EVRAZ

making the world stronger

H1 2015 Financial Results

27 August 2015

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Highlights

- Executive Summary
- Strategic Update
- Financial Performance
- Segment Performance
- Looking Forward
- Appendix

Executive Summary

Key financial metrics

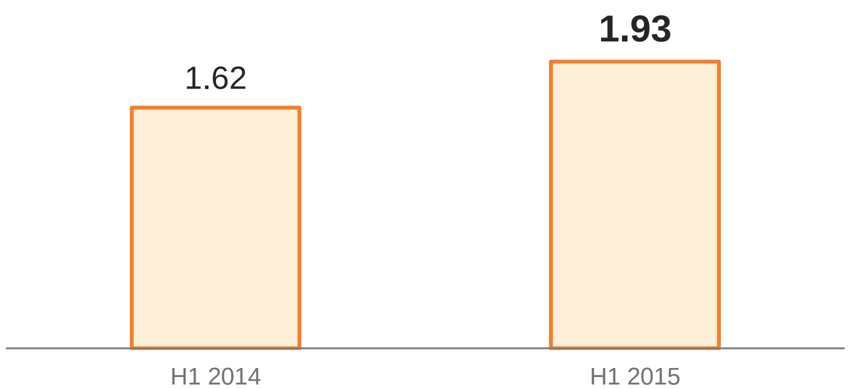
- **EBITDA** of $922m, down 15% YoY
- **EBITDA margin** up to 18.8% vs. 17.8% in FY 2014
- **Coal segment EBITDA** up 10.3% YoY to $171m
- **Revenue** of $4.9bn, down 28% YoY
- **CAPEX** of $251m, down 31% vs H1 2014
- **Free cash flow** of $372m vs $444m in H1 2014
- **Net profit** of $19m vs. $15m in H1 2014
- **Net debt** reduced to $5.7bn from $5.8bn in FY2014

Safety focus

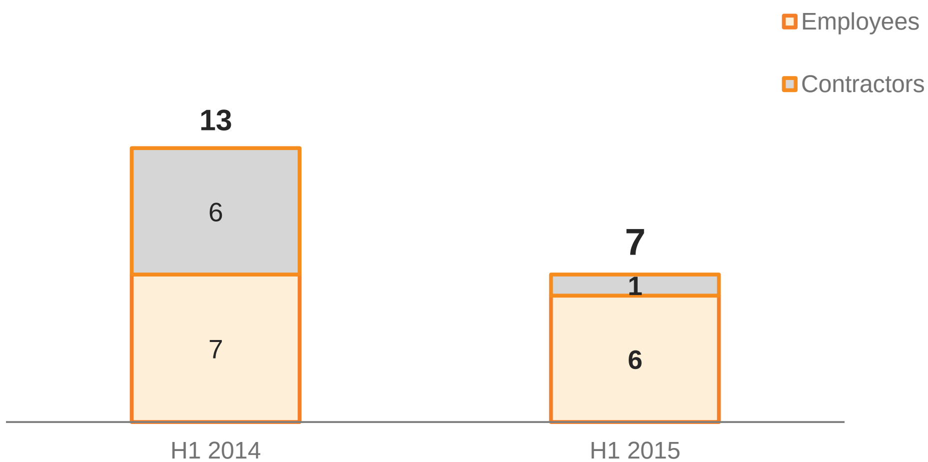
- LTIFR rate growth reflects our efforts to improve reporting transparency

- Initiatives to improve safety performance:
  - Improvement plans in the areas with serious incidents
  - Behavioural safety trainings and safety audits
  - Implementation of energy isolation principles (LOTO) at all EVRAZ facilities

Lost Time Injury Frequency Rate (LTIFR)*



Fatalities



** Calculated as number of lost working hours due to injuries, excluding fatalities, per 1 million hours worked*

Strategic Update

Strategic goals 2015 – H1 deliverables

Key business priorities

1 Creating additional value for our customers

- EBITDA effect* from customer focus initiatives of $38m achieved, target for FY2015 - c.$75m
- Expanding product portfolio and sales geography to better serve current and future customers: EVRAZ reached markets of Brazil, Cuba, Malaysia and Turkey with railway products

2 Efficient & low cost production

- Cost cutting initiatives effect of $149m. Major effects include:
  - $49m - reduction of G&A costs & non-G&A headcount
  - $46m - improving yields and raw material costs at steel mills
  - $9m - energy effectiveness and optimisation of maintenance costs

3 Realisation of selected investment projects

- Development CAPEX reached $114m with 6 major investment projects in progress
- Maintenance CAPEX amounts to $137m

