EVRAZ

Annual Report & Accounts
2018

EVRAZ

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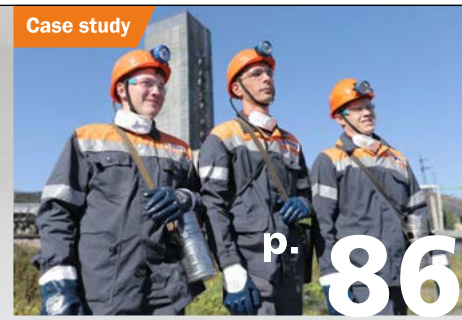

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MEET EVRAZ

EVRAZ is a global steel and mining company, the leading producer of infrastructure steel products with low-cost production along the value chain.

Production in 2018

Iron ore products
13.5 mt

Raw coking coal
24.2 mt

Crude steel
13.0 mt

Our people

Our employees are an integral part of the Group's success. We hire the best people, nurture their development and provide career growth opportunities.

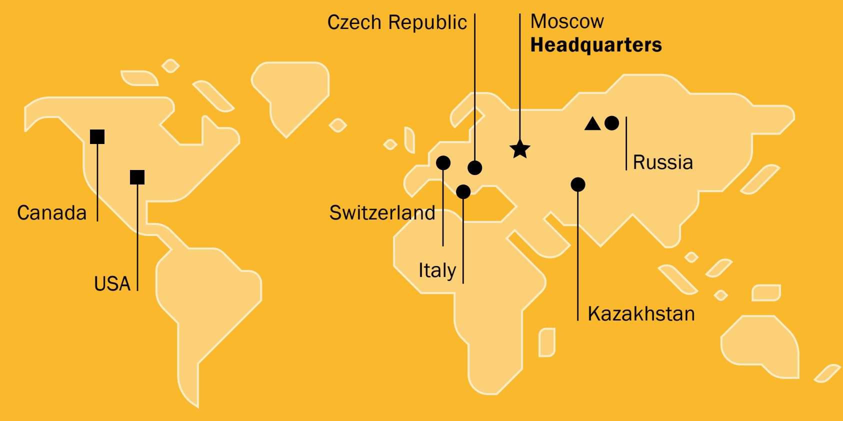
68,379 employees

Our customers

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

>70 countries

GLOBAL FOOTPRINT



● Steel segment ▲ Coal segment ■ Steel, North America segment

LEADING POSITION

A LEADER in construction and railway product markets in Russia.

No. 1 PRODUCER of rails and large diameter pipes in North America

THE LARGEST coking coal producer in Russia

About the report

Report boundaries

This annual report ("the Report") presents the results for EVRAZ plc and its subsidiaries for 2018 divided into segments: Steel; Steel, North America; and Coal. It details the Group's operational and financial results and corporate social responsibility activities in 2018.

The Report has been prepared in accordance with the information disclosure requirements of the United Kingdom and the Financial Conduct Authority: the Companies Act 2006, the Listing Rules, the Disclosure and Transparency Rules, and the Competition and Market Authority Order. The Report has also been prepared taking into account the International Integrated Reporting Framework, and sustainability reporting best practices.

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EVRAZ in figures

FINANCIAL HIGHLIGHTS

Consolidated revenues by segment, *US$ million*

	Steel	Coal	Steel, NA	Other operations	Eliminations	Total
2018	8,879	2,337	2,583	472	(1,435)	12,836
2017	7,743	2,214	1,864	462	(1,456)	10,827
2016	5,497	1,322	1,464	363	(933)	7,713

Revenue
US$ 12,836 million
▲ 18.6% year-on-year

For more information, see Financial review section on pages 20–23.

Consolidated EBITDA by segment, *US$ million*

	Steel	Coal	Steel, NA	Other operations	Eliminations	Total
2018	2,672	1,218	14	18	(145)	3,777
2017	1,483	1,226	58	21	(164)	2,624
2016	1,004	644	28	17	(151)	1,542

EBITDA
US$ 3,777 million
▲ 43.9% year-on-year

For more information, see Financial review section on pages 20–23.

Net debt
US$ 3,571 million
▼ 9.9% year-on-year

CAPEX[4]
US$ 527 million
▼ 12.6% year-on-year

Net profit
US$ 2,470 million
▲ 225.4%

For definition of this Alternative performance measures (APM) please see pages 261–262.

OPERATING HIGHLIGHTS

Crude steel output, *kt*

2018	2017	2016
13,019	14,033	13,513

Iron ore products output, *kt*

2018	2017	2016
13,515	13,879[3]	14,774[3]

Coking coal concentrate production, *kt*

	Production by Coal segment	Production by Steel segment	Total
2018	14,130	2,057	16,188
2017	13,061	2,083	15,143
2016	12,492	1,772	14,264

Steel products output[1], *kt*

2018	2017	2016
12,376	12,576[2]	12,288[2]

Raw coking coal production, *kt*

2018	2017	2016
24,188	23,306	22,257

Gross vanadium slag production,[5] *kt*

2018	2017	2016
17,052	18,636	16,886

For more information, see Business review section on pages 42–69.

[5] In tonnes of pure vanadium.

CSR HIGHLIGHTS

LTIFR (excluding fatalities), *per million hours*

2018	2017	2016
1.91	1.90	2.36

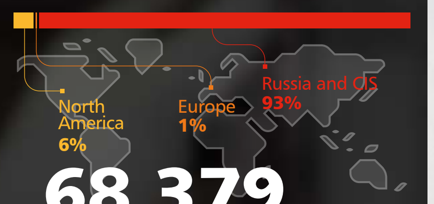
For more information, see page 74.

EVRAZ GHG emissions, *$MtCO_2e$*

2018	2017	2016
38.79	41.65	40.83

For more information, see page 79.

Employees by region in 2018



68,379 people

Key air emissions, *kt*

2018	2017	2016
128.21	137.11	130.68

For more information, see page 78.

Fresh water consumption, *million m^3*

2018	2017	2016
226.49	319.43	327.60

For more information, see page 79.

Diversity, *% (number of people)*

	Men	Women
Board	78% (7)	22% (2)
Senior management	88% (296)	12% (41)
Employees	73% (49,407)	27% (18,635)

For more information, see on page 84.

[1] Net of re-rolled volumes.
[2] Change to the previously reported figures due to corrections of data.
[3] Data for 2017 were amended due to methodology adjustment as it was decided to disclose the Evrazruda' iron ore concentrate volumes instead of EVRAZ ZSMK' sinter volumes.
[4] Including payments on deferred terms recognised in financing activities and non-cash transactions.

SHAREHOLDER STRUCTURE

Ultimate beneficial owners, *% of voting rights[6]*

Roman Abramovich[7]	30.52
Alexander Abramov[8]	20.69
Alexander Frolov[8]	10.33
Gennady Kozovoy[9]	5.80
Free-float	32.66

[6] The Group is aware of the following beneficiaries who have an interest in three percent or more of EVRAZ plc's share capital (in each case, except for Gennady Kozovoy, held indirectly).
[7] The number of shares as per TR-1 Form: Notification of major interest in shares dated 4 September 2018.
[8] The number of shares as per TR-1 Form: Notification of major interest in shares dated 24 December 2018.
[9] The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013. For Mr Kozovoy, includes shares held directly.

Geographic dispersion of institutional shareholders, *% of voting rights*

United Kingdom	9.76
North America	7.30
Europe (excl. United Kingdom, Russia)	6.51
Russia	2.61
Asia&Pacific	0.19
Other	1.15

For more information, see Additional information section on page 260.

Strategic report

Chairman’s introduction

Dear Shareholder,

2018 was a robust year for the business reinforced by strong global metals markets, EVRAZ efficiency initiatives and diligent strategic efforts.

For the Board of Directors, 2018 was an important year with key initiatives implemented across the Group. These include a major new drive in the area of Health, Safety and Environment to strengthen the safety culture, adherence to new UK corporate governance code, implementation of the new dividend policy and much more. It was a busy agenda for the Board, and much was achieved.

> **“I am very proud of EVRAZ achievements in 2018 and wish to thank the Group’s customers, employees, shareholders and local communities for their loyalty and support over the past year.**

Health, safety and the environment

The absolute priority of the EVRAZ executive management has always been to achieve and maintain zero injuries and fatalities in the workplace. However, six of the Group’s employees and four contractors lost their lives in 2018. This outcome underscores the view of the Board that more effort will be needed in this area with a focus on changing the safety culture. Such change could be achieved with the involvement of each employee in the process of identifying and eliminating risks in the workplace and production process. The Board, and particularly its Health, Safety and Environment Committee, under the chairmanship of Karl Gruber, will continue to engage closely with the management team to address this challenge.

In 2018, the HSE Committee members reviewed the HSE Policy and Cardinal Safety Rules and approved new five-year environmental targets that incorporate the important aim of maintaining the greenhouse gas intensity ratio.

Governance

The Board continues to work to ensure that the Group operates in line with international best practices so that it complies with the guidelines laid out in the UK Corporate Governance Code. During 2018, the UK Financial Reporting Council published a revised Corporate Governance Code, which comes into force for the financial year commencing on 1 January 2019. The Board has reviewed the updated code and is introducing several changes in procedures and practices in order to achieve full compliance with the updated Corporate Governance Code for the 2019 financial year.

As part of its commitment to support the interests of all stakeholders, the Board takes a long-term view of how the business needs to develop within its industry and geographical markets. It has reviewed the latest developments in technology on the market to ensure that EVRAZ assets are fully modernised to remain competitive, while necessary financing is in place to meet the Group’s requirements over the medium- to long-term to implement projects with strategic significance for the business.

At its January 2019 meeting, following the annual review of Board Performance effectiveness, the Board agreed an action plan for 2019, which continued and developed the review and approval function of the management’s strategy proposals. Under the plan, the Board will strengthen its focus on safety, environmental and other CSR issues, as well as HR policy, in addition to commercial issues.

In September 2018, Lanebrook Limited, a major shareholder of the Group and with whom EVRAZ had previously entered into a relationship agreement, notified the Group that it had distributed all of its shares in the Group to its direct shareholders in proportion to their holdings in joint controlling of Lanebrook Limited. The relationship agreement between Lanebrook Limited and the Group was terminated and, following a detailed review of the transaction, the Board approved the entry into new relationship agreements with its new controlling shareholders, Crosland Global Limited and Greenleas International Holdings Ltd, under substantively the same terms as the previous shareholder. Subsequently, in December 2018, Crosland Global Limited, notified it that it had transferred a certain number of ordinary shares in the Group to Abiglaze Ltd. Following a detailed review of the transaction, the Board approved the entry into a revised relationship agreement with Crosland Global Limited, Greenleas International Holdings Ltd and a new relationship agreement with Abiglaze Ltd under substantively the same terms as the previous shareholder. In 31 January 2019 the Company entered into above mentioned relationship agreements with its controlling shareholders in accordance with the Listing Rules.

See pages 106–107 for details.

Board changes

In August 2018, on the recommendation of the Nominations Committee, the Board appointed Laurie Argo, a highly experienced industry and geographic expert, as an independent non-executive director. She has also been appointed as a member of the Audit Committee in place of Mr. Karl Gruber, who stepped down from the Audit Committee with immediate effect.

I would like to welcome Laurie Argo to our Board. Her appointment reflects her invaluable experience and skill set, but it also underlines the Group’s commitment to increase the representation of women across the business.

Our people

The Board pays particular attention to the development of the Group’s human resources policies, recognising that people are our most valuable asset. Ahead of the introduction of the revised 2018 UK Corporate Governance Code, which contains important new provisions concerning engagement with employees as key stakeholders, the Board’s Remuneration Committee worked alongside the human resources function to implement new policies and procedures to ensure correct implementation of the letter and spirit of the revised code. This requires effective engagement with employees with the aim of their full participation in the life of the Group.

Dividends

In 2018, the Board agreed a dividend policy, whereby EVRAZ aims to declare annual dividends of at least US$300 million, subject to the financial performance of the business, to be paid in semi-annual instalments of at least US$150 million each, following interim and full-year results. Based upon the financial performance of the business, the Board may consider a higher distribution level, taking into account the outlook for the Group’s major markets, the Board’s view of the long-term growth prospects of the business and future capital investment requirements, as well as the Group’s commitment to maintain a strong balance sheet. In line with the Group’s existing capital allocation policy, no dividends will be paid out if the net debt/EBITDA ratio exceeds 3.0x.

During the year, the Board also discussed in detail the proposals to pay: an interim dividend of US$0.13 per ordinary share, totalling US$187.6 million, on 22 June 2018; a second interim dividend of US$0.40 per share, totalling US$577.34 million, on 6 September 2018; and a third interim dividend of US$0.25 per share, totalling US$360.8 million, on 21 December 2018.

In consideration of EVRAZ robust performance in 2018, EVRAZ has announced an interim dividend. On 27 February 2019, the Board of Directors voted to disburse a total of US$577.34 million, or US$0.40 per share. The record date is 8 March 2019 and payment date is 29 March 2019.

Alexander Abramov
Non-Executive Chairman

Audit Committee report
See pages 112–115.

Nominations Committee report
See pages 116–117.

HSE Committee report
See pages 118–119.

Remuneration report
See pages 120–127.

Chief executive officer's letter

"The Group's strategic vision remains unchanged. EVRAZ is a global steel and mining company, leading producer of infrastructure steel products with low-cost production along the value chain.

Dear Shareholder,

In 2018, EVRAZ delivered robust growth amid favourable market conditions and as a result of continuing initiatives to improve efficiency and reduce costs. The Group generated EBITDA of US$3,777 million during the reporting period, its highest level since 2008, which made it possible to pay dividends of US$1.6 billion. EVRAZ remained focused on implementing its efficiency improvement programme in the amount of 3% of the cost base, the effect from which totalled US$340 million in 2018. Shareholders' appreciation of these results is evidenced by the rise in the Group's average market capitalisation to US$9.2 billion in 2018, an 197% increase from that in 2017.

Global markets were supportive in 2018, driven mainly by developments in China, where the government finalised its supply-side reform of the steelmaking industry and enacted winter output cuts in a number of provinces. These efforts kept utilisation rates at Chinese steel mills at a level of more than 87% throughout the year. In pursuit of better productivity from existing furnaces, coke and pig iron producers required higher-grade raw materials. Combined with higher demand from India and South-East Asia, this led hard coking coal prices to average US$207 per tonne, higher than had been forecasted. Positive developments on the vanadium market also influenced EVRAZ performance in 2018. China's new rebar standard requiring higher vanadium content in products and its ban on vanadium slag imports, coupled with scarce operating capacity of vanadium producers globally, created a deficit for the metal that drove prices up by 150% year-on-year.

Financial review

See pages 20–23.

The Group's strategic vision remains unchanged. EVRAZ is a global steel and mining company, leading producer of infrastructure steel products with low-cost production along the value chain. The Group focuses on four key strategic priorities: maintaining a stable dividend payout and proactively managing maturities; expanding the CAPEX programme with selective investments in development projects; continuing to generate efficiency improvements with an annual effect of 3% of the cost base; and developing the product portfolio and customer base across all assets in Russia and North America.

In terms of debt management, EVRAZ ended 2018 with net debt of US$3,571 million and retains its medium-term debt target at below US$4 billion. In the longer-term perspective, the Group aims to maintain its net debt / EBITDA ratio at an average level of 2.0x throughout the cycle, taking into account risks of EBITDA fluctuations. EVRAZ also established a new dividend policy in 2018 that envisages paying a minimum of US$300 million per annum of dividends provided that the net leverage ratio remains below 3.0x. The dividend payout may be higher if the Group's net debt remains close to the stated target and the amount of cash flows generated covers the investment programme needs. Because such conditions were met in 2018, EVRAZ paid dividends of $1.6 billion with a dividend yield of 17%.

In 2018, EVRAZ took further actions to streamline its operations and divest of non-core assets. In June, the Group announced the disposal of a 15% minority stake in Chinese steel producer Delong Holdings Ltd due to a lack of links with our core operations. EVRAZ also finalised its efforts to exit the Ukrainian market by divesting of EVRAZ DMZ, a decision primarily driven by the limited growth opportunities in the region. The Group's asset optimisation process will allow it to more fully concentrate on developing its core assets.

EVRAZ has tailored its CAPEX allocation programme in a way that it contributes as much as possible to achieving the stated strategic priorities and targets. In 2018, the Group presented an investment programme that envisages annual total CAPEX spending of US$800-990 million during 2019–22. The expansion is driven by four major development projects, including constructing a flat-casting and rolling facility in Siberia, building a new long rail mill in Colorado, as well as modernising a rail and beam mill and launching a new continuous-casting machine in the Urals.

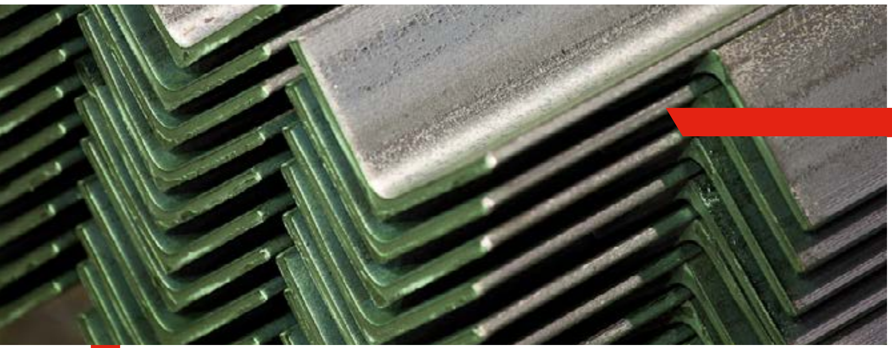
Safety remains the underpinning of EVRAZ business sustainability. In 2018, the Group maintained its lost time injury frequency rate (LTIFR) at the level of 1.9x, focusing on two major new initiatives: a contractor safety programme and an HSE performance assessment for operations managers. However, despite every effort that was undertaken, EVRAZ was unable to make substantial progress in reducing fatal accidents in 2018: there were a total of 10 fatalities across all Group assets. To achieve a radical change in its safety culture, in 2019, EVRAZ is launching an initiative to engage workers at every level.

In 2018, the Group also devoted special attention to environmental protection, an important aspect of sustainable long-term development. During the reporting period, EVRAZ ZSMK completed the reconstruction of the gas purifying facilities at its sinter plants that, together with other initiatives, has achieved annual reductions in plant emissions of 16 thousand tonnes and in wastewater discharge of 6 million cubic metres. EVRAZ current environmental protection programme includes 23 projects, five of which will be included in the federal presidential ecological programme for 2019–24, driving a reduction in total annual emissions of another 52 thousand tonnes by 2024.

In terms of human capital management, the Group believes that motivated, competent and loyal employees create the foundation for the business. In 2018, EVRAZ implemented several initiatives aimed at developing managerial capabilities and enhancing personnel engagement levels. One key initiative was the newly launched "Top-300 programme", which has been designed as a transformative set of personal training sessions and workshops for shop superintendents and mine directors. The Group also conducted a series of information days at each production site to increase employee awareness of EVRAZ strategy and initiatives and conducted the "We are together" poll to collect feedback in an effort to further improve working conditions. Overall, employee engagement at the Group improved by 1 percentage point to 53% in 2018, while the average engagement figure for the Russian metals and mining industry decreased by 5 percentage points.

To ensure stable development, EVRAZ aims to secure leadership in key markets, namely in long and construction steel products. To achieve these targets, the Group needs to constantly adapt to evolving customer needs. In 2018, EVRAZ launched a project with a key client, Russian Railways, that included developing new types of rails and extra services. The Group continued to execute its programme to promote the application of beams in construction and increase the available stock of beams. EVRAZ also conducted a set of workshops and meetings with clients at which the Group's senior management team sought to better understand customers' changing needs and most pressing issues in order to create additional value for them.

In 2018, the Group continued to implement EVRAZ Business System (EBS) transformation projects, the overriding goal of which is to engage every employee in the process of continuous improvement and idea generation. These ideas are the major source of new efficiency improvement initiatives and EBS transformations are the projects that create the necessary infrastructure for this process to continue. In 2018, the Group successfully completed 24 EBS transformation projects across its steel and coal assets, and employees generated a total of 17,732 ideas, 5,985 of which were implemented. In overall, EBS has already involved a total of 15,234 people, and its total identified and potential economic effect equalled US$268 million. EVRAZ aims to reach 100% EBS coverage at all Russian assets by 2021.



STEEL SEGMENT

The Steel segment remains the core of the EVRAZ business with a unique mix of transportation and construction finished steel products.

In 2018, total output of steel products declined by 5% down to 10.2 million tonnes. Sales of finished steel products in Russia rose to 4.6 million tonnes, up 5% from 4.4 million tonnes in 2017. The segment's EBITDA surged to US$2,672 million, including a significant effect from the vanadium business. Efficiency improvement initiatives had a total effect of US$198 million, most of which came from the launch of investment projects, increased domestic sales and savings on steelmaking operations.

One of the most significant events for the Steel segment was the successful launch of blast furnace No. 7 at EVRAZ NTMK. It took only 18 months to complete construction of the project, which had a total CAPEX of US$204 million. The furnace has an annual pig iron output of 2.6 million tonnes and is considered to be one of the cleanest in Russia, with an increase in air purification of 2.5 times and a reduction in coke consumption of 5 kilogrammes per tonne compared with other operating furnaces.

EVRAZ also launched several successful projects during the reporting period, including: a grinding ball mill at EVRAZ NTMK with CAPEX of US$17 million, which increased the production of balls to more than 300 thousand tonnes; and the launch of a wheels resurfacing line at EVRAZ NTMK with CAPEX of US$14 million, which processes premium S-wheels and has a production capacity of 66 thousand wheels.

Looking ahead, one of the Steel segment's key targets is to reach 6.9 million tonnes of finished steel sales to the Russian market by 2023. To achieve this target, EVRAZ is considering several investment projects to enhance the product mix. EVRAZ ZSMK is considering the construction of an integrated flat casting and rolling facility that will help to enter the flat products market with 2.5 million tonnes of coil a year, including 1.5 million tonnes sold domestically by 2023. The technology entails continuous casting and rolling from steel to coil, eliminating the slab stage, which will significantly lower production costs. Thickness of produced coils will range from 1.2 millimetres to 25 millimetres. Total CAPEX for the project is estimated at US$490 million.

EVRAZ NTMK is considering a product mix improvement programme that includes investment projects to update the rail and beam mill for US$215 million and install a new continuous casting machine No. 5 for US$120 million. Both projects will add capacity to produce more value-added products, including 230 thousand tonnes a year of beams, 50 thousand tonnes a year of sheet piles and 460 thousand tonnes a year of pipe blanks for seamless oil country tubular good (OCTG) production.

In 2019, for these three projects, the Group plans to finalise selection of the general suppliers of equipment, develop project documentation and conduct engineering works. It also plans to complete major construction works for the overhaul of blast furnace No. 6 at EVRAZ NTMK, after which blast furnace No. 5 will shut down in 2020.

COAL SEGMENT

EVRAZ Coal segment is the leading Russian producer of coking coal.

In 2018, the Group increased coal mining volumes by 0.9 million tonnes to a total of 24.2 million tonnes a year. Coal concentrate production grew by 8% to 14.1 million tonnes. The Coal segment's EBITDA equalled US$1,218 million for the period, remaining flat compared to 2017. In 2018, the Group also generated US$70 million from efficiency improvement initiatives.

The increase in mining volumes was driven by ramp up of the Raspadskaya-Koksovaya open-pit project, which added more than 1 million tonnes a year of premium low-vol coal (OS grade). It, combined with focus on internal coal shipments and the disposal of EVRAZ DMZ, led to the improvement of self-sufficiency in coal by 19 percentage points to 69%. In addition to the mining ramp-up, EVRAZ boosted its coal export shipments to 7.7 million tonnes (up 17% year-on-year) through such actions as expansion of its sales geography (up 2.4x times to Europe), increase in the share of long-term agreements with railcar operators to 75% and improvements to the efficiency of operational management for shipments to Russia's Far East.

Looking forward, the key goal of EVRAZ Coal segment is to continue growing coal mining volumes to 28.4 million tonnes a year by 2021. To reach this target, the Group plans to further expand mining of high-vol coal coking coal grades by 4.1 million tonnes. Major effect of 2.5 million tonnes will come from such projects as the development of seam No. 48 at the Uskovskaya mine and seam No. 29 at the Esaulskaya mine. EVRAZ also continues to increase the supply of low-vol coal grades through the implementation of its longwall mining project at the Raspadskaya-Koksovaya mine. The project will add 0.9 million tonnes of low-vol coals (K grade) shipped internally, helping to improve coal the Steel segment's self-sufficiency.

STEEL, NORTH AMERICA SEGMENT

EVRAZ operations in the US and Canada make it a leader in the North American rail and large-diameter pipe market.

Total sales of steel products reached 2.2 million tonnes, up 14% from 1.9 million tonnes in 2017. The segment's EBITDA was US$14 million, down from US$58 million in 2017, mainly due to the effect of tariffs and duties on Canadian large-diameter and line pipe sales into the US, as well to production issues at EVRAZ Regina. The operational performance at EVRAZ Pueblo and EVRAZ Portland was strong and the segment's efficiency improvement programme contributed a total of US$72 million.

In 2018, the major focus was set to achieve the target effect from the two investment projects implemented in 2016-17: EVRAZ Regina's steelmaking upgrade and the construction of the new large-diameter pipe mill No. 5. The targets for monthly slab production, degassing rate and prime yield for large-diameter pipe were achieved in the fourth quarter of 2018 and full capacity should be reached in 2019, supported by solid demand for energy pipe in Canada.

In addition, most of the construction work has been finished for two investment projects focused on electric resistance welded (ERW) and seamless OCTG operations. The first project, a threading line with annual capacity of 110 thousand tonnes at EVRAZ Pueblo, will contribute savings of US$10 million on third-party services when it reaches full capacity. The second, a heat treatment project with annual capacity of 100 thousand tonnes at EVRAZ Red Deer, will be launched in 2019 to upgrade the OCTG product mix and streamline the product flows between Canadian operations.

In 2018, the Group initiated the design and engineering work on a new rail mill at EVRAZ Pueblo that is planned to be launched in 2021. The project entails building a brand-new rolling mill with annual capacity of 600 thousand tonnes and will be able to produce rails with a length of 100 metres. Total investments required are estimated at US$480 million. The project will allow EVRAZ North American operations to maintain technological leadership, reach a 45% market share in North American rails and shift to a higher value product mix in rails.

For 2019, the Group plans to finalise the selection of general suppliers of main equipment, complete equipment and plant engineering and prepare the construction site.

OUTLOOK FOR 2019

EVRAZ believes that its strong pipeline of existing investment projects, the continued evolution of its efficiency improvement initiatives and its low net leverage levels will help the Group to resist possible market downturns that could potentially squeeze margins, thereby ensuring the business' stable development.

Alexander Frolov
Chief Executive Officer

FREQUENTLY ASKED QUESTIONS

How would you summarise the development of EVRAZ vanadium business in 2018, as well as its fit into the Group's overall strategy and further growth?

The vanadium business' development was strongly affected by product prices, which surged from US$16 per kg FeV at the start of 2016 to peak at around US$120 per kg FeV in Q3 2018 amid a gradually increasing market deficit. On the one hand, the deficit has been driven by supply limitations, including the closure of EVRAZ Highveld in 2015 and the imposition of environmental restrictions in China, which together have reduced global vanadium production by 4 kmtV. While new capacity launches are expected to add roughly 25 kmtV to global supply, this will not happen until 2022, when major Australian projects will be finalised. On the other hand, demand for vanadium products could grow by some 5 kmtV (5-6% of global demand) due to China's new high-strength rebar standard, which was approved last year and raised the use of vanadium by 0.03 kgV per tonne for 200 million tonnes of rebar production. While vanadium prices settled at around US$70 per kg FeV by the end of 2018, this price level is still significantly higher than the historical average and prices are expected to remain somewhat elevated in the near future.

The positive market dynamics in 2018 led to a strong financial performance by the vanadium business in the reporting period. The Group believes that its vanadium assets will also be able to generate strong results on a longer-term horizon due to the structural competitive advantages of the business. The vanadium-rich iron ore mined at EVRAZ KGOK and the proprietary steelmaking technology used at EVRAZ NTMK combine for one of lowest vanadium production costs in the world.

In future, the Group plans to achieve a higher level of vertical integration in the vanadium business and increase vanadium recovery throughout the production chain, from iron ore processing to ferrovanadium production.

What were the main reasons for Russian economy growth issues in 2018 and for underperformance of steel demand, in particular?

In 2018, several factors negatively affected steel consumption in Russia. First, investment inflows into the Russian economy were lower than expected. Second, over the summer, when the football World Cup took place, construction work in major Russian cities was suspended.

However, despite the overall market stagnation, EVRAZ domestic steel product sales climbed by 3% to 4.2 million tonnes in 2018, driven by growing demand for several key products in the Group's portfolio. For example, railcar wheel consumption in Russia climbed by 29% due to the ongoing major replacement cycle, boosting EVRAZ sales by roughly 40 thousand tonnes. Another example is the beams market, where despite the decline in demand for this product in Russia, the Group's sales increased by around 40 thousand tonnes, driven by EVRAZ efforts to further improve availability, logistics and shipment terms.

What is the rationale behind the Group's new investments in Russian steel assets?

The key rationale behind EVRAZ new investment programme is the Group's aim to ensure profitability and achieve more stable long-term development of its major assets. One way to reach this goal is to increase sales on the domestic market, where demand is more robust, being protected from negative global economic trends (such as trade protectionism and tariffs). This will also provide significant savings on logistics. Another way to do this is to increase the share of high value-added products in EVRAZ portfolio, as they are expected to have higher and more stable margins in the long term.

The flat rolling and casting facility at EVRAZ ZSMK with the capacity of 2.5 million tonnes per annum will substitute slabs and billets that are currently exported. The spread for hot-rolled coil produced at this facility is expected to be around US$90 per tonne and should be less volatile in the long term. Similar changes will take place at EVRAZ NTMK, where the new rail and beam mill will help to replace semi-finished steel products for 230 thousand tonnes of beams and 50 thousand tonnes of sheet piles.

As a result, plants in Russia will be able to achieve a stronger and more stable financial performance.

What was the impact of the additional import tariffs, quotas and duties imposed by the United States and Canada on EVRAZ North America operations in 2018 and what effect is expected from them in 2019?

In 2018, EVRAZ North America operations faced tightening U.S. trade policy and increased trade barriers. Trade measures included tariffs on steel products imported into the United States (Section 232 tariffs), U.S. preliminary antidumping duties on imports of large diameter welded pipe from Canada, and retaliatory tariffs imposed by the government of Canada on steel imported from the United States.

While EVRAZ North America has worked to minimise tariff exposure, these policies have posed challenges and created increased costs in the segment's cross-border markets in the United States and Canada.

Tariffs on imported slab had a negative impact on EVRAZ Portland's flat steel operations. For tubular operations in Canada, trade actions presented challenges for cross border business with the United States. Although oil country tubular goods are primarily sold in Canada, large-diameter and small-diameter line pipe primarily produced in Canada had significant volumes sold into the United States. Likewise exports from Portland to Canada were reduced significantly due to retaliatory tariffs imposed by Canada. The Group has a more positive outlook for 2019 as its large diameter pipe order book for the year has more sales into the Canadian market.

What are the risks if the US impose sanctions on EVRAZ or its key shareholders?

EVRAZ considers the probability of sanctions on its business and shareholders to be quite low. However, the Group has undertaken several precautionary measures in terms of cash management, shareholder ownership structure and contract negotiations that should help to minimise the potential impact on EVRAZ business in case any sanctions are imposed.

What dividend payouts can EVRAZ shareholders expect in the future?

In 2018, the Group established a new dividend policy envisaging a minimum payout of US$300 million per annum. The total amount of dividends paid in 2018 reached US$1.6 billion, which is around five times higher than the minimum. In 2018, net debt was close to the desired level and the financial performance was strong, which led to a significant surge in the dividend payout.

Future dividend payouts will depend primarily on three parameters: debt, CAPEX targets and EBITDA level. In the medium term, EVRAZ will most likely use the majority of the cash generated in excess of the needs for the established CAPEX programme to pay dividends. However, the payout might be lower if the markets experience a significant price correction that substantially weakens the Group's EBITDA. In that case, EVRAZ will prioritise cash management efforts and will seek to keep its net debt/EBITDA ratio below 2.0. In a stress-case scenario, the Group might even consider a reduction in capital expenditures.

As ESG related matters is becoming increasingly important, does EVRAZ have any plans to enhance its disclosure of these aspects?

The Board and the Management acknowledge the increasing importance of ESG related matters and put a lot of efforts to enhance the EVRAZ work stream in these aspects. EVRAZ is constantly improving the corporate social responsibility section of its Annual report, which provides an overview of the Group's policies and performance in key areas, including human rights, health and safety, the environment, human capital management and community engagement, as well as an outline of how EVRAZ intends to further improve its performance in the years ahead. See pages 72–97 for details.

Moreover, EVRAZ intends to prepare and publish its first Sustainability Report in the first half of 2019 in order to increase the disclosure transparency.

> **At EVRAZ, we take immense pride in our leading positions in construction steel and coking coal in Russia. Globally, we are first in rails and second in vanadium.**

EVRAZ business model

OUR VISION

EVRAZ is a global steel and mining company, the leading producer of infrastructure steel products with low-cost production along the value chain.

GLOBAL MARKET TRENDS

In 2018, global steel and raw materials markets enjoyed favourable momentum. Rising prices were mainly driven by heightened demand for steel products, ongoing supply-side reforms and changes to China's environmental regulations. In 2019, we believe that the market could cool off somewhat, however fundamentals mainly remain strong.

For more information, see pages 26–27.

Success factors

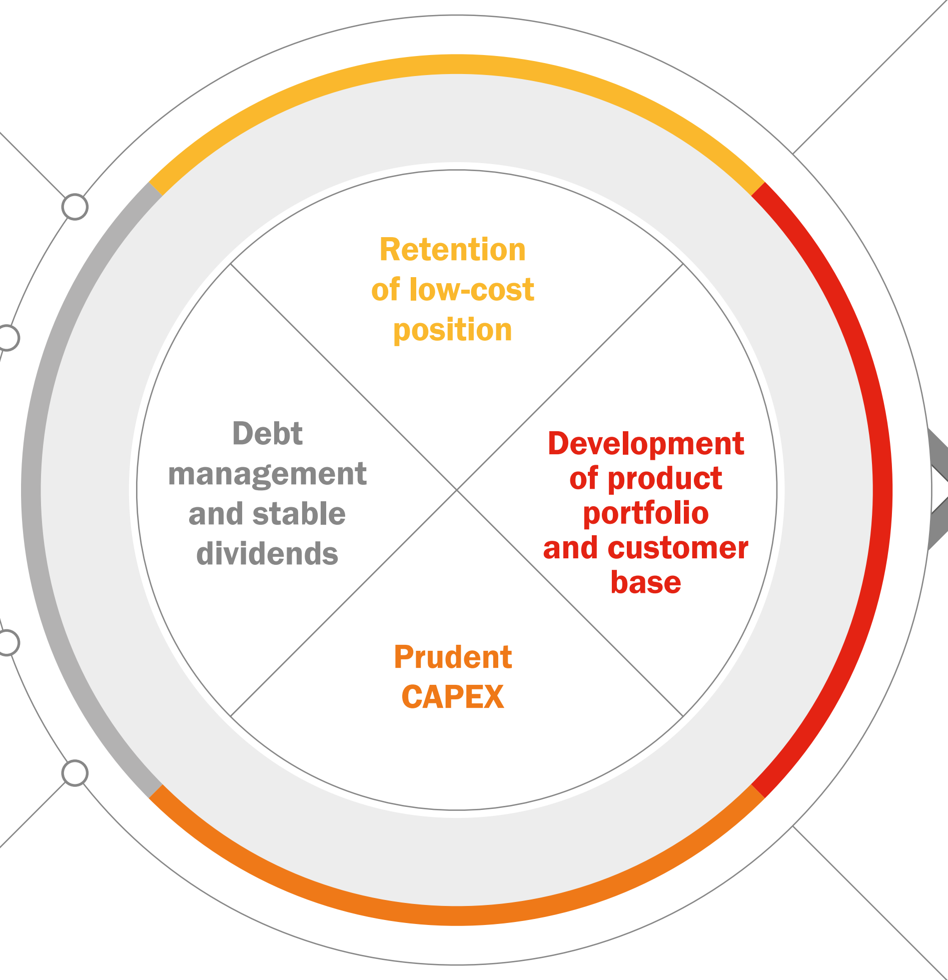
As part of its leadership drive, EVRAZ is implementing its strategy based on five success facrtors:

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

Strategic priorities

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

For more information, see pages 28–29.



Business segments

Steel

EVRAZ Steel segment uses locally sourced raw materials to produce steel products in the CIS, which it sells for domestic infrastructure and construction projects while taking a flexible approach to exports. The Group's vanadium business is based on processing vanadium slag from steelmaking operations.

For more information, see pages 44–53.

Coal

EVRAZ Coal segment provides raw materials for the Group's steel mills, supplies coking coal to major domestic coke and steel producers, and exports its products to foreign customers.

For more information, see pages 54–61.

Steel, NA

The Steel, North America segment focuses on the premium markets in the Western US and Canada, offering high value-added products including infrastructure steel, rails, large-diameter pipes and oil country tubular goods.

For more information, see pages 62–69.

Competitive advantages

EVRAZ uses the synergies derived from its competitive advantages to ensure that its overall operations are able to generate, sustain and capture value over the long-term.

LEADER
in infrastructure steel products

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

STRONG POSITION
in coking coal market

The largest coking coal producer in Russia with an attractive portfolio of hard and semi-hard coking coal grades.

VERTICALLY INTEGRATED
low-cost operations

A sound base of steel and coal assets in the first quartile of the global cost curve.

The value we create

Shareholders
EVRAZ strives to act in shareholders' best interest by building an experienced management team and implementing corporate governance best practices.

Employees
EVRAZ is among the most sought-after employers in its regions of operation partly due to its staff development programmes and best-in-class working conditions.

Customers
EVRAZ generates value for its global clientele by prioritising value-added products, offering better shipping terms and running a client-oriented business model.

Suppliers and business partners
EVRAZ honours its position as a vital purchaser of auxiliary materials by fostering the advancement of its customers' industries and running fair, transparent tenders.

Local communities
EVRAZ believes that conducting its business in a sustainable manner helps to promote regional prosperity where it operates and strives to create healthier, happier local communities by sponsoring social and economic development programmes.

Government
EVRAZ is one of Russia's largest taxpayers and employers, and plays a valuable role for the state by providing construction and railway products for the development of infrastructure.

Operational model

See pages 44–53

STEEL SEGMENT

See pages 54–61

COAL SEGMENT

See pages 62–69

STEEL, NORTH AMERICA SEGMENT

INPUT

Proved and probable reserves

10.0 bln t of iron ore

1.9 bln t of coking coal

Self-coverage[1]

79% in iron ore

239% in coking coal

[1] The raw material requirement of EVRAZ steelmaking facilities compared with coal product sales or production of iron ore products from own raw materials.

Number of employees (as of 31.12.2018)

46,373 in Steel segment

15,540 in Coal segment

3,918 in Steel, NA segment

OPERATIONS

Steel segment

Raw materials

Iron ore products consumption	16,048 kt
Internal consumption	*12,057 kt*
3rd parties' iron ore products purchases	*3,991 kt*
3rd parties scrap purchases	1,816 kt
Coking coal products consumption	8,820 kt
Coal segment coal products	*6,016 kt*
3rd parties raw coal	*1,254 kt*
3rd parties concentrate	*1,550 kt*

Steelmaking

Pig iron production	9,993 kt
Crude steel production	11,121 kt
Vanadium slag production	17,052 mtV

Rolling and processing

Steel products production	10,853 kt

Coal segment

Mining

Sales to Steel segment	*1,863 kt*
Total raw coking coal mined	24,188 kt

Coal washing

Sales to Steel segment	*4,153 kt*
Total coking coal concentrate production	14,130 kt

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

Steel, North America segment

Raw materials

3rd parties scrap puchases	656 kt
Slab purchases[1]	700 kt

[1] Including 543 kt from Steel segment and 157 kt from 3rd parties.

Steelmaking

Crude steel production	1,898 kt

Rolling and processing

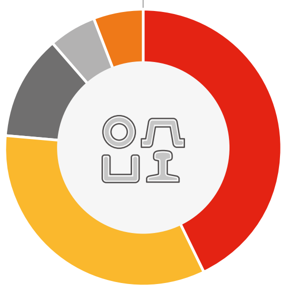
Steel products production	2,141 kt

SALES TO 3rd PARTIES

Steel products 10,980 kt

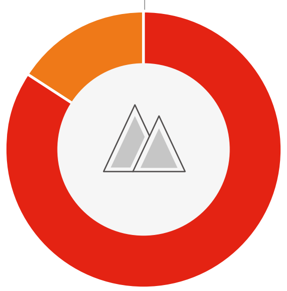
Iron ore products 3,112 kt

Vanadium products (alloys and chemicals) 12,352 mtV



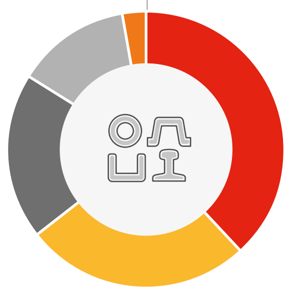
Semi-finished products	4,703
Construction products	3,697
Railway products	1,344
Flat-rolled products	617
Other steel products	619

Coking coal products 11,048 kt



Coking coal concentrate	9,323
Raw coal	1,725

Steel products 2,156 kt



Tubular products	823
Flat-rolled products	568
Railway products	421
Construction products	287
Semi-finished products	57

EBITDA

US$2,672 million ▲ 80.2% year-on-year

The Steel segment's EBITDA rose due to an increase in steel and vanadium prices; lower expenses in US dollar terms due to the effect that rouble weakening had on costs; and the impact of cost-cutting initiatives implemented in the period. This was partly offset by an increase in prices for raw materials, including scrap, electrodes and ferroalloys.

US$1,218 million ▼ 0.7% year-on-year

The Coal segment's EBITDA declined slightly year-on-year mainly due to higher cost per tonne amid more complex geological conditions, rise in auxiliary materials prices and higher involvement of contractors. This was partly offset by sales prices rising in line with global benchmarks; the impact of cost-cutting initiatives; and lower expenses in US dollar terms as a result of the effect that rouble weakening had on costs.

US$ 14 million ▼ 75.9% year-on-year

The increase in volume and metal spreads of **the Steel, North America segment's** was more than offset by the effect of tariffs and duties on Canadian large-diameter and line pipe sales into the US, as well as due to operational challenges at EVRAZ Regina facility that resulted in lower EBITDA.

Success factors and KPIs

HEALTH, SAFETY AND ENVIRONMENT

Strategic goal

EVRAZ top priority is the health and safety of its employees. The Group continues to make progress towards the goals of achieving and preserving the lost-time injury frequency rate (LTIFR) below 1.0x by 2021. EVRAZ also strives to protect the environment in the areas of its operations.

Overview

Following the positive experience of 2017, EVRAZ continued to expand the practice of behaviour safety conversations and develop standard safe operating procedures in 2018. The Group also made efforts to integrate contractors into its HSE management system by implementing the contractor safety programme, which aims to increase contractors' accountability for HSE performance.

EVRAZ also launched three environmental projects in 2018, including 21 sub-programmes designed to improve environmental performance.

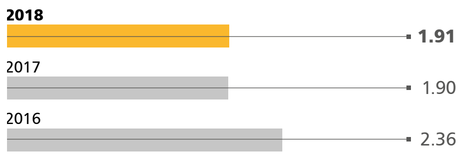
Outlook

To achieve a step up change in its safety culture, in 2019, EVRAZ is launching an initiative to engage shop workers on operational safety.

One of the Group's highest priorities is implementing a risk management system, focusing on seven major risks. After being ranked by risk level, the types of accidents that cause the most harmful injuries and fatalities will be addressed first to reduce the possible danger.

KPI

LTIFR (excluding fatalities),
per 1 million hours



Unfortunately, despite every effort that was undertaken, EVRAZ experienced 10 fatalities in 2018 (including six employees and four contractors). LTIFR remained flat at 1.9x in 2018.

HUMAN CAPITAL

Strategic goal

Based on the belief that motivated, competent and loyal employees create the foundation for the business, EVRAZ strives to enhance employee engagement levels.

Overview

In 2018, EVRAZ performed three major employee development programmes: the "Top-300 programme", information days and the "We are together" campaign. Overall, employee engagement continued to grow at the Group, climbing by 1 percentage point to 53% in 2018, while the average engagement figure for the industry decreased by 5 percentage points.

The newly launched "Top-300 programme" has been designed as a transformative personal journey for production leaders, such as shop superintendents and mine directors. The programme consists of five modules, two of which were finalised in 2018. The programme's inaugural first wave involved 104 employees taking part in various workshops, follow-up activities, group projects and sessions with mentors from EVRAZ top-management team beginning in October 2018. At the end of the programme, in the middle of 2019, feedback sessions are planned to better understand the results and their successful implementation into practice.

Information days are held twice a year at every asset of EVRAZ to communicate the strategy, performance results and ongoing changes in the company to the employees.

The "We are together" campaign aims to measure employee engagement and to evaluate the most vital issues that require additional focus. As part of the campaign, once a year, employees respond to an anonymous questionnaire covering working conditions, safety levels, career development possibilities and other topics. The questionnaire covers 74% of the employees.

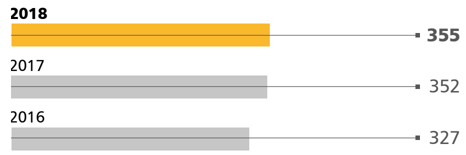
Outlook

In 2019, EVRAZ will continue to implement all ongoing programmes. The first wave of the "Top-300 programme" that started in 2018 will be complete (three of five modules in 2019) and new employees will be engaged in the second wave.

In addition, the Group will implement a new motivation system for shop superintendents and project managers. In 2019, EVRAZ expects headcount to increase, primarily due to the ramp-up of coal mining volumes and the implementation of new investment projects.

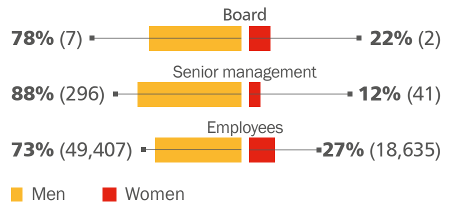
KPI

Labour productivity, steel,
tonnes per person



The labour productivity of EVRAZ Steel segment grew by 1% year-on-year to 355 tonnes per employee. As a result of the labour productivity improvement and the disposal of EVRAZ DMZ, the headcount has decreased from 70,184 employees in 2017 to 68,379 in 2018.

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

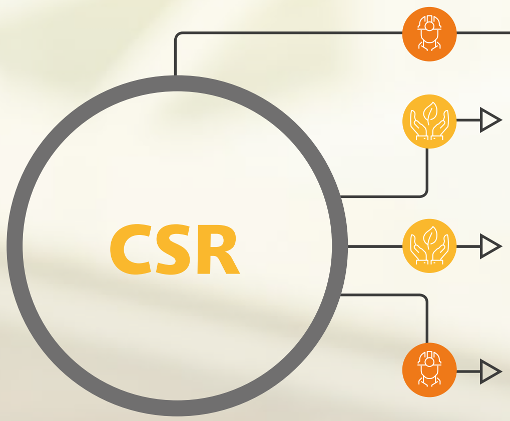


CSR review

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

The CSR section of the annual report on pages 72-97 provides an overview of the Group's policies and performance in 2018 in key areas of CSR.

For additional information see EVRAZ first Sustainability Report for 2018, which is to be published in May 2019.



Health and safety
See pages 72–76.

Environmental matters
See pages 77–78.

Our people
See pages 84–95.

Social and community matters

EVRAZ strives to adhere to international corporate social responsibility principles by making a meaningful contribution to local economies and supporting communities wherever it operates. Everywhere the Group operates, it seeks to build sustainable, positive partnerships with local governments and non-government organisations, as well as with business, media and other partners.
See pages 90–95.

Human rights

The Group's commitments are based on internationally recognised standards and respect for all human rights, including civil, political, economic, social and cultural rights. EVRAZ seeks to develop and maintain a work environment that is free from discrimination. Child labour, bonded labour, human trafficking and other forms of slavery (known as modern slavery) are strictly prohibited at all Group subsidiaries and by their suppliers.
See pages 72–73.

Anti-corruption and anti-bribery

EVRAZ is fully committed to strict compliance with the Law of the Russian Federation No. 273 "On Preventing Corruption," the UK Bribery Act, the US Foreign Corrupt Practices Act and other relevant local legal equivalents. EVRAZ has implemented and further developed policies and procedures that define compliance managers' day-to-day efforts.
See pages 96–97.

Success factors and KPIs

CUSTOMER FOCUS

STEEL

Strategic goals
- Increase domestic market sales of finished steel products
- Secure a 70% domestic market share in rails
- Develop market leadership in steel products in Siberia
- Increase the share of semi-finished products with high-premiums

Overview 2018
- Developed the pipeline of investment projects to enhance finished steel products sales, including modernising the rail and beam mill at EVRAZ NTMK, constructing the new continuous casting machine No. 5 at EVRAZ NTMK, and constructing the new integrated flat casting and rolling complex at EVRAZ ZSMK
- Launched the new ball mill at EVRAZ NTMK with a capacity of 145 thousand tonnes
- Efforts to direct sales towards large infrastructure projects, improve lead times and expand the product mix drove beam sales up 7%, from 572 thousand tonnes in 2017 to 612 thousand tonnes in 2018
- Sales of rebar grew by 8%, from 1,629 thousand tonnes in 2017 to 1,766 thousand tonnes in 2018
- The debottlenecking initiatives at the wheel rolling mill led to 15% growth in wheels sales, from 173 thousand tonnes in 2017 to 199 thousand tonnes in 2018
- Launched a project with a key client, Russian Railways, including developing new types of rails (DT350U) and additional services, driving sales volumes to Russian Railways up 8%, from 719 thousand tonnes in 2017 to 774 thousand tonnes in 2018
- Achieved US$12 million of savings on logistics for Russian steel plants, mainly due to increased carloads, better railcar usage terms, and more efficient dispatching and port haulage

The total effect of customer focus initiatives on EBITDA is US$63 million

Outlook 2019
- Continue working on logistics efficiency by further increasing railcar loading and improving terms of shipments
- Continue the programme to promote the use of beams in infrastructure and construction
- Optimise the rounds mix and enhance the sales volumes of balls at EVRAZ NTMK
- Adjust the vanadium price formula closer to global benchmarks

COAL

Strategic goals
- Reach 100% self-sufficiency in all coal grades at EVRAZ steel plants

Overview 2018
- Total internal coal use at EVRAZ steel plants reached 69%, compared with 50% in 2017, and EVRAZ self-sufficiency in OS grade coal rose to 37%, compared with 5% in 2017, mainly due to the ramp-up of volumes at the Raspadskaya-Koksovaya open-pit mine to 1.7 million tonnes from 0.7 million tonnes in 2017
- Expanded export sales volumes by 16% year-on-year to 7.7 million tonnes due to geographical diversification (mainly to Indonesia, Korea, Slovakia and Hungary) and increased shipments to the Baltic Sea
- Increased the load of railcars closer to the maximum capacity of 70 tonnes per car (69.1 tonnes per car in 2018, compared with 68.5 tonnes per car in 2017)

Outlook 2019
- Further expand overseas shipments, mainly to Indonesia, Vietnam and Japan
- Continue maintaining product quality, especially during the winter season
- Maintain focus on the efficiency of logistics in the Far East direction

STEEL, NORTH AMERICA

Strategic goals
- Increase sales volumes to maintain energy pipe leadership in large-diameter pipe, line-pipe and OCTG
- Reach a market share of 45% in rails in North America

Overview 2018
- Increased the market share in large-diameter pipes in North America to 22%, up by 5 percentage points from 17% in 2017
- Increased the market share in rails in North America to 40%, up by 5 percentage points from 35% in 2017
- Achieved 111 thousand tonnes in seamless pipe sales, up 46% year-on-year

The total effect of customer focus initiatives on EBITDA is US$3.9 million

Outlook 2019
- Commercialise new products, increase heat-treated plate sales and increase shipments to energy transmission and water pipe sectors at EVRAZ Portland
- Launch production of EVRlock connections at the EVRAZ Pueblo threading line after finalising the investment project
- Expand tire cord grade wire shipments made with EVRAZ Pueblo steel
- Increase large-diameter pipe sales from the EVRAZ Regina and Portland facilities

KPI
For KPIs and detailed tracking, see pages 28–29.

ASSET DEVELOPMENT

STEEL

Strategic goals
- Generate annual improvement initiatives in the amount of 3% of the cost base at every business unit

Overview 2018
- Launched the new blast furnace No. 7 at EVRAZ NTMK with a capacity of 2,550 thousand tonnes a year: in 2018, the furnace produced 1,908 thousand tonnes of pig iron
- Achieved US$23 million of savings at EVRAZ ZSMK's steelmaking operations, mainly by optimising the consumption of ferroalloys, standardising the scrap blend and improving lime quality
- Enhanced the vanadium recovery at EVRAZ NTMK's steelmaking operations by 8.6% year-on-year by increasing the number of melts using the duplex process, optimising melt timing and increasing the number of melting sessions using bottom blowing
- Achieved an effect of US$19 million from energy efficiency programmes at Russian steel plants, including from the launch of boiler unit No. 9 at EVRAZ ZSMK that recovers secondary gases

The combined effect from these initiatives equals US$134 million

Outlook 2019
- Complete the major construction works for the blast furnace No. 6 overhaul at EVRAZ NTMK
- Improve the performance of blast furnace No. 7 to achieve full capacity in 2019 and bring the mill's total pig iron production to 4.9 million tonnes
- Continue the efficiency efforts at EVRAZ NTMK to enhance the production of vanadium slag by further increasing the of melts and vanadium recovery
- Achieve further increases in the productivity of the coke, sinter and blast furnace operations at EVRAZ NTMK and EVRAZ ZSMK

COAL

Strategic goals
- Reach a saleable annual product volume of 22 million tonnes
- Generate annual cost-reduction initiatives in the amount of 3% of the cost base and remain in the first quartile of the global cost curve

Overview 2018
- Increased overall mining volumes to 24.2 million tonnes, up by 4% from 23.3 million tonnes in 2017, primarily due to growth of 1 million tonnes at the Raspadskaya-Koksovaya open-pit mine
- Reduced the ash content at the Raspadsky open-pit mine by 6%, which helped to increase the washed concentrate production yield to 76%, up by 7 percentage points from 69% in 2017

The combined effect from the initiatives equals US$70 million

Outlook 2019
- Implement longwall mining instead of room and pillar mining at Raspadskaya-Koksovaya, increasing K grade extraction from the current 0.5 million tonnes to 1.4 million tonnes
- Increase the mine drifting speed and the total boring volume by more than 15%
- Launch the flotation process at the Abashevskaya washing plant to increase concentrate yield by around 2%
- Increase productivity at the Raspadskaya, Abashevskaya and Kuznetskaya washing plants by improving the technological process and modernising equipment

STEEL, NORTH AMERICA

Strategic goals
- Increase steelmaking capacity at EVRAZ Regina and EVRAZ Pueblo
- Achieve full capacity utilisation at EVRAZ Portland with higher-value products

Overview 2018
- Reached the targeted parameters of the EVRAZ Regina steelmaking upgrade and LDP mill no. 5 investment projects by the end of 2018: monthly slab production was 87.8 thousand tonnes in Q4 2018, compared with 77.9 thousand tonnes in Q1 2018; the degassing rate was 89% in Q4 2018, compared with 36% in Q1 2018; and the prime yield for large-diameter pipe was 90% in Q4, compared with 75% in Q1 2018
- Launched EVRAZ Pueblo's threading line and completed major construction works for the heat treatment line at EVRAZ Red Deer
- Increased productivity and yield savings at EVRAZ Portland with a total rolling volume of 605 thousand tonnes, up 15% from 526 thousand tonnes in 2017
- Initiated the design and engineering work on a new rail mill at EVRAZ Pueblo with planned capacity of 600 thousand tonnes per annum to produce 100-metre rails.

The combined effect from these initiatives equals US$68 million

Outlook 2019
- Continue achieving alloy savings and further melt shop volume growth at EVRAZ Regina
- Ramp up the threading line and billet production at EVRAZ Pueblo
- Launch the heat treatment line at EVRAZ Red Deer
- Decrease the electrode consumption levels at EVRAZ Regina

KPI
For KPIs and detailed tracking, see pages 28–29.

Digital transformation

EVRAZ digital transformation strategically addresses the customer focus and asset development success factors.

OUR VISION

EVRAZ digital transformation vision is to constantly monitor best practices and success stories, and to plan implementations in the Group when technology matures to an adequate level and can drive productivity gains, cost reductions and safety improvements.

RESULTS IN 2018

24 projects implemented

16 projects being implemented

29 projects being considered

Main digital transformation initiatives

- **Predictive maintenance**, **Expert systems**:
  - Machine learning and artificial intelligence systems
  - Traditional cyber-physical systems
- **Electronic document exchange**:
  - Internal electronic document exchange
  - Electronic document exchange with customers and suppliers
  - Digital signatures
- **Other digital technologies**:
  - Industrial analytics and big data
  - Unmanned and remotely-controlled vehicles
  - Mobility
  - Integrated e-commerce

PLANS AND PRIORITIES FOR 2019

- Develop a predictive maintenance system based on vibration diagnostics data in the wheel-banding shop
  EVRAZ NTMK
- Develop a recommendation system based on machine learning for the steel smelting shop's continuous casting machine
  EVRAZ ZSMK
- Develop a recommendation system based on machine learning
  Raspadskaya washing plant (Raspadskaya Coal Company)
- Develop an expert system based on machine learning in the convertor shop
  EVRAZ NTMK
- Develop mathematical models for determining non-metallic inclusions while manufacturing rail products
  EVRAZ ZSMK
- Develop a programme of projects for the transition to electronic document exchange within companies (up to 100,000 documents a month)
  EVRAZ NTMK, EVRAZ Metall Inprom

KEY PROJECTS IN 2018

Mining and transport equipment control system

Subject (area)	Remotely-controlled operations
Category	Mining
Company	EVRAZ KGOK
Project status as of 31.12.2018	Launched

An automated monitoring system for mining and transport equipment in the quarry has been implemented, including dump trucks, bulldozers, excavators, autoloaders and mobile canteens.

The system monitors in real time and displays information about the location and operating parameters (speed, mileage, remaining fuel, etc) of dump trucks, loaded weight and the position of mobile canteens.

Using a W-Fi network deployed in the quarry, all data are promptly transmitted to the computers of the plant's dispatchers and chief specialists. The drivers of excavators and dump trucks also see the data on smart screens in the cabs of their vehicles.

Implementation effect

“The project has improved the productivity of quarry dump trucks by 10% while reducing ore loss and stabilising ore quality.

Alexander Trofimov
Chief mining engineer at EVRAZ KGOK

System to optimise the iron smelting process at blast furnace DP-7

Subject (area)	Expert systems
Category	Steel
Company	EVRAZ NTMK
Project status as of 31.12.2018	Launched

IT solutions aimed at optimising the iron smelting technological process have been implemented. They allow to use the following functions:

- Information support (analysis of raw materials and products, history of process parameters)
- Process modelling and parameter calculation
- Expert system includes process diagnostics, forecasting and suggesting corrections

The main goals are to stabilise product quality (pig iron), reduce costs and improve productivity (by preventing negative deviations).

Implementation effect

The improved optimisation system has made it possible to reduce fuel consumption, stabilise the process and standardise the decisions taken by the technical staff during various shifts, which has increased overall productivity.

“Using the expert system's functions at the initial stage of the blast furnace's development has significantly reduced the time needed to reach the design parameters and improved the process performance metrics.

Konstantin Mironov
Head of the blast furnace shop at EVRAZ NTMK

Unmanned aerial vehicle (UAV) system for automated surveying

Subject (area)	Remotely-controlled operations
Category	Mining
Company	Razrez Raspadsky (Raspadskaya Coal Company)
Project status as of 31.12.2018	Launched

A UAV system with specialised photo processing and 3D terrain modelling software has been purchased.

The staff was trained in the operation and maintenance of the UAV system and new software.

Implementation effect

“The more efficient surveying system has reduced downtime of quarry equipment and increased the timeliness of taking production decisions.

Mikhail Burenkov
Chief geologist at Razrez Raspadsky

“The system has created significant time savings for surveying.

Valentina Tarasenko
Chief surveyor at Razrez Raspadsky

“The user-friendly system helps to take objective managerial decisions.

Igor Osadchy
Director of Razrez Raspadsky

Automated process control system for steel blowing in convertors 4 and 5 of the steel smelting shop

Subject (area):	Expert systems
Category:	Steel
Company:	EVRAZ ZSMK
Project status as of 31.12.2018	Launched

The system optimises smelting in a 350-tonne automated converter.

The blowing pattern is determined using historical smelting data. The system forms optimal control actions in the pattern using three main criteria:

- Regulation of oxygen consumption during blowing
- Regulation of tuyere position during blowing
- Formation and return of part of the loose materials during blowing

Implementation effect

The introduction of the system has contributed to the overall effect of the program which aims to improve the efficiency of steel production at EVRAZ ZSMK.

Electronic document exchange with Russian Railways using digital signatures

Subject (area):	Lean and paperless back office
Category:	Sales
Company:	EVRAZ Trading Company
Project status as of 31.12.2018	Launched

Document exchange has been made paperless with a key customer, Russian Railways, using digital signatures.

Document exchange previously required printing, hand-signing and stamping, and then couriering documents to the customer and archiving paper documents.

The project has made the process fully paperless. Employees sign invoices with digital signatures in the enterprise resource planning system. The documents are then automatically packaged with additional attributes, signed and sent online via the electronic document exchange operator to the customer. At the customer's end, documents are either signed digitally or sent back for correction.

Implementation effect

The project's implementation has achieved the quantitative effect of reducing the receivables turnover ratio by five days for a cost savings of roughly RUB50 million a year.

The following qualitative effects have also been achieved:

- Increasing productivity thanks to making documents paperless
- Eliminating the risk of document loss
- Improving the satisfaction of a key customer

Mobile apps on explosion-proof tablets to monitor underground work

Subject (area):	Mobility
Category:	Mining
Company:	Raspadskaya Coal Company
Project status as of 31.12.2018	Launched

Mobile apps have been developed to collect information about the status of equipment operating in the coal mines.

The apps are installed on explosion-proof tablets and use an underground Wi-Fi network to send the user all current information about the mine's operation, including the location of workers in the mine tunnels, data about the operation and condition of the conveyor belt, as well as the status and sensor readings from the mine gas monitoring and firefighting water supply systems.

Apps have also been developed to control downtime in underground conditions and monitor degassing, including check-lists, control measurements, patrols, behavioural safety conversations and HSE regulations. The apps are integrated with the central control room and include a reporting and monitoring system.

Implementation effect

The project has made it possible to objectively monitor mine gas levels, work status and mining equipment. Instant recording of photos and videos has improved data accuracy. The efficiency of shift transfer and reporting has also increased.

Success factors and KPIs

EVRAZ BUSINESS SYSTEM

Strategic goals

The EVRAZ Business System (EBS) combines setting targets, developing staff, providing management system support, fostering the corporate culture, and achieving process and infrastructure improvements. EBS transformations are the initial projects at every shop of the plant that create the infrastructure for the continuous improvement process.

There are two main phases in EBS transformations: active and maintenance. The active phase presumes setting goals, planning and implementing various improvement initiatives, and the maintenance phase aims to reach the target effects from initiatives and further improve the process.

Overview 2018

During 2018, 24 active phases of EBS transformations have been completed across three divisions, 16 of which were done at the Siberia division (compared with 6 in 2017), five in the Urals division and three in the Coal division, where EBS transformations were initiated during the reporting period.

EVRAZ employees generated around 17,732 ideas in 2018, 34% of which were implemented. Overall, EBS transformation has already involved 15,234 employees.

One bottom-up initiative generated by an employee in 2018 was to reduce water losses by installing an excess water conduit between the radial thickeners at the Raspadskaya coal washing plant, which has an estimated EBITDA effect of more than US$1 million.

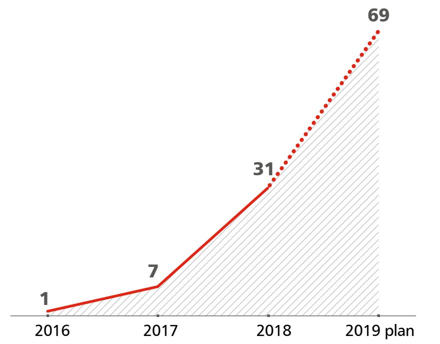
The total potential effect of the EBS initiatives in 2019-22 is forecasted at more than US$268 million

Outlook 2019

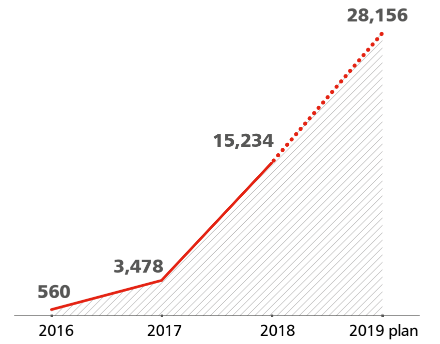
In 2019, EVRAZ will further expand EBS transformations by completing 38 active phases (20 in the Siberia division, 14 in the Urals division and four in the Coal division) involving an expected total of 28,156 employees.

EBS TRANSFORMATIONS KPIS

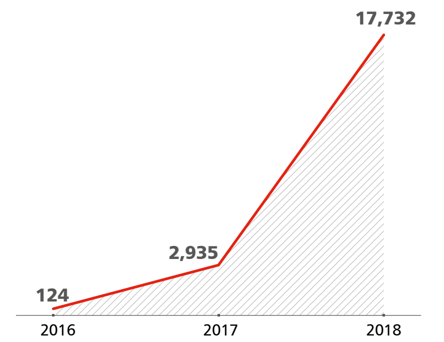
Number of areas



Number of employees involved



Number of initiatives



2018 FINANCIAL RESULTS

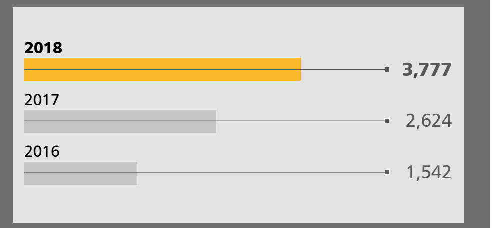
The cost-cutting and productivity improvement initiatives generated an EBITDA effect of US$273 million. Combined with customer focus efforts totalling US$67 million EBITDA. EVRAZ total EBITDA effect reached

US$ 340 million in 2018

In 2018, overall EBITDA reached US$3,777 million, up 44% year-on-year, driving the EBITDA margin up to 29.4% from 24.2% in 2017.

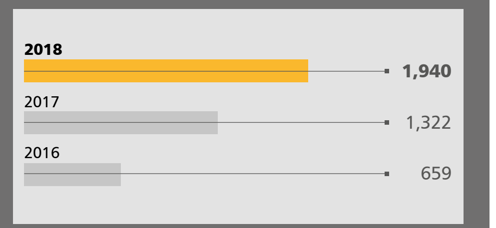
KPI

EBITDA, *US$ million*



KPI

Free cash flow, *US$ million*

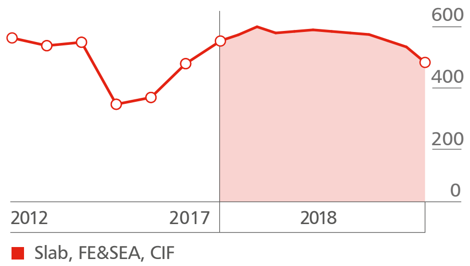


Market overview

GLOBAL PICTURE

In 2018, the steel and bulk commodities markets were buoyed by moderately stable supply and steadily growing demand for steel end products and metallurgical coal. A significant deficit on the vanadium market was a key price driver for the product.

Steel prices, *US$ per tonne*

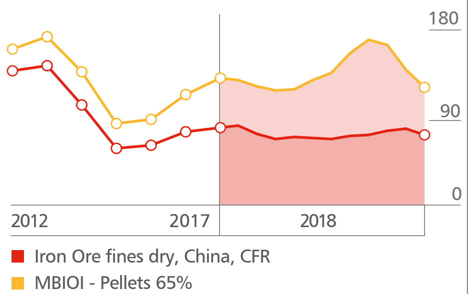


In 2018, global finished steel consumption exceeded expectations, growing 2.5% year-on-year to 1.6 billion tonnes (excluding China, the growth figure was 1.8% year-on-year). Demand for steel climbed by 6% in India, where 99 million tonnes were consumed. Growth exceeded 4% in developing Asia-Pacific region, and was a steady 1% in the rest of the world. Steel use in China's economy reached 784 million tonnes in 2018, compared with 760 million tonnes in 2017, up 3% year-on-year. Overall, downstream demand held strong throughout the year, particularly in the long segment, where more construction projects were launched towards the end of the year. China's gross output value of construction was 268% higher in Q3 2018 than in Q1 2018 and was up 10% year-on-year in 9M 2018.

On the supply side, the global market benefited from several trends. In 2018, the Chinese government reduced the country's steelmaking capacity by another 30 million tonnes, accomplishing its goal of shutting down 150 million tonnes of steelmaking capacity over 2016-20. China's environmental regulation suspending production during the heating season also played a role in reducing steel output. China began restricting production a month earlier in 2018 (in October compared with November in 2017), expanded the measure to cover more provinces and switched from setting output targets to pollution limits. The country's steel mills were also more prepared in 2018 than the year before and hence better anticipated the boundaries. In 2018, China's crude steel production totalled 930 million tonnes, up 10% compared with 2017 figure. Overall, China's net steel export volumes fell by 12% year-on-year to 55 million tonnes during the reporting period, compared with 62 million tonnes in 2017.

Steel prices, based on the CFR slab FE&SEA benchmark, climbed by 19% year-on-year to an average of US$532 per tonne in 2018. In March, prices surged to US$565 per tonne before gradually returning over the summer and autumn to US$520 per tonne – the level seen at the beginning of the year – and then continued to subside throughout the rest of the year, reaching US$450 per tonne in December.

Iron ore prices, *US$ per tonne*



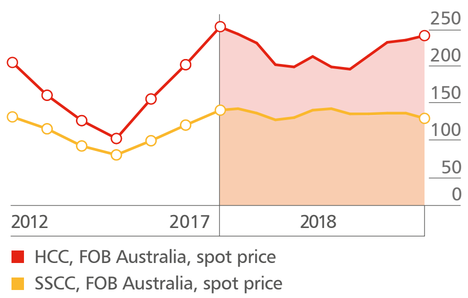
In 2018, total consumption of iron ore products rose by 3% year-on-year to 2.13 billion tonnes. Consumption in India and Iran grew by 13% and 15% year-on-year, respectively, to 148 million tonnes and 38 million tonnes. India nearly tripled its imports to 15 million tonnes and reduced exports by 37% to 18 million tonnes. At the same time, China's consumption of iron ore increased slightly to 1.26 billion tonnes (compared with 1.23 billion tonnes in 2017) and its imports edged down to 1.06 billion tonnes in 2018 from 1.07 billion tonnes in 2017. Moreover, increased scrap usage (134 million tonnes in 2018 compared with 106 million tonnes in 2017) helped China's economy to sustain the 2017 level of crude steel production.

Steel producers have switched towards higher-grade iron ore by virtue of attractive margins of over 20%, a desire to have a more sustainable approach and quality concerns in the steel industry. Moreover, as the "coking coal to iron ore" price ratio is increasing, so does the steelmakers' preference towards higher ore grades and pellets in order to increase blast furnace productivity and reduce the consumption of coke.

Global iron ore production totalled 2.2 billion tonnes, with declines seen in Africa (down 12% or 12 million tonnes) and the CIS (down 4% or 8 million tonnes) and growth in Brazil (up 4% or 17 million tonnes) and Australia (up 3% or 28 million tonnes). International seaborne supply was reasonably stable, delivering 1.6 billion tonnes in 2018, with Australia (up 2% year-on-year) and Brazil (up 6% year-on-year) being responsible for more than 80% of total seaborne exports. However, the supply constraints on the pellet market remained in place, as LKAB's Svappavaara plant in Sweden was closed in Q4 2018, while in Brazil, the Samarco mine is still shut down and a pipeline leak forced the Minas Rio mine out of the pellet feed market.

In 2018, the price for Fe 62% fines CFR China saw relatively low volatility, fluctuating within the range of US$64-77 per tonne. The average price was US$69 per tonne, down 1% year-on-year. In contrast to base index dynamics, the prices surged for premium products, with the 65% grade premium climbing by 25% from US$16 per tonne to US$20 per tonne and the pellet premium surging by 58% from US$37 per tonne to US$59 per tonne.

Coking coal prices, *US$ per tonne*

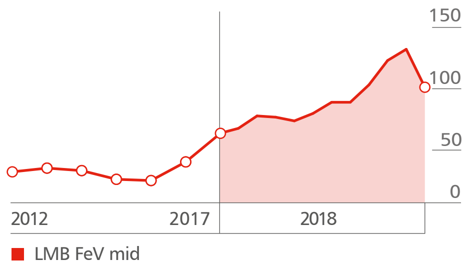


In 2018, the global coal market was reasonably stable: total metallurgical coal consumption edged up 1% to 1.15 billion tonnes, with growth of 8% seen in both India and South-East Asia, while elsewhere it was relatively flat. Another highlight includes lower imports to China (down 7% year-on-year to 65 million tonnes), which was offset by higher demand in India (57 million tonnes imported in 2018 compared with 52 million tonnes in 2017). The latter was caused by robust growth in India's crude steel production and insufficient domestic coal supplies.

Few surprises were brought by suppliers, as Australian exports rose by 3% to 177 million tonnes, mainly due to increased shipments of hard coking coal (HCC), while exports from the US climbed by 8% to 55 million tonnes. Overall, global coking coal supply totalled 1.15 billion tonnes in 2018, up 1% year-on-year. In November 2018, China implemented more stringent safety standards after a major mine incident in Shandong Province, leading to closures of mines throughout the country for inspection.

The average price for Australian hard coking coal, spot FOB, was US$208 per tonne, up 10% year-on-year. The peak price during 2018 was recorded in January, at US$240 per tonne. Since then, prices gradually declined, albeit within a narrow corridor, until rebounding to US$228 per tonne in December. The renewed strength in coking coal prices at the end of the year was influenced by high steelmaking margins, combined with stronger demand for premium coking coal grades, widening the spread between the hard and semi-soft coking coal grades. Meanwhile, the average price for semi-soft coking coal (SSCC) increased by 14% to US$124 per tonne.

Vanadium prices, *US$ per kgV*



In 2018, global vanadium demand climbed by 8% year-on-year to 100 thousand tonnes. Such rapid growth led to increasing scarcity on global vanadium markets. China's decision to implement a new rebar standard with higher vanadium requirements (0.03%) was a significant demand driver. At the same time, the ban that was enacted in 2018 on imports of vanadium scrap, slag and waste to China limited the supply in the country. Limited global spare operating capacity among vanadium producers also drove prices higher. Ferrovanadium (FeV) prices surged throughout the year, peaking in November at US$124 per kilogramme of contained vanadium (kgV), with average price growth of 150% year-on-year in 2018.

TRENDS IN EVRAZ CORE MARKETS

Steel
Apparent demand for finished steel on the Russian market did not grow as expected in 2018 with 41 million tonnes consumed, largely in line with the figures seen last year. Construction market growth was moderate, as some work was suspended over the summer in the cities that hosted the World Cup. In terms of the macroeconomic environment, Russia's annual GDP growth projected at 2.3% in 2018. Oil prices climbed by 29% year-on-year, averaging US$72 per barrel of Brent. Capital investments increased by 4% year-on-year, similar to the growth rate from the previous year. Steel production in Russia was relatively flat at 72 million tonnes of crude steel. The price for rebar in Moscow region was up 12% and averaged US$495 per tonne.

Coal
In 2018, Russian coking coal consumption dropped by 4% year-on-year to 37 million tonnes. Overall, coking coal mining levels were up 1%, with the highest year-on-year growth from MMK (39%) and Colmar (32%), and a major decline from Mechel (minus 7%). Internal sales grew by 6%, leaving the free market with a 9% year-on-year drop. Russian exports of coking coal rose by 13% year-on-year and, while shipments abroad are attractive, logistical capacities limit the potential export volumes to Asia. In 2018, the average price for FCA Zh-grade coal was US$159 per tonne, down 3% year-on-year.

