



# FINANCIAL RESULTS

H1 2021

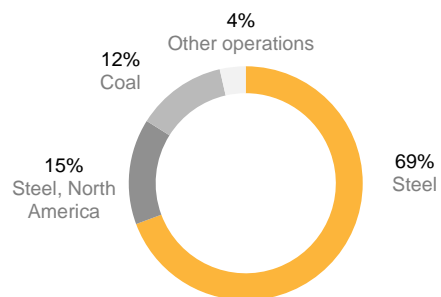
📅 5 August 2021



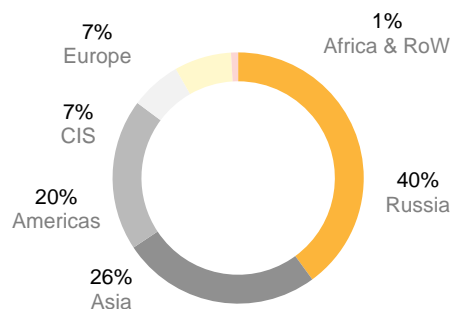
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# Core operations and distribution markets

## Segment revenue structure<sup>1</sup>, %



## Consolidated revenue by region, %



## Key operational indicators, mt

Production	H1 2021	H1 2020
Crude steel	6.8	6.9
Iron ore products	7.1	7.1
Raw coking coal	11.6	9.9

Source: Company information

<sup>1</sup> EVRAZ' steel segment sales include sales of semi-finished and finished steel products, iron ore and vanadium products both to local and global markets

<sup>2</sup> All market shares data are company's estimation for H1 2021



## EVRAZ' market shares



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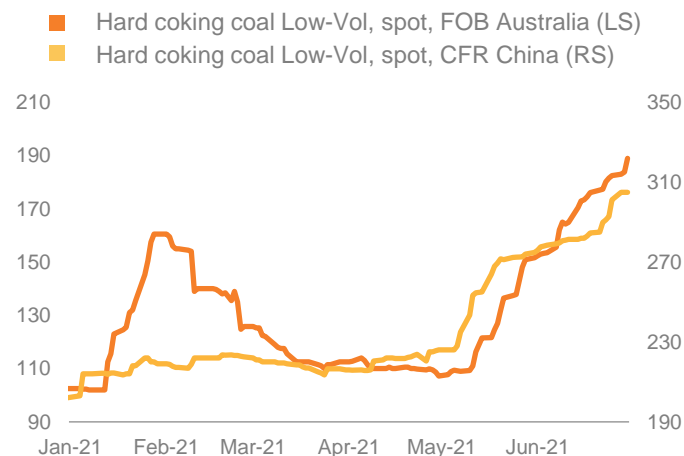
# Highlights

**Alexander Frolov**  
Chief Executive Officer

## Impressive price rally in global steel and raw materials brings positive market momentum

- Better global coking coal market on supply deficit the driver of a price increase in H1 2021
- Fundamentals support high iron ore prices. New record set in early May
- A rebounding economy has helped steel prices skyrocket to multi-year highs. Steel demand outstripped supply
- The difference in the prices for slabs and billets was caused by the more rapid recovery in flat-rolled products
- For the rest of the year, the uptrend will last despite the possible adverse effects caused by China

### Global coking coal prices, \$/t

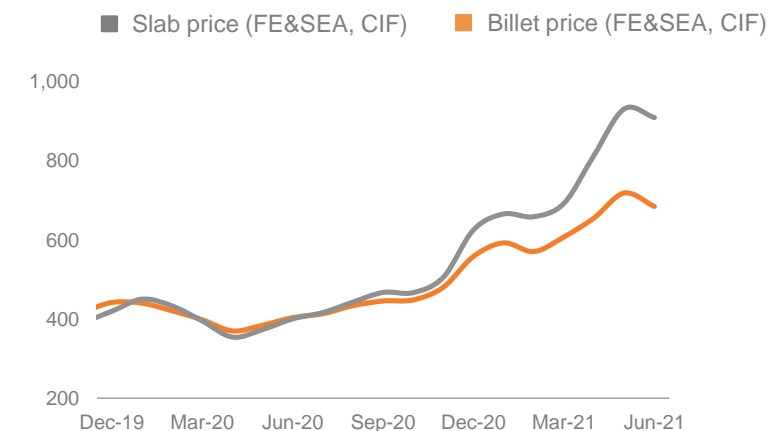


### Iron ore prices, \$/t

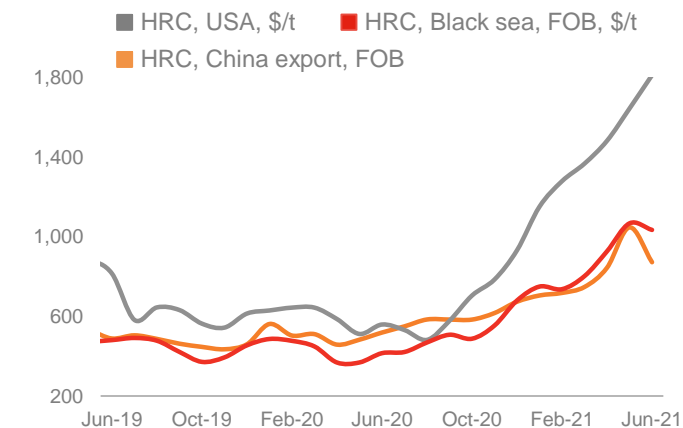


Source: CRU, Metal Expert

### Semi-finished products prices, \$/t



### Steel prices, \$/t



# Financial highlights



A number of favorable factors coincided in the 1H 2021 to bring steel prices to historically high levels translating into peculiar profits

## REVENUE

**\$6,178m**

(+24% Y-O-Y)

Strong revenue growth:  
**Higher sales prices** for construction and semi-finished products;  
Sales in **Russia, CIS and Asian** markets increased the most

## EBITDA

**\$2,082m**

(+94% Y-O-Y)

EBITDA almost doubled y-o-y:  
**Steel segment** – the major driver to EBITDA expansion;  
Companywide margin reached **33.7%**

## FREE CASH FLOW

**\$836m**

(+165% Y-O-Y)

Higher profitability offset by **working capital outflow** amid rising prices, and **increase in capital expenditures** in H1 2021

## NET DEBT

**\$3,261m**

(-2.8% Y-O-Y)

**Consistent net debt reduction** contributing to lower leverage and interest expense;  
**Ratio of net debt to LTM EBITDA** amounted to 1.0x as of 30 June 2021

## CAPEX

**\$430m**

(+28% Y-O-Y)

Major items:  
**Long rail mill** in Pueblo – \$107m;  
Number of maintenance projects – \$172m in total