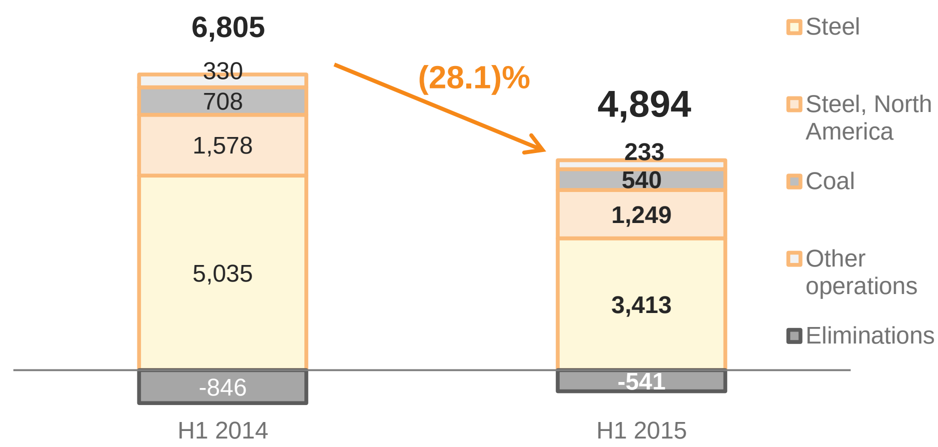
*Incremental effect

Financial Performance

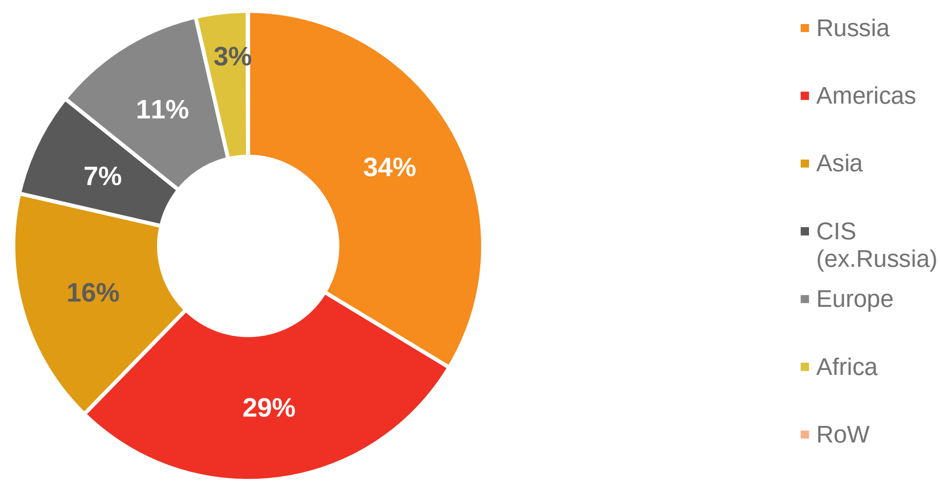
Revenue evolution

- Group revenues decreased by 28%, mostly as a result of a decline in the Steel segment revenues
- Steel segment sales were impacted by weak demand (-5% YoY to 6.6mt) and change in the product mix
- Steel, North America segment revenues decreased by 21% due to an 8% drop of total sales volumes mainly related to tubular products
- Coal segment revenues dropped 24% following reduction of selling prices and volumes (elimination of steam coal volumes)
- Russia and Americas remain our key markets together accounting for 2/3 of total revenues

Consolidated revenue by segment, $m



Consolidated revenue by region, %



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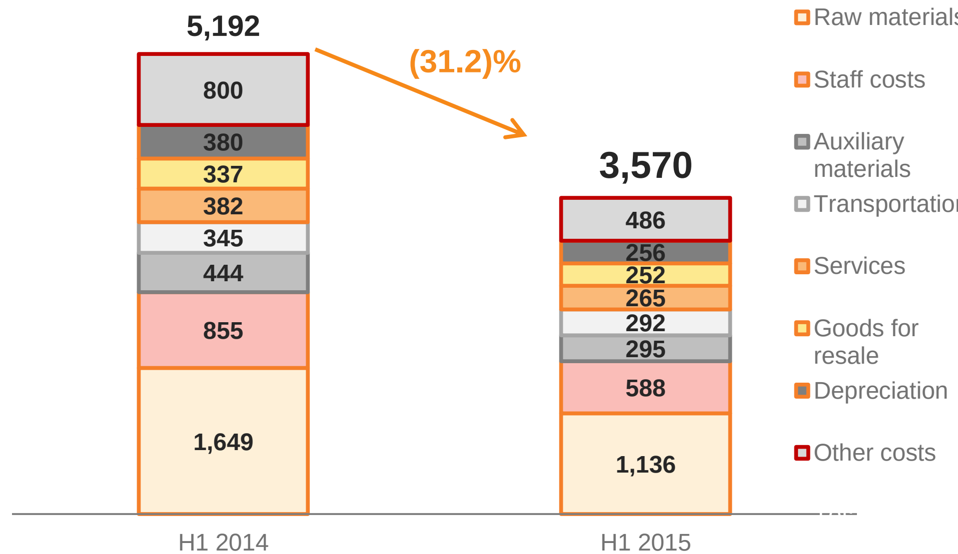
Cost of revenue

