



## EVRAZ Q3 2017 PRODUCTION REPORT

**17 October 2017** — EVRAZ plc (LSE: EVR; “EVRAZ” or the “Group”) today released its operational results for the third quarter of 2017.

### Q3 2017 vs Q2 2017 OPERATIONAL HIGHLIGHTS:

- Consolidated crude steel output increased by 5.9% quarter-on-quarter to 3.5 million tonnes in Q3 2017, primarily following the completion of capital repairs at EVRAZ DMZ’ oxygen-converter plant and the ramp-up of EVRAZ Regina after the planned outage in Q2 2017.
- Production of steel products, net of re-rolled volumes, increased by 4.4% quarter-on-quarter to 3.1 million tonnes as a result of increased output of semi-finished products due to the completion of planned capital repairs at EVRAZ ZSMK and EVRAZ DMZ.
- Production of construction products increased by 6.0% quarter-on-quarter following a seasonal upturn in demand.
- Production of railway products was down 9.8% due to planned capital repairs at Russian facilities and planned downtime for maintenance in North America.
- Output of flat products decreased by 9.3% quarter-on-quarter, mostly following a planned maintenance outage in North America.
- In North America, output of tubular products, including large-diameter pipes (LDP), oil country tubular goods (OCTG) and small-diameter line pipes, increased as a result of higher steel availability after a planned outage at EVRAZ Regina and strong demand recovery in OCTG.
- Consolidated raw coking coal output in Q3 2017 was in line with Q2 2017.

## STEEL

Product, '000 tonnes	Q3 2017	Q2 2017	Q3 2017/ Q2 2017, change	9m 2017	9m 2016	9m 2017/ 9m 2016, change
Coke (saleable)	232	171	35.6%	521	737	-29.3%
Pig iron	2,827	2,793	1.2%	8,515	8,455	0.7%
Pig iron (saleable)	76	195	-61.1%	315	315	0.2%
Crude steel	3,506	3,312	5.9%	10,497	10,130	3.6%
Steel products, gross*	3,348	3,206	4.4%	10,077	9,739	3.5%
Steel products, net of re-rolled volumes	3,121	2,988	4.4%	9,364	9,160	2.2%
Semi-finished products**	1,196	1,084	10.3%	3,726	3,741	-0.4%
Finished products	1,925	1,904	1.1%	5,638	5,419	4.0%
Construction products	1,027	969	6.0%	2,873	3,071	-6.4%
Railway products	370	411	-9.8%	1,199	1,095	9.5%
Flat-rolled products***	189	208	-9.3%	587	418	40.4%
Tubular products	189	159	18.5%	514	406	26.6%
Other steel products	150	157	-4.8%	464	428	8.4%

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

\* Gross volume of steel products in the tables includes those re-rolled at other EVRAZ mills. However, such volumes are eliminated as inter-company sales for the purposes of EVRAZ’ consolidated operating results.

\*\* Consolidated production volumes of semi-finished products are preliminary, as intra-group re-rolling volumes are yet to be finalised.

\*\*\* Includes production volumes of EVRAZ Palini e Bertoli (60 thousand tonnes in Q3 2017 and 175 thousand tonnes in 9m 2017).

## RUSSIA and KAZAKHSTAN

Product, '000 tonnes	Q3 2017	Q2 2017	Q3 2017/ Q2 2017, change	9m 2017	9m 2016	9m 2017/ 9m 2016, change
Coke (saleable)	113	75	50.8%	257	281	-8.5%
Pig iron	2,547	2,537	0.4%	7,746	7,638	1.4%
Pig iron (saleable)	34	90	-61.5%	161	265	-39.3%
Crude steel	2,783	2,762	0.7%	8,525	8,234	3.5%
Steel products, gross	2,605	2,558	1.8%	7,970	7,781	2.4%
Steel products, net of re-rolled volumes	2,551	2,493	2.3%	7,812	7,608	2.7%
Semi-finished products	1,234	1,178	4.8%	3,949	3,716	6.3%
Finished products	1,316	1,315	0.1%	3,864	3,891	-0.7%
Construction products	897	858	4.5%	2,514	2,650	-5.2%
Railway products	285	311	-8.5%	925	845	9.5%
Other steel products	135	145	-7.3%	425	396	7.2%

Saleable coke volumes increased by 50.8% quarter-on-quarter due to better market conditions.

In Q3 2017, production of crude steel and steel products (net of re-rolled volumes) increased slightly quarter-on-quarter (up 0.7% and 2.3%, respectively) as output in Q2 2017 was impacted by capital repairs at EVRAZ ZSMK's oxygen steelmaking converter no. 5.

The increase in steel product volumes was primarily caused by higher output of semi-finished products (up 4.8% quarter-on-quarter) and the growth of construction products output (up 4.5% quarter-on-quarter), reflecting improved market conditions.

Production of railway products was down by 8.5% quarter-on-quarter amid capital repairs of the rail mill at EVRAZ ZSMK in August.