Steel, North America
In 2018, finished steel consumption in the US rose 3% year-on-year to 99 million tonnes. Protective measures implemented by the US government, including Section 232 tariffs and other import duties, continue to have a significant impact on the US steel market, influencing the import balance and domestic shipments. Imports of finished steel were at 23 million tonnes, 10% down from the previous year. Local producers to begin increasing their output and bringing mothballed production capacity back online, particularly in the flat segment. In 2018, the output of finished steel products climbed by 5% year-on-year to 83.5 million tonnes. The domestic FOB Midwest price for hot-rolled coil (HRC) surged by 35% to an average of US$915 per tonne.

Strategic priorities

Debt management and stable dividends

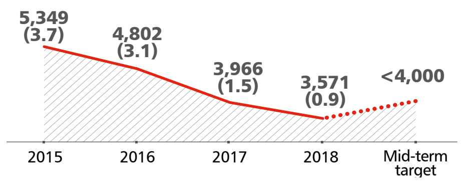
- Dividend payout according to stated dividend policy
- Medium-term net debt level below US$4,000 million
- Target average net debt/EBITDA at 2.0x throughout the cycle

Following the successful deleveraging efforts of recent years, EVRAZ has a renewed focus on returning value to shareholders and further managing its debt. In 2018, robust free cash flow of US$1,940 million allowed the Group to significantly decrease its net debt.

During the reporting period, EVRAZ returned a total of US$1.6 billion to its shareholders in the form of dividends for a dividend yield of 17%, establishing a new record for the Company.

In 2018, EVRAZ announced an updated dividend policy envisaging returning at least US$300 million to shareholders each year, provided that the Group's net debt/EBITDA ratio remains below 3.0x. Going forward, the remaining free cash flow after implementing investment programme can be distributed as dividends. Even in the events of a market correction and weaker profitability, EVRAZ remains committed to its long-term average net debt/EBITDA at 2.0x , which will allow the Group to maintain its stated dividend policy.

Net debt (net debt/EBITDA), *US$ million*

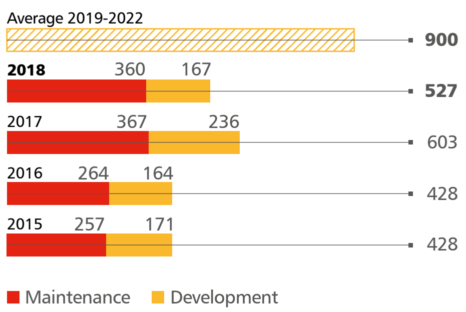


Dividends and share buybacks, *US$ million*

US$ million	2018	2017	2016	2015
Dividends	1,556	430	0	0
Shares buyback	0	0	0	336
Total	**1,556**	**430**	**0**	**336**
Yield	17%	9%	0	12%

Prudent CAPEX

The Group's new investment projects are aimed at further developing its competitive advantages, while maintenance investments are focused on supporting the sustainability of EVRAZ operations. New investment opportunities will be focused on the development and diversification of the steel product portfolio in Russia and North America.



In 2019-22, EVRAZ expects its annual investment expenditures to be in the range of US$800-990 million

Key projects with CAPEX > US$100m

Projects under analysis

Integrated flat casting and rolling facility at EVRAZ ZSMK.
2.6 mtpa of premium 1.2mm-25mm flat products instead of slabs and billets.

TOTAL CAPEX:	~US$490m	Term:	2019-2022

Long rail mill at EVRAZ Pueblo.
600 ktpa of 100-metre rails. Current mill shut down.

TOTAL CAPEX:	~US$480m	Term:	2019-2022

Rail and beam mill modernisation at EVRAZ NTMK.
230 ktpa volumes of beams and 50 ktpa of sheet pipes, new types of rails instead of billets.

TOTAL CAPEX:	~US$215m	Term:	2019-2021

Continuous casting machine 5 at EVRAZ NTMK.
460 ktpa of cast pipe blanks to domestic market instead of billets.

TOTAL CAPEX:	~US$120m	Term:	2019-2021

Projects on the realisation stage

Blast furnace No. 6 major overhaul at EVRAZ NTMK.
Reconstruction of 2.5 mtpa blast furnace 6. After the project, the blast furnace 5 will shut down.

TOTAL CAPEX:	~US$150m	Term:	2019-2021

Tashtagol iron ore mine upgrade.
Increase Tashtagol mining volumes to 3.25 mtpa.

TOTAL CAPEX:	~US$108m	Term:	2018-2019

Realised projects in 2018

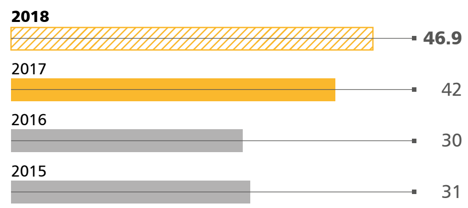
Construction of the blast furnace No. 7 at EVRAZ NTMK.
New 2.5 mtpa blast furnace 7 with better productivity and energy efficiency. Launched in Q1 2018.

TOTAL CAPEX:	~US$204m	Term:	2016-2018

Retention of low-cost position

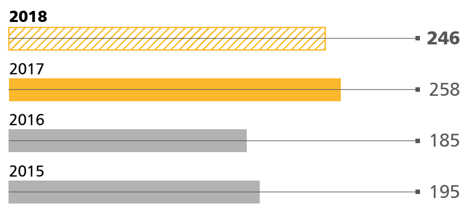
Efficiency and cost-cutting remain EVRAZ primary focus. The Group is on pace to generate improvements with an annual EBITDA effect of 3% of the cost of goods sold.

Coal cash cost, *US$/t*



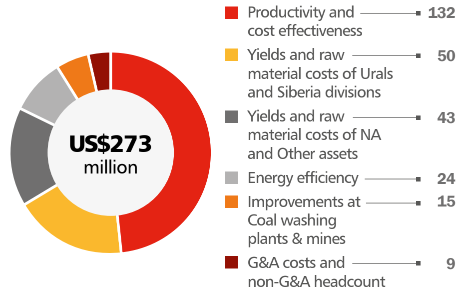
The Coal segment's cash cost was US$47 per tonne in 2018, mainly due to geological conditions, rise in auxiliary materials prices, and additional involvement of 3rd-party contractors due to higher volumes.

Semi-finished product cash cost, *US$/t*



Cash costs of semi-finished products totalled US$246 per tonne in 2018, which is largely in line with the 2017 figure, as efficiency improvements have offset the growth of prices for key raw materials.

Breakdown of cost-cutting programme effect in 2018, *US$ million*

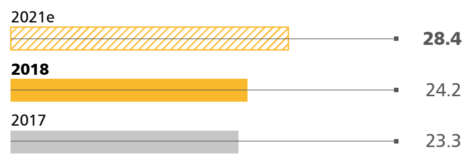


In 2018, the EBITDA effect from cost-cutting initiatives totalled US$273 million. The Group plans to maintain the current pace of improvement with an annual cost-cutting programme at the level of at least 3% of the cost base.

Development of product portfolio and customer base

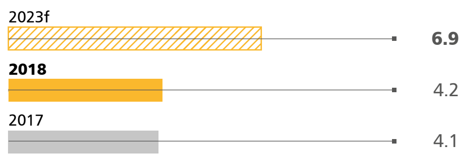
- Increase and diversify steel product sales on the Russian market
- Improve large-diameter pipe and rail sales in North America
- Expand production volumes of scarce coking coal grades

Coal mining volumes, *mt*



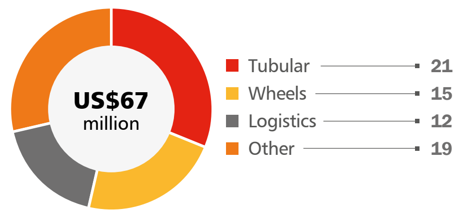
In 2018, EVRAZ increased its coal mining volumes by around 5%, primarily driven by the KS and OS coal grades. By 2023, major growth will come from the launch of K-grade longwall mining at the Raspadskaya-Koksovaya mine and organic growth at mines producing high-vol coal grades.

Steel sales in Russia, *mt*



In 2018, EVRAZ saw a moderate uptick in domestic steel sales. The Group expects its sales of finished steel to climb from 4.2 million tonnes in 2018 to 6.9 million tonnes by 2023, mainly due to higher sales of beams and the launch of a new integrated flat casting and rolling complex at EVRAZ ZSMK.

Customer focus programme EBITDA effect in 2018, *US$ million*



Most of the effect came from greater sales of pipe blanks, wheels, structural products and beams.

In 2018, the customer focus programme generated an EBITDA effect of US$67 million.

Financial review

Statement of operations

In its full-year financial results for 2018, EVRAZ reported an increase of 18.6% year-on-year in consolidated revenues, which were US$12,836 million compared with US$10,827 million in 2017. This performance was driven mostly by an upswing in prices for vanadium and steel products amid more favourable market trends.

EVRAZ consolidated EBITDA amounted to US$3,777 million in the period, compared with US$2,624 million in 2017, boosting the EBITDA margin from 24.2% to 29.4% and free cash flow to US$1,940 million. The improvement is primarily attributable to higher vanadium and steel product prices, lower expenses in US dollar terms because of the effect that rouble weakening had on costs in 2018 versus 2017, as well as the impact of cost-cutting initiatives on efficiency. This was partly offset by an increase in prices for raw and auxilliary materials, including scrap, electrodes and ferroalloys.

The Steel segment's revenues (including inter-segment) climbed by 14.7% year-on-year to US$8,879 million, or 62.2% of the Group's total before elimination. The growth was mainly attributable to higher revenues from sales of vanadium products, which rose by 111.4% year-on-year, 124.6% increase was attributed to surges in average sales prices. Ongoing vanadium production restrictions together with China's new high-strength rebar standard and strong global demand from steelmakers has severely affected stockpiles and pushed up price indices. Sales of steel products also increased by 5.8% due to higher sales prices, primarily for finished products.

The Steel, North America segment's revenues increased by 38.6% year-on-year. Prices and volume went up by 22.6% and 14.4%, respectively. The key drivers of this growth were improved demand across product segments, particularly for tubular products driven by recovery in oil prices and drilling activity and the start of new major pipelines construction in Canada and the US.

The Coal segment's revenues grew by 5.6% year-on-year, supported largely by higher sales volumes, which were up 4.8% due to stable demand and improved productivity at the Raspadskaya-Koksovaya mine.

“

EVRAZ consolidated EBITDA improved amid higher vanadium and steel product prices, lower expenses in US dollar terms as well as the impact of cost-cutting initiatives on efficiency.

Nikolay Ivanov
Chief Financial Officer

In 2018, the Steel segment's EBITDA rose due to an increase in steel and vanadium prices; lower expenses in US dollar terms due to the effect that rouble weakening had on costs; and the impact of cost-cutting initiatives implemented in the period. This was partly offset by an increase in prices for raw and auxilliary materials, including scrap, electrodes and ferroalloys.

The increase in volume and metal spreads of the Steel, North America segment's was more than offset by the effect of tariffs and duties on Canadian large-diameter and line pipe sales into the US, as well as due to operational challenges at EVRAZ Regina facility that resulted in lower EBITDA.

The Coal segment's EBITDA declined slightly year-on-year mainly due to higher cost per tonne amid more complex geological conditions, rise in auxiliary materials prices and higher involvement of contractors. This was partly offset by sales prices rising in line with global benchmarks; the impact of cost-cutting initiatives; and lower expenses in US dollar terms as a result of the effect that rouble weakening had on costs.

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

Revenues, *US$ million*

Segment	2018	2017	Change	Change, %
Steel	8,879	7,743	1,136	14.7
Steel, North America	2,583	1,864	719	38.6
Coal	2,337	2,214	123	5.6
Other operations	472	462	10	2.2
Eliminations	(1,435)	(1,456)	21	(1.4)
Total	**12,836**	**10,827**	**2,009**	**18.6**

Revenues by region, *US$ million*

Region	2018	2017	Change	Change, %
Russia	4,564	4,255	309	7.3
Americas	3,009	2,201	808	36.7
Asia	2,716	2,162	554	25.6
Europe	1,426	1,128	298	26.4
CIS (excl. Russia)	936	812	124	15.3
Africa and rest of the world	185	269	(84)	(31.2)
Total	**12,836**	**10,827**	**2,009**	**18.6**

EBITDA, *US$ million*

Segment	2018	2017	Change	Change, %
Steel	2,672	1,483	1,189	80.2
Steel, North America	14	58	(44)	(75.9)
Coal	1,218	1,226	(8)	(0.7)
Other operations	17	21	(4)	(19.0)
Unallocated	(135)	(131)	(4)	3.1
Eliminations	(9)	(33)	24	(72.7)
Total	**3,777**	**2,624**	**1,153**	**43.9**

For the definition of EBITDA, please refer to page 261.

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

Effect of Group's cost-cutting initiatives in 2018, *US$ million*

Improving yields and raw material costs, including	**132**
Improving yields and raw material costs of Urals and Siberia divisions	74
Various improvements at coal washing plants and mines	15
Improving yields and raw material costs of North American assets and vanadium operations	43
Increasing productivity and cost effectiveness	**132**
Others, including	**9**
Reduction of general and administrative (G&A) costs and non-G&A headcount	9
Total	**273**

In 2018, selling and distribution expenses increased by 41.3%, mostly due to increased freight costs, tariffs imposed on steel exports to US customers of EVRAZ North America and higher sales volumes, partly offset by the weakening of the rouble. General and administrative expenses edged up by 1.1% due to wage indexation, partly offset by the effect that rouble depreciation had on costs.

Foreign exchange gains amounted to US$361 million and were primarily related to intra-group loans denominated in roubles payable among Russian and non-russian subsidiaries. The depreciation of the Russian rouble against the US dollar in 2018 led to exchange gains mainly recognised in the income statements of EVRAZ plc and East Metals A.G., which were not offset by the exchange losses recognised in the income statements or the equity of the Russian subsidiaries.

Interest expenses incurred by the Group decreased, mainly due to the gradual reduction in total debt and the refinancing of existing indebtedness at more favourable terms during the reporting period. Gains on financial assets and liabilities amounted to US$13 million and were mostly related to gains on hedging instruments.

A net loss of US$10 million on disposal groups classified as held for sale was caused by the disposal in March 2018 of EVRAZ DMZ, which was sold to a third party for a cash consideration of US$35 million. The Group recognised a US$10 million loss on the subsidiary's sale, including US$60 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included as a loss on disposal groups classified as held for sale on the consolidated statement of operations.

For the reporting period, the Group had a current income tax expense of US$679 million, compared with US$484 million a year earlier. The change reflects the Group's better operating results and taxes withheld on dividends distributed within the Group.

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

	2018	2017	Change, %
Steel segment			
Revenues	8,879	7,743	14.7
Cost of sales	(5,613)	(5,795)	(3.1)
Gross profit	3,266	1,948	67.7
Steel, North America segment			
Revenues	2,583	1,864	38.6
Cost of sales	(2,215)	(1,656)	33.8
Gross profit	368	208	76.9
Coal segment			
Revenues	2,337	2,214	5.6
Cost of sales	(1,042)	(973)	7.1
Gross profit	1,295	1,241	4.4
Other operations – *gross profit*	15	104	(85.6)
Unallocated – *gross profit*	(8)	(8)	–
Eliminations – *gross profit*	(111)	(151)	(26.5)
Total	**4,825**	**3,342**	**44.4**

Gross profit, expenses and results, *US$ million*

	2018	2017	Change	Change, %
Gross profit	**4,825**	**3,342**	**1,483**	**44.4**
Selling and distribution costs	(1,013)	(717)	(296)	41.3
General and administrative expenses	(546)	(540)	(6)	1.1
Impairment of assets	(30)	12	(42)	n/a
Foreign-exchange gains/(losses), net	361	(54)	415	n/a
Other operating income and expenses, net	(69)	(57)	(12)	21.1
Profit from operations	**3,528**	**1,986**	**1,542**	**77.6**
Interest expense, net	(341)	(423)	82	(19.4)
Share of losses of joint ventures and associates	9	11	(2)	(18.2)
Gain/(loss) on financial assets or liabilities, net	13	(57)	70	n/a
Loss on disposal groups classified as held for sale, net	(10)	(360)	350	(97.2)
Other non-operating gains/(losses), net	2	(2)	4	n/a
Profit before tax	**3,201**	**1,155**	**2,046**	**n/a**
Income tax benefit/(expense)	(731)	(396)	(335)	84.6
Net profit	**2,470**	**759**	**1,711**	**n/a**

Cash flow, *US$ million*

	2018	2017	Change	Change, %
Cash flows from operating activities before changes in working capital	3,063	2,111	952	45.1
Changes in working capital	(430)	(154)	(276)	n/a
Net cash flows from operating activities	**2,633**	**1,957**	**676**	**34.5**
Short-term deposits at banks, including interest	11	7	4	57.1
Purchases of property, plant and equipment and intangible assets	(521)	(595)	74	(12.4)
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	52	412	(360)	(87.4)
Other investing activities	80	9	71	n/a
Net cash flows used in investing activities	**(378)**	**(167)**	**(211)**	**n/a**
Net cash flows used in financing activities	**(2,606)**	**(1,479)**	**(1,127)**	**76.2**
Including dividends paid	(1,556)	(430)	(1,126)	n/a
Effect of foreign-exchange rate changes on cash and cash equivalents	(48)	(2)	(46)	n/a
Net decrease in cash and cash equivalents	**(399)**	**309**	**(708)**	**n/a**

Calculation of free cash flow, *US$ million*

	2018	2017	Change	Change, %
EBITDA	3,777	2,624	1,153	43.9
EBITDA excluding non-cash items	**3,773**	**2,627**	**1,146**	**43.6**
Changes in working capital	(430)	(154)	(276)	n/a
Income tax accrued	(683)	(485)	(198)	40.8
Social and social infrastructure maintenance expenses	(27)	(31)	4	(12.9)
Net cash flows from operating activities	**2,633**	**1,957**	**676**	**34.5**
Interest and similar payments	(298)	(453)	155	(34.2)
Capital expenditures, including recorded in financing activities and non-cash transactions	(527)	(603)	76	(12.6)
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	52	412	(360)	(87.4)
Other cash flows from investing activities	80	9	71	n/a
Free cash flow	**1,940**	**1,322**	**618**	**46.7**

In 2018, net cash flows from operating activities climbed by 34.5% year-on-year. Free cash flow for the period was US$1,940 million.

For the definition of free cash flow, please refer to page 261.

CAPEX and key projects

In 2018, EVRAZ capital expenditures fell to US$527 million, compared with US$603 million a year earlier, as EVRAZ NTMK finished implementing two main projects, the construction of blast furnace No. 7 (first pig iron was obtained in Q1 2018) and the grinding ball mill (first ball was produced in Q1 2018), amid the weakening of the rouble exchange rate against the US dollar. EVRAZ North America also started to implement two projects to reduce costs that are scheduled to be completed in 2019.

Capital expenditures (including those recognised in financing activities) for 2018 in millions of US dollars can be summarised as follows.

Capital expenditures in 2018, *US$ million*

Steel segment	
Blast furnace No. 7 construction at EVRAZ NTMK The project aim is to maintain stable pig iron production volumes during the capital repair of blast furnace No. 6 in 2018-19.	48
Wheel resurfacing capacity expansion at EVRAZ NTMK The project aim is to expand wheel resurfacing capacity to balance production capacity in 2019-22 and increase production volumes.	10
Grinding ball mill construction at EVRAZ NTMK The project aim is to construct a new grinding ball mill that can make the grinding balls of hardness category five.	5
Steel, North America segment	
EVRAZ Pueblo seamless threading The project aim is to in-source seamless threading and coupling process from third-party providers to improve cost competitiveness.	15
EVRAZ Red Deer heat treatment The project aim is to develop heat treatment capability to access a higher margin market.	13
Coal segment	
Access and development of reserves in the Uskovskaya mine's seam No. 48 The project aim is to prepare the reserves in seam No. 48 for mining.	20
Access and development of reserves in the Esaulskaya mine's seam No. 29a The project aim is to relocate mining operations from seam No. 26 to seam No. 29a.	5
Other development projects	51
Maintenance	360
Total	**527**

Financing and liquidity

EVRAZ began 2018 with total debt of US$5,432 million. The Group used the cash flows it generated during the period to reduce its debt and completed several transactions to manage its maturity profile.

In February, EVRAZ repaid US$500 million in loans, comprising US$200 million from Alfa Bank due in 2019, US$200 million from Alfa Bank due in 2023 and US$100 million from Sberbank due in 2020. The Group financed these repayments with a combination of its cash balances and a new five-year, US$300 million term loan from Alfa Bank. These transactions helped to improve the repayment schedule in terms of loan tenures and reduce interest charges.

Between April and June, to reduce its interest charges, the Group completed an early repayment of its outstanding loans to VTB with principal amounts of US$495 million using cash accumulated on the balance sheet.

These actions, together with scheduled bank loan repayments and changes in credit line balances, reduced total debt by US$794 million to US$4,638 million as at 31 December 2018.

In 2018, EVRAZ made four dividend payments to its shareholders totalling US$1,556 million.

During the reporting period, net debt decreased by US$395 million to US$3,571 million, compared with US$3,966 million as at 31 December 2017. Interest expense accrued in respect of loans, bonds and notes amounted to US$322 million in 2018, compared with US$394 million in 2017. The lower interest expense was mainly due to a reduction of total debt by early repayments.

The strong market trends seen in 2018 drove significant growth of EBITDA and free cash flow generation. This helped to substantially improve the Group's major leverage metric, the ratio of net debt to EBITDA, which fell to 0.9 times as at 31 December 2018, compared with 1.5 times as at 31 December 2017.

As at 31 December 2018, debt with financial maintenance covenants comprised various bilateral facilities with a total outstanding principal of around US$1,061 million. Maintenance covenants under these facilities include two key ratios calculated using EVRAZ plc's consolidated financials: a maximum net leverage and a minimum EBITDA interest cover. As at 31 December 2018, EVRAZ was in full compliance with its financial covenants.

As at 31 December 2018, cash amounted to US$1,067 million, while short-term loans and the current portion of long-term loans stood at US$377 million. Cash-on-hand and committed credit facilities are sufficient to cover all of EVRAZ refinancing requirements for 2019 and 2020.

Principal risks and uncertainties

RISK MANAGEMENT SYSTEM

RISK MIGRATION IN 2018 AND ROBUST ASSESSMENT

In 2018, management carried out a robust reassessment of the principal risks facing the Group. The Audit Committee has carefully reviewed this assessment on behalf of the Board.

The assessment focused on the risks that could adversely affect the Group's strategies. It included an evaluation of risks identified at the operational level and their relevance and significance for the Group, as well as a detailed assessment of some specific areas where new risks have been identified or the risk profile has changed significantly. The management also considered the speed of impact and volatility of each risk in their assessment. As a result, the principal risks have been updated.

International groups operate in the context of tariff and sanctions regimes and significant changes could have a material impact on the Group's operations. Plans and mitigating measures are put in place to the extent possible and reasonable but these matters are largely outside the Group's control. The risk of compliance with trade, anti-monopoly and anti-dumping regulations, as well as sanctions regimes were reassessed during 2018 to reflect increased government activity and other external factors on the sector. As a result this has been classified as a principal risk. While the Group's internal compliance controls address these risks and associated areas, general uncertainty in the area heightens the management's focus on this risk.

While the risk of availability of finance remains one of the Group's key focus areas, after the reassessment in 2018 this is no longer considered a principal risk as a result of the Group's actions to extend its debt maturity profile.

The assessment included other risks that were not recognised as principal, eg HR and employee risks (including the risks of lack of skills, failure of succession planning, reduced productivity due to labour unrest or poor job satisfaction), taxation, compliance risks (including anti-corruption and anti-bribery matters), social and community risks, risks of climate change, risks related with respect for human rights, and other risks. While the impact and probability analysis suggests that such risks could affect the Group's operations to some extent, the management believes they are being adequately managed and does not consider them as being capable of seriously affecting the Group's performance, future prospects or reputation. EVRAZ activity in many of these areas is described in greater detail in the CSR Report section on pages 72–97.

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

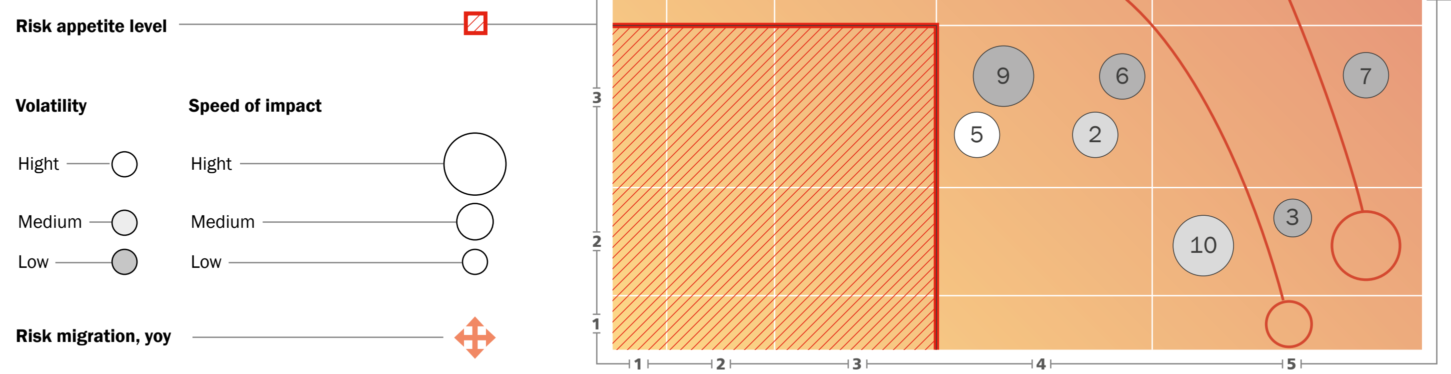
The Group closely monitors the impact of the UK referendum vote to leave the EU and continues to believe that it will not significantly affect its business.

Key developments in 2018 and outlook for 2019

In 2018, the Group analysed the adequacy of its risk management practices and identified gaps in key business processes. While the maturity of EVRAZ risk management process was generally assessed as fair, there were areas identified that require additional management focus and implementation or improvement of risk management instruments or practices. An action plan for each gap was developed and will be introduced. EVRAZ activity in this area is described in more detail in the Corporate Governance section of this report.

Principal risks and uncertainties heat map in 2018

1. Global economic factors, industry conditions and cyclicality
2. Product competition
3. Cost effectiveness
4. Compliance with trade regulations and sanctions regimes
5. Functional currency devaluation
6. HSE: environmental
7. HSE: health, safety
8. Potential government action
9. Business interruption
10. Cybersecurity and IT infrastructure failure



RISK MIGRATION IN 2018 AND ROBUST ASSESSMENT

Success Factors

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

Strategic priorities

- Debt management and stable dividends
- Prudent CAPEX
- Retention of low-cost position
- Development of product portfolio and customer base

Direction of risk change

– No changes ▲ Increased

Risk	Description and impact	Mitigating/ risk management actions in 2018	Direction/ reason for change
1. Global economic factors, industry conditions and cyclicality	EVRAZ operations are dependent on the global macroeconomic environment, as well as economic and industry conditions, eg the global supply and demand balance for steel, iron ore and coking coal, which affect both product prices and volumes across all markets. The Group's operations involve substantial fixed costs, and global economic and industry conditions can impact the Group's operational performance.	This is an external risk that is mostly outside the Group's control; however, it is partly mitigated by exploring new market opportunities, focusing on expanding the share of value-added products, further downscaling inefficient assets, suspending production in low-growth regions, further reducing and managing the cost base with the objective of being among the sector's lowest-cost producers, and balance sheet/ gearing improvement.	–
2. Product competition	Excessive supply on the global market and greater competition, mostly in the steel products market, primarily due to competitors' activity and introduction of new facilities. Low demand for construction products and increasing competition in this segment. Increasing competition in the rail product segment. Excessive supply of slabs on the global market and intensified competition.	Expand product portfolio and penetrate new geographic and product markets. Develop and improve loyalty and customer focus programmes and initiatives. Quality improvement initiatives. Focus on expanding the share of value-added products.	–
3. Cost effectiveness	Most of the Group's steel production remains sensitive to costs and prices. Given the substantial product share of commodity semi-finished, which requires less customer service and is more cost driven, maintaining a low-cost position is one of EVRAZ key business objectives in steelmaking, as well as in the iron ore and coking coal mining businesses. Digitalisation is having a significant impact on the sector, as companies seek to use new technology to support efforts to improve productivity and margins across the value chain. Failure to find digital solutions for the most urgent business problems could reduce operational flexibility and cost advantage.	For both the mining and steelmaking operations, the Group is implementing cost-reduction projects to increase asset competitiveness. Focused investment policy aimed at reducing and managing the cost base. Further expansion and control of the Group's Russian steel distribution network. Development of high value-added products. EVRAZ Business System transformation projects focused on increasing efficiency and effectiveness.	–
4. Compliance with trade regulations and sanctions regimes	Risks of non-compliance with various trade regulations, including anti-dumping and anti-monopoly measures. Risk of a failure of the Group's controls, leading to trading with and shipping to embargoed destinations. Risks of the Group's failure to adapt to new market conditions and to take losses connected with existing contracts in case of additional sanctions implementation.	Ongoing control over regulatory compliance, monitoring of regulatory changes and development of necessary controls. Ongoing engagement with governments, coordination and cooperation with regulatory authorities. While the Group's internal compliance controls address the associated risks, the general uncertainty in the area increases the management's focus on this risk.	▲ **Increased** due to rising external pressure on the sector. Risks of the Group's failure to adapt to new market conditions or restrictions.
5. Functional currency devaluation	Any significant fluctuation in subsidiaries' functional currencies relative to the US dollar could have a significant effect on the Group's financial accounts, which might impact its ability to borrow.	EVRAZ works to reduce the amount of intergroup loans denominated in Russian roubles to limit the possible devaluation effect on its consolidated net income.	–
6. HSE: environmental	Steel and mining production carry an inherent risk of environmental impact and incidents relating to issues as diverse as water usage, quality of water discharged, waste recycling, tailing management, air emissions (including greenhouse gases), and community satisfaction. Consequently, EVRAZ faces risks including regulatory fines, penalties, adverse reputational impact and, in the extreme, the withdrawal of plant environmental licences, which would curtail operations indefinitely.	Environmental risks matrix is monitored on a regular basis. Respective mitigation activity is developed and performed in response to the risks. Implementation of air emissions and water use reduction programmes at plants. Waste management improvement programmes. Most of EVRAZ operations are certified under ISO 14001 and the Group continues to work towards bringing the remaining plants to ISO 14001 requirements. EVRAZ is currently compliant with REACH requirements. Participation in development of GHG emissions regulation in Russia. Reduction in GHG emissions as a positive side-effect of energy efficiency projects.	–
7. HSE: health, safety	Potential danger of fire, explosions and electrocution, as well as risks specific to individual mines: methane levels, rock falls and other accidents could lead to loss of personnel, outage or production delays, loss of material, equipment or product, or extensive damage compensation. Breach of any HSE laws, regulations and standards may result in fines, penalties and adverse reputational impacts and, in the extreme, the withdrawal of mining operational licences, thereby curtailing operations for an indefinite period.	Management KPIs place significant emphasis on safety performance and the standardisation of critical safety programmes. Implementing an energy isolation programme. Further development of a programme of behaviour safety observations which drives a more proactive approach to preventing injuries and incidents. A series of health and safety initiatives related to underground mining. Maintenance and repair modernisation programmes, downtime management system. Further development of occupational safety risk assessment methodology. Analysis of effectiveness of corrective measures.	–
8. Potential government action	New laws, regulations or other requirements could limit the Group's ability to obtain financing on international markets, sell its products and purchase equipment. Risk of capital controls that affect the Group in terms of free flow of capital. EVRAZ may also be adversely affected by government sanctions against Russian businesses or otherwise reducing its ability to conduct business with counterparties. Risks could be realised through the introduction of additional sanctions or tariffs on some of the Group's products. Risk of adverse geopolitical situation in countries of operation.	While these risks are mostly outside the Group's control, EVRAZ and its executive teams are members of various national industry bodies. As a result, they contribute to the development of such bodies and, when appropriate, participate in relevant discussions with political and regulatory authorities. Procedures have been implemented and will be further developed to ensure that sanction requirements are complied with across the Group's operations.	▲ **Increased** due to rising government activity and external pressure on the sector in some countries of operation.
9. Business interruption	Prolonged outages or production delays, especially in coal mining, could have a material adverse effect on the Group's operating performance, production, financial condition and future prospects. In addition, long-term business interruption may result in a loss of customers and competitive advantage, and damage to the Group's reputation.	The Group has defined and established disaster recovery procedures that are subject to regular review. Business interruptions in mining mainly relate to production safety. Measures to mitigate these risks include methane monitoring and degassing systems, timely mining equipment maintenance, and employee safety training. Detailed incident cause analysis is performed in order to develop and implement preventative actions. Records of minor interruptions are reviewed to identify any more significant underlying issues.	–
10. Cybersecurity and IT infrastructure failure	Information technology and information security risks have the potential to cause prolonged production delays or shutdowns. Increased digital transformation and the convergence of IT and operational technology, which makes companies more vulnerable. The level of cybercrime globally is rising simultaneously with increasing reliance on IT.	Further development of a cybersecurity protection system, focused on: • isolation and protection of industrial networks; • antivirus software systems update; • upgrade and expansion of backup systems; • implementation of incident monitoring systems; • and other measures.	–

VIABILITY STATEMENT

As a global steel and mining group, EVRAZ is exposed to a range of risks and inherent uncertainties that are explained more fully in this section. The Group's principal risks and its approach to managing them, together with the latest financial forecasts and five-year strategic plan, have formed the basis of this long-term viability assessment. EVRAZ believes that a five-year period is optimal for the viability analysis, as it corresponds to the period used in the Group's strategic planning and therefore reflects the information available to management regarding the future performance of the business. Visibility of performance and risks beyond the strategic planning cycle is limited and scenarios beyond this five-year period have not been analysed for the purposes of the viability statement.

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Board has assessed the Group's prospects over the period of the current strategic plan to December 2023 and considers it possible to form a reasonable expectation of the Group's viability over this five-year period.

The assessment included consideration of the stress-testing detailed below, with particular attention paid to the forecast cash position and compliance with financial maintenance covenants in each scenario, as well as the mitigation plan developed by the management.

The assessment was underpinned by scenarios that encompass a wide spectrum of potential outcomes. These scenarios are designed to explore the Group's resilience to the significant risks set out on pages 36–37 and combinations of correlated risks. Some risks are outside the Group's control and the potential implications are difficult to predict in the current environment and considered remote. The key scenarios tested can be summarised as:

- Base scenario:
  - The key assumptions as disclosed in Note 6 to the financial statements under Impairment of assets on pages 179–181
  - Future pricing of steel and raw materials is within the range of the external analyst forecasts set out in Note 6
  - Annual steel volumes are assumed to vary from -0.3% to 17.9% compared with the 2018 level over the five-year period to December 2023
- Global economic decline:
  - Steel and raw material prices and exchange rates during 2018 and future periods are at the lower end of the external analyst forecast set out in Note 6
  - Sales volumes are assumed to decrease by 3.0% in comparison with the base scenario
- Increased conversion costs in the CIS
- Appreciation of local operating currencies
- Cybersecurity failure resulting in production delays or shutdowns
- Introduction of new tariffs and duties
- Business interruption, leading to lost production and restoration costs
- Combinations of correlated risks/scenarios

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

The directors confirm that their assessment of the principal risks facing the Group is robust. Based upon this robust assessment and the stress-testing of the Group's prospects across several risk-related scenarios, the directors have a reasonable expectation that EVRAZ will be able to continue in operation and meet its liabilities as they fall due over the five-year period to December 2023.

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

- The continued availability of funding or refinancing, by way of capital markets, bank debt, and asset financing
- Selling prices remain in line with prevailing market assumptions.

NON-FINANCIAL REPORTING

EVRAZ aims to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

The table below outlines to stakeholders the Group's position, principal policies, main risks and KPIs on key non-financial areas.

Requirement	The Group's approach and policies	Documents	Related KPIs	Related principal risks
Environment Further information: Environment, see pages 77–82 Energy efficiency, see page 83	Steel and mining production carry a high risk of environmental impact and incidents related to its production processes. That is why EVRAZ pays the closest attention to environmental matters in order to prevent or minimise any adverse impacts.	EVRAZ HSE Policy Code of Business Conduct	The HSE Committee adopted new five-year environmental targets: • Decreasing fresh water consumption by 10% • Recycling 95% of non-mining waste per year • Maintaining the greenhouse gas intensity ratio below 2 tonnes of carbon dioxide (CO_2) equivalent (tCO_2e) per tonne of steel cast	HSE: environmental see page 37
Employees Further information: Our people, see pages 84–89 Health and safety, see pages 72–76	EVRAZ strictly complies with national labour laws and best practices of business ethics concerning employee management. Discrimination related to a person's race, ethnic origin, gender, religion, political views, nationality, age, sexual orientation, etc is totally unacceptable throughout the Group, as well as at its subcontractors and suppliers. Due to industry-specific issues, EVRAZ employees and contractors face safety and health risks. Providing a safe work environment is one of the Group's main core values.	EVRAZ HSE Policy Code of Business Conduct	LTIFR (per 1 million hours) Labour productivity, steel (tonnes per person)	HSE: health and safety see page 37
Social policy Further information: Community relations. see pages 90–95	EVRAZ strives to make a meaningful contribution to local economies and to support communities wherever it operates. The Group supports infrastructural, sport, educational and cultural programmes with an aim to improve the quality of life in local communities.	Social Investments Guidelines	Fulfilment of the Group's social obligations towards its employees, which were fixed in the collective agreements. Interaction with local communities in the regions of the Group's presence during the implementation of various CSR related projects.	Global economic factors, industry conditions and cyclicality Business interruption see pages 36–37
Respect for human rights Further information: Our approach, see pages 72–73	EVRAZ commitments are based on internationally recognised standards and respect for all human rights. Child labour, bonded labour, human trafficking and other forms of slavery are strictly prohibited at all Group subsidiaries and their suppliers. EVRAZ rules also prohibit abusive, harassing, discriminatory, degrading or aggressive speech or conduct.	Code of Business Conduct Modern Slavery Transparency Statement	Zero tolerance to violation.	None of EVRAZ current principal risks relates to the aspects of human rights
Anti-corruption and anti-bribery Further information: Anti-corruption and anti-bribery, see pages 96–97 A short summary of relevant anti-corruption policies, see page 264	In accordance with the Group's policies and procedures, compliance managers scrutinise tender procedures, check potential and existing business partners, vet prospective new candidates, and ensure that the principles set forth in the EVRAZ Anti-corruption Policy and Code of Business Conduct are adhered to throughout its operations.	Code of Business Conduct EVRAZ Anti-Corruption Policy: • Anti-corruption training policy • Sponsorship and charity policy • Gifts and business entertainment policy • Candidate background and criminal record checks • Conflict of interest policy • Contractor/supplier due diligence checks EVRAZ Rules on Securities Dealings	Zero tolerance to violation.	None of EVRAZ current principal risks relate to the aspects of anti-corruption.

For EVRAZ business model, relationships and products, see pages 14–15, 42–69.

For the Group's related risks and how they are managed, see the Principal risks section on pages 24–27.

EVRAZ Strategic Report, as set out on pages 6–39 inclusive, has been reviewed and was approved by the Board of Directors on 27 February 2019.

By the order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc

27 February 2019

Business review

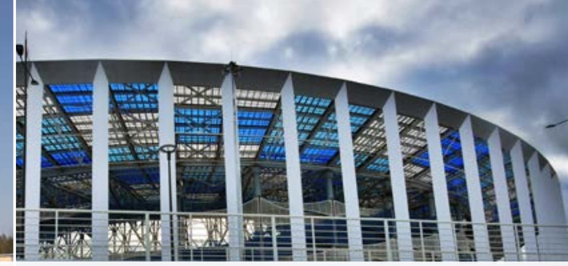
Pensacola Bay Bridge (USA)

Egyptian National Railways (Egypt)

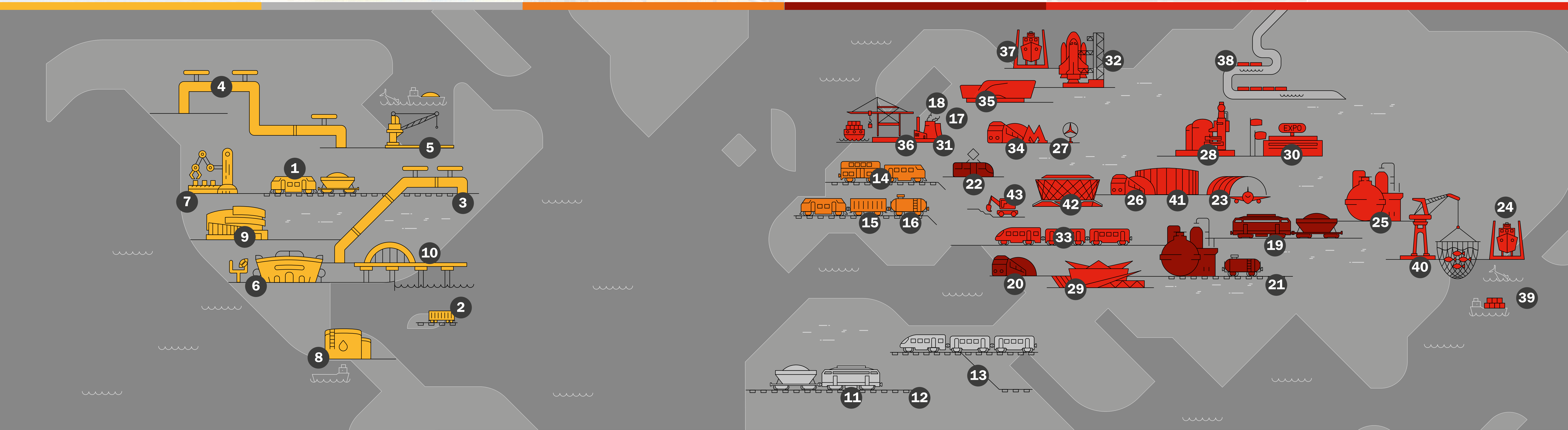
Regio double-decker sleeper trains (Germany)

Entrance to the metro station (Baku, Azerbaijan)

Plesetsk Cosmodrome (Arkhangelsk region, Russia)



Stadium (Nizhny Novgorod, Russia)



EVRAZ STEEL ACROSS THE GLOBE

- Beams
- Structural shapes
- Railway wheels
- Rails
- LDP
- Plate
- Rebar
- Grinding balls
- Wire Rod

NORTH AMERICA

1. GE locomotives *(US)*
2. Access road reconstruction *(Cuba)*
3. Oil and gas pipelines *(US)*
4. TransCanada oil pipeline *(Canada)*
5. Offshore Fisheries Science Vessel *(Canada)*
6. Los Angeles stadiums *(US)*
7. Tesla Gigafactory *(US)*
8. Marine liquids fuel terminal tank farm *(Mexico)*
9. Chase Centre *(US)*
10. Pensacola Bay Bridge *(US)*

AFRICA

11. GE locomotives
12. Construction of Mecheria-El Bayadh railway line *(Algeria)*
13. Egyptian National Railways *(Egypt)*

EUROPE

14. Regio double-decker sleeper trains *(Germany)*
15. Freight cars with 25 t axle load *(Austria, Germany)*
16. Freight cars with 23.5 t axle load *(Czech Republic)*
17. Railway track reconstruction *(Latvia)*
18. Railway track reconstruction *(Lithuania)*

CIS

19. GE locomotives, LKZ *(Kazakhstan)*
20. Baku metro *(Azerbaijan)*
21. UK Turkmengaz plant access roads *(Turkmenistan)*
22. Tram line reconstruction in Kharkiv, Dnipro, Lviv, and Kyiv *(Ukraine)*

RUSSIA

23. Aircraft plant *(Kazan)*
24. Zvezda Shipbuilding Complex *(Bolshoy Kamen)*
25. Amur Gas Processing Plant *(Amur region)*
26. Metro *(Nizhny Novgorod)*
27. Mercedes auto plant *(Moscow region)*
28. Facilities at Tatneft's Taneko oil refinery *(Nizhnekamsk)*
29. Grozny Mall shopping centre *(Grozny)*
30. EXPO Centre *(Ekaterinburg)*
31. Pregolskaya TPP *(Kaliningrad region)*
    Plesetsk Cosmodrome *(Arkhangelsk region)*
32. High-speed passenger electric locomotive *(Novocherkassk)*
33. Metro *(Moscow)*
34. Boris Eifman Dance Hall *(St Petersburg)*
35. Yantar Baltic Shipyard *(Kaliningrad)*
36. Zvezdochka Ship Repair Centre *(Severodvinsk)*
37. Shoreline reinforcement in Nadim *(Yamalo-Nenets region)*
38. Kamchatka Shipping Company *(Kamchatka)*
39. Vladivostok Sea Fishing Port *(Vladivostok)*
40. Stadium *(Nizhny Novgorod)*
41. Volgograd Arena *(Volgograd)*
42. Mikhailovsky GOK and Lebedinsky GOK, Metalloinvest *(Kursk, Belgorod)*

Steel segment

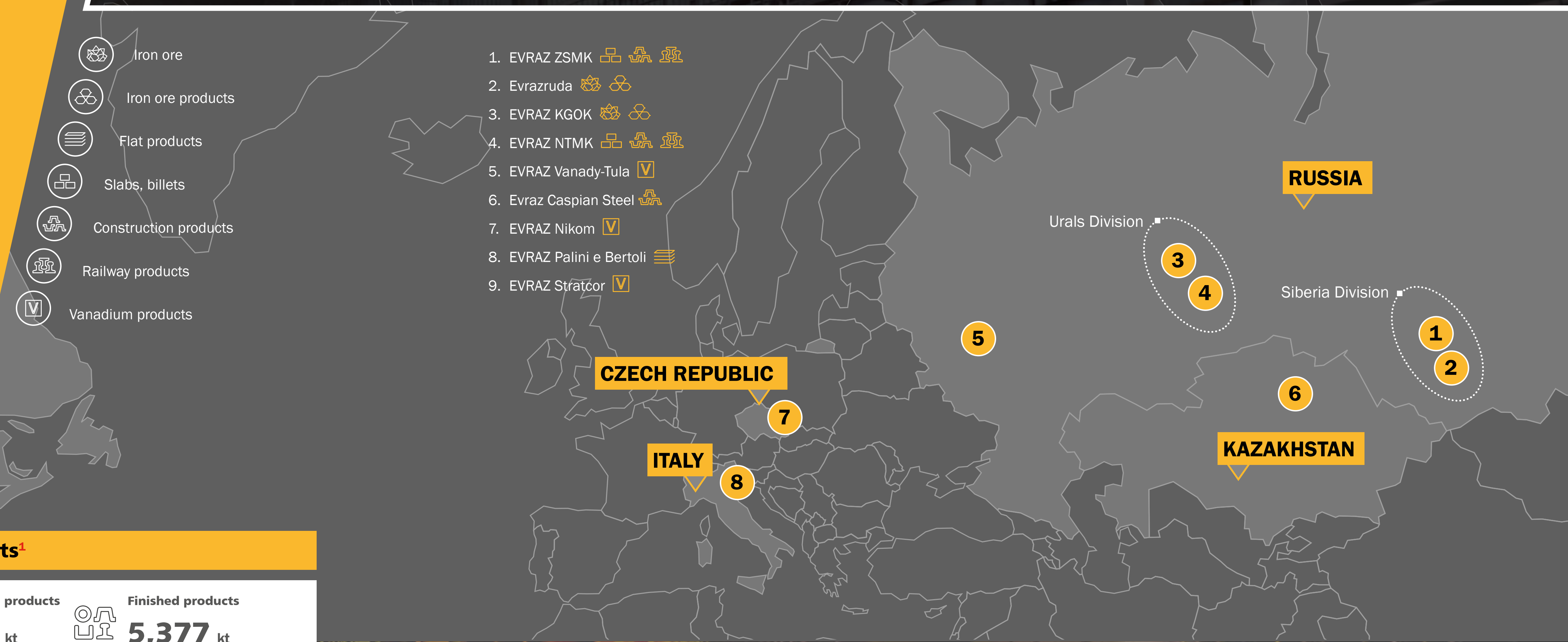
INTRODUCTION AND HIGHLIGHTS

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

Our Vision:

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

KEY PRODUCTION ASSETS



Production highlights

Crude steel 11,121 kt	Steel products 10,853 kt
Iron ore products 13,515 kt	Vanadium slag 17,052 mtV

Sales highlights[1]

Semi-finished products 4,703 kt	Finished products 5,377 kt
Iron ore products 1,980 kt	Vanadium final products 12,352 mtV

Financial highlights

Revenues	EBITDA	EBITDA margin	CAPEX
US$ 8,879 million	US$ 2,672 million	30.1%	US$ 302 million
▲ 14.7% year-on-year	▲ 80.2% year-on-year	19.2% in 2017	▼ 15.6% year-on-year

[1] Sales to 3rd parties only.

STRATEGIC PRIORITIES

PRUDENT CAPEX

KEY INVESTMENT PROJECTS

Steelmaking

Blast furnace No. 7 construction at EVRAZ NTMK

The project aim is to maintain stable pig iron production volumes during the capital repair of blast furnace No. 6 in 2018–19.

Status
Successfully launched.

CAPEX in 2018 **US$48 million**

Grinding ball mill construction at EVRAZ NTMK

The project aim is to construct a new grinding ball mill that can make the grinding balls of hardness category five.

Status
Successfully launched.

CAPEX in 2018 **US$5 million**

Wheel resurfacing capacity expansion at EVRAZ NTMK

The project aim is to expand wheel resurfacing capacity to balance production capacity in 2019–22 and increase production volumes.

Status
Successfully launched.

CAPEX in 2018 **US$10 million**

Mining

The Tashtagolskaya mine development at Evrazruda

The project aim is to increase the Tashtagolskaya mine production capacity to 3.25 Mtpa with partial switching to sublevel caving and using of mobile equipment.

Status
Performed surveying, developed mining equipment upgrading projects, completed first stage of mine development for sublevel caving mining.

CAPEX in 2018 **US$3 million**

The Sobstvenno-Kachkanarsky deposit greenfield project at EVRAZ KGOK

The project aim is to support EVRAZ KGOK's mining capacity at the level of 59 Mtpa through access and development of a titanium magnetite ore deposit.

Status
Developing detailed design for infrastructure facilities.

CAPEX in 2018 **US$0.3 million**

KEY MAINTENANCE PROJECTS

Blast furnace No. 6 construction major overhaul at EVRAZ NTMK

The project aim is to reconstruct the 2.5 mtpa blast furnace 6.

Status
Selected the general designer and the main equipment suppliers.

CAPEX in 2018 **US$7 million**

Tailings facility extension at EVRAZ KGOK

The project aim is to build a thickener and a new damp to maintain processing capacities at the level of 59 Mt of ore a year.

Status
Installed the hydro-compression system at the booster. Currently upgrading equipment at Electric Substation No. 17 and constructing Electric Substation No. 18.

CAPEX in 2018 **US$5 million**

Switching the Severny open pit to truck and rail mining at EVRAZ KGOK

The project aim is to increase ore extraction capacity to 30 Mtpa through using truck and rail mining in the Severny open pit with a possibility for further capacity growth. Part of sub-stage 2.3 in 2018.

Status
Completed the final stage of the project, acquired two 130-tonne dump trucks.

CAPEX in 2018 **US$4 million**

RETENTION OF LOW-COST POSITION

MAIN COST-REDUCTION PROGRAMMES

Blast furnace coke production development programme at EVRAZ NTMK

Status
Reduced the material consumption rate by 4%.

Implemented an initiative to balance the coke strength after reaction.

Metal charge reduction programme at EVRAZ ZSMK

Status
Optimised ferroalloy consumption in oxygen converter shop no 2, increased pig iron temperature in oxygen converter shop No. 1.

Electric-arc furnace shop optimisation at EVRAZ ZSMK

Status
Equipped electric-arc furnace No. 2 with a new advanced intensification system.

Iron ore product development programme at EVRAZ KGOK

Status
Increased iron content in sintered ore.

Improved efficiency of kilns.

Brought into operation a mobile tyre changer for BELAZ machinery.

Changing wagon loading scheme at the Siberia division

Status
Applied a new loading scheme, reduced the number of wagons by increasing the load capacity.

Launch coke screening of 10-30 fractions at EVRAZ ZSMK

Status
Increased volume of 10–30 coke nut fractions for sale instead of using it as a fuel.

STRATEGIC PRIORITIES

DEVELOPMENT OF PRODUCT PORTFOLIO AND CUSTOMER BASE

EXPANSION OF RAILWAY PRODUCT PORTFOLIO

Railway wheels

Key developments in 2018
Increased wheel machining capacity, boosting deliveries by 66,000 wheels a year.

Developed five new wheel profiles and one type of rim, including:
- Freight car wheels for Turkey and Greece
- One type of wheel for General Electric (US) locomotives
- Freight car wheels for Deutsche Bahn

Outlook for 2019
Implement investment project to increase wheel machining and inspection capacity by 78,000 wheels a year (launch in 2020).

Develop and certify two types of freight car wheels for Austrian Railways (ÖBB) and one proprietary freight car wheel type for Europe.

Certify three types of wheels for Polish Railways.

Rails

Key developments in 2018
Developed a new RE 90 rail profile for Brazil.

Developed a conductor rail for metro construction in Russia.

Developed special rails DT400IK for high-load small curves.

Redirected export volumes toward the domestic and CIS markets.

Outlook for 2019
Develop proprietary RE 136 DT 350 NN low-temperature rails for an arctic project in Canada.

Develop 60KR and 50N rails for South Korean market (carried over from 2018 due to increased mill load by the products for Russian Railways).

Receive the certificate and begin supervised operation of DT400IK rails.

Field test DT370 rails, the new base product for Russian Railways.

Railcars

Key developments in 2018
Increased sales of profiles for wagon building by 16%.

Due to a change in New Products Development programme priorities, the development of new railcar profiles was moved to 2019.

Outlook for 2019
Develop new railcar building sections:

3 channel type

1 special profile for the railcar top cord

IMPROVING BEAM CONSUMPTION

Key developments in 2018
The project sales department boosted sales to 57 thousand tonnes by marketing beams for major infrastructure projects and the decision was taken to develop regional sales using the Group's retail network.

Developed 12 new I-beam profiles.

Designed pilot projects in new segments: parking garages, schools, bridges, prefabricated buildings and beam-piles systems

Launched a single pricing strategy for the entire range of I-beams to compete with substitution materials. A new government standard for beams has come into force, significantly expanding range of profiles.

Outlook for 2019
Develop regional project sales to increase sales volumes to a planned level of 85 thousand tonnes a year.

Design and construct pilot projects in new segments: parking garages, schools, logistics centres and sports facilities.

Implement projects to improve availability of beams for clients (planned completion in Q1 2020):
- Mill stock of beams at EVRAZ NTMK
- Metals service centres in Nizhny Tagil and Moscow

Launch a integral IT system to provide information about beam stocks at the mill and trader warehouses.

DEVELOPMENT OF THE CONSTRUCTION PRODUCT PORTFOLIO

Key developments in 2018
Developed new structural steel products and began pilot deliveries, including weather-resistant steels, bridge steels and high-tensile-strength steels.

Reaching the target sales of the sheet piles helped to increase Russian market share to 82%.

Learned to make one L-angle profile for bridge building.

Confirmed the capability to produce rebar at EVRAZ ZSMK meeting the new Russian government standard 34028-2016 that came into force in January 2019.

Outlook for 2019
Develop six new I-beam profiles which meet the European standards for delivery to clients in the CIS and Russia working on foreign projects.

Develop three angled profiles.

Develop two channel profiles.

MARKETING

Key developments in 2018
Conducted a global review of the Customer Focus project, analysing the current status and devising an improvement plan for 2019.

Created a channel for regular meetings of top management with customers.

Outlook for 2019
Market new hardness-category-five grinding ball product.

Implement the Customer Focus project plan.

EXPANSION OF THE CUSTOMER BASE FOR VALUE-ADDED SEMIS

Key developments in 2018
Signed long-term contracts for supplies of round billets to TMK and Chelyabinsk Pipe Plant.

Outlook for 2019
Learn to make and market square billets 130 mm.

Market square billets 150 mm for use as electrodes in aluminium production.

MARKET REVIEW

Russian steel market

In 2018, Russia's economy continued to experience a moderate recovery, recording 2.3% GDP growth. Demand for finished steel products remained practically unchanged at 41 million tonnes. Demand climbed by 3% for long steel, remained stable for flat steel and fell by 2% for tubular products. In the railway segment, demand for wheels surged by 29% due to continued growth in railcar construction and a higher number of railcar overhauls. Meanwhile, demand for rails in Russia dropped by 8%. In construction steel, the beam market edged down by 4% while demand for rebar rose by 8%. Demand for structural products fell by 19% due to greater consumption of substitutes amid higher prices.

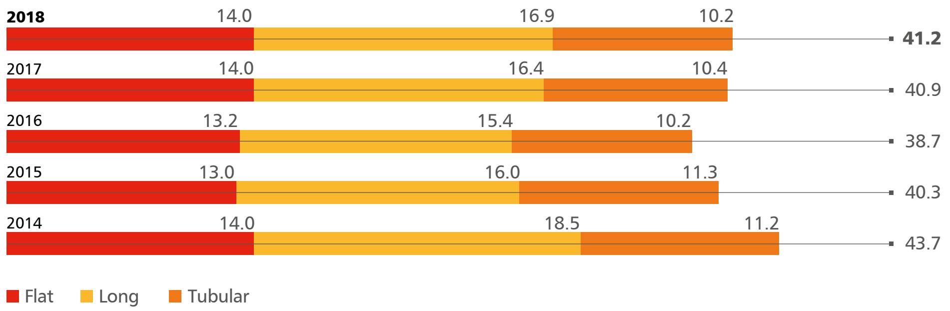
Russian export volumes grew by 3% to 30.4 million tonnes, driven by the weaker rouble and stronger prices on export markets. Total crude steel production in Russia rose by 1% to 72.1 million tonnes.

In 2018, Russian steel prices followed global benchmarks. The CPT Moscow rebar price averaged US$493 per tonne, up 11% from US$445 per tonne in 2017. The price for channels climbed by 12% to US$698 per tonne. Hot-rolled coil averaged US$576 per tonne CPT Moscow, up 2% from US$563 per tonne in 2017. Plates averaged US$584 per tonne, up 5% from US$555 per tonne in 2017.

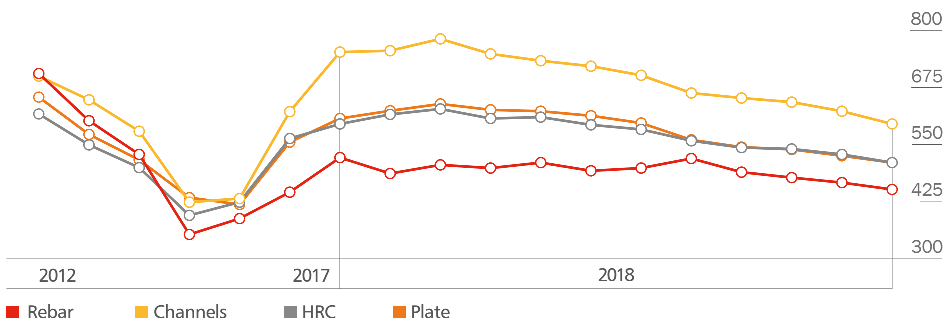
Other steel markets

In Kazakhstan, steel consumption stabilised at 2.7 million tonnes in 2018, down by 4% following strong consumption growth in 2017. Steel product exports dropped by 15% to 3.1 million tonnes, as Kazakh producers reduced production and refocused on the domestic market.

Russian steel consumption by product type, *mt*



Russian steel prices, *US$/t*



SALES VOLUMES REVIEW

In 2018 external steel product sales volumes decreased by 7.6%. The main reasons for this reduction were: the disposal of Ukrainian asset EVRAZ DMZ; lower pig iron production as the new blast furnace No. 7 was launched while simultaneously shutting down blast furnace No. 6 at EVRAZ NTMK; and the general overhaul of blast furnace No. 3 at EVRAZ ZSMK. Sales volumes of semi-finished steel products to third parties decreased by 18% in 2018. Meanwhile, railway product sales rose by 5%, buoyed by strong demand.

Overall, EVRAZ sales volumes of key finished products in Russia mainly increased during the reporting period. Continued high demand from freight car building and repairing companies led to a 28% year-on-year surge in wheel sales. Rail sales were up 4% amid higher purchases by Russian Railways. Beam sales in Russia also improved by 5% thanks to EVRAZ customer focus initiatives and import displacement. Rebar sales volumes in Russia increased by 10%. Structural product shipments were down by 7%.

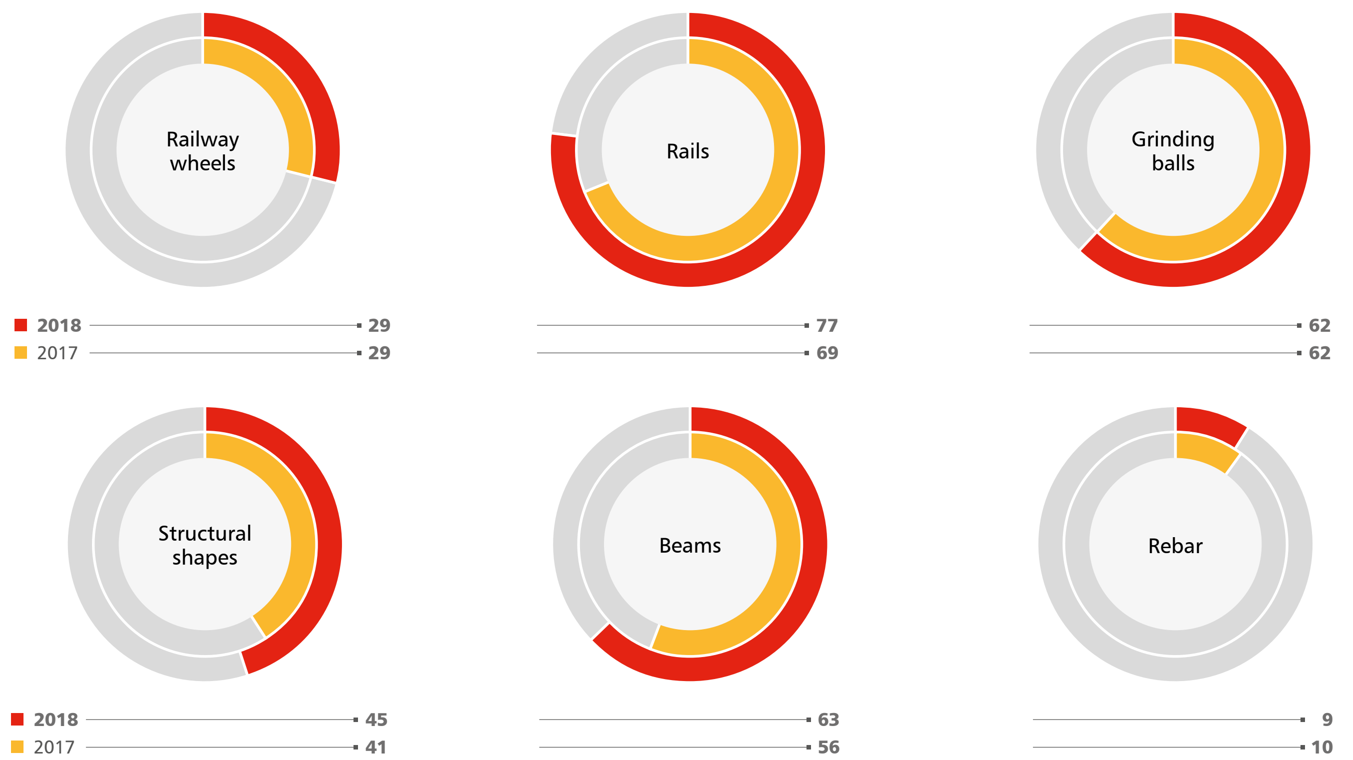
The Group remains focused on maximising the share of sales in the long product segment on the local Siberian market. The market share for beams in Russia expanded to 63%, compared with 56% the previous year. Due to the growth of supplies to Russian Railways, EVRAZ market share in rails rose from 69% to 77%. In 2018, the Group's share on the structural product market was 45%. The share of the grinding ball market remained at the level of the previous year at 62%, at the same time EVRAZ increased sales in a growing market as EVRAZ NTMK put into operation the new grinding ball mill.

In 2018, EVRAZ Caspian Steel's rebar sales increased by 35% to 176 thousand tonnes due to higher demand for rebar in Kazakhstan and the signing of a major contract.

The Group's finished vanadium product sales volumes dropped by 19% to 12.4 thousand tonnes in 2018, compared with 15.2 thousand tonnes of pure vanadium in 2017. The reduction is explained by higher sales volumes during 2017 (higher oxide availability resulting from conversion at third parties of slag stocks and Nitrovan sales from EVRAZ Vametco deconsolidated in April 2017), production downtime at the beginning of the year due to the launch of blast furnace No. 7 and major maintenance work at EVRAZ Vanady-Tula to reline the roasting kiln refractories and replace the grinding mill.

The Group sold 2.0 million tonnes of iron ore pellets to third parties in the year, up 14% year-on-year, due to increased supplies to export destinations, in particular Turkey and China.

EVRAZ market shares in Russia by key products, *%*



Geographic breakdown of external steel product sales, *kt*

	2018	2017	Change, %
Russia	5,043	4,939	2.1
Asia	3,382	3,328	1.6
Europe	1,098	1,499	(26.8)
CIS	762	972	(21.6)
Africa, America and the rest of the world	695	1,141	(39.1)
Total	**10,980**	**11,879**	**(7.6)**

Steel segment sales volumes, *kt*

	2018	2017	Change, %
Steel products, external sales	**10,980**	**11,879**	**(7.6)**
Semi-finished products	4,703	5,735	(18.0)
Construction products	3,697	3,750	(1.4)
Railway products	1,344	1,281	4.9
Flat-rolled products	617	511	20.7
Other steel products	619	601	3.0
Steel products, inter-segment sales	**573**	**587**	**(2.4)**
Total steel products	**11,553**	**12,466**	**(7.3)**
Vanadium products (tonnes of pure vanadium)	**19,194**	**22,110**	**(13.2)**
Vanadium in slag	6,842	6,897	(0.8)
Vanadium in alloys and chemicals[1]	12,352	15,213	(18.8)
Iron ore products[2]	**3,112**	**2,937**	**6.0**
Iron ore concentrate	8	25	(99.3)
Pellets	1,972	1,726	14.3
Other iron ore products	1,132	1,186	(4.6)

[1] *There are some differences from the figures for 2017 that were published in the previous annual report due to adjustments in the sales volumes of vanadium products.*
[2] *Other iron ore products include sales of 1,126 kt of sinter from related party to EVRAZ DMZ (by EvrazTransUkraine).*

FINANCIAL PERFORMANCE

Sales review

In 2018, revenues from the Steel segment climbed by 14.7% to US$8,879 million, compared with US$7,743 million a year earlier. The segment's revenues were affected by rising sales prices for vanadium products and steel, primarily for finished products, which was partly offset by lower sales volumes of vanadium products and steel.

Revenues from sales of construction products to third parties grew by 5.0%: a 6.4% increase was attributed to surges in average prices which was partly offset by a 1.4% reduction in sales volumes amid a slowdown of construction work in Russia.

Revenues from external sales of railway products rose due to a 6.9% increase in prices, which was supported by market upside growth of 4.9% in sales volumes. Greater sales of railway products during the reporting period were attributable to higher demand for wheels as the Russian market entered a new cycle in railcar production and due to signing a new five-year contract with Russian Railways.

External revenues from flat-rolled products jumped by 32.6%, driven by surges of 11.9% in average prices and 20.7% in sales volumes amid an improving market situation. This was in line with global market trends and the increased production volumes at EVRAZ Palini e Bertoli.

The share of sales to the Russian market grew from 48.4% in 2017 to 49.5% in 2018, mainly due to a shift from sales to Europe and the CIS.

Steel segment revenues from sales of iron ore products rose by 32.3%. This was due to a 26.3% increase in sales price, accompanied by 6.0% rise in sales volumes. In 2018, around 70.2% of EVRAZ iron ore consumption in steelmaking came from the Group's own operations, compared with 66.5% a year earlier.

Steel segment revenues from sales of vanadium products surged by 111.4%. A 124.6% was attributed to an upswing in sales prices, which was partly offset by a 13.2% decrease in sales volumes. Reduction in sales volumes was caused by a low-base effect from higher oxide availability in 2017 due to the conversion of slag stocks at third parties; production downtime due to the launch of blast furnace No. 7 at EVRAZ NTMK and maintenance at EVRAZ Vanady-Tula; and the fact that no Nitrovan sales from EVRAZ Vametco were being included in the 2018 reporting following its deconsolidation in May 2017.

Geographic breakdown of external steel product sales, *US$ million*

	2018	2017	Change, %
Russia	3,258	3,012	8.2
Asia	1,810	1,492	21.3
Europe	653	701	(6.8)
CIS	482	528	(8.7)
Africa, America and rest of the world	377	486	(22.4)
Total	**6,580**	**6,219**	**5.8**

Steel segment revenues by products

	2018		2017		
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	Change, %
Steel products, external sales	**6,580**	**74.1**	**6,219**	**80.3**	**5.8**
Semi-finished products[1]	2,521	28.4	2,523	32.6	(0.1)
Construction products[2]	2,280	25.7	2,171	28.0	5.0
Railway products[3]	965	10.9	863	11.1	11.8
Flat-rolled products[4]	415	4.7	313	4.0	32.6
Other steel products[5]	399	4.4	349	4.6	14.3
Steel products, inter-segment sales	**334**	**3.8**	**284**	**3.7**	**17.6**
Including sales to Steel, North America	321	3.6	270	3.5	18.9
Iron ore products	**254**	**2.9**	**192**	**2.5**	**32.3**
Vanadium products	**1,152**	**13.0**	**545**	**7.0**	**111.4**
Other revenues	**559**	**6.3**	**503**	**6.5**	**11.1**
Total	**8,879**	**100.0**	**7,743**	**100.0**	**14.7**

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

Cost of revenues

In 2018, the Steel segment's cost of revenues decreased by 3.1% year-on-year. The main reasons for the reduction were:

- The cost of raw materials fell by 9.5%, mainly due to reduced costs of iron ore (down 24.0%), coking coal (down 10.8%) and other raw materials (down 10.5%) following to the disposal of EVRAZ DMZ in March 2018 and Yuzhkoks in December 2017, as well as the effect of the weaker rouble. This was partly offset by higher cost of scrap (up 10.3%) due to higher prices;
- Transportation costs dropped by 8.9%, primarily due to the rouble's depreciation, and the disposal of EVRAZ Sukha Balka in June 2017;
- Staff costs were down 7.4%, largely because of the effect that rouble weakness had on costs and due to the disposal of EVRAZ DMZ;
- Depreciation and depletion costs decreased by 7.9%, primarily due to rouble's depreciation;
- Energy costs were lower due to the weaker rouble and disposal of EVRAZ DMZ;
- Other costs increased, primarily due to changes in goods for resale and semi-finished products.

Gross profit

The Steel segment's gross profit surged by 67.7% year-on-year, driven primarily by higher vanadium and steel prices, accompanied by the effect that rouble weakening had on costs. This was partly offset by a rise in prices for purchased raw materials (particularly for scrap).

Steel segment cost of revenues

	2018		2017		
	US$ million	% of segment revenues	US$ million	% of segment revenues	Change, %
Cost of revenues	**5,613**	**63.2**	**5,795**	**74.8**	**(3.1)**
Raw materials	2,494	28.1	2,756	35.6	(9.5)
Iron ore	369	4.2	485	6.3	(24.0)
Coking coal	1,209	13.6	1,356	17.5	(10.8)
Scrap	514	5.8	466	6.0	10.3
Other raw materials	402	4.5	449	5.8	(10.4)
Auxiliary materials	343	3.9	334	4.3	2.7
Services	284	3.2	269	3.5	5.6
Transportation	409	4.6	449	5.8	(8.9)
Staff costs	491	5.5	530	6.8	(7.4)
Depreciation	222	2.5	241	3.1	(7.9)
Energy	429	4.8	474	6.1	(9.5)
Other[6]	941	10.6	742	9.6	26.8

[6] Includes goods for resale, changes in work in progress and finished goods, taxes in cost of revenues, semi-finished products, allowance for inventory and inter-segment unrealised profit.

Coal segment

INTRODUCTION AND HIGHLIGHTS

EVRAZ ranks first among Russian coking coal producers. The Group offers integrated solutions to optimise the coal blend to a global clientele, and prides itself on being a reliable supplier. Coal and concentrate products are used by EVRAZ steelmaking divisions, as well as by third-party domestic customers and export clients in Europe and Asia. In 2018, EVRAZ expanded its export geography by sending its coal shipments to India.

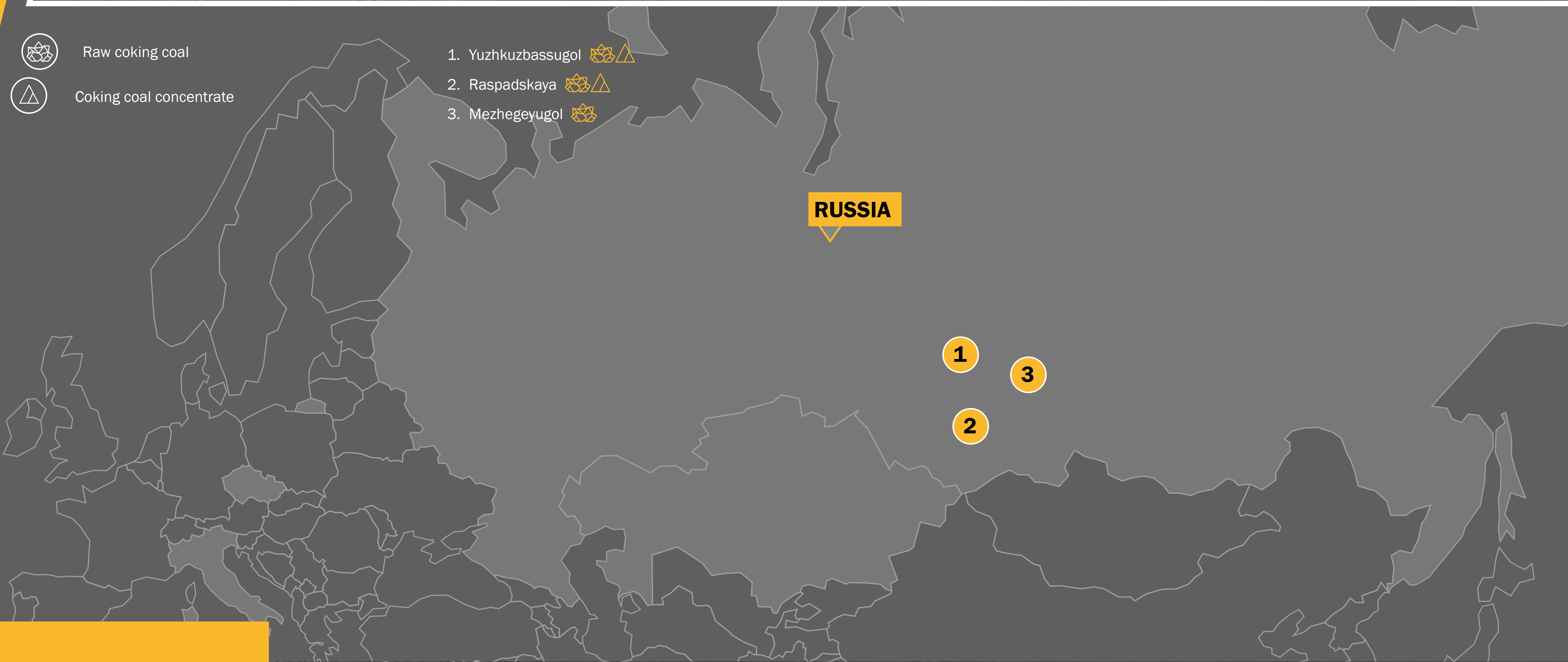
Our Vision

EVRAZ strives to secure its leading positions on the Russian and global coking coal markets.

Product portfolio

The product portfolio comprises a wide range of coking coal blends, including hard, semi-hard, and semi-soft.

