EVRAZ

2015 Annual Report & Accounts

MAKING THE WORLD STRONGER

Report

This annual report ("the Report") presents the results for EVRAZ plc and its subsidiaries for 2015, divided into segments: Steel, Steel North America and Coal.

It details the Group's operational and financial results and corporate social responsibility activities in 2015.

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 on the basis of the International Integrated Reporting Framework and the GRI G4 Sustainability Reporting Guidelines and contains elements of an integrated and a sustainability report. It has been approved by the Board of Directors.

The main theme of the Report is value creation, as detailed in the EVRAZ Business Model section.

On 13 April 2015, Evraz Highveld Steel and Vanadium Ltd. ("EHS") implemented a business rescue procedure and the regulator appointed an external business rescue practitioner to EHS. As of 13 April 2015, control over EHS passed to the business rescue practitioner, and EVRAZ has no influence over the executives or management of EHS and does not have ongoing access to information about its current activities. The Group has relinquished control over and deconsolidated EHS. Information about EHS for the period to 13 April 2015 was disclosed in corresponding disclosure announcements.

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MEET EVRAZ

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

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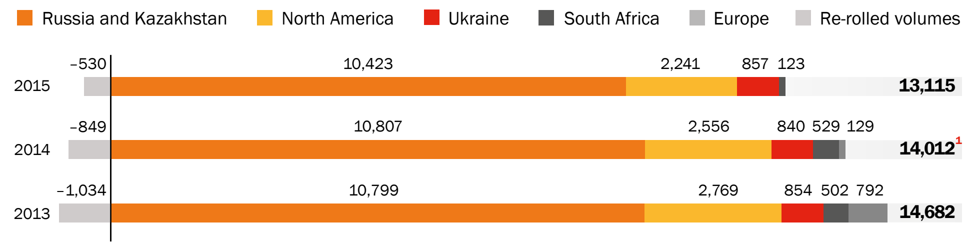
ADDITIONAL INFORMATION

ONLINE VERSION OF THE ANNUAL REPORT FOR 2015

MEET EVRAZ

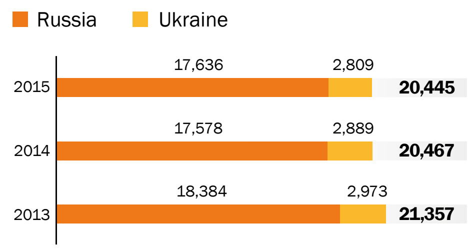
Operating highlights

Steel products output by region, kt



[1]Change to the previously reported figures due to corrections of Q4 2014 production data.

Iron ore products output by region, kt



Raw coking coal production in Russia, kt

[2]Change to the previously reported figures due to reclassification of KS coal grade from steam to coking coal.

19 years of life of coal mines

>90 years of coal reserves under current extraction level

8.3 bn t of iron ore proved & probable reserves

1.8 bn t of coking coal proved & probable reserves

Global presence

Steel
- Russia
- Kazakhstan
- Ukraine
- Switzerland
- Czech Republic
- Italy

Steel, North America
- USA
- Canada

Coal
- Russia

Headquarters
- London

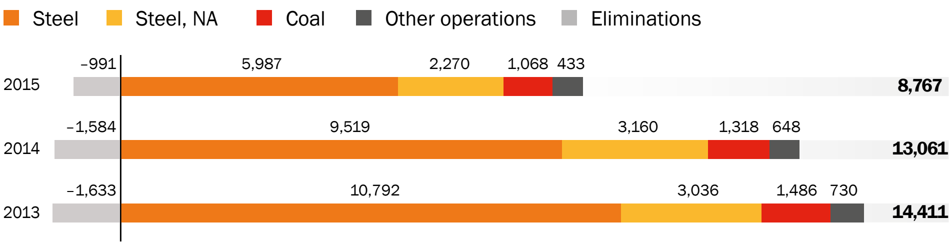
EVRAZ corporate structure is available at: www.evraz.com/about/structure/

Our customers

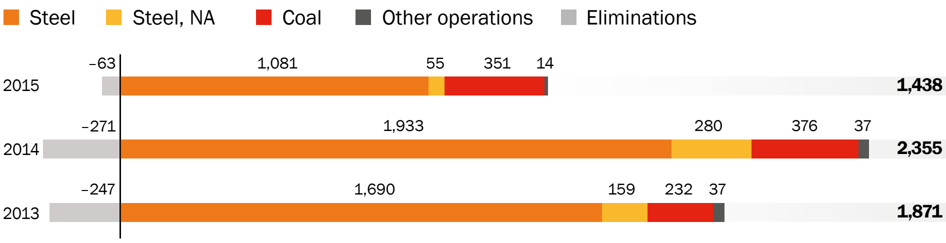
Product type	Customer type
Semi-finished steel products	Steel rolling facilities
Construction products	Wholesale companies, traders
Railway products	Railways, rail carriers
Industrial products	Industrial companies
Coking coal concentrate	Steelmaking facilities
Raw coking coal	Steelmaking facilities
Tubular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

Financial highlights

Consolidated revenue by segment, US$ million



Consolidated EBITDA[3] by segment, US$ million



[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 and management accounts purposes for the years ended 31 December 2014 and 2013.

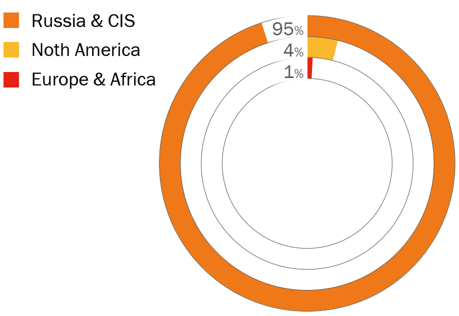
US$ 5,349 million
Net debt Δ2015/2014 -8%

US$ 428 million
CAPEX Δ2015/2014 -35%

Net loss US$719 million vs. US$1,278 million in 2014

Personnel

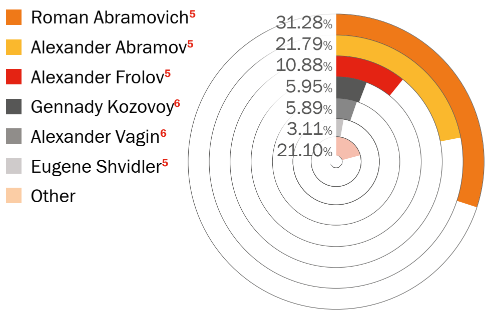
Employees by region in 2015, people



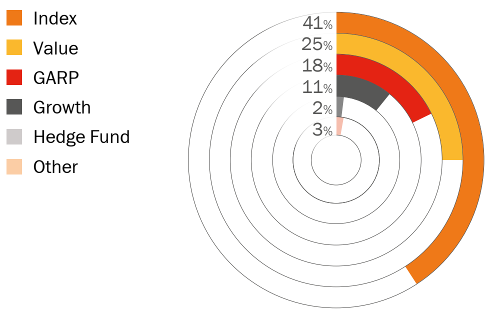
Number of employees, thousand people

Shareholders structure

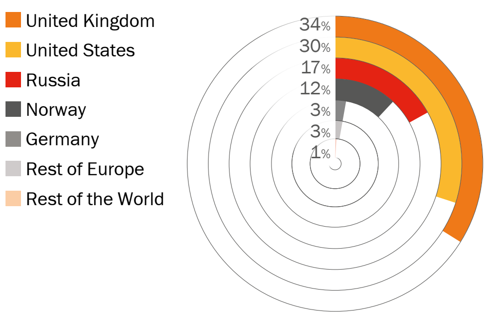
Ultimate beneficial owners, % of voting rights[4]



Institutional shares by investment style, %



Institutional shares by geography, %



[4]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).

[5]As per TR-1 Form: Notification of major interest in shares dated 7 October 2015. Includes pro-rata shareholding held via Lanebrook and additional shares held outside Lanebrook.

[6]As per TR-1 Form: Notification of major interest in shares dated 6 February 2013. For Mr Kozovoy, includes shares held directly.

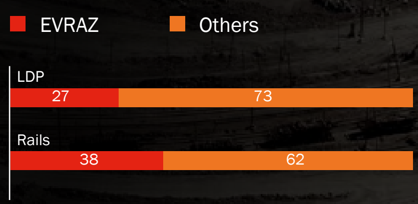
STRATEGIC REPORT

EVRAZ 2015 market share in Russia by key products and volumes, %

37.4 mt

Russian steel consumption in 2015

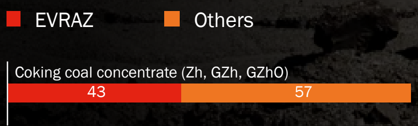
EVRAZ 2015 market share in North America by key products and volumes, %



117.0 mt

US and Canada finished steel consumption in 2015

EVRAZ 2015 share of Russia's high-vol coking coal grades (Zh, GZh, GZhO) market, volumes, %



38.8 mt

Russian coking coal concentrate consumption in 2015

CHAIRMAN'S INTRODUCTION

Dear shareholder,

I am pleased to introduce EVRAZ annual report for 2015. The year proved a difficult one, as conditions in the Group's key markets deteriorated throughout. Despite these headwinds, EVRAZ proven strategy of pursuing a vertically integrated business model, underpinned by a strong set of assets in advantageous locations, allowed the Group to maintain its positions in key markets. Over the year, EVRAZ made good progress with its cost leadership initiatives, improving product quality while reducing costs.

Safety

Safe working conditions at all facilities are and always will be EVRAZ overriding priority. In 2015, the Group implemented enhanced management and control systems, enabling accidents at facilities to be tracked better. The subsequent increase in reporting was reflected in EVRAZ lost-time injury frequency rate (LTIFR), which rose noticeably year-on-year. Despite the Group's commitment, I regret to report that there were 13 fatalities at sites during the year, including three contractors (for more information, see pages 81-101 of the Corporate Social Responsibility section).

Management activities

As part of the focus on cost control and operations, EVRAZ streamlined its organisational structure in 2015, establishing new divisions based on the geography of assets: Ural, Siberia and Ukraine. To head these, the Group appointed new vice-presidents based on the ground thereby moving the management focus to assets (see page 109 for more details).

Despite the many challenges posed by the ongoing macroeconomic instability, the management team proved that it can accomplish the most ambitious tasks, and this gives me great confidence in the positive prospects for EVRAZ and its future success.

Governance and succession

One of EVRAZ strengths is its experienced board, which reviews its composition and performance regularly.

In 2015, Terry Robinson stepped down as an independent non-executive director, having been a Board member for nine years. On behalf of EVRAZ, I would like to thank him for his major contribution to the business. Terry remained an adviser to the Board and the Audit Committee until 14 March 2016.

Succeeding Terry is Deborah Gudgeon, who has also become Chairman of the Audit Committee. She is a chartered accountant with extensive experience and I would like to welcome her once again. Her presence on the Board increases gender diversity in line with the recommendations of the report by Lord Davies.

In 2015, Sir Michael Peat, our senior independent non-executive director, stepped down from the Audit Committee. He remains Chairman of the Nominations Committee. Succeeding Sir Michael on the Audit Committee is Alexander Izosimov, an independent non-executive director.

In addition, Karl Gruber, an independent non-executive director, has replaced Terry Robinson on the Nominations Committee.

As part of our duty to run the Group in a responsible, sustainable and transparent manner for all shareholders, our paramount ongoing priority is to ensure that the business is governed as required. The Board follows changes to corporate governance reporting requirements closely and remains actively involved in discussing and shaping EVRAZ strategy.

As part of our duty to run the Group in a responsible, sustainable and transparent manner for shareholders, our paramount ongoing priority is to ensure that the business is governed appropriately.

Board changes

To respond both to today's challenges and EVRAZ future strategic direction, the Board reviewed the appropriate composition and has made a decision to downsize the Board of Directors in 2016.

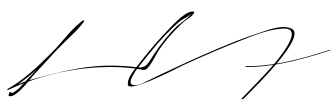
Duncan Baxter, the current chair of the Remuneration Committee, and Olga Pokrovskaya stood down as directors on 14 March 2016.

As a result, a number of changes will be made to the Board Committees: Alexander Izosimov will assume the Chairmanship of the Remuneration Committee (in succession to Duncan Baxter), Deborah Gudgeon and Sir Michael Peat will join the Remuneration Committee, and Karl Gruber will step down from the Remuneration Committee. In addition, Karl Gruber will join the Audit Committee.

On behalf of the Board I would like to thank them for their considerable efforts and many years of successful service. (pls, see page 112 for more detail).

As we progress through 2016, the external environment remains challenging. At the same time, EVRAZ is well positioned to adapt rapidly to any economic turbulence and maintain its industry-leading positions. In large part, this is due to the unswerving commitment of our team, and I would like to thank the members of the Board, the management and every one of our employees for their efforts and dedication.

I firmly believe that we have the right team and strategy to fulfil our ultimate objective, namely to deliver long-term sustainable returns to shareholders, whom I would also like to thank for their support in 2015.



ALEXANDER ABRAMOV
Chairman of the Board
EVRAZ plc

CHIEF EXECUTIVE OFFICER'S LETTER

Dear shareholder,

The year 2015 was challenging year both for the global steel industry and for EVRAZ. The first half of the year was positively impacted by the Russian rouble devaluation, which significantly lowered the Group's costs and improved profitability. By the end of the year, however, lower prices of steel and bulk commodity products had negatively impacted EVRAZ results.

Alongside the negative global dynamics, the key markets of Russia and North America faced specific regional issues. Stagnation in the Russian economy led to a fall in domestic steel consumption in the construction and infrastructure segments of 14% year-on-year. The North American market was affected by low oil and gas activity and high steel imports. The market for coking coal was mainly driven by a decline in Chinese imports, and prices dropped by 21% year-on-year.

In response to the difficult environment, EVRAZ introduced a programme of countermeasures, delivering continuous revenue and cost improvements. In 2015, they contributed an additional US$374 million to EBITDA, which together with working capital and investment discipline resulted in a strong year end free cash flow. The Group also sought to acknowledge the ongoing support of both its equity and credit investors, conducting a share buyback of US$339 million and reducing net debt by US$465 million in 2015.

Strategy: focus on competitive advantages

In 2015, EVRAZ maintained a strong focus on its competitive advantages to meet the challenges of the current market, extending its leadership in infrastructure steel products worldwide and in the Russian coking coal market.

Leader in infrastructure steel products

The Group's work to develop high-value-added steel products in Russia and North America is of great importance for enhancing its favourable positions in key market segments.

In 2015, EVRAZ's railway product business sold 545 thousand tonnes of special-purpose premium rails to Russian Railways and exported 150 thousand tonnes of rails and wheels, including to CIS countries. The Group obtained the necessary quality certification and developed its customer base in new destinations, such as Brazil, Turkey, Malaysia, Vietnam, Cuba, Peru, Slovenia and the Czech Republic.

Expanding its international presence in another segment, EVRAZ exported 806 thousand tonnes of construction steel products from its Russian mills in 2015, up by 80 thousand tonnes from 2014. The Group supplying the markets of United States, United Kingdom, United Arab Emirates, Hong Kong and Taiwan as well as multiple other overseas destinations with beams, rebar and wire rod.

Due to the strong oil and gas transmission market in the US and Canada and established client relationships there, EVRAZ increased sales of large-diameter pipes (LDP) by 6% in 2015.

Altogether, customer focus initiatives contributed US$53 million to the Group's EBITDA in 2015.

Strong position in coking coal market

As the largest producer of coking coal in Russia, EVRAZ considers this part of its business to be an important separate value stream, one that brings product diversification and a strong client base in Russia and abroad.

In 2015, EVRAZ sold 10 million tonnes of coking coal domestically, half of which were external sales mostly covered by long-term contracts. Its share in of the market for fat grades was c.43% for the year.

In 2015, the Group increased coking coal sales to the premium markets of Japan, South Korea, Europe and Ukraine during the year to 2.7 million tonnes.

In 2015, EVRAZ maintained a strong focus on its competitive advantages to meet the challenges of the current market, extending its leadership in infrastructure steel products worldwide and in the Russian coking coal market.

Vertically integrated low-cost operations

Having low-cost operations is crucial for EVRAZ, especially in a period of declining steel and raw material prices. During 2015, the Group implemented a strong pipeline of initiatives to improve its cost position in key segments.

EVRAZ achieved US$321 million of cost savings in 2015, as per management accounts adjusted to eliminate macroeconomic affects (such as exchange-rate fluctuations and inflation) and once-off expenditures (such as employee severance payments and other discontinuation costs), reaching the initially stated target. The main contributors were improvements in raw material consumption yields and in productivity, the energy efficiency programme, maintenance procedures, general and administrative expenses, and asset optimisation.

Delivering the focus on key assets EVRAZ sold its non-core structural tubing business in Portland, the US, for US$51 million.

During the year, EVRAZ completed two investment projects that improved its long-term cost competitiveness. The billet caster at ZSMK was rebuilt (total CAPEX of US$50 million) and the upgraded equipment was recommissioned in the fourth quarter. The project aimed to increase the capacity of the facility's continuous casting machine from 1.2 million tonnes to 2.2 million tonnes to partly replace the billet volumes produced at the blooming mill and then processed into long steel products or exported. Lower yields and conversion consumables of new equipment improved billet cash costs, supporting profitability of exports. Overall, the Group's semi-finished products cash costs[1] were US$195 per tonne for 2015, allowing all exports to be sold profitably.

EVRAZ also completed the transformation of the Sheregesh iron ore mine (total CAPEX of US$72 million), under way since 2014. By increasing the run-of-mine capacity from 2.2 million tonnes to 4.8 million tonnes and applying new underground mining technologies, the project reduced iron ore cash costs at the mine by 49%. In 2015, the Group's iron ore products cash costs[1] were US$30 per tonne, lower than the domestic market price of US$44 per tonne, proving the efficiency of its vertically integrated business model.

US$ 321 million
of cost savings

Operating results

Despite the market downturn, EVRAZ was able to maintain full utilisation capacity in 2015 due to its low cost positions across the industry. The Group also maintained its premium product portfolio, helping to mitigate margin deterioration.

Crude steel production volumes at the Group's mills in Russia and Ukraine were lower by 3% overall, mainly because of planned downtime due to investment projects. Product

[1] *FCA basis*

portfolio improvements and the increase of international exposure helped EVRAZ reach the production target of 694 thousand tonnes of rails at the new mill at ZSMK. The Group is committed to reaching full capacity in 2016 by increasing rail volumes by a further 100 thousand tonnes.

Steel production at the North American operations declined by 9.4% year-on-year, mainly due to planned outages at steelmaking facilities and moderate demand, although key product results were strong. LDP production volumes were 0.4 million tonnes while rails volumes were 0.5 million tonnes.

In 2015, coking coal production volumes at operating mines were relatively stable at 20.9 million tonnes, while the care and maintenance of the MUK-96 mine was off-set by an increase in volumes at the Raspadskaya mine.

Financial performance

Despite the market conditions, the Group's cost-efficiency programme and market initiatives helped to achieve an EBITDA margin of 16.4% in 2015, just 1.6 percentage points lower than in 2014. Total EBITDA was US$1,438 million, 38.9% lower than US$2,355 million in 2014. The Group incurred a net loss in 2015 of $719 million, 43.7% lower than the loss of US$1,278 million in 2014.

EVRAZ was able to show strong net cash flows from operating activities which contracted only by 17% from US$1,957 in 2014 to US$1,622 in 2015, US$329 of which is attributed to changes in net working capital.

During the year total capital expenditures of EVRAZ were US$428 million, 35% lower than US$654 million in 2014 mainly due to the completion of major capital-intensive projects and Russian rouble devaluation.

Free cash flow totalled US$799 million in 2015, allowing EVRAZ to make a share buyback offer and reduce net debt. As of 31 December 2015, the Group's net debt was US$5,349 million,compared to US$5,814 million a year earlier.

Outlook

As the world moves into 2016, the fundamentals of the steel and bulk commodities industries remain poor. Given the current environment, EVRAZ will remain focused on cost efficiency and product development to support its financial stability and optimise its positioning to enable it to capitalise on any recovery in wider market conditions.

US$ 799 million

Free cash flow

ALEXANDER FROLOV
Chief Executive Officer
EVRAZ plc

EVRAZ BUSINESS MODEL

1 OUR VISION

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

2 STRATEGIC PRIORITIES

To be a leader EVRAZ is implementing the strategy based on five success factors each of which is of crucial importance.

3 MARKET OVERVIEW

Market demand and dynamics are the key inputs to our strategy and initiatives pipeline and have direct immediate impact on our financial results. To maintain leading market positions in domestic geographies as well as the global market place EVRAZ maintains a continuous effort to develop new products and increase the share of high-value-added products in our portfolio.

See pages 18-27

EVRAZ has changed one of its success factors from growth to asset development, highlighting the shift from external business expansion to cost efficiency.

Health, Safety & Environment

Encouraging 100% safe working conditions and 100% environmental compliance

Human Capital

Appreciating the Group's people by providing professional development and career growth opportunities

Customer Focus

Responding to the evolving needs of our customers, providing tailored services and developing new products

Asset Development

Maintaining cost leadership, applying new technologies and optimising asset configurations

EVRAZ Business System

Continuous operational improvements and implementing a culture driving for change

See pages 14-17

SUPPORTING BUSINESS PROCESSES

6 | Environment
See pages 87-92

7 | Safety
See pages 84-86

8 | Health
See pages 84-86

9 | Human resources
See pages 95-101

EVRAZ's strategy is to be at the forefront of the industry with a world-class product portfolio and sustainable low-cost position.

4 BUSINESS SEGMENTS

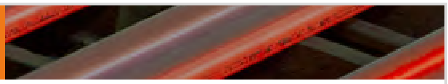
Steel

Steel segment of EVRAZ is mainly focused on steel production in the CIS from closely located raw materials to serve the domestic infrastructure and construction market while maintaining export flexibility. EVRAZ steelmaking business is self-covered in iron ore by 85%. Processing vanadium slag from steelmaking operations also decreases production cost and is the base for the EVRAZ vanadium business.

- Iron ore mining
- Steelmaking
- Rolling
- Logistic & sales
- Customers

See pages 54-65

Steel North America



The North American steel segment business model serves premium markets of Western United States and Western Canada with high value-added steel products for infrastructure, rails and LD/OCTG pipes. Being vertically integrated in scrap and re-rolling slab from Russian steel operations also helps protect margins.

- Scrap recycling
- Steelmaking
- Rolling
- Customers

See pages 66-73

Coal

EVRAZ Coal segment not only supplies own steel mills with necessary raw material but also provides coking coal to major Russian coke and steel producers and serves export markets with its own sea port. Being the largest coking coal producer in Russia EVRAZ is able to capture additional margins due to an attractive product portfolio and a low-cost position.

- Coal mining
- Coal washing
- Logistic & sales
- Customers

See pages 74-79

5 COMPETITIVE ADVANTAGES

Our 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

See pages 4-51

10 | EVRAZ BUSINESS SYSTEM and Quality management
See pages 50-51

11 | Corporate governance
See pages 103-149

12 | Risk management
See pages 115-117

STRATEGIC PRIORITIES AND KEY PERFORMANCE INDICATORS

EVRAZ's strategy focuses on five success factors. Each factor has an established set of strategic goals. Based on these strategic goals EVRAZ executes agreed initiatives and tracks the process of strategy deployment through certain KPIs.

1 | Health, Safety & Environment

Strategic goal | Health and safety of employees is a primary focus for EVRAZ. The Group's strategic goal is to have 100% safe work conditions, safe behaviour, environmental compliance and to become the steel industry leader in healthy lifestyle among employees.

Overview | HSE initiatives during year 2015 were focused on a LOTO (Lockout, Tryout) energy isolation programme and safety trainings with behaviour conversations.

Outlook | In 2016 EVRAZ will continue its efforts in communicating safe behaviour and include health topics in the training. The Group will also improve internal audit processes to identify hazard areas and establish standards of safe work.

Comments on KPI | Despite the Group's efforts, there were 13 fatalities (10 employees and 3 contractors) at its sites during the year, while the LTIFR (excluding fatalities) reached 2.18x, compared with 1.60x in 2014 due to more transparent reporting. EVRAZ remains committed to the goal of reaching zero fatalities at its sites and will continue efforts to improve reporting transparency.

2 | Human Capital

Strategic goal | EVRAZ prioritises the development of its people providing a competitive salary for leading productivity with a long-term target to involve 80% of the total workforce in development programs.

Overview | During 2015 EVRAZ key initiatives were aimed at optimizing support and maintenance personnel by outsourcing certain functions and implementing a number of projects on labor productivity increases.

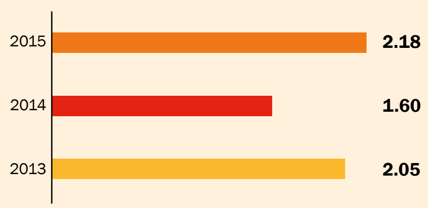
Outlook | Looking into 2016 the Group's focus will be on creating a unified system of selection, evaluation and training for site employees, developing the principle of long-term labor cost planning and further headcount optimisation.

Comments on KPI | The Group was able to decrease its labor costs per tonne of steel products in 2015 to US$42.8 per tonne down by 22% from US$54.7 per tonne in 2014 due to local currencies devaluation and its continuing labor productivity improvements.

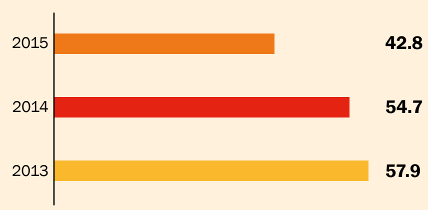
KPIs

EVRAZ measures its overall progress using key performance indicators (KPIs). This year the Group has amended its KPI list to more accurately reflect the development of its business, the evolution of its business systems and to align with divisional management focus.

LTIFR (excluding fatalities) per million hours



Labour productivity, US$/t



3 | Customer Focus

Steel

Strategic goal | EVRAZ aims to be the leader in Russian infrastructure and construction steel products, a global leader in rails and to increase the share of high-value-added products in its portfolio.

Overview | Last year the Group's major initiatives targeted expansion of export capabilities by receiving the necessary certifications and reaching the new markets of Brazil, Malaysia and other with its railway products, improving the product portfolio of its 100-meter rails with premium grades and the increase in production of high-value micro-alloyed pipe grade slabs for tubular customers that accounted for US$50 million EBITDA effect in 2015.

Outlook | In 2016 the Group will continue the expansion of its product portfolio in construction, railway and mining segments in Russia and CIS, increase export presence of rails, beams and rebar and work on the development of engineering services for its clients.

Steel, North America

Strategic goal | EVRAZ North America aims to be the largest producer of large-diameter pipes with superior market position, product capabilities and asset footprint; the largest producer of rails with strong technical partnerships with customers.

Overview | During 2015 the Group increased the share of its premium rails sales, upgraded its OCTG product mix with high-value-added heat-treated pipe and started two investment projects at Regina mill aimed at production of thicker-wall large-diameter pipes for the very strong oil & gas midstream transmission market in United States and Canada over the next 3-5 years.

Outlook | In 2016 the Group will work on LD pipes projects, focus on sales sustainability at its rail mill and increase plate sales to 3rd parties.

Coal

Strategic goal | The Group's strategic goal is to maximize market share in Russia and Ukraine, while expanding export sales to prime customers in Asian and Europe.

Overview | Last year the Group's efforts helped us to keep stable domestic market share and increase export shipments to premium markets of Japan and South Korea.

Outlook | During 2016 the Group will be focused on the expansion of its coal grades presence in the Ukrainian market, and improving its coking coal quality stability.

4 | Asset development

Steel

Strategic goal | EVRAZ aims to be a low-cost vertically integrated producer of infrastructure steel products both in domestic and international markets.

Overview | In 2015 the Group focused on yield improvements at its rail mill, optimised headcount and G&A expenses, realized projects on slag recycling and energy efficiency and deconsolidated EVRAZ Highveld Steel and Vanadium that had an immediate effect on our financials. All these initiatives improved EBITDA by US$190 million last year.

Outlook | In 2016 the Group will develop a long-term continuous cost reduction program for each of the Group's plants, create a capacity optimisation strategy and focus on logistics, yield improvement, energy consumption and G&A cost reduction initiatives.

Comments on KPI | Cash costs of semi-finished products was US$195 per tonne in 2015, lower by 29% from US$275 per tonne in 2014 due to operational improvement, volume stability and currency devaluation.

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 Western United States and Western Canada.

Overview | Last year the Group's initiatives were focused on slab supply management, G&A reduction, stability of LD pipe production and operational performance improvements at Group's OCTG mills. Also EVRAZ was were able to close certain cash flow negative and non-core assets. In total, these initiatives contributed US$58 million.

Outlook | 2016 year's pipeline includes conversion costs reduction, capacity utilisation improvements, scrap purchase strategy and further G&A costs reductions.

Coal

Strategic goal | The Group's strategic goal is to be the safety, technology and productivity leader in coking coal mining in Russia.

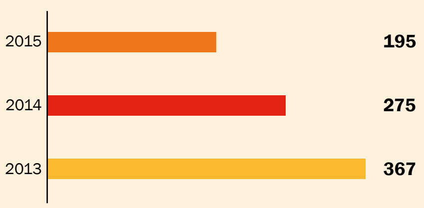
Overview | During 2015 EVRAZ were able to increase mining volumes, reduce auxiliary materials' consumption, 3rd parties' service costs and G&A expenses due to operational synergies at Raspadskaya and Yuzhkuzbassugol with a financial contribution of US$72 million.

Outlook | In 2016 the Group's main focus will be on improvements in its mining operations to increase volumes and improve yields in its processing facilities.

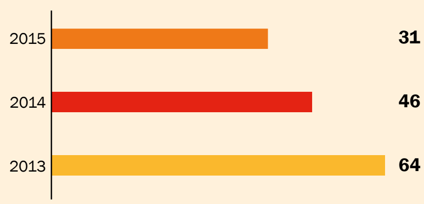
Comments on KPI | Cash cost of the coal segment was US$31 per tonne in 2015, lower by 33% from US$46 per tonne in 2014 due to mines optimization, G&A reduction and currency devaluation.

KPIs

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



Cash cost of coking coal concentrate, US$/t



[1]*Cash cost of slab and billets produced at Russian steel mills*

5 | EVRAZ Business System

Strategic goal | EVRAZ Business system (EBS) is the methodology applied by the Group's people to continually improve the effectiveness of its business using lean principles. EVRAZ aims to create a culture of continuous improvements with 100% of employees involved. Developing the methodology, providing necessary trainings and creating the motivation for change allows EVRAZ to be successful in lean implementation throughout the whole organization from the top management to workers at the shop floor. Each division of EVRAZ has a pipeline of initiatives on lean philosophy implementation that are targeted on the improvement of its profitability.

Overview | During 2015 EVRAZ was able to train 20% of the entire workforce on lean practices, started to develop the EVRAZ inventory management system and expanded its lean model lines using more advanced tools.

Outlook | Next year's initiatives will be aimed at lean projects in equipment maintenance procedures and the further development of inventory management systems while enhancing the Group's lean training efforts.

Results in 2015

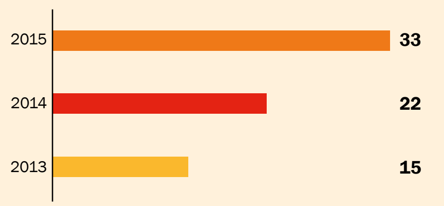
Last year's cost cutting initiatives resulted in a US$321 million EBITDA effect. Combined with US$53 million of customer focus efforts EVRAZ total EBITDA improvements were US$374 million for 2015.

Despite our strong initiatives market headwinds led to overall EBITDA of US$1,438 million, less by 38.9% than US$2,355 million in 2014.

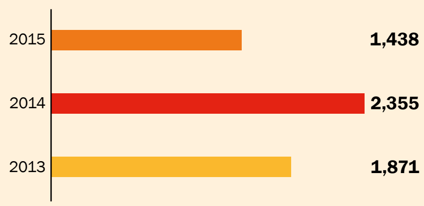
Free cash flow was US$799 million in 2015, down by 21.0% from US$1,012 million in 2014. The decrease is less than EBITDA due to changes in working capital, CAPEX reduction and cash flows from asset disposals.

KPIs

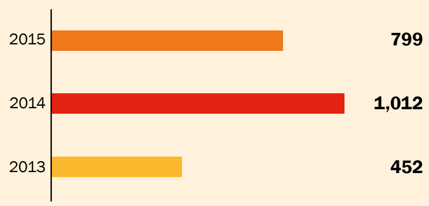
Number of lean model lines



EBITDA, US$ million



Free cash flow, US$ million



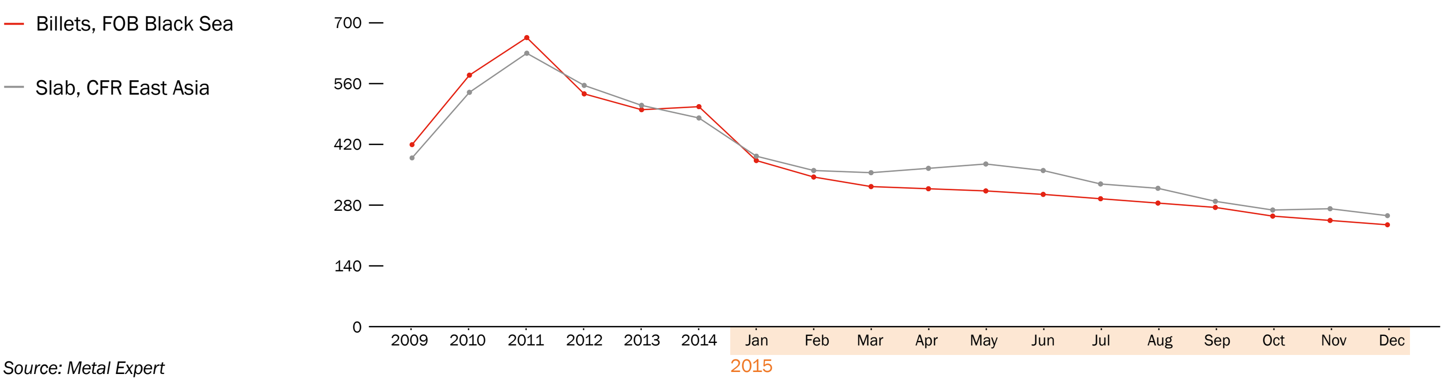
MARKET OVERVIEW

Global picture

The global steel and bulk commodities industry experienced another challenging year in 2015 due to structural overcapacity and the ongoing restructuring in the Chinese economy. Weak demand and excess supply in the steel, iron ore and coking coal markets led to a negative global price environment during the year.

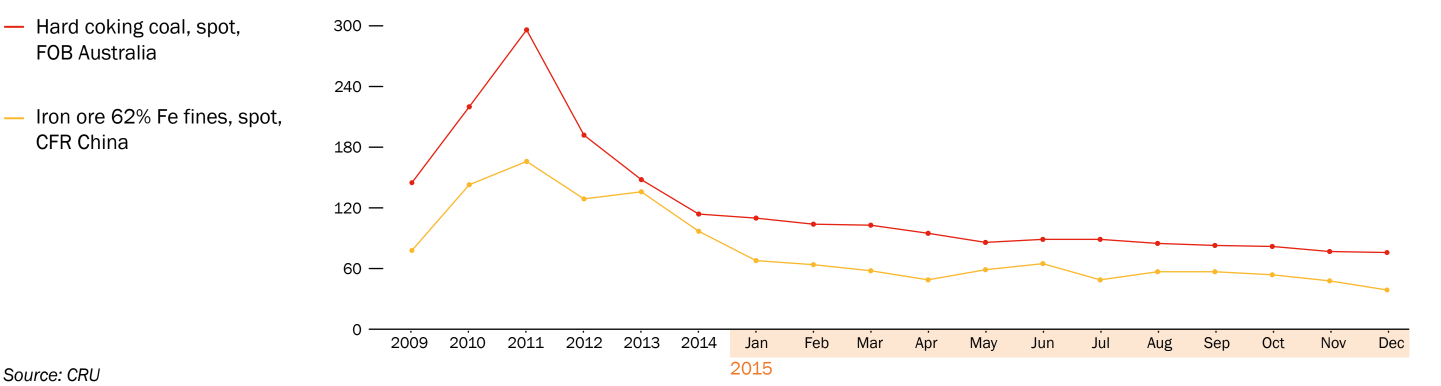
China consumed 671 million tonnes of steel products in 2015, down 5.5% year-on-year, while its steel production fell by just 2.7%. As such, its net exports rose to 104 million tonnes in 2015, up by 25% from 83 million tonnes in 2014. Together with weak steel demand in other regions, this put pressure on global steel prices, which declined by an average of 28% year-on-year in 2015. Global steel capacity utilisation reached 65% by the end of the year, down from the average of 73% for 2014 and the lowest rate since the bottom of the 2008-09 credit crunch.

Global steel prices, US$/t



Source: Metal Expert

Global raw material prices, US$/t



Source: CRU

Iron ore prices were negatively affected by stagnant global demand for the commodity, while 90 million tonnes of additional seaborne supply from Australia and Brazil came on-stream during 2015. These low-cost projects pushed down the global cost curve and forced uncompetitive producers out of the market, mostly domestic Chinese miners. Compared with US$97 per tonne for 62% Fe CFR China in 2014, prices averaged US$56 per tonne in 2015, down by 43%.

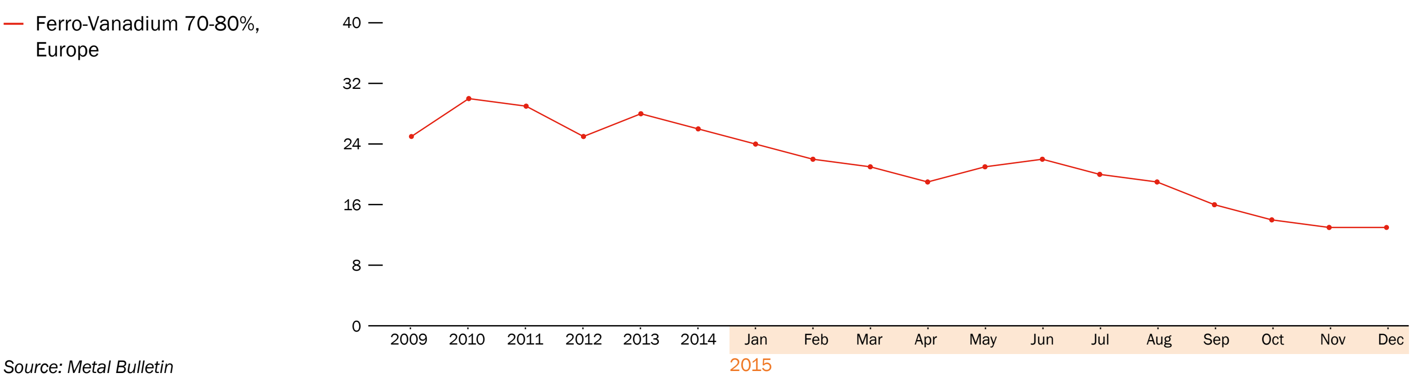
Coking coal followed the same path, driven by the dynamics of the steel market. Lower steel production meant a decrease of 14 million tonnes of coking coal imports to China in 2015. Global trade volumes decreased by 5% in the year, as exports from the US and Canada fell and Australia gained market share. Prices fell by 21% year-on-year. Based on spot FOB Australia contracts, the price of hard coking coal averaged US$90 per tonne in 2015, compared with US$114 per tonne in 2014.

While the market is not expected to recover in 2016, the Group believes that the situation is unlikely to worsen substantially. As the global iron ore supply and Chinese steel exports already peaked in 2015, the Group expects that commodity prices will face less negative pressure next year. Given current steel prices, producers globally continue to face low profitability, which will make certain future development unsustainable, leading to calls for capacity optimisation and market rebalancing.

Long-term prospects:

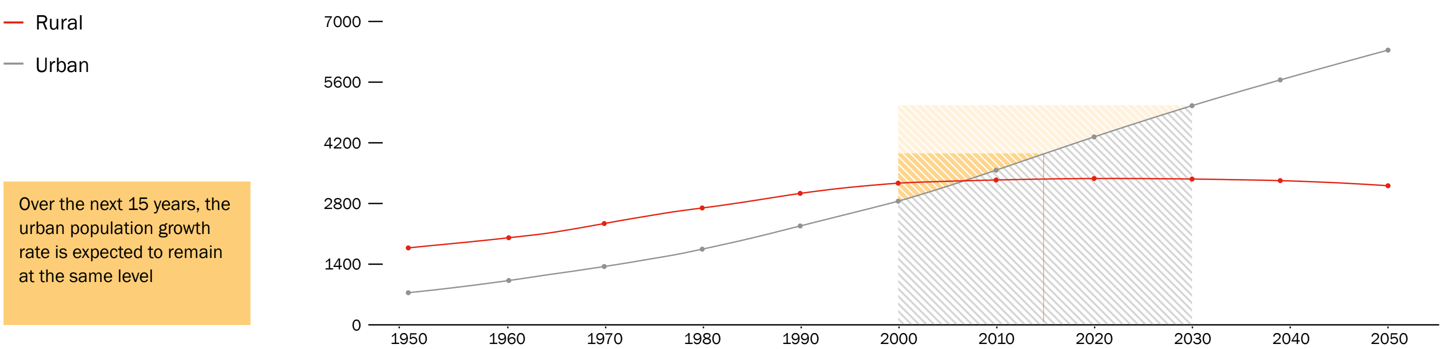
Ongoing urbanisation is a long-term driver for steel consumption growth. During the global steel supercycle of the last 15 years, the global urban population has increased by 1.1 billion people. The United Nations forecasts that by 2030, it will rise by another 1.1 billion people, highlighting the potential for a sustainable upside in global steel use.

Global vanadium prices, US$/kg



Source: Metal Bulletin

Global urban and rural populations, 1950-2050, million people



Source: United Nations

Steel segment

EVRAZ sales volumes

In 2015, EVRAZ Steel segment external steel product sales volumes fell by 2.7% year-on-year, although different product groups exhibited different dynamics. Sales volumes of semi-finished steel products to 3rd parties increased by 18.2% year-on-year mainly due to reduced internal slab consumption of North American operations and lower demand for finished steel products. Construction products sales volumes fell by 10.8% year-on-year due to weak demand in the local Russian and Ukrainian markets. Sales volumes of railway products, including rails and wheels, dropped by 24% overall. External sales volumes of flat-rolled products dropped by 51.5% in 2015, mostly following the deconsolidation of EVRAZ Vitkovice Steel and EVRAZ Highveld Steel and Vanadium. Another factor was lower sales of third-party producers' flat-rolled goods by EVRAZ Metall Inprom, amid reduced demand.

EVRAZ sales volumes of key finished products in Russia declined in 2015. Russian rebar sales fell by 20% year-on-year due to the slowdown in construction and lower mortgage issuance. Beam sales dropped by 24% year-on-year and angles and channel sales by 18% due to lower domestic infrastructure investment. The most significant decline was in wheel sales, which slumped by 35% due to extremely low railcar production. While Russian Railways bought 3% fewer rails from EVRAZ in 2015, volumes were in line with the contracts. At the same time, sales of grinding balls rose by 17% amid new mining projects in Russia.

Sales volumes of Steel segment, kt

	2015	2014	Change,%
Steel products, external sales	**12,227**	**12,566**	**(2.7)%**
Semi-finished products	5,600	4,737	18.2%
Construction products	4,583	5,140	(10.8)%
Railway products	1,007	1,325	(24.0)%
Flat-rolled products	383	789	(51.5)%
Other steel products	654	575	13.7%
Steel products, intersegment sales	**560**	**954**	**(41.3)%**
TOTAL STEEL PRODUCTS	**12,787**	**13,520**	**(5.4)%**
Vanadium products (tonnes of pure vanadium)	**18,074**	**20,806**	**(13.1%)**
Vanadium in slag	4,082	3,220	26.8%
Vanadium in alloys and chemicals	13,992	17,586	(20.4)%
Iron ore products	**4,421**	**4,542**	**(2.7)%**
Pellets	1,388	1,288	7.8%
Other iron ore products	3,033	3,254	(6.8)%

Despite the slowdown of domestic shipments during 2015, EVRAZ was able to preserve its leading positions in key high-value-added product segments. Its share of the domestic rebar market was stable at 16%. Market shares for beams, structural shapes (channels and angles) and wheels showed slight decline and were 64%, 48% and 28% respectively. Grinding balls market share increased to 68%. EVRAZ remained the leader in rail production with 97% market share for the year.

EVRAZ Caspian Steel ramped up production during the year reaching rebar sales of 0.3 million tonnes in 2015. It sold these predominantly in Kazakhstan and neighbouring Central Asian countries.

Despite the turbulence in the Ukrainian market, EVRAZ DMZ Petrovskogo kept steel products' sales stable at 0.9 million tonnes and increased export shipments in 2015.

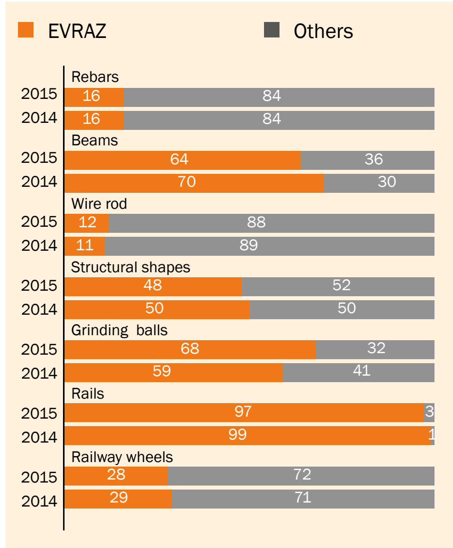
EVRAZ vanadium product sales volumes fell by 13.1%, from 20.8 thousand tonnes of pure vanadium in 2014 to 18.1 thousand tonnes in 2015.

EVRAZ sold 1.4 million tonnes of iron ore pellets to 3rd parties in the year, up 7.8% from 2014, due to an increase in domestic orders. Other iron ore product external volumes dropped by 6.8% year-on-year due to weak demand in Ukraine and deconsolidation of Highveld.

In 2015, EVRAZ demonstrated flexibility in redirecting sales from the domestic to the export market, thereby maintaining production and helping to increase profitability. Steel product sales outside Russia and the CIS reached 5.8 million tonnes, up 13% year-on-year. EVRAZ significantly enhanced its sales to Europe, which reached 1.6 million tonnes, maintained stable shipments to Asia, which declined only by 5%, and increased sales to other global destinations by 15% to 1.2 million tonnes.

As part of EVRAZ commitment to its customers, the Group maintains a continuous focus on enhancing the export of premium products. In 2015, outside Russia and the CIS, EVRAZ sold 31 thousand tonnes of rails and wheels (up 59% from 2014), 191 thousand tonnes of beams (up 12%) and 170 thousand tonnes of rebar (up 277%).

EVRAZ market share in Russia by key products, volumes



Source: Metal Expert

Geographic breakdown of external steel product sales, kt

	2015	2014	Change, %
Russia	5,413	6,428	(15.8)%
Asia	3,020	3,182	(5.1)%
Europe	1,617	956	69.1%
CIS	987	965	2.3%
Africa, America and the rest of the world	1,190	1,035	15.0%
TOTAL	**12,227**	**12,566**	**(2.7)%**

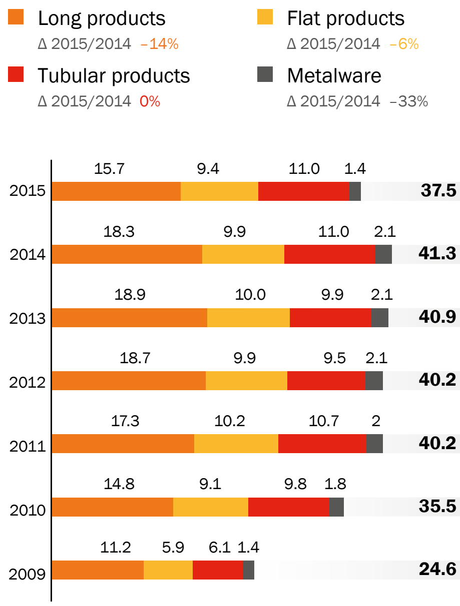
Trends in the Russian steel market

The Russian economy contracted by 3.7% in 2015, causing domestic steel consumption to decrease. Russia consumed 37.5 million tonnes of steel products in 2015, down 9.4% from 41.3 million tonnes in 2014. Demand fell by 14% for long steel, 6% for flat products and remained unchanged for tubular products. At the same time, the rouble devaluation decreased local steelmakers' costs and made them more competitive in international markets. This boosted export sales (28 million tonnes in 2015, up 6.6% from 2014) and helped overall production to remain mostly unchanged year-on-year.

During 2015, steel prices in Russia were generally lower year-on-year. The rebar price CPT Moscow averaged US$352 per tonne, down 33% from US$528 per tonne in 2014. Channels averaged US$423 per tonne, down 27% from US$579 per tonne in 2014. Prices of flat steel products were generally stronger than those of long products in 2015. Hot-rolled coil averaged US$394 per tonne CPT Moscow, down 21% from US$499 per tonne in 2014. Plates averaged US$433 per tonne, down 16% from US$516 per tonne in 2014.

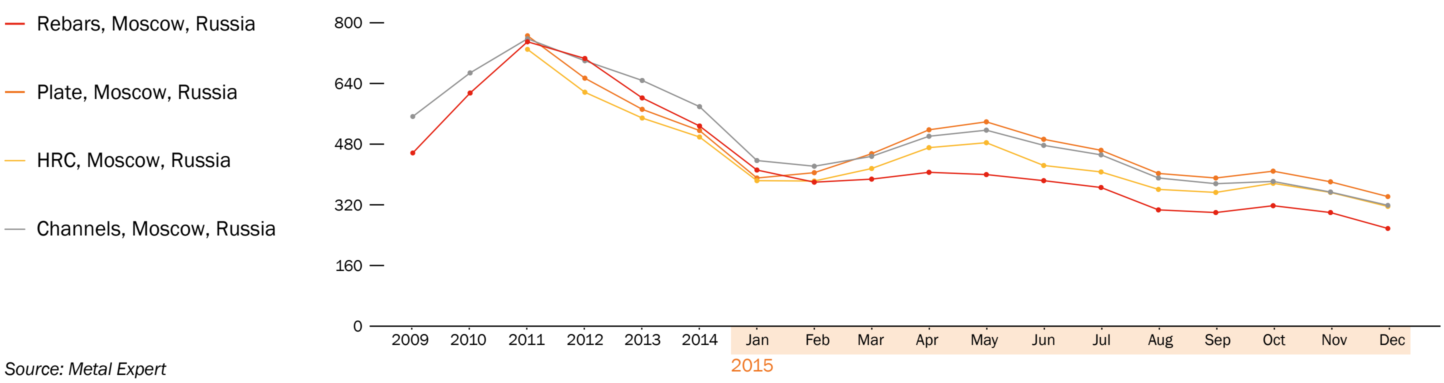
EVRAZ does not anticipate substantial steel demand improvements in Russia in 2016. The situation will be driven by construction activity, fixed asset investment, oil prices and mortgage market dynamics.

Russian steel consumption by product type, mt



Source: Metal Expert

Russian steel: prices, US$/t



Source: Metal Expert

Trends in other steel segment markets

In 2015, instability in Ukraine led to lower demand in that market. Internal consumption declined by 19%, from 4.2 million tonnes in 2014 to 3.4 million tonnes. In addition, overall crude steel production fell by 15.6%, from 27.1 million tonnes in 2014 to 22.9 million tonnes. Steel exports fell by 16% to 17.5 million tonnes.

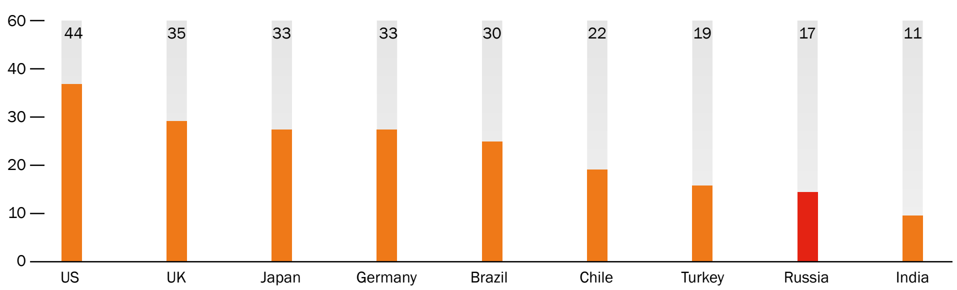
Kazakh steel consumption was relatively stable in 2015 at 2.8 million tonnes of steel products. Domestic companies produced 3.6 million tonnes of crude steel last year, down only 3% from 2014. Exports of steel products were 2.5 million tonnes, down 1% from 2014. Imports declined by 10% to 1.8 million tonnes.

As 90% of vanadium is consumed by the steel industry, slowing demand impacted the global market for the metal in 2015. Total consumption decreased by 4%, from 83 thousand mtV in 2014 to 80 thousand mtV. The average LMB ferrovanadium price was US$18.6 per kgV in 2015, 27% lower than US$25.5 per kgV in 2014.

Long-term prospects:

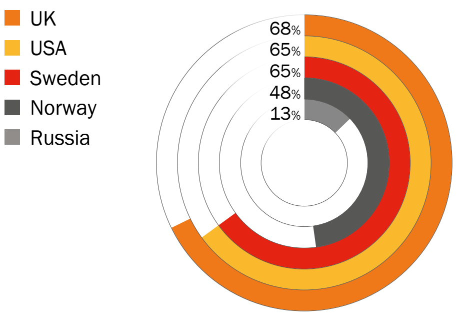
- Russia currently has only 17 square metres of living space per person, compared with more than 30 square metres in the US, UK, Japan and Germany. This gap highlights the potential for an increase in residential construction, supporting domestic demand for long steel.
- In non-residential construction, the potential for greater steel demand relates to the way buildings are constructed. While more than 65% of buildings have steel-frame constructions in developed countries, the figure is only 13% in Russia. Moving from concrete-based to steel-based construction could boost the market for structural and infrastructure steel segments.

Infrastructure: floor space – square metres per capita



Source: OECD, EIU

Share of buildings with steel frames,%



Source: Steel Construction Institute, Rosstat

Steel, North America segment

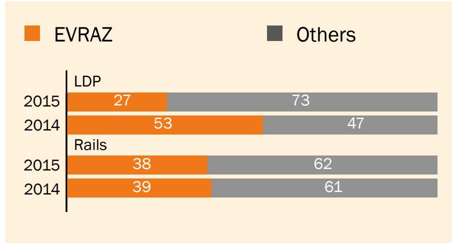
EVRAZ sales volumes

EVRAZ North America's steel product sales volumes declined by 14.9% in 2015, from 2.6 million tonnes in 2014 to 2.2 million tonnes, due to market conditions and asset optimisations. Sales volumes of construction products fell by 21.6% due to the disposal of a structural tubing business and competition from imports of wire rods. Flat products volumes declined 7.6% to 570 thousand tonnes in 2015 when compared to 2014 volumes of 617 thousand tonnes. During the year EVRAZ successfully continued shifting the product mix to premium grades.

EVRAZ sold 518 thousand tonnes of railway products in 2015, 3.5% less than 537 thousand tonnes in 2014, mainly due to operational issues and abnormally low Q3 2015 orders from Class I railways. Tubular products sales decreased by 22.3% to 814 thousand tonnes in 2015, down from 1,048 thousand tonnes in 2014. This was mainly due to falling sales of oil country tubular goods (OCTG) products, which declined by 61%, from 393 thousand tonnes in 2014 to 151 thousand tonnes in 2015, amid a rapid decline in drilling activity caused by low oil prices. Sales volumes of large-diameter pipes (LDP) were strong, rising by 6% to 363 thousand tonnes, up from 344 thousand tonnes in 2014, due to new pipeline projects by midstream infrastructure companies and ongoing client focus initiatives.

During 2015 EVRAZ North America maintained its leadership in rail with c.40% market share by volume and LDP pipe with 27% market share. During the year, demand for LDP in North America approximately doubled when compared to 2014, ramping up production at the Group's LDP facilities enabled us to remain the largest North American LDP producer. In comparison, the estimated combined market share from the other seven domestic producers was 30% while imported LDP from a variety of sources achieved a 43% share. During the year, the Group announced projects at its Regina Steel Making and LDP mills to continue elevating the bar on quality and growing EVRAZ leadership position in LDP.

EVRAZ market share in North America by key products and volumes, %



Source: U.S. Census Bureau Imports Statistics, Public filings

Sales volumes of Steel, North America segment, kt

	2015	2014	Change, %
Steel products			
Construction products	320	408	(21.6%)
Railway products	518	537	(3.5%)
Flat-rolled products	570	617	(7.6%)
Tubular products	814	1,048	(22.3%)
TOTAL	**2,222**	**2,610**	**(14.9%)**

Trends in North American steel market

Steel consumption in North America (the US and Canada) totalled 117 million tonnes in 2015, down 10% from 130 million tonnes in 2014. Demand for long products fell by 5%, flat products by 9% and tubular products by 29%. Despite the decline in overall consumption, the fundamentals of the Group's key products were strong.

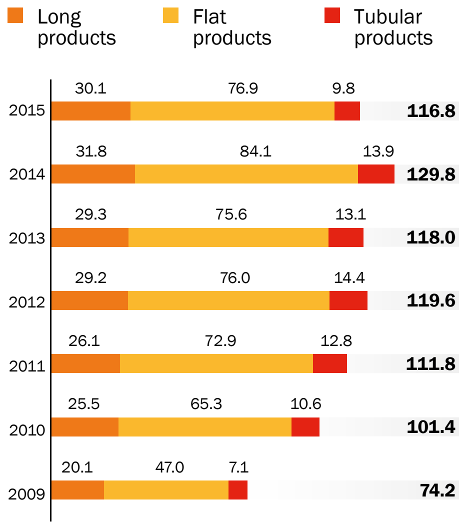
Consumption of LDP nearly doubled in 2015, reaching 1.5 million tonnes, up 0.7 million tonnes from the year before. The demand can be classified into three product categories: oil pipelines, pipelines to LNG terminals and natural gas pipelines. Current oil production at the Canadian oil sands and US Bakken shale formation requires pipelines to transport oil economically to major North American, European and Asian markets. The natural gas price differential between North America and Asia provides attractive LNG investment opportunities. On the natural gas side, recent changes in regional supply and demand balances (for example, the construction of new gas-fired electricity plants) are driving the need for new pipelines.

The North American rail market was fairly stable in 2015, consumption amounting to 1.4 million tonnes. Infrastructure spending was particularly high in the year due to the urgent infrastructure needs of railway companies stemming from increased oil and gas-related shipments.

Prices of flat products decreased by 30% to US$638 per tonne in 2015, while those of OCTG fell by 19% and of rebar by 13%.

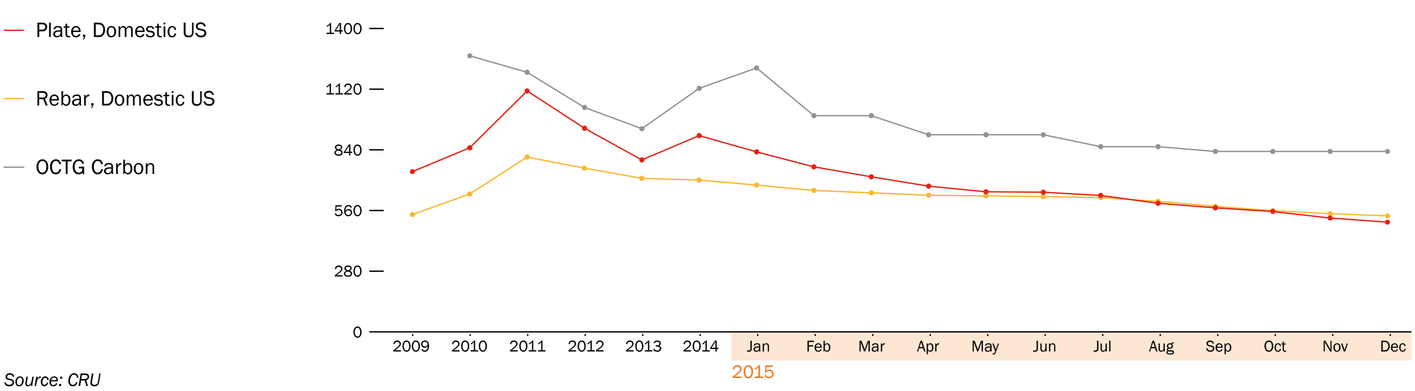
EVRAZ expects the LDP market conditions to remain favourable for the next three to five years due to the need to develop pipeline infrastructure and the number of projects announced. The rail business remains supported by high Class I railway CAPEX and the Group's attractive product portfolio. The OCTG product market slumped by 50% in 2015, and EVRAZ believes that it may stay at that level for another year.

US and Canada finished steel consumption, mt



Source: Worldsteel, AISI

North America prices, US$/t



Source: CRU

Coal segment

EVRAZ sales volumes

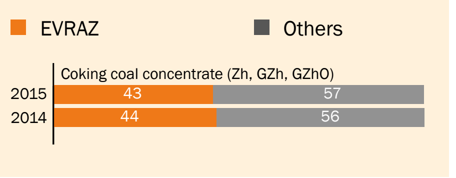
EVRAZ coking coal product sales totalled 15.2 million tonnes in 2015, compared with 16 million tonnes in 2014. The decline was mainly driven by the suspension of non-core steam coal production.

Internal coking coal product sales were 5.7 million tonnes, an 8% decrease compared to 6.2 million tonnes year before, due to reduced coal consumption at EVRAZ ZSMK after the shutdown of two coke batteries and the launch of the PCI plant. External coking coal product sales rose by 5.7% year-on-year and reached 9.5 million tonnes from 9.0 million tonnes in 2014 due to international exposure upside and better product mix offerings.

The Group's coal products export shipments increased by 29% in 2015 with 4.3 million tonnes, compared to 3.6 million tonnes year before. EVRAZ was able to increase sales to more profitable markets of Ukraine, Europe, South Korea and Japan from 1.9 million tonnes in 2014 to 2.7 million tonnes in 2015 and maintain stable sales to China at 1 million tonnes.

In 2015, the Group maintained its leading position in the domestic coking coal market, with 43% market share in high-vol grades: Zh, GZh, GZhO.

EVRAZ share of Russia's high-vol coking coal grades (Zh, GZh, GZhO), volumes, %



Source: Metal Expert

Sales volumes of Coal segment, kt

	2015	2014	Change,%
External sales			
Coal products	**9,474**	**9,809**	**(3.4%)**
Coking coal	1,905	1,697	12.3%
Coal concentrate and other products	7,569	7,267	4.2%
Steam coal	–	845	(100.0%)
Intersegment sales			
Coal products	**5,736**	**6,232**	**(8.0%)**
Coking coal	1,348	1,782	(24.4%)
Coal concentrate	4,388	4,450	(1.4%)
TOTAL, COAL PRODUCTS	**15,210**	**16,041**	**(5.2)%**

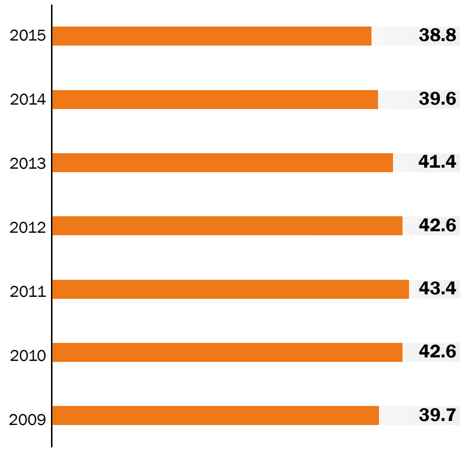
Trends in Russian coking coal market

During 2015, domestic coking coal consumption was stable at 39 million tonnes, down 2% from 2014, due to sustainable steel and coke production volumes. 75 million tonnes of raw coking coal was mined in Russia this year, 2% higher than in 2014. Export volumes declined by 13% to 18 million tonnes in 2015 from 21 million tonnes year before. Coking coal imports to Russia, mostly from Kazakhstan, decreased by 45% during the year from 1.4 million tonnes to 0.8 million tonnes.

