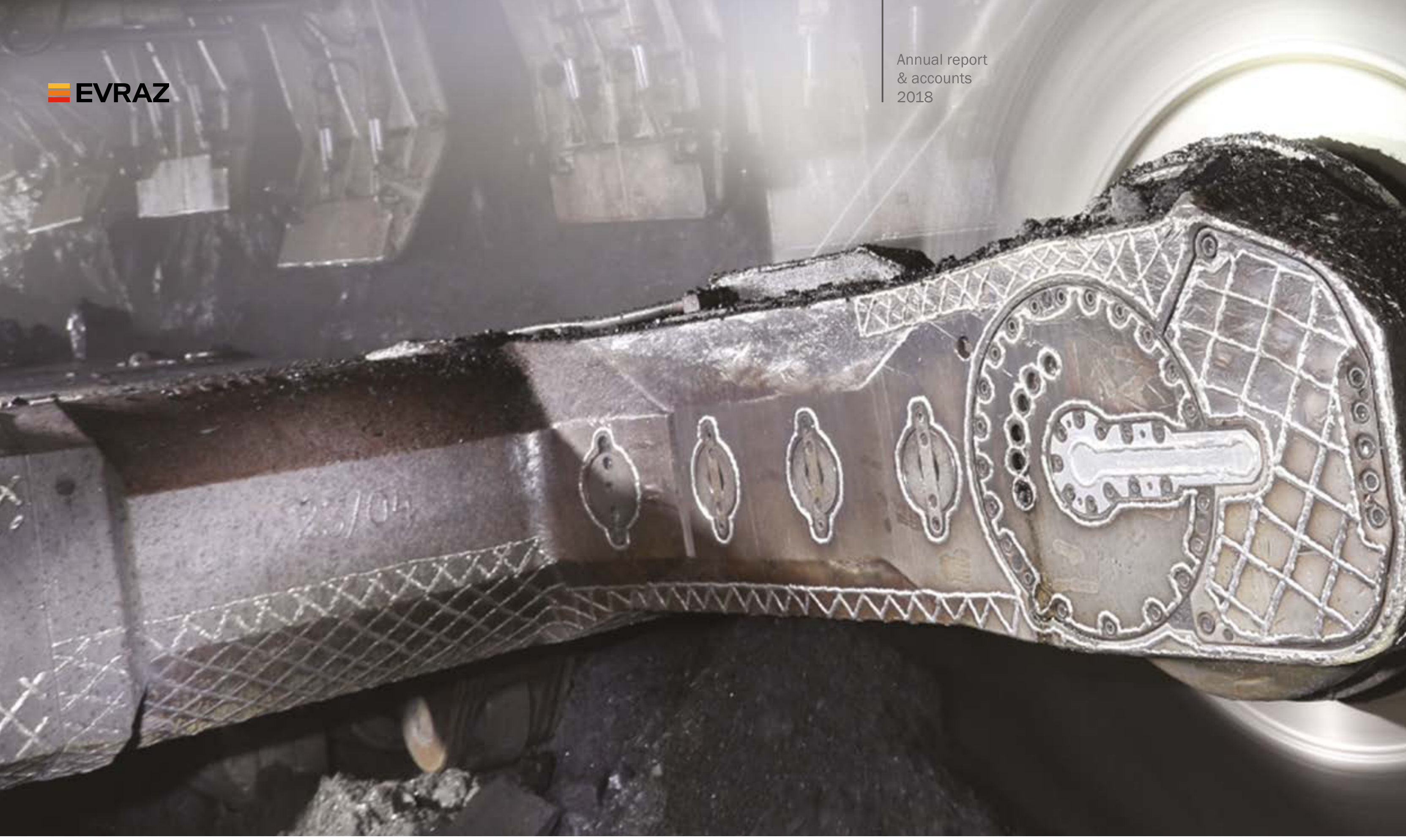


FINANCIAL PERFORMANCE

Sales review

The segment's overall revenues increased amid rising sales prices as global market trends remained favourable. This was driven by supply disruptions caused by port restrictions in Australia and by unfavourable weather conditions in the US.

Revenues from internal sales of coal products were down, mainly because of an 8.4% decline in prices and partly offset by a 4.1% increase in sales volumes.

Revenues from external sales of coal products rose due to growth of 13.8% in prices and 5.2% in sales volumes, which was driven by higher coal production volumes and stable, positive demand on the domestic and export markets, including higher shipments to the Southeast Asia and European countries.

In 2018, the Coal segment's sales to the Steel segment amounted to US$779 million (33.3% of total sales), compared with US$830 million (37.5%) a year earlier.

During the reporting period, roughly 68.8% of EVRAZ coking coal consumption in steelmaking came from the Group's own operations, compared with 50.0% in 2017.

