benefit. Benefits consist principally of private healthcare.

Annual bonus

The CEO is eligible for a performance-related bonus that is paid in cash following the year end, subject to the agreement of the Committee and approval by the Board of Directors. The bonus is linked to achieving performance conditions based on predetermined targets set by the Board of Directors. The target bonus is 100% of base salary with a maximum potential of 200% of base salary.

Annual bonus for 2016 (audited)

The bonus is linked to the Group's main quantitative financial, operational and strategic measures during the year to ensure alignment with the key aspects of Group performance and strategy. For 2016, the following five indicators, each with an equal weighting of 20%, were taken into account when determining the CEO's annual bonus: LTIFR, EBITDA, Free Cash Flow (adjusted for disposals higher than US$50 million), Cash Cost Index and Board assessment of overall performance against strategic objectives.

The Committee reviews the resulting bonus payout to ensure that it is appropriate in light of the Group's overall performance.

Despite a highly volatile business environment in 2016, EVRAZ generally outperformed its financial targets, resulting in an annual bonus payout of 40.78% of the maximum. Management focused on best utilisation of temporary market improvements: domestic steel price growth in Q2 and export coal and iron ore price rises in Q4. These efforts, along with tight control over operational efficiency and investments, have helped to overcome the market fall in Q1 and mitigate logistics issues in Russia. Free cash flow was negatively affected by transaction costs associated with earlier debt repayment. However, the working capital optimisation drive fully compensated for this.

The Committee determined that this level of vesting is reflective of the Company's overall financial performance and commensurate with the shareholder experience.

Details of the targets set for each KPI, the actual achievement in the year and total payout level for the 2016 bonus

KPIs	Result Measurement			Actual 2016	Bonus payout (% of max)
	Threshold	Planned level (% of target)	Outstanding		
LTIFR	2.09	1.74	1.39	2.36	0.0
EBITDA	US$1,160m	US$1,450m	US$1,740m	US$1,542m	65.9
FCF	US$500m	US$625m	US$750m	US$659m	63.6
Cash cost index	110%	100%	90%	105%	24.4
BoD discretion	Committee assessment of overall Company performance during the year, including consideration of operational performance, financial performance, shareholder value creation, outcome of key projects and stakeholder relationship management.			See section Board assessment of overall performance on page 126	50.0
Total					**40.78**

[1] At the start of 2015, the Committee agreed a new exchange rate, which applied to all rouble-denominated salary payments throughout the year. Fluctuations in the exchange rate meant that the total rouble amount paid to the CEO in the year equalled less than US$2,500,000. As such, at the last Committee meeting, it was decided that in future situations where the rouble amount paid is below US$2,500,000, a one-off payment would be made to the CEO after the year-end.

Board assessment of overall performance

EVRAZ' Remuneration policy stipulates that the discretionary portion of the bonus should reflect the CEO's performance in relation to the Group's key strategic priorities, as well as his efforts to ensure its long-term success. The key reasons to award the discretionary portion of the bonus in full are:

- The business stabilised in 2016
- Progress was made on all key strategic priorities amid very volatile times for the Group
  - Net debt was reduced by 10% year-on-year
  - In terms of portfolio development, EVRAZ continued to grow and retained its leadership positions in the targeted value-added segments (rails, long steel, and premium coking coal)
  - Costs were reduced by more than US$300 million, allowing the Group to retain one of the world's lowest cost positions
- The CEO placed a strong focus on developing senior management talent, which allowed them to implement appropriate and timely changes to strengthen the performance of EVRAZ' executive team

Annual bonus for 2017

For 2017, the bonus framework will be in line with 2016. Forward targets are considered by the Board to be commercially sensitive; however, they will generally be disclosed in the subsequent year. In line with previous years, a malus arrangement will apply under which bonus payouts may be adjusted downwards to reflect the overall performance of the Group.

Non-executive directors' remuneration

Non-executive directors' remuneration payable in respect of 2016 and 2015 is set out in a table below.

A non-executive director's remuneration consists of an annual fee of US$150,000 and a fee for Committee membership (US$24,000) or chairmanship (US$100,000 for chairmanship of the Audit Committee and US$50,000 for other committees). For reference, the fees payable for the chairmanship of a Committee include the membership fee, and any director elected as chairman of more than one Committee is generally entitled to receive fees in respect of one chairmanship only. The fee for the chairman of the Board amounts to US$750,000 from 1 March 2012 (this fee includes, for the avoidance of doubt, directors' fees and fees paid for Committee membership).

Fees will remain unchanged for 2017

Aggregate directors' remuneration

The aggregate amount of directors' remuneration payable in respect of qualifying services for the year ended 31 December 2016 was US$6,977 thousand (2015: US$5,968 thousand).

Share ownership by the Board of Directors (audited)

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

Single total figure of remuneration (audited)

Non-executive director	2016 (US$ thousand)			2015 (US$ thousand)		
	Total fees[1]	Admin[2]	Total	Total fees[1]	Admin[2]	Total
Alexander G. Abramov	750	30	780	750	30	780
Alexander Izosimov	242.6	30	272.6	212.2	30	242.2
Eugene Shvidler	174	30	204	174	30	204
Eugene Tenenbaum	150	30	180	150	30	180
Karl Gruber	248	30	278	238	30	268
Duncan Baxter[3]	84	6.25	90.25	224	30	254
Olga Pokrovskaya[3]	74.25	6.25	80.5	198	30	228
Sir Michael Peat	219	30	249	216.2	30	246.2
Deborah Gudgeon	269	30	299	154	20	174
Terry Robinson[4]				190	15	205

[1] *Total fees include annual fees and fees for Committee membership or chairmanship (pro rata working days).*
[2] *The Group contributes an annual amount of US$30,000 towards secretarial and administrative expenses of non-executive directors. In addition to the amounts disclosed above, the Group reimburses directors' travel and accommodation expenses incurred in the discharge of their duties.*
[3] *Resigned on 14 March 2016*
[4] *Resigned on 18 June 2015*

The directors' interests in EVRAZ' shares as of 31 December 2016 were as follows:

Directors	Number of shares	Total holding, Ordinary shares, %
Alexander Abramov	303,541,958	21.38%
Alexander Frolov	151,573,018	10.68%
Eugene Shvidler	43,805,030	3.09%
Alexander Izosimov	80,000	0.01%

There have been no changes in the directors' interests from 31 December 2016 through 28 February 2017.

The shares held by Alexander Izosimov were acquired in 2012 when he was appointed as an independent non-executive director.

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

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

Policy on external appointments

The Committee believes that the Company can benefit from executive directors holding approved non-executive directorships in other companies, offering executive directors the opportunity to broaden their experience and knowledge. Company policy is to allow executive directors to retain fees paid from any such appointment. The CEO does not currently hold a non-executive directorship of another company.

Relative importance of spend on pay

The graph below shows comparison of total cost of remuneration paid to all employees between current and previous years and financial metrics in US$ millions. EBITDA was chosen for the comparison as it is a KPI which best shows the Group's financial performance.

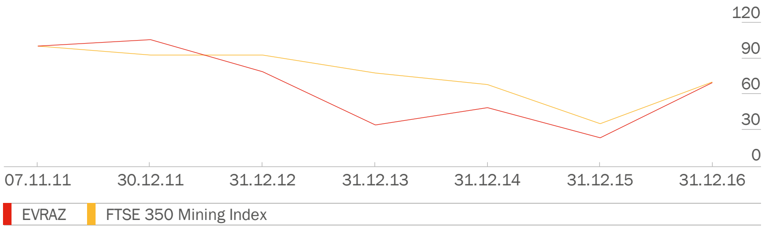
For more information on EBITDA definition please see page 260.

Performance graph

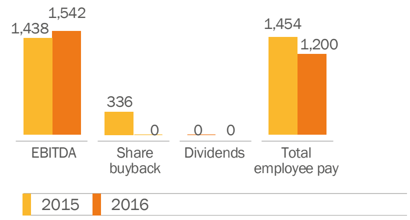
The graph below shows the Group's performance measured by total shareholder return compared with the performance of the FTSE 350 mining Index since EVRAZ plc's admission to the premium listing segment of the London Stock Exchange on 7 November 2011. The FTSE 350 mining Index has been selected as an appropriate benchmark, as it is a broad-based index of which the Group is a constituent member.

The table below shows as a single figure the CEO's total remuneration over the past six years, along with a comparison of variable payments as a percentage of the maximum bonus available.

Total shareholder return performance, US$ million



Relative performance of spend on pay, US$ million



CEO's total remuneration paid in 2011-2016

	CEO single figure of total remuneration, US$	Annual bonus payout (as a % of maximum opportunity)
2016	**4,560,054**	**40.78%**
2015	3,186,585	13.33%
2014	5,808,752	77%
2013	4,894,286	50%
2012	2,141,000	0%
2011	1,667,000	11.3%

Percentage change in remuneration

The table on the right sets out the percentage change in the elements of remuneration for the director undertaking the role of CEO compared with average figures for Russia-based administrative personnel. This group of employees has been selected as an appropriate comparator, as they are based in the same geographic market as the CEO, so are subject to similar external environment/pressures.

Percentage change in the elements of remuneration for the director undertaking the role of CEO compared with average figures for Russia-based administrative personnel

	CEO	Russian administrative personnel
Salary	**0%**	**5%**
Benefits	6%	13%
Annual bonus	203%	30%

Composition of the Remuneration Committee

This section gives details of the composition of the Committee and activities undertaken over the past year.

Members of the Committee

The composition of the Committee changed during the year. The current members of the Remuneration Committee are set out below:
- Alexander Izosimov (became Committee Chairman on 14 March 2016)
- Deborah Gudgeon (joined the Committee on 14 March 2016)
- Sir Michael Peat (joined the Committee on 14 March 2016)

Karl Gruber stepped down from the Committee and joined the Audit Committee on 14 March 2016.

Duncan Baxter who was Committee Chairman till 14 March 2016 stepped down from the Board of Directors on 14 March 2016.

No directors are involved in deciding their own remuneration. The Committee may invite other individuals to attend Committee meetings, in particular the CEO, the head of human resources and external advisers for all or part of any Committee meeting as and when appropriate and necessary.

Role of the Committee

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

The main responsibilities of the Committee are:
- to set and implement the Remuneration Policy covering the chairman of the Board, the CEO, the company secretary and other executive directors, and to recommend and monitor the level and structure of remuneration for key senior management;
- to take into account all factors that it deems necessary to determine, such as framework or policy, including all relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance;
- to review and take into account remuneration trends across the Group when setting the Remuneration Policy;
- to review regularly the appropriateness and relevance of the Remuneration Policy;
- to determine the total individual remuneration package of the chairman of the Board, the company secretary and other executive directors, including pension rights, bonuses, benefits in kind, incentive payments and share options or other share-based remuneration within the terms of the agreed policy;
- to approve awards for participants where existing share incentive plans are in place;
- to review and approve any compensation payable to executive directors and key senior executives in connection with any dismissal, loss of office or termination (whether for misconduct or otherwise) to ensure that such compensation is determined in accordance with the relevant contractual terms and Remuneration Policy, and that such compensation is otherwise fair and not excessive for the Group;
- to oversee any major changes in employee benefits structures throughout the Group.

During 2016, the Committee met three times. The purpose of the meetings was to consider and make recommendations to the Board in relation to the remuneration packages of the executive director and key senior managers; to approve the annual bonus for the 2015 results; and to approve the 2016 long-term incentive plan (LTIP) awards for key senior management.

Advisers

The Committee received advice during the year from Deloitte LLP, which it selected to provide independent remuneration consultancy services to the Group. Deloitte is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

During the year, Deloitte advised the Committee on developments in the regulatory environment and market practice and on the development and disclosure of the Group's pay arrangements. The total fee for advice provided to the Committee during the year was GBP29,900. Other parts of Deloitte provided unrelated tax and regulatory advisory services during the year.

Sir Michael Peat, an independent non-executive director of EVRAZ, is also an independent non-executive on the Board of Deloitte LLP. Both the chairman of the Board and the Committee chairman recognise the need to ensure that there is no conflict of interest arising from the appointment of Deloitte LLP as independent remuneration consultants.

The Committee is satisfied that the nature of Sir Michael's role at Deloitte LLP does not give rise to such conflict and that there are appropriate internal controls and segregation of duties in place. Sir Michael did not play a part in the tender and selection process.

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

Shareholder considerations

EVRAZ remains committed to ongoing shareholder dialogue and takes an active interest in feedback received from its shareholders and from voting outcomes.

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

The table on the left sets out actual voting results from the Annual General Meeting, which was held, in respect of the previous remuneration report and Remuneration Policy.

Actual voting results from the Annual General Meeting

Number of votes	For	Against	Withheld	Total votes as % of issued share capital
To approve the Annual remuneration report section of the directors' remuneration report for the year ended 31 December 2015	1,062,930,124 (99.00%)[1]	10,684,012 (1.00%)	20,000	75.63%
That the Directors' Remuneration Policy contained in the directors' remuneration report for the year ended 31 December 2013 be approved	1,024,608,770 (99.32%)	6,996,299 (0.68%)	10,265,194	68.48%

[1] *Percentage of votes cast.*

These results illustrate the strong level of shareholder support for the directors' remuneration framework.

Signed on behalf of the Board of Directors,

Alexander Izosimov

Chairman of the Remuneration Committee

28 February 2017

Directors' report
Introduction

In accordance with section 415 of the Companies Act 2006, the Directors of EVRAZ plc present their report to shareholders for the financial year ending 31 December 2016, which they are required to produce by applicable UK company law. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the Annual Report, as indicated below.

The Company was incorporated under the name EVRAZ plc as a public company limited by shares on 23 September 2011 under registered number 7784342. EVRAZ plc listed on the London Stock Exchange in November 2011 and is a member of the FTSE 250 Index.

Dividends	The Company's current dividend policy was adopted on 8 April 2014. It allows payment of regular dividends only when the net leverage (net debt/EBITDA) target of below 3.0x is achieved and the Company records a net profit. No dividends were paid in 2016. No dividend is recommended for the year ended 31 December 2016.
Share capital	Details of the Company's share capital are set out in Note 20 to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the year. As of 31 December 2016, the Company's issued share capital has consisted of 1,506,527,294 ordinary shares, of which 87,015,166 ordinary shares are held in treasury. Therefore, the total number of voting rights in the Company is 1,419,512,128. The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.
Authority to purchase own shares and transfer of treasury shares to Company's Employee Share Trust	Details of the Company's authority to purchase its own shares, which will be sought at the Company's forthcoming Annual General Meeting, will be set out in the notice of meeting for that AGM. On 20 May 2016, the Company transferred 11,368,416 ordinary shares out of treasury to the Company's Employee Share Trust, which represented 0.76% of the Company's issued share capital. Details are set out in Note 20 to the Consolidated Financial Statements.
Directors	Biographies of the directors who served on the Board during the year are provided in the Governance section on pages 100-101. In addition, Duncan Baxter and Olga Pokrovskaya served as directors until 14 March 2016.
Directors' appointment and re-election	The Board has the power at any time to elect any person to be a director, but the number of directors must not exceed the maximum number fixed by the Company's Articles of Association. Any person so appointed by the directors will retire at the next AGM and then be eligible for election. In accordance with the UK Corporate Governance Code, the directors are subject to annual re-election by shareholders. For additional information about directors' appointment and resignation, see the Corporate Governance Report on pages 105. All of the continuing directors will stand for re-election at the 2017 AGM to be held on 20 June 2017.
Directors' interests	Information on share ownership by directors can be found in this Report and in the Remuneration Report on pages 127.
Directors' indemnities and director and officer liability insurance	As at the date of this report, the Company has granted qualifying third-party indemnities to each of its directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, directors and officers of the Company and its subsidiaries have been and continue to be covered by director and officer liability insurance.
Powers of directors	Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and also provide the power to make purchases of any of its own shares. The directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.
Major interests in shares	Notifiable major share interests of which the Company has been made aware are set out in this Directors' Report.

Research and development	EVRAZ is constantly engaged in process and product innovation. EVRAZ research and development centres located at the Company's production sites improve and develop high-quality steel products to better meet customers' needs and to ensure that the Company remains competitive in the global and local markets. For examples of the Company's efforts in R&D in different operations, please refer to the Business Review on pages 38-71.
Sustainable development	The Corporate Social Responsibility section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes. Details of the Company's policies and performance are provided in the CSR Report on pages 74-94.
Payments to governments	EVRAZ published its report on payments to governments in June 2016. The report provides citizens, authorities and independent users with information on payments made to governments where the Company conducts its extractive activities. The report is prepared in accordance with the requirements of the Disclosure and Transparency Rules Instrument 2014 "Report on payments to governments", issued by the UK Financial Conduct Authority. The report is available on the Company's website at www.evraz.com.
Political donations	No political contributions were made in 2016.
Greenhouse gas emissions	In 2016, in accordance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, EVRAZ undertook to assess full emissions of greenhouse gases (GHGs) from facilities under its control. Details can be found in the CSR Report on pages 80-81.
Employees	Information regarding the Company's employees can be found in the Our People section on pages 86-89.
Overseas branches	EVRAZ does not have any branches. A full list of the Group's controlled subsidiaries is disclosed in Note 34 of the Consolidated Financial Statements.
Financial risk management and financial instruments	Information regarding the financial risk management and internal control processes and policies, as well as details of hedging policy and exposure to the risks associated with financial instruments, can be found in Note 29 to the Consolidated Financial Statements, the Corporate Governance, Risk Management and Internal Control section on pages 107-109, and the Financial Review on pages 24-29.
Going concern	The financial position and performance of the Group and its cash flows are set out in the Financial Review section of the report on pages 24-29. The Directors have considered the Group's debt maturity and cash flow projections and an analysis of projected debt covenants compliance for the period to the end of June 2018. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will continue in operation for the foreseeable future and has neither the intention nor the need to liquidate or materially curtail the scale of its operations. For this reason the Group continues to adopt the going concern basis in preparing its financial statements. More details are provided in Note 2 to the consolidated financial statements on page 155
Auditor	The Audit Committee conducted a tender for the external audit of the Group in July 2016. In November, the Board approved the Committee's recommendation to re-appoint Ernst & Young LLP as the Company's auditor. Details of the tender process are set out in the Audit Committee Report on page 115. Ernst & Young LLP have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the forthcoming AGM.
Future developments	Information on the Group and its subsidiaries' future developments is provided in the Strategic Report on pages 8-37.
Events since the reporting date	The major events after 31 December 2016 are disclosed in Note 33 to the Consolidated Financial Statements on pages 237.
Annual general meeting (AGM)	The 2017 AGM will be held on 20 June 2017 in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the chairmen of the Board committees. Full details of the AGM, including explanatory notes, are contained in the Notice of the AGM, which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at www.evraz.com.
Electronic communications	A copy of the 2016 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at the following links: http://www.evraz.com/investors/information/general_meeting/ http://www.evraz.com/investors/annual_reports/ Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.
Corporate governance statement	The Disclosure and Transparency Rules (DTR 7.2) require certain information to be included in a corporate governance statement set out in a company`s Directors' Report. In common with many companies, EVRAZ has an existing practice of issuing, within its Annual Report, a Corporate Governance Report that is separate from its Directors' Report. The information that fulfils the requirement of DTR 7.2 is located in the EVRAZ Corporate Governance Report (and is incorporated into this Directors' Report by reference), with the exception of the information referred to in DTR 7.2.6, which is located in this Directors' Report.

Major shareholdings

The Company's issued share capital as of 31 December 2016 and 28 February 2017 was 1,506,527,294 ordinary shares, of which 87,015,166 ordinary shares are held in treasury. Thus, the total voting rights are 1,419,512,128 ordinary shares.

As of 31 December 2016 and 28 February 2017, the following significant holdings of voting rights in the Company's share capital were disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of ordinary shares	% of issued ordinary shares
Lanebrook Ltd.[1]	905,487,416	63.79
Lanebrook Ltd. Affiliates	33,960,653	2.39
Kadre Enterprises Ltd.[2]	83,751,827	5.90
Verocchio Enterprises Ltd.[3]	82,887,014	5.84

[1] *Lanebrook Ltd. (the major shareholder) is a limited liability company incorporated under the laws of Cyprus on 16 March 2006. Its beneficiaries are Roman Abramovich, Alexander Abramov, Alexander Frolov, and Eugene Shvidler.*
[2] *Includes shares held by Gennady Kozovoy, Kadre's shareholder, both indirectly through Kadre and directly*
[3] *Verocchio Ltd. is owned by Alexander Vagin.*

The Company is aware of the following individuals who each have a beneficial interest in three percent or more of EVRAZ plc's issued share capital (in each case, except for Gennady Kozovoy, held indirectly) as of 31 December 2016 and 28 February 2017:

	Number of ordinary shares	% of issued share capital
Roman Abramovich	440,528,063	31.03
Alexander Abramov	303,541,958	21.38
Alexander Frolov	151,573,018	10.68
Gennady Kozovoy	83,751,827	5.90
Alexander Vagin	82,887,014	5.84
Eugene Shvidler	43,805,030	3.09

Listing rule disclosures

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Item	Location
Interest capitalised	Note 9 to the Consolidated Financial Statements
Publication of unaudited financial information	Not applicable
Detail of long-term incentive schemes	Note 21 to the Consolidated Financial Statements, Remuneration Report
Waiver of emoluments by a director	None
Waiver of future emoluments by a director	None
Non pre-emptive issues of equity for cash	None
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	None
Parent participation in a placing by a listed subsidiary	None
Contract of significance in which a director is interested	None
Contracts of significance with a controlling shareholder	Relationship Agreement section **on pages 133-134**
Provision of services by a controlling shareholder	None
Shareholder waiver of dividends	None
Shareholder waiver of future dividends	None
Agreements with controlling shareholder	Relationship Agreement section below

Significant contractual arrangements

Relationship agreement

The Controlling Shareholder and the Company have entered into a Relationship Agreement that regulates the on-going relationship between them, ensures that the Company is in compliance with the provisions of the Listing Rules and capable of carrying on its business independently of the Controlling Shareholder, and ensures that any transactions and relationships between the Company and the Controlling Shareholder are at arm's length and on normal commercial terms. This Agreement was last amended and restated in December 2014 in order to comply with certain changes to the Listing Rules.

This Agreement terminates if the Controlling Shareholder ceases to own or control (directly or indirectly) in aggregate at least 30% of the issued Ordinary Shares in the Company (or at least 30% of the aggregate voting rights in the Company), or if the Controlling Shareholder ceases to have a larger interest in the Company than the interest of any other shareholder of the Company.

Under the Relationship Agreement, the Controlling Shareholder and the Company agree that:

- the Controlling Shareholder has the right to appoint the maximum number of Non-Executive Directors that may be appointed whilst ensuring that the composition of the Board remains compliant with the UK Corporate Governance Code for so long as it holds an interest of 30% or more of the Company (or holds 30 % or more of the aggregate voting rights in the Company) with each appointee being a "Shareholder Director";

- the Controlling Shareholder and its Associates shall not take any action that would have the effect of preventing the Company from complying with its obligations under the Companies Act, the Listing Rules and the Disclosure and Transparency Rules;

- neither the Controlling Shareholder nor any of its Associates will propose or procure the proposal of any shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules;

- transactions, relationships and agreements between the Company and/or its subsidiaries (on the one hand) and the Controlling Shareholder or a member of the Controlling Shareholder Group (on the other) shall be entered into and conducted on arm's length terms and on a normal commercial basis, unless otherwise agreed by a committee comprising the Non-Executive Directors of the Company whom the Board considers to be independent in accordance with paragraph B.1.1 of the UK Corporate Governance Code (the "Independent Committee");

- the Controlling Shareholder shall, insofar as it is legally able to do so, exercise its powers, and shall procure that each member of the Controlling Shareholder Group does the same, so that the Company is managed in accordance with the principles of good governance set out in the UK Corporate Governance Code, save as agreed in writing by a majority of the Independent Committee;

- the Controlling Shareholder will, and will procure (as far as is reasonably possible) that each member of the Controlling Shareholder Group will, treat as confidential all information (subject to certain exceptions) acquired relating to the Company and its subsidiaries; the provision of, access to and use of information pursuant to the Relationship Agreement is governed by applicable laws relating to insider information and the disclosure rules of the Financial Conduct Authority;

- the Controlling Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Controlling Shareholder Group shall not, take any action that precludes or inhibits the Company and/or any of its subsidiaries from carrying on its business independently of the Controlling Shareholder or any member of the Controlling Shareholder Group;

- the quorum for any Board meeting of the Company shall be two, of which at least one must be a Director other than a Controlling Shareholder Director and/or a Director who has (or had, in the 12 months prior to the relevant date) any business or other relationship with the Controlling Shareholder or any member of the Controlling Shareholder Group that could materially interfere with the exercise of his or her independent judgement in matters concerning the Company ("Lanebrook Director");

- the Controlling Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Controlling Shareholder Group shall not, subject to specified exceptions, take any action (or omit to take any action) to prejudice the Company's status as a listed company, or its suitability for listing, or its on-going compliance with the Listing Rules and Disclosure and Transparency Rules;

- the Controlling Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Controlling Shareholder Group shall not, exercise any of its voting or other rights and powers to procure any amendment to the Memorandum and Articles that would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement, and will abstain from voting on, and will procure that the Lanebrook Directors abstain from voting on, any resolution to approve a transaction with a related party (as defined in the Listing Rules) involving the Controlling Shareholder or any member of the Controlling Shareholder Group;

- in any matter that, in the opinion of an independent Director, gives rise to a potential conflict of interest between the Company and/or any of its subsidiaries (on the one hand) and the Lanebrook Directors, the Controlling Shareholder or any member of the Controlling Shareholder Group (on the other), such matter must be approved at a duly convened meeting of the Independent Committee or in writing by a majority of the Independent Committee;

- for so long as the Controlling Shareholder holds an interest of 50% or more in the Company, the Controlling Shareholder undertakes that it will not and will use its reasonable endeavours to procure that no other member of the Controlling Shareholder Group becomes involved in any competing business (subject to certain exceptions) in Russia, the Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.

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

The Independent Non-Executive Directors of the Company have conducted an annual review to consider the continued good standing of the Relationship Agreement and are satisfied that the terms of the Relationship Agreement are being fully observed by both parties. In accordance with LR 9.8.4R (14) it is confirmed that:

- the Company has complied with the independence provisions of the Relationship Agreement;
- so far as the Company is aware, the Controlling Shareholder (or any of its associates) has complied with the independence provisions of the Relationship Agreement; and
- so far as the Company is aware, the Controlling Shareholder has complied with the procurement obligations in the Relationship Agreement.

Other agreements

The 9.50% per annum notes due 2018, issued by EVRAZ Group S.A. on 24 April 2008, contain change of control provisions. If a change of control occurs under the terms of these notes, note holders will have the option to require EVRAZ Group S.A. to redeem notes together with interest accrued, if any. At 31 December 2016, the principal amount of these notes amounted to US$125 million.

The US$350 million high-yield bonds issued by EVRAZ Inc. NA Canada on 7 November 2014 contain change of control provisions. If a change of control occurs under the terms of these notes, the Issuer should make an offer to purchase all outstanding notes together with accrued interest, if any.

The change of control provisions contained in several loan agreements with a total principal amount of US$1,088 million outstanding as of 31 December 2016 specify that if a change of control occurs, each lender under these agreements has a right to cancel their commitments and request prepayment of their portion of the respective loans.

Articles of Association

The Company's Articles of Association were adopted with effect from June 2012 and contain, amongst others, provisions on the rights and obligations attaching to the Company's shares, including the redeemable non-voting preference shares and the subscriber shares. The Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Share rights

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

Voting rights

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the 2017 Notice of the AGM.

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

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

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

Transfer of shares

The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

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

Audit information

Each of the Directors who were members of the Board at the date of the approval of this report confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware.
- He or she has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The EVRAZ Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 28 February 2017.

By the order of the Board

Alexander Frolov
Chief Executive Officer, EVRAZ plc
28 February 2017

Directors' responsibility statements

Responsibility Statement under the Disclosure and Transparency Rules

Each of the directors whose names and functions are listed on pages 100-101 confirm that to the best of their knowledge:

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

Statement Under the UK Corporate Governance Code

The Board considers that the report and accounts taken as a whole, which incorporates the Strategic Report and Directors' Report, is fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

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

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

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

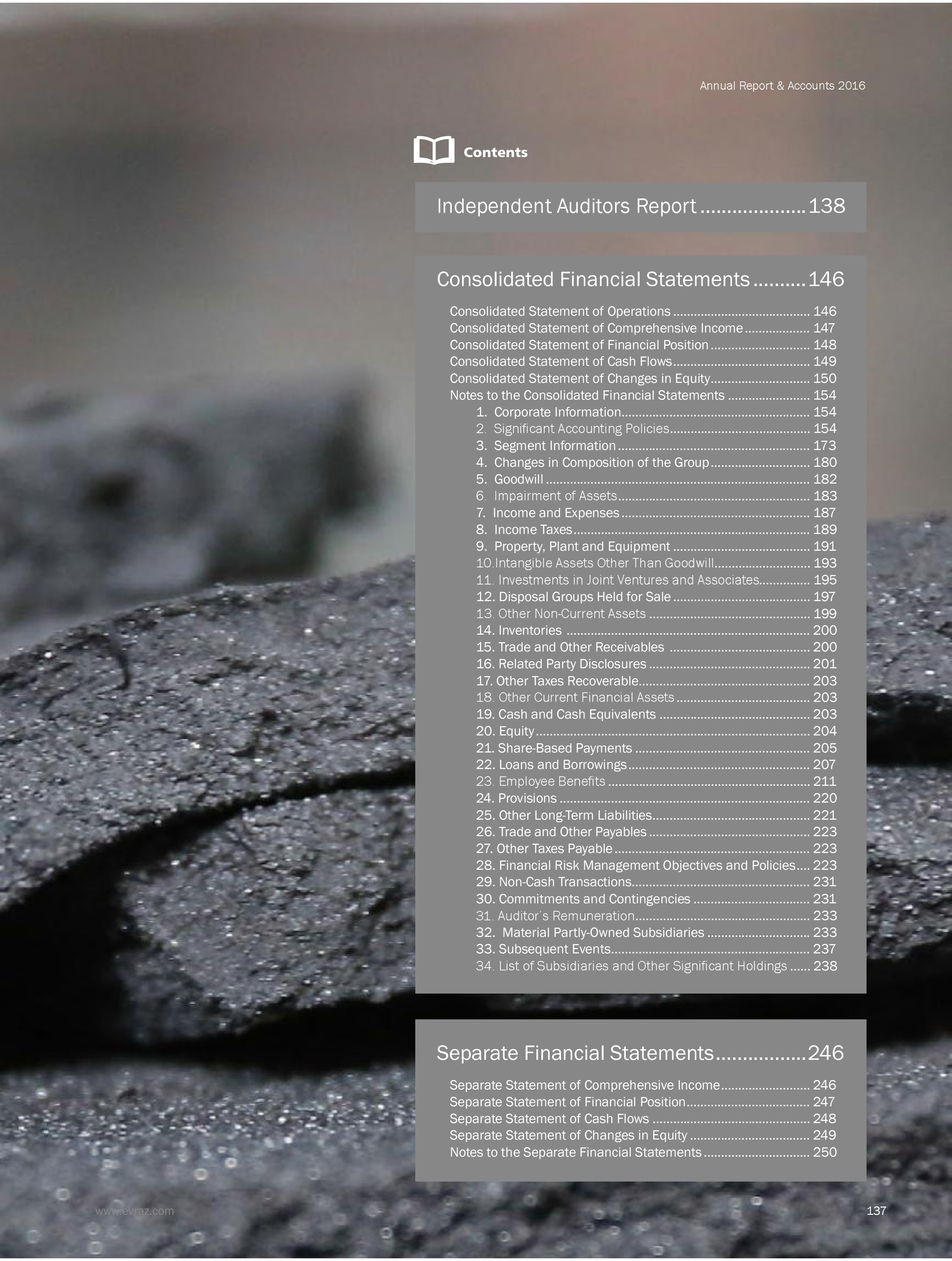
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial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

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

By the order of the Board

Alexander Frolov
Chief Executive Officer, EVRAZ plc
28 February 2017

FINANCIAL STATEMENTS



Contents

Independent Auditor's report to the Members of EVRAZ plc

Our opinion on the Financial Statements

In our opinion EVRAZ plc's financial statements (the "Financial Statements"):

- give a true and fair view of the state of the Group and of the Parent Company's affairs as at 31 December 2016 and of the Group's and the Parent Company's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Consolidated financial statements, Article 4 of the IAS Regulation.

