



# FINANCIAL RESULTS

H1 2020

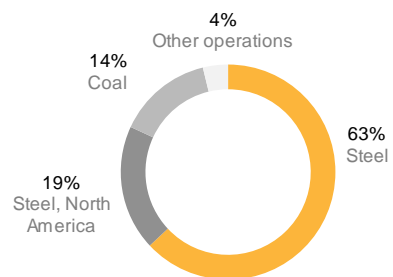
📅 6 August 2020



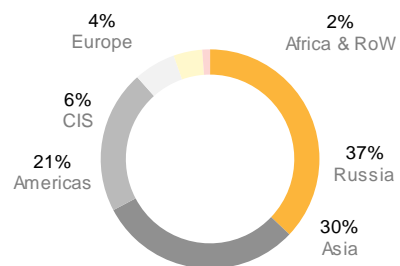
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# Core operations and distribution markets

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



## Consolidated revenue by region, %

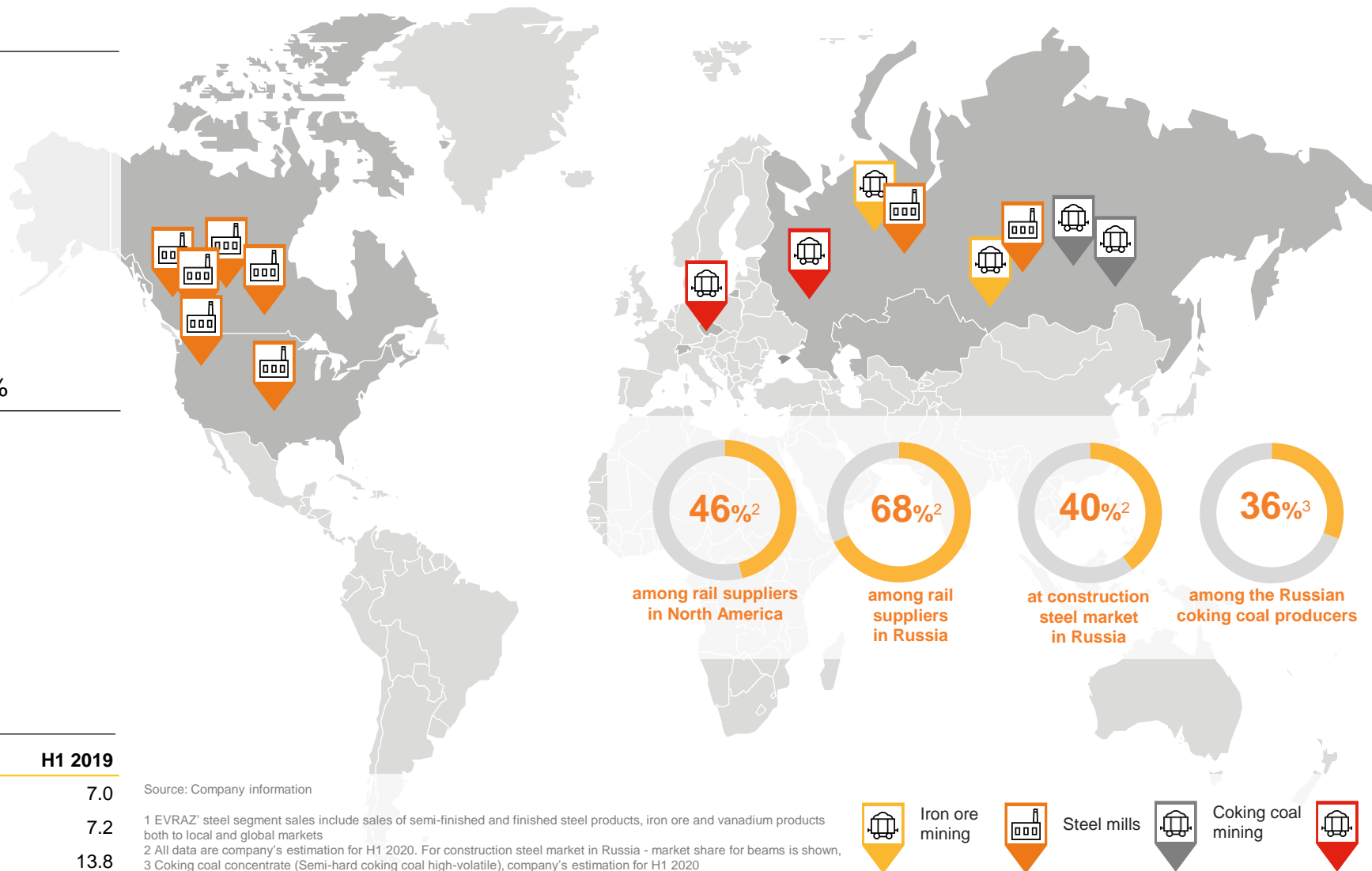


## Key operational indicators, mt

Production	H1 2020	H1 2019
Crude steel	6.9	7.0
Iron ore products	7.1	7.2
Raw coking coal	9.9	13.8

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 data are company's estimation for H1 2020. For construction steel market in Russia - market share for beams is shown,  
<sup>3</sup> Coking coal concentrate (Semi-hard coking coal high-volatile), company's estimation for H1 2020



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# Highlights

**Alexander Frolov**  
Chief Executive Officer

# Key themes

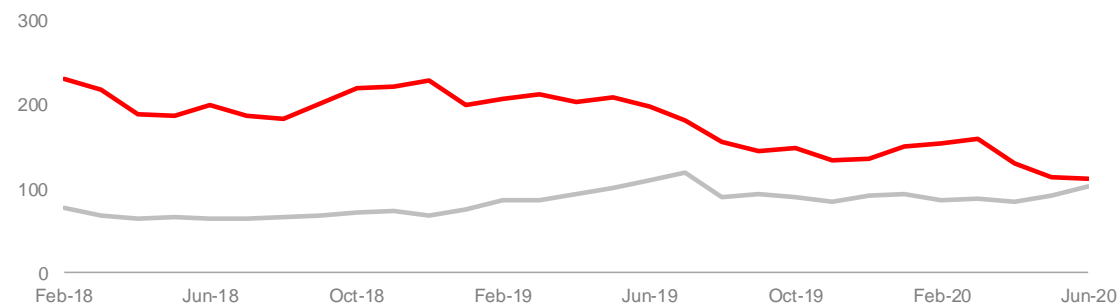
- COVID-19 took hold in Asia and spread worldwide, the restrictions introduced impacted the global economy and bulk commodity markets

- Consolidated EBITDA reached \$1,073m, EBITDA margin declined YoY to 21.5%
- The decline was primarily attributable to lower steel, vanadium and coal product sales prices, as well as lower sales of tubular and flat-rolled steel products resulting from weakening market demand in North America
- Cost-cutting and productivity improvement initiatives combined with customer focus efforts generated a total EBITDA effect of \$251m

- CAPEX amounted to \$337m vs \$309m in H1 2019
- Stable positive FCF of \$315m despite market headwinds
- Net debt increased slightly to \$3,733m, net leverage reached 1.7x
- An interim dividend of \$0.20 per share, totaling c.\$291.37m was recommended by the BoD on 5 August 2020

