



# Q1 2020 Trading Update

## Management call

30 April 2020

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# Introduction

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**Alexey Ivanov**

Senior Vice President, Commerce and Business Development

# Q1 2020 highlights

- **Consolidated crude steel** output rose by 3.2% QoQ, mainly due to completion of capital repairs at EVRAZ NTMK's converter no. 2, which took place in Q4 2019
- **Total steel product sales** fell by 10.4% QoQ
- **Sales of semi-finished** products dropped by 15.3% QoQ, due to higher than usual sales volumes from Russia at Q4 2019 on the back of good export market conditions
- **Sales of finished products** went down by 6.1%, due to seasonal decline in demand in the first quarter of the year as well as due to the sale of Palini e Bertoli in 2019. In addition, sales were impacted by lower tubular product sales due to a lack of line pipe orders and deterioration of OCTG market demand in North America
- **Production of raw coking coal** decreased by 4.8% QoQ, driven by weaker demand for coal on global markets and lower production following the longwall move at the Uskovskaya mine. Production at Mezhegeyugol has been suspended until favourable market conditions are restored
- **External sales volumes of coking coal** products surged by 30.4% QoQ due to successfully completed task to maximise product shipments as well as higher sales volumes to China
- **External sales of iron ore products** jumped by 30.0% QoQ as most of the Q4 2019 sales volumes were delivered in Q1 2020 due to logistical limitations on shipments to China
- **Sales of vanadium products** fell by 9.9% QoQ, due to weaker demand for FeV in Europe amid lower demand in the automotive industry. Lower sales to Europe was partially compensated by increased FeV and oxide sales to Asia and Russia

# Q1 2020 total numbers

Product, kt	Q1 2020	Q4 2019	Q1 2020/ Q4 2019, change	Q1 2019	Q1 2020/ Q1 2019, change
<b>Total crude steel production</b>	<b>3,559</b>	<b>3,449</b>	<b>3.2%</b>	<b>3,488</b>	<b>2.0%</b>
Russia	3,121	3,008	3.8%	2,986	4.5%
North America	438	441	(0.7)%	502	(12.7)%
<b>Total raw coking coal mined</b>	<b>5,692</b>	<b>5,981</b>	<b>(4.8)%</b>	<b>6,844</b>	<b>(16.8)%</b>
<b>Total coking coal concentrate production</b>	<b>3,747</b>	<b>3,537</b>	<b>5.9%</b>	<b>3,684</b>	<b>1.7%</b>
<b>Iron ore products production</b>	<b>3,595</b>	<b>3,277</b>	<b>9.7%</b>	<b>3,636</b>	<b>(1.1)%</b>
<b>Total sales of steel products</b>	<b>3,227</b>	<b>3,603</b>	<b>(10.4)%</b>	<b>3,135</b>	<b>2.9%</b>
Semi-finished products	1,437	1,697	(15.3)%	1,335	7.6%
Finished products	1,790	1,906	(6.1)%	1,800	(0.6)%
<b>Total sales of third-party steel products</b>	<b>175</b>	<b>200</b>	<b>(12.7)%</b>	<b>180</b>	<b>(2.8)%</b>
<b>Sales of coking coal products</b>	<b>3,278</b>	<b>2,514</b>	<b>30.4%</b>	<b>2,656</b>	<b>23.4%</b>
<b>Sales of iron ore products</b>	<b>355</b>	<b>273</b>	<b>30.0%</b>	<b>1,176</b>	<b>(34.9)%</b>
<b>Sales of vanadium final products<sup>1</sup></b>	<b>3,168</b>	<b>3,514</b>	<b>(9.9)%</b>	<b>2,518</b>	<b>25.8%</b>

