EVRAZ

ANNUAL REPORT & ACCOUNTS 2019

EVRAZ

Meet EVRAZ

For our PARTNERS

13.2 mt

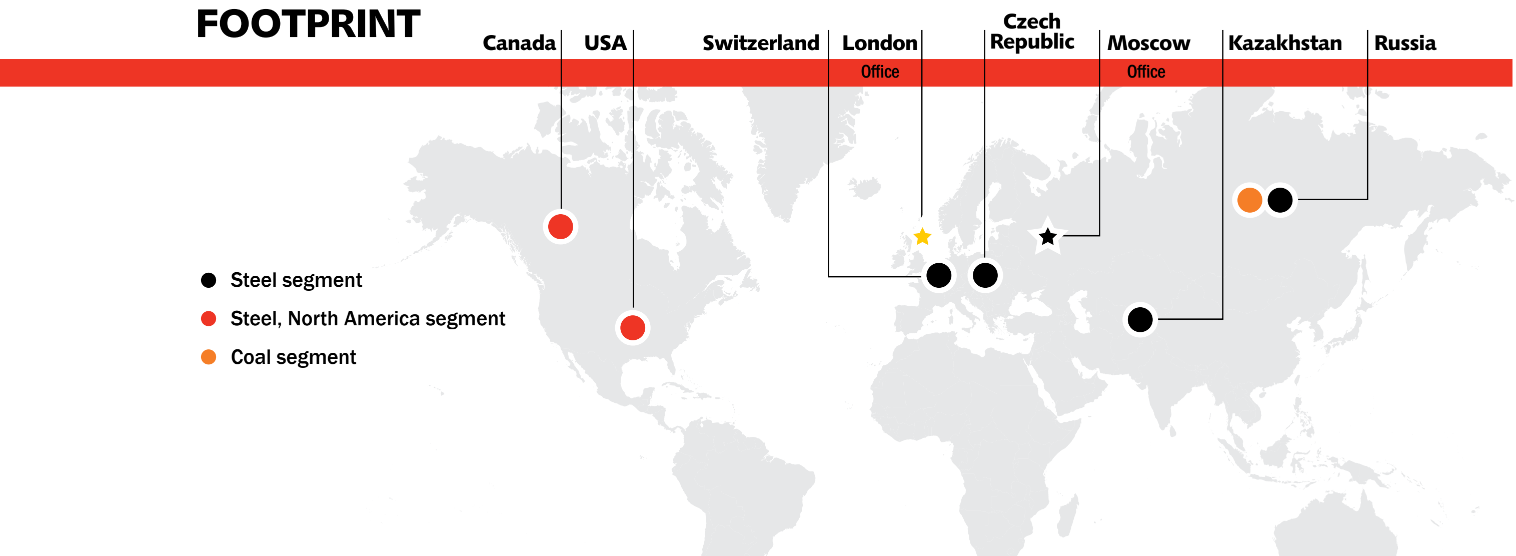
STEEL PRODUCTS OUTPUT

For our PEOPLE

71,223 employees

AS OF 31 DECEMBER 2019

GLOBAL FOOTPRINT



Leader

in construction and railway product markets in Russia

in production of rails and large diameter pipes in North America

the largest coking coal producer in Russia

For our COMMUNITY

US$ 26 million

SOCIAL AND SOCIAL INFRASTRUCTURE MAINTENANCE EXPENSES

REPORT BOUNDARIES

This annual report ("the Report") presents the results for EVRAZ plc and its subsidiaries for 2019 divided into segments: Steel; Steel, North America; and Coal. It details the Group's operational and financial results and corporate social responsibility activities in 2019.

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 Guidance and Transparency Rules, and the Competition and Market Authority Order. The Report has also been prepared taking into account the International Integrated Reporting Framework, and sustainability reporting best practices.

CONTENTS

EVRAZ in figures

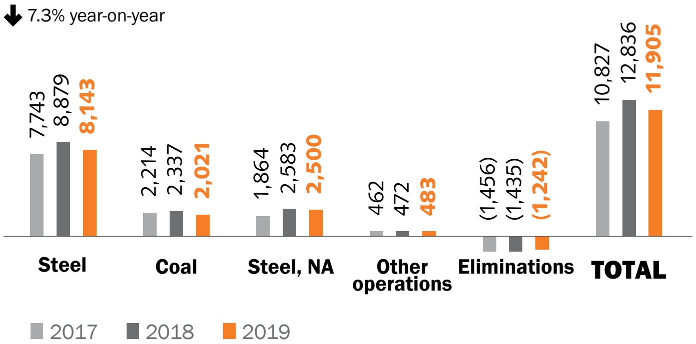
Financial highlights

Consolidated revenues by segment, US$ million

Revenue

US$ **11,905** million

↓ 7.3% year-on-year



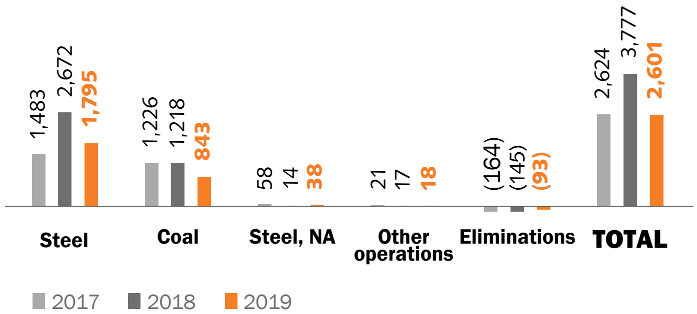
For more information, read Financial review section on pages 28–29.

Consolidated EBITDA by segment, US$ million

EBITDA

US$ **2,601** million

↓ 31.1% year-on-year



For more information, read Financial review section on pages 28–29.

Operating highlights

Crude steel output, kt

Steel products output[1], kt

1. Net of re-rolled volumes.
2. Including payments on deferred terms recognised in financing activities.

Iron ore products output, kt

CSR highlights

LTIFR (excluding fatalities), per million hours

Read more on page 78

Key air emissions, kt

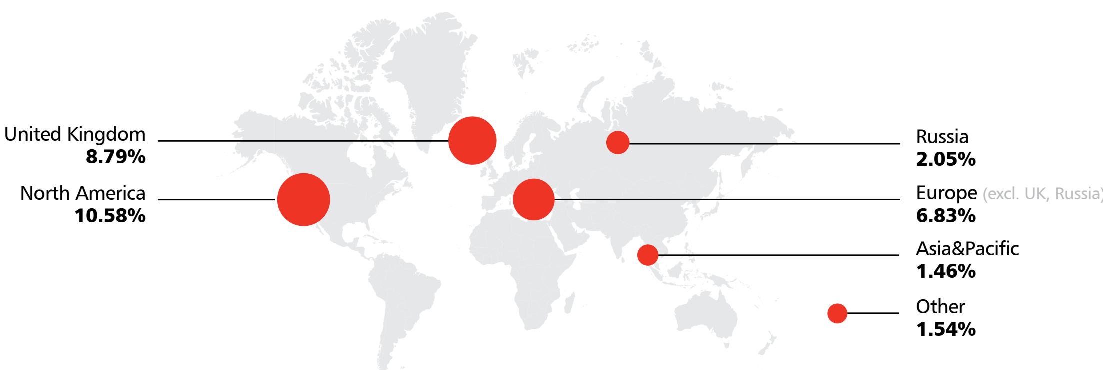
Read more on page 82

EVRAZ GHG emissions, $MtCO_2e$

Read more on page 82

SHAREHOLDER STRUCTURE

Geographic dispersion of institutional shareholders, % of voting rights



Net debt

US$
3,445
million

↓ 3.5% year-on-year

CAPEX

US$
762
million

↑ 44.6% year-on-year

Net profit

US$
365
million

↓ 85.2% year-on-year

For more information, read Financial review section on pages 28–29.

For definition of Alternative performance measures (APM) please see pages 251–252

Raw coking coal production, kt

2019	26,140
2018	24,188
2017	23,306

Coking coal concentrate production, kt

	Production by Coal segment	Production by Steel segment	Total
2019	13,975	1,947	15,923
2018	14,130	2,057	16,188
2017	13,061	2,083	15,143

Gross vanadium slag production,[3] mtV

2019	18,380
2018	17,052
2017	18,636

3. In tonnes of pure vanadium.

Fresh water consumption, million m³

2019	205.8
2018	226.49
2017	319.43

Read more on page 83

Diversity, % (number of people)

Men		Women
78% (7)	Board	22% (2)
82% (323)	Senior Management	18% (71)
72% (51,101)	Employees	28% (19,728)

Read more on page 91

Employees by region

71,223 people

- Europe 0.2%
- North America 6.0%
- Russia and CIS 93.8%

Read more on page 91

Ultimate beneficial owners, % of voting rights[4]

- 28.77 ROMAN ABRAMOVICH[4]
- 19.41 ALEXANDER ABRAMOV[4]
- 9.69 ALEXANDER FROLOV[4]
- 5.77 GENNADY KOZOVOY[5]
- 33.56 FREE-FLOAT

4. The number of shares as per dealing notification dated 20 June 2019.
5. 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.

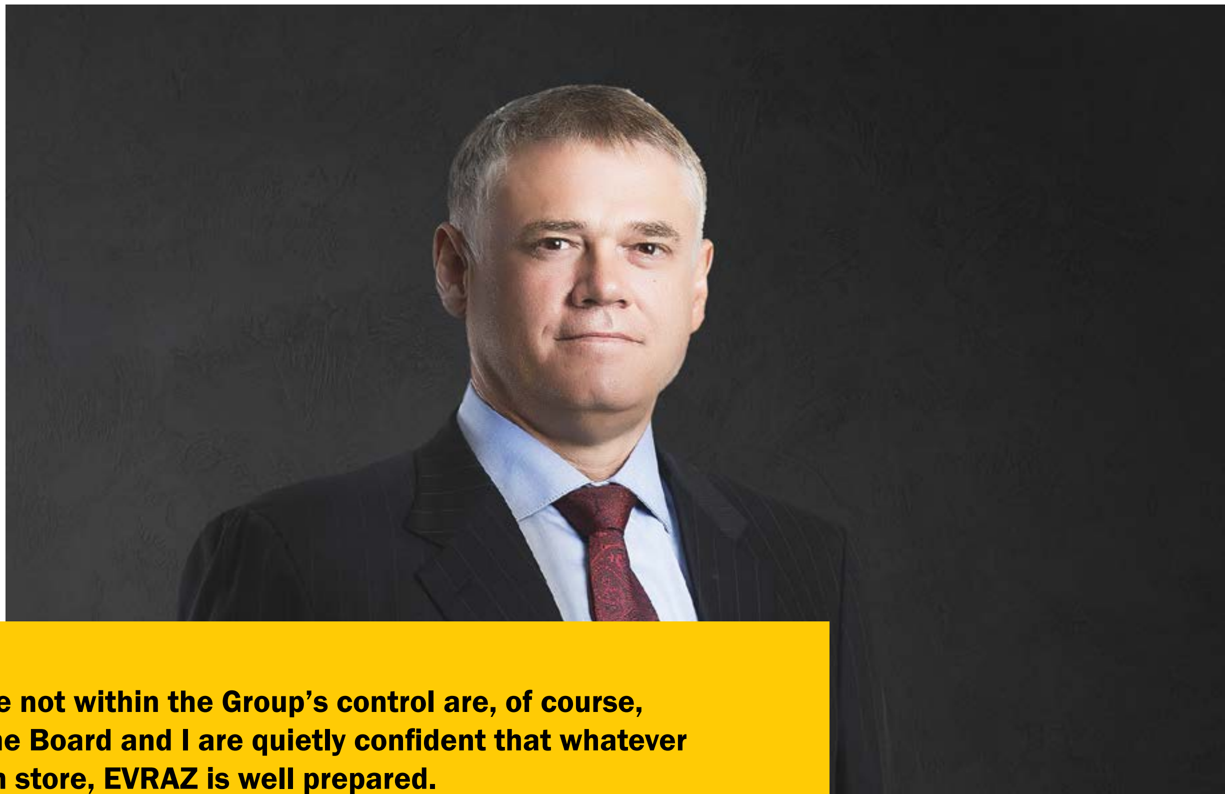
Strategic report

Setting right goals

for a Better Future

Abu Dhabi Plaza
Nur-Sultan, Kazakhstan

Chairman's introduction



> **Key factors that are not within the Group's control are, of course, the markets, but the Board and I are quietly confident that whatever the markets hold in store, EVRAZ is well prepared.**

Dear shareholder,

Last year was not easy, as EVRAZ and the broader industry faced complex market headwinds. However, thanks to efficiency initiatives, diligent strategic efforts and the hard work of each employee, the Group was able to overcome all the difficulties and achieve resilient results.

For the Board of Directors, 2019 was a year of numerous critical initiatives in the Group. These included a major health, safety and the environment (HSE) drive to implement a new approach to safety by engaging employees more in risk identification and mitigation.

HSE

The overriding priority of the EVRAZ Board of Directors has been and continues to be achieving and maintaining zero injuries and fatalities in the workplace. Despite the Group's efforts, however, there was a substantial increase in fatalities during the reporting period. Half of these occurred in a single February 2019 incident that caused the death of eight employees and the serious injury of another 16 people. Overall, as a result of occupational safety and risk management shortcomings, the EVRAZ team suffered the loss of 12 employees and four contractors during 2019. To avoid a repeat of these tragedies, the Group is placing paramount importance on undertaking measures to improve its safety culture, beginning with improved employee engagement in identifying and mitigating risks. Please, **read CSR report on page 78 for more details.**

To spearhead the efforts to improve safety performance, we decided to conduct the safety culture assessment and develop a roadmap for its improvement. Recognising the urgency of climate change, it also tasked the committee with identifying possible ways to reduce the Group's greenhouse gas

Audit Committee report
Read more on 120-125.

HSE Committee report
Read more on 128-129.

Nominations Committee report
Read more on 126-127.

emissions and develop an implementation strategy. In addition, the Board requested that the HSE Committee review the control measures that EVRAZ uses to mitigate the risks associated with its largest tailing dams. The information on dam safety issues has been publicly disclosed on EVRAZ website at the following link: https://www. evraz. com/ en/sustainability/tailings-storage-facilities/

Governance

The Board continues to work to ensure that the Group operates in accordance with international best practices and complies with the guidelines laid out in the UK Corporate Governance Code. The only non-compliances reported are related to EVRAZ particular situation, they were as follows:

- The Company does not operate clawback arrangements on bonus payments on the basis that such arrangements would not be enforceable under the Russian Labour Code. A further explanation for this non-compliance is set out in the **Remuneration Report on page 131**.
- The 2018 Code now treats individuals such as myself, a significant shareholder, as no longer independent on appointment as chairman.

As part of its commitment to support the interests of all stakeholders, the Board takes a long-term view of how the business needs to develop within its industry and geographical markets. The EVRAZ business and operational model, which are explained in detail **on pages 12-15**, shows how value is created for all stakeholders; and the Governance report demonstrates how this important engagement is monitored. Please read Statement in accordance with S172 of the Companies Act **on page 41**.

In April 2019, EVRAZ published its first comprehensive report on sustainability performance, making a logical step in the Group's continuous efforts to improve the economic, social and environmental aspects of the company's operations and reporting.

At its January 2020 meeting, following the annual review of Board Performance effectiveness, the Board agreed on an action plan for 2020, which continued and developed the review and approval function of the management's strategy proposals.

Our people

EVRAZ understands the vital importance of regular employee engagement, which allows the Group to hear and incorporate employee opinions throughout the organisation. This invaluable bottom-up insight helps to attract and retain impactful employees, who in turn play critical roles in ensuring that the Group achieves its vision and strategy. This workforce feedback loop, which EVRAZ has practiced for many years, also helps to foster informative decision taking in all aspects of the business. One important employee engagement effort is an annual survey that seeks to take the pulse of the workforce as a whole on various matters. In previous years, this survey helped to generate numerous initiatives focused on employees, as well as to determine ways to improve overall employee engagement going forward. Following each annual survey, the Board reviews the results to ensure that it is informed of important trends, comments and concerns.

During 2019, two Board members met with employees and learned what is important to them. Alexander Izosimov visited Raspadskaya Coal Company in Novokuznetsk, Russia, and Laurie Argo visited EVRAZ Portland's rolling mill in North America for town-hall meetings.

In addition, Board members reviewed the results of the annual reputation audit, engaging businesses, clients, media, government representatives and local communities. The Group's efforts to build sustainable partnerships with key stakeholders were rated as satisfactory. EVRAZ reputation index shows sustainably high performance over the last three years.

Dividends

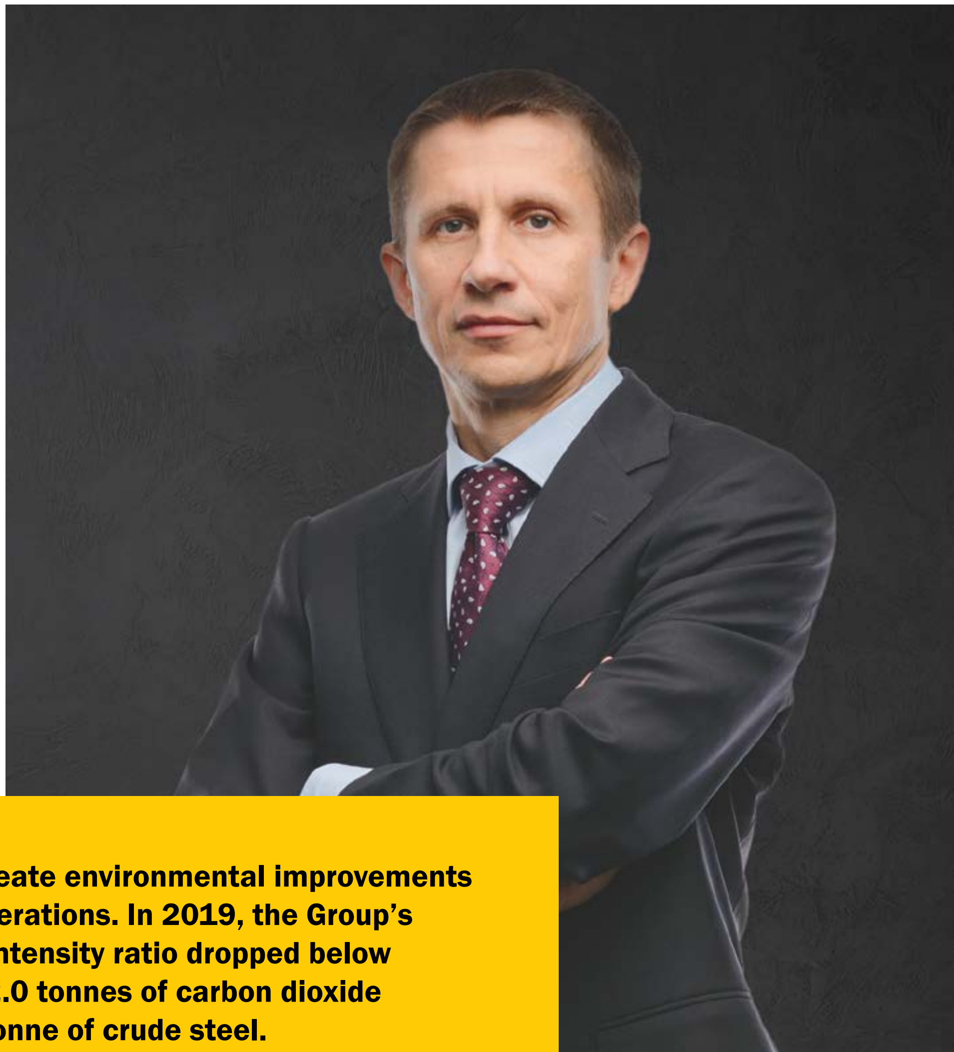
In 2019, the Board approved the payments of: an interim dividend of US$0.40 per ordinary share, totalling US$577.3 million, on 29 March 2019; and an interim dividend of US$0.35 per share, totalling US$508.2 million, on 5 September 2019.

In consideration of EVRAZ performance in 2019, the Group has announced an interim dividend. On 26 February 2020, the Board of Directors voted to disburse a total of US$580.8 million, or US$0.40 per share. The record date is 6 March 2020 and payment date is 27 March 2020.

Alexander Abramov
Non-Executive Chairman

Remuneration report
Read more on 130-139.

Chief Executive Officer's letter



EVRAZ works hard to create environmental improvements in every aspect of its operations. In 2019, the Group's greenhouse gas (GHG) intensity ratio dropped below the target of less than 2.0 tonnes of carbon dioxide equivalent (tCO_2e) per tonne of crude steel.

Dear shareholder,

Last year, the global metals and mining industry faced renewed market headwinds, growing demand from society for sustainable development and accelerated digital transformation. EVRAZ is prepared to meet these new challenges and seize the opportunities that arise.

In 2019, global steel and commodity markets were not as favourable as they were in 2018. Steel prices have fallen as a result of excess supply in an environment of limited end-use demand. Global coal and vanadium markets returned to supply-demand equilibrium.

However, during the reporting period, EVRAZ benefited from an upswing on the Russian steel market amid increased demand for housing construction that is expected to continue, supported by government spending on national projects.

Focus on sustainability

EVRAZ always strives to adhere to the strictest safety standards. Unfortunately, in February 2019, the Group lost eight employees and another 16 people were injured in an incident involving

Financial review
Read more on pages 28-33.

a crew bus at the Raspadsky open pit mine. The management has undertaken numerous measures to prevent similar accidents, including purchasing crew vehicles with reinforced safety cages, installing video recorders in all crew vehicles and upgrading the automated dispatch control system.

Overall, this isolated case shows how vitally important it is to predict all possible risks at every stage of the production process, as well as to increase employee awareness and engagement in risk analysis. To this end, in 2019, EVRAZ began to implement a new risk management system that applies a balanced approach to engage every worker in risk identification and mitigation. As a part of this new system, at the end of 2019, more than 200 key managers of different levels (from vice presidents to line managers) in the Siberia, Urals and Coal divisions attended training to learn how to apply this new approach in theory and practice.

EVRAZ works hard to create environmental improvements in every aspect of its operations. In 2019, the Group's greenhouse gas (GHG) intensity ratio dropped below the target of less than 2.0 tonnes of carbon dioxide equivalent (tCO_2e) per tonne of crude steel to 1.97 tCO_2e per tonne of crude steel.

To further minimise EVRAZ environmental footprint, in 2019, the Group began to implement projects aimed at reducing the atmospheric emissions at its Russian steel assets. EVRAZ has also cut freshwater consumption by 38% over the last five years and this progress is expected to continue going forward. In 2019, the Group finished implementing three water treatment projects in the Coal segment and launched major water treatment programmes in the Urals and Siberia divisions.

EVRAZ believes that its people are the cornerstone of its strategy implementation and remains focused on attracting and developing the best talent. The Group expends substantial efforts to develop its managers, which in 2019 included major educational events such as the "EVRAZ New Leaders" programme and new "Top-300" development programme.

The "Top-300" leadership programme for mine directors and shop heads aims to involve them in implementing EVRAZ Business System transformation projects and searching for development opportunities. The first wave of the "Top-300" programme, in which 97 production facility managers participated, finished in July 2019 and the second wave, with 96 managers involved, started in October 2019.

Investing in development

In 2019, EVRAZ announced an investment programme with total annual CAPEX averaging US$1.0 billion over 2020–23. Half of this yearly amount will be spent on development projects, of which US$335 million will be allocated to three major development projects and around US$165 million will be used to finance small and medium-sized projects, focusing primarily on energy efficiency, debottlenecking and various operational improvements. The other roughly US$500 million per year will be spent on maintenance projects.

One of EVRAZ major current projects is the new long rail mill in Colorado, which will have total CAPEX of US$512 million. The project is aimed at producing long rails, including 100-metre rails, to meet customer needs and sustain the Group's leadership position in the US rail market. As of the end of 2019, the Group was completing the engineering and design stage of the project.

Another major project, the rail and beam mill modernisation at EVRAZ NTMK, seeks to maintain the Group's leadership in long products and will help to meet increased future beam demand as a result of the "Construction from Steel" promotion programme. Project investments amounted to US$205 million. In 2019, the Group entered the design and engineering stage, and selected the main equipment supplier and engineering works partner.

The third major project is the construction of a 2.5 million tonne integrated flat casting and rolling facility at EVRAZ ZSMK, which will have CAPEX of US$647 million. The project will help to improve the product portfolio, penetrate the highly concentrated plate market and enhance the Group's presence in the Siberian region. At the end of 2019, the project specification was agreed, equipment suppliers were chosen, and the decision was approved to enter the design and engineering phase.

EVRAZ is taking a staged approach to these three major projects to maintain maximum flexibility. The execution decisions on the projects should be made in 2020.

EBITDA effect of

US$407 million

from the efficiency improvement programme in 2019

Continuous operational improvements

Retaining a low-cost position and maintaining market leadership positions remain very important for the Group, which has invested significant time and managerial efforts to develop the EVRAZ Business System. EVRAZ Business system is a combined approach founded on a culture of continuous improvement and currently covers nearly all the Group's main operations. It is based on five key elements: ambitious target setting, EVRAZ principles, employee development, efficient management and process improvement. The overall target of the EVRAZ Business System is to enhance employee engagement in the idea generation process. These ideas are the major source of new efficiency improvement initiatives within the Group. In 2019, a total of 22,083 employees were involved and around 44,596 ideas were generated, 36% of which were implemented.

Technology is an additional resource that makes it possible to improve operational efficiency. Last year, EVRAZ continued to develop the competencies and organisational system needed to scale up its digital transformation efforts. The Group primarily focused on innovative technologies to improve production efficiency, including yields and process quality. Overall, in 2019, 32 digital transformation projects were implemented.

For example, EVRAZ ZSMK introduced mathematical models for all production stages that make it possible to calculate the end-to-end economic effect and, on that basis, optimise raw material consumption and the semi-finished product mix. In 2019, the total economic effect of this project was around US$20 million.

The efficiency improvement programme is a performance monitoring system that aims to generate and implement initiatives with an annual EBITDA effect of US$300 million.

During the reporting period, the efficiency improvement programme delivered an EBITDA effect of US$407 million from customer focus and cost-cutting initiatives.

The Steel segment remains the core of EVRAZ business model, allowing the Group to maintain leadership positions in the railway product and infrastructure steel markets. In 2019, total pig iron production increased by 10.2% to 11,016 thousand tonnes after the new blast furnace No. 7 reached its full capacity of 2,550 thousand tonnes a year. Efficiency improvement initiatives had a total effect of US$284 million, most of which came from respective increases in wheel production and beam sales of 6% and 18%, as well as from a programme to optimise coke, sinter and blast furnace operations at EVRAZ ZSMK.

The Coal business continues to generate very strong results. In 2019, the Group increased coal mining volumes by 8% to a total

of 26.1 million tonnes following efficiency improvements at the Uskovskaya and Alardinskaya mines. The growth of mining volumes made it possible to expand export supplies to Asia by 12% to 5.6 million tonnes in 2019. EVRAZ self-sufficiency in all coal grades rose from 69% in 2018 to 74% in 2019 due to metal charge changes at the Group's steel mills and higher production of K-grade coal amid a ramp-up of volumes at the Raspadskaya-Koksovaya mine. During the reporting period, the Coal segment generated US$76 million from efficiency improvement initiatives, primarily due to increasing the production yield and implementing measures to enhance product quality.

EVRAZ North America is a strategic business that benefits from healthy demand in railway product markets in the US and Canada. Sales of rails rose by 7% to 438 thousand tonnes, which allowed EVRAZ to improve its rail market share in North America to 42% in the period. The segment's efficiency improvement programme contributed a total of US$46 million from customer focus and cost-cutting initiatives during the year.

In August 2019, James "Skip" Herald joined EVRAZ as the president and CEO of EVRAZ North America. Mr Herald has more than 35 years of experience in the oil and gas and energy pipe industries. The Group is confident that his solid experience and outstanding professional skills will bring additional momentum to its core tubular business in North America and will help to achieve an EBITDA margin position in line with peers.

Consistent with the Group's vision and focusing on key markets in Russia and North America, EVRAZ continued to divest non-core assets during the reporting period. In August, the Group announced the disposal of EVRAZ Stratcor, a US-based vanadium oxides producer, due to high operational costs. In December, EVRAZ sold the Palini e Bertoli steel mill in Italy, a decision that was primarily driven by the unfavourable market environment and limited growth opportunities.

In 2019, EVRAZ reported total EBITDA of US$2,601 million. The Steel segment's EBITDA fell by 32.8% to US$1,795 million as a result of challenging global steel and vanadium market conditions. Despite price fluctuations, the Coal segment managed to generate EBITDA of US$843 million. During the reporting period, EVRAZ North America delivered a better financial performance in year-on-year terms with EBITDA of US$38 million, up from US$14 million in 2018. EBITDA remains at low levels due to weak OCTG market and tariffs on slab consumed by Portland operations

in North America. Overall, EVRAZ maintained its low net leverage level and ended 2019 with net debt of US$3,445 million (net debt/EBITDA of 1.3x), in line with the medium-term net debt target of below US$4 billion. In 2019, the Group was able to generate strong free cash flow of US$1,456 million, which made it possible to pay dividends of US$1,086 million.

Alexander Frolov
Chief Executive Officer
EVRAZ plc

Outlook for 2020

In 2020, EVRAZ will continue to make significant efforts to improve safety and other vitally important areas of sustainable development. The Group has also set ambitious production targets for the year that should help it to reach solid results despite potential market headwinds.

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 2019, global steel and raw materials markets remained strong despite the pressure as steel prices corrected from the high levels seen in 2018. Meanwhile, iron ore and coal prices experienced different dynamics. Iron ore prices peaked in July, balancing by the end of the year. Conversely, coal prices were lower amid increased supplies as a result of elevated Asian production and import restrictions in China. In 2020, we expect stable market conditions and reduced price volatility.

OUR BASIS

Sustainable development

EBS

EVRAZ Business System

For additional information, read the EVRAZ Sustainability Report for 2019, which is to be published in May 2020

STRATEGIC PRIORITIES

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

DEBT MANAGEMENT AND STABLE DIVIDENDS

PRUDENT CAPEX

RETENTION OF LOW-COST POSITION

DEVELOPMENT OF PRODUCT PORTFOLIO AND CUSTOMER BASE

Read more on page 22

BUSINESS SEGMENTS

Steel

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

Read more on 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.

Read more on page 56

Steel, NA

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

Read more on page 64

The value we create for stakeholders

COMPETITIVE ADVANTAGES

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

Leader in infrastructure steel products

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

Strong position in coking coal market

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

Vertically integrated low-cost operations

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

Shareholders and investors

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 contractors

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 and regulatory authorities

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.

Media

EVRAZ proactive engagement with the media boosts the quality and transparency of information about the Group.

Industry organisations

EVRAZ cooperates and supports various industry organisations through joint initiatives and proactivly participates in conferences and forums.

The section 172(1) statement, describing how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172, is on page 41.

Operational model

Steel segment

Read more on page 46

INPUT

Proved and probable reserves

9.9 bln t of iron ore

1.9 bln t of coking coal

Self-coverage[1]

70% of iron ore

221% of coking coal

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

Number of employees

46,175 in Steel segment

16,133 in Coal segment

4,302 in Steel, NA segment

OPERATIONS

Raw materials

Iron ore products consumption	18,363 kt
• Internal consumption	13,624 kt
• 3rd parties' iron ore products purchases	4,739 kt
3rd parties scrap purchases	1,674 kt
Coking coal products consumption	8,408 kt
• Coal segment coal products	6,569 kt
• 3rd parties raw coal	935 kt
• 3rd parties concentrate	904 kt

Steelmaking

Pig iron production	11,016 kt
Crude steel production	11,953 kt
Vanadium slag production	18,380 mtV

Rolling and processing

Steel products production	11,018 kt

SALES TO 3rd PARTIES

Semi-finished products	5,636
Construction products	3,800
Railway products	1,393
Flat-rolled products	622
Other steel products	624

Steel products
12,075 kt

Iron ore products
1,893 kt

Vanadium products (alloys and chemicals)
12,858 kt

EBITDA

US$ **1,795** million

↓ 32.8% year-on-year

The Steel segment's EBITDA dropped amid lower steel and vanadium prices, as well as higher expenses due to increased prices for raw and auxiliary materials, including iron ore, scrap and refractories. This was partly offset by lower coking coal prices.

Coal segment

Read more on page 56

Mining

Total raw coking coal mined	26,140 kt
Sales to Steel segment	2,044 kt

Coal washing

Total coking coal concentrate production	13,975 kt
Sales to Steel segment	4,525 kt

EVRAZ unique combination of reserves, operations, product quality and clients makes its Coal segment one of the key pillars of its operational 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.

Coking coal products

11,053 kt

Coking coal concentrate	8,841
Raw coal	2,211

US$ **843** million

↓ 30.8% year-on-year

The Coal segment's EBITDA decreased year-on-year, mainly due to sales prices trending lower in line with global benchmarks.

Steel, North America segment

Read more on page 64

Raw materials

3rd parties scrap puchases	1,222 kt
Slab purchases	508 kt

Steelmaking

Crude steel production	1,861 kt

Rolling and processing

Steel products production	2,212 kt

Steel products

2,207 kt

Tubular products	795
Flat-rolled products	523
Railway products	441
Construction products	256
Semi-finished products	192

US$ **38** million

↑ 171.4% year-on-year

The Steel, North America segment's EBITDA rose, driven mainly by the decline of Section 232 duties on sales to the US, which were included in 2018 expenses. EBITDA remains at low levels due to the weak OCTG market and tariff on slab supply to Portland operations in North America.

EVRAZ

Sustainable development

Acknowledgment of Sustainable Development Goals

EVRAZ believes that the Sustainable Development Goals (SDG) adopted by the United Nations General Assembly in 2015 are of vital importance to the global mission of addressing significant economic, environmental and social challenges.

To help achieve these global goals, the Group implements fair and transparent business practices, reduces its operational impact on the environment and local communities, and seeks to maximise the positive values that it can bring to society.

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

For additional information, read the EVRAZ Sustainability Report for 2019, which is to be published in May 2020.

CSR

Governance
Read more on page 106

Health and safety
Read more on page 76

Environmental matters
Read more on page 81

Our people
Read more on page 90

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.

Read more on page 96

Our approach

EVRAZ understands the responsibility inherent in its position as one of the world's leading steelmakers and, as such, is committed to integrating sustainable development principles and values into its daily operations. The Group believes that sustainable development will help it to maintain the long-term stability of its business, retain a competitive market position and create value for its stakeholders.

EVRAZ sustainable development initiatives adhere to the OECD's Guidelines for Multinational Enterprises to apply a consistent approach and adopt best practices across its global operations.

The Group bases these commitments on the best international standards and practices, fully endorsing the United Nations Universal Declaration of Human Rights provisions and respecting people's civil, political, economic, social and cultural rights.

CSR highlights

LTIFR (excluding fatalities), per million hours

Read more on page 78

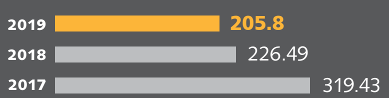
Key air emissions, kt

Read more on page 83

EVRAZ GHG emissions, $MtCO_2e$

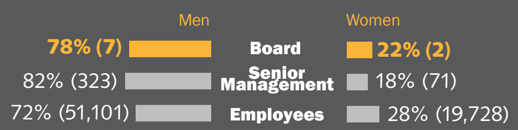
Read more on page 83

Fresh water consumption, million m^3



Read more on page 83

Diversity, % (number of people)



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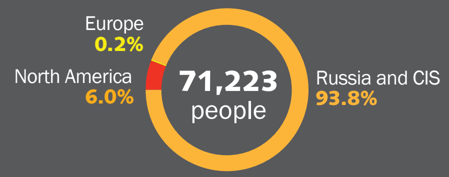
Employees by region



Read more on page 91

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.

Read more on page 76

Anti-corruption and anti-bribery

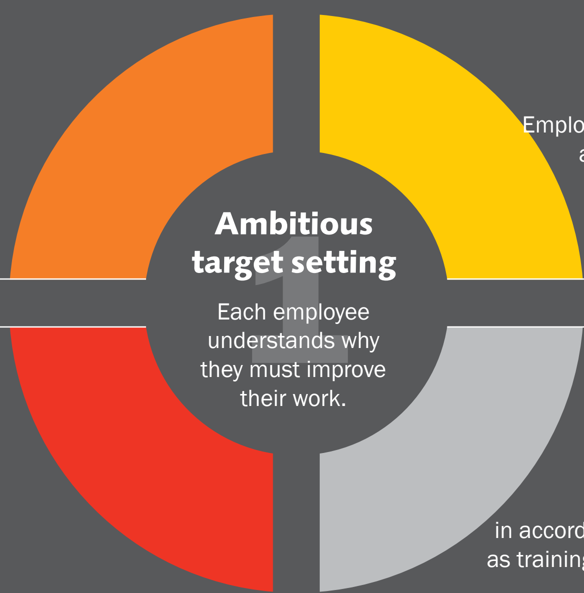
EVRAZ is fully committed to strict compliance with the Law of the Russian Federation No. 273 "On Preventing Corruption," the UK Bribery Act, the US Foreign Corrupt Practices Act and other relevant local legal equivalents. EVRAZ has implemented and further developed policies and procedures that define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

Read more on page 102

EVRAZ Business System

EVRAZ Business System (EBS) is a combined approach founded on a culture of continuous improvement which currently covers nearly all the Group's main operations.

EBS targeted to enhance employee engagement in the continuous improvement process through key elements of the EVRAZ Business System, such as ambitious target setting, EVRAZ principles, employee development, efficient management and process improvement.



2 EVRAZ principles

The basic working principles are safety, respect, performance and responsibility, customer focus and effective teamwork.

3 Employee development

Employees have opportunities for training and development, as well as access to the tools and knowledge needed to achieve the target.

5 Process improvement

Each employee views finding and implementing improvements as part of their daily work.

4 Efficient management

Managers support the continuous improvement process by acting in accordance with EVRAZ principles, as well as training and encouraging their employees.

In 2019, EVRAZ launched an ambitious target-setting process as a source of new efficiency improvement initiatives.

In line with this process, 30 shops and segments in the Urals, Siberia, Coal and Vanadium divisions were analysed. Key technical drivers were identified for every shop and segment, and targets were set for each key technical driver based on global benchmarking.

Outlook 2020

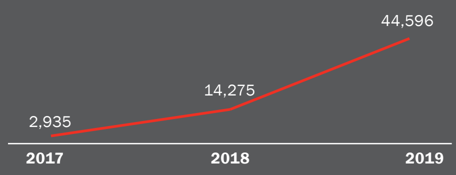
In 2020, a total of 24 EBS transformations will be implemented in three divisions (4 in the Siberia division, 15 in the Urals division and 5 in the Coal division). The key focus for the year will be on rolling out EBS transformations in the Steel, North America segment. Additionally, the EVRAZ Business System will focus on digital solutions in production and implementing an agile approach to improve processes.

EBS transformations are the initial projects at every shop of the plant that create the infrastructure for the continuous improvement process.

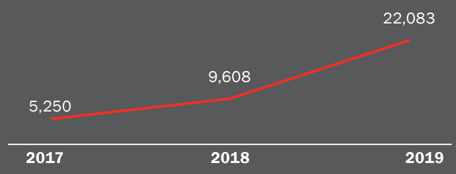
There are two main phases in EBS transformations: active and maintenance. The active phase presumes setting goals, planning and implementing various improvement initiatives, while the maintenance phase aims to reach the target effects from initiatives and further improve the process.

During 2019, a total of 43 active EBS transformation phases were completed across four divisions (23 in the Siberia division, 14 in the Urals division, 4 in the Coal division and 2 in the Vanadium division). EVRAZ employees generated 44,596 ideas, 36% of which were implemented. Overall, a total of 22,083 employees were involved in EBS transformations in 2019.

Number of initiatives



Number of employees involved



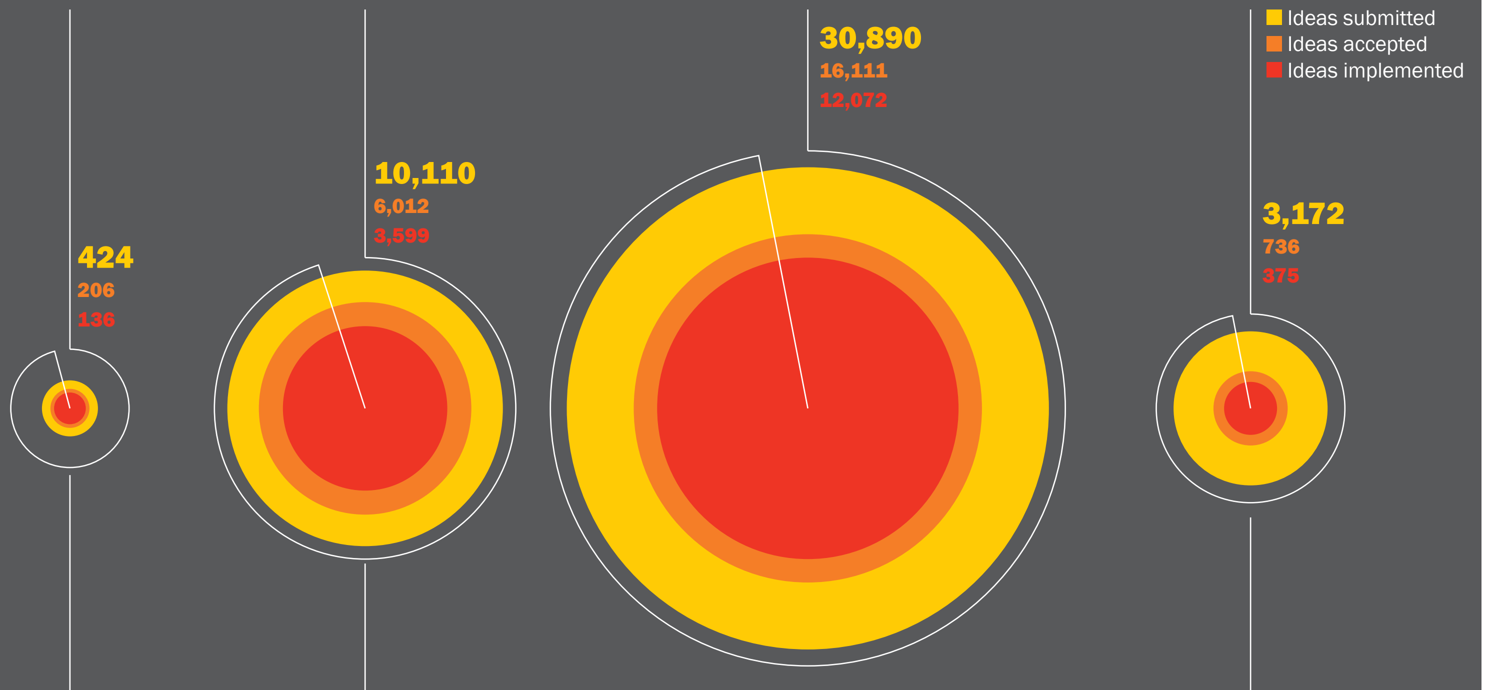
KEY EBS TOOLS AT WORK

VANADIUM **URALS** **SIBERIA** **COAL**

DIVISIONS

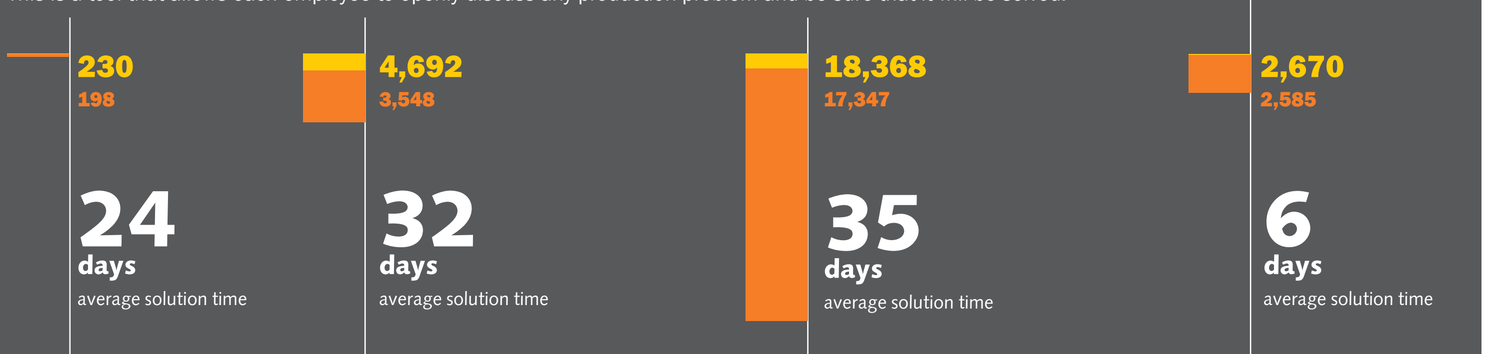
Idea Factory

Each employee can suggest ideas to improve a production process, workplace safety or labour conditions.



Problem-Solving Board

This is a tool that allows each employee to openly discuss any production problem and be sure that it will be solved.

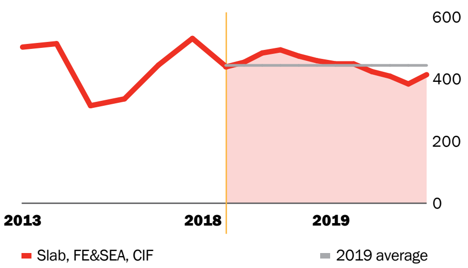


Market overview

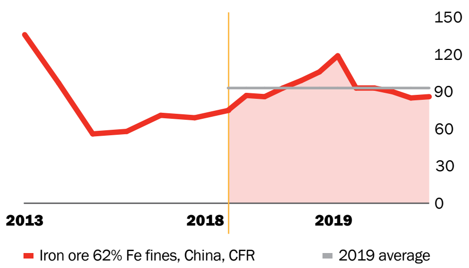
GLOBAL PICTURE

In 2019, the pressure on the steel and raw materials market increased. Despite the economic and political uncertainty, by the end of the year, there was a positive trend in prices and steel demand from end user's sectors in key markets.

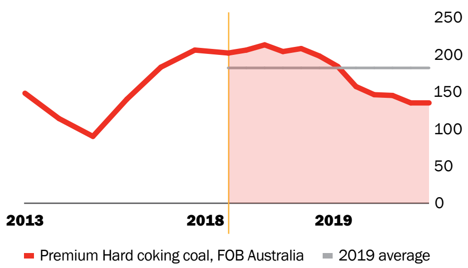
Steel, US$/t



Iron ore, US$/t



Coal, US$/t



In 2019, global finished steel consumption increased by 3.2% to 1,774 million tonnes, compared with 1,719 million tonnes in 2018. Asia remained the key source of global demand with growth of 5.5% and consumption of 1,276 million tonnes. China's total consumption climbed by 7.2% to 928 million tonnes in the period. Global demand excluding Asia fell by 2.3% to 497.3 million tonnes, versus 508.9 million tonnes in 2018. Consumption in the EU dropped by 4.9% due to lower demand for vehicles and equipment.

Global crude steel production in the year grew by just 2.3% to 1,886 million tonnes, along with multidirectional trends diversified by regions. Chinese production totalled 1,009 million tonnes, up 6.3% year-on-year, compared with 4.0% in 2018. India demonstrated moderate growth of 1.0% to 111.1 million tonnes, driven by the expansion of government support efforts. Crude steel production in the EU fell by a further 4.9% as a result of blast furnace closures due to low demand and stronger environmental requirements.

In 2019, steel prices based on the CIF slab FE&SEA benchmark decelerated, especially in the second half of the year. The downturn in prices took place amid slower steel consumption growth, prompting manufacturers to protect their market share. By the end of year, prices rebounded from US$385 per tonne in November to US$415 per tonne in December. Thus, the average price in 2019 was US$445 per tonne, down 16% year-on-year from US$532 per tonne in 2018.

Iron ore apparent consumption continued to grow smoothly in 2019, rising by 3.0% to 2,221 million tonnes. Additional demand was supported by strong steel production growth in China and other Asian countries. Iron ore demand rose by 4.6% to 1,348 million tonnes in China, by 3.4% to 76 million tonnes in South Korea and by 9.0% to 163 million tonnes in India. Europe and US market showed reductions of 3.4% and 3.8%, respectively, due to low steel production.

Total iron ore production increased by 1.1% to 2,294 million tonnes in 2019, compared with 2,270 million tonnes in 2018. Reduction of iron ore production in Brazil by 12% following Vale's tragic dam accident was compensated by production growth in China and India. Iron ore production in China surged by 11.7% to cover supply shortages from external suppliers, exceeding 348 million tonnes for the year. India is also on track to increase production, achieving iron ore output growth of 21.8% to 182 million tonnes in 2019.

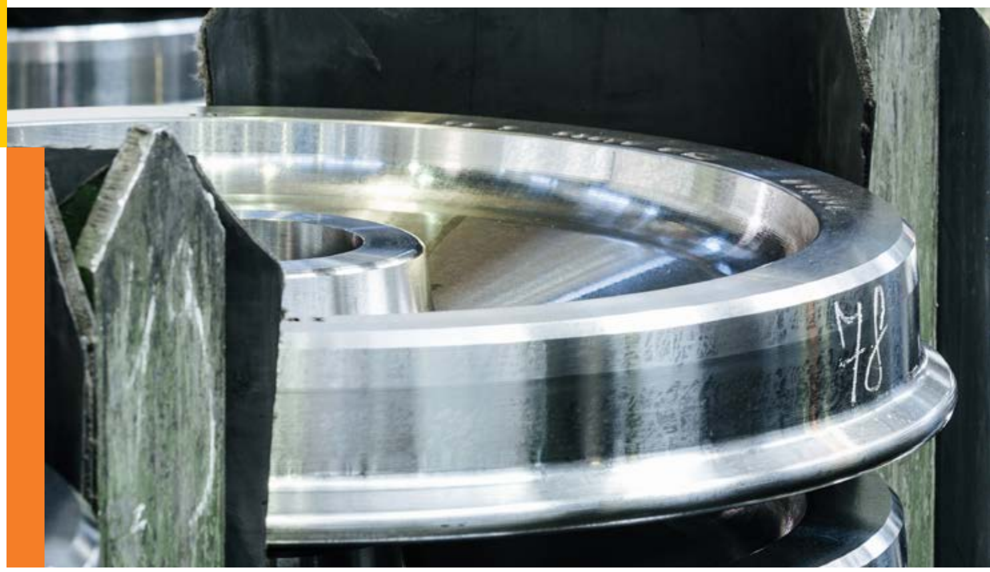
In 2019, prices for Fe 62% fines CFR China breached US$120 per tonne in July for the first time since 2014 following Vale's dam accident, as well as supply disruptions from Australia and Brazil due to unfavourable weather. By the end of the year, prices normalised at US$86–100 per tonne amid improved supplies from these countries and a strong supply response from India and China. The average iron ore prices climbed by 35% to US$93 per tonne in 2019, compared with US$69 per tonne in 2018.

In 2019, global metallurgical coal consumption grew by 2.2% year-on-year to exceed 1,146 million tonnes with the Asian market as a key driver. In China, consumption climbed by 3.0% to 766.7 million tonnes due to the increase in crude steel output. In the second half of 2019, China implemented import restrictions to support domestic producers, resulting in an import reduction of 2.1%. However, coking coal imports to India increased by 2.8% to 60.6 million tonnes amid high steelmaking activity. Following the steel demand decline, metallurgical coal consumption in Europe also fell by 3.3% and imports dropped by 4.0%.

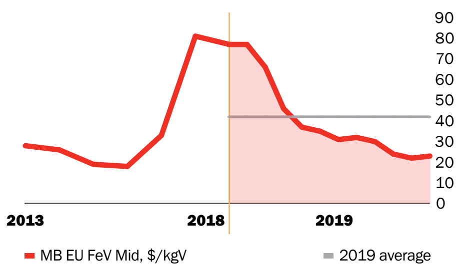
Total coking coal production rose by 2.0% year-on-year to 1,147 million tonnes during the period. The major upward trends were formed in China with 3.7% growth (697 million tonnes) and Australia with 2.5% growth (186.9 million tonnes). Australia also demonstrated export growth of 2.7% in 2019.

During the year, metallurgical coal prices based on the HCC, FOB Australia benchmark fell from the highs of 2018. The second half of 2019 was accompanied by Chinese import restrictions on coal at major ports, combined with uncertainty around a trade deal with the US, which led to weak interest in buying seaborne coking coal. As a result, the average price was US$178 per tonne in 2019, down 14% from US$206 per tonne in the previous year.

TRENDS AT EVRAZ CORE MARKETS



Vanadium



Global vanadium demand jumped by 11% year-on-year to 102,000 tonnes in 2019, mainly as a result of China's HS rebar standard implementation and rising steel demand. However, the supply response was quicker than expected as Chinese steelmakers reoriented their facilities for vanadium slag production. Vanadium demand outside China was stagnant due to weakening steel markets, especially in the automotive sector, which together with substitution led the market to surplus. Ferrovanadium prices decreased continuously throughout 2019, reaching bottom in November at US$22 per kgV, with an average price drop of 49% year-on-year in 2019.

Steel

In 2019, Russian apparent steel consumption surged by 8% year-on-year to 44.9 million tonnes, with respective growth of 8% in long, 8% in plate and 10% in tubular products. The strong demand for long products was supported by additional activity in the construction sector amid the implementation of new financing rules for developers. Crude steel production remained unchanged at 72.0 million tonnes. Export dropped by 12% to 27.1 million tonnes due to high steel demand on the domestic market and trade barriers around the world. In 2019, the average price for rebar in the Moscow region fell by 5% to US$469 per tonne.

Coal

Russian coking coal consumption remained relatively flat year-on-year, at 36.9 million tonnes in 2019. Coking coal mining volumes rose by 8% to 94.9 million tonnes, mainly due to production growth from EVRAZ and Colmar. Amid stable domestic demand, exports grew by 7% year-on-year to 27 million tonnes, and the additional output went primarily to Asian markets. Following the downward global trend, the average price for FCA Zh-grade fell by 14% to US$137 per tonne during the period.

Steel, North America

During the reporting period, finished steel consumption in the US edged down by 2% year-on-year to 97.0 million tonnes amid a slower US manufacturing. Meanwhile US finished steel production increased by 2% to 85.3 million tonnes. As Section 232 tariffs and other trade barriers continued to limit steel supplies to the US, imports of finished steel products decreased by 16% to 18.8 million tonnes in 2019. The average domestic FOB Midwest price for hot-rolled coil (HRC) fell by 27% to US$670 per tonne due to weaker demand from end users and sufficient supply.

Strategic priorities

DEBT MANAGEMENT AND STABLE DIVIDENDS

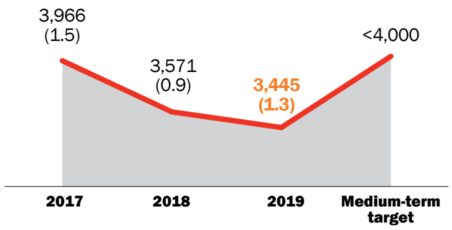
EVRAZ remains focused on medium-term debt management and maintaining a stable dividend payout:

- Dividend payout according to stated dividend policy: a minimum of US$300 million to shareholders annually provided that the net leverage ratio remains below 3.0x
- Medium-term net debt level below US$4,000 million
- Target average net debt/EBITDA at 2.0x throughout the cycle

In 2019, EVRAZ net debt amounted to US$3,445 million and remained comfortably below the medium-term target of US$4 billion. The average net debt/EBITDA ratio was 1.3x. Even in the case of market volatility, EVRAZ will remain committed to maintaining its long-term average net debt/EBITDA at 2.0x.

In 2019, EVRAZ generated strong free cash flow of US$1,456 million, which is higher than its average free cash flow since 2014. Robust free cash flow and a net debt/EBITDA ratio below 2.0x made it possible for the Group to return US$1,086 million to its shareholders in the form of dividends with a dividend yield of 11%.

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



Dividends, US$ million

	2019	2018	2017
Dividends	1,086	1,556	430
Yield	11%	17%	9%

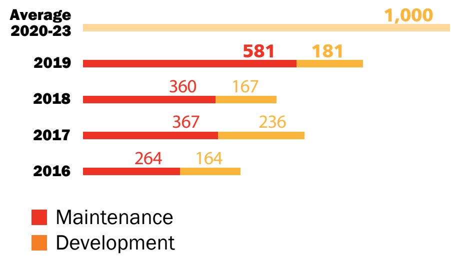
PRUDENT CAPEX

According to the current investment programme, EVRAZ total annual capital expenditures are expected to be on average US$1.0 billion during 2020-23, including:

- Three major development projects around US$335 million a year (2020-23 total capex around US$1,340 million)
- Small and middle-sized development projects roughly US$165 million a year
- Maintenance CAPEX around US$500 million a year

In 2019, EVRAZ CAPEX totalled US$762 million, of which US$581 million was spent on maintenance projects and US$181 million on development projects. Maintenance investments grew by 61%, mainly due to the execution of Blast furnace No. 6 major overhaul at EVRAZ NTMK, projects in the Coal segment linked with higher production volumes. Major development projects – such as the long rail mill at EVRAZ Pueblo, rail and beam mill modernisation at EVRAZ NTMK and integrated flat casting and rolling facility at EVRAZ ZSMK – are currently in the equipment supplier selection stage or the engineering phase.

Annual CAPEX, US$ million



Key projects

Projects under review

Integrated flat casting and rolling facility at EVRAZ ZSMK
Incremental effect: 2.5 mtpa of premium 0.8–16 mm flat products instead of slabs and billets
Execution decision: October 2020

CAPEX: ~US$647 million **Launch date:** 2023

Long rail mill at EVRAZ Pueblo
630 ktpa of rails with a maximum length of 100 metres
Execution decision: Beginning of 2020

CAPEX: ~US$512 million **Launch date:** 2022

Rail and beam mill modernisation at EVRAZ NTMK
Incremental effect: 481 ktpa of high value-added products (H-beams,sheet piles and HH rails) instead of semi-finished products
Execution decision: October 2020

CAPEX: ~US$205 million **Launch date:** 2022

Projects in execution stage

Blast furnace No. 6 major overhaul at EVRAZ NTMK
Reconstruction of blast furnace No. 6 with a planned capacity of 2.5 mtpa; after the project is launched, blast furnace No. 5 with a current capacity of 2.3 mtpa will be shut down

CAPEX: ~US$187 million **Launch date:** 2020

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

CAPEX: ~US$108 million **Launch date:** 2021

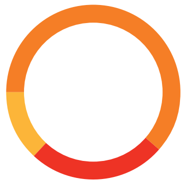
RETENTION OF LOW-COST POSITION

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

In 2019, the EBITDA effect from cost-cutting initiatives totalled US$284 million.

Breakdown of cost-cutting programme effect in 2019, US$ million

Increasing productivity and cost effectiveness	167
Auxilary materials and services	46
Yields and raw material costs in Urals and Siberia	47
Energy efficiency	16
G&A costs and non-G&A headcount	4
Yields and raw material costs of North American and other assets	3



Steel segment	175
Coal segment	72
Steel, North America segment	37

Steel

2019 key initiatives and results

- Pig iron production at EVRAZ NTMK rose by 6% to 4.9 million tonnes due to the new blast furnace No. 7 reaching full capacity of 2.5 million tonnes a year in 2019
- Wheel production climbed by 6% to 210 thousand tonnes in 2019 as the wheel resurfacing line at EVRAZ NTMK reached full capacity
- Vanadium slag production grew by 8% to 18,380 mtV amid higher vanadium content in the pig iron and an increased number of duplex melts
- Achieved a US$38 million EBITDA effect at EVRAZ ZSMK from an optimisation programme of coke, sinter and blast furnace operations mainly aimed at increasing productivity and improving yields

2020 key initiatives

- Launch blast furnace No. 6 at EVRAZ NTMK after overhaul
- Reduce consumption rates of metal charge, rolled metal, electrodes and energy in the Siberia division
- Increase productivity of wheels and reduce downtime of discontinuous production line at EVRAZ NTMK
- Improve steel production at continuous casting machine No. 1 at EVRAZ NTMK

Coal

2019 key initiatives and results

- Mining volumes grew by 8% to 26.1 million tonnes in 2019 due to increased efficiency (reduced the number and amount of longwall moves) at the Uskovskaya and Alardinskaya mines
- Launched flotation at the Abashevskaya washing plant to increase concentrate production yield by 1.3% and improve quality
- Installed chamber filter presses at the Raspadskaya (third section) and Kuznetskaya washing plants to increase the concentrate production yield by a respective 2% and 0.2%

2020 key initiatives

- Launch the first longwall in the Uskovskaya mine's seam No. 48
- Launch the first longwall in the Esaulskaya mine's seam No. 29a and increase coal mining to 2.4 million tonnes a year
- Optimise the production flow at the Abashevskaya and Kuznetskaya washing plants
- Optimise expenses for auxiliary materials and industrial services at the Raspadskaya-Koksovaya mine and Raspadskaya-Koksovaya open-pit

Steel, North America

2019 key initiatives and results

- Electrode consumption was improved at EVRAZ Regina and EVRAZ Pueblo
- API threading line at EVRAZ Pueblo was commissioned to fully replace threading suppliers and reduce cost
- Started construction work under the EAF repowering project at EVRAZ Regina to increase coil and plate production by 90 thousand tonnes to 1,250 thousand tonnes, reduce electrode consumption and maintain current electric rate

2020 key initiatives

- Focus on operational improvements and reaching production performance targets at EVRAZ Canada
- Further optimise electrode, alloy and refractory consumption at EVRAZ Regina
- Increase steelmaking and billet productivity at EVRAZ Pueblo

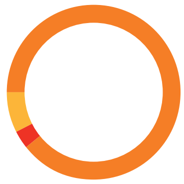
DEVELOPMENT OF PRODUCT PORTFOLIO AND CUSTOMER BASE

EVRAZ remains focused on executing its development projects aimed at diversifying its product portfolio.

In 2019, the customer focus programme generated an EBITDA effect of US$123 million.

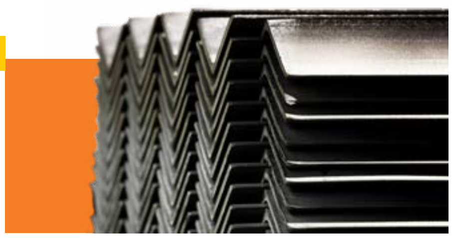
Customer focus programme EBITDA effect in 2019, US$ million

Railway products	33
Beams	26
Grinding balls	12
Logisticts	14
Other	38



Steel segment	110
Coal segment	4
Steel, North America segment	9

Steel



2019 key initiatives and results

- The Steel segment's total sales of railway products rose by 4% to 1.4 million tonnes
- The availability of beams improved due to the organisation of regional hubs in Moscow, Kazan and Novosibirsk, as well as direct sales to infrastructure projects, driving beam sales up 18% to 724 thousand tonnes in 2019
- Sales of grinding balls climbed by 7% to 305 thousand tonnes in 2019 due to higher demand from key clients
- More efficient dispatching made it possible to achieve a US$14 million effect on logistics in 2019

2020 key initiatives

- Complete the construction of the new hub in Nizhny Tagil and launch the beam service centre in Noginsk, Moscow region
- Increase sales of rails to Russian Railways by improving product quality and expand export sales by reducing downtime
- Boost sales of grinding balls of the fifth hardness group
- Introduce new profiles in the structural product range at EVRAZ ZSMK

Coal

2019 initiatives and results

- Implemented longwall mining instead of room and pillar mining at Raspadskaya-Koksovaya, increasing K-grade coal extraction from 0.5 million tonnes to 0.8 million tonnes
- EVRAZ self-sufficiency in all coal grades grew by 5 percentage points to 74% in 2019 due to charge changes at EVRAZ mills and higher production of K-grade coal
- The growth of mining volumes made it possible to expand export supplies to Asia by 12% in 2019

2020 key initiatives

- Maximise internal coal supplies to EVRAZ operations
- Maintain Russian market share at 22%
- Maintain sales to key clients in Eastern Europe and Turkey
- Increase shipments through ports in Asia, as China and India continue to have the most growth opportunities

Steel, North America

2019 key initiatives and results

- Sales of large-diameter pipes surged by 64% to 346 thousand tonnes as all major available LDP projects in Canada were secured
- Improved the rail market share in North America by 3 percentage points to 42% in 2019
- Launched the heat treatment line at EVRAZ Red Deer with a total annual capacity of 110 thousand tonnes
- EVRAZ Portland restarted its spiral mill with a capacity of 130 thousand tonnes

2020 key initiatives

- Increase OCTG sales and expand product mix of OCTG products, produce EVRlock connections
- Grow rail market share, and further commercialise APEX G2 rail and rubber reinforcement products
- Commercialise new EVRAZ Portland products including laser flat quality products

Key performance indicators

EVRAZ performance is assessed against several key performance indicators (KPIs), which are linked to our strategic priorities.

FINANCIAL

KPI	**EBITDA,** US$ million	**Free cash flow,** US$ million	**Effect from efficiency improvement programme,** US$ million (cost cutting + customer focus)	**Cash cost of slab,** US$ per tonne
Data	2019: 2,601 2018: 3,777 2017: 2,624	2019: 1,456 2018: 1,940 2017: 1,322	2019: 407 2018: 340 2017: 267	2019: 236 2018: 225 2017: 247
What does it mean?	Our financial performance	Our ability to generate free cash flow from the current business	The effect of our efforts to generate and implement efficiency improvements initiatives	Our integrated cash-cost per tonne of slab for Russian steel plants
How did we perform in 2019?	The decline comparing to 2018 is primarily attributable to lower vanadium and coal product sales prices, as well as higher expenses for raw materials (mainly increased iron ore prices)	The decline comparing to 2018 is primarily attributable to lower EBITDA and increased capital expenditures	The efficiency programme generated its additional effect mostly through productivity growth, yield improvements and numerous savings projects. Customer focus initiatives generated additional effect a result of sales efforts in wheels, beams, grinding balls and large diameter pipes as well as to improvements in logistics efficiency	Cash cost of slab increased following change in blast furnace charge as higher percentage of more expensive pellets were added in the mix at EVRAZ ZSMK as well as due to the higher prices for raw materials and increased salary expenses
Relevance to strategic priorities or basis	• Retention of low cost position • Development of product portfolio and customer base	• Debt management and stable dividend • Prudent CAPEX • Retention of low cost position • Development of product portfolio and customer base	• Retention of low-cost position • Development of product portfolio and customer base	• Retention of low-cost position • Development of product portfolio and customer base • EVRAZ business system
Further details	**Read more on** page 251	**Read more on** page 251	**Read more on** page 251	**Read more on** page 251

NON-FINANCIAL

Cash cost of coal concentrate, US$ per tonne

2019	35
2018	47
2017	42

Our cash-costs per tonne of washed coal products

Coking coal concentrate cash cost decreased as a result of increased mining volumes

- Retention of low cost position
- Development of product portfolio and customer base

Read more on page 251

Labour productivity, steel, tonnes per person

2019	392
2018	355
2017	352

Productivity of our workforce

Labour productivity increased as a result of higher production volumes at EVRAZ steel mills

- Retention of low-cost position

Read more on page 251

LTIFR (excluding fatalities), per 1 million hours

2019	2.04
2018	1.91
2017	1.90

Key indicator of the Group's health and safety performance

The increase in this key metric was primarily caused by an incident involving a crew bus in February 2019 in which eight colleagues lost their lives and 16 people were seriously injured

- Sustainable development

Read more on page 251

GHG intensity ratio, tCO_2e per tonne of crude steel

2019	1.97
2018	2.01
2017	2.02

The effect of our efforts to reduce the carbon footprint of our production

Intensity ratio decreased due to more effcient operation of Blast Furnace shop at EVRAZ ZSMK in 2019 and exclusion of EVRAZ DMZ (cease of operations in Ukraine) as from Q1 2018

- Sustainable development

Read more on page 251

Financial review

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The decline in EVRAZ consolidated EBITDA year on year is primarily attributable to lower vanadium and coal product sales prices, as well as higher expenses for raw materials.

Statement of operations

In its full-year financial results for 2019, EVRAZ reported a decrease of 7.3% year-on-year in consolidated revenues, which totalled US$11,905 million compared with US$12,836 million in 2018. The reduction mainly resulted from a drop in the sales prices for vanadium and coal products amid less favourable market trends.

EVRAZ consolidated EBITDA amounted to US$2,601 million in the period, compared with US$3,777 million in 2018, bringing the EBITDA margin down from 29.4% to 21.8%. The decline is primarily attributable to lower vanadium and coal product sales prices, as well as higher expenses for raw materials (mainly increased iron ore prices).

Free cash flow declined by 24.9% year-on-year and amounted to US$1,456 million. The decline was attributable to lower EBITDA and higher capital expenditures in 2019 compared to 2018.

The Steel segment’s revenues (including inter-segment) dropped by 8.3% year-on-year to US$8,143 million, or 61.9% of the Group’s total before elimination. This was mainly attributable to lower revenues from the sale of vanadium products, which declined by 43.8% year-on-year, 45.1% revenue fall resulted from lower vanadium prices. Steel product sales edged up by 0.9% year-on-year due to higher sales prices for railway products, albeit partly offset by lower prices for construction, flat-rolled and other steel products.

The Steel, North America segment's revenues decreased by 3.2% year-on-year. Prices went down by 5.6%, partially offset by a 2.4% uptick in sales volumes. The key drivers were weaker demand across product segments, particularly for construction and flat-rolled products, amid reduced demand for concrete reinforcing bar caused by inclement weather in the beginning of 2019 and softer market demand as customers managed inventory levels.

The Coal segment's revenues fell by 13.5% year-on-year, driven largely by lower sales prices for coal concentrate to third parties, which were down 13.6% due to lower market demand from Russia, CIS and European countries.

In 2019, the Steel segment's EBITDA dropped amid lower steel and vanadium prices, as well as higher expenses due to increased prices for raw and auxiliary materials, including iron ore, scrap and refractories. This was partly offset by lower coking coal prices.

The Steel, North America segment's EBITDA rose, driven mainly by the decline of Section 232 duties on sales to the US, which were included in 2018 expenses. EBITDA remains at low levels due to the weak OCTG market and tariffs on slab consumed by Portland operations in North America.

The Coal segment's EBITDA decreased year-on-year, mainly due to sales prices trending lower in line with global benchmarks.

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

Revenues, US$ million

Segment	2019	2018	Change	Change, %
Steel	8,143	8,879	(736)	(8.3)
Steel, North America	2,500	2,583	(83)	(3.2)
Coal	2,021	2,337	(316)	(13.5)
Other operations	483	472	11	2.3
Eliminations	(1,242)	(1,435)	193	(13.4)
Total	**11,905**	**12,836**	**(931)**	**(7.3)**

Revenues by region, US$ million

Region	2019	2018	Change	Change, %
Russia	4,373	4,564	(191)	(4.2)
Americas	2,709	3,009	(300)	(10.0)
Asia	2,893	2,716	177	6.5
Europe	956	1,426	(470)	(33.0)
CIS (excl. Russia)	865	936	(71)	(7.6)
Africa and the rest of the world	109	185	(76)	(41.1)
Total	**11,905**	**12,836**	**(931)**	**(7.3)**

EBITDA, US$ million

Segment	2019	2018	Change	Change, %
Steel	1,795	2,672	(877)	(32.8)
Steel, North America	38	14	24	n/a
Coal	843	1,218	(375)	(30.8)
Other operations	18	17	1	5.9
Unallocated	(141)	(135)	(6)	4.4
Eliminations	48	(9)	57	n/a
Total	**2,601**	**3,777**	**(1,176)**	**(31.1)**

For the definition of EBITDA, please refer to page 251 of the Annual Report 2019

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

Effect of Group's cost-cutting initiatives in 2019, US$ million

Improving yields and raw material costs, including	**113**
Improving yields and raw material costs of Urals and Siberia divisions	69
Various improvements at coal washing plants and mines	32
Improving yields and raw material costs of North American assets and vanadium operations	12
Increasing productivity and cost effectiveness	**167**
Others	**4**
Total	**284**

Revenues, cost of revenues and gross profit of segments, US$ million

	2019	2018	Change	Change, %
Steel segment				
Revenues	8,143	8,879	(736)	(8.3)
Cost of revenues	(5,836)	(5,613)	(223)	4.0
Gross profit	**2,307**	**3,266**	**(959)**	**(29.4)**
Steel, North America segment				
Revenues	2,500	2,583	(83)	(3.2)
Cost of revenues	(2,204)	(2,215)	11	(0.5)
Gross profit	**296**	**368**	**(72)**	**(19.6)**
Coal segment				
Revenues	2,021	2,337	(316)	(13.5)
Cost of revenues	(1,046)	(1,042)	(4)	0.4
Gross profit	**975**	**1,295**	**(320)**	**(24.7)**
Other operations – gross profit	116	15	101	n/a
Unallocated – gross profit	(4)	(8)	4	50.0
Eliminations – gross profit	(58)	(111)	53	47.7
Total	**3,632**	**4,825**	**(1,193)**	**(24.7)**

Gross profit, expenses and results, US$ million

	2019	2018	Change	Change,%
Gross profit	**3,632**	**4,825**	**(1,193)**	**(24.7)**
Selling and distribution costs	(966)	(1,013)	47	(4.6)
General and administrative expenses	(611)	(546)	(65)	11.9
Impairment of non-financial assets	(442)	(30)	(412)	n/a
Foreign exchange gains/(losses), net	(341)	361	(702)	n/a
Other operating income and expenses, net	(55)	(69)	14	(20.3)
Profit from operations	**1,217**	**3,528**	**(2,311)**	**(65.5)**
Interest expense, net	(328)	(341)	13	(3.8)
Share of profits/(losses) of joint ventures and associates	9	9	-	-
Impairment of non-current financial assets	(56)	-	(56)	n/a
Gain/(loss) on financial assets and liabilities, net	17	13	4	30.8
Gain/(loss) on disposal groups classified as held for sale, net	29	(10)	39	n/a
Other non-operating losses, net	14	2	12	n/a
Profit before tax	**902**	**3,201**	**(2,299)**	**(71.8)**
Income tax expense	(537)	(731)	194	(26.5)
Net profit	**365**	**2,470**	**(2,105)**	**(85.2)**

In 2019, selling and distribution expenses fell by 4.6%, mostly due to the removal of tariffs imposed on steel exports to US customers of EVRAZ North America in 2018, albeit partly offset by increased freight costs and port charges. General and administrative expenses climbed by 11.9% due to implementation of projects for productivity increase (EVRAZ Business System - Transformation, SAP implementation, legal and IT) and consulting services for these projects, a headcount increase which was driven by the above mentioned projects accompanied by wage indexation. This was partly offset by the effect that depreciation of the average rouble exchange rate had on costs.

In 2019, EVRAZ recognised a US$442 million impairment loss. As a result of impairment testing at the level of cash-generating units, EVRAZ recognised an impairment of goodwill of US$300 million attributable to large diameter pipes cash generating unit in the Steel, North America segment. The impairment was caused by a change to a more conservative fair value model of valuation in recognition of an increase in current market volatility. EVRAZ also decided during 2019 to postpone the reopening of the MUK-96 coal mine, a subsidiary of Raspadskaya and, as a result, fully impaired the mining assets of this mine. Additionally, EVRAZ wrote off certain functionally obsolete property, plant and equipment in 2019.

Foreign exchange losses amounted to US$341 million and were primarily related to intra-group loans denominated in roubles payable by EVRAZ plc and Evraz Group S.A., US dollar functional currency companies, to the Russian subsidiaries that have rouble as a functional currency.

The year end appreciation of the Russian rouble against the US dollar led to exchange losses recognised in the income statements of non-Russian subsidiaries, which were not offset by exchange gains recognised in the income statements of Russian subsidiaries.

Net interest expense incurred by the Group fell to US$328 million in 2019, compared with US$341 million in 2018. This was mainly due to the management’s efforts to refinance existing indebtedness at more favourable terms during the reporting period.

In the first half of 2019 EVRAZ recognised a partial impairment loss US$56 million in relation to non-current financial assets of steel-rolling mill located in Yartsevo, a town in Smolensk region of Russia.

A net gain on disposal groups classified as held for sale in the amount of US$29 million arose on the disposal of three subsidiaries and the non-current assets of a Yartsevo rolling mill which were held for sale. The total consideration amounted to US$110 million, while net assets disposed of were US$38 million. In addition, US$42 million of cumulative exchange losses were recycled from other comprehensive income in equity to the consolidated statement of operations on disposal of foreign operations and transaction costs amounted to US$1 million. For more details please read Note 12 of the financial statements **at page 198**.

During the reporting period, the Group had a current income tax expense of US$540 million, compared with US$679 million in 2018. This expense included taxes withheld on dividends distributed within the Group, which were US$178 million in 2019 and US$53 million in 2018. The decrease in the current income tax expense reflects the lower operating results as compared with the previous year.