What we have audited

EVRAZ plc's financial statements comprise:

Group	Company
the Consolidated Statement of Operations, the Consolidated Statement of Comprehensive Income;	the Separate Statement of Comprehensive Income;
the Consolidated Statement of Financial Position;	the Separate Statement of Financial Position;
the Consolidated Statement of Cash Flows;	the Separate Statement of Cash Flows;
the Consolidated Statement of Changes in Equity; and	the Separate Statement of Changes in Equity; and
the related notes 1 to 34.	the related notes 1 to 10.
The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.	

Overview

Materiality	▪ Overall Group materiality of $41.0 million which represents 2.7% of adjusted EBITDA[1].
Audit scope	▪ We performed a full scope audit of five components and audit procedures on specific balances, where we consider the risk of material misstatement to be higher, for a further ten components. ▪ The 15 reporting components where we performed audit procedures accounted for 78% of the Group's adjusted EBITDA and 93% of the Group's revenue (of which 60% and 76% respectively were covered by full scope components). ▪ For the remaining 45 reporting components of the Group with no individual component greater than 6% of EBITDA or 1% of Revenue we have performed other procedures appropriate to respond to the risk of material misstatement. ▪ We have obtained an understanding of the entity-level controls of the Group which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.
Areas of focus	▪ Goodwill and non-current asset impairment ▪ Going concern ▪ Completeness of related party transactions
What has changed	▪ In the prior year the accounting for a contract with Praxair was assessed as an area of audit focus. As the determination of the accounting treatment was a once-off event and considered to be appropriate, we have concluded that this is no longer an area of audit focus in 2016.

[1] *Management's EBITDA in the annual report does not include social and charitable expenditure.*
These expenses have been included in adjusted EBITDA used for our calculation of materiality as they are incurred every year.

Our assessment of focus areas

We identified the following risks that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This is not a complete list of all the risks identified in our audit. In addressing these risks, we have performed the procedures below which were designed in the context of the Consolidated financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Details of why we identified these issues as areas of focus and our audit response are set out in the table on pages 139 to 140.. This is not a complete list of all the procedures we performed in respect of these areas. The arrows in the table indicate whether we consider the financial statement risk associated with each focus area to have increased, decreased or stayed the same compared to 2015.

Changes from the prior year

Our audit approach and assessment of areas of focus changes in response to changes in circumstances affecting the EVRAZ business and impacting the Consolidated financial statements. Since the 2015 audit we have made the following changes to our areas of focus:

- The accounting treatment of a Praxair contract is no longer an area of focus for the current year as the determination of the accounting treatment was a once-off and was considered to be appropriate in the prior year.

Area of focus	Our audit approach	What we reported to the Audit Committee
Goodwill and non-current asset impairment **Refer to the Group Audit Committee report on page 110, the estimates and judgments on page 158 to 162. and the disclosures of impairment in note 6 of the Consolidated Financial Statements**		**Risk direction:**
At 31 December 2016 the carrying value of goodwill was US$880 million (2015: US$1,176 million). The Group recognised impairment charges in respect of goodwill, other intangible assets and items of PP&E during the year of US$465 million (2015: US$441 million). In accordance with IAS 36 management disclosed that, in addition to the impairment charge already recognised, a reasonably possible change in discount rates, sales prices, sales volumes and cost control measures, could lead to impairments in other CGUs where no impairment is currently recognised. We focused on this area due to the significance of the carrying value of the assets being assessed, the number and size of recent impairments, the current economic environment in the Group's operating jurisdictions and because the assessment of the recoverable amount of the Group's Cash Generating Units ("CGUs") involves significant judgements about the future results of the business and the discount rates applied to future cash flow forecasts. In particular we focused our effort on those CGUs with the largest carrying values, those for which an impairment had been recognised in the year and those with the lowest headroom. This year we performed a detailed evaluation of management's reassessment of CGUs for EVRAZ Inc NA and EVRAZ Inc. NA Canada. The CGUs for North America have been restructured to reflect changes in the business and cash flow interdependence.	We performed audit procedures on all impairment models relating to material cash generating units. Our audit procedures were performed mainly by the Group audit team with the exception of certain location specific inputs to management's models which were assessed by the component teams. Our audit procedures included the evaluation of management's assumptions used in their impairment models. The assumptions to which the models were most sensitive and most likely to lead to further impairments were: ▪ Decreases in steel prices; ▪ Increases in production costs; and ▪ Discount rates. We corroborated management's assumptions with reference to historical data and, where applicable, external benchmarks. We tested the integrity of models with the assistance of our own specialists and carried out audit procedures on management's sensitivity calculations. We assessed the historical accuracy of management's budgets and forecasts, and sought appropriate evidence for any anticipated improvements in major assumptions such as production volumes or cost reductions. We corroborated previous forecasts with actual data. We tested the appropriateness of the related disclosures provided in the Consolidated Financial Statements. In particular we tested the completeness of the disclosures regarding those CGUs with material goodwill balances and where a reasonably possible change in certain variables could lead to impairment charges. We assessed whether the revised CGUs for North America are consistent with IAS 36 and the actual business operations, and challenged the extent and nature of underlying changes driving the reassessment.	We consider the management's estimates to be reasonable for the current year with assumptions within an acceptable range. Management has also reflected known changes in the circumstances of each CGU in its forecasts for forthcoming periods. We concluded that the related disclosures provided in the Consolidated Financial Statements are appropriate. We are satisfied that the Group's CGUs meet the definition of IAS 36 and are appropriately disclosed in the Financial Statements.

Area of focus	Our audit approach	What we reported to the Audit Committee
Going concern		**Risk direction:**
Refer to the Group Audit Committee report on page 110, the Directors' report on page 130 and within significant accounting policies on page 155 of the Consolidated Financial Statements		
The Group is highly geared (net debt at 31 December 2016 US$4,802 million, 2015 US$5,349 million), has regular debt repayments and a number of restrictive covenants over a proportion of its debt. Management and the Board prepare a cash flow forecast and undertake sensitivity analysis (Base and Pessimistic cases) of the key assumptions to verify that the Group can operate as a going concern for at least 12 months from the date the financial statements are approved. During 2016 management negotiated covenant holidays for the periods ranging from 31 December 2017 to 30 June 2018 for the loan balances that were subject to financial maintenance covenants. Furthermore, actual Group EBITDA for 2016 as well as forecast Group EBITDA for are higher than the respective figures in the previous year. We therefore consider the level of risk in relation to Going Concern to have decreased.	Since management's going concern model and analysis are prepared centrally, audit procedures on this area were performed directly by the Group audit team. Covenant compliance testing was split between the Group and component teams as appropriate. We discussed the detailed cash flow forecasts prepared by management in their model. The main procedures performed on the models and areas where we challenged management were as follows: ▪ We have tested the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes; ▪ We verified the consistency of forecasts used in the going concern assessment with those used for impairment calculations; ▪ We tested the appropriateness of the assumptions that had the most material impact. In challenging these assumptions we took account of actual results, external data and market conditions; ▪ We tested the arithmetic integrity of the calculations including those related to management's sensitivities; ▪ We also performed our own sensitivity calculations to test the adequacy of the available headroom and, in particular, covenant compliance; and ▪ We agreed the sources of liquidity and uses of funds to supporting documentation. ▪ We considered the appropriateness of the disclosures made in the Consolidated Financial Statements in respect of going concern.	Based on audit procedures performed we agree with the conclusion reached by management that there is no material uncertainty in relation to the going concern assumption for the preparation of the financial statements.
Completeness of related party transactions		**Risk direction:**
Refer to the Group Audit Committee report on page 110 and note 16 of the Consolidated Financial Statements		
At the end of 2015, management discovered historic transactions with a company controlled by a key management person had been erroneously omitted from the prior year's disclosures of related party transactions in the Consolidated Financial Statements. Although the error itself was not material, given regulatory and investor interest in this area coupled with the risk that this might not be an isolated incident, we considered our audit risk had increased. We therefore reassessed the risk of completeness of related party transactions as significant and adapted our audit strategy accordingly. We consider the increased risk to be limited to the Russian entities within the Group where external business interests, especially in relation to local product suppliers, are more common amongst members of key management.	At both a component team and group level, we have understood and tested management's process for identifying related parties and recording related party transactions. We have tested management's controls in relation to the assessment and approval of related party transactions. We assessed management's evaluation that the transactions are on an arm's length basis by reviewing a sample of agreements and comparing the related party transaction price to those quoted by comparable unrelated companies. Across the Russian components we obtained an understanding of unusual or high value transactions with unknown counterparties. We randomly selected a sample of key management personnel and ran a search for any companies controlled by those individuals (the search was performed via an independent register of all companies based in the CIS and their directors or shareholders). We compared the results of the research made with the list of entities included in related party listing provided to us by management and investigated the differences between the listings.	Based on our procedures performed we consider the related party disclosure provided in the Consolidated Financial Statements not to be materially misstated.

Our application of materiality

The scope of our work is influenced by materiality. We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

As we develop our audit strategy, we determine materiality at the overall level and at the individual account level (referred to as our 'performance materiality').

Materiality	Performance materiality	Reporting threshold
US$41.0 million	US$20.5million	US$2.1 million

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $41.0 million (2015: $37.8 million), which is set at 2.7% (2015: 2.7%) of adjusted EBITDA. We adjusted EBITDA to include social and charitable expenditure, which is excluded from the Group's reported EBITDA. These expenses have been included in our calculation for materiality purposes because these are costs that are incurred every year. Our materiality amount provides a basis for determining the nature and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures. Materiality is assessed on both quantitative and qualitative grounds. With respect to disclosure and presentational matters, amounts in excess of the quantitative thresholds above may not be adjusted if their effect is not considered to be material on a qualitative basis.

How we determined materiality:

Starting basis	EBITDA of US$1,542 million (as included in the Consolidated Financial Statements)
Adjustment	Inclusion of social expenses of US$23 milllion to determine adjusted EBITDA
Materiality	Take 2.7% of the adjusted EBITDA

Rationale for basis

We have used an earnings based measure as our basis of materiality. It was considered inappropriate to calculate materiality using Group profit or loss before tax due to the historic volatility of this metric. EBITDA is a key performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We also noted that market and analyst commentary on the performance of the Group uses EBITDA as a key metric. We therefore, considered EBITDA, adjusted for social and charitable expenditure, to be the most appropriate performance metric on which to base our materiality calculation as we considered that to be the most relevant performance measure to the stakeholders of the entity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that given the number and monetary amounts of individual misstatements (corrected and uncorrected) identified in prior periods as well as the nature of the misstatements, overall performance materiality for the Group should be 50% (2015: 50%) of materiality, namely $20.5 million (2015: $18.9 million).

Audit work on individual components is undertaken using a percentage of our total performance materiality. This percentage is based on the size of the component relative to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was $4.1 million to $13.3 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $2.1million (2015: $1.9 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we analyse the implications for our report.

Tailoring the scope

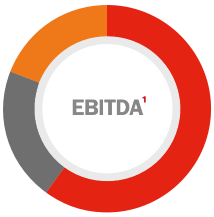
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group which, when taken together, enable us to form an opinion on the Consolidated Financial Statements under International Standards on Auditing (UK and Ireland). We take into account size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

The EVRAZ Group has centralised processes and controls over the key areas of our audit focus with responsibility lying with group management for the majority of estimation processes and significant risk areas. We have tailored our audit response accordingly and thus for the majority of our focus areas, audit procedures were undertaken directly by the Group audit team with testing undertaken by the Component audit team on the verification of operational data and other routine processes.

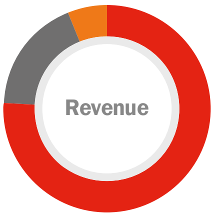
In assessing the risk of material misstatement to the Consolidated Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts, of the 60 reporting components of the Group we selected 15 components covering entities within Russia, Ukraine, Switzerland, Canada and the USA, which represent the principal business units within the Group.

Of the 15 components selected, we performed a full scope audit of five components (full scope components), which were selected based on their size or risk characteristics. For the remaining ten selected components (specific scope components) we performed audit procedures on specific accounts within the component that we considered had the potential for the greatest impact on the amounts in the Consolidated Financial Statements either because of the size of these accounts or their risk profile. The extent of our audit work on the specific scope accounts was similar to that for a full scope audit.

The 15 reporting components where we performed full or specific scope procedures accounted for 78% (2015: 77%) of the Group adjusted EBITDA, 93% (2015: 92%) of the Group's revenue and 86% (2015: 86%) of the Group's total assets. For the current year, the full scope components contributed 60% (2015: 60%) of the Group adjusted EBITDA, 76% (2015: 74%) of the Group's revenue and 57% (2015: 57%) of the Group's Total assets. The specific scope components contributed 19% (2015: 17%) of the Group adjusted EBITDA, 18% (2015: 18%) of the Group's revenue and 29% (2015: 29%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. A further breakdown of the size of these components compared to key metrics of the Group is provided below.



	%
Full	60
Specific	19
Other	21



	%
Full	76
Specific	18
Other	6

	%
Full	57
Specific	29
Other	14

[1] *The percentage of the Group's adjusted EBITDA attributable to full and specific scope entities is lower than the revenue metric because some of the full and specific scope entities contribute to the Group's revenue but individually have a negative adjusted EBITDA.*

For the remaining 45 components of the Group with no individual component greater than 3% of EBITDA or 1% of Revenue, we performed other procedures, including analytical review, review of internal audit reports, testing of consolidation journals, and intercompany eliminations and foreign currency translation recalculations to respond to any potential significant risks of material misstatement to the Consolidated Financial Statements.

We have obtained an understanding of the entity-level controls of the Group as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

Changes from the prior year

Our scope allocation in the current year is broadly consistent with 2015 in terms of overall coverage of the Group and the number of full and specific scope entities.

Integrated team structure

The overall audit strategy is determined by the senior statutory auditor, Steven Dobson. The senior statutory auditor is based in the UK but, since Group management and many operations reside in Russia, the Group audit team includes members from both the UK and Russia. The senior statutory auditor visited Russia five times during the current year's audit and members of the Group audit team in both jurisdictions work together as an integrated team throughout the audit process. Whilst in Russia, he focused his time on the significant risks and judgemental areas of the audit. He attended management's going concern, impairment and significant estimates and judgements presentations to the Audit Committee. During the current year's audit he reviewed key working papers and met, or held conference calls, with representatives of the component audit team for all Russian based full scope components including internal valuation specialists used in the audit to discuss the audit approach and issues arising from their work.

Involvement with component teams

In establishing our overall approach to the Group audit we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit team or by component auditors from other EY global network firms operating under our instruction. Of the five full scope components, audit procedures were performed on all of these by the relevant component audit team. Of the 10 specific scope components selected, audit procedures were performed on five of these directly by the Group audit team. For the components where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle visits were undertaken by the Group audit team to component teams in Russia and the USA. These visits involved discussing the audit approach with the component team and any issues arising from their work. The Group audit team participated in key discussions, via conference calls with all full and specific scope locations. The Group audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate audit evidence for our opinion on the Consolidated Financial Statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out **on page 135**, the directors are responsible for the preparation of the Consolidated Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Consolidated Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.
  - The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;
- based on the work undertaken in the course of the audit, information given in the Corporate Governance Statement set out on pages 104 to 119 in the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures and in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency rules sourcebook made by the Financial Conduct Authority:
  - is consistent with the Financial Statements; and
  - has been prepared in accordance with applicable legal requirement;
- based on the work undertaken in the course of the audit, rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (with respect to the Company's corporate governance code and practices about its administrative, management and supervisory bodies and their committees) have been complied with if applicable.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: ▪ materially inconsistent with the information in the audited Consolidated financial statements; or ▪ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or ▪ otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement (included on page 135 of the Annual Report) that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report, Directors' Report or Corporate Governance Statement set out on pages 8-37, 130-135, 104-119 of the Annual Report at http://www.evraz.com/ We are required to report to you if, in our opinion: ▪ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or ▪ the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or ▪ certain disclosures of directors' remuneration specified by law are not made; or ▪ we have not received all the information and explanations we require for our audit. ▪ a Corporate Governance Statement has not been prepared by the company.	We have no exceptions to report.
Listing Rules review requirements	We are required to: ▪ the directors' statement in relation to going concern, set out on page 131, and longer-term viability, set out on page 36; and ▪ the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review	We have no exceptions to report.

Statement on the Directors’ Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: ▪ the directors’ confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; ▪ the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; ▪ the directors’ statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and ▪ the directors’ explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Steven Dobson
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 February 2017

Notes:

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

EVRAZ plc
Consolidated Financial Statements
Year Ended 31 December 2016

EVRAZ plc Consolidated Statement of Operations
(IN MILLIONS OF US DOLLARS, EXCEPT FOR PER SHARE INFORMATION)

	Notes	Year ended 31 December		
		2016	2015*	2014*
Continuing operations				
Revenue				
Sale of goods	3	**$ 7,477**	$ 8,552	$ 12,745
Rendering of services	3	**236**	215	316
		7,713	8,767	13,061
Cost of revenue	7	**(5,521)**	(6,583)	(9,734)
Gross profit		**2,192**	2,184	3,327
Selling and distribution costs	7	**(623)**	(728)	(930)
General and administrative expenses	7	**(469)**	(553)	(822)
Social and social infrastructure maintenance expenses		**(23)**	(28)	(30)
Loss on disposal of property, plant and equipment		**(22)**	(41)	(48)
Impairment of assets	6	**(465)**	(441)	(540)
Foreign exchange gains/(losses), net		**(48)**	(367)	(1,005)
Other operating income		**22**	28	35
Other operating expenses	7	**(101)**	(78)	(88)
Profit/(loss) from operations		**463**	(24)	(101)
Interest income	7	**10**	9	17
Interest expense	7	**(481)**	(475)	(563)
Share of profits/(losses) of joint ventures and associates	11	**(23)**	(20)	10
Gain/(loss) on financial assets and liabilities, net	7	**(9)**	(48)	(583)
Gain/(loss) on disposal groups classified as held for sale, net	12	**–**	21	136
Loss of control over a subsidiary	4	**–**	(167)	–
Other non-operating gains/(losses), net	7	**(52)**	(3)	–
Loss before tax		**(92)**	(707)	(1,084)
Income tax benefit/(expense)	8	**(96)**	(12)	(194)
Net loss		**$ (188)**	$ (719)	$ (1,278)
Attributable to:				
Equity holders of the parent entity		**$ (215)**	$ (644)	$ (1,175)
Non-controlling interests		**27**	(75)	(103)
		$ (188)	$ (719)	$ (1,278)
Earnings/(losses) per share:				
for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	20	**$ (0.15)**	$ (0.45)	$ (0.78)

** The amounts shown here do not correspond to the previously issued financial statements and reflect reclassifications described in Note 2.*

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

EVRAZ plc Consolidated Statement of Comprehensive Income

(IN MILLIONS OF US DOLLARS)

	Notes	Year ended 31 December 2016	2015	2014
Net loss		**$ (188)**	$ (719)	$ (1,278)
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency		**543**	(820)	(1,918)
Exchange differences recycled to profit or loss	**4,12**	**–**	142	(66)
Net gains/(losses) on available-for-sale financial assets	**13**	**–**	–	(12)
		543	(678)	(1,996)
Effect of translation to presentation currency of the Group's joint ventures and associates	**11**	**13**	(27)	(79)
		13	(27)	(79)
Items not to be reclassified to profit or loss in subsequent periods				
Gains/(losses) on re-measurement of net defined benefit liability	**23**	**11**	1	(33)
Income tax effect	**8**	**–**	(5)	15
		11	(4)	(18)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	**9**	**–**	(1)	–
Income tax effect	**8**	**–**	–	–
		–	(1)	–
Total other comprehensive income/(loss)		**567**	(710)	(2,093)
Total comprehensive income/(loss), net of tax		**$ 379**	$ (1,429)	$ (3,371)
Attributable to:				
Equity holders of the parent entity		**$ 341**	$ (1,340)	$ (3,164)
Non-controlling interests		**38**	(89)	(207)
		$ 379	$ (1,429)	$ (3,371)

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

EVRAZ plc Consolidated Statement of Financial Position

(IN MILLIONS OF US DOLLARS)

The financial statements of EVRAZ plc (registered number 7784342) on pages 146-245 were approved by the Board of Directors on 28 February 2017 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

	Notes	31 December		
		2016	2015	2014
ASSETS				
Non-current assets				
Property, plant and equipment	9	**$ 4,652**	$ 4,302	$ 5,796
Intangible assets other than goodwill	10	**297**	324	441
Goodwill	5	**880**	1,176	1,541
Investments in joint ventures and associates	11	**64**	74	121
Deferred income tax assets	8	**156**	119	97
Other non-current financial assets	13	**91**	79	98
Other non-current assets	13	**45**	56	40
		6,185	6,130	8,134
Current assets				
Inventories	14	**984**	899	1,372
Trade and other receivables	15	**502**	447	654
Prepayments		**60**	50	82
Loans receivable		**13**	5	24
Receivables from related parties	16	**8**	6	53
Income tax receivable		**43**	44	23
Other taxes recoverable	17	**192**	127	158
Other current financial assets	18	**33**	35	40
Cash and cash equivalents	19	**1,157**	1,375	1,086
		2,992	2,988	3,492
Assets of disposal groups classified as held for sale	12	**27**	1	4
		3,019	2,989	3,496
Total assets		**$ 9,204**	**$ 9,119**	**$ 11,630**
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	**$ 1,507**	$ 1,507	$ 1,507
Treasury shares	20	**(270)**	(305)	–
Additional paid-in capital	20	**2,517**	2,501	2,481
Revaluation surplus		**112**	124	155
Accumulated profits		**415**	644	1,299
Translation difference		**(3,790)**	(4,335)	(3,644)
		491	136	1,798
Non-controlling interests		**186**	133	218
		677	269	2,016
Non-current liabilities				
Long-term loans	22	**5,502**	5,850	5,470
Deferred income tax liabilities	8	**348**	352	471
Employee benefits	23	**317**	301	364
Provisions	24	**205**	146	173
Other long-term liabilities	25	**94**	116	442
		6,466	6,765	6,920
Current liabilities				
Trade and other payables	26	**935**	1,070	1,379
Advances from customers		**266**	228	155
Short-term loans and current portion of long-term loans	22	**392**	497	761
Payables to related parties	16	**226**	143	108
Income tax payable		**39**	17	86
Other taxes payable	27	**169**	107	151
Provisions	24	**26**	23	41
		2,053	2,085	2,681
Liabilities directly associated with disposal groups classified as held for sale	12	**8**	–	13
		2,061	2,085	2,694
Total equity and liabilities		**$ 9,204**	**$ 9,119**	**$ 11,630**

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

EVRAZ plc Consolidated Statement of Cash Flows

(IN MILLIONS OF US DOLLARS)

	Year ended 31 December		
	2016	**2015**	**2014**
Cash flows from operating activities			
Net loss	**$ (188)**	$ (719)	$ (1,278)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense (Note 8)	**(87)**	(87)	(163)
Depreciation, depletion and amortisation (Note 7)	**521**	585	833
Loss on disposal of property, plant and equipment	**22**	41	48
Impairment of assets	**465**	441	540
Foreign exchange (gains)/losses, net	**48**	367	1,005
Interest income	**(10)**	(9)	(17)
Interest expense	**481**	475	563
Share of (profits)/losses of associates and joint ventures	**23**	20	(10)
(Gain)/loss on financial assets and liabilities, net	**9**	48	583
(Gain)/loss on disposal groups classified as held for sale, net	**–**	(21)	(136)
Loss of control over a subsidiary	**–**	167	–
Other non-operating (gains)/losses, net	**52**	3	–
Bad debt expense	**1**	18	41
Changes in provisions, employee benefits and other long-term assets and liabilities	**(7)**	(56)	(62)
Expense arising from equity-settled awards (Note 21)	**16**	20	30
Other	**(3)**	–	(1)
	1,343	1,293	1,976
Changes in working capital:			
Inventories	**(17)**	204	(87)
Trade and other receivables	**(38)**	55	(1)
Prepayments	**(1)**	9	(2)
Receivables from/payables to related parties	**136**	66	(246)
Taxes recoverable	**(32)**	(34)	33
Other assets	**(3)**	(3)	11
Trade and other payables	**40**	3	150
Advances from customers	**20**	100	27
Taxes payable	**62**	(72)	100
Other liabilities	**(7)**	1	(4)
Net cash flows from operating activities	**1,503**	1,622	1,957
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(1)**	(2)	(4)
Issuance of loans receivable	**–**	(2)	–
Proceeds from repayment of loans receivable, including interest	**2**	7	3
Purchases of subsidiaries, net of cash acquired (Note 4)	**–**	–	(102)
Purchases of interest in associates/joint ventures (Note 11)	**–**	–	(29)
Restricted deposits at banks in respect of investing activities	**1**	(3)	1
Short-term deposits at banks, including interest	**4**	4	8
Purchases of property, plant and equipment and intangible assets	**(382)**	(423)	(612)
Proceeds from disposal of property, plant and equipment	**7**	10	14
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs (Note 12)	**27**	44	311
Dividends received	**1**	–	2
Other investing activities, net	**1**	6	19
Net cash flows used in investing activities	**(340)**	**(359)**	**(389)**

Continued on the next page

EVRAZ plc Consolidated Statement of Cash Flows (continued)
(IN MILLIONS OF US DOLLARS)

	Year ended 31 December		
	2016	**2015**	**2014**
Cash flows from financing activities			
Purchase of treasury shares (Note 20)	**$ –**	$ (339)	$ (13)
Proceeds from issue of shares by a subsidiary to non-controlling shareholders	**13**	6	–
Proceeds from loans provided by related parties	**–**	–	267
Repayment of loans provided by related parties	**–**	–	(251)
Dividends paid by the parent entity to its shareholders (Note 20)	**–**	–	(90)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**–**	–	(3)
Sale of non-controlling interests (Note 4)	**–**	1	–
Proceeds from bank loans and notes	**1,301**	3,801	2,579
Repayment of bank loans and notes, including interest	**(2,428)**	(3,961)	(3,223)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(5)**	(9)	(942)
Payments under covenants reset	**(4)**	–	–
Payments for purchase of property, plant and equipment on deferred terms	**–**	(5)	(42)
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	**(250)**	(464)	(94)
Gain/(loss) on hedging instruments (Note 25)	**14**	5	–
Collateral under swap contracts (Note 18)	**–**	7	14
Payments under finance leases, including interest	**(1)**	(1)	(1)
Other financing activities	**(9)**	(3)	(12)
Net cash flows used in financing activities	**(1,369)**	(962)	(1,811)
Effect of foreign exchange rate changes on cash and cash equivalents	**(10)**	(12)	(282)
Net increase/(decrease) in cash and cash equivalents	**(216)**	289	(525)
Cash and cash equivalents at the beginning of the year	**1,375**	1,086	1,604
Decrease/(increase) in cash of disposal groups classified as assets held for sale (Note 12)	**(2)**	–	7
Cash and cash equivalents at the end of the year	**$ 1,157**	$ 1,375	$ 1,086
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$ (413)**	$ (443)	$ (517)
Interest received	**6**	4	10
Income taxes paid by the Group	**(149)**	(204)	(263)

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

EVRAZ plc Consolidated Statement of Changes in Equity
(IN MILLIONS OF US DOLLARS)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2015	**$ 1,507**	**$ (305)**	**$ 2,501**	**$ 124**	**$ –**	**$ –**	**$ 644**	**$ (4,335)**	**$ 136**	**$ 133**	**$ 269**
Net loss	–	–	–	–	–	–	(215)	–	(215)	27	(188)
Other comprehensive income/(loss)	–	–	–	–	–	–	11	545	556	11	567
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(12)	–	–	12	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(12)	–	–	(192)	545	341	38	379
Acquisition of non-controlling interests in subsidiaries	–	–	–	–	–	–	(2)	–	(2)	2	–
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	–	–	–	–	–	–	–	–	–	13	13
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	–	35	–	–	–	–	(35)	–	–	–	–
Share-based payments (Note 21)	–	–	16	–	–	–	–	–	16	–	16
At 31 December 2016	**$ 1,507**	**$ (270)**	**$ 2,517**	**$ 112**	**$ –**	**$ –**	**$ 415**	**$ (3,790)**	**$ 491**	**$ 186**	**$ 677**

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

EVRAZ plc Consolidated Statement of Changes in Equity (continued)

(IN MILLIONS OF US DOLLARS)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2014	$ 1,507	$ –	$ 2,481	$ 155	$ –	$ –	$ 1,299	$ (3,644)	$ 1,798	$ 218	$ 2,016
Net loss	–	–	–	–	–	–	(644)	–	(644)	(75)	(719)
Other comprehensive income/(loss)	–	–	–	(1)	–	–	(4)	(691)	(696)	(14)	(710)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed subsidiaries	–	–	–	(28)	–	–	28	–	–	–	–
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(2)	–	–	2	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(31)	–	–	(618)	(691)	(1,340)	(89)	(1,429)
Derecognition of non-controlling interests in connection with the loss of control over a subsidiary (Note 4)	–	–	–	–	–	–	–	–	–	(4)	(4)
Non-controlling interests arising on sale of ownership interests in subsidiaries	–	–	–	–	–	–	(3)	–	(3)	2	(1)
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	–	–	–	–	–	–	–	–	–	6	6
Purchase of treasury shares (Note 20)	–	(336)	–	–	–	–	(3)	–	(339)	–	(339)
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	–	31	–	–	–	–	(31)	–	–	–	–
Share-based payments (Note 21)	–	–	20	–	–	–	–	–	20	–	20
At 31 December 2015	$ 1,507	$ (305)	$ 2,501	$ 124	$ –	$ –	$ 644	$ (4,335)	$ 136	$ 133	$ 269

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

EVRAZ plc Consolidated Statement of Changes in Equity (continued)

(IN MILLIONS OF US DOLLARS)

	Attributable to equity holders of the parent entity									Non-controlling interests	Total equity
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total		
At 31 December 2013	$ 1,473	$ (1)	$ 2,326	$ 162	$ 156	$ 12	$ 2,589	$ (1,685)	$ 5,032	$ 431	$ 5,463
Net loss	–	–	–	–	–	–	(1,175)	–	(1,175)	(103)	(1,278)
Other comprehensive income/(loss)	–	–	–	–	–	(12)	(18)	(1,959)	(1,989)	(104)	(2,093)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(7)	–	–	7	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(7)	–	(12)	(1,186)	(1,959)	(3,164)	(207)	(3,371)
Issue of shares (Note 20)	34	–	122	–	(156)	–	–	–	–	–	–
Acquisition of non-controlling interests in subsidiaries	–	–	3	–	–	–	–	–	3	(3)	–
Purchase of treasury shares (Note 20)	–	(13)	–	–	–	–	–	–	(13)	–	(13)
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	–	14	–	–	–	–	(14)	–	–	–	–
Share-based payments (Note 21)	–	–	30	–	–	–	–	–	30	–	30
Dividends declared by the parent entity to its shareholders (Note 20)	–	–	–	–	–	–	(90)	–	(90)	–	(90)
Dividends declared by the Group's subsidiaries to non-controlling shareholders (Note 20)	–	–	–	–	–	–	–	–	–	(3)	(3)
At 31 December 2014	$ 1,507	$ –	$ 2,481	$ 155	$ –	$ –	$ 1,299	$ (3,644)	$ 1,798	$ 218	$ 2,016

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

EVRAZ plc
Notes to the Consolidated Financial Statements
Year ended 31 December 2016

1. Corporate Information

These consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 28 February 2017.

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

The Company is a parent entity of Evraz Group S.A. (Luxembourg), a holding company which owns steel production, mining and trading companies.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products and coal and iron ore mining. In addition, the Group produces vanadium products. The Group is one of the largest steel producers globally. Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group.

The major subsidiaries included in the consolidated financial statements of the Group were as follows at 31 December:

Subsidiary	Effective ownership interest, %			Business activity	Location
	2016	**2015**	**2014**		
EVRAZ Nizhny Tagil Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Highveld Steel and Vanadium Limited	**–**	–	85.11	Steel production	South Africa
EVRAZ Dneprovsk Metallurgical Plant	**97.73**	96.94	96.90	Steel production	Ukraine
EVRAZ Inc. NA	**100.00**	100.00	100.00	Steel production	USA
EVRAZ Inc. NA Canada	**100.00**	100.00	100.00	Steel production	Canada
Raspadskaya	**81.95**	81.95	81.95	Coal mining	Russia
Yuzhkuzbassugol	**100.00**	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	**100.00**	100.00	100.00	Ore mining and processing	Russia
Evrazruda	**100.00**	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	**99.42**	99.42	99.42	Ore mining	Ukraine

The full list of the Group's subsidiaries and other significant holdings as of 31 December 2016 is presented in Note 34.

