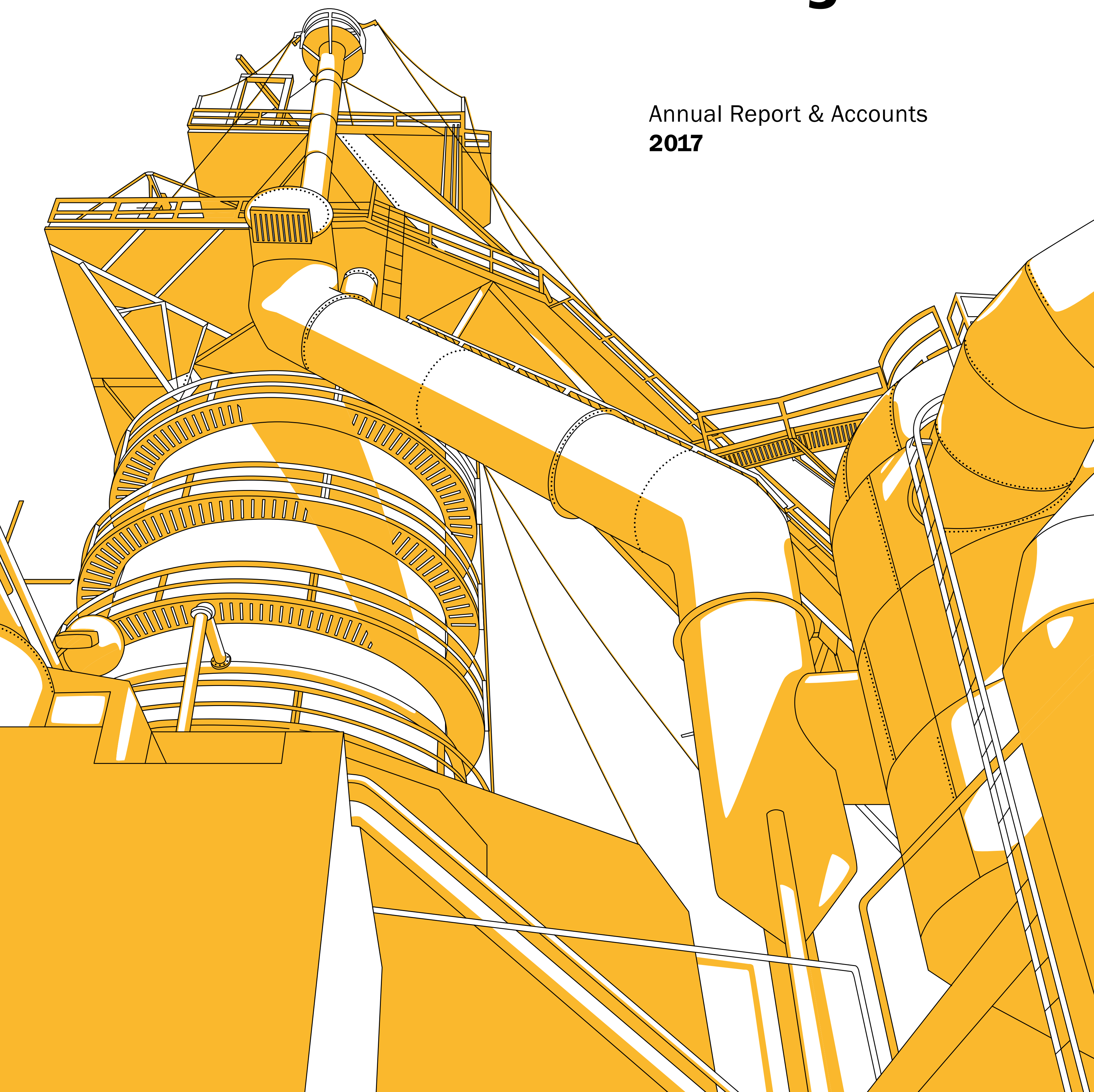
Making the World Stronger.

Annual Report & Accounts
2017



About the report

Report boundaries

This annual report (“the Report”) presents the results for EVRAZ plc and its subsidiaries for 2017 divided into segments: Steel; Steel, North America; and Coal. It details the Group’s operational and financial results and corporate social responsibility activities in 2017.

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 the GRI G4 Sustainability Reporting Guidelines.

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REPORT 2017

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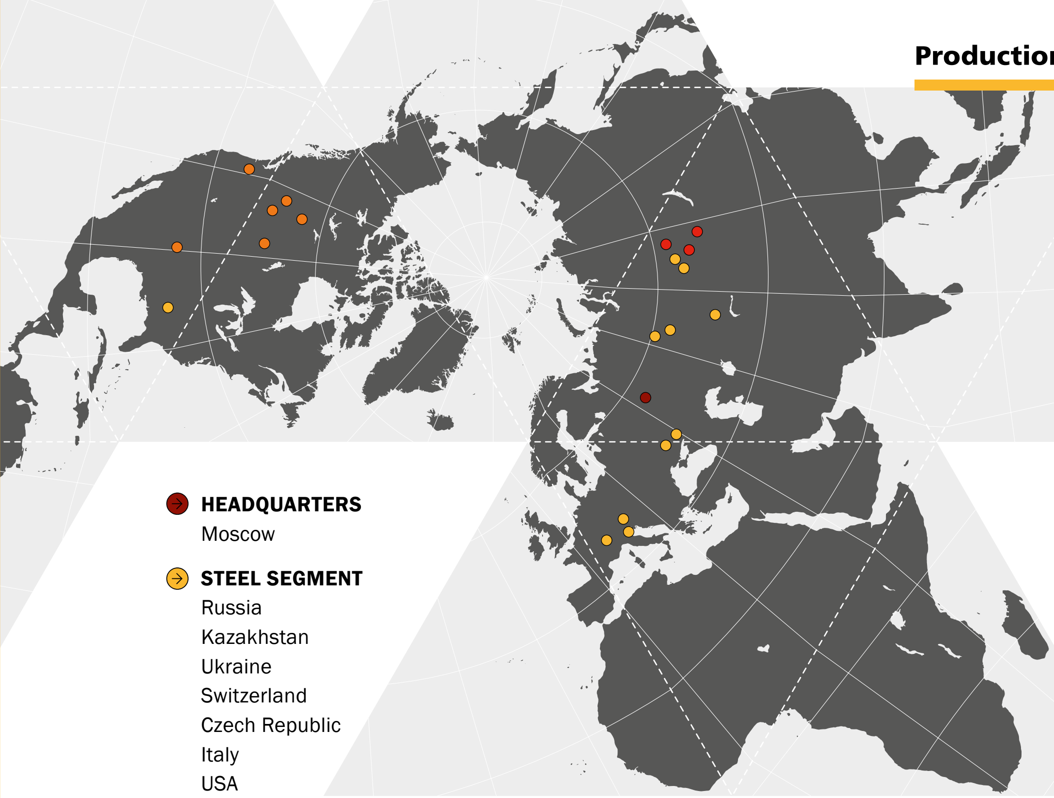
Global footprint

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.



HEADQUARTERS
Moscow

STEEL SEGMENT
Russia
Kazakhstan
Ukraine
Switzerland
Czech Republic
Italy
USA

COAL SEGMENT
Russia

STEEL, NORTH AMERICA SEGMENT
USA
Canada

Production in 2017

18.0 mt IRON ORE PRODUCTS

23.3 mt RAW COKING COAL

14.0 mt CRUDE STEEL

LEADING POSITION

RUSSIA'S LEADER IN CONSTRUCTION AND RAILWAY PRODUCT MARKETS

NORTH AMERICA'S No1 PRODUCER OF RAILS AND LARGE DIAMETER PIPES

RUSSIA'S LARGEST COKING COAL PRODUCER

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.

70,186 employees in 2017

Our customers

in >70 countries

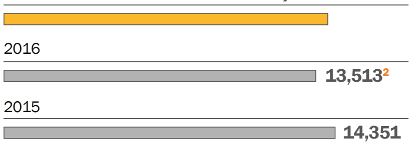
Product type	Customer type
Semi-finished steel products	Steel rolling facilities
Construction products	Wholesale companies, traders
Railway products	Railways, rail carriers
Industrial products	Industrial companies
Coking coal concentrate	Steelmaking facilities
Raw coking coal	Steelmaking facilities
Tubular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

EVRAZ in figures

Operating highlights

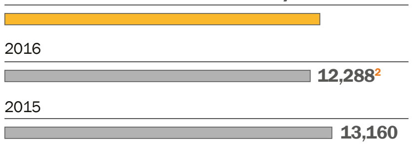
CRUDE STEEL OUTPUT, kt

2017 **14,033**



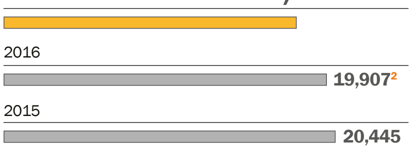
STEEL PRODUCTS OUTPUT[1], kt

2017 **12,676**



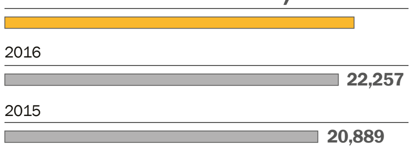
IRON ORE PRODUCTS OUTPUT, kt

2017 **18,042**



RAW COKING COAL PRODUCTION IN RUSSIA, kt

2017 **23,306**



Consolidated crude steel production and steel product output, net of re-rolled volumes, increased mainly due to improved market demand in North America and higher crude steel production at EVRAZ ZSMK following the completion of planned capital repairs at its blast furnaces in 2016.

Iron ore products output dropped due to the disposal of Evraz Sukha Balka in June 2017.

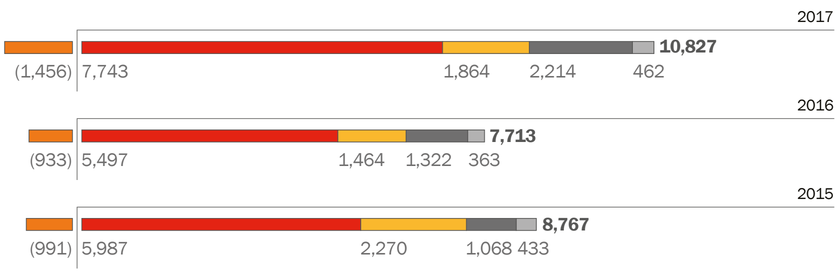
Raw coking coal production increase was driven by higher annual output at the Raspadskaya mine, Raspadskaya-Koksovaya mine and Mezhegeyugol amid improved productivity.

For more information, see **Business review section** on pages 42–79.

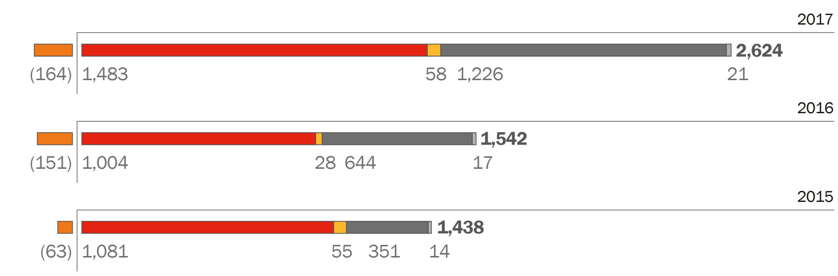
[1] *Net of re-rolled volumes.*
[2] *Change to the previously reported figures due to corrections of data.*

Financial highlights

CONSOLIDATED REVENUES BY SEGMENT, US$ million



CONSOLIDATED EBITDA BY SEGMENT, US$ million



Steel | Steel, NA | Coal | Other operations | Unallocated and eliminations

NET DEBT –17.4% yoy

US$ **3,966** million

CAPEX[3] +40.9% yoy

US$ **603** million

NET PROFIT

US$ **759** million

[3] *Including payments on deferred terms recognised in financing activities and non-cash transactions.*

CSR highlights

LTIFR (excluding fatalities), per million hours

Year	Value
2017	1.90
2016	2.36
2015	2.18

For more information, see page 84.

EVRAZ GHG EMISSIONS, $MtCO_2e$

Year	Value
2017	41.67
2016	40.83
2015	43.04

For more information, see page 90.

KEY AIR EMISSIONS, kt

Year	Value
2017	137.11
2016	130.68
2015	134.17

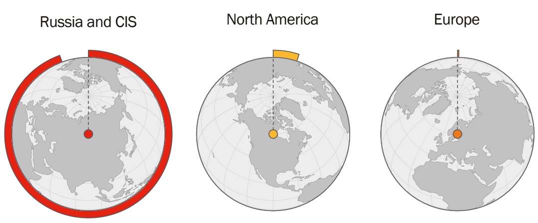
For more information, see page 90.

FRESH WATER CONSUMPTION, million m^3

Year	Value
2017	319.43
2016	327.60
2015	340.23

For more information, see page 92.

EMPLOYEES BY REGION IN 2017



70.2 thousand people

For more information, see page 98.

DIVERSITY OF EMPLOYEES, SENIOR MANAGEMENT AND DIRECTORS, % (number of people)

	Men	Women
Board	88 (7)	12 (1)
Senior management	81 (75)	19 (18)
Employees	73 (50,815)	27 (19,270)

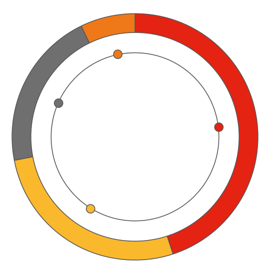
Shareholder structure

ULTIMATE BENEFICIAL OWNERS, % of voting rights[1]

Owner	%
Roman Abramovich[2]	30.76
Alexander Abramov[4]	21.09
Alexander Frolov[3]	10.53
Gennady Kozovoy[4]	5.85
Alexander Vagin[4]	5.79
Eugene Shvidler[2]	3.06
Other	22.92

[1] 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 10 May 2017. Includes pro-rata shareholding held via Lanebrook and additional shares held outside Lanebrook.
[3] The number of shares as per PDMRs dealing notification dated 05 September 2017.
[4] The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013. For Mr Kozovoy, includes shares held directly.

GEOGRAPHIC DISPERSION (INSTITUTIONAL SHAREHOLDERS), %



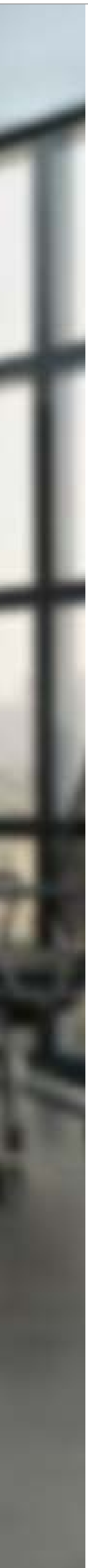
Region	%
United Kingdom	45
North America	27
Russia	21
Europe (excl. United Kingdom, Russia)	7

For more information, see **Additional information section** on page 266

Strategic report

Chairman's introduction

STRATEGIC REPORT
BUSINESS REVIEW
CSR REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION



Dear shareholder,

EVRAZ celebrated its 25th anniversary of operations in 2017, a year in which the Group delivered a robust performance. This was due to a combination of factors, which included improving market conditions and internal measures to make our company even stronger. With this in mind, it is my great pleasure to present EVRAZ' 2017 annual report.

In 2017, many of the trends seen in the previous year continued, and even strengthened, including solid growth on the steel and bulk commodities markets. This was spurred by rising demand in major economies and significant capacity optimisations in China, which led to higher utilisation rates. These trends triggered a clear upward movement in steel, coal and iron ore prices, buoying margins worldwide and fuelling investors' confidence in the sector.

Our strong performance in 2017 was testimony to the hard work and passion of EVRAZ' people.

Safety

Ensuring zero injuries and fatalities in the workplace has always been and remains of paramount importance for EVRAZ' executive management.

Sadly, despite every effort of the management, ten people lost their lives in 2017. Members of the Health, Safety and Environment Committee have worked closely with operational management to understand and address the root causes of these tragic events.

As in previous years, we have met with the management of each of the operations that experienced fatalities last year to discuss the incidents, and to ensure that appropriate lessons learned have been identified and shared throughout the organisation to prevent recurrence. The Board, and particularly its Health, Safety and Environment Committee under the chairmanship of Karl Gruber, has been engaging closely with chief executive Alexander Frolov and his management team to confront this challenge.

Governance

The Board continues to ensure that the Group operates in line with global best practice and that the Board complies with the guidelines laid out in the UK Corporate Governance Code. In 2017, an externally conducted evaluation of Board performance was undertaken, which concluded that the Board's structure and processes were appropriate for the Group. Certain minor improvements were suggested and will be implemented. See page 116.

The Board continues to consider the business' long-term development and has a progressive policy to renew major production facilities where appropriate. As part of this process, during the year, the Board reviewed all the Group's assets, along with the most appropriate technological solution for each site. This enabled the Board to assess the level of capital investment needed in the medium to long term, and to estimate the potential returns that could be generated from that investment.

During 2017, the Board considered in detail the disposal of Evraz Nakhodka Trade Sea Port, located on Russia's Pacific coast. In accordance with the requirements of the Relationship Agreement in place between the Company and Lanebrook Ltd, outlined on page 139 and in compliance with the Listing Rules, the sale to a wholly-owned subsidiary of Lanebrook Limited was deemed a related-party transaction and duly approved at a shareholders' meeting at which Lanebrook did not vote. See page 114.

Our people

Our strong performance in 2017 was testimony to the hard work and passion of EVRAZ' people.

The Board believes that the business' future growth lies in the development of its people. With this in mind, it has reviewed succession planning to ensure corporate strategy execution, and is focused on the need to look deeper into the Group for future leaders.

Dividends

The Board recognises the importance of cash returns to shareholders.

An interim dividend of US$0.30 per share, totalling US$429.6 million, was declared in August 2017, marking a return to dividends. This decision followed a comprehensive review of EVRAZ' financial situation, which indicated that the Group is well placed to meet its current and future financial requirements. Other factors considered included the solid results for the first half of 2017 and the positive outlook for the full year.

The strength of the underlying cash flow generation and continuing success with deleveraging have allowed the Company to announce a formal dividend policy.

Going forward, the Company aims to declare dividends of a minimum amount of US$300 million per annum to be paid in semi-annual instalments of minimum 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 our 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 our existing capital allocation policy, no dividends will be paid out if Net Debt/EBITDA is above 3.0x.

Given the improving performance throughout 2017, EVRAZ has announced a second interim dividend. On 28 February 2018, the Board of Directors voted to disburse a total of US$429.6 million, or US$0.30 per share. The record date is 9 March 2018 and payment date is 29 March 2018. The move underscores the solid results delivered and free cash flow generated, which allowed the Group to spend US$836 million on reducing net debt as well as pay dividends. By the year-end, the Net Debt/EBITDA ratio had decreased to 1.5x.

