EVRAZ

To: All Bargaining Unit Employees
Date: July 22, 2018
Re: Profit Sharing Plan

2nd Quarter Results

Our financial performance for the 2nd quarter of 2018 resulted in no payment being made under the plan. Our profitability was heavily affected by the introduction of the Section 232 tariffs on steel, reduced revenues, and production issues.

The 25% tariffs on steel imports from Canada, Mexico, and the European Union introduced by the US Government on June 1st, 2018, increased our costs and reduced margins on the sales into the US.

Production volumes were below targets due to various operational issues, equipment reliability and low yields. These issues drove cost per ton up for both steel and tubular mills, therefore negatively impacting profitability.

On the revenue side, sales for the quarter were adversely impacted by delayed shipments, which negatively impacted our revenue recognition as some revenues with the destination terms were deferred due to not reaching our customers' locations as of the end of the quarter.

Looking Forward

As we work on addressing these and other challenges to turn around the financial performance of our Canadian Operations, our focus continues to be on safety, quality, improving our cost position and developing the products necessary to meet the critical demands of our customers.

David Light
Vice-President of Tubular and Steel Operations
Regina