

Success factors and KPIs

EVRAZ BUSINESS SYSTEM

Strategic goals

The EVRAZ Business System (EBS) combines setting targets, developing staff, providing management system support, fostering the corporate culture, and achieving process and infrastructure improvements. 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, and the maintenance phase aims to reach the target effects from initiatives and further improve the process.

Overview 2018

During 2018, 24 active phases of EBS transformations have been completed across three divisions, 16 of which were done at the Siberia division (compared with 6 in 2017), five in the Urals division and three in the Coal division, where EBS transformations were initiated during the reporting period.

EVRAZ employees generated around 17,732 ideas in 2018, 34% of which were implemented. Overall, EBS transformation has already involved 15,234 employees.

One bottom-up initiative generated by an employee in 2018 was to reduce water losses by installing an excess water conduit between

the radial thickeners at the Rospadskaya coal washing plant, which has an estimated EBITDA effect of more than US\$1 million.

The total potential effect of the EBS initiatives in 2019-22 is forecasted at more than US\$268 million

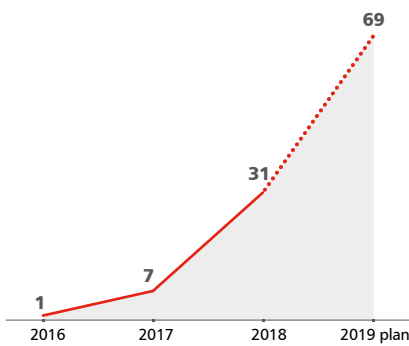
Outlook 2019

In 2019, EVRAZ will further expand EBS transformations by completing 38 active phases (20 in the Siberia division, 14 in the Urals division and four in the Coal division) involving an expected total of 28,156 employees.

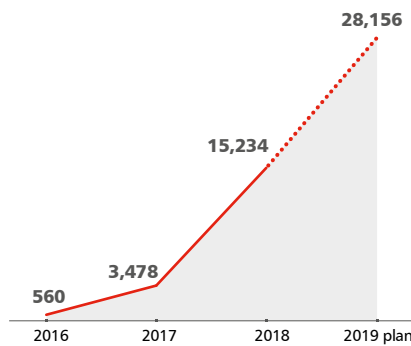


EBS TRANSFORMATIONS KPIS

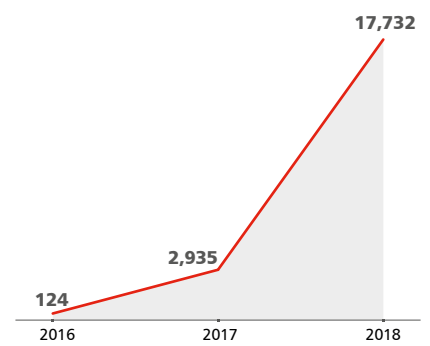
Number of areas



Number of employees involved



Number of initiatives



2018 FINANCIAL RESULTS

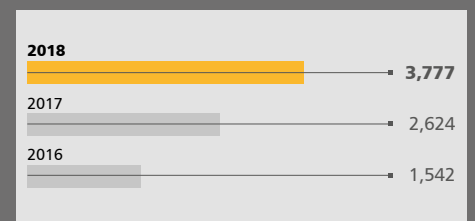
The cost-cutting and productivity improvement initiatives generated an EBITDA effect of US\$273 million. Combined with customer focus efforts totalling US\$67 million EBITDA, EVRAZ total EBITDA effect reached

US\$ 340 million
in 2018

In 2018, overall EBITDA reached US\$3,777 million, up 44% year-on-year, driving the EBITDA margin up to 29.4% from 24.2% in 2017.

KPI

EBITDA, US\$ million



KPI

Free cash flow, US\$ million