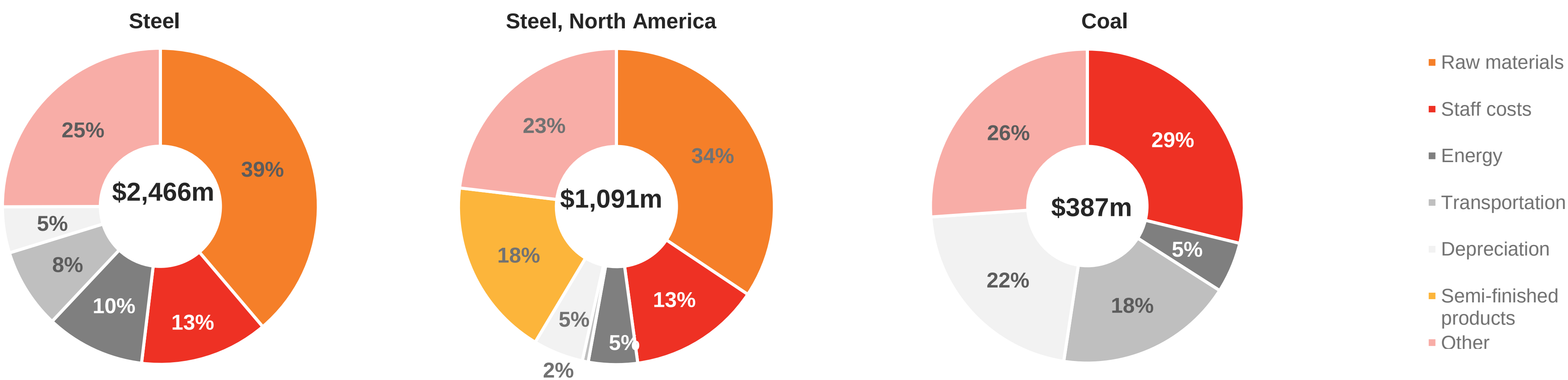
- The Group's cost of revenue decreased by 31.2% due to reduction in all costs as a result of cost cutting initiatives and devaluation of the Russian rouble

- Cost of revenue structure largely unchanged in H1 2015 with major cost items being raw materials (32%) and staff costs (16%)

Cost of revenue breakdown by item, $m



Cost of revenue breakdown by segment

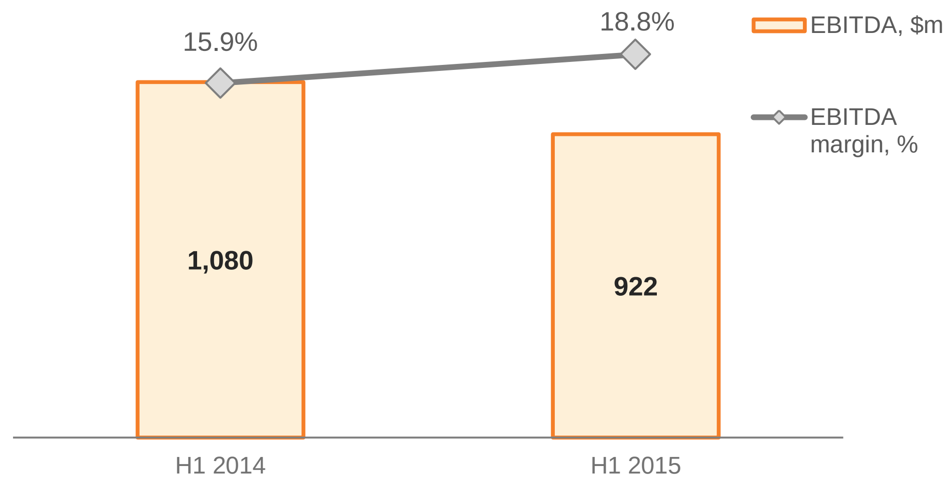


Source: Management accounts

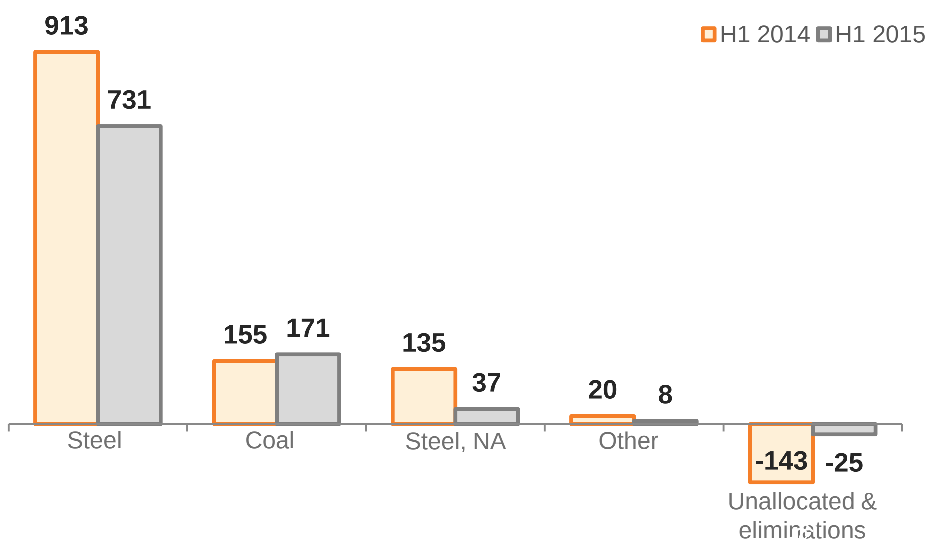
EBITDA dynamics and breakdown

- EBITDA reached $922m (-15% YoY)
- A decline in steel prices has exceeded the positive devaluation effect
- A downturn in the OCTG and flat-rolled product markets have negatively effected the contribution of the Steel, North America segment to the total EBITDA number
- Coal segment EBITDA increased by 10% due to asset optimisation and the implementation of the efficiency improvement programme

