

CEO LETTER

Dear shareholder,

2020 was an unprecedented year, which changed the world and the way we do business. Intense global uncertainty caused by the outbreak of COVID-19 had a profound effect on economies and pressured global markets. The restrictive measures imposed by the governments of various countries to fight against the COVID-19 pandemic had a significant impact on the level of consumption of steel products around the world, especially in the first half of the year. However, thanks to the upswing seen on the global markets in the second half of the year, the Group delivered solid operating and financial results while, most importantly, doing everything it could to protect its people during a pandemic.



Alexander Frolov
Chief Executive Officer

Sustainability

Management's primary focus was on ensuring safe working conditions and preventing the spread of COVID-19. EVRAZ went beyond protecting its employees and worked to safeguard local communities.

For more about the Group's COVID-19 response, as well as the effects of the pandemic on EVRAZ, see Impact of COVID-19 on [pages 30-31](#). →

The overriding priority of EVRAZ is the health and safety of its people. Unfortunately, five people lost their lives at the Group's enterprises during the reporting period. The lost time injury frequency rate (LTIFR) reached 1.58, the lowest level for EVRAZ historically and below the target of 1.61 that management set for 2020.

In 2020, the primary focus in the area of health and safety was the roll-out of a project to enhance risk management across all divisions. After thoroughly reviewing and further developing existing

processes, the Group began training employees to use a new set of tools for identifying and managing risks. As a result of the COVID-19 pandemic, all training courses have been conducted online since the second quarter of 2020.

Other key aspects of the project include the Risk Hunting initiative and a review of standard operating procedures.

In 2020, EVRAZ worked hard to create a new environmental strategy with environmental impact mitigation goals to be achieved by 2030. At the Group's steelmaking assets, the goals include reducing greenhouse gas emissions (Scope 1 and 2) per tonne of steel produced by 20%, reducing atmospheric emissions from steel production by 33%, closing the water supply cycle, as well as recycling 95% of general and metallurgical waste. At the mining assets, they include recycling 50% of mining waste and utilising 75% of the methane released in the process of degassing.

During the reporting period, EVRAZ continued to implement measures aimed

at improving its environmental impact. Among the most important projects of 2020 were construction of a dust and gas cleaning unit for blast furnace no. 6 at EVRAZ NTMK, modernisation of gas cleaning units of the basic oxygen furnace shop at EVRAZ NTMK, modernisation of electrostatic precipitators of Heat and Power Station at EVRAZ ZSMK and the direction of coke oven gas to the coking chemicals collecting shop no. 3 at EVRAZ NTMK. In 2020, the Group's specific greenhouse gas intensity ratio remained below 2.0 tonnes of carbon dioxide equivalent (tCO₂e) per tonne of crude steel.

For more about the Group's new environmental strategy, see [pages 14-15](#), 60. →

In 2020, EVRAZ management team actively focused on developing the Group's climate change approach at the request of the Board of Directors and its Health, Safety and Environmental Committee. In March-June, EVRAZ held several sessions with senior management, which included a detailed discussion on climate change. By the end of June, the Group

had completed a climate change scenario analysis, as well as mapped the risks and opportunities together with impacts and mitigation measures.

Following this, in October 2020, EVRAZ published its first Climate Change Report, which was based on the recommendations of the Task Force on Climate-related Financial Disclosures. The report outlines the principles underpinning the Group's approach to climate change and seeks to provide greater insight for stakeholders on the actions that EVRAZ is taking. Working closely with stakeholders is an integral part of the Group's approach to climate change and the Climate Change Report is an effort to further enhance stakeholder engagement with respect to this important topic.

Discover more in the Climate Change Report: <https://www.evraz.com/en/sustainability/data-center/climate-change-reports/>

EVRAZ believes that employee skill sets and engagement are the foundation for continuous improvement at its operations. In 2020, we continued existing programmes and started several new initiatives in this area.

The Group launched a comprehensive employee health management programme that incorporates new approaches, including identifying risk groups and offering preventative measures. It also introduced the "Health Management: Top 300" pilot project for "Top 300" programme participants. Moreover, in response to the COVID-19 outbreak, EVRAZ provided access to a telemedical service for personnel in Russia, enabling them to ask any questions they have about health.