## Global raw material prices, \$/t

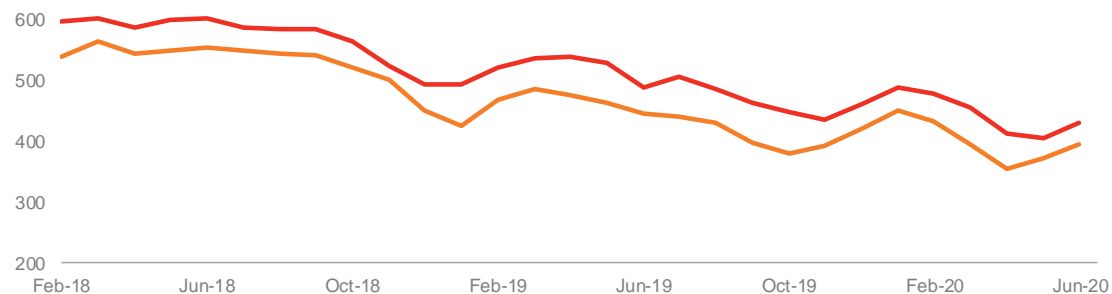
- Iron ore, Fines, 62% Fe, spot, CFR China
- Hard coking coal, spot, FOB Australia



Source: CRU

## Global steel prices, \$/t

- Slab, CFR East Asia
- HRC, China export, FOB

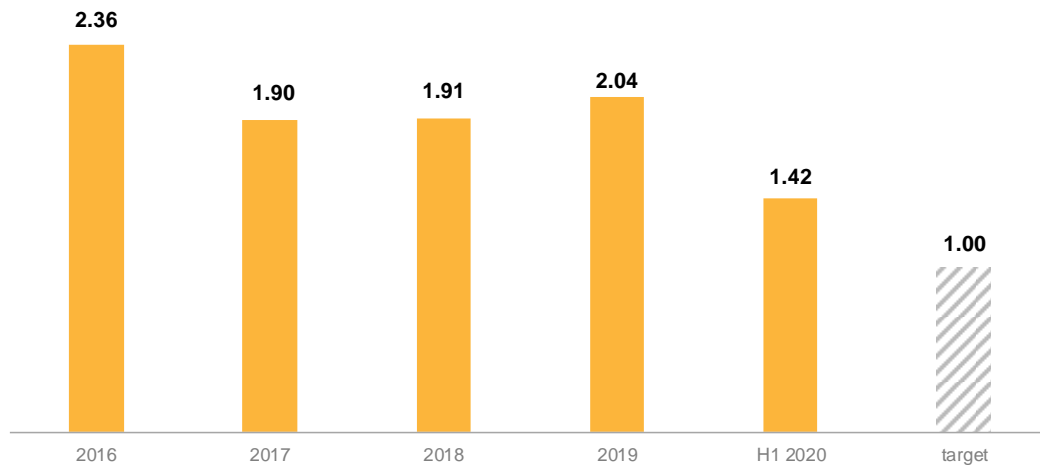


Source: CRU

# Safety is a top priority

- We remain committed to having zero fatal accidents at our sites and target to reach LTIFR level of less than one
- The main focus is a project to enhance risk management, which is being rolled out across all divisions
- EVRAZ recorded zero fatalities, largely due to the sustained efforts to engage employees in risk identification and mitigation

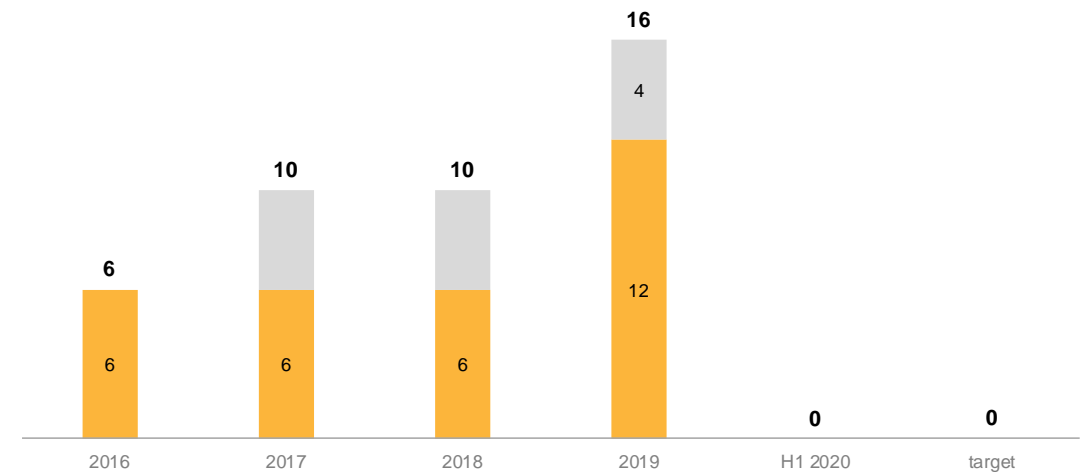
## Lost Time Injury Frequency Rate (LTIFR)\*



Source: Company information

## Fatalities

■ Contractors  
■ Employees



Source: Company information

- On the global steel market, throughout H1 2020, prices continued to slide, primarily due to the spread of COVID-19 worldwide
- In March, the coronavirus continued to spread, leading to the lockdown of several key markets in Southeast Asia (Philippines, Thailand, Indonesia and others). In early May, as several countries eased lockdown restrictions and market conditions improved, the trend reversed and prices regained part of their losses
- To hedge against the risk of production disruptions, EVRAZ extended the order book for semi-finished products with overseas customers where possible
- EVRAZ remained closely focused on its operations, including logistics, supply and technological processes. Despite 242 confirmed COVID-19 cases among employees as of 30 June 2020, EVRAZ faced no significant issues with the production or supply of raw materials and other goods. Shipments continued, and raw material deliveries to enterprises were stable
- COVID-19 has had little effect on EVRAZ' liquidity situation. Despite the negative market trends, operations and sales have continued to generate sufficient operating cash flow, while EVRAZ has proactively addressed its upcoming obligations and maintained a strong liquidity position
- In response to the COVID-19 pandemic, EVRAZ has introduced additional safety measures to protect its people and ensure continued operations. EVRAZ has undertaken additional measures aimed at supporting the wellbeing and mental health of its employees during the pandemic
- Since the beginning of the COVID-19 pandemic, EVRAZ has allocated more than RUB400m (\$5.8m) as of 30 June 2020 to ensure safe working conditions for employees, as well as to support medical and pre-school institutions in local communities

## 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 – \$83m**



**Customer focus initiatives effect on EBITDA – \$168m**



**Development  
CAPEX – \$106m**

**Maintenance  
CAPEX – \$231m**



**Net Debt - \$3,733m,  
Net Debt/EBITDA - 1.7x**

**Dividends paid c.\$0.6bn  
with a dividend yield of 11%**



# Vertically integrated business model supported by robust cost base

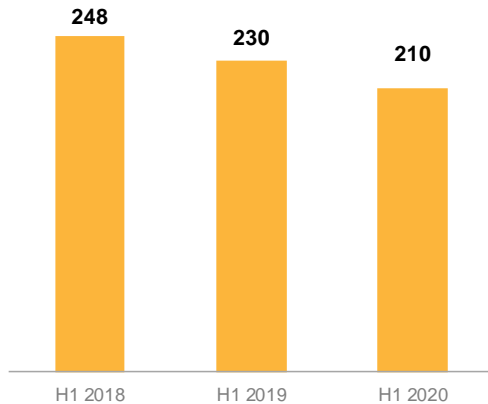


Cash cost of slabs decreased YoY primarily due to rouble depreciation, lower prices for raw materials, better raw material yield and change in blast furnace charge