KEY PRODUCTION ASSETS



Production highlights

Raw coking coal	Coking coal concentrate
24,188 kt	14,130 kt

Sales highlights[1]

Raw coking coal	Coking coal concentrate
1,690 kt	9,323 kt

Financial highlights

Revenues	EBITDA	EBITDA margin	CAPEX
US$ 2,337 million	US$ 1,218 million	52.1%	US$ 119 million
▲ 5.6% year-on-year	▼ 0.7% year-on-year	55.4% in 2017	▼ 5.6% year-on-year

[1] *Sales to 3rd parties only.*

STRATEGIC PRIORITIES

PRUDENT CAPEX

KEY INVESTMENT PROJECTS

Access and development of reserves in the Uskovskaya mine's seam No. 48

The project aim is to prepare the reserves in seam No. 48 for mining and to maintain the current coal production level beyond 2020.

Status
Acquired licence for reserves in seam No. 48.

Developed 1,385 metres of stone roadways using new road headers.

CAPEX in 2018 **US$20 million**

Longwall mining in the Raspadskaya-Koksovaya mine's field No. 2

The project aim is to switch from the board-and-pillar method to longwall mining, thereby increasing annual production of the valuable K-grade coal from 0.7 Mt to 1.4-1.5 Mt.

Status
Prepared for installation of a gas suction unit, a modular degassing unit and construction of high-voltage lines therefore.

Acquired a longwall system and upgraded the mine's primary transport chain.

CAPEX in 2018 **US$4 million**

Access and development of reserves in the Esaulskaya mine's seam No. 29a

The project aim is to relocate mining operations from seam No. 26 to seam No. 29a, thereby increasing annual coal production to 2.5 Mt beyond 2020.

Status
Developed 4,722 metres of roadways, including an access flank roadway.

Installed and assembled a ventilation unit at seam No. 29a worksite.

CAPEX in 2018 **US$5 million**

Development of Raspadskaya-Koksovaya open-pit

The project aim is to begin open-pit mining of the valuable OS (premium low-vol HCC) grade coal at the Raspadskaya-Koksovaya site.

Status
Brought in additional contractors to increase mining volumes.

CAPEX in 2018 **US$2 million**

KEY MAINTENANCE PROJECTS

Upgrade of the mining equipment at the Raspadskaya and Alardinskaya mines

The project aim is to acquire powered support units due to the increased longwall length, replacing shearers and longwall conveyors.

Status
In 2018, production from the Raspadskaya mine's longwall 4-6-33 totalled 1.9 Mt.

Installation of powered support units has begun at the Alardinskaya mine's longwall 6-1-20.

CAPEX in 2018 **US$8 million**

Upgarde of the equipment fleet at Raspadsky open-pit

The project aim is to acquire five new dump trucks, an excavator and a bulldozer; replace equipment that has exceeded its optimal operating time; and modernise two dump trucks to be able to operate on the roads, as well.

Status
In December 2018, the excavator and bulldozer were received.

CAPEX in 2018 **US$0.4 million**

Acquirement of the drilling rig to drill large-diameter boreholes of up to 2.5 m for gas control in mines

The project aim is to improve ventilation and degassing in mine roadways.

Status
The equipment has been delivered and drilling of a 2m diameter borehole has begun at the Erunakovskaya-8 mine.

CAPEX in 2018 **US$0.1 million**

RETENTION OF LOW-COST POSITION

MAIN COST-REDUCTION PROGRAMMES

Optimise the production flow at washing plants

Status
Automated the flotation flows and increased the feed size at the Raspadskaya washing plant.

Automated the operation of the screw separators at section 3 of the Raspadskaya washing plant.

Restored the chamber-membrane filter of the press at the Abashevskaya washing plant.

Optimise expenses for auxiliary materials and industrial services

Status
Reduced the stripping ratio at Raspadsky Open Pit by optimising mining operations.

Began using machinery customised for driving on public roads.

Optimised shipping costs and specialised equipment costs.

Optimise saleable product output

Status
Brought in a contractor's small excavators for selective, higher-quality coal extraction with lower ash content at Raspadsky Open Pit, which made it possible to obtain additional saleable product by increasing both mining volumes and yield at washing plants.

STRATEGIC PRIORITIES

DEVELOPMENT OF PRODUCT PORTFOLIO AND CUSTOMER BASE

SECURING THE POSITION OF A MAJOR COKING COAL SUPPLIER IN RUSSIA

Key developments in 2018
Expanded the product portfolio and learned to make concentrate mixes to suit the request of certain clients.

Improved the reliability of deliveries by putting into operation new warehouses for concentrate and raw coal at all washing plants (with the capacity of 15-200 thousand tonnes).

Increased the production volumes of premium low-vol. hard coking coal at the new open pit on the Raspadskaya-Koksovaya mine site.

Boosted raw coking coal production volumes by 4% year-on-year and coal product sales volumes by 5% year-on-year.

Improved EVRAZ self-sufficiency in coal to 69% by increasing production of OS-grade coal in the the Raspadskaya-Koksovaya open pit.

Increased the output of semi-hard GZh-grade concentrate at the Raspadskaya washing plant by reducing the ash content in the coal mined at Raspadsky Open Pit.

Outlook for 2019
Maintain leading positions on the Russian market by keeping product quality consistent.

Boost production volume by 3% year-on-year to 25 million tonnes and saleable product volumes to 19.5 million tonnes by increasing mining efficiency.

Focus on degassing and ventilating goafs due to increasing gas-content of seams.

Improve efficiency and yield at washing plants.

Increase premium low-vol. hard coking coal production volumes by launching longwall mining in the Raspadskaya-Koksovaya mine.

EXPANSION OF THE EXPORT PORTFOLIO

Key developments in 2018
EVRAZ achieved its targets for 2018 export sales by:
- Maintaining a flexible sales geography
- Export priorities: Japan, South Korea, Vietnam, Indonesia and countries in Eastern Europe
- Entering new markets, like India
- Conducting site visits for new clients and regular audits at the request of key customers from Japan, Brazil and Slovakia

Outlook for 2019
- Ensure a diverse sales geography by seeking new supply routes from Baltic Sea ports
- Increase export sales to South-East Asia and European countries

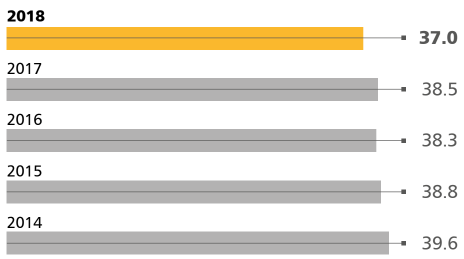
MARKET REVIEW

In 2018, Russian coking coal concentrate consumption fell by 3% year-on-year to 37.0 million tonnes due to reduced coke demand, as well as general overhauls of blast furnaces. Overall, the Russian coking coal market is stable and no major changes are expected in 2019. Export shipments rose by 13% to 25.6 million tonnes, compared with 22.6 million tonnes in 2017, mainly due to higher shipments to Ukraine amid greater competition on the Russian market.

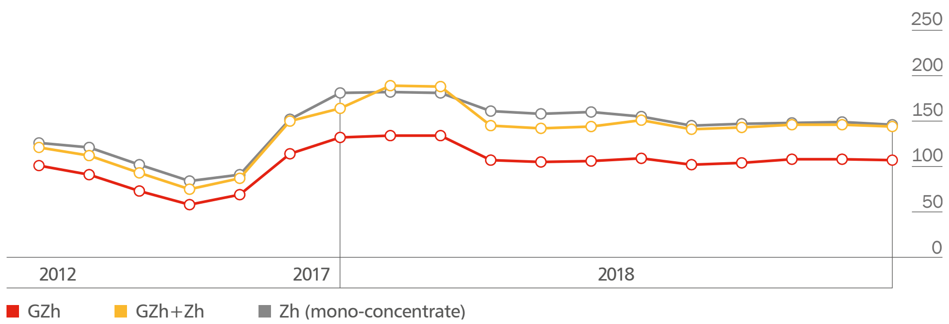
Domestic coking coal prices followed global benchmark trends during the reporting period.

The premium Zh-grade coking coal averaged US$159 per tonne FCA Kuzbass, up 3% from US$154 per tonne in 2017, while the GZh-grade semi-soft coking coal decreased by 1% year-on-year, averaging US$113 per tonne.

Domestic coking coal concentrate consumption, *mt*



Coal prices, *US$/t*



SALES VOLUMES REVIEW

EVRAZ coking coal product sales grew by 5% to 17.1 million tonnes in 2018, compared with 16.3 million tonnes in 2017, due to higher production volumes of the OS and KS coal grades at the Group's current mines including the ramp-up of the open-pit at Raspadskaya-Koksovaya site.

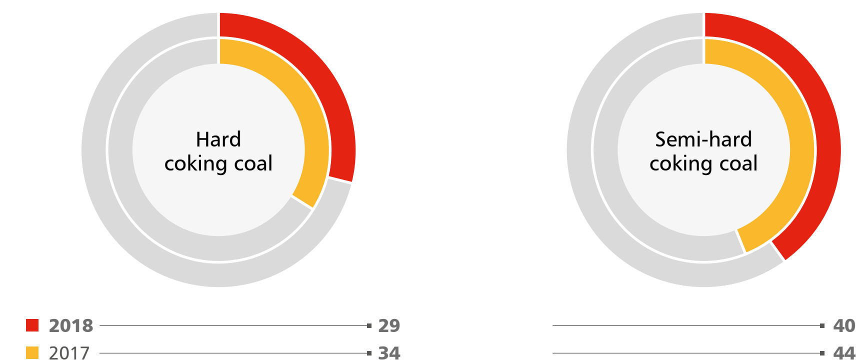
Intersegment coking coal product sales surged by 4% to 6.0 million tonnes under the policy of maximising supplies to EVRAZ. Total external coking coal product sales increased by 5% year-on-year to 11 million tonnes.

Coking coal product sales on Russia's domestic market decreased by 3% to 9.3 million tonnes, with more than 60% consumed by EVRAZ steelmaking facilities.

The Group's coal product export shipments rose by 17% to 7.7 million tonnes during the reporting period, compared with 6.6 million tonnes in 2017. EVRAZ expanded its sales to Europe by 2.4 times and to Japan and South Korea by 42%. The Group also began to supply coking coal products to India.

In 2018, EVRAZ maintained its leading position on the domestic market with a 22% market share in all coal grades.

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



Coal segment sales volumes, *kt*

	2018	2017	Change, %
External sales	**11,048**	**10,499**	**5.2**
Coking coal	1,690	2,302	(26.6)
Coal concentrate	9,323	8,197	13.7
Steam coal	35	n/a	n/a
Inter-segment sales	**6,016**	**5,778**	**4.1**
Coking coal	1,863	1,160	60.6
Coal concentrate	4,153	4,618	(10.1)
Total, coal products	**17,064**	**16,277**	**4.8**

FINANCIAL PERFORMANCE

Sales review

The segment's overall revenues increased amid rising sales prices as global market trends remained favourable. This was driven by supply disruptions caused by port restrictions in Australia and by unfavourable weather conditions in the US.

Revenues from internal sales of coal products were down, mainly because of an 8.4% decline in prices and partly offset by a 4.1% increase in sales volumes.

Revenues from external sales of coal products rose due to growth of 13.8% in prices and 5.2% in sales volumes, which was driven by higher coal production volumes and stable, positive demand on the domestic and export markets, including higher shipments to the Southeast Asia and European countries.

In 2018, the Coal segment's sales to the Steel segment amounted to US$779 million (33.3% of total sales), compared with US$830 million (37.5%) a year earlier.

During the reporting period, roughly 68.8% of EVRAZ coking coal consumption in steelmaking came from the Group's own operations, compared with 50.0% in 2017.

Cost of revenues

The main drivers of the year-on-year increase in the Coal segment's cost of revenues were as follows:

- The consumption of auxiliary materials rose by 9.7% due to larger resale volumes of third-party materials, greater consumption of spare parts due to wear of the main process equipment and increased longwall repositioning. This was accompanied by growth in prices for auxiliary materials (diesel fuel and petrol), partly offset by the depreciation of the rouble;
- Costs for services climbed by 13.2% due to greater open-pit mining works and higher costs for overburden removal at the Raspadskaya-Koksovaya mine, the growth of service costs for redevelopment and a longwall move at Yuzhkuzbassugol's mines;
- Transportation costs grew by 23.2% in the reporting period, primarily due to the higher share of exports in the sales mix, which had a negative impact on trading companies, as well as an increase in tariffs for the supply of wagons;
- Staff costs were lower, primarily due to the disposal of EVRAZ Nakhodka Trade Sea Port and rouble weakening. This was partly offset by wage indexation, forming and using internal drift crews, and additional contributions to the pension fund for underground workers from 2018;
- Depreciation and depletion costs fell, primarily due to the weaker Russian currency;
- Other costs decreased in the reporting period, mainly due to changes in work in progress and finished goods, as well as the effect of the rouble's depreciation. This was partly offset by higher taxes after the mineral tax rate was increased and due to greater production volumes.

Gross profit

The Coal segment's gross profit for 2018 amounted to US$1,295 million, up from US$1,241 million a year earlier, primarily due to higher sales prices.

Coal segment revenues by product

	2018		2017		
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	Change, %
External sales					
Coal products	**1,506**	**64.4**	**1,266**	**57.2**	**19.0**
Coking coal	145	6.2	174	7.9	(16.7)
Coal concentrate	1,358	58.1	1,092	49.3	24.4
Steam coal	3	0.1	–	–	n/a
Inter-segment sales					
Coal products	**776**	**33.2**	**811**	**36.6**	**(4.3)**
Coking coal	120	5.1	75	3.4	60.0
Coal concentrate	656	28.1	736	33.2	(10.9)
Other revenues	**55**	**2.4**	**137**	**6.2**	**(59.9)**
Total	**2,337**	**100.0**	**2,214**	**100.0**	**5.6**

Coal segment cost of revenues

	2018		2017		
	US$ million	% of segment revenues	US$ million	% of segment revenues	Change, %
Cost of revenues	**1,042**	**44.6**	**973**	**43.9**	**7.1**
Auxiliary materials	136	5.8	124	5.6	9.7
Services	129	5.5	114	5.1	13.2
Transportation	319	13.6	259	11.7	23.2
Staff costs	193	8.3	198	8.9	(2.5)
Depreciation/depletion	155	6.6	162	7.3	(4.3)
Energy	49	2.1	49	2.2	–
Other[1]	61	2.7	67	3.1	(9.0)

[1] *Primarily includes goods for resale, certain taxes, changes in work in progress and finished goods, allowance for inventory, raw materials and inter-segment unrealised profit.*

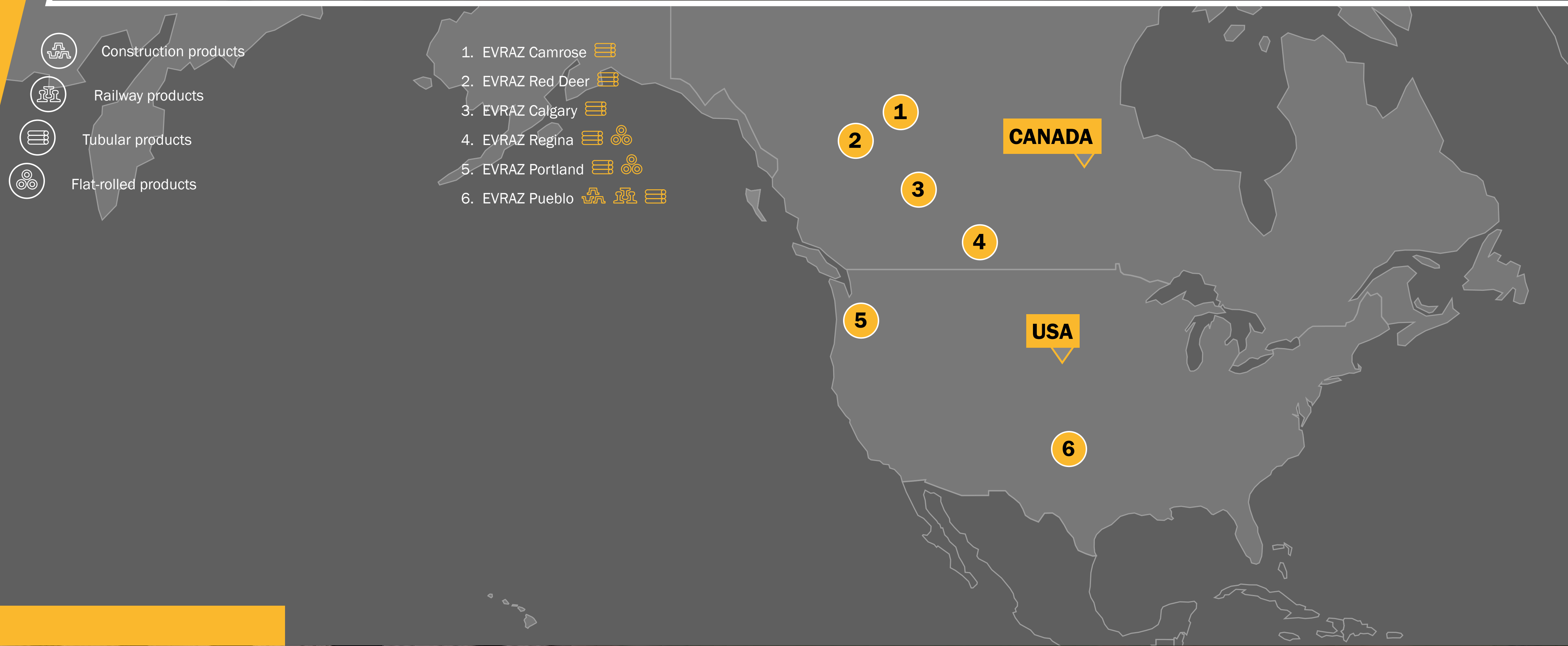
Steel, North America segment

INTRODUCTION AND HIGHLIGHTS

EVRAZ is a leading North American producer of high-quality, engineered steel products for the rail, energy, and industrial end user markets, with a focus on partnering with customers. EVRAZ holds leading positions in Western Canada's oil country tubular goods (OCTG) and small-diameter pipe (SDP) markets, as well as in the US West Coast plate market. EVRAZ is also the largest producer by volume in the North American rail and large-diameter pipe (LDP) markets.

- The long division is the largest domestic producer of premium rail in the US and the only rail producer in Western North America.
- The tubular division is the largest North American producer of LDP, which is used for oil and gas pipelines, and the only supplier of fully "Made in Canada" LDP. It is also the largest OCTG producer in Western Canada.
- The flat division operates the only plate mill on the US West Coast. In 2018, EVRAZ Portland was named the number one plate mill in the US.

KEY PRODUCTION ASSETS



Production highlights

Crude steel	Steel products
1,898 kt	2,141 kt

Sales highlights[1]

Steel products
2,156 kt

Financial highlights

Revenues	EBITDA	EBITDA margin	CAPEX
US$ 2,583 million	US$ 14 million	0.5%	US$ 97 million
▲ 38.6% year-on-year	▼ 75.9% year-on-year	3.1% in 2017	▼ 9.3% year-on-year

[1] Sales to 3rd parties only.

STRATEGIC PRIORITIES

PRUDENT CAPEX

KEY INVESTMENT PROJECTS

EVRAZ Pueblo seamless threading

The project aim is to in-source seamless threading and coupling process from third-party providers to improve cost competitiveness.

Status
Equipment installation completed and commissioning commenced in Q4 2018, first order shipped in December 2018.

CAPEX in 2018 **US$15 million**

EVRAZ Red Deer heat treatment

The project aim is to develop heat treatment capability to access a higher margin market.

Status
Launched execution phase of the project.

CAPEX in 2018 **US$13 million**

KEY MAINTENANCE PROJECTS

During 2018, the Group's operations completed important maintenance projects:

- At EVRAZ Portland, cooling bed repairs and mill leveler rebuild were completed;
- At EVRAZ Pueblo, installed 2 new scrap cranes and repaired the furnace roof/hearth in the Seamless Mill;
- At EVRAZ Regina, EVRAZ carried out installation of a new transformer for the Steel mill.

RETENTION OF LOW-COST POSITION

MAIN COST-REDUCTION PROGRAMMES

Optimisation of consumption of raw materials and basic materials

Alloy savings from EVRAZ Regina investment project

Status
In 2018, additional savings on alloys were achieved at EVRAZ Regina's steel mill.

Flux/powder usage reduction at EVRAZ Regina's steel mill

Status
Additional savings from flux consumption were achieved in 2018.

Graphite electrode consumption reduction at EVRAZ Regina's steel mill and EVRAZ Pueblo

Status
EVRAZ completed benchmarking and gap analysis for electrodes consumption.

Changes in supplier base and supply requirements have been made.

Optimisation of yield and productivity

Improve yields at EVRAZ Regina's steel and tubular facilities

Status
Both the steel and tubular mills reached and exceeded their 2018 productivity targets, which translated to tangible cost savings.

Increase productivity of EVRAZ Regina's steel facility

Status
Both EVRAZ Regina's meltshop and rolling mill set new records in 2018 in terms of production volumes.

Increase Alberta OCTG production throughput

Status
The heat treatment line in Calgary achieved a 15.9% increase in throughput of P110 product in 2018.

Improve EVRAZ Portland plate yield

Status
Plate yield target achieved by improving slab ordering practices, better tracking of slab utilisation and special ordering optimal slab sizes to ensure better performance.

Improve seamless prime yield

Status
Seamless prime yield improved throughout 2018 due to mill set up actions and operations crew training.

Increase EVRAZ Pueblo's seamless heat treatment output

Status
Seamless heat treatment output exceeded the target by 10% in 2018.

Ramp up EVRAZ Pueblo's threadline

Status
Threadline project completed as expected.

Optimisation of product quality system

Improve forming/welding processes at EVRAZ Regina's tubular facility

Status
Achieved a significant improvement in welding prime yields, surpassing historical levels and medium-term goals.

Improve surface defects

Status
Degassing approximately 85% of steel consumed by EVRAZ Regina's tubular facility allowed the Group to produce products with less hydrogen related slivers.

Reduce customer claims at EVRAZ Red Deer

Status
Reduced claims paid by 25% compared with 2017 through the implementation of additional quality improvements during production and shipping, as well as through employee training.

Improve controls over key production processes at EVRAZ Portland

Status
Improvements achieved through the implementation of additional quality control steps during production and shipping, as well as through employee training.

STRATEGIC PRIORITIES

DEVELOPMENT OF PRODUCT PORTFOLIO AND CUSTOMER BASE

MARKETING AND CUSTOMER FOCUS

Tubular division

Key developments in 2018

- Maintained the leading market share in the OCTG market in Western Canada, supported by strong demand and solid productivity
- Achieved target production and productivity levels at EVRAZ Regina's steel and spiral mills following the upgrade with record steel performance in Q4 2018 in terms of volume
- Secured high capacity utilisation of EVRAZ Regina's spiral mills with strong LDP order book
- Produced first thick-wall orders for key LDP customers using new capabilities of EVRAZ Regina's steel and spiral mills
- Improved operational efficiency and added capacity to EVRAZ Regina's new coating facility
- Increased the utilisation of the facility supported by strong LD and SD line pipe demand
- Launched the new heat treatment line investment at EVRAZ Red Deer to meet increasing demand for heat-treated pipe in Western Canada
- Successfully built a strong LDP order backlog for 2019, with most new sales in Canada to mitigate the impact of the US trade restrictions, such as Section 232 tariffs and anti-dumping duties on LDP
- Restarted the large-diameter spiral pipe mill at EVRAZ Portland due to increased customer demand in the US

Outlook for 2019

- The large-diameter pipe market in Canada is expected to grow due to the new pipelines planned in Western Canada
- The strong LDP order book for 2019 with primarily Canadian orders secures high utilisation of EVRAZ Regina's mills
- OCTG demand in Canada is forecast to remain flat with some uncertainty driven by the lack of pipeline infrastructure in Western Canada
- Further increase the productivity at the OCTG mills, as well as expand the heat treatment and threading capacity at EVRAZ Red Deer to enhance the OCTG market share and keep utilisation of mills at a high level
- Boost thick-wall LDP volumes at EVRAZ Regina's spiral facility to meet customer demand
- Continued uncertainty around US trade restrictions, which are currently expected to remain in place, but Canada's safeguard measures and focus on the domestic market create a positive outlook in 2019
- Plan to secure new orders for EVRAZ Portland's spiral mill to serve the US market

Long division

Key developments in 2018

- Increased rail and rod/bar demand, driven by the improved economic environment
- Achieved full utilisation of steelmaking and all three product lines, supported by strong demand and improved markets in the US
- Secured higher shipments to Western US and Canadian Class I railroads in 2018 and going forward by signing long-term supply contracts with several key customers
- Class I railroads' preferences for long rail have increased markedly in the last five years, becoming a critical purchasing decision factor. Hence, the Group has announced the construction of new 100-metre rail mill at EVRAZ Pueblo to maintain technical leadership and continue shifting to a higher-value product mix. The project has met excellent support from the governments of Pueblo and Colorado, as well as from key customers
- Built and successfully launched a new seamless threading line at EVRAZ Pueblo, bringing the threading process in-house to significantly reduce costs and improve customer delivery time

Outlook for 2019

- The US trade protection measures are expected to remain in place, but quotas and exemptions for foreign steel are possible and will allow some importers access to the US market, resulting in potential softening of rod/bar and seamless pipe markets
- The North American rail market is expected to be flat year-over-year, with EVRAZ share further increasing with higher volumes to Canadian Class I rail customers and additional volumes to distribution and track work accounts
- On track with the new rail mill project, which will be a key focus for the expected duration of the process (through 2021)
- Achieve planned volumes and production targets for the seamless threading line to fully realise the planned benefits from the investment

Flat division

Key developments in 2018

- Section 232 tariffs impacted slabs purchased from Russia, Mexico and Canada in 2018, but market pricing increased during the year, allowing the business to maintain spreads at and above the historical average
- Gained a significant market share in the plate market and grew the heat-treated plate business through improved on-time delivery and high-quality products
- Retained and strengthened the position as a leading supplier to one of the largest wind tower producers in North America through securing additional volumes for 2018-19 based on the product quality, operational performance and customer service provided by EVRAZ
- Continued developing the Group's presence on the wind tower plate market by becoming a qualified supplier for an additional wind tower fabricator in North America
- Grew market share in the armoured vehicle market by around 10% through increased volumes

Outlook for 2019

- Continue increasing sales of heat-treated material and growing the wind tower plate business
- Commercialise new products and increase the market share in the newly entered water pipe sector
- Re-enter the energy transmission market

NEW PRODUCT DEVELOPMENT AND QUALITY IMPROVEMENT

Tubular division

Key developments in 2018

- Finalised development of sour-service line pipe product
- Qualified and produced thick-wall pipe (1'') at the new LD mill for customer orders
- Degassing around 85% of heats at EVRAZ Regina allowed the Group to produce higher-quality products with significantly lower hydrogen levels

Outlook for 2019

- Develop larger coupling size production capability at the coupling facility in Edmonton
- Develop larger sizes for OCTG premium and semi-premium connections driven by market needs
- Continuously improve product quality, production processes and productivity by developing a world-class quality system
- Finalise development of heavy-gauge pipe products with improved toughness at -45C°

Long division

Key developments in 2018

- Apex G2 rail has been installed in track with a number of Class I railroads. Product performance is being closely monitored by customers and EVRAZ technical team with very favourable results
- Continued cultivating technical partnerships with key rod customers with a focus on product innovation led to successful development of EAF tire cord grade steel and other promising high-carbon rod products. In 2018, tire cord steel was successfully supplied to a customer

Outlook for 2019

- Further commercialise Apex G2 rail in 2019 by expanding sales over 2018
- Significantly increase tire cord sales year-over-year in 2019

Flat division

Key developments in 2018

- Developed "TruTank" product to increase participation in the tank market with a plan to roll out to market and sell volume in 2019
- Developed 700bhn product for prototype armoured vehicles and plan to roll out to market in 2019
- Developed LFQ product for laser cutting applications and ran successful trials with internal coil, with next step to trial slabs from EVRAZ NTMK
- Have successfully improved heavy gauge flatness through operational improvements

Outlook for 2019

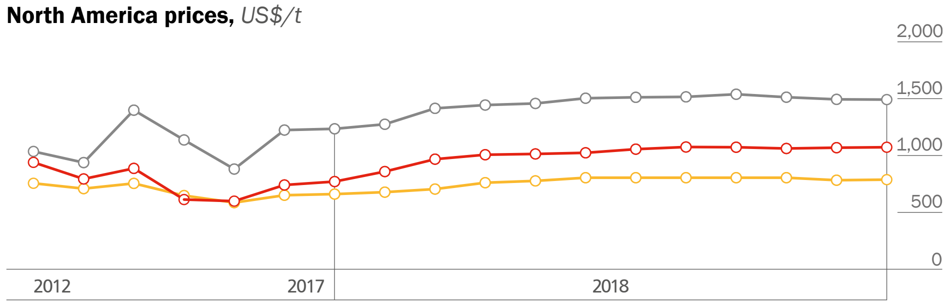
- Commercialise "TruTank" product sales
- Improve hardness consistency with AR500/AR550 plate to be rolled out to Service Centres for use in civilian armour and other applications
- Branding FlatRX product (flattened plate) to be rolled out to the market in 2019
- Work with EVRAZ NTMK to improve API capability to reduce metallic inclusions

MARKET REVIEW

In 2018, US steel product consumption rose by 2.7% to 99 million tonnes, up from 96 million tonnes in 2017. Demand for flat products improved by 2.9%, at the same time demand for tubular products decreased by 2.8%. The North American rail market remained firm at the level of 1.0 million tonnes in the period. The oil country tubular goods (OCTG) market declined in 2018 with Canadian consumption estimated at 0.7 million tonnes compared with 0.8 million tonnes in 2017. The large-diameter pipe (LDP) market remained stable at the level of 1 million tonnes.

Imports of finished steel products fell by 10% year-on-year to 23 million tonnes as a result of the 25% Section 232 tariffs enacted by the US. Due to strong demand and the influence of trading barriers, prices surged by 36% to US$1004 per tonne for plate, by 17% to US$765 per tonne for rebar and by 18% to US$1449 per tonne for OCTG.

North America prices, *US$/t*



Steel, North America segment sales volumes, *kt*

	2018	2017	Change, %
Steel products			
Semi-finished products	57	7	n/a
Construction products	287	241	19.1
Railway products	421	376	12.0
Flat-rolled products	568	512	10.9
Tubular products	823	749	9.9
Total	**2,156**	**1,885**	**14.4**

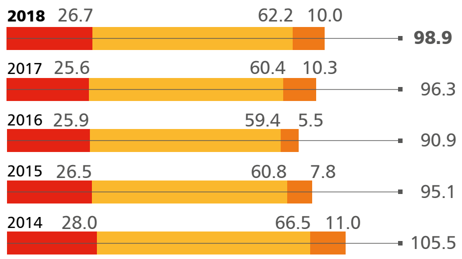
SALES VOLUMES REVIEW

In 2018, EVRAZ North America's steel product sales climbed by 14% to 2.2 million tonnes, compared with 1.9 million tonnes in 2017, as a reduction in imports created additional demand and overall consumption became stronger. Construction product sales went up by 19.3% to 287 thousand tonnes. While the North American rail market remained flat in 2018, the Group increased its sales of railway products during the period by 12% to 421 thousand tonnes, driven by higher volumes from a number of Class I railroads, as well as by improved distribution and trackwork. Flat product volumes rose by 11% to 568 thousand tonnes in 2018, compared with 512 thousand tonnes in 2017.

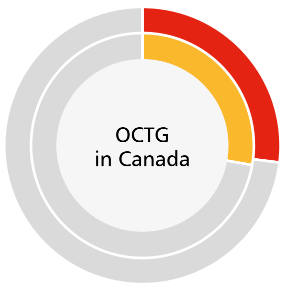
In 2018, tubular product sales picked up by 10% to 823 thousand tonnes, up from 749 thousand tonnes in 2017. Large-diameter pipe (LDP) sales moved up by 19% to 211 thousand tonnes due to strong demand in both the US and Canada. Meanwhile, sales of oil country tubular good (OCTG) products dropped by 7% from 333 thousand tonnes in 2017 to 310 thousand tonnes in 2018.

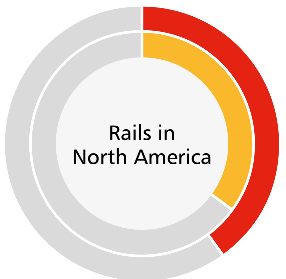
EVRAZ North America maintained its leadership in rails and LDP during 2018 with respective market shares of roughly 40% and 22%. In 2018, the Group focused on operational improvements and reaching the targeted LDP production volumes at the EVRAZ Regina steel mill in Canada.

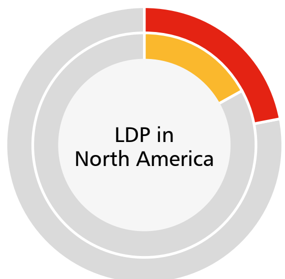
US finished steel consumption, *mt*



EVRAZ market shares in North America by key products, *%*







FINANCIAL PERFORMANCE

Sales review

The segment's revenues from the sale of steel products grew significantly due to rises of 22.6% in prices and 14.4% in volumes. This was mainly attributable to the improved productivity at the spiral mill and greater demand on the tubular market, mostly for line pipe and large-diameter pipe, as market demand continued to develop through 1H 2018 in support of oil price recovery and the recent approval of new pipelines in Canada and the US pipelines.

Construction products revenues increased by 55.3% due to an upswing in prices of 36.2% and sales volumes of 19.1% as a result of improved demand for concrete reinforcing bar and wire rod products produced at EVRAZ Pueblo and Section 232 tariffs. End use demand improved with increased spending in the energy, infrastructure and non-residential construction markets. The Section 232 tariffs implemented in mid-2018 led to fewer rebar and wire rod imports to the US market, further increasing demand for domestic producers.

Railway product revenues increased by 23.0%, driven by growth in volumes of 12.0%, 11.0% increase was attributed to surges in average prices.

Revenues from flat-rolled products climbed due to an uptick in prices of 28.9% and in sales volumes of 10.9% primarily at EVRAZ Portland. The increase was primarily related to commodity plate sales in the view of the improved demand for US-produced materials as a result of Section 232 tariffs introduction, which lowered imported tonnes, and greater demand from wind tower business.

Revenues from tubular product sales grew by 33.4% year-on-year due to increases of 9.9% in volumes and 23.5% in prices. This was driven by stronger sales of line pipe due to favourable market conditions and large-diameter pipe due to new orders achieved during 2017-18, as well as improved productivity at the spiral mill.

Cost of revenues

In 2018, the Steel, North America segment's cost of revenues surged by 33.8% year-on-year. The main drivers were:

- Cost of semi-finished products was up 87.8% due to higher prices for purchased materials, steel import duties and increased sales volumes of steel products;
- Auxiliary material costs climbed by 66.2%, driven by increased costs of electrodes and higher production volumes of crude steel and finished products;
- Service costs went up 57.3%, driven by greater volumes of coating, outside repair, finishing and other services, in line with the year-on-year rise in sales volumes;
- Raw material costs rose by 15.7%, primarily because of higher prices of scrap and ferroalloys, accompanied by greater consumption due to increased sales volumes of tubular products amid the market recovery seen in the reporting period;
- Other costs were down for the reporting period, primarily due to changes in work in progress and finished goods.

Gross profit

The Steel, North America segment's gross profit totalled US$368 million for 2018, up from US$208 million a year earlier. While the growth was primarily caused by an increase in revenues due to improving market conditions, it was partly offset by higher prices for purchased semi-finished products, auxiliary materials and scrap.

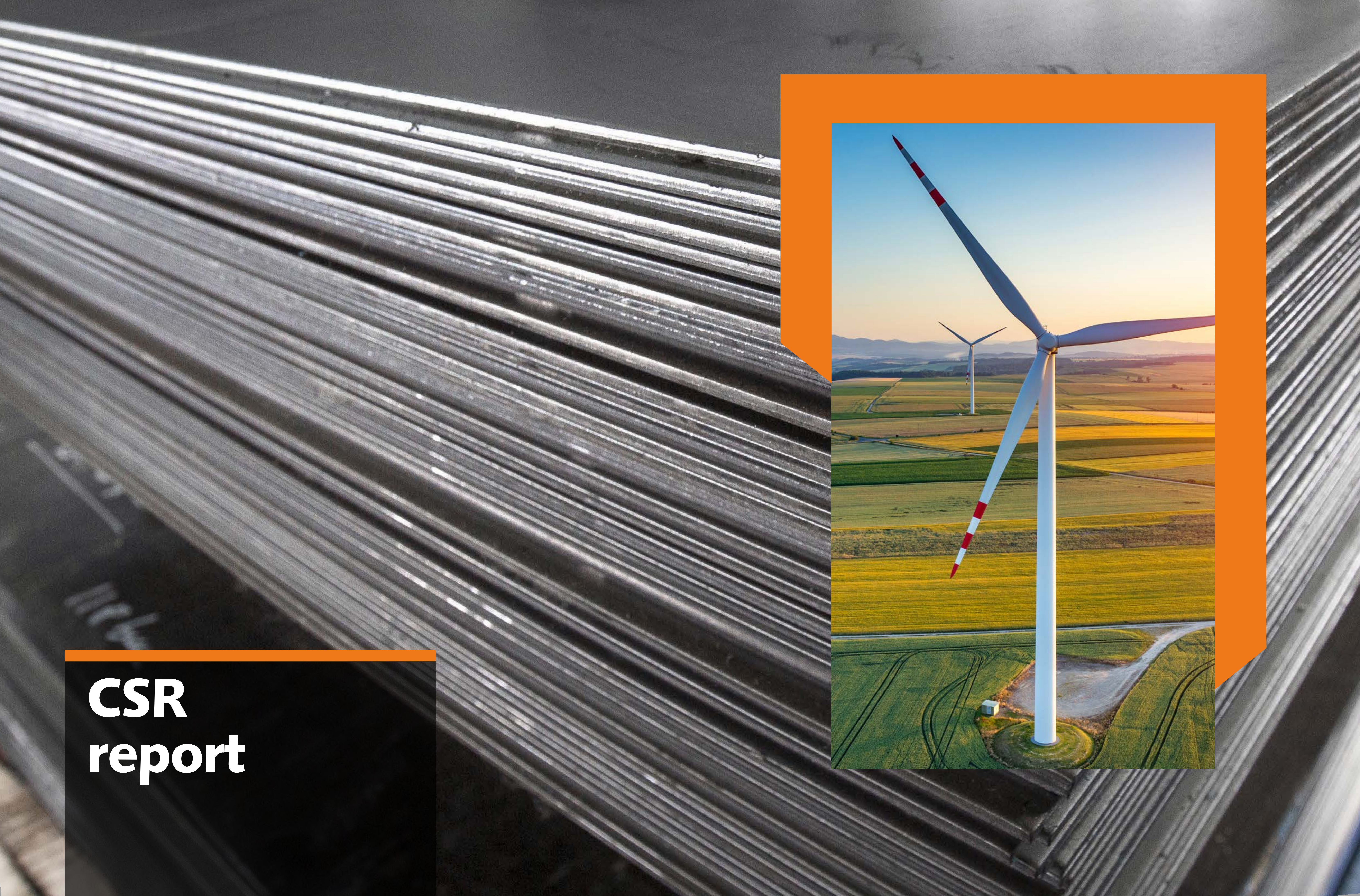
Steel, North America segment revenues by product

	2018		2017		
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	Change, %
Steel products	**2,430**	**94.1**	**1,774**	**95.2**	**37.0**
Semi-finished products	39	1.5	4	0.2	n/a
Construction products[1]	247	9.6	159	8.5	55.3
Railway products[2]	380	14.7	309	16.6	23.0
Flat-rolled products[3]	597	23.1	427	22.9	39.8
Tubular products[4]	1,167	45.2	875	47.0	33.4
Other revenues[5]	**153**	**5.9**	**90**	**4.8**	**70.0**
Total	**2,583**	**100.0**	**1,864**	**100.0**	**38.6**

Steel, North America segment cost of revenues

	2018		2017		
	US$ million	% of segment revenues	US$ million	% of segment revenues	Change, %
Cost of revenues	**2,215**	**85.8**	**1,656**	**88.8**	**33.8**
Raw materials	746	28.9	645	34.6	15.7
Semi-finished products	569	22.0	303	16.3	87.8
Auxiliary materials	246	9.5	148	7.9	66.2
Services	195	7.5	124	6.7	57.3
Staff costs	286	11.1	254	13.6	12.6
Depreciation	101	3.9	95	5.1	6.3
Energy	119	4.6	111	6.0	7.2
Other[6]	(47)	(1.7)	(24)	(1.4)	100.0

[1] *Includes beams, rebar and structural tubing*
[2] *Includes rails and wheels*
[3] *Includes commodity plate, specialty plate and other flat-rolled products*
[4] *Includes large-diameter line pipes, ERW pipes and casing, seamless pipes, casing and tubing, and other tubular products*
[5] *Includes scrap and services*
[6] *Primarily includes transportation, goods for resale, certain taxes, changes in work in progress and fixed goods, and allowances for inventories.*



CSR report

OUR APPROACH

EVRAZ views corporate social responsibility as an integral part of its business and strives to address and monitor all relevant matters in this area. The corporate social responsibility section of this annual report provides an overview of the Group's policies and performance in 2018 in key areas, including human rights, health and safety, the environment, human capital management and community engagement, as well as an outline of how EVRAZ intends to improve its performance in the years ahead. The Group considers these policies appropriate and effective.

EVRAZ follows the OECD's Guidelines for Multinational Enterprises to ensure a uniform approach to business standards across its global operations.

The Group's commitments are based on internationally recognised standards and respect for all human rights, including civil, political, economic, social and cultural rights. EVRAZ fully endorses the provisions of the United Nations' Universal Declaration of Human Rights.

In accordance with its internal Code of Business Conduct, EVRAZ seeks to develop and maintain a work environment that is free from discrimination. The Group is committed to providing every employee with equal opportunities. All personnel and applicants are assessed according to their professional skills, qualities, experience and abilities. Decisions made on grounds unrelated to an individual's job performance (eg related to the person's race, ethnic origin, sex, religion, political views, nationality, age, sexual orientation, citizenship status, marital status or disability) are discriminatory and prohibited by the law and the principles accepted in the Group.

Child labour, bonded labour, human trafficking and other forms of slavery (known as modern slavery) are strictly prohibited at all EVRAZ subsidiaries and their suppliers. Modern slavery is an abuse of human rights and is a criminal offence in the UK and other jurisdictions. The Group is committed to acting ethically and requires suppliers to conduct business within the same ethical framework.

Respect for others is one of EVRAZ overriding principles. In the cross-cultural environment in which the Group operates, all cultures must be treated with respect. EVRAZ rules prohibit the use of abusive, harassing, discriminatory, degrading or aggressive speech or written comments, verbal or physical demonstrations of a sexual nature, and actions or speech that insult the honour or dignity of an individual.

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

Health, safety and environment

Governance and approach

EVRAZ places a top priority on continuously improving its health, safety and environment (HSE) management throughout its operations. This includes implementing process upgrades and introducing tiered management and control systems.

HSE management covers all levels of EVRAZ business, from strategic decision making to day-to-day operations. In 2018, a HSE management committee was established, consisting of all CEO-1 level executives, which review HSE issues on a monthly basis. Since the HSE Committee's inception in 2010, the Board of Directors has delegated to it responsibility for monitoring all HSE strategies, policies, initiatives and activities.

The Group's CEO is the member of the HSE Committee with ownership and oversight of the results of the HSE strategy review that took place in June 2018. Subsequently, the implementation of the decisions taken as part of the strategy review was regularly monitored at HSE Committee meetings.

Executive-level HSE matters fall under the remit of the HSE Committee, which has also delegated authority to a vice president responsible for coordinating HSE issues. Every entity in the Group has its own HSE function, which reports to operational management with the oversight of the vice president of HSE. All plant managers are responsible for HSE compliance.

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

HSE system

The Group adopted its Health, Safety and Environment Policy in March 2011 , updated it in 2016 and reviewed it in February 2018 (no changes were made).

The primary functions of the HSE system include identifying potential environmental pollutants and risks to employees' health and safety through the entire production cycle, from purchasing raw materials to selling finished products. This also includes planning, distributing resources, collecting, analysing and submitting information, and reflecting emerging trends in indicators.

EVRAZ operates a continuous-cycle HSE management process with the following phases:

- Forecast and assess primary HSE risks
- Develop and implement HSE initiatives to eliminate or reduce risks
- Monitor, review, and investigate incidents to properly learn lessons from them
- Analyse performance, correct and set new strategic HSE goals

For each HSE KPI, EVRAZ sets primary metrics that are then continuously monitored to improve the system using prompt analysis and adjustments as necessary.

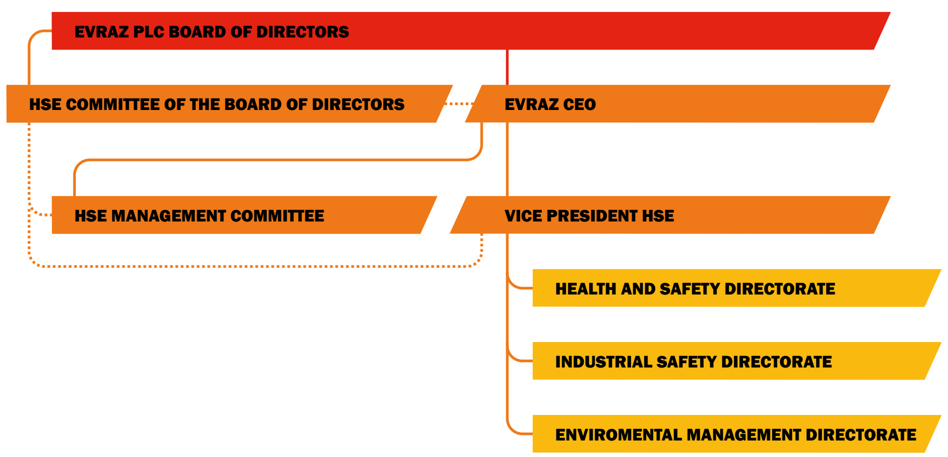
EVRAZ main steel mills have been certified under the ISO 14001 and OHSAS 18001 standards.

Emergency response

Some EVRAZ operations, including the mines of the Coal division, have auxiliary mine-rescue teams to act as first responders to incidents and help to evacuate personnel ahead of the arrival of professional rescue teams. Members of the auxiliary teams are specially selected, trained and regularly re-trained.

In the event of an incident, an emergency warning system is activated to inform local residents and authorities. For example, Raspadskaya has a commission to prevent and respond to emergencies and to ensure fire safety. The commission coordinates and warns of natural and technological disasters, manages emergency response assets and works to reduce the damage from incidents.

HSE corporate management structure



HSE reporting system

The Group relies on its HSE reporting system to collect and share appropriate data throughout the organisation with an aim to continuously improve the process. The corporate HSE functions monitor subsidiaries using monthly, quarterly and annual HSE performance reporting.

The internal audit function regularly assesses EVRAZ compliance with HSE policies, which is supplemented by external monitoring by government authorities. The Group conducts a detailed analysis of any recommendations resulting from the inspections to ensure that remedial actions can be taken, where needed.

All EVRAZ facilities review lessons learnt to improve their own processes. Line managers form the first level of production control, division and shop managers form the second level and senior managers form the third level. This multi-tiered system helps the Group to ensure strict compliance with HSE requirements.

In 2018, standard incident reporting rules were introduced throughout the organisation, beginning with recording all injuries and incidents entailing lost time and/or fatalities, and immediately issuing a 'flash report' to all relevant management. The HSE function then conducts standard 'lean' format investigations and promptly disseminates lessons learnt to concerned parties. The HSE Management Committee reviews every case involving a fatality, severe injury or serious incident and follows up to ensure that all remedial action has been implemented in full.

In addition, measures have also been introduced to ensure that injuries and incidents are not hidden to distort the true picture. Accountability for hiding or distorting information is one of the cardinal safety rules that can lead to an employee's dismissal.

EVRAZ distributes monthly HSE reports to all personnel containing data on any injuries and incidents that have occurred in the past month, as well as updated HSE KPI metrics on the lost-time injury frequency rate, fatalities and cardinal rule violations. The reports also include an analysis of hazards and risks to focus efforts on preventing such incidents in the most critical areas.

HEALTH AND SAFETY

OUR APPROACH

The nature of EVRAZ vertically-integrated operations entails certain potential safety and health risks being present in the environment in which its employees and contractors work. The risks when mining coal and iron ore underground include the potential for a sudden rock collapse, flooding, exposure to rock and coal dust, degassing mines and ventilating methane, as well as using explosives in the extraction process. Some of the primary risks inherent to steelmaking include large moving machinery, moving material with high-capacity cranes, excessive heat, manipulating molten metal and working in confined spaces. The Group has also identified certain key risks that exist across its operations, including working at height, working with electricity, and moving or transporting objects.

One of EVRAZ overriding priorities is to ensure that every employee and contractor who works in its facilities has a safe and healthy work environment, so that they may return home each day to their loved ones, alive and uninjured. This process begins with identifying key risks and investing in engineered solutions to eliminate them. The Group prioritises this as part of its ongoing efforts, particularly where corrective measures are identified in the wake of incidents. In cases where engineering controls are not immediately available, EVRAZ instead implements organisational controls to mitigate risks.

Another way in which the Group strives to improve operational safety is by continuously improving its training methods for employees and contractors regarding risks that have been identified, safety and health regulations, and safe work practices specific to individual tasks. Employees are also periodically tested to ensure that they have retained the knowledge gained from their training. In the event that a risk cannot be eliminated, and as a last resort, EVRAZ constantly evaluates and issues new personal protective equipment to guard against such risks. No effort is spared to identify, manage and effectively mitigate the risks typical to the Group's diverse operations, including as regards contractors.

Each day, managers, employees and contractors must make decisions that will inevitably have an impact on safe or, in certain cases, unsafe behaviour. EVRAZ constantly challenges its management team to lead by example and hold employees ultimately accountable for health and safety, including both their actions and inactions. The Group seeks to foster a culture in which all employees and contractors understand that they must take personal ownership of their safety. This includes a targeted communication programme covering identified risks, as well as behavioural observations that are immediately followed up by safety conversations in which both coaching and counselling are provided. As the organisational safety culture improves, praise and reward for safe actions are then introduced.

Results in 2018

LTIFR

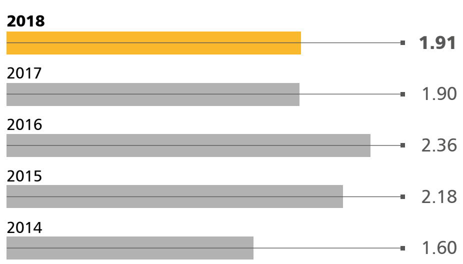
The lost time injury frequency rate (LTIFR) is a strategic KPI that is cascaded down throughout the organisation in individual management performance scorecards. In 2018, the group did not meet its target of 1.72x, closing the year with an LTIFR of 1.91x. However, the Coal division reduced its LTI figure and delivered an LTIFR reduction of 17% year-on-year. For more information about EVRAZ efforts to reduce the LTIFR, see "Key projects" below.

The Group's main efforts in HSE were in setting operational managers to lead the HSE management systems and assess the safety culture in their divisions. The Group also implemented a project to improve the quality of behavioural safety conversations and reviewed the approach to integrating contractors into the HSE system by standardising the performance and planning of high-risk work.

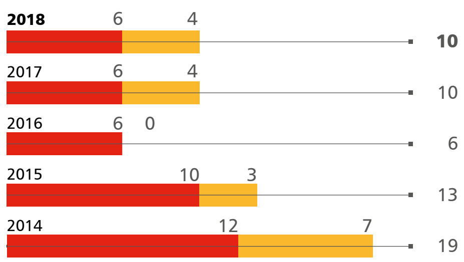
Fatalities

In 2018, EVRAZ experienced six employee fatalities, as well as four fatal incidents involving contractors. There were two fatal rock fall incidents involving employees, two fatal incidents caused by equipment parts breaking and falling, and two incidents in which employees became trapped between moving parts of equipment (violating restrictions against approaching these moving parts). The main critical risk categories identified were rock fall, falling items and impact by moving or rotating equipment. The Group has ongoing focused fatality prevention campaigns in each of these critical risks areas to eliminate future repeated root causes.

LTIFR (excluding fatalities), *per 1 million hours*



Fatalities



EVRAZ employees   Contractors

The HSE Committee reviews every fatality and severe injury to determine root causes and corrective actions. Identified risk factors are addressed via the HSE initiatives launched by the corporate team and operational divisions in 2018, including falling from height prevention, traffic management and safety routes, gas safety, contractor management, and electrical safety, among others.

For each incident, a so-called "90-day plan" is developed to properly eliminate root causes of the incident. The HSE Committee reviews and approves these plans. The HSE Committee and other committees of the Board of Directors monitors the implementation of these measures and their effectiveness. As necessary, the committee also ensures that the measures are implemented at other Group operations.

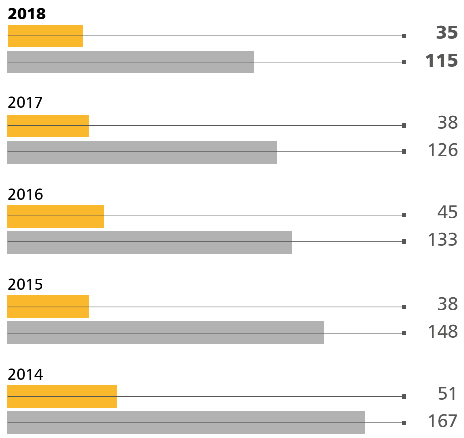
In June, EVRAZ conducted a strategy session to assess its HSE management system and identify development priorities. Safety leadership and risk management were identified as the areas where the greatest improvement could be made, as well as the key channels through which to engage all employees in the process of identifying and mitigating hazardous conditions and actions.

In 2018, the Group used the results of a key risk assessment as a basis for reviewing and updating its cardinal safety rules to prevent the most dangerous types of employee activity. These rules must be followed by all employees and contractors.

Treatment of occupational diseases

EVRAZ is legally mandated to provide insurance against work-related accidents and occupational diseases that covers treatment for all occupational illnesses. Temporary disability benefits are provided to cover treatment costs for employees with occupational illnesses.

Number of severe injuries (incl. contractors)



Severe injuries (incl. contractors)
AMHW, million (without contractors)

The current cardinal safety rules
It is forbidden to be on the territory of enterprises in a state of alcoholic and/ or narcotic intoxication
It is forbidden to override protective interlock equipment and security systems without prior authorisation
It is forbidden to hide and distort the circumstances of HSE incidents
When working at heights, it is forbidden to not use safety systems for work at height included in the work permit, as well as personal protective equipment against falls
It is forbidden to not use a seat belt in personal transport on the territory of enterprises and motor vehicles of the employer
It is forbidden to smoke and/or use open fire in coal mines and other places where explosive hazards are present
It is prohibited to use explosive materials for purposes other than those specified in the Permit-to-Work, or not to return to the warehouse the remnants of explosive materials after blasting operations, as well as to change the designs of the detonator
It is prohibited to use machines and equipment not intended for these purposes to transport people

Employees may also receive financial assistance from the Group, based on their medical condition and other circumstances. Employees who need prolonged medical treatment are also eligible to be compensated for moral harm, although these funds may not be used to arrange independent medical treatment.

In 2018, the number of occupational diseases registered at EVRAZ facilities worldwide was 256 cases, compared with 256 cases in 2017. The Group continues to closely examine working conditions and strives to eliminate the highest-risk workplaces in terms of employee health.

In addition, there are ongoing efforts among all the Group's facilities to properly treat occupational illnesses in an effort to preserve and improve employee health. To determine the risk group and evaluate fitness to work, every worker undergoes an annual medical check-up. Employees are compensated in accordance with legislative requirements. When occupational illnesses are registered, additional payments are made from the social security fund, including pension supplements. Personnel who are prone to occupational illness also receive free treatment at therapeutic resorts. The Group also strives to proactively improve working conditions in an effort to reduce the likelihood of occupational illnesses occurring.

Case study

MODERNISATION OF EQUIPMENT TO IMPROVE OPERATIONAL SAFETY

EVRAZ is systematically modernising its primary equipment, which significantly helps to reduce the risk of injury to personnel, improve working conditions and eliminate negative environmental impacts.

Key projects

Corporate-wide initiatives in 2018 were once again focused on cultural change through improving the safety behaviour of employees and contractors.

Safety conversations

The Group has shifted its focus to the quality of the behavioural observation and related safety conversation. This has improved the documentation of unsafe actions and related behaviour, helping to correct them before they lead to incident and injury. In 2018, behavioural safety conversations were conducted with nearly all employees.

A key aspect of improving the quality of behavioural safety conversations is maintaining a structured approach. This entails holding the safety conversations after a routine behavioural observation and subsequent comparison with step-by-step operations cards. As these cards are created specifically for the most dangerous operations (for example, putting derailed railcars back on the tracks, or servicing cold-cutting saws, among others), the observations and conversations are focused on the primary risks. In 2018, step-by-step operations cards were developed for the operations that were identified as critical risks during the year.

Case study

DIRECTIONAL DRILLING

VLD-1000 directional drilling system

In 2018, the introduction of directional drilling technology made it possible to increase the volume of methane extracted to 45 million cubic metres. Overall, more than 365 kilometres of degassing holes were drilled.

Contractor safety

EVRAZ continues to integrate contractors into its HSE management system. An important aspect of this integration is increasing the accountability of contract holders for the HSE performance of contractors. In addition, the basic principles of working with and oversight of contractors have been revised. A vital aspect is ensuring that all contractors' safety procedures are monitored uniformly, both when planning and providing access to work, as well as during its performance.

Monitoring the safe work of contractors begins with a method statement reviewed by a subject matter experts. In the process of preparing and performing work, contract holders are required to pay special attention to permission and performance of work under a Permit-to-Work.

Key risk localisation programmes

To make safety initiatives more industry specific and better tailored to the needs of respective facilities, EVRAZ has suggested that business divisions design key risk projects. These projects and related initiatives not only address critical division-specific risks (for example, the risk of falling from height and LOTO implementation), but also consider historic trends to prevent reoccurrence of past incidents.

For additional information, see EVRAZ first Sustainability Report for 2018, which is to be published in May 2019.

Objectives for 2019

In 2019, in addition to continuing the division-specific key risk programmes, EVRAZ plans to continue implementing the key initiatives targeted at developing a safety culture.

Risk management

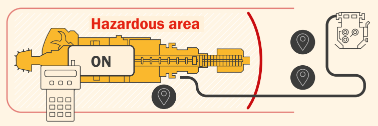
EVRAZ has had a risk-assessment standard in place for several years that has helped to create a list of key risks based on an assessment of their likelihood and the severity of their consequences. However, the Group now needs to actively engage its operational staff more directly in the process of identifying and mitigating risks. In 2019, the existing HSE toolkit will be reviewed and adjusted to ensure maximum employee engagement in identifying the hazards they face so as to help foster conscious safe behaviour.

Contractor safety

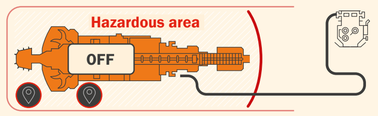
In 2019, the Group will continue to further integrate contractors into its HSE management system. The primary focus will be on fully implementing the principles for working with contractors that were developed in 2018, including planning, controlling access to and monitoring the performance of work. Functional cross-audits of contractors' management processes are planned to ensure that they meet corporate standards.

Case study

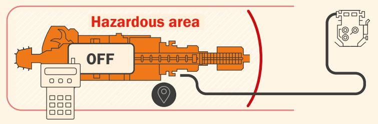
SYSTEM TO MONITOR FOR THE PRESENCE OF PERSONNEL IN HAZARDOUS AREAS



The system lock makes it possible to turn on the machine when only one worker (the operator) is present in the security perimeter



The machine is locked by switching off the power supply when any employee enters the security perimeter



The machine is locked by switching off the power supply when the operator is not present

To prevent injuries from the moving parts of tunnelling machines, a system has been developed to lock the machine when personnel are present in hazardous areas. System installation began in 2018 and is expected to be completed in the first half of 2019. The system works by locking out the machine from being able to operate without the authorisation of the operator and/ or when unauthorised personnel are present during tunnelling operations.

ENVIRONMENT

OUR APPROACH

EVRAZ prioritises the mitigation of possible environmental impacts from its steel and mining operations by introducing best management practices and adopting advanced technology. This helps the Group to prevent or control any undesired environmental consequences while consuming less energy and natural resources.

These operations are subject to strict environmental legislation requiring that EVRAZ complies with the terms of special environmental permits and licences, which generally entails certain environmental commitments, recruiting qualified personnel, maintaining necessary equipment and environmental monitoring systems, and periodically submitting information to environmental regulators. Failing to comply with any of these requirements could potentially lead to the suspension, amendment, termination or non-renewal of the environmental permits and licences. The Group could also incur significant costs related to eliminating or remedying any such violations.

Understanding that its production processes entail certain environmental risks and liabilities, EVRAZ is focused on preventing or minimising of any potential adverse environmental consequences from its operations. The Group's corporate management system includes environmental procedures based on the plan-do-check-act (PDCA) model. It has been developed to promote EVRAZ health, safety and environment (HSE) policy principles and support its environmental strategy implementation, which includes environmental risk assessment, planning, legal compliance management, reporting and other processes.

For all new operations and projects, the Group performs environmental and social impact assessments (ESIAs) that engage with local and regional governments, businesses and community members in the affected area. EVRAZ uses ESIAs to assess how the new operations might potentially impact the local community and surrounding environment, both directly and indirectly. As part of the ESIA process, the Group establishes mitigation plans to minimise and manage any potential impact and engages with local communities throughout the project's life to discuss any decisions that may be made.

EVRAZ strictly complies with the registration, evaluation, authorisation and restriction of chemicals (REACH) regulations concerning various substances supplied to or manufactured in the EU (European Economic Area) by the Group's assets. EVRAZ supports the European Community's health and environmental goals as established in the Regulation (EC) No. 1907/2006 of the European Parliament and of the Council, which governs the REACH requirements.

Another aspect of the Group's environmental programme is training courses and seminars to encourage the exchange of experience by its specialists in the field.

EVRAZ also employs environmental audits (due diligence) to perform environmental liability and risk assessments of existing sites and assets being acquired.

Throughout its operations, the Group has introduced an environmental management system that it has developed based on the corporate approach and prioritises international certification, which, while not a legal requirement, has led to seven of the Group's sites obtaining ISO 14001 certification, including core operations like EVRAZ NTMK and EVRAZ ZSMK.

For additional information see EVRAZ first Sustainability Report for 2018, which is to be published in May 2019.

Environmental strategy

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

EVRAZ has adopted new, five-year environmental targets (covering 2018–22) aimed at:

- Decreasing fresh water consumption by 10%
- Recycling 95% of annual non-mining waste
- Maintaining the greenhouse gas intensity ratio below 2 tonnes of carbon dioxide (CO_2) equivalent (tCO_2e) per tonne of steel cast

The Group has committed to implement various environmental protection programmes over 2018–24. As of 31 December 2018, the estimated cost to implement these programmes totalled US$121 million.

In 2018, EVRAZ spent US$30.1 million on measures to ensure environmental compliance and US$29.8 million on projects to improve its environmental performance. Non-compliance-related environmental levies and penalties were US$2.2 million.

The Group's assets had no significant environmental incidents or material environmental claims during the reporting period.

Biodiversity

EVRAZ recognises its responsibility to prevent and minimise its potential impact on the environment and biodiversity at all stages of the mining and steelmaking process, including when performing geological surveys, designing facilities, conducting operations and restoring sites that are no longer used.

The Group's long-term goal is to foster a culture among its employees of care and concern for the environment and biodiversity of the areas in which it operates, as well as in how they implement its projects and create a positive dialogue with the local community.

The Group's primary biodiversity efforts include:

- Restoring damaged lands and landscaping
- Restoring of water biodiversity
- Implementing social and environmental initiatives

3.5 thousand trees were planted in 2018

72.3 thousand fry were released into local rivers in 2018

EVRAZ implements long-term projects aimed at compensating for its environmental impact.

- Since 2011, the Abagursky branch of EVRAZ ZSMK has been working on the reclamation of its old tailings storage No. 2. In 2018, the site completed the dehydration and land planning stages of the project. The biological reclamation will begin in 2019.
- Since 2015, the Raspadskaya mine has been implementing a long-term project to recover land damaged during open-pit mining (138 hectares).
- In 2018, a project for landscaping damaged lands of the old waste storage section at EVRAZ ZSMK was completed. Overall, 17.9 hectares of land were restored and 2,400 pine seedlings were planted.
- Work to landscape industrial sites and sanitary protection zones at facilities continued in 2018.

As part of EVRAZ environmental initiatives, trees are planted in parks, public squares, town/city streets and in the territory around kindergartens. Young trees brought from mine allotments where the forest is subject to felling are often used for planting as part of the "Second Life for Trees" initiative.

To restore aquatic biodiversity, the Group releases juvenile fish into the rivers of Kemerovo region and Sverdlovsk region.

EVRAZ social and environmental initiatives include:

- "Environmental Saturday" voluntary work days – cleaning parks, planting trees and putting up birdhouses
- "Second Life for Trees" initiative – replanting young trees from mining allotments where the forest is subject to logging
- "Big Green Games" – environmental competitions among local companies in which teams choose their own areas to clean up
- "Clean Games" environmental quest – teamwork in collecting and sorting garbage in parks
- "Clean Shore" initiative – helping to clear debris from the protected watersheds of the Bolshoy Unzas, Kondoma and Maly Bachat rivers
- "Live Spring" initiative – improving natural springs

Air emissions

Reducing air emissions is one of EVRAZ overriding environmental priorities. The key air emissions comprise nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds (VOC). In 2018, the key air emissions dropped by 6.5% year-on-year.

The current strategy for reducing air emissions envisages upgrading gas treatment systems, introducing modern technology and eliminating obsolete equipment.

In 2018, EVRAZ ZSMK completed the reconstruction of the gas treatment equipment at its sintering facility and made several improvements to reduce the plant's key air emissions by 6.5 thousand tonnes in 2018.

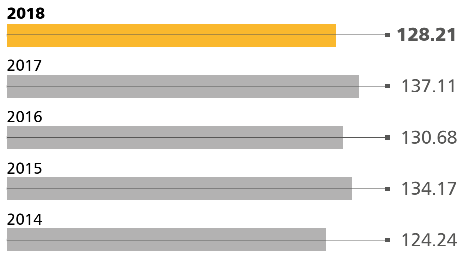
EVRAZ NTMK brought blast furnace No. 7 online during the reporting period. Emissions from pig iron produced in the furnace are captured and impurities are removed using bag filters, which minimises atmospheric pollution. The powerful aspiration system has reduced the residual dust content of the exhaust gases by 40%. The technical re-equipment of the aspiration system for mixers No. 1, 2 and 3 in oxygen converter shop No. 1 is being completed, and the capital repair programme for the dust-gas cleaning equipment is being implemented at the plant's shops and production lines. EVRAZ NTMK's key air emissions have been reduced by 0.5 thousand tonnes.

Greenhouse gas emissions

EVRAZ operations generate carbon dioxide and other greenhouse gas (GHG) emissions. The Group understands that mitigating climate change risks is a crucial element in planning for the future welfare of its employees and local communities throughout its global enterprises.

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

Key air emissions,[1] *kt*



A key aspect of EVRAZ strategy is to reduce GHG emissions by consuming fewer energy resources.

The Group has set a five-year target for its Steel segment to keep the GHG intensity ratio below 2 tonnes of carbon dioxide (CO_2) equivalent (tCO_2e) per tonne of steel cast. In 2018 the target was almost achieved (2.005).

EVRAZ measures direct (Scope 1) emissions of all seven "Kyoto" GHGs[2] and indirect (Scope 2) emissions from the use of electricity and heat. The inventory approach[3] was based on the 2006 IPCC Guidelines for National Greenhouse Gas Inventories (IPCC 2006) and the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard. The Group reports data in terms of tCO_2e, calculated using the IPCC 2006 global warming potentials.

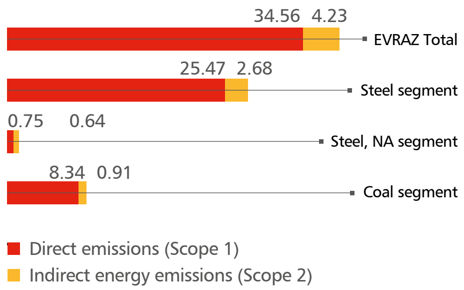
EVRAZ has collected GHG emissions data for 2018 and compared them with the 2014-17 levels. The Steel segment continues to generate more than half of the gross GHG emissions from the Group's operations. Nearly 91% of the Coal segment's full emissions come from fugitive methane (CH_4) leakage, which is caused by methane ventilation from underground mines and post-mining emissions from coal.

In 2018, the overall GHG emissions from EVRAZ operations decreased by around 6.9% year-on-year. Emissions of CO_2 fell by 5.3% (or 1.49 million tCO_2e) due to the cease in operations in Ukraine and lower steel production at EVRAZ NTMK. In the Coal segment, CH_4 emissions reduced by 7.6% (-625 ths.tCO_2e) as a result of lower volumes of underground mining (-1.4 mln.t) and higher open pit mining at Raspadskiy Open Pit and Raspadskaya-Koksovaya (+2.67 mln.t).

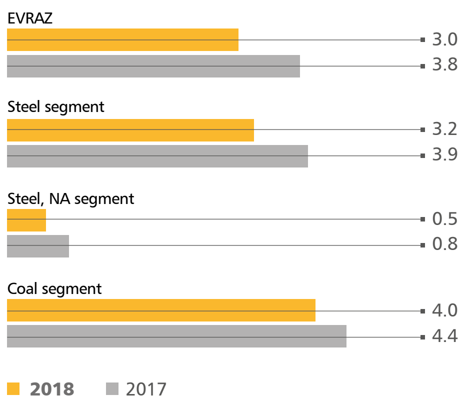
In 2018, the Group decreased its Scope 1 emissions by 6% and brought down its Scope 2 emissions by 15%. The former was due to a reduction in both carbon dioxide and methane emissions, which accounted for some 5% of total emissions, while the latter was due to lower energy purchases at EVRAZ ZSMK and the cease in operations in Ukraine.

EVRAZ reports an intensity ratio relating its annual GHG emissions to its activities: total Scope 1 and 2 emissions per consolidated revenue for the Group overall and each operating segment, and specific emissions in the Steel segment per tonne of steel cast for 2014-18.

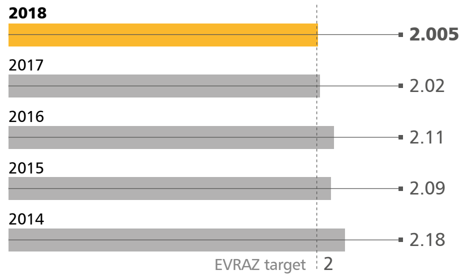
EVRAZ GHG emissions in 2018, *million tCO_2e*



GHG emissions per net revenue, *kg CO_2e/US$*



Specific Scope 1 and 2 GHG emissions from Steel segment (incl. NA), *tCO_2e per tonne of steel cast*

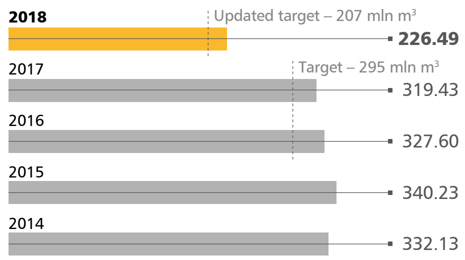


Water consumption and discharge

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

In 2018, almost 81% of the Group's total water intake came from surface sources, including rivers, lakes and reservoirs, down 4 percentage points year-on-year.

Fresh water intake for production purposes,[4] *million cubic metres*



During the reporting period, the ongoing programmes to improve the water management at EVRAZ operations continued to deliver environmental benefits. In 2018, the Group consumed 93 million cubic metres less fresh water than in 2017, for a year-on-year reduction of 29.1%. Almost 85.3 million cubic metres have been excluded out of the balance due to the exclusion of assets in 2018.

The new five-year target is to decrease fresh water consumption by 10% compared with the baseline of 2016. The Group has set 2016 (231 million cubic metres) as a new baseline, taking into account asset exclusion.

While water pumped from mines (dewatering) is not included in the fresh water consumption target, pumped water is partly used for technological needs. In 2018, EVRAZ pumped out and used 17.36 million cubic metres of mine water, compared with 21.15 million cubic metres a year earlier.

EVRAZ GHG emissions, *million tCO_2e*

	2018	2017[5]	2016	2015	2014
Direct (Scope 1)	**34.56**	**36.68**	**35.81**	**36.87**	**39.05**
CO_2	26.86	28.35	28.76	29.13	31.08
CH_4	7.64	8.26	6.99	7.67	7.89
N_2O	0.06	0.06	0.07	0.07	0.08
PFC and HFC	0.00009	0.00003	0.0001	0.0002	0.0002
SF_6	–	–	–	–	–
NF_3	–	–	–	–	–
Indirect (Scope 2)	**4.23**	**4.97**	**5.02**	**6.17**	**7.96**
Total GHG emissions	**38.79**	**41.65**	**40.83**	**43.04**	**47.00**

[1] *Air emissions calculation perimeter differs from the calculation perimeter of GHG emissions.*
[2] *Carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFC) and perfluorocarbons (PFC), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3)*
[3] *The inventory of emissions includes all entities that EVRAZ 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 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.*
[4] *Calculation perimeter includes the following subsidiaries: EVRAZ NTMK, EVRAZ KGOK, EVRAZ ZSMK, Evrazruda, EVRAZ DMZ, Raspadskaya Coal Company, EVRAZ Caspian Steel, EVRAZ Palini e Bertoli, EVRAZ Vanady Tula, EVRAZ Stratcor, EVRAZ Nikom, EVRAZ Calgary, EVRAZ Camrose, EVRAZ Portland, EVRAZ Pueblo, EVRAZ Red Deer, EVRAZ Regina.*
[5] *The results for 2017 were recalculated due to improvements in data quality and several identified inaccuracies regarding material flows, which resulted in a downward correction of 0.017 million tCO_2e for Scope 1 emissions.*

Environment case studies

WATER USE

EVRAZ ZSMK REDUCES WATER INTAKE FROM TOM RIVER

EVRAZ ZSMK has launched a new slurry thickening facility for the gas cleaning equipment at its blast furnaces. The new equipment will reduce annual wastewater discharge and water intake from the Tom River by nearly 3 million cubic metres.

Previously, the water that was used to purify blast furnace gases was sent to the plant's slurry storage facility. Now, it is sent to a machine that separates and thickens the slurry. The clarified water is re-used in production, closing the blast furnace shop's water supply cycle.

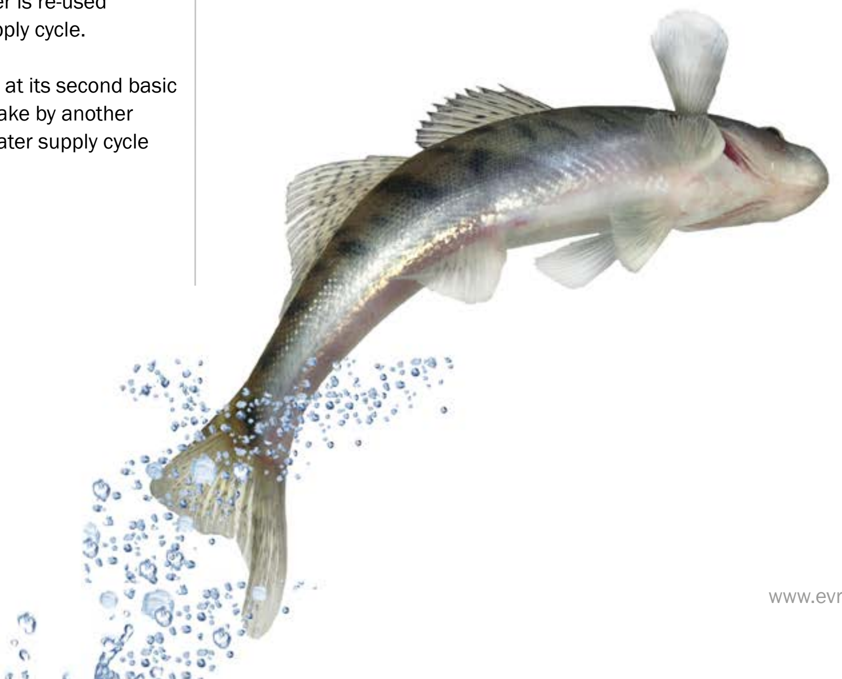
In 2019, EVRAZ ZSMK plans to install similar equipment at its second basic oxygen furnace shop, which will reduce annual water intake by another 1.5 million cubic metres. This will effectively close the water supply cycle for the plant's main metallurgical conversion facility.