Cash flow, US$ million

	2019	2018	Change	Change,%
Cash flows from operating activities before changes in working capital	2,057	3,063	(1,006)	(32.8)
Changes in working capital	373	(430)	803	n/a
Net cash flows from operating activities	**2,430**	**2,633**	**(203)**	**(7.7)**
Short-term deposits at banks, including interest	7	11	(4)	(36.4)
Purchases of property, plant and equipment and intangible assets	(762)	(521)	(241)	46.3
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	44	52	(8)	(15.4)
Other investing activities	46	80	(34)	(42.5)
Net cash flows used in investing activities	**(665)**	**(378)**	**(287)**	**75.9**
Net cash flows used in financing activities	**(1,415)**	**(2,606)**	**1,191**	**(45.7)**
including dividends paid	(1,086)	(1,556)	470	(30.2)
Effect of foreign exchange rate changes on cash and cash equivalents	6	(48)	54	n/a
Net increase/(decrease) in cash and cash equivalents	**356**	**(399)**	**755**	**n/a**

Calculation of free cash flow, US$ million

	2019	2018	Change	Change,%
EBITDA	2,601	3,777	(1,176)	(31.1)
EBITDA excluding non-cash items	**2,615**	**3,773**	**(1,158)**	**(30.7)**
Changes in working capital	373	(430)	803	n/a
Income tax accrued	(532)	(683)	151	(22.1)
Social and social infrastructure maintenance expenses	(26)	(27)	1	(3.7)
Net cash flows from operating activities	**2,430**	**2,633**	**(203)**	**(7.7)**
Interest and similar payments	(302)	(298)	(4)	1.3
Capital expenditures, including recorded in financing activities	(762)	(527)	(235)	44.6
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	44	52	(8)	(15.4)
Other cash flows from investing activities	46	80	(34)	(42.5)
Free cash flow	**1,456**	**1,940**	**(484)**	**(24.9)**

In 2019, net cash flows from operating activities decreased by 7.7% year-on-year. Free cash flow for the period was US$1,456 million.

Increase of interest and similar payments by 1.3% is mainly driven by premium on early repurchase of bonds in 2019, partly offset by decrease of interest paid on loans year-on-year.

For the definition of free cash flow, please refer to page 251 of the Annual Report 2019.

CAPEX and key projects

In 2019, EVRAZ capital expenditure increased to US$762 million, compared with US$527 million a year earlier. Capital expenditures for 2019 in millions of US dollars can be summarised as follows.

Financing and liquidity

EVRAZ began 2019 with total debt of US$4,638 million. By the end of the year, the Group had completed several transactions to extend its maturity profile and build up a liquidity cushion in view of coming maturities through 2021.

In March, EVRAZ completed an issuer substitution, a capital markets transaction intended to substitute EVRAZ plc in place of Evraz Group S.A. as the issuer of the outstanding Eurobonds in accordance with their terms. Upon substitution, three major international rating agencies assigned EVRAZ plc and its notes credit ratings in line with those of Evraz Group S.A. prior to the transaction.

In April, EVRAZ plc issued a US$700 million Eurobond due in 2024 with a semi-annual coupon of 5.25%. The proceeds were used to fund the tender offer for the Eurobonds due in 2020 that was completed in April and the make whole call for the residual outstanding balance of these notes that was completed in May. As a result of these transactions, EVRAZ effectively shifted 2020 maturities to 2024.

In April, EVRAZ repaid US$50 million in loans from Sberbank due in 2019.

In June, the Group repaid RUB15,000 million of 12.95% rouble bonds due in 2019 and respective cross-currency swaps, which economically hedged the Group's exposure to currency risk.

Capital expenditures in 2019, US$ million

DEVELOPMENT PROJECTS	
Steel segment	
Tashtagol iron ore mine upgrade at EVRAZ ZSMK mining site The project aim is to increase annual ore production of Tashtakolsky deposit with partial switch to sublevel caving using mobile equipment	21
Sobstvenno-Kachkanarsky deposit greenfield project The project aim is to maintain raw ore production	2
Integrated flat casting and rolling facility at EVRAZ ZSMK The project aim is to improve the profitability of EVRAZ product portfolio by replacing semi-finished products with hot-rolled sheets and coils	0.6
Rail and beam mill modernisation at EVRAZ NTMK The project aim is to increase production of beams and of sheet piles	0.5
Steel, North America segment	
Long rail mill at EVRAZ Pueblo The project aim is to replace the existing rail facility and meet customers' interest in long rail	19
Electric arc furnace (EAF) repowering at EVRAZ Regina The project aim is to increase EVRAZ Regina's prime coil and plate production and reduce electrode consumption	15
Heat treatment at EVRAZ Red Deer The project aim is to develop heat treatment capability to access a higher margin market	6
Seamless threading at EVRAZ Pueblo The project aim is to in-source seamless threading and coupling process from third-party providers to improve cost competitiveness	2
Coal segment	
Access and development of reserves in the Uskovskaya mine's seam No. 48 The project aim is to prepare the reserves in seam No. 48 for mining	30
Access and development of reserves in the Esaulskaya mine's seam No. 29a The project aim is to relocate mining operations from seam No. 26 to seam No. 29a	10
Other development projects	75
MAINTENANCE PROJECTS	
Steel segment	
Blast furnace No. 6 major overhaul at EVRAZ NTMK	74
Converter No.4 technical performance improvement at EVRAZ ZSMK	6
Steel, North America segment	
Steel reheat furnace at EVRAZ Regina	4
Other maintenance projects	497
Total	**762**

In August, EvrazHolding Finance LLC, a finance subsidiary of the Group, issued RUB20,000 million (around US$317 million at the exchange rate on the transaction date) in five-year, exchange-traded bonds due in 2024 with a 7.95% coupon payable semi-annually. To manage the currency exposure on the rouble-denominated bonds, the Group was able to economically hedge these transactions using cross-currency interest rate swaps, effectively converting the liability exposure to US dollars.

In October and November, EVRAZ raised two term loans of US$85 million and US$265 million from Sberbank, both due in 2025. Part of the proceeds were used to refinance an existing US$85 million loan from Alfa Bank.

Further, in November, EVRAZ obtained a new loan from Alfa Bank of US$535 million due in 2025. The Group used some of the proceeds from this borrowing to refinance an existing US$300 million loan from the same bank with maturity in 2023.

At 1 January 2019, as a result of the application of a new accounting standard, the Group recognised US$118 million of lease liabilities, which at recognition increased total debt of the Group. Under the previous accounting standard, these contracts were accounted for as operating leases and were not recognised as either assets or liabilities in the Group's Statement of Financial Position.

These transactions and accounting change, together with several less significant borrowings, resulted in an increase of total debt in 2019 by US$230 million to US$4,868 million.

During the reporting period, EVRAZ paid an interim dividend to its shareholders in the amount of US$577 million (US$0.40 per share) in H1 2019 and an interim dividend in the amount of US$508 million (US$0.35 per share) in H2 2019.

Despite the increase in total debt, net debt decreased in 2019 by US$126 million to US$3,445 million, compared with US$3,571 million as at 31 December 2018.

Interest expense accrued in respect of loans, bonds and notes amounted to US$231 million in the period, compared with US$248 million in 2018. The lower interest expense was mainly due to the management's efforts to refinance existing indebtedness at more favourable terms amid a strong performance of the debt markets.

The reduction of EBITDA in 2019 resulted in a slight increase of the Group's major leverage metric, the ratio of net debt to EBITDA, which was 1.3 times as at 31 December 2019, compared with 0.9 times as at 31 December 2018.

As at 31 December 2019, debt with financial maintenance covenants comprised various bilateral facilities with a total outstanding principal of around US$1,191 million. Maintenance covenants under these facilities include two key ratios calculated using EVRAZ plc's consolidated financials: a maximum net leverage and a minimum EBITDA interest cover.

As at 31 December 2019, EVRAZ was in full compliance with its financial covenants.

As at 31 December 2019, cash amounted to US$1,423 million, while short-term loans and the current portion of long-term loans stood at US$140 million. Total scheduled debt maturities during 2020 do not exceed US$52 million. The first sizeable maturities are due in Q1 2021 and are comfortably covered by cash balances.

Principal risks and uncertainties

RISK MANAGEMENT SYSTEM

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 the 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

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, read risk management and internal control section of the corporate governance report on pages 116-117.

BOTTOM-UP APPROACH

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

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

RISKS MIGRATION IN 2019 AND ROBUST ASSESSMENT

In 2019, the management carried out a robust reassessment of the principal risks facing the Group. The Audit Committee has carefully reviewed this assessment on behalf of the Board.

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

The Group's development plans are focused on capital projects and depend on its economic viability, efficiency and effectiveness of execution, as well as availability and cost of capital to finance the Group's capital expenditure. This risk was reassessed during 2019 to reflect the expanded portfolio of capital projects being executed by the Group. As a result, this has been classified as a principal risk. While the Group's internal controls address the risk, additional control measures were adopted to ensure the risk remained within the risk appetite level.

The assessment included other risks that were not recognised as principal, eg HR and employee risks (including the risks of lack of skills, failure of succession planning, reduced productivity due to labour unrest or poor job satisfaction), taxation, compliance risks (including anti-corruption and anti-bribery matters), social and community risks, risks related to 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.

In order to enhance its focus and control over the Environmental, Social and Governance risks, in 2020, the Group plans to initiate development of the related strategies and policies: Environmental and Climate Change Strategies, and Human Rights and Diversity Policy. This will provide more transparency on how the Group addresses the related 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 UK formally left the EU on 31 January 2020 and now in the transition period until end of 2020. The Group closely monitors the situation and continues to believe that it will not significantly affect its business.

Key developments in 2019 and outlook for 2020

In 2019, the Group was focused on enhancing its health and safety risk management methodology, and this work will continue in 2020.

During the reporting period, there were various initiatives implemented in the IT process focused on improving risk management. For example, an IT Security Operation Centre was created to process IT security events. The process of managing risks related to personal data protection has been improved, strengthening the data protection control system.

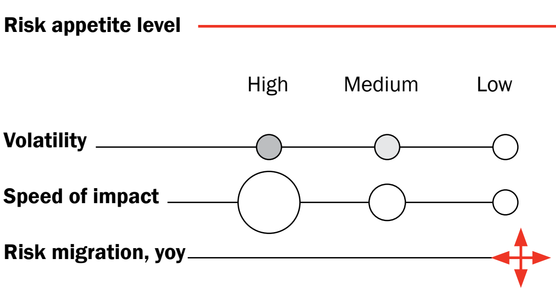
In 2020, in addition to continuing to implement ongoing initiatives focused on risk management improvement (in HSE, equipment maintenance and repairs, procurement and other processes), the Group plans to focus more on addressing climate-related risks. The Group intends to begin developing a climate change policy and strategy. This will bring more transparency regarding how the Group identifies, assesses and addresses climate-related risks.

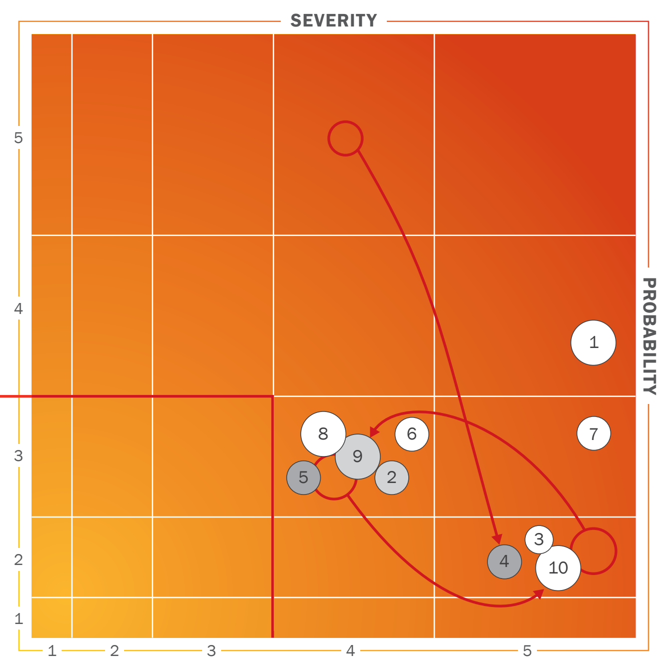
Environmental risk has always been a topic of focus for the management and is recognised as a principal risk for the Group. EVRAZ mitigates it by implementing air emission reduction programmes at plants, participating in developing greenhouse gas emission regulations in Russia, implementing energy efficiency projects and, as a result, reducing greenhouse gas emissions.

Read more in the CSR Report section on pages 76-103 for more details.

Principal risks and uncertainties heat map in 2019

1. Global economic factors, industry conditions and cyclicality
2. Product competition
3. Cost effectiveness
4. Potential regulatory actions by Governments, incl. trade, anti-monopoly, anti-dumping regulation, sanctions regimes, and other laws and regulations
5. Functional currency devaluation
6. HSE: environmental
7. HSE: health, safety
8. Business interruption
9. Digital effectiveness, effective, efficient and continued IT service
10. Capital projects and expenditure





PRINCIPAL RISKS AND UNCERTAINTIES

OUR BASIS

Sustainable development

EBS
EVRAZ Business System

Strategic priorities

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

Direction of risk change

- – No changes
- ▲ Increased
- ▼ Decreased

Risk	Description and impact	Risk owner(s)	Mitigating/risk management actions in 2019	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.	The risk is monitored at the level of CEO, as well as by the Strategy Committee, Management Committee, Budgeting Committee and at other levels	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, reducing and managing the cost base with the objective of being among the sector's lowest-cost producers, and balance sheet/gearing improvement. In 2019, there were noted indictors of risk realisation. At the same time, the management actions noted reduced the impact of the risk on the Company's business and operations.	–
2. Product competition ■	Excessive supply on the global market and greater competition, mostly in the steel products market, primarily due to competitors' activity and introduction of new facilities. Low demand for construction products and increasing competition in this segment. Increasing competition in the rail product segment. Excessive supply of slabs on the global market and intensified competition.	VP Sales	Expand product portfolio and penetrate new geographic and product markets. Develop and improve loyalty and customer focus programmes and initiatives. Quality improvement initiatives. Expand the share of value-added products.	–

Risk	Description and impact	Risk owner(s)	Mitigating/risk management actions in 2019	Direction/ reason for change
3. Cost effectiveness EBS	Most of the Group's steel production remains sensitive to costs and prices. Given the substantial product share of commodity semi-finished, which requires less customer service and is more cost driven, maintaining a low-cost position is one of EVRAZ key business objectives in steelmaking, as well as in the iron ore and coking coal mining businesses. Digitalisation is having a significant impact on the sector, as companies seek to use new technology to support efforts to improve productivity and margins across the value chain. Failure to find digital solutions for the most urgent business problems could reduce operational flexibility and cost advantage.	VPs of business units, VP Commerce and Business Development	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. Control of the Group's Russian steel distribution network. Development of high value-added products. EVRAZ Business System transformation projects focused on increasing efficiency and effectiveness.	–
4. Potential regulatory actions by governments, incl. trade, anti-monopoly, anti-dumping regulation, sanctions regimes, and other laws and regulations	New laws, regulations or other requirements and regimes could limit the Group's ability to obtain financing on international markets, sell its products and purchase equipment. 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 situations in countries of operation. Risks of the Group's failure to adapt to new market conditions and to take losses connected with existing contracts in case of additional sanctions implementation.	VP Compliance and Security, VP Legal, VP Sales, VP Strategy and others	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. Ongoing control over regulatory compliance, monitoring regulatory changes and developing necessary controls. While the Group's internal compliance controls address the associated risks, the general uncertainty in the area increases the management's focus on this risk.	▼ Decreased due to enhancement of internal compliance control in 2019 to address the associated risks
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.	The risk is monitored at the level of the CFO	EVRAZ works to reduce the amount of intergroup loans denominated in Russian roubles to limit the possible devaluation effect on its consolidated net income.	–

Risk	Description and impact	Risk owner(s)	Mitigating/risk management actions in 2019	Direction/ reason for change
6. HSE: environmental	Steel and mining production carry an inherent risk of environmental impact and incidents relating to issues as diverse as water usage, quality of water discharged, waste recycling, tailing management, air emissions (including greenhouse gases), and community satisfaction. Consequently, EVRAZ faces risks including regulatory fines, penalties, adverse reputational impact and, in the extreme, the withdrawal of plant environmental licences, which would curtail operations indefinitely. Globally, there is an increase in regulatory scrutiny and pressure, as well as investor and customer expectations.	HSE Committee at the Board of Directors level, as well as at the management level	The environmental risk matrix is monitored on a regular basis. Respective mitigation activity is developed and performed in response to the risks. Increased focus of the top management on monthly monitoring of environmental risk trends and factors. 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. While there was a noted increase in regulatory scrutiny and pressure resulting in a heightened risk impact in 2019, the management focus and mitigation activity keeps the risk level unchanged. **Read pages 81 for more details.**	–
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.	HSE Committee at the Board of Directors level, as well as at the management level	Management KPIs place significant emphasis on safety performance and the standardisation of critical safety programmes. Implementation of an energy isolation programme. Further development of a programme of behaviour safety observations which drives a more proactive approach to preventing injuries and incidents. A series of health and safety initiatives related to underground mining. Maintenance and repair modernisation programmes, downtime management system. Further development of occupational safety risk assessment methodology. Analysis of effectiveness of corrective measures. In 2019, there were noted cases indicating risk realisation. However, the management focus on measures addressing the risk is especially high. **Read pages 78 for more details.**	–

Risk	Description and impact	Risk owner(s)	Mitigating/risk management actions in 2019	Direction/ reason for change
8. 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, any long-term business interruption may result in a loss of customers and competitive advantage, as well as damage to the Group's reputation.	VPs of business units	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.	–
9. Digital effectiveness, effective, efficient and continued IT service	A failure to proactively use IT opportunities to increase the efficiency of business operations can result in a loss of competitive advantage and margins. Information technology and information security risks have the potential to cause prolonged production delays or shutdowns. At the same time, increased digital transformation and the convergence of IT and operational technology makes companies more vulnerable.	VPs of business units, VP IT, IT Architecture Committee	Digital Transformation is a part of the IT strategy. Assessment and monitoring of risks of information security, implementation of related mitigation activity. Implementation of mitigation measures upon completion of external assessment by independent advisor. IT continuity regular testing for the most critically important IT systems. IT Security Operation Centre launched.	▼ Decreased due to enhancement of information security controls in 2019. In addition, a Digital Transformation strategy was developed and made a part of the IT strategy.
10. Capital projects and expenditure	The Group's development plans largely rely on capital projects and depend on its economic viability, efficiency and effectiveness of execution, as well as the availability and cost of capital to finance the Group's capital expenditure. Economic issues outside those factored into the Group's business plans including regulatory approvals, also may negatively impact the Group's anticipated free cash flow and cause certain elements of the planned capital expenditure to be re-phased, deferred or abandoned with consequential impact on the Group's planned future performance. In addition, the profitability of new projects could be impacted by higher than expected operating and life of mine costs due to variables such as lower than expected coal and iron ore quality, coal seam economics, and technical processing and engineering factors.	CFO, Strategy Committee, Investment Committee, VPs of business units	Review all proposed capital projects on a risk return basis. Each project is presented for approval against the Group's risk matrix to assess the downside in respect of each project and any potential mitigating actions. Project delivery is closely monitored against project plans resulting in high-level action to manage project investment for both timely delivery and planned project expenditure. New mine development and definition of feasibility plans are reviewed and signed off by independent mining engineers. Regularly revisit key assumptions of the main investment projects and perform scenario analysis, which may result in the suspension and/or postponement of certain projects. Financial modelling to define the strategy of each individual asset and the enterprise in general for the purpose of long-term FCF forecasting, including investment projects. The project management system's transformation is ongoing.	▲ Increased to reflect expanded portfolio of capital projects being executed by the Group

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 31 of the UK Corporate Governance Code 2018, the Board has assessed the Group's prospects over the period of the current strategic plan to December 2024 and considers it possible to form a reasonable expectation of the Group's viability over this five-year period. The assessment included consideration of the stress-testing detailed below, with particular attention paid to the forecast cash position and compliance with financial maintenance covenants in each scenario, as well as the mitigation plan developed by the management.

The assessment was underpinned by scenarios that encompass a wide spectrum of potential events. These scenarios are designed to explore the Group's resilience to the significant risks set out **on pages 34-39** and combinations of correlated risks. Some risks are outside the Group's control and the potential implications are difficult to predict in the current environment and considered remote. The key scenarios tested can be summarised as:

- Base scenario:
  - The key assumptions as disclosed in Note 6 to the financial statements under Impairment of assets **on pages 186–188**
  - Future pricing of steel and raw materials is within the range of the external analyst forecasts set out in Note 6
  - Annual steel volumes are assumed to vary from -3.7% to 6.3% compared with the 2019 level over the five-year period to December 2024

- Global economic decline:
  - Steel and raw material prices and exchange rates during 2020 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
- Increased CAPEX
- Potential changes in HSE requirements and standards
- Appreciation of local operating currencies
- Cybersecurity failure resulting in production delays or shutdowns
- Introduction of new tariffs and duties
- Business interruption, leading to lost production and restoration costs
- Combinations of correlated risks/scenarios

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

The directors confirm that their assessment of the principal risks facing the Group is robust. Based upon this robust assessment and the stress-testing of the Group's prospects across several risk-related scenarios, the directors have a reasonable expectation that EVRAZ will be able to continue in operation and meet its liabilities as they fall due over the five-year period to December 2024.

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

- Funding or refinancing, by way of capital markets, bank debt and asset financing, continues to be available
- Selling prices remain in line with prevailing market assumptions

Statement in accordance with S172 of the Companies Act

The Board has considered in detail the Company's business model outlined **on pages 12-15** of this report, which identifies the Company's stakeholders as:

- Shareholders and investors
- Employees
- Customers
- Suppliers and contractors
- Local communities
- Government and regulatory authorities
- Media
- Industry organisations

The Board of EVRAZ recognises the benefit of clear and precise engagement with the Group's stakeholders. Value is generated through the Group's core activities as outlined in the discussion of its business model **on page 13**.

The Group's dividend policy anticipates dividend payments to shareholders of US$300 million per annum, provided that the Group's net debt/EBITDA ratio remains below 3x. In addition, the Board may consider further distributions of free cash flow available after implementing its investment programme to support the business.

The Group has an active IR programme to enable shareholders to engage with the Company and the Board, not only on businesses issues but also any governance concerns that they might have.
A capital markets day is also held each year for the investment community, which covers both the current performance and future plans, as well as governance issues. Sir Michael Peat, the senior independent non-executive director and chairman of the Nominations Committee, attended Capital Markets Day in October 2019 and presented on the Company's corporate governance structure as well as meeting with investors; other independent non-executive directors were in attendance. All shareholders are welcomed at the AGM where all directors are available to discuss any issues that they might raise. The CEO, supported by the CFO, held conference calls and briefed analysts and institutional investors fully after the publication of the Company's half-year and full-year results. Additionally, the CFO, supported by the director for investor relations, held a series of in-person meetings with institutional investors during the year.

Engagement with employees remains key, and the Board closely monitors the results of the annual engagement survey which has seen satisfactory levels of improvement. Two independent non-executive directors have taken responsibility for engaging with employees in our businesses in North America and Russia, respectively, and this is undertaken by their attendance at key staff briefing events and town hall meetings. Throughout the year, senior management attend the Group's board meetings to present the annual budget for their respective business units, and to present key investment projects which require the Board to approve significant capital expenditure sums. All presentations made to the board consider both the benefit to shareholders of the proposal and the impact on other key stakeholders. The Remuneration Committee receives a detailed presentation from the Vice President of HR, which outlines remuneration and incentive plans across the whole business at each level. A whistleblowing arrangement is in place which allows staff to raise issues in confidence, and the responses to the issues are routinely monitored by the Audit Committee who escalate key issues to the Board.

The Board established a Health, Safety and Environment Committee in 2011 to help it to monitor the Group's Health, Safety and Environment performance, as well as the initiatives designed by management to improve the Group's performance in that area. In addition, it considers the planned actions that are necessary to reduce the Group's impact on the environment, including the reduction of greenhouse gas emissions. More details are available **on pages 81-87**.

The Board considers the interests of all stakeholders by taking a long-term view of how the business needs to develop within its economic market. The Board has considered the technological developments in the market to ensure that its assets are improved to remain competitive, and that the necessary financing requirements will be available over the medium to long term to implement strategic projects. When development plans for projects are in their early stages, the management engages key customers to ensure that the products produced meet their specific requirements. All suppliers are treated in line with agreed contract terms, and when new opportunities come available then the Group has transparent tendering procedures, to ensure new contracts are awarded on a fair basis. The Board is introducing a stakeholder impact analysis for all proposals brought to its attention and will include an analysis in the annual strategy plan. The full range of EVRAZ Stakeholder engagement is detailed **on pages 118–119**.

These actions assist the directors in performing their duties under S172 of the Companies Act 2006 and the analysis will confirm to the Board that the impact of business plans on all stakeholders is being considered by management when developing initiatives for Board approval.

Non-financial reporting

EVRAZ aims to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below outlines to stakeholders the Group's position, principal policies, main risks and KPIs on key non-financial areas.

Requirement	The Group's approach and policies	Documents	Related KPIs	Related principal risks
Environment Further information: Environment, **read more on pages 81–87**	Steel and mining production carry a high risk of environmental impact and incidents related to its production processes. That is why EVRAZ pays the closest attention to environmental matters in order to prevent or minimise any adverse impacts.	EVRAZ HSE Policy Code of Business Conduct	EVRAZ have adopted five-year environmental targets: • Decreasing fresh water consumption by 10% • Recycling 95% of non-mining waste per year • Maintaining the greenhouse gas intensity ratio below 2 tonnes of carbon dioxide (CO_2) equivalent (tCO_2e) per tonne of crude steel	HSE: environmental **read more on page 38**
Employees Further information: Our people, **read more on pages 90–95** Health and safety, **read more on pages 78–80**	EVRAZ strictly complies with national labour laws and best practices of business ethics concerning employee management. Discrimination related to a person's race, ethnic origin, gender, religion, political views, nationality, age, sexual orientation, etc is totally unacceptable throughout the Group, as well as at its subcontractors and suppliers. Due to industry-specific issues, EVRAZ employees and contractors face safety and health risks. Providing a safe work environment is one of the Group's main core values.	EVRAZ HSE Policy Code of Business Conduct	LTIFR (per 1 million hours) Labour productivity, steel (tonnes per person)	HSE: health and safety **read more on page 38**
Social policy Further information: Community relations. **read more on pages 96-101**	EVRAZ strives to make a meaningful contribution to local economies and to support communities wherever it operates. The Group supports infrastructural, sport, educational and cultural programmes with an aim to improve the quality of life in local communities.	Social Investments Guidelines	Fulfilment of the Group's social obligations towards its employees, which were fixed in the collective agreements. Interaction with local communities in the regions of the Group's presence during the implementation of various CSR related projects.	Global economic factors, industry conditions and cyclicality Business interruption **read more on pages 36, 39**

Requirement	The Group's approach and policies	Documents	Related KPIs	Related principal risks
Respect for human rights Further information: Our approach, **read more on pages 76-77**	EVRAZ commitments are based on internationally recognised standards and respect for all human rights. Child labour, bonded labour, human trafficking and other forms of slavery are strictly prohibited at all Group subsidiaries and their suppliers. EVRAZ rules also prohibit abusive, harassing, discriminatory, degrading or aggressive speech or conduct.	Code of Business Conduct Modern Slavery Transparency Statement	Zero tolerance to violation.	None of EVRAZ current principal risks relates to the aspects of human rights
Anti-corruption and anti-bribery Further information: Anti-corruption and anti-bribery, **read more on pages 102-103** A short summary of relevant anti-corruption policies, **read more on page 257**	In accordance with the Group's policies and procedures, compliance managers scrutinise tender procedures, check potential and existing business partners, vet prospective new candidates, and ensure that the principles set forth in the EVRAZ Anti-corruption Policy and Code of Business Conduct are adhered to throughout its operations.	Code of Business Conduct EVRAZ Anti-Corruption Policy: • Anti-corruption training policy • Sponsorship and charity policy • Gifts and business entertainment policy • Candidate background and criminal record checks • Conflict of interest policy • Contractor/supplier due diligence checks EVRAZ Rules on Securities Dealings	Zero tolerance to violation.	None of EVRAZ current principal risks relate to the aspects of anti-corruption.

For EVRAZ business model, relationships and products,
Read more on pages 12-13, 46-69.

For the Group's related risks and how they are managed, read the Principal risks section on pages 34-39.

EVRAZ Strategic Report, as set out **on pages 6-43** inclusive, has been reviewed and was approved by the Board of Directors on 26 February 2020.

By the order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc

26 February 2020

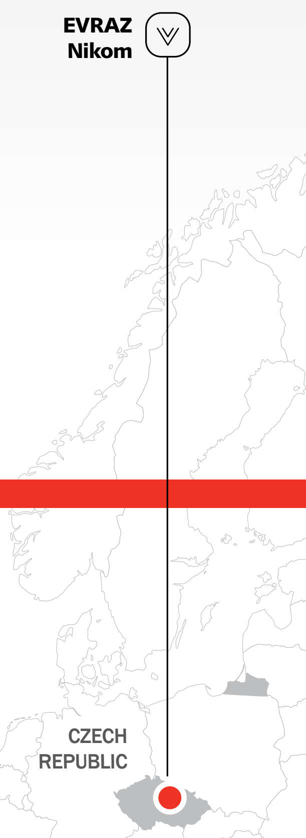
Business review

Focusing on efficiency

for a Better Future

Bugrinsky Road bridge
Novosibirsk, Russia

Steel segment

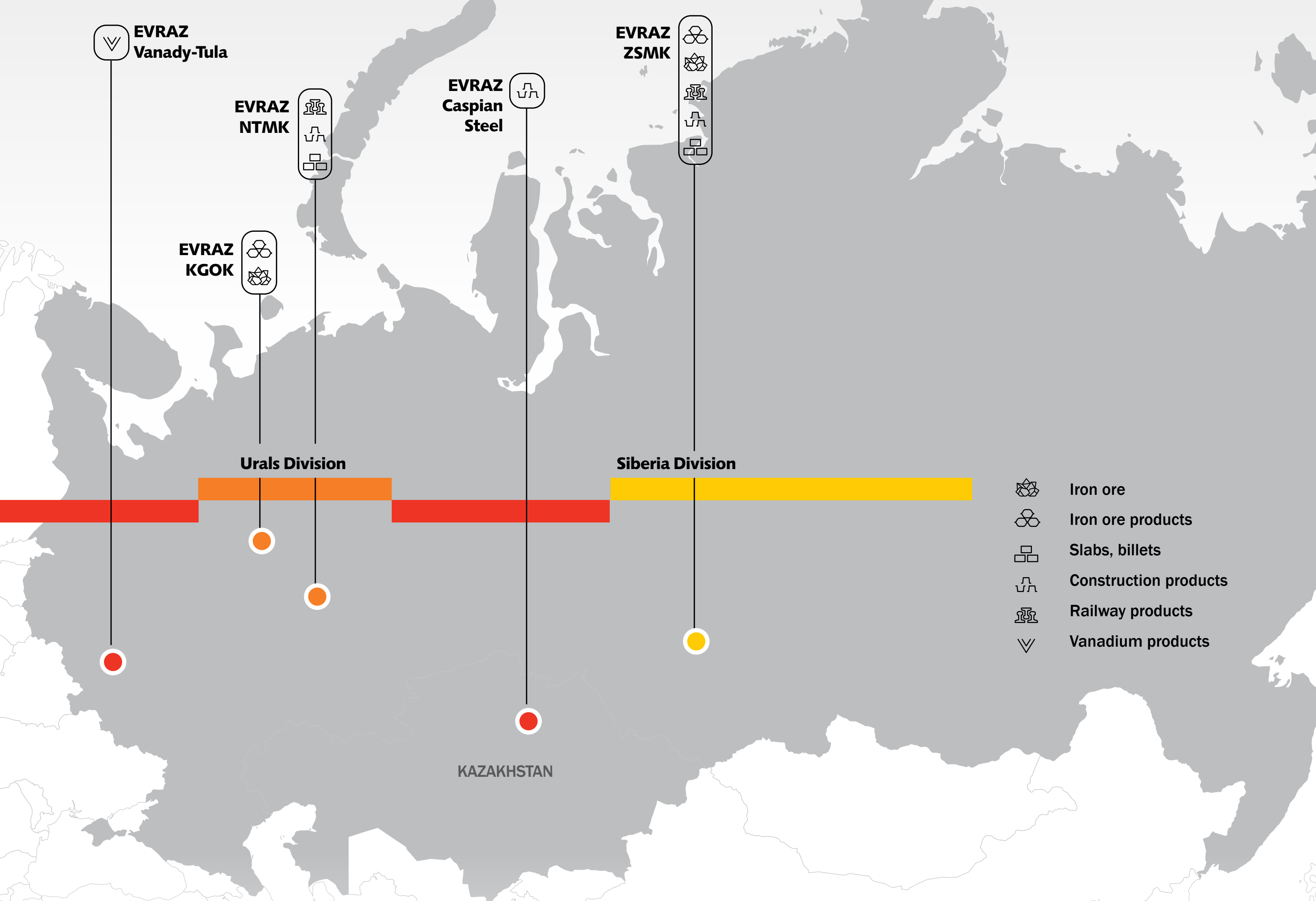


Introduction and highlights

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

Our goals

- Be a leader on the Russian construction steel market
- Secure a leadership position on the Russian rail market
- Be an efficient producer of steel products for infrastructure projects



Production highlights

Crude steel
11,953 kt

Steel products
11,018 kt

Iron ore products
13,765 kt

Vanadium slag
18,380 kt

Sales highlights[1]

Finished products
6,439 kt

Iron ore products
1,895 kt

Semi-finished products
5,636 kt

Vanadium final products
12,883 kt

Financial highlights

Revenues
US$ 8,143 million

EBITDA
US$ 1,795 million

EBITDA margin
22.0%

CAPEX
US$ 395 million

1. Sales to third parties only.

STRATEGIC PRIORITIES

PRUDENT CAPEX

KEY INVESTMENT PROJECTS

Steelmaking

Rail and beam mill modernisation at EVRAZ NTMK
Increase production of beams, sheet piles and HH rails.

Key developments in 2019
Mill equipment supplier selected, 'Define' phase approved and contract signed.

CAPEX in 2019: US$0.5m

Integrated flat casting and rolling facility at EVRAZ ZSMK
Improve the profitability of EVRAZ' product portfolio by replacing semi-finished products with hot-rolled sheets and coils a year.

Key developments in 2019
Technical proposals developed for engineering and equipment supply.

Budget and project scope clarified based on proposals from equipment suppliers.

Main technical and economic indicators developed for production of flat products with potential technology suppliers.

CAPEX in 2019: US$0.6m

Mining

Sobstvenno-Kachkanarsky deposit greenfield project
Maintain raw ore production.

Key developments in 2019
Working documentation developed, land lease issued.

CAPEX in 2019: US$2 million

Tashtagolsky deposit reconstruction at EVRAZ ZSMK mining site
Increase annual ore production of Tashtakolsky deposit with partial switch to sublevel caving using mobile equipment.

Key developments in 2019
Subsoil use licence acquired to explore and mine iron ore.

Design documentation developed and submitted to relevant government agencies for consideration.

Basic technological equipment supplied.

CAPEX in 2019: US$21m

KEY MAINTENANCE PROJECTS

Blast furnace No. 6 major overhaul at EVRAZ NTMK
Maintain pig iron production volumes.

Key developments in 2019
Strengthened foundation of axial cyclone and central hub, installed furnace shell and air heaters.

CAPEX in 2019: US$74.0 million

Converter No. 4 technical performance improvement at EVRAZ ZSMK
Extend operations of converter No. 4 and improve technical and economic performance with replacement of drive, waste heat boiler, gas purification and upgrade of gas exhaust path.

Key developments in 2019
Selected main equipment suppliers.

Received equipment for waste heat boiler, has purification and gas exhaust at warehouse.

Selected contractor to replace waste heat boiler and gas exhaust.

Started top assembly of waste heat boiler.

CAPEX in 2019: US$6 million

Read more on page 23

RETENTION OF LOW-COST POSITION

During the year, our operations focused on adjusting controllable costs.

These programmes delivered

US$
175
million
in benefit in 2019

Read more on page 24

DEVELOPMENT OF PRODUCT PORTFOLIO AND CUSTOMER BASE

EXPANSION OF RAILWAY PRODUCT PORTFOLIO

Rails

Key developments in 2019

Developed premium hardness innovative G2HH steel for RE136 and 60E1 rails.

Received Railway Equipment Registry certification for R65 DT 400 IK rails.

Outlook for 2020

Plan to develop R75 DT 350 rail profile for Russian Railways.

IMPROVING BEAM CONSUMPTION

Key developments in 2019

Developed production of H-beams to EN standards for customers in Russia (180HE, 200HE).

Launched regional beam storage hubs to significantly improve market availability of profiles.

Launched IT resource for online tracking of beam availability in hubs and dealers warehouses.

Outlook for 2020

Plan to expand product portfolio in the small beams with several new profiles for Russian market.

Plan to launch hub at EVRAZ NTMK and Service Metal Centre in Moscow.

INDUSTRIAL PRODUCT PORTFOLIO EXPANSION

Key developments in 2019

Developed 20x180 mm and 25x200 mm metal strips.

Expanded range of structural circles and squares to include 12 new profiles.

Obtained grinding ball of fifth hardness group in production and sent to customer for tests.

Outlook for 2020

Plan to develop SVP-33 mine column profile.

Plan to start commercial sales of grinding ball of fifth hardness group, including entrance to export markets.

Read more on page 25

MARKET REVIEW

Russian Steel market

While the Russian economy demonstrated moderate 1.3% GDP growth in 2019, the government's national projects are expected to foster economic growth in the country in the coming years. The domestic steel market expanded by 8% to 44.9 million tonnes. Consumption of long products climbed by 8% to 18.2 million tonnes, driven by higher construction activity amid changes in the financing of real estate. Developers have accelerated the implementation of existing projects to complete them before the new rules come into force. Demand for flat and tubular products grew by a respective 8% to 15.2 million tonnes and 10% to 11.5 million tonnes. In the railway segment, wheel consumption surged by 22%, supported by continued strong demand from railcar producers and repair companies. The rail market rose by 3% due to higher demand from both Russian Railways and other consumers. In the construction segment, demand for beam and rebar climbed by 16% and 13% respectively, while the consumption of structural products was down by 3%.

In 2019, strong domestic consumption and widespread trade barriers in foreign steel markets pushed export sales down by 12% to 27.1 million tonnes.

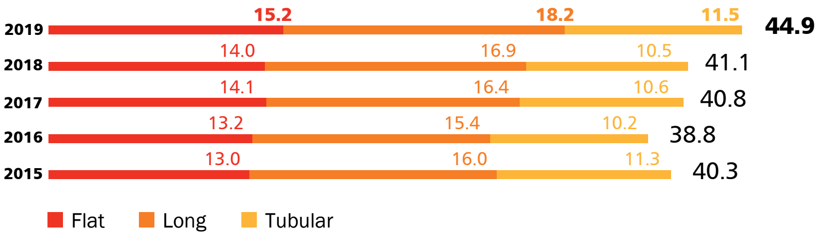
Total crude steel production in Russia remained at the level of 72.0 million tonnes in 2019.

During the period, steel prices in Russia followed global trends with average levels than in 2018. The CPT Moscow rebar benchmark was down by 5%, averaging US$469 per tonne versus US$493 per tonne in 2018. Channel prices dropped by 17% to US$582 per tonne in 2019, compared with US$698 per tonne the previous year. Prices for HRC and plate also fell by a respective 4% to US$553 per tonne and 4% to US$561 per tonne.

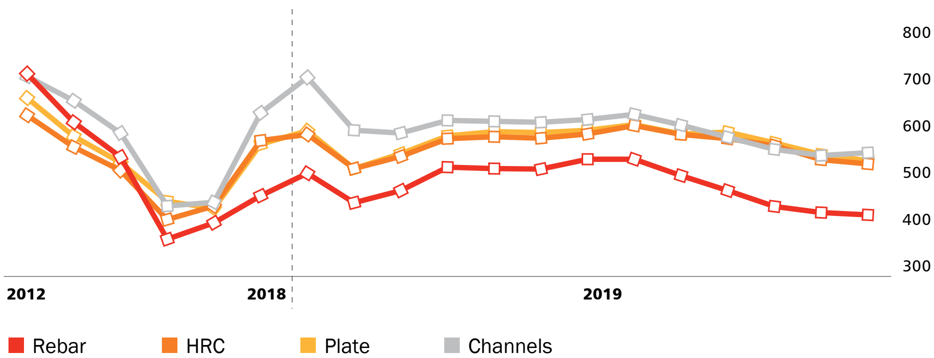
Other steel markets

Steel consumption in Kazakhstan edged down by 13% to 3.2 million tonnes. Exports from the country plunged by 15% to 2.7 million tonnes due to the reduction of output by Kazakhstan's leading producer, ArcelorMittal Temirtau.

Russian steel consumption by product type, mt



Russian steel prices, US$/t



SALES VOLUMES REVIEW

In 2019, the external sales of the Group's Steel segment climbed by 10% to 12.1 million tonnes. This growth is explained by higher pig iron production as blast furnace No. 7, launched in 2018 at EVRAZ NTMK, reached its target production volumes. Sales of semi-finished products to third parties soared by 20%. During the period, sales of railway products grew by 4%, supported by stronger demand in both the wheel and rail markets. External sales of construction products increased by 3% due to the higher domestic demand.

Most of Steel segment's key products sales in Russia strengthened in 2019, buoyed by solid domestic demand. As result of continued elevated railcar production and a number of overhauls, railway wheel sales rose by 16%. Rail sales climbed by 4%, mainly due to higher supplies to Russian Railways. The Group's customer focus efforts aimed to promote the use of beams by improving their availability for clients and selling directly to large infrastructure projects, driving beam sales up 21% in 2019. Rebar sales slightly corrected by 1%. Structural products sales edged down by 1% due to heightened market competition.

EVRAZ aims to maintain and develop leading positions on the Russian rail market and in steel products in Siberia. In 2019, competition increased for the Steel segment's key products. The Group's market share in rails corrected to 76%, compared with 77% in the previous year and the market share for rail wheels edged down by 1 percentage point to 28% during the period. Meanwhile, the market share in beams surged by 5 percentage points to 68% in 2019. In structural products, the market share dropped from 42% to 40% in 2019. Meanwhile, the market share in grinding balls rose from 62% to 63%.

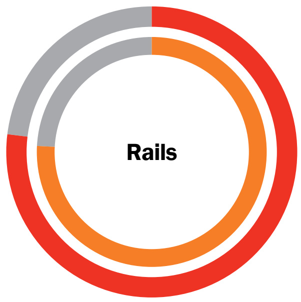
In 2019, EVRAZ Caspian Steel's rebar sales jumped by 65% to 290 thousand tonnes amid dwindling shipments from its main competitor.

The Group's finished vanadium product sales volumes climbed by 4% to 12.9 thousand tonnes in 2019, compared with 12.4 thousand tonnes of pure vanadium in 2018, mainly as a result of customer base expansion and moderately strong demand on Asian markets in H2 2019, while vanadium consumption in the EU, North America and the CIS was stagnant.

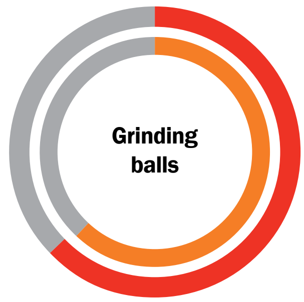
As a vertically integrated group, EVRAZ focuses on the internal consumption of its own iron ore products. In 2019, total iron ore product sales dropped by 5% to 1.9 million tonnes due to higher pig iron production at EVRAZ steel assets.

EVRAZ market shares in Russia by key products, %

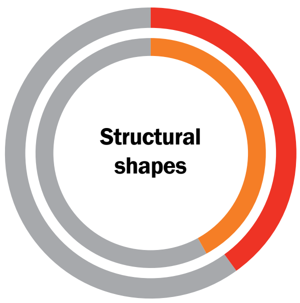
2019	28%
2018	29%



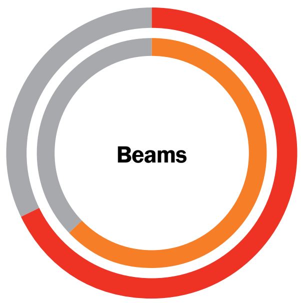
2019	76%
2018	77%



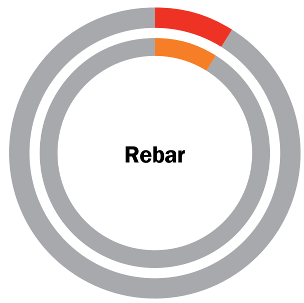
2019	63%
2018	62%



2019	40%
2018	42%



2019	68%
2018	63%



2019	9%
2018	9%

Sales volumes of Steel segment, ‘000 tonnes

	2019	2018	Change, %
Steel products, external sales	**12,075**	**10,980**	**10.0**
Semi-finished products	5,636	4,703	19.8
Construction products	3,800	3,697	2.8
Railway products	1,393	1,344	3.6
Flat-rolled products	622	617	0.8
Other steel products	624	619	0.8
Steel products, inter-segment sales	**318**	**573**	**(44.5)**
Total steel products	**12,393**	**11,553**	**7.3**
Iron ore products[1]	**1,895**	**1,986**	**(4.6)**
Sinter	759	8	n/a
Pellets	1,134	1,972	(42.5)
Other iron ore products	2	6	(66.7)
Vanadium products (tonnes of pure vanadium)[1]	**19,334**	**19,053**	**1.5**
Vanadium in slag	6,451	6,701	(3.7)
Vanadium in alloys and chemicals	12,883	12,352	4.3

[1] There are some differences from the figures for 2018 that were published in the previous annual report due to adjustments in the sales volumes.

FINANCIAL PERFORMANCE

Sales review

In 2019, revenues from the Steel segment dropped by 8.3% to US$8,143 million, compared with US$8,879 million a year earlier. The segment's revenues were impacted by a sharp reduction in sales prices for vanadium products, as well as a slight dip in construction and flat-rolled sales prices, which was partly offset by higher sales prices for railway products.

Revenues from sales of construction products to third parties fell by 5.0%: a 7.8% decrease was attributed to a reduction in average prices, which was partly offset by a 2.8% increase due to higher sales volumes amid active construction in Russia and CIS.

Revenues from external sales of railway products rose due to an 18.8% increase in prices, which was supported by sales volume growth of 3.6%. A key driver of higher railway product prices and sales volumes during the reporting period was greater demand for rails and wheels on the Russian market and better demand for rails in Asian and African markets, albeit partly offset by lower rail export volumes to the US market.

External revenues from flat-rolled products fell by 7.0%. A 7.7% decrease was attributed to a drop in average prices, which was partly offset by a 0.8% increase due to sales volumes amid lower market demand.

The share of sales to the Russian market grew from 49.5% in 2018 to 50.6% in 2019, mainly due to a decline of sales to Europe and Africa, America and the rest of the world.

Steel segment revenues from sales of iron ore products dropped by 25.2%. This was due to a 20.6% decrease in sales prices, as well as 4.6% sales volumes reduction, primarily as a result of higher internal consumption of pellets in 2019 by EVRAZ NTMK after the launch of blast furnace No. 7 in Q2 2018 and by EVRAZ ZSMK amid higher pig iron production. In 2019, around 66.6% of EVRAZ iron ore consumption in steelmaking came from the Group's own operations, compared with 70.2% a year earlier.

Steel segment revenues from sales of vanadium products dropped by 43.8%, primarily due to a 45.1% downturn in sales prices in line with market trends. Ferrovanadium prices dropped along with the London Metal Bulletin and Ryan's Notes quotations, while vanadium slag prices fell along with vanadium pentoxide (V_2O_5) quotations. Prices for oxides plunged by 67% (more than the average quotations), as the majority of sales took place in H2 2019, when quotations were lower than the average for the full year.

Geographic breakdown of external steel product sales, US$ million

	2019	2018	Change,%
Russia	3,358	3,258	3.1
Asia	2,028	1,810	12.0
Europe	492	653	(24.7)
CIS	565	482	17.2
Africa, America and rest of the world	195	377	(48.3)
Total	**6,638**	**6,580**	**0.9**

Steel segment revenues by products

	2019		2018		
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	Change,%
Steel products, external sales	**6,638**	**81.5**	**6,580**	**74.1**	**0.9**
Semi-finished products[1]	2,528	31.0	2,521	28.4	0.3
Construction products[2]	2,166	26.6	2,280	25.7	(5.0)
Railway products[3]	1,181	14.5	965	10.9	22.4
Flat-rolled products[4]	386	4.7	415	4.7	(7.0)
Other steel products[5]	377	4.7	399	4.4	(5.5)
Steel products, inter-segment sales	**168**	**2.1**	**334**	**3.8**	**(49.7)**
Including sales to Steel, North America	154	1.9	321	3.6	(52.0)
Iron ore products	**190**	**2.3**	**254**	**2.9**	**(25.2)**
Vanadium products	**648**	**8.0**	**1,152**	**13.0**	**(43.8)**
Other revenues	**499**	**6.1**	**559**	**6.3**	**(10.7)**
Total	**8,143**	**100.0**	**8,879**	**100.0**	**(8.3)**

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 rails, 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 2019, the Steel segment's cost of revenues increased by 4.0% year-on-year. The main reasons for the increase were:

- The cost of raw materials rose by 3.3%, mainly due to higher costs of iron ore (up 46.3%) due to price increases, higher pig iron production volumes and a greater share of more expensive pellets, which was partly offset by lower use of purchased iron ore.
- Scrap costs climbed by 5.5% due to higher steel production volumes and higher prices for scrap, which was partly offset by lower use of scrap and increased use of pig iron.
- 10.5% reduction in coking coal costs resulted from improvements in the coal structure (a smaller share of the more expensive coal concentrate) and lower prices.
- Costs for auxiliary materials grew by 6.7%, mainly due to higher refractories price and volumes of consumption amid increase of EVRAZ NTMK's coke and blast-furnace shops production.
- Transportation costs climbed by 11.7%, primarily due to increase in average railway tariffs and increased rail transportation amid higher primary and secondary concentrate production at EVRAZ ZSMK.
- Other costs were up 5.4%, largely because of a decrease of the work in progress balance compared with 2018 amid lower steel prices and scrap stock.

Steel segment gross profit

The Steel segment's gross profit declined by 29.4% year-on-year, to US$2,307 million, primarily due to lower vanadium and steel prices.

Steel segment cost of revenues

	2019		2018		
	US$ million	**% of segment revenue**	**US$ million**	**% of segment revenue**	**Change,%**
Cost of revenues	**5,836**	**71.7**	**5,613**	**63.2**	**4.0**
Raw materials	2,577	31.6	2,494	28.1	3.3
Iron ore	540	6.6	369	4.2	46.3
Coking coal	1,082	13.3	1,209	13.6	(10.5)
Scrap	542	6.7	514	5.8	5.5
Other raw materials	413	5.0	402	4.5	3.0
Auxiliary materials	366	4.5	343	3.9	6.7
Services	277	3.4	284	3.2	(2.5)
Transportation	457	5.6	409	4.6	11.7
Staff costs	501	6.2	491	5.5	2.0
Depreciation	227	2.8	222	2.5	2.3
Energy	439	5.4	429	4.8	2.3
Other[1]	992	12.2	941	10.6	5.4

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 intersegment unrealised profit.

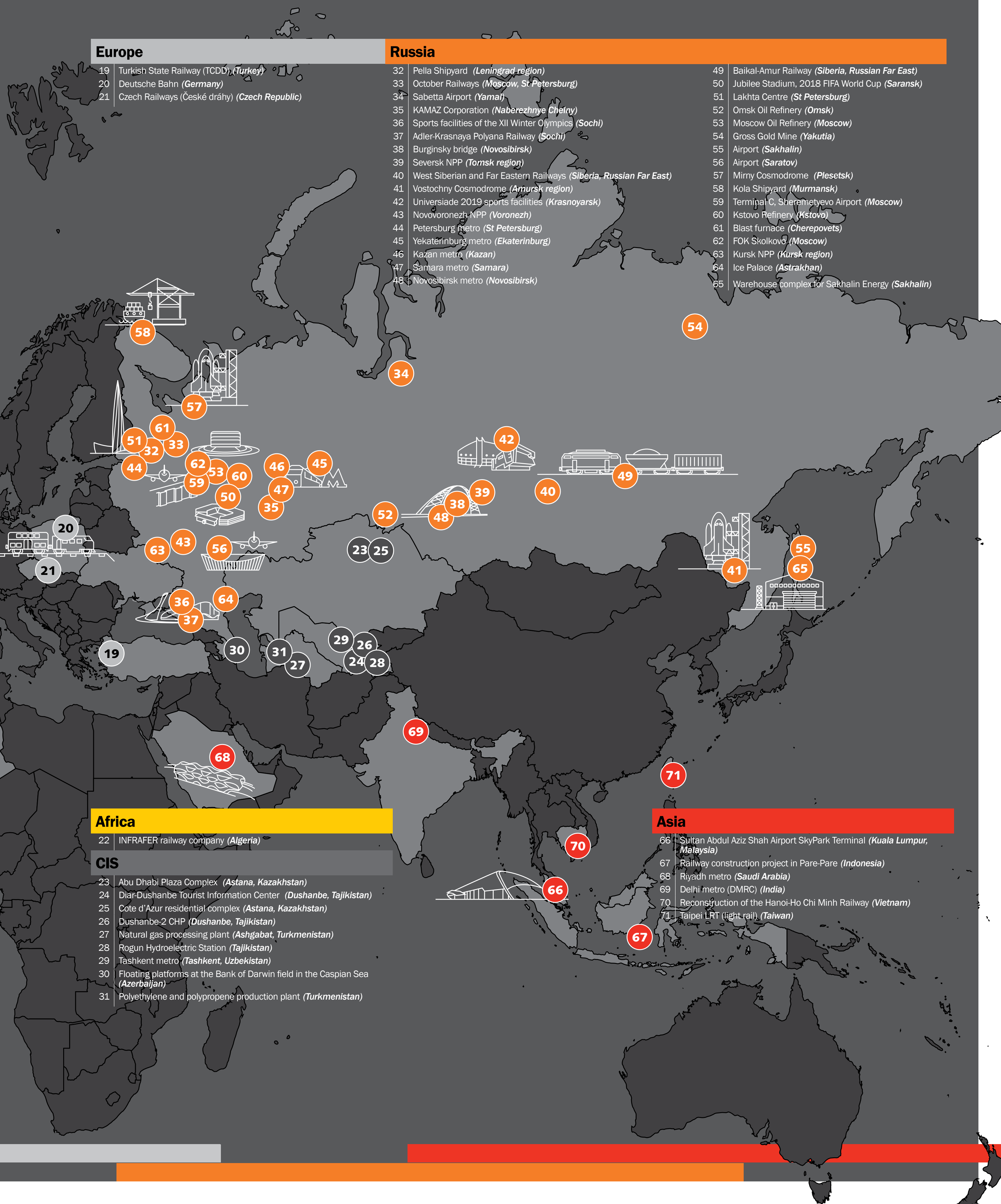
EVRAZ steel across the globe

North America

1 BART high-speed train system (Bay Area Rapid Transit) ***(San Francisco, US)***
2 RTD regional road network ***(Denver, US)***
3 Texas Capital metro ***(Texas, US)***
4 Enbridge Flanagan South oil pipeline ***(From Illinois to Oklahoma, US)***
5 Kinder Morgan Rockies Express gas pipeline ***(From Colorado to Ohio, US)***
6 Dakota Access oil pipeline ***(North Dakota, South Dakota and Illinois, US)***
7 Seattle-Portland passenger rail Point Defiance Bypass Project ***(Lakewood, Washington, US)***
8 Water supply pipe, AMERON project ***(Southern California, US)***
9 Apple headquarters ***(California, US)***
10 Barges at the Gunderson Marine Shipyard ***(Portland, US)***
11 250,000 barrel oil tanks, Great Basin Industrial project ***(North Dakota, US)***
12 Wilshire Tower high-rise ***(Los Angeles, US)***
13 Southwest Light Rail Transit Minnesota
14 Oil tank floating roof ***(Calgary Cove, Alberta, Canada)***
15 TC Energy pipeline ***(Canada)***

South America

16 Vli Rail Operator ***(Brazil)***
17 Rumo ALL Railway ***(Brazil)***
18 Road for Klabin pulp and paper company ***(Brazil)***



Europe

19 Turkish State Railway (TCDD) *(Turkey)*
20 Deutsche Bahn *(Germany)*
21 Czech Railways (České dráhy) *(Czech Republic)*

Russia

32 Pella Shipyard *(Leningrad region)*
33 October Railways *(Moscow, St Petersburg)*
34 Sabetta Airport *(Yamal)*
35 KAMAZ Corporation *(Naberezhnye Chelny)*
36 Sports facilities of the XII Winter Olympics *(Sochi)*
37 Adler-Krasnaya Polyana Railway *(Sochi)*
38 Burginsky bridge *(Novosibirsk)*
39 Seversk NPP *(Tomsk region)*
40 West Siberian and Far Eastern Railways *(Siberia, Russian Far East)*
41 Vostochny Cosmodrome *(Amursk region)*
42 Universiade 2019 sports facilities *(Krasnoyarsk)*
43 Novovoronezh NPP *(Voronezh)*
44 Petersburg metro *(St Petersburg)*
45 Yekaterinburg metro *(Ekaterinburg)*
46 Kazan metro *(Kazan)*
47 Samara metro *(Samara)*
48 Novosibirsk metro *(Novosibirsk)*
49 Baikal-Amur Railway *(Siberia, Russian Far East)*
50 Jubilee Stadium, 2018 FIFA World Cup *(Saransk)*
51 Lakhta Centre *(St Petersburg)*
52 Omsk Oil Refinery *(Omsk)*
53 Moscow Oil Refinery *(Moscow)*
54 Gross Gold Mine *(Yakutia)*
55 Airport *(Sakhalin)*
56 Airport *(Saratov)*
57 Mirny Cosmodrome *(Plesetsk)*
58 Kola Shipyard *(Murmansk)*
59 Terminal C, Sheremetyevo Airport *(Moscow)*
60 Kstovo Refinery *(Kstovo)*
61 Blast furnace *(Cherepovets)*
62 FOK Skolkovo *(Moscow)*
63 Kursk NPP *(Kursk region)*
64 Ice Palace *(Astrakhan)*
65 Warehouse complex for Sakhalin Energy *(Sakhalin)*

Africa

22 INFRAFER railway company *(Algeria)*

CIS

23 Abu Dhabi Plaza Complex *(Astana, Kazakhstan)*
24 Diar-Dushanbe Tourist Information Center *(Dushanbe, Tajikistan)*
25 Cote d'Azur residential complex *(Astana, Kazakhstan)*
26 Dushanbe-2 CHP *(Dushanbe, Tajikistan)*
27 Natural gas processing plant *(Ashgabat, Turkmenistan)*
28 Rogun Hydroelectric Station *(Tajikistan)*
29 Tashkent metro *(Tashkent, Uzbekistan)*
30 Floating platforms at the Bank of Darwin field in the Caspian Sea *(Azerbaijan)*
31 Polyethylene and polypropene production plant *(Turkmenistan)*

Asia

66 Sultan Abdul Aziz Shah Airport SkyPark Terminal *(Kuala Lumpur, Malaysia)*
67 Railway construction project in Pare-Pare *(Indonesia)*
68 Riyadh metro *(Saudi Arabia)*
69 Delhi metro (DMRC) *(India)*
70 Reconstruction of the Hanoi-Ho Chi Minh Railway *(Vietnam)*
71 Taipei LRT (light rail) *(Taiwan)*

Coal segment

Introduction and highlights

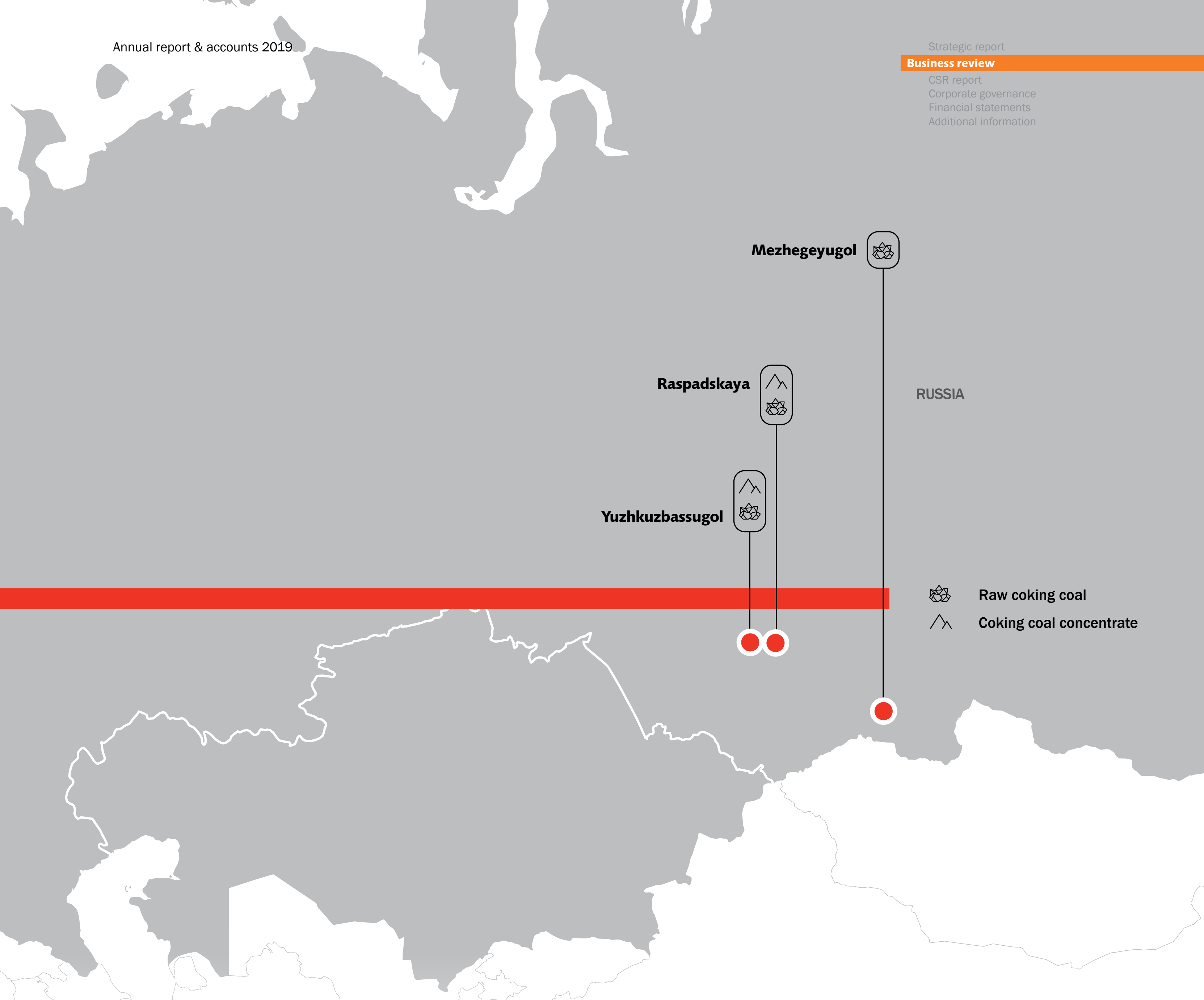
EVRAZ ranks first among Russian coking coal producers. The Group offers integrated solutions to optimise the coal blend to a global clientele, and prides itself on being a reliable supplier. Coal and concentrate products are used by EVRAZ steelmaking divisions, as well as by third-party domestic customers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

Product portfolio

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

Our goals

- Work safely and ensure growth by using innovative technology and methods
- Achieve 100% self-sufficiency in all coal grades and expand the product portfolio in insufficient grades
- Maintain cash costs in the first quartile of the cost curve



Production highlights

Raw coking coal
26,140 kt

Coking coal concentrate
13,975 kt

Sales highlights[1]

Raw coking coal
2,211 kt

Coking coal concentrate
8,841 kt

Financial highlights

Revenues
US$ 2,021 million

EBITDA
US$ 843 million

EBITDA margin
41.7%

CAPEX
US$ 226 million

1. Sales to third parties only.

STRATEGIC PRIORITIES

PRUDENT CAPEX

KEY INVESTMENT PROJECTS

ACCESS AND DEVELOPMENT OF RESERVES IN USKOVSKAYA MINE'S SEAM NO. 48

Preparation of reserves in seam No. 48 to maintain current coal production level beyond 2020.

Key developments in 2019

The begining of preparation of longwall 48-08.

The contract for supplying of the mechanised complex is signed.

CAPEX in 2019: US$30 million

ACCESS AND DEVELOPMENT OF RESERVES IN ESAULSKAYA MINE'S SEAM NO. 29A

Switch from mining reserves on seam No. 26 to seam No. 29a.

Increase annual coal production to 2.5 mt after 2020.

Key developments in 2019

The main volume of development works to launch the longwall 29-37 was complited.

CAPEX in 2019: US$10 million

Read more on page 23

RETENTION OF LOW-COST POSITION

MAIN COST-REDUCTION PROGRAMMES

OPTIMISATION OF PRODUCTION FLOW AT WASHING PLANTS

Key developments in 2019

Installation of chamber filter press at Kuznetskaya washing plant provided the increasing of concentrate yield by 0.2%.

Launching of flotation at Abashevskaya washing plant provided increasing concentrate yield by 1.3%.

Improving of productivity of Raspadskaya washing plant through EBS efforts and by eliminating logistical bottlenecks (additional warehouses and shipment capacity).

REDUCTION OF LONG-WALL MOVE PERIOD

Key developments in 2019

Using of Pettito mules to reduce the long-wall removement period at Raspadskaya mine by 11 days.

Using of substitute mechanised complex JOY-1 at Erunakovskaya mine to reduce the long-wall removement period by 30 days.

Read more on page 24

DEVELOPMENT OF PRODUCT PORTFOLIO AND CUSTOMER BASE

OPTIMISATION OF EXPENSES FOR AUXILIARY MATERIALS AND INDUSTRIAL SERVICES

Key developments in 2019

Substitution of contractors at open-pit mining by improving productivity of own equipment fleet.

Optimising of usage rate of auxiliary materials at production processes and improving the share of recycling.

Reducing the costs of equipment repairs and technical services by controlling of the work of organisations, performing repairs, as well as by increasing the duration of daily scheduled preventative maintenance done in-house.

IMPROVEMENT OF DEVELOPMENT WORK RATE

Key developments in 2019

Improving the development work rate by 10% overall at the Group by upgrading the development equipment.

These programmes have resulted in approximately

US$ 72 million

in benefit in 2019

MAINTAINING THE POSITION OF THE LARGEST COAL SUPPLIER IN RUSSIA

Key developments in 2019

Boosted raw coking coal production volumes by 8.1% and coal product sales volumes by 3.1%.

Improved efficiency and yield at washing plants (flotation at Abashevskaya washing plant).

Modernised washing plants to improve concentrate quality.

Increased premium. hard coking coal production volumes by launching longwall mining at Raspadskaya-Koksovaya mine.

Improved EVRAZ self-sufficiency in coal to 74% after expanding production of K-grade coal at Raspadskaya-Koksovaya mine by 66% and increasing share of KS-grade coal in EVRAZ NTMK’s charge.

Outlook for 2020

Achieve total production volumes of c. 24 million tonnes.

Reach total commercial product sales of more than 20 million tonnes.

Increase shipments to EVRAZ steelmaking production facilities.

Improve EVRAZ self-sufficiency in coal.

EXPANSION OF THE EXPORT PORTFOLIO

Key developments in 2019

EVRAZ achieved its targets for 2019 export sales by:

- Maintaining flexible sales geography
- Prioritising export routes to: Japan, South Korea, Vietnam, Indonesia and countries in Eastern Europe.

Exports to Asia grew by 12%.

Organised a stable access to the Baltic ports for coal products transshipment.

Signed agreements with ports in Russia’s Far East in addition to Nakhodka Trade Sea Port for 2020.

Outlook for 2020

Increase export sales to Southeast Asia.

Partnerships development with key customers in China and India.

Maintain shipments to key customers in Eastern Europe and Turkey.

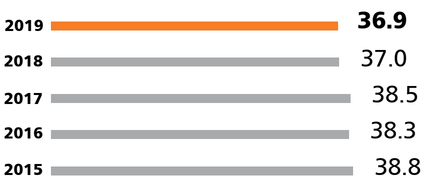
Read more on page 25

MARKET REVIEW

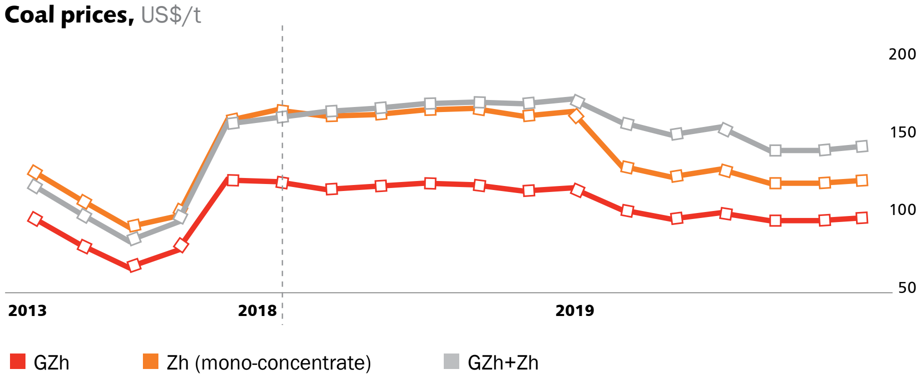
In 2019, Russian coking coal concentrate consumption remained mostly at the level of 36.9 million tonnes. Russian coal exports climbed by 7% to 27.0 million tonnes due to favourable conditions on Asian steel markets.

During the period, Russian domestic prices followed the downward trend on the global coking coal market. As result, the premium Zh-grade coking coal dropped by 14% and averaged US$137 per tonne. Prices for GZh-grade coking coal fell by 12% to US$100 per tonne.

Domestic coking coal concentrate consumption, mt



Coal prices, US$/t



SALES VOLUMES REVIEW

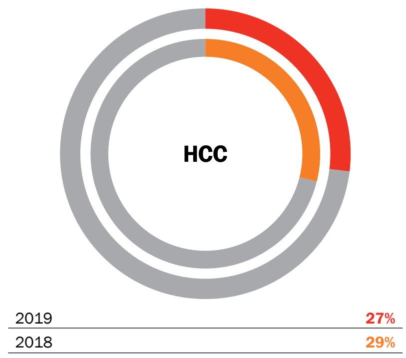
In 2019, the Group's coal products sales rose by 3% to 17.6 million tonnes, mainly due to higher production volumes at the Raspadskaya-Koksovaya, Uskovskaya and Alardinskaya mines.

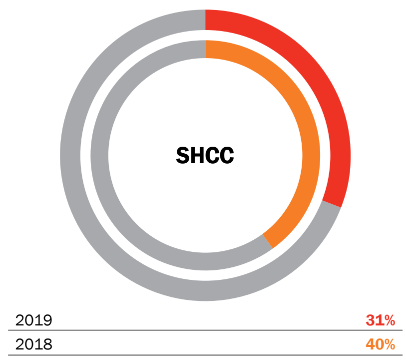
Inter-segment coal products sales increased by 8% to 6.6 million tonnes, as EVRAZ focuses on maximising supplies to the Group. Total external coal products sales remained at the level of the previous year of 11.1 million tonnes.

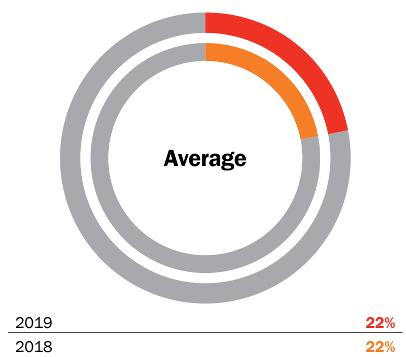
Export sales moved up just by 1% to 7.7 million tonnes in 2019. EVRAZ significantly rose its supplies to Asian countries by 12%, meanwhile this growth was offset by lower sales to Europe.

On the domestic market, EVRAZ remains the leading coking coal producer with an average 22% market share in all coal grades.

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







Sales volumes of Coal segment, '000 tonnes

	2019	2018	Change, %
Coal products, external sales	**11,053**	**11,048**	**0.0**
Coking coal	2,211	1,690	30.8
Coal concentrate and other products	8,841	9,323	(5.2)
Steam coal	1	35	(97.1)
Coal products, inter-segment sales	**6,569**	**6,016**	**9.2**
Coking coal	2,044	1,863	9.7
Coal concentrate	4,525	4,153	9.0
Total, coal products	**17,622**	**17,064**	**3.3**

FINANCIAL PERFORMANCE

Sales review

The segment's overall revenues decreased due to falling sales prices as global market trends remained weak. This was driven by soft demand for coal and declining prices amid over supply.

A reduction in revenues from inter-segment sales of coal products was primarily caused by a 15.1% drop in prices, albeit partly offset by a 9.2% rise in sales volumes. Coking coal sales rose by 3.3% due to higher sales of the K grade to EVRAZ ZSMK, driven by the switch to a new mining method (longwall) for this grade. Coal concentrate volumes grew by 9.0% due to greater sales of the OS, K and KS grades to EVRAZ NTMK, driven by the policy of coal self-sufficiency. The latter was partly offset by a 16.5% drop in prices in line with global trends.

Revenues from external sales of coal products fell by 16.9% due to a drop in prices, mostly attributable to lower demand for coal concentrate in Russia, CIS and European countries amid reduced steel production.

In 2019, the Coal segment's sales to the Steel segment amounted to US$730 million (36.1% of total sales), compared with US$776 million (33.2%) a year earlier.

During the reporting period, roughly 74.1% of EVRAZ coking coal consumption in steelmaking came from the Group's own operations, compared with 68.8% in 2018.

Coal segment cost of revenues

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

- The consumption of auxiliary materials rose by 16.9% due to increased purchases amid higher coal production at Raspadskaya.
- Costs for services dropped by 24.8% due to a reclassification of transportation costs related to overburden removal at the Raspadsky open pit to transportation costs in 2019. Such costs were separated from other transportation costs accounting for the use of economic analysis.
- Transportation costs grew by 10.0% in the reporting period, primarily due to the reclassification of overburden removal at the Raspadsky open pit costs from services to transportation, as well as the organisation and maintenance of temporary sites for warehousing and storing coal at Raspadskaya.
- Staff costs climbed by 15.5%, mainly due to headcount growth driven by higher production volumes and wage indexation.
- Depreciation and depletion costs rose, primarily due to higher production volumes at Raspadskaya, Uskovskaya, Alardinskaya, Erunakovskaya and Osinnikovskaya mines and increase of capital expenditure at Osinnikovskaya and Raspadskaya mines started from Q4 2018, as well as the effect of the rouble depreciation.
- Other costs decreased in the reporting period, mainly due to lower use of in-house raw materials and goods for resale amid weak coal consumption, soft demand and pricing.

Coal segment gross profit

In 2019, the Coal segment's gross profit was US$975 million, down from US$1,295 million a year earlier, primarily due to lower sales prices.

Coal segment revenues by product

	2019		2018		
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	Change, %
External sales					
Coal products	**1,251**	**61.9**	**1,506**	**64.4**	**(16.9)**
Coking coal	148	7.3	145	6.2	2.1
Coal concentrate	1,103	54.6	1,358	58.1	(18.8)
Steam coal	–	–	3	0.1	n/a
Inter-segment sales					
Coal products	**730**	**36.1**	**776**	**33.2**	**(5.9)**
Coking coal	124	6.1	120	5.1	3.3
Coal concentrate	606	30.0	656	28.1	(7.6)
Other revenues	**40**	**2.0**	**55**	**2.4**	**(27.3)**
Total	**2,021**	**100.0**	**2,337**	**100.0**	**(13.5)**

Coal segment cost of revenues

	2019		2018		
	US$ million	% of segment revenue	US$ million	% of segment revenue	Change, %
Cost of revenues	**1,046**	**51.8**	**1,042**	**44.6**	**0.4**
Auxiliary materials	159	7.9	136	5.8	16.9
Services	97	4.8	129	5.5	(24.8)
Transportation	351	17.4	319	13.6	10.0
Staff costs	223	11.0	193	8.3	15.5
Depreciation/depletion	171	8.5	155	6.6	10.3
Energy	51	2.5	49	2.1	4.1
Other[1]	(6)	(0.3)	61	2.7	n/a

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

EVRAZ

Resilient R&D

EVRAZ concentrates on product innovation for rail, wheels, beams, plates, tubular goods and vanadium to enhance the Group's capabilities and strengthen its market position. Until now, the research and development (R&D) process at EVRAZ was driven by several engaged teams working largely independently at the production sites and in the corporate headquarters.

To maximise our expertise and strengthen the Group's competitiveness, we are developing a new comprehensive integrated R&D system that will unite existing R&D centres and help to unlock the full potential of EVRAZ innovative thinking.

R&D teams provide engineering and metallurgical expertise to our production and quality teams to offer innovative solutions and develop new products. An integrated R&D function will harmonise the overall R&D strategy, goals and KPIs. It will also improve the sharing of knowledge and experience, support the execution of highly specialised tasks and promote R&D work across production units globally.