Premium coking coal (Zh grade) averaged US$84 per tonne FCA Kuzbass, down by 17% from US$101 per tonne in 2014. Semi-soft coking coal (GZh grade) decreased in price slightly more, by 18%, from US$72 per tonne in 2014 to US$59 per tonne in 2015.

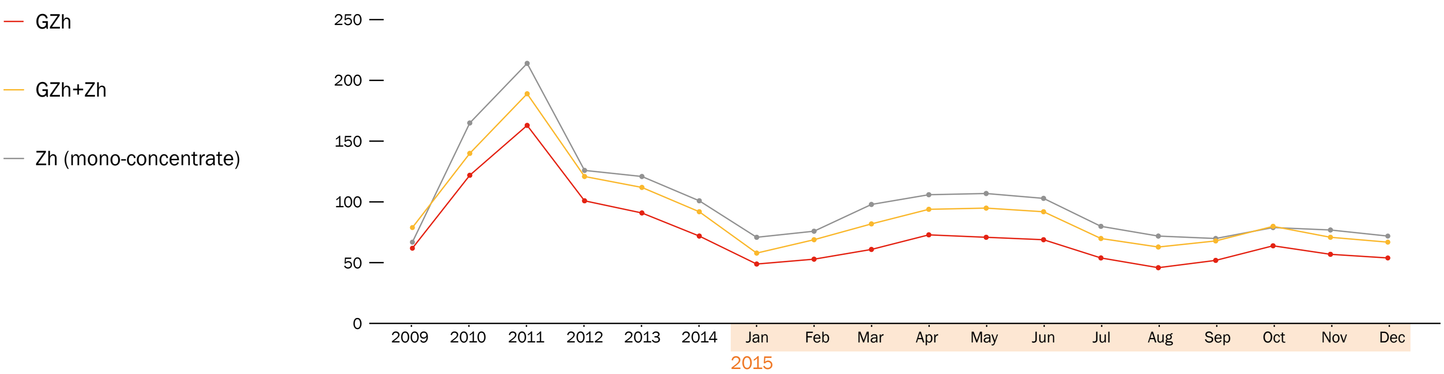
In 2016, EVRAZ expects coking coal sales volumes and prices to remain at 2015 levels due to stable domestic steel production and the export contract pipeline. However, local competition may increase in certain coal grades, as peers launch new projects.

Domestic coking coal concentrate consumption, mt



Source: Metal Expert

Coal prices, US$/t



Source: Metal Expert

PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management is critical for fulfilling EVRAZ strategic priorities.

Risk Management System
(For more information, see the Risk Management and Internal Control section of the Corporate Governance Report, pages 115-117)

- Overall responsibility for Group risk management and internal control
- Approves strategic objectives and risk appetite

1. Identifies, assesses and monitors Group-wide risks and mitigation actions

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

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

- Adopts regional risk appetite
- Support the Group Risk Committee in reviewing and monitoring effectiveness of risk management
- Identification, assessment and management of risks at the regional level
- Monitoring of risk management process and effectiveness of internal control

4. Identification, assessment and mitigation of risks
   - Promoting risk awareness and safety culture

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 for our assessment of longer term viability.

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Board has assessed the prospects of the Group over the period of the current strategic plan to December 2020 and consider 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 and the mitigation plan developed by management.

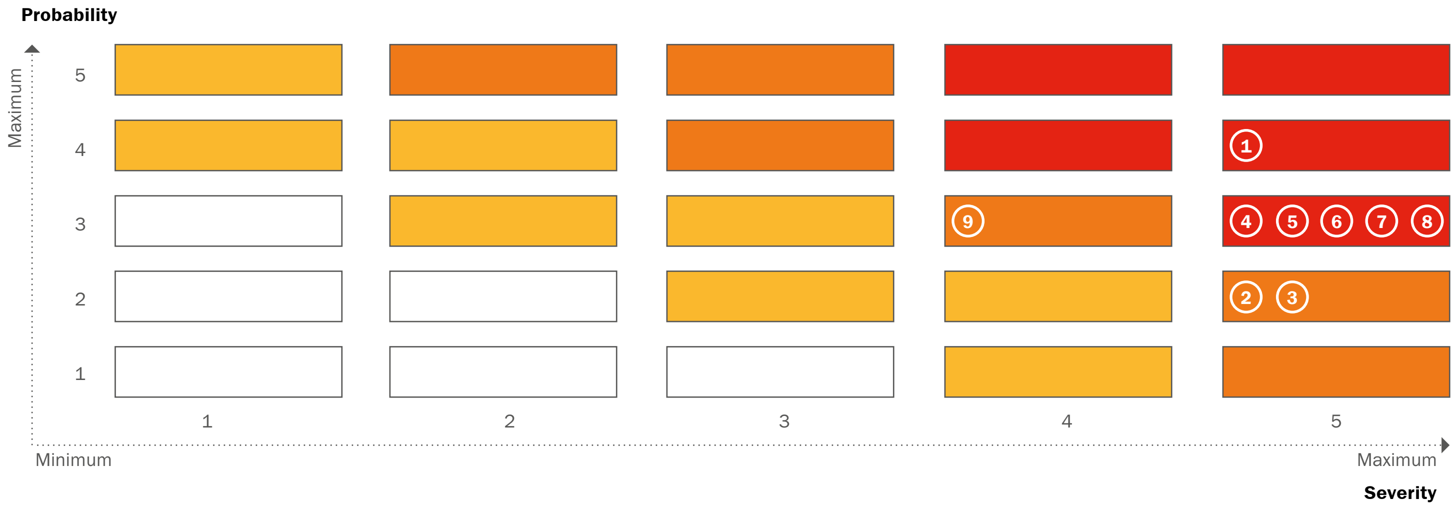
The assessment was underpinned by scenarios that encompass a wide spectrum of potential outcomes. These scenarios are designed to explore the Group's resilience to the significant risks set out on pages 30-31 and combinations of correlated risks. The key scenarios can be summarised as:

- Base scenario: the key assumptions as disclosed in note 6 to the financial statements under Impairment of assets on page 191; future pricing of steel and raw materials is based upon the upper end of the external analyst forecasts set out in Note 6; annual steel volumes are assumed not to exceed the 2015 level over the five year period to December 2020;
- Global economic decline: steel and raw material prices and exchange rates during 2016 are assumed to be lower than the level of January 2016; demand during 2016 is assumed to remain at the level of January 2016 with a gradual recovery in subsequent periods; future pricing assumptions are at the lower end of the external analyst forecast set out in Note 6;

RISK MANAGEMENT

Detailed risk assessments and risk evaluations were conducted at the plant and mine levels. The Risk Committee last reviewed the Group's risk profile in September 2015 and finalised the assessment in February 2016.

EVRAZ 2015 heat map



Risk migration in 2015

Successful implementation of skill development programmes has led to a re-assessment of the HR risk as a non-principal risk.

Risks of increased competition and cost effectiveness are reported separately, as the Group considers them as partly internal risks, as opposed to mostly external as in previous years.

Developments in 2015:

- Introduction of viability analysis and related statement as response to new FRC requirements
- Detailed analysis of cyber risk
- Regular semi-annual reassessment of risks

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

- 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 in a number of risk related scenarios, the Directors have a reasonable expectation that EVRAZ will be able to continue in operation and meets its liabilities as they fall due over the five year period to December 2020.

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

- the continued availability of funding or refinancing, by way of capital market, bank debt and asset financing, of up to half the current debt level in all the scenarios considered; and
- financial maintenance covenants can continue to be managed if and when necessary through repayment of certain borrowings, financial covenant resets, a waiver from lenders and/or refinancing of certain borrowings.
- selling prices remain in line with prevailing market assumptions.

Principal risks

Risk	Description
1 Global economic factors, industry conditions	EVRAZ' operations are dependent on the global macroeconomic environment and economic and industry conditions, e.g. the global supply and demand balance for steel and particularly for iron ore and coking coal, which can affect both product prices and volumes across all markets. As EVRAZ' operations involve substantial fixed costs, global economic and industry conditions can impact the Group's operational performance.
2 Competition	Excessive supply in global market and greater competition. Increasing competition in the rail product segment from Mechel and a new rail producer in Kazakhstan.
3 Cost effectiveness	The majority of the Group's steel production remains sensitive to costs and prices. Maintaining a low-cost position is one of EVRAZ' key business objectives in steelmaking and the iron ore and coking coal mining businesses. Key steel and coking coal assets are in the first quartile of the cost curve, which helps to maintain profitability even during market downturns.
4 Treasury: availability of finance	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.
5 Functional currency devaluation	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.
6 HSE: environmental	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.
7 HSE: health, safety	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, suspension of production, or other sanctions. Prolonged outages or production delays, especially in coal mining, could have a material adverse effect on the Group's operating performance.
8 Potential action by governments	New laws, regulations or other requirements could limit the Group's ability to obtain financing in 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 business or otherwise reducing its ability to conduct business with counterparties. Risk of adverse geopolitical situation in countries of operation.
9 Business interruption	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.

Mitigating/risk management actions in 2015	Risk direction
Downscaling of inefficient assets and suspension of production in low-growth regions. Focused investment policy aimed at reducing and managing the cost base with the objective of being among the sector's lowest-cost producers. Expansion of product portfolio and sales geography to better serve current and future customers.	↑
Expansion of product portfolio and penetration of new geographic and product markets. Development and improvement of loyalty and customer focus programmes and initiatives. Quality improvement initiatives.	↑
For both the mining and steelmaking operations, the Group executes 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.	← →
Action to extend the debt maturity profile and diversify sources of funding. Liquidity risk is managed by revisiting capital expenditure plans, cost optimisation programmes, asset portfolios and the dividend policy.	← →
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.	↑
Implementation of air emission and water use reduction programmes at plants. Waste management improvement programmes. The majority 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.	← →
Management KPIs place significant emphasis on safety performance and the standardisation of critical safety programmes. Implementation of energy isolation programme. Introduction of a programme of behaviour safety observations drives a more proactive approach to preventing injuries and incidents. Introduction of contractual safety programme, reduction of number of contractors. A series of health and safety initiatives related to underground mining. Maintenance and repair modernisation programmes, downtime management system.	← →
While these risks are mostly not within 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.	← →
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, employee safety training and development of geodynamic monitoring systems. 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.	← →

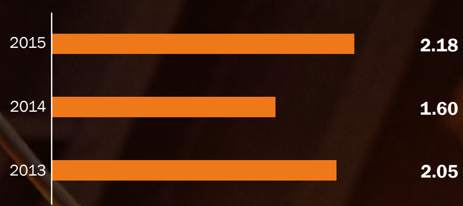
CORPORATE SOCIAL RESPONSIBILITY REVIEW

Health & safety

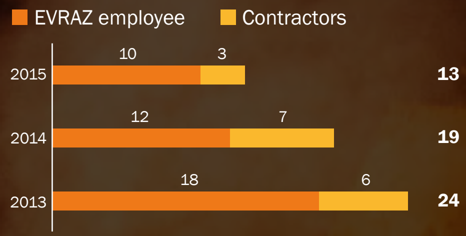
The Group stated "100% Safe behaviour" and "100% Safe Work Conditions" as its strategic priority at all its sites. Safety is one of five EVRAZ strategic pillars.

EVRAZ objective in 2016 is to update its existing system of compensation for working in highly hazardous environments, based on the results of special evaluation of workplace conditions conducted in 2015, to ensure compliance with the updated legal requirements and the actual working environment

LTIFR (excluding fatalities) per million hours



Fatalities



EVRAZ KGOK was awarded at XII national competition "Most Socially Effective Metal and Mining Company", "Health Protection and Safe Working Conditions" nomination. In 2015, it launched a new programme, "Health", aimed at helping people who often fall ill to recover. Also in 2015, the plant continued to implement an alcohol testing system.

For further information please refer to the CSR Report section (pages 84-86).

Our Approach

EVRAZ is a sociably 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 2015 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. 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 http://www.evraz.com/governance/documents/.

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

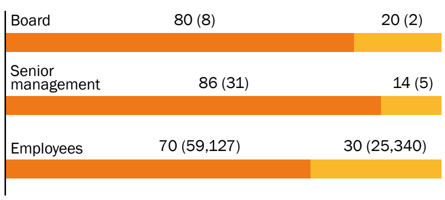
EVRAZ NMTP has finished erecting additional screens to protect the port and the surrounding town from coal dust. In doing this, it was the first enterprise to use aerodynamic panels, which minimise the kinetic energy of the air, reducing air movement and preventing the dispersion of dust. The panels represent one of the most effective dust suppression technologies available today.

For further information please refer to the CSR Report section (pages 87-92).

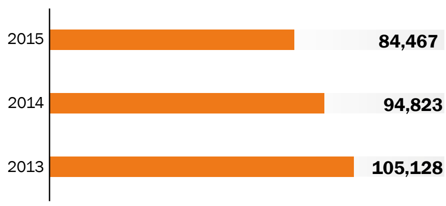
Our people

The goals and initiatives of EVRAZ HR strategy are aimed at developing employee skills and improving production safety levels through training and performance management.

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



Number of employees at December 31, people



In 2015, 56 Russian, Ukrainian, US and Canadian engineers joined the sixth EVRAZ New Leaders Programme, hosted by the Skolkovo Moscow School of Management to design and implement initiatives to improve process performance. For the first time, EVRAZ experts and HiPo's acted as team sponsors.

For further information please refer to the CSR Report section (pages 95-99).

Community relations

In every region where EVRAZ enterprises operate we make efforts to build stable, long-term and mutually beneficial partnerships with local governments, noncommercial associations, business partners, etc. EVRAZ develops a variety of charity projects, aimed at improving the quality of life in cities and towns, supporting infrastructure, sport, educational and cultural programmes, helping children with special needs and socially unprotected children.

EVRAZ organised city festivals in Nizhny Tagil and Novokuznetsk, promoted sport and a healthy lifestyle, and raised money for charity in 2015. The Group also supported the reconstruction of a football stadium and renovation of the swimming pool in Kachkanar.

EVRAZ charity project "EVRAZ: City of Friends – City of Ideas" received an award in the nomination "Best Project That Helps to Promote Initiatives of Non-commercial and Charity Organisations in the Regions Where the Company Operates" a National contest "Leaders of Corporate Social Responsibility".

For further information please refer to the CSR Report section (pages 99-101).

FINANCIAL REVIEW

PAVEL TATYANIN
Senior Vice President, CFO

Statement of operations

The Group's consolidated revenues decreased by 32.9% to US$8,767 million compared to US$13,061million in 2014 primarily as a result of falling prices and depressed demand in 2015. However, we managed to cushion the effect of market challenging conditions by implementing the cost-efficiency programme and market initiatives, consequently EBITDA margin is just 1.6 percentage points lower than in 2014 (16.4% in 2015 compared to 18.0% in 2014).

Consolidated EBITDA decreased by 38.9% to US$1,438 million compared to US$2,355 million in 2014.

In 2015, revenues from the Steel segment (including inter-segment) decreased and amounted to 68.3% of the Group total. The decrease was mainly attributable to lower revenues from sales of steel products, which declined by 36.8% year-on-year, largely due to a drop in average selling prices (down 31.6%), in line with global benchmarks. Revenues from the sales of steel products was also impacted by changes in the Group's sales volumes which declined from 13.5 million tonnes in 2014 to 12.8 million tonnes in 2015, due to deconsolidation of EVRAZ Highveld Steel and Vanadium (less 0.4 million tonnes) and worsening conditions in key markets.

Revenues from the Steel, North America segment fell by 28.2% year-on-year. Revenues from the sales of steel products dropped by 29.1%, driven by declining prices (down 12.2%), lower sales volumes (down 14.8%) and changes in the product mix (down 2.1%). The key drivers of these were, in turn, significant reductions in EVRAZ North America's seamless pipe and oil country tubular goods (OCTG) sales, resulting from the slump in oil prices, subdued demand for flat products and price decrease for rod and bar products.

Revenues from the Coal segment fell due to lower sales prices and volumes. In 2015, production was impacted by both planned work (the scheduled longwall moves at Yuzhkuzbassugol) and unplanned events (such as the suspension of operations at Raspadskaya's MUK-96 mine due to market conditions).

In 2015, the Steel segment's EBITDA declined amid depressed demand in Russia and generally negative steel price trends globally, partly offset by lower expenses in US dollar terms due to rouble depreciation. Lower prices of iron ore, coking coal and scrap, the deconsolidation of EVRAZ Highveld Steel and Vanadium and the disposal of EVRAZ Vitkovice Steel all positively affected the segment's results.

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

The Coal segment's EBITDA decreased slightly year-on-year, as Yuzhkuzbassugol implemented an efficiency improvement programme and optimised assets and coal product sales prices decreased, this was offset by the positive impact of rouble devaluation on cost base.

Eliminations line in the table below reflects the unrealised profits or losses which relate to the inventories on the balance sheet of Steel, North America segment produced by Steel segment.

In the present environment free cash flow generation and further deleveraging remain key priorities.

Revenues, US$ million

Segment	2015	2014	Change	Change, %
Steel	5,987	9,519	(3,532)	(37.1)%
Steel, North America	2,270	3,160	(890)	(28.2)%
Coal	1,068	1,318	(250)	(19.0)%
Other operations	433	648	(215)	(33.2)%
Eliminations	(991)	(1,584)	593	(37.4)%
TOTAL	**8,767**	**13,061**	**(4,294)**	**(32.9)%**

Revenue by region, US$ million

Region	2015	2014	Change	Change, %
Russia	3,104	5,279	(2,175)	(41.2)%
Americas	2,566	3,529	(963)	(27.3)%
Asia	1,354	1,954	(600)	(30.7)%
CIS (excl. Russia)	664	926	(262)	(28.3)%
Europe	815	916	(101)	(11.0)%
Africa and the rest of the world	264	457	(193)	(42.2)%
TOTAL	**8,767**	**13,061**	**(4,294)**	**(32.9)%**

EBITDA[1], US$ million

Segment	2015	2014	Change	Change, %
Steel	1,081	1,933	(852)	(44.1)%
Steel, North America	55	280	(225)	(80.4)%
Coal	351	376	(25)	(6.6)%
Other operations	14	37	(23)	(62.2)%
Unallocated	(130)	(220)	90	(40.9)%
Eliminations	67	(51)	118	n/a
TOTAL	**1,438**	**2,355**	**(917)**	**(38.9)%**

[1] *In 2015, management changed the definition of segment expense and EBITDA to make these indicators more comparable with Russian steel peers. Segment expense and EBITDA have now been adjusted to not include social and social infrastructure maintenance expenses. As a result, the Group restated EBITDA for both financial reporting and management accounts purposes for the years ended 31 December 2014 and 2013.*

Revenues, cost of sales and gross profit of segments, US$ million

	2015	2014	Change, %
Steel segment			
Revenues	5,987	9,519	(37.1)%
Cost of sales	(4,527)	(6,940)	(34.8)%
Gross profit	1,460	2,579	(43.4)%
Steel, North America segment			
Revenues	2,270	3,160	(28.2)%
Cost of sales	(1,980)	(2,623)	(24.5)%
Gross profit	290	537	(46.0)%
Coal segment			
Revenues	1,068	1,318	(19.0)%
Cost of sales	(749)	(1,040)	(28.0)%
Gross profit	319	278	14.7%
Other operations – gross profit	111	129	(14.0)%
Unallocated – gross profit	5	7	(28.6)%
Eliminations – gross profit	(13)	(203)	(93.6)%
TOTAL	**2,172**	**3,327**	**(34.7)%**

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

Effect of Group’s cost-cutting initiatives in 2015, US$ million

Cost-cutting initiatives and productivity improvements, including	**169**
Improving yields and raw material costs of steel assets	68
Improving yields and raw material costs of mining assets	39
Productivity improvement	35
Energy efficiency and optimisation of maintenance costs	21
Other cost optimisations	6
Optimisation of asset portfolio	**76**
Highveld deconsolidation	39
EVRAZ North America: shutdown of Claymont	19
EVRAZ ZSMK portfolio asset optimisation: shutdown of coke battery no. 2 and disposal of non-core assets	11
Production suspension and disposal of high-cost and inefficient assets at Raspadskaya and Evrazruda	6
Evrazruda: shutdown of high-cost and inefficient asset	1
Reduction of general and administrative (G&A) costs and non-G&A headcount	**76**
TOTAL	**321**

Selling and distribution expenses decreased by 21.2% in 2015 mostly due to the rouble weakening and lower third party sales volumes. This was accompanied by the impact of deconsolidation of Highveld Steel and Vanadium Limited following the loss of control.

General and administrative expenses declined by 36.2% in 2015. This reflected the reduced staff costs following headcount optimisation at EVRAZ North America, the Russian steel mills and coal companies, and the weakening of the rouble and hryvnia.

Impairment losses during the reporting period included the write-off of goodwill at subsidiaries in the US and Canada totalling US$251 million, impairment of the cash-generating units of EVRAZ Palini e Bertoli by US$37 million and EVRAZ Yuzhny Stan by US$30 million, and a US$77 million loss relating to one of Raspadskaya's coal fields that was damaged by fire.

Foreign exchange losses arose as a result of the devaluation of the rouble, hryvnia, tenge and Canadian dollar. The subsidiaries in respective 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 decreased due to a reduction of gross debt. The interest expense for bank loans, bonds and notes amounted to US$430 million in 2015 and US$503 million in 2014. It was also impacted by a decrease in the interest expense of rouble bonds due to the rouble weakening.

Gain on disposals classified as held for sale in 2015 amounted to US$21 million. The amount includes US$20 million of a gain recognized in relation to disposal of assets of Portland Structural Tubing. In 2014 gain on disposal classified as held for sale amounted to US$136 million, including US$90 million in relation to disposal of EVRAZ Vitkovice Steel and US$25 million from disposal of iron ore mine and heat and power plant located in the Krasnoyarsk and Kemerovo regions of Russia.

Losses on financial assets and liabilities amounted to US$48 million and included, among other things, US$459 million of realised losses and US$439 million of unrealised gains on changes in the fair value of derivatives – cross-currency swaps for rouble-denominated bonds. Also the losses include US$15 million of loss on extinguishment of debts which predominantly is a premium of repurchase of US Dollar denominated bonds and US$11 million of impairment relating to the decline in quotations of available-for-sale financial assets (shares of Delong Holdings Limited, a flat steel producer headquartered in Beijing, China).

Loss of control over EVRAZ Highveld Steel and Vanadium starting 14 April 2015 resulted in recognition of 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. Please, refer to the Note 4 of Financial statements (page 187) for further details.

In the reporting period, the Group's income tax expense fell to US$12 million compared to US$194 million expense in 2014 as a result of the decline in operating results.

Gross profit, expenses and results, US$ million

Item	2015	2014	Change	Change, %
Gross profit	**2,172**	**3,327**	**(1,155)**	**(34.7)%**
Selling and distribution costs	(795)	(1,009)	214	(21.2)%
General and administrative expenses	(474)	(743)	269	(36.2)%
Impairment of assets	(441)	(540)	99	(18.3)%
Foreign exchange gains/(losses), net	(367)	(1,005)	638	(63.5)%
Other operating income and expenses, net	(119)	(131)	12	(9.2)%
Loss from operations	**(24)**	**(101)**	**77**	**(76.2)%**
Interest expense, net	(466)	(546)	80	(14.7)%
Gain/(loss) on financial assets and liabilities, net	(48)	(583)	535	(91.8)%
Gain on disposals classified as held for sale, net	21	136	(115)	(84.6)%
Loss of control over a subsidiary	(167)	-	(167)	n/a
Other non-operating gains/(losses), net	(23)	10	(33)	n/a
Loss before tax	**(707)**	**(1,084)**	**377**	**(34.8)%**
Income tax benefit/(expense)	(12)	(194)	182	(93.8)%
Net loss	**(719)**	**(1,278)**	**559**	**(43.7)%**

Cash flow, US$ million

Item	2015	2014	Change	Change, %
Cash flows from operating activities before change in working capital	1,293	1,976	(683)	(35)%
Changes in working capital	329	(19)	348	n/a
Net cash flows from operating activities	**1,622**	**1,957**	**(335)**	**(17)%**
Short-term deposits at banks, including interest	4	8	(4)	(50)%
Purchases of property, plant and equipment and intangible assets	(423)	(612)	189	(31)%
Purchase of subsidiaries, net of cash acquired	–	(102)	102	n/a
Proceeds from sale of disposal classified as held for sale, net of transaction costs	44	311	(267)	(86)%
Other investing activities	16	6	10	167%
Net cash flows used in investing activities	**(359)**	**(389)**	**30**	**(8)%**
Net cash flows used in financing activities	**(962)**	**(1,811)**	**849**	**(47)%**
Effect of foreign-exchange rate changes on cash and cash equivalents	(12)	(282)	270	(96)%
Net increase/(decrease) in cash and cash equivalents	**289**	**(525)**	**814**	**n/a**

Net cash flows from operating activities fell by 17% from US$1,957 in 2014 to US$1,622 in 2015, US$329 were attributed to the release in net working capital. Free cash flow for the period was US$799 million.

Calculation of free cash flow, US$ million

Item	2015	2014	Change
EBITDA	1,438	2,355	(917)
EBITDA excluding non-cash items	**1,420**	**2,363**	**(943)**
Changes in working capital	329	(19)	348
Income tax accrued	(99)	(357)	258
Social and social infrastructure maintenance expenses	(28)	(30)	2
Net cash flows from operating activities	**1,622**	**1,957**	**(335)**
Interest and similar payments	(452)	(493)	41
Capital expenditures, including recorded in financing activities	(428)	(654)	226
Purchases of subsidiaries (net of cash acquired) and interests in associates/joint ventures	–	(131)	131
Proceeds from sale of disposal classified as held for sale, net of transaction costs	44	311	(267)
Other cash flows from investing activities	16	35	(19)
Equity transactions	(3)	(13)	10
FREE CASH FLOW	**799**	**1,012**	**(213)**

For the definition of free cash flow, please refer to page 254.

CAPEX and key projects

In 2015, EVRAZ reduced its total capital expenditure to US$428 million, compared with US$654 million in 2014, primarily due to currency fluctuations and the completion of capital-intensive projects.

In Q4 2015, the Group launched the continuous casting machine at EVRAZ ZSMK and the plan is to reach full capacity in H2 2016. The Mezhegey coal project is in the final stage of development (launch of the mine is scheduled for 2016).

Two projects began at EVRAZ Regina in Canada with a total investment of over US$200 million. These are at improving quality and widening the range of flat steel products and increasing the LDP production capacity. EVRAZ NTMK has started a project to build a new grinding ball mill to make sophisticated grades of that product, which are currently not manufactured in Russia.

Capital expenditure (including that recognised in financing activities) for 2015 in millions of US dollars is summarised in the table below.

Capital expenditures in 2015, US$ million

Construction of a large-diameter pipe (LDP) mill	51	Construction of a new mill at EVRAZ Regina has been in progress since Q2 2015 and is due to be completed in Q3 2016. Expected to add 150kt of tubular product capacity.
Coal deposit development	27	Mezhegey (phase 1). To be launched in 2016. Capacity of 1.5 mtpa.
Continuous casting machine (CCM) reconstruction	24	Reconstruction of the CCM at EVRAZ ZSMK was launched in Q4 2015. Capacity to increase to 2.2 mtpa.
Steel mill upgrade	18	Upgrade of EVRAZ Regina steel mill. In progress since Q2 2015. The aim is to improve steel quality, increase capacity for casting by 110kt and rolling by 250kt, and result in a crown yield saving from 0.75% to 1.1%.
Iron ore capacity expansion	8	The Sheregesh mine's output is due to reach 4.8 mtpa of raw ore.
Grinding ball mill construction	1	Construction of a new grinding ball mill at EVRAZ NTMK has been in progress since Q2 2015 and is due to be completed in Q2 2018. Expected to increase ball production to 300kt by 2018.
Other development projects	42	
Maintenance	257	
TOTAL	**428**	

Effect of Russian rouble devaluation on book value

Under IAS 21, the financial information of each subsidiary is prepared in its functional currency and then translated into the Group reporting currency (the US dollar) for consolidation and presentation purposes. Changes in the carrying values of each subsidiary's assets and liabilities when translated into US dollars are recognised as a translation difference directly in other comprehensive income/(loss). Thus any significant depreciation or appreciation of the subsidiaries' functional currencies has a significant effect on the carrying values of subsidiaries' and the Group's equity.

At the beginning of 2015, EVRAZ had approximately US$4 billion net asset exposure in Russian roubles (RUB (the functional currency of Russian subsidiaries)) and Ukrainian hryvnia (UAH (the functional currency of the Ukrainian subsidiaries)). These net assets mostly represented the historic cost of property, plant and equipment of the RUB and UAH functional currency subsidiaries less related rouble and hryvnia nominated liabilities.

Rouble-denominated bonds are not a part of these net assets, as at the issuance they were economically swapped into fixed rate US dollar borrowings.

During 2015, there was a 23% depreciation of the Russian rouble and a 34% depreciation of the Ukrainian hryvnia against the US dollar. This depreciation led to a decline of approximately c. US$1.0 billion in the US dollar equivalent of the carrying values of net assets (primarily property, plant and equipment) of these subsidiaries and a corresponding decline in the Group's consolidated equity.

Management believes that the market value of the respective property, plant and equipment measured in US dollars is significantly higher than its carrying value. This is also the case for their US dollar-measured cash-generating capacity, as determined by IAS 36 discounted cash flows value-in-use methodology (VIU). The change in the value-in-use in 2015 was largely due to the shift in the product mix, stemming from lower domestic demand caused by sanctions and associated economic instability in the local markets of the assets involved. Other contributors included a decrease in the weighted average cost of capital and adjustments to long-term forecasts for global steel, iron ore and coal prices.

Even though IAS 16 allows the use of a fair value option for accounting for property, plant and equipment, the fair value accounting is rarely used in metals and mining industries and it is complicated for a capital extensive business. Moreover, the use of fair value model for accounting for property, plant and equipment would decrease the comparability of EVRAZ financial statements.

The schedule below provides the value in use of property, plant and equipment of the major Russian and Ukrainian subsidiaries, and their carrying values:

Country	Country	Carrying value[1] of PP&E as of 31 December 2014	Value in use[2] of PP&E as of 31 December 2014	Carrying value[1] of PP&E as of 31 December 2015	Value in use[2] of PP&E as of 31 December 2015	Hypothetical net of tax increase in carrying value of equity as of 31 December 2015 if VIU were used to value PP&E
NTMK	Russia	632	3,023	470	1,333	690
ZSMK	Russia	824	3,127	633	1,336	562
Raspadskaya	Russia	1,316	1,588	883	1,511	502
Yuzhkuzbassugol	Russia	704	965	502	1,637	908
KGOK	Russia	175	348	148	1,337	951
DMZ	Ukraine	115	157	73	113	32
Sukha Balka	Ukraine	145	179	91	96	4
TOTAL		**3,911**	**9,387**	**2,800**	**7,363**	**3,649**

[1]As reported in the Group's consolidated financial statements under IFRS
[2]Calculated in accordance with IAS 36 for the impairment test at 31 December 2015. More details are provided in Note 6 "Impairment of Assets" and Note 2 "Significant Accounting Policies" in the Group's consolidated financial statements under IFRS

Financing and liquidity

At the beginning of 2015, total debt was US$6,907 million.

In 2015, EVRAZ carried out numerous refinancing transactions aimed at improving the Group's debt profile and reaching a comfortable liquidity position for upcoming maturities.

In March 2015, the Group settled the 8.75% rouble notes due in 2015 in full and the related liabilities under swap contracts. The total cash outflow amounted to US$123 million.

In April 2015, EVRAZ partly repurchased below-par 9.95% Rouble notes due in October 2015 with a principal of RUB4,150 million and terminated the respective swap contracts; the total cash outflow amounted to US$141 million. In October 2015, EVRAZ fully settled 9.95% rouble-denominated bonds due in 2015 with a principal amount of RUB15,000 million, out of which bonds with a principal amount of RUB10,850 million (c.US$175 million at the exchange rate as of the repayment date) were held by various investors, as the remainder had been previously repurchased (pls, see Note 22 on p.211 for more detail).

In April 2015, the Group completed a share buyback via a tender offer of 108,458,508 ordinary shares for US$3.10 per share. The total cash used amounted to US$339 million.

In April 2015, EVRAZ signed a new €475 million loan agreement with Gazprombank and simultaneously repaid an existing US$500 million loan due to mature in December 2016 from the same bank. The new loan is repayable in two instalments: 30% of the principal in June 2018 and 70% in June 2019. In December 2015, this loan was partly converted into roubles, and as of the year-end, it comprised a rouble part of RUB18 billion and a euro part of €240 million.

In July 2015, the Group issued a RUB15 billion (c.US$270 million at the exchange rate as of the date of the transaction) bond with a four-year put/call option at a coupon rate of 12.95% per annum payable semi-annually. Proceeds from the issue were used to refinance existing indebtedness, thus not increasing total debt.

Later in July 2015, EVRAZ partly repurchased 8.40% rouble-denominated bonds due in 2016 with a principal of RUB4,792 million (US$84 million at the exchange rate as of the date of the transaction) for a cash consideration of RUB4,696 million (US$82.5 million at the exchange rate as of the date of the transaction). The Group has also terminated related cross-currency swaps with a total notional amount of US$169 million for a cash consideration of US$90 million.

In July 2015, EVRAZ NTMK borrowed a US$200 million term loan from Alfa Bank with a guarantee from EVRAZ plc. The loan is repayable in a single bullet instalment on 12 July 2019. The proceeds were used for refinancing current indebtedness.

In August 2015, EVRAZ NTMK signed a five-year US$125 million term loan facility agreement with UniCredit Bank, Moscow, with a guarantee from EVRAZ KGOK. The loan was fully drawn on 24 September and will be amortising in quarterly instalments starting November 2017 and ending August 2020. The proceeds were used for refinancing current indebtedness.

In August 2015, EVRAZ NTMK signed a five-year US$100 million term loan facility agreement with Nordea Bank, Moscow, guaranteed by EVRAZ plc. The loan was fully drawn on 20 October and will be amortising in quarterly instalments starting September 2017 and ending August 2020. The proceeds were used for refinancing current indebtedness.

In September 2015, EVRAZ partly repurchased an additional portion of its 8.40% rouble bonds due 2016 with a principal of RUB3,159 million (c.US$48 million) at par value and terminated related cross-currency swaps with a total notional amount of US$111 million for a cash consideration of US$66 million.

In October 2015, EVRAZ NTMK entered into a framework multicurrency facility agreement with VTB Bank governing the general terms and conditions of loans of up to five years with a total borrowing limit of RUB30 billion equivalent. Any and all debt outstanding under the agreement is guaranteed by EVRAZ plc. In November 2015, EVRAZ NTMK borrowed a US$200 million term loan under this framework facility. The loan will be amortising in quarterly instalments starting November 2018 and ending October 2020. The proceeds were used for general corporate purposes and refinancing of the current debt. In December 2015, EVRAZ NTMK borrowed an additional US$145 million term loan under this framework facility. The loan will be amortising in quarterly instalments starting December 2018 and ending October 2020. The proceeds were used for refinancing current debt.

As a result of a tender offer and other transactions carried out in October and November 2015, EVRAZ Group S.A., a direct wholly owned subsidiary of EVRAZ plc, became the holder of US$214 million of aggregate principal amount of the 7.75% loan participation notes due 2017 issued by Raspadskaya. As of the year-end, US$186 million of these notes remained held by third parties.

In December 2015, EVRAZ prepaid the Mezhegey project finance facility totalling US$144 million and terminated the facility agreement.

In December 2015, the Group issued 8.25% notes due 2021 totalling US$750 million. The proceeds 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 debt. As a result of this tender offer, EVRAZ has repurchased US$314 million of aggregate principal amount of 7.40% notes due 2017, US$156 million of aggregate principal amount of 9.50% notes due 2018 and US$54 million of aggregate principal amount of 6.75% notes due 2018. The total cash consideration used for the tender amounted to US$556 million.

As a result of these actions, as well as scheduled drawings and repayments of bank loans, total debt decreased by US$183 million to US$6,724 million as at 31 December 2015, while net debt decreased by US$465 million to US$5,349 million, compared with US$5,814 million as at 31 December 2014.

Due to the lower total debt and refinancing initiatives in 2015, interest expenses accrued in respect of loans, bonds and notes were US$430 million in 2015, compared with US$503 million in 2014.

Net debt to EBITDA stood at 3.7 times, compared with 2.5 times as at 31 December 2014.

As at 31 December 2015, debt with maintenance financial covenants tested at EVRAZ plc level amounted to around US$1,938 million. Such debt comprised a €475 million facility from Gazprombank signed in April 2015 which contains a restriction on the maximum ratio for the consolidated net indebtedness to 12-month consolidated EBITDA and a syndicated facility totalling US$500 million and various bilateral facilities totalling around US$929 million where maintenance covenants include two key ratios: a maximum net leverage[1] and a minimum EBITDA interest cover. These two ratios are tested two times a year on a 12-month basis and the strictest levels are 4.5x and 2.5x, respectively.

As at 31 December 2015, EVRAZ was in full compliance with its financial covenants.

As at 31 December 2015, cash amounted to US$1,375 million and short-term loans and the current portion of long-term loans stood at US$762 million. They are mainly represented by capital market instruments, particularly rouble-denominated notes adjusted for respective hedging exposure.

Cash-on-hand and committed credit facilities are sufficient to cover all of the Group's refinancing needs in 2016.

Key recent developments

The first quarter of 2016, the Group repurchased through open market operations and cancelled US$19 million of aggregate principal amount of 7.40% notes due in 2017 on the open market for a cash consideration of US$20 million. Following these transactions, the current outstanding amount on the notes totals US$267 million.

In the same period, EVRAZ Group S.A., a wholly owned subsidiary of EVRAZ plc, has similarly repurchased US$78 million of aggregate principal amount of the 7.75% loan participation notes due in 2017 issued by Raspadskaya for a cash consideration of US$79 million. Following these transactions, EVRAZ Group S.A. has increased its holding in these notes to US$292 million of aggregate principal amount, with a remaining US$108 million being owned by third-party investors.

In the first quarter of 2016, EVRAZ NTMK and EVRAZ ZSMK have voluntary prepaid several of their term loans from international banks which totaled US$130 million as of 31 December 2015.

[1]Net leverage means net debt / EBITDA

Review of operations by segment

Steel segment

Sales review | The Steel segment's revenues fell, mainly due to lower revenues from sales of steel products as well at to deconsolidation of EVRAZ Highveld Steel and Vanadium. The main drivers were lower average selling prices (down 31.6%) lower sales volumes (down 5.2%).

Revenues from external sales of semi-finished products fell by 20.9% due to lower average prices (down 39.1%), partly offset by greater sales volumes (up 18.2%). External sales of billets, slabs and other steel products increased year-on-year, mainly due to demand for certain finished products, particularly those used in construction, in the CIS. Export sales of semi-finished products to non-CIS countries grew strongly as these markets replaced weak domestic demand for finished steel goods due to the economic downturn.

Steel segment revenues by products

	2015		2014		Change, %
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	
Steel products, external sales	**4,852**	**81.0%**	**7,510**	**78.9%**	**(35.4)%**
Semi-finished products[1]	1,867	31.2%	2,359	24.8%	(20.9)%
Construction products[2]	1,999	33.4%	3,286	34.5%	(39.2)%
Railway products[3]	550	9.2%	1,022	10.7%	(46.2)%
Flat-rolled products[4]	179	3.0%	487	5.1%	(63.2)%
Other steel products[5]	257	4.3%	356	3.7%	(27.8)%
Steel products, inter-segment sales	**238**	**4.0%**	**543**	**5.7%**	**(56.2)%**
Including sales to Steel, North America	232	3.9%	531	5.6%	(56.3)%
Iron ore products	**167**	**2.8%**	**278**	**2.9%**	**(39.9)%**
Vanadium products	**305**	**5.1%**	**484**	**5.1%**	**(37.0)%**
Other revenues	**425**	**7.1%**	**704**	**7.4%**	**(39.6)%**
TOTAL	**5,987**	100.0%	**9,519**	100.0%	**(37.1)%**

[1] *Includes billets, slabs, pig iron, pipe blanks and other semi-finished products*
[2] *Includes rebars, 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*

Geographic breakdown of external steel product sales, US$ million

	2015	2014	Change,%
Russia	2,342	4,088	(42.7)%
Asia	1,047	1,621	(35.4)%
Europe	578	523	10.5%
CIS	437	671	(34.9)%
Africa, America and RoW	448	607	(26.2)%
TOTAL	**4,852**	**7,510**	**(35.4)%**

Revenue from the sale of construction products to third parties dropped, mostly due to lower average prices (down 28.4%) and weaker demand in Russia as well as deconsolidation of EVRAZ Highveld Steel and Vanadium. Given the latter, domestic prices did not increase to reflect the rouble's steep fall in 2015.

Revenues from external sales of railway products decreased due to changes in average prices (down 22.2%). Sales volumes of railway products in 2015 also fell due to lower demand in the CIS, caused by a decline in new railway infrastructure construction and maintenance projects and a slump in demand from railcar producers and repair shops. Sales to Russian Railways, however, remained flat year-on-year reaching 632 thousand tonnes.

External revenues from flat-rolled products dropped. This was mostly due to lower sales volumes (down 51.5%) and average prices (down 11.7%) following the deconsolidation of EVRAZ Vitkovice Steel and EVRAZ Highveld Steel and Vanadium as well as lower sales of third-party producers' flat-rolled goods by EVRAZ Metall Inprom amid reduced demand.

Revenues from external sales of steel products to Russia decreased by 42.7% year-on-year, mainly due to lower prices, while sales volumes fell by 15.8%. The share of Russia in external sales of steel products also declined, from 54.4% in 2014 to 48.3% in 2015, as shifting sales from the domestic to export markets helped to stabilise production volumes and increased profitability amid the weaker rouble.

Steel segment revenues from sales of iron ore products fell by 39.9%. This was due to lower iron ore prices (down 37.2%) and sales volumes (down 2.7%) resulting from the deconsolidation of EVRAZ Highveld Steel and Vanadium. Prices for iron ore products generally declined in 2015, in line with global benchmarks.

Steel segment revenues from sales of vanadium products declined by 37.0% due to lower sales prices (down 19.2%) and sales volumes (down 13.1%). This stemmed from the deconsolidation of EVRAZ Highveld Steel and Vanadium, while average selling prices mirrored the downward trends in the global steel market.

Steel segment cost of revenue | The Steel segment's cost of revenue decreased by 34.8% year-on-year in 2015. The main reasons for the decline were as follows:

- The cost of raw materials fell by 32.3% mainly due to decline in prices, lower iron ore and scrap consumption as a result of changes in the mix of raw material consumption, steel production decreases and a reduction in volumes of iron ore purchased from third parties, as own production volumes increased.
- The decline in raw material costs is also attributable to deconsolidation of EVRAZ Highveld Steel and Vanadium, and cost-cutting initiatives, which reduced consumption.
- Auxiliary material costs decreased by 26.3%, primarily due to the rouble's weakness and deconsolidation of EVRAZ Highveld Steel and Vanadium (down US$45 million), partly offset by higher prices in local currencies and an increase in consumption of refractories, mainly for repairs at EVRAZ NTMK.
- Lower service costs were driven by the weakness of the rouble and hryvnia, as well as the deconsolidation of EVRAZ Highveld Steel and Vanadium (down US$105 million).
- Transportation costs decreased by 17.9%, primary due to the rouble's weakness.

- Staff costs fell by 39.7%, largely due to the rouble and hryvnia weakness and headcount optimisation. Additional contributor was the deconsolidation of EVRAZ Highveld Steel and Vanadium partly offset by wage inflation at Russian sites.
- Depreciation and depletion costs dropped, driven mainly by local currency depreciation and the deconsolidation of EVRAZ Highveld Steel and Vanadium (down US$13 million).
- Lower energy costs were driven by the rouble and hryvnia devaluation; reduced consumption of electricity and natural gas due to asset optimisations and lower production volumes at Russian steelmaking sites; the use of pulverised coal injection (PCI) technology at ZSMK, which was commissioned in Q2 2014; an increase in own generation at ZabSib Heat and Power plant. Lower energy costs were partially offset by an increase in tariffs in local currencies.
- Other costs decreased, primarily due to changes in goods for resale costs (down US$227 million) and lower consumption of semi-finished products mainly due to disposal of EVRAZ Vitkovice Steel (down US$51 million).

Steel segment gross profit | The Steel segment's gross profit decreased by 43.4% year-on-year, driven primarily by lower revenues from sales of steel products.

Steel segment cost of revenue

	2015		2014		Change, %
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	
Cost of revenue	**4,527**	**75.6%**	**6,940**	**72.9%**	**(34.8)%**
Raw materials	1,783	29.8%	2,633	27.7%	(32.3)%
Iron ore	349	5.8%	702	7.4%	(50.3)%
Coking coal	749	12.5%	892	9.4%	(16.0)%
Scrap	295	4.9%	495	5.2%	(40.4)%
Other raw materials	390	6.6%	544	5.7%	(28.3)%
Auxiliary materials	342	5.7%	464	4.9%	(26.3)%
Services	278	4.6%	500	5.3%	(44.4)%
Transportation	384	6.4%	468	4.9%	(17.9)%
Staff costs	573	9.6%	950	10.0%	(39.7)%
Depreciation	229	3.8%	337	3.5%	(32.0)%
Energy	454	7.6%	823	8.6%	(44.8)%
Other[1]	484	8.1%	765	8.0%	(36.7)%

[1]*Includes goods for resale, taxes in cost of revenue.*

Steel, North America segment

Revenue from steel product sales decreased due to lower sales prices (down 14.2%) and the impact of changes in sales volumes (down 14.9%).

Revenues from tubular product sales decreased by 32.2%, primarily due to lower sales volumes (down 22.3%) and price change (down 9.9%). The drop in sales volumes was driven by weaker demand for OCTG and small-diameter line pipe, caused by a slowdown in drilling activities due to the slump in oil prices. Sales of large-diameter pipes (LDP) remained strong due to demand from midstream infrastructure companies.

Railway product revenues declined by 15.2%, driven by a 11.9% drop in average prices, in line with the general price trend in the US steel market. The lower volume related to operational issues in Q3 2015, while demand from railway customers was stable.

Revenues from sales of construction products decreased by 35.9%, primarily due to lower sales volumes (down 21.6%), sales price (down 14.3%). The fall in sales volumes was attributable to the disposal of a structural tubing facility in Portland in March 2015. Prices for construction products were under pressure from high import volumes in North America.

Revenues from flat-rolled products fell, mainly due to lower prices (down 21.6%) and sales volumes (down 7.6%) caused by higher imports.

Steel, North America segment revenues by product

	2015		2014		Change, %
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	
Steel products	**2,106**	**92.7%**	**2,968**	**93.9%**	**(29.1)%**
Construction products[1]	216	9.5%	337	10.7%	(35.9)%
Railway products[2]	435	19.2%	513	16.2%	(15.2)%
Flat-rolled products[3]	438	19.3%	619	19.6%	(29.2)%
Tubular products[4]	1,016	44.7%	1,499	47.4%	(32.2)%
Other revenues[5]	**165**	**7.3%**	**192**	**6.1%**	**(14.1)%**
TOTAL	**2,270**	**100.0%**	**3,160**	**100.0%**	**(28.2)%**

[1]Includes beams, rebars 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.

[5]Includes scrap and services

Steel, North America segment cost of revenue | Cost of revenue decreased by 24.5% year-on-year in 2015. The main drivers were as follows:

- Raw material costs decreased by 32.2%, primarily due to lower consumption of raw materials (scrap, coke, ferroalloys and other). The main reasons for this were lower volumes of crude steel and finished products, such as OCTG, flat and wire rod, cost-cutting initiatives that reduced consumption, and declining raw material prices.
- Costs of semi-finished products fell by 39.9%, amid prices for slab purchased and lower production volumes of tubular products.
- Auxiliary materials dropped by 19.8%, as a cost-cutting plan was implemented and production volumes of crude steel and finished products dropped compared with 2014.
- Service costs declined by 5.3%, as production volumes in 2015 fell year-on-year.
- Energy costs fell, driven by decreased production volumes, a decline in energy consumption, and lower tariffs for energy and natural gas.

Steel, North America segment gross profit | Gross profit totalled US$290 million in 2015, down from US$537 million in 2014. The decline was due to lower sales revenues amid the downturn on the OCTG and flat product markets.

Steel, North America segment cost of revenue

	2015		2014		Change, %
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	
Cost of revenue	**1,980**	**87.2%**	**2,623**	**83.0%**	**(24.5)%**
Raw materials	643	28.3%	962	30.4%	(33.2)%
Semi-finished products	354	15.6%	589	18.6%	(39.9)%
Auxiliary materials	162	7.1%	202	6.4%	(19.8)%
Services	160	7.0%	169	5.3%	(5.3)%
Staff costs	265	11.7%	301	9.5%	(12.0)%
Depreciation	107	4.7%	114	3.6%	(6.1)%
Energy	106	4.7%	154	4.9%	(31.2)%
Other[6]	183	8.1%	132	4.3%	(38.6)%

[6] *Includes primarily goods for resale, certain taxes and allowances for inventories, transportation*

Coal segment

Overall revenues decreased amid a reduction in sales prices, reflecting decreased global demand and greater output in other coal-exporting countries. Sales volumes also decreased, as the Group mined less raw coal in accordance with the annual schedule of longwall moves. Non-core steam coal production was suspended in 2014. Decommissioning of the only remaining steam coal mine among EVRAZ's Russian coal assets started.

In 2015, prices in rouble terms increased year-on-year due to higher prices in Russia and a shift in shipments in favour of more expensive grades. However, due to the sharp rouble depreciation, when re-calculated in US dollars, prices in 2015 were lower than those in 2014.

Revenues from internal sales of coal products decreased due to lower average sales prices (down 12.7%) and sales volumes (down 8.0%). The decrease in coal consumption in 2015 compared with 2014 resulted from reduced coal consumption at EVRAZ ZSMK after the shutdown of two coke batteries and launch of the PCI plant.

Revenues from external sales of coal products decreased, mainly due to lower prices (down 16.3%) and sales volumes (down 3.4%).

In 2015, Coal segment sales to the Steel segment amounted to US$419 million and 39.2% of sales, compared with US$528 million and 40.1% in 2014.

During the reporting period, c.53% of EVRAZ's coking coal consumption in steelmaking came from the Group's own operations, compared with 54% in 2014.

The decline in Russian sales of coking coal products from 6.2mt in 2014 to 5.2mt in 2015 is mainly attributable to the decreased demand for coking coal from Russian steelmaking companies who have started to use more of their own captive coal supply. The decreased demand from Russian steelmakers is also driven by the decline in steel production volumes in Russia and introduction of PCI.

Coal segment revenues by product

	2015		2014		Change, %
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	
External sales					
Coal products	601	56.2%	722	54.8%	(16.8)%
Coking coal	58	5.4%	78	5.9%	(25.6)%
Coal concentrate	543	50.8%	605	45.9%	(10.2)%
Steam coal	–	–	39	3.0%	(100.0)%
Inter-segment sales					
Coal products	391	36.6%	493	37.4%	(20.7)%
Coking coal	47	4.4%	85	6.4%	(44.7)%
Coal concentrate	344	32.2%	408	31.0%	(15.7)%
Other revenues	76	7.2%	103	7.8%	(26.2)%
TOTAL	**1,068**	**100%**	**1,318**	**100%**	**(19.0)%**

Coal segment cost of revenue | The main factors affecting the decrease in the segment's cost of revenues compared with 2014 were as follows:

- The cost of auxiliary materials and services decreased in 2015, primarily due to the rouble weakness (down US$10 million and US$25 million respectively), as well as the effect of asset optimisations and cost-cutting initiatives.
- Transportation costs declined due to lower sales volumes and transportation costs from Russian entities as a result of the rouble devaluation.
- Staff costs decreased due to the rouble weakness (down US$114 million).
- Depreciation and depletion costs decreased, mostly due to lower depreciation and depletion expenses at Yuzhkuzbassugol caused by the revision and detailing of future mining plans and lower depletion of mineral deposits (down US$17 million). This was also accompanied by a fall in depreciation in US dollar terms due to the rouble weakness (down US$89 million).
- Energy costs fell due to the effect of currency movements (down US$21 million), partly offset by higher electricity prices in local currencies (up US$8 million).
- Other costs increased, primarily due to changes in taxes, work-in-progress and stocks of finished goods and the effect of the rouble weakness.

Coal segment gross profit | The Coal segment's gross profit amounted to US$319 million in 2015, up from US$278 million in 2014. The gross profit margin rose, primarily due to the rouble depreciation's influence on costs, lower depreciation and depletion, and cost-cutting initiative.

Coal segment cost of revenue

	2015		2014		Change, %
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	
Cost of revenue	**749**	**70.1%**	**1,040**	**78.9%**	**(28.0)%**
Auxiliary materials	106	9.9%	152	11.5%	(30.3)%
Services	74	6.9%	103	7.8%	(28.2)%
Transportation	146	13.7%	154	11.7%	(5.2)%
Staff costs	194	18.2%	305	23.1%	(36.4)%
Depreciation/Depletion	156	14.6%	259	19.7%	(39.8)%
Energy	38	3.5%	51	3.9%	(25.5)%
Other[1]	35	3.3%	16	1.2%	118.8%

[1]Includes primarily goods for resale and certain taxes, allowance for inventory and raw materials

BUSINESS CULTURE: EVRAZ BUSINESS SYSTEM

Creating a culture of continuous improvement

The EVRAZ Business System (EBS) is the practical expression of EVRAZ's vision of reducing costs, improving quality and safety and eliminating waste. It is the methodology applied by employees to continually improve the effectiveness of the business.

EBS incorporates the business principles and tools of the 'lean' management philosophy to manage change and create a culture of continuous improvement within the Group. It consists of a set of principles defining the way that EVRAZ operates and its people think and act. EBS applies in every part of the business and every process in the organisation.

EVRAZ maintenance system | The EVRAZ maintenance system consists of 30 stages that cross multiple functions, including operations, maintenance, inventory and procurement. Since 2012, EVRAZ has been developing and implementing a step-by-step approach to improving machine availability. This includes total preventive maintenance, standard work, visual management, creation of manufacturing cells, cross-functional work groups, improved preparation through maintenance planning systems, and failure evaluation through problem-solving analysis that includes failure mode effects analysis and simple pareto charting.

This strategic approach aligns the responsibilities of all functions with the needs of a particular asset. The real benefit of this is maximising machine capabilities while reducing maintenance cost.

Results | In 2015, EVRAZ continued to implement the maintenance system at its main assets. As part of this, maintenance administrative cells ('admin cells') were introduced to produce more detailed information about the cost of one hour of each period of downtime. In addition, a new inventory management system was introduced, while the crossfunctional problem-solving team approach reduced the inventory of auxiliary materials. Over the year, the inventory management system methodology was communicated in a new format of quarterly sessions. All site problem-solving teams were brought together as a 'community' for better professional communication and quicker changes due to best-practice sharing, as well as to standardise processes and procedures at different sites and avoid repetitive mistakes. The improvement of stock management and warehousing techniques was a significant achievement in 2015.

In addition, deep analysis of the production processes with the highest energy consumption rates and the creation of 'admin cells', which bring together key people to problem-solve and manage energy cost reduction on a daily basis led to a reduction of energy costs in 2015.

Number of people trained for EBS programs[1]

	2012	2013	2014	2015
EBS Level 2 Trained People		4,312	9,559	18,024
Amount of RIE	618	1,343	1,608	4,500
Amount of Model Lines Where EBS is implemented		15	22	33
Share of critical assets covered by maintenance system, %	10	20	20	50

[1]*The information has been collected since 2012*

EBS objectives:

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

Highlights in 2015:

- Almost 18,000 people trained.
- 4,500 rapid improvement events.
- 15 model lines where EBS has been deeply implemented.
- 50% of critical assets covered by the maintenance system.
- Cross-functional collaboration with the development of 'admin cells'.

Number of claims

The number of claims was decreased by

38%

At EVRAZ Pueblo, the ‘lean’ model line has been used to partner with Union Pacific and has been critical in transforming the enterprise’s competitive position with a key customer. Union Pacific ranks critical suppliers annually based on performance in the following categories: cost, delivery, quality and customer service. EVRAZ Pueblo has been ranked number one among its critical suppliers.

Claims | In recent years, EVRAZ has been working on improving its customer claim process. This has resulted in a fuller understanding of the reasons for client claims and how the Group uses this information to improve its overall process to deliver true value to customers.

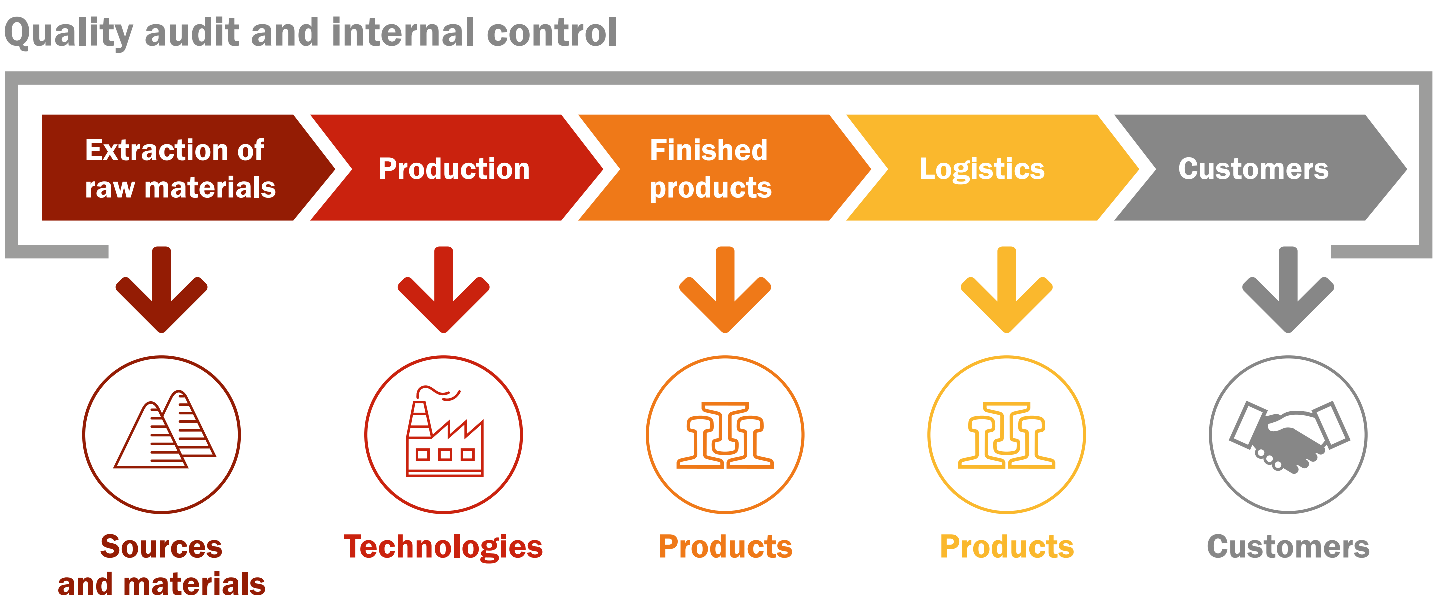
Quality management

EVRAZ strives to meet the highest standards of product quality and ensure maximum customer satisfaction. To do so, it has adopted a tailored approach to quality management, based on customer surveys and regulatory requirements that reflect any regional specifics. At its enterprises, the Group has introduced a quality management system based on the international ISO 9001 standard and regional standards.

TWO MANAGEMENT SYSTEM AUDITS ARE CONDUCTED AT EVRAZ NTMK

Two management system audits have been conducted at EVRAZ NTMK in accordance with the international ISO 9001 (quality management system) benchmark and IRIS (business management system) rail industry standards. Bureau Veritas, which carried out the inspections, noted the business management system’s high level of readiness, which had risen to 73% in 2015 (in accordance with IRIS methodology), and full compliance under ISO 9001. As a result, the enterprise has received new certification for the next three years.

EVRAZ Quality management



EVRAZ Strategic Report, as set out on pages 5 to 51 inclusive, has been reviewed and approved by the Board of Directors on 14 March 2016.