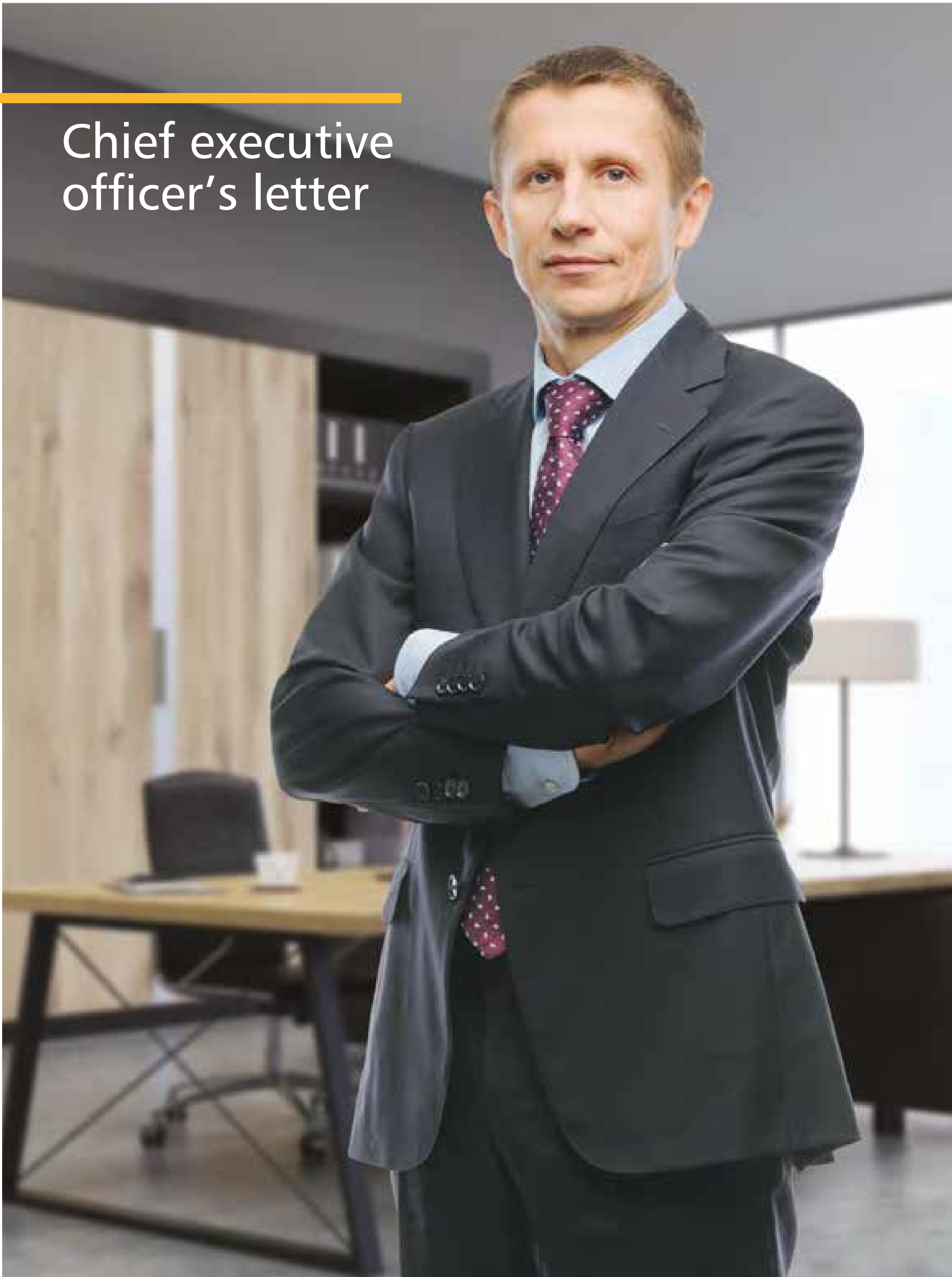
Outlook

Looking to 2018, we are optimistic about our opportunities to further grow the business. While the global steel and mining industries will continue to be volatile, we have a clear view of the future and possess the right assets, strategy and people to continue to deliver on our strategic goals.

I am tremendously proud of EVRAZ' progress in 2017 and look forward to furthering the Group's journey as chairman of its Board. Thank you for your support.

Alexander Abramov
Chairman of the Board, EVRAZ plc

Chief executive officer's letter



EVRAZ benefited from an upswing on the global markets, as well as from ongoing strategic initiatives on cost-cutting and product development. These factors helped to generate strong EBITDA of US$2,624 million in 2017.

Dear shareholder,

Last year was a turning point for both EVRAZ and global steel and raw material markets. The Group navigated a challenging period due to its clear strategic vision, bringing it to a new stage of sustainable and robust long-term development.

EVRAZ benefited from an upswing on the global markets, as well as from ongoing strategic initiatives on cost-cutting and product development. These factors helped to generate strong EBITDA of US$2,624 million in 2017. The Group's business model also attained a fundamentally new level of sustainability as the net debt/EBITDA ratio reached 1.5x.

Safety is EVRAZ' overriding priority. In 2017, the Group's lost-time injury frequency ratio fell to 1.90, from 2.36 in 2016, mainly following the improvements made and procedures adopted in recent years. Environmental protection is also an important part of our long-term sustainable development, and we implemented several projects to reduce our ecological footprint in 2017.

EVRAZ believes that expanding and diversifying its product portfolio is the foundation of robust development. To strengthen our positions, we have set ambitious targets in all core segments.

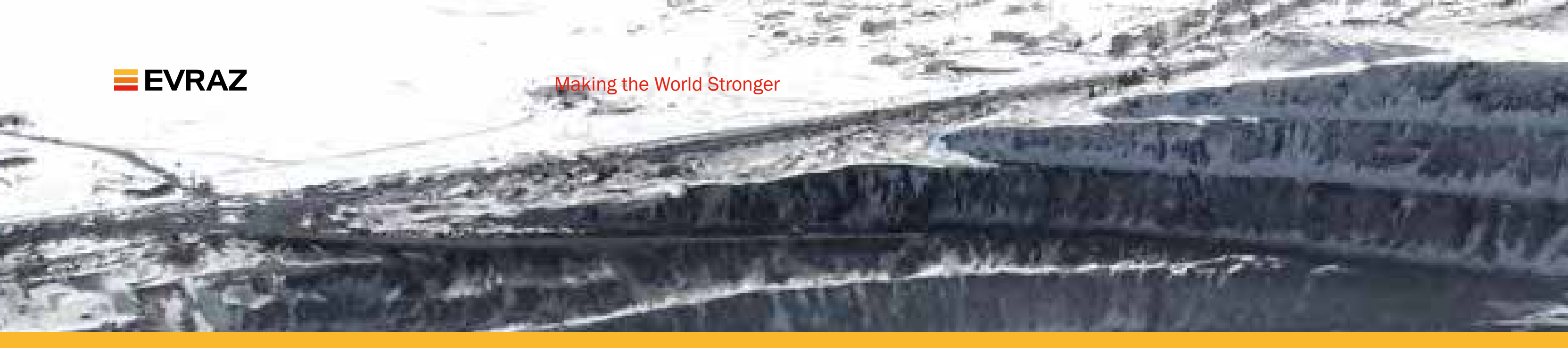
In the Steel segment, we are aiming to improve our product mix by increasing the share of finished products and to spur domestic demand by promoting steel construction. In the Coal segment, we are striving to expand volumes and reach full self-sufficiency in all coking coal grades by developing new projects, especially in the low- and mid-volatility coal grades. In the Steel, North America segment, the target is to strengthen our leadership positions in energy pipe and rail markets in North America by developing the product mix. In 2017, total sales volumes rose by 1.2% in the Steel, 4.6% in the Coal and 12.7% in the Steel, North America segments.

The Group plans to continue improving its cost base via a combination of 'top-down' and 'bottom-up' approaches to generating initiatives. Our 'employee-sourced' approach alone has identified a standalone potential annual effect of US$144 million, facilitated by EVRAZ Business System transformations. We expect to generate an even greater effect, as EVRAZ Business System transformations are implemented in 100% of our production shops. Overall in 2017, we delivered an EBITDA effect of US$267 million from our customer-focus and cost-cutting initiatives. We believe that these improvement processes are vital for our long-term competitiveness.

The Group's CAPEX strategy continues to concentrate on prudent investments. In 2017, our capital expenditures totalled US$603 million, of which US$236 million went on development projects and US$367 million on maintenance.

More than 50% of our development CAPEX was spent on constructing the blast furnace no.7 at EVRAZ NTMK and around 25% went towards various projects at EVRAZ North America. In 2018, we expect CAPEX to be around US$650 million, which we believe will provide sufficient resources for the strategic investments currently under consideration.

See more



The Steel segment remains the core of EVRAZ' business model, allowing it to maintain top positions in the global rail and regional construction steel markets.

EVRAZ has disposed of several non-core and less efficient assets, such as EVRAZ NMTP, Evraz Sukha Balka and Evraz Yuzhkoks in 2017, with the aim of focusing the business model and making it more consistent.

The Group delivered strong financial results and met its deleveraging targets in 2017. This allowed us to disburse US$429.6 million in interim dividends. EVRAZ also received a 'BB' credit rating from S&P in 2017. Combined with the reduction in total debt, this should positively influence interest payments going forward.

Looking ahead, EVRAZ' goal is to maintain healthy net leverage and keep net debt in the range of US$3–4 billion. Doing so would enable us to hold leading positions in terms of total returns to shareholders and to resume regular dividends going forward.

Steel segment

The Steel segment remains the core of EVRAZ' business model, allowing it to maintain top positions in the global rail and regional construction steel markets. In 2017, the segment's EBITDA reached US$1,483 million, driven by the strong business model, favourable markets, synergies with the Coal division, and ongoing programme to improve efficiency.

One of the Steel segment's key strategic priorities is increasing the share of finished steel products. In 2017, we introduced successful initiatives to stimulate the demand for hot-rolled beams by substituting welded products, as well as promoting the use of steel in construction. This helped to boost the demand for H-beams by 6% in Russia.

Capital investment in the Steel segment totalled US$358 million for the period. We finalised the construction works for US$196 million project to build the blast furnace no. 7 at EVRAZ NTMK. This will allow us to conduct capital repairs on the blast furnace no. 6 without reducing pig iron production. We are also finalising EVRAZ NTMK's new 134 ktpa grinding ball mill, which we began building in 2016 and expect to launch in mid-2018.

Looking forward, we are considering projects to increase the share of finished steel in our portfolio, support iron ore mining volumes and maintain our current facilities to minimise risks. Next year, we are targeting 4.8 million tonnes of finished steel products output at our Russian plants, mostly in line with last years' figures.

The segment's strong financial performance in 2017 was also spurred by a 77% year-on-year surge in vanadium prices. With annual sales volumes of 15,672 mtV of finished vanadium products and a global market share of c.20%, our vanadium business generated additional US$200 million in revenues from ferrovanadium and chemicals last year.

Coal segment

The Coal segment is EVRAZ' fastest-growing business. In 2017, coking coal production rose by 4.7% year-on-year to 23.3 million tonnes, securing the Group's leading positions on the Russian and global coking coal markets. The segment's EBITDA nearly doubled last year to US$1,226 million.

These positive results were underpinned by favourable market conditions amid a shortage of seaborne coking coal supplies. Prices climbed by 56% to an annual average of US$101 per tonne on an FCA basis.

In addition to the supportive external environment, the Group's strategic decisions also facilitated such a strong performance. This includes the launch of a new premium low-volatile coking coal open pit at Raspadskaya-Koksovaya mine with a capacity of more that 1 million tonnes per year. This increased the level of vertical integration in the Steel and Coal segments, bringing our self-sufficiency in coal to 50% in 2017. In addition, the Coal segment launched several efficiency improvement projects at Raspadskaya, aimed at improving the washing yield.

In 2018, EVRAZ aims to strengthen the Coal segment's positions by increasing mining volumes at existing operations to more than 24 million tonnes and considering brownfield or greenfield expansion options, as well as by seeking prudent domestic acquisitions.

The coking coal concentrate rouble cash cost is expected to improve by 2% next year.

The Group remains committed to improving safe working conditions at all the Coal segment's mines to minimise the probability of an accident occurring.

Steel, North America segment

In 2017, EVRAZ North America delivered a better financial performance year-on-year, driven by the investment projects that it has implemented, as well as the recovery of oil prices and drilling activity in the US and Canada. The segment generated positive EBITDA of US$58 million, up 107% year-on-year.

This performance was supported by a rebound in the OCTG market, which drove sales volumes to 333 kt and a market share of 28% in Western Canada.

Other enhancements related to the North American rail market, where the Group sold 366 kt of rails and increased its market share to 34%.

"

The Coal segment is EVRAZ' fastest-growing business. In 2017, coking coal production rose by 4.7% y-o-y to 23.3 million tonnes, securing the Group a leading position on the Russian and global coking coal markets.

Last year, EVRAZ North America finalised two large investment projects in Regina, Canada, which helped to gain new capabilities to produce new products aimed at growing segments of large-diameter pipe market. These projects are already generating additional demand from clients and we can fully leverage this product development in 2018. We are also initiating two new investment projects in the US and Canada aimed at improving our OCTG product mix and strengthen cost position: heat treat capacities at the Red Deer ERW mill and threading at the Pueblo seamless pipe mill. We currently estimate total CAPEX for these projects at US$50 million.

In 2018, we forecast rolled steel production in North America to exceed 2 million tonnes, up c.10% year-on-year.

Outlook for 2018

Regarding 2018, we expect demand to grow further on both the Russian and North American steel markets, with prices stabilising at relatively high levels.

After reaching our net debt target in 2017, we have approved a new dividend policy for the benefit of our shareholders. This policy is based upon a level of regular dividends, with the potential for additional distributions if the long term growth prospects of the business and our commitment to invest in our operations and maintain a strong capital base permit.

As we progress in 2018, we remain committed to our vision and believe that our pipeline of investment projects and operational efforts, combined with favourable market conditions will enable us to generate strong financial results and benefit all our stakeholders.

Alexander Frolov
Chief Executive Officer

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 2017, global steel and raw materials markets experienced a turnaround. Prices were mainly driven by the efficient steelmaking capacity optimisation programme in China, supply disruptions in the coal industry, and growing demand for steel products in all regions across the globe.

For more information, see page 24.

Success factors

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

Health, safety and environment

Human capital

Customer focus

Asset development

EVRAZ business system

Strategic priorities

Development of product portfolio and customer base

For more information, see page 26.

Retention of low-cost position

For more information, see page 27.

Prudent CAPEX strategy

For more information, see page 28.

Regular dividends and proactive debt management

For more information, see page 29.

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

EFFICIENCY IMPROVEMENT PROGRAMME EFFECT IN 2017

c. US$ 267 million

Include:

104 163

Customer focus initiatives, US$ million

Cost-cutting initiatives, US$ million

See p. 52

Construction of the Blast Furnance #7 at EVRAZ NTMK

See p. 74

Regina steelmaking expansion and construction of the LDP mill

NET DEBT/EBITDA (AS OF 31 DECEMBER 2017)

1.5x

DIVIDENDS PAID IN 2017

c. US$ 430 million

EVRAZ' business model has proven its efficiency during the ups and downs of the recent commodity cycle. We have now entered a period of stable development, ensured by our clear strategic vision and strong financial position.

Alexander Frolov
Chief Executive Officer

Business segments

Operational model is on the following page

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.

For more information, see page 46.

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 page 60.

Steel, NA

The Steel, North America segment focuses on the premium Western US and Canada markets, offering high value added infrastructural, rail and LD/OCTG pipe steel products.

For more information, see page 70.

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.

For more information, see pages 26–27.

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.

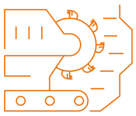
Suppliers and business partners
EVRAZ honours its position as a vital purchaser of auxiliary materials by fostering the advancement of its customers' industries and running fair, transparent tenders.

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

INPUT



Proved and probable reserves

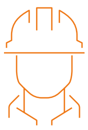
10.0
bln t of iron ore

1.9
bln t of coking coal

Self-coverage

81%
in iron ore

184%
in coking coal



Number of employees

(as of 31.12.2017)

49,123
in Steel segment

13,402
in Coal segment

3,578
in Steel, NA segment

OPERATIONS

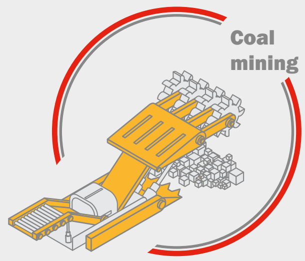
STEEL SEGMENT

Iron ore products consumption	19,047 kt
Internal consumption	*13,198 kt*
3rd parties' iron ore products purchases	*5,849 kt*
3rd parties scrap purchases	1,668 kt
Coking coal products consumption	9,668 kt
Coal segment coal products	*5,778 kt*
3rd parties raw coal	*1,622 kt*
3rd parties concentrate	*2,268 kt*

Pig iron production	11,320 kt
Crude steel production	12,285 kt
Vanadium slag production	18,636 mtV

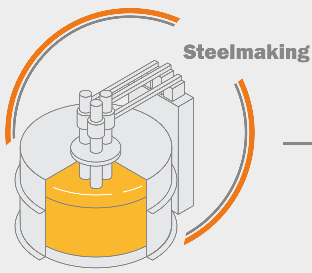
COAL SEGMENT

EVRAZ' unique combination of reserves, operations, product quality and clients make its Coal segment a crucial pillar of the 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.



Total raw coking coal mined	23,306 kt
Sales to Steel segment	*1,160 kt*

STEEL, NORTH AMERICA SEGMENT



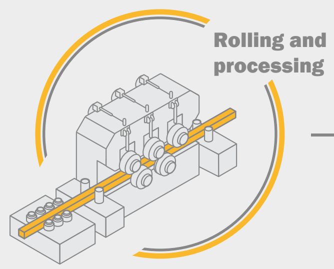
3rd parties scrap puchases	1,151 kt
Slab purchases[1]	543 kt

Crude steel production	1,748 kt

[1] *Including 539 kt from Steel segment and 4 kt from 3rd parties.*

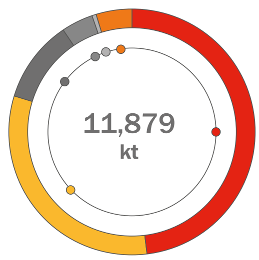
SALES TO 3RD PARTIES

EBITDA



Steel products production	11,263 kt
Vanadium in final products (production)	11,359 mtV

STEEL PRODUCTS, kt



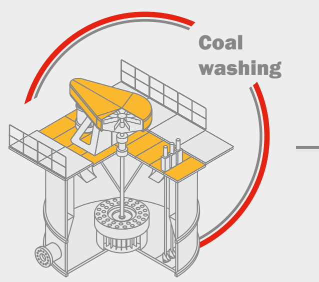
Semi-finished products	5,735
Construction products	3,750
Railway products	1,281
Flat-rolled products	511
Tubular products	51
Other steel products	551

IRON ORE PRODUCTS	2,932 kt
VANADIUM PRODUCTS (SALEABLE)	15,672 mtV

The Steel segment's EBITDA improved, reflecting higher steel and vanadium prices and the effects of cost-cutting initiatives implemented in 2017. This was partially offset by an increase in expenses in US dollar terms as a result of the rouble's strengthening impact on costs, as well as by rising prices for raw materials such as coal, iron ore and scrap.

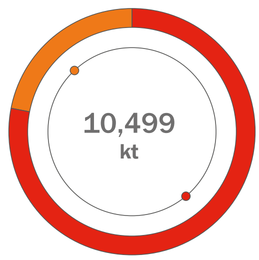
+47.7% yoy

US$ **1,483** million



Total coking coal concentrate production	13,060 kt
Sales to Steel segment	*4,618 kt*

COKING COAL PRODUCTS, kt

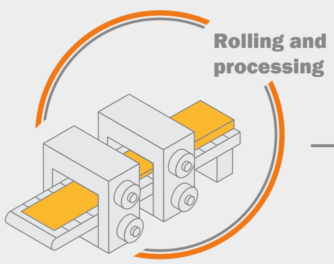


Coking coal concentrate	8,197
Raw coal	2,302

The Coal segment's EBITDA increased year-on-year largely driven by higher sales prices in line with global benchmarks.

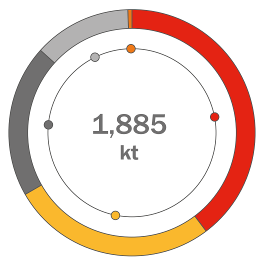
+90.4% yoy

US$ **1,226** million



Steel products production	1,851 kt

STEEL PRODUCTS, kt



Tubular products	749
Flat-rolled products	512
Railway products	376
Construction products	241
Semi-finished products	7

The Steel, North America segment's EBITDA increased year-on-year, supported by greater revenues from sales of tubular, railway and flat-rolled products as well as higher expenses in prior year connected with suspension of production. This was partly offset by higher prices for scrap and purchased semi-finished products.

