

REVIEW OF OPERATIONS BY SEGMENT

Operations by Segment, US\$ million

	Steel		Steel, North America		Coal		Other	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues	6,969	8,143	1,779	2,500	1,490	2,021	410	483
EBITDA	1,930	1,795	(28)	38	400	843	15	18
EBITDA margin	27.7%	22.0%	(1.6)%	1.5%	26.8%	41.7%	3.7%	3.7%
CAPEX	401	394	92	128	154	227	10	13

Steel segment

Sales review

Steel segment revenues by product

	2020		2019		Change, %
	US\$ million	% of total segment revenues	US\$ million	% of total segment revenues	
Steel products, external sales	6,079	87.2	6,637	81.5	(8.4)
Semi-finished products ¹	2,479	35.6	2,528	31.0	(1.9)
Construction products ²	2,013	28.9	2,166	26.6	(7.1)
Railway products ³	1,099	15.8	1,181	14.5	(6.9)
Flat-rolled products ⁴	146	2.1	386	4.7	(62.2)
Other steel products ⁵	342	4.9	377	4.6	(9.3)
Steel products, intersegment sales	37	0.5	168	2.1	(78.0)
Including sales to Steel, North America	26	0.4	154	1.9	(83.1)
Iron ore products	146	2.1	190	2.3	(23.2)
Vanadium products	349	5.0	648	8.0	(46.1)
Other revenues	358	5.1	499	6.1	(28.3)
Total	6,969	100.0	8,143	100.0	(14.4)

Sales volumes of Steel segment (thousand tonnes)

	2020	2019	Change	Change, %
Steel products, external sales	12,197	12,075	122	1.0
Semi-finished products	6,039	5,636	403	7.2
Construction products	3,944	3,800	144	3.8
Railway products	1,299	1,393	(94)	(6.7)
Flat-rolled products	267	622	(355)	(57.1)
Other steel products	647	624	23	3.7
Steel products, intersegment sales	67	318	(251)	(78.9)
Total steel products	12,264	12,393	(129)	(1.0)
Vanadium products (tonnes of pure vanadium)	18,696	19,334	(638)	(3.3)
Vanadium in slag	6,129	6,451	(322)	(5.0)
Vanadium in alloys and chemicals	12,534	12,883	(349)	(2.7)
Iron ore products	1,732	1,895	(163)	(8.6)
Sinter	-	759	(759)	(100.0)
Pellets	1,732	1,134	598	52.7
Other iron ore products	-	2	(2)	(100.0)

¹ Includes billets, slabs, pig iron, pipe blanks and other semi-finished products.

² Includes rebar, wire rods, wire, beams, channels and angles.

³ Includes rails, wheels, tyres and other railway products.

⁴ Includes commodity plate and other flat-rolled products.

⁵ Includes rounds, grinding balls, mine uprights and strips.

Geographic breakdown of external steel product sales, US\$ million

	2020	2019	Change	Change, %
Russia	2,962	3,358	(396)	(11.8)
Asia	2,200	2,028	172	8.5
Europe	221	492	(271)	(55.0)
CIS	490	565	(75)	(13.4)
Africa, America and rest of the world	206	195	12	6.3
Total	6,079	6,638	(558)	(8.4)

In 2020, revenues from the Steel segment dropped by 14.4% to US\$6,969 million, compared with US\$8,143 million a year earlier. The segment's revenues were impacted by a sharp reduction in sales prices for vanadium products, as well as a slight fall in construction sales prices and lower flat-rolled sales volumes, along with lower sales volumes in the North America segment.

Revenues from external sales of semi-finished products decreased by 1.9% amid a decline of 9.1% in average prices, which was partly offset by a 7.2% increase in sales volumes. The increase was driven primarily by change in the product mix in favour of higher slab and billets sales to export destinations following a decrease in demand in Russia amid the COVID-19 pandemic.

Revenues from sales of construction products to third parties fell by 7.1%: a 10.9% decrease was attributed to a reduction in average prices, which was partly offset by a 3.8%

increase due to higher export sales volumes to Asia following a decrease in demand in Russia amid the COVID-19 pandemic.

