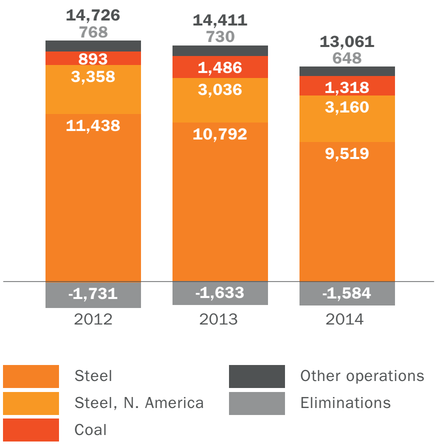
EVRAZ plc | Annual Report and Accounts 2014

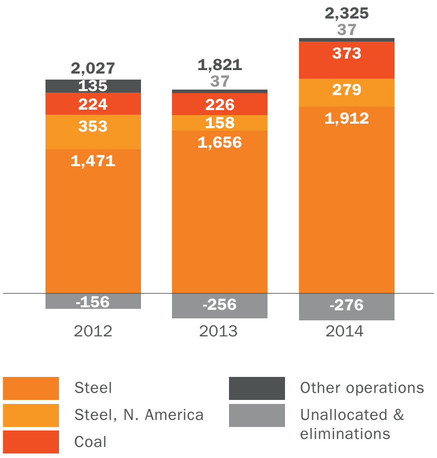
EVRAZ plc is a global vertically integrated steel, mining and vanadium business

Financial highlights

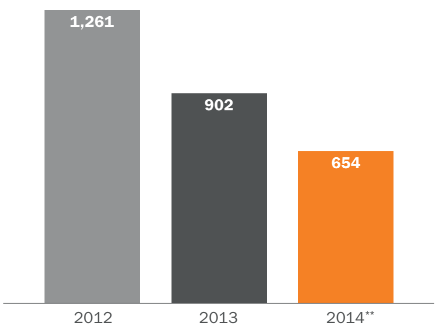
Consolidated revenue by segment, US$ million



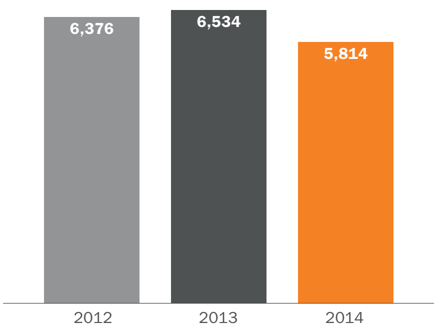
Consolidated EBITDA* by segment, US$ million



Capital expenditure, US$ million



Net debt, US$ million



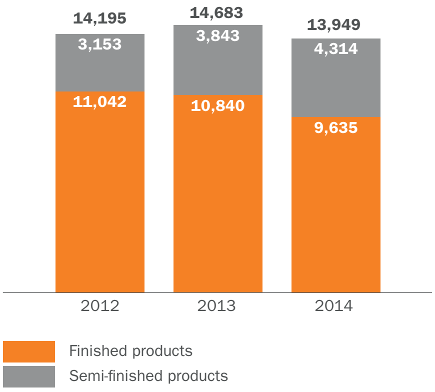
- Operating cash flow was US$1,957 million (+3%), while free cash flow reached US$1,012 million (+124%)
- Net loss was US$1,278 million compared to US$551 million net loss in 2013 mostly due to impairment of assets (US$540 million) and foreign exchange loss (US$1,005 million)

Corporate and M&A developments

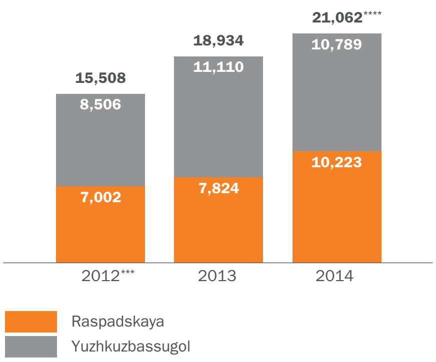
- Disposal of EVRAZ Vitkovice Steel based on the enterprise value of US$287 million
- EVRAZ's subsidiary in North America priced US$350 million aggregate principal amount of 7.5% senior secured notes due 2019
- EVRAZ received a US$500 million syndicated pre-export credit facility
- 8.25% Eurobonds due in 2015 were partly bought back in the amount of US$439 million

Operating highlights

Steel products output, kt



Raw coking coal production, kt



- Consolidated crude steel output reached 15.5 million tonnes (-4%) with changes attributable to the disposal of EVRAZ Vitkovice Steel and the shutdown of EVRAZ Claymont
- Successful implementation of the pulverised coal injection (PCI) project
- The launch of mass production on EVRAZ Caspian Steel
- Coking coal production up 11% due to increased output from Raspadskaya

* See page 16 for EBITDA definition and Note 3 on page 142 for reconciliation of EBITDA to the loss before tax.
** Including payments on deferred terms recognised in financing activities.
*** 2012 data for Raspadskaya is on a pro forma basis, as Raspadskaya is consolidated in the results of EVRAZ from 16 January 2013.
**** Includes 51,000 tonnes mined at Mezhegeyugol.

EVRAZ in 2014:

"Fast changing market conditions provide value creating opportunities for EVRAZ."

Alexander Frolov
Chief Executive Officer

To download a PDF version, go to:
http://www.evraz.com/investors

Global presence

- Our main vertically-integrated steelmaking plants are located in Russia, complemented by smaller mills and rolling facilities in North America and South Africa
- Coal mining assets are based in Russia
- Iron ore mining operations are located in Russia, Ukraine and South Africa
- Vanadium assets are scattered across the globe and include Russia, the United States, Europe and South Africa
- EVRAZ employs almost 95 thousand people

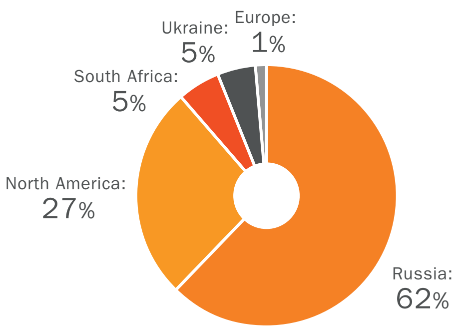
Our Global Operations*

No.	Name	Location	Products
1	EVRAZ Portland	USA	Tubular products, Flat-rolled products
2	EVRAZ Calgary	Canada	Tubular products
3	EVRAZ Red Deer	Canada	Tubular products
4	EVRAZ Camrose	Canada	Tubular products
5	EVRAZ Regina	Canada	Tubular products, Flat-rolled products
6	EVRAZ Pueblo	USA	Tubular products, Railway products, Construction products
7	EVRAZ Stratcor	USA	Vanadium products
8	East Metals	Switzerland	Trading Company
9	EVRAZ Nikom	Czech Rep.	Vanadium products
10	EVRAZ Palini e Bertoli	Italy	Flat-rolled products
11	EVRAZ Bagleykoks	Ukraine	Coking coal products
12	EVRAZ Sukha Balka	Ukraine	Iron ore
13	EVRAZ DMZ	Ukraine	Construction products, Slab, billet
14	TC EVRAZHolding	Russia	Trading Company
15	EVRAZ Vanady Tula	Russia	Vanadium products
16	EVRAZ KGOK	Russia	Iron ore, Iron ore products
17	EVRAZ NTMK	Russia	Railway products, Construction products, Slab, billet
18	Evrazruda	Russia	Iron ore, Iron ore products
19	EVRAZ ZSMK	Russia	Railway products, Construction products, Slab, billet
20	Raspadskaya	Russia	Coking coal, Coking coal products
21	Yuzhkuzbassugol	Russia	Coking coal, Coking coal products
22	Mezhegeyugol	Russia	Coking coal
23	EVRAZ Caspian Steel	Kazakhstan	Construction products
24	EVRAZ NMTP	Russia	Logistics
25	EVRAZ Vametco	Sth. Africa	Vanadium products
26	EVRAZ Highveld Steel and Vanadium	Sth. Africa	Construction products, Flat-rolled products, Vanadium products, Iron ore

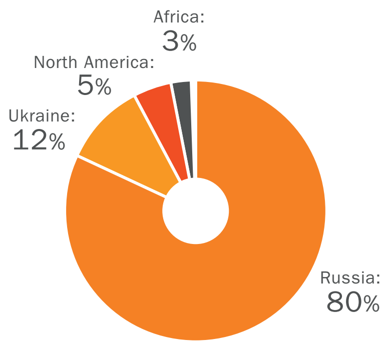
Iron ore · Iron ore products · Coking coal · Coking coal products · Slab, billet · Construction products · Railway products · Tubular products · Flat-rolled products · Vanadium products · Logistics · Trading Company

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

Output of finished steel products by region, %



Employees by region, %



Strategic Report

This strategic report is intended to provide a complete picture of EVRAZ's performance during 2014, whilst also setting out the Company's strategy, business model, market position, future prospects and plans for development.

In this section:

Chief Executive Officer's Review
Alexander Frolov

Fast changing market conditions provide value creating opportunities for EVRAZ.

Dear shareholder,
2014 year was a dynamic year, typified by significant change within the various geographies, product markets and parts of the value chain in which EVRAZ operates. During this period we maintained our conviction to our previously stated strategy, and due to the fundamental strength of our business model, we were resilient to the external headwinds.

As a result EVRAZ has been able to capitalise on some favourable market developments; notably the rouble devaluation which further strengthened our low cost position in the global steel and coking coal markets. Furthermore, the challenge of a volatile price environment for the industry in general allowed EVRAZ to demonstrate the flexibility of our business by switching steel volumes between markets on a monthly basis. Due to our low cost operations we were able to achieve healthy margins in the key markets where we operate. Importantly, a strong operational performance and solid free cash flow led to a reduction in financial leverage.

Our strategy is based on the particular competitive advantages of our business.

Safety

The safety of our employees remains a priority for EVRAZ. In 2014, we successfully reduced LTIFR from 1.96 to 1.60 following sustained efforts and investment in this area in recent years. Tragically, we did not however manage to prevent 19 fatal accidents at our facilities during the year. We are committed to achieving the target of zero fatalities and continue with range of initiatives to further improve EVRAZ's safety performance.

Strategy

Fast changing market conditions provide value creating opportunities for EVRAZ.

Our strategy is based on five development principles covering: Health, Safety and Environment; Human Capital; Customer Focus; EVRAZ Business System; and Growth. EVRAZ also benefits from a strong asset base and unique value drivers including:
- large, long life reserves in iron ore and coal;
- competitive and efficient Russian steel making operations;
- a full range of products with leading market positions in the Russian construction long steel market;
- global leadership in the rail production market with leading positions in Russia and the United States; and
- a strong footprint in North America.

In 2014, EVRAZ continued to work on streamlining its business. In April, we sold our operations in the Czech Republic, EVRAZ Vitkovice Steel, for US$287 million. At the same time, we finalised the ramp-up of Raspadskaya, transforming our coal business into a large scale market participant in Russia and internationally.

In September 2014, we announced our plan and consequently filed a registration statement with the U.S. Securities and Exchange Commission relating to the proposed initial public offering ("IPO") of ordinary shares in our North American subsidiary, EVRAZ North America plc. We continue to actively monitor the capital markets but cannot assure you when (or if) an IPO will be completed.

EVRAZ's capex in 2014 amounted to US$654 million, down from US$902 million in 2013. Most of the capex was spent on sustaining current capacities, while US$211 million was used for projects aimed either at increasing production or decreasing costs. The most important projects were the commissioning of the pulverised coal injection (PCI) system at EVRAZ ZSMK (remaining capex in 2014 was US$24 million), the Mezhegey coking coal deposit development (US$41 million) and reconstruction of Evrazruda's Sheregesh mine (US$19 million). We are committed to investing in projects from our wide project portfolio, and our selected projects will achieve a rate of return that will significantly exceed our current cost of capital. Though not all of these projects will be realised, we are confident that they will allow us to preserve our core competitive advantages and also provide a level of capex flexibility which is appropriate in the current, uncertain market environment.

Our actions to reduce costs and improve operational performance have had a significant positive impact on overall performance during the year. To facilitate assessment of performance, by management and the Board, our cost saving targets and quantification are based on management accounts adjusted to eliminate macroeconomic impacts (such as exchange rate fluctuations and inflation) and once-off expenditure (such as employee severance payments and other discontinuation costs). On this basis there has been a cost improvement of US$420 million during the year. The major contributors to this achievement were: the effects of the asset portfolio optimisation realised in 2013 and 2014 (US$100 million), improving yields and reduced raw material costs at our steel mills (US$92 million) and a reduction in headcount and related G&A costs (US$80 million). Despite the considerable progress made already, we are pursuing new initiatives which have the potential to make an impact similar to this year's result. Naturally we benefited from the devaluation of the Russian rouble which substantially reduced the cash costs of our Russian operations in US dollar terms.

In 2014, EVRAZ further extended its portfolio of high value-added products and enhanced the quality of its customer service. For instance, at our modernised rolling mills in Russia we can now produce rails and railway wheels, the world class quality of which has been proven by receipt of a number of quality certifications from the EU and the USA amongst others. EVRAZ has also become the first Russian producer of 100-metre rails.

We have launched a new customer relationship management system (CRM) for our clients, which has migrated the purchase and tracking processes online and significantly improved efficiency. The Russian market remains extremely important for our business and we continue to closely monitor recent developments. In the meantime we retain some flexibility to re-allocate sales from the Russian market to South East Asia. Our customer focus and sales expertise has brought about this flexibility and we are planning to increase further our capabilities in selling high value-added products in these new markets in the year ahead.

Operational results

The efficacy of our strategy was underlined by the strong operating results achieved by EVRAZ's business units in 2014.

In Russia, we significantly lowered cash costs at our steelmaking operations at EVRAZ ZSMK and EVRAZ NTMK, where slab production cash costs decreased by more than 25% in 2014, from US$367/t to US$275/t. The launch of the PCI technology at EVRAZ ZSMK was one of the factors which led to this result, having already provided a US$6/t cash cost reduction of crude steel. Further sustained improvements are anticipated in future years.

Despite increased competition in the Russian construction market, we operated our rolling mills at close to full capacity due to strong domestic demand for most of the year and substitution of decreased imports from Ukraine. The launch of our new rebar rolling mill in Kazakhstan looks particularly attractive and will help to satisfy demand in this country's growing domestic market whilst also enabling EVRAZ to maintain sales volumes in Russia.

Chief Executive Officer's Review
(continued)

2014 was an important year for our railway products operations. We successfully expanded both the product range and geographic markets for products from our new rail mill at EVRAZ ZSMK; producing 530,000 tonnes in 2014 with a planned production increase of 800,000 tonnes in 2015.

The increase in coal production of 11% during the year was due to significant production growth at the Raspadskaya coal company (+31%). The increase followed the successful ramp-up of the Raspadskaya mine and stable production at the Yuzhkuzbassugol coal company, despite the closure of its Abashevskaya mine this year. We have also reached record shipments of 5.6 million tonnes of coal per annum at our Nakhodka sea port in the Russian Far East underlining our ability to export significant volumes to Asian markets.

2014 was a turning point for the global iron ore industry as the anticipated oversupply caused prices to drop by 30%. We had prepared for these developments and began to restructure our iron ore business in 2013. As a result, we entered today's low price environment with a comfortable cash cost of US$47 per tonne of iron ore concentrate.

Healthy demand and EVRAZ North America's disciplined execution of its commercial and operating strategies resulted in sales increasing by 11% for ongoing operations. In particular, production of tubular products increased by 14% year-on-year driven by strong market demand for small diameter pipe most of the year, positive market trends for large diameter pipe and operational improvements implemented at North American tubular facilities.

We believe that the actions taken by EVRAZ in recent years have positioned the Company to be resilient during challenging periods.

Financial results

The net loss for 2014 was US$1,278 million. This reflects exchange losses of US$1,005 million (including US$265 million on intercompany balances) resulting from the devaluation of the Russian rouble and Ukrainian hryvnia, as well as a loss of US$588 million on swaps of rouble-denominated bonds. The compensating credit from the swaps is netted against the loss on translation in Comprehensive Income. In addition, the net loss of US$1,278 million includes a charge on impairment of assets of US$540 million.

At the same time, thanks to the solid operational results and positive developments in certain markets EVRAZ was able to demonstrate significant growth in operating profitability during the year as EBITDA reached US$2,325 million, an almost 28% improvement compared to 2013.

Accompanied by lower capex and a positive cash flow from divestitures this generated positive free cash flow leading to a decrease in net debt from US$6.5 billion to US$5.8 billion. As a result our current leverage is below our strategic goal of 3 times net debt/EBITDA.

In 2014, the devaluation of the functional currencies of our Russian and Ukrainian subsidiaries led to a significant decline in the net equity of EVRAZ as defined by accounting standards. It was caused by translating assets, whose book values reflect historical costs in the functional currencies (Russian rouble, Ukrainian hryvnia), using the current (31 December 2014) presentation currency (US dollar) exchange rates.

A more detailed discussion is provided in the Financial Review section of the Report.

Outlook

2015 started with a substantial decrease in global steel prices, combined with a difficult situation in the Russian economy and a lower level of drilling activity in the U.S. and Canada. However, we believe that the actions taken by EVRAZ in recent years have positioned the Company to be resilient during challenging periods and even to discover new opportunities from amongst these challenges. As a result, we believe that EVRAZ will continue to create value for its shareholders.

Events after the reporting period

On 31 March 2015 the Board reviewed the positive financial performance of the Company and improved business prospects for 2015. In view of strong positive cash flow and the liquidity to service debt and meet 2015 maturities, as well as the reduced 2016 debt redemption requirement, 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. The Board is satisfied that this is consistent with its continuing commitment to further reductions in the Company's EBITDA net leverage. As noted above, this will be achieved by strong free cash flow generation, reflecting further operational gains and optimised capital expenditure.

With the approved buyback tender offer the Company remains committed to further reduction of its net leverage.

Your sincerely,

Alexander Frolov

Strategic context in 2014

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

Key global and regional trends in steel market

Market conditions continued to be challenging in 2014 with slowing demand from developing countries, particularly China.

Global crude steel production saw moderate growth of 2.0% in 2014 compared to 2013, primarily driven by strong production levels in Russia, EU, North America and China. Despite this increase in production, the global capacity utilisation rate was 76.8%, 1.3% lower than in 2013. Global finished steel consumption grew by 2.0% compared to 2013 with Chinese consumption of finished steel products increasing by a marginal 1.0%.

Prices for steel were broadly stable across the globe during most of 2014, allowing steel producers to maintain margins. However, the pressure from overcapacity caused prices to decline significantly the end of the year.

Russian steel demand is primarily driven by the construction and infrastructure sectors, therefore it is highly sensitive to economic cycles. The Russian economy stagnated in 2014 with GDP growing at a marginal rate of 0.6% year on year. However, Russian crude steel production increased by approximately 1.8 million tonnes, or 2.6%, compared to 2013.

This was primarily the result of the decline in the value of the rouble in the second half of 2014, which helped to increase export volumes, as well as a substitution in imports from Ukraine.

Rebar consumption increased by 4.9% in 2014 and prices rose, on average, by 7.4% in Rouble terms. However, in late 2014, consumers increased inventories on the back of price growth expectations due to the devaluation of the rouble.

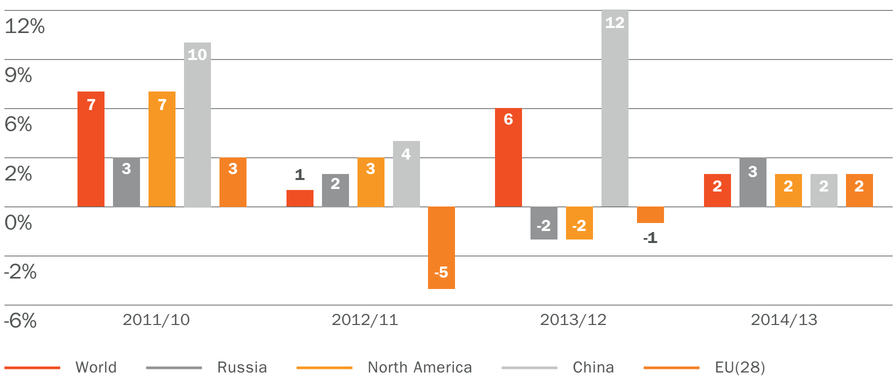
GDP growth is expected to decline by approximately 4% in 2015, while the weak rouble will support continued strong exports, which together with import substitution could lead to Russian production growth within a year. Domestic steel prices are expected to grow in step with net exports prices.

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

2014 was a strong year for North American steel demand. The US economic recovery accelerated, GDP grew at an estimated 3%, and there was a broad-based demand recovery in steel consumption driven mainly by growth in automobile manufacturing, oil exploration, and construction.

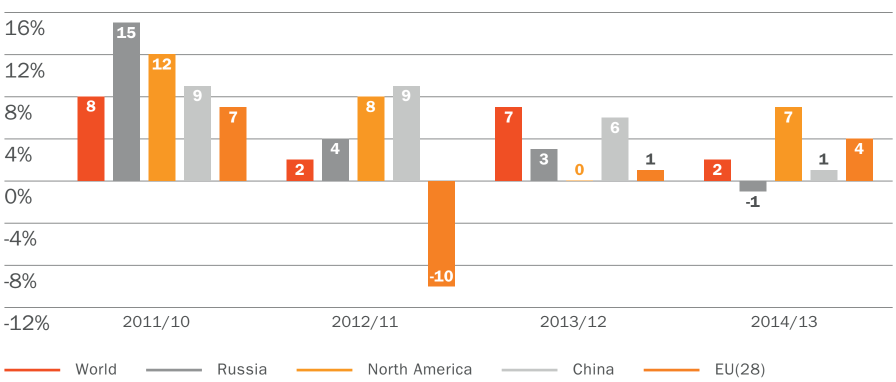
US crude steel production increased by 1.4% in 2014 compared to 2013, with consumption of finished steel products increasing by 6.7%. In 2014, the pricing environment was mixed: rebar and bar prices decreased marginally, hot rolled coil prices decreased by 9.4% and plate prices increased by 3.8%.

Crude steel production growth by region y-o-y, %



Source: Worldsteel

Finished steel consumption growth by region y-o-y, %



Markets and Trends
(continued)

Steel imports to the US increased by more than 30% in 2014 due to global overcapacity, local plant outages, strong demand growth and attractive local market prices compared to the rest of the world. The impact of this on pricing became more pronounced in Q4 following a destocking cycle across steel distributors as a result of the collapsing oil prices and lowered price expectations for a variety of steel products.

During 2014, the steel industry in the U.S. and Canada also initiated and obtained successful outcomes in anti-dumping trade cases against imports of a range of steel products including oil country tubular goods (OCTG). As a result of the trade cases, the US Department of Commerce imposed tariffs as high as 118% on OCTG imports from countries such as South Korea, and the Canada Border Services Agency announced final duties ranging from 0% to 37.4% with final injury determination expected in April 2015.

The market for flat products was heavily impacted by rising of demand across non-residential construction, industrials, transportation, and energy. Also, the US flat market has experienced a net reduction in capacity of c. 10 million tonnes over the past 2 years due to acquisitions and rationalisation.

OCTG prices were supported by a reduction in rig counts and drilling activity and helped by the introduction of trade restrictions in summer 2014. In 2015, OCTG demand is expected to face significant headwinds as a result of the rapid declines in oil prices in the second half of 2014.

US steel demand is expected to grow in 2015, on the back of the recovering economy and increasing activity levels in the automotive, energy (in particular oil and gas transmission) and construction sectors. The strong US dollar and the good overall economic environment will therefore stimulate imports, which will require domestic steelmakers to reduce prices to compensate.

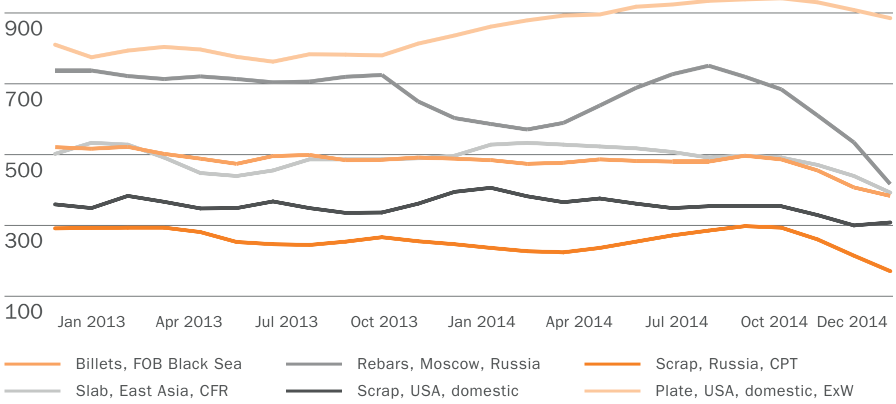
For more information on EVRAZ's sales of steel products in North America please refer to page 56.

Iron ore market

2014 was a challenging year for iron ore producers as the market moved into structural oversupply after a long period of high returns.

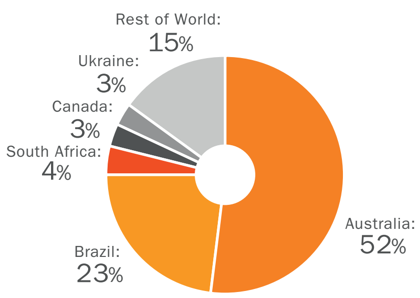
Global iron ore supply grew by 2% year-on-year in 2014 compared with 9% year-on-year growth in 2013.

Steel products prices, US$/t

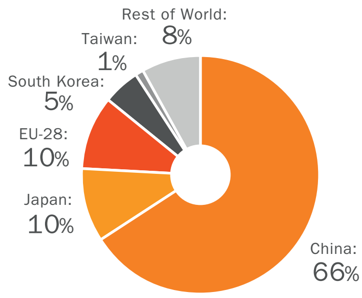


Source: Metall Expert, Platts

Iron ore export*, share %

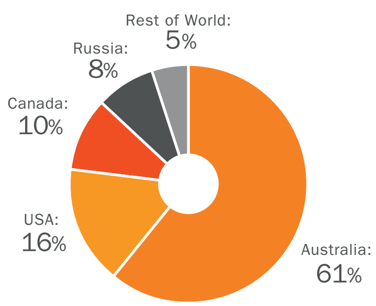


Iron ore import*, share %

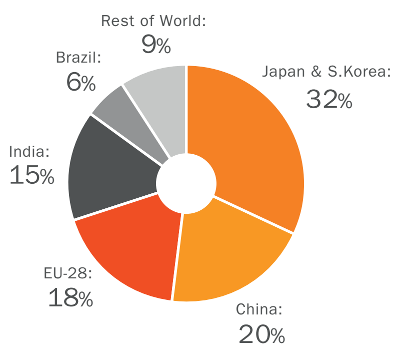


* Total export, total import = 1,334 mt
Source: Goldman Sachs Global Investment Research

Coking coal export*, share %



Coking coal import*, share %



* Total export, total import = 286 mt
Source: Goldman Sachs Global Investment Research

During 2014 China imported 936 million tonnes of iron ore (13% year-on-year growth), yet demand from Chinese customers was insufficient to absorb the increased iron ore supply – which mainly came from large Australian and Brazilian producers. Overall, Australia exported approximately 750 million tonnes of iron ore in 2014, a 23% year-on-year growth. Therefore iron ore prices (CFR 62% Fe) fell to US$71/t as of 31 December 2014, the lowest level since Q2 2009, and the average price for 2014 was US$97/t, a 29% decrease compared to 2013.

The outlook for the iron ore sector continues to be challenging, particularly following the announcement by the Chinese government regarding the removal of VAT rebates on some boron-added steel exports (approximately 30% of total Chinese exports in 2014). This will have a significant impact on both steel exports and production in 2015.

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

Coking coal market

In 2014, the global coking coal market was affected by a 12 million tonne reduction in Chinese import demand. This reduction in demand, combined with growing supply, resulted in falling prices that remained below global marginal costs throughout the year. Contract settlements during the year were in the US$100-150/t range, with little prospect for price increases in the next few years.

China and Australia materially increased supplies of coking coal by 36 million tonnes during the year, while supply from the USA and Canada dropped by 15 million tonnes. Overall, global supply rose by 37 million tonnes (+3%) to 1,154 million tonnes.

In 2014, total global seaborne coking coal exports decreased by 5.3% to 286 million tonnes. However, Australia, which accounts for 61% of global seaborne exports, slightly increased exports in 2014.

Despite the approximately 12 million tonnes reduction in imports over the year, China accounted for 20% of coal imports in 2014 and remained the key driver of global demand growth, with 58.4 million tonnes of imports. A small number of countries, including Vietnam, India, Japan, South Korea and the United Kingdom, demonstrated material growth in coal imports in 2014. OECD demand remained largely flat over the period, reflecting moderate recovery in steel/pig iron production in Europe.

Continued supply-side pressure on prices became apparent during the year, with the benchmark FOB Queensland HCC spot price falling by nearly 16% over the course of the year to US$114/t as of 31 December 2014. Spot prices averaged US$117/t in 2014, a 23% decline compared to 2013. In the medium term EVRAZ expects the global coking coal market to stay relatively balanced with the weak rouble continuing to support Russian exporters.

In 2014, the production of coking coal concentrate in Russia declined by 4% vs. 2013 to 60.3 million tonnes. The decrease was mainly in the surplus and low margin lean KS and KSN grades. In the higher demand segment of fat coking coal there was a growth of 3%. The production of coal concentrate of these grades grew by 0.7 million tonnes vs 2013 to 23.2 million tonnes.

For more information on EVRAZ's sales of coking coal please refer to page 61.

Vanadium market

Global vanadium demand in 2014 was estimated at approximately 75-76 thousand tonnes. Demand grew by 4% in 2014, largely due to Chinese and US steel industries. However, global supply grew by 5%, with the production of EVRAZ's saleable vanadium products growing by almost 2% compared to 2013.

Despite this deficit, excess vanadium inventories and deteriorating steel fundamentals in China affected the market. Following a 9% decline in 2013, the benchmark Europe CIF Ferrovanadium price continued to fall in 2014 recording a 6% decline over the course of the year to US$24/kg as of 31 December 2014. The average price in 2014 was US$26/kg, an 8% decrease compared to 2013.

For more information on EVRAZ's sales of vanadium products please refer to page 54.

EVRAZ's Business Model

We apply our stated strategy to create long-term value by capitalising upon the competitive advantages of our products, people and assets.

The fundamentals of our strategy

Health, Safety and Environment	Human capital	Customer focus	Business System	Growth of the business

We create value by capitalising on our core strengths

Value

These strengths provide lasting, group-wide benefits which are critical to our ability to generate, protect and capture value over the longer term.

1. Low cost production

Low cost, long-life mining operations; efficient, steel making and rolling facilities; programme of continuous improvement

2. Strong positions in key steel markets

Strong positions in key steel markets and geographies, due to broad range of products serving high value markets

3. Leading producer of long steel

Leadership in Russian and CIS construction steel products and rails confers the benefits of scale, innovation, quality control, security of supply and service excellence

4. Vertically integrated business

Vertical integration enables us to control each stage in the value chain:

a. access to key raw materials and energy for steel production;
b. expertise in steel processing and finished products;
c. secure logistics and supply chain;
d. effective customer driven sales function

5. Geographically diversified business

Geographic diversification secures access to Russia/CIS, North America and Asia, providing flexibility to adapt to changing markets and reducing cyclical volatility

6. Strong management and governance

Management with strong experience in mining, steel production as well as sales and trading; effective controls and oversight of capital, innovation, safety and risk management

Value drivers across our segments

These drivers of value across our business segments and along the value chain highlight the features which sustain the Group's performance in differing and competitive market environments.

Steel Segment operations

Iron ore mining

Steelmaking

Rolling

Sales

- Integrated businesses are located close to one another, significantly reducing transport costs and providing proprietary raw materials
- One of the lowest cost steelmaking operations in the world
- Compelling product proposition of rails, rail wheels, construction as well as semi-finished products
- Proprietary distribution and sales channel in key Russian market which helps to protect market share in Russia
- Flexibility of sales between geographical markets
- Proprietary technologies enable extraction of vanadium from by-products at low cost

41 Discover more: page 41

Coal Segment operations

Coking coal production

Internal consumption

Sales

- Strong competitive position on the coking coal cost curve
- 2.1 billion tonnes of high quality reserves
- EVRAZ consumes a large portion of the mined coking coal at its core steelmaking plants in Russian and Ukraine with excess production sold to third parties
- Attractive portfolio of premium hard and semi-hard coking coal grades
- Proprietary logistics infrastructure in the Russian Far East

61 Discover more: page 61

Steel, North America Segment operations

Inputs*

Steelmaking

Rolling

Sales

- Diversified product portfolio with large share of high value added products
- Protected North American market with consistent premium
- Leading positions in regional markets where mills are located
- Wholly owned recycling operations supply approximately a third of scrap needs

* Scrap to steelmaking operations, slabs directly to rolling operations

56 Discover more: page 56

Strategic objective

EVRAZ's ultimate objective is to be a leading participant in the world's steel & mining industry, improving its operations continuously, improving profitability and creating added value. We strive to supply the best quality products for pioneering infrastructure projects, with zero defects whilst comprehensively meeting our clients' needs. We aim to provide safe working conditions, appropriately evaluating and training our workforce and rewarding our people for delivering results and working responsibly.

We create value for our stakeholders by capitalising upon the competitive advantages of our assets:

- Across all geographies and products we aim to be one of the lowest cost producers, in each of our business segments, throughout the cycle.
- Leadership positions in most of the markets where we operate.
- A diversified portfolio of sophisticated steel products, which combined with superior customer service, represents a unique value proposition to our customers.

EVRAZ's operational strategy can be broadly divided into 5 areas: Health, Safety and Environment, Human Capital, Customer Focus, EVRAZ Business System and Growth of the Business. Each of the areas has its own KPIs and targets. These metrics enable the management to reinforce EVRAZ's competitive advantages and reach our strategic objective.

Steel and commodities markets where EVRAZ operates are often highly volatile. This creates significant operational and financial challenges for companies such as EVRAZ. We address these challenges through a relentless focus on operational efficiency to ensure low cost supplies of raw materials and protect our downstream margins. At the same time, we remain opportunistic in our investments, thus preserving flexibility in our ability to respond to market challenges.

EVRAZ implements its strategy through an annual strategic cycle and budget campaign. During the strategic cycle we identify threats and opportunities for all of our business and develop high level plans to address those requiring Board approval. Thereafter, we develop asset level initiatives in order to reach approved targets, the implementation of which is tracked with tailored KPIs.

Health, Safety and Environment

Health and safety is a primary focus. We prioritise the safety and reliability of our businesses to protect the welfare of our employees and the environment.

Our strategic goal is to have zero fatal accidents at our plants. We believe that we can achieve this goal through extensive employee training and initiatives to create a culture of personal involvement and responsibility.

In 2014, we were focused on the implementation of energy isolation initiatives and improvement of safety training practices. In conjunction with other initiatives this helped us to reduce our LTIFR by 18% in 2014. However, regrettably in 2014 the Company recorded 19 (12 employee and 7 contractor) fatalities (vs. 24, 18 and 6, fatal accidents in 2013, correspondingly).

In 2015, all initiatives with a focus on safety training and LOTO (Lockout, Tryout) energy isolation programme implementation will be continued.

Compliance with environmental standards is one of the major long-term targets of EVRAZ's HSE policy. EVRAZ is actively assessing its environmental impacts and potential liabilities to improve management of those exposures. EVRAZ recognises the importance of abating climate change and supports the global effort to reduce greenhouse gas emissions into the atmosphere. Total 2014 GHG emissions decreased by 7% compared with the previous year. See page 33 for details.

Human Capital

Skilled, productive employees are vital to the successful delivery of our operational objectives, particularly in challenging market conditions. Although we continue to try to reduce wage costs, EVRAZ is focused on developing employees through the provision of different educational programmes and internal career opportunities.

In 2014, key initiatives undertaken included a reduction in G&A staff and redundancies at inefficient facilities. We also continued to work on several educational programmes for our employees to secure a talent pool for the future.

As a result of a staff optimisation programme, EVRAZ reduced its total workforce by 10% to 94,823 people (from 105,128 in 2013) and improved labour productivity in all key products segments (see KPIs on page 16) in 2014.

In 2015 EVRAZ aims to continue current initiatives to reduce G&A costs and increase labour productivity.

Customer Focus

We work continuously to improve the quality of our products and aim to provide excellent service to ensure the loyalty of our clients. We search for opportunities in new geographies, products and markets.

In 2014, we shipped the first 100-metre head-hardened rails to Russian Railways and the Moscow metro. EVRAZ started production of a number of new products, e.g. of high value added micro-alloyed pipe grade slabs; new types of premium rebar products etc.

We achieved our target of entering new markets in 2014 following the completion of certification processes for rails and wheels in Europe. Moreover, in 2014 EVRAZ increased sales of railway wheels to the USA and Europe and signed two contracts to supply rails to Brazil.

In 2014, EVRAZ was recognised as the best Russian steel distribution company in terms of service quality. We introduced a new Customer Relationship Management (CRM) system in our Steel segment. In 2015, we are planning to improve the customer satisfaction index further by implementing a claim processing procedure.

We do not have a specific corporate level KPI for Customer Focus. We track implementation of the specific initiatives on a divisional level with KPIs tailored to each particular objective (i.e., number of certifications, number of customer claims, percentage of deliveries made on time and in full).

EVRAZ Business system (EBS)

Our EBS is based on LEAN principles. Due to the uncertain economic environment which has prevailed for the last two years, cost reduction initiatives have been an important area of focus for EVRAZ. We have rolled out a number of different efficiency programmes to improve operational efficiency, reduce general and administrative expenses, enhance energy efficiency and improve inventory management and equipment maintenance systems.

These initiatives have enabled us to significantly reduce costs. In 2014 we achieved estimated cost savings of US$420 million (excluding the result of forex rates), with cost per tonne falling for all our key products.

During 2014 we continued to deploy the EVRAZ Business System throughout the company by means of a rigorous training programme that supports the continuous development of our people. The system covers all levels of the company and its aim is to change the entire culture of the organisation from top management to the workers on the shop floor. The only way to truly learn is by doing, so we use a mixture of theoretical training and practical application.

We have successfully introduced model production lines in all of our Divisions, they act as laboratories where our employees can test all of the LEAN tools and LEAN techniques they are taught. The model production lines also create an environment where employees can safely make mistakes, because a person that has not tried and failed has simply not learned. These model areas are also used as examples for our employees to see best practice, so they can go back to their areas with a better understanding of how the system works.

EVRAZ Business System 2014 highlights:

- 4,500 employees were certified for EBS Level 2
- 205 employees started EBS Level 3 training programme
- 1,621 RIEs (Rapid Improvement Event) completed throughout the Company
- LEAN-based maintenance systems have been successfully deployed for 30% of EVRAZ's critical equipment

Growth of the business

Under current market conditions we see our goal as preserving resources and strategic positions in order to secure future opportunities. Therefore, our current priority is to continue to gradually reduce CAPEX. EVRAZ adheres to the approach of making selective investments with a projected IRR above 40%.

In 2014, we completed several important projects at different EVRAZ operations. Commissioning of a PCI unit at EVRAZ ZSMK allowed us to reduce costs due to lower coke and gas consumption. We'll see the full effect of this project over the next two years. We have also launched the EVRAZ Caspian Steel mill – a rolling rebar mill in Kazakhstan which will be fed by EVRAZ ZSMK billets. EVRAZ Caspian Steel will reach full capacity utilisation in 2015 thus securing our leading position in the local construction steel market. Production at our new Yerunakovskaya VIII mine at Yuzhkuzbassugol exceeded its expected capacity of 3 million tonnes of coking coal per annum in 2014. Yuzhkuzbassugol's total volumes were maintained at 2013 levels despite the planned shutdown of the Abashevskaya mine.

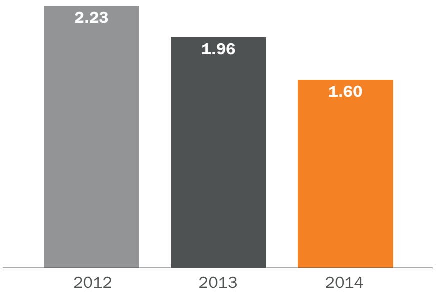
EVRAZ continues to work on two large investment projects in raw materials: construction of the Mezhegey coking coal mine and the development of the Sheregesh iron ore mine. Despite falling commodity prices, we believe that these strategic projects will help us to create value in the long run. The Mezhegey mine is a world class hard coking coal deposit which is in demand in Russia. Moreover, given the recent rouble devaluation, Mezhegey coal will be cost competitive in the international market. The Sheregesh iron ore mine development will allow us to decrease costs at Evrazruda, the iron ore supplier closest to the EVRAZ ZSMK steel mill.

We also have a portfolio of promising projects we are currently assessing. For instance, we are looking for opportunities to strengthen our large diameter pipe business in Canada, where we expect large pipelines will be built in the future. We are working on a project to modernise EVRAZ ZSMK to secure its low cost position in the global semi-finished product market. We are investigating project financing options for the greenfield Timir iron ore development, which should secure a supply of low cost iron ore for EVRAZ ZSMK in the longer term.

Key Performance Indicators

EVRAZ measures its overall progress using nine key performance indicators (KPIs). This year we have amended our KPI list (excluding Inventory turnover and adding Labour productivity and Free Cash Flow) to more accurately reflect the development of our business, the evolution of our business systems and the alignment with division's management focus and KPIs.

LTIFR (per million hours)



1.60

-18%

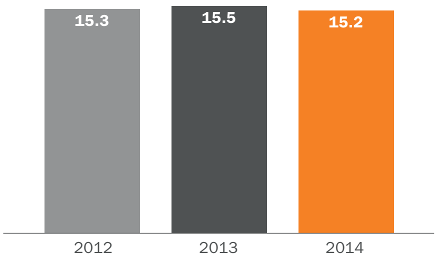
The Lost Time Injury Frequency Rate (LTIFR) represents the number of Lost Time Injuries (LTI's) that occurred over a period time per 1,000,000 hours worked in that period.

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

Detailed information on EVRAZ's HSE performance is provided in the Corporate Social Responsibility report on pages 30-37.

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

Steel sales volumes (million tonnes)



15.2

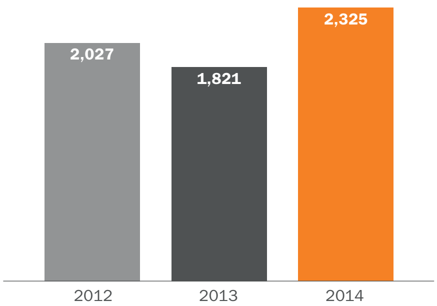
-2%

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

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

Detailed information on key factors that affected the Company's sales volumes is provided in the Business Review section on pages 38-65.

EBITDA (US$ million)



2,325

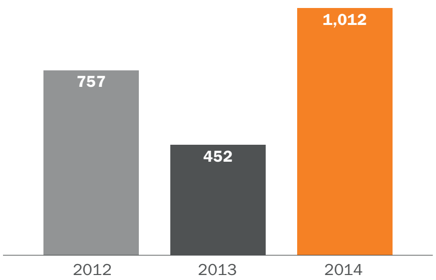
+28%

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

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

Detailed information on the financial performance is provided in the Financial Review section on pages 22-29.

Free cash flow (US$ million)



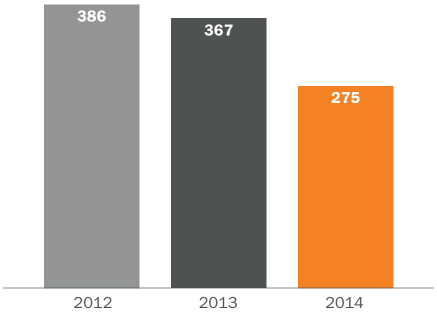
1,012

+124%

Free cash flow is defined as net cash flow before financing activities, investing activities in expansion projects and dividends. This measure ensures that the profit generated by our assets is reflected by cash flow in order to reduce leverage and fund future growth.

Detailed information on the financial performance is provided in the Financial Review section on pages 22-29.

Average cash cost of semi-finished products* (US$/tonne)



275
-25%

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

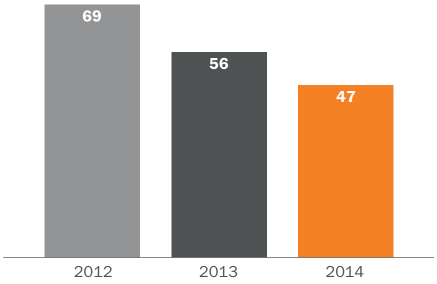
Raw materials from EVRAZ's mining segment are accounted for on an at-cost-basis.

EVRAZ considers cost leadership as key to its competitive advantage.

The results of our efforts to decrease cash costs are described in CEO Review and Strategic Objective on pages 6-8 and 14-15.

* Cash cost of slabs and billets produced at Russian steel mills.

Average cash cost of Russian iron ore products (Fe 58%) (US$/tonne)



47
-16%

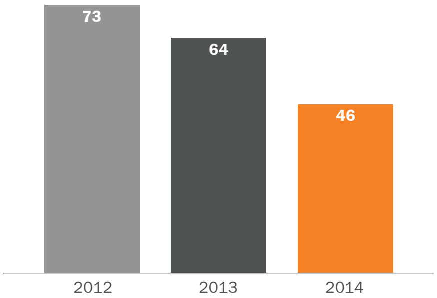
Defined as the cost of revenues and SG&A expenses less depreciation and other non-cash items, the result is divided by sales volumes.

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

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

Information on the performance of the Company's iron ore assets resulting in a cash cost decrease is provided in Business Review on pages 44-51.

Average cash cost of coking coal concentrate (US$/tonne)



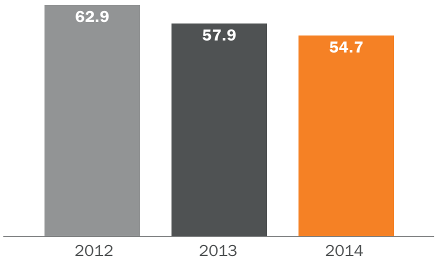
46
-28%

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

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

The growth of coal production both at Yuzhkuzbassugol and the Raspadskaya coal company (described on pages 63-65) contributed to the reduction of cash costs of the coking coal business in 2014.

Labour productivity (US$/tonne)

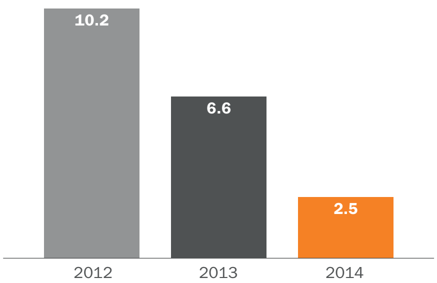


54.7
-6%

Defined as labour costs exclusive of tax, the result is divided by production volumes of steel products.

A description of management's initiatives to improve labour productivity is provided in Strategic Objective on page 14-15.

Environmental non-compliance (US$ million)



2.5
-62%

Total sum of accrued environmental levies (taxes) for the impact caused in excess of established standards and penalties/claims accepted for payment

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

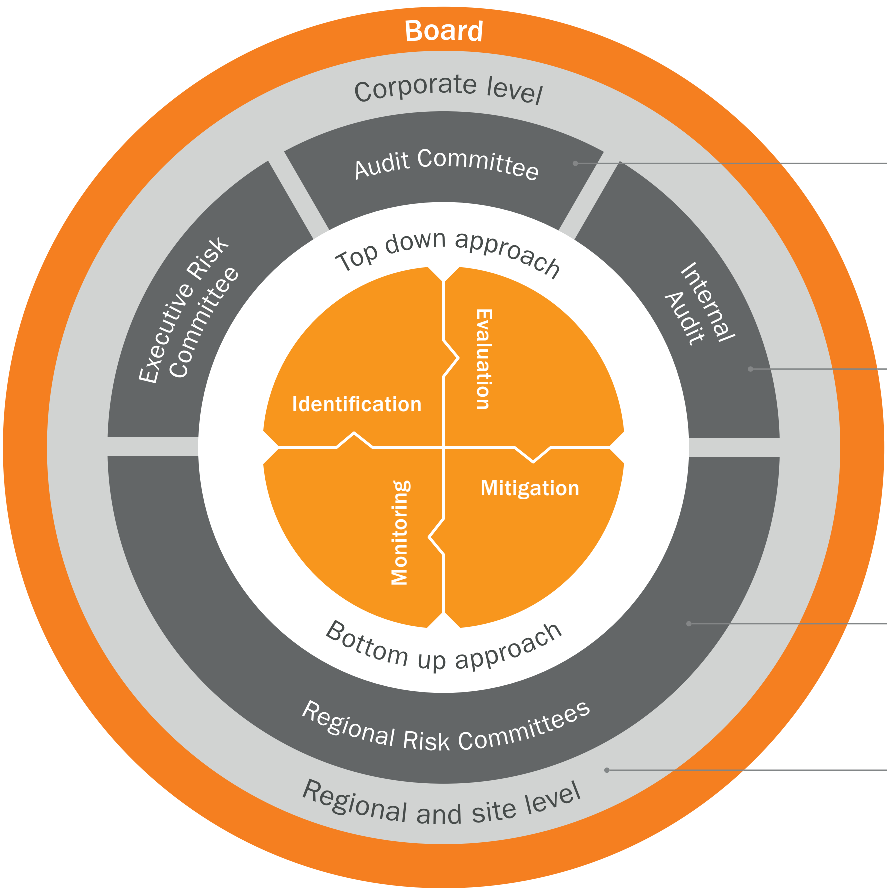
The Company is committed to minimising its impacts upon the environment and has a target of achieving zero environmental incidents.

Please refer to Environmental Performance on pages 32-34.

Key Risks

Like all businesses, EVRAZ is affected by, and must manage, risks and uncertainties that can impact its ability to deliver its strategy. While the risks can be numerous, the principal risks faced by the Group in 2014, and valid as of the date of this report's publication and as identified by the Board, are described below along with the corresponding mitigating actions and changes in the risk level during the year.

Risk Management System



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

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

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

Promoting risk awareness and safety culture.

Risks

Risk description	Risk level 2014 vs. 2013 and mitigating actions
Global economic factors, industry conditions and cost effectiveness	Risk direction:
EVRAZ operations are dependent on the global macroeconomic environment and economic and industry conditions, e.g. global supply / demand balance for steel and particularly for iron ore and coking coal which has the potential to affect both product prices and volumes across all markets. As EVRAZ operations have a high level of fixed costs, global economic and industry conditions can impact the Group's operational performance. In addition, any reduction in availability of long-term funding puts constraints on the Company's ability to grow its business. Poor availability of long-term funding requires the Company to prioritise debt repayments rather than focus on long-term capital investment projects (see Treasury below).	EVRAZ has a focused investment policy aimed at reducing and managing the cost base with the objective of being among the sector's lowest cost producers. In respect of its mining operations the Company has a focus on divestiture or downscaling of high cost and lower coal quality mining assets and development of efficient low cost mining operations. For both mining and steelmaking operations the Company executes cost reduction projects to reinforce competitiveness of assets. In particular, conversion and logistics cost optimisation programmes were initiated during the year.
Reference	Capital and operational initiatives aligned with the overall EVRAZ strategy are noted in the CEO's review on pages 6 to 8 of this report. For further information please refer to the strategic market context section of the Strategic Report on pages 9 to 11.
Health, safety and environmental (HSE) issues	Risk direction:
Safety and environmental risks are inherent to the Company's principal business activities of steelmaking and mining. Further, EVRAZ operations are subject to a wide range of HSE laws, regulations and standards, the breach of any of which may result in fines, penalties, suspension of production, or other sanctions. Such actions could have a material adverse effect on the Company's business, financial condition and/or business prospects. The key environmental issues are primarily concerned with air emissions, used water quality and tailings management.	HSE issues have direct oversight at Board level and HSE procedures and material issues are given top priority at all internal management meetings. Management KPIs place significant emphasis on safety performance. EVRAZ has instigated a programme to improve the management of safety risks across all business units with the objective of embedding a new safety, harm-free culture at all management and operational levels. The Company continues to focus on standardisation of critical safety programmes with a main focus in 2014 on implementing an energy isolation program, or LOTO (Lockout Tryout). Further, EVRAZ has introduced a programme of Behaviour Safety Conversations to drive a more proactive approach to preventing injuries and incidents. Safety training has been reviewed and strengthened and an operational safety assessment is undertaken for all new projects.
Reference	Environmental commitments are detailed in Note 30 to the consolidated financial statements. For further information please refer to the Corporate Social Responsibility report on pages 30 to 37.

Principal Risks and Uncertainties
(continued)

Risk description	Risk level 2013 – 2014 and Mitigating actions
Potential actions by governments	Risk direction: ^
EVRAZ operates in a number of countries and there is a risk that governments or government agencies could adopt new laws and regulations, or otherwise impact the Company's operations. New laws, regulations or other requirements could have the effect of limiting the Company's ability to obtain financing in international markets, or sell its products. To date the Company has not been significantly impacted by recent geopolitical developments relating to Ukraine. There is a risk, however, that if these events were to escalate, there could be an impact on EVRAZ's operations in the country (EVRAZ generates approximately 5% of consolidated revenue from its Ukrainian business), including on revenues from the sale of coking coal to third party Ukrainian customers. EVRAZ may also be adversely affected by government sanctions against Russian business or otherwise reducing its ability to conduct business with potential or existing counterparties. Despite the potential negative impact from sanctions EVRAZ does not presently expect them to have long term effects on the Company's business.	Although these risks are mostly not within the Company's control, EVRAZ and its executive teams are members of various national industry bodies and, as a result, contribute to the thinking of such bodies and, when appropriate, participate in relevant discussions with political and regulatory authorities. The Company has diligently taken international legal advice in order to assess the compliance requirements and risks of consequences from sanctions against Russian businesses and develop procedures to ensure that sanction requirements are complied with across the Company's operations.
Treasury	Risk direction: ^
EVRAZ, as with many other large and multi-national corporates, faces various treasury risks including liquidity, credit access, currency and interest rate fluctuation, and tax compliance risks. EVRAZ may be impacted by a possible introduction of limitations on repatriation of foreign currency proceeds from exports, as well as additional regulations or limitations on cross-border capital flows. In addition, and as mentioned above, potential actions by governments, including economic sanctions impacting Russian entities may increase the Company's capital market risk in respect of new funding issues.	EVRAZ employs skilled specialists to manage and mitigate such risks and the management of such risks is embedded in internal controls. Oversight of the key risks is reported within the monthly Board reports and compliance with the internal controls is reviewed by the independent internal audit function, which reports to the Audit Committee. In addition, the Company is developing a robust sanctions risk management system. EVRAZ continues to undertake actions in order to extend its debt maturity profile and lower short-term external funding needs, as well as to pro actively manage the remaining portion of debt subject to maintenance covenants. Liquidity risk is managed through revisiting capital expenditure plans, cost optimisation programmes and continued asset portfolio rationalisation, and by pro-active liability management and revision of the Company's dividend policy. The EVRAZ treasury management team and the directors regularly review all funding requirements and exposures.
Reference	For further information please refer to the Financial Review on pages 22 to 29.