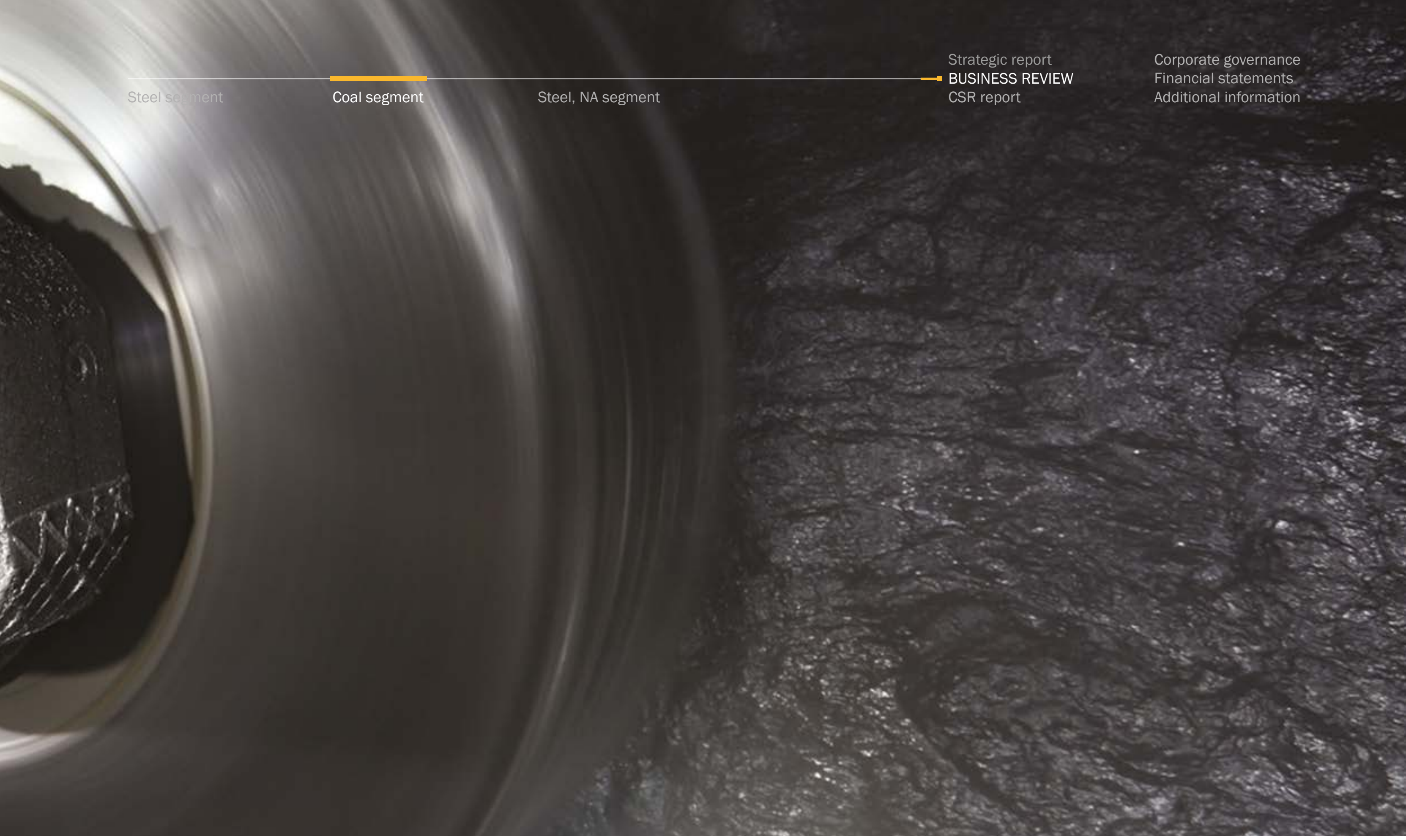
Cost of revenues

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 rose by 9.7% due to larger resale volumes of third-party materials, greater consumption of spare parts due to wear of the main process equipment and increased longwall repositioning. This was accompanied by growth in prices for auxiliary materials (diesel fuel and petrol), partly offset by the depreciation of the rouble;
- Costs for services climbed by 13.2% due to greater open-pit mining works and higher costs for overburden removal at the Raspadskaya-Koksovaya mine, the growth of service costs for redevelopment and a longwall move at Yuzhkuzbassugol's mines;
- Transportation costs grew by 23.2% in the reporting period, primarily due to the higher share of exports in the sales mix, which had a negative impact on trading companies, as well as an increase in tariffs for the supply of wagons;
- Staff costs were lower, primarily due to the disposal of EVRAZ Nakhodka Trade Sea Port and rouble weakening. This was partly offset by wage indexation, forming and using internal drift crews, and additional contributions to the pension fund for underground workers from 2018;
- Depreciation and depletion costs fell, primarily due to the weaker Russian currency;
- Other costs decreased in the reporting period, mainly due to changes in work in progress and finished goods, as well as the effect of the rouble's depreciation. This was partly offset by higher taxes after the mineral tax rate was increased and due to greater production volumes.

Gross profit

The Coal segment's gross profit for 2018 amounted to US$1,295 million, up from US$1,241 million a year earlier, primarily due to higher sales prices.



Coal segment revenues by product

	2018		2017		
	US$ million	% of total segment revenues	US$ million	% of total segment revenues	Change, %
External sales					
Coal products	**1,506**	**64.4**	**1,266**	**57.2**	**19.0**
Coking coal	145	6.2	174	7.9	(16.7)
Coal concentrate	1,358	58.1	1,092	49.3	24.4
Steam coal	3	0.1	–	–	n/a
Inter-segment sales					
Coal products	**776**	**33.2**	**811**	**36.6**	**(4.3)**
Coking coal	120	5.1	75	3.4	60.0
Coal concentrate	656	28.1	736	33.2	(10.9)
Other revenues	**55**	**2.4**	**137**	**6.2**	**(59.9)**
Total	**2,337**	**100.0**	**2,214**	**100.0**	**5.6**

Coal segment cost of revenues

	2018		2017		
	US$ million	% of segment revenues	US$ million	% of segment revenues	Change, %
Cost of revenues	**1,042**	**44.6**	**973**	**43.9**	**7.1**
Auxiliary materials	136	5.8	124	5.6	9.7
Services	129	5.5	114	5.1	13.2
Transportation	319	13.6	259	11.7	23.2
Staff costs	193	8.3	198	8.9	(2.5)
Depreciation/depletion	155	6.6	162	7.3	(4.3)
Energy	49	2.1	49	2.2	–
Other[1]	61	2.7	67	3.1	(9.0)

[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.*