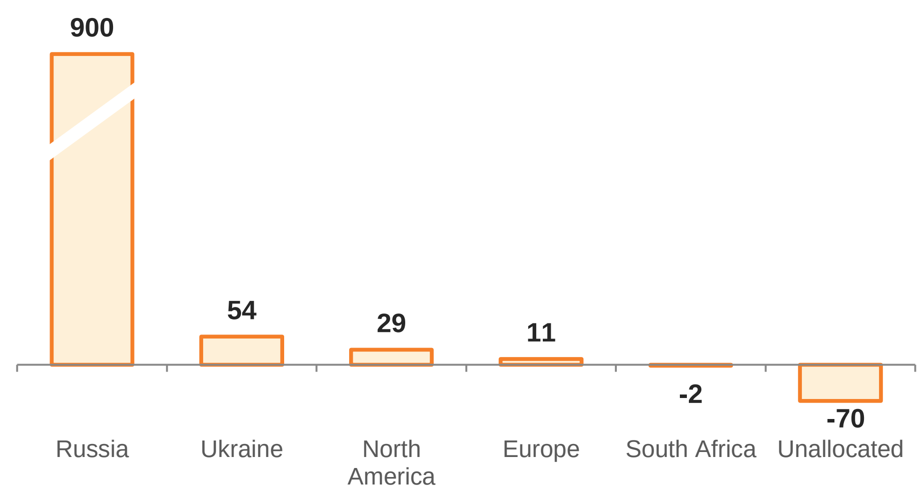
Consolidated EBITDA dynamics, $m



EBITDA breakdown by segment, $m



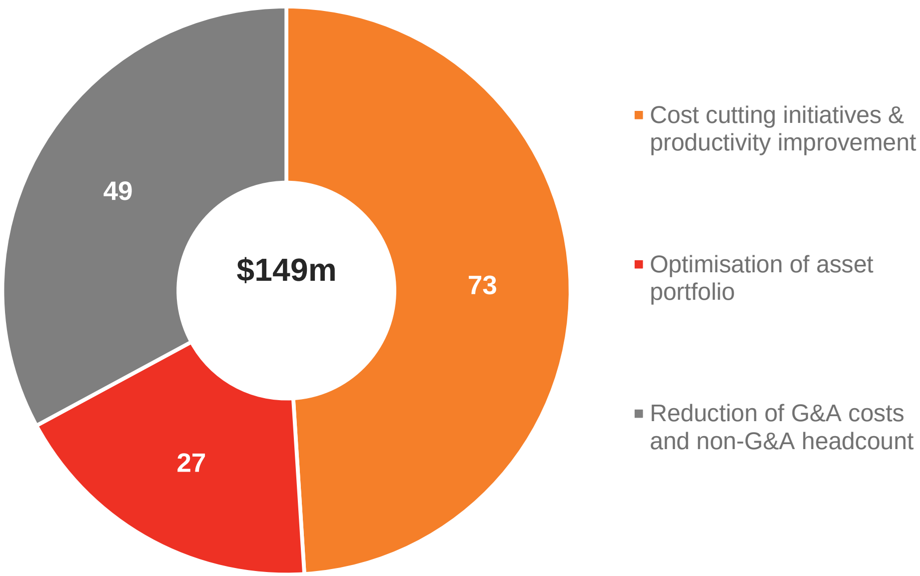
EBITDA breakdown by region, $m



Efficiency improvement plan: H1 2015 progress update

- Implementation of efficiency improvement plan resulted in $149m* of savings
- Total 2015 cost optimisation target of $280m

Efficiency improvement, $m



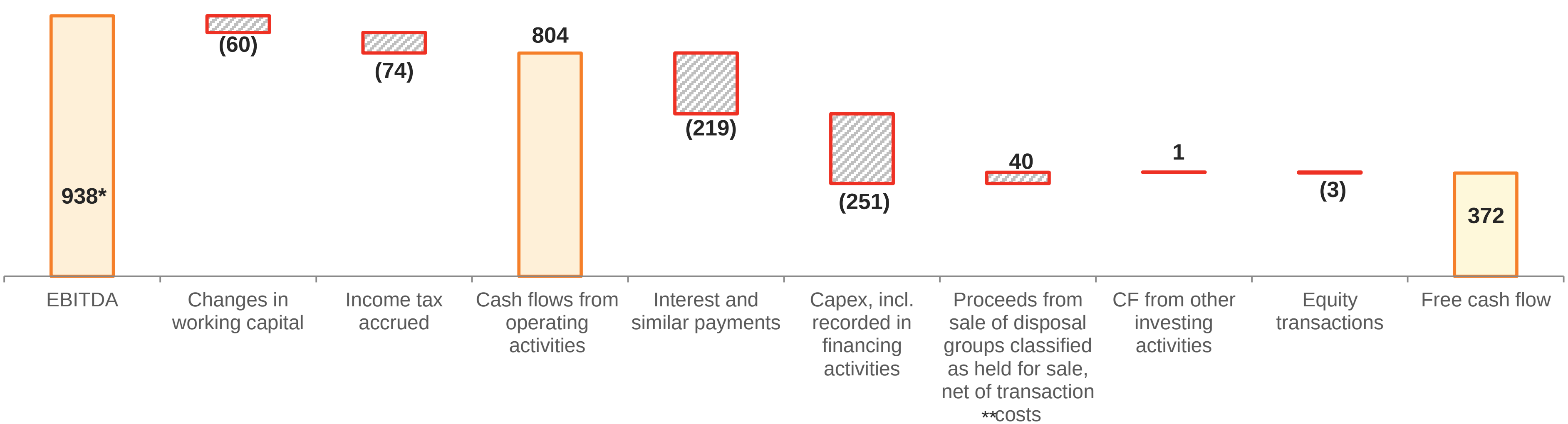
Cost cutting initiatives & productivity improvement:	**$73m**
Improving yields and raw material costs at steel mills	$46m
Productivity improvement at Evrazruda ($5m) and Yuzhkuzbassugol ($2m)	$7m
Energy effectiveness and optimisation of maintenance costs	$9m
Other cost optimisations	$11m
Optimisation of asset portfolio:	**$27m**
EVRAZ North America: shutdown of Claymont	$15m
EVRAZ ZSMK: shutdown of coke battery #2 and disposal of non-core assets	$7m
Production suspension and disposal of high cost and inefficient assets at the Raspadskaya mining company and Evrazruda	$5m
Reduction of G&A costs & non-G&A headcount:	**$49m**

