



# Q3 2020 Trading update

Management Call

📅 29 October 2020



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# Introduction

**Alexey Ivanov**

Senior Vice President, Commerce and Business Development

- **Consolidated crude steel output** fell by 4.4% QoQ, mainly due to the planned shutdown of blast furnace no. 5 and the launch of blast furnace no. 6 after completion of a major overhaul at EVRAZ NTMK
- **Total sales of steel products** decreased by 9.5% QoQ. Sales of semi-finished products fell by 24.1% QoQ following the increase of sales of finished goods to the Russian market
- **Sales of finished products** increased by 5.7% QoQ amid better market conditions in Russia and an improved product mix
- **Total raw coking coal production** went up by 14.6% QoQ, driven by the completion of longwall moves at the Alardinskaya and Esaulskaya mines in Q2 2020
- **Production at the Razrez Rospadsky open pit** remained suspended during the reporting period due to unfavourable market conditions, operations were resumed in October 2020 amid dwindling stockpiles and rising prices for coal products
- **External sales volumes of coking coal products** climbed by 23.6% QoQ following an improvement in market conditions
- **External sales of iron ore products** grew by 9.0% QoQ amid higher shipments to export markets in Q3 2020
- **Sales of vanadium products** rose by 13.4% QoQ, mainly due to increased steel utilisation rates and a slight recovery of the automotive industry. The regional sales and product mix was also changed to serve the more active Chinese oxide market

# Q3 2020 total numbers



Product, kt	Q3 2020	Q2 2020	Q3 2020/ Q2 2020, change	9m 2020	9m 2020/ 9m 2019, change
<b>Total crude steel production</b>	<b>3,227</b>	<b>3,377</b>	<b>-4.4%</b>	<b>10,163</b>	<b>-1.9%</b>
Russia	2,893	2,992	-3.3%	9,006	0.7%
North America	334	385	-13.2%	1,157	-18.5%
<b>Total raw coking coal mined</b>	<b>4,775</b>	<b>4,165</b>	<b>14.6%</b>	<b>14,632</b>	<b>-27.4%</b>
<b>Total coking coal concentrate production</b>	<b>3,873</b>	<b>3,820</b>	<b>1.4%</b>	<b>11,440</b>	<b>-7.6%</b>
<b>Iron ore products production</b>	<b>3,508</b>	<b>3,460</b>	<b>1.4%</b>	<b>10,563</b>	<b>0.7%</b>
<b>Total sales of steel products</b>	<b>3,062</b>	<b>3,382</b>	<b>-9.5%</b>	<b>9,668</b>	<b>-2.2%</b>
Semi-finished products	1,309	1,724	-24.1%	4,476	8.4%
Finished products	1,753	1,658	5.7%	5,192	-9.8%
<b>Total sales of third-party steel products</b>	<b>267</b>	<b>197</b>	<b>35.5%</b>	<b>639</b>	<b>6.3%</b>
<b>Sales of coking coal products</b>	<b>3,460</b>	<b>2,800</b>	<b>23.6%</b>	<b>9,539</b>	<b>11.7%</b>
<b>Sales of iron ore products</b>	<b>486</b>	<b>446</b>	<b>9.0%</b>	<b>1,287</b>	<b>49.5%</b>
<b>Sales of vanadium final products<sup>1</sup></b>	<b>2,779</b>	<b>2,450</b>	<b>13.4%</b>	<b>8,397</b>	<b>-10.4%</b>

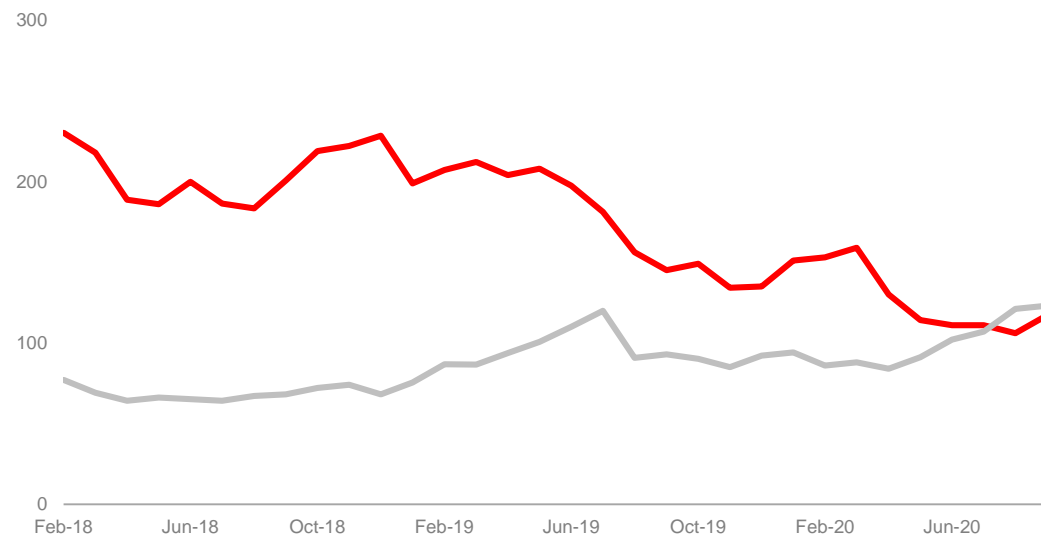
Note: numbers in this table may not add up to totals due to rounding  
<sup>1</sup> in tonnes of pure vanadium