## DIVIDENDS

**\$802m**

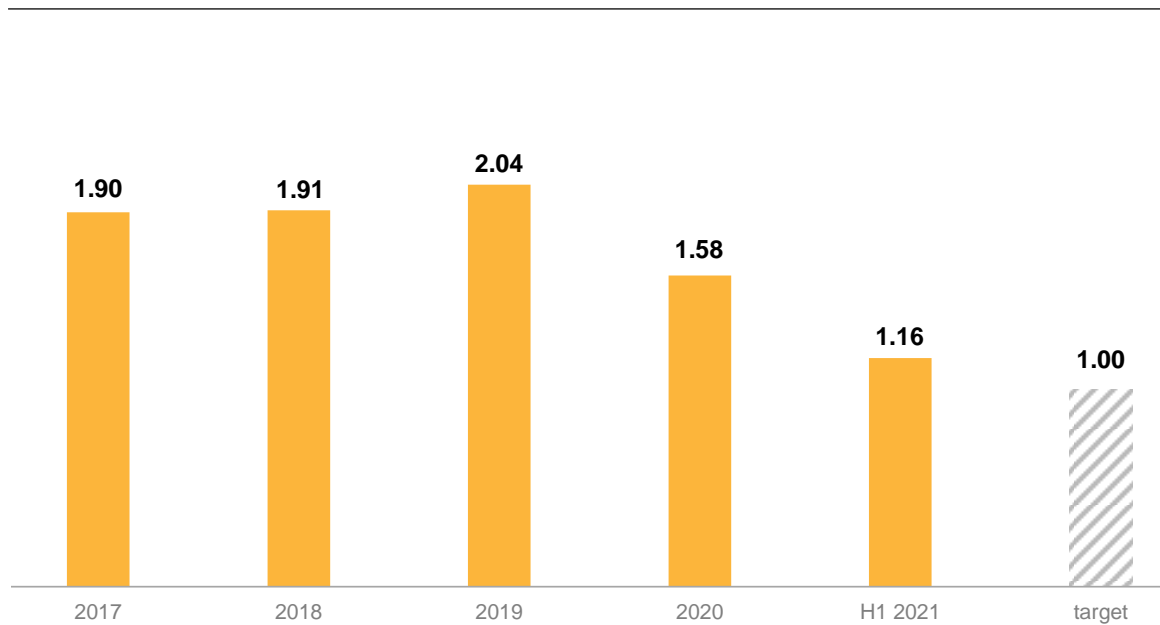
total amount

The Board proposes to distribute **\$0.55 per share as dividend** with 6.8% dividend yield

# Safety is a core value

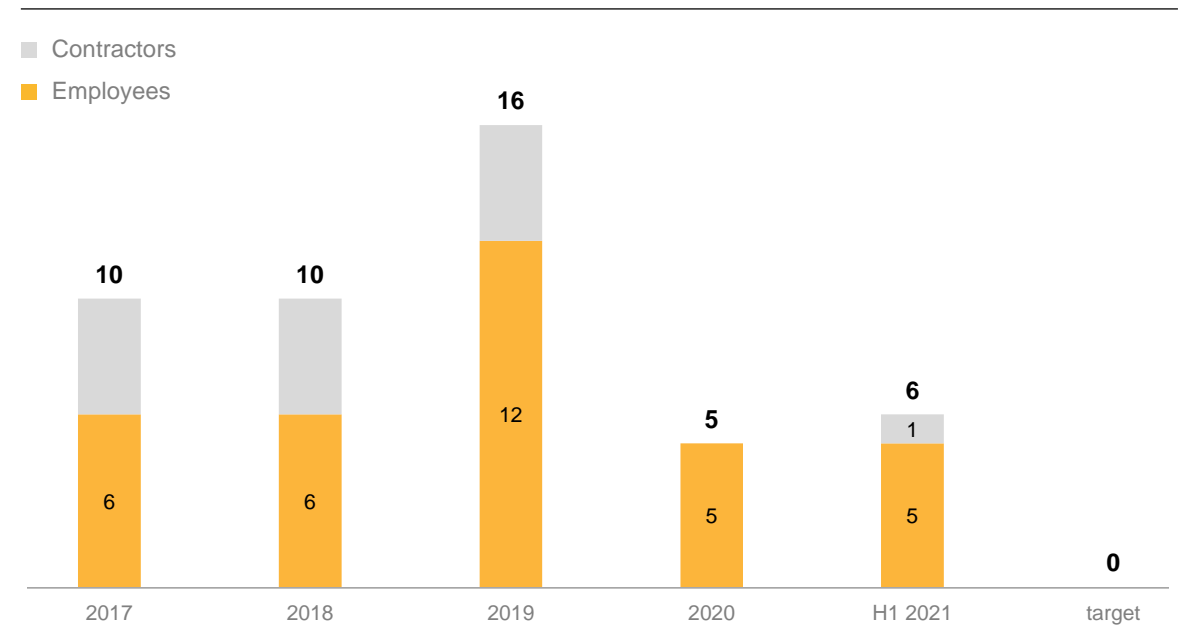
- Regretfully, we have to report six fatalities in H1 2021. This is unacceptable and management will continue making every possible effort to achieve our goal of zero fatalities and a LTIFR of less than one
- The final stage of the risk management project has been reached, staff training has been completed and the acquired knowledge and tools are now being rolled out across the Group
- The lost time injury frequency rate (LTIFR) was 1.16x, which is within the target of 1.36x set by management

## LTIFR



Source: Company information

## Fatalities



Source: Company information

## Strategic priorities



**Retention of low-cost position**



**Development of product portfolio and customer base**



**Prudent CAPEX**



**Debt management and stable dividends**

## Results



**Cost cutting initiatives effect on EBITDA – \$82m**



**Customer focus initiatives effect on EBITDA – \$174m**



**Development CAPEX – \$258m**

**Maintenance CAPEX – \$172m**



**Net Debt - \$3,261m,  
Net Debt/EBITDA - 1.0x**

**Dividends paid c.\$0.7bn  
with a dividend yield of 6%**





In the second half of 2021, we expect global markets to remain fairly healthy and iron ore and coking coal prices to stay elevated



The steel market may also face the effect of the Chinese government's initiatives to reduce carbon emissions



EVRAZ will continue to execute its key investment projects, the foremost of which is the construction of new long rail mill in North America and the upgrade of the rail and beam mill in Nizhny Tagil

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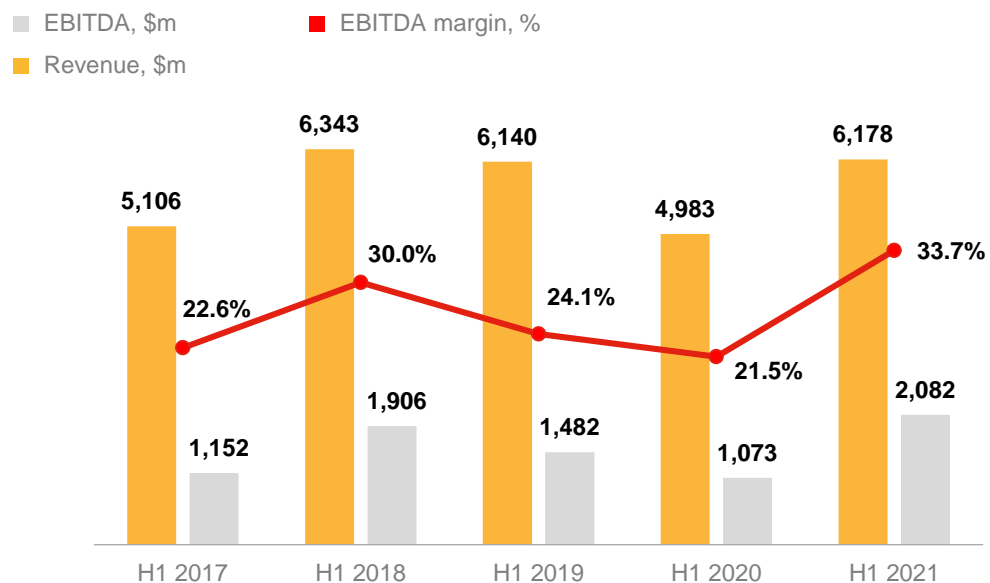
# Financial performance

