

Steel, North America segment

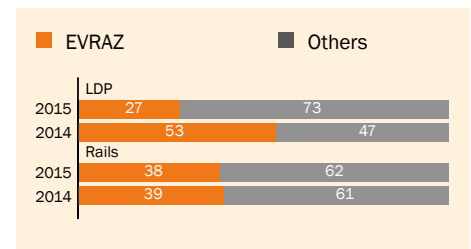
EVRAZ sales volumes

EVRAZ North America's steel product sales volumes declined by 14.9% in 2015, from 2.6 million tonnes in 2014 to 2.2 million tonnes, due to market conditions and asset optimisations. Sales volumes of construction products fell by 21.6% due to the disposal of a structural tubing business and competition from imports of wire rods. Flat products volumes declined 7.6% to 570 thousand tonnes in 2015 when compared to 2014 volumes of 617 thousand tonnes. During the year EVRAZ successfully continued shifting the product mix to premium grades.

EVRAZ sold 518 thousand tonnes of railway products in 2015, 3.5% less than 537 thousand tonnes in 2014, mainly due to operational issues and abnormally low Q3 2015 orders from Class I railways. Tubular products sales decreased by 22.3% to 814 thousand tonnes in 2015, down from 1,048 thousand tonnes in 2014. This was mainly due to falling sales of oil country tubular goods (OCTG) products, which declined by 61%, from 393 thousand tonnes in 2014 to 151 thousand tonnes in 2015, amid a rapid decline in drilling activity caused by low oil prices. Sales volumes of large-diameter pipes (LDP) were strong, rising by 6% to 363 thousand tonnes, up from 344 thousand tonnes in 2014, due to new pipeline projects by midstream infrastructure companies and ongoing client focus initiatives.

During 2015 EVRAZ North America maintained its leadership in rail with c.40% market share by volume and LDP pipe with 27% market share. During the year, demand for LDP in North America approximately doubled when compared to 2014, ramping up production at the Group's LDP facilities enabled us to remain the largest North American LDP producer. In comparison, the estimated combined market share from the other seven domestic producers was 30% while imported LDP from a variety of sources achieved a 43% share. During the year, the Group announced projects at its Regina Steel Making and LDP mills to continue elevating the bar on quality and growing EVRAZ leadership position in LDP.

EVRAZ market share in North America by key products and volumes, %



Source: U.S. Census Bureau Imports Statistics, Public filings

Sales volumes of Steel, North America segment, kt

	2015	2014	Change, %
Steel products			
Construction products	320	408	(21.6%)
Railway products	518	537	(3.5%)
Flat-rolled products	570	617	(7.6%)
Tubular products	814	1,048	(22.3%)
TOTAL	2,222	2,610	(14.9%)

Trends in North American steel market

Steel consumption in North America (the US and Canada) totalled 117 million tonnes in 2015, down 10% from 130 million tonnes in 2014. Demand for long products fell by 5%, flat products by 9% and tubular products by 29%. Despite the decline in overall consumption, the fundamentals of the Group's key products were strong.

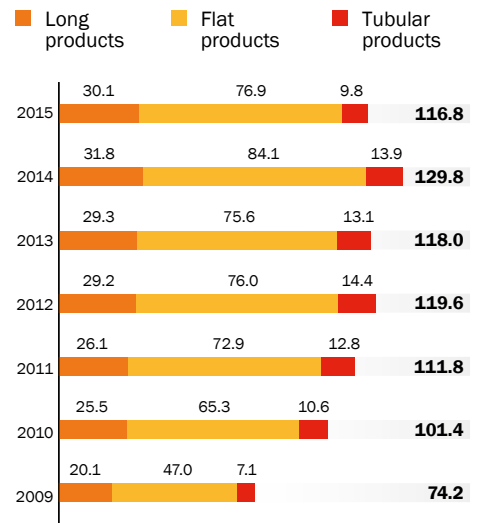
Consumption of LDP nearly doubled in 2015, reaching 1.5 million tonnes, up 0.7 million tonnes from the year before. The demand can be classified into three product categories: oil pipelines, pipelines to LNG terminals and natural gas pipelines. Current oil production at the Canadian oil sands and US Bakken shale formation requires pipelines to transport oil economically to major North American, European and Asian markets. The natural gas price differential between North America and Asia provides attractive LNG investment opportunities. On the natural gas side, recent changes in regional supply and demand balances (for example, the construction of new gas-fired electricity plants) are driving the need for new pipelines.

The North American rail market was fairly stable in 2015, consumption amounting to 1.4 million tonnes. Infrastructure spending was particularly high in the year due to the urgent infrastructure needs of railway companies stemming from increased oil and gas-related shipments.

Prices of flat products decreased by 30% to US\$638 per tonne in 2015, while those of OCTG fell by 19% and of rebar by 13%.

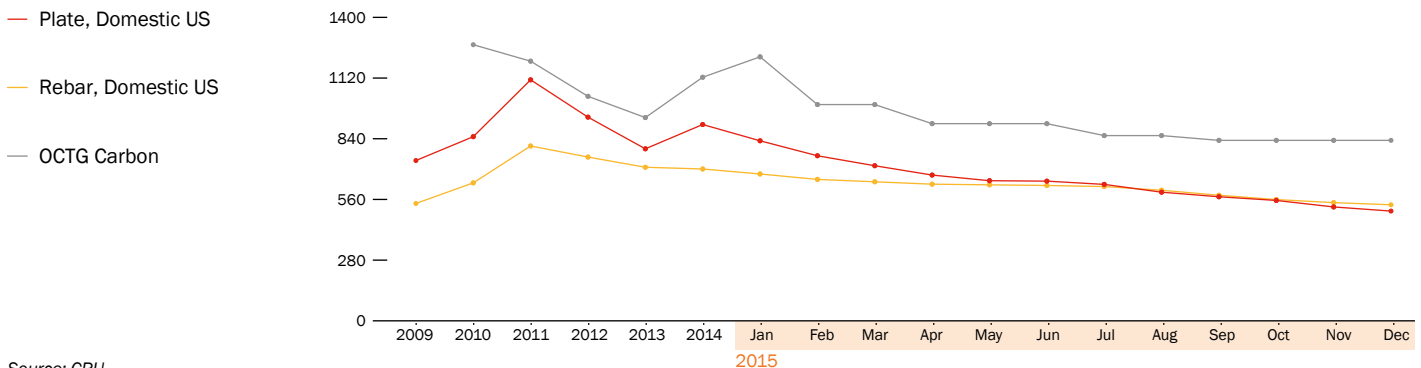
EVRAZ expects the LDP market conditions to remain favourable for the next three to five years due to the need to develop pipeline infrastructure and the number of projects announced. The rail business remains supported by high Class I railway CAPEX and the Group's attractive product portfolio. The OCTG product market slumped by 50% in 2015, and EVRAZ believes that it may stay at that level for another year.

US and Canada finished steel consumption, mt



Source: Worldsteel, AISI

North America prices, US\$/t



Source: CRU