** To facilitate assessment of performance our cost saving targets and quantification are based on management accounts adjusted to eliminate macroeconomic impacts (such as exchange rate fluctuations and inflation) and once-off expenditure (such as employee severance payments and other discontinuation costs)*

H1 2015 FCF generation

- Free cash flow for the period is a positive $372m
- Net cash flow from operating activities amounted to $804m in H1 2015
- Proceeds from sale of disposal groups amounted to $40m
- On 31 March 2015, the Board resolved to announce a return of capital to be effected by a tender offer to shareholders at $3.10 per ordinary share in the amount of up to $375m

EBITDA to FCF bridge, $m



** EBITDA excluding non-cash items*
*** including interest in JV and associates*

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H1 2015 debt bridge and net leverage

- Deleveraging on track: net debt reduced to $5,680m
- We remain focused on continued debt reduction

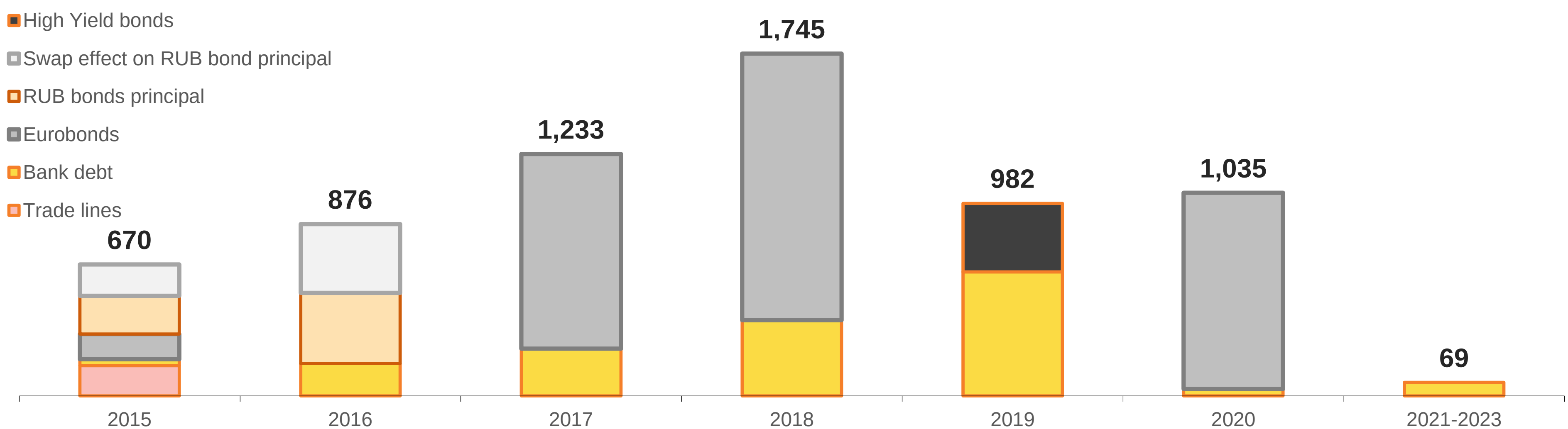
Net debt bridge, $m

Note. These calculations should not be considered for covenants purposes
* Including effects on cash, debt and hedging instruments
** Net leverage is a ratio of Net debt as of the reporting date to LTM EBITDA

Maturity profile

- Total debt was $6.7bn as of 30 June 2015
- Focus on proactive refinancing of short-term maturities and cost-efficient use of cash for total debt reduction:
  - In April 2015, we partially repurchased below par 9.95% notes due October 2015 with principal of RUB 4,150m - total cash outflow amounted to $141m
  - In May 2015, we signed a new EUR475m loan agreement with Gazprombank and prepaid the existing $500m loan with original maturity in December 2016
- Cash-on-hand and committed credit facilities are sufficient to cover all of our refinancing needs for the remainder of 2015

Maturity profile as of 30 June 2015*, $m



** RUB bonds issued by the Group are fully swapped into US$ representing synthetic US$ borrowings. Principal of loans and borrowings (incl. hedging exposure and excl. interest payments).*