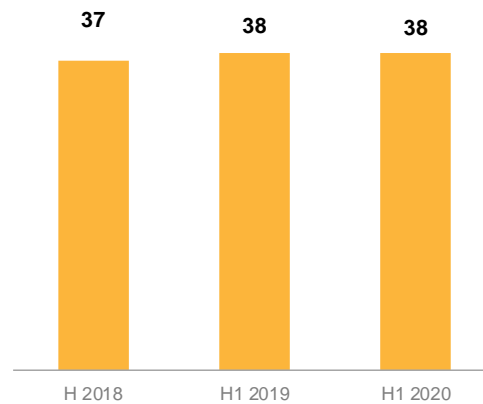
Iron ore cash cost remained flat YoY

Coking coal concentrate cash cost remained flat YoY

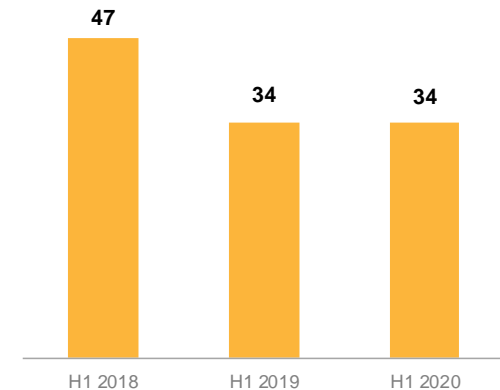
Cash cost of slab of Russian steel plants\*, US\$/t



Cash cost of iron ore products (Fe 62%)\*, US\$/t



Cash cost of washed coking coal\*, US\$/t



Source: Company information

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

\*\*The raw material requirement of EVRAZ steelmaking facilities compared with coal product sales or production of iron ore products from own raw materials.

**70%**  
Self-coverage\*\*  
in iron ore

**240%**  
Self-coverage\*\*  
in coking coal

# Efficiency improvements

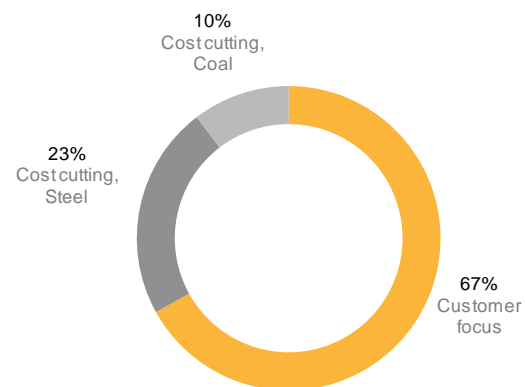
- The efficiency programme generated \$83m of additional EBITDA mostly through productivity growth, yield improvements and numerous savings projects

- Customer focus initiatives added \$168m to EBITDA as a result of sales efforts in railway wheels, grinding balls as well as to improvements in logistics and supply functions efficiency

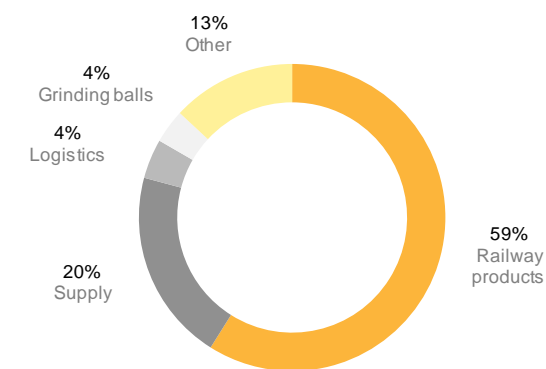
## Effect of Group's cost-cutting initiatives, US\$m

<b>Improving yields and raw material costs</b>	<b>63</b>
Improving yields and raw material costs of Urals and Siberia divisions	32
Various improvements at coal washing plants and mines	24
Improving yields and raw material costs of North American assets and vanadium operations	7
<b>Increasing productivity and cost effectiveness</b>	<b>4</b>
<b>Other, including G&amp;A costs</b>	<b>16</b>
<b>TOTAL</b>	<b>83</b>

## Total effect, \$m



## Customer focus effect, \$m



Source: Company information

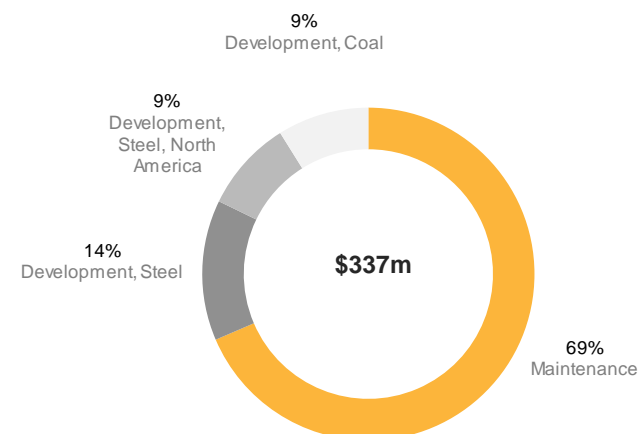
- Total CAPEX up 9% YoY following increase in spending on development projects
- EVRAZ Pueblo long rail mill project continued according to the schedule; and in June, Board approved the start of the execution phase

- The decision was made to postpone execution of rail and beam mill modernisation project at EVRAZ NTMK and execution of integrated flat casting and rolling facility project at EVRAZ ZSMK
- Updated plans for these investment projects will be announced during Capital markets day 2020
- FY 2020 target is c.\$800m

## Development CAPEX breakdown by key projects

Segment	Project	CAPEX H1 2020
Steel	Tashtagol iron ore mine upgrade at EVRAZ ZSMK mining site	13
	Sobstvenno-Kachkanarsky deposit greenfield project	8
	Integrated flat casting and rolling facility at EVRAZ ZSMK	2
	Rail and beam mill modernisation at EVRAZ NTMK	1
Steel, North America	Long rail mill at EVRAZ Pueblo	15
	Electric arc furnace (EAF) repowering at EVRAZ Regina	9
Coal	Acquisition of equipment at Alardinskaya and Osinnikovskaya mines	27
	Access and development of reserves in the Uskovskaya mine's seam no. 48	5
	Access and development of reserves in the Esaulskaya mine's seam no. 29a	4