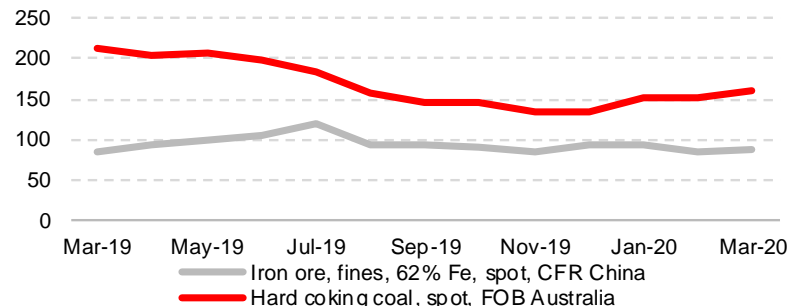
Note. Numbers in this table may not add up to totals due to rounding

<sup>1</sup> in tonnes of pure vanadium

## Global market trends in Q1 2020

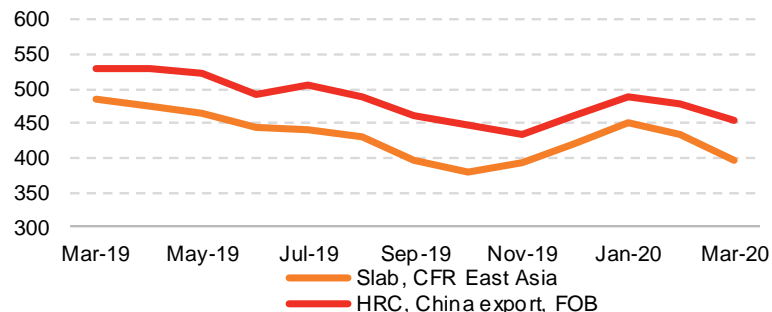
- Iron ore prices** held steady at the average level of \$90/t in Q1 2020 as the Covid-19 outbreak reduced Chinese and other countries (South Africa, India, Canada) iron ore production, also supplies from Australia and Brazil were negatively affected by weather disruptions
- Coking coal prices** stayed firm in Q1 2020 at the average level of c.\$150/t also supported by supply disruptions: reduced production in China amid Covid-19, bad weather conditions in Australia and Mongolian coal exports ban into China
- Steel prices** – despite prices for slabs averaged at c.\$425/t in Q1 2020 (CFR, East Asia), weakening demand amid the spreading effect of the coronavirus adds pressure to steel prices

### Global raw material prices, \$/t



Source: Metal Expert

### Global steel prices, \$/t



Source: Metal Expert

# Cash-costs

- **Cash cost of slabs** decreased QoQ primarily due to lower prices for raw materials
- **Iron ore cash cost** decreased QoQ driven mainly by lower fixed costs, higher production volumes and rouble depreciation
- **Coking coal cash cost** decreased QoQ mainly due to lower production at the Razrez Rospadsky open pit and open-pit site of Rospadskaya-Koksovaya mine

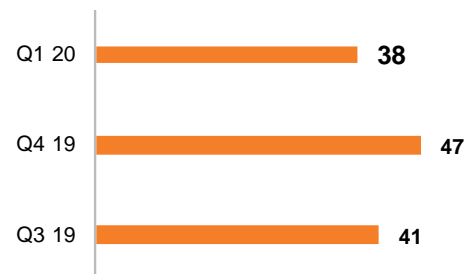
## Cost positions\*, \$/t

### Cash cost of slab of Russian steel plants



Source: Company information

### Cash cost, Russian iron ore products



Source: Company information

### Cash cost, washed coking coal



Source: Company information

\* The data in this chart is derived from the unaudited monthly management accounts of EVRAZ in respect of the indicated periods



# Steel

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**Alexey Ivanov**

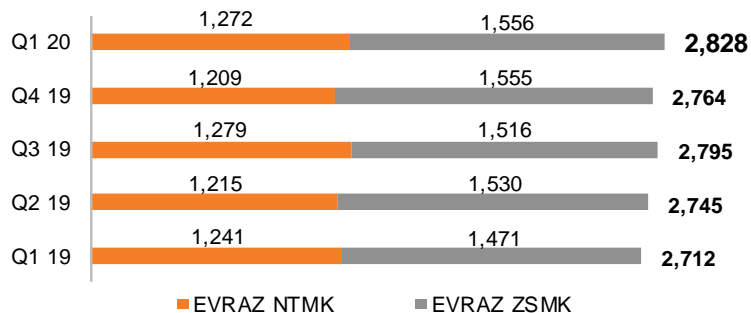
Senior Vice President, Commerce and Business Development



