

STRATEGIC PRIORITIES AND KEY PERFORMANCE INDICATORS

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



1 | Health, Safety & Environment

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

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

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

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



2 | Human Capital

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

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

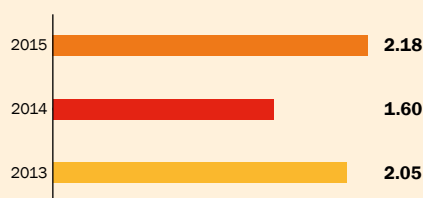
Outlook | Looking into 2016 the Group's focus will be on creating a unified system of selection, evaluation and training for site employees, developing the principle of long-term labor cost planning and further headcount optimisation.

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

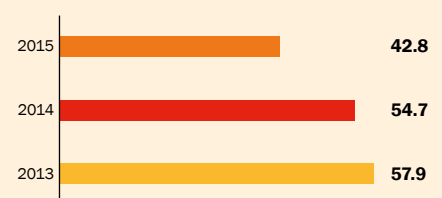
KPIs

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

LTIFR (excluding fatalities) per million hours



Labour productivity, US\$/t





3 | Customer Focus

Steel

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

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

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

Steel, North America

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

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

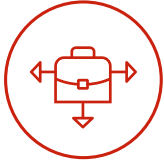
Outlook | In 2016 the Group will work on LD pipes projects, focus on sales sustainability at its rail mill and increase plate sales to 3rd parties.

Coal

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

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

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



4 | Asset development

Steel

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

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

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

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

Steel, North America

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

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

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

Coal

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

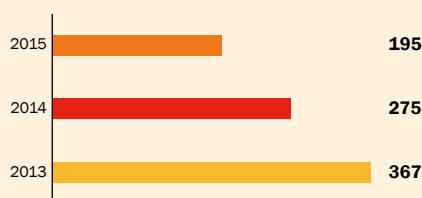
Overview | During 2015 EVRAZ were able to increase mining volumes, reduce auxiliary materials' consumption, 3rd parties' service costs and G&A expenses due to operational synergies at Rospadskaya and Yuzhkuzbassugol with a financial contribution of US\$72 million.

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

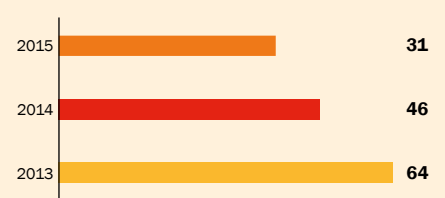
Comments on KPI | Cash cost of the coal segment was US\$31 per tonne in 2015, lower by 33% from US\$46 per tonne in 2014 due to mines optimization, G&A reduction and currency devaluation.

KPIs

Cash cost of semi-finished products¹, US\$/t



Cash cost of coking coal concentrate, US\$/t



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



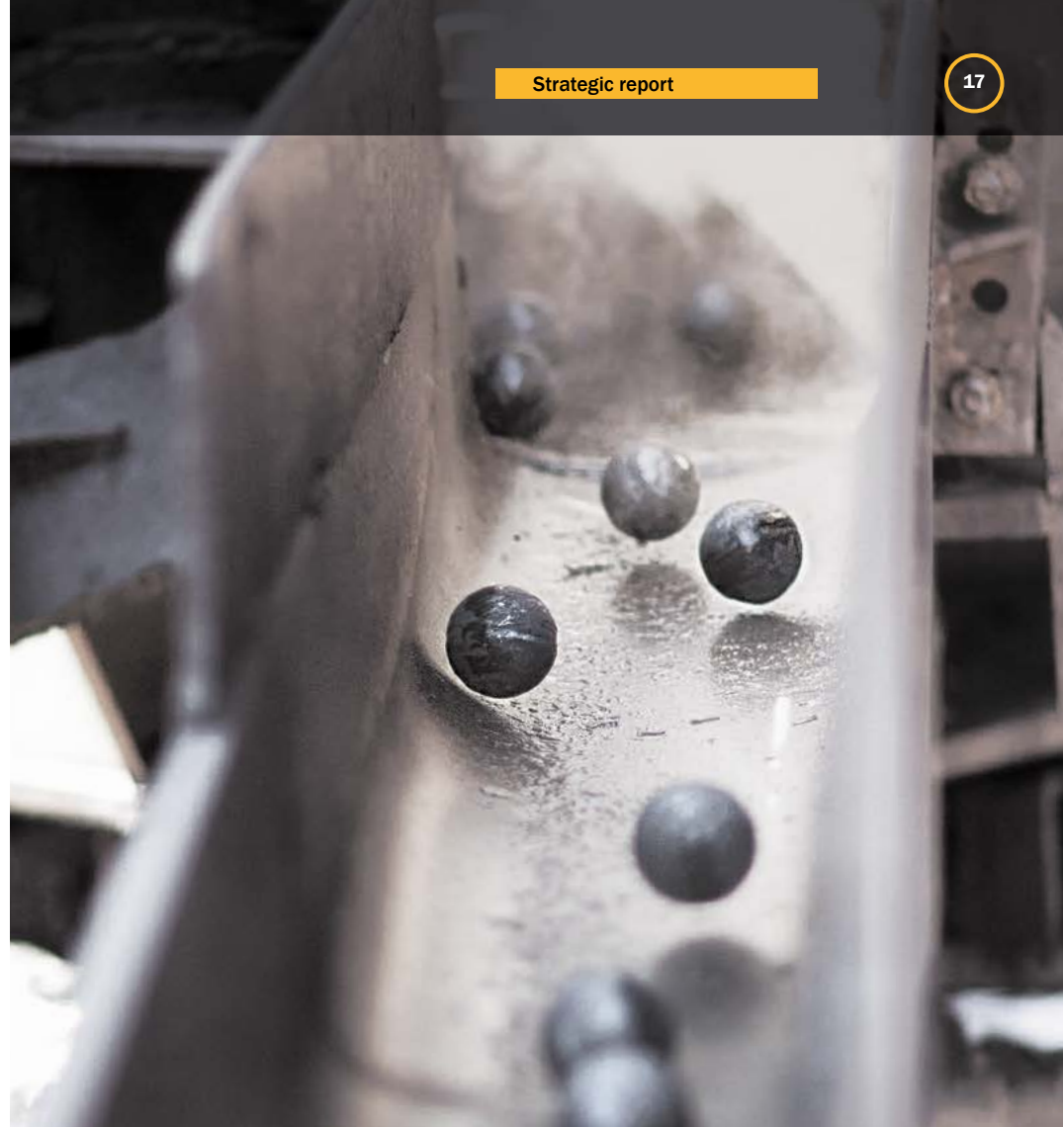
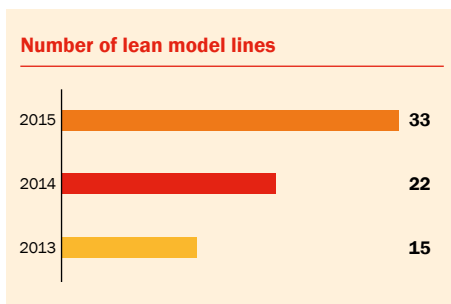
5 | EVRAZ Business System

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

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

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

KPIs



Results in 2015

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

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

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

