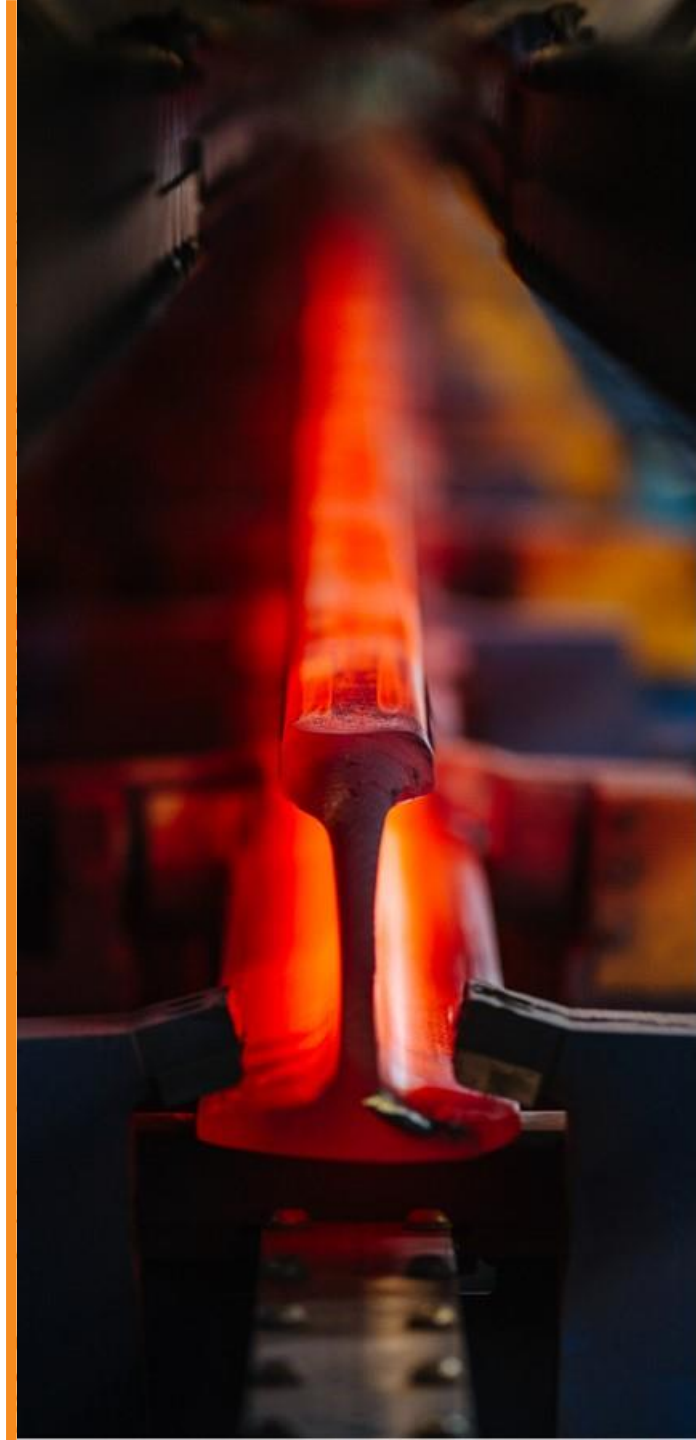


# Q1 2019 Trading Update

Management call

29 April 2019



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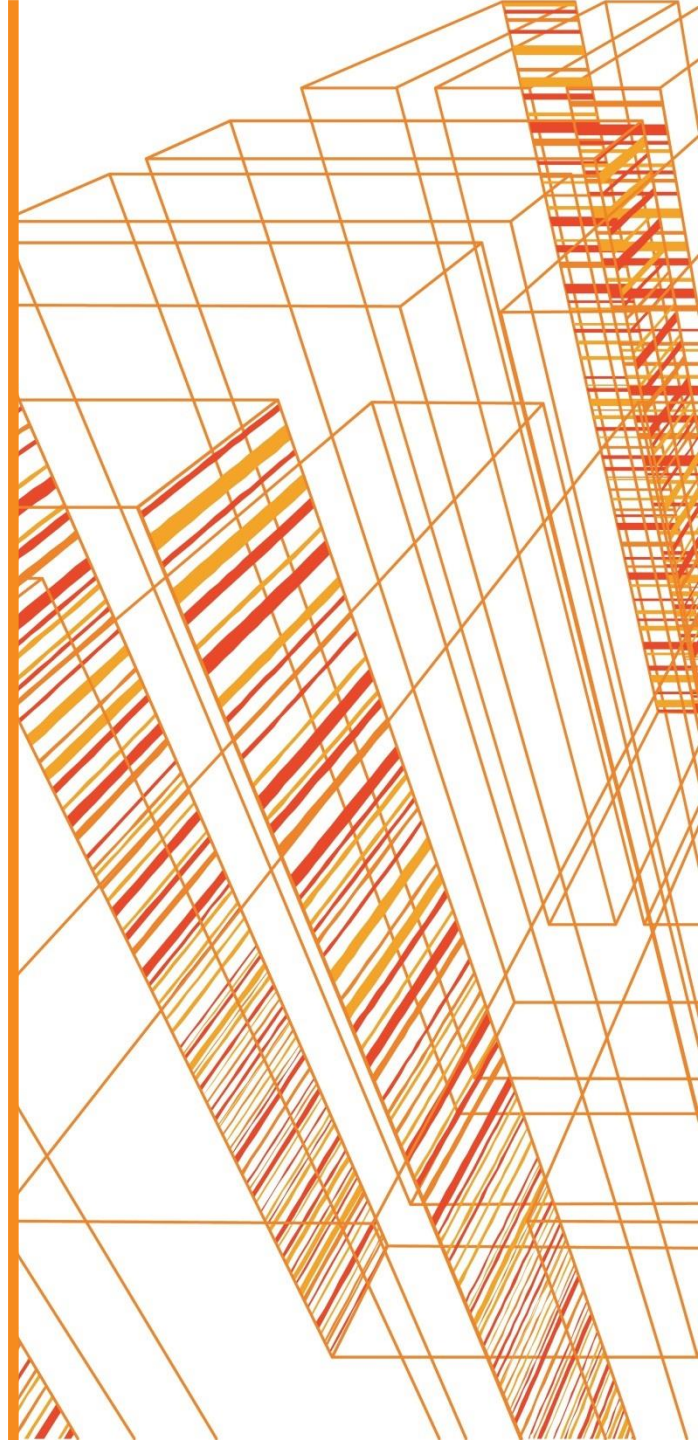
The information contained in this document is provided as at the date of this document and is subject to change without notice.