## Steel segment - production

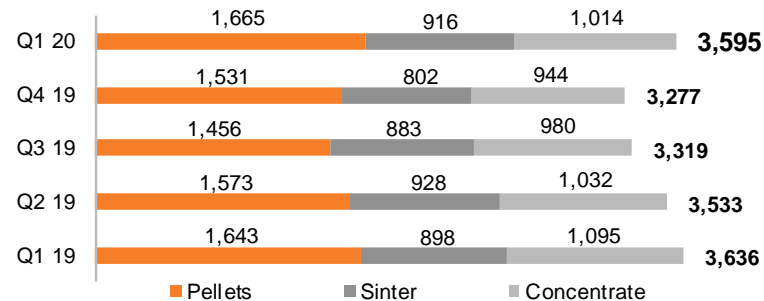
- **Pig iron production** grew by 2.3% QoQ, with a 5.2% QoQ increase in production volumes at EVRAZ NTMK mainly due to the resumption of operations at blast furnace no. 5
- **Crude steel output** rose by 3.8% QoQ, mainly due to completion of capital repairs at EVRAZ NTMK's converter no. 2
- **Output of iron ore products** rose by 9.7% QoQ, mainly due to completion of capital repairs of roasting machine no. 1 and lower pellet production

### Pig iron, kt



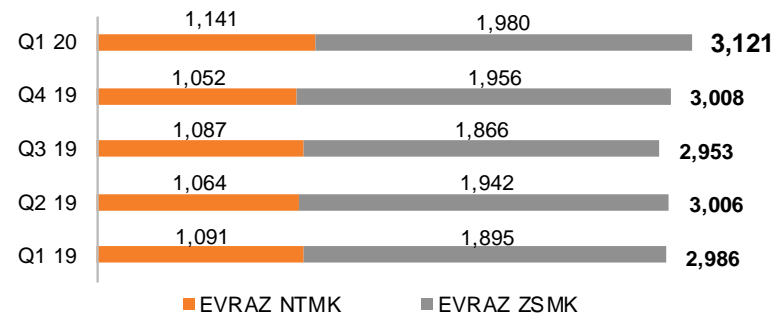
Source: Company information

### Iron ore products, kt



Source: Company information

### Crude steel, kt

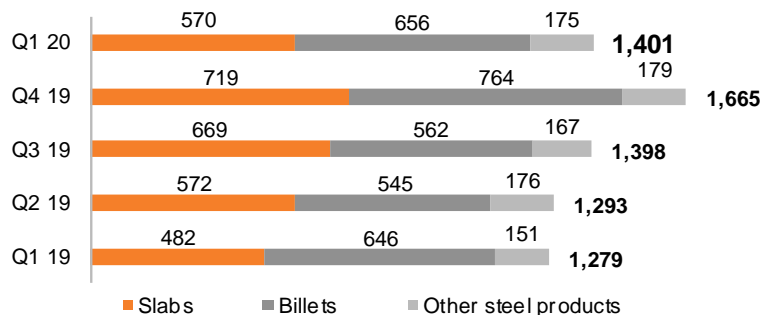


Source: Company information

## Steel segment - sales

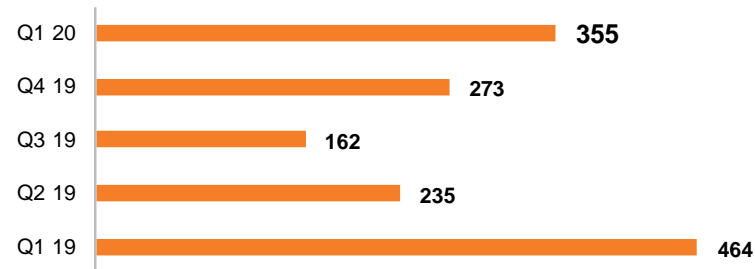
- **Sales of semi-finished products** fell by 15.9% QoQ due to higher than usual sales volumes from Russia at Q4 2019 on the back of good export market conditions
- **Sales of finished products** dropped by 3.9% QoQ due to seasonal decline in demand in the first quarter of the year in Russia and sale of Palini e Bertoli in 2019
- **Sales of iron ore products** surged by 30.0% QoQ as most of the Q4 2019 sales volumes were delivered in Q1 2020 due to logistical limitations on shipments to China