By the order of the Board

ALEXANDER FROLOV
Chief Executive Officer
EVRAZ plc

14 March 2016

BUSINESS REVIEW

13.1 mt

Steel products output

Δ 2015/2014 –6.4%

20.5 mt

Iron ore products output

Δ 2015/2014 0%

20.9 m

Raw coking coal production

Δ 2015/2014 –2.7%

STEEL SEGMENT

INPUT

PRODUCTION CHAIN

RESOURCES | MINING | STEELMAKING & PROCESSING

P&P reserves

8,226.7
mt of iron ore

Iron ore

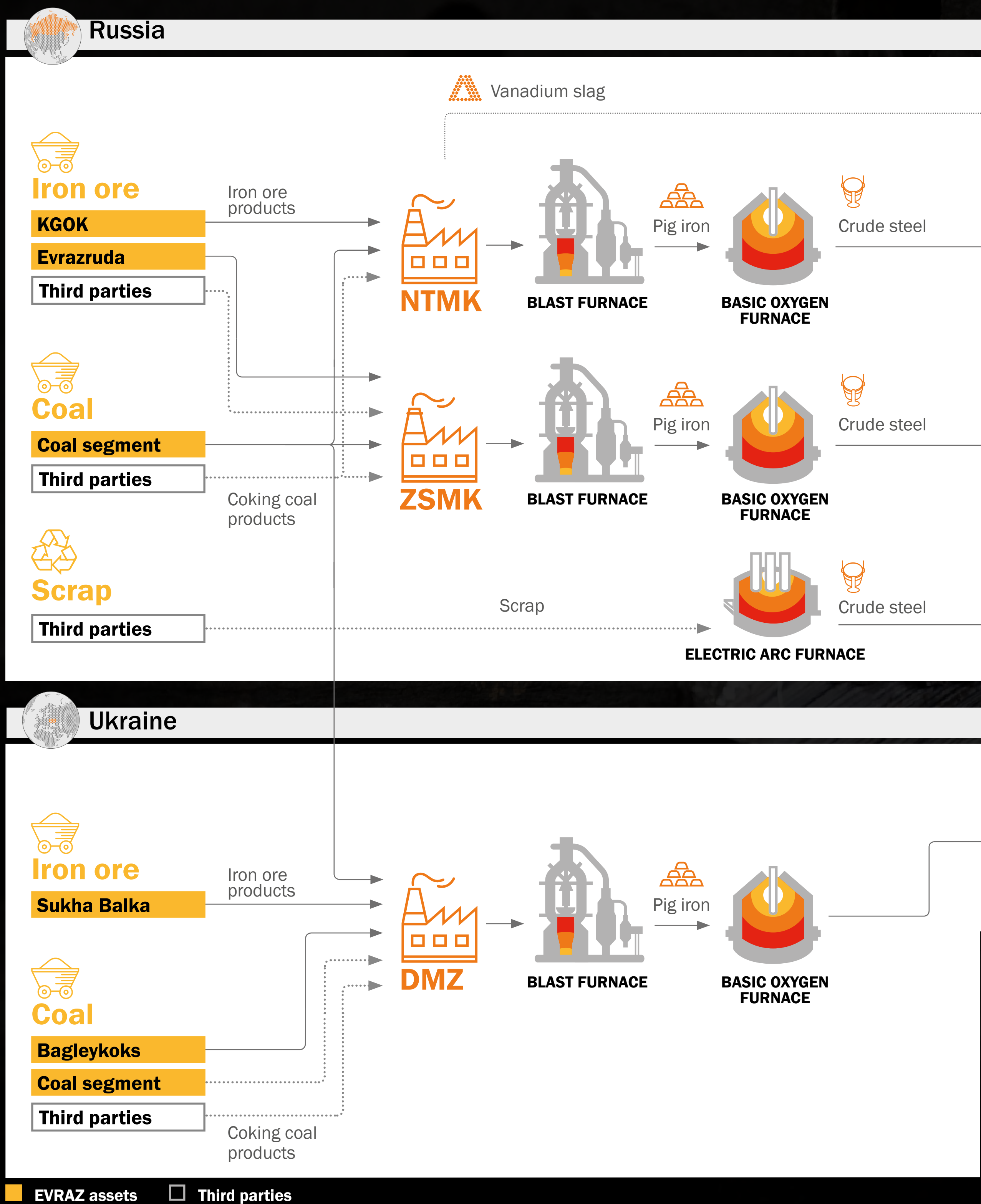
86%
self-coverage

Coal

190%
self-coverage

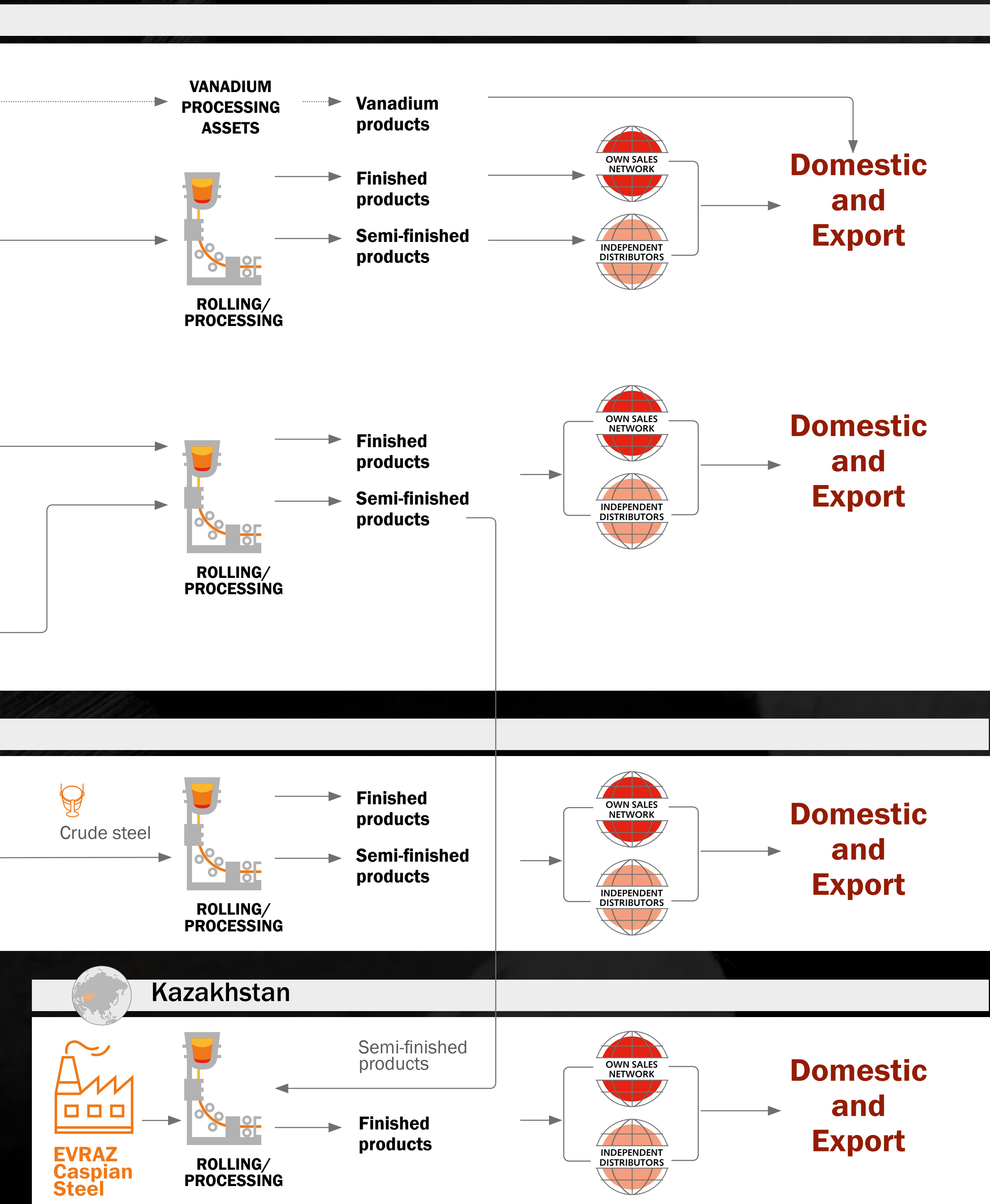
Employees

60,547
employees



OUTPUT

LOGISTICS & SALES | CUSTOMERS | KEY PRODUCTS



Semi-finished

552 kt Pig iron (saleable)

2,745 kt Slabs

2,485 kt Billets

Construction

1,911 kt Rebar

446 kt Angles

806 kt U-channel

708 kt Beams

Railway

818 kt Rails

Industrial

253 kt Balls

Steelmaking & Processing

Facility

EVRAZ ZSMK (Russia)

Production facilities | EVRAZ ZSMK has five coke oven batteries and three blast furnaces in operation. For steelmaking, it has two oxygen converter mills, which consist of five basic oxygen furnaces, and two electric arc furnaces. EVRAZ ZSMK operates one eight-strand continuous casting machine, which produces square billets, a two-strand continuous slab casting machine, and one four-strand continuous casting machine, which makes semi-finished products for the rail mill. Rolling facilities include a blooming mill, one medium-section 450 mill, two small-section 250 mills, one rail and structural steel mill, one sectional mill and two ball-rolling mills.

The EVRAZ ZSMK steel mill has its own coal washing plant for coking coal. It can also produce customised coking coal blends if necessary.

Ownership: 100%

Employees: 20,104 people

Capacity

Construction products: 3.6 mt per year

Rails: 0.95 mt per year

Output by key products, kt

Pig Iron (saleable)	150	U-channels	249
Slabs	1,412	Beams	28
Billets	1,516	Rails	667
Rebar	1,636	Railway products	2
Angles	355	Balls	94

EVRAZ DMZ (Ukraine)

Production facilities | EVRAZ DMZ' production facilities include coke and chemicals plants, two blast furnaces, steelmaking facilities (three oxygen converters) and two rolling mills.

Ownership: 96,94%

Employees: 5,147 people

Capacity

Construction products: 0.6 mt per year

Output by key products, kt

Pig iron (saleable)	74.0	Mining uprights	10.4
U channels	313.0	Billets	473.0
Angles	16.9	Round billets	4.8
Rails	13.0	Rounds	17.3
Rims	6.7		

EVRAZ Bagleykoks (Ukraine)

Production facilities | EVRAZ Bagleykoks has three coke batteries.

Ownership: 94.96%

Employees: 1,307 people

Capacity

Coke (in dry weight) : 0.71 mt per year

Output by key products, kt

Coke (in dry weight)	565

Key developments →

Facility

EVRAZ NTMK (Russia)

Production facilities | EVRAZ NTMK has coke and chemical production facilities, two blast furnaces, steelmaking facilities (one oxygen converter shop consisting of four LD converters), four continuous casters, seven rolling mills and a power and heat generation plant.

Ownership: 100%
Employees: 14,921 people

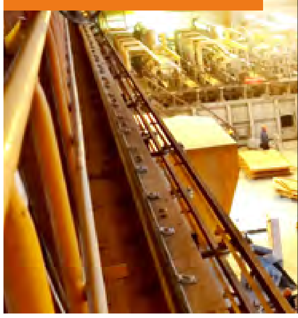
Capacity

Construction products: 1 mt per year
Wheels: 0.15 mt per year

Output by key products, kt

Pig iron (saleable)	338	Beams	680
Slabs	1,333	Rails	138
Billets	774	Wheels	73
Angles	74	Other railway products	119
U-channels	244	Balls	159

EVRAZ Caspian Steel (Kazakhstan)



Production facilities | EVRAZ Caspian Steel has a light-section rolling mill.

Ownership: 65%
Employees: 202 people

Capacity

Rebar: 0.45 mt per year

Output by key products, kt

Rebar	275

EVRAZ Palini e Bertoli (Italy)

Production facilities | EVRAZ Palini e Bertoli's production facilities consist of a four-high mill for steel plates and a two-high mill, built in 2005 to accelerate operations and complement the four-high mill's rolling process.

Ownership: 100%
Employees: 106 people

Capacity

Plate: 0.45 mt per year

Output by key products, kt

Plate	0

EVRAZ METALL INPROM WINS NATIONAL INDUSTRY AWARDS FOR 2015

EVRAZ Metall Inprom has confirmed its status as Russia's most reliable metals trader for the third time in a row. It won numerous awards at the "Russian Metal Market" conference, organised by the Russian Union of Metal Suppliers and the Metal Supply and Sales magazine, on November 9. Its offices in Krasnodar, Perm and St Petersburg won nominations in the "Best Metal Service Centres in Russia" competition, while those in Taganrog, Bryansk, Yekaterinburg, Krasnoyarsk and Vladivostok scored highly in the "Best Metal Dealer in Russia" category.

EVRAZ ZSMK'S REBAR IS USED IN MAJOR INFRASTRUCTURE PROJECTS IN RUSSIA

EVRAZ has been supplying its At800 rebar for projects to make airfield slabs for airports in Eastern and Western Siberia and for the project to rebuild slabs of auxiliary traces at the Severny cosmodrome. At800 is thermally strengthened rolled steel that is spiral or crescent-shaped, and it is used to build reinforced or complex structures that constantly carry dynamic loads. The high-tensile metal helps to reinforce concrete structures, extending their useful life. At800 is in high demand on the market, and EVRAZ ZSMK produces more than 100 thousand tonnes a year.

KEY DEVELOPMENTS

EVRAZ ZSMK

The facility reached the target of being able to process 100% of slag, saving on consumption of scrap and iron ore products.

Railway products

- Rails were certified to international standards (60E1/E2, 54E1, Re115).
- EVRAZ ZSMK entered the markets of Brazil and Malaysia.
- Wheels were exported to the US and UK.

Construction products

- H-beams were sold to the UAE, UK and US.
- EVRAZ ZSMK entered rebar markets in Hong Kong and Eastern Europe.

EVRAZ NTMK

- EVRAZ NTMK boosted its output of high-value micro-alloyed pipe-grade slabs by 78 thousand tonnes in 2015.

EVRAZ DMZ

- Export sales of rolled products increased by 43.1%, from 144 thousand tonnes to 206 thousand tonnes.
- Pig iron production totalled 1 million tonnes, its highest since 2009.
- The use of raw flux in furnace stock was discontinued to reduce coke consumption (use of sinter).

EVRAZ Caspian Steel

In 2015, production reached design capacity of 450 thousand tonnes of rebar per year, while the facility expanded its product range to all types of rebar (10-40 mm diameter).

EVRAZ Bagleykoks

In 2015 EVRAZ Bagleykoks reached 80% capacity.

NPD REVIEW

EVRAZ ZSMK

New product development:

- Rebars and sections for domestic market:
  - Rebars of class A600 (12-22 mm,32-40 m)
  - Rebars of class AT1000 (14,16 mm)
  - New sizes of sections (channel bar 12U, angles 70*70, 110*110)
- Rebars for international market:
  - Rebars certified to ASTM A616 (NAFTA)
  - Rebars certified to CS2:2012 (Singapore)
- Rails for high-speed and heavy haul R65 DT350 SS (domestic market)

EVRAZ NTMK

New product development:

- Wheels for Europe and Turkey: (BA002, BA004, BA005, BA314, A-43 and 409)
- Bandages from H-grade steel;
- Solid-rolled wheel centers for locomotives.

EVRAZ DMZ

New product development:

- Rims 254-020-010
- Rims and rim locks 400G
- Three new types of rims for goods vehicles

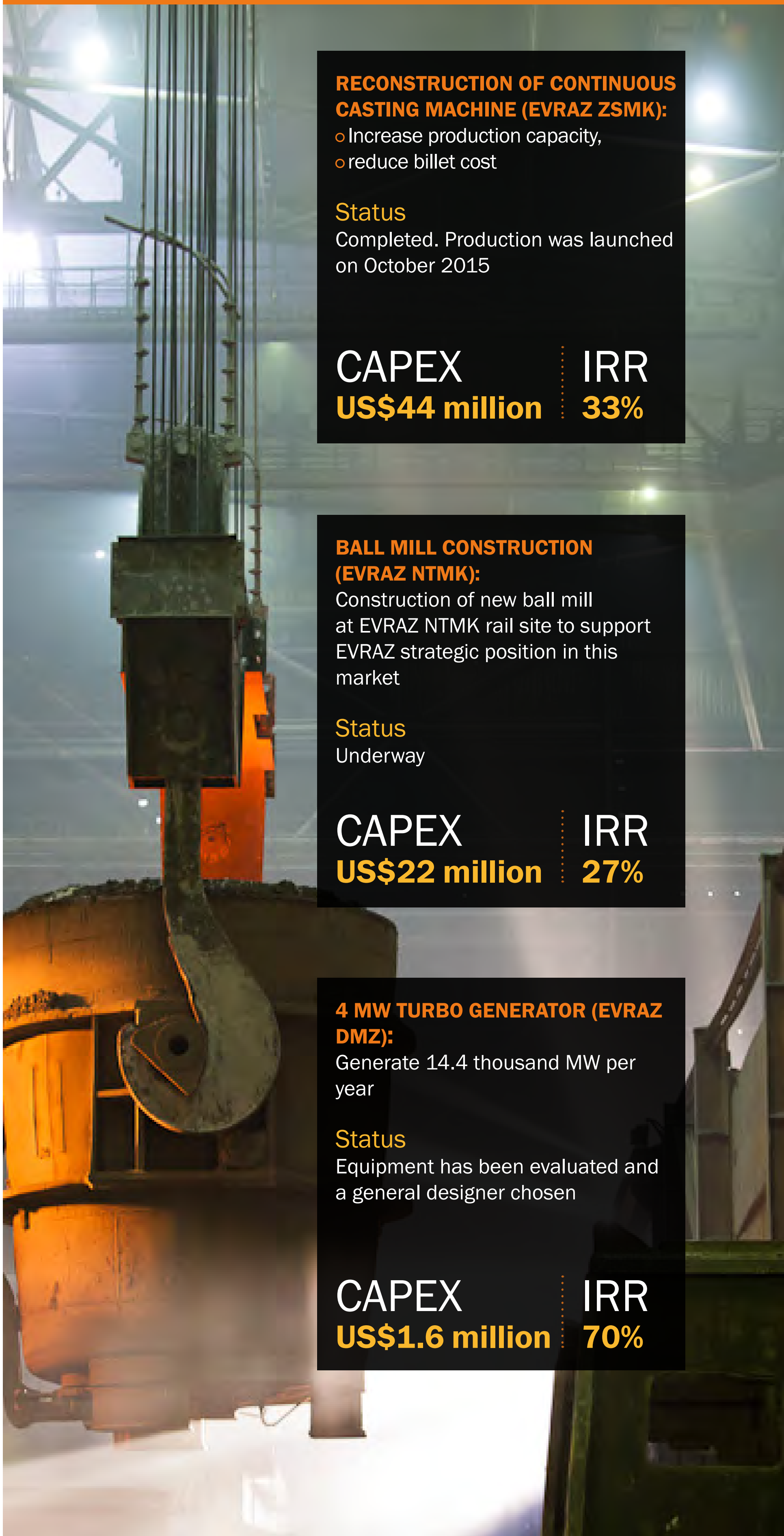
EVRAZ Bagleykoks

In the absence of a market for coking nut, 0-40 mm coke was certified and shipped to the beneficiation plant.

OUTLOOK

EVRAZ intends to keep the production level stable year on year with up to 100% capacity utilisation at all steelmaking assets in Russia and Ukraine. EVRAZ intends to continue shift from semi-finished products to high-margin rolled and rail products. New high-margin products are going to be launched: such us nine types of wheels, 18 types of rolled construction and rail products.

KEY PROJECTS



RECONSTRUCTION OF CONTINUOUS CASTING MACHINE (EVRAZ ZSMK):

- Increase production capacity,
- reduce billet cost

Status

Completed. Production was launched on October 2015

CAPEX	IRR
US$44 million	**33%**

BALL MILL CONSTRUCTION (EVRAZ NTMK):

Construction of new ball mill at EVRAZ NTMK rail site to support EVRAZ strategic position in this market

Status

Underway

CAPEX	IRR
US$22 million	**27%**

4 MW TURBO GENERATOR (EVRAZ DMZ):

Generate 14.4 thousand MW per year

Status

Equipment has been evaluated and a general designer chosen

CAPEX	IRR
US$1.6 million	**70%**

Mining

Facility

EVRAZ KGOK
(Russia)

EVRAZ KGOK is located in the Sverdlovsk region, around 140 kilometres from EVRAZ NTMK, its primary consumer. EVRAZ KGOK develops the Gusevogorskoye deposit of titanium magnetite ores, which contain vanadium, allowing production of high-tensile alloyed steel products. EVRAZ KGOK produces sinter and pellets rich in vanadium oxide, which are shipped by rail to end consumers.

Ownership: 100%
Employees: 6,794 people

Capacity

Run of mine: 59.3 mt per year
P&P reserves: : 8,078 mt

Output by key products, kt

Sinter	3,529
Pellets	6,510
Concentrate	157

Evrazruda
(Russia)

Evrazruda comprises numerous ore mining and enrichment enterprises in the Kemerovo region (the Tashtagolsky, Kazsky, Sheregeshsky iron ore mines, the Gurevsky limestone ore mine, and the Abagurskaya sinter and enrichment plant).

Ownership: 100%
Employees: 4,618 people

Capacity

Run of mine: 7.9 mt per year
P&P reserves: : 77.2 mt

Output by key products, kt

Concentrate[1]	3,730

[1]Supplied to EVRAZ ZSMK's beneficiation plant for further processing into sinter

EVRAZ Sukha Balka
(Ukraine)

EVRAZ Sukha Balka is an iron ore mining and processing complex. It operates two underground iron ore mines, Yubileynaya and Frunze, both of which have crushing and sorting facilities.

Ownership: 99.42%
Employees: 3,785 people

Capacity

Run of mine: >3 mt per year
P&P reserves: : 71.5 mt

Output by key products, kt

Lumpy ore	2,809

KEY DEVELOPMENTS

EVRAZ KGOK
Produced more than 59 million tonnes of iron ore in 2015. A decision was made to postpone the start of new dump construction until 2022.

Evrazruda
In the project to reconstruct the Sheregesh mine, scheduled target production volume was achieved (4.2 million tonnes in 2015 compared with 2.2 million tonnes in 2014). It was decided to continue operation without additional CAPEX at the Abagure's ore stockpile. Options to extend operation of Tashtagol mine until 2025 were considered.

EVRAZ Sukha Balka
Production was launched of ore with an iron content of more than 60% (114 thousand tonnes) for EVRAZ DMZ Petrovskogo.

Timir
License extension has been granted. Feasibility study continued.

OUTLOOK

EVRAZ intends to maintain production level and high capacity utilisation as well as continue implementation of the key investment projects according to the plan.

KEY PROJECTS

RECONSTRUCTION OF THE SHEREGESH MINE (EVRAZRUDA) :
Expansion of production of up to 4.8 mtpa in 2018.

Status Commissioning of the horizon +115 m with a new production technology.

CAPEX	IRR
US$75.2 million	**33%**

NORTHERN QUARRY (EVRAZ KGOK):
Expansion of production of up to 30 mtpa in 2018.

Status Stage one completed.

CAPEX	IRR
US$19.9 million	**>100%**

EXPANSION OF PROCESSING OF MAGNETITE ORE FROM THE FRUNZE MINE (EVRAZ SUKHA BALKA):
Produce ore with an iron content of more than 60% (does not require agglomeration)

Status Ore mining has begun and a quality improvement programme is under way

CAPEX	IRR
US$0.5 million	**>100%**

Vanadium

Facility

EVRAZ Vanady Tula (Russia)

EVRAZ Vanady Tula is the largest Russian producer of ferrovanadium. Its production facilities are in Tula, in the Tula region.

Key consumers: EVRAZ Nikom, EVRAZ Vametco, EVRAZ Stratcor, Steel producers.

Ownership: 100%
Employees: 587 people

Capacity

Vanadium pentoxide: 7,500 mtV
Ferrovanadium: 5,000 mtV

Output by key products, mtV

Vanadium pentoxide	4,035
Ferrovanadium (FeV)	2,559
Oxide vanadium product	2,066

EVRAZ Nikom (Czech Republic)

EVRAZ Nikom is a ferrovanadium producer in the Czech Republic. It has one processing facility, which it uses to process vanadium pentoxide received from EVRAZ Vanady Tula and China and also vanadium trioxide from EVRAZ Vametco into ferrovanadium.

Key consumers: Steel producers.

Ownership: 100%
Employees: 58 people

Capacity

Ferrovanadium: 4,940 mtV

Output by key products, mtV

Ferrovanadium (FeV)	4,939

EVRAZ Stratcor (US)

EVRAZ Stratcor is a producer of high-purity vanadium alloys and chemicals and a major supplier of vanadium to the chemical and titanium industries. It is headquartered in Hot Springs, Arkansas, the US, and it owns plants in the US and South Aftrica.

Key consumers: Catalysts producers, VAL/titanium industry, specialty chemical producers.

Ownership: 100%
Employees: 90 people

Capacity

Vanadium oxides: 2,750 mtV

Output by key products, mtV

Oxides	879
VAL	474
Chemicals	198

KEY DEVELOPMENTS

EVRAZ Vanady Tula
Commission of new filtration site (black filters).

EVRAZ Nikom
Installment of packaging machine and slag crushing equipment.

EVRAZ Stratcor
Production capacity improvement for vanadium oxides products.
Commissioning of extraction system for improvement of technological process. (SX system).

OUTLOOK

EVRAZ intends to maintain production volumes at the level of 2015.

Marketing, sales, services and logistics

Operations and facilities

Trading Company EvrazHolding | Trading Company EvrazHolding is the largest Russian supplier of rolled steel and sells EVRAZ products in Russia and the CIS. In 2015, its sales totalled 5.8 million tonnes of steel products. It focuses on long and rolled products for use in construction and engineering, rolled products for the transportation segment (rails, wheels and specialist products) and products for the mining (balls and pitprops) and pipe-making (slabs and tubes) sectors.

EVRAZ East Metals | EVRAZ East Metals is a Swiss-based EVRAZ trading company that exports steel products supplied from EVRAZ steel mills in Russia (EVRAZ ZSMK, EVRAZ NTMK) and Ukraine (EVRAZ DMZ), as well as iron ore mines (EVRAZ KGOK in Russia and EVRAZ Sukha Balka in Ukraine). EVRAZ East Metals also sells ferrovanadium internationally on behalf of EVRAZ. A wide network of agency and representative offices (including in China, Hong Kong, Indonesia, Japan, Philippines, South Korea, Taiwan, Thailand, Turkey and the UAE) ensures proximity to clients in key markets. In 2015, EVRAZ East Metals sold 4.8 million tonnes of steel products, primarily slabs and billets (84% of the total).

EVRAZ Metall Inprom | EVRAZ Metall Inprom is one of the largest steel trading companies in Russia, with sales of 1.6 million tonnes in 2015. It distributes steel products from EVRAZ and some third parties from a network of regional warehouses. Its main customers are in the construction, steel structures and engineering segments. In 2015, for the third year in a row, EVRAZ Metall Inprom won an award for having the best national sales network from the Russian Union of Metal Product Suppliers.

Customer focus strategy

Customer focus initiatives, 2015 results | By concentrating on the customer focus strategy, maintaining client loyalty and working closely with key buyers in Russia and abroad, EVRAZ succeeded in sustaining demand for many of its products, despite intensive market competititon.

As part of its export strategy, the Group began selling rails on new overseas markets, including countries in the Middle East, South East Asia and Latin America. Overall, it exported around 40 thousand tonnes of rails in the year. Notably, EVRAZ signed a contract to deliver 15 thousand tonnes of rails for a high-speed rail link in Uzbekistan and remains the main supplier to Russian Railways.

Working closely with overseas clients, EVRAZ launched new types of rail wheels and certified them for use in Europe and South America. As a result, the Group boosted its export sales several times, to around 20 thousand tonnes.

Through a programme to develop special types of steel for the pipe industry, EVRAZ increased domestic sales of high-quality premium slabs to 80 thousand tonnes. The Group also expanded its international client base to include buyers of specialist slabs for use in LDP and, in the longer term, engineering.

Working with clients' engineers, EVRAZ developed and launched new special types of steel for engineering (spring steel) and shipbuilding, sales of which totalled 50 thousand tonnes in 2015.

By launching new steel sections profiles (including the 40 channel, the largest in Russia), EVRAZ retained its share on the domestic market for rolled products, despite greater competition. In addition, by launching new beams and streamlining the production process, the Group boosted beam export sales by 30% year-on-year.

Through securing long-term contracts with key buyers of grinding balls, EVRAZ increased its share of that market to 68%, a record for recent years, and maintained maximum output for that product.

CUSTOMER FOCUS TARGETS/OUTLOOK

In 2016, Trading Company EvrazHolding plans to roll out a "My Account" area for clients in its CRM system and begin integrating its ERP system with those of key clients, which will make placing orders more efficient. In addition, together with specialists from NTMK, it intends to continue the construction of a new ball-rolling mill, designed to meet the highest standards on the market.

In 2016, EVRAZ East Metals intends to develop sales of high-value-added billets at NTMK, which will open more value-added segments and improve profitability of billet sales. Another initiative is the development of new rebar standards and certifications (DIN, BS, ASTM, SI). This will create access to new markets and customers, thus generating better margins than from billets.

In 2016, EVRAZ Metall Inprom plans to introduce online services for clients, including a "My Account" area, a centralised call centre and a CRM block in the 1C ERP system.

KEY DEVELOPMENTS

EVRAZ increased its share of grinding balls market to

68%

Trading Company EvrazHolding

- Introduced an electronic signature with EVRAZ NTMK and ZSMK and began switching to the system with clients.
- Reduced the number of orders fulfilled behind schedule by 50%.

EVRAZ East Metals

- Launched a strategy to increase export sales of beams and high-grade slabs.
- Implementing a programme to reduce freight costs.

EVRAZ Metall Inprom

- Completed a project to implement the 1C ERP programme throughout its divisions.

MARKETING STRATEGY

EVRAZ marketing strategy for 2016 has numerous priorities. The Group intends to retain its leadership position in the transport, construction and mining segments in Russia and the CIS by implementing its new product development programme (beams, rolled products and rails) and further improving customer service (by integrating clients' ERP systems and reducing order processing times). EVRAZ plans to launch a project to increase the use of metal products in residential buildings. There are objectives for export sales of rails (double the 2015 figure), rebar (enter the European market) and beams (up 50% year-on-year). The Group also intends to boost its share of the high-grade semi-finished product market both in Russia and overseas.

STEEL, NORTH AMERICA SEGMENT

INPUT **PRODUCTION CHAIN**

RESOURCES | INPUT | STEELMAKING & ROLLING

Own scrap collecting facilities

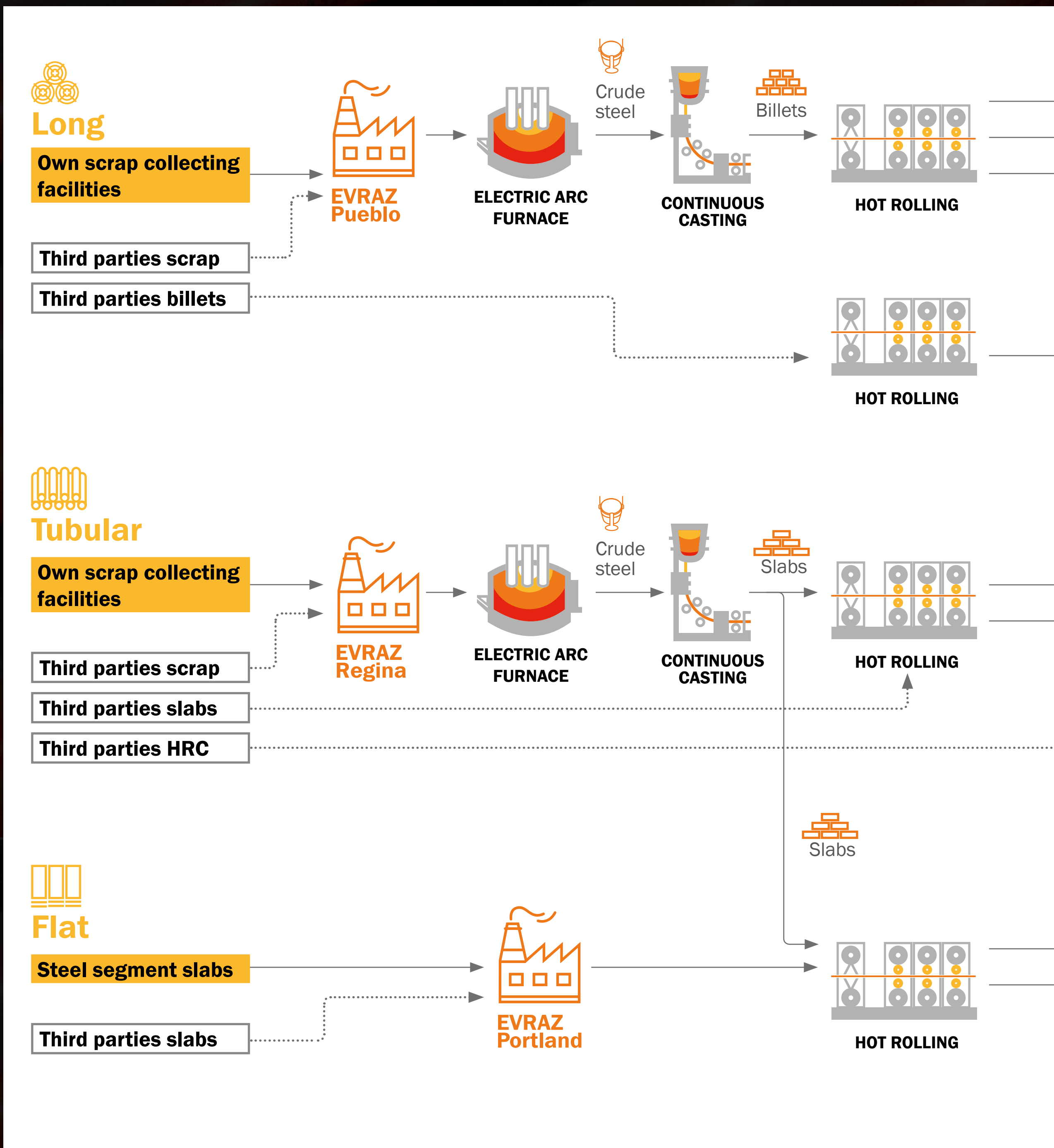
759
kt

Steel segment slabs

480
kt

Employees

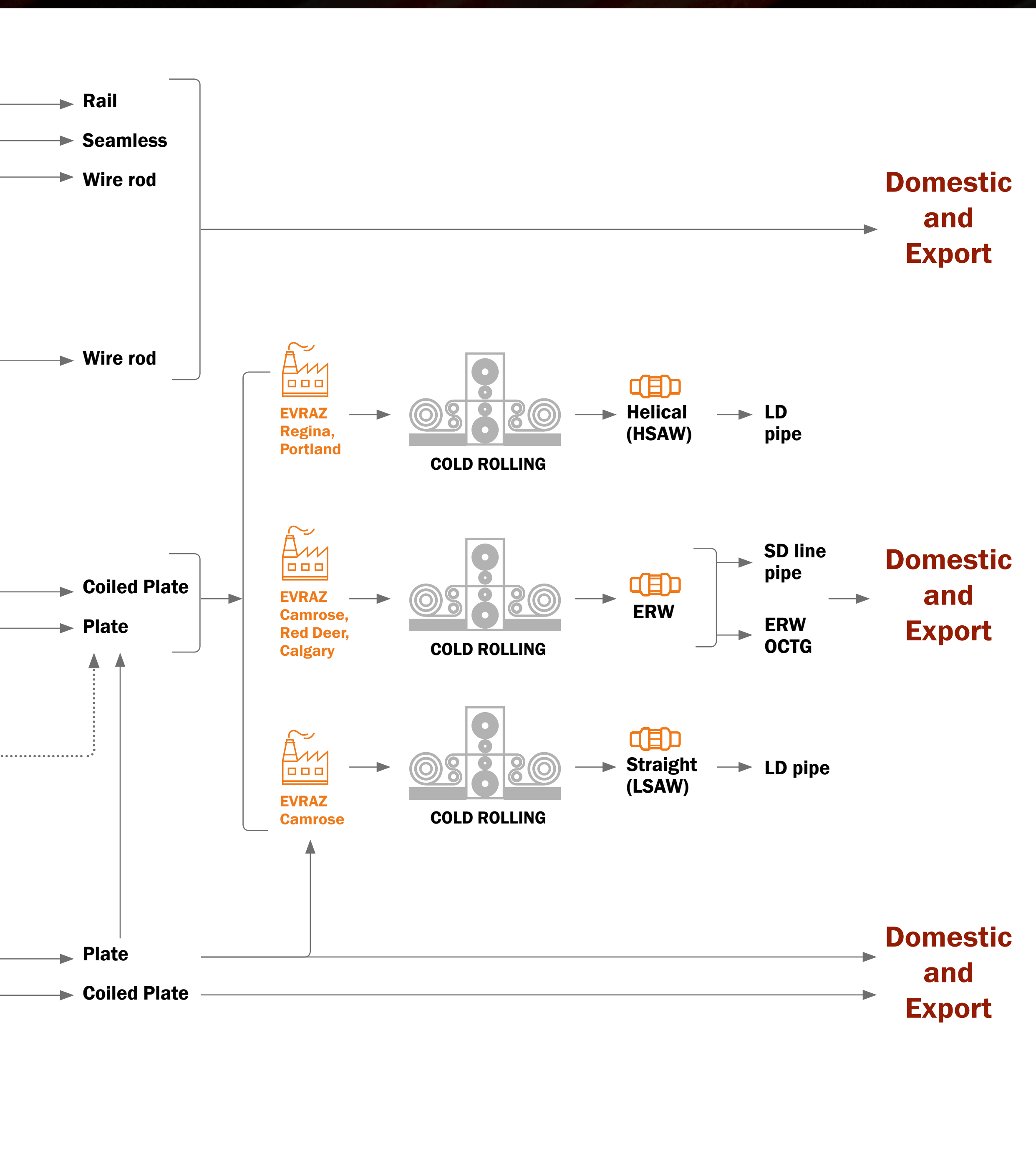
3,849
employees



EVRAZ Third parties

OUTPUT

CUSTOMERS | **KEY PRODUCTS**



Long

514 kt
Rails

35 kt
Seamless OCTG

238 kt
Wire rod

Tubular

635 kt
LD & SD Line Pipe

140 kt
ERW OCTG

Flat

556 kt
Discrete Plate

950 kt
Coiled Plate

Steelmaking & Rolling

Facility

EVRAZ Pueblo (USA)

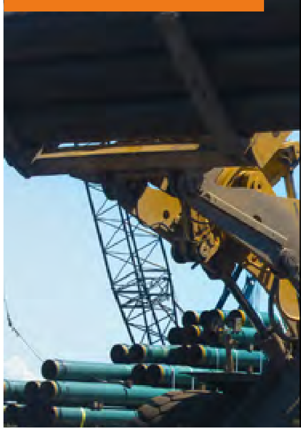
Production facilities | The Pueblo, Colorado, site comprises three rolling mills: a rail mill; a seamless pipe mill that produces OCTG products for use in oil and gas exploration; and a wire rod and coiled reinforcing bar mill. EVRAZ also operates one EAF and a billet caster that supplies round billets to the hot rolling mills. The site also owns and operates the C&W railway, a short-line route that serves the Group's mills and connects the site to both the Burlington Northern Santa Fe and the Union Pacific railway lines, which results in minimal delivery costs to these customers.

Ownership: 100%
Employees: 1,077 people
Finished products: 1,034 kt per year

Output by key products, kt

Construction products	
Wire rod and rebar	238
Railway products	
Rails	514
Tubular products	
Seamless pipe	35

EVRAZ Regina (Canada)



Production facilities | The Regina, Saskatchewan, site is the largest steelmaking operation in Western Canada, comprises two electric arc furnaces (EAFs), a ladle furnace, a continuous variable-width slab caster, and a Steckel mill capable of rolling coil and plate up to 72" wide. The Regina site produces carbon steel slabs, flat-rolled discrete plate and coil, SDP and LDP. This pipe mill operations comprise a 24" rolling ERW mill, a 2" ERW mill, and four LDP HSAW mills. The Regina tubular mills are important suppliers to the energy markets in both Canada and the US.

Ownership: 100%
Employees: 1,007 people
Finished products: 998 kt per year

Output by key products, kt

Flat-rolled products	
Coil	808
Plate	58
Tubular products	
HSAW large-diameter line pipe	218
ERW small-diameter line pipe	144

EVRAZ Portland (USA)

Production facilities | The Portland site comprises a Steckel rolling mill, a plate quench and tempering facility, a structural tubing mill, and two helical submerged arc-welded (HSAW) mills for large-diameter pipe (LDP). The Portland rolling mill is the only plate mill on the West Coast. Its location near the confluence of the Willamette and Columbia rivers gives deep-water access to the Pacific Ocean and access to Class I railways and trucking routes serving the whole of North America. The Portland rolling mill produces a wide range of products, including armour and heat-treated plate.

Ownership: 100%
Employees: 620 people

Capacity

Finished products: 0.8 mt per year

Output by key products, kt

Tubular products	
Large-diameter line pipe	84
Hollow structural shapes	11
Flat products	
Plate	499
Coil	141

Key developments →

Facility

EVRAZ Red Deer (Canada)

Production facilities | The Red Deer, Alberta, site comprises an ERW pipe mill producing OCTG and small-diameter pipe (SDP) and threading facilities for both API and premium connections.

Ownership: 100%
Employees: 152 people

Capacity

Finished products: 0.15 mt of pipe

Output by key products, kt

Tubular products	
ERW casing	53
ERW line pipe	31

EVRAZ Calgary (Canada)

Production facilities | The Calgary site comprises an electric resistance welding (ERW) pipe mill specialising in oil country tubular goods (OCTG), including heat-treated casing. At this site, EVRAZ also operates tubing finishing facilities comprising upsetting, testing and threading, as well as small-diameter casing testing and threading.

Ownership: 100%
Employees: 180 people

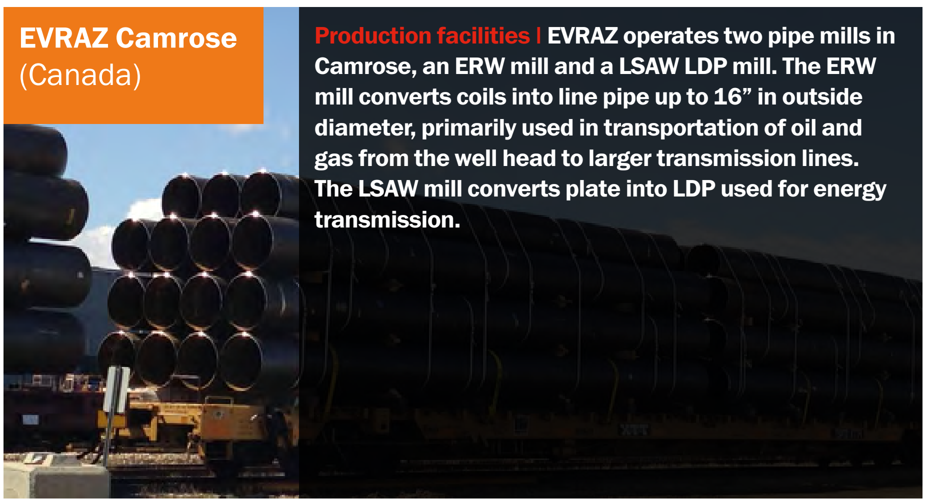
Capacity

Finished products: 0.25 mt of pipe

Output by key products, kt of pipe

Tubular products	
ERW casing and tubing	87

EVRAZ Camrose (Canada)



Production facilities | EVRAZ operates two pipe mills in Camrose, an ERW mill and a LSAW LDP mill. The ERW mill converts coils into line pipe up to 16" in outside diameter, primarily used in transportation of oil and gas from the well head to larger transmission lines. The LSAW mill converts plate into LDP used for energy transmission.

Ownership: 100%
Employees: 319 people

Capacity

(LSAW) LDP: 0.22 mt per year
ERW small-diameter line: 1.45 mt mt per year

Output by key products, kt

Tubular products	
Large-diameter LSAW line pipe	60
ERW line pipe	98

KEY DEVELOPMENTS

EVRAZ Pueblo
- Achieved the second highest annual level of rail production on record.

EVRAZ Regina
- Commenced installation of a new LDP mill.
- Entered into a joint venture with WASCO Coatings Limited to build and operate a new LDP coating facility at the Regina site.
- Commenced installation of a new LDP coating facility.
- De-bottlenecked the double jointer area and increased finishing line productivity.

EVRAZ Portland
- Re-lined re-heat furnace.
- Sold the structural tubing mill generating proceeds of c.US$50 million in cash.

Ramped up the LDP mill to full utilisation.

EVRAZ Red Deer
- Extended premium and semi-premium connections product lines.

EVRAZ Calgary
- Completed upgrading the existing heat treat line and achieved an increase of c.50 thousand tpa in capacity.

EVRAZ Camrose
- Implemented automated barcoding of line pipe to enhance identification and traceability.

Other
- Tony Engel succeeded Glenda Minor as CFO.
- Sold all remaining property of EVRAZ Claymont.

NPD REVIEW

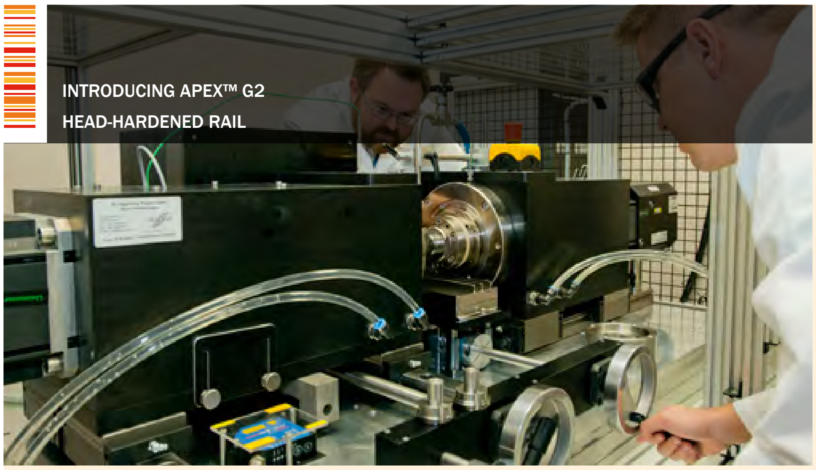
EVRAZ Pueblo
- Commenced in-track testing of the Apex G2 next generation rail.
- Finalised laboratory level testing of rail welding technology to minimise heat-affected zone.

EVRAZ Portland
- Completed laboratory testing of alloying, rolling, and quenching processing parameters of ASTM 533 high-nickel plate.
- Finalised development of API plate for offshore applications.

EVRAZ Red Deer
- Launched 9 5/8" OD premium connections for thermal applications.
- Launched heavy-wall premium and semi-premium connections to supply shale applications.

EVRAZ Calgary
- Qualified EVRAZ alloy casing grades to supply 'Region 1' sour service conditions.

INTRODUCING APEX™ G2 HEAD-HARDENED RAIL



In 2015, EVRAZ Pueblo launched a next-generation rail, Apex™ G2 head-hardened rail. Its design enhances track safety and performance, increases rail life and decreases lifecycle cost, all critical factors for class I and heavy-haul railway customers. Full production is expected in 2016.

Apex™ G2's superior performance is due to the combination of a patent-pending alloy design and heat treatment. Its increased strength and durability result in improved wear resistance. A 20% improvement in ductility (the ability to deform under stress) over conventional rail is unique and exceptional. While improved fracture toughness is usually sacrificed with greater strength, this is not the case with Apex™ G2. In addition, its weldability ensures ease of implementation and utilisation without the need for modified welding programmes.

OUTLOOK

As we enter 2016, EVRAZ outlook for the North American market remains cautiously optimistic in terms of overall demand.

EVRAZ expects end demand to remain robust for rails, LDP and plate, and continued weakness for OCTG and wire rod.

Rail

The Group expects demand to remain robust, with flat to marginally lower volumes compared with 2015, and continued improvement in premium rail penetration.

LDP

EVRAZ outlook for this market remains positive for the next few years (c.1.5 million tpa) with some downside risk due to low utilisation of competitors both in North America and offshore and the inherent uncertainties in the timing of regulatory approvals.

OCTG

The Group expects demand to remain subdued, as drilling activity is likely to remain well below that in 2014. Distributor inventory overhang could be largely eliminated by H2 2016.

Plate market

Prices are at historic lows. Non-residential construction and machinery sectors partly offset subdued agricultural equipment and orders for yellow goods. Access to imported slabs maintains attractive spreads and will likely provide a cost advantage over domestic EAF-based producers.

KEY PROJECTS

REGINA STEEL UPGRADES:
Install a vacuum degasser, upgrade rolling mill, down coiler, and cooling bed in Regina

Current state: Proceeding on-schedule
- Engineering complete
- Equipment foundations, roofing and wall cladding proceeding as scheduled
- Equipment acquired from USP has been shipped to Regina

CAPEX	IRR
US$149 million	**>35%**

NEW LDP MILL IN REGINA:
Install a two-step LDP in Regina

Current state: Proceeding on-schedule
- New building's structure complete
  Equipment foundations, roofing and wall cladding proceeding as scheduled
- Equipment acquired from USP has been shipped to Regina

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

Marketing, sales, services and logistics

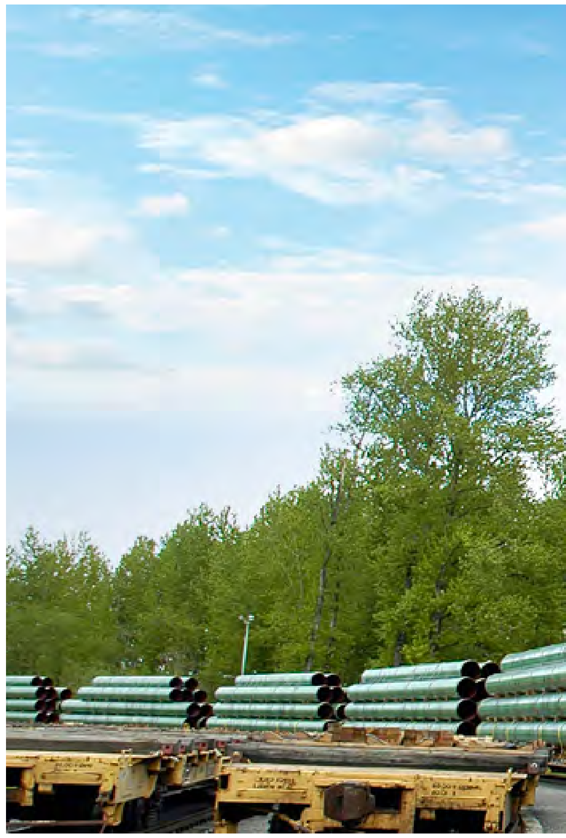
Customer focus strategy

Customer focus initiatives, 2015 results | During 2015, EVRAZ North America maintained a tight focus across three main activities:

In railway products, EVRAZ North America secured agreements to test the Apex G2 premium rail and welding technology and expanding its presence in the Brazilian rail market.

In tubular products, EVRAZ North America successfully expanded its portfolio of premium and semi-premium connections for shale and thermal applications of OCTG. Additionally, it established joint research programmes with LDP customers to optimise alloy designs, further enhance the field-weldability of pipe and offer expanded quality assurance and technical services to major customers.

In the flat division, EVRAZ North America started shifting the plate product portfolio towards higher-added-value products and succeeded in securing agreements with major end customers for trial batches of high-nickel plate (ASTM 533). It also obtained certifications from Lloyd and DNV for naval plate, and established sales channels for armour plate in Mexico, Dubai, Eastern Europe and Asia.



CUSTOMER FOCUS TARGETS/OUTLOOK

Continue shifting plate portfolio towards higher-added-value products
- Obtain qualification by major users for high-nickel plate for LNG tanks applications.
- Achieve full certification of API plate for offshore applications and secure initial orders.
- Leverage new armour sales channels to grow export volumes.

Fully utilise EVRAZ Red Deer premium threading capacity and expand the portfolio of premium and semi-premium connections for OCTG
- Grow share of premium connections, semi-premium connections, and heat-treated pipe connections in Western Canada.

Begin in-track testing of next-generation premium rails and of new welding technology and maintain full production levels in the Pueblo rail mill
- Conclude in-track testing and begin commercialisation of next-generation rail.

Build pro-active end customer technical relationships
- Achieve qualification of internal and external coatings for pipe line.
- Expand LDP product range to include thicker wall pipe.

KEY DEVELOPMENTS

Long products
- Commenced in-track testing of the next generation of premium rails and of enhanced rail welding technology.
- Secured second allotment of trial rail wheels from North American Class I railways.
- Obtained qualification for supplying locomotive wheels.
- Expanded rail sales in Brazil.

Tubular products
- Together with a major LDP customers, launched a research initiative to develop the next generation of steel alloys for energy pipelines.

Flat products
- Established sales channels and distribution for armour products in Mexico, Dubai, and Eastern Europe and obtained approvals for use of plate in shipping applications.

MARKETING STRATEGY

EVRAZ North America intends to expand further in its main markets, continue enhancing its portfolio of engineered products, and continuously improve safety, quality and cost. In the short term, it aims to:

Commercialise its sixth generation of premium rails, which offer superior wear resistance and fracture toughness, along with rail welding technology that minimises the effect of the heat affected zone.

Optimise the capacity utilisation of its pipe-making assets to meet market demand, while investing in further improving quality across its steel value chain. At the Regina site, the Group has announced investments in a new large-diameter pipe (LDP) mill and new LDP coating joint venture, and upgrades to its steelmaking facility to further improve its ability to meet customers' quality and volume requirements.

Continue gaining market share in the oil country tubular goods (OCTG) segments in Western Canada by exploiting its geographical advantage and heat treatment capabilities, and boosting production of premium connectors.

Continue expanding its portfolio of engineered products across all lines and harnessing its technology centres to broaden technical relationships with customers and develop cost-effective products that meet their high requirements.

COAL SEGMENT

INPUT | **PRODUCTION CHAIN**

RESOURCES

P&P reserves

1,746.5
mt
(excluding Mezhegeyugol)

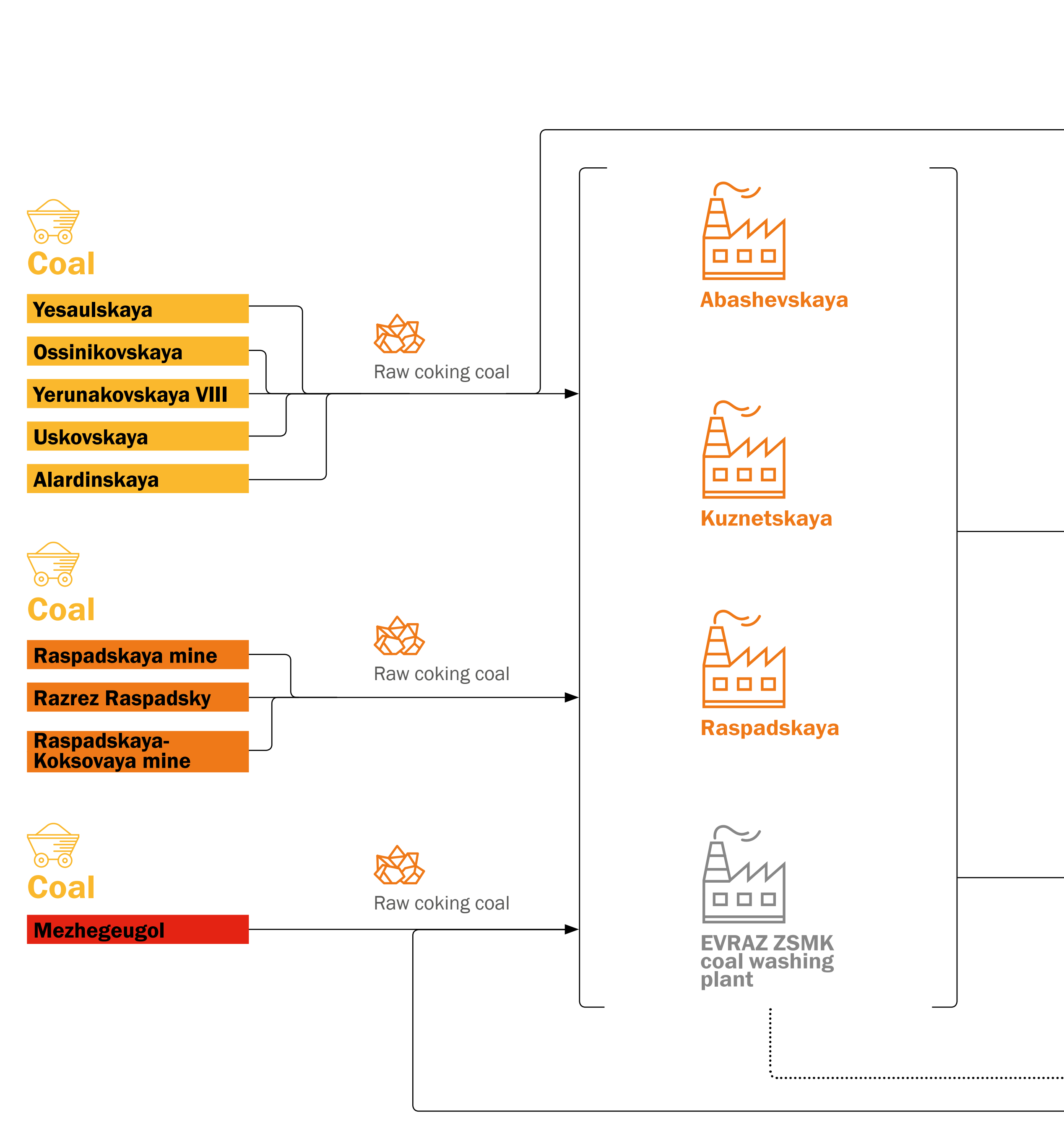
Life of mines

19
years

Employees

16,170
employees

MINING & COAL WASHING



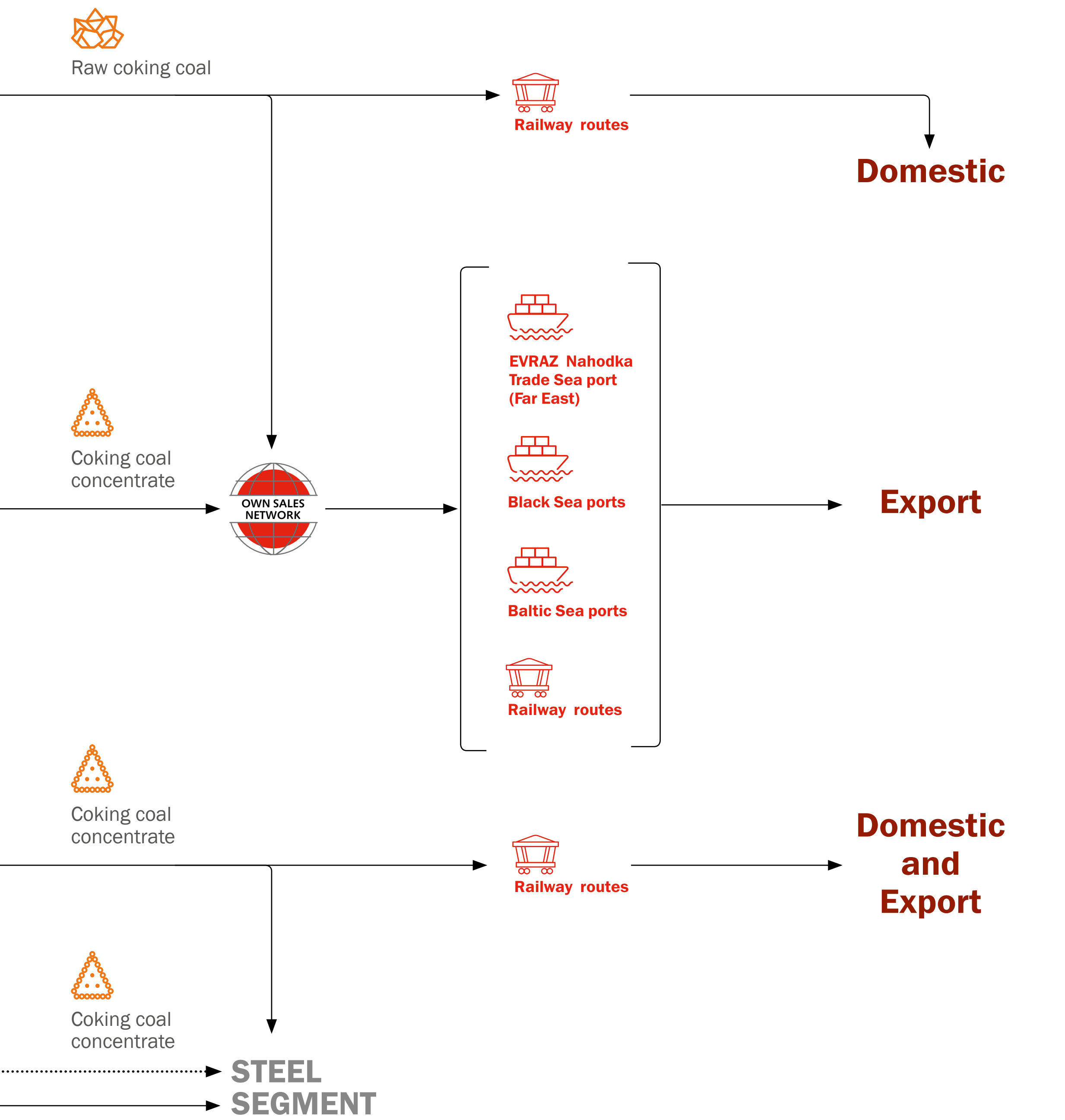
Yuzhkuzbassugol | Raspadskaya | Greenfield project | Coal segment | Steel segment

OUTPUT

LOGISTICS & SALES

CUSTOMERS

PRODUCTS



Raw coking coal

20.9 mt

Coking coal concentrate

13.6 mt

Mining & Coal Washing

Facility

Yuzhkuzbassugol (Russia)

Production facilities | Yuzhkuzbassugol has five coking coal mines in Novokuznetsk, in the Kemerevo region of Russia. They produce hard and semi-hard coking coal (Zh, GZh and KS grades), which is processed into high-quality concentrate (classified as HCC grade internationally). Most of this is produced in the new Yerunakovskaya-8 mine.

Yuzhkuzbassugol has two coal washing plants, which produce customised coking coal blends and pulverised coal injection (PCI) coal. The Kuznetskaya washing plant produces high-quality HCC concentrate for the domestic market. The Abashevskaya washing plant produces a wide variety of products whose quality matches specific customers' needs.

Ownership: 100%
Employees: 7,594 people

Capacity

Mine: 10.2 mt per year
P&P reserves: 413.7 mt

Output by mines in 2015, mt

Yesaulskaya	Underground	Zh	1.54
Ossinikovskaya	Underground	Zh	1.29
Yerunakovskaya-8	Underground	GZh	2.23
Uskovskaya	Underground	GZh	2.29
Alardinskaya	Underground	KS	2.91
Total			**10.23**

Raspadskaya (Russia)

Production facilities | Raspadskaya has three operational underground coking coal mines and one open-pit mine in Mezhdurechensk, in the Kemerevo region of Russia. This complex includes the Raspadskaya mine, Russia's largest. The operations produce hard coking coal (K grade), semi-hard coking coal (GZh grade) and semi-soft coking coal (GZhO grade). The coal from Raspadskaya is exported to premium markets, as is the coal from the Raspadsky open pit, whose output is flexible and can be easily adjusted according to market conditions.

Raspadskaya's coal washing plant is one of the most modern in Russia. Maintainance costs are low and it can process high volumes with low human resources. If necessary, the plant can increase the volume of coal washed easily. In began third-party washing in 2014.

Ownership: 81.95%
Employees: 6,596 people

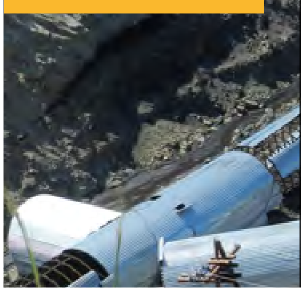
Capacity

Mine: 10.4 mt per year
P&P reserves: 1,332.8 mt

Output by mines in 2015, mt

Raspadskaya	Underground	GZh	5.50
Razrez Raspadsky	Open pit	GZh/GZhO	3.50
MUK-96 (Put on care & maintenance in 2015)	Underground	GZhO	0.35
Raspadskaya-Koksovaya	Underground	K	1.00
Total			**10.35**

Mezhegey (Russia)



Production facilities | Mezhegey is a greenfield project in the Tyva region of Russia. The surface infrastructure was commissioned in December 2015. Mezhegey will have one underground mine, which will start production in 2016.

Ownership: 60.02%
Employees: 413 people

Capacity

Mine: 2.0 mt per year (planned)

Output by mines in 2015, kt

Mezhegeugol	Underground	Zh	242

KEY DEVELOPMENTS 2015

Yuzhkuzbassugol

Mining

- Mining of Zh-grade increased by 0.4 million tonnes year-on-year in 2015
- Mining of GZh-grade decreased by 1 million tonnes year-on-year in 2015 due to delays in the schedule of longwall movements, but is expected to rise in 2016
- Mining of KS-grade was up 0.2 million tonnes year-on-year in 2015
- Output at all other mines rose due to productivity improvements

Production efficiency improvements

- Output per face grew by 3% year-on-year
- Longwall move times accelerated by 5%, reducing downtime
- Development work accelerated by 5%

Raspadskaya

Mining

- The Raspadskaya mine produced 5 million tonnes in 2015
- The Raspadskaya-Koksovaya mine began production of K-grade coal

Production efficiency improvements

- The Raspadsky open pit produced up to 380 thousand tonnes per month in the fourth quarter
- Development work accelerated by 60% by transferring high-performance development teams from mine-recovery and repair arching work

Mezhegey

- Preparations to launch the mine are 90% complete
- The mine has used highly productive modern equipment to deliver the best development rate in the Group, achieving a maximum of 22 metres per day and 350 metres per month

R&D REVIEW

Based on its experience at the new Mezhegey mine, the Group intends to introduce modern tunneling equipment and increase the rate of development work at the Raspadskaya and Yerunakovskaya mines.

OUTLOOK

EVRAZ expects to produce up to 20.6 million tonnes of raw coking coal in 2016. It will also work on reducing the ash content of its coal.

CONSTRUCTION OF THE NEW MEZHEGEYUGOL MINE

EVRAZ has been developing the Ulug-Khemsoye coal deposit since 2012. As part of this, it is building a new state-of-the-art mine, Mezhegeyugol, located far from any developed infrastructure or towns. This mine have few interesting features: it has an indoor distribution unit and is capable of handling up to 16 MW and a ventilation shaft, part of which runs at an angle to the mine entrance shaft of up 50 degrees. Due to be commissioned in 2016.

KEY PROJECTS

MEZHEGEY

Construction completed, start of longwall mining

Status: In process

CAPEX	IRR
US$176 million	14%

RASPADSKAYA-KOKSOVAYA (K-GRADE)

Launch of production of K-grade

Status: In process

CAPEX	IRR
US$28 million	62%

PROGRAMME OF WATER PROTECTION MEASURES[1]

Minimising the risks of penalties for discharge of pollutants above the norm (settlement agreement with Rosprirodnadzor)

Status: Completed

CAPEX	IRR
US$15.2 million	n/a

[1] *At the Uskovskaya and Raspadskaya-Koksovaya mines and also the Abashevskaya, Alardinskaya and Osinnikovskaya mines and the Abashevskaya washing plant.*

Marketing, sales, services and logistics

Operations and facilities

Raspadskaya Coal Company | Raspadskaya Coal Company is based in Russia. It sells coal in Russia and Ukraine, and is the largest supplier of coking coal on the domestic market.