### Average selling prices

US\$/tonne (ex works)	Q3 2017	Q2 2017	9m 2017	9m 2016
Coke	173	172	182	85
Pig iron	282	251	260	160
Steel products				
Semi-finished products	364	352	353	240
Construction products	543	499	524	373
Railway products	648	646	637	467
Other steel products	506	501	503	368

Overall, steel selling prices in Q3 2017 followed positive trends according to global benchmarks.

In Q4 2017, we expect output of pig iron and crude steel to increase slightly quarter-on-quarter as no significant repairs are planned.

## NORTH AMERICA

Product, '000 tonnes	Q3 2017*	Q2 2017	Q3 2017/ Q2 2017, change	9m 2017	9m 2016	9m 2017/ 9m 2016, change
Crude steel	451	402	12.1%	1,311	1,072	22.3%
Steel products, net of re-rolled volumes	460	462	-0.5%	1,385	1,240	11.6%
Construction products	57	60	-5.7%	184	194	-5.1%
Railway products	85	99	-14.0%	274	250	9.5%
Flat-rolled products	129	143	-9.9%	412	390	5.6%
Tubular products	189	159	18.5%	514	406	26.6%

\* Q3 2017 production volumes are preliminary.

Crude steel output increased by 12.1% quarter-on-quarter as EVRAZ Regina ramped up production following the planned outage during Q2 2017.

Construction products output declined by 5.7% quarter-on-quarter as crude steel was allocated to seamless pipe.

Railway products output fell by 14.0% quarter-on-quarter due to planned maintenance downtime at Pueblo rail mill.

Production of flat-rolled products decreased 9.9% quarter-on-quarter due to planned maintenance downtime at Portland rolling mill during Q3 2017.

Production of tubular products rose by 18.5% quarter-on-quarter, thanks to higher steel availability at EVRAZ Regina, as well as to stronger demand for oil country tubular goods (OCTG), which have staged a strong recovery during 2017. Meanwhile, political uncertainty continued to impact line pipe demand.

### Average selling prices

US\$/tonne (ex works)	Q3 2017	Q2 2017	9m 2017	9m 2016
Construction products	649	634	624	513
Flat-rolled products	817	829	794	644
Tubular products	1,204	1,018	1,074	971

Prices for most steel products increased during Q3 2017, reflecting prevailing trends in scrap and other inputs, reduced pressure from imports, and improving demand fundamentals. Meanwhile, prices for flat products were down as a result of a less favourable customer mix.

During the fourth quarter, we expect crude steel volumes to pick up slightly, tubular and railway products volumes to grow by 5-10%, construction products to remain essentially unchanged, and flat rolled products to fall by 5-10%.

## UKRAINE

Product, '000 tonnes	Q3 2017	Q2 2017	Q3 2017/ Q2 2017, change	9m 2017	9m 2016	9m 2017/ 9m 2016, change
Coke (saleable)	119	96	23.8%	264	456	-42.1%
Pig iron	280	257	9.1%	768	817	-6.0%
Pig iron (saleable)	42	106	-60.8%	154	49	212.7%
Crude steel	273	147	85.6%	661	824	-19.8%
Steel products	223	121	85.0%	547	689	-20.6%
Semi-finished products	135	58	131.3%	332	430	-22.8%
Finished products	89	62	42.2%	215	259	-17.0%
Construction products	73	50	46.5%	175	226	-22.6%
Other steel products	15	12	24.8%	39	32	22.9%

In Q3 2017, saleable coke volumes surged by 23.8% quarter-on-quarter due to increased orders from export and domestic customers.

Pig iron production went up 9.1% amid higher blast furnace productivity. Meanwhile, saleable pig iron volumes decreased reflecting the switch to billets production after completing capital repairs at EVRAZ DMZ, as well as upward price dynamics on semi-finished products.

Production of crude steel and steel products jumped by 85.6% and 85.0% quarter-on-quarter, respectively, after the completion of repairs at EVRAZ DMZ' rolling mill no. 1 and oxygen-converter plant and amid an increase in pig iron production in Q3 2017.

### Average selling prices

US\$/tonne (ex works)	Q3 2017	Q2 2017	9m 2017	9m 2016
Coke (saleable)	217	230	232	136
Pig iron	315	322	320	202
Steel products				
Semi-finished products	396	353	362	266
Construction products	555	474	505	364
Other steel products	611	667	626	499

Overall, prices for steel products were higher than in Q2 2017, in line with the upward market trend.

In Q4 2017, we expect output of both crude steel and steel products to increase quarter-on-quarter, mainly due to lower sales volumes of pig iron.

## IRON ORE

Product, '000 tonnes	Q3 2017	Q2 2017	Q3 2017/ Q2 2017, change	9m 2017	9m 2016	9m 2017/ 9m 2016, change
Iron ore products*	4,195	4,535	-7.5%	13,714	14,921	-8.1%

\* Includes production of sinter, pellets and other iron ore products.

Note. 9m 2016-H1 2017 adjusted for volumes of saleable concentrate to third parties.

In Q3 2017, production of iron ore decreased by 7.5% quarter-on-quarter, mainly due to the disposal of EVRAZ Sukha Balka in June. This was accompanied by capital repairs of EVRAZ KGOK's sintering machine no. 2 in September. The reduced output of iron products was partially offset by increased production of pellets at EVRAZ KGOK after indurating machine no. 2 resumed work following its accidental outage in Q2 2017.