### Semi-finished products sales, kt



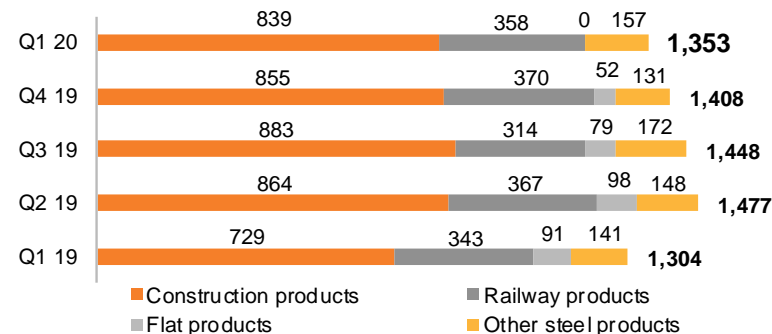
Source: Company information

### Iron ore products sales, kt



Source: Company information

### Finished products sales, kt



Source: Company information



# Vanadium

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**Alexander Erenburg**

Vice President, Head of the Vanadium division

# Vanadium

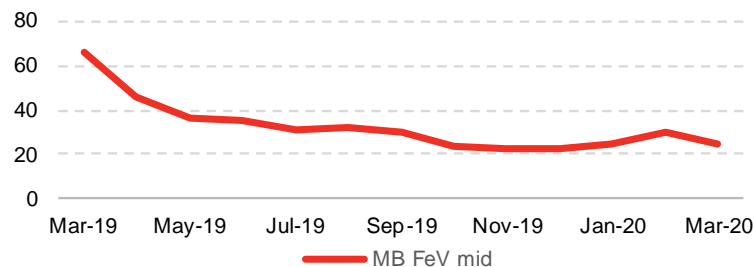
- **Ferrovanadium (FeV) prices** dropped to average \$27/kgV in Q1 2020 due to weakening demand in Europe
- **Sales of vanadium final products** fell by 9.9% QoQ, mainly due to weaker demand for FeV in Europe following lower demand in the automotive industry
- **Lower FeV sales to Europe** was partially compensated by increased FeV and oxide sales to Asia and Russia

## Gross vanadium slag production\*, t



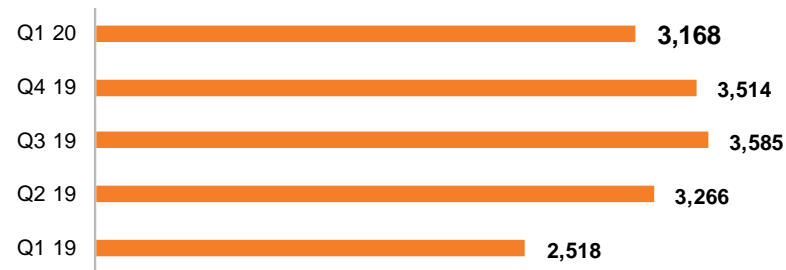
Source: Company information

## Vanadium price, \$/kgV



Source: Company information

## Vanadium final products sales\*, t



Source: Company information



# Coal

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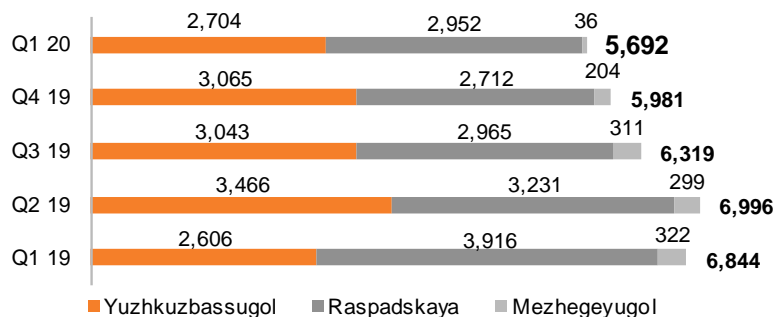
**Sergey Stepanov**