+107.1% yoy

US$ **58** million

Success factors and KPIs

HEALTH, SAFETY AND ENVIRONMENT

Strategic goal

One of EVRAZ' top priorities is protecting its employees' health and safety, as well as preserving the environment in its areas of operation. In 2017, the Group's strategic goal remains unchanged: achieving and maintaining a lost-time injury frequency rate (LTIFR) of below 1.0 by 2021. See page 84.

Overview

Implementing behaviour safety conversations and standard safe operating procedures are two major initiatives launched in 2017. During the year, the Group's employees conducted half a million safety conversations. We also made extra efforts to improve the quality of our safety reporting. On the ecological front, we completed three environmental projects and launched four new initiatives last year, mainly in the Urals and Siberia. See pages 89–92.

Outlook

In 2018, EVRAZ will begin to implement a contractor safety programme. We will also continue our ongoing efforts to improve the quality of safety conversations and standard safe operating procedures. Two major ecological issues that EVRAZ will proactively manage in 2018 are high sulphur content in iron ore and waste management.

LTIFR (excluding fatalities),
per 1 million hours

KPI

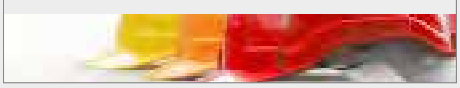
Year	Value
2017	1.90
2016	2.36
2015	2.18

Despite the Group's efforts, there were ten fatalities (six employees and four contractors) at its sites in 2017, while the LTIFR dipped to 1.90, compared with 2.36 in 2016.

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 80–105** provides an overview of the Group's policies and performance in 2017 in key areas of CSR.



CSR

Our people
See pages 96–99.

Health and safety
See pages 84–88.

Environmental matters
See pages 89–95.

HUMAN CAPITAL

Strategic goal

Engaged, motivated, loyal and competent employees are the key pillar of EVRAZ' business. We strive to continuously improve productivity and establish world-class HR practices. See page 96.

Overview

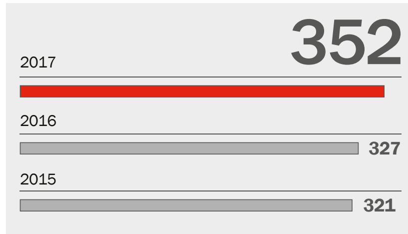
In 2017, the Group focused its human capital efforts on managing its employee engagement programme, developing the key competencies required for operations management, and centralising administrative functions in one shared service centre in Novokuznetsk, Siberia. Due to ongoing labour productivity improvements and asset divestments, total headcount decreased by more than 7,000 employees last year. During the year, we were also able to improve engagement by an average of 17% at key production sites. See page 98.

Outlook

In 2018, the Group will continue its efforts to improve employee engagement, develop a new team framework for specific complex projects at its plants, and implement changes in the staff motivation system.

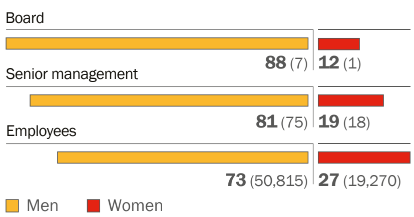
LABOUR PRODUCTIVITY, STEEL, tonnes per person

KPI



The labour productivity per person for steel products grew by 7.6% to 352 tonnes per person in 2017, compared with 327 tonnes per person in 2016.

DIVERSITY OF EMPLOYEES, SENIOR MANAGEMENT AND DIRECTORS, % (number of people)



EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees' rights receive equal protection.

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 100–103.

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 page 82.

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 104–105.

Success factors and KPIs

CUSTOMER FOCUS

Strategic goals

- Increase the share of value-added products
- Strengthen the domestic market share in construction products in Siberia
- Secure a 70% market share in the Russian rails market

Overview 2017

- Improved customer relations and realised debottlenecking initiatives at operations, leading to respective increases of 6% and 106% in the sales volumes of rails and wheels in Russia
- Enhanced demand for beams in Russia, helping to boost the total market volume by 6% from 771 thousand tonnes in 2016 to 819 thousand tonnes in 2017
- Developed new export geographies and product types, including selling rails to five new countries and developing nine new types of wheels
- Increased export shipments of rebars by 29 thousand tonnes and semi-fnished steel products by 20 thousand tonnes
- Achieved a combined EBITDA effect from these initiatives of US$68 million

Outlook 2018

- Increase domestic and export sales of wheels by further debottlenecking efforts and certifying new types of products
- Retain the strategy for beam sales unchanged, driven primarily by engineering solutions for construction projects, shipment and flexible payment terms, as well as by lead-time improvements at EVRAZ NTMK
- Double export sales of rails by developing new profiles and reducing logistics costs

Strategic goals

- Supply 100% of the coking coal needed at EVRAZ' steel plants in all coal grades
- Increase market shares in Russia and Ukraine
- Establish an export price formula based on hard coking coal benchmarks

Overview 2017

- Expanded export sales volumes by shipping to new destinations (Indonesia, Europe) and applying a better price formula, driving total overseas sales up 28% year-on-year to 4.8 million tonnes
- Began mining a new premium low-vol HCC coal grade, helping sales to reach 0.3 million tonnes
- Increased internal coal use at EVRAZ' steel plants to 50%

Outlook 2018

- Increase sales in Russia and Ukraine
- Seek new export supply routes through ports on the Baltic Sea
- Further develop overseas client base to accommodate the growth in volumes

Strategic goals

- Strengthen EVRAZ' leading positions in energy pipe markets for LDP in North America and OCTG in Western Canada
- Achieve a 40% market share in the rail segment
- Maintain a leading position in the West Coast plate market

Overview 2017

- Experienced a surge in OCTG volumes due to the premium product mix and increased drilling volumes, driving the market share for OCTG in Western Canada to 28% and increasing sales volumes by 306% to 333 thousand tonnes
- Expanded the rail product portfolio to benefit from the market upside, doubled the welding business with a new technology and sold 366 thousand tonnes of rails in North America
- Ramped up EVRAZ Regina's LDP mill, which produced its first thick-walled (1-inch) pipe in the reporting period
- Achieved a combined EBITDA effect from these initiatives of US$35 million

Outlook 2018

- Upgrade the OCTG product portfolio through two projects: the heat treatment at EVRAZ Red Deer and the premium threading for seamless pipes at EVRAZ Pueblo
- Reach the targeted LDP volumes of 275 thousand tonnes at EVRAZ Regina due to participation in new pipeline projects
- Develop new high-value added products at EVRAZ Portland
- Asset development

KPI
For KPIs and detailed tracking, see page 26.

ASSET DEVELOPMENT

Strategic goal

- Generate annual cost-reduction initiatives in the amount of 3% of the cost base at every business unit across the Steel segment

Overview 2017

- Implemented a programme to reduce pig iron production costs
- Finalised most of the construction work for EVRAZ NTMK's blast furnace no. 7
- Implemented an energy efficiency programme, generating an EBITDA effect of US$10 million
- Achieved a combined EBITDA effect from these initiatives of US$78 million

Outlook 2018

- Launch the blast furnace no. 7 and the new grinding ball mill at EVRAZ NTMK, as well as the boiler unit no. 9 at EVRAZ ZSMK
- Implement a programme to reduce steelmaking costs for BOF and EAF in the Urals and Siberia divisions
- Increase production volumes of finished steel and vanadium
- Perform capital repairs on EVRAZ NTMK's blast furnace no. 6

Strategic goal

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

Overview 2017

- Improved degassing efficiency, tunnelling rates and operating time at longwall faces
- Launched open-pit mining at Raspadskaya-Koksovaya, producing 0.5 million tonnes of raw coal last year
- Launched commercial production at Mezhegeyugol, mining 0.9 million tonnes of raw coal last year
- Launched flotation at the third section of Raspadskaya's processing plant to increase concentrate output by 3%
- Achieved a combined EBITDA effect from these initiatives of US$73 million

Outlook 2018

- Increase coal mining volumes by 1 million tonnes through the ramp-up of operations at the Raspadskaya-Koksovaya open pit, the launch of the third longwall at the Raspadskaya mine and the introduction of additional equipment at the Raspadsky open pit
- Switch to low-ash seams and improve washing yields by 3–4%
- Use new flotation equipment at the first and second sections of Raspadskaya's processing plant

Strategic goal

- Become the lowest-cost producer of rails, LDP, OCTG and plate products when delivered to the Western US and Canada

Overview 2017

- Finalised EVRAZ Regina's steelmaking upgrade project
- Reduced conversion costs at EVRAZ Portland by US$5/t
- Improved the rail production yield to 92%
- Achieved a combined EBITDA effect from these initiatives of US$12 million

Outlook 2018

- Realise the full-year savings at EVRAZ Regina due to the degasser working for the whole year
- Increase the production volumes for all product groups
- Focus on optimising electrode consumption and improving yields

KPI
For KPIs and detailed tracking, see page 27.

Digital transformation

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

Main directions

Digital technologies in mining assets

Advanced analytics and scenario optimisation

Machine learning

Remotely-controlled operations

Digital technologies in Steel segment

Industrial analytics and big data

Mobility

Expert systems

Machine learning

Digital technologies in sales and corporate functions

Lean and paperless back office

Integrated e-commerce

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 2017

19 projects were implemented

16 projects are planned or being implemented

11 projects are being considered

CUSTOMER FOCUS

ASSET DEVELOPMENT

Key projects in 2017

STEEL SEGMENT

Machine learning

Optimise vanadium slag output in converter shop

EVRAZ NTMK
Stage 1 completed in Q4 2017

Semi-product converter produces two commercial products, vanadium slag and steel semi-product. A computer-aided model developed using machine learning algorithms calculates optimal values for manufacturing process parameters (oxygen, coolant, additives) and recommends them for the converter operator to use.

Implementation effect

- Increased vanadium slag output
- Optimised oxygen and coolant use
- Improved technological process stability

Industrial analysis and big data

Digital model of all steel production stages

EVRAZ ZSMK
Duration: 2017 – 2018

Project scope includes:

- Integrated optimisation of material flows at each production stage from raw materials to semi-finished products
- Optimisation of production plans for each process stage
- Scenario comparison and sensitivity analysis for production and financial parameters

Implementation effect

Adequate model accuracy is reached for the first two phases (washing plant, sinter plant, coal preparation plant and coke plant).

MINING ASSETS

Advanced analysis and scenario modelling

Mine planning and scheduling

EVRAZ KGOK
Duration: 2017 – 2018

An integrated geological suite enables mining professionals to:

- quantify and evaluate iron ore deposits;
- plan the efficient extraction of reserves;
- produce long-term and medium-term mining schedules that meet capacity and ore quality targets.

Implementation effect

- Higher and more stable Fe content
- Ore concentrate output increased by 2% year-on-year
- Ore consumption reduced by 1-2% year-on-year

Remotely-controlled operations

Mine fleet management system

Razrez Raspadskiy
Launched in 2017

The system makes it possible to manage Razrez Raspadskiy's mine fleet (dump trucks, excavators and bulldozers) and to monitor vehicle speed, dump truck loading and fuel consumption. The software helps the dispatcher to optimise the distribution of dump trucks among excavators and unloading points given current production plans.

Implementation effect

- Increased mine fleet productivity
- Reduced equipment downtime
- Reduced equipment wear and tear and fuel consumption

SALES AND CORPORATE FUNCTIONS

Integrated e-commerce

Online services for clients

EVRAZ Trading Company
Launched in 2017

Online services are available for EVRAZ clients via a website optimised for PCs and mobile devices. An intuitive dashboard displays an overview of a client's operations, encompassing order management, financial statements, payments and shipments (including railway tracking).

Implementation effect

- Higher customer satisfaction and loyalty
- Labour costs generated by routine communications with a customer are reduced

Lean and paperless back office

Robotic process automation

EvrazHolding
Launched in 2017

Robotic process automation (RPA) is a technology that has emerged to simplify business process delivery and perform repetitive mundane tasks instead of office clerks. The pilot project executed for several back-office processes has proved the maturity of RPA software and its capability for the EVRAZ Shared Services Centre (ESCC).

Conclusions derived from proof of concept

- RPA is applicable for the majority (60%) of ESCC processes
- Roll-out roadmap is prepared: all ESSC processes can be robotised with 2-3 years

Success factors and KPIs

EVRAZ BUSINESS SYSTEM

Strategic goal
The EVRAZ Business System (EBS) is a combined approach to the Group's operations. The key elements are setting targets, developing staff, improving processes, supporting management systems, fostering our corporate culture, and implementing necessary infrastructure improvements. The deployment of EBS is realised through a series of EBS-Transformations (EBS-T) with the aim to cover all main operations by the end of 2020. This approach is targeted to reach 100% employee engagement and help to generate initiatives with the effect of 3% from the cost base.

Overview
In 2017, EVRAZ executed several production-shop transformation projects in Siberia, which were focused on bottom-line costs reduction via EBS tools and were supported by full employee engagement. EBS teams were also formed last year to roll out EBS Transformation (EBS-T) to other divisions. Overall, we have identified a total potential economic effect of US$144 million from EBS initiatives.

Outlook
The key focus for 2018 will be on rolling out EBS transformations to other divisions, such as the Urals and Coal segments, using the special EBS teams that were formed in 2017, as well as on continuing the transformation process in Siberia. All told, the programme envisages completing up to 31 EBS transformations throughout these business units by the end of the year.

EBS Transformation

MAIN STEPS

Preparation — Create working groups, collect preliminary information, plan working steps.

Start

Active phase 16 weeks — Results gallery. Improve, set goals, develop activities, plan and implement. Department staff attend training, conduct improvement measures and form a plan for further site development.

Interim results

Support phase 16 weeks — Steering committee. Finish initiatives that have been started and document the result, fully transfer updated processes to production personnel.

Transfer — All initiatives transferred to production personnel with support from EBS development team.

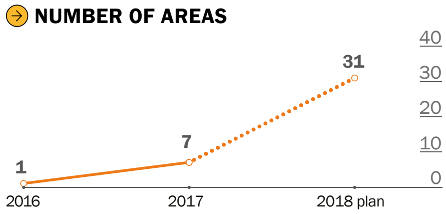
KEY APPLIED TOOLS

- **The idea factory** is a programme aimed at collecting ideas from staff. A technical council reviews the ideas every two weeks, staff receive a monetary award for each idea that is accepted, and the best ideas are entered into a quarterly contest for valuable prizes.
- **The problem-solving board** is a simple and accessible tool for gathering comments and problems from staff. It triggers a mechanism to quickly solve safety problems and improve working conditions.
- **The A3 thinking algorithm** is a problem-solving approach, applied by EBS-T teams.
- **The improvement cycle** is an analogue of rapid improvement event tool which helps to find solutions for previously unresolved problems using high level of interaction between employees.

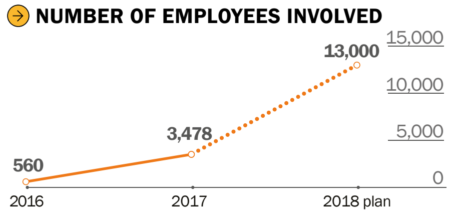
Key developments and KPIs

EBS Transformation KPIs are used in areas involved in the EBS-T project. In 2016 and 2017, this included the EVRAZ ZSMK and Evrazruda, while in 2018, it will expand to the EVRAZ NTMK and the Raspadskaya Coal Company.

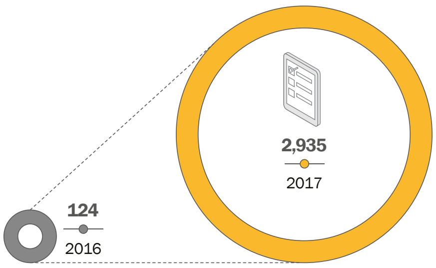
NUMBER OF AREAS



NUMBER OF EMPLOYEES INVOLVED



NUMBER OF INITIATIVES (Idea factory)



EXAMPLES OF INITIATIVES GENERATED BY EMPLOYEES IN 2017 AND POTENTIAL EBITDA EFFECT, US$ million

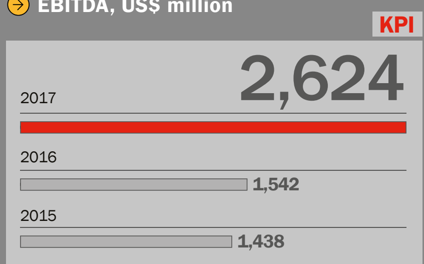
Implementation of new sampling device	Usage of one railcar for various cargo	Mill set-up process improvement
+ US$ 2.5 million	+ US$ 0.5 million	+ US$ 0.4 million

2017 FINANCIAL RESULTS

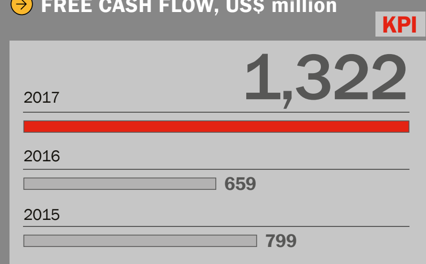
Last year's cost-cutting initiatives delivered the EBITDA effect of US$163 million. Combined with a US$104 million gain from customer-focus efforts, EVRAZ' total EBITDA effect from initiatives was US$267 million in 2017.

In 2017 EBITDA reached US$2,624 million, up 70.2% from US$1,542 million in 2016, boosting the EBITDA margin from 20.0% to 24.2% and increasing free cash flow to US$1,322 million.

EBITDA, US$ million



FREE CASH FLOW, US$ million

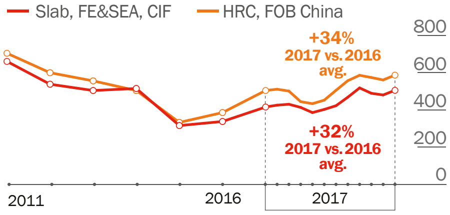


Market Overview

Global picture

In 2017, the positive trends seen in prices for steel and raw materials were supported by the ongoing supply optimisation, mainly in China, and by growing demand for steel and raw materials globally.

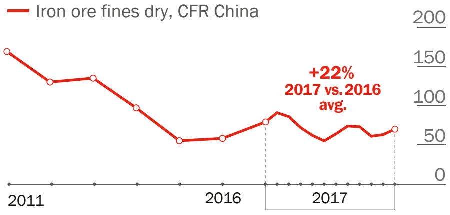
STEEL PRICES, US$ per tonne



In 2017, steel prices surged by 32% year-on-year to an average of US$446 per tonne, based on Slab CIF FE&SEA contracts. Prices peaked at US$430 per tonne in March, gradually retreated to a bottom of US$402 per tonne in June, and then quickly recovered to a new high of US$518 per tonne in September. Such substantial growth was mainly driven by Chinese steel capacity optimisations and strong domestic demand. It was also supported by positive consumption trends in other global steel consumption markets, such as Europe, North America and Asia, which were up by an average of 3% during the year.

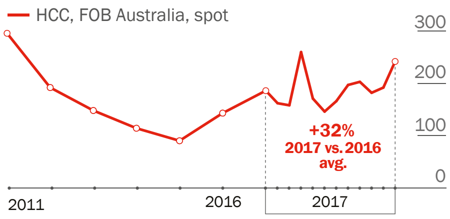
Steel sector optimisation in China presumed steel capacity cuts of 40 million tonnes in 2017, continuing the trend that the local government launched a year ago. Additional substantial capacity cuts of 120 million tonnes were related to shutdowns of induction furnaces, shipments from which were not previously reported in the official statistics. Meanwhile, Chinese steel demand continued to recover, with 730 million tonnes consumed during 2017, up 5% year-on-year due to strong property sales and stable infrastructure spending. Consequently, net Chinese steel export volumes fell by 29% to 71.7 million tonnes and the capacity utilisation rate surged by 6 percentage points to 76.9%. Chinese ecological regulations and shutdowns of inefficient production facilities have also elevated prices for products related to the steel industry, such as electrodes and refractory materials.