**Nikolay Ivanov**  
Chief Financial Officer

# EBITDA and margins

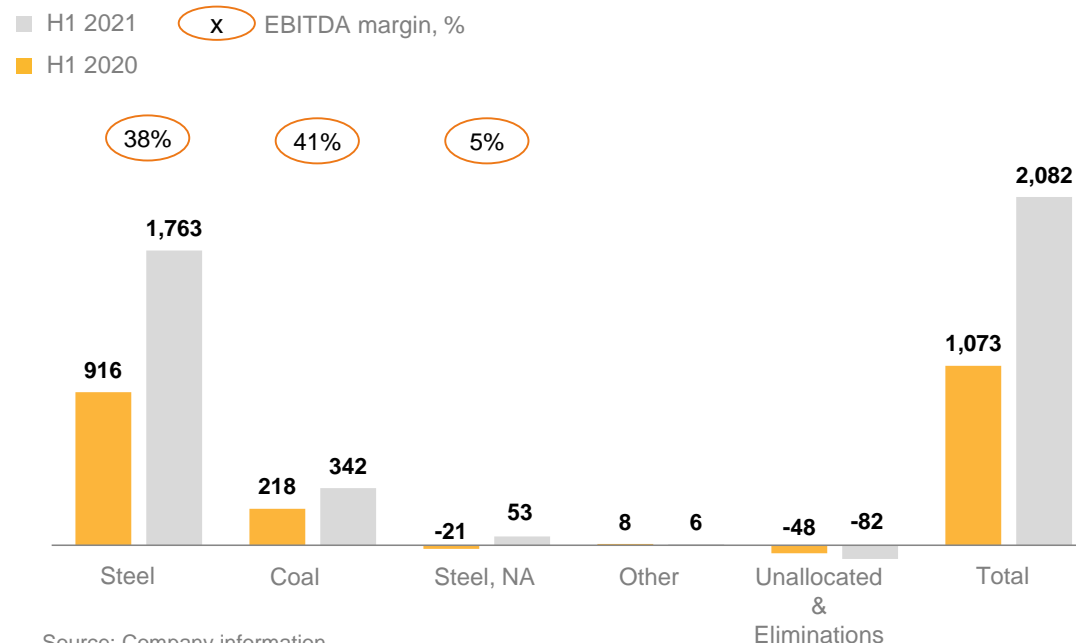
- EBITDA amounted to \$2,082m in H1 2021 vs \$1,073m in H1 2020, EBITDA margin increased from 21.5% to 33.7%
- The increase in EBITDA was primarily attributable to higher steel, vanadium and coal product sales prices as well as better sales of flat-rolled steel products resulting from improving market demand in North America

## Financial performance, \$m



Source: Company information

## EBITDA by segment, \$m

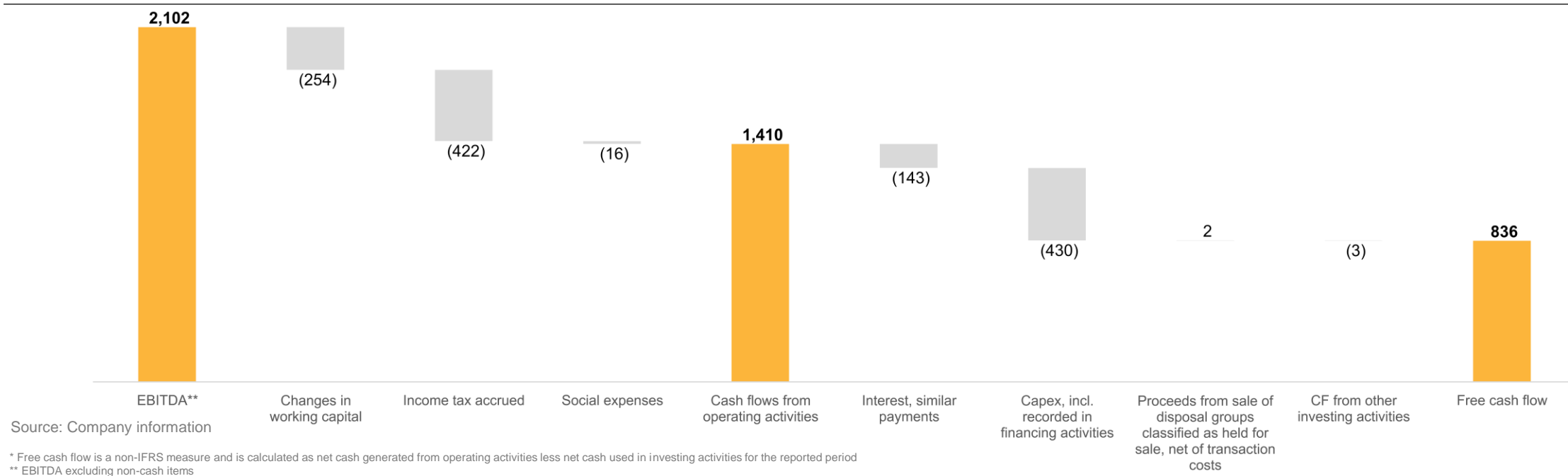


Source: Company information

# FCF generation

- EVRAZ was able to deliver outstanding FCF in H1 2021
- FCF generation was supported by EBITDA growth, however, was partly offset by working capital outflow amid rising prices, as well as increase in capital expenditures in H1 2021 compared to H1 2020 and foreign exchange losses

## EBITDA to FCF\* bridge, H1 2021, \$m

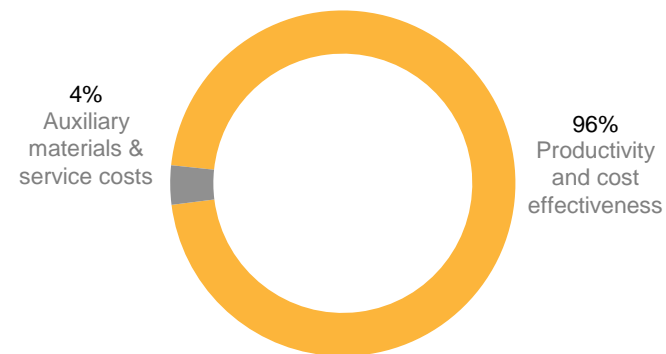


# Efficiency improvements

- Cost-cutting and productivity improvement efforts together with customer focus initiatives generated in total \$256m of additional EBITDA

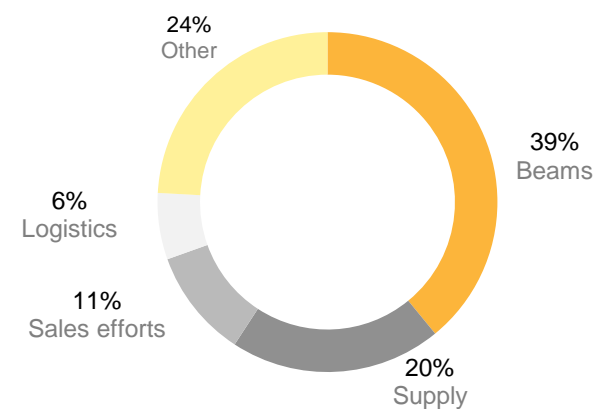
- Customer focus initiatives generated \$174m to EBITDA as a result of sales efforts in beams, as well as improvements in the efficiency of the logistics and supply functions