# Global trends in Q3 2020

- Global steel markets weathered the storm and are now experiencing a gradual recovery, largely fueled by robust demand in China
- Iron ore prices continued to rise which together with better-than-expected steel demand has led to a surge in steel prices
- Coking coal prices started to recover supported by healthy steel demand driven by restocking in China and India, and partially by supply concerns

## Global raw material prices, \$/t

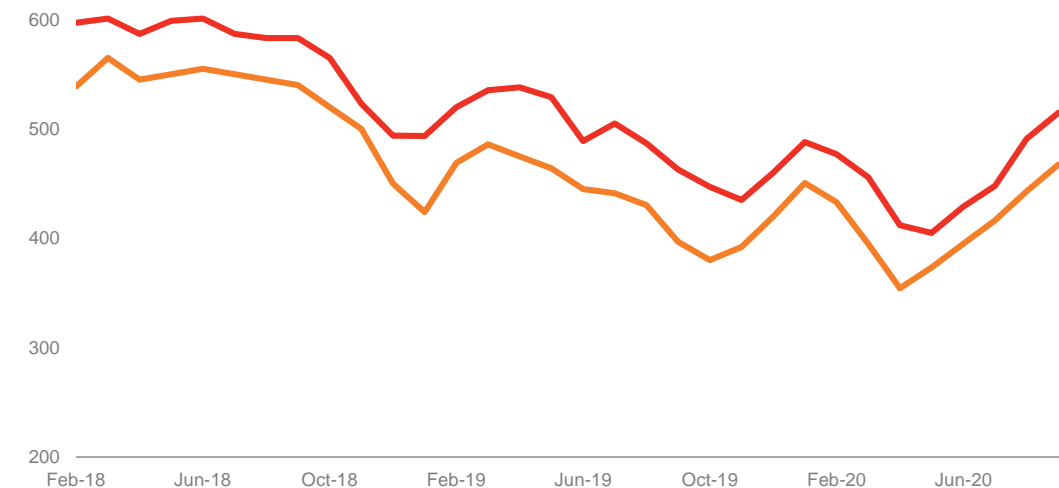
- Iron ore, Fines, 62% Fe, spot, CFR China
- Hard coking coal, spot, FOB Australia