IRON ORE PRICES, US$ per tonne



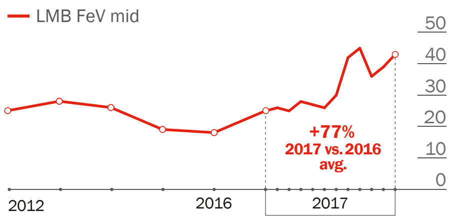
For the iron ore market, 2017 has been a period of high volatility. The 62% Fe CFR China price surged twice during the year, reaching US$91 per tonne in February and US$74 per tonne in August, pushing the average price up 22% year-on-year to US$71 per tonne. Local price peaks were driven by a sharp increase in iron ore demand after closures of induction furnaces in China and by overall positive consumption sentiment. The peaks were also supported by delays in launching investment projects caused by suppliers' value-over-volume strategy. Booming profitability at steel mills, where margins on billet reached US$177 per tonne in August, has supported demand for high-grade and direct charge iron ore, leading to a 5% climb in China's iron ore imports. A similar trend was seen in the seaborne pellet market, where the BF pellet premium reached US$45 per tonne in Q3 2017.

COKING COAL PRICES, US$ per tonne



The positive trend on the coking coal market continued in 2017, leading to an average price of US$189 per tonne for hard coking coal spot FOB Australia contracts, up 32% year-on-year. In H1 2017, the hard coking coal price peaked at US$260 per tonne in April then dipped back to US$146 per tonne in June. During H2 2017, prices remained within the borders of US$160–250 per tonne. The latter was due to supply disruptions caused by the ongoing optimisation programme in China's domestic steam and coking coal industry that started in 2016 with an aim to close 4,300 small and inefficient mines, in addition to a ban on new coal mine approvals. Another coal supply disruptor was bad weather conditions, including Cyclone Debbie, which curtailed 13 million tonnes of Australian coking coal shipments, or about 3% of global shipments last year. Supply disruptions were partially substituted by higher-cost shipments from North America and other non-traditional suppliers. Additionally, Chinese imports grew 20% year-on-year to 71 million tonnes in 2017. As a result, a market balance squeeze was seen among major coal grades, especially premium ones.

VANADIUM PRICES, US$ per kgV



In 2017, the LMB FeV price surged to US$33 per kgV, up 77% from US$18.5 per kgV in 2016. This was spurred primarily by the ban on vanadium slag imports in China and the closure of small producers in few provinces due to environmental checks. Another demand driver was China's announcement to revise rebar standards, which could introduce higher vanadium content for rebar products. These changes positively influenced global demand for the commodity and the supply response was limited due to the scarcity of vanadium production facilities.

TRENDS IN EVRAZ' CORE MARKETS

Steel

Russian construction steel markets recovered by 5% from the low levels of 2015-2016 due to favourable macroeconomic conditions, such as the 1.5% GDP growth and 21% rebound in oil prices. Another driver was substantial government expenditures on construction, including the ongoing modernisation of public transport systems (for example, US$3.1 billion was spent to develop Moscow's metro and suburban train systems), as well as infrastructure and residential construction programmes.

Coal

Russian coking coal demand remained stable with concentrate consumption levels at 38 million tonnes, essentially flat year-on-year. The high-vol grades segment continued to be profitable, as the depletion of several large mines in Russia compensated for increased competition among these grades. Export shipments continued to grow due to favourable market conditions, rising by 3% year-on-year to 22 million tonnes.

Steel, North America

In 2017, US steel demand rebounded by 6.7% year-on-year to 97 million tonnes due to positive trends in the manufacturing, machinery and energy industries. About 50% of the increase in apparent steel consumption has been captured by finished steel imports, which were up 3.2 million tonnes. The remaining half of the increased domestic demand has been met by higher domestic shipments.

Long-term prospects

Global urbanisation

Urbanisation in developing countries, as well as continued development of advanced economies, remains the largest demand driver for steel and other commodities.

According to United Nations data, an estimated 55% of the world's population lived in urban settlements in 2017. By 2030, urban areas are projected to house 60% of people globally. This rise will require significant investments in housing and infrastructure construction, which will lead to an increase in steel demand.

As a clear example, increasing urbanisation in China over the last 15 years has led to an upturn in steel consumption per capita from around 100 kilogrammes per capita in the beginning of 2000, to some 543 kilogrammes per capita in 2017, compared with 388 kilogrammes per capita in developed countries. Apart from organic growth, in cooperation with other countries, China can also add about 150 million tonnes to global steel demand by implementing its "belt and road" initiative, a long-term plan to develop infrastructure and rebuild ancient land and sea trading routes from China to Europe. Another country with strong steel demand growth potential is India, which in recent years has delivered steady economic growth and had steel consumption of only c. 65 kilogrammes per capita in 2015.

Russian construction industry to regain growth

Russia's construction industry is expected to grow at an annual average rate of 1.8%, reaching US$301 billion in 2021 due to the ongoing modernisation of public infrastructure, government construction programmes, and residential construction growth.

Russia has extremely high potential in terms of steel usage intensity in construction, as less than 10% of its buildings are constructed using steel frames, compared with more than 70% in developed countries such as the UK and US. During the last two years, EVRAZ has been working to promote beam demand in Russia by collaborating with project institutions, as well as improving product availability to clients.

The ongoing modernisation of public infrastructure will be a key source of support for growth in construction activity. Under the railway development strategy for 2030, the government plans to lay 20,000 kilometres of track at a cost of US$62.5 billion. Other projects envisage building 78 new metro stations and 160 kilometres of new track, and renovating dilapidated airport infrastructure through an investment of US$3.4 billion by 2020.

Russia's construction industry has tremendous potential due to the current low level of residential property per capita and the extremely low mortgage activity when compared with developed countries. Russia has only 20-25 square metres of housing per capita, compared with 44 square metres per capita in the UK and 70 square metres per capita in the US. The government's focus on the development of affordable housing for middle- and low-income groups is expected to drive market growth. Moscow's renovation programme entails spending roughly US$58 billion on residential housing construction in the next five years. Additionally, declining lending interest rates will contribute even more to residential construction growth across the country.

North America

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

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

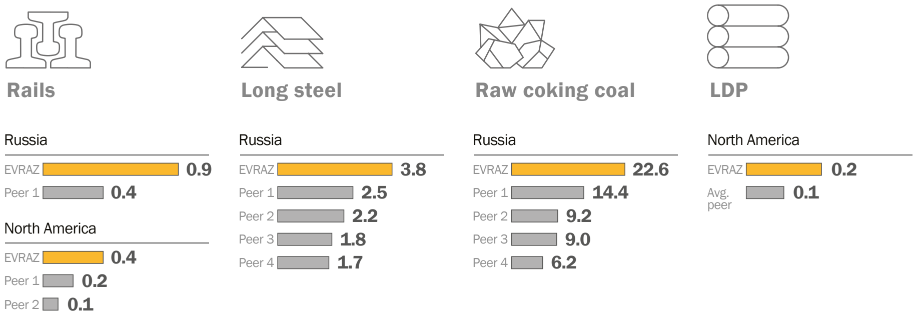
Infrastructure construction is very steel-intensive, which should support the demand for major steel products for several years, especially in structural steel, rails, tubes and plates.

Strategic priorities

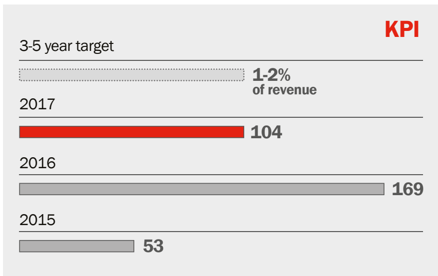
Development of product portfolio and customer base

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

PRODUCTION IN KEY MARKETS 2017, mt

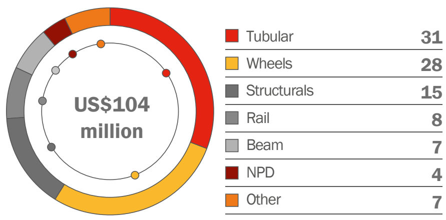


CUSTOMER FOCUS PROGRAMME[1], US$ million



In 2017, our customer focus programme brought an additional EBITDA effect of US$104 million.

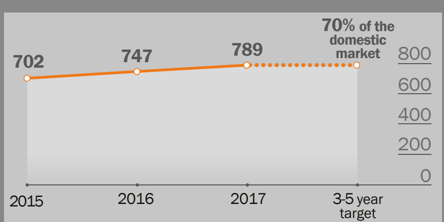
BREAKDOWN OF CUSTOMER FOCUS PROGRAMME EFFECT IN 2017, %



Most of the efforts were aimed at expanding the sales of wheels, structural products, beams and rail products in Russia, as well as OCTG products in North America.

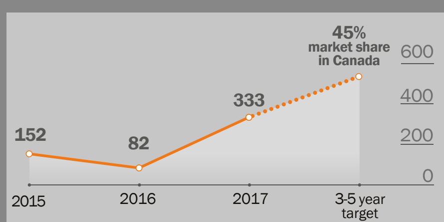
KEY DRIVERS

RAILS SALES VOLUMES IN RUSSIA, kt



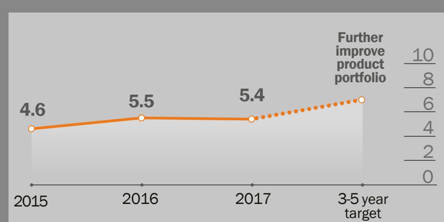
Sales of rails on the Russian market remain stable throughout the cycle. With its key client, Russian Railways, EVRAZ aims to secure a leading market share despite the increase in domestic competition.

OCTG SALES IN NORTH AMERICA, kt



In 2017, EVRAZ' OCTG sales rose four-fold year-on-year given the strong drilling activity and a leading market position in Canada.

HARD COKING COAL SALES, mt



EVRAZ has solid positions in key HCC grades, which are being developed through the brownfield expansion of current operations and potential investments in new projects.

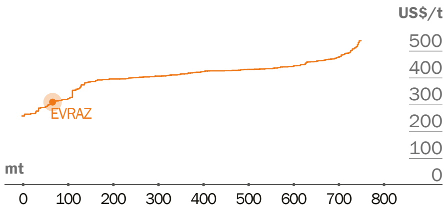
[1] Please see page 268 for details.

Retention of low-cost position

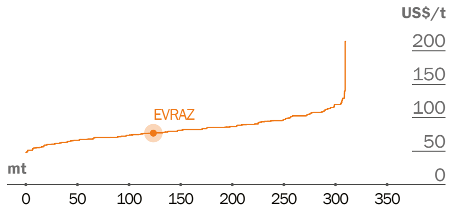
EVRAZ' assets are in the first quartile of global cost curves in semi-finished steel products and coking coal concentrate.

GLOBAL COST CURVE, FOB IN 2017, US$/t

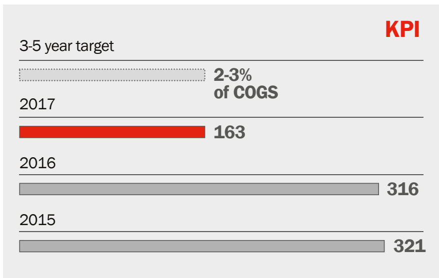
Steel slab



Coking coal

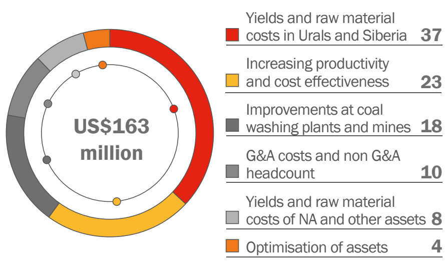


COST-CUTTING PROGRAMME[1], US$ million



The average annual EBITDA effect from cost-cutting initiatives totalled US$163 million. The plan is to maintain the current pace of improvement with an annual cost-cutting programme at the level of at least 2-3% of the cost base.

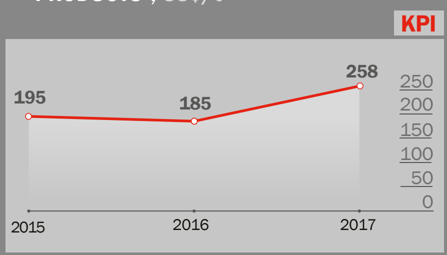
BREAKDOWN OF COST-CUTTING PROGRAMME EFFECT IN 2017, %



Cost savings in 2017 were focused on improving operations, optimising the usage of materials and services, as well as reducing headcount to improve productivity.

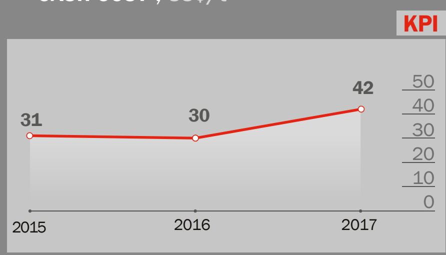
KEY DRIVERS

CASH COST OF SEMI-FINISHED PRODUCTS[1], US$/t



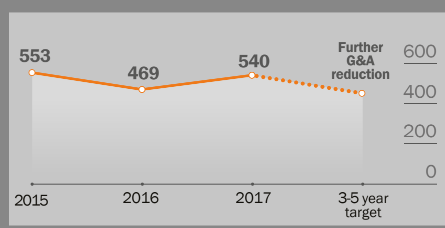
Cash costs of semi-finished products totalled US$258 per tonne in 2017, mainly due to the surge in raw materials prices and the strengthening of the rouble.

COKING COAL CONCENTRATE CASH COST[1], US$/t



The Coal segment's cash cost was US$42 per tonne in 2017, mainly due to the currency factor and geological conditions.

G&A EXPENSES, US$ million



G&A expenses were up by 15% in dollar terms in 2017. This was mainly due to the strengthening rouble's effect on costs. Reducing administrative costs remains a priority and EVRAZ was able to achieve substantial synergies in the divisions during the year. Further administrative cost reduction and simplification of the management structure are in the pipeline for the next couple years.

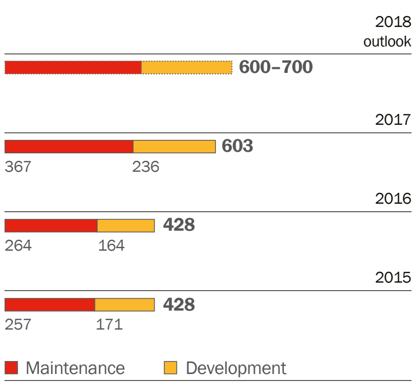
[1] Please see page 268 for details.

Strategic priorities

Prudent CAPEX strategy

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

ANNUAL CAPEX BREAKDOWN BY MAINTENANCE AND DEVELOPMENT, US$ million



REALISED INVESTMENT PROJECTS

Construction of an LDP mill at Regina

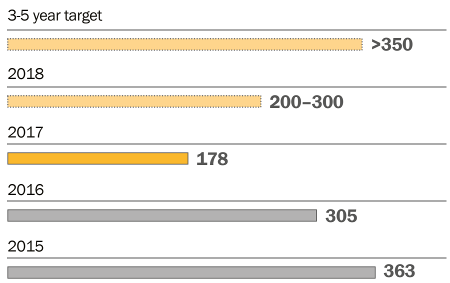
Launched in 2017

- Produce 1 inch X70 pipe
- Reduce conversion cost by US$14 million annually
- Add 250 thousand tonnes of welding and 160 thousand tonnes of finishing capacity

Total CAPEX

US$ 74 million

EVRAZ NORTH AMERICA LDP SALES, kt



ONGOING INVESTMENT PROJECTS

Construction of the blast furnace no. 7 at EVRAZ NTMK

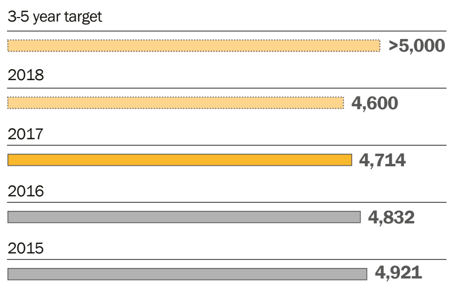
Will be launched in 2018

The new blast furnace no. 7 is slated to be launched in Q1 2018 with pig iron capacity of 2.5 mtpa to maintain stable volumes during the capital repair of blast furnace no. 6 in 2018-19. In 2018, pig iron production volumes could be lower due to the repairs, but they will reach more than 5 mtpa in the medium term.

Total CAPEX

US$ 196 million

EVRAZ NTMK PIG IRON PRODUCTION, kt



Grinding ball mill construction at EVRAZ NTMK

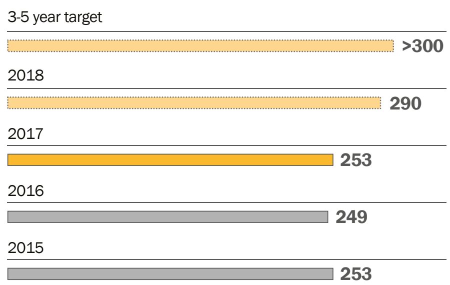
Will be launched in 2018

A new grinding ball mill with 134 ktpa capacity. EVRAZ grinding ball production is expected to increase to more than 300 ktpa.

Total CAPEX

US$ 19 million

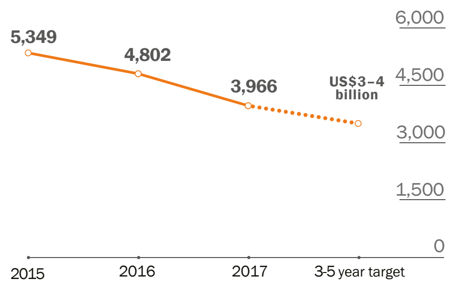
EVRAZ GRINDING BALL SALES, kt



Regular dividends and proactive debt management

EVRAZ was consistent in its deleveraging strategy for the last three years and reached its target figures in 2017. Going forward the Group plans to keep a moderate net debt level and resume regular dividend payments depending on the financial results.

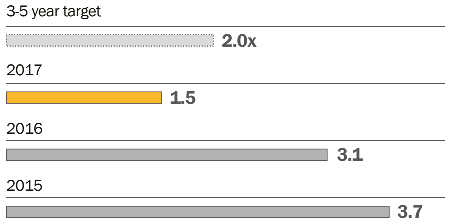
NET DEBT, US$ million



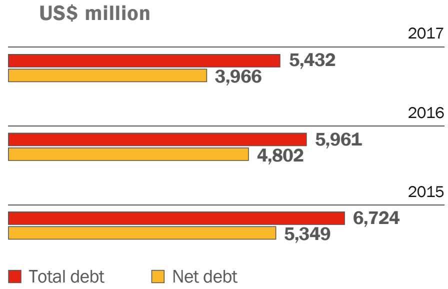
DIVIDENDS AND SHARE BUYBACKS, US$ million

	2015	2016	2017
Dividends	0	0	430
Share buybacks	336	0	0
Total	**336**	**0**	**430**

NET DEBT/EBITDA

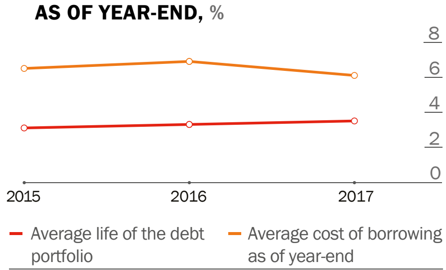


TOTAL DEBT AND NET DEBT, US$ million

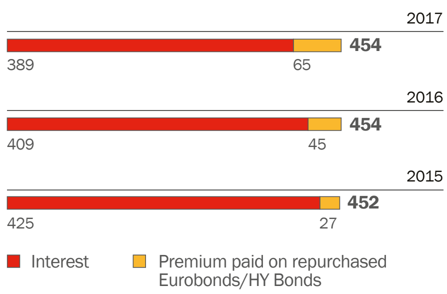


In 2017, the Group continued to focus on deleveraging and reduced its total debt by US$529 million through the repayment of maturities scheduled for current and closest years. Robust free cash flow of US$1,322 million allowed EVRAZ to significantly decrease its net debt to US$3,966 million. Together with improved EBITDA, this resulted in a net leverage ratio of 1.5 times. At the year-end, liquidity was strong with US$1,466 million in cash on hand.