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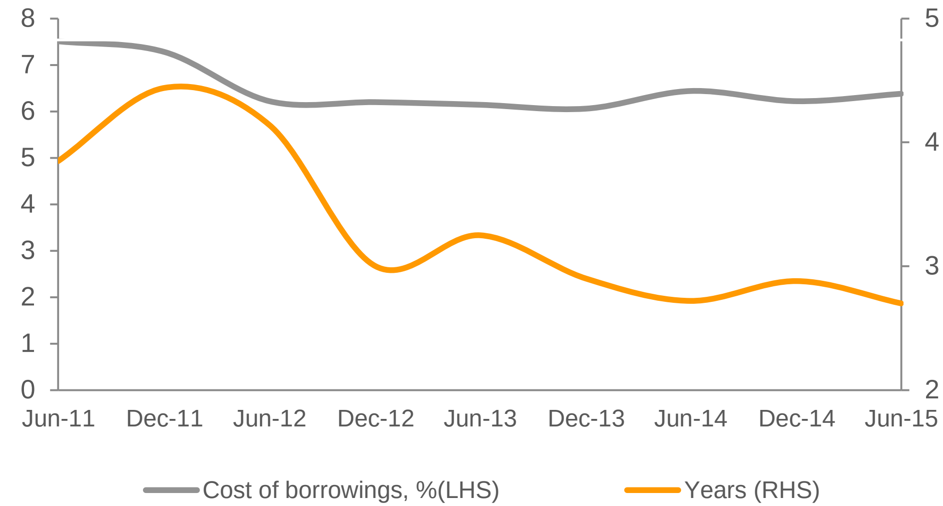
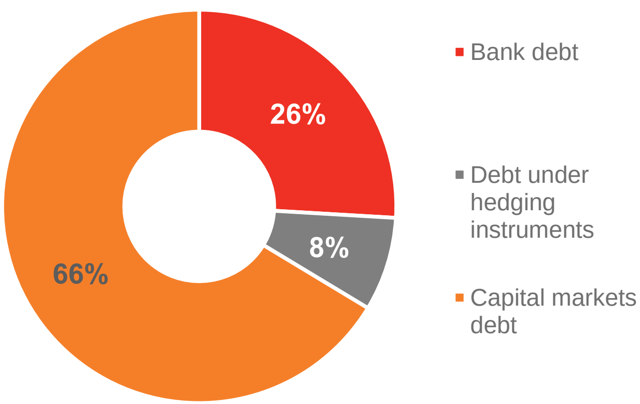
Debt structure

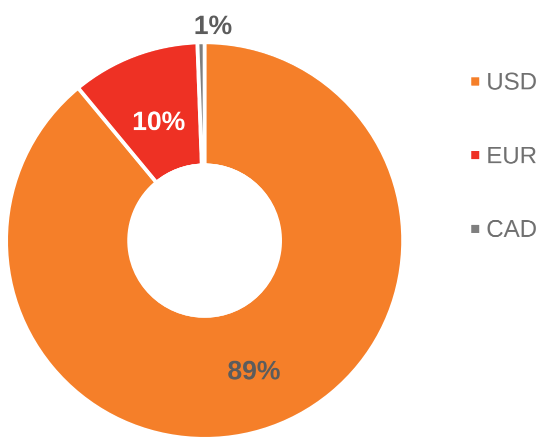
- Weighted average cost of debt as of 30.06.2015 remains at the level of 6.4%
- In the current market EVRAZ continues to replace capital market facilities with bank debt
- Refinancing interest rate is close to our weighted average cost of debt hence no increase in our cost of borrowings
- Current focus on extending maturity profile

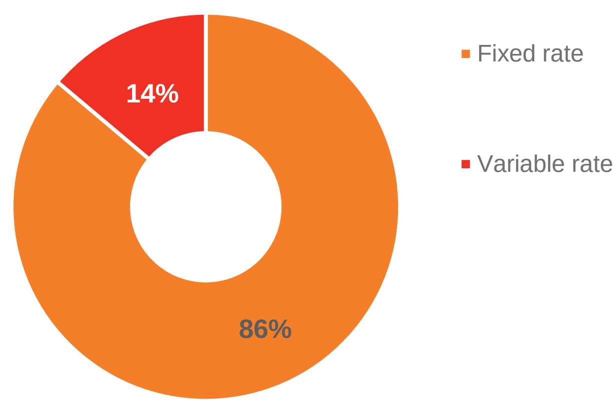
Cost of borrowings



Debt structure





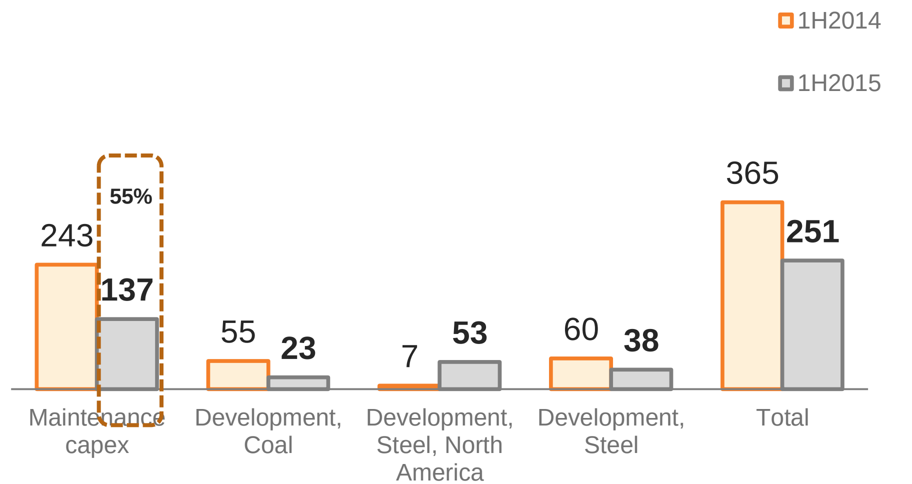


** Outstanding borrowings done with RUB bonds have been fully swapped in US dollars using cross-currency swaps*

Capex

- H1 2015 total capital expenditures, including recorded in financing activities, reduced to $251m, a $114m reduction compared to H1 2014
- Capex is mostly allocated to maintenance
- Prudent capital expenditure management with a yearly target of approx. $550m including investment capex of up to $200m