Risk description	Risk level 2013 – 2014 and Mitigating actions
Functional currency devaluation	Risk direction:
Group borrowing capacity may be impacted in times of severe devaluation of the subsidiaries' functional currencies relative to the US dollar: while Group EBITDA and cash generating capacity can increase (at least in the medium term) – because a large proportion of sales are priced in dollars – its profit and equity can decrease significantly.	EVRAZ works to reduce the amount of intercompany loans payable from subsidiaries with Russian rouble and Ukrainian hryvnia functional currencies, to limit the possible devaluation effect on Group consolidated net income. EVRAZ is also closely monitoring and controlling cost inflation resulting from severe devaluations.
Reference	EVRAZ discloses 'value in use' information to illustrate the effect of devaluation on the Group's cash generating capacity and equity value. For further information please refer to the Financial Review on pages 22 to 29.
Business interruption	Risk direction:
Prolonged outages or production delays, especially in coal mining, could have a material adverse effect on the Company's operating performance, production, financial condition and future prospects. In addition, long term business interruption may result in a loss of customers and competitive advantage, and damage to the Company's reputation.	The Company 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.
Reference	For further information please refer to the Coal section of the Business Review on pages 61 to 65.
Human Resources (HR)	Risk direction:
The principal HR risk is the availability of management and employees with the necessary attributes and skills. This is particularly the case for certain regions and business units, e.g. engineers, mining experts and project managers. Associated risks involve selection, recruitment, training and retention of employees and qualified executives.	Succession planning is a key feature of EVRAZ's human resources management. EVRAZ has invested substantial resource in training, internal mentoring, and development of its pool of successors. EVRAZ seeks to meet its leadership and skill needs through retention of its employees, internal promotion, structured professional internal mentoring and external development programmes. This includes internal training, schools of engineers, technical forums, and expertise certification programs. Additionally, training programmes at the Moscow Skolkovo business school are used for the key strategic management pool.
	For further information please refer to the Corporate Social Responsibility report on pages 30 to 37.

Financial Review
Pavel Tatyanin

We are very satisfied with our performance in 2014 as we have made material progress towards the Group's stated financial objectives.

We are very satisfied with our performance in 2014 as we have made material progress towards the Group's stated financial objectives. Despite the increased volatility in steel and coal markets, as well as challenging conditions in the capital markets, we have managed to significantly improve both our operational and financial performance. Amongst our key financial metrics, of particular note is the more than 28% increase in EBITDA to US$2,325 million and strong free cash flow generation of US$1,012 million.

Our balance sheet performance was marked by a further reduction in net debt to US$5,814 million at year end which, with the stronger EBITDA generation, improved our net debt to EBITDA ratio to 2.5 times.

We remain positive about our 2015 performance based on our conviction to financial discipline and prudent policies.

Statement of operations

Group revenues decreased by 9.4% in 2014, mostly as a result of a decline in the Steel segment revenues, which account for 72.9% of the total Group revenue. EVRAZ's steel sales volumes (including those from the Steel North America segment) declined by 1.9% to 15.2 million tonnes in 2014. The decline in the revenue of the Steel segment was largely caused by lower prices of steel products, in line with the general negative trend in steel pricing.

Additionally the timing of adjustments to domestic steel prices in Russia and Ukraine lagged behind the timing of the devaluation of local currencies against the US dollar that occurred in 2014. The selling prices of steel products decreased by 7.3% year on year accompanied by a fall in revenues from sales of steel segment non-core products, including iron ore, vanadium, coke, chemicals and scrap.

The Steel segment revenues were also impacted by a number of changes in the Group's product mix during 2013–2014 due to the suspension of operations of EVRAZ Palini e Bertoli, EVRAZ Vitkovice Steel disposal and the closure of EVRAZ Claymont Steel and EVRAZ ZSMK plate rolling mill, as well as decline in the production of railway products. While sales volumes of flat-rolled and railway steel products fell, a significant proportion of semi-finished production was switched successfully from internal consumption to external sales. Overall, changes in the sales mix contributed to a 2.9% decrease in revenues.

Revenues of the Steel, North America segment increased by 4.1% to US$3,160 million, compared to US$3,036 million in 2013, driven by higher sales volumes, particularly of tubular and railway products.

Revenues
(**US$ million**)

Segment	2014	2013	Change	Relative Change
Steel	9,519	10,792	(1,273)	(11.8)%
Steel, North America	3,160	3,036	124	4.1%
Coal	1,318	1,486	(168)	(11.3)%
Other operations	648	730	(82)	(11.2)%
Eliminations	(1,584)	(1,633)	49	(3.0)%
Total	**13,061**	**14,411**	**(1,350)**	**(9.4)%**

Revenue by region
(**US$ million**)

Region	2014	2013	Change	Relative Change
Russia	5,279	6,136	(857)	(14.0)%
Americas	3,529	3,242	287	8.9%
Asia	1,954	2,062	(108)	(5.2)%
CIS (excl. Russia)	926	1,175	(249)	(21.2)%
Europe	916	1,385	(469)	(33.9)%
Africa	447	404	43	10.6%
Rest of the world	10	7	3	42.9%
Total	**13,061**	**14,411**	**(1,350)**	**(9.4)%**

EBITDA
(**US$ million**)

Segment	2014	2013	Change	Relative Change
Steel	1,912	1,656	256	15.5%
Steel, North America	279	158	121	76.6%
Coal	373	226	147	65.0%
Other operations	37	37	–	0.0%
Unallocated	(225)	(226)	1	(0.4)%
Eliminations	(51)	(30)	(21)	70.0%
Total	**2,325**	**1,821**	**504**	**27.7%**

Please refer to Additional Information on page 202 for reconciliation of profit (loss) from operations to EBITDA.

Coal segment revenues dropped by 11.3%, primarily due to reduced selling prices, partially offset by increased volumes.

Steel segment EBITDA increased in 2014 as a result of cost reduction activities and a decrease in expenses in US dollar terms at the Russian and Ukrainian subsidiaries following the local currency devaluations during the year. Lower prices for coking coal and iron ore also positively impacted the results for this segment. The benefits of cost reduction were partially offset by a decline in sales prices in steel products due both to the weak global market environment and to the lag in price adjustment in Russia and Ukraine after the currency devaluation.

The Steel North America segment EBITDA was positively impacted by growing sales of tubular and long steel products, accompanied by implementation of cost reduction initiatives.

1 Actual results excluding the effect of forex rate.

Financial Review
(continued)

The year on year increase in Coal segment EBITDA was related to the increase in sales volumes of coking coal and coking coal concentrate and a decrease in costs associated with the Russian rouble weakening, portfolio optimisation at Yuzhkuzbassugol and operational improvements.

Eliminations mostly reflect the unrealised profits or losses of the Steel segment in transactions with the Steel North America segment.

The implementation of the efficiency improvement plan brought about US$420 million of savings, including, as planned, an approximate reduction of US$55 million in General and administrative (G&A) costs (before the Russian rouble and Ukranian hryvnia devaluation effects) which contributed to the overall G&A contraction.

General and administrative (G&A) expenses declined by 15.3% year on year due to the asset portfolio optimisation, a G&A expense reduction programme implemented in 2014 as well as to a positive effect of the local currency devaluation in Russia and Ukraine. As a result our G&A expenses reduced to 5.7% of our revenues compared to 6.1% a year before.

To facilitate assessment of performance, by management and the Board, our cost saving targets and quantification are based on management accounts adjusted to eliminate macroeconomic impacts (such as exchange rate fluctuations and inflation) and once-off expenditure (such as employee severance payments and other discontinuation costs). On this basis there has been a cost improvement of US$420 million during the year.

The following table provides a description of the cost cutting initiatives:

(US$ million)

Cost cutting initiatives at ongoing operations, including	**245**
Reduction of headcount and related G&A costs	80
Optimisation of tunnelling works, maintenance costs, degassing and ventilation costs in the Coal segment	45
Improving yields and raw material costs at steel mills	92
Other cost optimisation	28
Optimisation of asset portfolio	**100**
Mines shutdowns and disposals at Evrazruda and Yuzhkuzbassugol	56
Suspension of EVRAZ Claymont, disposal of Central heat and Power Plant and shutdown of a plate rolling mill at EVRAZ ZSMK	44
Increase in production	**75**
Volume growth at EVRAZ North America's ongoing assets	48
Recovery of production at the Raspadskaya mine	27
Total	**420**

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

Segment	2014	2013	Change	Relative Change
Cost of revenue	**(9,734)**	**(11,501)**	**1,767**	**(15.4)%**
Gross profit	**3,327**	**2,910**	**417**	**14.3%**
Selling and distribution costs	(1,009)	(1,213)	204	(16.8)%
General and administrative expenses	(743)	(877)	134	(15.3)%
Impairment of assets	(540)	(563)	23	(4.1)%
Foreign exchange losses net	(1,005)	(258)	(747)	289.5%
Other operating income and expenses, net	(131)	(160)	29	(18.1)%
Loss from operations	**(101)**	**(161)**	**60**	**(37.3)%**
Interest expense, net	(546)	(676)	130	(19.2)%
Loss on financial assets and liabilities, net	(583)	(43)	(540)	n/a
Gain on disposal group classified as held for sale, net	136	131	5	3.8%
Other non-operating gains, net	10	112	(102)	(91.1)%
Loss before tax	**(1,084)**	**(637)**	**(447)**	**70.2%**
Income tax benefit/(expense)	(194)	86	(280)	n/a
Net loss	**(1,278)**	**(551)**	**(727)**	**131.9%**

The Group's cost of revenue decreased by 15.4% due to reduction in all costs.

A detailed breakdown of the cost of revenue is as follows:

(US$ million)	2014	% of revenue	2013	% of revenue	Change	Relative Change
Revenue	**13,061**		**14,411**			
Cost of revenue	**9,734**	**74.5%**	**11,501**	**79.8%**	**(1,767)**	**(15.4)%**
Raw materials, incl.	3,086	23.7%	3,396	23.6%	(310)	(9.1)%
– Iron ore	700	5.4%	730	5.1%	(30)	(4.1)%
– Coking coal	431	3.3%	563	3.9%	(132)	(23.4)%
– Scrap	1,251	9.6%	1,331	9.2%	(80)	(6.0)%
– Other raw materials	704	5.4%	772	5.4%	(68)	(8.8)%
Semi-finished products	187	1.4%	489	3.4%	(302)	(61.8)%
Auxiliary materials	823	6.3%	1,025	7.1%	(202)	(19.7)%
Services	753	5.8%	813	5.6%	(60)	(7.4)%
Goods for resale	843	6.5%	828	5.7%	15	1.8%
Transportation	660	5.1%	826	5.7%	(166)	(20.1)%
Staff costs	1,577	12.1%	1,951	13.5%	(374)	(19.2)%
Depreciation	714	5.5%	951	6.6%	(237)	(24.9)%
Electricity	568	4.3%	642	4.5%	(74)	(11.5)%
Natural gas	294	2.3%	398	2.8%	(104)	(26.1)%
Other costs	229	1.8%	182	1.3%	47	25.8%

The cost of raw materials decreased by 9.1% in 2014 driven mostly by lower coking coal and scrap costs which fell by US$132 million and US$80 million respectively. The decrease was accompanied by lower coal and scrap consumption, mainly as a result of mothballing one of EVRAZ ZSMK's coking plants, the shutdown of EVRAZ Claymont and the EVRAZ Vitkovice Steel disposal. The implementation of operational improvements resulted in better raw material mix at the Russian steel mills which was another factor which led to the decrease in raw material costs.

The costs of purchased semi-finished products fell by 61.8% primarily due to the lower consumption of slab purchased from third parties by EVRAZ North America's assets which were substituted by shipments from EVRAZ NTMK. The EVRAZ Vitkovice Steel disposal also helped to reduce the semi-finished cost profile overall.

The 19.7% reduction in costs of auxiliary materials resulted from the disposal and suspension of certain subsidiaries as well as from cost optimisation programmes, in particular in the Coal segment, and the weakening of the Russian rouble and Ukrainian hryvnia.

The decrease in transportation costs was related to the Russian rouble weakening, the disposal of EVRAZ VGOK and Evrazruda's asset optimisation.

Staff costs decreased by US$374 million, or by 19.2%, which reflects the effect of the asset and personnel optimisation programmes, and impact on costs in Russia and Ukraine of local currency devaluation.

Total depreciation, depletion and amortisation in the cost of revenue amounted to US$714 million in 2014 compared to US$951 million in 2013. The depletion charge was significantly reduced in the Coal segment driven by a lower depletion expense at Yuzhkuzbassugol following the revision and detailing of future mine plans and lower the remaining useful lives of plant and equipment were reassessed and extended at EVRAZ NTMK, EVRAZ ZSMK and EVRAZ DMZ. This was also accompanied by a decrease of the US dollar amount of depreciation at our Russian and Ukrainian sites due to weakening of the local currencies.

Electricity costs decreased by 11.5%, due to lower consumption volumes, predominantly because of asset optimisation and disposals, and as a result of continued operational improvements. Natural gas expenditure was down by 26.1% due to a number of factors, including the disposal of Central Heat and Power Plant in H2 2013 which consumed significant volumes of natural gas, operational improvements at EVRAZ DMZ, the introduction of PCI technology at EVRAZ ZSMK, the disposal of EVRAZ Vitkovice Steel and the suspension of operations at EVRAZ Palini e Bertoli. Electricity and natural gas prices were generally stable in US dollar terms, while in Russia and Ukraine higher nominal prices were offset by the impact of currency movements.

Other costs include taxes, change in work in progress ("WIP") and finished goods, and certain energy costs. The increase in other costs in 2014 is mostly driven by a decrease in stock of WIP and finished goods.

The key drivers of lower selling and distribution expenses were reduced sales volumes to third parties and the Russian rouble weakening. This was accompanied by the impact of the EVRAZ Vitkovice Steel disposal closure of EVRAZ Claymont and suspension of operations at and EVRAZ Palini e Bertoli.

Impairment losses during the reporting period include US$261 million related to impairments of several cash generating units at EVRAZ North America, US$112 million related to idled EVRAZ Palini e Bertoli assets, and a US$58 million impairment for EVRAZ Highveld Steel and Vanadium resulting from the decrease in prices for steel and steel products and the changes in forecast production volumes and the increase in the discount rates, as well as US$71 million relating to several Yuzhkuzbassugol mines which were idled (Kusheyakovskaya and Abashevskaya).

Financial Review
(continued)

Foreign exchange losses of US$1,005 million arose, in particular, due to the US dollar-denominated amounts payable by subsidiaries in Russia and Ukraine, where the national currencies, which are also functional currencies of these subsidiaries, depreciated by 42% and 49%, respectively. In addition, there are debts between subsidiaries with different functional currencies and, consequently, gains/(losses) of one subsidiary recognised in the Statement of Operations cannot be not offset with the exchange gains/(losses) of another subsidiary with a different functional currency. The net amount of foreign exchange losses relating to intra-group debt included in foreign exchange losses was US$265 million.

Interest expenses incurred by the Group have fallen steadily over recent years as a result of the decrease in the level of debt and the refinancing of debt at lower interest rates. The interest expense for bank loans, bonds and notes amounted to US$503 million in 2014, down from US$617 million in 2013. It was also impacted by a decrease in the interest expense of the rouble-denominated bonds due to the rouble weakening.

As described in detail in Notes 22 and 25 of the consolidated financial statements, during 2010-2013 the Group issued rouble-denominated bonds that at issuance were economically swapped into fixed rate USD borrowings. Losses on financial assets and liabilities amounted to US$583 million and included, inter alia, US$94 million of realised losses and US$494 million of unrealised losses on the change in the fair value of these currency and interest rate swaps. As the Group does not apply hedge accounting to these swaps and the related economically hedged rouble-denominated borrowings, the offsetting reduction in the US dollar value of the rouble-denominated bonds was credited directly to the exchange differences on translation of foreign operations into the presentation currency in Other Comprehensive Income/(Loss).

In the reporting period the Group had an income tax expense of US$194 million in comparison with a US$86 million benefit for 2013. The change reflects better operating results of the Group as well as an increase in the amount of non-deductible expenses and unrecognised temporary differences, mostly caused by the forex exchange losses and losses on derivatives, which either cannot be utilised or cannot be deductible for tax purposes in the respective subsidiaries.

Cash flow
(**US$ million**)

Item	2014	2013	Change	Relative Change
Cash flows from operating activities before change in working capital	1,976	1,535	441	28.7%
Changes in working capital	(19)	365	(384)	n/a
Net cash flows from operating activities	**1,957**	**1,900**	**57**	**3.0%**
Short-term deposits at banks, including interest	8	677	(669)	(98.8)%
Purchases of property, plant and equipment and intangible assets	(612)	(902)	290	(32.2)%
Purchase of subsidiaries, net of cash acquired	(102)	31	(133)	n/a
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	311	1	310	n/a
Other investing activities	6	(71)	77	n/a
Net cash flows from/(used in) investing activities	**(389)**	**(264)**	**(125)**	**47.3%**
Net cash flows from financing activities	**(1,811)**	**(1,367)**	**(444)**	**32.5%**
Effect of foreign exchange rate changes on cash and cash equivalents	(282)	(48)	(234)	n/a
Net increase/(decrease) in cash and cash equivalents	**(525)**	**221**	**(746)**	**n/a**

Cash flows from operating activities before changes in working capital increased by 28.7% in 2014 to US$1,976 million compared to US$1,535 million in 2013 reflecting better operational results.

Free cash flow for the period was a positive US$1,012 million.

Calculation of free cash flow
(**US$ million**)

Item	2014
EBITDA	2,325
EBITDA excluding non-cash items	2,333
Changes in working capital	(19)
Income tax accrued	(357)
Net Cash flows from operating activities	**1,957**
Interest and similar payments	(493)
Capital expenditure, including recorded in financing activities	(654)
Purchases of subsidiaries (net of cash acquired) and interests in associates/joint ventures	(131)
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	311
Other cash flows from investing activities	35
Equity transactions	(13)
Free cash flow*	**1,012**

* Please refer to Additional Information on page 203 for the definition of free cash flow.

Capex and key projects
In 2014, we continued to reduce our total capital expenditure to US$654 million compared to US$902 million in 2013 as a result of a comprehensive review of the Company's investment programme, as well as the decrease in expenses in US dollar terms at Russian and Ukrainian subsidiaries due to the local currencies devaluation in 2014. The majority of 2014 capex was directed towards maintenance spending.

In 2014, we commenced sales of 100 metre rails from EVRAZ ZSMK and the EVRAZ Caspian Steel (formerly the Vostochny rolling mill) started commercial operations. The Yerunakovskaya VIII mine reached planned mining volumes, and our PCI project at EVRAZ ZSMK became fully operational at all blast furnaces. We completed stage one of Sheregesh ore mine output enhancement project, and we continued to develop Mezhegey coal deposit. Also we commenced the execution phase for the continuous casting machines reconstruction project at EVRAZ ZSMK.

A summary of our capital expenditure (including amounts recognised in financing activities) for 2014 in millions of USD is as follows:

Mezhegey coal mine development (Phase I)	41	Ramp-up to be completed by 2016. Capacity of 2.0 mtpa
Construction of Yerunakovskaya VIII coal mine	35	Ramp-up of long-wall 48-3. Production of ca. 3 million tonnes of raw coking coal.
PCI at EVRAZ ZSMK	24	PCI units launched at all EVRAZ ZSMK's blast furnaces. Ramp-up to be completed in Q1 2015.
Reconstruction of Sheregesh ore mine	19	Stage one completed and mining commenced at a new +115-metre level. The mine's annual output to reach 4.8 million tonnes of raw ore.
EVRAZ ZSMK rail mill modernisation	17	Ramp-up largely completed, equipment adjustment continues. In May 2014, shipments of first 100 metre rails commenced.
Reconstruction of continuous casting machines at EVRAZ ZSMK	11	In progress since Q2 2014, to be completed in Q4 2015. Capacity of 2.0 mtpa
EVRAZ Caspian Steel (Vostochny rolling mill, Kazakhstan)	10	The mill commenced production and shipments of products in H1 2014.
Other development projects	54	
Maintenance	443	
Total	**654**	

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 2014, EVRAZ had approximately US$7 billion net asset exposure in Russian rouble (RUB) (the functional currency of Russian subsidiaries) and Ukrainian hryvnia (UAH) (the functional currency of the Ukrainian subsidiaries). These net assets mostly represented historical cost of property, plant and equipment of the RUB and UAH functional currency subsidiaries less related rouble and hryvnia denominated liabilities.

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

In 2014, there was a 42% depreciation of the Russian rouble and 49% depreciation of the Ukrainian hryvnia against the US dollar. This depreciation led to an approximately US$3 billion decline 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.

Based on the Group's existing capital structure, including the character and amount of intercompany loans between subsidiaries with different functional currencies, this decline was divided between

- the translation loss in Other Comprehensive Income/(Loss) of approximately US$2 billion, and
- the foreign exchange gains/(losses), net in the Statement of Operations of approximately US $1 billion, including US$0.3 billion of net loss on intercompany loans between subsidiaries with different functional currencies.

Management believes that the market value of the respective property, plant and equipment measured in US dollars declined on average to a significantly lower extent. This was also the case for their US dollar-measured cash-generating capacity, as determined by IAS 36 discounted cash flows value-in-use methodology (VIU). Most of the changes in the value in use during 2014 were caused by the shift in the product mix as a result of the decreasing Russian demand and related economic instability in the domestic markets of the related cash generating units, increase in the weighted average cost of capital as well as by the change in the long term forecasts for global iron ore and coal prices.

Even though IAS 16 allows the use of a fair value option for accounting for property, plant and equipment, fair value accounting is rarely used in metals and mining industries and it is complicated for a capital intensive business. Moreover, the use of a 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:

Company	Country	Carrying value* of PP&E as of 31 December 2013	Value in use** of PP&E as of 31 December 2013	Carrying value* of PP&E as of 31 December 2014	Value in use** of PP&E as of 31 December 2014	Hypothetical net of tax increase in carrying value of equity as of 31 December 2014 if VIU were used to value PP&E
NTMK	Russia	1,145	3,802	632	3,023	1,913
ZSMK	Russia	1,433	1,441	824	3,127	1,842
Raspadskaya	Russia	2,350	3,178	1,316	1,588	218
Yuzhkuzbassugol	Russia	1,318	1,342	704	965	209
KGOK	Russia	337	1,678	175	348	138
DMZ	Ukraine	241	251	115	157	34
Sukha Balka	Ukraine	306	334	145	179	28
Total		**7,130**	**12,026**	**3,911**	**9,387**	**4,382**

* as included in the Group's consolidated financial statements under IFRS.
** calculated in accordance with IAS 36 for the impairment test at 31 December 2014. 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

In 2014, in line with our financial strategic priorities we focused on effective liquidity management, positive free cash flow generation and debt reduction. 2014 started with total debt of US$8,166 million and during the year a number of refinancing actions and debt repayments have been completed. In January 2014, US$70 million was borrowed under a US Ex-Im guaranteed facility to refinance part of the EVRAZ ZSMK rail mill capex. On 12 August 2014, a US$425 million 5-year syndicated pre-export financing facility was signed, which was subsequently increased to $500 million. The proceeds were mainly used to refinance RUB 20 billion bonds which matured in October 2014. In November 2014, the North American operations issued $350 million of senior secured notes with maturity in May 2019 as a debut transaction in a US High-yield market and in December 2014 extended the existing asset-backed loan facility, originally maturing in 2016, until May 2019.

On 8 December 2014 EVRAZ launched a public tender offer for 8.25% guaranteed notes issued by Evraz Group S.A. maturing in November 2015. As a result of the tender and a series of bilateral purchases, we redeemed and cancelled in aggregate US$439 million or 76% of the outstanding notes. A further US$9 million was repurchased in January and February of 2015, thus leaving US$129 million of the notes outstanding after the described transactions.

As a result of these actions, as well as a number of scheduled drawings and repayments of bank indebtedness, our total debt decreased by US$1,259 million to US$6,907 million as at 31 December 2014, while our net debt decreased by US$720 million to US$5,814 million at 31 December 2014 compared to US$6,534 million as at 31 December 2013. Interest expense accrued in respect of loans, bonds and notes was US$503 million for 2014, compared to US$617 million for 2013. Our net debt to EBITDA stood at 2.5 times compared to 3.6 times as at 31 December 2013.

As at 31 December 2014, debt with maintenance financial covenants comprised the $500 million syndicated facility and a number of bilateral facilities totalling approximately US$341 million. The covenants under the syndicated facility include only two key ratios calculated on the basis of EVRAZ plc's consolidated financials: a maximum net leverage and a minimum EBITDA interest cover. The ratios are tested two times a year on a 12-month basis with the levels of 4.5x and 2.0x respectively. Some of the older bilateral facilities have similar covenant ratios tested on the basis of Evraz Group S.A.'s consolidated figures.

As at 31 December 2014, we were in full compliance with our financial covenants in respect of the level of total debt and of net leverage (net debt to EBITDA not to exceed 4.5 times).

With the improved cash flow and net debt reduction in 2014, the risk of breaching financial covenants in the foreseeable future has reduced. Eurobond covenants currently do not limit the Group's ability to refinance EVRAZ's consolidated indebtedness.

Our cash on 31 December 2014 amounted to US$1,086 million and our short-term loans and current portion of long-term loans mainly represented by maturing capital markets instruments adjusted for hedging exposure under cross-currency swaps related to rouble-denominated bonds stood at US$1,040 million.

Dividends

On 2 July 2014, EVRAZ paid dividends in the amount of US$90.4 million which represented the approximate cash portion of the proceeds from the sale of EVRAZ Vitkovice Steel.

Tender offer

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.

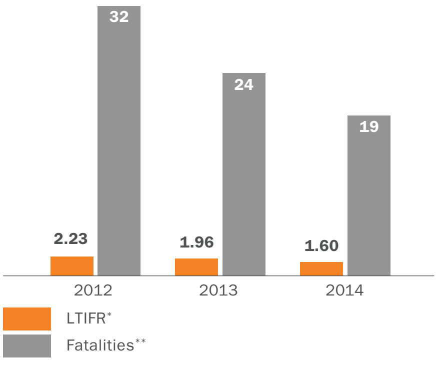
In the future, the Company may consider returning cash to its shareholders should net debt/EBITDA ratio continue to be below 3x with net debt reduction on track.

Pavel Tatyanin
Chief Financial Officer
EVRAZ plc

2 Please refer to Additional Information on page 204 for the definition and calculation of total and net debt.

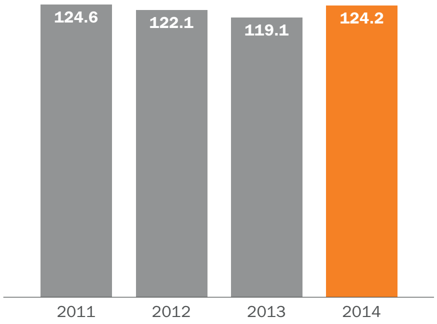
Corporate Social Responsibility

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

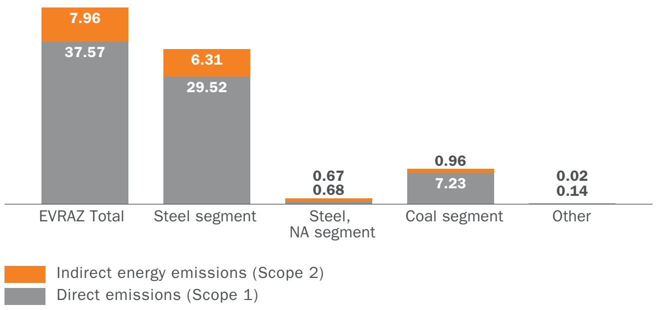


* LTIFR excludes fatalities
** Includes employee and contractor fatalities

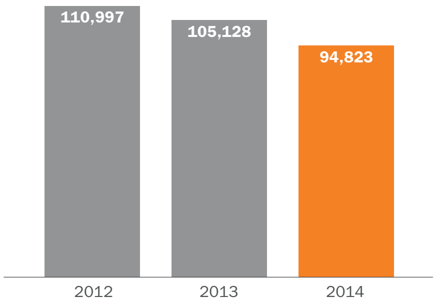
EVRAZ key air emissions dynamics, kt



EVRAZ GHG emissions in 2014, $MtCO_2e$

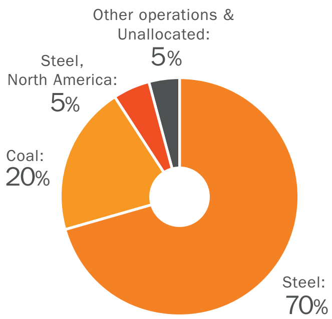


Number of employees*

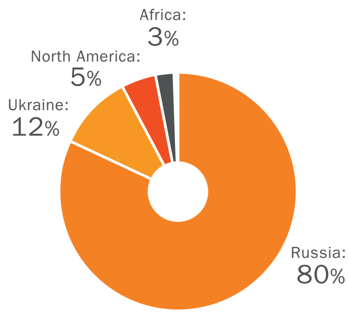


* As of 31 December 2014

Employees by business



Employees by region



EVRAZ approach

EVRAZ takes its social responsibilities seriously, addressing and monitoring all aspects of corporate social responsibility (CSR) that are relevant to the business. This section of the report provides an overview of EVRAZ policies and performance in 2014 in key areas of CSR including human rights, health and safety, environmental performance, human capital management and community engagement as well as an outline of how the Company intends to improve its performance in the years ahead.

Additional relevant disclosures are contained in the Strategic Report (Principal Risks and Uncertainties section on pages 18-21) and the Corporate Governance Report on pages 73-89.

Strategy and governance

EVRAZ's directors and management share the opinion that a company cannot – in the long-term – operate in isolation from the wider community in which it operates. The Company's broader stakeholder base is making increasing demands that EVRAZ takes responsibility for the social and environmental impacts of its operations.

The Company is committed to improving HSE performance through the implementation of enhanced business processes, as well as management and control systems. Strategic direction in the areas of health, safety and environment comes from the Board of Directors, which has established a dedicated Health, Safety and Environment (HSE) Committee to lead the Board's thinking on health and safety issues, as well as taking responsibility for environmental, safety and local community matters. Details of the terms of reference and activities of the Committee are set out in the Corporate Governance Report on pages 87-88.

The HSE function at the corporate and site level is coordinated by the Vice President of HSE Michael Shuble who regularly reports to the Board Committee on material HSE issues and attends certain meetings of the Board of Directors. At site level, each plant manager takes overall responsibility for HSE compliance, reporting to both the site management and corporate-level HSE management.

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

Human rights

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

EVRAZ seeks to develop and maintain a work environment that is free from discrimination and ensures equal rights, where every employee has the opportunity to contribute to the Company's overall results, and to realise his/her abilities and potential. This aspiration is reflected in the Company's internal codes and principles, including our Business Conduct Policy "The EVRAZ Way", downloadable from the corporate website http://www.evraz.com/governance/documents/

For additional details on employee engagement and social and community programmes please refer to pages 36-37.

2014 progress

In 2012 after determining the key challenges and focus areas, EVRAZ set five year targets (2012-2017) for its sustainability performance. This table sets out progress towards these goals in 2014.

Area of focus	Challenges	Targets	Progress to date
Health and Safety	Impact of operations on the health and physical condition of EVRAZ employees	– consistent reduction in lost time injury frequency rate (LTIFR) – avoidance of any fatal incidents across the Group	18% reduction 2014 LTIFR 1.60 (2013: 1.96) 36% reduction since 2009 19 employee and contractor fatalities in 2014 (2013: 24)
Environment[1]	Impact of operations on the environment (air, water, waste)	– 5% reduction in air emissions[2] – 15% decrease in fresh water consumption – 100% of non-mining waste recycled or used[3]	3.8% increase since 2011 17% reduction since 2011 110%[3] in 2014 (2013: 105.7%, 2012: 103.9%, 2011: 109.6%)
Human Capital	Development of employees to secure the long-term stability of the business	– 100% of target groups covered by development programme	Achieved 100% coverage of personal development plans (PDP)
Community Relations	Effective management of relations with local communities, which affect the Company's reputation and ongoing licence to operate	– contribution to the local development of communities in which EVRAZ operates, through education, training and employment of the local population	EVRAZ continued supporting community initiatives with US$30 million of social expenses spent worldwide

1 Environmental targets are based on 2011 performance levels. In 2014, the HSE Committee of the Board reviewed implementation of the environmental targets and agreed to re-base Fresh Water Consumption and Air Emission targets by excluding data related to the disposed assets due to their material effect on performance.
2 Including nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds only.
3 The ratio of amount of waste recycled or used vs. annual waste generation, not including mining waste. It can exceed 100% due to recycling of prior periods' waste.

Corporate Social Responsibility
(continued)

In line with its strategic objectives, relevant non-financial metrics (LTIFR and Environmental non-compliance) are incorporated into the Company's KPIs to measure and manage its performance. For EVRAZ KPIs please refer to pages 16-17.

Health and safety performance

In 2014 we saw a continued improvement in our health and safety performance. Regrettably the Company recorded 12 employee and 7 contractor fatalities, however this was a decrease from the 24 (18 employees and 6 contractors) experienced in 2013. The Company has a target to achieve zero fatalities and serious incidents. Behavioural safety training and safety audits have been instigated at the Company's assets with the objective of embedding a new safety, harm-free culture at all management and operational levels.

In 2014, EVRAZ's LTIFR continued to show a quarter on quarter improving trend with a final year end decrease of 18% in comparison with the previous year, in line with our stated goal of achieving a long-term downward trend in Lost Time Injury Frequency Rate.

In 2015 the Company aims to continue to sustainably reduce its LTIFR.

Reviewing the 2014 serious incidents indicates negative trends in the areas of mobile equipment, railroad operations, and underground mining operational hazards. These areas have been targeted with focused improvement plans for 2015. Ongoing progress in the area of designated walkways, implementation of energy isolation principles (LOTO) and behaviour based conversations will remain a focus at all facilities. Our zero tolerance policy towards alcohol and drug intoxication remains in place and we have increased accountability when safety violations are identified.

The Company will focus on improving safety training in 2015 and require all operations employees to receive at least 10 hours of focused training above required compliance training levels. We believe that the ongoing initiative of behaviour based conversations involving all levels of the organisation will be instrumental in driving a change in safety culture.

Environmental performance

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

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

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

In March 2014, the Health Safety and Environmental Committee of the Board reviewed 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.

In 2014, EVRAZ spent approximately US$40 million on measures to ensure environmental compliance and US$19 million on projects to improve its environmental performance. In the period from 2015 to 2022, the Group is committed to spending more than US$167[4] million on environmental programmes across its operations.

The Group's non-compliance related environmental levies and fines decreased 2.6 times from US$6.6 million in 2013 to US$2.5 million in 2014. Three major legal cases related to environmental claims were resolved in favour of EVRAZ. No significant environmental permits or licences were missing or revoked during this period.

There were no significant environmental incidents at EVRAZ assets during 2014.

EVRAZ is committed to continuing to strengthen its environmental management system. In 2014, EVRAZ arranged a number of internal environmental audits and continued its external ISO 14001 audit programme. EVRAZ currently has 12 ISO 14001 certified sites, including the largest facilities: EVRAZ NTMK, EVRAZ ZSMK, EVRAZ DMZ Petrovskogo, EVRAZ Highveld. The certificate of EVRAZ Palini e Bertoli has been temporary suspended due to production stoppage.

EVRAZ supports the human health and the environment goals of REACH, a European Union regulation concerning the **R**egistration, **E**valuation, **A**uthorisation & restriction of **CH**emicals[5]. EVRAZ's goal is to ensure continued compliance with REACH requirements in order to eliminate possible risks to supplying customers in the European Economic Area.

Air emissions

The reduction of air emissions is one of EVRAZ's main environmental objectives. The key air emissions are primarily comprised of nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds.

The Company has made significant progress in air emission reduction since 2011. The present air emissions reduction strategy includes modernisation of gas treatment systems as well as implementation of modern technologies and withdrawal of obsolete equipment. In 2014, EVRAZ ZSMK introduced the Pulverised Coal Injection (PCI) technology and completed installation of hydraulic valves on the coke chemical production equipment. EVRAZ DMZ modernised the gas treatment system of the converter shop mixer, and EVRAZ KGOK upgraded the aspiration systems for roasting and sintering machines.

Nevertheless the key air emissions have increased by 5.1 thousand tonnes (or 4.3%) compared to 2013. The growth in the emissions was caused by higher sulphur content in coal and iron ore used at EVRAZ ZSMK's power and sinter plants which resulted in SOx emissions growth and by an increase in dust emissions at EVRAZ ZSMK Heat & Power plant due to low efficiency of electrostatic precipitators. Because of these two factors the air emissions by EVRAZ ZSMK have increased by 7 thousand tonnes compared to 2013.

4 As of 31 December 2014.
5 REACH – Regulation (EC) No 1907/2006 of the European Parliament and of the Council according to which as of June 1, 2007 all chemical substances, mixtures and substances in articles (in some cases) produced in or imported to European Economic Area (EEA) territory above 1 tonne per year are subject to mandatory procedures such as registration, evaluation, 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.

In addition, EVRAZ Highveld has been updating its monitoring system to provide more accurate data and to improve operational control. As a result, the enhanced control tools helped to identify additional 3 thousand tonnes of dust and sulphur emissions.

Taking into account the management decision to re-base the targets by excluding data related to the disposed assets (EVRAZ VGOK, EVRAZ Vitkovice Steel, three mines of Evrazruda, the ZSMK Central Power Plant of ZSMK and EVRAZ NTMK's Nizhnesaldinsky mill), the key air emissions from operations have increased by 3.8% since 2011.

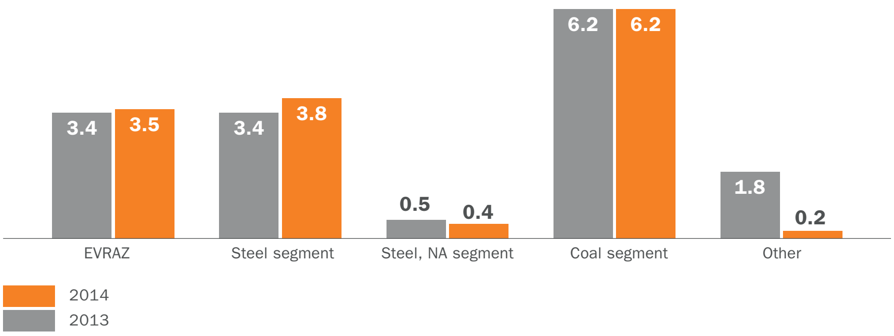
Greenhouse gas emissions

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

The assessment covered direct (Scope 1) emissions of all seven "Kyoto" GHGs[6] and indirect (Scope 2) emissions from the use of electricity and heat. The inventory approach[7] was based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (IPCC 2006) and WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. The Company provides data in tonnes of carbon dioxide (CO_2) equivalent (tCO_2e) calculated using IPCC 2006 global warming potentials.

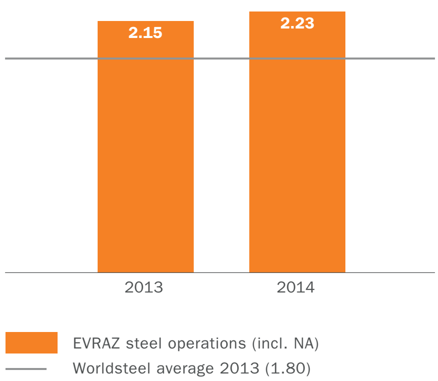
GHG emissions data was collected for 2014 and compared to the 2013 levels which were established as a baseline. The steel segment is still responsible for more than half of gross greenhouse gas emissions from operations, while almost 90% of full emissions from the coal segment are due to fugitive methane leakage, caused by methane ventilation from underground mines and post-mining emissions from coal.

GHG emissions per net revenue, kg CO_2e/US$



EVRAZ GHG Emissions, $MtCO_2e$	2013*	2014
Total GHG emissions	49.04	45.55
Split:		
Direct (Scope 1)	40.99	37.59
Consisting of:		
CO_2	33.30	30.88
CH_4	7.61	6.63
N_2O	0.08	0.08
PFC+HFC	0.0002	0.0002
SF_6	–	–
NF_3	–	–
Indirect (Scope 2)	8.05	7.96

Specific Scope 1 and 2 GHG emissions in steel segment, t CO_2e per t of steel products



Total 2014 GHG emissions decreased by 7% compared with the previous year. The decrease of coking coal consumption at EVRAZ ZSMK due to implementation of the pulverised coal technology in 2014, lower consumption of fuel coal at EVRAZ NTMK, and sale of some of the EVRAZ assets, that took place in 2013 and the beginning of 2014, have led to the decrease in CO_2 emissions by 7%. Lower methane content in the coal mined and decrease in coal production at some of the mines have resulted in 13% CH4 emissions reduction in the coal segment. Overall, these factors led to an 8% decrease of the EVRAZ Scope 1 emissions. Scope 2 emissions decreased by approximately 1%.

6 Carbon dioxide – CO_2, methane – CH4, nitrous oxide – N2O, hydrofluorocarbons and perfluorocarbons – HFC+PFC, sulphur hexafluoride – SF6 and nitrogen trifluoride – NF3.

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

* The results of 2013 have been recalculated due to change in the approach to estimation of fugitive post-mining methane emissions from produced coal as well as due to improvements in data quality and several identified inaccuracies. In order to estimate post-mining methane emissions, data on the in situ methane content of the coal provided in the National Greenhouse Gas Inventory Reports are now used where available, or else the highest relevant default emission factor provided by IPCC 2006. Locally obtained factors that were previously used proved to be inapplicable. The total effect of these changes for 2013 amounted to –3.72 $MtCO_2e$ for Scope 1 emissions. Identified improvements in quality of the data and inaccuracies regarding material flows have summarily resulted in the corrections of the 2013 GHG emissions of –1.11 $MtCO_2e$ for Scope 1 emissions.

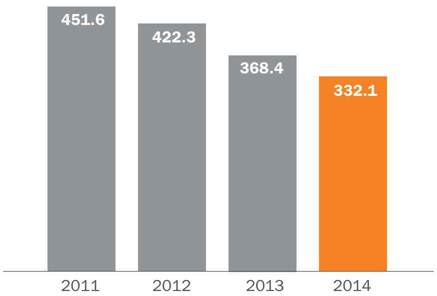
Corporate Social Responsibility
(continued)

EVRAZ reports an intensity ratio relating its annual GHG emissions to its activities – total Scope 1 and 2 emissions per consolidated revenue for the Company as a whole and each operating segment (see graphs) according to the new divisional structure. Additionally, specific emissions in the steel segment per tonne of steel products for both 2013 and 2014 years are compared to average specific emissions of World Steel Association members for 2013. Higher specific GHG emissions in the EVRAZ steel segment may be due to the key role that integrated iron and steel works (that inherently emit more GHGs than rolling mills) play in EVRAZ steel production output.

Water consumption and water discharge
The objective of the Company is to use water resources efficiently and to prevent any negative impacts on water quality through environmental incidents. In 2014, almost 76% of EVRAZ total water intake was from surface sources, including rivers, lakes and reservoirs versus 80% in 2013.

Total fresh water consumption in 2014 was 332 million cubic metres, 9.8% less than in 2013 (368 million cubic metres) and 26.6% less than in 2011. Taking into account the decision by the HSE Committee of the Board to re-base the target by excluding data related to the disposed assets, the fresh water consumption decreased by 17% versus the 2011 adjusted baseline.

EVRAZ fresh water consumption dynamics, million m³



Water discharge decreased by 73.8 million cubic meters during 2012-2014.

In 2014, EVRAZ sites significantly improved the water management performance.

Yuzhkuzbassugol put into operation new water treatment facilities at Uskovskaya and Yerunakovskaya-VIII mines. The Alardinskaya mine completed installation of domestic waste water treatment resulting in more treated water used in production instead of fresh water.

Water pumped from mines (mine dewatering process) is not included in the fresh water consumption target although pumped water is used in the production process. In 2014, 44.7 million cubic meters of mine water were pumped out and used compared to 37 million cubic meters in 2013.

EVRAZ ZSMK has commissioned new water rotation cycles in the gas treatment installation at the ingot shop, a water cooling system of the rail and beam mill, reconstructed the pump station and replaced gravity conduits of "dirty" and "clean" cycles. These measures along with operational improvements allowed to decrease water consumption at EVRAZ ZSMK by 14 million cubic meters.

The Bagleykoks coke plant in Ukraine has commissioned a new chemical water treatment plant.

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

In line with the Company's strategy to reduce waste storage volumes and enhance waste disposal, EVRAZ sites regularly reviews opportunities for waste recycling and reuse. For example, in 2014 EVRAZ ZSMK has started operation of the new installation for converter slag processing. The main goal is 100% recycling of converter slag. This will allow us to extract 20-25% of the metal from the slag with the remainder after the crushing and screening becoming by-product.

In 2014, EVRAZ steel mills generated 9 million tonnes of metallurgical waste (slag, sludge, scale) while 10.8 million tonnes were recycled and reused. In total, in 2014, EVRAZ recycled or reused 110% of non-mining waste and by-products compared to 106% in 2013.

EVRAZ's strategy of 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 2014, 11% or 15.4 million tonnes of such waste material were reused compared to 14% or 21 million tonnes in 2013.

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

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

In 2014, the Company employed almost 95,000 people. The 10% decrease from 2013 was mainly caused by:

- the optimisation of production personnel (more than 4,000 employees)
- optimisation of general and administrative personnel (more than 2,500 employees)
- the closure of uneconomic facilities at EVRAZ ZSMK and Yuzhkusbassugol mines (more than 2,000 employees)
- the disposal of assets (more than 2,000 employees) and
- outsourcing of support functions (about 500 employees).

The number of compulsory redundancies across all operations totalled some 6,500 employees in 2013.

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

Talent management
EVRAZ places a great deal of emphasis on selecting, developing and promoting of high potential employees, as set out in our five year target. There are several tools to achieve this target – self-promotion and standard educational programs for all management levels.

In 2014, 51 EVRAZ technical specialists from the USA, Canada, South Africa, the Czech Republic, Switzerland, Ukraine and Russia participated in the 5th EVRAZ New Leaders Programme hosted by the Skolkovo Moscow School of Management. In 2014 this programme was conducted with the Massachusetts Institute of Technology.

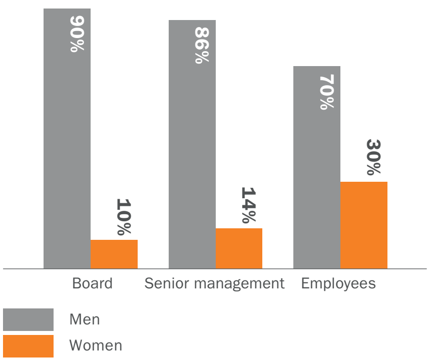
Talent management issues are supervised by the Talent Committee which is comprised of key EVRAZ executives, all of whom are actively involved in and personally responsible for, tutoring and overseeing a given pool of high potential employees. Talent Committees, which were introduced at all sites in 2013, will be used to engage management into the process of identifying and developing successors for key positions in the Company.

Educational programmes
EVRAZ capitalises on its technical employees' expertise by involving them in the development of educational materials and training courses. 46 schools of chief specialists took place during the last 3 years aimed at developing and preparing successors (490 employees) for 240 technical experts. In addition, 11 technical forums including The Youth Scientific Technical Conference aimed at solving production issues were highly assessed by the management. TIPS (Theory of Inventive Problem Solving) methods were actively implemented in all such initiatives. EVRAZ's most gifted engineers undertake master's degrees in the Moscow Institute of Physics and Technology with a specialisation in systems engineering.

In 2014, more than 2,000 managers of all levels, including President and vice-presidents, were trained on EVRAZ's corporate standard of Behaviour Safety Conversations which could help to manage safety culture, attitude and prevent staff injuries.

Diversity
The Company believes that diversity plays an important role in a successful business. EVRAZ remains committed to providing equal rights to its employees regardless of their race, nationality, gender or sexual orientation, and the Company recognises the importance of diversity when recruiting employees. Full consideration is given to applications from people with disabilities, having regard to their particular aptitude and abilities. EVRAZ values all types of diversity, but focuses on gender balance at all levels of the business with a view of improving the percentage of women in senior management each year to help the Company ensure a more balanced range of skills and management styles.

Diversity of employees, senior management and directors



As at 31 December 2014, 66,484 (70%) of EVRAZ workforce were men and 28,339 (30%) women. Of these, 44 are considered senior management (38 men and 6 women). EVRAZ's current female representation amongst the Board's membership is 10% with one woman on the Company's board of directors.

After considerable consideration and research 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.

Corporate Social Responsibility
(continued)

Cooperation with labour unions

EVRAZ respects its employees' rights and aims to build a constructive and positive relationship with the labour unions which represent them. All EVRAZ sites operate through the collective bargaining agreement model. The Company has generally high levels of unionisation at operations (about 75%), although this can vary significantly across operations and countries.

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

Internal communications

EVRAZ pays great attention to its internal communications processes and constantly develops it in order to build an efficient system, designed not only for keeping information flowing, but also for raising employees' loyalty and motivation.
The company searches, evaluates and implements best communications practices, such as corporate Intranet, bulletins, town halls, internal advertising campaigns. Our goals are to provide up-to-date, full and transparent information regarding our business and strategies, our progress and bottlenecks, to support EVRAZ development by engaging our employees into company's initiatives, by building a strong international team of people, committed to our Company, customers and industry.

Company's internal communications processes are built based on five fundamentals of EVRAZ's strategy. According to the EVRAZ PEOPLE strategy we develop transparent and easy-to-reach systems for delivering the information to different groups of employees – from white collar workers to thousands of steelmakers and miners.
For example, our corporate Intranet unites employees from the Russian Far East and Western Siberia to Dnipropetrovsk, Ukraine, providing them with one unified newswire and knowledge data-base, available for all corporate computer users. Our weekly corporate newspaper with over 50,000 copies covers over 10 plants and mines; unified information desks keep operational employees well informed. In 2014, EVRAZ's communication program devoted to Health, Safety and Environment was recognised as one of the best internal communications projects in Russia, acknowledging our success in motivating people to work safe, value their health and wellbeing.

In 2014, EVRAZ introduced a number of new communications tools, such as town hall meetings with EVRAZ vice presidents and plant CEOs, quarterly top management letters, infographics as an easy way to explain our complex business processes and a new communications campaign, designed to promote the EVRAZ Business System.

EVRAZ encourages two-way communication processes and collects feedback via the EVRAZ Compliance Hot Line. Thus the Company ensures that every complaint is received and taken into account, and that Company's policies and procedures are used as a part our plants' and employees' daily routine.

We strongly believe that our efforts help EVRAZ in achieving market leadership and in becoming the employer of choice.

Social and community programmes

The main charity programmes within the company have remained consistent for several years: EVRAZ supports children, local communities and sports.

Charity funds in Siberia, the Urals, and Russia help children with cerebral palsy. EVRAZ implements all modern techniques that help to treat the kids. Phototherapy is one of the latest successful techniques, along with aquatherapy, hippotherapy and traditional medical care.

EVRAZ continues to support orphanages, providing equipment, educational materials, clothes and New Year presents. In Siberia EVRAZ organised a boat tour to Evenkia for the children from one of the orphanages of Novokuznetsk. The children passed more than 500 km by rivers and land.

Support for local communities includes infrastructure and cultural programmes.
In 2014, EVRAZ continued to support the Drama theatre of Novokuznetsk. The company supported the project of exchange road tours "Theatre spaces" which gave the citizens opportunities to visit the plays of theatres from other cities.

Once again EVRAZ ran the grant competition "City of friends, city of ideas" in Kachkanar, the Urals. 12 social projects proposed by citizens were awarded grants, including those aimed at taking care of elderly people, improving the cultural life of the city, promoting sports and safety rules for children, as well as organising volunteer services.

EVRAZ continued its partnership with the Russian Geographical Society. For the fifth consecutive year EVRAZ sponsored the Kyzyl – Kuragino archeological expedition in the republic of Tyva. In 2014, EVRAZ also helped organise the expedition in the North of Russia *Looking for the last giant of the Arctic Region.* The expedition reached by boat the location where mammoth remains were found in the beginning of the 20th century and made a number of important new research findings.

EVRAZ North America continued to develop its Reading Sparks® programme that provides literacy support to children in EVRAZ communities in the United States and Canada. In addition to establishing book nooks in elementary schools in Alberta (Camrose and Calgary), Canada, we again sponsored the Saskatchewan Young Readers' Choice awards as well as the second and third years of the Prairie Valley school system's Battle of the Books program in Regina, Saskatchewan, Canada. In the U.S., we extended our support of the Pueblo City elementary school system's literacy program to fund first- through third-grade classes.

EVRAZ began its multi-year commitment as the presenting sponsor of the Enbridge Ride to Conquer Cancer, which benefits the Alberta Cancer Foundation. Additional non-profit organisations and charitable causes in Canada supported by EVRAZ North America include the United Way, Hull Services, and the Alzheimer Society. The company also provides scholarships for Canadian Aboriginals to the Universities of Alberta and Regina, Notre Dame College, Northern Alberta Institute of Technology and Saskatchewan Polytechnic. In addition, EVRAZ is an associate partner of the new University of British Columbia Pipeline Integrity Initiative to foster education, training and research for BC's pipeline programs.

EVRAZ also continues to support four-year skilled apprenticeships for maintenance and electrician tradespeople at Pueblo Community College and the Pueblo Workforce Center in Colorado. In Portland, Oregon, EVRAZ supported the First Growth Children and Family Charities annual fundraiser benefitting the YWCA Clark County, Randall Children's Hospital, New Avenues for Youth, Metropolitan Family Services, and Friends of the Children.