# Introduction

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**Alexey Ivanov**

Senior Vice President, Commerce and Business  
development



# Q1 2019 highlights

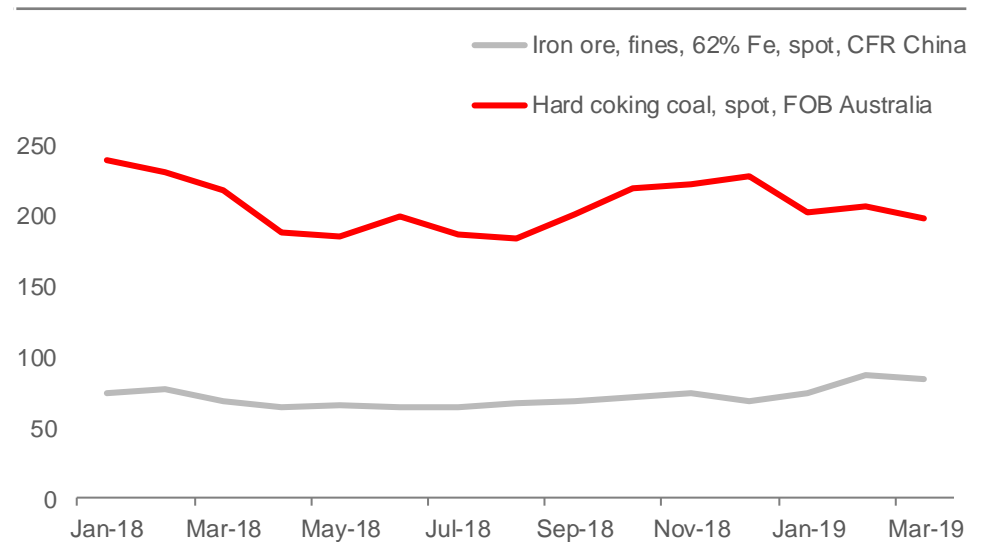
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- **Consolidated crude steel output** climbed by 12.4% QoQ to 3.5 million tonnes, primarily as a result of higher pig iron production following the completion of capital repairs at EVRAZ ZSMK's blast furnace no. 3 at the end of Q4 2018
- **Total steel product sales** rose by 8.4% QoQ, driven by higher crude steel production
- **Sales of semi-finished products** surged by 29.0%, primarily due to increased pig iron and crude steel output. This was partly offset by a 2.7% reduction in sales of finished products, which was mostly attributable to lower sales of construction products in Russia and tubular and railway products in North America
- **Production of raw coking coal** remained flat QoQ
- **External sales volumes of coking coal products** declined by 4.1% as coking coal concentrate sales subsided from the elevated levels during the longwall repositioning at Yuzhkuzbassugol's Uskovskaya mine in Q4 2018
- **Sales of vanadium products** fell by 5.3% QoQ, mainly due to a sharp decline of demand from the automotive industry and high stock levels at steel makers, accumulated during a period of sharp FeV price increase

# Global steel and raw materials market trends in Q1 2019

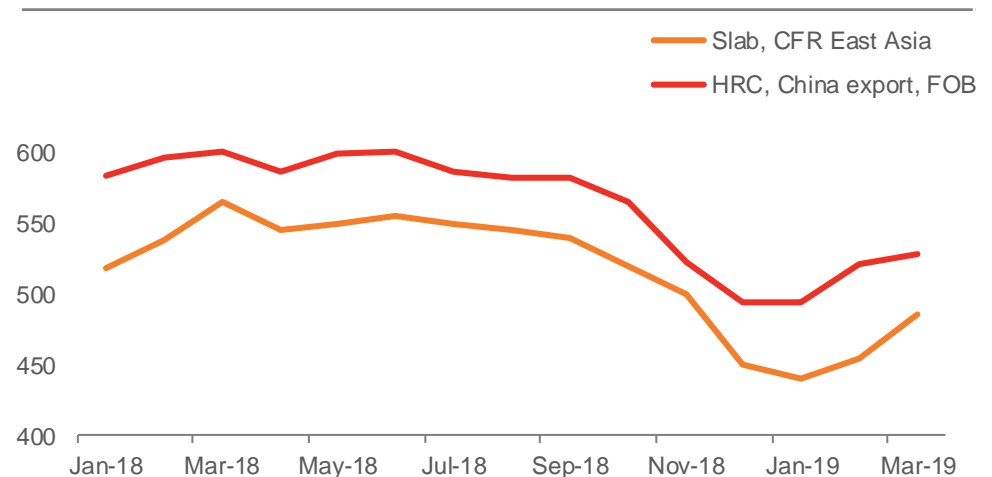
- The iron ore market (both fines and pellets)** was influenced by Vale's dam breach due to which it obliged to reduce significantly iron ore production. As a result, iron ore prices have jumped by c.\$10/t QoQ
- In the coking coal market prices** remained above steady-state mid 2018 levels of c.\$190/t as coal supply has been constrained by weather-related disruptions in Australia
- Steel prices (HRC, FOB China)** - after steel prices declining trend in the second half 2018 caused by trading war uncertainties, prices have started to recover in February on the back of improved demand and economic stimulus in China. Prices reached \$525/t FOB China in March

Global raw material prices, \$/t



Source: Metal Expert

Global steel prices, \$/t



Source: Metal Expert

# Q1 2019 total numbers

Product, '000 tonnes	Q1 2019	Q4 2018	Q1 2019/ Q4 2018, change	Q1 2018	Q1 2019/ Q1 2018, change
<b>Total crude steel production</b>	<b>3,488</b>	<b>3,102</b>	<b>12.4%</b>	<b>3,351</b>	<b>4.1%</b>
Russia	2,986	2,599	14.9%	2,730	9.4%
Ukraine	0	0	n/a	154	n/a
North America*	502	503	-0.2%	467	7.5%
<b>Total raw coking coal mined</b>	<b>6,844</b>	<b>6,853</b>	<b>-0.1%</b>	<b>5,969</b>	<b>14.7%</b>
<b>Total coking coal concentrate production</b>	<b>3,684</b>	<b>4,221</b>	<b>-12.7%</b>	<b>4,154</b>	<b>-11.3%</b>
<b>Iron ore products production</b>	<b>3,636</b>	<b>3,367</b>	<b>8.0%</b>	<b>3,431</b>	<b>6.0%</b>
<b>Total sales of steel products</b>	<b>3,187</b>	<b>2,939</b>	<b>8.4%</b>	<b>3,068</b>	<b>3.9%</b>
Semi-finished products	1,335	1,035	29.0%	1,303	2.5%
Finished products	1,852	1,904	-2.7%	1,765	4.9%
<b>Total sales of third-party steel products</b>	<b>180</b>	<b>228</b>	<b>-21.0%</b>	<b>170</b>	<b>5.9%</b>
<b>Sales of coking coal products</b>	<b>2,656</b>	<b>2,770</b>	<b>-4.1%</b>	<b>2,713</b>	<b>-2.1%</b>
<b>Sales of iron ore products</b>	<b>464</b>	<b>460</b>	<b>0.9%</b>	<b>585</b>	<b>-20.7%</b>
<b>Sales of vanadium final products**</b>	<b>2,518</b>	<b>2,659</b>	<b>-5.3%</b>	<b>3,108</b>	<b>-19.0%</b>

Note. Numbers in this table and the tables below may not add up to totals due to rounding.

\* The Q1 2019 production and sales volumes of EVRAZ North America are preliminary.

