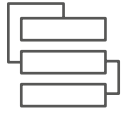


Success factors and KPIs



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

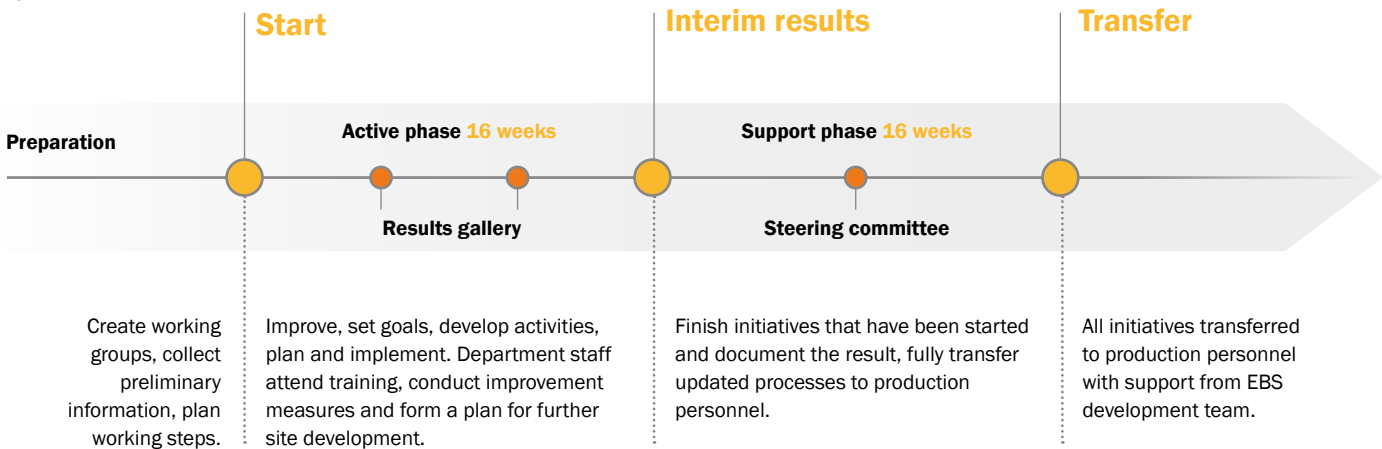
In 2017, EVRAZ executed several production-shop transformation projects in Siberia, which were focused on bottom-line costs reduction via EBS tools and were supported by full employee engagement. EBS teams were also formed last year to roll out EBS Transformation (EBS-T) to other divisions. Overall, 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



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.

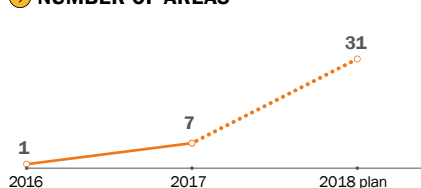
➔ **The improvement cycle** is an analogue of rapid improvement event tool which helps to find solutions for previously unresolved problems using high level of interaction between employees.



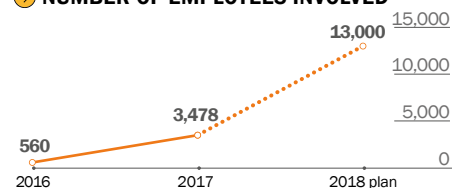
Key developments and KPIs

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 Rospadskaya Coal Company.

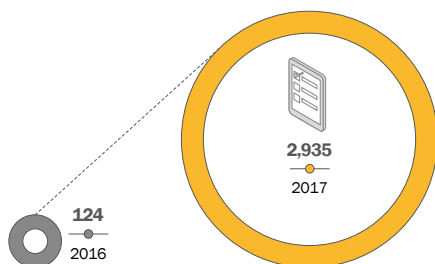
➔ NUMBER OF AREAS



➔ NUMBER OF EMPLOYEES INVOLVED



➔ NUMBER OF INITIATIVES (Idea factory)



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

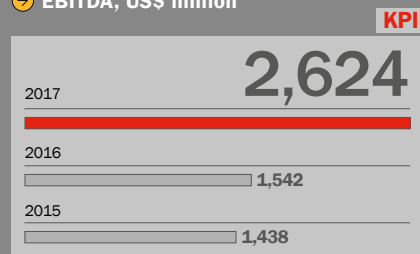
Implementation of new sampling device + US\$ 2.5 million	Usage of one railcar for various cargo + US\$ 0.5 million	Mill set-up process improvement + US\$ 0.4 million
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2017 FINANCIAL RESULTS

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