EVRAZ East Metals | EMAG East Metals is a trading company based in Switzerland. It exports coal mined by EVRAZ to Southeast Asia and European countries. The bulk of the exported coal is transported through the EVRAZ NMTP sea port to Japan, Korea and China.

EVRAZ NMTP | EVRAZ NMTP is one of the largest stevedoring companies in Russia's Far East. The port is located in the eastern part of Peter the Great Bay, in Nakhodka Bay. It is capable of processing 500 railcars with various loads a day and has more than 300 thousand square metres of warehouse space. Its turnover in 2015 was 9.2 million tonnes, including 6.2 million tonnes of coal and 3.0 million tonnes of metals.

Customer focus strategy

Customer focus initiatives, 2015 results | In 2015 EVRAZ maintained its leading position on the Russian coal market and achieved its ambitious export goals. It did so by focusing on its customers, developing partnerships and earning customers' loyalty, and working closely with major buyers in Russia and abroad.

Russia is EVRAZ main market, and the Group works closely with the largest Russian metals companies. It offers a wide range of products, including Zh, GZh and K grades (hard coking coal and semi-hard coking coal), and KS and GZhO grades (semi-soft coking coal). Around 65% of its coal was sold to Russian consumers.

The Group has a stable client base built on long-term partnerships. In 2015, most of its domestic sales were under long-term contracts, for two years or more.

EVRAZ clients receive individual product offerings, competitive prices and flexible financial terms. The Group works closely with technologists at metals companies to provide comprehensive solutions that include recommendations for optimising coal blends.

EVRAZ supplies metals companies with high-quality Zh / Zh+GZh coal grades (hard coking coal). Both Russian and foreign customers appreciate EVRAZ high-quality GZh / GJ+GZhO grades (semi-hard coking coal).

In 2015, exports accounted for c.35% of EVRAZ sales and went mainly to Ukraine, Japan and Korea. Some volumes were also sold in China and Vietnam under spot contracts.

In 2015, the Nakhodka Commercial Sea Port handled a record amount of

>6 million tonnes of coal

KEY DEVELOPMENTS

Raspadskaya Coal Company

- Maintained its leading position on the Russian coal market.
- Concluded long-term contracts for supplying coal to major customers.

EVRAZ East Metals

- Increased export sales by 20%.

EVRAZ NMTP

- Improved the quality of coal cleaning.
- Completed a project to increase warehouse space to 26 thousand square metres.

MARKETING STRATEGY

In 2016, EVRAZ plans to maintain its leadership in the Russian coal market, based on its high and stable coal quality and excellent customer service. In addition, it aims to strengthen its presence in the Ukrainian, Japanese and Korean markets.

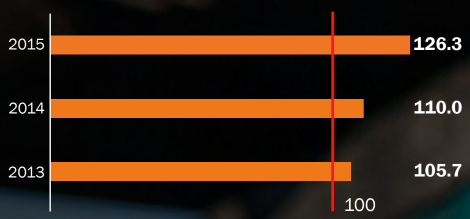
CSR REPORT

2.18x

LTIFR

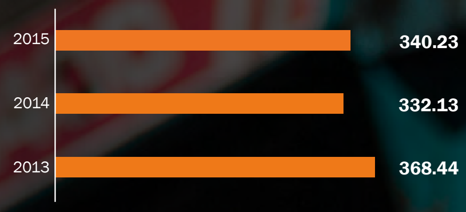
(excluding fatalities)

Recycling rate, %



[1] *Excluding waste products of mining industry and including materials from old dumps Goal 100%*

EVRAZ fresh water consumption



OUR APPROACH

EVRAZ is a sociably 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 2015 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.

In 2013, 2014 and 2015 the EVRAZ focused its efforts on increasing safety with contractors. The Group implemented a unified standard for all contractors that clearly requires every potential contractor to obtain a certain level of safety qualification prior to start of the works. Where it concerns safety the Group treats its contractors as if they are their own employees and apply EVRAZ rules and standards to all of them across all locations. Partly due to these efforts the Group experienced only 3 fatalities in 2015 among its contractors versus 7 fatal cases in 2014.

➔ **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

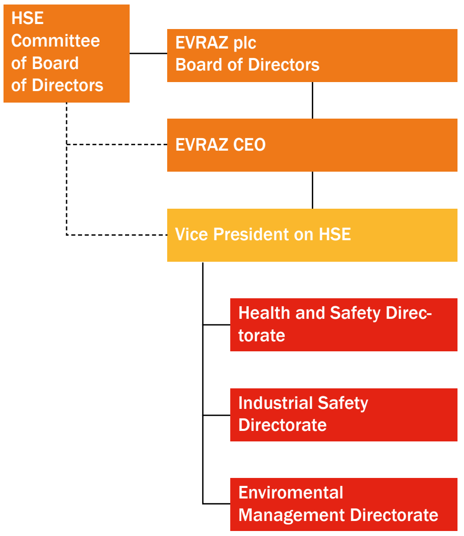
EVRAZ is committed to enhancing occupational and industrial safety, and care for the environment across its operations. It is dedicated to continuously improving HSE management across the Group, which enables the establishment of technologically improved production processes, with a clear system and hierarchy of management and control.

At EVRAZ, health, safety and environment (HSE) are managed at all levels, from the adoption of strategy to issues of operational management. In 2010, the management formed a HSE Committee, which reports to the Board of Directors, to oversee strategy, policy, initiatives and activities in the area. In March 2011, EVRAZ established a new Health, Safety and Environment Policy.

At the executive level, HSE issues are handled by the Management Committee, and a vice-president of HSE has been appointed to coordinate all activities in the area. At individual enterprises, such issues are considered by the sites' HSE services, which report to the sites' management and the vice-president of HSE. Every plant manager is responsible for HSE compliance.

EVRAZ actively participates in the work of the Environmental Policy (EPCO); Technology Policy (TPCO) and Safety and Health (SHCO) Committees of the World Steel Association, 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

All EVRAZ key steel mills are certified with ISO 14001 and OHSAS 18001.

The main functions of the system are to determine the sources of environmental impact and risks to the health and safety of people at all stages of the production cycle, from the purchase of raw materials to the sale of finished products, planning, distribution of resources, and the collection, analysis and submission of information, reflecting emerging trends in indicators.

HSE management is a continuous cyclical process, which includes:
- forecasting and assessment of the main types of HSE risks;
- development and implementation of necessary measures;
- monitoring, review, and investigation of incidents;
- performance analysis, adjustment and establishment of new objectives for HSE strategy.

EVRAZ establishes, measures and assesses key HSE indicators, which are part of KPIs. Monitoring, prompt analysis and adjustment are some of the key elements in continuously improving the system.

HSE reporting system

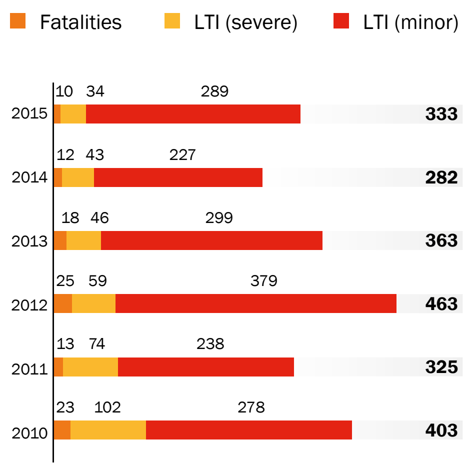
EVRAZ has developed a HSE reporting system to improve the collection and sharing of appropriate data across the Group. To ensure constant monitoring, subsidiaries submit HSE performance information to the corporate HSE directorates monthly, quarterly and annually.

Internal audits are performed periodically to review compliance with the Group's procedural requirements. External control is exercised by respective government agencies. Any recommendations issued based on the results of inspections are subject to detailed analysis and the appropriate remedial actions are then made.

EVRAZ set of rules regarding accident reporting are universal and applied across the entire organisation. All accidents involving lost time and/or any fatality are recorded and a 'flash report' is immediately circulated among all relevant managers. Further investigations are conducted in standard 'lean' format and lessons learnt are then distributed to relevant parties. Every fatality or serious accident is then reviewed by the Management Committee, which also monitors the completion of all corrective actions.

Each month, the HSE function issues a special report on incidents and accidents that occurred during the previous month. It includes related HSE key performance indicators like lost-time injury frequency rate, fatalities and violations of cardinal rules. The reports are made available to all EVRAZ employees.

Number of incidents[1]



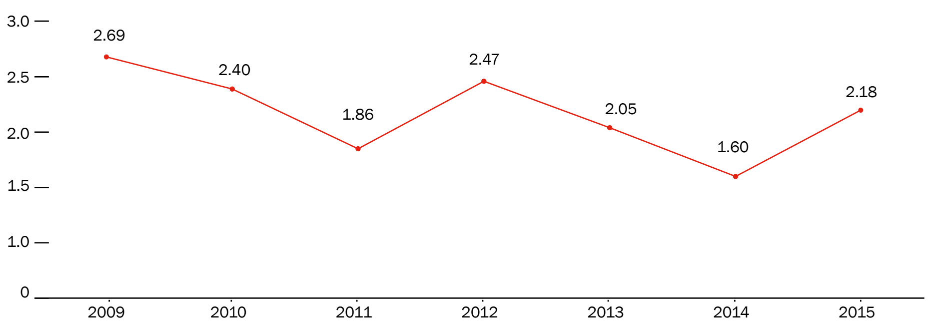
[1]Without contractors

Health and Safety

2015 results | As for all steelmakers, EVRAZ products are made in an environment that may possess health hazards for some employees and contractors. Risks include excessive temperature (heat), high noise levels, high levels of particulate matter (dust), confined space and ergonomic stress.

The health and safety of employees is of paramount importance for the Group. The industry has inherent risks that need to be managed effectively to ensure a safe working environment. EVRAZ constantly strives to improve its performance by avoiding or mitigating these risks. It is committed to improving HSE performance 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. EVRAZ also works hard to change employees' mentality and instil a 'safety-first' culture. Regular safety conversations are aimed at increasing safety awareness among miners with regard to themselves and their colleagues.

LTIFR (excluding fatalities) per 1 million hours



The Group's LTIFR (excluding fatalities) rose to 2.18 in 2015, up 36% year-on-year, due to a spike in reported lost-time incidents involving minor injuries. While there is a clear downward trend in the number of incidents involving severe injuries (serious lost-time injuries totalled 34 in 2015, compared with 43 in 2014), the increase in recorded incidents demonstrates the overall improvement of reporting transparency.

All treatment of occupational diseases is covered by obligatory social insurance of work-related accidents and occupational diseases. The Group is legally bound to pay insurance premiums. If an occupational disease is diagnosed, the employee affected receives benefits for temporary disability and is compensated for treatment costs. In certain cases, the Group provides financial assistance to the employee affected: for instance, as compensation for moral harm, if the individual has to undergo long-term treatment depending on the circumstances and medical condition. The funds, however, are not intended for independent organisation of medical treatment by the employee. The conditions are provided in bargaining agreements.

In 2015, EVRAZ started to report the number of days missed due to occupational diseases, recording 1,357 for the year.

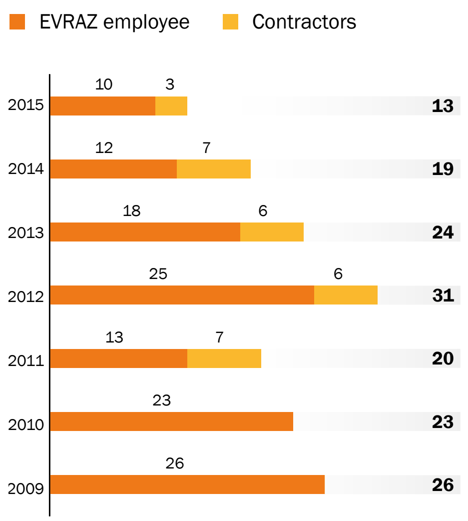
In 2012, after determining the key challenges and areas of focus, EVRAZ set five-year sustainability performance targets (through to 2017).

In 2015, following a change in legislation, all Group enterprises in Russia were subject to a special evaluation of working conditions, conducted as part of a project overseen by the head offices (vice-presidents of HR and HSE). A project manager was assigned and monthly video-conferences were held involving reports by the representatives of the enterprises.

Quarterly status updates were sent to the CEO. To date, working conditions at all workplaces were scored based on actual situation and in accordance with the new method approved by the government.

EVRAZ objective in 2016 is to update its existing system of compensation for working in highly hazardous environments, which is based on lists and results of workplace safety assessments (the old evaluation method), to ensure compliance with the updated legal requirements and the actual working environment.

Fatalities



Sustainability target performance in 2015

Targets	Progress to date
Reduce lost-time injury frequency rate LTIFR (excluding fatalities) consistently	In 2015: LTIFR of 2.18 (2014: 1.60)
Eliminate fatal incidents across the Group	13 fatalities in 2015 (2014: 19)

Safety awards in 2015

Business Unit	Award	Awarding organisation	Comments
EVRAZ KGOK	XII national competition "Most Socially Effective Metal and Mining Company", "Health Protection and Safe Working Conditions" nomination	Russian Mining and Metallurgical Trade Union, Association of Russian Industrialists and Entrepreneurs, Russian Ministry of Industry and Trade	EVRAZ KGOK focuses closely on HSE initiatives. Its annual spending in the area exceeds RUB200 million. In 2015, it launched a new programme, "Health", aimed at helping people who often fall ill to get better. Also in 2015, the plant continued to implement an alcohol testing system.
EVRAZ ZSMK	The best enterprise of Novokuznetsk in terms of HSE (in 2014, but the award ceremony took place in 2015)	Novokuznetsk city administration	EVRAZ ZSMK spent more than RUB180 million rubles on its HSE programme in 2015.

Projects

When selecting safety initiatives to implement across the Group, EVRAZ has focused on those that would have a long-lasting effect on its safety performance. Above all, in the long term, it is vital that all employees receive training in relevant safety issues and demonstrate compliance not only in the classroom, but also by behaving with the utmost care and attention in the workplace. To this end, the Group launched corporate HSE training to supplement obligatory training, and introduced awareness-raising safety conversations to ensure that managers observe and discuss employees' actions on the shop floor. In addition, the risk mitigation system should be designed in a way that is difficult to bypass, deliberately or accidentally. The LOTO system is aimed at preventing machinery from releasing hazardous energy by physically locking the controls.

LOTO | In 2013 and 2014, the Group suffered serious fatalities that were due to failure to observe energy isolation initiatives. As a result, it decided to focus on improving procedures and standard work regarding energy isolation. EVRAZ took the strict energy isolation procedures and equipment used in North America and applied the same procedures using similar LOTO equipment at other locations.

HSE Training | In 2013, the management realised that to improve safety on the shop floor, the Group needed to invest in training employees in safety well beyond the obligatory level. Each site then devised a comprehensive HSE training programme designed to give every employee on the shop floor extra 10 hours of safety-related training a year.

Safety Conversations | Best practice in occupational safety prescribes that regular safety conversations take place on shop floors among employees and managers. Recognising that such conversations are an essential part of encouraging safety, EVRAZ introduced a system of scheduling them 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.

Alcohol Testing | In 2012-13, EVRAZ registered several incidents that involved employees or contractors being in a state of alcohol or drug intoxication on-site, in clear violation of one of the Group's cardinal rules. As a result, the management decided to equip all sites with alcohol and drug testing equipment to ensure strict enforcement of EVRAZ zero-tolerance policy. At present, those entering underground mines undergo alcohol and drug tests, and the Group is working to implement similar practice at its steelmaking facilities.

Based on analysis of lost-time indicators for 2014, EVRAZ focus in 2015 was on mobile equipment, railway operations and operational hazards in underground mining. In 2016, the Group will continue to focus on those areas, while further implementing energy isolation principles (LOTO) and behaviour-based conversations. The zero-tolerance policy regarding alcohol and drug intoxication remains in place.

Regarding coal mining, in 2015, EVRAZ implemented an e-mail and SMS notification system to report on excess amounts of dust and carbon monoxide and falling volumes of air in mines. This builds on the SMS and e-mail emergency notification system on excess methane levels that was installed back in 2010.

In 2016, EVRAZ will continue to improve the quality of its safety training. Every employee on the shop floor will continue to receive an extra hours of targeted safety training. In addition, EVRAZ plans to complete the implementation of employee positioning systems at all of its Russian iron ore mines.

EVRAZ NTMK LAUNCHES MODERN AIR PURIFICATION SYSTEM ROLLING MILL

EVRAZ NTMK has launched a state-of-the-art air purification system in its rolling mill. The equipment has been installed in the fixed mounts section of the rolling shop. Previously, workers used face masks to protect themselves from graphite and metal dust. Now, the system removes the dust from the air, and employees have noted considerable improvements.

The Group spent c.RUB8 million on the project. EVRAZ NTMK is implementing various initiatives to enhance health and safety at its enterprises, which is one of its top priorities .

Environment

Environmental strategy

EVRAZ steel mills and mining operations use substantial amounts of energy and water and involve environmental consequences, such as waste generation, wastewater discharge, air emissions and land contamination.

These operations are strictly regulated by environmental laws and thus make the Group dependent on having environmental permits and licences. The continued validity and extension of these are conditional on EVRAZ compliance with their terms, which generally include obligations to implement certain environmental commitments, recruit qualified personnel, maintain necessary equipment and environmental monitoring systems and periodically submit information to environmental regulators. Failure to comply with any of these conditions could result in the suspension, amendment, termination or non-renewal of environmental permits and licences or could mean the Group incurring substantial costs to eliminate or remedy violations.

EVRAZ is committed to further strengthening its environmental management systems, particularly by continuing its ISO 14001 audit programme. Although the Group has no legal obligation to obtain international certification, it currently has nine ISO 14001-certified sites, including its largest facilities, such as EVRAZ NTMK, EVRAZ ZSMK and EVRAZ DMZ. The certificate of EVRAZ Palini e Bertoli has been temporarily suspended due to production stoppage.

EVRAZ is undertaking the environmental reviews of its new business activities (projects) on the basis of the Environmental and Social Impact Assessment (ESIA). This process involves consultations with local and regional authorities, local businesses and community members. The study provides an evaluation of both the direct and indirect impacts of the new operation on the local community and on the wider environment. The key tasks are to develop mitigation plans to minimise and manage the possible impacts. It also provides a process to ensure that local communities are consulted in decisions we make throughout the life of the project.

EVRAZ supports the health and environmental goals of Regulation (EC) No. 1907/2006 of the European Parliament and of the Council, a European Union regulation concerning the registration, evaluation, authorisation and restriction of chemicals ("REACH[1]"). The Group's goal is to ensure continued compliance with REACH requirements.

EVRAZ environmental strategy is to seek to minimise the negative impact of its operations and to use natural resources efficiently, while seeking optimal solutions for industrial waste management. Compliance with environmental standards is a major long-term target.

In 2012, after determining the key challenges and focus areas, EVRAZ voluntarily adopted five-year environmental targets[2] (over 2012-17) aimed at:
- reducing air emissions[3] by 5%;
- decreasing fresh water consumption by 15%;
- recycling 100% of non-mining waste[4].

The Group's non-compliance-related environmental levies and fines decreased by 20% from US$2.5 million in 2014 to US$2.0 million in 2015. No significant environmental permits or licences were missing or revoked in 2015, and there were no significant environmental incidents at EVRAZ assets.

The Group has committed to various environmental protection programmes for the period from 2016 to 2022. As of 31 January 2015, the cost of implementing these programmes was estimated at US$110 million.

In 2015, EVRAZ spent c.US$29 million on measures to ensure environmental compliance and US$10 million on projects to improve its environmental performance.

By the end of the year, the Group had met the targets set for water consumption, which was reduced by 15%, and recycling, with 126% of waste being recycled (exceeding the 100% target by recycling waste from prior periods).

At the end of 2015, EVRAZ was yet to fulfil the target for air emissions, having registered a 19% increase 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] *Environmental targets are based on 2011 performance levels. In 2015, 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.*
[3] *Including nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds only.*
[4] *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.*

Environmental awards in 2015

Business Unit	Award	Awarding organisation	Comments
EVRAZ ZSMK	Kemerovo region contest “Environmentally Responsible Company”, first place in the nomination “The best organisation with an innovative approach to environmental protection and nature management issues”	Government of Kemerovo region, Mineral Resources Committee of Kemerovo region	The plant was awarded for permanent ecological initiatives. Since 2006, EVRAZ ZSMK reduced air emissions by 20%, water emissions – by 60% and increased usage of recycled production wastes by 17%.
EVRAZ ZSMK	National contest “100 Best Russian companies: Environment and Environmental Management”	International Academy of Quality and Marketing, Council of the Federation Committee on Science, Education, Culture and the Environment	EVRAZ ZSMK has received the award seven times. It has planned measures running through to 2017 and expects to spend more than RUB2 billion.

Air emissions

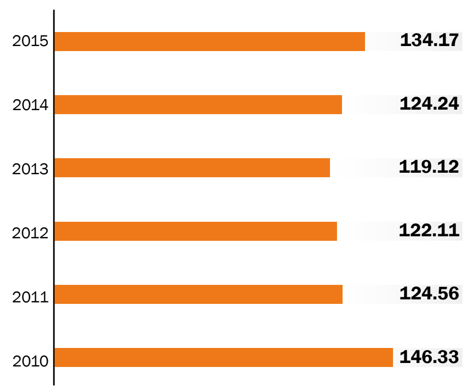
Key air emissions | Reducing air emissions is one of EVRAZ main environmental objectives. The key air emissions primarily consist of nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds.

Even before 2011, the Group had made significant progress in reducing air emissions. Today, its air emissions reduction strategy includes plans to modernise gas treatment systems, implement modern technologies and withdraw obsolete equipment.

Nevertheless, in 2015, key air emissions increased by 9.9 thousand tonnes (or 8%) compared with 2014. The main drivers of the rise are an increase in sulphur content in the coal and ore used at EVRAZ ZSMK’s power and sinter plants, which has resulted in higher SOx emissions, and higher NOx emissions at EVRAZ KGOK due to increase of production.

Taking into account the management’s decision to re-base the target by excluding data related to divested assets (EVRAZ VGOK, EVRAZ Vitkovice Steel, Evrazruda’s Krasnoyarsk mines, ZSMK’s central power plant, EVRAZ Highveld and EVRAZ NTMK’s Nizhnesaldinsky metal mill), key air emissions have increased by 19.2% since 2011.

EVRAZ key air emissions, kt



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

Greenhouse gas emissions

EVRAZ operations are also associated with emissions of carbon dioxide and other greenhouse gases.

The Group recognises the importance of seeking to prevent climate change and supports the global effort to reduce greenhouse gas (“GHG”) emissions into the atmosphere. In accordance with the requirements of the Companies Act 2006 (Strategic and Directors’ Report) Regulations 2013, EVRAZ has undertaken to assess full GHG emissions from facilities under its control. Since 2011, it participates in the CDP Climate Change Programme.

The assessment covered 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 WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. The Group provides data in tonnes of carbon dioxide (CO_2) equivalent (tCO_2e), calculated using IPCC 2006 global warming potentials.

[1] *These are 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 that the Group controls. Entities that were disposed of during the year were included for the period in which they were part of the Group. Only entities 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 was not available. Indirect emissions were estimated using emission factors specifically developed for the country or region, if available, or otherwise factors provided by UK Defra.*

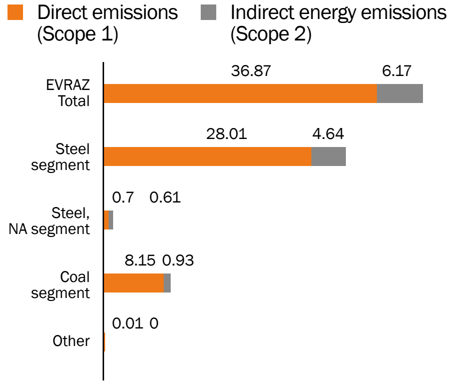
GHG emissions data was collected for 2015 and compared with the 2014 and also 2013 levels, which were established as a baseline. The Steel segment is still responsible for more than half of gross greenhouse gas emissions from operations, while almost 93% of full emissions from the Coal segment are due to fugitive methane leakage, caused by methane ventilation from underground mines and post-mining emissions from coal.

In 2015, the Group's overall greenhouse gas (GHG) emissions decreased by 8.4% year-on-year. Emissions of CO2 fell by 6%, due to low operational activity at EVRAZ Highveld Steel and Vanadium and a reduction of coking coal consumption at EVRAZ ZSMK amid greater use of pulverised coal injection technology. In the coal segment, CH4 emissions dropped by 3% due to a lower methane content in the coal mined and a decrease in coal production at some mines.

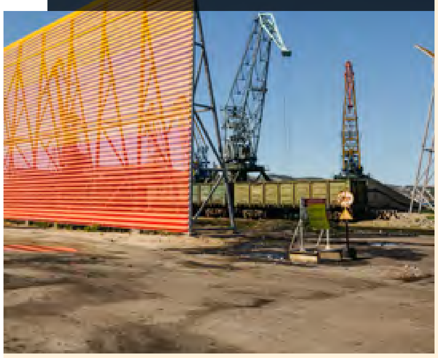
Overall, these factors enabled EVRAZ to reduce its Scope 1 emissions by 6%. The Group's Scope 2 emissions decreased by c.22%, due to EVRAZ Highveld Steel and Vanadium's low activity (which accounted for c. 15%) and lower volumes of energy purchased by EVRAZ NTMK and EVRAZ ZSMK in 2015.

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) according to the divisional structure. In addition, specific emissions in the Steel segment per tonne of steel products for 2013-15 are compared with average specific emissions of World Steel Association members for 2014. Higher specific GHG emissions in the Steel segment may be due to the key role that integrated iron and steel works (which inherently emit more GHGs than rolling mills) play in EVRAZ steel production.

EVRAZ GHG emissions in 2015, MtCO2e



EVRAZ NMTP INTRODUCES NEW DUST PROTECTION TECHNOLOGY

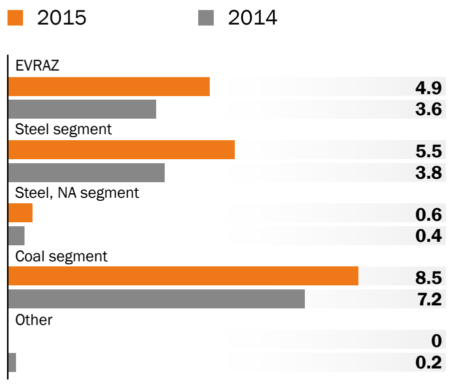


EVRAZ NMTP has finished erecting additional screens to protect the port and the surrounding town from coal dust. In doing this, it was the first enterprise to use aerodynamic panels, which minimise the kinetic energy of the air, reducing air movement and preventing the dispersion of dust. The panels represent one of the most effective dust suppression technologies available today. The port took the idea for the screens from Japan, where outdoor coal transhipment is standard practice. The aerodynamic panels prevent coal dust from leaving the loading area.

EVRAZ ZSMK REPLACES DUST COLLECTION SYSTEM IN AGGLOMERATE COOLING SECTION OF ITS SINTER PLANT

EVRAZ ZSMK installed new dust collection system in the agglomerate cooling section of its sinter plant, as part of a dedicated project to upgrade gas and dust removal equipment. The old equipment has been removed and the base for its replacement is already in place. The new equipment will reduce pollution emissions from the unit by up to 80%.

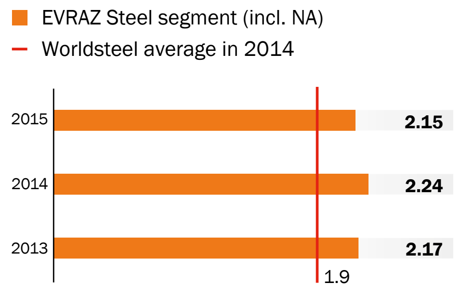
GHG emissions per net revenue, kg CO_2e/US$



EVRAZ GHG emissions, $MtCO_2e$

	2013[1]	2014[1]	2015
Direct (Scope 1)	42.92	39.05	36.87
Consisting of:			
CO_2	33.78	31.08	29.13
CH_4	9.06	7.89	7.67
N_2O	0.08	0.08	0.07
PFC+HFC	0.0002	0.0002	0.0002
SF_6	–	–	–
NF_3	–	–	–
Indirect (Scope 2)	8.05	7.96	6.17
Total GHG emissions	**50.97**	**47.00**	**43.04**

Specific Scope 1 and 2 GHG emissions from the Steel segment, t CO2e per t of steel products



Water consumption and water discharge

The Group's objective is to use water resources efficiently and prevent any negative impacts on water quality through environmental incidents.

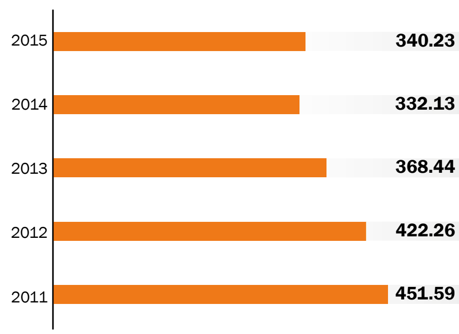
In 2015, almost 84% of EVRAZ total water intake was from surface sources, including rivers, lakes and reservoirs, versus 76% in 2014.

In 2015, EVRAZ enterprises continued to implement programmes to improve water management performance. The environmental benefit of these is expected to be seen after 2016.

In 2015, fresh water consumption increased by 8.1 million cubic metres (2.4%) compared with 2014. The main driver of the rise in 2015 was EVRAZ ZSMK's Heat and Power Plant, which increased its water intake due to greater energy production (+60.4 million kW) and the need for more cooling water. Given the HSE Committee's decision to re-base the target by excluding data related to disposed assets, fresh water consumption decreased by 67.2 million cubic metres (14.9%) compared with the 2011 adjusted baseline. Water discharge decreased by 77.2 million cubic metres over 2012–15.

Water pumped from mines (dewatering) is not included in the fresh water consumption target, although pumped water is partly used for technological needs. In 2015, 20.5 million cubic metres of mine water were pumped out and used, compared with 44.7 million cubic metres in 2014.

EVRAZ fresh water consumption, million m^3



[1] *The results for 2014 and 2013 were recalculated due to a change in the global warming potential (GWP) values for methane (CH4) and nitrous oxide (N2O), improvements in data quality and several identified inaccuracies. In accordance with recommendations by the UK Department for Environment Food and Rural Affairs (DEFRA), GWP values were changed to the given in the fourth assessment report of IPCC - AR4 (values 25 and 298 accordingly), instead of values from the second assessment report of IPCC - SAR for a 100-year time horizon (21 and 310 accordingly), used previously. The total effect of these changes for Scope 1 emissions amounted to +1.45 MtCO2e for 2013 and +1.26 MtCO2e for 2014. Identified improvements in data quality and inaccuracies regarding material flows resulted in adjustments to Scope 1 emissions of +0.48 MtCO2e for 2013 and of +0.21 MtCO2e for 2014.*

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.

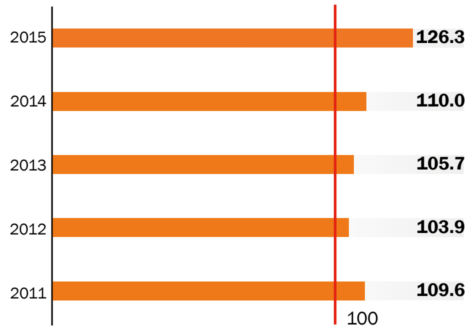
In 2015, EVRAZ steel mills generated 10.4 million tonnes of metallurgical waste (slag, sludge, scale, etc.), while 13.3 million tonnes were recycled and reused. Overall, in 2015, EVRAZ recycled or reused 126% of non-mining waste and by-products, compared with 110% in 2014.

EVRAZ's strategy for dealing with non-hazardous mining wastes, such as depleted rock, tailings and overburden is to use them where possible for land rehabilitation and the construction of dams or roads. In 2015, 17% or 24.6 million tonnes of such waste material were reused compared to 11% or 15.4 million tonnes in 2014.

All non-recyclable waste is stored in facilities which are designed to prevent any harmful substances contained in the waste 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. For example, EVRAZ ZSMK relocated residents of Mokrousovo who were in potential dangerous proximity to a waterworks. Altogether, 172 people from 107 apartment blocks were rehoused.

Recycling rate[2], %



[2]*Excluding waste products of mining industry and including materials from old dumps Goal 100%*

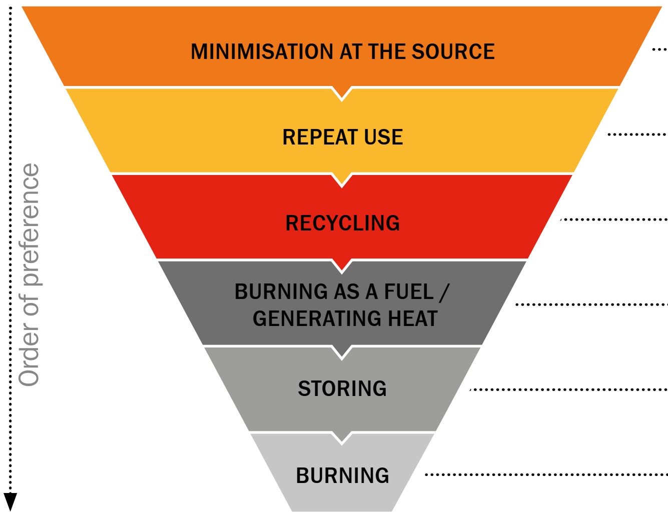
WATER-SAVING MEASURES AT EVRAZ BAGLEYKOKS

An environmental project is under way to eliminate the discharge of wastewater from EVRAZ Bagleykoks into the Sukhaya Sura river. In the northern part of the enterprise's territory, a wastewater pool has been dug, and polluted rain and melted snow from the plant and internal roads will run naturally into it. This will stop the discharge of wastewater into the river basin. Water processed by the drainage system will be recycled and re-used in production in 2016.

An overflow indicator has been installed on the ash sluicing system of EVRAZ Bagleykoks' heat and power plant. The system processes wastewater from the boilers, coolant from the air and oil-cooled generators, and liquid from sampling points. Water pumped through the system is treated and then re-used in production. The idea for the overflow indicator came from an employee at the heat and power plant.

The wastewater processing section of the heat and power plant has met its targets. The section was commissioned together with a water desalination facility in 2014 and enables water from the plant to be recycled and re-used in production, preventing it from going into the local river basin.

Waste management strategy



Improve technological processes to enhance product quality
Secure by-products without generating waste.

Re-use the main types of waste from metals production: slag, clinker and tailings, including from old dumps

Develop new products that feature various types of waste.
Use inert waste to reshape land plots and build dams or roads.

Generate heat from hot slag. Use waste for heating (local boilers).

Store waste that cannot be used today safely, retaining the option of using the locations as industrial sites in the future

It is forbidden to: “burn production and consumption waste without special facilities or dump it outside designated areas”. (EVRAZ Fundamental Environmental Requirements)

EVRAZ INSTALLS NEW WATER TREATMENT EQUIPMENT AT THREE MINES

In 2015, a new cutting-edge wastewater-processing station was opened at the Uskovskaya mine and modular wastewater processing units were commissioned at the Alardinskaya and Osinnikovskaya mines.

The facility at Uskovskaya features pressure flotation technology and additional treatment using disk filters and ultraviolet decontamination. The resulting water meets the various regulatory requirements regarding pollution levels. The unit at the Alardinskaya mine has technical, chemical and other equipment that processes water using the flotation method, and the decontaminated water goes into the municipal wastewater system. The unit at the Osinnikovskaya mine features similar technology.

RASPADSKAYA PLANTS MORE THAN 100 TREES IN PARKS AND SQUARES IN MEDZHURECHENSK

In September 2015, around 120 trees from the territory of Raspadskaya have been re-planted in parks, squares and roads of Mezhdurechensk by environmental specialists from the enterprise. The initiative was part of the “Second Life of a Tree” project. The acacia, ash and fir trees were given a new home on the territories of kindergartens, retirement homes and administrative blocks of companies.s enterprises, which is one of its top priorities .

WASTE RECYCLING PROJECT HELPS TO REDUCE EVRAZ NTMK'S ENVIRONMENTAL FOOTPRINT

EVRAZ NTMK is working to reduce its environmental footprint by conducting a project to utilise iron ore dust and tailings in flux feedstock. The enterprise has identified ways of using mixer and desulphuration dust from its converters and tailings from the casting machines in the blast furnaces. Instead of storing them, they are recycled in flux feedstock, in the smelting process. Analysis shows that using them has improved feedstock quality. In addition, the additional volumes of the raw materials reduce the need for costly vanadium pellets. Above all, the project reduces waste that otherwise requires specialist storage.

ENERGY-SAVING MEASURES

In 2015, the Group conducted work at its enterprises aimed at increasing energy efficiency, generating more own electricity and reducing the share of energy resources bought. Initiatives to optimise the use of light, heat, fuel, compressed gas and it's separation products products generate significant savings.

Steel segment

Steelmaking

EVRAZ ZSMK | In 2015, EVRAZ ZSMK installed an energy management system and took measures to reduce fuel and energy costs.

Over the year, through efforts to increase generation at the ZSMK Heat and Power Plant and decrease electricity consumption, EVRAZ ZSMK reduced its electricity purchases by 17% and energy consumption on saleable products by 4.3%. In addition, it boosted the volume of own electricity generated by 5%.

EVRAZ NTMK | In 2015, EVRAZ NTMK has modernised its lighting system and introduced measures to increase own power generation, including by optimising the use of associated metallurgical gases from blast furnaces and coking facilities, and to upgrade the water supply system.

One priority project in 2015 was the launch of two new air separation units to supply oxygen, nitrogen and argon to the enterprise's blast furnaces and coking facilities. The units are 35% more efficient than their predecessors. A US company Praxair is operating them.

In 2015, EVRAZ NTMK's heat and power plant set a new record for electricity generated of 158 MWh, up 12% year-on-year. In addition, a project to modernise the coke dry quenching unit continues and the second phase is under way. As part of this, equipment will be installed to collect surplus gas and generate power from it.

EVRAZ DMZ | In 2015, EVRAZ DMZ undertook numerous initiatives to reduce spending on energy purchases and maximise its consumption of associated gases (from blast furnaces and coking facilities).

During repairs to a coke gas pipeline, EVRAZ DMZ reversed gas transmissions from its coke production site through the blast furnace gas pipeline, saving 5 million cubic metres of natural gas consumption in steelmaking.The enterprise also worked to decrease its electricity consumption by installing frequency changers and energy-efficient lighting, reducing its electricity purchases by 0.3 million kWh in 2015. In addition, over the year, it increased own electricity generation by 0.7 million kWh.

EVRAZ Bagleykoks | In 2015, EVRAZ Bagleykoks upgraded its gas pumping equipment, pumps and heat-exchange units and replaced old aggregators with more modern, efficient ones. As a result, it reduced its consumption of steam and electricity and made its production process more stable.

ENERGY-SAVING PROGRAMME AT EVRAZ ZSMK SAVES RUB229 MILLION IN 2015

Over 2015, EVRAZ ZSMK installed an energy management system and introduced measures to reduce fuel and energy spending. As a result, it became more energy-efficient, reducing the volume of energy consumed on saleable products by 4.3% year-on-year. The improvements followed the introduction of automated systems for measuring energy use. They allow electricity use to be controlled at various stages of production, optimise the work of high-power equipment and reduce per-unit spending on energy resources.
Overall, in 2015, EVRAZ ZSMK reduced its purchases of electricity from third parties by almost 17% by increasing generation at the ZSMK Heat and Power Plant and decreasing electricity consumption.

Mining

KGOK | In 2015, EVRAZ KGOK implemented three energy-saving measures. It reduced the size of the ore lumps used as feedstock and increased the yields from dense media separation tails. It installed commercial flow meters to measure natural gas consumption in its pellet plant and added extra thermal insulation to reduce energy consumption. It also switched electricity tariff to reduce spending on power.

Evrazruda | In 2015, Evrazruda installed energy-saving devices (fluorescence excitation illumination systems) and commercial heat-measuring gauges; fitted frequency changers to the lifting machinery at the Sheregesh mine to reduce electricity consumption; and switched to a more optimal electricity tariff.

EVRAZ Sukha Balka | In 2015, EVRAZ Sukha Balka completed the switch to a three-zone approach to recording its electricity use, reducing its purchases of power. In addition, it optimised the schedule for tunnelling and drilling work, saving around 10 million kWh of electricity.

Energy production/consumption ratio[1], %

	2013	2014	2015
Electrical energy	40.71	37.65	41.32
Hot water for heating	204.76	201.96	210.10
Steam	102.72	112.65	113.89

[1] Taking into account performance of Steel segment and Coal segment operations.

Steel, North America Segment

EVRAZ North America

EVRAZ North America's enterprises also continued to implement energy-saving measures in 2015. By upgrading to LED lighting, they saved c. 1.5 million kWh of electrical energy compared with 2014. For 2015, the business unit's EINA electrical and natural gas consumption are both estimated to have fallen year-on-year (from 1,683 GWh to 1,623 GWh and from 9,129 TJ to 9,120 TJ, respectively).

Energy consumption of Steel segment[2], GJ per tonne

[2] Taking into account performance of EVRAZ ZSMK, EVRAZ NTMK, EVRAZ DMZ

Coal segment

Yuzhkuzbassugol | In 2015, Yuzhkuzbassugol fitted frequency changers to the lifting machinery at the Osinnikovskaya mine, reducing electricity consumption by 20%.

Raspadskaya | In 2015, Raspadskaya implemented a range of major energy-saving measures. In particular, it decommissioned energy-inefficient equipment, began to focus more on optimising equipment work schedules, upgraded the water supply system and modernised its lighting equipment.

SOCIAL POLICY

Our people

EVRAZ recognises the importance of working with people and for people. The Group invests great efforts in ensuring that it is a sustainable concern that can support its growth strategy through human resource (HR) management. The goals and initiatives of EVRAZ HR strategy are aimed at developing employee skills and improving production safety levels through training and performance management.

Personnel profile

Headcount | In 2015, EVRAZ employed 84,467 people, down 10% from 94,823 in 2014. This reduction was mainly due to personnel optimisation (c.5,000 employees), outsourcing of support functions and the exclusion of EVRAZ Highveld Steel and Vanadium from consolidation (c.2,500 employees).

In 2016, EVRAZ will employ c.81,500 people, down 5% year-on-year. The fall will stem mainly from further personnel optimisation (c.2,500 employees), the closure of uneconomic mines at Raspadskaya (c.700 employees) and outsourcing of support functions (c.800 employees).

Diversity | EVRAZ believes that diversity plays an important role in a successful business. It remains committed to providing equal rights to employees regardless of their race, nationality, gender or sexual orientation, and the Group recognises the importance of diversity when recruiting employees. Full consideration is given to applications from people with disabilities, taking into account their particular aptitude and abilities.

2015 results

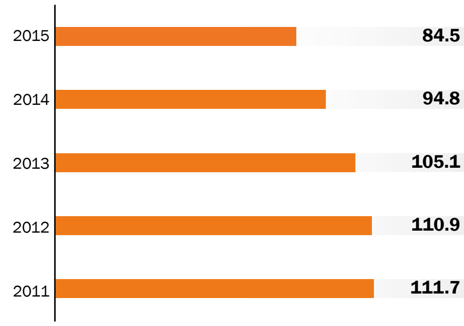
Productivity is defined as labour costs exclusive of tax divided by production volumes of respective products.

In general, the 2015 targets for work productivity were achieved, apart from those for raw coal due to differences between the forecast and actual US$ exchange rate and the closure of Raspadskaya mines.

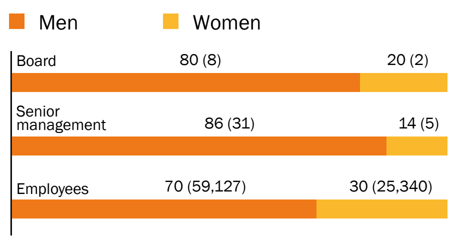
➔ The main focus in 2015 was on:

- reducing staff in production, including maintenance
- reducing headcount by outsourcing support functions
- implementing projects aimed at increasing work productivity

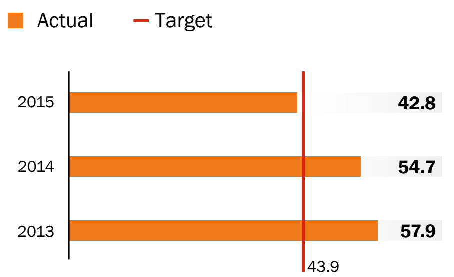
Number of employees at December 31, thousand people



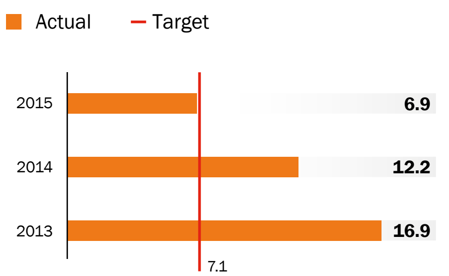
Diversity of employees, senior management and directors, % (number of people)



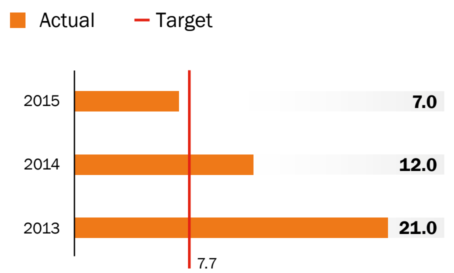
Productivity (steel products), US$/t



Productivity (iron ore products), US$/t



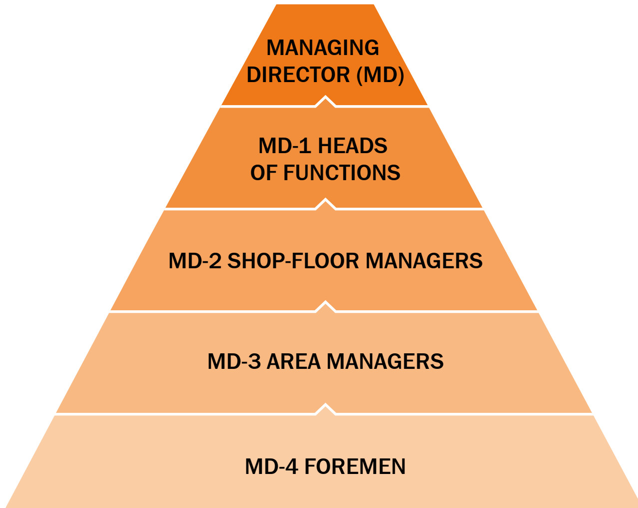
Productivity (coal products), US$/t



Key corporate HR initiatives for 2016 include:

Keep staff costs in 2017 equal to the 2016 level. The goal is to start work on the 2017 budget in good time to ensure that staff costs will not exceed those in 2016.

- Extend the system of selection, evaluation and training for MD-1-4
- Transform HR: introduce advanced HR processes and centralise operations. The main goal of this initiative is to build a new HR operational model and increase the effectiveness of the function. The project plan includes to implement a HR shared services centre and develop HR processes with added value. The overall aim is to enhance process quality and reduce HR costs.



Employee engagement awards in 2015

Business Unit	Award	Awarding organisation	Comments
EVRAZ NTMK	Main employer of Nizhny Tagil	Nizhny Tagil city administration	
EVRAZ NTMK	XII national competition “Most Socially Effective Metal and Mining Company”, “Socioeconomic Efficiency of Collective Labour Agreement” nomination	Russian Mining and Metallurgical Trade Union, Association of Russian Industrialists and Entrepreneurs, Russian Ministry of Industry and Trade	EVRAZ NTMK’s collective labour agreement includes 20 social programmes for employees, on which the plant has spent c.RUB900 million

Internal social policy

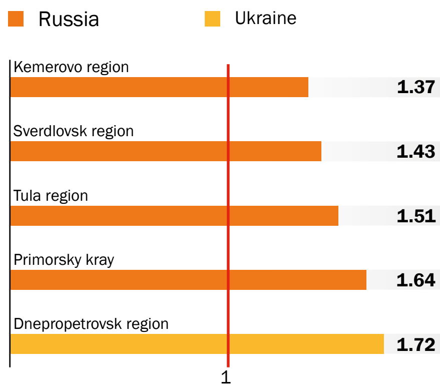
Financial motivation | EVRAZ seeks to motivate employees by offering a salary that is higher than the average salary in the corresponding region.

Employee engagement | EVRAZ pays great attention to its internal communications processes and constantly seeks to build an efficient system, designed not only for keeping information flowing, but also for increasing employee loyalty and motivation. The Group searches for, evaluates and implements best communications practices, such as corporate intranet, bulletins and internal advertising campaigns. Its goals are to provide up-to-date, full and transparent information regarding its business and strategies, progress and bottlenecks; to support its development by involving employees in its initiatives; and to build a strong international team of people, committed to the Group, its customers and the industry.

One key way in which the Group seeks feedback from employees is the EVRAZ Compliance Hot Line. The rules and regulations concerning it are adopted in special guidelines, signed by the CEO. The document specifies the way in which the Hot Line works, the responsibilities of the sides involved and other general questions. Employees can ask questions or report any suspected violations by email or phone, anonymously or otherwise. Administrators take calls from 9 am to 6 pm Moscow time from Monday to Friday. Outside these hours, an answering machine is in operation.

Respective department strives to address every report within 12 days, and employees receive a response via e-mail or phone call. In 2015, the Hot Line received c.1,000 requests and all were examined. The most popular enquiries concerned labour management relations (including c.200 regarding contract details), followed by salaries, social services (transportation, conditions in non-production premises, nutrition, conditions at sites) and PPE (periods, volumes, content of supplements, lifecycle, rules of use and washing), which accounted for c.100 requests each.

Ratio of average salary to average salary in the region



Work with trade unions | EVRAZ respects employees' rights and aims to build a constructive and positive relationship with the labour unions that represent them. The Group has generally high levels of unionisation at its enterprises (c.73%), although this can vary significantly across operations and countries.

The backbone of the relationship between EVRAZ and trade unions is social partnership. Regular discussions and formal and informal meetings of the management and unions are conducted at all EVRAZ facilities in Russia and worldwide.

All EVRAZ production sites operate through the collective bargaining agreement model. Bargaining agreements are drafted on the basis of industry agreements and cover employment, working hours, payment, occupational safety, benefits and welfare, and they guarantee the rights of trade union bodies. Apart from government-guaranteed benefits, bargaining agreements provide for additional privileges and social programmes to support employees and their families, as well as retired employees and veterans (voluntary health insurance for employees, workplace accident insurance, assistance in housing improvement, various kinds of financial support, subsidised recreation and holiday vouchers, holiday gifts, etc). Social programmes are region and industry-specific to ensure improved value and relevance for employees. Sporting and cultural events are held together with trade unions.

The section of a bargaining agreement relating to employee health and safety details the employer's committments to ensure a healthy and safe environment for employees. These obligations include to provide them with personal protection equipment (including beyond the government requirement), hold medical examinations and provide medical services to employees in workplaces, provide public amenities, training and knowledge tests in health and safety, and more.

The key health and safety focus areas are formalised in industry-wide agreements with trade unions.

Development of employees

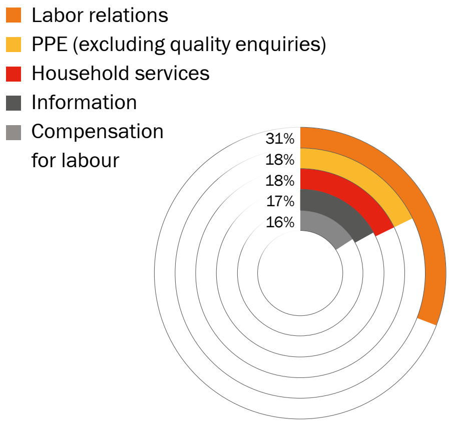
Employee development strategy | In 2015, EVRAZ continued its "Foreman to Become an MD-1" programme, a corporate selection, assessment and development procedure. It aims to improve the managerial skills of shop-floor supervisors and to clearly define the responsibility and authority of every management level, from foreman to shop-floor manager. In 2015, the Group focused on foremen, the first level of manager on the shop floor (and the largest managerial group, with more than 5,000 people). EVRAZ developed the requirements for the position and a quarterly assessment system covering three areas: health and safety, people management and process management.

In 2016, the Group plans to cover area managers and shop-floor managers.

Staff recruitment policy | EVRAZ seeks to promote candidates from within the organisation. In 2015, more than 80% of management-level positions were filled by internal candidates, including vice-president and head of the Ukraine division and the managing director for KGOK and NMTP.

Where necessary, EVRAZ competes for the best people in the metals and mining sector and other industries.

Breakdown of Hot Line enquiries in 2015, %



EVRAZ NTMK HOLDS YOUNG EMPLOYEE AND MENTOR COMPETITION

Over the second half of 2015, EVRAZ NTMK held a competition for young employees and their mentors. Around 2,000 people, nominated by colleagues, took part, and a special working group chose the winners. Alexei Kushnarev, managing director of the enterprise, and Vladimir Radayev, chairman of the trade union Committee, handed awards to the 40 winners at a special ceremony.

Criteria for selecting the winners included performance, contribution to innovative measures to increase product quality and save energy, acquisition of new equipment skills, adherence to health and safety rules, and participation in EVRAZ NTMK's social life.

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

Training and development | EVRAZ capitalises on technical employees' expertise by involving them in the development of educational materials and training courses. As such, it ensures that experts and trainees are prepared for handling business issues.

The "Retaining and Development of Engineering Competency" programme started in 2012. The purpose was to build a pool of key technology experts with unique knowledge, establish a system to maintain the knowledge, and transfer it to successors.

The programme established new formats of corporate EVRAZ science and technology youth conferences and local enterprise engineering conferences. Engineering management of the enterprises includes engineering solutions developed by young engineers into "rapid improvement experience" schedules and carefully tracks their implementation. Two young engineers' clubs were organised at the initiative of engineers: the "Safety First" club at Raspadskaya and the "Engineering" club at EVRAZ ZSMK.

In 2015, for the second year in a row, young talent from EVRAZ took part in the national high-tech industry trade WorldSkills championship. Nine EVRAZ employees participated, and two of them won silver medals in the Electrical Assembly and Process Control categories.

EVRAZ places an emphasis on selecting, developing and promoting employees with vast potential, as set out in its five-year target.

In 2015, 56 Russian, Ukrainian, US and Canadian engineers joined the sixth EVRAZ New Leaders Programme, hosted by the Skolkovo Moscow School of Management to design and implement initiatives to improve process performance. For the first time, EVRAZ experts and HiPo's acted as team sponsors.

One area of focus in 2015 was to improve the quality of health and safety training. EVRAZ has revised training programmes, implemented a programmes to improve the qualifications of methodologists and trainers at its corporate training centres, and trainers are now rated quarterly.

Assessment of training programme efficiency | In 2012, 360 people were selected under the programme "Retaining and Development of Engineering Competency". By the end of 2015, that number had more than doubled to 777 people. Over this period, 56 master schools were held with more than 650 successors to embrace the knowledge of experts from enterprises. As a result, more than 100 successors were promoted to "expert" status following the completion of their personal development plans.

777 people

were selected under the programme "Retaining and Development of Engineering Competency" by the end of 2015

EVRAZ engineers have been studying the "Theory of Inventive Problem Solving" (TRIZ) to solve local issues of individual processes since 2013. In 2015, 11 TRIZ hands-on training sessions were held at the discretion of engineering managers of enterprises. Following the results of monitoring, 40% of solutions suggested in 2014 were implemented. Of the solutions suggested in 2015, 17% have already been implemented and 60% are in progress. In 2015, at the initiative of managing directors and engineering directors, the Ukrainian facilities of EVRAZ joined the programme. Two TRIZ trainings were held, a master school is under way, and young engineers are participating in a corporate science and technology youth conference.

Clearly, the programme has become significant for the professional community and is stimulating the development of production on top of employee training and education.

An initiative to hold engineering forums was introduced in 2012. The first forums informed EVRAZ engineers about best practices, and since 2014, the forums have been driven by enterprise engineering directors and provide detailed analysis and development of engineering strategy for each site in a certain area. Four engineering forums involving international and Russian industry experts were held at the request of technology directors. For instance, in November 2015, a forum dedicated to waste recycling was held in EVRAZ ZSMK and resulting in an updated environmental programme. Three months before the forum, the plant's engineers carefully revised the current situation regarding waste processing, identifying opportunities and waste recycling strategies applicable to the mill, selecting partners and suppliers, and involving research centres. During the forum, they discussed methods and approved a consolidated solution, next steps and a schedule.

Community relations

Governance and approach

EVRAZ seeks an ongoing dialogue with the communities in which it operates. The Group is a responsible taxpayer and employer. All of its enterprises operate in accordance with federal and local legislation. Managing directors and regional vice-presidents are responsible for communication with local governments. HSE directors are responsible for ensuring that plants' activities are line with the applicable rules and regulations. The regional corporate communications centres are responsible for communicating with non-commercial organisations on charity, environmental, social, educational and sport projects.

Relations with local communities

EVRAZ contributes to local economies in many ways it can, supporting communities in which it operates.

The Group focuses on stable partnerships with local communities and strives to improve quality of life in its regions of presence. It develops socially responsible programmes that support children with special needs, veterans and old people, children's homes, as well as cultural, educational and sport projects, city infrastructure, and projects to reduce environmental impact. EVRAZ takes its role as a taxpayer and employer seriously, offering employees development, training programmes, social protection and regionally competitive salaries. EVRAZ is a committed partner with local governments: it helps to solve challenging regional issues[1].

EVRAZ DONATES RUB300,000 TO CHILDREN'S PHOTO STUDIO IN NIZHNY TAGIL

In 2015, EVRAZ donated RUB300,000 to buy professional equipment for a children's photo studio, which organises photo-therapy sessions for children with disabilities. The funds were used to buy light reflectors, timers, filters, a projector and new decorations for the interior. The equipment has already been tested at sessions. EVRAZ earlier pledged funds for equipping the studio, and five professional cameras, flashes and various interior items were bought.

Photo-therapy can help children to socially adjust, develop their creative talents and feel positive. The initiative is part of the EVRAZ-Children charitable project.

Relations with local communities awards in 2015

Business Unit	Award	Awarding organisation	Comments
EVRAZ NTMK	"Best Philanthropists of Nizhny Tagil"	Nizhny Tagil city government	EVRAZ NTMK was awarded as one of the best philanthropists of the city.
EVRAZ	National contest "Leaders of Corporate Social Responsibility". EVRAZ charity project received an award in the nomination "Best Project That Helps to Promote Initiatives of Non-commercial and Charity Organisations in the Regions Where the Company Operates".	Non-commercial organisation "The Donors' Forum", Vedomosti and PwC	The project "EVRAZ: City of Friends – City of Ideas" won an award for the second time. Social projects of non-commercial organisations in Kachkanar city take part in the contest to receive financing for their projects.

[1] *in 2015 Financial statements EBITDA calculations exclude social and social infrastructure maintenance expenses.*

2015 Projects for Local Communities Development

Name	Description	Results in 2015
"EVRAZ: City of Friends – City of Ideas"	The main goal is to improve the quality of life in Kachkanar: develop culture, sport, education, and help old people and children with special needs. Non-commercial organisations present their social projects. The jury selects 10–15 winners, who receive up to RUB100 thousand to implement their projects.	In 2015, the jury chose 13 winners who received money grants for their projects. During 7 years more than 60 social projects were implemented in Kachkanar.
EVRAZ for Kids	The 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 more than 500 kids with special needs get special medical treatment sponsored by EVRAZ. The Group supports cutting edge treatment techniques – photo therapy, art therapy, aqua therapy, hippo therapy, adaptive sports, massage courses for kids and training programs for their parents. Every year EVRAZ provides more than 3 thousand New year presents in Russia, organizes annual voluntary campaigns to provide books, office stationery, sport equipment and clothes for the start of school year.
EVRAZ for Cities	EVRAZ supports local infrastructure in the cities where it operates. EVRAZ donates funds for reconstructing roads, parks and theatres, and for equipping schools, colleges and medical centres.	In 2015, EVRAZ supported the renovation of the Garden of Steelworkers in Novokuznetsk. Every year, the Group organises a competition for the best projects for residential courtyards. The winners receive playgrounds for their yards, and nine were installed in 2015. In 2015, EVRAZ supported the reconstruction of the road on the Kuznetsky bridge in Novokuznetsk.
EVRAZ for Sport	EVRAZ supports amateur and professional sports teams and sportspeople, both children and adults. EVRAZ provides sport equipment and donates money towards preparing for and participating in different tournaments. In 2015, the Group also organized charity 5-km marathons in Novokuznetsk and Nizhny Tagil for employees, citizens and their children. Some 2 thousand people took part in the race, and about 6 thousand attended a city festival. The funds raised were donated to charity.	EVRAZ organised city festivals in Nizhny Tagil and Novokuznetsk, promoted sport and a healthy lifestyle, and raised money for charity. The Group also supported the reconstruction of a football stadium and renovation of the swimming pool in Kachkanar.
Big Siberian Road Tour	EVRAZ helps to develop culture in the regions where it operates. EVRAZ supported the road tour of Siberian theatres.	In summer, Siberian theatre companies put on shows in Novokuznetsk theatres.
Reading Sparks® programme	The EVRAZ Reading Sparks® programme promotes children's literacy in North America.	EVRAZ North America has provided, furnished and stocked numerous libraries and reading areas at elementary schools. In addition, it is in its third year of sponsoring the "Battle of the Books" in the 39 Regina, Saskatchewan, school system in Canada. Also in Regina, EVRAZ has provided books for United Way's Classroom Libraries programme, funded the purchase of dual-language books for 15 Regina elementary schools in English and 58 other languages, and is a gold-level sponsor of the Saskatchewan Young Readers Association. In addition, EVRAZ continue its multi-year support for an extensive reading and writing programme for Colorado's Pueblo City Schools. EVRAZ Reading Sparks volunteers helped to organise and distribute more than 400,000 new books to agencies, organisations and schools serving low-income children in collaboration with Executives Partnering to Invest in Children (EPIC). In Portland, Oregon, EVRAZ funded the purchase of 500 books for a local elementary school.
Scholarship Fund for Canadian Aboriginals	The fund assists students attending the Universities of Alberta and Regina, Notre Dame College, Northern Alberta Institute of Technology and Saskatchewan Polytechnic.	EVRAZ North America sponsored the fund in 2015.
Hosting a recreational area adjacent to EVRAZ Regina facility	EVRAZ continues to host a recreational area adjacent to its Regina facility for members of the community. The long established and recently refreshed EVRAZ Park, open from May to September, features a swimming pool, playground, picnic facilities and prairie animals and is enjoyed by schools as a favourite field trip destination and by many Regina families throughout the community.	EVRAZ supported the project in 2015.
Sponsorship of the Enbridge® Alberta Ride to Conquer Cancer®	EVRAZ is the presenting sponsor of the Enbridge Alberta Ride to Conquer Cancer, benefiting the Alberta Cancer Foundation.	In August, a two-day, 200-km bicycle ride through the Canadian Rockies raised US$7.8 million for cancer research, clinical trials, enhanced care and the discovery of new cancer therapies at 16 cancer centers across Alberta, Canada.
Sponsorship of First Growth Children and Family Charities	EVRAZ supports this annual Portland, Oregon fundraiser benefiting local charities.	In 2015, more than $3.2 million was raised for First Growth Children and Family Charities such as the YWCA of Clark County, Randall Children's Hospital, New Avenues for Youth, Metropolitan Family Services and Friends of the Children.

EVRAZ for Cities

EVRAZ supports local infrastructure in the cities where it operates.

EVRAZ for Kids

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.

EVRAZ for Sport

EVRAZ supports amateur and professional sports teams and sportspeople, both children and adults.