2. Significant Accounting Policies

Basis of Preparation

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

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2016, but not adopted by the European Union, do not have any impact on the Group's consolidated financial statements.

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. Exceptions include, but are not limited to, property, plant and equipment at the date of transition to IFRS accounted for at deemed cost, available-for-sale investments measured at fair value, assets classified as held for sale measured at the lower of their carrying amount or fair value less costs to sell and post-employment benefits measured at present value.

Going Concern

These consolidated financial statements have been prepared on a going concern basis.

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment (Note 30). In response, the Group implemented a number of cost cutting initiatives, reduced capital expenditures, continues to reduce the level of debt and proactively manages its debt covenants compliance.

Based on the currently available facts and circumstances the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Restatement of Financial Statements

Reclassification of Expenses

In 2016, the Group reclassified property tax accrued and paid by the production subsidiaries from general and administrative expenses to the "cost of revenue" caption. In addition, the Group reclassified staff costs of certain categories of personnel and the related expenses from cost of revenues and selling expenses to general and administrative expenses and from selling expenses to cost of revenues.

The reclassifications were made to better reflect the nature of these costs in the current business environment and in order to make the financial statements more comparable with industry peers.

The effects of the restatement on the previously reported amounts are set out below.

	Year ended 31 December 2015				
	As previously reported	Property tax	Staff costs	Other expenses	Restated
Statement of Operations					
Cost of revenue	$ (6,595)	$ (27)	$ 48	$ (9)	$ (6,583)
Gross profit	2,172	(27)	48	(9)	2,184
Selling and distribution costs	(795)	–	47	20	(728)
General and administrative expenses	(474)	27	(95)	(11)	(553)

	Year ended 31 December 2014				
	As previously reported	Property tax	Staff costs	Other expenses	Restated
Statement of Operations					
Cost of revenue	$ (9,734)	$ (50)	$ 58	$ (8)	$ (9,734)
Gross profit	3,327	(50)	58	(8)	3,327
Selling and distribution costs	(1,009)	–	60	19	(930)
General and administrative expenses	(743)	50	(118)	(11)	(822)

2. Significant Accounting Policies (continued)

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2016.

New/Revised Standards and Interpretations Adopted in 2016:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees.

- Amendments to IAS 1 – Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify existing IAS 1 requirements:

- The materiality requirements in IAS 1
- The requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI
- That specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

- Amendments to IAS 16 and IAS 41 – Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exemption

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 "Consolidated Financial Statements". The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS "28 Investments in Associates and Joint Ventures" allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

- Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

- Annual Improvements to IFRSs 2010-2012 Cycle

The amendments relate to IFRS 2 "Share-based Payment, IFRS 3 "Business Combinations", IFRS 8 "Operating Segments", IAS 16 "Property, Plant and Equipment" and "IAS 38 Intangible Assets", IAS 24 "Related Party Disclosures".

- Annual Improvements to IFRSs 2012-2014 Cycle

The amendments relate to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits", IAS 34 "Interim Financial Reporting".

The amendments described above had no significant impact on the financial position and performance of the Group or the disclosures in the consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Standards Issued But Not Yet Effective in the European Union

Standards not yet effective for the financial statements for the year ended 31 December 2016	Effective for annual periods beginning on or after
▪ Amendments to IAS 7 – Disclosure Initiative	1 January 2017[1]
▪ Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017[1]
▪ Amendments to IAS 40 – Transfers of Investment Property	1 January 2018[1]
▪ Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	1 January 2018[1]
▪ Amendments to IFRS 4 – Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”	1 January 2018[1]
▪ Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018[1]
▪ IFRS 9 “Financial Instruments”	1 January 2018
▪ IFRS 15 “Revenue from Contracts with Customers”	1 January 2018
▪ IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	1 January 2018[1]
▪ IFRS 16 “Leases”	1 January 2019[1]

[1] *Subject to EU endorsement*

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

The Group plans to apply IFRS 15, IFRS 16 and IFRS 9 starting from the dates effective in the European Union. At present the Group is in the process of analysis of the possible impact of the application of these standards on its consolidated financial statements, but the preliminary results show that the impact will not be significant.

Significant Accounting Judgements and Estimates

Accounting Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- In 2015, the Group lost control over Highveld Steel and Vanadium Limited and it is not expected that it will re-obtain control in the future. As a result, the Group ceased to consolidate this entity starting 14 April 2015 (Note 4).
- The Group determined based on the criteria in IFRIC 4 “Determining whether an Arrangement Contains a Lease” that the supply contract with PraxAir does not contain a lease. This contract, concluded in 2010, with subsequent amendments in 2015, included the construction of an air separation plant by PraxAir to be owned and operated by PraxAir and the supply of oxygen and other industrial gases produced by PraxAir to EVRAZ Nizhny Tagil Metallurgical Plant for a period of 25 years on a take or pay basis. In 2015, the air separation plant was put into operation and the Group started to purchase gases from PraxAir. Management believes that this arrangement does not convey a right to the Group to use the asset as the Group does not have an ability to operate the asset or to direct other parties to operate the asset; it does not control physical access to the asset; and it is expected that more than an insignificant amount of the asset’s output will be sold to the parties unrelated to the Group. The commitment under this contract is disclosed in Note 30.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2016, 2015 and 2014, the Group recognised a net impairment loss of $151 million, $190 million and $192 million, respectively (Note 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate that impairment exists.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in use and, ultimately, the amount of any impairment.

Useful Lives of Items of Property, Plant and Equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill at 31 December 2016, 2015 and 2014 was $880 million, $1,176 million and $1,541 million, respectively. In 2016, 2015 and 2014, the Group recognised an impairment loss in respect of goodwill in the amount of $316 million, $251 million and $330 million, respectively (Note 5). More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 6.

Mineral Reserves

Mineral reserves and the associated mine plans are a material factor in the Group's computation of a depletion charge. The Group estimates its mineral reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Estimation of reserves in accordance with the JORC Code involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgement and development of assumptions. Mine plans are periodically updated which can have a material impact on the depletion charge for the period.

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the end of the reporting period based on the requirements of the current legislation of the country where the respective operating assets are located. The carrying amount of a provision is the present value of the expected expenditures, i.e. cash outflows discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgement is required in forecasting future site restoration costs.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Post-Employment Benefits

The Group uses an actuarial valuation method for the measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.). More details are provided in Note 23.

Allowances

The Group makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of 31 December 2016, 2015 and 2014, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $47 million, $48 million and $57 million, respectively (Note 28).

The Group makes an allowance for obsolete and slow-moving raw materials and spare parts. In addition, certain finished goods of the Group are carried at net realisable value (Note 14). Estimates of net realisable value of finished goods are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the end of the reporting period to the extent that such events confirm conditions existing at the end of the period.

Deferred Income Tax Assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgements based on the expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of operations.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Foreign Currency Transactions

The presentation currency of the Group is the US dollar because presentation in US dollars is most relevant for the major current and potential users of the consolidated financial statements.

The functional currencies of the Group's subsidiaries are the Russian rouble, US dollar, euro, Czech koruna, South African rand, Canadian dollar and Ukrainian hryvnia. At the reporting date, the assets and liabilities of the subsidiaries with functional currencies other than the US dollar are translated into the presentation currency at the rate of exchange ruling at the end of the reporting period, and their statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary with functional currency other than the US dollar, the deferred cumulative amount recognised in equity relating to that particular subsidiary is recognised in the statement of operations.

The following exchange rates were used in the consolidated financial statements:

	2016		2015		2014	
	31 December	average	31 December	average	31 December	average
USD/RUB	60.6569	67.0349	72.8827	60.9579	56.2584	38.4217
EUR/RUB	63.8111	74.2336	79.6972	67.7767	68.3427	50.8150
EUR/USD	1.0541	1.1069	1.0887	1.1095	1.2141	1.3285
USD/CAD	1.3427	1.3248	1.3840	1.2788	1.1601	1.1048
USD/ZAR	13.6282	14.7073	15.5742	12.7550	11.5719	10.8488
EUR/ZAR	14.3342	16.2840	17.0078	14.1552	14.0668	14.4054
USD/UAH	25.5458	27.1909	24.0007	21.8290	15.7686	11.9064
RUB/UAH	0.3807	0.4483	0.3293	0.3534	0.2803	0.3050

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to the statement of operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. Significant Accounting Policies (continued)

Basis of Consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights and over which the Group has control, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the parent's shareholders' equity.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

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

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Increases in Ownership Interests in Subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases is either added to additional paid-in capital, if positive, or charged to accumulated profits, if negative, in the consolidated financial statements.

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control

Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements at the historical cost of the controlling entity (the "Predecessor"). Related goodwill inherent in the Predecessor's original acquisition is also recorded in the financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders' equity.

These financial statements, including corresponding figures, are presented as if a subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Put Options over Non-controlling Interests

The Group derecognises non-controlling interests if non-controlling shareholders have a put option over their holdings. The difference between the amount of the liability recognised in the statement of financial position over the carrying value of the derecognised non-controlling interests is charged to accumulated profits.

Investments in Associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate and goodwill impairment charges, if any.

The Group's share of its associates' profits or losses is recognised in the statement of operations and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has legal or constructive obligations to make payments to, or on behalf of, the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

Interests in Joint Ventures

The Group's interest in its joint ventures is accounted for under the equity method of accounting whereby an interest in jointly ventures is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of joint ventures. The statement of operations reflects the Group's share of the results of operations of joint ventures.

2. Significant Accounting Policies (continued)

Property, Plant and Equipment

The Group's property, plant and equipment is stated at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred and recognition criteria are met.

The Group's property, plant and equipment include mining assets, which consist of mineral reserves, mine development and construction costs and capitalised site restoration costs. Mineral reserves represent tangible assets acquired in business combinations. Mine development and construction costs represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, buildings, machinery and equipment.

At each end of the reporting period management makes an assessment to determine whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as impairment loss in the statement of operations or other comprehensive income. An impairment loss recognised for an asset in previous years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Land is not depreciated. Depreciation of property, plant and equipment, except for mining assets, is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives of items of property, plant and equipment and methods of their depreciation are reviewed, and adjusted as appropriate, at each fiscal year end. The table below presents the useful lives of items of property, plant and equipment.

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15–60	21
Machinery and equipment	4–45	10
Transport and motor vehicles	7–20	5
Other assets	3–15	4

The Group determines the depreciation charge separately for each significant part of an item of property, plant and equipment.

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves. The depletion calculation takes into account future development costs for reserves which are in the production phase.

Maintenance costs relating to items of property, plant and equipment are expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and facilities of social infrastructure, which are carried at their recoverable amount of zero. The costs to maintain such assets are expensed as incurred.

2. Significant Accounting Policies (continued)

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures represent costs incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The expenditures include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. These costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Group commences recognition of expenditures related to the development of mineral resources as assets. These assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date as to whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised from the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to interest expense.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of operations on a straight-line basis over the lease term.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred for an acquisition of a subsidiary or an associte and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised in the consolidated statement of operations.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisition of an associate is included in the carrying amount of the investments in associates.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, or the group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. Significant Accounting Policies (continued)

Goodwill (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures on internally generated intangible assets, excluding capitalised development costs, are expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised, they are tested for impairment annually either individually or at the cash-generating unit level.

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	7
Contract terms	10	7
Other	5–19	7

Certain water rights and environmental permits are considered to have indefinite lives as management believes that these rights will continue indefinitely.

The most part of the Group's intangible assets represents customer relationships arising on business combinations (Note 10).

Financial Assets

The Group classified its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. When investments are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its investments after initial recognition.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading and included in the category "financial assets at fair value through profit or loss". Investments which are included in this category are subsequently carried at fair value; gains or losses on such investments are recognised in income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2. Significant Accounting Policies (continued)

Financial Assets (continued)

Non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity investments are carried at amortised cost using the effective yield method.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other generally accepted valuation techniques.

All purchases and sales of financial assets under contracts to purchase or sell financial assets that require delivery of the asset within the time frame generally established by regulation or convention in the market place are recognised on the settlement date i.e. the date the asset is delivered by/to the counterparty.

Accounts Receivable

Accounts receivable, which generally are short-term, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

The Group establishes an allowance for impairment of accounts receivable that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis and includes expenditure incurred in acquiring or producing inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2. Significant Accounting Policies (continued)

Value Added Tax

The tax authorities permit the settlement of sales and purchases value added tax ("VAT") on a net basis.

The Group's subsidiaries apply the accrual method for VAT recognition, under which VAT becomes payable upon invoicing and delivery of goods or rendering services as well upon receipt of prepayments from customers. VAT on purchases, even if not settled at the end of the reporting period, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Borrowing costs relating to qualifying assets are capitalised (Note 9).

Equity

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury Shares

Own equity instruments which are acquired by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in statement of operations on the purchase, sale, issue or cancellation of the treasury shares.

Dividends

Dividends are recognised as a liability and deducted from equity only if they are declared before the end of the reporting period. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the financial statements are authorised for issue.

2. Significant Accounting Policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Provisions for site restoration costs are capitalised within property, plant and equipment.

Employee Benefits

Social and Pension Contributions

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

Defined Benefit Plans

The Group companies provide pensions and other benefits to their employees (Note 23). The entitlement to these benefits is usually conditional on the completion of a minimum service period. Certain benefit plans require the employee to remain in service up to retirement age. Other employee benefits consist of various compensations and non-monetary benefits. The amounts of benefits are stipulated in the collective bargaining agreements and/or in the plan documents.

The Group involves independent qualified actuaries in the measurement of employee benefit obligations.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. It is recorded within interest expense in the consolidated statement of operations.

The Group recognises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the consolidated statement of operations within “cost of sales”, “general and administrative expenses” and “selling and distribution expenses”.

Other Costs

The Group incurs employee costs related to the provision of benefits such as health services, kindergartens and other services. These amounts principally represent an implicit cost of employment and, accordingly, have been charged to cost of sales.

2. Significant Accounting Policies (continued)

Share-based Payments

The Group has management compensation schemes (Note 21), under which certain senior executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with grantees is measured by reference to the fair value of the Company's shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity (additional paid-in capital), over the period in which service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the statement of operations for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest. Once a share-settled transaction is vested, no further accounting entries are made to reverse the cost already charged, even if the instruments that are the subject of the transaction are subsequently forfeited. In this case, the Group makes a transfer between different components of equity.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash-settled share-based payments represent transactions in which the Group acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the Group's shares or other equity instruments.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes-Merton model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of operations.

The dilutive effect of outstanding share-based awards is reflected as additional share dilution in the computation of earnings per share (Note 20).

2. Significant Accounting Policies (continued)

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. The moment of transfer of the risks and rewards of ownership is determined by the contract terms.

Rendering of Services

The Group's revenues from rendering of services include electricity, transportation, port and other services. Revenue is recognised when services are rendered.

Interest

Interest is recognised using the effective interest method.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental Income

Rental income is accounted for on a straight-line basis over the lease term on ongoing leases.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

Deferred Income Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Segment Information

For management purposes the Group has four reportable operating segments:

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Management monitors the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA (see below). This performance indicator is calculated based on management accounts that differ from the IFRS consolidated financial statements for the following reasons:

1) for the last month of the reporting period, the management accounts for each operating segment are prepared using a forecast for that month;

2) the statement of operations is based on local GAAP figures with the exception of depreciation and repair expenses which are adjusted to approximate the amount under IFRS;

3) in case of volatility of functional currencies the IFRS statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions (quarterly, semi-annual averages, etc.) while in management accounts simple average for the whole accounting period is used.

Segment revenue is revenue reported in the Group's statement of operations that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated to it on a reasonable basis, whether from sales to external customers or from transactions with other segments.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated to it on a reasonable basis, including expenses relating to external counterparties and expenses relating to transactions with other segments. Segment expense does not include social and social infrastructure maintenance expenses.

Segment result is segment revenue less segment expense that is equal to earnings before interest, tax, depreciation and amortisation ("EBITDA") for that segment.

Segment EBITDA is determined as a segment's profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense. Management believes that this measure is more useful and relevant for the users and is more comparable with the Russian steel peers.

3. Segment Information (continued)

The following tables present measures of segment profit or loss based on management accounts.

Year ended 31 December 2016

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	**$ 5,528**	**$ 1,464**	**$ 484**	**$ 63**	**$ –**	**$ 7,539**
Inter-segment sales	**194**	**–**	**676**	**233**	**(1,103)**	**–**
Total revenue	**5,722**	**1,464**	**1,160**	**296**	**(1,103)**	**7,539**
Segment result – EBITDA	**$ 986**	**$ 22**	**$ 613**	**$ 15**	**$ (44)**	**$ 1,592**

Year ended 31 December 2015

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 6,018	$ 2,253	$ 380	$ 89	$ –	$ 8,740
Inter-segment sales	242	10	572	304	(1,128)	–
Total revenue	6,260	2,263	952	393	(1,128)	8,740
Segment result – EBITDA	$ 1,033	$ 51	$ 348	$ 16	$ 110	$ 1,558

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 9,135	$ 3,159	$ 540	$ 128	$ –	$ 12,962
Inter-segment sales	570	–	676	446	(1,692)	–
Total revenue	9,705	3,159	1,216	574	(1,692)	12,962
Segment result – EBITDA	$ 1,777	$ 283	$ 314	$ 31	$ 2	$ 2,407

3. Segment Information (continued)

The following table shows a reconciliation of revenue and EBITDA used by management for decision making and revenue and profit or loss before tax per the consolidated financial statements prepared under IFRS.

Year ended 31 December 2016

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 5,722	$ 1,464	$ 1,160	$ 296	$ (1,103)	$ 7,539
Reclassifications and other adjustments	(225)	–	162	67	170	174
Revenue per IFRS financial statements	$ 5,497	$ 1,464	$ 1,322	$ 363	$ (933)	$ 7,713
EBITDA	$ 986	$ 22	$ 613	$ 15	$ (44)	$ 1,592
Unrealised profits adjustment	(11)	–	(3)	–	2	(12)
Reclassifications and other adjustments	29	6	34	2	–	71
	18	6	31	2	2	59
EBITDA based on IFRS financial statements	$ 1,004	$ 28	$ 644	$ 17	$ (42)	$ 1,651
Unallocated subsidiaries						(109)
						$ 1,542
Social and social infrastructure maintenance expenses	(21)	–	(2)	–	–	(23)
Depreciation, depletion and amortisation expense	(219)	(155)	(141)	(3)	–	(518)
Impairment of assets	(11)	(430)	(24)	–	–	(465)
Loss on disposal of property, plant and equipment and intangible assets	(8)	(5)	(9)	–	–	(22)
Foreign exchange gains/(losses), net	(43)	14	107	–	–	78
	$ 702	$ (548)	$ 575	$ 14	$ (42)	$ 592
Unallocated income/(expenses), net						(129)
Profit/(loss) from operations						$ 463
Interest income/(expense), net						$ (471)
Share of profits/(losses) of joint ventures and associates						(23)
Gain/(loss) on financial assets and liabilities						(9)
Other non-operating (gains)/losses, net						(52)
Profit/(loss) before tax						$ (92)

3. Segment Information (continued)

Year ended 31 December 2015

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 6,260	$ 2,263	$ 952	$ 393	$ (1,128)	$ 8,740
Reclassifications and other adjustments	(273)	7	116	40	137	27
Revenue per IFRS financial statements	$ 5,987	$ 2,270	$ 1,068	$ 433	$ (991)	$ 8,767
EBITDA	$ 1,033	$ 51	$ 348	$ 16	$ 110	$ 1,558
Unrealised profits adjustment	62	2	–	–	(43)	21
Reclassifications and other adjustments	(14)	2	3	(2)	–	(11)
	48	4	3	(2)	(43)	10
EBITDA based on IFRS financial statements	$ 1,081	$ 55	$ 351	$ 14	$ 67	$ 1,568
Unallocated subsidiaries						(130)
						$ 1,438
Social and social infrastructure maintenance expenses	(24)	–	(1)	–	–	(25)
Depreciation, depletion and amortisation expense	(260)	(153)	(165)	(3)	–	(581)
Impairment of assets	(81)	(258)	(102)	–	–	(441)
Loss on disposal of property, plant and equipment and intangible assets	(8)	(10)	(23)	–	–	(41)
Foreign exchange gains/(losses), net	(270)	(89)	(153)	4	–	(508)
	$ 438	$ (455)	$ (93)	$ 15	$ 67	$ (158)
Unallocated income/(expenses), net						134
Profit/(loss) from operations						$ (24)
Interest income/(expense), net						$ (466)
Share of profits/(losses) of joint ventures and associates						(20)
Gain/(loss) on financial assets and liabilities						(48)
Gain/(loss) on disposal groups classified as held for sale						21
Loss of control over a subsidiary						(167)
Other non-operating (gains)/losses, net						(3)
Profit/(loss) before tax						$ (707)

3. Segment Information (continued)

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 9,705	$ 3,159	$ 1,216	$ 574	$ (1,692)	$ 12,962
Reclassifications and other adjustments	(186)	1	102	74	108	99
Revenue per IFRS financial statements	$ 9,519	$ 3,160	$ 1,318	$ 648	$ (1,584)	$ 13,061
EBITDA (restated)	$ 1,777	$ 283	$ 314	$ 31	$ 2	$ 2,407
Exclusion of management services from segment result	128	–	10	1	–	139
Unrealised profits adjustment	9	(1)	1	–	(53)	(44)
Reclassifications and other adjustments	19	(2)	51	5	–	73
	156	(3)	62	6	(53)	168
EBITDA based on IFRS financial statements (restated)	$ 1,933	$ 280	$ 376	$ 37	$ (51)	$ 2,575
Unallocated subsidiaries						(220)
						$ 2,355
Social and social infrastructure maintenance expenses	(21)	(1)	(3)	–	–	(25)
Depreciation, depletion and amortisation expense	(389)	(165)	(267)	(4)	–	(825)
Impairment of assets	(196)	(261)	(81)	(2)	–	(540)
Loss on disposal of property, plant and equipment and intangible assets	(20)	(1)	(27)	–	–	(48)
Foreign exchange gains/(losses), net	84	(21)	(333)	4	–	(266)
	$ 1,391	$ (169)	$ (335)	$ 35	$ (51)	$ 651
Unallocated income/(expenses), net						(752)
Profit/(loss) from operations						$ (101)
Interest income/(expense), net						$ (546)
Share of profits/(losses) of joint ventures and associates						10
Gain/(loss) on financial assets and liabilities						(583)
Gain/(loss) on disposal groups classified as held for sale						136
Profit/(loss) before tax						$ (1,084)

3. Segment Information (continued)

The revenues from external customers for each group of similar products and services are presented in the following table:

US$ million	2016	2015	2014
Steel			
Construction products	**$ 1,783**	$ 1,999	$ 3,286
Flat-rolled products	**162**	179	487
Railway products	**584**	550	1,022
Semi-finished products	**1,694**	1,867	2,359
Other steel products	**246**	257	356
Other products	**331**	366	604
Iron ore	**155**	167	278
Vanadium in slag	**33**	19	27
Vanadium in alloys and chemicals	**268**	285	456
Rendering of services	**31**	30	58
	5,287	5,719	8,933
Steel, North America			
Construction products	**158**	216	337
Flat-rolled products	**372**	438	619
Railway products	**232**	435	513
Tubular products	**588**	1,016	1,499
Other products	**103**	153	178
Rendering of services	**10**	12	12
	1,463	2,270	3,158
Coal			
Coal	**756**	601	722
Other products	**12**	4	2
Rendering of services	**70**	44	65
	838	649	789
Other operations			
Rendering of services	**125**	129	181
	125	129	181
	$ 7,713	$ 8,767	$ 13,061

3. Segment Information (continued)

Distribution of the Group's revenues by geographical area based on the location of customers for the years ended 31 December was as follows:

US$ million	2016	2015	2014
CIS			
Russia	**$ 3,080**	$ 3,104	$ 5,279
Kazakhstan	**184**	237	384
Ukraine	**296**	242	333
Others	**150**	185	209
	3,710	3,768	6,205
America			
USA	**826**	1,566	1,727
Canada	**682**	779	1,589
Mexico	**192**	203	173
Others	**22**	18	40
	1,722	2,566	3,529
Asia			
Taiwan	**376**	323	485
Indonesia	**195**	197	429
Thailand	**138**	121	285
Republic of Korea	**123**	123	254
Japan	**117**	97	120
China	**67**	131	103
Singapore	**66**	13	25
Philippines	**65**	85	51
Vietnam	**47**	28	8
Jordan	**30**	81	88
United Arab Emirates	**18**	40	43
Mongolia	**10**	11	26
Others	**120**	104	37
	1,372	1,354	1,954
Europe			
Turkey	**213**	392	242
Czech Republic	**100**	28	58
Italy	**85**	114	114
Germany	**38**	45	74
Poland	**34**	27	37
Austria	**26**	50	139
Slovakia	**19**	38	60
Other members of the European Union	**88**	97	143
Others	**37**	24	49
	640	815	916
Africa			
Egypt	**138**	43	12
Kenya	**78**	44	37
Republic of South Africa	**4**	100	363
Others	**45**	71	35
	265	258	447
Other countries	**4**	6	10
	$ 7,713	$ 8,767	$ 13,061

None of the Group's customers amounts to 10% or more of the consolidated revenues.

3. Segment Information (continued)

Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets were located in the following countries at 31 December:

US$ million	2016	2015	2014
Russia	**$ 3,553**	$ 3,105	$ 4,273
Canada	**1,233**	1,162	1,553
USA	**877**	1,347	1,468
Ukraine	**144**	195	302
Kazakhstan	**53**	60	118
Czech Republic	**31**	32	35
Italy	**22**	5	54
Republic of South Africa	**17**	15	130
Other countries	**8**	11	6
	$ 5,938	$ 5,932	$ 7,939

4. Changes in Composition of the Group

Deconsolidation of Subsidiaries

Highveld Steel and Vanadium Limited

On 13 April 2015, as a result of severe economic difficulties due to the current and persistent unfavourable economic environment in South Africa, the Board of Highveld Steel and Vanadium Limited ("Highveld") decided to place the entity under the business rescue procedures to avoid its liquidation and to avoid giving Highveld's creditors the opportunity to apply for its liquidation in court.

The rescue procedures will result either in (1) Highveld being re-financed or financially restructured or, if that is not possible, (2) Highveld's orderly winding down under the supervision of a business rescue practitioner to maximise the return to creditors and other affected parties.

Following the placement of Highveld under the business rescue procedures, control and management of Highveld was transferred to a "business rescue practitioner". Until Highveld is successfully re-financed/restructured, Highveld's Board and the Group are no longer able to control Highveld or exercise significant influence over it. The business rescue practitioner can consult with the Highveld's Board or its directors, but he would not be bound by any requests or advice from Highveld's Board or the directors.

4. Changes in Composition of the Group (continued)

Deconsolidation of Subsidiaries (continued)

Highveld Steel and Vanadium Limited (continued)

The Group's management believe that due to the current market conditions the option to invest additional cash in Highveld to pay to the creditors and to stop business rescue procedures would create no economic value for the Group. Therefore, in the opinion of management, the potential voting rights that the Group has in Highveld have no economic substance.

Based on the management's current assessment, the business rescue procedures most likely will result in Highveld being sold to one or more third parties at a significant discount or being mandatorily liquidated. As a consequence, management believes that on 14 April 2015 (the date of the placement of Highveld under the business rescue procedures) the Group lost control over Highveld and it is not expected that it will re-obtain control in the future.

As a result, the Group ceased to consolidate Highveld starting 14 April 2015 and recognised a loss on disposal of a subsidiary in the amount of $167 million, including $142 million of translation loss recycled to the statement of operations. In addition, non-controlling interests of $4 million were derecognised. Management analysed the classification of Highveld to determine whether its disposal constitutes a discontinued operation under IFRS 5 and concluded that this is not the case.

The table below demonstrates the carrying values of assets and liabilities of Highveld, which were included in the steel segment of the Group's operations, at the date of derecognition.

US$ million	13 April 2015
Property, plant and equipment	$ 77
Other non-current assets	23
Inventories	74
Accounts receivable	59
Cash and cash equivalents	1
Total assets	**234**
Non-current liabilities	61
Current liabilities	144
Total liabilities	**205**
Non-controlling interests	**4**
Net assets	**$ 25**

5. Goodwill

Goodwill relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group. The table below presents movements in the carrying amount of goodwill.

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2013	**$ 2,981**	**$ (993)**	**$ 1,988**
Impairment	–	(330)	(330)
Oregon Steel Portland Mill	–	*(171)*	*(171)*
Calgary	–	*(90)*	*(90)*
EVRAZ Palini e Bertoli	–	*(69)*	*(69)*
Adjustment to contingent consideration	(7)	–	(7)
Sale of subsidiaries (Note 12)	(3)	–	(3)
Translation difference	(343)	236	(107)
At 31 December 2014	**$ 2,628**	**$ (1,087)**	**$ 1,541**
Impairment	–	(251)	(251)
OSM Tubular – Camrose Mills	–	*(157)*	*(157)*
Oregon Steel Portland Mill	–	*(53)*	*(53)*
Red Deer	–	*(41)*	*(41)*
Deconsolidation of subsidiaries (Note 4)	(17)	17	–
Adjustment to contingent consideration	(3)	–	(3)
Translation difference	(216)	105	(111)
At 31 December 2015	**$ 2,392**	**$ (1,216)**	**$ 1,176**
Impairment	–	(316)	(316)
Flat rolled products	–	*(188)*	*(188)*
Seamless pipes	–	*(111)*	*(111)*
Oil Country Tubular Goods	–	*(17)*	*(17)*
Transfer to disposal groups classified as held for sale	(28)	28	–
Translation difference	3	17	20
At 31 December 2016	**$ 2,367**	**$ (1,487)**	**$ 880**

As explained in Note 6, the composition of cash generating units of Steel North America was reassessed during the year and the disclosures below reflect this reassessment. The carrying amount of goodwill was allocated among cash-generating units as follows at 31 December:

US$ million	2016	2015	2014
EVRAZ Inc. NA/EVRAZ Inc. NA Canada	**$ 808**	$ 1,109	$ 1,459
Oregon Steel Portland Mill	**–**	*188*	*241*
Rocky Mountain Steel Mills	**–**	*410*	*410*
OSM Tubular – Camrose Mills	**–**	–	*157*
General Scrap	**–**	*16*	*16*
Others	**–**	*1*	*1*
Calgary	**–**	*92*	*109*
Red Deer	**–**	–	*48*
Regina Steel	**–**	*288*	*340*
Regina Tubular	**–**	*98*	*118*
Others	**–**	*16*	*19*
Large diameter pipes	***355***	–	–
Oil Country Tubular Goods	***137***	–	–
Long products	***316***	–	–
EVRAZ Vanady-Tula	**33**	28	36
EVRAZ Vametco Holdings	**6**	6	9
EVRAZ Nikom, a.s.	**29**	30	33
Others	**4**	3	4
	$ 880	$ 1,176	$ 1,541

6. Impairment of Assets

A summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2016

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Inc. NA	**$ (299)**	**$ (88)**	**$ –**	**$ (387)**
EVRAZ Inc. NA Canada	**(17)**	**(26)**	**–**	**(43)**
Raspadskaya	**–**	**(17)**	**–**	**(17)**
EVRAZ Stratcor Inc.	**–**	**(16)**	**–**	**(16)**
EVRAZ Palini e Bertoli	**–**	**19**	**–**	**19**
Yuzhny Stan	**–**	**(5)**	**–**	**(5)**
Evrazruda	**–**	**(10)**	**–**	**(10)**
Others, net	**–**	**(8)**	**2**	**(6)**
	$ (316)	**$ (151)**	**$ 2**	**$ (465)**
Recognised in profit or loss	**(316)**	**(151)**	**2**	**(465)**

Year ended 31 December 2015

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Inc. NA	$ (210)	$ –	$ –	$ (210)
EVRAZ Inc. NA Canada	(41)	(7)	–	(48)
Raspadskaya	–	(91)	–	(91)
EVRAZ Palini e Bertoli	–	(37)	–	(37)
Yuzhny Stan	–	(30)	–	(30)
Evrazruda	–	(19)	–	(19)
Others, net	–	(6)	(1)	(7)
	$ (251)	$ (190)	$ (1)	$ (442)
Recognised in profit or loss	(251)	(189)	(1)	(441)
Recognised in other comprehensive income/(loss)	–	(1)	–	(1)

Year ended 31 December 2014

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Highveld Steel and Vanadium Limited	$ (17)	$ (41)	$ –	$ (58)
EVRAZ Inc. NA	(171)	–	–	(171)
EVRAZ Inc. NA Canada	(90)	–	–	(90)
EVRAZ Palini e Bertoli	(69)	(43)	–	(112)
Raspadskaya	–	(9)	(1)	(10)
Yuzhkuzbassugol	–	(71)	–	(71)
Others, net	–	(28)	–	(28)
	$ (347)	$ (192)	$ (1)	$ (540)
Recognised in profit or loss	(347)	(192)	(1)	(540)

6. Impairment of Assets (continued)

The Group recognised the impairment losses as a result of the impairment testing at the level of cash-generating units. In addition, the Group made a write-off of certain functionally obsolete items of property, plant and equipment and recorded an impairment relating to VAT with a long-term recovery.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash-generating unit to which the goodwill was allocated or where indicators of impairment were identified. Given the market volatility, in 2015 and 2014 the impairment test was performed as of 31 December in the respective years. In 2016, impairment test was performed as of 30 September, the conclusions were reassessed at 31 December and no further impairment triggers were identified.

