IMPACT OF COVID-19

EVRAZ is closely monitoring the pandemic and its impact on employees, operations and the broader stakeholder base. The Group is committed to doing everything possible to protect the lives and health of its employees, as well as to minimise the effect on its enterprises and the communities in which it operates.

Impact on key markets and operations

COVID-19 has caused macroeconomic uncertainty and instability. At the same time, in 2021, demand for and prices of almost all of EVRAZ' products soared, resulting in a strong financial performance for the Group. For more details about the performance of key markets in 2021, see the "Market review" section.

As of 31 December 2021, there were 428 active COVID-19 cases among employees. Despite that, the majority of EVRAZ' businesses were relatively unaffected in the year, with no significant issues for production, supply or shipments.

Impact on liquidity, solvency and access to financing

In 2021, the pandemic had little effect on the Group's liquidity situation. Amid positive market trends, operations and sales generated robust operating cash flow. EVRAZ has proactively addressed its upcoming obligations and maintained a strong liquidity position. As of 31 December 2021, cash and cash equivalents stood at around US$1.4 billion, supported by operating cash flow and financing initiatives. For more details, see the "Financing and liquidity" section.

Measures to protect the wellbeing and safety of employees and communities

To prevent the spread of COVID-19, the Group has implemented a vaccination campaign. As of 31 December 2021, this covered 74% of employees in Russia and over 50% of employees in North America. To support medical professionals, EVRAZ has arranged regular donations of oxygen, medical supplies and personal protective equipment to regional hospitals.

In addition, the Group continues to implement the measures that it introduced in 2020 to prevent the spread of COVID-19. These include:

- reducing domestic business travel and overseas trips.
- enabling remote working, as well as providing additional personal protective equipment for employees who have to come to work, including eye protectors, respirators and gloves.
- using thermal imaging devices and pyrometers at facility entrances to monitor people's temperatures.
- changing approaches to all major corporate, sporting and entertainment events (online or offline), depending on the particular situation and imposed restrictions.
- increasing supplies of antiseptic and disinfectant products in communal areas, as well as regularly sanitising facilities and transport.
- organising campaigns to raise awareness among employees and contractors about behavioural guidelines, social distancing and personal protection.

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 undertaken amid the pandemic. As of 31 December 2021, more than 1,500 of its employees were working remotely.

GOING CONCERN ASSESSMENT

The Group's financial position at 31 December 2021 including its cash flows, liquidity position and borrowing facilities are set out in these financial statements and the Financial Review section. The Group's net debt as at 31 December 2021 was $2,667 million (31 December 2020 and 2019: $3,356 million and $3,445 million, respectively) and its cash plus committed undrawn facilities were $2,050 million (31 December 2020 and 2019: $2,564 million and $1,870 million, respectively).

As disclosed in Note 30, macroeconomic uncertainty and instability have arisen due to the COVID 19 pandemic. However, the majority of the Group's businesses were relatively unaffected with no significant issues for production, supply or shipments. Moreover, during 2021 there was a very significant increase in demand for, and prices of, almost all of the Group's products leading to the Group's strong financial performance.

The management of EVRAZ plc has considered the Group's cash flow forecasts for the period to 30 June 2023, the going concern assessment period, forecasting both liquidity and covenant compliance. It initially evaluated two financial performance scenarios, being a base case and a pessimistic case reflecting a reduction in forecast prices to the lower end of market analysts' current forecasts. Both scenarios reflect the effect of the highly probable demerger of the coal business (Note 13), the scheduled repayment of debt, most significantly $750 million of US-denominated notes due in 2023 (Note 22), and the effect of the new excise tax on liquid steel and higher taxes on mineral extraction imposed by the government of the Russian Federation from 1 January 2022 (Note 30). Management has considered whether the effects of risks associated with climate change, including decarbonisation (Note 6), will impact the going concern period, concluding that they will not have any significant impact. Under both scenarios, the Group is forecast to maintain sufficient liquidity for the period to 30 June 2023 and to operate within its debt covenants. In the pessimistic case the amount of cash is assumed to be close to the minimum operating level in the first half of 2023. These scenarios do not however include actions at management's disposal to strengthen projected liquidity, including the deferral of uncommitted capital expenditure.

In order to further test the resilience of the going concern assessment to potential uncertainties, particularly with respect to the worsening situation relating to Ukraine and heightened risk of the economic sanctions, management performed a severe downside sensitivity. This assumed that capital expenditure was reduced to $500 million per annum and then determined the extent to which EBITDA could fall throughout the period, whilst maintaining an operating level of liquidity. Such a fall would reflect a highly material interruption to the Group's current business including reducing Russian export sales outside the CIS to nil throughout the going concern period combined with a further reduction in EBITDA as a result of other possible factors, including further international sanctions. The directors have also considered additional mitigating actions that would be available in such circumstances including further reductions in costs, capital expenditure and the deferral of dividends.

None of the scenarios modelled reflect any new financing beyond that currently committed. In managing the financing of the Group, management continues to monitor opportunities for future raising of finance, including as current notes mature.

The directors, having considered the scenarios above, conclude that the likelihood of a scenario that would eliminate liquidity or breach covenants is remote. Based on this analysis and other currently available facts and circumstances the directors and management have a reasonable expectation that the Company and the Group have adequate resources to continue as a going concern.