AVERAGE COST OF BORROWING AS OF YEAR-END, %



INTEREST PAYMENTS (including premium), US$ million



During 2017, EVRAZ focused on reducing its debt service costs. The Group repriced and refinanced several credit facilities and issued new Eurobonds due in 2023 to fund a tender offer for notes with shorter maturities. These measures reduced the weighted average cost of the outstanding borrowings and extended the duration of the debt portfolio.

Cash spent on interest, net of interest income and interest gains from swaps, continued to decrease in the reporting period, driven by the overall reduction in debt and lower interest rates. In addition, to reduce interest expense, the Group prepaid US$953 million in Eurobonds and US$350 million in high-yield bonds, paying a premium of US$65 million over the par value of bonds in these transactions.

Financial review

Statement of operations

In its full-year financial results for 2017, EVRAZ reported an increase of 40.4% year-on-year in consolidated revenues, which were US$10,827 million compared with US$7,713 million in 2016. This performance was driven partially by higher volumes but mostly by an upswing in prices for steel and coal products amid more favourable market trends.

In 2017 EBITDA increased significantly mainly driven by improved market conditions in steel and coal markets as well as efficiency initiatives. In 2017 EBITDA reached US$2,624 million, up 70.2% from US$1,542 million in 2016, boosting the EBITDA margin from 20.0% to 24.2% and increasing free cash flow to US$1,322 million.

The Steel segment's revenues (including inter-segment) increased by 40.9% year-on-year to US$7,743 million, or 63.0% of the Group's total before elimination. The growth was mainly attributable to higher revenues from sales of steel products, which rose by 39.8% year-on-year, largely due to an upturn in average sales prices of 38.6% that was underpinned by favourable market conditions. Steel product sales volumes remained strong in 2017 (+1.2% y-o-y).

The Steel, North America segment's revenues grew by 27.3% year-on-year. Prices rose by 18.7% and volumes climbed by 12.7%, boosting the segment's revenues from sales of steel products by 31.4%. The key drivers of this growth were an improved demand for oil country tubular goods (OCTG) following a recovery in oil prices and a stronger demand for railway products.

The Coal segment's revenues surged by 67.5% year-on-year, supported largely by higher sales prices, which grew by 62.9% amid an upward trend in global benchmarks. Volumes rose by 4.6% due to the stable demand and the improved productivity at mines.

The Steel segment's EBITDA improved, reflecting higher steel and vanadium prices and the effects of cost-cutting initiatives implemented in 2017. This was partially offset by an increase in expenses in US dollar terms as a result of the the rouble's strengthening impact on costs, as well as by rising prices for raw materials such as coal, iron ore and scrap.

The Steel, North America segment's EBITDA increased year-on-year, supported by greater revenues from sales of tubular, railway and flat-rolled products as well as higher expenses in prior year connected with suspension of production. This was partly offset by higher prices for scrap and purchased semi-finished products.

The Coal segment's EBITDA increased year-on-year largely driven by higher sales prices in line with global benchmarks.

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.

Nikolay Ivanov
Chief Financial Officer

In 2017 EBITDA increased significantly mainly driven by improved market conditions in steel and coal markets as well as efficiency initiatives.

REVENUES, US$ million

Segment	2017	2016	Change	Change, %
Steel	7,743	5,497	2,246	40.9
Steel, North America	1,864	1,464	400	27.3
Coal	2,214	1,322	892	67.5
Other operations	462	363	99	27.3
Eliminations	(1,456)	(933)	(523)	56.0
Total	**10,827**	**7,713**	**3,114**	**40.4**

REVENUES BY REGION, US$ million

Segment	2017	2016	Change	Change, %
Russia	4,255	3,080	1,175	38.1
Americas	2,201	1,722	479	27.8
Asia	2,162	1,372	790	57.6
CIS (excl. Russia)	812	630	182	28.9
Europe	1,128	640	488	76.3
Africa and rest of the world	269	269	–	–
Total	**10,827**	**7,713**	**3,114**	**40.4**

EBITDA, US$ million

Segment	2017	2016	Change	Change, %
Steel	1,483	1,004	479	47.7
Steel, North America	58	28	30	107.1
Coal	1,226	644	582	90.4
Other operations	21	17	4	23.5
Unallocated	(131)	(109)	(22)	20.2
Eliminations	(33)	(42)	9	(21.4)
Total	**2,624**	**1,542**	**1,082**	**70.2**

For more information on the definition of EBITDA, please see page 267.

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

EFFECT OF GROUP'S COST-CUTTING INITIATIVES IN 2017, US$ million

Improving yields and raw material costs, including	**104**
Improving yields and raw material costs of Urals and Siberia divisions	61
Various improvements at coal beneficiating plants and mines	30
Improving yields and raw material costs of North American assets and vanadium operations	13
Increasing productivity and cost effectiveness	**37**
Others, including	**22**
Reduction of general and administrative (G&A) costs and non-G&A headcount	16
Optimisation of asset portfolio	6
Total	**163**

REVENUES, COST OF REVENUE AND GROSS PROFIT BY SEGMENTS, US$ million

	2017	2016	Change, %
Steel segment			
Revenues	7,743	5,497	40.9
Cost of revenue	(5,795)	(4,068)	42.5
Gross profit	1,948	1,429	36.3
Steel, North America segment			
Revenues	1,864	1,464	27.3
Cost of revenue	(1,656)	(1,243)	33.2
Gross profit	208	221	(5.9)
Coal segment			
Revenues	2,214	1,322	67.5
Cost of revenue	(973)	(701)	38.8
Gross profit	1,241	621	99.8
Other operations – gross profit	104	85	22.4
Unallocated – gross profit	(8)	(7)	14.3
Eliminations – gross profit	(151)	(157)	(3.8)
Total	**3,342**	**2,192**	**52.5**

In 2017, selling and distribution expenses increased by 15.1%, mostly due to the stronger rouble and higher sales volumes. General and administrative expenses rose by 15.1%, primarily because of the effect that the rouble appreciation had on costs.

Foreign exchange losses amounting to US$54 million mainly related to intra-group loans denominated in roubles payable by Evraz Group S.A. to the Russian subsidiaries.

The appreciation of the Russian rouble against the US dollar in 2017 led to exchange losses recognised in income statement of non-Russian subsidiaries, which are not offset with the exchange gains recognised in equity of the Russian subsidiaries.

Interest expenses incurred by the Group decreased, mainly due to the reduction in total debt and the efforts undertaken to refinance existing facilities during the reporting period.

The interest expense for bank loans, bonds and notes dropped to US$394 million in 2017, compared with US$439 million a year earlier.

Losses on financial assets and liabilities amounted to US$57 million and were mostly related to premiums on early repurchases of bonds denominated in US dollars.

The net loss of US$360 million on disposal groups classified as held for sale was caused mostly by a reclassification to the statement of operations of accumulated losses on translation of the net assets of the sold subsidiaries into presentation currency (US dollars) in the amount of US$741 million. Subsidiaries with net assets of US$134 million were sold for consideration of US$515 million net of transaction costs.

For the reporting period, the Group had an income tax expense of US$396 million, compared with US$96 million a year earlier. The change reflects the Group's better operating results and income tax on the sale transaction of Evraz Nakhodka Trade Sea Port in the amount of US$60 million.

GROSS PROFIT, EXPENSES AND RESULTS, US$ million

Item	2017	2016	Change	Change, %
Gross profit	**3,342**	**2,192**	**1,150**	**52.5**
Selling and distribution costs	(717)	(623)	(94)	15.1
General and administrative expenses	(540)	(469)	(71)	15.1
Impairment of assets	12	(465)	477	n/a
Foreign exchange gains/(losses), net	(54)	(48)	(6)	12.5
Other operating income and expenses, net	(57)	(124)	67	(54.0)
Profit from operations	**1,986**	**463**	**1,523**	**n/a**
Interest expense, net	(423)	(471)	48	(10.2)
Share of profits/(losses) of joint ventures and associates	11	(23)	34	n/a
Loss on financial assets and liabilities, net	(57)	(9)	(48)	n/a
Loss on disposal groups classified as held for sale, net	(360)	–	(360)	n/a
Other non-operating losses, net	(2)	(52)	50	(96.2)
Profit/(loss) before tax	**1,155**	**(92)**	**1,247**	**n/a**
Income tax benefit/(expense)	(396)	(96)	(300)	n/a
Net profit/(loss)	**759**	**(188)**	**947**	**n/a**

CASH FLOW, US$ million

Item	2017	2016	Change	Change, %
Cash flows from operating activities before changes in working capital	2,111	1,343	768	57.2
Changes in working capital	(154)	160	(314)	n/a
Net cash flows from operating activities	**1,957**	**1,503**	**454**	**30.2**
Short-term deposits at banks, including interest	7	4	3	75.0
Purchases of property, plant and equipment and intangible assets	(595)	(382)	(213)	55.8
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	412	27	385	n/a
Other investing activities	9	11	(2)	(18.2)
Net cash flows used in investing activities	**(167)**	**(340)**	**173**	**(50.9)**
Net cash flows used in financing activities	**(1,479)**	**(1,369)**	**(110)**	**(8.0)**
Effect of foreign exchange rate changes on cash and cash equivalents	(2)	(10)	8	(80.0)
Net increase/(decrease) in cash and cash equivalents	**309**	**(216)**	**525**	**n/a**

CALCULATION OF FREE CASH FLOW, US$ million

Item	2017	2016	Change	Change, %
EBITDA	2,624	1,542	1,082	70.2
EBITDA excluding non-cash items	**2,627**	**1,549**	**1,078**	**69.6**
Changes in working capital	(154)	160	(314)	n/a
Income tax accrued	(485)	(183)	(302)	n/a
Social and social infrastructure maintenance expenses	(31)	(23)	(8)	34.8
Net cash flows from operating activities	**1,957**	**1,503**	**454**	**30.2**
Interest and similar payments	(453)	(454)	1	(0.2)
Capital expenditures, including recorded in financing activities and non-cash transactions	(603)	(428)	(175)	40.9
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	412	27	385	n/a
Other cash flows from investing activities	9	11	(2)	(18.2)
Free cash flow	**1,322**	**659**	**663**	**100.6**

In 2017, net cash flows from operating activities **increased by 30.2% year-on-year.** Free cash flow for the period was **US$1,322 million.**

For more information on the definition of free cash flow, please see page 267.

CAPEX and key projects

In 2017, EVRAZ' capital expenditure increased to US$603 million, compared with US$428 million a year earlier, due to significant expenses on major projects and the strengthening of the rouble exchange rate against the US dollar. EVRAZ NTMK continued to implement its two main construction projects during 2017, the blast furnace no. 7 and the new grinding ball mill, both of which are scheduled to be launched in Q1 2018. In 2017, the degasser was installed at EVRAZ Regina's steel mill. This was the last important module of the upgrade project, making it possible to achieve the project's full planned effect.

Capital expenditures (including those recognised in financing activities) for 2017 in millions of US dollars can be summarised as follows.

CAPITAL EXPENDITURES IN 2017, US$ million

Blast furnace no. 7 The construction of EVRAZ NTMK's blast furnace no. 7 has been in progress since Q3 2016. It is due to be launched in Q1 2018.	133
Steel mill upgrade The upgrade of EVRAZ Regina's steel mill has been in progress since Q2 2015. The aim is to improve steel quality, increase the capacity for casting by 110 kt and rolling by 250 kt, and result in a crown yield saving from 0.75% to 1.1%. The project was completed in 2017.	45
Grinding ball mill construction The construction of EVRAZ NTMK's new grinding ball mill has been in progress since Q2 2015. It is due to be completed in Q1 2018 and is expected to increase ball production to more than 300 kt by 2019.	8
Boiler modernisation The modernisation of EVRAZ ZSMK's boiler unit no. 9 has been in progress since Q3 2016. It was launched in Q4 2017, making it possible to achieve the project's planned effect.	7
Other development projects	43
Maintenance	**367**
Total	**603**

Financing and liquidity

EVRAZ began 2017 with total debt of US$5,961 million. Throughout the year, the Group prepaid and refinanced several of its bank financing facilities, further reducing its financial leverage and debt service costs.

In two transactions, amounting to US$110 million in January and US$270 million in July, EVRAZ prepaid the remaining outstanding principal of its US$500 million syndicated pre-export financing facility. The Group also prepaid its UniCredit Bank and Nordea Bank loans in the amounts of US$44 million and US$13 million, respectively.

In August, the Group partially repaid and refinanced the remainder of its loan from Gazprombank. This transaction reduced the outstanding balance, converted the rouble-denominated part into US dollars, repriced the facility and extended the final maturity to 2022. Upon completion of this transaction, the loan from Gazprombank consists of a tranche denominated in US dollars of US$152 million and a euro-denominated tranche of EUR180 million.

In September, EVRAZ prepaid US$99 million toward one of its outstanding loans from VTB.

To fund the prepayments, the Group raised several new bank loans: a six-year, US$200 million credit from Alfa-Bank, as well as two-, three-, and five-year tranches totalling US$300 million from Sberbank. In November, it also borrowed US$100 million from ING DiBa with final maturity in 2022.

In October, EVRAZ' North American subsidiaries entered into a new US$450 million asset-based lending facility maturing in 2022, which was arranged by JP Morgan Chase Bank N.A. and a syndicate of banks. This agreement is intended to finance the North American operations' working capital needs and has replaced a similar facility that would have matured in 2019.

During 2017, EVRAZ was also active on capital markets completing several transactions.

In March, Evraz Group S.A. issued a US$750 million Eurobond due in 2023 with a semi-annual coupon of 5.375%, which is the lowest rate in the Group's history. The proceeds were used to fund the tender offer for the Eurobonds due in 2018 and 2020. The Group partially repurchased the 9.50% notes due in 2018 (US$50 million), the 6.75% notes due in 2018 (US$332 million) and the 6.50% bonds due in 2020 (US$300 million). The total cash outflow was US$726 million, including the premium paid over the nominal value.

In October, Evraz Group S.A. completed an early redemption, at the make-whole price, of its 9.5% notes due in 2018 with a principal amount of US$75 million and its 6.75% notes due in 2018 with a principal amount of US$196 million. The total cash outflow was US$285 million, including the premium paid over the nominal value.

In May, Evraz Inc NA Canada called US$345 million of its 7.50% senior secured notes due in 2019. In September, it called the remaining US$5 million outstanding of these notes in full. These two transactions resulted in a total cash outflow of US$364 million, including the premium paid over the nominal value.

These activities, as well as scheduled drawings and repayments of bank loans, brought the Group's total debt down by US$529 million to US$5,432 million as at 31 December 2017. Net debt dropped by US$836 million to US$3,966 million, compared with US$4,802 million as at 31 December 2016.

Mainly due to decreasing total debt and the Group's efforts to refinance existing facilities during 2017, interest expenses accrued in respect of loans, bonds and notes decreased to US$394 million for the reporting period, compared with US$439 million a year earlier.

Net debt to EBITDA stood at 1.5 times, compared with 3.1 times as at 31 December 2016.

At the year-end, the Group had a total outstanding principal of around US$1,772 million on debt with financial maintenance covenants, comprised of various bilateral facilities. The maintenance covenants under these facilities include the two key ratios that are calculated based on EVRAZ plc's consolidated financial statements: a maximum net leverage and a minimum EBITDA interest coverage ratio. As of the year-end, EVRAZ was in full compliance with its financial covenants.

As at 31 December 2017, the Group had accumulated US$1,466 million of cash and cash equivalents. It had additional liquidity sources available in the form of US$131 million in committed and US$1,251 million in uncommitted credit facilities.

At the year-end, short-term loans and the current portion of long-term loans totalled US$148 million. Cash on hand and committed credit facilities were more than sufficient to cover all of EVRAZ' debt principal maturing in 2018 and 2019.

Key recent developments

In February 2018, EVRAZ repaid two US$100 million loans from Alfa Bank due 2019, a US$200 million loan from Alfa Bank due 2023 and a US$100 million loan from Sberbank due 2020. The Group financed these repayments with a combination of its cash balances and a new 5-year US$300 million term loan from Alfa bank. These transactions resulted in an extension of maturity profile and reduction of interest charges.

Principal risks and uncertainties

Risk management system

The risk management process aims to identify, evaluate and manage potential and actual threats to the Group's ability to achieve its objectives.

For more information, see **risk management and internal control section of the corporate governance report** on pages 117–119.

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

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

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

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

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

TOP-DOWN APPROACH

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

Effective Risk Management

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

BOTTOM-UP APPROACH

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

Regional business unit management teams
- Adopt regional risk appetite
- Support the Risk Management Group in reviewing and monitoring effectiveness of risk management
- Identify, assess and manage risks at the regional level
- Monitor risk management process and effectiveness of internal control

Risk migration in 2017 and robust assessment

In 2017, 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 to consider 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. As a result, the principal risks have been updated. Management also considered the speed of impact of each risk in their assessment.

In addition, a reassessment of the cybersecurity and IT infrastructure failure risk has led to the identification of this as a principal risk, mostly due to the rising level of cybercrime globally and the increasing reliance on IT systems. On 27 June 2017, a computer virus attacked many major companies around the world, including EVRAZ.

The assessment included other risks that were not recognized as principal, eg HR and employee risks, taxation, compliance risks (including anti-corruption and anti-bribery matters), social and community risks, 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 these areas is described in more detail on pages 82–105.

All the EVRAZ IT systems and data affected by the virus attack have been quickly recovered. Although no significant damage has been caused by the cybersecurity incident to date and no financial data was affected or manipulated, the management continues to implement additional measures to minimise similar risks.

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 result in favour of leaving the EU and continues to believe that it will not significantly affect its business.