In the first half of 2016, based on the analysis of market changes and cash inflow dependence between the assets and new business organisational structure, management reassessed the composition of cash generating units of Steel North America for the purposes of impairment testing. The assets of EVRAZ Inc. NA and EVRAZ Inc. NA Canada, which were previously allocated to cash-generating units based on individual plant level, were merged into 5 new units based on principal markets served by each cash-generating unit:

- Large diameter pipes;
- Oil Country Tubular Goods (casing and tubing);
- Seamless pipes;
- Flat rolled products (plates and coils);
- Long products (rails, rod and bar products).

The recoverable amounts have been determined based on calculation of either value-in-use or fair value less costs to sell. Both valuation techniques used cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting the time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the results of the respective business plans using a zero real growth rate. In the determination of fair value less costs to sell the asset's value additionally includes the cashflows of future projects not started yet and the associated capital expenditure costs.

The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products, the increase in forecasted costs and changes in forecasted production volumes. Management lowered their forecasts for periods after 2016, because the expectations of market recovery in North America changed.

The key assumptions used by management in the value-in-use calculations with respect to the cash-generating units to which the goodwill was allocated are presented in the table below.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2017	Recoverable amount of CGU, US$ million	Carrying amount of CGU before impairment, US$ million
Steel North America						
Large diameter pipes	5	10.69	steel products	$978	1,288	877
Oil Country Tubular Goods	5	10.36	steel products	$887	362	379
Seamless pipes	5	10.22	steel products	$1,111	25	136
Flat rolled products	5	9.77	steel products	$592	294	509
Long products	5	10.08	steel products	$572	686	549
EVRAZ Vanady-Tula	5	12.98	vanadium products	$10,990	393	58
EVRAZ Vametco Holdings	5	14.59	ferrovanadium products	$16,247	33	17
EVRAZ Nikom, a.s.	5	10.74	ferrovanadium products	$12,568	43	33

6. Impairment of Assets (continued)

In addition, the Group determined that there were indicators of impairment in other cash generating units and tested them for impairment using the following assumptions.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2017
EVRAZ Dneprovsk Metallurgical Plant	5	23.5	steel products	$312
EVRAZ Consolidated West-Siberian Metallurgical Plant	5	15.01	steel products	$314
EVRAZ Palini e Bertoli	8	15.70	steel products	€480
EVRAZ Stratcor Inc.	5	12.62	vanadium products	$33,803
Raspadskaya	18	12.71	coal	$51
Mezhegeyugol	25	11.88	coal	$58
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	23	13.88	ore	$37
EVRAZ Sukha Balka	17	24.92	ore	$24
Evrazruda - Sheregesh mine	10	16.64	ore	$40

The value in use of the cash-generating units for which an impairment loss was recognised or reversed in the reporting year was as follows:

US$ million	30 September 2016	31 December 2015
Oil Country Tubular Goods	362	–
Seamless pipes	25	169
Flat rolled products	294	–
EVRAZ Stratcor Inc.	20	45
EVRAZ Palini e Bertoli	24	5

The value in use of Oil Country Tubular Goods and Flat rolled products at 31 December 2015 has not been disclosed, because of the changes in the composition of North-American cash-generating units in 2016. Similarly the value in use as disclosed in the 31 December 2015 financial statements has not been re-presented as it is no longer directly comparable.

At 31 December 2015, management expected to recover investments in EVRAZ Palini e Bertoli principally through sale and the recoverable amount of this cash-generating unit was measured at $5 million as fair value less costs of disposal, which was determined based on non-binding offers at 31 December 2015 (Level 3 in the fair value hierarchy).

6. Impairment of Assets (continued)

The estimations of value in use are most sensitive to the following assumptions:

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an additional impairment at EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $120 million.

Sales Prices

The price assumptions for the products sold by the Group were estimated based on industry research using analysts' views published by Bank of America Merill Lynch, Citigroup, Credit Suisse, Deutsche Bank, JP Morgan, Morgan Stanley, RBC, Renaissance Capital, UBS and VTB during the period from August to December 2016. The Group expects that the nominal prices will fluctuate with a compound annual growth rate of (6.6)% - 9.9% in 2017 – 2021, 2.5% in 2022 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at EVRAZ Sukha Balka, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the prices assumed for 2017 and 2018 in the impairment test were 10% lower, this would lead to an additional impairment of $37 million.

Sales Volumes

Management assumed that the sales volumes of steel products in 2017 will increase by 7.6% and future dynamics will be driven by a gradual market recovery and changes in assets' capacities. Reasonably possible changes in sales volumes could lead to an additional impairment at EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the sales volumes were 10% lower than those assumed for 2017 and 2018 in the impairment test, this would lead to an additional impairment of $12 million.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation in cost from these plans could lead to an additional impairment at EVRAZ Dneprovsk Metallurgical Plant, EVRAZ Sukha Balka, EVRAZ Nikom, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the actual costs were 10% higher than those assumed for 2017 and 2018 in the impairment test, this would lead to an additional impairment of $139 million.

Sensitivity Analysis

For the cash-generating units, which were not impared in the reporting period and for which the reasonably possible changes could lead to impairment, the recoverable amounts would become equal to their carrying amounts if the assumptions used to measure the recoverable amounts changed by the following percentages:

	Discount rates	Sales prices	Sales volumes	Cost control measures
EVRAZ Sukha Balka	–	(8.6)%	–	5.9%
EVRAZ Dneprovsk Metallurgical Plant	–	–	–	3.8%
EVRAZ Nikom	–	–	–	9.3%

7. Income and Expenses

Cost of revenues, selling and distribution costs, general and administrative expenses include the following for the years ended 31 December:

US$ million	2016	2015	2014
Cost of inventories recognised as expense	**$ (2,761)**	$ (3,295)	$ (5,162)
Staff costs, including social security taxes	**(1,200)**	(1,454)	(2,210)
Depreciation, depletion and amortisation	**(521)**	(585)	(833)

In 2016, 2015 and 2014, the Group recognised (expense)/income on allowance or net reversal of the allowance for net realisable value in the amount of $2 million, $(1) million and $(4) million, respectively.

Staff costs include the following:

US$ million	2016	2015	2014
Wages and salaries	**$ 864**	$ 1,025	$ 1,611
Social security costs	**212**	254	398
Net benefit expense	**43**	45	31
Share-based awards	**16**	20	30
Other compensations	**65**	110	140
	$ 1,200	$ 1,454	$ 2,210

The average number of staff employed under contracts of service was as follows:

	2016	2015	2014
Steel	**56,974**	63,126	69,404
Steel, North America	**3,193**	3,847	3,936
Coal	**14,808**	18,042	20,460
Other operations	**896**	1,312	1,465
Unallocated	**2,080**	2,901	3,270
	77,951	89,228	98,535

The major components of other operating expenses were as follows:

US$ million	2016	2015	2014
Idling, reduction and stoppage of production, including termination benefits	**$ (81)**	$ (54)	$ (52)
Restoration works and casualty compensations in connection with accidents	**(1)**	(2)	(10)
Other	**(19)**	(22)	(26)
	$ (101)	$ (78)	$ (88)

7. Income and Expenses (continued)

Interest expense consisted of the following for the years ended 31 December:

US$ million	2016	2015	2014
Bank interest	**$ (133)**	$ (88)	$ (55)
Interest on bonds and notes	**(306)**	(342)	(448)
Finance charges payable under finance leases	**–**	–	(1)
Net interest expense on employee benefits obligations (Note 23)	**(22)**	(24)	(30)
Discount adjustment on provisions (Note 24)	**(14)**	(13)	(15)
Other	**(6)**	(8)	(14)
	$ (481)	$ (475)	$ (563)

Interest income consisted of the following for the years ended 31 December:

US$ million	2016	2015	2014
Interest on bank accounts and deposits	**$ 6**	$ 4	$ 9
Interest on loans and accounts receivable	**2**	3	4
Other	**2**	2	4
	$ 10	$ 9	$ 17

Gain/(loss) on financial assets and liabilities included the following for the years ended 31 December:

US$ million	2016	2015	2014
Impairment of available-for-sale financial assets (Note 13)	**$ (2)**	$ (11)	$ (1)
Loss on extinguishment of debts (Note 22)	**(50)**	(15)	(6)
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	**23**	(25)	(588)
Gain/(loss) on hedging instruments (Note 25)	**14**	5	–
Other	**6**	(2)	12
	$ (9)	$ (48)	$ (583)

In 2016, other non-operating losses included $39 million relating to the settlement of the Group's guarantee under a long-term take-or-pay supply contract of the Group's former subsidiary.

8. Income Taxes

The Group's income was subject to tax at the following tax rates:

	2016	2015	2014
Russia	**20.00%**	20.00%	20.00%
Canada	**26.06%**	25.89%	25.61%
Cyprus	**12.50%**	12.50%	12.50%
Czech Republic	**19.00%**	19.00%	19.00%
Italy	**31.40%**	31.40%	31.40%
South Africa	**28.00%**	28.00%	28.00%
Switzerland	**9.09%**	9.72%	9.65%
Ukraine	**18.00%**	18.00%	18.00%
USA	**37.72%**	37.41%	37.78%

Major components of income tax expense for the years ended 31 December were as follows:

US$ million	2016	2015	2014
Current income tax expense	**$ (185)**	$ (100)	$ (356)
Adjustment in respect of income tax of previous years	**2**	1	(1)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**87**	87	163
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (96)**	$ (12)	$ (194)

The major part of income taxes is paid in the Russian Federation. A reconciliation of income tax expense applicable to profit before income tax using the Russian statutory tax rate to income tax expense as reported in the Group's consolidated financial statements for the years ended 31 December is as follows:

US$ million	2016	2015	2014
Profit/(loss) before income tax	**$ (92)**	$ (707)	$ (1,084)
At the Russian statutory income tax rate of 20%	**18**	141	217
Adjustment in respect of income tax of previous years	**2**	1	(1)
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**(2)**	2	(4)
Effect of non-deductible expenses and other non-temporary differences	**(63)**	(64)	(73)
Unrecognised temporary differences recognition/reversal	**(157)**	(176)	(505)
Effect of the difference in tax rates in countries other than the Russian Federation	**110**	88	170
Share of profits in joint ventures and associates	**(4)**	(4)	2
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (96)**	$ (12)	$ (194)

In 2014, the increase in the amount of non-deductible expenses and unrecognised temporary differences was mostly caused by the significant forex exchange losses and losses on derivatives (Note 25), which either cannot be utilised or cannot be deductible for tax purposes in certain subsidiaries.

8. Income Taxes (continued)

Deferred income tax assets and liabilities and their movements for the years ended 31 December were as follows:

Year ended 31 December 2016

US$ million	2016	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2015
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	**$ 567**	**(62)**	**–**	**–**	**–**	**66**	**$ 563**
Valuation and amortisation of intangible assets	**81**	**(11)**	**–**	**–**	**–**	**3**	**89**
Other	**58**	**5**	**–**	**–**	**–**	**5**	**48**
	706	**(68)**	**–**	**–**	**–**	**74**	**700**
Deferred income tax assets:							
Tax losses available for offset	**226**	**(5)**	**–**	**–**	**–**	**23**	**208**
Accrued liabilities	**138**	**4**			**(1)**	**8**	**127**
Impairment of accounts receivable	**10**	**(1)**	**–**	**–**	**–**	**2**	**9**
Other	**140**	**21**	**–**	**–**	**(2)**	**(2)**	**123**
	514	**19**	**–**	**–**	**(3)**	**31**	**467**
Net deferred income tax asset	**156**	**28**	**–**	**–**	**(3)**	**12**	**119**
Net deferred income tax liability	**$ 348**	**(59)**	**–**	**–**	**–**	**55**	**$ 352**

Year ended 31 December 2015

US$ million	2015	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2014
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	$ 563	(55)	–	(8)	–	(115)	$ 741
Valuation and amortisation of intangible assets	89	(4)	–	(5)	–	(14)	112
Other	48	3	–	–	–	(14)	59
	700	(56)	–	(13)	–	(143)	912
Deferred income tax assets:							
Tax losses available for offset	208	19	–	(1)	–	(57)	247
Accrued liabilities	127	(12)	(5)	(17)	–	(16)	177
Impairment of accounts receivable	9	2	–	(3)	–	(3)	13
Other	123	22	–	6	–	(6)	101
	467	31	(5)	(15)	–	(82)	538
Net deferred income tax asset	119	53	(1)	(2)	–	(28)	97
Net deferred income tax liability	$ 352	(34)	4	–	–	(89)	$ 471

Year ended 31 December 2014

US$ million	2014	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2013
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	$ 741	(40)	–	–	–	(339)	$ 1,120
Valuation and amortisation of intangible assets	112	(21)	–	–	–	(12)	145
Other	59	13	–	–	–	(22)	68
	912	(48)	–	–	–	(373)	1,333
Deferred income tax assets:							
Tax losses available for offset	247	101	–	–	–	(128)	274
Accrued liabilities	177	29	15	(5)	–	(35)	173
Impairment of accounts receivable	13	4	–	–	–	(7)	16
Other	101	(19)	–	5	–	–	115
	538	115	15	–	–	(170)	578
Net deferred income tax asset	97	46	3	–	–	(38)	86
Net deferred income tax liability	$ 471	(117)	(12)	–	–	(241)	$ 841

8. Income Taxes (continued)

As of 31 December 2016, 2015 and 2014, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 15%. The temporary differences associated with investments in subsidiaries were not recognised as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies in the same jurisdiction, except for the companies registered in Cyprus, Russia and the United Kingdom where group relief and tax consolidation can be applied. As of 31 December 2016, the unused tax losses carried forward approximated $9,729 million (2015: $7,658 million, 2014: $8,060 million). The Group recognised deferred tax assets of $226 million (2015: $208 million, 2014: $247 million) in respect of unused tax losses. Deferred tax assets in the amount of $2,329 million (2015: $1,895 million, 2014: $1,771 million) have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $8,593 million (2015: $6,642 million, 2014: $6,767 million) for which deferred tax assets were not recognised arose in companies registered in Canada, Cyprus, Italy, Luxembourg, Russia, Ukraine, the United Kingdom and the USA. Losses in the amount of $8,549 million (2015: $6,410 million, 2014: $6,513 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $44 million will expire in 2018 (2015: $232 million, 2014: $254 million).

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of 31 December:

US$ million	2016	2015	2014
Cost:			
Land	**$ 100**	$ 97	$ 124
Buildings and constructions	**1,755**	1,512	1,908
Machinery and equipment	**4,446**	3,961	5,094
Transport and motor vehicles	**223**	193	249
Mining assets	**2,440**	2,100	2,572
Other assets	**38**	37	60
Assets under construction	**424**	302	428
	9,426	8,202	10,435
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(872)**	(690)	(790)
Machinery and equipment	**(2,637)**	(2,163)	(2,633)
Transport and motor vehicles	**(144)**	(114)	(147)
Mining assets	**(1,093)**	(908)	(1,024)
Other assets	**(28)**	(25)	(45)
	(4,774)	(3,900)	(4,639)
	$ 4,652	$ 4,302	$ 5,796

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2016 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2015, cost, net of accumulated depreciation	**$ 97**	**$ 822**	**$ 1,798**	**$ 79**	**$ 1,192**	**$ 12**	**$ 302**	**$ 4,302**
Additions	**–**	**1**	**5**	**–**	**–**	**2**	**442**	**450**
Assets put into operation	**–**	**64**	**209**	**14**	**43**	**3**	**(333)**	**–**
Disposals	**(1)**	**(5)**	**(12)**	**(2)**	**(9)**	**(4)**	**–**	**(33)**
Depreciation and depletion charge	**–**	**(72)**	**(309)**	**(21)**	**(79)**	**(4)**	**–**	**(485)**
Impairment losses recognised in statement of operations	**(4)**	**(42)**	**(90)**	**(2)**	**(30)**	**–**	**(11)**	**(179)**
Impairment losses reversed through statement of operations	**2**	**5**	**17**	**–**	**3**	**–**	**1**	**28**
Transfer to assets held for sale	**–**	**(4)**	**(10)**	**–**	**–**	**–**	**(10)**	**(24)**
Change in site restoration and decommissioning provision	**–**	**–**	**(3)**	**–**	**20**	**–**	**–**	**17**
Translation difference	**6**	**114**	**204**	**11**	**207**	**1**	**33**	**576**
At 31 December 2016, cost, net of accumulated depreciation	**$ 100**	**$ 883**	**$ 1,809**	**$ 79**	**$ 1,347**	**$ 10**	**$ 424**	**$ 4,652**

The movement in property, plant and equipment for the year ended 31 December 2015 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2014, cost, net of accumulated depreciation	$ 124	$ 1,118	$ 2,461	$ 102	$ 1,548	$ 15	$ 428	$ 5,796
Additions	–	–	4	–	1	1	480	486
Assets put into operation	–	40	234	28	176	3	(481)	–
Disposals	(2)	(7)	(29)	(4)	(7)	–	(22)	(71)
Depreciation and depletion charge	–	(77)	(343)	(24)	(88)	(5)	–	(537)
Impairment losses recognised in statement of operations	(4)	(16)	(44)	–	(109)	–	(36)	(209)
Impairment losses reversed through statement of operations	–	2	2	–	3	–	13	20
Impairment losses recognised in other comprehensive income	–	(1)	–	–	–	–	–	(1)
Loss of control over a subsidiary	(1)	(2)	(65)	(1)	(2)	(1)	(5)	(77)
Transfer to assets held for sale	(7)	(13)	(4)	–	–	–	–	(24)
Change in site restoration and decommissioning provision	–	6	–	–	45	–	–	51
Translation difference	(13)	(228)	(418)	(22)	(375)	(1)	(75)	(1,132)
At 31 December 2015, cost, net of accumulated depreciation	$ 97	$ 822	$ 1,798	$ 79	$ 1,192	$ 12	$ 302	$ 4,302

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2014 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2013, cost, net of accumulated depreciation	$ 157	$ 1,655	$ 3,781	$ 188	$ 2,690	$ 27	$ 992	$ 9,490
Additions	–	1	8	1	–	–	609	619
Assets put into operation	–	198	450	22	172	5	(847)	–
Disposals	(2)	(7)	(41)	(3)	(10)	–	(5)	(68)
Depreciation and depletion charge	–	(112)	(470)	(38)	(150)	(5)	–	(775)
Impairment losses recognised in statement of operations	(4)	(20)	(85)	–	(79)	–	(21)	(209)
Impairment losses reversed through statement of operations	–	5	10	–	–	–	2	17
Transfer to assets held for sale	–	(4)	(3)	–	–	–	–	(7)
Change in site restoration and decommissioning provision	–	6	(4)	–	61	–	4	67
Translation difference	(27)	(604)	(1,185)	(68)	(1,136)	(12)	(306)	(3,338)
At 31 December 2014, cost, net of accumulated depreciation	$ 124	$ 1,118	$ 2,461	$ 102	$ 1,548	$ 15	$ 428	$ 5,796

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $34 million, $24 million and $22 million as of 31 December 2016, 2015 and 2014, respectively.

On 1 January 2014, certain of the Group's subsidiaries reassessed the remaining useful lives of property, plant and equipment, which resulted in a $52 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred.

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash-generating units (Note 6).

The amount of borrowing costs capitalised during the year ended 31 December 2016 was $9 million (2015: $16 million, 2014: $18 million).

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	2016	2015	2014
Cost:			
Customer relationships	**$ 663**	$ 651	$ 981
Water rights and environmental permits	**57**	57	57
Contract terms	**25**	20	26
Other	**90**	83	65
	835	811	1,129
Accumulated amortisation:			
Customer relationships	**(460)**	(419)	(642)
Water rights and environmental permits	**–**	–	–
Contract terms	**(8)**	(4)	(3)
Other	**(70)**	(64)	(43)
	(538)	(487)	(688)
	$ 297	$ 324	$ 441

10. Intangible Assets Other Than Goodwill (continued)

As of 31 December 2016, 2015 and 2014, water rights and environmental permits with a carrying value of $57 million had an indefinite useful life.

The movement in intangible assets for the year ended 31 December 2016 was as follows:

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2015, cost, net of accumulated amortisation	**$ 232**	**$ 57**	**$ 16**	**$ 19**	**$ 324**
Additions	**–**	**–**	**–**	**3**	**3**
Amortisation charge	**(35)**	**–**	**(2)**	**(4)**	**(41)**
Translation difference	**6**	**–**	**3**	**2**	**11**
At 31 December 2016, cost, net of accumulated amortisation	**$ 203**	**$ 57**	**$ 17**	**$ 20**	**$ 297**

The movement in intangible assets for the year ended 31 December 2015 was as follows:

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2014, cost, net of accumulated amortisation	$ 339	$ 57	$ 23	$ 22	$ 441
Additions	–	–	–	6	6
Amortisation charge	(43)	–	(2)	(5)	(50)
Loss of control over a subsidiary	(20)	–	–	–	(20)
Translation difference	(44)	–	(5)	(4)	(53)
At 31 December 2015, cost, net of accumulated amortisation	$ 232	$ 57	$ 16	$ 19	$ 324

The movement in intangible assets for the year ended 31 December 2014 was as follows:

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2013, cost, net of accumulated amortisation	$ 448	$ 57	$ 44	$ 39	$ 588
Additions	–	–	–	4	4
Amortisation charge	(60)	–	(4)	(8)	(72)
Impairment loss recognised in statement of operations	(16)	–	–	–	(16)
Transfer to assets held for sale	(1)	–	–	–	(1)
Translation difference	(32)	–	(17)	(13)	(62)
At 31 December 2014, cost, net of accumulated amortisation	$ 339	$ 57	$ 23	$ 22	$ 441

11. Investments in Joint Ventures and Associates

The Group accounted for investments in joint ventures and associates under the equity method.

The movement in investments in joint ventures and associates was as follows:

US$ million	Timir	Streamcore	Other associates	Total
Investment at 31 December 2013	**$ 141**	**$ 40**	**$ 10**	**$ 191**
Share of profit/(loss)	–	8	2	10
Dividends paid	–	–	(1)	(1)
Translation difference	(59)	(19)	(1)	(79)
Investment at 31 December 2014	**$ 82**	**$ 29**	**$ 10**	**$ 121**
Share of profit/(loss)	(1)	4	–	3
Impairment of investments	(23)	–	–	(23)
Translation difference	(18)	(7)	(2)	(27)
Investment at 31 December 2015	**$ 40**	**$ 26**	**$ 8**	**$ 74**
Share of profit/(loss)	(2)	5	–	3
Impairment of investments	(26)	–	–	(26)
Translation difference	7	6	–	13
Investment at 31 December 2016	**$ 19**	**$ 37**	**$ 8**	**$ 64**

Share of profit/(loss) of joint ventures and associates which is reported in the statement of operations comprised the following:

US$ million	2016	2015	2014
Share of profit/(loss), net	$ 3	$ 3	$ 10
Impairment of investments	(26)	(23)	–
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	$ (23)	$ (20)	$ 10

Timir Iron Ore Project

In April 2013, the Group acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. Under the joint venture agreement major operating and financial decisions are made by unanimous consent of the Group and Alrosa, and no single venturer is in a position to control the activity unilaterally. Consequently, the Group accounts for its interest in Timir under the equity method.

The Group's consideration for this stake amounted to 4,950 million roubles ($159 million at the exchange rate as of the date of the transaction) payable in instalments to 15 July 2014. The consideration was measured as the present value of the expected cash outflows.

In 2014 and 2015, the parties amended the payment schedule. The latest schedule effective at 31 December 2016 provides for an execution of payments of 500 million roubles in each of January 2017 and 2018 and 480 million roubles in 2019. From the dates of the amendments the Group incurs interest charges on the unpaid liability.

In 2016, 2015 and 2014, the Group paid 500 million roubles ($7 million), $Nil and 990 million roubles ($28 million), respectively, of purchase consideration. Previously, in 2013, 1,980 million roubles ($61 million) were paid.

At 31 December 2016, 2015 and 2014, trade and other accounts payable included liabilities relating to this acquisition in the amount of $27 million, $28 million and $36 million, respectively.

11. Investments in Joint Ventures and Associates (continued)

Timir Iron Ore Project (continued)

The table below sets out Timir's assets and liabilities as of 31 December:

US$ million	2016	2015	2014
Mineral reserves and property, plant and equipment	**$ 55**	$ 101	$ 202
Accounts and notes receivable	**8**	–	1
Total assets	**63**	101	203
Deferred income tax liabilities	**–**	5	21
Current liabilities	**25**	17	21
Total liabilities	**25**	22	42
Net assets	**38**	79	161
Net assets attributable to 51% ownership interest	**$ 19**	$ 40	$ 82

In 2016, 2015 and 2014, Timir's income and expenses comprised $4 million, $2 million and $Nil, respectively, of other expenses.

Due to the postponement of the major project activities, the Group assessed the recoverability of its investment in Timir at 30 September 2016 and 31 December 2015 and 2014. The recoverable amount of the asset was based on a value-in-use calculation using cash flow projections based on the business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset. The period of the forecast was 23 years. The discount rates were 11.75%, 12.70% and 14.46% in 2016, 2015 and 2014, respectively. As a result, in 2016 and 2015, the Group partially impaired its investment in Timir. The major drivers that led to impairment were the decrease in the expected long-term prices for iron ore, the increase in the amount of the required capital expenditures to maintain the production at the budgeted capacities and the postponement of the start of production for 2 years.

In the value-in-use calculation management assumed that the railway tariffs for the iron ore transportation in the Yakutia region, which are established by the local railway companies, will be reduced to the general level of the tariffs in Russia. These tariffs have not been agreed yet by the parties. If the assumption were not valid, this would lead to an additional impairment of $55 million which would give a $19 million effect on the share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations.

Streamcore

The Group owns a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia.

The table below sets out Streamcore's assets and liabilities as of 31 December:

US$ million	2016	2015	2014
Property, plant and equipment	**$ 24**	$ 19	$ 27
Inventories	**4**	3	5
Accounts receivable	**91**	51	51
Total assets	**119**	73	83
Deferred income tax liabilities	**1**	1	1
Current liabilities	**44**	20	24
Total liabilities	**45**	21	25
Net assets	**$ 74**	$ 52	$ 58
Net assets attributable to 50% ownership interest	**$ 37**	$ 26	$ 29

11. Investments in Joint Ventures and Associates (continued)

Streamcore (continued)

The table below sets out Streamcore's income and expenses:

US$ million	2016	2015	2014
Revenue	**$ 286**	$ 278	$ 478
Cost of revenue	**(270)**	(263)	(450)
Other expenses, including income taxes	**(6)**	(7)	(12)
Net profit	**$ 10**	$ 8	$ 16
Group's share of profit of the joint venture	**$ 5**	$ 4	$ 8

12. Disposal Groups Held for Sale

The major classes of assets and liabilities of the disposal groups measured at the lower of carrying amount and fair value less costs to sell were as follows as of 31 December:

US$ million	2016	2015	2014
Property, plant and equipment	**$ 15**	$ 1	$ 3
Other non-current assets	**3**	–	–
Inventories	**1**	–	1
Accounts receivable	**6**	–	–
Cash and cash equivalents	**2**	–	–
Assets classified as held for sale	**27**	1	4
Non-current liabilities	**5**	–	13
Current liabilities	**3**	–	–
Liabilities directly associated with assets classified as held for sale	**8**	–	13
Non-controlling interests	**–**	–	–
Net assets classified as held for sale	**$ 19**	$ 1	$ (9)

The net assets of disposal groups classified as held for sale at 31 December related to the following reportable segments:

US$ million	2016	2015	2014
Assets classified as held for sale	**$ 27**	$ 1	$ 4
Steel production	**27**	–	1
Coal	**–**	1	3
Liabilities directly associated with assets classified as held for sale	**8**	–	13
Steel production	**8**	–	–
Steel, North America	**–**	–	13

12. Disposal Groups Held for Sale (continued)

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2014–2016.

US$ million	2016	2015	2014
Property, plant and equipment	**$ 9**	$ 25	$ 178
Other non-current assets	**–**	–	19
Inventories	**–**	13	79
Accounts receivable	**–**	–	64
Cash and cash equivalents	**–**	–	20
Total assets	**9**	38	360
Non-current liabilities	**–**	17	28
Current liabilities	**–**	–	100
Total liabilities	**–**	17	128
Non-controlling interests	**–**	–	–
Net assets	**$ 9**	$ 21	$ 232

The net assets of disposal groups sold in 2014–2016 related to the following reportable segments:

US$ million	2016	2015	2014
Assets classified as held for sale	**$ 9**	$ 38	$ 360
Steel	**9**	6	330
Steel, North America	**–**	31	9
Coal	**–**	1	–
Other operations	**–**	–	21
Liabilities directly associated with assets classified as held for sale	**–**	17	128
Steel	**–**	4	126
Steel, North America	**–**	13	–
Other operations	**–**	–	2

Cash flows on disposal of subsidiaries and other business units were as follows:

US$ million	2016	2015	2014
Net cash disposed of with subsidiaries	**$ –**	$ (13)	$ (20)
Cash received	**27**	57	331
Net cash inflow	**$ 27**	$ 44	$ 311

In 2016, cash inflows included $16 million of prepayment for the sale of certain disposal groups.

The disposal groups sold during 2014–2016 are described below.

EVRAZ Portland Structural Tubing

In 2015, the Group sold assets of Portland Structural Tubing for a cash consideration of $51 million. The Group recognised $20 million as a gain on disposal groups classified as held for sale.

12. Disposal Groups Held for Sale (continued)

EVRAZ Vitkovice Steel

In April 2014, the Group sold its wholly-owned subsidiary EVRAZ Vitkovice Steel to a third party for a cash consideration of $287 million on a debt free and normalised working capital basis. Transaction costs amounted to $3 million. As of 31 December 2014, the Group owed $25 million to the purchaser of EVRAZ Vitkovice Steel. In 2015, this amount was fully settled through an offset with receivables from the former subsidiary.

The Group recognised a $90 million gain on the sale of the subsidiary, including $61 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations. Cash disposed with the subsidiary amounted to $20 million.

Assets of Evrazruda

In 2014, the Group sold an iron ore mine and heat and power plant located in the Krasnoyarsk and Kemerovo regions of Russia. The gain on these transactions amounted to $25 million, including $5 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations.

Other Disposal Groups Held for Sale

Other disposal groups held for sale included a few small subsidiaries involved in non-core activities (construction business, trading activity and recreational services) and other non-current assets.

13. Other Non-current Assets

Other non-current assets consisted of the following as of 31 December:

Non-current Financial Assets

US$ million	2016	2015	2014
Available-for-sale financial assets	**$ 3**	$ 5	$ 17
Restricted deposits	**11**	5	7
Receivables from related parties	**–**	1	1
Loans receivable	**21**	23	21
Trade and other receivables	**4**	5	4
Other	**52**	40	48
	$ 91	$ 79	$ 98

Other Non-current Assets

US$ million	2016	2015	2014
Income tax receivable	**$ 7**	$ 18	$ 4
Input VAT	**2**	6	12
Other	**36**	32	24
	$ 45	$ 56	$ 40

Available-for-Sale Financial Assets

The Group holds approximately 15% in Delong Holdings Limited ("Delong"), a flat steel producer headquartered in Beijing (China). The investments in Delong are measured at fair value based on market quotations of the Singapore Exchange ($3 million, $5 million and $16 million at 31 December 2016, 2015 and 2014, respectively). The change in the fair value of these shares is initially recorded in other comprehensive income.