## Cost-cutting initiatives, \$m



Source: Company information

## Customer focus effect, \$m



Source: Company information

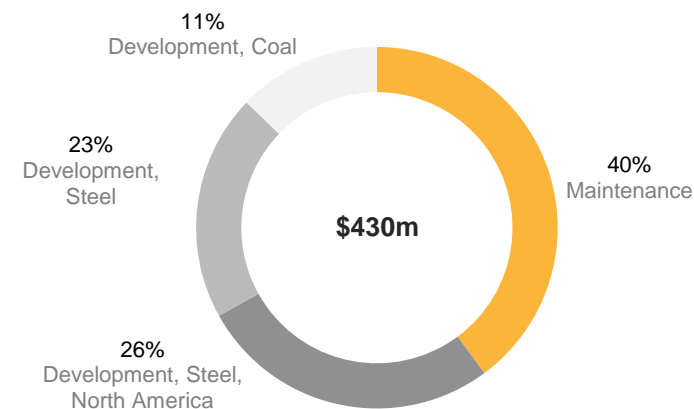
- Total CAPEX up by 27.6% YoY following increased spending on development projects
- EVRAZ Pueblo's new long rail mill project continued according to schedule. The general contractor for the construction and installation work has been selected
- EVRAZ NTMK continued the design work for the upgrade of its rail and beam mill and started initial construction

- In June 2021, EVRAZ returned to the discussions about integrated flat casting and rolling facility project at EVRAZ ZSMK. The Group is currently reviewing the options for this project and will make a final decision on resuming its implementation later
- FY 2021 CAPEX target is c.\$1bn

## Development CAPEX breakdown by key projects

Segment	Project	CAPEX H1 2021
Steel	Sobstvenno-Kachkanarsky deposit greenfield project	20
	Tashtagol iron ore mine upgrade at EVRAZ ZSMK mining site	18
	Rail and beam mill modernisation at EVRAZ NTMK	7
	Transfer of direct coke oven gas for cleaning in capture shop no. 3 at EVRAZ NTMK	6
	Construction of uncompressed gas recovery turbines for blast furnace no. 7 at EVRAZ NTMK	1
Steel, North America	Long rail mill at EVRAZ Pueblo	107
	Electric arc furnace (EAF) repowering at EVRAZ Regina	5
Coal	Access and development of reserves in the Uskovskaya mine's seam no. 48	28
	Acquisition of equipment at Alardinskaya mine	16
	Acquisition of equipment at Osinnikovskaya mine	2

## CAPEX breakdown, \$m

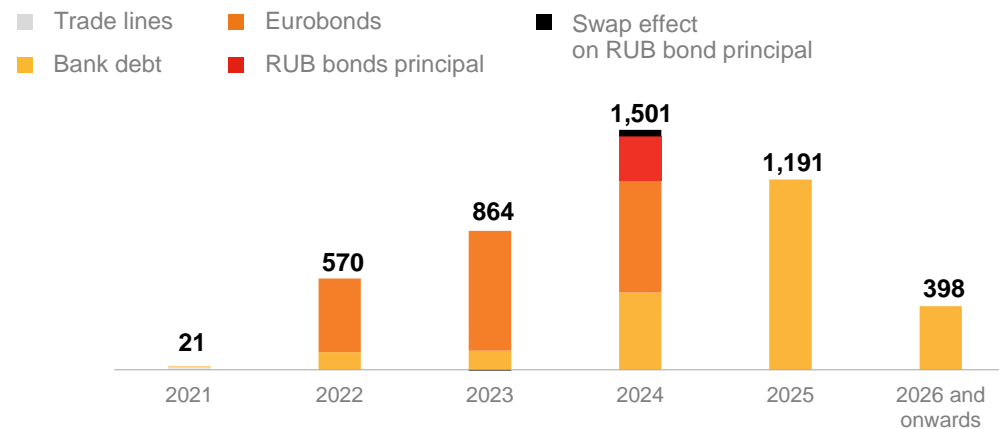


Source: Company information

# Debt management

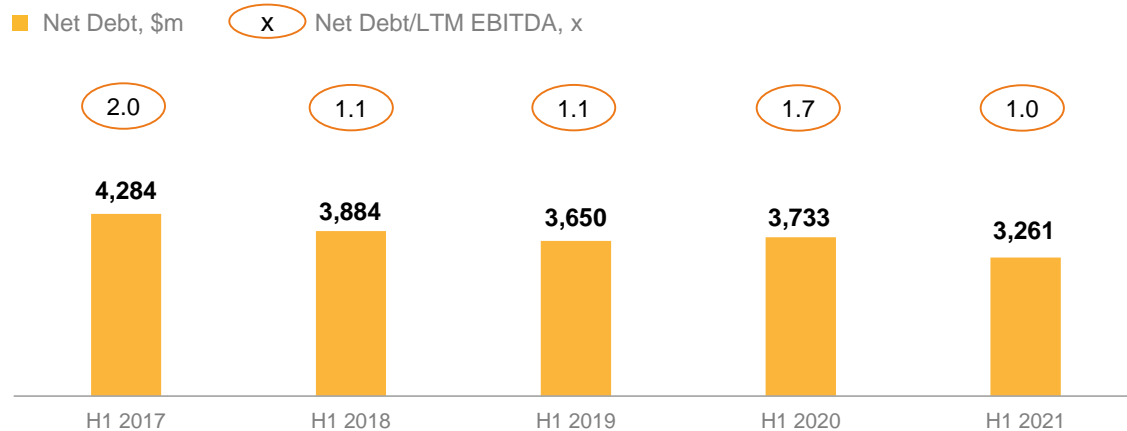
- In the H1 2021 EVRAZ repaid at maturity \$735m Eurobonds and \$201m RUB Bonds, while utilising \$750m Syndicated facility and \$67m SberBank loan
- In preparation for potential demerger of Coal assets, the Group:
  - Obtained necessary waivers from lending banks and a consent from bondholders to enable execution of a potential demerger of Coal assets
  - Raised a total of \$400m long-term debt financing at Rospadskaya, including \$200m in form of a loan from SberBank with certain ESG provisions
  - Repaid several of bank loans of EVRAZ NTMK and EVRAZ ZSMK in total amount of \$517m
- EVRAZ has also repurchased \$40m principal of its Eurobonds due 2022
- During H1 2021 total debt decreased by \$307m and as of 30.06.2021 stood at \$4,676m
- Cash and cash equivalents in the amount of \$1,415m and committed credit facilities of \$264m are comfortably covering upcoming debt maturities

