

## MARKET REVIEW

### Russian steel market

In 2018, Russia's economy continued to experience a moderate recovery, recording 2.3% GDP growth. Demand for finished steel products remained practically unchanged at 41 million tonnes. Demand climbed by 3% for long steel, remained stable for flat steel and fell by 2% for tubular products. In the railway segment, demand for wheels surged by 29% due to continued growth in railcar construction and a higher number of railcar overhauls. Meanwhile, demand for rails in Russia dropped by 8%. In construction steel, the beam market edged down by 4% while demand for rebar rose by 8%. Demand for structural products fell by 19% due to greater consumption of substitutes amid higher prices.

Russian export volumes grew by 3% to 30.4 million tonnes, driven by the weaker rouble

and stronger prices on export markets. Total crude steel production in Russia rose by 1% to 72.1 million tonnes.

In 2018, Russian steel prices followed global benchmarks. The CPT Moscow rebar price averaged US\$493 per tonne, up 11% from US\$445 per tonne in 2017. The price for channels climbed by 12% to US\$698 per tonne. Hot-rolled coil averaged US\$576 per tonne CPT Moscow, up 2% from US\$563 per tonne in 2017. Plates averaged US\$584 per tonne, up 5% from US\$555 per tonne in 2017.

### Other steel markets

In Kazakhstan, steel consumption stabilised at 2.7 million tonnes in 2018, down by 4% following strong consumption growth in 2017. Steel product exports dropped by 15% to 3.1 million tonnes, as Kazakh producers reduced production and refocused on the domestic market.

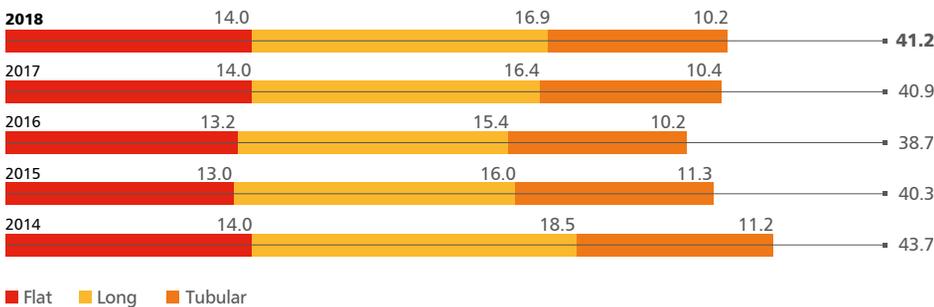
## SALES VOLUMES REVIEW

In 2018 external steel product sales volumes decreased by 7.6%. The main reasons for this reduction were: the disposal of Ukrainian asset EVRAZ DMZ; lower pig iron production as the new blast furnace No. 7 was launched while simultaneously shutting down blast furnace No. 6 at EVRAZ NTMK; and the general overhaul of blast furnace No. 3 at EVRAZ ZSMK. Sales volumes of semi-finished steel products to third parties decreased by 18% in 2018. Meanwhile, railway product sales rose by 5%, buoyed by strong demand.

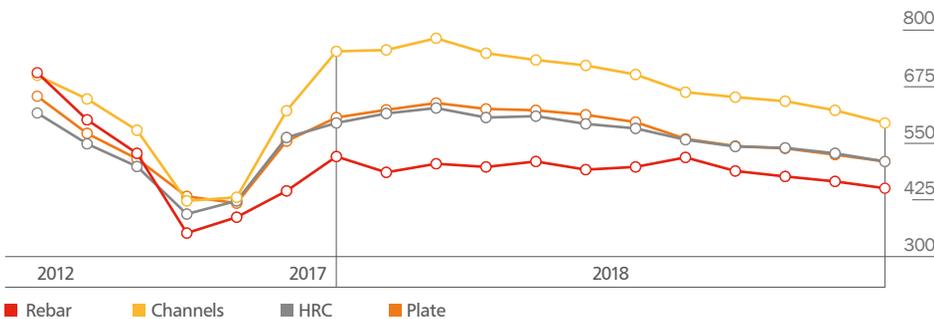
Overall, EVRAZ sales volumes of key finished products in Russia mainly increased during the reporting period. Continued high demand from freight car building and repairing companies led to a 28% year-on-year surge in wheel sales. Rail sales were up 4% amid higher purchases by Russian Railways. Beam sales in Russia also improved by 5% thanks to EVRAZ customer focus initiatives and import displacement. Rebar sales volumes in Russia increased by 10%. Structural product shipments were down by 7%.



### Russian steel consumption by product type, mt



### Russian steel prices, US\$/t



The Group remains focused on maximising the share of sales in the long product segment on the local Siberian market. The market share for beams in Russia expanded to 63%, compared with 56% the previous year. Due to the growth of supplies to Russian Railways, EVRAZ market share in rails rose from 69% to 77%. In 2018, the Group's share on the structural product market was 45%. The share of the grinding ball market remained at the level of the previous year at 62%, at the same time EVRAZ increased sales in a growing market as EVRAZ NTMK put into operation the new grinding ball mill.

In 2018, EVRAZ Caspian Steel's rebar sales increased by 35% to 176 thousand tonnes due to higher demand for rebar in Kazakhstan and the signing of a major contract.

The Group's finished vanadium product sales volumes dropped by 19% to 12.4 thousand tonnes in 2018, compared with 15.2 thousand tonnes of pure vanadium in 2017. The reduction is explained by higher sales volumes during 2017 (higher oxide availability resulting from conversion at third parties of slag stocks and Nitrovan sales from EVRAZ Vametco deconsolidated in April 2017), production downtime at the beginning of the year due to the launch of blast furnace No. 7 and major maintenance work at EVRAZ Vanady-Tula to reline the roasting kiln refractories and replace the grinding mill.

The Group sold 2.0 million tonnes of iron ore pellets to third parties in the year, up 14% year-on-year, due to increased supplies to export destinations, in particular Turkey and China.