Revenues from external sales of railway products fell due to a 6.7% decrease in volumes, which was coupled with sales price decline of 0.2%. A key driver of lower railway product sales volumes during the reporting period was lower demand for railway wheels on the Russian market, which was also attributable to the COVID-19 pandemic.

External revenues from flat-rolled products fell by 62.2%. A 57.1% decrease was attributed to a drop in sales volumes to Europe mainly due to disposal of EVRAZ Palini e Bertoli which took place in Q4 2019, and a 5.2% decrease due to lower sales prices.

The share of sales to the Russian market declined from 50.6% in 2019 to 48.7% in 2020, following increase of export sales to Asia.

Steel segment revenues from sales of iron ore products dropped by 23.2%. This was due to a 14.6% decrease in sales prices, as well as 8.6% reduction in sales volumes, primarily as a result of the absence of sinter sales to third parties, due to disposal of EvrazTransUkraine and greater requirements for own operations.

In 2020, around 63.2% of EVRAZ' iron ore consumption in steelmaking came from the Group's own operations, compared with 66.6% a year earlier.

Steel segment revenues from sales of vanadium products dropped by 46.0%, primarily due to a 42.7% downturn in sales prices in line with market trends. Ferrovandium prices dropped in line with the London Metal Bulletin and Ryan's Notes quotations, while vanadium slag prices fell along with vanadium pentoxide (V₂O₅) quotations.

Steel segment cost of revenues

Steel segment cost of revenues

	2020		2019		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenues	4,596	65.9	5,836	71.7	(21.2)
Raw materials	2,025	29.1	2,577	31.6	(21.4)
Iron ore	503	7.2	540	6.6	(6.9)
Coking coal	769	11.0	1,082	13.3	(28.9)
Scrap	442	6.3	542	6.7	(18.5)
Other raw materials	311	4.5	413	5.0	(24.7)
Auxiliary materials	339	4.9	366	4.5	(7.4)
Services	241	3.5	277	3.4	(13.0)
Transportation	407	5.8	457	5.6	(10.9)
Staff costs	477	6.8	501	6.2	(4.8)
Depreciation	233	3.3	227	2.8	2.6
Energy	398	5.7	439	5.4	(9.3)
Other ¹	476	6.8	992	12.2	(52.0)

¹ Includes goods for resale, changes in work in progress and finished goods, taxes in cost of revenues, semi-finished products, allowance for inventory and inter-segment unrealised profit.

In 2020, the Steel segment's cost of revenues decreased by 21.2% year-on-year. The main reasons for the increase were:

- The cost of raw materials declined by 21.4%, mainly due to lower costs of coking coal (down 28.9%), due to the trend on global markets, as well as reduced use of more expensive coal concentrate, which was replaced with a cheaper form from Esaulskaya mine. Scrap costs declined by 18.5%, due to lower scrap price and lower share of scrap in metal-charge amid increased pig iron consumption. The decrease in raw material costs was also accompanied by a weaker rouble and reduced consumption due to cost-cutting initiatives.
- Costs for auxiliary materials declined by 7.4%, amid lower consumption of auxiliary materials and auxiliary materials prices.
- Service costs declined by 13.0%, primarily driven by the lower cost and volume of ferrovanadium processing, whose costs are linked to final product quotes.
- Transportation costs declined by 10.9%, primarily due to lower shipment volumes due to the COVID-19 pandemic, national lockdowns, the global economic shock and a sharp decline in economic growth rates.
- Energy costs were lower due to the weaker rouble, as well as higher own electricity generation and change in fuel structure.
- Other costs were down by 52.0%, mainly due to the lower cost of goods for resale, amid a drop in vanadium purchase prices in 2020, compared to 2019. Other reasons were related to a reduction in the purchase price of goods, higher sales of own production scrap, and significant increases of semi- and vanadium stocks due to COVID-19.

Steel segment gross profit

The Steel segment's gross profit increased by 2.9% year-on-year, as positive effects of lower cost outweighed the decrease in sales volumes and prices.