In 2016, 2015 and 2014, impairment losses relating to the decline in market quotations of Delong shares in the amount of $Nil, $Nil and $12 million, respectively, were recorded through other comprehensive income and $2 million, $11 million and $1 million, respectively, were recognised in the statement of operations.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	2016	2015	2014
Raw materials and spare parts	**$ 434**	$ 402	$ 588
Work-in-progress	**173**	188	307
Finished goods	**377**	309	477
	$ 984	$ 899	$ 1,372

As of 31 December 2016, 2015 and 2014, the net realisable value allowance was $34 million, $35 million and $47 million, respectively.

As of 31 December 2016, 2015 and 2014, certain items of inventory with an approximate carrying amount of $315 million, $383 million and $607 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 22).

15. Trade and Other Receivables

Trade and other receivables consisted of the following as of 31 December:

US$ million	2016	2015	2014
Trade accounts receivable	**$ 518**	$ 472	$ 684
Other receivables	**31**	23	25
	549	495	709
Allowance for doubtful accounts	**(47)**	(48)	(55)
	$ 502	$ 447	$ 654

Ageing analysis and movement in allowance for doubtful accounts are provided in Note 28.

16. Related Party Disclosures

Related parties of the Group include associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Group's ultimate parent or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Amounts owed by/to related parties at 31 December were as follows:

	Amounts due from related parties			Amounts due to related parties		
US$ million	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Loans						
Timir	**$ 7**	$ 5	$ 4	**$ –**	$ –	$ –
Trade balances						
Vtorresource-Pererabotka	**1**	1	11	**39**	10	5
Yuzhny GOK	**–**	–	37	**185**	129	96
Other entities	**–**	–	3	**2**	4	7
	8	6	55	**226**	143	108
Less: allowance for doubtful accounts	**–**	–	(2)	**–**	–	–
	$ 8	$ 6	$ 53	**$ 226**	$ 143	$ 108

In 2016 and 2014, the Group did not recognise any expense or income in relation to bad and doubtful debts of related parties. In 2015, a $2 million reversal of bad and doubtful debts allowance was recognised in the consolidated statement of operations.

Transactions with related parties were as follows for the years ended 31 December:

	Sales to related parties			Purchases from related parties		
US$ million	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Genalta Recycling Inc.	**$ –**	$ –	$ –	**$ 8**	$ 14	$ 24
Interlock Security Services	**–**	–	1	**19**	24	39
Vtorresource-Pererabotka	**7**	8	17	**281**	274	465
Yuzhny GOK	**25**	29	42	**77**	70	125
Other entities	**–**	–	3	**11**	12	24
	$ 32	$ 37	$ 63	**$ 396**	$ 394	$ 677

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 4, 11, 13 and 25.

16. Related Party Disclosures (continued)

Genalta Recycling Inc. is a joint venture of a Canadian subsidiary of the Group. It sells scrap metal to the Group.

Interlock Security Services is a group of entities controlled by a member of the key management personnel, which provide security services to the Russian and Ukrainian subsidiaries of the Group. In August-September 2016, the main businesses of this group were sold by a key person to third parties and they ceased to be related parties to the Group.

Lanebrook Limited is a controlling shareholder of the Company. In 2008, the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. In January 2014, the Group sold 0.14% of the shares to Lanebrook Limited for $6 million. The put option for the remaining shares expires on 31 December 2017.

Vtorresource-Pererabotka is a subsidiary of Streamcore, the Group's joint venture, acquired in 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2016, 2015 and 2014, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $256 million (1,437,411 tonnes), $219 million (1,339,101 tonnes) and $383 million (1,601,041 tonnes), respectively.

Yuzhny GOK, an ore mining and processing plant, is an associate of Lanebrook Limited. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2016, 2015 and 2014, the volume of purchases was 1,619,745 tonnes, 1,517,580 tonnes and 1,486,415 tonnes, respectively.

On 1 April 2014, a Ukrainian subsidiary of the Group received a non-interest bearing loan of 2,935 million Ukrainian hryvnias ($267 million at the exchange rate as of the date of disbursement) from Standart IP, an entity under control of one of the major shareholders. The proceeds were used for the purposes of short-term liquidity management for the subsidiary. The loan was fully repaid in several instalments by 10 April 2014 using the loans provided by the other Group's subsidiary.

The transactions with related parties were based on prevailing market terms.

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:
- directors of the Company,
- vice presidents,
- senior management of major subsidiaries.

In 2016, 2015 and 2014, key management personnel totalled 34, 46 and 51 people, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	2016	2015	2014
Salary	**$ 14**	$ 16	$ 20
Performance bonuses	**9**	9	29
Social security taxes	**3**	4	4
Share-based payments (Note 21)	**8**	10	14
Termination benefits	**–**	–	1
Other benefits	**–**	–	1
	$ 34	$ 39	$ 69

Other disclosures on directors' remuneration required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) regulations 2008 are included in the Directors' Remuneration Report.

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of 31 December:

US$ million	2016	2015	2014
Input VAT	**$ 89**	$ 61	$ 71
Other taxes	**103**	66	87
	$ 192	$ 127	$ 158

Input VAT, representing amounts payable or paid to suppliers, is recoverable from the tax authorities via offset against VAT payable to the tax authorities on the Group's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable within one year.

18. Other Current Financial Assets

Other current assets included the following as of 31 December:

US$ million	2016	2015	2014
Investments in Yuzhny GOK (Note 16)	**$ 32**	$ 32	$ 32
Restricted deposits at banks	**1**	3	1
Collateral under swap agreements (Note 25)	**–**	–	7
	$ 33	$ 35	$ 40

19. Cash and Cash Equivalents

Cash and cash equivalents, mainly consisting of cash at banks, were denominated in the following currencies as of 31 December:

US$ million	2016	2015	2014
US dollar	**$ 1,058**	$ 1,196	$ 943
Russian rouble	**71**	121	108
Canadian dollar	**2**	29	6
Ukrainian hryvnia	**2**	20	3
Other	**24**	9	26
	$ 1,157	$ 1,375	$ 1,086

At 31 December 2016, 2015 and 2014, the assets of disposal groups classified as held for sale included cash amounting to $2 million, $Nil and $Nil, respectively.

20. Equity

Share Capital

Number of shares	31 December		
	2016	2015	2014
Ordinary shares of $1 each, issued and fully paid	**1,506,527,294**	1,506,527,294	1,506,527,294

Share Issue

On 16 January 2013, EVRAZ plc issued 132,653,006 shares in connection with the acquisition of a controlling interest in Corber, which held 81.95% in Raspadskaya.

These shares were valued at their market quotation at the date of acquisition of Corber. The excess of the market value of shares issued over their nominal value in the amount of $478 million was recognised in a merger reserve within additional paid-in capital under section 612 of the Companies Act 2006 as all of the criteria for merger relief have been satisfied.

The purchase consideration for Corber included warrants to subscribe for an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014. The number of the shares to be issued under these warrants was adjustable for dividends that could be paid during the period from the date of issue of the warrants until the date of their exercise. The fair value of warrants issued amounting to $156 million was credited to a separate reserve within equity. On 27 January 2014, EVRAZ plc issued 33,944,928 shares in connection with the exercise of the warrants included in the purchase consideration for Raspadskaya. The difference between the fair value of warrants ($156 million) and the par value of shares issued ($34 million) was credited to the merger reserve.

Treasury Shares

	31 December		
	2016	2015	2014
Number of treasury shares	**87,015,878**	98,481,249	–

On 31 March 2015, the Board resolved to announce a return of capital to be effected by a tender offer to shareholders at $3.10 per share in the amount of up to $375 million. In April 2015, EVRAZ plc repurchased 108,458,508 of its own shares ($336 million). The Company incurred $3 million of transaction costs, which were charged to accumulated profits.

Subsequently, in 2016 and 2015, 11,465,371 shares and 9,977,259 shares, respectively, were transferred to the participants of Incentive Plans. The cost of treasury shares transferred to the participants of Incentive Plans, amounted to $35 million and $31 million in 2016 and 2015, respectively.

In 2014, the Group purchased 7,439,383 shares of EVRAZ plc for $13 million and transferred 7,742,100 shares to participants of Incentive Plans. The cost of treasury shares transferred to the participants of Incentive Plans, amounting to $14 million, was charged to accumulated profits.

20. Equity (continued)

Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2016	2015	2014
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,414,906,412**	1,437,134,241	1,505,833,080
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$ (215)**	$ (644)	$ (1,175)
Earnings/(losses) per share, basic and diluted	**$ (0.15)**	$ (0.45)	$ (0.78)

In 2014-2016, share-based awards (Note 21) were antidilutive as the Group reported net losses.

The warrants issued in connection with the acquisition of a controlling interest in Corber (2013 Share Issue above) were included in the calculation of basic earnings per share for 2014 starting from the date of their issue.

Dividends

Dividends declared by the parent company during 2014–2016 were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Special for 2014	08/04/2014	06/06/2014	90	0.06

On 8 April 2014, the Board of directors of EVRAZ plc proposed to declare special dividends in the amount of $90.4 million representing $0.06 per share. The dividends were paid out of the sale proceeds for EVRAZ Vitkovice Steel.

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $Nil, $Nil and $3 million in 2016, 2015 and 2014, respectively.

21. Share-based Payments

On 6 September 2012, 24 September 2013, 8 August 2014, 26 October 2015 and 15 September 2016, the Group adopted Incentive Plans under which certain senior executives and employees ("participants") could be gifted shares of the parent company upon vesting.

The vesting date for each tranche occurs within the 90-day period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2016 are presented below:

Number of Shares of EVRAZ plc	Total	Incentive Plan 2016	Incentive Plan 2015	Incentive Plan 2014	Incentive Plan 2013
March 2017	12,813,209	2,076,677	3,151,362	4,007,054	3,578,116
March 2018	10,810,789	2,076,677	4,727,042	4,007,070	–
March 2019	7,842,200	3,115,023	4,727,177	–	–
March 2020	3,115,151	3,115,151	–	–	–
	34,581,349	**10,383,528**	**12,605,581**	**8,014,124**	**3,578,116**

21. Share-based Payments (continued)

The plans are administrated by the Board of Directors of EVRAZ plc. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination, unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.

There have been no modifications or cancellations to the plans during 2014–2016.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of share-based awards granted in 2016, 2015 and 2014 was $1.73, $1.12 and $1.51 per share of EVRAZ plc, respectively. The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of a parent company reduced by the present value of dividends expected to be paid during the vesting period. The following inputs, including assumptions, were used in the valuation of Incentive plans, which were effective during 2014-2016:

	Incentive Plan 2016	Incentive Plan 2015	Incentive Plan 2014	Incentive Plan 2013	Incentive Plan 2012	Incentive Plan 2011
Dividend yield (%)	n/a	7.3 – 9.1	3.6 – 4.8	4.0 – 8.8	1.9 – 5.4	3.6 – 4.8
Expected life (years)	0.5 – 3.5	0.6 – 3.6	0.6 – 3.6	0.6 – 3.6	0.6 – 2.6	0.5 – 2.5
Market prices of the shares of EVRAZ plc (2011: Evraz Group S.A.) at the grant dates	$1.73	$1.36	$1.68	$2.13	$3.61	$51.57

The following table illustrates the number of, and movements in, share-based awards during the years.

	2016	2015	2014
Outstanding at 1 January	**43,767,553**	36,608,052	27,692,062
Granted during the year	**10,383,528**	20,610,611	20,220,620
Forfeited during the year	**(8,104,361)**	(3,473,851)	(3,064,281)
Vested during the year	**(11,465,371)**	(9,977,259)	(8,240,349)
Outstanding at 31 December	**34,581,349**	43,767,553	36,608,052

In 2014, the actual quantity of the vested shares transferred by EVRAZ plc to the participants was reduced by 596,896 shares, which represent withholding taxes and other deductions.

The weighted average share price at the dates of exercise was $1.78, $2.59 and $1.72 in 2016, 2015 and 2014, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2016, 2015 and 2014 was 1.2, 1.5 and 1.6 years, respectively.

In the years ended 31 December 2016, 2015 and 2014, the expense arising from the equity-settled share-based compensations was as follows:

US$ million	2016	2015	2014
Expense arising from equity-settled share-based payment transactions	**$ 16**	$ 20	$ 30

22. Loans and Borrowings

Short-term and long-term loans and borrowings were as follows as of 31 December:

US$ million	2016	Non-current	Current	2015	Non-current	Current	2014	Non-current	Current
Bank loans	**$ 2,067**	**$ 1,799**	**$ 268**	$ 2,236	$ 1,958	$ 278	$ 1,662	$ 1,441	$ 221
US dollar-denominated									
8.25% notes due 2015	**–**	**–**	**–**	–	–	–	138	–	138
7.40% notes due 2017	**–**	**–**	**–**	286	286	–	600	600	–
7.75% bonds due 2017	**26**	**–**	**26**	186	186	–	392	392	–
9.5% notes due 2018	**125**	**125**	**–**	353	353	–	509	509	–
6.75% notes due 2018	**528**	**528**	**–**	796	796	–	850	850	–
7.5% senior secured notes due 2019	**350**	**350**	**–**	350	350	–	350	350	–
6.50% notes due 2020	**1,000**	**1,000**	**–**	1,000	1,000	–	1,000	1,000	–
8.25% notes due 2021	**750**	**750**	**–**	750	750	–	–	–	–
6.75% notes due 2022	**500**	**500**	**–**	–	–	–	–	–	–
Rouble-denominated									
8.75% rouble bonds due 2015	**–**	**–**	**–**	–	–	–	69	–	69
9.95% rouble bonds due 2015	**–**	**–**	**–**	–	–	–	267	–	267
8.40% rouble bonds due 2016	**–**	**–**	**–**	165	–	165	356	356	–
12.95% rouble bonds due 2019	**247**	**247**	**–**	206	206	–	–	–	–
12.60% rouble bonds due 2021	**247**	**247**	**–**	–	–	–	–	–	–
Other liabilities	**–**	**–**	**–**	–	–	–	1	–	1
Fair value adjustment to liabilities assumed in business combination	**1**	**–**	**1**	7	7	–	20	20	–
Unamortised debt issue costs	**(44)**	**(44)**	**–**	(54)	(54)	–	(57)	(55)	(2)
Interest payable	**97**	**–**	**97**	66	12	54	74	7	67
	$ 5,894	**$ 5,502**	**$ 392**	$ 6,347	$5,850	$ 497	$ 6,231	$ 5,470	$ 761

The average effective annual interest rates were as follows at 31 December:

	Long-term borrowings			Short-term borrowings		
	2016	2015	2014	2016	2015	2014
US dollar	**6.85%**	6.87%	6.78%	**3.31%**	2.86%	2.72%
Russian rouble	**12.71%**	11.84%	9.00%	**–**	–	–
Euro	**3.94%**	5.57%	3.55%	**–**	–	–
South African rand	**–**	–	–	**–**	–	9.98%

The liabilities are denominated in the following currencies at 31 December:

US$ million	2016	2015	2014
US dollar	**$ 4,911**	$ 5,412	$ 5,387
Russian rouble	**809**	621	700
Euro	**217**	368	193
Other	**1**	–	8
Unamortised debt issue costs	**(44)**	(54)	(57)
	$ 5,894	$ 6,347	$ 6,231

22. Loans and Borrowings (continued)

Pledged Assets

The Group pledged its rights under selected export contracts as collateral under the loan agreements. All proceeds from sales of steel pursuant to these contracts can be used to satisfy the obligations under the loan agreements in the event of a default.

At 31 December 2016, 2015 and 2014, a 100% ownership interest in EVRAZ Inc NA and 51% in EVRAZ Inc NA Canada were pledged against a $350 million liability under 7.5% senior secured notes due 2019. The subsidiaries represent approximately 28% of the consolidated assets at 31 December 2016 and generated almost 19% of the consolidated revenues in 2016. In addition, property, plant and equipment and inventory of these subsidiaries amounting to $1,013 million and $315 million, respectively, at 31 December 2016 (2015: $1,052 million and $382 million, 2014: $1,140 million and $607 million, respectively) were pledged as collateral under the notes.

At 31 December 2015 and 2014, 100% of shares of EVRAZ Caspian Steel were pledged as collateral under a bank loan with a carrying value of $107 million at the end of 2015. In addition, property, plant and equipment of EVRAZ Caspian Steel amounting to $55 million at 31 December 2015 (2014: $108 million) were pledged as collateral under the same loan. In 2016, the loan was fully repaid.

The Group's pledged assets at carrying value included the following at 31 December:

US$ million	2016	2015	2014
Property, plant and equipment	**$ 1,013**	$ 1,107	$ 1,263
Inventory	**315**	383	607

Issue of Notes and Bonds

In June 2016, the Group issued 6.75% notes due 2022 in the amount of $500 million. The proceeds from the issue of the notes were used to finance the purchase of 7.40% notes due 2017, 9.50% notes due 2018, 6.75% notes due 2018 and 7.75% bonds due 2017 at the tender offer settled on 17 June 2016 and to refinance other current indebtedness of the Group.

In March 2016, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($247 million at 31 December 2016), which bear interest of 12.60% per annum and mature on 23 March 2021. The currency risk exposure of these bonds was not hedged.

In December 2015, the Group issued 8.25% notes due 2021 in the amount of $750 million. The proceeds from the issue of the notes were used to finance the purchase of 7.40% notes due 2017, 9.50% notes due 2018 and 6.75% notes due 2018 at the tender offer settled on 18 December 2015 and to refinance other current indebtedness of the Group.

In July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($206 million at 31 December 2015), which bear interest of 12.95% per annum and have the next put date on 26 June 2019. The currency risk exposure of these bonds was hedged (Note 25).

In November 2014, the Group issued 7.5% senior secured notes due 2019 notes in the amount of $350 million. The proceeds from the issue of the notes were used for the partial repayment of the 8.25% notes maturing on 10 November 2015.

22. Loans and Borrowings (continued)

Repurchase of Rouble-Denominated Bonds

In 2016, the Group fully settled its 8.40% rouble bonds due 2016, there was no gain or loss on this transaction.

In March 2015, the Group fully settled the 8.75% bonds due 2015 with the nominal value of 3,885 million roubles ($65 million) at par. There was no gain or loss on this transaction.

In April 2015, the Group partially repurchased 9.95% bonds due 2015 for a cash consideration of $80 million. The nominal value of the repurchased notes was 4,150 million roubles ($81 million). As a result, the Group recognised a $1 million gain within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations. In October 2015, the Group settled the remaining 10,850 million roubles ($175 million) at par. There was no gain or loss on this transaction.

In July 2015, the Group partially repurchased 8.40% bonds due 2016 with the principal of 4,792 million roubles ($84 million at the exchange rate as of the date of the transaction) for a cash consideration of 4,696 million roubles ($82.5 million at the exchange rate as of the date of the transaction). In September 2015, the Group repurchased additional 3,159 million roubles ($48 million) at par. There was no gain or loss on this transaction. At 31 December 2015, the amount of outstanding bonds was 12,049 million roubles ($165 million).

In April 2014, the Group repurchased 13.5% bonds due 2014 for a nominal amount totalling 2,258 million roubles ($64 million). In October 2014, the Group settled the remaining 17,742 million roubles ($440 million). There was no gain or loss on these transactions.

Repurchase of US Dollar-Denominated Notes

In 2016, the Group partially repurchased 9.50% notes due 2018 ($228 million), 6.75% notes due 2018 ($268 million) and 7.75% bonds due 2017 ($160 million). The premium over carrying value on the repurchase in the amount of $20 million, $7 million and $5 million, respectively, was charged to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In 2016, the Group fully repurchased 7.40% notes due 2017 ($286 million) paying a premium over the carrying value of $14 million.

In December 2015, the Group partially repurchased 7.40% notes due 2017 ($314 million), 9.50% notes due 2018 ($156 million) and 6.75% notes due 2018 ($54 million). The premium over carrying value on the repurchase in the amount of $14 million, $11 million and $1 million, respectively, was charged the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In 2014, the Group partially repurchased 8.25% notes due 2015 for a cash consideration of $437 million. The nominal value of the notes was $439 million. As a result, the Group recognised a loss on extinguishment of debts in the amount of $6 million within gain/(loss) on financial assets and liabilities in the consolidated statement of operations. During 2015 the Group repurchased the remaining $138 million. There was no gain or loss on these transactions.

In 2014, the Group partially repurchased 7.75% bonds due 2017 (issued by Raspadskaya) for a cash consideration of $6 million. The nominal value of the bonds was $8 million. As a result, the Group recognised a gain on extinguishment of debts in the amount of $2 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations (Note 7). In October and November 2015, the Group repurchased through a tender offer and market transactions an additional $206 million at par. The difference between the carrying value of these bonds and the purchase consideration amounting to $7 million was credited to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

22. Loans and Borrowings (continued)

Compliance with Financial Covenants

Some of the loan agreements and terms and conditions of notes provide for certain covenants in respect of EVRAZ plc and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability. EBITDA used for covenants compliance calculations is determined based on the definitions of the respective loan agreements and may differ from that used by management for evaluation of performance.

Several bank credit facilities totalling $1,829 million contain certain financial maintenance covenants. These covenants require EVRAZ plc to maintain two key ratios, consolidated net indebtedness to 12month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits. Also the covenants contain a limitation on the amount of EVRAZ plc total consolidated indebtedness. A breach of one or both of these ratios or excess of the indebtedness limit would constitute an event of default under the facility which in turn may trigger cross default events under other debt instruments of the Group. The terms of certain facilities also set certain limitations on dividend payments by EVRAZ plc, acquisitions and disposals.

In the first half of 2016, EVRAZ plc signed amendments to these facilities, whereby the testing of financial ratios was suspended for three semi-annual testing periods starting from 30 June 2016, subject to compliance with certain additional restrictions on indebtedness and dividends. As a result, as of 31 December 2016, only one of the outstanding facilities has the EBITDA to interest cover ratio tested against a comfortable level of minimum 1.5x. Transaction costs relating to these amendments amounted to $4 million.

Notes due 2018, 2020, 2021 and 2022 totalling $2,903 million issued by Evraz Group S.A., a holding company directly wholly owned by EVRAZ plc, have covenants restricting the incurrence of indebtedness by the issuer and its consolidated subsidiaries conditional on a gross leverage ratio. While the ratio level itself does not constitute a breach of covenants, exceeding the threshold triggers a restriction on incurrence of consolidated indebtedness, which is removed once the ratio goes back below the threshold. The effect of the restriction is such that Evraz Group S.A. and its subsidiaries are not allowed to increase the consolidated indebtedness at the level of Evraz Group S.A., but are allowed to refinance existing indebtedness subject to certain conditions.

The incurrence covenants are in line with the Group's financial strategy and, therefore, do not constitute any excessive restriction on its operations.

The $400 million 7.75% notes due 2017 issued by Raspadskaya in 2012, out of which $374 million are held by Evraz Group S.A. at 31 December 2016, have covenants similar to those of Evraz Group S.A., but with the ratio calculation based on the consolidated numbers of Raspadskaya and the restrictions applying only to Raspadskaya and its subsidiaries. These restrictions have the same effect on Raspadskaya, but no effect on EVRAZ plc and its other subsidiaries that are not part of the Raspadskaya Group.

The $350 million notes due 2019 issued by Evraz Inc NA Canada in November 2014 have certain covenants, that contain restrictions on the incurrence of new debt by EVRAZ North America plc, the parent company of Evraz Inc NA and Evraz Inc NA Canada, and its subsidiaries (together, "Evraz North America") and restrictions on certain types of payments, including dividends, from Evraz North America.

During 2016 the Group was in compliance with all financial and non-financial covenants.

Unamortised Debt Issue Costs

Unamortised debt issue costs represent agent commission and transaction costs paid by the Group in relation to the arrangement and reset of loans and notes.

22. Loans and Borrowings (continued)

Unutilised Borrowing Facilities

The Group had the following unutilised borrowing facilities as of 31 December:

US$ million	2016	2015	2014
Committed	**$ 187**	$ 317	$ 439
Uncommitted	**883**	663	1,225
Total unutilised borrowing facilities	**$ 1,070**	$ 980	$ 1,664

23. Employee Benefits

Russian Plans

Certain Russian subsidiaries of the Group provide regular lifetime pension payments and lump-sum amounts payable at retirement date. These benefits generally depend on years of service, level of remuneration and amount of pension payment under the collective bargaining agreements. Other post-employment benefits consist of various compensations and certain non-cash benefits. The Group funds the benefits when the amounts of benefits fall due for payment.

In addition, some subsidiaries have defined benefit plans under which contributions are made to a separately administered non-state pension fund. The Group matches 100% of the employees' contributions to the fund up to 4% of their monthly salary. The Group's contributions become payable at the participants' retirement dates. At the end of the reporting year the benefit obligation was valued based on the terms of the pension plan assuming that all defined benefit plan participants will continue to participate in the plan.

Defined contribution plans represent payments made by the Group to the Russian state pension, social insurance and medical insurance funds at the statutory rates in force, based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits.

Ukrainian Plans

The Ukrainian subsidiaries make regular contributions to the State Pension Fund thereby compensating 100% of preferential pensions paid by the fund to employees who worked under harmful and hard conditions. The amount of such pension depends on years of service and salary.

In addition, employees receive lump-sum payments on retirement and other benefits under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

The Ukrainian pension legislation provides for annual indexation of pensions, at least up to the level of CPI. The indexation of pensions in a particular year depends on the availability of financial resources in the State pension fund. The subsidiaries are obliged to pay preferential pensions indexed according to the government's decision. The Group determined the amount of defined benefit obligations based on the assumption that pensions will be indexed despite possible insufficiency of money in the State pension fund, which would result in a non-fulfilment of this law by the fund itself and, consequently, would cancel the obligations of Ukrainian enterprises to pay higher pensions.

23. Employee Benefits (continued)

US and Canadian Plans

The Group's subsidiaries in the USA and Canada have defined benefit pension plans that cover specified eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. The subsidiaries also have U.S. and Canadian supplemental retirement plans ("SERP's"), which are non-qualified plans designed to maintain benefits for eligible employees at the plan formula level. The subsidiaries provide other unfunded post-retirement medical and life insurance plans ("OPEB's") for certain of their eligible employees upon retirement after completion of a specified number of years of service. For the pension plans, SERP's and OPEB's, the subsidiaries use a measurement date for plan assets and obligations of 31 December.

Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit pension plans. Those employees are instead enrolled in defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 3–7% of annual wages, including applicable bonuses. The defined contribution plans are funded annually and, depending on their work location, participants' benefits vesting dates range from immediate to after three years of service. In addition, the subsidiaries have defined contribution plans available for eligible U.S. and Canadian-based employees in which the subsidiaries generally match a percentage of the participants' contributions.

In the third quarter of 2015, a U.S. subsidiary made lump-sum settlement offers to former employees vested in one of its three U.S.-based pension plans. Eligible participants were provided with a one-time opportunity to choose either a lump-sum settlement immediately, or to begin receiving their annuity payments in December 2015, irrespective of the former employee's age or retirement status. Approximately 749 employees, or 61% of those eligible, elected to take the lump-sum settlement, triggering settlement accounting for two of the U.S. subsidiary's plans.

Other Plans

Defined benefit pension plans and defined contribution plans are maintained by the subsidiaries located in the Republic of South Africa and Italy.

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

US$ million	2016	2015	2014
Expense under defined contribution plans	**$ 212**	$ 254	$ 398

Defined Benefit Plans

The Russian, Ukrainian and other defined benefit plans are mostly unfunded and the US and Canadian plans are partially funded.

Except as disclosed above, in 2016 there were no significant plan amendments, curtailments or settlements.

The Group's defined benefit plans are exposed to the risks of unexpected growth in benefit payments as a result of increases in life expectancy, inflation, and salaries. As the plan assets include significant investments in quoted and unquoted equity shares, corporate and government bonds and notes, the Group is also exposed to equity market risk.

23. Employee Benefits (continued)

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2016, 2015 and 2014 and amounts recognised in the consolidated statement of financial position as of 31 December 2016, 2015 and 2014 for the defined benefit plans were as follows:

Net benefit expense (recognised in the statement of operations within cost of sales and selling, general and administrative expenses and interest expense)

Year ended 31 December 2016

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	**$ (2)**	**$ (2)**	**$ (19)**	**$ –**	**$ (23)**
Net interest expense	**(9)**	**(5)**	**(8)**	**–**	**(22)**
Net actuarial gains/(losses) on other long-term employee benefits obligation	**1**	**–**	**–**	**–**	**1**
Past service cost	**(1)**	**1**	**–**	**–**	**–**
Curtailment/settlement gain	**1**	**–**	**–**	**–**	**1**
Net benefit expense	**$ (10)**	**$ (6)**	**$ (27)**	**$ –**	**$ (43)**

Year ended 31 December 2015

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (4)	$ (2)	$ (23)	$ –	$ (29)
Net interest expense	(11)	(6)	(7)	–	(24)
Net actuarial gains/(losses) on other long-term employee benefits obligation	–	–	–	(1)	(1)
Past service cost	7	2	(3)	–	6
Curtailment/settlement gain	2	–	1	–	3
Net benefit expense	$ (6)	$ (6)	$ (32)	$ (1)	$ (45)

Year ended 31 December 2014

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (7)	$ (3)	$ (19)	$ –	$ (29)
Net interest expense	(15)	(7)	(6)	(2)	(30)
Net actuarial gains/(losses) on other long-term employee benefits obligation	22	–	–	–	22
Curtailment gain	6	–	–	–	6
Net benefit expense	$ 6	$ (10)	$ (25)	$ (2)	$ (31)

23. Employee Benefits (continued)

Gains/(losses) recognised in other comprehensive income

Year ended 31 December 2016

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	**$ (1)**	**$ –**	**$ 7**	**$ –**	**$ 6**
Net actuarial gains/(losses) on post-employment benefit obligation	**3**	**8**	**(6)**	**–**	**5**
	$ 2	**$ 8**	**$ 1**	**$ –**	**$ 11**

Year ended 31 December 2015

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ (10)	$ –	$ (10)
Net actuarial gains/(losses) on post-employment benefit obligation	(8)	(5)	24	–	11
	$ (8)	$ (5)	$ 14	$ –	$ 1

Year ended 31 December 2014

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ 46	$ –	$ 46
Net actuarial gains/(losses) on post-employment benefit obligation	15	(17)	(78)	(1)	(81)
Effect of asset ceiling	–	–	2	–	2
	$ 15	$ (17)	$ (30)	$ (1)	$ (33)

23. Employee Benefits (continued)

Actual return on plan assets was as follows:

US$ million	2016	2015	2014
Actual return on plan assets	**$ 25**	$ 13	$ 73
including:			
US & Canadian plans	**26**	13	73
Russian plans	**(1)**	–	–

Net defined benefit liability

31 December 2016 US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	**$ 108**	**$ 31**	**$ 711**	**$ 2**	**$ 852**
Plan assets	**–**	**–**	**(535)**	**–**	**(535)**
	108	**31**	**176**	**2**	**317**

31 December 2015 US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 90	$ 45	$ 691	$ 2	$ 828
Plan assets	(1)	–	(526)	–	(527)
	89	45	165	2	301

31 December 2014 US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 110	$ 58	$ 790	$ 14	$ 972
Plan assets	–	–	(608)	–	(608)
	110	58	182	14	364

23. Employee Benefits (continued)

Movements in net defined benefit liability/(asset)

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2013	**$ 231**	**$ 83**	**$ 164**	**$ 14**	**$ 492**
Net benefit expense recognised in the statement of operations	(6)	10	25	2	31
Contributions by employer	(13)	(6)	(34)	(2)	(55)
(Gains)/losses recognised in other comprehensive income	(15)	17	30	1	33
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(86)	(46)	(3)	(1)	(136)
At 31 December 2014	**$ 110**	**$ 58**	**$ 182**	**$ 14**	**$ 364**
Net benefit expense recognised in the statement of operations	6	6	32	1	45
Contributions by employer	(9)	(3)	(30)	(1)	(43)
(Gains)/losses recognised in other comprehensive income	8	5	(14)	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	(11)	(12)
Translation difference	(25)	(21)	(5)	(1)	(52)
At 31 December 2015	**$ 89**	**$ 45**	**$ 165**	**$ 2**	**$ 301**
Net benefit expense recognised in the statement of operations	10	6	27	–	43
Contributions by employer	(7)	(3)	(17)	–	(27)
(Gains)/losses recognised in other comprehensive income	(2)	(8)	(1)	–	(11)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(4)	–	–	(4)
Translation difference	18	(5)	2	–	15
At 31 December 2016	**$ 108**	**$ 31**	**$ 176**	**$ 2**	**$ 317**

23. Employee Benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2013	**$ 232**	**$ 83**	**$ 728**	**$ 14**	**$ 1,057**
Interest cost on benefit obligation	15	7	33	2	57
Current service cost	7	3	19	–	29
Benefits paid	(14)	(6)	(37)	(2)	(59)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	1	17	–	18
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(21)	13	71	1	64
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(16)	3	(10)	–	(23)
Curtailment gain	(6)	–	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(86)	(46)	(31)	(1)	(164)
At 31 December 2014	**$ 110**	**$ 58**	**$ 790**	**$ 14**	**$ 972**
Interest cost on benefit obligation	11	6	30	–	47
Current service cost	4	2	23	–	29
Past service cost	(7)	(2)	3	–	(6)
Benefits paid	(8)	(3)	(35)	(1)	(47)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	(1)	–	(8)	–	(9)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	14	2	(17)	1	–
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(5)	3	1	–	(1)
Curtailment/settlement gain	(2)	–	(1)	–	(3)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	(11)	(12)
Settlement of lump-sum payments	–	–	(31)	–	(31)
Translation difference	(25)	(21)	(64)	(1)	(111)
At 31 December 2015	**$ 90**	**$ 45**	**$ 691**	**$ 2**	**$ 828**
Interest cost on benefit obligation	9	5	27	–	41
Current service cost	2	2	19	–	23
Past service cost	1	(1)	–	–	–
Benefits paid	(7)	(3)	(43)	–	(53)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	–	(10)	–	(10)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(1)	(6)	14	–	7
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(3)	(2)	2	–	(3)
Curtailment/settlement gain	(1)	–	–	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(4)	–	–	(4)
Translation difference	18	(5)	11	–	24
At 31 December 2016	**$ 108**	**$ 31**	**$ 711**	**$ 2**	**$ 852**

23. Employee Benefits (continued)

The weighted average duration of the defined benefit obligation was as follows:

Years	2016	2015	2014
Russian plans	**11.21**	10.93	9.8
Ukrainian plans	**8.26**	8.76	10.4
US & Canadian plans	**13.79**	14.35	14.6
Other plans	**9.12**	9.66	20.3

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2013	**$ 1**	**$ –**	**$ 564**	**$ –**	**$ 565**
Interest income on plan assets	–	–	27	–	27
Return on plan assets (excluding amounts included in net interest expense)	–	–	46	–	46
Contributions of employer	13	6	34	2	55
Benefits paid	(14)	(6)	(37)	(2)	(59)
Effect of asset ceiling	–	–	2	–	2
Translation difference	–	–	(28)	–	(28)
At 31 December 2014	**$ –**	**$ –**	**$ 608**	**$ –**	**$ 608**
Interest income on plan assets	–	–	23	–	23
Return on plan assets (excluding amounts included in net interest expense)	–	–	(10)	–	(10)
Contributions of employer	9	3	30	1	43
Benefits paid	(8)	(3)	(35)	(1)	(47)
Settlement of lump-sum payments	–	–	(31)	–	(31)
Translation difference	–	–	(59)	–	(59)
At 31 December 2015	**$ 1**	**$ –**	**$ 526**	**$ –**	**$ 527**
Interest income on plan assets	–	–	19	–	19
Return on plan assets (excluding amounts included in net interest expense)	(1)	–	7	–	6
Contributions of employer	7	3	17	–	27
Benefits paid	(7)	(3)	(43)	–	(53)
Translation difference	–	–	9	–	9
At 31 December 2016	**$ –**	**$ –**	**$ 535**	**$ –**	**$ 535**

The amount of contributions expected to be paid to the defined benefit plans during 2017 approximates $36 million.

