

MARKET REVIEW

Russian Steel market

While the Russian economy demonstrated moderate 1.3% GDP growth in 2019, the government's national projects are expected to foster economic growth in the country in the coming years. The domestic steel market expanded by 8% to 44.9 million tonnes. Consumption of long products climbed by 8% to 18.2 million tonnes, driven by higher construction activity amid changes in the financing of real estate. Developers have accelerated the implementation of existing projects to complete them before the new rules come into force. Demand for flat and tubular products grew by a respective 8% to 15.2 million tonnes and 10% to 11.5 million tonnes. In the railway segment, wheel consumption surged by 22%, supported by continued strong demand from railcar producers and repair companies. The rail market rose by 3% due to higher demand from both Russian Railways and other consumers. In the construction segment, demand for beam and rebar climbed by 16% and 13% respectively, while the consumption of structural products was down by 3%.

In 2019, strong domestic consumption and widespread trade barriers in foreign steel markets pushed export sales down by 12% to 27.1 million tonnes.

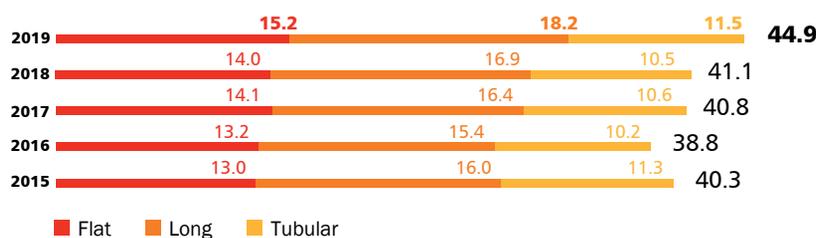
Total crude steel production in Russia remained at the level of 72.0 million tonnes in 2019.

During the period, steel prices in Russia followed global trends with average levels than in 2018. The CPT Moscow rebar benchmark was down by 5%, averaging US\$469 per tonne versus US\$493 per tonne in 2018. Channel prices dropped by 17% to US\$582 per tonne in 2019, compared with US\$698 per tonne the previous year. Prices for HRC and plate also fell by a respective 4% to US\$553 per tonne and 4% to US\$561 per tonne.

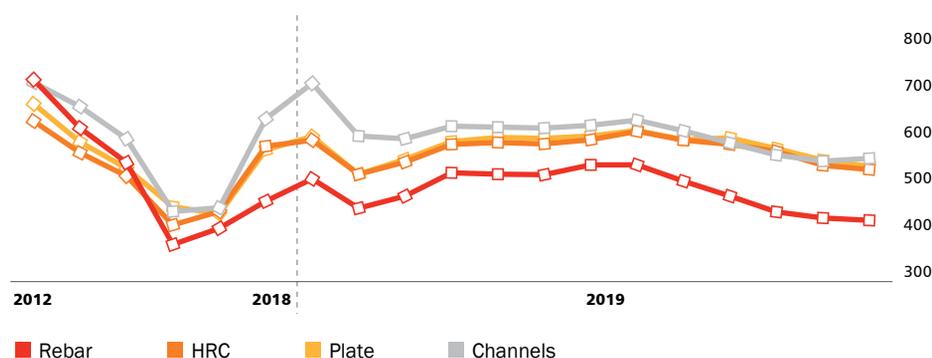
Other steel markets

Steel consumption in Kazakhstan edged down by 13% to 3.2 million tonnes. Exports from the country plunged by 15% to 2.7 million tonnes due to the reduction of output by Kazakhstan's leading producer, ArcelorMittal Temirtau.

Russian steel consumption by product type, mt



Russian steel prices, US\$/t



SALES VOLUMES REVIEW

In 2019, the external sales of the Group's Steel segment climbed by 10% to 12.1 million tonnes. This growth is explained by higher pig iron production as blast furnace No. 7, launched in 2018 at EVRAZ NTMK, reached its target production volumes. Sales of semi-finished products to third parties soared by 20%. During the period, sales of railway products grew by 4%, supported by stronger demand in both the wheel and rail markets. External sales of construction products increased by 3% due to the higher domestic demand.