## CAPEX breakdown, \$m



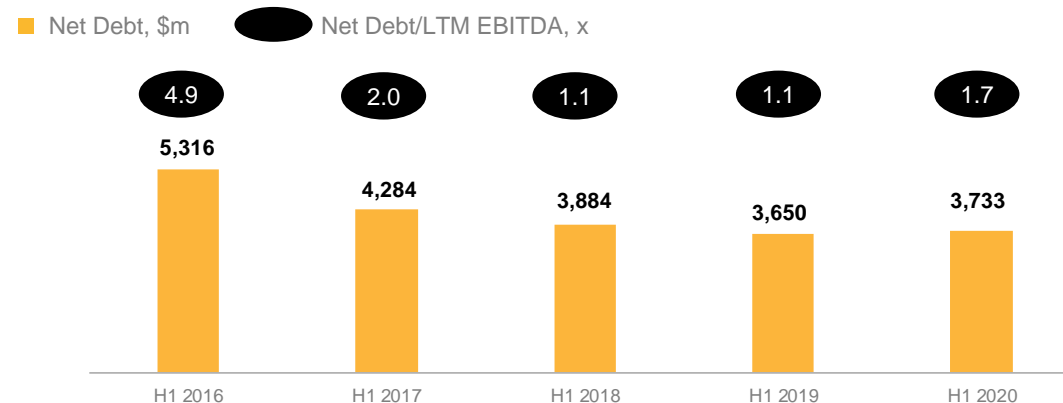
Source: Company information

# Focus on stable dividends

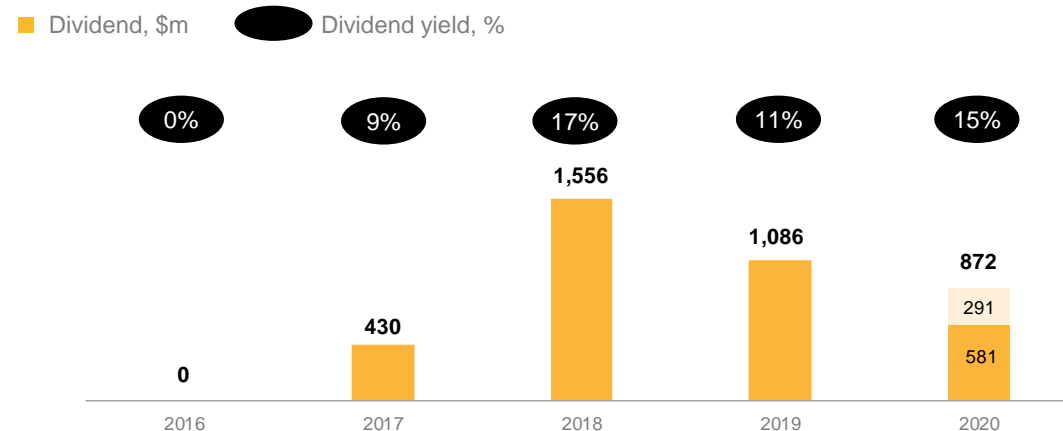
- EVRAZ ended H1 2020 with net debt of \$3,733m and retains its medium-term debt target at below \$4bn
- Major leverage metric, the ratio of net debt to last twelve months (LTM) EBITDA increased to 1.7 times as at 30 June 2020
- We remain committed to net debt <\$4bln target

- In H1 2020, EVRAZ paid dividends of c.\$581m, equivalent to a 11% yield
- An interim dividend of c.\$291m was declared by the BoD on 6 August 2020
- EVRAZ remains committed to stable dividend payments going forward

## EVRAZ leverage, US\$m



## EVRAZ dividend payments, US\$m



Source: Company information

- In H2, EVRAZ will aim to sustain production at full capacity and maximise sales volumes in Russia
- We will focus on additional efficiency improvements and maintain balanced and selective approach to our investment projects

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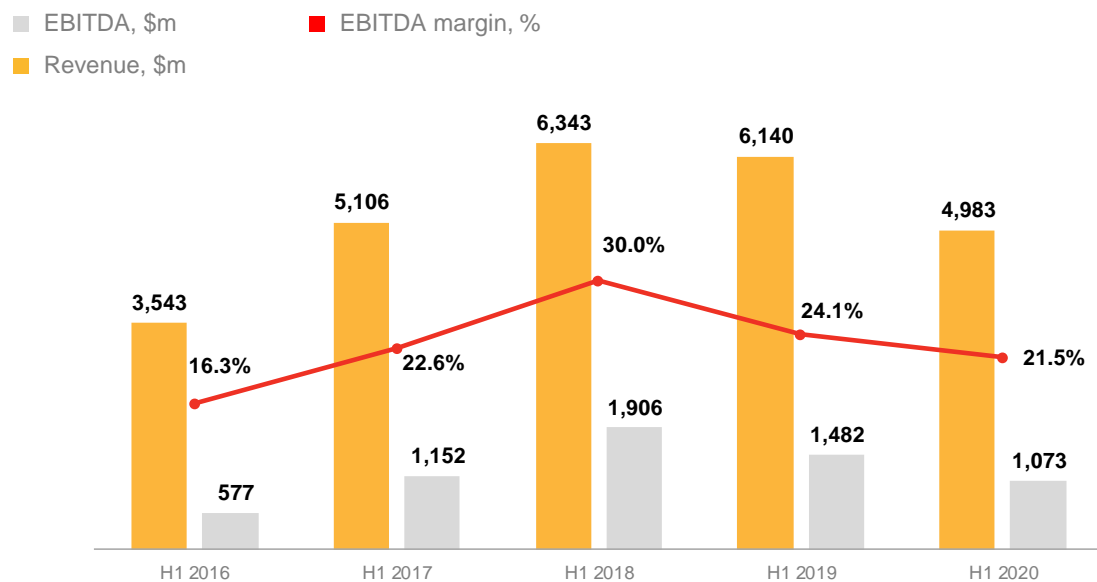
# Financial performance

**Nikolay Ivanov**  
Chief Financial Officer

# EBITDA and margins

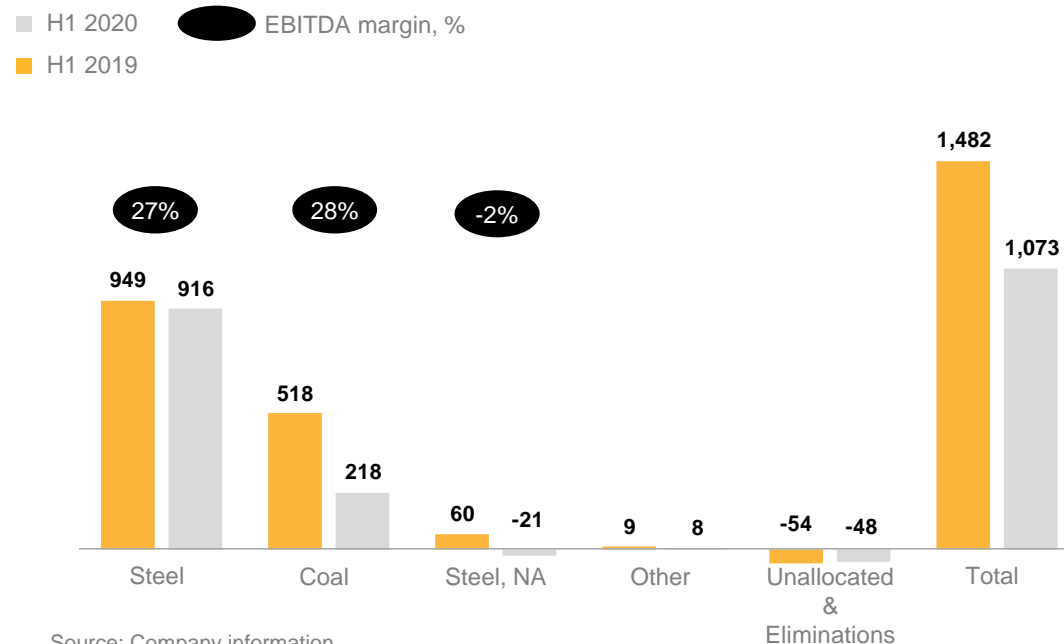
- EBITDA amounted to \$1,073m in H1 2020 vs \$1,482m in H1 2019, bringing down the EBITDA margin from 24.1% to 21.5%
- The decline was primarily attributable to lower steel, vanadium and coal product sales prices, as well as lower sales of tubular and flat-rolled steel products resulting from weakening market demand in North America

