

## Market review

### Russian steel market

Russia's economy embarked on a growth path in 2017 with GDP increasing by 1.5%. Positive trends in housing statistics and a broader economic recovery supported demand for steel products, which rose by 5% to 38.1 million tonnes. The demand for long steel climbed by 7%, 5% for flat steel and 2% for tubular products. In the railway segment, the demand for wheels surged by 96% due to the new cycle in railcar construction, and the rail consumption improved by 10%. In construction steel, the beam market grew by 6%, while demand for rebar and structural products was up a respective 3% and 5%.

Russian export volumes were in line with the previous year's figure of 24.2 million tonnes, mainly driven by the combination of a stronger rouble and solid domestic demand. Total crude steel production in Russia rose by 2% to 71.6 million tonnes.

In 2017, Russian steel prices rode the wave of stronger global benchmarks and domestic

demand. The CPT Moscow rebar price averaged US\$444 per tonne, up 15% from US\$387 per tonne in 2016. The price for channels performed even better, growing by 49% to US\$622 per tonne. Hot-rolled coil averaged US\$563 per tonne CPT Moscow, up 31% from US\$431 per tonne in 2016. Plates averaged US\$555 per tonne, up 31% from US\$423 per tonne in 2016.

### Other steel markets

In Ukraine, domestic steel consumption rose by 5% to 4.7 million tonnes in 2017, up from 4.5 million tonnes in 2016, due to the continuing stabilization of the political situation and economy. Export volumes dropped by 13% to 15.6 million tonnes due to a temporary shutdown of certain steel plants in the beginning of 2017.

Kazakh steel consumption improved by 18% to 3.0 million tonnes in 2016, compared with 2.5 million tonnes in 2016, due to the weak performance in 2016 and general growth in the construction sector in 2017. Steel product exports climbed by 11% to 3.4 million tonnes amid rising global steel prices and growing demand in Russia.

## Sales volumes review

External steel product sales volumes at EVRAZ' Steel segment remained strong in 2017 (+0.7% y-o-y). The decline in construction products shipments was compensated by railway products sales, which rose by 13% with wheels being the major growth driver. Sales volumes of semi-finished steel products to third parties remained mostly unchanged in 2017.

EVRAZ' sales volumes of key finished products in Russia mostly increased in 2017. The new cycle in railcar production led to a doubling of wheel sales, and rail sales were up 6% due to Russian Railways' stable investment programme. Rebar sales were down 12% due to heightened competition in Central Russia. Beams and structural products shipments faced a decline of 6% and 12% respectively.

Despite the growth of demand in the Russian long steel sector, the competition is increasing. EVRAZ is undertaking several initiatives to support domestic market share and developing new product types for clients. In rails, the market share was almost the same as last year at roughly 70% and we target this market share going forward. The Group's share on the structural product market was 41%, market shares for beams and rebars stood at 56% and 11% respectively. The share of the grinding balls market was 63%.

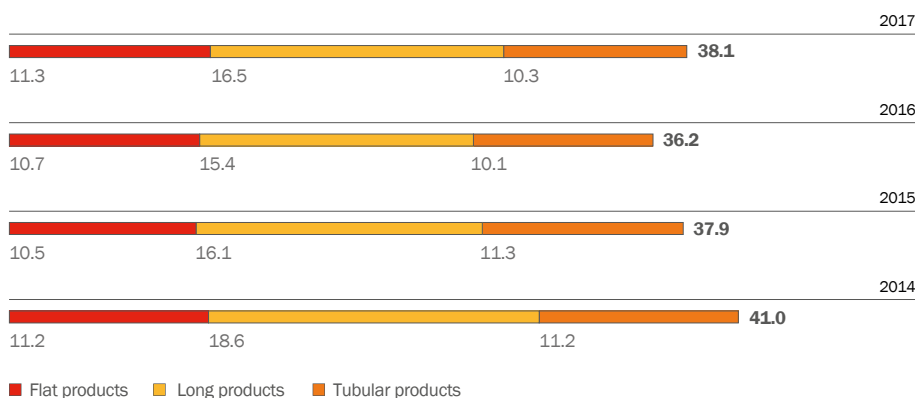
Evráz Caspian Steel's rebar sales decreased by 39% to 110 thousand tonnes in 2017.

Sales at EVRAZ DMZ were almost the same as in 2016 at 964 thousand tonnes due to a combination of improved local market demand and reduced export shipments.

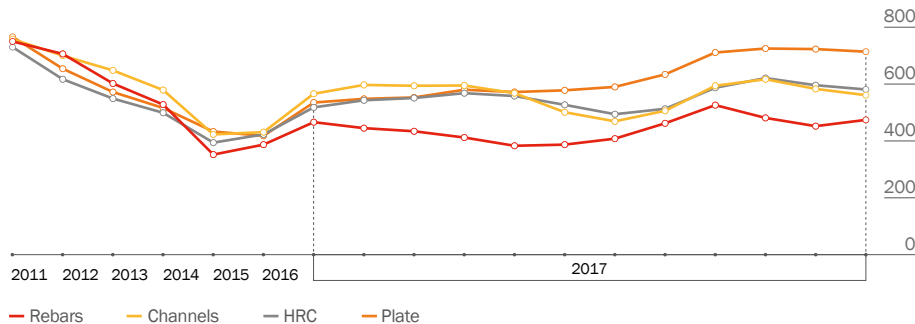
The Group's finished vanadium product sales volumes increased by 3.2%, from 15.2 thousand tonnes of pure vanadium in 2016 to 15.7 thousand tonnes in 2017, amid a decline in supplies from China and positive global prices.