Participation in public organisations and initiatives

Non-commercial partnership "Rail commission"	The participants include rail producers, Russian Railways, research institutes and certification centres. The commission is aimed at sharing the best practices in rail production, solving challenging issues, implementing new technologies and products, and developing the industry. EVRAZ has been participating in the organisation since 2007.
Non-commercial partnership "Russian Steel"	An association of Russian iron and steel producers. Its main goal is to represent of interests of Russian iron and steel producers. Members of Russian Steel account for the majority of national iron and steel production: ○ 98% of pig iron, ○ 90% of crude steel, rolled products and substantial share of steel raw materials. EVRAZ has been participating in the organisation since 2001.
Steel Construction Development Association	The association is aimed at promoting the usage of steel constructions in civil buildings, mainly to substitute cement. The association unites steelmakers, mills producing steel constructions, research institutes, design engineers and developers. EVRAZ has been participating in the organisation since 2014.
The union of rail equipmen producers	The union unites manufacturers of railway products, railway transport firms and Russian Railways. It aims to develop technical regulation and rail transport. EVRAZ has been participating in the organisation since 2007. Sergey Palkin, director for technical regulation of railway products is vice-president and a member of the supervisory board.
"Association of Russian Steelworkers" employers union	The association aims to: ○ Represent and protect of the rights and legitimate interests of its members in their relations with government bodies, trade unions, and other associations, institutions and organisations; ○ Coordinate activities regarding social and labour and related economic issues. The association comprises 10 key Russian metallurgical companies. EVRAZ has been participating in the organisation since 2008. EVRAZ vice-president for Personnel, Natalia Ionova, is a member of the board.
National Association of Mineral Resources Examination	The association unites industrial enterprises, design and expert organisations. It aims to promote the creation of a highly efficient, innovation-oriented, internationally integrated system of geological study of mineral resources and the development of mineral resources in Russia by consolidating the efforts of professional participants. EVRAZ has been participating in the organisation since 2004. Vladimir Sheglov, technical director for iron ore assets represents EVRAZ at the Association.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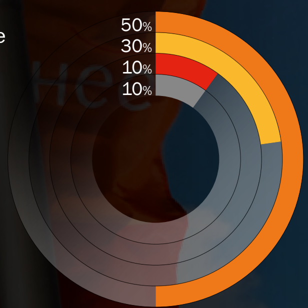
GOVERNANCE

12 meetings
of the Board of Directors

Boardroom diversity, %

- Independent non-executive directors
- Non-executive directors
- Chairman non-executive
- Executive director (CEO)



BOARD OF DIRECTORS

Non-Executive Chairman
(born 1959)

Appointment | Mr Abramov has been a Board member since April 2005. CEO of EVRAZ Group SA until 1 January 2006, Chairman of EVRAZ Group SA Board until 1 May 2006. Mr. Abramov served as non-executive director from May 2006 until his re-appointment as Chairman of the Board on 1 December 2008. Appointed Chairman of EVRAZ plc on 14 October 2011.

Committee membership | 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 Ph.D. in Physics and Mathematics. Founded EvrazMetall in 1992. Mr. Abramov is a member of the Bureau of the Board of Directors and a member of the Board of Directors of the Russian Union of Industrialists and Entrepreneurs (an independent non-governmental organization), director of OJSC Bank International Financial Club, a member of the Board of Skolkovo Institute for Science and Technology and a member of the Board of Moscow University of Physics and Technology.

Chief Executive Officer
(born 1964)

Appointment | Board member since April 2005. Chairman of the Board of Directors of Evraz Group S.A. from May 2006 until December 2008 and was appointed CEO with effect from January 2007. Appointed CEO of EVRAZ plc on 14 October 2011.

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

Skills and experience | Alexander Frolov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree. Prior to working in EVRAZ, Mr. Frolov worked as a research fellow at the I.V. Kurchatov Institute of Atomic Energy.

Joined EvrazMetall in 1994 and served as EvrazMetall's Chief Financial Officer from 2002 to 2004 and as Senior Executive Vice President of Evraz Group S.A. from 2004 to April 2006.

Non-Executive Director
(born 1969)

Appointment | Has been a member of the Board of Directors of Evraz Group S.A. since August 2006. Appointed to the Board of EVRAZ plc on 14 October 2011.

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

Skills and experience | Ms. Pokrovskaya is financial adviser at Millhouse LLC and a member of the Board of Directors of Highland Gold Mining Ltd. Since 1997, Ms. Pokrovskaya has held several key finance positions with Sibneft, including head of corporate finance. From 1991 to 1997, she worked as a senior audit manager at the accounting firm Arthur Andersen.

Non-Executive Director
(born 1964)

Appointment | Member of the Board of Directors of Evraz Group S.A. since August 2006. Appointed to the Board of EVRAZ plc on 14 October 2011.

Committee membership | Nominations Committee.

Skills and experience | Eugene Shvidler currently serves as Chairman of Millhouse LLC and Highland Gold Mining Ltd. He is also on the board of directors of AFC Energy plc. Mr. Shvidler served as President of Sibneft from 1998 to 2005.

Non-Executive Director
(born 1964)

Appointment | Member of the Board of Directors of Evraz Group S.A. since August 2006. Appointed to the Board of EVRAZ plc on 14 October 2011.

Committee membership | None.

Skills and experience | Mr. Tenenbaum is currently Managing Director of MHC (Services) Ltd. and serves on the Board of Chelsea FC Plc. 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.

Board of Directors

Independent Non-Executive Director

(born 1952)

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

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

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

Independent Non-Executive Director

(born 1952)

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

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

Skills and experience | Mr. Gruber has over 35 years' experience in the international metallurgical mill business. He held various management positions, including eight years as a member of the Managing Board of VOEST-Alpine Industrieanlagenbau (VAI), first as Executive Vice President of VAI and then as Vice Chairman of the Managing Board of Siemens VAI. He also served as Chairman on the Boards of Metals Technologies (MT) Germany and MT Italy. Further he has executed various consultancy projects for steel industry and served as CEO and Chairman of the Management Board of LISEC Group.

Independent Non-executive Director

(born 1960)

Appointment | Member of the Board of Directors of EVRAZ plc since May 2015.

Committee membership | Chairman of the Audit 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. 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.

Senior Independent Non-Executive Director
(born 1949)

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

Committee membership | Chairman of the Nominations Committee.

Skills and experience | Sir Michael Peat is a qualified chartered accountant with over 40 years' experience. He served as Principal Private Secretary to HRH The Prince of Wales from 2002 until 2011. Prior to this, he spent nine years as the Royal Household's Director of Finance and Property Services, Keeper of the Privy Purse and Treasurer to the Queen, and Receiver General of the Duchy of Lancaster. Sir Michael Peat was at KPMG from 1972, and became a partner in 1985. He left KPMG in 1993 to devote himself to his public roles. Sir Michael Peat is an Independent Non-executive on the Board of Deloitte LLP, a director of CQS Management Limited, a Non-executive Director of Tamar Energy Limited, Chairman of GEMS MENASA Holdings Limited, a Non-executive Director of Arbuthnot Latham Limited and Chairman of the Advisory Board of BellAziz Holdings Limited. He is an MA, MBA and Fellow of the Institute of Chartered Accountants in England and Wales.

Independent Non-executive Director
(born 1964)

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

Committee membership | Member of the Remuneration Committee, the Nominations Committee and the Audit Committee.

Skills and experience | Alexander Izosimov has extensive managerial and board experience. From 2003 to 2011, he was President and CEO of VimpelCom, a leading emerging market telecommunications operator. From 1996 to 2003 he held various managerial positions at Mars Inc. and was Regional President for CIS, Central Europe and Nordics, and a member of the executive board. Prior to Mars Inc, Mr Izosimov was a consultant with McKinsey & Co. (Stockholm, London) (1991-1996) and was involved in numerous projects in transportation, mining, manufacturing and oil businesses. Mr Izosimov currently serves on the boards of MTG AB, Dynasty Foundation, LM Ericsson AB and Transcom SA. He previously served as director and Chairman of the GSMA (global association of mobile operators) board of directors, and was also a director of Baltika Breweries, confectionery company Sladko, and IT company Teleopti AB.

MANAGEMENT

I am positive that the updated organisational structure opens up new opportunities and will enable 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
CEO

Pavel Tatyanin
Senior Vice President, CFO

Leonid Kachur
Senior Vice President, Business Support and Interregional Relations

Aleksey Ivanov
Senior Vice President, Commerce and Business development

Scott Baus
Vice President, EVRAZ Business System

Natalia Ionova
Vice President, Human Resources

Alexander Kuznetsov
Vice President, Strategic Development and Operational Planning

Artem Natrusov
Vice President, Information Technologies

Vsevolod Sementsov
Vice President, Corporate Communications

Ilya Shirokobrod
Vice President, Sales

Michael Shuble
Vice President, Health, Safety and Environment

Sergey Stepanov
Vice President, Head of the Coal Division

New appointments

Maksim Andriasov

Vice President,
Head of the Urals Division

Born in 1974.
Mr Andriasov joined EVRAZ in November 2015. Prior to his appointment as Vice President, Head of the Urals Division, he had held various managerial positions in OJSC Tyumen Oil Company, OJSC Sidanko, and TNK-BP. Starting from 2012, Mr Andriasov worked in PJSC ANK Bashneft, as Head of regional sales and later as first Vice President, processing and sales.

Alexey Soldatenkov

Vice President, Head of the Siberia Division

Born in 1972.
Alexey Soldatenkov was appointed Vice President, Head of the Siberia Division in December 2015. Prior to joining EVRAZ Alexey worked at Severstal, holding positions of Business Development Director of Severstal Russian Steel and Chief Technical Officer of PAO "Severstal". Prior to this Alexey held managerial positions at Magna Technoplast, participated in the commissioning of Ford, General Motors, Renault, Volkswagen facilities in Russia.

Denis Novozhenov

Vice President, Head of the Ukraine Division

Born in 1974.
Denis Novozhenov has been with EVRAZ since 1996. He started as economist at EVRAZ NTMK, subsequently holding a number of managerial positions at EVRAZ VGOK, Evrazruda and Yuzhkuzbassugol. In 2011, he was appointed General Director of the Steel Mill in Smolensk region.

Anton Yegorov

Vice President, Legal

Born in 1973.
Mr. Yegorov was appointed Vice-President for Legal, EVRAZ, in April, 2015. Prior to joining EVRAZ, Mr. Yegorov held the position of Director for Legal, Corporate and International Affairs at Russian Post. Prior to that, he was in charge of legal support at RUSAL in Russia and CIS and held various managerial positions with IFK Alemar and MDM Bank.

Sergey Vasiliev

Vice President, Compliance with Business Procedures and Asset Protection

Born in 1967.
Mr. Vasiliev was appointed Vice President for Compliance with Business Procedures and Asset Protection in July 2015.Lieutenant-General of Police, Sergey Vasiliev held a number of managerial positions in the Internal Affairs of the Russian Federation from 1988 to 2015.

CORPORATE GOVERNANCE REPORT

Introduction

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

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

Compliance with corporate governance standards | EVRAZ's approach to corporate governance is primarily based on the UK Corporate Governance Code (September 2014) published by the Financial Reporting Council (FRC) and the Listing Rules of the UK Listing Authority. The Company complies with the UK Corporate Governance Code or, if it does not comply, explains the reasons for non-compliance.

During the year to 31 December 2015 EVRAZ complied with all the principles and provisions of the 2014 UK Corporate Governance Code (the Governance Code which is available at www.frc.org. uk) with the following exceptions:

- New Provision D.11 of the Governance Code requires that performance related remuneration schemes should include malus and clawback provisions. An explanation for this non-compliance is set out in the Remuneration Report on page 132.
- Contrary to provision C.3.1 of the UK Corporate Governance Code, Olga Pokrovskaya is a member of the Audit Committee, but does not meet the independence criteria set out in the UK Corporate Governance Code. More than 50% of EVRAZ activities and operations are based in the Russian Federation, and Olga Pokrovskaya's technical and regional experience and qualification, as a past senior audit manager at Arthur Andersen and as Head of Corporate Finance at Russian oil company Sibneft is of particular value to the Committee. The Audit Committee includes three non-executive directors, all independent, which we believe mitigates any potential risks.

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

Chairman and Chief Executive

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

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

→ 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 2015, the Board considered a wide range of matters, including:

- the Company's strategy and key priorities;
- the performance of key businesses;
- consolidated budget and budgets of individual business units;
- the interim and full year results and 2014 Annual Report;
- HSE updates;
- the appointment of Deborah Gudgeon as an Independent Non-Executive Director following Terry Robinson's decision to not seek re-election as a director of the Company at the 2015 Annual General Meeting;
- a review of investment projects;
- changes to the composition of the various Board Committees;
- the return of capital to shareholders by way of a tender offer;
- corporate governance matters including a review of the Board and Committees; and
- amendments to the Board Committees' terms of reference.

The Chief Executive Officer (CEO) is responsible for leading the Group's operating performance and day-to-day management of the Company and its subsidiaries. The Company's chief executive is Alexander Frolov.

Membership of the executive team is set out on pages 108-109.

The CEO is supported by the executive team.

Meetings of the Board, Board composition and AGM | EVRAZ plc held 10 scheduled Board meetings and 2 ad-hoc meetings held in the form of conference calls during 2015. In 2016, up to the date of this report's publication, 12 Board meetings were held.

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

The following table sets out the attendance of each director at scheduled EVRAZ plc Board and Board Committee meetings in 2015:

	Board	Remuneration Committee	HSE Committee	Audit Committee	Nominations Committee	AGM
Total meetings	**12**	**5**	**2**	**10**	**3**	**1**
Alexander Abramov	12/12	-	-	-	3/3	1
Duncan Baxter	12/12	4/5	-	8/10	-	1
Alexander Frolov	12/12	-	2/2	-	-	1
Karl Gruber	11/12	5/5	2/2	-	2/2[2]	1
Deborah Gudgeon	9/9[1]	-	-	6/6[2]	-	1
Alexander Izosimov	12/12	5/5	-	5/5[2]	3/3	1
Sir Michael Peat	12/12	-	-	5/5[2]	3/3	1
Olga Pokrovskaya	12/12	-	2/2	10/ 10	-	1
Terry Robinson	4/4[1]	-	1/1[1]	5/5[1]	1/1[1]	1
Eugene Shvidler	10/12	-	-	-	3/3	0
Eugene Tenenbaum	12/12	-	-	-	-	1

[1] *Deborah Gudgeon was appointed as an Independent Non-Executive Director and as a member of the Audit Committee on 31st March 2015 with an effective date of 1st May 2015. Terry Robinson stepped down from the Board (and from the Audit, HSE and Nominations Committees) at the 2015 AGM on 18th June 2015.*

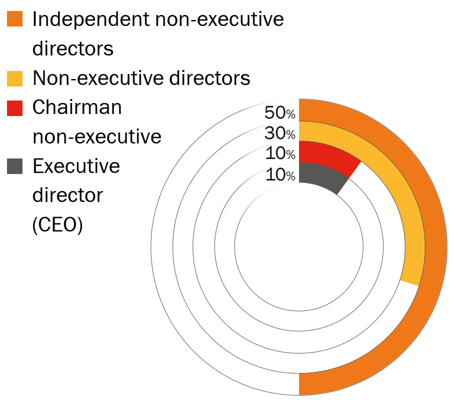
[2] *On the 16 June 2015 the following changes were made to the composition of the Board's Committees, (with an effective date 19 June 2015): Deborah Gudgeon was appointed Chairman of the Audit Committee (succeeding Terry Robinson), Alexander Izosimov joined the Audit Committee, Karl Gruber joined the Nominations Committee and Sir Michael Peat stepped down from the Audit Committee.*

Board composition and independence as at 31 December 2015

		Date of appointment	Years of tenure[3] as at 31 December 2015
Non-Executive Independent Directors (5)			
Duncan Baxter		14 October 2011	4
Karl Gruber		14 October 2011	4
Alexander Izosimov		28 February 2012	3
Sir Michael Peat	Senior Independent Director	14 October 2011	4
Deborah Gudgeon		31 March 2015	0
Non-Executive Directors (4)			
Alexander Abramov	Chairman	14 October 2011	4
Olga Pokrovskaya		14 October 2011	4
Eugene Shvidler		14 October 2011	4
Eugene Tenenbaum		14 October 2011	4
Executive Director (1)			
Alexander Frolov	CEO	14 October 2011	4
Total Board size (10)			

[3]At EVRAZ plc, does not include tenure at Evraz Group S.A.

Boardroom diversity, %



As at 31 December 2015, the Board comprised the Chairman, one executive director, and eight non-executive directors, including a senior independent director. Terry Robinson retired as a director of the Company on 18th June 2015. He has been retained as an adviser to the Board and certain Board committees subsequent to that date. On 14 March 2016, the Board agreed that Duncan Baxter and Olga Pokrovskaya will leave the Board with immediate effect. This change was agreed following a review of the composition of the Board. Given the current economic climate and the fact that the company is now well-established in the UK-listed company environment, a smaller board will enable financial savings to be achieved without compromising the quality of the Group's governance.

As a result, a number of changes will be made to the Board Committees: Alexander Izosimov will assume the Chairmanship of the Remuneration Committee (in succession to Duncan Baxter), Deborah Gudgeon and Sir Michael Peat will join the Remuneration Committee, and Karl Gruber will step down from the Remuneration Committee. In addition, Karl Gruber will join the Audit Committee.

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

The 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

EVRAZ recognises the importance of diversity both at Board level and throughout the whole organisation. The Company remains committed to increasing diversity across its global operations and we take diversity into account during each recruitment and appointment process, working to attract outstanding candidates with diverse backgrounds, skills, ideas and culture.

See the Nomination Committee's report on pages 126-127.

When making new appointments, the Board's stance on diversity, including gender, is to act in good faith towards meeting the recommendation contained in Lord Davies' report of achieving 25% female board representation while appointing the most appropriate candidate. To this end, female representation on the Board has been a particular area of focus for the Nominations Committee.

In light of the Board's declared stance on diversity and following Terry Robinson's decision to not seek re-election as a director of the Company at the 2015 Annual General Meeting, the Nominations Committee and the Board gave considerable thought and research to finding a successor. As part of this process, Deborah Gudgeon was identified as a strong candidate to succeed Terry Robinson as an Independent Non-Executive Director and as chairman of the Audit Committee. The Nominations Committee and the Board noted that Miss Gudgeon is a chartered accountant, with extensive corporate and international experience, including some experience of mining. Deborah Gudgeon was appointed as an Independent Non-Executive Director on 31st March 2015 with an effective date of 1st May 2015.

With the appointment of Deborah Gudgeon, 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.

Full details of the skills and experience of the Board members are provided in the Board of Directors section above on pages 104-107.

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.

During the year, Deborah Gudgeon was appointed to the Board and her induction included visits to the Company office in Moscow and one-to-one meetings with the CEO, CFO, Group Accountant, Internal audit, the Heads of the Legal Team and of Investor Relations, among others. A meeting was also arranged with the External Auditor. Follow-up meetings were also arranged as appropriate and visits to the Company's operations in the Russian Federation are also planned.

See also the Nominations' Committee report on pages 126-127.

Performance evaluation

An internally facilitated Board evaluation was conducted in December 2015. The review was carried out with the initiative and participation of the Nominations Committee of the Company. 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 the chairman of the Board) and (iii) between the Board as a whole. Board performance was deemed to be satisfactory 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.

Board Committees

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

The table below sets out the role and composition of each Committee

Function	Name of Committee	Composition	
Audit, financial reporting, risk management and controls	Audit Committee	All 4 members are non-executive directors, of which 3 are independent	See pages 118-125
Selection and nomination of Board members	Nominations Committee	All 5 members are non-executive directors, 3 are independent	See pages 126-127
Remuneration of Board members and top management	Remuneration Committee	All 3 members are independent directors	See pages 130-141
HSE issues	HSE Committee	2 of 3 members are non-executive directors, of which 1 is independent	See pages 128-129

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.

Reports from each Committee please see on pages 118-141.

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 2015. 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. A risk register that encompasses both internal and external critical threats has been agreed with the Risk Committee. In 2015, regarding principal risks and uncertainties, this process was consistent with the UK Corporate Governance Code, the Guidance on the Strategic Report issued in June 2014 and the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014.

An important part of the risk management process is to determine the appropriate risk appetite at the EVRAZ management level, thereby identifying particular risks and uncertainties that require specific Board oversight. The Risk Committee last reviewed the Group's risk profile in September 2015 and finalised the assessment in February 2016.

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

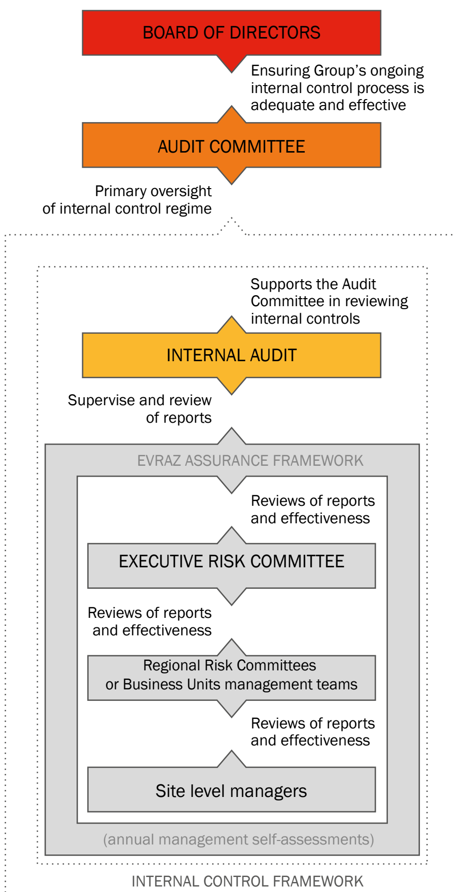
EVRAZ applies the following core principles to the identification, monitoring and management of risk throughout the organisation:

- Risks are identified, documented, assessed 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 regional risk Committees, 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 and at EVRAZ major steel and mining operations. The regional Committees are accountable to the Group's Risk Committee 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.

In 2015, regional Risk Committees and business unit management teams continued to identify, evaluate and instigate regional risk management mitigating actions. Detailed risk assessments and risk evaluations were conducted at the plant and mine levels, resulting in an update of the Group's risk register.

For additional information about principal risks and uncertainties see Strategic report on pages 28-31.

Internal control



Components of the internal control system

Component	Basis for assurance	Action in 2015
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 2015, the internal audit function certified and reviewed the internal control system
Investment project management	○ Monitored by established management Committee and sub-Committees ○ Reviewed by internal audit	○ Procedures were strengthened in regard to quality and reporting control and other elements of the project oversight process during the year
Operating policies and procedures	○ Implemented, updated and monitored by management ○ Reviewed by 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 of directors	○ Operating budgets were prepared and approved by the board of directors
Accounting policies and procedures as per the corporate accounting manual	○ Developed and updated by reporting department ○ Reviewed by 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 consideration of the directors 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 2015, 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 to 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 established by the board 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 5 March 2015.

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. Twice a year, the function provides an opinion of the overall effectiveness of the Group's internal controls.

In 2015, EVRAZ's 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 accordingly considered certain deficiencies that had been identified in internal control together with management's response to such deficiencies.

The internal audit planning process starts with the Group's strategy; includes the formal risk assessment process 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 2015, internal audit projects covered the following Group risks:
- Cost effectiveness
- Business interruption and equipment downtime management
- Health, safety and environment
- Capital projects and expenditure
- Treasury and working capital management
- Human resources
- Compliance

EVRAZ internal audit function is structured on a regional basis, reflecting the geographic diversity of the Group's operations. As a result, the Group's internal audit function is working to align common internal audit practices throughout the Group through quality assurance and improvement programmes.

Further information regarding EVRAZ internal control and risk management processes can be found at www.evraz.com/governance/control.

Audit Committee report

Role and Responsibilities of the Audit Committee

The role and responsibilities of the Audit Committee are delegated by the Board and set out in the written terms of reference as follows:

1. To monitor the integrity of the financial statements of the Company including the annual and interim results and other financial announcements, reviewing significant financial reporting issues and judgements, and to report to the Board whether the Audit Committee considers the Annual Report, as a whole, to be fair, balanced and understandable;
2. To review the appropriateness of accounting policies, key judgements and management estimates;
3. To assess and monitor the scope and effectiveness of and compliance with internal controls and systems, and to report to the Board on the overall standing of the Group's internal controls;
4. To review and challenge the Company's assessment of the financial and non-financial risks of the business and to present the principal risks and uncertainties and Group's Risk Register to the Board;
5. To consider the Group's risk appetite and propose the appropriate level to the Board;
6. To review procedures for detecting, monitoring and managing the risk of fraud, bribery and regulatory non-compliance;
7. To monitor the effectiveness of the internal audit function and review its' material findings and recommendations; and
8. To oversee the relationship and effectiveness of the external auditor and to make recommendations to the Board regarding the appointment of the external auditor.

The Audit Committee minutes are tabled at the Board meeting for consideration, and the Chairman reports verbally 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.

Committee Members and Attendance

The majority of Audit Committee members are Independent Non-Executive Directors. As disclosed in the Governance section on pages 104-107, Olga Pokrovskaya, a non-Independent Non-Executive Director, continues to be a member of the Audit Committee providing additional technical expertise and valuable regional expertise.

In June 2015, Terry Robinson stood down as Chairman of the Audit Committee and retired from the Board at the AGM. He has been replaced as Chairman by Deborah Gudgeon who joined the Board in May 2015. Terry Robinson continued to be an adviser to the Committee and attended meetings until March 2016. Sir Michael Peat also stood down from the Audit

Deborah Gudgeon
Independent non-executive Director, Chairman of Audit Committee.

Chairman's Statement

Dear Shareholders,
I am pleased to present the Audit Committee Report for the financial year ended 31st December 2015. I was appointed Chairman on my appointment to the Board in June 2015; at this time, Terry Robinson stood down as Chairman and as a member of the Committee. On behalf of the Audit Committee, I would like to thank Terry for his significant contribution in the establishment of the Committee and over the period of his Chairmanship. I would also like to thank Sir Michael Peat for his contributions as a member of the Committee.

I would also like to extend the thanks of the Committee to the executive and financial management of the Company, the internal audit department and EY, EVRAZ external auditor, for their continuing diligence and valued contributions to the work of the Committee.

Deborah Gudgeon

Committee in June 2015 and was replaced by Alexander Izosimov. Duncan Baxter and Olga Pokrovskaya are standing down from the Board on 14th March 2016 and they will be replaced on the Audit Committee from that date by Karl Gruber.

Senior members of the Group's finance function, the head of Group Internal Audit (who acts as secretary to the Audit and the Risk Committees), and the external auditors also attend Committee meetings. Key members of the management team were also invited to attend Committee meetings; in 2015, these included the VP's of Strategy, Steel, Coal, IT, Security, Legal, Compliance and Personnel, 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 10 times during 2015 and 3 times in early 2016 before the publication of this Annual Report.

The Group confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

Activities and Work of the Committee during 2015

During 2015, the Audit Committee focused 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.

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 Committee.

Significant Financial Reporting Issues considered by the Audit Committee in 2015

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 Audit Committee considered a number of financial reporting issues in relation to the Interim Results for H1 2015 and the financial statements for 2015. 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 full financial statements can be found on pages 161-249.

The financial statements continue to be materially impacted by the devaluation of 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 separated 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 | Many of these are outside the control of the Company. During 2015, global steel and coal prices deteriorated dramatically as a result of weak demand in key markets and continuing structural overcapacity in both raw material and steel supply, and the Russian economy continued to contract. The Audit Committee carefully considered management's going concern analysis which included both a base case and a flexed downside scenario. Given the uncertainties of the current global supply/demand environment and the sensitivity of the going concern analysis to the forward market prices of steel products and coal concentrate in Russia, the Committee focused on the pessimistic downside case. This is based upon forward pricing close to the low end of the range of current investment analyst forecasts, as set out in note 6, together with a further correlated devaluation of the Group's functional currencies and reduction to the level of budgeted capex.

EVRAZ is exposed to a range of risks and inherent uncertainties as set out on pages 30-31.

The Committee carefully considered the projected Use and Sources of Funds for the period to June 2017 which included scheduled loan repayments, new committed funding and free cash flow after capital expenditure. The implications of the pessimistic downside scenario on free cash flow and compliance with financial covenants were carefully considered, along with the proactive measures management had taken to address a potential breach of financial covenants. These include a covenant waiver from key funders through to the end of 2017 and an extension to the Group's committed standby facilities. Management's track record of successfully resolving similar matters and the continued availability of credit from both Russian and Western banks were also considered by the Committee.

Following these considerations, the Audit Committee resolved to recommend the going concern basis of preparation for the Financial Statements as at 31st December 2015 to the Board.

The Committee reviewed the scenarios and analysis supporting the viability statement over the course of 2015 and early 2016 before these were considered by the Board. The scenarios and assumptions were challenged and tested over the course of six months in light of the deteriorating price and demand environment, to reflect the mitigation plan developed by management and the measures put in place to support the going concern statement. The Committee also considered the proposed disclosures in the viability statement and the key assumptions underpinning the scenarios and analysis.

Areas of significant accounting judgement and management estimates

1 **Impairment of goodwill and assets (Notes 5 and 6):** the Committee considered management's impairment recommendations in the context of the current trading environment and future uncertainties detailed above. As a result of the continued decline of the rouble, the carrying values of Russian cash generating units have declined materially in US dollar terms and are largely not challenged by the value in use comparisons used to determine impairment, even in the current negative pricing environment. Of the $441 million impairment charge in 2015, US$251 million relates to the goodwill impairment of operations in North America which have been particularly affected by the impact of declining oil prices on key OCTG demand, reduced margin spreads and contract delays. The balance ($190 million) relates to specific impairment of PPE at the cash generating units including charges in respect of the closure of a mine field at Raspadskaya Koksovaya 1 and further charges in respect of the idled EVRAZ Palini e Bertoli and Yuzhny Stan.

2 **PraxAir contract (Note 2):** the Committee reviewed the accounting treatment of the Group's 20 year non-exclusive agreement with PraxAir for the supply of oxygen and other industrial gases from a new air separation plant constructed by them. Supply under this agreement commenced during 2015 and the PraxAir contract was renegotiated to increase the volume of nitrogen supplied, extend the contract term to 25 years and reduce the level of fixed payment over the life of the contract. The Committee considered management's judgement that the commitments under the supply agreement did not constitute a lease and concurred with the treatment. This judgement was based upon the non-exclusive nature of the supply agreement, the current and forecast level of third party sales and the importance of these third party sales to the profitability of the PraxAir plant. Details of the contractual commitment under the agreement are included in note 30 to the financial statements.

Other matters | 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 have initiated a review of the process for capturing, monitoring and approving related party transactions to ensure the timeliness, accuracy and completeness of future disclosure. This review will be considered by the Audit Committee in 2016.

A further error in the disclosure of the Cost of Inventories recognised as expense in note 7 to the 2014 IFRS financial statements of EVRAZ plc was also identified. Although the disclosure error is not considered material, the error and its correction is set out in Note 7 to these financial statements.

Social and charitable expenditure has been excluded from the definition of EBITDA in the segmental reporting as management believe such expenditure to be largely discretionary in nature and to more closely align the EBITDA treatment of such costs to the Company's Russian peers. The Committee reviewed the implications of the change and the adequacy of the disclosure and were satisfied. The implications of the change in definition are set out in Note 3.

Matters specifically considered in respect of the Interim Results

Deconsolidation of EVRAZ Highveld Steel and Vanadium Limited (EHSV) (Note 4) | As a result of continuing trading difficulties and local economic conditions in South Africa, the Board of EHSV resolved to place the company under voluntary business rescue procedures to protect shareholders and creditors on 14th April 2015. Business rescue practitioners were appointed on that day to pursue the refinancing and restructuring of EHSV and, in the event that this could not be achieved, to supervise an orderly liquidation. Based upon the financial and market position of EHSV, management did not anticipate any material return to the Group as a result of the business rescue procedures and concluded that the Group had lost control of EHSV and was unlikely to regain control in the future, and EHSV was deconsolidated from 14th April 2015. The Committee considered the legal process of business rescue procedures in South Africa and the specific facts relating to EHSV and concurred with the treatment proposed by management. The deconsolidation resulted in a loss in the statement of operations of $167 million in the Interim Results representing the net assets of EHSV at the date of deconsolidation, the 75% write down of an intercompany loan and the reclassification of historic exchange losses. As a result of the ongoing difficulties of the business rescue procedure, the outstanding 25% balance of the intercompany loan was written off during the third quarter.

Fair, balanced and understandable

In considering whether the Annual Report is fair, balanced and understandable, the Committee reviewed the information it had received, discussions 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. 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 and provides the information necessary for shareholders to assess the Company`s performance, business model and strategy. The Audit Committee recommended approval of the Group’s 2015 Consolidated Financial Statements 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 by the external audit in 2014. During 2015, the Internal Audit department tested the effectiveness of the UKBA compliance system and concluded that the risk had been significantly reduced as a result of the implementation of the majority of the recommendations from the audit. A list of outstanding measures has been finalised together with a timeline for their implementation in the first half of 2016 and a programme of extended and ongoing training of personnel.

The Committee monitored the development of the framework for recording and approving all interactions with state officials, and the implementation and associated training across the Group, to comply with the Reports on Payments to Governments of the 2013 EU Accounting Directive.

Sanctions Compliance Controls | Following the legal advice and risk assessment undertaken 2014, the Audit Committee reviewed and monitored the progress on implementation of the recommended control processes, procedures and reporting to minimise the risk of breaching any sanction. The controls and processes established for monitoring compliance are being 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.

This should be read in conjunction with Risk Management and Internal Control section on pages 115-117.

Risk Management and Internal Control

EVRAZ has an integrated approach to risk management to ensure that the review and consideration of risks inform the internal audit process, design of internal controls and management of the business.

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 2015 and reviewed by the Audit Committee in February 2016.

The Audit Committee reviews the recommendations of the Risk Committee, including the Group's Risk Register and level of Risk Appetite, and the draft Statement of Principal Risks and Uncertainties to be included in the Interim Statement and 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, followed up by the Group's Management Committee and the progress on resolution is monitored.

The Audit Committee continues to receive quarterly updates on whistleblowing reports together with a security report on the progress of follow-up investigations and resulting actions in relation of 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 Committee and the Audit Committee. The Chairman of the Audit Committee tables the Internal Audit report judgement on the risk and control environment to the Board.

During 2015, the Group continued to assess its risk in relation to IT security by way of an external assessment. A Group risk mitigation strategy was approved in October 2015 and is in the process of being implemented. An external risk reassessment will be undertaken during 2016.

The level and economic terms of external insurance cover was considered by the Risk Committee and the Audit Committee during 2015 and agreed by the Board. The Risk Register was amended to acknowledge the level of self-insurance by the Group.

Internal Audit

The Audit Committee reviewed the internal audit plans for 2016 and recommended a number of revisions in view of the challenging macroeconomic environment, risk profile of the business and further retrenchment in personnel. The plan was revised to reflect the updated risk analysis, prioritise key business cycles and controls from a risk perspective and eliminate certain duplications with the HSE team. 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 during 2015. 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 was undertaken during 2015 and confirmed that the Internal Audit function in the Russian Federation, CIS and Europe 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 Committee is secretary to the Audit and Risk Committee and prepares the minutes of both committees.

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 with ethical, professional and regulatory requirements. These include:

- review and approval of the external audit programme 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 2015) 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 2014 audit with management, considering management's response and proposed actions, and requesting that Internal Audit undertake a follow-up audit of key areas.

→ http://www.frc.org.uk/Our-work/Publications/Audit-Quality-Review/Audit-Quality-Inspection-Annual-Report-2015-15.pdf

During 2015, the Committee gave particular consideration to the implications of the 2015 financial reporting timetable on the external audit process and the resulting early hard close, acceleration of substantive procedures and year-end roll forward procedures.

Following completion of the 2014 audit, management and members of the Audit Committee completed a questionnaire to assess the effectiveness and independence of the external audit process.

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 2015, 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 2015, non-audit fees totalled $268,000 and were primarily in relation to capital market transactions. Non- audit fees were 5.7% of the 2015 audit fee of $4.7 million. Irrespective of prior approval of the CFO and Audit Committee Chairman, all fees are reported to the Audit Committee for noting and comment.

Re-appointment of the external auditor

The Audit Committee considered the UK Governance Code guidance on re-appointment of the external auditor as well as the EU legislation on audit regulation, and reviewed the continuing engagement of Ernst & Young LLP ("EY"). EY were auditor to the predecessor group of companies from which Evraz was formed and the audit was last tendered in 2009. Mr Ken Williamson was appointed Senior Statutory Auditor in 2011 and will rotate off following this annual report, with Mr Steve Dobson fulfilling the role for the 2016 Interim Review and Annual Report.

The Audit Committee continues to consider EY to be effective and independent in their role as auditor and has provided the Board with its recommendation to the shareholders that EY be re-appointed as external auditor for the year ended 31st December 2016. However, in view of the regulatory guidance, the Audit Committee has resolved that an audit tender process will be undertaken in due course to allow for an appointment for the year ended 31st December 2017.

Nominations Committee Report

Matters considered by the Committee during the year

At its meeting on 18 June 2015, the Committee considered the following issues:

1 A review of the appointment of Deborah Gudgeon as an independent non-executive director. After much consideration and research during 2014 and early 2015, Deborah Gudgeon was identified as a strong candidate to succeed Terry Robinson as an independent non-executive director and as a member of the Audit Committee. External agents were not used during the search to identify a replacement for Mr Robinson and an advertisement was not placed because a number of possible candidates had previously been identified by board members. Members of the Committee, excluding Mr Robinson, who had previously worked with her, had interviewed Miss Gudgeon. The fact that Miss Gudgeon is a chartered accountant, with extensive corporate and international experience, including some experience of mining, was noted. Following a decision by the Committee that Miss Gudgeon's appointment as an independent non-executive director should be discussed by the board, a formal recommendation by the Committee to appoint Miss Gudgeon was put to the board on 31 March 2015. This was approved by the board and Miss Gudgeon was appointed, with effect from 1 May 2015, as an independent non-executive director.

2 A detailed assessment of the results of the externally facilitated Nominations Committee review as undertaken by Lintstock in 2014. This was the first time that the Board and Committees had undertaken an externally facilitated review and both the Committee and the Board as a whole concluded that it had been a helpful and encouraging exercise, with the results confirming that the Committee was working well, but also including some helpful suggestions for improvement.

3 The composition of the Board Committees. It was noted that the UK Corporate Governance Code includes an assumption that a non-executive director is no longer considered independent once he or she has served as a director for nine years. In view of this, Terry Robinson had previously indicated that he would not seek re-election as a director of the Group at the 2015 annual general meeting, which was scheduled to take place later that day. As a result, Mr Robinson stepped down from the Committee at this meeting. Mr Robinson's contribution to the Group has been considerable and he is a great loss to the Committee and to the board. As a result of this, the Nominations Committee made recommendations to the board: to appoint Deborah Gudgeon as chairman of the Audit Committee; for Sir Michael Peat to step down from the Audit Committee; to appoint Karl Gruber as a member of the Nominations Committee; and to appoint Alexander Izosimov as a member of the Audit Committee. These recommendations were put to and approved by the board later that day and became effective from 19 June 2015.

4 Performance of the senior management team, succession planning and organisational structure. Senior management succession planning was discussed, as is the case at most of the Committee's meetings.

Sir Michael Peat
Senior Independent Non-Executive Director, Chairman of Nominations Committee.

Committee members and attendance

The members of the Nominations Committee at 31 December 2015 were Sir Michael Peat (Chairman), Alexander Izosimov, Karl Gruber, Alexander Abramov, and Eugene Shvidler. Terry Robinson was a member of the Nominations Committee until 18 June 2015, while Karl Gruber also joined the Nominations Committee on the same date. 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 three occasions during 2015, on 18 June, 17 November and 15 December.

→ **See the directors' attendance on page 111.**

The CEO was in attendance at all meetings and the company secretary acted as the Committee's secretary.

At its meetings on 17 November 2015 and 15 December 2015, the Committee considered the following issues:

1. The composition of the board and the age, diversity and length of time in office of its members. 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.
2. 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.
3. Organisational structure within the Group. The Committee discussed the reorganisation of the business divisions on a regional basis and the various candidates that had been identified to lead the newly created divisions.
4. Best practices for Nominations Committee. The Committee undertook a detailed review of the ‘Women on Boards Davies Review: Five Year Summary’ and also considered the FRC discussion paper ‘UK Board Succession Planning’.
5. Board effectiveness review. The Committee also considered the progress and results of the board and ‘Board Committees Effectiveness’ review questionnaires. These were detailed questionnaires, replies to which were submitted by all Board and Board Committee members, without attribution, directly to the company secretary. The evaluation considered, inter alia, the balance of skills and experience on the board, independence, knowledge of the Group, the content and effectiveness of meetings and diversity (including gender).

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 15 December 2015. 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 15 December 2015, 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. The objective has been achieved. The board notes the publication of the ‘Women on Boards Davies Review: Five Year Summary’, and as a result will be updating its diversity policy with a view to achieving 33% representation of women on the Group’s board by 2020.

2016 priorities

The Committee will continue to fulfil its general responsibilities, with particular emphasis on compliance with the UK Corporate Governance Code, development and succession planning for senior management, providing and encouraging training for directors and implementing the recommendations from the external review of the board’s performance.

Health, Safety and Environment Committee Report

Role of the HSE Committee

The HSE Committee leads the Board's thinking on health and safety issues and maintains responsibility for environmental and local community matters.

The responsibilities of the HSE Committee are:

- Assessing the performance of EVRAZ with regard to the impact of health, safety, environmental and community relations decisions and actions on 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 twice during 2015, on 6 February 2015 and on 22 September 2015 in EVRAZ head offices in Moscow. Members of the Committee visited two production sites: EVRAZ KGOK and EVRAZ NTMK.

In accordance with the 2015 plan, members of the Committee took part in a HSE strategic conference with EVRAZ top management on 22 April 2015. The conference resulted in defining core elements of HSE strategy for 2016 and beyond. In addition, Committee members underwent planned HSE training in February 2015.

In addition to the scheduled meetings, the Committee members receive a monthly HSE summary report, and a quarterly HSE report is provided to the Board of Directors.

The following sections summarise how the Committee fulfilled its duties in 2015.

HSE performance assessment of the Group

Health and safety performance

Health and safety performance is measured by the following metrics:

- Fatal incidents
- Lost-time injuries (LTI)
- Lost-time injury frequency rate (LTIFR), calculated as the number of injuries resulting in lost time per 1 million hours worked
- Cardinal safety rules enforcement

The HSE Committee continued to review the causes of all fatalities and serious property damage incidents within the Group and the follow-up actions taken by the management. On the suggestion of the HSE Committee, each fatality case was animated with 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.

Karl Gruber
Independent Non-Executive Director, Chairman of HSE Committee.

Committee members and attendance

As of 31 December 2015, the members of the Health, Safety and Environment (HSE) Committee were Karl Gruber (Chairman), Alexander Frolov and Olga Pokrovskaya.

The Committee reviewed the progress of a LOTO energy isolation programme to establish a zero-energy state of all equipment before any type of work is commenced and completed, especially during maintenance and repair. It was acknowledged that every EVRAZ production facility successfully completed a pilot project on LOTO and has clear plans of expanding LOTO initiatives to other production areas.

The Committee reviewed the cardinal safety rules and approved adding one more cardinal safety rule regarding working at heights.

In 2015, the Committee requested and reviewed current health-related metrics to establish a benchmark for future health-related initiatives. Health-related metrics were also benchmarked against World Steel Association data.

Environmental performance

In 2016, the Committee conducted two reviews of EVRAZ environmental performance, including progress in achieving environmental targets set in 2012:
- Air emissions (nitrogen oxides, sulphur oxides, 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, and related projects designed to minimise environmental risks (such as air emission reduction, water usage, waste water return into production, and metallurgical waste recycling) and concluded that in most areas the initiatives undertaken need further implementing.

The Committee reviewed the risks and opportunities related to the introduction of new Russian environmental regulations that set the new environmental performance targets for 2020, i.e. national goals for greenhouse gas reduction and transition to the ‘best available techniques’.

In addition, the extent of the Group’s environmental compliance has been analysed using compliance metrics:
- Non-compliance related environmental levies (taxes) and penalties;
- EVRAZ environmental commitments and liabilities;
- Major cases of environmental litigation and claims;
- Coverage of assets by environmental permits/licences;
- Cases of public complaints;
- Potential environmental incidents and prevention actions.

To improve environmental compliance management, the Committee discussed a new approach for assessing environmental risks, including issues related to significant potential losses and risks associated with obtaining environmental permits, managed within the scope of daily operations. This may lead to a better understanding of the situation and help to identify the best approaches and measures for improving environmental performance.

Details of HSE performance can be found in the Corporate Social Responsibility section on pages 84-92.

HSE audit result review

EVRAZ operations are subject to HSE compliance inspections undertaken by supervisory governmental agencies. Violation of HSE regulations might lead to regulatory fines, penalties or, in the worst case, withdrawal of mining or plant environmental licences, thus curtailing 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 the implementation of corrective actions

REMUNERATION REPORT

Annual statement by the 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.

It is a great pleasure for me to congratulate the management of the Company, and the HR team in particular, on receiving the Best Use of a Share Plan in an Emerging Market 2015 award by the Global Equity Organization. It is a clear sign of a global recognition of their efforts in long-term incentives area.

Directors' Remuneration Policy | EVRAZ believes that the Remuneration Policy approved by shareholders at the 2014 AGM remains appropriate, and as such, it is not proposing to make any changes this year. Included in this Remuneration Report for ease of reference is a copy of the Directors' Remuneration Policy Report, as approved by shareholders. There will be no separate vote on this part of the report at the 2016 AGM.

Annual Remuneration Report | The second part of the report, the Annual Remuneration Report, sets out details of remuneration paid in 2015 and how the Group intends to apply its policy in 2016. This section will be put to an advisory shareholder vote at the forthcoming AGM.

Key decisions taken during the year

1. The Committee reviewed the CEO's salary and determined that his salary for 2016 will remain frozen at the same level as in 2015. This reflects the continuing challenging market conditions and low level of wage increases to employees across the Group in general.
2. Based on performance against the pre-determined KPIs and targets, the CEO's annual bonus payout for 2015 was 13.33% 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 policy remains appropriate in the context of business performance and strategy.

Policy Report

The Remuneration Policy was approved by shareholders at the AGM in 2014. For the benefit of shareholders, the policy is reproduced below. The date of the executive Directors' service contract has been updated to reflect the date of the current contract. No other changes have been made.

Duncan Baxter
Independent Non-Executive Director, Chairman of Remuneration Committee.

This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013). It also meets the relevant requirements of the 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 (September 2014).

This report fully complies with the Directors' Remuneration Reporting Regulations introduced in 2013 by the UK government.

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.

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 Directors' fee (paid to all directors for participation in the work of the Board Committees – see the section on non-executive director remuneration policy below).	Generally, the maximum increase per year will be in line with general level of increases within the Group. However, there is no overall maximum opportunity as increases may be made above this level at the Committee's discretion, to take account of individual circumstances such as increase in scope and responsibility and to reflect the individual's development and performance in the role.	None
Benefits	To provide market level of benefits, as appropriate for individual circumstances.	Benefits currently include: • private healthcare • meal allowances Other benefits (including pension benefits) may be provided if the Committee considers it appropriate. The current CEO does not participate in any pension scheme at present. In the event that an executive director is required by the Group to relocate, benefits may include but are not limited to relocation allowance and housing allowance.	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. There is no total maximum opportunity.	None
Annual bonus	Aligns executive remuneration to Group strategy through rewarding the achievement of annual financial and strategic business targets.	The Group operates an annual bonus arrangement under which awards are generally delivered in cash. Targets are reviewed annually and linked to corporate performance based on predetermined targets.	200% of base salary per financial year	The bonus is based on achievement of the Group's key quantitative financial, operational and strategic measures in the year to ensure focus is spread across the key aspects of Group performance and strategy. The exact measures and associated weighting will be determined on an annual basis, according to the Group'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 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 Group.
NON-EXECUTIVE DIRECTORS				
Chairman and director fees	To provide remuneration that is sufficient to attract and retain high calibre non-executive talent.	Director fees are paid in cash, 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 Group should the non-executive director so wish. Non-executive director fees are reviewed from time to time. Non-executive directors receive an annual fee for membership of the Board. Additional fees are payable for other Board responsibilities taken on by the non-executive directors (for example membership and chairmanship of the Board Committees). The chairman of the Board receives an all-inclusive annual fee. Expenses incurred in the performance of non-executive duties for the Group may be reimbursed or paid for directly by the Group, including any tax due on the expenses. This may include travel expenses, professional fees incurred in the Directors' duties and the provision of training and development. In addition, the Group contributes an annual amount towards the secretarial and administrative expenses of non-executive directors. Non-executive directors may not participate in the Group'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 Group and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Group.

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. This means that the Group is unable to comply with the new Provision D.11 of the 2014 UK Corporate Governance Code requiring the inclusion of malus and clawback provisions, as noted in the Corporate governance report on page 110.

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

Performance measures and targets | Annual bonus measures and targets are selected to provide an appropriate balance between incentivising directors 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 practice, 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 (KPIs aligned with the Group's strategy) and the provision of benefits, senior managers are also entitled to participate in a long-term incentive programme. This is designed to align interests of these individuals to the delivery of long-term growth in shareholder value. The current CEO already holds a substantial shareholding in the Group and therefore does not participate in this plan.

Policy on recruitment of executive directors | In the event of hiring a new executive director, remuneration would be determined in line with the following policy. This policy has been developed to enable the Group to recruit the best possible candidates who will be able to contribute to EVRAZ performance and will help it reach its goals.

1. So far as practicable and appropriate, the Committee will seek to structure the pay and benefits of any new executive directors in line with the current remuneration policy.
2. 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 Group. Any new executive director is likely to have a different fact-pattern to the current CEO, and thus the Committee believes that it is important to retain the flexibility to offer other elements, namely market competitive, share-based incentive programmes. These would be linked to the Group's performance and designed to align the executive Directors' interests to the delivery of growth in shareholder value.

3 The maximum level of variable remuneration that may be granted at the time of recruitment (excluding any buyouts) will not exceed the on-going 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.

4 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.

5 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).

6 To facilitate recruitment, the Committee may need to compensate for loss of remuneration arrangements on joining the Group. In granting any buyout award, the Committee will take into account relevant factors including any performance conditions attached to the awards forfeited, the form in which they were granted (e.g. cash or shares) and the timeframe of the awards. The Committee will generally seek to structure the buyout on a comparable basis to awards forfeited. The overriding principle is that any buyout award would be at or below the commercial value of remuneration forfeited.

7 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.

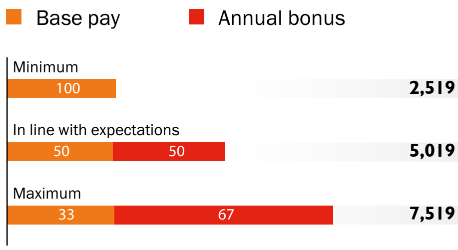
On the appointment of a new chairman or non-executive director, their fees will typically be in line with the Policy as set out above. Any specific cash or share arrangements delivered to the chairman or non-executives will not include share options or any other performance-related elements.

Executive Directors' service contract and loss of office policy | The CEO has a service contract with a subsidiary of EVRAZ plc.

The CEO's service contract does not provide for any specific notice period and therefore, in the event of termination, the applicable notice period will be as provided for as in the Russian Labour Code from time to time (where the termination is at the Group'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 include a notice period of no more than 12 months, and any compensation provisions for termination without notice will be capped at 12 months' base salary and contractual benefits.

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.



	Minimum	In line with expectations	Maximum
Base pay	Base salary + value of annual benefits provided in 2015		
Annual bonus	0% of salary	100% of salary (target opportunity)	200% of salary (maximum opportunity)

There is no automatic entitlement to annual bonus, and executive directors would not normally receive a bonus in respect of the financial year in which they leave the Group. However, where an executive director leaves due to death, disability, ill health, or other reasons that the Committee may determine, a bonus may be awarded. Any such bonus would normally be subject to performance and time pro-rating, unless the Committee determines otherwise.

Non-executive directors' letters of appointment | Each non-executive director has a letter of appointment setting out the terms and conditions covering his or her appointment. They are required to stand for election at the first AGM following their appointment and, subject to the outcome of the AGM, the appointment is for a further one-year term. Over and above this arrangement, the appointment may be terminated by the director giving three months' notice or in accordance with the Articles of Association. Letters of appointment do not provide for any payments in the event of loss of office.

All directors are subject to annual re-appointment and accordingly each non-executive director will stand for re-election at the AGM on 16 June 2016.

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 Group | 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 executive director remuneration policy, the Committee takes into account investor body guidelines and shareholder views.

Annual Remuneration Report

This section summarises remuneration paid out to directors for the 2015 financial year, and details of how the remuneration policy will be implemented in the following financial year.

Executive Directors' remuneration | In 2015, 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 (10.88% of issued share capital as of 15 March 2016) 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.

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

Executive director	Date of contract	Notice period (months)
Alexander Frolov	31 December 2014	N/A

The key terms of the non-executive directors' appointment letters are summarised below:

Non-executive directors	Date of contract	Notice period
Alexander Abramov	14 October 2011	Three months
Duncan Baxter	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
Olga Pokrovskaya	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

Single figure of remuneration (audited)

Key elements of the CEO's remuneration package received in relation to 2015 (compared with the prior year) are set out below.

Alexander Frolov	2015 (US$)	2014 (US$)
Salary and director fees[1]	2,500,000	1,954,113
Benefits	19,935	14,895
Bonus	666,650	3,839,744
Total	3,186,585	5,808,752

[1] At the start of 2015, the Remuneration 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.

Base salary | The current CEO salary was approved by the Remuneration 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 a 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 participate in any private pension plans. Benefits consist principally of private healthcare and meal allowances.

Annual bonus | The CEO is eligible for a performance-related bonus, subject to the agreement of the Remuneration Committee and approval by the Board of Directors and paid in cash. 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 2015 (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 2015, 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 the payout is appropriate in light of the Group's overall performance.

The year 2015 was a challenging year for the Group. As the table below shows, EVRAZ's performance was weaker than the targets and KPIs set, resulting in an annual bonus payout of 13.33% of the maximum. Notably, EBITDA was impacted by a steep fall in both the domestic and export markets, particularly in the segments where EVRAZ had the largest share (long products in Russia and the CIS and OCTG and flat products in North America). The ruble devaluation added to this effect, as the actual average exchange rate was lower than budgeted, while the fall in prices was much greater (not fully compensated by devaluation).Both were partly compensated by the management's efforts to drive the efficiency improvement programme towards its goal. Free cash flow, although lower than the target, was comparatively strong, due to significantly lower than budgeted CAPEX (thanks to the optimisation drive and better management of investments) and tighter control over working capital.

The table below sets out details of the targets set for each KPI, the actual achievement in the year and total bonus payout for 2015

KPIs	Target 2015	Result measurement			Actual 2015	Bonus payout (% of max)
		Upper level	Planned level (% of target)	Lower level		
LTIFR	1.44	80%	100%	120%	151%	0%
EBITDA[1]	US$2,368m	120%	100%	80%	61%	0%
FCF	US$873m	US$1,050m	US$873m	US$700m	US$799m	29%
Cash cost index	100%	90%	100%	110%	102%	38%
Board assessment of overall performance against strategic objectives	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 comment below	0%
Total						**13.33%**

[1]In 2015, management changed the definition of segment expense and EBITDA to make these indicators more comparable with Russian steel peers. Segment expense and EBITDA have now been adjusted to not include social and social infrastructure maintenance expenses. As a result, the Group restated EBITDA for both financial reporting and management accounts purposes for the years ended 31 December 2014 and 2013.

Board assessment of overall performance | In 2015 the Group faced continuing challenges and turbulence in the external environment. The Committee assessed overall Group performance and the contribution of the CEO by assessing a wide range of metrics, including:

- Operational performance.
- Financial performance.
- Shareholder value creation.
- Key projects.
- Stakeholder relationship management.

Whilst the substantial contribution of the CEO and after assessment of these metrics, but with no reflection on the CEO’s performance, it was felt by the Committee that as cost savings were being pursued throughout the Group, a zero result for the discretionary element was appropriate.

Annual bonus for 2016 | For 2016, the bonus framework will be in line with 2015. 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 remuneration payable in respect of 2015 and 2014 is given below (audited information):

Single figure of remuneration (audited)

Non-executive director	2015 US$ thousand			2014 US$ thousand		
	Total fees[1]	Admin[2]	Total	Total fees[1]	Admin[2]	Total
Alexander Abramov	750	30	780	750	30	780
Alexander Izosimov	212.2	30	242.2	198	30	228
Eugene Shvidler	174	30	204	174	30	204
Eugene Tenenbaum	150	30	180	150	30	180
Karl Gruber	238	30	268	224	30	254
Duncan Baxter	224	30	254	224	30	254
Olga Pokrovskaya	198	30	228	198	30	228
Sir Michael Peat	216.2	30	246.2	224	30	254
Terry Robinson[3]	190	15	205	376.1	30	406.1
Deborah Gudgeon[4]	154	20	174	–	–	–

[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 thousand towards secretarial and administrative expenses of Non-executive directors. In addition to the amounts disclosed above, directors' travel and accommodation expenses incurred in the discharge of their duties are reimbursed by the Group.*
[3] *Resigned on 18 June 2015, while remaining a paid adviser to the Board and Audit Committee. Also includes US$41 thousand paid in remuneration for the chairmanship of Raspadskaya Coal, in which EVRAZ has a controlling stake.*
[4] *Appointed on 1 May 2015.*

A non-executive Directors' remuneration consists of an annual fee of US$150 thousand and a fee for Committee membership (US$24 thousand) or chairmanship (US$100 thousand for chairmanship of the Audit Committee and US$50 thousand 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 thousand 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 2016.

Aggregate directors' remuneration

The aggregate amount of directors' remuneration payable in respect of qualifying services for the year ended 31 December 2015 was US$5,968 thousand (2014: US$8,597 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.

There have been no changes in the directors' interests since 31 December 2015 until 14 March 2016.

As of 31 December 2015, the directors' interests in EVRAZ' shares were as follows

Directors	Number of shares	Total holding, ordinary shares, %
Alexander Abramov	306,774,676	21.79%
Alexander Frolov	153,186,953	10.88%
Eugene Shvidler	43,805,030	3.11%

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

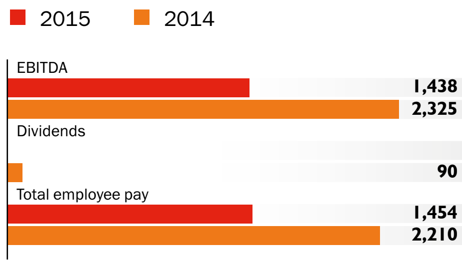
Other Directors do not currently hold any shares in the Company.

Relative importance of spend on pay

The graph on the right shows the total cost of remuneration paid to all employees in the current and previous years, and financial metrics in US$ millions.

The 34% fall in the US Dollar value of employee pay has been significantly influenced by the Russian rouble devaluation.

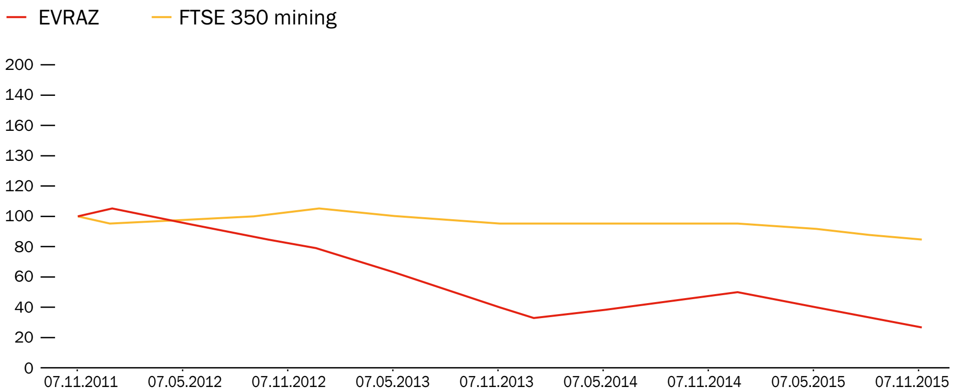
Relative performance of spend on pay, US$ million



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.

Total shareholder return perfomance



The table below shows as a single figure the CEO's total remuneration over the past five years, along with a comparison of variable payments as a percentage of the maximum bonus available.

CEO's total remuneration paid in 2011-2015

	CEO single figure of total remuneration, US$	Annual variable element award rates against maximum opportunity
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 below 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[1]
Salary	0%	–39%
Benefits	34%	–41%
Annual bonus	-83%	–43%

[1]The Russian rouble remained weak during 2015, which significantly impacted the US$ value of the salaries of people hired locally. For reference, the relevant percentages calculated on a Russian rouble basis would be 0%, -4% and -7% for salary, benefits and annual bonus respectively.

Remuneration Committee

This section gives details of the composition of the Remuneration Committee and activities undertaken over the past year.

Members of the Remuneration Committee | The EVRAZ plc Remuneration Committee was constituted and appointed by the Board on 14 October 2011, and the Committee comprised the following independent non-executive directors during 2015:
- Duncan Baxter (Committee Chairman);
- Karl Gruber;
- Alexander Izosimov

No directors are involved in deciding their own remuneration. The Committee may invite other individuals to attend Committee meetings, in particular the 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 Remuneration Committee | The Remuneration Committee is a formal Committee of the Board and can operate with a quorum of two Committee members. It is operated according to its Terms of Reference, a copy of which can be found on the Group’s website.

The main responsibilities of the Remuneration Committee are:

1 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;

2 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;

3 to review and take into account remuneration trends across the Group when setting the remuneration policy for directors;

4 to review regularly the appropriateness and relevance of the remuneration policy;

5 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;

6 to approve awards for participants where existing share incentive plans are in place;

7 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;

8 to oversee any major changes in employee benefits structures throughout the Group.

During 2015, the Remuneration 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 2014 results; and to approve the 2015 long-term incentive plan (LTIP) awards and the list of participants and changes in the Group’s organisational structure.

Advisers | The Committee received advice during the year from Deloitte LLP, which it selected to provide independent remuneration consultancy services to the Group. During the year, Deloitte advised the Committee on developments in the regulatory environment and investor views and on the development and disclosure of the Group’s incentive arrangements. The total fee for advice provided to the Committee during the year was GBP6,500. No other services were provided to the Group by the adviser during the financial year.

Deloitte is a founding 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.