EVRAZ Highveld Steel and Vanadium Ltd sets a focus on socioeconomic development, education and health, to the benefit of the most vulnerable members of the eMalahleni community. Programmes include meals to underprivileged children and a secure playground for them after school, donation for the construction of the hall in Pine Ridge School, as well as support to SANTA – South African National Tuberculosis Association.

Mapochs Mine supports a Hydroponics and agricultural project. The mine supplied infrastructure – hothouse tunnels and water tanks and trained the households to produce their own fruit and vegetables. Surplus produce is bought by the Mapochs Canteen and two boarding schools in the area. Indigenous Nursery supports the Mapochs Mine ground rehabilitation programme and is used to grow seedlings and rescue plants from the mined areas.

In Ukraine, EVRAZ concentrated on environmental efforts, social projects and improving infrastructure in the regions where it is present.

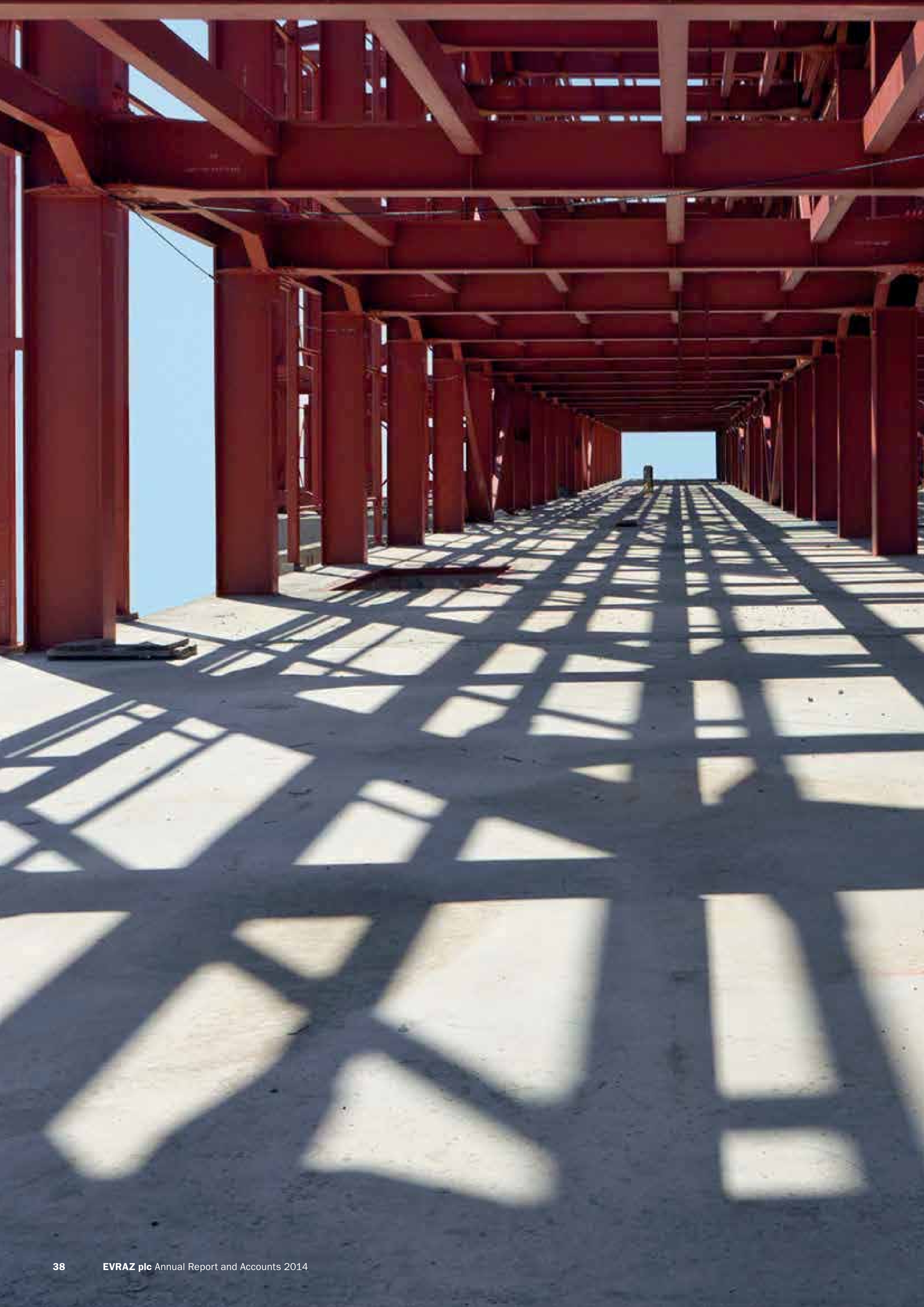
The staff remain involved in EVRAZ-driven community programmes. In April 2014 four hundred of EVRAZ DMZ Petrovskogo employees participated in a regular environmental event to clear the littered banks of the Dnepro river.

EVRAZ Ukraine has promoted the prestige of the metallurgical profession – the industrial heart of the country. Over ten thousand people visited the virtual room Feel Yourself EVRAZ Steelworker in Dnepropetrovsk trying on virtual suits of a blast furnace and a converter shop worker.

Our Strategic Report, as set out on pages 4 to 37 inclusive, has been reviewed and approved by the Board of Directors on 31 March 2015.

By the order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc
31 March 2015



Business Review

Here we analyse the Company's results by reportable operating segments and discuss the performance of EVRAZ's business divisions throughout the year.

In this section:

Operating over four continents

Overview

In 2014, EVRAZ re-grouped its operations into different operating segments compared to 2013 in order to better reflect the resource allocation and relations between business divisions. Therefore, for the year ended 31 December 2014, we have reported our financial performance based on the following new segments: Steel (excluding North American steel operations); Steel, North America; Coal; and Other operations.

The production of steel and steel products output remains the core of EVRAZ's business with operations spread over four continents. The Company is represented in many steel product markets with a specialised focus on the infrastructure sector.

In 2014, EVRAZ's consolidated crude steel output totalled 15.5 million tonnes, a 4% decrease compared to 2013, while external sales of steel products of 15.2 million tonnes were marginally lower than the 15.5 million tonnes achieved in 2013. The decline is mostly attributable to the disposal of EVRAZ Vitkovice Steel in the Czech Republic and the shutdown of EVRAZ Claymont in the USA. For a description of EVRAZ's steelmaking operations in different geographical locations please refer to the respective parts of this Business Review.

The Company's iron ore mining and beneficiation operations, including the vanadium operations, are part of EVRAZ's Steel segment given their close integration with our steelmaking assets. In 2014, the production of saleable iron ore products decreased by 3% compared to 2013, as a result of disposals and the closure of inefficient iron ore assets in Russia, such as EVRAZ VGOK and several mines at Evrazruda. However, the majority of iron ore consumed by EVRAZ's steel mills in 2014 was still supplied from the Company's own operations. More information on EVRAZ's iron ore and vanadium operations can be found in this review.

With the acquisition of the Raspadskaya coal company EVRAZ's coal mining has developed into a very strong business which supplies coking coal to EVRAZ's steel plants and sells coal in the market. Raw coking coal output increased by 11% driven by enhanced production by the Raspadskaya coal company due to the successful completion of the Raspadskaya mine's restoration programme and stable performance at the Yuzhkuzbassugol coal company. EVRAZ's Coal segment sold 16 million tonnes of coal products, including 6.2 million tonnes supplied for the Company's internal consumption. The results and prospects of the Company's coal operations are described in more detail on pages 61-65.

EVRAZ's consolidated external steel sales by product

	US$ million			'000 tonnes		
Product	2014	2013	Change	2014	2013	Change
Semi-finished products	2,359	2,028	16.3%	4,737	4,013	18.0%
Construction products	3,623	4,156	(12.8)%	5,548	5,732	(3.2)%
Railway products	1,535	1,791	(14.3)%	1,862	1,929	(3.5)%
Flat-rolled products	1,106	1,776	(37.7)%	1,406	2,358	(40.4)%
Tubular products	1,499	1,266	18.4%	1,046	883	18.5%
Other steel products	357	458	(22.1)%	577	625	(7.7)%
Total	**10,479**	**11,475**	**(8.7)%**	**15,176**	**15,540**	**(2.3)%**

Please see the Company's quarterly and annual production press releases at http://www.evraz.com/media/news/ or visit http://www.evraz.com/investors/production_results/ for quarterly and annual production data.

STEEL segment
Financial performance

Our Steel segment includes steelmaking and iron ore mining operations in Russia, Ukraine, Kazakhstan and South Africa, our trading companies and EVRAZ's global vanadium business.

(US$ million)	2014	2013	Change
Revenue	9,519	10,792	(11.8)%
EBITDA	1,912	1,656	15.5%
EBITDA margin	20.1%	15.3%	4.8%
CAPEX	317	476	(33.4)%

Steel segment revenues

	Year ended 31 December		
(US$ million)	2014	2013	Change
To third parties	8,933	10,392	(14.0)%
To steel North America segment	532	328	62.2%
To coal segment	18	19	(5.3)%
To other operations	36	53	(32.1)%
Total Steel segment	**9,519**	**10,792**	**(11.8)%**

Steel segment revenues by products

	Year ended 31 December				
	2014		2013		2014 v 2013
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	Change
Steel products, external sales	7,510	78.9%	8,625	80.0%	(12.9)%
Semi-finished products[1]	2,359	24.9%	2,028	18.8%	16.3%
Construction products[2]	3,286	34.5%	3,866	35.8%	(15.0)%
Railway products[3]	1,022	10.7%	1,324	12.3%	(22.8)%
Flat-rolled products[4]	487	5.1%	988	9.2%	(50.7)%
Other steel products[5]	356	3.7%	419	3.9%	(15.0)%
Steel products, intersegment sales	543	5.7%	338	3.1%	60.7%
Iron ore products	278	2.9%	409	3.8%	(32.0)%
Vanadium products	484	5.1%	530	4.9%	(8.7)%
Other revenues[6]	704	7.4%	890	8.2%	(20.9)%
Total	**9,519**	**100.0%**	**10,792**	**100.0%**	**(11.8)%**

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
6 Includes coke and coking products, refractory products, ferroalloys, scrap, energy and services.

STEEL segment
Financial performance (continued)

Sales volumes of Steel segment

('000 tonnes, unless otherwise stated)	Year ended 31 December 2014	2013	Change
Steel products, external sales	**12,566**	**12,913**	**(2.7)%**
Semi-finished products	4,737	4,013	18.0%
Construction products	5,140	5,367	(4.2)%
Railway products	1,325	1,450	(8.6)%
Flat-rolled products	789	1,490	(47.0)%
Other steel products	575	593	(3.0)%
Steel products, intersegment sales	**954**	**608**	**56.9%**
Total steel products	**13,520**	**13,521**	**(0.0)%**
Vanadium products (tonnes of pure Vanadium)	**20,806**	**23,078**	**(9.8)%**
Vanadium in slag	3,220	5,883	(45.3)%
Vanadium in alloys and chemicals	17,586	17,195	2.3%
Iron ore products	**4,542**	**4,815**	**(5.7)%**
Pellets	1,288	1,257	2.5%
Other iron ore products*	3,254	3,558	(8.6)%

* Other iron ore products include lumping ore of Sukha Balka, sinter and concentrate.

Geographic breakdown of external steel products' sales

	US$ million 2014	2013	Change	'000 tonnes 2014	2013	Change
Russia	4,088	4,835	(15.4)%	6,428	6,576	(2.3)%
Asia	1,621	1,637	(1.0)%	3,182	3,151	1.0%
Europe	523	920	(43.2)%	956	1,476	(35.2)%
CIS	671	803	(16.4)%	965	1,065	(9.4)%
Africa & America & RoW	607	429	41.5%	1,035	645	60.5%
Total	**7,510**	**8,624**	**(12.9)%**	**12,566**	**12,913**	**(2.7)%**

The Steel segment's revenues decreased by 11.8% largely as a result of lower revenue from the sales of steel products. Steel products sales revenues were US$8,053 million in 2014 compared to US$8,963 million in 2013, the decline was predominantly due to lower prices, accompanied by negative impact from changes in the sales mix, i.e. higher share of sales of semi-finished products and lower share of final products.

The growth in revenues from external sales of semi-finished products was due to higher sales volumes, which reflected the changes in Group product mix. Sales of slabs to third parties in 2014 rose compared to prior year mainly as a result of reduced internal consumption of billets and slabs. This relates to the suspension of operations at EVRAZ Palini e Bertoli, the disposal of EVRAZ Vitkovice Steel, closure of EVRAZ ZSMK flat plate mill and a decrease in the production of railway products.

External revenues from sales of railway products (rails, wheels etc.) fell due to lower sales volumes and prices. The decrease in volumes was attributable to lower orders for solid wheels and railcar sections from railcar producers and railcar repair shops.

Revenues from the sales of construction products to third parties were down by 15.0% in the year, primarily as a result of reduced prices accompanied by lower sales volumes. Lower sales volumes resulted from a decrease in the consumption of steel sections and growing competition among beam producers in Russia. Revenue was affected by a decline in the prices of construction products in Russia, caused by lag in a local price adjustment after the fall in the Russian rouble.

Flat rolled product external revenues in 2014 were significantly lower than in 2013 due to lower sales volumes following the disposal of EVRAZ Vitkovice Steel (approx. 360,000 tonnes), the suspension of operations of EVRAZ Palini e Bertoli (approx. 290,000 tonnes), and the shutdown of the EVRAZ ZSMK plate rolling mill (approx. 115,000 tonnes).

Steel segment revenues from the sales of iron ore products decreased by 32.0%, primarily as a result of the fall in iron ore prices. This was also accompanied by lower sales volumes, primarily because of the sale of VGOK in October 2013.

During the year, approximately 57% of EVRAZ's iron ore consumption by steelmaking was supplied by the Group's own operations, compared with 68% in 2013.

Steel segment revenues from the sales of vanadium products declined by 8.7% mainly due to lower prices.

Steel segment cost of revenue

	Year ended 31 December				
	2014		2013		2014 v 2013
	US$ million	% of segment revenue	US$ million	% of segment revenue	Change
Cost of revenue	**6,940**	**72.9%**	**8,388**	**77.7%**	**(17.3)%**
Raw materials	2,633	27.7%	3,068	28.4%	(14.2)%
Iron ore	702	7.4%	734	6.8%	(4.4)%
Coking coal	892	9.4%	1,180	10.9%	(24.4)%
Scrap	495	5.2%	541	5.0%	(8.5)%
Other raw materials	544	5.7%	613	5.7%	(11.3)%
Semi-finished products	87	0.9%	178	1.6%	(51.1)%
Transportation	454	4.8%	655	6.1%	(30.7)%
Staff costs	950	10.0%	1,200	11.1%	(20.8)%
Depreciation	337	3.5%	483	4.5%	(30.2)%
Energy	823	8.6%	1,020	9.5%	(19.3)%
Other*	1,656	17.4%	1,784	16.5%	(7.2)%

* Includes repairs and maintenance, industrial services, auxiliary materials, goods for resale, taxes in cost of revenue, and effect of changes in work-in-progress and finished goods inventories.

EVRAZ's steel segment cost of revenue decreased to US$6,940 million in 2014, from US$8,388 million in 2013.

The principal factors for this decline, in absolute terms compared to 2013 were:

– The cost of raw materials decreased by 14.2% mainly due to a decline in prices for coking coal and iron ore in the Russian market, lower coal consumption at EVRAZ ZSMK due to the coke plant shutdown. This decline was, in turn, partially offset by higher prices of iron ore and coke at Ukrainian sites.
– Transportation costs decreased by 30.7%, for which the primary causes were the weakening of the Russian rouble, disposal of VGOK and certain Evrazruda's assets.
– Decrease in staff costs by 20.8% was largely attributable to the Russian rouble and Ukrainian hryvnia weakening. Additionally, the reduction in staff costs caused by the disposal of VGOK, Vitkovice, Evrazruda's assets, suspension of EVRAZ Palini e Bertoli was partially offset by wage inflation at EVRAZ NTMK and EVRAZ ZSMK, and other changes.
– Depreciation and depletion costs were mostly reduced by the local currencies weakening, as well as reassessment of the remaining useful lives of plant and equipment at EVRAZ NTMK, EVRAZ ZSMK and EVRAZ DMZ.
– Lower energy costs were driven by the Russian rouble and Ukrainian hryvnia weakening, the reduced consumption of natural gas by EVRAZ DMZ due to technology optimisation, disposal of Vitkovice and VGOK, the EVRAZ Palini e Bertoli suspension and reduced production at Evrazruda.
– Other costs decreased primarily due to lower auxiliary material costs, changes in work in progress and finished goods and goods for resale costs.

Steel segment gross profit

Steel segment gross profit increased by 7.3% to US$2,579 million in 2014 from US$2,404 million in 2013, reflecting the decline in steel segment revenues by 11.8%, while cost of revenues decrease by 17.3%.

A summary of our Steel segment's assets and operations and FY2014 performance is presented on pages 40-55.

STEEL segment
Operational performance

RUSSIA: Steel and Iron Ore

Output of crude steel ('000 tonnes)

11,798

Output of steel products ('000 tonnes)

10,795

Steel
Key steelmaking production facilities

Fast facts	Operations	Products
EVRAZ ZSMK (Russia) **Capacity**: • Crude steel: 8.9 million tonnes per annum • Construction products: 3.6 million tonnes per annum • Rails: 950,000 tonnes per annum **Employees***: 20,424 (2013: 22,508) **Ownership**: 100% **EVRAZ NTMK (Russia)** **Capacity**: • Crude steel: 4.5 million tonnes per annum • Construction products: 1.1 million tonnes per annum • Rails: 510,000 tonnes per annum • Other railway products: 425,000 tonnes per annum **Employees:** 15,404 (2013: 17,419) **Ownership:** 100%	Two fully integrated steelmaking plants EVRAZ NTMK and EVRAZ ZSMK include: – coke and chemical processing facilities – sinter plant – blast furnaces – basic oxygen furnaces – blooming plant, slab and billet continuous casting machines – electric arc furnaces, ladle furnaces and vacuum vessel – rolling mills: medium section mill 450, light section mills 250-1 and 250-2, wire mill, rail and structural mills, rail fastening mill, broad-flange beam mill, heavy section mill, wheel rolling mill, ball rolling mill	• Metallurgical products: coke, pig iron • Semi-finished products: slabs, billets, pipe blanks • Long products: rebars, rod, structural products • Railway products: heavy-haul rails, low-temperature and high speed rails, head hardened, 100 metre rails, wheels, etc. Industrial steel: grinding balls, arch rock support, etc.
EVRAZ Caspian Steel (Kazakhstan) **Capacity (steel products)**: 450 ktpa **Employees**: 231 (2013: 175) **Ownership**: 65%	• Rolling mill	• Rebars • Small sections

* Number of employees here and throughout the report as of 31 December 2014.

What EVRAZ said and did in 2014 and 2015 targets

2014 targets	2014 achievements	2015 targets
Launch PCI technology at EVRAZ ZSMK	PCI unit was commissioned at EVRAZ ZSMK in July 2014 allowing sustainable reduction in operating costs of up to US$6 per tonne of crude steel In 2014 US$7 million savings on coke and natural gas were achieved (coke consumption decreased from 423 kg/t to 420 kg/t of pig iron, and natural gas decreased from 72m^3/t to 69m^3/t)	Reach design parameters: coke consumption to decrease from 420 kg/t to 358 kg/t of pig iron, and natural gas decrease from 69m^3/t to 34m^3/t of pig iron, on the back of usage of 129 kg of PCI coal per tonne of pig iron
Launch a converter slag processing complex at EVRAZ ZSMK	The slag processing complex was launched in November 2014	Reach the design parameters of 100% slag processing and save on consumption of scrap and iron ore products
Finalise the construction of modern air separation units at EVRAZ NTMK in order to outsource supply of industrial gases	Postponed to Q2 2015 due to delay in commissioning of new equipment by a contractor	Commission air separation units at EVRAZ NTMK
EVRAZ Caspian Steel to reach its designed annual nameplate capacity of 450,000 tonnes of rebars in H2 2014	The mill was commissioned in mid-2014 with mass production beginning in August and totalling 62 kt of rebars by year-end	The mill is expected to produce ca. 365 kt of rebars in 2015, gradually ramping up production to the nameplate annual capacity of 450 kt
Master high grade slab production at EVRAZ NTMK	Pilot batch of slabs was delivered to a client	Increase production and sales of the NTMK high value added micro-alloyed pipe grade slabs
Produce 665,000 tonnes of rails at EVRAZ ZSMK	EVRAZ ZSMK produced 530,000 tonnes of rails; a number of new rail types have been developed and received compliance certificates from Russian and European certification agencies	Produce 800,000 tonnes of rails at EVRAZ ZSMK, including 45,000 tonnes of 100-metre rails Expand product portfolio by developing new rail profiles Start qualification of 60E2 rails at Deutsche Bahn
Start supplying 100-metre rails, and to expand the product line of head-hardened rails for high speed applications	First batch of 100-metre head-hardened R65 DT-350 rails was shipped to Russian Railways in May. Shipments of 100-metre rails amounted to 5,000 tonnes	
Develop railway wheel sales to North America and start supplies to Europe	Target sales to both North America and European markets have been achieved: 5,600 tonnes of railway wheels were shipped	Expand shipments of wheels to export markets
Improve the quality of work with claims in accordance with a new CRM project	A new CRM system was launched where every customer has a personal online account for order tracking and monitoring of payment and application status	Improve the customer satisfaction index by implementing the claim processing procedure, which will reduce the time of response to the claims and delineate responsibility zones

STEEL segment
Operational performance (continued)

RUSSIA: Steel and Iron Ore (continued)

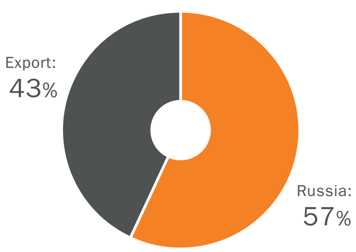
Production
Crude steel output at EVRAZ's Russian steel mills was largely unchanged in 2014 compared to 2013, reaching 11.8 million tonnes.

In 2014 EVRAZ ZSMK produced 5.9 million tonnes of pig iron, 7.6 million tonnes of crude steel and 6.8 million tonnes of steel products. EVRAZ ZSMK focused on reducing operating costs by closing a number of coke batteries and launching the PCI technology. As a result of the introduction of PCI technology, EVRAZ ZSMK has increased annual pig iron capacity by 234,000 tonnes to 6,150,000 tonnes. Following the scheduled launch of PCI at EVRAZ ZSMK and the resulting decline in internal coke consumption, accompanied by the weak demand for coke in the domestic and export markets, the EVRAZ ZSMK steel plant shut down its coke chemical plant EKS-2.

In 2014, EVRAZ NTMK produced 4.8 million tonnes of pig iron, 4.2 million tonnes of crude steel and 4.2 million tonnes of steel products. Production of vanadium slag by EVRAZ NTMK amounted to 15, 125 tonnes of vanadium. For details on the performance of the Vanadium segment please refer to pages 54-55.

Sales
In 2014, shipments of steel products manufactured by Russian mills remained stable with capacity utilisation remaining high. The Russian and other CIS market accounted for approximately 64% of EVRAZ Russian plants' overall sales volumes (in 2014) with the remainder exported. Most of the export sales were comprised of semi-finished products, billets and slabs, while in the domestic markets EVRAZ sold predominantly finished steel goods, such as construction or railway products.

Sales volumes of steel products by destination



External steel sales by products

	US$ million			'000 tonnes		
	2014	2013	Change	2014	2013	Change
Steel products	**6,597**	**7,147**	**(7.7)%**	**11,071**	**10,719**	**3.3%**
Semi-finished products	2,130	1,814	17.4%	4,253	3,592	18.4%
Construction products	2,920	3,417	(14.5)%	4,581	4,742	(3.4)%
Railway products	989	1,278	(22.6)%	1,295	1,413	(8.4)%
Flat-rolled products	217	265	(18.1)%	389	437	(11.0)%
Other steel products	341	373	(8.6)%	553	535	3.4%

Construction products
The majority of construction products produced by EVRAZ's Russian steel mills were supplied to Russian steel distributors, with construction companies being the main end-users.

In 2014, consumption of rebars in Russia increased by 5% to almost 8.9 million tonnes. Rouble prices demonstrated a 3-4% growth compared to 2013 mainly due to the rouble devaluation. EVRAZ's sales of rebars in Russia were up by 4% year-on-year.

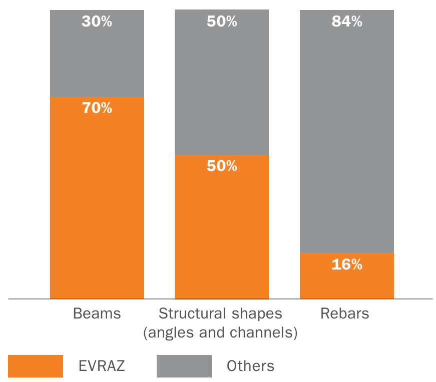
Annual consumption of steel sections decreased by 9% in 2014 to 3.1 million tonnes due to the lack of large infrastructure projects. EVRAZ increased its market share from 43% to 48% in U-beams and angles; it decreased from 78% to 70% in the H-beams and I-beams segments due to pressure from competitors and substitutes. Despite high volatility, rouble prices have risen, increasing by 5% in 2014.

Activities related to enhancing the Company's customer focus remained among the key priorities for EVRAZ in 2014. Deliveries via a logistics hub in Siberia more than doubled compared to 2013. A new CRM system launched in June 2014 allows clients to effectively carry out a number of tasks, including placing and tracking online orders, checking payment statuses and filing claims online, optimising the claim processing procedure.

In 2014, EVRAZ's trading arm for Russian & CIS markets, Trading Company (TC) EvrazHolding, maintained the highest customer satisfaction level (improving it to 8.6% from 8.4% in 2013) among its Russian competitors, according to the results of an independent study.

EVRAZ's steel distribution and service network EVRAZ Metall Inprom (EMI) is the second largest Russian steel trading company with an 11% market share. In 2014, it sold 2 million tonnes of steel products, with EVRAZ steel products amounting to 1.07 million tonnes, or 54% of EMI's total sales. In 2014, EVRAZ Metall Inprom received an award for having the best sales network in Russia for the second year in a row. The strength of the sales network is largely due to its wide geographic presence, customer focus, portfolio and the quality of products and services it offers.

EVRAZ construction products' market share in Russia



Research and development
EVRAZ Russia continued to develop new products to better meet customers' needs by developing niche steel products produced with new proprietary technologies. Production of rebar Aт1000 was launched by EVRAZ ZSMK, the only steel plant in Russia which can produce this type of rebars from steel grade 28C, the use of which reduces the rebar cash cost. EVRAZ ZSMK mastered rebar A600C, a premium niche product which is resistant to temperature changes and corrosion. Mass production of rebar A600C began in September 2014. Mastering of rebars to meet Hong Kong's standard CS:2012 and US standard ASTM A615 is underway.

Railway products

EVRAZ's Russian mills produced 1.3 million tonnes of railway products in 2014, an 8% decrease compared to 2013 as a result of lower orders for solid wheels and railcar sections from railcar producers and railcar repair shops. Rails remained a key product for EVRAZ in 2014, accounting for approximately 12% of the Group's total Russian steel product output.

In 2014, 897,000 tonnes of rails produced in Russia were sold by the Company, including 650,500 tonnes supplied to Russian Railways, 6% more than in 2013.

In 2014, the CIS freight wheels market shrank by 40% as a result of a decrease in freight car construction and repairs. EVRAZ increased wheel shipments to the European market in order to partially compensate for lower domestic sales. Wheel sales amounted to 119,000 tonnes.

EVRAZ intends to grow its railway business by entering new markets and product segments. Production at EVRAZ ZMSK's rail rolling mill can be flexibly adjusted to customer requirements to produce raw (R260) and head-hardened (R350HT) rails in lengths of up to 100 metres.

EVRAZ ZMSK received compliance certificates for two new rail types: head-hardened DT350 rails for use in high-speed mixed-traffic railway operations and DT370 rails with higher wear resistance and contact fatigue life, from the Register of Certification on the Russian Federal Railway. Both rail types are produced using the innovative head-hardening technology. No comparable rails have been produced in Russia before.

In November 2014, EVRAZ completed TSI certification of its 60E1 and 60E2 rails which are now cleared for use in both high-speed routes and general purpose railway tracks. Issued by TUV Rheinland InterTraffic, the compliance certificate allows EVRAZ to start deliveries to Europe and other regions where these types of rails are in demand. 60E1 is the widest-spread rail type in Europe, while 60E2 is actively used by Deutsche Bahn.

In January 2015, EVRAZ delivered the first batch of 100-metre head-hardened R65 rail, produced by EVRAZ ZSMK, to the Moscow metro. It is the first-ever use of 100-metre rail in an underground transit system internationally.

EVRAZ continues to strengthen its presence in export railway wheel markets, in line with targets set out for the year. This is demonstrated by EVRAZ receiving the Association of American Railroads (AAR) certificate and expanding wheel sales to North American and European railway wheel markets.

In September 2014, EVRAZ NTMK completed the TSI certification of its BA-004 solid-rolled railway wheels for freight cars. The Compliance Certificate was issued by Výzkumný Ústav Železniční (VUZ) in the Czech Republic, the European certificating authority for rail transport. Earlier, in June 2014, two other wheel types, BA-318 and BA-319, received TSI certificates. The tests showed that the wheels produced at EVRAZ NTMK are fully compliant with the EU requirements for freight car wheels.

Research and development

Our dedicated team of engineers based at the state-of-the-art rail mill in Novokuznetsk is focused on improving the length of the rail life-cycle for passenger, freight, urban and high-speed traffic. Recent innovations developed include new, unique head-hardened rails for low-temperature applications used in heavy-haul lines in Siberia, rails with high wear resistance for sharp curves and high speed applications. Another important area of R&D focus is the development of new non-destructive testing technologies for rails.

Our unique R&D centre for railway wheels in Nizhny Tagil is constantly working on improving the properties of freight, passenger and high-speed wheels as well as special solid wheels and tyres for locomotives sold all over the world.

Outlook

Russian steel consumption is expected to weaken in 2015 but can be partly offset by higher exports.

In 2015, stronger competition is expected in the Russian construction products, mainly rebar and section, markets, as new minimills launched by steelmakers are expected to reach their designed capacity. Growing competition is expected to result in increased import substitution and price falls. The launch of a new rolling mill by EVRAZ in Kazakhstan should allow EVRAZ to increase its rebar shipments in 2015. EVRAZ may also reallocate some sales volumes to export markets.

Iron ore

EVRAZ's key iron ore production facilities

Fast facts	Operations	Products
EVRAZ KGOK **Run of mine**: 58.1 million tonnes per annum **Saleable products**: 9.9 million tonnes per annum **Employees**: 6,972 (2013: 7,102) **Ownership**: 100% interest	• 3 open pits at Gusevogorskoye deposit • Crushing, beneficiation, sintering and pelletising workshops • Licence for development of Sobstvenno-Kachkanarskoye deposit	• Sinter • Pellets • Crushed stone
Evrazruda **Run of mine**: 5.7 million tonnes per annum **Saleable products**: 3.1 million tonnes per annum* **Employees**: 4,947 (2013: 5,524) **Ownership**: 100% interest	• 3 iron ore mines: – Tashtagol, Kaz, Sheregesh • 1 processing plant: – Abagursky • 1 limestone mine: – Gurevsky	• Iron ore concentrate • Crushed stone • Limestone

* includes volume produced from third parties raw materials (dry magnetic separation product).

Iron ore reserves are given on page 206.

STEEL segment
Operational performance (continued)

RUSSIA: Steel and Iron Ore (continued)
What EVRAZ said and did in 2014 and 2015 targets

2014 plans	2014 achievements	2015 targets
Maintain full mining capacity utilisation at EVRAZ KGOK	Mining volumes at EVRAZ KGOK increased from 56.8 million tonnes in 2013 to 58.1 million tonnes in 2014; saleable products – from 9.8 million tonnes to 9.9 million tonnes	Intensify production at EVRAZ KGOK to support achieved mining volumes
Obtain necessary approvals and permits covering technical aspects, land, environmental and other issues of the Sobstvenno-Kachkanarskoye deposit	All necessary approvals and permits for the first stage of the Sobstvenno-Kachkanarskoye deposit development were received. Commissioning of Sobstvenno-Kachkanarskoye deposit was shifted to 2020 – previously 2018 – to minimise capital expenditure	Revise the second stage of Sobstvenno-Kachkanarskoye deposit development in order to postpone capital expenditure
Conduct environmental and state expert reviews in order to obtain permits and approvals for construction of a new EVRAZ KGOK tailing dump	The project was revised: investment on new technology will be postponed as existing technology allows the operation of the existing tailing dump up to 2020	Define most effective methods and terms to reconstruct the existing tailing dump
Implement the expansion project at Evrazruda's Sheregesh mine and establish a development programme for the Abagursky processing plant	The project implementation is on time Development programme for the Abagursky processing plant has been drawn up	Continue realisation of the Sheregesh mine project according to the plan Define the best option for reconstruction of the Abagursky stockyard
Conduct a pre-feasibility study and evaluate project finance options of Timir project	Pre-feasibility study was completed and the technical project is undergoing government approval; project financing is being discussed	Continue realisation of the Timir project according to the plan
		Expand production at KGOK
		Develop cash cost reduction programme at EVRAZ KGOK and Evrazruda
		Conduct a pre-feasibility study for a technological upgrade of the Tashtagol mine in order to decrease the cash cost and increase LOM by 2030

Production
Production of iron ore products (sinter and pellets) in Russia decreased by 4% in 2014, amounting to 17.6 million tonnes compared to 18.4 million tonnes in 2013, as a result of the disposal of high cost loss making assets, such as VGOK in 2013.

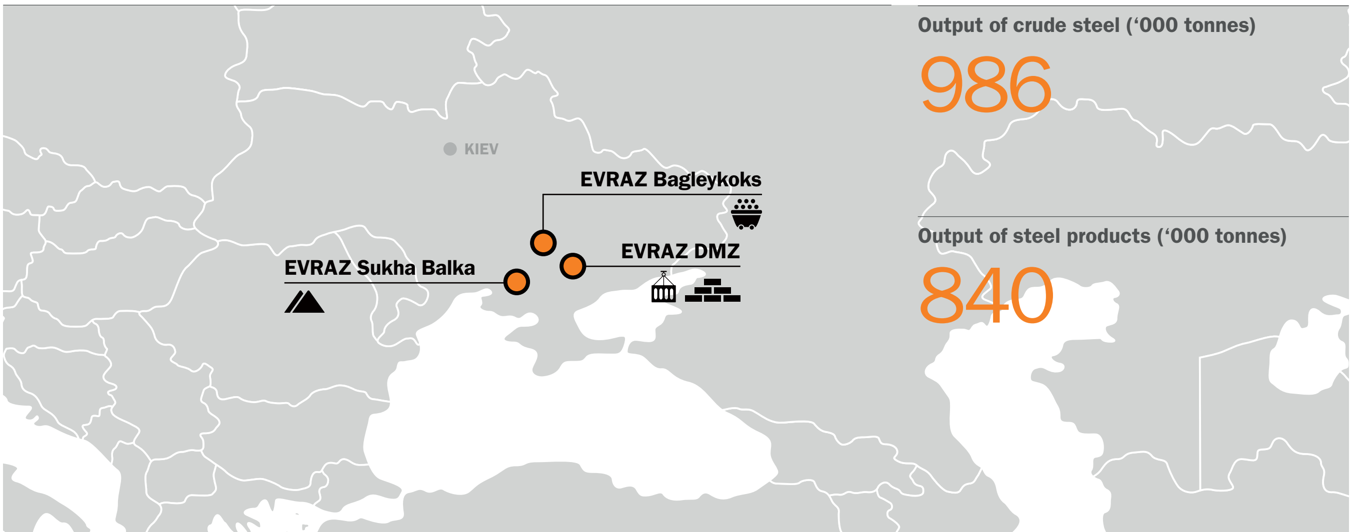
In 2014, EVRAZ KGOK mined 58 million tonnes of ore with an average Fe content of 15.52%. Total output of saleable products was 9.9 million tonnes, including 6.4 million tonnes of pellets (61% of Fe content) and 3.4 million tonnes of sinter (54% of Fe content).

The key customers of EVRAZ KGOK, EVRAZ NTMK and EVRAZ ZSMK accounted for 82% of supplies, with the remaining iron ore products sold externally. In order to cut transportation costs and improve profit margins, sales to domestic customers have been prioritised over export customers. Domestic sales were 75% of total external sales in 2014 compared to 29% in 2013 and this positive trend is expected to continue. In 2014, Evrazruda mined 5.7 million tonnes of iron ore with an average Fe content of 29.2% and produced 2.8 million tonnes of iron ore concentrate (61.0% Fe content), which was supplied to EVRAZ ZSMK.

In 2014 Evrazruda has been successfully carrying out the Sheregesh mine expansion project and reduced cash costs to US$56 per tonne compared to US$96 per tonne in 2013.

Sales
Most of the iron ore produced in Russia was consumed by EVRAZ's Russian steel mills. External sales of iron ore products, mostly pellets, amounted to 1.3 million tonnes (2013: 1.3 million tonnes), including 964,731 tonnes sold in the Russian market.

Ukraine: Steel and Iron ore



Output of crude steel (‘000 tonnes)

986

Output of steel products (‘000 tonnes)

840

Steel

Steelmaking production facilities

Fast facts	Operations	Products
EVRAZ DMZ **Capacity**: 1.4 million tonnes per annum of crude steel **Employees**: 5,398 (2013: 5,913) **Ownership**: 96.83% interest **EVRAZ Bagleykoks** **Capacity**: 707,000 tonnes of coke dry weight **Employees**: 1,322 (2013: 1,484) **Ownership**: 94.94% interest	Steel plant: • Blast furnaces • Basic oxygen furnaces • Rolling and blooming mills Coke plants	• Billets • Specialty construction products • Specialty flat products • Coke

STEEL segment
Operational performance (continued)

Ukraine: Steel and Iron ore (continued)
What EVRAZ said and did in 2014 and 2015 targets

All major capex projects are on hold because of the political and economic unrest in the region. However EVRAZ is working to lower costs by implementing an energy efficiency programme.

2014 plans	2014 achievements	2015 targets
Complete technical designs of a sinter screening installation at EVRAZ DMZ Petrovskogo (DMZ)	The sinter screening project was completed with content of sinter fines decreasing to 8%	
Implement an energy efficiency programme at DMZ	Natural gas consumption decreased by 35% compared to 2013	Implementation of energy efficiency programme at DMZ (turbo generator technical design; switch to electricity purchase in the market; oxygen waste elimination, BF oxygen enrichment)
Implement the project to debottleneck Mill 1050 in order to produce higher margin long billets (instead of short billets)	Equipment was installed and testing and commissioning were completed	Increase production of Mill 1050 by 53,000 tonnes of billets per year
Complete technical designs of a reheat furnace reconstruction at Mill 550 at EVRAZ DMZ	Project was put on hold as of March 2014	Develop a feasibility study for the Mill 550 reheat furnace
Reduce wastewater discharges by 9 million cubic tonnes per annum starting from 2014	Water recycling equipment for Mill 1050 was commissioned; sewage discharge volume reduced by 6.8 million cubic metres per year (11%). The feasibility study for West Collector sewage treatment was executed	Commence construction works at the West Collector sewage treatment with a target of the purification of 49 million cubic metres per year (76%) to the quality level of water in river Dnipro

Production

In 2014, EVRAZ DMZ (DMZ) produced 986,000 tonnes of crude steel and 840,000 tonnes of steel products.

DMZ has continued to increase the share of higher value added products in its product portfolio. In 2014, six new construction profiles (EU standard) and five auto rim profiles for the Russian market were designed and production commenced.

Sales

In 2014, sales of construction steel amounted to 352,000 tonnes, 8% lower than in 2013 given the difficulties with sales to countries with unstable political environments (Iraq, Syria, and Libya).

The company's share in the Ukrainian construction market increased to approximately 70% in the fourth quarter of 2014, as all the major competitors were affected by social unrest; major smelters located in the Donbass region were idled. Sales of semi-finished goods – billets – increased by 11% mainly due to higher exports to Middle East supported by the Ukrainian hryvnia depreciation.

External steel sales

	US$ million			'000 tonnes		
	2014	2013	Change	2014	2013	Change
Steel products	**469**	**533**	**(12.0)%**	**847**	**861**	**(1.6)%**
Semi-finished products	216	207	4.3%	457	411	11.2%
Construction products	216	261	(17.3)%	352	383	(8.1)%
Railway products	26	36	(27.8)%	20	25	(20.0)%
Other steel products	11	29	(62.1)%	18	42	(57.1)%

Outlook

In 2015, due to expected reduced demand from Russia, DMZ plans to increase export sales to Europe, Middle East, and North African countries.

Iron ore

Iron ore production facilities

Fast facts	Operations/deposits	Products
EVRAZ Sukha Balka **Run of mine**: 3.0 million tonnes per annum **P&P reserves**: 81 million tonnes* **Employees**: 4,067 (2013: 4,199) **Ownership**: 99.42% interest	2 underground mines: • Yubileynaya • Frunze	• Lumpy ore

* As of 1 January 2014, total proven and probable reserves under the JORC Code were estimated at 81 million tonnes with Fe grade of 57%.

What EVRAZ said and did in 2014 and 2015 targets

2014 plans	2014 achievements	2015 targets
To complete the electrical safety programme reaching the target of removing 50% of electrical networks in the underground areas	The first stage of the programme, dismantling of the contact-wire line at the 1,260 metres horizon, was carried out. 3km (~30%) of overhead wiring was dismantled at loading areas	
To start the extraction of blast furnace iron ore with Fe content of 63%	A trial batch of 2,000 tonnes was shipped to EVRAZ DMZ Petrovskogo. A full-scale experiment of direct blast furnace charging was carried out and, as a result, a sodium carbonate ore (Fe content 60.2%) selective mining project was developed	To launch the sodium carbonate ore (Fe content 60.2%) selective mining project aiming to sell 230,000 to EVRAZ DMZ Petrovskogo
		The reconstruction of dry magnetic separation facilities to increase the quality of iron ore, and stop the production of iron ore with Fe content of 56%

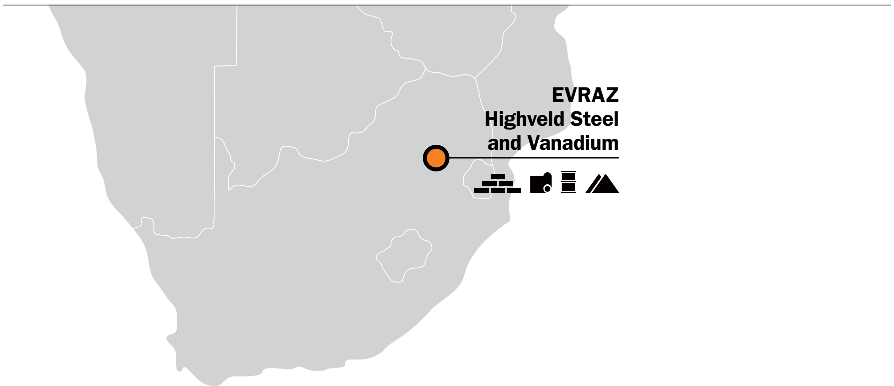
Production and sales

In 2014, Sukha Balka produced 2.9 million tonnes of lumpy iron ore, which was 3% lower than in 2013 due to poor quality of raw ore at the Yubileynaya mine and a switch to a lower mining horizon.

EVRAZ Sukha Balka's total sales were 2.6 million tonnes of ore compared to 3 million tonnes in 2013. Domestic sales amounted to 1.7 million tonnes, or 64% of total external sales volumes, including deliveries to the Yuzhny Mining and Enrichment Plant (YuGOK) and EVRAZ DMZ 36% of total output was shipped to European customers outside of Ukraine in Europe by rail and sea.

STEEL segment
Operational performance (continued)

South Africa: Steel



Output of crude steel ('000 tonnes)

621

Output of steel products ('000 tonnes)

529

EVRAZ's South African steelmaking assets

Fast facts	Operations	Products
EVRAZ Highveld Steel and Vanadium **Capacity**: 815,000 tonnes of crude steel **Employees**: 2,353 (2013: 2,303) **Ownership**: 85.11% interest	Steel plant: • Pre-reduction kilns and smelter furnaces Blast oxygen furnaces • Blooming machines and slab and billet continuous casting machines Universal structural mill • Flat product complex Iron ore: • Mapochs open cast mine	• Medium and heavy structural sections • Thick plate • Coil • Billets • Vanadium slag • Ore fines

External sales

	US$ million			'000 tonnes		
	2014	2013	Change	2014	2013	Change
Steel products	**345**	**350**	**(1.4)%**	**523**	**489**	**7.0%**
Semi-finished products	12	7	71.4%	26	12	116.7%
Construction products	135	123	9.8%	191	168	13.7%
Flat-rolled products	191	210	(9.0)%	296	297	(0.3)%
Other products	7	10	(30.0)%	10	12	(16.7)%
Iron ore products	**23**	**20**	**15.0%**	**662**	**445**	**48.8%**

In August 2014, EVRAZ plc signed an agreement to sell a 34% stake in the issued share capital of EVRAZ Highveld to Macrovest 147 Proprietary Limited ("Macrovest") led by Barend Petersen, for ZAR 289 million (approximately USD 27 million). The sale of the interest to a local strategic investor will be an important step to ensure sustainable development of Highveld as South Africa's leading steel and vanadium business.

Production

In 2014, EVRAZ Highveld Steel and Vanadium produced 666,000 tonnes of pig iron. Iron production improved by 4% compared to 2013 (or by 27,000 tonnes), resulting in a 5% increase in saleable rolled and casted production. This was largely attributable to improved management focus on the iron operation and improved equipment availability. Production of Vanadium slag showed a significant increase of 7% due to better yields after plant maintenance and due to the reprocessing of secondary rejects and spillages.

Costs in 2014 were largely the same in real terms on a per tonne basis, increasing mainly due to inflation and other annual prices increases, such as payroll (7%). Improvements and cost cutting initiatives largely took effect in the last quarter of 2014 and the positive implications of these improvements will be seen in Q1 2015.

Sales

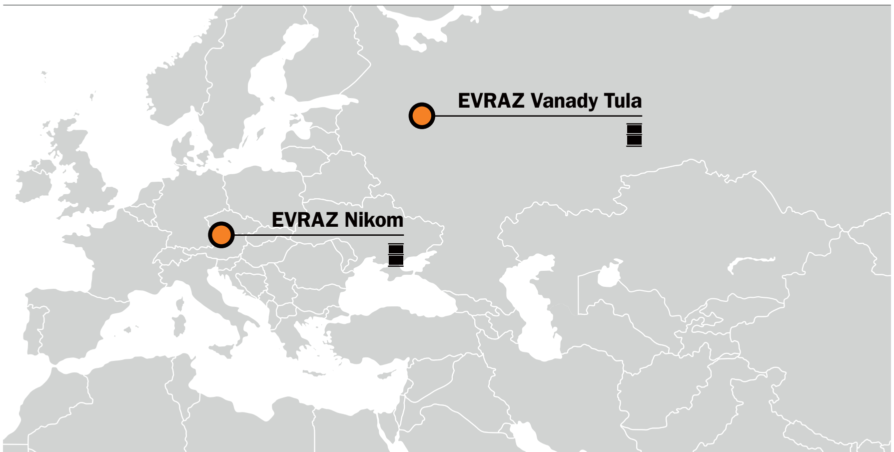
Total 0.5 million tonnes of steel products were sold in 2014, 5% more than in 2013.

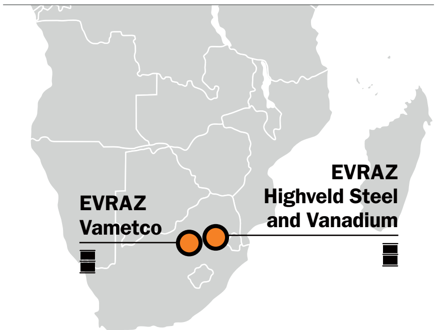
The South African domestic market faced many challenges during 2014, largely driven by ongoing labour strikes which resulted in both growing market stock and reduced investment into key areas of mining, OEM suppliers and government infrastructure. A five month strike in the platinum mining industry during H1 2014 and a one month strike in the engineering and fabrication industries in the third quarter of 2014 put pressure on the market throughout the year, with the full impact made apparent in the final quarter. The depreciation of the South African Rand further negatively impacted the market.

Demand for flat products in the domestic market was strong during the first half of the year; however the strikes greatly affected the heavy plate market from the last quarter of 2014. Coil and light gauge plate demand remained consistent throughout the year. The demand for long products was weaker in the first half, while an increase in private infrastructure development spurred an increase in demand during H2.

STEEL segment
Operational performance (continued)

Vanadium





Output of vanadium in final products, saleable (tonnes of V*)

18,361

* Calculated in pure vanadium equivalent

Key vanadium production facilities

Fast facts	Operations/facilities	Products
EVRAZ Vanady Tula (Russia) **Capacity**: 7,500 mtV of vanadium pentoxide: 5,000 mtV of FeV **Employees**: 599 (2013: 657) **Ownership**: 100% interest	• Hydrometallurgical shop (V_2O_5 production); • Electrometallurgical shop (FeV production)	• Vanadium pentoxide (V_2O_5) • Ferrovanadium (FeV) • Oxide vanadium product
EVRAZ Nikom (Czech Republic) **Capacity**: 4,940 mtV of FeV **Employees**: 52 (2013: 53) **Ownership**: 100% interest	• Metallurgical shop (FeV production)	• Ferrovanadium (FeV)
EVRAZ Stratcor (USA) **Capacity**: 2,750 mtV of vanadium oxides **Employees**: 95* (2013: 82) **Ownership**: 100% interest	• Chemicals production	• Oxides • Specialty vanadium chemicals • Vanadium alloys
EVRAZ Vametco (South Africa) **Capacity**: 3,600 mtV of modified vanadium oxide 3,000 mtV of Nitrovan® **Employees**: 407 (2013: 412) **Ownership**: 66.95% effective interest	• Modified vanadium oxide production • Nitrovan® production	• Modified vanadium oxide (V_2O_3) • Nitrovan®

* Increased due to integration of North American vanadium sales team (used to be part of EVRAZ Inc. North America).

What EVRAZ said and did in 2014 and 2015 targets

2014 plans	2014 achievements	2015 targets
Complete the project to use EVRAZ NTMK's slag to alleviate feedstock shortages at EVRAZ Stratcor	The manufacturing of an oxides vanadium product in Russia began and the stable deliveries of this product to EVRAZ Stratcor reduced dependence on third-party feedstock sources. Additionally, the supply chain from Russia to the USA was established	Maximise usage of the oxides vanadium product to feed EVRAZ Stratcor operations and further decrease dependence on third-party feedstock material, and thus reduce input costs
Increase output of specialty high value-added vanadium chemicals at EVRAZ Stratcor	Proactive marketing efforts allowed year-on-year production of specialty high value-added vanadium chemicals to grow by 8%	Increase production of chemicals at EVRAZ Stratcor by 5%
Decrease costs and improve productivity following the installation of pulp filtration equipment at EVRAZ VanadyTula	Commissioning of the pulp filtration equipment, use to improve the overall technological performance of a project, was postponed due to project redesign	Commission the pulp filtration equipment, with the subsequent rise in output and yields

Production

EVRAZ Vanady Tula produced 7,309 tonnes of vanadium pentoxide: 2,755 tonnes were further processed into ferrovanadium at EVRAZ Vanady Tula, 3,538 tonnes were consumed by EVRAZ Nikom, and the remainder was sold to a third party. Intake from Russian & CIS customers generally remained strong during 2014, with ferrovanadium sales volumes growing by 7.6% when compared to 2013.

EVRAZ Nikom maintained stable production in 2014 and increased vanadium yields. To reduce costs and improve revenues, two investment projects were initiated during the year; a slag & MgO crushing line and a new packaging unit. Both projects are expected to be fully operational in 2015. A number of labour optimisation initiatives were carried out during the year to improve productivity and secure cost savings.

In 2014, EVRAZ Nikom produced 4,803 tonnes of ferrovanadium, 1% less compared to 2013, due to unforeseen feedstock supply disruptions. Europe and North America accounted for 80% of EVRAZ Nikom's total sales volume, with the remainder sold in Asia and South America.

EVRAZ Stratcor enjoyed a stable supply of internally-sourced feedstock. The reduced use of feedstock from other sources resulted in improved reagent utilisation and oxides recovery rates, helping to cut oxides production costs by over 10% compared to 2013. Production of oxides, vanadium aluminium and chemicals at EVRAZ Stratcor increased by 6% compared to 2013.

EVRAZ Vametco's operations underwent a full audit to ensure compliance with Mine Health & Safety legislation and prevent plant stoppages by the South African Department of Mineral Resources ("DMR"). The audit also reinforced EVRAZ's commitment to implementing global best practices at the mill. Key operational improvements in 2014 targeted the overall maintenance system in order to maximise the availability of key equipment and optimise both yields and throughput. As a result, EVRAZ Vametco produced 3,206 tonnes of modified vanadium oxide in 2014 (a 25% increase compared to 2013) and 2,463 tonnes of its proprietary Nitrovan® product (a 7% increase compared to 2013).

Sales

In 2014, EVRAZ's external and intersegment sales of vanadium products decreased by 10%. This was largely due to the stagnation of the Japanese economy and steep deterioration of steel fundamentals in China during H2 2014 which reduced the attractiveness of the Asian markets. EVRAZ negated much of the potential negative impact by reallocating material to other regions.

EVRAZ's third party sales of vanadium products in Russia grew by 11% driven by growth in consumption by the large diameter pipe (LDP) and the thick plate sectors. Sales in Europe increased by 6% due to the growth of the construction and automotive sectors (1.8% and 4.5% respectively).

In 2014, EVRAZ continued to expand its customer base and increased the number of its long-term agreements, which secure the major share of sales and guarantee stable off-take. EVRAZ increased its focus on value-adding products – chemicals and high purity oxides. Growth in demand from major aircraft manufacturers, driven by renewal of airline fleets around the world, had a positive impact on sales of vanadium-aluminium; a significant component in EVRAZ's specialty products. Together with research centres in the USA and China, EVRAZ continues to work to find potential applications for vanadium in flat steel products and new chemicals used in energy storage, to support the global technological progress.