Source: CRU

## Global steel prices, \$/t

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



Source: CRU

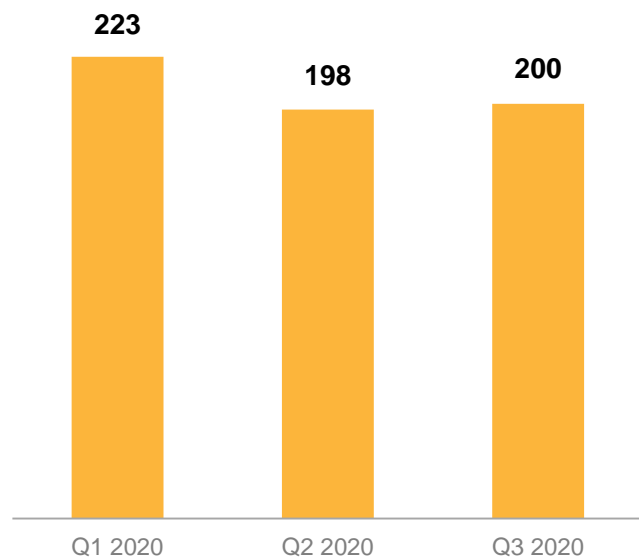
# Cash costs

**Slab cash-cost** remained almost unchanged QoQ

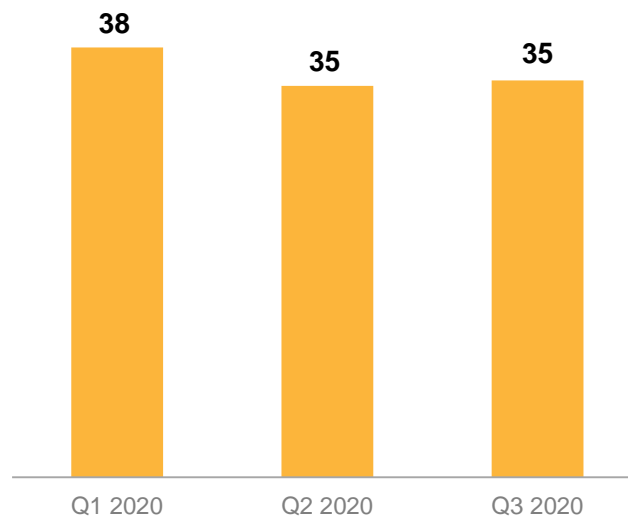
**Iron ore products cash-cost** remained flat QoQ

Washed **coking coal cash-cost** declined mainly due higher production volumes

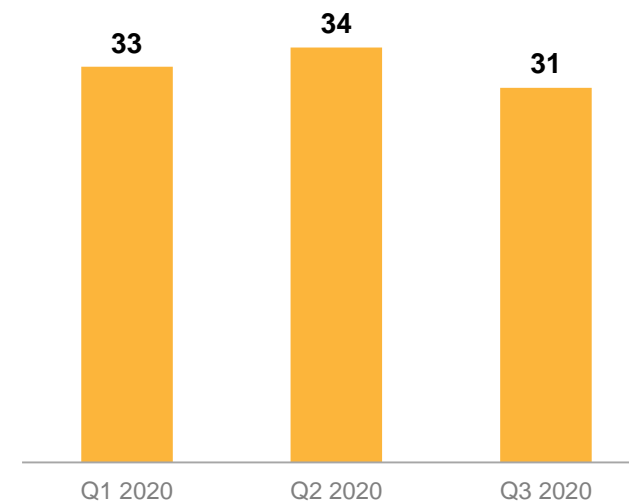
Cash cost of slab of Russian steel plants, \$/t



Cash cost of Russian iron ore products, \$/t



Cash cost of washed coking coal, \$/t



Source: Company information

Source: Company information

Source: Company information

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# Steel segment

**Alexey Ivanov**

Senior Vice President, Commerce and Business Development



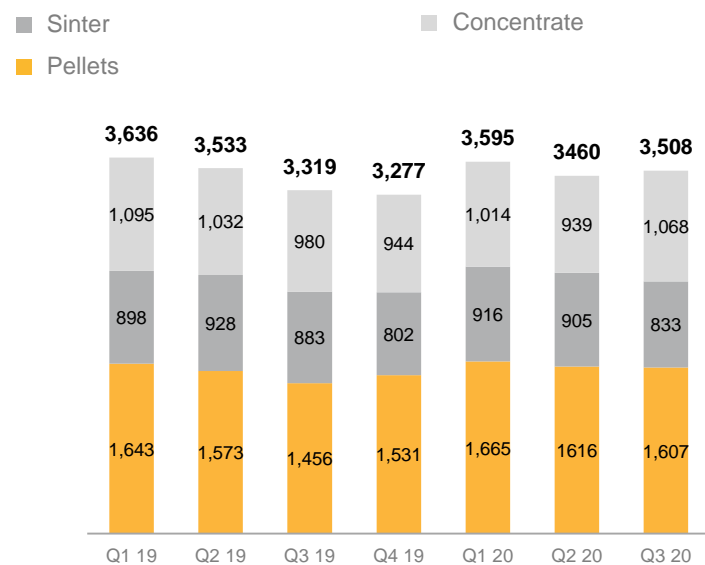
# Steel segment - production

**Output of iron ore products** went up by 1.4% QoQ, mainly due to an increase in primary concentrate production volumes at EVRAZ ZSMK (former Evrazruda)

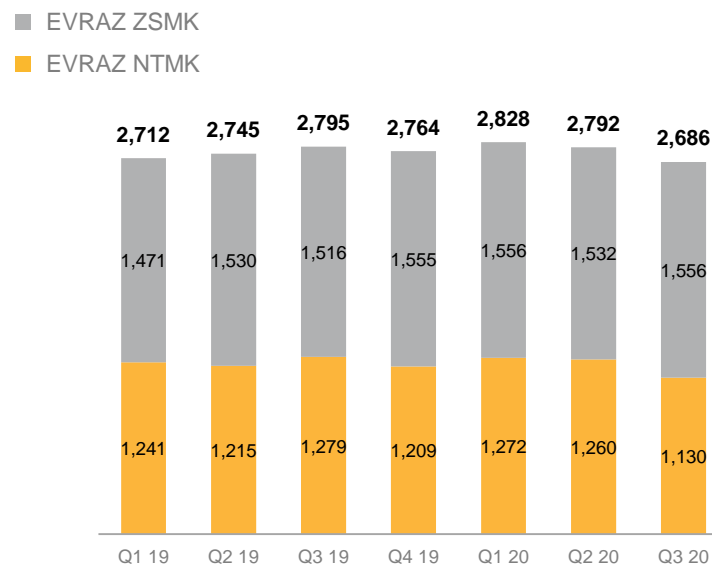
**Pig iron production** fell by 3.8% QoQ, mainly due to planned shutdown of blast furnace no. 5 and launch of blast furnace no. 6 at EVRAZ NTMK after completion of major overhaul