Steel, North America segment

Sales review

Steel, North America segment revenues by product

	2020		2019		Change, %
	US\$ million	of total segment revenue	US\$ million	of total segment revenue	
Steel products	1,679	94.4	2,372	94.8	(29.2)
Semi-finished products	109	6.1	121	4.8	(9.9)
Construction products ¹	183	10.3	200	8.0	(8.5)
Railway products ²	326	18.3	405	16.2	(19.5)
Flat-rolled products ³	323	18.2	518	20.7	(37.6)
Tubular products ⁴	743	41.8	1,128	45.1	(34.1)
Other revenues⁵	95	5.6	128	5.1	(21.9)
Total	1,779	100.0	2,500	100.0	(28.8)

Sales volumes of steel products at Steel, North America segment (thousand tonnes)

	2020	2019	Change	Change, %
Semi-finished products	144	192	(48)	(25.0)
Construction products	262	256	6	2.3
Railway products	404	441	(37)	(8.4)
Flat-rolled products	382	523	(141)	(27.0)
Tubular and other steel products	537	795	(256)	(32.3)
Total	1,729	2,207	(476)	(21.5)

¹ Includes beams, rebar and structural tubing.

² Includes rails and wheels.

³ Includes commodity plate, specialty plate and other flat-rolled products.

⁴ Includes large-diameter line pipes, ERW pipes and casing, seamless pipes, casing and tubing and other products.

⁵ Includes scrap and services.

⁶ Primarily includes transportation, goods for resale, certain taxes, changes in work in progress and fixed goods, and allowances for inventories.

The segment's revenues from the sale of steel products dropped, due to a decrease of 21.7% in volumes, as well as a decrease of 7.5% in prices. This was mainly attributable to lower demand on the tubular and flat-rolled market.

Revenues from the sale of semi-finished products decreased by 9.9%, due to a decline in sales volumes of 25.0%, following the fulfilment of a contract with a key customer, albeit partly offset by an increase in prices of 15.1%.

Construction product revenues fell by 8.5%, due to a 10.8% reduction in prices, partly offset by a 2.3% increase in sales volumes as a result of improved market conditions.

Railway product revenues fell by 19.5%, driven by a decline in prices of 12.1%, along with lower sales volumes by 8.4%, due to reduced demand driven by the COVID-19 pandemic.

Revenues from flat-rolled products decreased due to declines of 10.6%

in prices and of 27.0% in sales volumes, as a result of weakening market demand amid the COVID-19 pandemic.

Revenues from tubular product sales fell by 34.1% year-on-year, due to a drop of 32.5% in volumes. This was driven by turbulence on the oil and gas markets, which led to falling demand, resulting in the idling of the OCTG mills in Canada and the US.

Steel, North America segment cost of revenues

Steel, North America segment cost of revenues

	2020		2019		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenues	1,604	90.1	2,204	88.1	(27.2)
Raw materials	454	25.5	686	27.4	(33.8)
Semi-finished products	238	13.4	396	15.8	(39.9)
Auxiliary materials	172	9.7	222	8.9	(22.5)
Services	145	8.2	190	7.6	(23.7)
Staff costs	240	13.5	319	12.8	(24.8)
Depreciation	100	5.6	109	4.4	(8.3)
Energy	90	5.1	117	4.7	(23.1)
Other ⁶	165	9.3	165	6.6	-

In 2020, the Steel, North America segment's cost of revenues dropped significantly year-on-year driven by declined sales volumes. The main changes related to:

- Raw material costs fell by 33.8%, primarily because of lower production volumes and lower cost of scrap.
- The cost of semi-finished products was down 39.9%, due to the reduction of consumption at Portland Flat.
- Auxiliary material costs fell by 7.6%, driven by lower production levels at Pueblo and in Canada.
- Service costs went down by 23.7%, driven primarily by lower production volumes and mill idling.
- Staff costs decreased by 24.8%, mostly driven by the idling of OCTG mills in Canada and the US, an overall decrease in production levels for other products and a rotating furlough schedule for salaried employees.
- Energy costs fell by 23.1%, primarily due to reduced production levels and lower natural gas prices.
- Other costs remained broadly flat year-on-year.

Steel, North America segment gross profit

The Steel, North America segment's gross profit totalled US\$175 million for 2020, down from US\$296 million a year earlier. The decline was driven primarily by lower sales volumes for flat-rolled and OCTG, due to worsening market conditions, which was partly offset by lower prices for raw materials, purchased semi-finished products, staff costs, auxiliary materials and services.