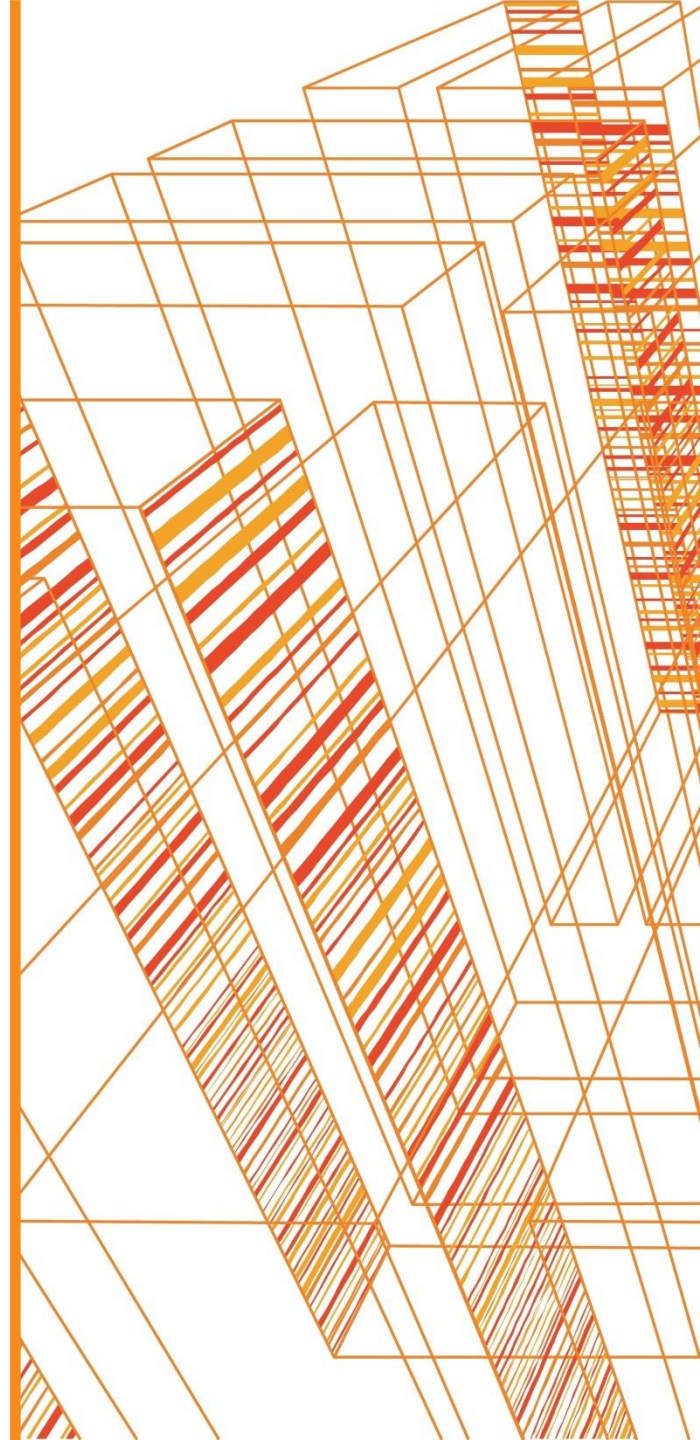
\*\* in tonnes of pure vanadium

# Steel

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**Alexey Ivanov**

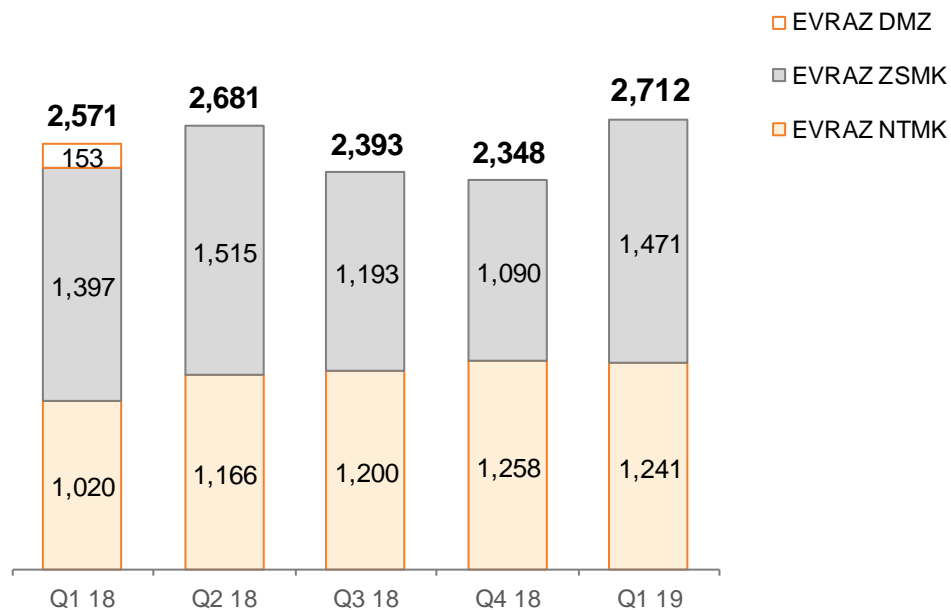
Senior Vice President, Commerce and Business  
development



# Steel segment - production

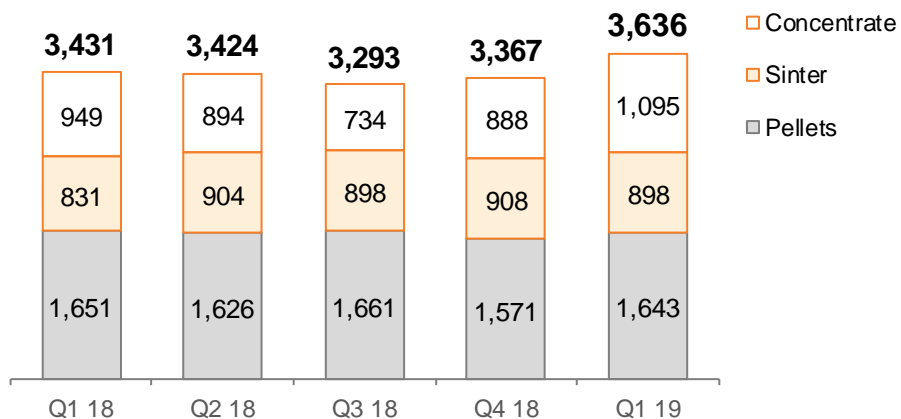
- Pig iron output** at EVRAZ' Russian mills grew by 15.5% QoQ to 2.7 million tonnes following the completion of capital repairs at EVRAZ ZSMK's blast furnace no. 3
- Crude steel output** climbed by 14.9% QoQ to 3.0 million tonnes following an increase in pig iron output
- Iron ore products' output** rose by 8.0% QoQ to 3.6 million tonnes mainly due to improved performance of Evrazruda and increased demand for own-produced iron ore at EVRAZ ZSMK after the completion of capital repairs at blast furnace no. 3