Three phases of R&D system development

Fact-finding phase: 2019

Collect data and generate ideas

Definition phase: 2019–2020

Assess the goals and resources of the Group's existing R&D centres; define the target state of the organisation, resources and infrastructure; and assign roles and responsibilities

Plates, tubular goods

- Develop new products and processes for increasingly specialised, high-quality large-diameter welded pipes
- Fill gaps in evolving portfolio of tubular goods, including OCTG for unconventional market
- Develop specialty plates for various steel applications such as defence, construction, shipbuilding, mining, transportation and energy
- Build strategic and technical partnerships with customers and operators in the development and testing of new products
- Conduct physical testing to demonstrate products' performance and reliability for customer quality tests

Vanadium

Technological R&D centre (Tula, Russia)
- Supporting the continuous technical improvement process
- Developing new products and technologies
- Deep processing of EVRAZ raw materials

Marketing R&D centre (Zug, Switzerland)
- Developing a network of marketing, R&D institutions and technology enablers
- Promoting the development of new vanadium-alloyed steel applications
- Deploying technical assistance on vanadium usage for customers and EVRAZ operations
- Exploiting opportunities arising from regional gaps in vanadium consumption caused by different standards or technological habits
- Enriching EVRAZ steel product portfolio in connection with vanadium usage

Wheels

- Creating a larger variety of wheels, including wheels for heavy haul freight trains and high-speed traffic
- Improving strength and corrosion resistance
- Strengthening rolling fatigue resistance

Beams

- Creating new architectural solutions based on beams
- Improving beam properties in terms of strength and corrosion resistance
- Developing in-demand new profiles

Rails

- Creating a larger variety of rails, including rails for high-speed mixed traffic and high-load small curve tracks
- Developing rails for heavy haul freight trains
- Increasing the production lifespan, wear and temperature resistance of the Group's premium products

Our goals

- **EVRAZ is building a resilient R&D system to develop innovative new products and solutions that will benefit all the Group's customers and leverage its long-term competitiveness;**
- **This will give EVRAZ more flexibility to utilise all of its production capacity by balancing volumes within different markets, strengthening the Group's position as a premium producer able to provide prime service to our customers.**

Execution phase: 2020–2021

Establish an expert network to execute R&D projects; define a medium- to long-term R&D strategy; use R&D infrastructure efficiently; define cross-location R&D projects; and foster knowledge management

Benefits of a comprehensive new R&D system

- **Satisfy market and customer demands through better product efficiency and services**
- **Develop new and innovative products and solutions to satisfy current and upcoming customer needs**
- **Leverage EVRAZ vast global experience and know-how, and promote product innovation and knowledge management**

Steel, North America segment

Introduction and highlights

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

Our goals

- **Grow leadership position in North American energy pipe market**
- **Maintain leading position in the Western region plate market**
- **Expand leading position in the rail market**

In December 2019, EVRAZ North America implemented a reorganisation of business units to strengthen focus on safety, quality and operational excellence across the Steel, North America segment. The business units are now organised by three geographic locations: Canada, Pueblo and Portland, replacing the previous product group structure. Each of the new business units has product portfolios based on product mix at operating facilities.

Production highlights

Crude steel
1,861 kt

Steel products
2,212 kt

Sales highlights[1]

Steel products
2,207 kt

Financial highlights

Revenues	EBITDA	EBITDA margin	CAPEX
US$ 2,500 million	US$ 38 million	1.5%	US$ 128 million

1. Sales to third parties only.

STRATEGIC PRIORITIES

PRUDENT CAPEX

KEY INVESTMENT PROJECTS

LONG RAIL MILL AT EVRAZ PUEBLO
The project involves designing, installing and commissioning a long rail mill and weld plant to replace the existing rail facility and meet customers' interest in long rail.

Key developments in 2019
Completed first level of engineering (60%) and pre-awarded contracts for all major equipment, engineering and construction.

CAPEX in 2019: US$19 million

HEAT TREAT AT EVRAZ RED DEER
Expands annual heat treat capacity in Alberta to defend and increase market share and reduce logistics costs.

Key developments in 2019
Installation completed, commissioning advanced with production started in Q4 2019.

CAPEX in 2019: US$6 million

ELECTRIC ARC FURNACE (EAF) REPOWERING AT EVRAZ REGINA
The repowering will increase EVRAZ Regina's prime coil and plate production and reduce electrode consumption. This project is supported by the Government of Canada's Strategic Innovation Fund (SIF).

Key developments in 2019
Completed engineering and ordered major equipment.

CAPEX in 2019: US$15 million

THREADING AT EVRAZ PUEBLO
Install equipment for an API threading line at EVRAZ Pueblo to vertically integrate, fully replace threading suppliers, and reduce cost.

Key developments in 2019
Completed commissioning and fully operational.

CAPEX in 2019: US$2 million

KEY MAINTENANCE PROJECTS

Steel reheat furnace low NO_x at EVRAZ Regina
Reduce emissions of oxides of nitrogen (NO_x) to comply with more stringent government environmental standards, and increase furnace throughput and production of flat-rolled products.

Key developments in 2019
Engineering phase and pre-installation work completed.

CAPEX in 2019: US$4 million

Read more on page 23

RETENTION OF LOW-COST POSITION

During the year, the segment continued to focus on improving operational performance and tightly managing controllable costs across the board.

These programmes have resulted in approximately

US$
37
million
in benefit in 2019.

Read more on page 24

DEVELOPMENT OF PRODUCT PORTFOLIO AND CUSTOMER BASE

MARKET AND CUSTOMER FOCUS

Key developments in 2019

Secured all major Canadian LDP projects available and significantly increased production of thick-wall LDP using new production capabilities.

Achieved target production and productivity levels at the EVRAZ Regina steel mill following the upgrade programme.

Regina coating facility recovered from Q1 2019 facility fire to reach full operations.

EVRAZ share of the North American rail market increased in 2019, reaching 42%.

Announced partnership with Xcel Energy and Lightsource BP for long-term electricity supply contract, backed by solar power.

Ramp-up of large diameter spiral pipe mill at EVRAZ Portland was completed with new orders in the domestic market.

Outlook for 2020

Order book for LDP in Canada is full in 2020 for EVRAZ Regina’s mills.

EVRAZ rail market share to increase further with new Class I railroads contracts and expanded customer base.

EVRAZ Portland’s flat division has a renewed focus on increasing market share in Western Canada to historical levels following the elimination of trade restrictions between the US and Canada. US trade restrictions (Section 232 tariffs) aimed at other nations, including Brazil and Russia, remain, which continue to impact slab purchases.

NEW PRODUCT DEVELOPMENT AND QUALITY INCREASES

Key developments in 2019

Developed larger sizes for OCTG premium and semi-premium connections driven by market needs.

Finalised development of heavy gauge pipe products with improved toughness at extreme temperatures and of sour-service line pipe product.

Outlook for 2020

Cost reduction and productivity improvement programmes focused on yield, quality enhancements and operational excellence.

Successful ramp up of EVRAZ Red Deer heat treat to full production levels.

EVRAZ Portland to commercialise new products, including laser flat quality products, with expected launch in Q2 2020.

Read more on page 25

MARKET REVIEW

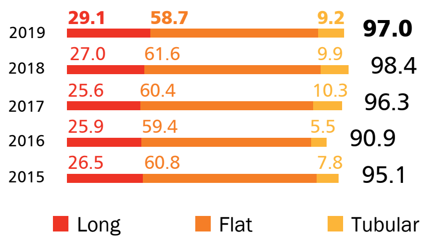
US steel product consumption went down by 2% to 97.0 million tonnes in 2019, compared with 98.4 million tonnes the previous year. Consumption of flat and tubular products edged down by 5% and 7%, respectively, while demand for long products climbed by 8%.

In 2019, the North American rail market remained solid at the level of 1.1 million tonnes as the investment programmes of Class I railways held stable. Demand for oil country tubular goods (OCTG) in Canada dropped by 27% to 0.5 million tonnes, compared with 0.7 million tonnes in 2018, amid slower drilling activity. At the same time, large-diameter pipe (LDP) consumption in North America surged by 47% to 1.4 million tonnes in 2019 versus 0.9 million tonnes in 2018, mainly due to the record high pipeline demand in US, which corresponds to high oil and natural gas production.

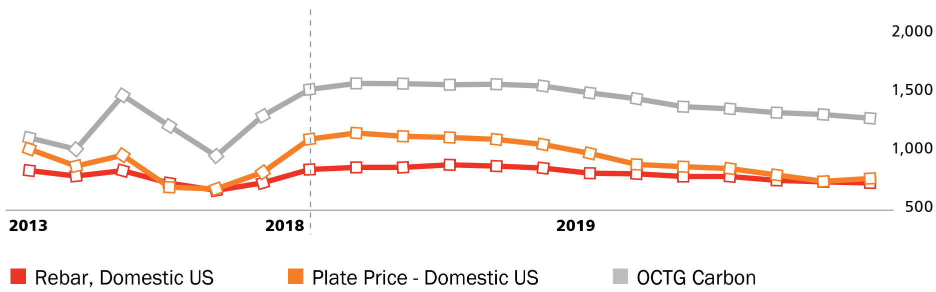
Imports of finished steel products fell by 16% year-on-year to 18.8 million tonnes in 2019 due to the ongoing impact of the Section 232 tariffs introduced by the US in 2018.

Weaker demand and high inventory levels pushed prices down in 2019. During the period, prices dropped by 13% to US$876 per tonne for plate, by 4% to US$733 per tonne for rebar and by 5% to US$1377 per tonne for OCTG.

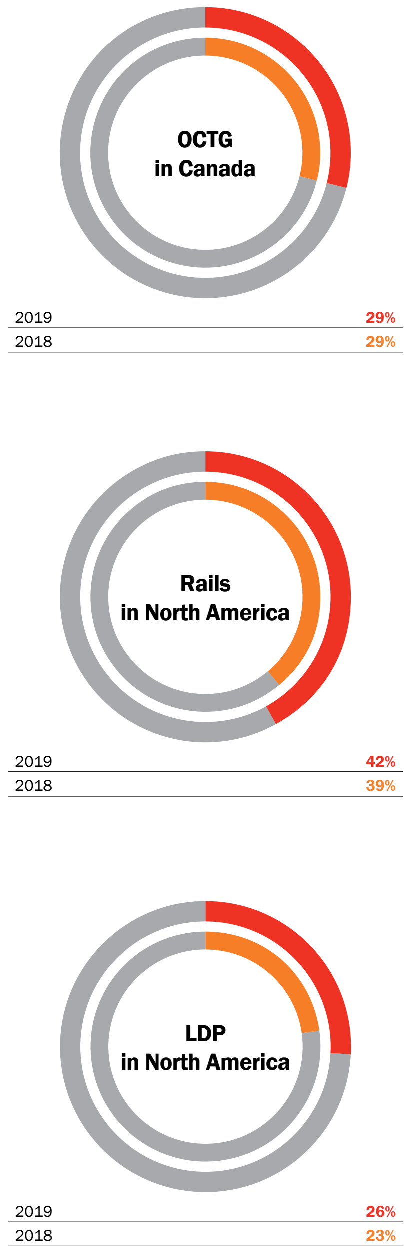
US finished steel consumption, mt



North America prices, US$/t



EVRAZ market shares in North America by key products, %



Sales volumes of Steel North America segment, '000 tonnes

	2019	2018	Change, %
Steel products, external sales	2,207	2,156	2.4
Semi-finished products	192	57	n/a
Construction products	256	287	(10.8)
Railway products	441	421	4.8
Flat-rolled products	523	568	(7.9)
Tubular products	795	823	(3.3)
Total steel products	**2,207**	**2,156**	**2.4**

SALES VOLUMES REVIEW

Despite softer demand in 2019, EVRAZ North America's steel product sales inched up by 2% to 2.2 million tonnes. This trend was mainly supported by strong sales growth of LDP and railway products. EVRAZ North America moved up its sales of railway products during the period by 5% to 441 thousand tonnes. Meanwhile, construction product sales declined by 11% to 256 thousand tonnes and flat product sales went down by 8% to 523 thousand tonnes in 2019 due to slower year-on-year production growth in the construction, manufacturing and mechanical engineering sectors.

Tubular product sales fell by 3% to 795 thousand tonnes, down from 823 thousand tonnes in 2018. Sales of LDP soared by 64% to 346 thousand tonnes in 2019 compared to 211 thousand tonnes the previous year, driven by favourable US and Canadian LDP markets, as well as EVRAZ North America's customer focus efforts. By contrast, sales of OCTG products dropped by 21% to 245 thousand tonnes, versus 310 thousand tonnes in 2018, due to multiple factors that suppressed drilling activity in Canada.

In 2019, EVRAZ North America strengthened its leading position in the rail market by 3 percentage points, reaching a market share of 42%, mainly thanks to higher sales to Canadian Class I railroads. The Group also expanded its LDP market share by 3 percentage points to 26% by achieving the target production level at the Regina steel mill and securing all major Canadian LDP projects.

FINANCIAL PERFORMANCE

Sales review

The segment's revenues from the sale of steel products slightly dropped due to a decrease of 4.8% in prices, offset by an increase of 2.4% in volumes. This was mainly attributable to lower demand on the flat-rolled and construction market, partly offset by higher revenues for semi-finished products.

Revenues from the sale of semi-finished products jumped by 210.2% due to a surge in sales volumes of 236.8%, albeit offset by a drop in prices of 26.6%. The sales of semi-finished products only commenced in Q4 2018, hence, the strong YoY volume growth in this product category.

Construction product revenues fell by 19.2% due to reductions of 8.4% in prices and of 10.8% in sales volumes as a result of lower demand for concrete reinforcing bar. The downward trend was caused by inclement weather at the beginning of 2019 and softer market demand as customers managed inventory levels.

Railway product revenues rose by 6.6%, driven by growth in volumes of 4.8% due to increased demand and market share growth, along with greater sales volumes of the super-premium APEX G2 rails, while a 1.8% uptick was attributed to surges in average prices.

Revenues from flat-rolled products decreased due to declines of 5.3% in prices and of 7.9% in sales volumes as a result of weakening market demand.

Revenues from tubular product sales edged down by 3.3% year-on-year due to a drop of 3.4% in volumes and an uptick of 0.1% in prices. This was driven by a significant reduction in demand for oil country tubular goods and line pipe, albeit partly offset by increased sales of large-diameter pipe carried over from 2018 and new orders.

Steel, North America segment revenues by product

	2019		2018		
	US$ million	% of total segment revenue	US$ million	% of total segment revenue	Change, %
Steel products	**2,372**	**94.8**	**2,430**	**94.1**	**(2.4)**
Semi-finished products	121	4.8	39	1.5	n/a
Construction products[1]	200	8.0	247	9.6	(19.2)
Railway products[2]	405	16.2	380	14.7	6.6
Flat-rolled products[3]	518	20.7	597	23.1	(13.2)
Tubular products[4]	1,128	45.1	1,167	45.2	(3.3)
Other revenues[5]	**128**	**5.1**	**153**	**5.9**	**(16.3)**
Total	**2,500**	**100.0**	**2,583**	**100.0**	**(3.2)**

Steel, North America segment cost of revenues

In 2019, the Steel, North America segment's cost of revenues was almost flat year-on-year. The main changes related to:

- Raw material costs fell by 8.0%, primarily because of a decrease in scrap prices.
- The cost of semi-finished products was down 30.4% due to lower purchases of slabs at EVRAZ Portland, coil at EVRAZ Camrose and billets at EVRAZ Pueblo.
- Auxiliary material costs fell by 9.8%, driven by a decrease in electrode costs.
- Staff costs went up 11.5% following an increase in headcount, which occurred mostly at EVRAZ Portland due to the restart of tubular operations, as well as higher payroll taxes and insurance.
- Depreciation grew by 8.0% due the adoption of the IFRS 16.
- Other costs were up for the reporting period, primarily due to a decrease of the work in progress balance compared with 2018 due to a reduction of slab purchases, lower purchases of billets at EVRAZ Pueblo that were replaced with billets produced in-house.

Steel, North America segment gross profit

The Steel, North America segment's gross profit totalled US$296 million for 2019, down from US$369 million a year earlier. While the decrease was primarily caused by a decline in revenues due to a deterioration in market conditions, it was partly offset by lower prices for purchased semi-finished products, auxiliary materials and raw materials.

Steel, North America segment cost of revenues

	2019		2018		
	US$ million	% of segment revenue	US$ million	% of segment revenue	Change, %
Cost of revenues	**2,204**	**88.1**	**2,215**	**85.8**	**(0.5)**
Raw materials	686	27.4	746	28.9	(8.0)
Semi-finished products	396	15.8	569	22.0	(30.4)
Auxiliary materials	222	8.9	246	9.5	(9.8)
Services	190	7.6	195	7.5	(2.6)
Staff costs	319	12.8	286	11.1	11.5
Depreciation	109	4.4	101	3.9	8.0
Energy	117	4.7	119	4.6	(1.7)
Other[6]	165	6.6	(47)	(1.7)	n/a

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

Digital transformation

EVRAZ digital transformation strategically addresses customer focus and asset development

2019
initiatives

MAIN DIGITAL TRANSFORMATION INITIATIVES

Digital transformation: priorities

- Advanced analytics
- Expert systems
- Production reporting
- Production control rooms
- Digital asset management
- EDI and paperless workflow
- Mobile solutions
- Video analysis
- Through-process quality control
- Autonomous equipment
- Production planning

Primary priorities

Secondary priorities

The foundation for applying contemporary digital technologies is the high-quality basic automation of technological processes. At its production facilities EVRAZ is implementing a programme of projects to increase the level of basic automation and make its production capacity digital ready.

Ideation sessions

To search for innovative technology-based solutions, EVRAZ employs 'design thinking', a core element of which is ideation sessions. During these, teams of various employees work to find solutions to current tasks, including by harnessing digital technologies. In 2019, the Group conducted 10 such sessions: in all Russian divisions, the trading unit and several subdivisions. From them, new ideas were prioritised and plans to develop and implement them were devised, and some projects are already under way.

Results in 2019

32 projects implemented

15 projects under way

63 projects being considered

2020

Plans and priorities

Agile approach

In 2019, EVRAZ made a major leap forward in using flexible methodologies for developing software and executing IT projects. Such approaches aim to increase internal customer satisfaction and reduce project delivery time. Within the Group, the 'agile' culture is promoted among both IT specialists and people in business subdivisions, and its effectiveness is clear from the results delivered by combined project teams encompassing product owners, 'scrum masters' and experts in various areas. Over the last year, 10 initiatives were implemented in accordance with agile principles.

Advanced analytics

In 2020, EVRAZ is planning to launch a range of advanced analytical projects that are expected to have an overall effect of US$10-12 million. The aim is to optimise technological processes in all production areas using expert systems based on machine learning models. Each system is designed to improve product quality and quantity.

In addition, as part of the programme, a Data Science competence centre and a technological IT platform will be established to process data.

New digital solution development centre

The Group is also planning to open an additional digital competence centre in Novosibirsk. When choosing the location for the new facility, the main factors were considered: maturity of the IT personnel market, number of quality higher educational institutions, convenience of location and transport links to EVRAZ main production units. Among other things, the centre will focus on advanced analytical and machine learning technologies.

Read additional information on key projects in 2019 on the next page.

Our goal

As part of its digital transformation drive, EVRAZ is positioning itself as a company that plays a more active role as a catalyst for digital innovation. This goal foresees implementing digital transformation programmes and creating innovative ecosystems that bring together external partners and internal resources.

KEY DIGITAL TRANSFORMATION PROJECTS IN 2019

Siberia division (EVRAZ ZSMK)

Expert system based on machine learning

Theme (area)	Machine learning
Category	Steel
Project status on 31.12.2019	Launched
Effect	• Lower production costs • Higher productivity • Reduced labour expenses

Products high in rhomboidity from continuous casting machines are rejected, or they need to be processed further (grinding, etc) before being dispatched to the customer. A visual inspection for rhomboidity is conducted at the final stage of casting, when it is too late to rectify.
Inbuilt machine-learning algorithms analyse the array of operational data collected to identify hidden patterns indicating rhomboidity. Software predicts existing rhomboidity in real time in the casting mould (where the shape of the final cast is formed). The system informs the continuous casting machine operator of the optimal casting speed needed to keep rhomboidity within acceptable limits.

System for mathematically modelling production

Theme (area)	Mathematical optimisation
Category	Steel
Project status on 31.12.2019	Launched
Effect	• In 2019, the overall economic effect was more than RUB1.4 billion

A system has been developed and implemented to optimise all metal production units with a view to maximising EBITDA.
The system uses mathematical models for all facilities and calculates the end-to-end economic effect given existing restrictions and possibilities for changing the composition of raw materials and semi-finished products. It uses non-linear optimisation methods and GAMS modelling system to identify the global optimum based on 79,000 variables that occur monthly.

Monitoring and diagnostic system for rolling mill equipment

Theme (area)	Predictive maintenance
Category	Steel
Project status on 31.12.2019	Pilot project completed
Effect	• The upgrades have confirmed the feasibility of using modern equipment monitoring and diagnostic systems • They have also created a foundation for establishing information exchange with enterprise asset management systems

In the testing zone of EVRAZ ZSMK's rail and beam shop, in the hot-rolling mill, the existing automated process control systems have been upgraded to the level of an equipment control system: a monitoring and diagnostic system. The aim is to transform the company's asset maintenance function from a reactive model to a preventive (giving the possibility of planning servicing) and predictive (giving the possibility of forecasting condition) one.
Additional functionality has also been introduced:

- Monitoring equipment operation data
- Monitoring images and operator actions by camera
- Digitalising specialist experience and knowledge

Coal division (Raspadskaya coal company)

Production and occupational safety management centre

Theme (area)	Data collection and visualisation systems
Category	Mining
Project status on 31.12.2019	Launched
Effect	• The new display presents all of the required information in a full and digestible manner • It gives the option of viewing data from previous shifts • It also enables management decisions to be taken more quickly • Productivity is increasing as a result

In the control room at Raspadskaya, the video display wall, featuring 19 video panels with analytical information, has been upgraded. It gives information about the air and gas monitoring equipment (data about methane levels in mines); longwall operations (data about the position of mining equipment and reasons for downtime); the positioning system in mines; a summary of the planned and actual mining, throughput and shipment; efficiency indicators; conveyor belts (data about downtime); and the Kuznetskaya beneficiation plant. Videos of shipments and data from underground cameras can be viewed. Executives and managers have access to a web portal and mobile application that enable them to efficiently monitor key occupational safety and production indicators.

Tagging system for personnel identification and tracking in underground coal mines

Theme (area)	Data collection and visualisation systems
Category	Sales
Project status on 31.12.2019	Launched
Effect	The introduction of the tracking stations has made it possible to positively identify our miners. We can track personnel movements underground in real time. This also provides an additional inspection point to ensure that miners have duly received PPE and undergone medical examinations. **Alexey Chervyakov,** HSE Director at Raspadskaya

After the pilot project was completed at the Osinnikovskaya mine in 2018, the system was rolled out to all of Raspadskaya's other underground mining operations.
The system consists of specially designed stands containing readers:
- Access card reader (for descent and ascension)
- Cap lamp tag reader
- Portable gas analyser reader
- Control unit, computer and monitor to visualise tagging process

This allows the employee to independently link their cap lamp tag to their data (from their access card). In the future, without this linked tag, access to the mineshaft will be blocked for the employee.
In addition, miners are checked to ensure that they have personal protective equipment (PPE) and have undergone a medical examination.
This system is integrated with the access control and underground personnel positioning system.

Urals division (EVRAZ NTMK)

Predictive maintenance system using vibration diagnostics data

Theme (area)	Predictive maintenance
Category	Steel
Project status on 31.12.2019	Pilot project completed
Effect	"The installation of the condition monitoring system in the testing zone paves the way for reducing labour spending on diagnostics and integrating with the EAM system as part of the transformation of maintenance services under way at the company." **Andrey Ermakov,** Head of the Central Electrotechnical Laboratory

In the testing zone of EVRAZ NTMK's wheel and tyre shop, an automated system for monitoring equipment condition has been introduced. It creates a single IT environment for maintenance teams and a foundation for transitioning predictive equipment maintenance.
A permanent vibration diagnostics system has been installed that:
- monitors and diagnoses defects in the main production equipment in real time
- conducts continuous diagnostics of equipment in various technological regimes under loading conditions
- provides remote access to diagnostic information to several specialists simultaneously in real time removing the need for inspections and checks

Model for calculating optimal steel temperature

Theme (area)	Machine learning
Category	Steel
Project status on 31.12.2019	Launched
Effect	• The model has increased productivity by boosting output by 47,152 tonnes a year

Before the introduction of the system, to ensure an effective temperature for secondary steel processing, operators in the continuous casting plants nos. 1-4, used the maximum permissible temperature given in the technological manuals, as well as experience gained from previous runs. This was insufficient for casting steel at maximum permissible speeds.
As a deliverable of this project, a model was built to calculate the optimal production temperature for the casting ladle from the secondary steel processing section . The model was developed based on a production efficiency audit.

Transition to paperless document processing at companies

Theme (area)	Electronic document processing
Category	Sales
Project status on 31.12.2019	Four projects launched
Effect	• Labour expenses have been reduced by 4.7% of the worktime fund of production personnel • Document processing time has been decreased to 80% of the previous level • Monitoring procedures have been streamlined, while transparency has increased and the number of errors has been reduced

HR directives regarding employee transfers and appointments are now created using a master template in a single web system (instead of three information systems previously).
Both inventory ordering for production and quality certificates for end products have been moved to electronic format, with digital signatures and storage in an electronic archive.
A digital version of the labour safety manual has been created.
To introduce electronic signatures of users, a EVRAZ corporate registration centre has been established. Another 10 types of documents are being developed. The ultimate aim is to end the use of paper documents in full.

CSR report

Acting responsibly

for a Better Future

Wilshire
Grand Center
LA, United States

Our approach

EVRAZ views corporate social responsibility as an integral part of its business and strives to address and monitor all relevant matters in this area. The corporate social responsibility section of this annual report provides an overview of the Group's policies and performance in 2019 in key areas, including human rights, health and safety, the environment, human capital management and community engagement, as well as an outline of how EVRAZ intends to improve its performance in the years ahead. The Group considers these policies appropriate and effective.

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

Health, safety and environment

Governance

A core part of the Group's sustainability activities and long-term success is occupational health and safety (OHS).

Employee safety is a key priority of the business principles that EVRAZ adheres to, and every practicable effort is undertaken to continuously improve in this area.

The Group has implemented a multi-stage health, safety and environment (HSE) management system that encompasses everything from strategic decisions down to daily operations. The HSE Committee of the Board of Directors is responsible for coordinating HSE policies and monitoring the implementation of strategic HSE initiatives.

The EVRAZ HSE Management Committee consists of the CEO and vice presidents. Its remit includes approving annual HSE KPIs, goals and initiatives, as well as considering all serious incidents and corrective actions on a monthly basis.

Each of the Group's divisions also has monthly HSE Committee meetings to review HSE incidents and approve corrective actions to prevent them from reoccurring in future.

A three-stage HSE management system is in place at EVRAZ enterprises in accordance with the OHS Management System that covers all management levels, from line managers to enterprise managers. This multi-tiered system helps the Group to ensure strict compliance with HSE requirements.

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

HSE system

The Group adopted its HSE Policy in March 2011 and has updated it regularly since then, most recently in February 2018. The HSE Policy enshrines five basic safety principles:

- All incidents are preventable
- Do not start work if it cannot be performed safely
- EVRAZ managers at all levels are directly responsible for the safety of employees, as well as contractors and visitors
- EVRAZ managers at all levels should be an example and role model for compliance with all HSE rules and principles
- All EVRAZ employees are personally responsible for complying with HSE standards and regulations

The HSE management system's most important function is to identify potential environmental hazards and risks to employees' life and health in the production process, from planning and procurement to the sale of finished products to customers.

The Group's HSE management system consists of the following phases:

- Identify and assess risks
- Develop and implement HSE risk management initiatives
- Investigate incidents and identify systemic causes to prevent future reoccurrence
- Analyse HSE metrics, update and set new safety targets

The HSE management system at EVRAZ metallurgical plants is certified in accordance with the OHSAS18001 international standard and is being prepared for recertification in accordance with ISO 45001 in 2020.

Emergency response

All EVRAZ enterprises have action plans in place to respond to emergencies and accidents. The plans are coordinated with local emergency response units and are regularly inspected during joint exercises to develop procedures for the localisation of and response to accidents and incidents.

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

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

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

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

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

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

HSE reporting system

The Group has developed and adheres to an Incident Management Standard, part of which is a system for instantly reporting all incidents. Within 24 hours from the moment of an incident, the HSE Information System sends a Flash Report describing the circumstances of the incident and rapid response measures to ensure that other departments are prepared to prevent such incidents.

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

Internal audit specialists perform regular audits of all EVRAZ enterprises. In addition, the Group's operations are continuously monitored by government regulators. Committees at the appropriate levels review all recommendations received as a result of audits and measures are implemented in accordance with these recommendations to improve the effectiveness of controls.

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

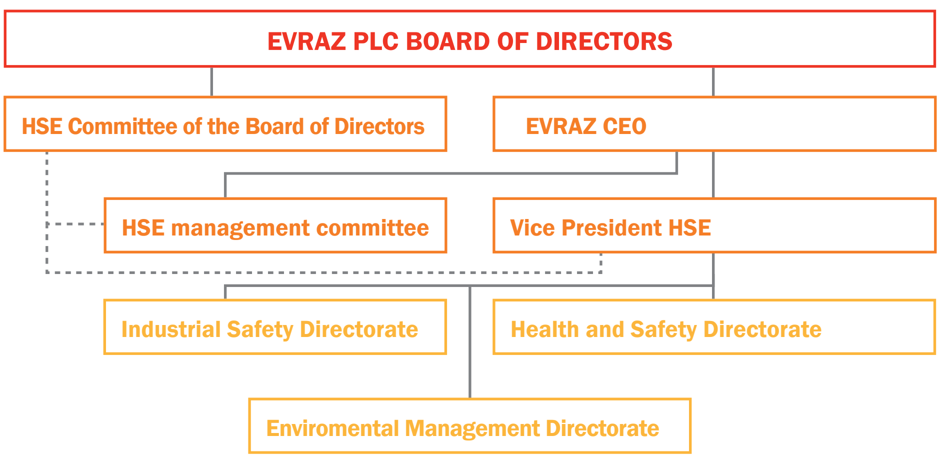
In addition, the "A3 problem solving" tool is used for all incident and injury investigations to identify systemic causes and develop all possible measures to prevent the recurrence of such incidents. Each month, the HSE Committee reviews such events and approve reports on all fatalities and severe injuries. The Committee also monitors the implementation of preventative measures and their effectiveness.

In recent years, EVRAZ has been consistently implementing measures to prevent the concealment of the circumstances of all incidents and to ensure maximum transparency of the information system, including by creating a hotline via which employees can anonymously report any HSE problems.

The Group's incident reporting transparency policy has created a system to receive reliable information, including potential incidents and dangerous actions, and to use this information to implement preventative measures.

EVRAZ distributes a monthly report that includes HSE results and KPI performance, including LTIFR.

HSE corporate management structure



HEALTH AND SAFETY

Our approach

While performing technological operations, EVRAZ employees are exposed to various risks inherent to the working environment. Potential risks when mining for coal and ore underground include rock collapse, flooding, explosion of dust and gas, and others. Employees engaged in steel production are exposed to risks associated with movement of machinery, transportation of materials, lifting, temperature and harmful gases, among many others. In addition, the Group's enterprises have common risks, including working at height, transportation, electricity, etc.

To prevent possible incidents associated with these risks, EVRAZ identifies the working operations where these risks are present and implements technical solutions to serve as a reliable barrier and mitigate the risks. Where technical solutions are not available, EVRAZ applies organisational controls to manage the risks and reduce their likelihood and possible consequences.

One such solution is a system for teaching workers and contractors safe working methods in the face of inherent risks. The system also includes regular testing of knowledge and skills at training sites.

In addition, the Group continuously reviews the personal protective equipment (PPE) available and ensures that all employees have the necessary PPE.

EVRAZ has set a goal of improving the safety culture of its employees and contractors by making them personally responsibility for safe behaviour and compliance with the necessary rules, as well as engaging each employee in identifying hazards and risks at their workplaces. To this end, the Group has developed a risk management project and started to implement it at its operations.

Results in 2019

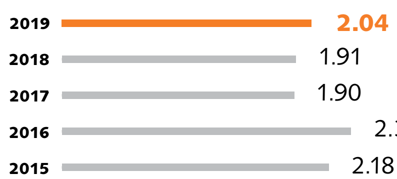
LTIFR

The lost time injury frequency rate (LTIFR) is a strategic KPI that is cascaded down throughout the organisation in individual management performance scorecards. In 2019, the group did not meet its target of 1.67, closing the year with an LTIFR of 2.04. The increase in this key metric was primarily caused by an incident involving a crew bus in February 2019 in which eight colleagues lost their lives and 16 people were seriously injured.

The root cause investigation into this incident has resulted in significant revisions in the permit-to-work system for employees and drivers, including pre-trip medical examinations, work order release, and GPS tracking of vehicles on haul roads. In addition, a programme is being implemented to replace buses carrying workers with structurally reinforced, rollover-resistant crew vehicles. These measures are being introduced at all open pit mines operated by EVRAZ. As part of an existing initiative, the Group also continues to implement the Safe Driving Programme, which is a project to train all drivers involved in employee transportation.

While efforts to reduce injuries in Q2 and Q3 2019 were quite successful, seasonal Slip-Trip-Fall risks led to an increase in minor injuries in November and December, which made it impossible to a lower LTIFR than in the previous year.

LTIFR (excluding fatalities),
per 1 million hours

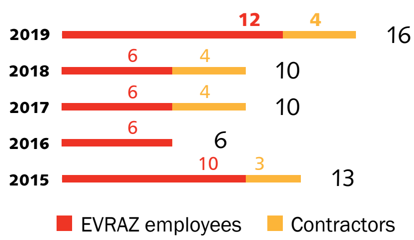


Fatalities

In 2019, EVRAZ lost a total of 16 colleagues:

- Eight employees died in the incident involving a crew bus at an open pit coal mine
- Four employees died in incidents associated with exposure to moving equipment, rock caving and falling loads
- Four contractors were fatally injured due to falling from height, a railway accident and a falling load while preparing for lifting operations

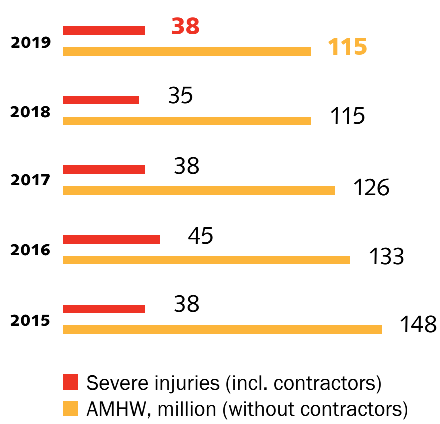
Fatalities



Each month, the HSE Committee reviews and approves preventative measures as a result of all fatalities and serious injuries, and then monitors the implementation and effectiveness of these measures. For each incident, a so-called "90-day plan" is developed to properly eliminate root causes of the incident.

In 2019, the Group used the results of a key risk assessment as a basis for reviewing and updating its cardinal safety rules to prevent the most dangerous types of employee activity. These rules must be followed by all employees and contractors.

Number of severe injuries (incl. contractors)



Current cardinal safety rules

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

Fighting fires in virtual reality

In 2019, EVRAZ NTMK and EVRAZ KGOK, both of which are part of the Urals division, began to use a virtual reality firefighting trainer. It was built to order for EVRAZ, and the Group's employees helped to design it.

By putting on a 3D helmet, an employee finds themselves in a virtual office or production facility where a fire has broken out. Using a pair of joysticks, they learn how to act in the presence of heavy smoke, as well as burning fuels, lubricants and electrical appliances. In virtual reality, they can move, pick up items they need and rescue unconscious people. The simulator helps to teach employees to take the right decisions during emergency situations.

Treatment of occupational diseases

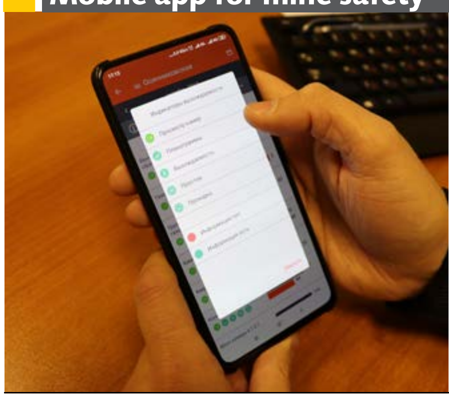
Consistent with all applicable legislation, EVRAZ provides all its employees with insurance against work-related injuries and illnesses. A system of regular medical check-ups helps to identify potential occupational diseases and undergo timely treatment.

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

In 2019, a total of 237 cases of occupational diseases were registered at EVRAZ facilities worldwide, compared with 256 cases in 2018. The Group continues to closely examine working conditions and strives to eliminate the highest-risk workplaces in terms of employee health.

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

Mobile app for mine safety



In 2019, the IT department at Raspadskaya updated the RUK MPU mobile app, which works on both the Android and iOS platforms, and is also available online.

First launched in 2018, the initial version of the app made it possible to monitor targeted versus actual figures for mining, tunnelling and loading work, as well as key performance metrics for the mine and processing plants, coalface performance and methane content.

The updated app includes information about the causes of downtimes. With a current sensor, employees can monitor the work of tunnelling machines. Users can also receive warnings when methane content exceeds safe levels. In addition, they can view online footage from the underground surveillance cameras at all Raspadskaya operations.

Key projects in 2019 and objectives for 2020

Corporate-wide initiatives in 2019 were mainly focused on cultural change through improving the safety behaviour of employees and contractors.

Contractor safety

EVRAZ continues to integrate contractors into its HSE management system. In 2019, the Contractor Management Standard was revised. This resulted in clarifications to the contractor pre-qualification requirements for work at the Group's enterprises, the system of motivation and fines to incentivise rapid adjustments to the organisation of work, the requirements for planning safety measures and the permit-to-work system.

Further improvements to the contractor management system in 2020 will include rating contractors on their HSE performance, which aims to increase responsibility for failing to organise safe working conditions, as well as motivate compliance with the EVRAZ HSE system requirements.

Risk management

In 2019, EVRAZ reviewed its risk management system to maximise employee engagement in the process of identifying and mitigating risks.

The Group's enterprises have been assessed using the existing risk management system to identify areas for improvement. As a result of this assessment, senior management has held a session to review the EVRAZ HSE management system and found that the main elements of the system requiring development were Leadership and Risk Management.

To improve these elements, the Group has decided to implement a Risk Management project and, during the year, developed a set of risk management tools. These simple but effective methods for determining hazardous conditions and actions have been tested in pilot workshops and mines. The Risk Hunting and Dynamic Risk Assessment tools help to determine "What could go wrong?" and implement measures to stop work that threatens life and health, or to mitigate the risks. The risk assessment matrix was also revised and a risk passport form was developed.

To implement the project, teams of risk managers and internal trainers were created in the Group's divisions, and the standard work of line managers and enterprise managers was revised. The project's tools have been integrated into the existing HSE documentation and work schedules.

In 2020, implementing this project will be EVRAZ primary HSE initiative. As part of these efforts, all Group employees will be trained to use the risk identification, assessment and mitigation tools. The plan includes creating a system to receive risk warnings from employees, as well as to improve behavioural safety conversations between line managers and employees so that the workforce is more engaged in the routine dynamic risk assessment process on the job.

The goals that EVRAZ has set for the Risk Management project in 2020 include engaging employees and receiving at least one risk warning for every two employees who received training. The project's other goal is to create "red risk passports" based on the key risk management barriers identified while compiling comprehensive maps of the risks present at our employees' workplaces.

Hazardous area warnings

Lock-out systems are being installed to protect people from moving equipment and tunnelling faces at the Mezhegeyugol mine and other EVRAZ mines. The main component of the STRATA Hazard Alert system is a magnetic field generator, which is installed on a piece of equipment and creates an electromagnetic field around it. Before entering the mine, employees receive a personal signalling device that detects these fields.

If an employee comes within three metres of the equipment, it slows down, and light and siren alarms warn of the danger. When a person enters a hazardous area, the equipment shuts down completely.

Defensive driving training

In 2019, EVRAZ KGOK held a defensive driving training programme for 155 drivers of passenger transport convoys that aimed to teach them a new way to assess risks on the road. After years of driving on the same route, drivers can stop regarding traffic as a potential threat. The training helped drivers to reconsider their usual approach, focusing on maximum safety.

The defensive driving style is a model that makes it possible to prevent an accident regardless of the actions of other road users, as well as road and weather conditions. As part of the training process, attendees comment about the situation on the road and their actions, predict where danger might come from and explain how they might react. The primary aim is to develop skills to ensure complete control of the situation on the road. After the 10-day training programme, most participants felt that their ability to predict traffic situations had grown markedly. Maintaining a level of concentration that gives a margin of time for manoeuvre helps to minimise risks.

ENVIRONMENT

Our approach

One of EVRAZ overriding priorities is to mitigate the potential environmental impacts of its steel and mining operations through best management practices and advanced technology.

This approach aims to help the Group to prevent or control any undesired environmental consequences, as well as to reduce its consumption of energy and natural resources.

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

EVRAZ recognises that its production processes entail certain environmental risks and liabilities and, as such, is focused on preventing or minimising any potential adverse environmental consequences from its operations.

The Group employs a corporate management system that bases environmental procedures on the plan-do-check-act (PDCA) model. EVRAZ has developed it to promote its health, safety and environment (HSE) policy principles and support its environmental strategy implementation, which includes environmental risk assessment, planning, legal compliance management, reporting and other processes.

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

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

The Group's environmental programme also features training courses and seminars that encourage its specialists in the field to exchange experience.

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

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

For additional information, read the EVRAZ Sustainability Report for 2019, which is to be published in May 2020.

Environmental strategy

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

EVRAZ five-year environmental targets (covering 2018–22) aimed at:
- Decreasing fresh water consumption by 10%
- Recycling 95% of annual non-mining waste
- Maintaining the greenhouse gas intensity ratio below 2 tonnes of carbon dioxide (CO_2) equivalent (tCO_2e) per tonne of steel cast

The Group has committed to implement various environmental protection programmes over 2020–25. As of 31 December 2019, the estimated cost to implement these programmes totalled US$198.6 million, compared with US$121 million as of 31 December 2018. The rising environmental commitments is the result of agreements signed with the Russian government regarding the "Clean Air" National Project in June 2019.

In 2019, EVRAZ spent US$30.3 million on measures to ensure environmental compliance and US$28.8 million on projects to improve its environmental performance. Non-compliance-related environmental levies and penalties totalled US$5 million.

There were no significant environmental incidents or material environmental claims involving the Group's assets during the reporting period.

Biodiversity

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

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

The Group's primary biodiversity efforts include:
- Restoring damaged lands and landscaping
- Restoring water biodiversity
- Implementing social and environmental initiatives

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

- Since 2011, the Abagursky branch of EVRAZ ZSMK has been working to reclaim the old tailings storage No. 2. During 2012–18, the site completed the dehydration and land planning stages of the project. In 2019, the site started the final phase, which entails biological reclamation, including planting 64,830 trees during the year.
- Since 2015, the Raspadskaya mine has been implementing a long-term project to recover land damaged during open-pit mining (138 hectares).
- Work to landscape industrial sites and sanitary protection zones at facilities continued in 2019.

As part of a programme to restore aquatic bioresources, the Group's enterprises released more than 379,000 juvenile fish into local rivers of Kemerovo region and Sverdlovsk region.

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

The list of EVRAZ social and environmental initiatives include:"Environmental Saturday" voluntary workdays: cleaning parks, planting trees and putting up birdhouses

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

Air emissions

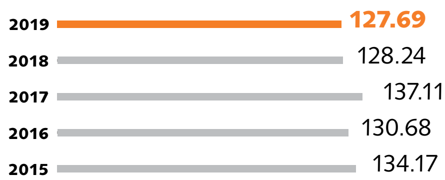
One of EVRAZ foremost environmental priorities is to reduce air emissions. The key air emissions comprise nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds (VOC). In 2019, the key air emissions decreased by 0.4% year-on-year.

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

In June 2019, EVRAZ signed agreements with the Russian government to implement the "Clean Air" National Project. According to the agreements reached, the Group will continue to introduce the best available technologies at its metallurgical plants to reduce its environmental impact. In particular, EVRAZ NTMK and EVRAZ ZSMK are implementing projects to switch to a technology that uses final cooling of coke oven gas in closed heat-exchange equipment, which will reduce emissions from coke production. To address sulphur dioxide emissions from iron ore processing at EVRAZ ZSMK, a desulphurisation system will be built at its sinter plant. The reconstruction of blast furnace No. 6 at EVRAZ NTMK will include modern dust and gas treatment plants similar to the equipment used in the plant's newest blast furnace No. 7.

The Group targets reducing total air emissions during the period of 2017–24 by 22% at EVRAZ ZSMK and by 10% at EVRAZ NTMK.

Key air emissions[1], kt



GHG emissions

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

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

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

The Group has set a five-year target for its Steel segment to keep the GHG intensity ratio below 2 tonnes of crude dioxide (CO_2) equivalent (tCO_2e) per tonne of crude steel cast. In 2019, the intensity reached the level below the target and amounted to 1.97 tCO_2e/tcs.

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

EVRAZ has collected GHG emissions data for 2019 and compared them with the 2014–18 levels. The Steel segment continues to generate more than half of the gross GHG emissions from the Group's operations. Nearly 93% of the Coal segment's full emissions come from fugitive methane (CH_4) leakage, which is caused by methane ventilation from underground mines and post-mining emissions from coal.

In 2019, the overall GHG emissions from EVRAZ operations increased by around 11.8% (or 4.58 mln. tCO_2e) year-on-year. The Group's Scope 1 emissions rose by 13.1% and Scope 2 emissions slightly increased by 1.2%.

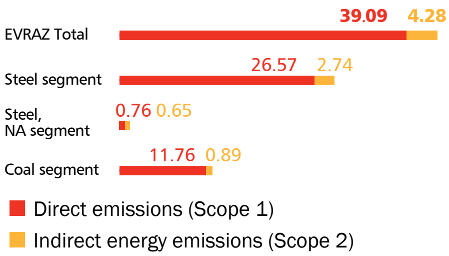
The major contribution came from coal mining (3.26 mln. tCO_2e) as a result of higher volumes of underground mining (2.81 mln. tonnes of coal) and due to factors which are beyond our control such as increase of methane content in deeper coal seams being developed. Moreover, we had to intensify preliminary methane drainage (by 27% vs 2018) in order to improve safety conditions for employees at some mines. With this in mind, we are developing a project on utilisation of methane emitted from mines after drainage to decrease our full carbon emissions in 2020 and further.

Emissions of CO_2 grew by 4.20% (or 1.13 million tCO_2e) as a result of higher steel production at main steelmaking mills in Russia (+ 6% of crude steel cast). Although absolute emissions in Steel sector increased by 4%, the specific intensity ratio decreased due to more efficient operation of Blast Furnace shop at EVRAZ ZSMK in 2019 and exclusion of EVRAZ DMZ (cease of operations in Ukraine) as from Q1 2018.

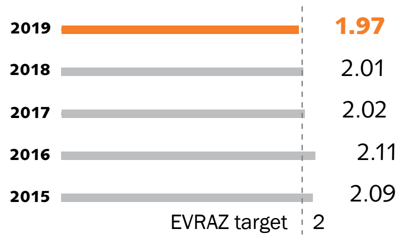
In addition to the specific intensity ratio in the Steel segment EVRAZ also reports an intensity ratio relating its annual Scope 1 and 2 GHG emissions to consolidated revenue for the Group. This ratio increased due to lower revenue in 2019 on the background of overall GHG emissions growth.

1. Air emissions calculation perimeter differs from the calculation perimeter of GHG emissions.
2. Carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFC) and perfluorocarbons (PFC), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3)
3. The inventory of emissions includes all entities that EVRAZ controls. Entities that were disposed of during the year were included for the period they were part of the Group. Only entities that were deemed immaterial for consolidated emissions based on their operational indicators were omitted. Direct CO_2 emissions from operations were calculated using the carbon balance method for carbon flows within production facilities, including fuel use. Emissions of other GHGs were calculated based on measured volumes, inventory changes or IPCC2006 factors and models (including for post-mining coal methane emissions) where direct measurement data were not available. Indirect emissions were estimated using emission factors specifically developed for the country or region, if available, or otherwise factors provided by UK Defra.

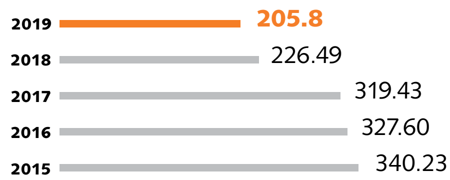
EVRAZ GHG emissions in 2019, million tCO_2e



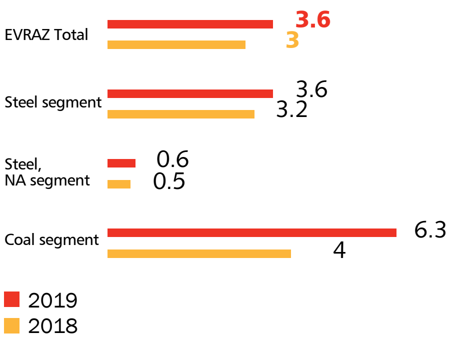
Specific Scope 1 and 2 GHG emissions from Steel segment (incl. NA), tCO_2e per tonne of crude steel cast[1]



Fresh water intake for production purposes[2], million cubic metres



GHG emissions per revenue, kg CO_2e/US$



Water consumption and discharge

EVRAZ aims to efficiently use water resources and prevent any negative water quality impacts through environmental incidents.

In 2019, almost 77% of the Group's total water intake came from surface sources, including rivers, lakes and reservoirs, 3% percentage points year-on-year.

During the reporting period, the ongoing programmes to improve the water management at EVRAZ operations continued to deliver environmental benefits. In 2019, the Group consumed 205.8 million cubic metres. That is 20.7 million cubic metres less fresh water than in 2018, for a year-on-year reduction of 9.2%. Almost 15.1 million cubic metres have been excluded out of the balance due to the exclusion of assets in 2018–2019, including 14.5 million cubic metres of water intake of Ukrainian assets reported in the first quarter of 2018.

The Group's five-year target is to decrease fresh water consumption by 10% compared with the baseline of 2016 (231 million cubic metres). In 2019 the Group has re-estimated the baseline, taking into account asset exclusion, and set updated target 207 million cubic metres.

While water pumped from mines (dewatering) is not included in the fresh water consumption target, pumped water is partly used for technological needs. In 2019, EVRAZ pumped out and used 21.2 million cubic metres of mine water, compared with 17.36 million cubic metres a year earlier.

Waste management

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

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

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

EVRAZ GHG emissions, million tCO_2e

	2015	2016	2017	2018	2019
Direct (Scope 1)	**36.87**	**35.81**	**36.68**	**34.56**	**39.09**
Consisting of:					
CO_2	29.13	28.76	28.35	26.86	27.99
CH_4	7.67	6.99	8.26	7.64	11.04
N_2O	0.07	0.07	0.06	0.06	0.06
PFC and HFC	0.0002	0.0001	0.00003	0.00009	0.00002
SF_6	–	–	–	–	–
NF_3	–	–	–	–	–
Indirect (Scope 2)	**6.17**	**5.02**	**4.97**	**4.23**	**4.28**
Total GHG emissions	**43.04**	**40.83**	**41.65**	**38.79**	**43.38**

1. Calculation perimeter includes the following subsidiaries: EVRAZ NTMK, EVRAZ ZSMK, EVRAZ Calgary, EVRAZ Camrose, EVRAZ Portland, EVRAZ Red Deer, EVRAZ Regina, EVRAZ Pueblo.
2. Calculation perimeter includes the following subsidiaries: EVRAZ NTMK, EVRAZ KGOK, EVRAZ ZSMK, Evrazruda, RaspadskayaCoal Company, EVRAZ Caspian Steel, EVRAZ Palini e Bertoli, EVRAZ Vanady Tula, EVRAZ Nikom, EVRAZ Calgary, EVRAZ Camrose, EVRAZ Portland, EVRAZ Red Deer, EVRAZ Regina.

waste minimisation efforts and set a target to reuse or recycle at least 95% of waste.

In 2019, the Group's steel mills generated 8.45 million tonnes of metallurgical waste and by-products, including slag, sludge, scale and others, and recycled or re-used 8.88 million tonnes of material. Overall, EVRAZ recycled or re-used 105.1% of non-mining waste and by-products in 2019, compared with 111.3% a year earlier.

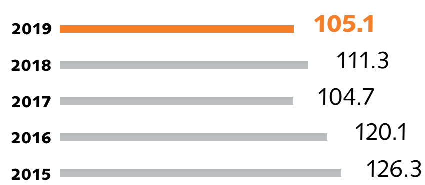
The Group's strategy for dealing with non-hazardous mining wastes, such as depleted rock, tailings and overburden, is to use them where possible for land rehabilitation and the construction of dams or roads. In 2019, 38% or 75.47 million tonnes of such waste material were re-used, compared with 26.7% or 62.05 million tonnes in 2018.

All non-recyclable waste is stored in facilities that are designed to prevent any harmful substances contained in the waste from escaping into the environment. The Group's largest tailings dams are owned by EVRAZ ZSMK and EVRAZ KGOK. Safety at such facilities is monitored extremely closely and all necessary steps have been taken to mitigate any danger as far as possible.

Tailings storage facilities disclosure

EVRAZ has a dam safety management system in accordance with the current legislative procedures that cover all stages of life cycle: design, construction, operation and asset retirement. All dams have safety zones where no residential houses and civilian infrastructure is allowed. The processes and procedures are controlled by operations and audited by the HSE personnel of the sites, the regulator's inspectors and the Group's internal industrial safety auditors. Measures to improve the effectiveness of controls have been implemented consistently. The internal industrial safety auditors at EVRAZ performed an operational audit of all active tailings storage facilities (TSFs) during 2019.

Waste recycling rate, %



To build greater levels of trust with all stakeholders, the Group discloses detailed information about its TSFs at the following link:
https://www. evraz. com/en/ sustainability/tailings-storage-facilities/

Waste management strategy

Improve technological processes to enhance product quality Secure by-products without generating waste	MINIMISE AT THE SOURCE
Re-use the main types of waste from metals production: slag, clinker and tailings, including from old dumps	RE-USE
Develop new products that feature various types of waste Use inert waste to reshape land plots and build dams or roads	RECYCLE
Generate heat from hot slag Use waste for heating (local boilers)	BURN AS FUEL / GENERATE HEAT
Store waste that cannot be used today safely, retaining the option of using the locations as industrial sites in the future	STORE
It is forbidden to: "burn production and consumption waste without special facilities or dump it outside designated areas" (EVRAZ Fundamental Environmental Requirements)	BURN

Order of preference

Environment case studies

WATER

NEW MINE WATER TREATMENT FACILITY LAUNCHED AT RASPADSKAYA MINE

Since 2012, Raspadskaya has been implementing a long-term water protection programme at its facilities, which entails building and reconstructing treatment facilities for mine, quarry, household and industrial wastewater to reduce the impact on water bodies. Over nine years, eight projects have been implemented with a total CAPEX of more than US$20 million.

New mine water treatment facility at Raspadskaya mine

In 2019, the modernisation of mine water treatment facilities at the Raspadskaya mine was completed, doubling the treatment capacity, as well as reducing the discharge of suspended solids by 62% and of oil by 65%. Most of the treated water is now reused for the needs of the mine and the processing plant, while the remaining water is discharged into the river in accordance with all environmental requirements.

Overall, from 2020 to 2024, another six projects will be implemented with a total CAPEX of more than US$20 million and the launch of three more wastewater treatment plants is planned in 2020.

The modernisation of mine water treatment facilities at the Raspadskaya mine reducing the discharge of suspended solids by

62%

AIR

UPGRADE OF ELECTROSTATIC PRECIPITATORS ON BOILER NO. 8 COMPLETE AT WEST SIBERIAN THERMAL POWER PLANT

At West Siberian Thermal Power Plant, ash and soot are formed when burning solid fuel. The previous air treatment equipment did not meet new environmental standards. In 2015, the electrostatic precipitators at the began to be gradually upgraded. Their principle of operation is simple: under the influence of an electromagnetic field, ash and soot settle on special electrodes, are shaken off and fall into a hopper.

New electrostatic precipitators at West Siberian Thermal Power Plant

Over 2015–18, the programme implementation helped to reduce annual emissions by 8.2kt. The filter upgrade on boiler No. 8 has made it possible to reduce annual atmospheric emissions by more than 2.9 kt. The last project under the programme is upgrading the filters on boiler No. 10, which will be completed in 2020.

BIODIVERSITY

EVRAZ continues to work together with the municipal administrations of the cities where it operates to organise environmental and social campaigns involving volunteers from among the Group's employees and their families. For example, as part of the environmental campaigns in 2019, a total of 920 trees were planted in parks and squares, including as part of the "Second Life to Trees" initiative, which seeks to transplant young trees from sites where mining will be carried out into city parks.

Other events include the "Environmental Saturday" clean-up days, "Clean Games" environmental quest, and "Clean Shore" and "Live Spring" initiatives. These efforts help to unite all EVRAZ employees and family members, as well as ordinary people who care about nature in the cities where the Group operates.

In 2019, work continued to reclaim old Tailing Storage Facility No. 2 at EVRAZ ZSMK. During the reporting period, 64,800 trees were planted at the reclaimed site.

As part of a programme to restore water bioresources, the Group's enterprises released more than 379,000 young fish into local rivers and lakes.

64,800

trees

were planted at the reclaimed site during the reporting period

AWARDS

In 2019, EVRAZ NMTK won the award for "Most environmentally responsible enterprise in the field of ferrous metallurgy" at the XV annual "Leader of Environmental Activities in Russia – 2019" competition.

EVRAZ ZSMK won the annual regional "Ecoleader" contest. During the official closing ceremony at the Kemerovo region administration, the plant received the award for the "Enterprise" category.

Outlook for 2020

In 2020 the Group plans to review and update its Environmental strategy taking into consideration all challenges that the company face now and will face in the nearest future, including the climate risks and other issues related with stakeholders' expectations.

As the key priority the Group set implementation of its commitments within the National Project "Clean Air" and achieving the National Environmental Targets for air emission reduction in Novokuznetsk and Nizhny Tagil.

EVRAZ Air Emission reduction programme includes:

EVRAZ ZSMK:

1. Coke gas cooling system upgrade. 2020 task – to start construction works.
2. Off Gas Desulfurisation Installation. 2020 task – to complete design stage
3. Electric precipitator restoration (HPS). 2020 task – to upgrade the filters on boiler No. 10

EVRAZ NTMK:

1. Coke gas direction to by-product recovery plant № 3. 2020 task – to start construction works
2. Off-gas cleaning units efficiency upgrade. 2020 task – to complete upgrade of gas cleaning units at oxygen converter shop
3. New off-gas cleaning installation at blast furnace #6. 2020 task – to complete construction

EVRAZ Vanady-Tula:

Kiln off gas system upgrade. 2020 task – to complete commissioning of the new off gas cleaning unit.

EVRAZ North America:

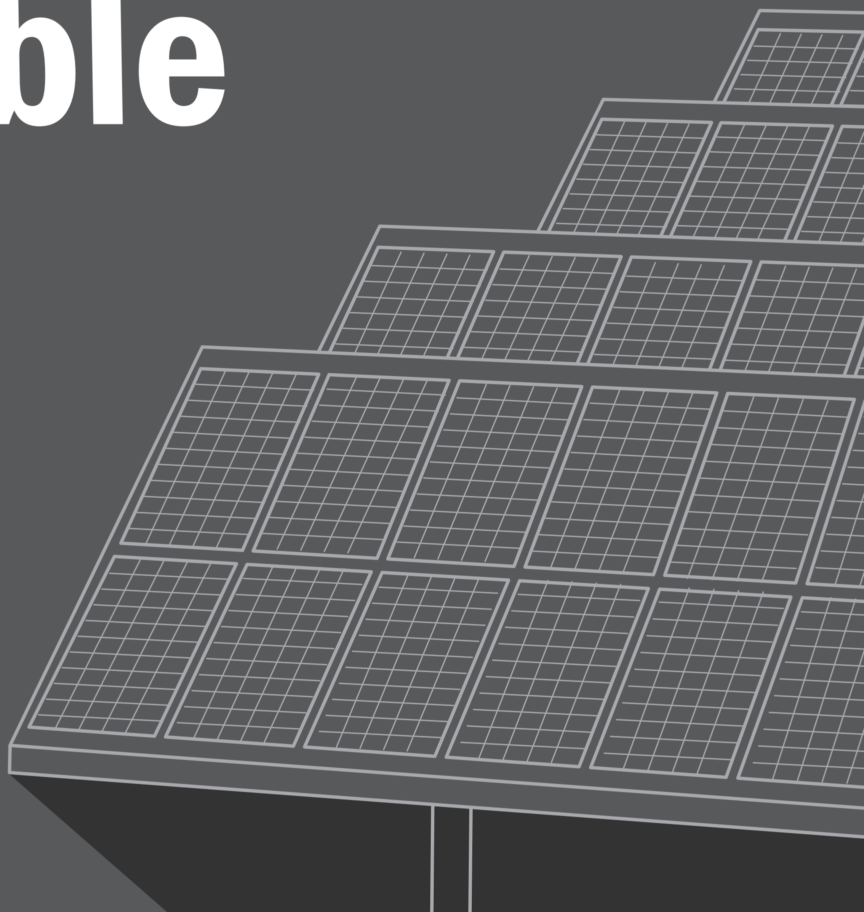
Regina Reheat Furnace NOx Reduction & Upgrade. 2020 task – to complete installation of low NOx burners.

Water management programmes launched in the previous year will be continued at EVRAZ operations: EVRAZ ZSMK, EVRAZ NTMK, Raspadskaya and EVRAZ Vanady-Tula.

EVRAZ

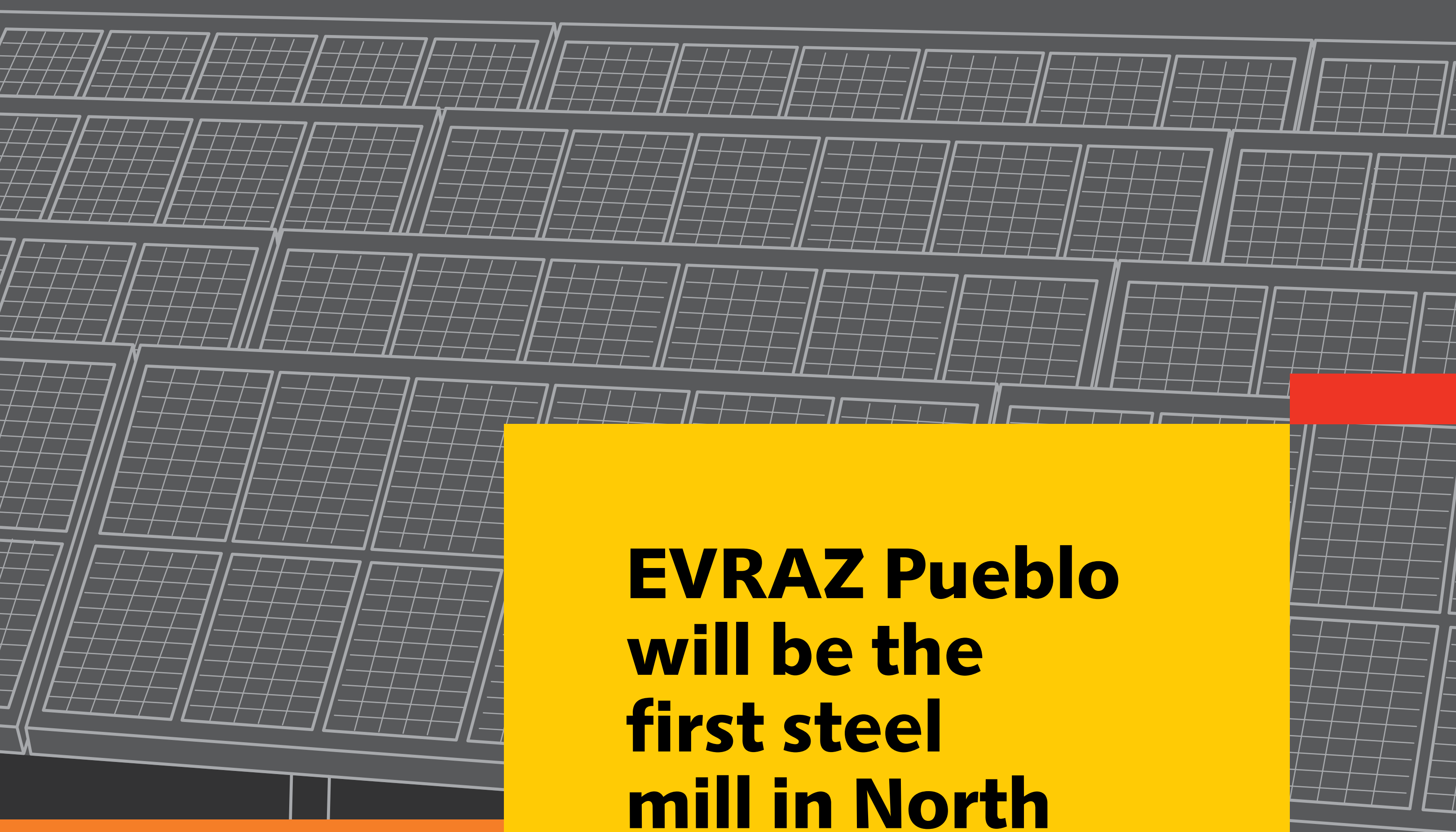
Using renewable energy

to produce the greenest steel



EVRAZ North America with Xcel Energy and Lightsource BP will develop a new solar energy facility in Pueblo

Read more about long rail mill project at EVRAZ Pueblo on page 23



EVRAZ Pueblo will be the first steel mill in North America to rely on solar power

2021

LAUNCH

The project is expected to go online by the end of 2021. It will be located on EVRAZ Rocky Mountain Steel property in Pueblo, making it the largest on-site solar facility dedicated to a single customer in the United States.

Social policy

OUR PEOPLE

Our approach

EVRAZ recognises that its people are the backbone of its achievements and, as such, strongly emphasises human capital development. Within this area, the Group's priorities are to comply with national legislation wherever it operates, including regulations governing labour protections, minimum wage, annual paid and parental leave, collective bargaining agreements, health insurance, pensions, personal data protection and other matters.

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

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

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

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

For additional information, read the EVRAZ Sustainability Report for 2019, which is to be published in May 2020.

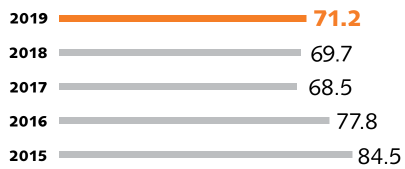
Personnel profile

Headcount

As at 31 December 2019, EVRAZ had a total of 71,223 employees, an increase of 2.2% year-on-year.

An increase in headcount was mainly caused by realisation of numerous corporate projects, including EBS Transformation, Procurement Transformation as well as due to the production increase.

Number of employees as of 31 December, thousand people



Diversity

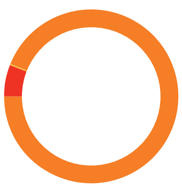
EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees' rights receive equal protection, regardless of race, nationality or sexual orientation.

Diversity improves business efficiency, increases engagement and stimulates employee development.

Breakdown of employees by age as of 31 December 2019, %

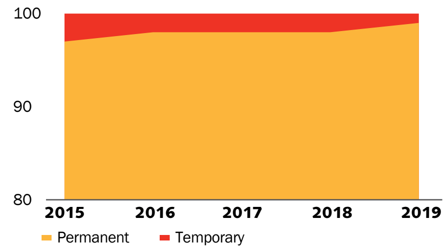
<20	0.4
20–29	14.3
30–39	30.3
40–49	29.9
50–59	20.0
>60	5.1

Breakdown of employees by region in 2019, %

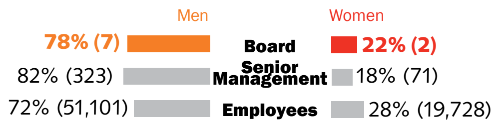


Russia and CIS	93.8
North America	6
Europe	0.2

Breakdown of permanent and temporary staff, %



Diversity of employees, senior management and directors, %



Staff recruitment policy

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

EVRAZ adheres to the following recruitment principles:

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

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

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

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

Staff reduction policy

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

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

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

- In addition, the preferential right to maintain employment under equal professional qualities is granted to:
  - People in families with no other independent income
  - Employees with two or more dependants
  - Employees who suffered an occupational illness or work-related injury while employed at the Group
  - Employees who were sent to employer-sponsored on-the-job training

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

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

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

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

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

Performance management

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

Learning and development

In 2019, EVRAZ continued its initiative to teach EVRAZ Business System (EBS) transformation tools to managers, as well as leadership and management practices that will support these transformations.

During the year, the second wave of the "Top 300" corporate management programme was launched. A total of 102 people took part in the first wave (September 2018 to July 2019) and another 97 people are enrolled in the second wave. Every programme participant is mentored by one of the Group's senior executives.

More than 9,000 employees of production divisions (workers, shift supervisors and craftsmen) have attended training sessions covering the basic EBS tools. This programme aims to foster a culture of continuous improvement and includes such courses as "What everyone can do", "Linear approach" and "Feedback".

One priority for EVRAZ is to develop engineering skills, to which end employees were trained in the following areas:

- 139 people attended Chief Engineer School programmes, such as the Rail Production School, Project Management School, etc
- 407 people took part in professional retraining programmes covering various areas, including blast furnace production (18 people), thermal power (26 people), etc

In addition to developing engineering skills, the Group launched several professional development programmes in 2019 for employees of functional units to support the transformation of their functions, including IT, legal, procurement and finance. Overall, 152 people took part in these programmes.

During the reporting period, EVRAZ started to deploy a production mentorship system aimed at improving training quality and helping new employees to adapt to their jobs more quickly. For example, more than 200 people were trained in the Pro Mentor programme: more than 50 mentor-protégé teams were formed and a corporate mentorship forum was held.

The Group continues to participate in the WorldSkills Hi-Tech national championship. In 2019, the EVRAZ team competed in 12 skillsets and won 18 medals – four golds, 10 silvers and four bronzes – including in the employees older than 50 years and junior categories.

Contractors

EVRAZ extends its human rights and anti-discrimination policies to also apply to its suppliers and contractors. Each contract with a partner must contain sections governing the prevention of corruption

EVRAZ approves human capital development strategy

In 2019, EVRAZ approved its human capital development strategy, which focuses on the management's responsibility for staff development and motivation. The strategy also aims to help managers to engage employees in achieving the Group's goals.

The primary targets of the human capital development strategy are as follows:

1. Employees share EVRAZ' principles and apply the EVRAZ Business System in their work
2. Employees have the necessary skill set and are prepared to increase their qualifications, retrain or change professions
3. Employees work efficiently

To successfully implement this strategy, EVRAZ is fostering a consistent management culture. Key aspects of this approach are the introduction of standard management practices and the "Top-300" training programme for shop managers and mine directors. In 2020, the Group plans to launch the "Top-1,000" programme for site managers.

and human trafficking. All contractors working at the Group's facilities are also required to follow the EVRAZ Cardinal Safety Rules.

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

Every EVRAZ employee must be familiarised with the Contractor Auditing Policy as part of the onboarding process.

Communication with employees

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

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

The Board reviews the engagement data on a regular basis and in 2018 appointed two non-executive directors to be involved in townhall meetings with employees to ensure that it is aware of any trends, comments or concerns. During 2019, two Board members met with employees and learned what is important to them. As part of this workforce outreach, Alexander Izosimov visited Raspadskaya in Novokuznetsk, Russia and Laurie Argo visited EVRAZ Portland's rolling mill in North America for townhall meetings.

Work with trade unions

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

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

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

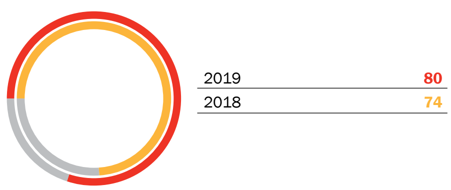
In 2019, there were no conflicts or collective labour disputes at the Group's Russian operating facilities. All changes and updates of collective agreements were constructive, in strict accordance with the law and the principles of social partnership. At every facility, trade union conferences were held where the employees confirmed that the terms of the collective agreements were complied with in full throughout the year.

In 2019, the Social Production Council met two times to discuss ambitious goal-setting, the target pay system and the EVRAZ Business System.

Employee engagement

During the reporting period, EVRAZ conducted its fourth "We are together" employee engagement survey to develop local and corporate-wide improvement plans. The focus was on increasing employee awareness of what is happening at the Group, including its short- and long-term goals, facility development plans and working conditions. The study was conducted from 9 September to 30 September. The survey gives every employee the opportunity to express their opinion about working at EVRAZ and helps the management to understand people's concerns. Focus groups are currently being held, after which each division will develop a plan to eliminate pain points.

Employee engagement survey response rate, %



Performance as an employer

EVRAZ regularly participates in contests that confirm its status as a socially responsible employer. In 2019, the Group won awards for the social performance of its collective agreements, as well as its HSE efforts, in the 16th annual metals and mining industry contest held by the Russian Metallurgists Association and the Central Council of the Russian Mining and Metallurgical Union.

EVRAZ operating facilities have also received regional awards for human resource management.

EVRAZ Hotline

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

Breakdown of hotline enquiries in 2019, %

General	5
Labour relations	68
Health and safety	15
Security	9
Others	3

In 2019, the hotline received 912 requests. The most frequent issues concerned labour relations, including the quality of labour relations (357), worker transportation (80) and labour compensation (56).

Motivation

Financial motivation

EVRAZ strives to ensure that the remuneration system at the Group's enterprises is transparent and easily understandable for employees, consistent with the principles of internal fairness and external competitiveness.

EVRAZ began to build an integrated grading-based remuneration system in 2017 at the management company in Moscow. The remuneration system for management and administrative staff provides for uniform principles to managing employees' fixed and variable income. Salary is determined on the basis of a market range for each grade. An annual salary review is performed following the employee performance assessment. An employee's annual bonus amount is also determined by the grade of the position.

In 2018, the system was introduced for personnel at the management company, trading company, EvrazMetallInprom, and Urals and Vanadium divisions. In 2019, it was expanded to include the Siberia division. When new positions appear or the functions of existing positions change, they are quickly evaluated by the evaluation committees at the management company in Moscow and at the division.

The Group also began to introduce the system at production enterprises during the reporting period. This included evaluating positions and setting remuneration for shop heads at steelmaking enterprises and mine directors. The system has also begun to be rolled out for employees of engineering departments.

In addition, EVRAZ launched a project in 2019 to create a target pay system based on the uniform grading structure for employees of production assets below the level of shop head and mine director. The aim of the project is to develop and implement a uniform set of fair and transparent rules and principles for setting remuneration across the Group's enterprises, harmonising the fixed and variable pay so that the amount and growth trend depended on the performance of the employee, team and department. This ensures a focus on continuous process improvement and achieving the ambitious goals that have been set for the department and enterprise as a whole.

In 2019, a pilot project was introduced at certain departments in the Steel segment of EVRAZ, including four at EVRAZ NTMK, two at EVRAZ KGOK and six at EVRAZ ZSMK. In addition, positions at the Group's energy assets and EVRAZ Vanady Tula were fully evaluated. Overall, more than 20% of the total

number of employees of the Steel segment work at the departments included in the pilot project.

Non-financial motivation

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

EVRAZ also supports retired former employees who worked 10 or more years at its facilities.

It has special programmes to support youth and women that have been united into public organisations. Cultural and sports events are held for employees and their families in the cities where the Group operates.

Children of employees receive gifts for the New Year holidays and when they start first grade in school.

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

In 2019, a corporate discount programme was introduced for employees of the Moscow office in conjunction with the provider PrimeZone.

Key projects in 2019

During the reporting period, the EvrazHolding management company (Moscow) implemented a project aimed at helping employees to adapt called "Buddy". Each new employee who joins the company is assigned their own person, a "buddy" who can help them out, discuss professional matters and ensure that they adapt to their new job.

In 2019, the "Benefit cafeteria" flexible benefit system was developed and introduced for employees of the Urals and Siberia divisions. The amount of the benefit is determined based on management assessments for previous work periods and employees can use a "wallet" to pay for training, sports and/or recreation for themselves or their minor children.

In December 2019, a project was launched to automate the recruitment process in the divisions. The introduction of the Huntflow cloud solution has increased transparency for both recruiters and customers. The process was launched in the Siberia, Urals and Coal divisions.

Objectives for 2020

In 2020, EVRAZ will continue to expand its new financial motivation system to cover the production assets. The plan is to introduce the grading process in the Coal segment, include the main departments of the Urals division in the target pay system and finish the transfer to the target system in the Siberia division.

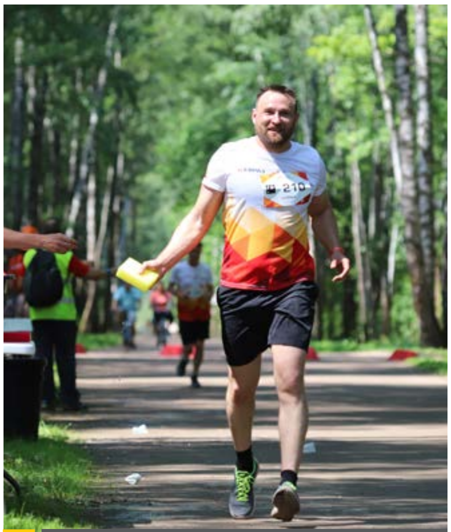
The Group also plans to launch a comprehensive health management programme for its employees that will incorporate new approaches, including identifying risk groups and offering both group and individual preventative programmes. A pilot project will be launched in 2020 at EVRAZ NTMK together with the Tetyukhin Urals Rehabilitation and Clinical Centre. At the centre, employees will receive check-ups as well as year-round medical care.

