

# Chairman's introduction



**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.

**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

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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