## Pig iron, kt



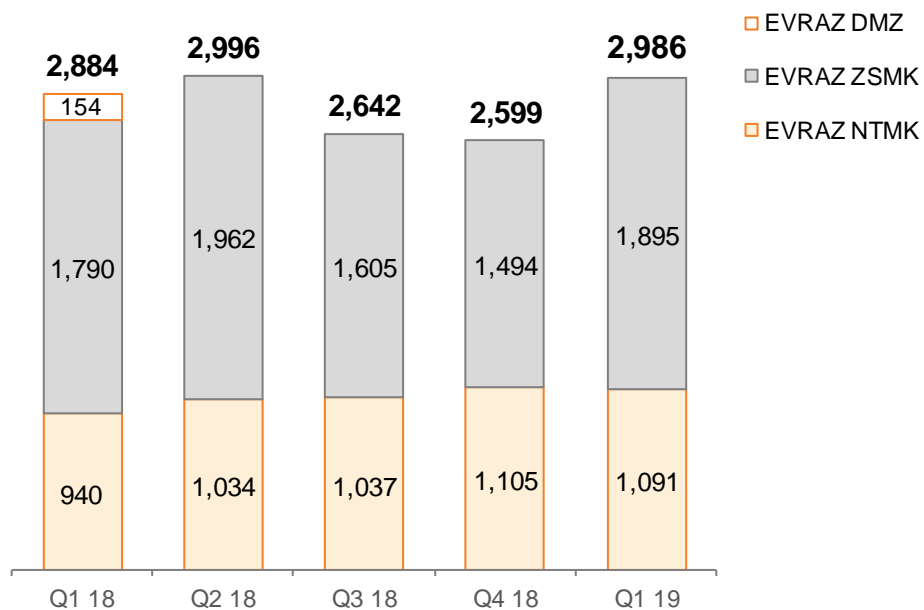
Source: Company information

## Iron ore products, kt



Source: Company information

## Crude steel, kt



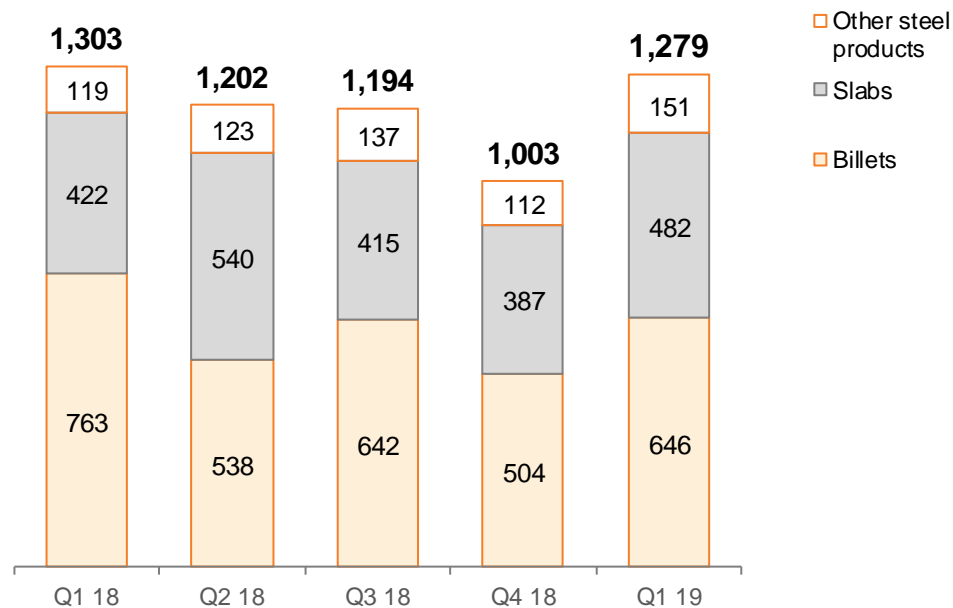
Source: Company information



# Steel segment - sales

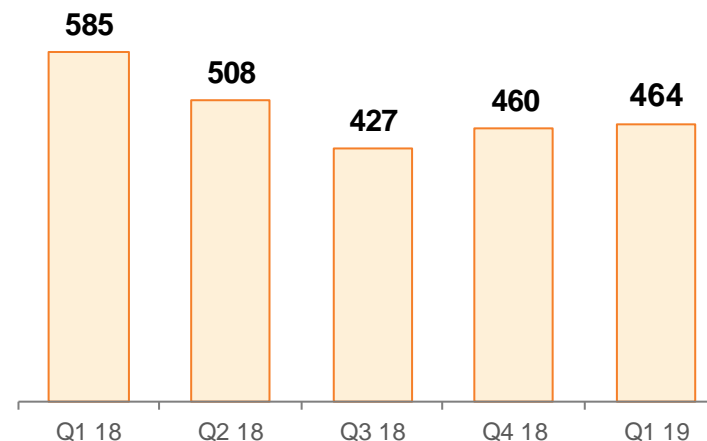
- **Sales of semi-finished products** jumped by 27.5%, mostly due to the completion of capital repairs at EVRAZ ZSMK's blast furnace no. 3, which affected sales in Q4 2018
- **Sales of construction products** declined by 5.4% QoQ due to a decrease of market demand during Q1 2019 amid seasonal slowdown of construction works in Russia