The major categories of plan assets as a percentage of total plan assets were as follows at 31 December:

	2016		2015		2014	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:						
Equity funds and investment trusts	**45%**	**40%**	50%	34%	31%	49%
Corporate bonds and notes	**13%**	**–**	13%	1%	13%	1%
Property	**–**	**–**	–	–	–	–
Cash	**2%**	**–**	2%	–	6%	–
	60%	**40%**	65%	35%	50%	50%

23. Employee Benefits (continued)

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2016				2015				2014			
	Russian plans	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian Plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	**8.2%**	**17.5%**	**3.9-4.2%**	**2.8-9.1%**	9.6%	13.0%	3.9-4.5%	2.8-9%	11%	15.0%	3.6-4.9%	2.8-8.8%
Future benefits increases	**7%**	**11%**	**–**	**3%**	8%	8%	–	3%	8%	10%	–	3%
Future salary increase	**7%**	**11%**	**3%**	**–**	8%	8%	3–3.3%	–	8%	10%	3-3.3%	–
Average life expectation, male, years	**68.6**	**65.5**	**85.8-86.6**	**77.1-81**	68.5	65.5	86.3-87.5	78.1-79	68.0	65.2	86.4-87.8	74.9-79
Average life expectation, female, years	**79.0**	**75.5**	**88.6-89.3**	**77.1-87**	78.9	75.5	89-89.3	75.2-85	78.5	75.3	88.9-89.8	73.4-85
Healthcare costs increase rate	**–**	**–**	**5-7%**	**8.6%**	–	–	5.4-7%	8.8%	–	–	5.5-7%	7.5-7.7%

The following table demonstrates the sensitivity analysis of reasonable changes in the significant assumptions used for the measurement of the defined benefit obligations, with all other variables held constant.

		Impact on the defined benefit obligation at 31 December 2016, US$ million				Impact on the defined benefit obligation at 31 December 2015, US$ million				Impact on the defined benefit obligation at 31 December 2014, US$ million			
	Reasonable change in assumption	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	10%	**$(8)**	**$(4)**	**$(41)**	**$–**	$(8)	$(5)	$(35)	$–	$(11)	$(6)	$(53)	$(6)
	(10%)	**10**	**5**	**44**	**–**	10	6	37	–	14	7	58	6
Future benefits increases	10%	**7**	**1**	**–**	**–**	7	1	–	–	9	2	–	–
	(10%)	**(7)**	**(1)**	**–**	**–**	(6)	(1)	–	–	(8)	(2)	–	–
Future salary increase	10%	**1**	**1**	**1**	**–**	1	2	2	–	1	3	3	–
	(10%)	**(1)**	**(1)**	**(1)**	**–**	(1)	(2)	(2)	–	(1)	(2)	(2)	–
Average life expectation, male, years	1	**1**	**–**	**13**	**–**	1	–	14	–	1	–	15	–
	(1)	**(1)**	**–**	**(13)**	**–**	(1)	–	(14)	–	(1)	–	(15)	–
Average life expectation, female, years	1	**1**	**–**	**5**	**–**	1	–	4	–	1	–	4	–
	(1)	**(1)**	**–**	**(5)**	**–**	(1)	–	(4)	–	(1)	–	(4)	–
Healthcare costs increase rate	10%	**–**	**–**	**1**	**–**	–	–	–	–	–	–	–	3
	(10%)	**–**	**–**	**(1)**	**–**	–	–	–	–	–	–	–	–

24. Provisions

At 31 December the provisions were as follows:

US$ million	2016		2015		2014	
	Non-current	Current	Non-current	Current	Non-current	Current
Site restoration and decommissioning costs	**$ 204**	**$ 20**	$ 145	$ 20	$ 171	$ 34
Legal claims	**–**	**3**	–	2	–	3
Other provisions	**1**	**3**	1	1	2	4
	$ 205	**$ 26**	$ 146	$ 23	$ 173	$ 41

In the years ended 31 December 2016, 2015 and 2014, the movement in provisions was as follows:

US$ million	Site restoration and decom-missioning costs	Legal claims	Other provisions	Total
At 31 December 2013	**$ 280**	**$ 9**	**$ 10**	**$ 299**
Additional provisions	56	4	19	79
Increase from passage of time	15	–	–	15
Effect of change in the discount rate	(40)	–	–	(40)
Effect of changes in estimated costs and timing	72	–	–	72
Utilised in the year	(39)	(2)	(16)	(57)
Unused amounts reversed	(2)	(6)	(6)	(14)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(41)	–	–	(41)
Translation difference	(96)	(2)	(1)	(99)
At 31 December 2014	**$ 205**	**$ 3**	**$ 6**	**$ 214**
Additional provisions	13	3	4	20
Increase from passage of time	13	–	–	13
Effect of change in the discount rate	35	–	–	35
Effect of changes in estimated costs and timing	19	–	–	19
Utilised in the year	(20)	(1)	(6)	(27)
Unused amounts reversed	(4)	(2)	(2)	(8)
Loss of control over a subsidiary (Note 4)	(54)	–	–	(54)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(4)	–	–	(4)
Translation difference	(38)	(1)	–	(39)
At 31 December 2015	**$ 165**	**$ 2**	**$ 2**	**$ 169**
Additional provisions	15	5	8	28
Increase from passage of time	14	–	–	14
Effect of change in the discount rate	17	–	–	17
Effect of changes in estimated costs and timing	5	–	–	5
Utilised in the year	(9)	(1)	(5)	(15)
Unused amounts reversed	(9)	(3)	(1)	(13)
Translation difference	26	–	–	26
At 31 December 2016	**$ 224**	**$ 3**	**$ 4**	**$ 231**

24. Provisions (continued)

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 1.5% to 13.2% in 2016 (2015: 1.5% to 12.8%, 2014: from 1.5% to 22.6%). The majority of costs are expected to be paid after 2061.

25. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of 31 December:

US$ million	2016	2015	2014
Derivatives not designated as hedging instruments	**$ –**	$ 274	$ 713
Hedging instruments	**22**	59	–
Contingent consideration payable for the acquisition of Stratcor	**–**	–	2
Dividends payable under cumulative preference shares of a subsidiary to a related party	**18**	16	15
Employee income participation plans and compensations	**5**	2	6
Tax liabilities	**3**	5	5
Finance lease liabilities	**5**	5	4
Other liabilities to related parties	**1**	1	1
Other liabilities	**66**	43	48
	120	405	794
Less: current portion (Note 26)	**(26)**	(289)	(352)
	$ 94	$ 116	$ 442

Derivatives Not Designated as Hedging Instruments

To manage the currency exposure on the rouble-denominated bonds, the Group partially economically hedged these transactions: in 2010-2013, the Group concluded currency and interest rate swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 3.06% to 8.90% per annum plus the US dollar notional amount, in exchange for rouble-denominated interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts, which were effective at 31 December 2014-2016, are summarised in the table below.

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
13.5 per cent bonds due 2014	2009	20,000	14,019	475	7.50% - 8.90%
9.95 per cent bonds due 2015	2010	15,000	14,997	491	5.65% - 5.88%
8.40 per cent bonds due 2016	2011	20,000	19,996	711	4.45% - 4.60%
8.75 per cent bonds due 2015	2013	3,885	3,735	121	3.06% - 3.33%

25. Other Long-Term Liabilities (continued)

Derivatives Not Designated as Hedging Instruments (continued)

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US$ million	2016	2015	2014
Bonds principal	$ –	$ 165	$ 692
Hedged amount	–	165	688
Swap amount	–	430	1,323

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques. The fair value was calculated as the present value of the expected cashflows under the contracts at the reporting dates. Future rouble-denominated cashflows were translated into US dollars using the USD/RUB implied yield forward curve. The discount rates used in the valuation were the non-deliverable forward rate curve and the interest rate swap curve for US dollar at the reporting dates.

In 2016, 2015 and 2014, the change in fair value of the derivatives of $273 million, $439 million and $(494) million, respectively, together with a realised gain/(loss) on the swap transactions, amounting to $(250) million, $(464) million and $(94) million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

In 2014–2016, upon repayment of the 8.40%, 9.95%, 8.75% and 13.5% bonds, the related swap contracts matured.

Hedging Instruments

In July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($247 million at 31 December 2016), which bear interest of 12.95% per annum and have the next put date on 26 June 2019. The Group used an intercompany loan to transfer the proceeds from the bonds within the Group. To manage the currency exposure, the Group entered into a series of cross currency swap contracts with several banks under which it agreed to deliver US-dollar denominated interest payments at rates ranging from 5.90% to 6.55% per annum plus the notional amount, totaling approximately $265 million, in exchange for rouble-denominated interest payments at the rate of 12.95% per annum plus notional, totaling 14,948 million roubles ($246 million at 31 December 2016).

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
12.95 per cent bonds due 2019	2015	15,000	14,948	265	5.90% - 6.55%

The Group accounted for these swap contracts as cash flow hedges. In 2016 and 2015, the change in fair value of these derivatives amounted to $37 million and $(59) million, respectively. The realised gain on the swap transactions amounting to $14 million (2015: $5 million) was related to the interest portion of the change in fair value of the swap. Under IFRS the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge is recognised in other comprehensive income and the remaining loss on the hedging instrument is recorded through the statement of operations. In 2016 and 2015, the Group did not recognise any amounts in other comprehensive income. All the swaps were assessed as effective. In 2016 and 2015, $37 and $(59) million, respectively, were recorded in the Foreign exchange gains/(losses) caption in the consolidated statement of operations.

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2014–2016, the Group was not required to pay this consideration due to the movements in the vanadium pentoxide market relative to the levels set in the agreement.

26. Trade and Other Payables

Trade and other payables consisted of the following as of 31 December:

US$ million	2016	2015	2014
Trade accounts payable	**$ 737**	$ 621	$ 774
Accrued payroll	**134**	122	196
Other long-term obligations with current maturities (Note 25)	**26**	289	352
Other payables	**38**	38	57
	$ 935	$ 1,070	$ 1,379

The maturity profile of the accounts payable is shown in Note 28.

27. Other Taxes Payable

Taxes payable were mainly denominated in roubles and consisted of the following as of 31 December:

US$ million	2016	2015	2014
VAT	**$ 104**	$ 51	$ 78
Social insurance taxes	**39**	30	40
Property tax	**9**	10	15
Land tax	**4**	4	4
Personal income tax	**7**	7	7
Other taxes, fines and penalties	**6**	5	7
	$ 169	$ 107	$ 151

28. Financial Risk Management Objectives and Policies

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and trade accounts receivable.

To manage credit risk related to cash, the Group maintains its available cash, mainly in US dollars, in reputable international banks and major Russian banks. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2016, the major customers were Russian Railways and Enbridge Inc. (4% and 3.5% of total sales, respectively).

Part of the Group's sales is made on terms of letter of credit. In addition, the Group requires prepayments from certain customers. The Group does not require collateral in respect of trade and other receivables, except when a customer applies for credit terms which are longer than normal. In this case, the Group requires bank guarantees or other collateral. The Group has developed standard credit terms and constantly monitors the status of accounts receivable collection and the creditworthiness of the customers.

Certain of the Group's long-standing Russian customers for auxiliary products, such as heat and electricity, represent municipal enterprises and governmental organisations that experience financial difficulties. The significant part of doubtful debts allowance consists of receivables from such customers. The Group has no practical ability to terminate the supply to these customers and negotiates with regional and municipal authorities the terms of recovery of these receivables.

28. Financial Risk Management Objectives and Policies (continued)

Credit Risk (continued)

At 31 December the maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below.

US$ million	2016	2015	2014
Restricted deposits at banks (Notes 13 and 18)	**$ 12**	$ 8	$ 8
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**52**	40	55
Long-term and short-term investments (Notes 13 and 18)	**35**	37	49
Trade and other receivables (Notes 13 and 15)	**506**	452	658
Loans receivable	**34**	28	45
Receivables from related parties (Notes 13 and 16)	**8**	7	43
Cash and cash equivalents (Note 19)	**1,157**	1,375	1,086
	$ 1,804	$ 1,947	$ 1,944

Receivables from related parties in the table above do not include prepayments in the amount of $Nil, $Nil and $11 million as of 31 December 2016, 2015 and 2014, respectively.

The ageing analysis of trade and other receivables, loans receivable and receivables from related parties at 31 December is presented in the table below.

	2016		2015		2014	
US$ million	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$ 408**	**$ (1)**	$ 385	$ –	$ 537	$ –
Past due	**187**	**(46)**	150	(48)	266	(57)
less than six months	**130**	**(2)**	95	(8)	178	(13)
between six months and one year	**7**	**(2)**	9	(2)	46	(8)
over one year	**50**	**(42)**	46	(38)	42	(36)
	$ 595	**$ (47)**	$ 535	$ (48)	$ 803	$ (57)

In the years ended 31 December 2016, 2015 and 2014, the movement in allowance for doubtful accounts was as follows:

US$ million	2016	2015	2014
At 1 January	**$ (48)**	$ (57)	$ (60)
Charge for the year	**(1)**	(18)	(40)
Utilised	**5**	5	14
Disposal of subsidiaries	**5**	8	1
Translation difference	**(8)**	14	28
At 31 December	**$ (47)**	$ (48)	$ (57)

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group prepares a rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. If necessary, the Group refinances its short-term debt by long-term borrowings. The Group also uses forecasts to monitor potential and actual financial covenants compliance issues (Note 22). Where compliance is at risk, the Group considers options including debt repayment, refinancing or covenant reset. The Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments.

Year ended 31 December 2016

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ –	$ 26	$ 656	$ 2,763	$ 726	$ 4,171
Interest	–	74	250	295	563	28	1,210
Finance lease liabilities	–	–	–	–	1	5	6
Financial instruments included in long-term liabilities	–	17	5	19	58	19	118
Total fixed-rate debt	–	91	281	970	3,385	778	5,505
Variable-rate debt							
Loans and borrowings							
Principal	142	12	114	196	893	312	1,669
Interest	1	25	74	91	154	21	366
Finance lease liabilities	–	–	1	–	–	–	1
Total variable-rate debt	143	37	189	287	1,047	333	2,036
Non-interest bearing debt							
Financial instruments included in other liabilities	2	–	–	1	1	1	5
Trade and other payables	118	650	7	–	–	–	775
Payables to related parties	209	13	–	–	–	–	222
Total non-interest bearing debt	329	663	7	1	1	1	1,002
	$ 472	$ 791	$ 477	$ 1,258	$ 4,433	$ 1,112	$ 8,543

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended 31 December 2015

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ 4	$ 188	$ 498	$ 3,012	$ 780	$ 4,482
Interest	–	8	301	309	517	35	1,170
Finance lease liabilities	–	–	–	–	1	5	6
Financial instruments included in long-term liabilities	–	9	278	11	124	17	439
Total fixed-rate debt	–	21	767	818	3,654	837	6,097
Variable-rate debt							
Loans and borrowings							
Principal	85	80	86	197	1,353	45	1,846
Interest	–	26	73	93	133	1	326
Finance lease liabilities	–	–	1	1	–	–	2
Total variable-rate debt	85	106	160	291	1,486	46	2,174
Non-interest bearing debt							
Financial instruments included in other liabilities	3	–	–	2	1	1	7
Trade and other payables	152	502	5	–	–	–	659
Payables to related parties	133	9	–	–	–	–	142
Total non-interest bearing debt	288	511	5	2	1	1	808
	$ 373	$ 638	$ 932	$ 1,111	$ 5,141	$ 884	$ 9,079

Year ended 31 December 2014

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ 73	$ 430	$ 410	$ 2,836	$ 1,032	$ 4,781
Interest	–	9	358	320	589	70	1,346
Finance lease liabilities	–	–	–	–	–	2	2
Financial instruments included in long-term liabilities	–	63	305	467	7	24	866
Total fixed-rate debt	–	145	1,093	1,197	3,432	1,128	6,995
Variable-rate debt							
Loans and borrowings							
Principal	82	86	25	606	543	71	1,413
Interest	–	13	36	43	33	3	128
Finance lease liabilities	–	–	1	1	1	–	3
Total variable-rate debt	82	99	62	650	577	74	1,544
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	–	1	2	2	5
Trade and other payables	174	615	42	–	–	–	831
Payables to related parties	78	29	1	–	–	–	108
Total non-interest bearing debt	252	644	43	1	2	2	944
	$ 334	$ 888	$ 1,198	$ 1,848	$ 4,011	$ 1,204	$ 9,483

Payables to related parties in the tables above do not include advances received in the amount of $4 million, $1 million and $Nil as of 31 December 2016, 2015 and 2014, respectively.

28. Financial Risk Management Objectives and Policies (continued)

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest Rate Risk

The Group borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities and other obligations.

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the Group's profits.

The Group does not account for any fixed rate financial assets as assets available for sale. Therefore, a change in interest rates at the reporting date would not affect the Group's equity.

Cash Flow Sensitivity Analysis for Variable Rate Instruments

Based on the analysis of exposure during the years presented, reasonably possible changes in floating interest rates at the reporting date would affect profit before tax ("PBT") by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In estimating reasonably possible changes the Group assessed the volatility of interest rates during the reporting periods.

	2016		2015		2014	
	Basis points	Effect on PBT	Basis points	Effect on PBT	Basis points	Effect on PBT
		US$ millions		US$ millions		US$ millions
Liabilities denominated in US dollars						
Decrease in LIBOR	**(11)**	**$ 1**	(12)	$ 2	(2)	$ –
Increase in LIBOR	**11**	**(1)**	50	(8)	2	–
Liabilities denominated in euro						
Decrease in EURIBOR	**(4)**	**–**	(25)	–	(7)	–
Increase in EURIBOR	**4**	**$ –**	25	$ –	7	$ –
Liabilities denominated in roubles						
Decrease in Bank of Russia key rate	**(200)**	**6**	(525)	13	–	–
Increase in Bank of Russia key rate	**700**	**$ (21)**	550	$ (14)	–	$ –

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of the respective Group's subsidiaries. The currencies in which these transactions are denominated are primarily US dollars, Canadian dollars and euro. The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is partly secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

The Group's exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US$ million	2016	2015	2014
USD/RUB	**$ 1,242**	$ 304	$ (439)
EUR/RUB	**(75)**	(399)	(220)
CAD/RUB	**335**	312	372
EUR/USD	**(116)**	119	109
USD/CAD	**(672)**	(499)	(469)
EUR/CZK	**(1)**	(1)	(1)
USD/CZK	**6**	6	1
USD/ZAR	**(4)**	(5)	(34)
EUR/ZAR	**–**	–	10
USD/UAH	**(136)**	(113)	(248)
RUB/UAH	**4**	1	2
USD/KZT	**(161)**	(157)	(150)

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Group's profit before tax. In estimating reasonably possible changes the Group assessed the volatility of foreign exchange rates during the reporting periods.

	2016		2015		2014	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US$ millions	%	US$ millions	%	US$ millions
USD/RUB	**(20.02)**	**(325)**	(13.00)	(60)	(28.74)	126
	20.02	**198**	40.00	3	28.74	(126)
EUR/RUB	**(20.68)**	**16**	(15.00)	60	(29.58)	65
	20.68	**(16)**	43.00	(172)	29.58	(65)
CAD/RUB	**(22.38)**	**(75)**	(14.00)	(44)	(28.37)	(105)
	22.38	**75**	35.00	109	28.37	105
EUR/USD	**(9.16)**	**10**	(12.50)	(16)	(6.23)	(7)
	9.16	**(11)**	12.50	14	6.23	7
USD/CAD	**(9.16)**	**62**	(6.00)	30	(6.21)	29
	9.16	**(61)**	14.50	(72)	6.21	(29)
EUR/CZK	**(0.65)**	**–**	(3.50)	–	(2.43)	–
	0.65	**–**	3.50	–	2.43	–
USD/CZK	**(9.17)**	**(1)**	(12.50)	(1)	(6.84)	–
	9.17	**1**	12.50	1	6.84	–
USD/ZAR	**(21.23)**	**1**	(8.00)	–	(11.33)	4
	21.23	**(1)**	38.00	(1)	11.33	(4)
EUR/ZAR	**(19.62)**	**–**	(10.00)	–	(11.34)	(1)
	19.62	**–**	43.00	–	11.34	1
USD/UAH	**(9.88)**	**13**	(18.00)	20	(28.90)	72
	9.88	**(13)**	67.00	(76)	28.90	(72)
RUB/UAH	**(22.29)**	**(1)**	(33.50)	–	(39.93)	(1)
	22.29	**1**	50.00	–	39.93	1
USD/KZT	**(12.13)**	**20**	(20.00)	31	(17.37)	26
	12.13	**(20)**	60.00	(94)	17.37	(26)

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis (continued)

In addition to the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2016		2015		2014	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US$ millions	%	US$ millions	%	US$ millions
USD/RUB	**(20.02)**	**65**	(13)	55	(28.74)	228
	20.02	**(43)**	40	(104)	28.74	(126)

Fair Value of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The carrying amounts of financial instruments, such as cash, short-term and long-term investments, short-term accounts receivable and payable, short-term loans receivable and payable and promissory notes, approximate their fair value.

At 31 December the Group held the following financial instruments measured at fair value:

	2016			2015			2014		
US$ million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value									
Available-for-sale financial assets (Note 13)	**3**	**–**	**–**	5	–	–	17	–	–
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	**–**	**–**	**–**	–	274	–	–	713	–
Hedging instruments (Note 25)	**–**	**22**	**–**	–	59	–	–	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 25)	**–**	**–**	**–**	–	–	–	–	–	2

28. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

During the reporting period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows financial instruments for which carrying amounts differ from fair values at 31 December.

US$ million	2016		2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$ 390**	**$ 402**	$ 397	$ 385	$ 254	$ 251
Long-term variable-rate bank loans	**1,516**	**1,528**	1,680	1,564	1,235	1,059
USD-denominated						
8.25% notes due 2015	**–**	**–**	–	–	139	140
7.40% notes due 2017	**–**	**–**	290	299	606	531
7.75% bonds due 2017	**27**	**26**	195	190	417	278
9.50% notes due 2018	**126**	**137**	354	379	507	471
6.75% notes due 2018	**533**	**554**	802	804	856	730
7.50% bonds due 2019	**349**	**359**	347	328	345	345
6.50% notes due 2020	**1,010**	**1,066**	1,009	955	1,008	801
8.25% notes due 2021	**772**	**856**	746	747	–	–
6.75% notes due 2022	**515**	**544**	–	–	–	–
Rouble-denominated						
8.75% rouble bonds due 2015	**–**	**–**	–	–	71	70
9.95% rouble bonds due 2015	**–**	**–**	–	–	271	250
8.40% rouble bonds due 2016	**–**	**–**	167	165	358	299
12.95% rouble bonds due 2019	**247**	**260**	205	208	–	–
12.60% rouble bonds due 2021	**255**	**269**	–	–	–	–
	–	**–**	–	–	–	–
	$ 5,740	**$ 6,001**	$ 6,192	$ 6,024	$ 6,067	$ 5,225

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1). The fair value of long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates (Level 3).

The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	2016	2015	2014
USD	**3.7 – 6.4%**	4.1 – 9.8%	8.9 – 14.7%
EUR	**1.8 – 4.0%**	1.8 – 6.2%	1.9%
RUB	**11.03%**	12.77%	–

28. Financial Risk Management Objectives and Policies (continued)

Capital Management

Capital includes equity attributable to the equity holders of the parent entity. Revaluation surplus which is included in capital is not subject to capital management because of its nature.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. There were no changes in the objectives, policies and processes during 2016.

The Group manages its capital structure and makes adjustments to it by the issue of new shares, dividend payments to shareholders, and the purchase of treasury shares. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividend payments taking into account cashflow and other constraints.

29. Non-cash Transactions

Transactions that did not require the use of cash or cash equivalents, not disclosed in the notes above, were as follows in the years ended 31 December:

US$ million	2016	2015	2014
Liabilities for purchases of property, plant and equipment	**$ 71**	$ 63	$ 45
Loans provided in the form of payments by banks for property, plant and equipment	**46**	–	–

30. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, Ukraine, the USA and Canada. Russia and Ukraine are considered to be developing markets with higher economic and political risks. Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions.

The global economic recession resulted in a significantly lower demand for steel products and decreased profitability. In addition, the political crisis over Ukraine led to an additional uncertainty in the global economy. The unrest in the Southeastern region of Ukraine and the economic sanctions imposed on Russia caused the depreciation of national currencies, economic slowdown, deterioration of liquidity in the banking sector, and tighter credit conditions within Russia and Ukraine. In addition, a significant drop in crude oil prices negatively impacted the Russian economy. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. If the Ukrainian crisis broadens and further sanctions are imposed on Russia, this could have an adverse impact on the Group's business.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

The global economic climate continues to be unstable and this may negatively affect the Group's results and financial position in a manner not currently determinable.

30. Commitments and Contingencies (continued)

Taxation

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed for additional taxes, penalties and interest. In Russia and Ukraine the periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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

Contractual Commitments

At 31 December 2016, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $172 million.

In 2010, the Group concluded a contract with PraxAir (Note 2, Accounting Judgements) for the construction of an air separation plant and for the supply of oxygen and other gases produced by a third party at this plant for a period of 20 years (extended to 25 years in 2015). Due to a change in plans of the third party provider and in management's assessment of the extent of sales of gases to third parties, effective from 2015 the Group no longer considers this supply contract to fall within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 31 December 2016, the Group has committed expenditure of $552 million over the life of the contract.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. The Group budgeted to spend approximately $63 million under these programmes in 2017.

Environmental Protection

In the course of the Group's operations, the Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement.

The Group has a number of environmental claims and proceedings which are at an early stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 31 December 2016 amounted to $12 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $263 million. The Group has insurance agreements, which are expected to provide reimbursement of the costs to be actually incurred. Management believes that, as of now, an economic outflow of the additional costs is not probable and any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

In addition, the Group has committed to various environmental protection programmes covering periods from 2017 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2016, the costs of implementing these programmes are estimated at $119 million.

30. Commitments and Contingencies (continued)

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position.

The Group exercises judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. As of 31 December 2016, possible legal risks approximate $21 million.

31. Auditor's Remuneration

The remuneration of the Group's auditor in respect of the services provided to the Group was as follows.

US$ million	2016	2015	2014
Audit of the parent company of the Group	**$ 2**	$ 2	$ 2
Audit of the subsidiaries	**2**	3	5
Total assurance services	**4**	5	7
Services in connection with capital market transactions	**–**	–	2
Total other services	**–**	–	2
	$ 4	$ 5	$ 9

32. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below.