**Crude steel output** decreased by 3.3% QoQ, primarily due to lower pig iron availability

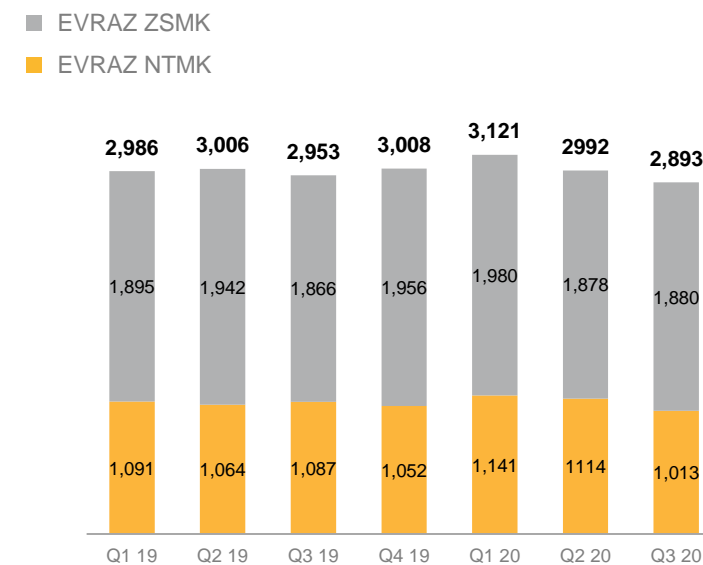
## Iron ore products, kt



## Pig iron, kt



## Crude steel, kt



Source: Company information

Source: Company information

Source: Company information

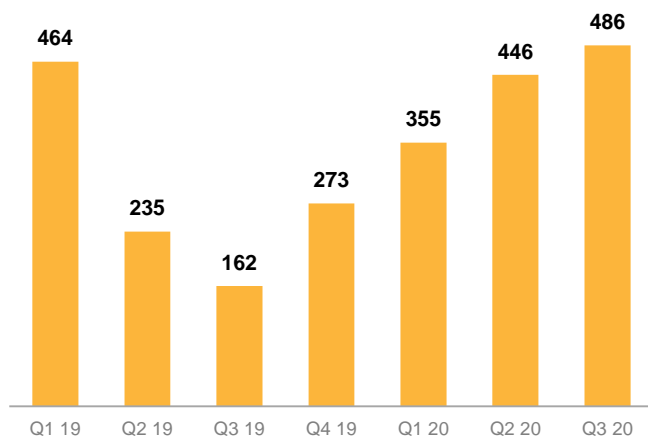
# Steel segment - sales

**Sales of iron ore products** surged by 9.0% QoQ amid higher shipments to export markets in Q3 2020

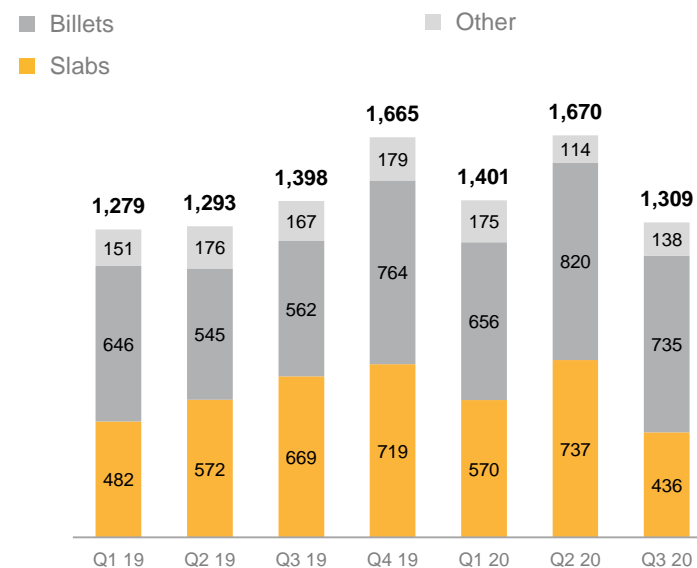
**Sales of semi-finished products** went down by 21.6% QoQ following the increase of sales of finished goods to the Russian market

