

STRATEGIC PRIORITIES

DEVELOPMENT OF PRODUCT PORTFOLIO AND CUSTOMER BASE

MARKETING AND CUSTOMER FOCUS

Tubular division

Key developments in 2018

- Maintained the leading market share in the OCTG market in Western Canada, supported by strong demand and solid productivity
- Achieved target production and productivity levels at EVRAZ Regina's steel and spiral mills following the upgrade with record steel performance in Q4 2018 in terms of volume
- Secured high capacity utilisation of EVRAZ Regina's spiral mills with strong LDP order book
- Produced first thick-wall orders for key LDP customers using new capabilities of EVRAZ Regina's steel and spiral mills
- Improved operational efficiency and added capacity to EVRAZ Regina's new coating facility
- Increased the utilisation of the facility supported by strong LD and SD line pipe demand
- Launched the new heat treatment line investment at EVRAZ Red Deer to meet increasing demand for heat-treated pipe in Western Canada
- Successfully built a strong LDP order backlog for 2019, with most new sales in Canada to mitigate the impact of the US trade restrictions, such as Section 232 tariffs and anti-dumping duties on LDP
- Restarted the large-diameter spiral pipe mill at EVRAZ Portland due to increased customer demand in the US

Outlook for 2019

- The large-diameter pipe market in Canada is expected to grow due to the new pipelines planned in Western Canada
- The strong LDP order book for 2019 with primarily Canadian orders secures high utilisation of EVRAZ Regina's mills
- OCTG demand in Canada is forecast to remain flat with some uncertainty driven by the lack of pipeline infrastructure in Western Canada
- Further increase the productivity at the OCTG mills, as well as expand the heat treatment and threading capacity at EVRAZ Red Deer to enhance the OCTG market share and keep utilisation of mills at a high level

- Boost thick-wall LDP volumes at EVRAZ Regina's spiral facility to meet customer demand
- Continued uncertainty around US trade restrictions, which are currently expected to remain in place, but Canada's safeguard measures and focus on the domestic market create a positive outlook in 2019
- Plan to secure new orders for EVRAZ Portland's spiral mill to serve the US market

Long division

Key developments in 2018

- Increased rail and rod/bar demand, driven by the improved economic environment
- Achieved full utilisation of steelmaking and all three product lines, supported by strong demand and improved markets in the US
- Secured higher shipments to Western US and Canadian Class I railroads in 2018 and going forward by signing long-term supply contracts with several key customers
- Class I railroads' preferences for long rail have increased markedly in the last five years, becoming a critical purchasing decision factor. Hence, the Group has announced the construction of new 100-metre rail mill at EVRAZ Pueblo to maintain technical leadership and continue shifting to a higher-value product mix. The project has met excellent support from the governments of Pueblo and Colorado, as well as from key customers
- Built and successfully launched a new seamless threading line at EVRAZ Pueblo, bringing the threading process in-house to significantly reduce costs and improve customer delivery time

Outlook for 2019

- The US trade protection measures are expected to remain in place, but quotas and exemptions for foreign steel are possible and will allow some importers access to the US market, resulting in potential softening of rod/bar and seamless pipe markets
- The North American rail market is expected to be flat year-over-year, with EVRAZ share further

increasing with higher volumes to Canadian Class I rail customers and additional volumes to distribution and track work accounts

- On track with the new rail mill project, which will be a key focus for the expected duration of the process (through 2021)
- Achieve planned volumes and production targets for the seamless threading line to fully realise the planned benefits from the investment

Flat division

Key developments in 2018

- Section 232 tariffs impacted slabs purchased from Russia, Mexico and Canada in 2018, but market pricing increased during the year, allowing the business to maintain spreads at and above the historical average
- Gained a significant market share in the plate market and grew the heat-treated plate business through improved on-time delivery and high-quality products
- Retained and strengthened the position as a leading supplier to one of the largest wind tower producers in North America through securing additional volumes for 2018-19 based on the product quality, operational performance and customer service provided by EVRAZ
- Continued developing the Group's presence on the wind tower plate market by becoming a qualified supplier for an additional wind tower fabricator in North America
- Grew market share in the armoured vehicle market by around 10% through increased volumes

Outlook for 2019

- Continue increasing sales of heat-treated material and growing the wind tower plate business
- Commercialise new products and increase the market share in the newly entered water pipe sector
- Re-enter the energy transmission market

NEW PRODUCT DEVELOPMENT AND QUALITY IMPROVEMENT

Tubular division

Key developments in 2018

- Finalised development of sour-service line pipe product
- Qualified and produced thick-wall pipe (1") at the new LD mill for customer orders
- Degassing around 85% of heats at EVRAZ Regina allowed the Group to produce higher-quality products with significantly lower hydrogen levels

Outlook for 2019

- Develop larger coupling size production capability at the coupling facility in Edmonton
- Develop larger sizes for OCTG premium and semi-premium connections driven by market needs
- Continuously improve product quality, production processes and productivity by developing a world-class quality system
- Finalise development of heavy-gauge pipe products with improved toughness at -45C°

Long division

Key developments in 2018

- Apex G2 rail has been installed in track with a number of Class I railroads. Product performance is being closely monitored by customers and EVRAZ technical team with very favourable results
- Continued cultivating technical partnerships with key rod customers with a focus on product innovation led to successful development of EAF tire cord grade steel and other promising high-carbon rod products. In 2018, tire cord steel was successfully supplied to a customer

Outlook for 2019

- Further commercialise Apex G2 rail in 2019 by expanding sales over 2018
- Significantly increase tire cord sales year-over-year in 2019

Flat division

Key developments in 2018

- Developed "TruTank" product to increase participation in the tank market with a plan to roll out to market and sell volume in 2019
- Developed 700bhn product for prototype armoured vehicles and plan to roll out to market in 2019
- Developed LFQ product for laser cutting applications and ran successful trials with internal coil, with next step to trial slabs from EVRAZ NTMK
- Have successfully improved heavy gauge flatness through operational improvements

Outlook for 2019

- Commercialise "TruTank" product sales
- Improve hardness consistency with AR500/AR550 plate to be rolled out to Service Centres for use in civilian armour and other applications
- Branding FlatRX product (flattened plate) to be rolled out to the market in 2019
- Work with EVRAZ NTMK to improve API capability to reduce metallic inclusions