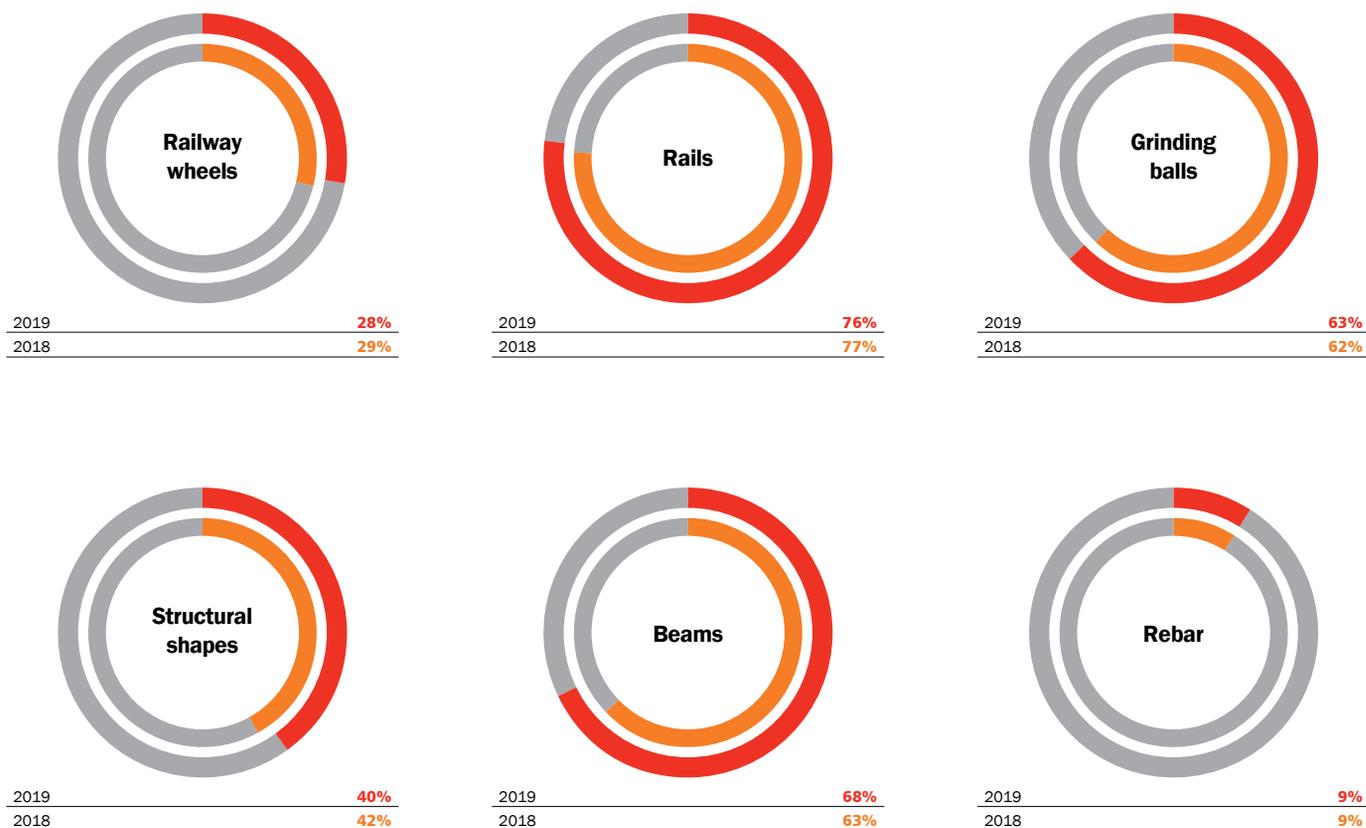
Most of Steel segment's key products sales in Russia strengthened in 2019, buoyed by solid domestic demand. As result of continued elevated railcar production and a number of overhauls, railway wheel sales rose by 16%. Rail sales climbed by 4%, mainly due to higher supplies to Russian Railways. The Group's customer focus efforts aimed to promote the use of beams by improving their availability for clients and selling directly to large infrastructure projects, driving beam sales up 21% in 2019. Rebar sales slightly corrected by 1%. Structural products sales edged down by 1% due to heightened market competition.

EVRAZ aims to maintain and develop leading positions on the Russian rail market and in steel products in Siberia. In 2019, competition increased for the Steel segment's key products. The Group's market share in rails corrected to 76%, compared with 77% in the previous year and the market share for rail wheels edged down by 1 percentage point to 28% during the period. Meanwhile, the market share in beams surged by 5 percentage points to 68% in 2019. In structural products, the market share dropped from 42% to 40% in 2019. Meanwhile, the market share in grinding balls rose from 62% to 63%.

In 2019, EVRAZ Caspian Steel's rebar sales jumped by 65% to 290 thousand tonnes amid dwindling shipments from its main competitor.

The Group's finished vanadium product sales volumes climbed by 4% to 12.9 thousand tonnes in 2019, compared with 12.4 thousand tonnes of pure vanadium in 2018, mainly as a result of customer base expansion and moderately strong demand on Asian markets in H2 2019, while vanadium consumption in the EU, North America and the CIS was stagnant.

As a vertically integrated group, EVRAZ focuses on the internal consumption of its own iron ore products. In 2019, total iron ore product sales dropped by 5% to 1.9 million tonnes due to higher pig iron production at EVRAZ steel assets.

EVRAZ market shares in Russia by key products, %

Sales volumes of Steel segment, '000 tonnes

	2019	2018	Change, %
Steel products, external sales	12,075	10,980	10.0
Semi-finished products	5,636	4,703	19.8
Construction products	3,800	3,697	2.8
Railway products	1,393	1,344	3.6
Flat-rolled products	622	617	0.8
Other steel products	624	619	0.8
Steel products, inter-segment sales	318	573	(44.5)
Total steel products	12,393	11,553	7.3
Iron ore products¹	1,895	1,986	(4.6)
Sinter	759	8	n/a
Pellets	1,134	1,972	(42.5)
Other iron ore products	2	6	(66.7)
Vanadium products (tonnes of pure vanadium)¹	19,334	19,053	1.5
Vanadium in slag	6,451	6,701	(3.7)
Vanadium in alloys and chemicals	12,883	12,352	4.3

¹ There are some differences from the figures for 2018 that were published in the previous annual report due to adjustments in the sales volumes.