

To: All Bargaining Unit Employees
Date: January 4, 2019
Re: Profit Sharing Plan

3rd Quarter Results

Our financial performance for the 3rd quarter of 2018 resulted in no payment being made under the plan. Our profitability was heavily impacted by Section 232 tariffs, introduction of Anti-Dumping duties on EVRAZ and production issues in the ERW Mill.

Combining the US Department of Commerce preliminary determination on August 27th, 2018 for EVRAZ to pay 24.38% duty on large diameter pipes with the tariff introduced by the US Government on June 1st, 2018, EVRAZ is paying a total of 49.38% for duty and tariff on shipment of pipes into the US. These increased our costs and reduced our margins significantly as most of our large diameter orders for the rest of the year are shipped to the US.

Production volume was below targets due to operational issues, equipment reliability and low yields mainly in Regina ERW mill. These issues drove cost per ton higher therefore impacting profitability.

Looking Forward

As we work on addressing these and other challenges to turn around 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,
Senior Vice-President