## Debt maturity profile, as of 30.06.2021\*, \$m



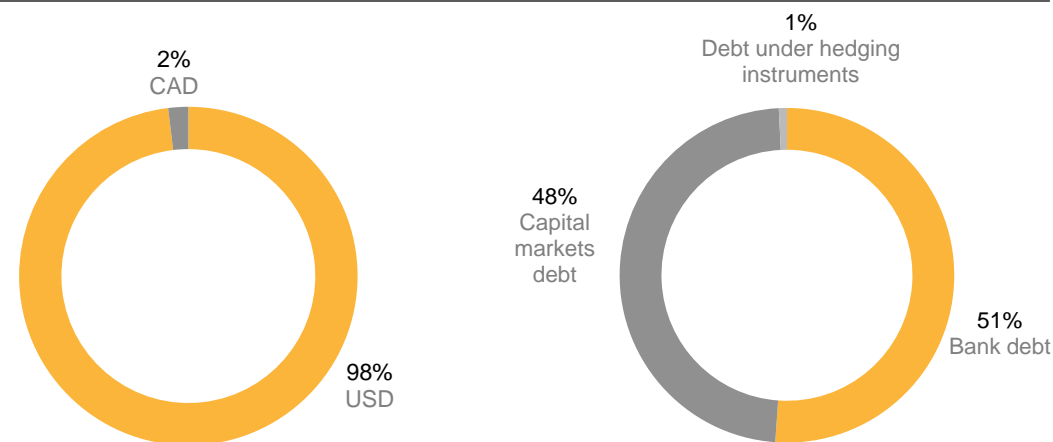
\* Principal of loans and borrowings (incl. hedging exposure and excl. interest payments)

## EVRAZ leverage, \$m



Source: Company information

## Debt structure, as of 30.06.2021, %



Source: Company information

# Focus on stable dividends

## Current EVRAZ's dividend policy:

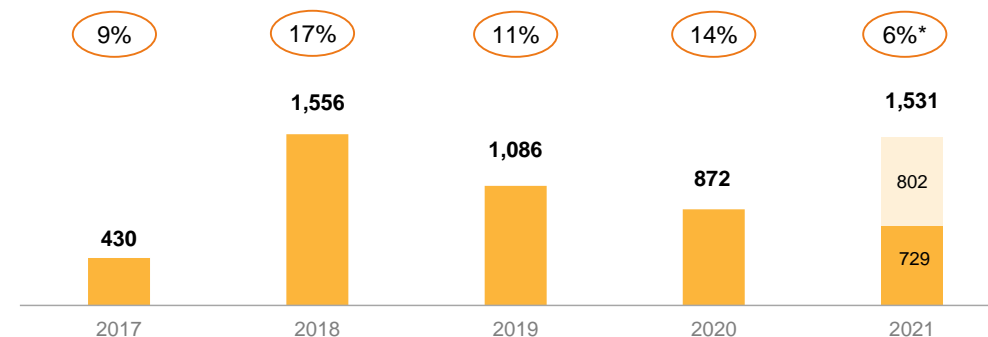
- The Company aims to declare dividends of a minimum amount of US\$300 million per annum to be paid in semi annual instalments of minimum US\$150 million each following interim and full year results
- No dividends will be paid out if Net Debt/EBITDA is above 3.0x

- In H1 2021, EVRAZ paid dividends of c.\$729m, equivalent to a 6.1% yield
- EVRAZ remains committed to stable dividend payments going forward

- Given the performance in 2021, EVRAZ has announced an interim dividend
- On 4 August 2021, the Board of Directors voted to disburse a total of \$802m or \$0.55 per share

## EVRAZ dividend payments, US\$m

■ Dividend paid, \$m    □ Dividend announced, \$m    x Dividend yield, %



\* - calculated based on dividends paid in H1 2021

Source: Company information

## Dividend payment timetable

Record date	13 August 2021
Last day for dividend currency election	16 August 2021
Conversions	18 August 2021
Payment date	10 September 2021



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# Operational update

# Operational highlights 2019 – H1 2021



		2019	2020	Change*, Y-o-Y	H1 2020	H2 2020	H1 2021	Change*, Y-o-Y
<b>Market indicators, \$/t</b>	HCC price (Australia, FOB)	177	124	-30.1%	137	111	<b>131</b>	-4.4%
	Iron Ore price (Fe 62%, China, CFR)	93	108	15.8%	91	124	<b>182</b>	2x
	Billet price (FE&SEA, CIF)	446	434	-2.8%	403	464	<b>639</b>	58.6%
	Slab price (FE&SEA, CIF)	435	444	2.1%	401	488	<b>779</b>	94.3%
<b>Production, Mt</b>	Total crude steel production	13.8	13.6	-1.3%	6.9	6.7	<b>6.8</b>	-2.2%
	Total coking coal mined	26.1	20.7	-21.0%	9.9	10.8	<b>11.6</b>	17.6%
	Total iron ore mining	13.8	14.2	3.2%	7.1	7.2	<b>7.1</b>	1.3%
<b>Sales, Mt</b>	Total sales of steel products	13.5	13.1	-3.1%	6.6	6.5	<b>6.3</b>	-4.6%
	Sales of coking coal products	11.1	12.3	11.6%	6.1	6.3	<b>5.6</b>	-8.1%
	Sales of iron ore products	1.1	1.7	52.7%	0.8	0.9	<b>0.6</b>	-19.1%
	Sales of vanadium final products**	12.9	12.6	-2.2%	5.6	7.0	<b>6.6</b>	17.9%
<b>Cash costs, \$/t</b>	Cash cost of slabs	236	230	-2.5%	210	251	<b>283</b>	34.8%
	Cash cost of coal concentrate	35	32	-8.6%	34	30	<b>36</b>	5.9%
	Iron ore products	41	36	-12.2%	37	36	<b>40</b>	8.1%
<b>FX</b>	USD/RUB exchange rate	65	72	11.4%	69	75	<b>74</b>	6.8%

\* These are the rounded figures from Trading updates. \*\*In tonnes of pure vanadium

# Steel segment

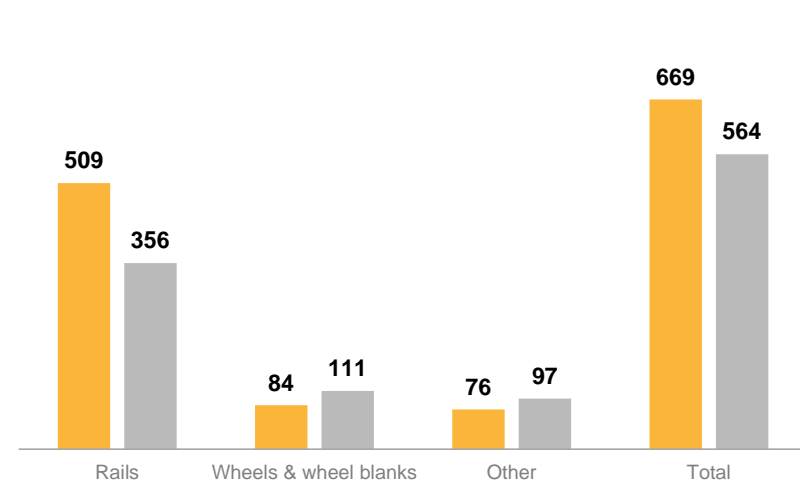
Sales of railway products declined by 16% YoY mainly due to lower demand for rails in Russia and CIS

Sales of construction products increased by 4% YoY mainly following uptick in shipments of beams and structural products amid markets recovery

Sales of semi-finished products declined by 6% YoY driven by change in product mix in favour of finished products and slabs following market conditions