BIODIVERSITY

EVRAZ ZSMK LAUNCHES MODERN FISH DIVERTER

A fish diverter has been installed at the on-shore pumping station to help safeguard young fish in the Tom River water intake.

The on-shore pumping station supplies water to the West Siberian Thermal Power Plant. Previously, fish were frequently harmed in the water intake. Now, a dual-stage fish diverter helps to prevent this. The first stage is a fine screen that does not allow large or medium-sized fish into the pumping station's intake chamber. The second stage is an electronic system to keep young fish away. An electrical pulse is sent through electrodes at a certain amplitude, creating an electrical field that diverts fish from the intake chamber and back into the river.



RASPADSKAYA GIVES TREES A SECOND LIFE

Employees of Raspadskaya have continued what has become an annual tradition of planting trees at childcare centres in Mezhdurechensk. In 2018, saplings from a mining allotment where the trees will be cleared were transplanted at the Kalinka childcare centre. In total, around 100 birch, acacia and fir saplings were transplanted at the kindergarten.

EVRAZ NTMK'S ECOLOGISTS PLANT 'GREEN DOCTORS'

EVRAZ NTMK's ecologists have planted 'green doctors' in the draining pond of the Vyazovka River and Nizhny Tagil pond, including chlorella algae, water hyacinth roots and, for the first time, water lettuce plants.

The chlorella algae multiply rapidly in the pond water, absorbing carbon dioxide and saturating the water with oxygen, which oxidises organic and inorganic substances.

The root system of the water hyacinth, which closely resembles an orchid, cleans the water effectively. This year, the ecologists experimented with water lettuce plants, which originated in Africa. Unlike the water hyacinth, it takes root in the bottom of the water body, forming a barrier. Its roots also have an effective cleansing factor.

Waste management

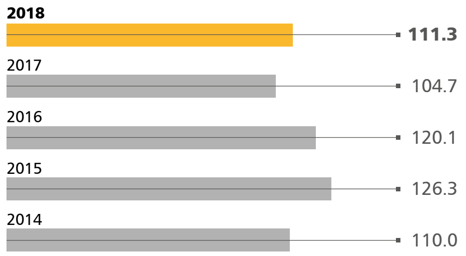
Mining and steelmaking operations produce significant amounts of waste, including the surplus rock, spent ore and tailings left over after processing ore and concentrates. EVRAZ aims to reduce the amount of waste that it produces, re-use natural resources where possible and dispose of waste in a manner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

In line with the Group's strategy to reduce waste storage volumes and enhance waste disposal, EVRAZ operations regularly review opportunities to recycle and re-use waste.

The main waste by-product that gets recycled is metallurgical slag, which includes materials that previously had been disposed off in dumps. Processing this waste has allowed the Group to maintain a recycling rate of more than 100%. Most of the old slag in these dumps has been processed over the past few years, which is the primary reason why the recycling rate is forecast to decline going forward. The management has decided to continue its waste minimisation efforts and set a target to reuse or recycle at least 95% of waste.

In 2018, EVRAZ steel mills generated 7.95 million tonnes of metallurgical waste and by-products, including slag, sludge, scale and others, and recycled or re-used 8.85 million tonnes of material. Overall, the Group recycled or re-used 111.3% of non-mining waste and by-products in 2018, compared with 104.7% a year earlier.

Waste recycling rate, %



EVRAZ strategy for dealing with non-hazardous mining wastes, such as depleted rock, tailings and overburden, is to use them where possible for land rehabilitation and the construction of dams or roads. In 2018, 26% or 60.7 million tonnes of such waste material were re-used, compared with 29.7% or 50.4 million tonnes in 2017.

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

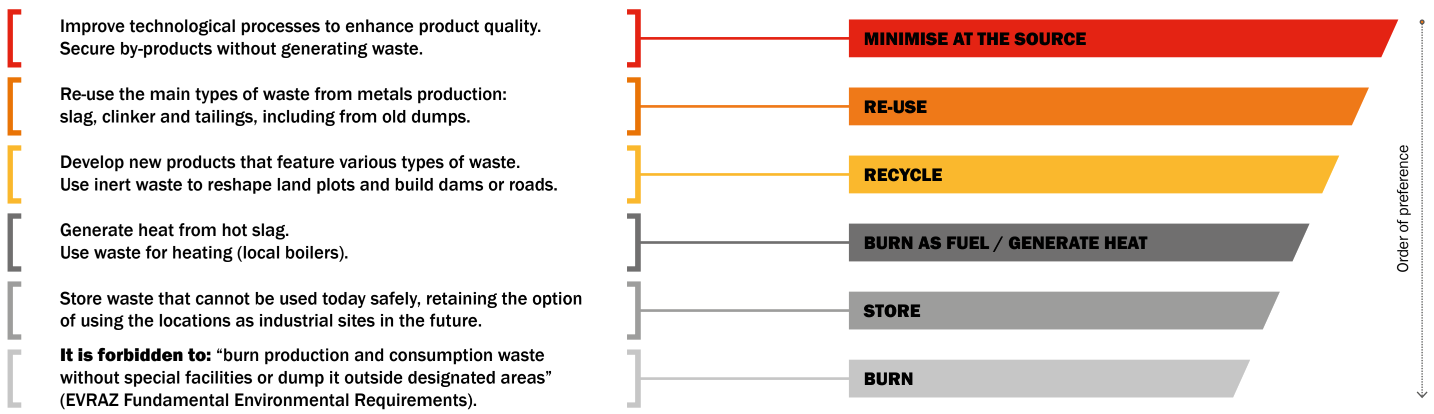
The largest tailings dams of EVRAZ are owned by EVRAZ ZSMK, EVRAZ KGOK and Evrazruda. The company has a dam safety management system in accordance with the current legislative procedures that cover all stages of dam life cycle: design, construction, operation and asset retirement. All the dams have safety zones now and one village (107 houses) has been completely resettled by EVRAZ to avoid victims in case of accident with the EVRAZ ZSMK dam. The process procedures are controlled by the operations and audited by the HSE personal of the sites, the regulator's inspectors and the group's internal auditors. In 2016, two out of three dams were audited by industrial safety auditors and the measures to improve the effectiveness of controls were proposed. All the measures have been implemented. The next audit of dams operation will be conducted during 2019. The management review of the issue was conducted during the HSE Committee of BoD held on 5 February 2019.

AWARDS

EVRAZ NTMK "Leader in Environmental Management in Russia – 2018 as the best environmentally responsible city-forming enterprise". Awarding organisation: Russia-wide Review Competition for Health and Ecology.

EVRAZ ZSMK "Winner of the Ecology and Environmental Management 2018 competition". Awarding organisation: Independent Public Council "100 Best Organizations of Russia".

Waste management strategy



ENERGY EFFICIENCY

The Group strives to minimise the energy intensity of its operations while increasing its own capacity to generate electricity. EVRAZ also constantly optimises the consumption of resources in its production process and improves the energy efficiency of its equipment.

Steel segment

Steelmaking

As the Steel segment's Russian operations are the Group's primary production segment, EVRAZ pays special attention to the energy efficiency of its production.

A key driver of the Steel segment's energy efficiency improvement efforts is reducing the energy intensity of production. In 2018, the Group compared its operations with those of global peer companies and set a target of cutting its energy consumption by 6% in five years.

The forecast financial effect of this initiative will be reached as a result of several factors:

- Reducing the energy intensity of technological processes
- Optimising the ratio of internally generated and purchased energy
- Eliminating energy losses during transit
- Using secondary resources
- Selling energy resources to third parties

EVRAZ ZSMK (Russia). In 2018, EVRAZ ZSMK increased its internal generation of electricity and of heat while reducing specific fuel consumption for electricity generation and for heat generation.

In addition, EVRAZ ZSMK began development of a risk management program for the main energy flows, and designed the options to ensure the independence from the third-party thermal energy supplier – Central CHP with the aim to eliminate steam consumption from it in 2023.

EVRAZ NTMK (Russia). In 2018, EVRAZ NTMK reduced its electricity consumption and exceeded its planned volume of internal generation. Natural gas consumption fell. The increase in internally generated electricity made it possible to decrease electricity purchases during the reporting period.

EVRAZ NTMK also installed more energy efficient lighting in its workshops, built a converter steam utilisation station and installed new heat exchangers to heat the blast furnace gas.

Iron ore mining

EVRAZ KGOK (Russia). In 2018, EVRAZ KGOK cut its electricity consumption. To achieve this, more energy efficient lighting was installed in the enrichment workshops and an automatic electricity metering system was installed in the pellet workshop. The latter will make it possible to analyse electricity consumption in real time and take timely decisions to save resources.

Evrazruda (Russia). In 2018, employees at Evrazruda facilities analysed energy consumption at each step of the production process. Electricity consumption fell as a result of replacing equipment (switching to modular compressor stations at the Sheregeshskaya mine, launching a low-power turbo compressor at the Tashtagolskaya mine and installing a low-power boiler at the Abagurskaya plant), among other measures.

The cost of electricity and steam was reduced by decommissioning and mothballing the main ventilation fan at the Sheregeshskaya mine, as well as installing modular compressor stations.

Steel, North America segment

In 2018, EVRAZ North America's management focused on negotiations with natural gas suppliers after the prices for this fuel surged due to a pipeline incident in October 2018. EVRAZ North America closely monitors the natural gas consumption at its facilities.

In 2018, EVRAZ continued to install more energy efficient lighting at its operations in Canada. In addition, it replaced the heating furnaces at EVRAZ Camrose and EVRAZ Edmonton Coupling Machining with more efficient units.

Due to the growth in production volumes in 2018, total electricity consumption in the segment rose while natural gas consumption fell.

Coal segment

In 2018, the Coal segment further implemented its energy efficiency programme. After updating the operating schedule and reducing power consumption during the hours when electricity is purchased from the wholesale market, the segment achieved its goal of reducing electricity costs by 3%. Training employees on the main energy efficiency goals and objectives as part of the "School for Young Specialists" played a significant role in this achievement.

Due to increased production volumes in 2018, the segment's total electricity consumption rose.

For additional information see EVRAZ first Sustainability Report for 2018, which is to be published in May 2019.

Social policy

OUR PEOPLE

OUR APPROACH

EVRAZ knows that its success is predicated on its people and places a particular emphasis on human capital development. The Group prioritises compliance with national legislation wherever it operates, including regulations governing labour protections, minimum wage, annual paid and parental leave, collective bargaining agreements, health insurance, pensions, personal data protection and other matters.

EVRAZ does not tolerate discrimination in any form. The Group's Code of Ethics and Code of Conduct underpin its compliance with the requirements of international human rights laws. These documents ensure equal opportunity in hiring and prohibit discrimination on the basis of race, age, gender, religious and political beliefs, sexual orientation, nationality, ethnicity, citizenship, marital status, disability, etc. During the onboarding process, all employees are familiarised with the internal labour and payroll regulations, as well as EVRAZ Code of Conduct, Cardinal Safety Rules and Anti-corruption Policy.

One of the Group's core principles is mutual respect. EVRAZ works in a multicultural environment where everyone deserves respect and prohibits the use of offensive, abusive, discriminatory, degrading or aggressive speech, in both oral or written form, as well as verbal or physical sexual harassment and actions or expressions that offend a person's honour and dignity. Child labour, bonded labour, human traffcking and other forms of slavery (known as modern slavery) are strictly prohibited at all EVRAZ subsidiaries and their suppliers.

Notably, most of the Group's full-time staff (around 94%) are located in Russia and CIS. The entire Russian labour law system is based on general international legal principles and norms, and contains rules explicitly prohibiting any form of discrimination based on gender, social status or class, and any other factors not directly related to an employee's professional qualities. Similar rules exist in the national legislation of other countries where EVRAZ operates, and local governments constantly monitor compliance with them. In addition, worker treatment is monitored by public organisations, including the trade unions active at the Group's operations, as well as regional and federal trade union associations and representatives of Russia's Presidential Council for Civil Society and Human Rights.

The Group holds its partners to equally high human rights standards. EVRAZ policies require that all contracts with partners include sections governing the prevention of corruption and human trafficking.

In 2018, the issue of discrimination was covered for the first time in the annual "We are together" employee engagement survey. Based on the responses received from employees, focus groups will be held in 2019 and an action plan will be developed. At the year-end, the survey will be repeated to assess the programme's effectiveness.

For additional information see EVRAZ first Sustainability Report for 2018, which is to be published in May 2019.

Personnel profile

Headcount

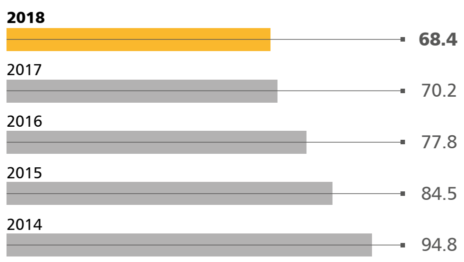
As at 31 December 2018, EVRAZ had a total of 68,379 employees, a reduction of 3% year-on-year. In 2018, to better achieve the Group's strategy, it divested its assets in Ukraine and sold EVRAZ DMZ, which was one of the primary factors that influenced the headcount reduction in the year.

Diversity

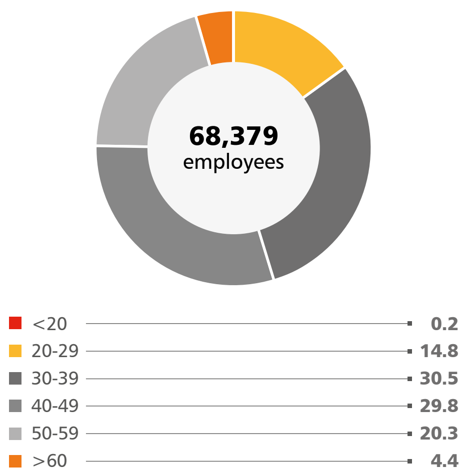
EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees' rights receive equal protection, regardless of race, nationality or sexual orientation. Diversity improves business efficiency, increases engagement and stimulates employee development.

The Group believes that effective decision making and business management stems from having a diversity of opinions. In 2018, the Board of Directors was joined by a new independent non-executive director, Laurie Argo, bringing the number of women on the Board to two of nine seats (22%). In addition, Yanina Staniulenaite was appointed as vice president responsible for legal matters, bringing the number of women on the management team to two of 16 members (12.5%).

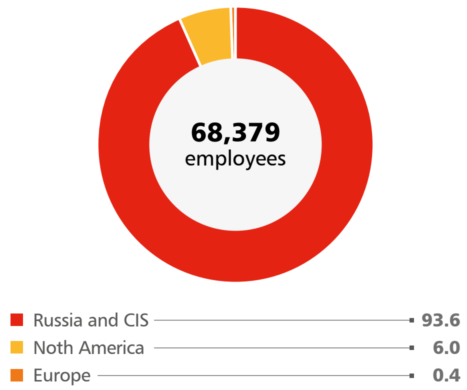
Number of employees as of 31 December 2018, *thousand people*



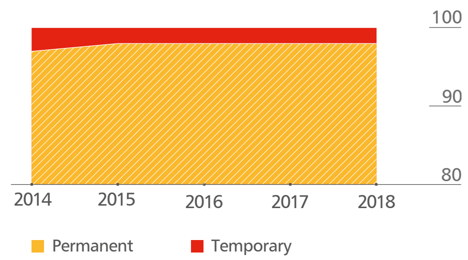
Breakdown of employees by age as of 31 December 2018, %



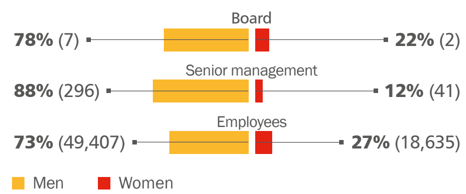
Breakdown of employees by region in 2018, %



Breakdown of permanent and temporary staff, %



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



Staff recruitment policy

EVRAZ is focused on identifying and eliminating risks in the field of human rights, including those related to hiring staff and working conditions. Staff recruitment is conducted in full compliance with the laws of the countries in which the Group operates. EVRAZ strives to provide opportunities in hiring and career development for all candidates and employees, regardless of gender, age, ethnicity, nationality, religion, etc.

EVRAZ recruitment principles include:

- Safety
- Respect for people
- Performance and responsibility
- Customer focus
- Effective teamwork

In accordance with the Group's policy, staff are recruited under permanent employment contracts except for certain cases, when fixed-term contracts are used, including:

- University students undergoing practical training
- Interns
- Seasonal workers, for example, summer camp staff and employees hired to unload coal from railcars in winter
- People participating in investment projects, who are hired for the duration of the project
- People hired to cover for employees on parental leave
- Employees hired with a probationary period

Compensation does not differ for employees under fixed-term and permanent contracts (except for university students undergoing practical training, as well as internal and external part-time workers, who do not receive annual bonuses or vacation travel vouchers). Employees hired on fixed-term contracts receive hiring preferences for permanent positions matching their qualifications, education and work experience.

Staff reduction policy

EVRAZ strives to consistently improve efficiency. This is a complex task that ultimately leads to increased labour productivity. In cases where staff are laid off as a result, the Group approaches this as responsibly as possible, guided by its Socially Responsible Layoff Programme, which it adopted in 2012. The provisions of this programme are enshrined in EVRAZ collective agreements. In addition, the Group's collective agreements and industry tariff agreements include detailed employment sections.

Under Russian law, the following categories of employees have additional guarantees against dismissal due to downsizing:

- Single mothers raising a child with a disability under the age of 18
- Single mothers raising a child under the age of 14
- Women with children younger than three years
- Parents (or other legal guardians) who are the sole breadwinner for a child with a disability under the age of 18 if the other parent is not employed
- Parents (or legal guardians) who are the sole breadwinner for a child younger than three years in a family raising young children (three or more) if the other parent is not employed
- Women who are pregnant

In addition, the preferential right to maintain employment under equal professional qualities is granted to:

- People in families with no other independent income
- Employees with two or more dependents
- Employees who suffered an occupational illness or work-related injury while employed at the Group
- Employees who were sent to employer-sponsored on-the-job training

Employee turnover, %

	2018		2017		2016		2015		2014	
Region	Overall	Voluntary	Overall	Voluntary	Overall	Voluntary	Overall	Voluntary	Overall	Voluntary
Russia and CIS	12	7	11	6	14	5	12	5	17	7
North America	20	13	23	14	26	15	20	12	20	14
Europe	9	5	8	2	18	10	22	14	15	9

Beginning in 2019, Russia is introducing additional protections for employees who have five or less years remaining to retirement age. Such employees cannot be dismissed without cause due to their attainment of pre-retirement age, nor can employment be denied on such grounds.

In addition, EVRAZ grants the preferential right maintain employment to a broader group of employees than that defined under Russian law, including:

- Single fathers raising a child under the age of 16
- People whose spouse is retired or unemployed
- People who were raised in orphanages and are under the age of 30
- College and university graduates within three years of signing the employment contract for their first job
- People with disabilities who have not reached retirement age
- Spouses, children under 23 years or parents of an employee who died as a result of an accident at work
- People who became ill due to the consequences of the accident at the Chernobyl nuclear power plant

EVRAZ strives to retain its production staff. During staff reductions, the Group offers all employees, without exception, existing vacancies and, if necessary, pays for training in their new professions. EVRAZ works with employment centres in the regions where it operates and, if necessary, arranges the relocation of employees to the Group's facilities in other regions. EVRAZ also provides training and financial assistance to workers who are laid off and wish to open their own business.

In the event of temporary staff reductions, collective agreements contain clearly defined, specific measures to support workers and preserve jobs: changing work schedules, introducing shorter work days or work weeks, creating temporary jobs, transferring employees to other jobs, with their consent, etc. Collective agreements also define the Group's obligation to develop a social adaptation programme for workers with the participation of the trade union organisation. All decisions regarding staff reductions are made in dialogue with the trade union organisation.

Performance management

EVRAZ continues to improve its system of KPIs. Technical KPIs have been developed in accordance with best industry practices (monitored by the Group's CEO) and are built into the staff motivation system. Corresponding KPI targets are included in management's scorecards down to the level of shop managers.

Case study

MERGER OF EVRAZ ZSMK AND EVRAZRUDA

In 2018, two of the Group's subsidiaries – EVRAZ ZSMK and Evrazruda – were merged into a single legal entity, EVRAZ United West Siberian Metallurgical Plant. It was highly difficult to merge two groups of employees without problems from subsidiaries located in distant territories, each with its own history, traditions and economics.

The Group prepared carefully in advance: trade union organisations were invited to solve problems that workers encountered and establish an ongoing dialogue with employees and local communities. Effective communication, as well as equalising social benefits and protections, helped to ensure that the merger was closed on time, without any social upheavals and without the need to involve additional resources.

Learning and development

EVRAZ believes that by providing employees every opportunity to grow within the organisation, it helps to prepare the Group to overcome future challenges and achieve ambitious goals.

In 2018, the EVRAZ Business System (EBS) principles and tools played an important role in employee training. In particular, managers were trained to promote EBS transformations and adopt a more challenging management style.

To this end, the new "Top 300" corporate programme was launched during the reporting period. Its participants were taught such management practices as performance dialogues in target setting, feedback, delegation, development of subordinates, among others. Each programme participant (primarily shop managers and mine directors) was mentored by a member of the Group's senior management.

Preserving and developing engineering competencies were a particular focus area, including through the following events:

- A total of 40 people attended 11 programmes of EVRAZ "Chief Engineer School", two of which involved a new format, the interdivisional "School of Recycling" and "School of Energy Efficiency"
- A total of 230 people attended corporate scientific and technical youth conferences in the Urals and Siberia divisions
- A total of 65 people attended 11 "Theory of Inventive Problem Solving" (Russian abbreviation: TRIZ) workshops
- A total of 20 people attended pilot workshops on engineering analytics

On average, the Group's employees received 89 hours of training during the year, 42 hours of which was conducted via distance learning.

In addition, EVRAZ held the "Technology is Changing. Are We?" corporate scientific and technical conference, which aimed to create visions of the future for the Group. After the conference, a seed group of young engineers went to work in each division on projects curated by the technical director of their facility. In addition, every engineer at EVRAZ received a special educational resource called "Engineernik" – a note pad with a problem-solving algorithm that is useful for self-learning and practical application.

Standard operating procedures and safe working practices are key aspects of the Group's employee development efforts. EVRAZ invests in training facilities for practical skill development, introduces new safe working methods and improves its production mentoring system.

The Group is especially proud of its team's victory at the WorldSkills championship. In 2018, EVRAZ took part in the competition for the fifth time, bringing home one gold, three silver and three bronze medals. The Group was represented by 15 participants and 28 experts.

Contractors

All of EVRAZ human rights and anti-discrimination policies apply to suppliers and contractors, as well. Each contract with a partner must contain sections governing the prevention of corruption and human trafficking. All contractors working at the Group's facilities are also required to follow EVRAZ Cardinal Safety Rules.

Existing outsourcing procedures require a three-party agreement preserving workers' social benefits and protections to be signed between the Group, the outsourcer and the primary trade union. Trade unions are full participants in tendering procedures when a service or deliverable directly concerns EVRAZ employees (for example, when choosing a supplier for personal protective equipment (PPE) and exercising control, selecting healthcare centres for wellness leave, etc).

Every EVRAZ employee must be familiarised with the Contractor Auditing Policy as part of the onboarding process. In 2019, the Group plans to draft and approve regulations governing the procurement of goods and services, which will contain EVRAZ requirements for contractors, as well as methods for monitoring their compliance.

Communication with employees

EVRAZ is committed to regularly engaging with its workforce and realises the value in listening to and acting on employee views across the organisation.

EVRAZ uses a wide range of tools to communicate with its employees, including the corporate intranet and website, corporate publications, social networks and web conferences, as well as question and answer sessions or townhalls with members of senior management. In addition, the Group holds general meetings and conducts employee surveys to determine the level of satisfaction with working conditions (including employee engagement surveys).

The Board reviews the engagement data and has appointed in 2018 two non-executive directors to be envolved in townhall meetings with employees and is therefore aware of any trends, comments or concerns.

Work with trade unions

EVRAZ work with the trade unions representing its workers' rights is based on the principles of social partnership. Senior management meets regularly (at least once a week) with trade union representatives at all Group facilities. Meetings between EVRAZ management and trade union leaders are held at the site of EVRAZ Social Production Council, a special body created by the Group to ensure the right of trade unions to protect workers and receive first-hand information.

The overall level of unionisation at the Group is 75%, albeit with significant variations across operations and countries. In Russia, collective agreements are required by legislation to cover all employees of an operating facility regardless of whether they are union members. The level of employees covered by the collective agreements at EVRAZ Russian operations is 90%. At legal entities that do not have collective agreements due to the lack of trade unions, local employer regulations are in place to provide employees with social benefits, protections and compensation in accordance with the Group's corporate policy.

The trade unions at EVRAZ Russian operations are part of nationwide industrial unions (including the Russian Mining and Metallurgical Union and the Russian Coal Industry Workers Union), and are also members of the Russian Federation of Independent Unions and international industrial union associations. At the industry level, the Group cooperates with trade unions through industry employer associations, including the Russian Coal Mining Industry Employers Association and the Russian Metallurgists Association.

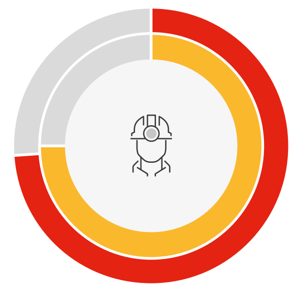
In 2018, there were no conflicts or collective labour disputes at the Group's Russian operating facilities. All changes and updates of collective agreements were constructive, in strict accordance with the law and the principles of social partnership. At every facility, trade union conferences were held where the employees confirmed that the terms of the collective agreements were complied with in full throughout the year.

Employee engagement

In 2018, for the third time, EVRAZ conducted the "We are together" to develop local and corporate-wide improvement plans. The focus was on increasing employee awareness of what is happening at the Group, including its short- and long-term goals, facility development plans and working conditions. The study was conducted from 24 September to 24 October. In 2018, employees of the Shared Service Centre, EVRAZ Metall Inprom and EvrazTekhnika were included in the study for the first time.

The "We are together" employee engagement study gives every employee the opportunity to express their opinion about working at EVRAZ and helps the management to understand people's concerns. Focus groups are currently being held, after which each division will develop a plan to eliminate pain points.

Employee engagement survey response rate, %



2018	74
2017	76

Performance as an employer

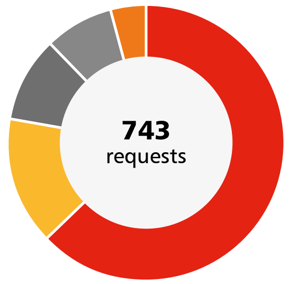
EVRAZ regularly participates in contests that confirm its status as a socially responsible employer. In 2018, the Group won awards for the social performance of its collective agreements, as well as its HSE efforts, in the 15th annual metals and mining industry contest held by the Russian Metallurgists' Association and the Central Council of the Russian Mining and Metallurgical Union.

EVRAZ operating facilities have also received regional awards for human resource management, including from the city of Nizhny Tagil and the OEE Award 2018.

EVRAZ Hotline

The Group uses the EVRAZ Hotline to help monitor employee satisfaction and record incidents at its operating facilities. To ensure the hotline's effectiveness, it is anonymous, works 24/7, uses an IT system to handle enquiries and has a transparent structure of responsible persons. The process is regulated by the EVRAZ Hotline Statutes. Enquiries are broken down by the responsible business unit (HSE, HR, Security, etc) to be investigated and responded to. All requests related to employee persecution are investigated by the internal audit department. All difficult, controversial or sensitive cases are reviewed by members of the Hotline Committee, which includes the vice president for corporate communications, internal audit director and internal and external communications director. On a quarterly basis, the internal audit director performs random quality control reviews.

Breakdown of hotline enquiries in 2018, %



Labour relations	63
Health and safety	15
Security	10
General information	8
Others	4

In 2018, the hotline received 743 requests. The most frequent issues concerned labour relations, including the quality of services for workers (174) and labour compensation (78).

Motivation

Financial motivation

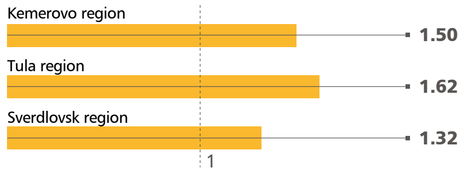
EVRAZ strives to look beyond compliance with minimum wage requirements to ensure that it compensates its staff adequately.

Since 2017, the Group has used a grading programme where consultants helped to evaluate roles within the organisation and develop remuneration management principles. The grading system and remuneration management principles have improved the transparency of employee remuneration.

In 2018, EVRAZ completed the job evaluations (grading) for all positions except line workers at its Moscow assets, regional managing companies and trading network company, including: EvrazHolding in Moscow and the Urals, EVRAZ Trading Company, EvrazTekhnika, EVRAZ Metall Inprom and EVRAZ Vanady Tula. The Group's Grading Committee also met regularly at the corporate headquarters to evaluate new jobs and ensure that the grading process is up to date.

The grading helps to harmonise fixed and variable compensation, ensure that pay levels are market competitive and maintain the proper ratio of fixed and variable compensation. Based on the grading and market

Average wage ratio, EVRAZ vs the region of presence



practices, in 2018, EVRAZ systematised its approach to determining the target annual bonus. The principles governing the annual merit increase were developed on the basis of job evaluations and performance appraisals and were implemented at the headquarters and Urals managing company (EvrazHolding in Moscow and the Urals).

In 2018, EVRAZ also launched the grading program at its production assets, EVRAZ NTMK and EVRAZ KGOK, to develop a unified compensation system and remuneration principles. The aim is to improve internal fairness, transparency and competitiveness of employee remuneration at every level. As part of the EVRAZ Business System (EBS) transformation process, the Group implemented an employee motivation system aimed at encouraging the achievement of ambitious goals, developing workflow improvement ideas and engaging employees at EVRAZ ZSMK (including at the coke and sinter blast furnace production, converter shops and rolling mill) and EVRAZ NTMK (at the coke and chemical production).

Non-financial motivation

As a socially responsible company, EVRAZ offers its employees a broad non-financial compensation package that exceeds the minimal legislative requirements and is part of total remuneration. The Group's employees receive voluntary health insurance, additional voluntary insurance against accidents at work, a government pension programme, a programme that compensates part of the interest on mortgage loans, free wellness leave vouchers for employees and their families, etc.

EVRAZ also supports retired former employees who worked 10 or more years at its facilities. It has special programmes to support youth and women that have been united into public organisations. Cultural and sports events are held for employees and their families in the cities where the Group operates. Children of employees receive gifts for the New Year holidays and when they start first grade in school.

EVRAZ collective agreements also provide additional leave for childbirth, weddings and funerals of close relatives. There is also a programme that provides financial assistance to employees in difficult life situations.

Key projects in 2018

As part of the corporate social policy, voluntary health insurance programmes were introduced at EVRAZ Vanady-Tula, EVRAZ Metall Inprom, Evraz Metall Siberia and the Shared Services Centre. The programmes were developed to meet specific conditions (such as the scattered branches of EVRAZ Metall Inprom and Evraz Metall Siberia) and workers' needs (for example, at EVRAZ Vanady-Tula, employees need access to advanced dentistry, including services for preparing for dental prosthetics) while maintaining corporate principles: availability and reliability of medical organisations, provision of quality services and co-financing by the employer. In addition, telemedicine is now available to the Group's employees, providing for remote consultations with doctors from Moscow, including highly specialised doctors.

Objectives for 2019

In 2019, the Group plans to launch a comprehensive health management programme for its employees. The programme will integrate all existing medical programmes into a single IT-based system that will help to improve employee healthcare. It will also incorporate new approaches, including identifying risk groups and offering both group and individual preventative programmes.

A pilot project is also planned for EVRAZ ZSMK that will cover all employees. In addition, the "Top 300" programme will be introduced for shop managers (mine directors) and higher. Another priority in 2019 is developing the production mentorship system for EVRAZ employees.

Case study

COAL SEGMENT RECRUITING CENTRE

High coal prices and an improved economy have driven rapid growth in the Coal segment, which has opened new mines and open-pit operations, as well as increased production at existing facilities. This ultimately led to a lack of both management and line personnel.

In July 2018, a recruiting centre began to be created for the Coal segment. It reached its planned capacity in September, helping to significantly increase staffing levels at the mines. The centre's employees are now working to improve the Group's brand as an employer and expand the staff search geography.

COMMUNITY RELATIONS

OUR APPROACH

EVRAZ adheres to international corporate social responsibility principles by investing in the future of the regions where it operates. This includes improving urban infrastructure, labour conditions and the lives of its employees and their families, as well as implementing various charitable, educational, sport and environmental projects. The Group fosters an open and productive dialogue with all stakeholders, including local governments, non-governmental organisations, business and cultural associations, and the media. EVRAZ enterprises are responsible taxpayers, contributing to regional budgets and promoting positive social and environmental policy change in the cities where their facilities are located.

EVRAZ has two charity funds that operate in Siberia and the Urals. When choosing projects to support, the funds take into consideration EVRAZ charity policy. This policy defines focus areas for support, including funding orphanages and needy families, sponsoring educational, sport and cultural projects, and subsidising medical centres and environmental programmes.

FEDERAL AND REGIONAL EVENTS

EVRAZ actively supports social, sport, environmental and cultural programmes in the cities where it operates, including hosting its own events and joining nationwide initiatives. In 2018, the group was a partner of the Clean Games in Kachkanar, a nationwide environmental and educational project aimed at cleaning up the environment and waste sorting. In Ekaterinburg, EVRAZ again sponsored the Grand Slam international judo competition. The Group supports the Documentary Film Centre in Moscow, the Yeltsin Centre in Ekaterinburg and the Novokuznetsk Drama Theatre.

AWARDS

"Steel Dynasties", a joint online-project of EVRAZ and Lenta.ru, won the "Special Look" award for best internal corporate communications project at InterComm 2018.

EVRAZ ZSMK and Raspadskaya were recognised for their EVRAZ for Cities federal programme with a gold medal "For Innovative Social Leadership" in the "Corporate Charity leaders – Siberia" contest, a joint project of the Donors' Forum, PwC and Vedomosti newspaper.

PUBLIC ORGANISATIONS AND BUSINESS ASSOCIATIONS

EVRAZ is a member of important industry and business associations, including the Russian Managers' Association, Russian Union of Industrialists and Entrepreneurs, Russian Steel, Russian Metallurgists' Association, Steel Construction Development Association, National Association for Subsoil Examination, Association of Railway Product Producers and Russian Railways Consumer Council.

KEY PROJECTS

EVRAZ FOR KIDS

Several core aspects of the Group's support of children are sponsoring academic institutions and programmes, financing the purchase of necessary school supplies and sport equipment, improving the landscaping around schools and providing scholarships. EVRAZ has always placed a high priority on supporting children in orphanages and with special needs, including through ongoing programmes that provide assistance and rehabilitation for children with health limitations and cerebral palsy.

Case study

In 2018, EVRAZ and the Social Investment and Innovation Agency held the "Children's Foresight" event in the town of Kachkanar as part of a nationwide social project to engage schoolchildren in designing their future cities. More than 65 children aged 12-17 took part in "Children's Foresight". Their projects were aimed at improving Kachkanar's public services and amenities, improving youth recreation facilities and promoting a healthy lifestyle. The winners attended a social change leadership camp organised by the Agency for Strategic Initiatives that was held at the Artek international Children's camp.

Activities

- EVRAZ continued to fund rehabilitation programmes for children with cerebral palsy in Nizhny Tagil, Novokuznetsk, Kachkanar and Mezhdurechensk.
- In Tula region, the Group organised a summer outing for children with autism and acquired equipment, furniture and toys for children with health limitations.
- In Novokuznetsk, EVRAZ made charitable donations to the Ostrov Nadezhdy, Orphanage School No. 95 and Rovesnik orphanages to implement social projects and assist grown children when they leave the orphanages.
- The Group gave holiday presents to disadvantaged children in Tula, Kemerovo and Sverdlovsk regions.
- In Nizhny Tagil, EVRAZ provided equipment for a sport field and playground at School No. 81.
- The Group provided funding for laboratory equipment and to improve the facilities and landscaping at Nizhny Tagil Mining and Metallurgical College.
- EVRAZ acquired equipment for the student design bureau at Nizhny Tagil Technical Institute, a branch of Ural Federal University.
- The Group provided funding for workshop equipment and scholarships at Kachkanar Mining Industry College.
- In Kachkanar, EVRAZ arranged roof repairs at the Children's Art School.
- In Texas, EVRAZ North America sponsored the Cherokee Creek Music Festival, the proceeds from which went to children's charities.
- The Group helped the Novokuznetsk Drama Theatre to equip a children's theatre workshop and baby theatre.
- EVRAZ provided support for the Rogachev Centre for Paediatric Haematology and Immunology's science project aimed to improve the treatment for acute myeloblastic leukaemia in children.

EVRAZ: CITY OF FRIENDS – CITY OF IDEAS

The "EVRAZ: City of Friends – City of Ideas" grant contest is a project aimed at engaging people to improve public spaces, protect the environment, develop social initiatives and increase participation in social design, urban improvement, environmental education and preservation of urban natural resources.

Since 2017, the contest has been held in four cities where the Group operates. In 2018, "EVRAZ: City of Friends – City of Ideas" events took place in summer in Novokuznetsk and Mezhdurechensk, and in autumn in Nizhny Tagil and Kachkanar. The contest received 167 applications from Siberia and 187 from the Urals in 2018, of which 51 projects received grants totalling RUB14.5 million. Overall, the projects received more than 23,405 votes and the programme's website had 72,757 visitors.

Case study

Several "EVRAZ: City of Friends – City of Ideas" projects were implemented in 2018.

Thanks to a grant from EVRAZ, the "Sport Today – Healthy Generation Tomorrow" project was implemented. The project entailed creating a sport field for school students, children from large or low-income families and at-risk children. Novokuznetsk's School No. 12 now has a universal outdoor sport facility where all muscle groups can be trained.

A grant from EVRAZ also helped to hold the Veterans Games, which were dedicated to Novokuznetsk's Year of Respect for the Elderly and the 50th anniversary of the Novokuznetsk City Veterans Council. A total of 120 veterans took part in the games, playing football, table tennis, darts, checkers and chess.

Winning projects

Siberia

- The "CyberSchool" project in Novokuznetsk is aimed at teaching programming and introducing children aged 6-16 to scientific and technical creativity.
- The "Sport Today – Healthy Generation Tomorrow" project entailed creating a sport field for students at Novokuznetsk School No. 12 named for Hero of the USSR Semyon Chernovsky, as well as children from large or low-income families and at-risk children.
- The "Dog as a Social Adaptation Agent" project in Novokuznetsk aims to help with the social engagement of children with health limitations by working with specially trained dogs.
- The "From Life Safety Lessons to a Safe Life" project in Mezhdurechensk seeks to promote awareness and responsibility among schoolchildren regarding safety in the face of the social, natural and technogenic threats of the modern world.
- The "Healthy Lifestyle for Each Resident of Olzheras Village" project will help to install modern sports equipment in the village.
- The "Film Summer" project aims to create an outdoor cinema for residents of Mezhdurechensk.

Urals

- The "At Home in the Forest" project involves creating conditions for sport tourism in the Kachkanar urban district, including acquiring modern equipment to professionally hold various competitions.
- The "Sensory Garden" project at the sole kindergarten in the Valerianovsk village in Sverdlovsk region aims to create conditions to make up for the lack of emotional and sensory communication with nature (including for children with health limitations).
- The "Reviving Yachting in Nizhny Tagil" project seeks to popularise the sport in the city and ensure that teenagers and youth have access to yachting. As part of the project, volunteers plan to repair at least 30 yachts of various classes and prepare them to sail during summer 2019.
- The "Fairy Tale Film Workshop" project aims to encourage children and youth to study Russian folk culture, customs and traditions by creating a fairy tale film at the live film studio in Nizhny Tagil's Hall of Child and Youth Creativity.
- The "Miracle Pier – children's playground for special children" project involves equipping playgrounds at Nizhny Tagil's boarding school for hearing impaired children.

EVRAZ FOR CITIES

Each year, EVRAZ invests to improve urban infrastructure in the regions where it operates. The Group sponsors medical, educational and cultural institutions.

Case study

EVRAZ provided extensive support for various projects and events for Novokuznetsk's 400th anniversary in July 2018. The Group financed the creation of the only workout stadium in Kemerovo region, which was opened as part of Russia's national street sport festival. EVRAZ helped to landscape public squares; repaired an Olympic reserve ski school and the Meridian centre of technical creation; and rebuilt the facade of the Metallurg stadium. In addition, the Group provided equipment to Siberian State Industrial University for a modern auditorium that was named for Ivan Bardin, an outstanding engineer.

Activities

- In Kemerovo region, the Group provided donations to help overhaul the municipal heating network pipes in Tashtagol.
- EVRAZ provided donations to improve the municipal infrastructure in Tashtagol district as part of the Miners' Day celebrations.
- The Group donated equipment and ambulances to medical centres in the Urals and Siberia, including a fully equipped mobile intensive care unit for the regional clinical centre for miners' health care in Leninsk-Kuznetsky.
- EVRAZ provided donations to the Cozy City charity in Nizhny Tagil. The funds were used to help the veterans' council, landscape a city park, acquire books for local residents and other projects.
- The Group donated funds to the «Gift of Life» Centre for Protection of Motherhood» and Childhood to repair the facilities of the «Baby and Mother» crisis shelter in Nizhny Tagil.
- In Kachkanar, EVRAZ supported urban beautification efforts, the organisation of public social and charity holiday events, and the development of the "Club of Humour" movement (Russian abbreviation: KVN, humour TV show).
- The Group helped Kachkanar's cultural centre to acquire multimedia equipment and a projector screen, equipment and lighting for an ice park, and to conduct various events for local residents.
- EVRAZ assisted with a project to develop a comprehensive traffic plan for Kachkanar.
- EVRAZ North America sponsored the Alberta Cancer Foundation's Enbridge® Alberta Ride to Conquer Cancer®.

EVRAZ FOR SPORT

EVRAZ supports amateur and professional sports teams, as well as individual athletes, by sponsoring equipment purchases, training programmes and competitions.

Case study

For the second consecutive year, EVRAZ sponsored the prestigious Grand Slam judo tournament, which is organised by the Russian Judo Federation and National Judo Union. Yekaterinburg is the only Russian city where the competition is held. The remaining four stages of the Grand Slam tournament in 2018 were Paris, Dusseldorf, Abu Dhabi and Tokyo. The best athletes from 35 countries took part in the competition.

Activities

- As part of EVRAZ fourth-annual “High Five” event, races took place in Novokuznetsk, Nizhny Tagil and Moscow.
- In Tashtagol, the Group held the 15th annual Andrey Sevenyuk corporate ski and snowboard competition.
- EVRAZ equipped a skate park for the Jupiter Olympic reserve sport school in Nizhny Tagil.
- The Group helped the Uralochka sport school in Nizhny Tagil to acquire office and sport equipment.
- In Kachkanar, EVRAZ helped to repair sport facilities and acquire equipment for hockey players at the district Sports and Recreation Complex.
- The Group provided sponsorship for the Kachkanar municipal district Federation of Sambo and Judo to organise trips to competitions, as well as to acquire sport equipment and transportation to get children to competitions.
- EVRAZ helped Kachkanar’s Olymp sport school to travel to competitions and provided funding to hold a football competition.
- In Tashtagol district, the Group helped the Shoria hockey team to acquire sport equipment.
- EVRAZ helped the Mezhdurechensk sport school that teaches team sports to conduct a streetball competition for local amateur teams.
- In Novokuznetsk, the Group supported Children’s Sport School No. 2 to organise the 33rd annual City Games and helped to repair a stadium.
- EVRAZ installed a modular building on Mount Yugus in Mezhdurechensk for the Khokhrin Olympic reserve sport school for skiing.
- The Group provided assistance to Novokuznetsk’s Metallurg-Zapsib sport school received to organise their team’s participation in football competitions at the Russian Championship.

EVRAZ VOLUNTEERS

While EVRAZ does not have an official policy regarding volunteering, for many years the Group’s employees have been helping people in difficult situations, supporting children’s institutions and organising various sport and social events.

For the second consecutive year, EVRAZ NTMK’s employees have held the “Relay of Good Deeds”. It started at the plant in February 2017 and has since had more than 8,000 participants who have helped 12 educational institutions in Sverdlovsk region.

In 2018, the following events were held as part of the “Relay of Good Deeds”:

- Helping Kindergarten No. 16 in Novoasbest. Employees of EVRAZ NTMK helped the kindergarten to prepare for winter, including replacing pipes, repairing the heating and electrical systems, and improving the playgrounds;
- Helping Kindergarten No. 34 in Pervomaisky. The Group’s employees acquired kitchenware and toys, replaced the lighting and electrical wiring, repaired buildings, improved playgrounds, organised holiday events and gave the children books and school supplies;
- Helping Boarding School No. 1 in Nizhny Tagil. EVRAZ NTMK’s employees donated an all-in-one printer/scanner/copier and two televisions. They also repaired the electrical wiring, as well as the equipment in the school’s metal and woodworking shops;
- Helping the kindergartens in the villages of Bashkara and Kaigorodskoye. In Bashkara, EVRAZ NTMK’s employees repaired the fence, veranda, kindergarten slide, kitchen equipment and electrical wiring. In Kaigorodskoye, they updated the lighting in the classrooms. They also donated educational games, construction sets and toys for the children in both kindergartens.

PROJECT AWARDS

The “Relay of Good Deeds” project has received the special “Kind Heart” nomination from KFC in the “Volunteering” programme of the “Corporate Charity Leaders” federal competition and won third place in the regional “Corporate Charity Leaders – Ural” contest.

NEW PROJECTS

In July 2018, EVRAZ and the online publication Lenta.ru launched the “Steel Dynasties” digital project: http://evraz.lenta.ru/#/.

“Steel Dynasties” presents the story of five families of steelmakers and miners from Siberia and the Urals, where the professions are passed down from generation to generation. The combined work experience of the families exceeds 500 years. The five families represent the Group’s core operations: EVRAZ NTMK, EVRAZ ZSMK, Kachkanarsky GOK, Evrazruda and Raspadskaya. The project team travelled hundreds of kilometres to put all the stories together.

In November 2018, EVRAZ and the Komsomolskaya Pravda newspaper launched the “Strength of Generations” digital project: https://www.kp.ru/best/msk/sila-pokolenij/.

“Strength of Generations” is a project dedicated to mentoring, passing on professional experience and production culture. The story follows six pairs of mentors and their proteges, describing the growing skills and career paths of EVRAZ people, who also work at the Group’s key assets: Kachkanarsky GOK, EVRAZ NTMK, Raspadskaya and EVRAZ ZSMK. The project underscores the importance of blue-collar professions and seeks to increase their popularity among youth.

Anti-corruption and anti-bribery

OUR APPROACH

EVRAZ has always striven for consistency in its strict compliance with the Law of the Russian Federation No. 273 "On Preventing Corruption", the UK Bribery Act, the US Foreign Corrupt Practices Act and other relevant local legal equivalents. Battling bribery and unethical practices are core aspects of its anti-corruption efforts.

The Group has a developed system of well-documented and adhered to procedures which define compliance managers' routine. Today, compliance specialists scrutinise all tender procedures, check potential and existing business partners, vet prospective new candidates and ensure that the principles set forth in the Anti-corruption Policy, Code of Conduct and other relevant policies are followed conscientiously and fully.

Policies and regulations

All EVRAZ subsidiaries comply with the Code of Conduct and Anti-corruption Policy, the top-level documents that define the norms of ethical and responsible behaviour for employees in all circumstances. These and other relevant policies are available on the corporate intranet and employees bear personal responsibility for full compliance with them. Employees are consistently encouraged to seek guidance from compliance managers whenever they have questions about the expected course of action in difficult situations or when they want to voice concerns about known violations.

The Group seeks to ensure that compliance managers are present at every major asset and are responsible for handling anti-corruption and anti-bribery matters. They investigate possible non-compliance with policies; monitor charity payments and hospitality spending; and act on whistle-blower allegations of possible bribery, corruption, fraud and malfeasance. They then report their findings and recommendations to local managing directors, the Group's compliance manager and specialists reporting to the senior vice president for business support. The latter review investigation results to liaise with senior management as necessary. The Group's compliance manager routinely informs the Audit Committee about the status of ongoing anti-corruption efforts and prepares memos at the committee's request.

Employees have access to a brief summary of relevant anti-corruption policies as well as links to the full texts of top-level documents on the corporate intranet. Where necessary, the compliance managers discuss the essence of the adopted rules and procedures with all interested parties.

Risk analysis

At the end of each calendar year, compliance managers perform a comprehensive analysis of potential anti-corruption risks across all assets. For this purpose, they consider every business process and redefine key risk areas if necessary. Each area is then evaluated to see if existing controls and procedures effectively mitigate the associated risks. EVRAZ has a declared policy of zerotolerance for bribery and corruption. The Group uses every means to investigate carefully and discretely all signals suggesting potential violations of applicable law and key internal anti-corruption policies.

As the Group's business processes are stable and consistent year to year, compliance managers typically examine the same following processes for signs of risk:

- Purchase of goods or services
- Payments
- Sale of goods, works and services
- Business gifts, hospitality, entertainment and travel expenses
- Charity and sponsorship
- Interaction with government authorities
- Hiring and transferring staff
- Vetting contractors or customers
- Contract approval
- Group property management

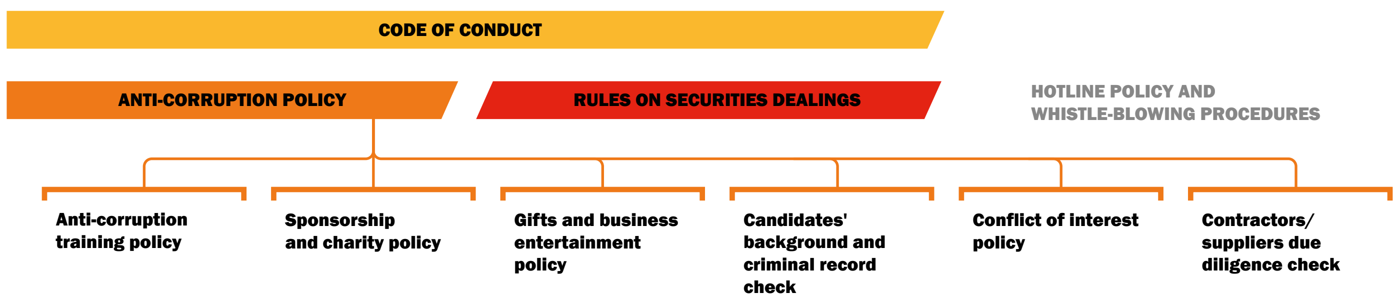
When doing so, managers apply the methodology developed jointly by the compliance, internal audit, legal, and business support functions specifically for this purpose. According to the methodology, random events (current and past) are evaluated for signs of predefined risks. Such events can include tenders, contract approvals, specific purchases, inventory checks, charitable donations, etc.

The compliance managers meet with responsible managers of each asset to inform them of the revealed risks and discuss threats to recommend further actions. The compliance managers then monitor any corrective measures that are undertaken to mitigate the discussed risks.

At the beginning of the following year, the Group's compliance manager presents a consolidated analysis to the Audit Committee.

In early February 2018, the compliance officer presented to the Audit Committee the analysis for 2017, which revealed no significant violations of anti-corruption statutes or cases of noncompliance with Group policies.

Key Group policies to regulate anti-corruption and anti-money laundering efforts



For more information, see Short summary of relevant anti-corruption policies on page 264.

Examples of anti-corruption risks tested in the Group's business processes

In the process "sale of goods, works and services", compliance managers defined risk indicators to look and then test for:

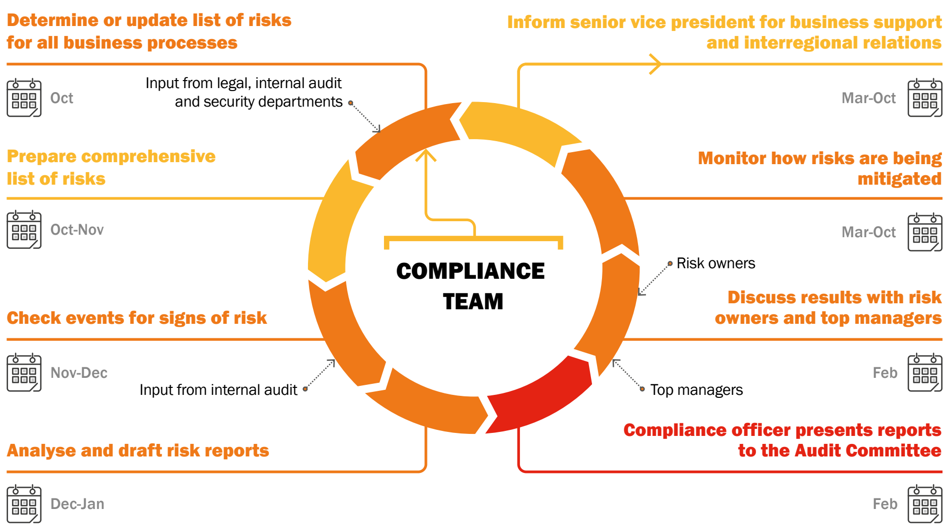
- Goods are sold at prices and on terms that are significantly different from the market average;
- Goods, works and services are sought to be sold via middlemen and agents when direct contracts are possible;
- There are discounts or mismatched conditions set in supply contracts that contradict the Group's trade policy requirements.

Other corruption risk indicators here include unexplained/unjustified bonuses to the buyer based on the amount of purchased products, lack of primary and shipping documentation, and granting a delay in payment that violates the current internal requirements. So, random transactions – recent or past – are singled out and carefully considered for signs of said risks. Should compliance managers reveal systemic or significant violations of anti-corruption procedures, this is drawn to the attention of the Group's compliance manager and the top management, locally or at the Group level. Compliance managers then ensure that risks are properly addressed and mitigated.

Similarly, compliance managers further examine every major process for signs of corruption risks, unethical practices or bribery. So, in another example, they consider charity and sponsorship payments to make sure:

- There were no violations of the approval procedure for charity and sponsorship projects;
- All the required and correct documents were properly supplied for consideration to decide if the charity or sponsorship payment can be made;
- Potential recipients of charity or sponsor support are allowable in accordance with the internal policy.

Anti-corruption risk management cycle



Key developments in 2018

The compliance function of EVRAZ did not initiate any investigations of its own into signs of bribery in 2018. Meanwhile several signals about potential collusions between company employees and vendors came to hotline and were carefully investigated. Certain suspicions about potential fraudulent schemes between some unscrupulous managers and suppliers/providers also led to investigations initiated by Direction of control over business procedures. In the past year there were over twenty such investigations five of which revealed fraudulent intent. The involved employees were terminated and necessary measures to improve controls were taken.

The rather low number of such confirmed violations results from the Group's ongoing preventive efforts, the clear tone from the top and employees' adherence to the anti-corruption requirements set forth in its policies.

The Group has additional compliance control measures in place for payments to non-resident companies (specifically offshore entities), which have proven their effectiveness.

Following a request from the Board, the management together with Linklaters have developed in-person training for the management team to ensure compliance with the EU Market Abuse Regulation. The training was delivered on 25 May 2018 in EVRAZ Moscow office for a team of 30 managers. It was based on the topics covered in the EVRAZ Compliance Manual and was followed by a test. Going forward, the management will discuss refresher training as and when required.

In addition, about 2,500 more managers in the whole of EVRAZ Group have completed online anti-corruption training developed by Thomson Reuters. Overall, compliance managers have so far assigned close to 11,000 licenses to employees whose functions and areas of responsibility warrant such training. The programme will continue in 2019. Gradually, those previously trained will receive invitations to refresh their active knowledge of anti-corruption principles and best practices.

This course by Thomson Reuters defines bribery and corruption and examines the implementation of anti-bribery legislation in Russia. The training also covers a business-wide system of controls aimed at managing and reducing bribery risks.

The key learning objectives are to:

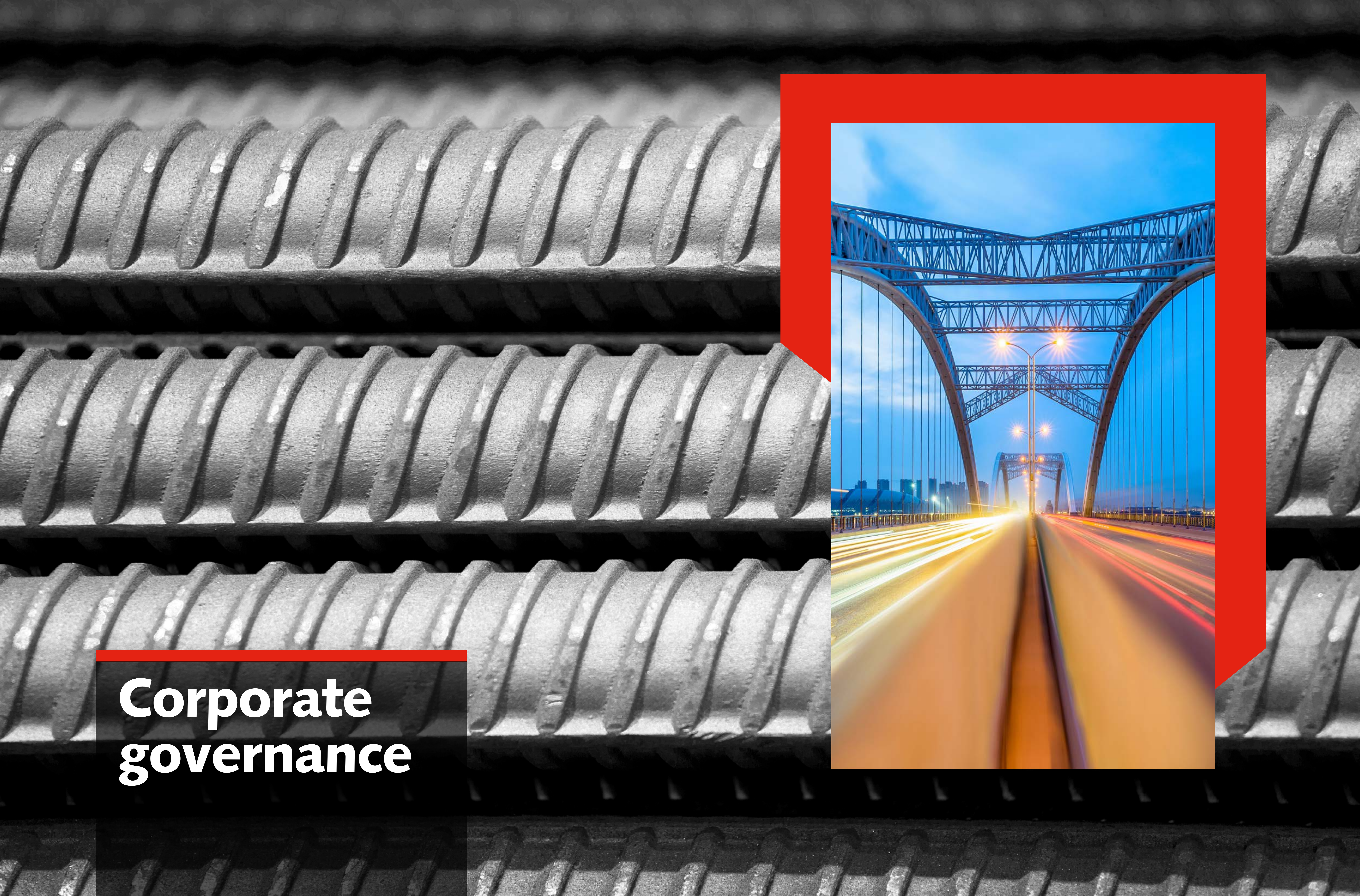
- Confirm the Group's position and full compliance with applicable anti-corruption laws
- Explain the Group's systems and controls to manage the risk of bribery and corruption
- Help identify the damaging effects of bribery and corruption
- Highlight red flags, eg warnings about possible illegal payments or other corrupt activities

The course aims to provide guidance regarding how to apply anti-bribery laws to relevant business scenarios.

For additional information, see EVRAZ first Sustainability Report for 2018, which is to be published in May 2019.

Outlook for 2019

In 2019, the Group's compliance managers will revisit the methodology applied in risk assessment to analyse its effect year-to-year and will update it together with internal audit and legal specialists. The set of anti-corruption policies will be updated to reflect certain changes that have taken place within the compliance system since its launch. Finally, there are plans to design in-house Group-specific training modules to complement the anti-corruption course provided by Thomson Reuters that is currently in use.



Corporate governance

Board of Directors

Key to committee membership

Audit Committee
Nominations Committee
Remuneration Committee
HSE Committee

Chairman
Member

Alexander Abramov
Non-Executive Chairman

APPOINTMENT

Alexander Abramov has been a Board member since April 2005. He was CEO and chairman of Evraz Group S.A. until 1 January 2006, and continued to serve as chairman until 1 May 2006. Mr Abramov was a non-executive director from May 2006 until his re-appointment as chairman of the Board on 1 December 2008. He was appointed chairman of EVRAZ plc on 14 October 2011.

COMMITTEE MEMBERSHIP

Mr Abramov is a member of the Nominations Committee.

SKILLS AND EXPERIENCE

Mr Abramov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1982, and he holds a PhD in Physics and Mathematics. He founded EvrazMetall in 1992.

OTHER APPOINTMENTS

Mr Abramov is a Bureau member of the Russian Union of Industrialists and Entrepreneurs (an independent non-governmental organisation), a member of the Board of Skolkovo Institute for Science and Technology, and a member of the Supervisory Board of the Moscow Institute of Physics and Technology.

Alexander Frolov
Chief Executive Officer

APPOINTMENT

Alexander Frolov has been a Board member since April 2005. He was chairman of the Board of Evraz Group S.A. from May 2006 until December 2008, and was appointed CEO with effect from January 2007. Mr Frolov was appointed CEO of EVRAZ plc on 14 October 2011.

COMMITTEE MEMBERSHIP

Mr Frolov is a member of the Health, Safety and Environment Committee.

SKILLS AND EXPERIENCE

Mr Frolov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1987 and received a PhD in Physics and Mathematics in 1991. Prior to working at EVRAZ, he was a research fellow at the I.V. Kurchatov Institute of Atomic Energy. He joined EvrazMetall in 1994 and served as its chief financial officer from 2002 to 2004, then as senior executive vice president of Evraz Group S.A. from 2004 to April 2006.

OTHER APPOINTMENTS

None.

Eugene Shvidler
Non-Executive Director

APPOINTMENT

Eugene Shvidler has been a Board member of Evraz Group S.A. since August 2006. He was appointed to the Board of EVRAZ plc on 14 October 2011.

COMMITTEE MEMBERSHIP

Mr Shvidler is a member of the Nominations Committee.

SKILLS AND EXPERIENCE

Mr Shvidler served as president of Sibneft from 1998 to 2005, having previously been senior vice president from 1995. He holds an MSc and an MBA.

OTHER APPOINTMENTS

Mr Shvidler currently serves as chairman of Millhouse LLC and Highland Gold Mining Ltd.

Eugene Tenenbaum
Non-Executive Director

APPOINTMENT

Eugene Tenenbaum has been a Board member of Evraz Group S.A. since August 2006. He was appointed to the Board of EVRAZ plc on 14 October 2011.

COMMITTEE MEMBERSHIP

None.

SKILLS AND EXPERIENCE

Mr Tenenbaum served as head of corporate finance for Sibneft in Moscow from 1998 through 2001. He worked as director for corporate finance at Salomon Brothers from 1994 until 1998. Prior to that, he spent five years in corporate finance with KPMG in Toronto, Moscow and London, including three years (1990-1993) as national director at KPMG International in Moscow. Mr Tenenbaum was an accountant in the business advisory group at Price Waterhouse in Toronto from 1987 until 1989. He is a chartered accountant.

OTHER APPOINTMENTS

Mr Tenenbaum is currently managing director of MHC (Services) Ltd and serves on the Board of Chelsea FC Plc.

10 scheduled Board meetings
EVRAZ plc held during 2018

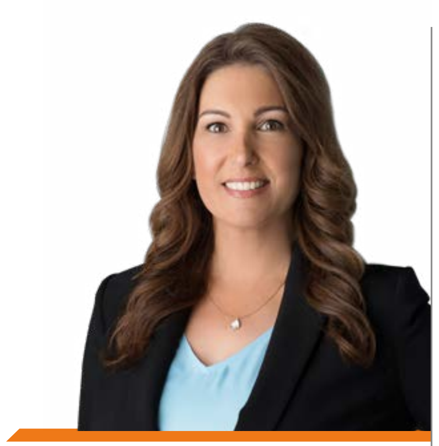
Board of Directors

INDEPENDENT DIRECTORS

Key to committee membership

Audit Committee
Nominations Committee
Remuneration Committee
HSE Committee

Chairman
Member



Laurie Argo
Independent Non-Executive Director

NEW APPOINTMENT

APPOINTMENT

Laurie Argo has been appointed to the EVRAZ plc Board of Directors in August 2018.

COMMITTEE MEMBERSHIP

Ms Argo is a member of the Audit Committee.

SKILLS AND EXPERIENCE

Ms Argo has over 20 years of experience in the energy industry. From 2015 to 2017, she served as senior vice president of Enterprise Products Holdings LLC, the general partner of Enterprise Products Partners L.P. From October 2014 to February 2015, Ms Argo was chief executive officer and president of OTLP GP LLC, the general partner of Oiltanking Partners L.P. From January 2014 to January 2015, she served as vice president, NGL fractionation, storage and unregulated pipelines, which included gas gathering and processing in the Rockies, San Juan and Permian areas. From 2005 to 2014, she held various positions in the NGL and natural gas processing businesses for Enterprise, where her responsibilities included the commercial and financial management of four joint venture companies.

From 2001 to 2004, Ms Argo worked for San Diego Gas and Electric Company and from 1997 to 2000 PG&E Gas Transmission in Houston, Texas.

OTHER APPOINTMENTS

None.

Deborah Gudgeon
Independent Non-Executive Director

APPOINTMENT

Deborah Gudgeon has been a Board member of EVRAZ plc since May 2015.

COMMITTEE MEMBERSHIP

Ms Gudgeon serves as chairman of the Audit Committee and is a member of the Remuneration Committee.

SKILLS AND EXPERIENCE

Ms Gudgeon is a qualified chartered accountant with 30 years experience. She started her career with Coopers and Lybrand, and in 1987 became a senior accountant for Salomon Brothers International. From 1987 to 1995, Ms Gudgeon served as a finance executive at Lonrho PLC and was appointed a member of the Finance Committee in March 1993. From 1995 to 1998, she served as a director for Halstead Services Limited, and from 1998 to 2003, she served as a director of Deloitte, specialising in corporate finance. From 2003 to 2009, Ms Gudgeon served as a founding director of the Special Situations Advisory team for BDO LLP, providing integrated advice on corporate finance, restructuring, debt and performance improvement. From 2011 to 2017, Ms Gudgeon served as managing director of Gazelle Corporate Finance Limited.

OTHER APPOINTMENTS

Ms Gudgeon is currently a Senior Adviser of Penfida Limited.

Karl Gruber
Independent Non-Executive Director

APPOINTMENT

Karl Gruber has been a Board member of Evraz Group S.A. since May 2010. He was appointed to the Board of EVRAZ plc on 14 October 2011.

COMMITTEE MEMBERSHIP

Mr Gruber serves as chairman of the Health, Safety and Environment Committee. He is also a member of the Nominations Committee, and was a member of the Audit Committee until August 2018.

SKILLS AND EXPERIENCE

Mr Gruber has extensive experience in the international metallurgical mill business and holds a diploma in mechanical engineering. He has held various management positions, including eight years as a member of the Managing Board of VOEST-Alpine Industrieanlagenbau (VAI), first as executive vice president of VAI and then as vice chairman of the Managing Board of Siemens VAI. He also chaired the boards of Metals Technologies (MT) Germany and MT Italy. Further, he has executed various consultancy projects for the steel industry and served as CEO and chairman of the Management Board of LISEC Group.

OTHER APPOINTMENTS

None.

Alexander Izosimov
Independent Non-Executive Director

APPOINTMENT

Alexander Izosimov was appointed to the Board of EVRAZ plc on 28 February 2012.

COMMITTEE MEMBERSHIP

Mr Izosimov is chairman of the Remuneration Committee. He is also a member of the Nominations Committee and the Audit Committee.

SKILLS AND EXPERIENCE

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

OTHER APPOINTMENTS

Alexander Izosimov is an independent non-executive director of the Moscow Stock Exchange.

Sir Michael Peat
Senior Independent Non-Executive Director

APPOINTMENT

Sir Michael Peat was appointed to the Board of EVRAZ plc on 14 October 2011.

COMMITTEE MEMBERSHIP

Sir Michael Peat serves as chairman of the Nominations Committee and is a member of the Remuneration Committee.

SKILLS AND EXPERIENCE

Sir Michael Peat is a qualified chartered accountant with over 40 years' experience. He served as Principal Private Secretary to HRH The Prince of Wales from 2002 until 2011. Prior to this, he spent nine years as the Royal Household's Director of Finance and Property Services and then Treasurer to The Queen and Keeper of the Privy Purse. Sir Michael Peat was at KPMG from 1972, and became a partner in 1985. He left KPMG in 1993 to devote himself to his public roles. He holds an MA and MBA, and is a fellow of the Institute of Chartered Accountants in England and Wales. He was the 2018 recipient of the Institute of Chartered Accountants Outstanding Achievement Award.

OTHER APPOINTMENTS

Sir Michael Peat is chairman of CQS Management Limited and a partner in CQS (UK) LLP, chairman of GEMS MENASA Holdings Limited, a non-executive director of Arbuthnot Latham Limited, a non-executive director of M&C Saatchi plc, a director of Architekton Limited, and chairman of the Regeneration Group Limited.

Management

Alexander Frolov
Chief Executive Officer

Leonid Kachur
Senior Vice President, Business Support and Interregional Relations

Aleksey Ivanov
Senior Vice President, Commerce and Business Development

Nikolay Ivanov
Chief Financial Officer

Alexander Kuznetsov
Vice President, Corporate Strategy and Performance Management

Ilya Shirokobrod
Vice President, Sales

Alexey Soldatenkov
Vice President, Head of the Siberia Division

Denis Novozhenov
Vice President, Head of the Urals Division

Sergey Stepanov
Vice President, Head of the Coal Division

Alexander Erenburg
Vice President, Vanadium Division

Conrad Winkler
Chief Executive Officer, EVRAZ North America

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

Konstantin Rubin
Vice President, Health, Safety and Environment

Vsevolod Sementsov
Vice President, Corporate Communications

Natalia Ionova
Vice President, Human Resources

Artem Natrusov
Vice President, Information Technologies

Yanina Staniulenaite
Vice President, Legal

Corporate governance report

INTRODUCTION

EVRAZ is a public company limited by shares incorporated in the United Kingdom. It is a premium-listed company on the Main Market of the London Stock Exchange and is a member of the FTSE 100 Index. EVRAZ is committed to high standards of corporate governance and control.

COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS

EVRAZ approach to corporate governance is primarily based on the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in April 2016 and the Listing Rules of the UK Listing Authority. The Company complies with the UK Corporate Governance Code or, if it does not comply, explains the reasons for non-compliance. During 2018, the FRC published a revised Corporate Governance Code, which comes into force for the financial year commencing on 1 January 2019. The Board has reviewed the updated code and is introducing various changes of procedure and practice to be able to report fully on compliance with the updated Corporate Governance Code for the 2019 financial year.

During the year to 31 December 2018, EVRAZ complied with all the principles and provisions of the 2016 UK Corporate Governance Code (the Governance Code is available at www.frc.org.uk), with the following exception: Provision D.1.1 of the Governance Code requires that performance-related remuneration schemes should include malus and clawback provisions. The Company does not operate clawback arrangements. An explanation for this non-compliance is set out in the Remuneration Report on page 120.

BOARD RESPONSIBILITIES AND ACTIVITIES

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 to 31 December 2018, the Board considered a wide range of matters, including:

- The critical success factors for strategic development of the Group's competitive advantages
- HSE updates, including key initiatives and responses to significant incidents
- The performance of key businesses, including commercial initiatives to improve operational performances and revenues, with particular emphasis on North America
- The Group's consolidated budget and budgets of individual business units
- The interim and full-year results, and the 2017 annual report
- The appropriateness of the going concern basis of financial reporting
- The assumptions, stress-test scenarios and mitigating actions used in preparing the Company's viability statement
- A revised dividend policy for the Group, and approval of three interim dividends during the year
- Investment project reviews
- Disposal of non-core businesses
- Appointment of a new non-executive director and changes to the composition of various Board committees
- The length of tenure of the Company's external auditor and the Audit Committee's decision to retain Ernst & Young as auditor until 2020
- Implementation throughout the Group over the next five years of the EVRAZ Business System to promote an operational culture of values and behaviours that support the drive for continuous improvement and business change
- Linking succession planning to corporate strategy execution, and the need to look deeper into the Group for future leaders
- Compliance with the Market Abuse Regulation in relation to managing inside information, share dealing by insiders and online training of all insiders
- A review of the findings of the internally facilitated Board evaluation exercises and action plans resulting therefrom

During the year, the Board agreed a dividend policy, which aims to declare dividends of at least US$300 million per annum, subject to the financial performance of the business, to be paid in semi-annual instalments of at least US$150 million each following interim and full year results. Based upon the financial performance of the business, the Board may consider a higher distribution level, taking into account the outlook for the Group's major markets, the Board's view of the long-term growth prospects of the business and future capital investment requirements, as well as the Company's commitment to maintain a strong balance sheet. In line with the Company's existing capital allocation policy, no dividends will be paid out if Net Debt/EBITDA is above 3.0x.

The Board also discussed the proposals to pay: an interim dividend of US$0.13 per ordinary share, totalling US$187.6 million, on 22 June 2018; a second interim dividend of US$0.40 per share, totalling US$577.34 million, to be paid on 6 September 2018; and a third interim dividend of US$0.25 per share, totalling US$360.8 million, to be paid on 21 December 2018. The level of distributable reserves within the balance sheet was considered at each distribution, noting that it was sufficient to enable the dividend to be paid. The dividends paid were in line with the dividend policy previously agreed by the Board.

In order to support the dividend policy for future years and create additional distributable reserves, the Board recommended to shareholders that a Court-approved capital reduction be approved at the annual general meeting held on 19 June 2018 to reduce the Company's nominal share capital. Following such shareholder approval and confirmation by the High Court of England and Wales, the nominal value of each ordinary share in the Company was reduced from US$1.00 per share to US$0.05 per share.

In August 2018, following a recommendation from the Nominations Committee, the Board appointed Ms Laurie Argo as an independent non-executive director. Ms Argo's biographical details are disclosed on page 102. The Board was of the opinion that she not only had sufficient relevant experience to assist the Board but also that she had sufficient time to devote to the Board's duties.

In December 2017, the Company's indirect wholly owned subsidiary, EVRAZ Mezhdurechensk, entered into management contracts with nine companies owned by Sibuglemet, involved in mining, processing and trading coal. The management contracts required the Company to enter into a guarantee of EVRAZ Mezhdurechensk's obligations and, due to its size, the proposed guarantee constituted a "class 1 transaction" for the Company under the Listing Rules. The Board requested shareholders' approval of the transaction. At a general meeting of the Company held on 19 June 2018, shareholder approval was duly given.

In September 2018, the Company was notified by Lanebrook Limited, a major shareholder of the Company and with whom the Company had previously entered into a relationship agreement, that Lanebrook Limited had distributed all of its shares in the Company to its direct shareholders in proportion to their holdings in Lanebrook Limited. The relationship agreement between Lanebrook Limited and the Company was terminated as a result of Lanebrook Limited no longer being a shareholder of the Company. Following a detailed review of the transaction, the independent non-executive directors approved the entry into new relationship agreements with its new controlling shareholders (Crosland Global Limited and Greenleas International Holdings Ltd.) on terms and conditions that were substantively the same as those that had been entered into with Lanebrook Limited.