Sir Michael Peat, an independent non-executive director of EVRAZ, is also an independent non-executive on the Board of Deloitte LLP. Both the chairman and the Remuneration Committee chairman recognise the need to ensure that there is no conflict of interest arising from the appointment of Deloitte LLP as independent remuneration consultants. 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 following table sets out actual voting results from the Annual General Meeting, which was held, in respect of the previous Remuneration Report and Remuneration Policy

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 2014	997,715,786 (98.14%)[1]	18,920,641 (1.86%)	974,876	67.48%
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

DUNCAN BAXTER
Chairman of the Remuneration Committee

14 March 2016

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 2015, which they are required to produce by applicable UK company law. The Directors' Report comprises pages 142 to 147 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. 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 and 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 2015. No dividend is recommended for the year-ended 31 December 2015.
Share capital	Details of the Company's share capital are set out in Note 20 to the Consolidated Financial Statements on page 208, including details on the movements in the Company's issued share capital during the year. As of 31 December 2015, the Company's issued share capital has consisted of 1,506,527,294 ordinary shares of which 98,383,582 ordinary shares are held in treasury. Therefore, the total number of voting rights in the Company is 1,408,143,712. 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 purchase during the year	Details of transactions with treasury shares are provided in Note 20 of the Consolidated Financial Statements on page 208. Details of the Company's authority to purchase its own shares, which will be sought at the forthcoming annual general meeting of the Company, will be set out in the notice of meeting for that AGM. As part of a share buyback by way of a tender offer, announced on Monday 20 April 2015, the Company agreed to repurchase 108,458,508 ordinary shares of US$1.00 each in the capital of the Company, for consideration of US$3.10 per share. Initially, following the share buyback, all 108,458,508 ordinary shares were held in treasury. At the time of the buyback, this represented 7.12% of the Company's issued share capital. On 28 May 2015, the Company transferred 10,074,926 ordinary shares out of treasury to the Company's Employee Share Trust. This represented 0.67% of the Company's issued share capital, and details are set out in Note 20 to the Consolidated Financial Statements on page 208. The Board considered this an appropriate means of returning capital to shareholders in a way that is earnings enhancing.
Directors	Biographical details of the directors who served on the Board during the year are set out in the Corporate Governance section on pages 104 to 107. In addition, Terry Robinson served as a director until his resignation on 18 June 2015. Deborah Gudgeon was appointed to the Board on 31 March 2015. Duncan Baxter and Olga Pokrovskaya stood down as directors on 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 Articles of Association of the Company. 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. Please see additional information about Directors' appointment and resignation in Corporate governance report, page 112. All of the continuing directors will stand for re-election at the 2016 AGM to be held on 16 June 2016.
Directors' interests	Detailed information on share ownership by directors can be found in the Remuneration Report on page 137. Members of EVRAZ plc Board do not receive share-based compensation.
Directors' indemnities and directors and officers 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 directors 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 power to borrow money and also provide the power to make purchases of any of its own shares. The directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of AGM.
Major interests in shares	Notifiable major share interests of which the Company has been made aware are set out on page 144 of the 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 Company's efforts in R&D in different operations please refer to pages 53-79.
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 Corporate Social Responsibility Section on pages 81-101.
Political donations	No political contributions were made in 2015.
Greenhouse gas emissions	In 2015, in accordance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, EVRAZ undertook to assess full greenhouse gases' (GHGs) emissions from facilities under its control. Details can be found in the Corporate Social Responsibility section on pages 88-90.
Employees	Information regarding the Company's employees can be found on pages 95-99.
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	Details of the Company's policies on financial risk management are outlined in the Audit Committee Report on pages 118-125.
Financial instruments	The financial risk management and internal control processes and policies and details of hedging policy and exposure to the risks associated with financial instruments can be found in Note 29 to the Consolidated Financial Statements, the Corporate Governance section of this report on pages 110-129 and in the Financial Review on pages 34-49.
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 34-49. 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 2017. In doing so, the Directors recognise that the Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment. In the event that the financial results of the Group deteriorate and are below the management's current forecasts, the Group may not be in compliance with financial covenants under certain bank loans (up to a maximum of US$750 million), which, if not resolved, may trigger a cross default under other debt instruments. Such an event would permit the Group's lenders to demand immediate payment of the outstanding borrowings under the relevant debt instruments. The Directors and management have put in place a viable set of actions to proactively address this situation, including, but not limited to, an agreed back stop facility in the amount of US$300 million with one of the major banks. If the Group faces potential non-compliance with its financial covenants its actions will include, if and when necessary, a repayment of certain borrowings, a financial covenant reset, a waiver from its lenders and a refinancing of certain borrowings. The Group may incur additional costs related to these alternatives. Taking the above factors into account, the Board is satisfied that the Group has adequate resources available to ensure, that the Group will continue in operation for the foreseeable future and meet its liabilities as they fall due. For this reason, as disclosed in Note 2 to the consolidated financial statements, the Group continues to adopt the going concern basis in preparing its financial statements.
Auditor	The Company's auditor, 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.
Events since the reporting date	The major events after 31 December 2015 are disclosed in Note 33 to the Consolidated Financial Statements on page 233.
Annual general meeting (AGM)	An AGM shall be held in each period of six months beginning with the day following the Company's annual accounting reference date, at such place or places, date and time as may be decided by the Directors. The 2016 AGM will be held on 16 June 2016 in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the chairmen of the Board Committees. Full details of the AGM, including explanatory notes, are contained in the Notice of AGM which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at www.evraz.com.
Electronic communications	A copy of the 2015 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at www.evraz.com. Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.
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 EVRAZ Corporate Governance Report on pages 110 to 129 (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 2015 and 14 March 2016 was 1,506,527,294 ordinary shares of which 98,363,582 ordinary shares are held in treasury, thus the total voting rights are 1,408,143,712 ordinary shares.

As of 31 December 2015 and 14 March 2016, the following significant holdings of voting rights in the share capital of the Company were disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of ordinary shares	% of issued ordinary shares
Lanebrook Ltd.[1]	905,487,416	64.30
Lanebrook Ltd. Affiliates	38,807,306	2.76
Kadre Enterprises Ltd.[2]	83,751,827	5.95
Verocchio Enterprises Ltd.[3]	82,887,014	5.89

[1] *Lanebrook Ltd. (the Major Shareholder) is a limited liability company incorporated under the laws of Cyprus on 16 March 2006. It was established for the purpose of holding a majority interest in the Group. Lanebrook Ltd. is controlled by Mr. Abramovich, Mr. Abramov, Mr. Frolov, and Mr. 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 following ultimate beneficial owners had interests in EVRAZ plc share capital (in each case, except for Mr. Kozovoy, held indirectly) as of 31 December 2015 and 14 March 2016.

Ultimate beneficial owner	Number of ordinary shares	% of issued share capital
Roman Abramovich	440,528,063	31.28
Alexander Abramov	306,774,676	21.79
Alexander Frolov	153,186,953	10.88
Gennady Kozovoy	83,751,827	5.95
Alexander Vagin	82,887,014	5.89
Eugene Shvidler	43,805,030	3.11

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	See section on the Relationship Agreement on page 145
Provision of services by a controlling shareholder	None
Shareholder waiver of dividends	None
Shareholder waiver of future dividends	None
Agreements with controlling shareholder	See section on the Relationship Agreement on page 145

Significant contractual arrangements

Relationship agreement | The Major Shareholder and the Company have entered into a relationship agreement which regulates the on-going relationship between them, ensures that the Company is capable of carrying on its business independently of the Major Shareholder and ensures that any transactions and relationships between the Company and the Major Shareholder are at arm's length and on normal commercial terms. This agreement was last amended and restated in December 2014 in order to comply with certain changes to the Listing Rules.

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

Under the relationship agreement, the Major Shareholder and the Company agree that:

- the Major Shareholder has the right to appoint the maximum number of Non-Executive Directors that may be appointed while ensuring that the composition of the Board remains compliant with the UK Corporate Governance Code for so long as it holds an interest in 30% or more of the Company with each appointee being a ‘‘Shareholder Director’’;
- the Major 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 Disclosure and Transparency Rules;
- neither the Major Shareholder nor any of its Associates will propose or procure the proposal of a shareholder resolution which 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 Major Shareholder or a member of the Major Shareholder Group (on the other) shall be entered into and conducted on an arm's length and normal commercial basis, unless otherwise agreed by a Committee comprising the Non-Executive Directors of the Company whom the Board considers to be independent in accordance with paragraph B.1.1 of the UK Corporate Governance Code (the ‘‘Independent Committee’’);
- the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, take any action which precludes or inhibits the Company and/or its subsidiaries from carrying on its business independently of the Major shareholder or any member of the Major Shareholder Group;
- the quorum for any Board meeting of the Company shall be two, of which at least one must be a Director other than a Shareholder Director and/or a Director who is (or has, in the 12 months prior to the relevant date) any business or other relationship with the Major Shareholder or any member of the Major Shareholder Group which could materially interfere with the exercise of his or her independent judgement in matters concerning the Company (‘‘Lanebrook Director’’);
- the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, subject to specified exceptions, take any action (or omit to take any action) to prejudice the Company's status as a listed company or its suitability for listing or its on-going compliance with the Listing Rules and Disclosure and Transparency Rules;
- the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, exercise any of its voting or other rights and powers to procure any amendment to the Articles which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement, and will abstain from voting on, and will procure that the Lanebrook Directors abstain from voting on, any resolution to approve a transaction with a related party (as defined in the Listing Rules) involving the Major Shareholder or any member of the Major Shareholder Group;

- if any matter which, in the opinion of an independent Director, gives rise to a potential conflict of interest between the Company and/or its subsidiaries (on the one hand) and the Lanebrook Directors, the Major Shareholder or any member of the Major Shareholder Group (on the other), such matter must be approved at a duly convened meeting of the Independent Committee or in writing by a majority of the Independent Committee;
- for so long as the Major Shareholder holds an interest in 50% or more in the Company, the Major Shareholder undertakes that it will not and will use its reasonable endeavours to procure that no other member of the Controlling Shareholder Group becomes involved in any competing business (subject to certain exceptions) in Russia, the Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.

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

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 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 | 9.50% notes due 2018, issued by EVRAZ Group S.A., contain change of control provisions. If a change of control occurs under the terms of these notes, note holders will have the option to require EVRAZ Group S.A. to redeem notes together with interest accrued, if any. At 31 December 2015, the principal amount of these notes amounted to US$353 million.

The change of control provisions contained in the US$500 million syndicated loan agreement dated 12 August 2014 specify that if a change of control occurs, each lender has a right to cancel its commitments and request prepayment of its portion of the loan. However, a change of control does not constitute an event of default under the agreement.

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.

Articles of association | The Company's Articles of Association were adopted with effect from June 2012 and contain among others provisions on the rights and obligations attaching to the Company's shares, including the redeemable non-voting preference shares and the subscriber shares. The Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

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

Voting rights | There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the 2016 notice of AGM.

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

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

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

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

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

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/she has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/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 as set out on pages 142 to 147 inclusive has been prepared in accordance with applicable UK company law and was approved by the Board on 14 March 2016.

By the order of the Board

ALEXANDER FROLOV
Chief Executive Officer
EVRAZ plc

14 March 2016

DIRECTORS' RESPONSIBILITY STATEMENTS

Responsibility Statement under the Disclosure and Transparency Rules

Each of the directors whose names and functions are listed on pages 104 to 107 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 Company Law the directors must not approve the Group and parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing each of the Group and parent company financial statements the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group and parent company;
- Select suitable accounting policies in accordance with IAS8:Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and estimates that are reasonable;

- Provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and parent company's financial position and financial performance; and
- State that the Group and parent company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures discloses and explained in the financial statements.

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

The directors are also responsible for preparing the 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

14 March 2016

FINANCIAL STATEMENTS

Consolidated Financial Statements 152–239

Separate Financial Statements 240–249

Independent Auditor's Report to the Members of EVRAZ plc

We present our audit report on the Group and Company financial statements (as defined below) of EVRAZ plc, which comprise the Group Primary statements and related notes set out on pages 161 to 239 and the Company Primary statements and related notes set out on pages 240 to 249.

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 2015 and of the Group's loss and Parent Company's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the Primary Statements and related notes of EVRAZ plc for the year ended 31 December 2015 which 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 8.
The financial reporting framework that has been applied in the preparation of both the Group and Company Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.	

Overview

Materiality	• Overall Group materiality of $37.8 million which represents approximately 2.7% of adjusted EBITDA[1].
Audit scope	• We performed an audit of the complete financial information of five components and audit procedures on specific balances, where we consider the risk of material misstatement to be higher, for a further 10 components. • The 15 reporting components where we performed audit procedures accounted for 77% of the Group's adjusted EBITDA and 92% of the Group's revenue (of which 60% and 74% of these metrics were covered by full scope components). • For the remaining 45 reporting components in the Group 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 • Accounting treatment of Praxair contract
What has changed	• Changes in our scope since the 2014 audit included removal of Highveld Steel & Vanadium from the audit scope due to the loss of control by the Group over the entity in April 2015. • The focus on the impact of foreign exchange movements, segmental reporting and risks associated with political disturbances reduced this year and have therefore not been included in our opinion. • The accounting treatment of a contract with Praxair is a new area of focus for the current year. • We increased our focus on completeness of related party transactions due to an omission relating to the prior year identified in the current year.

[1]*Management's EBITDA in the annual report does not include social and social infrastructure maintenance expenses. 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 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 153 to 155. 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 this focus area to have increased, decreased or stayed the same compared to 2014.

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 Group financial statements. Since the 2014 audit we have made the following changes to our areas of focus:

- During the year ended 31 December 2015 foreign exchange fluctuations were less than during the prior year. This has therefore been less of a focus area of our audit.
- We have also excluded segmental reporting as a key focus area as there were no changes in reportable segments in the current year.
- The current economic and geopolitical situation continues to be relevant to our audit approach but the issue is no longer new and therefore does not require a new audit testing strategy to be formulated. This has led us to a decreased focus on this area.
- The accounting treatment of a Praxair contract is a new area of focus for the current year in response to the potential impact on the Group's Financial Statements.
- We have also included completeness of related party transactions as a new focus area in response to an omitted transaction in the prior period identified by management, the risk that this might not be an isolated incident and investor focus on this area.

Area of focus	Our audit approach	What we reported to the Audit Committee
Goodwill and non-current asset impairment		**Risk direction:** ← →
Refer to the Group Audit Committee report on page 121, the estimates and judgments on page 172 and the disclosures of impairment in note 6 of the Consolidated Financial Statements		
At 31 December 2015 the carrying value of goodwill was US$1,176 million (2014: US$1,541 million). The Group recognised impairment charges in respect of goodwill, other intangible assets and items of PP&E during the year of US$441 million (2014: US$539 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 CGU's with the largest carrying values, those for which an impairment had been recognised in the year and those with the lowest headroom.	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 verification 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 noting the assumptions used fell within an acceptable range. 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 Group 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 consider the accuracy of management's estimates to have been reasonable for the current year with assumptions within an acceptable range. Management have also reflected known changes in the circumstances of each CGU in their forecasts for forthcoming periods. We concluded that the related disclosures provided in the Group Financial Statements are appropriate.

Our assessment of focus areas (continued)

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 120, the Directors' report on page 143 and within significant accounting policies on page 170 of the Consolidated Financial Statements		
The Group is highly geared (net debt at 31 December 2015 US$5,349 million, 2014 US$5,814 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 case) 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. We consider the level of risk in relation to Going Concern to have increased due to the increased risk of non-compliance with restrictive covenants relating to EBITDA.	Since management's going concern model and analysis are prepared centrally, audit procedures on this area were performed directly by the Group 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 model 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. - We agreed the sources of liquidity and uses of funds to supporting documentation. - We tested the appropriateness of the disclosures made in the Group Financial Statements in respect of going concern.	Based on our work on the going concern analysis prepared by management we agree with the conclusion reached by management that it is appropriate to prepare the financial statements on a going concern basis and that the related disclosures are appropriate.
Accounting treatment of a contract with Praxair		**Risk direction:** ↑
Refer to the Group Audit Committee report on page 121 and the estimates and judgements on page 171 of the Consolidated Financial Statements		
In December 2010 EVRAZ Nizhny Tagil Metallurgical Plant (NTMK) signed an agreement with Praxair Rus under which Praxair will construct, operate, own and maintain an air separation unit. Once the construction is completed, NTMK will purchase agreed quantities of oxygen and other gases for its production requirements for a period of 25 years. The committed expenditure over the life of the contract is US$515 million. The contract was commenced following the completion of construction of the unit in June 2015. In June 2015 the terms of the contract were finalised and management analysed the revised terms and concluded that this contract does not contain an embedded lease within the scope of IFRIC 4 'Determining whether an arrangement contains a lease'. In reaching this conclusion on the accounting treatment of the contract management considered the capacity of the plant and that amounts of the oxygen and other gases Praxair would sell to third parties would be more than insignificant. We focused on this area because of the potential financial impact on the Consolidated Financial Statements and the potential impact on covenant compliance – in particular certain financial ratios (Net debt/EBITDA, Total debt/EBITDA).	As part of our procedures to determine whether the arrangement represents an embedded lease in accordance with IFRIC 4 we have focused on the significance of the percentage of output from the air separation unit supplied to third parties and the potential for future changes in this percentage over the life of the equipment. We received confirmation directly from Praxair on the quantity of gas supplied to third parties in 2015 (approximately 8-9% in the last quarter of 2015) and their intention to increase supplies to third parties in 2016 and beyond. We recalculated the amount of gas available for supply to third parties based on Praxair's energy usage data. We examined the disclosure in the annual Consolidated Financial Statements for its appropriateness and completeness.	Based on our procedures we conclude that the accounting treatment and related disclosures provided in the Group Financial Statements to be appropriate.

Our assessment of focus areas (continued)

Area of focus	Our audit approach	What we reported to the Audit Committee
Completeness of related party transactions Refer to the Group Audit Committee report on page 121 and note 16 of the Consolidated Financial Statements		**Risk direction:** ↑
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 annual financial statements. Although the error itself was not material we considered, given regulatory and investor interest in this area coupled with the risk that this might not be an isolated incident, our audit risk had increased. We therefore reassessed the risk of completeness of related party transactions as significant. 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 verified transactions with the previously undisclosed related party identified by management to determine if transactions with this entity were complete. At the component at which the undisclosed transactions had been identified by management we performed a search of other counterparties and suppliers for any further companies that might be related to the undisclosed entities. We investigated those entities with similar names to the undisclosed company or those that appeared to have a tax code linkage. 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 companies. Previously undisclosed related parties have been included in this sample. Across the rest of the Russian components we paid special attention to 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 Group Financial Statements to be appropriate.

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
$37.8 million	$18.9 million	$1.9 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 $37.8 million (2014: $62.8 million), which is set at approximately 2.7% (2014: 2.7%) of adjusted EBITDA. Adjusted EBITDA used for our materiality calculation was consistent with the definition of EBITDA used last year and did not have social and charitable expenditure removed. 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$1,438 million (as included in the Annual report)
Adjustment	Inclusion of social and social infrastructure maintenance expenses of US$28 milllion (as included in the Consolidated Statement of Operations) 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 social infrastructure maintenance expenses, 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.

Our application of materiality (continued)

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% (2014: 50%) of materiality, namely $18.9 million (2014: $31.4 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 $3.8 million to $10.5 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 $1.9million (2014: $3.1 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 judgemental 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 Group 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.

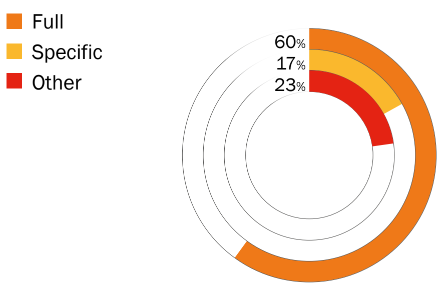
Of the 15 components selected we performed an audit of the complete financial information of five components (full scope components), which were selected based on their size or risk characteristics. For the remaining 10 selected components (specific scope components) we performed audit procedures on specific accounts within the component that we considered had the potential for the greatest impact on the amounts in the Group Financial Statements either because of the size of these accounts or their risk profile. For those specific accounts selected, as part of our Specific scope components, the extent of our audit work on those accounts was the same as that for a Full scope audit.

Scope of the audit of the Financial Statements (continued)

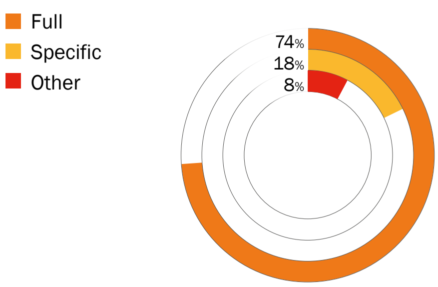
Tailoring the scope (continued)

The 15 reporting components where we performed audit procedures accounted for 77% (2014: 87%) of the Group adjusted EBITDA, 92% (2014: 90%) of the Group's revenue and 86% (2014: 87%) of the Group's total assets. For the current year, the full scope components contributed 60% (2014: 71%) of the Group adjusted EBITDA, 74% (2014: 66%) of the Group's revenue and 57% (2014: 55%) of the Group's Total assets. The specific scope components contributed 17% (2014: 16%) of the Group adjusted EBITDA, 18% (2014: 24%) of the Group's revenue and 29% (2014: 32%) 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.

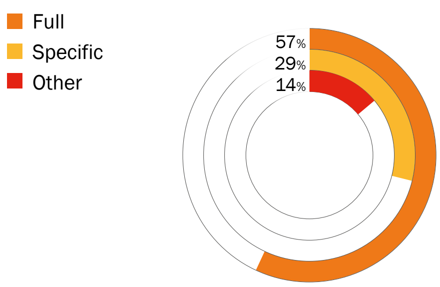
Adjusted EBITDA*, %



Revenue, %



Total assets, %



**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, 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 Group 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 2014 in terms of overall coverage of the Group and the number of full and specific scope entities except for adjusted EBITDA as some of the full scope entities have decreased or negative adjusted EBITDA in 2015. We have made some changes in the identity of components subject to full and specific scope audit procedures. Changes in our scope since the 2014 audit included removal of Highveld Steel & Vanadium from the audit scope due to loss of control by the Group over the entity in April 2015.

Integrated team structure

The overall audit strategy is determined by the senior statutory auditor, Ken Williamson. 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. Ken Williamson met with Russian based members of the Group audit team including internal valuation specialists used in the audit. 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 to discuss the audit approach and issues arising from their work.

Scope of the audit of the Financial Statements (continued)

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 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. 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 Group Financial Statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 148-149, the directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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
- 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 information given in the Corporate Governance Statement in the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

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 Group financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • 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 148 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	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.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, set out on page 143, and longer-term viability, set out on pages 28 to 29; 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.

KEN WILLIAMSON
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 March 2016

Notes:

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

Consolidated Statement of Operations

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

	Notes	Year ended 31 December 2015	2014	2013
Continuing operations				
Revenue				
Sale of goods	**3**	**$ 8,552**	$ 12,745	$ 14,071
Rendering of services	**3**	**215**	316	340
		8,767	13,061	14,411
Cost of revenue	**7**	**(6,595)**	(9,734)	(11,501)
Gross profit		**2,172**	3,327	2,910
Selling and distribution costs	**7**	**(795)**	(1,009)	(1,213)
General and administrative expenses	**7**	**(474)**	(743)	(877)
Social and social infrastructure maintenance expenses		**(28)**	(30)	(50)
Loss on disposal of property, plant and equipment		**(41)**	(48)	(47)
Impairment of assets	**6**	**(441)**	(540)	(563)
Foreign exchange gains/(losses), net		**(367)**	(1,005)	(258)
Other operating income		**28**	35	53
Other operating expenses	**7**	**(78)**	(88)	(116)
Loss from operations		**(24)**	(101)	(161)
Interest income	**7**	**9**	17	23
Interest expense	**7**	**(475)**	(563)	(699)
Share of profits/(losses) of joint ventures and associates	**11**	**(20)**	10	8
Gain/(loss) on derecognition of equity investments, net	**4**	**–**	–	89
Gain/(loss) on financial assets and liabilities, net	**7**	**(48)**	(583)	(43)
Gain/(loss) on disposal groups classified as held for sale, net	**12**	**21**	136	131
Loss of control over a subsidiary	**4**	**(167)**	–	–
Other non-operating gains/(losses), net		**(3)**	–	15
Loss before tax		**(707)**	(1,084)	(637)
Income tax benefit/(expense)	**8**	**(12)**	(194)	86
Net loss		**$ (719)**	$ (1,278)	$ (551)
Attributable to:				
Equity holders of the parent entity		**$ (644)**	$ (1,175)	$ (504)
Non-controlling interests		**(75)**	(103)	(47)
		$ (719)	$ (1,278)	$ (551)
Earnings/(losses) per share:				
for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	**20**	**$ (0.45)**	$ (0.78)	$ (0.34)

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

Consolidated Statement of Comprehensive Income (in millions of US dollars)

	Notes	Year ended 31 December 2015	2014	2013
Net loss		**$(719)**	$(1,278)	$(551)
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency		**(820)**	(1,918)	(375)
Exchange differences recycled to profit or loss	**4, 12**	**142**	(66)	90
Net gains/(losses) on available-for-sale financial assets	**13**	**–**	(12)	7
		(678)	(1,996)	(278)
Effect of translation to presentation currency of the Group's joint ventures and associates	**11**	**(27)**	(79)	(11)
		(27)	(79)	(11)
Items not to be reclassified to profit or loss in subsequent periods				
Gains/(losses) on re-measurement of net defined benefit liability	**23**	**1**	(33)	119
Income tax effect	**8**	**(5)**	15	(30)
		(4)	(18)	89
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	**9**	**(1)**	–	(9)
Income tax effect	**8**	**–**	–	2
		(1)	–	(7)
Total other comprehensive loss		**(710)**	(2,093)	(207)
Total comprehensive loss, net of tax		**$(1,429)**	$(3,371)	$(758)
Attributable to:				
Equity holders of the parent entity		**$(1,340)**	$(3,164)	$(677)
Non-controlling interests		**(89)**	(207)	(81)
		$(1,429)	$(3,371)	$(758)

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

Consolidated Statement of Financial Position

(in millions of US dollars)

The financial statements of EVRAZ plc (registered number 7784342) on pages 161-239 were approved by the Board of Directors on 14 March 2016 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

		31 December		
	Notes	2015	2014	2013
ASSETS				
Non-current assets				
Property, plant and equipment	9	**$4,302**	$5,796	$9,490
Intangible assets other than goodwill	10	**324**	441	588
Goodwill	5	**1,176**	1,541	1,988
Investments in joint ventures and associates	11	**74**	121	191
Deferred income tax assets	8	**119**	97	86
Other non-current financial assets	13	**79**	98	144
Other non-current assets	13	**56**	40	62
		6,130	8,134	12,549
Current assets				
Inventories	14	**899**	1,372	1,744
Trade and other receivables	15	**447**	654	915
Prepayments		**50**	82	124
Loans receivable		**5**	24	21
Receivables from related parties	16	**6**	53	13
Income tax receivable		**44**	23	59
Other taxes recoverable	17	**127**	158	283
Other current financial assets	18	**35**	40	71
Cash and cash equivalents	19	**1,375**	1,086	1,604
		2,988	3,492	4,834
Assets of disposal groups classified as held for sale	12	**1**	4	302
		2,989	3,496	5,136
Total assets		**$9,119**	$11,630	$17,685
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	**$1,507**	$1,507	$1,473
Treasury shares	20	**(305)**	–	(1)
Additional paid-in capital	20	**2,501**	2,481	2,326
Revaluation surplus		**124**	155	162
Other reserves	20	**–**	–	156
Unrealised gains and losses	11, 13	**–**	–	12
Accumulated profits		**644**	1,299	2,589
Translation difference		**(4,335)**	(3,644)	(1,685)
		136	1,798	5,032
Non-controlling interests		**133**	218	431
		269	2,016	5,463
Non-current liabilities				
Long-term loans	22	**5,850**	5,470	6,041
Deferred income tax liabilities	8	**352**	471	841
Employee benefits	23	**301**	364	492
Provisions	24	**146**	173	254
Other long-term liabilities	25	**116**	442	230
		6,765	6,920	7,858
Current liabilities				
Trade and other payables	26	**1,070**	1,379	1,488
Advances from customers		**228**	155	180
Short-term loans and current portion of long-term loans	22	**497**	761	1,816
Payables to related parties	16	**143**	108	458
Income tax payable		**17**	86	57
Other taxes payable	27	**107**	151	203
Provisions	24	**23**	41	45
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**–**	–	5
		2,085	2,681	4,252
Liabilities directly associated with disposal groups classified as held for sale	12	**–**	13	112
		2,085	2,694	4,364
Total equity and liabilities		**$9,119**	$11,630	$17,685

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

Consolidated Statement of Cash Flows

(in millions of US dollars)

	Year ended 31 December		
	2015	2014	2013
Cash flows from operating activities			
Net loss	**$(719)**	$(1,278)	$(551)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense (Note 8)	**(87)**	(163)	(335)
Depreciation, depletion and amortisation (Note 7)	**585**	833	1,114
Loss on disposal of property, plant and equipment	**41**	48	47
Impairment of assets	**441**	540	563
Foreign exchange (gains)/losses, net	**367**	1,005	258
Interest income	**(9)**	(17)	(23)
Interest expense	**475**	563	699
Share of (profits)/losses of associates and joint ventures	**20**	(10)	(8)
(Gain)/loss on derecognition of equity investments, net	**–**	–	(89)
(Gain)/loss on financial assets and liabilities, net	**48**	583	43
(Gain)/loss on disposal groups classified as held for sale, net	**(21)**	(136)	(131)
Loss of control over a subsidiary	**167**	–	–
Other non-operating (gains)/losses, net	**3**	–	(15)
Bad debt expense	**18**	41	8
Changes in provisions, employee benefits and other long-term assets and liabilities	**(56)**	(62)	(68)
Expense arising from equity-settled awards (Note 21)	**20**	30	25
Other	**–**	(1)	(2)
	1,293	1,976	1,535
Changes in working capital:			
Inventories	**204**	(87)	229
Trade and other receivables	**55**	(1)	65
Prepayments	**9**	(2)	15
Receivables from/payables to related parties	**66**	(246)	131
Taxes recoverable	**(34)**	33	48
Other assets	**(3)**	11	(17)
Trade and other payables	**3**	150	(135)
Advances from customers	**100**	27	30
Taxes payable	**(72)**	100	4
Other liabilities	**1**	(4)	(5)
Net cash flows from operating activities	**1,622**	1,957	1,900
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(2)**	(4)	(2)
Issuance of loans receivable	**(2)**	–	(2)
Proceeds from repayment of loans receivable, including interest	**7**	3	3
Purchases of subsidiaries, net of cash acquired (Note 4)	**–**	(102)	31
Purchases of interest in associates/joint ventures (Note 11)	**–**	(29)	(61)
Restricted deposits at banks in respect of investing activities	**(3)**	1	(2)
Short-term deposits at banks, including interest	**4**	8	677
Purchases of property, plant and equipment and intangible assets	**(423)**	(612)	(902)
Proceeds from disposal of property, plant and equipment	**10**	14	7
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs (Note 12)	**44**	311	1
Dividends received	**–**	2	1
Other investing activities, net	**6**	19	(15)
Net cash flows used in investing activities	**(359)**	(389)	(264)

Continued on the next page

Consolidated Statement of Cash Flows (continued)

(in millions of US dollars)

	Year ended 31 December		
	2015	2014	2013
Cash flows from financing activities			
Purchase of treasury shares (Note 20)	**$(339)**	$(13)	$(6)
Proceeds from issue of shares by a subsidiary to non-controlling shareholders	**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)	(1)
Sale of non-controlling interests (Note 4)	**1**	–	–
Proceeds from bank loans and notes	**3,801**	2,579	1,976
Repayment of bank loans and notes, including interest	**(3,961)**	(3,223)	(3,978)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(9)**	(942)	621
Payments for purchase of property, plant and equipment on deferred terms	**(5)**	(42)	–
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	**(464)**	(94)	51
Gain/(loss) on hedging instruments (Note 25)	**5**	–	–
Collateral under swap contracts (Note 18)	**7**	14	(21)
Payments under finance leases, including interest	**(1)**	(1)	(8)
Other financing activities	**(3)**	(12)	(1)
Net cash flows used in financing activities	**(962)**	(1,811)	(1,367)
Effect of foreign exchange rate changes on cash and cash equivalents	**(12)**	(282)	(48)
Net increase/(decrease) in cash and cash equivalents	**289**	(525)	221
Cash and cash equivalents at the beginning of the year	**1,086**	1,604	1,382
Add back: decrease/(increase) in cash of disposal groups classified as assets held for sale (Note 12)	**–**	7	1
Cash and cash equivalents at the end of the year	**$1,375**	$1,086	$1,604
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$(443)**	$(517)	$(586)
Interest received	**4**	10	23
Income taxes paid by the Group	**(204)**	(263)	(249)

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

Consolidated Statement of Changes in Equity

(in millions of US dollars)

	Attributable to equity holders of the parent entity									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 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 (Note 4)	–	–	–	–	–	–	(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.

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 (Note 4)	–	–	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.

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 2012	$1,340	$(1)	$1,820	$173	$–	$5	$3,009	$(1,424)	$4,922	$200	$5,122
Net loss	–	–	–	–	–	–	(504)	–	(504)	(47)	(551)
Other comprehensive income/(loss)	–	–	–	(7)	–	7	88	(261)	(173)	(34)	(207)
Reclassification of additional paid-in capital to accumulated profits in respect of the disposed subsidiaries	–	–	2	–	–	–	(2)	–	–	–	–
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(4)	–	–	4	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	2	(11)	–	7	(414)	(261)	(677)	(81)	(758)
Issue of shares (Note 20)	133	–	478	–	156	–	–	–	767	–	767
Acquisition of non-controlling interests in subsidiaries (Note 4)	–	–	1	–	–	–	–	–	1	(3)	(2)
Non-controlling interests arising on acquisition of subsidiaries (Note 4)	–	–	–	–	–	–	–	–	–	314	314
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary (Note 20)	–	–	–	–	–	–	–	–	–	2	2
Purchase of treasury shares (Note 20)	–	(6)	–	–	–	–	–	–	(6)	–	(6)
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	–	6	–	–	–	–	(6)	–	–	–	–
Share-based payments (Note 21)	–	–	25	–	–	–	–	–	25	–	25
Dividends declared by the Group's subsidiaries to non-controlling shareholders (Note 20)	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2013	$1,473	$(1)	$2,326	$162	$156	$12	$2,589	$(1,685)	$5,032	$431	$5,463

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2015

1. Corporate Information

These consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 14 March 2016.

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

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:

	Effective ownership interest, %				
Subsidiary	2015	2014	2013	Business activity	Location
EVRAZ Nizhny Tagil Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Vitkovice Steel a.s.	**–**	–	100.00	Steel production	Czech Republic
EVRAZ Highveld Steel and Vanadium Limited	**–**	85.11	85.11	Steel production	South Africa
EVRAZ Dnepropetrovsk Iron and Steel Works	**96.94**	96.90	96.78	Steel production	Ukraine
EVRAZ Inc. NA	**100.00**	100.00	100.00	Steel production	USA
EVRAZ Inc. NA Canada	**100.00**	100.00	100.00	Steel production	Canada
Raspadskaya	**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 2015 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 2015, but not adopted by the European Union, do not have any impact on the Group's consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. Exceptions include, but are not limited to, property, plant and equipment at the date of transition to IFRS accounted for at deemed cost, available-for-sale investments measured at fair value, assets classified as held for sale measured at the lower of their carrying amount or fair value less costs to sell and post-employment benefits measured at present value.

Going Concern

These consolidated financial statements have been prepared on a going concern basis.

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment (Note 30). In response, the Group implemented a number of cost cutting initiatives, reduced capital expenditures, continues to reduce the level of debt and proactively manages its debt covenants compliance.

Based on the currently available facts and circumstances the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For further considerations see the Directors Report on page 143.

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2015.

New/Revised Standards and Interpretations Adopted in 2015:

- Annual Improvements to IFRSs 2011-2013 Cycle

These improvements were effective for annual periods beginning on or after 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. The amendments relate to IFRS 3 "Business Combinations", IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property" and did not have an impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 2015	Effective for annual periods beginning on or after
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 February 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 February 2015
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 14 “Regulatory Deferral Accounts”	1 January 2016*
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exemption	1 January 2016*
Amendments to IAS 7 – Disclosure Initiative	1 January 2017*
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
IFRS 9 “Financial Instruments”	1 January 2018*
IFRS 15 “Revenue from Contracts with Customers”	1 January 2018*
IFRS 16 “Leases”	1 January 2019*

***Subject to EU endorsement*

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

Significant Accounting Judgements and Estimates

Accounting Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- The Group determined that the 51% ownership interest in Timir (Note 11) does not provide control over the entity. In April 2013, the Group concluded a joint venture agreement with Alrosa under which major operating and financial decisions are made by unanimous consent of the Group and Alrosa, it ensures that no single venturer is in a position to control the activity unilaterally. Consequently, the Group determined that Timir constitutes a joint venture under IFRS 11 “Joint Arrangements”.
- In 2015, the Group lost control over Highveld Steel and Vanadium Limited and it is not expected that it will re-obtain control in the future. As a result, the Group ceased to consolidate this entity starting 14 April 2015 (Note 4).
- The Group determined based on the criteria in IFRIC 4 “Determining whether an Arrangement Contains a Lease” that the supply contract with PraxAir does not contain a lease. This contract, concluded in 2010, with subsequent ammendments in 2015, included the construction of an air separation plant by PraxAir to be owned and operated by PraxAir and the supply of oxygen and other industrial gases produced by PraxAir to EVRAZ Nizhny Tagil Metallurgical Plant for a period of 25 years on a take or pay basis. In 2015, the air separation plant was put into operation and the Group started to purchase gases from PraxAir. Management believes that this arrangement does not convey a right to the Group to use the asset as the Group does not have an ability to operate the asset or to direct other parties to operate the asset; it does not control physical access to the asset; and it is expected that more than an insignificant amount of the asset’s output will be sold to the parties unrelated to the Group. The commitment under this contract is disclosed in Note 30.

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 2015, 2014 and 2013, the Group recognised a net impairment loss of $190 million, $192 million and $307 million, respectively (Note 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate that impairment exists.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in use and, ultimately, the amount of any impairment.

Useful Lives of Items of Property, Plant and Equipment
The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

Fair Values of Assets and Liabilities Acquired in Business Combinations
The Group is required to recognise separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques which require considerable judgement in forecasting future cash flows and developing other assumptions.

Impairment of Goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill at 31 December 2015, 2014 and 2013 was $1,176 million, $1,541 million and $1,988 million, respectively. In 2015, 2014 and 2013, the Group recognised an impairment loss in respect of goodwill in the amount of $251 million, $330 million and $168 million, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 5.

Mineral Reserves
Mineral reserves and the associated mine plans are a material factor in the Group's computation of a depletion charge. The Group estimates its mineral reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Estimation of reserves in accordance with the JORC Code involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgement and development of assumptions. Mine plans are periodically updated which can have a material impact on the depletion charge for the period.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the end of the reporting period based on the requirements of the current legislation of the country where the respective operating assets are located. The carrying amount of a provision is the present value of the expected expenditures, i.e. cash outflows discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgement is required in forecasting future site restoration costs.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur.

Post-Employment Benefits

The Group uses an actuarial valuation method for the measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.). More details are provided in Note 23.

Allowances

The Group makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of 31 December 2015, 2014 and 2013, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $48 million, $57 million and $60 million, respectively (Note 28).

The Group makes an allowance for obsolete and slow-moving raw materials and spare parts. In addition, certain finished goods of the Group are carried at net realisable value (Note 14). Estimates of net realisable value of finished goods are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the end of the reporting period to the extent that such events confirm conditions existing at the end of the period.

Deferred Income Tax Assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgements based on the expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of operations.

Foreign Currency Transactions

The presentation currency of the Group is the US dollar because presentation in US dollars is convenient for the major current and potential users of the consolidated financial statements.

The functional currencies of the Group's subsidiaries are the Russian rouble, US dollar, euro, Czech koruna, South African rand, Canadian dollar and Ukrainian hryvnia. As at the reporting date, the assets and liabilities of the subsidiaries with functional currencies other than the US dollar are translated into the presentation currency at the rate of exchange ruling at the end of the reporting period, and their statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary with functional currency other than the US dollar, the deferred cumulative amount recognised in equity relating to that particular subsidiary is recognised in the statement of operations.

2. Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

The following exchange rates were used in the consolidated financial statements:

	2015		2014		2013	
	31 December	average	31 December	average	31 December	average
USD/RUB	72.8827	60.9579	56.2584	38.4217	32.7292	31.8480
EUR/RUB	79.6972	67.7767	68.3427	50.8150	44.9699	42.3129
EUR/USD	1.0887	1.1095	1.2141	1.3285	1.3791	1.3281
USD/CAD	1.3840	1.2788	1.1601	1.1048	1.0636	1.0301
USD/ZAR	15.5742	12.7550	11.5719	10.8488	10.4675	9.6508
EUR/ZAR	17.0078	14.1552	14.0668	14.4054	14.4210	12.8249
USD/UAH	24.0007	21.8290	15.7686	11.9064	7.9930	7.9930
RUB/UAH	3.0367	2.8299	0.2803	0.3050	0.2450	0.2512

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to the statement of operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Acquisition of Subsidiaries (continued)
The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Comparative information presented for the periods before the completion of initial accounting for the acquisition is presented as if the initial accounting had been completed from the acquisition date.

Increases in Ownership Interests in Subsidiaries
The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases is either added to additional paid-in capital, if positive, or charged to accumulated profits, if negative, in the consolidated financial statements.

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control
Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements at the historical cost of the controlling entity (the "Predecessor"). Related goodwill inherent in the Predecessor's original acquisition is also recorded in the financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders' equity.

These financial statements, including corresponding figures, are presented as if a subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Put Options over Non-controlling Interests
The Group derecognises non-controlling interests if non-controlling shareholders have a put option over their holdings. The difference between the amount of the liability recognised in the statement of financial position over the carrying value of the derecognised non-controlling interests is charged to accumulated profits.

Investments in Associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate and goodwill impairment charges, if any.

The Group's share of its associates' profits or losses is recognised in the statement of operations and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has legal or constructive obligations to make payments to, or on behalf of, the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Interests in Joint Ventures

The Group's interest in its joint ventures is accounted for under the equity method of accounting whereby an interest in jointly ventures is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of joint ventures. The statement of operations reflects the Group's share of the results of operations of joint ventures.

2. Significant Accounting Policies (continued)

Property, Plant and Equipment

The Group's property, plant and equipment is stated at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred and recognition criteria are met.

The Group's property, plant and equipment include mining assets, which consist of mineral reserves, mine development and construction costs and capitalised site restoration costs. Mineral reserves represent tangible assets acquired in business combinations. Mine development and construction costs represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, buildings, machinery and equipment.

At each end of the reporting period management makes an assessment to determine whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as impairment loss in the statement of operations or other comprehensive income. An impairment loss recognised for an asset in previous years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Land is not depreciated. Depreciation of property, plant and equipment, except for mining assets, is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives of items of property, plant and equipment and methods of their depreciation are reviewed, and adjusted as appropriate, at each fiscal year end. The table below presents the useful lives of items of property, plant and equipment.

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15–60	20
Machinery and equipment	4–45	10
Transport and motor vehicles	7–20	7
Other assets	3–15	5

The Group determines the depreciation charge separately for each significant part of an item of property, plant and equipment.

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves. The depletion calculation takes into account future development costs for reserves which are in the production phase.

Maintenance costs relating to items of property, plant and equipment are expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and facilities of social infrastructure, which are carried at their recoverable amount of zero. The costs to maintain such assets are expensed as incurred.

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.

2. Significant Accounting Policies (continued)

Leases (continued)

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.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures on internally generated intangible assets, excluding capitalised development costs, are expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised, they are tested for impairment annually either individually or at the cash-generating unit level.

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	10
Contract terms	10	8
Other	5–19	7

Certain water rights and environmental permits are considered to have indefinite lives as management believes that these rights will continue indefinitely.

The most part of the Group's intangible assets represents customer relationships arising on business combinations (Note 10).

2. Significant Accounting Policies (continued)

Financial Assets

The Group classified its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. When investments are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its investments after initial recognition.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading and included in the category "financial assets at fair value through profit or loss". Investments which are included in this category are subsequently carried at fair value; gains or losses on such investments are recognised in income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity investments are carried at amortised cost using the effective yield method.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other generally accepted valuation techniques.

All purchases and sales of financial assets under contracts to purchase or sell financial assets that require delivery of the asset within the time frame generally established by regulation or convention in the market place are recognised on the settlement date i.e. the date the asset is delivered by/to the counterparty.

Accounts Receivable

Accounts receivable, which generally are short-term, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

The Group establishes an allowance for impairment of accounts receivable that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis and includes expenditure incurred in acquiring or producing inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2. Significant Accounting Policies (continued)

Value Added Tax

The tax authorities permit the settlement of sales and purchases value added tax (“VAT”) on a net basis.

The Group’s subsidiaries apply the accrual method for VAT recognition, under which VAT becomes payable upon invoicing and delivery of goods or rendering services as well upon receipt of prepayments from customers. VAT on purchases, even if not settled at the end of the reporting period, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Borrowing costs relating to qualifying assets are capitalised (Note 9).

Financial Guarantee Liabilities

Financial guarantee liabilities issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised.

Equity

Share Capital
Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury Shares
Own equity instruments which are acquired by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in statement of operations on the purchase, sale, issue or cancellation of the treasury shares.

Dividends
Dividends are recognised as a liability and deducted from equity only if they are declared before the end of the reporting period. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the financial statements are authorised for issue.

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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

Share-based Payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash-settled share-based payments represent transactions in which the Group acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the Group's shares or other equity instruments.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes-Merton model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of operations.

The dilutive effect of outstanding share-based awards is reflected as additional share dilution in the computation of earnings per share (Note 20).

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

When goods are sold or services are rendered in exchange for dissimilar goods or services, the revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. The moment of transfer of the risks and rewards of ownership is determined by the contract terms.

Rendering of Services
The Group's revenues from rendering of services include electricity, transportation, port and other services. Revenue is recognised when services are rendered.

Interest
Interest is recognised using the effective interest method.

Dividends
Revenue is recognised when the shareholders' right to receive the payment is established.

Rental Income
Rental income is accounted for on a straight-line basis over the lease term on ongoing leases.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

2. Significant Accounting Policies (continued)

Deferred Income Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Segment Information

For management purposes the Group has four reportable operating segments:

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Management monitors the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA (see below). This performance indicator is calculated based on management accounts that differ from the IFRS consolidated financial statements for the following reasons:

1) for the last month of the reporting period, the management accounts for each operating segment are prepared using a forecast for that month;

2) the statement of operations is based on local GAAP figures with the exception of depreciation and repair expenses which are adjusted to approximate the amount under IFRS.

In 2015, management changed the definition of segment expense and EBITDA to make these indicators more comparable with Russian steel peers. Segment expense and EBITDA have now been adjusted to not include social and social infrastructure maintenance expenses. As a result, the Group restated EBITDA for both financial reporting and management accounts purposes for the years ended 31 December 2014 and 2013.

Segment revenue is revenue reported in the Group's statement of operations that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated to it on a reasonable basis, whether from sales to external customers or from transactions with other segments.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated to it on a reasonable basis, including expenses relating to external counterparties and expenses relating to transactions with other segments. Segment expense does not include social and social infrastructure maintenance expenses.

Segment result is segment revenue less segment expense that is equal to earnings before interest, tax, depreciation and amortisation ("EBITDA") for that segment.

Segment EBITDA is determined as a segment's profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense.

3. Segment Information (continued)

The following tables present measures of segment profit or loss based on management accounts.

Year ended 31 December 2015

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customerst	**$6,018**	**$2,253**	**$380**	**$89**	**$–**	**$8,740**
Inter-segment sales	**242**	**10**	**572**	**304**	**(1,128)**	**–**
Total revenue	**6,260**	**2,263**	**952**	**393**	**(1,128)**	**8,740**
Segment result – EBITDA	**$1,033**	**$51**	**$348**	**$16**	**$110**	**$1,558**

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$9,135	$3,159	$540	$128	$–	$12,962
Inter-segment sales	570	–	676	446	(1,692)	–
Total revenue	9,705	3,159	1,216	574	(1,692)	12,962
Segment result – EBITDA (restated)	$1,777	$283	$314	$31	$2	$2,407

Year ended 31 December 2013

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$10,849	$3,056	$728	$142	$–	$14,775
Inter-segment sales	370	–	706	468	(1,544)	–
Total revenue	11,219	3,056	1,434	610	(1,544)	14,775
Segment result – EBITDA (restated)	**$1,386**	**$140**	**$147**	**$34**	**$142**	**$1,849**

The following table shows a reconciliation of revenue and EBITDA used by management for decision making and revenue and profit or loss before tax per the consolidated financial statements prepared under IFRS.

Year ended 31 December 2015

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	**$6,260**	**$2,263**	**$952**	**$393**	**$(1,128)**	**$8,740**
Reclassifications and other adjustments	**(273)**	**7**	**116**	**40**	**137**	**27**
Revenue per IFRS financial statements	**$5,987**	**$2,270**	**$1,068**	**$433**	**$(991)**	**$8,767**
EBITDA	**$1,033**	**$51**	**$348**	**$16**	**$110**	**$1,558**
Unrealised profits adjustment	**62**	**2**	**–**	**–**	**(43)**	**21**
Reclassifications and other adjustments	**(14)**	**2**	**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)

Year ended 31 December 2013

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$11,219	$3,056	$1,434	$610	$(1,544)	$14,775
Reclassifications and other adjustments	(427)	(20)	52	120	(89)	(364)
Revenue per IFRS financial statements	$10,792	$3,036	$1,486	$730	$(1,633)	$14,411
EBITDA (restated)	$1,386	$140	$147	$34	$142	$1,849
Exclusion of management services from segment result	186	–	10	1	–	197
Unrealised profits adjustment	(30)	2	(1)	–	(172)	(201)
Reclassifications and other adjustments	148	17	76	2	–	243
	304	19	85	3	(172)	239
EBITDA based on IFRS financial statements (restated)	$1,690	$159	$232	$37	$(30)	$2,088
Unallocated subsidiaries						(217)
						$1,871
Social and social infrastructure maintenance expenses	(34)	(1)	(6)	–	–	(41)
Depreciation, depletion and amortisation expense	(551)	(200)	(348)	(9)	–	(1,108)
Impairment of assets	(92)	(350)	(110)	(11)	–	(563)
Loss on disposal of property, plant and equipment and intangible assets	(25)	(2)	(20)	–	–	(47)
Foreign exchange gains/(losses), net	(29)	(4)	(35)	–	–	(68)
	$959	$(398)	$(287)	$17	$(30)	$44
Unallocated income/(expenses), net						(205)
Profit/(loss) from operations						$(161)
Interest income/(expense), net						$(676)
Share of profits/(losses) of joint ventures and associates						8
Gain/(loss) on derecognition of equity investments, net						89
Gain/(loss) on financial assets and liabilities						(43)
Gain/(loss) on disposal groups classified as held for sale						131
Other non-operating gains/(losses), net						15
Profit/(loss) before tax						$(637)

3. Segment Information (continued)

The revenues from external customers for each group of similar products and services are presented in the following table:

US$ million	2015	2014	2013
Steel			
Construction products	**$1,999**	$3,286	$3,866
Flat-rolled products	**179**	487	988
Railway products	**550**	1,022	1,324
Semi-finished products	**1,867**	2,359	2,028
Other steel products	**257**	356	419
Other products	**366**	604	788
Iron ore	**167**	278	389
Vanadium in slag	**19**	27	46
Vanadium in alloys and chemicals	**285**	456	477
Rendering of services	**30**	58	67
	5,719	8,933	10,392
Steel, North America			
Construction products	**216**	337	291
Flat-rolled products	**438**	619	788
Railway products	**435**	513	467
Tubular products	**1,016**	1,499	1,266
Other steel products	**–**	1	39
Other products	**153**	177	159
Rendering of services	**12**	12	10
	2,270	3,158	3,020
Coal			
Coal	**601**	722	732
Other products	**4**	2	4
Rendering of services	**44**	65	69
	649	789	805
Other operations			
Rendering of services	**129**	181	194
	129	181	194
	$8,767	$13,061	$14,411

3. Segment Information (continued)

Deferred Income Tax (continued)

Distribution of the Group's revenues by geographical area based on the location of customers for the years ended 31 December was as follows:

US$ million	2015	2014	2013
CIS			
Russia	**$3,104**	$5,279	$6,136
Kazakhstan	**237**	384	456
Ukraine	**242**	333	494
Others	**185**	209	225
	3,768	6,205	7,311
America			
USA	**1,566**	1,727	1,940
Canada	**779**	1,589	1,233
Others	**221**	213	69
	2,566	3,529	3,242
Asia			
Taiwan	**323**	485	549
Indonesia	**197**	429	272
China	**131**	103	280
Korea	**123**	254	135
Thailand	**121**	285	332
Japan	**97**	120	62
Philippines	**85**	51	99
Jordan	**81**	88	57
United Arab Emirates	**40**	43	64
Vietnam	**28**	8	13
Mongolia	**11**	26	43
Others	**117**	62	156
	1,354	1,954	2,062
Europe			
Turkey	**392**	242	314
Italy	**114**	114	157
Austria	**50**	139	173
Germany	**45**	74	163
Slovakia	**38**	60	123
Czech Republic	**28**	58	151
Poland	**27**	37	100
Other members of the European Union	**97**	143	183
Others	**24**	49	21
	815	916	1,385
Africa			
South Africa	**100**	363	361
Others	**158**	84	43
	258	447	404
Other countries	**6**	10	7
	$8,767	$13,06 1	$14,411

None of the Group's customers amounts to 10% or more of the consolidated revenues.

Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets were located in the following countries at 31 December:

US$ million	2015	2014	2013
Russia	**$3,105**	$4,273	$7,566
Canada	**1,162**	1,553	1,837
USA	**1,347**	1,468	1,670
Ukraine	**195**	302	652
Republic of South Africa	**15**	130	232
Italy	**5**	54	197
Kazakhstan	**60**	118	119
Czech Republic	**32**	35	40
Other countries	**11**	6	6
	$5,932	$7,939	$12,319

4. Changes in Composition of the Group

Acquisitions of Controlling Interests

Corber

In October 2012, EVRAZ plc concluded a preliminary agreement with Adroliv Investments Limited for an acquisition of a 50% ownership interest in Corber, the parent of a coal mining company Raspadskaya, subject to the receipt of regulatory approvals and fulfillment of certain other conditions. On 16 January 2013, all the conditions were met and the Group obtained control over the entity. As a result, Corber became a wholly owned subsidiary of the Group on 16 January 2013.

The purchase consideration included 132,653,006 shares of EVRAZ plc issued on 16 January 2013, warrants to subscribe for an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014 and a cash consideration of $202 million to be paid in equal quarterly instalments to 15 January 2014. Fair value of the consideration transferred totalled to $964 million, including $611 million relating to the shares issued, $156 million representing the fair value of the warrants and $197 million being the present value of the cash component of the purchase consideration. The fair value of shares and warrants was determined by reference to the market value of EVRAZ plc shares at the date of acquisition.

In accordance with IFRS 3 “Business Combinations” in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in the income statement. The fair value of the equity interest previously held by an acquirer is further added to the purchase consideration in the purchase price calculation. The fair value of the equity interest previously held by the Group was $658 million. The fair value of the investment in Corber was determined using the market price of shares of Raspadskaya at the date of acquisition of an additional 50% share in Corber.

The Group recorded a $94 million gain on derecognition of the equity interest in Corber held before the business combination.
This gain was determined as follows:

US$ million	16 January 2013
Fair value of shares held before the business combination	$658
Less: carrying value of the investment in the joint venture at the date of business combination based on equity method of accounting (Note 11)	(496)
Less: accumulated foreign exchange losses of the acquiree attributed to the Group’s share in the joint venture	(68)
Gain on derecognition of equity investment	**$94**

The table below sets forth the fair values of identifiable assets, liabilities and contingent liabilities of Corber at the date of acquisition:

US$ million	16 January 2013
Mineral reserves and property, plant and equipment	$2,607
Other non-current assets	9
Inventories	94
Accounts and notes receivable	134
Cash	144
Total assets	**2,988**
Deferred income tax liabilities	283
Non-current liabilities	649
Current liabilities	123
Total liabilities	**1,055**
Non-controlling interests	**311**
Net assets	**$1,622**
Purchase consideration	**$1,622**

At the acquisition date the Group measured non-controlling interests at fair value based on the market price of shares of Raspadskaya.

In 2013, cash flow on the acquisition was as follows:

US$ million	
Net cash acquired with the subsidiary	$144
Cash paid	(101)
Net cash inflow	**$43**

For the period from 16 January 2013 to 31 December 2013, Corber reported a net loss amounting to $157 million.

In 2014, the Group fully settled its liabilities for the purchase of Corber.

4. Changes in Composition of the Group (continued)

Acquisitions of Controlling Interests (continued)

Acquisition of a Controlling Interest in MediaHolding Provincia

In 2013, the Group acquired an additional 45.5% ownership interest in MediaHolding Provincia for a cash consideration of $11 million. The fair value of the equity interest previously held by the Group (30%) was $4 million. The Group recorded a $5 million loss on derecognition of the equity interest in MediaHolding Provincia held before the business combination. The Group recognised $4 million of goodwill on the transaction. Subsequently, the Group acquired all non-controlling interests ($3 million) settled by the transfer of property and recognised the excess of the carrying value of the acquired non-controlling interests over the amount of consideration amounting to $1 million in additional paid-in capital.

Disclosure of Other Information in Respect of Business Combinations

If the acquisition of Corber had occurred as of the beginning of 2013, the revenue and net profit/(loss) of the combined entity would have been $14,438 million and $(558) million, respectively.

Acquisition of Other Controlling Interests

In 2013, the Group paid $1 million to an entity under control of two major shareholders for an acquisition of Telekon, a broadcasting company in Nizhny Tagil, Russia. An independent appraiser valued that business at $5 million.

Disposal of Non-controlling Interests in Subsidiaries

In 2015, the Group sold 10% in Vametco to a third party and received $1 million of consideration. The disposed non-controlling interest amounted to $2 million. The Group also recognised a liability of $3 million for guaranteed dividends, which are to be declared and paid before March 2020, with a corresponding debit to accumulated profits.

Deconsolidation of Subsidiaries

Highveld Steel and Vanadium Limited

On 13 April 2015, as a result of severe economic difficulties due to the current and persistent unfavourable economic environment in South Africa, the Board of Highveld Steel and Vanadium Limited ("Highveld") decided to place the entity under the business rescue procedures to avoid its liquidation and to avoid giving Highveld's creditors the opportunity to apply for its liquidation in court.

The rescue procedures will result either in (1) Highveld being re-financed or financially restructured or, if that is not possible, (2) Highveld's orderly winding down under the supervision of a business rescue practitioner to maximise the return to creditors and other affected parties.

Following the placement of Highveld under the business rescue procedures, control and management of Highveld was transferred to a "business rescue practitioner". Until Highveld is successfully re-financed/restructured, Highveld's Board and the Group are no longer able to control Highveld or exercise significant influence over it. The business rescue practitioner can consult with the Highveld's Board or its directors, but he would not be bound by any requests or advice from Highveld's Board or the directors.

The Group's management believe that due to the current market conditions the option to invest additional cash in Highveld to pay to the creditors and to stop business rescue procedures would create no economic value for the Group. Therefore, in the opinion of management, the potential voting rights that the Group has in Highveld have no economic substance.

Based on the management's current assessment, the business rescue procedures most likely will result in Highveld being sold to one or more third parties at a significant discount or being mandatorily liquidated. As a consequence, management believes that on 14 April 2015 (the date of the placement of Highveld under the business rescue procedures) the Group lost control over Highveld and it is not expected that it will re-obtain control in the future.

As a result, the Group ceased to consolidate Highveld starting 14 April 2015 and recognised a loss on disposal of a subsidiary in the amount of $167 million, including $142 million of translation loss recycled to the statement of operations. In addition, non-controlling interests of $4 million were derecognised. Management analysed the classification of Highveld to determine whether its disposal constitutes a discontinued operation under IFRS 5 and concluded that this is not the case.

4. Changes in Composition of the Group (continued)

Deconsolidation of Subsidiaries (continued)

Highveld Steel and Vanadium Limited (continued)

The table below demonstrates the carrying values of assets and liabilities of Highveld, which were included in the steel segment of the Group's operations, at the date of derecognition.

US$ million	13 April 2015
Property, plant and equipment	**$77**
Other non-current assets	**23**
Inventories	**74**
Accounts receivable	**59**
Cash and cash equivalents	**1**
Total assets	**234**
Non-current liabilities	**61**
Current liabilities	**144**
Total liabilities	**205**
Non-controlling interests	**4**
Net assets	**$25**

5. Goodwill

The table below presents movements in the carrying amount of goodwill.

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2012	**$3,042**	**$(839)**	**$2,203**
Goodwill recognised on acquisition of subsidiaries (Notes 4 and 11)	18	–	18
Impairment	–	(168)	(168)
Claymont Steel	–	(135)	(135)
EVRAZ Highveld Steel and Vanadium Limited	–	(19)	(19)
Kazankovskaya	–	(14)	(14)
Adjustment to contingent consideration	(4)	–	(4)
Sale of subsidiaries (Note 12)	(14)	14	–
Translation difference	(61)	–	(61)
At 31 December 2013	**$2,981**	**$(993)**	**$1,988**
Impairment	–	(330)	(330)
Oregon Steel Portland Mill	–	(171)	(171)
Calgary	–	(90)	(90)
EVRAZ Palini e Bertoli	–	(69)	(69)
Adjustment to contingent consideration	(7)	–	(7)
Sale of subsidiaries (Note 12)	(3)	–	(3)
Translation difference	(343)	236	(107)
At 31 December 2014	**$2,628**	**$(1,087)**	**$1,541**
Impairment	–	(251)	(251)
OSM Tubular – Camrose Mills	–	(157)	(157)
Oregon Steel Portland Mill	–	(53)	(53)
Red Deer	–	(41)	(41)
Adjustment to contingent consideration	(3)	–	(3)
Translation difference	(216)	105	(111)
At 31 December 2015	**$2,409**	**$(1,233)**	**$1,176**

Goodwill relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group. The carrying amount of goodwill was allocated among cash-generating units as follows at 31 December:

US$ million	2015	2014	2013
EVRAZ Inc. NA	**$615**	$825	$996
Oregon Steel Portland Mill	**188**	241	412
Rocky Mountain Steel Mills	**410**	410	410
OSM Tubular – Camrose Mills	**–**	157	157
General Scrap	**16**	16	16
Others	**1**	1	1
EVRAZ Inc. NA Canada	**494**	634	791
Calgary	**92**	109	217
Red Deer	**–**	48	52
Regina Steel	**288**	340	373
Regina Tubular	**98**	118	128
Others	**16**	19	21
EVRAZ Palini e Bertoli	**–**	–	79
EVRAZ Vanady-Tula	**28**	36	62
EVRAZ Vametco Holdings	**6**	9	16
EVRAZ Nikom, a.s.	**30**	33	37
Others	**3**	4	7
	$1,176	$1,541	$1,988

6. Impairment of Assets

The summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2015

US$ million	Goodwill and intangible assets	Property, plant and equipment	Inventory	Taxes receivable	Total
EVRAZ Inc. NA	**$(210)**	**$–**	**$–**	**$–**	**$(210)**
EVRAZ Inc. NA Canada	**(41)**	**(7)**	**–**	**–**	**(48)**
Raspadskaya	**–**	**(91)**	**–**	**–**	**(91)**
EVRAZ Palini e Bertoli	**–**	**(37)**	**–**	**–**	**(37)**
Yuzhny Stan	**–**	**(30)**	**–**	**–**	**(30)**
Evrazruda	**–**	**(19)**	**–**	**–**	**(19)**
Others, net	**–**	**(6)**	**–**	**(1)**	**(7)**
	$(251)	**$(190)**	**$–**	**$(1)**	**$(442)**
Recognised in profit or loss	**(251)**	**(189)**	**–**	**(1)**	**(441)**
Recognised in other comprehensive income/(loss)	**–**	**(1)**	**–**	**–**	**(1)**

Year ended 31 December 2014

US$ million	Goodwill and intangible assets	Property, plant and equipment	Inventory	Taxes receivable	Total
EVRAZ Highveld Steel and Vanadium Limited	$(17)	$(41)	$–	$–	$(58)
EVRAZ Inc. NA	(171)	–	–	–	(171)
EVRAZ Inc. NA Canada	(90)	–	–	–	(90)
EVRAZ Palini e Bertoli	(69)	(43)	–	–	(112)
Raspadskaya	–	(9)	–	(1)	(10)
Yuzhkuzbassugol	–	(71)	–	–	(71)
Others, net	–	(28)	–	–	(28)
	$(347)	$(192)	$–	$(1)	$(540)
Recognised in profit or loss	(347)	(192)	–	(1)	(540)

Year ended 31 December 2013

US$ million	Goodwill and intangible assets	Property, plant and equipment	Inventory	Taxes receivable	Total
Evrazruda	$–	$32	$–	$–	$32
EVRAZ Claymont Steel	(154)	(147)	(25)	–	(326)
EVRAZ Highveld Steel and Vanadium Limited	(50)	(67)	–	–	(117)
EVRAZ Dnepropetrovsk Iron and Steel Works	–	30	–	(2)	28
EVRAZ Inc. NA Canada	(19)	(6)	–	–	(25)
EVRAZ Nizhny Tagil Metallurgical Plant	–	(8)	–	–	(8)
EVRAZ Consolidated West-Siberian Metallurgical Plant	–	(20)	–	–	(20)
Kazankovskaya	(14)	–	–	–	(14)
Shipping companies	–	(11)	–	–	(11)
Yuzhkuzbassugol	–	(105)	–	–	(105)
Others, net	–	(5)	–	(1)	(6)
	$(237)	$(307)	$(25)	$(3)	$(572)
Recognised in profit or loss	(237)	(298)	(25)	(3)	(563)
Recognised in other comprehensive income/(loss)	–	(9)	–	–	(9)

The Group recognised the impairment losses as a result of the impairment testing at the level of cash-generating units. In addition, the Group made a write-off of certain functionally obsolete items of property, plant and equipment and recorded an impairment relating to VAT with a long-term recovery.