## Financial performance, \$m



Source: Company information

## EBITDA by segment, \$m

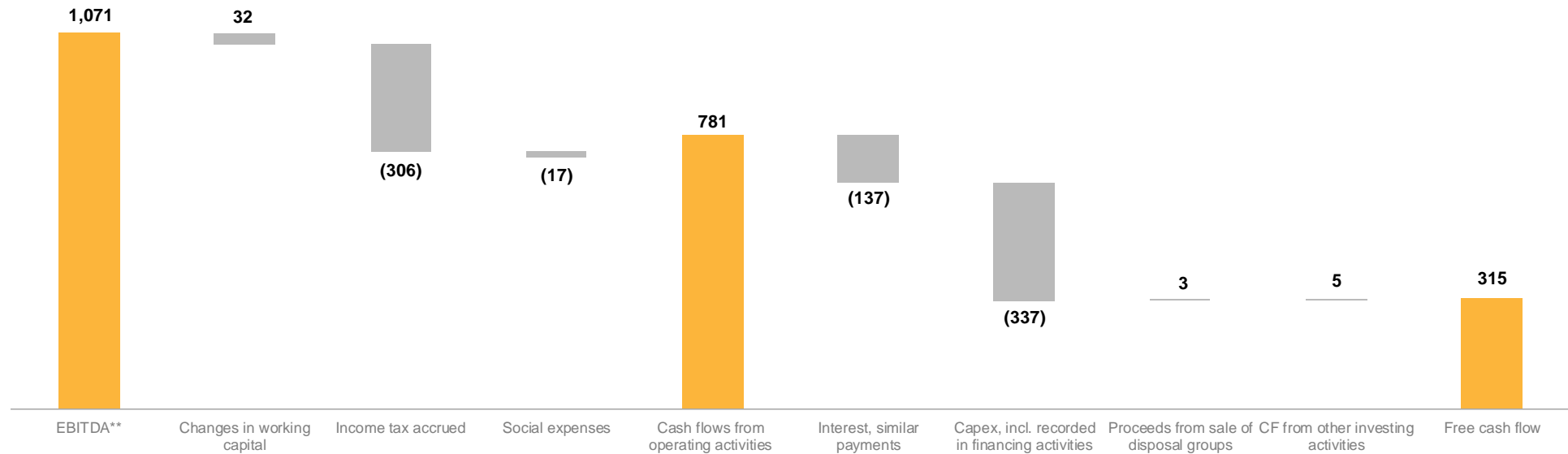


Source: Company information

# FCF generation

- EVRAZ was able to deliver positive FCF in H1 2020 despite market turbulence
- FCF generation was supported by small working capital release

## EBITDA to FCF\* bridge, H1 2020, \$m



Source: Company information

\* Free cash flow is a non-IFRS measure and is calculated as net cash generated from operating activities less net cash used in investing activities for the reported period

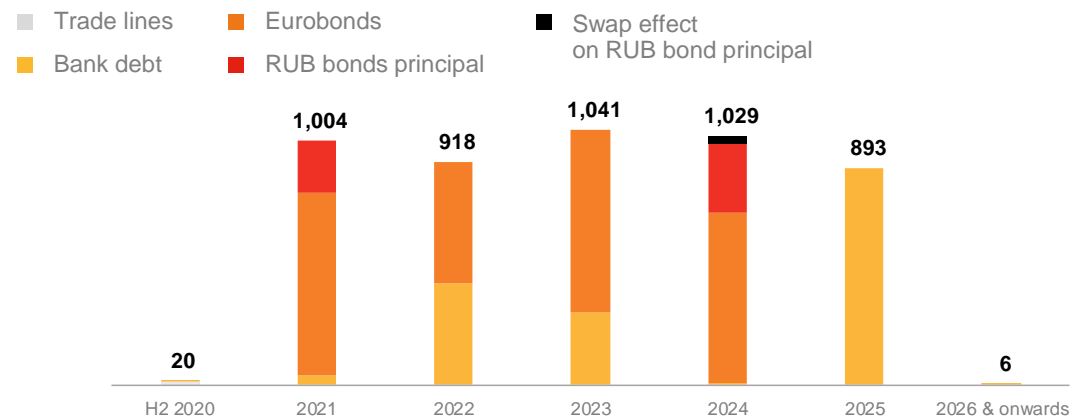
\*\* EBITDA excluding non-cash items



- In H1 2020, management focused on liquidity and preparations to refinancing of capital markets maturities coming due in Q1 2021
- In March, EVRAZ signed a \$750m committed syndicated facility with a group of international banks with availability period till March 2021
- EVRAZ decided to increase its cash safety cushion through utilisation of RUB20,000m (c.\$288m) under existing committed and uncommitted credit lines with VTB

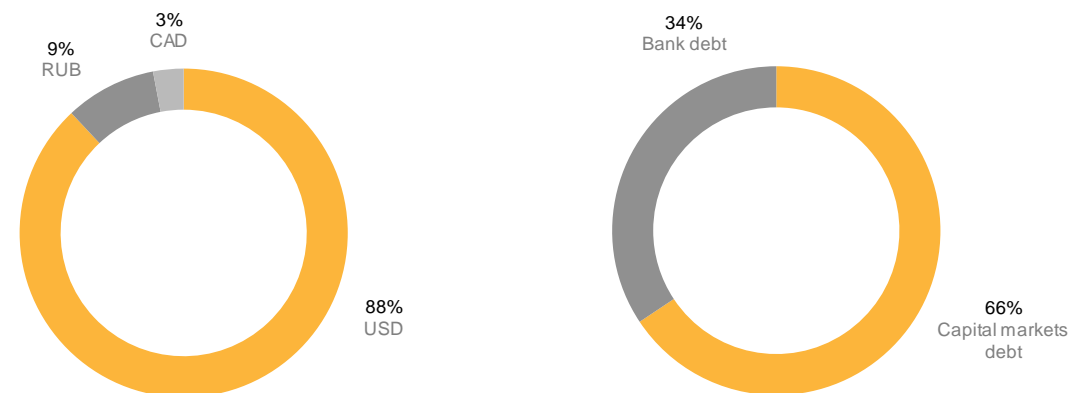
- As of 30.06.2020 total debt increased by \$229m and stood at \$5,097m
- Cash (\$1,364m) and committed credit facilities (\$932m) comfortably cover upcoming debt maturities

## Debt maturity profile, as of 30.06.2020\*, \$m



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

## Debt structure, as of 30.06.2020, %



Source: Company information

# Interim dividend 2020

- Given the performance in H1 2020, EVRAZ has announced an interim dividend
- On 5 August 2020, the Board of Directors voted to disburse a total of \$291.37m, or \$0.20 per share

## Dividend payment timetable

<b>Record Date</b>	<b>21 Aug 2020</b>
<b>Last day for dividend currency election</b>	<b>24 Aug 2020</b>
<b>Conversions</b>	<b>26 Aug 2020</b>
<b>Payment Date</b>	<b>2 Oct 2020</b>

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# Operational update

# Railway products in Russia

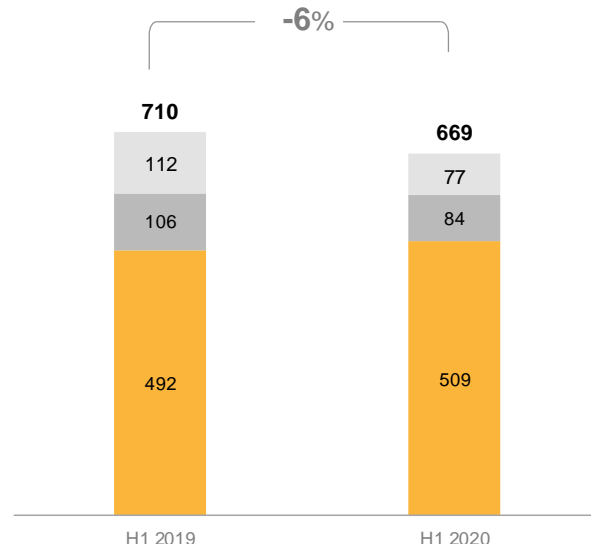
Sales declined mainly due to lower demand for wheels and railcar profiles in Q2 2020 amid COVID-19 pandemic, sales of rails were stable