Name	Country of incorporation	Non-controlling interests		
		2016	2015	2014
Raspadskaya	Russia	**18.05%**	18.05%	18.05%
EVRAZ Highveld Steel and Vanadium Limited	Republic of South Africa	**–**	–	14.89%
New CF&I (subsidiary of EVRAZ Inc NA)	USA	**10.00%**	10.00%	10.00%

32. Material Partly-Owned Subsidiaries (continued)

US$ million	2016	2015	2014
Accumulated balances of material non-controlling interest			
Raspadskaya	**$ 92**	$ 56	$ 108
EVRAZ Highveld Steel and Vanadium Limited	**–**	–	4
New CF&I (subsidiary of EVRAZ Inc NA)	**98**	101	98
Others	**(4)**	(24)	8
	186	133	218
Profit allocated to material non-controlling interest			
Raspadskaya	**23**	(32)	(58)
EVRAZ Highveld Steel and Vanadium Limited	**–**	1	(19)
New CF&I (subsidiary of EVRAZ Inc NA)	**(3)**	3	9
Others	**7**	(47)	(35)
	$ 27	$ (75)	$ (103)

The summarised financial information regarding these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss

Raspadskaya

US$ million	2016	2015	2014
Revenue	**$ 503**	$ 420	$ 444
Cost of revenue	**(306)**	(334)	(437)
Gross profit/(loss)	**197**	86	7
Operating costs	**(67)**	(79)	(85)
Impairment of assets	**(17)**	(91)	(9)
Foreign exchange gains/(losses), net	**77**	(114)	(277)
Profit/(loss) from operations	**190**	(198)	(364)
Non-operating gains/(losses)	**(31)**	(24)	(32)
Profit/(loss) before tax	**159**	(222)	(396)
Income tax benefit/(expense)	**(33)**	44	77
Net profit/(loss)	**$ 126**	$ (178)	$ (319)
Other comprehensive income/(loss)	**90**	(152)	(598)
Total comprehensive income/(loss)	**216**	(330)	(917)
attributable to non-controlling interests	**1**	(51)	(154)
dividends paid to non-controlling interests	**–**	–	–

32. Material Partly-Owned Subsidiaries (continued)

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2016	From 1 January to 14 April 2015	2014
Revenue	$ –	$ 145	$ 544
Cost of revenue	–	(138)	(539)
Gross profit/(loss)	–	7	5
Operating costs	–	(21)	(81)
Impairment of assets	–	–	(58)
Foreign exchange gains/(losses), net	–	(2)	(3)
Profit/(loss) from operations	–	(16)	(137)
Non-operating gains/(losses)	–	20	(7)
Profit/(loss) before tax	–	4	(144)
Income tax benefit/(expense)	–	–	13
Net profit/(loss)	$ –	$ 4	$ (131)
Other comprehensive income/(loss)	–	(1)	(7)
Total comprehensive income/(loss)	–	3	(138)
attributable to non-controlling interests	–	–	(20)
dividends paid to non-controlling interests	–	–	–

New CF&I

US$ million	2016	2015	2014
Revenue	$ 384	$ 635	$ 922
Cost of revenue	(391)	(565)	(768)
Gross profit/(loss)	(7)	70	154
Operating costs	(48)	(52)	(49)
Impairment of assets	–	–	–
Foreign exchange gains/(losses), net	–	–	–
Profit/(loss) from operations	(55)	18	105
Non-operating gains/(losses)	21	20	18
Profit/(loss) before tax	(34)	38	123
Income tax benefit/(expense)	9	(12)	(37)
Net profit/(loss)	$ (25)	$ 26	$ 86
Other comprehensive income/(loss)	(4)	4	(10)
Total comprehensive income/(loss)	(29)	30	76
attributable to non-controlling interests	(3)	3	8
dividends paid to non-controlling interests	–	–	–

32. Material Partly-Owned Subsidiaries (continued)

Summarised statement of financial position as at 31 December

Raspadskaya

US$ million	2016	2015	2014
Property, plant and equipment	**$ 1,004**	$ 883	$ 1,316
Other non-current assets	**30**	51	32
Current assets	**655**	279	117
Total assets	**1,689**	1,213	1,465
Deferred income tax liabilities	**65**	54	93
Non-current liabilities	**52**	507	530
Current liabilities	**952**	247	107
Total liabilities	**1,069**	808	730
Total equity	**620**	405	735
attributable to:			
equity holders of parent	**528**	348	627
non-controlling interests	**92**	57	108

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2016	2015	2014
Property, plant and equipment	**$ –**	$ –	$ 80
Other non-current assets	**–**	–	30
Current assets	**–**	–	149
Total assets	**–**	–	259
Deferred income tax liabilities	**–**	–	–
Non-current liabilities	**–**	–	64
Current liabilities	**–**	–	169
Total liabilities	**–**	–	233
Total equity	**–**	–	26
attributable to:			
equity holders of parent	**–**	–	22
non-controlling interests	**–**	–	4

New CF&I

US$ million	2016	2015	2014
Property, plant and equipment	$ 184	$ 214	$ 237
Other non-current assets	957	967	929
Current assets	117	125	186
Total assets	1,258	1,306	1,352
Deferred income tax liabilities	30	42	85
Non-current liabilities	81	81	86
Current liabilities	166	173	201
Total liabilities	277	296	372
Total equity	981	1,010	980
attributable to:			
equity holders of parent	883	909	882
non-controlling interests	98	101	98

32. Material Partly-Owned Subsidiaries (continued)

Summarised cash flow information

Raspadskaya

US$ million	2016	2015	2014
Operating activities	**$ 176**	$ 107	$ 120
Investing activities	**(100)**	(32)	(61)
Financing activities	**(89)**	(49)	(41)

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2016	From 1 January to 14 April 2015	2014
Operating activities	**$ –**	$ –	$ (15)
Investing activities	**–**	(5)	(15)
Financing activities	**–**	(2)	7

New CF&I

US$ million	2016	2015	2014
Operating activities	**$ 5**	$ 101	$ 154
Investing activities	**(5)**	(101)	(154)
Financing activities	**–**	–	–

33. Subsequent Events

There were no significant events after the reporting date.

34. List of Subsidiaries and Other Significant Holdings

Country of incorporation	Name	Relationship	effective ownership in 2016, %	Registered address	Notes
Austria	Hochvanadium Handels GmbH	indirect subsidiary	85.11%	Renngasse 1, Freyung 1013 Wien	Note 4, Deconsolidation of subsidiaries
Austria	Hochvanadium Holdings AG	indirect subsidiary	85.11%	Renngasse 1, Freyung 1013 Wien	Note 4, Deconsolidation of subsidiaries
British Virgin Islands	Cassar World Investments Corporation	indirect subsidiary	100.00%	Geneva Place, Waterfront Drive, PO Box 3469, Road Town, Tortola	liquidated
Canada	Camrose Pipe Corporation	indirect subsidiary	100.00%	8735 Harborgate Portland, OR 97203	
Canada	Canadian National Steel Corporation	indirect subsidiary	100.00%	700 - 9th Avenue S.W. Suite 3000 Calgary, AB T2P 3V4	
Canada	Evraz Inc NA Canada	indirect subsidiary	100.00%	40 King Street West, Suite 5800, Toronto, Ontario M5H 3S1	
Canada	EVRAZ Materials Recycling Inc.	indirect subsidiary	100.00%	40 King Street West Suite 5800 Toronto, ON. M5H 3S1	
Canada	Evraz Wasco Pipe Protection Corporation	indirect subsidiary	51.00%	181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3	
Canada	Genalta Recycling Inc.	joint venture	50.00%	2400, 525 8th Avenue SW Calgary AB T2P 1G1	
Canada	General Scrap Partnership	indirect subsidiary	100.00%	308 Highway 2 East Minot, ND 58702	
Canada	Genlandco Inc.	indirect subsidiary	100.00%	360 Main Street 30th FL Winnipeg, Manitoba R3C 4G1	
Canada	Kar-basher Manitoba Ltd	joint venture	50.00%	200-233 Portage Avenue Winnipeg, Manitoba R3B 2A7	
Canada	Kar-basher of Alberta Ltd	indirect subsidiary	100.00%	30th Floor, 360 Main Street, Winnipeg, MB, R3C 4G1	
Canada	King Crusher Inc.	joint venture	50.00%	700 - 9th Avenue S.W. Suite 3000 Calgary, AB T2P 3V4	
Canada	New Gensubco Inc.	indirect subsidiary	100.00%	Aikins, MacAulay & Thorvaldson LLP 30th Floor, 360 Main Street, Winnipeg, MB, R3C 4G1	
Canada	Sametco Auto Inc.	indirect subsidiary	100.00%	387 Broadway Winnipeg MB R3C 0V5	
China	Delong Holdings Limited	investment	15.04%	55 Market Street Level 10 Singapore 048941	
Cyprus	Actionfield Limited	indirect subsidiary	60.02%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Crownwing Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	East Metals Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Laybridge Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Malvero	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Mastercroft Finance Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Mastercroft Mining Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	RVK Invest Limited	associate	42.61%	4 Themistokli Dervi, Julia House, 1066, Nicosia	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2016, %	Registered address	Notes
Cyprus	Sinano Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Steeltrade Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Streamcore Limited	joint venture	50.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Tuva Railway Limited	indirect subsidiary	60.02%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Unicroft Limited	indirect subsidiary	100.00%	Leoforos Archiepiskopou Makariou III, 135, EMELLE Building, flat/office 22, 3021, Limassol	
Cyprus	Vanston Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Velcast Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Czech Republic	Nikom, a.s.	indirect subsidiary	100.00%	Czech Republic, Mnisek pod Brdy, Prazska 900, 25210	
Italy	Evraz Palini e Bertoli S.r.l	indirect subsidiary	100.00%	via E. Fermi 28, 33058 San Giorgio di Nogaro (UD)	
Kazakhstan	Evraz Caspian Steel	indirect subsidiary	65.00%	41, ul. Promyshlennaya, Kostanai, 110000	
Kazakhstan	EvrazMetall Kazakhstan	indirect subsidiary	100.00%	office 201, 9, shosse Alash, Saryarkinskiy raion, Astana	
Luxembourg	Corber Enterprises S.à r.l	indirect subsidiary	100.00%	13, avenue Monterey, L2163, Luxembourg	liquidated
Luxembourg	Evraz Greenfield Development S.A.	direct subsidiary	100.00%	13, avenue Monterey, L2163, Luxembourg	liquidated
Luxembourg	Evraz Group S.A.	direct subsidiary	100.00%	13, avenue Monterey, L2163, Luxembourg	
Luxembourg	Mastercroft S.à r.l	indirect subsidiary	100.00%	13, avenue Monterey, L2163, Luxembourg	liquidated
Malta	Aino Dake Maritime Limited	indirect subsidiary	100.00%	198 Old Bakery Street, Valleta VLT 1455	liquidated
Malta	Kita Dake Maritime Limited	indirect subsidiary	100.00%	198 Old Bakery Street, Valleta VLT 1455	liquidated
Malta	Mae Dake Maritime Limited	indirect subsidiary	100.00%	198 Old Bakery Street, Valleta VLT 1455	liquidated
Mexico	Evraz NA Mexico	indirect subsidiary	100.00%	Frida Kahlo 195-709, Valle Oriente, San Pedro Garza Carcia, Nuevo Leon, 66269	
Netherlands	ECS Holdings Europe B.V.	indirect subsidiary	65.00%	Hoogoorddreef 15, 1101 BA Amsterdam	
Netherlands	Palmrose B.V.	indirect subsidiary	100.00%	Hoogoorddreef 15, 1101 BA Amsterdam	
Republic of S.Africa	Evraz Highveld Steel and Vanadium Limited	indirect subsidiary	85.11%	Old Pretoria Road, Portion 93 of the Farm Schoongezicht 308 JS eMalahleni (Witbank)	Note 4, Deconsolidation of subsidiaries
Republic of S.Africa	Evraz Vametco Alloys (PTY) Ltd	indirect subsidiary	59.07%	83 Lois Avenue Menlyn Pretoria 0181	
Republic of S.Africa	Evraz Vametco Holdings (PTY) Ltd	indirect subsidiary	59.07%	83 Lois Avenue Menlyn Pretoria 0181	
Republic of S.Africa	Evraz Vametco Properties (PTY) Ltd	indirect subsidiary	59.07%	83 Lois Avenue Menlyn Pretoria 0181	
Republic of S.Africa	Mapochs Mine (Proprietary) Limited	indirect subsidiary	62.98%	Old Pretoria Road, Portion 93 of the Farm Schoongezicht 308 JS eMalahleni (Witbank)	Note 4, Deconsolidation of subsidiaries

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2016, %	Registered address	Notes
Republic of S.Africa	Mapochs Mine Community Trust	indirect subsidiary	-	Portion 93 of the farm Schoongezicht No.308 JS, eMalahleni	Note 4, Deconsolidation of subsidiaries
Russia	Aktiv-Media	indirect subsidiary	100.00%	Office 6, 35, ul. Ordzhonikidze, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	ATP Evrazruda	indirect subsidiary	100.00%	39, ul. Kondomskoe shosse, Novokuznetsk, Kemerovskaya obl., 654018	
Russia	ATP NTMK	indirect subsidiary	100.00%	1, ul. Metallurgov, Nizhny Tagil, 622025	merged
Russia	ATP Yuzhkuzbassugol	indirect subsidiary	100.00%	20, Silikatnaya, Novokuznetsk, Kemerovskaya obl., 654086	
Russia	ATP ZSMK	indirect subsidiary	100.00%	2, ul. Promstroevskaya, Novokuznetsk, Kemerovskaya obl., 654038	
Russia	AVT-Ural	indirect subsidiary	51.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Beltrans	indirect subsidiary	100.00%	64, ul. Sumskaya, Belgorod, Belgorodskaya obl., 308015	merged
Russia	Blagotvoritelniy fond Evraza - Sibir	indirect subsidiary	-	1, ul. Ploshad Pobedy, Novokuznetsk, Kemerovskaya obl., 654010	
Russia	Blagotvoritelniy fond Evraza - Ural	indirect subsidiary	-	office 4, 39, ul. Karl Marks, Nizhny Tagil, Sverdlovskaya obl., 622001	
Russia	Blagotvoritelniy fond Veteran Evraz Sibir	indirect subsidiary	-	11, ul. Kirova, Novokuznetsk, Kemerovskaya obl., 654000	liquidated
Russia	Briyanskmetallresursy	indirect subsidiary	99.96%	14, ul. Staleliteinaya, Bryansk, 241035	
Russia	Centr kultury i iskusstva NTMK	indirect subsidiary	-	1, ul., Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Centr podgotovki personala Evraz-Ural	indirect subsidiary	-	1, ul., Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Centr Servisnykh Resheniy	indirect subsidiary	100.00%	1, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Centralnaya Obogatitelnaya Fabrika Abashevskaya	indirect subsidiary	92.10%	12, Tupik Strelochny, Novokuznetsk, Kemerovskaya obl., 654086	
Russia	Centralnaya Obogatitelnaya Fabrika Kuznetskaya	indirect subsidiary	100.00%	16, Shosse Severnoe, Novokuznetsk, Kemerovskaya obl., 654000	
Russia	Consortium Tuvinskie dorogi	indirect subsidiary	60.02%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	DakService	indirect subsidiary	100.00%	9, ul. Khimicheskaya, Taganrog, Rostovskaya obl., 347913	merged
Russia	DaksSoft	indirect subsidiary	100.00%	9, ul. Khimicheskaya, Taganrog, Rostovskaya obl., 347913	liquidated
Russia	Elekrosvyaz YKU	indirect subsidiary	87.20%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654027	
Russia	Evraz Consolidated West-Siberian metallurgical Plant	indirect subsidiary	100.00%	16, ul. Shosse Kosmicheskoe, Novokuznetsk, Kemerovskaya obl., 654043	
Russia	EVRAZ Kachkanarsky Ore Mining and Processing Plant	indirect subsidiary	100.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Evraz Nakhodka Trade Sea Port	indirect subsidiary	100.00%	22, ul. Portovaya, Nakhodka, Primorsky krai, 692904	
Russia	Evraz Nizhny Tagil Metallurgical Plant	indirect subsidiary	100.00%	1, ul., Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2016, %	Registered address	Notes
Russia	EVRAZ Vanady-Tula	indirect subsidiary	100.00%	1, ul. Przhevalskogo, Tula, 300016	
Russia	EvrazEK	indirect subsidiary	100.00%	2B, ul. Khlebozavodskaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Evrazenergotrans	indirect subsidiary	100.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	EvrazHolding LLC	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	EvrazHolding-Finance	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	EvrazMetall Centr	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	merged
Russia	EvrazMetall Chernozemie	indirect subsidiary	100.00%	5, Montazhny proezd, Voronezh, 394028	merged
Russia	EvrazMetall Dalniy Vostok	indirect subsidiary	100.00%	A, 88, Okeansky Prospect, Vladivostok, Primorsky Krai, 690002	merged
Russia	EvrazMetall Severo-Zapad	indirect subsidiary	100.00%	Office 1, 5, p. Metallostroy, St.Petersburg, 196641	merged
Russia	EvrazMetall Sibir	indirect subsidiary	100.00%	30, Shosse Severnoe, Novokuznetsk, Kemerovskaya obl., 654043	
Russia	EvrazMetall Ural	indirect subsidiary	100.00%	10, ul. Krasnoarmeiskaya, Ekaterinburg, Sverdlovskaya obl., 620075	merged
Russia	EvrazMetall Volga	indirect subsidiary	100.00%	4, ul. Novikova-Priboya, Nizhny Novgorod, 603058	merged
Russia	EvrazMetallService	indirect subsidiary	100.00%	30, Shosse Severnoe, Novokuznetsk, Kemerovskaya obl., 654043	merged
Russia	Evrazruda	indirect subsidiary	100.00%	21, ul. Lenina, Tashtagol, Kemerovskaya obl., 652990	
Russia	Evraz-Service	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Evraztekhnika	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Gurievsky rudnik	indirect subsidiary	100.00%	1, ul. Zhdanova, Gurievsk, Kemerovskaya obl., 652780	
Russia	Industrialnaya Vostochno-Evropeiskaya company	indirect subsidiary	100.00%	3, ul. Khimicheskaya, Taganrog, Rostovskaya obl., 347913	
Russia	Information systems	indirect subsidiary	100.00%	22, ul. Portovaya, Nakhodka, Primorsky krai, 692904	liquidated
Russia	Inprom	indirect subsidiary	100.00%	2-a, ul. Marshala Zhukova, Taganrog, Rostovskaya obl., 347942	
Russia	Issledovatelsky centr	associate	20.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	sold
Russia	Kachkanarskaya teplosnabzhauschaya company	indirect subsidiary	100.00%	17, 8 mocroraion, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Kalugametalltorg	indirect subsidiary	90.947%	25, ul. Pronchisheva, Kaluga, 248009	sold
Russia	Kulturno-sportivniy centr metallurgov	indirect subsidiary	-	20, Prospect Metallurgov, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	Kuznetskpogruztrans	indirect subsidiary	94.50%	18, ul. Promyshlennaya, Novokuznetsk, Kemerovskaya obl., 654029	
Russia	Kuznetskteplosbyt	indirect subsidiary	100.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2016, %	Registered address	Notes
Russia	Management Company EVRAZ Mezhdurechensk	indirect subsidiary	100.00%	69, ul. Kirova, Novokuznetsk, Kemerovskaya obl., 654080	
Russia	Medsanchast Vanady	indirect subsidiary	100.00%	12 microraion, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Mekona	indirect subsidiary	100.00%	22, ul. Portovaya, Nakhodka, Promorsky krai	
Russia	Metallenergofinance	indirect subsidiary	100.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Metalloservisnie centry	indirect subsidiary	100.00%	9, ul. Khimicheskaya, Taganrog, Rostovskaya obl., 347913	
Russia	Metallurg-Forum	indirect subsidiary	75.00%	1, ul., Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Metpromstroy	indirect subsidiary	100.00%	5, p. Metallostroy, St. Petersburg, 196641	merged
Russia	Mezhegeyugol Coal Company	indirect subsidiary	60.02%	62, ul. Internationalnaya, Kyzyl, Tyva Republic, 667000	
Russia	Mezhegeyugol LLC	indirect subsidiary	60.02%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Mine Abashevskaya	indirect subsidiary	100.00%	5, ul. Kavkazskaya, Novokuznetsk, Kemerovskaya obl., 654013	
Russia	Mine Alardinskaya	indirect subsidiary	100.00%	56, ul. Ugolnaya, Malinovka, Kaltan, Kemerovskaya obl., 652831	
Russia	Mine Esaulskaya	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654027	
Russia	Mine Kureinskaya	indirect subsidiary	100.00%	4, ul. Nevskogo, Novokuznetsk, Kemerovskaya obl.	
Russia	Mine Kusheyakovskaya	indirect subsidiary	100.00%	5, ul. Kavkazskaya, Novokuznetsk, Kemerovskaya obl., 654013	
Russia	Mine Osinnikovskaya	indirect subsidiary	100.00%	3, ul. Shakhtovaya, Osinniki, Kemerovskaya obl.,	
Russia	Mine Uskovskaya	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654027	
Russia	Mining Metallurgical Company "Timir"	joint venture	51.00%	4, Prospect Geologov, Neryungri, Republic of Saha (Yakutia), 678960	
Russia	Montajnik Raspadskoy	indirect subsidiary	81.95%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Mordovmetallotorg	indirect subsidiary	99.90%	39, Aleksandrovskoe Shosse, Saransk, Respublica Mordovia, 430006	
Russia	MUK-96	indirect subsidiary	81.95%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Novokuznetskmetallopttorg	associate	48.51%	16, ul. Chaikinoi, Novokuznetsk, Kemerovskaya obl., 654005	
Russia	Nizhny Tagil Telecompany Telecon	indirect subsidiary	100.00%	74, ul. Industrialnaya, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Obogatitelnaya Fabrika Raspadskaya	indirect subsidiary	81.95%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Ohothichie hozyaistvo	indirect subsidiary	-	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Olzherasskoye shakhtoprokhodcheskoye upravlenie	indirect subsidiary	81.95%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Osinnikovsky remontno-mekhanichesky zavod	indirect subsidiary	84.43%	130, ul. Lenina, Osinniki, Kemerovskaya obl., 652810	
Russia	Penzametalltorg	indirect subsidiary	100.00%	100, ul. Baidukova, Penza, 440015	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2016, %	Registered address	Notes
Russia	Promuglepoject	indirect subsidiary	100.00%	4, ul. Nevskogo, Novokuznetsk, Kemerovskaya obl., 654027	
Russia	Publishing House IKaR	indirect subsidiary	100.00%	4, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624356	
Russia	Raspadskaya	indirect subsidiary	81.95%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Raspadskaya logisticheskaya company	indirect subsidiary	81.95%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Raspadskaya ugolnaya company	indirect subsidiary	81.95%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654027	
Russia	Raspadskaya-Energo	indirect subsidiary	81.95%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Raspadskaya-Koksovaya	indirect subsidiary	81.95%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Razrez Raspadskiy	indirect subsidiary	81.95%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Regional Media Company	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Regionalniy Centr podgotovki personala Evraz-Sibir	indirect subsidiary	-	4, ul. Nevskogo, Novokuznetsk, Kemerovskaya obl., 654027	
Russia	Rembytcomplect	indirect subsidiary	100.00%	8, 8 microraion, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Remontno-stroitelny complex	indirect subsidiary	100.00%	1, ul. Metallurgov, Nizhny Tagil, 622025	merged
Russia	Salda Energo	indirect subsidiary	100.00%	2, ul. Engels, Nizhnya Salda, Sverdlovskaya obl.	merged
Russia	Samarskiy mekhanicheskiy zavod	indirect subsidiary	100.00%	1A, ul. Groznenskaya, Samara, 443004	
Russia	Sanatoriy-porfilactory Lenevka	indirect subsidiary	-	Lenevka, Prigorodny raion, Sverdlovskaya obl., 622911	
Russia	Sibirskaya registratsionnaya company	investment	10.06%	57, Prospect Stroiteley, Novokuznetsk, Kemerovskaya obl., 654005	
Russia	Sibir-VK	joint venture	50.00%	37A, ul. Kutuzova, Novokuznetsk, Kemerovskaya obl., 654041	
Russia	Sibmetinvest	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Specializirovannoye Shakhtomontazhno-naladochnoye upravlenie	indirect subsidiary	79.14%	28, proezd Zaschitny, Novokuznetsk, Kemerovskaya obl., 654034	
Russia	Sportivniy complex Uralets	indirect subsidiary	-	36, Gvardeisky bulvar, Nizhny Tagil, 622005	
Russia	Tagilteplosbyt	indirect subsidiary	100.00%	67, Prospect Lenina, Nizhny Tagil, Sverdlovskaya obl., 622034	
Russia	Tomusinskoye pogruzochno-transportnoye upravlenie	indirect subsidiary	48.01%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Torfagregat	indirect subsidiary	100.00%	1B, ul. Poselok Mekhzavoda, Ryazan, 390007	
Russia	Trade Company EvrazHolding	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Trade House EvrazHolding	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Tulametallopttorg	indirect subsidiary	100.00%	36, Aleksinskoe shosse, Tula, 300000	
Russia	TV-Most	indirect subsidiary	100.00%	office 164, 31, Moscovsky prospect, Kemerovo, 650065	
Russia	TVN	indirect subsidiary	100.00%	35, ul. Ordzhonikidze, Novokuznetsk, Kemerovskaya obl., 654007	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2016, %	Registered address	Notes
Russia	Uliyanovskmetall	indirect subsidiary	99.37%	20, 11 proezd Inzhenerny, Ulyanovsk, 432072	
Russia	United accounting systems	indirect subsidiary	100.00%	63, Prospect Octyabrsky, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	United Coal Company Yuzhkuzbassugol	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654027	
Russia	Upravlenie po montazhu, demontazhu i remontu gornoshakhtnogo oborudovaniya	indirect subsidiary	100.00%	130, ul. Lenina, Osinniki, Kemerovskaya obl., 652810	
Russia	Vanadyservice	indirect subsidiary	100.00%	11a, 10 microraion, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Vanady-transport	indirect subsidiary	100.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Vladimirmetallopttorg	indirect subsidiary	95.63%	57, ul. P. Osipenko, Vladimir, 600009	
Russia	Vtorresurspererabotka	joint venture	50.00%	37A, ul. Kutuzova, Novokuznetsk, Kemerovskaya obl., 654041	
Russia	Yuzhno-Kuzbasskoye geologorazvedochnoye upravlenie	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654027	
Russia	Yuzhny Stan	indirect subsidiary	100.00%	1, ul. Zarechnaya, rabochy poselok Ust-Donetsky, Ust-Donetsky raion, Rostovskaya obl., 346550	
Russia	ZAO Irkutskvtorchermet	associate	42.61%	office 212, bld. ZAO Vtorchermet, ul. Severny Promuzel, Irkutsk, 664053	
Russia	ZAO Vtorchermet	associate	42.61%	office 211, bld. ZAO Vtorchermet, ul. Severny promuzel, Irkutsk, 664053	
Russia	Zapsibzhilstroy	indirect subsidiary	100.00%	16, ul. Shosse Kosmicheskoe, Novokuznetsk, Kemerovskaya obl., 654043	
Russia	Zavod metallurgicheskih reagentov	associate	50.00%	1, ul., Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Switzerland	East Metals A.G.	indirect subsidiary	100.00%	Baarerstrasse 131, 6300 Zug	
Switzerland	East Metals Shipping A.G.	indirect subsidiary	100.00%	Baarerstrasse 131, 6300 Zug	
Ukraine	Bon Life	indirect subsidiary	97.73%	26, ul. Starokazatskaya, Dnepr, Dnepropetrovskaya obl., 49000	
Ukraine	Evraz Dneprovsk Metallurgical Plant	indirect subsidiary	97.73%	3, ul. Mayakovskogo, Dnepr, Dnepropetrovskaya obl., 49064	
Ukraine	Evraz Sukha Balka	indirect subsidiary	99.4193%	5, ul. Konstitutsionnaya, Krivoy Rog, Dnepropetrovskaya obl., 50029	
Ukraine	Evraz Ukraine	indirect subsidiary	100.00%	31, ul. Udarnikov, Dnepr, Dnepropetrovskaya obl., 49064	
Ukraine	Evraz Yuzhkoks	indirect subsidiary	94.96%	1, ul. Vyacheslav Chernovil, Kamenskoye, Dnepropetrovskaya obl., 51909	
Ukraine	Evraztrans-Ukraine	indirect subsidiary	100.00%	3, ul. Mayakovskogo, Dnepr, Dnepropetrovskaya obl., 49064	
Ukraine	LK Adzhalyk	indirect subsidiary	100.00%	kv.97, 1, Prospect Pravdy, Kharkov, 61022	
Ukraine	Trade House Evraz Ukraine	indirect subsidiary	99.42%	31, ul. Udarnikov, Dnepr, Dnepropetrovskaya obl., 49064	
Ukraine	United accounting systems Ukraine	indirect subsidiary	99.90%	3, ul. Mayakovskogo, Dnepr, Dnepropetrovskaya obl., 49064	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2016, %	Registered address	Notes
United Kingdom	Evraz North America plc	indirect subsidiary	100.00%	20-22 Bedford Row London England WC1R 4JS	
United Kingdom	Viscaria 2 Limited	indirect subsidiary	100.00%	20 – 22 Bedford Row, London WC1R 4JS	
USA	CF&I Steel LP	indirect subsidiary	90.00%	1612 E Abriendo Pueblo, CO 81004	
USA	Colorado and Wyoming Railway Company	indirect subsidiary	90.00%	2100 S. Freeway Pueblo, CO 81004	
USA	East Metals Services Inc.	indirect subsidiary	100.00%	200 E. Randolph Drive Suite 7800 Chicago, IL 60601	
USA	Evraz Claymont Steel, Inc.	indirect subsidiary	100.00%	4001 Philadelphia Pike, Claymont, Delaware 19703	
USA	Evraz Inc. NA	indirect subsidiary	100.00%	200 E. Randolph Drive Suite 7800 Chicago, IL 60601	
USA	Evraz Stratcor, Inc.	indirect subsidiary	100.00%	4285 Malvern Road, Hot Springs, AR 71901	
USA	Evraz Trade NA LLC	indirect subsidiary	100.00%	200 E. Randolph Drive Suite 7800 Chicago, IL 60601	
USA	Fremont County Irrigating Ditch Co.	investment	13.80%	113 W. 5th Street Florence, CO 81226	
USA	General Scrap Inc.	indirect subsidiary	100.00%	3101 Valley Street Minot, ND 58702	
USA	New CF&I Inc.	indirect subsidiary	90.00%	1612 E Abriendo Pueblo, CO 81004	
USA	Oregon Ferroalloy Partners	indirect subsidiary	60.00%	14400 Rivergate Blvd. Portland, OR 97203	
USA	Oregon Steel Mills Processing Inc.	indirect subsidiary	100.00%	200 East Randolph Drive, #7800 Chicago, IL 60601	
USA	OSM Distribution Inc.	indirect subsidiary	100.00%	200 E. Randolph Drive Suite 7800 Chicago, IL 60601	
USA	Strategic Minerals Corporation	indirect subsidiary	78.76%	4285 Malvern Road, Hot Springs, AR 71901	
USA	Union Ditch and Water Co.	indirect subsidiary	57.59%	113 W. 5th Street Florence, CO 81226	
USA	US Tungsten	indirect subsidiary	78.76%	4285 Malvern Road, Hot Springs, Arkansas 71901	

EVRAZ plc
Separate Financial Statements
For the year ended 31 December 2016

Separate Statement of Comprehensive Income
(IN MILLIONS OF US DOLLARS)

	Notes	31 December	
		2016	**2015**
General and administrative expenses		**$ (7)**	$ (8)
Operating income	**7**	**11**	6
Impairment of investments	**3**	**(21)**	(145)
Foreign exchange gains/(losses)	**3**	**(4)**	9
Interest expense	**3,7**	**(14)**	(3)
Dividend income	**8**	**–**	350
Other non-operating gains/(losses)	**4,9**	**(39)**	2
Net profit/(loss)		**(74)**	211
Total comprehensive income/(loss)		**$ (74)**	$ 211

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

Separate Statement of Financial Position

(IN MILLIONS OF US DOLLARS)

	Notes	31 December 2016	31 December 2015
ASSETS			
Non–current assets			
Investments in subsidiaries	3	**$ 3,165**	$ 2,880
Investments in joint ventures	3	**18**	40
Receivables from related parties	7	**18**	24
		3,201	2,944
Current assets			
Receivables from related parties	7	**14**	12
Cash and cash equivalents		**2**	16
		16	28
TOTAL ASSETS		**3,217**	2,972
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	5	**1,507**	1,507
Treasury shares	5	**(270)**	(305)
Reorganisation reserve	3,5	**(584)**	(584)
Merger reserve	5	**127**	127
Share-based payments	6	**117**	101
Accumulated profits		**1,958**	2,067
		2,855	2,913
LIABILITIES			
Non-current liabilities			
Trade and other payables	3,9	**41**	20
Loan payable to related parties	7	**274**	–
Financial guarantee liabilities	7	**18**	21
		333	41
Current liabilities			
Trade and other payables	3,9	**17**	8
Loan payable to related parties	7	**3**	–
Financial guarantee liabilities	7	**9**	10
		29	18
TOTAL LIABILITIES		**362**	59
TOTAL EQUITY AND LIABILITIES		**$ 3,217**	$ 2,972

The Financial Statements on pages 246 to 255 were approved by the Board of Directors on 28 February 2017 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

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

Separate Statement of Cash Flows

(IN MILLIONS OF US DOLLARS)

	Notes	2016	2015
Cash flows from operating activities			
Net profit/(loss)		**$ (74)**	$ 211
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Operating income	**7**	**(11)**	(6)
Impairment of investments	**3**	**21**	145
Foreign exchange (gains)/losses	**3**	**4**	(9)
Interest expense	**3,7**	**14**	3
Other non-operating (gains)/losses	**9**	**39**	(2)
Dividend income	**8**	**–**	(350)
		(7)	(8)
Changes in working capital:			
Receivables from related parties	**7**	**11**	1
Trade and other payables	**9**	**(8)**	–
Net cash flow used in operating activities		**(4)**	(7)
Cash flows from investing activities			
Investments in subsidiaries	**3**	**(300)**	(88)
Receipts from sale of financial assets	**4**	**–**	8
Loans issued to related parties	**7**	**–**	(16)
Proceeds from repayment of loans issued to related parties	**7**	**–**	16
Dividends received	**8**	**–**	350
Return of funds by subsidiaries	**3**	**32**	60
Net cash flow from/(used in) investing activities		**(268)**	330
Cash flows from financing activities			
Purchase of treasury shares	**5**	**–**	(339)
Proceeds from loans provided by related parties	**7**	**305**	–
Repayment of loans provided by related parties, including interest	**7**	**(39)**	–
Payments for investments on deferred terms, including interest	**3**	**(8)**	(2)
Net cash flow from/(used in) financing activities		**258**	(341)
Net decrease in cash and cash equivalents		**(14)**	(18)
Cash and cash equivalents at the beginning of the year		**16**	34
Cash and cash equivalents at the end of the year		**$ 2**	$ 16
Supplementary cash flow information:			
Interest paid		**(8)**	(2)

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

Separate Statement of Changes in Equity

(IN MILLIONS OF US DOLLARS)

	Notes	Issued capital	Treasury shares	Reorganisation reserve	Merger reserve	Share-based payments	Accumulated profits	Total
At 31 December 2014		$ 1,507	$ –	$ (584)	$ 57	$ 81	$ 1,960	$ 3,021
Total comprehensive income/(loss) for the year		–	–	–	–	–	211	211
Reversal of impairment of the investment in Corber	3	–	–	–	70	–	(70)	–
Share-based payments	6	–	–	–	–	20	–	20
Purchase of treasury shares	5	–	(336)	–	–	–	(3)	(339)
Transfer of treasury shares to participants of the Incentive Plans	5	–	31	–	–	–	(31)	–
At 31 December 2015		**$ 1,507**	**$ (305)**	**$ (584)**	**$ 127**	**$ 101**	**$ 2,067**	**$ 2,913**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**(74)**	**(74)**
Share-based payments	6	**–**	**–**	**–**	**–**	**16**	**–**	**16**
Transfer of treasury shares to participants of the Incentive Plans	5	**–**	**35**	**–**	**–**	**–**	**(35)**	**–**
At 31 December 2016		**$ 1,507**	**$ (270)**	**$ (584)**	**$ 127**	**$ 117**	**$ 1,958**	**$ 2,855**

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

EVRAZ plc
Notes to the Separate Financial Statements
For the year ended 31 December 2016

1. Corporate Information

These separate financial statements of EVRAZ plc were authorised for issue in accordance with a resolution of the directors on 28 February 2017.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company limited by shares under the laws of the United Kingdom. The Company was incorporated under the Companies Act 2006 with the registered number in England 7784342. The Company's registered office is at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products and coal and iron ore mining. In addition, the Group produces vanadium products. The Group is one of the largest steel producers globally.

Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group.

2. Significant Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union and in accordance with the Companies Act 2006.

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2016, but not adopted by the European Union, are not expected to have a significant impact on the Company's financial statements.

These financial statements have been prepared on a going concern basis as the directors believe there are no material uncertainties which could create a significant doubt as to the Company's ability to continue as a going concern in the foreseeable future.

Foreign Currency Transactions

The presentation and functional currency of the Company is the US dollar. Transactions in foreign currencies are initially recorded in US dollars at the rate on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Investments

Investments in subsidiaries, associates or joint ventures are initially recorded at acquisition cost. Write–downs are recorded if, in the opinion of the management, there is any impairment in value.

The initial cost of the investment in Evraz Group S.A. was measured at the carrying amount of the equity items of Evraz Group S.A. as a separate legal entity at the date of the reorganisation (Note 3).

Dividend income is recognised as revenue when the Company's right to receive the payment is established.

All purchases and sales of investments are recognised on the settlement date, which is the date when the investment is delivered to or by the Company.

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)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Financial Guarantee Liabilities

Financial guarantee liabilities issued by the Company 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 between the Company and banks providing loans to the Company's subsidiaries are recognised initially as a liability at fair value, being equal to the estimated future cash inflows receivable from the subsidiaries under the guarantee agreements, with a corresponding recognition of the same amount as receivables from related parties. Subsequently, the liability is amortised over the lives of the guarantees through the statement of comprehensive income, unless it is considered probable that a guarantee will be called, in which case it is measured at the value of the guaranteed amount payable, if higher.

3. Investments in Subsidiaries and Joint Ventures

Investments in subsidiaries and joint ventures consisted of the following as of 31 December:

	Ownership interest		Cost, net of impairment US$ million	
	2016	2015	2016	2015
Subsidiaries				
Evraz Group S.A.	**100%**	100%	**3,165**	2,849
EVRAZ Greenfield Development S.A.	**–**	100%	**–**	31
			3,165	2,880
Joint Ventures				
OJSC Mining and Metallurgical Company Timir	**51.00001%**	51.00001%	**18**	40

The movement in investments was as follows:

$US million	Evraz Group S.A.	EVRAZ Greenfield Development S.A.	Corber	Timir	Total
31 December 2014	**$ 2,250**	**$ 254**	**$ 421**	**$ 92**	**$ 3,017**
Additional investments	88	–	–	–	88
Reduction of investments	–	(60)	–	–	(60)
Share-based compensations	20	–	–	–	20
Impairment loss (recognition)/reversal	–	(163)	70	(52)	(145)
Sale of Corber investment	491	–	(491)	–	–
31 December 2015	**$ 2,849**	**$ 31**	**$ –**	**$ 40**	**$ 2,920**
Additional investments	300	–	–	–	300
Share-based compensations	16	–	–	–	16
Liquidation of investments	–	(32)	–	–	(32)
Impairment loss (recognition)/reversal	–	1	–	(22)	(21)
31 December 2016	**$ 3,165**	**$ –**	**$ –**	**$ 18**	**$ 3,183**

3. Investments in Subsidiaries and Joint Ventures (continued)

Evraz Group S.A.

The Company acquired Evraz Group S.A. in 2011 by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A. The cost of investments in Evraz Group S.A. was measured at the carrying amount of the equity items shown in the separate accounts of Evraz Group S.A. at the dates of the share exchange.

In 2015, the Company made a contribution to the share capital of Evraz Group S.A. for a total amount of $579 million, including $88 million in cash and $491 million in the form of the ownership interest in Corber.

In 2016, the Company made a cash contribution to the share capital of Evraz Group S.A. in the amount of $300 million.

In addition, the Company recognises share-based payments made to employees of subsidiaries under control of Evraz Group S.A. as an addition to the cost of its investments in Evraz Group S.A. (Note 6). In 2016 and 2015, share-based compensations amounted to $16 million and $20 million, respectively.

EVRAZ Greenfield Development S.A.

In 2012-2013, the Company made cash contributions to EVRAZ Greenfield Development S.A. ("EGD") in the amount of $305 million. EGD owned a 60.016% share in the Mezhegey coal field project, which is at the development stage.

In 2015, EGD decreased the share capital and returned $60 million to the Company in cash.

At 31 December 2015, the Company assessed the recoverability of its investment in EGD. The recoverable amount of the asset was based on a value-in-use calculation using cash flow projections based on the business plans approved by management and a 13.90% discount rate reflecting time value of money and risks associated with the asset. As a result, in 2015, the Company recognised an impairment loss of $163 million. The major driver that led to impairment was the change in expectations of long-term prices for coal.

In 2016, EGD transferred the Mezhegey project to Evraz Group S.A. and was liquidated. The Company received from EGD $32 million in cash as a return of shareholder's funds. Consequently, the Company reversed impairment of $1 million being the difference between cash proceeds from EGD and its carrying value before liquidation.

Corber Enterprises S.à r.l.

In 2013, EVRAZ plc acquired a 50% ownership interest in Corber Enterprises S.à r.l. ("Corber"), which was at that time the parent of a coal mining company Raspadskaya, for $964 million. In 2014, the investment was impaired by $543 million recognised in the statement of comprehensive income and transferred out of the merger reserve.

In 2015, the Company made a contribution in kind to the share capital of Evraz Group S.A. with its share in Corber for a total amount of $491 million. The value of the share in Corber was assessed based on the value-in-use calculation and the Company recognised a reversal of impairment amounting to $70 million.

3. Investments in Subsidiaries and Joint Ventures (continued)

OJSC Mining and Metallurgical Company Timir

Since 2013 the Company owns a 51% ownership interest in the joint venture with Alrosa for the development of iron ore deposits in the Yakutia region in Russia. The Company's consideration for this stake of 4,950 million roubles was recognised in the amount of $149 million being the present value of the expected cash outflows at the exchange rate as of the date of the transaction.

In 2016 and 2015 the Company recognised $3 million and $3 million within interest expense, respectively, representing interest charges on the postponed installments.

In 2016, the Company paid 500 million roubles ($7 million) of purchase consideration and $1 million of interest charges. In 2015, only interest charges were paid in the amount of of US$2 million.

In 2016 and 2015, the Company recognised $4 million foreign exchange losses and $9 million of foreign exchange gains, respectively, on liabilities for Timir.

At 31 December 2016 and 2015, trade and other accounts payable included liabilities relating to this acquisition in the amount of $27 million and $28 million, respectively.

At 30 September 2016 and 31 December 2015, the Company assessed the recoverability of its investment in Timir. The recoverable amount of the asset was based on a value-in-use calculation using cash flow projections based on the business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset. The discount rates were 11.75% and 12.70% in 2016 and 2015, respectively. As a result, in 2016 and 2015, the Company recognised impairment losses of $22 million and $52 million, respectively. The major drivers that led to impairment were the decrease in the expected long-term prices for iron ore, the increase in the amount of the required capital expenditures to maintain the production at the budgeted capacities and the postponement of the start of production for 2 years.

Additional information regarding Timir is provided in Note 11 of the consolidated financial statements.

Any change to the key assumptions in the value in use calculations could materially impact the recoverable value and result in further impairment or a reversal of previously recognised impairment. For further analysis of these key assumptions please refer to Note 6 of the consolidated financial statements.

Indirect Subsidiaries and Other Significant Holdings

The full list of indirect subsidiaries and other significant holdings of EVRAZ plc is presented in Note 34 of the consolidated financial statements.

4. Financial Assets

In 2015, the Company sold bonds of Raspadskaya, an indirect subsidiary, to Evraz Group S.A. at a price close to the market value and received $8 million in cash. The bonds were purchased in 2014 for $6 million. The gain of $2 million was recognised in the statement of comprehensive income within the other non-operating gains/(losses) caption.

5. Equity

Share Capital

Number of shares	31 December	
	2016	2015
Ordinary shares of $1 each, issued and fully paid	**1,506,527,294**	1,506,527,294

EVRAZ plc does not have an authorised limit on its share capital.

Buy-back of shares

On 31 March 2015, the Board resolved to announce a return of capital to be effected by a tender offer to shareholders at $3.10 per share in the amount of up to $375 million. In April 2015, EVRAZ plc repurchased 108,458,508 of its own shares ($336 million). The Company incurred $3 million of transaction costs, which were charged to accumulated profits. During 2016, 11,465,371 of ordinary shares were transferred to the participants of Incentive Plans (2015: 9,977,259 ordinary shares), (Note 6).

At 31 December 2016 and 2015, the Company held 87,015,878 and 98,481,249 of its own shares, respectively.

Reorganisation Reserve

Reorganisation reserve represents the difference between the net assets of Evraz Group S.A. at the date of the Group's reorganisation (7 November 2011) and the par value of the issued shares of EVRAZ plc. This charge to equity reduced the amount of distributable reserves.

Merger Reserve

The merger reserve arose in 2013 in connection with the purchase of 50% in Corber. Impairments of the carrying value of this investment were transferred to the merger reserve.

The disposal of the investment in Corber to Evraz Group S.A., the Company's subsidiary, in 2015 (Note 3) was made for non-cash consideration which does not meet the criteria for qualifying consideration. The balance of the merger reserve will be presented as a separate component of equity in the Company's statement of financial position until such time as Evraz Group S.A. is sold for qualifying consideration, and the merger reserve will be re-allocated to accumulated profits and become distributable.

Dividends

The Company have not declared dividends for the years 2016 and 2015.

Distributable Reserves

$US million	2016	2015
Accumulated profits	**1,958**	2,067
Reorganisation reserve	**(584)**	(584)
31 December	**1,374**	1,483

6. Share-based Payments

As disclosed in Note 21 of the consolidated financial statements, the Group has incentive plans under which certain employees ("participants") can be gifted shares of the Company.

In 2016 and 2015, the Company recognised $16 million and $20 million, respectively, share-based compensation expense as a cost of investment in Evraz Group S.A. with a corresponding increase in equity.

7. Related Party Transactions

Related parties of the Company include its direct and indirect subsidiaries, associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Company's parent or its shareholders.

Loans Received From/Issued To Related Parties

In 2016, the Company received a loan of $100 million from East Metals A.G., an indirect subsidiary of the Company. The loan bears interest of 3.75% per annum and matures in June 2018. During 2016 the Company repaid an amount of $32 million. In addition, the Company received a loan of $5 million from East Metals A.G., which bears interest of 3.13% per annum and matures in May 2018. In 2016, the Company recognised US$2 million of interest expense under the loans from East Metals A.G., out of which of US$1 million were paid.

In 2016, the Company received loans of $200 million from Evrazholding Finance, an indirect subsidiary of the Company. The loans bear interest of 6.31% per annum and mature in March 2021. In 2016, the Company recognised interest expense of US$9 million, out of which $6 million were repaid.

In 2015, the Company issued a loan to Raspadskiy Ugol, an indirect subsidiary of the Company. The loan bore interest of 7% per annum with the maturity date on 30 April 2018. The amount of $16 million was fully settled by Raspdskiy Ugol by the end of 2015.

Guarantees

In 2014-2016, the Company issued guarantees to several banks in respect of the liabilities of EVRAZ NTMK and EVRAZ ZSMK, indirect subsidiaries of the Company, under certain loans totalling $1,784 million at 31 December 2016 (2015: $1,814 million). The loans are due for repayment during the period from 2015 to 2023. The Company earns guarantee fees in respect of these guaranties and in 2016 it accrued $9 million of such income (2015: $6 million). In 2016, the Company recognised an additional financial guarantee liability of $5 million (2015: $25 million).

In addition, in 2016 the Company accrued $1 million of guarantee fees for the issued guaranties to East Metals A.G. for liabilities of Mastercroft Finance Limited, both indirect subsidiaries of the Company, and $1 million of guarantee fees for the issued guaranties to several banks for liabilities of East Metals A.G amounting to $141 million.

Other Transactions

In 2016, OOO Evrazholding, an indirect subsidiary of the Company, rendered consulting services in the amount of $1 million (2015: $1 million).

Other disclosures on directors' remuneration required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) regulations 2008 are included in the Directors' Remuneration Report.

8. Dividend Income

In 2015, Evraz Group S.A. declared and paid dividends to the Company in the amount of $350 million.

9. Other non-operating loss

In 2016, other non-operating losses represent $39 million (including $8 million paid in 2016) relating to the settlement of the Company's guarantee under a long-term take-or-pay supply contract of a former indirect subsidiary of the Company.

10. Subsequent Events

There were no significant events after the reporting date.

EVRAZ

Contents

ADDITIONAL INFORMATION

Stock performance indicators and shareholder information

Information about shares of EVRAZ plc

The issued share capital of EVRAZ plc ("the Company") is 1,506,527,294 ordinary shares with a nominal value of US$1 each. As at 31 December 2016, the current number of shares outstanding is 1,419,512,128. The Company holds 87,015,166[1] ordinary shares in treasury. The total number of voting rights attaching to the ordinary shares of the Company is therefore 1,419,512,128.

The figure of 1,419,512,128 ordinary shares may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company's ordinary shares under the FCA's Disclosure and Transparency Rules.

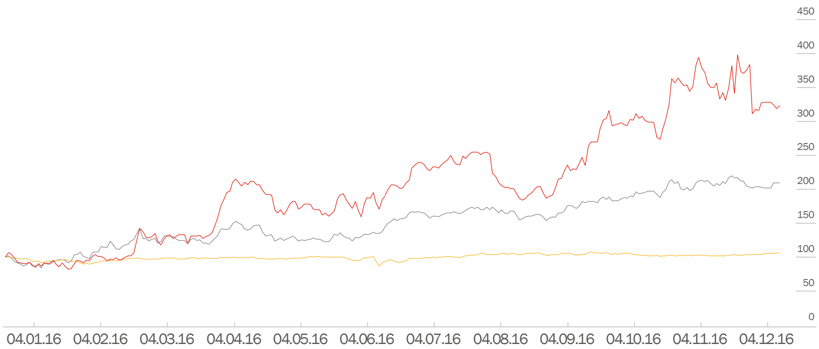
The shares of EVRAZ plc trades on the Main market of London Stock Exchange

Ticker (Bloomberg)	EVR LN
Trading service	SETS
Market	MAINMARKET
Listing category	Premium Equity Commercial Companies
FTSE index	FTSE All-Share,FTSE 350 Low Yield,FTSE 250,FTSE All-Share (ex IT),FTSE 350 (ex IT), FTSE MID 250 (ex IT),FTSE 350
FTSE sector	Industrial Metals & Mining
FTSE sub-sector	Iron & Steel
Country of share register	GB
Segment	STMM
MiFID Status	Regulated Market
SEDOL	B71N6K8
ISIN number	GB00B71N6K86

[1] *The number of shares differs from figure in the Financial statements for the amount of treasury shares held in Trust.*

Share price

Relative share price dynamics,
52w



EVRAZ | FTSE 250 INDEX | FTSE 350 MINING INDEX

Shareholder structure

Ultimate beneficial owners,
% of voting rights[1]

	%
Roman Abramovich[2]	31.03
Alexander Abramov[3]	21.38
Alexander Frolov[3]	10.68
Gennady Kozovoy[4]	5.90
Alexander Vagin[4]	5.84
Eugene Shvidler[2]	3.09
Other	22.08

[1] *The Group is aware of the following ultimate beneficial owners who have an interest in three percent or more of EVRAZ plc's share capital (in each case, except for Gennady Kozovoy, held indirectly).*
[2] *The number of shares as per TR-1 Form: Notification of major interest in shares dated 7 June 2016. Includes pro-rata shareholding held via Lanebrook and additional shares held outside Lanebrook.*
[3] *The number of shares as per Notification on PDMRs dealing dated 30 December 2016.*
[4] *The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013. For Mr Kozovoy, includes shares held directly.*

Unsolicited telephone calls and correspondence

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas-based 'brokers' who target US or UK shareholders, offering to sell them what often turns out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved by visiting **www.fsa.gov.uk/fsaregister** and contacting the firm using the details on the register.
- Report the matter to the FSA either by calling 0845 606 1234 or visiting **www.fsa.gov.uk/scams.**
- If the calls persist, hang up.

Details of any share dealing facilities that the company endorses will be included in Company mailings.

Electronic shareholder communications

EVRAZ uses its website www.evraz.com as its primary means of communication with its shareholders provided that the shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner in accordance with the Companies Act 2006.

Electronic communications allow shareholders to access information instantly as well as helping EVRAZ reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at **www.investorcentre.co.uk.**

Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's registrar, Computershare.

Definitions of selected alternative performance measures

Definition of Free Cash Flow

Free Cash Flow represents EBITDA, net of non-cash items, less changes in working capital, income tax paid, interest paid and covenant reset charges, conversion premiums, premiums on early repurchase of bonds and realised gain/(losses) on interest payments under swap contracts, interest income and debt issue costs, less capital expenditure, including recorded in financing activities, purchases of subsidiaries, net of cash acquired, proceeds from sale of disposals classified as held for sale, net of transaction costs, less purchases of treasury shares for participants of the incentive plans, plus other cash flows from investing activities.

Free Cash Flow is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' calculation of Free Cash Flow may be different from the calculation used by other companies and therefore comparability may be limited.

Definition of EBITDA

EBITDA is determined as a segment's profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense.

In 2015, management changed the definition of segment expense and EBITDA to make these indicators more comparable with the Russian steel peers. Starting from the 2015 consolidated financial statements, segment expense does not include social and social infrastructure maintenance expenses, and profit/(loss) from operations is adjusted for these expenses in arriving at EBITDA. As a result, the Group restated EBITDA based on both IFRS and management accounts for the years ended 31 December 2014 and 2013.

See note 3 of the consolidated financial statement on page 173 for additional information.

Cash and short-term bank deposits

Cash and short-term bank deposits is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' calculation of cash and short-term bank deposits may be different from the calculation used by other companies and therefore comparability may be limited.

Calculation of cash and short-term bank deposits, US$ million

	31 December 2016	31 December 2015	Change	Change, %
Cash and cash equivalents	1,157	1,375	(218)	(16)
Cash of disposals classified as held for sale	2	-	2	n/a
Collateral under swaps	-	-	-	-
Cash and short-term bank deposits	**1,159**	**1,375**	**(216)**	**(16)%**

Total debt

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

Calculation of total debt, US$ million

	31 December 2016	31 December 2015	Change	Change, %
Long-term loans, net of current portion	5,502	5,850	(348)	(6)
Short-term loans and current portion of long-term loans	392	497	(105)	(21)
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	43	47	(4)	(9)
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	19	325	(306)	(94)
Finance lease liabilities, including current portion	5	5	-	-
Total debt	**5,961**	**6,724**	**(763)**	**(11)**

Net debt

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

Calculation of net debt, US$ million

	31 December 2016	31 December 2015	Change	Change, %
Total debt	**5,961**	**6,724**	**(763)**	**(11)**
Short-term bank deposits	-	-	-	-
Cash and cash equivalents	(1,157)	(1,375)	218	(16)
Cash of assets classified as held for sale	(2)	-	(2)	n/a
Collateral under swaps	-	-	-	-
Net debt	**4,802**	**5,349**	**(547)**	**(10)**

Labor productivity, US$/t

P=S/V

S - Labor Costs (asset and A-category subsidiaries), exclusive of tax, local currency (on Division consolidation sites with different currencies, $)
V - production volume, tn. (for steel assets:
V - metal products shipped.

LTIFR

The KPI is calculated on a year-to-date basis for the company employees only.

LTIFR = X•1000000/Y

X is the total number of occupational injuries resulted in lost time among the company employees in the reporting period. Fatalities are not included.
Y is the actual total number of man-hours worked by all company employees in the reporting period.

Semi-finished products cash costs, US$/t

Cash cost of semi-finished products is defined as the production cost less depreciation, the result is divided by production volumes of steel semi-products.

Raw materials from EVRAZ coal and iron ore producers are accounted for on at-cost-basis.

Costs of semi-finished steel products of EVRAZ NTMK, EVRAZ ZSMK are then weighted averaged by the total saleable semi-finished products production volume

Coking coal concentrate cash cost, US$/t

Cash cost of coking coal concentrate is defined as cost of revenues less depreciation and SG&A, the result is divided by sales volumes.

Number of EBS transformations

Number of EBS transformations implemented at the key assets during the reporting year.

Customer focus and cost-cutting effects

Each project effect is calculated as an absolute deviation of targeted metric year to year multiplied by relevant price or volume depending on project's focus.

Data on mineral reserves

Coal

Yuzhkuzbassugol JORC Equivalent Coal Reserves as at 31 December 2016[1], kt

Mine	Proved and Probable
Alardinskaya	93,533
Yesaulskaya	14,377
Osinnikovskaya	62,309
Uskovskaya	129,050
Yerunakovskaya VIII	126,276
Total	**425,545**

Raspadskaya JORC Equivalent Coal Reserves as at 31 December 2016[1], kt

Mine	Proved and Probable
Raspadskaya	876,627
MUK-96	131,876
Raspadskaya Koksovaya	179,513
Razrez Raspadsky	134,417
Total	**1,322,433**

Iron ore

Evrazruda JORC Equivalent Iron Ore Reserves as at 31 December 2016[1], kt

Mine	Proved and Probable	Fe, %	S, %
Tashtagol	1,984	38	1
Sheregesh	61,332	29.8	0.9
Kaz	5,589	32.9	0.9
Total	**68,905**	**28.0**	**0.8**

Kachkanarsky GOK (EVRAZ KGOK) JORC Equivalent Iron Ore Reserves as at 31 December 2016[1], kt

Mine	Proved and Probable	Fe, %	V_2O_5, %
Gusevogorskoye Deposit			
Main pit	408,820	16.1	0.14
Southern pit	34,592	16.6	0.16
Northern pit	540,573	15.6	0.12
Western pit	131,354	16.1	0.16
Kachkanar Proper (Sobstvenno-Kachkanarskoye) Deposit	6,904,420	16.5	0.14
Total	**8,019,758**	**16.4**	**0.14**

EVRAZ Sukha Balka JORC Equivalent Iron Ore Reserves as at 31 December 2016[1], kt

	Proved and Probable
Total	**68,371**

[1] *Reserves and Resources are in-situ or ROM (Run of Mine) tonnes*

Terms and Abbreviations

Basic oxygen furnace	Basic oxygen furnace is a frunace used in a method of primary steelmaking in which carbon-rich molten pig iron is made into steel. Blowing oxygen through molten pig iron lowers the carbon content of the alloy and changes it into low-carbon steel. The process is known as basic because fluxes of burnt lime or dolomite, which are chemical bases, are added to promote the removal of impurities and protect the lining of the converter.
Beam	A structural element. Beams are characterised by their profile (the shape of their cross-section). One of the most common types of steel beam is the I-beam, also known as H-beam, or W-beam (wide-flange beam), or a 'universal beam/column'. Beams are widely used in the construction industry and are available in various standard sizes, eg 40-k beam, 60Sh beam, 70Sh beam as mentioned in this report.
Billet	A usually square, semi-finished steel product obtained by continuous casting or rolling of blooms. Sections, rails, wire rod and other rolled products are made from billets.
Blast furnace	The blast furnace is the classic production unit to reduce iron ore to molten iron, known as hot metal. It operates as a counter-current shaft system, where iron ore and coke is charged at the top. While this charge descends towards the bottom, ascending carbon containing gases and coke reduces the iron ore to liquid iron. To increase efficiency and productivity, hot air (often enriched with oxygen) is blown into the bottom of the blast furnace. In order to save coke, coal or other carbon containing materials are sometimes injected with this hot air.
By-product	A secondary product which results from a manufacturing process or chemical reaction.
Cash cost of coking coal concentrate	Cash cost of coking coal concentrate is defined as the production cost less depreciation , incl. SG&A and Maintenance CAPEX., the result is divided by production volumes. This measure is used to monitor segment competitiveness improvement.
Capex	Capital expenditure.
CFR	Cost and freight, the seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel. Insurance for the goods is not included.
Channel	U-shaped section for construction.
Coal washing	The process of removing mineral matter from coal usually through density separation, for coarser coal and using surface chemistry for finer particles.
Coke	A product made by baking coal without oxygen at high temperatures. Unwanted gases are driven out of the coal. The unwanted gases can be used as fuels or processed further to recover valuable chemicals. The resulting material (coke) has a strong porous structure which makes it ideal for use in a blast furnace.
Coke battery	A group of coke ovens operating as a unit and connected by common walls.
Coking coal	Highly volatile coal used to manufacture coke.
Concentrate	A product resulting from iron ore / coal enrichment, with a high grade of extracted mineral.
Construction products	Include beams, channels, angles, rebars, wire rods, wire and other goods.
Converter	A type of furnace that uses pure oxygen in the process of producing steel from cast iron or dry mix.
Conversion costs	Conversion costs is defined as production costs without raw materials and depreciation, incl. SG&A and Maintenance CAPEX. This measure is used to monitor segment competitiveness improvement.
Continuous casting machine	Process whereby molten metal is solidified into a "semi-finished" billet, bloom, or slab for subsequent rolling in the finishing mills.
Crude steel	Steel in its solidified state directly after casting. This is then further processed by rolling or other treatments, which can change its properties.
Debottlenecking	Increasing capacity of a supply or production chain through the modification of existing equipment or infrastructure to improve efficiency.
Deposit	An area of coal resources or reserves identified by surface mapping, drilling or development.
Electric arc furnace	A furnace used in the steelmaking process which heats charged material via an electric arc.

Feasibility study	A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the technical and economic viability of a project and to support the search for project financing.
Finished products	Products that have completed the manufacturing process but have not yet been sold or distributed to the end user.
Flat products or Flat-rolled steel products	Include commodity plate, specialty plate and other products in flat shape such as sheet, strip and tin plate.
Greenfield	The development or exploration of a new project not previously examined.
Grinding balls	Balls used to grind material by impact and pressure.
Head-hardened rails	High strength rails with head hardened by heat treatment.
Heat-treatment	A group of industrial and metalworking processes used to alter the physical, and sometimes chemical, properties of a material.
HiPo	High potential employee.
Iron ore	Chemical compounds of iron with other elements, mainly oxygen, silicon, sulphur or carbon. Only extremely pure (rich) iron-oxygen compounds are used for steelmaking.
ISO 14001	The International Standardisation Organisation's standard for environmental management systems.
ISO 9001:2008	The International Standardisation Organisation's standard for a quality management system.
JORC Code	The Australasian Joint Ore Reserves Committee, which is widely accepted as a standard for professional reporting of Mineral Resources and Ore Reserves.
Kt	Thousand tonnes.
Labour productivity	Labour productivity is defined as labour costs exclusive of tax divided by production volumes of steel products. The measurement of performance enables the Company to monitor labour efficiency.
Ladle furnace	The secondary metallurgy vessel used between steelmaking and casting operations to allow the composition of molten steel to be brought to the required customer specification.
Lean	Lean is philosophy of managing the business that is based on a set of principles that define the way of work.
Long products	Include bars, rods and structural products that are 'long' rather than 'flat' and are produced from blooms or billets.
Longwall	An underground mining process in which the coal face is dug out by a shearer and transported above ground by conveyors.
LTIFR	Lost time injury frequency rate, which represents the number of lost time injuries (1 day or more of absence) divided by the total number of hours worked expressed in millions of hours.
Lumpy ore	Iron ore between 6mm and 30mm in size. Lump is preferred in the blast furnace as its particle size allows oxygen to circulate around the raw materials and melt them efficiently.
Model line	Model line is as a value stream within a single facility or operation, provides a focused and controlled playground for implementing lean. Serve as internal benchmark for the Company. The measurement of performance enables the Company to monitor lean implementation.
Mt	Million tonnes.
Mtpa	Million tonnes per annum.
Open pit mine	A mine working or excavation open to the surface where material is not replaced into the mined out areas.
OCTG pipe	Oilfield Casing and Tubing Goods or Oil Country Tubular Goods – pipes used in the oil industry.
Pellet	An enriched form of iron ore shaped into small balls or pellets. Pellets are used as raw material in the steel making process.
Pig iron	The solidified iron produced from a blast furnace used for steel production. In liquid form, pig iron is known as hot metal.
Pipe blank	A flat sheet of metal, a semi-finished product, sold to pipemakers to manufacture pipes.

Plate	A long thin square shaped construction element made from slabs.
Pulverised coal injection (PCI)	A cost-reducing technique in iron-making, where cheaper coal is prepared to replace normal coking coal in the blast furnace. The coal is pulverised into very small particles before injection into the furnace.
Railway products	Include rails, rail fasteners, wheels, tyres and other goods for the railway sector.
Rebar	Reinforcing bar, a commodity grade steel used to strengthen concrete in highway and building construction. Rebar A500SP is a type of reinforcing bar that allows for a reduction in the metallic component of reinforced concrete, thereby significantly lowering construction costs.
Rolled steel products	Products finished in a rolling mill; these include bars, rods, plate, beams etc.
Rolling mill	A machine which converts semi-finished steel into finished steel products by passing them through sets of rotating cylinders which form the steel into finished products.
SG&A	Selling, General and Administrative Expenses.
Saleable products	Products produced by EVRAZ mines or steel mills which are suitable for sale to third parties.
Self-coverage	The raw material requirement of EVRAZ' steelmaking facilities fulfilled by EVRAZ owned mines.
Scrap	Iron containing recyclable materials (mainly industrial or household waste) that is generally remelted and processed into new steel.
Semi-finished products	The initial product forms in the steel making process including slabs, blooms, billets and pipe blanks that are further processed into more finished products such as beams, bars, sheets, tubing etc.
Sinter	An iron rich clinker formed by heating iron ore fines and coke in a sinter line. The materials, in pellet form, combine efficiently in the blast furnace and allow for more consistent and controllable iron manufacture.
Slab	A common type of semi-finished steel product which can be further rolled into sheet and plate products.
Slag	Slag is a byproduct generated when non-ferrous substances in iron ore, limestone and coke are separated from the hot metal in metallurgical production. Slag is used in cement and fertiliser production as well as for base course material in road construction.
Steam coal	All other types of hard coal not classified as coking coal. Coal of this type is also commonly referred to as thermal coal.
Tailings	Also called mine dumps, are the materials left over after the process of separating the valuable content from the uneconomic remainder (gangue) of an ore. These materials can be reprocessed using new methods to recover additional minerals.
Tubular products	Include large diameter line pipes, ERW pipes and casings, seamless pipes and other tubular products
Unrealised profit (URP)	Inter-segment unrealised profit or loss (URP) is a change in the sales margin included in balances of inventories purchased from segments other than the reportable segment between the end and the beginning of the reporting period.
Vanadium	A grey metal that is normally used as an alloying agent for iron and steel. It is also used to strengthen titanium based alloys.
Vanadium pentoxide	The chemical compound with the formula V2O5: this orange solid is the most important compound of vanadium. Upon heating, it reversibly loses oxygen.
Vanadium slag	Vanadium slag produced from pig iron in the converter shop and used as a raw material by producers of ferroalloys and vanadium products.

QR codes to additional information

Online version of Annual Report and Accounts 2016

http://ar2016.evraz.com/

Annual reports

http://www.evraz.com/investors/annual_reports/

Corporate governance documents

http://www.evraz.com/governance/documents/

Information for investors

http://www.evraz.com/investors/

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