## Railway products sales, kt

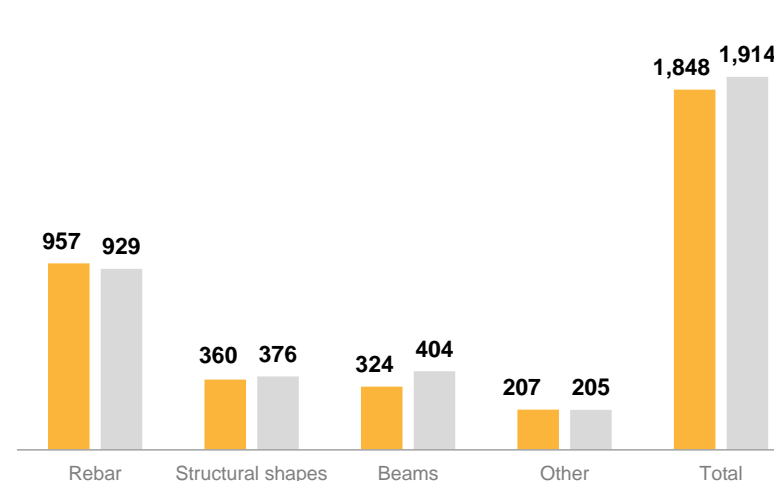
■ H1 2021  
■ H1 2020



Source: Company information

## Construction product sales, kt

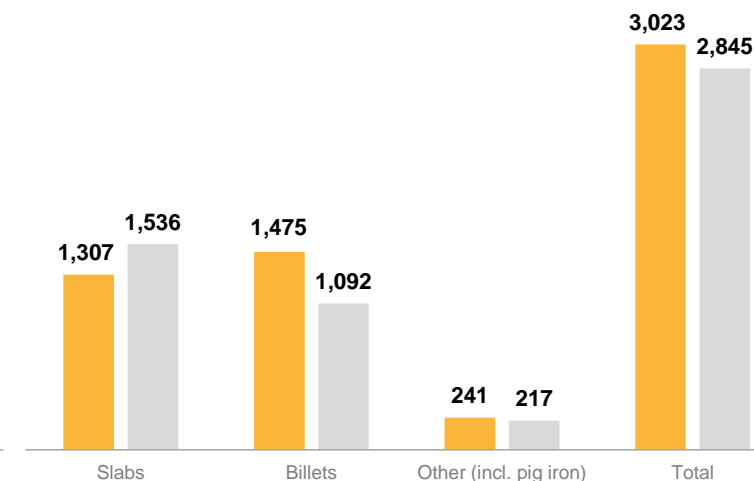
■ H1 2021  
■ H1 2020



Source: Company information

## Semi-finished products sales, kt

■ H1 2021  
■ H1 2020



Source: Company information

# Coal segment

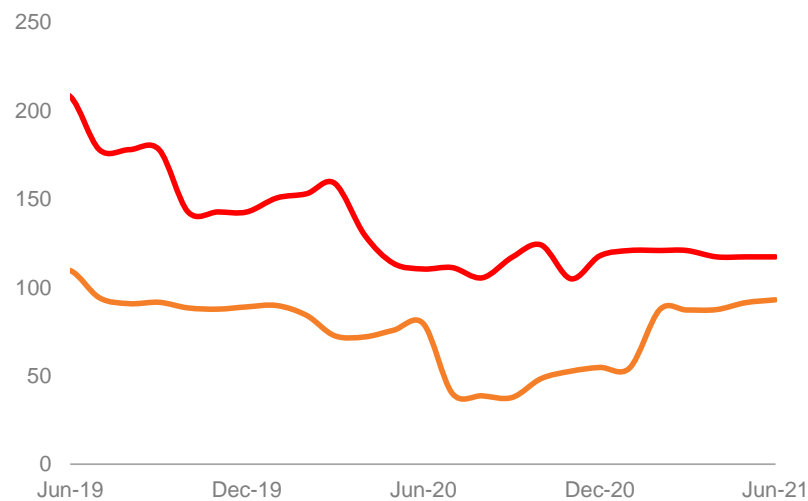
Russian prices of metallurgical coal followed international benchmarks during the reporting period and started to rise more rapidly in Q2 2021, benchmark price for premium Zh-grade coking coal averaged \$101/t, up 3% YoY

Coal concentrate sales up by 1% YoY amid greater mining volumes and the efforts to optimise logistics while the higher than usual volume of raw coal sales reported in H1 2020 was dictated by uncertainty caused by the COVID-19 pandemic

During the reporting period, roughly 73% of EVRAZ' coking coal consumption in steelmaking came from the Group's own operations

## Local coking coal price vs export benchmark, \$/t

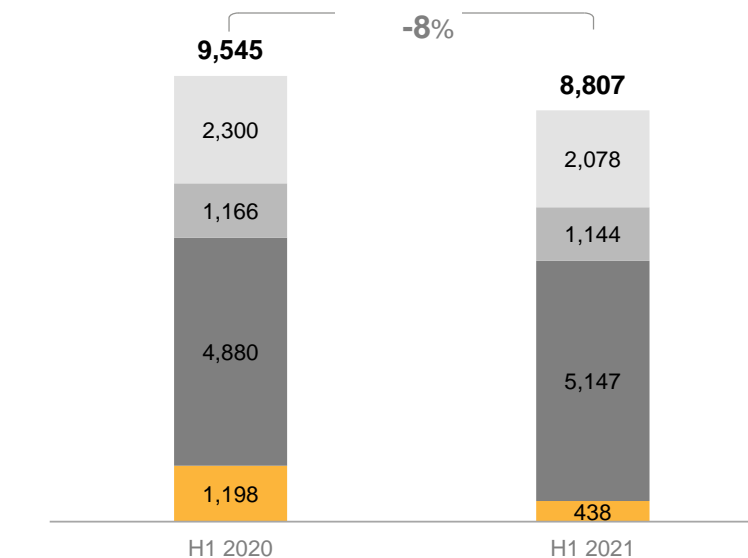
■ Hard coking coal, Quarterly, FOB Australia  
 ■ GZh coking coal, FCA, Russia



Source: Metal Expert

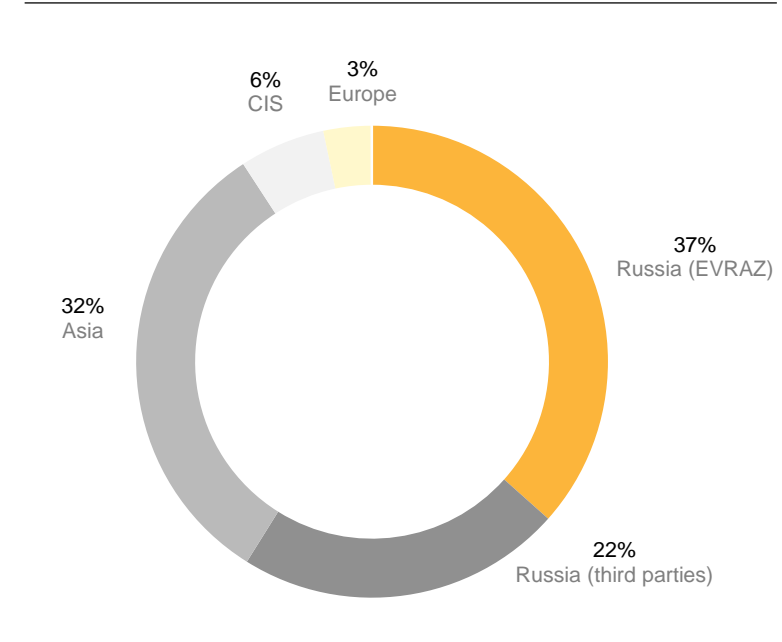
## Coal products sales breakdown by type, kt