Another initiative planned for 2020 is the "Health and wellness days" at the Moscow office. The programme envisions arranging lectures about physical and mental health, as well as organising interactive events with the help of specialised providers.

The "Top 1000" programme is also slated to launch in 2020. The programme aims to align the managerial skills of all managers at a given management level.

Developing and training a succession pool is also a priority. The Group aims to understand the strengths and weaknesses of all "Top 300" participants, set up individual development plans for them and determine which of them are ready to take the next step up the career ladder.

COMMUNITY RELATIONS



Our approach

Following the international principles of corporate social responsibility, EVRAZ plays an active role in developing the regions where it operates. In the major cities where the Group works, such as Kachkanar, Mezhdurechensk, Nizhny Tagil, Novokuznetsk, Tula and their satellite towns, EVRAZ supports various educational, sports and environmental projects, performs charitable work, improves the labour and living conditions of employees and their families, and promotes the development of urban spaces. The Group's enterprises are responsible taxpayers and comply with federal and regional laws. EVRAZ strives to maintain a productive and open dialogue with all stakeholders, including local authorities, non-governmental organisations, the business and cultural communities, and the media. Among other things, this cooperation helps EVRAZ to gain an understanding of the socially significant projects in which the Group can take part.

The Group's charity funds in the Urals and Siberia select projects based on the EVRAZ Social Investments Guidelines. Priorities include supporting families in need, orphanages, veterans and victims of disasters, financing educational, sports and cultural projects, as well as subsidising health care activities and environmental protection programmes.

FEDERAL AND REGIONAL EVENTS

EVRAZ organises events to support sports, the environment, and the social and cultural development of cities. It also participates in national programmes, as well as federal and international forums.

At the 2019 St Petersburg International Economic Forum, EVRAZ signed an agreement regarding participation in the federal "Clean Air" project, a part of the "Ecology" National Project. EVRAZ was the general partner of the forum "The Role of Women in the Development of Industrial Regions", which was held in Novokuznetsk and has become an important platform for international discussion with women leaders in various fields. The Group participated in the "Innosocium" nationwide competition of social projects and the WorldSkills Hi-Tech national championship of working professions. It was also a strategic partner of the INNOPROM International Industrial Fair. EVRAZ supports the Novokuznetsk Drama Theatre, the Yeltsin Centre in Yekaterinburg, the Arkhangelskoye Estate Museum, the Documentary Film Centre and the Garage Museum of Modern Art in Moscow. The Group also assists the "Connection" Deaf-Blind Support Foundation, as well as local charitable organisations.

AWARDS

The video series "What choice would you make?", which is dedicated to the personal responsibility of EVRAZ employees for safety in their lives and work, was shortlisted at the Cannes Corporate Media and TW Awards. The three short stories, which the Group created in partnership with Freemotion Group, equate knowingly violating safety rules with deciding to take your own life.

EVRAZ "Power of Generations" and "Steel Dynasties" digital projects, which were collaborations with Lenta.ru and Komsomolskaya Pravda, received the "Best content solution" and "Employer and brand" awards at the Digital Communications Awards 2019, held by the Association of Directors for Communication and Corporate Media of Russia.

The "High Five!" corporate race, which is held in the cities where EVRAZ operates, took first place in the "Sport – Inhouse" award at the international IPRA Golden World Awards 2019.

The short film "Stronger than Steel", a joint project with the renowned Russian actor and director Vladimir Mashkov dedicated to the 55th anniversary of EVRAZ ZSMK, won the grand prize for best sound engineering in the Metal-Vision 2019 competition at the Metall-Expo 2019 international exhibition.

The "EVRAZ News – COAL" newspaper, which has been in publication since August 2019, was recognised as the best publication by a mining company in the corporate media competition of "Metal Supply and Sales" magazine.

PUBLIC ORGANISATIONS AND BUSINESS ASSOCIATIONS

EVRAZ is a member of important industry and business associations, including the Russian Managers' Association, Russian Union of Industrialists and Entrepreneurs, Russian Steel, Russian Metallurgists' Association, Steel Construction Development Association, National Association for Subsoil Examination, Association of Railway Product Producers and Russian Railways Consumer Council. In 2019, EVRAZ became a member of the Donor's Forum, the largest association of grant-making organisations operating in Russia.

KEY PROJECTS

EVRAZ for kids

EVRAZ participates in various federal youth programmes and works closely with academic institutions, financing the purchase of necessary school supplies and sports equipment, granting scholarships, providing vocational guidance for students, offering training in accordance with WorldSkills methodology, and arranging work study for students and internships for graduates. The Group places a high priority on supporting children in orphanages and with special needs, including through ongoing programmes that provide assistance and rehabilitation for children with health limitations and cerebral palsy.

Case study: Children's foresight

Building on the success of the "Children's Foresight" event held in the town of Kachkanar in 2018 – part of a federal programme aimed at engaging schoolchildren in designing and developing their cities – EVRAZ and the Social Investments and Initiatives Agency significantly increased the scale of the programme in 2019. During the reporting period, more than 200 schoolchildren and 60 teacher-mentors from Kachkanar, Nizhny Tagil and Mezhdurechensk took part in "Children's Foresight". They took part in strategy sessions to design their desired future city and develop project ideas, as well as master classes on social technology and personal effectiveness. As a result, 26 projects have already launched.

More information about EVRAZ activities in 2019 could be found in the Sustainability Report 2019 which is to be published in May 2020.

EVRAZ City of friends – City of ideas

The “EVRAZ: City of Friends – City of Ideas” grant contest is a project aimed at engaging people to improve public spaces, protect the environment, develop social initiatives and increase participation in social design, urban improvement, environmental education and preservation of urban natural resources. As part of the project, potential grant recipients attend seminars and business planning training.

Since 2017, the contest has been held in four cities where the Group operates. In 2019, the contest received 210 applications from Siberia and 133 from the Urals, of which 54 projects received grants totalling RUB14.5 million. Overall, the projects received more than 28,700 votes and the programme’s website had 139,550 visitors.

Case study

Several “EVRAZ: City of Friends – City of Ideas” projects were implemented in 2019.

EVRAZ helped to revive the sport of sailing in Nizhny Tagil. The Group’s grant funds were used to upgrade the Spartak boating club. So that sailing enthusiasts could practice year-round, the club was repaired, insulated and equipped with the necessary furniture for a classroom. The grant repaired the pier and purchased sails for yachts.

In Novokuznetsk and Mezhdurechensk, with EVRAZ support, multimedia devices were purchased and computer literacy training courses for the elderly were launched. Retirees were introduced to the possibilities of the internet that help to make everyday life easier and more eventful, including online payments for utilities and basic goods, as well as the public services portal, e-mail and social networking.

With grant funds from EVRAZ, Nizhny Tagil’s Puppet Theatre staged a new performance for young spectators called “The Singing Whale: Underwater Stories”. Together with the actors, children study the underwater world and its inhabitants, pretend to be pearl gatherers, learn how to get to know each other and make friends, come to the rescue, be surprised and look for adventure. Actors regularly hold charity performances for children from orphanages and kindergartens in Nizhny Tagil and Kachkanar. This is the third baby performance for viewers in the 0+ age group that has been staged with the Group’s support.

More information about EVRAZ activities in 2019 could be found in the Sustainability Report 2019 which is to be published in May 2020.

EVRAZ for cities

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

Case study

To celebrate the 90th anniversary of Siberian State Industrial University, EVRAZ financed major repairs of an auditorium that has been named “Raspadskaya” in appreciation. The Group also installed new furniture and modern multimedia equipment in the auditorium, which was designed by specialists from the university, who used aspects of mining professions to influence the style of the academic space. The university traditionally hosts public lectures by representatives of Raspadskaya, which manages the coal assets of EVRAZ, and also conducts joint specialised training and master classes. The “Raspadskaya” auditorium is the second one that EVRAZ has donated: a year ago, an auditorium named after the metallurgy professor Ivan Bardin was opened at Siberian State Industrial University.

More information about EVRAZ activities in 2019 could be found in the Sustainability Report 2019 which is to be published in May 2020.

EVRAZ for sport

EVRAZ develops sports infrastructure in the cities where it operates, supports amateur and professional sports teams, sponsors federal and regional competitions, and works to popularise sports and healthy lifestyles among its employees and their family members.

Case study

In November 2019, the EVRAZ Olymp Arena and skiing track were opened in Kachkanar. The Group donated around RUB350 million towards its construction. The sports complex is designed for football, basketball and volleyball. One of the arena's two sports facilities is multifunctional and the other is reserved for indoor football. In addition, two football fields were built near the arena. The length of the skiing track is more than 2 kilometres. The arena's facilities will host competitions and practices, as well as public skiing sessions. In 2020, a ski lodge will be built next to the track.

More information about EVRAZ activities in 2019 could be found in the Sustainability Report 2019 which is to be published in May 2020.

EVRAZ volunteers

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

For example, employees of EVRAZ ZSMK have been sponsoring two orphanages for more than 70 years: Orphanage No. 95 and "Island of Hope". In 2019, the women's public organisation of the plant, together with the management and primary labour union, continued to work on the social adaptation of orphans and children left without parental care. The children are taught independent housekeeping, cooking, cutting and sewing skills, attend vocational guidance classes, play in sports and competitions and visit cultural events. Material aid is also provided to orphanages.

Since 2017, EVRAZ NTMK employees have been holding the "Relay of Good Deeds" to help educational institutions in Sverdlovsk region. In 2019, they brought gifts to children from the social rehabilitation centres Rainbow and No. 6, and also helped the Kolosok kindergarten in the village of Novopanshino to remove fire-hazardous coatings on the ground floor of the building, install six new doors on emergency exits, and rebuild three gazebos and three sandboxes.

A team of volunteers at the EVRAZ Moscow office painted the corridors of the Children's Rehabilitation Centre in partnership with the Fun Corridor fund, which asked professional artists to prepare sketches of paintings in advance. In addition, employees and their families went to the bison nursery of the Prioksko-Terrasny Nature Reserve, where the men unloaded several tonnes of beets for the bison would eat in winter, while the women and children performed site clean-up.

New projects

DIGITAL projects

In 2019, EVRAZ prioritised the development of digital projects. The Group launched communities on the Vkontakte, Odnoklassniki, Facebook, Instagram and YouTube social networks, as well as updated the corporate portal and launched the EVRAZ TV corporate television project.

The updated version of the portal includes new services and functionality for users, as well as a more modern design. In 2019, the portal had a total of 9,000 unique users and 120,000 page views.

EVRAZ social networking community has become a full-fledged communication channel with more than 15,000 subscribers in just a year. The Group published 1,054 posts and received 65,012 positive reactions from users.

EVRAZ TV

EVRAZ TV was launched on 1 December 2019. Today, it has 70 broadcast points (televisions) in five cities. The total broadcast time is 351 hours. In addition, it can be streamed directly via the Group's corporate web portal.

Safety challenge: "Zero is also a record"

On 11–23 November 2019, EVRAZ conducted the "Zero is also a record" safety challenge at its enterprises and on social media. Steelmakers and miners from the Group's Urals and Siberian operations, as well as employees of the Moscow office, showed that they want to work without injuries and achieve an LTIFR of zero. The project was supported by EVRAZ vice president for HSE, Konstantin Rubin, the managing director of EVRAZ NTMK and EVRAZ KGOK, Alexey Kushnarev, and more than 40 of the Group's managers. The challenge also went outside the enterprise. The participants included the EVRAZ-supported Mettalurg and Raspadskiye Panthers hockey clubs, Uralochka volleyball team, Nizhny Tagil Drama Theatre and Novokuznetsk Drama Theatre, as well as journalists and television anchors.

"Continuity" project

2,707
social media posts
using the hashtag #нольтожерекорд (zero is also a record)

622,000
views of a video
about the challenge

~3,000
participants

1,624
positive reactions

Viral videos about industrial safety regulations

The "Rules are for wimps?" video series was about how blind faith in one's invulnerability can cause truly unfortunate incidents. The mini-series about animals who ignore safety rules had more than 1 million views in just a month. The cartoon format also helped to convey the importance of safe behaviour to the children of Group employees.

Online premiere of the film "Stronger than steel"

In the short film "Stronger than steel", which was made in honour of the 55th anniversary of EVRAZ ZSMK, the renowned Russian actor and director Vladimir Mashkov talked about Novokuznetsk, with which the fate of generations of metallurgists is closely connected and in which he grew up.

The film was posted on EVRAZ social networks and, in just a week, had more than 1 million views, 15,000 positive reactions from viewers and 72 references in regional and federal media. More than 80 % of the audience was residents of Novokuznetsk and Kemerovo region.

The film made it into the top search results for key queries, including the Russian terms for "Mashkov", "Novokuznetsk", "ZSMK" and "Stronger than steel". This had a positive effect on the EVRAZ brand and helped to minimise the cost of promoting the film.

"Steel Irony": joint photo project of EVRAZ and artist Anton Gudim

In a joint project with the popular internet artist Anton Gudim, EVRAZ prepared a series of illustrations called Steel Irony, hashtag #СтальнаяИрония. The project is dedicated to teaching how to protect personal data and remain safe online, and how to behave on social networks to avoid reputational damage. The project had more than 100,000 views and 1,200 positive reactions on social media.

Livestream of NLE2019

To maximise the number of Group employees who could be immersed in the atmosphere and feel part of the New Leaders EVRAZ (NLE) 2019 corporate educational programme, a livestream of the speeches from the SKOLKOVO Business School was set up. The total coverage of three livestreams on Vkontakte, Facebook and YouTube had more than 6,000 views and around 2,500 unique viewers.

"EVRAZ Football Cup" with MATCH TV anchors

On 18 August 2019, the finals of the VIII EVRAZ Football Cup took place at Kachkanar's Gornyak stadium. The online broadcast featuring commentary of the renowned sports journalist Nobel Arustamyan was watched by 30,000 viewers, including residents of Nizhny Tagil, Kachkanar, Novokuznetsk and Mezhdurechensk.

"Continuity": joint photo project of EVRAZ and Yury Borsch

EVRAZ' enterprises in Russia are separated by thousands of kilometres. Despite the distance, though, all operations and people work in unison. This was the underlying idea for the "CONTINUITY" photo project, which the Group implemented together with the renowned Russian aerial photographer Yury Borsch, who has been ranked among the world's 20 best aerial photographers by Drone Multimedia magazine.

Lines of light were traced by flying a quadcopter above plants and quarries in the photos. Since the drone's flight path could not be programmed, it took three to five hours to take each photo with the intended linear shape. The photos were used in the corporate calendar for 2020, as well as the new concept for EVRAZ Instagram account. The total number of views of publications about the project is estimated at 1.5 million.

"Steel Irony" project

Anti-corruption and anti-bribery

Our approach

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

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

POLICIES AND REGULATIONS

In 2019, EVRAZ reviewed its top-level documents that define the norms of ethical and responsible behaviour for employees in all circumstances: the Code of Conduct and Anti-corruption Policy. The updates reflect changes in processes that the Group has made since the previous edition. They enable compliance managers to refer to clearer definitions and a wider range of recommended patterns to avoid risks of corruption. These and other relevant policies are available on the corporate intranet and employees bear personal responsibility for full compliance with them.

All internal policies and procedures related to anti-corruption compliance consistently encourage employees to seek guidance from compliance managers whenever they have questions about the expected course of action in difficult situations. The Group urges everyone to voice concerns about any known violations.

Today, managers responsible for monitoring compliance with applicable anti-corruption laws are present at every major asset and responsible for controlling risks and handling anti-bribery matters. They ensure that all possible non-compliance with policies receive proper attention immediately; monitor charity payments and hospitality spending; and act on whistle-blower allegations of possible bribery, corruption, fraud and malfeasance. They then present their findings and recommendations to local managing directors, the Group’s compliance manager and specialists reporting to the senior vice president for business support. The latter review investigation results to liaise with senior management as necessary.

The Group’s compliance manager routinely informs the Audit Committee about the status of ongoing anti-corruption efforts and prepares memos at the committee’s request.

Employees have access to a brief summary of relevant anti-corruption policies as well as links to the full texts of top-level documents on the corporate intranet. Where necessary, the compliance managers discuss the essence of the adopted rules and procedures with all interested parties. New employees are obliged to familiarise themselves with the Code of Conduct and the Anti-corruption Policy on their first day of work. They are also briefed about other relevant internal documents and procedures that pertain to the Group’s anti-corruption efforts.

RISK ANALYSIS

At the end of each calendar year, compliance managers perform analysis of potential anti-corruption risks across all assets. For this purpose, they consider every business process and redefine key risk areas if necessary. Each area is then evaluated to see if existing controls and procedures effectively mitigate the associated risks. In its Anti-corruption Policy, EVRAZ declares zero tolerance for bribery and corruption. The Group investigates carefully and discreetly all signals suggesting potential violations of applicable law and internal anti-corruption policies.

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

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

In 2019, the compliance managers involved in the abovementioned processes assessed the risks based on their own statistics from checking tenders, approving contracts, monitoring purchases, conducting inventory checks, etc.

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

CODE OF CONDUCT

Anti-corruption policy

Rules on securities dealings

Hotline policy and whistle-blowing procedures

- Anti-corruption training policy
- Sponsorship and charity policy
- Gifts and business entertainment policy
- Candidates’ background and criminal record check
- Conflict of interest policy
- Contractors/suppliers due diligence check

Examples of anti-corruption risks tested in the Group's business processes

In the process "sale of goods, works and services", compliance managers define risk indicators to look and then test for:

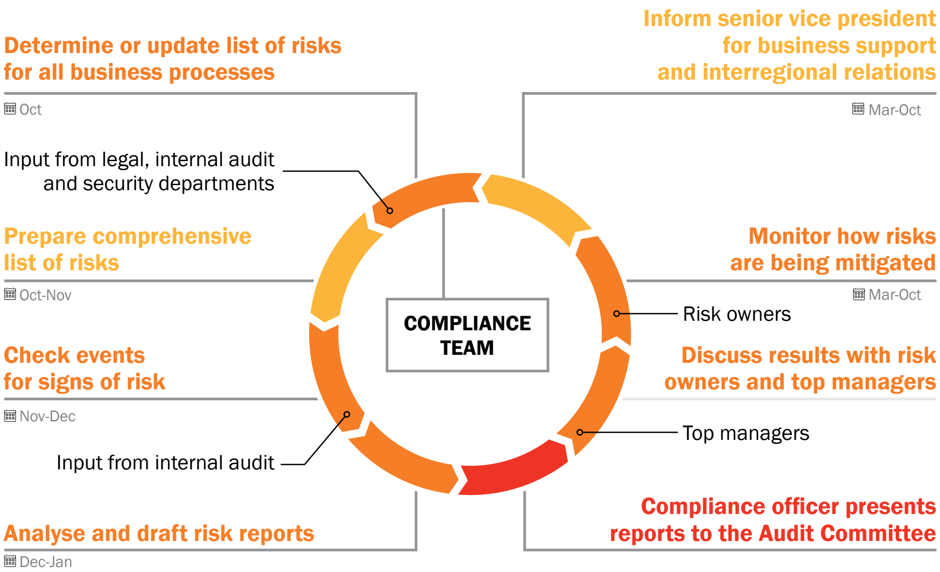
- Goods are sold at prices and on terms that are significantly different from the market average.
- Goods, works and services are sought to be sold via middlemen and agents when direct contracts are possible.
- There are discounts or mismatched conditions set in supply contracts that contradict the Group's trade policy requirements.

Other corruption risk indicators here includeunexplained/unjustified bonuses to the buyerbased on the amount of purchased products,lack of primary and shipping documentation,and granting a delay in payment that violates the current internal requirements. So, random transactions – recent or past– are singled out and carefully consideredfor signs of said risks. Should compliance managers reveal systemic or significant violations of anti-corruption procedures, this is drawnto the attention of the Group's compliance manager and the top management, locally or at the Group level. Compliance managers then ensure that risks are properly addressed and mitigated.

Similarly, compliance managers further examine every major process for signs of corruption risks, unethical practices or bribery. So, in another example, they consider charity and sponsorship payments to make sure:

- There were no violations of the approval procedure for charity and sponsorship projects.
- All the required and correct documents were properly supplied for consideration to decide if the charity or sponsorship payment can be made.
- Potential recipients of charity or sponsor support are allowable in accordance with the internal policy.

Anti-corruption risk management cycle



The compliance managers routinely meet with the managers responsible for each asset to inform them of known or newly revealed risks and threats and to recommend further actions. The compliance managers then monitor any corrective measures undertaken to mitigate the risks discussed. Should there be that the necessary follow-up is lacking or inadequate, the matter is presented to the senior vice-president for business support for consideration.

In early January 2020, the compliance officer presented to the Audit Committee the analysis for 2019, which revealed no significant violations of anti-corruption statutes or cases of non-compliance with Group policies.

KEY DEVELOPMENTS IN 2019

In 2019, EVRAZ compliance function did not initiate any investigations into signs of corrupt practices involving state or public officials. However, there were signs of potential collusion between Group employees and vendors, and all of these were carefully investigated. In addition, compliance managers' own leads regarding potential fraudulent schemes between unscrupulous managers and suppliers/providers also led to investigations. In the past year, there were four cases of fraudulent intent, namely lobbying for money, kickbacks. The employees involved were dismissed and vendors banned. Compliance considers ongoing preventive efforts, effective existing controls, the tone from the top and employees' adherence to the anti-corruption requirements as effective and adequate for the existing risks.

In 2019 alone, over 2,000 more managers throughout the Group have completed online anti-corruption training developed by a leading international provider in the field. Overall, close to 13,000 licences have been used so far by the Company employees to undergo online training. The programme will continue in 2020. Those previously trained receive invitations to refresh their active knowledge of anti-corruption principles and best practices.

This course defines bribery and corruption and examines the implementation of anti-bribery legislation in Russia. The training also covers a business-wide system of controls aimed at managing and reducing bribery risks.

The key learning objectives remain to:

- Confirm the Group's position and full compliance with applicable anti-corruption laws
- Explain existing controls to manage the risk of bribery and corruption
- Raise awareness about the damaging effects of bribery and corruption
- Draw attention to red flags and warnings about possible illegal payments or other corrupt activities

For additional information, see EVRAZ Sustainability Report for 2019, which is to be published in May 2020.

OUTLOOK FOR 2020

In 2020, more anti-corruption policies (for example, on conflict of interests and on sponsorship) will be updated to reflect existing and best practice as well as the changes implemented within the compliance system since its launch. There are plans to launch own Group-specific training modules and tests to complement the current anti-corruption course. Other new online options will also be considered in further search for the optimum system of ongoing training.

Corporate governance

Using high standards

for a Better Future

Apple Park
CA, United States

Board of Directors

Alexander Abramov
Non-Executive Chairman

Appointment

Alexander Abramov has been a Board member since April 2005. He was CEO and chairman of Evraz Group S.A. until 1 January 2006, and continued to serve as chairman until 1 May 2006.

Mr Abramov was a non-executive director from May 2006 until his re-appointment as chairman of the Board on 1 December 2008. He was appointed chairman of EVRAZ plc on 14 October 2011.

Committee membership

Mr Abramov is a member of the Nominations Committee.

Skills and experience

Mr Abramov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1982, and he holds a PhD in Physics and Mathematics. He founded EvrazMetall in 1992.

Other appointments

Mr Abramov is a Bureau member of the Russian Union of Industrialists and Entrepreneurs (an independent non-governmental organisation), a member of the Board of Skolkovo Institute for Science and Technology, and a member of the Supervisory Board of the Moscow Institute of Physics and Technology.

Alexander Frolov
Chief Executive Officer

Appointment

Alexander Frolov has been a Board member since April 2005. He was chairman of the Board of Evraz Group S.A. from May 2006 until December 2008, and was appointed CEO with effect from January 2007. Mr Frolov was appointed CEO of EVRAZ plc on 14 October 2011.

Committee Membership

Mr Frolov is a member of the Health, Safety and Environment Committee.

Skills and Experience

Mr Frolov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1987 and received a PhD in Physics and Mathematics in 1991. Prior to working at EVRAZ, he was a research fellow at the I. V. Kurchatov Institute of Atomic Energy. He joined EvrazMetall in 1994 and served as its chief financial officer from 2002 to 2004, then as senior executive vice president of Evraz Group S. A. from 2004 to April 2006.

Other appointments

None.

Key to committee membership

- Audit Committee
- Nominations Committee
- Remuneration Committee
- HSE Committee

Chairman

Member

10
scheduled Board meetings
EVRAZ plc held during 2019

Eugene Shvidler
Non-Executive Director

Appointment

Eugene Shvidler has been a Board member of Evraz Group S.A. since August 2006. He was appointed to the Board of EVRAZ plc on 14 October 2011.

Committee Membership

Mr Shvidler is a member of the Nominations Committee.

Skills and Experience

Mr Shvidler served as president of Sibneft from 1998 to 2005, having previously been senior vice president from 1995. He holds an MSc and an MBA.

Other appointments

Mr Shvidler currently serves as chairman of Millhouse LLC and Highland Gold Mining Ltd.

Eugene Tenenbaum
Non-Executive Director

Appointment

Eugene Tenenbaum has been a Board member of Evraz Group S.A. since August 2006. He was appointed to the Board of EVRAZ plc on 14 October 2011.

Committee Membership

None.

Skills and Experience

Mr Tenenbaum served as head of corporate finance for Sibneft in Moscow from 1998 through 2001. He worked as director for corporate finance at Salomon Brothers from 1994 until 1998. Prior to that, he spent five years in corporate finance with KPMG in Toronto, Moscow and London, including three years (1990–93) as national director at KPMG International in Moscow. Mr Tenenbaum was an accountant in the business advisory group at Price Waterhouse in Toronto from 1987 until 1989. He is a chartered accountant.

Other appointments

Mr Tenenbaum is currently managing director of MHC (Services) Ltd and serves on the Board of Chelsea FC Plc.

Board of Directors

INDEPENDENT DIRECTORS

Key to committee membership

Audit Committee

Nominations Committee

Remuneration Committee

HSE Committee

Chairman

Member

Laurie Argo

Independent
Non-Executive Director

Appointment

Laurie Argo has been a Board member of EVRAZ plc since August 2018.

Committee Membership

Ms Argo is a member of the Audit Committee and the Remuneration Committee.

Skills and Experience

Ms Argo has over 20 years of experience in the energy industry. From 2015 to 2017, she served as senior vice president of Enterprise Products Holdings LLC, the general partner of Enterprise Products Partners L.P. From October 2014 to February 2015, Ms Argo was chief executive officer and president of OTLP GP LLC, the general partner of Oiltanking Partners L.P. From January 2014 to January 2015, she served as vice president, NGL fractionation, storage and unregulated pipelines, which included gas gathering and processing in the Rockies, San Juan and Permian areas. From 2005 to 2014, she held various positions in the NGL and natural gas processing businesses for Enterprise, where her responsibilities included the commercial and financial management of four joint venture companies. From 2001 to 2004, Ms Argo worked for San Diego Gas and Electric Company and from 1997 to 2000 PG&E Gas Transmission in Houston, Texas.

Other appointments

Ms Argo is currently an independent non-executive director of the general partner of Rattler Midstream LP.

Deborah Gudgeon

Independent
Non-Executive Director

Appointment

Deborah Gudgeon has been a Board member of EVRAZ plc since May 2015.

Committee Membership

Ms Gudgeon serves as chairman of the Audit Committee and is a member of the Remuneration Committee.

Skills and Experience

Ms Gudgeon is a qualified chartered accountant with 30 years experience. She started her career with Coopers and Lybrand, and in 1987 became a senior accountant for Salomon Brothers International. From 1987 to 1995, Ms Gudgeon served as a finance executive at Lonrho PLC and was appointed a member of the Finance Committee in March 1993. From 1995 to 1998, she served as a director for Halstead Services Limited, and from 1998 to 2003, she served as a director of Deloitte, specialising in corporate finance. From 2003 to 2009, Ms Gudgeon served as a founding director of the Special Situations Advisory team for BDO LLP, providing integrated advice on corporate finance, restructuring, debt and performance improvement. From 2011 to 2017, Ms Gudgeon served as managing director of Gazelle Corporate Finance Limited.

Other appointments

Ms Gudgeon is currently a Senior Adviser of Penfida Limited. She is also an independent non-executive director of Highland Gold Mining Ltd.

Karl Gruber
Independent
Non-Executive Director

Appointment

Karl Gruber has been a Board member of Evraz Group S.A. since May 2010. He was appointed to the Board of EVRAZ plc on 14 October 2011.

Committee Membership

Mr Gruber serves as chairman of the Health, Safety and Environment Committee. He is also a member of the Nominations Committee.

Skills and Experience

Mr Gruber has extensive experience in the international metallurgical mill business and holds a diploma in mechanical engineering. He has held various management positions, including eight years as a member of the Managing Board of VOEST-Alpine Industrieanlagenbau (VAI), first as executive vice president of VAI and then as vice chairman of the Managing Board of Siemens VAI. He also chaired the boards of Metals Technologies (MT) Germany and MT Italy. Further, he has executed various consultancy projects for the steel industry and served as CEO and chairman of the Management Board of LISEC Group.

Other appointments

None.

Alexander Izosimov
Independent
Non-Executive Director

Appointment

Alexander Izosimov was appointed to the Board of EVRAZ plc on 28 February 2012.

Committee Membership

Mr Izosimov is chairman of the Remuneration Committee. He is also a member of the Nominations Committee and the Audit Committee.

Skills and Experience

Mr Izosimov has extensive managerial and board experience. From 2003 to 2011, he was president and CEO of VimpelCom, a leading emerging market telecommunications operator. From 1996 to 2003, he worked at Mars Inc, where he held various managerial positions, including regional president for CIS, Central Europe and Nordics, and was a member of the executive board. Prior to Mars Inc, Mr Izosimov was a consultant with McKinsey and Co (Stockholm, London; 1991–96) and was involved in numerous projects in the transportation, mining, manufacturing and oil businesses. Until recently, Mr Izosimov served on the boards of MTG AB, Dynasty Foundation, LM Ericsson AB and Transcom SA. He also previously served as director and chairman of the GSMA (global association of mobile operators) board of directors, and was a director of Baltika Breweries, confectionery company Sladko, and IT company Teleopti AB. He holds an MBA from INSEAD.

Other appointments

Alexander Izosimov is an independent non-executive director of the Moscow Exchange.

Sir Michael Peat
Senior Independent
Non-Executive Director

Appointment

Sir Michael Peat was appointed to the Board of EVRAZ plc on 14 October 2011.

Committee memberships

Sir Michael Peat serves as Chairman of Nominations Committee and member of Remuneration

Skills and Experience

Sir Michael Peat is a qualified chartered accountant with over 40 years' experience. He served as Principal Private Secretary to HRH The Prince of Wales from 2002 until 2011. Prior to this, he spent nine years as the Royal Household's Director of Finance and Property Services and then Treasurer to The Queen and Keeper of the Privy Purse. Sir Michael Peat was at KPMG from 1972, and became a partner in 1985. He left KPMG in 1993 to devote himself to his public roles. He holds an MA and MBA, and is a fellow of the Institute of Chartered Accountants in England and Wales. He was the 2018 recipient of the Institute of Chartered Accountants Outstanding Achievement Award.

Other appointments

Sir Michael Peat is chairman of CQS Management Limited and a partner in CQS (UK) LLP, chairman of GEMS MENASA Holdings Limited, a non-executive director of Arbuthnot Latham & Co Limited, a non-executive director of Architekton Limited, and chairman of the Regeneration Group Limited.

Management

Alexander Frolov
Chief Executive Officer

Leonid Kachur
Senior Vice President, Business Support and Interregional Relations

Aleksey Ivanov
Senior Vice President, Commerce and Business Development

Nikolay Ivanov
Chief Financial Officer

Alexander Kuznetsov
Vice President, Corporate Strategy and Performance Management

Ilya Shirokobrod
Vice President, Sales

Alexey Soldatenkov
Vice President, Head of the Siberia Division

Denis Novozhenov
Vice President, Head of the Urals Division

Sergey Stepanov
Vice President, Head of the Coal Division

Alexander Erenburg
Vice President,
Vanadium Division

James Skip Herald
Chief Executive Officer,
EVRAZ North America

Sergey Vasiliev
Vice President, Compliance with Business
Procedures and Asset Protection

Konstantin Rubin
Vice President,
Health, Safety and Environment

Vsevolod Sementsov
Vice President,
Corporate Communications

Natalia Ionova
Vice President,
Human Resources

Artem Natrusov
Vice President,
Information Technologies

Yanina Staniulenaite
Vice President,
Legal

Corporate governance report

Introduction

EVRAZ is a public company limited by shares incorporated in the United Kingdom. It is a premium-listed company on the Main Market of the London Stock Exchange and is a member of the FTSE 100 Index. EVRAZ is committed to high standards of corporate governance and control.

COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS

EVRAZ approach to corporate governance is based on the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in July 2018 and the Listing Rules of the UK Listing Authority.

During the year to 31 December 2019, EVRAZ complied with all the principles and provisions of the 2018 UK Corporate Governance Code (the Governance Code is available at www.frc.org.uk), with the following exceptions:

- Provision 9: The chairman was non-independent on appointment, as he was and remains a significant shareholder, and had previously served as a CEO and chairman of the Group prior to listing in 2011. The Board considers that he brings independence of judgement to the Group's activities, as well as extensive experience and expertise of the Group's key markets. The Board also considers that the current Board structure provides a suitable level of protection for minority shareholders, as it operates in accordance with the Relationship Agreement currently in place (**read page 143**).
- Provision 37: The Company does not operate clawback arrangements. An explanation for this non-compliance is set out in the Remuneration Report **on page 131**.

An explanation of how the Company has complied with the UK Corporate Governance Code is given on the following pages:

- Board Leadership and Company Purpose – please read at Corporate Governance Statement **on pages 112-115**
- Division of Responsibilities - please read at Corporate Governance statement **on pages 112-115**
- Composition, Succession and Evaluation – please read at Nominations Committee Report **on pages 126-127**
- Audit, Risk and internal control - please read at Audit Committee Report **on page 123**, internal controls **on page 116** and Review of principal risks **on pages 34-39**
- Remuneration - please read at Remuneration Committee report **on pages 130-139**

BOARD RESPONSIBILITIES AND ACTIVITIES

The Board and management of EVRAZ aim to pursue objectives in the best interests of EVRAZ, its shareholders and other stakeholders, and particularly to create long-term value for shareholders.

The EVRAZ Board is responsible for the following key aspects of governance and performance:

- Financial and operational performance
- Strategic direction
- Major acquisitions and disposals
- Overall risk management
- Capital expenditure and operational budgeting
- Business planning
- Approval of internal regulations and policies

During the year to 31 December 2019, the Board considered a wide range of matters, including:

- The critical success factors for strategic development of the Group's competitive advantages
- HSE updates, including key initiatives and responses to significant incidents
- The performance of key businesses, including commercial initiatives to improve operational performances and revenues, with particular emphasis on North America
- The Group's consolidated budget and budgets of individual business units
- The interim and full-year results, and the 2018 annual report
- The appropriateness of the going concern basis of financial reporting
- The assumptions, stress-test scenarios and mitigating actions used in preparing the Company's viability statement
- Approval of two interim dividends during the year
- Investment project reviews
- Disposal of non-core businesses
- Implementation throughout the Group over the next five years of the EVRAZ Business System to promote an operational culture of values and behaviours that support the drive for continuous improvement and business change
- Linking succession planning to corporate strategy execution, and the need to look deeper into the Group for future leaders
- Compliance with the Market Abuse Regulation in relation to managing inside information, share dealing by insiders and online training of all insiders
- A review of the findings of the internally facilitated Board evaluation exercises and action plans resulting therefrom

The Board discussed the proposals to pay: an interim dividend of US$0.40 per ordinary share, totalling US$577.3 million, paid on 29 March 2019; and an interim dividend of US$0.35 per share, totalling US$508.7 million, paid on 5 September 2019. The level of distributable reserves within the balance sheet was considered at each distribution, noting that it was sufficient to enable the dividend to be paid. The dividends paid were in line with the dividend policy previously agreed by the Board.

In keeping with the requirements of the relationship agreements in place between the Company and its major shareholders, the independent non-executive directors of the Company have conducted an annual review to consider the continued good standing of the relationship agreements and are satisfied that the terms of the relationship agreements are being fully observed by all parties. In accordance with LR9.8.4R (14), it is confirmed that:

- The Company has complied with the independence provisions of the relationship agreements;
- So far as the Company is aware, Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited (or any of their associates) have complied with the independence provisions of the relationship agreements; and so far as the Company is aware, Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited have complied with the procurement obligations in the relationship agreements.

Principal decisions

Decision:	2020 Business Plan and Budget
Context	The Business Plan and Budget sets the annual targets and the costs of the necessary resources to achieve these targets. It is developed considering in line with the overall strategy of the Group and considers any specific challenges faced by each division and its underlying business units, this includes any stakeholder related considerations. The Chief Executive supported by key members of the management presents the Plan and Budget for the Board's challenge and approval. All executive management responsible for the key business units attend and present their budget to the Board.
Stakeholder considerations	In reviewing the Business Plan and Budget, the Board considered the potential impact that each operation and project might have on its stakeholders (employees, local communities, government and regulators, contractors & suppliers, shareholders and customers) and the environment.
Strategic Actions Supported by the Board	The strategic actions of the Business Plan and Budget supported by the Board to generate value for stakeholders are: • Further HSE initiatives, which will be monitored by the HSE Committee, to improve performance and are detailed in the HSE Committee report **on pages 128-129** • Approval of investment plans to further reduce Greenhouse Gas emissions, supporting government regulations • Continuing high standards of corporate governance and adherence to regulations • Approval of maintenance CAPEX to both improve business efficiency increasing value and improving working conditions for staff • Approval of investment plans, generating new projects that provide additional employment opportunities and supplier lines.
Impact of these actions on the long-term success of the Company	The Business Plan and Budget creates a balance between current operating performance and considerations that matter to all stakeholders in the short and long-term such as health & safety, environmental performance and community relations.
Outcome	In December 2019 the Board discussed and approved the 2020 Business Plan and Budget.

Decision:	Approval of various investment projects
Context	The business plan for each financial year contains a number of investment projects, involving sizeable capital expenditure amounts. These can be for a variety of different types of projects, including the replacement of time expired plant in existing facilities, or the construction of new plant to take advantage of new market opportunities.
Stakeholder considerations	Shareholders • New plant to improve production efficiency and access markets for new products thereby improving shareholder value. Employees • Safer working conditions with modern plant in a better working environment Environment • Reduced Greenhouse gas emissions • Better waste water control • Improved energy efficiency.
Impact of these actions on the long-term success of the Company	The decision to invest demonstrates confidence in the long-term outlook for iron and steel products in the markets served by these production facilities; and Evraz commitment to sustainable growth for the benefit of all stakeholders.
Strategic Actions Supported by the Board	The strategic actions of the investment projects supported by the Board to generate value for stakeholders are: • Improved Health and Safety working conditions for staff • Reduced Greenhouse Gas emissions in line with government regulation • Improved operational efficiency increasing shareholder value • Supply opportunities for national and international contractors tendered for in a transparent manner.
Outcome	A number of investment projects were approved during the year.

Chairman and chief executive

The Board determines the division of responsibilities between the chairman and the chief executive officer (CEO).

The chairman's principal responsibility is the effective running of the Board, ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Board is chaired by Alexander Abramov.

The CEO is responsible for leading the Group's operating performance, as well as for the day-to-day management of the Company and its subsidiaries. The Group's CEO is Alexander Frolov.

The CEO is supported by the executive team.

Board meetings and composition

EVRAZ plc held 10 scheduled Board meetings during 2019. In 2020, up to the date of this report's publication, two Board meetings were held.

The chief financial officer and the senior vice president for commerce and business development attended all Board meetings, with other members of senior management attending meetings by invitation to deliver presentations on the status of projects and performance of business units.

The table on the next page sets out the attendance of each current director at scheduled EVRAZ plc Board and Board committee meetings in 2019.

As at 31 December 2019, the Board comprised the chairman, one executive director, and seven non-executive directors, including a senior independent director. Olga Pokrovskaya, a former non-executive director, is invited to attend Board meetings in an advisory capacity and to attend Audit Committee meetings as an observer.

The Board considers that five non-executive directors (Laurie Argo, Karl Gruber, Deborah Gudgeon, Alexander Izosimov, and Sir Michael Peat) are independent in character and judgement, and free from any business or other relationship that could materially interfere with the exercise of their independent judgement, in compliance with the UK Corporate Governance Code. In November 2019, Ms Gudgeon was appointed an independent non-executive director of Highland Gold Mining Ltd, a company that is partly owned by some of the significant shareholders of the Company. The Board has considered this appointment, and has concluded that as Highland Gold Mining Ltd operates in a different market from the Company and the remuneration received for the appointment is non-material, Ms Gudgeon's independence is not compromised as a result.

The independent non-executive directors comprise the majority (excluding the Health, Safety and Environment Committee) on and chair all Board Committees.

Board and AGM attendance by each director

	Board	Remco	HSE	Audit	Nomco	AGM
Total number of meetings	10	4	2	10	3	1
Alexander Abramov	8/10[1]				3/3	1
Alexander Frolov	10/10		2/2			1
Laurie Argo	10/10			10/10		1
Karl Gruber	10/10		2/2		3/3	1
Deborah Gudgeon	10/10	4/4		10/10		1
Alexander Izosimov	10/10	4/4		9/10	3/3	1
Sir Michael Peat	9/10[2]	4/4			3/3	1
Eugene Shvidler	9/10[3]				3/3	1
Eugene Tenenbaum	9/10[3]					1

Board composition

Independent Non-Executive Director	56%
Non-Executive Director	22%
Chairman, Non-Executive	11%
Executive Director	11%

Boardroom diversity

EVRAZ recognises the importance of diversity both at the Board level and organisation-wide.

The Group remains committed to increasing diversity throughout its global operations and takes diversity into account during each recruitment and appointment process, working to attract outstanding candidates with diverse backgrounds, skills, ideas and culture. As stated in the CSR report, EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees' rights receive equal protection, regardless of race, nationality, gender or sexual orientation. People with disabilities are given full consideration both during the recruitment process and once employed, to ensure that their unique aptitudes and abilities are taken into account.

For more detailed information, read the Nominations Committee report and the CSR report. The Company believes that the Board composition provides an appropriate balance of skills, knowledge and experience. The Board members comprise a number of different nationalities with a wide range of skills, capabilities and experience from a variety of business backgrounds. Biographies of the Board members are provided in the Board of Directors section.

Board expertise

The Board has determined that, as a whole, it has the appropriate skills and experience necessary to discharge its functions. Executive and non-executive directors have the experience required to contribute meaningfully to the Board's deliberations and resolutions. Non-executive directors assist the Board by constructively challenging and helping to develop strategy proposals. While most of the directors have been in post since the incorporation of EVRAZ plc in October 2011, the recruitment of new independent non-executive directors in recent years has strengthened the Board's technical expertise and widened the skills base. The Nominations Committee will commence a process in early 2020 to identify suitable candidates for the role of independent non-executive director to replace those directors who will be required to stand down at the 2021 and 2022 AGM, having completed their nine-year terms.

Induction and professional development

The chairman is responsible for ensuring that there is a properly constructed and timely induction for new directors upon joining the Board. Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities. For more detailed information, read the Nominations Committee report on pages 126-127.

1. Alexander Abramov was unable to attend one board meeting and conference call due to business travel and time zone clashes.
2. Sir Michael Peat was unable to attend one conference call meeting as a result of being called overseas.
3. Eugene Shvidler and Eugene Tenenbaum were unable to attend one conference call meeting due to a business commitment that arose unexpectedly.

Performance evaluation

An internally facilitated annual Board evaluation was conducted in 2019, following an externally evaluated review undertaken in 2017. The review was carried out at the initiative and with the participation of the Company's Nominations Committee. Questionnaires were distributed to all Board directors for their response and comment.

The results were discussed at three levels: (i) among the members of the Nominations Committee; (ii) between Sir Michael Peat (as chairman of the Nominations Committee) and Alexander Abramov (as chairman of the Board); and (iii) among the members of the Board as a whole.

Board performance was deemed to be satisfactory. At its January 2020 meeting, the Board agreed an action plan for 2020 that would allow the Board to continue developing its involvement in reviewing and considering the management's strategy proposals and to take into account stakeholder considerations, and to enhance its focus not only on the commercial issues but also on safety, environmental and other CSR issues, as well as on HR policy.

Arising from the 2019 action plan, the Board noted that its members had spent more time considering the Group's strategy plan and investment proposal arising from it. There has been more focus on succession planning for senior executives and significant changes in the North American business had been implemented. In addition the Board had been fully updated by the HSE Committee Chairman and the Vice President HSE on the new initiatives being implemented across the Group.

The Company undertakes regular performance evaluations of the Board in line with the requirements of the UK Corporate Governance Code. An externally facilitated review is planned for 2020.

Board committees

The following principal committees support the Board in its work: the Audit Committee, the Remuneration Committee, the Nominations Committee, and the Health, Safety and Environment Committee. Each committee has written terms of reference, approved by the Board, summarising its role and responsibilities. The committees review their respective terms of reference each year and submit any recommended changes to the Board for approval. All terms of reference for the committees are available on the Group's website: www.evraz.com.

The Audit Committee consists of three non-executive directors, all independent, which complies with the Code, and the Board considers that, as a whole, the committee has competence relevant to the industry sector in which the Group operates. Specifically, Deborah Gudgeon has relevant recent financial experience.

Board composition as at 31 December 2019

Name	Position	Committee Membership	Year of tenure
Executive director			
Alexander Frolov	CEO	HSEC – member	8
Non-executive directors			
Alexander Abramov	Chairman	NC – member	8
Eugene Shvidler	Director	NC – member	8
Eugene Tenenbaum	Director	None	8
Independent non-executive directors			
Laurie Argo	Director	AC – member, RC – member	1
Karl Gruber	Director	HSEC – chairman, NC – member	8
Deborah Gudgeon	Director	AC – chairman, RC – member	4
Alexander Izosimov	Director	RC – chairman, NC – member, AC – member	7
Sir Michael Peat	Senior independent director	NC – chairman, RC – member	8

Role and composition of each committee

Committee name	Function	Composition	Link to committee report
Audit Committee	Audit, financial reporting, risk management and controls	All four members are independent non-executive directors	Read on pages
Nominations Committee	Selection and nomination of Board members	All five members are non-executive directors, of which three are independent	Read on pages
Remuneration Committee	Remuneration of Board members and top management	All four members are independent non-executive directors	Read on pages
HSE Committee	HSE issues	Two of the three members are non-executive with an independent chairman who is also a non-executive director of the Company[1]	Read on pages

[1] The members of the Health, Safety and Environment Committee at 31 December 2019 were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya, who has continued as a non-executive member of the HSE Committee following her cessation as a Board member of the Company on 14 March 2016. With more than 50% of EVRAZ operations based in the Russian Federation, the committee continues to value the contribution she brings in terms of her technical and regional experience.

RISK MANAGEMENT AND INTERNAL CONTROL

EVRAZ maintains a comprehensive financial reporting procedures (FRP) manual detailing the Group's internal control and risk management systems and activity. The manual was last updated in November 2019, in line with the Financial Reporting Council (FRC) Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014. The aim of the risk management process is to identify, evaluate and manage potential and actual threats to the Group's ability to achieve its objectives.

The EVRAZ Enterprise Risk Management (ERM) process is designed to identify, quantify and respond to these threats, as well as to monitor the Group's prevention and mitigation system. The management maintains a risk register that encompasses both internal and external threats. The level of risk appetite approved by the Board is used to identify particular risks and uncertainties that require specific Board oversight. In 2019, the process in relation to principal risks and uncertainties was consistent with the UK Corporate Governance Code, the FRC Guidance on the Strategic Report issued in July 2018 and the abovementioned FRC guidance issued in September 2014.

Executive management is responsible for both internal controls in place and mitigating actions related to risk management throughout EVRAZ business and operations. This serves to encourage a risk-conscious business culture.

EVRAZ applies the following core principles to identifying, monitoring and managing risk throughout the organisation:

- Risks are identified, documented, assessed and monitored, and their profile is communicated to the relevant levels of the management team, regularly. The business management team is primarily responsible for ERM and accountable for all risks assumed in the operations.
- The Board is responsible for assessing the optimum balance of risk (risk appetite) through the alignment of business strategy and risk tolerance on an enterprise-wide basis. In addition, the Board oversees and approves risks above the Group's defined risk appetite and reviews any significant internal control weaknesses.
- The Group has established a reporting process involving business unit management teams and other relevant bodies at major enterprises. Its aim is to identify, evaluate and establish management actions for risk mitigation at a regional level, as well as at EVRAZ major steel and mining operations. The Risk Management Group maintains a corporate risk register representing a summary of this information. Business unit management teams and other relevant bodies are accountable to the Risk Management Group which consists of business unit and function vice-presidents.
- All acquired businesses are brought within the Group's system of internal control as soon as practicable.

The Board has delegated primary oversight of the Group's internal control process to the Audit Committee, which discuss any major internal control findings exceeding the Board's risk appetite.

The EVRAZ Business Security department is led by a senior vice president and has specific responsibility for preventing and detecting business fraud and malpractice, including fraudulent behaviour by employees, customers and suppliers. Robust internal controls help to minimise the risk, and the EVRAZ Business Security department ensures that appropriate processes are in place to protect the Group's interests.

Internal audit

Internal audit is an independent appraisal function established by the Board to evaluate the adequacy and effectiveness of controls, systems and procedures at EVRAZ, which helps to reduce business risks to an acceptable level in a cost-effective manner. The Board approved the latest version of the internal audit charter on 27 February 2019.

The internal audit function's role in the Group is to provide an independent, objective, innovative, responsive and effective value-added internal audit service. This is achieved through a systematic and disciplined approach based on assisting the management in controlling risks and monitoring compliance, as well as improving the efficiency and effectiveness of internal control systems and governance processes. Once a year, the function provides an opinion of the overall effectiveness of the Group's internal controls.

During 2019, EVRAZ head of internal audit, as secretary of the Audit Committee, attended all the committee's meetings and addressed any reported deficiencies in internal control as required by the committee.

The internal audit planning process starts with the Group's strategy; includes the formal risk assessment process, consideration of the results of the management's internal control self-assessment, and the identification of management concerns based on the results of previous audits; and ends with an internal audit plan, which the Audit Committee approves.

Audit resources are predominantly allocated to areas of higher risk and, to the extent considered necessary, to financial and business controls and processes, with appropriate resource reservation for ad hoc and follow-up assignments.

In 2019, internal audit projects covered the following Group risks:

- Cost effectiveness
- Health, safety and environment
- Capital projects and expenditure
- Human resources
- Compliance laws and regulations
- Business interruption, and equipment and infrastructure downtime management
- Transportation, sourcing, raw materials and energy supply
- Digital effectiveness, and effective, efficient and continued IT service
- Fraud, security, bribery and corruption
- Quality

EVRAZ internal audit function is structured on a regional basis, reflecting the geographic spread of the Group's operations. The internal audit function aligns common internal audit practices throughout the Group via quality assurance and improvement programmes. Benchmarking with the leading internal audit functions in other companies is also being done in order to improve internal audit efficiency, effectiveness and value for the Group.

Components of the internal control system

Component	Basis for assurance	Action in 2019
Assurance framework – principal entity-level controls to prevent and detect error or material fraud, as well as to ensure effectiveness of operations and compliance with principal external and internal regulations	• Annual self-assessment by management at all major operations of the internal control system using the EVRAZ Assurance Framework • Review of the self-assessment by the internal audit function • Assessment of the overall effectiveness of the governance, and risk and control framework	In 2019, the internal audit function reviewed the result of the management's internal control self-assessment and evaluated the overall effectiveness of the governance, risk management and internal control system. All major production sites were certified as having overall effective governance, risk management and internal control.
Investment project management	• Effectiveness of project management and management of project risks is monitored by established management committee and subcommittees • Reviewed by the internal audit function	Continuous enhancement of procedures regarding quality and reporting control, as well as other elements of the project oversight process. In 2019, various activities were implemented in order to further increase the efficiency and effectiveness of the project management process, for example by including functional experts (HR, legal, procurement, IT, etc) in the project management teams.
Operating policies and procedures	• Implemented, updated and monitored by the management • Reviewed by the internal audit function	Operating policies and procedures are updated as per the internal initiatives by the operational management and in response to recommendations from the internal audit function. The process of improving the internal regulation framework has been started in 2019 and continue in 2020.
Operating budgets	• Approved by the Board • Monitored by the controlling unit • Reviewed by the internal audit function	Operating budgets are prepared by executive management and approved by the Board.
Accounting policies and procedures as per the corporate accounting manual	• Developed and updated by the reporting department • Reviewed by the internal audit function	Accounting policies and procedures were updated as part of the standard annual review process.

Approach to risk appetite

Risk appetite is an important part of the risk management process that serves as a measure of the risks that EVRAZ management is willing to accept in pursuit of value. The Board has approved a risk appetite in accordance with the risk management methodology adopted by the Group.

Risk appetite is considered in evaluating strategies and setting objectives within EVRAZ strategic and budgeting cycle, in decision making and in developing risk management actions and methods, as well as in identifying particular risks and uncertainties that require specific Board oversight. The Group's strategic objectives are aligned with, and risk mitigation actions are reflective of, the risk appetite approved by the Board. The Group adopts a robust approach in relation to risk management. Risk appetite for some specific business processes (eg health and safety, fraud, security, bribery and corruption) is assessed, defined and evaluated separately from the rest of the processes.

The management reassesses the risk appetite at least annually via the Risk Management Group, which reports on the analysis performed to the Audit Committee. The committee then makes recommendations to the Board regarding the level of risk appetite. The Risk Management Group and the Audit Committee last reviewed the Group's risk profile in November 2019. Based on the results of the most recent review, the management concluded that the Group's risk-acceptance approach had not changed and that the risk appetite remained the same as in the prior year. An appropriate recommendation regarding the level of risk appetite was made to the Audit Committee and to the Board on 26 February 2020.

Objectives for 2020

Further development of the risk management system and risk management practices is planned for 2020.

In 2019, the Group was focused on enhancing its health and safety risk management methodology; this work will continue in 2020.

In 2020, in addition to continuing to implement ongoing initiatives focused on improving risk management (in HSE, equipment maintenance and repairs, procurement and other processes), the Group plans to focus more on addressing climate-related risks. While environmental risk has always been a topic of focus for the management and is recognised as a principal risk for the Group, the management plans to increase its focus on the climate-related aspects of this risk.

In order to enhance its focus and control over the Environmental, Social and Governance risks, in 2020, the Group plans to initiate development of the related strategies and policies: Sustainability Strategy, Climate Change Strategy, Human Rights and Diversity Policy. This will provide more transparency on how the Group addresses the related risks.

Further information regarding EVRAZ internal control and risk management processes can be found on the Group's website.

Stakeholder engagement

Shareholders and investors

- Disclosure of relevant financial and non-financial information
- Participation in Russian and international investment conferences
- Regularly hosting Capital Markets Days
- Organising site visits
- Day-to-day and ad-hoc engagement

Read more on page 22

Employees

- Direct engagement of dedicated Board members
- Development of safety culture
- Regular educational programmes to develop employees' professional skills
- Regular interaction with trade unions
- Internal portal for employees
- Annual employee engagement survey
- Corporate newspapers
- Hotline

Read more on pages 77, 90

Customers

- Regularly monitoring customer satisfaction levels
- Meetings and feedback sessions with clients and EVRAZ management
- Electronic platform for clients
- Site visits to production assets

Read more on pages 46, 54, 56, 64

Suppliers and contractors

- Discussions with potential suppliers
- Electronic platform for suppliers
- Educational programmes for contractors to ensure high level of workplace safety

Read more at p. 49, 59, 67

EVRAZ uses various communication channels in order to be sure that our stakeholder engagement approach covers all the stakeholder groups and facilitates two-way communication and feedback

Our goal

To build honest and supportive relationships with all stakeholders on our path towards sustainable development

Local communities

- Implementing various social, infrastructural and environmental projects based on local communities' needs
- Organising social events for populations of regions where EVRAZ operates
- Holding direct dialogues with local communities

Read more on page 96

Media

- Hosting regular press conferences
- Supporting and initiating mutual communication projects
- Supporting regional TV channels and newspapers
- Organising site visits
- Day-to-day and ad-hoc engagement

Read more on page 101

Government and regulatory authorities

- Regular meetings with representatives of government and regulatory authorities at federal, regional and local levels
- Disclosure of information concerning EVRAZ social, economic and environmental performance
- Agreements on regional socio-economic development

Read more on page 96

Industry organisations

- Organising and participating in conferences as well as other industry events
- Initiating and supporting various social, economic, educational and environmental projects

Read more on page 96

Audit committee report

Deborah Gudgeon
Independent Non-Executive Director, Chairman of Audit Committee

The role and responsibilities of the Audit Committee are delegated by the Board and set out in the written terms of reference
https://www.evraz.com/en/company/governance/policies/#reference

Dear shareholders,

I am pleased to present the Audit Committee Report for the financial year ended 31 December 2019.

As part of the Group's efforts to increase engagement across the business, the Audit Committee held one of its meetings at EVRAZ Pueblo during 2019 and we plan to meet at another operation during 2020. In addition, I visited the Group's steel mills at EVRAZ NTMK and the iron ore operations at Kachkanar.

Once again, I would like to extend the thanks of the Committee to the executive and financial management of the Group, the internal audit department and EY, our external auditor, for their continuing diligence and valued contributions to the work of the Committee.

ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee minutes are tabled at Board meetings for consideration, and the Chairman updates the Board orally on the Committee proceedings, making recommendations on areas covered by its terms of reference if appropriate.

The Audit Committee reviews the Group's risk register and risk appetite proposed by management before they are considered by the Board.

The Committee reviewed and updated its terms of reference in November 2019.

I confirm on behalf of the Company its compliance, during the financial year commencing 1 January 2019, with the provisions of the Competition and Markets Authority Order 2014 on mandatory tendering and audit committee responsibilities.

COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee members are all independent non-executive directors. The Committee members have a wide range of skills and experience: Deborah Gudgeon has recent and relevant financial experience and Alexander Izosimov provides key strategic experience. Laurie Argo has extensive commercial and financial experience in the North American market. As disclosed in the Corporate Governance Report on page 114, Olga Pokrovskaya continues to attend Audit Committee meetings as an observer, providing additional technical expertise and valuable regional knowledge.

Senior members of the Group's finance function, the head of internal audit (who acts as secretary to the Audit Committee and Risk Management Group), and the external auditors also attend Committee meetings.

Key members of the management team and Risk Management Group are also invited to attend Committee meetings when appropriate. In 2019, these included the CEO and vice presidents of strategy, steel, HSE, IT, security, legal, compliance and personnel, the CEO and CFO of EVRAZ North America plc (ENA) and the director of investor relations. Other members of the management team and internal audit function were also invited to attend Committee meetings as appropriate.

The Audit Committee met ten times during 2019 and four times in early 2020 before the publication of this Annual Report. Two of the meetings in 2019 focused on the Group reorganisation as detailed on page 114. Most of the meetings are in person and attended by all the members of the Audit Committee.

Details of committee attendance are set out on page 114.

ACTIVITIES AND WORK OF THE COMMITTEE DURING 2019

The Audit Committee has continued to focus on the integrity of the Group's financial reporting, the related internal control framework and risk management, including finance, operations, regulatory compliance and fraud. These areas were comprehensively reviewed, and the Committee received regular updates from the Group's financial and operational management, internal audit, compliance officer and legal team, as well as the external auditors.

The IT security of the Group was monitored by the Committee on an ongoing basis during 2019, including the results of external audit reviews, mitigation plans and the level of attempted attacks. A new information security assessment of the Russian business was undertaken by EY in November 2019 to test the effectiveness of the updated procedures and risk mitigation actions that had been implemented following the 2017 attack, and concluded that information security has improved. The Committee reviewed the detailed mitigation plan developed by the North American business following the IT risk assessment undertaken by EY in 2018 and will monitor progress in this area during 2020. Given the significance of IT security to the Group's risk profile and resilience, and the level of digital transformation across the business, this will remain an area of focus for the Audit Committee in 2020 and beyond.

The Audit Committee received regular updates from the vice-president of HSE on the development of the updated health and safety risk management methodology and significant findings from the industrial safety audit team. The new processes will be tested by internal audit in 2020 and the Committee will consider and monitor the mitigation of any findings.

At the request of the Board, the Committee reviewed the reorganisation the group undertook during 2019 to streamline the corporate structure and optimise the capital efficiency of the business Note 3 of separate financial statements on page 241.

In 2019, the Committee also received regular reports on a number of ongoing projects and monitored progress against objectives. These included the finance transformation project initiated in 2018, the procurement contract process and the plan to improve inventory and product shipment controls at one of the plants using innovative technology solutions. The repairs and maintenance transformation project developed by management in 2019 was also considered. These projects will remain an area of focus for the Committee in 2020.

The Committee updated its terms of reference, and undertook a self-assessment to consider its performance. The internal audit charter and the Group's financial reporting procedures (FRP) manual were also considered and updated. The effectiveness and status of the anti-corruption policy and sanctions risk compliance controls were reviewed throughout the course of the year, together with progress to meet the requirements of the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

At the request of the Board, the Audit Committee reviewed the proforma Viability Statement and supporting analysis produced by management and reviewed by the Risk Management Group. The Audit Committee considered the scenarios being tested in the context of the updated risk register, the assumptions and mitigating actions underpinning each scenario and the capital required for the effective operation of the business. Capital projects and expenditure are now classified as a principal risk as the Group moves into a major investment cycle. Compliance with trade regulations and sanctions regimes remains a principal risk for the business. As in 2018, the Risk Management Group consider the risk of sanctions being imposed on EVRAZ to be remote and the potential implications difficult to predict in the current environment. The Audit Committee reviewed this position again and agreed with the Risk Management Group. As a result, this scenario has not been modelled as part of the viability analysis in 2019.

SIGNIFICANT FINANCIAL REPORTING ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN 2019

The Audit Committee's primary objective is to support the Board in ensuring the integrity of the Group's financial statements and Annual Report, including review of:

- Compliance with financial reporting standards and governance requirements
- The material financial areas in which significant accounting judgements have been made
- The critical accounting policies and substance, consistency and fairness of management estimates
- The clarity of disclosures and
- Whether the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model, strategy, principal risks and uncertainties

Financial reporting standards and governance requirements

The full financial statements can be found **on pages 156-247**.

The Audit Committee considered several financial reporting issues in relation to the interim results for H1 2019 and the financial statements for 2019. These included the appropriateness of accounting policies adopted, disclosures and management's estimates and judgements. The Committee considered papers produced by management on the key financial reporting judgements and reviewed reports by the external auditor on the full-year and half-year results which highlight any issues with respect to the audit work.

The financial statements continue to be impacted by fluctuations in the key functional currencies of the business (primarily the Russian rouble) against the US dollar, the presentation currency of the financial statements, as set out in Note 2. As a result, the analysis of balance movements in the financial statements between reporting periods can be difficult although management although management separately reports the forex impact for key movements.

Going concern (Note 2)

EVRAZ is exposed to a wide range of risks and inherent uncertainties as set out **on pages 34-39**, many of which are outside the control of the Group. Market conditions were challenging in 2019 as steel margins narrowed and global metallurgical and vanadium supply/demand dynamics stabilised but there was a positive trend in pricing and demand in the Group's key markets in the final quarter of the year. The Audit Committee reviewed management's going concern analysis, which included both a base case and a flexed downside scenario based on forward pricing close to the bottom of the range of current investment analyst forecasts, as well as a reduction in the level of budgeted capital expenditure. The current impact of the COVID – 19 virus outbreak on steel and raw material supply and demand was considered together with the potential longer term implications for the Group's market. The Committee carefully considered the projected use and sources of funds for the period to June 2021, which includes scheduled loan repayments, new committed funding, free cash flow after committed capital expenditure and the dividend policy. Given the volatility of the global supply and demand environment in which EVRAZ operates, the Committee again focused on the pessimistic downside case and the implications for free cash flow and compliance with financial covenants.

Following these detailed considerations, the Audit Committee resolved to recommend the going concern basis of preparation for the Financial Statements as at 31 December 2019 to the Board.

Areas of significant accounting judgement and management estimates

Impairment of goodwill and non-current assets (Notes 5 and 6)

The Committee considered management's impairment assessment in the context of the current and future trading environment for the Group, including assumptions as to the continuation of tariffs and duties in North America and their impact on the recoverable amount of the affected assets. Testing was undertaken as at 30 September 2019 and reassessed at 31 December 2019 when no further impairment triggers were identified. With the exception of large diameter pipes, the recoverable amounts for all cash generating units in 2019 were determined on the basis of their value-in-use. The recoverable amount for large diameter pipes was determined on the basis of fair value less cost of disposal (see below). The continued weakness of the rouble means that the carrying values of Russian cash-generating units remain low in US dollar terms and are largely not challenged by the value in use comparisons used to determine impairment, even if the pricing outlook were to deteriorate.

An impairment charge of US$442 million is recorded in the financial statements for 2019. This primarily relates to the large diameter pipe business in Canada where a goodwill impairment charge of $300 million has been recorded. This goodwill arose on the acquisition of the business in 2008. The Committee considered the continuing implications of trade barriers and the long term outlook for this business segment, as well as the growth achieved in 2019 and the strong order pipeline for 2020. Given the existence of a recent relevant market transaction, the Committee accepted management's assumption that the value of the large diameter pipeline business be determined on the basis of fair value less cost of disposal and an impairment recognised. During 2019, management decided to postpone the reopening of the MUK-96 mine at Raspadskaya. Given the future uncertainty, the value of the mining assets relating to this mine was re-assessed and a fully impaired, with a charge of $84 million.

Other matters

The Committee reviewed, challenged and ultimately agreed with the accounting treatment and disclosure of several transactions during 2019, including:

- the sale of property, plant and equipment and inventory of the Yartsevo rolling mill. The Group provided loans to Yartsevo in 2012 ahead of the privatisation of the mill. Due to the continuing bankruptcy proceedings at the mill, an impairment of $56 million was recognised in the 2019 interim financial statements to reduce the carrying value of this asset to the likely recoverable value from the liquidation. In November 2019, Evraz acquired the property, plant and equipment and inventory of Yartsevo for $22 million in the bankruptcy auction, the proceeds of which were used to partially repay the creditors of the mill, including Evraz Upon acquisition, the Yartsevo mill was classified as an asset held for sale. The assets of the Yartsevo mill were subsequently sold to a third party for $66 million and a gain of $40 million was recognised upon the disposal. At the moment of the acquisition, the Group did not have any arrangement for the sale of the Yartsevo mill so the purchase and sale arrangements are not treated as linked in the financial statements;

- the new trading agreement for the supply of slab between EVRAZ North America and an independent supplier. Historically, the Group has been the major supplier of slab to the North American business; but to ensure the most competitive pricing and logistic and operational efficiency, management have been purchasing more actively in the market and have entered into an agreement with an independent supplier. This supplier contracts with both the Group as a supplier and ENA as a customer. There is no tri-partite agreement, put or call option which would require consideration of the supply and purchase as one transaction and the supplier carries the full inventory risk with each contract priced separately. On this basis, the contracts for the supply and purchase have been considered separately and no unrealised profit has been recognised by the Group on ENA stock of slab even if some of that slab was produced by other parts of the Group;
- the sales of Stratcor Inc, Evraztrans Ukraine and Palini e Bertoli and the respective gains and losses on disposal as disclosed in Note 12;
- the contract with Xcel Energy Inc for the construction of a solar power plant for the long term supply of electricity to EVRAZ Pueblo on a take-or-pay basis. The solar power plant will be owned and operated by a third party. The contract does not give the Group the right to use or operate the assets and the output will also be sold to unconnected third parties. On this basis, management concluded that this contract does not constitute a lease as defined by IFRS16 (Note 30); and
- the contracts with Air Liquide and Praxair for the long-term supply of oxygen and other gases to the Group's steel operations. As the Group does not control or manage the air separation plant and output will also be sold to unconnected third parties, management has concluded that neither of these contracts constitute a lease (Note 30).

Fair, balanced and understandable

In considering whether the Annual Report is fair, balanced and understandable, the Committee reviewed the information it had received, discussions held with management throughout the year and the preparation process adopted. Management agreed on the key overall messages of the Annual Report at an early stage to ensure a consistent message in both the narrative and financial reporting. Regular meetings were held to review the draft Annual Report and for management and Committee members to provide comments, and detailed review of the appropriate draft sections was undertaken by the relevant directors and external advisers. The Committee particularly considered whether the description of the business, principal risks and uncertainties, strategy and objectives were consistent with the understanding of the Board, and whether the controls over the consistency and accuracy of the information presented in the Annual Report are robust.

Taking into account the disclosure implications of the issues discussed in this report, the Committee recommended to the Board that, taken as a whole, it should conclude that the Annual Report is fair, balanced and understandable. The Audit Committee recommended approval of the Group's 2019 Consolidated Financial Statements by the Board. Both also recommended were accepted by the Board.

OTHER MATTERS

UK Bribery Act

The Group's Code of Conduct and Anti-Corruption Policy was updated during 2019 as set out on page 103. This was reviewed by the Audit Committee and approved by the Board in December 2019. The existing framework for monitoring compliance with EVRAZ anti-corruption policies and identifying risk was updated early in 2019 by the compliance, legal and internal audit teams to reflect the latest best practice. Using this framework, compliance was tested in late 2019 and the results reported to the Audit Committee in January 2020. Although the testing indicated further progress in reducing risk, the Committee asked the compliance team to provide further analysis of one specific risk area. Additional anti-corruption policies will be updated in 2020 to reflect best practice and the evolving compliance system.

Anti-corruption training continued during 2019. Further 2,000 managers across the business completed the anti-corruption training programme developed by Thomson Reuters, bringing the total number of those trained to 13,000. The training will be extended to additional staff in 2020 and refresher training will continue. In addition, specific training modules will be developed in-house by management to supplement the Thomson Reuters programme during 2020.

Sanctions compliance controls

Compliance with the extended sanctions regime remained a key focus for the Committee throughout 2019. The Committee received regular updates from the Group's external legal advisers and compliance officer on any extension or change to the evolving sanctions framework. The control processes, procedures and reporting framework are updated regularly to incorporate the latest guidance. There is a process of continuing education for compliance personnel and executive management in relation to sanctions.

RISK MANAGEMENT AND INTERNAL CONTROL

This should be read in conjunction with the Risk Management and Internal Control section **on pages 116–117**.

EVRAZ has an integrated approach to risk management to ensure that the review and consideration of risks inform the management of the business at all levels, the design of internal controls and internal audit process. The Group's financial reporting procedures, internal controls, risk management systems and activities are documented in a comprehensive FRP manual. The manual was updated and reviewed by the Audit Committee in November 2019.

The Risk Management Group and the Audit Committee reviewed the Group's risk profile in November 2019 and finalised the assessment in January 2020. The assessment includes the Risk Management Group's recommendation on the level of risk appetite of the Group and how that appetite is applied to strategic and operational business decisions. This was reviewed by the Audit Committee, along with the draft Statement of Principal Risks and Uncertainties to be included in the Annual Report, prior to the Board's consideration.

Internal audit findings on control issues that exceed the Group's risk appetite are reported to the Board by the Audit Committee and followed up by the Group's Management Committee. Progress on the timely and effective resolution of issues is monitored regularly by the Committee.

The Audit Committee continues to receive quarterly updates on whistleblowing reports together with a bi-annual security report on the progress of follow-up investigations and resulting actions in relation to fraud and theft. Any significant whistleblowing report is reported to the Committee on an ad hoc basis when it arises.

Assessment of the Group's risk profile and control environment

Internal audit evaluates the overall effectiveness of the Group's governance, risk and control environment annually and this is considered by the Risk Management Group and the Audit Committee. The chairman of the Audit Committee tables the internal audit report assessment of the governance, risk and control environment with the Board.

The Audit Committee monitors the internal control environment throughout the year and engages with management to ensure the resolution of any deficiencies identified by internal audit.

A particular area of focus during 2019 was the mitigation of health and safety risks across the business. The Committee reviewed reports from both internal audit and the industrial safety team on deficiencies and mitigation plans, as well as receiving regular updates from management. The Audit Committee continued to review the information security risks across the business by way of updated annual assessments and consideration of initiatives to mitigate the evolving risk environment. Progress on GDPR compliance, the process to standardise procurement contract documentation and the finance function development plan were also considered. Other areas reviewed were the repairs and maintenance transformation project across the Russian assets and the ongoing project to optimise product inventory and shipment control at one of the plants. The Audit Committee considered whether any of these matters had implications for the risk and control environment of the Group.

INTERNAL AUDIT

The Audit Committee receives quarterly internal audit reports detailing significant findings, progress on the timely and effective resolution of outstanding findings, the status of ad hoc projects and any revisions to the current year audit plan. The internal audit plan for 2020 was reviewed by the Audit Committee and certain revisions were recommended to reflect the updated risk profile of the business and to prioritise key business cycles and controls from a risk perspective. Overall, the Committee considers the current internal audit resource to be adequate for the internal control and risk management assurance requirements.

The Audit Committee reviewed and updated the Internal Audit Charter and key performance indicators of the internal audit function in January 2020. An annual assessment of the effectiveness, independence and quality of the internal audit function was undertaken by way of a questionnaire to Committee members, management and the external auditors, and was again found to be very satisfactory. A scheduled external assessment of the internal audit function in Russia, the CIS and Europe will be undertaken in 2020.

The head of internal audit is secretary to both the Audit Committee and Risk Management Group and prepares the minutes.

EXTERNAL AUDIT

The Audit Committee is responsible for monitoring the ongoing effectiveness and independence of the external auditor, as well as for making recommendations to the Board on the re-appointment of the auditor.

Effectiveness and independence

The Audit Committee has an established framework through which it monitors the effectiveness, independence, objectivity and compliance of the external auditor with ethical, professional and regulatory requirements. These include:

- Review and approval of the external audit plan for the interim review and year-end audit, including consideration of the audit scope, key audit risks and audit materiality measures, and compliance with best practice
- Review and approval of the external auditor's engagement letter
- Review of the FRC's Quality Inspection Report July 2019 and EY's response
- Consideration of the external auditor's report on the interim review, annual report and representation letters and
- Review of the external auditor's management letter on the 2018 audit with management, consideration of management's response and proposed actions.

The Audit Committee has monitored the enquiries into the independence of audit firms and effectiveness of the audit process during 2019 and noted the recommendations. The Revised Ethical Standard 2019 issued by the Financial Reporting Council in December 2019 has also been considered. There has been a constructive engagement with the external auditor to determine the implications of these recommendations on the EVRAZ audit process both in current and future years. The Audit Committee will review the process for monitoring the independence and effectiveness of the external auditor to ensure it reflects the Revised Ethical Standard and finalised guidance from the other reviews.

Management and members of the Audit Committee completed a questionnaire to assess the effectiveness and independence of the 2018 external audit process during 2019, which was found to be satisfactory.

The Audit Committee holds regular meetings with the external auditor at which management is not present to consider the appropriateness of the Group's accounting policies and audit process. During 2019, the external auditor confirmed that these policies and processes were appropriate. The Committee chairman also meets the Senior Statutory Auditor regularly outside of Audit Committee meetings.

Engagement of the external auditor for non-audit services is currently managed in accordance with the Group's policy, which can be found on the website: www. evraz. com. This policy identifies a range of non-audit services which are prohibited on the basis that they might compromise the independence of the external auditor, and establishes threshold limits for the level of non-audit fees relative to audit fees and authorisation processes for the approval of all audit and non-audit fees. This policy was updated in January 2019 to reflect the latest guidance and will be further updated in the first quarter of 2020 to reflect the FRC Revised Ethical Standard 2019. During 2019, non-audit fees totalled $1,178,000 and included $543,000 in respect of the interim review (2018 $1,202,000 including $459,000 in respect of the interim review). The balance in 2019 related to the Eurobond issue in March 2019 ($330,000) together with a number of assurance projects, ISO 27001 GAP analysis and penetration testing and vendor due diligence services in connection with the sale of Palini e Bertoli Srl. Non-audit fees were 40% of the 2019 audit fee of $3.0 million, compared with 41% of the 2018 audit fee. Irrespective of prior approval of the CFO and Audit Committee chairman, all fees are reported to the Audit Committee for noting and comment.

Re-appointment of the external auditor

Following a tender process in 2016, the Committee recommended the re-appointment of Ernst & Young LLP (EY) as external auditor for the years ended 31 December 2017 and 2018. After consideration of the UK Corporate Governance Code, EU legislation on audit regulation and the performance of EY, the Committee recommended in 2017 that, subject to the agreement of appropriate terms, a further tender to appoint an external auditor be deferred to 2021. The Committee has considered the latest regulatory guidance together with the terms agreed with EY in respect of the financial year ended 31 December 2020, as well as the performance of EY, and continues to recommend the deferral of the tender process.

EY was appointed as external auditor of EVRAZ plc in 2011. The current audit engagement partner, Steven Dobson, assumed the role for the year ended 31st December 2016 and will continue up to and including the audit for the year ended 31 December 2020.

The Audit Committee continues to consider EY to be effective and independent in their role as auditor and has provided the Board with its recommendation to the shareholders that EY be re-appointed as external auditor for the year ending 31 December 2020.