Outlook

Vanadium consumption and prices are expected to continue to be largely driven by trends in the steel market. Due to the launch of new projects in 2015, vanadium supply growth is expected to slightly outpace demand. The European economic outlook is flat, while growth forecasts for the U.S. remains optimistic. Growth in Chinese exports of vanadium products may put an extra pressure on global pricing.

EVRAZ production is expected to grow in 2015, mainly driven by the output of Nitrovan®, a Group's proprietary product with advanced technological properties that is recognised by a growing number of steel producers.

STEEL, North America segment
Financial performance

Steel, North America is a segment, which includes production of steel and steel products in the USA and Canada.

(US$ million)	2014	2013	Change
Revenue	3,160	3,036	4.1%
EBITDA	279	158	76.6%
EBITDA margin	8.8%	5.2%	3.6%
CAPEX	84	89	(5.6)%

Steel, North America segment revenues

	Year ended 31 December		
(US$ million)	2014	2013	Change
To third parties	3,158	3,020	4.6%
To Steel segment	2	16	(87.5)%
Total Steel, North America	**3,160**	**3,036**	**4.1%**

Steel, North America segment revenues by products

	Year ended 31 December				
	2014		2013		2014 v 2013
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	Change
Steel products	**2,969**	**94.0%**	**2,865**	**94.4%**	**3.6%**
Construction products[1]	337	10.7%	291	9.6%	15.8%
Railway products[2]	513	16.2%	481	15.8%	6.7%
Flat-rolled products[3]	619	19.6%	788	26.0%	(21.4)%
Tubular products[4]	1,499	47.4%	1,266	41.7%	18.4%
Other steel products	1	0.0%	39	1.3%	(97.4)%
Other revenues[5]	**191**	**6.0%**	**171**	**5.6%**	**11.7%**
Total	**3,160**	**100.0%**	**3,036**	**100.0%**	**4.1%**

1 Includes beams, rebars and structural tubing.
2 Includes rails.
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, other tubular products.
5 Includes scrap and services.

Sales volumes of Steel, North America segment

('000 tonnes)	2014	2013	Change
Steel products			
Construction products	408	365	11.8%
Railway products	537	492	9.1%
Flat-rolled products	617	867	(28.8%)
Tubular products	1,046	883	18.5%
Other steel products	2	32	(93.8%)
Total	**2,610**	**2,639**	**(1.1%)**

Revenues for Steel, North America increased by 4.1% largely as a result of higher sales volumes and improved pricing.

Revenues from sales of construction products increased by 15.8% primarily due to higher sales volumes of beams produced by EVRAZ in Russia and resold in the American market by EVRAZ North America.

Railway products revenues increased by 6.7% when compared to 2013, due to record rail sales volumes resulting from the completion of the rail mill upgrade project.

Flat-rolled product revenues in 2014 fell by 21.4% when compared with 2013 due to lower sales volumes largely resulting from the shutdown of EVRAZ Claymont.

Revenues from tubular product sales increased by 18.4%, primarily as a result of strong demand for large diameter line pipe and operational improvements implemented at EVRAZ North America's OCTG facilities.

Steel, North America segment cost of revenue

	Year ended 31 December				
	2014		2013		2014 v 2013
	US$ million	% of segment revenue	US$ million	% of segment revenue	Change
Cost of revenue	**2,623**	**83.0%**	**2,643**	**87.1%**	**(0.8)%**
Raw materials	962	30.4%	981	32.3%	(1.9)%
Semi-finished products	589	18.6%	580	19.1%	1.6%
Transportation	5	0.2%	6	0.2%	(16.7)%
Staff costs	301	9.5%	310	10.2%	(2.9)%
Depreciation	114	3.6%	136	4.5%	(16.2)%
Energy	154	4.9%	159	5.2%	(3.1)%
Other*	498	15.8%	471	15.6%	5.7%

* Includes primarily contractor services and materials for maintenance and repairs and certain taxes.

The Steel, North America segment costs of revenue in 2014 remained in line with 2013.

The principal factors affecting the Steel, North America segment cost of revenue changes during the year were as follows:

– Raw material costs decreased by 1.9%, primarily due to lower scrap purchases resulting from the Claymont disposal. These savings were partially offset by higher consumption of other raw materials following higher production volumes of tubular products and higher prices for some items.
– Semi-finished products costs increased slightly due to higher production volumes of tubular products.
– Staff costs decreased by 2.9% driven by Claymont's closure and were partially offset by increased headcount and wages inflation.
– Depreciation and depletion costs decreased by 16.2% due to Claymont's closure.
– Other costs increased by 5.7% due to increase of goods for resale partially offset by reductions in auxiliary materials.

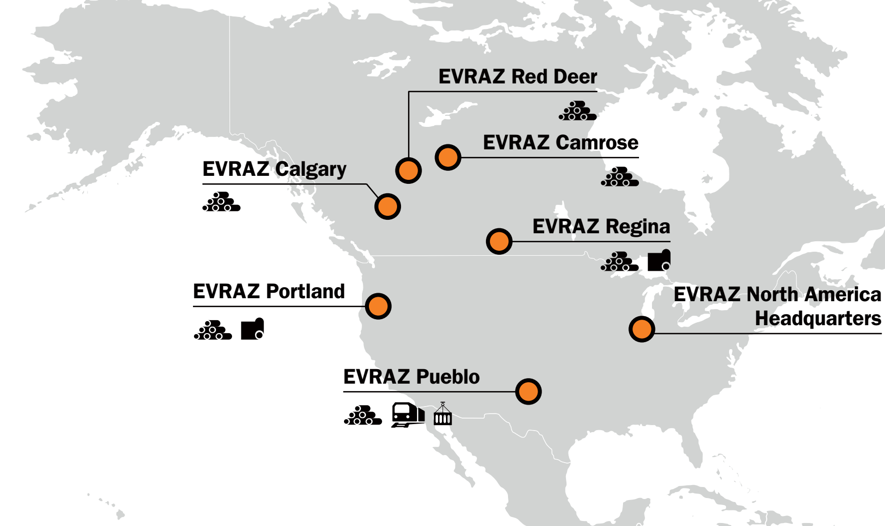
Steel, North America segment gross profit

The Steel, North America segment's gross profit increased to US$537 million in 2014 from US$393 million in 2013. Gross profit margin improved mainly due to increase of tubular and railway products sales volumes and cost declines of 0.8% resulting from the Claymont's closure and operational improvements.

A summary of our Steel, North America segment's assets and operations and FY2014 performance is presented below.

STEEL, North America segment
Operational performance

EVRAZ's assets in North America



Output of crude steel ('000 tonnes)

1,980

Output of steel products ('000 tonnes)

2,557

Key North American steel production facilities

Fast facts	Operations	Products
EVRAZ North America (ENA) **Capacity**: Crude steel*: 2.1 mtpa Flat-rolled* products: 0.7 mtpa Tubular products: 1.4 mtpa Long products: 1.0 mtpa **Employees**: 4,210 (2013: 4,151) **Ownership**: 100% interest	Flat product group: • Portland, Oregon Tubular product group: • Portland, Oregon • Calgary, Alberta • Red Deer, Alberta • Camrose, Alberta • Regina, Saskatchewan Long product group: • Pueblo, Colorado	• Flat products: steel plate, coil and structural tubing used in the construction of liquid storage tanks, vessels, bridges, rail cars, armour; coil and plate used in manufacturing of goods by the tubular products group • Tubular products: steel pipes including large-diameter American Petroleum Institute (API) grade pipes used for oil and gas pipelines and small-diameter API grade welded for use in down-hole drilling and in the collection of oil and gas • Long products: railroad rail, seamless pipe for use in down-hole drilling, and wire rod used to make wire products

* Hereinafter excludes capacity of suspended Claymont steel mill and includes the updated effective capacity at other North American steel mills Flat, Tubular, and Long reported according to new operating divisions.

What EVRAZ said and did in 2014 and 2015 targets

2014 plans	2014 achievements	2015 targets
Increase raw steel volumes to 1.1 million tonnes at EVRAZ Pueblo	Installed and commissioned investments to expand volume and improve quality	Improve operating availability to realise 1.1 million tonnes
Develop plate products to participate in LNG tank market in the Northwest	Developed slab supply, rolling practices, and market relations with major customers	Complete production trials and finalise technical and economic feasibility
Make yields and operational stability a high priority for 2014	10% improvement in rail yield	Maintain rail prime yield gains
	8% prime yield improvement in the Seamless mill	Improve seamless prime yield by 2%
	1% – 2% yield improvement at the Portland plate mill	Improve Portland Rolling yield by 2%
		Improve Regina Steel yield to 84.1%
Fully utilise EVRAZ Red Deer's premium threading capacity and expand the range of OCTG premium and semi-premium connections	Year-on-year premium & semi premium connection sales volumes increased by 20%	Improve quality performance through strengthened quality organisation, training, and maintenance optimisation
Launch new welding technology; expand production of the Pueblo rail mill to 526,000 tonnes (10%) and launch next generation premium rail	Rail mill equipment upgrades were commissioned, the patent application for the next generation premium rail was filed and laboratory testing of next generation rail was completed	Begin in-track testing of next generation premium rails and of new welding technology and Maintain full production levels in the Pueblo rail mill
Introduce new wire rod products	ENA was successfully approved as wire rod supplier for tire cord to a major Japanese tire producer	Continue to identify high value market segments to expand volumes

During 2014, EVRAZ North America completed a successful private placement of US$350 million in 7.5% senior secured notes due 2019.

During the year, EVRAZ North America also filed a registration statement with the SEC in preparation for an initial public offering of stock. The segment reporting has been realigned to effectively reflect the overall business management at EVRAZ North America.

Production

Favourable market conditions and EVRAZ North America's disciplined execution of its commercial and operations strategies resulted in a strong profitability performance during the year with stronger sales and production volumes when compared to 2013.

Long products division

In the Long products division, EVRAZ completed upgrades to the rail mill in Pueblo, Colorado to improve rail quality, implement advanced automated inspection systems, improve end straightness and improve head hardening capabilities. These improvements resulted in record sales and an annual output increase from 492,000 tonnes in 2013 to 537,000 tonnes in 2014. We believe these investments also create a platform to continue developing the next generations of rail products.

Our product technology team developed, in cooperation with leading scientists from around the world, a new rail welding technology. We applied for a patent for this new technology and expect customer-in-track testing will be carried out during 2015.

The primary goals of EVRAZ North America's rail segment in 2015 are to establish our welding technology as a best practice that obviates the need for long rail and to progress the in-track testing of our next generation premium rail which improves total life cycle costs and safety for customers.

Tubular products division

Production of Tubular products increased 14% year-over-year driven by growing large diameter volumes and strong market demand for OCTG products coupled with operational improvements implemented at EVRAZ North America's OCTG facilities.

In Regina, Steel making successfully completed its bi-annual outage in 2014, and succeeded in producing and shipping 27,000 tonnes more than in 2013.

In large diameter pipe, EVRAZ enjoys a leading market share in North America due to strong customer relationships, multiple plant footprint, and favourable geographic locations. During 2014, sales of line pipe increased to 595 thousand tonnes, a 12% increase year-on-year. EVRAZ expects demand for large diameter pipe to continue strengthening on the back of the need for infrastructure to cost effectively transport oil and gas from the non-conventional producing regions in North America. To keep up with the increasing levels of large diameter demand, we started ramping up production at the Portland spiral mill during the fourth quarter of 2014.

Small diameter OCTG sales increased to 283 thousand tonnes, a 40% increase year-on-year. In addition, prices in the second half of the year benefited from an affirmative injury determination by the U.S. International Trade Commission in August of 2014. During the year, the Tubular division also improved OCTG yields and volumes at its Calgary mill and achieved a 15% cost reduction when compared to 2013.

STEEL, North America segment
Operational performance (continued)

EVRAZ continues to focus on higher-value heat treated pipe products and premium connections to meet the needs of unconventional drilling operators. We are currently expanding the heat treatment capacity at our Calgary facility to serve the high margin alloy pipe market in Western Canada and the US. EVRAZ North America also plans to continue developing Premium and Semi-Premium OCTG connections to offer a full range of sizes and applications to clients.

Flat products division

The plate and coil end markets benefited from broad based demand recovery in non-residential construction, industrials, transportation, and energy. Additionally, high domestic capacity utilisation rates across the domestic producers supported robust pricing growth. Margins at EVRAZ's Portland mill were exceptionally strong largely due to its proximity to a deep-water port and access to low cost Far East slabs.

The Portland mill rolled within 4,000 tonnes of its all-time production record and successfully overcame record levels of steel plate import, which were up almost 100% compared to 2013. The mill implemented numerous operational improvements during the year resulting in fixed cost cuts of US$1.6 million. These cuts predominantly came from labour, but increased volume drove overall production costs higher.

Production of flat-rolled products by EVRAZ North America fell by 320,000 tonnes compared to 2013, reflecting the closure of the Claymont mill in Q4 2013.

Going forward, the Flat product group will focus on developing its capabilities to capture a large share of the incremental high value demand created by LNG liquefaction projects and the market opportunity to export high value armour products.

Sales

EVRAZ North America's sales volumes remained marginally unchanged compared to 2013 despite the closure of the Claymont mill (in Q4 2013) and the sale of both the Surrey (Q4 2013) and Regina cut-to-length facilities (Q2 2014).

Despite import pressure, product pricing was strong in 2014, and EVRAZ's North American operations were able to utilise the favourable market conditions.

Research and development

Our research and development centre in Regina is a comprehensive facility with 10 engineers and other support personnel dedicated full-time to the development of solutions for the oil and gas and plate markets that enable us to stay ahead of evolving customer needs.

Our state-of-the-art Product Technology Centre in Pueblo, Colorado, focuses on development of next generation rail products and wire rod. Our expanded team of engineers, scientists, and metallurgists use advanced equipment to perform on-site testing, conduct complex analytical procedures, and provide customer support that enable us to build deep technical partnerships with our customers.

Outlook

The outlook for steel demand in North America for 2015 remains positive with robust demand across most sectors. However, elevated imports, together with an inventory overhang will likely continue weigh on margins during the first half of the year as distributors go through a de-stocking cycle.

EVRAZ anticipates strong performances across the rail products, wire rod, and large diameter pipe markets.

We expect continued strength in capital spending by Class-I railroads to underpin moderate growth in rail over the next few years approximately in-line with GDP growth.

Strong demand for large diameter pipes is expected to continue into 2015 as low cost market access continues to be a priority for oil and gas producers. We believe that strong oil and natural gas production in the US and Canada will continue to drive demand for pipeline infrastructure in North America in the short and medium term.

We expect demand for Oil Country Tubular Goods (OCTG) and seamless pipe in 2015 to be unfavourably affected by spending cuts in exploration and production capital. However, EVRAZ anticipates demand will quickly respond to positive changes in the market once the oil price stabilises and the de-stocking cycle concludes.

COAL segment
Financial performance

Our Coal segment includes coal mining and enrichment as well as operations of the Nakhodka Trade Sea Port used to a significant extent for shipping our coal products to the Asian markets.

(US$ million)	2014	2013	Change
Revenue	1,318	1,486	(11.3)%
EBITDA	373	226	65.0%
EBITDA margin	28.3%	15.2%	13.1%
CAPEX	232	343	(32.4)%

Coal segment revenues

	Six months ended 30 June		
(US$ million)	2014	2013	Change
To third parties	789	805	(2.0)%
To steel segment	528	679	(22.2)%
To other operations	1	2	(50.0)%
Total Coal segment	**1,318**	**1,486**	**(11.3)%**

Coal segment revenues by products

	Year ended 31 December				
	2014		2013		2014 v 2013
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	Change
External sales					
Coal products	**722**	**54.8%**	**732**	**49.3%**	**(1.4)%**
Coking coal	60	4.6%	47	3.2%	27.7%
Coal concentrate	605	45.9%	616	41.5%	(1.8)%
Steam coal	56	4.2%	64	4.3%	(12.5)%
Other	1	0.1%	5	0.3%	(80.0)%
Intersegment sales					
Coal products	**493**	**37.4%**	**650**	**43.7%**	**(24.2)%**
Coking coal	85	6.4%	154	10.4%	(44.8)%
Coal concentrate	408	31.0%	496	33.4%	(17.7)%
Other revenues	**103**	**7.8%**	**104**	**7.0%**	**(1.0)%**
Total	**1,318**	**100.0%**	**1,486**	**100.0%**	**(11.3)%**

Sales volumes of Coal segment

('000 tonnes)	2014	2013	Change
External sales			
Coal products	**9,809**	**8,188**	**19.8%**
Coking coal	1,314	784	67.6%
Coal concentrate	7,267	6,184	17.5%
Steam coal	1,228	1,220	0.7%
Intersegment sales			
Coal products	**6,232**	**7,186**	**(13.3)%**
Coking coal	1,782	2,607	(31.6)%
Coal concentrate	4,450	4,579	(2.8)%
Total, coal products	**16,041**	**15,374**	**4.3%**

COAL segment
Financial performance (continued)

Total coal segment revenues decreased by 11.3% compared to 2013, which was principally the result of lower sales prices accompanied by increased coking coal concentrate sales volumes following the successful implementation of the Raspadskaya underground mine's restoration programme.

External sales volumes of coal products increased by 19.8% in 2014 mainly due to higher sales of coking concentrate, since total production volumes grew while internal consumption of coking coal decreased.

Internal coal products sales volumes fell by 13.3% in 2014 as a result of lower requirements for coke from the steel segment following the introduction of PCI technology at EVRAZ ZSMK resulting in the mothballing of one of its coking plants.

In 2014, Coal segment sales to the Steel segment amounted to US$528 million and 40.1% of sales, compared to US$679 million and 45.7% of sales in 2013.

During the period, approximately 72% of EVRAZ's steelmaking coking coal consumption was satisfied by the Group's own operations, compared with 75% in 2013.

Coal segment cost of revenue

	Year ended 31 December				
	2014		2013		2014 v 2013
	US$ million	% of segment revenue	US$ million	% of segment revenue	Change
Cost of revenue	**1,040**	**78.9%**	**1,304**	**87.8%**	**(20.2)%**
Raw materials	4	0.3%	1	0.1%	300.0%
Transportation	170	12.9%	148	10.0%	14.9%
Staff costs	305	23.1%	411	27.7%	(25.8)%
Depreciation	259	19.7%	328	22.1%	(21.0)%
Energy	51	3.9%	63	4.2%	(19.0)%
Other*	251	19.0%	353	23.7%	(28.9)%

* Includes primarily contractor services and materials for maintenance and repairs and certain taxes.

The coal segment cost of revenue decreased to US$1,040 million in 2014 compared with US$1,304 million in 2013.

The principal factors behind this 20.2% year-on-year decline in the cost of revenue were:

– Transportation costs increased by 14.9% due to higher export sales and production volumes.
– Staff costs fell by 25.8%. The decrease was attributable to headcount optimisation, the closure of the Yuzhkuzbassugol mines (Abashevskaya, Kusheyakovskaya) and the sale of Gramoteinskaya mine as well as the impact of the devaluation of the Russian rouble weakening on Yuzhkuzbassugol and Raspadskaya.
– Depreciation and depletion costs decreased by 21.0% mainly due to a lower depreciation and depletion expense at Yuzhkuzbassugol caused by the revision and detailing of future mining plans and lower mineral deposits depletion, assets optimisation. This was also accompanied by a decrease in the US dollar amount of depreciation due to the weakening of the rouble.
– Energy costs were down by 19.0% due to the closure of mines at Yuzhkuzbassugol as well as the impact of currency movements that was slightly offset by higher electricity costs related to higher production volumes at Raspadskaya.
– Other costs decreased by 28.9% primarily due to a reduction in auxiliary material costs at Raspadskaya partially due to higher coal volumes purchased from Yuzhkuzbassugol, lower service and auxiliary materials costs due to assets optimisations and cost cutting initiatives at Yuzhkuzbassugol, lower mineral extraction tax payments, changes in stock of WIP and finished goods and the and the impact of the decline in the Russian rouble.

Coal segment gross profit

The coal segment's gross profit increased to US$278 million in 2014 from US$182 million in 2013 The increase in the gross profit margin was primarily attributable to effect of Russian Rouble weakening influence on costs, lower depreciation and depletion, cost cutting initiatives and mines restructuring at Yuzhkuzbassugol, and lower mineral extraction tax payments.

A summary of our key Coal segment's assets and operations and FY2014 performance is presented on pages 63-65.

Operational performance

Raw coking coal mined (‘000 tonnes)

21,062

Coking coal concentrate production (‘000 tonnes)

13,936

Coking coal production assets

Fast facts	Operations/deposits	Products
Yuzhkuzbassugol (Russia) **Run of mine**: 10.8 million tonnes per annum **Employees**: 9,263 (2013: 11,536) **Ownership**: 100% interest	5 coking coal mines: • Alardinskaya • Yesaulskaya • Osinnikovskaya • Uskovskaya • Yerunakovskaya VIII 3 coal washing plants: • Abashevskaya • Kuznetskaya • ZSMK coal washing plant	• Hard and semi-hard coking coal (grades Zh, GZh and KS under Russian classification) • Steam coal (grades G under Russian classification) • PCI coal*
Raspadskaya (Russia) **Run of mine**: 10.2 million tonnes per annum **Employees**: 7,628 (2013: 8,232) **Ownership**: 81.95% interest	3 underground mines: • Raspadskaya • Raspadskaya-Koksovaya • MUK-96 1 open-pit mine: Razrez Raspadsky 1 coal washing plant	• Hard coking coal (grade K under Russian classification) • Semi-hard coking coal (grades GZh, KO under Russian classification) • Semi-soft coking coal (grade GZhO under Russian classification)
Mezhegeyugol (Russia) **Employees**: 336 (2013: 158) **Ownership**: 60.02% interest	2 deposits: • Mezhegey coal deposit • Eastern field of the Western part of the Ulug-Khemsky coking coal deposit	• Hard coking coal (grade Zh under Russian classification)

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

Coking coal reserves are given on page 205.

COAL segment
Operational performance (continued)

What EVRAZ said and did in 2014 and 2015 targets

2014 plans	2014 achievements	2015 targets
Yerunakovskaya VIII mine to achieve full mining capacity of 2.5 million tonnes of coking coal per annum	2.9 million tonnes of raw coking coal was mined in 2014	
Maintain Yuzhkuzbassugol's raw coking coal production at approximately 10 million tonnes in 2014 despite closure of the Abashevskaya mine	10.8 million tonnes of raw coking coal was mined, despite the closure of the Abashevskaya mine in January 2014, due to increased production at the Yerunakovskaya VIII and Uskovskaya mines	
Complete integration of Raspadskaya business	Integration of certain management functions has been completed (financial reporting, headcount and salary budgeting, sales and marketing processes). Integration of LoTo and LEAN processes has been initiated, together with implementation of EVRAZ's HSE policies and programmes	Continue headcount optimisation program and reduce cash costs and stock levels
Increase coal production at Raspadskaya by approximately 40% compared to 2013, depending on the performance of the Raspadskaya underground mine	Raw coking coal production was 10.2 million tonnes in 2014, a 31% increase on 2013, due to successful ramp-up at Raspadskaya mine which almost tripled production (from 1.4 million tonnes to 4.1 million tonnes of raw coking coal per annum)	Produce 12 million tonnes of raw coking coal by expanding production at Raspadskaya mine and beginning bord and pillar mining at Raspadskaya-Koksovaya mine
Enhance EVRAZ's sales expertise in the domestic and international coking coal markets	Raspadskaya's export sales of coal concentrate rose by 41% compared to 2013	Increase sales in premium markets of CIS, Japan, Korea and Europe
Mine 0.3 million tonnes of coking coal at the Mezhegey deposit	Most surface infrastructure was completed with construction of underground infrastructure underway. 51,000 tonnes of raw coal was mined	Launch longwall 2-1 in September 2015
Continue optimisation of the asset portfolio	Cost optimisation programme resulted in US$124 million of savings in 2014. Abashevskaya and Kusheyakovskaya mines terminated production and mines' conservation is underway	Complete conservation of Abashevskaya and Kusheyakovskaya mines
Increase cargo turnover at the Nakhodka sea port to 9.4 million tonnes in 2014	Port handling volumes increased to 9.3 million tonnes in 2014	To increase port handling volumes to 10.8 million tonnes
To increase coal port handling volumes by 56% to 5.6 million tonnes per annum	Coal port handling volumes increased by 56% to 5.6 million tonnes per annum	To increase coal port handling volumes by another 30% to 7.3 million tonnes per annum in 2015 and to begin modernisation of the Astafyeva Cape railway station in order to increase coal handling capacity up to 12 million tonnes per annum by 2017

Production

In 2014, EVRAZ's coal companies – Yuzhkuzbassugol and Raspadskaya – mined 21 million tonnes of raw coking coal and produced 12 million tonnes of coking coal concentrate.

In 2014, in line with the strategic decision to cease production of non-core steam coal, the Kusheyakovskaya mine of Yuzhkuzbassugol, the only remaining steam coal mine within EVRAZ's Russian coal assets, ceased production and entered conservation.

Sales

EVRAZ's steel plants remained the main customer for the coking coal produced by the Company: intracompany coking coal product supplies – both raw coal and coal concentrate – to EVRAZ's Russian and Ukrainian plants amounted to 39% of total coal shipments, or 6.2 million tonnes, including 1.8 million tonnes of raw coking coal. Another 40% was supplied to other customers in Russia and other CIS countries. Export sales were 3.3 million tonnes, or 21% of total shipments, with major destinations being Japan and South Korea, which purchased 2 million tonnes or 57% of total export volumes.

Yuzhkuzbassugol

Yuzhkuzbassugol mined 10.8 million tonnes of coking coal in 2014 compared to 11.1 million tonnes in 2013. The 3% decrease was mainly due to longwall moves at the Osinnikovskaya and Alardinskaya mines, carried out in Q4 2014. The successful ramp up of the Yerunakovskaya VIII mine and increased production at the Uskovskaya mine helped to replace the volumes lost following the closure of the Abashevskaya mine at the beginning of 2014.

In 2014, Yuzhkuzbassugol sold 9.0 million tonnes of coal products, including 2.2 million tonnes of raw coking coal and 5.7 million tonnes of coking coal concentrate. 1.7 million tonnes of coking coal concentrate were sold to the market and 4 million tonnes were shipped to EVRAZ plants.

EVRAZ's Russian and Ukrainian steel mills remained Yuzhkuzbassugol's key customers in 2014. Intragroup deliveries by Yuzhkuzbassugol accounted for 66% of its total sales.

The Company expects to maintain Yuzhkuzbassugol's mining volumes at approximately 10 million tonnes of coal in 2015.

Raspadskaya

In 2014, overall raw coking coal production by the Raspadskaya coal company amounted to 10.2 million tonnes, 31% higher than in 2013, mostly due to the successful implementation of the restoration programme and the launch of new longwalls at the Raspadskaya underground mine.

Annual production of coking coal concentrate went up by 13% compared to 2013 due to higher raw coal production.

Sales volumes of coking coal concentrate rose by 17% compared to 2013 and amounted to 6.0 million tonnes, driven by increased raw coal production.

Domestic sales of coking coal concentrate recovered to 2013 levels, amounting to 3.0 million tonnes due to increased raw coking coal production and growth in demand, a result of better quality coal concentrate.

Export sales of coal concentrate in 2014 amounted to 3.0 million tonnes, or 51% of total coal concentrate sales, with shipments to the Asia-Pacific region accounting for 83% and shipments to Europe – 17% of export sales. This was a result of higher production and sales to the new markets in the Asia-Pacific region.

In 2015, the Raspadskaya coal company is planning to produce some 12 million tonnes of raw coking coal.

The new licence area 9-11 was put into operation at the Razrez Raspadsky open pit. The area has a potential mine life of 40 years. Tunnelling works began at Field 2 of the Raspadskaya-Koksovaya mine with first volumes of premium K grade coal expected to be mined in 2015.

Mezhegeyugol

In 2014, most surface infrastructure was completed with construction of underground infrastructure underway in 2015. Mining works at Mezhegey started at the end of 2013. 51,000 tonnes of hard coking coal (grade Zh under Russian classification) were mined in the year.

Total capital expenditures for the project so far amount to US$144 million, including US$41 million invested in 2014.

EVRAZ Nakhodka trade sea port

The majority of EVRAZ's exports to Asian countries are shipped through EVRAZ NMTP, Nakhodka Trade Sea Port, in the Russian Far East.

In 2014, cargo turnover at the port increased by 25% and totalled 9.3 million tonnes, including 5.6 million tonnes of coal and 3.7 million tonnes of ferrous metals. EVRAZ shipped 2.2 million tonnes of proprietary coal and 3.6 million tonnes of steel products through EVRAZ NMTP.

In 2014, coal handling volumes increased by 56% mostly due to the expansion of warehouse capacity and the expansion and construction of new discharges which allowed the unloading of 450 railcars per day.

Outlook

In 2015, EVRAZ is planning to expand sales in Russia, whilst maintaining the volumes shipped to premium export markets.

In 2015, coke production in Russia is expected to decrease by 2-3%, which will result in a higher competition in the Russian coal market; quality grade coal will be in great demand and the oversupply of soft coal grades is expected to be maintained.

Governance

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

In this section:

Letter from Chairman
Alexander Abramov

Challenging trading conditions serve to highlight the importance of the Board's leadership in overseeing the Company's performance.

Dear stakeholders,

I am pleased to introduce our 2014 Governance Report. Many of EVRAZ's markets experienced significant volatility and instability during 2014, with significant declines in the prices of key commodities such as oil, coking coal and iron ore accompanied, during the latter part of the year, by the steep fall in the value of the Russian rouble. Despite these challenges EVRAZ performed well during the year achieving high EBITDA, strong free cash flow generation and further debt reduction. This robust outcome illustrated the success of many of the strategic initiatives approved by the Board in previous years to better position the Company to weather economic uncertainty.

Challenging trading conditions serve to highlight the importance of the Board's leadership role in overseeing the Company's performance and setting strategic aims. During the year the Directors held regular meetings with the Company's senior management to receive information updates and facilitate appropriate action where required. Such discussions proved mutually challenging and highly constructive.

The Board discussed the potential for an Initial Public Offering (IPO) of a minority stake in EVRAZ North America ("ENA"). Although, in the light of abnormal market conditions during the latter part of 2014 we ultimately decided to postpone any transaction, we remain committed to continuing to examine the potential to deliver value to shareholders and reduce leverage through the most advantageous management of our portfolio of assets.

We continued to build upon our already significant investor relations programme in 2014. During the year, EVRAZ representatives, including senior executives, took part in more than 300 meetings, conferences and other public events involving the investment community and EVRAZ hosted an investor day in June 2014. The Company also engaged directly with socially responsible investors and promoted a dialogue with regard to operational risks, health and industrial safety policies and environmental and social issues. We are always open to requests from shareholders and other stakeholders to discuss Company related issues. Sir Michael Peat, our Senior Independent Director, is also available to discuss any issues that shareholders may not wish to raise with the Company directly.

The Board, in line with corporate governance best practice, undertook a review of the effectiveness of its performance during the year. The evaluation of the Board was externally facilitated in 2014 and the findings and action points of this review are detailed on page 75. While there are areas for improvement, which will be addressed going forward, the review, in overall terms, was encouraging and beneficial.

During 2014, the Health, Safety and Environment Committee undertook a review of EVRAZ's health, safety and environmental initiatives and performance. In both cases, performance was reviewed against targets previously set by the Board in addition to regulatory developments. The review recommended the development of further health and safety initiatives in order to accelerate the improvement of our performance. It should be noted that, despite two years of improvements, EVRAZ's health and safety performance remains significantly below our objectives. I regret to report that 19 fatalities, involving workers and contractors, occurred during 2014 compared with 24 in 2013. Any number of fatalities is clearly unacceptable and management will continue to strive to achieve a zero incident rate. In terms of environmental performance, the Committee found that although EVRAZ's overall performance is improving, further work is required to raise standards to the levels to which we aspire.

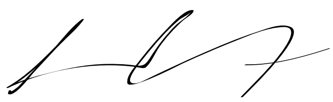
Succession planning has been a further focus for the Company during the year to ensure the Board has the right balance of skills and experience to take the Company forward. To comply with the UK Corporate Governance Code's provision on director's independence, Terry Robinson, who has served as a Director for nine years, has let it be known that he will not seek re-election at the 2015 Annual General Meeting. As an Independent Non–Executive Director of EVRAZ plc since 2011 and, prior to that, a Board member of Evraz Group S.A. since 2005, Terry has made a major contribution to the development of the Company throughout the past decade. On behalf of the Board, I would like to thank him for his considerable efforts. He will be greatly missed, although we will continue to benefit from his expertise in his role as an advisor to EVRAZ's Board and various Board committees and as a Non-Executive Director of the Raspadskaya coal company.

The Board, in line with corporate governance best practice, undertook a review of the effectiveness of its performance during the year.

As a result of Terry's decision not to stand for re-election at the 2015 AGM in June, a number of changes will be made to the Board. Michael Peat will assume Chairmanship of the Audit Committee (in succession to Terry Robinson) and Alexander Izosimov will become Chairman of the Nominations Committee (in succession to Michael Peat). In addition, Karl Gruber will join the Nominations Committee.

After thorough review, the Board has identified Deborah Gudgeon as a compelling candidate to succeed Terry Robinson as an independent non-executive director and as a member of the Audit Committee. Miss Gudgeon is a chartered accountant, with extensive corporate and international experience, which encompasses the mining sector. All Board changes will become effective after the conclusion of the 2015 Annual General Meeting.

Finally, I would like to thank all of EVRAZ's employees for their invaluable contributions during 2014. The strength of the Company's performance, in a challenging environment, is due in no small measure to their efforts and commitment.



Alexander Abramov
Chairman of the Board
EVRAZ plc

Board of Directors

Alexander Abramov

Non-Executive Chairman (born 1959)

Appointment

Founded EvrazMetall, a predecessor of the Group, in 1992. CEO of EVRAZ Group S.A. until 1 January 2006, Chairman of EVRAZ Group S.A.'s Board until 1 May 2006. Appointed Chairman of EVRAZ plc on 14 October 2011.

Committee membership

Member of the Nominations Committee.

Skills and experience

Mr. Abramov served as a non-executive director from May 2006 until his re-appointment as Chairman of the Board on 1 December 2008. A director of OJSC Raspadskaya, a member of the Bureau of the Board of Directors, a member of the Board of Directors of the Russian Union of Industrialists and Entrepreneurs (an independent non-governmental organisation), a director of OJSC Bank International Financial Club, a member of the Board of Skolkovo Institute for Science and Technology and a member of the Board of Moscow University of Physics and Technology.

Alexander Frolov

Chief Executive Officer (born 1964)

Appointment

Joined EvrazMetall in 1994 and served as EvrazMetall's Chief Financial Officer from 2002 to 2004 and as Senior Executive Vice President of Evraz Group S.A. from 2004 to April 2006. Chairman of the Board of Directors of Evraz Group S.A. from May 2006 until December 2008 and appointed CEO with effect from January 2007. Appointed CEO of EVRAZ plc on 14 October 2011.

Committee membership

Member of the Health, Safety and Environment Committee.

Skills and experience

Alexander Frolov has held various positions at EvrazMetall and other companies, predecessors of Evraz Group S.A., since joining in 1994 and has been a member of the Board of Directors of Evraz Group S.A. since 2005. Prior to joining EVRAZ, Mr. Frolov worked as a research fellow at the I.V. Kurchatov Institute of Atomic Energy.

Olga Pokrovskaya

Non-Executive Director (born 1969)

Appointment

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

Committee membership

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

Skills and experience

Ms. Pokrovskaya is a 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.

Eugene Shvidler

Non-Executive Director (born 1964)

Appointment

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

Committee membership

Member of the Nominations Committee.

Skills and experience

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

Eugene Tenenbaum

Non-Executive Director (born 1964)

Appointment

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

Committee membership

None.

Skills and experience

Mr. Tenenbaum is currently Managing Director of MHC (Services) Ltd. and serves on the Board of Chelsea FC Plc and Highland Gold Mining Ltd. He served as Head of Corporate Finance for Sibneft in Moscow from 1998 to 2001. Mr. Tenenbaum joined Salomon Brothers in 1994 as Director for Corporate Finance where he worked until 1998. Prior to that, he spent five years in Corporate Finance with KPMG in Toronto, Moscow and London, including three years (1990-1993) as National Director at KPMG International in Moscow. Mr. Tenenbaum was an accountant in the Business Advisory Group at Price Waterhouse in Toronto from 1987 until 1989.

Duncan Baxter

Independent Non-Executive Director (born 1952)

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

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

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

Karl Gruber

Independent Non-Executive Director (born 1952)

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.

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

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

Terry Robinson

Independent Non-Executive Director (born 1944)

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

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

Mr. Robinson is a qualified chartered accountant and has 40 years' international business experience. He spent 20 years at Lonrho PLC, the international mining and trading group, the last 10 years of which he served as a main board director. Since 1998, he has been variously occupied with international business recovery engagements and investment projects including natural resources in the UK, Russia, the CIS and Brazil. He is independent director and Deputy Chairman of Katanga Mining Limited and is also an independent and senior non-executive director of Highland Gold Mining Ltd. He is a Fellow of the Institute of Chartered Accountants of England and Wales. Terry Robinson was elected to the Board of OJSC Raspadskaya, a subsidiary of EVRAZ, at the Company's AGM in May 2013. Appointed Chairman of Raspadskaya on 27 May 2013. The Board is satisfied that this nomination has no impact on Mr Robinson's independence.

Sir Michael Peat

Senior Independent Non-Executive Director (born 1949)

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

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

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.

Alexander Izosimov

Independent Non-executive Director (born 1964)

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

Member of the Remuneration Committee and the Nominations Committee.

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 of EVRAZ plc

Alexander Frolov
CEO

Pavel Tatyanin
Senior Vice President, CFO

Leonid Kachur
Senior Vice President, Business Support and Interregional Relations

Marat Atnashev
Vice President, Major Projects, Head of the Iron Ore Division

Giacomo Baizini
Vice President, Corporate Finance and Treasury

Scott Baus
Vice President, EVRAZ Business System

Grigory Botvinovskiy
Vice President, Raw Materials Sales

Natalia Ionova
Vice President, Human Resources

Aleksey Ivanov
Vice President, Head of the Steel Division

Alexander Kuznetsov
Vice President, Strategic Development and Operational Planning

Artem Natrusov
Vice President, Information Technologies

Sergey Savchuk
Vice President, Compliance with Business Procedures and Asset Protection

Vsevolod Sementsov
Vice President, Corporate Communications

Ilya Shirokobrod
Vice President, Sales, the Steel Division

Michael Shuble
Vice President, Health, Safety and Environment

Sergey Stepanov
Vice President, Head of the Coal Division

Yury Stepin
Vice President, Administration and Maintenance

Timur Yanbukhtin
Vice President, Business Development, International Business

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 2012) published by the Financial Reporting Council (FRC) and the Listing Rules of the UK Listing Authority. The Company complies with the UK Corporate Governance Code or, if it does not comply, explains the reasons for non-compliance.

As of 31 December 2014 EVRAZ complied with all the principles and provisions of the UK Corporate Governance Code (September 2012) with the following exception:

- Contrary to provision C.3.1 of the UK Corporate Governance Code, Olga Pokrovskaya is a member of the Audit Committee, but does not meet the independence criteria set out in the UK Corporate Governance Code. More than 50% of EVRAZ activities and operations are based in the Russian Federation, and Olga Pokrovskaya's technical and regional experience and qualification, as a past senior audit manager at Arthur Andersen and as Head of Corporate Finance at Russian oil company Sibneft is of particular value to the Committee. Her experience would be extremely difficult to replicate, particularly as EVRAZ is seeking to strengthen diversity on its Board. The Company considers that, in light of her involvement with the Group over a number of years and her experience in this area, her membership of the Audit Committee is to the benefit of the Group. The Audit Committee includes three non-executive directors, all independent, which we believe mitigates any potential risks.

Board responsibilities and performance

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

The EVRAZ 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 2014, the Board considered a wide range of matters, including:

- the Company's strategy and key priorities;
- the performance of key businesses;
- consolidated budget and budgets of business units;
- the interim and full year results and 2013 Annual Report;
- HSE updates;
- consideration of a registered initial public offering of the North American subsidiary, EVRAZ North America;
- a review of investment projects;
- the consolidation of Raspadskaya and Yuzhkuzbassugol coal companies;
- the potential divestment of EVRAZ Highveld Steel and Vanadium;
- corporate governance matters including an externally facilitated review of the Board and committees; and
- amendments to the Board committees' terms of reference.

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 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.

The CEO is supported by the executive team. *Membership of the executive team is set out on page 72.*

Meetings of the Board, Board composition and AGM

EVRAZ plc held 10 scheduled Board meetings and 2 ad-hoc meetings held in form of conference calls during 2014. In 2015, up to the date of this report's publication, three 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 2014:

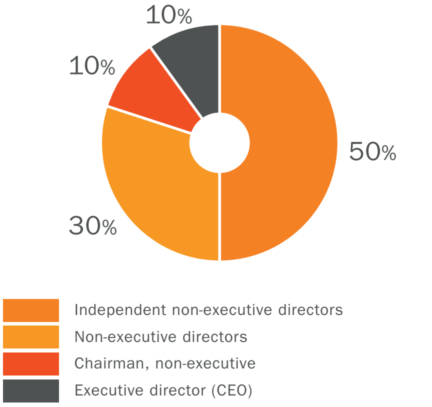
Total meetings

	Board	Remuneration Committee	HSE Committee	Audit Committee	Nominations Committee	AGM
	12	3	2	12	2	1
Directors' participation:						
Alexander Abramov	12/12	–	–	–	2/2	1
Duncan Baxter	12/12	3/3	–	12/12	–	1
Alexander Frolov	12/12	–	2/2	–	–	1
Karl Gruber	11/12	3/3	2/2	–	–	1
Alexander Izosimov	12/12	3/3	–	–	2/2	1
Sir Michael Peat	12/12	–	–	12/12	2/2	1
Olga Pokrovskaya	12/12	–	2/2	12/12	–	1
Terry Robinson	12/12	–	2/2	12/12	2/2	1
Eugene Shvidler	10/12	–	–	–	2/2	1
Eugene Tenenbaum	12/12	–	–	–	–	1

Board composition and independence as at 31 December 2014

	Date of appointment	Years of tenure* as at 31 December 2014
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
Terry Robinson	14 October 2011	4
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)		

* At EVRAZ plc, does not include tenure at Evraz Group S.A.



The Board currently comprises the Chairman, one executive director, and eight non-executive directors, including a senior independent director.

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

The 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.

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. (See the Nominations Committee's report on page 85).

Appointments to the Board are made on merit, against objective, appropriately formal, transparent and rigorous criteria.

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 a member 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. Previously, Olga Pokrovskaya had been the only female director of the Company but with Deborah Gudgeon joining the Board, the level of female board representation will rise to 20%.

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.

Board expertise

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

Full details of the skills and experience of the Board members are provided in the Board of Directors section above on pages 70 to 71.

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.

The Chairman has proposed organising a visit by the directors to one or more of the Company's production sites in 2015, and the directors supported this initiative.

Performance evaluation

The Company undertakes an annual performance evaluation of the Board and committees. In 2014, in accordance with the provisions of the UK Corporate Governance Code, the Board engaged Lintstock LLP to undertake an independent, externally facilitated evaluation of effectiveness of the Board and Board Committees. Lintstock neither had nor have any connection with the Company.

The first stage of the evaluation involved Lintstock engaging with the Senior Independent Director and the Company Secretary to set the context, and to tailor the surveys to the specific circumstances of the Group.

All Board members were requested to complete a comprehensive online survey addressing the performance of the Board, its committees, the Chairman and individual directors. Following completion of the survey, the members of the Board were invited to build on their responses and raise any other matters concerning the performance of the Board at an interview with representatives from Lintstock. The anonymity of all respondents was ensured throughout the process in order to promote an open and frank exchange of views.

Lintstock subsequently produced a report which addressed the following areas of Board performance.

Areas	Findings and action points
The composition of the Board, and the key changes that should be made to the Board's profile to match the strategic goals	The Board's composition was rated highly, with planned changes including additional mining expertise and North American knowledge, and increased female representation
The Board's understanding of the markets in which the Group operates, and of the views of major investors and shareholders	The rating was positive
The relationships between the members of the Board and between the Board and management, and the involvement of non-executives in the affairs of the Company outside Board meetings	Board dynamics and relationships with senior management were rated highly. The programme of site visits for Board members, and the discussion of Board and Company matters during these visits, is to be expanded and formalised
The management of time at the Board, including the annual cycle of work and the Board's agenda	The Board commits considerable time and effort to its monthly meetings and Board effectiveness was rated highly. Further thought is to be given to managing the time devoted to individual agenda items and to the organisation of papers circulated prior to Board meetings
The quality of advisers that support the Board and its committees, and directors' training needs	Performance was rated as adequate. Further thought is to be given to the provision of training for directors
The data provided to support the Board's analysis of the performance of the business, and the Board's knowledge of the performance of the Group relative to its main competitors	This was considered to be good. Information about the Group's competitors is to be brought together in a specific presentation
The Board's testing and development of the Company's strategy, and the involvement of the Board in determining strategic direction	Performance was rated as good, with strategy considered specifically by the Board on three occasions during the year. The linking of annual planning and budgeting to the strategy is to be brought out more clearly
The Board's management of the main risks facing the Group, and risk appetite	Performance was rated positively
The structure of the company at senior levels, and succession planning for the Chief Executive and other key management	The structure of the Group at senior levels was rated positively. The Board, in addition to the Nominations Committee, is to devote more time to considering succession planning
The composition and performance of the committees of the Board, the performance of the Chairman and the individual performance of directors	The contribution of the Chairman was rated highly and the performance of the Board's subcommittees was considered good, with the Audit Committee's contribution commented on particularly favourably

While there are areas for improvement, which will be addressed, in overall terms the review was encouraging and useful.

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	*Link to Audit Committee report on page 78-84*
Selection and nomination of Board members	Nominations Committee	All 5 members are non-executive directors, 3 are independent	*Link to Nominations Committee report on page 85*
Remuneration of Board members and top management	Remuneration Committee	All 3 members are independent directors	*Link to Remuneration Committee and Remuneration reports on pages 90-98*
HSE issues	HSE Committee	3 of 4 members are non-executive directors, of which 2 are independent	*Link to HSE Committee report on page 87*

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 follow.

Audit Committee

Dear Shareholders,
I am pleased to present the report of the Audit Committee for the financial year to 31 December 2014. I would like to thank the Committee members, the executive and finance teams of the Company, the internal audit group and Ernst & Young (EY), our external auditors, for the continuing diligence and for their valued contributions to the discussions and reviews made at the meetings of the Committee.

Terry Robinson
Chairman, Audit Committee

Work of the Committee in 2014

At the Committee's meetings during 2014, we focused on financial reporting, including the Company's Interim Management Statements, Internal Controls, Internal Audit, External Audit and Risk Management, including finance, operations, regulation, fraud and compliance. These matters were comprehensively reviewed and, when required, formally presented to the Committee by the Company's financial and operational management, Internal Audit, the Compliance Officer and legal team, the external auditors and the external legal advisers.

Furthermore, during the year the Committee reviewed its own terms of reference, the internal audit charter, the Group's insurance policy, the effectiveness of the anti-corruption policy and the development of sanctions risk compliance controls and initiated compliance steps to address the governance requirements as detailed in the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Financial Reporting for the financial year 2014

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

– Compliance with financial reporting standards and governance requirements
– Accounting areas that require significant accounting judgment
– The substance, consistency and fairness of management estimates
– Whether the Annual Report, taken as a whole, is fair, balanced and understandable, providing the necessary information for shareholders to assess the Group's business model, strategy, principal risks and uncertainties and performance

Among other matters, the following were reviewed and challenged by the Audit Committee in respect of the Interim Condensed Consolidated Financial Statements (ICCFS) and the 2014 Consolidated Financial Statements (CFS):

Financial reporting standards and governance requirements

The Audit Committee has considered the following financial reporting issues which they determined to be significant. The full financial statements can be found on pages 115-201.

Interim Financial Statements and Consolidated Financial Statements: Reclassification of Asset Held for Sale (AHFS)

The Group's decision to retain control of EVRAZ Highveld Steel and Vanadium Limited (EHSV)

Note 2 of the ICCFS 2014, and of CFS 2014. EHSV had been classified as a disposal group held for sale as at 31 December 2012 and 2013.

Subsequent to the interim balance sheet date, on 12 August 2014, the Group signed an agreement to sell, subject to certain pre-conditions, 34 per cent of the issued share capital of EHSV and to retain control over the remaining 51.1 per cent ownership interest. On management's advice that the Company intends to retain control of EHSV, the Committee concurred with management's judgments that EHSV had ceased to be an AHFS at 31 December 2014. As the Group still believes that the EHSV investment will be realised, primarily through sales proceeds (even though it does not meet the criteria to be classified as AHFS), the market value of the shares of the subsidiary as of 31 December 2014 was used as a basis to determine the recoverable amount of this cash generating unit. As a result, an additional impairment (US$58 million) was recognised and charged to the 2014 Statement of Operations.

As at 31 December 2013 AHFS included the Moscow administrative office building. In the second half of 2014, in view of the Moscow property market and related economic outlook, the management decided not to sell this asset and, consequently, the Moscow administrative office building ceased to be an AHFS at 31 December 2014. US$14 million of the impairment charged to the Statement of Operations in the first half of 2014 in respect of the Moscow office building was reversed in the second half of 2014 on cessation of AHFS classification.

Upon cessation of classification of EHSV and the Moscow administrative office building as AHFS, the Group, in accordance with the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", restated all prior periods as though these subsidiaries were never classified as held for sale. As described in Note 2 of the Financial Statements, apart from reclassification of assets in the Group balance sheet this also led to recognised additional depreciation expense (US$63 million), an increase in Gain on disposal groups classified as held for sale, net (US$156 million), impairment of assets (US$117 million), and income tax benefit (US$45 million) recognised in the 2013 Statement of Operations.

Segment reporting Note 3 CFS

In the second half of 2014, the Group's CEO proposed a reorganisation of the Group's operating business units. The revised segments reflect a new emphasis and approach to resource allocation focused on **Steel**, including vanadium and the inter-group related iron ore mining, **Coal** and **Operations in North America**. Segment reporting for the comparative years 2013 and 2012 has been restated accordingly.

Going Concern note 2 CFS

The Audit Committee considered a going concern analysis, prepared by management, using the Company's business model. The presentation included a base case and flexed pessimistic case. The base case utilised parameters, USD/RUB average exchange rates, Budget Capex, product budget costs and volumes, and product selling budget prices, tested against investment bank analysts' indicative forward market prices. The 2016 parameters (for free cash flow estimates, January to June 2016) drew on the Company's forward strategy operational expectations.

While base case product selling prices are below average prices for 2014, the Company's going concern consideration remains primarily sensitive to the forward market prices of Steel products and the forward prices of coal concentrate within Russia.

The Audit Committee carefully considered the forward 'Use and Sources of Funds' statement, which included loan repayments, new committed funding and free cash flow after capital expenditure. In challenging the going concern presentation, the Committee questioned any potential impact from reported issues with regard to Russian banks obtaining funding for on-lending to commercial borrowers and Western banks' constraints on lending to Russian entities as a consequence of the prevailing sanctions regime.

Following the described considerations, the Audit Committee resolved to recommend the going concern basis of preparation for the Financial Statements as at 31 December 2014 to the Company's directors.

Areas of significant management estimates

Critical considerations made by the Audit Committee included:

The Financial Statements from 31 December 2013 to 30 June 2014 and as at 31 December 2014 are materially impacted by the devaluation of the Russian rouble and to a lesser extent the devaluation of the Ukrainian hryvnia. The Group's presentational currency is the US dollar, although a significant part of the Group's operations and net assets have the Russian rouble as a functional currency and a less significant part of operations have the Ukrainian hryvnia as a functional currency. Note 2, CFS page 28, USD/RUB 2014/2013, year-end exchange rates: 56.26/32.73 and average exchange rates: 38.42/31.85; USD/UAH 2014/ 2013 year-end exchange rates: 15.77/7.99 and average exchange rates: 11.9/7.99. The 30 June 2014 exchange rates/average rates for USD/RUB and USD/UAH were 33.63/34.98 and 11.82/10.28 respectively.

The significant impact of the foreign exchange movements described above has made the process of challenging the consistency and comparability of balances in the Financial Statements difficult. The financial analysis of areas of significant judgement and estimates provided by management separated out where possible the foreign exchange impact. The Audit Committee challenged and recommended improvements to the explanations of the impact of foreign exchange on the position and the performance of the group in the Annual Report and Accounts.

Impairment, Goodwill, note 5 CFS, Assets, Note 6 CFS

Before the Audit Committee reviewed the management's Impairment recommendation, the Committee noted that the Net Book Value (NBV) had been impacted as a result of currency devaluation by a 'translation difference' of US$3,338 million (note 9 CFS). Thus, the carrying values of the primary Russian Cash Generating Units (CGU) to be tested by separate 'value in use' calculations had suffered significant value reduction on translation and, as a consequence, current devalued 'carrying values' are not challenged by 'value in use' comparisons.

To give some illustrative indication of the continuing 'value in use' of the Russian and Ukrainian Property, Plant and Equipment (PPE) please see the Financial Review page 22, in the Strategic Review section of the Annual Report. The Audit Committee has reviewed and discussed the illustrative presentation.

The goodwill impairment of US$330 million is driven by declining oil prices, driving lower product sales prices and a higher WACC in North America because of higher risks in the industry, and by the idling of the Italian plant EVRAZ Palini e Bertoli (EPB). The impairment charge of US$210 million, represents the cash generating unit level and specific PPE and Intangible Assets impairment including EHSV PPE impairment, described above, EPB, also above, various mines at Yuzgkuzbassugol, relating to costs of site restoration following closure, and other.

Depreciation

Depreciation, depletion and amortisation expense has declined from US$1,114 million to US$833 million, primarily as a result of the 17% decline in the average USD/RUB exchange rate.

Site Restoration Provision, note 2 CFS

Following a review by appropriately qualified executives of site restoration provisions across the Group's operations, encompassing mines and steel plants, the Audit Committee conducted a review of the amounts provided. In particular the Committee discussed whether the amounts so provided had been compared with the restoration of mines and plants elsewhere in Russia and whether the Group's provisions were comparable.

As a result of this review a US$72 million additional liability was determined.