■ Concentrate (external)    ■ Raw coal (intersegment)  
 ■ Raw coal (external)    ■ Concentrate (intersegment)



Source: Company information

## Breakdown of coal products sales, %

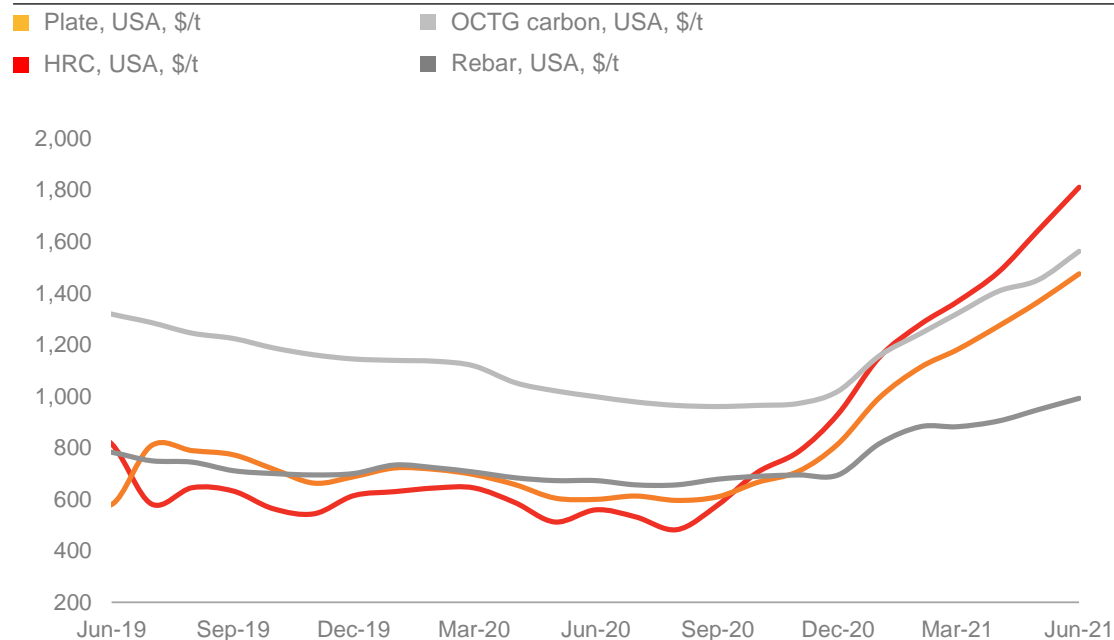


Source: Company information

# Steel, North America segment

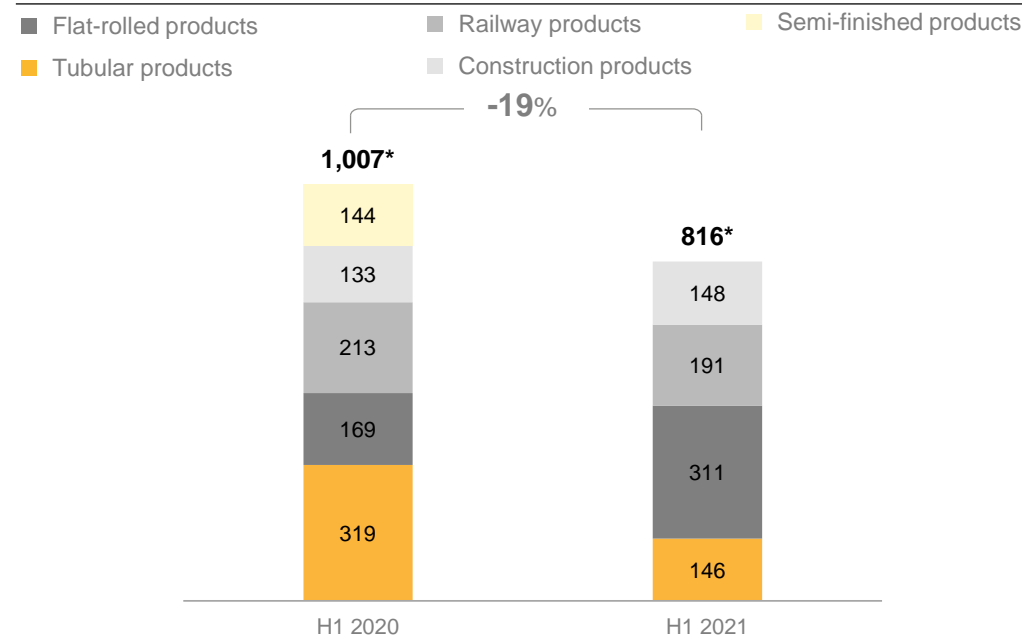
- Sales of flat products jumped YoY amid improved demand as North American steel markets continued to recover from the impact of COVID-19
- Sales of construction products grew YoY with strong market demand and prices outpacing increases in raw material pricing
- Sales of tubular products declined overall YoY following the completion of the 2020 LDP orders. At the same time, since late Q1 2021, OCTG and line pipe markets have started demonstrating strong signs of recovery, which allowed us to restart all our OCTG operations that have been idled since Q2 2020
- There were no sales of semi-finished products in 2021 following the fulfilment of a contract with a key customer in 2020
- EVRAZ Pueblo restarted operations at the end of June, following the steam explosion in the furnace 4 weeks earlier
- Long rail mill project continues according to the schedule

## Prices for flat-rolled products in the US



Source: CRU

## Steel products sales, kt



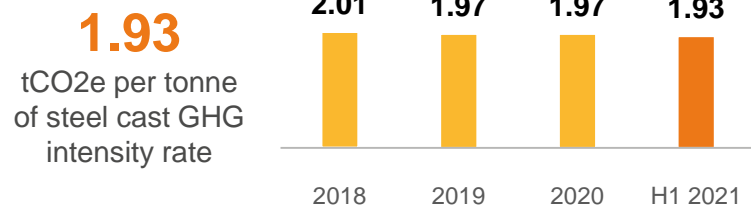
Source: Company information \* Including 29 and 20 kt of other products for H1 2020 and H1 2021 respectively

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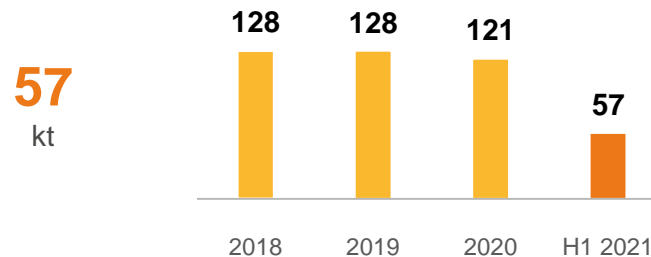
# ESG update