In December 2018, the Company was notified by Crosland Global Limited, a major shareholder of the Company and with whom the Company had previously entered into a relationship agreement as described above, that Crosland Global Limited had transferred a certain number of ordinary shares in the Company to Abiglaze Ltd. Following a detailed review of the transaction, in the period between the end of the 2018 financial year and the date of this report, independent non-executive directors approved the entry into a revised relationship agreement with Crosland Global Limited and a new relationship agreement with Abiglaze Ltd on terms and conditions that were substantively the same as those that had been entered into with Crosland Global Limited previously.

Full details of the relationship agreements currently in place are disclosed on page 131.

In keeping with the requirements of the relationship agreements in place between the Company and its major shareholders, the independent non-executive directors of the Company have conducted an annual review to consider the continued good standing of the relationship agreements and are satisfied that the terms of the relationship agreements are being fully observed by all parties. In accordance with LR 9.8.4R (14), it is confirmed that:

- The Company has complied with the independence provisions of the relationship agreements;
- So far as the Company is aware, Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited (or any of their associates) have complied with the independence provisions of the relationship agreements; and
- So far as the Company is aware, Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited have complied with the procurement obligations in the relationship agreements

Stakeholders

The Board has considered in detail the Company's business model outlined on pages 14 and 15 of this report, which identifies the Company's stakeholders as:

- Shareholders
- Employees
- Customers
- Suppliers and business partners
- Local communities, and
- Government

The Board considers the interests of all stakeholders by taking a long-term view of how the business needs to develop within its economic market. The Board has considered the technological developments in the market to ensure that its assets are improved to remain competitive, and that the necessary financing requirements will be available over the medium to long term to implement strategic projects. When development plans for projects are in their early stages, the management engages key customers to ensure that the products produced meet their specific requirements.

Assisted by the Nominations Committee, the Board regularly reviews the management's development plans and the Group's overall HR policy, including the current HR initiatives in place. The vice president of human resources is invited to attend Board meetings to present the outcome of the annual employment engagement survey, and to discuss the findings and actions planned as a result. The Board's HSE Committee is charged with fostering a safety culture for employees throughout the Group's operations and monitoring the implementation of the Group's environmental policy.

In preparation for the introduction of the 2018 UK Corporate Governance Code (in effect from 1 January 2019), the Remuneration Committee has been working alongside management to develop procedures so that principle D of the revised code is met, and the views of employee stakeholders are fully considered.

Chairman and chief executive

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

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

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

The CEO is supported by the executive team.

Board meetings and composition

EVRAZ plc held 10 scheduled Board meetings during 2018. In 2019, up to the date of this report's publication, two Board meetings were held.

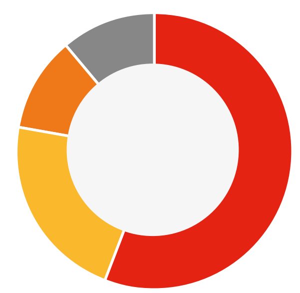
The chief financial officer and the senior vice president for commerce and business development attended all Board meetings, with other members of senior management attending meetings by invitation to deliver presentations on the status of projects and performance of business units.

The table on the next page sets out the attendance of each current director at scheduled EVRAZ plc Board and Board committee meetings in 2018.

As at 31 December 2018, the Board comprised the chairman, one executive director, and seven non-executive directors, including a senior independent director. Olga Pokrovskaya, a former non-executive director, is invited to attend Board meetings in an advisory capacity and to attend Audit Committee meetings as an observer.

The Board considers that five non-executive directors (Laurie Argo, Karl Gruber, Deborah Gudgeon, Alexander Izosimov, Sir Michael Peat) are independent in character and judgement,

Board composition



- Independent Non-Executive Director 56%
- Non-Executive Director 22%
- Chairman, Non-Executive 11%
- Executive Director 11%

and free from any business or other relationship that could materially interfere with the exercise of their independent judgement, in compliance with the UK Corporate Governance Code.

The independent non-executive directors comprise the majority (excluding the Health, Safety and Environment Committee) 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.

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 to develop strategy proposals. While most of the directors have been in post since the incorporation of EVRAZ plc in October 2011, the recruitment of new independent non-executive directors in recent years has strengthened the Board's technical expertise and widened the skills base.

Board and AGM attendance by each director[1]

	Board	Remco	HSEco	Auditco	Nomco	AGM
Total number of meetings	**10**	**4**	**2**	**8**	**4**	**1**
Alexander Abramov	10/10				4/4	1
Alexander Frolov	10/10		2/2			1
Laurie Argo (appointed 8 August 2018)	5/5			2/2[1]		n/a
Karl Gruber	10/10		2/2	6/6[1]	4/4	1
Deborah Gudgeon	10/10	4/4		8/8		1
Alexander Izosimov	10/10	4/4		8/8	4/4	1
Sir Michael Peat	10/10	4/4			4/4	1
Eugene Shvidler	9/10[2]				4/4	-[2]
Eugene Tenenbaum	10/10					1

Boardroom diversity

EVRAZ recognises the importance of diversity both at the Board level and organisation-wide. The Group remains committed to increasing diversity throughout its global operations and takes diversity into account during each recruitment and appointment process, working to attract outstanding candidates with diverse backgrounds, skills, ideas and culture. As stated in the CSR report, EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees' rights receive equal protection, regardless of race, nationality, gender or sexual orientation. People with disabilities are given full consideration both during the recruitment process and once employed, to ensure that their unique aptitudes and abilities are taken into account.

For more detailed information, see the Nominations Committee report and the CSR report. The Company believes that the Board composition provides an appropriate balance of skills, knowledge and experience. The Board members comprise a number of different nationalities with a wide range of skills, capabilities and experience from a variety of business backgrounds. Biographies of the Board members are provided in the Board of Directors section.

Induction and professional development

The chairman is responsible for ensuring that there is a properly constructed and timely induction for new directors upon joining the Board. Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities. For more detailed information, see the Nominations Committee report on pages 116–117.

Performance evaluation

In 2017, Lintstock LLP conducted an externally facilitated annual Board evaluation. Building on that review, in October 2018, the company secretary undertook an internally facilitated review at the initiative and with the participation of the Company's Nominations Committee. Questionnaires were distributed to all Board directors for their response and comment.

The results were discussed at three levels: (i) among the members of the Nominations Committee; (ii) between Sir Michael Peat (as chairman of the Nominations Committee) and Alexander Abramov (as chairman of the Board); and (iii) among the members of the Board as a whole.

Board performance was deemed to be satisfactory. At its January 2019 meeting, the Board agreed an action plan for 2019 that would allow the Board to continue developing its involvement in reviewing and considering management's strategy proposals and to enhance its focus not only on the commercial issues but also on safety, environmental and other CSR issues, as well as on HR policy.

Arising from the 2018 action plan, the Board noted that its members had been given more exposure to senior management below Board level. In 2019, further consideration will be given to succession planning and ensuring that appropriate induction programmes are in place for Board members.

The Company will continue to undertake regular performance evaluations of the Board in line with the requirements of the UK Corporate Governance Code.

Board committees

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

Each committee has written terms of reference, approved by the Board, summarising its role and responsibilities. The committees review their respective terms of reference each year and submit any recommended changes to the Board for approval. All terms of reference for the committees are available on the Group's website: www.evraz.com.

The Audit Committee consists of three non-executive directors, all independent, which complies with the Code, and the Board considers that, as a whole, the committee has competence relevant to the industry sector in which the Group operates. Specifically, Deborah Gudgeon has relevant recent financial experience.

Shareholder engagement

The Company continues to encourage shareholder engagement. The annual general meeting was held on 19 June 2018 and all directors, with the exception of one non-executive director, including all committee chairs, were in attendance. All shareholders are welcomed to attend, ask questions and discuss issues with individual directors.

[1] On 8 August 2018, Karl Gruber stood down from the Audit Committee and Laurie Argo was appointed in his place.
[2] Eugene Shvidler was unable to attend the meeting on the day of the AGM due to a business commitment that arose unexpectedly.

An additional general meeting was held on 19 June 2018 to approve the issuance of a guarantee of the obligations of EVRAZ Mezhdurechensk under management contracts with nine companies owned by Sibuglemet.

The CEO, supported by the chief financial officer and the vice president of investor relations, brief analysts and institutional investors fully after the publication of the Company's half-year and full-year results.

In October 2018, an investor day was held for analysts and institutional investors, where key members of the management team gave presentations to explain the Group's operations and performance. Sir Michael Peat, the senior independent non-executive director and chairman of the Nominations Committee, attended and presented on the Company's corporate governance structure as well as meeting with investors, as did Deborah Gudgeon, an independent non-executive director and chairman of the Audit Committee.

Board composition as of 31 December 2018

Name	Position	Committee Membership	Years of tenure
Executive director			
Alexander Frolov	CEO	HSEC - member	7
Non-executive directors			
Alexander Abramov	Chairman	NC - member	7
Eugene Shvidler	Director	NC - member	7
Eugene Tenenbaum	Director	None	7
Independent non-executive directors			
Laurie Argo	Director	AC - member	Less than 1
Karl Gruber	Director	HSEC – chairman, NC – member	7
Deborah Gudgeon	Director	AC – chairman, RC - member	3
Alexander Izosimov	Director	RC – chairman, NC – member, AC – member	6
Sir Michael Peat	Senior independent director	NC – chairman, RC - member	7

Role and composition of each committee

Committee name	Function	Composition	Link to committee report
Audit Committee	Audit, financial reporting, risk management and controls	All three members are independent non-executive directors	See on pages 112–115
Nominations Committee	Selection and nomination of Board members	All five members are non-executive directors, of which three are independent	See on pages 116–117
Remuneration Committee	Remuneration of Board members and top management	All three members are independent non-executive directors	See on pages 120–127
HSE Committee	HSE issues	Two of the three members are non-executive with an independent chairman who is also a non-executive director of the Company[3]	See on pages 118–119

RISK MANAGEMENT AND INTERNAL CONTROL

EVRAZ maintains a comprehensive financial reporting procedures (FRP) manual detailing the Group's internal control and risk management systems and activity. The manual was last updated in December 2018, in line with the Financial Reporting Council (FRC) Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014. The aim of the risk management process is to identify, evaluate and manage potential and actual threats to the Group's ability to achieve its objectives.

The EVRAZ' Enterprise Risk Management (ERM) process is designed to identify, quantify, and respond to these threats; and monitor the Group's prevention and mitigation system. Management maintains a risk register that encompasses both internal and external threats. The level of risk appetite approved by the Board is used to identify particular risks and uncertainties that require specific Board oversight. In 2018, the process in relation to principal risks and uncertainties was consistent with the UK Corporate Governance Code, the FRC Guidance on the Strategic Report issued in June 2014, and the abovementioned FRC guidance issued in September 2014.

Executive management is responsible for both internal controls in place and mitigating actions related to risk management throughout EVRAZ business and operations. This serves to encourage a risk-conscious business culture.

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

- Risks are identified, documented, assessed and monitored, and their profile is communicated to the relevant levels of the management team, regularly. The

[3] The members of the Health, Safety and Environment Committee at 31 December 2018 were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya, who has continued as a non-executive member of the HSE Committee following her cessation as a Board member of the Company on 14 March 2016. With more than 50% of EVRAZ operations based in the Russian Federation, the committee continues to value the contribution she brings in terms of her technical and regional experience.

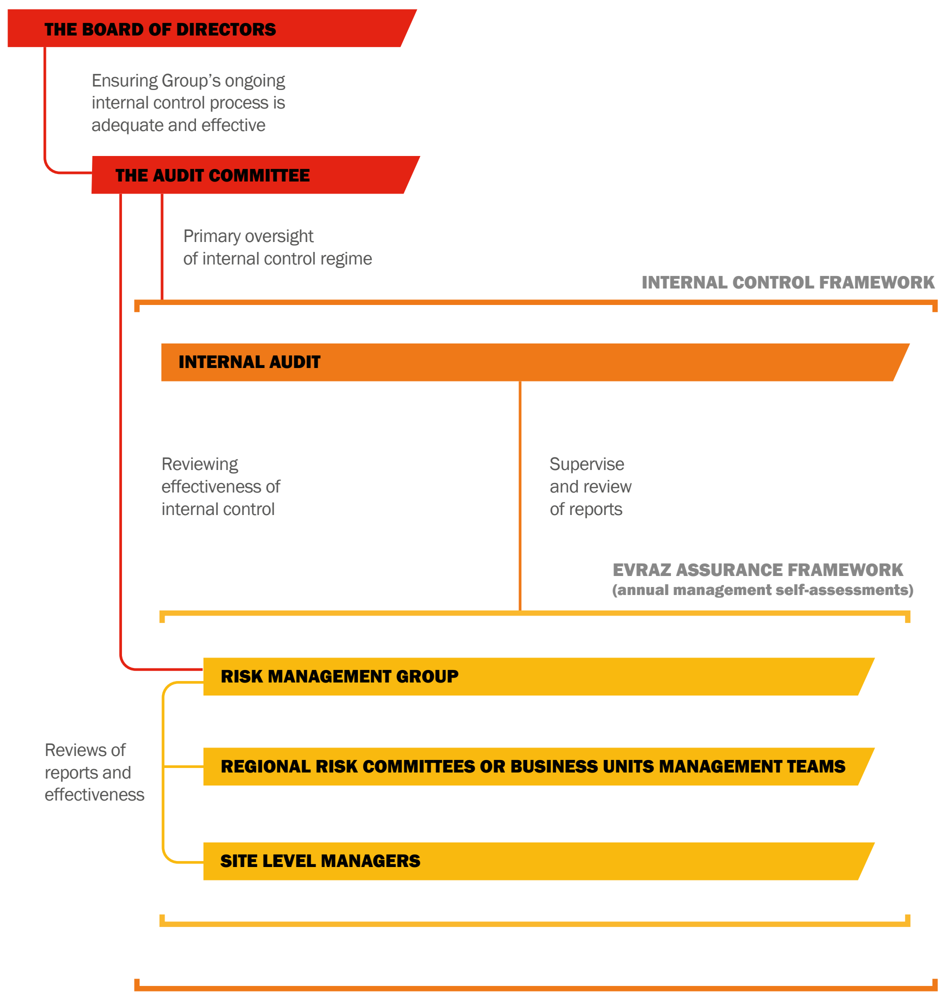
business management team is primarily responsible for ERM and accountable for all risks assumed in the operations;
- The Board is responsible for assessing the optimum balance of risk (risk appetite) through the alignment of business strategy and risk tolerance on an enterprise-wide basis. In addition, the Board oversees and approves risks above the Group's defined risk appetite and reviews any significant internal control weaknesses;
- The Group has established a reporting process involving business unit management teams and other relevant bodies at major enterprises. Its aim is to identify, evaluate and establish management actions for risk mitigation at a regional level, as well as at EVRAZ major steel and mining operations. The Risk Management Group maintains a corporate risk register representing a summary of this information. Business unit management teams and other relevant bodies are accountable to the Risk Management Group which consists of all business unit and function vice-presidents;
- All acquired businesses are brought within the Group's system of internal control as soon as practicable.

The Board has delegated primary oversight of the Group's internal control process to the Audit Committee, which tables any major internal control findings exceeding the Board's risk appetite.

The EVRAZ Business Security department is headed up by a senior vice president and has specific responsibility for preventing and detecting business fraud and malpractice including fraudulent behaviour by employees, customers and suppliers. Robust internal controls help to minimise the risk, and the EVRAZ Business Security department ensures that appropriate processes are in place to protect the Group's interests.

Internal control

For additional information about principal risks and uncertainties, see the Strategic Report.



Internal audit

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

The Board approved the latest version of the internal audit charter on 27 February 2019.

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

During 2018, EVRAZ head of internal audit, as secretary of the Audit Committee, attended all the committee's meetings and addressed any reported deficiencies in internal control as required by the committee.

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

In 2018, internal audit projects covered the following Group risks:
- Cost effectiveness
- Health, safety and environment
- Capital projects and expenditure
- Human resources
- Compliance
- Business interruption, and equipment and infrastructure downtime management
- Transportation, sourcing, raw materials and energy supply
- IT security and IT infrastructure risk management
- Fraud, security, bribery and corruption

EVRAZ internal audit function is structured on a regional basis, reflecting the geographic spread of the Group's operations. The internal audit function works to align common internal audit practices throughout the Group via quality assurance and improvement programmes.

Components of the internal control system

Component	Basis for assurance	Action in 2018
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	• Annual self-assessment by management at all major operations of the internal control system using the EVRAZ Assurance Framework • Review of the self-assessment by the internal audit function • Assessment of effectiveness of internal control and risk management	In 2018, the internal audit function reviewed the result of the management's internal control self-assessment and evaluated the effectiveness of the internal control system. In 2018, all major production sites were certified as having effective internal control.
Investment project management	• Effectiveness of project management and management of project risks is monitored by established management committee and sub-committees • Reviewed by the internal audit function	Continuous enhancement of procedures regarding quality and reporting control, as well as other elements of the project oversight process. Numerous activities were developed in 2018 to further increase the efficiency and effectiveness of the project management process.
Operating policies and procedures	• Implemented, updated and monitored by the management • Reviewed by the internal audit function	Operating policies and procedures are updated as per the internal initiatives by the operational management and in response to recommendations from the internal audit function.
Operating budgets	• Approved by the Board • Monitored by the controlling unit • Reviewed by the internal audit function	Operating budgets are prepared by executive management and approved by the Board.
Accounting policies and procedures as per the corporate accounting manual	• Developed and updated by the reporting department • Reviewed by the internal audit function	Accounting policies and procedures were updated as part of the standard annual review process.

Approach to risk appetite

Risk appetite is an important part of the risk management process that serves as a measure of the risks EVRAZ management is willing to accept in pursuit of value. The Board has approved a risk appetite in accordance with the risk management methodology adopted by the Group.

Risk appetite is considered in evaluating strategies and setting objectives within EVRAZ strategic and budgeting cycle, in decision making and in developing risk management actions and methods, as well as in identifying particular risks and uncertainties that require specific Board oversight. The Group's strategic objectives are aligned with, and risk mitigation actions are reflective of, the risk appetite approved by the Board. The Group adopts a robust approach in relation to risk management. Risk appetite for some specific business processes (eg health & safety, fraud, security, bribery and corruption) is assessed, defined and evaluated separately from the rest of the processes.

The management reassesses the risk appetite at least annually via the Risk Management Group, which reports on the analysis performed to the Audit Committee. The committee then makes recommendations to the Board regarding the level of risk appetite. The Risk Management Group and the Audit Committee last reviewed the Group's risk profile in November 2018 and finalised the assessment in January 2019. Based on the results of the most recent review, the management concluded that the Group's risk-acceptance approach had not changed and that the risk appetite remained the same as in the prior year. An appropriate recommendation regarding the level of risk appetite was made to the Audit Committee and to the Board on February 27, 2019.

Objectives for 2019

Further development of the risk management system and risk management practices is planned for 2019 based on the analysis of the adequacy of risk management practices and the gaps identified for the main business processes in 2018. While the maturity of EVRAZ risk management process was generally assessed as fair, there were areas identified that require additional management focus and implementation or improvement of risk management instruments or practices. An action plan for each gap was developed and will be introduced.

In 2018, the Group began to improve the procedure of identifying, assessing and mitigating risks within project management to enhance the depth of risk analysis.

In 2019, HR risk management practices will be structured and further improved. The existing occupational safety risk management system, which is focused on enhancing the Group's safety culture, will be further developed and implemented in 2019.

In 2018, the Group appointed a data protection officer to strengthen risk management practices for personal data protection in 2019 and to address changes in the EU General Data Protection Regulation.

In early 2019, the Group plans to organise risk management training as part of its Top-300 programme. The purpose of this training session is to increase the management team's engagement with and support for risk identification and management.

Further information regarding EVRAZ's internal control and risk management processes can be found on the Group's website.

Audit Committee report

Deborah Gudgeon
Independent Non-Executive Director,
Chairman of Audit Committee

The role and responsibilities of the Audit Committee are delegated by the Board and set out in the written terms of reference ***http://www.evraz.com/governance/directors/committees/.***

I am pleased to present the Audit Committee Report for the financial year ended 31 December 2018.

Following her appointment to the Board, Laurie Argo has joined the Audit Committee, replacing Karl Gruber. I would like to extend my personal thanks to Karl for his contribution to the Committee's work and to welcome Laurie.

During 2018, I visited two of the Group's steel mills in North America, EVRAZ Regina in Canada and EVRAZ Pueblo in the US. In 2019, we plan to hold an Audit Committee meeting at one of our North American operations.

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

ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The role and responsibilities of the Audit Committee are delegated by the Board and set out in the written terms of reference: *http://www.evraz.com/governance/directors/committees/.*

The Audit Committee minutes are tabled for the Board's meeting for consideration, and the chairman updates the Board orally on the Committee proceedings, making recommendations on areas covered by its terms of reference if appropriate.

The Audit Committee reviews the Group's risk register and risk appetite proposed by the management before they are considered by the Board.

The Committee reviewed the terms of reference for both the Audit Committee and Risk Management Group and considered them to be appropriate with no changes deemed necessary.

EVRAZ also confirmed its compliance, during the financial year commencing 1 January 2018, with the provisions of the Competition and Markets Authority Order 2014 on mandatory tendering and audit committee responsibilities

COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee members are all independent non-executive directors. The Committee members have a wide range of skills and experience: Deborah Gudgeon has recent and relevant financial experience and Alexander Izosimov provides key strategic experience. Laurie Argo has extensive commercial and financial experience in the North American market. As disclosed in the Corporate Governance Report *on page 107*, Olga Pokrovskaya continues to attend Audit Committee meetings as an observer, providing additional technical expertise and valuable regional knowledge.

Senior members of the Group's finance function, the head of internal audit (who acts as secretary to the Audit Committee and Risk Management Group), and the external auditors also attend Committee meetings.

Key members of the management team and Risk Management Group are also invited to attend Committee meetings when appropriate. In 2018, these included the CEO and vice presidents of strategy, steel, IT, security, legal, compliance and personnel, the CFO of EVRAZ North America plc (ENA) and the director of investor relations. Other members of th management team and internal audit function were also invited to attend Committee meetings as appropriate.

The Audit Committee met eight times during 2018 and three times in early 2019 before the publication of this Annual Report.

Details of committee attendance are set out on page 108.

ACTIVITIES AND WORK OF THE COMMITTEE DURING 2018

The Audit Committee has continued to focus on the integrity of the Group's financial reporting, the related internal control framework and risk management, including finance, operations, regulatory compliance and fraud. These areas were comprehensively reviewed, and the Committee received regular updates from the Group's financial and operational management, internal audit, compliance officer and legal team, as well as the external auditors.

The Committee monitors the Group's IT security on an ongoing basis, including the results from external audit, mitigation plans and the level of attempted cyber attacks. During 2018, the Committee reviewed progress on the actions set out in the implementation plan developed for the Russian Federation following the external information security assessment and the attack in 2017. These actions were largely completed by the end of 2018 and a further round of penetration testing will be undertaken during 2019. An IT risk assessment of the North American business was undertaken by EY in 2018 and a detailed plan is being developed to upgrade the IT infrastructure and implement EY's recommendations. Given the significance of IT security to the Group's risk profile and resilience, this will remain an area of focus for the Audit Committee in 2019.

Following the financial transformation project and migration to the shared service centre at, Novokuznetsk, management commissioned an external review of the overall finance function to assess the maturity of the process within EVRAZ and this was reviewed by the Committee. Based on the results, a transformation map has been developed with strategic objectives for each part of the finance function through to 2020. The Audit Committee will monitor progress against this plan during 2019.

The Committee continued to review the procurement transformation project during the year, as well as the management plan to improve controls over contract approval and signing processes. This plan should be fully implemented during 2019 and the completeness and effectiveness of the new controls will be reviewed by the Committee. The Committee also assessed plans developed by management to improve controls over inventory and product shipment at one of the plants; this is a complex process involving several business functions and the use of innovative technology solutions. It will remain an area of focus for the Committee in 2019.

The Committee continued to monitor the process for identifying and approving related-party transactions during 2018 together with the accuracy and completeness of the disclosures in the 2018 financial statements.

The Committee updated its terms of reference, and undertook a self-assessment to consider its performance. The internal audit charter and the Group's financial reporting procedures (FRP) manual were also considered and updated. The effectiveness and status of the anti-corruption policy and sanctions risk compliance controls were reviewed throughout the course of the year, together with progress to meet the requirements of the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Committee also considered the implications of the new Corporate Governance Code for its work and reviewed the operation of whistleblowing procedures to ensure they were appropriately aligned across the Group and conformed to best practice.

At the request of the Board, the Audit Committee also considered the proforma Viability Statement and supporting analysis produced by management and reviewed by the Risk Management Group. The Audit Committee considered the updated risk register and the scenarios tested and the assumptions underpinning each scenario. Although compliance with trade regulations and sanctions regimes is now identified as a principal risk, the Risk Management Group consider the risk of sanctions being imposed on EVRAZ to be remote and the potential implications difficult to predict in the current environment. The Audit Committee challenged and then agreed with the Risk Management Group and, as a result, this scenario has not been modelled as part of the viability analysis.

SIGNIFICANT FINANCIAL REPORTING ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN 2018

The Audit Committee's primary objective is to support the Board in ensuring the integrity of the Group's financial statements and Annual Report, including review of:

- Compliance with financial reporting standards and governance requirements
- The material financial areas in which significant accounting judgements have been made
- The critical accounting policies and substance, consistency and fairness of management estimates
- The clarity of disclosures and
- Whether the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model, strategy, principal risks and uncertainties

Financial reporting standards and governance requirements

The full financial statements can be found on pages 132–257.

The Audit Committee considered several financial reporting issues in relation to the interim results for H1 2018 and the financial statements for 2018. These included the appropriateness of accounting policies adopted, disclosures and management's estimates and judgements. The Committee considered papers produced by management on the key financial reporting judgements and reviewed reports by the external auditor on the full-year and half-year results which highlight any issues with respect to the audit work.

The financial statements continue to be impacted by fluctuations in the key functional currencies of the business (primarily the Russian rouble) against the US dollar, the presentation currency of the financial statements, as set out in Note 2. As a result, while challenging the consistency and comparability of balances in the financial statements remains difficult, management separates out where appropriate the forex impact on areas of significant judgements and estimates.

The following financial reporting issues are considered significant.

Going concern (Note 2)

EVRAZ is exposed to a wide range of risks and inherent uncertainties as set out on pages 35–37, many of which are outside the control of the Group. In 2018, steel and raw material pricing remained strong supported by global demand and supply side reform in China, but markets were volatile. The Audit Committee reviewed management's going concern analysis, which included both a base case and a flexed downside scenario based on forward pricing close to the bottom of the range of current investment analyst forecasts, as well as a reduction in the level of budgeted capital expenditure. The Committee carefully considered the projected use and sources of funds for the period to June 2020, which includes scheduled loan repayments, new committed funding, free cash flow after capital expenditure and the dividend policy. Given the volatility of the global supply and demand environment in which EVRAZ operates, the Committee again focused on the pessimistic downside case and the implications on free cash flow and compliance with financial covenants.

Following these detailed considerations, the Audit Committee resolved to recommend the going concern basis of preparation for the Financial Statements as at 31 December 2018 to the Board.

Areas of significant accounting judgement and management estimates

Impairment of goodwill and non-current assets *(Notes 5 and 6)*

The Committee considered management's impairment assessment in the context of the current and future trading environment for the Group, including assumptions as to the continuation of tariffs and duties in North America and their impact on the recoverable amount of the affected assets. Testing was undertaken as at 30 September 2018 and reassessed at 31 December 2018 when no further impairment triggers were identified. The continued weakness of the rouble means that the carrying values of Russian cash-generating units remain low in US dollar terms and are largely not challenged by the value in use comparisons used to determine impairment, even if the pricing outlook were to deteriorate.

An impairment charge of US$30 million is recorded in the financial statements for 2018. This primarily relates to EVRAZ Stratcor Inc, where the full asset value of US$12 million has been impaired in anticipation that the entity will enter bankruptcy proceedings. There was a further impairment charge of US$6 million at Yuzhkuzbassugol to reflect an increase in site restoration provisions at one of the mothballed mines.

The Committee gave particular attention to the implications of trade barriers for the businesses in North America and management's assumption that these will end in 2023. Given the inherent uncertainty around these measures at the current time, the Committee accepted management's assumption on this occasion but will review it for the interim statements.

Other matters

The Committee reviewed and agreed with the accounting treatment and disclosure of several transactions during 2018, including:

- The twenty-year contract with Air Liquide for the supply of oxygen and other gases. As the Group will not control or manage the air separation plant and output will also be sold to unconnected third parties, management has concluded that this contract does not constitute a lease as defined by IFRS 16 (Note 30);
- A contract with Brunswick Rail for the lease of gondola cars. This contract was classified as an operating lease under IAS 17 in 2018 but, following the adoption of IFRS 16 in 2019, the Group will recognise the right-of-use asset and related liability of US$60 million in respect of this contract (Note 30); and
- The sale of the 15% interest in Delong Holdings Limited in June 2018 and recognition of the US$59 million gain in other comprehensive income (Note 13).

The Financial Reporting Council ("FRC") reviewed the financial statements for the year ending 31st December 2017 and wrote to the Company in July 2018. The Audit Committee reviewed the recommendations of the FRC with management and the external auditor and the majority of these recommendations where relevant have been incorporated into the financial statements for the year ending 31st December 2018.

Fair, balanced and understandable

In considering whether the Annual Report is fair, balanced and understandable, the Committee reviewed the information it had received, discussions held with management throughout the year and the preparation process adopted. Management agreed the key overall messages of the Annual Report at an early stage to ensure a consistent message in both the narrative and financial reporting. Regular meetings were held to review the draft Annual Report and for management and Committee members to provide comments, and detailed review of the appropriate draft sections was undertaken by the relevant directors and external advisers. The Committee particularly considered whether the description of the business, principal risks and uncertainties, strategy and objectives were consistent with the understanding of the Board, and whether the controls over the consistency and accuracy of the information presented in the Annual Report are robust.

Taking into account the disclosure implications of the issues discussed in this report, the Committee recommended to the Board that, taken as a whole, it considers the Annual Report to be fair, balanced and understandable. The Audit Committee recommended approval of the Group's 2018 Consolidated Financial Statements by the Board. Both recommendations were accepted by the Board.

OTHER MATTERS

UK Bribery Act

The Committee continues to monitor the status of the procedures, controls and data collection of the Group's Code of Conduct and Anti-Corruption Policy. A comprehensive framework for annually monitoring compliance with EVRAZ anti-corruption policies and identifying risk was developed during 2016 by the compliance, legal and internal audit teams. Using this framework, compliance was tested in late 2018 and the results reported to the Audit Committee in February 2019, indicating further progress in reducing risk. During 2019, the methodology and current monitoring framework will be updated and extended in consultation with internal audit and legal advisers to reflect the latest best practice.

Anti-corruption training continued during 2018. A further 2,500 managers across the business completed the anti-corruption training programme developed by Thomson Reuters, bringing the total number of those trained to 11,000. The training will continue to be extended to additional staff in 2019 and refresher training will commence. In addition, specific training modules will be developed in-house by the management to supplement the Thomson Reuters programme during 2019.

Sanctions compliance controls

Given the increase in geo-political tension during 2018, compliance with the extended sanctions regime has been a key focus for the Committee throughout the year. The Committee received regular updates from the Group's external legal advisers and compliance officer on any extension or change to the evolving sanctions framework. The control processes, procedures and reporting framework are updated regularly to incorporate the latest guidance. These were tested by internal audit during the year, along with progress against the recommendations of the Group's external legal advisers, and were found to be satisfactory. There is a process of continuing education of compliance personnel and executive management in relation to sanctions.

RISK MANAGEMENT AND INTERNAL CONTROL

This should be read in conjunction with the Risk Management and Internal Control section on pages 109–111.

EVRAZ has an integrated approach to risk management to ensure that the review and consideration of risks inform the management of the business at all levels, the design of internal controls and internal audit process. The Group's financial reporting procedures, internal controls, risk management systems and activities are documented in a comprehensive FRP manual. The manual was updated and reviewed by the Audit Committee in January 2019.

The Risk Management Group and the Audit Committee reviewed the Group's risk profile in November 2018 and finalised the assessment in January 2019. The assessment includes the Risk Management Group's recommendation on the level of risk appetite of the Group and how that appetite is applied to strategic and operational business decisions. This was reviewed by the Audit Committee, along with the draft Statement of Principal Risks and Uncertainties to be included in the Annual Report, prior to the Board's consideration.

Internal audit findings on control issues that exceed the Group's risk appetite are reported to the Board by the Audit Committee and followed up by the Group's Management Committee. Progress on resolving issues is monitored regularly by the Committee.

The Audit Committee continues to receive quarterly updates on whistleblowing reports together with a bi-annual security report on the progress of follow-up investigations and resulting actions in relation to fraud and theft. Any significant whistleblowing report is reported to the Committee on an ad hoc basis when it arises.

Assessment of the Group's risk profile and control environment

Internal audit reviews the Group's risk and control environment annually and this is considered by the Risk Management Group and the Audit Committee. The chairman of the Audit Committee tables the internal audit report assessment of the risk and control environment with the Board.

The Committee monitors the internal control environment throughout the year and engages with executive management on any deficiencies identified by internal audit and assesses management's response. During 2018, the Audit Committee reviewed the updated assessment of the information security risks and supporting analysis and the preliminary risk assessment of GDPR compliance, and considered the analysis of issues arising from the current contract approval process. The Committee also reviewed the results of the external finance function assessment and a project to optimise product inventory and shipment control at one of the plants. The Audit Committee considered whether any of these matters had implications for the risk and control environment of the Group.

The Audit Committee reviewed in detail the Group's risk management practices and management's self-assessment of the process. While the maturity of the process was assessed as fair, areas were identified that require additional management focus and enhanced risk management practices. As a result, management developed a plan to address these gaps, which was reviewed by the Audit Committee and considered appropriate. Progress against this plan will be monitored during 2019.

INTERNAL AUDIT

The Audit Committee reviewed the internal audit plans for 2019 and recommended certain revisions in view of the macroeconomic environment, risk profile of the business and resources available. The plan was revised to reflect the updated risk analysis and to prioritise key business cycles and controls from a risk perspective. During 2018, the Audit Committee also approved the expansion of the internal audit function in North America to increase the geographic coverage of risk areas. Overall, the Committee considers the current internal audit resource to be adequate for the internal control and risk management assurance requirements.

The Audit Committee reviewed and updated the charter and key performance indicators of the internal audit function in early 2019. An annual assessment of the effectiveness, independence and quality of the internal audit function was undertaken by way of a questionnaire to Committee members, management and the external auditors, and was again found to be very satisfactory. An external assessment of the internal audit function in North America and Canada was undertaken during 2018 and confirmed that it generally conforms to the International Standards for the Professional Practice of Internal Auditing, Code of Ethics and Definition of Internal Audit of the Institute of Internal Auditors. The next scheduled external assessment of the internal audit function in Russia, the CIS and Europe will be undertaken in 2020.

The head of internal audit is secretary to both the Audit Committee and Risk Management Group and prepares the minutes.

EXTERNAL AUDIT

The Audit Committee is responsible for monitoring the ongoing effectiveness and independence of the external auditor, as well as for making recommendations to the Board on the re-appointment of the auditor.

Effectiveness and independence

The Audit Committee has an established framework through which it monitors the effectiveness, independence, objectivity and compliance of the external auditor with ethical, professional and regulatory requirements of the external auditor. This includes:

- Review and approval of the external audit plan for the interim review and year-end audit, including consideration of the audit scope, key audit risks and audit materiality measures, and compliance with best practice
- Review and approval of the external auditor's engagement letter
- Review of the FRC's June 2018 Quality Inspection Report and EY's response
- Consideration of the external auditor's report on the interim review and annual report and representation letters and
- Review of the external auditor's management letter on the 2017 audit with management, consideration of management's response and proposed actions, and directing that internal audit undertake a follow-up audit of key areas

Management and members of the Audit Committee completed a questionnaire to assess the effectiveness and independence of the 2017 external audit process during 2018, which was found to be satisfactory.

The Audit Committee holds regular meetings with the external auditor at which management is not present to consider the appropriateness of the Group's accounting policies and audit process. During 2018, the external auditor confirmed that these policies and processes were appropriate. The Committee chairman also meets the Senior Statutory Auditor regularly outside of Audit Committee meetings.

Engagement of the external auditor for non-audit services is managed in accordance with the Group's policy, which can be found on the website: www.evraz.com. This policy identifies a range of non-audit services which are prohibited on the basis that they might compromise the independence of the external auditor, and establishes threshold limits for the level of non-audit fees relative to audit fees and authorisation processes for the approval of all audit and non-audit fees. This policy was updated in January 2019 to reflect the latest guidance *http://www.evraz.com/governance/documents/*. Fees in respect of the interim review are now classified as an audit-related service and the threshold for audit-related and non-audit services has been increased. During 2018, non-audit fees totalled US$1,202,000 and included US$459,000 in respect of the interim review (2017 US$1,073,000 including US$530,000 in respect of the interim review. The balance in 2018 primarily related to work in connection with the EVRAZ plc guarantee to Sibuglemet, as well as other quality assurance reviews. Non-audit fees were 41% of the 2018 audit fee of US$2.9 million, compared with 35% of the 2017 audit fee. Irrespective of prior approval by the CFO and Audit Committee chairman, all fees are reported to the Audit Committee for noting and comment.

Re-appointment of the external auditor

Following a tender process undertaken during 2016, the Committee recommended the re-appointment of Ernst & Young LLP (EY) as external auditor for the years ended 31 December 2017 and 2018. After consideration of the UK Corporate Governance Code, EU legislation on audit regulation and the performance of EY, the Committee recommended in 2017 that, subject to the agreement of appropriate terms, a further tender to appoint an external auditor be deferred to 2021. The Committee reviewed the terms agreed with EY in respect of the financial years ended 31 December 2019 and 2020, as well as the performance of EY, and continues to recommend the deferral of the tender process.

EY was appointed as external auditor of EVRAZ plc in 2011. The current audit engagement partner, Steven Dobson, assumed the role for the year ended 31st December 2016 and will continue up to and including the audit for the year ended 31st December 2020.

The Audit Committee continues to consider EY to be effective and independent in their role as auditor and has advised the Board that it should recommend to shareholders that EY be re-appointed as external auditor for the year ending 31 December 2019.

Nominations committee report

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

The Board delegates the Nominations Committee's role and responsibilities, which are set out in written terms of reference ***http://www.evraz.com/governance/directors/committees.***

The Nominations Committee has continued to monitor the Board's composition to ensure that it remains appropriate for the Company and to uphold the integrity of the Company's corporate governance. As reported last year, the Nominations Committee considered the range of experience currently on the Board and the need to widen diversity before commencing a recruitment exercise for an additional non-executive director. With three of the five independent non-executive directors completing seven years on the Board, this process will continue as suitable candidates are sought.

ROLE

The Nominations Committee is responsible for making recommendations to the Board on the structure, size and composition of the Board and its committees, and overseeing succession planning for directors and senior management.

COMMITTEE MEMBERS AND ATTENDANCE

The Nominations Committee members at 31 December 2018 were Sir Michael Peat, Alexander Izosimov, Karl Gruber, Alexander Abramov and Eugene Shvidler. Sir Michael Peat served as the chairman of the Nominations Committee throughout the year.

Three of the five committee members were independent non-executive directors.

The committee met on four occasions during 2018. As reported *on page 108,* all members were in attendance for all meetings.

The CEO attended all meetings and the company secretary acted as the committee's secretary.

ACTIVITY DURING 2018

During 2018, the committee considered the following issues.

Board and committee composition

The Board agreed that the size of the Board and its committees was appropriate for the Group's ongoing needs. The committee agreed that the Board represented a good mix of skills and experience, and that the Group had benefited from having a stable board and a group of people who interact well.

Succession planning

The committee considered succession planning for independent non-executive directors, in the context of the length of service of each of the current independent non-executive directors. The committee commenced a search in 2017 for an additional independent non-executive director and appointed Heidrick & Struggles, a firm that has no other relationship with the business, to undertake the search. Heidrick & Struggles reviewed a wide range of candidates in line with the Board's desire to enhance gender diversity on the Board where appropriate. Heidrick & Struggles presented a number of candidates to the committee, who reviewed and met with several of the candidates. Further meetings between the identified candidate and key executive management were arranged to ensure that the selected candidate had a skill set that the Board could benefit from. The Committee also considered, after review, that Laurie Argo was fully independent as defined by the Code and had sufficient time available to deliver the role. A recommendation was subsequently made to the Board, which appointed Laurie Argo as an independent non-executive director on 8 August 2018. Ms Argo's biography is available *on page 102.* Notably, she has a wide range of experience, particularly in the North American energy industry.

The committee also paid close attention to senior management succession.

Board performance evaluation

In 2017, as required by the UK Corporate Governance code, the Company undertook a board performance evaluation using an external facilitator, Lintstock LLP. In October 2018, the company secretary undertook a follow up internal evaluation under the guidance of the Nominations Committee. Following the 2018 review's conclusion, the committee considered the outcome of the report and prepared an action plan for the Board to review and agree, which reflected some minor improvements to board process and information flow. The outcome of the review and the action plan are described in the Corporate Governance section *on page 108.*

Independence of non-executive directors

The committee undertook a review of the independent status of the non-executive directors based on the provisions in the UK Corporate Governance Code and confirmed the appropriateness of the independent status of each of the independent non-executive directors.

PERFORMANCE OF 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 17 January 2019.

It was concluded, as previously, that the chairman continues to make an important contribution to the Group, including his knowledge and experience of, and contacts in, the industry.

The chairman of the Group and the chairman of the Nominations Committee discussed the performance of the individual directors, including time available to devote to the Group's business, and noted no concerns.

DIVERSITY POLICY

The Board's diversity policy is to have board membership that reflects the international nature of the Group's operations and includes at least two women as board members. The Board currently meets these criteria. The committee continues to review and monitor the Group's performance against its diversity policy, including aspects such as age, gender and educational and professional backgrounds, as disclosed in the CSR report *on page 84.*

The Nominations Committee and the Board are committed to meeting best practice standards in gender diversity. While the nature of the steel and mining industries makes this more challenging, it does not diminish the committee's and the Board's commitment.

2019 PRIORITIES

The committee will continue to fulfil its general responsibilities with particular emphasis on compliance with the UK Corporate Governance Code, board diversity and succession planning. A review is in progress to confirm compliance with the revised 2018 UK Governance Code, which takes effect for the 2019 financial year. In addition, the committee will continue to consider development and succession planning for senior management.

HSE Committee report

Karl Gruber
Independent Non-Executive Director,
Chairman of Health, Safety and Environment Committee

The Board delegates the HSE Committee's role and responsibilities, which are set out in written terms of reference ***http://www.evraz.com/governance/directors/committees/.***

In 2018, EVRAZ continued the work to streamline its HSE system and developed measures to mitigate key risks. Unfortunately, the results were unacceptable: six employees and four contractors lost their lives, while only the number of serious injuries fell by 8%. This again highlights the need to improve the approach and focus on changing the safety culture by involving each and every employee in the efforts to uncover and eliminate production risks. To this end, the Group has reviewed its HSE strategy and identified key areas of focus for the short term.

ROLE AND RESPONSIBILITIES

The Health, Safety and Environment (HSE) Committee is responsible for reporting to the Board on three key areas: employee wellbeing, occupational safety and protection of the environment and local communities where EVRAZ operates. It receives monthly HSE updates and provides a quarterly report to the Board, and its tasks include:

- Assessing the effects of the Group's HSE initiatives on key stakeholder groups, such as employees and local residents, and on EVRAZ reputation
- Liaising between the management and the Board when there have been fatalities or serious incidents in the workplace, including to ensure that remedial action is implemented effectively
- Reviewing HSE strategy, monitoring pertinent parts of any independent operational audits and making recommendations for action or improvement as deemed necessary

COMMITTEE MEMBERS AND ATTENDANCE

As of 31 December 2018, the HSE Committee's members were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya, who remains in place since leaving the Board on 14 March 2016.

In 2018, the committee held two meetings, on 7 February and 2 August, at the headquarters in Moscow. Both had a necessary quorum and were convened as required. The meetings included reviews of current issues and HSE initiatives at the divisional level. In addition, in June 2018, the committee chairman and EVRAZ CEO took part in a HSE strategy session with 40 top managers. In September 2018, the same group visited divisional production sites to review HSE practices and take part in the EVRAZ Business System Summit.

ACTIVITY DURING 2018

The following sections summarise how the HSE Committee fulfilled its duties in 2018.

HSE performance review

Throughout the reporting period, the committee reviewed EVRAZ HSE performance using the following criteria:

- Fatal incidents
- Lost-time injuries (LTI)
- Lost-time injury frequency rate (LTIFR), calculated as the number of injuries resulting in lost time per 1 million hours worked
- Enforcement of cardinal safety rules
- Progress of health and safety initiatives

The HSE Committee reviews every fatality, severe injury and significant damage to property at EVRAZ to identify the root cause and remedial action. This involves recording a detailed description of the scene, the sequence of events, root cause analysis and corrective measures implemented.

The committee evaluates the Group's environmental performance using the following criteria:

- Key air emissions, including nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds
- Non-mining waste and by-product generation, recycling and re-use
- Fresh water intake and water management aspects
- Non-compliance related environmental levies (taxes) and penalties
- EVRAZ environmental commitments and liabilities
- Major environmental litigation and claims
- Asset coverage with environmental permits/licences
- Public complaints
- Material environmental incidents and preventative measures
- Environmental risk assessment

In 2018, the committee reviewed the risks and opportunities associated with greenhouse gas (GHG) emissions based on the Group's production plans and initiatives. Committee members set a new environmental target of maintaining the GHG intensity ratio.

HSE strategy review

In 2018, the committee reviewed EVRAZ HSE Policy and Cardinal Safety Rules, approving the annual HSE targets and new five-year environmental targets. In addition, it supported management efforts in the following corporate-level HSE initiatives, finding that the priorities are generally on track:

- Implementation of a lockout-tagout (LOTO) system
- Safety conversations and standard operating procedures
- Assessment of the safety management system
- Review of contractor management requirements
- Divisional health and safety initiatives
- Environmental programmes, including air emission, water consumption and waste management initiatives

The health and safety initiatives were based on the results of the HSE strategy session in June 2018 and aim to address key issues regarding fatality prevention. The assessment of the safety management system highlighted leadership and risk management as the main areas for improvement.

Indeed, improving both of these were added to the "HSE performance assessment" and "safety conversations" objectives. Leadership plays a vital role in keeping employees focuses on key risks and instituting a culture of safety in the workplace, and there are plans to train 300 top managers on a dedicated leadership programme. Meanwhile, effective risk management involves prioritising appropriately and detecting root causes with a view to eliminating fatalities.

HSE regulatory changes

In 2018, the HSE Committee evaluated the risks and opportunities related to the introduction of new Russian regulations, as well as the challenges associated with new national targets to 2024 announced by the government in May. Over the reporting period, EVRAZ reviewed 23 drafts of HSE-related legislation for the Russian Steel Association's HSE Committee, helping the regulator to form definitive positions in various areas, including:

- GHG regulation
- New national water discharge standards
- Online emission and discharge monitoring
- Transition to best available techniques (BAT)

The Committee acknowledges the risks involved and recommended a proactive approach in alliance with the business community and steel producers.

HSE audit review

In 2018, state supervisory agencies and internal HSE auditors conducted compliance inspections of EVRAZ operations, and the committee reviewed:

- The HQ Industrial Safety Department's audits of processes and structural units at Group facilities
- Health and safety cross-audits performed by representatives of similar operations from other EVRAZ facilities and overseen by the HQ safety team
- The environmental risks identified via the HQ Environmental Management Directorate's internal audit and risk assessment process
- The Internal Audit Department's audits of the HSE function
- External environmental inspections carried out by the environmental authorities, as well as the implementation of remedial action

COMMUNITY RELATIONS PERFORMANCE

In 2018, the HSE Committee reviewed EVRAZ CSR initiatives aimed at:

- Improving the quality of life in local communities
- Developing infrastructure, sports, educational and cultural programmes
- Helping children with special needs
- Caring for the environment
- Promoting a responsible attitude towards safety at work and home

In addition, the committee reviewed the results of the annual reputation audit, engaging businesses, clients, media, government representatives and local communities. The Group's efforts to build sustainable partnerships with key stakeholders were rated as satisfactory. EVRAZ reputation rating continues to increase.

For more details on HSE issues, see the Corporate Social Responsibility section on pages 72–82.

Remuneration report

Alexander Izosimov
Independent Non-Executive Director,
Chairman of the Remuneration Committee

I am pleased to present our annual report on directors' remuneration and to confirm that the Committee has taken decisions fully in line with our shareholder approved policy. This policy is designed to deliver our sustainable business objectives and maximise long-term rewards to shareholders. The Committee's Terms of Reference have now been updated in line with the UK Corporate Governance Code.

This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013; the "Regulations"). It also meets the relevant requirements of the Financial Conduct Authority's Listing Rules and describes how the Board has applied the principles of good governance as set out in the UK Corporate Governance Code (April 2016).

This report contains both auditable and non-auditable information. The information subject to audit by the Group's auditors, Ernst & Young LLP, is set out in the Annual remuneration report and has been identified accordingly.

Directors' remuneration policy

The current Remuneration Policy was approved by shareholders at the Annual General Meeting (AGM) in June 2017. The Regulations require that shareholders formally approve the policy every three years and therefore the next occasion will be at the AGM in 2020.

Annual remuneration report

The second part of the report, the Annual Remuneration Report, sets out details of remuneration paid in 2018 and how the Group intends to apply its Remuneration Policy in 2019. This section will be put to an advisory shareholder vote at the forthcoming AGM.

Key decisions taken during the year

As the CEO pay has not been changed since 2012, the Remuneration Committee conducted a thorough review and decided to increase the CEO's salary by 5%. The logic for this decision stems from the pay dynamics inside the Company and also an awareness of the movements over the last 10 years in FTSE100 directors' salaries. The benchmark comparison, conducted by Korn Ferry, indicated that the median salary of the CEOs of FTSE 100 companies increased by around 15% over this period. This increase will also be in line with internal compensation dynamics in the Company over the last decade. The bonus opportunity for 2019 will remain unchanged. The CEO does not participate in the long-term incentive plan or receive any pension benefits/allowances.

Based on performance against the pre-determined KPIs and targets, the CEO's annual bonus payout for 2018 was 57.21% of the maximum. Further details can be found on pages 124-127.

The Remuneration Committee's terms of reference were reviewed in the year and updated for the changes to the UK Corporate Governance Code.

In line with its commitment to good corporate governance, the Group will continue to monitor investors' views, best-practice developments and market trends on executive remuneration. These will be considered when deciding on executive remuneration at EVRAZ to ensure that its Remuneration Policy remains appropriate in the context of business performance and strategy.

Link with business strategy

EVRAZ fundamental success factors together with actualised strategic priorities define the selection of KPI's for the CEO.

These strategic priorities are reflected in the Company's approach to executive remuneration and a large proportion of the CEO's remuneration is linked to performance through the annual bonus. Achievement within the annual bonus is based on the Company's key quantitative financial, operational and strategic measures to ensure focus is spread across the key aspects of Company performance and strategy. The exact measures and associated weighting are determined on an annual basis according to the Company's strategic priorities for the year.

For 2018, the following five indicators, each with an equal weighting of 20%, were considered when determining the CEO's annual bonus: LTIFR, EBITDA, Free Cash Flow (adjusted for disposals higher than US$50 million), Cash Cost Index and Remuneration Committee assessment of overall performance against strategic objectives. The KPI are specific and focus on deliverables to support the Company's strategy.

How business strategy aligns to overall reward at EVRAZ

		SUCCESS FACTORS					CURRENT STRATEGIC PRIORITIES			
CEO KPIs	**Weighting**	**Health, Safety and Environment**	**Human Capital**	**Customer Focus**	**Asset Development**	**EVRAZ Business System**	**Debt Management and Stable Dividends**	**Prudent CAPEX**	**Retention of Low-cost Position**	**Development of product Portfolio and Customer Base**
LTIFR	20%	X	X							
EBITDA	20%			X	X	X		X	X	X
FCF	20%			X	X	X	X	X	X	X
Cash Cost Index	20%				X	X		X	X	
Strategic Objectives	20%	X	X	X	X	X		X	X	X

POLICY REPORT

The main terms of the Remuneration Policy relating to executive and non-executive directors are set out in the following section. The full text of the Policy approved by shareholders at the 2017 AGM is available at *https://ar2017.evraz.com/en/governance/remuneration-report*.

The Remuneration Policy's primary objectives are to attract, retain and reward talented staff and management, by offering compensation that is competitive within the industry, motivates management to achieve the Group's business objectives, encourages a high level of performance, and aligns the interests of management with those of shareholders.

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

The CEO's incentive arrangements are subject to "malus", under which the Remuneration Committee may adjust bonus payments downwards to reflect the Group's overall performance. The committee does not operate clawback arrangements on directors' remuneration on the basis that such arrangements would not be enforceable under the Russian Labour Code. The committee will keep this under review and should the Russian Labour Code change, it will revisit the inclusion of such provisions in the Group's variable remuneration plans in order to comply with the UK Corporate Governance Code.

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, considering individual and market conditions, including: size and nature of the role; relevant market pay levels; individual experience and pay increases for employees across the Group. For the current CEO, base salary incorporates a director's fee (paid to all directors of the Company for participation in the work of the Board committees and Board meetings – see the section on Non-executive Director Remuneration Policy below). Where a salary is paid in a currency other than US dollars, the committee may make additional payments to ensure that the total annual salary equals the level of annual salary in US dollars.	Generally, the maximum increase per year will be in line with the overall level of increases within the Group. However, there is no overall maximum opportunity as increases may be made above this level at the committee's discretion, to take account of individual circumstances such as increases in scope and responsibility and to reflect the individual's development and performance in the role.	None
Benefits	To provide a market level of benefits, as appropriate for individual circumstances, to recruit and retain executive talent.	Benefits currently include private healthcare. Other benefits (including pension benefits) may be provided if the committee considers it appropriate. The current CEO does not participate in any pension scheme at this time. In the event that an executive director is required by the Group to relocate, or following recruitment, benefits may include but are not limited to a relocation, housing, travel and education allowance.	The cost of benefits will generally be in line with that for the senior management team. However, the cost of insurance benefits may vary from year to year depending on the individual's circumstances. The overall benefit value will be set at a level the committee considers proportionate and appropriate to reflect individual circumstances, in line with market practices. There is no total maximum opportunity.	None
Annual bonus	To align executive remuneration to Group strategy by 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.	Up to 200% of base salary in respect of any financial year of the Group.	The bonus is based on achievement of the Group's key quantitative financial, operational and strategic measures in the year to ensure focus is spread across the key aspects of Group performance and strategy. The exact measures and associated weighting will be determined on an annual basis, according to the Group's strategic priorities, however at least 60% will be based on Group financial measures. For achievement of threshold performance, 0% of maximum will be paid, rising 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 Group's overall performance.
Non-executive directors				

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

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. The Remuneration Committee reviews them annually to ensure that the measures and weightings are in line with the strategic priorities and needs of the business.

Remuneration arrangements throughout the Group

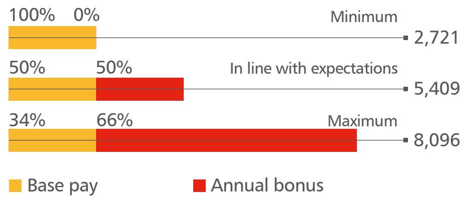
This remuneration approach and philosophy is applied consistently at all levels, up to and including the executive director. This ensures that there is alignment with business strategy throughout the Group. Remuneration arrangements below Board level reflect the seniority of the role and local market practices, and therefore the components and remuneration levels for different employees may differ in parts from the policy set out above.

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

Illustration of the application of the Remuneration Policy

The chart on the right provides an indication of what could be received by an executive director under the Remuneration Policy.

Application of the remuneration policy, *US$ thousand*



Policy on recruitment of executive directors

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

So far as practicable and appropriate, the Remuneration Committee will seek to structure pay and benefits of any new executive directors in line with the current Remuneration Policy. However, the policy provides additional flexibility for example to structure pay differently and to provide compensation for remuneration that would be forfeit on joining the Company.

Executive director's service contract and loss of office policy

The CEO has a service contract with a subsidiary of EVRAZ plc.

Executive director	Date of contract	Notice period (months)
Alexander V. Frolov	31 December 2016	N/A

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

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

Non-executive directors' letters of appointment

Each non-executive director has a letter of appointment setting out the terms and conditions covering their appointment. They are required to stand for election at the first

Key terms of non-executive directors' appointment letters

Non-executive directors	Date of contract	Notice period
Alexander G. Abramov	14 October 2011	Three months
Karl Gruber	14 October 2011	Three months
Alexander Izosimov	28 February 2012	Three months
Sir Michael Peat	14 October 2011	Three months
Deborah Gudgeon	31 March 2015	Three months
Eugene Shvidler	14 October 2011	Three months
Eugene Tenenbaum	14 October 2011	Three months
Laurie Argo	8 August 2018	Three months

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 reappointment and, accordingly, each non-executive director will stand for re-election at the AGM on 18 June 2019.

Copies of the directors' letters of appointment or, in the case of the CEO, the service contract, are available for inspection by shareholders at the Group's registered office.

Consideration of conditions elsewhere in the Group

Management prepares details of all employee pay and conditions, and the Remuneration Committee considers them on an annual basis. The committee takes this into account when setting the CEO's remuneration. However, it does not consider any direct comparison measures between the executive director and wider employee pay. The Group does not formally consult with employees on executive director remuneration.

Consideration of shareholder views

When determining the Remuneration Policy, the committee considers investor body guidelines and shareholder views.

ANNUAL REMUNERATION REPORT

This section summarises remuneration paid out to directors for the 2018 financial year, and details of how the Remuneration Policy will be implemented in the 2019 financial year.

Executive director's remuneration

In 2018, the CEO, Alexander Frolov, was entitled to a base salary, a performance-related bonus and provision of benefits. As a member of the Board, he is also entitled to a directors' fee (US$150,000) and any applicable fees for participation in the work of the Board committees as laid out in the section below on non-executive director remuneration. However, the Remuneration Committee considers these fees to be incorporated in his base salary. Alexander Frolov's current shareholding (10.33% of issued share capital as of 24 December 2018) provides alignment with the delivery of long-term growth in shareholder value. As such, the committee does not consider it necessary for the CEO to participate in any long-term incentive plans or to impose formal shareholding guidelines. However, the committee will continue to review this on an ongoing basis.

Single total figure of remuneration (audited)

Key elements of the CEO's remuneration package received in relation to 2018 (compared with the prior year)

Alexander V. Frolov	2018 (US$)	2017 (US$)
Salary and director fees[1]	2,500,000	2,500,000
Benefits	33,506	25,803
Bonus	2,860,378	2,990,750
Total	**5,393,884**	**5,516,553**

Base salary

The Remuneration Committee approved the CEO's current salary on 23 May 2008 at the level of US$2,500,000 (which includes, for the avoidance of doubt, the directors' fee, fees paid for committee membership and any salary from subsidiaries of EVRAZ plc).

For 2019, the Remuneration Committee increased the CEO's salary by 7.5% to $2,687,500.

Pension and benefits (audited)

The CEO does not currently receive any pension benefit or allowance. Benefits consist principally of private healthcare.

Annual bonus

The CEO is eligible for a performance-related bonus that is paid in cash following the year-end, subject to the Remuneration Committee's agreement and the Board of Directors' approval. The bonus is linked to achieving performance conditions based on predetermined targets set by the Board of Directors. The target bonus is 100% of base salary with a maximum potential of 200% of base salary.

Annual bonus for 2018 (audited)

The bonus is linked to the Group's main quantitative financial, operational and strategic measures during the year to ensure alignment with the key aspects of Group performance and strategy. For 2018, the following five indicators, each with an equal weighting of 20%, were considered when determining the CEO's annual bonus: LTIFR, EBITDA, Free Cash Flow (adjusted for disposals higher than US$50 million), Cash Cost Index and Remuneration Committee assessment of overall performance against strategic objectives.

The Remuneration Committee reviews the resulting bonus payout to ensure that it is appropriate considering the Group's overall performance.

In 2018, EVRAZ outperformed each of its threshold targets, resulting in an annual bonus payout of 57.21% of the maximum. Management effectively maximized the benefit from the positive market trends. Other contributers to the outperformance included tight control over operational efficiency and investments. There was significant outperformance of the EBITDA and Free Cash Flow stretch targets notwithstanding the negative changes in working capital over the year.

The Remuneration Committee determined that this level of payout is reflective of the Company's overall performance and commensurate with the shareholder experience.

[1] The salary is paid in roubles and the amounts paid in the year are reconciled at the year-end so as to equal US$2,500,000.

Details of the targets set for each KPI, the actual achievement in the year, and total payout level for the 2018 bonus

	Result measurement				
KPIs	Threshold	Planned level (% of target)	Outstanding	Actual 2018	Bonus payout (% of max)
LTIFR	2.06x	1.72x	1.38x	1.91x	22.4%
EBITDA	US$1,747m	US$2,184m	US$2,621m	US$3,777m	100%
Adjusted FCF	US$704m	US$881m	US$1,057m	US$1,602m	100%
Cash cost index	110%	100%	90%	107%	13.7%
Discretion	Remunertion Committee assessment of overall performance against strategic objectives			*See comment below*	50%
Total					**57.21%**

Remuneration Committee assessment of overall performance

EVRAZ Remuneration Policy stipulates that the discretionary portion of the bonus should reflect the CEO's performance in relation to the Group's key strategic priorities, as well as his efforts to ensure its long-term success. During the year, the business continued to deliver in relation to key strategic priorities and create long-term returns for shareholders.

The Remuneration Committee determined that 2018 was an exceptionally successful year and in recognition of this, the CEO received the full amount of the discretionary 20% part of the bonus. The key reasons for this are:

- The overall strong operating and financial performance in the year, which is also reflected in the payment of a dividend, strong share price growth and remaining of EVRAZ shares in the FTSE 100 index;
- EBITDA reached the US$3.8 billion level significantly exceeding the stretch target set, coupled with strong FCF;
- Net Debt / EBITDA <1.0 level achieved, as of 31.12.2018 it stood at 0.9x;
- Significant total shareholder return compared with the performance of FTSE 350 companies;
- Standard & Poor's credit rating remained at 'BB' level;
- Optimisation of the asset portfolio through the successful disposal of Evraz Dneprovsky Metallurgical and the non-core asset of Delong Holdings Limited, cost-cutting initiatives that delivered US$273 million and development of the EVRAZ Business System transformation.

The resultant bonus was 57.21% of the maximum.

Annual bonus for 2019

For 2019, the bonus framework will be in line with 2018. The Board considers forward-looking targets 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 Group's overall performance.

Non-executive directors' remuneration

Non-executive directors' remuneration payable in respect of 2018 and 2017 is set out in the table below.

A non-executive director's remuneration consists of an annual fee of US$150,000 and a fee for committee membership (US$24,000) or chairmanship (US$100,000 for chairmanship of the Audit Committee and US$50,000 for other committees).

For reference, the fees payable for the chairmanship of a committee include the membership fee, and any director elected as chairman of more than one committee is generally entitled to receive fees in respect of one chairmanship only. The fee for the chairman of the Board amounts to US$750,000 from 1 March 2012 (this fee includes, for the avoidance of doubt, directors' fees and fees paid for committee membership).

Fees will remain unchanged for 2019.

Aggregate directors' remuneration

The aggregate amount of directors' remuneration payable in respect of qualifying services for the year ended 31 December 2018 was US$7,743 thousand (2017: US$7,795 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 shares as of 31 December 2018 were as follows.

There have been no changes in the directors' interests from 31 December 2018 through 27 February 2019.

Single total figure of remuneration (audited)

	2018 (US$ thousand)			2017 (US$ thousand)		
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	248	30	278	248	30	278
Eugene Shvidler	174	30	204	174	30	204
Eugene Tenenbaum	150	30	180	150	30	180
Karl Gruber	238	30	268	248	30	278
Sir Michael Peat	224	30	254	224	30	254
Deborah Gudgeon	274	30	304	274	30	304
Laurie Argo[3]	69	12	81			

Directors' interest in EVRAZ shares as of 31 December 2018

Directors	Number of shares	Total holding, ordinary shares, %
Alexander Abramov	298,625,541	20.69
Alexander Frolov	149,118,167	10.33
Eugene Shvidler	42,877,492	2.97
Alexander Izosimov	80,000	0.01

[1] *Total fees include annual fees and fees for committee membership or chairmanship (pro rata working days).*
[2] *The Group contributes an annual amount of US$30,000 towards secretarial and administrative expenses of non-executive directors. In addition to the amounts disclosed above, the Group reimburses directors' travel and accommodation expenses incurred in the discharge of their duties.*
[3] *Appointed on 8 August 2018.*

The shares held by Alexander Izosimov were acquired in 2012 when he was appointed as an independent non-executive director.

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

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

Policy on external appointments

The Remuneration Committee believes that the Group can benefit from executive directors holding approved non-executive directorships in other companies, offering executive directors the opportunity to broaden their experience and knowledge. EVRAZ policy is to allow executive directors to retain fees paid from any such appointment. The CEO does not currently hold a non-executive directorship of another company.

Engagement with the workforce

EVRAZ is committed to regularly engaging with its workforce and realises the value in listening to and acting on employee views across the organisation. These insights are vital to attracting and retaining employees, which is key to delivering and executing the Group's vision and strategy. It also allows for informative decisions to be made throughout the business. Considering the views of the wider workforce has been in place at the Group for many years. Employees participate in an annual employee engagement survey aimed at gathering wider workforce views on a number of different topics. The survey has historically been successful in driving a number of employee-focused initiatives and helps to set key priorities for the forthcoming year, aimed at improving the engagement of all employees.

The Board reviews the engagement data (and has appointed two non-executive directors to be envolved in town-hall meetings with employees) and is therefore aware of any trends, comments or concerns in relation to executive pay. The Board also receives a quarterly summary report of complaints made on the EVRAZ employee telephone hot-line.

The Remuneration Committee also considers executive remuneration in the context of the wider employee population and is kept regularly updated on pay and conditions across the Group. The proportion of variable pay increases with progression through management levels with the highest proportion of variable pay at Executive Director level, as defined by the Remuneration Policy. Variable pay cascades down through the next tiers of management with appropriate reductions in opportunity levels based on seniority. In addition, the Group operates pension arrangements in some of its businesses around the world, where this is relevant to the local conditions. The key element of remuneration for those below senior management grades is base salary and the Group's policy is to ensure that base salaries are fair and competitive in the local markets. General pay increases take into account local salary norms, inflation and business conditions.

Gender pay gap and CEO pay ratio

EVRAZ has no UK employees and does not therefore have any gender pay or CEO pay ratio to report under the Regulations. Over the coming year we intend to work out what method of calculation of employee pay for the CEO pay ratio would be most sensible and practical for us to produce and informative for shareholders to receive.

Relative importance of spend on pay

The table on the right shows a comparison of the total cost of remuneration paid to all employees between current and previous years and financial metrics in US$ millions. EBITDA was chosen for the comparison as it is a KPI which best shows the Group's financial performance.

US$ million	2018	2017
EBITDA	3,777	2,624
Shares buyback	0	0
Dividends	1,556	430
Total employee pay	1,326	1,364

For more information on the definition of EBITDA, please see page 261.

Performance graph

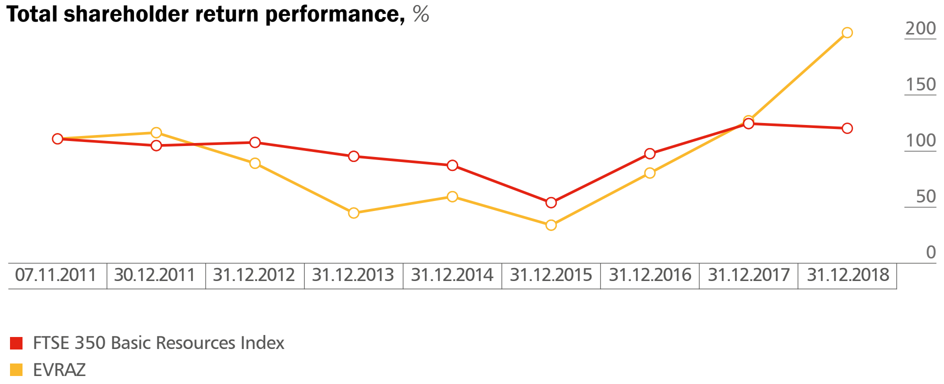
The graph below shows the Group's performance measured by total shareholder return compared with the performance of the FTSE 350 Basic Resources Index since EVRAZ plc's admission to the premium listing segment of the London Stock Exchange on 7 November 2011. The FTSE 350 Basic Resources Index has been selected as an appropriate benchmark, as it is a broad-based index of which the Group is a constituent member.

The table below shows as a single figure the CEO's total remuneration over the past six years, along with a comparison of variable payments as a percentage of the maximum bonus available.

Percentage change in remuneration

The table on the next page sets out the percentage change in the elements of remuneration for the director undertaking the role of CEO compared with average figures

Total shareholder return performance, %



CEO's total remuneration paid in 2013-2018

(US$)	CEO single figure of total remuneration	Annual bonus payout (as a % of maximum opportunity)
2018	5,393,884	57.21%
2017	5,516,553	59.82%
2016	4,560,054	40.78%
2015	3,186,585	13.33%
2014	5,808,752	77%
2013	4,894,286	50%

for Russia-based administrative personnel. This group of employees has been selected as an appropriate comparator, as they are based in the same geographic market as the CEO, and so are subject to a similar external environment and pressures.

Percentage change in the elements of remuneration for the director undertaking the role of CEO compared with average figures for Russia-based administrative personnel

	CEO	Russia-based administrative personnel
Salary	0%	1%
Benefits	40%	2%
Annual bonus	(4)%	0%

Committee composition

This section details the Remuneration Committee's composition and activities undertaken over the past year.

Committee members

The Remuneration Committee's composition was unchanged during the year and its current members are:

- Alexander Izosimov
- Deborah Gudgeon
- Sir Michael Peat

No directors are involved in deciding their own remuneration. The committee may invite other individuals to attend all or part of any committee meeting, as and when appropriate and necessary, in particular the CEO, the head of human resources and external advisers.

Role

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, which were reviewed and updated in the year to reflect changes made to the UK Corporate Governance Code. A copy can be found on the Group's website.

The Remuneration Committee's main responsibilities are to:

- Set and implement the Remuneration Policy covering the chairman of the Board, the CEO, the company secretary and other senior executives
- Take into account all factors that it deems necessary to determine, such as framework or policy, including all relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance
- Review and consider remuneration trends across the Group and the alignment of incentives and rewards with culture when setting the Remuneration Policy
- Review regularly the Remuneration Policy's appropriateness and relevance
- Determine the total individual remuneration package of the chairman of the Board, the company secretary and other senior executives, including pension rights, bonuses, benefits in kind, incentive payments and share options, or other share-based remuneration within the terms of the agreed policy
- Approve awards for participants where existing share incentive plans are in place
- Review and approve any compensation payable to executive directors and other senior executives in connection with any dismissal, loss of office or termination (whether for misconduct or otherwise) to ensure that such compensation is determined in accordance with the relevant contractual terms and Remuneration Policy, and that such compensation is otherwise fair and not excessive for the Group
- Oversee any major changes in employee benefits structures throughout the Group and report on what engagement has taken place with the workforce on executive pay

During 2018, the committee met three times. The purpose of the meetings was to consider and make recommendations to the Board in relation to the remuneration packages of the executive director and key senior managers; to approve the annual bonus for the 2017 results; and to approve the 2018 long-term incentive plan (LTIP) awards for key senior management.

Advisers

Korn Ferry Hay Group Limited (KFHG) are appointed by the committee and provide independent remuneration consultancy services to the Group. KFHG is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

During the year, consultants advised the committee on developments in the regulatory environment and market practice, and on the development and disclosure of the Group's pay arrangements. The total fee for advice provided to the committee during the year was GBP37,660.

The committee is satisfied that the advice it has received has been objective and independent.

Shareholder considerations

EVRAZ remains committed to ongoing shareholder dialogue and takes an active interest in feedback received from its shareholders and from voting outcomes.

Where there are substantial votes against resolutions in relation to directors' remuneration, the Group shall seek to understand the reasons for any such vote and will detail any actions in response to these.

Actual voting results from the AGM, which was held, in respect of the previous remuneration report and Remuneration Policy

Number of votes	For	Against	Withheld	Total votes as % of issued share capital
To receive the Directors' report and the accounts for the Company for the year ended 31 December 2017	1,275,870,686 (99.83%)[1]	2,144,970 (0.17%)	391,765	88.55%
To approve the Annual Remuneration Report set out on pages 128 to 135 of the Annual Report and Accounts 2017	1,221,719,747 (95.79%)	53,633,631 (4.21%)	3,054,043	88.36%

[1] *Percentage of votes cast.*

Signed on behalf of the Board of Directors,

Alexander Izosimov
Chairman of the Remuneration Committee

27 February 2019

Directors report

INTRODUCTION

In accordance with section 415 of the Companies Act 2006, the Directors of EVRAZ plc present their report to shareholders for the financial year ended 31 December 2018, which they are required to produce by applicable UK company law. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the annual report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the annual report, as indicated below.

The Company was incorporated under the name EVRAZ plc as a public company limited by shares on 23 September 2011 under registered number 7784342. EVRAZ plc listed on the London Stock Exchange in November 2011 and is a member of the FTSE 100 Index.

Dividends	The strength of the underlying cash flow generation and continuing success with deleveraging have allowed the Company to continue to pay dividends in line with its dividend policy. Please see page 28 for details. The Company paid an interim dividend of US$0.13 per ordinary share, totalling US$187.6 million, on 22 June 2018 to shareholders on the register as of 8 June 2018. The Company paid a second interim dividend of US$0.40 per share, totalling US$577.34 million, on 6 September 2018 to shareholders on the register as of 17 August 2018. The Company paid a third interim dividend of US$0.25 per share, totalling US$360.8 million, on 21 December 2018 to shareholders on the register as of 23 November 2018. The Board of Directors have declared an interim dividend of US$0.40 per share, totalling US$577.3 million, to be paid on 29 March 2019 to shareholders on the register as of 8 March 2019.
Share capital	Details of the Company's share capital are set out in Note 20 to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the year. As of 31 December 2018, the Company's issued share capital consisted of 1,506,527,294 ordinary shares, of which 63,176,475 shares are held in Treasury. Therefore, the total number of voting rights in the Company is 1,443,350,819. On 10 July 2018, following approval from the Company's shareholders at a general meeting and subsequent confirmation by the High Court of England and Wales, the nominal value of each ordinary share in the Company was reduced from US$1.00 per share to US$0.05 per share. The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.
Authority to purchase own shares and transfer of treasury shares to Company's Employee Share Trust	Details of the Company's authority to purchase its own shares, which will be sought at the Company's forthcoming annual general meeting (AGM), will be set out in the notice of meeting for that AGM. On 4 May 2018, the Company transferred 11,297,476 ordinary shares out of treasury to the Company's Employee Share Trust, which represented 0.74% of the Company's issued share capital. Details are set out in Note 20 to the Consolidated Financial Statements.
Directors	Biographies of the directors who served on the Board during the year are provided in the Governance section on pages 100–103.
Directors' appointment and re-election	The Board has the power at any time to elect any person to be a director, but the number of directors must not exceed the maximum number fixed by the Company's Articles of Association. Any person so appointed by the directors will retire at the next AGM and then be eligible for election. In accordance with the UK Corporate Governance Code, the directors are subject to annual re-election by shareholders. For additional information about directors' appointment and resignation, see the Corporate Governance Report on page 124. All of the continuing directors will stand for re-election at the 2019 AGM to be held on 18 June 2019.
Directors' interests	Information on share ownership by directors can be found in this Report and in the Remuneration Report on page 125.
Directors' indemnities and director and officer liability insurance	As at the date of this report, the Company has granted qualifying third-party indemnities to each of its directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, directors and officers of the Company and its subsidiaries have been and continue to be covered by director and officer liability insurance.
Powers of directors	Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and provide the power to make purchases of any of its own shares. The directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.
Major interests in shares	Notifiable major share interests of which the Company has been made aware are set out in this Directors' Report.