**Sales of finished products** rose by 11.4% QoQ due to better market conditions in Russia and an improved product mix

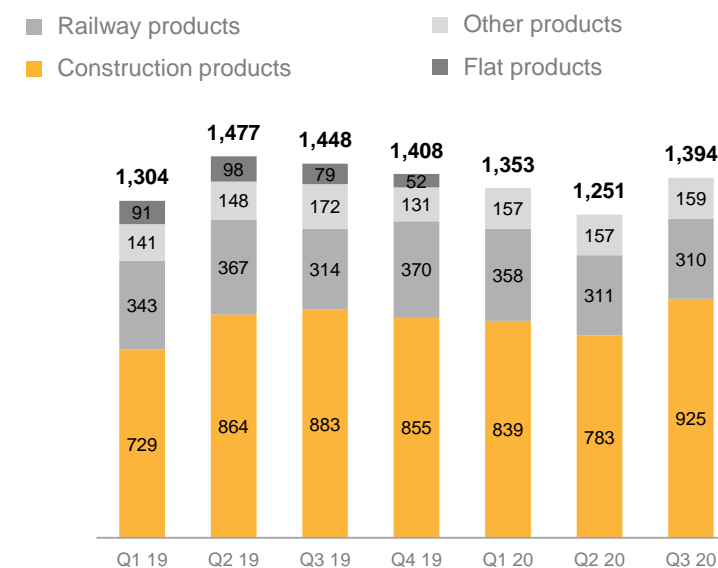
Iron ore products sales, kt



Semi-finished products sales, kt



Finished products sales, kt



Source: Company information

Source: Company information

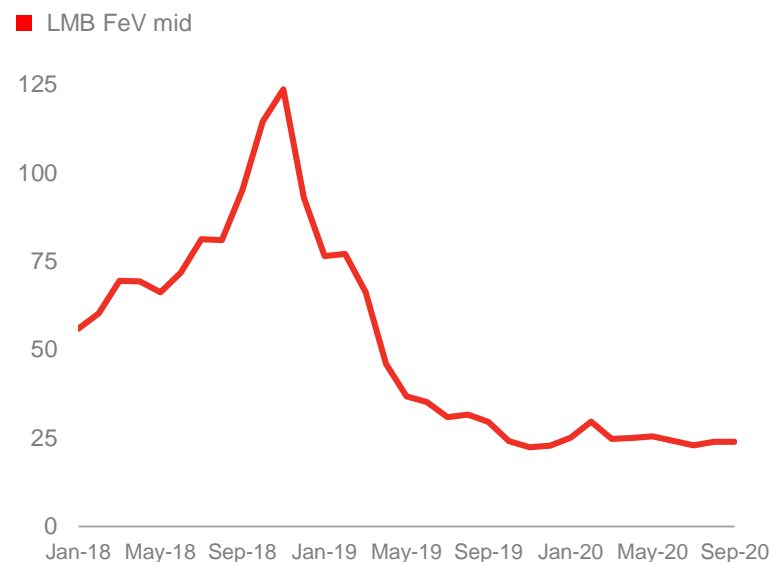
Source: Company information

The average **Ferrovanadium MB Index** was at \$24.2/kgV in Q3 2020, supported by slight demand recovery

**Gross slag production volumes** declined QoQ following lower steel availability

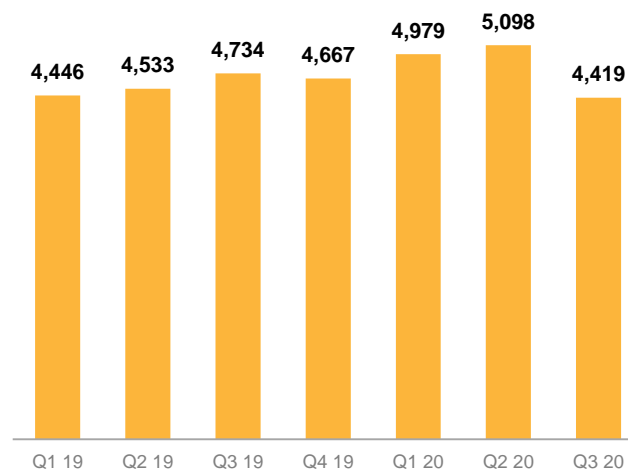
**Sales of vanadium products** grew by 13.4% QoQ, primarily due to increased steel utilisation rates and a slight recovery of the automotive industry