Key developments in 2017

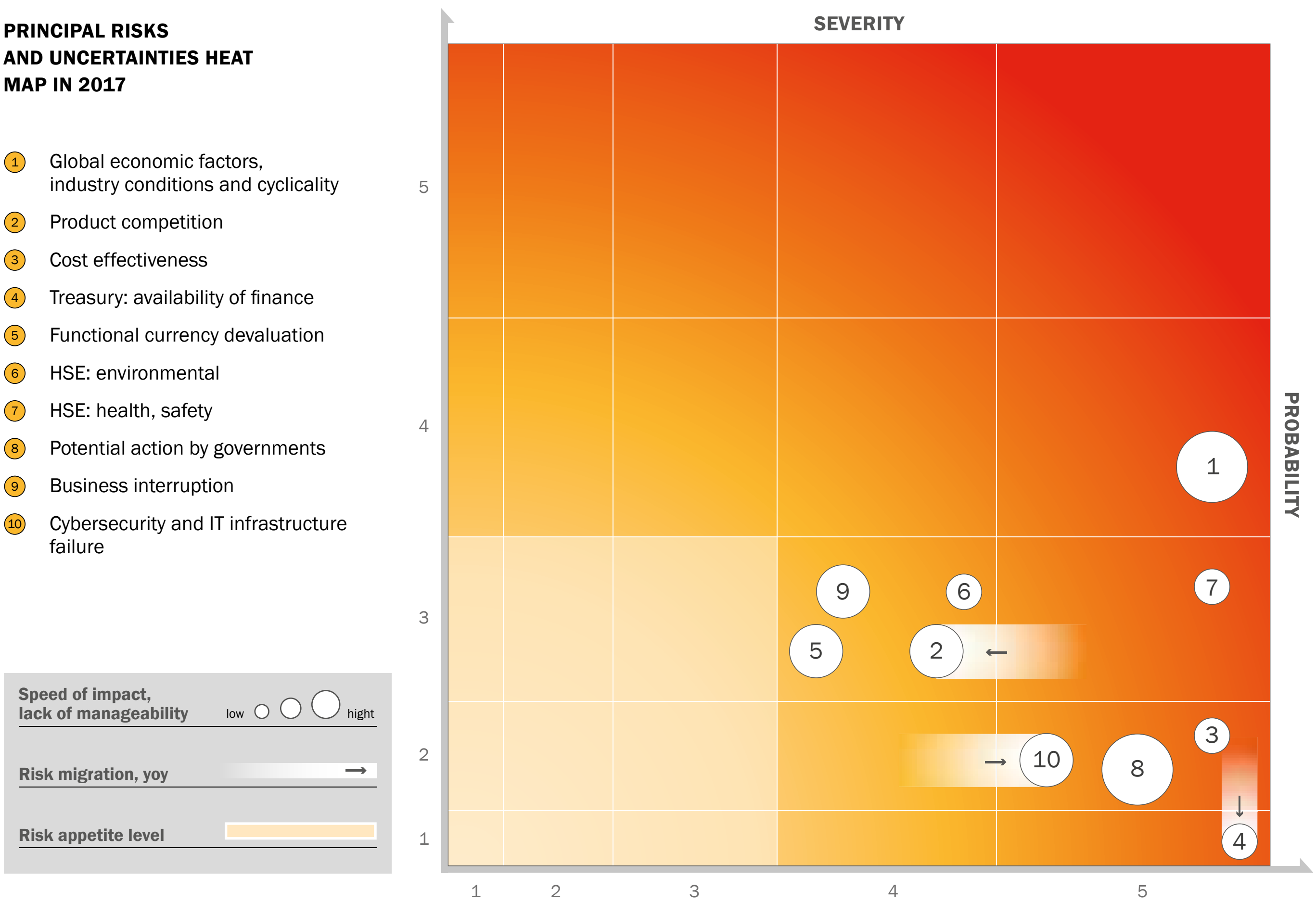
Risk management training for the Group's top management took place in early 2017. In addition to inducting new members of the top management team into the corporate risk management process and practices, this training session supported the improved risk management reporting procedure that was introduced as part of the transformation of the Risk Committee into the Risk Management Group at the end of the prior year.

To enhance the depth of analysis for individual process risks, the Group began to update its occupational safety risk assessment methodology in 2017.

The internal control self-assessment and risks analysis performed by line managers at plants has been extended to ensure increased coverage and a more comprehensive result. The major purpose is to increase the depth of involvement of management and employees in the process of improving internal control and risk management.

PRINCIPAL RISKS AND UNCERTAINTIES HEAT MAP IN 2017

1. Global economic factors, industry conditions and cyclicality
2. Product competition
3. Cost effectiveness
4. Treasury: availability of finance
5. Functional currency devaluation
6. HSE: environmental
7. HSE: health, safety
8. Potential action by governments
9. Business interruption
10. Cybersecurity and IT infrastructure failure



Principal risks

Success Factors

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

Strategic priorities

- Development of product portfolio and customer base
- Retention of low-cost positions
- Prudent CAPEX strategy
- Regular dividends and proactive debt management

Risk	Related with	Description and impact	Mitigating/ risk management actions in 2017	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, mainly 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.	Implementation of mitigating/risk management actions focused on product portfolio development and exploring market opportunities.
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.	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.	

Risk	Related with	Description and impact	Mitigating/ risk management actions in 2017	Direction/ reason for change
4. **Treasury: availability of finance**		Impact from the possible introduction of limitations on repatriation of foreign currency export revenues, as well as additional regulations or limitations on cross-border capital flows. Potential government action, including economic sanctions impacting Russian entities, might increase the Group's capital market risk regarding additional funding. EVRAZ is subject to counterparty risk via receivables from commercial customers. The Group's current debt facilities include certain covenants in relation to net debt and interest expense. A breach of these covenants could result in certain of the Group's borrowing facilities becoming repayable immediately.	Action to extend the debt maturity profile and diversify sources of funding, as well as proactively manage the remaining portion of debt subject to maintenance covenants. Liquidity risk is managed by revisiting capital expenditure plans, cost optimisation programmes, and continued asset portfolio rationalisation. Counterparty risk with commercial customers is managed through a combination of letters of credit and, where creditworthiness is uncertain, by prepayments.	Extension of debt maturity profile on more favourable terms.
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 and Ukrainian hryvnias 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 impact on reputation and, in the extreme, the withdrawal of plant environmental licences, which would curtail operations indefinitely.	Environmental risks matrix is monitored on a regular basis. Respective mitigation activity is developed and performed in response to the risks. Implementation of air emissions and water use reduction programmes at plants. Waste management improvement programmes. Most of EVRAZ' operations are certified under ISO 14001 and the Group continues to work towards bringing the remaining plants to ISO 14001 requirements. EVRAZ is currently compliant with REACH requirements. Participation in development of GHG emissions regulation in Russia. Reduction in GHG emissions as a positive side-effect of energy efficiency projects.	

Risk	Related with	Description and impact	Mitigating/ risk management actions in 2017	Direction/ reason for change
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. 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. 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.	
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.	Further development of a cybersecurity protection system, focused on: • isolation and protection of industrial networks; • antivirus software systems update; • upgrade and expansion of backup system; • implementation of incident monitoring systems; • and other measures.	Rising level of cybercrime globally combined with increasing reliance on IT.

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 2022 and consider it possible to form a reasonable expectation of the Group's viability over this five-year period. The assessment included consideration of the stress-testing detailed below, with particular attention paid to the forecast cash position and compliance with financial maintenance covenants in each scenario, 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 38–40, and combinations of correlated risks. The key scenarios can be summarised as:

- Base scenario:
  - the key assumptions as disclosed in Note 6 to the financial statements under Impairment of assets on pages 190–193;
  - 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 exceed the 2017 level by 2.4% to 14.1% over the five-year period to December 2022;
- 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;
- Limited access to capital markets;
- Appreciation of local operating currencies;
- Cybersecurity failure resulting in production delays or shutdowns;
- 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 Group 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 2022.

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

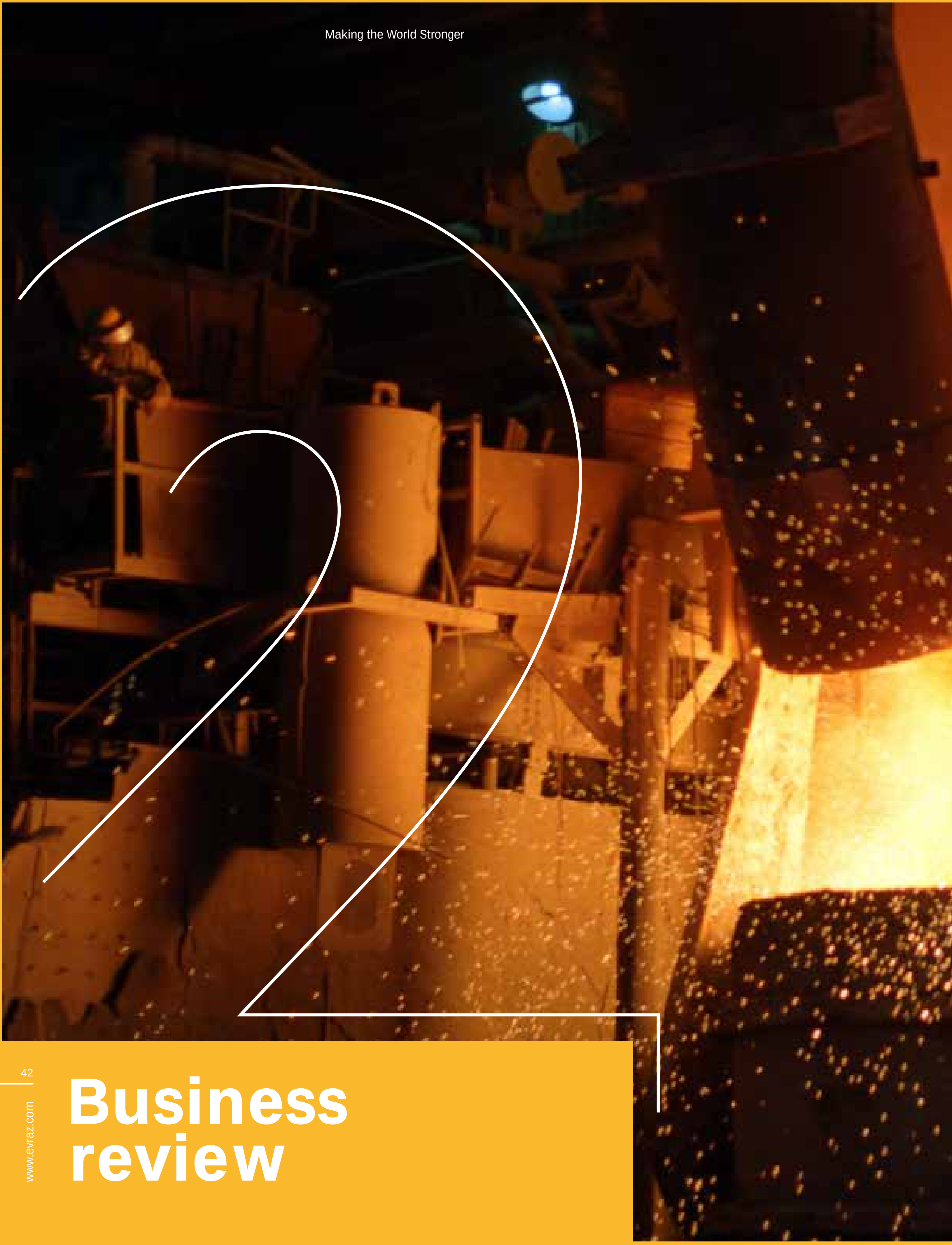
- the continued availability of funding or refinancing, by way of capital markets, bank debt, and asset financing, of up to one-half of the current debt level in all the scenarios considered;
- selling prices remain in line with prevailing market assumptions.

EVRAZ' Strategic Report, as set out on pages 4–41 inclusive, has been reviewed and was approved by the Board of Directors on 28 February 2018.

By the order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc

28 February 2018

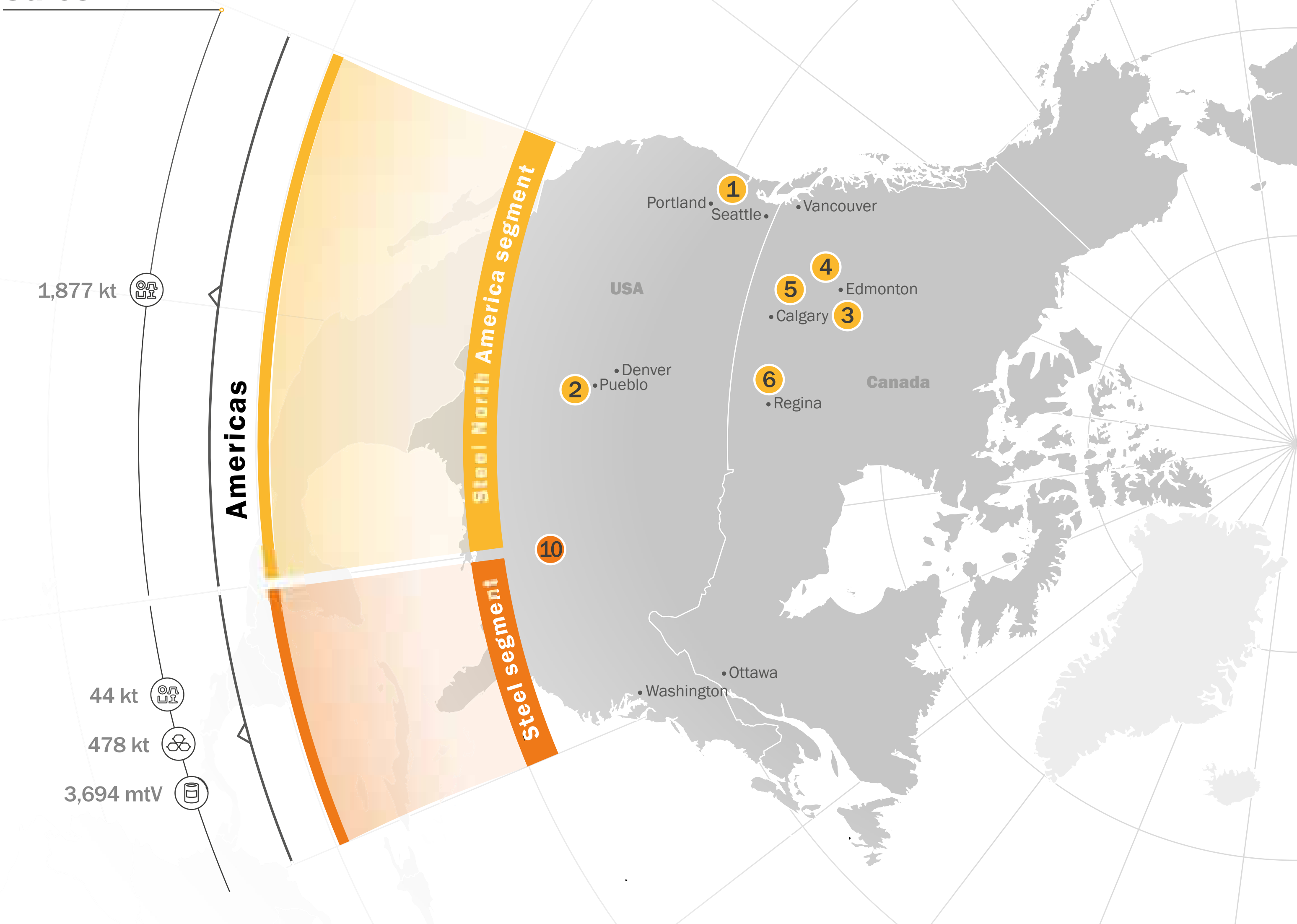


Business review

Key production assets and markets

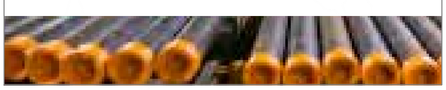
PLEASE SEE **INTERACTIVE MAP**
ON ANNUAL REPORT WEB-SITE
https://ar2017.evraz.com/en/business-review/map

Sales[1]



For the data on mineral reserves, please see page 268.

For data on sales, please see **Sales review**, on pages 54, 68, 78.



Steel, NA segment

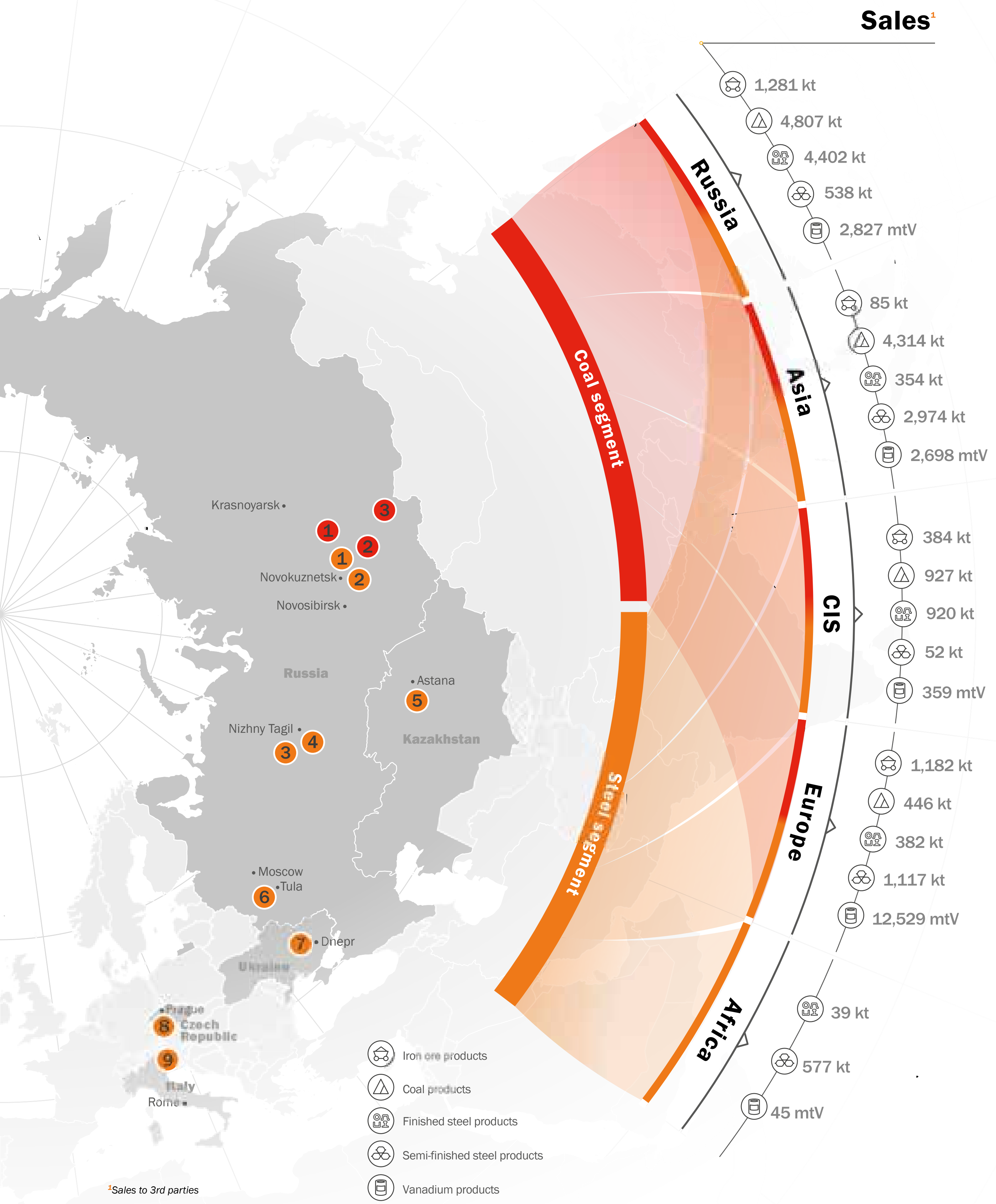
1. EVRAZ Portland
2. EVRAZ Pueblo
3. EVRAZ Red Deer
4. EVRAZ Calgary
5. EVRAZ Camrose
6. EVRAZ Regina

Steel segment

1. EVRAZ ZSMK
2. Evrazruda
3. EVRAZ KGOK
4. EVRAZ NTMK
5. Evraz Caspian Steel
6. EVRAZ Vanady-Tula
7. EVRAZ DMZ
8. EVRAZ Nikom
9. EVRAZ Palini e Bertoli
10. EVRAZ Stratcor

Coal segment

1. Yuzhkuzbassugol
2. Raspadskaya
3. Mezhegeyugol



[1]Sales to 3rd parties

Steel segment

Introduction and highlights

OUR VISION

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

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

Financial highlights

REVENUES	EBITDA MARGIN
US$ 7,743 million +40.9% yoy	19.2%

EBITDA	CAPEX
US$ 1,483 million +47.7% yoy	US$ 358 million +119.6% yoy

Production highlights

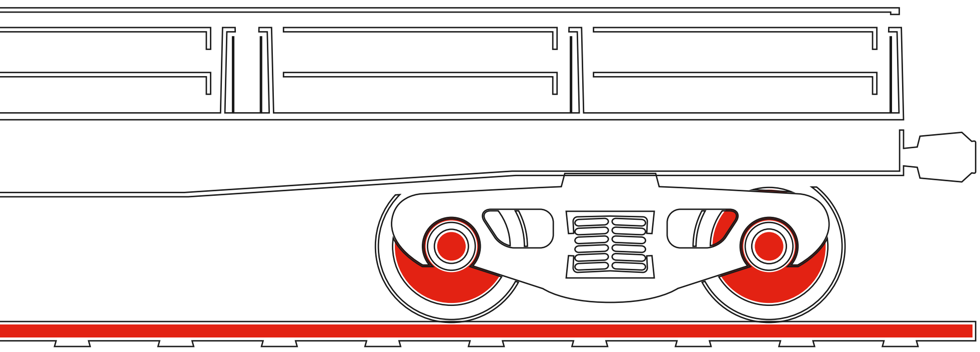
Crude steel	12,285 kt
Steel products	11,263 kt
Iron ore products	18,042 kt
Vanadium products (saleable)	11,359 mtV

Sales highlights (sales to 3rd parties only)

Semi-finished products	5,735 kt
Finished products	6,143 kt
Iron ore products	2,932 kt
Vanadium products (saleable)	15,672 mtV

Strategic priorities

Development of product portfolio and customer base



Expansion of railway product portfolio

Railway wheels

Key developments in 2017

- Optimised the product mix and increased production capacity for wheels, allowing EVRAZ to meet customers' increasing needs and boost sales volumes to the Russian and CIS markets by 96% year-on-year;
- Developed nine new wheel profiles, including:
  - four types of locomotive wheels for General Electric (US);
  - passenger wheels for Deutsche Bahn: EVRAZ began to fulfil a three-year contract to manufacture and supply BA220 wheels for Deutsche Bahn's Regio Dosto 2003 double-decker trains, which travel at speeds up to 160 kilometres per hour;
  - cargo wheels for Turkey and Slovenia;
  - a new type of cargo wheel for Europe (to replace an outdated model) that is widely used in the rail network;
  - cargo wheels for Austrian railways.

