

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