# ESG highlights

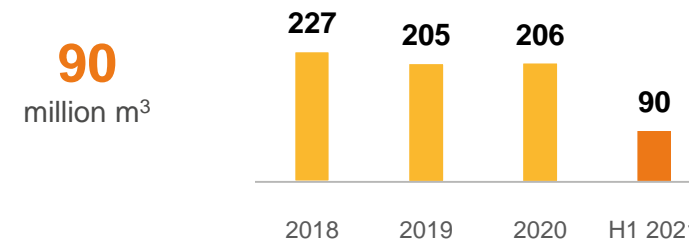
## GHG



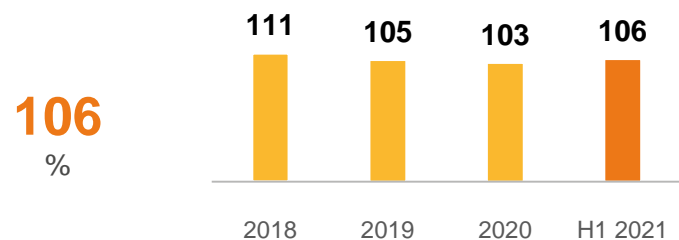
## KEY AIR EMISSIONS



## WATER CONSUMPTION



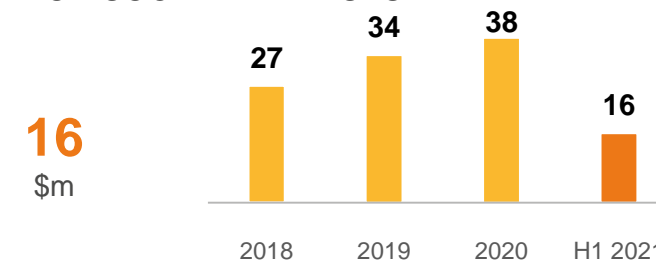
## NON-MINING WASTE RECYCLING or REUSE RATE



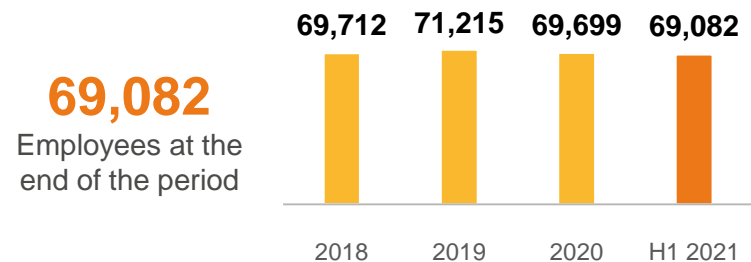
## MAJOR ENVIRONMENTAL INCIDENTS



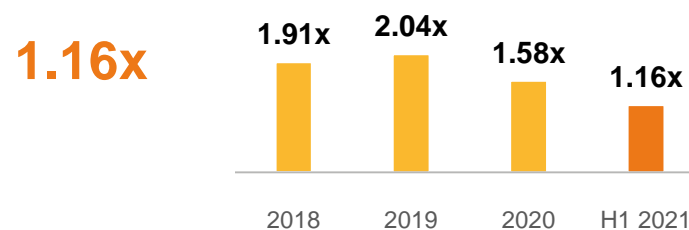
## SPEND ON SOCIAL EXPENSES



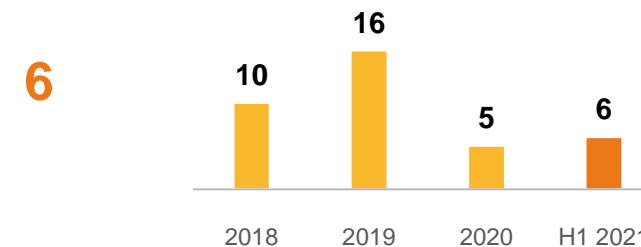
## HEADCOUNT



## LOST TIME INJURY FREQUENCY RATE (LTIFR)\*



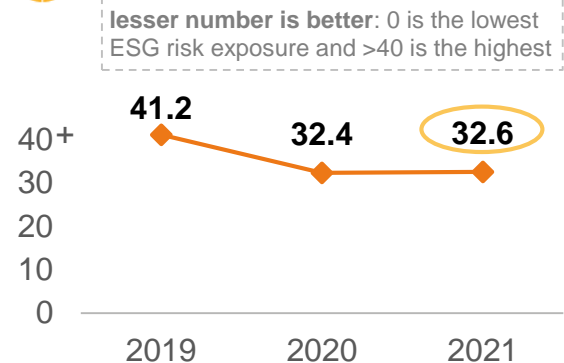
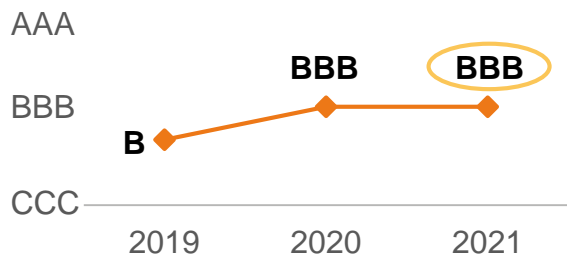
## FATALITIES



\* excluding fatalities and data on contractors

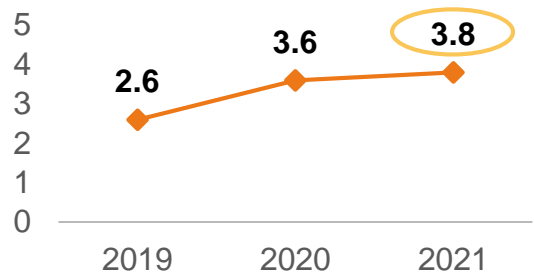
# Independent assurance and ESG disclosure

## ESG Ratings

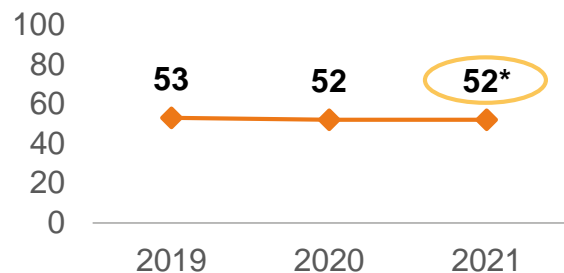


FTSE  
Russell

EVRAZ – part of FTSE4Good index



Now a Part of S&P Global



\* Last updated in November 2020

## Supporting global initiatives

- UN Global Compact participant
- Disclosure under GRI standard and TCFD recommendations
- Business practices aligned with top international standards, including OECD's Guidelines for Multinational Enterprises and the provisions of the United Nations Universal Declaration of Human Rights
- Ranked 2nd for environmental risk management in the WSJ ranking of the world's 100 most sustainably managed companies

Sustainability report – GRI standard, limited assurance from EY



See our [Sustainability report 2020](#)

Climate change report – in line with TCFD recommendations



See our [Climate change report 2020](#)



- After a general improvement in the epidemiological situation in Q1 2021, global COVID-19 infection rates have been rising since May, including in the regions where EVRAZ operates
- To prevent the spread of the disease, EVRAZ is implementing a vaccination campaign
- This has helped to achieve a decent level of collective immunity to above 60%
- To support medical professionals, EVRAZ has arranged regular donations of oxygen, medical supplies and personal protective equipment to regional hospitals
- In addition to caring for the physical health of employees and their families, EVRAZ is carefully assessing the possible mental impact of the preventative measures being undertaken amid the pandemic
- As of 30 June 2021, more than 1.7 thousand employees of the Group were working remotely
- EVRAZ has allocated more \$7m in H1 2021 to ensure safe working conditions for employees, as well as to support medical and pre-school institutions in local communities

Vaccination from COVID-19 at EVRAZ ZSMK





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