Nominations committee report

Sir Michael Peat
Senior Independent Non-Executive Director,
Chairman of Nominations Committee

The Board delegates the Nominations Committee's role and responsibilities, which are set out in written terms of reference
https://www.evraz.com/en/company/governance/policies/#reference

The Nominations Committee has continued to review developments in Corporate Governance and to ensure that the Group adheres to best practice. It monitors the Board's composition to ensure that it remains appropriate for the Company. Currently, two of the Board's nine members are female, which is below the Hampton-Alexander review recommended level. This will be taken into account when the next director appointment is made. With three of the five independent non-executive directors likely to retire at the 2021 or 2022 AGM, having completed nine years on the Board, a search process will commence in 2020.

ROLE

The Nominations Committee is responsible for making recommendations to the Board on the structure, size and composition of the Board and its committees, and overseeing succession planning for directors and senior management.

COMMITTEE MEMBERS AND ATTENDANCE

The Nominations Committee members at 31 December 2019 were Sir Michael Peat, Alexander Izosimov, Karl Gruber, Alexander Abramov and Eugene Shvidler. Sir Michael Peat served as the chairman of the Nominations Committee throughout the year.

Three of the five committee members were independent non-executive directors.

The committee met on three occasions during 2019. As reported on page 114, all members were in attendance for all meetings.

The CEO attended all meetings and the company secretary acted as the committee's secretary.

ACTIVITY DURING 2019

During 2019, the committee considered the following issues.

Board and committee composition

The Board agreed that the size of the Board and its committees was appropriate for the Group's ongoing needs. The committee agreed that the Board represented a good mix of skills and experience, and that the Group had benefited from having a stable board and a group of people who interact well.

Succession planning

The committee considered succession planning for independent non-executive directors, in the context of the length of service of each of the current independent non-executive directors. With three of the five independent non-executive directors due to retire at the 2021 or 2022 AGMs, it was agreed that a search process for replacement non-executive directors would commence in 2020.
The committee also paid close attention to senior management succession.

Currently the Committee has not engaged any external search consultancies to assist in recruitment.

Board performance evaluation

In 2017, as required by the UK Corporate Governance code in effect at the time, the Company undertook a Board performance evaluation using an external facilitator, Lintstock LLP. In October 2019, the company secretary undertook a follow up internal evaluation under the guidance of the Nominations Committee. Following the 2019 review's conclusion, the committee considered the outcome of the report and prepared an action plan for the Board to review and agree, which reflected continuing improvements to the Board process, information flow and induction.
The outcome of the review and the action plan are described in the Corporate Governance section on page 115.

Independence of non-executive directors

The committee undertook a review of the independent status of the non-executive directors based on the provisions in the UK Corporate Governance Code. It confirmed the appropriateness of the independent status of each of the independent non-executive directors. The Committee noted that Ms Gudgeon had been appointed an independent non-executive director of Highland Gold Mining Ltd, the shareholders of which include some of the Group's significant shareholders. It considered that as the companies operate in different markets and that as the level of remuneration is not material, the appointment does not compromise Ms Gudgeon's independence.

PERFORMANCE OF CHAIRMAN AND INDIVIDUAL DIRECTORS

The senior independent non-executive director sought views from all directors about the performance and contribution of the chairman. The conclusions of this review were considered by the independent non-executive directors at a meeting on 12 December 2019.

It was concluded, as previously, that the chairman continues to make an important contribution to the Group, including through his knowledge and experience of, and contacts in, the industry. It was noted that the chairman was not independent on appointment as required by Provision 9 of the UK Corporate Governance Code, but that in view of his experience and knowledge it was not considered that his independence of judgement would be impaired.

The chairman of the Group and the chairman of the Nominations Committee discussed the performance of the individual directors, including time available to devote to the Group's business, and noted no concerns.

Diversity policy

The Board's diversity policy is to have Board membership that reflects the international nature of the Group's operations and includes at least two women as board members. The Board currently meets these criteria. The committee continues to review and monitor the Group's performance against its diversity policy, including aspects such as age, gender and educational and professional backgrounds, as disclosed in the CSR report **on page 91**.

The Nominations Committee and the Board are committed to meeting best practice standards in gender diversity. While the nature of the steel and mining industries makes this more challenging, it does not diminish the committee's and the Board's commitment.

2020 priorities

The committee will continue to fulfil its general responsibilities with particular emphasis on compliance with the UK Corporate Governance Code, Board diversity and succession planning.

The Committee will commence a search programme to ensure that it can replace those independent non-executive directors who will need to stand down at the 2021 or 2022 AGMs, having completed nine years as a director.

In addition, the committee will continue to consider development and succession planning for senior management.

HSE Committee report

Karl Gruber
Independent Non-Executive Director,
Chairman of Health, Safety and Environment Committee

The Board delegates the HSE Committee's role and responsibilities, which are set out in written terms of reference https://www.evraz.com/en/company/governance/policies/#reference.

In 2019, EVRAZ faced a sharp rise in the number of fatalities, primarily due to an incident involving a crew bus that happened in February 2019 in which eight employees were fatally injured and another 16 people were seriously wounded. In total, 12 EVRAZ employees and four contractors lost their lives during 2019; most of the fatalities were caused by unsafe actions and risk identification failures during the stage of work planning. To improve the situation, EVRAZ launched a project aimed at implementing a new approach to safety culture improvement by engaging employees in the risk identification and mitigation process. The main idea is to switch the general attitude regarding shop floor workers from being subordinates to equal partners in the risk management process. Together with the HSE best practice initiatives launched in the previous years, we believe that this approach will yield good results in the future and will monitor the results to ensure that it is effective.

ROLE AND RESPONSIBILITIES

The Health, Safety and Environment (HSE) Committee reports to the Board of Directors on matters concerning employee wellbeing and occupational safety, as well as protecting the environment and local communities where EVRAZ operates. It receives monthly HSE updates and provides a quarterly report to the Board, and its tasks include:

- Assessing the effects of the Group's HSE initiatives on key stakeholder groups, such as employees and local residents, and on EVRAZ reputation
- Liaising between the management and the Board when there have been fatalities or serious incidents in the workplace, including to ensure that remedial action is implemented effectively
- Reviewing HSE strategy, monitoring pertinent parts of any independent operational audits and making recommendations for action or improvement as deemed necessary

COMMITTEE MEMBERS AND ATTENDANCE

As of 31 December 2019, the members of the HSE Committee included chairman Karl Gruber, as well as Alexander Frolov and Olga Pokrovskaya, who has been asked to continue serving on the Committee since leaving the Board on 14 March 2016 due to her technical and regional experience.

In 2019, the Committee held three meetings: regular meetings on 5 February and 30 July at the headquarters in Moscow, as well as one additional meeting on 16 October in London to review the Risk Management project implementation. All Committee meetings had a necessary quorum and were convened as required. The meetings included reviews of current issues and HSE initiatives at the divisional level.

In addition, in September 2019, the Committee members took part in the EVRAZ HSE management committee and visited Urals production sites to review HSE practices and take part in the "HSE Risk Hunting" session.

ACTIVITIES DURING 2019

Below is a summary of the HSE Committee's performance of its duties in 2019.

HSE performance review

Throughout the year, the Committee applied the following criteria to review the HSE performance of EVRAZ operations:

- Fatal incidents
- Lost-time injuries (LTI)
- Lost-time injury frequency rate (LTIFR), calculated as the number of injuries resulting in lost time per 1 million hours worked
- Enforcement of cardinal safety rules
- Progress of health and safety initiatives
- Industrial safety risk assessment

In the aftermath of every fatality, severe injury and incident involving significant damage to property at EVRAZ, the HSE Committee conducts an investigation to determine the root cause, as well as to establish courses of remedial action. This involves recording a detailed description of the scene, the sequence of events, root cause analysis and corrective measures implemented.

The Committee applies the following criteria to evaluate the Group's environmental performance:

- Key air emissions, including nitrogen oxides (NO_x), sulphur oxides (SO_x), dust and volatile organic compounds
- Carbon dioxide (CO_2) equivalent (tCO_2e) emission
- Carbon dioxide (CO_2) equivalent (tCO_2e) per tonne of crude steel cast.
- Non-mining waste and by-product generation, recycling and re-use
- Fresh water intake and water management aspects
- Non-compliance related environmental levies (taxes) and penalties
- EVRAZ environmental commitments and liabilities
- Major environmental litigation and claims
- Asset coverage with environmental permits/licences
- Public complaints
- Material environmental incidents and preventative measures
- Environmental risk assessment

Additionally in 2019, the Committee reviewed the risks and control measures associated with the largest dams of EVRAZ. The information on dam safety issues has been publicly disclosed within the Investor Mining and Tailings Safety Initiative.

HSE strategy review

In 2019, the Committee reviewed the result of the diagnostic audit provided by external consultants in order to set the key areas for improvement of the safety culture. Based on these diagnostics, EVRAZ described its HSE Management system as consisting of six elements:

- Policy, goals and programs
- Leadership, engagement and responsibility
- Risk management
- Process management and compliance with standards
- Trainings and competencies
- Control and continuous improvements

Every element is described as "where we are" and "where we want to be", and then assessed based on the established criteria. The assessment of the safety management system highlighted leadership and risk management as the main areas for improvement.

The Committee approved a new corporate HSE initiative called "Risk Management Project". The project methodology consists of a set of existing, known HSE tools and best practices, which were tested during 2019. Additionally, the project's approach fosters more intensive interaction among workers and their supervisors by means of health and safety training, safety conversations and using the motivational tools applied within the EVRAZ Business System.

In addition, the Committee supported the management's efforts in the following HSE initiatives, finding that the priorities are generally on track:

- Implementation of a lockout-tagout (LOTO) system
- Safety conversations and standard operating procedures
- Assessment of the safety management system
- Review of contractor management requirements
- Divisional health and safety initiatives
- Environmental programmes, including air emission, water consumption and waste management initiatives

The Committee discussed the challenges posed by global climate change and agreed that the Group should more deeply investigate possible ways to reduce greenhouse gas emissions and establish a corresponding strategy. EVRAZ experts participate in discussions of respective emissions regulations (including related legal acts) to develop emissions regulations in line with the Paris Agreement 2°C pathway. They also provide their professional opinions within respective working groups of various business associations, including the Russian Steel Association and the Russian Union of Industrialists and Entrepreneurs. These associations, in turn, aggregate the opinions held by industry representatives and provide them to the government and respective ministries.

HSE regulatory changes

In 2019, the HSE Committee evaluated the risks and opportunities related to the introduction of new regulation. Over the reporting period, EVRAZ reviewed drafts of HSE-related legislation for the Russian Steel Association's HSE Committee, helping the steel industry to form positions in various areas, including:

- Russian and Canadian greenhouse gas regulations
- The ResponsibleSteel Standard Initiative
- Online emission and discharge monitoring
- Transition to best available techniques (BAT)
- Integrated Environmental Permit (IEP)

The Committee acknowledges the risks involved and recommended a proactive approach in alliance with the business community and steel producers.

HSE audit review

In 2019, EVRAZ operations underwent compliance inspections of state supervisory agencies and internal HSE auditors, and the Committee reviewed:

- The HQ Industrial Safety Department's audits of processes and structural units at Group facilities
- The environmental risks identified via the HQ Environmental Management Directorate's internal audit and risk assessment process
- The Internal Audit Department's audits of the HSE function
- External environmental inspections carried out by the environmental authorities, as well as the implementation of remedial action

CSR review

The HSE Committee's CSR review for 2018–19 covered social programmes with the following priorities:

- Local community quality of life
- Initiatives supporting infrastructure, sports, education and culture
- Special needs children
- Environmental protection
- Safety in the workplace and at home

Following an annual reputation audit that engaged key stakeholders, including representatives of the business community, customers, media, government and local communities, the Committee rated the sustainability efforts of EVRAZ as satisfactory. Over the past three years, the Group's score on the reputation index has indicated a sustainably high performance.

For more details on HSE issues, read the Corporate Social Responsibility section on pages 76-103.

Remuneration report

Alexander Izosimov
Independent Non-Executive Director,
Chairman of the Remuneration Committee

I am pleased to present EVRAZ annual report on directors' remuneration and to confirm that the Committee has taken decisions fully in line with the shareholder-approved policy. This policy is designed to help to deliver the Group's sustainable business objectives and maximise long-term rewards to shareholders. The Committee's Terms of Reference have now been updated in line with the 2018 UK Corporate Governance Code.
I would like to welcome Laurie Argo, who joined the Committee as a member on 13 December 2019.

INTRODUCTION

This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations"). It also meets the relevant requirements of the Financial Conduct Authority's Listing Rules and describes how the Board has applied the principles of good governance as set out in the 2018 UK Corporate Governance Code (July 2018).

This report contains both auditable and non-auditable information. The information subject to audit by the Group's auditors, Ernst & Young LLP, is set out in the Annual Remuneration Report and has been identified accordingly.

Directors' remuneration policy

The current Remuneration Policy was approved by shareholders at the Annual General Meeting (AGM) in June 2017. The Regulations require that shareholders formally approve the policy every three years and therefore the next occasion will be at the AGM in 2020.

This policy is broadly the same as the previous version as, following a review by the Committee, it was felt to still be appropriate for the Group's requirements.

Annual remuneration report

The second part of the report, the Annual Remuneration Report, sets out details of remuneration paid in 2019 and how the Group intends to apply its Remuneration Policy in 2020. This section will be put to an advisory shareholder vote at the forthcoming AGM.

Key decisions taken during the year

During the year, the Committee reviewed the suitability of the current policy, reflecting on how it had operated in the past and what was needed for the future. While the updated UK Corporate Governance Code required certain changes to be made, these are fairly minor in nature. The Committee operated under its terms of reference (as described **on page 138**) without conflicts of interest and having sought advice to determine the future policy.

The Committee assessed performance of the CEO against predetermined KPIs and targets as well as the overall performance of the Group. From an operational and financial perspective the performance of the Group has been strong, meeting most of the set targets and showing good progress on strategic projects. During the year the Group significantly increased its focus on health and safety, placing the paramount importance on the measures aimed to improve the safety culture.
However, taking into account the increase

in fatalities in 2019, driven by the crew bus accident at Raspadskaya mine, after the discussion with and with the agreement of the CEO, the Committee decided not to award the CEO bonus. Although changes in behavior and practices take time to achieve improved safety figures, the CEO considers the increase in the number of fatalities unacceptable.

Through the ongoing dialog with the management, the Committee maintained its thorough understanding of the operation of remuneration arrangements throughout the Group and under its amended terms of reference approved the remuneration of the senior executives operating immediately below the CEO.

In line with its commitment to good corporate governance, the Group will continue to monitor investors' views, best-practice developments and market trends on executive remuneration. These will be considered when deciding on executive remuneration at EVRAZ to ensure that its Remuneration Policy remains appropriate in the context of business performance and strategy.

Link with business strategy

EVRAZ actualised strategic priorities define the selection of KPIs for the CEO.

These strategic priorities are reflected in the Group's approach to executive remuneration and a large proportion of the CEO's remuneration is linked to performance through the annual bonus.

Achievement within the annual bonus is based on the Group's key quantitative financial, operational and strategic measures to ensure focus is spread across the key aspects of Group's performance and strategy. The exact measures and associated weighting are determined on an annual basis according to the Company's strategic priorities for the year.

For 2019, the following five indicators, each with an equal weighting of 20%, were considered when determining the CEO's annual bonus: LTIFR, EBITDA, Free Cash Flow (adjusted), Cash Cost Index and the Committee's assessment of overall performance against strategic objectives. The KPIs are specific and focus on deliverables to support the Group's strategy.

How business strategic priorities align to overall reward at EVRAZ

CEO KPIs	Weighting	Sustainable development	EVRAZ Business System	Debt management and stable dividends	Prudent CAPEX	Retention of Low-cost position	Development of product portfolio and customer base
LTIFR	20%	X	X				
EBITDA	20%		X	X	X	X	X
Adjusted FCF	20%		X	X	X	X	X
Cash Cost Index	20%		X		X	X	
Strategic Objectives	20%	X	X		X	X	X

POLICY REPORT

Shareholder approval is to be sought at the 2020 AGM for an updated policy (which is outlined on pages 131-135) which will, subject to that shareholder approval.

This updated policy contains the following key changes to the policy approved in 2017 by shareholders (which is available at https://ar2017.evraz.com/en/governance/remuneration-report):

- Future executive directors will receive a pension benefit no higher than that provided (as a percentage of salary) to the workforce level
- Introduction of formal shareholding guidelines requiring any future executive director to build over time and then retain shares worth at least 200% of salary normally for the period of two years after ceasing to be an executive director
- The ability for the Committee to reduce bonus payments to reflect EVRAZ overall performance, as well as safety record and procedures

The Remuneration Policy's primary objectives are to attract, retain and reward talented staff and management, by offering compensation that is competitive within the industry, motivates management to achieve the Group's business objectives, encourages a high level of performance and aligns the interests of management with those of shareholders.

The Committee reserves the right to make any remuneration payments and payments for loss of office that are not in line with the policy set out below where the terms of the payment were agreed before the policy came into effect or at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Company.

The CEO's incentive arrangements are subject to "malus", under which the Committee may adjust bonus payments downwards to reflect the Group's overall performance including safety underlying practices and resulting performance. The Committee does not operate clawback arrangements on directors' remuneration on the basis that such arrangements would not be enforceable under the Russian Labour Code. The Committee will keep this under review and should the Russian Labour Code change, it will revisit the inclusion of such provisions in the Group's variable remuneration plans in order to comply with the 2018 UK Corporate Governance Code.

The Committee may make minor amendments to the Remuneration Policy set out below (for regulatory, exchange control, tax or administrative purposes, or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Executive director				
Base salary	Provides a level of base pay to reflect individual experience and role to attract and retain high calibre talent.	Normally reviewed annually, considering individual and market conditions, including: size and nature of the role; relevant market pay levels; individual experience and pay increases for employees across the Group. For the current CEO, base salary incorporates a director's fee (paid to all directors of the Company for participation in the work of the Board committees and Board meetings – see the section on Non-executive Director Remuneration Policy below). Where a salary is paid in a currency other than US dollars, the Committee may make additional payments to ensure that the total annual salary equals the level of annual salary in US dollars.	Generally, the maximum increase per year will be in line with the overall level of increases within the Group. However, there is no overall maximum opportunity as increases may be made above this level at the Committee's discretion, to take account of individual circumstances such as increases in scope and responsibility and to reflect the individual's development and performance in the role.	None
Benefits	To provide a market level of benefits, as appropriate for individual circumstances, to recruit and retain executive talent.	Benefits currently include private healthcare. Other benefits (including pension benefits) may be provided if the Committee considers it appropriate. The current CEO does not participate in any pension scheme at this time. In the event that an executive director is required by the Group to relocate, or following recruitment, benefits may include but are not limited to a relocation, housing, travel and education allowance.	The cost of benefits will generally be in line with that for the senior management team. However, the cost of insurance benefits may vary from year to year depending on the individual's circumstances. The overall benefit value will be set at a level the Committee considers proportionate and appropriate to reflect individual circumstances, in line with market practices. There is no total maximum opportunity.	None
Annual bonus	To align executive remuneration to Group strategy by rewarding the achievement of annual financial and strategic business targets.	The Group operates an annual bonus arrangement under which awards are generally delivered in cash. Targets are reviewed annually and linked to corporate performance based on predetermined targets.	Up to 200% of base salary in respect of any financial year of the Group.	The bonus is based on achievement of the Group's key quantitative financial, operational and strategic measures in the year to ensure focus is spread across the key aspects of Group performance and strategy. The exact measures and associated weighting will be determined on an annual basis, according to the Group's strategic priorities, however at least 60% will be based on Group financial measures. For achievement of threshold performance, 0% of maximum will be paid, rising straight line to no more than 50% of maximum for target performance and 100% of maximum for outstanding performance. The Committee retains discretion to adjust bonus payments to reflect the Group's overall performance.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Non-executive directors				
Chairman and non-executive director remuneration	To provide remuneration that is sufficient to attract and retain high calibre non-executive talent.	Director fees are normally paid in the form of cash, but with the flexibility to forgo all or part of such fees (after deduction of applicable income tax and social taxes) to acquire shares in the Company should the non-executive director so wish. Non-executive director fees are reviewed from time to time. Non-executive directors receive an annual fee for Board membership. Additional fees are payable by reference to other Board responsibilities taken on by the non-executive directors (for example, membership and chairmanship of the Board committees). The chairman of the Board receives an all-inclusive annual fee. Costs incurred in the performance of non-executive directors' duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the costs. This may include travel expenses, professional fees incurred in the furtherance of duties as a director, and the provision of training and development. In addition, the Company contributes an annual amount towards secretarial and administrative expenses of non-executive directors. Non-executive directors may not participate in the Company's share incentive schemes or pension arrangements. Total fees paid to non-executive directors will remain within the limit stated in the Articles of Association.		

Performance measures and targets

Annual bonus measures and targets are selected to provide an appropriate balance between incentivising the director to meet financial objectives for the year and achieving key operational objectives. The Remuneration Committee reviews them annually to ensure that the measures and weightings are in line with the strategic priorities and needs of the business.

Remuneration arrangements throughout the Group

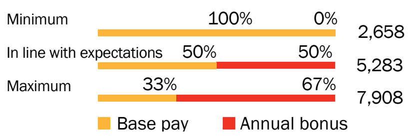
This remuneration approach and philosophy is applied consistently at all levels, up to and including the executive director. This ensures that there is alignment with business strategy throughout the Group. Remuneration arrangements below Board level reflect the seniority of the role and local market practices, and therefore the components and remuneration levels for different employees may differ in parts from the policy set out above.

For instance, in addition to a base salary, a performance-related bonus (calculated by reference to KPIs aligned with the Group's strategy) and benefits, senior managers are also entitled to participate in a long-term incentive programme. This is designed to align the interests of these individuals to the delivery of long-term growth in shareholder value. The current CEO already holds a substantial shareholding in the Group and therefore does not participate in this plan.

Illustration of the application of the Remuneration Policy

The following chart provides an indication of what could be received by an executive director under the Remuneration Policy.

Application of the remuneration policy, US$ thousand



Policy on recruitment of executive directors

This part of the Remuneration Policy has been developed to enable the Group to recruit the best candidate possible who will be able to contribute to the Group's performance and will help to reach its goals.

In the event of hiring a new executive director, remuneration would be determined in line with the following Remuneration Policy.

So far as practicable and appropriate, the Remuneration Committee will seek to structure pay and benefits of any new executive directors in line with the current Remuneration Policy.

In relation to any pension benefits, these will not exceed the percentage of salary earned by the majority of the workforce (either of the Group or the county in which the executive director works).

Notwithstanding this, the Committee recognises that the Remuneration Policy set out above is tailored towards the only current executive director, the CEO, who has a significant shareholding in the Company. Any new executive director is likely to have a different fact-pattern to the current CEO, and thus the Committee believes it is important to retain the flexibility to be able to offer other elements, namely market-competitive, share-based incentive programmes, which are linked to the Group's performance and designed to align the executive director's interests to the delivery of growth in shareholder value.

The maximum level of variable remuneration which may be granted in respect of recruitment (excluding any buyouts) will not exceed the ongoing policy of more than 200% of base salary, as described in the policy table above. This additional headroom has been capped at a level comparable with maximum award levels seen in conventional long-term incentive plans used in the wider UK-listed market.

The Committee's intention would be for any share-based incentive awards to be subject to performance conditions. Where the intention is to grant regular long-term incentive awards to a candidate, the Committee would seek appropriate shareholder approval for a new share plan in accordance with the Listing Rules.

When setting salaries for new hires, the Committee will consider all relevant factors, including the skills and experience of the individual, the market from which they are recruited, and the market rate for the role. For interim positions, a cash supplement may be paid rather than salary (for example, a non-executive director taking on an executive function on a short-term basis).

To facilitate recruitment, the Committee may need to compensate an executive director for the loss of remuneration arrangements forfeited on joining the Company. In granting any buyout award, the Committee will consider relevant factors, including any performance conditions attached to the awards forfeited, the form in which they were granted (eg cash or shares) and the timeframe of the awards. The Committee will generally seek to structure the buyout on a comparable basis to awards forfeited. The overriding principle is that any buyout award would be at or below the commercial value of remuneration forfeited.

The Committee retains the flexibility to alter the performance measures of the annual bonus for the first year of appointment, if it determines that the circumstances of the recruitment merit such alteration.

Where an executive director is appointed from within the organisation, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an executive director is appointed following an acquisition of, or merger with another company, legacy terms and conditions will be honoured.

On the appointment of a new chairman or non-executive director, their remuneration will typically be in line with the Remuneration Policy as set out above. Any specific cash or share arrangements delivered to the chairman or non-executive directors will not include share options or any other performance-related elements.

Policy on shareholdings of executive directors

The Company's policy is that executive directors should hold shares in the Company and any new executive director will be required to build and retain a level of shareholding in the Company. The application of this will be contained from time to time in the Annual Remuneration Report and is currently set at 200% of salary. This level of shareholding (or the actual level on departure if it is lower) will normally have to be retained for two years following ceasing to be an executive director. As the current executive director, the CEO, has a holding in excess of 9.69% of the Company and does not participate in share plans, this guideline does not apply to him.

Executive director's service contract and loss of office policy

The CEO has a service contract with a subsidiary of EVRAZ plc. The CEO's service contract does not provide for any specific notice period and therefore, in the event of termination, the applicable notice period will be as provided for in the Russian Labour Code from time to time (where the termination is at the Company's initiative, the entitlement to pay in lieu of notice is currently limited to three months' base salary). The Committee may determine that a termination payment of up to 12 months' base salary should be paid, taking into consideration the circumstances of departure. Going forward, all new executive directors' contracts will normally provide for a notice period of no more than 12 months and for any compensation provisions for termination without notice to be capped at 12 months' base salary and contractual benefits.

There is no automatic entitlement to annual bonus and executive directors would not normally receive a bonus in respect of the financial year of their cessation. However, where an executive director leaves by reason of death, disability, ill-health, or other reasons that the Committee may determine, a bonus may be awarded. Any such bonus would normally be subject to performance and time pro-rating, unless the Committee determines otherwise.

Executive director	Date of contract	Notice period (months)
Alexander V. Frolov	31 December 2019	N/A

Non-executive directors' letters of appointment

Each non-executive director has a letter of appointment setting out the terms and conditions covering their appointment. They are required to stand for election at the first AGM following their appointment and, subject to the outcome of the AGM, the appointment is for a further one-year term. Over and above this arrangement, the appointment may be terminated by the director giving three months' notice or in accordance with the Articles of Association. Letters of appointment do not provide for any payments in the event of loss of office.

All directors are subject to annual reappointment and, accordingly, each non-executive director will stand for re-election at the AGM on 16 June 2020.

Key terms of non-executive directors' appointment letters

Non-executive directors	Date of contract	Notice period
Alexander G. Abramov	14 October 2011	Three months
Karl Gruber	14 October 2011	Three months
Alexander Izosimov	28 February 2012	Three months
Sir Michael Peat	14 October 2011	Three months
Deborah Gudgeon	31 March 2015	Three months
Eugene Shvidler	14 October 2011	Three months
Eugene Tenenbaum	14 October 2011	Three months
Laurie Argo	8 August 2018	Three months

Copies of the directors' letters of appointment or, in the case of the CEO, the service contract, are available for inspection by shareholders at the Group's registered office.

Consideration of conditions elsewhere in the Group
Management prepares details of all employee pay and conditions, and the Committee considers them on an annual basis.
The Committee takes this into account when setting the CEO's remuneration.

However, it does not consider any direct comparison measures between the executive director and wider employee pay. The Group does not formally consult with employees on executive director remuneration.

Consideration of shareholder views
When determining the Remuneration Policy, the Committee considers investor body guidelines and shareholder views.

ANNUAL REMUNERATION REPORT

This section summarises remuneration paid out to directors for the 2019 financial year, and details of how the Remuneration Policy will be implemented in the 2020 financial year.

Executive director's remuneration

In 2019, the CEO, Alexander Frolov, was entitled to a base salary, a performance-related bonus and provision of benefits. As a member of the Board, he is also entitled to a director's fee (US$150,000) and any applicable fees for participation in the work of the Board committees as laid out in the section below on non-executive director remuneration. However, the Committee considers these fees to be incorporated in his base salary. Alexander Frolov's current shareholding (9.69% of issued share capital as of 31.12.2019) provides alignment with the delivery of long-term growth in shareholder value. As such, the Committee does not consider it necessary for the CEO to participate in any long-term incentive plans or to impose formal shareholding guidelines. However, the Committee will continue to review this on an ongoing basis.

Single total figure of remuneration (audited)

Key elements of the CEO's remuneration package received in relation to 2019 (compared with the prior year)

Alexander V. Frolov	2019 (US$)	2018 (US$)
Salary and director fees[1]	2,625,000	2,500,000
Benefits	32,970	33,506
Bonus	0	2,860,378
Total	**2,657,970**	**5,393,884**

Base salary

The Committee approved the CEO's current salary on 1 January 2019 at the level of US$2,625,000 (which includes, for the avoidance of doubt, the director's fee, fees paid for committee membership and any salary from subsidiaries of EVRAZ plc).

Pension and benefits (audited)

The CEO does not currently receive any pension benefit or allowance. Benefits consist principally of private healthcare.

Annual bonus

The CEO is eligible for a performance-related bonus that is paid in cash following the year-end, subject to the Committee's agreement and the Board of Directors' approval.
The bonus is linked to achieving performance conditions based on predetermined targets set by the Board of Directors. The target bonus is 100% of base salary with a maximum potential of 200% of base salary.

Annual bonus for 2019 (audited)

The bonus is linked to the Group's main quantitative financial, operational and strategic measures during the year to ensure alignment with the key aspects of Group performance and strategy.
For 2019, the following five indicators, each with an equal weighting of 20%, were considered when determining the CEO's annual bonus: LTIFR, EBITDA, Free Cash Flow (adjusted), Cash Cost Index and committee assessment of overall performance against strategic objectives.

The Committee reviews the resulting bonus payout to ensure that it is appropriate considering the Group's overall performance, as well as safety record and procedures.

In 2019, EVRAZ reached or outperformed the threshold target for all of its operational and financial KPIs with the exception of LTIFR. Management has delivered a robust set of financial and operational results and continued to advance core strategic projects according to plan.
In normal circumstances, such performance would warrant a payout ratio of 24.47% of the maximum possible payout.

Details of the targets set for each KPI, the actual achievement in the year, and total payout level for the 2019 bonus

KPIs	Result measurement			Actual 2019	Bonus payout (% of max)
	Threshold	Planned level (% of target)	Outstanding		
LTIFR	2.0	1.67	1.34	2.04	0%
EBITDA	US$2,574m	US$3,217m	US$3,860m	US$2,601m	2.1%
Adjusted FCF	US$1,426m	US$1,783m	US$2,140m	US$1,549m	17.3%
Cash cost index	110%	100%	90%	99%	53%
Discretion	Remuneration Committee assessment of overall performance against strategic objectives				50%
Total					24.47%

1. The salary is paid in roubles and the amounts paid in the year are reconciled at the year-end so as to equal US$2,625,000.

Notwithstanding the significantly increased focus on health and safety in the year, the gravity of the increase in the number of fatalities, driven by the crew bus accident at Raspadskaya mine, required the Committee to reassess the overall performance. Whilst changes in behavior and practices take time to flow through to the achievement of improved safety figures, the CEO considers the increase in the number of fatalities unacceptable. After an extended deliberation, which included taking into account the CEO's focus and expectations around safety, the Committee none the less decided not to award the CEO bonus.

Annual bonus for 2020

For 2020, the bonus framework will be in line with 2019. The Board considers forward-looking targets to be commercially sensitive; however, they will generally be disclosed in the subsequent year. In line with previous years, a malus arrangement will apply under which bonus payouts may be adjusted downwards to reflect the Group's overall performance including safety underlying practices and resulting performance.

Non-executive directors' remuneration

Non-executive directors' remuneration payable in respect of 2019 and 2018 is set out in the table below.

A non-executive director's remuneration consists of an annual fee of US$150,000 and a fee for committee membership (US$24,000) or chairmanship (US$100,000 for chairmanship of the Audit Committee and US$50,000 for other committees). The fee for employee engagement responsibilities is also set at US$24,000.

For reference, the fees payable for the chairmanship of a committee include the membership fee, and any director elected as chairman of more than one committee is generally entitled to receive fees in respect of one chairmanship only. The fee for the chairman of the Board amounts to US$750,000 from 1 March 2012 (this fee includes, for the avoidance of doubt, director's fees and fees paid for committee membership).

Fees will remain unchanged for 2020.

Aggregate directors' remuneration

The aggregate amount of directors' remuneration payable in respect of qualifying services for the year ended 31 December 2019 was US$5,116 thousand (2018: US$7,743 thousand).

Share ownership by the Board of Directors (audited)

There were no formal minimum shareholding requirements in place, reflecting the CEO's current shareholding in EVRAZ. However, the proposed policy includes these in relation to any future appointments.

The directors' interests in EVRAZ shares as of 31 December 2019 were as follows.

There have been no changes in the directors' interests from 31 December 2019 through 26 February 2020.

Single total figure of remuneration (audited)

Non-executive director	2019 (US$ thousand)			2018 (US$ thousand)		
	Total fees[1]	Admin[2]	Total	Total fees[1]	Admin[2]	Total
Alexander G. Abramov	750	30	780	750	30	780
Alexander Izosimov	248	30	278	248	30	278
Eugene Shvidler	174	30	204	174	30	204
Eugene Tenenbaum	150	30	180	150	30	180
Karl Gruber	224	30	254	238	30	268
Sir Michael Peat	224	30	254	224	30	254
Deborah Gudgeon	274	30	304	274	30	304
Laurie Argo	174	30	204	51	30	81

1. Total fees include annual fees and fees for committee membership or chairmanship (pro rata working days).
2. The Group contributes an annual amount of US$30,000 towards secretarial and administrative expenses of non-executive directors. In addition to the amounts disclosed above, the Group reimburses directors' travel and accommodation expenses incurred in the discharge of their duties.

The CEO holds shares to the value of 287 times his salary as at 31 December 2019.

The shares held by Alexander Izosimov were acquired in 2012 when he was appointed as an independent non-executive director.

All shares held by directors are held outright with no performance or other conditions attached to them, other than those applicable to all shares of the same class.

Other directors do not currently hold any shares in the Company.

Directors' interest in EVRAZ shares as of 31 December 2019

Directors	Number of shares	Total holding, ordinary shares, %
Alexander Abramov	281,870,003	19.41
Alexander Frolov	140,723,705	9.69
Eugene Shvidler	40,488,242	2.79
Alexander Izosimov	80,000	0.01

Policy on external appointments

The Committee believes that the Group can benefit from executive directors holding approved non-executive directorships in other companies, offering executive directors the opportunity to broaden their experience and knowledge. EVRAZ policy is to allow executive directors to retain fees paid from any such appointment. The CEO does not currently hold a non-executive directorship of another company.

Engagement with the workforce

EVRAZ is committed to regularly engaging with its workforce and realises the value in listening to and acting on employee views across the organisation. These insights are vital to attracting and retaining employees, which is key to delivering and executing the Group's vision and strategy. It also allows for informative decisions to be made throughout the business. Considering the views of the wider workforce has been in place at the Group for many years. Employees participate in an annual employee engagement survey aimed at gathering wider workforce views on various topics. The survey has historically been successful in driving numerous employee-focused initiatives and helps to set key priorities for the forthcoming year, aimed at improving the engagement of all employees.

The Board reviews the engagement data and is therefore aware of any trends, comments or concerns in relation to executive pay. The Board also receives a quarterly summary report of complaints made on the EVRAZ employee telephone hotline.

In 2018 the Board has appointed two non-executive directors to be involved in town-hall meetings with employees. During 2019, Alexander Izosimov visited Raspadskaya Coal Company in Novokuznetsk, Russia and Laurie Argo visited EVRAZ Portland's rolling mill in North America for town-hall meetings with employees. During these visits, the two directors met with employees and learned what is important to them. This information was shared with the Committee and discussed.

The Committee also considers executive remuneration in the context of the wider employee population and is kept regularly updated on pay and conditions across the Group. The proportion of variable pay increases with progression through management levels with the highest proportion of variable pay at executive director level, as defined by the Remuneration Policy. Variable pay cascades down through the next tiers of management with appropriate reductions in opportunity levels based on seniority. In addition, the Group operates pension arrangements in some of its businesses around the world, where this is relevant to the local conditions. The key element of remuneration for those below senior management grades is base salary and the Group's policy is to ensure that base salaries are fair and competitive in the local markets. General pay increases take into account local salary norms, inflation and business conditions.

Gender pay gap and CEO pay ratio

EVRAZ had less than 10 UK employees during the year and does not therefore have any gender pay or CEO pay ratio to report under the Regulations.

Relative importance of spend on pay

The following table shows a comparison of the total cost of remuneration paid to all employees between current and previous years and financial metrics in US$ millions. EBITDA was chosen for the comparison as it is the KPI that best shows the Group's financial performance.

US$ million	2019	2018
EBITDA	2,601	3,777
Shares buyback	0	0
Dividends	1,086	1,556
Total employee pay	1,464	1,326

For more information on the definition of EBITDA, please read page 251.

Performance graph

The following graph shows the Group's performance measured by total shareholder return compared with the performance of the FTSE 350 Basic Resources Index since EVRAZ plc's admission to the premium listing segment of the London Stock Exchange on 7 November 2011. The FTSE 350 Basic Resources Index has been selected as an appropriate benchmark, as it is a broad-based index of which the Group is a constituent member.

The following table shows as a single figure the CEO's total remuneration over the past seven years, along with a comparison of variable payments as a percentage of the maximum bonus available.

Percentage change in remuneration

The following table sets out the percentage change in the elements of remuneration for the director undertaking the role of CEO compared with average figures for Russia-based administrative personnel.

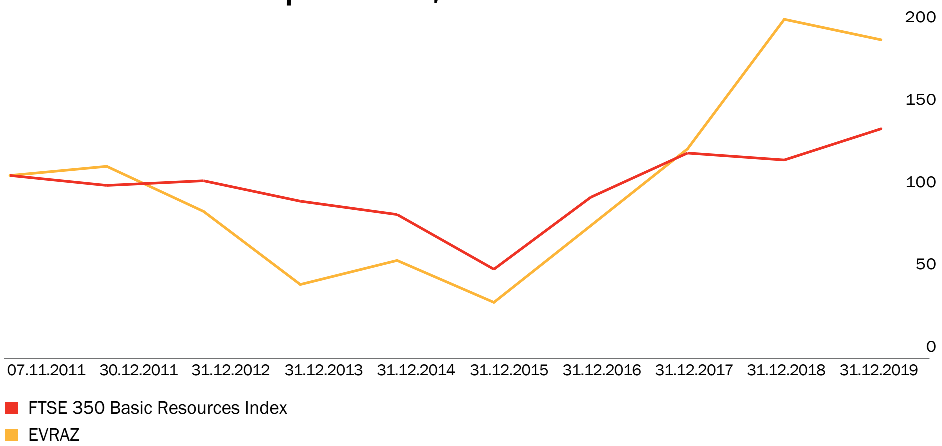
This group of employees has been selected as an appropriate comparator, as they are based in the same geographic market as the CEO, and so are subject to a similar external environment and pressures.

The population of employees the calculation has been performed for includes the administrative personnel in Head Office and the Ural and Siberia management companies. This provides a more representative calculation across the Russian businesses than in previous years.

Percentage change in the elements of remuneration for the director undertaking the role of CEO compared with average figures for Russia-based administrative personnel

	CEO	Russia-based administrative personnel
Salary	5%	5%
Benefits	2%	21%
Annual bonus	(100%)	0%

Total shareholder return performance, %



CEO's total remuneration paid in 2013–2019

(US$)	CEO single figure of total remuneration	Annual bonus payout (as a % of maximum opportunity)
2019	2,657,970	0%
2018	5,393,884	57,21%
2017	5,516,553	59,82%
2016	4,560,054	40,78%
2015	3,186,585	13,33%
2014	5,808,752	77,00%
2013	4,894,286	50,00%

Committee composition

This section details the Remuneration Committee's composition and activities undertaken over the past year.

Committee members

The Committee's composition was changed during the year with the appointment of Laurie Argo as a member on 13 December 2019 and its current members are:

- Alexander Izosimov
- Deborah Gudgeon
- Sir Michael Peat
- Laurie Argo

No directors are involved in deciding their own remuneration. The Committee may invite other individuals to attend all or part of any committee meeting, as and when appropriate and necessary, in particular the CEO, the head of human resources and external advisers.

Role

The Remuneration Committee is a formal committee of the Board and can operate with a quorum of two committee members. It is operated according to its Terms of Reference, which were reviewed and updated in the year to reflect changes made to the UK Corporate Governance Code. A copy can be found on the Group's website.

The Committee's main responsibilities are to:

- Set and implement the Remuneration Policy covering the chairman of the Board, the CEO, the company secretary and other senior executives
- Take into account all factors that it deems necessary to determine, such as framework or policy, including all relevant legal and regulatory requirements, the provisions and recommendations of the 2018 UK Corporate Governance Code and associated guidance
- Review and consider remuneration trends across the Group and the alignment of incentives and rewards with culture when setting the Remuneration Policy
- Review regularly the Remuneration Policy's appropriateness and relevance
- Determine the total individual remuneration package of the chairman of the Board, the company secretary and other senior executives, including pension rights, bonuses, benefits in kind, incentive payments and share options, or other share-based remuneration within the terms of the agreed policy

- Approve awards for participants where existing share incentive plans are in place
- Review and approve any compensation payable to executive directors and other senior executives in connection with any dismissal, loss of office or termination (whether for misconduct or otherwise) to ensure that such compensation is determined in accordance with the relevant contractual terms and Remuneration Policy, and that such compensation is otherwise fair and not excessive for the Group
- Oversee any major changes in employee benefits structures throughout the Group and report on what engagement has taken place with the workforce on executive pay

During 2019, the Committee met four times. The main purpose of the meetings was to consider and make recommendations to the Board in relation to the remuneration packages of the executive director and key senior managers; to approve the annual bonus for the 2018 results; to approve the 2019 long-term incentive plan (LTIP) awards for key senior management; and to agree the proposed new directors' remuneration policy.

Advisers

The Committee has appointed Korn Ferry (UK) Limited (Korn Ferry) to provide independent remuneration consultancy services to the Group. Korn Ferry is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

During the year, Korn Ferry principally advised the Committee on developments in the regulatory environment and market practice, on the development and disclosure of the Group's pay arrangements and on the proposed new policy. The total fee for advice provided to the Committee during the year was £36,527.

The Committee is satisfied that the advice it has received has been objective and independent.

Shareholder considerations

EVRAZ remains committed to ongoing shareholder dialogue and takes an active interest in feedback received from its shareholders and from voting outcomes.

Where there are substantial votes against resolutions in relation to directors' remuneration, the Group shall seek to understand the reasons for any such vote and will detail any actions in response to these.

Actual voting results from the AGM, which was held, in respect of the previous remuneration report and Remuneration Policy

Number of votes	For	Against	Withheld	Total votes as % of issued share capital
To receive the Directors' report and the accounts for the Company for the year ended 31 December 2018	1,179,677,802 (99.86%)[1]	1,644,619 (0.14%)	347,138	81.36%
To approve the Annual Remuneration Report set out on pages 120–127 of the Annual Report and Accounts 2018	1,128,595,317 (95.51%)	53,060,034 (4.49%)	14,208	81.39%

Signed on behalf of the Board of Directors,

Alexander Izosimov
Chairman of the Remuneration Committee

26 February 2020

1. Percentage of votes cast.

Directors report

Introduction

In accordance with section 415 of the Companies Act 2006, the Directors of EVRAZ plc present their report to shareholders for the financial year ended 31 December 2019, which they are required to produce by applicable UK company law. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the annual report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the annual report, as indicated below.

The Company was incorporated under the name EVRAZ plc as a public company limited by shares on 23 September 2011 under registered number 7784342. EVRAZ plc listed on the London Stock Exchange in November 2011 and is a member of the FTSE 100 Index.

Dividends	The underlying cash flow generation and continuing success with deleveraging have allowed the Company to continue to pay dividends in line with its dividend policy. Please **read page 22** for details. The Company paid an interim dividend of US$0.40 per ordinary share, totalling US$577.34 million, on 29 March 2019 to shareholders on the register as of 8 March 2019. The Company paid an interim dividend of US$0.35 per ordinary share, totalling US$508.7 million, on 5 September 2019 to shareholders on the register as of 16 August 2019. The Board of Directors have declared an interim dividend of US$0.40 per share, totalling US$580.8 million, to be paid on 27 March 2020 to shareholders on the register as of 6 March 2020.
Distributions	During February 2020 the directors became aware that certain dividends paid in 2018 and 2019 totalling $1,447 million had been made otherwise than in accordance with the Companies Act 2006. The directors duly checked the sufficiency of distributable reserves before each distribution, but due to an administrative error the interim accounts were not filed at Companies House prior to payment. To rectify these breaches, in February 2020 the Company filed the interim accounts in respect of each dividend payment. A special resolution will be proposed at the Annual General Meeting of the Company's shareholders in June 2020 to authorise the appropriation of distributable profits to the payment of the relevant dividends and remove any right for the Company to pursue shareholders or directors (the 'Director Release') for repayment. The Director Release will constitute a related party transaction under the Listing Rules of the UK Listing Authority and under IFRS. The overall effect of the special resolution being passed will be to return all parties to the position they would have been in had the relevant dividends been made in full compliance with the Companies Act 2006.
Share capital	Details of the Company's share capital are set out in Note 20 to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the year. As of 31 December 2019, the Company's issued share capital consisted of 1,506,527,294 ordinary shares, of which 54,619,521 shares are held in Treasury. Therefore, the total number of voting rights in the Company is 1,451,907,773. The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.
Authority to purchase own shares and transfer of treasury shares to Company's Employee Share Trust	The authority given at the 2019 AGM for the Company to make market purchases of 144,355,081 of its shares, representing 10% of the issued share capital (excluding shares held in treasury), expires on the earlier of the 2020 AGM or 30 June 2020. We will ask shareholders to give a similar authority at the 2020 AGM. During 2019, no shares were purchased under this authority. Details of the Company's authority to purchase its own shares, which will be sought at the Company's forthcoming annual general meeting (AGM), will be set out in the notice of meeting for that AGM. On 30 April 2019, the Company transferred 8,556,954 ordinary shares out of treasury to the Company's Employee Share Trust. Details are set out in Note 20 to the Consolidated Financial Statements.
Directors	Biographies of the directors who served on the Board during the year are provided in the Governance section **on pages 106–109**.
Directors' appointment and re-election	The Board has the power at any time to elect any person to be a director, but the number of directors must not exceed the maximum number fixed by the Company's Articles of Association. Any person so appointed by the directors will retire at the next AGM and then be eligible for election. In accordance with the UK Corporate Governance Code, the directors are subject to annual re-election by shareholders. For additional information about directors' appointment and resignation, read the Corporate Remuneration **on page 134**. All of the continuing directors intend to stand for re-election at the 2020 AGM to be held later this year.
Directors' interests	Information on share ownership by directors can be found in this Report and in the Remuneration Report **on page 137**.
Directors' indemnities and director and officer liability insurance	As at the date of this report, the Company has granted qualifying third-party indemnities to each of its directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, directors and officers of the Company and its subsidiaries have been and continue to be covered by director and officer liability insurance.
Powers of directors	Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and provide the power to make purchases of any of its own shares. The directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.

Major interests in shares	Notifiable major share interests of which the Company has been made aware are set out in this Directors' Report.
Research and development	EVRAZ is constantly engaged in process and product innovation. EVRAZ research and development centres located at the Company's production sites improve and develop high-quality steel products to better meet customers' needs and to ensure that the Company remains competitive in the global and local markets. For examples of the Company's efforts in research and development in different operations, please refer to the Business Review **on pages 62–63**.
Sustainable development	The Corporate Social Responsibility section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes. Details of the Company's policies and performance are provided in the Corporate Social Responsibility section **on pages 76–103**.
Payments to governments	EVRAZ published its 2018 report on payments to governments in June 2019. The report provides citizens, authorities and independent users with information on payments made to governments where the Company conducts its extractive activities. The report is prepared in accordance with the requirements of the Disclosure Guidance and Transparency Rules Instrument 2014 "Report on payments to governments", issued by the UK Financial Conduct Authority. The report is available on the Company's website at www.evraz.com.
Political donations	No political contributions were made in 2019.
Greenhouse gas emissions	In 2019, in accordance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, EVRAZ undertook to assess full emissions of greenhouse gases (GHGs) from facilities under its control. Details can be found in the Corporate Social Responsibility section **on page 83**.
Employees	Information regarding the Company's employees can be found in the Our People section **on pages 90–95**.
Overseas branches	EVRAZ does not have any branches. A full list of the Group's controlled subsidiaries is disclosed **in Note 34** of the Consolidated Financial Statements.
Financial risk management and financial instruments	Information regarding the financial risk management and internal control processes and policies, as well as details of hedging policy and exposure to the risks associated with financial instruments, can be found **in Note 28** to the Consolidated Financial Statements, the Corporate Governance, Risk Management and Internal Control section **on pages 112–117** and the Financial Review section **on pages 28–33**.
Going concern	The financial position and performance of the Group and its cash flows are set out in the Financial Review section of the report **on pages 28–33**. Based on the currently available facts and circumstances, the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. More details are provided **in Note 2** to the consolidated financial statements **on page 164**.
Auditor	The Audit Committee conducted a tender for the external audit of the Group in July 2016. Ernst & Young LLP were selected to undertake the audits for the financial years ended December 2017 and 2018 (subject to shareholder approval at the respective AGM). The Board has agreed that subject to satisfactory commercial terms being agreed with Ernst & Young LLP, no re-tender will take place until the conclusion of the 2020 financial year. A decision on whether to re-tender will be taken thereafter. Ernst & Young LLP have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the forthcoming AGM.
Future developments	Information on the Group and its subsidiaries' future developments is provided in the Strategic Report **on pages 6-43**.
Events since the reporting date	The major events after 31 December 2019 are disclosed in Note 33 to the Consolidated Financial Statements **on page 230**.
Annual general meeting (AGM)	The 2020 AGM will be held later this year in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the chairmen of the Board committees. Full details of the AGM, including explanatory notes, are contained in the Notice of the AGM, which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM will be available on the Company's website at www.evraz.com.
Electronic communications	A copy of the 2019 annual report, the Notice of the AGM and other corporate publications, reports and announcements will be available on the Company's website at the following link: https://www.evraz.com/en/investors/ Shareholders may elect to receive notification by email of the availability of the annual report on the Company's website instead of receiving paper copies.
Corporate governance statement	The Disclosure Guidance and Transparency Rules (DTR7.2) require certain information to be included in a corporate governance statement set out in a company's Directors' Report. In common with many companies, EVRAZ has an existing practice of issuing, within its annual report, a Corporate Governance Report that is separate from its Directors' Report. The information that fulfils the requirement of DTR7.2 is located in the EVRAZ Corporate Governance Report (and is incorporated into this Directors' Report by reference), with the exception of the information referred to in DTR7.2.6, which is located in this Directors' Report.
Section 172 Statement	The Company's Section 172 Statement can be found in the Strategic Report **on page 41**.
Employee engagement	Details of how the Company engages with its workforce can be found in the Strategic Report **on page 41**.
Stakeholder engagement on key decisions	Details of the key decisions and discussions of the Board during the year and the main stakeholder inputs into those decision are set out in the Corporate Governance Report **on page 112-113**.

MAJOR SHAREHOLDINGS

The Company's issued share capital as of 31 December 2019 was 1,506,527,294 ordinary shares, of which 54,619,521[1] shares are held in Treasury. Therefore, the total number of voting rights in the Company is 1,451,907,773.

As of 31 December 2019, the following significant holdings of voting rights in the Company's share capital were disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of ordinary shares	% of voting rights
Greenleas International Holdings Ltd.[2]	417,767,314	28.77
Abiglaze Ltd[3]	281,870,003	19.41
Crosland Global Limited[4]	140,723,705	9.69
Kadre Enterprises Ltd[5]	83,751,827	5.77

1. The number of shares differs from the figure in the Financial statements by the amount of shares held in Trust.
2. The Company understands that Roman Abramovich has an indirect economic interest in the 417,767,314 shares held by Greenleas International Holdings Ltd.
3. The Company understands that Alexander Abramov has an indirect economic interest in the 281,870,003 shares held by Abiglaze Ltd.
4. The Company understands that Alexander Frolov has an indirect economic interest in the 140,723,705 shares held by Crosland Global Limited.
5. Includes shares held by Gennady Kozovoy, Kadre's shareholder, both indirectly through Kadre and directly. The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013.

The Company is aware of the following individuals who each have a beneficial interest in three percent or more of EVRAZ plc's issued share capital (in each case, except for Gennady Kozovoy, held indirectly) as of 31 December 2019:

	Number of ordinary shares	% of voting rights
Roman Abramovich	417,767,314	28.77
Alexander Abramov	281,870,003	19.41
Alexander Frolov	140,723,705	9.69
Gennady Kozovoy	83,751,827	5.77

There have been no changes in the Company's issued share capital and the Company has not received any notifications under Disclosure Guidance and Transparency Rule 5, from 31 December 2019 through 26 February 2020.

LISTING RULE DISCLOSURES

For the purposes of LR9.8.4CR, the information required to be disclosed by LR9.8.4R can be found in the following locations:

Interest capitalised
Note 9 to the Consolidated Financial Statements

Publication of unaudited financial information
Not applicable

Detail of long-term incentive schemes
Note 21 to the Consolidated Financial Statements, Remuneration Report

Waiver of emoluments by a director
None

Waiver of future emoluments by a director
None

Non pre-emptive issues of equityfor cash
None

Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings
None

Parent participation in a placing by a listed subsidiary
None

Contract of significance in which a director is interested
None

Contracts of significance with a controlling shareholder
Relationship Agreement section

Provision of services by a controlling shareholder
None

Shareholder waiver of dividends
None

Shareholder waiver of future dividends
None

Agreements with controlling shareholder
Relationship Agreement section below

SIGNIFICANT CONTRACTUAL ARRANGEMENTS

Relationship agreements

The Company has entered into relationship agreements (the "Relationship Agreements") with each of Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited (the "Controlling Shareholders") that regulate the ongoing relationship between the Controlling Shareholders and the Company. This ensures that the Company is in compliance with the provisions of the Listing Rules and capable of carrying on its business independently of the Controlling Shareholders, and ensures that any transactions and relationships between the Company and the Controlling Shareholders are at arm's length and on normal commercial terms. These Relationship Agreements were last amended and restated (or, in the case of Abiglaze Ltd, first entered into) in January 2019 reflecting changes in the Company's shareholder structure that took place in December 2018.

The Relationship Agreements terminate if the Controlling Shareholders cease to own or control (directly or indirectly) in aggregate at least 30% of the issued ordinary shares in the Company (or at least 30% of the aggregate voting rights in the Company).

Under the Relationship Agreements, the Controlling Shareholders and the Company agree that:

- The Controlling Shareholders have the right to appoint the maximum number of non-executive directors that may be appointed while ensuring that the composition of the Board remains compliant with the UK Corporate Governance Code for so long as the Controlling Shareholders hold in aggregate an interest of 30% or more of the Company (or holds 30% or more of the aggregate voting rights in the Company) with each appointee being a "Shareholder Director";
- The Controlling Shareholders and their associates shall not take any action that would have the effect of preventing the Company from complying with its obligations under the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules/
- Neither the Controlling Shareholders nor any of their associates will propose or procure the proposal of any shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules.
- Transactions, relationships and agreements between the Company and/or its subsidiaries (on the one hand) and the Controlling Shareholders shall be entered into and conducted on arm's length terms and on a normal commercial basis, unless otherwise agreed by a committee comprising the non-executive directors of the Company whom the Board considers to be independent in accordance with the UK Corporate Governance Code (the "Independent Committee").
- The Controlling Shareholders shall, insofar as it is legally able to do so, exercise their powers, and shall procure that each member of the respective Controlling Shareholder group does the same, so that the Company is managed in accordance with the principles of good governance set out in the UK Corporate Governance Code, save as agreed in writing by a majority of the Independent Committee.
- The Controlling Shareholders will, and will procure (as far as is reasonably possible) that each member of the respective Controlling Shareholder group will, treat as confidential all information (subject to certain exceptions) acquired relating to the Company and its subsidiaries.
- The provision of, access to and use of information pursuant to the Relationship Agreements is governed by applicable laws relating to insider information, including, without limitation, the Disclosure Guidance and Transparency Rules.
- The Controlling Shareholders shall not, and shall procure, insofar as they are legally able to do so, that each member of the respective Controlling Shareholder group shall not, take any action that precludes or inhibits the Company and/or any of its subsidiaries from carrying on its business independently of the Controlling Shareholders or any member of the respective Controlling Shareholder group.
- The quorum for any Board meeting of the Company shall be three, of which at least one must be a Shareholder Director appointed by Greenleas International Holdings Ltd., at least one must be a Shareholder Director appointed by Abiglaze Ltd and/or Crosland Global Limited and at least one must be a non-executive director whom the Board considers to be independent in accordance with the UK Corporate Governance Code.
- The Controlling Shareholders shall not, and shall procure, insofar as they are legally able to do so, that each member of the respective Controlling Shareholder group shall not, exercise any of their voting or other rights and powers to procure any amendment to the Memorandum and Articles that would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreements, and will abstain from voting on, and will procure that the Controlling Shareholder Directors abstain from voting on, any resolution to approve a transaction with a related party (as defined in the Listing Rules) involving the Controlling Shareholders or any member of the respective Controlling Shareholder group.
- In any matter that, in the opinion of an independent director, gives rise to a potential conflict of interest between the Company and/or any of its subsidiaries (on the one hand) and the Shareholder Directors, the Controlling Shareholders or any member of the respective Controlling Shareholder group (on the other), such matter must be approved at a duly convened meeting of the Independent Committee or in writing by a majority of the Independent Committee.
- For so long as Greenleas International Holdings Ltd. (and its affiliates) holds in aggregate an interest of 25% or more in the Company, Greenleas International Holdings Ltd. undertakes that it will not become, and will use its reasonable endeavours to procure that no other member of its group becomes, involved in any competing business (subject to certain exceptions) in Russia, Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business;
- For so long as Abiglaze Ltd and Crosland Global Limited (and their respective affiliates) hold in aggregate an interest of 25% or more in the Company, Abiglaze Ltd and Crosland Global Ltd undertake that they will not become, and will use their reasonable endeavours to procure that no other member of the respective Controlling Shareholder group becomes, involved in any competing business (subject to certain exceptions) in Russia, Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.

The Board is satisfied that the Company is capable of carrying on its business independently of the Controlling Shareholders and that the Board makes its decisions in a manner consistent with its duties to the Company and stakeholders of EVRAZ plc.

Other agreements

The change of control provisions contained in several loan agreements with a total principal amount of US$789 million outstanding as of 31 December 2019 specify that if a change of control occurs, each lender under these agreements has a right to cancel their commitments and request prepayment of their portion of the respective loans.

ARTICLES OF ASSOCIATION

The Company's Articles of Association were adopted with effect from June 2012 and contain, among others, provisions on the rights and obligations attaching to the Company's shares, including the redeemable non-voting preference shares and the subscriber shares.

The Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

SHARE RIGHTS

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution, the directors. The Company may also issue shares that are, or are liable to be, redeemed at the option of the Company or the holder and the directors may determine the terms, conditions and manner of redemption of any such shares.

VOTING RIGHTS

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs.

Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2020 AGM.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share that he or she holds.

A proxy is not entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he or she been present in person. Unless the directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

The trustee of the Company's Employee Share Trust is entitled, under the terms of the trust deed, to vote as it sees fit in respect of the shares held on trust.

TRANSFER OF SHARES

The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

AUDIT INFORMATION

Each of the Directors who were members of the Board at the date of the approval of this report confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware;
- He or she has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The EVRAZ Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 26 February 2020.

By the order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc

26 February 2020

Directors responsibility statement

Responsibility Statement under the Disclosure Guidance and Transparency Rules

Each of the directors whose names and functions are listed **on pages 106–109** confirm that to the best of their knowledge:

- The consolidated financial statements of EVRAZ plc, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole (the "Group");
- The annual report and accounts, including the Strategic Report, include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

Statement Under the UK Corporate Governance Code

The Board considers that the report and accounts taken as a whole, which incorporates the Strategic Report and Directors' Report, is fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Statement of Directors' Responsibilities in Relation to the annual report and Financial Statements

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under the law, the directors are required to prepare Group financial statements under IFRSs as adopted by the European Union and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under the Companies Act 2006, the directors must not approve the Group and parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period.

In preparing each of the Group and parent company financial statements, the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group and parent company
- Select suitable accounting policies in accordance with IAS8 (Accounting Policies, Changes in Accounting Estimates and Errors) and then apply them consistently
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Make judgements and estimates that are reasonable
- Provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and parent company's financial position and financial performance and
- State that the Group and parent company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures discloses and explained in the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, with respect to the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Listing Authority. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By the order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc

26 February 2020

Financial statements

Cosmodrome
“Vostochniy”
Amur region, Russia

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Independent auditor's report to the members of EVRAZ PLC

Our opinion on the Financial Statements

In our opinion:
- EVRAZ plc's Group financial statements and Parent Company financial statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's and the Parent Company's profit for the year then ended;
- the Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the IAS Regulation.

We have audited the financial statements of EVRAZ plc which comprise:

Group	Parent company
the Consolidated Statement of Operations, the Consolidated Statement of Comprehensive Income;	the Separate Statement of Comprehensive Income;
the Consolidated Statement of Financial Position;	the Separate Statement of Financial Position;
the Consolidated Statement of Cash Flows;	the Separate Statement of Cash Flows;
the Consolidated Statement of Changes in Equity; and	the Separate Statement of Changes in Equity; and
the related notes 1 to 34.	the related notes 1 to 11.
The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.	

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:
- the disclosures in the annual report set out **on pages 34-39** that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out **on page 35** in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out **on page 164** in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out **on page 40** in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Goodwill and non-current asset impairment • Completeness of related party transactions • Parent company – Investment in subsidiaries impairment considerations and determination of distributable reserves
Audit scope	• We performed an audit of the complete financial information of seven components, audit procedures on specific balances for a further two components, review procedures on two components and specified procedures on four components. • The nine reporting components where we performed full or specific audit procedures accounted for 72% of the Group's EBITDA and 84% of the Group's revenue (with 53% and 83% respectively representing seven full scope components and 19% and 1% respectively two specific scope components). • For the remaining 43 reporting components of the Group representing 28% of the Group's EBITDA and 16% of the Group's revenue we have performed other procedures appropriate to respond to the risk of material misstatement. • We have obtained an understanding of the entity-level controls of the Group which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.
Materiality	• Overall Group materiality of $75 million (2018: $110 million), which represents approximately 3% (2018: 3%) of EBITDA.
What has changed	• Due to a Group reorganisation and related transactions in the year there is increased judgement in respect of parent company investment impairment considerations. This restructure resulted in an increase in the amount of the parent company investment in subsidiaries. Because of this increase and the reduction in distributable reserves as a result of distributions made in the year, we consider the risk in this area to have increased. We have therefore included impairment considerations for parent company investments in subsidiaries and determination of distributable reserves as a Key Audit Matter for the first time.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Area of focus	Our audit approach	What we reported to the Audit Committee
Goodwill and non-current asset impairment *Refer to the Group Audit Committee report* ***on page 122****, the estimates and judgements* ***on pages 167-168*** *and the disclosures of impairment in note 6 of the Consolidated Financial Statements*		Risk direction
At 31 December 2019 the carrying value of goodwill was $594 million (2018: $864 million). The Group recognised a net impairment charge in respect of Goodwill of $300 million (2018: $Nil) and $142 million in respect of items of PP&E during the year (2018: $30 million). In addition to CGUs containing goodwill, we focused our work on areas of increased risk. In spite of the generally positive price outlook and removal of US import tariffs in May 2019 the continued unstable economic and geopolitical environment and in particular uncertainty around the duration and impact of anti-dumping duties between USA and Canada led us to conclude that risk had remained at the same level in respect of assets located in those countries. In accordance with IAS 36 management disclosed that, in addition to the impairment charge already recognised, a reasonably possible change in discount rates, sales prices, sales volumes and cost control measures, would not lead to impairments in CGUs where no impairment is currently recognised. We focused on this area due to the significance of the carrying value of the assets being assessed, the number and size of recent impairments, the recent economic environment in the Group's operating jurisdictions and because the assessment of the recoverable amount of the Group's Cash Generating Units ("CGUs") involves significant judgements about the future results of the business and the discount rates applied to future cash flow forecasts. In particular we focused our effort on those CGUs with the largest carrying values and those with the lowest headroom (EVRAZ North America CGUs).	Our audit procedures were performed mainly by the Group audit team with the assistance of our valuation specialists with the exception of certain location specific inputs to management's models, which were assessed by the component teams. Our audit procedures included the evaluation of management's assumptions used in their impairment models. The assumptions to which the models were most sensitive and most likely to lead to further impairments were: • decreases in steel prices; • increases in production costs; • discount rates; • capex; • sales volumes and • terminal growth rate. We challenged management's assumptions with reference to historical data and, where applicable, external benchmarks. In instances where management's assumptions fell outside an acceptable range we considered the impact on headroom in the models and disclosures ensuring adjustments were made where necessary. We performed an independent estimate of key assumptions and in some instances applied our own valuation methodology to determine our own range of potential recoverable values of the North American CGUs comparing to management's assumptions and making adjustments when appropriate. We have discussed, tested and corroborated management's assumptions that the North American anti-dumping duties will stay in place until 2024 and the resultant impact on other key assumptions in the model noted above. For external market information, we compared management's assumptions to those of our local specialists and have not identified evidence to suggest that management's assumptions on anti-dumping duties are unreasonable. We tested the integrity of management's models, recalculated their sensitivity calculations and with the help of our specialists ran our own sensitivity calculations. We compared the historical accuracy of management's budgets and forecasts to actual results, sought appropriate evidence for any anticipated improvements and considered the presence of any contrary evidence in major assumptions such as production volumes, EBITDA per ton, CAPEX assumptions or cost reductions. We corroborated previous forecasts with actual data. We tested the appropriateness of the related disclosures provided in the Consolidated Financial Statements. In particular we tested the adequacy of the disclosures regarding those CGUs with material goodwill balances and where a reasonably possible change in certain variables could lead to impairment charges.	Due to challenges raised through our audit process management changed a number of their assumptions resulting in the recognition of an impairment in the Large Diameter Pipe CGU of $300 million and the modification of certain sensitivity disclosures for other CGUs. We consider management's final estimates to be reasonable for the current year with assumptions within an acceptable range where appropriate. Management has reflected known changes in the circumstances of each CGU in its forecasts for forthcoming periods, including their best estimate of the North American tariffs' impact. After modifications were made as a result of our challenges we concluded that the related disclosures provided in the Consolidated Financial Statements are appropriate. Given the inherent uncertainty of management's assumptions on anti-dumping duties (especially for Large Diameter Pipe CGU), we ensured that the importance of anti-dumping duties is appropriately disclosed.

Area of focus	Our audit approach	What we reported to the Audit Committee
Completeness of related party transactions *Refer to note 16 of the Consolidated Financial Statements*		Risk direction ▼
During 2015, management discovered historic transactions with a company controlled by a key management person had been erroneously omitted from the prior year's disclosures of related party transactions in the Consolidated Financial Statements, leading to us assessing the completeness of related party transactions as a significant risk. There have been no misstatements of related party transactions/disclosures since 2015, and therefore we have deemed completeness of related party transactions to no longer be an area of significant risk. It remains, however a key audit matter due to the sensitivity of this matter and we believe that it requires special audit consideration. We considered the elevated risk to be limited to the Russian entities within the Group where external business interests, especially in relation to local product suppliers, are more common amongst members of key management.	At both a component team and group level, we have understood and tested management's process for identifying related parties, and for recording and disclosure of related party transactions. Across the Russian components we obtained an understanding of unusual or high value transactions with new counterparties. We also performed analytical reviews of transactions and balances with customers and suppliers to assess whether there are any significant changes in trading activity indicating undisclosed related parties. We selected all directors together with a sample of key management personnel based on the risk assessment and ran a search for any companies controlled by those individuals (the search was performed via an independent register of all companies based in the CIS and their directors or shareholders). We compared the results of the research made with the list of entities included in the related party listing provided to us by management and investigated the differences between the listings. We assessed management's evaluation that the transactions were on an arm's length basis by reviewing a sample of agreements and comparing the related party transaction prices to those quoted by comparable unrelated companies.	Based on our procedures performed we have not identified any related party transactions or balances omitted from disclosure. We concluded that the related disclosures provided in the Consolidated Financial Statements are appropriate.
Investment in subsidiaries impairment considerations and determination of distributable reserves *Refer to notes 3 and 4 of the Separate Financial Statements*		Risk direction ▲
This Key Audit Matter relates to the parent company only. *Investment impairment considerations* At 31 December 2019 the carrying value of investments in subsidiaries was $15,095 million (2018: $3,197 million). The Group has undertaken a reorganisation during the year to move the ownership of Raspadskaya and NTMK from EVRAZ Group S.A ("EGSA") to EVRAZ plc. EGSA made a gain on this transaction which was passed onto EVRAZ plc in the form of a dividend. Following the transfer of the NTMK and Raspadskaya groups and subsequent declaration of the dividends, management assessed the recoverable amount of EVRAZ plc's investment in EGSA based on an aggregation of the fair values of the various business units owned by EGSA, including those within the Group's North American Business. *Distributable reserves* At 31 December 2019, EVRAZ plc had $386 million of distributable profits (2018: $809 million). In 2019, EVRAZ distributed $1,086 million of dividends. The Group introduced its current dividend policy in 2018 and although annual profits have been made by the Group since 2017, the Company needs to ensure it has sufficient distributable reserves within the stand-alone parent to declare dividends in accordance with the policy. The legal framework applicable to UK companies for determining profits available for distribution is contained in both the Companies Act 2006 and complementary technical guidance. Under this framework, distributions are made by individual companies and not by groups. The EVRAZ consolidated financial statements are therefore not relevant for the purposes of determining EVRAZ's profits available for distribution. Whether or not a distribution may be made should be determined by reference to EVRAZ's 'relevant accounts', being the parent company financial statements. Given the judgements in respect of impairment considerations and the reduction in distributable reserves as a result of distributions made in the year we consider the risk in this area to have increased and have therefore included this as a Key Audit Matter for the first time.	Our audit procedures were performed mainly by the Group audit team with the assistance of our valuation specialists. *Investment impairment considerations* We assessed the investments in NTMK and Raspadskaya for impairment indicators including reference to external data. For the investment in EGSA, we tested the integrity of management's models and with the help of our specialists ran our own sensitivity calculations. We challenged management on their calculation of the recoverable amount of the investment in EGSA by incorporating the results of our work on the North American CGUs from our Group impairment work. *Distributable reserves* We analysed transactions that impacted significantly the retained earnings of the parent company and subsidiary entities paying significant dividends and considered whether any of these transactions did not meet the criteria of distributable profits or losses. We have reviewed the accounting entries recorded for the distribution of dividends from EGSA and agreed with management that the income does not represent 'qualifying consideration' under the meaning of the Companies Act. These have therefore been appropriately treated and disclosed as an unrealised profit within EVRAZ plc. We compared the dividends distributed throughout the year with the available distributable reserves at the date of declaration and are satisfied the reserves were sufficient at the dates of distribution. In respect of the interim dividend distributed during the year we identified that management had declared a dividend without complying with the Companies Act requirement to file relevant accounts filed with the registrar. This issue was also noted in respect of interim dividends declared in August and November 2018. We reviewed disclosures made in respect of this matter for appropriateness. We reviewed management's analysis of profits available for distribution in the parent company comparing this to the proposed year end dividend declaration and agree the dividend is permissible. We also reperformed the calculation of parent company distributable profits available for distribution and audited the roll-forward of profits available for distribution from 1 January to 31 December 2019. We were satisfied that the impairment of the investment in EGSA was appropriately recognised within this calculation.	As noted above, due to challenges raised through our audit process management recognized an additional goodwill impairment. This additionally resulted in an impairment of the parent company investment in EGSA and subsequent impact on distributable reserves of $316 million. Following the recorded adjustment, we consider management's estimate of the recoverable amount of its investments in subsidiaries to be reasonable and the impairment recognized in EGSA to be appropriate. We consider the impact of the various transactions during the year on distributable reserves to be appropriately considered and the reserves available to be satisfactorily disclosed. We considered disclosures made in respect of the failure to file relevant accounts for the interim dividend distributions and concluded these are appropriate.

An overview of the scope of our audit

Tailoring the scope

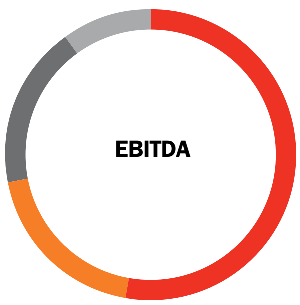
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enable us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

The EVRAZ Group has centralised processes and controls over the key areas of our audit focus with responsibility lying with group management for the majority of estimation processes and significant risk areas. We have tailored our audit response accordingly and thus for the majority of our focus areas, audit procedures were undertaken directly by the Group audit team with testing undertaken by the component audit teams on the verification of operational data and other routine processes.

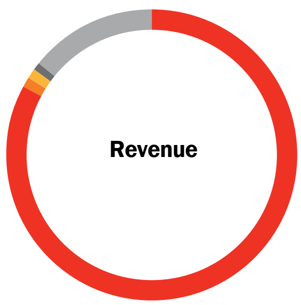
In assessing the risk of material misstatement to the Consolidated Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts, of the 52 reporting components of the Group we selected 15 components covering entities within Russia, Switzerland, Canada, Luxembourg, the UK and the USA, which represent the principal business units within the Group.

Of the 15 components selected, we performed an audit of the complete financial information of seven components (full scope components), which were selected based on their size or risk characteristics. For the two selected components (specific scope components) we performed audit procedures on specific accounts within the component that we considered had the potential for the greatest impact on the amounts in the Consolidated Financial Statements either because of the size of these accounts or their risk profile. The extent of our audit work on the specific scope accounts was similar to that for a full scope audit. For the two review scope components, the primary team performed analytical review procedures to obtain an understanding of the business, the industry and the environment in which the components operate sufficient to identify the risks of material misstatement. This included considering the component's organization, its accounting systems and other matters relevant to the financial data presented in the reporting package. For the remaining four components ("specified procedures"), the primary team performed procedures directly focussing on the specific accounts.

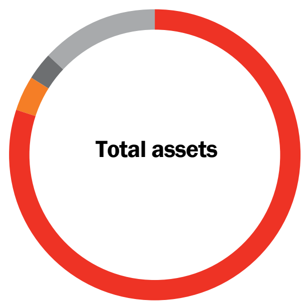
The nine reporting components where we performed full or specific scope procedures accounted for 72% (2018: 78%) of the Group EBITDA, 84% (2018: 83%) of the Group's revenue and 84% (2018: 82%) of the Group's total assets. For the current year, the full scope components contributed 53% (2018: 68%) of the Group EBITDA, 83% (2018: 75%) of the Group's revenue and 80% (2018: 62%) of the Group's total assets. The specific scope components contributed 19% (2018: 10%) of the Group EBITDA, 1% (2018: 8%) of the Group's revenue and 4% (2018: 20%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. A further breakdown of the size of these components compared to key metrics of the Group is provided below.



Full	53%
Specific	19%
Specified Procedures	0%
Review	18%
Other	10%



Full	83%
Specific	1%
Specified Procedures	1%
Review	1%
Other	14%



Full	80%
Specific	4%
Specified Procedures	0%
Review	3%
Other	13%

For the remaining 43 components of the Group we performed other procedures, including analytical review, review of internal audit reports, testing of consolidation journals, cross check of the related party list against journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential significant risks of material misstatement to the Consolidated Financial Statements.

We have obtained an understanding of the entity-level controls of the Group as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

Changes from the prior year

Our scope allocation in the current year is broadly consistent with 2018 in terms of overall coverage of the Group and the number of full and specific scope entities except for the following changes:

- Sibmetinvest component for which specified procedures were performed last year was moved to other scope in the current year as it is not significant in terms of risk/size and no specific risks are associated with the component in the current year;
- Metallenergofinance moved from other scope to specified procedures scope in the current year due to an increase of revenue from rendering of services;
- EVRAZ plc and EICA Group assessed as full scope components in the current year (specific scope last year) as we planned to perform the same extent of procedures for these components as for full scope components, given the requirement for EVRAZ plc standalone audit and ENA Consolidated Financial Statements respectively; and
- EMNA and KGOK components that were assessed as other scope last year were moved to review scope this year (KGOK - due to an increase in its share of the Group's EBITDA, EMNA – as required for EVRAZ North America Consolidated Financial Statements, a subgroup of EVRAZ plc).

This led to the increased revenue coverage for full and specific scope components as indicated above.

Integrated team structure

The overall audit strategy is determined by the senior statutory auditor. The senior statutory auditor is based in the UK but, since Group management and many operations reside in Russia, the Group audit team includes members from both the UK and Russia. The senior statutory auditor visited Russia five times during the current year's audit and members of the Group audit team in both jurisdictions work together as an integrated team throughout the audit process. Whilst in Russia, he focused his time on the significant risks and judgemental areas of the audit. He attended management's going concern, impairment and significant estimates and judgements presentations to the Audit Committee. During the current year's audit he reviewed key working papers and met, or held conference calls, with representatives of the component audit team for all Russian based full scope components including internal valuation specialists used in the audit to discuss the audit approach and issues arising from their work.