For the purpose of the impairment testing as of 31 December 2015 the Group assessed the recoverable amount of each cash-generating unit to which the goodwill was allocated or where indicators of impairment were identified.

The recoverable amounts have been determined based on calculation of either value-in-use or fair value less costs to sell. Both valuation techniques used cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the results of the respective business plans using a zero real growth rate. In determination of fair value less costs to sell the asset's value additionally includes the cashflows of future projects not started yet and the associated capital expenditure costs.

6. Impairment of Assets (continued)

The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products, the increase in forecasted costs and changes in forecasted production volumes.

The key assumptions used by management in the value-in-use calculations with respect to the cash-generating units to which the goodwill was allocated are presented in the table below.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2016	Recoverable amount of CGU, US$ million	Carrying amount of CGU before impairment, US$ million
EVRAZ Inc. NA (all CGU)	5	10.60-18.22	steel products	$762	1,696	1,500
including						
Oregon Steel Portland Mill	*5*	*10.92*	*steel products*	*$693*	*512*	*565*
Camrose mill	*5*	*10.60*	*steel products*	*$1,122*	*18*	*175*
EVRAZ Inc. NA Canada (all CGU)	5	8.68-11.32	steel products	$847	1,681	1,140
including						
Red Deer	*5*	*8.68*	*steel products*	*$949*	*55*	*96*
EVRAZ Vanady-Tula	5	14.82	vanadium products	$10,564	284	50
EVRAZ Vametco Holdings	5	13.39	ferrovanadium products	$14,949	37	15
EVRAZ Nikom, a.s.	5	12.09	ferrovanadium products	$13,093	49	32

In addition, the Group determined that there were indicators of impairment in other cash generating units and tested them for impairment using the following assumptions.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2016
EVRAZ Dnepropetrovsk Iron and Steel Works	5	23.13	steel products	$300
EVRAZ Nizhny Tagil Metallurgical Plant	5	14.37	steel products	$320
EVRAZ Consolidated West-Siberian Metallurgical Plant	5	14.82	steel products	$285
EVRAZ Caspian Steel	5	13.30	steel products	$295
EVRAZ Bagleykoks	5	22.78	coke	$152
EVRAZ Stratcor Inc.	5	12.45	ferrovanadium products	$36,503
Yuzhkuzbassugol	14	14.86	coal	$58
Raspadskaya	19	13.84	coal	$40
Mezhegeyugol	26	13.90	coal	$39
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	24	14.77	ore	$41
EVRAZ Sukha Balka	18	22.92	ore	$20
Evrazruda - Gurevsky mine	28	14.89	limestone	$5
Evrazruda - Sheregesh mine	18	14.77	ore	$38
EVRAZ Nakhodka Trade Seaport	5	14.82	port services	$9

The value in use of the cash-generating units for which an impairment loss was recognised or reversed in the reporting year was as follows at 31 December.

US$ million	2015	2014
Oregon Steel Portland Mill	$512	$579
Camrose mill	18	427
Red Deer	55	211
Evrazruda - Gurevsky mine	2	10

As management expects to recover investments in EVRAZ Palini e Bertoli and EVRAZ Yuzhny Stan principally through sale, the recoverable amounts of these cash-generating units were measured at $5 million and $14 million, respectively, as fair value less costs of disposal, which was determined based on non-binding offers at 31 December 2015 (Level 3 in the fair value hierarchy).

6. Impairment of Assets (continued)

The calculations of value in use are most sensitive to the following assumptions:

Discount Rates
Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an additional impairment at Gurievsky mine, EVRAZ Sukha Balka, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $118 million.

Sales Prices
The price assumptions for the products sold by the Group were estimated based on industry research using analysts' views published by Citi, Credit Suisse, Deutsche Bank, HSBC, Moody's, RBC, Société Générale, UBS during the period from October 2015 to February 2016. The Group expects that the nominal prices will fluctuate with a compound annual growth rate of (6.4)%-8.3% in 2016 – 2020, 2.5%in 2021 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at Gurevsky mine, EVRAZ Sukha Balka, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the prices assumed for 2016 and 2017 in the impairment test were 10% lower, this would lead to an additional impairment of $75 million.

Sales Volumes
Management assumed that the sales volumes of steel products in 2016 will be at the level of 2015 and future dynamics will be driven by a gradual market recovery and changes in assets' capacities. Reasonably possible changes in sales volumes could lead to an additional impairment at Gurievsky mine, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the sales volumes were 10% lower than those assumed for 2016 and 2017 in the impairment test, this would lead to an additional impairment of $17 million.

In relation to the Calgary, Red Deer and Pueblo Seamless cash-generating units, management's forecast assumed an 18% average annual increase in volumes from 2016 to 2020. If the average growth rate were 13% instead of 18% for those years, then an additional impairment of $191 million would arise.

Cost Control Measures
The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation of cost from these plans could lead to an additional impairment at Gurievsky mine, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Sukha Balka, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the actual costs were 10% higher than those assumed for 2016 and 2017 in the impairment test, this would lead to an additional impairment of $142 million.

Sensitivity Analysis
The unit's recoverable amount would become equal to its carrying amount if the assumptions used to measure the recoverable amount changed by the following percentages:

	Discount rates	Sales prices	Sales volumes	Cost control measures
EVRAZ Stratcor Inc.	7.6%	–	(9.1)%	7.0%
EVRAZ Sukha Balka	6.7%	(4.6)%	–	1.3%
EVRAZ Dnepropetrovsk Iron and Steel Works	–	(6.2)%	–	7.3%
EVRAZ Inc. NA Canada				
Calgary	*4.4%*	–	–	*7.7%*
General Scrap Partnership	*9.1%*	–	–	*4.6%*

7. Income and Expenses

Cost of revenues, selling and distribution costs, general and administrative expenses include the following for the years ended 31 December:

US$ million	2015	2014	2013
Cost of inventories recognised as expense	**$(3,295)**	$(5,162)*	$(5,673)
Staff costs, including social security taxes	**(1,454)**	(2,210)	(2,617)
Depreciation, depletion and amortisation	**(585)**	(833)	(1,114)

**The amount does not agree to the previously issued consolidated financial statements by US$2,686 million as it has been restated for the correction of an error relating to the elimination of certain intra-group purchases.*

In 2015, 2014 and 2013, the Group recognised (expense)/income on allowance or net reversal of the allowance for net realisable value in the amount of $(1) million, $(4) million and $33 million, respectively.

Staff costs include the following:

US$ million	2015	2014	2013
Wages and salaries	**$1,025**	$1,611	$1,922
Social security costs	**254**	398	488
Net benefit expense	**45**	31	74
Share-based awards	**20**	30	25
Other compensations	**110**	140	108
	$1,454	$2,210	$2,617

The average number of staff employed under contracts of service was as follows:

US$ million	2015	2014	2013
Steel	**63,126**	69,404	80,160
Steel, North America	**3,847**	3,936	4,300
Coal	**18,042**	20,460	23,727
Other operations	**1,312**	1,465	1,856
Unallocated	**2,901**	3,270	3,624
	89,228	98,535	113,667

The major components of other operating expenses were as follows:

US$ million	2015	2014	2013
Idling, reduction and stoppage of production, including termination benefits	**$(54)**	$(52)	$(73)
Restoration works and casualty compensations in connection with accidents	**(2)**	(10)	(18)
Other	**(22)**	(26)	(25)
	$(78)	$(88)	$(116)

Interest expense consisted of the following for the years ended 31 December:

US$ million	2015	2014	2013
Bank interest	**$(88)**	$(55)	$(104)
Interest on bonds and notes	**(342)**	(448)	(513)
Finance charges payable under finance leases	**–**	(1)	(1)
Net interest expense on employee benefits obligations (Note 23)	**(24)**	(30)	(39)
Discount adjustment on provisions (Note 24)	**(13)**	(15)	(20)
Unwinding of the discount and interest relating to liabilities for the purchase of Corber and Timir	**(3)**	(5)	(13)
Other	**(5)**	(9)	(9)
	$(475)	$(563)	$(699)

Interest income consisted of the following for the years ended 31 December:

US$ million	2015	2014	2013
Interest on bank accounts and deposits	**$4**	$9	$15
Interest on loans and accounts receivable	**3**	4	5
Other	**2**	4	3
	$9	$ 17	$ 23

Gain/(loss) on financial assets and liabilities included the following for the years ended 31 December:

US$ million	2015	2014	2013
Impairment of available-for-sale financial assets (Note 13)	**$(11)**	$(1)	$–
Loss on extinguishment of debts (Note 22)	**(15)**	(6)	–
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	**(25)**	(588)	(55)
Gain/(loss) on hedging instruments (Note 25)	**5**	–	–
Other	**(2)**	12	12
	$(48)	$(583)	$(43)

8. Income Taxes

The Group's income was subject to tax at the following tax rates:

US$ million	2015	2014	2013
Russia	20.00%	20.00%	20.00%
Canada	25.89%	25.61%	25.54%
Cyprus	12.50%	12.50%	12.50%
Czech Republic	19.00%	19.00%	19.00%
Italy	31.40%	31.40%	31.40%
South Africa	28.00%	28.00%	28.00%
Switzerland	9.72%	9.65%	9.87%
Ukraine	18.00%	18.00%	19.00%
USA	37.41%	37.78%	38.90%

Major components of income tax expense for the years ended 31 December were as follows:

US$ million	2015	2014	2013
Current income tax expense	**$(100)**	$(356)	$(243)
Adjustment in respect of income tax of previous years	**1**	(1)	(6)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**87**	163	335
Income tax (expense)/benefit reported in the consolidated statement of operations	**$(12)**	$(194)	$86

The major part of income taxes is paid in the Russian Federation. A reconciliation of income tax expense applicable to profit before income tax using the Russian statutory tax rate to income tax expense as reported in the Group's consolidated financial statements for the years ended 31 December is as follows:

US$ million	2015	2014	2013
Profit/(loss) before income tax	**$(707)**	$(1,084)	$(637)
At the Russian statutory income tax rate of 20%	**141**	217	127
Adjustment in respect of income tax of previous years	**1**	(1)	(6)
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**2**	(4)	4
Effect of non-deductible expenses and other non-temporary differences	**(64)**	(73)	38
Unrecognised temporary differences recognition/reversal	**(176)**	(505)	(184)
Effect of the difference in tax rates in countries other than the Russian Federation	**88**	170	107
Share of profits in joint ventures and associates	**(4)**	2	–
Income tax (expense)/benefit reported in the consolidated statement of operations	**$(12)**	$(194)	$86

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.

Deferred income tax assets and liabilities and their movements for the years ended 31 December were as follows:

Year ended 31 December 2015

US$ million	2015	Change recognised in statement of operations	Change recognised in other comprehen sive income	Change due to business combinations	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**

8. Income Taxes (continued)

Year ended 31 December 2014

US$ million	2014	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2013
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$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

Year ended 31 December 2013

US$ million	2013	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2012
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$1,120	(103)	(2)	353	(9)	(1)	(77)	$959
Valuation and amortisation of intangible assets	145	(38)	–	4	–	–	(13)	192
Other	68	(8)	–	13	(3)	–	(7)	73
	1,333	(149)	(2)	370	(12)	(1)	(97)	1,224
Deferred income tax assets:								
Tax losses available for offset	274	106	–	69	3	10	(16)	102
Accrued liabilities	173	12	(30)	12	(16)	2	(9)	202
Impairment of accounts receivable	16	(12)	–	–	(1)	–	(3)	32
Other	115	80	–	(1)	7	–	(1)	30
	578	186	(30)	80	(7)	12	(29)	366
Net deferred income tax asset	86	9	(3)	3	–	13	(6)	70
Net deferred income tax liability	$841	(326)	25	293	(5)	–	(74)	$928

As of 31 December 2015, 2014 and 2013, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 15%. The temporary differences associated with investments in subsidiaries were not recognised as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies, except for the companies registered in Cyprus, Russia and the United Kingdom where group relief and tax consolidation can be applied. As of 31 December 2015, the unused tax losses carry forward approximated $7,658 million (2014: $8,060 million, 2013: $7,509 million). The Group recognised deferred tax assets of $208 million (2014: $247 million, 2013: $274 million) in respect of unused tax losses. Deferred tax assets in the amount of $1,895 million (2014: $1,771 million, 2013: $1,549 million) have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $6,642 million (2014: $6,767 million, 2013: $6,084 million) for which deferred tax assets were not recognised arose in companies registered in Canada, Cyprus, Italy, Luxembourg, Russia, Ukraine, the United Kingdom and the USA. Losses in the amount of $6,410 million (2014: $6,513 million, 2013: $5,602 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $232 million will expire during 2019–2025 (2014: $254 million, 2013: $482 million).

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of 31 December:

US$ million	2015	2014	2013
Cost:			
Land	**$97**	$124	$157
Buildings and constructions	**1,512**	1,908	2,860
Machinery and equipment	**3,961**	5,094	6,861
Transport and motor vehicles	**193**	249	395
Mining assets	**2,100**	2,572	4,312
Other assets	**37**	60	77
Assets under construction	**302**	428	992
	8,202	10,435	15,654
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(690)**	(790)	(1,205)
Machinery and equipment	**(2,163)**	(2,633)	(3,080)
Transport and motor vehicles	**(114)**	(147)	(207)
Mining assets	**(908)**	(1,024)	(1,622)
Other assets	**(25)**	(45)	(50)
	(3,900)	(4,639)	(6,164)
	$4,302	$ 5,796	$ 9,490

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	2013	Change recognised in statement of operations	Change recognised in other comprehen sive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2012
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

The movement in property, plant and equipment for the year ended 31 December 2013 was as follows:

US$ million	2013	Change recognised in statement of operations	Change recognised in other comprehen sive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2012
At 31 December 2012, cost, net of accumulated depreciation	$183	$1,615	$3,415	$181	$1,462	$21	$1,187	$8,064
Assets acquired in business combination	–	203	539	61	1,527	8	275	2,613
Additions	3	1	4	3	4	–	907	922
Assets put into operation	–	147	861	34	191	8	(1,241)	–
Disposals	–	(12)	(35)	(3)	(2)	–	(2)	(54)
Depreciation and depletion charge	–	(155)	(583)	(47)	(196)	(6)	–	(987)
Impairment losses recognised in statement of operations	(27)	(49)	(184)	(14)	(86)	(1)	(49)	(410)
Impairment losses reversed through statement of operations	1	21	31	–	56	–	3	112
Impairment losses recognised or reversed through other comprehensive income	–	(4)	(1)	–	(2)	–	(2)	(9)
Transfer to assets held for sale	(11)	(6)	(23)	(15)	(57)	–	(1)	(113)
Change in site restoration and decommissioning provision	15	4	7	–	(6)	–	–	20
Translation difference	(7)	(110)	(250)	(12)	(201)	(3)	(85)	(668)
At 31 December 2013, cost, net of accumulated depreciation	$157	$1,655	$3,781	$188	$2,690	$27	$992	$9,490

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $24 million, $22 million and $29 million as of 31 December 2015, 2014 and 2013, respectively.

On 1 January 2014, certain of the Group's subsidiaries reassessed the remaining useful lives of property, plant and equipment, which resulted in a $52 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred.

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash-generating units (Note 6).

The amount of borrowing costs capitalised during the year ended 31 December 2015 was $16 million (2014: $18 million, 2013: $11 million).

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	2015	2014	2013
Cost:			
Customer relationships	**$651**	$981	$1,054
Water rights and environmental permits	**57**	57	57
Contract terms	**20**	26	45
Other	**83**	65	90
	811	1,129	1,246
Accumulated amortisation:			
Customer relationships	**(419)**	(642)	(606)
Water rights and environmental permits	**–**	–	–
Contract terms	**(4)**	(3)	(1)
Other	**(64)**	(43)	(51)
	(487)	(688)	(658)
	$324	$441	$588

As of 31 December 2015, 2014 and 2013, water rights and environmental permits with a carrying value of $57 million had an indefinite useful life.

The movement in intangible assets for the year ended 31 December 2015 was as follows:

US$ million	Customer relation-ships	Water rights and environ-mental permits	Contract terms	Other	Total
At 31 December 2014, cost, net of accumulated amortisation	**$339**	**$57**	**$23**	**$22**	**$441**
Additions	**–**	**–**	**–**	**6**	**6**
Amortisation charge	**(43)**	**–**	**(2)**	**(5)**	**(50)**
Loss of control over a subsidiary	**(20)**	**–**	**–**	**–**	**(20)**
Translation difference	**(44)**	**–**	**(5)**	**(4)**	**(53)**
At 31 December 2015, cost, net of accumulated amortisation	**$232**	**$57**	**$16**	**$19**	**$324**

The movement in intangible assets for the year ended 31 December 2014 was as follows:

US$ million	Customer relation-ships	Water rights and environ-mental permits	Contract terms	Other	Total
At 31 December 2013, cost, net of accumulated amortisation	$448	$57	$44	$39	$588
Additions	–	–	–	4	4
Amortisation charge	(60)	–	(4)	(8)	(72)
Impairment loss recognised in statement of operations	(16)	–	–	–	(16)
Transfer to assets held for sale	(1)	–	–	–	(1)
Translation difference	(32)	–	(17)	(13)	(62)
At 31 December 2014, cost, net of accumulated amortisation	$339	$57	$23	$22	$441

The movement in intangible assets for the year ended 31 December 2013 was as follows:

US$ million	Customer relation-ships	Water rights and environ-mental permits	Contract terms	Other	Total
At 31 December 2012, cost, net of accumulated amortisation	$654	$57	$–	$24	$735
Assets acquired in business combination	–	–	–	19	19
Additions	–	–	47	5	52
Amortisation charge	(86)	–	(1)	(7)	(94)
Impairment loss recognised in statement of operations	(68)	–	–	(1)	(69)
Translation difference	(52)	–	(2)	(1)	(55)
At 31 December 2013, cost, net of accumulated amortisation	$448	$57	$44	$39	$588

11. Investments in Joint Ventures and Associates

The Group accounted for investments in joint ventures and associates under the equity method.

The movement in investments in joint ventures and associates was as follows:

US$ million	Corber	Timir	Streamcore	Other associates	Total
Investment at 31 December 2012	**$497**	**$–**	**$36**	**$18**	**$551**
Additional investments	–	149	–	–	149
Share of profit/(loss)	–	(1)	7	2	8
Dividends paid	–	–	–	(1)	(1)
Acquisition of controlling interests (Note 4)	(496)	–	–	(9)	(505)
Translation difference	(1)	(7)	(3)	–	(11)
Investment at 31 December 2013	**$–**	**$141**	**$40**	**$10**	**$191**
Share of profit/(loss)	–	–	8	2	10
Dividends paid	–	–	–	(1)	(1)
Translation difference	–	(59)	(19)	(1)	(79)
Investment at 31 December 2014	**$–**	**$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) of joint ventures and associates which is reported in the statement of operations comprised the following:

US$ million	2015	2014	2013
Share of profit/(loss), net	**$3**	$10	$8
Reversal of impairment/(impairment) of investments	**(23)**	–	–
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$(20)**	$10	$8

Corber Enterprises Limited

Corber Enterprises Limited ("Corber") was a joint venture established in 2004 for the purpose of exercising joint control over economic activities of Raspadskaya Mining Group. Since March 2014 Corber is registered in Luxembourg. The Group had a 50% share in the joint venture, i.e. at 31 December 2012 it effectively owned approximately 41% in JSC Raspadskaya. On 16 January 2013, the Group acquired a contolling interest in Corber (Note 4) and the joint venture accounting and disclosures ceased to apply from that date.

The table below sets forth Corber's income and expenses:

US$ million	Period from 1 to 16 January 2013
Revenue	**$32**
Cost of revenue	**(26)**
Other expenses, including income taxes	**(6)**
Net profit/(loss)	**-**

Timir Iron Ore Project

On 3 April 2013, the Group acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia.

The Group's consideration for this stake amounted to 4,950 million roubles ($159 million at the exchange rate as of the date of the transaction) payable in instalments till 15 July 2014. The consideration was measured as the present value of the expected cash outflows. In 2014 and 2013, the Group paid 990 million roubles ($28 million) and 1,980 million roubles ($61 million), respectively, of purchase consideration. In July 2014, the parties agreed to amend the payment schedule and postponed two instalments of 990 million roubles each till 31 July 2015 and 2016. From the date of the amendement the Group incurred interest charges on the unpaid liability at a rate of 8.5% per annum. These charges amounted to $3 million in 2014, out of which $1 million was paid.

11. Investments in Joint Ventures and Associates (continued)

Timir Iron Ore Project (continued)

In July 2015, the parties amended the payment schedule and postponed the payments until January 2016, 2017, 2018 and 2019 by the amounts of 500 million roubles in 2016-2018 and 480 million roubles in 2019. From the date of the amendment the Group incurred interest charges on the unpaid liability at a rate of 11.5% per annum. In 2015, the Group paid $2 million of interest charges in respect of this liability.

At 31 December 2015 and 2014, trade and other accounts payable included liabilities relating to this acquisition in the amount of $28 million and $36 million, respectively.

The Group accounted for its interest in Timir under the equity method (Note 2 - Accounting Judgements).

The table below sets forth the fair values of Timir's consolidated identifiable assets and liabilities at the date of acquisition:

US$ million	3 April 2013
Mineral reserves and property, plant and equipment	$358
Accounts and notes receivable	2
Cash	2
Total assets	**362**
Deferred income tax liabilities	37
Non-current liabilities	7
Current liabilities	25
Total liabilities	**69**
Net assets	**293**
Net assets attributable to 51% ownership interest	**149**
Purchase consideration	**$149**

The table below sets forth Timir's assets and liabilities as of 31 December:

US$ million	2015	2014	2013
Mineral reserves and property, plant and equipment	**$101**	$202	$343
Accounts and notes receivable	**–**	1	1
Total assets	**101**	203	344
Deferred income tax liabilities	**5**	21	36
Non-current liabilities	**–**	–	7
Current liabilities	**17**	21	25
Total liabilities	**22**	42	68
Net assets	**79**	161	276
Net assets attributable to 51% ownership interest	**$40**	$82	$141

In 2015, 2014 and 2013, Timir's income and expenses comprised $2 million, $Nil and $1 million, respectively, of other expenses.

Due to the postponement of the major project activities, the Group assessed the recoverability of its investment in Timir at 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 25 years. The discount rates were 12.70% and 14.46% in 2015 and 2014, respectively. As a result, in 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 1 year.

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 $58 million which would give a $24 million effect on the share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations.

11. Investments in Joint Ventures and Associates (continued)

Kazankovskaya

ZAO Kazankovskaya ("Kazankovskaya") is a Russian coal mining company that was acquired as part of the purchase of Yuzhkuzbassugol in 2007. The Group owned 50% in Kazankovskaya.

In January 2013, the Group acquired an additional 50% in Kazankovskaya from Magnitogorsk Steel Plant for a cash consideration of 167 US dollars. The primary reason for the business combination was a preparation for the subsequent sale of the mine. The Group fully impaired $14 million goodwill, which arose on this acquisition. In August 2013, Kazankovskaya was sold (Note 12).

Streamcore

The Group owns a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia.

The table below sets forth Streamcore's assets and liabilities as of 31 December:

US$ million	2015	2014	2013
Property, plant and equipment	**$19**	$27	$49
Inventories	**3**	5	8
Accounts receivable	**51**	51	131
Total assets	**73**	83	188
Deferred income tax liabilities	**1**	1	2
Non-current liabilities	**–**	–	31
Current liabilities	**20**	24	75
Total liabilities	**21**	25	108
Net assets	**$52**	$58	$80
Net assets attributable to 50% ownership interest	**$26**	$29	$40

The table below sets forth Streamcore's income and expenses:

US$ million	2015	2014	2013
Revenue	**$278**	$478	$477
Cost of revenue	**(263)**	(450)	(440)
Other expenses, including income taxes	**(7)**	(12)	(23)
Net profit	**$8**	$16	$14
Group's share of profit of the joint venture	**$4**	$8	$7

12. Disposal Groups Held for Sale

The major classes of assets and liabilities of the disposal groups measured at the lower of carrying amount and fair value less costs to sell were as follows as of 31 December:

US$ million	2015	2014	2013
Property, plant and equipment	**$1**	$3	$172
Other non-current assets	**–**	–	14
Inventories	**–**	1	61
Accounts receivable	**–**	–	48
Cash and cash equivalents	**–**	–	7
Assets classified as held for sale	**1**	4	302
Deferred income tax liabilities	**–**	–	–
Non-current liabilities	**–**	13	2
Current liabilities	**–**	–	110
Liabilities directly associated with assets classified as held for sale	**–**	13	112
Non-controlling interests	**–**	–	–
Net assets classified as held for sale	**$1**	$(9)	$190

The net assets of disposal groups classified as held for sale at 31 December related to the following reportable segments:

US$ million	2015	2014	2013
Assets classified as held for sale	**$1**	$4	$302
Steel production	**–**	1	289
Coal	**1**	3	–
Other operations	**–**	–	13
Liabilities directly associated with assets classified as held for sale	**–**	13	112
Steel production	**–**	–	112
Steel, North America	**–**	13	–
Coal	**–**	–	–

At 31 December 2013, the disposal groups held for sale relating to the steel segment consisted mostly of the assets and liabilities of EVRAZ Vitkovice Steel sold in April 2014. In 2012, the difference between the carrying value of the net assets of the subsidiary and the expected consideration amounting to $78 million was recognised as a loss on disposal groups classified as held for sale and in 2013 it was fully reversed due to the change in the amount of consideration.

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2013–2015.

US$ million	2015	2014	2013
Property, plant and equipment	**$25**	$178	$113
Other non-current assets	**–**	19	16
Inventories	**13**	79	17
Accounts receivable	**–**	64	49
Cash and cash equivalents	**–**	20	23
Total assets	**38**	360	218
Deferred income tax liabilities	**–**	–	7
Non-current liabilities	**17**	28	114
Current liabilities	**–**	100	84
Total liabilities	**17**	128	205
Non-controlling interests	**–**	–	–
Net assets	**$21**	$232	$13

The net assets of disposal groups sold in 2013–2015 related to the following reportable segments:

US$ million	2015	2014	2013
Assets classified as held for sale	**$38**	$360	$218
Steel	**6**	330	128
Steel, North America	**31**	9	13
Coal	**1**	–	39
Other operations	**–**	21	38
Liabilities directly associated with assets classified as held for sale	**17**	128	205
Steel	**4**	126	100
Steel, North America	**13**	–	–
Coal	**–**	–	70
Other operations	**–**	2	35
Non-controlling interests	**–**	–	–
Steel production	**–**	–	–

12. Disposal Groups Held for Sale

Cash flows on disposal of subsidiaries and other business units were as follows:

US$ million	2015	2014	2013
Net cash disposed of with subsidiaries	**$(13)**	$(20)	$(23)
Cash received	**57**	331	24
Net cash inflow	**$44**	$311	$1

The disposal groups sold during 2013–2015 are described below.

EVRAZ Portland Structural Tubing

In 2015, the Group sold assets of Portland Structural Tubing for a cash consideration of $51 million. The Group recognised $20 million as a gain on disposal groups classified as held for sale.

EVRAZ Vitkovice Steel

In April 2014, the Group sold its wholly-owned subsidiary EVRAZ Vitkovice Steel to a third party for a cash consideration of $287 million on a debt free and normalised working capital basis. Transaction costs amounted to $3 million. As of 31 December 2014, the Group owed $25 million to the purchaser of EVRAZ Vitkovice Steel. In 2015, this amount was fully settled through an offset with receivables from the former subsidiary.

The Group recognised a $90 million gain on the sale of the subsidiary, including $61 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations. Cash disposed with the subsidiary amounted to $20 million.

Assets of Evrazruda

In 2014, the Group sold an iron ore mine and heat and power plant located in the Krasnoyarsk and Kemerovo regions of Russia. The gain on these transactions amounted to $25 million, including $5 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations.

In 2013, the Group sold 2 iron ore mines, ore processing plant and 2 electricity generating companies located in the Khakassia region of Russia. The gain on these transactions amounted to $21 million.

VGOK

In October 2013, the Group sold a wholly-owned subsidiary EVRAZ Vysokogorsky Iron Ore Mining and Processing Plant (“VGOK”) to NPRO URAL.

The consideration comprised $20 million cash with a net present value of $18 million and the fair value of a 10-year agreement for the processing by VGOK of certain EVRAZ NTMK’s waste products. The fair value of this contract was measured based on an incremental income to the Group and approximated $47 million. It was recognised as an intangible asset within the Contract terms category.

The Group recognised a $2 million loss on the sale of VGOK, including $23 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

Central Heat and Power Plant

In September 2013, the Group sold Central Heat and Power Plant located in the Kemerovo region (Russia) for 300 US dollars. The Group recognised a $1 million loss on this transaction.

Mines of Yuzhkuzbassugol

In 2013, the Group sold 3 coal mines in the Kemerovo region of Russia: Yubileinaya, Gramoteinskaya and Kazankovskaya. The aggregate consideration amounted to 630 US dollars. The Group recognised a gain of $34 million on these transactions, including $1 million cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations.

Other Disposal Groups Held for Sale

Other disposal groups held for sale included a few small subsidiaries involved in non-core activities (construction business, trading activity and recreational services) and other non-current assets.

13. Other Non-current Assets

Other non-current assets consisted of the following as of 31 December:

Non-current Financial Assets

US$ million	2015	2014	2013
Available-for-sale financial assets	**$5**	$17	$30
Restricted deposits	**5**	7	10
Receivables from related parties	**1**	1	3
Loans receivable	**23**	21	10
Trade and other receivables	**5**	4	22
Other	**40**	48	69
	$79	$98	$144

Other Non-current Assets

US$ million	2015	2014	2013
Income tax receivable	**$18**	$4	$20
Input VAT	**6**	12	23
Other	**32**	24	19
	$56	$40	$62

Available-for-Sale Financial Assets

The Group holds approximately 15% in Delong Holdings Limited (“Delong”), a flat steel producer headquartered in Beijing (China). The investments in Delong are measured at fair value based on market quotations ($5 million, $16 million and $28 million at 31 December 2015, 2014 and 2013, respectively). The change in the fair value of these shares is initially recorded in other comprehensive income.

In 2013, the Group recognised a gain of $7 million on the increase in market quotations in other comprehensive income. In 2015 and 2014, impairment losses relating to the decline in quotations of Delong shares in the amount of $Nil and $12 million, respectively, were recorded through other comprehensive income and $11 million and $1 million, respectively, were recognised in the statement of operations.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	2015	2014	2013
Raw materials and spare parts	**$402**	$588	$797
Work-in-progress	**188**	307	343
Finished goods	**309**	477	604
	$899	$1,372	$1,744

As of 31 December 2015, 2014 and 2013, the net realisable value allowance was $35 million, $47 million and $58 million, respectively.

As of 31 December 2015, 2014 and 2013, certain items of inventory with an approximate carrying amount of $383 million, $607 million and $510 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 22).

15. Trade and Other Receivables

Trade and other receivables consisted of the following as of 31 December:

US$ million	2015	2014	2013
Trade accounts receivable	**$472**	$684	$909
Other receivables	**23**	25	63
	495	709	972
Allowance for doubtful accounts	**(48)**	(55)	(57)
	$447	$654	$915

Ageing analysis and movement in allowance for doubtful accounts are provided in Note 28.

16. Related Party Disclosures

Related parties of the Group include associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Group's ultimate parent or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Amounts owed by/to related parties at 31 December were as follows:

	Amounts due from related parties			Amounts due to related parties		
US$ million	2015	2014	2013	2015	2014	2013
Vtorresource-Pererabotka	**$1**	$11	$4	**$10**	$5	$13
Yuzhny GOK	**–**	37	5	**129**	96	336
Liability to management of Raspadskaya for the acquisition of Corber (Note 4)	**–**	–	–	**–**	–	102
Other entities	**5**	7	7	**4**	7	7
	6	55	16	**143**	108	458
Less: allowance for doubtful accounts	**–**	(2)	(3)	**–**	–	–
	$6	$53	$13	**$143**	$108	$458

In 2014 and 2013, the Group did not recognise any expense or income in relation to bad and doubtful debts of related parties. In 2015, a $2 million reversal of bad and doubtful debts allowance was recognised in the consolidated statement of operations.

Transactions with related parties were as follows for the years ended 31 December:

	Sales to related parties			Purchases from related parties		
US$ million	2015	2014	2013	2015	2014	2013
Genalta Recycling Inc.	**$–**	$–	$–	**$14**	$24	$22
Interlock Security Services	**–**	1	1	**24**	39	51
Vtorresource-Pererabotka	**8**	17	16	**274**	465	462
Yuzhny GOK	**29**	42	62	**70**	125	150
Other entities	**–**	3	7	**12**	24	43
	$37	$63	$86	**$394**	$677	$728

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 4, 11, 13 and 25.

Genalta Recycling Inc. is a joint venture of a Canadian subsidiary of the Group. It sells scrap metal to the Group.

Interlock Security Services is a group of entities controlled by a member of the key management personnel, which provide security services to the Russian and Ukrainian subsidiaries of the Group.

Lanebrook Limited is a controlling shareholder of the Company. In 2008, the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. In January 2014, the Group sold 0.14% of the shares to Lanebrook Limited for $6 million. The put option for the remaining shares expires on 31 December 2016.

Vtorresource-Pererabotka is a subsidiary of Streamcore, the Group's joint venture, acquired in 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2015, 2014 and 2013, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $219 million (1,339,101 tonnes), $383 million (1,601,041 tonnes), $370 million (1,420,990 tonnes), respectively.

Yuzhny GOK, an ore mining and processing plant, is an associate of Lanebrook Limited. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2015, 2014 and 2013, the volume of purchases was 1,517,580 tonnes, 1,486,415 tonnes and 1,549,958 tonnes, respectively. In 2015 and 2014, the Ukrainian hryvnia depreciated against the US dollar by 34% and 49%, respectively. As a result, the Group recognised $19 million and $88 million, respectively, of foreign exchange loss on the balances and transactions with Yuzhny GOK.

On 1 April 2014, a Ukrainian subsidiary of the Group received a non-interest bearing loan of 2,935 million Ukrainian hryvnias ($267 million at the exchange rate as of the date of disbursement) from Standart IP, an entity under control of one of the major shareholders. The proceeds were used for the purposes of short-term liquidity management for the subsidiary. The loan was fully repaid in several instalments by 10 April 2014 using the loans provided by the other Group's subsidiary.

16. Related Party Disclosures (continued)

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,
- top managers of major subsidiaries.

In 2015, 2014 and 2013, key management personnel totalled 46, 51 and 57 people, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	2015	2014	2013
Salary	**$16**	$20	$24
Performance bonuses	**9**	29	13
Social security taxes	**4**	4	3
Share-based payments (Note 21)	**10**	14	11
Termination benefits	**–**	1	–
Other benefits	**–**	1	1
	$39	$69	$52

Other disclosures on directors' remuneration required by the Companies Act 2006 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Directors' Remuneration Report.

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of 31 December:

US$ million	2015	2014	2013
Input VAT	**$61**	$71	$209
Other taxes	**66**	87	74
	$127	$158	$283

Input VAT, representing amounts payable or paid to suppliers, is recoverable from the tax authorities via offset against VAT payable to the tax authorities on the Group's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable within one year.

18. Other Current Financial Assets

Other current assets included the following as of 31 December:

US$ million	2015	2014	2013
Investments in Yuzhny GOK (Note 16)	**$32**	$32	$38
Restricted deposits at banks	**3**	1	12
Collateral under swap agreements (Note 25)	**–**	7	21
	$35	$40	$71

19. Cash and Cash Equivalents

Cash and cash equivalents, mainly consisting of cash at banks,were denominated in the following currencies as of 31 December:

US$ million	2015	2014	2013
US dollar	**$1,196**	$943	$1,300
Russian rouble	**121**	108	195
Canadian dollar	**29**	6	50
Euro	**4**	6	9
South African rand	**3**	10	32
Ukrainian hryvnia	**20**	3	17
Other	**2**	10	1
	$1,375	$1,086	$1,604

At 31 December 2015, 2014 and 2013, the assets of disposal groups classified as held for sale included cash amounting to $Nil, $Nil and $7 million, respectively.

20. Equity

Share Capital

	31 December		
Number of shares	2015	2014	2013
Ordinary shares of $1 each, issued and fully paid	**1,506,527,294**	1,506,527,294	1,472,582,366

Share Issue

On 16 January 2013, EVRAZ plc issued 132,653,006 shares in connection with the acquisition of a controlling interest in Corber (Note 4).

These shares were valued at their market quotation at the date of acquisition of Corber. The excess of the market value of shares issued over their nominal value in the amount of $478 million was recognised in a merger reserve within additional paid-in capital under section 612 of the Companies Act 2006 as all of the criteria for merger relief have been satisfied.

The purchase consideration for Corber 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		
	2015	2014	2013
Number of treasury shares	**98,481,249**	–	302,717

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, 9,977,259 shares were transferred to the participants of Incentive Plans. The cost of treasury shares transferred to the participants of Incentive Plans, amounted to $31 million.

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.

In 2013, the Group purchased 3,720,298 shares of EVRAZ plc for $6 million and transferred 3,564,312 shares to participants of Incentive Plans. The cost of treasury shares gifted under Incentive Plans, amounting to $6 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:

	2015	2014	2013
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,437,134,241**	1,505,833,080	1,499,457,909
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$(644)**	$(1,175)	$(504)
Earnings/(losses) per share, basic and diluted	**$(0.45)**	$(0.78)	$(0.34)

In 2013-2015, 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)* are included in the calculation of basic earnings per share starting from the date of their issue.

Dividends

Dividends declared by the parent company during 2013–2015 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

The Board of directors decided not to declare a final dividend for 2013 and this decision was approved by the Annual General Meeting of shareholders of EVRAZ plc.

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, $3 million and $1 million in 2015, 2014 and 2013, respectively.

Other Movements in Equity

Non-controlling Interests in Subsidiaries
In 2013, as a result of the acquisition of a controlling interest in Raspadskaya (Note 4), the Group recognised $311 million representing non-controlling shareholders owning approximately 18% in the entity.

21. Share-based Payments

On 13 October 2011, 6 September 2012, 24 September 2013, 8 August 2014 and 26 October 2015, the Group adopted Incentive Plans under which certain senior executives and employees ("participants") could be gifted shares of the parent company upon vesting.

The vesting date for each tranche occurs within the 90-day period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2015 are presented below:

Number of Shares of EVRAZ plc	Total	Incentive Plan 2015	Incentive Plan 2014	Incentive Plan 2013	Incentive Plan 2012
March 2016	12,279,149	4,122,090	3,444,498	4,693,944	18,617
March 2017	13,955,215	4,122,090	5,166,741	4,666,384	–
March 2018	11,349,891	6,183,133	5,166,758	–	–
March 2019	6,183,298	6,183,298	–	–	–
	43,767,553	**20,610,611**	**13,777,997**	**9,360,328**	**18,617**

The plans are administrated by the Board of Directors of EVRAZ plc. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination, unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.

There have been no modifications or cancellations to the plans during 2013–2015.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of share-based awards granted in 2015, 2014 and 2013 was $1.12, $1.51 and $1.89 per share of EVRAZ plc, respectively. The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of a parent company reduced by the present value of dividends expected to be paid during the vesting period.

The following inputs, including assumptions, were used in the valuation of Incentive plans, which were effective during 2013-2015:

	Incentive Plan 2015	Incentive Plan 2014	Incentive Plan 2013	Incentive Plan 2012	Incentive Plan 2011
Dividend yield (%)	7.3 – 9.1	3.6 – 4.8	4.0 – 8.8	1.9 – 5.4	3.6 – 4.8
Expected life (years)	0.6 – 3.6	0.6 – 3.6	0.6 – 3.6	0.6 – 2.6	0.5 – 2.5
Market prices of the shares of EVRAZ plc (2011: Evraz Group S.A.) at the grant dates	$1.36	$1.68	$2.13	$3.61	$51.57

The following table illustrates the number of, and movements in, share-based awards during the years.

	2015	2014	2013
Outstanding at 1 January	**36,608,052**	27,692,062	12,069,571
Granted during the year	**20,610,611**	20,220,620	20,832,297
Forfeited during the year	**(3,473,851)**	(3,064,281)	(1,221,683)
Vested during the year	**(9,977,259)**	(8,240,349)	(3,988,123)
Outstanding at 31 December	**43,767,553**	36,608,052	27,692,062
Vested, not exercised	**–**	–	98,647

In 2014 and 2013, the actual quantity of the vested shares transferred by EVRAZ plc to the participants was reduced by 596,896 and 325,164 shares, respectively, that represent withholding taxes and other deductions.

The weighted average share price at the dates of exercise was $2.59, $1.72 and $1.52 in 2015, 2014 and 2013, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2015, 2014 and 2013 was 1.5, 1.6 and 1.7 years, respectively.

In the years ended 31 December 2015, 2014 and 2013, expense arising from the equity-settled share-based compensations was as follows:

	2015	2014	2013
Expense arising from equity-settled share-based payment transactions	**$20**	$30	$25

22. Loans and Borrowings

As of 31 December 2015, 2014 and 2013, total interest-bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $154 million, $164 million and $1,069 million, respectively, and long-term loans and borrowings in the amount of $6,174 million, $6,030 million and $6,739 million, respectively, including the current portion of long-term liabilities of $289 million, $532 million and $660 million, respectively.

Short-term and long-term loans and borrowings were as follows as of 31 December:

US$ million	2015	2014	2013
Bank loans	**$2,236**	$1,662	$2,065
US dollar-denominated			
8.25% notes due 2015	**–**	138	577
7.40% notes due 2017	**286**	600	600
7.75% bonds due 2017	**186**	392	400
9.5% notes due 2018	**353**	509	509
6.75% notes due 2018	**796**	850	850
7.5% senior secured notes due 2019	**350**	350	–
6.50% notes due 2020	**1,000**	1,000	1,000
8.25% notes due 2021	**750**	–	–
Rouble-denominated			
13.5% rouble bonds due 2014	**–**	–	611
8.75% rouble bonds due 2015	**–**	69	119
9.95% rouble bonds due 2015	**–**	267	458
8.40% rouble bonds due 2016	**165**	356	611
12.95% rouble bonds due 2019	**206**	–	–
Other liabilities	**–**	1	8
Fair value adjustment to liabilities assumed in business combination	**7**	20	27
Unamortised debt issue costs	**(54)**	(57)	(68)
Interest payable	**66**	74	90
	$6,347	$6,231	$7,857

At 31 December 2015, 2014 and 2013, the borowings relating to the subsidiaries classified as held for sale (Note 12) amounted to $Nil, $Nil and $76 million of short-term loans. In the statement of financial position they were included in liabilities directly associated with the assets held for disposal.

The average effective annual interest rates were as follows at 31 December:

	Long-term borrowings			Short-term borrowings		
	2015	2014	2013	2015	2014	2013
US dollar	**6.87%**	6.78%	7.33%	**2.86%**	2.72%	1.56%
Russian rouble	**11.84%**	9.00%	10.49%	**–**	–	7.21%
Euro	**5.57%**	3.55%	3.60%	**–**	–	3.75%
Canadian dollar	**–**	–	3.30%	**–**	–	–
South African rand	**–**	–	–	**–**	9.98%	–

The liabilities are denominated in the following currencies at 31 December:

US$ million	2015	2014	2013
US dollar	**$5,412**	$5,387	$5,808
Russian rouble	**621**	700	1,837
Euro	**368**	193	268
Canadian dollar	**–**	–	10
South African rand	**–**	8	2
Unamortised debt issue costs	**(54)**	(57)	(68)
	$6,347	$6,231	$7,857

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 2015 and 2014, a 100% ownership interest in EVRAZ Inc NA and 51% in EVRAZ Inc NA Canada were pledged against a $350 million liability under 7.5% senior secured notes due 2019. The subsidiaries represent approximately 34% of the consolidated assets at 31 December 2015 and generated almost 26% of the consolidated revenues in 2015. In addition, property, plant and equipment and inventory of these subsidiaries amounting to $1,052 million and $382 million, respectively, at 31 December 2015 (2014: $1,140 million and $607 million, respectively) were pledged as collateral under the notes.

At 31 December 2015, 2014 and 2013, 100% of shares of EVRAZ Caspian Steel were pledged as collateral under a bank loan with a carrying value of $107 million at the end of 2015. The subsidiary represented 0.9% of the consolidated assets at 31 December 2015 and generated 1.1% of the consolidated revenues in 2015. In addition, property, plant and equipment of EVRAZ Caspian Steel amounting to $55 million at 31 December 2015 (2014: $108 million, 2013: $108 million) were pledged as collateral under the same loan.

The Group's pledged assets at carrying value included the following at 31 December:

US$ million	2015	2014	2013
Property, plant and equipment	**$1,107**	$1,263	$120
Inventory	**383**	607	510

Issue of Notes and Bonds

In December 2015, the Group issued 8.25% notes due 2021 in the amount of $750 million. The proceeds from the issue of the notes were used to finance the purchase of 7.40% notes due 2017, 9.50% notes due 2018 and 6.75% notes due 2018 at the tender offer settled on 18 December 2015 and to refinance other current indebtedness of the Group.

In July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($206 million at 31 December 2015), which bear interest of 12.95% per annum and have the next put date on 26 June 2019. The currency risk exposure of these bonds was hedged (Note 25).

In November 2014, the Group issued 7.5% senior secured notes due 2019 notes in the amount of $350 million. The proceeds from the issue of the notes were used for the partial repayment of the 8.25% notes maturing on 10 November 2015.

In April 2013, the Group issued notes for the amount of $1,000 million due in 2020. The notes bear semi-annual coupon at the annual rate of 6.50% and must be redeemed at their principal amount on 22 April 2020. The proceeds from the issue of the notes were used for the repayment of the 8.875% notes maturing on 24 April 2013, as well as certain bank loans.

Extension of the 9.25% Notes Due 2013

In March 2013, the holders of 9.25% rouble-denominated notes received an option to accept a new coupon of 8.75% per annum till 20 March 2015 or put the notes back to the Group at nominal value. By 26 March 2013, the date of the expiration of the option, the Group re-purchased back notes totalling 12,265 million roubles ($399 million at the exchange rate as of the transaction date). The remaining notes with the aggregate principal amount of 2,735 million roubles ($84 million at the exchange rate as of 31 December 2013) continue to be traded on the Moscow Exchange.

In April and May 2013, the Group resold part of the notes for 1,000 roubles each and received 1,150 million roubles ($35 million at the exchange rate as of 31 December 2013).

Repurchase of Rouble-Denominated Bonds

In March 2015, the Group fully settled the 8.75% bonds due 2015 with the nominal value of 3,885 million roubles ($65 million) at par. There was no gain or loss on this transaction.

In April 2015, the Group partially repurchased 9.95% bonds due 2015 for a cash consideration of $80 million. The nominal value of the repurchased notes was 4,150 million roubles ($81 million). As a result, the Group recognised a $1 million gain within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations. In October 2015, the Group settled the remaining 10,850 million roubles ($175 million) at par. There was no gain or loss on this transaction.

In July 2015, the Group partially repurchased 8.40% bonds due 2016 with the principal of 4,792 million roubles ($84 million at the exchange rate as of the date of the transaction) for a cash consideration of 4,696 million roubles ($82.5 million at the exchange rate as of the date of the transaction). In September 2015, the Group repurchased additional 3,159 million roubles ($48 million) at par. There was no gain or loss on this transaction. At 31 December 2015, the amount of outstanding bonds was 12,049 million roubles ($165 million).

In April 2014, the Group repurchased 13.5% bonds due 2014 for a nominal amount totalling 2,258 million roubles ($64 million). In October 2014, the Group settled the remaining 17,742 million roubles ($440 million). There was no gain or loss on these transactions.

22. Loans and Borrowings (continued)

Repurchase of US Dollar-Denominated Note
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.

Compliance with Financial Covenants
Some of the loan agreements and terms and conditions of notes provide for certain covenants in respect of EVRAZ plc and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability. EBITDA used for covenants compliance calculations is determined based on the definitions of the respective loan agreements and may differ from that used by management for evaluation of performance.

The €475 million facility from Gazprombank signed in April 2015 contained a restriction on the maximum ratio for the consolidated net indebtedness to 12-month consolidated EBITDA. As a result of an amendment signed in December 2015, this restriction was reset to a higher level, while a portion of the facility amounting to €235 million was converted into roubles.

The $500 million pre-export credit facility received in 2014 from a syndicate of banks and other credit facilities totalling $929 million contain certain financial maintenance covenants. These covenants require EVRAZ plc to maintain two key ratios, consolidated net indebtedness to 12 month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits. Also the covenants contain a limitation on the amount of EVRAZ plc total consolidated indebtedness. A breach of one or both of these ratios or excess of the indebtedness limit would constitute an event of default under the facility which in turn may trigger cross default events under other debt instruments of the Group. The terms of certain facilities also set certain limitations on dividend payments by EVRAZ plc, acquisitions and disposals.

Notes due in 2017, 2018, 2020 and 2021 totalling $3,185 million issued by Evraz Group S.A., a holding company directly wholly owned by EVRAZ plc, have covenants restricting the incurrence of indebtedness by the issuer and its consolidated subsidiaries conditional on a gross leverage ratio. While the ratio level itself does not constitute a breach of covenants, exceeding the threshold triggers a restriction on incurrence of consolidated indebtedness, which is removed once the ratio goes back below the threshold. The effect of the restriction is such that Evraz Group S.A. and its subsidiaries are not allowed to increase the consolidated indebtedness at the level of Evraz Group S.A., but are allowed to refinance existing indebtedness subject to certain conditions.

The incurrence covenants are in line with the Group's financial strategy and, therefore, do not constitute any excessive restriction on its operations.

In addition to the incurrence covenants mentioned above, at 31 December 2015 the Group had a loan of $90 million, which is subject to financial maintenance covenants based on the consolidated figures of Evraz Group S.A. Under these covenants Evraz Group S.A. is required to maintain a ratio of consolidated net indebtedness to 12-month consolidated EBITDA within certain limits. A breach of the ratio would constitute an event of default under the above mentioned facility agreements, which in its turn may trigger cross default events under other debt instruments of EVRAZ plc and its subsidiaries.

The $400 million 7.75% notes due 2017 issued by Raspadskaya in 2012, out of which $214 million are held by Evraz Group S.A. at 31 December 2015, have covenants similar to those of Evraz Group S.A., but with the ratio calculation based on the consolidated numbers of OAO Raspadskaya and the restrictions applying only to OAO Raspadskaya and its subsidiaries. These restrictions have the same effect on Raspadskaya, but no effect on EVRAZ plc and its other subsidiaries that are not part of the Raspadskaya Group.

The $350 million notes due 2019 issued by Evraz Inc NA Canada in November 2014 have certain covenants, that contain restrictions on the incurrence of new debt by EVRAZ North America plc, the parent company of Evraz Inc NA and Evraz Inc NA Canada, and its subsidiaries (together, "Evraz North America") and restrictions on certain types of payments, including dividends, from Evraz North America.

During 2015 the Group was in compliance with all financial and non-financial covenants.

22. Loans and Borrowings (continued)

Unamortised Debt Issue Costs

Unamortised debt issue costs represent agent commission and transaction costs paid by the Group in relation to the arrangement and reset of loans and notes.

Unutilised Borrowing Facilities

The Group had the following unutilised borrowing facilities as of 31 December:

US$ million	2015	2014	2013
Committed	**$317**	$439	$437
Uncommitted	**663**	1,225	811
Total unutilised borrowing facilities	**$980**	$1,664	$1,248

23. Employee Benefits

Russian Plans

Certain Russian subsidiaries of the Group provide regular lifetime pension payments and lump-sum amounts payable at retirement date. These benefits generally depend on years of service, level of remuneration and amount of pension payment under the collective bargaining agreements. Other post-employment benefits consist of various compensations and certain non-cash benefits. The Group funds the benefits when the amounts of benefits fall due for payment.

In addition, some subsidiaries have defined benefit plans under which contributions are made to a separately administered non-state pension fund. The Group matches 100% of the employees' contributions to the fund up to 4% of their monthly salary. The Group's contributions become payable at the participants' retirement dates.

Defined contribution plans represent payments made by the Group to the Russian state pension, social insurance and medical insurance funds at the statutory rates in force, based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits.

Ukrainian Plans

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.

In 2013, the amended pension legislation introduced annual indexation of pensions, at least up to the level of CPI. The indexation of pensions in a particular year depends on the availability of financial resources in the State pension fund. The subsidiaries are obliged to pay preferential pensions indexed according to the government's decision. The Group determined the amount of defined benefit obligations based on the assumption that pensions will be indexed despite possible insufficiency of money in the State pension fund, which would result in a non-fulfilment of this law by the fund itself and, consequently, would cancel the obligations of Ukrainian enterprises to pay higher pensions.

In 2015, new conditions were introduced in the pension legislation: the period of working experience required for the preferential pension assignment will be gradually increased by 5 years during the next 10 years. The Group reduced the employee benefits liability by $2 million through past service cost in connection with these changes.

US and Canadian Plans

The Group's subsidiaries in the USA and Canada have defined benefit pension plans that cover specified eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. The subsidiaries also have U.S. and Canadian supplemental retirement plans ("SERP's"), which are unqualified plans designed to maintain benefits for eligible employees at the plan formula level. The subsidiaries provide other unfunded postretirement medical and life insurance plans ("OPEB's") for certain of its eligible employees upon retirement after completion of a specified number of years of service. For the pension plans, SERP's and OPEB's, the subsidiaries use a measurement date for plan assets and obligations of 31 December.

Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit pension plans. Those employees are instead enrolled in defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 3–7% of annual wages, including applicable bonuses. The defined contribution plans are funded annually, and participants' benefits vest after three years of service. In addition, the subsidiaries have 401(k) defined contribution plans available for eligible U.S. and Canadian-based employees which the subsidiaries match a percentage of the participants' contributions.

23. Employee Benefits (continued)

US and Canadian Plans (continued)

In the third quarter of 2015, the Group's U.S. subsidiary made lump-sum settlement offers to former employees vested in one of its three U.S.-based pension plans. Eligible participants were provided with a one-time opportunity to choose either a lump-sum settlement immediately, or to begin receiving their annuity payments in December 2015, irrespective of the former employee's age or retirement status. Approximately 749 employees, or 61% of those eligible, elected to take the lump-sum settlement, triggering settlement accounting for two of the U.S. subsidiary's plans.

Other Plans

Defined benefit pension plans and defined contribution plans are maintained by the subsidiaries located in the Republic of South Africa and Italy.

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

US$ million	2015	2014	2013
Expense under defined contribution plans	**$254**	$398	$488

Defined Benefit Plans

The Russian, Ukrainian and other defined benefit plans are mostly unfunded and the US and Canadian plans are partially funded.

Except as disclosed above, in 2015 there were no significant plan amendments, curtailments or settlements.

The Group's defined benefit plans are exposed to the risks of unexpected growth in benefit payments as a result of increases in life expectancy, inflation, and salaries. As the plan assets include significant investments in quoted and unquoted equity shares, corporate and government bonds and notes, the Group is also exposed to equity market risk.

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2015, 2014 and 2013 and amounts recognised in the consolidated statement of financial position as of 31 December 2015, 2014 and 2013 for the defined benefit plans were as follows:

Net benefit expense (recognised in the statement of operations within cost of sales and selling, general and administrative expenses and interest expense)

Year ended 31 December 2015

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	**$(4)**	**$ (2)**	**$(23)**	**$–**	**$(29)**
Net interest expense	**(11)**	**(6)**	**(7)**	**–**	**(24)**
Net actuarial gains/(losses) on other long-term employee benefits obligation	**–**	**–**	**–**	**(1)**	**(1)**
Past service cost	**7**	**2**	**(3)**	**–**	**6**
Curtailment/settlement gain	**2**	**–**	**1**	**–**	**3**
Net benefit expense	**$(6)**	**$ (6)**	**$(32)**	**$(1)**	**$(45)**

Year ended 31 December 2014

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$(7)	$(3)	$(19)	$–	$(29)
Net interest expense	(15)	(7)	(6)	(2)	(30)
Net actuarial gains/(losses) on other long-term employee benefits obligation	22	–	–	–	22
Curtailment gain	6	–	–	–	6
Net benefit expense	$6	$(10)	$(25)	$(2)	$(31)

Year ended 31 December 2013

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$(12)	$ (4)	$(23)	$(1)	$(40)
Net interest expense	(20)	(9)	(9)	(1)	(39)
Net actuarial gains/(losses) on other long-term employee benefits obligation	7	–	–	1	8
Past service cost	(7)	–	–	–	(7)
Curtailment gain	2	–	2	–	4
Net benefit expense	$(30)	$ (13)	$(30)	$(1)	$(74)

23. Employee Benefits (continued)

Gains/(losses) recognised in other comprehensive income

Year ended 31 December 2015

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	**$–**	**$–**	**$(10)**	**$–**	**$(10)**
Net actuarial gains/(losses) on post-employment benefit obligation	**(8)**	**(5)**	**24**	**–**	**11**
	$(8)	**$(5)**	**$14**	**$–**	**$1**

Year ended 31 December 2014

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$–	$–	$46	$–	$46
Net actuarial gains/(losses) on post-employment benefit obligation	15	(17)	(78)	(1)	(81)
Effect of asset ceiling	–	–	2	–	2
	$15	$(17)	$(30)	$(1)	$(33)

Year ended 31 December 2013

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$(1)	$–	$30	$–	$29
Net actuarial gains/(losses) on post-employment benefit obligation	52	(11)	48	1	90
	$51	$(11)	$78	$1	$119

Actual return on plan assets was as follows:

US$ million	2015	2014	2013
Actual return on plan assets	**$13**	$73	$51
including:			
US & Canadian plans	**13**	73	52
Russian plans	**–**	–	(1)

Net defined benefit liability

31 December 2015

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	**$90**	**$45**	**$691**	**$2**	**$828**
Plan assets	**(1)**	**–**	**(526)**	**–**	**(527)**
	89	**45**	**165**	**2**	**301**

31 December 2014

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$110	$58	$790	$14	$972
Plan assets	–	–	(608)	–	(608)
	110	58	182	14	364

31 December 2013

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$232	$83	$728	$14	$1,057
Plan assets	(1)		(564)	–	(565)
	231	**83**	**164**	**14**	**492**

23. Employee Benefits (continued)

Movements in net defined benefit liability/(asset)

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2012	**$250**	**$68**	**$256**	**$19**	**$593**
Change in net benefit liability due to business combination	58	–	–	–	58
Net benefit expense recognised in the statement of operations	30	13	30	1	74
Contributions by employer	(25)	(9)	(40)	(1)	(75)
(Gains)/losses recognised in other comprehensive income	(51)	11	(78)	(1)	(119)
Disposal of subsidiaries	(10)	–	–	–	(10)
Translation difference	(21)	–	(4)	(4)	(29)
At 31 December 2013	**231**	**83**	**164**	**14**	**492**
Net benefit expense recognised in the statement of operations	(6)	10	25	2	31
Contributions by employer	(13)	(6)	(34)	(2)	(55)
(Gains)/losses recognised in other comprehensive income	(15)	17	30	1	33
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(86)	(46)	(3)	(1)	(136)
At 31 December 2014	**110**	**58**	**182**	**14**	**364**
Net benefit expense recognised in the statement of operations	6	6	32	1	45
Contributions by employer	(9)	(3)	(30)	(1)	(43)
(Gains)/losses recognised in other comprehensive income	8	5	(14)	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	(11)	(12)
Translation difference	(25)	(21)	(5)	(1)	(52)
At 31 December 2015	**$89**	**$45**	**$165**	**$2**	**$301**

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2012	**$251**	**$68**	**$793**	**$19**	**$1,131**
Change in benefit obligation due to business combination	58	–	–	–	58
Interest cost on benefit obligation	20	9	31	1	61
Current service cost	12	4	23	1	40
Past service cost	7	–	–	–	7
Benefits paid	(24)	(9)	(43)	(1)	(77)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	25	–	23	–	48
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(81)	11	(71)	(2)	(143)
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(3)	–	–	–	(3)
Curtailment gain	(2)	–	(2)	–	(4)
Disposal of subsidiaries	(10)	–	–	–	(10)
Translation difference	(21)	–	(26)	(4)	(51)
At 31 December 2013	**232**	**83**	**728**	**14**	**1,057**
Interest cost on benefit obligation	15	7	33	2	57
Current service cost	7	3	19	–	29
Benefits paid	(14)	(6)	(37)	(2)	(59)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	1	17	–	18
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(21)	13	71	1	64
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(16)	3	(10)	–	(23)
Curtailment gain	(6)	–	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(86)	(46)	(31)	(1)	(164)
At 31 December 2014	**110**	**58**	**790**	**14**	**972**
Interest cost on benefit obligation	11	6	30	–	47
Current service cost	4	2	23	–	29
Past service cost	(7)	(2)	3	–	(6)
Benefits paid	(8)	(3)	(35)	(1)	(47)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	(1)	–	(8)	–	(9)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	14	2	(17)	1	–
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(5)	3	1	–	(1)
Curtailment/settlement gain	(2)	–	(1)	–	(3)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	(11)	(12)
Settlement of lump-sum payments	–	–	(31)	–	(31)
Translation difference	(25)	(21)	(64)	(1)	(111)
At 31 December 2015	**$90**	**$45**	**$691**	**$2**	**$828**

23. Employee Benefits (continued)

Movements in benefit obligation (continued)

The weighted average duration of the defined benefit obligation was as follows:

Years	2015	2014	2013
Russian plans	**10.93**	9.8	10.0
Ukrainian plans	**8.76**	10.4	10.0
US & Canadian plans	**14.35**	14.6	14.4
Other plans	**9.66**	20.3	10.0

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US& Canadian plans	Other plans	Total
At 31 December 2012	**$1**	**$–**	**$537**	**$–**	**$538**
Interest income on plan assets	–	–	22	–	22
Return on plan assets (excluding amounts included in net interest expense)	(1)	–	30	–	29
Contributions of employer	25	9	40	1	75
Benefits paid	(24)	(9)	(43)	(1)	(77)
Translation difference	–	–	(22)	–	(22)
At 31 December 2013	**1**	**–**	**564**	**–**	**565**
Interest income on plan assets	–	–	27	–	27
Return on plan assets (excluding amounts included in net interest expense)	–	–	46	–	46
Contributions of employer	13	6	34	2	55
Benefits paid	(14)	(6)	(37)	(2)	(59)
Effect of asset ceiling	–	–	2	–	2
Translation difference	–	–	(28)	–	(28)
At 31 December 2014	**–**	**–**	**608**	**–**	**608**
Interest income on plan assets	–	–	23	–	23
Return on plan assets (excluding amounts included in net interest expense)	–	–	(10)	–	(10)
Contributions of employer	9	3	30	1	43
Benefits paid	(8)	(3)	(35)	(1)	(47)
Settlement of lump-sum payments	–	–	(31)	–	(31)
Translation difference	–	–	(59)	–	(59)
At 31 December 2015	**$1**	**$–**	**$526**	**$–**	**$527**

The amount of contributions expected to be paid to the defined benefit plans during 2016 approximates $39 million.