Vice President. Head of the Coal Division

## Coal segment - production

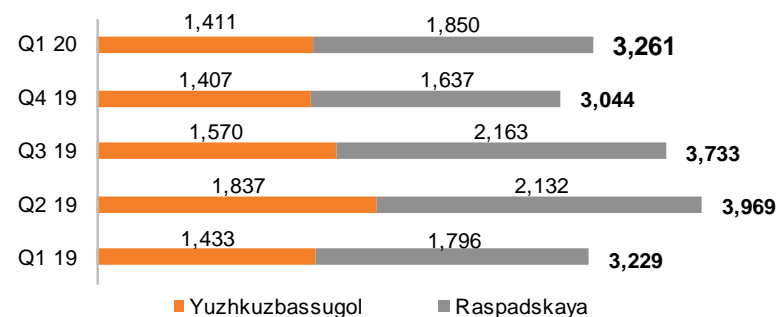
- Overall raw coking coal output fell by 4.8% QoQ, primarily due to weaker market demand and following the longwall move at Uskovskaya mine. A higher rate of mining equipment failures and more complex geological conditions at the Osinnikovskaya mine also contributed to the overall output decline
- This was partly offset by higher production volumes at the Raspadskaya mine due to the resumption of mining on three longwalls following the completion of a longwall move
- Production of raw coking coal at Mezhegeyugol went down by 82.4% after the decision was taken to suspend output due to unfavourable market conditions
- Output of coking coal concentrate rose by 7.1%, primarily due to higher sales volumes QoQ

### Raw coking coal (mined), kt



Source: Company information

### Coking coal concentrate (production), kt

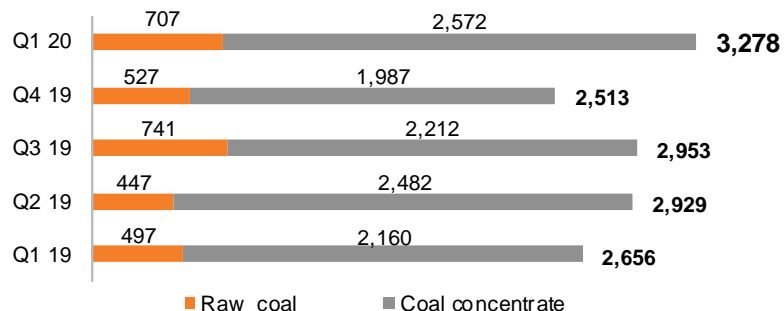


Source: Company information

# Coal segment - sales

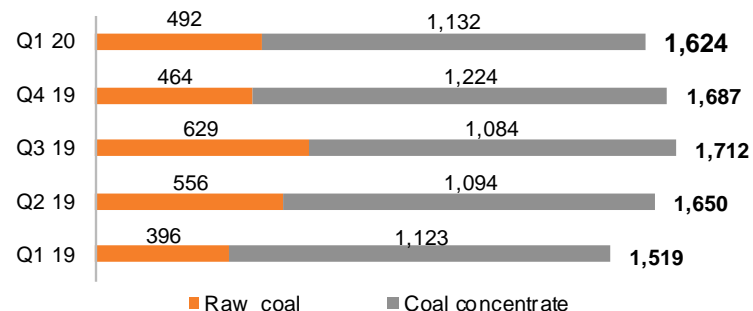
- **External sales volumes of coking coal products** surged by 30.4%
  - **Raw coking coal sales volumes** jumped by 34.0% QoQ following higher shipments from the Erunakovskaya and Uskovskaya mines
  - **Coking coal concentrate sales volumes** rose by 29.5% QoQ due to successfully completed task to maximise product shipments as well as higher sales volumes to China
  
- **Internal sales volumes of coking coal products** experienced minor decline QoQ