For more about the support given to employees during this time, see Impact of COVID-19 on pages 30-31. →

In 2020, EVRAZ completed implementing a Target remuneration system at the Steel segment's EVRAZ NTMK, EVRAZ KGOK, EVRAZ ZSMK and EVRAZ Vanady Tula enterprises in Russia based on a grading system for employees at production facilities, below the level of head of shops and directors of mines. The main aim of the project is to develop and introduce unified, fair and transparent rules and principles for setting compensation across the Group.

For more see Our people section on page 68-73 →

Investment portfolio

Given the volatile conditions on the Russian steel market, management decided to reprioritise the investment portfolio of EVRAZ, including several of the Group's key development projects. A decision was made to postpone the integrated flat casting and rolling facility project at EVRAZ ZSMK and to go ahead with the rail and beam mill modernisation project at EVRAZ NTMK, which was moved to active implementation. In North America, EVRAZ Pueblo's new long rail mill project continued according to the schedule with an active investment phase having commenced in the second half of the year.

Among other key investment projects in 2020, in the Steel segment, EVRAZ NTMK successfully completed the reconstruction of blast furnace no. 6, introducing state-of-the-art technology. In addition, EVRAZ NTMK continued installing a gas pressure-recovery turbine on blast furnace no. 7 – which was part of an initiative to reduce electricity purchases by generating power in-house – and completed installing its sixth automated railway wheel processing line.

Two large investment projects were implemented in the Coal segment. The transition of Esaulskaya mine to a new seam no. 29 in June and the transition of Uskovskaya mine to a new seam no. 48 in December. Implementation of both projects will allow to increase production volumes and improve quality of the GZh (semi-hard) coking coal mined by the Group.

Additionally, in the Steel, North America segment, capital investments to modernise equipment and expand production capacity continued at EVRAZ Regina in Saskatchewan and EVRAZ Red Deer in Alberta, which will help to reduce emissions and improve efficiency.

In total, EVRAZ invested US\$199 million in development projects and US\$458 million in maintenance projects in 2020.

Operational efficiency

Retaining a low-cost position and maintaining market leadership positions remain very important for the Group.

The EBS, which marked its 10th anniversary in 2020, has evolved into a system which seeks to achieve ambitious targets

through the application of the EVRAZ principles, employee development, efficient management and process improvement. After having previously been implemented only at the Group's Russian enterprises, in autumn 2020 the EBS roll-out began in North America at the EVRAZ Pueblo mill.

For more about the results generated using the EVRAZ Business System, see pages 16-17. →

Among the achievements of the past year, the strong start of the Group's digital transformation initiative stands out. In 2020, digital transformation projects generated an efficiency improvement effect of US\$17 million inspiring EVRAZ to set the ambitious goal of generating an effect of US\$150 million in 2021-2023.

In 2020, the Group opened a digital transformation centre in Novosibirsk, close to its primary production sites. Embracing digital technology will help to improve employee safety and business efficiency, as well as process speed and customer convenience.

For more about the Group's digital transformation, see pages 88-89. →

Moreover, EVRAZ continued to implement its efficiency improvement programme, which is a performance monitoring system that aims to generate and implement initiatives with an annual EBITDA effect at least of 3% from cost of goods sold. During the reporting period, the efficiency improvement programme delivered an EBITDA effect of US\$426 million from customer focus and cost-cutting initiatives.

The Steel segment remains the core of the Group's business model, allowing it to maintain leadership positions in the railway product and infrastructure steel markets. In 2020, total pig iron production increased by 1.3% to 11,157 thousand tonnes after the launch of blast furnace no. 6. Efficiency improvement initiatives in the segment had a total effect of US\$394 million.

In 2020, EVRAZ continued its work to enhance customer service and develop new products as part of its strategic objective to remain the leading manufacturer of infrastructure steel. The Group launched an initiative to digitalise sales channels and continued to develop its programme aimed

at promoting demand for beams and structural products in construction and improving the availability of products to clients. Moreover, in 2020, the Group launched a project to sell beam sets for constructing buildings such as car parks, logistical centres and industrial facilities.