Capex breakdown by segment, $m



Capital expenditure breakdown by projects

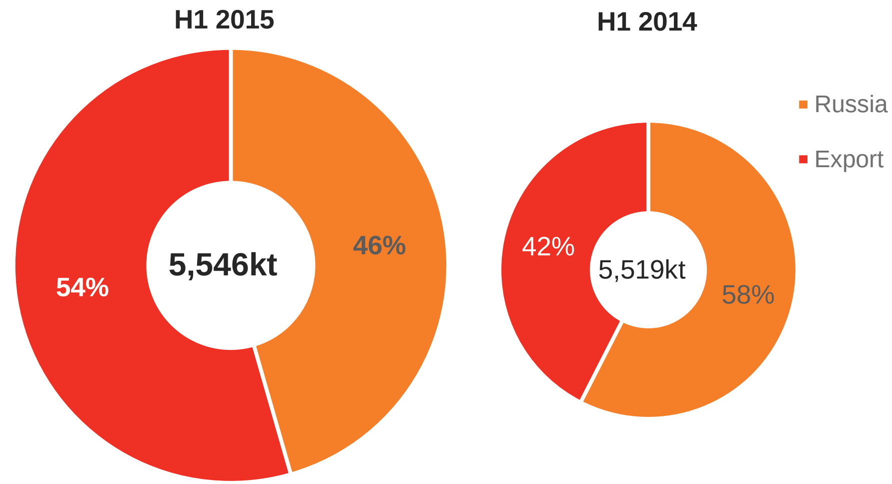
Projects	Amount, $m
Construction of an LDP mill (EVRAZ Regina)	37
Continuous casting machine reconstruction (CCM) (EVRAZ ZSMK)	23
Coal deposit development (Mezhegey)	17
Iron ore mine capacity expansion (Sheregesh)	6
Steel mill upgrade (EVRAZ Regina)	3
Grinding ball mill construction (EVRAZ NTMK)	0.02
Other development projects	28
Maintenance	137
Total	**251**

Segment Performance

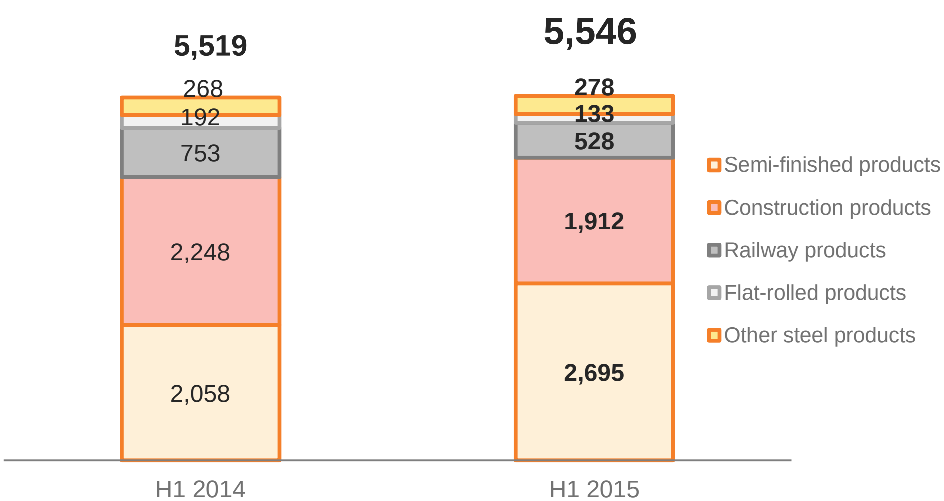
Russia: Steel

- Capacity utilisation remains high
- Crude steel output was largely unchanged YoY at 5.8mt
- Sales volumes of construction products in Russia dropped 26% to 1.4mt, with revenues impacted by lower prices
- Sales of railway products in Russia decreased by 23% YoY
- Average cash cost of slabs declined to $196/t from $292/t in H1 2014

Steel sales breakdown by destination



External steel sales by products produced in Russia, kt



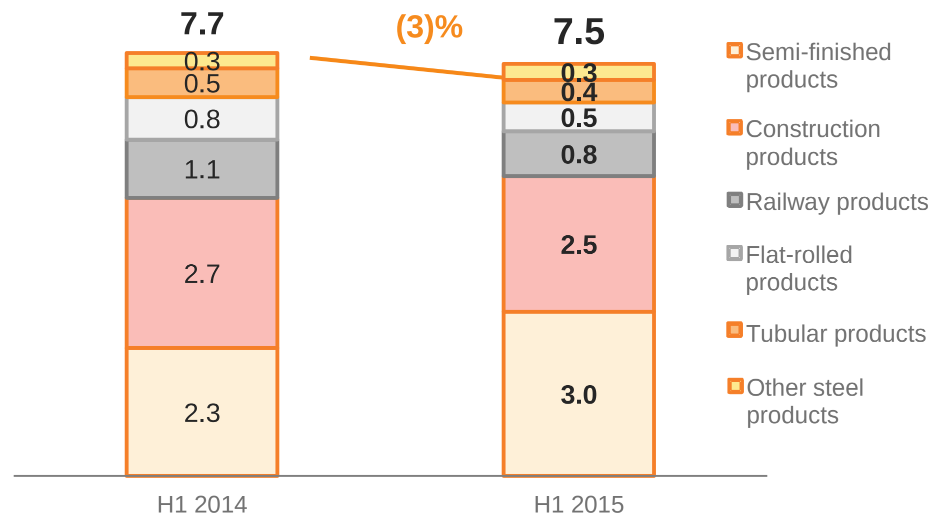
Revenues of steel products produced in Russia

Products	Revenue, $m		Revenue per tonne, $	
	H1 2015	H1 2014	H1 2015	H1 2014
Semi-finished products	1,035	1,052	384	511
Construction products	895	1,464	469	651
Railway products	292	617	554	820
Flat-rolled products	62	110	466	575
Other steel products	136	173	487	644
TOTAL	**2,421**	**3,416**	**437**	**619**

Steel. Sales Mix.