In Q4 2017, we expect sinter output to grow by roughly 9%, while production of pellets should remain flat quarter-on-quarter.

### Average selling prices

US\$/tonne (ex works)	Q3 2017	Q2 2017	9m 2017	9m 2016
Pellets (Russia)	52	66	65	36

Prices for pellets moved in line with global benchmarks with a one-month lag.

## COAL

Product, '000 tonnes	Q3 2017	Q2 2017	Q3 2017/ Q2 2017, change	9m 2017	9m 2016	9m 2017/ 9m 2016, change
Raw coking coal (mined)	6,062	6,048	0.2%	17,713	16,450	7.7%
<i>Yuzhkuzbassugol</i>	3,236	2,761	17.2%	8,499	8,739	-2.7%
<i>Raspadskaya</i>	2,602	3,071	-15.3%	8,559	7,314	17.0%
<i>Mezhegeyugol</i>	224	216	3.9%	655	398	64.7%
Coking coal concentrate (production)	3,814	3,612	5.6%	11,031	10,863	1.5%
<i>Yuzhkuzbassugol's coal washing plants</i>	1,612	1,491	8.1%	4,594	4,912	-6.5%
<i>Raspadskaya's coal washing plant</i>	1,652	1,615	2.3%	4,900	4,621	6.0%
<i>EVRAZ ZSMK's coal washing plant</i>	550	506	8.8%	1,537	1,330	15.6%

Raw coking coal output was slightly higher quarter-on-quarter after the Uskovskaya mine ramped up production following the longwall repositioning in Q2 2017, as well as due to higher raw coking coal output at the Alardinskaya and Erunakovskaya-8 mines in Q3 2017. This was almost completely offset by the scheduled longwall repositioning at the Raspadskaya mine in Q3 2017.

Output of coking coal concentrate rose by 5.6% quarter-on-quarter after logistical constraints on coal products shipments were mitigated and amid higher production at EVRAZ ZSMK's coal washing plant, which was mainly the result of an improvement in the coal concentrate yield.

In Q4 2017, we expect raw coal production to drop due to scheduled longwall repositioning at the Alardinskaya and Uskovskaya mines. This should be partially offset by higher output of raw coking coal at the Rospadskaya and Rospadskaya-Koksovaya mines.

#### Average selling prices

US\$/tonne (ex works)	Q3 2017	Q2 2017	9m 2017	9m 2016
Raw coking coal	50	52	63	31
Coking coal concentrate	98	103	118	58

In Q3 2017, coal prices were down in line with global benchmarks.

## VANADIUM

Product, tonnes of V*	Q3 2017	Q2 2017	Q3 2017/ Q2 2017, change	9m 2017	9m 2016	9m 2017/ 9m 2016, change
Vanadium slag, gross production (Russia)	4,916	4,795	2.5%	14,264	12,536	13.8%
Vanadium in final products (saleable)	2,745	2,641	4.0%	8,677	9,847	-11.9%

\* Calculated in pure vanadium equivalent.

Vanadium slag production increased by 2.5% quarter-on-quarter, mostly due to higher pig iron output.

In Q3 2017, output of final vanadium products grew by 4.0% quarter-on-quarter amid higher ferrovanadium production, mainly on the back of improved availability of oxides.

#### Average FeV indices

US\$/kgV	Q3 2017	Q2 2017	9m 2017	9m 2016
Metal Bulletin Ferro-Vanadium basis 78% min, free DDP, consumer plant, 1st grade Western Europe	39.06	27.01	30.46	17.20
Ryan's Notes N.A. FeV 80% min, US ex-warehouse, duty paid	38.89	27.11	31.08	19.63

Sale prices for vanadium products followed market trends.

In Q3 2017, the Metall Bulletin FeV80 index averaged US\$39.06/kgV, up 45% from US\$27.01/kgV in Q2 2017. Meanwhile, the Ryan's Notes index, used in North America, averaged US\$38.89/kgV in Q3 2017, up 43% from US\$27.11/kgV in the previous quarter.

#### Notes:

**Semi-finished products** include slabs, billets, pipe blanks and other semi-finished products.

**Construction products** include beams, channels, angles, rebars, wire rods, wire, and other construction products.

**Railway products** include rails, wheels, tyres and other railway products.

**Flat-rolled products** include commodity plate, specialty plate and other flat products.

**Tubular products** include large-diameter line pipes, ERW pipes and casings, seamless pipes and other tubular products.

**Other steel products** include rounds, grinding balls, mine uprights, strips, etc. They also include railway products for Ukraine

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EVRAZ is a vertically integrated steel, mining and vanadium business with operations in the Russian Federation, Ukraine, Kazakhstan, USA, Canada, Czech Republic and Italy. EVRAZ is among the top steel producers in the world based on crude steel production of 13.5 million tonnes in 2016. A significant portion of the company's internal consumption of iron ore and coking coal is covered by its mining operations. The company's consolidated revenues for the year ended 31 December 2016 were US\$7,713 million, and consolidated EBITDA amounted to US\$1,542 million.