Semi-finished products sales, kt



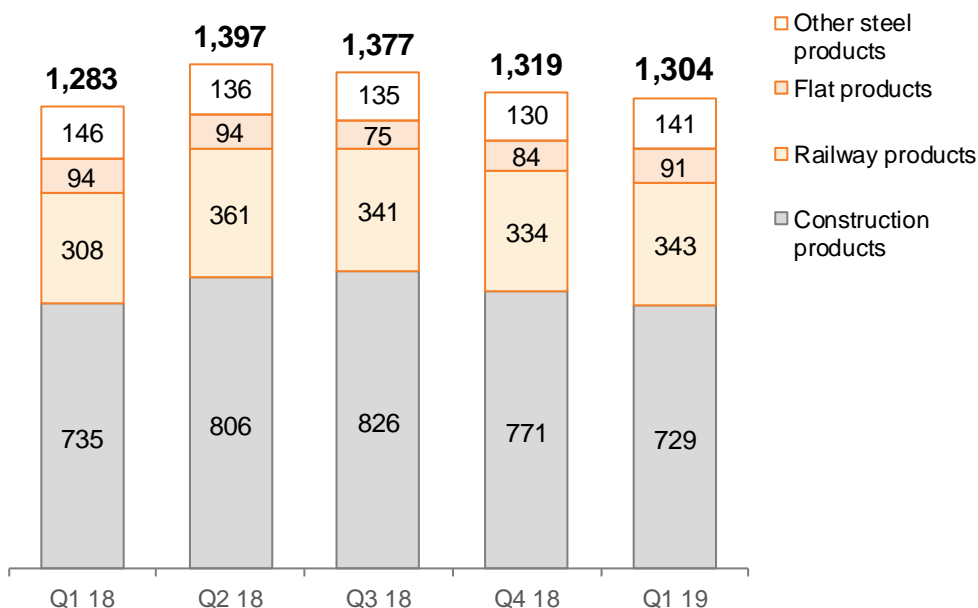
Source: Company information

Iron ore products sales, kt



Source: Company information

Finished products sales, kt



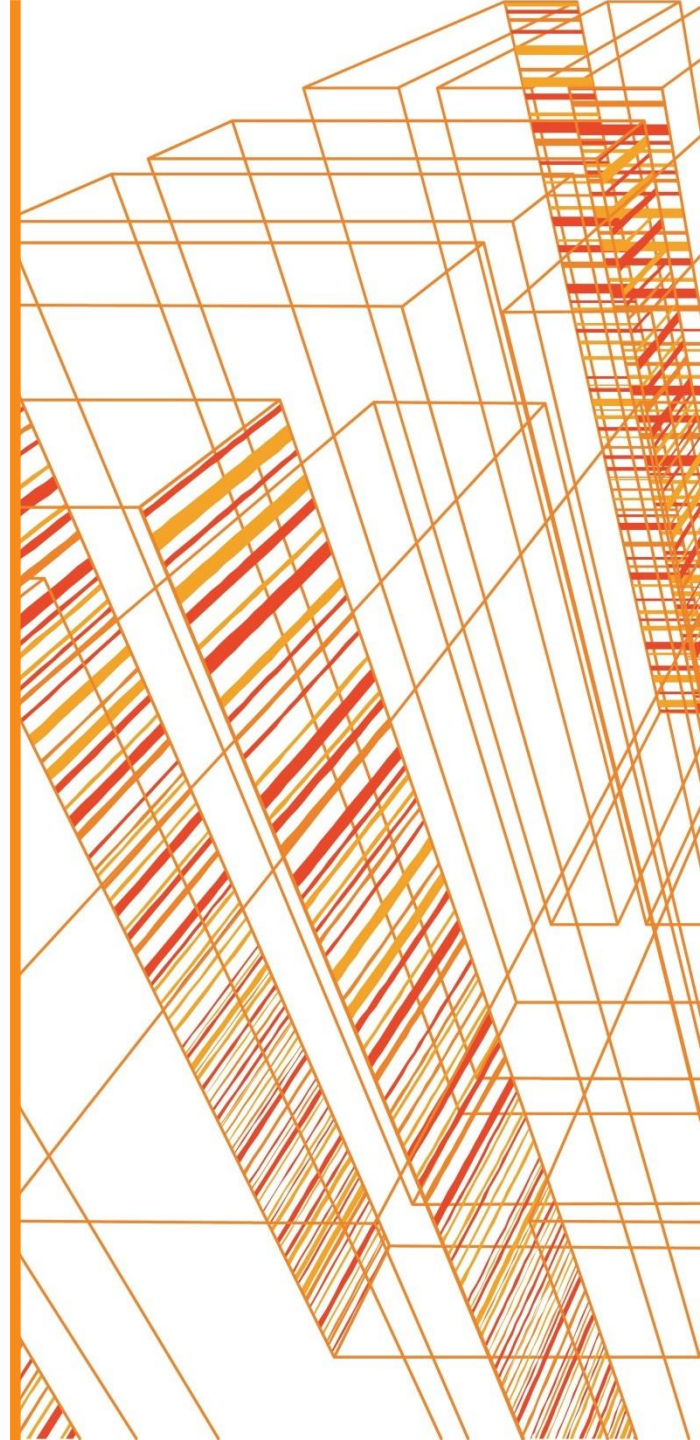
Source: Company information

# Vanadium

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**Alexander Erenburg**

Vice President, Head of the Vanadium Division



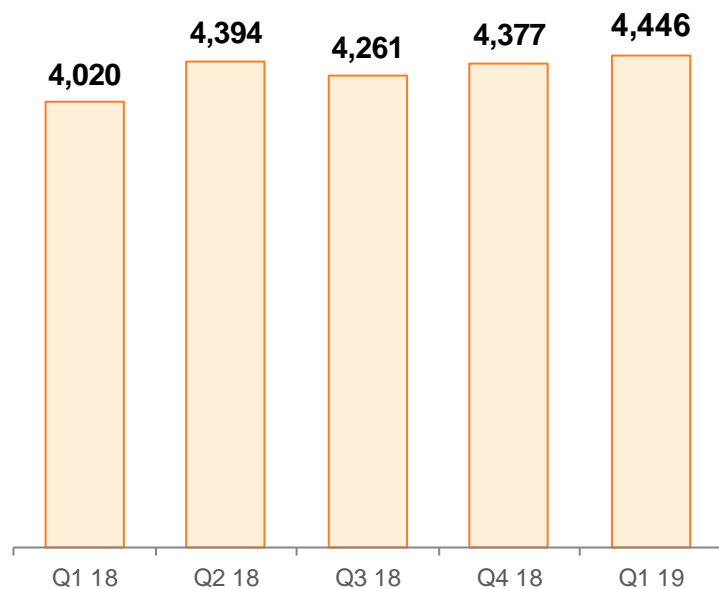
# Vanadium

- ❑ **Ferrovanadium (FeV)** prices decreased by c.\$39/t in QoQ mostly due to elevated price base in Q4 2018, driven by speculations around new Chinese rebar standard
- ❑ **Sales of vanadium products** fell by 5.3%, mainly due to a weaker demand from steel industry outside China, heavy destocking at steel makers triggered by falling prices
- ❑ **Demand for FeV in Q1 2019** was negatively impacted mainly by lower car production/sales globally
- ❑ **Demand in the mid-term** is expected to improve as FeV prices are back to reasonable level and depending on further implementation of rebar standard in China

Vanadium price, \$/kgV

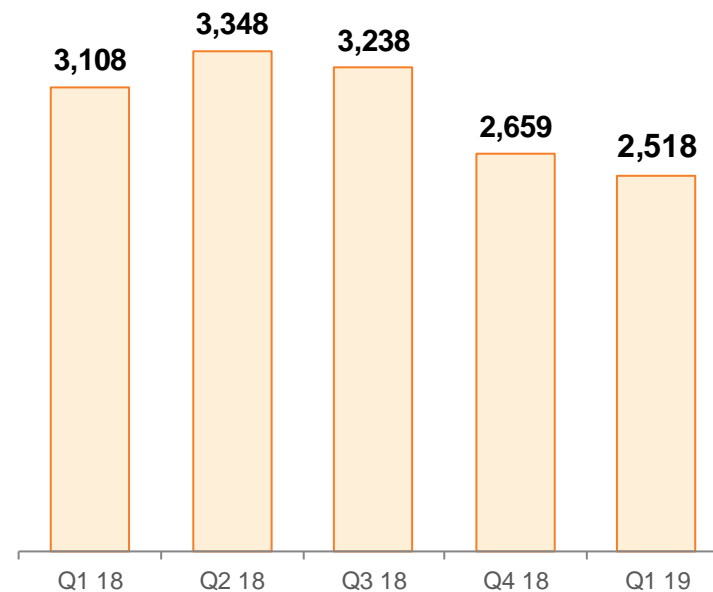


Gross vanadium slag production\*, t



Source: Company information; \* In tonnes of pure vanadium

Vanadium final products sales\*, t



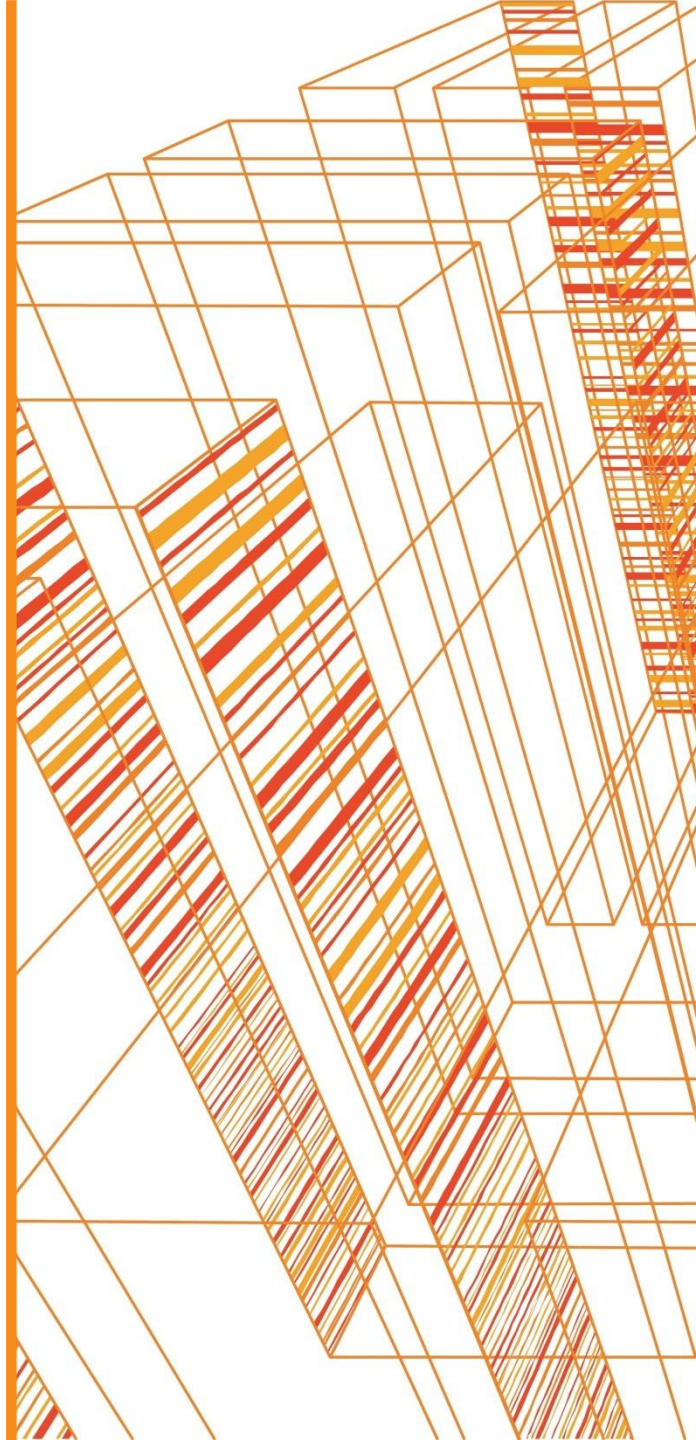
Source: Company information; \* In tonnes of pure vanadium

# Coal

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**Sergey Stepanov**

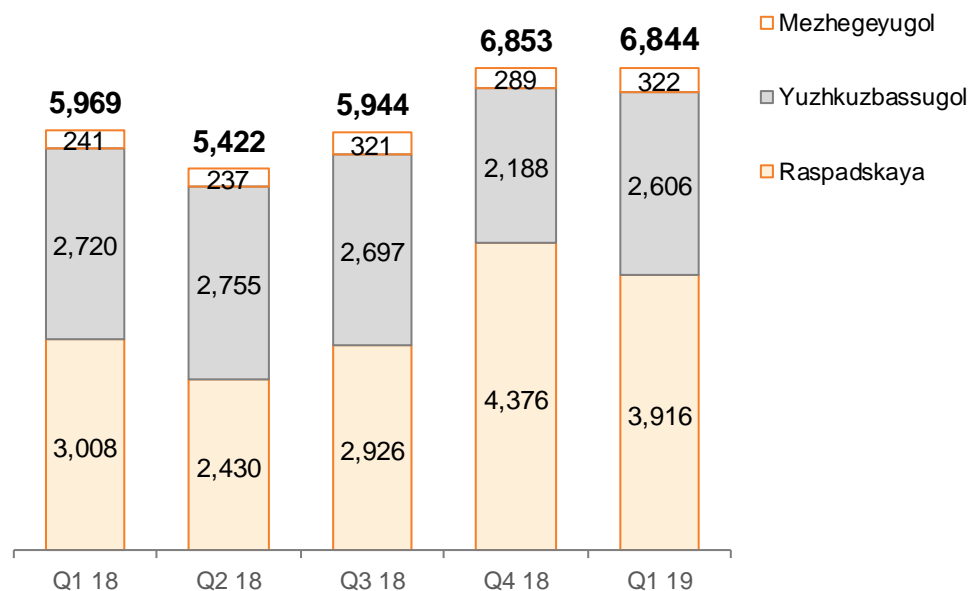
Vice President, Head of the Coal Division