The major categories of plan assets as a percentage of total plan assets were as follows at 31 December:

	2015		2014		2013	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:						
Equity funds and investment trusts	**50%**	**34%**	31%	49%	42%	38%
Corporate bonds and notes	**13%**	**1%**	13%	1%	15%	1%
Property	**–**	**–**	–	–	–	2%
Cash	**2%**	**–**	6%	–	–	2%
	65%	**35%**	50%	50%	57%	43%

23. Employee Benefits (continued)

Changes in the fair value of plan assets (continued)

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2015				2014				2013			
	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans
Discount rate	**9.6%**	**13.0%**	**3.9-4.5%**	**2.8-9%**	11%	15.0%	3.6-4.9%	2.8-8.8%	8%	14.0%	4.3-4.9%	3-9.5%
Future benefits increases	**8%**	**8%**	**–**	**3%**	8%	10%	–	3%	6%	6%	–	3%
Future salary increase	**8%**	**8%**	**3–3.3%**	**–**	8%	10%	3-3.3%	–	6%	7%	3.1-4%	–
Average life expectation, male, years	**68.5**	**65.5**	**86.3-87.5**	**78.1-79**	68.0	65.2	86.4-87.8	74.9-79	67.5	64.2	82.5-85.2	73.9-81
Average life expectation, female, years	**78.9**	**75.5**	**89-89.3**	**75.2-85**	78.5	75.3	88.9-89.8	73.4-85	78.3	74.7	86.7-87.7	73.0-87
Healthcare costs increase rate	**–**	**–**	**5.4-7%**	**8.8%**	–	–	5.5-7%	7.5-7.7%	–	–	6.1-7%	7.8-7.9%

The following table demonstrates the sensitivity analysis of reasonable changes in the significant assumptions used for the measurement of the defined benefit obligations, with all other variables held constant.

		Impact on the defined benefit obligation at 31 December 2015, US$ million				Impact on the defined benefit obligation at 31 December 2014, US$ million				Impact on the defined benefit obligation at 31 December 2013, US$ million			
	Reasonable change in assumption	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Russian plans	Ukrainian plans	US & Canadian plans	Other plans
Discount rate	10%	$(8)	$(5)	$(35)	$–	$(11)	$(6)	$(53)	$(6)	$(16)	$(8)	$(45)	$(4)
	(10%)	10	6	37	–	14	7	58	6	19	10	52	5
Future benefits increases	10%	7	1	–	–	9	2	–	–	12	2	–	–
	(10%)	(6)	(1)	–	–	(8)	(2)	–	–	(11)	(2)	–	–
Future salary increase	10%	1	2	2	–	1	3	3	–	2	2	2	–
	(10%)	(1)	(2)	(2)	–	(1)	(2)	(2)	–	(2)	(2)	(2)	–
Average life expectation, male, years	1	1	–	14	–	1	–	15	–	2	1	14	–
	(1)	(1)	–	(14)	–	(1)	–	(15)	–	(2)	(1)	(15)	–
Average life expectation, female, years	1	1	–	4	–	1	–	4	–	2	–	4	–
	(1)	(1)	–	(4)	–	(1)	–	(4)	–	(2)	–	(5)	–
Healthcare costs ncrease rate	10%	–	–	–	–	–	–	–	3	–	–	1	2
	(10%)	–	–	–	–	–	–	–	–	–	–	(1)	(2)

24. Provisions

At 31 December the provisions were as follows:

	2015		2014		2013	
	Non-current	Current	Non-current	Current	Non-current	Current
Site restoration and decommissioning costs	**$145**	**$20**	$171	$34	$251	$29
Legal claims	**–**	**2**	–	3	–	9
Other provisions	**1**	**1**	2	4	3	7
	$146	**$23**	$173	$41	$254	$45

In the years ended 31 December 2015, 2014 and 2013, the movement in provisions was as follows:

US$ million	Site restoration and decom-missioning costs	Legal claims	Other provisions	Total
AT 31 DECEMBER 2012	**$348**	**$13**	**$11**	**$372**
Additional provisions	49	6	24	79
Increase from passage of time	20	–	–	20
Effect of change in the discount rate	(33)	–	–	(33)
Effect of changes in estimated costs and timing	3	(2)	–	1
Utilised in the year	(11)	(3)	(20)	(34)
Unused amounts reversed	(7)	(5)	(5)	(17)
Change in provisions due to business combinations	16	–	1	17
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(72)	–	–	(72)
Translation difference	(33)	–	(1)	(34)
AT 31 DECEMBER 2013	**280**	**9**	**10**	**299**
Additional provisions	56	4	19	79
Increase from passage of time	15	–	–	15
Effect of change in the discount rate	(40)	–	–	(40)
Effect of changes in estimated costs and timing	72	–	–	72
Utilised in the year	(39)	(2)	(16)	(57)
Unused amounts reversed	(2)	(6)	(6)	(14)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(41)	–	–	(41)
Translation difference	(96)	(2)	(1)	(99)
AT 31 DECEMBER 2014	**205**	**3**	**6**	**214**
Additional provisions	13	3	4	20
Increase from passage of time	13	–	–	13
Effect of change in the discount rate	35	–	–	35
Effect of changes in estimated costs and timing	19	–	–	19
Utilised in the year	(20)	(1)	(6)	(27)
Unused amounts reversed	(4)	(2)	(2)	(8)
Loss of control over a subsidiary (Note 4)	(54)	–	–	(54)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(4)	–	–	(4)
Translation difference	(38)	(1)	–	(39)
AT 31 DECEMBER 2015	**$165**	**$2**	**$2**	**$169**

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 1.5% to 12.8% in 2015 (2014: from 1.5% to 22.6%, 2013: from 1.1% to 14%). The majority of costs are expected to be paid after 2061.

25. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of 31 December:

US$ million	2015	2014	2013
Derivatives not designated as hedging instruments	**$274**	$713	$219
Hedging instruments	**59**	–	–
Contingent consideration payable for the acquisition of Stratcor	**–**	2	8
Dividends payable under cumulative preference shares of a subsidiary to a related party	**16**	15	14
Employee income participation plans and compensations	**2**	6	5
Tax liabilities	**5**	5	9
Finance lease liabilities	**5**	4	6
Other liabilities to related parties	**1**	1	2
Other liabilities	**43**	48	51
	405	794	314
Less: current portion (Note 26)	**(289)**	(352)	(84)
	$116	$442	$230

Derivatives Not Designated as Hedging Instruments

To manage the currency exposure on the rouble-denominated bonds, the Group partially economically hedged these transactions: in 2010-2013, the Group concluded currency and interest rate swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 3.06% to 8.90% per annum plus the US dollar notional amount, in exchange for rouble-denominated interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts, which were effective at 31 December 2015-2013, are summarised in the table below.

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
13.5 per cent bonds due 2014	2009	20,000	14,019	475	7.50% - 8.90%
9.95 per cent bonds due 2015	2010	15,000	14,997	491	5.65% - 5.88%
8.40 per cent bonds due 2016	2011	20,000	19,996	711	4.45% - 4.60%
8.75 per cent bonds due 2015	2013	3,885	3,735	121	3.06% - 3.33%

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US$ million	2015	2014	2013
Bonds principal	**$165**	$692	$1,799
Hedged amount	**165**	688	1,612
Swap amount	**430**	1,323	1,798

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques. The fair value was calculated as the present value of the expected cashflows under the contracts at the reporting dates. Future rouble-denominated cashflows were translated into US dollars using the USD/RUB implied yield forward curve. The discount rates used in the valuation were the non-deliverable forward rate curve and the interest rate swap curve for US dollar at the reporting dates.

In 2015, 2014 and 2013, the change in fair value of the derivatives of $439 million, $(494) million and $(106) million, respectively, together with a realised gain/(loss) on the swap transactions, amounting to $(464) million, $(94) million and $51 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

In 2015 and 2014, upon repayment of the 9.95%, 8.75% and 13.5% bonds, the related swap contracts matured.

25. Other Long-Term Liabilities (continued)

Hedging Instruments

In July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($206 million at 31 December 2015), which bear interest of 12.95% per annum and have the next put date on 26 June 2019. The Group used an intercompany loan to transfer the proceeds from the bonds within the Group. To manage the currency exposure, the Group entered into a series of cross currency swap contracts with several banks under which it agreed to deliver US-dollar denominated interest payments at rates ranging from 5.90% to 6.55% per annum plus the notional amount, totaling approximately $265 million, in exchange for rouble-denominated interest payments at the rate of 12.95% per annum plus notional, totaling 14,948 million roubles ($205 million at 31 December 2015).

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
12.95 per cent bonds due 2019	2015	15,000	14,948	265	5.90% - 6.55%

The Group accounted for these swap contracts as cash flow hedges. In 2015, the change in fair value of these derivatives amounted to $(59) million. The realised gain on the swap transactions amounting to $5 million was related to the interest portion of the change in fair value of the swap. Under IFRS the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge is recognised in other comprehensive income and the remaining loss on the hedging instrument is recorded through the statement of operations. In 2015, the Group did not recognise any amounts in other comprehensive income. All the swaps were assessed as effective. The amount of $(59) million was recorded in the Foreign exchange gains/(losses) caption in the consolidated statement of operations.

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2015–2013, the Group was not required to pay this consideration due to the movements in the vanadium pentoxide market relative to the levels set in the agreement.

26. Trade and Other Payables

Trade and other payables consisted of the following as of 31 December:

US$ million	2015	2014	2013
Trade accounts payable	**$621**	$1,054	$1,054
Accrued payroll	**122**	196	233
Other long-term obligations with current maturities (Note 25)	**289**	352	84
Other payables	**38**	57	117
	$1,070	$1,379	$1,488

The maturity profile of the accounts payable is shown in Note 28.

27. Other Taxes Payable

Taxes payable were mainly denominated in roubles and consisted of the following as of 31 December:

US$ million	2015	2014	2013
VAT	**$51**	$78	$88
Social insurance taxes	**30**	40	64
Property tax	**10**	15	15
Land tax	**4**	4	10
Personal income tax	**7**	7	14
Other taxes, fines and penalties	**5**	7	12
	$107	$151	$203

28. Financial Risk Management Objectives and Policies

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and trade accounts receivable.

To manage credit risk related to cash, the Group maintains its available cash, mainly in US dollars, in reputable international banks and major Russian banks. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2015, the major customers were Russian Railways and Enbridge Inc. (3.7% and 4% of total sales, respectively).

Part of the Group's sales is made on terms of letter of credit. In addition, the Group requires prepayments from certain customers. The Group does not require collateral in respect of trade and other receivables, except when a customer applies for credit terms which are longer than normal. In this case, the Group requires bank guarantees or other collateral. The Group has developed standard credit terms and constantly monitors the status of accounts receivable collection and the creditworthiness of the customers.

Certain of the Group's long-standing Russian customers for auxiliary products, such as heat and electricity, represent municipal enterprises and governmental organisations that experience financial difficulties. The significant part of doubtful debts allowance consists of receivables from such customers. The Group has no practical ability to terminate the supply to these customers and negotiates with regional and municipal authorities the terms of recovery of these receivables.

At 31 December the maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below.

US$ million	2015	2014	2013
Restricted deposits at banks (Notes 13 and 18)	**$8**	$8	$22
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**40**	55	90
Long-term and short-term investments (Notes 13 and 18)	**37**	49	68
Trade and other receivables (Notes 13 and 15)	**452**	658	937
Loans receivable	**28**	45	31
Receivables from related parties (Notes 13 and 16)	**7**	43	13
Cash and cash equivalents (Note 19)	**1,375**	1,086	1,604
	$1,947	$1,944	$2,765

Receivables from related parties in the table above do not include prepayments in the amount of $Nil, $11 million and $3 million as of 31 December 2015, 2014 and 2013, respectively.

The ageing analysis of trade and other receivables, loans receivable and receivables from related parties at 31 December is presented in the table below.

US$ million	2015		2014		2013	
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$385**	**$–**	$537	$–	$642	$(1)
Past due	**150**	**(48)**	266	(57)	399	(59)
less than six months	**95**	**(8)**	178	(13)	328	(4)
between six months and one year	**9**	**(2)**	46	(8)	21	(8)
over one year	**46**	**(38)**	42	(36)	50	(47)
	$535	**$(48)**	$803	$(57)	$1,041	$(60)

In the years ended 31 December 2015, 2014 and 2013, the movement in allowance for doubtful accounts was as follows:

US$ million	2015	2014	2013
At 1 January	**$(57)**	$(60)	$(101)
Charge for the year	**(18)**	(40)	(8)
Utilised	**5**	14	36
Disposal of subsidiaries	**8**	1	7
Translation difference	**14**	28	6
At 31 December	**$(48)**	**$(57)**	**$(60)**

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 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

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended 31 December 2013

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$–	$847	$635	$1,186	$3,077	$1,053	$6,798
Interest	–	7	492	412	627	106	1,644
Finance lease liabilities	–	–	–	–	1	3	4
Financial instruments included in long-term liabilities	–	29	53	72	152	28	334
Total fixed-rate debt	–	883	1,180	1,670	3,857	1,190	8,780
Variable-rate debt							
Loans and borrowings							
Principal	81	148	18	25	672	66	1,010
Interest	–	10	25	33	31	5	104
Finance lease liabilities	–	–	1	1	2	–	4
Total variable-rate debt	81	158	44	59	705	71	1,118
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	1	2	2	2	7
Trade and other payables	236	819	116	–	–	–	1,171
Payables to related parties	326	125	6	–	–	–	457
Dividends payable	5	–	–	–	–	–	5
Total non-interest bearing debt	567	944	123	2	2	2	1,640
	$648	$1,985	$1,347	$1,731	$4,564	$1,263	$11,538

Payables to related parties in the tables above do not include advances received in the amount of $1 million, $Nil and $1 million as of 31 December 2015, 2014 and 2013, respectively.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest Rate Risk

The Group borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities and other obligations.

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

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.

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Interest Rate Risk (continued)

Cash Flow Sensitivity Analysis for Variable Rate Instruments (continued)

In estimating reasonably possible changes the Group assessed the volatility of interest rates during the reporting periods.

	2015		2014		2013	
	Basis points	Effect on PBT *US$ millions*	Basis points	Effect on PBT *US$ millions*	Basis points	Effect on PBT *US$ millions*
Liabilities denominated in US dollars						
Decrease in LIBOR	**(12)**	**$2**	(2)	$–	(2)	$–
Increase in LIBOR	**50**	**(8)**	2	–	2	–
Liabilities denominated in euro						
Decrease in EURIBOR	**(25)**	**–**	(7)	–	(5)	–
Increase in EURIBOR	**25**	**$–**	7	$–	5	$–
Liabilities denominated in roubles						
Decrease in Bank of Russia key rate	**(525)**	**13**	–	–	–	–
Increase in Bank of Russia key rate	**550**	**$(14)**	–	$–	–	$–

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of the respective Group's subsidiaries. The currencies in which these transactions are denominated are primarily US dollars, Canadian dollars and euro. The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is partly secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

The Group's exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US$ million	2015	2014	2013
USD/RUB	**$304**	$(439)	$(2,686)
EUR/RUB	**(399)**	(220)	(337)
CAD/RUB	**312**	372	774
EUR/USD	**119**	109	108
USD/CAD	**(499)**	(469)	(209)
EUR/CZK	**(1)**	(1)	(18)
USD/CZK	**6**	1	(155)
USD/ZAR	**(5)**	(34)	(32)
EUR/ZAR	**–**	10	26
USD/UAH	**(113)**	(248)	(48)
RUB/UAH	**1**	2	15
USD/KZT	**(157)**	(150)	(131)

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Group's profit before tax. In estimating reasonably possible changes the Group assessed the volatility of foreign exchange rates during the reporting periods.

	2015		2014		2013	
	Change in exchange rate %	Effect on PBT *US$ millions*	Change in exchange rate %	Effect on PBT *US$ millions*	Change in exchange rate %	Effect on PBT *US$ millions*
USD/RUB	**(13.00)**	**(60)**	(28.74)	126	(10.10)	271
	40.00	**3**	28.74	(126)	15.00	(403)
EUR/RUB	**(15.00)**	**60**	(29.58)	65	(7.79)	26
	43.00	**(172)**	29.58	(65)	15.00	(51)
CAD/RUB	**(14.00)**	**(44)**	(28.37)	(105)	(10.10)	(78)
	35.00	**109**	28.37	105	15.00	116
EUR/USD	**(12.50)**	**(16)**	(6.23)	(7)	(7.76)	(8)
	12.50	**14**	6.23	7	7.76	8
USD/CAD	**(6.00)**	**30**	(6.21)	29	(5.83)	12
	14.50	**(72)**	6.21	(29)	5.83	(12)
EUR/CZK	**(3.50)**	**–**	(2.43)	–	(5.85)	1
	3.50	**–**	2.43	–	5.85	(1)
USD/CZK	**(12.50)**	**(1)**	(6.84)	–	(10.82)	17
	12.50	**1**	6.84	–	10.82	(17)
USD/ZAR	**(8.00)**	**–**	(11.33)	4	(16.21)	5
	38.00	**(1)**	11.33	(4)	16.21	(5)
EUR/ZAR	**(10.00)**	**–**	(11.34)	(1)	(15.17)	(4)
	43.00	**–**	11.34	1	15.17	4
USD/UAH	**(18.00)**	**20**	(28.90)	72	–	–
	67.00	**(76)**	28.90	(72)	30	(14)
RUB/UAH	**(33.50)**	**–**	(39.93)	(1)	–	–
	50.00	**–**	39.93	1	13	2
USD/KZT	**(20.00)**	**31**	(17.37)	26	(10.00)	13
	60.00	**(94)**	17.37	(26)	30.00	(39)

In addition to the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2015		2014		2013	
	Change in exchange rate %	Effect on PBT *US$ millions*	Change in exchange rate %	Effect on PBT *US$ millions*	Change in exchange rate %	Effect on PBT *US$ millions*
USD/RUB	**(13)**	**55**	(28.74)	228	(10.10)	183
	40	**(104)**	28.74	(126)	15.00	(213)

28. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The carrying amounts of financial instruments, such as cash, short-term and long-term investments, short-term accounts receivable and payable, short-term loans receivable and payable and promissory notes, approximate their fair value.

At 31 December the Group held the following financial instruments measured at fair value:

US$ million	2015			2014			2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value									
Available-for-sale financial assets (Note 13)	**5**	**–**	–	17	–	–	30	–	–
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	**–**	**274**	–	–	713	–	–	219	–
Hedging instruments (Note 25)	**–**	**59**	–	–	–	–	–	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 25)	**–**	**–**	–	–	–	2	–	–	8

During the reporting period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows financial instruments for which carrying amounts differ from fair values at 31 December.

US$ million	2015		2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$397**	**$385**	$254	$251	$209	$249
Long-term variable-rate bank loans	**1,680**	**1,588**	1,235	1,059	776	814
USD-denominated						
8.25% notes due 2015	**–**	**–**	139	140	569	621
7.40% notes due 2017	**290**	**299**	606	531	605	634
7.75% bonds due 2017	**195**	**190**	417	278	431	417
9.50% notes due 2018	**354**	**379**	507	471	505	568
6.75% notes due 2018	**802**	**804**	856	730	855	858
7.50% bonds due 2019	**347**	**328**	345	345	–	–
6.50% notes due 2020	**1,009**	**955**	1,008	801	1,007	951
8.25% notes due 2021	**746**	**747**				
Rouble-denominated						
13.50% rouble bonds due 2014	**–**	**–**	–	–	627	645
8.75% rouble bonds due 2015	**–**	**–**	71	70	122	121
9.95% rouble bonds due 2015	**–**	**–**	271	250	466	464
8.40% rouble bonds due 2016	**167**	**165**	358	299	614	592
12.95% rouble bonds due 2019	**205**	**208**	–	–	–	–
	$6,192	**$6,048**	$6,067	$5,225	$6,786	$6,934

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1). The fair value of long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates (Level 3). The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	2015	2014	2013
USD	**4.1 – 9.8%**	8.9 – 14.7%	4.5 – 8.2%
EUR	**1.8 – 6.2%**	1.9%	2.7%
RUB	**12.77%**	–	10.4%

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 2015.

The Group manages its capital structure and makes adjustments to it by the issue of new shares, dividend payments to shareholders, and the purchase of treasury shares. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividend payments 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	2015	2014	2013
Liabilities for purchases of property, plant and equipment	**$63**	$45	$148
Loan issued to a partner of the Mezhegey coal field project	**–**	–	2

30. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, Ukraine, the USA and Canada. Russia and Ukraine are considered to be developing markets with higher economic and political risks. Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions.

The global economic recession resulted in a significantly lower demand for steel products and decreased profitability. In addition, the political crisis over Ukraine led to an additional uncertainty in the global economy. The unrest in the Southeastern region of Ukraine and the economic sanctions imposed on Russia caused the depreciation of national currencies, economic slowdown, deterioration of liquidity in the banking sector, and tighter credit conditions within Russia and Ukraine. In addition, a significant drop in crude oil prices negatively impacted the Russian economy. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. If the Ukrainian crisis broadens and further sanctions are imposed on Russia, this could have an adverse impact on the Group's business.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

The global economic climate continues to be unstable and this may negatively affect the Group's results and financial position in a manner not currently determinable.

Taxation

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed for additional taxes, penalties and interest. In Russia and Ukraine the periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $86 million.

30. Commitments and Contingencies (continued)

Contractual Commitments

At 31 December 2015, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $156 million.

In 2010, the Group concluded a contract for the construction of an air separation plant and for the supply of oxygen and other gases produced by a third party at this plant for a period of 20 years. Due to a change in plans of the third party provider and in management's assessment of the extent of sales of gases to third parties the Group no longer considers this supply contract to fall within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease" (Note 2 *Accounting Judgements*). At 31 December 2015, the Group has a committed expenditure of $518 million over the life of the contract, which is $76 million higher than the reported amount at 30 June 2015.This change was caused by the extension of the term of the contract to 25 years.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. The Group budgeted to spend approximately $42 million under these programmes in 2016.

Environmental Protection

In the course of the Group's operations, the Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement.

The Group has a number of environmental claims and proceedings which are at an early stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 31 December 2015 amounted to $12 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $263 million. The Group has insurance agreements, which are expected to provide reimbursement of the costs to be actually incurred. Management believes that, as of now, an economic outflow of the additional costs is not probable and any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

In addition, the Group has committed to various environmental protection programmes covering periods from 2016 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2015, the costs of implementing these programmes are estimated at $110 million.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position.

The Group exercises judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. As of 31 December 2015, possible legal risks approximate $9 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	2015	2014	2013
Audit of the parent company of the Group	**$2**	$2	$2
Audit of the subsidiaries	**3**	5	5
Total assurance services	**5**	7	7
Services in connection with capital market transactions	**–**	2	–
Other non-audit services	**–**	–	1
Total other services	**–**	2	1
	$5	$9	$8

32. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below.

Name	Country of incorporation	Non-controlling interests		
		2015	2014	2013
Raspadskaya	Russia	**18.05%**	18.05%	18.05%
EVRAZ Highveld Steel and Vanadium Limited	Republic of South Africa	**–**	14.89%	14.89%
New CF&I (subsidiary of EVRAZ Inc NA)	USA	**10.00%**	10.00%	10.00%

US$ million	2015	2014	2013
Accumulated balances of material non-controlling interest			
Raspadskaya	**$56**	$108	$262
EVRAZ Highveld Steel and Vanadium Limited	**–**	4	24
New CF&I (subsidiary of EVRAZ Inc NA)	**101**	98	90
Others	**(24)**	8	55
	133	218	431
Profit allocated to material non-controlling interest			
Raspadskaya	**(32)**	(58)	(30)
EVRAZ Highveld Steel and Vanadium Limited	**1**	(19)	(18)
New CF&I (subsidiary of EVRAZ Inc NA)	**3**	9	9
Others	**(47)**	(35)	(8)
	$(75)	$(103)	$(47)

The summarised financial information of these 3 subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss

Raspadskaya

US$ million	2015	2014	2013
Revenue	**$420**	$444	$519
Cost of revenue	**(334)**	(437)	(481)
Gross profit/(loss)	**86**	7	38
Operating costs	**(79)**	(85)	(159)
Impairment of assets	**(91)**	(9)	–
Foreign exchange gains/(losses), net	**(114)**	(277)	(30)
Profit/(loss) from operations	**(198)**	(364)	(151)
Non-operating gains/(losses)	**(24)**	(32)	(39)
Profit/(loss) before tax	**(222)**	(396)	(190)
Income tax benefit/(expense)	**44**	77	33
Net profit/(loss)	**$(178)**	$(319)	$(157)
Other comprehensive income/(loss)	**(152)**	(598)	(126)
Total comprehensive income/(loss)	**(330)**	(917)	(283)
attributable to non-controlling interests	**(51)**	(154)	(49)
dividends paid to non-controlling interests	**–**	–	–

EVRAZ Highveld Steel and Vanadium Limited

US$ million	From 1 January to 14 April 2015	2014	2013
Revenue	**$145**	$544	$538
Cost of revenue	**(138)**	(539)	(510)
Gross profit/(loss)	**7**	5	28
Operating costs	**(21)**	(81)	(90)
Impairment of assets	**–**	(58)	(99)
Foreign exchange gains/(losses), net	**(2)**	(3)	–
Profit/(loss) from operations	**(16)**	(137)	(161)
Non-operating gains/(losses)	**20**	(7)	(7)
Profit/(loss) before tax	**4**	(144)	(168)
Income tax benefit/(expense)	**–**	13	46
Net profit/(loss)	**$4**	$(131)	$(122)
Other comprehensive income/(loss)	**(1)**	(7)	(45)
Total comprehensive income/(loss)	**3**	(138)	(167)
attributable to non-controlling interests		(20)	(24)
dividends paid to non-controlling interests	**–**	–	–

32. Material Partly-Owned Subsidiaries (continued)

Summarised statement of profit or loss (continued)

New CF&I

US$ million	2015	2014	2013
Revenue	**$635**	$922	$858
Cost of revenue	**(565)**	(768)	(738)
Gross profit/(loss)	**70**	154	120
Operating costs	**(52)**	(49)	(42)
Impairment of assets	**–**	–	–
Foreign exchange gains/(losses), net	**–**	–	–
Profit/(loss) from operations	**18**	105	78
Non-operating gains/(losses)	**20**	18	48
Profit/(loss) before tax	**38**	123	126
Income tax benefit/(expense)	**(12)**	(37)	(40)
Net profit/(loss)	**$26**	$86	$86
Other comprehensive income/(loss)	**4**	(10)	(15)
Total comprehensive income/(loss)	**30**	76	71
attributable to non-controlling interests	**3**	8	7
dividends paid to non-controlling interests	**–**	–	–

Summarised statement of financial position as at 31 December

Raspadskaya

US$ million	2015	2014	2013
Property, plant and equipment	**$883**	$1,316	$2,350
Other non-current assets	**51**	32	12
Current assets	**279**	117	180
Total assets	**1,213**	1,465	2,542
Deferred income tax liabilities	**54**	93	213
Non-current liabilities	**507**	530	570
Current liabilities	**247**	107	107
Total liabilities	**808**	730	890
Total equity	**405**	735	1,652
attributable to:			
equity holders of parent	**348**	627	1,390
non-controlling interests	**57**	108	262

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2015	2014	2013
Property, plant and equipment	**$–**	$80	$137
Other non-current assets	**–**	30	66
Current assets	**–**	149	178
Total assets	**–**	**259**	**381**
Deferred income tax liabilities	**–**	–	15
Non-current liabilities	**–**	64	73
Current liabilities	**–**	169	129
Total liabilities	**–**	**233**	**217**
Total equity	**–**	**26**	**164**
attributable to:			
equity holders of parent	**–**	22	140
non-controlling interests	**–**	4	24

32. Material Partly-Owned Subsidiaries (continued)

Summarised statement of financial position as at 31 December (continued)

New CF&I

US$ million	2015	2014	2013
Property, plant and equipment	**$214**	$237	$235
Other non-current assets	**967**	929	812
Current assets	**125**	186	183
Total assets	**1,306**	1,352	1,230
Deferred income tax liabilities	**42**	85	90
Non-current liabilities	**81**	86	72
Current liabilities	**173**	201	164
Total liabilities	**296**	372	326
Total equity	**1,010**	980	904
attributable to:			
equity holders of parent	**909**	882	814
non-controlling interests	**101**	98	90

Summarised cash flow information

Raspadskaya

US$ million	2015	2014	2013
Operating activities	**$107**	$120	$25
Investing activities	**(32)**	(61)	(73)
Financing activities	**(49)**	(41)	(89)

EVRAZ Highveld Steel and Vanadium Limited

US$ million	From 1 January to 14 April 2015	2014	2013
Operating activities	**$–**	$(15)	$(30)
Investing activities	**(5)**	(15)	(19)
Financing activities	**(2)**	7	16

New CF&I

US$ million	2015	2014	2013
Operating activities	**$101**	$154	$140
Investing activities	**(101)**	(154)	(145)
Financing activities	**–**	–	5

33. Subsequent Events

There were no significant events after the reporting date.

34. List of Subsidiaries and Other Significant Holdings

Country of incorporation	Name	Relationship	Effective ownership in 2015, %
Austria	Hochvanadium Handels GmbH	indirect subsidiary	85.11%
Austria	Hochvanadium Holdings AG	indirect subsidiary	85.11%
Belgium	Dufin Caster Project S.A.	indirect subsidiary	100.00%
British Virgin Islands	Cassar World Investments Corporation	indirect subsidiary	100.00%
Canada	Camrose Pipe Corporation	indirect subsidiary	100.00%
Canada	Canadian National Steel Corporation	indirect subsidiary	100.00%
Canada	Evraz Inc NA Canada	indirect subsidiary	100.00%
Canada	EVRAZ Materials Recycling Inc.	indirect subsidiary	100.00%
Canada	Evraz Wasco Pipe Protection Corporation	indirect subsidiary	51.00%
Canada	Genalta Recycling Inc.	joint venture	50.00%
Canada	General Scrap Partnership	indirect subsidiary	100.00%
Canada	Genlandco Inc.	indirect subsidiary	100.00%
Canada	Kar-basher Manitoba Ltd	joint venture	50.00%
Canada	Kar-basher of Alberta Ltd	indirect subsidiary	100.00%
Canada	King Crusher Inc.	joint venture	50.00%
Canada	New Gensubco Inc.	indirect subsidiary	100.00%
Canada	Sametco Auto Inc.	indirect subsidiary	100.00%
China	Delong Holdings Limited	investment	15.04%
Cyprus	Actionfield Limited	indirect subsidiary	60.02%
Cyprus	Crownwing Limited	indirect subsidiary	100.00%
Cyprus	East Metals Limited	indirect subsidiary	100.00%
Cyprus	Laybridge Limited	indirect subsidiary	100.00%
Cyprus	Malvero	indirect subsidiary	100.00%
Cyprus	Mastercroft Finance Limited	indirect subsidiary	100.00%
Cyprus	Mastercroft Mining Limited	indirect subsidiary	100.00%
Cyprus	RVK Invest Limited	associate	42.61%
Cyprus	Sinano Limited	indirect subsidiary	100.00%
Cyprus	Steeltrade Limited	indirect subsidiary	100.00%
Cyprus	Streamcore Limited	joint venture	50.00%
Cyprus	Tuva Railway Limited	indirect subsidiary	60.02%
Cyprus	Unicroft Limited	indirect subsidiary	100.00%
Cyprus	Vanston Limited	indirect subsidiary	100.00%
Cyprus	Velcast Limited	indirect subsidiary	100.00%
Czech Republic	Nikom, a.s.	indirect subsidiary	100.00%
Italy	Evraz Palini e Bertoli S.r.l	indirect subsidiary	100.00%
Kazakhstan	Evraz Caspian Steel	indirect subsidiary	65.00%
Kazakhstan	EvrazMetall Kazakhstan	indirect subsidiary	100.00%

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	Effective ownership in 2015, %
Luxembourg	Corber Enterprises S.à r.l	indirect subsidiary	100.00%
Luxembourg	Evraz Greenfield Development S.A.	direct subsidiary	100.00%
Luxembourg	Evraz Group S.A.	direct subsidiary	100.00%
Luxemburg	Mastercroft S.à r.l	indirect subsidiary	100.00%
Malta	Aino Dake Maritime Limited	indirect subsidiary	100.00%
Malta	Kita Dake Maritime Limited	indirect subsidiary	100.00%
Malta	Mae Dake Maritime Limited	indirect subsidiary	100.00%
Netherlands	ECS Holdings Europe B.V.	indirect subsidiary	65.00%
Netherlands	Palmrose B.V.	indirect subsidiary	100.00%
Panama	Korten Corporation	indirect subsidiary	100.00%
Republic of South Africa	Evraz Highveld Steel and Vanadium Limited	indirect subsidiary	85.11%
Republic of South Africa	Evraz Vametco Alloys (PTY) Ltd	indirect subsidiary	59.07%
Republic of South Africa	Evraz Vametco Holdings (PTY) Ltd	indirect subsidiary	59.07%
Republic of South Africa	Evraz Vametco Properties (PTY) Ltd	indirect subsidiary	59.07%
Republic of South Africa	Mapochs Mine (Proprietary) Limited	indirect subsidiary	62.98%
Republic of South Africa	Mapochs Mine Community Trust	indirect subsidiary	0.00%
Russia	Aktiv-Media	indirect subsidiary	100.00%
Russia	ATP Evrazruda	indirect subsidiary	100.00%
Russia	ATP NTMK	indirect subsidiary	100.00%
Russia	ATP Yuzhkuzbassugol	indirect subsidiary	100.00%
Russia	ATP ZSMK	indirect subsidiary	100.00%
Russia	AVT-Ural	indirect subsidiary	51.00%
Russia	Beltrans	indirect subsidiary	100.00%
Russia	Blagotvoritelniy fond Evraza - Sibir	indirect subsidiary	-
Russia	Blagotvoritelniy fond Evraza - Ural	indirect subsidiary	-
Russia	Blagotvoritelniy fond Veteran Evraz Sibir	indirect subsidiary	-
Russia	Briyanskmetallresursy	indirect subsidiary	99.96%
Russia	Centr kultury i iskusstva NTMK	indirect subsidiary	-
Russia	Centr podgotovki personala Evraz-Ural	indirect subsidiary	-
Russia	Centralnaya Obogatitelnaya Fabrika Abashevskaya	indirect subsidiary	92.10%
Russia	Centralnaya Obogatitelnaya Fabrika Kuznetskaya	indirect subsidiary	100.00%
Russia	Consortium Tuvinskie dorogi	indirect subsidiary	60.02%
Russia	DakService	indirect subsidiary	100.00%
Russia	DaksSoft	indirect subsidiary	100.00%
Russia	Elekrosvyaz YKU	indirect subsidiary	87.20%
Russia	Evraz Consolidated West-Siberian metallurgical Plant	indirect subsidiary	100.00%
Russia	EVRAZ Kachkanarsky Ore Mining and Processing Plant	indirect subsidiary	100.00%

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	Effective ownership in 2015, %
Russia	Evraz Nakhodka Trade Sea Port	indirect subsidiary	100.00%
Russia	Evraz Nizhny Tagil Metallurgical Plant	indirect subsidiary	100.00%
Russia	EVRAZ Vanady-Tula	indirect subsidiary	100.00%
Russia	EvrazEK	indirect subsidiary	100.00%
Russia	Evrazenergotrans	indirect subsidiary	100.00%
Russia	EvrazHolding LLC	indirect subsidiary	100.00%
Russia	EvrazHolding-Finance	indirect subsidiary	100.00%
Russia	EvrazMetall Centr	indirect subsidiary	100.00%
Russia	EvrazMetall Chernozemie	indirect subsidiary	100.00%
Russia	EvrazMetall Dalniy Vostok	indirect subsidiary	100.00%
Russia	EvrazMetall Severo-Zapad	indirect subsidiary	100.00%
Russia	EvrazMetall Sibir	indirect subsidiary	100.00%
Russia	EvrazMetall Ural	indirect subsidiary	100.00%
Russia	EvrazMetall Volga	indirect subsidiary	100.00%
Russia	EvrazMetall Yug	indirect subsidiary	100.00%
Russia	EvrazMetallService	indirect subsidiary	100.00%
Russia	Evrazruda	indirect subsidiary	100.00%
Russia	Evraz-Service	indirect subsidiary	100.00%
Russia	Evraztekhnika	indirect subsidiary	100.00%
Russia	Football Club Metallurg-Kuzbass	indirect subsidiary	-
Russia	Industrialnaya Vostochno-Evropeiskaya company	indirect subsidiary	100.00%
Russia	Information systems	indirect subsidiary	100.00%
Russia	INPROM	indirect subsidiary	100.00%
Russia	Issledovatelsky centr	associate	20.00%
Russia	Kachkanarskaya teplosnabzhauschaya company	indirect subsidiary	100.00%
Russia	Kalugametalltorg	indirect subsidiary	90.94%
Russia	Kulturno-sportivniy centr metallurgov	indirect subsidiary	-
Russia	Kuznetskpogruztrans	indirect subsidiary	94.50%
Russia	Kuznetskteplosbyt	indirect subsidiary	100.00%
Russia	Management Company EVRAZ Mezhdurechensk	indirect subsidiary	100.00%
Russia	Medsanchast Vanady	indirect subsidiary	100.00%
Russia	Mekona	indirect subsidiary	100.00%
Russia	Metallenergofinance	indirect subsidiary	100.00%
Russia	Metalloservisnie centry	indirect subsidiary	100.00%
Russia	Metallurg-Forum	indirect subsidiary	75.00%
Russia	Metpromstroy	indirect subsidiary	100.00%
Russia	Mezhegeyugol Coal Company	indirect subsidiary	60.02%

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	Effective ownership in 2015, %
Russia	Mezhegeyugol LLC	indirect subsidiary	60.02%
Russia	Mining Metallurgical Compnay “Timir”	joint venture	51.00%
Russia	Montajnik Raspadskoy	indirect subsidiary	81.95%
Russia	Mordovmetallotorg	indirect subsidiary	99.90%
Russia	MUK-96	indirect subsidiary	81.95%
Russia	Novokuznetskmetallopttorg	associate	48.51%
Russia	NT TK Telecon	indirect subsidiary	100.00%
Russia	Obogatitelnaya Fabrika Raspadskaya	indirect subsidiary	81.95%
Russia	Ohothichie hozyaistvo	indirect subsidiary	-
Russia	Olzherasskoye shakhtoprokhodcheskoye upravlenie	indirect subsidiary	81.95%
Russia	Osinnikovsky remontno-mekhanichesky zavod	indirect subsidiary	84.43%
Russia	Penzametalltorg	indirect subsidiary	100.00%
Russia	Promuglepoject	indirect subsidiary	100.00%
Russia	Publishing House IKaR	indirect subsidiary	100.00%
Russia	Raspadskaya	indirect subsidiary	81.95%
Russia	Raspadskaya logisticheskaya company	indirect subsidiary	81.95%
Russia	Raspadskaya ugolnaya company	indirect subsidiary	81.95%
Russia	Raspadskaya-Energo	indirect subsidiary	81.95%
Russia	Raspadskaya-Koksovaya	indirect subsidiary	81.95%
Russia	Raspadskiy Ugol	indirect subsidiary	81.95%
Russia	Razrez Raspadskiy	indirect subsidiary	81.95%
Russia	Regionalniy Centr podgotovki personala Evraz-Sibir	indirect subsidiary	-
Russia	Rembytcomplect	indirect subsidiary	100.00%
Russia	Remontno-mekhanicheskiy zavod	indirect subsidiary	100.00%
Russia	Remontno-stroitelny complex	indirect subsidiary	100.00%
Russia	Salda Energo	indirect subsidiary	100.00%
Russia	Samarskiy mekhanicheskiy zavod	indirect subsidiary	100.00%
Russia	Sanatoriy-porfilactory Lenevka	indirect subsidiary	-
Russia	Shakhta Abashevskaya	indirect subsidiary	100.00%
Russia	Shakhta Alardinskaya	indirect subsidiary	100.00%
Russia	Shakhta Esaulskaya	indirect subsidiary	100.00%
Russia	Shakhta Kureinskaya	indirect subsidiary	100.00%
Russia	Shakhta Kusheyakovskaya	indirect subsidiary	100.00%
Russia	Shakhta Osinnikovskaya	indirect subsidiary	100.00%
Russia	Shakhta Uskovskaya	indirect subsidiary	100.00%
Russia	Sibirskaya registratsionnaya company	investment	10.06%
Russia	Sibir-VK	joint venture	50.00%

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	Effective ownership in 2015, %
Russia	Sibmetinvest	indirect subsidiary	100.00%
Russia	Specializirovannoye Shakhtomontazhno-naladochnoye upravlenie	indirect subsidiary	79.14%
Russia	Sportivniy complex Uralets	indirect subsidiary	–
Russia	Tagil Telecom	associate	25.50%
Russia	Tagilteplosbyt	indirect subsidiary	100.00%
Russia	Tomusinskoye pogruzochno-transportnoye upravlenie	indirect subsidiary	48.01%
Russia	TORFAGREGAT	indirect subsidiary	100.00%
Russia	Trade Company EvrazHolding	indirect subsidiary	100.00%
Russia	Trade House EvrazHolding	indirect subsidiary	100.00%
Russia	TULAMETALLOPTTORG	indirect subsidiary	99.71%
Russia	TV-Most	indirect subsidiary	100.00%
Russia	TVN	indirect subsidiary	100.00%
Russia	Uliyanovskmetall	indirect subsidiary	99.37%
Russia	United accounting systems	indirect subsidiary	100.00%
Russia	United Coal Company Yuzhkuzbassugol	indirect subsidiary	100.00%
Russia	Upravlenie po montazhu, demontazhu i remontu gornoshakhtnogo oborudovaniya	indirect subsidiary	100.00%
Russia	Vanady-remont	indirect subsidiary	100.00%
Russia	Vanadyservice	indirect subsidiary	100.00%
Russia	Vanady-transport	indirect subsidiary	100.00%
Russia	Vladimirmetallopttorg	indirect subsidiary	95.63%
Russia	Vtorresurspererabotka	joint venture	50.00%
Russia	Yuzhno-Kuzbasskoye geologorazvedochnoye upravlenie	indirect subsidiary	100.00%
Russia	Yuzhny Stan	indirect subsidiary	100.00%
Russia	ZAO Irkutskvtorchermet	associate	42.61%
Russia	ZAO Vtorchermet	associate	42.61%
Russia	Zapsibzhilstroy	indirect subsidiary	100.00%
Russia	Zavod metallurgicheskih reagentov	associate	50.00%
Switzerland	East Metals A.G.	indirect subsidiary	100.00%
Switzerland	East Metals Shipping A.G.	indirect subsidiary	100.00%
Ukraine	Bon Life	indirect subsidiary	96.94%
Ukraine	Evraz Bagkeykoks	indirect subsidiary	94.96%
Ukraine	Evraz Dnepropetrovsky Steel Works	indirect subsidiary	96.94%
Ukraine	Evraz Sukha Balka	indirect subsidiary	99.42%
Ukraine	Evraz Ukraine	indirect subsidiary	100.00%
Ukraine	Evraztrans-Ukraine	indirect subsidiary	100.00%
Ukraine	Krivorozhshahtostroy	indirect subsidiary	99.42%
Ukraine	LK Adzhalyk	indirect subsidiary	100.00%

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	Effective ownership in 2015, %
Ukraine	Trade House Evraz Ukraine	indirect subsidiary	99.42%
Ukraine	United accounting systems Ukraine	indirect subsidiary	100.00%
United Kingdom	Evraz North America plc	indirect subsidiary	100.00%
United Kingdom	Viscaria 2 Limited	indirect subsidiary	100.00%
USA	CF&I Steel LP	indirect subsidiary	90.00%
USA	Colorado and Wyoming Railway Company	indirect subsidiary	90.00%
USA	East Metals Services Inc.	indirect subsidiary	100.00%
USA	Evraz Claymont Steel, Inc.	indirect subsidiary	100.00%
USA	Evraz Inc. NA	indirect subsidiary	100.00%
USA	Evraz Stratcor, Inc.	indirect subsidiary	100.00%
USA	Evraz Trade NA LLC	indirect subsidiary	100.00%
USA	Fremont County Irrigating Ditch Co.	investment	13.80%
USA	General Scrap Inc.	indirect subsidiary	100.00%
USA	New CF&I Inc.	indirect subsidiary	90.00%
USA	Oregon Ferroalloy Partners	indirect subsidiary	60.00%
USA	Oregon Steel Mills Processing Inc.	indirect subsidiary	100.00%
USA	OSM Distribution Inc.	indirect subsidiary	100.00%
USA	Strategic Minerals Corporation	indirect subsidiary	78.76%
USA	Union Ditch and Water Co.	indirect subsidiary	57.59%
USA	US Tungsten	indirect subsidiary	78.76%

Separate Statement of Comprehensive Income

(In millions of US dollars)

	Notes	31 December 2015	31 December 2014
General and administrative expenses		**$(8)**	$(11)
Impairment of investments	**3**	**(145)**	(470)
Foreign exchange gains	**3**	**9**	29
Gain on sale of financial assets	**4**	**2**	–
Interest expense	**3**	**(3)**	(5)
Dividend income	**8**	**350**	150
Other income	**7**	**6**	1
Net profit/(loss) for the year		**211**	(306)
Total comprehensive income/(loss) for the year		**$211**	$(306)

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 2015	2014
ASSETS			
Non–current assets			
Investments in subsidiaries	**3**	**$2,880**	$2,925
Investments in joint ventures	**3**	**40**	92
Financial assets	**4**	**–**	6
Receivables from related parties	**7**	**24**	6
		2,944	3,029
Current assets			
Receivables from related parties	**7, 8**	**12**	4
Cash and cash equivalents		**16**	34
		28	38
TOTAL ASSETS		**2,972**	3,067
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**5**	**1,507**	1,507
Treasury shares	**5**	**(305)**	–
Reorganisation reserve	**3, 5**	**(584)**	(584)
Merger reserve	**5**	**127**	57
Share-based payments	**6**	**101**	81
Accumulated profits		**2,067**	1,960
		2,913	3,021
LIABILITIES			
Non-current liabilities			
Trade and other payables	**3**	**20**	18
Financial guarantee liabilities	**7**	**21**	6
		41	24
Current liabilities			
Trade and other payables	**3**	**8**	18
Payables to related parties	**7**	**–**	1
Financial guarantee liabilities	**7**	**10**	3
		18	22
TOTAL LIABILITIES		**59**	46
TOTAL EQUITY AND LIABILITIES		**$2,972**	$3,067

The Financial Statements on pages 240 to 249 were approved by the Board of Directors on 14 March 2016 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	2015	2014
Cash flows from operating activities			
Net profit/(loss)		**$211**	$(306)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Impairment of investments	**3**	**145**	470
Foreign exchange gains	**3**	**(9)**	(29)
Gain on sale of financial assets	**4**	**(2)**	–
Interest expense	**3, 7, 9**	**3**	5
Dividend income	**8**	**(350)**	(150)
Other income	**7**	**(6)**	(1)
		(8)	(11)
Changes in working capital:			
Receivables from related parties	**7**	**1**	–
Taxes receivable	**3**	**–**	15
Net cash flow from/(used in) operating activities		**(7)**	4
Cash flows from investing activities			
Investments in subsidiaries	**3**	**(88)**	(102)
Payments to acquire shares in joint ventures	**3**	**–**	(29)
Payments to acquire financial assets	**4**	**–**	(6)
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**	263
Return of funds by subsidiaries	**3**	**60**	–
Net cash flow from investing activities		**330**	126
Cash flows from financing activities			
Purchase of treasury shares	**5**	**(339)**	(6)
Dividends paid to shareholders	**5**	**–**	(90)
Other financing activities	**3**	**(2)**	–
Net cash flow used in financing activities		**(341)**	(96)
Net (decrease)/increase in cash and cash equivalents		**(18)**	34
Cash and cash equivalents at the beginning of the year		**34**	–
Cash and cash equivalents at the end of the year		**$16**	$34

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

Separate Statement of Changes in Equity

(In millions of US dollars)

	Notes	Issued capital	Treasury shares	Reorganisation reserve	Merger reserve	Warrants reserve	Share-based payments	Accumulated profits	Total
At 31 December 2013		$1,473	$–	$(584)	$478	$156	$51	$1,819	$3,393
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(306)	(306)
Exercise of warrants	**5**	34	–	–	122	(156)	–	–	–
Impairment of the investment in Corber	**3**	–	–	–	(543)	–	–	543	–
Share-based payments	**6**	–	–	–	–	–	30	–	30
Purchase of treasury shares	**6**	–	(6)	–	–	–	–	–	(6)
Transfer of treasury shares to participants of the Incentive Plans	**6**	–	6	–	–	–	–	(6)	–
Dividends declared	**5**	–	–	–	–	–	–	(90)	(90)
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**

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

Notes to the Separate Financial Statements

For the year ended 31 December 2015

1. Corporate Information

These separate financial statements of EVRAZ plc were authorised for issue in accordance with a resolution of the directors on 14 March 2016.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company under the laws of the United Kingdom. The Company was incorporated under the Companies Act 2006 with the registered number 7784342. The Company's registered office is at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.

As a result of the reorganisation implemented by way of the share exchange offer made by the Company for the shares of Evraz Group S.A., on 7 November 2011, the Company became a new parent entity of Evraz Group S.A., a joint stock company registered in Luxembourg in 2004.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products and coal and iron ore mining. In addition, the Group produces vanadium products. The Group is one of the largest steel producers globally.

Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group.

2. Significant Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union and 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 2015, 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.

2. Significant Accounting Policies (continued)

Investments (continued)

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

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	
	2015	2014	2015	2014
Subsidiaries				
Evraz Group S.A.	100%	100%	**2,849**	2,250
EVRAZ Greenfield Development S.A.	100%	100%	**31**	254
Corber Enterprises S.à r.l.	0%	50%	**–**	421
			2,880	2,925
Joint Ventures				
OJSC Mining and Metallurgical Company Timir	51.00001%	51.00001%	**40**	92

3. Investments in Subsidiaries and Joint Ventures (continued)

The movement in investments was as follows:

$US million	Evraz Group S.A.	EVRAZ Greenfield Development S.A.	Corber	Timir	Total
31 December 2013	**$2,220**	**$134**	**$964**	**$139**	**$3,457**
Share-based compensations	30	–	–	–	30
Impairment loss (recognition)/reversal	–	120	(543)	(47)	(470)
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**

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 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 2015 and 2014, share-based compensations amounted to $20 million and $30 million.

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 owns 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 and 2014, the Company assessed the recoverability of its investment in EGD. The recoverable amount of the asset was based on a value-in-use calculation using cash flow projections based on the business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset. The discount rates were 13.90% and 18.36% in 2015 and 2014, respectively.

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 2014, the Company reversed $120 million of impairment losses previously recognised due to the increased estimation of the value in use of the subsidiary as a result of the improved technological methods of development of the project and better quality of coal than that originally estimated.

Corber Enterprises S.à r.l.

In 2013, EVRAZ plc acquired a 50% ownership interest in Corber Enterprises S.à r.l. ("Corber"), the parent of a coal mining company Raspadskaya, for $964 million.

In 2014, the Company fully settled its liabilities for the purchase of Corber, including $101 million of purchase consideration and $1 million of accrued interest.

In 2013, the Company paid $14 million of corporate tax in connection with the issue of warrants. As these warrants were exercised in 2014 and the Company claimed reimbursement of payments made.

At 31 December 2014, the Company assessed the recoverability of its investment in Corber. 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 rate was 16.10%. As a result, in 2014 the Company recognised an impairment loss of $543 million, which was all recognised in the statement of comprehensive income and transferred out of the merger reserve. The major drivers that led to impairment were the increase in the discount rate and the planned temporary stoppage of one of the largest mines of Raspadskaya (MUK-96) due to unfavourable coal prices.

3. Investments in Subsidiaries and Joint Ventures (continued)

Corber Enterprises S.à r.l. (continued)

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 using a discount rate of 13.95%. As a result, the Company recognised a reversal of impairment amounting to $70 million.

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.

The payment schedule was subsequently amended and in 2015 and 2014 the Company recognised $3 million and $5 million, respectively, within interest expense representing the unwinding of the discount on this liability and interest charges on the postponed instalments.

In 2014, the Company paid 990 million roubles ($28 million) of purchase consideration and $1 million of interest charges. In 2015, only interest charges were paid.

In 2015 and 2014, the Company recognised $9 million and $28 million of foreign exchange gains on liabilities for Timir shares due to depreciation of the Russian rouble.

At 31 December 2015 and 2014, trade and other accounts payable included liabilities relating to this acquisition in the amount of $28 million and $36 million, respectively.

At 31 December 2015 and 2014, 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 12.70% and 14.46% in 2015 and 2014, respectively. As a result, in 2015 and 2014, the Company recognised impairment losses of $52 million and $47 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 1 year.

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 2014, the Company purchased certain bonds of Raspadskaya, an indirect subsidiary, on the market. The Company paid $6 million for the 7.74% bonds due 2017 with a nominal value of $8 million and fair value of $6 million at the date of the transaction.

Management determined that this investment should be classified as available for sale financial assets. As such, they were measured at fair value, which was calculated based on the market prices of the bonds (Level 1).

In 2015, the Company sold these bonds to Evraz Group S.A. at a price close to the market value and received $8 million in cash. The gain of $2 million was recognised in the statement of comprehensive income.

5. Equity

Share Capital

Number of shares	31 December 2015	31 December 2014
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. 9,977,259 of ordinary shares were transferred to the participants of Incentive Plans (Note 6).

At 31 December 2015 and 2014, the Company held 98,481,249 and Nil 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.

Warrants Reserve

In 2013, the Company issued warrants to subscribe for an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014. The fair value of warrants issued amounting to $156 million was credited to a separate reserve within equity ("Warrant reserve"). These warrants were exercised on 27 January 2014. 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.

Dividends

In 2014-2015, the Company declared dividends 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.

Distributable Reserves

$US million	2015	2014
Accumulated profits	**2,067**	1,960
Reorganisation reserve	**(584)**	(584)
31 December	**1,483**	1,376

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 2014, the Company spent $6 million for the purchase of its shares on the market for the subsequent transfer of these shares to participants. The cost of treasury shares gifted under Incentive Plans, amounting to $6 million, was charged to accumulated profits.

In 2015 and 2014, the Company recognised a $20 million and $30 million 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.

In 2015, OOO Evrazholding, an indirect subsidiary of the Company, rendered consulting services in the amount of $1 million (2014: $2 million). At 31 December 2014, the balances with related parties included accounts payable to OOO Evrazholding in the amount of $1 million.

In 2014 and 2015, 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 $1,781 million at 31 December 2015. The loans are due for repayment during the period from 2016 to 2023. If the guarantees were to be called, the entire guaranteed amount would become immediately payable, 50% by the Company and 50% by a co-guarantor. The Company earns guarantee fees in respect of these guarantees and in 2015 it accrued $6 million of such income (2014: $1 million). In 2015, the Company recognised a financial guarantee liability of $25 million (2014: $9 million).

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.

Other disclosures on directors' remuneration required by the Companies Act 2006 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Directors' Remuneration Report.

7. Dividend Income

In 2014, Evraz Group S.A. declared dividends to the Company in the amount of $150 million. In 2014, the Company received $263 million in cash including $113 million of dividends declared by Evraz group S.A. in 2013.

In 2015, Evraz Group S.A. declared and paid dividends to the Company in the amount of $350 million.

8. Subsequent Events

There were no significant events after the reporting date.

ADDITIONAL INFORMATION

STOCK PERFORMANCE INDICATORS AND SHAREHOLDER INFORMATION

Information about shares of EVRAZ plc

The issued share capital of EVRAZ plc is 1,506,527,294 ordinary shares with a nominal value of US$1 each.

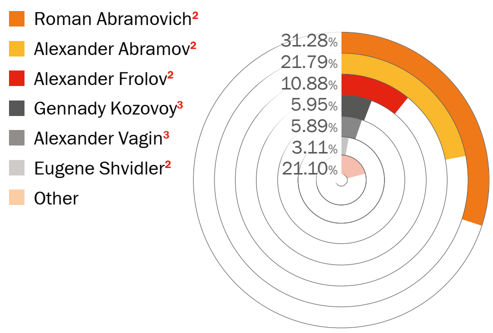
As at 31 December 2015 , the current number of shares outstanding is 1,408,143,712. The Company holds 98,383,582 ordinary shares in treasury. The total number of voting rights attaching to the ordinary shares of the Company is therefore 1,408,143,712.

The figure of 1,408,143,712 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

Ultimate beneficial owners, % of voting rights[1]



[1]The company 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]As per TR-1 Form: Notification of major interest in shares dated 7 October 2015. Includes pro-rata shareholding held via Lanebrook and additional shares held outside Lanebrook.

[3] 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.

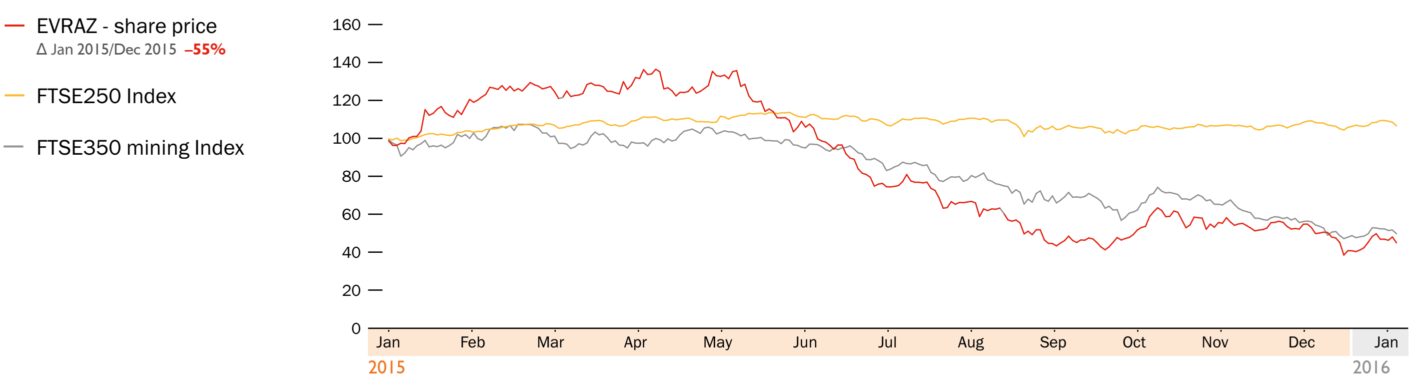
Details of any share dealing facilities that the company endorses will be included in Company mailings.

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.

Share price, Relative share price dynamics, 52w



DEFINITIONS OF SELECTED FINANCIAL INDICATORS

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's calculation of Free Cash Flow may be different from the calculation used by other companies and therefore comparability may be limited.

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 182 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 2015	31 December 2014
Cash and cash equivalents	1,375	1,086
Cash of disposals classified as held for sale	–	–
Collateral under swaps	–	7
Cash and short-term bank deposits	**1,375**	**1,093**

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 2015	31 December 2014
Long-term loans, net of current portion	5,850	5,470
Short-term loans and current portion of long-term loans	497	761
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	47	37
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	325	635
Finance lease liabilities, including current portion	5	4
TOTAL DEBT	**6,724**	**6,907**

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 2015	31 December 2014
TOTAL DEBT	**6,724**	**6,907**
Short-term bank deposits	-	-
Cash and cash equivalents	(1,375)	(1,086)
Cash of assets classified as held for sale	-	-
Collateral under swaps	-	(7)
NET DEBT	**5,349**	**5,814**

DATA ON MINERAL RESOURCES

Coal

Yuzhkuzbassugol JORC Equivalent Coal Reserves as at 31 December 2015

Mine	Proved and Probable, kt
Alardinskaya	91,994
Yesaulskaya	3,520
Osinnikovskaya	62,695
Uskovskaya	129,615
Yerunakovskaya VIII	125,826
TOTAL	**413,650**

Reserves and Resources are in-situ or ROM (Run of Mine) tonnes

Raspadskaya JORC Equivalent Coal Reserves as at 31 December 2015

Mine	Proved and Probable, kt
Raspadskaya	882,205
MUK-96	131,876
Raspadskaya Koksovaya	179,968
Razrez Raspadsky	138,784
TOTAL	**1,332,833**

Reserves are in-situ or ROM (Run of Mine) tonnes

Iron ore

Evrazruda JORC Equivalent Iron Ore Reserves as at 31 December 2015

Mine	Proved and probable, kt	Fe %	S %
Tashtagol	4,057	38	1
Sheregesh	65,884	29.8	0.9
Kaz	7,274	32.9	0.9
TOTAL	**77,215**	**28.0**	**0.8**

Reserves are in-situ or ROM (Run of Mine) tonnes

Kachkanarsky GOK (EVRAZ KGOK) JORC Equivalent Iron Ore Reserves as at 31 December 2015

Mine	Proved and probable, kt	Fe %	S %
Gusevogorskoye Deposit			
Main pit	417,022	16.1	0.14
Southern pit	40,485	16.6	0.16
Northern pit	570,784	15.6	0.12
Western pit	145,266	16.1	0.16
Kachkanar Proper (Sobstvenno-Kachkanarskoye) Deposit	6,904,420	16.5	0.14
TOTAL	**8,077,977**	**16.4**	**0.14**

Reserves are in-situ or ROM tonnes

EVRAZ Sukha Balka JORC Equivalent Iron Ore Reserves as at 31 December 2015

	Proved and Probable, kt
TOTAL	**71,476**

Reserves are in-situ or ROM 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, e.g. 40-k beam, 60Sh beam, 70Sh beam as mentioned in this report
Billet	A usually square, semi-finished steel product obtained by continuous casting or rolling of blooms. Sections, rails, wire rod and other rolled products are made from billets
Blast furnace	The blast furnace is the classic production unit to reduce iron ore to molten iron, known as hot metal. It operates as a counter-current shaft system, where iron ore and coke is charged at the top. While this charge descends towards the bottom, ascending carbon containing gases and coke reduces the iron ore to liquid iron. To increase efficiency and productivity, hot air (often enriched with oxygen) is blown into the bottom of the blast furnace. In order to save coke, coal or other carbon containing materials are sometimes injected with this hot air
By-product	A secondary product which results from a manufacturing process or chemical reaction
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's steelmaking facilities fulfilled by EVRAZ owned mines
Scrap	Iron containing recyclable materials (mainly industrial or household waste) that is generally remelted and processed into new steel
Semi-finished products	The initial product forms in the steel making process including slabs, blooms, billets and pipe blanks that are further processed into more finished products such as beams, bars, sheets, tubing, etc
Sinter	An iron rich clinker formed by heating iron ore fines and coke in a sinter line. The materials, in pellet form, combine efficiently in the blast furnace and allow for more consistent and controllable iron manufacture
Slab	A common type of semi-finished steel product which can be further rolled into sheet and plate products
Slag	Slag is a byproduct generated when non-ferrous substances in iron ore, limestone and coke are separated from the hot metal in metallurgical production. Slag is used in cement and fertiliser production as well as for base course material in road construction
Steam coal	All other types of hard coal not classified as coking coal. Coal of this type is also commonly referred to as thermal coal
Tailings	Also called mine dumps, are the materials left over after the process of separating the valuable content from the uneconomic remainder (gangue) of an ore. These materials can be reprocessed using new methods to recover additional minerals
Tubular products	Include large diameter line pipes, ERW pipes and casings, seamless pipes and other tubular products
Vanadium	A grey metal that is normally used as an alloying agent for iron and steel. It is also used to strengthen titanium based alloys
Vanadium pentoxide	The chemical compound with the formula V2O5: this orange solid is the most important compound of vanadium. Upon heating, it reversibly loses oxygen
Vanadium slag	Vanadium slag produced from pig iron in the converter shop and used as a raw material by producers of ferroalloys and vanadium products

QR CODES TO ADDITIONAL INFORMATION

EVRAZ plc subsidiaries list

History of Evraz

Corporate governance documents

Annual reports

Information for investors

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