Vanadium price, \$/kgV



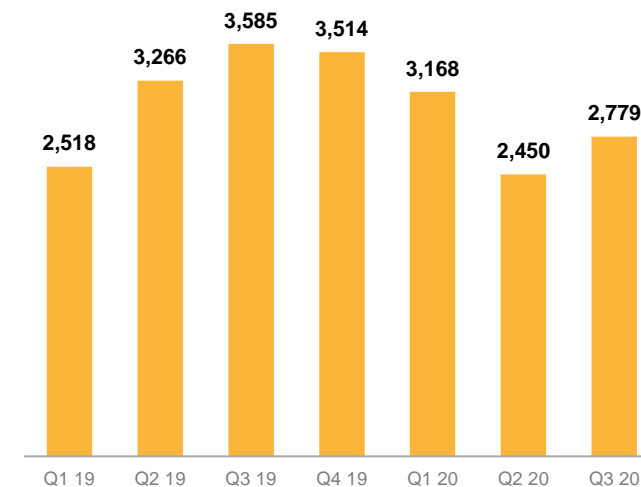
\*In tonnes of pure vanadium  
Source: Company information

Gross vanadium slag production\*, t



Source: Company information

Vanadium final products sales\*, t



Source: Company information

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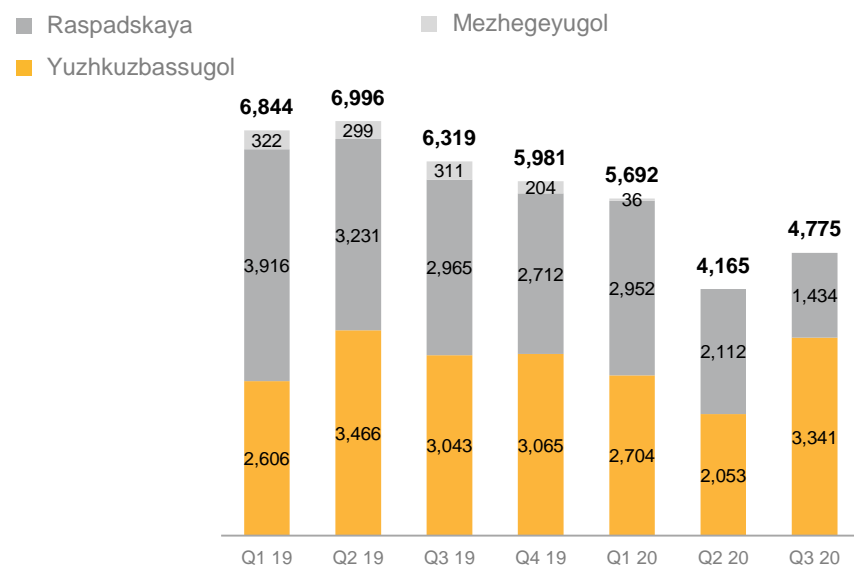
# Coal segment

**Evgeny Terekhov**  
Head of sales, Coal division

# Coal segment - production

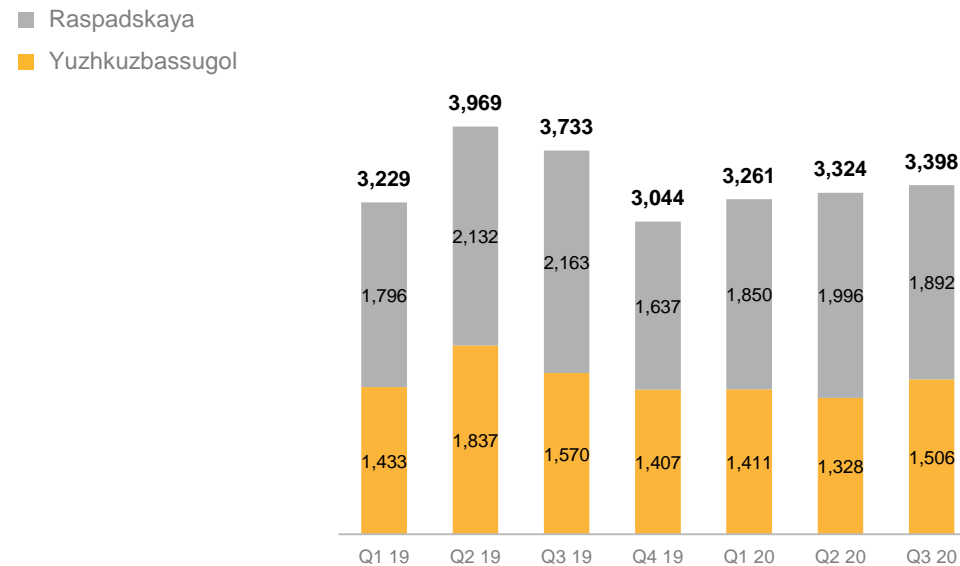
- **Raw coking coal output** grew by 14.6% QoQ, primarily due to the completion of longwall moves at the Alardinskaya and Esaulskaya mines in Q2 2020
- **Production at Raspadskaya** went down by 32.1% QoQ, mainly as a result of the continued suspension of production at the Razrez Raspadsky open pit, which began in May 2020 due to unfavourable market conditions, as well as dome formation problems, difficult gas conditions and increased water ingress at the Raspadskaya mine
- **Output of coking coal concentrate** rose by 2.2% QoQ due to the completion of longwall moves at the Osinnikovskaya, Esaulskaya and Alardinskaya mines