Outlook for 2018

- To meet rising demand for wheels, EVRAZ plans to increase shipments by around 13% by expanding machining capacity;
- Develop and certify two types of cargo wheels for Europe, as well as cargo wheels for Turkey, India, Deutsche Bahn and Greece.

Rails

Key developments in 2017

- Expanded export geography for rails (Mozambique, Poland, Serbia, Greece and Guinea);
- Developed and received TSI certification for 49E5 and 54E4 European rail profiles, for future delivery to Deutsche Bahn;
- EVRAZ ZSMK delivered type 60E1 rails manufactured to meet the Indian IRST standard for the metro system in Nagpur, one of India's largest cities.

Outlook for 2018

- EVRAZ plans to grow rail exports by around 170 thousand tonnes through the development of new rail profiles and active work to reduce logistics costs;
- Develop and certify three profiles to meet South Korean standards.

Railcars

Outlook for 2018

- Develop new beam profiles and channels for railcars.

Improving beam consumption

Key developments in 2017

- EVRAZ continued to implement its strategy to expand the beam market:
  - optimised the distribution system;
  - launched a program to ensure shipment within 30 days;
  - set up a project sales department to market beams to large infrastructure projects;
  - EVRAZ NTMK developed 18 new I-beam profiles and began developing bridge steels;
  - EVRAZ began the first stage of developing a line of prefabricated buildings using its 390 and 440 steel beams;
  - began R&D work for using rolled beams in load-bearing structures for bridge construction, as well as in contact-line support structures;
- These initiatives coupled with the organic market growth made a significant contribution to the 6% rise in beam consumption in Russia in 2017;
- To expand sales into new segments, EVRAZ worked to develop new federal standards with Russia's Federal Agency on Technical Regulating and Metrology (Russian abbreviation: Rosstandart).

Outlook for 2018

- Use the project sales department to boost beam sales to major infrastructure projects (to c.40 thousand tonnes) by replacing welded analogues;
- EVRAZ NTMK plans to develop 10 new I-beam profiles;
- Develop new steel profiles for bridge construction and the electric power sector;
- Launch new line of prefabricated buildings using EVRAZ' hot-rolled beams;
- When new I-beam standards come into effect, market new I-beam profiles to software systems for engineers.

Development of the construction product portfolio

Key developments in 2017

- Developed and certified new types of rebar at EVRAZ ZSMK for export delivery to:
  - Netherlands;
  - Poland;
  - British standard for South-East Asia;
  - Singapore;
- On the domestic market, developed four rebar profiles to meet the new federal standard at EVRAZ ZSMK, four new channels at EVRAZ NTMK, and three new steel profiles at EVRAZ DMZ;
- Expanded the market for tongue-and-groove sheets by participating in new projects.

Outlook for 2018

- If favourable markets continue, EVRAZ plans to expand rebar exports by roughly 60% by developing new profiles to meet European and US standards;
- Develop new structural steel profiles, new types of rebar to meet the new federal standards at EVRAZ ZSMK, and three new angled profiles at EVRAZ NTMK;
- Further develop the market for tongue-and-groove sheets by seeking new applications;
- Market steel profiles, including specialised rebar for oil and gas storage facility construction in the Arctic.

Expansion of the customer base for value-added semis

Key developments in 2017

- Operating efficiency efforts to debottleneck the production line helped to grow round billet sales by around 40%;
- The start of 430-mm diameter OS steel grade round bars deliveries for railroad axle production.

Outlook for 2018

- Renew contracts for round billet.

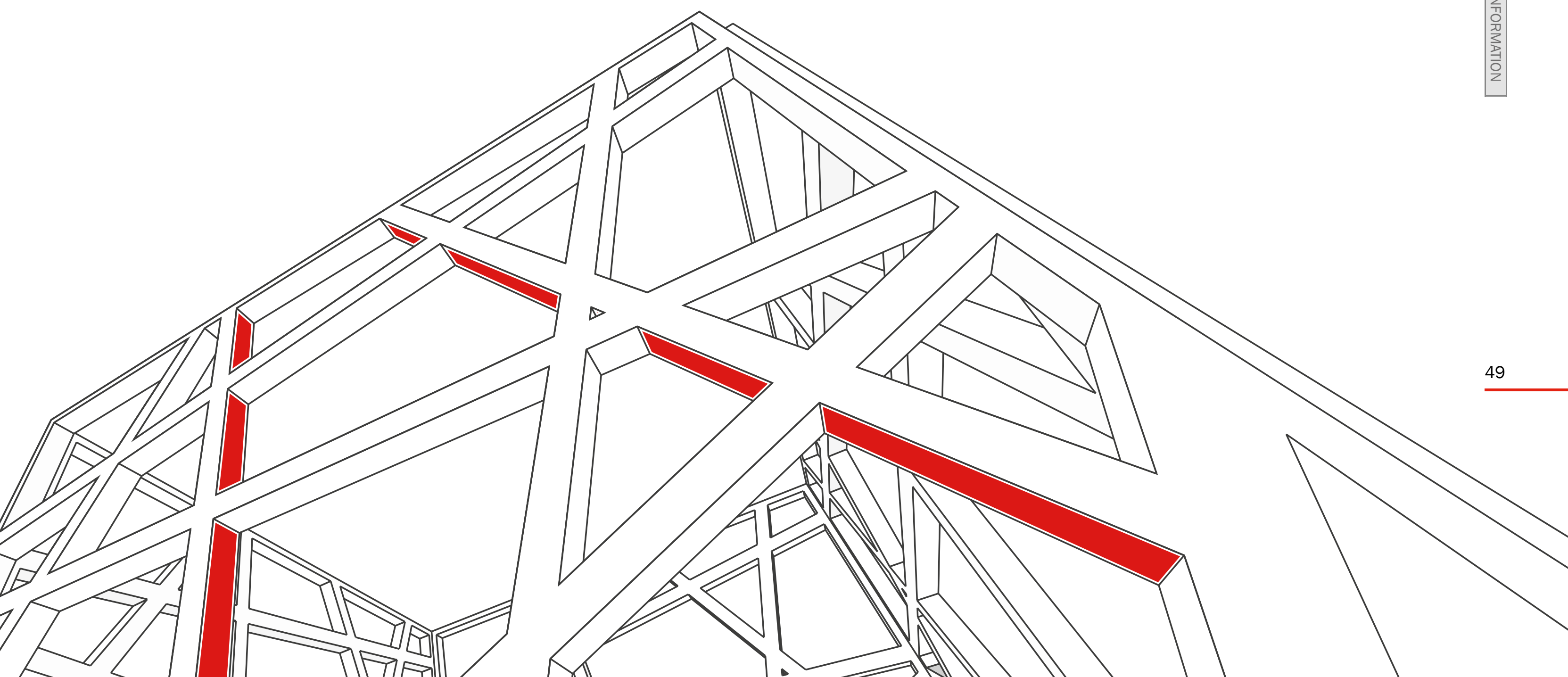
Marketing

Key developments in 2017

- Launching the loyalty programme allowed EVRAZ to increase its domestic market share in Siberia by 9 percentage points for structural steel (to 74%) and by 3 percentage points for rebar and rolled steel (to 84%);
- To increase customer satisfaction, EVRAZ Metall Inprom and Trade Company EvrazHolding launched an online account service to allow customers to view order status and warehouse stocks in real time, to make it possible for retail orders to be placed online, and to improve the documentation workflow.

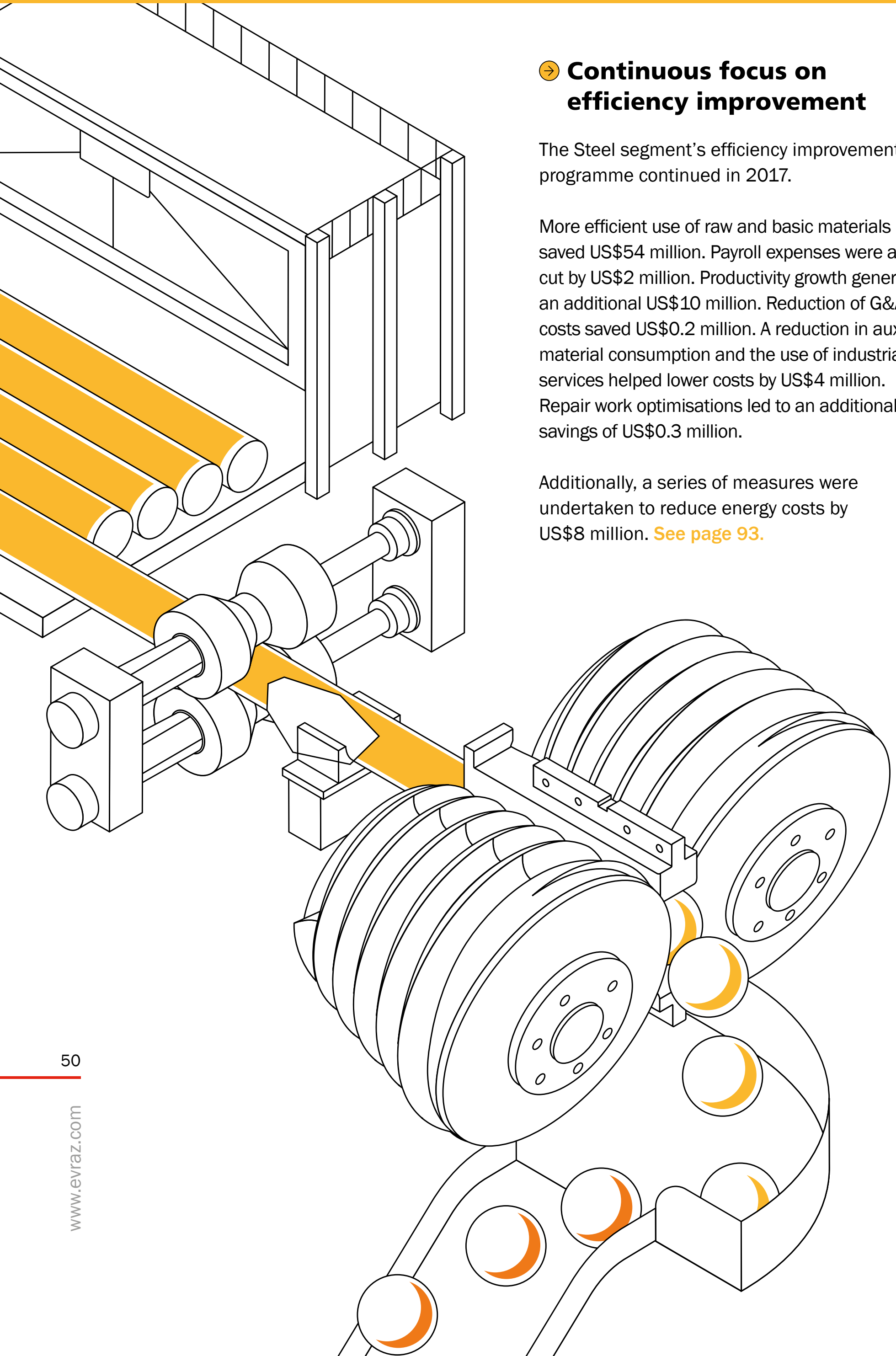
Outlook for 2018

- Create a new online platform for beam sales via EVRAZ Metall Inprom;
- Begin manufacturing and marketing stronger grinding balls at EVRAZ NTMK to improve competitive position (lower customer costs by optimising total cost of ownership).



Strategic priorities

Retention of low-cost position



Continuous focus on efficiency improvement

The Steel segment's efficiency improvement programme continued in 2017.

More efficient use of raw and basic materials saved US$54 million. Payroll expenses were also cut by US$2 million. Productivity growth generated an additional US$10 million. Reduction of G&A costs saved US$0.2 million. A reduction in auxiliary material consumption and the use of industrial services helped lower costs by US$4 million. Repair work optimisations led to an additional cost savings of US$0.3 million.

Additionally, a series of measures were undertaken to reduce energy costs by US$8 million. See page 93.

Main cost-reduction programmes

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

Status

Improved the quality of coking coal and sinter (relative to 2016), which allowed the blast furnace shop to optimise coking coal usage and adjust the total carbon level.

Productivity improvement at the EVRAZ NTMK's wheel-bandage shop

Status

Reduced development cycle for wheels by optimising software and testing new cutting tools.

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

Status

Optimised the coal charge and increased the use of Fe-containing waste.

Continuous casting machine (CCM) reconstruction at EVRAZ ZSMK

Status

The development of a new continuous casting technology made it possible to reduce refractory brick and metal consumption.

Prudent CAPEX strategy

Key investment projects

Steelmaking

Construction of blast furnace no. 7 at EVRAZ NTMK

The project aim is to maintain stable pig iron production volumes during the capital repair of blast furnace no. 6 in 2018-2019.

Status

- The concrete work was finished at all installations;
- Installation of metal structures is completed at the central unit, charge feed unit, air heater block and gas cleaning unit, and 70% complete at the aspiration unit;
- Equipment installation is 100% complete at the charge feed unit, 100% at the air heater block, and 100% at the gas cleaning unit, foundry yards – 90%;
- Refractory masonry work at the central unit is 90% complete, lining of gas and air lines – 90%, installation of cable routes – 40%, installation of electrical equipment – 60%.

CAPEX in 2017 **US$133 million**

Grinding ball mill construction at EVRAZ NTMK

The project aim is to construct the new grinding ball mill in order to increase production and sales volumes.

Status

- Completed: project documentation, foundation work, partial delivery of primary and auxiliary equipment;
- Construction and installation work is under way for the primary and auxiliary equipment.

CAPEX in 2017 **US$8 million**

Wheel resurfacing capacity expansion

The project aim is to expand the wheel resurfacing capacity in order to balance production capacity in 2019-2022 and increase production volumes.

Status

- Technical and engineering documentation has been completed, a construction site has been prepared;
- Working documentation is being developed and four machines for full-profile wheel resurfacing are being manufactured.

CAPEX in 2017 **US$2 million**

Optimisation of electric arc furnace shop at EVRAZ ZSMK

The project aim is to intensify melting at the electric arc furnace no. 2.

Status

The warranty testing has been completed and the technology is being fine-tuned.

CAPEX in 2017 **US$3 million**

Transfer of the EVRAZ ZSMK's boiler no. 9 to the secondary gas combustion

The project aim is to rebuild the boiler no.9 in order to transfer it to the secondary gas combustion and decommission two boilers from the steam-air station.

Status

- Main construction and pre-commissioning work have been completed;
- Process flow tests are under way on the boiler no. 9, and the gas pipeline for blast furnace gas is being tested.

CAPEX in 2017 **US$7 million**

Mining

Evrazruda's Tashtagolsky deposit life extension until 2020

The project aim is to increase ore production at the Tashtagolsky deposit to 3.25 million tonnes per year and partially transition to sub-floor caving technology using self-propelled equipment.

Status

- The project documentation executor and some suppliers for the main process equipment have been selected. Part of the research work has been developed, engineering surveys of the construction site have been carried out. The mining exploration work is 50% complete for the Zapadny site;
- The transition to 100% self-propelled mining equipment is being completed.

CAPEX in 2017 **US$0.5 million**

Key maintenance projects

EVRAZ ZSMK

EVRAZ ZSMK conducted planned capital repairs of the BOF converter no. 5 in April-June and the blast furnace no. 2 in June.

ERVAZ KGOK

EVRAZ KGOK continues to reconstruct and modernise its tailings facilities. This project will allow the Group to maintain its current level of in-house iron ore raw material supplies.

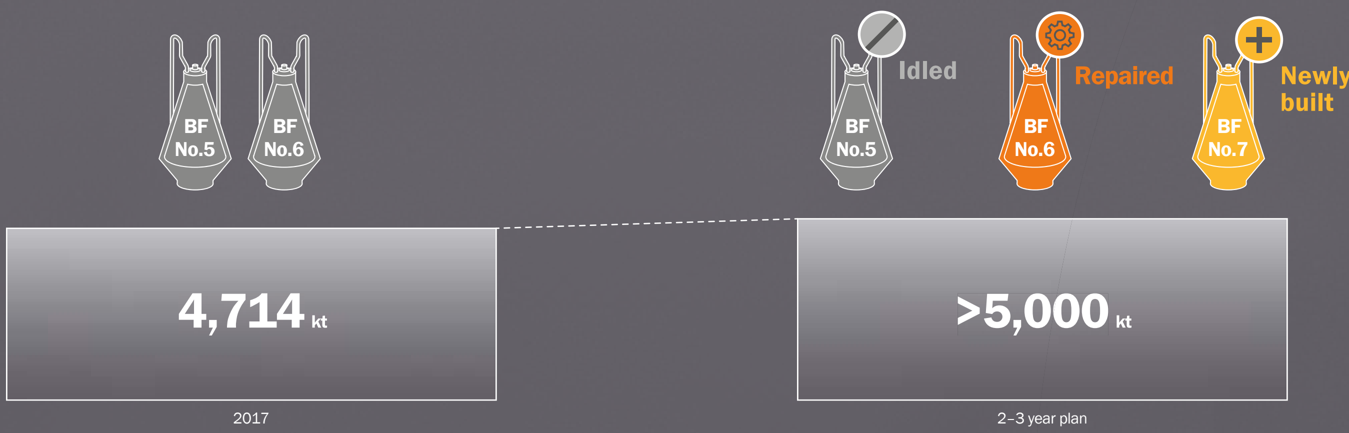
CONSTRUCTION OF THE BLAST FURNACE No. 7

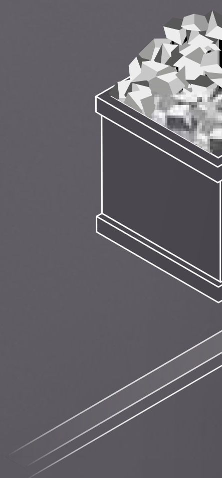
To be launched in Q1 2018

EVRAZ NTMK

EVRAZ NTMK's blast furnaces no. 5 and no. 6 each currently have an effective operating volume of 2,200 m^3. They are known as the most productive and efficient blast furnaces in Russia and Europe. Building the new blast furnace no. 7 provides alternative capacity while the blast furnace no. 6 is taken off-line for a major overhaul.

PIG IRON PRODUCTION, kt





How we plan to maintain stable pig iron production at EVRAZ NTMK

Characteristics of the blast furnace no. 7

Volume

2,200 m³

Production capacity

2.5 mtpa of pig iron

The new technology will allow to reduce the environmental effect significantly and will improve working conditions in the blast furnace shop.