Sales to CIS declined amid lower demand resulted from the imposed restrictions to fight COVID-19 pandemic

EVRAZ remained the core supplier to Russian Railways: sales grew by 7% and reached 425kt vs 396kt in in H1 2019

## Railway products sales, kt

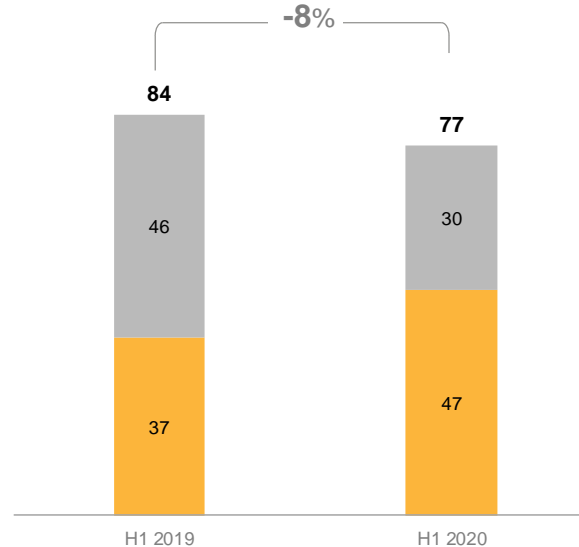
■ Railway wheels & wheel blanks ■ Other  
■ Rails



Source: Company information

## Export sales of rails and wheels, kt

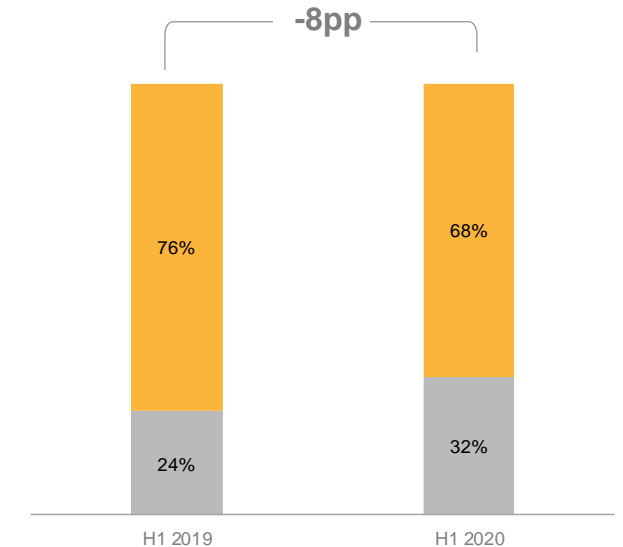
■ Export sales to CIS  
■ Export sales, excl. CIS



Source: Company information

## Market share in Russia, rails, %

■ Others  
■ EVRAZ



Source: Company information

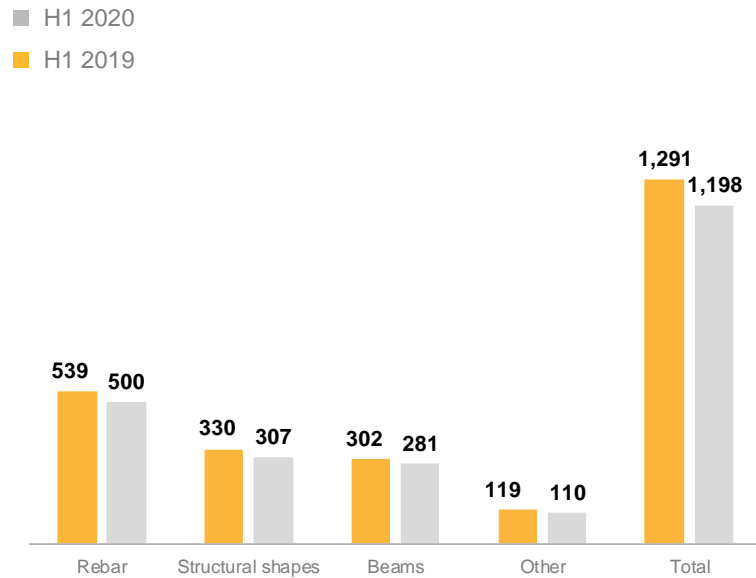
# Construction steel in Russia

The construction sector was hit hard by the COVID-19 measures, and demand fell by 17% for beams, 7% for rebar, 14% for wire rod and 21% for structural products

EVRAZ substantially increased its sales to export markets to hedge against fallen demand in Russia

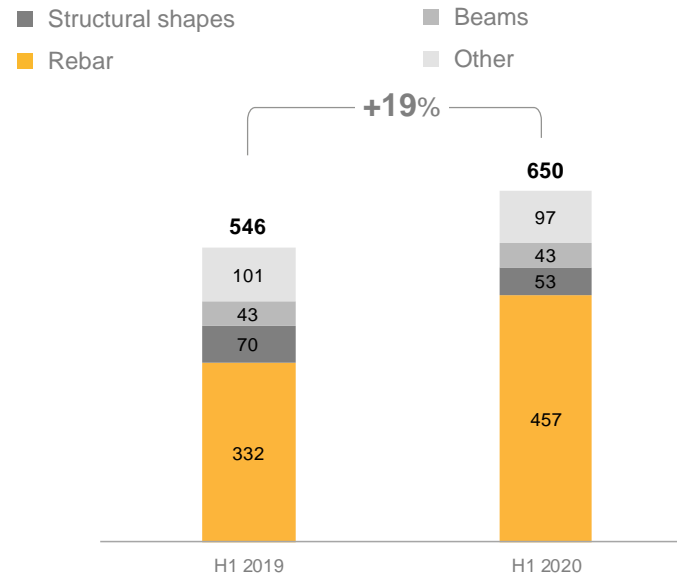
EVRAZ continued to develop its programme aimed at promoting demand for beams and structural products in construction and improving the availability of products to clients

