

FINANCIAL PERFORMANCE

Sales review

The segment's revenues from the sale of steel products slightly dropped due to a decrease of 4.8% in prices, offset by an increase of 2.4% in volumes. This was mainly attributable to lower demand on the flat-rolled and construction market, partly offset by higher revenues for semi-finished products.

Revenues from the sale of semi-finished products jumped by 210.2% due to a surge in sales volumes of 236.8%, albeit offset by a drop in prices of 26.6%. The sales of semi-finished products only commenced in Q4 2018, hence, the strong YoY volume growth in this product category.

Construction product revenues fell by 19.2% due to reductions of 8.4% in prices and of 10.8% in sales volumes as a result of lower demand for concrete reinforcing bar. The downward trend was caused by inclement weather at the beginning of 2019 and softer market demand as customers managed inventory levels.

Railway product revenues rose by 6.6%, driven by growth in volumes of 4.8% due to increased demand and market share growth, along with greater sales volumes of the super-premium APEX G2 rails, while a 1.8% uptick was attributed to surges in average prices.

Revenues from flat-rolled products decreased due to declines of 5.3% in prices and of 7.9% in sales volumes as a result of weakening market demand.

Revenues from tubular product sales edged down by 3.3% year-on-year due to a drop of 3.4% in volumes and an uptick of 0.1% in prices. This was driven by a significant reduction in demand for oil country tubular goods and line pipe, albeit partly offset by increased sales of large-diameter pipe carried over from 2018 and new orders.

Steel, North America segment cost of revenues

In 2019, the Steel, North America segment's cost of revenues was almost flat year-on-year. The main changes related to:

- Raw material costs fell by 8.0%, primarily because of a decrease in scrap prices.
- The cost of semi-finished products was down 30.4% due to lower purchases of slabs

Steel, North America segment revenues by product

	2019		2018		Change, %
	US\$ million	% of total segment revenue	US\$ million	% of total segment revenue	
Steel products	2,372	94.8	2,430	94.1	(2.4)
Semi-finished products	121	4.8	39	1.5	n/a
Construction products ¹	200	8.0	247	9.6	(19.2)
Railway products ²	405	16.2	380	14.7	6.6
Flat-rolled products ³	518	20.7	597	23.1	(13.2)
Tubular products ⁴	1,128	45.1	1,167	45.2	(3.3)
Other revenues⁵	128	5.1	153	5.9	(16.3)
Total	2,500	100.0	2,583	100.0	(3.2)

at EVRAZ Portland, coil at EVRAZ Camrose and billets at EVRAZ Pueblo.

- Auxiliary material costs fell by 9.8%, driven by a decrease in electrode costs.
- Staff costs went up 11.5% following an increase in headcount, which occurred mostly at EVRAZ Portland due to the restart of tubular operations, as well as higher payroll taxes and insurance.
- Depreciation grew by 8.0% due the adoption of the IFRS 16.
- Other costs were up for the reporting period, primarily due to a decrease of the work in progress balance compared with 2018 due to a reduction of slab purchases, lower purchases of billets at EVRAZ Pueblo that were replaced with billets produced in-house.

Steel, North America segment gross profit

The Steel, North America segment's gross profit totalled US\$296 million for 2019, down from US\$369 million a year earlier. While the decrease was primarily caused by a decline in revenues due to a deterioration in market conditions, it was partly offset by lower prices for purchased semi-finished products, auxiliary materials and raw materials.

Steel, North America segment cost of revenues

	2019		2018		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenues	2,204	88.1	2,215	85.8	(0.5)
Raw materials	686	27.4	746	28.9	(8.0)
Semi-finished products	396	15.8	569	22.0	(30.4)
Auxiliary materials	222	8.9	246	9.5	(9.8)
Services	190	7.6	195	7.5	(2.6)
Staff costs	319	12.8	286	11.1	11.5
Depreciation	109	4.4	101	3.9	8.0
Energy	117	4.7	119	4.6	(1.7)
Other ⁶	165	6.6	(47)	(1.7)	n/a

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.