## Raw coking coal (mined), kt



Source: Company information

## Coking coal concentrate (production), kt



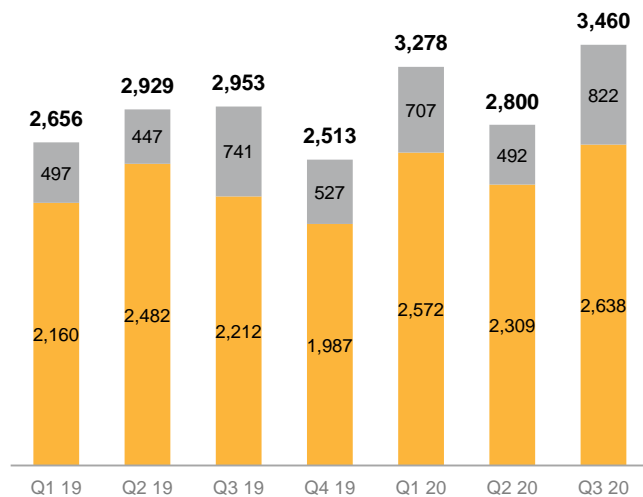
Source: Company information

# Coal segment - sales

- **External sales of coking coal products** climbed by 23.6% QoQ
- **External sales of raw coking coal** grew by 67.2% QoQ due to higher sales of coal from the Uskovskaya mine to serve clients' needs
- **Intersegment coal products sales** remained almost unchanged QoQ