Involvement with component teams

In establishing our overall approach to the Group audit we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team or by component auditors from other EY global network firms operating under our instruction. Of the seven full scope components, audit procedures were performed on all of these by the relevant component audit teams. Of the two specific scope components selected, audit procedures were performed on one of these directly by the primary audit team. For the components where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle visits were undertaken by the primary audit team to component teams in Russia and the USA. The senior statutory auditor visited Russia and the USA. These visits involved discussing the audit approach with the component teams and any issues arising from their work. The primary audit team participated in key discussions, via conference calls with all full and specific scope locations. The primary audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate audit evidence for our opinion on the Consolidated Financial Statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

As we develop our audit strategy, we determine materiality at the overall level and at the individual account level (referred to as our 'performance materiality').

Materiality	Performance materiality	Reporting threshold
$75 million	$37.5 million	$3.8 million

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $75.0 million (2018: $110.0 million), which is set at approximately 3.0% (2018: 3.0%) of EBITDA. Materiality is assessed on both quantitative and qualitative grounds. With respect to disclosure and presentational matters, amounts in excess of the quantitative thresholds above may not be adjusted if their effect is not considered to be material on a qualitative basis.

We determined materiality for the Parent Company to be $8.7 million (2018: $19.3 million), which is 1.5% (2018: 2.0%) of Equity adjusted for the impact of the reorganisation of Raspadskaya and NTMK investments which are considered to be one-off items. We reverted to using 1.5% which we had previously used due to the issuance of bonds with covenants listed on ISE by the Parent Company during the year.

Rationale for Group basis

We have used an earnings based measure as our basis of materiality. It was considered inappropriate to calculate materiality using Group profit before tax due to the historic volatility of this metric. EBITDA is a key performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We also noted that market and analyst commentary on the performance of the Group uses EBITDA as a key metric. We therefore, considered EBITDA to be the most appropriate performance metric on which to base our materiality calculation as we considered that to be the most relevant performance measure to the stakeholders of the entity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that given the number and monetary amounts of individual misstatements (corrected and uncorrected) identified in prior periods as well as the nature of the misstatements, overall performance materiality for the Group should be 50% (2018: 50%) of materiality, namely $37.5 million (2018: $55.0 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was $7.5 million to $24.4 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $3.8 million (2018: $5.5 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out **on pages 1 to 145**, including the Strategic report, Business review, CSR report and Corporate Governance sections (including Corporate governance report, Remuneration report, Directors' Report and Directors' Responsibility statement), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 145** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 120** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 145** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out **on page 145**, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the report framework (IFRS, the Companies act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in Russia.
- We have considered the impact of the sanctions against Russia on the group's operations, customer base and credit risk as well as the possibility of further more restrictive sanctions being imposed and nothing has come to our attention to suggest that the operations or the liquidity of the group have been adversely affected directly by the current political and economic situation other than the negative impact on capital markets and the financing options available to management. We reviewed management's assessment of the sanctions impact on the group's operations and the external advice received by the Group.
- We understood how EVRAZ plc is complying with those legal and regulatory frameworks by making enquiries to management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes

and papers provided to the Audit Committee We reviewed legal advice obtained by the Company in respect of the impact of the dividends made otherwise than in accordance with the Companies Act (see note 4 to the separate financial statements) and considered the issue appropriately disclosed.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programs and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company in 2011 to audit the financial statements for the year ended 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is nine years, covering periods from our initial appointment in 2011 through to the year ended 31 December 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven Dobson
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor

London
26 February 2020

Notes:

1. The maintenance and integrity of the EVRAZ plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

EVRAZ plc Consolidated Financial Statements for the year ended 31 December 2019

Consolidated statement of operations

(in millions of US dollars, except for per share information)

		Year ended 31 December		
	Notes	2019	2018	2017
Continuing operations				
Revenue				
Sale of goods	3	$ 11,569	$ 12,525	$ 10,520
Rendering of services	3	336	311	307
		11,905	12,836	10,827
Cost of revenue	7	(8,273)	(8,011)	(7,485)
Gross profit		3,632	4,825	3,342
Selling and distribution costs	7	(966)	(1,013)	(717)
General and administrative expenses	7	(611)	(546)	(540)
Social and social infrastructure maintenance expenses		(26)	(27)	(31)
Gain/(loss) on disposal of property, plant and equipment, net		3	(11)	(4)
Impairment of non-financial assets	6	(442)	(30)	12
Foreign exchange gains/(losses), net		(341)	361	(54)
Other operating income		22	24	39
Other operating expenses	7	(54)	(55)	(61)
Profit from operations		1,217	3,528	1,986
Interest income	7	8	18	14
Interest expense	7	(336)	(359)	(437)
Share of profits/(losses) of joint ventures and associates	11	9	9	11
Impairment of non-current financial assets	13	(56)	–	–
Gain/(loss) on financial assets and liabilities, net	7	17	13	(57)
Gain/(loss) on disposal groups classified as held for sale, net	12	29	(10)	(360)
Other non-operating gains/(losses), net		14	2	(2)
Profit before tax		902	3,201	1,155
Income tax expense	8	(537)	(731)	(396)
Net profit		$ 365	$ 2,470	$ 759
Attributable to:				
Equity holders of the parent entity		$ 326	$ 2,406	$ 699
Non-controlling interests		39	64	60
		$ 365	$ 2,470	$ 759
Earnings per share for profit attributable to equity holders of the parent entity, US dollars:				
Basic	20	$0.23	$ 1.67	$ 0.49
Diluted	20	$0.22	$ 1.65	$ 0.48

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in millions of US dollars)

	Notes	Year ended 31 December 2019	2018	2017
Net profit		$ 365	$ 2,470	$ 759
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency		757	(1,120)	266
Exchange differences recycled to profit or loss on disposal of foreign operations	4,12	31	63	747
Net gains/(losses) on cash flow hedges	25	27	(3)	9
Net (gains)/losses on cash flow hedges recycled to profit or loss	7, 25	(33)	–	–
		782	(1,060)	1,022
Effect of translation to presentation currency of the Group's joint ventures and associates	11	8	(13)	4
		8	(13)	4
Items not to be reclassified to profit or loss in subsequent periods				
Net gains/(losses) on equity instruments at fair value through other comprehensive income	13	–	59	30
Gains/(losses) on re-measurement of net defined benefit liability	23	(15)	28	26
Income tax effect	8	(1)	(6)	(15)
		(16)	22	11
Total other comprehensive income/(loss)		774	(992)	1,067
Total comprehensive income, net of tax		$ 1,139	$ 1,478	$ 1,826
Attributable to:				
Equity holders of the parent entity		$ 1,078	$ 1,441	$ 1,762
Non-controlling interests		61	37	64
		$ 1,139	$ 1,478	$ 1,826

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position

(in millions of US dollars)

The financial statements of EVRAZ plc (registered number 7784342) on pages 156-235 were approved by the Board of Directors on 26 February 2020 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

	Notes	31 December 2019	2018	2017
ASSETS				
Non-current assets				
Property, plant and equipment	9	$ 4,925	$ 4,202	$ 4,933
Intangible assets other than goodwill	10	185	206	259
Goodwill	5	594	864	917
Investments in joint ventures and associates	11	92	74	79
Deferred income tax assets	8	152	92	173
Other non-current financial assets	13	40	91	151
Other non-current assets	13	55	44	39
		6,043	5,573	6,551
Current assets				
Inventories	14	1,480	1,474	1,198
Trade and other receivables	15	534	835	731
Prepayments		93	113	89
Loans receivable		32	29	11
Receivables from related parties	16	10	11	12
Income tax receivable		53	35	50
Other taxes recoverable	17	175	201	225
Other current financial assets	18	4	35	47
Cash and cash equivalents	19	1,423	1,067	1,466
		3,804	3,800	3,829
Total assets		$ 9,847	$ 9,373	$ 10,380
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	$ 75	$ 75	$ 1,507
Treasury shares	20	(169)	(196)	(231)
Additional paid-in capital		2,492	2,480	2,500
Revaluation surplus		109	110	111
Unrealised gains and losses	13,25	–	6	39
Accumulated profits		2,217	3,026	635
Translation difference		(3,048)	(3,820)	(2,777)
		1,676	1,681	1,784
Non-controlling interests	32	252	257	242
		1,928	1,938	2,026
Non-current liabilities				
Long-term loans	22	4,599	4,186	5,243
Deferred income tax liabilities	8	352	258	328
Employee benefits	23	271	226	284
Provisions	24	321	222	269
Lease liabilities	25	83	–	–
Other long-term liabilities	25	40	38	54
Amounts payable under put options for shares in subsidiaries	4	–	–	61
		5,666	4,930	6,239
Current liabilities				
Trade and other payables	26	1,378	1,216	1,128
Contract liabilities		348	320	272
Short-term loans and current portion of long-term loans	22	140	377	148
Lease liabilities	25	34	–	–
Payables to related parties	16	19	122	256
Income tax payable		79	104	67
Other taxes payable	27	153	266	212
Provisions	24	33	35	32
Amounts payable under put options for shares in subsidiaries	4	69	65	–
		2,253	2,505	2,115
Total equity and liabilities		$ 9,847	$ 9,373	$ 10,380

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(in millions of US dollars)

	Year ended 31 December		
	2019	2018	2017
Cash flows from operating activities			
Net profit	$ 365	$ 2,470	$ 759
Adjustments to reconcile net profit to net cash flows from operating activities:			
Deferred income tax (benefit)/expense (Note 8)	5	48	(89)
Depreciation, depletion and amortisation (Note 7)	578	542	561
(Gain)/loss on disposal of property, plant and equipment, net	(3)	11	4
Impairment of non-financial assets	442	30	(12)
Foreign exchange (gains)/losses, net	341	(361)	54
Interest income	(8)	(18)	(14)
Interest expense	336	359	437
Share of (profits)/losses of associates and joint ventures	(9)	(9)	(11)
Impairment of non-current financial assets	56	–	–
(Gain)/loss on financial assets and liabilities, net	(17)	(13)	57
(Gain)/loss on disposal groups classified as held for sale, net	(29)	10	360
Other non-operating (gains)/losses, net	(14)	(2)	2
Allowance for expected credit losses	3	(1)	10
Changes in provisions, employee benefits and other long-term assets and liabilities	–	(16)	(26)
Expense arising from equity-settled awards (Note 21)	13	15	17
Other	(2)	(2)	2
	2,057	3,063	2,111
Changes in working capital:			
Inventories	61	(482)	(199)
Trade and other receivables	304	(128)	(201)
Prepayments	26	(48)	(27)
Receivables from/payables to related parties	(114)	(58)	24
Taxes recoverable	29	(24)	(32)
Other assets	(1)	–	(2)
Trade and other payables	219	108	150
Contract liabilities	13	63	19
Taxes payable	(155)	148	123
Other liabilities	(9)	(9)	(9)
Net cash flows from operating activities	2,430	2,633	1,957
Cash flows from investing activities			
Issuance of loans receivable to related parties	–	(1)	(2)
Issuance of loans receivable	(9)	(1)	(2)
Proceeds from repayment of loans receivable, including interest	2	2	4
Purchases of subsidiaries, net of cash acquired (Note 4)	(3)	–	(5)
Purchases of disposal groups held for sale (Note 12)	(22)	–	–
Investments in associates and joint ventures (Note 11)	(3)	–	–
Sale of associates (Note 16)	5	–	–
Proceeds from sale of other investments (Notes 18 and 13)	32	92	–
Short-term deposits at banks, including interest	7	11	7
Purchases of property, plant and equipment and intangible assets	(762)	(521)	(595)
Proceeds from disposal of property, plant and equipment	16	4	15
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs (Note 12)	44	52	412
Dividends received (Notes 11 and 16)	9	6	1
Other investing activities, net	19	(22)	(2)
Net cash flows used in investing activities	(665)	(378)	(167)

Continued on the next page

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

(in millions of US dollars)

	Year ended 31 December		
	2019	2018	2017
Cash flows from financing activities			
Purchases of non-controlling interests (Note 4)	$ (71)	$ (24)	$ –
Contributions of non-controlling shareholders to the Group's subsidiaries	–	–	2
Payments for investments on deferred terms (Note 11)	(8)	(11)	(11)
Dividends paid by the parent entity to its shareholders (Note 20)	(1,086)	(1,556)	(430)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	(5)	(1)	–
Proceeds from bank loans and notes (Note 22)	2,805	1,412	2,441
Repayment of bank loans and notes, including interest (Note 22)	(3,035)	(2,459)	(3,344)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest (Note 22)	22	–	(139)
Restricted deposits at banks in respect of financing activities	–	12	(13)
Realised gains/(losses) on derivatives not designated as hedging instruments (Note 25)	22	11	2
Realised gains/(losses) on hedging instruments (Note 25)	(23)	11	14
Payments under leases, including interest (Note 25)	(37)	–	–
Other financing activities, net	1	(1)	(1)
Net cash flows used in financing activities	(1,415)	(2,606)	(1,479)
Effect of foreign exchange rate changes on cash and cash equivalents	6	(48)	(2)
Net increase/(decrease) in cash and cash equivalents	356	(399)	309
Cash and cash equivalents at the beginning of the year	1,067	1,466	1,157
Cash and cash equivalents at the end of the year	$ 1,423	$ 1,067	$ 1,466
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	$ (283)	$ (320)	$ (405)
Interest received	7	9	8
Income taxes paid	(581)	(623)	(427)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in millions of US dollars)

	Attributable to equity holders of the parent entity									
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2018	$ 75	$ (196)	$ 2,480	$ 110	$ 6	$ 3,026	$ (3,820)	$ 1,681	$ 257	$ 1,938
Net profit	–	–	–	–	–	326	–	326	39	365
Other comprehensive income/(loss)	–	–	–	–	(6)	(14)	772	752	22	774
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(1)	–	1	–	–	–	–
Reclassification of additional paid-in capital in respect of the disposed subsidiaries	–	–	(1)	–	–	1	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	(1)	(1)	(6)	314	772	1,078	61	1,139
Acquisition of non-controlling interests in subsidiaries (Note 4)	–	–	–	–	–	(10)	–	(10)	(61)	(71)
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	–	27	–	–	–	(27)	–	–	–	–
Share-based payments (Note 21)	–	–	13	–	–	–	–	13	–	13
Dividends declared by the parent entity to its shareholders (Note 20)	–	–	–	–	–	(1,086)	–	(1,086)	–	(1,086)
Dividends declared by the Group's subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	–	(5)	(5)
At 31 December 2019	$ 75	$ (169)	$ 2,492	$ 109	$ –	$ 2,217	$ (3,048)	$ 1,676	$ 252	$ 1,928

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

(in millions of US dollars)

	Attributable to equity holders of the parent entity									
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2017	$ 1,507	$ (231)	$ 2,500	$ 111	$ 39	$ 635	$ (2,777)	$ 1,784	$ 242	$ 2,026
Net profit	–	–	–	–	–	2,406	–	2,406	64	2,470
Other comprehensive income/(loss)	–	–	–	–	56	22	(1,043)	(965)	(27)	(992)
Transfer of realised gains on sold equity instruments to accumulated profits (Note 13)	–	–	–	–	(89)	89	–	–	–	–
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(1)	–	1	–	–	–	–
Reclassification of additional paid-in capital in respect of the disposed subsidiaries	–	–	(35)	–	–	35	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	(35)	(1)	(33)	2,553	(1,043)	1,441	37	1,478
Reduction in par value of shares (Note 20)	(1,432)	–	–	–	–	1,432	–	–	–	–
Acquisition of non-controlling interests in subsidiaries (Note 4)	–	–	–	–	–	(3)	–	(3)	(21)	(24)
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	–	35	–	–	–	(35)	–	–	–	–
Share-based payments (Note 21)	–	–	15	–	–	–	–	15	–	15
Dividends declared by the parent entity to its shareholders (Note 20)	–	–	–	–	–	(1,556)	–	(1,556)	–	(1,556)
Dividends declared by the Group's subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2018	$ 75	$ (196)	$ 2,480	$ 110	$ 6	$ 3,026	$ (3,820)	$ 1,681	$ 257	$ 1,938

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

(in millions of US dollars)

	Attributable to equity holders of the parent entity									
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2016	$ 1,507	$ (270)	$ 2,517	$ 112	$ –	$ 415	$ (3,790)	$ 491	$ 186	$ 677
Net profit	–	–	–	–	–	699	–	699	60	759
Other comprehensive income/(loss)	–	–	–	–	39	11	1,013	1,063	4	1,067
Transfer of realised gains on sold equity instruments to accumulated profits (Note 13)	–	–	–	–	–	–	–	–	–	–
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(1)	–	1	–	–	–	–
Reclassification of additional paid-in capital in respect of the disposed subsidiaries	–	–	(34)	–	–	34	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	(34)	(1)	39	745	1,013	1,762	64	1,826
Derecognition of non-controlling interests on sale of subsidiaries (Note 12)	–	–	–	–	–	–	–	–	(6)	(6)
Derecognition of non-controlling interests under put options (Note 4)	–	–	–	–	–	(56)	–	(56)	(4)	(60)
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	–	–	–	–	–	–	–	–	2	2
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	–	39	–	–	–	(39)	–	–	–	–
Share-based payments (Note 21)	–	–	17	–	–	–	–	17	–	17
Dividends declared by the parent entity to its shareholders (Note 20)	–	–	–	–	–	(430)	–	(430)	–	(430)
At 31 December 2017	$ 1,507	$ (231)	$ 2,500	$ 111	$ 39	$ 635	$ (2,777)	$ 1,784	$ 242	$ 2,026

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
Year ended 31 December 2019

1. CORPORATE INFORMATION

These consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 26 February 2020.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company limited by shares under the laws of the United Kingdom. The Company was incorporated under the Companies Act 2006 with the registered number in England 7784342. Until 1 August 2019 the registered address of EVRAZ plc was 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom. The new Company's address is 2 Portman street, London, W1H 6DU, United Kingdom.

The Company is a holding company which owns steel, mining and trading companies. The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products, vanadium products and coal and iron ore mining. The Group is one of the largest steel producers globally.

Until 3 September 2018 Lanebrook Limited ("Lanebrook") registered in Cyprus was the ultimate controlling party of the Group. On that date Lanebrook distributed all its ownership interest in EVRAZ plc to its direct shareholders in proportion to their holdings in Lanebrook. At 31 December 2019 and 2018, EVRAZ plc was jointly controlled by a group of 3 shareholders: Greenleas International Holdings Limited (BVI), Abiglaze Limited (Cyprus) and Crosland Global Limited (Cyprus).

The major subsidiaries included in the consolidated financial statements of the Group were as follows at 31 December:

Subsidiary	Effective ownership interest, %			Business activity	Location
	2019	2018	2017		
EVRAZ Nizhny Tagil Metallurgical Plant	100.00	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	100.00	100.00	100.00	Steel production	Russia
EVRAZ Dneprovsk Metallurgical Plant	–	–	97.73	Steel production	Ukraine
EVRAZ Inc. NA	100.00	100.00	100.00	Steel production	USA
EVRAZ Inc. NA Canada	100.00	100.00	100.00	Steel production	Canada
Raspadskaya	88.17	83.84	81.95	Coal mining	Russia
Yuzhkuzbassugol	100.00	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	100.00	100.00	100.00	Ore mining & processing	Russia
Evrazruda (in 2018 merged with EVRAZ Consolidated West-Siberian Metallurgical Plant)	–	–	100.00	Ore mining	Russia

The full list of the Group's subsidiaries and other significant holdings as of 31 December 2019 is presented in Note 34.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application for the annual periods beginning on or after 1 January 2019, but not adopted by the European Union, do not have any significant impact on the Group's consolidated financial statements.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. Exceptions include, but are not limited to, property, plant and equipment at the date of transition to IFRS accounted for at deemed cost, equity instruments measured at fair value, assets classified as held for sale measured at the lower of their carrying amount or fair value less costs to sell and post-employment benefits measured at present value.

Going Concern

These consolidated financial statements have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Changes in Accounting Policies

New/Revised Standards and Interpretations Adopted in 2019:

- IFRS 16 “Leases”

IFRS 16 supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases-Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group applied IFRS 16 “Leases” from 1 January 2019 using the modified retrospective approach, i.e. the comparative information was not restated. Under this approach both lease liabilities and right-of-use assets were recognised at the date of transition to IFRS 16. They were included within the Lease liabilities and Property, plant and equipment captions of the consolidated statement of financial position. Long-term finance lease liabilities, which were previously presented in Other long-term liabilities, and short-term finance lease liabilities, which were previously presented in Trade and other payables ($3 million and $3 million at 31 December 2018, respectively), were reclassified to the Lease liabilities caption from 1 January 2019.

The Group has elected to use the following practical expedients proposed by the standard:

- on initial application IFRS 16 was applied only to contracts that were previously classified as leases;
- on initial application initial direct costs are excluded from the measurement of the right-of-use asset;
- for all classes of underlying assets each lease component and any associated non-lease components were accounted as a single lease component; and
- lease payments for contracts with a duration of 12 months or less or leases for which the underlying assets are of low value continue to be expensed to the statement of operations on a straight-line basis over the lease term.

The main categories of contracts, which were affected by the requirements of IFRS 16, are operating leases of gondola cars, land underneath production facilities and certain items of machinery and equipment.

At 1 January 2019, as a result of the application of the new standard, the Group recognised $127 million of right-of-use assets (including $7 million of property, plant and equipment previously recognised under the finance lease contracts and $2 million of prepayments under lease contracts, which were both reclassified from the respective accounts), and $124 million of lease liabilities (including $6 million recorded as finance lease liabilities at 31 December 2018). These lease liabilities consisted of non-current portion ($90 million) and current portion ($34 million).

The Group’s weighted average incremental borrowing rates applied to lease liabilities recognised in the statement of financial position at the date of initial application were 8.7% for rouble-denominated liabilities and 4.2% for USD-denominated liabilities.

In previous years the majority of the Group’s outstanding short and long-term lease agreements were cancellable. IAS 17 required disclosing operating lease commitments only for non-cancellable leases, consequently, the Group did not disclose commitments under non-cancellable operating leases based on materiality grounds. However, under IFRS 16 the Group is also required to include in lease liabilities the contracts with an option to terminate the lease if the lessee is reasonably certain not to exercise that option. This has resulted in the recognition of lease liabilities of $118 million on transition.

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 “Investments in Associates and Joint Ventures”.

These amendments had no impact on the consolidated financial statements as the Group does not have such long term interests in its associate and joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Policies (continued)

New/Revised Standards and Interpretations Adopted in 2019 (continued)

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the "SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

- IFRIC 23 "Uncertainty over Income Tax Treatments"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The Interpretation specifically addresses the following:

  - whether an entity considers uncertain tax treatments separately;
  - the assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
  - how an entity considers changes in facts and circumstances.

The Interpretation establishes that an entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgements in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability or asset.

These amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

- Annual Improvements to IFRSs 2015-2017 Cycle

The amendments relate to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs". The application of these amendments had no effect on the Group's financial position, performance or the disclosures as the Group followed the same principles in prior periods.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Standards Issued But Not Yet Effective in the European Union

Standards not yet effective for the financial statements for the year ended 31 December 2019	Effective for annual periods beginning on or after
• Amendments to IAS 1 and IAS 8 – Definition of Material	1 January 2020
• Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
• Amendment to IFRS 3 – Definition of Business	1 January 2020*
• Amendments to IFRS 9, IAS 39, IFRS 7 (Interest Rate Benchmark Reform)	1 January 2020
• IFRS 17 "Insurance Contracts"	1 January 2021*
• Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2022*

*Subject to EU endorsement

The Group expects that the adoption of the pronouncements listed above will not have a significant impact on the Group's results of operations and financial position in the period of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Judgements and Estimates

Accounting Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- In 2015, following the placement of Highveld Steel and Vanadium Limited under the business rescue procedures, the Group lost control over the subsidiary and it is not expected that it will re-obtain control in the future. As a result, the Group ceased to consolidate this entity from 14 April 2015.

- The Group determined based on the criteria in IFRIC 4 "Determining whether an Arrangement Contains a Lease" (before 2019) and IFRS 16 "Leases" (from 2019) that the supply contracts with PraxAir and Air Liquide do not contain a lease. These contracts include the construction of air separation plants by PraxAir and Air Liquide to be owned and operated by them and the supply of oxygen and other industrial gases produced by the entities to the Group's steel plants for a long-term period on a take or pay basis. Management believes that these arrangements do not convey a right to the Group to use the assets as the Group does not have an ability to operate the assets or to direct other parties to operate the assets; it does not control physical access to the assets; and it is expected that more than an insignificant amount of the assets' output will be sold to the parties unrelated to the Group. The commitments under the contracts are disclosed in Note 30.

- In 2019, an independent trader concluded contracts with two Group's subsidiaries: for the purchase of semi-finished steel products with one subsidiary of the Steel segment and for the sale of semi-finished steel products with another subsidiary of the Steel North America segment. The Group analysed the nature of the contracts and determined that they require a separate recognition of the sales and purchase transactions as there is neither a tripartite agreement, nor a call or put option, which would require to treat these contracts as a single arrangement. Specifically, the trader bears full inventory and market risks, it has a full discretion in establishing prices for each contract separately based on prevailing market conditions. In 2019, the Group sold to the independent trader 330 thousand metric tonnes of slabs ($161 million) and purchased from it 192 thousand metric tonnes ($108 million).

- In 2019, the Group concluded a contract with Xcel Energy Inc. for the construction of a solar power plant to be owned and operated by a third party and for the supply of electricity to the Group's steel plant for a long-term period on a take-or-pay basis. The Group determined based on the criteria in IFRS 16 "Leases" that the supply contract with Xcel Energy Inc. does not contain a lease. Management believes that this arrangement does not convey a right to the Group to use the assets as the Group does not have an ability to operate the assets or to direct other parties to operate the assets; it does not control physical access to the assets; and it is expected that more than an insignificant amount of the assets' output will be sold to the parties unrelated to the Group. The commitments under the contract are disclosed in Note 30.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2019, 2018 and 2017, the Group recognised a net impairment reversal/(loss) of $(142) million, $(30) million and $20 million, respectively (Notes 6 and 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate that impairment exists.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in use and, ultimately, the amount of any impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill at 31 December 2019, 2018 and 2017 was $594 million, $864 million and $917 million, respectively. In 2019, the Group recognised a $300 million impairment loss in respect of goodwill. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 6.

Mineral Reserves

Mineral reserves and the associated mine plans are a material factor in the Group's computation of a depletion charge. The Group estimates its mineral reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Estimation of reserves in accordance with the JORC Code involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgement and development of assumptions.

The changes in the pricing environment and geology-related risk factors may lead to a revision of mining plans, decisions to abandon or to mothball certain parts of a mine, to a reassessment of the capital expenditures required for the extraction of the proved and probable reserves, as well as to the changes in the resources classified as proved and probable reserves. As the value of the Group's mining assets is very significant (Note 9), these changes may have a material impact on the depletion charge and impairment, which may arise as a result of a decline in the recoverable amounts of the affected mines.

Post-Employment Benefits

The Group uses an actuarial valuation method for the measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.). More details are provided in Note 23.

Foreign Currency Transactions

The presentation currency of the Group is the US dollar because presentation in US dollars is most relevant for the major current and potential users of the consolidated financial statements.

The functional currencies of the Group's subsidiaries are the Russian rouble, US dollar, euro, Czech koruna, Canadian dollar and Ukrainian hryvnia. At the reporting date, the assets and liabilities of the subsidiaries with functional currencies other than the US dollar are translated into thepresentation currency at the rate of exchange ruling at the end of the reporting period, and their statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary with functional currency other than the US dollar, the deferred cumulative amount recognised in equity relating to that particular subsidiary is recognised in the statement of operations.

The following exchange rates were used in the consolidated financial statements:

	2019		2018		2017	
	31 December	Average	31 December	average	31 December	average
USD/RUB	61.9057	64.7362	69.4706	62.7078	57.6002	58.3529
EUR/USD	1.1234	1.1195	1.1450	1.1810	1.1993	1.1297
USD/CAD	1.2968	1.3269	1.3658	1.2962	1.2530	1.2979
USD/UAH	n/a	26.1337	27.6883	27.2029	28.0672	26.5947

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to the statement of operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights and over which the Group has control, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the parent’s shareholders’ equity.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree’s identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree’s identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Comparative information presented for the periods before the completion of initial accounting for the acquisition is presented as if the initial accounting had been completed from the acquisition date.

Increases in Ownership Interests in Subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases is either added to additional paid-in capital, if positive, or charged to accumulated profits, if negative, in the consolidated financial statements.

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control

Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements at the historical cost of the controlling entity (the “Predecessor”). Related goodwill inherent in the Predecessor's original acquisition is also recorded in the financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders' equity.

These financial statements, including corresponding figures, are presented as if a subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Put Options over Non-controlling Interests

The Group derecognises non-controlling interests if non-controlling shareholders have a put option over their holdings. The difference between the amount of the liability recognised in the statement of financial position over the carrying value of the derecognised non-controlling interests is charged to accumulated profits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in Associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate and goodwill impairment charges, if any.

The Group's share of its associates' profits or losses is recognised in the statement of operations and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has legal or constructive obligations to make payments to, or on behalf of, the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Interests in Joint Ventures

The Group's interest in its joint ventures is accounted for under the equity method of accounting whereby an interest in jointly ventures is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of joint ventures. The statement of operations reflects the Group's share of the results of operations of joint ventures.

Property, Plant and Equipment

The Group's property, plant and equipment is stated at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred and recognition criteria are met.

The Group's property, plant and equipment include mining assets, which consist of mineral reserves, mine development and construction costs and capitalised site restoration costs. Mineral reserves represent tangible assets acquired in business combinations. Mine development and construction costs represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, buildings, machinery and equipment.

At each end of the reporting period management makes an assessment to determine whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as impairment loss in the statement of operations or other comprehensive income. An impairment loss recognised for an asset in previous years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Land is not depreciated. Depreciation of property, plant and equipment, except for mining assets, is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives of items of property, plant and equipment and methods of their depreciation are reviewed, and adjusted as appropriate, at each fiscal year end.

The table below presents the useful lives of items of property, plant and equipment.

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15–60	18
Machinery and equipment	4–45	9
Transport and motor vehicles	7–20	7
Other assets	3–15	4

The Group determines the depreciation charge separately for each significant part of an item of property, plant and equipment.

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves. The depletion calculation takes into account future development costs for reserves which are in the production phase.

Maintenance costs relating to items of property, plant and equipment are expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and facilities of social infrastructure, which are carried at their recoverable amount of zero. The costs to maintain such assets are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures represent costs incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The expenditures include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. These costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Group commences recognition of expenditures related to the development of mineral resources as assets. These assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Leases

Group as a Lessee

The determination of whether an arrangement is, or contains, a lease is done at contract inception and includes the assessment of whether the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term or exercise a purchase option, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Otherwise, the lessee depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Right-of-use assets are subject to impairment. The right-of-use assets are included in the Property, plant and equipment caption of the statement of financial position (Note 9).

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is determined based on the Group's borrowing rates for similar terms and currencies in an economic environment, in which the lessee operates. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of plans to purchase the underlying asset.

The lease term is a non-cancellable period for which a lessee has the right to use an underlying asset, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The lease term of cancellable or renewable leases is dependent of the enforceability of the contract beyond the date on which it can be terminated. The contract is enforceable if only one party of the lease contract has the right to terminate the lease without permission from the other party with no more than an insignificant penalty. In this case the Group, as a lessee, assesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option.

Lease payments for contracts with a duration of 12 months or less or leases for which the underlying assets are of low value are not recognised as lease liabilities. They are expensed to the statement of operations on a straight-line basis over the lease term and included in cost of revenues, selling, general and administrative expenses.

Information about lease arrangements is disclosed in Note 25.

Group as a Lessor

Finance leases, in which the Group acts as a lessor, when substantially all the risks and benefits incidental to ownership of the leased item are transferred to the lessee, are recognised as net investments in finance lease from the commencement of the lease term at the present value of the minimum lease payments. Lease payments are apportioned between the finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of recevables. Finance income is included in the interest income caption.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases (Note 9). Operating lease income is recognised within the rendering of services caption on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Accounting for Leases before 2019

Before 1 January 2019 the Group recognised as liabilities only finance lease arrangements. Finance leases, which involved the transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, were capitalised from the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were charged to interest expense.

Leases where the lessor retained substantially all the risks and benefits of ownership of the asset were classified as operating leases. Operating lease payments were recognised as an expense in the statement of operations on a straight-line basis over the lease term.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred for an acquisition of a subsidiary or an associate and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised in the consolidated statement of operations.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisition of an associate is included in the carrying amount of the investments in associates.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, or the group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures on internally generated intangible assets, excluding capitalised development costs, are expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised, they are tested for impairment annually either individually or at the cash-generating unit level.

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	4
Contract terms	10	4
Other	5–19	5

Certain water rights and environmental permits are considered to have indefinite lives as management believes that these rights will continue indefinitely.

The most part of the Group's intangible assets represents customer relationships arising on business combinations (Note 10).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them, i.e. how the Group manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Trade and Other Accounts Receivable

Trade and other receivables are recognised at their transaction price as defined in IFRS 15 “Revenue” if they do not contain a significant financing component or if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

For trade and other receivables, the Group applies a simplified approach for calculating the expected credit losses. Therefore, the Group does not track changes in credit risk, but, instead, it recognises a loss allowance based on the lifetime expected credit losses at each reporting date. The Group separately determines the expected credit losses for individually significant balances or collectively for trade and other receivables that are not individually significant.

The expected credit losses for individually significant balances are estimated using debtors' historical credit loss experience adjusted for forward-looking factors specific to the debtors and economic environment.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis and includes expenditure incurred in acquiring or producing inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Value Added Tax

The tax authorities permit the settlement of sales and purchases value added tax (“VAT”) on a net basis.

The Group's subsidiaries apply the accrual method for VAT recognition, under which VAT becomes payable upon invoicing and delivery of goods or rendering services as well upon receipt of prepayments from customers. VAT on purchases, even if not settled at the end of the reporting period, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Borrowing costs relating to qualifying assets are capitalised (Note 9).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury Shares

Own equity instruments which are acquired by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in statement of operations on the purchase, sale, issue or cancellation of the treasury shares. Any difference between the carrying amount and the consideration, if reissued, is recognised in additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity only if they are declared before the end of the reporting period. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the financial statements are authorised for issue.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 “Changes in Existing Decommissioning, Restoration and Similar Liabilities”.

Provisions for site restoration costs are capitalised within property, plant and equipment.

Employee Benefits

Social and Pension Contributions

Defined contributions are made by the Group to the Russian and Ukrainian state pension, social insurance and medical insurance funds at the statutory rates in force based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

Defined Benefit Plans

The Group companies provide pensions and other benefits to their employees (Note 23). The entitlement to these benefits is usually conditional on the completion of a minimum service period. Certain benefit plans require the employee to remain in service up to retirement age. Other employee benefits consist of various compensations and non-monetary benefits. The amounts of benefits are stipulated in the collective bargaining agreements and/or in the plan documents.

The Group involves independent qualified actuaries in the measurement of employee benefit obligations.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. It is recorded within interest expense in the consolidated statement of operations.

The Group recognises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the consolidated statement of operations within “cost of sales”, “general and administrative expenses” and “selling and distribution expenses”.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits (continued)

Other Costs

The Group incurs employee costs related to the provision of benefits such as health services, kindergartens and other services. These amounts principally represent an implicit cost of employment and, accordingly, have been charged to cost of sales.

Share-based Payments

The Group has management compensation schemes (Note 21), under which certain senior executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with grantees is measured by reference to the fair value of the Company's shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity (additional paid-in capital), over the period in which service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the statement of operations for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards if EBITDA-related conditions are not satisfied or participants lose the entitlement for the shares due to the termination of their employment. Accumulated share-based expense is adjusted to reflect the number of share options that eventually vest. For market-related performance conditions, such as TSR (Note 21), if the conditions are not met and the share options do not vest, then no reversal is made for the share-based expense previously recognised.

The TSR-related vesting condition of Incentive Plans adopted in 2017, 2018 and 2019 was considered by the Group as a market condition. As such, it was included in the estimation of the fair value of the granted shares and will not be subsequently revised. Vesting condition related to EBITDA was not taken into account when estimating the fair value of the share options at the grant date. Instead, this will be taken into account by adjusting the share-based expense based on the number of share options that eventually vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding share-based awards is reflected as additional share dilution in the computation of earnings per share (Note 20).

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

The Group recognises revenues from sales of goods at the point in time when control of the asset is transferred to the customer and it is probable that the amount of consideration is collectible. The moment of transfer of control is determined by the contract terms and usually occurs at the date of shipment.

Some contracts with customers provide a right of return, trade discounts or volume rebates. The Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of the estimated returns and price concessions, trade discounts and volume rebates. The variable consideration is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group enters into contracts with its customers, under which the Group provides transportation and handling services using third party providers (i.e. the Group selects suitable firms and manages the shipment and delivery). These services are provided to the customers before, or after, they obtain control over the goods. The cost of services is included in the contract price. Under IFRS 15, transportation and handling services rendered by the Group before control over the goods is transferred to the customers do not represent a separate performance obligation. Therefore, the Group recognises these services at the moment when control over the goods is passed to the customers. With respect to the contracts when the Group provides transportation and handling services after obtaining control over the goods by the customers, the Group concluded that these services represent a separate performance obligation and the Group acts as a principal rather than an agent. Consequently, the control over its services is transferred over time. Transportation and handling services rendered by the Group in contracts, in which it acts as a principal, are presented within the caption "Sales of goods" in the consolidated statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rendering of Services

The Group's revenues from rendering of services include electricity, transportation, port and other services. The pattern of revenue recognition reflects the transfer of services to customers and may occur at a point in time or over time.

Advances from Customers

The Group receives only short-term advances from its customers. The Group uses the practical expedient provided in IFRS 15, which allows not to adjust the promised amount of consideration for the effects of a significant financing component in the contracts where the Group expects, at contract inception, that the period between the Group's transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Group does not account for a financing component even if it is significant.

Interest

Interest is recognised using the effective interest method.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental Income

Rental income is accounted for on a straight-line basis over the lease term on ongoing leases.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

Deferred Income Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, tax legislation and tax planning strategies.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SEGMENT INFORMATION

For management purposes the Group has four reportable operating segments:

- *Steel* segment includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment as they are closely related to the main process of steel production.
- *Steel, North America* is a segment, which includes production of steel and related products in the USA and Canada.
- *Coal* segment includes coal mining and enrichment. It also included operations of Nakhodka Trade Sea Port (sold in June 2017) as it was used to a significant extent for shipping of products of the coal segment to the Asian markets.
- *Other operations* include energy-generating companies, shipping and railway transportation companies.

Management and investment companies are not allocated to any of the segments. Operating segments have been aggregated into reportable segments if they show a similar long-term economic performance, have comparable production processes, customer industries and distribution channels, operate in the same regulatory environment, and are generally managed and monitored together.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Management monitors the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA (see below). This performance indicator is calculated based on management accounts that differ from the IFRS consolidated financial statements for the following reasons:

1) certain subsidiaries of the Group are not consolidated in the management accounts;

2) for the last month of the reporting period, the management accounts for each operating segment are prepared using a forecast for that month;

3) the statement of operations is based on local GAAP figures with the exception of depreciation and repair expenses which are adjusted to approximate the amount under IFRS;

4) in case of volatility of functional currencies the IFRS statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions (quarterly, semi-annual averages, etc.) while in management accounts simple average for the whole accounting period is used.

Segment revenue is revenue reported in the Group's statement of operations that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated to it on a reasonable basis, whether from sales to external customers or from transactions with other segments.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated to it on a reasonable basis, including expenses relating to external counterparties and expenses relating to transactions with other segments. Segment expense does not include social and social infrastructure maintenance expenses.

Segment result is segment revenue less segment expense that is equal to earnings before interest, tax, depreciation and amortisation ("EBITDA") for that segment.

Segment EBITDA is determined as a segment's profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense. Management believes that this measure is useful and relevant for the users and gives a better comparison with the Russian steel peers.

The following tables present measures of segment profit or loss based on management accounts.

3. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 7,903	$ 2,517	$ 1,273	$ 186	$ –	$ 11,879
Inter-segment sales	175	–	735	303	(1,213)	–
Total revenue	8,078	2,517	2,008	489	(1,213)	11,879
Segment result – EBITDA	$ 1,668	$ 38	$ 883	$ 19	$ 32	$ 2,640

Year ended 31 December 2018

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 8,373	$ 2,593	$ 1,533	$ 214	$ –	$ 12,713
Inter-segment sales	343	–	1,322	279	(1,944)	–
Total revenue	8,716	2,593	2,855	493	(1,944)	12,713
Segment result – EBITDA	$ 2,701	$ 18	$ 1,180	$ 17	$ (14)	$ 3,902

Year ended 31 December 2017

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 8,093	$ 1,868	$ 796	$ 87	$ –	$ 10,844
Inter-segment sales	295	–	1,142	301	(1,738)	–
Total revenue	8,388	1,868	1,938	388	(1,738)	10,844
Segment result – EBITDA	$ 1,567	$ 77	$ 1,164	$ 20	$ (24)	$ 2,804

3. SEGMENT INFORMATION (CONTINUED)

The following table shows a reconciliation of revenue and EBITDA used by management for decision making and revenue and profit or loss before tax per the consolidated financial statements prepared under IFRS.

Year ended 31 December 2019

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 8,078	$ 2,517	$ 2,008	$ 489	$(1,213)	$ 11,879
Reclassifications and other adjustments	65	(17)	13	(6)	(29)	26
Revenue per IFRS financial statements	$ 8,143	$ 2,500	$ 2,021	$483	$(1,242)	$ 11,905
EBITDA	$ 1,668	$ 38	$ 883	$ 19	$ 32	$ 2,640
Unrealised profits adjustment	81	–	41	–	17	139
Reclassifications and other adjustments	46	–	(81)	(1)	(1)	(37)
	127	–	(40)	(1)	16	102
EBITDA based on IFRS financial statements	$ 1,795	$ 38	$ 843	$ 18	$ 48	$ 2,742
Unallocated subsidiaries						(141)
						$ 2,601
Social and social infrastructure maintenance expenses	(17)	–	(3)	–	–	(20)
Depreciation, depletion and amortisation expense	(254)	(147)	(168)	(4)	–	(573)
Impairment of assets	(26)	(309)	(107)	–	–	(442)
Gain on disposal of property, plant and equipment and intangible assets	1	4	(3)	–	–	2
Foreign exchange gains/(losses), net	(10)	46	(30)	10	–	16
	$ 1,489	$ (368)	$ 532	$ 24	$ 48	$ 1,584
Unallocated income/(expenses), net						(367)
Profit/(loss) from operations						$ 1,217
Interest income/(expense), net						(328)
Share of profits/(losses) of joint ventures and associates						9
Impairment of non-current financial assets						(56)
Gain/(loss) on financial assets and liabilities						17
Gain/(loss) on disposal groups classified as held for sale						29
Other non-operating gains/(losses), net						14
Profit/(loss) before tax						$ 902

3. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 8,716	$ 2,593	$ 2,855	$ 493	$(1,944)	$12,713
Reclassifications and other adjustments	163	(10)	(518)	(21)	509	123
Revenue per IFRS financial statements	$ 8,879	$ 2,583	$ 2,337	$ 472	$(1,435)	$12,836
EBITDA	$ 2,701	$ 18	$ 1,180	$ 17	$ (14)	$ 3,902
Unrealised profits adjustment	(46)	–	(25)	–	4	(67)
Reclassifications and other adjustments	17	(4)	63	–	1	77
	(29)	(4)	38	–	5	10
EBITDA based on IFRS financial statements	$ 2,672	$ 14	$ 1,218	$ 17	$ (9)	$ 3,912
Unallocated subsidiaries						(135)
						$ 3,777
Social and social infrastructure maintenance expenses	(25)	–	(2)	–	–	(27)
Depreciation, depletion and amortisation expense	(239)	(137)	(158)	(3)	–	(537)
Impairment of assets	(18)	(2)	(10)	–	–	(30)
Loss on disposal of property, plant and equipment and intangible assets	(3)	(2)	(6)	–	–	(11)
Foreign exchange gains/(losses), net	31	(72)	30	(2)	–	(13)
	$ 2,418	$ (199)	$ 1,072	$ 12	$ (9)	$ 3,159
Unallocated income/(expenses), net						369
Profit/(loss) from operations						$ 3,528
Interest income/(expense), net						(341)
Share of profits/(losses) of joint ventures and associates						9
Gain/(loss) on financial assets and liabilities						13
Gain/(loss) on disposal groups classified as held for sale						(10)
Other non-operating gains/(losses), net						2
Profit/(loss) before tax						$ 3,201

3. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 8,388	$ 1,868	$ 1,938	$ 388	$(1,738)	$ 10,844
Reclassifications and other adjustments	(645)	(4)	276	74	282	(17)
Revenue per IFRS financial statements	$ 7,743	$ 1,864	$ 2,214	$ 462	$(1,456)	$ 10,827
EBITDA	$ 1,567	$ 77	$ 1,164	$ 20	$ (24)	$ 2,804
Unrealised profits adjustment	(49)	–	(4)	–	(9)	(62)
Reclassifications and other adjustments	(35)	(19)	66	1	–	13
	(84)	(19)	62	1	(9)	(49)
EBITDA based on IFRS financial statements	$ 1,483	$ 58	$ 1,226	$ 21	$ (33)	$ 2,755
Unallocated subsidiaries						(131)
						$ 2,624
Social and social infrastructure maintenance expenses	(29)	–	(1)	–	–	(30)
Depreciation, depletion and amortisation expense	(255)	(132)	(167)	(3)	–	(557)
Impairment of assets	31	(19)	–	–	–	12
Loss on disposal of property, plant and equipment and intangible assets	4	–	(7)	(1)	–	(4)
Foreign exchange gains/(losses), net	(31)	25	20	–	–	14
	$ 1,203	$ (68)	$ 1,071	$ 17	$ (33)	$ 2,059
Unallocated income/(expenses), net						(73)
Profit/(loss) from operations						$ 1,986
Interest income/(expense), net						(423)
Share of profits/(losses) of joint ventures and associates						11
Gain/(loss) on financial assets and liabilities						(57)
Gain/(loss) on disposal groups classified as held for sale						(360)
Other non-operating gains/(losses), net						(2)
Profit/(loss) before tax						$ 1,155

3. SEGMENT INFORMATION (CONTINUED)

The revenues from contracts with external customers for each group of similar products and services and rental income are presented in the following table:

US$ million	2019	2018	2017
Steel			
Construction products	$ 2,166	$ 2,280	$ 2,171
Flat-rolled products	386	415	313
Railway products	1,181	965	863
Semi-finished products	2,528	2,521	2,523
Other steel products	377	399	349
Other products	365	545	440
Iron ore	190	158	191
Vanadium in slag	109	228	77
Vanadium in alloys and chemicals	539	922	466
Rendering of services	103	71	30
	7,944	8,504	7,423
Steel, North America			
Construction products	200	247	159
Flat-rolled products	518	597	427
Railway products	405	380	309
Tubular products	1,128	1,167	875
Other products	211	168	67
Rendering of services	38	24	26
	2,500	2,583	1,863
Coal			
Coal	1,251	1,506	1,266
Other products	15	27	24
Rendering of services	21	25	93
	1,287	1,558	1,383
Other operations			
Rendering of services	174	191	158
	174	191	158
	$ 11,905	$ 12,836	$ 10,827

Revenue from rendering of services included rental income, which was mainly attributable to the subsidiaries of the steel segment.

US$ million	2019	2018	2017
Revenues from contracts with customers	$ 11,873	$ 12,822	$ 10,821
Rental income	32	14	6
	$ 11,905	$ 12,836	$ 10,827

3. SEGMENT INFORMATION (CONTINUED)

Distribution of the Group's revenues by geographical area based on the location of customers for the years ended 31 December was as follows:

US$ million	2019	2018	2017
CIS			
Russia	$ 4,373	$ 4,564	$ 4,255
Kazakhstan	297	237	254
Ukraine	291	480	368
Uzbekistan	81	32	37
Belarus	71	72	62
Kyrgyzstan	49	50	36
Others	76	65	55
	5,238	5,500	5,067
America			
USA	1,701	2,226	1,465
Canada	847	537	546
Mexico	119	154	156
Others	42	92	34
	2,709	3,009	2,201
Asia			
Taiwan	680	433	468
China	478	114	145
Philippines	387	631	345
Republic of Korea	282	409	321
Thailand	247	225	189
Indonesia	244	346	330
Japan	243	186	149
United Arab Emirates	124	5	25
Mongolia	61	58	28
Vietnam	57	35	44
India	42	60	19
Singapore	5	133	41
Others	43	81	58
	2,893	2,716	2,162
Europe			
European Union	767	1,146	775
Turkey	166	254	328
Others	23	26	25
	956	1,426	1,128
Africa			
Kenya	63	77	106
Egypt	27	86	100
Others	17	16	58
	107	179	264
Other countries	2	6	5
	$11,905	$ 12,836	$ 10,827

None of the Group's customers amounts to 10% or more of the consolidated revenues.

3. SEGMENT INFORMATION (CONTINUED)

Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets were located in the following countries at 31 December:

US$ million	2019	2018	2017
Russia	**$ 3,967**	$ 3,258	$ 3,879
Canada	**981**	1,221	1,332
USA	**827**	791	818
Ukraine	**–**	–	61
Kazakhstan	**38**	41	51
Czech Republic	**35**	35	37
Italy	**–**	41	45
Other countries	**3**	3	4
	$ 5,851	$ 5,390	$ 6,227

4. CHANGES IN THE COMPOSITION OF THE GROUP

Business Combinations

In November 2019, the Group acquired 100% share in Metservice, which provides warehousing and related services in Nizhny Tagil (Russia). The consideration amounted to $3 million in cash. At the date of business combination the fair value of net assets of the acquired company was $3 million.

In June 2017, the Group purchased the business of Western Canada Machining Inc. (Alberta, Canada), which produces couplings for use in the oil and gas industry. The consideration amounted to $5 million in cash. At the date of business combination the fair value of net assets of the acquired company was $5 million.

Purchase of Non-controlling Interests

Raspadskaya

In 2019, the Group acquired an additional 1.8% ownership interest in Raspadskaya, a subsidiary of the Group, for cash consideration of $25 million. The excess of consideration over the carrying values of non-controlling interests acquired amounting to $3 million was charged to accumulated profits.

In addition, in June 2019 Raspadskaya purchased its own shares in course of the tender offer for cash consideration of $46 million. The Group derecognised 2.53% of non-controlling interests and charged to accumulated profits $7 million representing the excess of consideration over the carrying values of non-controlling interests acquired.

In the course of the closed subscription in September 2019 Raspadskaya issued 80,285 new shares, and Evraz Group S.A. acquired 80,284 shares, thus increasing the Group’s stake in the subsidiary by 0.0014%.

In 2018, the Group acquired an additional 1.89% ownership interest in Raspadskaya for cash consideration of $24 million. The excess of consideration over the carrying values of non-controlling interests acquired amounting to $3 million was charged to accumulated profits.

Mezhegeyugol

On 14 March 2017, the Group signed an option agreement with a non-controlling shareholder in respect of shares of Mezhegeyugol, a coal mining subsidiary of the Group. Under the agreement, the non-controlling shareholder has the right to sell to the Group (the put option) all its shares in Mezhegeyugol (39.9841%) for $39 million and to settle the loan payable to the Group for $25 million. As a result, the Group would hold 100% ownership interest in the subsidiary. The option can be exercised from 1 December 2019 to 1 December 2020.

The Group determined that the terms of the option agreement give the Group the rights to the beneficial interests in Mezgegeyugol and derecognised the non-controlling interests and recognised a liability under the put option. The difference between the discounted value of the liability under the put option ($60 million) and the carrying value of non-controlling interest in the amount of $56 million was charged to the accumulated profits of the Group. In 2019, 2018 and 2017, the Group accrued $3 million, $4 million and $1 million interest on this liability.

Sale of Subsidiaries

In 2019, the Group sold EVRAZ Stratcor Inc, EVRAZ Palini e Bertoli, and Evraztrans-Ukraine. In 2018, the Group sold Dneprovsk Metallurgical Plant. Further details of these transactions are disclosed in Note 12.

5. GOODWILL

Goodwill relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group. The table below presents movements in the carrying amount of goodwill.

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2016	**$ 2,367**	**$ (1,487)**	**$ 880**
Sale of subsidiaries (Note 12)	(22)	16	(6)
Translation difference	58	(15)	43
At 31 December 2017	**$ 2,403**	**$ (1,486)**	**$ 917**
Sale of subsidiaries (Note 12)	(112)	112	–
Translation difference	(70)	17	(53)
At 31 December 2018	**$ 2,221**	**$ (1,357)**	**$ 864**
Sale of subsidiaries (Note 12)	(63)	63	–
Impairment of Large diameter pipes	–	(300)	(300)
Translation difference	34	(4)	30
At 31 December 2019	**$ 2,192**	**$ (1,598)**	**$ 594**

The carrying amount of goodwill was allocated among cash-generating units as follows at 31 December:

US$ million	**2019**	**2018**	**2017**
EVRAZ Inc. NA/EVRAZ Inc. NA Canada	**$ 525**	$ 799	$ 843
Large diameter pipes	***68***	*349*	*381*
Oil Country Tubular Goods	***141***	*134*	*146*
Long products	***316***	*316*	*316*
EVRAZ Vanady-Tula	**32**	29	35
EVRAZ Nikom, a.s.	**33**	33	35
Others	**4**	3	4
	$ 594	$ 864	$ 917

6. IMPAIRMENT OF ASSETS

A summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2019

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Inc. NA Canada	$ (300)	$ (1)	$ –	$ (301)
Raspadskaya		(92)	–	(92)
EVRAZ Consolidated West-Siberian Metallurgical Plant	–	(18)	–	(18)
Yuzhkuzbassugol	–	(15)	–	(15)
EVRAZ Nizhny Tagil Metallurgical Plant	–	(11)	–	(11)
EVRAZ Inc. NA	–	(8)	–	(8)
Others, net	–	3	–	3
	$ (300)	$ (142)	$ –	$ (442)
Recognised in profit or loss	(300)	(142)	–	(442)

Year ended 31 December 2018

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Stratcor Inc.	$ –	$ (12)	$ –	$ (12)
Yuzhkuzbassugol	–	(6)	–	(6)
Evrazruda	–	(4)	–	(4)
Others, net	–	(8)	–	(8)
	$ –	$ (30)	$ –	$ (30)
Recognised in profit or loss	–	(30)	–	(30)

Year ended 31 December 2017

US$ million	Goodwill and intangible assets	Property, plant and equipment	Taxes receivable	Total
EVRAZ Inc. NA	$ (13)	$ 6	$ –	$ (7)
EVRAZ Inc. NA Canada	–	(12)	–	(12)
Raspadskaya	–	9	–	9
EVRAZ Palini e Bertoli	–	20	–	20
Yuzhkuzbassugol	–	(9)	–	(9)
Evrazruda	–	8	–	8
Others, net	–	(2)	5	3
	$ (13)	$ 20	$ 5	$ 12
Recognised in profit or loss	(13)	20	5	12

In 2017-2019, the Group recognised impairment losses as a result of impairment testing at the level of cash-generating units.

In addition, the Group made a write-off of certain functionally obsolete items of property, plant and equipment and recorded an impairment relating to VAT with a long-term recovery. In 2019, the Group decided to postpone reopening of a coal mine MUK-96, a subsidiary of Raspadskaya. In connection with this decision the recoverable amount of mining assets relating to this mine ($84 million) was reassessed and fully impaired.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash-generating unit to which goodwill was allocated or where indicators of impairment were identified. In 2017-2019, the impairment tests were performed as of 30 September, the conclusions were reassessed at 31 December and no further impairment triggers were identified.

The recoverable amounts for all cash-generating units, except for Large diameter pipes in 2019, have been determined based on the calculation of value-in-use. This valuation technique uses cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting the time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the results of the respective business plans using a zero real growth rate.

In 2019, the recoverable amount of Large diameter pipes has been determined based on the calculation of fair value less costs of disposal as it was deemed to produce a more reliable result. This valuation method was based on unobservable inputs (discounted cash flows), which represent Level 3 of the fair value hierarchy.

6. IMPAIRMENT OF ASSETS (CONTINUED)

The key assumptions used by management in the impairment tests with respect to the cash-generating units to which the goodwill was allocated or units containing intangible assets with indefinite useful lives are presented in the table below.

	Commodity	Period of forecast, years		Pre-tax discount rate, %		Average price of commodity per tonne in the next reporting year		Recoverable amount of CGU, US$ million		Carrying amount of CGU before impairment, US$ million	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Steel North America											
Large diameter pipes	steel products	5	5	9.32	9.37	$1,112	$1,129	567	903	867	900
Oil Country Tubular Goods	steel products	5	5	9.65	9.96	$1,127	$1,245	464	441	356	365
Long products	steel products	5	5	9.90	9.26	$720	$745	623	582	528	501
EVRAZ Vanady-Tula	vanadium products	5	5	12.55	12.74	$21,452	$46,494	712	1,140	55	57
EVRAZ Nikom, a.s.	ferrovanadium products	5	5	10.48	10.45	$21,371	$48,991	56	40	35	36

In addition, the Group determined that there were indicators of impairment in other cash generating units, which do not contain goodwill or intangible assets with indefinite useful lives, and tested them for impairment using the following assumptions.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in the next reporting year
Steel North America				
Flat-rolled products	5	9.37	steel products	$ 607
Seamless pipes	5	9.82	steel products	$ 1,224

The impairment test models take into account the impact of Section 232 tariffs imposed on imports to the US and anti-dumping duties imposed by the US against Canada on large-diameter pipes (Note 30). The effect of the anti-dumping duties is expected to last until 2024 when it will be subject to a five-year (sunset) review by the US Department of Commerce. The Section 232 tariffs are expected to last until 2023.

As a result of impairment testing, in 2019, the Group recognised a $300 million impairment loss with respect to goodwill allocated to the Large diameter pipes cash-generating unit. The impairment was caused by the use of a more conservative valuation model due to the increased current market volatility.

The estimations of recoverable amounts are most sensitive to the following assumptions:

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an additional impairment at Large diameter pipes. If discount rates were 10% higher, this would lead to an additional impairment of $88 million.

Sales and Purchases Prices

The price assumptions for the products sold and purchased by the Group were estimated based on industry research using analysts' views published by Goldman Sachs, J.P. Morgan, Renaissance Capital, UBS, CRU, Sberbank, Morgan Stanley, Bank of America, Citi, Deutsche Bank, HSBC, VTB Capital, KPMG during the period from July to November 2019. The Group expects that the nominal prices will fluctuate with a compound annual growth rate of (7.7)%-4.3% in 2020 – 2024 and 2% in 2025 and thereafter. Reasonably possible changes in sales and purchases prices could lead to an additional impairment at Large diameter pipes. If the prices assumed for 2020 and 2021 in the impairment test were 10% lower, this would lead to an additional impairment of $50 million.

Sales Volumes

Management assumed that the sales volumes of steel products in 2020 will change by (4)-21% and future dynamics will be driven by a gradual market recovery and removal of anti-dumping duties allowing the Group to utilise assets' capacities to a greater extent. Reasonably possible changes in sales volumes could lead to an additional impairment at Large diameter pipes. If the sales volumes were 10% lower than those assumed for 2020 and 2021 in the impairment test, this would lead to an additional impairment of $22 million.

6. IMPAIRMENT OF ASSETS (CONTINUED)

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation in cost from these plans could lead to an additional impairment at Large diameter pipes. If the actual costs were 10% higher than those assumed for 2020 and 2021 in the impairment test, this would lead to an additional impairment of $127 million.

Sensitivity Analysis

There were no cash-generating units, which were not impaired in the reporting period and for which the reasonably possible changes could lead to impairment. Consequently, information on changes in the assumptions used to measure the recoverable amounts that could lead that the recoverable amounts would become equal to their carrying amounts is not disclosed.

7. INCOME AND EXPENSES

Cost of revenues, selling and distribution costs, general and administrative expenses include the following for the years ended 31 December:

US$ million	2019	2018	2017
Cost of inventories recognised as expense	**$ (4,595)**	$ (4,580)	$ (4,181)
Staff costs, including social security taxes	**(1,464)**	(1,326)	(1,364)
Depreciation, depletion and amortisation	**(578)**	(542)	(561)

In 2019, 2018 and 2017, the Group recognised expense on allowance for net realisable value in the amount of $(4) million, $Nil and $(4) million, respectively.

Staff costs include the following:

US$ million	2019	2018	2017
Wages and salaries	**$ 1,047**	$ 968	$ 1,000
Social security costs	**274**	245	246
Net benefit expense	**42**	38	42
Share-based awards	**13**	15	17
Other compensations	**88**	60	59
	$ 1,464	$ 1,326	$ 1,364

7. INCOME AND EXPENSES (CONTINUED)

The average number of staff employed under contracts of service was as follows:

	2019	2018	2017
Steel	44,512	45,282	54,737
Steel, North America	4,295	3,877	3,395
Coal	14,655	13,505	14,629
Other operations	927	882	523
Unallocated	2,345	2,344	2,736
	66,734	65,890	76,020

The major components of other operating expenses were as follows:

US$ million	2019	2018	2017
Idling, reduction and stoppage of production, including termination benefits	$ (20)	$ (17)	$ (26)
Restoration works and casualty compensations in connection with accidents	(3)	(3)	(2)
Other	(31)	(35)	(33)
	$ (54)	$ (55)	$ (61)

Interest expense consisted of the following for the years ended 31 December:

US$ million	2019	2018	2017
Bank interest	$ (60)	$ (74)	$ (115)
Interest on bonds and notes	(231)	(248)	(279)
Interest on lease liabilities (Note 25)	(8)	–	–
Net interest expense on employee benefits obligations (Note 23)	(13)	(13)	(19)
Discount adjustment on provisions (Note 24)	(18)	(16)	(16)
Other	(6)	(8)	(8)
	$ (336)	$ (359)	$ (437)

Interest income consisted of the following for the years ended 31 December:

US$ million	2019	2018	2017
Interest on bank accounts and deposits	$ 7	$ 9	$ 8
Interest on loans and accounts receivable	1	7	6
Other	–	2	–
	$ 8	$ 18	$ 14

Gain/(loss) on financial assets and liabilities included the following for the years ended 31 December:

US$ million	2019	2018	2017
Loss on extinguishment of debts (Note 22)	$ (27)	$ (1)	$ (78)
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	38	3	4
Realised gain/(loss) on hedging instruments (Note 25)	(23)	11	14
Net gains/(losses) on cash flow hedges recycled to profit or loss	33	–	–
Other	(4)	–	3
	$ 17	$ 13	$ (57)

8. INCOME TAXES

The Group's income was subject to tax at the following tax rates:

	2019	2018	2017
Russia	**20.00% and 16.50%**	20.00% and 16.50%	20.00%
Canada	**26.08%**	26.32%	26.25%
Cyprus	**12.50%**	12.50%	12.50%
Czech Republic	**19.00%**	19.00%	19.00%
Italy	**27.90%**	27.90%	27.90%
Switzerland	**9.62%**	9.18%	9.43%
Ukraine	**18.00%**	18.00%	18.00%
United Kingdom	**19.00%**	19.00%	–
USA	**24.87%**	24.69%	37.83%

In 2018, EVRAZ Nizhny Tagil Metallurgical Plant completed capital construction works, which make it eligible for investment tax credit from the regional government. Income tax rate was reduced from 20% to 16.5% for a period from 2018 to 2022. The Group determined that the investment tax credit is in the scope of IAS 12 "Income taxes". As a result, in 2019 and 2018, EVRAZ Nizhny Tagil Metallurgical Plant and other subsidiaries included in the group of consolidated taxpayers received a current income tax benefit amounting to $33 million and $37 million, respectively.

In December 2017, new tax legislation has been adopted in the USA, which introduced a reduction in federal income tax rate from 35% to 21% starting from 1 January 2018. The Group's subsidiaries measured the respective deferred tax assets and liabilities at 31 December 2017 using the enacted tax rates.

Major components of income tax expense for the years ended 31 December were as follows:

US$ million	2019	2018	2017
Current income tax expense	**$ (540)**	$ (679)	$ (484)
Adjustment in respect of income tax of previous years	**8**	(4)	(1)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**(6)**	(54)	74
Deferred income tax recognised directly in other comprehensive income	**1**	6	15
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (537)**	$ (731)	$ (396)

The major part of income taxes is paid in the Russian Federation. A reconciliation of income tax expense applicable to profit before income tax using the Russian statutory tax rate to income tax expense as reported in the Group's consolidated financial statements for the years ended 31 December is as follows:

US$ million	2019	2018	2017
Profit/(loss) before income tax	**$ 902**	$ 3,201	$ 1,155
At the Russian statutory income tax rate of 20%	**(180)**	(640)	(231)
Adjustment in respect of income tax of previous years	**8**	(4)	(1)
Current income tax benefit from investment tax credit	**33**	37	–
Deferred income tax expense resulting from the changes in tax rates and laws	**–**	–	(6)
Current tax on dividends distributed by the Group's subsidiaries	**(178)**	(53)	(26)
Change in deferred tax on undistributed earnings of the Group's subsidiaries	**(19)**	(35)	–
Effect of non-deductible expenses and other non-temporary differences	**(96)**	(37)	(254)
Unrecognised temporary differences recognition/reversal	**(130)**	(58)	100
Effect of the difference in tax rates in countries other than the Russian Federation	**23**	57	20
Share of profits in joint ventures and associates	**2**	2	2
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (537)**	$ (731)	$ (396)

In 2017, the higher amount of non-deductible expenses and unrecognised temporary differences was mostly caused by the significant losses on sale of subsidiaries (Note 12), which either cannot be utilised or cannot be deductible for tax purposes.

As of 31 December 2019, the Group accrued deferred income taxes in respect of undistributed earnings of the Group's subsidiaries in the amount of $54 million (2018: $35 million, 2017: $Nil). The current tax rate on intra-group dividend income varies from 0% to 15%. The temporary differences associated with investments in subsidiaries were not recognised as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future. At 31 December 2019, the aggregate amount of such temporary differences, for which deferred tax liabilities have not been recognised, amounted to $59 million (2018: $101 million, 2017: $1,439 million). The decrease in these temporary differences in 2018 was caused by the changes in the Russian tax regulations, which modified the rules for using zero tax rate in relation to capital gains of the Russian parent entities, if certain conditions are met.

8. INCOME TAXES (CONTINUED)

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies in the same jurisdiction, except for the companies registered in Cyprus, Russia and the United Kingdom where group relief and tax consolidation can be applied. As of 31 December 2019, the unused tax losses carried forward approximated $8,620 million (2018: $9,321 million, 2017: $9,893 million). The Group recognised deferred tax assets of $234 million (2018: $199 million, 2017: $267 million) in respect of unused tax losses. Deferred tax assets in the amount of $1,878 million (2018: $2,287 million, 2017: $2,339 million) have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $7,592 million (2018: $8,492 million, 2017: $8,711 million) for which deferred tax assets were not recognised arose in companies registered in Canada, Cyprus, Italy, Kazakhstan, Luxembourg, Russia, Ukraine, the United Kingdom and the USA. Losses in the amount of $7,499 million (2018: $8,399 million, 2017: $8,664 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $93 million will expire within 10 years (2018: $93 million, 2017: $47 million).

Deferred income tax assets and liabilities and their movements for the years ended 31 December were as follows:

Year ended 31 December 2019

US$ million	2019	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Translation difference	Other movements	2018
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	$ 519	(3)	–	(6)	46	13	$ 469
Valuation and amortisation of intangible assets	43	(9)	–	–	2	–	50
Other	146	43	–	–	7	–	96
	708	31	–	(6)	55	13	615
Deferred income tax assets:						–	
Tax losses available for offset	234	29	–	(7)	13	–	199
Accrued liabilities	129	14	(1)	(1)	9	13	95
Impairment of accounts receivable	15	11	–	–	1	–	3
Other	130	(28)	–	1	5	–	152
	508	26	(1)	(7)	28	13	449
Net deferred income tax asset	152	55	(1)	(1)	7	–	92
Net deferred income tax liability	$ 352	60	–	–	34	–	$ 258

Other movements in deferred tax assets and liabilities represent adjustments in connection with the adoption of IFRS 16 "Leases" (Note 2).

Year ended 31 December 2018

US$ million	2018	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Translation difference	Other movements	2017
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	$ 469	(4)	–	–	(73)	–	$ 546
Valuation and amortisation of intangible assets	50	(8)	–	–	(4)	–	62
Other	96	27	–	–	(11)	–	80
	615	15	–		(88)	–	688
Deferred income tax assets:						–	
Tax losses available for offset	199	(42)	–	(1)	(25)	–	267
Accrued liabilities	95	(15)	(6)	–	(10)	–	126
Impairment of accounts receivable	3	(7)	–	–	(2)	–	12
Other	152	31	–	–	(7)	–	128
	449	(33)	(6)	(1)	(44)	–	533
Net deferred income tax asset	92	(65)	(4)	(1)	(11)	–	173
Net deferred income tax liability	$ 258	(17)	2	–	(55)	–	$ 328

8. INCOME TAXES (CONTINUED)

Year ended 31 December 2017

US$ million	2017	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Translation difference	Other movements	2016
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	$ 546	(36)	–	(10)	25	–	$ 567
Valuation and amortisation of intangible assets	62	(21)	–	(1)	3	–	81
Other	80	19	–	(1)	4	–	58
	688	(38)	–	(12)	32	–	706
Deferred income tax assets:							
Tax losses available for offset	267	55	–	(25)	11	–	226
Accrued liabilities	126	8	(15)	(8)	3	–	138
Impairment of accounts receivable	12	1	–	–	1	–	10
Other	128	(13)	–	–	1	–	140
	533	51	(15)	(33)	16	–	514
Net deferred income tax asset	173	47	(10)	(24)	4	–	156
Net deferred income tax liability	$ 328	(42)	5	(3)	20	–	$ 348

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including right-of-use assets, consisted of the following as of 31 December:

US$ million	2019	2018	2017
Cost			
Land	**$ 102**	$ 100	$ 107
Buildings and constructions	**1,899**	1,752	1,894
Machinery and equipment	**4,758**	4,302	4,812
Transport and motor vehicles	**369**	226	255
Mining assets	**2,468**	2,084	2,461
Other assets	**34**	35	37
Assets under construction	**681**	378	549
	10,311	8,877	10,115
Accumulated depreciation, depletion and impairment losses			
Buildings and constructions	**(943)**	(857)	(968)
Machinery and equipment	**(2,904)**	(2,647)	(2,906)
Transport and motor vehicles	**(200)**	(145)	(168)
Mining assets	**(1,308)**	(998)	(1,112)
Other assets	**(25)**	(28)	(28)
	(5,380)	(4,675)	(5,182)
Government grants	**(6)**	–	–
	$ 4,925	$ 4,202	$ 4,933

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The movement in property, plant and equipment, including right-of-use assets, was as follows:

Year ended 31 December 2019

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2018, cost, net of accumulated depreciation	$ 100	$ 895	$ 1,655	$ 81	$ 1,086	$ 7	$ 378	$ 4,202
IFRS 16 adoption: recognition of right-of-use assets (Note 2)	–	12	40	68	–	–	–	120
At 1 January 2019, cost, net of accumulated depreciation	$ 100	$ 907	$ 1,695	$ 149	$ 1,086	$ 7	$ 378	$ 4,322
Additions	1	–	11	4	–	–	828	844
Assets put into operation	–	50	387	46	66	6	(555)	–
Assets acquired in business combinations	4	–	–	–	–	–	–	4
Disposals	(3)	(1)	(6)	–	–	–	(4)	(14)
Depreciation and depletion charge	–	(82)	(331)	(46)	(87)	(4)	–	(550)
Impairment losses recognised in statement of operations	–	(13)	(25)	–	(101)	–	(10)	(149)
Impairment losses reversed through statement of operations	–	1	2	–	1	–	3	7
Transfer to assets held for sale	(4)	(8)	(25)	(2)	–	–	–	(39)
Change in site restoration and decommissioning provision	–	12	3	–	64	–	–	79
Government grants	–	–	–	–	–	–	(6)	(6)
Translation difference	4	90	143	18	131	–	41	427
At 31 December 2019, cost, net of accumulated depreciation	$ 102	$ 956	$ 1,854	$ 169	$ 1,160	$ 9	$ 675	$ 4,925

Year ended 31 December 2018

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2017, cost, net of accumulated depreciation	$ 107	$ 926	$ 1,906	$ 87	$ 1,349	$ 9	$ 549	$ 4,933
Additions	–	–		–	–	–	579	579
Assets put into operation	–	224	350	31	58	2	(665)	–
Disposals	–	(1)	(15)	(1)	(2)	–	–	(19)
Depreciation and depletion charge	–	(80)	(313)	(23)	(82)	(3)	–	(501)
Impairment losses recognised in statement of operations	–	(4)	(10)	–	(15)	–	(8)	(37)
Impairment losses reversed through statement of operations	–	–	1	–	6	–	–	7
Transfer to assets held for sale	–	(20)	(35)	–	–	–	(10)	(65)
Change in site restoration and decommissioning provision	–	(5)	1	–	(1)	–	–	(5)
Translation difference	(7)	(145)	(230)	(13)	(227)	(1)	(67)	(690)
At 31 December 2018, cost, net of accumulated depreciation	$ 100	$ 895	$ 1,655	$ 81	$ 1,086	$ 7	$ 378	$ 4,202

Year ended 31 December 2017

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2016, cost, net of accumulated depreciation	$ 100	$ 883	$ 1,809	$ 79	$ 1,347	$ 10	$ 424	$ 4,652
Assets acquired in business combinations	3	1	3	–	–	–	–	7
Additions	–	–	7	–	–	–	622	629
Assets put into operation	–	74	344	32	50	2	(502)	–
Disposals	(1)	(3)	(11)	(2)	(3)	–	–	(20)
Depreciation and depletion charge	–	(84)	(325)	(25)	(85)	(3)	–	(522)
Impairment losses recognised in statement of operations	(1)	(2)	(13)	–	(21)	–	(11)	(48)
Impairment losses reversed through statement of operations	3	9	25	–	30	–	1	68
Transfer to assets held for sale	–	(6)	(11)	(1)	(76)	–	(10)	(104)
Change in site restoration and decommissioning provision	–	8	–	–	36	–	–	44
Translation difference	3	46	78	4	71	–	25	227
At 31 December 2017, cost, net of accumulated depreciation	$ 107	$ 926	$ 1,906	$ 87	$ 1,349	$ 9	$ 549	$ 4,933

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $77 million, $36 million and $60 million as of 31 December 2019, 2018 and 2017, respectively.

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash-generating units (Note 6).

The amount of borrowing costs capitalised during the year ended 31 December 2019 was $Nil (2018: $1 million, 2017: $6 million).

Right-of-Use Assets

In 2019, the movement in right-of-use assets were as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Total
At 1 January 2019, assets under finance leases, cost, net of accumulated depreciation	$ 3	$ 1	$ 3	$ –	$ 7
Newly recognised right-of-use assets	–	12	40	68	120
Total right-of-use assets at 1 January 2019	$ 3	$ 13	$ 43	$ 68	$ 127
Additions	–	–	11	4	15
Purchase of right-of-use assets	(3)	(1)	–	–	(4)
Depreciation charge	–	(1)	(7)	(22)	(30)
Transfer to assets held for sale	–	–	–	(2)	(2)
Translation difference	–	–	1	8	9
At 31 December 2019, cost, net of accumulated depreciation	$ –	$ 11	$ 48	$ 56	$ 115

The liabilities related to the right-of-use assets are disclosed in Note 25.

Assets in Operating Lease

The Group acts as a lessor in some operating lease contracts. The carrying value of assets in operating lease at 31 December 2019 was $66 million, including $51 million of right-of-use assets in sublease representing railroad cars.

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Total
At 31 December 2019, cost, net of accumulated depreciation	$ 1	$ 5	$ 8	$ 52	$ 66

In 2019, rental income amounted to $32 million, including $25 million of income from subleasing of right-of-use assets.

At 31 December 2019, the undiscounted lease payments to be received under operating leases were as follows:

US$ million	2020	2021	2022	2023	2024	After 5 years from the reporting date	Total
Lease payments under operating leases	$ 25	$ 26	$ 15	$ 3	$ 3	$ 20	$ 92

10. INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets consisted of the following as of 31 December:

US$ million	2019	2018	2017
Cost:			
Customer relationships	**$ 678**	$ 656	$ 693
Water rights and environmental permits	**57**	57	57
Contract terms	**24**	21	26
Other	**67**	64	65
	826	798	841
Accumulated amortisation and impairment:			
Customer relationships	**(567)**	(525)	(513)
Water rights and environmental permits	**(13)**	(13)	(13)
Contract terms	**(15)**	(11)	(11)
Other	**(46)**	(43)	(45)
	(641)	(592)	(582)
	$ 185	$ 206	$ 259

As of 31 December 2019, 2018 and 2017, water rights and environmental permits with a carrying value of $44 million had an indefinite useful life.