Yuzhny GOK (YuGOK) note 16 CFS

The Group purchases sinter and scrap from YuGOK (a related party) for production of pig iron at the Group's Ukraine steel plant. Such purchases are valued by reference to USD per tonne but recorded in the books of the Ukrainian subsidiary in the functional currency, hryvnia, invoices being issued and paid in hryvnia. Over the period 2012 to 2013 the Group subsidiary had accumulated a non-interest bearing account payable of US$336 million invoiced and recorded in the Ukrainian subsidiary as a hryvnia account payable. During this period the USD/UAH exchange rate was stable at 7.99 UAH to the USD.

During 2014 the USD/UAH depreciated to 15.77 and YuGOK sought confirmation that, irrespective of the hryvnia devaluation, EVRAZ has recognised that in substance the product invoiced to the Group subsidiary was in USD and the outstanding payable was a USD payable. The Audit Committee questioned the evidence that the substance of the valuation of the payable for the sinter etc. was a USD payable. Evidence was given that the Company had always shown the liability as a USD liability and further, from a commercial consideration, if the matter had gone to dispute proceedings EVRAZ's Ukrainian steel mill would cease operations without YuGOK sinter, thereby incurring a serious cash cost.

The Committee requested management to regularise the YuGOK sinter etc. invoicing with an agreement to the effect that, while invoicing was in hryvnia as required by a Ukrainian entity, each invoice had a fixed equivalent USD value. This agreement was duly made in 2014.

On 10 April 2014 the Group paid a hryvnia equivalent of US$311 million and at 31 December 2014 the outstanding USD equivalent of the hryvnia account payable is US$96 million.

In respect of these purchases from YuGOK and the repayment of outstanding payables and the balance held for payment there is an exchange rate loss of US$88 million.

Fair, balanced and understandable

The Audit Committee has reviewed the form and content of the Group's 2014 Annual Report to shareholders. Taking into account the disclosure implications of the issues discussed in this report, the Committee reported to the Board that it considers the Annual Report, taken as a whole, to be fair, balanced and understandable. In addition, the Committee recommended approval by the Board of the Group's Consolidated Financial Statements for the year ended 31 December 2014.

Other Matters

Group Financial Reporting Procedures manual (FRP)

The Group's administrative and financial functions and personnel during the first part of the year were party to a significant rationalisation process and, as a consequence, the Audit Committee asked for a complete review of the Group's financial and organisational controls to be undertaken and, where appropriate, to amend the FRP so that effective and proper controls are sustained. In October 2014, the revised FRP was received and reviewed by the Committee. Subsequently, the FRP was tabled at the Board for the Directors' consideration, consistent with Directors' duties to have responsibility for the effectiveness of the corporate's internal controls.

UK Bribery Act

The Audit Committee continues to exert regular oversight of the effectiveness of the procedures, controls and record keeping of matters subject to the Group's anti-corruption policy and Code of Conduct. During the year, the Internal Audit function carried out an assurance audit of matters raised for improvement and implementation by the external independent audit undertaken following the adoption of the Group's anti-corruption policy. The Committee has requested sight of and has reviewed the record of all gifts and entertainment consented to by the Group's Compliance Officer over and above the Group's designated threshold for such costs. Further, and subsequent to the CEO's approval in November 2014 of the Regulation for interaction with state authorities the Committee has reviewed the Group's procedures and records for authorising each and every separate meeting by the designated officers and employees with government bodies or persons, and the register of subsequent meeting reports required to be submitted by the officer or employee authorised to attend a particular meeting.

Sanctions Compliance Controls

In response to concerns expressed by the Board regarding the risk to the Company inadvertently contravening any sanction constraint or legal requirement (as highlighted in the introduction to this report), the Risk Committee and subsequently this Committee undertook to seek external legal advice and external legal assistance to perform a sanctions risk assessment. This was followed up by the implementation of recommended processes, procedures and the training of critical officers and employees under the control of the Group's Compliance Officer, whereby the Board can have assurance that the Company is knowledgeable as to all sanctions that might possibly impact the Group's operations and the Group's personnel and business activities are subject to appropriate compliance controls in order to avoid the risk of breaching any sanction.

Full implementation of the recommended controls has been prioritised.

Audit Committee self-assessment

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

In addition, as detailed in the Nomination Committee report, an externally facilitated Board assessment was undertaken during the year and, as part of that process, a separate Audit Committee assessment was undertaken.

Risk Management and Internal Control

See Risk management and Internal Control on pages 82-83.

Cyber Risk

The Risk Committee has continued to review the Group's risk relating to Cybercrime. To assess the risk to Cybercrime and to review the Group's existing IT security protocols and procedures, the Group has initiated an external assessment of three critical IT function areas: the Group's payment systems, IT Information data bases and IT process production controls. In view of the numerous and separate IT platforms within the Group, it has been evaluated that the risk of Cybercrime is not critical. This external assessment is intended to more accurately define the Group's risk exposure in this area.

Long Term Viability Statement

In preparation for the requirement in the updated UK Corporate Governance Code, applicable for EVRAZ's 2015 year end, to include a 'Long Term Viability Statement', the Audit Committee has considered the appropriate timescale and recommended that EVRAZ's statement should look forward over a period of five years. This recommendation was made considering the term of the Group's annual strategic review and considering the ageing of the Group's debt profile. This recommendation has been accepted by the Board. Further, the Risk Committee has agreed that it will review a pro forma viability statement following the Board's consideration of the 2015 Strategy Review. Following the Risk Committee's review it is intended that the Audit Committee will consider the elements of the pro forma statement in preparation for a final statement for the 2015 Annual Report.

Assessment of the Group's risk profile and control environment

Internal Audit undertakes a bi-annual review of the Group's risk control environment and this is reviewed at the Risk Committee and the Audit Committee following upon which the Chairman of the Audit Committee reports to the Board on the Internal Audit's summary judgment on the risk and control environment.

An issue identified in 2013 was the assurance that is required to establish stock values of bulk stock; ore stocks, scrap and Vanadium slag. In 2014, 15 per cent of bulk stock was measured by independent external surveyors with management's commitment to extend the measurement by independent valuation to the other bulk stock categories.

The Audit Committee continues to receive monthly updates concerning whistleblowing events, together with a security report on the progress of follow-up investigations and any consequent actions in relation to fraud or theft.

The Audit Committee reports to the Board all Internal Audit findings on control issues that have a risk rating over and above the Group's risk appetite. These matters are routinely followed up at the Group's Management Committee.

In August and October 2014 and in March 2015, the Audit Committee reviewed the considerations of the Group's Risk Committee, including the Group's Risk Register and in August 2014 and February 2015; the Audit Committee reviewed the draft of the proposed Statement of Principal Risks and Uncertainties for inclusion in the Interim Report to shareholders and the Annual Report. The Audit Committee further considered the Risk Committee's recommendations as to any amendment to the Group's Risk Appetite. The Audit Committee tabled all these matters; the Risk Register, the Risk Appetite recommendation and Principal Risks and Uncertainties, to the Board for its consideration and adoption.

A full description of the Company's Principal Risks and Uncertainties is on pages 18-21.

Internal Audit

See Risk Management and Internal Control section, Internal Audit on pages 82-84.

The Audit Committee has reviewed the internal audit plans for 2015 and recommended certain revisions to reflect particular risks to the control environment. In 2014 the Committee requested Internal Audit to review the risks to the control environment following the changes to the administrative functions following a significant retrenchment in personnel.

In addition, the Committee considered the Internal Audit personnel resource and recommended to the Company that some additions be made to the Internal Audit function. Further, on the appointment of the Head of Internal Audit to a commercial role in the Company, the Committee's recommendation as to the new Head of Internal Audit was adopted by the Company.

The Committee reviewed the Internal Audit Charter during the year and added a responsibility to present an overview of the good standing of the Group's internal controls based on a traffic light assessment of all the key business cycles. This report will be tabled for the Board's consideration, in addition to the Board's receipt of the biannual review of the risk control environment, thereby assisting the Directors in their duty to ensure that the Group possesses sound risk management and internal control systems.

The Committee undertakes an annual assessment of the effectiveness, independence and quality of the Internal Audit function by way of a questionnaire to Committee members, management and the external auditors. This assessment was most satisfactory. In addition, the Committee has initiated an external assessment of the Internal Audit function, an exercise that the Committee oversees every five years.

The Head of Internal Audit also acts as secretary to the Committee and prepares the Committee's minutes. These minutes are tabled at the Board for consideration and are also the subject of a verbal presentation from the Chairman of the Committee.

External Audit

The Audit Committee reviews and discusses the external audit programme with regard to the Interim Review and the Year-end audit. In particular the Committee reviews the key audit risks, audit materiality measures, and challenges the audit scope and independence of the external audit. The Committee reviewed and accepted the external auditor's engagement letter.

At the request of the Committee, the external auditor also includes in the audit planning presentation the audit plan's response to the FRC's Audit Quality Thematic Review guidance to auditors and Audit Committees, and further an inclusion of an appendix detailing the external auditor's response and actions to the FRC's Quality Inspections report, May 2014. The Committee particularly discussed the procedures and actions initiated or previously in existence to ensure audit quality.

In August 2014, the Audit Committee met to review the independence of EY with regard to their proposed engagement as Reporting Accountants in connection with the potential IPO of EVRAZ's North American operations. Prior to EY's appointment, it was necessary for EY to comply with the independence rules and standards of the US Public Company Accounting Oversight Board (PCAOB) and of the US Securities and Exchange Commission (SEC). The EVRAZ entity, a UK subsidiary, Viscaria Ltd, was the intended potential foreign private issuer Registrant with the SEC.

There were two issues which required explanation, the first: that EY had provided expert services during the period 2010 to February 2013; and the second: a director of Viscaria was an ex-employee of EY, a participant of an EY pension plan and in 2014 had become an independent trustee of the relevant pension plan.

Under the UK Auditing Practices Board Ethical Standards these issues and roles do not affect EY's independence as EVRAZ's external auditor. Having considered the explanations from EY, their proposed remediation where applicable and legal advice from a prominent international law firm, the Audit Committee supported the independence of EY in connection with its role as reporting accountants for Viscaria and EY's independence as external auditor to the EVRAZ group.

The Committee reviewed the Interim review and Year-end Audit reports with particular consideration given to the external auditor's reports on areas of significant estimation within the Group's Financial Statements and other areas of audit focus. The Committee also considered in some detail the auditor's Representation Letters.

The Committee, together with the relevant management, considered the external auditor's management letter following the 2013 audit together with management's responses as to proposed action or opinion on issues detailed in the management letter. The Committee requested Internal Audit to carry out a follow up audit on all indicated management actions which has been reviewed by the Committee.

The Committee held sessions with the external auditor without management present and enquired as to the appropriateness of the Company's accounting policies and of the audit process. The external auditor confirmed the Company's policies were appropriate.

Non-Audit Services note 31 CFS

Non-audit services are managed in accordance with the Group's policy for approval of services to be provided by the external auditor; the policy can be found on the Company's website: www.evraz.com.

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

In 2014, non-audit fees totalled US$2.01 million of which US$1.92 million was in respect of expected market engagements relating to the potential IPO in the United States of America of EVRAZ's North American steel operations and the bond offering by EVRAZ North America.

Reappointment of the external Auditor

The Audit Committee has considered the UK Governance Code's guidance and the EU legislation on audit regulation adopted in 2014 requiring companies to put the external audit contract out to tender at least every ten years. Ernst & Young LLP (EY) were the auditors to the EVRAZ predecessor group of companies and the audit was last tendered in 2009. The Committee reviewed the continuing engagement of EY and resolved that an early audit tender was not currently appropriate. The Committee will continue to monitor the implementation of the EU audit regulation by the UK and Luxembourg and assess whether this has any impact on audit tender timing.

The senior statutory auditor rotates every five years. Mr Ken Williamson assumed that role in respect of the 2011 audit. Mr Dmitry Zhigulin, the lead audit partner in EY's Moscow team, rotates out at the conclusion of the 2014 audit.

Following the completion of a questionnaire by members of the Audit Committee and management, assessing the independence of EY and quality of the audit together with the review of the FRC's Quality Inspection report referred to above, the Audit Committee has recommended the reappointment of EY as the Group's and Company's external auditor.

Committee members and attendance

The majority of the Audit Committee's members are Independent Non-Executive Directors.

As explained in the Corporate Governance report (page 73), the technical experience and regional expertise that Olga Pokrovskaya, a non-Independent Non-Executive Director, brings to the Committee is of immense value, particularly given the scale of the Company's Russian operations.

The Audit Committee met 12 times in 2014 and four times from the beginning of 2015 until the publication of this Annual Report.

Additional attendees at Committee meetings comprised: the external auditors, EY, head of Group Internal Audit/secretary to the Committee and of the Risk Committee, and senior members of the Group's financial accounting team.

The Committee also invited the VP's of Strategy, Projects, Steel, IT, Legal and the Group Compliance Officer and Director of IR. In addition, other members of the EVRAZ management team and Internal Audit were invited to attend several Committee meetings.

Separately, as Audit Committee Chairman, I held a number of meetings with the Group's CEO.

I have been Chairman of the Audit Committee since EVRAZ originally floated on the secondary market in 2005 as Evraz Group S.A. and subsequently since the Group's primary listing in 2011. Recognising the guidance of the UK Corporate Governance Code and possible challenges to my independence as a director of EVRAZ plc, given my combined years of office as a non-executive director, I am standing down as a Director at the Company's AGM in June 2015. Sir Michael Peat will assume the chair of the Committee after the AGM and Ms Deborah Gudgeon, who has been nominated an Independent Non-Executive Director and approved by the Board, will be joining the Audit Committee as a member, subject to shareholder approval at the AGM.

Role of the Audit Committee

To assist the Board in ensuring the integrity of its Financial Statements.

Responsibilities of the Audit Committee

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

Risk management and internal control

Risk management process

The Company maintains a comprehensive financial reporting procedures' (FRP) manual detailing the Group's financial internal controls and risk management systems and activity. This Manual was last updated in December 2014. The Board has overall responsibility for the Group's processes of Risk Management and Internal Control, and for reviewing the effectiveness of these processes. In line with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014, the purpose of the risk management process is to identify, evaluate and manage significant risks associated with the achievement of the Group's objectives. The Board has delegated to the Audit Committee the oversight of the Risk Committee's deliberations. The chair of the Group's Risk Committee in 2014 was also the chair of the Audit Committee.

The Company's risk management procedures are designed to meet the risks to which it is exposed. Consequently, it can only provide reasonable and not absolute assurance against a risk being realised and the occurrence of a material misstatement or loss.

The Group's Risk Committee undertakes a twice yearly review of the Group's risk profile and the Group's risk register. The terms of reference of the Group's Risk Committee can be found on the Company's web site: www.evraz.com.

The Risk Committee reviews the Group's operations and determines the Group's principal risks and uncertainties according to an impact and probability score, nominating the appropriate risk owner and reviewing the actions necessary to mitigate such risks and their implementation by management at the Group and Regional levels. The Group examines particularly closely those risks which are considered to be above acceptable levels and takes mitigating action where possible to reduce them to levels at which the residual risk becomes acceptable.

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

Reviewing the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Risk Committee has proposed to the Audit Committee and to the Board that the annual strategic review be considered by the committee together with a pro forma viability statement. The first consideration of the pro forma viability statement will be reviewed in September 2015 and recommended to the Audit Committee for consideration. In October 2014 the Risk Committee recommended to the Audit Committee that the appropriate period for the consideration of the longer term viability of the Group should be five years after consideration of the strategic planning period.

The Group Enterprise Risk Management (ERM) process is designed to identify, quantify, respond to and monitor the consequences of a Risk Committee agreed risk register that encompasses both internal and external critical risks. This process in 2014 was consistent with the UK Corporate Governance Code issued by the FRC in 2012 and the Guidance on the Strategic Report issued in June 2014 in respect of the principal risks and uncertainties.

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

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

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

– Risks are identified, documented, assessed, monitored, tested and the risk profile communicated to the relevant risk management team on a regular basis;
– Business management and the risk management team are primarily responsible for ERM and accountable for all risks assumed in their operations;
– The Board is responsible for assessing the optimum balance of risk (risk appetite) through the alignment of business strategy and risk tolerance on an enterprise-wide basis, and the Board has oversight of risks above the Group's risk defined appetite and internal control weaknesses measured in excess of the risk appetite; and
– All acquired businesses are brought within the Group's system of internal control as soon as practicable.

We also use a "bottom up" approach to identify, assess and evaluate risks.

Regional risk committees have been established at our major sites, with the purpose of identifying, evaluating and establishing management actions for risk mitigation at a regional level and at our major steel and mining operations. These regional committees are accountable to the Group Risk Committee by way of the Group Risk Committee membership (Vice Presidents of Business Units and functional Vice Presidents).

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

Risk management activity in 2014

In 2014, 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 plant and mine levels in 2014.

The Group's Risk Committee reviewed the Group's risk profile in June and October 2014, and finalised the assessment in February 2015. It was agreed that the Board will review the relevant principal risks at the time of the annual consideration of the Group's strategic review, in addition to the customary twice annual reviews.

A separate matrix of compliance risks has been drafted and adopted by the Risk Committee. This matrix covers compliance risks, including, but not limited to: disclosure, tax, legal compliance, compliance with corporate governance requirements and anti-corruption regulations.

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

The Audit Committee and Risk Committee continued to oversee EVRAZ's anti-bribery and anti-corruption programme, ensuring recommendations made by an independent and external party which reviewed the Group's anti-bribery and anti-corruption processes were successfully introduced during the year. The compliance of documents and UK Bribery Act compliant procedures relating to anti-bribery and anti-corruption was confirmed following a review by Internal Audit. Meanwhile the Group has a set of established procedures, involving senior management, compliance officers and the Group's security operation, aimed at preventing corruption and fraud.

Controls

The Board has delegated primary oversight of the Group's internal control regime to the Audit Committee which has direction as to the internal audit function resources and the annual audit programme thereby ensuring that the Group's ongoing internal control process is adequate and effective. Further with regard to the Board discharging its duties in respect of its oversight of the Group's internal controls, the Audit Committee has tabled for the consideration of the Directors of EVRAZ the financial reporting procedures manual, minutes of the Audit Committee meetings and, where appropriate, major internal control findings in excess of the risk appetite.

In 2012 the Group adopted regular, semi-annual management self-assessments of the effectiveness of the system of internal controls using the Assurance Framework of EVRAZ plc to ensure the effective operation of comprehensive controls across the Group. The Group's management rates and certifies the individual components of this framework. This process is supervised by the Group's internal audit function and the result of this self-assessment is regularly reviewed by the Risk Committee and the Audit Committee of the Group. Certification of the effectiveness of internal control in 2014 was performed in December 2014 – January 2015.

Raspadskaya's integration into the control environment of the entire EVRAZ Group was completed in 2014.

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

Corporate Governance Report (continued)

Components of the system of internal control

Components of the system of internal control	Basis for assurance	Actions in 2014
Assurance framework – principal entity-level controls to prevent and detect error or material fraud, ensure effectiveness of operations and compliance with principal external and internal regulations	• Self-assessment by management at all major operations • Review of the self-assessment by Internal Audit	• Certification of the system of internal control took place in mid-year and at the end of 2014 and was facilitated and reviewed by Internal audit
Investment projects management	• Monitored by established management committee and sub-committees • Reviewed by Internal Audit	• Procedures were strengthened in regard to quality control, reporting control, and other elements of the investment projects control during the year
Operating policies and procedures	• Implemented, updated and monitored by management • Reviewed by Internal Audit	• Operating policies and procedures were updated as per internal initiatives by operational management and in response to recommendations from Internal Audit
Operating budgets	• Monitored by Controlling Unit • Reviewed by Internal Audit • Approved by the Board of Directors	• Operating budgets were prepared and approved by the Board of Directors
Accounting policies and procedures as per the corporate accounting manual	• Developed and updated by Reporting department • Reviewed by Internal Audit	• Accounting policies and procedures were updated as part of the standard annual review process

Internal Audit

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

The latest version of the Internal Audit Charter of EVRAZ plc was approved by the Board on 5 March 2015.

The Internal Audit Department'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 upon assisting management in controlling risks, monitoring compliance, improving the efficiency and effectiveness of internal control systems and governance processes. Internal audit provides a half-yearly opinion of the overall effectiveness of the Group's internal controls.

In 2014, EVRAZ's Head of Internal Audit, being Secretary to the Audit Committee, attended all the Audit Committee's meetings and addressed any reported deficiencies in internal control as required by the Audit Committee. The Audit Committee continued to engage with executive management during the year to monitor the effectiveness of internal control and accordingly considered certain deficiencies that had been identified in internal control together with management's response to such deficiencies.

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

During 2014 internal audit projects covered the following principal Group risks:

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

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

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

Nominations Committee

Sir Michael Peat
Chairman, Nominations Committee

Committee members and attendance

The members of the Nominations Committee at 31 December 2014 and throughout the year were Sir Michael Peat (Chairman), Alexander Abramov, Terry Robinson, Alexander Izosimov and Eugene Shvidler. Three of the five members of the Committee were independent non-executives.

The Committee met on two occasions during 2014, on 26 August and 11 December. See the directors' attendance on page 74.

The Chief Executive was in attendance at both meetings and the Company Secretary acted as the Committee's Secretary.

Matters considered by the Committee during the year

At its meeting on 26 August 2014 the Committee considered the following issues:

- The composition of the Board and the age, diversity and length of time in office of its members. It was agreed that the Board represented a good mix of skills and experience, and that the Company had benefited from having a stable Board and a group of people who interact well. 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 has said that he will not seek re-election as a director of the Company at the 2015 Annual General Meeting. Mr Robinson's contribution to the Company has been considerable and he will be a great loss to the Board. The identification of a successor, as an independent non-executive director and as a member of the Audit Committee, was discussed.
- The appointment of the directors to the Company's subsidiary holding company for the Company's North American operations, EVRAZ North America plc, was discussed.
- The Committee discussed the tendering process for the appointment of consultants to undertake an external, independent evaluation of the Board's performance, in line with the Company's policy to have an external evaluation every three years.

Lintstock LLP were subsequently appointed and a summary of their conclusions is given on page 76.

At its meeting on 11 December 2014 the Committee considered the following issues:

- After considerable consideration and research 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, not including 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. It was agreed that Miss Gudgeon's appointment as an independent non-executive director should be discussed by the Board and that, subject to the Board's approval in principle and to the various checks and clearances required, a formal proposal to appoint Miss Gudgeon would be put to the Board meeting on 31 March 2015. The appointment has now been approved and Miss Gudgeon has been appointed, with effect from 1 May 2015, as an independent non-executive director.
- The Committee considered the composition and chairmanship of the Board committees. It was agreed that recommendations should be put to the Board to: appoint Sir Michael Peat as chairman of the Audit Committee (to succeed Terry Robinson); to appoint Karl Gruber as a member of the Nominations Committee (to succeed Terry Robinson); and to appoint Alexander Izosimov as chairman of the Nominations Committee (to succeed Sir Michael Peat). These recommendations were put to and approved by the Board on 31 March 2015. The appointments are effective from after the 2015 Annual General Meeting.

Corporate Governance Report (continued)

- The appointment of directors of EVRAZ North America plc was discussed again. It was agreed to recommend to the Board that EVRAZ North America plc should have nine directors, five of whom would be independent non-executives, including the chairman. The search to identify the independent directors, in particular the chairman, was discussed.
- The Committee considered the performance of senior management and senior management development and succession planning, with important input from the Chief Executive. It was a wide-ranging and constructive discussion with changes to the senior management team noted.
- Finally, the Committee considered the status of each of the Company's remaining independent non-executive directors and agreed that it remained satisfied that each continued to be independent. It was agreed that the Committee would confirm its conclusions in this respect to the Board.

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 16 October 2014. It was concluded, as previously, that the Chairman makes an important contribution to the Company, including his knowledge and experience of, and contacts in, the industry. Prior to the Nominations Committee meeting on 11 December 2014, the Chairman of the Company and the Chairman of the Nominations Committee discussed the performance of the individual directors, including time available to devote to the Company's business.

Diversity Policy

The Board's diversity policy is to have Board membership which reflects the international nature of the Group's operations and at least two women (20%) as Board members. The former objective has been achieved and the latter will be achieved when Deborah Gudgeon becomes a director on 1 May 2015.

2015 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

Karl Gruber
Chairman, HSE Committee

Committee members and attendance

The members of the Health, Safety and Environmental Committee at 31 December 2014 were Karl Gruber (Chairman), Alexander Frolov, Terry Robinson and Olga Pokrovskaya.

The Committee met on two occasions during 2014, on 5 March 2014 at EVRAZ Vanady Tula, our vanadium processing facility in Tula, Russia, and on 7 October 2014 in EVRAZ HQ in Moscow, Russia. See the directors' attendance on page 74.

Additionally, members of the committee undertook three site visits: EVRAZ Vanady Tula, EVRAZ ZSMK and Raspadskaya. The Chairman also visited POSCO sites to see the implementation of Health and Safety initiatives.

Role of the Health, Safety and Environmental Committee

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

Responsibilities of the Health, Safety and Environment Committee are:

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

The Committee receives a monthly HSE summary report and reports directly to the Board of Directors on HSE issues on a quarterly basis.

The following sections summarise how the Committee has fulfilled its duties in 2014.

HSE Performance Assessment of the Group

The HSE Committee reviewed HSE performance and progress in implementing EVRAZ HSE policy.

Health & Safety

Health & Safety performance includes the following metrics:

- Fatal incidents
- Lost Time Injuries (LTI)
- Lost Time Injury Frequency Rate (LTIFR) calculated as the number of injuries resulted in lost time per 1 million hours worked
- Cardinal safety rules enforcement

The HSE Committee reviewed the causes of all fatalities and serious property damage incidents within the Group and the follow-up actions taken by the management as well as the information related to the Company's internal incident investigation system (immediate actions/root causes/ systemic corrective actions).

The Committee undertook a benchmark analysis of H&S performance and safety initiatives in EVRAZ ore and coal divisions compared to global industry leaders. It was concluded that the key initiatives and efforts of EVRAZ to improve H&S performance are very similar to those undertaken by POSCO in recent periods and the LTIFR of EVRAZ can be estimated as "average" in comparison with the World Steel Association statistics.

The Committee reconfirmed the need to continue driving a cultural change where safety is recognised as a core value by every employee and contractor alongside a more proactive approach to instill a risk or hazard assessment methodology into the daily activity of every employee. The Committee members concluded that the key task is to set standard work requirements on safety for all management levels. With that in mind, ensuring regular communications between the employees and their supervisors in the form of behaviour safety conversations is a key tool in incident prevention. Furthermore, effective safety training (such as hazard recognition, safety leadership, energy isolation) should be obligatory for managers, employees and contractors.

The Committee reviewed the status of the 2012 – 2014 H&S initiatives and concluded that in most areas the initiatives underway have to be further expanded during 2015. These include:

- ongoing implementation of the lock out/try out (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;
- enforcement of the minimum personal protective equipment requirements;
- targeted improvements in railroad, hazardous gas and confined space programmes;
- a focused drug testing programme;
- a focused H&S improvement plan for Coal Division;
- implementation and enforcement of a comprehensive contractor safety programme including pre-contract and pre-job safety review, daily pre-task planning and a focused effort to reduce the number of contractor companies by signing long term contracts.

Additionally the Committee recommended increasing the focus on health issues and related reporting; designing a valid health-related KPI to start tracking progress and developing a health-related action plan for the next year.

Environmental performance

Environmental performance includes the following metrics:

- Non-compliance related environmental levies (taxes) and penalties.
- Air emissions (nitrogen oxides NOx, sulphur oxides SOx, dust and volatile organic compounds).
- Non-mining waste and by-products generation, recycling and re-use.
- Fresh water Intake and water management aspects.

In 2014, the Committee undertook a review of EVRAZ's environmental performance to determine the extent to which the Company is complying with standards and improving environmental performance. Key areas reviewed included progress against the 5-year environmental targets set in 2012 and environmental programmes and initiatives at individual facilities.

The Committee implemented an environmental performance benchmark analysis of Russian sites compared to existing and expected new Russian regulatory limits (such as best available techniques and greenhouse gases) as well as reviewing mercury emissions at EVRAZ North American sites compared to the requirements of expected US regulation.

Overall the Company's environmental performance is improving:

- Fresh water consumption has fallen due to the implementation of water management programmes as well as improved waste processing resulting in more efficient fresh water consumption and greater recycling of non-mining waste.
- Three major legal cases related to environmental claims have been resolved in favour of EVRAZ.
- No significant environmental permits or licences were missing or revoked during 2014 period.

However, the Company has seen an increase in key air emissions due to increased sulphur content in coal and sinter at EVRAZ ZSMK.

The Committee reviewed environmental initiatives underway to minimise risks (such as air emissions reduction, water usage and quality of return discharged water, metallurgical waste recycling and tailing dam overflow or collapse) and concluded that in most areas additional work is required. New environmental initiatives will therefore be developed to mitigate newly identified environmental risks and ensure the Company keeps up with changes to environmental regulation.

The Committee members agreed to re-base the Company's fresh water consumption target (15% decrease in fresh water consumption within 5 years) by excluding data related to assets which have been disposed of due to their material effect on performance. See updated chart on page 34.

Further details on HSE performance can be found in the Corporate Social Responsibility section on pages 30-37.

HSE audit results review

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

The Committee members reviewed:

- The findings of industrial safety audits performed by Internal Industrial Audit Department (IIAD); and
- The status of external environmental inspections carried out by environmental authorities.

Other issues and recommendations

The HSE Committee set aside time for safety training for its members and a HSE strategy review conference with senior management of EVRAZ is scheduled for 2015.

Conflicts of interest

For information on the Shareholder Agreement please refer to Significant contractual arrangements in Directors' Report on pages 99-103.

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

For completeness, in 2012 the Board considered an arm's length business arrangement between one of the Non-independent directors and the son of Sir Michael Peat, the senior Independent Director of the Company, and satisfied itself that this arrangement has no impact on Sir Michael Peat's independence.

In addition, in 2013 the Board noted the nomination of Terry Robinson to the Board of OJSC Raspadskaya, a subsidiary of the Company, and was satisfied that this nomination had no impact on Mr. Robinson's independence.

The Independent non-executive directors meet periodically outside of Board and formal Committee meetings to discuss a range of matters including the continued good standing of the shareholder relationship agreement, dividends (where applicable) and the performance evaluation of the chairman. As set out in the shareholder relationship agreement, the Independent non-executive directors have discussed any matters that could be deemed to potentially create a conflict of interest between the Company and the Major Shareholder, including the amendments made to the shareholder relationship agreement in December 2014 in order to comply with certain changes to the Listing Rules.

Relations with shareholders

The Company is committed to communicating its strategy and activities clearly to its shareholders and, to that end, maintains an active dialogue with investors through a wide range of investor relations activities and communication channels including announcements made via the London Stock Exchange, the Annual Report and accounts, the Annual General Meeting (the AGM), the Investor Day and the Company's website www.evraz.com.

The Chairman of the Board, the Chief Executive, senior management and the investor relations team regularly engage with institutional investors through roadshows, group and one-on-one meetings and conference calls to discuss the Company's operations and a wide range of issues including governance. More than 300 individual/group meetings, conferences and other public events involving the investment community took place during 2014. The Company's top management took an active part in the meetings giving the investors and analysts an opportunity to receive first-hand information about Company's operations and discuss concerns. The Company also hosted an Investor Day in London on 11 June 2014 during which Alexander Abramov (Chairman), Sir Michael Peat (Senior Independent Non-Executive Director) and Alexander Frolov (Chief Executive Officer) as well as by members of the senior management team set out EVRAZ's near-term strategic priorities and answered questions on the Company's performance and financial position.

We also held conference calls and a meeting with socially responsible investors (SRI) to discuss operational risks, health and industrial safety policies, environmental and social issues.

The Senior Independent Director, Sir Michael Peat, has a specific responsibility to be available to shareholders who have concerns that cannot or have not been resolved by contact through the normal channels of the Chairman, Chief Executive Officer or Chief Financial Officer or for which such contact is inappropriate.

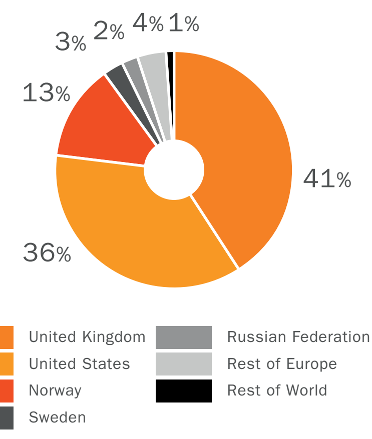
Constructive use of Annual General Meeting

The AGM is an opportunity for shareholders to communicate with the Board and the Board welcomes their participation. The next AGM will be held on 18 June 2015. The Chairman and the respective Chairmen of Committees will be present at the AGM to answer shareholders' questions.

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

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

Geographical distribution of institutional investor share ownership by geography as at 26 January 2015



Information pursuant to the takeovers directive

The Company has provided the additional information required by DTR 7.2.7 (directors interests in shares; appointment and replacement of directors; powers of the directors; restrictions on voting rights and rights regarding control of the Company) in the Directors' Report on pages 99-103.

Remuneration Report

Remuneration Report

This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013). It also meets the relevant requirements of the 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 2012) and considered the changes to the Code issued by the Financial Reporting Council in September 2014 which will apply to the 2015 annual report.

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.*

Duncan Baxter
Chairman, Remuneration Committee

Annual statement by the Chairman of the Remuneration Committee

Dear Shareholders,
On behalf of the board, I am pleased to present our Remuneration Report for 2014.

During the year EVRAZ performed well, despite the challenging and volatile trading conditions.

In the current competitive environment we aim to ensure that our remuneration policy is aligned with our business objectives and retains and motivates qualified senior executives in order to deliver sustainable, long-term returns to the Company's shareholders.

Directors' Remuneration Policy

As required by the regulations, we put our Directors' Remuneration Policy to a binding shareholder vote at the 2014 AGM. Over 99% of shareholders voted in favour and we were delighted with the high level of support received.

We believe that our Remuneration Policy remains appropriate, and as such, we are not proposing to make any changes this year. We have included a copy of the Directors' Remuneration Policy Report as approved by shareholders in this Remuneration Report for ease of reference. There will be no separate vote on this part of the report at the 2015 AGM.

Annual Remuneration Report

The second part of the report, the Annual Remuneration Report, sets out details of remuneration paid in 2014 and how we intend to apply our policy in 2015. This section will be put to an advisory shareholder vote at the forthcoming AGM.

Key decisions taken during the year

The Committee reviewed the CEO's salary and determined that his salary for 2015 will remain frozen at the same level as in 2014, reflecting the continuing challenging market conditions and low level of wage increases to employees across the Company in general.

With regard to the annual bonus, the Committee reviewed the KPIs against which the bonus is measured with regard to the Company's financial, operational and strategic measures to ensure they remained appropriate. As a result, the Committee determined that in order to simplify the bonus structure the EBITDA profitability adjustment on the annual bonus would no longer form part of the bonus assessment. This change will be applied for bonuses from FY 2014 onwards, and has resulted in a lower bonus payout in respect of FY 2014 than would have been achieved had the EBITDA profitability adjustment been applied. Based on performance against the pre-determined KPIs and targets, the CEO's annual bonus payout for 2014 was 77% of the maximum.
Whilst the revised UK Corporate Governance Code issued by the FRC in September 2014 does not apply to our 2014 annual report, the Committee has considered the changes to the Code, in particular the requirements around alignment with shareholders' long-term interests and malus and clawback:

– *Promoting long-term success.* The current remuneration policy is tailored to be appropriate for the current CEO's specific circumstances, namely his significant shareholding in the company (almost 11% of the issued share capital). The Committee considers that this shareholding ensures very strong alignment with the delivery of long-term growth in shareholder value.
– *Malus and clawback.* The CEO's incentive arrangements are subject to malus arrangements, under which the Committee may adjust bonus payments downwards to reflect the overall performance of the Company. Clawback arrangements are not enforceable under the Russian Labor Code and as such no clawback arrangements are currently in place. The Committee will keep this under review, should the Russian Labor Code change.

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

Policy Report

The Remuneration Policy was approved by shareholders at the AGM in 2014. For the benefit of shareholders, we have reproduced the policy below. We have updated the date of the Executive Director's service contract to reflect the date of the current contract. No other changes have been made.

The Policy Report, as approved by shareholders, can be found in last year's Remuneration Report, a copy of which can be found on the website: http://www.evraz.com/upload/iblock/f4a/Remuneration%20Report%202013.pdf.

Remuneration policy

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Executive Director				
Base salary	Provides a level of base pay to reflect individual experience and role to attract and retain high calibre talent	Normally reviewed annually, taking into account individual and market conditions, including: size and nature of the role, relevant market pay levels, individual experience and pay increases for employees across the Group. For the current CEO, base salary incorporates a Director's fee (paid to all Directors of the company for participation in the work of the Board committees – 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 currently participate in any pension scheme. In the event that an executive Director is required by the Group to relocate, benefits may include but are not limited to relocation allowance and housing allowance.	Generally the cost of benefits will be in line with that for the senior management team. However the cost of insurance benefits may vary from year to year depending on the individual's circumstances. The overall benefit value will be set at a level the Committee considers proportionate and appropriate to reflect individual circumstances. There is no total maximum opportunity.	None
Annual bonus	Aligns executive remuneration to Company strategy through rewarding the achievement of annual financial and strategic business targets	The Company operates an annual bonus arrangement under which awards are generally delivered in cash. Targets are reviewed annually and linked to corporate performance based on predetermined targets.	200% of base salary per financial year.	The bonus is based on achievement of the Company's key quantitative financial, operational and strategic measures in the year to ensure focus is spread across the key aspects of Company performance and strategy. The exact measures and associated weighting will be determined on an annual basis, according to the Company's strategic priorities, however at least 60% will be based on Group financial measures. For achievement of threshold performance, 0% of maximum will be paid, rising straight line to 50% of maximum for target performance and 100% of maximum for outstanding performance. The Committee retains discretion to adjust bonus payments to reflect the overall performance of the Company.

Remuneration Report (continued)

Non-Executive Directors		
Chairman and Director Fees	To provide remuneration that is sufficient to attract and retain high calibre non-executive talent	Director fees are paid in the form of cash fees, but with the flexibility to forgo all or part of such fees (after deduction of applicable income tax and social taxes) to acquire shares in the Company should the Non-Executive Director so wish. Non-Executive Director fees are reviewed from time to time. Non-Executive Directors receive an annual fee for membership of the Board. Additional fees are payable by reference to other Board responsibilities taken on by the Non-Executive Directors (for example membership and chairmanship of the Board committees). The Chairman of the Board receives an all-inclusive annual fee. Expenses incurred in the performance of Non-Executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the expenses. This may include travel expenses, professional fees incurred in the furtherance of duties as a Director and the provision of training and development. In addition, the Company contributes an annual amount towards secretarial and administrative expenses of Non-Executive Directors. Non-Executive Directors may not participate in the Company's share incentive schemes or pension arrangements. Total fees paid to Non-Executive Directors will remain within the limit stated in the Articles of Association.

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

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

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

Performance measures and targets

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

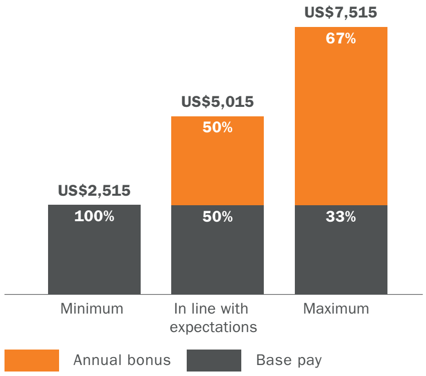
Remuneration arrangements throughout the Group

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

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

Illustration of the application of the remuneration policy

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



	Minimum	In line with expectations	Maximum
Base pay	Base salary + value of annual benefits provided in 2014		
Annual bonus	0% of salary	100% of salary (target opportunity)	200% of salary (maximum opportunity)

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

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

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

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

Executive Director's service contract and loss of office policy
The CEO has a service contract with a subsidiary of EVRAZ plc.

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

Executive Director	Date of contract	Notice period (months)
Alexander V. Frolov	31 December 2014	N/A

The CEO's service contract does not provide for any specific notice period and therefore, in the event of termination, the applicable notice period will be as provided for as in the Russian labour code from time to time (where the termination is at the Company's initiative the entitlement to pay in lieu of notice is currently limited to 3 months' base salary). The Committee may determine that a termination payment of up to 12 months' base salary should be paid, taking into consideration the circumstances of departure. Going forward, all new executive Directors contracts will provide for a notice period of no more than 12 months and for any compensation provisions for termination without notice will be capped at 12 months base salary and contractual benefits.

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

Non-Executive Directors letters of appointment
Each Non-Executive Director has a letter of appointment setting out the terms and conditions covering his or her appointment. They are required to stand for election at the first AGM following their appointment and, subject to the outcome of the AGM, the appointment is for a further one year term. Over and above this arrangement, the appointment may be terminated by the Director giving three months' notice or in accordance with the Articles of Association. Letters of appointment do not provide for any payments in the event of loss of office.

All Directors are subject to annual re-appointment and accordingly each Non-Executive Director will stand for re-election at the AGM on 18 June 2015.

Remuneration Report (continued)

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

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

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

Consideration of conditions elsewhere in the Company

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

Consideration of shareholder views

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

Annual Remuneration Report

In this section we provide a summary of remuneration paid out to our Directors for the 2014 financial year, and details of how the remuneration policy will be implemented in the following financial year.

Executive Director's remuneration

In 2014 Mr Alexander Frolov, as the Chief Executive Officer (CEO) was entitled to a base salary, a performance related bonus and provision of benefits. As a member of the Board of Directors he is also entitled to a Director's fee (US$150,000) and any applicable fees for participation in the work of the Board committees as laid out in the section below on Non-Executive Director remuneration. However the Committee consider these fees to be incorporated in his base salary. Alexander Frolov's current shareholding (10.88% of issued share capital as of 31 March 2015) provides alignment with the delivery of long-term growth in shareholder value. As such, we do not consider it necessary for the CEO to participate in any long term incentive plans, or to impose formal shareholding guidelines. However, the Remuneration Committee will continue to review this on an ongoing basis.

Single figure of remuneration (audited)

Key elements of the CEO's remuneration package received in relation to 2014 (compared to the prior year) are set out below.

Alexander V. Frolov	2014 (US$)	2013 (US$)
Salary and Director fees[1]	1,954,113	2,379,382
Benefits	14,895	14,904
Bonus	3,839,744	2,500,000
Total	5,808,752	4,894,286

1 The CEO's salary of US $2,500,000 was set in US$ in 2008. In 2012 it was converted to Russian roubles at the prevailing exchange rate, reflecting the currency of payment, and this amount has remained unchanged since. Fluctuations in exchange rates means that the retranslated, reported US$ figure may vary year on year.

Base salary

The current CEO's salary was approved by the Remuneration Committee on 23 May 2008 at a level of US$2,500,000 (which includes, for the avoidance of doubt, the Director's fee, the fees that are paid for committees' membership and any salary from an EVRAZ plc subsidiary).

For 2015, the CEO's salary will remain unchanged at US$2,500,000 but will be converted at an appropriate exchange rate, as determined by the Committee. This will continue to be paid in Russian roubles.

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

Annual bonus for 2014 (audited)

The bonus is linked to the Company's main quantitative financial, operational and strategic measures during the year to ensure alignment with the key aspects of Company performance and strategy. For 2014, the following five indicators, with equal weightings 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 overall Company performance.

As shown in the table below, Company performance against the pre-determined KPIs and targets was strong, resulting in an annual bonus payout of 77% of maximum. Cash flow in particular was very strong due to improved EBITDA, lower than budgeted capex (optimisation of spending) and better investments management. Better EBITDA was attributable not only to the Russian rouble devaluation but also to management efforts driving EVRAZ's cost reduction programme throughout the year. Additionally higher than planned export volumes supported profitability of the business during the price fall in the domestic market. These were aided by better performance of subsidiaries in North America.

The table below sets out details of the targets set for each KPI, the actual achievement in the year and total pay-out level for the 2014 year bonus:

KPIs	Target 2014	Result Measurement: Upper level	Result Measurement: Planned level (% of target)	Result Measurement: Lower level	Actual 2014	Bonus payout (% of max)
LTIFR	1.56	80%	100%	120%	106%[1]	34%
EBITDA	US$1,863m	120%	100%	80%	125%	100%
FCF (adjusted)	US$200m	US$400m	US$0m	US$(70)m	US$748m	100%
Cash cost index	100%	90%	100%	110%	87%	100%
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 commentary below	50%
Total						77%

1 The LTIFR of 1.66 used for remuneration purposes in 2014 is different to the figure of 1.60 reported on page 16 of the report under Key Performance Indicators (KPI). This is because the LTIFR methodology used for the KPI was amended during the year to incorporate data from a larger number of EVRAZ offices. As a result of this change the data is a more meaningful and accurate performance indicator.

The Remuneration Committee does not believe it would have been appropriate to revise the LTIFR number for CEO remuneration during 2014 (from 1.66 to 1.60) as to do so would have the effect of making the target reduction in LTIFR easier to achieve. For 2015, the calculation of CEO remuneration will be based on the revised KPI methodology.

Board assessment of overall performance

2014 has been a strong year for EVRAZ, evidenced by key achievements and good progress against a background of continued challenge and turbulence in the external environment. The Committee assessed overall Company performance and the contribution of the CEO by assessing a wide range of metrics, including:

- Operational performance. Healthy margins were achieved in the Company's key markets. Production out-turns were mixed and remain a key area of focus for the company going forward. Actions to reduce costs have been successful, resulting in a total reduction of nearly 4% of the total cost base.
- Financial performance. EVRAZ achieved significant growth in EBITDA during the year. Strong cash flows and progress in cost control enabled EVRAZ to reduce financial leverage, which is now below the strategic goal of 3x Net debt/EBITDA.
- Shareholder value creation. 2014 saw a recovery in the share price, with the year-end price over a third higher than at the start of the year.
- Key projects. In 2014, EVRAZ continued to make progress in streamlining the business. In April we successfully completed the sale of our Czech Republic operations for US$287 million. In addition, the integration of Raspadskaya was finalised, transforming the coal business into a large scale market participant both in Russia and internationally. The CEO successfully orchestrated a reorganisation of senior management during the year to ensure continued delivery of the Company's strategic targets.
- Stakeholder relationship management. The CEO made significant progress towards achieving his succession planning and talent development objectives. Despite an improvement in LTIFR compared to 2013, overall health and safety outcomes were disappointing and remain a key area of focus for 2015. From the client perspective, EVRAZ launched a new customer relationship management system in 2014, improving efficiency and the customer experience.

Annual bonus for 2015

For 2015, the bonus framework will be in line with 2014. 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 Company.

Remuneration Report (continued)

Non-Executive Directors remuneration

Non-Executive remuneration payable in respect of 2014 and 2013 is given below (audited information):

Single figure of remuneration (audited)

	2014 (US$, '000)			2013 (US$, '000)		
Non-executive Director	Total fees(1)	Admin(2)	Total	Total fees(1)	Admin(2)	Total
Alexander G. Abramov	750	30	780	750	30	780
Alexander Izosimov	198	30	228	198	30	228
Eugene Shvidler	174	30	204	174	30	204
Eugene Tenenbaum	150	30	180	150	32.5	182.5
Karl Gruber	224	30	254	224	30	254
Duncan Baxter	224	30	254	224	30	254
Olga Pokrovskaya	198	30	228	198	32.5	230.5
Sir Michael Peat	224	30	254	224	30	254
Terry Robinson(3)	376.1	30	406.1	351.1	35.7	386.8

1 Total fees include annual fees and fees for committee membership or chairmanship (pro rata working days).
2 The Company contributes an annual amount of US$30,000 towards secretarial and administrative expenses of Non-Executive Directors. In addition to the amounts disclosed above, the Directors incur travel and accommodation expenses necessarily incurred in the discharge of their duties. These expenses are reimbursed by the company.
3 Also includes US$78,100 paid as fees for Chairmanship in Raspadskaya Coal Company, a company in which EVRAZ has a controlling shareholding.

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

Fees will remain unchanged for 2015.

Aggregate Directors' Remuneration

The aggregate amount of Directors' remuneration payable in respect of qualifying services for the year ended 31 December 2014 was US$8,597 thousand (2013: US $7,668 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.

The Directors' interests in EVRAZ's shares as of 31 December 2014 were as follows:

Directors	Number of shares	Total holding, Ordinary shares, %
Alexander Abramov	328,170,157	21.78%
Alexander Frolov	163,870,710	10.88%
Eugene Shvidler	46,864,423	3.11%

There have been no changes in the Directors' interests since 31 December 2014 until 31 March 2015.

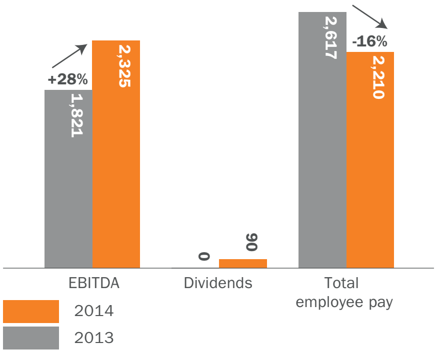
All shares held by Directors are held outright, with no performance or other conditions attached to them, other than those applicable to all shares of the same class.

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

Relative importance of spend on pay

The graph below shows the Company's total expenditure on employee remuneration in the current and the prior year in comparison to key financial metrics in US$ millions.

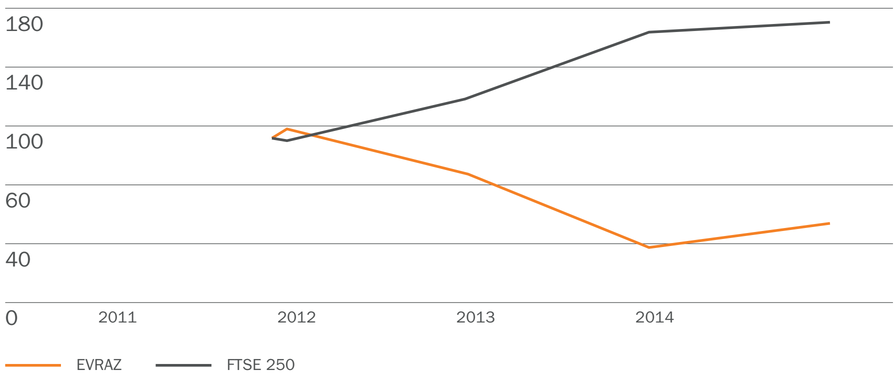
The 16% fall in employee pay has been significantly influenced by the Russian rouble devaluation.



Performance graph

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

Total shareholder return performance



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

(US$)	CEO single figure of total remuneration	Annual variable element award rates against maximum opportunity
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 Russian based administrative personnel. We have selected this group of employees as an appropriate comparator as they are based in the same geographic market as the CEO, meaning they are subject to similar external environment/pressures.

	CEO	Russian administrative personnel[1]
Salary	0%	-15%
Benefits	0%	-18%
Annual bonus	54%	-18%

1) There was a significant weakening of the Russian rouble during 2014 which significantly impacted the US dollar value of the salaries of the Russian personnel. For reference the relevant percentages calculated on a Russian rouble basis would be 2%, -1% and -1% for salary, benefits and annual bonus respectively.

Remuneration Committee

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

Members of the Remuneration Committee

The EVRAZ plc Remuneration Committee was constituted and appointed by the Board on 14 October 2011, and the Committee comprised the following independent Non-Executive Directors during the 2014 year:

- Duncan Baxter (Committee Chairman);
- Karl Gruber;
- Alexander Izosimov

See Directors' attendance at Committee meetings on page 74.

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

Role of the Remuneration Committee

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

The main responsibilities of the Remuneration Committee are:

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

During 2014, the Remuneration Committee met three times. The purpose of the meetings was to consider and to make recommendations to the Board in relation to the remuneration packages of the Executive Director and key senior managers, to approve the annual bonus for the 2013 results as well as to approve the 2014 LTIP awards and list of participants.

Advisors

The Committee received advice during the year from independent remuneration consultants Deloitte LLP. Deloitte LLP was selected by the Committee to provide the Company remuneration consultancy services. During the year, Deloitte advised the Committee on developments in the regulatory environment and investor views and in the development and disclosure of the Company's incentive arrangements. The total fee for advice provided to the Committee during the year was £55,300. No other services were provided to the Company by the advisor during the financial year.

Deloitte is a founding member of the Remuneration Consultant's Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

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

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

Shareholder considerations

We remain committed to ongoing shareholder dialogue and take an active interest in feedback received from our shareholders and voting outcomes.

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

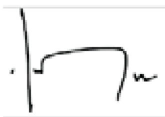
The following table sets out actual voting results from the Annual General Meeting which was held on 12 June 2014 in respect of our previous Remuneration Report.

Number of votes	For	Against	Withheld	Total votes as % of issued share capital
To approve the Directors' Remuneration Report for the year ended 31 December 2013	1,024,991,904 (99.36%)[1]	6,623,345 (0.64%)	10,265,194	68.48%
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
31 March 2015

Directors' Report

The Directors present their report to shareholders for the financial year ending 31 December 2014, which they are required to produce by law.

Introduction

For the purposes of the disclosures required under the Disclosure and Transparency Rules and the Listing Rules of the UKLA, cross references are made where appropriate to other sections of the Annual Report.

The Company was incorporated under the name EVRAZ plc as a public company limited by shares on 23 September 2011. EVRAZ plc listed on the London Stock Exchange in November 2011 and is a member of the FTSE 250 index.

Sustainable development

The Corporate Social Responsibility section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes. Details of the Company's policies and performance are provided in the Corporate Social Responsibility Section on pages 30-37.

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 22-29.

The Directors have considered the Group's debt maturity and cash flow projections and an analysis of projected debt covenants compliance for the period to the end of June 2016. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will continue in operation for the foreseeable future and has neither the intention nor the need to liquidate or materially curtail the scale of its operations.

For this reason the Group continues to adopt the going concern basis in preparing its financial statements. *More details are provided in Note 2 to the consolidated financial statements on page 123.*

Dividends

As a result of the dividend policy revision on 8 April 2014 allowing payment of regular dividends only when the net leverage (net debt/EBITDA) target of below 3.0x is achieved, no regular dividends were paid in 2014.

On the back of the disposal of EVRAZ Vitkovice Steel in April 2014, the Board declared a special dividend in the amount of US$90.4 million, or US$0.06 per share, which was paid out in July 2014.