# Coal segment - production

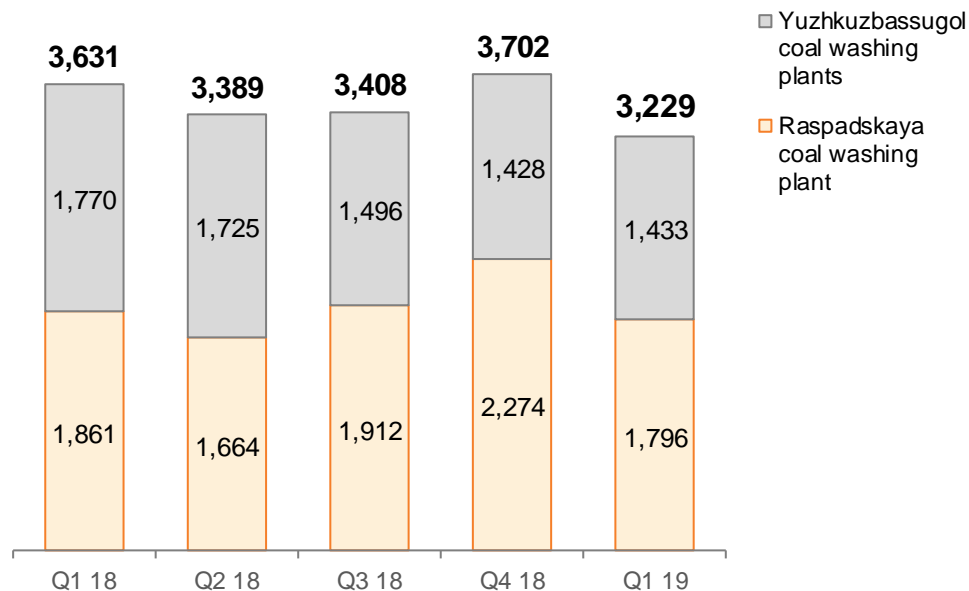
- Raw coking coal output was flat QoQ, primarily due to higher production at Yuzhkuzbassugol's mines following the longwall move at the Uskovskaya mine in Q4 2018
- Output of coking coal concentrate fell by 12.8%, primarily due to high level of accumulated inventories at the end of Q4 2018 and in Q1 2019

Raw coking coal (mined), kt



Source: Company information

Coking coal concentrate (production), kt

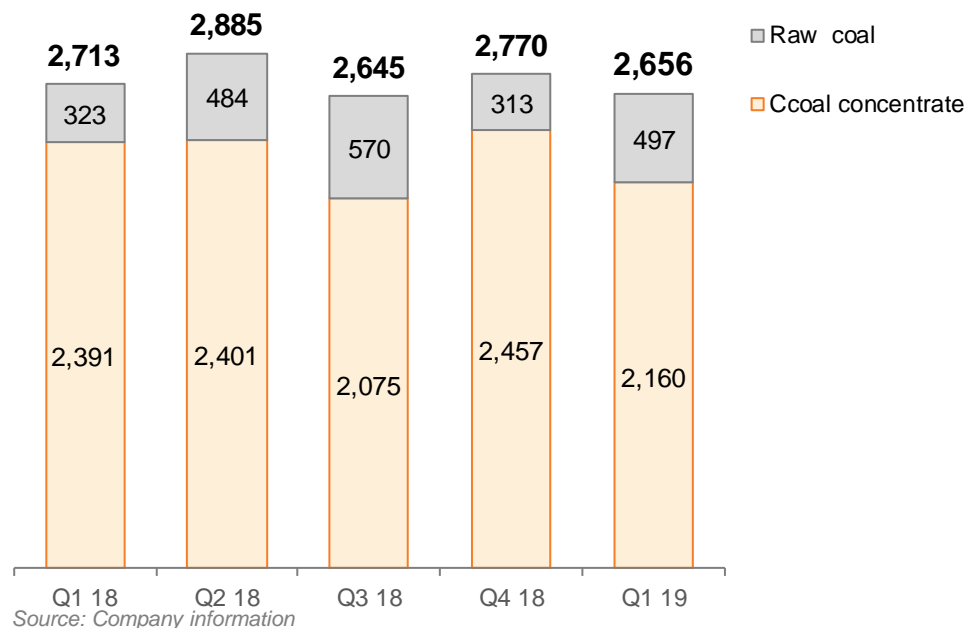


Source: Company information

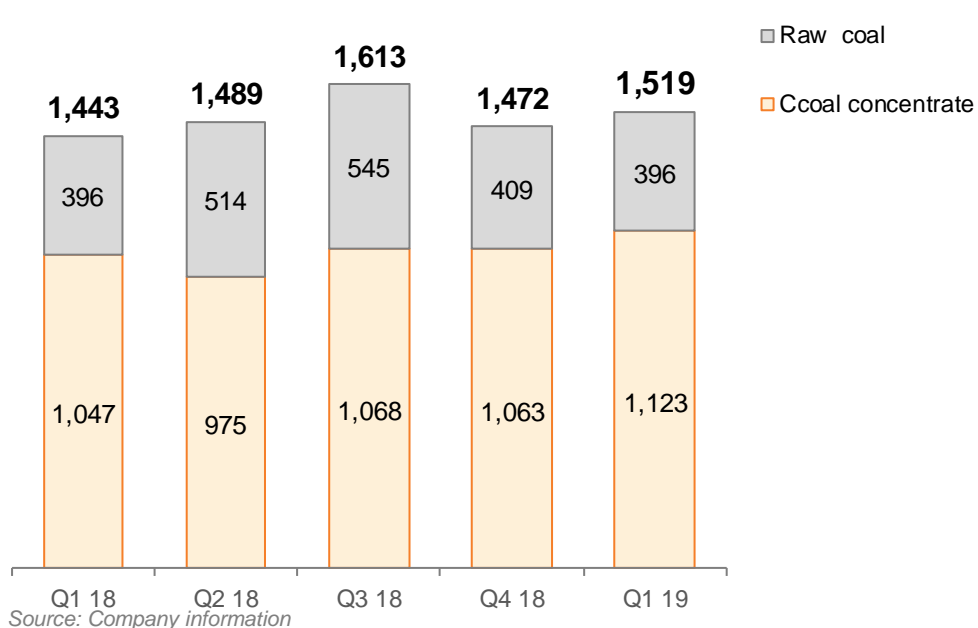
# Coal segment - sales

- External sales volumes of coking coal products declined by 4.1% QoQ as coking coal concentrate sales subsided from the elevated levels during the longwall repositioning at Yuzhkuzbassugol's Uskovskaya mine in Q4 2018
- Intersegment sales volumes of coking coal products increased by 3.2% QoQ following implementation of strategy aimed at self-sufficiency increase
- Longwall operations were launched in April at Rapsadskaya-Koksovaya mine, thus less volumes of K-grade coal were available for sales in Q1 2019

