

Strategic priorities



Development of product portfolio and customer base

Marketing and customer focus

Tubular division

Key developments in 2017

- Successfully ramped up OCTG mills to respond to a sharp increase in the market demand and expanded the market share in Western Canada to c. 28% (a five-year historical high);
- Achieved target production volumes at the upgraded Calgary heat treat line with effective 100% utilisation throughout the year;
- Conducted successful trials of thick-wall pipe production at the new EVRAZ Regina LDP mill;
- On January 4, 2018, the Canadian International Trade Tribunal found that imports of a small diameter line pipe into Canada (24 inches or less in outside diameter) from South Korea have injured the Canadian industry and implemented duties ranging by producer from 4% to 88%;
- Qualified a new coating facility with key LDP customers.

Outlook for 2018

- Expect to maintain a leading market share of the OCTG market in Western Canada supported by a strong demand;
- Strong LDP order book for 2018 to secure high capacity utilisation of the EVRAZ Regina spiral mill;
- Begin production of first sizeable thick-wall orders for key LDP customers using new capabilities of the EVRAZ Regina spiral mill;
- Increasing demand and pricing for small-diameter line pipe, supported by import duties in Canada;
- Expect high capacity utilisation at the new Regina Coating facility supported by a strong LDP and a line pipe demand;
- Aim to finalise most of the construction work to launch a new heat treat line at EVRAZ Red Deer in early 2019.

Long division

Key developments in 2017

- The demand for rails increased driven by higher coal, metals and minerals shipments;
- Increased sales volumes to Western Class I railroads as their destocking cycle completed;
- Successfully ramped up the seamless mill to 100% utilisation supported by the strong OCTG demand in North America;
- Shipped 13 thousand tonnes of rod to 15 new customers in 2017.

Outlook for 2018

- Rail demand is still likely to be relatively weak, with rail customers expecting 2018 to be a trough year in terms of capital spending followed by a subsequent recovery of the demand starting in 2019;
- Plan to start a new seamless threading line at the end of 2018, allowing for significant cost reductions and faster delivery of the seamless pipe to our customers in the Bakken and Rockies regions;
- Plan to strengthen technical partnerships with our key rod customers by continuing to focus on the product innovation; shifting our product mix towards high-carbon rod.

Flat division

Key developments in 2017

- Secured a large contract and has become a leading supplier to one of the largest wind tower producers in North America;
- Secured a trial order for a prototype armoured vehicle;
- Regained the qualification as a supplier to a large armoured vehicle OEM;
- Gained the qualification and began supplying to a new armoured vehicle and military battle tank OEM;

- Successfully re-entered the tool-steel plate market by developing a strategic alliance with a key distributor in this market.

Outlook for 2018

- Further increase the market share in the wind tower segment;
- Continue expanding the market share in the armoured vehicle market sector;
- Develop the chain to secure a long-term coil supply agreement with Western OEM.

New product development and quality increase

Tubular division

Key developments in 2017

- Produced thick-wall pipe (1 inch) at the new LDP mill, full customer qualifications expected in 2018;
- Developed a mildly sour-service casing product and sold first volumes to Canadian market;
- Completed development of EB, QB1-HT and 11¾-inch QB-2 connections, currently marketing the products;
- Launched ENA 110MS and P110-HCi seamless OCTG products.

Outlook for 2018

- Introduce a number of new premium and semi-premium connections to the OCTG market:
 - The semi-premium connection suitable for tubing (2 7/8-inch to 3 ½-inch outside diameter);
 - The QB-2 premium connection designed from the ground up for long horizontal shale wells that undergo multiple stimulation cycles is in the final development stage;
 - The QB2-XL premium connection for large sizes (10 ¾-inch outside diameter and larger);



- Finalise the development of sour-service line pipe product and launch it to market;
- Continue X70 development trials with the focus on improvement of the low-temperature properties for both helical and straight seam UOE pipe.

Long division

Key developments in 2017

- The Apex G2 rail continues to perform well in customer test tracks, initial revenue service trial results suggest this grade significantly reduces wear;
- The welded rail business almost doubled;
- EVRAZ reached a milestone receiving a conditional approval with unlimited supply of the H36C wheel profile from the AAR; H36C wheel sales increased 45% year-on-year in 2017, as supply agreements were signed with two major Class I railways.

Outlook for 2018

- In 2018, EVRAZ expects to obtain an approval from a strategic Class I partner for in-track use of rail, on the back of the agreement reached in 2017 to supply Apex G2 rail for trackwork components;
- EVRAZ expects two North American locomotive wheel profiles and one additional freight car profile to enter the market in H2 2018 after obtaining the approval from the AAR to supply additional wheel profiles to the market.

Flat division

Key developments in 2017

- Developed FlatRx product, began creating demand in the market;
- Completed development of the 650 Brinell product and secured the business for the large armoured vehicle OEM;
- Roll line and quench press alignment coupled with modification to quench practice improved

the heat treat flatness and reduced the retreat rate by 25%;

- Increased the percentage of material that qualifies for use in seismic protection of structures, determined chemical properties and control practices for various gauge ranges that resulted in an increase in success rate;
- Successfully completed the trial related to enhancing the plate surface compatible with high-speed laser cutting, the next step will be to test the material at different thicknesses and with less powerful lasers;
- Qualified additional domestic slab sources for armour grades.

Outlook for 2018

- Develop the “TruTank” product to increase our participation in the tank market;
- Develop the 700 bhn product for prototype armoured vehicles;
- Develop the Lfq product for laser cutting applications.