Overseas branches

EVRAZ does not have any branches. The Company does, however, have a controlling interest in Evraz Group S.A., which owns steel production, mining and trading companies, as well as in EVRAZ Greenfield Development S.A. *Information about the direct and indirect subsidiaries of EVRAZ is provided at the following link: http://www.evraz.com/about/structure/*

Future developments

Information on the Group and its subsidiaries' future developments is provided in the Chief Executive Officer's Review, Strategic Report, Financial Review and Review of Operations sections of this report.

Financial instruments

The financial risk management and internal control processes and policies and details of hedging policy and exposure to the risks associated with financial instruments can be found in Note 28 to the Consolidated Financial Statements, the Corporate Governance section of this report on pages 73-89 and in the Financial Review on pages 22-29.

Political donations

No political donations were made in 2014.

Greenhouse gas emissions

In 2014, following the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013 EVRAZ undertook to assess full greenhouse gases' (GHGs) emissions from facilities under its control. *Details can be found in the Corporate Social Responsibility section on pages 30-37.*

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 remain competitive in the global and local markets. *For examples of Company's efforts in R&D in different operations please refer to pages 46, 47 and 60.*

Events since the reporting date

The major events after 31 December 2014 are disclosed in Note 33 to the Consolidated Financial Statements on page 192.

Tender Offer to purchase Ordinary 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.

Directors and their interests

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

Detailed information on share ownership by directors can be found in the Remuneration Report on page 96.

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

Powers of directors

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

Director appointment and re-election

The Board has the power at any time to elect any person to be a director, but the number of directors must not exceed the maximum number fixed by the Articles of Association of the Company. Any person so appointed by the directors will retire at the next Annual General Meeting and then be eligible for election. In accordance with the UK Corporate Governance Code, the directors are subject to annual re-election by shareholders.

All directors will stand for re-election at the 2015 AGM to be held on 18 June 2015 with the exception of Terry Robinson who has decided not to stand for re-election.

Directors' liabilities (directors' indemnities)

As at the date of this report, the Company has granted qualifying third party indemnities to each of its directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Acts. In addition, directors and officers of the Company and its subsidiaries have been and continue to be covered by Directors & Officers liability insurance.

Substantial shareholdings

The Company's issued share capital as of 31 December 2014 is 1,506,527,294 ordinary shares.

As of 31 December 2014 and 31 March 2015, the following significant holdings of voting rights in the share capital of the Company were disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of Ordinary Shares	% of Issued Ordinary Shares
Lanebrook Ltd.*	968,385,484	64.28
Lanebrook Ltd. Affiliates	42,195,614	2.80
Kadre Enterprises Ltd.**	83,751,827	5.56
Verocchio Enterprises Ltd.***	82,887,014	5.50

* 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.

** Includes shares held by Gennady Kozovoy, Kadre's shareholder, both indirectly through Kadre and directly.

*** Verocchio Ltd. is owned by Alexander Vagin.

In January 2014, Lanebrook Ltd. exercised the 33,944,928 warrants it had acquired in 2013 (for details please refer to Annual Report 2013, page 106) to subscribe for new ordinary shares in EVRAZ plc. 33,944,928 new ordinary shares of US$1 each fully paid, ranking pari passu with the existing issued ordinary shares, were issued by the Company in favour of Lanebrook Ltd. and application was made to the London Stock Exchange and the UK Listing Authority of the FCA for their listing. The new shares were admitted to the Official List and to trading on the London Stock Exchange on 28 January 2014.

The following ultimate beneficial owners had interests in EVRAZ plc share capital (in each case, except for Mr. Kozovoy, held indirectly) as of 31 December 2014 and 31 March 2015.

Ultimate beneficial owner	Number of ordinary shares	% of issued share capital
ROMAN ABRAMOVICH	471,675,808	31.31
ALEXANDER ABRAMOV	328,170,157	21.78
ALEXANDER FROLOV	163,870,710	10.88
GENNADY KOZOVOY	83,751,827	5.56
ALEXANDER VAGIN	82,887,014	5.50
EUGENE SHVIDLER	46,864,423	3.11

Disclosure table pursuant to Listing Rule LR 9.8.4C

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following parts of this Annual Report:

Section	Subject Matter	Location
(1)	Interest capitalised	Note 9 to the Consolidated Financial Statements
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of specified long-term incentive scheme	Note 21 to the Consolidated Financial Statements, Remuneration Report
(5)	Waiver of emoluments by a director	None
(6)	Waiver of future emoluments by a director	None
(7)	Non pre-emptive issues of equity for cash	None
(8)	Item (7) in relation to major subsidiary undertakings	None
(9)	Parent participation in a placing by a listed subsidiary	None
(10)(a)	Contract of significance in which director is interested	None
(10)(b)	Contract of significance with controlling shareholder	Directors' Report
(11)	Provision of services by a controlling shareholder	None
(12)	Shareholder waivers of dividends	None
(13)	Shareholder waivers of future dividends	None
(14)	Agreement with controlling shareholder	Directors' Report

Significant contractual arrangements

The Major Shareholder and the Company have entered into a relationship agreement which regulates the on-going relationship between them, ensures that the Company is capable of carrying on its business independently of the Major Shareholder and ensures that any transactions and relationships between the Company and the Major Shareholder are at arm's length and on normal commercial terms. This agreement was last amended and restated in Q4 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: (a) the Major Shareholder has the right to appoint the maximum number of Non-Executive Directors that may be appointed whilst ensuring that the composition of the Board remains compliant with the UK Corporate Governance Code for so long as it holds an interest in 30% or more of the Company with each appointee being a ''Shareholder Director''; (b) the Major Shareholder 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; (c) 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; (d) 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 terms; (e) 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; (f) 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''); (g) the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, exercise any of its voting or other rights and powers to procure any amendment to the Articles which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement, and will abstain from voting on, and will procure that the Lanebrook Directors abstain from voting on, any resolution to approve a transaction with a related party (as defined in the Listing Rules) involving the Major Shareholder or any member of the Major Shareholder Group; (h) if any matter which, in the opinion of an independent Director, gives rise to a potential conflict of interest between the Company and/or its subsidiaries (on the one hand) and the Lanebrook Directors, the Major Shareholder or any member of the Major Shareholder Group (on the other), such matter must be approved at a duly convened meeting of a committee comprising Non-Executive Directors of the Company whom the Board considers to be independent in accordance with paragraph B.1.1 or the UK Corporate Governance Code (the "Independent Committee") or in writing by a majority of the Independent Committee; and (i) for so long as the Major Shareholder holds an interest in 50% or more in the Company, the Major Shareholder undertakes that it will not and will use its reasonable endeavours to procure that no other member of the Controlling Shareholder Group becomes involved in any competing business (subject to certain exceptions) in Russia, the Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.

The Board is satisfied that the Company is capable of carrying on its business independently of the major shareholder and makes its decisions in a manner consistent with its duties to the Company and stakeholders of EVRAZ plc. Furthermore, the Independent Non-Executive Directors of the Company have conducted an annual review to consider the continued good standing of the Relationship Agreement and are satisfied that the terms of the Relationship Agreement are being fully observed by both parties.

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 2014, the principal amount of these notes amounted to US$509 million.

The change of control provisions contained in the US$500 million syndicated loan agreement dated 12 August 2014 specify that, If 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 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.

Annual General Meeting (AGM)

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

The 2015 AGM will be held on 18 June 2015 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 2014 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at www.evraz.com. Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.

Purchase of Own Shares

Details of transactions with treasury shares are provided in Note 20 of the Consolidated Financial Statements on page 167.

Share Capital

In January 2014, in connection with an exercise by Lanebrook Limited ("Lanebrook"), EVRAZ's major shareholder, of 33,944,928 warrants to subscribe for new ordinary shares in EVRAZ plc, the Company issued 33,944,928 new ordinary shares of US$1 each fully paid, ranking pari passu with the existing issued ordinary shares. The newly issued shares were admitted to the Official List and to trading on the London Stock Exchange on 28 January 2014.

Since 28 January 2014, the Company's issued share capital has consisted of 1,506,527,294 ordinary shares, and the total number of voting rights in the Company is 1,506,527,294.

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

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

Articles of Association

The Company's Articles of Association have been adopted with effect from 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 2015 notice of AGM.

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

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

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

Transfer of Shares

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

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

Auditors

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

Our Directors' Report as set out on pages 99-103 inclusive has been prepared in accordance with, applicable UK company law and was approved by the Board on 31 March 2015.

By order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc
31 March 2015

Directors' Statement as to Disclosure of Information to Auditors

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

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

Responsibility Statement under the Disclosure and Transparency Rules

Each of the directors whose names and functions are listed on pages 70-71 confirm that to the best of their knowledge:

– the consolidated financial statements of EVRAZ plc, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole (the 'Group');
– the *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 Director's Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules of the United Kingdom Listing Authority. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc
31 March 2015

Financial Statements

In this section:

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 115 to 192 and the Company Primary Statements and related notes set out on pages 193 to 201.

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 2014 and of the Group and Parent Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Overview

Materiality	Overall Group materiality of $62.8 million which represents 2.7% of EBITDA
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 87% of the Group's EBITDA and 90% of the Group's revenue (of which 71% and 66% of these metrics were covered by full scope components). For the remaining 54 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. Political disturbances and economic sanctions. Impact of foreign exchange rate fluctuations. Changes in reportable segments.
What has changed	Changes in our scope since the 2013 audit included increased procedures undertaken on the Group's North American operations in response to the potential IPO of that part of the business and a reduction in scope of some of the Group's Russian operations. Following the removal of the requirement for separate audited financial statements in respect of the Russian entities in the current year, we have assessed their scope solely based on their potential impact on the financial results and position of the Group. We increased our focus on the risks associated with political disturbances and economic sanctions in the current year due to the evolving situation in Russia. The focus on the Group's assets held for sale reduced as a result of the decrease in the significance of these assets. The impact of foreign exchange and segmental reporting are new areas of focus for the current year given the significant devaluation of the Russian Rouble in the year and changes to internal management reporting.

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
$62.8 million

Performance materiality
$31.4 million

Reporting threshold
$3.1 million

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate could reasonably be expected to influence the economic decisions of the users of the Financial Statements.

We determined materiality for the Group to be $62.8 million (2013: $54.7 million), which we set at 2.7% (2013: 3%) of EBITDA. We decreased our materiality as a percentage of EBITDA in the current year in response to the increased risk profile of the economic environment in which the Group operates. Our materiality amount provides a basis for determining the nature and extent of our 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.

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 to be the most appropriate performance metric on which to base our materiality calculation as we considered that to be the most relevant performance measure to the stakeholders of the entity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality for the Group should be 50% (2013: 50%) of materiality, namely $31.4 million (2013: $27.3 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 $6.3 million to $22.0 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 $3.1 million (2013: $2.7 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.

Scope of the audit of the Financial Statements

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

Tailoring the scope

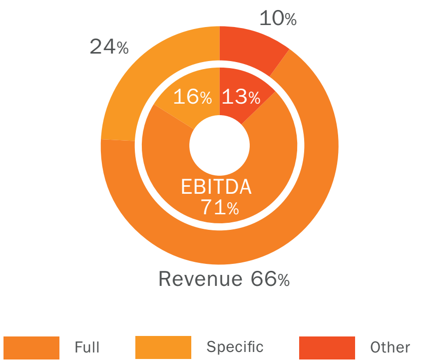
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group which, when taken together, enable us to form an opinion on the Consolidated Financial Statements under International Standards on Auditing (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 teams 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 69 reporting components of the Group we selected 15 components covering entities within Russia, Ukraine, Switzerland 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 selected 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.

The 15 reporting components where we performed audit procedures accounted for 87% of the Group EBITDA and 90% of the Group's revenue. A further breakdown of the size of these components compared to key metrics of the Group is provided below.



For the remaining 54 components, we performed other procedures, including analytical review, 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 2013 in terms of overall coverage of the Group and the number of full and specific scope entities. However we have made some changes in the identity of components subject to full and specific scope audit procedures. Changes in our scope since the 2013 audit include increased procedures undertaken on the Group's North American operations in response to the potential IPO of that part of the business and a reduction in scope of some of the Group's Russian operations. Following the removal of the requirement for separate audited financial statements in respect of the Russian entities in the current year, we have assessed their scope solely based on their potential impact on the financial results and position of the Group.

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 10 specific scope components selected audit procedures were performed on five of these directly by the Group audit team. For the components where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle visits were undertaken by the Group audit team to component teams in Russia and Ukraine. These visits involved discussing the audit approach with the component team and any issues arising from the work. The Group audit team visited the component team in the USA in 2013 but not in the current year's audit cycle. For 2014 the main focus of the Group audit team was on the Russian and Ukrainian entities in response to the increased risk of the economic environment in those areas. 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.

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 operations reside in Russia, the Group audit team includes members from both the UK and Russia. The senior statutory auditor visited Russia three times during the current year's audit and 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 where he challenged management on their assumptions. He 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.

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.

Details of why we identified these issues as areas of focus and our audit response are set out in the table on pages 111 to 113. 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 2013.

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 2013 audit we have made the following changes to our areas of focus:

- At 31 December 2014 the balance of assets held for sale is no longer significant to the Group. We have therefore removed this as a focus area of our audit.
- The deterioration of the economic situation and continued political unrest in the Group's main area of operation has increased the potential impact of this risk on the Group's business. This has led us to an increased focus on this area.
- The impact of foreign exchange is a new area of focus for the current year in response to the significant devaluation of the Russian Rouble.
- We have also included segmental reporting as a new focus area in response to the restatement of the Group's Financial Statement disclosures resulting from changes in internal management reporting.

Area of focus	Our audit approach and conclusion

Goodwill and non-current asset impairment
Refer to the Group Audit Committee Report on page 79, the estimates and judgments on page 131 and the disclosures of impairment in note 6 of the Consolidated Financial Statements

Risk direction:

At 31 December 2014 the carrying value of goodwill was US$1,541 million. The Group recognised impairment charges in respect of goodwill, other intangible assets, items of PP&E and other non-current assets during the year of US$540 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 review 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; and
- Increases in production costs.

We challenged 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. We compared current performance with 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 considered the appropriateness of the related disclosures provided in the Group Financial Statements. In particular we considered 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.

Going concern
Refer to the Group Audit Committee Report on page 79, the Directors' report on page 99 and within significant accounting policies on page 123 of the Consolidated Financial Statements

Risk direction:

The Group is highly geared (net debt at 31 December 2014 US$5,814 million, 2013 US$6,534 million), has regular debt repayments and some 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 ensure that the Group can operate as a going concern for at least 12 months from the date the Financial Statements are approved.

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 and the supporting presentation. The main procedures performed on the model and areas where we challenged management were as follows:

- We have assessed the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes;
- We ensured the consistency of forecasts used in the going concern assessment with those used for impairment calculations;
- We challenged 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, in relation to covenant compliance.

Area of focus	Our audit approach and conclusion
	We agreed the sources of liquidity and uses of funds to supporting documentation. We considered 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 there is currently no material uncertainty in relation to the going concern assumption for the preparation of the Financial Statements.
Political disturbances and economic sanctions Refer to the Group Audit Committee Report on page 80	Risk direction: ▲
The current geopolitical situation remains an important area of focus for the Group and our audit. Continuing escalation of political and economic tension between the US, EU and Russia has resulted in an economic slowdown and deterioration of liquidity in the banking sectors of Russia. The deterioration in liquidity may impact the Group's ability to obtain finance in the future and therefore cast doubt over the Company's ability to continue as a going concern. Operational restrictions could impact the profitability of the Group's operations and lead to asset impairments. There has been an increase in economic sanctions affecting Russian individuals and companies during the year, increasing the regulatory compliance burden on the Company. The devaluation of the Rouble and Hryvnia during the year has had a significant impact on the Group's operations and the carrying value of its assets held in Russia and Ukraine. We focused on this area because of the potential operational and financial impact on the Group.	We inquired of management about the potential impact on financing and the operational activities of the Group in the foreseeable future. We investigated existing loan agreements for force majeure clauses to verify that debt maturities were accurately recorded in the Financial Statements and had not been impacted by the geopolitical situation. As part of our impairment work we challenged management assumptions used in impairment models in respect of Ukrainian and Russian operations. Areas such as country risk premiums used in discount rate calculations and foreign exchange rate forecasts were agreed to third party data where applicable. We discussed, and understood the scope of, the processes management have to prevent illegal transactions being undertaken with countries subject to sanction or embargo. We reviewed reports and held discussions with a third party advisor engaged by management in relation to sanctions compliance. We have tested exchange gains/losses for the period and assessed the Group's adjustments arising on the translation of foreign operations noting no material inconsistencies.
Impact of foreign exchange rate fluctuations Refer to the Strategic report on pages 5 to 37 and to the Group Audit Committee Report on page 79	Risk direction: ▲
During 2014, the Rouble devalued against the US Dollar, with a closing rate of RUB 56.3 to the US Dollar as of 31 December 2014, representing a 72% increase in the exchange rate since the previous year end. The devaluation of the Hryvnia was even more significant representing a 97% increase in the exchange rate since the previous year end. As a result, the translation reserve has changed by US$1,959 million (after tax effect). The devaluation has given rise to significant operating losses of US$1,005 million and contributed to losses of $588 million on derivatives not designated as hedging instruments in the consolidated statement of operations. Given the significant movements in the Consolidated Financial Statements and impact on the net assets of the Group, we consider this to be a key area of focus.	In addressing this area of focus, audit procedures were performed by the component teams in Russia and Ukraine and the Group engagement team. As part of our audit procedures we performed substantive testing on foreign exchange movements at a component level for all the Russian and Ukrainian full and specific scope entities noting no significant issues. We have also performed audit procedures on movements in the translation reserve shown in Other Comprehensive Income and the foreign exchange impact on balances in the Statement of Financial Position. We have tested exchange gains/losses for the period and assessed the Group's adjustments arising on the translation of foreign operations noting no material inconsistencies. We performed substantive analytical procedures on open swap agreements using forward rates obtained from our internal specialists noting no material differences. We have read and considered how the impact of the devaluation on the performance and position of the Group is disclosed in the Strategic Report and Financial Statements.

Area of focus	Our audit approach and conclusion
Changes in reportable segments Refer to the Group Audit Committee Report on page 79 and note 3 of the Consolidated Financial Statements	Risk direction: ▲
In the Group's Financial Statements for the year ended 31 December 2013 the Group disclosed four operating segments; Steel production, Mining, Vanadium products and Other operations. In 2014, the management reporting used by the chief operating decision maker for making decisions about resource allocation changed to put more emphasis on analysis of the operating results of the coal segment and operations in North America. As such, new reportable segments were identified and the comparative segment information has been restated accordingly. Given the significant changes to disclosure included in the Consolidated Financial Statements including restatements of prior year disclosures we considered this to be a key area of focus.	In addressing this area of focus audit procedures were performed by the Group engagement team. We discussed the rationale for the change in segmental disclosure with management and obtained and reviewed management reports used by the Board to make strategic decisions to ensure the presentation of data in such reports was consistent with the new segmental structure. We reviewed copies of Board minutes to satisfy ourselves that the reports had been used by the Board. We checked the arithmetic accuracy of the disclosures and recalculated the restatement of the prior year data noting no material inconsistencies.

What we have audited

We have audited the Primary Statements and related notes of EVRAZ plc for the year ended 31 December 2014 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 33.	the related notes 1 to 10.

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.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 105, 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.

Independent Auditor's Report To The Members Of EVRAZ PLC (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial Statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement (included on page 105 of the Annual Report) that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 99, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Ken Williamson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
31 March 2015

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

	Notes	2014	2013 restated*	2012 restated*
		Year ended 31 December		
Continuing operations				
Revenue				
Sale of goods	3	**$12,745**	$14,071	$14,367
Rendering of services	3	**316**	340	359
		13,061	14,411	14,726
Cost of revenue	7	**(9,734)**	(11,501)	(11,803)
Gross profit		**3,327**	2,910	2,923
Selling and distribution costs	7	**(1,009)**	(1,213)	(1,211)
General and administrative expenses	7	**(743)**	(877)	(839)
Social and social infrastructure maintenance expenses		**(30)**	(50)	(51)
Loss on disposal of property, plant and equipment		**(48)**	(47)	(56)
Impairment of assets	6	**(540)**	(563)	(413)
Foreign exchange gains/(losses), net		**(1,005)**	(258)	(41)
Other operating income		**35**	53	75
Other operating expenses	7	**(88)**	(116)	(129)
Profit/(loss) from operations		**(101)**	(161)	258
Interest income	7	**17**	23	23
Interest expense	7	**(563)**	(699)	(654)
Share of profits/(losses) of joint ventures and associates	11	**10**	8	1
Gain/(loss) on derecognition of equity investments, net	4	**–**	89	–
Gain/(loss) on financial assets and liabilities, net	7	**(583)**	(43)	164
Gain/(loss) on disposal groups classified as held for sale, net	12	**136**	131	23
Other non-operating gains/(losses), net		**–**	15	(6)
Loss before tax		**(1,084)**	(637)	(191)
Income tax benefit/(expense)	8	**(194)**	86	(229)
Net loss		**$(1,278)**	$(551)	$(420)
Attributable to:				
Equity holders of the parent entity		**$(1,175)**	$(504)	$(393)
Non-controlling interests		**(103)**	(47)	(27)
		$(1,278)	$(551)	$(420)
Earnings/(losses) per share:				
basic, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$(0.78)**	$(0.34)	$(0.29)
diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$(0.78)**	$(0.34)	$(0.29)

* The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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 2014	2013 restated*	2012 restated*
Net loss		**$(1,278)**	$(551)	$(420)
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency		**(1,918)**	(375)	281
Exchange differences recycled to profit or loss	4,12	**(66)**	90	96
Net gains/(losses) on available-for-sale financial assets	13	**(12)**	7	4
		(1,996)	(278)	381
Effect of translation to presentation currency of the Group's joint ventures and associates	11	**(79)**	(11)	44
Net gains/(losses) on available-for-sale financial assets of the Group's joint ventures and associates	11	**–**	–	1
		(79)	(11)	45
Items not to be reclassified to profit or loss in subsequent periods				
Gains/(losses) on re-measurement of net defined benefit liability	23	**(33)**	119	(74)
Income tax effect	8	**15**	(30)	14
		(18)	89	(60)
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	11	**–**	–	(2)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	9	**–**	(9)	–
Income tax effect	8	**–**	2	–
		–	(7)	–
Total other comprehensive income/(loss)		**(2,093)**	(207)	364
Total comprehensive income/(loss), net of tax		**$(3,371)**	$(758)	$(56)
Attributable to:				
Equity holders of the parent entity		**$(3,164)**	$(677)	$(28)
Non-controlling interests		**(207)**	(81)	(28)
		$(3,371)	$(758)	$(56)

* The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Consolidated Statement of Financial Position
(in millions of US dollars)

The financial statements of EVRAZ plc (registered number 7784342) on pages 115-192 were approved by the Board of Directors on 31 March 2015 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

		31 December		
	Notes	**2014**	2013 restated*	2012 restated*
Assets				
Non-current assets				
Property, plant and equipment	9	**$5,796**	$9,490	$8,064
Intangible assets other than goodwill	10	**441**	588	735
Goodwill	5	**1,541**	1,988	2,203
Investments in joint ventures and associates	11	**121**	191	551
Deferred income tax assets	8	**97**	86	70
Other non-current financial assets	13	**98**	144	92
Other non-current assets	13	**40**	62	64
		8,134	12,549	11,779
Current assets				
Inventories	14	**1,372**	1,744	2,080
Trade and other receivables	15	**654**	915	944
Prepayments		**82**	124	143
Loans receivable		**24**	21	19
Receivables from related parties	16	**53**	13	12
Income tax receivable		**23**	59	59
Other taxes recoverable	17	**158**	283	330
Other current financial assets	18	**40**	71	712
Cash and cash equivalents	19	**1,086**	1,604	1,382
		3,492	4,834	5,681
Assets of disposal groups classified as held for sale	12	**4**	302	277
		3,496	5,136	5,958
Total assets		**$11,630**	$17,685	$17,737
Equity and liabilities				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	**$1,507**	$1,473	$1,340
Treasury shares	20	**–**	(1)	(1)
Additional paid-in capital	20	**2,481**	2,326	1,820
Revaluation surplus		**155**	162	173
Other reserves	20	**–**	156	–
Unrealised gains and losses	11,13	**–**	12	5
Accumulated profits		**1,299**	2,589	3,009
Translation difference		**(3,644)**	(1,685)	(1,424)
		1,798	5,032	4,922
Non-controlling interests		**218**	431	200
		2,016	5,463	5,122
Non-current liabilities				
Long-term loans	22	**5,470**	6,041	6,375
Deferred income tax liabilities	8	**471**	841	928
Employee benefits	23	**364**	492	593
Provisions	24	**173**	254	332
Other long-term liabilities	25	**442**	230	181
		6,920	7,858	8,409
Current liabilities				
Trade and other payables	26	**1,379**	1,488	1,531
Advances from customers		**155**	180	157
Short-term loans and current portion of long-term loans	22	**761**	1,816	1,795
Payables to related parties	16	**108**	458	257
Income tax payable		**86**	57	48
Other taxes payable	27	**151**	203	195
Provisions	24	**41**	45	40
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**–**	5	8
		2,681	4,252	4,031
Liabilities directly associated with disposal groups classified as held for sale	12	**13**	112	175
		2,694	4,364	4,206
Total equity and liabilities		**$11,630**	$17,685	$17,737

* The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Consolidated Statement of Cash Flows
(in millions of US dollars)

	Year ended 31 December		
	2014	2013 restated*	2012 restated*
Cash flows from operating activities			
Net profit/(loss)	**$(1,278)**	$(551)	$(420)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	**(163)**	(335)	(38)
Depreciation, depletion and amortisation *(Note 7)*	**833**	1,114	1,259
Loss on disposal of property, plant and equipment	**48**	47	56
Impairment of assets	**540**	563	413
Foreign exchange (gains)/losses, net	**1,005**	258	41
Interest income	**(17)**	(23)	(23)
Interest expense	**563**	699	654
Share of (profits)/losses of associates and joint ventures	**(10)**	(8)	(1)
(Gain)/loss on derecognition of equity investments, net	**–**	(89)	–
(Gain)/loss on financial assets and liabilities, net	**583**	43	(164)
(Gain)/loss on disposal groups classified as held for sale, net	**(136)**	(131)	(23)
Other non-operating (gains)/losses, net	**–**	(15)	6
Bad debt expense	**41**	8	12
Changes in provisions, employee benefits and other long-term assets and liabilities	**(62)**	(68)	(55)
Expense arising from equity-settled awards *(Note 21)*	**30**	25	22
Other	**(1)**	(2)	(6)
	1,976	1,535	1,733
Changes in working capital:			
Inventories	**(87)**	229	121
Trade and other receivables	**(1)**	65	(78)
Prepayments	**(2)**	15	37
Receivables from/payables to related parties	**(246)**	131	141
Taxes recoverable	**33**	48	120
Other assets	**11**	(17)	18
Trade and other payables	**150**	(135)	96
Advances from customers	**27**	30	(1)
Taxes payable	**100**	4	(43)
Other liabilities	**(4)**	(5)	(1)
Net cash flows from operating activities	**1,957**	1,900	2,143
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(4)**	(2)	(5)
Proceeds from repayment of loans issued to related parties, including interest	**–**	–	1
Issuance of loans receivable	**–**	(2)	–
Proceeds from repayment of loans receivable, including interest	**3**	3	4
Return of capital by a joint venture *(Note 11)*	**–**	–	38
Purchases of subsidiaries, net of cash acquired *(Note 4)*	**(102)**	31	(12)
Purchases of interest in associates/joint ventures *(Note 11)*	**(29)**	(61)	–
Restricted deposits at banks in respect of investing activities	**1**	(2)	–
Short-term deposits at banks, including interest	**8**	677	(656)
Purchases of property, plant and equipment and intangible assets	**(612)**	(902)	(1,261)
Proceeds from disposal of property, plant and equipment	**14**	7	9
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	**311**	1	311
Dividends received	**2**	1	88
Other investing activities, net	**19**	(15)	(61)
Net cash flows used in investing activities	**(389)**	(264)	(1,544)

* The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

Continued on the next page.

Consolidated Statement of Cash Flows (continued)
(in millions of US dollars)

	Year ended 31 December		
	2014	2013 restated*	2012 restated*
Cash flows from financing activities			
Purchase of treasury shares in the course of the Group's reorganisation *(Note 20)*	**$–**	$–	$(4)
Purchase of treasury shares *(Note 20)*	**(13)**	(6)	–
Proceeds from loans provided by related parties	**267**	–	–
Repayment of loans provided by related parties	**(251)**	–	–
Purchases of non-controlling interests *(Note 4)*	**–**	–	(1)
Dividends paid by the parent entity to its shareholders *(Note 20)*	**(90)**	–	(375)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**(3)**	(1)	(1)
Proceeds from bank loans and notes	**2,579**	1,976	2,706
Repayment of bank loans and notes, including interest	**(3,223)**	(3,978)	(2,716)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(942)**	621	292
Payments for purchase of property, plant and equipment on deferred terms	**(42)**	–	–
Payments under covenants reset *(Note 22)*	**–**	(1)	(7)
Gain/(loss) on derivatives not designated as hedging instruments *(Note 25)*	**(94)**	51	81
Collateral under swap contracts *(Note 18)*	**14**	(21)	10
Restricted deposits at banks in respect of financing activities	**–**	–	2
Payments under finance leases, including interest	**(1)**	(8)	(29)
Other financing activities	**(12)**	–	–
Net cash flows used in financing activities	**(1,811)**	(1,367)	(42)
Effect of foreign exchange rate changes on cash and cash equivalents	**(282)**	(48)	32
Net increase in cash and cash equivalents	**(525)**	221	589
Cash and cash equivalents at the beginning of the year	**1,604**	1,382	801
Add back: decrease/(increase) in cash of disposal groups classified as assets held for sale *(Note 12)*	**7**	1	(8)
Cash and cash equivalents at the end of the year	**$1,086**	$1,604	$1,382
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$(517)**	$(586)	$(559)
Interest received	**10**	23	7
Income taxes paid by the Group	**(263)**	(249)	(298)

* The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Consolidated Statement of Changes in Equity
(in millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2013 (as previously reported)	$1,473	$(1)	$2,326	$162	$156	$12	$2,566	$(1,687)	$5,007	$427	$5,434
Cessation of classification of subsidiaries as held for sale *(Note 2)*	–	–	–	–	–	–	23	2	25	4	29
At 31 December 2013 (as restated)	$1,473	$(1)	$2,326	$162	$156	$12	$2,589	$(1,685)	$5,032	$431	$5,463
Net loss	–	–	–	–	–	–	(1,175)	–	(1,175)	(103)	(1,278)
Other comprehensive income/(loss)	–	–	–	–	–	(12)	(18)	(1,959)	(1,989)	(104)	(2,093)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(7)	–	–	7	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(7)	–	(12)	(1,186)	(1,959)	(3,164)	(207)	(3,371)
Issue of shares *(Note 20)*	34	–	122	–	(156)	–	–	–	–	–	–
Acquisition of non-controlling interests in subsidiaries	–	–	3	–	–	–	–	–	3	(3)	–
Purchase of treasury shares *(Note 20)*	–	(13)	–	–	–	–	–	–	(13)	–	(13)
Transfer of treasury shares to participants of the Incentive Plans *(Notes 20 and 21)*	–	14	–	–	–	–	(14)	–	–	–	–
Share-based payments *(Note 21)*	–	–	30	–	–	–	–	–	30	–	30
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	–	–	–	–	(90)	–	(90)	–	(90)
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(3)	(3)
At 31 December 2014	**$1,507**	**$–**	**$2,481**	**$155**	**$–**	**$–**	**$1,299**	**$(3,644)**	**$1,798**	**$218**	**$2,016**

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid–in capital	Revaluation surplus	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2012 (as previously reported)	$1,340	$(1)	$1,820	$173	$–	$5	$3,004	$(1,424)	$4,917	$200	$5,117
Cessation of classification of subsidiaries as held for sale *(Note 2)*	–	–	–	–	–	–	5	–	5	–	5
At 31 December 2012 (as restated)	$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 amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Consolidated Statement of Changes in Equity (continued)
(in millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2011	$1,338	$(8)	$2,289	$171	$–	$–	$3,406	$(1,846)	$5,350	$236	$5,586
Net loss*	–	–	–	–	–	–	(393)	–	(393)	(27)	(420)
Other comprehensive income/(loss)*	–	–	–	–	–	5	(62)	422	365	(1)	364
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	2	–	–	(2)	–	–	–	–
Total comprehensive income/(loss) for the period*	–	–	–	2	–	5	(457)	422	(28)	(28)	(56)
Issue of shares in the course of the Group's reorganisation *(Note 20)*	2	–	–	–	–	–	8	–	10	(10)	–
Acquisition of non-controlling interests in subsidiaries *(Note 4)*	–	–	–	–	–	–	(31)	–	(31)	(6)	(37)
Derecognition of non-controlling interests on sale of subsidiaries *(Note 12)*	–	–	–	–	–	–	–	–	–	2	2
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary *(Note 20)*	–	–	–	–	–	–	–	–	–	7	7
Buyback of own shares by a joint venture's subsidiary *(Note 11)*	–	–	–	–	–	–	(22)	–	(22)	–	(22)
Purchase of treasury shares *(Note 20)*	–	(4)	–	–	–	–	–	–	(4)	–	(4)
Transfer of treasury shares to participants of the Incentive Plans *(Notes 20 and 21)*	–	11	–	–	–	–	(11)	–	–	–	–
Share-based payments *(Note 21)*	–	–	22	–	–	–	–	–	22	–	22
Reclassification of distributed dividends to share premium account *(Note 20)*	–	–	(491)	–	–	–	491	–	–	–	–
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	–	–	–	–	(375)	–	(375)	–	(375)
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2012	$1,340	$(1)	$1,820	$173	$–	$5	$3,009	$(1,424)	$4,922	$200	$5,122

* The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Notes to the Consolidated Financial Statements
Year ended 31 December 2014

1. Corporate Information

These consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 31 March 2015.

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:

Subsidiary	Effective ownership interest, %			Business activity	Location
	2014	2013	2012		
EVRAZ Nizhny Tagil Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Vitkovice Steel a.s.	**–**	100.00	100.00	Steel production	Czech Republic
EVRAZ Highveld Steel and Vanadium Limited	**85.11**	85.11	85.11	Steel production	South Africa
EVRAZ Dnepropetrovsk Iron and Steel Works	**96.90**	96.78	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 (till 16 January 2013 accounted for under equity method – Notes 4 and 11)	**81.95**	81.95	40.98	Coal mining	Russia
Yuzhkuzbassugol	**100.00**	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	**100.00**	100.00	100.00	Ore mining and processing	Russia
Evrazruda	**100.00**	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	**99.42**	99.42	99.42	Ore mining	Ukraine

2. Significant Accounting Policies

Basis of Preparation

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

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2014, 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 and continues to reduce the level of debt.

Based on the currently available facts and circumstances the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Restatement of Financial Statements

Subsidiaries that Ceased to Be Classified as Held for Sale

During the year the Group revised its plan to dispose of all of its investment in EVRAZ Highveld Steel and Vanadium Limited, which was classified as a disposal group held for sale as at 31 December 2012 and 2013. On 12 August 2014 the Group signed an agreement to sell a 34% shareholding (at 31 December 2014 the transaction continues to be pending as certain conditions of the sale have not been met) and to retain control over the remaining 51.1% ownership interest. However, management expects to recover the investment in EVRAZ Highveld Steel and Vanadium Limited principally through sale. At the end of 2014, the sale of the subsidiary within one year was not considered to be highly probable.

At 31 December 2013, the disposal groups held for sale relating to the other segment included an office building in Moscow. In the 2nd half of 2014, due to the current market conditions management decided not to sell this asset.

As a result of these changes in circumstances, EVRAZ Highveld Steel and Vanadium Limited and the subsidiary owning the office building ceased to meet the definition of a disposal group held for sale. In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" the Group restated its consolidated financial statements, including the relevant notes, for the periods in which the assets were classified as held for sale as if the subsidiaries had not been classified as assets held for sale in the past and all assets and liabilities and the results of operations had been accounted for in accordance with the applicable International Financial Reporting Standards as adopted by the European Union.

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

The effects of the restatements on the previously reported amounts are set out below.

Statement of Operations

	Year ended 31 December 2013		
	As previously reported	Subsidiary that ceased to be held for sale	Restated
Revenue			
Sale of goods	$14,071	$–	$14,071
Rendering of services	340	–	340
	14,411	–	14,411
Cost of revenue	(11,468)	(33)	(11,501)
Gross profit	2,943	(33)	2,910
Selling and distribution costs	(1,183)	(30)	(1,213)
General and administrative expenses	(877)	–	(877)
Social and social infrastructure maintenance expenses	(50)	–	(50)
Loss on disposal of property, plant and equipment	(47)	–	(47)
Impairment of assets	(446)	(117)	(563)
Foreign exchange gains/(losses), net	(258)	–	(258)
Other operating income	53	–	53
Other operating expenses	(116)	–	(116)
Profit/(loss) from operations	19	(180)	(161)
Interest income	23	–	23
Interest expense	(699)	–	(699)
Share of profits/(losses) of joint ventures and associates	8	–	8
Gain/(loss) on derecognition of equity investments, net	89	–	89
Gain/(loss) on financial assets and liabilities, net	(43)	–	(43)
Gain/(loss) on disposal groups classified as held for sale, net	(25)	156	131
Other non-operating gains/(losses), net	15	–	15
Loss before tax	(613)	(24)	(637)
Income tax benefit/(expense)	41	45	86
Net profit/(loss)	$(572)	$21	$(551)
Attributable to:			
Equity holders of the parent entity	$(522)	$18	$(504)
Non-controlling interests	(50)	3	(47)
	$(572)	$21	$(551)
Earnings/(losses) per share:			
for profit/(loss) attributable to equity holders of the parent entity, US dollars, basic and diluted	$(0.35)	$0.01	$(0.34)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Comprehensive Income

	Year ended 31 December 2013		
	As previously reported	Subsidiary that ceased to be held for sale	Restated
Net profit/(loss)	$(572)	$21	$(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	(378)	3	(375)
Exchange differences recycled to profit or loss	90	–	90
Net gains/(losses) on available-for-sale financial assets	7	–	7
	(281)	3	(278)
Effect of translation to presentation currency of the Group's joint ventures and associates	(11)	–	(11)
	(11)	–	(11)
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability	119	–	119
Income tax effect	(30)	–	(30)
	89	–	89
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	(9)	–	(9)
Income tax effect	2	–	2
	(7)	–	(7)
Total other comprehensive income/(loss)	(210)	3	(207)
Total comprehensive income/(loss), net of tax	$(782)	$24	$(758)
Attributable to:			
Equity holders of the parent entity	$(697)	$20	$(677)
Non-controlling interests	(85)	4	(81)
	$(782)	$24	$(758)

	Year ended 31 December 2013		
Statement of Changes in Equity	As previously reported	Subsidiary that ceased to be held for sale	Restated
Accumulated profits	$2,566	$23	$2,589
Translation difference	(1,687)	2	(1,685)
Non-controlling interests	427	4	431

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2013		
	As previously reported	Subsidiaries that ceased to be held for sale	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$9,251	$239	$9,490
Intangible assets other than goodwill	525	63	588
Goodwill	1,988	–	1,988
Investments in joint ventures and associates	191	–	191
Deferred income tax assets	86	–	86
Other non-current financial assets	140	4	144
Other non-current assets	62	–	62
	12,243	306	12,549
Current assets			
Inventories	1,641	103	1,744
Trade and other receivables	873	42	915
Prepayments	122	2	124
Loans receivable	21	–	21
Receivables from related parties	13	–	13
Income tax receivable	59	–	59
Other taxes recoverable	281	2	283
Other current financial assets	71	–	71
Cash and cash equivalents	1,576	28	1,604
	4,657	177	4,834
Assets of disposal groups classified as held for sale	804	(502)	302
	5,461	(325)	5,136
Total assets	$17,704	$(19)	$17,685
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$1,473	$–	$1,473
Treasury shares	(1)	–	(1)
Additional paid-in capital	2,326	–	2,326
Revaluation surplus	162	–	162
Other reserves	156	–	156
Unrealised gains and losses	12	–	12
Accumulated profits	2,566	23	2,589
Translation difference	(1,687)	2	(1,685)
	5,007	25	5,032
Non-controlling interests	427	4	431
	5,434	29	5,463
Non-current liabilities			
Long-term loans	$6,039	$2	$6,041
Deferred income tax liabilities	827	14	841
Employee benefits	481	11	492
Provisions	194	60	254
Other long-term liabilities	230	–	230
	7,771	87	7,858
Current liabilities			
Trade and other payables	1,395	93	1,488
Advances from customers	179	1	180
Short-term loans and current portion of long-term loans	1,816	–	1,816
Payables to related parties	458	–	458
Income tax payable	57	–	57
Other taxes payable	202	1	203
Provisions	39	6	45
Dividends payable by the Group's subsidiaries to non-controlling shareholders	5	–	5
	4,151	101	4,252
Liabilities directly associated with disposal groups classified as held for sale	348	(236)	112
	4,499	(135)	4,364
Total equity and liabilities	$17,704	$(19)	$17,685

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Operations

	Year ended 31 December 2012		
	As previously reported	Subsidiaries that ceased to be held for sale	Restated
Revenue			
Sale of goods	$14,367	$–	$14,367
Rendering of services	359	–	359
	14,726	–	14,726
Cost of revenue	(11,803)	–	(11,803)
Gross profit	2,923	–	2,923
Selling and distribution costs	(1,211)	–	(1,211)
General and administrative expenses	(839)	–	(839)
Social and social infrastructure maintenance expenses	(51)	–	(51)
Loss on disposal of property, plant and equipment	(56)	–	(56)
Impairment of assets	(413)	–	(413)
Foreign exchange gains/(losses), net	(41)	–	(41)
Other operating income	75	–	75
Other operating expenses	(129)	–	(129)
Profit from operations	258		258
Interest income	23	–	23
Interest expense	(654)	–	(654)
Share of profits/(losses) of joint ventures and associates	1	–	1
Gain/(loss) on financial assets and liabilities, net	164	–	164
Gain/(loss) on disposal groups classified as held for sale, net	18	5	23
Other non-operating gains/(losses), net	(6)	–	(6)
Profit/(loss) before tax	(196)	5	(191)
Income tax expense	(229)	–	(229)
Net profit/(loss)	$(425)	$5	$(420)
Attributable to:			
Equity holders of the parent entity	$(398)	$5	$(393)
Non-controlling interests	(27)	–	(27)
	$(425)	$5	$(420)
Earnings/(losses) per share:			
for profit/(loss) attributable to equity holders of the parent entity, US dollars, basic and diluted	$(0.30)	$0.01	$(0.29)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Comprehensive Income

	Year ended 31 December 2012		
	As previously reported	Subsidiaries that ceased to be held for sale	Restated
Net loss	$(425)	$5	$(420)
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	281	–	281
Exchange differences recycled to profit or loss	96	–	96
Net gains/(losses) on available-for-sale financial assets	4	–	4
	381		381
Effect of translation to presentation currency of the Group's joint ventures and associates	44	–	44
Net gains/(losses) on available-for-sale financial assets of the Group's joint ventures and associates	1	–	1
	45	–	45
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability	(74)	–	(74)
Income tax effect	14	–	14
	(60)	–	(60)
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	(2)	–	(2)
Total other comprehensive income/(loss)	364	–	364
Total comprehensive income/(loss), net of tax	$(61)	$5	$(56)
Attributable to:			
Equity holders of the parent entity	$(33)	$5	$(28)
Non-controlling interests	(28)	–	(28)
	$(61)	$5	$(56)

Statement of Changes in Equity

	31 December 2012		
	As previously reported	Subsidiaries that ceased to be held for sale	Restated
Accumulated profits	$3,004	$5	$3,009
Translation difference	(1,424)	–	(1,424)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2012		
	As previously reported	Subsidiaries that ceased to be held for sale	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$7,792	$272	$8,064
Intangible assets other than goodwill	586	149	735
Goodwill	2,180	23	2,203
Investments in joint ventures and associates	551	–	551
Deferred income tax assets	70	–	70
Other non-current financial assets	92	–	92
Other non-current assets	64	–	64
	11,335	444	11,779
Current assets			
Inventories	1,978	102	2,080
Trade and other receivables	895	49	944
Prepayments	143	–	143
Loans receivable	19	–	19
Receivables from related parties	12	–	12
Income tax receivable	59	–	59
Other taxes recoverable	329	1	330
Other current financial assets	712	–	712
Cash and cash equivalents	1,320	62	1,382
	5,467	214	5,681
Assets of disposal groups classified as held for sale	930	(653)	277
	6,397	(439)	5,958
Total assets	$17,732	$5	$17,737
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$1,340	$–	$1,340
Treasury shares	(1)	–	(1)
Additional paid-in capital	1,820	–	1,820
Revaluation surplus	173	–	173
Unrealised gains and losses	5	–	5
Accumulated profits	3,004	5	3,009
Translation difference	(1,424)	–	(1,424)
	4,917	5	4,922
Non-controlling interests	200	–	200
	5,117	5	5,122
Non-current liabilities			
Long-term loans	$6,373	$2	$6,375
Deferred income tax liabilities	855	73	928
Employee benefits	577	16	593
Provisions	257	75	332
Other long-term liabilities	181	–	181
	8,243	166	8,409
Current liabilities			
Trade and other payables	1,414	117	1,531
Advances from customers	157	–	157
Short-term loans and current portion of long-term loans	1,783	12	1,795
Payables to related parties	257	–	257
Income tax payable	48	–	48
Other taxes payable	195	–	195
Provisions	32	8	40
Dividends payable by the Group's subsidiaries to non-controlling shareholders	8	–	8
	3,894	137	4,031
Liabilities directly associated with disposal groups classified as held for sale	478	(303)	175
	4,372	(166)	4,206
Total equity and liabilities	$17,732	$5	$17,737

2. Significant Accounting Policies (continued)

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2014.

New/Revised Standards and Interpretations Adopted in 2014:

– IFRS 10 "Consolidated Financial Statements", IAS 27 "Separate Financial Statements"

IFRS 10 replaced the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 "Consolidation — Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

– IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required and have been disclosed by the Group in Note 32, but they have no impact on the Group's financial position or performance.

– Amendments to IFRS 10, IFRS 12 and IAS 27

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

– IFRS 11 "Joint Arrangements", IAS 28 "Investments in Associates and Joint Ventures"

IFRS 11 replaced IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly-controlled Entities" — Non-monetary Contributions by Venturers". IFRS 11 removed the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 "Investments in Associates", has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates.

– Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

– Amendments to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets

These amendments remove the unintended consequences of IFRS 13 "Fair Value Measurement" on the disclosures required under IAS 36 "Impairment of Assets". In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

– Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

– IFRIC 21 "Levies"

IFRIC 21 is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The Group early adopted IFRIC 21 (in the European Union it is effective for annual periods beginning on or after 17 June 2014).

The new standards, interpretations and amendments described above did not have a significant impact on the financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Standards Issued But Not Yet Effective in the European Union

Standards not yet effective for the financial statements for the year ended 31 December 2014	Effective for annual periods beginning on or after
– Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
– Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 February 2015
– Annual Improvements to IFRSs 2010-2012 Cycle	1 February 2015
– IFRS 14 “Regulatory Deferral Accounts”	1 January 2016*
– Amendments to IAS 1 – Disclosure Initiative	1 January 2016*
– Amendments to IFRS 11 – Accounting for Acquisitions of Interests	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*
– Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exemption	1 January 2016*
– Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016*
– Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016*
– IFRS 15 “Revenue from Contracts with Customers”	1 January 2017*
– IFRS 9 “Financial Instruments”	1 January 2018*

* 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 it obtained control over Corber on 16 January 2013 (Note 11). As of 31 December 2012, certain conditions relating to acquisition of an additional 50% ownership interest in Corber were not met. As such, the Group did not consolidate Corber in 2012.
- The Group determined that the 51% ownership interest in Timir (Note 11) does not provide control over the entity. 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”.

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 2014, 2013 and 2012, the Group recognised an impairment loss of $192 million, $307 million and $404 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.

On 1 January 2014, the Group changed its estimation of 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.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Estimation Uncertainty (continued)

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 2014, 2013 and 2012 was $1,541 million, $1,988 million and $2,203 million, respectively. In 2014, 2013 and 2012, the Group recognised an impairment loss in respect of goodwill in the amount of $330 million, $168 million and $Nil, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 5.

Mineral Reserves

Mineral reserves and the associated mine plans are a material factor in the Group's computation of a depletion charge. The Group estimates its mineral reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Estimation of reserves in accordance with the JORC Code involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgement and development of assumptions. Mine plans are periodically updated which can have a material impact on the depletion charge for the period.

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 2014, 2013 and 2012, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $57 million, $60 million and $101 million, respectively (Note 28).

The Group makes an allowance for obsolete and slow-moving raw materials and spare parts. In addition, certain finished goods of the Group are carried at net realisable value (Note 14). Estimates of net realisable value of finished goods are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the end of the reporting period to the extent that such events confirm conditions existing at the end of the period.

Deferred Income Tax Assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgements based on the expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of operations.

2. Significant Accounting Policies (continued)

Foreign Currency Transactions

The presentation currency of the Group is the US dollar because presentation in US dollars is convenient for the major current and potential users of the consolidated financial statements.

The functional currencies of the Group's subsidiaries are the Russian rouble, US dollar, euro, Czech koruna, South African rand, Canadian dollar and Ukrainian hryvnia. As at the reporting date, the assets and liabilities of the subsidiaries with functional currencies other than the US dollar are translated into the presentation currency at the rate of exchange ruling at the end of the reporting period, and their statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary with functional currency other than the US dollar, the deferred cumulative amount recognised in equity relating to that particular subsidiary is recognised in the statement of operations.

The following exchange rates were used in the consolidated financial statements:

	2014		2013		2012	
	31 December	**average**	31 December	average	31 December	average
USD/RUB	**56.2584**	**38.4217**	32.7292	31.8480	30.3727	31.0930
EUR/RUB	**68.3427**	**50.8150**	44.9699	42.3129	40.2286	39.9275
EUR/USD	**1.2141**	**1.3285**	1.3791	1.3281	1.3194	1.2848
USD/CAD	**1.1601**	**1.1048**	1.0636	1.0301	0.9949	0.9994
USD/ZAR	**11.5719**	**10.8488**	10.4675	9.6508	8.4838	8.2137
EUR/ZAR	**14.0668**	**14.4054**	14.4210	12.8249	11.1902	10.5553
USD/UAH	**15.7686**	**11.9064**	7.9930	7.9930	7.9930	7.9910
RUB/UAH	**0.2803**	**0.3050**	0.2450	0.2512	0.2632	0.2574

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to the statement of operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Basis of Consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the parent's shareholders' equity.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses.

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.

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.

2. Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

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	22
Machinery and equipment	4–45	11
Transport and motor vehicles	7–20	7
Other assets	3–15	7

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.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of operations on a straight-line basis over the lease term.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred for an acquisition of a subsidiary or an associate and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised in the consolidated statement of operations.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisition of an associate is included in the carrying amount of the investments in associates.

2. Significant Accounting Policies (continued)

Goodwill (continued)

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	11
Contract terms	10	9
Other	5–19	9

Certain water rights and environmental permits are considered to have indefinite lives as management believes that these rights will continue indefinitely.

The most part of the Group's intangible assets represents customer relationships arising on business combinations (Note 10).

Financial Assets

The Group classified its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. When investments are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its investments after initial recognition.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading and included in the category "financial assets at fair value through profit or loss". Investments which are included in this category are subsequently carried at fair value; gains or losses on such investments are recognised in income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity investments are carried at amortised cost using the effective yield method.

2. Significant Accounting Policies (continued)

Financial Assets (continued)

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other generally accepted valuation techniques.

All purchases and sales of financial assets under contracts to purchase or sell financial assets that require delivery of the asset within the time frame generally established by regulation or convention in the market place are recognised on the settlement date i.e. the date the asset is delivered by/to the counterparty.

Accounts Receivable

Accounts receivable, which generally are short-term, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

The Group establishes an allowance for impairment of accounts receivable that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis and includes expenditure incurred in acquiring or producing inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Value Added Tax

The tax authorities permit the settlement of sales and purchases value added tax ("VAT") on a net basis.

The Group's subsidiaries apply the accrual method for VAT recognition, under which VAT becomes payable upon invoicing and delivery of goods or rendering services as well upon receipt of prepayments from customers. VAT on purchases, even if not settled at the end of the reporting period, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Borrowing costs relating to qualifying assets are capitalised (Note 9).

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.

2. Significant Accounting Policies (continued)

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.

Employee Benefits

Social and Pension Contributions

Defined contributions are made by the Group to the Russian and Ukrainian state pension, social insurance, medical insurance and unemployment funds at the statutory rates in force 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.

2. Significant Accounting Policies (continued)

Share-based Payments (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity (additional paid-in capital), over the period in which service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the statement of operations for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest. Once a share-settled transaction is vested, no further accounting entries are made to reverse the cost already charged, even if the instruments that are the subject of the transaction are subsequently forfeited. In this case, the Group makes a transfer between different components of equity.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash-settled share-based payments represent transactions in which the Group acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the Group's shares or other equity instruments.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes-Merton model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of operations.

The dilutive effect of outstanding share-based awards is reflected as additional share dilution in the computation of earnings per share (Note 20).

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

When goods are sold or services are rendered in exchange for dissimilar goods or services, the revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. The moment of transfer of the risks and rewards of ownership is determined by the contract terms.

Rendering of Services

The Group's revenues from rendering of services include electricity, transportation, port and other services. Revenue is recognised when services are rendered.

Interest

Interest is recognised using the effective interest method.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental Income

Rental income is accounted for on a straight-line basis over the lease term on ongoing leases.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

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, in 2013 and previous periods the Group was organised into business units based on their products and services, and had four reportable operating segments:

– *Steel production* segment included production of steel and related products at eleven steel mills.
– *Mining* segment included iron ore and coal mining and enrichment.
– *Vanadium products* segment included extraction of vanadium ore and production of vanadium products. Vanadium slag arising in the steel-making process was also allocated to the vanadium segment.
– *Other operations* included energy-generating companies, seaports, shipping and railway transportation companies.

In 2014, the management reporting used by the chief operating decision maker for making decisions about resource allocation has changed to put more emphasis on analysis of the operating results of the coal segment and operations in North America. As such, new reportable segments were identified and the comparative segment information has been restated accordingly. The new reportable operating segments are:

– *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. 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 expense which is adjusted to approximate the amount under IFRS.