## External sales, kt



Source: Company information

## Intersegment sales, kt



Source: Company information



# Steel, North America

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**Alexander Vasiliev**

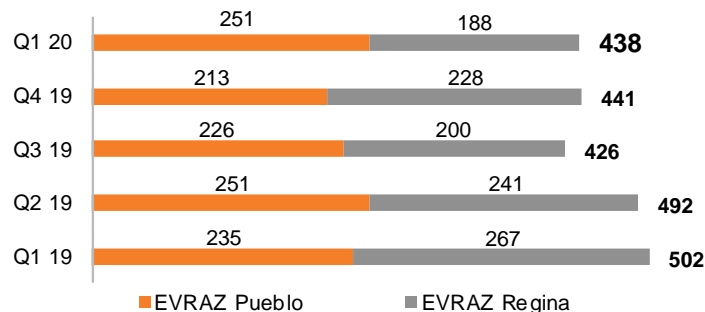
Chief Financial Officer, EVRAZ North America



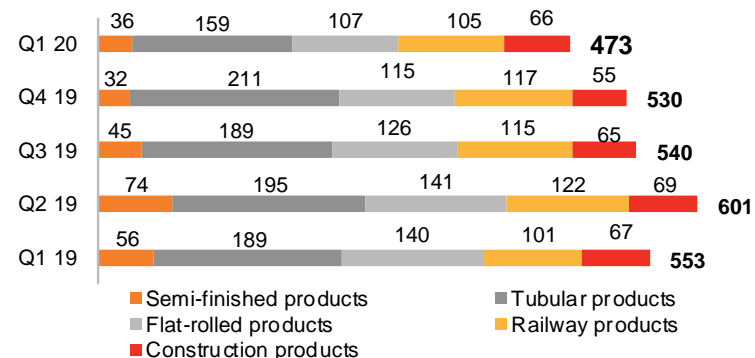
# Steel, North America segment

- **Crude steel production** edged down by 0.7% QoQ. This was attributable to a sharp drop in steel volumes at EVRAZ Regina due to a large outage, which was offset by greater output from EVRAZ Pueblo
- **Output of steel products** fell by 4.7%, mainly driven by a large shutdown in March 2020 (3.5 weeks) due to the Ryuk virus cyberattack and EVRAZ Regina's planned outage in March 2020
- **Tubular products sales volumes** went down by 24.6% QoQ due to the lack of LP orders and deterioration of OCTG market demand
- **Sales of railway products** fell by 10.3% QoQ amid a slower order intake in Q1 2020
- **Sales of construction products** surged by 20% QoQ with improved market demand as customers had drawn down inventories and required replacement material

**Crude steel - production volumes, kt**



**Steel products - sales volumes, kt**



Source: Company information

Source: Company information



# Outlook

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**Alexey Ivanov**

Senior Vice President, Commerce and Business Development

# Outlook for Q2 2020

## ■ Steel segment

- In Q2 2020, the Group expects that the COVID-19 pandemic does not significantly affect the production of pig iron and steel in Russia, however it could possibly affect the rolling mills utilisation amid expected decrease in demand on the domestic market
- Pig iron production volumes are expected to decrease following capital repairs of blast furnace no. 2 in May 2020, the gas pause in June at EVRAZ ZSMK and capital repairs of blast furnace no. 7 in May 2020 at EVRAZ NTMK
- Iron ore pellet production volumes are expected to be slightly lower, mainly due to capital repairs at the pelletising plant and reduced sinter production due to capital repairs at EVRAZ KGOK's sinter plant in May 2020

## ■ Steel North America segment

- Sales volumes for EVRAZ North America in Q2 2020 expected to be relatively flat with decline in OCTG volume driven by significantly lower drilling activity in Western Canada to be offset by higher LDP shipments

## ■ Coal segment

- In Q2 2020, raw coal production is expected to decrease QoQ due to longwall moves at the Rospadskaya-Koksovaya, Uskovskaya mines and reduced output at the Razrez Rospadsky open pit as well as due to the reserves depletion at one of the longwalls at Rospadskaya mine
- The decline will be partly offset by the completion of longwall move at the Erunakovskaya mine



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