External sales, kt



Intersegment sales, kt

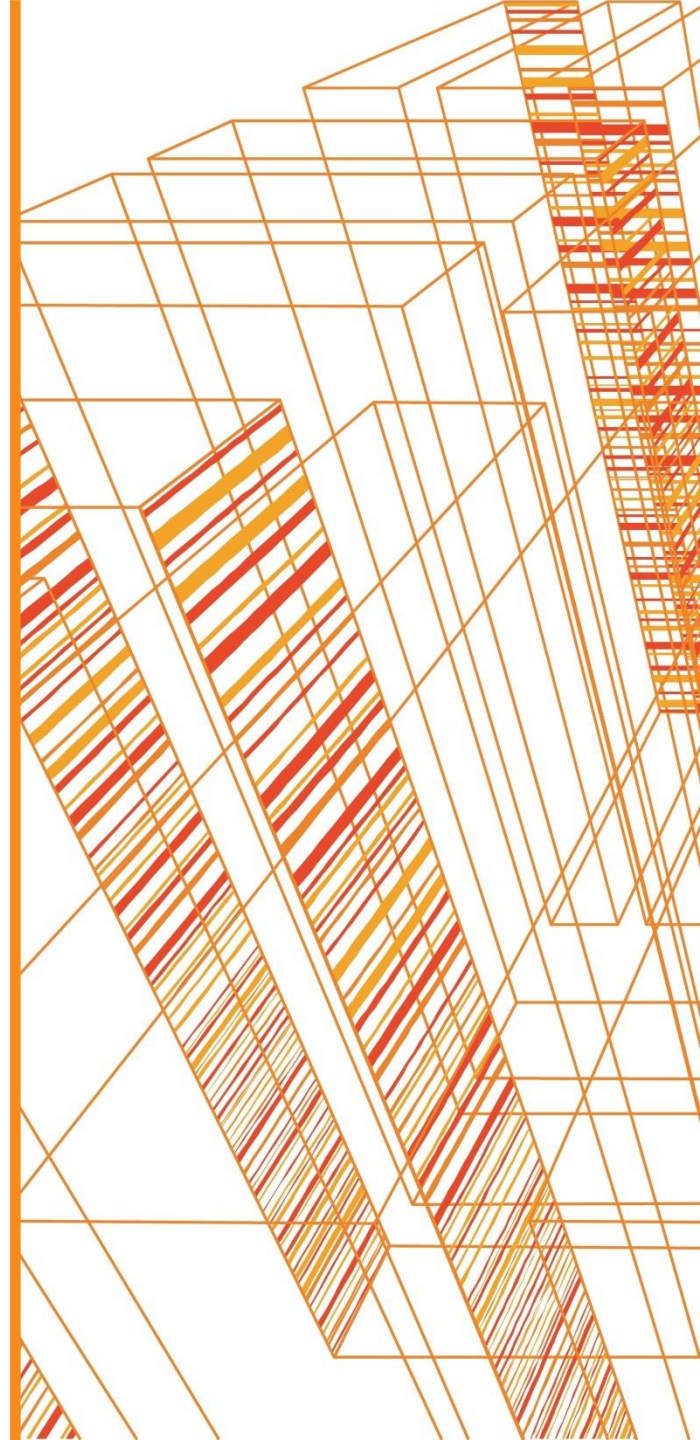


# Steel, North America

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**Alexander Vasiliev**

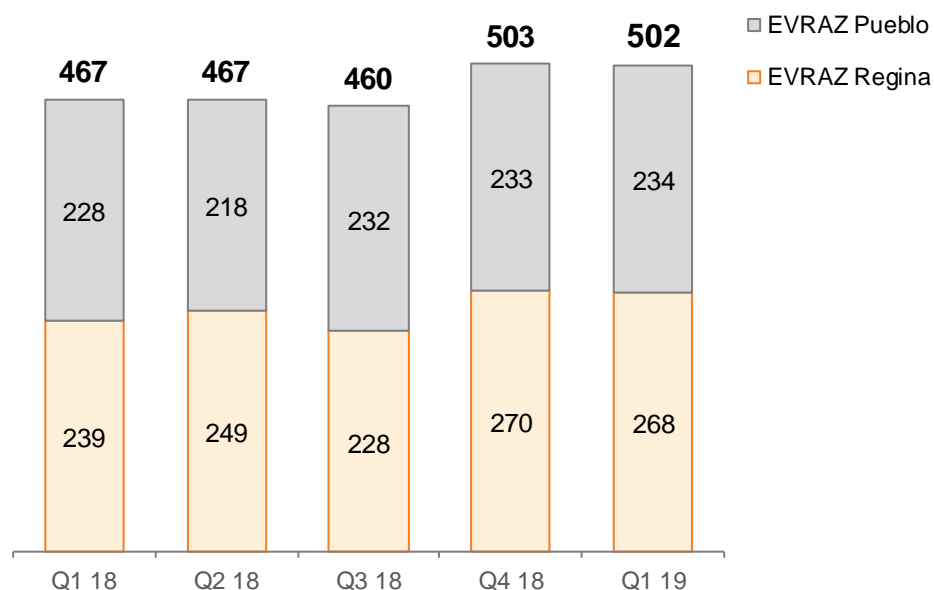
Chief Financial Officer, EVRAZ North America



# Steel, North America segment

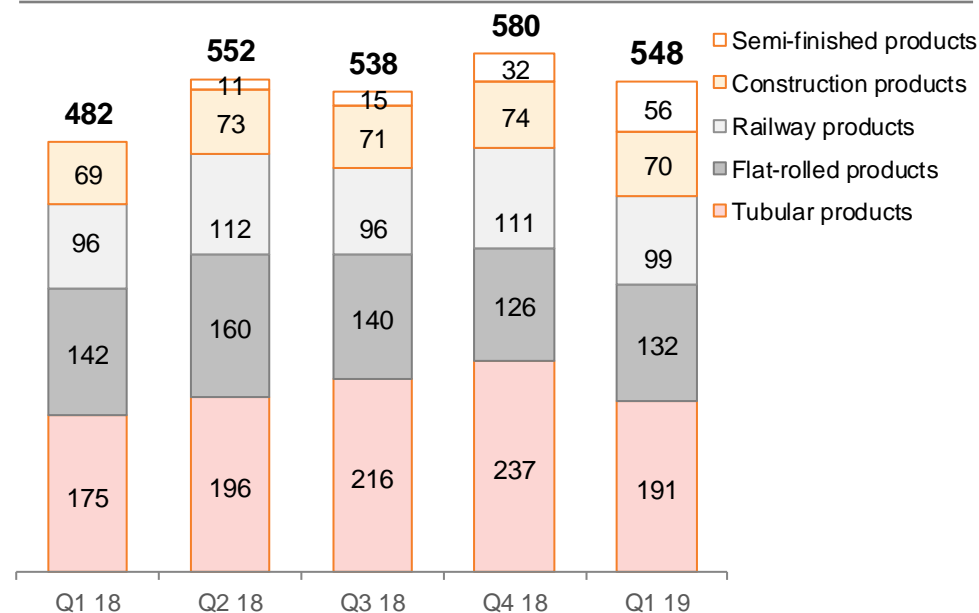
- **Sales of construction products** decreased by 5.4% QoQ due to lower demand for concrete reinforcing bar, as inclement weather caused a slowdown of construction activity
- **Railway product sales** slid by 15.4% QoQ, driven by unplanned rail mill downtime in March 2019 at EVRAZ Pueblo, while market fundamentals remain strong
- **Sales of flat-rolled products** jumped by 4.8% QoQ as demand recovered in Q1 2019, after customers reduced inventory in Q4 2018. The sales growth was also impacted by a planned maintenance outage in Q4 2018 and a rail car shortage at the year-end that limited shipments
- **Sales of tubular products** dropped by 19.1% QoQ due to the temporary shutdown of the coating operation, which impacted line pipe shipments, as well as to lower sales of OCTG due to declining drilling activity in Western Canada

Crude steel - production volumes, kt



Source: Company information

Steel products - sales volumes, kt



Source: Company information



# International trade developments

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## □ U.S. Section 232 steel tariffs and Canadian retaliatory tariffs

- In the United States, 25 percent tariffs on steel remain in place, including steel imported from Canada
- Retaliatory tariffs of 25 percent by Canada on the United States also remain