Technology

- two fully enclosed casting yards
- automated furnace filling and external cooling systems
- high-capacity aspiration systems and stoves
- every tap spout near tap holes is equipped with over-head exhaust hoods and efficient bag filters, which improve air filtration by 2.5 times
- the main slag discharge runner's upgraded design prevents closed-circuit water leaks

Market review

Russian steel market

Russia's economy embarked on a growth path in 2017 with GDP increasing by 1.5%. Positive trends in housing statistics and a broader economic recovery supported demand for steel products, which rose by 5% to 38.1 million tonnes. The demand for long steel climbed by 7%, 5% for flat steel and 2% for tubular products. In the railway segment, the demand for wheels surged by 96% due to the new cycle in railcar construction, and the rail consumption improved by 10%. In construction steel, the beam market grew by 6%, while demand for rebar and structural products was up a respective 3% and 5%.

Russian export volumes were in line with the previous year's figure of 24.2 million tonnes, mainly driven by the combination of a stronger rouble and solid domestic demand. Total crude steel production in Russia rose by 2% to 71.6 million tonnes.

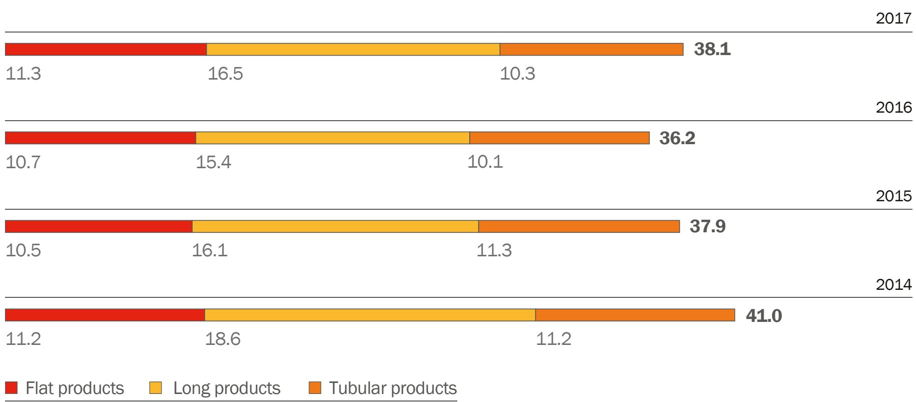
In 2017, Russian steel prices rode the wave of stronger global benchmarks and domestic demand. The CPT Moscow rebar price averaged US$444 per tonne, up 15% from US$387 per tonne in 2016. The price for channels performed even better, growing by 49% to US$622 per tonne. Hot-rolled coil averaged US$563 per tonne CPT Moscow, up 31% from US$431 per tonne in 2016. Plates averaged US$555 per tonne, up 31% from US$423 per tonne in 2016.

Other steel markets

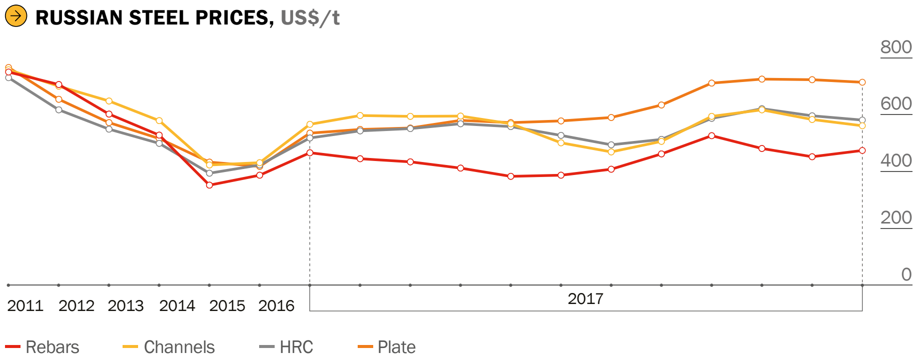
In Ukraine, domestic steel consumption rose by 5% to 4.7 million tonnes in 2017, up from 4.5 million tonnes in 2016, due to the continuing stabilization of the political situation and economy. Export volumes dropped by 13% to 15.6 million tonnes due to a temporary shutdown of certain steel plants in the beginning of 2017.

Kazakh steel consumption improved by 18% to 3.0 million tonnes in 2016, compared with 2.5 million tonnes in 2016, due to the weak performance in 2016 and general growth in the construction sector in 2017. Steel product exports climbed by 11% to 3.4 million tonnes amid rising global steel prices and growing demand in Russia.

RUSSIAN STEEL CONSUMPTION BY PRODUCT TYPE, mt



RUSSIAN STEEL PRICES, US$/t



Sales volumes review

External steel product sales volumes at EVRAZ' Steel segment remained strong in 2017 (+0.7% y-o-y). The decline in construction products shipments was compensated by railway products sales, which rose by 13% with wheels being the major growth driver. Sales volumes of semi-fnished steel products to third parties remained mostly unchanged in 2017.

EVRAZ' sales volumes of key finished products in Russia mostly increased in 2017. The new cycle in railcar production led to a doubling of wheel sales, and rail sales were up 6% due to Russian Railways' stable investment programme. Rebar sales were down 12% due to heightened competition in Central Russia. Beams and structural products shipments faced a decline of 6% and 12% respectively.

Despite the growth of demand in the Russian long steel sector, the competition is increasing. EVRAZ is undertaking several initiatives to support domestic market share and developing new product types for clients. In rails, the market share was almost the same as last year at roughly 70% and we target this market share going forward. The Group's share on the structural product market was 41%, market shares for beams and rebars stood at 56% and 11% respectively. The share of the grinding balls market was 63%.

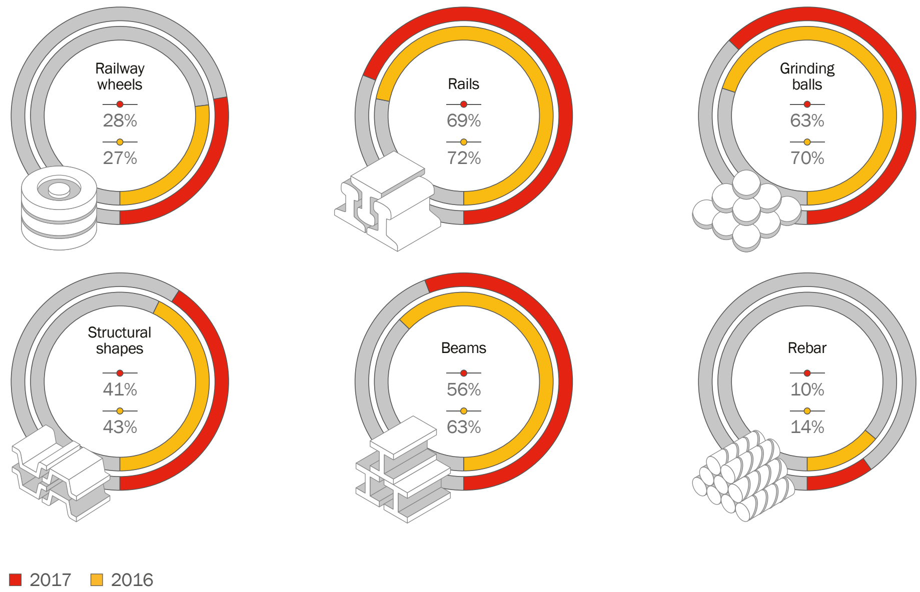
Evraz Caspian Steel's rebar sales decreased by 39% to 110 thousand tonnes in 2017.

Sales at EVRAZ DMZ were almost the same as in 2016 at 964 thousand tonnes due to a combination of improved local market demand and reduced export shipments.

The Group's finished vanadium product sales volumes increased by 3.2%, from 15.2 thousand tonnes of pure vanadium in 2016 to 15.7 thousand tonnes in 2017, amid a decline in supplies from China and positive global prices.

EVRAZ sold 1.7 million tonnes of iron ore pellets to third parties in the year, up 3.2% year-on-year, due to increased demand on the Russian market. Other external iron ore product volumes dropped by 53% due to the disposal of Evraz Sukha Balka.

EVRAZ MARKET SHARES IN RUSSIA BY KEY PRODUCTS, %



EVRAZ remained the leader in rail production with a **69% market share** in 2017.

GEOGRAPHIC BREAKDOWN OF EXTERNAL STEEL PRODUCT SALES, kt

	2017	2016	Change, %
Russia	4,939	4,998	(1.2)
Asia	3,328	3,285	1.3
Europe	1,499	1,302	15.1
CIS	972	883	10.0
Africa, America and the rest of the world	1,141	1,323	(13.8)
Total	**11,879**	**11,792**	**0.7**

STEEL SEGMENT SALES VOLUMES, kt

	2017	2016	Change, %
Steel products, external sales	**11,879**	**11,792**	**0.7**
— Semi-finished products	5,735	5,601	2.4
— Construction products	3,750	4,135	(9.3)
— Railway products	1,281	1,134	13.0
— Flat-rolled products	511	351	45.6
— Other steel products	601	571	5.3
Steel products, inter-segment sales	**587**	**521**	**12.7**
Total steel products	**12,466**	**12,313**	**1.2**
Vanadium products (tonnes of pure vanadium)	**22,319**	**20,428**	**9.3**
— Vanadium in slag	6,647	5,261	26.3
— Vanadium in alloys and chemicals[1]	15,672	15,167	3.2
Iron ore products	**2,937**	**4,222**	**(30.4)**
— Iron ore concentrate	25	40	(37.5)
— Pellets	1,726	1,672	3.2
— Other iron ore products	1,186	2,510	(52.7)

[1] *The difference in 2016 numbers vs annual report 2016 is a result of adjustments in the sales volumes of vanadium products.*

Financial performance

Sales review

In 2017, revenues from the Steel segment climbed by 40.9% to US$7,743 million, compared with US$5,497 million a year earlier. The segment's revenues were affected by rising steel sales prices, primarily for semi-finished, construction and railway products.

Revenues from external sales of semi-finished products grew by 48.9% due to a 46.5% uptick in average prices. Most of the incremental revenues came from higher prices for billets and slabs and increased export volumes of semi-finished products.

Revenues from sales of construction products to third parties surged by 21.8% due to an upswing of 31.1% in average prices. This was partly offset by a 9.3% reduction in sales volumes, primarily on the Russian market, which was affected by heightened competition.

Revenues from external sales of railway products rose due to a 34.8% increase in prices, which was supported by market upside and growth of 13.0% 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.

External revenues from flat-rolled products jumped by 93.2%, driven by surges of 47.6% in average prices and 45.6% 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 edged down from 49.7% in 2016 to 48.4% in 2017, mainly due to a shift in sales to Europe and the CIS.

Steel segment revenues from sales of iron ore products climbed by 23.9%. This was due to an upswing of 54.3% in average prices and a drop of 30.4% in sales volumes, which stemmed from the deconsolidation of Evraz Sukha Balka in June 2017. In 2017, around 66.5% of EVRAZ' iron ore consumption in steelmaking came from the Group's own operations, compared with 68.4% a year earlier.

Steel segment revenues from sales of vanadium products surged by 81.1% due to increases of 71.8% in average prices and 9.3% in sales volumes, despite the deconsolidation of Strategic Minerals Corporation following its disposal in April 2017. The positive price trend was in line with global benchmarks, which were driven by stronger demand influenced by changes to China's environmental policy and a scarcity of production facilities.

GEOGRAPHIC BREAKDOWN OF EXTERNAL STEEL PRODUCT SALES, US$ million

	2017	2016	Change, %
Russia	3,012	2,222	35.6
Asia	1,492	1,001	49.1
Europe	701	438	60.0
CIS	528	384	37.5
Africa, America and rest of the world	486	424	14.6
Total	**6,219**	**4,469**	**39.2**

STEEL SEGMENT REVENUES BY PRODUCTS

	2017		2016		
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	Change, %
Steel products, external sales	**6,219**	**80.3**	**4,469**	**81.3**	**39.2**
— Semi-finished products[1]	2,523	32.6	1,694	30.8	48.9
— Construction products[2]	2,171	28.0	1,783	32.4	21.8
— Railway products[3]	863	11.1	584	10.6	47.8
— Flat-rolled products[4]	313	4.0	162	2.9	93.2
— Other steel products[5]	349	4.6	246	4.6	41.9
Steel products, inter-segment sales	**284**	**3.7**	**184**	**3.3**	**54.3**
— Including sales to Steel, North America	270	3.5	176	3.2	53.4
Iron ore products	**192**	**2.5**	**155**	**2.8**	**23.9**
Vanadium products	**545**	**7.0**	**301**	**5.5**	**81.1**
Other revenues	**503**	**6.5**	**388**	**7.1**	**29.6**
Total	**7,743**	**100.0**	**5,497**	**100.0**	**40.9**

[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

Steel segment cost of revenues

In 2017, the Steel segment's cost of revenues increased by 42.5% year-on-year. The main reasons for the growth were:

- The cost of raw materials rose by 59.3%, primarily due to an increase in prices for all key raw materials, (particularly for coking coal, iron ore and scrap) and the stronger rouble. This was accompanied by higher production volumes at EVRAZ ZSMK versus 2016, when planned capital repairs to blast furnaces were performed. The growth in raw material costs was partially offset by cost-cutting initiatives, which reduced consumption.
- Costs for auxiliary materials grew by 6.4% in the view of the rouble strengthening impact on costs, as well as higher prices for electrodes. This was partially offset by a reduction of US$12 million in costs following the disposal of Evraz Sukha Balka in June 2017 and Strategic Minerals Corporation in April 2017.
- Higher service costs were mainly driven by the appreciation of the Russian currency.
- Transportation costs increased by 29.4%, primarily due to the stronger rouble and higher export sales volumes of steel products.
- Staff costs increased by 16.2%, largely because of the effect that rouble strengthening had on costs, accompanied by wage inflation at Russian sites. This was partially offset by a reduction of US$14 million in costs following the disposal of Evraz Sukha Balka and Strategic Minerals Corporation.
- Depreciation and depletion costs increased by 13.1%, primarily due to the rouble's appreciation.
- Energy costs were higher due to the stronger rouble and increased tariffs in local currencies.
- Other costs increased, primarily due to changes in goods for resale and semi-finished products.

Steel segment gross profit

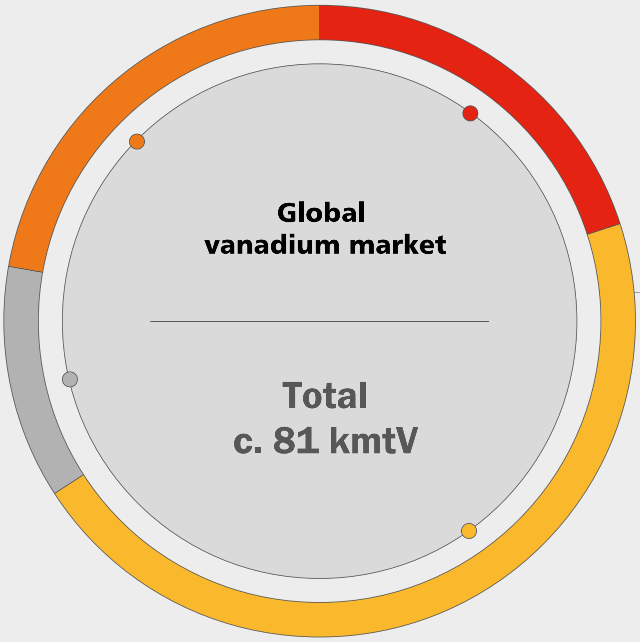
The Steel segment's gross profit surged by 36.3% year-on-year, driven primarily by higher steel and vanadium prices. This was partially offset by a rise in prices for purchased raw materials and the effect that rouble strengthening had on costs.

STEEL SEGMENT COST OF REVENUES

	2017		2016		
	US$ million	% of segment revenues	US$ million	% of segment revenues	Change, %
Cost of revenues	**5,795**	**74.8**	**4,068**	**74.0**	**42.5**
Raw materials	2,756	35.6	1,730	31.5	59.3
— Iron ore	485	6.3	292	5.3	66.1
— Coking coal	1,356	17.5	830	15.1	63.4
— Scrap	466	6.0	277	5.0	68.2
— Other raw materials	449	5.8	331	6.1	35.6
Auxiliary materials	334	4.3	314	5.7	6.4
Services	269	3.5	221	4.0	21.7
Transportation	449	5.8	347	6.3	29.4
Staff costs	530	6.8	456	8.3	16.2
Depreciation	241	3.1	213	3.9	13.1
Energy	474	6.1	395	7.2	20.0
Other[1]	742	9.6	392	7.1	89.3

[1] *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.*

Vanadium operations

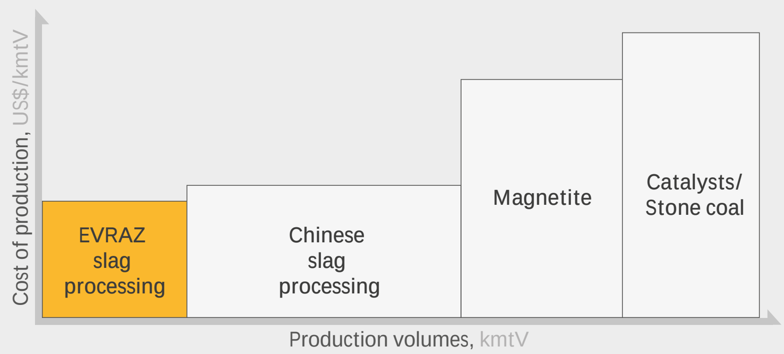


EVRAZ		20%
China		46%
Peer		12%
Others		22%

EVRAZ is a leading player in the global vanadium market.

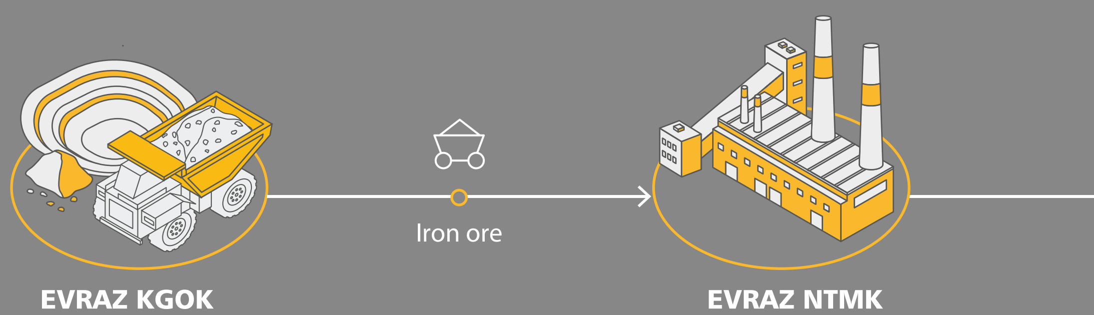
EVRAZ vanadium production cost curve

EVRAZ produces ferrovanadium from slag (a by-product of steel production at EVRAZ NTMK), making the Group one of the lowest-cost vanadium producers in the world.



EVRAZ' vanadium production model overview

Our vanadium business is organically built into our steel making model. EVRAZ' product portfolio includes ferrovanadium, vanadium pentoxide, vanadium oxides and chemicals.



Vanadium pentoxide

Key vanadium production facilities

EVRAZ Vanady-Tula (Russia)

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

Key consumers:
EVRAZ Nikom, EVRAZ Stratcor, steel producers

EVRAZ Nikom (Czech Republic)

EVRAZ Nikom is a ferrovanadium producer in the Czech Republic. It has one processing facility, which it uses to process vanadium pentoxide received from EVRAZ Vanady-Tula and third-party suppliers.

Key consumers:
Steel producers

EVRAZ Stratcor (US)

EVRAZ Stratcor is a producer of high-purity vanadium alloys and chemicals, and a major supplier of vanadium to the chemical and titanium industries.

Key consumers:
Catalyst producers, VAL/titanium industry, specialty chemical producers