The movement in intangible assets was as follows:

Year ended 31 December 2019

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2018, cost, net of accumulated amortisation	**$ 131**	**$ 44**	**$ 10**	**$ 21**	**$ 206**
Additions	**–**	**–**	**–**	**6**	**6**
Amortisation charge	**(26)**	**–**	**(2)**	**(6)**	**(34)**
Translation difference	**6**	**–**	**1**	**–**	**7**
At 31 December 2019, cost, net of accumulated amortisation	**$ 111**	**$ 44**	**$ 9**	**$21**	**$ 185**

Year ended 31 December 2018

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2017, cost, net of accumulated amortisation	$ 180	$ 44	$ 15	$ 20	$ 259
Additions	–	–	–	10	10
Amortisation charge	(36)	–	(2)	(6)	(44)
Translation difference	(13)	–	(3)	(3)	(19)
At 31 December 2018, cost, net of accumulated amortisation	$ 131	$ 44	$ 10	$ 21	$ 206

Year ended 31 December 2017

US$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2016, cost, net of accumulated amortisation	$ 203	$ 57	$ 17	$ 20	$ 297
Additions	–	–	–	5	5
Amortisation charge	(36)	–	(3)	(5)	(44)
Impairment losses recognised in statement of operations	–	(13)	–	–	(13)
Translation difference	13	–	1	–	14
At 31 December 2017, cost, net of accumulated amortisation	$ 180	$ 44	$ 15	$ 20	$ 259

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group accounted for investments in joint ventures and associates under the equity method.

The movement in investments in joint ventures and associates was as follows:

US$ million	Timir	Streamcore	Other associates	Total
Investment at 31 December 2016	$ 19	$ 37	$ 8	$ 64
Additional investments	–	–	1	1
Share of profit/(loss)	1	8	2	11
Dividends paid	–	–	(1)	(1)
Translation difference	1	2	1	4
Investment at 31 December 2017	**$ 21**	**$ 47**	**$ 11**	**$ 79**
Share of profit/(loss)	(1)	9	1	9
Dividends paid	–	–	(1)	(1)
Translation difference	(3)	(9)	(1)	(13)
Investment at 31 December 2018	**$ 17**	**$ 47**	**$ 10**	**$ 74**
Additional investments	–	3	–	3
Share of profit/(loss)	(1)	7	3	9
Dividends paid	–	–	(2)	(2)
Translation difference	1	6	1	8
Investment at 31 December 2019	**$ 17**	**$ 63**	**$ 12**	**$ 92**

Timir Iron Ore Project

In April 2013, the Group acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. Under the joint venture agreement major operating and financial decisions are made by unanimous consent of the Group and Alrosa, and no single venturer is in a position to control the activity unilaterally. Consequently, the Group accounts for its interest in Timir under the equity method.

The Group's consideration for this stake amounted to 4,950 million roubles ($159 million at the exchange rate as of the date of the transaction) payable in instalments to 15 July 2014. The consideration was measured as the present value of the expected cash outflows.

In 2014 and 2015, the parties amended the payment schedule. The latest schedule provided for an execution of payments of 500 million roubles in each of January 2017 and 2018 and 480 million roubles in 2019. From the dates of the amendments the Group incurred interest charges on the unpaid liability.

In 2019, 2018 and 2017, the Group paid 480 million roubles ($8 million), 500 million roubles ($9 million) and 500 million roubles ($8 million), respectively, of purchase consideration and $1 million and $2 million, respectively, of interest charges. Previously, the Group paid the principal of 3,470 million roubles ($96 million) in total. In addition, the Group paid interest charges on the liability.

At 31 December 2018 and 2017, trade and other accounts payable included liabilities relating to this acquisition in the amount of $8 million, and $19 million, respectively. In January 2019, the liability was fully settled.

The table below sets out Timir's assets and liabilities as of 31 December:

US$ million	2019	2018	2017
Mineral reserves and property, plant and equipment	**$ 54**	$ 48	$ 58
Other non-current assets	**7**	6	7
Total assets	**61**	54	65
Non-current liabilities	**–**	–	23
Current liabilities	**27**	21	–
Total liabilities	**27**	21	23
Net assets	**34**	33	42
Net assets attributable to 51% ownership interest	**$ 17**	$ 17	$ 21

In 2019, 2018 and 2017, Timir's statement of operations included only other income and expenses amounting to $(1) million, $(2) million and $2 million, respectively.

At 31 December 2019, 2018 and 2017 Timir owed to the Group $9 million, $7 million and $8 million, respectively, which were included in the receivables from related parties caption in 2018 and 2019 and in other non-current financial assets in 2017. The amounts represent a loan bearing interest of 6.45% per annum (in 2017 the interest rate was 0.5% per annum).

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Streamcore

The Group owns a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia.

The table below sets out Streamcore's assets and liabilities as of 31 December:

US$ million	2019	2018	2017
Property, plant and equipment	$ 25	$ 21	$ 24
Inventories	10	9	60
Accounts receivable	94	151	104
Total assets	129	181	188
Deferred income tax liabilities	1	1	2
Current liabilities	3	86	92
Total liabilities	4	87	94
Net assets	125	$ 94	$ 94
Net assets attributable to 50% ownership interest	$ 63	$ 47	$ 47

The table below sets out Streamcore's income and expenses:

US$ million	2019	2018	2017
Revenue	$ 502	$ 579	$ 458
Cost of revenue	(478)	(553)	(432)
Other expenses, including income taxes	(10)	(8)	(9)
Net profit	14	$ 18	$ 17
Group's share of profit of the joint venture	7	$ 9	$ 8

12. DISPOSAL GROUPS HELD FOR SALE

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2017–2019.

US$ million	2019	2018	2017
Property, plant and equipment	$ 39	$ 65	$ 119
Goodwill	–	–	6
Other non-current assets	26	2	34
Inventories	34	38	27
Accounts receivable	22	46	38
Cash and cash equivalents	47	2	12
Total assets	168	153	236
Employee benefits	7	21	23
Other non-current liabilities	13	–	35
Current liabilities	110	147	38
Total liabilities	130	168	96
Non-controlling interests	–	–	6
Net assets	$38	$ (15)	$ 134

12. DISPOSAL GROUPS HELD FOR SALE (CONTINUED)

The net assets of disposal groups sold in 2017–2019 related to the following reportable segments:

US$ million	2019	2018	2017
Assets classified as held for sale	$ 168	$ 153	$ 236
Steel	155	153	196
Coal	–	–	40
Other operations	13	–	–
Liabilities directly associated with assets classified as held for sale	130	168	96
Steel	124	168	79
Coal		–	17
Other operations	6	–	–
Non-controlling interests	–	–	6
Steel	–	–	6

Cash flows on disposal of subsidiaries and other business units were as follows:

US$ million	2019	2018	2017
Net cash disposed of with subsidiaries	$ (47)	$ (2)	$ (12)
Cash received	99	54	489
Tax and transaction costs paid	(8)	–	(65)
Net cash inflow	44	$ 52	$ 412

The disposal groups sold during 2017–2019 are described below.

Stratcor Inc.

On 11 October 2019, the Group sold its wholly-owned subsidiary EVRAZ Stratcor Inc. to a third party for cash consideration of 1 US dollar. EVRAZ Stratcor Inc. is a vanadium producer located in the USA, it was included in the steel segment of the Group's operations. The Group recognised a $19 million gain on sale of the subsidiary within the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil.

Evraztrans Ukraine

On 15 November 2019, the Group sold its wholly-owned subsidiary Evraztrans Ukraine to a third party for cash consideration of $8 million. Evraztrans Ukraine is a railway forwarder located in Ukraine, it was included in 2 segments of the Group's operations – other operations and steel.

The Group recognised a $(36) million loss on sale of the subsidiary, including $(37) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil. At 31 December 2019, the sale consideration was unsettled.

Yartsevo Rolling Mill

Historically, the Group was one of major creditors of a steel-rolling mill in Yartsevo located in the Smolensk region of Russia. The mill went into the bankruptcy proceedings and in the 1st half of 2019 the Group impaired the non-current financial asset relating to the mill, recognising a $56 million loss, which was recorded in the Impairment of non-current financial assets caption of the consolidated statement of operations. At 30 June 2019, the resulting carrying value of the non-current financial asset was $21 million. In November 2019, the Group acquired property, plant and equipment and inventory of this rolling mill from the auction undertaken in the course of the bankruptcy proceedings for $22 million with the purpose of subsequent sale to a third party. The proceeds from the sale were used by the bankruptcy administrator to partially repay the debts of the mill, the majority of which were the debts to the Group. Upon acquisition the acquired non-current asset was classified as a disposal group held for sale. Shortly after the acquisition the Group sold the mill for cash consideration of $66 million to a third-party acquirer. The gain on sale before tax amounting to $44 million was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Income tax paid on a resale margin amounted to $8 million.

At the moment of the acquisition the Group did not have any arrangement for the sale of the mill to a new purchaser, therefore, the purchase and sale transactions were not treated as linked.

12. DISPOSAL GROUPS HELD FOR SALE (CONTINUED)

Palini e Bertoli

On 2 December 2019, the Group sold its wholly-owned subsidiary EVRAZ Palini e Bertoli to a third party for cash consideration of $36 million. EVRAZ Palini e Bertoli, an Italian rolling mill, was included in the steel segment of the Group's operations.

The Group recognised a $2 million gain on sale of the subsidiary, including $(5) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations and $(1) of transaction costs. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $47 million. At 31 December 2019, $3 million of the sale consideration was unsettled.

Dneprovsk Metallurgical Plant

On 6 March 2018, the Group sold Dneprovsk Metallurgical plant (Ukraine), in which it had a 97.73% ownership interest, to a third party for cash consideration of $35 million. The consideration was payable in 2 instalments: $25 million was received upon signing of the transaction documents and the rest was settled in December 2018. The Group received interest income on deferred consideration in the amount of $1 million.

Prior to disposal the subsidiary was included in the steel segment. The Group recognised a $(10) million loss on sale of the subsidiary, including $(60) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $2 million.

Yuzhkoks

On 19 December 2017, the Group sold a Ukrainian coking plant Yuzhkoks, in which it had a 94.96% ownership interest, to a third party for cash consideration of $63 million, including $16 million of prepayment for the sale of this subsidiary received in 2016.

Prior to disposal the subsidiary was included in the steel segment. The Group recognised a $(91) million loss on sale of the subsidiary, including $(132) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil.

Nakhodka Trade Sea Port

On 15 June 2017, the Group sold its wholly-owned subsidiary EVRAZ Nakhodka Trade Sea Port ("NMTP") to a wholly-owned subsidiary of Lanebrook Limited (the ultimate controlling shareholder of the Group) for cash consideration of $332 million. In connection with the sale transaction the Group entered into an agreement with NMTP pursuant to which the latter will transship cargo of the Group's coal and metals in specified volumes for 5 years on terms specified in the agreement. The Group received a consideration of $8 million in respect of the transshipment agreement, which was recognised as deferred income with a 5-year period of amortisation.

Prior to disposal the subsidiary was included in the coal segment. The Group recognised a $284 million gain on sale of the subsidiary, including $(5) million of transaction costs and $(20) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil. In addition, the Group paid income tax on the sale transaction in the amount of $60 million.

Sukha Balka

On 1 June 2017, the Group sold a Ukrainian iron ore mine Sukha Balka, in which it had a 99.42% ownership interest, to a third party for cash consideration of $109 million. In 2017, the Group received $94 million. At 31 December 2017, the unpaid amount was $15 million plus $3 million of interest accrued relating to the sale of Sukha Balka. This amount was fully received in the first half of 2018. Prior to disposal the subsidiary was included in the steel segment.

The Group recognised a $(555) million loss on sale of the subsidiary, including $(586) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $Nil.

Strategic Minerals Corporation

Following the sale agreement signed in 2016, on 6 April 2017, the Group sold Strategic Minerals Corporation (USA), in which it had a 78.76% ownership interest, to a third party for cash consideration of $16 million. Strategic Minerals Corporation owns a 75% share in the Vametco vanadium mine and plant located in the Republic of South Africa. Prior to disposal both subsidiaries were included in the steel segment.

The Group recognised a $2 million gain on sale of the subsidiary, including $(3) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to $12 million.

13. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the following as of 31 December:

Non-current Financial Assets

US$ million	2019	2018	2017
Derivatives not designated as hedging instruments (Note 25)	$ 17	$ –	$ –
Hedging instruments (Note 25)	–	–	4
Financial assets measured at fair value through other comprehensive income	–	–	33
Trade and other receivables	16	17	23
Loans receivable	1	1	20
Receivables from related parties	–	1	8
Restricted deposits	6	6	6
Other	–	66	57
	$ 40	$ 91	$ 151

Other Non-current Assets

US$ million	2019	2018	2017
Safety stock inventories	$ 29	$ 24	$ 28
Defined benefit asset (Note 23)	12	3	–
Income tax receivable	6	8	2
Other	8	9	9
	$ 55	$ 44	$ 39

Other Non-current Financial Assets

In 2018 and 2017, the Group's other non-current financial assets mainly related to a steel-rolling mill located in the Smolensk region of Russia. In 2019, these assets were partially impaired and the remaining balance was settled by cash (Note 12).

Financial Assets Measured at Fair Value Through Other Comprehensive Income

At 31 December 2017, the Group held approximately 15% in Delong Holdings Limited ("Delong"), a flat steel producer headquartered in Beijing (China). At that date the investments in Delong were classified as available-for-sale and measured at fair value based on market quotations of the Singapore Exchange. At 31 December 2017, the carrying value of these investments amounted to $33 million, including a $30 million increase in the fair value recognised in other comprehensive income in 2017.

At 1 January 2018, the Group irrevocably designated these investments as measured at fair value through other comprehensive income. For such financial instruments all subsequent changes in fair value are reported in other comprehensive income, no impairment losses are recognised in profit or loss and no gains or losses are recycled to profit or loss upon derecognition.

In June 2018, the Group sold its ownership interest in Delong to the major shareholder of the entity for cash consideration of $92 million.

Market value of the equity instruments at the date of sale was $71 million. Total gain, comprising the change in market value until the sale and the excess of the sale price over the market value of the investments at the sale date, amounting to $59 million was recognised in other comprehensive income. Upon sale the Group transferred the realised gains accumulated in other comprehensive income ($89 million) to accumulated profits.

14. INVENTORIES

Inventories consisted of the following as of 31 December:

US$ million	2019	2018	2017
Raw materials and spare parts	$ 811	$ 737	$ 548
Work-in-progress	185	292	245
Finished goods	484	445	405
	$ 1,480	$ 1,474	$ 1,198

As of 31 December 2019, 2018 and 2017, the net realisable value allowance was $39 million, $34 million and $40 million, respectively.

As of 31 December 2019, 2018 and 2017, certain items of inventory with an approximate carrying amount of $512 million, $629 million and $438 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 22).

15. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following as of 31 December:

US$ million	2019	2018	2017
Trade accounts receivable	$ 481	$ 806	$ 722
Other receivables	99	71	63
	580	877	785
Allowance for expected credit losses	(46)	(42)	(54)
	$ 534	$ 835	$ 731

Ageing analysis and movement in allowance for expected credit losses are provided in Note 28.

16. RELATED PARTY DISCLOSURES

Related parties of the Group include associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Group's ultimate parent or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Amounts owed by/to related parties at 31 December were as follows:

	Amounts due from related parties			Amounts due to related parties		
US$ million	2019	2018	2017	2019	2018	2017
Loans						
Timir (Note 11)	$ 9	$ 7	$ –	$ –	$ –	$ –
Dividends receivable						
Yuzhny GOK	–	4	6	–	–	–
Sale of investments						
Streamcore (Note 11)	–	–	–	5	–	–
Trade balances						
Nakhodka Trade Sea Port	–	–	–	7	10	6
Vtorresource-Pererabotka	1	–	2	5	95	52
Yuzhny GOK	–	–	4	1	15	195
Other entities	–	–	–	1	2	3
	10	11	12	19	122	256
Less: allowance for expected credit losses	–	–	–	–	–	–
	$ 10	$ 11	$ 12	$ 19	$ 122	$ 256

At 31 December 2017, the loan receivable from Timir (Note 11) amounting to $8 million, was classified as a non-current financial asset (Note 13).

In 2017–2019, the Group did not recognise any expense or income in relation to the doubtful debts allowance/expected credit losses of related parties.

16. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with related parties were as follows for the years ended 31 December:

	Sales to related parties			Purchases from related parties		
US$ million	2019	2018	2017	2019	2018	2017
Genalta Recycling Inc.	$ –	$ –	$ –	$ 10	$ 15	$ 14
Nakhodka Trade Sea Port	–	–	–	72	73	36
Vtorresource-Pererabotka	6	6	8	498	569	452
Yuzhny GOK	28	32	37	77	104	107
Other entities	5	1	–	1	4	12
	$ 39	$ 39	$ 45	$ 658	$ 765	$ 621

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 11, 12, 13 and 25.

Genalta Recycling Inc. is a joint venture of a Canadian subsidiary of the Group. It sells scrap metal to the Group.

Lanebrook Limited ("Lanebrook") was a controlling shareholder of the Company. After the transfer of ownership interests in EVRAZ plc to the shareholders of Lanebrook (Note 1), it represents an entity under common control by the shareholder. At 31 December 2018 and 2017, the Group had other receivables from Lanebrook, amounting to $32 million, in connection with the acquisition of a 1% ownership interest in Yuzhny GOK in 2008 (Note 18). In 2019, these receivables were settled by cash.

Nakhodka Trade Sea Port ("NTSP") was the Group's subsidiary sold in 2017 (Note 12) and is an entity under common control with the Group. NTSP renders handling services to the Group.

Streamcore is an associate of the Group. In 2019, the Group received from Streamcore an advance payment for the sale of another associate of the Group, RVK Limited, to Streamcore for $5 million. At the end of the reporting year this transaction has not been completed.

Vtorresource-Pererabotka is a subsidiary of Streamcore, the Group's joint venture, acquired in 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2019, 2018 and 2017, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $424 million (1,640,750 tonnes), $494 million (1,821,380 tonnes) and $422 million (1,601,320 tonnes), respectively. At 31 December 2019, $156 million payable by the Group for purchases of scrap from Vtorresource-Pererabotka were classified as trade payables to third parties as Vtorresource-Pererabotka sold its receivables under factoring contracts to several banks with no recourse (Note 26).

Yuzhny GOK, an ore mining and processing plant, is an associate of an entity, which is under common control with EVRAZ plc. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2019, 2018 and 2017, the volume of purchases was 755,085 tonnes, 1,344,277 tonnes and 1,639,306 tonnes, respectively. In 2019, 2018 and 2017, the Group recognised dividend income from Yuzhny GOK in the amount of $3 million, $4 million and $6 million, respectively, within the other non-operating gains/(losses) caption in the consolidated statement of operations. The dividends declared in 2018 and 2017 were received by the Group in the years following the years of declaration.

The transactions with related parties were based on prevailing market terms.

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:

- directors of the Company,
- vice presidents,
- senior management of major subsidiaries.

In 2019, 2018 and 2017, key management personnel totalled 30, 32 and 30 people, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	2019	2018	2017
Salary	$ 14	$ 14	$ 15
Performance bonuses	12	13	14
Social security taxes	4	4	3
Share-based payments (Note 21)	7	8	9
Termination benefits	1	–	1
	$ 38	$ 39	$ 42

Other disclosures on directors' remuneration required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) regulations 2008 are included in the Directors' Remuneration Report.

17. OTHER TAXES RECOVERABLE

Taxes recoverable consisted of the following as of 31 December:

US$ million	2019	2018	2017
Input VAT	$ 73	$ 78	$ 140
Other taxes	102	123	85
	$ 175	$ 201	$ 225

Input VAT, representing amounts payable or paid to suppliers, is recoverable from the tax authorities via offset against VAT payable to the tax authorities on the Group's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable within one year.

18. OTHER CURRENT FINANCIAL ASSETS

Other current assets included the following as of 31 December:

US$ million	2019	2018	2017
Other receivables from Lanebrook (Note 16)	$ –	$ 32	$ 32
Restricted deposits at banks	4	3	15
	$ 4	$ 35	$ 47

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, mainly consisting of cash at banks, were denominated in the following currencies as of 31 December:

US$ million	2019	2018	2017
US dollar	$ 774	$ 273	$ 1,253
Euro	484	540	31
Russian rouble	134	215	163
Other	31	39	19
	$ 1,423	$ 1,067	$ 1,466

20. EQUITY

Share Capital

Number of shares	31 December 2019	2018	2017
Ordinary shares, issued and fully paid	**1,506,527,294**	1,506,527,294	1,506,527,294

On 10 July 2018, EVRAZ plc reduced the nominal value of its shares from $1 to $0.05 each. The amount of the cancelled share capital ($1,432 million) became distributable reserves.

Treasury Shares

Number of shares	31 December 2019	2018	2017
Treasury shares	**54,620,233**	63,177,187	74,474,663

In 2015, EVRAZ plc repurchased 108,458,508 of its own shares ($336 million).

In 2019, 2018 and 2017, 8,556,954 shares, 11,297,476 shares and 12,541,215 shares, respectively, were transferred to the participants of Incentive Plans (Note 21). The cost of treasury shares transferred to the participants of Incentive Plans, amounted to $27 million, $35 million and $39 million in 2019, 2018 and 2017, respectively.

Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2019	2018	2017
Weighted average number of ordinary shares outstanding during the period	**1,448,789,048**	1,439,326,349	1,427,585,897
Effect of dilution: share options	**11,996,310**	19,462,750	26,974,433
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,460,785,358**	1,458,789,099	1,454,560,330
Profit for the year attributable to equity holders of the parent, US$ million	**$ 326**	$ 2,406	$ 699
Basic earnings per share	**$ 0.23**	$ 1.67	$ 0.49
Diluted earnings per share	**$ 0.22**	$ 1.65	$ 0.48

Dividends

Dividends declared by EVRAZ plc during 2017–2019 were as follows:

Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
09/08/2017	18/08/2017	430	0.30
28/02/2018	09/03/2018	429.6	0.30
24/05/2018	08/06/2018	187.6	0.13
08/08/2018	17/08/2018	577.3	0.40
15/11/2018	23/11/2018	361	0.25
27/02/2019	08/03/2019	577.3	0.40
07/08/2019	16/08/2019	508.2	0.35

21. SHARE-BASED PAYMENTS

In 2017-2019, the Group had several Incentive Plans under which certain senior executives and employees ("participants") could be awarded shares of the parent company upon vesting. These plans were adopted on 24 September 2013, 8 August 2014, 26 October 2015, 15 September 2016, 25 September 2017, 26 September 2018 and 25 September 2019.

The vesting under Incentive Plans adopted before 2017 does not depend on the achievement of any performance conditions. The new Plans adopted in 2017, 2018 and 2019 provide that the number of shares transferred to participants upon vesting is dependent on the Group's performance versus the selected group of peers. EBITDA and total shareholder return ("TSR") are used as the key performance indicators. If the Group's EBITDA achieves a specific ranking in the peer group (not lower than the 7th place in terms of EBITDA dynamics), then 50% of the shares of a particular tranche become vested, otherwise they are forfeited. If the Group's TSR achieves a specific ranking in the peer group, then the other 50% of the shares of a particular tranche become vested, otherwise they are forfeited. Subject to the resolution of the Remuneration Committee, EBITDA can become the only metric in the performance evaluation (in case if the net debt to EBITDA ratio is equal to 3 or higher). The TSR-related vesting condition of the Incentive Plans 2017, 2018 and 2019 was considered by the Group as a market condition. As such, it was included in the estimation of the fair value of the granted shares and will not be subsequently revised. Vesting condition related to EBITDA was not taken into account when estimating the fair value of the share options at the grant date. Instead, this will be taken into account by adjusting the share-based expense based on the number of share options that eventually vest.

The vesting date for each tranche occurs within the 90-day period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2019 are presented below:

Number of Shares of EVRAZ plc	Total	Incentive Plan 2019	Incentive Plan 2018	Incentive Plan 2017	Incentive Plan 2016
March 2020	5,223,903	515,761	560,534	1,803,121	2,344,487
March 2021	3,159,678	515,761	840,809	1,803,108	–
March 2022	1,614,553	773,641	840,912	–	–
March 2023	773,640	773,640	–	–	–
	10,771,774	2,578,803	2,242,255	3,606,229	2,344,487

The plans are administered by the Board of Directors of EVRAZ plc. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination, unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not awarded up to the date of termination.

There have been no modifications or cancellations to the plans during 2017–2019.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of share-based awards granted in 2019, 2018 and 2017 was $4.25, $5.27 and $2.54 per share of EVRAZ plc, respectively. The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of the parent company reduced by the present value of dividends expected to be paid during the vesting period. The following inputs, including assumptions, were used in the valuation of Incentive plans, which were effective during 2017-2019:

	Incentive Plan 2019	Incentive Plan 2018	Incentive Plan 2017	Incentive Plan 2016	Incentive Plan 2015	Incentive Plan 2014	Incentive Plan 2013
Dividend yield (%)	2.3 – 3.0	1.8 – 2.3	2.1 – 2.9	n/a	7.3 – 9.1	3.6 – 4.8	4.0 – 8.8
Expected life (years)	0.5 – 3.5	0.5 – 3.5	0.5 – 3.5	0.5 – 3.5	0.6 – 3.6	0.6 – 3.6	0.6 – 3.6
Market prices of the shares of EVRAZ plc at the grant dates	$5.75	$7.36	$3.86	$1.73	$1.36	$1.68	$2.13

The following table illustrates the number of, and movements in, share-based awards during the years.

Number of shares	2019	2018	2017
Outstanding at 1 January	**17,755,977**	27,912,610	34,581,349
Granted during the year	**2,578,803**	3,143,865	7,361,166
Forfeited during the year	**(1,006,052)**	(2,003,022)	(1,488,690)
Vested and exercised during the year	**(8,556,954)**	(11,297,476)	(12,541,215)
Outstanding at 31 December	**10,771,774**	17,755,977	27,912,610

The weighted average share price at the dates of exercise was $7.21, $6.82 and $2.62 in 2019, 2018 and 2017, respectively. The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2019, 2018 and 2017 was 1.1, 1 and 1.2 years, respectively.

In the years ended 31 December 2019, 2018 and 2017, the expense arising from the equity-settled share-based compensations was as follows:

US$ million	2019	2018	2017
Expense arising from equity-settled share-based payment transactions	**$ 13**	$ 15	$ 17

22. LOANS AND BORROWINGS

Short-term and long-term loans and borrowings were as follows as of 31 December:

US$ million	2019	Non-current	Current	2018	Non-current	Current	2017	Non-current	Current
Bank loans	$ 1,404	$ 1,352	$ 52	$ 1,370	$ 1,290	$ 80	$ 2,113	$ 2,051	$ 62
US dollar-denominated									
6.50% notes due 2020	–	–	–	700	700	–	700	700	–
8.25% notes due 2021	750	750	–	750	750	–	750	750	–
6.75% notes due 2022	500	500	–	500	500	–	500	500	–
5.375% notes due 2023	750	750	–	750	750	–	750	750	–
5.25% notes due 2024	700	700	–	–	–	–	–	–	–
Rouble-denominated									
12.95% rouble bonds due 2019	–	–	–	216	–	216	260	260	–
12.60% rouble bonds due 2021	242	242	–	216	216	–	260	260	–
7.95% rouble bonds due 2024	323	323	–	–	–	–	–	–	–
Unamortised debt issue costs	(18)	(18)	–	(20)	(20)	–	(28)	(28)	–
Interest payable	88	–	88	81	–	81	86	–	86
	$ 4,739	$ 4,599	$ 140	$ 4,563	$ 4,186	$ 377	$ 5,391	$ 5,243	$ 148

The average effective annual interest rates were as follows at 31 December:

	Long-term borrowings			Short-term borrowings		
	2019	2018	2017	2019	2018	2017
US dollar	5.74%	6.13%	6.00%	3.31%	–	1.85%
Russian rouble	9.94%	12.84%	12.78%	7.83%	–	–
Euro	2.39%	3.47%	3.77%	0.70%	0.74%	–
Canadian dollar	4.08%	3.87%	3.29%	–	–	–

The liabilities are denominated in the following currencies at 31 December:

US$ million	2019	2018	2017
US dollar	$ 4,027	$ 3,758	$ 4,604
Russian rouble	586	440	530
Canadian dollar	120	144	43
Euro	24	238	242
Other	–	3	–
Unamortised debt issue costs	(18)	(20)	(28)
	$ 4,739	$ 4,563	$ 5,391

The movement in loans and borrowings were as follows:

US$ million	2019	2018	2017
1 January	$ 4,563	$ 5,391	$ 5,894
Cash changes:			
Cash proceeds from bank loans and notes, net of debt issues costs	2,805	1,412	2,441
Repayment of bank loans and notes, including interest	(3,035)	(2,459)	(3,344)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	22	–	(139)
Non-cash changes:			
Change in the balance of debt issues costs paid in subsequent reporting period	–	–	(1)
Non-cash proceeds (Note 29)	–	6	8
Interest and other charges expensed (Note 7)	291	322	394
Interest capitalised (Note 9)	–	1	6
Accrual of premiums and other charges on early repayment of borrowings (Note 7)	27	1	78
Transfer to disposal groups held for sale	–	–	(6)
Effect of exchange rate changes	66	(111)	60
31 December	$ 4,739	$ 4,563	$ 5,391

22. LOANS AND BORROWINGS (CONTINUED)

Pledged Assets

The Group's pledged assets at carrying value included the following at 31 December:

US$ million	2019	2018	2017
Property, plant and equipment	**$ 72**	$ 67	$ 66
Inventory	**512**	629	438

Issuer Substitution

On 13 March 2019, all outstanding US dollar-denominated notes with the total nominal value of $2,700 million were transferred from Evraz Group S.A. to EVRAZ plc.

Issue of Notes and Bonds

In April 2019, EVRAZ plc issued 5.25% US dollar-denominated notes due 2024 in the amount of $700 million. The proceeds from the issue of the notes were used to finance the purchase of 6.50% notes due 2020 at the tender offer in April 2019 and make whole call in May 2019.

In August 2019, EvrazHolding Finance, the Group's subsidiary, issued 7.95% rouble-denominated bonds due 2024 in the amount of 20,000 million roubles ($317 million at the exchange rate at the date of the transaction).

In March 2017, the Group issued 5.375% notes due 2023 in the amount of $750 million. The proceeds from the issue of the notes were used to finance the purchase of 9.50% notes due 2018, 6.75% notes due 2018 and 6.50% bonds due 2020 at the tender offers settled in March 2017 and to refinance other current indebtedness of the Group.

Repurchase of Notes and Bonds

In April and May 2019, the Group fully settled its 6.50% notes due 2020 ($700 million). The premium over the carrying value on the repurchase and other costs relating to the transaction in the total amount of $26 million were charged to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In June 2019, the Group fully settled its 12.95% rouble bonds due 2019, there was no gain or loss on this transaction. Upon repayment of these bonds, the related swap contracts matured and the Group recycled $33 million of the accumulated unrecognised gains on cash flow hedges from other comprehensive income to the statement of operations.

In 2017, the Group partially repurchased 9.50% notes due 2018 ($125 million), 6.75% notes due 2018 ($528 million) and 6.50% bonds due 2020 ($300 million). The premium over the carrying value on the repurchase and other costs relating to the transaction in the total amount of $8 million, $23 million and $23 million, respectively, were charged to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In 2017, the Group also fully settled $350 million under 7.5% senior secured notes due 2019. Loss on this transaction amounted to $17 million, including $13 million of premium.

In addition, the Group fully settled its 7.75% bonds due 2017 issued by Raspadskaya ($26 million), there was no gain or loss on this transaction.

Compliance with Financial Covenants

Some of the loan agreements and terms and conditions of notes provide for certain covenants in respect of EVRAZ plc and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability. EBITDA used for covenants compliance calculations is determined based on the definitions of the respective loan agreements and may differ from that used by management for evaluation of performance.

Several bank credit facilities totalling $1,191 million contain certain financial maintenance covenants. These covenants require EVRAZ plc to maintain two key ratios, consolidated net indebtedness to 12-month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits. A breach of one or both of these ratios or excess of the indebtedness limit would constitute an event of default under the facility which in turn may trigger cross default events under other debt instruments of the Group. The terms of certain facilities also set certain limitations on acquisitions and disposals by EVRAZ plc.

Notes due 2021, 2022, 2023 and 2024, totalling $2,700 million issued by the Group have covenants restricting the incurrence of indebtedness by the issuer and its consolidated subsidiaries conditional on a gross leverage ratio. While the ratio level itself does not constitute a breach of covenants, exceeding the threshold of 3.5 times triggers a restriction on incurrence of consolidated indebtedness, which is removed once the ratio goes back below the threshold. The effect of the restriction is such that EVRAZ plc and its subsidiaries are not allowed to increase the consolidated indebtedness, but are allowed to refinance existing indebtedness subject to certain conditions. As of 31 December 2019, the Group's gross leverage ratio was below 3.5.

22. LOANS AND BORROWINGS (CONTINUED)

Compliance with Financial Covenants (continued)

Several bank credit facilities totalling $171 million provide for certain covenants restricting the incurrence of indebtedness by EVRAZ North America plc and its subsidiaries conditional on a fixed charge ratio. Once the threshold for the ratio is exceeded, it triggers restrictions on incurrence of additional indebtedness by EVRAZ North America plc and its subsidiaries.

The incurrence covenants are in line with the Group's financial strategy and, therefore, do not constitute any excessive restriction on its operations.

During 2019 the Group was in compliance with all financial and non-financial covenants.

Unamortised Debt Issue Costs

Unamortised debt issue costs represent agent commission and transaction costs paid by the Group in relation to the arrangement and reset of loans and notes.

Unutilised Borrowing Facilities

The Group had the following unutilised borrowing facilities as of 31 December:

US$ million	2019	2018	2017
Committed	447	$ 377	$ 131
Uncommitted	1,165	1,434	1,251
Total unutilised borrowing facilities	$ 1,612	$ 1,811	$ 1,382

23. EMPLOYEE BENEFITS

Russian Plans

Certain Russian subsidiaries of the Group provide regular lifetime pension payments and lump-sum amounts payable at retirement date. These benefits generally depend on years of service, level of remuneration and amount of pension payment under the collective bargaining agreements. Other post-employment benefits consist of various compensations and certain non-cash benefits. The Group funds the benefits when the amounts of benefits fall due for payment.

In addition, some subsidiaries have defined benefit plans under which contributions are made to a separately administered non-state pension fund. The Group matches 100% of the employees' contributions to the fund up to 4% of their monthly salary. The Group's contributions become payable at the participants' retirement dates. At the end of the reporting year the benefit obligation was valued based on the terms of the pension plan assuming that all defined benefit plan participants will continue to participate in the plan.

Defined contribution plans represent payments made by the Group to the Russian state pension, social insurance and medical insurance funds at the statutory rates in force, based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits.

In October 2018, the Russian pension law was amended introducing a higher retirement age from 1 January 2019. During 2019 – 2023 the retirement age will be gradually increased for women from 55 to 60 and for men from 60 to 65. The Group accounted for these amendments, when measuring the post-employment benefit obligations as of 31 December 2018 and recorded the resulting decrease in the obligations in the amount of $2 million as a part of past service costs.

Ukrainian Plans

The Ukrainian companies make regular contributions to the State Pension Fund thereby compensating 100% of preferential pensions paid by the fund to employees who worked under harmful and hard conditions. The amount of such pension depends on years of service and salary. In addition, employees receive lump-sum payments on retirement and other benefits under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

The Ukrainian pension legislation provides for annual indexation of pensions, at least up to the level of CPI. Starting from 2018 the minimum annual indexation of pensions, which takes into account 50% of CPI and 50% of salary growth, becomes obligatory.The indexation of pensions at a level higher than minimally required depends on the availability of financial resources in the State pension fund.

The Group's Ukrainian subsidiaries were obliged to pay indexed preferential pensions. The Group determined the amount of defined benefit obligations based on the assumption that pensions will be indexed at a minimum required level.

23. EMPLOYEE BENEFITS (CONTINUED)

US and Canadian Plans

The Group's subsidiaries in the USA and Canada have defined benefit pension plans that cover specified eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. The subsidiaries also have U.S. and Canadian supplemental retirement plans ("SERP's"), which are non-qualified plans designed to maintain benefits for eligible employees at the plan formula level. The subsidiaries provide other unfunded post-retirement medical and life insurance plans ("OPEB's") for certain of their eligible employees upon retirement after completion of a specified number of years of service. For the pension plans, SERP's and OPEB's, the subsidiaries use a measurement date for plan assets and obligations of 31 December.

Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit pension plans. Those employees are instead enrolled in defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 3–7% of annual wages, including applicable bonuses. The defined contribution plans are funded throughout the year and, depending on their work location, participants' benefits vesting dates range from immediate to after three years of service. In addition, the subsidiaries have defined contribution plans available for eligible U.S. and Canadian-based employees in which the subsidiaries generally match a percentage of the participants' contributions.

Some Canadian employees participate in a retirement savings plan. For these employees, the participation may be voluntary, employee contributions are matched by the employer at 1-3% of annual wages, including applicable bonuses, and depending on the group of employees, are funded either annually or throughout the year.

Other Plans

Defined benefit pension plans and defined contribution plans are maintained by the subsidiaries located in Europe.

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

US$ million	2019	2018	2017
Expense under defined contribution plans	**$ 272**	$ 245	$ 246

Defined Benefit Plans

The Russian, Ukrainian and other defined benefit plans were mostly unfunded and the US and Canadian plans were partially funded.

Except as disclosed above, in 2019 there were no significant plan amendments, curtailments or settlements.

The Group's defined benefit plans are exposed to the risks of unexpected growth in benefit payments as a result of increases in life expectancy, inflation, and salaries. As the plan assets include significant investments in quoted and unquoted equity shares, corporate and government bonds and notes, the Group is also exposed to equity market risk.

23. EMPLOYEE BENEFITS (CONTINUED)

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2019, 2018 and 2017 and amounts recognised in the consolidated statement of financial position as of 31 December 2019, 2018 and 2017 for the defined benefit plans were as follows:

Net benefit expense (recognised in the statement of operations within cost of sales and selling, general and administrative expenses and interest expense)

Year ended 31 December 2019

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (2)	$–	$ (17)	$(1)	$ (20)
Net interest expense	(8)	–	(5)	–	(13)
Net actuarial gains/(losses) on other long-term employee benefits obligation	(4)	–	–	–	(4)
Past service cost	(1)	–	–	–	(1)
Other	–	–	(3)	–	(3)
Net benefit expense	$ (15)	$–	$ (25)	$ (1)	$ (41)

Year ended 31 December 2018

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (2)	$–	$ (19)	$–	$ (21)
Net interest expense	(8)	–	(5)	–	(13)
Net actuarial gains/(losses) on other long-term employee benefits obligation	(1)	–	–	–	(1)
Past service cost	–	–	(1)	–	(1)
Curtailment/settlement gain	1	–	–	–	1
Other	–	–	(3)	–	(3)
Net benefit expense	$ (10)	$–	$ (28)	$–	$ (38)

Year ended 31 December 2017

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (2)	$ (1)	$ (18)	$–	$ (21)
Net interest expense	(9)	(4)	(6)	–	(19)
Net actuarial gains/(losses) on other long-term employee benefits obligation	2	–	–	–	2
Past service cost	(3)	3	(3)	–	(3)
Curtailment/settlement gain	–	–	2	–	2
Other	–	–	(3)	–	(3)
Net benefit expense	$ (12)	$ (2)	$ (28)	$–	$ (42)

23. EMPLOYEE BENEFITS (CONTINUED)

Gains/(losses) recognised in other comprehensive income

Year ended 31 December 2019

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ 84	$ –	$ 84
Net actuarial gains/(losses) on post-employment benefit obligation	(15)	–	(81)	(3)	(99)
	$ (15)	$ –	$ 3	$ (3)	$ (15)

Year ended 31 December 2018

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$–	$–	$ (30)	$–	$ (30)
Net actuarial gains/(losses) on post-employment benefit obligation	2	–	56	–	58
	$ 2	$–	$ 26	$–	$ 28

Year ended 31 December 2017

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ 48	$ –	$ 48
Net actuarial gains/(losses) on post-employment benefit obligation	6	(4)	(23)	–	(21)
	$ 6	$ (4)	$ 25	$ –	$ 27

In addition to the amounts presented in the table above, actuarial gains/(losses) recognised in other comprehensive income include $(1) million relating to a subsidiary classified as a disposal group held for sale.

Actual return on plan assets was as follows:

US$ million	2019	2018	2017
Actual return on plan assets	$107	$ (10)	$ 66
including:			
US & Canadian plans	107	(10)	66
Russian plans	–	–	–

Net defined benefit liability

Year ended 31 December 2019

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 123	$ –	$ 785	$ 11	$ 919
Plan assets	–	–	(653)	(7)	(660)
Net defined benefit asset	–	–	12	–	12
Net defined benefit liability	$ 123	$ –	$ 144	$ 4	$ 271

23. EMPLOYEE BENEFITS (CONTINUED)

Net defined benefit liability (continued)

Year ended 31 December 2018

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 91	$ –	$ 687	$ –	$ 778
Plan assets	–	–	(555)	–	(555)
Net defined benefit asset	–	–	3	–	3
Net defined benefit liability	$ 91	$ –	$ 135	$ –	$ 226

Year ended 31 December 2017

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 111	$ 19	$ 765	$ –	$ 895
Plan assets	–	–	(611)	–	(611)
Net defined benefit liability	$ 111	$ 19	$ 154	$ –	$ 284

Movements in net defined benefit liability/(asset)

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2016	**$ 108**	**$ 31**	**$ 176**	**$ 2**	**$ 317**
Net benefit expense recognised in the statement of operations	12	2	28	–	42
Contributions by employer	(8)	(2)	(27)	–	(37)
(Gains)/losses recognised in other comprehensive income	(6)	4	(25)	–	(27)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(16)	–	(2)	(18)
Translation difference	5	–	2	–	7
At 31 December 2017	**$ 111**	**$ 19**	**$ 154**	**$ –**	**$ 284**
Net benefit expense recognised in the statement of operations	10	–	28	–	38
Contributions by employer	(8)	–	(24)	–	(32)
(Gains)/losses recognised in other comprehensive income	(2)	–	(26)	–	(28)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(20)	–	–	(20)
Translation difference	(20)	1	–	–	(19)
At 31 December 2018	**$ 91**	**$ –**	**$ 132**	**$ –**	**$ 223**
Net benefit expense recognised in the statement of operations	15	–	25	1	41
Contributions by employer	(10)	–	(15)	–	(25)
(Gains)/losses recognised in other comprehensive income	15	–	(3)	3	15
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	(7)	–	(7)
Translation difference	12	–	–	–	12
At 31 December 2019	**$ 123**	**$ –**	**$ 132**	**$ 4**	**$ 259**

23. EMPLOYEE BENEFITS (CONTINUED)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2016	**$ 108**	**$ 31**	**$ 711**	**$ 2**	**$ 852**
Interest cost on benefit obligation	9	4	24	–	37
Current service cost	2	1	18	–	21
Past service cost	3	(3)	3	–	3
Benefits paid	(8)	(2)	(37)	–	(47)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	–	(19)	–	(19)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(11)	4	48	–	41
Actuarial (gains)/losses on benefit obligation related to experience adjustments	3	–	(6)	–	(3)
Curtailment/settlement gain	–	–	(2)	–	(2)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(16)	–	(2)	(18)
Translation difference	5	–	25	–	30
At 31 December 2017	**$ 111**	**$ 19**	**$ 765**	**$ –**	**$ 895**
Interest cost on benefit obligation	8	–	25	–	33
Current service cost	2	–	19	–	21
Past service cost	–	–	1	–	1
Benefits paid	(8)	–	(36)	–	(44)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	–	(7)	–	(7)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(6)	–	(49)	–	(55)
Actuarial (gains)/losses on benefit obligation related to experience adjustments	5	–	–	–	5
Curtailment/settlement gain	(1)	–	–	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(20)	–	–	(20)
Translation difference	(20)	1	(31)	–	(50)
At 31 December 2018	**$ 91**	**$ –**	**$ 687**	**$ –**	**$ 778**
Interest cost on benefit obligation	8	–	26	–	34
Current service cost	2	–	17	1	20
Past service cost	1	–	–	–	1
Benefits paid	(10)	–	(36)	(1)	(47)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	3	–	(2)	–	1
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	15	–	83	3	101
Actuarial (gains)/losses on benefit obligation related to experience adjustments	1	–	–	–	1
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	(8)	–	(8)
Other	–	–	–	8	8
Translation difference	12	–	18	–	30
At 31 December 2019	**$ 123**	**$ –**	**$ 785**	**$ 11**	**$ 919**

The weighted average duration of the defined benefit obligation was as follows:

Years	2019	2018	2017
Russian plans	**10.85**	9.82	10.11
Ukrainian plans	**–**	8.00	8.00
US & Canadian plans	**14.34**	13.48	13.09
Other plans	**20.3**	7.46	7.46

23. EMPLOYEE BENEFITS (CONTINUED)

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2016	$ –	$ –	$ 535	$ –	$ 535
Interest income on plan assets	–	–	18	–	18
Return on plan assets (excluding amounts included in net interest expense)	–	–	48	–	48
Contributions of employer	8	2	27	–	37
Benefits paid	(8)	(2)	(37)	–	(47)
Other	–	–	(3)	–	(3)
Translation difference	–	–	23	–	23
At 31 December 2017	$ –	$ –	$ 611	$ –	$ 611
Interest income on plan assets	–	–	20	–	20
Return on plan assets (excluding amounts included in net interest expense)	–	–	(30)	–	(30)
Contributions of employer	8	–	24	–	32
Benefits paid	(8)	–	(36)	–	(44)
Other	–	–	(3)	–	(3)
Translation difference	–	–	(31)	–	(31)
At 31 December 2018	$ –	$ –	$ 555	$ –	$ 555
Interest income on plan assets	–	–	21	–	21
Return on plan assets (excluding amounts included in net interest expense)	–	–	84	–	84
Contributions of employer	10	–	15	–	25
Benefits paid	(10)	–	(36)	(1)	(47)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	(1)	–	(1)
Other	–	–	(3)	8	5
Translation difference	–	–	18	–	18
At 31 December 2019	$-	$ –	$ 653	$ 7	$ 660

The amount of contributions expected to be paid to the defined benefit plans during 2020 approximates $42 million.

The major categories of plan assets as a percentage of total plan assets were as follows at 31 December:

	2019		2018		2017	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:						
Equity funds and investment trusts	48%	34%	51%	35%	47%	39%
Corporate bonds and notes	14%	–	12%	–	12%	–
Cash	3%	–	2%	–	2%	–
Other	–	1%	–	–	–	–
	65%	35%	65%	35%	61%	39%

23. EMPLOYEE BENEFITS (CONTINUED)

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2019			2018			2017			
	Russian plans	US & Canadian plans	Other plans	Russian plans	US & Canadian plans	Other plans	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans
Discount rate	7%	3.3-3.4%	0.2%	8.6%	3.3-4.3%	3%	7.6%	11.6%	3.6-4.0%	3%
Future benefits increases	5%	–	–	5%-9%	–	3%	5%	6%	–	3%
Future salary increase	5%	3%	1%	5%-9%	3%	–	5%	6%	3%	–
Average life expectation, male, years	70	86	88	69	86	81	69	65	85-87	81
Average life expectation, female, years	80	88-89	90	79	88-89	87	79	75	88-89	87
Healthcare costs increase rate	–	5-6.8%	–	–	5-7%	–	–	–	6.7%	–

The following table demonstrates the sensitivity analysis of reasonable changes in the significant assumptions used for the measurement of the defined benefit obligations, with all other variables held constant.

		Impact on the defined benefit obligation at 31 December 2019, US$ million			Impact on the defined benefit obligation at 31 December 2018, US$ million			Impact on the defined benefit obligation at 31 December 2017, US$ million			
	Reasonable change in assumption	Russian plans	US & Canadian plans	Other plans	Russian plans	US & Canadian plans	Other plans	Russian plans	Ukrainian plans	US & Canadian plans	Other plans
Discount rate	10%	$ (8)	$ (34)	$ (1)	$ (7)	$ (38)	$ –	$ (7)	$ (2)	$ (37)	$ –
	(10%)	9	36	1	8	40	–	8	2	40	–
Future benefits increases	10%	6	–	–	5	–	–	5	–	–	–
	(10%)	(9)	–	–	(4)	–	–	(4)	–	–	–
Future salary increase	10%	1	1	–	1	1	–	–	1	1	–
	(10%)	(1)	(1)	–	(1)	(1)	–	–	(1)	(1)	–
Average life expectation, male, years	1	1	12	–	–	11	–	1	–	12	–
	(1)	(1)	(12)	–	(2)	(11)	–	(1)	–	(12)	–
Average life expectation, female, years	1	1	7	–	–	6	–	1	–	6	–
	(1)	(1)	(7)	–	(2)	(6)	–	(1)	–	(6)	–
Healthcare costs increase rate	10%	–	–	–	–	1	–	–	–	1	–
	(10%)	–	–	–	–	(1)	–	–	–	(1)	–

24. PROVISIONS

At 31 December the provisions were as follows:

US$ million	2019		2018		2017	
	Non-current	Current	Non-current	Current	Non-current	Current
Site restoration and decommissioning costs	$ 321	$ 21	$ 221	$ 23	$ 260	$ 29
Other provisions	–	12	1	12	9	3
	$ 321	$ 33	$ 222	$ 35	$ 269	$ 32

In the years ended 31 December 2019, 2018 and 2017, the movement in provisions was as follows:

US$ million	Site restoration and decommissioning costs	Other provisions	Total
At 31 December 2016	$ 224	$ 7	$ 231
Additional provisions	11	14	25
Increase from passage of time	16	–	16
Effect of change in the discount rate	33	–	33
Effect of changes in estimated costs and timing	15	–	15
Utilised in the year	(11)	(5)	(16)
Unused amounts reversed	(1)	(4)	(5)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(9)	–	(9)
Translation difference	11	–	11
At 31 December 2017	$ 289	$ 12	$ 301
Additional provisions	4	14	18
Increase from passage of time	16	–	16
Effect of change in the discount rate	(38)	–	(38)
Effect of changes in estimated costs and timing	29	–	29
Utilised in the year	(13)	(12)	(25)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	(1)
Translation difference	(42)	(1)	(43)
At 31 December 2018	$ 244	$ 13	$ 257
Additional provisions	31	21	52
Increase from passage of time	18	–	18
Effect of change in the discount rate	73	–	73
Effect of changes in estimated costs and timing	(20)	–	(20)
Utilised in the year	(21)	(10)	(31)
Unused amounts reversed	–	(4)	(4)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(9)	(8)	(17)
Translation difference	26	–	26
At 31 December 2019	$ 342	$ 12	$ 354

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The majority of costs are expected to be paid after 2061.

At 31 December the respective liabilities were measured based on estimates of restoration costs, which are expected to be incurred in the future discounted at the following annual rates:

	2019	2018	2017
Russia	7%	9%	8%
Ukraine	n/a	13.2%	13.2%
USA	2%	3.0%	2.2%
Others	n/a	4.7%	5%

25. LEASE AND OTHER LONG-TERM LIABILITIES

Lease Liabilities

The Group has a number of lease contracts, under which it leases railroad cars, coating equipment, warehouses, offices and other machinery and equipment (Note 9). Before the adoption of IFRS 16 (Note 2) the Group classified its leases (as lessee) at the inception date as either a finance lease within the Other long-term liabilities caption or an operating lease.

US$ million	Total	Non-current lease liabilities	Current portion of lease liabilities
1 January 2019	$ 124	$ 90	$ 34
Recognition of liabilities under new contracts	15	14	1
Sale of subsidiaries	(2)	–	(2)
Interest accrued	8	6	2
Payment of principal	(35)	–	(35)
Payment of interest	(2)	–	(2)
Reclassification into short-term portion	–	(33)	33
Exchange difference	9	6	3
31 December 2019	$ 117	$ 83	$ 34

Expense relating to variable lease payments not included in the measurement of opening lease liabilities amounted to $7 million. Expense relating to leases, which were not recognised as lease liabilities (leases of low-value assets and short-term leases), amounted to $12 million.

The maturity of contractual undiscounted and discounted cash flows under lease payments was as follows at 31 December 2019:

US$ million	Lease payments	Present value of lease payments
Not later than 1 year from the reporting date	$ 35	$ 34
Later than 1 year and not later than 2 years	38	34
Later than 2 years and not later than 5 years	40	34
Later than 5 years and not later than 10 years	14	10
Later than 10 years	8	5
Total lease payments	135	117
Less: amounts representing finance charges	(18)	–
31 December 2019	**$ 117**	**$ 117**

Other Long-Term Liabilities

Other liabilities consisted of the following as of 31 December:

US$ million	2019	2018	2017
Financial liabilities			
Finance lease liabilities	$ –	6	8
Derivatives not designated as hedging instruments	6	5	–
Hedging instruments	–	46	3
Long-term trade and other payables	44	30	45
Long-term accounts payable to related parties	–	2	1
	50	89	57
Less: current portion (Note 26)	(24)	(68)	(18)
	26	21	39
Non-financial liabilities			
Employee income participation plans and compensations	–	6	5
Tax liabilities	4	8	1
Other non-financial liabilities	13	6	11
	17	20	17
Less: current portion (Note 26)	(3)	(3)	(2)
	14	17	15
	$ 40	$ 38	$ 54

25. LEASE AND OTHER LONG-TERM LIABILITIES (CONTINUED)

Hedging Instruments

In July 2015, the Group issued bonds in the total amount of 15,000 million Russian roubles ($216 million at 31 December 2018), which bore interest of 12.95% per annum and had a put date in June 2019. The Group used an intercompany loan to transfer the proceeds from the bonds within the Group. To manage the currency exposure, the Group entered into a series of cross currency swap contracts with several banks under which it agreed to deliver US-dollar denominated interest payments at rates ranging from 5.90% to 6.55% per annum plus the notional amount, totaling approximately $265 million, in exchange for rouble-denominated interest payments at the rate of 12.95% per annum plus notional, totaling 14,948 million roubles ($215 million at 31 December 2018).

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
12.95 per cent bonds due 2019	2015	15,000	13,310	239	5.90% - 6.55%

The Group accounted for these swap contracts as cash flow hedges. In 2017, one of these swap contracts with the notional amount of $26 million did not meet the criteria for efficiency and ceased to be classified as hedging instruments. In 2019, 2018 and 2017, the change in fair value of these derivatives amounted to $46 million, $(44) million and $20 million, respectively. The realised gain/(loss) on the swap transactions amounting to $(23) million, $11 million and $14 million, respectively, was related to the interest portion of the change in fair value of the swap.

Under IFRS the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge is recognised in other comprehensive income and the remaining loss on the hedging instrument is recorded through the statement of operations. In 2019, 2018 and 2017, the Group recognised a gain/(loss) in other comprehensive income amounting to $27 million, $(3) million and $9 million, respectively. Most of the swaps were assessed as effective. Those swaps, which ceased to be effective, were reclassified into Derivatives Not Designated as Hedging Instruments. In 2019, 2018 and 2017, $19 million, $(41) million and $11 million, respectively, were recorded in the Foreign exchange gains/(losses) caption in the consolidated statement of operations. In June 2019, upon repayment of the 12.95% rouble bonds, the related swap contracts matured and the Group recycled $33 million of the accumulated unrecognised gains on cash flow hedges from other comprehensive income to the statement of operations.

Derivatives Not Designated as Hedging Instruments

In 2017-2019 derivatives not designated as hedging instruments comprised of the swap contracts, which either were not designated as cash flow or fair value hedges or ceased to be effective, and forward contracts.

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US$ million	2019	2018	2017
Bonds principal	$ 323	$ 24	$ 28
Hedged amount	323	24	28
Swap amount	317	26	26

To manage the currency exposure on the rouble-denominated bonds, the Group partially economically hedged these transactions: in 2019, the Group concluded a currency and interest rate swap contract under which it agreed to deliver US dollar-denominated interest payments at a 3.75% rate per annum plus the US dollar notional amount, in exchange for rouble-denominated interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts, which were effective at 31 December 2019, are summarised in the table below.

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
7.95 per cent bonds due 2024	2019	20,000	20,000	317	3.75%

In addition, in 2017, one of the swaps with a notional amount of $26 million did not meet the criteria for hedging and ceased to be classified as a hedging instrument. This swap was reclassified into Derivatives Not Designated as Hedging Instruments.

These swap contracts were not designated as cash flow or fair value hedges or excluded from such hedging instruments due to hedge inefficiency. The Group accounted for these derivatives at fair value which was determined using valuation techniques. The fair value was calculated as the present value of the expected cashflows under the contracts at the reporting dates. Future rouble-denominated cashflows were translated into US dollars using the USD/RUB implied yield forward curve. The discount rates used in the valuation were the non-deliverable forward rate curve and the interest rate swap curve for US dollar at the reporting dates.

In 2019, 2018 and 2017, a change in fair value of the derivatives of $20 million, $(6) million and $2 million, respectively, together with a realised gain/(loss) on the swap transactions, amounting to $8 million, $2 million and $2 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

25. LEASE AND OTHER LONG-TERM LIABILITIES (CONTINUED)

Derivatives Not Designated as Hedging Instruments (continued)

In 2018, the Group concluded EUR/USD forward contracts, which were accounted for at fair value. In 2019 and 2018, the change in fair value of the derivatives $(4) million and $(2) million, respectively, together with a realised gain/(loss) on the currency forward transactions, amounting to $14 million and $9 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

26. TRADE AND OTHER PAYABLES

Trade and other payables consisted of the following as of 31 December:

US$ million	2019	2018	2017
Trade accounts payable	**$ 982**	$ 877	$ 822
Liabilities for purchases of property, plant and equipment, including VAT	**132**	98	89
Accrued payroll	**162**	140	158
Other payables	**75**	30	39
Other long-term obligations with current maturities (Note 25)	**27**	71	20
	$ 1,378	$ 1,216	$ 1,128

The maturity profile of the accounts payable is shown in Note 28.

At 31 December 2019, trade accounts payable included $156 million owed by the Group for purchases of scrap from Vtorresource-Pererabotka, a related party (Note 16). These amounts were classified as trade payables to third parties as Vtorresource-Pererabotka sold its receivables from the Group under factoring contracts to several banks with no recourse.

27. OTHER TAXES PAYABLE

Other taxes payable were mainly denominated in roubles and consisted of the following as of 31 December:

US$ million	2019	2018	2017
VAT	**$ 67**	$ 124	$ 129
Social insurance taxes	**48**	40	42
Property tax	**7**	10	12
Land tax	**6**	5	6
Personal income tax	**8**	6	7
Import/export tariffs	**7**	74	–
Other taxes, fines and penalties	**10**	7	16
	$ 153	$ 266	$ 212

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and trade accounts receivable.

To manage credit risk related to cash, the Group maintains its available cash, mainly in US dollars and euros, in reputable international banks and major Russian banks. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2019, the major customers were Russian Railways (4.2% of total sales) and Shang Chen Steel Co. (2.2%).

Part of the Group's sales is made on terms of letter of credit. In addition, the Group requires prepayments from certain customers. The Group does not require collateral in respect of trade and other receivables, except when a customer applies for credit terms which are longer than normal. In this case, the Group requires bank guarantees or other collateral. The Group has developed standard credit terms and constantly monitors the status of accounts receivable collection and the creditworthiness of the customers.

Certain of the Group's long-standing Russian customers for auxiliary products, such as heat and electricity, represent municipal enterprises and governmental organisations that experience financial difficulties. The significant part of allowance for expected credit losses consists of receivables from such customers. The Group has no practical ability to terminate the supply to these customers and negotiates with regional and municipal authorities the terms of recovery of these receivables.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

At 31 December the maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below.

US$ million	2019	2018	2017
Restricted deposits at banks (Notes 13 and 18)	**$ 10**	$ 9	$ 21
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**17**	66	61
Long-term and short-term investments (Notes 13 and 18)	**–**	32	65
Trade and other receivables (Notes 13 and 15)	**550**	852	754
Loans receivable	**33**	30	31
Receivables from related parties (Notes 13 and 16)	**10**	12	19
Cash and cash equivalents (Note 19)	**1,423**	1,067	1,466
	$ 2,043	$ 2,068	$ 2,417

Receivables from related parties in the table above do not include prepayments in the amount of$Nil, $Nil and $1 million as of 31 December 2019, 2018 and 2017, respectively.

The ageing analysis of trade and other receivables, loans receivable and receivables from related parties at 31 December is presented in the table below.

US$ million	2019		2018		2017	
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$ 446**	**$ (1)**	$ 770	$ (1)	$ 671	$ (1)
Past due	**193**	**(45)**	166	(41)	187	(53)
less than 6 months	**107**	**(1)**	109	–	114	(2)
between 6 months and 1 year	**31**	**–**	9	–	20	(10)
over 1 year	**55**	**(44)**	48	(41)	53	(41)
	$ 639	**$ (46)**	$ 936	$ (42)	$ 858	$ (54)

In the years ended 31 December 2019, 2018 and 2017, the movement in allowance for expected credit losses was as follows:

US$ million	2019	2018	2017
At 1 January	**$ (42)**	$ (54)	$ (47)
Charge for the year	**(3)**	1	(10)
Utilised	**2**	3	4
Disposal of subsidiaries	**–**	–	1
Translation difference	**(3)**	8	(2)
At 31 December	**$ (46)**	$ (42)	$ (54)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group prepares a rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. If necessary, the Group refinances its short-term debt by long-term borrowings. The Group also uses forecasts to monitor potential and actual financial covenants compliance issues (Note 22). Where compliance is at risk, the Group considers options including debt repayment, refinancing or covenant reset. The Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments.

31 December 2019

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$ –	$ 5	$ 5	$ 1,002	$ 2,304	$ 10	$ 3,326
Interest	–	97	134	184	249	–	664
Lease liabilities	–	9	26	38	40	22	135
Other long-term financial liabilities	–	16	8	11	16	–	51
Amounts payable under put options for shares in subsidiaries	–	–	69	–	–	–	69
Total fixed-rate debt	–	127	242	1,235	2,609	32	4,245
Variable-rate debt							
Loans and borrowings							
Principal	–	26	16	30	386	885	1,343
Interest	–	14	45	59	125	16	259
Total variable-rate debt	–	40	61	89	511	901	1,602
Non-interest bearing debt							
Trade and other payables	228	883	78	–	–	–	1,189
Payables to related parties	1	13	–	–	–	–	14
Total non-interest bearing debt	229	896	78	–	–	–	1,203
	$ 229	$ 1,063	$ 381	$ 1,324	$ 3,120	$ 933	$ 7,050

31 December 2018

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$ –	$ –	$ 226	$ 710	$ 2,452	$ 17	$ 3,405
Interest	–	84	148	194	211	–	637
Finance lease liabilities	–	–	3	–	1	5	9
Other long-term financial liabilities	–	13	53	9	8	3	86
Amounts payable under put options for shares in subsidiaries							
Principal	–	–	60	–	–	–	60
Interest	–	–	9	–	–	–	9
Total fixed-rate debt	–	97	499	913	2,672	25	4,206
Variable-rate debt							
Loans and borrowings							
Principal	3	2	65	13	1,014	–	1,097
Interest	–	15	45	59	107	–	226
Total variable-rate debt	3	17	110	72	1,121	–	1,323
Non-interest bearing debt							
Trade and other payables	129	864	12	–	–	–	1,005
Payables to related parties	94	26	–	–	–	–	120
Total non-interest bearing debt	223	890	12	–	–	–	1,125
	$ 226	$ 1,004	$ 621	$ 985	$ 3,793	$ 25	$ 6,654

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

31 December 2017

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$ –	$ –	$ 4	$ 269	$ 2,580	$ 799	$ 3,652
Interest	–	90	179	252	416	22	959
Finance lease liabilities	–	–	1	4	1	6	12
Other long-term financial liabilities	–	14	3	20	15	4	56
Amounts payable under put options for shares in subsidiaries							
Principal	–	–	–	60	–	–	60
Interest	–	–	–	4	–	–	4
Total fixed-rate debt	–	104	187	609	3,012	831	4,743
Variable-rate debt							
Loans and borrowings							
Principal	–	1	57	408	1,013	202	1,681
Interest	–	19	57	64	113	4	257
Total variable-rate debt	–	20	114	472	1,126	206	1,938
Non-interest bearing debt							
Financial instruments included in long-term liabilities	–	–	1	–	1	–	2
Trade and other payables	143	770	37	–	–	–	950
Payables to related parties	237	18	–	–	–	–	255
Total non-interest bearing debt	380	788	38	–	1	–	1,207
	$ 380	$ 912	$ 339	$ 1,081	$ 4,139	$ 1,037	$ 7,888

Payables to related parties in the tables above do not include contract liabilities in the amount of $5 million, $2 million and $1 million as of 31 December 2019, 2018 and 2017, respectively.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest Rate Risk

The Group borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities and other obligations.

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the Group's profits.

The Group does not account for any fixed rate financial assets as assets available for sale. Therefore, a change in interest rates at the reporting date would not affect the Group's equity.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

Interest Rate Risk (continued)

Cash Flow Sensitivity Analysis for Variable Rate Instruments

Based on the analysis of exposure during the years presented, reasonably possible changes in floating interest rates at the reporting date would affect profit before tax ("PBT") by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In estimating reasonably possible changes the Group assessed the volatility of interest rates during the reporting periods.

US$ million	2019		2018		2017	
	Basis points	Effect on PBT	Basis points	Effect on PBT	Basis points	Effect on PBT
		US$ millions		*US$ millions*		*US$ millions*
Liabilities denominated in US dollars						
Decrease in LIBOR	(17)	2	(17)	$ 2	(11)	$ 2
Increase in LIBOR	17	(2)	17	(2)	11	(2)
Liabilities denominated in euro						
Decrease in EURIBOR	(6)	–	(1)	–	(1)	–
Increase in EURIBOR	6	–	1	$ –	1	$ –
Liabilities denominated in roubles						
Decrease in Bank of Russia key rate	(75)	–	(100)	–	(225)	–
Increase in Bank of Russia key rate	50	–	50	$ –	300	$ –

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of the respective Group's subsidiaries. The currencies in which these transactions are denominated are primarily US dollars, Canadian dollars and euro. The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is partly secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

The Group's exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US$ million	2019	2018	2017
USD/RUB	$ 2,750	$ 2,886	$ 2,589
EUR/RUB	467	265	(276)
EUR/USD	(77)	7	(11)
USD/CAD	(907)	(723)	(892)
EUR/CZK	(11)	(12)	(6)
USD/CZK	17	(20)	5
USD/UAH	–	(119)	(199)
RUB/UAH	–	–	(4)
USD/KZT	(164)	(170)	(163)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Group's profit before tax. In estimating reasonably possible changes the Group assessed the volatility of foreign exchange rates during the reporting periods.

	2019		2018		2017	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	*US$ millions*	%	*US$ millions*	%	*US$ millions*
USD/RUB	(7.78)	(230)	(13.87)	(468)	(10.01)	(282)
	7.78	200	13.87	350	10.01	241
EUR/RUB	(7.50)	(35)	(13.54)	(36)	(11.35)	31
	7.50	35	13.54	36	11.35	(31)
CAD/RUB	(8.84)	–	(16.08)	–	(12.03)	–
	8.84	–	16.08	–	12.03	–
EUR/USD	(5.02)	4	(7.35)	(1)	(7.36)	1
	5.02	(4)	7.35	1	7.36	(1)
USD/CAD	(4.58)	42	(6.76)	49	(6.76)	61
	4.58	(42)	6.76	(49)	6.76	(60)
EUR/CZK	(2.23)	–	(2.96)	–	(3.08)	–
	2.23	–	2.96	–	3.08	–
USD/CZK	(5.98)	(1)	(8.54)	2	(7.95)	–
	5.98	1	8.54	(2)	7.95	–
USD/UAH	(7.68)	–	(5.86)	7	(5.78)	12
	7.68	–	5.86	(7)	5.78	(11)
RUB/UAH	(10.82)	–	(15.04)	–	(11.99)	–
	10.82	–	15.04	–	11.99	–
USD/KZT	(4.20)	7	(8.43)	14	(6.30)	10
	4.20	(7)	8.43	(14)	6.30	(10)

In addition to the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2019		2018		2017	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	*US$ millions*	%	*US$ millions*	%	*US$ millions*
USD/RUB	(7.78)	30	(13.87)	36	(10.01)	66
	7.78	(25)	13.87	(27)	10.01	(49)

Fair Value of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The carrying amounts of financial instruments, such as cash, short-term and long-term investments, short-term accounts receivable and payable, short-term loans receivable and payable and promissory notes, approximate their fair value.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair Value of Financial Instruments (continued)

At 31 December the Group held the following financial instruments measured at fair value:

	2019			2018			2017		
US$ million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value									
Derivatives not designated as hedging instruments (Notes 13, 25)	–	17	–	–	–	–	–	3	–
Hedging instruments (Note 25)	–	–	–	–	–	–	–	1	–
Financial assets measured at fair value through other comprehensive income (Note 13)	–	–	–	–	–	–	33	–	–
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	–	6	–	–	5	–	–	–	–
Hedging instruments (Note 25)	–	–	–	–	46	–	–	3	–

During the reporting period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows financial instruments for which carrying amounts differ from fair values at 31 December.

US$ million	2019		2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$ 56**	**$ 57**	$ 269	$ 266	$ 427	$ 442
Long-term variable-rate bank loans	**1,309**	**1,330**	1,084	1,092	1,668	1,665
USD-denominated						
6.50% notes due 2020	**–**	**–**	708	723	707	752
8.25% notes due 2021	**776**	**825**	777	826	774	873
6.75% notes due 2022	**513**	**555**	513	535	512	560
5.375% notes due 2023	**759**	**819**	759	754	757	792
5.25% notes due 2024	**705**	**770**	–	–	–	–
Rouble-denominated						
12.95% rouble bonds due 2019	**–**	**–**	216	222	260	280
12.60% rouble bonds due 2021	**250**	**268**	223	241	269	302
7.95% rouble bonds due 2024	**333**	**346**	–	–	–	–
	$ 4,701	**$ 4,970**	$ 4,549	$ 4,659	$ 5,374	$ 5,666

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1). The fair value of long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates (Level 3). The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	2019	2018	2017
USD	2.5 – 3.8%	4.9 – 5.7%	3.6 – 4.5%
EUR	–	1.7 – 3.4%	1.7 – 3.9%
RUB	–	8.13%	7.97%

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital Management

Capital includes equity attributable to the equity holders of the parent entity. Revaluation surplus which is included in capital is not subject to capital management because of its nature.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. There were no changes in the objectives, policies and processes during 2019.

The Group manages its capital structure and makes adjustments to it by the issue of new shares, dividend payments to shareholders, and the purchase of treasury shares. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividend payments taking into account cashflow and other constraints.

29. NON-CASH TRANSACTIONS

Transactions that did not require the use of cash or cash equivalents, not disclosed in the notes above, were as follows in the years ended 31 December:

US$ million	2019	2018	2017
Liabilities for purchases of property, plant and equipment, excluding VAT	**$ 142**	$ 92	$ 80
Loans provided in the form of payments by banks for property, plant and equipment	**–**	6	8

30. COMMITMENTS AND CONTINGENCIES

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, the USA and Canada. Russia is considered to be a developing market with higher economic and political risks.

The unrest in the Southeastern region of Ukraine and the economic sanctions imposed by the USA and the European Union on Russia in 2014 and later on caused economic slowdown in Russia and reduced access to international capital markets. Further sanctions imposed on Russia could have an adverse impact on the Group's business.

Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions.

In March 2018 the United States placed 25% tariffs on imports of most steel products from several countries, including Russia, while granting temporary exemptions for others, including Canada, Mexico, and the European Union. In May 2018, the U.S. announced the end of temporary exemptions for Canada, Mexico, and the European Union, putting 25% tariffs on imports from those jurisdictions effective 1 June 2018. In response, the government of Canada introduced 25% tariffs effective 1 July 2018 on selected steel products from the U.S. In addition, effective 25 October 2018, the Canadian government imposed provisional safeguard measures on imports from most countries (excluding the United States) of certain categories of steel products by adding a 25% surtax in cases, where the volume of imports from trading partners exceeded historical norms. Most of those provisional safeguards expired on 29 April 2019 following an inquiry by the Canadian International Trade Tribunal. In May 2019, the United States lifted the 25% tariffs on imports of steel products from Canada and Mexico. The Canadian government lifted its retaliatory tariffs on steel the same day.

Therefore, the Group's cross-border transactions between U.S. and Canadian subsidiaries no longer face the 25% Section 232 tariffs and Canadian retaliatory tariffs. The entities of the Steel North America segment import steel for further processing and final products for selling to domestic customers. U.S. Section 232 tariffs remain in place against other countries, including Russia, and U.S. subsidiaries still face those 25% tariffs on any imported steel from those countries.

In August 2018, the U.S. imposed a preliminary 24.38% antidumping duty on welded line pipe greater than 16-inch outside diameter exported from Canada into the United States. In April 2019, after completing its final investigation, the U.S. imposed a final antidumping duty of 12.32% that remains in place. A review of the duty rate at the U.S. Department of Commerce may be initiated in May 2020, which may lead to a revised rate in October 2021.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

The global economic climate continues to be unstable and this may negatively affect the Group's results and financial position in a manner not currently determinable.

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed for additional taxes, penalties and interest. In Russia the periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on its best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $70 million.

Contractual Commitments

At 31 December 2019, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $379 million.

In 2010, the Group concluded a contract with PraxAir (Note 2, *Accounting Judgements*) for the construction of an air separation plant and for the supply of oxygen and other gases produced by PraxAir at this plant for a period of 20 years (extended to 25 years in 2015, when the construction was completed). This supply contract does not fall within the scope of IFRS 16 "Leases". At 31 December 2019, the Group has committed expenditure of $551 million over the life of the contract.

In 2018, the Group concluded a contract with Air Liquide for the construction of an air separation plant and for the supply of oxygen and other gases produced by Air Liquide at this plant for a period of 20 years. The contractual price comprises a fixed component and a variable component. The total amount of the fixed component approximates $400 million, which is payable within 20 years starting upon commencement of production in 2021 in proportion to the amounts of the variable component. The variable component is determined based on the actual purchase of gases and is estimated at $406 million during the life of the contract. Based on management's assessment this supply contract does not fall within the scope of IFRS 16 "Leases" as the Group has no access to the equipment and has no rights either to operate the assets, or to design them in order to predetermine the way of their usage. Also it is expected that more than an insignificant amount of the assets' output will be sold to the parties unrelated to the Group. In addition, Air Liquide will construct the system of trunk and auxiliary pipelines, distribution stations and other equipment for products delivery, which will be leased by the Group for a period of 20 years and accounted for under IFRS 16. The cost of construction of the products delivery system is estimated at $106 million.

In 2019, the Group concluded a contract with Xcel Energy Inc. for the supply of electricity for a period of 22 years. The Group is committed to purchase from 1 January 2022 at least 500,000 MWh annually on a take-or-pay basis at rates ranging from 3.90 to 4.90 cents/kWh. The rates can be adjusted for gas prices. The total amount of this commitment at the unadjusted rates approximates $440 million.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. The Group budgeted to spend approximately $20 million under these programmes in 2020.

Environmental Protection

In the course of its operations, the Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement.

The Group has a number of environmental claims and proceedings which are at a stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 31 December 2019 amounted to $18 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $186 million. The Group has insurance agreements, which will provide reimbursement of the costs to be actually incurred up to $228 million, of which $18 million relate to the accrued environmental provisions and have been recognised in receivables at 31 December 2019. Management believes that an economic outflow of the additional costs is not probable and any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

In addition, the Group has committed to various environmental protection programmes covering periods from 2020 to 2025, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2019, the costs of implementing these programmes are estimated at $199 million.

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on its operations or financial position.

The Group exercises judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. As of 31 December 2019, possible legal risks approximate $22 million.

Issued Guarantees

In June 2018, EVRAZ plc and EVRAZ West-Siberian Metallurgical Plant issued a joint guarantee in the amount of up to 30 billion roubles ($486 million at the exchange rate as of 31 December 2019) to nine companies owned by Sibuglemet to compensate any direct losses caused by the failure to perform the agreed management services provided by one the Group's subsidiaries to these entities. Sibuglemet is a producer of coking coal and operator of coal refineries in the Kemerovo region of Russia.

The management company committed to perform all management functions including, inter alia, all the decisions required to carry out the day-to-day operations of these coal companies, their investment and procurement activities. The guarantee expires on 31 December 2025.

31. AUDITOR'S REMUNERATION

The remuneration of the Group's auditor in respect of the services provided to the Group was as follows.

US$ million	2019	2018	2017
Audit of the parent company of the Group	$ 1	$ 1	$ 1
Audit of the subsidiaries	2	2	2
Total audit fees	3	3	3
Other services	1	1	1
	$ 4	$ 4	$ 4

32. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below.