## □ Section 232 tariff exclusion request – slab

- The U.S. Department of Commerce in February and April denied EVRAZ NA's exclusion requests on steel slab imported from Russia to EVRAZ Portland. Slab remains subject to a 25 percent tariff. Another exclusion request may be submitted to Department of Commerce

## □ Canadian safeguards – energy tubular products

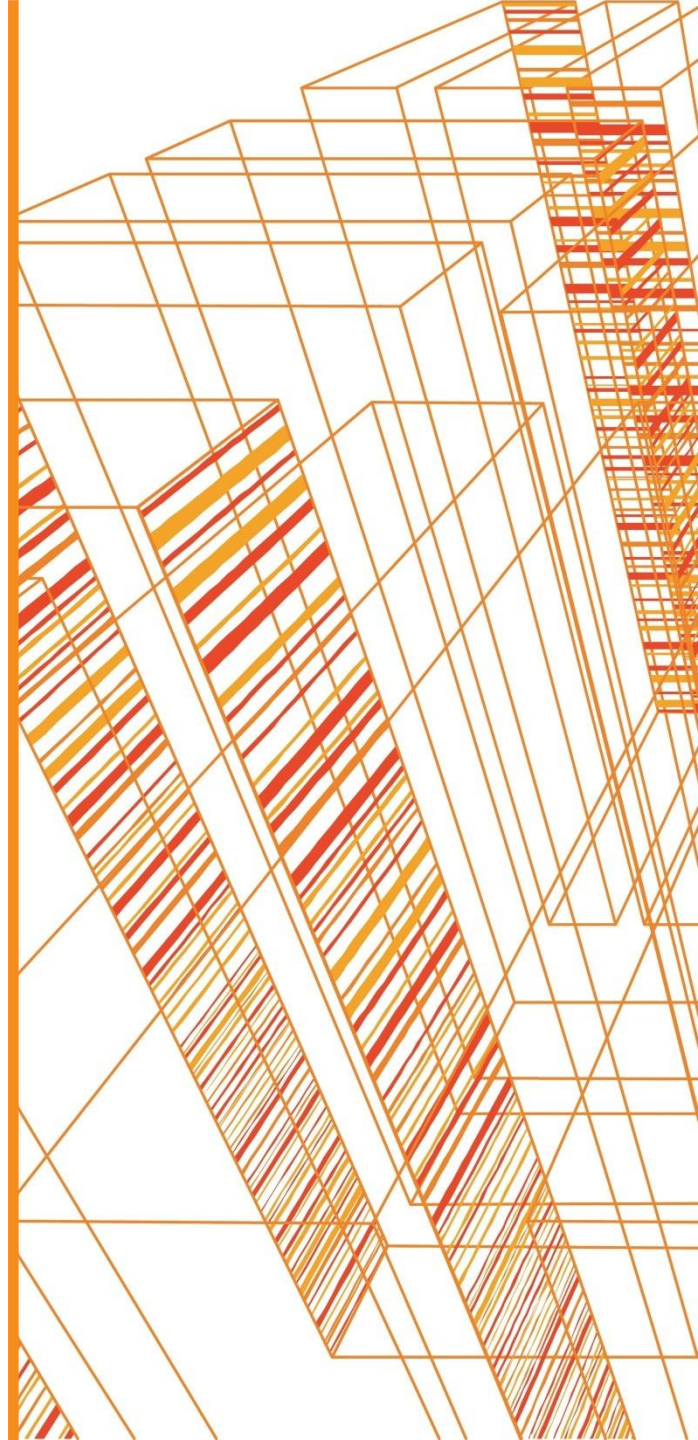
- On April 3, 2019, the Canadian International Trade Tribunal recommended that a final safeguard remedy not be imposed on energy tubular products

## □ Anti-dumping duties – large diameter line pipe

- The anti-dumping duty rate imposed by the U.S. on large diameter welded pipe from Canada was reduced by the U.S. Department of Commerce in February to 12 percent
- A preliminary anti-dumping duty rate of 24 percent had previously been in place since August 2018

# Outlook

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# Q2 2019 outlook

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## □ Steel segment

- Pig iron production volumes are expected to remain flat

## □ Steel North America segment

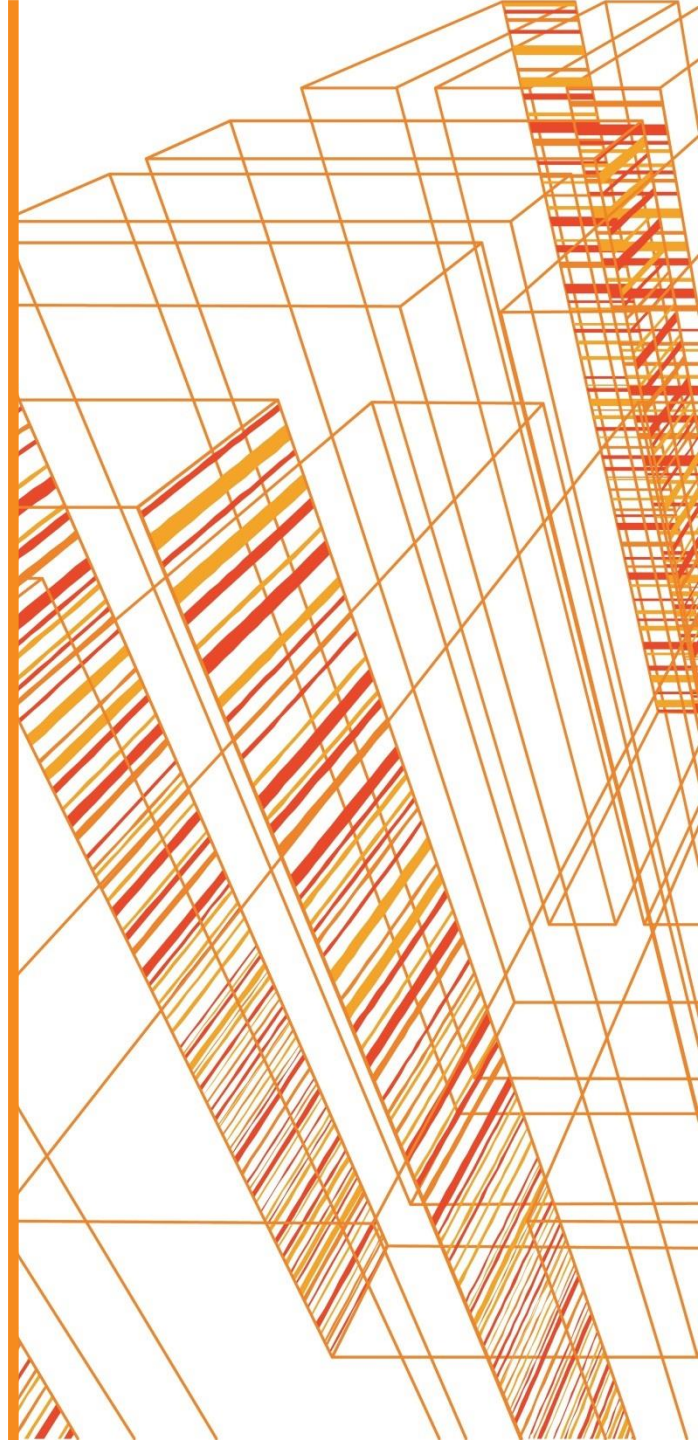
- Crude steel output is expected to drop by 2-5% QoQ amid a reduction in tubular volumes due to the seasonal decline on Canada's OCTG market
- Flat-rolled products are expected to climb by 5-7%, driven by customer production schedules
- Construction products are expected to grow by 3-5% and railway products are expected to recover by 5-10% following the unplanned downtime in March 2019

## □ Coal segment

- Raw coal production is expected to increase QoQ after the completion of the Alardinskaya mine's transfer and the Rapsadskaya-Koksovaya mine's switch to longwall mining

# Q&A

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