Research and development	EVRAZ is constantly engaged in process and product innovation. EVRAZ research and development centres located at the Company's production sites improve and develop high-quality steel products to better meet customers' needs and to ensure that the Company remains competitive in the global and local markets. For examples of the Company's efforts in research and development in different operations, please refer to the Business Review on pages 42–69.
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 72–97.
Payments to governments	EVRAZ published its 2017 report on payments to governments in June 2018. The report provides citizens, authorities and independent users with information on payments made to governments where the Company conducts its extractive activities. The report is prepared in accordance with the requirements of the Disclosure Guidance and Transparency Rules Instrument 2014 "Report on payments to governments", issued by the UK Financial Conduct Authority. The report is available on the Company's website at www.evraz.com.
Political donations	No political contributions were made in 2018.
Greenhouse gas emissions	In 2018, in accordance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, EVRAZ undertook to assess full emissions of greenhouse gases (GHGs) from facilities under its control. Details can be found in the Corporate Social Responsibility section on page 78.
Employees	Information regarding the Company's employees can be found in the Our People section on pages 84–89.
Overseas branches	EVRAZ does not have any branches. A full list of the Group's controlled subsidiaries is disclosed in Note 34 of the Consolidated Financial Statements.
Financial risk management and financial instruments	Information regarding the financial risk management and internal control processes and policies, as well as details of hedging policy and exposure to the risks associated with financial instruments, can be found in Note 28 to the Consolidated Financial Statements, the Corporate Governance, Risk Management and Internal Control section on pages 106–111, and the Financial Review on pages 30–33.
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 30–33. 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. More details are provided in Note 2 to the consolidated financial statements on page 153.
Auditor	The Audit Committee conducted a tender for the external audit of the Group in July 2016. Ernst & Young LLP were selected to undertake the audits for the financial years ended December 2017 and 2018 (subject to shareholder approval at the respective AGM). The Board has agreed that subject to satisfactory commercial terms being agreed with Ernst & Young LLP, no re-tender will take place until the conclusion of the 2020 financial year. A decision on whether to re-tender will be taken thereafter. Ernst & Young LLP have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the forthcoming AGM.
Future developments	Information on the Group and its subsidiaries' future developments is provided in the Strategic Report on pages 6–39.
Events since the reporting date	The major events after 31 December 2018 are disclosed in Note 33 to the Consolidated Financial Statements on page 236.
Annual general meeting (AGM)	The 2019 AGM will be held on 18 June 2019 in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the chairmen of the Board committees. Full details of the AGM, including explanatory notes, are contained in the Notice of the AGM, which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at www.evraz.com.
Electronic communications	A copy of the 2018 annual report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at the following links: http://www.evraz.com/investors/information/general_meeting/ http://www.evraz.com/investors/annual_reports/ Shareholders may elect to receive notification by email of the availability of the annual report on the Company's website instead of receiving paper copies.
Corporate governance statement	The Disclosure Guidance and Transparency Rules (DTR 7.2) require certain information to be included in a corporate governance statement set out in a company's Directors' Report. In common with many companies, EVRAZ has an existing practice of issuing, within its annual report, a Corporate Governance Report that is separate from its Directors' Report. The information that fulfils the requirement of DTR 7.2 is located in the EVRAZ Corporate Governance Report (and is incorporated into this Directors' Report by reference), with the exception of the information referred to in DTR 7.2.6, which is located in this Directors' Report.

MAJOR SHAREHOLDINGS

The Company's issued share capital as of 31 December 2018 and 27 February 2019 was 1,506,527,294 ordinary shares, of which 63,176,475[1] shares are held in Treasury. Therefore, the total number of voting rights in the Company is 1,443,350,819.

As of 31 December 2018 and 27 February 2019, the following significant holdings of voting rights in the Company's share capital were disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of ordinary shares	% of voting rights
Greenleas International Holdings Ltd.[2]	440,528,064	30.52
Abiglaze Ltd[3]	298,625,541	20.69
Crosland Global Limited[4]	149,118,167	10.33
Kadre Enterprises Ltd[5]	83,751,827	5.80

[1] The number of shares differs from the figure in the Financial statements by the amount of shares held in Trust.
[2] The Company understands that Roman Abramovich has an indirect economic interest in the 440,528,064 shares held by Greenleas International Holdings Ltd.
[3] The Company understands that Alexander Abramov has an indirect economic interest in the 298,625,541 shares held by Abiglaze Ltd.
[4] The Company understands that Alexander Frolov has an indirect economic interest in the 149,118,167 shares held by Crosland Global Limited.
[5] Includes shares held by Gennady Kozovoy, Kadre's shareholder, both indirectly through Kadre and directly. The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013.

The Company is aware of the following individuals who each have a beneficial interest in three percent or more of EVRAZ plc's issued share capital (in each case, except for Gennady Kozovoy, held indirectly) as of 31 December 2018 and 27 February 2019:

	Number of ordinary shares	% of voting rights
Roman Abramovich	440,528,064	30.52
Alexander Abramov	298,625,541	20.69
Alexander Frolov	149,118,167	10.33
Gennady Kozovoy	83,751,827	5.80

LISTING RULE DISCLOSURES

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Interest capitalised
Note 9 to the Consolidated Financial Statements

Publication of unaudited financial information
Not applicable

Detail of long-term incentive schemes
Note 21 to the Consolidated Financial Statements, Remuneration Report

Waiver of emoluments by a director
None

Waiver of future emoluments by a director
None

Non pre-emptive issues of equity for cash
None

Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings
None

Parent participation in a placing by a listed subsidiary
None

Contract of significance in which a director is interested
None

Contracts of significance with a controlling shareholder
Relationship Agreement section on page 131

Provision of services by a controlling shareholder
None

Shareholder waiver of dividends
None

Shareholder waiver of future dividends
None

Agreements with controlling shareholder
Relationship Agreement section below

SIGNIFICANT CONTRACTUAL ARRANGEMENTS

Relationship agreements

In the period between the end of the 2018 financial year and the date of this report, the Company has entered into relationship agreements (the "Relationship Agreements") with each of Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited (the "Controlling Shareholders") that regulate the ongoing relationship between the Controlling Shareholders and the Company. This ensures that the Company is in compliance with the provisions of the Listing Rules and capable of carrying on its business independently of the Controlling Shareholders, and ensures that any transactions and relationships between the Company and the Controlling Shareholders are at arm's length and on normal commercial terms. These Relationship Agreements were last amended and restated (or, in the case of Abiglaze Ltd, first entered into) in January 2019 reflecting changes in the Company's shareholder structure that took place in December 2018.

The Relationship Agreements terminate if the Controlling Shareholders cease to own or control (directly or indirectly) in aggregate at least 30% of the issued ordinary shares in the Company (or at least 30% of the aggregate voting rights in the Company).

Under the Relationship Agreements, the Controlling Shareholders and the Company agree that:

- The Controlling Shareholders have the right to appoint the maximum number of non-executive directors that may be appointed while ensuring that the composition of the Board remains compliant with the UK Corporate Governance Code for so long as the Controlling Shareholders hold in aggregate an interest of 30% or more of the Company (or holds 30% or more of the aggregate voting rights in the Company) with each appointee being a "Shareholder Director'';
- The Controlling Shareholders and their associates shall not take any action that would have the effect of preventing the Company from complying with its obligations under the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules;
- Neither the Controlling Shareholders nor any of their associates will propose or procure the proposal of any shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- Transactions, relationships and agreements between the Company and/or its subsidiaries (on the one hand) and the Controlling Shareholders shall be entered into and conducted on arm's length terms and on a normal commercial basis, unless otherwise agreed by a committee comprising the non-executive directors of the Company whom the Board considers to be independent in accordance with the UK Corporate Governance Code (the ''Independent Committee'');
- The Controlling Shareholders shall, insofar as it is legally able to do so, exercise their powers, and shall procure that each member of the respective Controlling Shareholder group does the same, so that the Company is managed in accordance with the principles of good governance set out in the UK Corporate Governance Code, save as agreed in writing by a majority of the Independent Committee;
- The Controlling Shareholders will, and will procure (as far as is reasonably possible) that each member of the respective Controlling Shareholder group will, treat as confidential all information (subject to certain exceptions) acquired relating to the Company and its subsidiaries;
- The provision of, access to and use of information pursuant to the Relationship Agreements is governed by applicable laws relating to insider information, including, without limitation, the Disclosure Guidance and Transparency Rules;
- The Controlling Shareholders shall not, and shall procure, insofar as they are legally able to do so, that each member of the respective Controlling Shareholder group shall not, take any action that precludes or inhibits the Company and/or any of its subsidiaries from carrying on its business independently of the Controlling Shareholders or any member of the respective Controlling Shareholder group;
- The quorum for any Board meeting of the Company shall be three, of which at least one must be a Shareholder Director appointed by Greenleas International Holdings Ltd., at least one must be a Shareholder Director appointed by Abiglaze Ltd and/or Crosland Global Limited and at least one must be a non-executive director whom the Board considers to be independent in accordance with the UK Corporate Governance Code;
- The Controlling Shareholders shall not, and shall procure, insofar as they are legally able to do so, that each member of the respective Controlling Shareholder group shall not, exercise any of their voting or other rights and powers to procure any amendment to the Memorandum and Articles that would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreements, and will abstain from voting on, and will procure that the Controlling Shareholder Directors abstain from voting on, any resolution to approve a transaction with a related party (as defined in the Listing Rules) involving the Controlling Shareholders or any member of the respective Controlling Shareholder group;
- In any matter that, in the opinion of an independent director, gives rise to a potential conflict of interest between the Company and/or any of its subsidiaries (on the one hand) and the Shareholder Directors, the Controlling Shareholders or any member of the respective Controlling Shareholder group (on the other), such matter must be approved at a duly convened meeting of the Independent Committee or in writing by a majority of the Independent Committee;
- For so long as Greenleas International Holdings Ltd. (and its affiliates) holds in aggregate an interest of 25% or more in the Company, Greenleas International Holdings Ltd. undertakes that it will not become, and will use its reasonable endeavours to procure that no other member of its group becomes, involved in any competing business (subject to certain exceptions) in Russia, Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business;
- For so long as Abiglaze Ltd and Crosland Global Limited (and their respective affiliates) hold in aggregate an interest of 25% or more in the Company, Abiglaze Ltd and Crosland Global Ltd undertake that they will not become, and will use their reasonable endeavours to procure that no other member of the respective Controlling Shareholder group becomes, involved in any competing business (subject to certain exceptions) in Russia, Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.

The Board is satisfied that the Company is capable of carrying on its business independently of the Controlling Shareholders and that the Board makes its decisions in a manner consistent with its duties to the Company and stakeholders of EVRAZ plc.

Other agreements

The change of control provisions contained in several loan agreements with a total principal amount of US$611 million outstanding as of 31 December 2018 specify that if a change of control occurs, each lender under these agreements has a right to cancel their commitments and request prepayment of their portion of the respective loans.

ARTICLES OF ASSOCIATION

The Company's Articles of Association were adopted with effect from June 2012 and contain, 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 that are, or are liable to be, redeemed at the option of the Company or the holder and the directors may determine the terms, conditions and manner of redemption of any such shares.

VOTING RIGHTS

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2019 AGM.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share that he or she holds.

A proxy is not entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he or she been present in person. Unless the directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

The trustee of the Company's Employee Share Trust is entitled, under the terms of the trust deed, to vote as it sees fit in respect of the shares held on trust.

TRANSFER OF SHARES

The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

AUDIT INFORMATION

Each of the Directors who were members of the Board at the date of the approval of this report confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware;
- He or she has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The EVRAZ Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 27 February 2019.

By the order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc

27 February 2019

Directors responsibility statement

Responsibility Statement under the Disclosure Guidance and Transparency Rules

Each of the directors whose names and functions are listed on pages 100–103 confirm that to the best of their knowledge:

- The consolidated financial statements of EVRAZ plc, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole (the "Group");
- The annual report and accounts, including the Strategic Report, include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

Statement Under the UK Corporate Governance Code

The Board considers that the report and accounts taken as a whole, which incorporates the Strategic Report and Directors' Report, is fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Statement of Directors' Responsibilities in Relation to the annual report and Financial Statements

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under the law, the directors are required to prepare Group financial statements under IFRSs as adopted by the European Union and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under the Companies Act 2006, 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 IAS 8 (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 disclosed 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 Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Listing Authority. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By the order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc

27 February 2019

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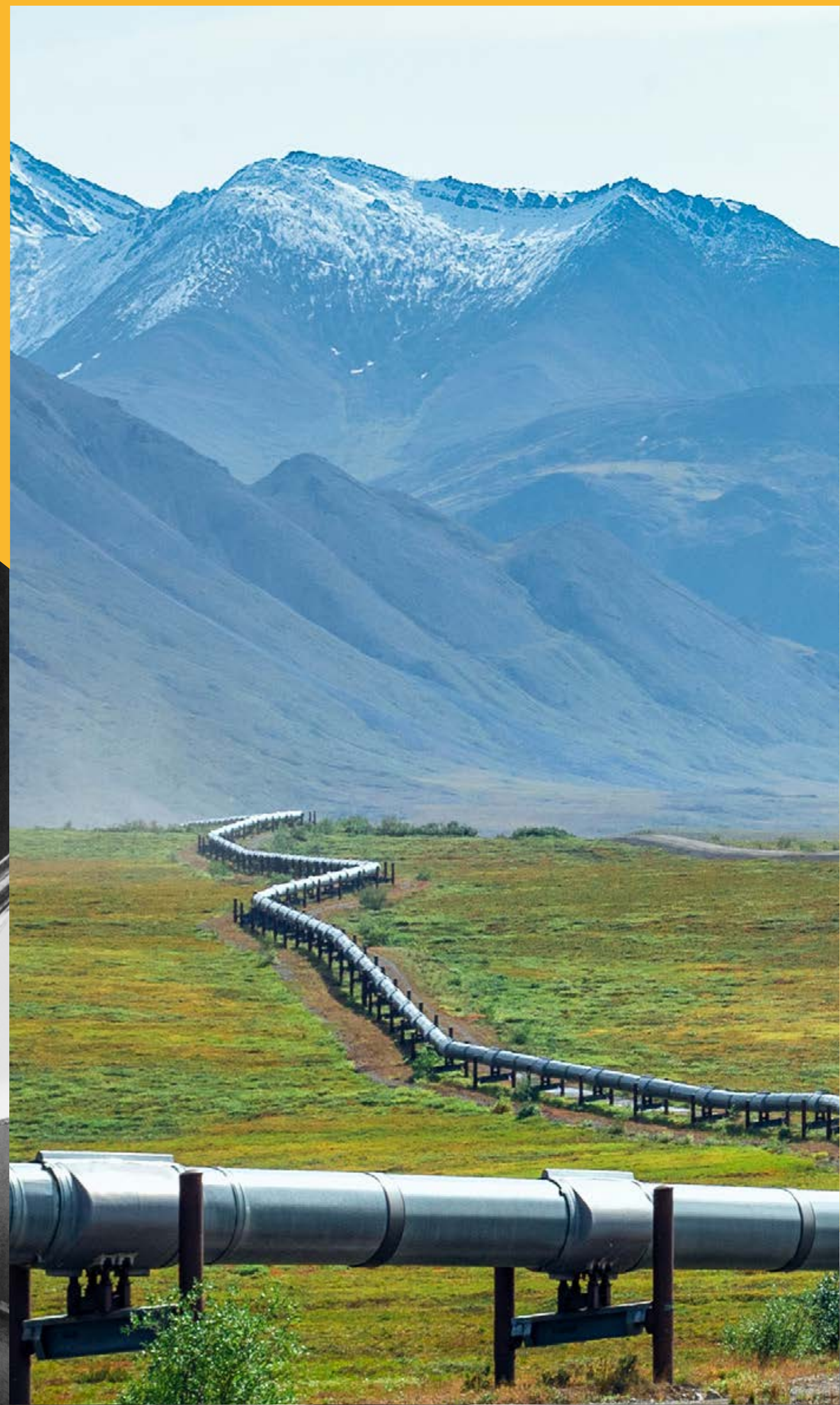


Independent Auditor's report to the Members of EVRAZ plc

Our opinion on the Financial Statements

In our opinion:

- EVRAZ plc's Group financial statements and Parent Company financial statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's and the Parent Company's profit for the year then ended;
- the Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the IAS Regulation.

We have audited the financial statements of EVRAZ plc which comprise:

Group	Parent company
the Consolidated Statement of Operations, the Consolidated Statement of Comprehensive Income;	the Separate Statement of Comprehensive Income;
the Consolidated Statement of Financial Position;	the Separate Statement of Financial Position;
the Consolidated Statement of Cash Flows;	the Separate Statement of Cash Flows;
the Consolidated Statement of Changes in Equity; and	the Separate Statement of Changes in Equity; and
the related notes 1 to 34.	the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 34–37 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 35 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 153 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 38 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Goodwill and non-current asset impairment • Completeness of related party transactions
Audit scope	• We performed an audit of the complete financial information of five components and audit procedures on specific balances for a further eight components. • The 13 reporting components where we performed full or specific audit procedures accounted for 78% of the Group's EBITDA and 83% of the Group's revenue (with 68% and 75% respectively representing five full scope components and 10% and 8% respectively eight specific scope components). • For the remaining 47 reporting components of 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.
Materiality	• Overall Group materiality of $110 million (2017: $79 million) which represents approximately 3% (2017: 3%) of EBITDA.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Area of focus	Our audit approach	What we reported to the Audit Committee
Goodwill and non-current asset impairment		*Risk direction* ▲
Refer to the Group Audit Committee report *on page 112**, the estimates and judgements* *on pages 157-158* *and the disclosures of impairment in* *note 6* *of the Consolidated Financial Statements*		
At 31 December 2018 the carrying value of goodwill was US$864 million (2017: US$917 million). The carrying value of Property, Plant and equipment was $4,202 million (2017: $4,933 million). The Group recognised a net impairment charge in respect of items of PP&E during the year of US$30 million (2017: net impairment reversal of US$12 million). In addition to CGUs containing goodwill we focused our work on areas of increased risk. In spite of the generally positive price outlook, the continued unstable economic and geopolitical environment and in particular uncertainty around the duration and impact of trade disputes between USA and Canada led us to conclude that risk had increased in respect of assets located in those countries. 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 recent economic environment in the Group's operating jurisdictions and because the assessment of the recoverable amount of the Group's Cash Generating Units ("CGUs") involves significant judgements about the future results of the business and the discount rates applied to future cash flow forecasts. In particular we focused our effort on those CGUs with the largest carrying values and those with the lowest headroom (EVRAZ North America CGUs).	Our audit procedures were performed mainly by the Group audit team with the assistance of our valuation specialists with the exception of certain location specific inputs to management's models, which were assessed by the component teams. Our audit procedures included the evaluation of management's assumptions used in their impairment models. The assumptions to which the models were most sensitive and most likely to lead to further impairments were: • decreases in steel prices; • increases in production costs; • discount rates; and • terminal growth rate. We corroborated management's assumptions with reference to historical data and, where applicable, external benchmarks. We have reviewed and challenged management's assumptions that the North American tariffs will stay in place only until 2022. We assessed external market information and sought local specialist advice and have not identified evidence to suggest that management's assumptions on tariffs are unreasonable. We tested the integrity of models and carried out audit procedures on management's sensitivity calculations. We assessed the historical accuracy of management's budgets and forecasts, and sought appropriate evidence for any anticipated improvements in major assumptions such as production volumes or cost reductions. We corroborated previous forecasts with actual data. We tested the appropriateness of the related disclosures provided in the Consolidated Financial Statements. In particular we tested the adequacy of the disclosures regarding those CGUs with material goodwill balances and where a reasonably possible change in certain variables could lead to impairment charges.	We consider management's estimates to be reasonable for the current year with assumptions within an acceptable range where appropriate. Management has also reflected known changes in the circumstances of each CGU in its forecasts for forthcoming periods, including their best estimate of the North American tariffs' impact. We concluded that the related disclosures provided in the Consolidated Financial Statements are appropriate.

Area of focus	Our audit approach	What we reported to the Audit Committee
Completeness of related party transactions *Refer to the Group Audit Committee report on page 112 and note 16 of the Consolidated Financial Statements*		*Risk direction* —
At the end of 2015, management discovered historic transactions with a company controlled by a key management person had been erroneously omitted from the prior year's disclosures of related party transactions in the Consolidated Financial Statements, leading to us assessing the completeness of related party transactions as a significant risk. This view remained unchanged for the current year audit. We considered the elevated risk to be limited to the Russian entities within the Group where external business interests, especially in relation to local product suppliers, are more common amongst members of key management.	At both a component team and group level, we have understood and tested management's process for identifying related parties, and recording and disclosure of related party transactions. Across the Russian components we obtained an understanding of unusual or high value transactions with new counterparties. We also performed analytical reviews of transactions and balances with customers and suppliers to assess whether there are any significant changes in trading activity indicating undisclosed related parties. We selected all directors together with a sample of key management personnel and ran a search for any companies controlled by those individuals (the search was performed via an independent register of all companies based in the CIS and their directors or shareholders). We compared the results of the research made with the list of entities included in related party listing provided to us by management and investigated the differences between the listings. We assessed management's evaluation that the transactions are on an arm's length basis by reviewing a sample of agreements and comparing the related party transaction price to those quoted by comparable unrelated companies.	Based on our procedures performed we have not identified any related party transactions or balances omitted from disclosure. We concluded that the related disclosures provided in the Consolidated Financial Statements are appropriate.

An overview of the scope of our audit

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. Taken together, this enable us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

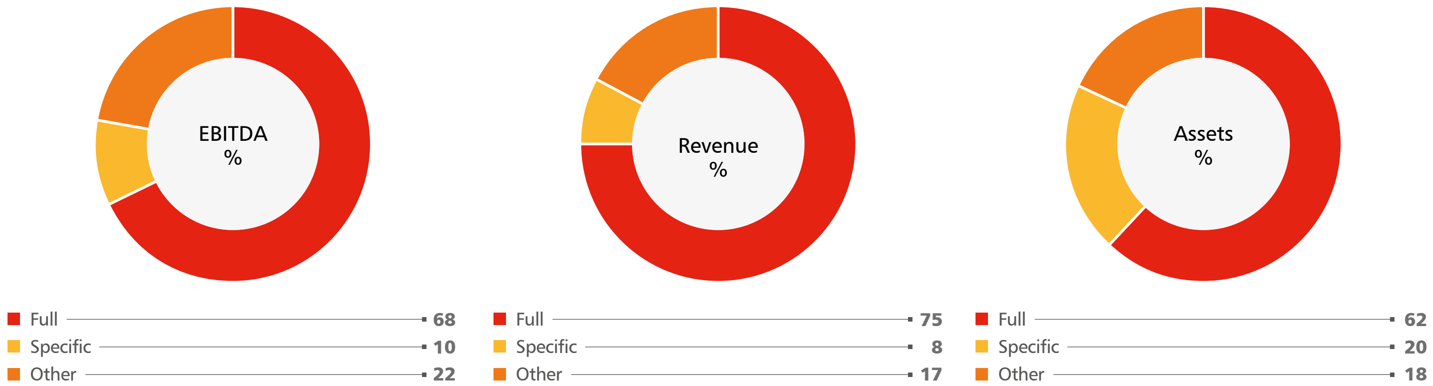
The EVRAZ Group has centralised processes and controls over the key areas of our audit focus with responsibility lying with group management for the majority of estimation processes and significant risk areas. We have tailored our audit response accordingly and thus for the majority of our focus areas, audit procedures were undertaken directly by the Group audit team with testing undertaken by the component audit teams on the verification of operational data and other routine processes.

In assessing the risk of material misstatement to the Consolidated Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts, of the 60 reporting components of the Group we selected 13 components covering entities within Russia, Switzerland, Canada, Luxembourg, the UK and the USA, which represent the principal business units within the Group.

Of the 13 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 eight selected components (specific scope components) we performed audit procedures on specific accounts within the component that we considered had the potential for the greatest impact on the amounts in the Consolidated Financial Statements either because of the size of these accounts or their risk profile. The extent of our audit work on the specific scope accounts was similar to that for a full scope audit.

The 13 reporting components where we performed full or specific scope procedures accounted for 78% (2017: 75%) of the Group EBITDA, 83% (2017: 90%) of the Group's revenue and 82% (2017: 82%) of the Group's total assets. For the current year, the full scope components contributed 68% (2017: 55%) of the Group EBITDA, 75% (2017: 77%) of the Group's revenue and 62% (2017: 58%) of the Group's Total assets. The specific scope components contributed 10% (2017: 20%) of the Group EBITDA, 8% (2017: 13%) of the Group's revenue and 20% (2017: 24%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. A further breakdown of the size of these components compared to key metrics of the Group is provided below.

Audit scope



For the remaining 47 components of the Group we performed other procedures, including analytical review, review of internal audit reports, testing of consolidation journals, cross check of the related party list against journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential significant risks of material misstatement to the Consolidated Financial Statements.

We have obtained an understanding of the entity-level controls of the Group as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

Changes from the prior year

Our scope allocation in the current year is broadly consistent with 2017 in terms of overall coverage of the Group and the number of full and specific scope entities except for Evraz Metal Inprom Group component which was assessed as specific scope in prior year and moved to review scope in the current year as it is not significant in terms of risk/size and no specific risks allocated to the component in the prior and current years. This led to the decreased revenue coverage for full and specific scope components as indicated above.

Integrated team structure

The overall audit strategy is determined by the senior statutory auditor. The senior statutory auditor is based in the UK but, since Group management and many operations reside in Russia, the Group audit team includes members from both the UK and Russia. The senior statutory auditor visited Russia five times during the current year's audit and members of the Group audit team in both jurisdictions work together as an integrated team throughout the audit process. Whilst in Russia, he focused his time on the significant risks and judgemental areas of the audit. He attended management's going concern, impairment and significant estimates and judgements presentations to the Audit Committee. During the current year's audit he reviewed key working papers and met, or held conference calls, with representatives of the component audit team for all Russian based full scope components including internal valuation specialists used in the audit to discuss the audit approach and issues arising from their work.

Involvement with component teams

In establishing our overall approach to the Group audit we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team or by component auditors from other EY global network firms operating under our instruction. Of the five full scope components, audit procedures were performed on all of these by the relevant component audit team. Of the eight specific scope components selected, audit procedures were performed on five of these directly by the primary 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 primary audit team to component teams in Russia and the USA. The senior statutory auditor visited Russia and the USA. These visits involved discussing the audit approach with the component teams and any issues arising from their work. The primary audit team participated in key discussions, via conference calls with all full and specific scope locations. The primary audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate audit evidence for our opinion on the Consolidated Financial Statements.

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 $110 million → **Performance materiality** $55 million → **Reporting threshold** $5.5 million

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $110.0 million (2017: $79.0 million), which is set at approximately 3.0% (2017: 3%) of EBITDA. 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.

We determined materiality for the Parent Company to be £19.3 million (2017: £36.4 million), which is 2.0% (2017: 1.5%) of Equity. We reverted to using 2% which we had previously used due to the return to a more favourable business environment and the resulting improved strength in the company's performance, outlook and financial position.

Rationale for Group 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 given the number and monetary amounts of individual misstatements (corrected and uncorrected) identified in prior periods as well as the nature of the misstatements, overall performance materiality for the Group should be 50% (2017: 50%) of materiality, namely $55.0 million (2017: $39.5 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component 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 $11.0 million to $35.8 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 $5.5 million (2017: $4.0 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 133, including the Strategic report, Business review, CSR report and Corporate Governance sections (including Corporate governance report, Remuneration report, Directors' Report and Directors' Responsibility statement), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out** *on page 133* **–** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out** *on page 112* **–** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out** *on page 133* **–** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 133, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the report framework (IFRS, the Companies act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in Russia.
- We have considered the impact of the sanctions against Russia on the group's operations, customer base and credit risk as well as the possibility of further more restrictive sanctions being imposed and nothing has come to our attention to suggest that the operations or the liquidity of the group have been adversely affected directly by the current political and economic situation other than the negative impact on capital markets and the financing options available to management. We reviewed management's assessment of the sanctions impact on the group's operations and the external advice received by the Group.
- We understood how EVRAZ plc is complying with those legal and regulatory frameworks by making enquiries to management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programs and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at *https://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company in 2011 to audit the financial statements for the year ended 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering periods from our initial appointment in 2011 through to the year ended 31 December 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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.

Steven Dobson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27 February 2019

Notes:

1) The maintenance and integrity of the EVRAZ plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

EVRAZ plc
Consolidated Financial Statements
Year Ended 31 December 2018

Consolidated Statement of Operations

in millions of US dollars, except for per share information

	Notes	Year ended 31 December 2018	2017	2016
Continuing operations				
Revenue				
Sale of goods	**3**	**$ 12,525**	$ 10,520	$ 7,477
Rendering of services	**3**	**311**	307	236
		12,836	10,827	7,713
Cost of revenue	**7**	**(8,011)**	(7,485)	(5,521)
Gross profit		**4,825**	3,342	2,192
Selling and distribution costs	**7**	**(1,013)**	(717)	(623)
General and administrative expenses	**7**	**(546)**	(540)	(469)
Social and social infrastructure maintenance expenses		**(27)**	(31)	(23)
Loss on disposal of property, plant and equipment		**(11)**	(4)	(22)
Impairment of assets	**6**	**(30)**	12	(465)
Foreign exchange gains/(losses), net		**361**	(54)	(48)
Other operating income		**24**	39	22
Other operating expenses	**7**	**(55)**	(61)	(101)
Profit from operations		**3,528**	1,986	463
Interest income	**7**	**18**	14	10
Interest expense	**7**	**(359)**	(437)	(481)
Share of profits/(losses) of joint ventures and associates	**11**	**9**	11	(23)
Gain/(loss) on financial assets and liabilities, net	**7**	**13**	(57)	(9)
Gain/(loss) on disposal groups classified as held for sale, net	**12**	**(10)**	(360)	–
Other non-operating gains/(losses), net	**7**	**2**	(2)	(52)
Profit/(loss) before tax		**3,201**	1,155	(92)
Income tax benefit/(expense)	**8**	**(731)**	(396)	(96)
Net profit/(loss)		**$ 2,470**	$ 759	$ (188)
Attributable to:				
Equity holders of the parent entity		**$ 2,406**	$ 699	$ (215)
Non-controlling interests		**64**	60	27
		$ 2,470	$ 759	$ (188)
Earnings/(losses) per share for profit/(loss) attributable to equity holders of the parent entity, US dollars:				
Basic	**20**	**$ 1.67**	$ 0.49	$ (0.15)
Diluted	**20**	**$ 1.65**	$ 0.48	$ (0.15)

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 2018	2017	2016
Net profit/(loss)		**$ 2,470**	$ 759	$ (188)
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		**(1,120)**	266	543
Exchange differences recycled to profit or loss on disposal of subsidiaries	**4,12**	**63**	747	–
Net gains/(losses) on cash flow hedges	**25**	**(3)**	9	–
		(1,060)	1,022	543
Effect of translation to presentation currency of the Group's joint ventures and associates	**11**	**(13)**	4	13
		(13)	4	13
Items not to be reclassified to profit or loss in subsequent periods				
Net gains/(losses) on equity instruments at fair value through other comprehensive income*	**13**	**59**	30	–
Gains/(losses) on re-measurement of net defined benefit liability	**23**	**28**	26	11
Income tax effect	**8**	**(6)**	(15)	–
		22	11	11
Total other comprehensive income/(loss)		**(992)**	1,067	567
Total comprehensive income/(loss), net of tax		**$ 1,478**	$ 1,826	$ 379
Attributable to:				
Equity holders of the parent entity		**$ 1,441**	$ 1,762	$ 341
Non-controlling interests		**37**	64	38
		$ 1,478	$ 1,826	$ 379

* *In connection with the adoption of IFRS 9 (Note 2) net gains/(losses) on available-for-sale financial assets, which were previously presented as reclassified to profit or loss in subsequent periods, were transferred to net gains/(losses) on equity instruments at fair value through other comprehensive income within Items not to be reclassified to profit or loss in subsequent periods.*

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 144–243 were approved by the Board of Directors on 27 February 2019 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

		31 December		
	Notes	2018	2017	2016
ASSETS				
Non-current assets				
Property, plant and equipment	9	$ 4,202	$ 4,933	$ 4,652
Intangible assets other than goodwill	10	206	259	297
Goodwill	5	864	917	880
Investments in joint ventures and associates	11	74	79	64
Deferred income tax assets	8	92	173	156
Other non-current financial assets	13	91	151	91
Other non-current assets	13	44	39	45
		5,573	6,551	6,185
Current assets				
Inventories	14	1,474	1,198	984
Trade and other receivables	15	835	731	502
Prepayments		113	89	60
Loans receivable		29	11	13
Receivables from related parties	16	11	12	8
Income tax receivable		35	50	43
Other taxes recoverable	17	201	225	192
Other current financial assets	18	35	47	33
Cash and cash equivalents	19	1,067	1,466	1,157
		3,800	3,829	2,992
Assets of disposal groups classified as held for sale	12	–	–	27
		3,800	3,829	3,019
Total assets		$ 9,373	$ 10,380	$ 9,204
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	$ 75	$ 1,507	$ 1,507
Treasury shares	20	(196)	(231)	(270)
Additional paid-in capital		2,480	2,500	2,517
Revaluation surplus		110	111	112
Unrealised gains and losses	13,25	6	39	–
Accumulated profits		3,026	635	415
Translation difference		(3,820)	(2,777)	(3,790)
		1,681	1,784	491
Non-controlling interests	32	257	242	186
		1,938	2,026	677
Non-current liabilities				
Long-term loans	22	4,186	5,243	5,502
Deferred income tax liabilities	8	258	328	348
Employee benefits	23	226	284	317
Provisions	24	222	269	205
Other long-term liabilities	25	38	54	94
Amounts payable under put options for shares in subsidiaries	4	–	61	–
		4,930	6,239	6,466
Current liabilities				
Trade and other payables	26	1,216	1,128	935
Contract liabilities		320	272	266
Short-term loans and current portion of long-term loans	22	377	148	392
Payables to related parties	16	122	256	226
Income tax payable		104	67	39
Other taxes payable	27	266	212	169
Provisions	24	35	32	26
Amounts payable under put options for shares in subsidiaries	4	65	–	–
		2,505	2,115	2,053
Liabilities directly associated with disposal groups classified as held for sale	12	–	–	8
		2,505	2,115	2,061
Total equity and liabilities		$ 9,373	$ 10,380	$ 9,204

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		
	2018	2017	2016
Cash flows from operating activities			
Net profit/(loss)	$ 2,470	$ 759	$ (188)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	48	(89)	(87)
Depreciation, depletion and amortisation *(Note 7)*	542	561	521
Loss on disposal of property, plant and equipment	11	4	22
Impairment of assets	30	(12)	465
Foreign exchange (gains)/losses, net	(361)	54	48
Interest income	(18)	(14)	(10)
Interest expense	359	437	481
Share of (profits)/losses of associates and joint ventures	(9)	(11)	23
(Gain)/loss on financial assets and liabilities, net	(13)	57	9
(Gain)/loss on disposal groups classified as held for sale, net	10	360	–
Other non-operating (gains)/losses, net	(2)	2	52
Allowance for expected credit losses	(1)	10	1
Changes in provisions, employee benefits and other long-term assets and liabilities	(16)	(26)	(7)
Expense arising from equity-settled awards *(Note 21)*	15	17	16
Other	(2)	2	(3)
	3,063	2,111	1,343
Changes in working capital:			
Inventories	(482)	(199)	(17)
Trade and other receivables	(128)	(201)	(38)
Prepayments	(48)	(27)	(1)
Receivables from/payables to related parties	(58)	24	136
Taxes recoverable	(24)	(32)	(32)
Other assets	–	(2)	(3)
Trade and other payables	108	150	40
Contract liabilities	63	19	20
Taxes payable	148	123	62
Other liabilities	(9)	(9)	(7)
Net cash flows from operating activities	2,633	1,957	1,503
Cash flows from investing activities			
Issuance of loans receivable to related parties	(1)	(2)	(1)
Issuance of loans receivable	(1)	(2)	–
Proceeds from repayment of loans receivable, including interest	2	4	2
Purchases of subsidiaries, net of cash acquired *(Note 4)*	–	(5)	–
Proceeds from sale of other investments *(Note 13)*	92	–	–
Restricted deposits at banks in respect of investing activities	–	(1)	1
Short-term deposits at banks, including interest	11	7	4
Purchases of property, plant and equipment and intangible assets	(521)	(595)	(382)
Proceeds from disposal of property, plant and equipment	4	15	7
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	52	412	27
Dividends received	6	1	1
Other investing activities, net	(22)	(1)	1
Net cash flows used in investing activities	(378)	(167)	(340)

Continued on the next page

Consolidated Statement of Cash Flows (continued)

in millions of US dollars

	Year ended 31 December		
	2018	2017	2016
Cash flows from financing activities			
Purchases of non-controlling interests *(Note 4)*	**$ (24)**	$ –	$ –
Contributions of non-controlling shareholders to the Group's subsidiaries	**–**	2	13
Payments for investments on deferred terms *(Note 11)*	**(11)**	(11)	(8)
Dividends paid by the parent entity to its shareholders *(Note 20)*	**(1,556)**	(430)	–
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**(1)**	–	–
Proceeds from bank loans and notes	**1,412**	2,441	1,301
Repayment of bank loans and notes, including interest	**(2,459)**	(3,344)	(2,428)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**–**	(139)	(5)
Payments under covenants reset	**–**	–	(4)
Restricted deposits at banks in respect of financing activities	**12**	(13)	–
Realised gains/(losses) on derivatives not designated as hedging instruments *(Note 25)*	**11**	2	(250)
Realised gains/(losses) on hedging instruments *(Note 25)*	**11**	14	14
Payments under finance leases, including interest	**(1)**	(2)	(1)
Other financing activities, net	**–**	1	(1)
Net cash flows used in financing activities	**(2,606)**	(1,479)	(1,369)
Effect of foreign exchange rate changes on cash and cash equivalents	**(48)**	(2)	(10)
Net increase/(decrease) in cash and cash equivalents	**(399)**	309	(216)
Cash and cash equivalents at the beginning of the year	**1,466**	1,157	1,375
Decrease/(increase) in cash of disposal groups classified as assets held for sale *(Note 12)*	**–**	–	(2)
Cash and cash equivalents at the end of the year	**$ 1,067**	$ 1,466	$ 1,157
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$ (320)**	$ (405)	$ (413)
Interest received	**9**	8	6
Income taxes paid by the Group	**(623)**	(427)	(149)

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**	**Unrealised gains and losses**	**Accumu-lated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total equity**
At 31 December 2017	**$ 1,507**	**$ (231)**	**$ 2,500**	**$ 111**	**$ 39**	**$ 635**	**$ (2,777)**	**$ 1,784**	**$ 242**	**$ 2,026**
Net profit	**–**	**–**	**–**	**–**	**–**	**2,406**	**–**	**2,406**	**64**	**2,470**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**56**	**22**	**(1,043)**	**(965)**	**(27)**	**(992)**
Transfer of realised gains on sold equity instruments to accumulated profits *(Note 13)*	**–**	**–**	**–**	**–**	**(89)**	**89**	**–**	**–**	**–**	**–**
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	**–**	**–**	**–**	**(1)**	**–**	**1**	**–**	**–**	**–**	**–**
Reclassification of additional paid-in capital in respect of the disposed subsidiaries	**–**	**–**	**(35)**	**–**	**–**	**35**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period	**–**	**–**	**(35)**	**(1)**	**(33)**	**2,553**	**(1,043)**	**1,441**	**37**	**1,478**
Reduction in par value of shares *(Note 20)*	**(1,432)**	**–**	**–**	**–**	**–**	**1,432**	**–**	**–**	**–**	**–**
Acquisition of non-controlling interests in subsidiaries *(Note 4)*	**–**	**–**	**–**	**–**	**–**	**(3)**	**–**	**(3)**	**(21)**	**(24)**
Transfer of treasury shares to participants of the Incentive Plans *(Notes 20 and 21)*	**–**	**35**	**–**	**–**	**–**	**(35)**	**–**	**–**	**–**	**–**
Share-based payments *(Note 21)*	**–**	**–**	**15**	**–**	**–**	**–**	**–**	**15**	**–**	**15**
Dividends declared by the parent entity to its shareholders *(Note 20)*	**–**	**–**	**–**	**–**	**–**	**(1,556)**	**–**	**(1,556)**	**–**	**(1,556)**
Dividends declared by the Group's subsidiaries to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
At 31 December 2018	**$ 75**	**$ (196)**	**$ 2,480**	**$ 110**	**$ 6**	**$ 3,026**	**$ (3,820)**	**$ 1,681**	**$ 257**	**$ 1,938**

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**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total equity**
At 31 December 2016	$ 1,507	$ (270)	$ 2,517	$ 112	$ –	$ 415	$ (3,790)	$ 491	$ 186	$ 677
Net profit	–	–	–	–	–	699	–	699	60	759
Other comprehensive income/(loss)	–	–	–	–	39	11	1,013	1,063	4	1,067
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(1)	–	1	–	–	–	–
Reclassification of additional paid-in capital in respect of the disposed subsidiaries	–	–	(34)	–	–	34	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	(34)	(1)	39	745	1,013	1,762	64	1,826
Derecognition of non-controlling interests on sale of subsidiaries *(Note 12)*	–	–	–	–	–	–	–	–	(6)	(6)
Derecognition of non-controlling interests under put options *(Note 4)*	–	–	–	–	–	(56)	–	(56)	(4)	(60)
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	–	–	–	–	–	–	–	–	2	2
Transfer of treasury shares to participants of the Incentive Plans *(Notes 20 and 21)*	–	39	–	–	–	(39)	–	–	–	–
Share-based payments *(Note 21)*	–	–	17	–	–	–	–	17	–	17
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	–	–	–	(430)	–	(430)	–	(430)
At 31 December 2017	$ 1,507	$ (231)	$ 2,500	$ 111	$ 39	$ 635	$ (2,777)	$ 1,784	$ 242	$ 2,026

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**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total equity**
At 31 December 2015	$ 1,507	$ (305)	$ 2,501	$ 124	$ –	$ 644	$ (4,335)	$ 136	$ 133	$ 269
Net loss	–	–	–	–	–	(215)	–	(215)	27	(188)
Other comprehensive income/(loss)	–	–	–	–	–	11	545	556	11	567
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(12)	–	12	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(12)	–	(192)	545	341	38	379
Acquisition of non-controlling interests in subsidiaries	–	–	–	–	–	(2)	–	(2)	2	–
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	–	–	–	–	–	–	–	–	13	13
Transfer of treasury shares to participants of the Incentive Plans *(Notes 20 and 21)*	–	35	–	–	–	(35)	–	–	–	–
Share-based payments *(Note 21)*	–	–	16	–	–	–	–	16	–	16
At 31 December 2016	$ 1,507	$ (270)	$ 2,517	$ 112	$ –	$ 415	$ (3,790)	$ 491	$ 186	$ 677

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements Year ended 31 December 2018

1. Corporate Information

These consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 27 February 2019.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company limited by shares under the laws of the United Kingdom with the registered number in England of 7784342. The Company's registered office is at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.

The Company is a parent entity of Evraz Group S.A. (Luxembourg), a holding company which owns steel production, mining and trading companies. The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products, vanadium products and coal and iron ore mining. The Group is one of the largest steel producers globally.

Until 3 September 2018 Lanebrook Limited ("Lanebrook") registered in Cyprus was the ultimate controlling party of the Group. On that date Lanebrook distributed all its ownership interest in EVRAZ plc to its direct shareholders in proportion to their holdings in Lanebrook. At 31 December 2018, EVRAZ plc is jointly controlled by a group of 3 shareholders: Greenleas International Holdings Limited (BVI), Abiglaze Limited (Cyprus) and Crosland Global Limited (Cyprus).

The major subsidiaries included in the consolidated financial statements of the Group were as follows at 31 December:

	Effective ownership interest, %				
Subsidiary	**2018**	**2017**	**2016**	**Business activity**	**Location**
EVRAZ Nizhny Tagil Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Dneprovsk Metallurgical Plant	**–**	97.73	97.73	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	**83.84**	81.95	81.95	Coal mining	Russia
Yuzhkuzbassugol	**100.00**	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	**100.00**	100.00	100.00	Ore mining and processing	Russia
Evrazruda (in 2018 merged with EVRAZ Consolidated West-Siberian Metallurgical Plant)	**–**	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	**–**	–	99.42	Ore mining	Ukraine

The full list of the Group's subsidiaries and other significant holdings as of 31 December 2018 is presented in Note 34.

2. Significant Accounting Policies

Basis of Preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application for the annual periods beginning on or after 1 January 2018, but not adopted by the European Union, do not have any significant 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, equity instruments 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.

Changes in Accounting Policies

New/Revised Standards and Interpretations Adopted in 2018:

- IFRS 9 "Financial Instruments"

Starting from 2018, the Group applies IFRS 9 "Financial Instruments" that replaced IAS 39 "Financial Instruments: Recognition and Measurement". The impact of the adoption of IFRS 9 to the Group's consolidated financial statements was as follows:

(a) Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model, in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets.

The Group continued measuring all financial assets, which were previously measured at fair value, at fair value through profit or loss with the exception of equity investments in Delong Holdings Limited, which were classified as available-for-sale at 31 December 2017 (Note 13). At 1 January 2018, the Group has irrevocably designated these investments as measured at fair value through other comprehensive income. For such financial instruments all subsequent changes in fair value are reported in other comprehensive income, no impairment losses are recognised in profit or loss and no gains or losses are recycled to profit or loss upon derecognition.

Loans and trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments was not required.

(b) Impairment

Under IFRS 9, the new impairment model requires the recognition of impairment provisions based on the expected credit losses rather than only incurred credit losses under IAS 39. The expected credit losses represent measures of an asset's credit risk. This requires judgement about how changes in economic factors affect expected credit losses, which is determined on a probability-weighted basis.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

New/Revised Standards and Interpretations Adopted in 2018 (continued)

The new impairment model applies to the Group's financial assets, including, but not limited to, trade and other receivables, loans receivable, restricted deposits, cash and cash equivalents.

Loss allowances are measured on either of the following bases:
- 12-month basis – these are expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date; or
- lifetime basis – these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

This did not impact on the loss allowance for trade debtors and other financial assets held at amortised cost.

The Group's cash and cash equivalents have low credit risk based on the external credit ratings of banks and financial institutions. Therefore, the Group determined that no additional allowances are required at 1 January 2018 in connection with the adoption of the new impairment model under IFRS 9.

(c) Hedge accounting

The Group made a choice to continue applying IAS 39 "Financial Instruments: Recognition and Measurement" to all existing hedge contracts.

The Group has elected the modified retrospective approach for IFRS 9, but it did not record the cumulative impact of the new standard upon initial application due to its immateriality.

- IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard superseded all previous revenue recognition requirements under IFRS. The Group analysed the impacts of IFRS 15 on its consolidated financial statements considering the following:

(a) Sale of goods and services

For contracts with customers in which the sale of goods produced by the Group is generally expected to be the only performance obligation, adoption of IFRS 15 had no any impact on the Group's revenue and profit or loss. The Group continued to recognise the revenue at the point in time when control of the asset is transferred to the customer, generally on dispatch or shipping of the goods.

Some contracts with customers provide a right of return, trade discounts or volume rebates. The Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of the estimated returns and price concessions, trade discounts and volume rebates. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue, i.e. variable consideration should be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The application of the constraint did not result in any effects as the Group applied similar principles.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

(b) Advances received from customers

Under certain contracts, the Group produces steel products specifically for the needs of some customers. The Group has enforceable rights to payment of 100% of the contract price if the contract is cancelled after the pipe manufacturing process has begun. The Group recognises revenue from such contracts at the moment of the transfer of control. The Group analysed whether these contracts require the recognition of revenue over the period of manufacturing the products and concluded that the performance obligation under these contracts does not meet criteria for the recognition over time. The Group concluded that the customers do not simultaneously receive and consume the benefits provided by the Group's performance nor do the customers control the assets as it is created or enhanced. Also despite the steel products are manufactured under customer specifications, they can be sold to another customer without any rework at a market price or with a discount.

The Group receives only short-term advances from its customers. The Group decided to use the practical expedient provided in IFRS 15, which allows not to adjust the promised amount of consideration for the effects of a significant financing component in the contracts where the Group expects, at contract inception, that the period between the Group's transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Group will not account for a financing component even if it is significant.

(c) Principal versus agent considerations

The Group enters into contracts with its customers, under which the Group provides transportation and handling services using third party providers (i.e. the Group selects suitable firms and manages the shipment and delivery). These services are provided to the customers before, or after, they obtain control over the goods. The cost of services is included in the contract price.

Under IFRS 15, transportation and handling services rendered by the Group before control over the goods is transferred to the customers do not represent a separate performance obligation. Therefore, the Group continued to recognise these services at the moment when control over the goods is passed to the customers.

With respect to the contracts when the Group provides transportation and handling services after obtaining control over the goods by the customers, the Group concluded that these services represent a separate performance obligation and the Group acts as a principal rather than an agent. Consequently, the control over its services is transferred over time. This change in the accounting policies had no significant impact on the Group's consolidated financial statements and, therefore, the Group did not adjust its consolidated financial statements or the comparative amounts at the date of initial recognition of IFRS 15.

(d) Presentation and disclosure requirements

For the performance obligations under transportation and handling services rendered by the Group in contracts in which it acts as a principal, it was decided to continue presenting revenues from these services within the caption "Sales of goods" in the consolidated statement of operations.

(e) Other adjustments

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. There were no such transactions in the reporting period.

The Group has elected the modified retrospective approach for IFRS 15, but it did not record the cumulative impact of the new standard upon initial application due to its immateriality.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 "Share-based Payment" that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments do not have any impact on the Group's consolidated financial statements.

- Amendments to IAS 40 – Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements as the Group applies the same accounting practice.

Other amendments, clarifications and improvements, which became effective from 1 January 2018, had no impact on the financial position and performance of the Group or the disclosures in the consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Standards Issued But Not Yet Effective in the European Union

Standards not yet effective for the financial statements for the year ended 31 December 2018	Effective for annual periods beginning on or after
• IFRS 16 "Leases"	1 January 2019
• Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures	1 January 2019
• Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement	1 January 2019*
• Amendments to IFRS 9 – Prepayment Features with Negative Compensation	1 January 2019
• IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019
• Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019*
• Amendment to IFRS 3 – Definition of Business	1 January 2020*
• Amendments to IAS 1 and IAS 8 – Definition of Materiality	1 January 2020*
• Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020*
• IFRS 17 "Insurance Contracts"	1 January 2021*

* *Subject to EU endorsement*

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Standards Issued But Not Yet Effective in the European Union (continued)

The Group expects that the adoption of the pronouncements listed above, except for IFRS 16, will not have a significant impact on the Group's results of operations and financial position in the period of initial application.

The Group plans to apply IFRS 16 "Leases" from 1 January 2019 using the modified retrospective approach, i.e. the comparative information will not be restated. Under this approach both lease liabilities and right-of-use assets will be recognised at the date of transition to IFRS 16 in the same amount. The Group has completed the analysis of possible impact of the application of this standard on its consolidated financial statements. Main categories of contracts, which will be affected by the requirements of IFRS 16, are operating leases of gondola cars, land under production facilities and land used for mining, and certain items of machinery and equipment. The Group expects to recognise approximately $200 million of lease liabilities as a result of application of the new standard.

The Group will not apply IFRS 16 for the leases to explore for or use coal, iron ore and similar non-regenerative resources. Currently the Group is reviewing its lease portfolio to determine which leases will not be subject to IFRS 16.

The Group has elected to use the following practical expedients proposed by the standard:
- on initial application initial direct costs will be excluded from the measurement of the right-of-use asset;
- on initial application IFRS 16 will only be applied to contracts that were previously classified as leases;
- for all classes of underlying assets each lease component and any associated non-lease components will be accounted as a single lease component;
- lease payments for contracts with a duration of 12 months or less or leases for which the underlying assets are of low value will continue to be expensed to the statement of profit or loss on a straight-line basis over the lease term.

In previous years and in 2018, the majority of the Group's outstanding short and long-term lease agreements were cancellable. IAS 17 requires disclosing operating lease commitments only for non-cancellable leases, while under IFRS 16 the Group is also required to include in lease liabilities the payments relating to the term periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Significant Accounting Judgements and Estimates

Accounting Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:
- In 2015, following the placement of Highveld Steel and Vanadium Limited under the business rescue procedures, the Group lost control over the subsidiary and it is not expected that it will re-obtain control in the future. As a result, the Group ceased to consolidate this entity starting 14 April 2015.
- The Group determined based on the criteria in IFRIC 4 "Determining whether an Arrangement Contains a Lease" that the supply contracts with PraxAir and Air Liquide do not contain a lease. These contracts included the construction of air separation plants by PraxAir and Air Liquide to be owned and operated by them and the supply of oxygen and other industrial gases produced by the enities to the Group's steel plants for a long-term period on a take or pay basis. Management believes that these arrangements do not convey a right to the Group to use the assets as the Group does not have an ability to operate the assets or to direct other parties to operate the assets; it does not control physical access to the assets; and it is expected that more than an insignificant amount of the assets' output will be sold to the parties unrelated to the Group. The commitments under the contracts are disclosed in Note 30.

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 2018, 2017 and 2016, the Group recognised a net impairment reversal/(loss) of $(30) million, $20 million and $(151) million, respectively (Notes 6 and 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. In 2018, the impairment test models take into account the tariffs imposed by the US and Canada against each other on import of steel and steel products, whose effect is assumed to last until 2022 (Note 6).

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Property, Plant and Equipment (continued)

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in use and, ultimately, the amount of any impairment.

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 2018, 2017 and 2016 was $864 million, $917 million and $880 million, respectively. In 2018, 2017 and 2016, the Group recognised an impairment loss in respect of goodwill in the amount of $Nil, $Nil and $316 million, respectively (Note 5). More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 6.

Mineral Reserves

Mineral reserves and the associated mine plans are a material factor in the Group's computation of a depletion charge. The Group estimates its mineral reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Estimation of reserves in accordance with the JORC Code involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgement and development of assumptions.

The changes in the pricing environment and geology-related risk factors may lead to a revision of mining plans, decisions to abandon or to mothball certain parts of a mine, to a reassessment of the capital expenditures required for the extraction of the proved and probable reserves, as well as to the changes in the resources classified as proved and probable reserves. As the value of the Group's mining assets is very significant (Note 9), these changes may have a material impact on the depletion charge and impairment, which may arise as a result of a decline in the recoverable amounts of the affected mines.

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.

Foreign Currency Transactions

The presentation currency of the Group is the US dollar because presentation in US dollars is most relevant for the major current and potential users of the consolidated financial statements.

The functional currencies of the Group's subsidiaries are the Russian rouble, US dollar, euro, Czech koruna, South African rand, Canadian dollar and Ukrainian hryvnia. At the reporting date, the assets and liabilities of the subsidiaries with functional currencies other than the US dollar are translated into the presentation currency at the rate of exchange ruling at the end of the reporting period, and their statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary with functional currency other than the US dollar, the deferred cumulative amount recognised in equity relating to that particular subsidiary is recognised in the statement of operations.

2. Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

The following exchange rates were used in the consolidated financial statements:

	2018		2017		2016	
	31 December	average	31 December	average	31 December	average
USD/RUB	69.4706	62.7078	57.6002	58.3529	60.6569	67.0349
EUR/RUB	79.4605	73.9546	68.8668	65.9014	63.8111	74.2336
EUR/USD	1.1450	1.1810	1.1993	1.1297	1.0541	1.1069
USD/CAD	1.3658	1.2962	1.2530	1.2979	1.3427	1.3248
USD/UAH	27.6880	27.2029	28.0672	26.5947	27.1909	25.5458

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to the statement of operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Basis of Consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights and over which the Group has control, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the parent's shareholders' equity.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses.

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Acquisition of Subsidiaries (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Comparative information presented for the periods before the completion of initial accounting for the acquisition is presented as if the initial accounting had been completed from the acquisition date.

Increases in Ownership Interests in Subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases is either added to additional paid-in capital, if positive, or charged to accumulated profits, if negative, in the consolidated financial statements.

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control

Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements at the historical cost of the controlling entity (the "Predecessor"). Related goodwill inherent in the Predecessor's original acquisition is also recorded in the financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders' equity.

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.

2. Significant Accounting Policies (continued)

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.

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.

2. Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

The table below presents the useful lives of items of property, plant and equipment.

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15–60	19
Machinery and equipment	4–45	10
Transport and motor vehicles	7–20	8
Other assets	3–15	4

The Group determines the depreciation charge separately for each significant part of an item of property, plant and equipment.

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves. The depletion calculation takes into account future development costs for reserves which are in the production phase.

Maintenance costs relating to items of property, plant and equipment are expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and facilities of social infrastructure, which are carried at their recoverable amount of zero. The costs to maintain such assets are expensed as incurred.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures represent costs incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The expenditures include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. These costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Group commences recognition of expenditures related to the development of mineral resources as assets. These assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date as to whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised from the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to interest expense.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of operations on a straight-line basis over the lease term.

2. Significant Accounting Policies (continued)

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred for an acquisition of a subsidiary or an associte and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised in the consolidated statement of operations.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisition of an associate is included in the carrying amount of the investments in associates.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, or the group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures on internally generated intangible assets, excluding capitalised development costs, are expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised, they are tested for impairment annually either individually or at the cash-generating unit level.

2. Significant Accounting Policies (continued)

Intangible Assets Other Than Goodwill (continued)

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	5
Contract terms	10	5
Other	5–19	6

Certain water rights and environmental permits are considered to have indefinite lives as management believes that these rights will continue indefinitely.

The most part of the Group's intangible assets represents customer relationships arising on business combinations (Note 10).

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them, i.e. how the Group manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. Significant Accounting Policies (continued)

Financial Assets (continued)

Trade and Other Accounts Receivable

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any amounts of the expected credit losses.

For trade and other receivables, the Group applies a simplified approach for calculating the expected credit losses. Therefore, the Group does not track changes in credit risk, but, instead, it recognises a loss allowance based on the lifetime expected credit losses at each reporting date. The Group separately determines the expected credit losses for individually significant balances or collectively for trade and other receivables that are not individually significant.

The expected credit losses for individually significant balances are estimated using debtors' historical credit loss experience adjusted for forward-looking factors specific to the debtors and economic environment.

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.

2. Significant Accounting Policies (continued)

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Borrowing costs relating to qualifying assets are capitalised (Note 9).

Equity

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury Shares

Own equity instruments which are acquired by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in statement of operations on the purchase, sale, issue or cancellation of the treasury shares.

Dividends

Dividends are recognised as a liability and deducted from equity only if they are declared before the end of the reporting period. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the financial statements are authorised for issue.

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.

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”.

Provisions for site restoration costs are capitalised within property, plant and equipment.

2. Significant Accounting Policies (continued)

Employee Benefits

Social and Pension Contributions

Defined contributions are made by the Group to the Russian and Ukrainian state pension, social insurance and medical insurance funds at the statutory rates in force based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

Defined Benefit Plans

The Group companies provide pensions and other benefits to their employees (Note 23). The entitlement to these benefits is usually conditional on the completion of a minimum service period. Certain benefit plans require the employee to remain in service up to retirement age. Other employee benefits consist of various compensations and non-monetary benefits. The amounts of benefits are stipulated in the collective bargaining agreements and/or in the plan documents.

The Group involves independent qualified actuaries in the measurement of employee benefit obligations.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. It is recorded within interest expense in the consolidated statement of operations.

The Group recognises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the consolidated statement of operations within “cost of sales”, “general and administrative expenses” and “selling and distribution expenses”.

Other Costs

The Group incurs employee costs related to the provision of benefits such as health services, kindergartens and other services. These amounts principally represent an implicit cost of employment and, accordingly, have been charged to cost of sales.

Share-based Payments

The Group has management compensation schemes (Note 21), under which certain senior executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with grantees is measured by reference to the fair value of the Company’s shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

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 if EBITDA-related conditions are not satisfied or participants lose the entitlement for the shares due to the termination of their employment. Accumulated share-based expense is adjusted to reflect the number of share options that eventually vest. For market-related performance conditions, such as TSR (Note 21), if the conditions are not met and the share options do not vest, then no reversal is made for the share-based expense previously recognised.

The TSR-related vesting condition of Incentive Plans adopted in 2017 and 2018 was considered by the Group as a market condition. As such, it was included in the estimation of the fair value of the granted shares and will not be subsequently revised. Vesting condition related to EBITDA was not taken into account when estimating the fair value of the share options at the grant date. Instead, this will be taken into account by adjusting the share-based expense based on the number of share options that eventually vest.

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.

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.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when control over the goods has passed to the buyer and it is probable that the amount of consideration is collectible. The moment of transfer of control is determined by the contract terms and usually occurs at the date of shipment. Sale of goods includes the transportation and handling costs incurred.

EVRAZ plc Consolidated Financial Statements ▶ Notes to the consolidated financial statements (continued)

2. Significant Accounting Policies (continued)

Revenue (continued)

Rendering of Services

The Group's revenues from rendering of services include electricity, transportation, port and other services. The pattern of revenue recognition reflects the transfer of services to customers and may occur at a point in time or over time.

Interest

Interest is recognised using the effective interest method.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental Income

Rental income is accounted for on a straight-line basis over the lease term on ongoing leases.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

Deferred Income Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets 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. 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, tax legislation and tax planning strategies.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Segment Information

For management purposes the Group has four reportable operating segments:

- *Steel* segment includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment as they are closely related to the main process of steel production.
- *Steel, North America* is a segment, which includes production of steel and related products in the USA and Canada.
- *Coal* segment includes coal mining and enrichment. It also included operations of Nakhodka Trade Sea Port (sold in June 2017) as it was used to a significant extent for shipping of products of the coal segment to the Asian markets.
- *Other operations* include energy-generating companies, shipping and railway transportation companies.

Management and investment companies are not allocated to any of the segments. Operating segments have been aggregated into reportable segments if they show a similar long-term economic performance, have comparable production processes, customer industries and distribution channels, operate in the same regulatory environment, and are generally managed and monitored together.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Management monitors the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA (see below). This performance indicator is calculated based on management accounts that differ from the IFRS consolidated financial statements for the following reasons:

1) for the last month of the reporting period, the management accounts for each operating segment are prepared using a forecast for that month;
2) the statement of operations is based on local GAAP figures with the exception of depreciation and repair expenses which are adjusted to approximate the amount under IFRS;
3) in case of volatility of functional currencies the IFRS statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions (quarterly, semi-annual averages, etc.) while in management accounts simple average for the whole accounting period is used.

Segment revenue is revenue reported in the Group's statement of operations that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated to it on a reasonable basis, whether from sales to external customers or from transactions with other segments.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated to it on a reasonable basis, including expenses relating to external counterparties and expenses relating to transactions with other segments. Segment expense does not include social and social infrastructure maintenance expenses.

Segment result is segment revenue less segment expense that is equal to earnings before interest, tax, depreciation and amortisation ("EBITDA") for that segment.

Segment EBITDA is determined as a segment's profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense. Management believes that this measure is more useful and relevant for the users and is more comparable with the Russian steel peers.

3. Segment Information (continued)

The following tables present measures of segment profit or loss based on management accounts.

Year ended 31 December 2018

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue						
Sales to external customers	**$ 8,373**	**$ 2,593**	**$ 1,533**	**$ 214**	**$ –**	**$ 12,713**
Inter-segment sales	**343**	**–**	**1,322**	**279**	**(1,944)**	**–**
Total revenue	**8,716**	**2,593**	**2,855**	**493**	**(1,944)**	**12,713**
Segment result – EBITDA	**$ 2,701**	**$ 18**	**$ 1,180**	**$ 17**	**$ (14)**	**$ 3,902**

Year ended 31 December 2017

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue						
Sales to external customers	$ 8,093	$ 1,868	$ 796	$ 87	$ –	$ 10,844
Inter-segment sales	295	–	1,142	301	(1,738)	–
Total revenue	8,388	1,868	1,938	388	(1,738)	10,844
Segment result – EBITDA	$ 1,567	$ 77	$ 1,164	$ 20	$ (24)	$ 2,804

Year ended 31 December 2016

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue						
Sales to external customers	$ 5,528	$ 1,464	$ 484	$ 63	$ –	$ 7,539
Inter-segment sales	194	–	676	233	(1,103)	–
Total revenue	5,722	1,464	1,160	296	(1,103)	7,539
Segment result – EBITDA	$ 986	$ 22	$ 613	$ 15	$ (44)	$ 1,592

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 2018

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	**$ 8,716**	**$ 2,593**	**$ 2,855**	**$ 493**	**$ (1,944)**	**$ 12,713**
Reclassifications and other adjustments	**163**	**(10)**	**(518)**	**(21)**	**509**	**123**
Revenue per IFRS financial statements	**$ 8,879**	**$ 2,583**	**$ 2,337**	**$ 472**	**$ (1,435)**	**$ 12,836**
EBITDA	**$ 2,701**	**$ 18**	**$ 1,180**	**$ 17**	**$ (14)**	**$ 3,902**
Unrealised profits adjustment	**(46)**	**–**	**(25)**	**–**	**4**	**(67)**
Reclassifications and other adjustments	**17**	**(4)**	**63**	**–**	**1**	**77**
	(29)	**(4)**	**38**	**–**	**5**	**10**
EBITDA based on IFRS financial statements	**$ 2,672**	**$ 14**	**$ 1,218**	**$ 17**	**$ (9)**	**$ 3,912**
Unallocated subsidiaries						**(135)**
						$ 3,777
Social and social infrastructure maintenance expenses	**(25)**	**–**	**(2)**	**–**	**–**	**(27)**
Depreciation, depletion and amortisation expense	**(239)**	**(137)**	**(158)**	**(3)**	**–**	**(537)**
Impairment of assets	**(18)**	**(2)**	**(10)**	**–**	**–**	**(30)**
Loss on disposal of property, plant and equipment and intangible assets	**(3)**	**(2)**	**(6)**	**–**	**–**	**(11)**
Foreign exchange gains/(losses), net	**31**	**(72)**	**30**	**(2)**	**–**	**(13)**
	$ 2,418	**$ (199)**	**$ 1,072**	**$ 12**	**$ (9)**	**$ 3,159**
Unallocated income/(expenses), net						**369**
Profit/(loss) from operations						**$ 3,528**
Interest income/(expense), net						**(341)**
Share of profits/(losses) of joint ventures and associates						**9**
Gain/(loss) on financial assets and liabilities						**13**
Gain/(loss) on disposal groups classified as held for sale						**(10)**
Other non-operating gains/(losses), net						**2**
Profit/(loss) before tax						**$ 3,201**

3. Segment Information (continued)

Year ended 31 December 2017

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 8,388	$ 1,868	$ 1,938	$ 388	$ (1,738)	$ 10,844
Reclassifications and other adjustments	(645)	(4)	276	74	282	(17)
Revenue per IFRS financial statements	$ 7,743	$ 1,864	$ 2,214	$ 462	$ (1,456)	$ 10,827
EBITDA	$ 1,567	$ 77	$ 1,164	$ 20	$ (24)	$ 2,804
Unrealised profits adjustment	(49)	–	(4)	–	(9)	(62)
Reclassifications and other adjustments	(35)	(19)	66	1	–	13
	(84)	(19)	62	1	(9)	(49)
EBITDA based on IFRS financial statements	$ 1,483	$ 58	$ 1,226	$ 21	$ (33)	$ 2,755
Unallocated subsidiaries						(131)
						$ 2,624
Social and social infrastructure maintenance expenses	(29)	–	(1)	–	–	(30)
Depreciation, depletion and amortisation expense	(255)	(132)	(167)	(3)	–	(557)
Impairment of assets	31	(19)	–	–	–	12
Loss on disposal of property, plant and equipment and intangible assets	4	–	(7)	(1)	–	(4)
Foreign exchange gains/(losses), net	(31)	25	20	–	–	14
	$ 1,203	$ (68)	$ 1,071	$ 17	$ (33)	$ 2,059
Unallocated income/(expenses), net						(73)
Profit/(loss) from operations						$ 1,986
Interest income/(expense), net						(423)
Share of profits/(losses) of joint ventures and associates						11
Gain/(loss) on financial assets and liabilities						(57)
Gain/(loss) on disposal groups classified as held for sale						(360)
Other non-operating gains/(losses), net						(2)
Profit/(loss) before tax						$ 1,155

3. Segment Information (continued)

Year ended 31 December 2016

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 5,722	$ 1,464	$ 1,160	$ 296	$ (1,103)	$ 7,539
Reclassifications and other adjustments	(225)	–	162	67	170	174
Revenue per IFRS financial statements	$ 5,497	$ 1,464	$ 1,322	$ 363	$ (933)	$ 7,713
EBITDA	$ 986	$ 22	$ 613	$ 15	$ (44)	$ 1,592
Unrealised profits adjustment	(11)	–	(3)	–	2	(12)
Reclassifications and other adjustments	29	6	34	2	–	71
	18	6	31	2	2	59
EBITDA based on IFRS financial statements	$ 1,004	$ 28	$ 644	$ 17	$ (42)	$ 1,651
Unallocated subsidiaries						(109)
						$ 1,542
Social and social infrastructure maintenance expenses	(21)	–	(2)	–	–	(23)
Depreciation, depletion and amortisation expense	(219)	(155)	(141)	(3)	–	(518)
Impairment of assets	(11)	(430)	(24)	–	–	(465)
Loss on disposal of property, plant and equipment and intangible assets	(8)	(5)	(9)	–	–	(22)
Foreign exchange gains/(losses), net	(43)	14	107	–	–	78
	$ 702	$ (548)	$ 575	$ 14	$ (42)	$ 592
Unallocated income/(expenses), net						(129)
Profit/(loss) from operations						$ 463
Interest income/(expense), net						(471)
Share of profits/(losses) of joint ventures and associates						(23)
Gain/(loss) on financial assets and liabilities						(9)
Other non-operating gains/(losses), net						(52)
Profit/(loss) before tax						$ (92)

3. Segment Information (continued)

The revenues from external customers for each group of similar products and services are presented in the following table:

US$ million	2018	2017	2016
Steel			
Construction products	**$ 2,280**	$ 2,171	$ 1,783
Flat-rolled products	**415**	313	162
Railway products	**965**	863	584
Semi-finished products	**2,521**	2,523	1,694
Other steel products	**399**	349	246
Other products	**545**	440	331
Iron ore	**158**	191	155
Vanadium in slag	**228**	77	33
Vanadium in alloys and chemicals	**922**	466	268
Rendering of services	**71**	30	31
	8,504	7,423	5,287
Steel, North America			
Construction products	**247**	159	158
Flat-rolled products	**597**	427	372
Railway products	**380**	309	232
Tubular products	**1,167**	875	588
Other products	**168**	67	103
Rendering of services	**24**	26	10
	2,583	1,863	1,463
Coal			
Coal	**1,506**	1,266	756
Other products	**27**	24	12
Rendering of services	**25**	93	70
	1,558	1,383	838
Other operations			
Rendering of services	**191**	158	125
	191	158	125
	$ 12,836	$ 10,827	$ 7,713

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	2018	2017	2016
CIS			
Russia	**$ 4,564**	$ 4,255	$ 3,080
Ukraine	**480**	368	296
Kazakhstan	**237**	254	184
Belarus	**72**	62	45
Kyrgyzstan	**50**	36	12
Others	**97**	92	93
	5,500	5,067	3,710
America			
USA	**2,226**	1,465	826
Canada	**537**	546	682
Mexico	**154**	156	192
Others	**92**	34	22
	3,009	2,201	1,722
Asia			
Philippines	**631**	345	65
Taiwan	**433**	468	376
Republic of Korea	**409**	321	123
Indonesia	**346**	330	195
Thailand	**225**	189	138
Japan	**186**	149	117
Singapore	**133**	41	66
China	**114**	145	67
India	**60**	19	8
Mongolia	**58**	28	10
Others	**121**	127	207
	2,716	2,162	1,372
Europe			
European Union	**1,146**	775	390
Turkey	**254**	328	213
Others	**26**	25	37
	1,426	1,128	640
Africa			
Egypt	**86**	100	138
Kenya	**77**	106	78
Others	**16**	58	49
	179	264	265
Other countries	**6**	5	4
	$ 12,836	$ 10,827	$ 7,713

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	2018	2017	2016
Russia	**$ 3,258**	$ 3,879	$ 3,553
Canada	**1,221**	1,332	1,233
USA	**791**	818	877
Ukraine	**–**	61	144
Kazakhstan	**41**	51	53
Czech Republic	**35**	37	31
Italy	**41**	45	22
Republic of South Africa	**–**	–	17
Other countries	**3**	4	8
	$ 5,390	$ 6,227	$ 5,938

4. Changes in the Composition of the Group

Business Combinations

In June 2017, the Group purchased the business of Western Canada Machining Inc. (Alberta, Canada), which produces couplings for use in the oil and gas industry. The consideration amounted to $5 million in cash. At the date of business combination the fair value of net assets of the acquired company was $5 million.

Purchase of Non-controlling Interests

Raspadskaya

In 2018, the Group acquired an additional 1.89% ownership interest in Raspadskaya for cash consideration of $24 million. The excess of consideration over the carrying values of non-controlling interests acquired amounting to $3 million was charged to accumulated profits.

Mezhegeyugol

On 14 March 2017, the Group signed an option agreement with a non-controlling shareholder in respect of shares of Mezhegeyugol, a coal mining subsidiary of the Group. Under the agreement, the non-controlling shareholder has the right to sell to the Group (the put option) all its shares in Mezhegeyugol (39.9841%) for $39 million and to settle the loan payable to the Group for $25 million. As a result, the Group would hold 100% ownership interest in the subsidiary. The option can be exercised from 1 December 2019 to 1 December 2020.

The Group determined that the terms of the option agreement give the Group the rights to the beneficial interests in Mezgegeyugol and derecognised the non-controlling interests and recognised a liability under the put option. The difference between the discounted value of the liability under the put option ($60 million) and the carrying value of non-controlling interest in the amount of $56 million was charged to the accumulated profits of the Group. In 2018 and 2017, the Group accrued $4 million and $1 million interest on this liability.

Sale of Subsidiaries

In 2018, the group sold Dneprovsk Metallurgical Plant (Note 12).

5. Goodwill

Goodwill relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group. The table below presents movements in the carrying amount of goodwill.

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2015	**$ 2,392**	**$ (1,216)**	**$ 1,176**
Impairment	–	(316)	(316)
Flat rolled products	–	(188)	(188)
Seamless pipes	–	(111)	(111)
Oil Country Tubular Goods	–	(17)	(17)
Transfer to disposal groups classified as held for sale	(28)	28	–
Translation difference	3	17	20
At 31 December 2016	**$ 2,367**	**$ (1,487)**	**$ 880**
Sale of subsidiaries (Note 12)	(22)	16	(6)
Translation difference	58	(15)	43
At 31 December 2017	**$ 2,403**	**$ (1,486)**	**$ 917**
Sale of subsidiaries (Note 12)	(112)	112	–
Translation difference	(70)	17	(53)
At 31 December 2018	**$ 2,221**	**$ (1,357)**	**$ 864**

The carrying amount of goodwill was allocated among cash-generating units as follows at 31 December:

US$ million	2018	2017	2016
EVRAZ Inc. NA/EVRAZ Inc. NA Canada	**$ 799**	$ 843	$ 808
Large diameter pipes	**349**	381	355
Oil Country Tubular Goods	**134**	146	137
Long products	**316**	316	316
EVRAZ Vanady-Tula	**29**	35	33
EVRAZ Vametco Holdings	**–**	–	6
EVRAZ Nikom, a.s.	**33**	35	29
Others	**3**	4	4
	$ 864	$ 917	$ 880

6. Impairment of Assets

A summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2018

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Stratcor Inc.	**$ –**	**$ (12)**	**$ –**	**$ (12)**
Yuzhkuzbassugol	**–**	**(6)**	**–**	**(6)**
Evrazruda	**–**	**(4)**	**–**	**(4)**
Others, net	**–**	**(8)**	**–**	**(8)**
	$ –	**$ (30)**	**$ –**	**$ (30)**
Recognised in profit or loss	**–**	**(30)**	**–**	**(30)**

Year ended 31 December 2017

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Inc. NA	$ (13)	$ 6	$ –	$ (7)
EVRAZ Inc. NA Canada	–	(12)	–	(12)
Raspadskaya	–	9	–	9
EVRAZ Palini e Bertoli	–	20	–	20
Yuzhkuzbassugol	–	(9)	–	(9)
Evrazruda	–	8	–	8
Others, net	–	(2)	5	3
	$ (13)	$ 20	$ 5	$ 12
Recognised in profit or loss	(13)	20	5	12

Year ended 31 December 2016

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Inc. NA	$ (299)	$ (88)	$ –	$ (387)
EVRAZ Inc. NA Canada	(17)	(26)	–	(43)
Raspadskaya	–	(17)	–	(17)
EVRAZ Stratcor Inc.	–	(16)	–	(16)
EVRAZ Palini e Bertoli	–	19	–	19
Yuzhny Stan	–	(5)	–	(5)
Evrazruda	–	(10)	–	(10)
Others, net	–	(8)	2	(6)
	$ (316)	$ (151)	$ 2	$ (465)
Recognised in profit or loss	(316)	(151)	2	(465)

6. Impairment of Assets (continued)

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. In addition, in 2016 and 2017, the Group recognised impairment losses as a result of the impairment testing at the level of cash-generating units.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash-generating unit to which goodwill was allocated or where indicators of impairment were identified. In 2016-2018, the impairment tests were performed as of 30 September, the conclusions were reassessed at 31 December and no further impairment triggers were identified.