Segment revenue is revenue reported in the Group's statement of operations that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated 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 result is segment revenue less segment expense that is equal to earnings before interest, tax, depreciation and amortisation ("EBITDA").

Segment EBITDA is determined as a segment's profit/(loss) from operations adjusted for impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense.

3. Segment Information (continued)

The following tables present measures of segment profit or loss based on management accounts.

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	**$9,135**	**$3,159**	**$540**	**$128**	**$–**	**$12,962**
Inter-segment sales	**570**	**–**	**676**	**446**	**(1,692)**	**–**
Total revenue	**9,705**	**3,159**	**1,216**	**574**	**(1,692)**	**12,962**
Segment result – EBITDA	**$1,756**	**$282**	**$311**	**$31**	**$2**	**$2,382**

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	$1,352	$139	$141	$34	$142	$1,808

Year ended 31 December 2012

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$10,824	$3,373	$195	$142	$–	$14,534
Inter-segment sales	478	–	649	573	(1,700)	–
Total revenue	11,302	3,373	844	715	(1,700)	14,534
Segment result – EBITDA	$1,159	$358	$230	$147	$87	$1,981

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

3. Segment Information (continued)

The following table shows a reconciliation of revenue and EBITDA used by management for decision making and revenue and profit or loss before tax per the consolidated financial statements prepared under IFRS.

Year ended 31 December 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	$1,756	$282	$311	$31	$2	$2,382
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	$1,912	$279	$373	$37	$(51)	$2,550
Unallocated subsidiaries						(225)
						$2,325
Depreciation, depletion and amortisation expense	(389)	(165)	(267)	(4)	–	(825)
Impairment of assets	(196)	(261)	(81)	(2)	–	(540)
Gain/(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)	$646
Unallocated income/(expenses), net						(747)
Profit/(loss) from operations						$(101)
Interest income/(expense), net						$(546)
Share of profits/(losses) of joint ventures and associates						10
Gain/(loss) on financial assets and liabilities						(583)
Gain/(loss) on disposal groups classified as held for sale						136
Profit/(loss) before tax						$(1,084)

3. Segment Information (continued)

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	$1,352	$139	$141	$34	$142	$1,808
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	$1,656	$158	$226	$37	$(30)	$2,047
Unallocated subsidiaries						(226)
						$1,821
Depreciation, depletion and amortisation expense	(551)	(200)	(348)	(9)	–	(1,108)
Impairment of assets	(92)	(350)	(110)	(11)	–	(563)
Gain/(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)	$35
Unallocated income/(expenses), net						(196)
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)

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

3. Segment Information (continued)

Year ended 31 December 2012

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$11,302	$3,373	$844	$715	$(1,700)	$14,534
Reclassifications and other adjustments	136	(15)	49	53	(31)	192
Revenue per IFRS financial statements	$11,438	$3,358	$893	$768	$(1,731)	$14,726
EBITDA	$1,159	$358	$230	$147	$87	$1,981
Exclusion of management services from segment result	148	–	8	3	–	159
Unrealised profits adjustment	44	–	–	–	(44)	–
Reclassifications and other adjustments	120	(5)	(14)	(15)	–	86
	312	(5)	(6)	(12)	(44)	245
EBITDA based on IFRS financial statements	$1,471	$353	$224	$135	$43	$2,226
Unallocated subsidiaries						(199)
						$2,027
Depreciation, depletion and amortisation expense	(576)	(204)	(460)	(12)	–	(1,252)
Impairment of assets	(415)	(1)	3	–	–	(413)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(41)	(2)	(13)	–	–	(56)
Foreign exchange gains/(losses), net	62	16	(3)	1	–	76
	$501	$162	$(249)	$124	$43	$382
Unallocated income/(expenses), net						(124)
Profit/(loss) from operations						$258
Interest income/(expense), net						$(631)
Share of profits/(losses) of joint ventures and associates						1
Gain/(loss) on financial assets and liabilities						164
Gain/(loss) on disposal groups classified as held for sale						23
Other non-operating gains/(losses), net						(6)
Profit/(loss) before tax						$(191)

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	2014	2013	2012
Steel			
Construction products	**$3,286**	$3,866	$4,053
Flat-rolled products	**487**	988	1,273
Railway products	**1,022**	1,324	1,241
Semi-finished products	**2,359**	2,028	2,066
Other steel products	**356**	419	452
Other products	**604**	788	879
Iron ore	**278**	389	347
Vanadium in slag	**27**	46	31
Vanadium in alloys and chemicals	**456**	477	465
Rendering of services	**58**	67	129
	8,933	10,392	10,936
Steel, North America			
Construction products	**337**	291	282
Flat-rolled products	**619**	788	1,048
Railway products	**513**	467	510
Tubular products	**1,499**	1,266	1,329
Other steel products	**1**	39	44
Other products	**177**	159	135
Rendering of services	**12**	10	9
	3,158	3,020	3,357
Coal			
Coal	**722**	732	211
Other products	**2**	4	1
Rendering of services	**65**	69	72
	789	805	284
Other operations			
Rendering of services	**181**	194	149
	181	194	149
	$13,061	$14,411	$14,726

3. Segment Information (continued)

Distribution of the Group's revenues by geographical area based on the location of customers for the years ended 31 December was as follows:

US$ million	2014	2013	2012
CIS			
Russia	**$5,279**	$6,136	$6,191
Kazakhstan	**384**	456	355
Ukraine	**333**	494	473
Others	**209**	225	168
	6,205	7,311	7,187
America			
USA	**1,727**	1,940	2,293
Canada	**1,589**	1,233	1,234
Others	**213**	69	44
	3,529	3,242	3,571
Asia			
Taiwan	**485**	549	492
Indonesia	**429**	272	355
Thailand	**285**	332	451
Korea	**254**	135	118
Japan	**120**	62	59
China	**103**	280	178
Jordan	**88**	57	64
Philippines	**51**	99	87
United Arab Emirates	**43**	64	87
Mongolia	**26**	43	67
Vietnam	**8**	13	27
Syria	**–**	–	10
Others	**62**	156	120
	1,954	2,062	2,115
Europe			
Austria	**139**	173	160
Italy	**114**	157	224
Germany	**74**	163	204
Slovakia	**60**	123	96
Czech Republic	**58**	151	155
Poland	**37**	100	131
Other members of the European Union	**143**	183	261
Turkey	**242**	314	182
Others	**49**	21	37
	916	1,385	1,450
Africa			
South Africa	**363**	361	323
Others	**84**	43	74
	447	404	397
Other countries	**10**	7	6
	$13,061	$14,411	$14,726

None of the Group's customers amounts to 10% or more of the consolidated revenues.

3. Segment Information (continued)

Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets were located in the following countries at 31 December:

US$ million	**2014**	2013	2012
Russia	**$4,273**	$7,566	$6,062
Canada	**1,553**	1,837	2,046
USA	**1,468**	1,670	2,014
Ukraine	**302**	652	668
Republic of South Africa	**130**	232	487
Italy	**54**	197	204
Kazakhstan	**118**	119	65
Czech Republic	**35**	40	42
Other countries	**6**	6	29
	$7,939	$12,319	$11,617

4. Acquisition of Subsidiaries

Acquisitions of Controlling Interests

Corber

In October 2012, EVRAZ plc concluded a preliminary agreement with Adroliv Investments Limited for an acquisition of a 50% ownership interest in Corber, the parent of a coal mining company Raspadskaya, subject to the receipt of regulatory approvals and fulfillment of certain other conditions. On 16 January 2013, all the conditions were met and the Group obtained control over the entity. As a result, Corber became a wholly owned subsidiary of the Group on 16 January 2013.

Management believes that this acquisition will increase the Group's coking coal self-coverage and generate substantial operational synergies to the Group, including the optimal use of various coal grades.

The purchase consideration 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**

4. Acquisition of Subsidiaries (continued)

Acquisitions of Controlling Interests (continued)

Corber (continued)
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.

Acquisition of a Controlling Interest in MediaHolding Provincia
In 2013, the Group acquired an additional 45.5% ownership interest in MediaHolding Provincia for a cash consideration of $11 million. The fair value of the equity interest previously held by the Group (30%) was $4 million. The Group recorded a $5 million loss on derecognition of the equity interest in MediaHolding Provincia held before the business combination. The Group recognised $4 million of goodwill on the transaction. Subsequently, the Group acquired all non-controlling interests ($3 million) settled by the transfer of property and recognised the excess of the carrying value of the acquired non-controlling interests over the amount of consideration amounting to $1 million in additional paid-in capital.

Disclosure of Other Information in Respect of Business Combinations
If these business combinations had occurred as of the beginning of 2013, the revenue and net profit/(loss) of the combined entity would have been $14,438 million and $(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.

On 1 January 2012, the Group obtained control over the operating activities of Kachkanar Heat and Power Plant (Russia), for which the Group paid $20 million in 2011. This payment was included in other non-current assets as of 31 December 2011 (Note 13). Goodwill arising on this business combination amounted to $3 million.

In 2012, the Group paid $12 million for the scrap yards located in the USA. Goodwill arising on this acquisition amounted to $1 million.

Acquisitions of Non-controlling Interests in Subsidiaries

Evraz Group S.A.
On 17 February 2012, the Group purchased the remaining global depository receipts, representing 96,607.67 shares of Evraz Group S.A., for $4 million and exchanged them for the newly issued shares of EVRAZ plc. Since that date Evraz Group S.A. became a wholly-owned subsidiary of EVRAZ plc and a non-controlling interest amounting to $10 million was derecognised.

Mezhegey Project
In June 2012, the Group acquired an additional 9.996% ownership interest in Actionfield Limited, which holds and operates the Mezhegey coal field project (Note 20). As a result, the Group increased its share in the project to approximately 60.016%.

The fair value of the consideration amounted to $36 million. It was agreed to settle the liabilities for the purchase by an offset with a loan receivable by the Group. The excess of the consideration over the carrying value of the acquired non-controlling interest amounting to $30 million was charged to accumulated profits.

5. Goodwill

The table below presents movements in the carrying amount of goodwill.

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2011	**3,091**	**(911)**	**2,180**
Goodwill recognised on acquisition of subsidiaries (Note 4)	4	–	4
Adjustment to contingent consideration	(5)	–	(5)
Sale of subsidiaries (Note 12)	(72)	72	–
Translation difference	24	–	24
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**

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	**2014**	2013	2012
EVRAZ Inc. NA	**$825**	$996	$1,131
Oregon Steel Portland Mill	*241*	*412*	*412*
Rocky Mountain Steel Mills	*410*	*410*	*410*
OSM Tubular – Camrose Mills	*157*	*157*	*157*
Claymont Steel	–	–	*135*
General Scrap	*16*	*16*	*16*
Others	*1*	*1*	*1*
EVRAZ Inc. NA Canada	**634**	791	845
Calgary	*109*	*217*	*232*
Red Deer	*48*	*52*	*56*
Regina Steel	*340*	*373*	*397*
Regina Tubular	*118*	*128*	*137*
Others	*19*	*21*	*23*
EVRAZ Palini e Bertoli	**–**	79	76
EVRAZ Vanady-Tula	**36**	62	66
EVRAZ Vametco Holdings	**9**	16	20
EVRAZ Nikom, a.s.	**33**	37	39
EVRAZ Highveld Steel and Vanadium Limited	**–**	–	23
EVRAZ Kachkanar Heat and Power Plant	**2**	3	3
Provincia	**2**	4	–
	$1,541	$1,988	$2,203

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

6. Impairment of Assets

The summary of impairment losses recognition and reversals is presented below.

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	–	(9)	–	–	(9)

Year ended 31 December 2012

US$ million	Goodwill and intangible assets	Property, plant and equipment	Inventory	Taxes receivable	Total
Evrazruda	$(1)	$(355)	$–	$–	$(356)
EVRAZ Dnepropetrovsk Iron and Steel Works	–	(47)	–	(4)	(51)
Others, net	–	(2)	–	(4)	(6)
	$(1)	$(404)	$–	$(8)	$(413)
Recognised in profit or loss	(1)	(404)	–	(8)	(413)

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 2014 the Group assessed the recoverable amount of each cash-generating unit to which the goodwill was allocated or where indicators of impairment were identified.

The recoverable amounts have been determined based on calculation of either value-in-use or fair value less costs to sell. Both valuation techniques used cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the results of the respective business plans using a zero real growth rate. In determination of fair value less costs to sell the asset's value additionally includes the cashflows of future projects not started yet and the associated capital expenditure costs.

The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products, the increase in forecasted costs, changes in forecasted production volumes and the increase in the discount rates.

6. Impairment of Assets (continued)

The key assumptions used by management in the value-in-use calculations with respect to the cash-generating units to which the goodwill was allocated are presented in the table below.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2015	Recoverable amount of CGU, US$ million	Carrying amount of CGU before impairment, US$ million
EVRAZ Inc. NA (all CGU)	5	9.75-12.95	steel products	$870	2,563	1,747
including Oregon Steel Portland Mill	*5*	*12.29*	*steel products*	*$833*	*579*	*750*
EVRAZ Inc. NA Canada (all CGU)	5	12.32-13.67	steel products	$905	1,936	1,423
including Calgary	*5*	*13.67*	*steel products*	*$1,244*	*243*	*333*
EVRAZ Palini e Bertoli	5	15.19	steel plates	€503	54	165
EVRAZ Vanady-Tula	5	15.96	vanadium products	$18,061	333	65
EVRAZ Vametco Holdings	5	14.51	ferrovanadium products	$24,898	105	23
EVRAZ Nikom, a.s.	5	13.26	ferrovanadium products	$21,136	64	35

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 2015
EVRAZ Dnepropetrovsk Iron and Steel Works	5	27.14	steel products	$471
EVRAZ Nizhny Tagil Metallurgical Plant	5	15.96	steel products	$491
EVRAZ Consolidated West-Siberian Metallurgical Plant	5	16.83	steel products	$409
EVRAZ Caspian Steel	5	13.65	steel mill under construction	$490
EVRAZ Yuzhny Stan	5	14.44	steel mill under construction	–
EVRAZ Bagleykoks	5	18.34	coke	$168
EVRAZ Stratcor Inc.	5	13.98	ferrovanadium products	$33,741
Yuzhkuzbassugol	15	17.98	coal	$67
Raspadskaya	20	16.10	coal	$47
Mezhegeyugol	27	18.36	undeveloped coal field	$95
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	25	17.08	ore	$45
EVRAZ Sukha Balka	19	24.08	ore	$43
Evrazruda	20	17.87	ore	$60

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	**2014**	2013
Oregon Steel Portland Mill	**$579**	$788
Calgary	**243**	433
EVRAZ Palini e Bertoli	**54**	220

As management expects to recover investments in EVRAZ Highveld Steel and Vanadium Limited principally through sale, the recoverable amount of this cash-generating unit was measured at $107 million as fair value less costs of disposal, which was determined based on the share prices of the subsidiary (Level 1) at 31 December 2014.

The calculations of value in use are most sensitive to the following assumptions:

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an additional impairment at EVRAZ Stratcor Inc., EVRAZ Palini e Bertoli, EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $147 million.

6. Impairment of Assets (continued)

Sales Prices

The prices of the products sold by the Group were estimated using industry research. The Group expects that the nominal prices will fluctuate with a compound annual growth rate of (3.3)%-2.9% in 2015 – 2019, 2.5%-3.0% in 2020 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at EVRAZ Palini e Bertoli, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the prices assumed for 2015 and 2016 in the impairment test were 10% lower, this would lead to an additional impairment of $156 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase by 1% in 2015 and would grow evenly during the following four years to reach normal asset capacity utilisation thereafter. Reasonably possible changes in sales volumes could lead to an additional impairment at EVRAZ Palini e Bertoli EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the sales volumes were 10% lower than those assumed for 2015 and 2016 in the impairment test, this would lead to an additional impairment of $15 million.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation of cost from these plans could lead to an additional impairment at EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Sukha Balka, EVRAZ Stratcor Inc., EVRAZ Palini e Bertoli, EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the actual costs were 10% higher than those assumed for 2015 and 2016 in the impairment test, this would lead to an additional impairment of $175 million.

The unit’s recoverable amount would become equal to its carrying amount if the assumptions used to measure the recoverable amount changed by the following percentages:

	Discount rates	Sales prices	Sales volumes	Cost control measures
EVRAZ Stratcor Inc.	8.7%	(8.4)%	–	2.1%
EVRAZ Sukha Balka	–	–	–	8.2%
EVRAZ Dnepropetrovsk Iron and Steel Works	–	–	–	6.9%
EVRAZ Inc. NA				
General Scrap	–	–	–	8.6%

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	**2014**	2013	2012
Cost of inventories recognised as expense	**$(7,848)**	$(5,673)	$(6,266)
Staff costs, including social security taxes	**(2,210)**	(2,617)	(2,398)
Depreciation, depletion and amortisation	**(833)**	(1,114)	(1,259)

In 2014, 2013 and 2012, the Group recognised (expense)/income on allowance or net reversal of the allowance for net realisable value in the amount of $(4) million, $33 million and $2 million, respectively.

Staff costs include the following:

US$ million	**2014**	2013	2012
Wages and salaries	**$1,611**	$1,922	$1,766
Social security costs	**398**	488	412
Post-employment benefit expense	**31**	74	77
Share-based awards	**30**	25	22
Other compensations	**140**	108	121
	$2,210	$2,617	$2,398

The average number of staff employed under contracts of service was as follows:

	2014	2013	2012
Steel	**69,404**	80,160	84,239
Steel, North America	**3,936**	4,300	4,272
Coal	**20,460**	23,727	16,708
Other operations	**1,465**	1,856	1,837
Unallocated	**3,270**	3,624	3,404
	98,535	113,667	110,460

7. Income and Expenses (continued)

The major components of other operating expenses were as follows:

US$ million	2014	2013	2012
Idling, reduction and stoppage of production, including termination benefits	**$(52)**	$(73)	$(77)
Restoration works and casualty compensations in connection with accidents	**(10)**	(18)	(8)
Other	**(26)**	(25)	(44)
	$(88)	$(116)	$(129)

Interest expense consisted of the following for the years ended 31 December:

US$ million	2014	2013	2012
Bank interest	**$(55)**	$(104)	$(103)
Interest on bonds and notes	**(448)**	(513)	(485)
Finance charges payable under finance leases	**(1)**	(1)	(3)
Net interest expense on employee benefits obligations (Note 23)	**(30)**	(39)	(37)
Discount adjustment on provisions (Note 24)	**(15)**	(20)	(19)
Unwinding of the discount and interest relating to liabilities for the purchase of Corber and Timir	**(5)**	(13)	–
Other	**(9)**	(9)	(7)
	$(563)	$(699)	$(654)

Interest income consisted of the following for the years ended 31 December:

US$ million	2014	2013	2012
Interest on bank accounts and deposits	**$9**	$15	$13
Interest on loans and accounts receivable	**4**	5	6
Other	**4**	3	4
	$17	$23	$23

Gain/(loss) on financial assets and liabilities included the following for the years ended 31 December:

US$ million	2014	2013	2012
Impairment of available-for-sale financial assets (Note 13)	**$(1)**	$–	$–
Loss on extinguishment of debts (Note 22)	**(6)**	–	–
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	**(588)**	(55)	177
Other	**12**	12	(13)
	$(583)	$(43)	$164

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

8. Income Taxes

The Group's income was subject to tax at the following tax rates:

	2014	2013	2012
Russia	**20.00%**	20.00%	20.00%
Canada	**25.61%**	25.54%	25.54%
Cyprus	**12.50%**	12.50%	10.00%
Czech Republic	**19.00%**	19.00%	19.00%
Italy	**31.40%**	31.40%	31.40%
South Africa	**28.00%**	28.00%	28.00%
Switzerland	**9.65%**	9.87%	9.82%
Ukraine	**18.00%**	19.00%	21.00%
USA	**37.78%**	38.90%	38.20%

Major components of income tax expense for the years ended 31 December were as follows:

US$ million	2014	2013	2012
Current income tax expense	**$(356)**	$(243)	$(336)
Adjustment in respect of income tax of previous years	**(1)**	(6)	69
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**163**	335	38
Income tax (expense)/benefit reported in the consolidated statement of operations	**$(194)**	$86	$(229)

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	2014	2013	2012
Profit/(loss) before income tax	**$(1,084)**	$(637)	$(191)
At the Russian statutory income tax rate of 20%	**217**	127	38
Adjustment in respect of income tax of previous years	**(1)**	(6)	69
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**(4)**	4	(53)
Effect of non-deductible expenses and other non-temporary differences	**(73)**	38	(135)
Unrecognised temporary differences recognition/reversal	**(505)**	(184)	(165)
Effect of the difference in tax rates in countries other than the Russian Federation	**170**	107	31
Tax on dividends distributed by the Group's subsidiaries to parent company	**2**	–	(14)
Income tax (expense)/benefit reported in the consolidated statement of operations	**$(194)**	$86	$(229)

The increase in the amount of non-deductible expenses and unrecognised temporary differences is 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 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

8. Income Taxes (continued)

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

Year ended 31 December 2012

US$ million	2012	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2011
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$959	(64)	–	(1)	(13)	(13)	29	$1,021
Valuation and amortisation of intangible assets	192	(30)	–	–	–	–	1	221
Other	73	(9)	(3)	–	(4)	–	3	86
	1,224	(103)	(3)	(1)	(17)	(13)	33	1,328
Deferred income tax assets:								
Tax losses available for offset	102	(37)	–	–	–	(16)	4	151
Accrued liabilities	202	26	11	–	(12)	(4)	2	179
Impairment of accounts receivable	32	(2)	–	–	(1)	–	2	33
Other	30	(52)	–	–	–	(7)	2	87
	366	(65)	11	–	(13)	(27)	10	450
Net deferred income tax asset	70	(5)	1	–	–	(13)	5	82
Net deferred income tax liability	$928	(43)	(13)	(1)	(4)	1	28	$960

As of 31 December 2014, 2013 and 2012, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 10%. 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 can be applied. As of 31 December 2014, the unused tax losses carry forward approximated $8,060 million (2013: $7,509 million, 2012: $5,751 million). The Group recognised deferred tax assets of $247 million (2013: $280 million, 2012: $118 million) in respect of unused tax losses. Deferred tax asset in the amount of $1,771 million (2013: $1,549 million, 2012: $1,351 million) has not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $6,767 million (2013: $6,084 million, 2012: $4,868 million) for which deferred tax asset was not recognised arose in companies registered in Cyprus, Czech Republic, Italy, Luxembourg, the Republic of South Africa, Russia, Ukraine, the United Kingdom and the USA. Losses in the amount of $6,513 million (2013: $5,602 million, 2012: $4,590 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $254 million will expire during 2015–2025 (2013: $482 million, 2012: $278 million).

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of 31 December:

US$ million	2014	2013	2012
Cost:			
Land	**$124**	$157	$183
Buildings and constructions	**1,908**	2,860	2,837
Machinery and equipment	**5,094**	6,861	6,321
Transport and motor vehicles	**249**	395	413
Mining assets	**2,572**	4,312	3,113
Other assets	**60**	77	77
Assets under construction	**428**	992	1,187
	10,435	15,654	14,131
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(790)**	(1,203)	(1,222)
Machinery and equipment	**(2,633)**	(3,090)	(2,906)
Transport and motor vehicles	**(147)**	(206)	(232)
Mining assets	**(1,024)**	(1,616)	(1,651)
Other assets	**(45)**	(49)	(56)
	(4,639)	(6,164)	(6,067)
	$5,796	$9,490	$8,064

The movement in property, plant and equipment for the year ended 31 December 2014 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2013, cost, net of accumulated depreciation	**$157**	**$1,655**	**$3,781**	**$188**	**$2,690**	**$27**	**$992**	**$9,490**
Additions	**–**	**1**	**8**	**1**	**–**	**–**	**609**	**619**
Assets put into operation	**–**	**198**	**450**	**22**	**172**	**5**	**(847)**	**–**
Disposals	**(2)**	**(7)**	**(41)**	**(3)**	**(10)**	**–**	**(5)**	**(68)**
Depreciation and depletion charge	**–**	**(112)**	**(470)**	**(38)**	**(150)**	**(5)**	**–**	**(775)**
Impairment losses recognised in statement of operations	**(4)**	**(20)**	**(85)**	**–**	**(79)**	**–**	**(21)**	**(209)**
Impairment losses reversed through statement of operations	**–**	**5**	**10**	**–**	**–**	**–**	**2**	**17**
Transfer to assets held for sale	**–**	**(4)**	**(3)**	**–**	**–**	**–**	**–**	**(7)**
Change in site restoration and decommissioning provision	**–**	**6**	**(4)**	**–**	**61**	**–**	**4**	**67**
Translation difference	**(27)**	**(604)**	**(1,185)**	**(68)**	**(1,136)**	**(12)**	**(306)**	**(3,338)**
At 31 December 2014, cost, net of accumulated depreciation	**$124**	**$1,118**	**$2,461**	**$102**	**$1,548**	**$15**	**$428**	**$5,796**

The movement in property, plant and equipment for the year ended 31 December 2013 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2012, cost, net of accumulated depreciation	$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

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2012 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2011, cost, net of accumulated depreciation	$187	$1,640	$3,440	$281	$1,708	$23	$1,027	$8,306
Assets acquired in business combination	3	7	14	–	–	–	–	24
Additions	1	2	4	8	8	1	1,295	1,319
Assets put into operation	–	210	590	59	281	4	(1,144)	–
Disposals	(1)	(12)	(43)	(3)	(3)	–	(5)	(67)
Depreciation and depletion charge	–	(152)	(534)	(42)	(467)	(7)	–	(1,202)
Impairment losses recognised in statement of operations	(3)	(96)	(81)	(15)	(199)	–	(28)	(422)
Impairment losses reversed through statement of operations	–	2	10	–	6	–	–	18
Transfer to assets held for sale	(8)	(62)	(92)	(121)	–	–	(12)	(295)
Change in site restoration and decommissioning provision	–	4	(3)	–	52	–	–	53
Translation difference	4	72	110	14	76	–	54	330
At 31 December 2012, cost, net of accumulated depreciation	$183	$1,615	$3,415	$181	$1,462	$21	$1,187	$8,064

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $22 million, $29 million and $92 million as of 31 December 2014, 2013 and 2012, 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 2014 was $18 million (2013: $11 million, 2012: $16 million). In 2014, the rate used to determine the amount of borrowing costs eligible for capitalisation was 4.8% (2013: 5.3%, 2012: 4.8%), which is the effective interest rate of borrowings that were outstanding during the period, other than borrowings made specifically for the purpose of obtaining qualifying assets.

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	**2014**	2013	2012
Cost:			
Customer relationships	**$981**	$1,054	$1,222
Water rights and environmental permits	**57**	57	57
Contract terms	**26**	45	–
Other	**65**	90	72
	1,129	1,246	1,351
Accumulated amortisation:			
Customer relationships	**(642)**	(606)	(568)
Water rights and environmental permits	**–**	–	–
Contract terms	**(3)**	(1)	–
Other	**(43)**	(51)	(48)
	(688)	(658)	(616)
	$441	$588	$735

As of 31 December 2014, 2013 and 2012, 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 2014 was as follows:

US$ million	**Customer relationships**	**Water rights and environmental permits**	**Contract terms**	**Other**	**Total**
At 31 December 2013, cost, net of accumulated amortisation	**$448**	**$57**	**$44**	**$39**	**$588**
Additions	**–**	**–**	**–**	**4**	**4**
Amortisation charge	**(60)**	**–**	**(4)**	**(8)**	**(72)**
Impairment loss recognised in statement of operations	**(16)**	**–**	**–**	**–**	**(16)**
Transfer to assets held for sale	**(1)**	**–**	**–**	**–**	**(1)**
Translation difference	**(32)**	**–**	**(17)**	**(13)**	**(62)**
At 31 December 2014, cost, net of accumulated amortisation	**$339**	**$57**	**$23**	**$22**	**$441**

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

10. Intangible Assets Other Than Goodwill (continued)

The movement in intangible assets for the year ended 31 December 2013 was as follows:

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2012, cost, net of accumulated amortisation	$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

The movement in intangible assets for the year ended 31 December 2012 was as follows:

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2011, cost, net of accumulated amortisation	$750	$57	$12	$19	$838
Assets acquired in business combination	1	–	–	–	1
Additions	–	–	–	13	13
Amortisation charge	(99)	–	–	(4)	(103)
Emission allowances granted	–	–	–	4	4
Emission allowances used/sold/purchased for the period	–	–	–	(7)	(7)
Impairment loss recognised in statement of operations	–	–	–	(1)	(1)
Transfer to assets held for sale	–	–	(12)	–	(12)
Translation difference	2	–	–	–	2
At 31 December 2012, cost, net of accumulated amortisation	$654	$57	$–	$24	$735

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 2011	**$613**	**$–**	**$24**	**$18**	**$655**
Additional investments	–	–	–	5	5
Write-off of loan receivable (Note 16)	–	–	–	(5)	(5)
Share of profit/(loss)	(11)	–	7	–	(4)
Reversal of impairment of investments	–	–	5	–	5
Dividends paid	(86)	–	(2)	–	(88)
Acquisition of non-controlling interests	(22)	–	–	–	(22)
Return of capital	(38)	–	–	–	(38)
Unrealised gains on financial assets	1	–	–	–	1
Gains/(losses) on re-measurement of net defined benefit liability	(2)	–	–	–	(2)
Translation difference	42	–	2	–	44
Investment at 31 December 2012	**$497**	**$–**	**$36**	**$18**	**$551**
Additional investments	–	149	–	–	149
Share of profit/(loss)	–	(1)	7	2	8
Dividends paid	–	–	–	(1)	(1)
Acquisition of controlling interests (Note 4)	(496)	–	–	(9)	(505)
Translation difference	(1)	(7)	(3)	–	(11)
Investment at 31 December 2013	**$–**	**$141**	**$40**	**$10**	**$191**
Share of profit/(loss)	–	–	8	2	10
Dividends paid	–	–	–	(1)	(1)
Translation difference	–	(59)	(19)	(1)	(79)
Investment at 31 December 2014	**$–**	**$82**	**$29**	**$10**	**$121**

Share of profit/(loss) of joint ventures and associates which is reported in the statement of operations comprised the following:

US$ million	**2014**	2013	2012
Share of profit/(loss), net	**$10**	$8	$(4)
Reversal of impairment/(impairment) of investments	**–**	–	5
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$10**	$8	$1

11. Investments in Joint Ventures and Associates (continued)

Corber Enterprises Limited

Corber Enterprises Limited ("Corber") was a joint venture established in 2004 for the purpose of exercising joint control over economic activities of Raspadskaya Mining Group. 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 controlling interest in Corber (Note 4) and the joint venture accounting and disclosures ceased to apply from that date.

The table below sets forth Corber's assets and liabilities as of 31 December:

US$ million	2012
Mineral reserves	$742
Other property, plant and equipment	924
Other non-current assets	70
Inventories	111
Accounts and notes receivable	252
Cash	8
Total assets	2,107
Non-current liabilities	617
Deferred income tax liabilities	172
Current liabilities	106
Total liabilities	895
Non-controlling interests	223
Net assets	$989
Group's share of net assets	495
Add: cost of guarantee	2
Investment	$497

The table below sets forth Corber's income and expenses:

US$ million	Period from 1 to 16 January 2013	2012
Revenue	$32	$542
Cost of revenue	(26)	(460)
Other expenses, including income taxes	(6)	(112)
Net profit/(loss)	$–	$(30)
Attributable to:		
Equity holders of the parent entity	$–	$(23)
Non-controlling interests	–	(7)
Net profit/(loss)	$–	$(30)
50% of unrealised profits on transactions with the joint venture	–	1
Group's share of profits/(losses) of the joint venture	$–	$(11)

Buyback of Shares by Raspadskaya

In 2012, Raspadskaya, a subsidiary of Corber, the Group's joint venture, made a buyback of 9.94% of its shares from shareholders. At the end of February 2012, Corber sold 48,351,712 shares back to Raspadskaya for $248 million. As a result of the buyback, Corber effectively acquired an additional 1.95% share in Raspadskaya and its ownership interest increased to 81.95%.

The Group's share in the excess of the amounts of consideration over the carrying values of non-controlling interests acquired amounting to $22 million was charged to accumulated profits of the Group.

Return of Capital

In September 2012, the Board of directors of Corber decided to reduce its additional paid-in capital by $76 million by the return of funds to its shareholders. The Group received $38 million in cash.

Timir Iron Ore Project

On 3 April 2013, the Group acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. Total investments in the first phase of the Timir project are estimated at $180 million during the period from 2014 to 2016, with major investments starting from 2015.

The Group's consideration for this stake amounted to 4,950 million roubles ($159 million at the exchange rate as of the date of the transaction) payable in 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 amendment 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)

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	2014	2013
Mineral reserves and property, plant and equipment	**$202**	$343
Accounts and notes receivable	**1**	1
Total assets	**203**	344
Deferred income tax liabilities	**21**	36
Non-current liabilities	**–**	7
Current liabilities	**21**	25
Total liabilities	**42**	68
Net assets	**161**	276
Net assets attributable to 51% ownership interest	**82**	141

In 2014 and 2013, Timir's income and expenses comprised $Nil and $1 million, respectively, of other expenses.

Kazankovskaya

ZAO Kazankovskaya ("Kazankovskaya") is a Russian coal mining company that was acquired as part of the purchase of Yuzhkuzbassugol in 2007. The Group owned 50% in Kazankovskaya.

The table below sets forth Kazankovskaya's assets and liabilities as of 31 December:

US$ million	2012
Other current assets	$2
Total assets	2
Non-current liabilities	9
Current liabilities	116
Total liabilities	125
Net liabilities	$(123)

At 31 December the accumulated unrecognised losses in respect of Kazankovskaya amounted to:

US$ million	2012
Unrecognised losses	$(39)

The table below sets forth Kazankovskaya's income and expenses:

US$ million	2012
Revenue	$–
Cost of revenue	–
Other expenses, including income taxes	(23)
Net loss	(23)
Group's share of loss of the associate	$(12)

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).

11. Investments in Joint Ventures and Associates (continued)

Streamcore

The Group owns a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia.

The table below sets forth Streamcore's assets and liabilities as of 31 December:

US$ million	2014	2013	2012
Property, plant and equipment	**$27**	$49	$55
Inventories	**5**	8	9
Accounts receivable	**51**	131	50
Total assets	**83**	188	114
Deferred income tax liabilities	**1**	2	3
Non-current liabilities	**–**	31	–
Current liabilities	**24**	75	39
Total liabilities	**25**	108	42
Net assets	**$58**	$80	$72
Group's share of net assets	**29**	40	36
	$29	$40	$36

The table below sets forth Streamcore's income and expenses:

US$ million	2014	2013	2012
Revenue	**$478**	$477	$504
Cost of revenue	**(450)**	(440)	(472)
Other expenses, including income taxes	**(12)**	(23)	(18)
Net profit	**$16**	$14	$14
Group's share of profit of the joint venture	**$8**	$7	$7

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

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	2014	2013	2012
Property, plant and equipment	**$3**	$172	$96
Other non-current assets	**–**	14	35
Inventories	**1**	61	–
Accounts receivable	**–**	48	138
Cash and cash equivalents	**–**	7	8
Assets classified as held for sale	**4**	302	277
Deferred income tax liabilities	**–**	–	2
Non-current liabilities	**13**	2	31
Current liabilities	**–**	110	142
Liabilities directly associated with assets classified as held for sale	**13**	112	175
Non-controlling interests	**–**	–	–
Net assets classified as held for sale	**$(9)**	$190	$102

The net assets of disposal groups classified as held for sale at 31 December related to the following reportable segments:

US$ million	2014	2013	2012
Assets classified as held for sale	**$4**	$302	$277
Steel production	**1**	289	261
Coal	**3**	–	16
Other operations	**–**	13	–
Liabilities directly associated with assets classified as held for sale	**13**	112	175
Steel production	**–**	112	134
Steel, North America	**13**	–	–
Coal	**–**	–	41

At 31 December 2013 and 2012, 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 2012–2014.

US$ million	2014	2013	2012
Property, plant and equipment	**$178**	$113	$130
Other non-current assets	**19**	16	13
Inventories	**79**	17	10
Accounts receivable	**64**	49	70
Cash and cash equivalents	**20**	23	2
Total assets	**360**	218	225
Deferred income tax liabilities	**–**	7	12
Non-current liabilities	**28**	114	7
Current liabilities	**100**	84	99
Total liabilities	**128**	205	118
Non-controlling interests	**–**	–	(2)
Net assets	**$232**	$13	$109

The net assets of disposal groups sold in 2012–2014 related to the following reportable segments:

US$ million	2014	2013	2012
Assets classified as held for sale	**$360**	$218	$225
Steel	**330**	128	78
Steel, North America	**9**	13	–
Coal	**–**	39	–
Other operations	**21**	38	147
Liabilities directly associated with assets classified as held for sale	**128**	205	118
Steel	**126**	100	88
Coal	**–**	70	–
Other operations	**2**	35	30
Non-controlling interests	**–**	–	(2)
Steel production	**–**	–	(2)

12. Disposal Groups Held for Sale (continued)

Cash flows on disposal of subsidiaries and other business units were as follows:

US$ million	2014	2013	2012
Net cash disposed of with subsidiaries	**$(20)**	$(23)	$(2)
Cash received	**331**	24	313
Net cash inflow	**$311**	$1	$311

The disposal groups sold during 2012–2014 are described below.

EVRAZ Vitkovice Steel

On 3 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.

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.

Evraztrans

In December 2012, the Group sold to a third party a business of its wholly owned subsidiary Evraztrans, which renders long-distance railway transportation services using own and rented railcars. Cash consideration amounted to $306 million. The Group recognised a gain of $190 million on this transaction.

Dneprodzerzhinsky Coke-chemical Plant

In August 2012, the Group sold to its parent a controlling interest in a loss-making coke-chemical plant located in Ukraine. Cash consideration amounted to $4. The Group recognised a $68 million loss on this sale, including $82 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

Frotora Holdings Ltd.

In April 2012, the Group sold its ownership interest in a subsidiary whose assets comprised only rights under a long-term lease of land to be used for a construction of a commercial seaport in Ukraine. These rights were included in contract terms category of the intangible assets. In 2010, the Group recognised an impairment loss of $30 million in respect of these rights due to the change in plans for the use of this land. In 2012, the Group recognised a $20 million loss on sale of this subsidiary, including a $14 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

Other Disposal Groups Held for Sale

Other disposal groups held for sale included a few small subsidiaries involved in non-core activities (construction business, trading activity and recreational services) and other non-current assets.

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

13. Other Non-current Assets
Other non-current assets consisted of the following as of 31 December:

Non-current Financial Assets

US$ million	2014	2013	2012
Available-for-sale financial assets	**$17**	$30	$21
Derivatives not designated as hedging instruments (Note 25)	**–**	–	2
Restricted deposits	**7**	10	4
Receivables from related parties	**1**	3	–
Loans receivable	**21**	10	12
Trade and other receivables	**4**	22	4
Other	**48**	69	49
	$98	$144	$92

Other Non-current Assets

US$ million	2014	2013	2012
Income tax receivable	**$4**	$20	$33
Input VAT	**12**	23	17
Other	**24**	19	14
	$40	$62	$64

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 ($16 million, $28 million and $21 million at 31 December 2014, 2013 and 2012, respectively). The change in the fair value of these shares is initially recorded in other comprehensive income.

In 2013 and 2012, the Group recognised a gain of $7 million and $4 million, respectively, on the increase in market quotations in other comprehensive income. In 2014, an $11 million impairment loss relating to the decline in quotations of Delong shares was recorded through other comprehensive income and $1 million was recognised in the statement of operations.

14. Inventories
Inventories consisted of the following as of 31 December:

US$ million	2014	2013	2012
Raw materials and spare parts	**$588**	$797	$1,001
Work-in-progress	**307**	343	435
Finished goods	**477**	604	644
	$1,372	$1,744	$2,080

As of 31 December 2014, 2013 and 2012, the net realisable value allowance was $47 million, $58 million and $102 million, respectively.

As of 31 December 2014, 2013 and 2012, certain items of inventory with an approximate carrying amount of $25 million, $63 million and $319 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	2014	2013	2012
Trade accounts receivable	**$684**	$909	$988
Other receivables	**25**	63	32
	709	972	1,020
Allowance for doubtful accounts	**(55)**	(57)	(76)
	$654	$915	$944

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	**2014**	2013	2012	**2014**	2013	2012
Kazankovskaya	**$–**	$–	$23	**$–**	$–	$–
Raspadsky Ugol	**–**	–	2	**–**	–	42
Vtorresource-Pererabotka	**11**	4	3	**5**	13	45
Yuzhny GOK	**37**	5	4	**96**	336	163
Liability to management of Raspadskaya for the acquisition of Corber (Note 4)	**–**	–	–	**–**	102	–
Other entities	**7**	7	14	**7**	7	7
	55	16	46	**108**	458	257
Less: allowance for doubtful accounts	**(2)**	(3)	(34)	**–**	–	–
	$53	$13	$12	**$108**	$458	$257

In 2014, 2013 and 2012, the Group recognised an expense for bad and doubtful debts of related parties in the amount of $Nil, $Nil and $4 million, respectively.

Transactions with related parties were as follows for the years ended 31 December:

	Sales to related parties			Purchases from related parties		
US$ million	**2014**	2013	2012	**2014**	2013	2012
Genalta Recycling Inc.	**$–**	$–	$–	**$24**	$22	$14
Interlock Security Services	**1**	1	1	**39**	51	48
Kazankovskaya	**–**	–	1	**–**	–	1
Raspadsky Ugol	**–**	–	8	**–**	5	127
Vtorresource-Pererabotka	**17**	16	14	**465**	462	485
Yuzhny GOK	**42**	62	66	**125**	150	124
Other entities	**3**	7	9	**24**	38	31
	$63	$86	$99	**$677**	$728	$830

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.

Kazankovskaya was an associate of the Group (Note 11). The Group purchased coal from the entity and sold mining equipment and inventory to Kazankovskaya. In 2012, the Group issued short-term loans to Kazankovskaya bearing an interest rate ranging from 8.1% to 8.5% per annum. At the reporting dates, the Group assessed the recoverability of these loans and recognised a loss, which was included in the other non-operating expenses caption of the consolidated statement of operations (2012: $5 million). In 2013, the Group acquired a controlling interest in Kazankovskaya (Note 11) and subsequently sold the subsidiary to a third party (Note 12), consequently, this entity ceased to be a related party to the Group.

Lanebrook Limited is a controlling shareholder of the Company. In 2008, the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. In January 2014, the Group sold 0.14% of the shares to Lanebrook Limited for $6 million. The put option for the remaining shares expires on 31 December 2015.

In addition, in 2012 the Group sold one of its subsidiaries to Lanebrook (Note 12).

OOO Raspadsky Ugol ("Raspadsky Ugol"), a subsidiary of Raspadskaya (Note 11), sold coal to the Group and the Group sold steel products and rendered services to Raspadsky Ugol. In 2013, Raspadsky Ugol ceased to be a related party as the Group obtained control over the entity (Note 4).

Vtorresource-Pererabotka is a subsidiary of Streamcore, the Group's joint venture, acquired in 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2014, 2013 and 2012, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $383 million (1,601,041 tonnes), $370 million (1,420,990 tonnes) and $399 million (1,366,423 tonnes), respectively.

16. Related Party Disclosures (continued)

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 2014, the volume of purchases was 1,486,415 tonnes. In 2014, the Ukrainian hryvnia has depreciated against the US dollar by 97%. As a result, the Group recognised a $88 million foreign exchange loss on the balances and transactions with Yuzhny GOK.

On 1 April 2014, 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 a Ukrainian subsidiary. The loan was fully repaid in several instalments by 10 April 2014.

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 2014, 2013 and 2012, key management personnel totalled 51, 57 and 55 people, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	**2014**	2013	2012
Salary	**$20**	$24	$21
Performance bonuses	**29**	13	14
Social security taxes	**4**	3	3
Share-based payments (Note 21)	**14**	11	10
Termination benefits	**1**	–	–
Other benefits	**1**	1	1
	$69	$52	$49

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	**2014**	2013	2012
Input VAT	**$71**	$209	$207
Other taxes	**87**	74	123
	$158	$283	$330

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	**2014**	2013	2012
Investments in Yuzhny GOK (Note 16)	**$32**	$38	$38
Bank deposits	**–**	–	674
Restricted deposits at banks	**1**	12	–
Collateral under swap agreements (Note 25)	**7**	21	–
	$40	$71	$712

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	2014	2013	2012
US dollar	**$943**	$1,300	$855
Russian rouble	**108**	195	347
Canadian dollar	**6**	50	80
Euro	**6**	9	74
South African rand	**10**	32	15
Ukrainian hryvnia	**3**	17	9
Other	**10**	1	2
	$1,086	$1,604	$1,382

At 31 December 2014, 2013 and 31 December 2012, the assets of disposal groups classified as held for sale included cash amounting to $Nil, $7 million and $8 million, respectively.

20. Equity

Share Capital

	31 December		
Number of shares	2014	2013	2012
Ordinary shares of $1 each, issued and fully paid	**1,506,527,294**	1,472,582,366	1,339,929,360

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		
	2014	2013	2012
Number of treasury shares	**–**	302,717	146,731

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 (Note 21). The cost of treasury shares gifted under Incentive Plans, amounting to $6 million, was charged to accumulated profits.

In 2012, the Group purchased 869,469 shares of EVRAZ plc for $4 million and transferred 1,498,148 shares to participants of Incentive Plans (Note 21). The cost of treasury shares gifted under Incentive Plans, amounting to $11 million, was charged to accumulated profits.

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:

	2014	2013	2012
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,505,833,080**	1,499,457,909	1,339,027,567
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$(1,175)**	$(504)	$(393)
Earnings/(losses) per share, basic and diluted	**$(0.78)**	$(0.34)	$(0.29)

In 2012-2014, 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.

20. Equity (continued)

Dividends

Dividends declared by the parent company during 2012–2014 were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Final for 2011	18/06/2012	08/06/2012	228	0.17
Interim for 2012	29/08/2012	07/09/2012	147	0.11
Special for 2014	08/04/2014	06/06/2014	90	0.06

The Board of directors decided not to declare a final dividend for 2012 and 2013 and these decisions were 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 $3 million, $1 million and $1 million in 2014, 2013 and 2012, respectively.

Other Movements in Equity

Reclassification within Equity

In 2011, prior to the Group's reorganisation, Evraz Group S.A. declared interim dividends in the amount of $491 million, which were charged against accumulated profits. At the annual meeting held in 2012, the shareholders of Evraz Group S.A. approved the distribution of those dividends from share premium of Evraz Group S.A. Consequently, in 2012, the Group decreased its additional paid-in capital and increased accumulated profits by $491 million.

Non-controlling Interests in Subsidiaries

In 2013, as a result of the acquisition of a controlling interest in Raspadskaya (Note 4), the Group recognised $311 million representing non-controlling shareholders owning approximately 18% in the entity.

In 2012, the Group acquired non-controlling interests in certain subsidiaries (Note 4). The excess of consideration over the carrying value of non-controlling interests amounting to $30 million was charged to accumulated profits.

In 2012, as a result of the completion of the Group's reorganisation, in which the remaining global depository receipts of Evraz Group S.A. were converted into the newly issued shares of EVRAZ plc, a 0.18% non-controlling interest in Evraz Group S.A. was derecognised (Note 4). This increased the shareholders' equity by $6 million.

In 2012, the Group acquired an additional 9.996% ownership interest in the Mezhegey coal field project and its share increased to approximately 60.016% (Note 4). During 2012 the non-controlling shareholder contributed $7 million to the Mezhegey coal field project.

21. Share-based Payments

On 13 October 2011, 6 September 2012 and 24 September 2013 and 8 August 2014 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 2014 are presented below:

Number of Shares of EVRAZ plc	Total	Incentive Plan 2014	Incentive Plan 2013	Incentive Plan 2012
April 2015	10,315,580	3,927,623	3,527,250	2,860,707
April 2016	9,218,488	3,927,623	5,290,865	–
April 2017	11,182,538	5,891,428	5,291,110	–
April 2018	5,891,446	5,891,446	–	–
	36,608,052	19,638,120	14,109,225	2,860,707

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 2012–2014.

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 2014, 2013 and 2012 was $1.51, $1.89 and $3.41 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:

	Incentive Plan 2014	Incentive Plan 2013	Incentive Plan 2012	Incentive Plan 2011
Dividend yield (%)	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 – 2.6	0.5 – 2.5
Market prices of the shares of EVRAZ plc	$1.68	$2.13	$3.61	$51.57

The following table illustrates the number of, and movements in, share-based awards during the years.

	2014	2013	2012
Outstanding at 1 January	**27,692,062**	12,069,571	4,460,547
Granted during the year	**20,220,620**	20,832,297	9,892,313
Forfeited during the year	**(3,064,281)**	(1,221,683)	(785,141)
Vested during the year	**(8,240,349)**	(3,988,123)	(1,498,148)
Outstanding at 31 December	**36,608,052**	27,692,062	12,069,571
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 $1.72, $1.52 and $4.31 in 2014, 2013 and 2012, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2014, 2013 and 2012 was 1.6, 1.7 and 1.2 years, respectively.

In the years ended 31 December 2014, 2013 and 2012, expense arising from the equity-settled share-based compensations was as follows:

US$ million	**2014**	2013	2012
Expense arising from equity-settled share-based payment transactions	**$30**	$25	$22

22. Loans and Borrowings

As of 31 December 2014, 2013 and 2012, total interest-bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $164 million, $1,069 million and $539 million, respectively, and long-term loans and borrowings in the amount of $6,030 million, $6,739 million and $7,654 million, respectively, including the current portion of long-term liabilities of $532 million, $660 million and $1,164 million, respectively.

Short-term and long-term loans and borrowings were as follows as of 31 December:

US$ million	2014	2013	2012
Bank loans	**$1,662**	$2,065	$2,574
European commercial papers	**–**	–	242
8.875% notes due 2013	**–**	–	534
8.25% notes due 2015	**138**	577	577
7.40% notes due 2017	**600**	600	600
9.5% notes due 2018	**509**	509	509
6.75% notes due 2018	**850**	850	850
7.5% senior secured notes due 2019	**350**	–	–
6.50% notes due 2020	**1,000**	1,000	–
9.25% bonds due 2013	**–**	–	494
13.5% bonds due 2014	**–**	611	658
8.75% bonds due 2015	**69**	119	–
9.95% bonds due 2015	**267**	458	494
8.40% bonds due 2016	**356**	611	658
Liabilities under 7.75% bonds due 2017 assumed in business combination (Note 4)	**392**	400	–
Fair value adjustment to liabilities assumed in business combination	**20**	27	–
Other liabilities	**1**	8	3
Unamortised debt issue costs	**(57)**	(68)	(116)
Interest payable	**74**	90	93
	$6,231	$7,857	$8,170

At 31 December 2014, 2013 and 2012, the borrowings relating to the subsidiaries classified as held for sale (Note 12) amounted to $Nil, $76 million and $65 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		
	2014	2013	2012	**2014**	2013	2012
US dollar	**6.78%**	7.33%	7.13%	**2.72%**	1.56%	3.00%
Russian rouble	**9.00%**	10.49%	10.51%	**–**	7.21%	11.52%
Euro	**3.55%**	3.60%	3.93%	**–**	3.75%	2.75%
Canadian dollar	**–**	3.30%	3.85%	**–**	–	–
South African rand	**–**	–	–	**9.98%**	–	–

The liabilities are denominated in the following currencies at 31 December:

US$ million	2014	2013	2012
US dollar	**$5,387**	$5,808	$5,446
Russian rouble	**700**	1,837	2,349
Euro	**193**	268	381
Canadian dollar	**–**	10	108
South African rand	**8**	2	2
Unamortised debt issue costs	**(57)**	(68)	(116)
	$6,231	$7,857	$8,170

Pledged Assets

The Group pledged its rights under some export contracts as collateral under the loan agreements. All proceeds from sales of steel pursuant to these contracts can be used to satisfy the obligations under the loan agreements in the event of a default.

At 31 December 2014, 2013 and 2012, the Group had inventory with a carrying value of $25 million, $63 million and $319 million, respectively, pledged as collateral under the loan agreements.

At 31 December 2014, 100% shares of Mezhegeyugol and EVRAZ Caspian Steel were pledged as collateral under bank loans with a carrying value of $212 million. These subsidiaries represented 2.3% of the consolidated assets at 31 December 2014 and generated $10 million of intra-group revenues in 2014.

22. Loans and Borrowings (continued)

Extension of the 9.25% Notes Due 2013

In March 2013, the holders of 9.25% rouble-denominated notes received an option to accept a new coupon of 8.75% per annum till 20 March 2015 or put the notes back to the Group at a nominal value. By 26 March 2013, the date of the expiration of the option, the Group re-purchased back notes totalling 12,265 million roubles ($399 million at the exchange rate as of the date of the transaction). The remaining notes with the aggregate principal amount of 2,735 million roubles ($84 million at the exchange rate as of 31 December 2013) continue to be traded on the Moscow Exchange.

The Group has a right to resell the repurchased notes on the market at any time and at its own discretion. In April and May 2013, the Group resold part of the notes for 1,000 roubles each and received 1,150 million roubles ($35 million at the exchange rate as of 31 December 2013).

Issue of Notes and Bonds

In 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.

In April 2012, the Group issued notes in the amount of $600 million due in 2017. The notes bear semi-annual coupon at the annual rate of 7.40% and must be redeemed at their principal amount on 24 April 2017. The proceeds from the issue of the notes were used for the repayment of certain bank loans.

In December 2012, the Group issued European commercial papers in the amount of $80 million and $170 million bearing an interest rate of 3.50% and 3.75%, respectively, and maturing on 6 September 2013 and 4 December 2013, respectively. The liabilities were fully settled upon maturity.

Repurchase of Notes and Bonds

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 caption of the consolidated statement of operations (Note 7).

In 2014, the Group partially repurchased 7.75% bonds due 2017 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 April 2014, the Group repurchased 13.5% bonds due 16 October 2014 for a nominal amount totalling 2,258 million roubles ($64 million at the exchange rates as of the dates of the transactions). In October 2014, the Group settled the remaining 17,742 million roubles ($440 million at the date of the transaction). There was no gain or loss on these transactions.

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.

$500 million pre-export credit facility received in 2014 from a syndicate of banks is subject to 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 facility terms also set certain limitations on dividend payments by EVRAZ plc, acquisitions and disposals.