EVRAZ sold 1.7 million tonnes of iron ore pellets to third parties in the year, up 3.2% year-on-year, due to increased demand on the Russian market. Other external iron ore product volumes dropped by 53% due to the disposal of Evraz Sukha Balka.

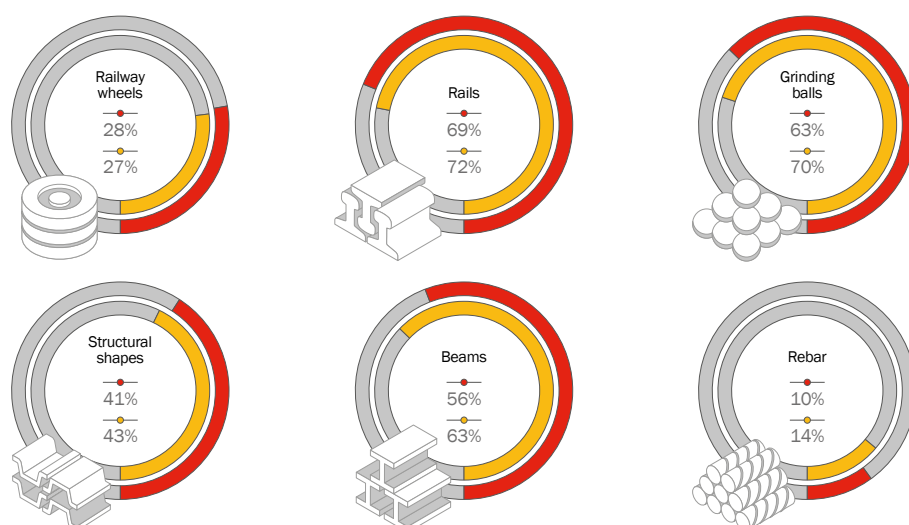
➔ RUSSIAN STEEL CONSUMPTION BY PRODUCT TYPE, mt



➔ RUSSIAN STEEL PRICES, US\$/t



### ➔ EVRAZ MARKET SHARES IN RUSSIA BY KEY PRODUCTS, %



EVRAZ remained the leader in rail production with a **69% market share** in 2017.

■ 2017 ■ 2016

### ➔ GEOGRAPHIC BREAKDOWN OF EXTERNAL STEEL PRODUCT SALES, kt

|   | 2017          | 2016          | Change, %  |
|---|---------------|---------------|------------|
| Russia                                    | 4,939         | 4,998         | (1.2)      |
| Asia                                      | 3,328         | 3,285         | 1.3        |
| Europe                                    | 1,499         | 1,302         | 15.1       |
| CIS                                       | 972           | 883           | 10.0       |
| Africa, America and the rest of the world | 1,141         | 1,323         | (13.8)     |
| <b>Total</b>                              | <b>11,879</b> | <b>11,792</b> | <b>0.7</b> |

### ➔ STEEL SEGMENT SALES VOLUMES, kt

|  | 2017          | 2016          | Change, %     |
|--|---------------|---------------|---------------|
| <b>Steel products, external sales</b>              | <b>11,879</b> | <b>11,792</b> | <b>0.7</b>    |
| — Semi-finished products                           | 5,735         | 5,601         | 2.4           |
| — Construction products                            | 3,750         | 4,135         | (9.3)         |
| — Railway products                                 | 1,281         | 1,134         | 13.0          |
| — Flat-rolled products                             | 511           | 351           | 45.6          |
| — Other steel products                             | 601           | 571           | 5.3           |
| <b>Steel products, inter-segment sales</b>         | <b>587</b>    | <b>521</b>    | <b>12.7</b>   |
| <b>Total steel products</b>                        | <b>12,466</b> | <b>12,313</b> | <b>1.2</b>    |
| <b>Vanadium products (tonnes of pure vanadium)</b> | <b>22,319</b> | <b>20,428</b> | <b>9.3</b>    |
| — Vanadium in slag                                 | 6,647         | 5,261         | 26.3          |
| — Vanadium in alloys and chemicals <sup>1</sup>    | 15,672        | 15,167        | 3.2           |
| <b>Iron ore products</b>                           | <b>2,937</b>  | <b>4,222</b>  | <b>(30.4)</b> |
| — Iron ore concentrate                             | 25            | 40            | (37.5)        |
| — Pellets  | 1,726         | 1,672         | 3.2           |
| — Other iron ore products                          | 1,186         | 2,510         | (52.7)        |

<sup>1</sup>The difference in 2016 numbers vs annual report 2016 is a result of adjustments in the sales volumes of vanadium products.