In the Steel segment's vanadium operations, EVRAZ further expanded its customer base in Asia, the Middle East and North Africa in 2020. The Group satisfied growing demand in steel and energy storage segments, particularly in China, by ensuring a stable supply of diversified products. In addition, in May 2020, EVRAZ established a new research and development centre at East Metals, a subsidiary of the Group in Switzerland. Its main objective is to support the sustainable and diversified use of vanadium as an alloying element in current and future steel products.

2020 was a challenging year for EVRAZ' Coal segment. In response to the market turmoil, management halted output of the surplus GZh-grade semi-soft coking coal at Rasrez Rospadsky in spring 2020. Overall, mining volumes decreased by 21% year on year to total 20.7 million tonnes. However, EVRAZ was able to decrease costs despite decline in the production volumes, cash-cost of coal concentrate amounted to US\$31 per tonne which was 12% lower year-on-year. Additionally, Coal segment generated US\$66 million effect from the customer focus and cost-cutting initiatives during the year.

In June 2020, Andrey Davydov was appointed Vice President and Head of the Coal Division, as well as CEO of Rospadskaya Coal Company. After joining EVRAZ in 2010, he headed its Sukha Balka iron ore mine in Ukraine for five years and then Management Company EVRAZ Mezhdurechensk from 2016. The Group is confident that his solid experience and outstanding professional skills will bring additional momentum to the Coal segment's performance.

In December 2020, EVRAZ completed of its coal businesses, operated through Yuzhkuzbassugol under another subsidiary of the Group - PAO Rospadskaya.

The consolidation established the enlarged Rospadskaya as a leading Russian producer of high quality metallurgical coal with low cost asset footprint, reduced risks due to the diversification of coal type mix, expanded client base and assortment of final products. It will also streamline the corporate structure and management of EVRAZ' Coal segment.

Further to EVRAZ' announcement on 26 January 2021, EVRAZ' Board of Directors regularly reviews the Company's strategic options to maximise long-term value for EVRAZ shareholders. The Board has given approval for management to consider the strategic merits of and possible structures for a potential demerger of its coal business. The discussion is ongoing and no decision has yet been made. EVRAZ will keep shareholders updated through further announcements in due course if and when appropriate.

In the Steel, North America segment, several factors led to disruptions in operations and production at various locations in 2020. The first of these was a cyberattack in March, which was followed by a steep drop in crude oil prices and then the economic volatility brought on by the COVID-19 pandemic. In response, management undertook numerous measures, including idling some production facilities in Canada and the US to support free cash flow, reducing operating costs and optimising working capital.

Financial results

In 2020, EVRAZ reported total EBITDA of US\$2,212 million. The Steel segment's EBITDA increased by 7.5% to US\$1,930 million as a result of lower expenses. Despite turbulent markets, the Coal segment managed to generate EBITDA of US\$400 million, down 52.6% year-on-year. During the reporting period, EVRAZ North America saw a deterioration in its financial performance in year-on-year terms, showing EBITDA of US\$(28) million, which was down from positive US\$38 million in 2019. Among the factors that contributed to low EBITDA levels were a weak market for tubular products, as well as consumption slowdown on other key markets due to the COVID-19 pandemic in North America. Overall, the Group ended 2020 with net debt of US\$3,356 million,

bringing its net debt/EBITDA ratio to 1.5, which is in line with the medium-term target that EVRAZ has set to maintain net debt below US\$4 billion. In 2020, the Group was able to generate robust free cash flow of US\$1,020 million, which made it possible to pay dividends of US\$872 million.

Outlook for 2021

In 2021, EVRAZ will continue to improve its safety culture, customer focus and operational efficiency, using digital tools where appropriate.

The Group aims to achieve significant progress in its key investment projects, the foremost of which is to upgrade the rail mills in North America and Nizhny Tagil. EVRAZ will also focus on making the best possible use of the opportunities that arise as the markets begin to recover from the pandemic in 2021.



Alexander Frolov
Chief Executive Officer