The recoverable amounts have been determined based on the calculation of value-in-use. This valuation technique uses cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting the time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the results of the respective business plans using a zero real growth rate.

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 or units containing intangible assets with indefinite useful lives are presented in the table below.

	Commodity	Period of forecast, years		Pre-tax discount rate, %		Average price of commodity per tonne in the next reporting year		Recoverable amount of CGU, US$ million		Carrying amount of CGU before impairment, US$ million	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Steel North America											
Large diameter pipes	steel products	5	5	9.37	11.23	$1,129	$913	903	1,074	900	938
Oil Country Tubular Goods	steel products	5	5	9.96	10.85	$1,245	$1,121	441	547	365	383
Long products	steel products	5	5	9.26	11.02	$745	$647	582	591	501	520
EVRAZ Vanady-Tula	vanadium products	5	5	12.74	13.03	$46,494	$23,403	1,140	986	57	61
EVRAZ Nikom, a.s.	ferrovanadium products	5	5	10.45	11.00	$48,991	$26,576	40	47	36	34

In addition, the Group determined that there were indicators of impairment in other cash generating units, which do not contain goodwill or intangible assets with indefinite useful lives, 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 the next reporting year
Steel North America				
Flat rolled products	5	9.30	steel products	$855
Seamless pipes	5	10.04	steel products	$1,396

The impairment test models take into account the tariffs imposed by the US and Canada against each other on import of steel and steel products, whose effect is expected to last until 2022 (Note 30). The models include the assumption that the tariffs will be removed starting from 2023 and are assumed not to re-occur going forward. This assumption is particularly sensitive for the recoverable amount of Large diameter pipes.

As a result of impairment testing, the Group did not recognise any impairment loss or reversal of previous charges. However, in 2018, the Group recognised a $12 million impairment loss with respect to EVRAZ Stratcor Inc. due to its potential bankruptcy. In 2017, the value in use of this cash-generating unit was $18 million.

6. Impairment of Assets (continued)

The estimations of value in use are most sensitive to the following assumptions:

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to impairment EVRAZ Nikom, Large diameter pipes, Flat rolled products and Long products. If discount rates were 10% higher, this would lead to an impairment of $184 million.

Sales Prices

The price assumptions for the products sold by the Group were estimated based on industry research using analysts' views published by Citi, CRU, Goldman Sachs, Morgan Stanley, Renaissance Capital, UBS, VTB Capital, WSD during the period from August to December 2018. The Group expects that the nominal prices will fluctuate with a compound annual growth rate of (14.3)%-4.0% in 2019 – 2023, 2.5% in 2024 and thereafter. Reasonably possible changes in sales prices could lead to impairment at EVRAZ Nikom and Large diameter pipes. If the prices assumed for 2019 and 2020 in the impairment test were 10% lower, this would lead to an impairment of $46 million.

Sales Volumes

Management assumed that the sales volumes of steel products in 2019 will increase by 7-13% and future dynamics will be driven by a gradual market recovery and changes in assets' capacities. Reasonably possible changes in sales volumes could lead to impairment at EVRAZ Nikom and Large diameter pipes. If the sales volumes were 10% lower than those assumed for 2019 and 2020 in the impairment test, this would lead to an impairment of $19 million.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation in cost from these plans could lead to impairment at EVRAZ Nikom, Large diameter pipes, Long products and Flat rolled products. If the actual costs were 10% higher than those assumed for 2019 and 2020 in the impairment test, this would lead to an impairment of $228 million.

Terminal Growth Rate

The recoverable amounts of cash-generating units are based on the terminal growth rate of 2.5% representing a forecast of long-term US CPI rate. A reasonably possible deviation in this rate could lead to impairment at Large diameter pipes. If the terminal growth rate was 10% lower than the rate assumed for 2024 and thereafter in the impairment test, this would lead to an impairment of $46 million.

Sensitivity Analysis

For the cash-generating units, which were not impaired in the reporting period and for which the reasonably possible changes could lead to impairment, the recoverable amounts would become equal to their carrying amounts if the assumptions used to measure the recoverable amounts changed by the following percentages:

	Discount rates	Sales prices	Sales volumes	Cost control measures	Terminal growth rate
EVRAZ Nikom	5.9%	(4.9)%	(6.0)%	1.3%	–
EVRAZ Inc NA – Large diameter pipes	0.2%	(0.7)%	(1.6)%	0.2%	(0.6)%
EVRAZ Inc NA – Long products	8.7%	–	–	8.6%	–
EVRAZ Inc NA – Flat rolled products	9.0%	–	–	4.9%	–

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	2018	2017	2016
Cost of inventories recognised as expense	**$ (4,580)**	$ (4,181)	$ (2,761)
Staff costs, including social security taxes	**(1,326)**	(1,364)	(1,200)
Depreciation, depletion and amortisation	**(542)**	(561)	(521)

In 2018, 2017 and 2016, the Group recognised (expense)/income on allowance or net reversal of the allowance for net realisable value in the amount of $Nil, $(4) million and $2 million, respectively.

Staff costs include the following:

US$ million	2018	2017	2016
Wages and salaries	**$ 968**	$ 1,000	$ 864
Social security costs	**245**	246	212
Net benefit expense	**38**	42	43
Share-based awards	**15**	17	16
Other compensations	**60**	59	65
	$ 1,326	$ 1,364	$ 1,200

The average number of staff employed under contracts of service was as follows:

	2018	2017	2016
Steel	**45,282**	54,737	56,974
Steel, North America	**3,877**	3,395	3,193
Coal	**13,505**	14,629	14,808
Other operations	**882**	523	896
Unallocated	**2,344**	2,736	2,080
	65,890	76,020	77,951

The major components of other operating expenses were as follows:

US$ million	2018	2017	2016
Idling, reduction and stoppage of production, including termination benefits	**$ (17)**	$ (26)	$ (81)
Restoration works and casualty compensations in connection with accidents	**(3)**	(2)	(1)
Other	**(35)**	(33)	(19)
	$ (55)	$ (61)	$ (101)

7. Income and Expenses (continued)

Interest expense consisted of the following for the years ended 31 December:

US$ million	2018	2017	2016
Bank interest	**$ (74)**	$ (115)	$ (133)
Interest on bonds and notes	**(248)**	(279)	(306)
Net interest expense on employee benefits obligations (Note 23)	**(13)**	(19)	(22)
Discount adjustment on provisions (Note 24)	**(16)**	(16)	(14)
Other	**(8)**	(8)	(6)
	$ (359)	$ (437)	$ (481)

Interest income consisted of the following for the years ended 31 December:

US$ million	2018	2017	2016
Interest on bank accounts and deposits	**$ 9**	$ 8	$ 6
Interest on loans and accounts receivable	**7**	6	2
Other	**2**	–	2
	$ 18	$ 14	$ 10

Gain/(loss) on financial assets and liabilities included the following for the years ended 31 December:

US$ million	2018	2017	2016
Loss on extinguishment of debts (Note 22)	**$ (1)**	$ (78)	$ (50)
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	**3**	4	23
Gain/(loss) on hedging instruments (Note 25)	**11**	14	14
Other	**–**	3	4
	$ 13	$ (57)	$ (9)

In 2016, other non-operating losses included $39 million relating to the settlement of the Group's guarantee under a long-term take-or-pay supply contract of the Group's former subsidiary.

8. Income Taxes

The Group's income was subject to tax at the following tax rates:

	2018	2017	2016
Russia	**20.00% and 16.50%**	20.00%	20.00%
Canada	**26.32%**	26.25%	26.06%
Cyprus	**12.50%**	12.50%	12.50%
Czech Republic	**19.00%**	19.00%	19.00%
Italy	**27.90%**	27.90%	31.40%
Switzerland	**9.18%**	9.43%	9.09%
Ukraine	**18.00%**	18.00%	18.00%
United Kingdom	**19.00%**	–	–
USA	**24.69%**	37.83%	37.72%

In 2018, Nizhny Tagil Metallurgical Plant completed capital construction works, which make it eligible for investment tax credit from the regional government. Income tax rate was reduced from 20% to 16.5% for a period from 2018 to 2022. The Group determined that the investment tax credit is in the scope of IAS 12 "Income taxes". As a result, in 2018, Nizhny Tagil Metallurgical Plant and other subsidiaries included in the group of consolidated taxpayers received a current income tax benefit amounting to $37 million.

In December 2017, new tax legislation has been adopted in the USA, which introduced a reduction in federal income tax rate from 35% to 21% starting from 1 January 2018. The Group's subsidiaries measured the respective deferred tax assets and liabilities at 31 December 2017 using the enacted tax rates.

As a result of the enactment of the Tax Cuts and Jobs Act ("TCJA") in the USA, at 31 December 2017 uncertainty existed as to whether certain unutilised interest expenses incurred on intra-group loans would be deductible against future taxable earnings under the new tax law and, therefore, whether the deferred tax asset would be recoverable. The Group's interpretation of the new legislation at 31 December 2017 was that the deferred tax asset would be recoverable and, consequently, the Group did not create an allowance against this balance. In April 2018, the US Department of Treasury and the Internal Revenue Service released Notice 2018-28, which clarified that the unutilised interest expenses can be carried forward indefinitely.

Major components of income tax expense for the years ended 31 December were as follows:

US$ million	2018	2017	2016
Current income tax expense	**$ (679)**	$ (484)	$ (185)
Adjustment in respect of income tax of previous years	**(4)**	(1)	2
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**(54)**	74	87
Deferred income tax recognised directly in other comprehensive income	**6**	15	–
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (731)**	$ (396)	$ (96)

8. Income Taxes (continued)

The major part of income taxes is paid in the Russian Federation. A reconciliation of income tax expense applicable to profit before income tax using the Russian statutory tax rate to income tax expense as reported in the Group's consolidated financial statements for the years ended 31 December is as follows:

US$ million	2018	2017	2016
Profit/(loss) before income tax	**$ 3,201**	$ 1,155	$ (92)
At the Russian statutory income tax rate of 20%	**(640)**	(231)	18
Adjustment in respect of income tax of previous years	**(4)**	(1)	2
Current income tax benefit from investment tax credit	**37**	–	–
Deferred income tax expense resulting from the changes in tax rates and laws	**–**	(6)	–
Tax on dividends distributed by the Group's subsidiaries	**(53)**	(26)	–
Tax on undistributed earnings of the Group's subsidiaries	**(35)**	–	–
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**–**	–	(2)
Effect of non-deductible expenses and other non-temporary differences	**(37)**	(254)	(63)
Unrecognised temporary differences recognition/reversal	**(58)**	100	(157)
Effect of the difference in tax rates in countries other than the Russian Federation	**57**	20	110
Share of profits in joint ventures and associates	**2**	2	(4)
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (731)**	$ (396)	$ (96)

In 2017, the increase in the amount of non-deductible expenses and unrecognised temporary differences was mostly caused by the significant losses on sale of subsidiaries (Note 12), which either cannot be utilised or cannot be deductible for tax purposes.

8. Income Taxes (continued)

Deferred income tax assets and liabilities and their movements for the years ended 31 December were as follows:

Year ended 31 December 2018

US$ million	2018	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2017
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	**$ 469**	**(4)**	**–**	**–**	**–**	**(73)**	**$ 546**
Valuation and amortisation of intangible assets	**50**	**(8)**	**–**	**–**	**–**	**(4)**	**62**
Other	**96**	**27**	**–**	**–**	**–**	**(11)**	**80**
	615	**15**	**–**		**–**	**(88)**	**688**
Deferred income tax assets:							
Tax losses available for offset	**199**	**(42)**	**–**	**(1)**	**–**	**(25)**	**267**
Accrued liabilities	**95**	**(15)**	**(6)**	**–**	**–**	**(10)**	**126**
Impairment of accounts receivable	**3**	**(7)**	**–**	**–**	**–**	**(2)**	**12**
Other	**152**	**31**	**–**	**–**	**–**	**(7)**	**128**
	449	**(33)**	**(6)**	**(1)**	**–**	**(44)**	**533**
Net deferred income tax asset	**92**	**(65)**	**(4)**	**(1)**	**–**	**(11)**	**173**
Net deferred income tax liability	**$ 258**	**(17)**	**2**	**–**	**–**	**(55)**	**$ 328**

Year ended 31 December 2017

US$ million	2017	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2016
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	$ 546	(36)	–	(10)	–	25	$ 567
Valuation and amortisation of intangible assets	62	(21)	–	(1)	–	3	81
Other	80	19	–	(1)	–	4	58
	688	(38)	–	(12)	–	32	706
Deferred income tax assets:							
Tax losses available for offset	267	55	–	(25)	–	11	226
Accrued liabilities	126	8	(15)	(8)	–	3	138
Impairment of accounts receivable	12	1	–	–	–	1	10
Other	128	(13)	–	–	–	1	140
	533	51	(15)	(33)	–	16	514
Net deferred income tax asset	173	47	(10)	(24)	–	4	156
Net deferred income tax liability	$ 328	(42)	5	(3)	–	20	$ 348

Year ended 31 December 2016

US$ million	2016	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2015
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	$ 567	(62)	–	–	–	66	$ 563
Valuation and amortisation of intangible assets	81	(11)	–	–	–	3	89
Other	58	5	–	–	–	5	48
	706	(68)	–	–	–	74	700
Deferred income tax assets:							
Tax losses available for offset	226	(5)	–	–	–	23	208
Accrued liabilities	138	4			(1)	8	127
Impairment of accounts receivable	10	(1)	–	–	–	2	9
Other	140	21	–	–	(2)	(2)	123
	514	19	–	–	(3)	31	467
Net deferred income tax asset	156	28	–	–	(3)	12	119
Net deferred income tax liability	$ 348	(59)	–	–	–	55	$ 352

8. Income Taxes (continued)

As of 31 December 2018, the Group accrued deferred income taxes in respect of undistributed earnings of the Group's subsidiaries in the amount of $35 million (2017 and 2016: $Nil). The current tax rate on intra-group dividend income varies from 0% to 15%. The temporary differences associated with investments in subsidiaries were not recognised as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future. At 31 December 2018, the aggregate amount of such temporary differences, for which deferred tax liabilities have not been recognised, amounted to $101 million (2017: $1,439 million, 2016: $898 million). The decrease in these temporary differences in 2018 was caused by the changes in the Russian tax regulations, which modified the rules for using zero tax rate in relation to capital gains of the Russian parent entities, if certain conditions are met.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies in the same jurisdiction, except for the companies registered in Cyprus, Russia and the United Kingdom where group relief and tax consolidation can be applied. As of 31 December 2018, the unused tax losses carried forward approximated $9,321 million (2017: $9,893 million, 2016: $9,729 million). The Group recognised deferred tax assets of $199 million (2017: $267 million, 2016: $226 million) in respect of unused tax losses. Deferred tax assets in the amount of $2,287 million (2017: $2,339 million, 2016: $2,329 million) have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $8,492 million (2017: $8,711 million, 2016: $8,593 million) for which deferred tax assets were not recognised arose in companies registered in Canada, Cyprus, Italy, Kazakhstan, Luxembourg, Russia, Ukraine, the United Kingdom and the USA. Losses in the amount of $8,399 million (2017: $8,664 million, 2016: $8,549 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $93 million will expire within 10 years (2017: $47 million, 2016: $44 million).

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of 31 December:

US$ million	2018	2017	2016
Cost:			
Land	**$ 100**	$ 107	$ 100
Buildings and constructions	**1,752**	1,894	1,755
Machinery and equipment	**4,302**	4,812	4,446
Transport and motor vehicles	**226**	255	223
Mining assets	**2,084**	2,461	2,440
Other assets	**35**	37	38
Assets under construction	**378**	549	424
	8,877	10,115	9,426
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(857)**	(968)	(872)
Machinery and equipment	**(2,647)**	(2,906)	(2,637)
Transport and motor vehicles	**(145)**	(168)	(144)
Mining assets	**(998)**	(1,112)	(1,093)
Other assets	**(28)**	(28)	(28)
	(4,675)	(5,182)	(4,774)
	$ 4,202	$ 4,933	$ 4,652

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2018 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 2017, cost, net of accumulated depreciation	**$ 107**	**$ 926**	**$ 1,906**	**$ 87**	**$ 1,349**	**$ 9**	**$ 549**	**$ 4,933**
Additions	**–**	**–**		**–**	**–**	**–**	**579**	**579**
Assets put into operation	**–**	**224**	**350**	**31**	**58**	**2**	**(665)**	**–**
Disposals		**(1)**	**(15)**	**(1)**	**(2)**	**–**	**–**	**(19)**
Depreciation and depletion charge	**–**	**(80)**	**(313)**	**(23)**	**(82)**	**(3)**	**–**	**(501)**
Impairment losses recognised in statement of operations		**(4)**	**(10)**	**–**	**(15)**	**–**	**(8)**	**(37)**
Impairment losses reversed through statement of operations			**1**	**–**	**6**	**–**	**–**	**7**
Transfer to assets held for sale	**–**	**(20)**	**(35)**	**–**	**–**	**–**	**(10)**	**(65)**
Change in site restoration and decommissioning provision	**–**	**(5)**	**1**	**–**	**(1)**	**–**	**–**	**(5)**
Translation difference	**(7)**	**(145)**	**(230)**	**(13)**	**(227)**	**(1)**	**(67)**	**(690)**
At 31 December 2018, cost, net of accumulated depreciation	**$ 100**	**$ 895**	**$ 1,655**	**$ 81**	**$ 1,086**	**$ 7**	**$ 378**	**$ 4,202**

The movement in property, plant and equipment for the year ended 31 December 2017 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 2016, cost, net of accumulated depreciation	$ 100	$ 883	$ 1,809	$ 79	$ 1,347	$ 10	$ 424	$ 4,652
Assets acquired in business combinations	3	1	3	–	–	–	–	7
Additions	–	–	7	–	–	–	622	629
Assets put into operation	–	74	344	32	50	2	(502)	–
Disposals	(1)	(3)	(11)	(2)	(3)	–	–	(20)
Depreciation and depletion charge	–	(84)	(325)	(25)	(85)	(3)	–	(522)
Impairment losses recognised in statement of operations	(1)	(2)	(13)	–	(21)	–	(11)	(48)
Impairment losses reversed through statement of operations	3	9	25	–	30	–	1	68
Transfer to assets held for sale	–	(6)	(11)	(1)	(76)	–	(10)	(104)
Change in site restoration and decommissioning provision	–	8	–	–	36	–	–	44
Translation difference	3	46	78	4	71	–	25	227
At 31 December 2017, cost, net of accumulated depreciation	$ 107	$ 926	$ 1,906	$ 87	$ 1,349	$ 9	$ 549	$ 4,933

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2016 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2015, cost, net of accumulated depreciation	$ 97	$ 822	$ 1,798	$ 79	$ 1,192	$ 12	$ 302	$ 4,302
Additions	–	1	5	–	–	2	442	450
Assets put into operation	–	64	209	14	43	3	(333)	–
Disposals	(1)	(5)	(12)	(2)	(9)	(4)	–	(33)
Depreciation and depletion charge	–	(72)	(309)	(21)	(79)	(4)	–	(485)
Impairment losses recognised in statement of operations	(4)	(42)	(90)	(2)	(30)	–	(11)	(179)
Impairment losses reversed through statement of operations	2	5	17	–	3	–	1	28
Transfer to assets held for sale	–	(4)	(10)	–	–	–	(10)	(24)
Change in site restoration and decommissioning provision	–	–	(3)	–	20	–	–	17
Translation difference	6	114	204	11	207	1	33	576
At 31 December 2016, cost, net of accumulated depreciation	$ 100	$ 883	$ 1,809	$ 79	$ 1,347	$ 10	$ 424	$ 4,652

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $36 million, $60 million and $34 million as of 31 December 2018, 2017 and 2016, respectively.

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 2018 was $1 million (2017: $6 million, 2016: $9 million).

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	2018	2017	2016
Cost:			
Customer relationships	**$ 656**	$ 693	$ 663
Water rights and environmental permits	**57**	57	57
Contract terms	**21**	26	25
Other	**64**	65	90
	798	841	835
Accumulated amortisation and impairment:			
Customer relationships	**(525)**	(513)	(460)
Water rights and environmental permits	**(13)**	(13)	–
Contract terms	**(11)**	(11)	(8)
Other	**(43)**	(45)	(70)
	(592)	(582)	(538)
	$ 206	$ 259	$ 297

10. Intangible Assets Other Than Goodwill (continued)

As of 31 December 2018, 2017 and 2016, water rights and environmental permits with a carrying value of $44 million, $44 million and $57 million, respectively, had an indefinite useful life.

The movement in intangible assets for the year ended 31 December 2018 was as follows:

US$ million	Customer relationships	Water rights and environ-mental permits	Contract terms	Other	Total
At 31 December 2017, cost, net of accumulated amortisation	**$ 180**	**$ 44**	**$ 15**	**$ 20**	**$ 259**
Additions	**–**	**–**	**–**	**10**	**10**
Amortisation charge	**(36)**	**–**	**(2)**	**(6)**	**(44)**
Translation difference	**(13)**	**–**	**(3)**	**(3)**	**(19)**
At 31 December 2018, cost, net of accumulated amortisation	**$ 131**	**$ 44**	**$ 10**	**$ 21**	**$ 206**

The movement in intangible assets for the year ended 31 December 2017 was as follows:

US$ million	Customer relationships	Water rights and environ-mental permits	Contract terms	Other	Total
At 31 December 2016, cost, net of accumulated amortisation	$ 203	$ 57	$ 17	$ 20	$ 297
Additions	–	–	–	5	5
Amortisation charge	(36)	–	(3)	(5)	(44)
Impairment losses recognised in statement of operations	–	(13)	–	–	(13)
Translation difference	13	–	1	–	14
At 31 December 2017, cost, net of accumulated amortisation	$ 180	$ 44	$ 15	$ 20	$ 259

The movement in intangible assets for the year ended 31 December 2016 was as follows:

US$ million	Customer relationships	Water rights and environ-mental permits	Contract terms	Other	Total
At 31 December 2015, cost, net of accumulated amortisation	$ 232	$ 57	$ 16	$ 19	$ 324
Additions	–	–	–	3	3
Amortisation charge	(35)	–	(2)	(4)	(41)
Translation difference	6	–	3	2	11
At 31 December 2016, cost, net of accumulated amortisation	$ 203	$ 57	$ 17	$ 20	$ 297

11. Investments in Joint Ventures and Associates

The Group accounted for investments in joint ventures and associates under the equity method.

The movement in investments in joint ventures and associates was as follows:

US$ million	Timir	Streamcore	Other associates	Total
Investment at 31 December 2015	**$ 40**	**$ 26**	**$ 8**	**$ 74**
Share of profit/(loss)	(2)	5	–	3
Impairment of investments	(26)	–	–	(26)
Translation difference	7	6	–	13
Investment at 31 December 2016	**$ 19**	**$ 37**	**$ 8**	**$ 64**
Additional investments	–	–	1	1
Share of profit/(loss)	1	8	2	11
Dividends paid	–	–	(1)	(1)
Translation difference	1	2	1	4
Investment at 31 December 2017	**$ 21**	**$ 47**	**$ 11**	**$ 79**
Share of profit/(loss)	(1)	9	1	9
Dividends paid	–	–	(1)	(1)
Translation difference	(3)	(9)	(1)	(13)
Investment at 31 December 2018	**$ 17**	**$ 47**	**$ 10**	**$ 74**

Share of profit/(loss) of joint ventures and associates which is reported in the statement of operations comprised the following:

US$ million	2018	2017	2016
Share of profit/(loss), net	**$ 9**	$ 11	$ 3
Impairment of investments	**–**	–	(26)
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$ 9**	$ 11	$ (23)

Timir Iron Ore Project

In April 2013, the Group acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. Under the joint venture agreement major operating and financial decisions are made by unanimous consent of the Group and Alrosa, and no single venturer is in a position to control the activity unilaterally. Consequently, the Group accounts for its interest in Timir under the equity method.

The Group's consideration for this stake amounted to 4,950 million roubles ($159 million at the exchange rate as of the date of the transaction) payable in instalments to 15 July 2014. The consideration was measured as the present value of the expected cash outflows.

In 2014 and 2015, the parties amended the payment schedule. The latest schedule provides for an execution of payments of 500 million roubles in each of January 2017 and 2018 and 480 million roubles in 2019. From the dates of the amendments the Group incurs interest charges on the unpaid liability.

In 2018, 2017 and 2016, the Group paid 500 million roubles ($9 million), 500 million roubles ($8 million) and 500 million roubles ($7 million), respectively, of purchase consideration. Previously, the Group paid the principal of 2,970 million roubles ($89 million) in total. In addition, the Group paid interest charges on the liability.

At 31 December 2018, 2017 and 2016, trade and other accounts payable included liabilities relating to this acquisition in the amount of $8 million, $19 million and $27 million, respectively. In January 2019, the liability was fully settled.

11. Investments in Joint Ventures and Associates (continued)

Timir Iron Ore Project (continued)

The table below sets out Timir's assets and liabilities as of 31 December:

US$ million	**2018**	**2017**	**2016**
Mineral reserves and property, plant and equipment	**$ 48**	$ 58	$ 55
Other non-current assets	**6**	7	8
Total assets	**54**	65	63
Non-current liabilities	**–**	23	–
Current liabilities	**21**	–	25
Total liabilities	**21**	23	25
Net assets	**33**	42	38
Net assets attributable to 51% ownership interest	**$ 17**	$ 21	$ 19

In 2018, 2017 and 2016, Timir's statement of operations included only other income and expenses amounting to $(2) million, $2 million and $(4) million, respectively.

Due to the postponement of the major project activities, the Group assessed the recoverability of its investment in Timir at 30 September 2017 and 2016 (in 2018 there were no indicators of impairment). The recoverable amount of the asset was its fair value less costs to sell, which was determined using cash flow projections based on business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset. The period of the forecast was 23 years. The discount rates were 11.56% and 11.75% in 2017 and 2016, respectively. As a result, in 2016, the Group partially impaired its investment in Timir. The major drivers that led to impairment were the decrease in the expected long-term prices for iron ore, the increase in the amount of the required capital expenditure to maintain production at budgeted capacities and the postponement of the start of production.

At 31 December 2018, 2017 and 2016 Timir owed to the Group $7 million, $8 million and $7 million, respectively, which were included in other non-current financial assets in 2017 and in the receivables from related parties caption in 2018 and 2016. The amounts represent a loan bearing interest of 6.45% per annum (in 2017 and 2016 the interest rate was 0.5% per annum).

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 out Streamcore's assets and liabilities as of 31 December:

US$ million	**2018**	**2017**	**2016**
Property, plant and equipment	**$ 21**	$ 24	$ 24
Inventories	**9**	60	4
Accounts receivable	**151**	104	91
Total assets	**181**	188	119
Deferred income tax liabilities	**1**	2	1
Current liabilities	**86**	92	44
Total liabilities	**87**	94	45
Net assets	**$ 94**	$ 94	$ 74
Net assets attributable to 50% ownership interest	**$ 47**	$ 47	$ 37

The table below sets out Streamcore's income and expenses:

US$ million	**2018**	**2017**	**2016**
Revenue	**$ 579**	$ 458	$ 286
Cost of revenue	**(553)**	(432)	(270)
Other expenses, including income taxes	**(8)**	(9)	(6)
Net profit	**$ 18**	$ 17	$ 10
Group's share of profit of the joint venture	**$ 9**	$ 8	$ 5

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	**2018**	**2017**	**2016**
Property, plant and equipment	**$ –**	$ –	$ 15
Other non-current assets	**–**	–	3
Inventories	**–**	–	1
Accounts receivable	**–**	–	6
Cash and cash equivalents	**–**	–	2
Assets classified as held for sale	**–**	–	27
Non-current liabilities	**–**	–	5
Current liabilities	**–**	–	3
Liabilities directly associated with assets classified as held for sale	**–**	–	8
Net assets classified as held for sale	**$ –**	$ –	$ 19

12. Disposal Groups Held for Sale (continued)

The net assets of disposal groups classified as held for sale at 31 December related to the following reportable segments:

US$ million	**2018**	**2017**	**2016**
Assets classified as held for sale	**$ –**	$ –	$ 27
Steel production	**–**	–	27
Liabilities directly associated with assets classified as held for sale	**–**	–	8
Steel production	**–**	–	8

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 2016–2018.

US$ million	**2018**	**2017**	**2016**
Property, plant and equipment	**$ 65**	$ 119	$ 9
Goodwill	**–**	6	–
Other non-current assets	**2**	34	–
Inventories	**38**	27	–
Accounts receivable	**46**	38	–
Cash and cash equivalents	**2**	12	–
Total assets	**153**	236	9
Employee benefits	**21**	23	–
Other non-current liabilities	**–**	35	–
Current liabilities	**147**	38	–
Total liabilities	**168**	96	–
Non-controlling interests	**–**	6	–
Net assets	**$ (15)**	$ 134	$ 9

The net assets of disposal groups sold in 2016–2018 related to the following reportable segments:

US$ million	**2018**	**2017**	**2016**
Assets classified as held for sale	**$ 153**	$ 236	$ 9
Steel	**153**	196	9
Coal	**–**	40	–
Liabilities directly associated with assets classified as held for sale	**168**	96	–
Steel	**168**	79	–
Coal	**–**	17	–
Non-controlling interests	**–**	6	–
Steel	**–**	6	–

Cash flows on disposal of subsidiaries and other business units were as follows:

US$ million	**2018**	**2017**	**2016**
Net cash disposed of with subsidiaries	**$ (2)**	$ (12)	$ –
Cash received	**54**	489	27
Tax and transaction costs paid	**–**	(65)	–
Net cash inflow	**$ 52**	$ 412	$ 27

12. Disposal Groups Held for Sale (continued)

The disposal groups sold during 2016–2018 are described below.

Dneprovsk Metallurgical Plant

On 6 March 2018, the Group sold Dneprovsk Metallurgical plant (Ukraine), in which it had a 97.73% ownership interest, to a third party for cash consideration of $35 million. The consideration was payable in 2 instalments: $25 million was received upon signing of the transaction documents and the rest was settled in December 2018. The Group received interest income on deferred consideration in the amount of $1 million.

Prior to disposal the subsidiary was included in the steel segment. The Group recognised a $(10) million loss on sale of the subsidiary, including $(60) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $2 million.

Yuzhkoks

On 19 December 2017, the Group sold a Ukrainian coking plant Yuzhkoks, in which it had a 94.96% ownership interest, to a third party for cash consideration of $63 million, including $16 million of prepayment for the sale of this subsidiary received in 2016.

Prior to disposal the subsidiary was included in the steel segment. The Group recognised a $(91) million loss on sale of the subsidiary, including $(132) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil.

Nakhodka Trade Sea Port

On 15 June 2017, the Group sold its wholly-owned subsidiary EVRAZ Nakhodka Trade Sea Port ("NMTP") to a wholly-owned subsidiary of Lanebrook Limited (the ultimate controlling shareholder of the Group) for cash consideration of $332 million.

In connection with the sale transaction the Group entered into an agreement with NMTP pursuant to which the latter will transship cargo of the Group's coal and metals in specified volumes for 5 years on terms specified in the agreement. The Group received a consideration of $8 million in respect of the transshipment agreement, which was recognised as deferred income with a 5-year period of amortisation.

Prior to disposal the subsidiary was included in the coal segment. The Group recognised a $284 million gain on sale of the subsidiary, including $(5) million of transaction costs and $(20) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil. In addition, the Group paid income tax on the sale transaction in the amount of $60 million.

Sukha Balka

On 1 June 2017, the Group sold a Ukrainian iron ore mine Sukha Balka, in which it had a 99.42% ownership interest, to a third party for cash consideration of $109 million. In 2017, the Group received $94 million. At 31 December 2017, the unpaid amount was $15 million plus $3 million of interest accrued relating to the sale of Sukha Balka. This amount was fully received in the first half of 2018.

Prior to disposal the subsidiary was included in the steel segment. The Group recognised a $(555) million loss on sale of the subsidiary, including $(586) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil.

12. Disposal Groups Held for Sale (continued)

Strategic Minerals Corporation

Following the sale agreement signed in 2016, on 6 April 2017, the Group sold Strategic Minerals Corporation (USA), in which it had a 78.76% ownership interest, to a third party for cash consideration of $16 million. Strategic Minerals Corporation owns a 75% share in the Vametco vanadium mine and plant located in the Republic of South Africa. Prior to disposal both subsidiaries were included in the steel segment.

The Group recognised a $2 million gain on sale of the subsidiary, including $(3) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $12 million.

13. Other Non-current Assets

Other non-current assets consisted of the following as of 31 December:

Non-current Financial Assets

US$ million	**2018**	2017	2016
Financial assets measured at fair value through other comprehensive income	**$ –**	$ 33	$ 3
Hedging instruments (Note 25)	**–**	4	–
Restricted deposits	**6**	6	11
Receivables from related parties	**1**	8	–
Loans receivable	**1**	20	21
Trade and other receivables	**17**	23	4
Other	**66**	57	52
	$ 91	$ 151	$ 91

Other Non-current Assets

US$ million	**2018**	2017	2016
Safety stock inventories	**$ 24**	$ 28	$ 24
Defined benefit asset (Note 23)	**3**	–	–
Income tax receivable	**8**	2	7
Input VAT	**1**	1	2
Other	**8**	8	12
	$ 44	$ 39	$ 45

Financial Assets Measured at Fair Value Through Other Comprehensive Income

At 31 December 2017 the Group held approximately 15% in Delong Holdings Limited ("Delong"), a flat steel producer headquartered in Beijing (China). At that date the investments in Delong were classified as available-for-sale and measured at fair value based on market quotations of the Singapore Exchange. At 31 December 2017, the carrying value of these investments amounted to $33 million, including a $30 million increase in the fair value recognised in other comprehensive income in 2017. At 31 December 2017, the carrying value was $3 million.

At 1 January 2018, the Group irrevocably designated these investments as measured at fair value through other comprehensive income. For such financial instruments all subsequent changes in fair value are reported in other comprehensive income, no impairment losses are recognised in profit or loss and no gains or losses are recycled to profit or loss upon derecognition.

13. Other Non-current Assets (continued)

Financial Assets Measured at Fair Value Through Other Comprehensive Income (continued)

In June 2018, the Group sold its ownership interest in Delong to the major shareholder of the entity for cash consideration of $92 million. According to the agreement, if within 12 months from the completion date the purchaser makes an offer to acquire all the remaining shares of Delong on the open market, the Group will be entitled to an additional consideration in the amount of excess of the offer price over $5.283 per share. This additional consideration has not been recognised, as the Group considers such event to be very unlikely.

Market value of the equity instruments at the date of sale was $71 million. Total gain, comprising the change in market value until the sale and the excess of the sale price over the market value of the investments at the sale date, amounting to $59 million was recognised in other comprehensive income. Upon sale the Group transferred the realised gains accumulated in other comprehensive income ($89 million) to accumulated profits.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	**2018**	2017	2016
Raw materials and spare parts	**$ 737**	$ 548	$ 434
Work-in-progress	**292**	245	173
Finished goods	**445**	405	377
	$ 1,474	$ 1,198	$ 984

As of 31 December 2018, 2017 and 2016, the net realisable value allowance was $34 million, $40 million and $34 million, respectively.

As of 31 December 2018, 2017 and 2016, certain items of inventory with an approximate carrying amount of $629 million, $438 million and $315 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	**2018**	2017	2016
Trade accounts receivable	**$ 806**	$ 722	$ 518
Other receivables	**71**	63	31
	877	785	549
Allowance for expected credit losses	**(42)**	(54)	(47)
	$ 835	$ 731	$ 502

Ageing analysis and movement in allowance for expected credit losses 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 torelated parties		
US$ million	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Loans						
Timir (Note 11)	**$ 7**	$ –	$ 7	**$ –**	$ –	$ –
Dividends receivable						
Yuzhny GOK	**4**	6	–	**–**	–	–
Trade balances						
Nakhodka Trade Sea Port	**–**	–	–	**10**	6	–
Vtorresource-Pererabotka	**–**	2	1	**95**	52	39
Yuzhny GOK	**–**	4	–	**15**	195	185
Other entities	**–**	–	–	**2**	3	2
	11	12	8	**122**	256	226
Less: allowance for expected credit losses	**–**	–	–	**–**	–	–
	$ 11	$ 12	$ 8	**$ 122**	$ 256	$ 226

At 31 December 2017, the loan receivable from Timir (Note 11) amounting to $8 million, was classified as a non-current financial asset (Note 13).

In 2016–2018, the Group did not recognise any expense or income in relation to the expected credit losses of related parties.

Transactions with related parties were as follows for the years ended 31 December:

	Sales to related parties			Purchases from related parties		
US$ million	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Genalta Recycling Inc.	**$ –**	$ –	$ –	**$ 15**	$ 14	$ 8
Interlock Security Services	**–**	–	–	**3**	11	19
Nakhodka Trade Sea Port	**–**	–	–	**73**	36	–
Vtorresource-Pererabotka	**6**	8	7	**569**	452	281
Yuzhny GOK	**32**	37	25	**104**	107	77
Other entities	**1**	–	–	**1**	1	11
	$ 39	$ 45	$ 32	**$ 765**	$ 621	$ 396

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 11, 12, 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. In August-September 2016, the main businesses of this group were sold by a key person to third parties and they ceased to be related parties to the Group.

Lanebrook Limited ("Lanebrook") was a controlling shareholder of the Company. After the transfer of ownership interests in EVRAZ plc to the shareholders of Lanebrook (Note 1), it represents an entity under common control by the shareholder. At 31 December 2018, the Group had other receivables from Lanebrook, amounting to $32 million, in connection with the acquisition of a 1% ownership interest in Yuzhny GOK in 2008 (Note 18).

16. Related Party Disclosures (continued)

Nakhodka Trade Sea Port ("NTSP") was the Group's subsidiary sold in 2017 (Note 12) and is an entity under common control with the Group. NTSP renders handling services to the Group.

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 2018, 2017 and 2016, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $494 million (1,821,380 tonnes), $422 million (1,601,320 tonnes) and $256 million (1,437,411 tonnes), respectively.

Yuzhny GOK, an ore mining and processing plant, is an associate of an entity, which is under common control with one of the major shareholders of EVRAZ plc. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2018, 2017 and 2016, the volume of purchases was 1,344,277 tonnes, 1,639,306 tonnes and 1,619,745 tonnes, respectively. In 2018 and 2017, the Group recognised dividend income from Yuzhny GOK in the amount of $4 million and $6 million, respectively, within the other non-operating gains/(losses) caption in the consolidated statement of operations. The dividends declared by Yuzhny GOK in 2017 were received in 2018, the rest was unpaid at 31 December 2018.

The transactions with related parties were based on prevailing market terms.

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:
- directors of the Company,
- vice presidents,
- senior management of major subsidiaries.

In 2018, 2017 and 2016, key management personnel totalled 32, 30 and 34 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	**2018**	**2017**	**2016**
Salary	**$ 14**	$ 15	$ 14
Performance bonuses	**13**	14	9
Social security taxes	**4**	3	3
Share-based payments (Note 21)	**8**	9	8
Termination benefits	**–**	1	–
	$ 39	$ 42	$ 34

Other disclosures on directors' remuneration required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) regulations 2008 are included in the Directors' Remuneration Report.

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of 31 December:

US$ million	2018	2017	2016
Input VAT	**$ 78**	$ 140	$ 89
Other taxes	**123**	85	103
	$ 201	$ 225	$ 192

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	2018	2017	2016
Other receivables from Lanebrook (Note 16)	**$ 32**	$ 32	$ 32
Restricted deposits at banks	**3**	15	1
	$ 35	$ 47	$ 33

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	2018	2017	2016
Euro	**$ 540**	$ 31	$ 14
US dollar	**273**	1,253	1,058
Russian rouble	**215**	163	71
Ukrainian hryvnia	**24**	7	2
Other	**15**	12	12
	$ 1,067	$ 1,466	$ 1,157

At 31 December 2018, 2017 and 2016, the assets of disposal groups classified as held for sale included cash amounting to $Nil, $Nil and $2 million, respectively.

20. Equity

Share Capital

	31 December		
Number of shares	2018	2017	2016
Ordinary shares, issued and fully paid	**1,506,527,294**	1,506,527,294	1,506,527,294

On 10 July 2018, EVRAZ plc reduced the nominal value of its shares from $1 to $0.05 each. The amount of the cancelled share capital ($1,432 million) became distributable reserves.

Treasury Shares

	31 December		
	2018	2017	2016
Number of treasury shares	**63,177,187**	74,474,663	87,015,878

On 31 March 2015, the Board resolved to announce a return of capital to be effected by a tender offer to shareholders at $3.10 per share in the amount of up to $375 million. In April 2015, EVRAZ plc repurchased 108,458,508 of its own shares ($336 million). The Company incurred $3 million of transaction costs, which were charged to accumulated profits.

Subsequently, in 2018, 2017 and 2016, 11,297,476 shares, 12,541,215 shares and 11,465,371 shares, respectively, were transferred to the participants of Incentive Plans. The cost of treasury shares transferred to the participants of Incentive Plans, amounted to $35 million, $39 million and $35 million in 2018, 2017 and 2016, respectively.

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:

	2018	2017	2016
Weighted average number of ordinary shares outstanding during the period	**1,439,326,349**	1,427,585,897	1,414,906,412
Effect of dilution: share options	**19,462,750**	26,974,433	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,458,789,099**	1,454,560,330	1,414,906,412
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$ 2,406**	$ 699	$ (215)
Basic earnings/(losses) per share	**$ 1.67**	$ 0.49	$ (0.15)
Diluted earnings/(losses) per share	**$ 1.65**	$ 0.48	$ (0.15)

In 2016, share-based awards (Note 21) were antidilutive as the Group reported net losses.

20. Equity (continued)

Dividends

Dividends declared by EVRAZ plc during 2016–2018 were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Interim for 2017	09/08/2017	18/08/2017	430	0.30
Second Interim for 2017	28/02/2018	09/03/2018	429.6	0.30
Interim for 2018	24/05/2018	08/06/2018	187.6	0.13
Second Interim for 2018	08/08/2018	17/08/2018	577.3	0.40
Third Interim for 2018	15/11/2018	23/11/2018	361	0.25

21. Share-based Payments

In 2016-2018, the Group had several Incentive Plans under which certain senior executives and employees ("participants") could be gifted shares of the parent company upon vesting. These plans were adopted on 24 September 2013, 8 August 2014, 26 October 2015, 15 September 2016, 25 September 2017 and 26 September 2018.

The vesting under Incentive Plans adopted before 2017 does not depend on the achievement of any performance conditions. The new Plans adopted in 2017 and 2018 provide that the number of shares transferred to participants upon vesting is dependent on the Group's performance versus the selected group of peers. EBITDA and total shareholder return ("TSR") are used as the key performance indicators. If the Group's EBITDA achieves a specific ranking in the peer group, then 50% of the shares of a particular tranche become vested, otherwise they are forfeited. If the Group's TSR achieves a specific ranking in the peer group, then the other 50% of the shares of a particular tranche become vested, otherwise they are forfeited. Subject to the resolution of the Remuneration Committee, EBITDA can become the only metric in the performance evaluation (in case if the net debt to EBITDA ratio is equal to 3 or higher). The TSR-related vesting condition of the Incentive Plans 2017 and 2018 was considered by the Group as a market condition. As such, it was included in the estimation of the fair value of the granted shares and will not be subsequently revised. Vesting condition related to EBITDA was not taken into account when estimating the fair value of the share options at the grant date. Instead, this will be taken into account by adjusting the share-based expense based on the number of share options that eventually vest.

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 2018 are presented below:

Number of Shares of EVRAZ plc	Total	Incentive Plan 2018	Incentive Plan 2017	Incentive Plan 2016	Incentive Plan 2015
March 2019	8,562,791	628,747	1,345,901	2,640,256	3,947,887
March 2020	5,287,949	628,747	2,018,840	2,640,362	–
March 2021	2,961,995	943,129	2,018,866	–	–
March 2022	943,242	943,242	–	–	–
	17,755,977	**3,143,865**	**5,383,607**	**5,280,618**	**3,947,887**

The plans are administered 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 2016–2018.

21. Share-based Payments (continued)

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 2018, 2017 and 2016 was $5.27, $2.54 and $1.73 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 the parent company reduced by the present value of dividends expected to be paid during the vesting period. The following inputs, including assumptions, were used in the valuation of Incentive plans, which were effective during 2016-2018:

	Incentive Plan 2018	Incentive Plan 2017	Incentive Plan 2016	Incentive Plan 2015	Incentive Plan 2014	Incentive Plan 2013
Dividend yield (%)	1.8 – 2.3	2.1 – 2.9	n/a	7.3 – 9.1	3.6 – 4.8	4.0 – 8.8
Expected life (years)	0.5 – 3.5	0.5 – 3.5	0.5 – 3.5	0.6 – 3.6	0.6 – 3.6	0.6 – 3.6
Market prices of the shares of EVRAZ plc at the grant dates	$7.36	$3.86	$1.73	$1.36	$1.68	$2.13

The following table illustrates the number of, and movements in, share-based awards during the years.

	2018	2017	2016
Outstanding at 1 January	**27,912,610**	34,581,349	43,767,553
Granted during the year	**3,143,865**	7,361,166	10,383,528
Forfeited during the year	**(2,003,022)**	(1,488,690)	(8,104,361)
Vested during the year	**(11,297,476)**	(12,541,215)	(11,465,371)
Outstanding at 31 December	**17,755,977**	27,912,610	34,581,349

The weighted average share price at the dates of exercise was $6.82, $2.62 and $1.78 in 2018, 2017 and 2016, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2018, 2017 and 2016 was 1, 1.2 and 1.2 years, respectively.

In the years ended 31 December 2018, 2017 and 2016, the expense arising from the equity-settled share-based compensations was as follows:

US$ million	2018	2017	2016
Expense arising from equity-settled share-based payment transactions	**$ 15**	$ 17	$ 16

22. Loans and Borrowings

Short-term and long-term loans and borrowings were as follows as of 31 December:

US$ million	**2018**	**Non-current**	**Current**	**2017**	**Non-current**	**Current**	**2016**	**Non-current**	**Current**
Bank loans	**$ 1,370**	**$ 1,290**	**$ 80**	$ 2,113	$ 2,051	$ 62	$ 2,067	$ 1,799	$ 268
US dollar-denominated									
7.75% bonds due 2017	**–**	**–**	**–**	–	–	–	26	–	26
9.5% notes due 2018	**–**	**–**	**–**	–	–	–	125	125	–
6.75% notes due 2018	**–**	**–**	**–**	–	–	–	528	528	–
7.5% senior secured notes due 2019	**–**	**–**	**–**	–	–	–	350	350	–
6.50% notes due 2020	**700**	**700**	**–**	700	700	–	1,000	1,000	–
8.25% notes due 2021	**750**	**750**	**–**	750	750	–	750	750	–
6.75% notes due 2022	**500**	**500**	**–**	500	500	–	500	500	–
5.375% notes due 2023	**750**	**750**	**–**	750	750	–	–	–	–
Rouble-denominated									
12.95% rouble bonds due 2019	**216**	**–**	**216**	260	260	–	247	247	–
12.60% rouble bonds due 2021	**216**	**216**	**–**	260	260	–	247	247	–
Fair value adjustment to liabilities assumed in business combination	**–**	**–**	**–**	–	–	–	1	–	1
Unamortised debt issue costs	**(20)**	**(20)**	**–**	(28)	(28)	–	(44)	(44)	–
Interest payable	**81**	**–**	**81**	86	–	86	97	–	97
	$ 4,563	**$ 4,186**	**$ 377**	$ 5,391	$ 5,243	$ 148	$ 5,894	$ 5,502	$ 392

The average effective annual interest rates were as follows at 31 December:

	Long-term borrowings			**Short-term borrowings**		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**
US dollar	**6.13%**	6.00%	6.85%	**–**	1.85%	3.31%
Russian rouble	**12.84%**	12.78%	12.71%	**–**	–	–
Euro	**3.47%**	3.77%	3.94%	**0.74%**	–	–
Canadian dollars	**3.87%**	3.29%	2.88%	**–**	–	–

The liabilities are denominated in the following currencies at 31 December:

US$ million	**2018**	**2017**	**2016**
US dollar	**$ 3,758**	$ 4,604	$ 4,911
Russian rouble	**440**	530	809
Euro	**238**	242	217
Canadian dollars	**144**	43	1
Other	**3**	–	–
Unamortised debt issue costs	**(20)**	(28)	(44)
	$ 4,563	$ 5,391	$ 5,894

22. Loans and Borrowings (continued)

The movement in loans and borrowings were as follows:

US$ million	**2018**	**2017**	**2016**
1 January	**$ 5,391**	$ 5,894	$ 6,347
Cash changes:			
Cash proceeds from bank loans and notes, net of debt issues costs	**1,412**	2,441	1,301
Repayment of bank loans and notes, including interest	**(2,459)**	(3,344)	(2,428)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**–**	(139)	(5)
Payments under covenants reset	**–**	–	(4)
Non-cash changes:			
Change in the balance of debt issues costs paid in subsequent reporting period	**–**	(1)	7
Non-cash proceeds (Note 29)	**6**	8	46
Interest and other charges expensed (Note 7)	**322**	394	439
Interest capitalised (Note 9)	**1**	6	9
Accrual of premiums and other charges on early repayment of borrowings (Note 7)	**1**	78	50
Transfer to disposal groups held for sale	**–**	(6)	–
Effect of exchange rate changes	**(111)**	60	132
31 December	**$ 4,563**	$ 5,391	$ 5,894

Pledged Assets

At 31 December 2016, a 100% ownership interest in EVRAZ Inc NA and 51% in EVRAZ Inc NA Canada were pledged against a $350 million liability under 7.5% senior secured notes due 2019. In addition, at 31 December 2016, property, plant and equipment and inventory of these subsidiaries amounting to $1,013 million and $315 million, respectively, were pledged as collateral under the notes. In 2017, these notes were fully repaid *(Repurchase of Notes and Bonds)*.

The Group's pledged assets at carrying value included the following at 31 December:

US$ million	**2018**	**2017**	**2016**
Property, plant and equipment	**$ 67**	$ 66	$ 1,013
Inventory	**629**	438	315

22. Loans and Borrowings (continued)

Issue of Notes and Bonds

In March 2017, the Group issued 5.375% notes due 2023 in the amount of $750 million. The proceeds from the issue of the notes were used to finance the purchase of 9.50% notes due 2018, 6.75% notes due 2018 and 6.50% bonds due 2020 at the tender offers settled in March 2017 and to refinance other current indebtedness of the Group.

In June 2016, the Group issued 6.75% notes due 2022 in the amount of $500 million. The proceeds from the issue of the notes were used to finance the purchase of 7.40% notes due 2017, 9.50% notes due 2018, 6.75% notes due 2018 and 7.75% bonds due 2017 at the tender offer settled on 17 June 2016 and to refinance other current indebtedness of the Group.

In March 2016, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($247 million at 31 December 2016), which bear interest of 12.60% per annum and mature on 23 March 2021. The currency risk exposure of these bonds was not hedged.

Repurchase of Rouble-Denominated Bonds

In 2016, the Group fully settled its 8.40% rouble bonds due 2016, there was no gain or loss on this transaction.

Repurchase of US Dollar-Denominated Notes

In 2017, the Group partially repurchased 9.50% notes due 2018 ($125 million), 6.75% notes due 2018 ($528 million) and 6.50% bonds due 2020 ($300 million). The premium over the carrying value on the repurchase and other costs relating to the transaction in the total amount of $8 million, $23 million and $23 million, respectively, were charged to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In 2017, the Group also fully settled $350 million under 7.5% senior secured notes due 2019. Loss on this transaction amounted to $17 million, including $13 million of premium.

In addition, the Group fully settled its 7.75% bonds due 2017 issued by Raspadskaya ($26 million), there was no gain or loss on this transaction. Previously, in 2015, the Group repurchased through a tender offer and market transactions $206 million at par. The difference between the carrying value of these bonds and the purchase consideration amounting to $7 million was credited to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In 2016, the Group partially repurchased 9.50% notes due 2018 ($228 million), 6.75% notes due 2018 ($268 million) and 7.75% bonds due 2017 ($160 million). The premium over carrying value on the repurchase in the amount of $20 million, $7 million and $5 million, respectively, was charged to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In 2016, the Group fully repurchased 7.40% notes due 2017 ($286 million) paying a premium over the carrying value of $14 million.

22. Loans and Borrowings (continued)

Compliance with Financial Covenants

Some of the loan agreements and terms and conditions of notes provide for certain covenants in respect of EVRAZ plc and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability. EBITDA used for covenants compliance calculations is determined based on the definitions of the respective loan agreements and may differ from that used by management for evaluation of performance.

Several bank credit facilities totalling $1,061 million contain certain financial maintenance covenants. These covenants require EVRAZ plc to maintain two key ratios, consolidated net indebtedness to 12month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits. A breach of one or both of these ratios or excess of the indebtedness limit would constitute an event of default under the facility which in turn may trigger cross default events under other debt instruments of the Group. The terms of certain facilities also set certain limitations on acquisitions and disposals by EVRAZ plc.

Notes due 2020, 2021, 2022 and 2023, totalling $2,700 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 of 3.5 times 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. As of 31 December 2018, gross leverage ratio for Evraz Group S.A. was below 3.5.

Several bank credit facilities totalling $293 million provide for certain covenants restricting the incurrence of indebtedness by Evraz North America plc and its subsidiaries conditional on a fixed charge ratio. Once the threshold for the ratio is exceeded, it triggers restrictions on incurrence of additional indebtedness by Evraz North America plc and its subsidiaries.

The incurrence covenants are in line with the Group's financial strategy and, therefore, do not constitute any excessive restriction on its operations.

During 2018 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	**2018**	**2017**	**2016**
Committed	**$ 377**	$ 131	$ 187
Uncommitted	**1,434**	1,251	883
Total unutilised borrowing facilities	**$ 1,811**	$ 1,382	$ 1,070

23. Employee Benefits

Russian Plans

Certain Russian subsidiaries of the Group provide regular lifetime pension payments and lump-sum amounts payable at retirement date. These benefits generally depend on years of service, level of remuneration and amount of pension payment under the collective bargaining agreements. Other post-employment benefits consist of various compensations and certain non-cash benefits. The Group funds the benefits when the amounts of benefits fall due for payment.

In addition, some subsidiaries have defined benefit plans under which contributions are made to a separately administered non-state pension fund. The Group matches 100% of the employees' contributions to the fund up to 4% of their monthly salary. The Group's contributions become payable at the participants' retirement dates. At the end of the reporting year the benefit obligation was valued based on the terms of the pension plan assuming that all defined benefit plan participants will continue to participate in the plan.

Defined contribution plans represent payments made by the Group to the Russian state pension, social insurance and medical insurance funds at the statutory rates in force, based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits.

In October 2018, the Russian pension law was amended introducing a higher retirement age from 1 January 2019. During 2019 – 2023 the retirement age will be gradually increased for women from 55 to 60 and for men from 60 to 65. The Group has accounted for these amendments, when measuring the post-employment benefit obligations as of 31 December 2018 and has recorded the resulting decrease in the obligations in the amount of $2 million as a part of past service costs.

Ukrainian Plans

The Ukrainian companies make regular contributions to the State Pension Fund thereby compensating 100% of preferential pensions paid by the fund to employees who worked under harmful and hard conditions. The amount of such pension depends on years of service and salary. In addition, employees receive lump-sum payments on retirement and other benefits under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

The Ukrainian pension legislation provides for annual indexation of pensions, at least up to the level of CPI. Starting from 2018 the minimum annual indexation of pensions, which takes into account 50% of CPI and 50% of salary growth, becomes obligatory.The indexation of pensions at a level higher than minimally required depends on the availability of financial resources in the State pension fund. The Group's Ukrainian subsidiaries were obliged to pay indexed preferential pensions. The Group determined the amount of defined benefit obligations based on the assumption that pensions will be indexed at a minimum required level.

23. Employee Benefits (continued)

US and Canadian Plans

The Group's subsidiaries in the USA and Canada have defined benefit pension plans that cover specified eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. The subsidiaries also have U.S. and Canadian supplemental retirement plans ("SERP's"), which are non-qualified plans designed to maintain benefits for eligible employees at the plan formula level. The subsidiaries provide other unfunded post-retirement medical and life insurance plans ("OPEB's") for certain of their eligible employees upon retirement after completion of a specified number of years of service. For the pension plans, SERP's and OPEB's, the subsidiaries use a measurement date for plan assets and obligations of 31 December.

Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit pension plans. Those employees are instead enrolled in defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 3–7% of annual wages, including applicable bonuses. The defined contribution plans are funded throughout the year and, depending on their work location, participants' benefits vesting dates range from immediate to after three years of service. In addition, the subsidiaries have defined contribution plans available for eligible U.S. and Canadian-based employees in which the subsidiaries generally match a percentage of the participants' contributions.

Some Canadian employees participate in a retirement savings plan. For these employees, the participation may be voluntary, employee contributions are matched by the employer at 1-3% of annual wages, including applicable bonuses, and depending on the group of employees, are funded either annually or throughout the year.

Other Plans

Defined benefit pension plans and defined contribution plans are maintained by the subsidiaries located in Europe.

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

US$ million	**2018**	**2017**	**2016**
Expense under defined contribution plans	**$ 245**	$ 246	$ 212

Defined Benefit Plans

The Russian, Ukrainian and other defined benefit plans are mostly unfunded and the US and Canadian plans are partially funded.

Except as disclosed above, in 2018 there were no significant plan amendments, curtailments or settlements.

The Group's defined benefit plans are exposed to the risks of unexpected growth in benefit payments as a result of increases in life expectancy, inflation, and salaries. As the plan assets include significant investments in quoted and unquoted equity shares, corporate and government bonds and notes, the Group is also exposed to equity market risk.

23. Employee Benefits (continued)

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2018, 2017 and 2016 and amounts recognised in the consolidated statement of financial position as of 31 December 2018, 2017 and 2016 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 2018

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (2)	$ –	$ (19)	$ –	$ (21)
Net interest expense	(8)	–	(5)	–	(13)
Net actuarial gains/(losses) on other long-term employee benefits obligation	(1)	–	–	–	(1)
Past service cost	–	–	(1)	–	(1)
Curtailment/settlement gain	1	–	–	–	1
Other	–	–	(3)	–	(3)
Net benefit expense	$ (10)	$ –	$ (28)	$ –	$ (38)

Year ended 31 December 2017

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (2)	$ (1)	$ (18)	$ –	$ (21)
Net interest expense	(9)	(4)	(6)	–	(19)
Net actuarial gains/(losses) on other long-term employee benefits obligation	2	–	–	–	2
Past service cost	(3)	3	(3)	–	(3)
Curtailment/settlement gain	–	–	2	–	2
Other	–	–	(3)	–	(3)
Net benefit expense	$ (12)	$ (2)	$ (28)	$ –	$ (42)

Year ended 31 December 2016

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (2)	$ (2)	$ (19)	$ –	$ (23)
Net interest expense	(9)	(5)	(8)	–	(22)
Net actuarial gains/(losses) on other long-term employee benefits obligation	1	–	–	–	1
Past service cost	(1)	1	–	–	–
Curtailment/settlement gain	1	–	–	–	1
Net benefit expense	$ (10)	$ (6)	$ (27)	$ –	$ (43)

23. Employee Benefits (continued)

Gains/(losses) recognised in other comprehensive income

Year ended 31 December 2018

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ (30)	$ –	$ (30)
Net actuarial gains/(losses) on post-employment benefit obligation	2	–	56	–	58
	$ 2	$ –	$ 26	$ –	$ 28

Year ended 31 December 2017

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ 48	$ –	$ 48
Net actuarial gains/(losses) on post-employment benefit obligation	6	(4)	(23)	–	(21)
	$ 6	$ (4)	$ 25	$ –	$ 27

In addition to the amounts presented in the table above, actuarial gains/(losses) recognised in other comprehensive income include $(1) million relating to a subsidiary classified as a disposal group held for sale.

Year ended 31 December 2016

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ (1)	$ –	$ 7	$ –	$ 6
Net actuarial gains/(losses) on post-employment benefit obligation	3	8	(6)	–	5
	$ 2	$ 8	$ 1	$ –	$ 11

23. Employee Benefits (continued)

Actual return on plan assets was as follows:

US$ million	2018	2017	2016
Actual return on plan assets	**$ (10)**	$ 66	$ 25
including:			
US & Canadian plans	**(10)**	66	26
Russian plans	**–**	–	(1)

Net defined benefit liability

31 December 2018

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	**$ 91**	**$ –**	**$ 687**	**$ –**	**$ 778**
Plan assets	**–**	**–**	**(555)**	**–**	**(555)**
Net defined benefit asset	**–**	**–**	**3**	**–**	**3**
Net defined benefit liability	**91**	**–**	**135**	**–**	**226**

31 December 2017

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 111	$ 19	$ 765	$ –	$ 895
Plan assets	–	–	(611)	–	(611)
	111	19	154	–	284

31 December 2016

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 108	$ 31	$ 711	$ 2	$ 852
Plan assets	–	–	(535)	–	(535)
	108	31	176	2	317

23. Employee Benefits (continued)

Movements in net defined benefit liability/(asset)

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2015	**$ 89**	**$ 45**	**$ 165**	**$ 2**	**$ 301**
Net benefit expense recognised in the statement of operations	10	6	27	–	43
Contributions by employer	(7)	(3)	(17)	–	(27)
(Gains)/losses recognised in other comprehensive income	(2)	(8)	(1)	–	(11)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(4)	–	–	(4)
Translation difference	18	(5)	2	–	15
At 31 December 2016	**$ 108**	**$ 31**	**$ 176**	**$ 2**	**$ 317**
Net benefit expense recognised in the statement of operations	12	2	28	–	42
Contributions by employer	(8)	(2)	(27)	–	(37)
(Gains)/losses recognised in other comprehensive income	(6)	4	(25)	–	(27)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(16)	–	(2)	(18)
Translation difference	5	–	2	–	7
At 31 December 2017	**$ 111**	**$ 19**	**$ 154**	**$ –**	**$ 284**
Net benefit expense recognised in the statement of operations	10	–	28	–	38
Contributions by employer	(8)	–	(24)	–	(32)
(Gains)/losses recognised in other comprehensive income	(2)	–	(26)	–	(28)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(20)	–	–	(20)
Translation difference	(20)	1	–	–	(19)
At 31 December 2018	**$ 91**	**$ –**	**$ 132**	**$ –**	**$ 223**

23. Employee Benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2015	**$ 90**	**$ 45**	**$ 691**	**$ 2**	**$ 828**
Interest cost on benefit obligation	9	5	27	–	41
Current service cost	2	2	19	–	23
Past service cost	1	(1)	–	–	–
Benefits paid	(7)	(3)	(43)	–	(53)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	–	(10)	–	(10)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(1)	(6)	14	–	7
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(3)	(2)	2	–	(3)
Curtailment/settlement gain	(1)	–	–	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(4)	–	–	(4)
Translation difference	18	(5)	11	–	24
At 31 December 2016	**$ 108**	**$ 31**	**$ 711**	**$ 2**	**$ 852**
Interest cost on benefit obligation	9	4	24	–	37
Current service cost	2	1	18	–	21
Past service cost	3	(3)	3	–	3
Benefits paid	(8)	(2)	(37)	–	(47)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	–	(19)	–	(19)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(11)	4	48	–	41
Actuarial (gains)/losses on benefit obligation related to experience adjustments	3	–	(6)	–	(3)
Curtailment/settlement gain	–	–	(2)	–	(2)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(16)	–	(2)	(18)
Translation difference	5	–	25	–	30
At 31 December 2017	**$ 111**	**$ 19**	**$ 765**	**$ –**	**$ 895**
Interest cost on benefit obligation	8	–	25	–	33
Current service cost	2	–	19	–	21
Past service cost	–	–	1	–	1
Benefits paid	(8)	–	(36)	–	(44)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	–	(7)	–	(7)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(6)	–	(49)	–	(55)
Actuarial (gains)/losses on benefit obligation related to experience adjustments	5	–	–	–	5
Curtailment/settlement gain	(1)	–	–	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(20)	–	–	(20)
Translation difference	(20)	1	(31)	–	(50)
At 31 December 2018	**$ 91**	**$ –**	**$ 687**	**$ –**	**$ 778**

23. Employee Benefits (continued)

The weighted average duration of the defined benefit obligation was as follows:

Years	2018	2017	2016
Russian plans	**9.82**	10.11	11.21
Ukrainian plans	**8.00**	8.00	8.26
US & Canadian plans	**13.48**	13.09	13.79
Other plans	**7.46**	7.46	9.12

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2015	**$ 1**	**$ –**	**$ 526**	**$ –**	**$ 527**
Interest income on plan assets	–	–	19	–	19
Return on plan assets (excluding amounts included in net interest expense)	(1)	–	7	–	6
Contributions of employer	7	3	17	–	27
Benefits paid	(7)	(3)	(43)	–	(53)
Translation difference	–	–	9	–	9
At 31 December 2016	**$ –**	**$ –**	**$ 535**	**$ –**	**$ 535**
Interest income on plan assets	–	–	18	–	18
Return on plan assets (excluding amounts included in net interest expense)	–	–	48	–	48
Contributions of employer	8	2	27	–	37
Benefits paid	(8)	(2)	(37)	–	(47)
Other	–	–	(3)	–	(3)
Translation difference	–	–	23	–	23
At 31 December 2017	**$ –**	**$ –**	**$ 611**	**$ –**	**$ 611**
Interest income on plan assets	–	–	20	–	20
Return on plan assets (excluding amounts included in net interest expense)	–	–	(30)	–	(30)
Contributions of employer	8	–	24	–	32
Benefits paid	(8)	–	(36)	–	(44)
Other	–	–	(3)	–	(3)
Translation difference	–	–	(31)	–	(31)
At 31 December 2018	**$ –**	**$ –**	**$ 555**	**$ –**	**$ 555**

The amount of contributions expected to be paid to the defined benefit plans during 2019 approximates $41 million.

The major categories of plan assets as a percentage of total plan assets were as follows at 31 December:

	2018		2017		2016	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:						
Equity funds and investment trusts	**51%**	**35%**	47%	39%	45%	40%
Corporate bonds and notes	**12%**	**–**	12%	–	13%	–
Property	**–**	**–**	–	–	–	–
Cash	**2%**	**–**	2%	–	2%	–
	65%	**35%**	61%	39%	60%	40%

23. Employee Benefits (continued)

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2018			2017				2016			
	Russian plans	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	**8.6%**	**3.3-4.3%**	**3%**	7.6%	11.6%	3.6-4.0%	3%	8.2%	17.5%	3.9-4.2%	2.8-9.1%
Future benefits increases	**5%-9%**	**–**	**3%**	5%	6%	–	3%	7%	11%	–	3%
Future salary increase	**5%-9%**	**3%**	**–**	5%	6%	3%	–	7%	11%	3%	–
Average life expectation, male, years	**69**	**86**	**81**	69	65	85-87	81	69	66	86-87	77-81
Average life expectation, female, years	**79**	**88-89**	**87**	79	75	88-89	87	79	76	89	77-87
Healthcare costs increase rate	**–**	**5-7%**	**–**	–	–	6.7%	–	–	–	5-7%	8.6%

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 2018, US$ million			Impact on the defined benefit obligation at 31 December 2017, US$ million				Impact on the defined benefit obligation at 31 December 2016, US$ million			
	Reasonable change in assumption	**Russian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	10%	**$(7)**	**$(38)**	**$–**	$(7)	$(2)	$(37)	$–	$(8)	$(4)	$(41)	$–
	(10%)	**8**	**40**	**–**	8	2	40	–	10	5	44	–
Future benefits increases	10%	**5**	**–**	**–**	5	–	–	–	7	1	–	–
	(10%)	**(4)**	**–**	**–**	(4)	–	–	–	(7)	(1)	–	–
Future salary increase	10%	**1**	**1**	**–**	–	1	1	–	1	1	1	–
	(10%)	**(1)**	**(1)**	**–**	–	(1)	(1)	–	(1)	(1)	(1)	–
Average life expectation, male, years	1	**–**	**11**	**–**	1	–	12	–	1	–	13	–
	(1)	**(2)**	**(11)**	**–**	(1)	–	(12)	–	(1)	–	(13)	–
Average life expectation, female, years	1	**–**	**6**	**–**	1	–	6	–	1	–	5	–
	(1)	**(2)**	**(6)**	**–**	(1)	–	(6)	–	(1)	–	(5)	–
Healthcare costs increase rate	10%	**–**	**1**	**–**	–	–	1	–	–	–	1	–
	(10%)	**–**	**(1)**	**–**	–	–	(1)	–	–	–	(1)	–

24. Provisions

At 31 December the provisions were as follows:

	2018		2017		2016	
US$ million	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Site restoration and decommissioning costs	**$ 221**	**$ 23**	$ 260	$ 29	$ 204	$ 20
Other provisions	**1**	**12**	9	3	1	6
	$ 222	**$ 35**	$ 269	$ 32	$ 205	$ 26

In the years ended 31 December 2018, 2017 and 2016, the movement in provisions was as follows:

US$ million	**Site restoration and decommissioning costs**	**Other provisions**	**Total**
At 31 December 2015	**$ 165**	**$ 4**	**$ 169**
Additional provisions	15	13	28
Increase from passage of time	14	–	14
Effect of change in the discount rate	17	–	17
Effect of changes in estimated costs and timing	5	–	5
Utilised in the year	(9)	(6)	(15)
Unused amounts reversed	(9)	(4)	(13)
Translation difference	26	–	26
At 31 December 2016	**$ 224**	**$ 7**	**$ 231**
Additional provisions	11	14	25
Increase from passage of time	16	–	16
Effect of change in the discount rate	33	–	33
Effect of changes in estimated costs and timing	15	–	15
Utilised in the year	(11)	(5)	(16)
Unused amounts reversed	(1)	(4)	(5)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(9)	–	(9)
Translation difference	11	–	11
At 31 December 2017	**$ 289**	**$ 12**	**$ 301**
Additional provisions	4	14	18
Increase from passage of time	16	–	16
Effect of change in the discount rate	(38)	–	(38)
Effect of changes in estimated costs and timing	29	–	29
Utilised in the year	(13)	(12)	(25)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	(1)
Translation difference	(42)	(1)	(43)
At 31 December 2018	**$ 244**	**$ 13**	**$ 257**

24. Provisions (continued)

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The majority of costs are expected to be paid after 2061.

At 31 December the respective liabilities were measured based on estimates of restoration costs, which are expected to be incurred in the future discounted at the following annual rates:

	2018	2017	2016
Russia	**9%**	8%	9%
Ukraine	**13.2%**	13.2%	13.2%
USA	**3.0%**	2.2%	1.5%
Others	**4.7%**	5%	4.9-7.4%

25. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of 31 December:

US$ million	2018	2017	2016
Financial liabilities			
Derivatives not designated as hedging instruments	**$ 5**	$ –	$ –
Hedging instruments	**46**	3	22
Long-term trade and other payables	**30**	45	62
Long-term accounts payable to related parties	**2**	1	1
Finance lease liabilities	**6**	8	5
Dividends payable under cumulative preference shares of a subsidiary to a related party	**–**	–	18
	89	57	108
Less: current portion (Note 26)	**(68)**	(18)	(22)
	21	39	86
Non-financial liabilities			
Employee income participation plans and compensations	**6**	5	5
Tax liabilities	**8**	1	3
Other non-financial liabilities	**6**	11	4
	20	17	12
Less: current portion (Note 26)	**(3)**	(2)	(4)
	17	15	8
	$ 38	$ 54	$ 94

Derivatives Not Designated as Hedging Instruments

To manage the currency exposure on the rouble-denominated bonds, the Group partially economically hedged these transactions: in 2010-2013, the Group concluded currency and interest rate swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 3.06% to 8.90% per annum plus the US dollar notional amount, in exchange for rouble-denominated interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts, which were effective at 31 December 2016, are summarised in the table below.

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
8.40 per cent bonds due 2016	2011	20,000	19,996	711	4.45% – 4.60%

25. Other Long-Term Liabilities (continued)

Derivatives Not Designated as Hedging Instruments (continued)

In 2017, one of the swaps with a notional amount of $26 million did not meet the criteria for hedging and ceased to be classified as a hedging instrument. This swap was reclassified into Derivatives Not Designated as Hedging Instruments.

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US$ million	2018	2017	2016
Bonds principal	**$ 24**	$ 28	$ –
Hedged amount	**24**	28	–
Swap amount	**26**	26	–

These swap contracts were not designated as cash flow or fair value hedges or excluded from such hedging instruments due to hedge inefficiency. 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 2018, 2017 and 2016, a change in fair value of the derivatives of $(6) million, $2 million and $273 million, respectively, together with a realised gain/(loss) on the swap transactions, amounting to $2 million, $2 million and $(250) million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

In 2016, upon repayment of the 8.40% bonds, the related swap contracts matured.

In 2018, the Group concluded EUR/USD forward contracts, which were accounted for at fair value. The change in fair value of the derivatives $(2) million, together with a realised gain/(loss) on the currency forward transactions, amounting to $9 million, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

Hedging Instruments

In July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($216 million at 31 December 2018), which bear interest of 12.95% per annum and have the next put date on 26 June 2019. The Group used an intercompany loan to transfer the proceeds from the bonds within the Group. To manage the currency exposure, the Group entered into a series of cross currency swap contracts with several banks under which it agreed to deliver US-dollar denominated interest payments at rates ranging from 5.90% to 6.55% per annum plus the notional amount, totaling approximately $265 million, in exchange for rouble-denominated interest payments at the rate of 12.95% per annum plus notional, totaling 14,948 million roubles ($215 million at 31 December 2018).

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
12.95 per cent bonds due 2019	2015	15,000	13,310	239	5.90% – 6.55%

The Group accounted for these swap contracts as cash flow hedges. In 2017, one of these swap contracts with the notional amount of $26 million did not meet the criteria for efficiency and ceased to be classified as hedging instruments. In 2018, 2017 and 2016, the change in fair value of these derivatives amounted to $(44) million, $20 million and $37 million, respectively. The realised gain on the swap transactions amounting to $11 million, $14 million and $14 million, respectively, was related to the interest portion of the change in fair value of the swap.

25. Other Long-Term Liabilities (continued)

Hedging Instruments (continued)

Under IFRS the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge is recognised in other comprehensive income and the remaining loss on the hedging instrument is recorded through the statement of operations. In 2018, 2017 and 2016, the Group recognised a gain/(loss) in other comprehensive income amounting to $(3) million, $9 million and $Nil, respectively. Most of the swaps were assessed as effective. Those swaps, which ceased to be effective, were reclassified into Derivatives Not Designated as Hedging Instruments. In 2018, 2017 and 2016, $(41) million, $11 million and $37 million, respectively, were recorded in the Foreign exchange gains/(losses) caption in the consolidated statement of operations.

26. Trade and Other Payables

Trade and other payables consisted of the following as of 31 December:

US$ million	2018	2017	2016
Trade accounts payable	**$ 877**	$ 822	$ 664
Liabilities for purchases of property, plant and equipment, including VAT	**98**	89	73
Accrued payroll	**140**	158	134
Other payables	**30**	39	38
Other long-term obligations with current maturities (Note 25)	**71**	20	26
	$ 1,216	$ 1,128	$ 935

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	2018	2017	2016
VAT	**$ 124**	$ 129	$ 104
Social insurance taxes	**40**	42	39
Property tax	**10**	12	9
Land tax	**5**	6	4
Personal income tax	**6**	7	7
Import/export tariffs	**74**	–	–
Other taxes, fines and penalties	**7**	16	6
	$ 266	$ 212	$ 169

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 and euros, 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 2018, the major customers were Russian Railways (3.8% of total sales), Sibuglemet Trading (2.1%), Steel Asia Manufacturing Corporation (1.8%) and Treibacher Industrie AG (1.8%).