		Non-controlling interests		
Subsidiary	Country of incorporation	2019	2018	2017
Raspadskaya	Russia	11.83%	16.16%	18.05%
New CF&I (subsidiary of EVRAZ Inc NA)	USA	10.00%	10.00%	10.00%

US$ million	2019	2018	2017
Accumulated balances of material non-controlling interests			
Raspadskaya	$ 162	$ 170	$ 149
New CF&I (subsidiary of EVRAZ Inc NA)	105	103	99
Others	(15)	(16)	(6)
	252	257	242
Profit allocated to material non-controlling interests			
Raspadskaya	35	74	51
New CF&I (subsidiary of EVRAZ Inc NA)	2	4	1
Others	2	(14)	8
	$ 39	$ 64	$ 60

32. MATERIAL PARTLY-OWNED SUBSIDIARIES (CONTINUED)

The summarised financial information regarding these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statements of operations

Raspadskaya

US$ million	2019	2018	2017
Revenue	$ 996	$ 1,086	$ 868
Cost of revenue	(509)	(493)	(430)
Gross profit/(loss)	487	593	438
Operating costs	(96)	(76)	(74)
Impairment of assets	(92)	(4)	9
Foreign exchange gains/(losses), net	(24)	23	13
Profit/(loss) from operations	275	536	386
Non-operating gains/(losses)	23	5	(21)
Profit/(loss) before tax	298	541	365
Income tax benefit/(expense)	(64)	(113)	(75)
Net profit/(loss)	$ 234	$ 428	$ 290
Other comprehensive income/(loss)	150	(204)	36
Total comprehensive income/(loss)	384	224	326
attributable to non-controlling interests	56	42	57
dividends paid to non-controlling interests	(3)	–	–

New CF&I

US$ million	2019	2018	2017
Revenue	$ 757	$ 808	$ 558
Cost of revenue	(654)	(690)	(533)
Gross profit/(loss)	103	118	25
Operating costs	(93)	(88)	(54)
Impairment of assets	–	(1)	(2)
Profit/(loss) from operations	10	29	(31)
Non-operating gains/(losses)	20	19	18
Profit/(loss) before tax	30	48	(13)
Income tax benefit/(expense)	(7)	(11)	21
Net profit/(loss)	$ 23	$ 37	$ 8
Other comprehensive income/(loss)	(6)	7	(3)
Total comprehensive income/(loss)	17	44	5
attributable to non-controlling interests	2	4	1
dividends paid to non-controlling interests	–	–	–

32. MATERIAL PARTLY-OWNED SUBSIDIARIES (CONTINUED)

Summarised statements of financial position as at 31 December

Raspadskaya

US$ million	2019	2018	2017
Property, plant and equipment	**$ 870**	$ 831	$ 1,047
Other non-current assets	**9**	113	11
Current assets	**1,082**	858	590
Total assets	**1,961**	1,802	1,648
Deferred income tax liabilities	**82**	71	72
Non-current liabilities	**76**	23	31
Current liabilities	**327**	545	599
Total liabilities	**485**	639	702
Total equity	**1,476**	1,163	946
attributable to:			
equity holders of parent	**1,314**	993	797
non-controlling interests	**162**	170	149

New CF&I

US$ million	2019	2018	2017
Property, plant and equipment	**$ 205**	$ 173	$ 167
Other non-current assets	**1,038**	982	921
Current assets	**152**	199	155
Total assets	**1,395**	1,354	1,243
Deferred income tax liabilities	**16**	12	12
Non-current liabilities	**128**	81	89
Current liabilities	**204**	231	156
Total liabilities	**348**	324	257
Total equity	**1,047**	1,030	986
attributable to:			
equity holders of parent	**942**	927	887
non-controlling interests	**105**	103	99

Summarised cash flow information

Raspadskaya

US$ million	2019	2018	2017
Operating activities	**$ 386**	$ 345	$ 406
Investing activities	**194**	(285)	19
Financing activities	**(72)**	(37)	(413)

New CF&I

US$ million	2019	2018	2017
Operating activities	**$ 76**	$ 80	$ (16)
Investing activities	**(70)**	(80)	16
Financing activities	**(6)**	–	–

33. SUBSEQUENT EVENTS

Dividends

On 26 February 2020, the Board of directors of EVRAZ plc declared dividends in the amount of $581 million, which represents $0.40 per share.

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS

Country of incorporation	Name	Relationship	Ownership interest in 2019	Registered address	Notes
Canada	Camrose Pipe Corporation	indirect subsidiary	100.00%	9040 N.Burgard Way, Portland, OR 97203	
Canada	Canadian National Steel Corporation	indirect subsidiary	100.00%	3300 TD Canada Trust Tower, 421-7 Avenue SW, Calgary Alberta T2P 4K9	
Canada	EVRAZ Inc. NA Canada	indirect subsidiary	100.00%	160 Elgin Street, Suite 2600, Ottawa Ontario K1P 1C3	
Canada	EVRAZ Materials Recycling Inc.	indirect subsidiary	100.00%	160 Elgin Street, Suite 2600, Ottawa, Ontario K1P 1C3	
Canada	EVRAZ Wasco Pipe Protection Corporation	indirect subsidiary	51.00%	181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3	
Canada	Genalta Recycling Inc.	joint venture	50.00%	2400, 525 8th Avenue SW Calgary AB T2P 1G1	
Canada	General Scrap Partnership	indirect subsidiary	100.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	Genlandco Inc.	indirect subsidiary	100.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	Kar-basher Manitoba Ltd	joint venture	50.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	Kar-basher of Alberta Ltd	indirect subsidiary	100.00%	3300 TD Canada Trust Tower, 421-7 Avenue SW, Calgary, Alberta T2P 4K9	
Canada	King Crusher Inc.	joint venture	50.00%	3300 TD Canada Trust Tower, 421-7 Avenue SW, Calgary, Alberta T2P 4K9	
Canada	New Gensubco Inc.	indirect subsidiary	100.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	Sametco Auto Inc.	indirect subsidiary	100.00%	160 Elgin Street, Suite 2600, Ottawa, Ontario K1P 1C3	
Cyprus	Actionfield Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	East Metals Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Fegilton Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	sold
Cyprus	Laybridge Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	liquidated
Cyprus	Malvero Holdings Limited	indirect subsidiary	-	3 Themistokli Dervi, Julia House, 1066, Nicosia	100% controlled through put option for the purchase of shares
Cyprus	Mastercroft Finance Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Nafkratos Limited	indirect subsidiary	100.00%	Themistokli Dervi, 3, Julia House, P.C. 1066, Nicosia, Cyprus	
Cyprus	RVK Invest Limited	associate	42.63%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Sinano Shipmanagement Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Steeltrade Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Streamcore Limited	joint venture	50.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	
Cyprus	Unicroft Limited	indirect subsidiary	100.00%	Leoforos Archiepiskopou Makariou III, 135, EMELLE Building, flat/office 22, 3021, Limassol	
Cyprus	Velcast Limited	indirect subsidiary	100.00%	3 Themistokli Dervi, Julia House, 1066, Nicosia	under strike-off procedures
Czech Republic	EVRAZ Nikom, a.s.	indirect subsidiary	100.00%	Mnisek pod Brdy, c. 900, 25210	
Italy	EVRAZ Palini e Bertoli S.r.l	indirect subsidiary	100.00%	via E. Fermi 28, 33058 San Giorgio di Nogaro (UD)	sold
Kazakhstan	Evraz Caspian Steel	indirect subsidiary	65.00%	41, ul. Promyshlennaya, Kostanai, 110000	
Kazakhstan	EvrazMetall Kazakhstan	indirect subsidiary	100.00%	office 411; 29, prospekt Jenis, Saryarka district, Nur-Sultan	
Luxembourg	Evraz Group S.A.	direct subsidiary	100.00%	13, avenue Monterey, L-2163, Luxembourg	
Mexico	EVRAZ NA Mexico	indirect subsidiary	100.00%	Frida Kahlo 195-709, Valle Oriente, San Pedro Garza Carcia, Nuevo Leon, 66269	
Netherlands	ECS Holdings Europe B.V.	indirect subsidiary	65.00%	Hoogoorddreef 15, 1101 BA Amsterdam	

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS (CONTINUED)

Country of incorporation	Name	Relationship	Ownership interest in 2019	Registered address	Notes
Republic of S.Africa	EVRAZ Highveld Steel and Vanadium Limited	indirect subsidiary	*85.11%*	Old Pretoria Road, Portion 93 of the Farm Schoongezicht 308 JS eMalahleni (Witbank)	deconsolidated in 2015
Republic of S.Africa	Mapochs Mine (Proprietary) Limited	indirect subsidiary	*62.98%*	Old Pretoria Road, Portion 93 of the Farm Schoongezicht 308 JS eMalahleni (Witbank)	deconsolidated in 2015
Republic of S.Africa	Mapochs Mine Community Trust	indirect subsidiary	-	Portion 93 of the farm Schoongezicht No.308 JS, eMalahleni	deconsolidated in 2015
Russia	Aktiv-Media	indirect subsidiary	*100.00%*	office 6; 35, ul. Ordzhonikidze, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	Allegro JV	associate	*50.00%*	office 2/2, bld.2, ul. Vladislava Tetyukhina, Verhnyaya Salda, Sverdlovskaya obl., 624760	
Russia	ATP Yuzhkuzbassugol	indirect subsidiary	*100.00%*	20, Silikatnaya, Novokuznetsk, Kemerovskaya obl., 654086	
Russia	AVT-Ural	indirect subsidiary	*51.00%*	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Blagotvoritelniy fond Evraza - Sibir	indirect subsidiary - non-commercial	-	1, ul. Ploshad Pobedy, Novokuznetsk, Kemerovskaya obl., 654010	
Russia	Blagotvoritelniy fond Evraza - Ural	indirect subsidiary - non-commercial	-	office 4, 39, ul. Karl Marks, Nizhny Tagil, Sverdlovskaya obl., 622001	
Russia	Brianskmetallresursy	indirect subsidiary	*99.96%*	14, ul. Staleliteinaya, Bryansk, 241035	
Russia	Centr kultury i iskusstva NTMK	indirect subsidiary - non-commercial	-	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Centr podgotovki personala Evraz-Ural	indirect subsidiary - non-commercial	-	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Centr Servisnykh Resheniy	indirect subsidiary	*100.00%*	1, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654063	
Russia	Centralnaya Obogatitelnaya Fabrika Abashevskaya	indirect subsidiary	*92.10%*	12, Tupik Strelochny, Novokuznetsk, Kemerovskaya obl., 654086	
Russia	Centralnaya Obogatitelnaya Fabrika Kuznetskaya	indirect subsidiary	*100.00%*	16, Shosse Severnoe, Novokuznetsk, Kemerovskaya obl., 654043	
Russia	Elekrosvyaz YKU	indirect subsidiary	*87.20%*	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	EVRAZ Consolidated West-Siberian metallurgical Plant	indirect subsidiary	*100.00%*	16, ul. Shosse Kosmicheskoe, Novokuznetsk, Kemerovskaya obl., 654043	
Russia	EVRAZ Kachkanarsky Ore Mining and Processing Plant	indirect subsidiary	*100.00%*	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	EVRAZ Metall Inprom	indirect subsidiary	*100.00%*	2-a, ul. Marshala Zhukova, Taganrog, Rostovskaya obl., 347942	
Russia	EVRAZ Nizhny Tagil Metallurgical Plant	direct subsidiary	*100.00%*	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	EVRAZ Uzlovaya	indirect subsidiary	*100.00%*	4, ul.Entuziastov, kvartal 5 Pyatiletka, Uzlovaya, Tulskaya obl., 301600	
Russia	EVRAZ Vanady Tula	indirect subsidiary	*100.00%*	1, ul. Przhevalskogo, Tula, 300016	
Russia	EVRAZ Yuzhny Stan	indirect subsidiary	*100.00%*	1, ul. Zarechnaya, rabochy poselok Ust-Donetsky, Ust-Donetsky raion, Rostovskaya obl., 346550	
Russia	EvrazEK	indirect subsidiary	*100.00%*	2B, ul. Khlebozavodskaya, Novokuznetsk, Kemerovskaya obl., 654006	liquidated
Russia	Evrazenergotrans	indirect subsidiary	*50.00%*	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	controlled through put option for the purchase of shares of Malvero Holdings Limited
Russia	EvrazHolding Finance	indirect subsidiary	*100.00%*	office 14; 62, ul. Internationalnaya, Kyzyl, Tyva Republic, 667000	
Russia	EvrazHolding LLC	indirect subsidiary	*100.00%*	4, ul. Belovezhskaya, Moscow, 121353	
Russia	EvrazMetall Sibir	indirect subsidiary	*100.00%*	30, Shosse Severnoe, Novokuznetsk, Kemerovskaya obl., 654043	merged
Russia	EvrazService	indirect subsidiary	*100.00%*	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Evraztekhnika	indirect subsidiary	*100.00%*	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Gurievsky rudnik	indirect subsidiary	*100.00%*	1, ul. Zhdanova, Gurievsk, Kemerovskaya obl., 652780	
Russia	Industrialnaya Vostochno-Evropeiskaya company	indirect subsidiary	*100.00%*	9, ul. Khimicheskaya, Taganrog, Rostovskaya obl., 347913	
Russia	KachkanarEnergoTrans	indirect subsidiary	*50.00%*	office 115; 2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	controlled through put option for the purchase of shares of Malvero Holdings Limited

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS (CONTINUED)

Country of incorporation	Name	Relationship	Ownership interest in 2019	Registered address	Notes
Russia	Kachkanarskaya teplosnabzhauschaya company	indirect subsidiary	100.00%	17, 8 microraion, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Kulturno-sportivniy centr metallurgov	indirect subsidiary - non-commercial	-	20, Prospect Metallurgov, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	Kuznetskpogruztrans	indirect subsidiary	94.50%	18, ul. Promyshlennaya, Novokuznetsk, Kemerovskaya obl., 654029	
Russia	Kuznetskteplosbyt	indirect subsidiary	100.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Magnit	indirect subsidiary	-	4, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Managing Company EVRAZ Mezhdurechensk	indirect subsidiary	100.00%	69, ul. Kirova, Novokuznetsk, Kemerovskaya obl., 654080	
Russia	Medsanchast Vanady	indirect subsidiary	100.00%	1, Zeleny Mys district, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Metallenergofinance	indirect subsidiary	100.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Metservice	indirect subsidiary	100.00%	office 16; 51, ul. Malysheva, Ekaterinburg, Sverdlovskaya obl., 620075	
Russia	Mezhegeyugol Coal Company	indirect subsidiary	100.00%	62, ul. Internationalnaya, Kyzyl, Tyva Republic, 667000	
Russia	Mine Abashevskaya	indirect subsidiary	100.00%	5, ul. Kavkazskaya, Novokuznetsk, Kemerovskaya obl., 654013	
Russia	Mine Alardinskaya	indirect subsidiary	100.00%	56, ul. Ugolnaya, Malinovka, Kaltan, Kemerovskaya obl., 652831	
Russia	Mine Esaulskaya	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Mine Osinnikovskaya	indirect subsidiary	100.00%	3, ul. Shakhtovaya, Osinniki, Kemerovskaya obl., 652804	
Russia	Mine Uskovskaya	indirect subsidiary	100.00%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Mining Metallurgical Company “Timir”	joint venture	51.00%	4, Prospect Geologov, Neryungri, Republic of Saha (Yakutia), 678960	
Russia	Montazhnik Raspadskoy	indirect subsidiary	88.17%	office 408; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Mordovmetallotorg	indirect subsidiary	99.90%	39, Aleksandrovskoe Shosse, Saransk, Respublica Mordovia, 430006	
Russia	Nizhny Tagil Telecompany Telecon	indirect subsidiary	-	74, ul. Industrialnaya, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Novokuznetskmetallopttorg	associate	48.51%	16, ul. Chaikinoi, Novokuznetsk, Kemerovskaya obl., 654005	
Russia	Ohothichie hozyaistvo	indirect subsidiary - non-commercial	-	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Olzherasskoye shakhtoprokhodcheskoye upravlenie	indirect subsidiary	88.17%	office 331; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Osinnikovsky remontno-mekhanichesky zavod	indirect subsidiary	84.43%	1/2, ul. Pervogornaya, Osinniki, Kemerovskaya obl., 652804	
Russia	Parus	indirect subsidiary	100.00%	office 107; 3, ul. 1 Liteinaya, Yartsevo, Smolenskaya obl., 215805	sold
Russia	Promuglepoject	indirect subsidiary	100.00%	4, ul. Nevskogo, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Publishing House IKaR	indirect subsidiary	-	4, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Raspadskaya	direct subsidiary	88.17%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Raspadskaya Coal Company	indirect subsidiary	88.17%	office 201; 33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Raspadskaya Preparation Plant	indirect subsidiary	88.17%	office 203; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Raspadskaya-Koksovaya	indirect subsidiary	88.17%	office 424; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Razrez Raspadskiy	indirect subsidiary	88.17%	office 213; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Regional Media Company	indirect subsidiary	-	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Regionalniy Centr podgotovki personala Evraz-Sibir	indirect subsidiary - non-commercial	-	4, ul. Nevskogo, Novokuznetsk, Kemerovskaya obl., 654006	

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS (CONTINUED)

Country of incorporation	Name	Relationship	Ownership interest in 2019	Registered address	Notes
Russia	Rembytcomplex	indirect subsidiary	100.00%	8, 8 microraion, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Sanatoriy-porfilactory Lenevka	indirect subsidiary - non-commercial	-	Nikolopoltavskoye post-office, Lenevka, Prigorodny district, Sverdlovskaya obl., 622911	
Russia	Sfera	indirect subsidiary	*100.00%*	office 315; 205, ul. 8 Marta, Ekaterinburg, Sverdlovskaya obl., 620085	
Russia	Sibir-VK	joint venture	*50.00%*	37A, ul. Kutuzova, Novokuznetsk, Kemerovskaya obl., 654041	
Russia	Sibmetinvest	indirect subsidiary	*100.00%*	office 10; 1, 1st km of Rublevo-Uspenskoye shosse, der. Razdory, Odintsovo area, Moscow region, 143082	
Russia	Specializirovanniy registrator KOMPAS	investment	*10.83%*	57, Prospect Stroiteley, Novokuznetsk, Kemerovskaya obl., 654005	
Russia	Specializirovannoye Shakhtomontazhno-naladochnoye upravlenie	indirect subsidiary	*49.64%*	28, proezd Zaschitny, Novokuznetsk, Kemerovskaya obl., 654034	controlled through put option for the purchase of shares of Malvero Holdings Limited
Russia	Sportivniy complex Uralets	indirect subsidiary - non-commercial	-	36, Gvardeisky bulvar, Nizhny Tagil, Sverdlovskaya obl., 622005	
Russia	Sportivno-Ozdorovitelny complex Metallurg-Forum	indirect subsidiary - non-commercial	-	office 26; 61, ul. Krasnogvardeiskaya, Nizhny Tagil, Sverdlovskaya obl., 622013	
Russia	Tagilteplosbyt	indirect subsidiary	*100.00%*	67, Prospect Lenina, Nizhny Tagil, Sverdlovskaya obl., 622034	
Russia	Tomusinskoye pogruzochno-transportnoye upravlenie	indirect subsidiary	*51.66%*	office 209; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	
Russia	Trade Company EvrazHolding	indirect subsidiary	*100.00%*	4, ul. Belovezhskaya, Moscow, 121353	
Russia	TV-Most	indirect subsidiary	-	office 164, 31, Moscovsky prospect, Kemerovo, 650065	
Russia	TVN	indirect subsidiary	-	office 16; 35, ul. Ordzhonikidze, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	Uliyanovskmetall	indirect subsidiary	*99.37%*	20, 11 proezd Inzhenerny, Ulyanovsk, 432072	
Russia	United accounting systems	indirect subsidiary	*100.00%*	office 205; 1, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654063	
Russia	United Coal Company Yuzhkuzbassugol	indirect subsidiary	*100.00%*	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Upravlenie po montazhu, demontazhu i remontu gornoshakhtnogo oborudovaniya	indirect subsidiary	*100.00%*	3, ul. Shakhtovaya, Osinniki, Kemerovskaya obl., 652804	
Russia	Vanadyservice	indirect subsidiary	100.00%	11a, 10 microraion, Kachkanar, Sverdlovskaya obl., 624351	merged
Russia	Vanady-transport	indirect subsidiary	*100.00%*	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Vladimirmetallopttorg	indirect subsidiary	*95.64%*	57, ul. P. Osipenko, Vladimir, 600009	
Russia	Vtorresurs-Pererabotka	joint venture	*50.00%*	37A, ul. Kutuzova, Novokuznetsk, Kemerovskaya obl., 654041	
Russia	Yuzhno-Kuzbasskoye geologorazvedochnoye upravlenie	indirect subsidiary	*100.00%*	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	ZAO Irkutskvtorchermet	associate	*42.63%*	office 212, bld. ZAO Vtorchermet, ul. Severny Promuzel, Irkutsk, 664053	
Russia	ZAO Vtorchermet	associate	*42.63%*	office 211, bld. ZAO Vtorchermet, ul. Severny promuzel, Irkutsk, 664053	
Russia	Zapadnye Vorota	indirect subsidiary	*100.00%*	14a, ul. Bolshaya Dorogomilovskaya, Moscow, 121059	
Russia	Zavod metallurgicheskih reagentov	associate	50.00%	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Switzerland	East Metals A.G.	indirect subsidiary	*100.00%*	Baarerstrasse 131, 6300 Zug	
Switzerland	East Metals Shipping A.G.	indirect subsidiary	*100.00%*	Baarerstrasse 131, 6300 Zug	
Ukraine	EVRAZ Ukraine	indirect subsidiary	*100.00%*	31, ul. Udarnikov, Dnepr, Dnepropetrovskaya obl., 49064	liquidated
Ukraine	Evraztrans Ukraine	indirect subsidiary	*100.00%*	office 512, 93, ul. Yavornitskogo, Dnepr, Dnepropetrovskaya obl., 49000	sold
Ukraine	United accounting systems Ukraine	indirect subsidiary	*100.00%*	3, ul. Mayakovskogo, Dnepr, Dnepropetrovskaya obl., 49064	liquidated

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS (CONTINUED)

Country of incorporation	Name	Relationship	Ownership interest in 2019	Registered address	Notes
United Kingdom	EVRAZ North America plc	indirect subsidiary	*100.00%*	Suite 1, 3rd Floor, 11-12 St James's Square, London SW1 4LB	
USA	CF&I Steel LP	indirect subsidiary	*90.00%*	1612 E Abriendo Pueblo, CO 81004	
USA	Colorado and Wyoming Railway Company	indirect subsidiary	*90.00%*	2100 S. Freeway Pueblo, CO 81004	
USA	East Metals North America, LLC	indirect subsidiary	*100.00%*	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	East Metals Services Inc.	indirect subsidiary	*100.00%*	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	EVRAZ Claymont Steel, Inc.	indirect subsidiary	*100.00%*	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	EVRAZ Inc. NA	indirect subsidiary	*100.00%*	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	EVRAZ Stratcor, Inc.	indirect subsidiary	*100.00%*	4285 Malvern Road, Hot Springs, AR 71901	sold
USA	EVRAZ Trade NA LLC	indirect subsidiary	*100.00%*	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	Fremont County Irrigating Ditch Co.	investment	*13.50%*	113 W. 5th Street Florence, CO 81226	
USA	General Scrap Inc.	indirect subsidiary	*100.00%*	3101 Valley Street Minot, ND 58702	
USA	New CF&I Inc.	indirect subsidiary	*90.00%*	1612 E Abriendo Pueblo, CO 81004	
USA	Oregon Ferroalloy Partners	indirect subsidiary	*60.00%*	14400 Rivergate Blvd. Portland, OR 97203	
USA	Oregon Steel Mills Processing Inc.	indirect subsidiary	*100.00%*	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	OSM Distribution Inc.	indirect subsidiary	*100.00%*	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	Palmer North America LLC	indirect subsidiary	*90.00%*	251 Little Falls Drive, Wilmington, Delaware 19808	
USA	Union Ditch and Water Co.	indirect subsidiary	*57.59%*	113 W. 5th Street Florence, CO 81226	

EVRAZ plc
Separate Financial Statements
for the year ended 31 December 2019

Separate statement of comprehensive income

(In millions of US dollars)

		31 December	
	Notes	2019	2018
General and administrative expenses		$ (11)	$ (10)
Operating income	6	9	6
Impairment of investments	3	(318)	–
Foreign exchange gains/(losses)	6	(199)	164
Interest expense	3,6,7,8	(211)	(66)
Gain/(loss) on financial assets or liabilities	7	(6)	–
Dividend income	6	9,732	–
Other non-operating gains/(losses)	6	33	–
Profit before tax		9,029	94
Current income tax expense	9	(139)	(14)
Net profit		8,890	80
Total comprehensive income		$ 8,890	$ 80

The accompanying notes form an integral part of these separate financial statements.

Separate statement of financial position

(In millions of US dollars)

	Notes	31 December 2019	2018
ASSETS			
Non–current assets			
Investments in subsidiaries	3	$ 15,095	$ 3,197
Investments in joint ventures	3	22	24
Receivables from related parties	6	19	21
		15,136	3,242
Current assets			
Receivables from related parties	6	9	12
Dividends receivable from related parties	6	629	–
Income tax receivable	9	16	–
		654	12
TOTAL ASSETS		15,790	3,254
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	4	75	75
Treasury shares	4	(169)	(196)
Reorganisation reserve	4	(584)	(584)
Merger reserve	4	127	127
Share-based payments	5	162	149
Accumulated profits		9,170	1,393
		8,781	964
LIABILITIES			
Non-current liabilities			
Trade and other payables	8	7	14
Long-term loans	7	2,747	–
Loans payable to related parties	6	522	724
Financial guarantee liabilities	6	19	21
		3,295	759
Current liabilities			
Trade and other payables	3,8	7	14
Payables to related parties	6	3,151	–
Short-term loans and current portion of long-term loans	7	63	–
Loans payable to related parties	6	424	1,493
Financial guarantee liabilities	6	7	10
Income tax payable	9	62	14
		3,714	1,531
TOTAL LIABILITIES		7,009	2,290
TOTAL EQUITY AND LIABILITIES		$ 15,790	$ 3,254

The Financial Statements on pages 236-247 were approved by the Board of Directors on 26 February 2020 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

The accompanying notes form an integral part of these separate financial statements.

EVRAZ

Separate statement of cash flows

(In millions of US dollars)

	Notes	2019	2018
Cash flows from operating activities			
Net profit		$ 8,890	$ 80
Adjustments to reconcile net loss to net cash flows from operating activities:			
Operating income	6	(9)	(6)
Impairment of investments	3	318	–
Foreign exchange (gains)/losses	6	199	(164)
Interest expense	3,6,7	211	66
(Gain)/loss on financial assets or liabilities	7	6	–
Dividend income	6	(9,732)	–
Other non-operating (gains)/losses	6	(33)	–
		(150)	(24)
Changes in working capital:			
Receivables from related parties	6	8	5
Income tax receivable	9	(16)	–
Trade and other payables	8	(7)	(6)
Taxes payable		140	14
Net cash flow used in operating activities		(25)	(11)
Cash flows from investing activities			
Dividends received	6	784	–
Net cash flow from investing activities		784	–
Cash flows from financing activities			
Proceeds from bank loans and notes	7	695	–
Repayment of bank loans and notes, including interest	7	(854)	–
Proceeds from loans provided by related parties	6	1,736	2,976
Repayment of loans provided by related parties, including interest	6	(1,241)	(1,396)
Payments for investments on deferred terms, including interest	3	(8)	(11)
Dividends paid to shareholders	4	(1,086)	(1,556)
Net cash flow used in/(from) financing activities		(758)	13
Effect of foreign exchange rate changes on cash and cash equivalents		(1)	(2)
Net decrease in cash and cash equivalents		–	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		$ –	$ –
Supplementary cash flow information:			
Interest paid		(200)	(34)
Income taxes paid		(16)	–

The accompanying notes form an integral part of these separate financial statements.

Separate statement of changes in equity

(In millions of US dollars)

	Notes	Issued capital	Treasury shares	Reorganisation reserve	Merger reserve	Share-based payments	Accumulated profits	Total
At 31 December 2017		$ 1,507	$ (231)	$ (584)	$ 127	$ 134	$ 1,472	$ 2,425
Total comprehensive loss for the year		–	–	–	–	–	80	80
Share-based payments	5	–	–	–	–	15	–	15
Dividends declared	4	–	–	–	–	–	(1,556)	(1,556)
Reduction of share capital	4	(1,432)	–	–	–	–	1,432	–
Transfer of treasury shares to participants of the Incentive Plans	4	–	35	–	–	–	(35)	–
At 31 December 2018		**$ 75**	**$ (196)**	**$ (584)**	**$ 127**	**$ 149**	**$ 1,393**	**$ 964**
Total comprehensive income for the year		–	–	–	–	–	8,890	8,890
Share-based payments	5	–	–	–	–	13	–	13
Dividends declared	4	–	–	–	–	–	(1,086)	(1,086)
Reduction of share capital	4	–	–	–	–	–	–	–
Transfer of treasury shares to participants of the Incentive Plans	4	–	27	–	–	–	(27)	–
At 31 December 2019		**$ 75**	**$ (169)**	**$ (584)**	**$ 127**	**$ 162**	**$ 9,170**	**$ 8,781**

The accompanying notes form an integral part of these separate financial statements.

EVRAZ plc
Notes to the separate financial statements
Year ended 31 December 2019

1. CORPORATE INFORMATION

These separate financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 26 February 2020.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company limited by shares under the laws of the United Kingdom. The Company was incorporated under the Companies Act 2006 with the registered number in England 7784342. Until 1 August 2019 the registered address of EVRAZ plc was 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom. The new Company's address is 2 Portman street, London, W1H 6DU, United Kingdom.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products, vanadium products and coal and iron ore mining. The Group is one of the largest steel producers globally.

Until 3 September 2018 Lanebrook Limited ("Lanebrook") registered in Cyprus was the ultimate controlling party of the Group. On that date Lanebrook distributed all its ownership interest in EVRAZ plc to its direct shareholders in proportion to their holdings in Lanebrook. At 31 December 2018 and 2019, EVRAZ plc was jointly controlled by a group of 3 shareholders: Greenleas International Holdings Limited (BVI), Abiglaze Limited (Cyprus) and Crosland Global Limited (Cyprus).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union and in accordance with the Companies Act 2006.

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2019, but not adopted by the European Union, are not expected to have a significant impact on the Company's financial statements.

These financial statements have been prepared on a going concern basis as the directors believe that there are no material uncertainties which could create a significant doubt as to the Company's ability to continue as a going concern in the foreseeable future.

Foreign Currency Transactions

The presentation and functional currency of the Company is the US dollar. Transactions in foreign currencies are initially recorded in US dollars at the rate on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Investments

Investments in subsidiaries, associates or joint ventures are initially recorded at acquisition cost. Impairment in value is recorded if the carrying value of an investment exceeds its recoverable amount.

The initial cost of the investment in Evraz Group S.A. was measured at the carrying amount of the equity items of Evraz Group S.A. as a separate legal entity at the date of the reorganisation (Note 3).

Dividend income is recognised as revenue when the Company's right to receive the payment is established.

All purchases and sales of investments are recognised on the settlement date, which is the date when the investment is delivered to or by the Company.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Guarantee Liabilities

Financial guarantee liabilities issued by the Company are those contracts that require a payment to be made to reimburse the incurred losses because the specified debtor or counterparty to a contract fails to make payments or to perform the agreed terms of a contract. Financial guarantees issued by the Company are recognised initially as a liability at fair value, being equal to the estimated future cash inflows receivable from the subsidiaries under the guarantee agreements, with a corresponding recognition of the same amount as receivables from related parties. Subsequently, the liability is amortised over the lives of the guarantees through the statement of comprehensive income, unless it is considered probable that a guarantee will be called, in which case it is measured at the value of the guaranteed amount payable, if higher.

3. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Investments in subsidiaries and joint ventures consisted of the following as of 31 December:

	Ownership interest		Cost, net of impairment US$ million	
	2019	2018	2019	2018
Subsidiaries				
Evraz Group S.A.	100%	100%	2,884	3,197
NTMK	100%	–	10,771	–
Raspadskaya	88.16%	–	1,440	–
			15,095	3,197
Joint Ventures				
Timir	51.00001%	51.00001%	22	24

The movement in investments was as follows:

$US million	Evraz Group S.A.	NTMK	Raspadskaya	Timir	Total
31 December 2017	$ 3,182	$ –	$ –	$ 24	$ 3,206
Share-based compensations	15	–	–	–	15
31 December 2018	$ 3,197	$ –	$ –	$ 24	$ 3,221
Additional investments	–	10,761	1,440	–	12,201
Impairment loss (recognition)/reversal	(316)	–	–	(2)	(318)
Share-based compensations	3	10	–	–	13
31 December 2019	$ 2,884	$ 10,771	$ 1,440	$ 22	$ 15,117

The Company recognises share-based payments made to employees of subsidiaries under control of Evraz Group S.A., EVRAZ NTMK and Raspadskaya as an addition to the cost of its investments in these subsidiaries (Note 5).

Evraz Group S.A.

The Company acquired Evraz Group S.A. in 2011 by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A. At that date the cost of investments in Evraz Group S.A. was measured at the carrying amount of the equity items shown in the separate accounts of Evraz Group S.A. at the dates of the share exchange. In 2019, the Company impaired its investment in Evraz Group S.A. largely as a consequence of the decline in value of the Large diameter pipes cash-generating unit. More details are provided in Note 6 of the consolidated financial statements

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NTMK

On 18 April 2019, the Company acquired 100% ownership interest in NTMK from Evraz Group S.A. for consideration of $10,761 million, which was partially settled by non-cash consideration (Note 6). At 31 December 2019, the Company owed $2,899 million to Evraz Group S.A. in respect of this acquisition.

Raspadskaya

On 18 April 2019, the Company acquired 84.33% ownership interest in Raspadskaya from Evraz Group S.A. for consideration of $1,423 million, which was settled wholly by non-cash consideration (Note 6). On 30 September 2019, the Company acquired 1.33% in Raspadskaya from Evraz Group S.A. for cash consideration of $17 million.

3. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

OJSC Mining and Metallurgical Company Timir

Since 2013 the Company has owned a 51% ownership interest in the joint venture with Alrosa for the development of iron ore deposits in the Yakutia region in Russia. The Company's consideration for this stake of 4,950 million roubles was recognised as $149 million being the present value of the expected cash outflows at the exchange rate as of the date of the transaction. During 2013-2019 the Company paid deferred installments for this acquisition.

In 2019 and 2018, the Company paid 480 million roubles and 500 million roubles ($7 million and $9 million, respectively) of purchase consideration and $1 million and $2 million, respectively, of interest charges. In 2019 and 2018, the Company recognised interest charges on deferred installments of $Nil and $1 million, respectively, within interest expense.

At 31 December 2018, trade and other accounts payable included liabilities relating to this acquisition in the amount of $8 million, which were fully settled in 2019.

In 2016 and before, due to the postponement of the major project activities, the Company impaired its investment in Timir. In 2019, the Company additionally impaired $2 million.

Additional information regarding Timir is provided in Note 11 of the consolidated financial statements.

Indirect Subsidiaries and Other Significant Holdings

The full list of indirect subsidiaries and other significant holdings of EVRAZ plc is presented in Note 34 of the consolidated financial statements.

4. EQUITY

Share Capital

	31 December	
Number of shares	**2019**	**2018**
Ordinary shares of $0.05 each, issued and fully paid	**1,506,527,294**	1,506,527,294

EVRAZ plc does not have an authorised limit on its share capital.

On 10 July 2018 the High Court of England and Wales approved the reduction of the nominal value of each share from $1.00 to $0.05. The amount of the cancelled share capital amounting to $1,432 million increased the Company's distributable reserves.

Treasury Shares

	31 December	
Number of shares	**2019**	**2018**
Treasury shares	**54,620,233**	63,177,187

In 2015, EVRAZ plc purchased 108,458,508 of its own shares. These shares are used for the Company's Incentive Plans (Note 21 of the consolidated financial statements). Under these plans, in 2019 and 2018, the Company transferred to the participants of Incentive Plans 8,556,954 and 11,297,476 shares, respectively.

Reorganisation Reserve

Reorganisation reserve represents the difference between the net assets of Evraz Group S.A. at the date of the Group's reorganisation (7 November 2011) and the par value of the issued shares of EVRAZ plc. This charge to equity reduced the amount of distributable reserves.

Merger Reserve

The merger reserve arose in 2013 in connection with the purchase of 50% in Corber Enterprises S.à r.l. ("Corber") in accordance with section 612 of the Companies Act 2006. Impairments of the carrying value of this investment were transferred to the merger reserve.

In 2015, the disposal of the investment in Corber to Evraz Group S.A. (Note 3) was made for non-cash consideration, which does not meet the criteria for qualifying consideration. The balance of the merger reserve will be presented as a separate component of equity in the Company's statement of financial position until such time as Evraz Group S.A. is sold for qualifying consideration, and the merger reserve will be re-allocated to accumulated profits and become distributable.

4. EQUITY (CONTINUED)

Dividends

In 2019 and 2018, the Company declared dividends in the amount of $1,086 million and $1,556 million, respectively (Note 20 of the consolidated financial statements).

Distributable Reserves

$US million	2019	2018
Accumulated profits	9,170	1,393
Reorganisation reserve	(584)	(584)
Unrealised profits	(8,200)	–
31 December	386	809

Dividend income from Evraz Group S.A. (Note 6) did not constitute a qualifying consideration and was distributed out of the profit resulting from sale of assets (EVRAZ NTMK and Raspadskaya) to parent and, therefore, this income is excluded from the Company's distributable reserves at 31 December 2019.

Although distributable reserves are currently calculated at $386 million (2018: $809 million), the Company has also considered the impact of further restrictions on distributions for public companies within Section 831 of the Companies Act. Under these restrictions the amount of reserves available for distribution at 31 December 2019 would be $379 million (2018: $762 million).

During February 2020 the directors became aware that certain dividends paid in 2018 and 2019 totaling $1,447 million had been made otherwise than in accordance with the Companies Act 2006. The directors duly checked the sufficiency of distributable reserves before each distribution, but due to an administrative error the interim accounts were not filed at Companies House prior to payment.

To rectify these breaches, in February 2020 the Company filed the interim accounts in respect of each dividend payment. A special resolution will be proposed at the Annual General Meeting of the Company's shareholders in June 2020 to authorise the appropriation of distributable profits to the payment of the relevant dividends and remove any right for the Company to pursue shareholders or directors (the 'Director Release') for repayment. The Director Release will constitute a related party transaction under the Listing Rules of the UK Listing Authority and under IFRS. The overall effect of the special resolution being passed will be to return all parties to the position they would have been in had the relevant dividends been made in full compliance with the Companies Act 2006.

5. SHARE-BASED PAYMENTS

As disclosed in Note 21 of the consolidated financial statements, the Group has incentive plans under which certain employees ("participants") can be gifted shares of the Company.

In 2019 and 2018, the Company recognised share-based compensation expense amounting to $13 million and $15 million, respectively, as a cost of investments in subsidiaries with a corresponding increase in equity.

6. RELATED PARTY TRANSACTIONS

Related parties of the Company include its direct and indirect subsidiaries, associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Company's parent or its shareholders.

Loans Received from Related Parties

The following movements in loans payable to related parties were in 2018-2019.

US$ million	Currency	Interest rate	Maturity	Balance at 31 December 2018	Loans received from related parties	Interest expense	Repayment of loans	Non-cash transactions	Forex (gain)/loss	Balance at 31 December 2019
Direct subsidiary										
Evraz Group S.A.	USD	3.50%	2022	$ –	$ 543	$ 6	$ (21)	$ –	$ –	$ 528
Indirect subsidiaries								–		
East Metals A.G	USD	2.73-5.06%	2018-2020	62	466	11	(121)	–	–	418
EVRAZ KGOK	RUB	5.89%	2019-2020	648	368	27	(126)	(973)	56	–
Sibmetinvest	RUB	5.51%	2020	–	65	2	–	(69)	2	–
EVRAZ Vanady Tula	RUB	5.51-5.89%	2019	244	100	7	(101)	(271)	21	–
EVRAZ ZSMK	RUB	5.51-5.89%	2019-2021	1,263	194	44	(872)	(719)	90	–
				$ 2,217	$ 1,736	$ 97	$ (1,241)	$ (2,032)	$ 169	$ 946

6. RELATED PARTY TRANSACTIONS (CONTINUED)

Loans Received from Related Parties (continued)

US$ million	Currency	Interest rate	Maturity	Balance at 31 December 2017	Loans received from related parties	Interest expense	Repayment of loans	Non-cash transactions	Forex (gain)/loss	Balance at 31 December 2018
Direct subsidiary										
Evraz Group S.A.	USD	3.50%	2020	$ –	$ 92	$ 1	$ (93)	$ –	$ –	$ –
Indirect subsidiaries								–		
East Metals A.G	USD	2.73-5.06%	2018-2020	738	552	16	(1,244)	–	–	62
EVRAZ KGOK	RUB	5.89%	2019-2020	–	664	10	–	–	(26)	648
EVRAZ Vanady Tula	RUB	5.51-5.89%	2019	–	257	4	(1)	–	(16)	244
EVRAZ ZSMK	RUB	5.51-5.89%	2019-2021	–	1,411	33	(58)	–	(123)	1,263
				$ 738	$ 2,976	$ 64	$ (1,396)	$ –	$ (165)	$ 2,217

Non-cash transactions include the transfer of the Company's obligations under loans payable with a carrying value of $2,031 million to Evraz Group S.A. for consideration of $1,999 million. The excess of the carrying value of the liabilities transferred over the newly recognised liability to Evraz Group S.A. amounting to $33 million was recognised as a gain in the income statement within the Other non-operating gains/(losses) caption.

Dividend Income

In the reporting year the Company's dividend income consisted of dividends from Evraz Group S.A. ($8,200 million declared in August 2019 and settled by a non-cash offset), EVRAZ NTMK ($886 million declared in July 2019 and fully paid by cash and $623 million declared in December 2019 and not paid as of 31 December 2019) and from Raspadkaya ($23 million declared in September 2019 and fully paid by cash).

	Evraz Group S.A.	EVRAZ NTMK	Raspadskaya	Total
Dividend income accrued in 2019	$ 8,200	$ 1,509	$ 23	$ 9,732
Dividends received by cash	–	(763)	(21)	(784)
Tax withheld	–	(85)	(2)	(87)
Non-cash offset	(8,200)	–	–	(8,200)
Exchange loss	–	(32)	–	(32)
Dividends receivable at 31 December 2019	**$ –**	**$ 629**	**$ –**	**$ 629**

Offset of Liabilities with Evraz Group S.A.

During 2019 there were a number of transactions between EVRAZ plc and its direct subsidiary Evraz Group S.A.:

- EVRAZ plc purchased EVRAZ NTMK and Raspadskaya from Evraz Group S.A. for total consideration of $12,201 million (Note 3);
- EVRAZ plc transferred its obligations under loans payable to EVRAZ KGOK, EVRAZ Vanady Tula, EVRAZ ZSMK, Sibmetinvest for consideration of $1,999 million (Note 6, *Loans Received from Related Parties*);
- Evraz Group S.A. transferred to EVRAZ plc notes payble for consideration of $2,850 million (Note 7);
- Evraz Group S.A. declared dividends to EVRAZ plc in the amount of $8,200 million (Note 6, *Dividend Income*).

During 2019 EVRAZ plc and Evraz Group S.A. concluded agreements, under which the above mentioned mutual payment obligations were offset resulting in a net liability payable to Evraz Group S.A. in the amount of $3,151 million.

Guarantees

In 2014-2017, the Company issued guarantees to several banks in respect of the liabilities of EVRAZ NTMK and EVRAZ ZSMK, indirect subsidiaries of the Company, under certain loans totaling $1,191 million at 31 December 2019 (2018: $1,061 million). The loans are due for repayment during the period from 2021 to 2023. The Company earns guarantee fees in respect of these guarantees and in 2019 it accrued $2 million of such income (2018: $3 million).

In addition, in 2019 the Company accrued $1 million of guarantee fees (2018:$1 million) for the issued guarantees to several banks for liabilities of East Metals A.G amounting to $141 million as of 31 December 2019 (2018: $86 million).

In 2019, the Company issued a guarantee in respect of the liabilities of Evrazholding Finance, an indirect subsidiary, under the bonds due 2024 with the outstanding principal amount of RUB 20 billion ($323 million at the exchange rate as of 31 December 2019). The Company recognised a financial guarantee liability of $5 million in respect of this guarantee. The guarantee fees earned by the Company amounted to $1 million.

In 2018, the Company issued a guarantee to nine companies owned by Sibuglemet to compensate any direct losses caused by the failure to perform the agreed management services provided by Management Company Mezhdurechensk, an indirect subsidiary of the Company, to these entities (Note 30 of the consolidated financial statements). In 2018, the Company recognised financial guarantee liability of $18 million. In 2019 and 2018, the Company accrued $4 million and $2 million income, respectively, under this guarantee.

6. RELATED PARTY TRANSACTIONS (CONTINUED)

Guarantees (continued)

In 2019, the Company issued a guarantee for the loan payable by Evraz Group S.A. to East Metals A.G. amounting to $169 million and accrued $1 million of guarantee fee income.

The above guarantees are recognised at fair value in the statement of financial position of the Company. The guarantee fees are recorded within the Operating income caption of the Company's income statement.

Other Transactions

In 2019, OOO Evrazholding, an indirect subsidiary of the Company, rendered consulting services to the Company in the amount of $1 million (2018: $1 million).

Other disclosures on directors' remuneration required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) regulations 2008 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Directors' Remuneration Report.

7. LOANS AND BORROWINGS

The Company had the following loans and borrowings during 2018-2019.

$US million	6.50% notes due 2020	8.25% notes due 2021	6.75% notes due 2022	5.375% notes due 2023	5.25% notes due 2024	Total
31 December 2018	$ –	$ –	$ –	$ –	$ –	$ –
Non-cash changes:						
Recognition of notes at fair value	738	808	528	776	–	2,850
Interest and other charges expensed	4	29	20	32	28	113
Accrual of premiums and other charges on early repayment of borrowings	6	–	–	–	–	6
Cash changes:						
Cash proceeds from bank loans and notes, net of debt issues costs	–	–	–	–	695	695
Repayment of interest and premiums on early repayment	(48)	(31)	(17)	(40)	(18)	(154)
Repayment of principal	(700)	–	–	–	–	(700)
31 December 2019	$ –	$806	$531	$ 768	$ 705	$ 2,810

On 13 March 2019, Evraz Group S.A. transferred all its rights and obligations under the notes with a nominal amount of $2,700 million to EVRAZ plc for consideration of $2,850 million being the market value of the notes at that date. The Company recognised the liabilities at fair value and classified them as subsequently measured at amortised cost.

In April 2019, EVRAZ plc issued 5.25% US dollar-denominated notes due 2024 in the amount of $700 million. The proceeds from the issue of the notes were used to finance the purchase of 6.50% notes due 2020 at the tender offer in April 2019 and make whole call in May 2019.

In April and May 2019, the Group fully settled its 6.50% notes due 2020 ($700 million). The premium over the carrying value on the repurchase amounting to $(6) million was included in the Gain/(loss) on financial assets and liabilities caption of the separate statement of comprehensive income.

At 31 December 2019 the current portion of borrowings included only interest payable under the notes.

8. TRADE AND OTHER PAYABLES

Trade and other accounts payable included the following at 31 December:

	2019		2018	
US$ million	Non-current	Current	Non-current	Current
Liability relating to a settlement of guarantee	$7	$ 7	$ 14	$ 6
Payables for the acquisition of Timir (Note 3)	–	–	–	8
	$7	$7	$ 14	$ 14

At 31 December 2019 and 2018, trade and other accounts payable included liabilities relating to the settlement of the Company's guarantee under a long-term take-or-pay supply contract of a former indirect subsidiary of the Company. In 2019, the Company paid $7 million (2018: $6 million) in respect of this liability and recognised interest expense of $1 million (2018: $1 million).

9. INCOME TAXES

A reconciliation of income tax expense applicable to profit before income tax using the statutory tax rate to income tax expense as reported in the Company's financial statements for the years ended 31 December is as follows:

US$ million	**2019**	**2018**
Profit/(loss) before income tax	$ 9,029	$ 94
At the statutory income tax rate of 19%	(1,716)	(18)
Adjustment in respect of income tax of previous years	(2)	–
Non-deductible expenses	(94)	–
Effect of lower tax rate for dividend income	1,696	–
Allowance for deferred tax asset	(23)	–
Benefit arising from a previously unrecognised tax loss of a prior period that is used to reduce current tax expense	–	4
Current income tax expense	$ (139)	$ (14)

The tax rate on dividends is equal to 10% for income from the Russian subsidiaries and zero rate for dividend income from Luxembourg. In 2019, the Company accrued tax on dividend income amounting to $153 million. At 31 December 2019 the Company had an amount payable of $62 million in relation to income tax on dividends receivable from NTMK.

In 2019, the Company recognised current income tax benefit of $16 million relating to the current year tax losses of $87 million that can be carried back to recover current tax paid in 2018.

As of 31 December 2019, the unused tax losses carried forward amounted to $121 million (2018: $Nil). Deferred tax assets in respect of these losses have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset the losses. They are available for offset against future taxable profits indefinitely.

As at 31 December 2019, the Company had $130 million of unutilised foreign tax credits. No deferred tax asset has been recognised on these tax credits as they are unlikely to have value in the future. These tax credits have no fixed expiry date.

10. FINANCIAL INSTRUMENTS

Liquidity Risk

The following tables summarise the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including interest payments.

31 December 2019

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$ –	$ –	$ –	$ 750	$ 1,950	$ –	$ 2,700
Interest	–	68	105	142	169	–	484
Loans payable to related parties							
Principal	–	198	218	-	522	–	938
Interest	–	4	28	18	5	–	55
Trade and other payables							
Principal	–	3	3	4	4	–	14
Interest	–	–	1	–	–	–	1
Financial guarantees	–	–	7	7	12	–	26
Total fixed-rate debt	–	273	362	921	2,662	–	4,218
Non-interest bearing debt							
Payables to related parties	3,151	–	–	–	–	–	3,151
Total non-interest bearing debt		–	–	–	–	–	
	$3,151	$ 273	$ 362	$ 921	$ 2,662	$ –	$ 7,369

10. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk (continued)

31 December 2018

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans payable to related parties							
Principal	$ –	$ 251	$ 1,209	$ 557	$ 167	$ –	$ 2,184
Interest	–	7	103	23	7	–	140
Trade and other payables							
Principal	–	10	3	7	8	–	28
Interest	–	1	–	–	–	–	1
Financial guarantees	–	–	10	7	10	4	31
Total fixed-rate debt	$ –	$ 269	$ 1,325	$ 594	$ 192	$ 4	$ 2,384

Market Risk

Currency Risk

The Company's exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US$ million	**2019**	**2018**
USD/RUB	**$ 613**	$ 2,162

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Company's profit before tax. In estimating reasonably possible changes the Company assessed the volatility of foreign exchange rates during the reporting periods.

	2019		2018	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	*US$ millions*	*%*	*US$ millions*
USD/RUB	(7.78) 7.78	52 (44)	(13.87) 13.87	(348) 263

Fair Value of Financial Instruments

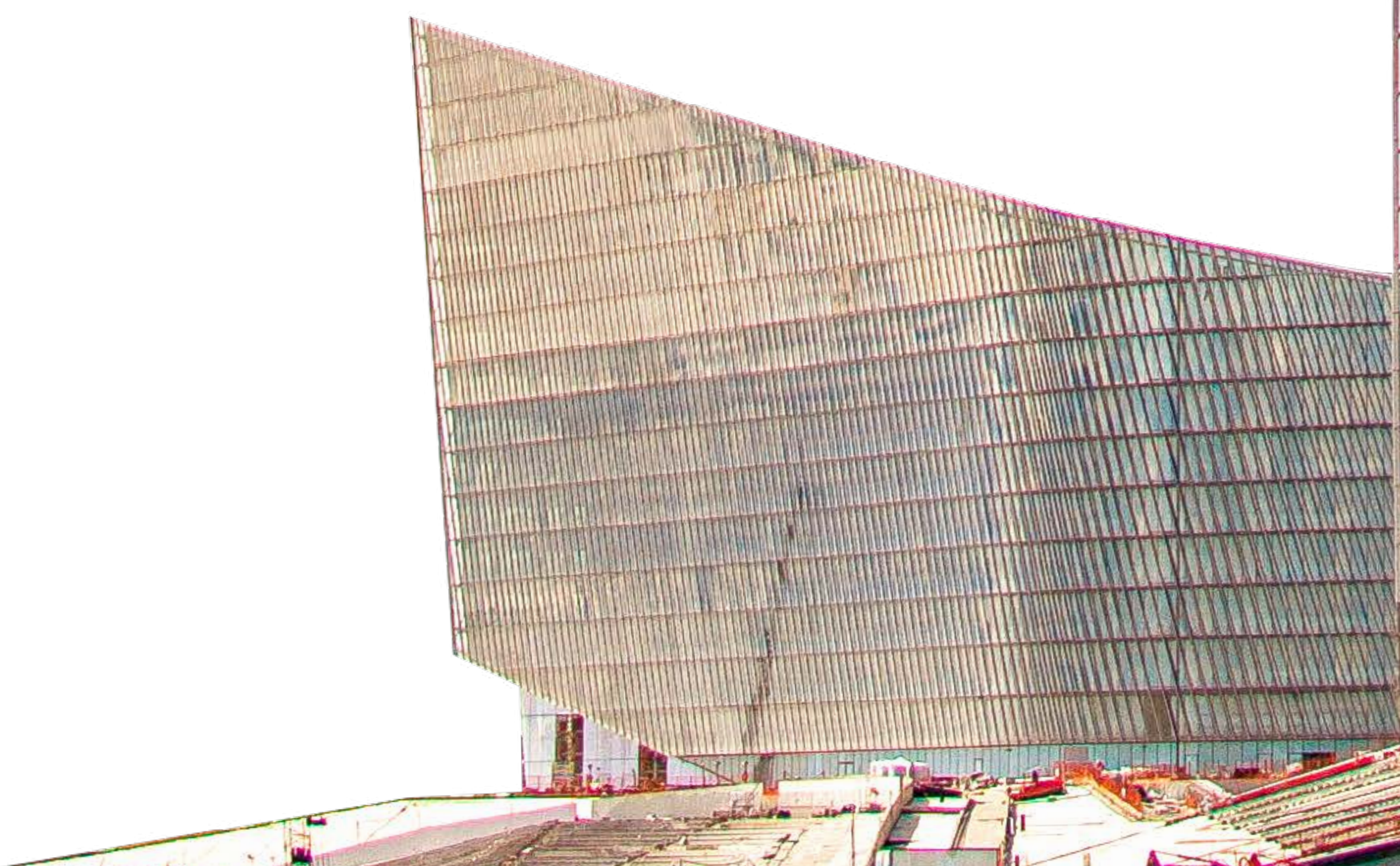
The carrying amounts of financial instruments, such as cash, accounts receivable and payable, loans payable to related parties, approximate their fair value. The fair value of the notes is disclosed in Note 28 of the consolidated financial statements.

11. SUBSEQUENT EVENTS

On 12 February 2020, EVRAZ NTMK, the Company's wholly-owned subsidiary, declared dividends in the amount of 31.9 billion roubles, which is approximately $499 million. These dividends increase the Company's distributables reserves.

Other material events after the reporting year are disclosed in Note 33 of the consolidated financial statements.

Additional information



Lakhta Center
St. Petersburg, Russia

Stock performance indicators and shareholder information

Information about shares of EVRAZ plc

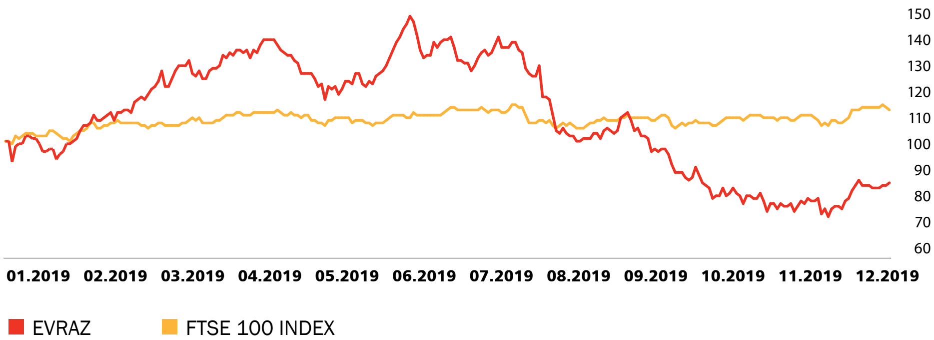
The Company's issued share capital as of 31 December 2019 and 26 February 2020 was 1,506,527,294 ordinary shares, of which 54,619,521[1] shares are held in Treasury. Therefore, the total number of voting rightsin the Company is 1,451,907,773.

The shares of EVRAZ plc trades on the Main market of London Stock Exchange

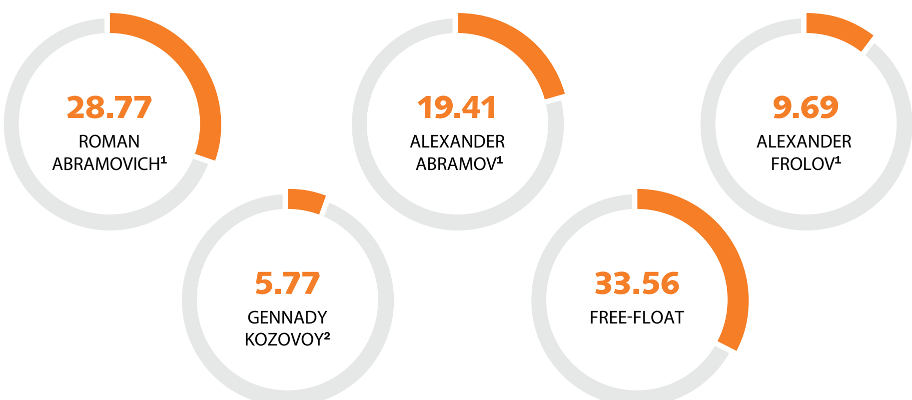
Ticker (Bloomberg)	EVR LN
Trading service	SETS
Market	MAIN MARKET
Listing category	Premium Equity Commercial Companies
FTSE index	FTSE100
FTSE sector	Industrial Metals & Mining
FTSE sub-sector	Iron & Steel
Country of share register	GB
Segment	STMM
MiFID Status	Regulated Market
SEDOL	B71N6K8
ISIN number	GB00B71N6K86

Share price

Relative share price dynamics, 52w



Shareholder structure



[1] The number of shares differs from the figure in the Financial statements by the amount of shares held in Trust.

Unsolicited telephone calls and correspondence

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas-based 'brokers' who target US or UK shareholders, offering to sell them what often turns out to be worthless or high risk shares.

These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www. fsa. gov. uk/fsaregister and contacting the firm using the details on the register
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www. fsa. gov. uk/ scams
- If the calls persist, hang up

Details of any share dealing facilities that the company endorses will be included in Company mailings.

Electronic shareholder communications

EVRAZ uses its website www. evraz. com as its primary means of communication with its shareholders provided that the shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner in accordance with the Companies Act 2006. Electronic communications allow shareholders to access information instantly as well as helping EVRAZ reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at www. investorcentre. co. uk. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's registrar, Computershare.

[1] The number of shares as per dealing notification dated 20 June 2019.

[2] The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013. For Mr Kozovoy, includes shares held directly.

Definitions of selected alternative performance measures

The Group uses alternative performance measures (APMs) to improve comparability of information between reporting periods and business units, either by adjusting for uncontrollable or one-off factors which impact upon IFRS measures or, by aggregating measures, to aid the user of this report in understanding the activity taking place across the Group's portfolio.

EBITDA

EBITDA is determined as a segment's profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense.

See Note 3 of the consolidated financial statement for additional information and reconciliation with IFRS financial statements.

Free Cash Flow

Free Cash Flow represents EBITDA, net of noncash items, less changes in working capital, income tax paid, interest paid and covenant reset charges, conversion premiums, premiums on early repurchase of bonds and realised gain/(losses) on interest payments under swap contracts, interest income and debt issue costs, less capital expenditure, including recorded in financing activities, purchases of subsidiaries, net of cash acquired, proceeds from sale of disposals classified as held for sale, net of transaction costs, less purchases of treasury shares for participants of the incentive plans, plus other cash flows from investing activities.

Free Cash Flow is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ calculation of Free Cash Flow may be different from the calculation used by other companies and therefore comparability may be limited.

Cash and short-term bank deposits

Cash and short-term bank deposits is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ calculation of cash and short-term bank deposits may be different from the calculation used by other companies and therefore comparability may be limited.

Total debt

Total debt represents the nominal value of loans and borrowings plus unpaid interest, finance lease liabilities, loans of assets classified as held for sale, and the nominal effect of cross-currency swaps on principal of rouble-denominated notes. Total debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ calculation of total debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations.

Net debt

Net debt represents total debt less cash and liquid short-term financial assets, including those related to disposals classified as held for sale. Net debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ calculation of net debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations.

Cash and short-term bank deposits calculation, US$ million

	31 December 2019	31 December 2018	Change	Change,%
Cash and cash equivalents	1,423	1,067	356	33.4
Cash and short-term bank deposits	1,423	1,067	356	33.4

Total debt has been calculated as follows, US$ million

	31 December 2019	31 December 2018	Change	Change,%
Long-term loans, net of current portion	4,599	4,186	413	9.9
Short-term loans and current portion of long-term loans	140	377	(237)	(62.9)
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	18	20	(2)	(10)
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	(6)	50	(55)	n/a
Finance lease liabilities, non-current portion	83	-	83	n/a
Finance lease liabilities, current portion	34	6	28	n/a
Total debt	4,868	4,638	230	5

Net debt has been calculated as follows, US$ million

	31 December 2019	31 December 2018	Change	Change,%
Total debt	4,868	4,638	230	5
Cash and cash equivalents	(1,423)	(1,067)	(356)	33.4
Net debt	3,445	3,571	(126)	(3.5)

CAPEX

Capital expenditure (CAPEX) is cash expenditure on property, plant and equipment. For internal reporting and analysis, CAPEX includes non-cash transactions related to CAPEX.

GHG intensity ratio

Tonnes of CO2 equivalent (Scope 1 and 2 GHG emissions) divided by tonnes of crude steel. Only steelmaking enterprises are included into the calculation, which are located in Russia and North America.

Labour productivity, US$/t

P=S/V

S – Labour Costs (asset and A-category subsidiaries), exclusive of tax, local currency (on Division consolidation sites with different currencies, $)

V – production volume, tn. (for steel assets: V – metal products shipped)

LTIFR

The LTIFR is calculated on a year-to-date basis for the company employees only.

LTIFR = X • 1000000/Y

X is the total number of occupational injuries resulted in lost time among the company employees in the reporting period. Fatalities are not included.

Y is the actual total number of man-hours worked by all company employees in the reporting period.

Slab cash costs, US$/t

Cash cost of slab is defined as the production cost less depreciation, the result is divided by production volumes of slab. Raw materials from EVRAZ coal and iron ore producers are accounted for on at-cost-basis. Costs of slab of EVRAZ NTMK, EVRAZ ZSMK are then weighted averaged by the total saleable slab production volume.

CAPEX has been calculated as follows, US$ million

	31 December 2019	31 December 2018	Change	Change,%
Purchases of property, plant and equipment and intangible assets	762	521	241	46.3
Non-cash purchases (Note 12)	-	6	(6)	n/a
CAPEX	762	527	235	44.6

Coking coal concentrate cash cost, US$/t

Cash cost of coking coal concentrate is defined as cost of revenues less depreciation and SG&A, the result is divided by sales volumes.

Iron ore products cash cost, US$/t

Cash cost of iron ore products is defined as cost of revenues less depreciation and SG&A, the result is divided by sales volumes.

Number of EBS transformations

Number of EBS transformations implemented at the key assets during the reporting year.

Effect from efficiency improvement programme (customer focus and cost cutting effects)

Each project effect is calculated as an absolute deviation of targeted metric year to year multiplied by relevant price or volume depending on project's focus.

Data on mineral reserves

COAL

Yuzhkuzbassugol JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2019
Alardinskaya	83,132
Yesaulskaya	23,137
Erunakovskaya-8	113,913
Osinnikovskaya	73,030
Uskovskaya	184,489
Total	**477,702**

Raspadskaya JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2019
Raspadskaya	911,914
Raspadskaya Koksovaya (incl. Razrez Koksovy)	224,639
MUK-96	113,058
Razrez Raspadskiy	101,323
Total	**1,350,934**

Mezhegeyugol JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2019
Mezhegeyugol	85,768

IRON ORE

Evrazruda JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2019	Fe, %	S, %
Kaz	4,082		
Tashtagol	62,053		
Sheregesh	84,847		
Total	**150,982**	**31.90**	**1.39**

Kachkanarsky GOK (EVRAZ KGOK) JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2019	Fe, %	V_2O_5, %
Gusevogorskoe	3,050,520		
Kachkanar Proper (Sobstvenno-Kachkanarskoye)	6,743,222		
Total	**9,793,742**	**15.9**	**0.13**

Terms and Abbreviations

B

Basic oxygen furnace
Basic oxygen furnace is a frunace used in a method of primary steelmaking in which carbon-rich molten pig iron is made into steel. Blowing oxygen through molten pig iron lowers the carbon content of the alloy and changes it into low-carbon steel. The process is known as basic because fluxes of burnt lime or dolomite, which are chemical bases, are added to promote the removal of impurities and protect the lining of the converter.

Beam
A structural element. Beams are characterised by their profile (the shape of their cross-section). One of the most common types of steel beam is the I-beam, also known as H-beam, or W-beam (wide-flange beam), or a 'universal beam/column'. Beams are widely used in the construction industry and are available in various standard sizes, eg 40-k beam, 60Sh beam, 70Sh beam as mentioned in this report.

Billet
A usually square, semi-finished steel product obtained by continuous casting or rolling of blooms. Sections, rails, wire rod and other rolled products are made from billets.

Blast furnace
The blast furnace is the classic production unit to reduce iron ore to molten iron, known as hot metal. It operates as a counter-current shaft system, where iron ore and coke is charged at the top. While this charge descends towards the bottom, ascending carbon containing gases and coke reduces the iron ore to liquid iron. To increase efficiency and productivity, hot air (often enriched with oxygen) is blown into the bottom of the blast furnace. In order to save coke, coal or other carbon containing materials are sometimes injected with this hot air.

By-product
A secondary product which results from a manufacturing process or chemical reaction.

C

Cash cost of coking coal concentrate
Cash cost of coking coal concentrate is defined as the production cost less depreciation, incl. SG&A and Maintenance CAPEX, the result is divided by production volumes. This measure is used to monitor segment competitiveness improvement.

CAPEX
Capital expenditure.

CFR
Cost and freight, the seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel. Insurance for the goods is not included.

Channel
U-shaped section for construction.

Coal washing
The process of removing mineral matter from coal usually through density separation, for coarser coal and using surface chemistry for finer particles.

Coke
A product made by baking coal without oxygen at high temperatures. Unwanted gases are driven out of the coal. The unwanted gases can be used as fuels or processed further to recover valuable chemicals. The resulting material (coke) has a strong porous structure which makes it ideal for use in a blast furnace.

Coke battery
A group of coke ovens operating as a unit and connected by common walls.

Coking coal
Highly volatile coal used to manufacture coke.

Concentrate
A product resulting from iron ore / coal enrichment, with a high grade of extracted mineral.

Construction products
Include beams, channels, angles, rebars, wire rods, wire and other goods.

Converter
A type of furnace that uses pure oxygen in the process of producing steel from cast iron or dry mix.

Conversion costs
Conversion costs is defined as production costs without raw materials and depreciation, incl. SG&A and Maintenance CAPEX. This measure is used to monitor segment competitiveness improvement.

Continuous casting machine

Process whereby molten metal is solidified into a "semi-finished" billet, bloom, or slab for subsequent rolling in the finishing mills.

Crude steel
Steel in its solidified state directly after casting. This is then further processed by rolling or other treatments, which can change its properties.

D

Debottlenecking
Increasing capacity of a supply or production chain through the modification of existing equipment or infrastructure to improve efficiency.

Deposit
An area of coal resources or reserves identified by surface mapping, drilling or development.

E

Electric arc furnace
A furnace used in the steelmaking process which heats charged material via an electric arc.

F

Feasibility study
A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the technical and economic viability of a project and to support the search for project financing.

Finished products
Products that have completed the manufacturing process but have not yet been sold or distributed to the end user.

Flat products or Flat-rolled steel products
Include commodity plate, specialty plate and other products in flat shape such as sheet, strip and tin plate.

G

Greenfield
The development or exploration of a new project not previously examined.

Grinding balls
Balls used to grind material by impact and pressure.

H

Head-hardened rails
High strength rails with head hardened by heat treatment.

Heat-treatment
A group of industrial and metalworking processes used to alter the physical, and sometimes chemical, properties of a material.

HiPo
High potential employee.

I

Iron ore
Chemical compounds of iron with other elements, mainly oxygen, silicon, sulphur or carbon. Only extremely pure (rich) iron-oxygen compounds are used for steelmaking.

ISO 14001
The International Standardisation Organisation’s standard for environmental management systems.

ISO 9001:2008
The International Standardisation Organisation’s standard for a quality management system.

J

JORC Code
The Australasian Joint Ore Reserves Committee, which is widely accepted as a standard for professional reporting of Mineral Resources and Ore Reserves.

K

Kt
Thousand tonnes.

L

Labour productivity
Labour productivity is defined as labour costs exclusive of tax divided by production volumes of steel products. The measurement of performance enables the Company to monitor labour efficiency.

Ladle furnace
The secondary metallurgy vessel used between steelmaking and casting operations to allow the composition of molten steel to be brought to the required customer specification.

Lean
Lean is philosophy of managing the business that is based on a set of principles that define the way of work.

Long products
Include bars, rods and structural products that are ‘long’ rather than ‘flat’ and are produced from blooms or billets.

Longwall
An underground mining process in which the coal face is dug out by a shearer and transported above ground by conveyors.

LTIFR
Lost time injury frequency rate, which represents the number of lost time injuries (1 day or more of absence) divided by the total number of hours worked expressed in millions of hours.

Lumpy ore
Iron ore between 6mm and 30mm in size. Lump is preferred in the blast furnace as its particle size allows oxygen to circulate around the raw materials and melt them efficiently.

M

Model line
Model line is as a value stream within a single facility or operation, provides a focused and controlled playground for implementing lean. Serve as internal benchmark for the Company. The measurement of performance enables the Company to monitor lean implementation.

Mt
Million tonnes.

Mtpa
Million tonnes per annum.

O

Open pit mine
A mine working or excavation open to the surface where material is not replaced into the mined out areas.

OCTG pipe
Oilfield Casing and Tubing Goods or Oil Country Tubular Goods – pipes used in the oil industry.

P

Pellet
An enriched form of iron ore shaped into small balls or pellets. Pellets are used as raw material in the steel making process.

Pig iron

The solidified iron produced from a blast furnace used for steel production. In liquid form, pig iron is known as hot metal.

Pipe blank
A flat sheet of metal, a semi-finished product, sold to pipemakers to manufacture pipes.

Plate
A long thin square shaped construction element made from slabs.

Pulverised coal injection (PCI)
A cost-reducing technique in iron-making, where cheaper coal is prepared to replace normal coking coal in the blast furnace. The coal is pulverised into very small particles before injection into the furnace.

R

Railway products
Include rails, rail fasteners, wheels, tyres and other goods for the railway sector.

Rebar
Reinforcing bar, a commodity grade steel used to strengthen concrete in highway and building construction. Rebar A500SP is a type of reinforcing bar that allows for a reduction in the metallic component of reinforced concrete, thereby significantly lowering construction costs.

Rolled steel products
Products finished in a rolling mill; these include bars, rods, plate, beams etc.

Rolling mill
A machine which converts semi-finished steel into finished steel products by passing them through sets of rotating cylinders which form the steel into finished products.

S

SG&A
Selling, General and Administrative Expenses.

Saleable products
Products produced by EVRAZ mines or steel mills which are suitable for sale to third parties.

Self-coverage
The raw material requirement of EVRAZ steelmaking facilities compared with coal product sales or production of iron ore products from own raw materials.

Scrap
Iron containing recyclable materials (mainly industrial or household waste) that is generally remelted and processed into new steel.

Semi-finished products
The initial product forms in the steel making process including slabs, blooms, billets and pipe blanks that are further processed into more finished products such as beams, bars, sheets, tubing etc.

Sinter
An iron rich clinker formed by heating iron ore fines and coke in a sinter line. The materials, in pellet form, combine efficiently in the blast furnace and allow for more consistent and controllable iron manufacture.

Slab
A common type of semi-finished steel product which can be further rolled into sheet and plate products.

Slag
Slag is a byproduct generated when non-ferrous substances in iron ore, limestone and coke are separated from the hot metal in metallurgical production. Slag is used in cement and fertiliser production as well as for base course material in road construction.

Steam coal
All other types of hard coal not classified as coking coal. Coal of this type is also commonly referred to as thermal coal.

T

Tailings
Also called mine dumps, are the materials left over after the process of separating the valuable content from the uneconomic remainder (gangue) of an ore. These materials can be reprocessed using new methods to recover additional minerals.

Tubular products
Include large diameter line pipes, ERW pipes and casings, seamless pipes and other tubular products.

U

Unrealised profit (URP)
Inter-segment unrealised profit or loss (URP) is a change in the sales margin included in balances of inventories purchased from segments other than the reportable segment between the end and the beginning of the reporting period.

V

Vanadium
A grey metal that is normally used as an alloying agent for iron and steel. It is also used to strengthen titanium based alloys.

Vanadium pentoxide
The chemical compound with the formula V2O5: this orange solid is the most important compound of vanadium. Upon heating, it reversibly loses oxygen.

Vanadium slag
Vanadium slag produced from pig iron in the converter shop and used as a raw material by producers of ferroalloys and vanadium products.

Short summary of relevant anti-corruption policies

Code of Conduct

The Code of Conduct is the key document that all employees are requested to adhere to and act in full accordance with. Every new employee is trained on the Code of Conduct on their first day of work. The document is available on the corporate intranet and stresses the ultimate importance of ethical behaviour in all circumstances. Anti-corruption training and the tone set from the top of the organisation emphasise the role of the Code of Conduct in the Group's daily life.

Anti-corruption policy

EVRAZ Anti-corruption Policy establishes and explains key principles that all assets have adopted to prevent corruption. The policy is easily accessible on the corporate intranet for employees, interested parties and partners, who are all expected to be compliant with relevant anti-corruption legislation and the principles upheld by EVRAZ.

Anti-corruption training policy

Consistent anti-corruption education efforts are an integral element of a well-thought-out compliance system. The policy adopted in December 2015 defines what positions and levels of authority are to undergo training in anti-corruption awareness. Specifically, all managers and specialists from compliance, legal, controlling, asset protection, investor and government relations, and HR are to receive training and pass a corresponding test. The same refers to all decision makers and/or client managers from procurement and sales. Compliance managers are assigned discreet authority to analyse risk areas and decide who else needs to be trained.

Sponsorship and charity policy

This policy regulates all aspects of EVRAZ sponsorship and charity efforts as necessary. Under it, the Group may consider supporting low-income or physically challenged individuals, and those suffering from conflicts or natural disasters. EVRAZ may choose to support certain projects in education, sport, health care, culture, and environmental protection. All petitions are carefully considered in terms of legitimacy and transparency of purpose, the amount sought, and the reputation of the petitioner. The decisions are then taken by the Group CEO. When support is granted, sponsorship being its preferred form, such instances are followed up by experts under the vice president for corporate communications and by compliance managers. This ensures full accountability and strict adherence of those supported to EVRAZ policy requirements.

Gift and business entertainment policy

EVRAZ believes that business gifts and hospitality are accepted ways to demonstrate and further develop good relationships. At the same time, adequate and consistent control over such expenses is highly important and is one of the key areas for anti-corruption compliance to watch. The policy defines rules and strict approval procedures to be followed when extending or receiving gifts and hospitality. In particular, all amounts above US$100 for a personal gift (received or given) and US$500 for hospitality (received or extended to a person) must be approved by the responsible compliance manager. Corresponding amounts in U.S. and Canada are US$50 and US$250 respectively. To this end, an electronic notification system has been developed. The internal audit function conducts regular checks of the completeness and accuracy of records, either planned or requested by a compliance manager, and compliance specialists act on any recommendations promptly.

Hotline policy and whistle-blowing procedures

EVRAZ encourages employees to raise concerns to their line managers if they believe the company's policies or cardinal principles are somehow violated. If employees, clients, or contractors feel unable to do so via other means and procedures, a confidential hotline is available 24/7.

Candidate background and criminal record checks

EVRAZ consistently performs thorough background and criminal record checks on all potential employees. Among other requirements and norms, the policy specifies that all necessary effort is invested only after the candidate gives written permission to work with his/her personal data. The company is committed to protecting each individual's privacy and works in full compliance with relevant laws on personal data.

Conflict of interest policy

A conflict of interest is a set of circumstances in which employees have financial or other personal considerations that may compromise or influence their professional judgment or integrity in carrying out their work responsibilities. The policy specifies how to identify, consider, and duly take care of situations with signs of such conflicts. HR together with compliance managers routinely check whether there are conflicts of interests in the Group, whereas employees and particularly their managers are expected to provide information about any potentially risky situations. Special commissions consider cases that are reported and found to come up with the best possible solution to each individual situation.

Contractor/supplier due diligence checks

To guard against unscrupulous, unreliable, or suspicious would-be agents and partners, the company runs comprehensive due diligence checks on a business or person prior to signing a contract. EVRAZ fervently upholds a know-your-partner/client policy and in doing so is fully compliant with the applicable anti-corruption laws. The investigation includes but is not limited to checking the company's business reputation and solvency, as well as its top management's profile and reputation.

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