## Construction product sales volumes in Russia, kt



Source: Company information

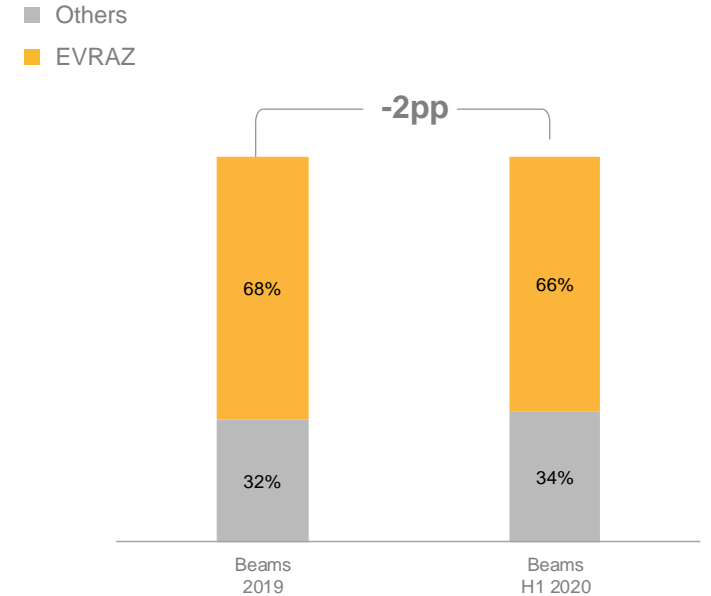
## Export sales \*, kt



\* Structural shapes (structural) are angles and channels

Source: Company information

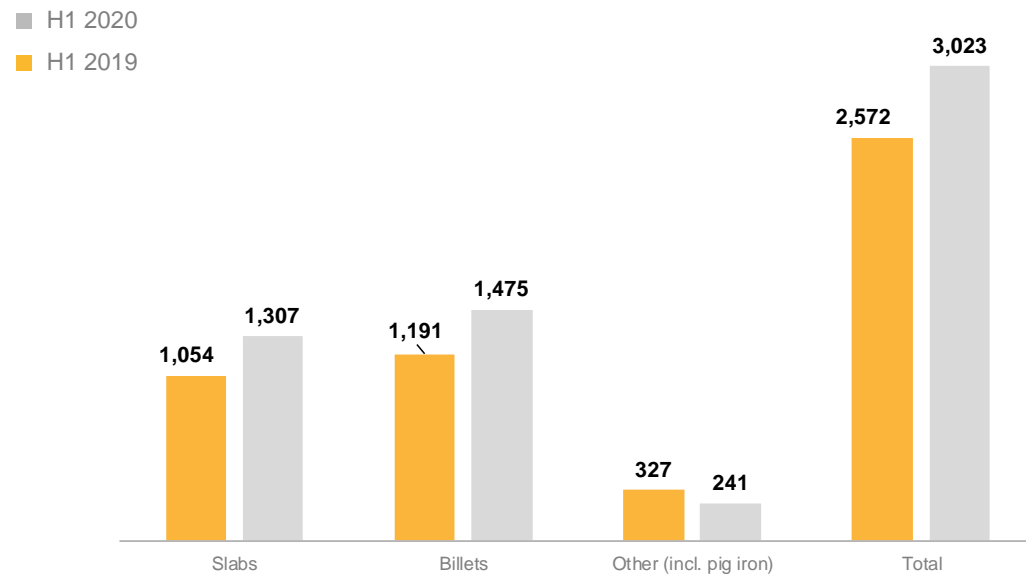
## Market share in Russia, beams, %



Source: Company information

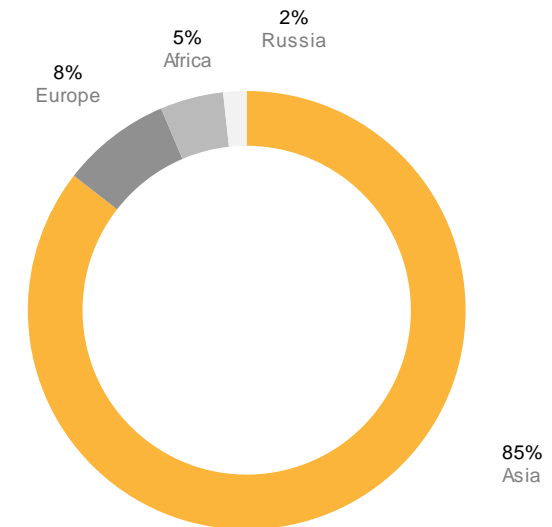
- Sales of semi-finished products climbed by 17.5% YoY due to higher slabs sales to the Asian and African markets
- EVRAZ managed to extend its the order book for semi-finished products which allowed to keep the steelmaking capacity utilisation at the maximum level
- A significant amount was sold to China, one of the first countries to stabilise the coronavirus situation and restore consumer activity

### Sales volumes of slabs & billets, kt



Source: Company information

### Sales volumes of slabs & billets by region, kt



Source: Company information

# Vanadium operations

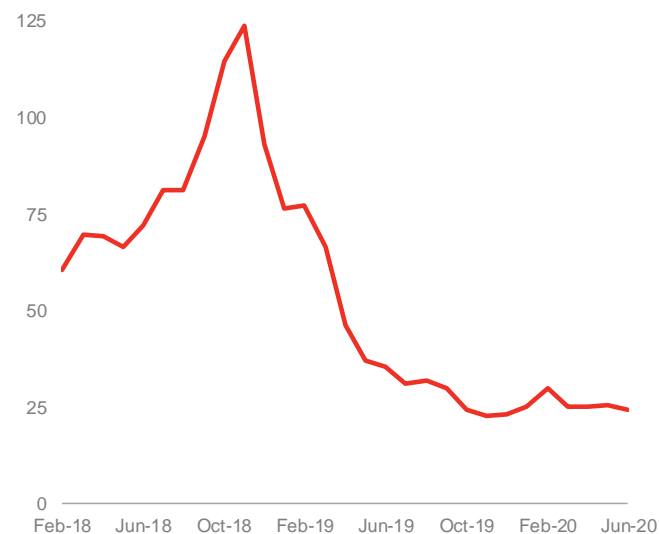
Global vanadium demand reached an estimated 51th.mtV, up 10% YoY, with increased consumption from rebar producers in China covered by higher supply globally

Sales of vanadium final products fell YoY mainly due to weaker demand for FeV amid severe demand disruptions outside China caused by the COVID-19 pandemic

EVRAZ further expanded its customer base in Asia and the Middle East and North Africa in H1 2020

## Vanadium price, \$/kgV

■ LMB FeV mid

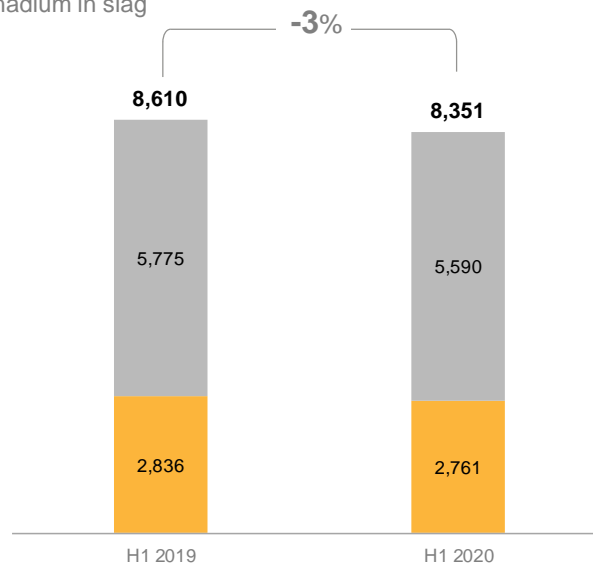


Source: MB

## Sales volumes of vanadium products, mtV

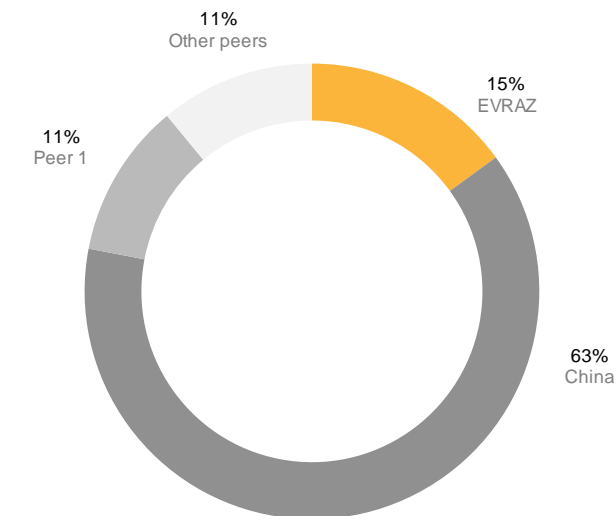
■ Vanadium in alloys & chemicals

■ Vanadium in slag



Source: Company information

## EVRAZ' global market share, %



Source: Company information

# Coal sales overview

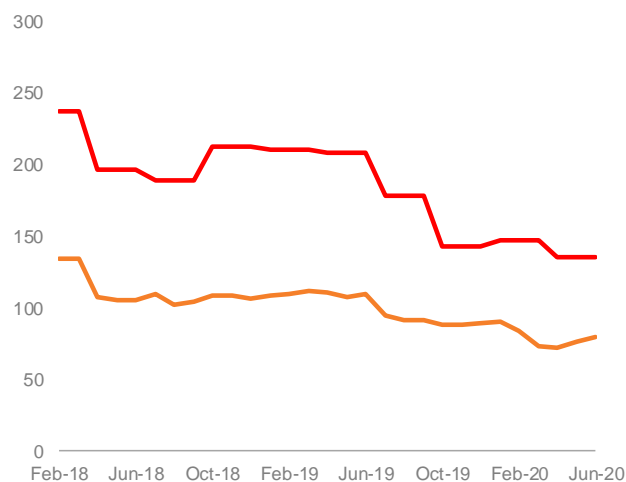
Under pressure from cuts in steel output worldwide (apart from China), Russian prices of seaborne metallurgical coal shipments followed international benchmarks