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 allowance for expected credit losses 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	2018	2017	2016
Restricted deposits at banks (Notes 13 and 18)	**$ 9**	$ 21	$ 12
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**66**	61	52
Long-term and short-term investments (Notes 13 and 18)	**32**	65	35
Trade and other receivables (Notes 13 and 15)	**852**	754	506
Loans receivable	**30**	31	34
Receivables from related parties (Notes 13 and 16)	**12**	19	8
Cash and cash equivalents (Note 19)	**1,067**	1,466	1,157
	$ 2,068	$ 2,417	$ 1,804

Receivables from related parties in the table above do not include prepayments in the amount of $Nil, $1 million and $Nil as of 31 December 2018, 2017 and 2016, 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.

	2018		2017		2016	
US$ million	**Gross amount**	**Impairment**	**Gross amount**	**Impairment**	**Gross amount**	**Impairment**
Not past due	**$ 770**	**$ (1)**	$ 671	$ (1)	$ 408	$ (1)
Past due	**166**	**(41)**	187	(53)	187	(46)
less than six months	**109**	**–**	114	(2)	130	(2)
between six months and one year	**9**	**–**	20	(10)	7	(2)
over one year	**48**	**(41)**	53	(41)	50	(42)
	$ 936	**$ (42)**	$ 858	$ (54)	$ 595	$ (47)

In the years ended 31 December 2018, 2017 and 2016, the movement in allowance for expected credit losses was as follows:

US$ million	2018	2017	2016
At 1 January	**$ (54)**	$ (47)	$ (48)
Charge for the year	**1**	(10)	(1)
Utilised	**3**	4	5
Disposal of subsidiaries	**–**	1	5
Translation difference	**8**	(2)	(8)
At 31 December	**$ (42)**	$ (54)	$ (47)

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.

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

The Group prepares a rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. If necessary, the Group refinances its short-term debt by long-term borrowings. The Group also uses forecasts to monitor potential and actual financial covenants compliance issues (Note 22). Where compliance is at risk, the Group considers options including debt repayment, refinancing or covenant reset. The Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments.

31 December 2018

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	**$ –**	**$ –**	**$ 226**	**$ 710**	**$ 2,452**	**$ 17**	**$ 3,405**
Interest	**–**	**84**	**148**	**194**	**211**	**–**	**637**
Finance lease liabilities	**–**	**–**	**3**	**–**	**1**	**5**	**9**
Financial instruments included in long-term liabilities	**–**	**13**	**53**	**9**	**8**	**3**	**86**
Amounts payable under put options for shares in subsidiaries							
Principal	**–**	**–**	**60**	**–**	**–**	**–**	**60**
Interest	**–**	**–**	**9**	**–**	**–**	**–**	**9**
Total fixed-rate debt	**–**	**97**	**499**	**913**	**2,672**	**25**	**4,206**
Variable-rate debt							
Loans and borrowings							
Principal	**3**	**2**	**65**	**13**	**1,014**	**–**	**1,097**
Interest	**–**	**15**	**45**	**59**	**107**	**–**	**226**
Total variable-rate debt	**3**	**17**	**110**	**72**	**1,121**	**–**	**1,323**
Non-interest bearing debt							
Trade and other payables	**129**	**864**	**12**	**–**	**–**	**–**	**1,005**
Payables to related parties	**94**	**26**	**–**	**–**	**–**	**–**	**120**
Total non-interest bearing debt	**223**	**890**	**12**	**–**	**–**	**–**	**1,125**
	$ 226	**$ 1,004**	**$ 621**	**$ 985**	**$ 3,793**	**$ 25**	**$ 6,654**

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

31 December 2017

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$ –	$ –	$ 4	$ 269	$ 2,580	$ 799	$ 3,652
Interest	–	90	179	252	416	22	959
Finance lease liabilities	–	–	1	4	1	6	12
Financial instruments included in long-term liabilities	–	14	3	20	15	4	56
Amounts payable under put options for shares in subsidiaries							
Principal	–	–	–	60	–	–	60
Interest	–	–	–	4	–	–	4
Total fixed-rate debt	–	104	187	609	3,012	831	4,743
Variable-rate debt							
Loans and borrowings							
Principal	–	1	57	408	1,013	202	1,681
Interest	–	19	57	64	113	4	257
Total variable-rate debt	–	20	114	472	1,126	206	1,938
Non-interest bearing debt							
Financial instruments included in long-term liabilities	–	–	1	–	1	–	2
Trade and other payables	143	770	37	–	–	–	950
Payables to related parties	237	18	–	–	–	–	255
Total non-interest bearing debt	380	788	38	–	1	–	1,207
	$ 380	$ 912	$ 339	$ 1,081	$ 4,139	$ 1,037	$ 7,888

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

31 December 2016

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$ –	$ –	$ 26	$ 656	$ 2,763	$ 726	$ 4,171
Interest	–	74	250	295	563	28	1,210
Finance lease liabilities	–	–	–	–	1	5	6
Financial instruments included in long-term liabilities	–	17	5	19	58	19	118
Total fixed-rate debt	–	91	281	970	3,385	778	5,505
Variable-rate debt							
Loans and borrowings							
Principal	142	12	114	196	893	312	1,669
Interest	1	25	74	91	154	21	366
Finance lease liabilities	–	–	1	–	–	–	1
Total variable-rate debt	143	37	189	287	1,047	333	2,036
Non-interest bearing debt							
Financial instruments included in other liabilities	2	–	–	1	1	1	5
Trade and other payables	118	650	7	–	–	–	775
Payables to related parties	209	13	–	–	–	–	222
Total non-interest bearing debt	329	663	7	1	1	1	1,002
	$ 472	$ 791	$ 477	$ 1,258	$ 4,433	$ 1,112	$ 8,543

Payables to related parties in the tables above do not include contract liabilities in the amount of $2 million, $1 million and $4 million as of 31 December 2018, 2017 and 2016, respectively.

28. Financial Risk Management Objectives and Policies (continued)

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest Rate Risk

The Group borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities and other obligations.

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the Group's profits.

The Group does not account for any fixed rate financial assets as assets available for sale. Therefore, a change in interest rates at the reporting date would not affect the Group's equity.

Cash Flow Sensitivity Analysis for Variable Rate Instruments

Based on the analysis of exposure during the years presented, reasonably possible changes in floating interest rates at the reporting date would affect profit before tax ("PBT") by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In estimating reasonably possible changes the Group assessed the volatility of interest rates during the reporting periods.

	2018		2017		2016	
	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	**(17)**	**$ 2**	(11)	$ 2	(11)	$ 1
Increase in LIBOR	**17**	**(2)**	11	(2)	11	(1)
Liabilities denominated in euro						
Decrease in EURIBOR	**(1)**	**–**	(1)	–	(4)	–
Increase in EURIBOR	**1**	**$ –**	1	$ –	4	$ –
Liabilities denominated in roubles						
Decrease in Bank of Russia key rate	**(100)**	**–**	(225)	–	(200)	6
Increase in Bank of Russia key rate	**50**	**$ –**	300	$ –	700	$ (21)

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of the respective Group's subsidiaries. The currencies in which these transactions are denominated are primarily US dollars, Canadian dollars and euro. The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is partly secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

The Group's exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US$ million	2018	2017	2016
USD/RUB	**$ 2,886**	$ 2,589	$ 1,242
EUR/RUB	**265**	(276)	(75)
CAD/RUB	**–**	–	335
EUR/USD	**7**	(11)	(116)
USD/CAD	**(723)**	(892)	(672)
EUR/CZK	**(12)**	(6)	(1)
USD/CZK	**(20)**	5	6
USD/ZAR	**–**	–	(4)
USD/UAH	**(119)**	(199)	(136)
RUB/UAH	**–**	(4)	4
USD/KZT	**(170)**	(163)	(161)

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.

	2018		2017		2016	
	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	**(13.87)**	**(468)**	(10.01)	(282)	(20.02)	(325)
	13.87	**350**	10.01	241	20.02	198
EUR/RUB	**(13.54)**	**(36)**	(11.35)	31	(20.68)	16
	13.54	**36**	11.35	(31)	20.68	(16)
CAD/RUB	**(16.08)**	**–**	(12.03)	–	(22.38)	(75)
	16.08	**–**	12.03	–	22.38	75
EUR/USD	**(7.35)**	**(1)**	(7.36)	1	(9.16)	10
	7.35	**1**	7.36	(1)	9.16	(11)
USD/CAD	**(6.76)**	**49**	(6.76)	61	(9.16)	62
	6.76	**(49)**	6.76	(60)	9.16	(61)
EUR/CZK	**(2.96)**	**–**	(3.08)	–	(0.65)	–
	2.96	**–**	3.08	–	0.65	–
USD/CZK	**(8.54)**	**2**	(7.95)	–	(9.17)	(1)
	8.54	**(2)**	7.95	–	9.17	1
USD/ZAR	**–**	**–**	–	–	(21.23)	1
	–	**–**	–	–	21.23	(1)
EUR/ZAR	**–**	**–**	–	–	(19.62)	–
	–	**–**	–	–	19.62	–
USD/UAH	**(5.86)**	**7**	(5.78)	12	(9.88)	13
	5.86	**(7)**	5.78	(11)	9.88	(13)
RUB/UAH	**(15.04)**	**–**	(11.99)	–	(22.29)	(1)
	15.04	**–**	11.99	–	22.29	1
USD/KZT	**(8.43)**	**14**	(6.30)	10	(12.13)	20
	8.43	**(14)**	6.30	(10)	12.13	(20)

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis (continued)

In addition to the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2018		2017		2016	
	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	**(13.87)**	**36**	(10.01)	66	(20.02)	65
	13.87	**(27)**	10.01	(49)	20.02	(43)

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:

	2018			2017			2016		
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									
Derivatives not designated as hedging instruments (Note 25)	**–**	**–**	**–**	–	3	–	–	–	–
Hedging instruments (Note 25)	**–**	**–**	**–**	–	1	–	–	–	–
Financial assets measured at fair value through other comprehensive income (Note 13)	**–**	**–**	**–**	33	–	–	3	–	–
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	**–**	**5**	**–**	–	–	–	–	–	–
Hedging instruments (Note 25)	**–**	**46**	**–**	–	3	–	–	22	–

28. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

During the reporting period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows financial instruments for which carrying amounts differ from fair values at 31 December.

	2018		2017		2016	
US$ million	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$ 269**	**$ 266**	$ 427	$ 442	$ 390	$ 402
Long-term variable-rate bank loans	**1,084**	**1,092**	1,668	1,665	1,516	1,528
USD-denominated						
7.75% bonds due 2017	**–**	**–**	–	–	27	26
9.50% notes due 2018	**–**	**–**	–	–	126	137
6.75% notes due 2018	**–**	**–**	–	–	533	554
7.50% bonds due 2019	**–**	**–**	–	–	349	359
6.50% notes due 2020	**708**	**723**	707	752	1,010	1,066
8.25% notes due 2021	**777**	**826**	774	873	772	856
6.75% notes due 2022	**513**	**535**	512	560	515	544
5.375% notes due 2023	**759**	**754**	757	792	–	–
Rouble-denominated						
12.95% rouble bonds due 2019	**216**	**222**	260	280	247	260
12.60% rouble bonds due 2021	**223**	**241**	269	302	255	269
	–	**–**	–	–	–	–
	$ 4,549	**$ 4,659**	$ 5,374	$ 5,666	$ 5,740	$ 6,001

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	2018	2017	2016
USD	**4.9 – 5.7%**	3.6 – 4.5%	3.7 – 6.4%
EUR	**1.7 – 3.4%**	1.7 – 3.9%	1.8 – 4.0%
RUB	**8.13%**	7.97%	11.03%

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 2018.

The Group manages its capital structure and makes adjustments to it by the issue of new shares, dividend payments to shareholders, and the purchase of treasury shares. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividend payments taking into account cashflow and other constraints.

29. Non-cash Transactions

Transactions that did not require the use of cash or cash equivalents, not disclosed in the notes above, were as follows in the years ended 31 December:

US$ million	**2018**	**2017**	**2016**
Liabilities for purchases of property, plant and equipment, excluding VAT	**$ 92**	$ 80	$ 71
Loans provided in the form of payments by banks for property, plant and equipment	**6**	8	46

30. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, the USA and Canada. Russia is considered to be a developing market with higher economic and political risks.

The unrest in the Southeastern region of Ukraine and the economic sanctions imposed by the USA and the European Union on Russia in 2014 and later on caused economic slowdown in Russia and reduced access to international capital markets. Further sanctions imposed on Russia could have an adverse impact on the Group's business.

Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions. During the first half of 2018, growing global demand and supply optimisation in China supported positive steel and raw material price growth but markets remain volatile.

In March 2018 the United States placed 25% tariffs on imports of most steel products from several countries, including Russia, while granting temporary exemptions for others, including Canada, Mexico, and the European Union. On 31 May 2018, the U.S. announced the end of temporary exemptions for Canada, Mexico, and the European Union, putting 25% tariffs on imports from those jurisdictions effective 1 June 2018. In response, the government of Canada introduced 25% tariffs effective 1 July 2018 on selected steel products from the U.S., but not including rail steel. In addition, effective 25 October 2018, the Canadian government imposed provisional safeguard measures on certain categories of steel products by adding a 25% surtax in cases, where the level of imports from trading partners exceeds historical norms. The provisional safeguards will be in place for 200 days, during which the Canadian International Trade Tribunal will conduct an inquiry and determine whether final safeguards are warranted.

30. Commitments and Contingencies (continued)

Operating Environment of the Group (continued)

The Group has cross-border transactions between U.S. and Canadian subsidiaries. The entities of the Steel North America segment import steel for further processing and final products for selling to domestic customers. After the introduction of the tariffs, U.S. and Canadian subsidiaries must pay tariffs on imported steel and final products. The Group has applied for "product exclusions" for imports to exempt from tariffs with the governments of the United States and Canada where justified and possible. The Group has received an exclusion from the Canadian retaliatory tariffs for one of the products. No outcomes have been decided on for other product exclusions by either government as of the date of authorisation of these consolidated financial statements for issue.

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 its best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $58 million.

Contractual Commitments

At 31 December 2018, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $250 million.

In 2010, the Group concluded a contract with PraxAir (Note 2, Accounting Judgements) for the construction of an air separation plant and for the supply of oxygen and other gases produced by PraxAir at this plant for a period of 20 years (extended to 25 years in 2015, when the construction was completed). This supply contract does not fall within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 31 December 2018, the Group has committed expenditure of $530 million over the life of the contract.

30. Commitments and Contingencies (continued)

Contractual Commitments (continued)

In 2018, the Group concluded a contract with Air Liquide for the construction of an air separation plant and for the supply of oxygen and other gases produced by Air Liquide at this plant 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 $373 million, which is payable within 20 years starting upon commencement of production in 2021 in proportion to the amounts of the variable component. The variable component is determined based on the actual purchase of gases and is estimated at $339 million during the life of the contract. Based on management's assessment this supply contract does not fall within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease" as the Group has no access to the equipment and has no rights either to operate the assets, or to design them in order to predetermine the way of their usage. Also it is expected that more than an insignificant amount of the assets' output will be sold to the parties unrelated to the Group. In addition, Air Liquide will construct the system of trunk and auxiliary pipelines, distribution stations and other equipment for products delivery, which will be leased by the Group for a period of 20 years and accounted for under IFRS 16. The cost of construction of the products delivery system is estimated at $102 million.

In 2018, the Group entered into an agreement with Brunswick Rail, according to which it will lease gondola cars for 4 years. The Group classified this contract as an operating lease under IAS 17. In 2019, upon adoption of IFRS 16, the Group will recognise a right-of-use asset and the related lease liabilities amounting to $60 million in respect of this contract.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. The Group budgeted to spend approximately $27 million under these programmes in 2019.

Environmental Protection

In the course of its 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 a stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 31 December 2018 amounted to $18 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $186 million. The Group has insurance agreements, which will provide reimbursement of the costs to be actually incurred up to $228 million, of which $18 million relate to the accrued environmental provisions and have been recognised in receivables at 31 December 2018. Management believes that 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 2019 to 2024, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2018, the costs of implementing these programmes are estimated at $121 million.

30. Commitments and Contingencies (continued)

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on its operations or financial position.

The Group exercises judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. As of 31 December 2018, possible legal risks approximate $20 million.

Issued Guarantees

In June 2018, EVRAZ plc and EVRAZ West-Siberian Metallurgical Plant issued a joint guarantee in the amount of up to 30 billion roubles ($432 million at the exchange rate as of 31 December 2018) to nine companies owned by Sibuglemet to compensate any direct losses caused by the failure to perform the agreed management services provided by one the Group's subsidiaries to these entities. Sibuglemet is a producer of coking coal and operator of coal refineries in the Kemerovo region of Russia.

The management company committed to perform all management functions including, inter alia, all the decisions required to carry out the day-to-day operations of these coal companies, their investment and procurement activities. The guarantee expires on 31 December 2025.

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	**2018**	**2017**	**2016**
Audit of the parent company of the Group	**$ 1**	$ 1	$ 2
Audit of the subsidiaries	**2**	2	2
Total audit fees	**3**	3	4
Other services	**1**	1	–
	$ 4	$ 4	$ 4

32. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below.

		Non-controlling interests		
Subsidiary	**Country of incorporation**	**2018**	**2017**	**2016**
Raspadskaya	Russia	**16.16%**	18.05%	18.05%
New CF&I (subsidiary of EVRAZ Inc NA)	USA	**10.00%**	10.00%	10.00%

US$ million	**2018**	**2017**	**2016**
Accumulated balances of material non-controlling interests			
Raspadskaya	**$ 170**	$ 149	$ 92
New CF&I (subsidiary of EVRAZ Inc NA)	**103**	99	98
Others	**(16)**	(6)	(4)
	257	242	186
Profit allocated to material non-controlling interests			
Raspadskaya	**74**	51	23
New CF&I (subsidiary of EVRAZ Inc NA)	**4**	1	(3)
Others	**(14)**	8	7
	$ 64	$ 60	$ 27

The summarised financial information regarding these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss

Raspadskaya

US$ million	**2018**	**2017**	**2016**
Revenue	**$ 1,086**	$ 868	$ 503
Cost of revenue	**(493)**	(430)	(306)
Gross profit/(loss)	**593**	438	197
Operating costs	**(76)**	(74)	(67)
Impairment of assets	**(4)**	9	(17)
Foreign exchange gains/(losses), net	**23**	13	77
Profit/(loss) from operations	**536**	386	190
Non-operating gains/(losses)	**5**	(21)	(31)
Profit/(loss) before tax	**541**	365	159
Income tax benefit/(expense)	**(113)**	(75)	(33)
Net profit/(loss)	**$ 428**	$ 290	$ 126
Other comprehensive income/(loss)	**(204)**	36	90
Total comprehensive income/(loss)	**224**	326	216
attributable to non-controlling interests	**42**	57	36
dividends paid to non-controlling interests	**–**	–	–

32. Material Partly-Owned Subsidiaries (continued)

Summarised statement of profit or loss (continued)

New CF&I

US$ million	**2018**	**2017**	**2016**
Revenue	**$ 808**	$ 558	$ 384
Cost of revenue	**(690)**	(533)	(391)
Gross profit/(loss)	**118**	25	(7)
Operating costs	**(88)**	(54)	(48)
Impairment of assets	**(1)**	(2)	–
Profit/(loss) from operations	**29**	(31)	(55)
Non-operating gains/(losses)	**19**	18	21
Profit/(loss) before tax	**48**	(13)	(34)
Income tax benefit/(expense)	**(11)**	21	9
Net profit/(loss)	**$ 37**	$ 8	$ (25)
Other comprehensive income/(loss)	**7**	(3)	(4)
Total comprehensive income/(loss)	**44**	5	(29)
attributable to non-controlling interests	**4**	1	(3)
dividends paid to non-controlling interests	**–**	–	–

Summarised statement of financial position as at 31 December

Raspadskaya

US$ million	**2018**	**2017**	**2016**
Property, plant and equipment	**$ 831**	$ 1,047	$ 1,004
Other non-current assets	**113**	11	30
Current assets	**858**	590	655
Total assets	**1,802**	1,648	1,689
Deferred income tax liabilities	**71**	72	65
Non-current liabilities	**23**	31	52
Current liabilities	**545**	599	952
Total liabilities	**639**	702	1,069
Total equity	**1,163**	946	620
attributable to:			
equity holders of parent	**993**	797	528
non-controlling interests	**170**	149	92

32. Material Partly-Owned Subsidiaries (continued)

Summarised statement of financial position as at 31 December (continued)

New CF&I

US$ million	2018	2017	2016
Property, plant and equipment	**$ 173**	$ 167	$ 184
Other non-current assets	**982**	921	957
Current assets	**199**	155	117
Total assets	**1,354**	1,243	1,258
Deferred income tax liabilities	**12**	12	30
Non-current liabilities	**81**	89	81
Current liabilities	**231**	156	166
Total liabilities	**324**	257	277
Total equity	**1,030**	986	981
attributable to:			
equity holders of parent	**927**	887	883
non-controlling interests	**103**	99	98

Summarised cash flow information

Raspadskaya

US$ million	2018	2017	2016
Operating activities	**$ 345**	$ 406	$ 176
Investing activities	**(285)**	19	(100)
Financing activities	**(37)**	(413)	(89)

New CF&I

US$ million	2018	2017	2016
Operating activities	**$ 80**	$ (16)	$ 5
Investing activities	**(80)**	16	(5)
Financing activities	**–**	–	–

33. Subsequent Events

Dividends

On 27 February 2019, the Board of directors of EVRAZ plc declared an interim dividend for 2019 in the amount of $577 million, which represents $0.40 per share.

34. List of Subsidiaries and Other Significant Holdings

Country of incorporation	Name	Relationship	effective ownership in 2018, %	Registered address	Notes
Canada	Canadian National Steel Corporation	indirect subsidiary	100.00%	3300 TD Canada Trust Tower, 421-7 Avenue SW, Calgary Alberta T2P 4K9	
Canada	Evraz Inc. NA Canada	indirect subsidiary	100.00%	160 Elgin Street, Suite 2600, Ottawa, Ontario K1P 1C3	
Canada	EVRAZ Materials Recycling Inc.	indirect subsidiary	100.00%	160 Elgin Street, Suite 2600, Ottawa, Ontario K1P 1C3	
Canada	General Scrap Partnership	indirect subsidiary	100.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	Genlandco Inc.	indirect subsidiary	100.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	Kar-basher of Alberta Ltd	indirect subsidiary	100.00%	3300 TD Canada Trust Tower, 421-7 Avenue SW, Calgary, Alberta T2P 4K9	
Canada	New Gensubco Inc.	indirect subsidiary	100.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	Sametco Auto Inc.	indirect subsidiary	100.00%	160 Elgin Street, Suite 2600, Ottawa, Ontario K1P 1C3	
Canada	Evraz Wasco Pipe Protection Corporation	indirect subsidiary	51.00%	181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3	
Canada	Genalta Recycling Inc.	joint venture	50.00%	2400, 525 8th Avenue SW Calgary, Alberta T2P 1G1	
Canada	Kar-basher Manitoba Ltd	joint venture	50.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	King Crusher Inc.	joint venture	50.00%	3300 TD Canada Trust Tower, 421-7 Avenue SW, Calgary, Alberta T2P 4K9	
Cyprus	Actionfield Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Drampisco Limited	indirect subsidiary	100.00%	Themistokli Dervi, 3, Julia House, P.C. 1066, Nicosia, Cyprus	sold
Cyprus	East Metals (Cyprus) Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Fegilton Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Laybridge Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Malvero Holdings Limited	indirect subsidiary	–	3 Themistokli Dervi, Julia House, 1066, Nicosia	100% controlled through put option for the purchase of shares
Cyprus	Mastercroft Finance Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Nafkratos Limited	indirect subsidiary	100.00%	Themistokli Dervi, 3, Julia House, P.C. 1066, Nicosia, Cyprus	
Cyprus	Sinano Shipmanagement Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2018, %	Registered address	Notes
Cyprus	Steeltrade Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Unicroft Limited	indirect subsidiary	100.00%	Leoforos Archiepiskopou Makariou III, 135, EMELLE Building, flat/office 22, 3021, Limassol	
Cyprus	Velcast Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Streamcore Limited	joint venture	50.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	RVK Invest Limited	associate	42.61%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Czech Republic	EVRAZ Nikom, a.s.	indirect subsidiary	100.00%	Czech Republic, Mnisek pod Brdy, Prazska 900, 25210	
Italy	Evraz Palini e Bertoli S.r.l	indirect subsidiary	100.00%	via E. Fermi 28, 33058 San Giorgio di Nogaro (UD)	
Kazakhstan	EvrazMetall Kazakhstan	indirect subsidiary	100.00%	office 201, 9, shosse Alash, Saryarkinskiy raion, Astana	
Kazakhstan	Evraz Caspian Steel	indirect subsidiary	65.00%	41, ul. Promyshlennaya, Kostanai, 110000	
Luxembourg	Evraz Group S.A.	direct subsidiary	100.00%	13, avenue Monterey, L2163, Luxembourg	
Mexico	Evraz NA Mexico	indirect subsidiary	100.00%	Frida Kahlo 195-709, Valle Oriente, San Pedro Garza Garcia, Nuevo Leon, 66269	
Netherlands	Palmrose B.V.i.l.	indirect subsidiary	100.00%	Hoogoorddreef 15, 1101 BA Amsterdam	liquidated
Netherlands	ECS Holdings Europe B.V.	indirect subsidiary	65.00%	Hoogoorddreef 15, 1101 BA Amsterdam	
Republic of S.Africa	Evraz Highveld Steel and Vanadium Limited	indirect subsidiary	85.11%	Old Pretoria Road, Portion 93 of the Farm Schoongezicht 308 JS eMalahleni (Witbank)	deconsolidated in 2015
Republic of S.Africa	Mapochs Mine (Proprietary) Limited	indirect subsidiary	62.98%	Old Pretoria Road, Portion 93 of the Farm Schoongezicht 308 JS eMalahleni (Witbank)	deconsolidated in 2015
Republic of S.Africa	Mapochs Mine Community Trust	indirect subsidiary	–	Portion 93 of the farm Schoongezicht No.308 JS, eMalahleni	deconsolidated in 2015
Russia	Blagotvoritelniy fond Evraza - Sibir	indirect subsidiary – non-commercial	–	1, ul. Ploshad Pobedy, Novokuznetsk, Kemerovskaya obl., 654010	
Russia	Blagotvoritelniy fond Evraza - Ural	indirect subsidiary – non-commercial	–	office 4, 39, ul. Karl Marks, Nizhny Tagil, Sverdlovskaya obl., 622001	
Russia	Centr kultury i iskusstva NTMK	indirect subsidiary – non-commercial	–	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Centr podgotovki personala Evraz-Ural	indirect subsidiary – non-commercial	–	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Kulturno-sportivniy centr metallurgov	indirect subsidiary – non-commercial	–	20, Prospect Metallurgov, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	Magnit	indirect subsidiary	–	1, ul. Turgeneva, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Nizhny Tagil Telecompany Telecon	indirect subsidiary	–	74, ul. Industrialnaya, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Ohothichie hozyaistvo	indirect subsidiary – non-commercial	–	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2018, %	Registered address	Notes
Russia	Regional Media Company	indirect subsidiary	–	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Regionalniy Centr podgotovki personala Evraz-Sibir	indirect subsidiary - non-commercial	–	4, ul. Nevskogo, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Sanatoriy-porfilactory Lenevka	indirect subsidiary - non-commercial	–	Lenevka, Prigorodny raion, Sverdlovskaya obl., 622911	
Russia	Sportivniy complex Uralets	indirect subsidiary - non-commercial	–	36, Gvardeisky bulvar, Nizhny Tagil, Sverdlovskaya obl, 622005	
Russia	Sportivno-Ozdorovitelny complex Metallurg-Forum	indirect subsidiary - non-commercial	–	office 26; 61, ul. Krasnogvardeiskaya, Nizhny Tagil, Sverdlovskaya obl., 622013	
Russia	TV-Most	indirect subsidiary	–	office 164, 31, Moscovsky prospect, Kemerovo, 650065	
Russia	TVN	indirect subsidiary	–	35, ul. Ordzhonikidze, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	Aktiv-Media	indirect subsidiary	100.00%	Office 6, 35, ul. Ordzhonikidze, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	ATP Yuzhkuzbassugol	indirect subsidiary	100.00%	20, Silikatnaya, Novokuznetsk, Kemerovskaya obl., 654086	
Russia	Centr Servisnykh Resheniy	indirect subsidiary	100.00%	1, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Centralnaya Obogatitelnaya Fabrika Kuznetskaya	indirect subsidiary	100.00%	16, Shosse Severnoe, Novokuznetsk, Kemerovskaya obl., 654000	
Russia	Consortium Tuvinskie dorogi	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	merged
Russia	Evraz Consolidated West-Siberian metallurgical Plant	indirect subsidiary	100.00%	16, ul. Shosse Kosmicheskoe, Novokuznetsk, Kemerovskaya obl., 654043	
Russia	EVRAZ Kachkanarsky Ore Mining and Processing Plant	indirect subsidiary	100.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Evraz Nizhny Tagil Metallurgical Plant	indirect subsidiary	100.00%	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	EVRAZ Uzlovaya	indirect subsidiary	100.00%	4, ul.Entuziastov, kvartal 5 Pyatiletka, Uzlovaya, Tulskaya obl., 301600	
Russia	EVRAZ Vanady Tula	indirect subsidiary	100.00%	1, ul. Przhevalskogo, Tula, 300016	
Russia	EvrazEK	indirect subsidiary	100.00%	2B, ul. Khlebozavodskaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Evrazenergotrans	indirect subsidiary	50.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	controlled through put option for the purchase of shares of Malvero Holdings Limited
Russia	EvrazHolding Finance	indirect subsidiary	100.00%	62, ul. Internationalnaya, Kyzyl, Tyva Republic, 667000	
Russia	EvrazHolding LLC	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	EvrazMetall Sibir	indirect subsidiary	100.00%	30, Shosse Severnoe, Novokuznetsk, Kemerovskaya obl., 654043	
Russia	Evrazruda	indirect subsidiary	100.00%	21, ul. Lenina, Tashtagol, Kemerovskaya obl., 652990	merged

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2018, %	Registered address	Notes
Russia	EvrazService	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Evraztekhnika	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Gurievsky rudnik	indirect subsidiary	100.00%	1, ul. Zhdanova, Gurievsk, Kemerovskaya obl., 652780	
Russia	Industrialnaya Vostochno-Evropeiskaya company	indirect subsidiary	100.00%	9, ul. Khimicheskaya, Taganrog, Rostovskaya obl., 347913	
Russia	Kachkanarskaya teplosnabzhauschaya company	indirect subsidiary	100.00%	17, 8 microraion, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Kuznetskteplosbyt	indirect subsidiary	100.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Managing Company EVRAZ Mezhdurechensk	indirect subsidiary	100.00%	69, ul. Kirova, Novokuznetsk, Kemerovskaya obl., 654080	
Russia	Medsanchast Vanady	indirect subsidiary	100.00%	1, Zeleny Mys district, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Metallenergofinance	indirect subsidiary	100.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Mezhegeyugol Coal Company	indirect subsidiary	100.00%	62, ul. Internationalnaya, Kyzyl, Tyva Republic, 667000	
Russia	Mine Abashevskaya	indirect subsidiary	100.00%	5, ul. Kavkazskaya, Novokuznetsk, Kemerovskaya obl., 654013	
Russia	Mine Alardinskaya	indirect subsidiary	100.00%	56, ul. Ugolnaya, Malinovka, Kaltan, Kemerovskaya obl., 652831	
Russia	Mine Esaulskaya	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Mine Osinnikovskaya	indirect subsidiary	100.00%	3, ul. Shakhtovaya, Osinniki, Kemerovskaya obl., 654006	
Russia	Mine Uskovskaya	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Parus	indirect subsidiary	100.00%	office 3; 51, ul. Industrialnaya, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Promuglepoject	indirect subsidiary	100.00%	4, ul. Nevskogo, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Rembytcomplex	indirect subsidiary	100.00%	8, 8 microraion, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Sfera	indirect subsidiary	100.00%	office 315; 205, ul. 8 Marta, Ekaterinburg, Sverdlovskaya obl., 620085	
Russia	Sibmetinvest	indirect subsidiary	100.00%	Office 10; 1, 1st km of Rublevo-Uspenskoye shosse, der. Razdory, Odintsovo area, Moscow region, 143082	
Russia	Tagilteplosbyt	indirect subsidiary	100.00%	67, Prospect Lenina, Nizhny Tagil, Sverdlovskaya obl., 622034	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2018, %	Registered address	Notes
Russia	Trade Company EvrazHolding	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Trade House EvrazHolding	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	merged
Russia	United accounting systems	indirect subsidiary	100.00%	office 205; 1, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	United Coal Company Yuzhkuzbassugol	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Upravlenie po montazhu, demontazhu i remontu gornoshakhtnogo oborudovaniya	indirect subsidiary	100.00%	3, ul. Shakhtovaya, Osinniki, Kemerovskaya obl., 652807	
Russia	Vanadyservice	indirect subsidiary	100.00%	11a, 10 microraion, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Vanady-transport	indirect subsidiary	100.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Yuzhno-Kuzbasskoye geologorazvedochnoye upravlenie	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Evraz Yuzhny Stan	indirect subsidiary	100.00%	1, ul. Zarechnaya, rabochy poselok Ust-Donetsky, Ust-Donetsky raion, Rostovskaya obl., 346550	
Russia	Evraz Metall Inprom	indirect subsidiary	100.00%	2-a, ul. Marshala Zhukova, Taganrog, Rostovskaya obl., 347942	
Russia	Brianskmetallresursy	indirect subsidiary	99.96%	14, ul. Staleliteinaya, Bryansk, 241035	
Russia	Mordovmetallotorg	indirect subsidiary	99.90%	39, Aleksandrovskoe Shosse, Saransk, Respublica Mordovia, 430006	
Russia	Uliyanovskmetall	indirect subsidiary	99.37%	20, 11 proezd Inzhenerny, Ulyanovsk, 432072	
Russia	Vladimirmetallopttorg	indirect subsidiary	95.63%	57, ul. P. Osipenko, Vladimir, 600009	
Russia	Kuznetskpogruztrans	indirect subsidiary	94.50%	18, ul. Promyshlennaya, Novokuznetsk, Kemerovskaya obl., 654029	
Russia	Centralnaya Obogatitelnaya Fabrika Abashevskaya	indirect subsidiary	92.10%	12, Tupik Strelochny, Novokuznetsk, Kemerovskaya obl., 654086	
Russia	Elekrosvyaz YKU	indirect subsidiary	87.20%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Metallurg-Forum	indirect subsidiary	85.23%	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	liquidated
Russia	Osinnikovsky remontno-mekhanichesky zavod	indirect subsidiary	84.43%	1/2, ul. Pervogornaya, Osinniki, Kemerovskaya obl., 652804	
Russia	Montazhnik Raspadskoy	indirect subsidiary	83.84%	office 408; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Olzherasskoye shakhtoprokhodcheskoye upravlenie	indirect subsidiary	83.84%	office 331; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2018, %	Registered address	Notes
Russia	Raspadskaya	indirect subsidiary	83.84%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Raspadskaya Coal Company	indirect subsidiary	83.84%	office 201; 33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Raspadskaya Preparation Plant	indirect subsidiary	83.84%	office 203; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Raspadskaya-Koksovaya	indirect subsidiary	83.84%	office 424; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Razrez Raspadskiy	indirect subsidiary	83.84%	office 213; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Specializirovannoye Shakhtomontazhno-naladochnoye upravlenie	indirect subsidiary	49.64%	28, proezd Zaschitny, Novokuznetsk, Kemerovskaya obl., 654034	controlled through put option for the purchase of shares of Malvero Holdings Limited
Russia	Mining Metallurgical Company “Timir”	joint venture	51.00%	4, Prospect Geologov, Neryungri, Republic of Saha (Yakutia), 678960	
Russia	AVT-Ural	indirect subsidiary	51.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Sibir-VK	joint venture	50.00%	37A, ul. Kutuzova, Novokuznetsk, Kemerovskaya obl., 654041	
Russia	Vtorresurs-Pererabotka	joint venture	50.00%	37A, ul. Kutuzova, Novokuznetsk, Kemerovskaya obl., 654041	
Russia	Zavod metallurgicheskih reagentov	associate	50.00%	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Novokuznetskmetallopttorg	associate	48.51%	16, ul. Chaikinoi, Novokuznetsk, Kemerovskaya obl., 654005	
Russia	Tomusinskoye pogruzochno-transportnoye upravlenie	indirect subsidiary	49.12%	office 209; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	ZAO Irkutskvtorchermet	associate	42.61%	office 212, bld. ZAO Vtorchermet, ul. Severny Promuzel, Irkutsk, 664053	
Russia	ZAO Vtorchermet	associate	42.61%	office 211, bld. ZAO Vtorchermet, ul. Severny promuzel, Irkutsk, 664053	
Russia	Sibirskaya registratsionnaya company	investment	10.30%	57, Prospect Stroiteley, Novokuznetsk, Kemerovskaya obl., 654005	
Singapore	Delong Holdings Limited	investment	15.04%	55 Market Street Level 10 Singapore 048941	sold
Switzerland	East Metals A.G.	indirect subsidiary	100.00%	Baarerstrasse 131, 6300 Zug	
Switzerland	East Metals Shipping A.G.	indirect subsidiary	100.00%	Baarerstrasse 131, 6300 Zug	
Ukraine	Evraz Ukraine	indirect subsidiary	100.00%	31, ul. Udarnikov, Dnepr, Dnepropetrovskaya obl., 49064	
Ukraine	Evraztrans Ukraine	indirect subsidiary	100.00%	office 512, 93, ul. Yavornitskogo, Dnepr, Dnepropetrovskaya obl., 49000	
Ukraine	LK Adzhalyk	indirect subsidiary	100.00%	kv.97, 1, Prospekt Pravdy, Kharkov, 61022	sold
Ukraine	United accounting systems Ukraine	indirect subsidiary	100.00%	3, ul. Mayakovskogo, Dnepr, Dnepropetrovskaya obl., 49064	

34. List of Subsidiaries and Other Significant Holdings (continued)

Country of incorporation	Name	Relationship	effective ownership in 2018, %	Registered address	Notes
Ukraine	Evraz Dneprovsky Metallurgical Plant	indirect subsidiary	97.73%	3, ul. Mayakovskogo, Dnepr, Dnepropetrovskaya obl., 49064	sold
Ukraine	Trade House Evraz Ukraine	indirect subsidiary	97.73%	31, ul. Udarnikov, Dnepr, Dnepropetrovskaya obl., 49064	sold
United Kingdom	Evraz North America plc	indirect subsidiary	100.00%	Suite 1, 3rd Floor, 11-12 St James's Square London SW1 4LB	
USA	Camrose Pipe Corporation	indirect subsidiary	100.00%	9040 N.Burgard Way, Portland, OR 97203	
USA	East Metals North America, LLC	indirect subsidiary	100.00%	200 East Randolph Drive Suite 7800 Chicago, IL 60601	
USA	East Metals Services Inc.	indirect subsidiary	100.00%	200 East Randolph Drive Suite 7800 Chicago, IL 60601	
USA	Evraz Claymont Steel, Inc.	indirect subsidiary	100.00%	200 East Randolph Drive Suite 7800 Chicago, IL 60601	
USA	Evraz Inc. NA	indirect subsidiary	100.00%	200 East Randolph Drive Suite 7800 Chicago, IL 60601	
USA	Evraz Stratcor, Inc.	indirect subsidiary	100.00%	4285 Malvern Road, Hot Springs, AR 71901	
USA	Evraz Trade NA LLC	indirect subsidiary	100.00%	200 East Randolph Drive Suite 7800 Chicago, IL 60601	
USA	General Scrap Inc.	indirect subsidiary	100.00%	3101 Valley Street Minot, ND 58702	
USA	Oregon Steel Mills Processing Inc.	indirect subsidiary	100.00%	200 East Randolph Drive Suite 7800 Chicago, IL 60601	
USA	OSM Distribution Inc.	indirect subsidiary	100.00%	200 East Randolph Drive Suite 7800 Chicago, IL 60601	
USA	CF&I Steel LP	indirect subsidiary	90.00%	1612 E Abriendo Pueblo, CO 81004	
USA	Palmer North America LLC	indirect subsidiary	90.00%	200 East Randolph Drive Suite 7800 Chicago, IL 60601	
USA	Colorado and Wyoming Railway Company	indirect subsidiary	90.00%	2100 S. Freeway Pueblo, CO 81004	
USA	New CF&I Inc.	indirect subsidiary	90.00%	1612 E Abriendo Pueblo, CO 81004	
USA	Oregon Ferroalloy Partners	indirect subsidiary	60.00%	14400 Rivergate Blvd. Portland, OR 97203	
USA	Union Ditch and Water Co.	indirect subsidiary	57.59%	113 W. 5th Street Florence, CO 81226	
USA	Fremont County Irrigating Ditch Co.	investment	13.50%	113 W. 5th Street Florence, CO 81226	

EVRAZ plc
Separate Financial Statements for the year ended 31 December 2018

Separate Statement of Comprehensive Income

In millions of US dollars

	Notes	31 December 2018	2017
General and administrative expenses		**$ (10)**	$ (9)
Operating income	6	**6**	7
Reversal of impairment of investments	3	**–**	6
Foreign exchange gains/(losses)	3,4,6	**164**	(1)
Interest expense	3,6,7	**(66)**	(19)
Other non-operating losses	9	**–**	(1)
Profit/(loss) before tax		**94**	(17)
Current income tax expense	8	**(14)**	–
Net profit/(loss)		**80**	(17)
Total comprehensive income/(loss)		**$ 80**	$ (17)

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of Financial Position

In millions of US dollars

	Notes	31 December 2018	2017
ASSETS			
Non–current assets			
Investments in subsidiaries	3	**$ 3,197**	$ 3,182
Investments in joint ventures	3	**24**	24
Receivables from related parties	6	**21**	17
		3,242	3,223
Current assets			
Receivables from related parties	6	**12**	10
TOTAL ASSETS		**3,254**	3,233
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	4	**75**	1,507
Treasury shares	4	**(196)**	(231)
Reorganisation reserve	4	**(584)**	(584)
Merger reserve	4	**127**	127
Share-based payments	5	**149**	134
Accumulated profits		**1,393**	1,472
		964	2,425
LIABILITIES			
Non-current liabilities			
Trade and other payables	7	**14**	27
Loans payable to related parties	6	**724**	630
Financial guarantee liabilities	6	**21**	17
		759	674
Current liabilities			
Trade and other payables	3,7	**14**	17
Payables to related parties	6	**–**	1
Loans payable to related parties	6	**1,493**	108
Financial guarantee liabilities	6	**10**	8
Income tax payable	8	**14**	–
		1,531	134
TOTAL LIABILITIES		**2,290**	808
TOTAL EQUITY AND LIABILITIES		**$ 3,254**	$ 3,233

The Financial Statements on pages 244–257 were approved by the Board of Directors on 27 February 2019 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of Cash Flows

In millions of US dollars

	Notes	2018	2017
Cash flows from operating activities			
Net profit/(loss)		$ 80	$ (17)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Operating income	6	(6)	(7)
Reversal of impairment	3	–	(6)
Foreign exchange (gains)/losses	3,4,6	(164)	1
Interest expense	3,6,7	66	19
Other non-operating losses	9	–	1
		(24)	(9)
Changes in working capital:			
Receivables from related parties	6	5	11
Trade and other payables	7	(6)	(8)
Tax payable		14	–
Net cash flow used in operating activities		(11)	(6)
Cash flows from financing activities			
Dividends paid to shareholders	4	(1,556)	(430)
Proceeds from loans provided by related parties	6	2,976	662
Repayment of loans provided by related parties, including interest	6	(1,396)	(217)
Payments for investments on deferred terms, including interest	3	(11)	(11)
Net cash flow from financing activities		13	4
Effect of foreign exchange rate changes on cash and cash equivalents		(2)	–
Net decrease in cash and cash equivalents		–	(2)
Cash and cash equivalents at the beginning of the year		–	2
Cash and cash equivalents at the end of the year		$ –	$ –
Supplementary cash flow information:			
Interest paid		(34)	(17)

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of Changes in Equity

In millions of US dollars

	Notes	Issued capital	Treasury shares	Reorganisation reserve	Merger reserve	Share-based payments	Accumulated profits	Total
At 31 December 2016		$ 1,507	$ (270)	$ (584)	$ 127	$ 117	$ 1,958	$ 2,855
Total comprehensive loss for the year		–	–	–	–	–	(17)	(17)
Share-based payments	5	–	–	–	–	17	–	17
Dividends declared	4	–	–	–	–	–	(430)	(430)
Transfer of treasury shares to participants of the Incentive Plans	4	–	39	–	–	–	(39)	–
At 31 December 2017		$ 1,507	$ (231)	$ (584)	$ 127	$ 134	$ 1,472	$ 2,425
Total comprehensive income for the year		–	–	–	–	–	80	80
Share-based payments	5	–	–	–	–	15	–	15
Dividends declared	4	–	–	–	–	–	(1,556)	(1,556)
Reduction of share capital	4	(1,432)	–	–	–	–	1,432	–
Transfer of treasury shares to participants of the Incentive Plans	4	–	35	–	–	–	(35)	–
At 31 December 2018		$ 75	$ (196)	$ (584)	$ 127	$ 149	$ 1,393	$ 964

The accompanying notes form an integral part of these separate financial statements.

EVRAZ plc Notes to the Separate Financial Statements For the year ended 31 December 2018

1. Corporate Information

These separate financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 27 February 2019.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company limited by shares under the laws of the United Kingdom. The Company was incorporated under the Companies Act 2006 with the registered number in England 7784342. The Company's registered office is at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products, vanadium products and coal and iron ore mining. The Group is one of the largest steel producers globally.

Until 3 September 2018 Lanebrook Limited ("Lanebrook") registered in Cyprus was the ultimate controlling party of the Group. On that date Lanebrook distributed all its ownership interest in EVRAZ plc to its direct shareholders in proportion to their holdings in Lanebrook. At 31 December 2018, EVRAZ plc is jointly controlled by a group of 3 shareholders: Greenleas International Holdings Limited (BVI), Abiglaze Limited (Cyprus) and Crosland Global Limited (Cyprus).

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 2018, but not adopted by the European Union, are not expected to have a significant impact on the Company's financial statements.

These financial statements have been prepared on a going concern basis as the directors believe there are no material uncertainties which could create a significant doubt as to the Company's ability to continue as a going concern in the foreseeable future.

Foreign Currency Transactions

The presentation and functional currency of the Company is the US dollar. Transactions in foreign currencies are initially recorded in US dollars at the rate on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

2. Significant Accounting Policies (continued)

Investments

Investments in subsidiaries, associates or joint ventures are initially recorded at acquisition cost. Write–downs are recorded if, in the opinion of the management, there is any impairment in value.

The initial cost of the investment in Evraz Group S.A. was measured at the carrying amount of the equity items of Evraz Group S.A. as a separate legal entity at the date of the reorganisation (Note 3).

Dividend income is recognised as revenue when the Company's right to receive the payment is established.

All purchases and sales of investments are recognised on the settlement date, which is the date when the investment is delivered to or by the Company.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Financial Guarantee Liabilities

Financial guarantee liabilities issued by the Company are those contracts that require a payment to be made to reimburse the incurred losses because the specified debtor or counterparty to a contract fails to make payments or to perform the agreed terms of a contract. Financial guarantees issued by the Company are recognised initially as a liability at fair value, being equal to the estimated future cash inflows receivable from the subsidiaries under the guarantee agreements, with a corresponding recognition of the same amount as receivables from related parties. Subsequently, the liability is amortised over the lives of the guarantees through the statement of comprehensive income, unless it is considered probable that a guarantee will be called, in which case it is measured at the value of the guaranteed amount payable, if higher.

3. Investments in Subsidiaries and Joint Ventures

Investments in subsidiaries and joint ventures consisted of the following as of 31 December:

	Ownership interest		Cost, net of impairment US$ million	
	2018	2017	2018	2017
Subsidiaries				
Evraz Group S.A.	100%	100%	**3,197**	3,182
Joint Ventures				
Timir	51.00001%	51.00001%	**24**	24

The movement in investments was as follows:

$US million	Evraz Group S.A.	Timir	Total
31 December 2016	**$ 3,165**	**$ 18**	**$ 3,183**
Share-based compensations	17	–	17
Impairment loss (recognition)/reversal	–	6	6
31 December 2017	**$ 3,182**	**$ 24**	**$ 3,206**
Share-based compensations	15	–	15
31 December 2018	**$ 3,197**	**$ 24**	**$ 3,221**

Evraz Group S.A.

The Company acquired Evraz Group S.A. in 2011 by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A. The cost of investments in Evraz Group S.A. was measured at the carrying amount of the equity items shown in the separate accounts of Evraz Group S.A. at the dates of the share exchange.

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 5). In 2018 and 2017, such share-based compensations amounted to $15 million and $17 million, respectively.

OJSC Mining and Metallurgical Company Timir

Since 2013 the Company has owned a 51% ownership interest in the joint venture with Alrosa for the development of iron ore deposits in the Yakutia region in Russia. The Company's consideration for this stake of 4,950 million roubles was recognised as $149 million being the present value of the expected cash outflows at the exchange rate as of the date of the transaction.

In 2018 and 2017, the Company recognised interest charges on deferred installments of $1 million and $2 million, respectively, within interest expense.

In 2018 and 2017, the Company paid 500 million roubles ($9 million and $8 million, respectively) of purchase consideration and $2 million and $3 million, respectively, of interest charges.

At 31 December 2018 and 2017, trade and other accounts payable included liabilities relating to this acquisition in the amount of $8 million and $19 million, respectively.

3. Investments in Subsidiaries and Joint Ventures (continued)

OJSC Mining and Metallurgical Company Timir (continued)

Due to the postponement of the major project activities, the Company assessed the recoverability of its investment in Timir at 30 September 2017 (in 2018 there were no indicators of impairment). The recoverable amount of the asset was its fair value less costs to sell, which was determined using cash flow projections based on business plans approved by management and an appropriate discount rate reflecting time value of money and risks associated with the asset. The discount rate was 11.56%. In 2017, the long-term prices for iron ore were revised and this led to a partial reversal of impairment of $6 million.

Additional information regarding Timir is provided in Note 11 of the consolidated financial statements.

Indirect Subsidiaries and Other Significant Holdings

The full list of indirect subsidiaries and other significant holdings of EVRAZ plc is presented in Note 34 of the consolidated financial statements.

4. Equity

Share Capital

	31 December	
Number of shares	2018	2017
Ordinary shares of $0.05 each, issued and fully paid	**1,506,527,294**	–
Ordinary shares of $1.00 each, issued and fully paid	**–**	1,506,527,294

EVRAZ plc does not have an authorised limit on its share capital.

On 10 July 2018 the High Court of England and Wales approved the reduction of the nominal value of each share from $1.00 to $0.05. The amount of the cancelled share capital amounting to $1,432 million increased the Company's distributable reserves.

Treasury Shares

	31 December	
Number of shares	2018	2017
Treasury shares	**63,177,187**	74,474,663

In 2015, EVRAZ plc purchased 108,458,508 of its own shares. These shares are used for the Company's Incentive Plans (Note 21 of the consolidated financial statements). Under these plans, in 2018 and 2017, the Company transferred to the participants of Incentive Plans 11,297,476 and 12,541,215 shares, respectively.

Reorganisation Reserve

Reorganisation reserve represents the difference between the net assets of Evraz Group S.A. at the date of the Group's reorganisation (7 November 2011) and the par value of the issued shares of EVRAZ plc. This charge to equity reduced the amount of distributable reserves.

4. Equity (continued)

Merger Reserve

The merger reserve arose in 2013 in connection with the purchase of 50% in Corber Enterprises S.à r.l. ("Corber") in accordance with section 612 of the Companies Act 2006. Impairments of the carrying value of this investment were transferred to the merger reserve.

In 2015, the disposal of the investment in Corber to Evraz Group S.A. (Note 3) was made for non-cash consideration, which does not meet the criteria for qualifying consideration. The balance of the merger reserve will be presented as a separate component of equity in the Company's statement of financial position until such time as Evraz Group S.A. is sold for qualifying consideration, and the merger reserve will be re-allocated to accumulated profits and become distributable.

Dividends

In 2018 and 2017, the Company declared dividends in the amount of $1,556 million and $430 million, respectively (Note 20 of the consolidated financial statements).

Distributable Reserves

$US million	**2018**	**2017**
Accumulated profits	**1,393**	1,472
Reorganisation reserve	**(584)**	(584)
31 December	**809**	888

5. 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 2018 and 2017, the Company recognised share-based compensation expense amounting to $15 million and $17 million, respectively, as a cost of investment in Evraz Group S.A. with a corresponding increase in equity.

6. Related Party Transactions

Related parties of the Company include its direct and indirect subsidiaries, associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Company's parent or its shareholders.

Loans received from Related Parties

The following movements in loans payable to related parties were in 2017-2018.

US$ million	**Currency**	**Interest rate**	**Maturity**	**Balance at 31 December 2017**	**Loans received from related parties**	**Interest expense**	**Repayment of loans**	**Forex (gain)/ loss**	**Balance at 31 December 2018**
Direct subsidiary									
Evraz Group S.A.	USD	3.50%	2020	**$ –**	**$ 92**	**$ 1**	**$ (93)**	**$ –**	**$ –**
Indirect subsidiaries									
East Metals A.G	USD	2.73-5.06%	2018-2020	**738**	**552**	**16**	**(1,244)**	**–**	**62**
EVRAZ KGOK	RUB	5.89%	2019-2020	**–**	**664**	**10**	**–**	**(26)**	**648**
EVRAZ Vanady Tula	RUB	5.51-5.89%	2019	**–**	**257**	**4**	**(1)**	**(16)**	**244**
EVRAZ ZSMK	RUB	5.51-5.89%	2019-2021	**–**	**1,411**	**33**	**(58)**	**(123)**	**1,263**
				$ 738	**$ 2,976**	**$ 64**	**$ (1,396)**	**$ (165)**	**$ 2,217**

US$ million	**Currency**	**Interest rate**	**Maturity**	**Balance at 31 December 2016**	**Loans received from related parties**	**Interest expense**	**Repayment of loans**	**Forex (gain)/ loss**	**Balance at 31 December 2017**
Indirect subsidiaries									
Evrazholding Finance	USD	6.31%	2021	$ 203	$ –	$ 4	$ (207)	$ –	$ –
East Metals A.G.	USD	2.73-3.75%	2018-2020	74	662	12	(10)	–	738
				$ 277	$ 662	$ 16	$ (217)	$ –	$ $ 738

6. Related Party Transactions (continued)

Guarantees

In 2014-2017, the Company issued guarantees to several banks in respect of the liabilities of EVRAZ NTMK and EVRAZ ZSMK, indirect subsidiaries of the Company, under certain loans totalling $1,061 million at 31 December 2018 (2017: $1,772 million). The loans are due for repayment during the period from 2021 to 2023. The Company earns guarantee fees in respect of these guarantees and in 2018 it accrued $3 million of such income (2017: $5 million).

In addition, in 2018 the Company accrued $1 million of guarantee fees (2017: $1 million) for the issued guarantees to several banks for liabilities of East Metals A.G amounting to $86 million as of 31 December 2018 (2017: $66 million).

In 2017, the Company accrued $1 million of guarantee fees for the issued guarantees to East Metals A.G. for liabilities of Evraz Group S.A.

In 2018, the Company issued a guarantee to nine companies owned by Sibuglemet to compensate any direct losses caused by the failure to perform the agreed management services provided by Management Company Mezhdurechensk, an indirect subsidiary of the Company, to these entities (Note 30 of the consolidated financial statements). The Company accrued $2 million income in respect of this guarantee. In 2018 the Company recognised financial guarantee liability of $18 million.

The above guarantees are recognised at fair value in the statement of financial position of the Company. The guarantee fees are recorded within the Operating income caption of the Company's income statement.

Other Transactions

In 2018, OOO Evrazholding, an indirect subsidiary of the Company, rendered consulting services to the Company in the amount of $1 million (2017: $1 million).

At 31 December 2017, the Company owed $1 million to Evraz Inc North America, an indirect subsidiary of the Company. This balance was fully settled in 2018.

Other disclosures on directors' remuneration required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) regulations 2008 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Directors' Remuneration Report.

7. Trade and other payables

Trade and other accounts payable included the following at 31 December:

	2018		2017	
US$ million	**Non-current**	**Current**	**Non-current**	**Current**
Liability relating to a settlement of guarantee	**$ 14**	**$ 6**	$ 19	$ 6
Payables for the acquisition of Timir (Note 3)	**–**	**8**	8	11
	$ 14	**$ 14**	$ 27	$ 17

At 31 December 2018 and 2017, trade and other accounts payable included liabilities relating to the settlement of the Company's guarantee under a long-term take-or-pay supply contract of a former indirect subsidiary of the Company. In 2018, the Company paid $6 million (2017: $7 million) in respect of this liability and recognised interest expense of $1 million (2017: $1 million).

8. Income Taxes

A reconciliation of income tax expense applicable to profit before income tax using the statutory tax rate to income tax expense as reported in the Company's financial statements for the years ended 31 December is as follows:

US$ million	2018	2017
Profit/(loss) before income tax	**$ 94**	$ (17)
At the statutory income tax rate of 19%	**(18)**	3
Allowance for deferred tax asset	**–**	(3)
Benefit arising from a previously unrecognised tax loss of a prior period that is used to reduce current tax expense	**4**	–
Current income tax expense	**$ (14)**	$ –

9. Other Non-operating Losses

In 2017, other non-operating expenses represented $1 million of transaction costs paid by the Company for the sale of EVRAZ Nakhodka Trade Sea Port, an indirect subsidiary of the Company.

10. Financial Instruments

Liquidity Risk

The following tables summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including interest payments.

31 December 2018

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 payable to related parties							
Principal	**$ –**	**$ 251**	**$ 1,209**	**$ 557**	**$ 167**	**$ –**	**$ 2,184**
Interest	**–**	**7**	**103**	**23**	**7**	**–**	**140**
Trade and other payables							
Principal	**–**	**10**	**3**	**7**	**8**	**–**	**28**
Interest	**–**	**1**	**–**	**–**	**–**	**–**	**1**
Financial guarantees	**–**	**–**	**10**	**7**	**10**	**4**	**31**
Total fixed-rate debt	**$ –**	**$ 269**	**$ 1,325**	**$ 594**	**$ 192**	**$ 4**	**$ 2,384**

31 December 2017

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 payable to related parties							
Principal	$ –	$ –	$ 102	$ 430	$ 200	$ –	$ 732
Interest	–	–	7	18	18	–	43
Trade and other payables							
Principal	–	12	3	15	14	–	44
Interest	–	2	–	1	–	–	3
Financial guarantees	–	–	8	7	10	–	25
Total fixed-rate debt	–	14	120	471	242	–	847
Non-interest bearing debt							
Payables to related parties	1	–	–	–	–	–	1
Total non-interest bearing debt	1	–	–	–	–	–	1
	$ 1	$ 14	$ 120	$ 471	$ 242	$ –	$ 848

10. Financial Instruments (continued)

Market Risk

Currency Risk

The Company's exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US$ million	2018	2017
USD/RUB	**$ 2,162**	$ 19

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Company's profit before tax. In estimating reasonably possible changes the Company assessed the volatility of foreign exchange rates during the reporting periods.

	2018		2017	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	*US$ millions*	%	*US$ millions*
USD/RUB	**(13.87)**	**(348)**	(10.01)	(2)
	13.87	**263**	10.01	2

Fair Value of Financial Instruments

The carrying amounts of financial instruments, such as cash, accounts receivable and payable, loans payable to related parties, approximate their fair value.

11. Subsequent Events

Material events after the reporting year are disclosed in Note 33 of the consolidated financial statements.

Additional information

Stock performance indicators and shareholder information

Information about shares of EVRAZ plc

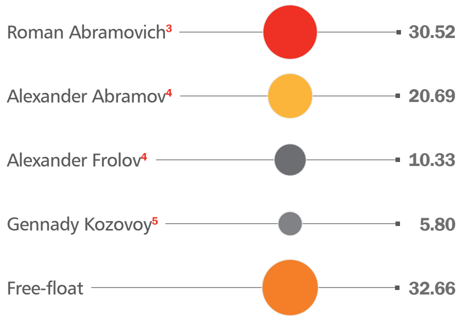
The Company's issued share capital as of 31 December 2018 and 27 February 2019 was 1,506,527,294 ordinary shares, of which 63,176,475[1] shares are held in Treasury. Therefore, the total number of voting rightsin the Company is 1,443,350,819.

The shares of EVRAZ plc trades on the Main market of London Stock Exchange

Ticker (Bloomberg)	EVR LN
Trading service	SETS
Market	MAIN MARKET
Listing category	Premium Equity Commercial Companies
FTSE index	FTSE 100
FTSE sector	Industrial Metals & Mining
FTSE sub-sector	Iron & Steel
Country of share register	GB
Segment	STMM
MiFID Status	Regulated Market
SEDOL	B71N6K8
ISIN number	GB00B71N6K86

Shareholder structure

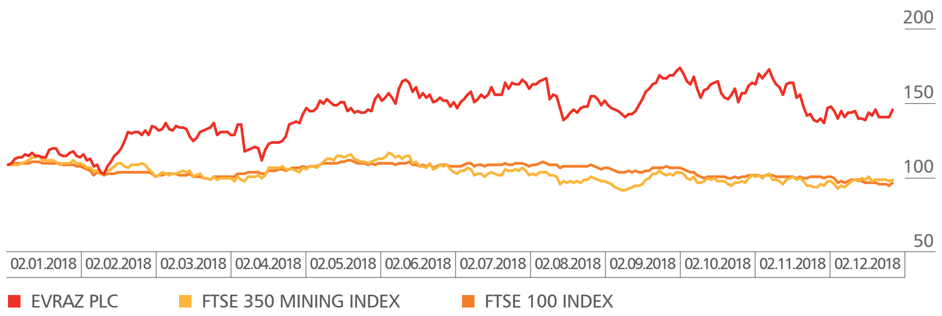
Ultimate beneficial owners, *% of voting rights*[2]



[2] The Group is aware of the following beneficiaries who have an interest in three percent or more of EVRAZ plc's share capital (in each case, except for Gennady Kozovoy, held indirectly).
[2] The number of shares as per TR-1 Form: Notification of major interest in shares dated 4 September 2018.
[2] The number of shares as per TR-1 Form: Notification of major interest in shares dated 24 December 2018.
[2] The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013. For Mr Kozovoy, includes shares held directly.

Share price

Relative share price dynamics in 2018, 52w



Unsolicited telephone calls and correspondence

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas-based 'brokers' who target US or UK shareholders, offering to sell them what often turns out to be worthless or high risk shares.

These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/fsaregister and contacting the firm using the details on the register
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.fsa.gov.uk/scams
- If the calls persist, hang up

Details of any share dealing facilities that the company endorses will be included in Company mailings.

Electronic shareholder communications

EVRAZ uses its website www.evraz.com as its primary means of communication with its shareholders provided that the shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner in accordance with the Companies Act 2006. Electronic communications allow shareholders to access information instantly as well as helping EVRAZ reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at www.investorcentre.co.uk. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's registrar, Computershare.

[1] The number of shares differs from the figure in the Financial statements by the amount of shares held in Trust.

Definitions of selected alternative performance measures

The Group uses alternative performance measures (APMs) to improve comparability of information between reporting periods and business units, either by adjusting for uncontrollable or one-off factors which impact upon IFRS measures or, by aggregating measures, to aid the user of this report in understanding the activity taking place across the Group's portfolio.

EBITDA

EBITDA is determined as a segment's profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense.

See Note 3 of the consolidated financial statement for additional information and reconciliation with IFRS financial statements.

Free Cash Flow

Free Cash Flow represents EBITDA, net of noncash items, less changes in working capital, income tax paid, interest paid and covenant reset charges, conversion premiums, premiums on early repurchase of bonds and realised gain/(losses) on interest payments under swap contracts, interest income and debt issue costs, less capital expenditure, including recorded in financing activities, purchases of subsidiaries, net of cash acquired, proceeds from sale of disposals classified as held for sale, net of transaction costs, less purchases of treasury shares for participants of the incentive plans, plus other cash flows from investing activities.

Free Cash Flow is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ calculation of Free Cash Flow may be different from the calculation used by other companies and therefore comparability may be limited.

Cash and short-term bank deposits

Cash and short-term bank deposits is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ calculation of cash and short-term bank deposits may be different from the calculation used by other companies and therefore comparability may be limited.

Total debt

Total debt represents the nominal value of loans and borrowings plus unpaid interest, finance lease liabilities, loans of assets classified as held for sale, and the nominal effect of cross-currency swaps on principal of rouble-denominated notes. Total debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ calculation of total debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations.

Net debt

Net debt represents total debt less cash and liquid short-term financial assets, including those related to disposals classified as held for sale. Net debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ calculation of net debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations.

Cash and short-term bank deposits calculation, *US$ million*

	31 December 2018	31 December 2017	Change	Change, %
Cash and cash equivalents	1,067	1,466	(399)	(27.2)
Cash and short-term bank deposits	**1,067**	**1,466**	**(399)**	**(27.2)**

Calculation of total debt, *US$ million*

	31 December 2018	31 December 2017	Change	Change, %
Long-term loans, net of current portion	4,186	5,243	(1,057)	(20.2)
Short-term loans and current portion of long-term loans	377	148	229	n/a
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	20	28	(8)	(28.6)
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	49	5	44	n/a
Finance lease liabilities, including current portion	6	8	(2)	(25.0)
Total debt	**4,638**	**5,432**	**(794)**	**(14.6)**

Calculation of net debt, *US$ million*

	31 December 2018	31 December 2017	Change	Change, %
Total debt	**4,638**	**5,432**	**(794)**	**(14.6)**
Cash and cash equivalents	(1,067)	(1,466)	399	(27.2)
Net debt	**3,571**	**3,966**	**(395)**	**(10.0)**

CAPEX

Capital expenditure (CAPEX) is cash expenditure on property, plant and equipment. For internal reporting and analysis, CAPEX includes non-cash transactions related to CAPEX.

Calculation of CAPEX, *US$ million*

	31 December 2018	31 December 2017	Change	Change, %
Purchases of property, plant and equipment and intangible assets	521	595	(75)	(12.6)
Non-cash purchases (Note 12)	6	8	(2)	(25.0)
CAPEX	**527**	**603**	**(76)**	**(12.6)**

Labor productivity, US$/t

P=S/V

S – Labor Costs (asset and A-category subsidiaries), exclusive of tax, local currency (on Division consolidation sites with different currencies, $)

V – production volume, tn. (for steel assets: V – metal products shipped)

LTIFR

The KPI is calculated on a year-to-date basis for the company employees only.

LTIFR = X • 1000000/Y

X is the total number of occupational injuries resulted in lost time among the company employees in the reporting period. Fatalities are not included.

Y is the actual total number of man-hours worked by all company employees in the reporting period.

Semi-finished products cash costs, US$/t

Cash cost of semi-finished products is defined as the production cost less depreciation, the result is divided by production volumes of steel semi-products. Raw materials from EVRAZ coal and iron ore producers are accounted for on at-cost-basis. Costs of semi-finished steel products of EVRAZ NTMK, EVRAZ ZSMK are then weighted averaged by the total saleable semi-finished products production volume.

Coking coal concentrate cash cost, US$/t

Cash cost of coking coal concentrate is defined as cost of revenues less depreciation and SG&A, the result is divided by sales volumes.

Iron ore products cash cost, US$/t

Cash cost of iron ore products is defined as cost of revenues less depreciation and SG&A, the result is divided by sales volumes.

Number of EBS transformations

Number of EBS transformations implemented at the key assets during the reporting year.

Customer focus and cost-cutting effects

Each project effect is calculated as an absolute deviation of targeted metric year to year multiplied by relevant price or volume depending on project's focus.

EVRAZ cash cost index

EVRAZ cash cost index – weighted average of production assets' ratio between actual and budgeted cash / conversion cost nominated in USD.

Weight attribution to each production asset is based on its total cash/conversion cost weight in a given year and re-calculated annually:
- % for cash cost production assets: (Sales volumes • cash cost/t) / (sum of all production assets' cash/conversion costs)
- % for conversion cost production assets: (Production volumes • conversion cost/t) / (sum of all production assets' cash/conversion costs)

Data on mineral reserves

COAL

Yuzhkuzbassugol JORC equivalent coal proved and probable reserves, *kt*

Mine	As of 31 December 2018
Alardinskaya	87,644
Yesaulskaya	13,725
Erunakovskaya-8	114,526
Osinnikovskaya	70,362
Uskovskaya	166,142
Total	**452,399**

Raspadskaya JORC equivalent coal proved and probable reserves, *kt*

Mine	As of 31 December 2018
Raspadskaya	918,806
Raspadskaya Koksovaya (incl. Razrez Koksovy)	210,516
MUK-96	113,058
Razrez Raspadskiy	104,860
Total	**1,347,240**

Mezhegeyugol JORC equivalent coal proved and probable reserves, *kt*

Mine	As of 31 December 2018
Mezhegeyugol	86,945

IRON ORE

Evrazruda JORC equivalent coal proved and probable reserves, *kt*

Mine	As of 31 December 2018	Fe, %	S, %
Kaz	5,759		
Tashtagol	64,581		
Sheregesh	89,317		
Total	**159,657**	**31.90**	**1.39**

Kachkanarsky GOK (EVRAZ KGOK) JORC equivalent coal proved and probable reserves, *kt*

Mine	As of 31 December 2018	Fe, %	V_2O_5, %
Gusevogorskoe	3,108,182		
Kachkanar Proper (Sobstvenno-Kachkanarskoye)	6,743,222		
Total	**9,851,404**	**15.9**	**0.13**

Short summary of relevant anti-corruption policies

Code of Conduct

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

Anti-corruption policy

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

Anti-corruption training policy

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

Sponsorship and charity policy

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

Gift and business entertainment policy

EVRAZ believes that business gifts and hospitality are accepted ways to demonstrate and further develop good relationships. At the same time, adequate and consistent control over such expenses is highly important and is one of the key areas for anti-corruption compliance to watch. The policy defines rules and strict approval procedures to be followed when extending or receiving gifts and hospitality. In particular, all amounts above US$100 for a personal gift (received or given) and US$500 for hospitality (received or extended to a person) must be approved by the responsible compliance manager. Corresponding amounts in U.S. and Canada are US$50 and US$250 respectively. To this end, an electronic notification system has been developed. The internal audit function conducts regular checks of the completeness and accuracy of records, either planned or requested by a compliance manager, and compliance specialists act on any recommendations promptly.

Hotline policy and whistle-blowing procedures

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

Candidate background and criminal record checks

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

Conflict of interest policy

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

Contractor/supplier due diligence checks

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

Terms and abbreviations

B

Basic oxygen furnace
Basic oxygen furnace is a frunace used in a method of primary steelmaking in which carbon-rich molten pig iron is made into steel. Blowing oxygen through molten pig iron lowers the carbon content of the alloy and changes it into low-carbon steel. The process is known as basic because fluxes of burnt lime or dolomite, which are chemical bases, are added to promote the removal of impurities and protect the lining of the converter.

Beam
A structural element. Beams are characterised by their profile (the shape of their cross-section). One of the most common types of steel beam is the I-beam, also known as H-beam, or W-beam (wide-flange beam), or a 'universal beam/column'. Beams are widely used in the construction industry and are available in various standard sizes, eg 40-k beam, 60Sh beam, 70Sh beam as mentioned in this report.

Billet
A usually square, semi-finished steel product obtained by continuous casting or rolling of blooms. Sections, rails, wire rod and other rolled products are made from billets.

Blast furnace
The blast furnace is the classic production unit to reduce iron ore to molten iron, known as hot metal. It operates as a counter-current shaft system, where iron ore and coke is charged at the top. While this charge descends towards the bottom, ascending carbon containing gases and coke reduces the iron ore to liquid iron. To increase efficiency and productivity, hot air (often enriched with oxygen) is blown into the bottom of the blast furnace. In order to save coke, coal or other carbon containing materials are sometimes injected with this hot air.

By-product
A secondary product which results from a manufacturing process or chemical reaction.

C

Cash cost of coking coal concentrate
Cash cost of coking coal concentrate is defined as the production cost less depreciation , incl. SG&A and Maintenance CAPEX, the result is divided by production volumes. This measure is used to monitor segment competitiveness improvement.

CAPEX
Capital expenditure.

CFR
Cost and freight, the seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel. Insurance for the goods is not included.

Channel
U-shaped section for construction.

Coal washing
The process of removing mineral matter from coal usually through density separation, for coarser coal and using surface chemistry for finer particles.

Coke
A product made by baking coal without oxygen at high temperatures. Unwanted gases are driven out of the coal. The unwanted gases can be used as fuels or processed further to recover valuable chemicals. The resulting material (coke) has a strong porous structure which makes it ideal for use in a blast furnace.

Coke battery
A group of coke ovens operating as a unit and connected by common walls.

Coking coal
Highly volatile coal used to manufacture coke.

Concentrate
A product resulting from iron ore / coal enrichment, with a high grade of extracted mineral.

Construction products
Include beams, channels, angles, rebars, wire rods, wire and other goods.

Converter
A type of furnace that uses pure oxygen in the process of producing steel from cast iron or dry mix.

Conversion costs
Conversion costs is defined as production costs without raw materials and depreciation, incl. SG&A and Maintenance CAPEX. This measure is used to monitor segment competitiveness improvement.

Continuous casting machine
Process whereby molten metal is solidified into a "semi-finished" billet, bloom, or slab for subsequent rolling in the finishing mills.

Crude steel
Steel in its solidified state directly after casting. This is then further processed by rolling or other treatments, which can change its properties.

D

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.

E

Electric arc furnace
A furnace used in the steelmaking process which heats charged material via an electric arc.

F

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.

G

Greenfield
The development or exploration of a new project not previously examined.

Grinding balls
Balls used to grind material by impact and pressure.

H

Head-hardened rails
High strength rails with head hardened by heat treatment.

Heat-treatment
A group of industrial and metalworking processes used to alter the physical, and sometimes chemical, properties of a material.

HiPo
High potential employee.

I

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.

J

JORC Code
The Australasian Joint Ore Reserves Committee, which is widely accepted as a standard for professional reporting of Mineral Resources and Ore Reserves.

K

Kt
Thousand tonnes.

L

Labour productivity
Labour productivity is defined as labour costs exclusive of tax divided by production volumes of steel products. The measurement of performance enables the Company to monitor labour efficiency.

Ladle furnace
The secondary metallurgy vessel used between steelmaking and casting operations to allow the composition of molten steel to be brought to the required customer specification.

Lean
Lean is philosophy of managing the business that is based on a set of principles that define the way of work.

Long products
Include bars, rods and structural products that are 'long' rather than 'flat' and are produced from blooms or billets.

Longwall
An underground mining process in which the coal face is dug out by a shearer and transported above ground by conveyors.

LTIFR
Lost time injury frequency rate, which represents the number of lost time injuries (1 day or more of absence) divided by the total number of hours worked expressed in millions of hours.

Lumpy ore
Iron ore between 6mm and 30mm in size. Lump is preferred in the blast furnace as its particle size allows oxygen to circulate around the raw materials and melt them efficiently.

M

Model line
Model line is as a value stream within a single facility or operation, provides a focused and controlled playground for implementing lean. Serve as internal benchmark for the Company. The measurement of performance enables the Company to monitor lean implementation.

Mt
Million tonnes.

Mtpa
Million tonnes per annum.

O

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.

P

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.

R

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.

S

SG&A
Selling, General and Administrative Expenses.

Saleable products
Products produced by EVRAZ mines or steel mills which are suitable for sale to third parties.

Self-coverage
The raw material requirement of EVRAZ steelmaking facilities compared with coal product sales or production of iron ore products from own raw materials.

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.

T

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.

U

Unrealised profit (URP)
Inter-segment unrealised profit or loss (URP) is a change in the sales margin included in balances of inventories purchased from segments other than the reportable segment between the end and the beginning of the reporting period.

V

Vanadium
A grey metal that is normally used as an alloying agent for iron and steel. It is also used to strengthen titanium based alloys.

Vanadium pentoxide
The chemical compound with the formula V2O5: this orange solid is the most important compound of vanadium. Upon heating, it reversibly loses oxygen.

Vanadium slag
Vanadium slag produced from pig iron in the converter shop and used as a raw material by producers of ferroalloys and vanadium products.

Contact details

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