Notes due in 2015, 2017, 2018 and 2020 totalling $3,098 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 $400 million notes due 2017 issued by Raspadskaya in 2012 have covenants similar to those of Evraz Group S.A., but with the ratio calculation based on the consolidated numbers of OAO Raspadskaya and the restrictions applying only to OAO Raspadskaya and its subsidiaries. These restrictions have the same effect on Raspadskaya, but no effect on EVRAZ plc and its other subsidiaries that are not part of the Raspadskaya Group.

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 the certain type of payments, including dividends, from EVRAZ North America.

22. Loans and Borrowings (continued)

OOO UK Mezhegeyugol, which is a direct subsidiary of EVRAZ plc, is not subject to restrictions imposed by the above mentioned covenants. However, as a borrower of a $195 million project loan by Gazprombank, it is restricted from incurring any additional indebtedness without the consent of the lender.

The incurrence covenants are in line with the Group's financial strategy and, therefore, do not constitute any excessive restriction on its operations.

In addition to the incurrence covenants mentioned above, at 31 December 2014 the Group had loans with an aggregate principal amount of $341 million, which are subject to financial maintenance covenants. Under $251 million out of this amount the covenants require Evraz Group S.A. to maintain two key ratios, consolidated net indebtedness to 12-month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits, under the remaining $90 million only the first ratio is applicable. A breach of one or both of the ratios would constitute an event of default under the above mentioned facility agreements, which in its turn may trigger cross default events under other debt instruments of Evraz Group S.A. and its subsidiaries.

During 2014 the Group was in compliance with all financial and non-financial covenants.

Unamortised Debt Issue Costs

Unamortised debt issue costs represent agent commission and transaction costs paid by the Group in relation to the arrangement and reset of loans and notes.

Unutilised Borrowing Facilities

The Group had the following unutilised borrowing facilities as of 31 December:

US$ million	**2014**	2013	2012
Committed	**$439**	$437	$421
Uncommitted	**1,225**	811	725
Total unutilised borrowing facilities	**$1,664**	$1,248	$1,146

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 preferential pensions paid by the fund to employees who worked under harmful and hard conditions. The amount of such pension depends on years of service and salary.

In 2011 and before, these preferential pensions were partially funded by the State Pension Fund. The Ukrainian subsidiaries gradually increased these contributions and starting from 2012 they pay 100% of preferential pensions. In addition, employees receive lump-sum payments on retirement and other benefits under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

In 2013, the amended pension legislation introduced annual indexation of pensions, at least up to the level of CPI. The indexation of pensions in a particular year depends on the availability of financial resources in the State pension fund. The subsidiaries are obliged to pay preferential pensions indexed according to the government's decision. The Group determined the amount of defined benefit obligations based on the assumption that pensions will be indexed despite possible insufficiency of money in the State pension fund, which would result in a non-fulfilment of this law by the fund itself and, consequently, would cancel the obligations of Ukrainian enterprises to pay higher pensions.

US and Canadian Plans

The Group's subsidiaries in the USA and Canada have defined benefit pension plans that cover specified eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit plans. Those employees are instead enrolled in defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 2–7% of annual wages, including applicable bonuses. The defined contribution plans are funded annually, and participants' benefits vest after three years of service. The subsidiaries also offer qualified Thrift (401(k)) plans to all of their eligible employees.

23. Employee Benefits (continued)

Other Plans

Defined benefit pension plans and defined contribution plans are maintained by the subsidiaries located in South Africa, Italy and the Czech Republic.

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

US$ million	2014	2013	2012
Expense under defined contribution plans	**$398**	$488	$412

Defined Benefit Plans

The Russian, Ukrainian and other defined benefit plans are mostly unfunded and the US and Canadian plans are partially funded.

In 2014, 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 2014, 2013 and 2012 and amounts recognised in the consolidated statement of financial position as of 31 December 2014, 2013 and 2012 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 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)

Year ended 31 December 2012

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$(6)	$(3)	$(20)	$–	$(29)
Net interest expense	(17)	(8)	(10)	(2)	(37)
Net actuarial gains/(losses) on other long-term employee benefits obligation	(5)	–	–	–	(5)
Past service cost	(5)	–	(1)	–	(6)
Net benefit expense	$(33)	$(11)	$(31)	$(2)	$(77)

23. Employee Benefits (continued)

Gains/(losses) recognised in other comprehensive income

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

Year ended 31 December 2012

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$–	$–	$27	$–	$27
Net actuarial gains/(losses) on post-employment benefit obligation	(20)	(5)	(75)	(1)	(101)
	$(20)	$(5)	$(48)	$(1)	$(74)

Actual return on plan assets was as follows:

US$ million	2014	2013	2012
Actual return on plan assets including:	**$73**	$51	$50
US & Canadian plans	**73**	52	50
Russian plans	**–**	(1)	–

23. Employee Benefits (continued)

Net defined benefit liability

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

31 December 2012

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$251	$68	$793	$19	$1,131
Plan assets	(1)	–	(537)	–	(538)
	250	68	256	19	593

Movements in net defined benefit liability/(asset)

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2011	**$202**	**$65**	**$230**	**$21**	**$518**
Net benefit expense recognised in the statement of operations	33	11	31	2	77
Contributions by employer	(16)	(8)	(54)	(2)	(80)
(Gains)/losses recognised in other comprehensive income	20	5	48	1	74
Disposal of subsidiaries	(1)	(5)	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	(1)	(1)
Translation difference	12	–	1	(2)	11
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**

23. Employee Benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2011	**$203**	**$65**	**$700**	**$21**	**$989**
Interest cost on benefit obligation	17	8	33	2	60
Current service cost	6	3	20	–	29
Past service cost	5	–	1	–	6
Benefits paid	(16)	(8)	(44)	(2)	(70)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	2	–	1	–	3
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	25	3	72	–	100
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(2)	2	2	1	3
Disposal of subsidiaries	(1)	(5)	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	(1)	(1)
Translation difference	12	–	8	(2)	18
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**

The weighted average duration of the defined benefit obligation was as follows:

Years	**2014**	2013	2012
Russian plans	**9.8**	10.0	11.8
Ukrainian plans	**10.4**	10.0	9.9
US & Canadian plans	**14.6**	14.4	15.8
Other plans	**20.3**	10.0	11.6

23. Employee Benefits (continued)

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2011	**$1**	**$–**	**$470**	**$–**	**$471**
Interest income on plan assets	–	–	23	–	23
Return on plan assets (excluding amounts included in net interest expense)	–	–	27	–	27
Contributions of employer	16	8	54	2	80
Benefits paid	(16)	(8)	(44)	(2)	(70)
Translation difference	–	–	7	–	7
At 31 December 2012	**1**	**–**	**537**	**–**	**538**
Interest income on plan assets	–	–	22	–	22
Return on plan assets (excluding amounts included in net interest expense)	(1)	–	30	–	29
Contributions of employer	25	9	40	1	75
Benefits paid	(24)	(9)	(43)	(1)	(77)
Translation difference	–	–	(22)	–	(22)
At 31 December 2013	**$1**	**$–**	**$564**	**$–**	**$565**
Interest income on plan assets	–	–	27	–	27
Return on plan assets (excluding amounts included in net interest expense)	–	–	46	–	46
Contributions of employer	13	6	34	2	55
Benefits paid	(14)	(6)	(37)	(2)	(59)
Effect of asset ceiling	–	–	2	–	2
Translation difference	–	–	(28)	–	(28)
At 31 December 2014	**$–**	**$–**	**$608**	**$–**	**$608**

The amount of contributions expected to be paid to the defined benefit plans during 2015 approximates $61 million.

The major categories of plan assets as a percentage of total plan assets were as follows at 31 December:

	2014		2013		2012	
	Quoted	**Unquoted**	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:						
Equity funds and investment trusts	**31%**	**49%**	42%	38%	43%	18%
Corporate bonds and notes	**13%**	**1%**	15%	1%	12%	12%
Government bonds and notes	**–**	**–**	–	–	–	8%
Property	**–**	**–**	–	2%	–	2%
Cash	**6%**	**–**	–	2%	–	5%
	50%	**50%**	57%	43%	55%	45%

23. Employee Benefits (continued)

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2014				2013				2012			
	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	**11%**	**15.0%**	**3.6-4.9%**	**2.8-8.8%**	8%	14.0%	4.3-4.9%	3-9.5%	7%	14.0%	3.9-5.1%	2.0-8.8%
Future benefits increases	**8%**	**10%**	**–**	**3%**	6%	6%	–	3%	8%	8%	–	2%
Future salary increase	**8%**	**10%**	**3-3.3%**	**–**	6%	7%	3.1-4%	–	8%	8%	3.1-3.5%	3%
Average life expectation, male, years	**68.0**	**65.2**	**86.4-87.8**	**74.9-79**	67.5	64.2	82.5-85.2	73.9-81	65.8	64.2	83.0-84.7	73.3-81.1
Average life expectation, female, years	**78.5**	**75.3**	**88.9-89.8**	**73.4-85**	78.3	74.7	86.7-87.7	73.0-87	74.3	74.7	84.7-85.9	68.2-86.9
Healthcare costs increase rate	**–**	**–**	**5.5-7%**	**7.5-7.7%**	–	–	6.1-7%	7.8-7.9%	–	–	6-7%	7.0-7.3%

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 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
Discount rate	10%	$(11)	$(6)	$(53)	$(6)	$(16)	$(8)	$(45)	$(4)
	(10%)	14	7	58	6	19	10	52	5
Future benefits increases	10%	9	2	–	–	12	2	–	–
	(10%)	(8)	(2)	–	–	(11)	(2)	–	–
Future salary increase	10%	1	3	3	–	2	2	2	–
	(10%)	(1)	(2)	(2)	–	(2)	(2)	(2)	–
Average life expectation, male, years	1	1	–	15	–	2	1	14	–
	(1)	(1)	–	(15)	–	(2)	(1)	(15)	–
Average life expectation, female, years	1	1	–	4	–	2	–	4	–
	(1)	(1)	–	(4)	–	(2)	–	(5)	–
Healthcare costs increase rate	10%	–	–	–	3	–	–	1	2
	(10%)	–	–	–	–	–	–	(1)	(2)

24. Provisions

At 31 December the provisions were as follows:

US$ million	2014 Non-current	2014 Current	2013 Non-current	2013 Current	2012 Non-current	2012 Current
Site restoration and decommissioning costs	**$171**	**$34**	$251	$29	$327	$21
Legal claims	**–**	**3**	–	9	–	13
Other provisions	**2**	**4**	3	7	5	6
	$173	**$41**	$254	$45	$332	$40

In the years ended 31 December 2014, 2013 and 2012, the movement in provisions was as follows:

US$ million	Site restoration and decom-missioning costs	Legal claims	Other provisions	Total
At 31 December 2011	**$310**	**$15**	**$13**	**$338**
Additional provisions	27	18	21	66
Increase from passage of time	19	–	–	19
Effect of change in the discount rate	35	–	–	35
Effect of changes in estimated costs and timing	(1)	(4)	–	(5)
Utilised in the year	(7)	(11)	(20)	(38)
Unused amounts reversed	(6)	(6)	(1)	(13)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(38)	–	(2)	(40)
Translation difference	9	1	–	10
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**

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 22.6% in 2014 (2013: from 1.1% to 14%, 2012: from 3.7% 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	2014	2013	2012
Derivatives not designated as hedging instruments	**$713**	$219	$115
Contingent consideration payable for the acquisition of Stratcor	**2**	8	12
Deferred consideration payable for the acquisition of Inprom	**–**	–	10
Dividends payable under cumulative preference shares of a subsidiary to a related party	**15**	14	14
Employee income participation plans and compensations	**6**	5	7
Tax liabilities	**5**	9	18
Finance lease liabilities	**4**	6	13
Other liabilities to related parties	**1**	2	–
Other liabilities	**48**	51	16
	794	314	205
Less: current portion (Note 26)	**(352)**	(84)	(24)
	$442	$230	$181

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 are summarised in the table below.

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
9.25 per cent bonds due 2013	2010	15,000	14,778	$500	5.75% – 5.90%
13.5 per cent bonds due 2014	2009	20,000	14,019	475	7.50% – 8.90%
9.95 per cent bonds due 2015	2010	15,000	14,997	491	5.65% – 5.88%
8.40 per cent bonds due 2016	2011	20,000	19,996	711	4.45% – 4.60%
8.75 per cent bonds due 2015	2013	3,885	3,735	121	3.06% – 3.33%

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US$ million	2014	2013	2012
Bonds principal	**$692**	$1,799	$2,305
Hedged amount	**688**	1,612	2,101
Swap amount	**1,323**	1,798	2,177

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques.

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 2014, 2013 and 2012, the change in fair value of the derivatives of $(494) million, $(106) million and $96 million, respectively, together with a realised gain/(loss) on the swap transactions, amounting to $(94) million, $51 million and $81 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

In 2014 and 2013, upon repayment of the 13.5% and 9.25% bonds, the related swap contracts matured.

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2014–2012, the Group was not required to pay this consideration due to the movements in the vanadium pentoxide market relative to the levels set in the agreement.

26. Trade and Other Payables

Trade and other payables consisted of the following as of 31 December:

US$ million	2014	2013	2012
Trade accounts payable	**$774**	$1,054	$1,200
Accrued payroll	**196**	233	266
Other long-term obligations with current maturities (Note 25)	**352**	84	24
Other payables	**57**	117	41
	$1,379	$1,488	$1,531

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	2014	2013	2012
VAT	**$78**	$88	$87
Social insurance taxes	**40**	64	61
Property tax	**15**	15	11
Land tax	**4**	10	11
Personal income tax	**7**	14	14
Other taxes, fines and penalties	**7**	12	11
	$151	$203	$195

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 2014, the major customers were Russian Railways and Enbridge Inc. (3.6% and 4.4% 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	2014	2013	2012
Restricted deposits at banks (Notes 13 and 18)	**$8**	$22	$4
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**55**	90	51
Long-term and short-term investments (Notes 13 and 18)	**49**	68	733
Trade and other receivables (Notes 13 and 15)	**658**	937	948
Loans receivable	**45**	31	31
Receivables from related parties (Notes 13 and 16)	**43**	13	12
Cash and cash equivalents (Note 19)	**1,086**	1,604	1,382
	$1,944	$2,765	$3,161

Receivables from related parties in the table above do not include prepayments in the amount of $11 million, $3 million and $Nil as of 31 December 2014, 2013 and 2012, respectively.

28. Financial Risk Management Objectives and Policies (continued)

Credit Risk (continued)

The ageing analysis of trade and other receivables, loans receivable and receivables from related parties at 31 December is presented in the table below.

	2014		2013		2012	
US$ million	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$537**	**$–**	$642	$(1)	$796	$(16)
Past due	**266**	**(57)**	399	(59)	296	(85)
less than six months	**178**	**(13)**	328	(4)	209	(11)
between six months and one year	**46**	**(8)**	21	(8)	21	(11)
over one year	**42**	**(36)**	50	(47)	66	(63)
	$803	**$(57)**	$1,041	$(60)	$1,092	$(101)

In the years ended 31 December 2014, 2013 and 2012, the movement in allowance for doubtful accounts was as follows:

US$ million	2014	2013	2012
At 1 January	**$(60)**	$(101)	$(108)
Charge for the year	**(40)**	(8)	(14)
Utilised	**14**	36	25
Disposal of subsidiaries	**1**	7	–
Translation difference	**28**	6	(4)
At 31 December	**$(57)**	$(60)	$(101)

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.

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments.

Year ended 31 December 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

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

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended 31 December 2012

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$7	$501	$795	$678	$2,395	$1,380	$5,756
Interest	–	23	404	396	647	58	1,528
Finance lease liabilities	–	1	2	4	8	3	18
Financial instruments included in long-term liabilities	–	14	3	21	100	24	162
Total fixed-rate debt	7	539	1,204	1,099	3,150	1,465	7,464
Variable-rate debt							
Loans and borrowings							
Principal	170	119	112	359	1,601	76	2,437
Interest	–	22	68	84	121	7	302
Total variable-rate debt	170	141	180	443	1,722	83	2,739
Non-interest bearing debt							
Financial instruments included in other liabilities	–	1	–	3	2	2	8
Trade and other payables	266	909	66	–	–	–	1,241
Payables to related parties	218	39	–	–	–	–	257
Amounts payable under put options for shares of subsidiaries	–	–	4	6	–	–	10
Dividends payable	8	–	–	–	–	–	8
Total non-interest bearing debt	492	949	70	9	2	2	1,524
	$669	$1,629	$1,454	$1,551	$4,874	$1,550	$11,727

Payables to related parties in the tables above do not include advances received in the amount of $Nil, $1 million and $Nil as of 31 December 2014, 2013 and 2012, respectively.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest Rate Risk

The Group borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities and other obligations.

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the Group's profits.

The Group does not account for any fixed rate financial assets as assets available for sale. Therefore, a change in interest rates at the reporting date would not affect the Group's equity.

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Interest Rate Risk (continued)

Cash Flow Sensitivity Analysis for Variable Rate Instruments

Based on the analysis of exposure during the years presented, reasonably possible changes in floating interest rates at the reporting date would affect profit before tax ("PBT") by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In estimating reasonably possible changes the Group assessed the volatility of interest rates during the reporting periods.

	2014		2013		2012	
	Basis points	**Effect on PBT**	Basis points	Effect on PBT	Basis points	Effect on PBT
		US$ millions		US$ millions		US$ millions
Liabilities denominated in US dollars						
Decrease in LIBOR	**(2)**	**$–**	(2)	$–	(2)	$–
Increase in LIBOR	**2**	**–**	2	–	2	–
Liabilities denominated in euro						
Decrease in EURIBOR	**(7)**	**–**	(5)	–	(4)	–
Increase in EURIBOR	**7**	**$–**	5	$–	4	$–

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	**2014**	2013	2012
USD/RUB	**$(439)**	$(2,686)	$(1,478)
EUR/RUB	**(220)**	(337)	(382)
CAD/RUB	**372**	774	–
EUR/USD	**109**	108	109
USD/CAD	**(469)**	(209)	(24)
EUR/CZK	**(1)**	(18)	4
USD/CZK	**1**	(155)	(176)
USD/ZAR	**(34)**	(32)	(9)
EUR/ZAR	**10**	26	69
USD/UAH	**(248)**	(48)	(168)
RUB/UAH	**2**	15	28
USD/KZT	**(150)**	(131)	(73)

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.

	2014		2013		2012	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US$ millions	%	US$ millions	%	US$ millions
USD/RUB	**(28.74)**	**126**	(10.10)	271	(11.09)	164
	28.74	**(126)**	15.00	(403)	11.09	(164)
EUR/RUB	**(29.58)**	**65**	(7.79)	26	(8.12)	31
	29.58	**(65)**	15.00	(51)	8.12	(31)
CAD/RUB	**(28.37)**	**(105)**	(10.10)	(78)	–	–
	28.37	**105**	15.00	116	–	–
EUR/USD	**(6.23)**	**(7)**	(7.76)	(8)	(8.45)	(9)
	6.23	**7**	7.76	8	8.45	9
USD/CAD	**(6.21)**	**29**	(5.83)	12	(6.69)	2
	6.21	**(29)**	5.83	(12)	6.69	(2)
EUR/CZK	**(2.43)**	**–**	(5.85)	1	(6.38)	–
	2.43	**–**	5.85	(1)	6.38	–
USD/CZK	**(6.84)**	**–**	(10.82)	17	(12.64)	22
	6.84	**–**	10.82	(17)	12.64	(22)
USD/ZAR	**(11.33)**	**4**	(16.21)	5	(19.27)	2
	11.33	**(4)**	16.21	(5)	19.27	(2)
EUR/ZAR	**(11.34)**	**(1)**	(15.17)	(4)	(12.09)	(8)
	11.34	**1**	15.17	4	12.09	8
USD/UAH	**(28.90)**	**72**	–	–	(0.08)	–
	28.90	**(72)**	30	(14)	0.08	–
RUB/UAH	**(39.93)**	**(1)**	–	–	(11.07)	(3)
	39.93	**1**	13	2	11.07	3
USD/KZT	**(17.37)**	**26**	(10.00)	13	(1.57)	1
	17.37	**(26)**	30.00	(39)	1.57	(1)

Except for the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives not designated as hedging instruments (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2014		2013		2012	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US$ millions	%	US$ millions	%	US$ millions
USD/RUB	**(28.74)**	**228**	(10.10)	183	(11.09)	271
	28.74	**(126)**	15.00	(213)	11.09	(217)

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (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:

	2014			2013			2012		
US$ million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value									
Available-for-sale financial assets (Note 13)	**17**	**–**	**–**	30	–	–	21	–	–
Derivatives not designated as hedging instruments	**–**	**–**	**–**	–	–	–	–	2	–
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	**–**	**713**	**–**	–	219	–	–	115	–
Deferred consideration payable for the acquisition of Inprom (Note 25)	**–**	**–**	**–**	–	–	–	10	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 25)	**–**	**–**	**2**	–	–	8	–	–	12

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.

	2014		2013		2012	
US$ million	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$254**	**$251**	$209	$249	$105	$131
Long-term variable-rate bank loans	**1,235**	**1,059**	776	814	2,115	1,956
8.875 per cent notes due 2013	**–**	**–**	–	–	542	554
8.25 per cent notes due 2015	**139**	**140**	569	621	562	643
7.40 per cent notes due 2017	**606**	**531**	605	634	604	642
9.5 per cent notes due 2018	**507**	**471**	505	568	503	591
6.75 per cent notes due 2018	**856**	**730**	855	858	854	889
7.50 per cent bonds due 2019	**345**	**345**	–	–	–	–
6.50 per cent notes due 2020	**1,008**	**801**	1,007	951	–	–
9.25 per cent bonds due 2013	**–**	**–**	–	–	506	508
13.5 per cent bonds due 2014	**–**	**–**	627	645	675	728
8.75 per cent bonds due 2015	**71**	**70**	122	121	–	–
9.95 per cent bonds due 2015	**271**	**250**	466	464	501	511
8.40 per cent bonds due 2016	**358**	**299**	614	592	661	630
Liabilities under 7.75 per cent bonds due 2017 assumed in business combination (Note 4)	**417**	**278**	431	417	–	–
Other liabilities	**–**	**–**	–	–	1	1
	$6,067	**$5,225**	$6,786	$6,934	$7,629	$7,784

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	2014	2013	2012
USD	**8.9 – 14.7%**	4.5 – 8.2%	7.5 – 8.6%
EUR	**1.9%**	2.7%	2.9%
RUB	**–**	10.4%	9.2%

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

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 2014.

The Group manages its capital structure and makes adjustments to it by the issue of new shares, dividend payments to shareholders, and the purchase of treasury shares. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividend payments.

The capital requirements imposed by certain loan agreements included a $2,000 million minimum representing consolidated equity of Evraz Group S.A. less goodwill. In 2012–2013, the Group was in compliance with this requirement. In June 2013, this covenant was abolished.

29. Non-cash Transactions

Transactions that did not require the use of cash or cash equivalents were as follows in the years ended 31 December:

US$ million	**2014**	2013	2012
Liabilities for purchases of property, plant and equipment	**$45**	$148	$144
Loan issued to a partner of the Mezhegey coal field project	**–**	2	7
Purchase of a non-controlling interest in the Mezhegey coal field project settled by an offset with a loan due to the Group (Note 4)	**–**	–	40

30. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, Ukraine, the European Union, the USA, Canada and the Republic of South Africa. Russia, Ukraine and the Republic of South Africa are considered to be 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 in the latter half of 2014 negatively impacted the Russian economy. In December 2014, the rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%.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 $23 million.

Contractual Commitments

At 31 December 2014, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $179 million.

In 2010, the Group concluded an agreement for the supply of oxygen, nitrogen and argon by a third party for a period of 20 years. The contractual price comprises a fixed component and a variable component. The total amount of the fixed component approximates 256 million euro. The agreement is within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 31 December 2014, the lease had not commenced.

30. Commitments and Contingencies (continued)

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 $70 million under these programmes in 2015.

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 2014 amounted to $8 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $89 million. The Group has insurance agreements, which will provide partial reimbursement of the costs 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 2015 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2014, the costs of implementing these programmes are estimated at $167 million.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position.

The Group exercises judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to the estimates may significantly affect future operating results.

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	2014	2013	2012
Audit of the parent company of the Group	**$2**	$2	$2
Audit of the subsidiaries	**5**	5	5
Total assurance services	**7**	7	7
Services in connection with capital market transactions	**2**	–	–
Other non-audit services	**–**	1	1
Total other services	**2**	1	1
	$9	$8	$8

32. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below.

		Non-controlling interests		
Name	Country of incorporation	2014	2013	2012
Raspadskaya	Russia	**18.05%**	18.05%	–
EVRAZ Highveld Steel and Vanadium Limited	Republic of South Africa	**14.89%**	14.89%	14.89%
New CF&I (subsidiary of EVRAZ Inc NA)	USA	**10.00%**	10.00%	10.00%

US$ million	2014	2013	2012
Accumulated balances of material non-controlling interest			
Raspadskaya	**$108**	$262	$–
EVRAZ Highveld Steel and Vanadium Limited	**4**	24	49
New CF&I (subsidiary of EVRAZ Inc NA)	**98**	90	83
Others	**8**	55	68
	218	431	200
Profit allocated to material non-controlling interest			
Raspadskaya	**(58)**	(30)	–
EVRAZ Highveld Steel and Vanadium Limited	**(19)**	(18)	(27)
New CF&I (subsidiary of EVRAZ Inc NA)	**9**	9	10
Others	**(35)**	(8)	(10)
	$(103)	$(47)	$(27)

32. Material Partly-Owned Subsidiaries (continued)

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	2014	2013	2012
Revenue	**$444**	$519	$–
Cost of revenue	**(437)**	(481)	–
Gross profit/(loss)	**7**	38	–
Operating costs	**(85)**	(159)	–
Impairment of assets	**(9)**	–	–
Foreign exchange gains/(losses), net	**(277)**	(30)	–
Profit/(loss) from operations	**(364)**	(151)	–
Non-operating gains/(losses)	**(32)**	(39)	–
Profit/(loss) before tax	**(396)**	(190)	–
Income tax benefit/(expense)	**77**	33	–
Net profit/(loss)	**$(319)**	$(157)	$–
Other comprehensive income/(loss)	**(598)**	(126)	–
Total comprehensive income/(loss)	**(917)**	(283)	–
attributable to non-controlling interests	**(154)**	(49)	–
dividends paid to non-controlling interests	**–**	–	–

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2014	2013	2012
Revenue	**$544**	$538	$529
Cost of revenue	**(539)**	(510)	(597)
Gross profit/(loss)	**5**	28	(68)
Operating costs	**(81)**	(90)	(91)
Impairment of assets	**(58)**	(99)	–
Foreign exchange gains/(losses), net	**(3)**	–	3
Profit/(loss) from operations	**(137)**	(161)	(156)
Non-operating gains/(losses)	**(7)**	(7)	(5)
Profit/(loss) before tax	**(144)**	(168)	(161)
Income tax benefit/(expense)	**13**	46	(18)
Net profit/(loss)	**$(131)**	$(122)	$(179)
Other comprehensive income/(loss)	**(7)**	(45)	(10)
Total comprehensive income/(loss)	**(138)**	(167)	(189)
attributable to non-controlling interests	**(20)**	(24)	(28)
dividends paid to non-controlling interests	**–**	–	–

New CF&I

US$ million	2014	2013	2012
Revenue	**$922**	$858	$915
Cost of revenue	**(768)**	(738)	(764)
Gross profit/(loss)	**154**	120	151
Operating costs	**(49)**	(42)	(43)
Impairment of assets	**–**	–	–
Foreign exchange gains/(losses), net	**–**	–	–
Profit/(loss) from operations	**105**	78	108
Non-operating gains/(losses)	**18**	48	46
Profit/(loss) before tax	**123**	126	154
Income tax benefit/(expense)	**(37)**	(40)	(51)
Net profit/(loss)	**$86**	$86	$103
Other comprehensive income/(loss)	**(10)**	(15)	(1)
Total comprehensive income/(loss)	**76**	71	102
attributable to non-controlling interests	**8**	7	10
dividends paid to non-controlling interests	**–**	–	–

32. Material Partly-Owned Subsidiaries (continued)

Summarised statement of financial position as at 31 December

Raspadskaya

US$ million	2014	2013	2012
Property, plant and equipment	**$1,316**	$2,350	$–
Other non-current assets	**32**	12	–
Current assets	**117**	180	–
Total assets	**1,465**	2,542	–
Deferred income tax liabilities	**93**	213	–
Non-current liabilities	**530**	570	–
Current liabilities	**107**	107	–
Total liabilities	**730**	890	–
Total equity	**735**	1,652	–
attributable to:			
equity holders of parent	**627**	1,390	–
non-controlling interests	**108**	262	–

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2014	2013	2012
Property, plant and equipment	**$80**	$137	$271
Other non-current assets	**30**	66	149
Current assets	**149**	178	215
Total assets	**259**	381	635
Deferred income tax liabilities	**–**	15	73
Non-current liabilities	**64**	73	94
Current liabilities	**169**	129	137
Total liabilities	**233**	217	304
Total equity	**26**	164	331
attributable to:			
equity holders of parent	**22**	140	282
non-controlling interests	**4**	24	49

New CF&I

US$ million	2014	2013	2012
Property, plant and equipment	**$237**	$235	$231
Other non-current assets	**929**	812	720
Current assets	**186**	183	216
Total assets	**1,352**	1,230	1,167
Deferred income tax liabilities	**85**	90	98
Non-current liabilities	**86**	72	97
Current liabilities	**201**	164	139
Total liabilities	**372**	326	334
Total equity	**980**	904	833
attributable to:			
equity holders of parent	**882**	814	750
non-controlling interests	**98**	90	83

Notes to the Consolidated Financial Statements (continued)
Year ended 31 December 2014

32. Material Partly-Owned Subsidiaries (continued)

Summarised cash flow information

Raspadskaya

US$ million	2014	2013	2012
Operating activities	**$120**	$25	$–
Investing activities	**(61)**	(73)	–
Financing activities	**(41)**	(89)	–

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2014	2013	2012
Operating activities	**$(15)**	$(30)	$(60)
Investing activities	**(15)**	(19)	(28)
Financing activities	**7**	16	13

New CF&I

US$ million	2014	2013	2012
Operating activities	**$154**	$140	$123
Investing activities	**(154)**	(145)	(117)
Financing activities	**–**	5	(6)

33. Subsequent Events

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 March 2015 the Group fully settled the 8.75% notes due 2015 and the related liabilities under the swap contracts. The total cash outflow amounted $123 million.

Separate Statement of Comprehensive Income
(In millions of US dollars)

	Notes	31 December 2014	2013
General and administrative expenses		**$(11)**	$(14)
Impairment of investments	3	**(470)**	(181)
Foreign exchange gain	3	**29**	7
Interest expense	3,7,9	**(5)**	(21)
Dividend income	8	**150**	715
Other income	7	**1**	–
Net profit/(loss)for the year		**(306)**	506
Total comprehensive income/(loss) for the year		**$(306)**	$506

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

Separate Statement of Financial Position
(In millions of US dollars)

The Financial Statements on pages 193 to 201 were approved by the Board of Directors on 31 March 2015 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

	Notes	31 December 2014	31 December 2013
ASSETS			
Non–current assets			
Investments in subsidiaries	3	**$2,925**	$3,318
Investments in joint ventures	3	**92**	139
Financial assets	4	**6**	–
Receivables from related parties	7	**6**	–
		3,029	3,457
Current assets			
Receivables from related parties	7,8	**4**	113
Current income tax receivable	3	**–**	14
Cash and cash equivalents		**34**	–
		38	127
TOTAL ASSETS		**3,067**	3,584
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	5	**1,507**	1,473
Reorganisation reserve	5	**(584)**	(584)
Merger reserve	3,5	**57**	478
Warrants reserve	5	**–**	156
Share-based payments	6	**81**	51
Accumulated profits		**1,960**	1,819
		3,021	3,393
LIABILITIES			
Non-Current Liabilities			
Trade and other payables	3	**18**	–
Financial guarantee liabilities	7	**6**	–
		24	–
Current liabilities			
Trade and other payables	3	**18**	88
Payables to related parties	7	**1**	103
Financial guarantee liabilities	7	**3**	–
		22	191
TOTAL LIABILITIES		**46**	191
TOTAL EQUITY AND LIABILITIES		**$3,067**	$3,584

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

Separate Statement of Cash Flows
(In millions of US dollars)

	Notes	31 December 2014	2013
Cash flows from operating activities			
Net profit/(loss)		**$(306)**	$506
Adjustments to reconcile net profit to net cash flows from operating activities:			
Impairment of investments	3	**470**	181
Foreign exchange gain	3	**(29)**	(7)
Interest expense	3,7,9	**5**	21
Dividend income	8	**(150)**	(715)
Other income	7	**(1)**	–
		(11)	(14)
Changes in working capital:			
Taxes receivable	3	**15**	(14)
Trade and other payables		**–**	(3)
Net cash flow from/(used in) operating activities		**4**	(31)
Cash flows from investing activities			
Investments in subsidiaries	3	**(102)**	(558)
Payments to acquire shares in joint ventures	3	**(29)**	(61)
Payments to acquire financial assets	4	**(6)**	–
Dividends received	8	**263**	602
Return of funds by subsidiaries	3	**–**	300
Net cash flow from investing activities		**126**	283
Cash flows from financing activities			
Purchase of treasury shares	6	**(6)**	(2)
Repayment of bank loans and notes, including interest	9	**–**	(250)
Dividends paid to shareholders	5	**(90)**	–
Net cash flow used in financing activities		**(96)**	(252)
Net increase in cash and cash equivalents		**34**	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		**$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 2012		$1,340	$–	$(584)	$–	$–	$26	$1,315	$2,097
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	506	506
Issue of share capital	5	133	–	–	478	156	–	–	767
Share-based payment	6	–	–	–	–	–	25	–	25
Purchase of treasury shares	6	–	(2)	–	–	–	–	–	(2)
Transfer of treasury shares to participants of the Incentive Plans	6	–	2	–	–	–	–	(2)	–
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 payment	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

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

Notes to the Separate Financial Statements
For the year ended 31 December 2014

1. Corporate Information
These separate financial statements of EVRAZ plc were authorised for issue in accordance with a resolution of the directors on 31 March 2015.

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 2014, 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 dollar 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 cost of the investment in Evraz Group S.A. was measured at the carrying amount of the equity items of Evraz Group S.A. as a separate legal entity at the date of the reorganisation (Note 3).

Dividend income is recognised as revenue when the Company's right to receive the payment is established.

All purchases and sales of investments are recognised on the settlement date, which is the date when the investment is delivered to or by the Company.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

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.

Notes to the Separate Financial Statements
For the year ended 31 December 2014 (continued)

3. Investments in Subsidiaries and Joint Ventures

Investments in subsidiaries and joint ventures consisted of the following as of 31 December 2014 and 2013:

	Ownership interest		Cost, net of impairment US$ million	
Subsidiaries	**2014**	2013	**2014**	2013
Evraz Group S.A.	**100%**	100%	**2,250**	2,220
EVRAZ Greenfield Development S.A.	**100%**	100%	**254**	134
Corber Enterprises S.a r.l.	**50%**	50%	**421**	964
			2,925	3,318
Joint Ventures				
OJSC Mining and Metallurgical Company Timir	**51.00001%**	51.00001%	**92**	139

The movement in investments was as follows:

$US million	Evraz Group S.A.	EVRAZ Greenfield Development S.A.	Corber	Timir	Total
31 December 2012	**$2,095**	**$248**	**$–**	**$–**	**$2,343**
Additional investments	100	57	964	149	1,270
Share-based compensations	25	–	–	–	25
Impairment loss (recognition)/reversal		(171)	–	(10)	(181)
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**

Evraz Group S.A.

The Company acquired Evraz Group S.A. in 2011 by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A., which were entitled to receive 9 shares of EVRAZ plc for each share of Evraz Group S.A. The cost of investments in Evraz Group S.A. was measured at the carrying amount of the equity items shown in the separate accounts of Evraz Group S.A. at the dates of share exchange.

In 2013, the Company made a cash contribution to the share capital of Evraz Group S.A. for a total amount of $100 million.

In addition, the Company recognises share-based payments made to employees of subsidiaries under control of Evraz Group S.A. as an addition to the cost of its investments in Evraz Group S.A. (Note 6). In 2014 and 2013, share-based compensations amounted to $30 million and $25 million.

EVRAZ Greenfield Development S.A.

In 2012, the Company made a cash contribution to the share capital of EVRAZ Greenfield Development S.A. ("EGD") in the amount of $248 million. This contribution was used by EGD for the purchase of a 60.016% share in the Mezhegey coal field project from Mastercroft Limited, an indirect subsidiary of the Company, for $245 million. In 2013, the Company made cash contributions to the share capital of EGD for a total amount of $357 million. Subsequently in 2013, when external financing was received, EGD decreased the share capital by $300 million and returned this amount to the Company in cash. As such, the net investment in the subsidiary amounted to $305 million.

At 31 December 2014 and 2013, the Company assessed the recoverability of its investment in EGD. The recoverable amount of the asset was based on a value-in-use calculation using cash flow projections based on the business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset. The discount rates were 18.36% and 13.72% in 2014 and 2013, respectively.

As a result, in 2013, the Company recognised an impairment loss of $171 million. The major drivers that led to impairment were the changes in expectations of long-term prices for coal and the decrease in the sales volumes. In 2014, $120 million impairment loss was reversed 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 the originally estimated.

Corber Enterprises S.a r.l.

On 16 January 2013, EVRAZ plc acquired a 50% ownership interest in Corber Enterprises S.a r.l. ("Corber"), the parent of a coal mining company Raspadskaya, and, consequently, the Group obtained control over the entity (the other 50% share in Corber is held by an indirect subsidiary of Evraz Group S.A.). The sellers were Adroliv Investments Limited, Verocchio Enterprises Limited and Kadre Enterprises Limited, entities under control of key management persons of Raspadskaya.

The purchase consideration 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 2013, the Company paid $101 million relating to this acquisition.

3. Investments in Subsidiaries and Joint Ventures (continued)

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 and 2013, 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 rates were 16.10% and 13.37% in 2014 and 2013, respectively. 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.

OJSC Mining and Metallurgical Company Timir

On 3 April 2013, the Company acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. The Company's consideration for this stake amounted to $149 million being the present value of the expected cash outflows at the exchange rate as of 31 December 2013. The consideration denominated in roubles is payable in instalments till 15 July 2014. In 2014 and 2013, the Company recognised within interest expense $2 million and $7 million, respectively, representing the unwinding of the discount on this liability.

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 (in total $35 million at the exchange rate as of 31 December 2014) until 31 July 2015 and 2016. From the date of the amendment 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.

In 2014 and 2013, the Company recognised $28 million and $7 million of foreign exchange gains on liabilities for Timir shares due to depreciation of the Russian rouble.

At 31 December 2014 and 2013, trade and other accounts payable included liabilities relating to this acquisition in the amount of $36 million and $88 million, respectively.

At 31 December 2014 and 2013, the Company assessed the recoverability of its investment in Timir. The recoverable amount of the asset was based on a value-in-use calculation using cash flow projections based on the business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset. The discount rates were 14.46% and 16.20% in 2014 and 2013, respectively. As a result, in 2014 and 2013, the Company recognised impairment losses of $47 million and $10 million, respectively. The major driver that led to impairment was the changes in expectations of long-term prices for iron ore.

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.

Additional information is provided in Note 11 of the consolidated financial statements.

4. Financial Assets

In December 2014, the Company purchased certain bonds of Raspadskaya, an indirect subsidiary, on the market. The bonds bear interest of 7.74% per annum and mature on 27 April 2017. The Company paid $6 million for the bonds 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).

5. Equity

Share Capital

	31 December	
Number of shares	2014	2013
Ordinary shares of $1 each, issued and fully paid	**1,506,527,294**	1,472,582,366

EVRAZ plc does not have an authorised limit on its share capital.

At 31 December 2014 and 2013, the Company held Nil and 159,649 of its own shares, respectively. In addition, Mastercroft Finance Limited, an indirect subsidiary, had Nil and 143,068 shares of the Company at 31 December 2014 and 2013, respectively.

In January 2013, the Company issued 132,653,006 shares as part of consideration paid for acquisition of Corber (Note 3). These shares were valued at their market quotation at the date of acquisition of Corber. The excess of the market value of shares issued over their nominal value in the amount of $478 million was recognised in a merger reserve under section 612 of the Companies Act 2006 as all of the criteria for merger relief have been satisfied. Any future impairments of the carrying value of the investment in Corber can be transferred to the merger reserve, thus protecting distributable reserves.

Notes to the Separate Financial Statements
For the year ended 31 December 2014 (continued)

5. Equity (continued)

In addition, 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.

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.

Dividends

In 2013-2014, 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.

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 (2013: US$2 million). The cost of treasury shares gifted under Incentive Plans, amounting to $6 million, was charged to accumulated profits.

In 2014 and 2013, the Company recognised a $30 million and $25 million expense under the share-based compensations as a cost of investments in Evraz Group S.A. with a corresponding increase in equity.

The share-based awards which were not exercised at 31 December 2014 and 2013 amounted to 36,608,052 and 27,692,062 shares of EVRAZ plc, respectively. At 31 December 2014, all these awards were unvested, at 31 December 2013, they included 98,647 vested shares. More details are provided in Note 21 of the consolidated financial statements.

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.

At December 2013, liabilities to related parties included $102 million payable for Corber's shares to Adroliv Investments Limited, Verocchio Enterprises Limited and Kadre Enterprises Limited. These liabilities were fully settled in 2014. In 2013, the Company recognised within interest expense $6 million representing the unwinding of the discount to the liability and an interest on a tranche, for which payment was postponed.

In 2014, OOO Evrazholding, an indirect subsidiary of the Company, rendered consulting services in the amount of $2 million (2013: $6 million). At 31 December 2014, the balances with related parties included accounts payable to OOO Evrazholding in the amount of $1 million (2013: $1 million).

In 2014, the Company issued a guarantee in respect of the liabilities of EVRAZ NTMK and EVRAZ ZSMK, indirect subsidiaries of the Company, under a $500 million syndicated loan. The loan bears interest of 3.49% per annum and matures in August 2019. The Company earns a 0.6% guarantee fee in respect of this bank loan and in 2014 it accrued income of $1 million. At 31 December 2014, this amount was not received. The Company recognised a financial guarantee liability of $9 million, which is the fair value of the guarantee upon initial recognition, being equal to the estimated future cash inflows receivable from the subsidiaries under the guarantee agreement. The liability is amortised on a straight-line basis over the life of the guarantee, unless it is considered probable that the guarantee will be called, in which case it is measured at the value of the guaranteed amount payable, if higher. 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.

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.

8. Dividend Income

In 2013, Evraz Group S.A. declared dividends to the Company in the amount of $715 million. The Company received $602 million in cash and $113 million were unpaid as of 31 December 2013.

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.

9. Short–term Loans

In December 2012, the Group issued European commercial papers with principal amounts of $80 million and $170 million. These commercial papers bore interest rates of 3.50% and 3.75%, respectively, and matured on 6 September 2013 and 4 December 2013, respectively, when they were repaid in full.

In 2013, the Company accrued $8 million of interest expense in respect to these borrowings.

10. Subsequent Events

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.

Additional Information
Definitions of selected financial indicators

EBITDA

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

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

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

	Year ended 31 December	
(US$ million)	2014	2013
Consolidated EBITDA reconciliation		
Profit/(loss) from operations	(101)	(161)
Add:		
Depreciation, depletion and amortisation	833	1,114
Impairment of assets	540	563
Loss on disposal of property, plant & equipment	48	47
Foreign exchange (gain)/loss	1,005	258
Consolidated EBITDA	2,325	1,821
Steel segment EBITDA reconciliation		
Profit/(loss) from operations	1,391	959
Add:		
Depreciation, depletion and amortisation	389	551
Impairment of assets	196	92
Loss on disposal of property, plant & equipment	20	25
Foreign exchange (gain)/loss	(84)	29
Steel segment EBITDA	1,912	1,656
Steel, North America segment EBITDA reconciliation		
Profit/(loss) from operations	(169)	(398)
Add:		
Depreciation, depletion and amortisation	165	200
Impairment of assets	261	350
Loss on disposal of property, plant & equipment	1	2
Foreign exchange (gain)/loss	21	4
Steel, North America segment EBITDA	279	158

(US$ million)	Year ended 31 December 2014	2013
Coal segment EBITDA reconciliation		
Profit/(loss) from operations	(335)	(287)
Add:		
Depreciation, depletion and amortisation	267	348
Impairment of assets	81	110
Loss on disposal of property, plant & equipment	27	20
Foreign exchange (gain)/loss	333	35
Coal segment EBITDA	373	226
Other operations EBITDA reconciliation		
Profit/(loss) from operations	35	17
Add:		
Depreciation, depletion and amortisation	4	9
Impairment of assets	2	11
Gain on disposal of property, plant & equipment	–	–
Foreign exchange (gain)/loss	(4)	–
Other operations EBITDA	37	37
Unallocated EBITDA reconciliation		
Profit/(loss) from operations	(972)	(422)
Add:		
Depreciation, depletion and amortisation	8	6
Foreign exchange (gain)/loss	739	190
Other unallocated operations EBITDA	(225)	(226)
Intersegment eliminations		
Eliminations EBITDA	(51)	(30)

Definition of Free Cash Flow

Free Cash Flow represents EBITDA, net of non-cash items, less changes in working capital, income tax paid, interest paid and covenant reset charges, conversion premiums, premiums on early repurchase of bonds and realised gain/(losses) on interest payments under swap contracts, interest income and debt issue costs, less capital expenditure, including recorded in financing activities, purchases of subsidiaries, net of cash acquired, proceeds from sale of disposal groups 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 it 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.

Cash and short-term bank deposits

Cash and short-term bank deposits is not a measure under IFRS and it should not be considered as an alternative to other measures of financial position. EVRAZ's calculation of cash and short-term bank deposits may be different from the calculation used by other companies and therefore comparability may be limited.

(US$ million)	31 December 2014	31 December 2013
Cash and short-term bank deposits Calculation		
Cash and cash equivalents	1,086	1,604
Cash of disposal groups classified as held for sale	–	7
Short-term bank deposits	–	–
Cash and short-term bank deposits	**1,086**	**1,611**

Additional Information
Definitions of selected financial indicators (continued)

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, the nominal effect of cross-currency swaps on principal of rouble-denominated notes. Total debt is not a measure under IFRS and it should not be considered as an alternative to other measures of financial position. EVRAZ's calculation of total debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation shall not be considered for covenant compliance reasons.

Total debt has been calculated as follows:

Total debt calculation

(US$ million)	31 December 2014	31 December 2013
Long-term loans, net of current portion	5,470	6,041
Short-term loans and current portion of long-term loans	761	1,816
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	37	41
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	635	186
Loans of assets classified as held for sale	–	76
Finance lease liabilities, including current portion	4	6
Total debt	**6,907**	**8,166**

Net debt

Net debt represents total debt less cash and liquid short-term financial assets, including those related to disposal groups classified as held for sale. Net debt is not a measure under IFRS and it should not be considered as an alternative to other measures of financial position. EVRAZ's calculation of net debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation shall not be considered for covenant compliance reasons.

Net debt has been calculated as follows:

Net debt calculation

(US$ million)	31 December 2014	31 December 2013
Total debt	**6,907**	**8,166**
Short-term bank deposits	–	–
Cash and cash equivalents	(1,086)	(1,604)
Cash of assets classified as held for sale	–	(7)
Collateral under swaps	(7)	(21)
Net debt	**5,814**	**6,534**

Additional Information
Data on Mineral Resources

COAL

Yuzhkuzbassugol JORC Equivalent Coal Reserves as at 31 December 2014

Mine	Proved and Probable '000t
Alardinskaya	90,125
Yesaulskaya	9,720
Osinnikovskaya	58,524
Uskovskaya	127,576
Yerunakovskaya VIII	118,171
Total	**404,116**

Note
Reserves and Resources are in-situ or ROM (Run of Mine) tonnes.

Raspadskaya JORC Equivalent Coal Reserves as at 31 December 2014

Mine	Proved and Probable '000t
Raspadskaya	887,655
MUK-96	132,224
Raspadskaya Koksovaya	187,732
Razrez Raspadsky	142,263
Total	**1,349,874**

Note
Reserves are in-situ or ROM (Run of Mine) tonnes.

Additional Information

Data on Mineral Resources (continued)

IRON ORE

Evrazruda JORC Equivalent Iron Ore Reserves as at 31 December 2014

Mine	Proved and probable '000t	Fe %	S %
Tashtagol	5,925	38	1
Sheregesh	70,113	29.8	0.9
Kaz	8,983	32.9	0.9
Total	**85,021**	**28.0**	**0.8**

Note
Reserves are in-situ or ROM (Run of Mine) tonnes.

Kachkanarsky GOK (EVRAZ KGOK) JORC Equivalent Iron Ore Reserves as at 31 December 2014

Mine	Proved and probable '000t	Fe %	V205 %
Gusevogorskoye Deposit			
Main pit	427,919	16.1	0.14
Southern pit	48,334	16.6	0.16
Northern pit	598,316	15.6	0.12
Western pit	158,562	16.1	0.16
Kachkanar Proper (Sobstvenno-Kachkanarskoye) Deposit	6,904,420	16.5	0.14
Total	**8,137,551**	**16.4**	**0.14**

Note
Reserves are in-situ or ROM tonnes.

EVRAZ Sukha Balka JORC Equivalent Iron Ore Reserves as at 31 December 2014

Mine	Proved and Probable '000t
Total	**74,883**

Note
Reserves are in-situ or ROM tonnes.

Additional Information
Terms and Abbreviations

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 Capital expenditure

Capex
Capital expenditure

CFR
Cost and freight, the seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel. Insurance for the goods is not included

Channel
U-shaped section for construction

Coal washing
The process of removing mineral matter from coal usually through density separation, for coarser coal and using surface chemistry for finer particles

Coke
A product made by baking coal without oxygen at high temperatures. Unwanted gases are driven out of the coal. The unwanted gases can be used as fuels or processed further to recover valuable chemicals. The resulting material (coke) has a strong porous structure which makes it ideal for use in a blast furnace

Coke battery
A group of coke ovens operating as a unit and connected by common walls

Coking coal
Highly volatile coal used to manufacture coke

Concentrate
A product resulting from iron ore/coal enrichment, with a high grade of extracted mineral

Construction products
Include beams, channels, angles, rebars, wire rods, wire and other goods

Converter
A type of furnace that uses pure oxygen in the process of producing steel from cast iron or dry mix

Continuous casting machine
Process whereby molten metal is solidified into a “semi-finished” billet, bloom, or slab for subsequent rolling in the finishing mills

Crude steel
Steel in its solidified state directly after casting. This is then further processed by rolling or other treatments, which can change its properties

Debottlenecking
Increasing capacity of a supply or production chain through the modification of existing equipment or infrastructure to improve efficiency

Deposit
An area of coal resources or reserves identified by surface mapping, drilling or development

Electric arc furnace
A furnace used in the steelmaking process which heats charged material via an electric arc

Feasibility study
A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the technical and economic viability of a project and to support the search for project financing

Finished products
Products that have completed the manufacturing process but have not yet been sold or distributed to the end user

Flat products or Flat-rolled steel products
Include commodity plate, specialty plate and other products in flat shape such as sheet, strip and tin plate

Greenfield
The development or exploration of a new project not previously examined

Grinding balls
Balls used to grind material by impact and pressure

Head-hardened rails
High strength rails with head hardened by heat treatment

Heat-treatment
A group of industrial and metalworking processes used to alter the physical, and sometimes chemical, properties of a material

Iron ore
Chemical compounds of iron with other elements, mainly oxygen, silicon, sulphur or carbon. Only extremely pure (rich) iron-oxygen compounds are used for steelmaking

ISO 14001
The International Standardisation Organisation’s standard for environmental management systems

ISO 9001:2008
The International Standardisation Organisation’s standard for a quality management system

JORC Code
The Australasian Joint Ore Reserves Committee, which is widely accepted as a standard for professional reporting of Mineral Resources and Ore Reserves

Kt
Thousand tonnes

Ladle furnace
The secondary metallurgy vessel used between steelmaking and casting operations to allow the composition of molten steel to be brought to the required customer specification

Lean
Lean is philosophy of managing the business that is based on a set of principles that define the way of work

Additional Information
Terms and Abbreviations (continued)

Long products
Include bars, rods and structural products that are 'long' rather than 'flat' and are produced from blooms or billets

Longwall
An underground mining process in which the coal face is dug out by a shearer and transported above ground by conveyors

LTIFR
Lost time injury frequency rate, which represents the number of lost time injuries (1 day or more of absence) divided by the total number of hours worked expressed in millions of hours

Lumpy ore
Iron ore between 6mm and 30mm in size. Lump is preferred in the blast furnace as its particle size allows oxygen to circulate around the raw materials and melt them efficiently

Mt
Million tonnes

Mtpa
Million tonnes per annum

Open pit mine
A mine working or excavation open to the surface where material is not replaced into the mined out areas

OCTG pipe
Oilfield Casing and Tubing Goods or Oil Country Tubular Goods – pipes used in the oil industry

Pellet
An enriched form of iron ore shaped into small balls or pellets. Pellets are used as raw material in the steel making process

Pig iron
The solidified iron produced from a blast furnace used for steel production. In liquid form, pig iron is known as hot metal

Pipe blank
A flat sheet of metal, a semi-finished product, sold to pipemakers to manufacture pipes

Plate
A long thin square shaped construction element made from slabs

Pulverised coal injection (PCI)
A cost-reducing technique in iron-making, where cheaper coal is prepared to replace normal coking coal in the blast furnace. The coal is pulverised into very small particles before injection into the furnace

Railway products
Include rails, rail fasteners, wheels, tyres and other goods for the railway sector

Rebar
Reinforcing bar, a commodity grade steel used to strengthen concrete in highway and building construction. Rebar A500SP is a type of reinforcing bar that allows for a reduction in the metallic component of reinforced concrete, thereby significantly lowering construction costs

Rolled steel products
Products finished in a rolling mill; these include bars, rods, plate, beams etc

Rolling mill
A machine which converts semi-finished steel into finished steel products by passing them through sets of rotating cylinders which form the steel into finished products

SG&A
Selling, General and Administrative Expenses

Saleable products
Products produced by EVRAZ mines or steel mills which are suitable for sale to third parties

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 V_2O_5: 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

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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:

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- 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.

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