Despite a slump in global demand for coal, EVRAZ sold 9.5million tonnes of coal products in the reporting period, 0.7million tonnes higher than in H1 2019

Long-term relationships with customers in Japan, South Korea and Europe offset the effect of lower demand on those markets due to COVID-19

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

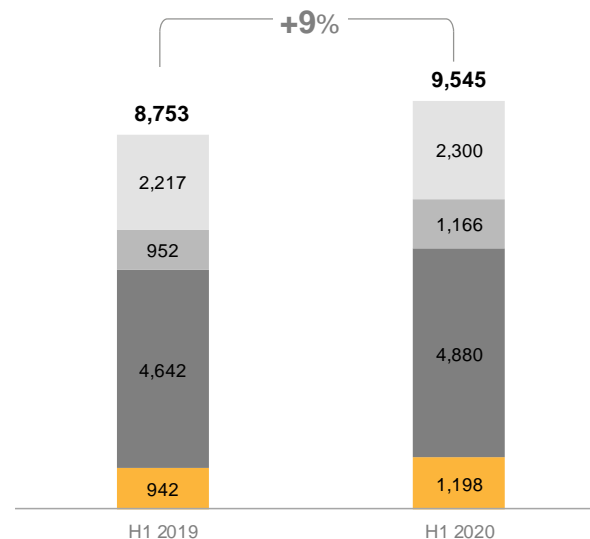
- Hard coking coal, Quarterly, FOB Australia
- GZh coking coal, FCA, Russia



Source: Metal Expert

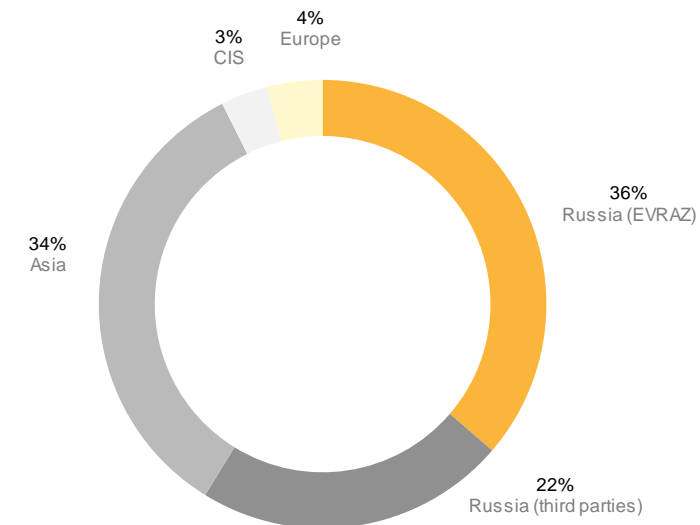
## Coal products sales breakdown by type, kt

- Concentrate (external)
- Raw coal (external)
- Raw coal (intersegment)
- Concentrate (intersegment)



Source: Company information

## Breakdown of coal products sales, %



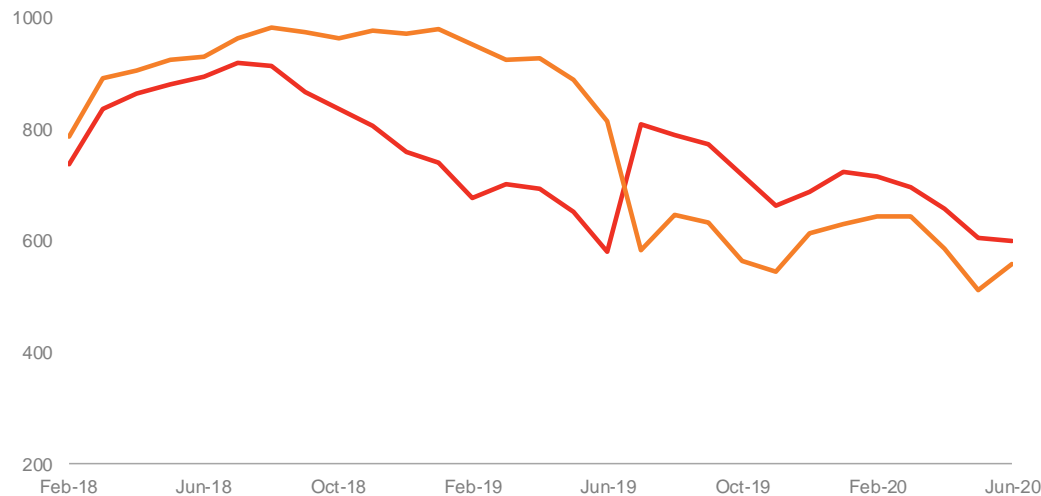
Source: Company information



- Combination of the pandemic and the slump in oil prices depressed sales across the business
- A cyberattack in March affected production at various locations
- Management undertook numerous measures, including idling facilities to support free cash flow, reducing operating costs and optimising working capital
- Despite markets downturn EVRAZ strengthened its leading position in the rails market and reached a share of roughly 46%
- EVRAZ Pueblo long rail mill project continued according to the schedule; and in June, the Group's Board of Directors approved the start of the execution phase of the project

## Prices for flat-rolled products in the US

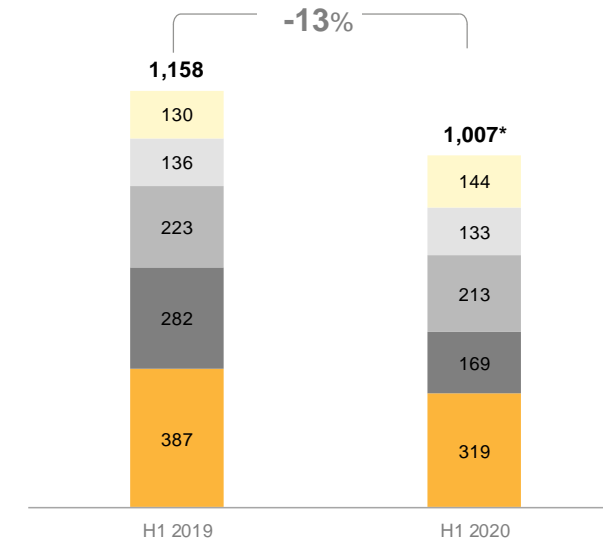
- Plate, USA, FOB Midwest, \$/st
- HRC, USA, FOB Midwest, \$/st



Source: CRU

## Steel products sales, kt

- Flat-rolled products
- Tubular products
- Railway products
- Construction products
- Semi-finished products



Source: Company information

\* Including 28 thousand tonnes of other products



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