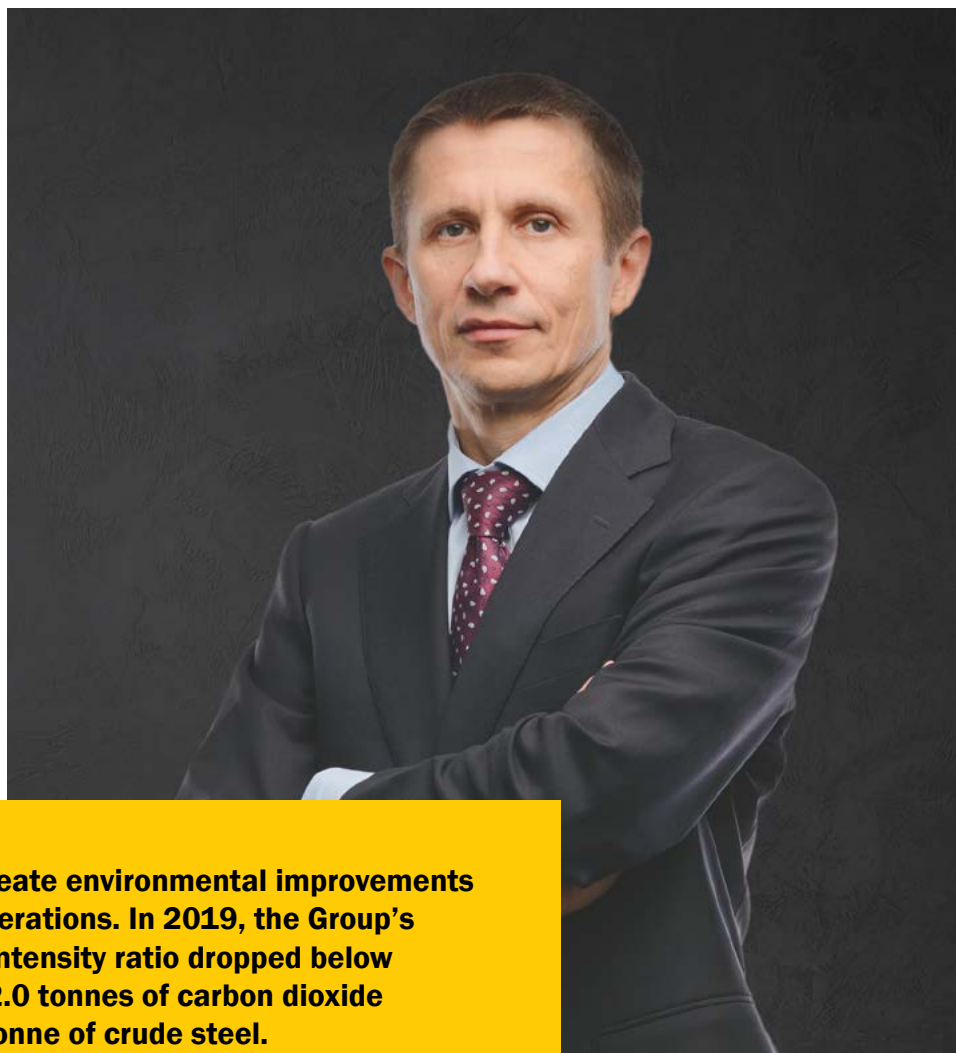


Chief Executive Officer's letter



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 (tCO₂e) 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



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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 (tCO₂e) per tonne of crude steel to 1.97 tCO₂e 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 Rospadskaya-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.