## External sales, kt

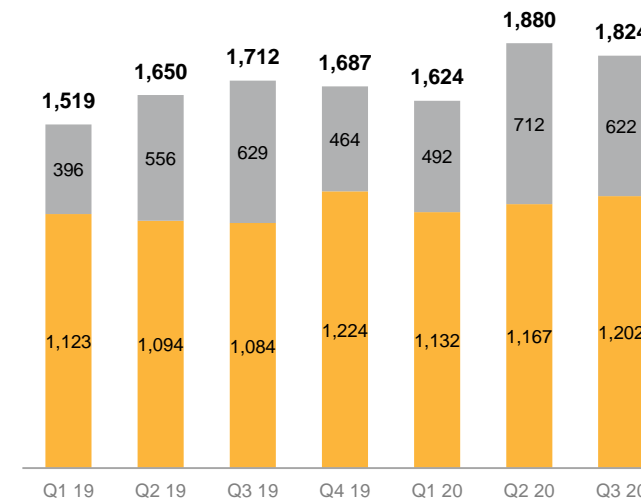
■ Raw coal  
■ Coal concentrate



Source: Company information

## Intersegment sales, kt

■ Raw coal  
■ Coal concentrate



Source: Company information

# Steel, North America segment

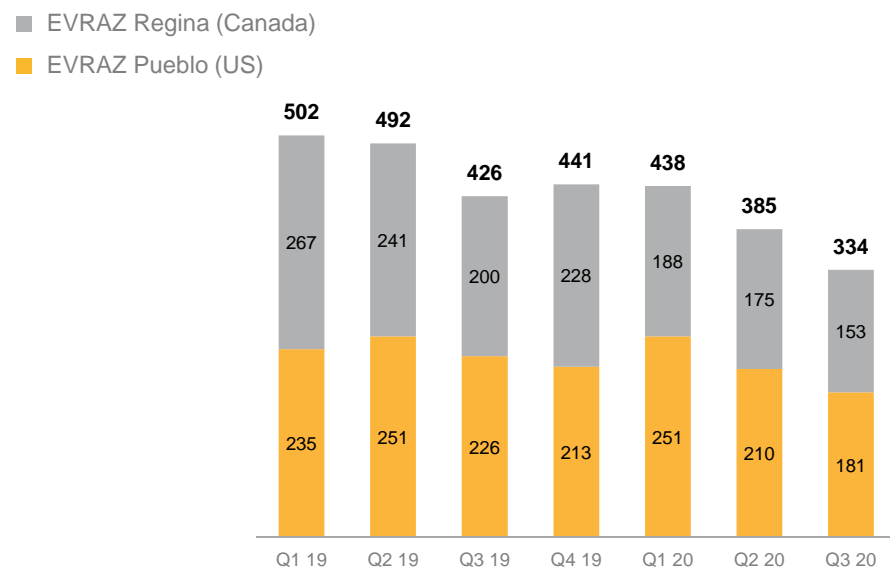
**Olesya Afanasyeva**

Interim Chief Financial Officer, EVRAZ North America

# Steel, North America segment

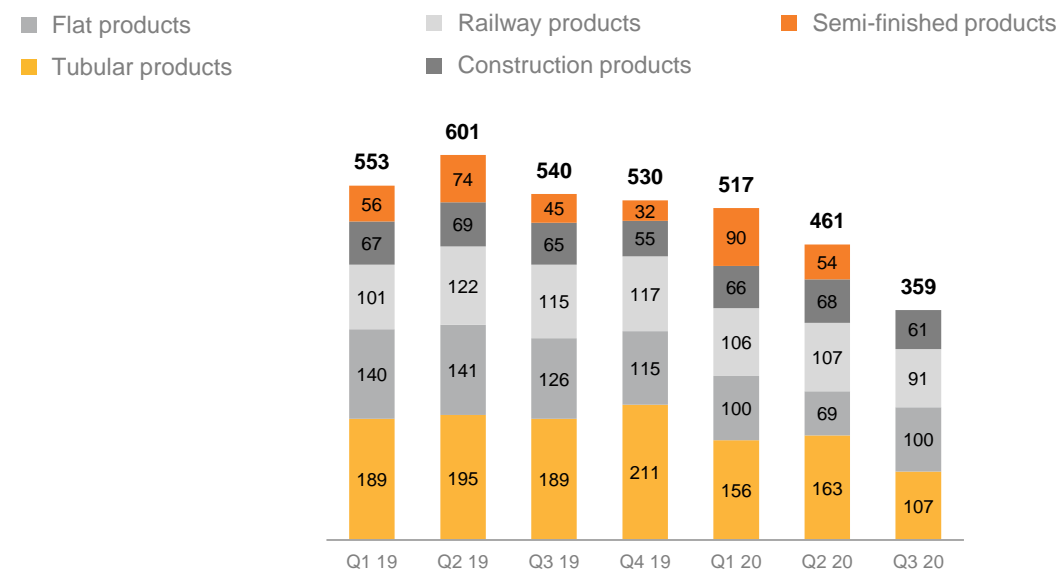
- **Crude steel production** was 13.3% lower QoQ, which was attributable primarily to continued depressed demand across North American steel markets due to the slow economic recovery amid the COVID-19 pandemic and energy market uncertainty
- **Tubular products sales** dropped by 34.4% QoQ, as the Group's OCTG mills in Canada and the US remained idled. At the same time, line pipe production continued to be stable with both large and small diameter mills producing to current orders
- **Railway product sales** decreased by 15.0% amid the usual seasonal slowdown of purchases from Class I railroads, accompanied by a planned maintenance outage in September
- **Construction product sales** decreased by 10.1% due to maintenance downtime in July and August 2020
- **Flat-rolled product sales** spiked 44.9% QoQ from a very low Q2 driven by service centres' purchases to replenish inventories

## Crude steel - production volumes, kt



Source: Company information

## Steel products - sales volumes, kt



Source: Company information



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# Outlook

**Alexey Ivanov**

Senior Vice President, Commerce and Business Development

- **Steel segment**

- Pig iron production volumes are expected to increase following the launch of blast furnace no.6 at EVRAZ NTMK
- Iron ore pellet production volumes are expected to rise following completion of scheduled repairs of the roast and sinter machines at EVRAZ KGOK's sinter plant in Q3 2020

- **Coal segment**

- Raw coal production is expected to increase QoQ amid a return to the planned capacity after:
  - elimination of mining and geological violations at the Rospadskaya and Rospadskaya-Koksovaya mines
  - the resumption of production at the Razrez Rospadsky open pit
  - the completion of a longwall move at the Esaulskaya mine
- This will be partly offset by a longwall move at the Uskovskaya mine in Q4 2020

- **Steel, North America segment**

- In Q4 2020, headwinds remain for production and sales volumes for all product groups due to uncertainty on energy markets and slow economic recovery during the resurgent COVID-19 pandemic, leaving North American customers cautious in their purchasing decisions



+7 495 232 1370



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IR@evraz.com