Coal segment

Sales review

Coal segment revenues by product

	2020		2019		Change, %
	US\$ million	% of total segment revenue	US\$ million	% of total segment revenue	
External sales					
Coal products	929	62.4	1,251	61.9	(25.7)
Coking coal	74	4.9	148	7.3	(50.0)
Coal concentrate	853	57.3	1,103	54.6	(22.7)
Steam coal	2	0.2	-	-	100.0
Intersegment sales					
Coal products	536	35.9	730	36.1	(26.6)
Coking coal	101	6.8	124	6.1	(18.5)
Coal concentrate	435	29.2	606	30.1	(28.2)
Other revenues	25	1.7	40	2.0	(37.5)
Total	1,490	100.0	2,021	100.0	(26.3)

Sales volumes of Coal segment (thousand tonnes)

	2020	2019	Change	Change, %
External sales				
Coal products	12,336	11,053	1,283	11.6
Coking coal	2,233	1,928	305	15.8
Steam coal	37	1	36	n/a
Coal concentrate and other products	10,066	9,124	941	10.3
Intersegment sales				
Coal products	6,986	6,569	417	6.3
Coking coal	2,323	2,044	279	13.6
Coal concentrate	4,663	4,525	138	3.3
Total, coal products	19,322	17,622	1,700	9.6

Revenues from external sales of coal products fell, amid a 37.3% reduction in prices, partly offset by an 11.6% increase in sales volumes. Coking coal revenues fell by 50.0% and coking coal concentrate revenues dropped by 22.7% amid lower pricing, but were offset in part by higher sales volumes. These were driven by strong demand for coal on the Russian market, as well as growth in demand for coal from China. Long-term partnerships with Japanese, Korean

and European clients have minimised the impact of declining demand on these markets.

Revenues from internal sales of coal products were down 26.8%, mainly due to a 33.1% reduction in sales prices, which was partly offset by a 6.3% uptick in volumes. Coking coal volumes rose by 22.4%, due to increased sales of K and KS grades.

In 2020, the Coal segment's sales to the Steel segment amounted to US\$537 million (36.0% of total sales), compared with US\$730 million (36.1%) in 2019.

During the reporting period, roughly 78.0% of EVRAZ' coking coal consumption in steelmaking came from the Group's own operations, compared with 74.1% in 2019.

Coal segment cost of revenues

Coal segment cost of revenues

	2020		2019		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenues	1,027	68.9	1,046	51.8	(1.8)
Auxiliary materials	110	7.4	159	7.9	(30.8)
Services	53	3.5	97	4.8	(45.4)
Transportation	294	19.7	351	17.4	(16.2)
Staff costs	200	13.4	223	11.0	(10.3)
Depreciation	163	10.9	171	8.5	(4.7)
Energy	43	2.9	51	2.5	(15.7)
Other ¹	164	11.0	(6)	(0.3)	100.0

The main drivers of the year-on-year increase in the Coal segment's cost of revenues were as follows:

- The consumption of auxiliary materials decreased by 30.8% due mainly to lower volumes of preparation at third-party plants, the idling of production at the Rospadsky open pit in Q2-Q3 2020, and a decrease in the production volumes at Rospadskaya mine.
- Costs for services dropped by 45.4%, due mainly to lower volumes of preparation at third-party plants, the idling of production at the Rospadsky open

pit in Q2-Q3 2020, and a decrease in production volumes at Rospadskaya mine.

- Transportation costs fell by 16.2% during the reporting period, primarily due to the idling of production at the Rospadsky open pit mine in Q2-Q3 2020, the use of in-house transportation equipment instead of third-party contractor equipment, lower volumes shipped.
- Staff costs fell by 10.3% because of lower mining volumes as well as rouble depreciation.
- Other costs increased during the reporting period, mainly due to higher sales

of accumulated stock, partially offset by higher work-in-progress, and the lower cost of goods for resale and lower mineral extraction tax payments, due to reduced production levels.

Coal segment gross profit

In 2020, the Coal segment's gross profit was US\$464 million, down from US\$975 million a year earlier, primarily due to lower sales prices.

Nikolay Ivanov
Chief Financial Officer

¹ Primarily includes goods for resale, certain taxes, changes in work in progress and finished goods, allowance for inventory, raw materials and inter-segment unrealised profit.