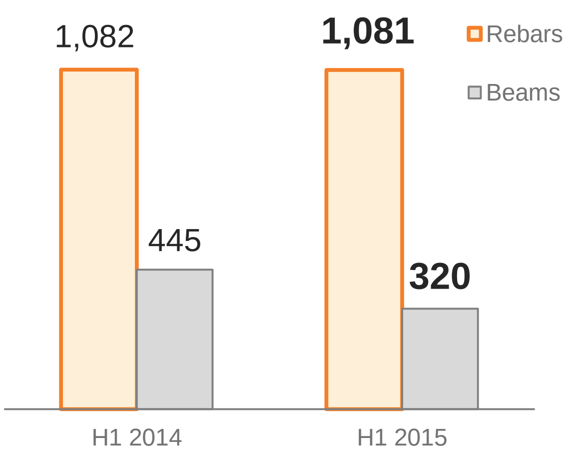
- Production of steel and steel products remains the core EVRAZ's business
- Consolidated steel sales totaled 7.5 mt, a 3% decrease YoY
- Volumes are being re-allocated to export in the form of semi-finished products

Consolidated sales by product, mt

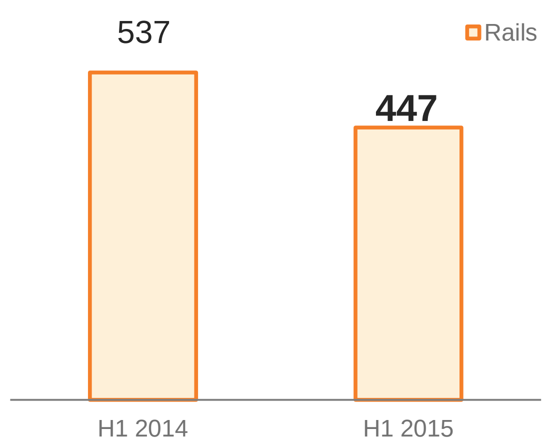


Steel segment* sales mix, kt

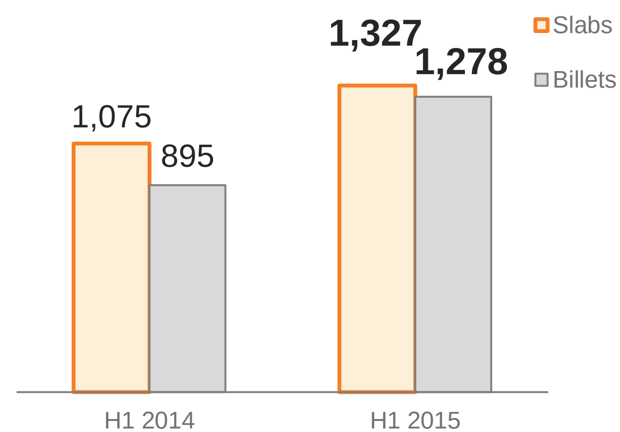
Construction products



Railway products



Semi-finished



** Includes steelmaking and iron ore mining operations in Russia, Kazakhstan, Ukraine and South Africa, trading companies and vanadium business*

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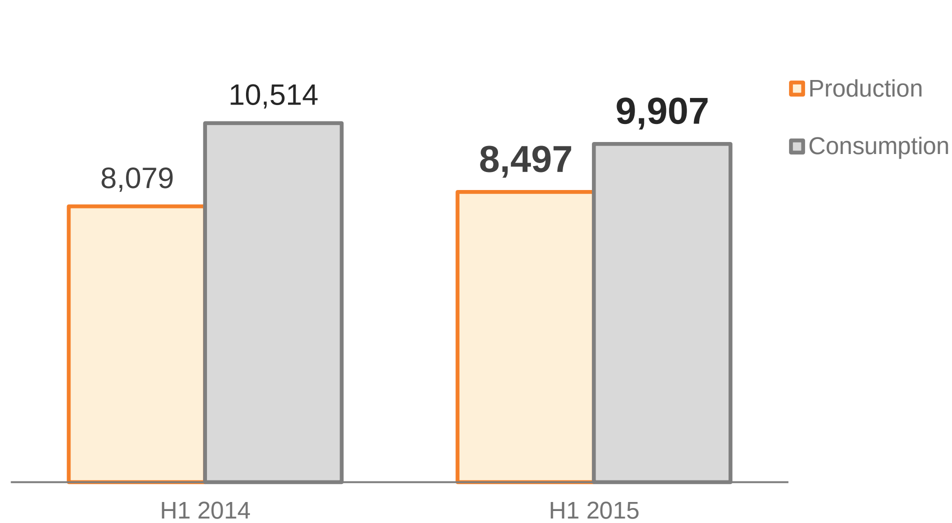
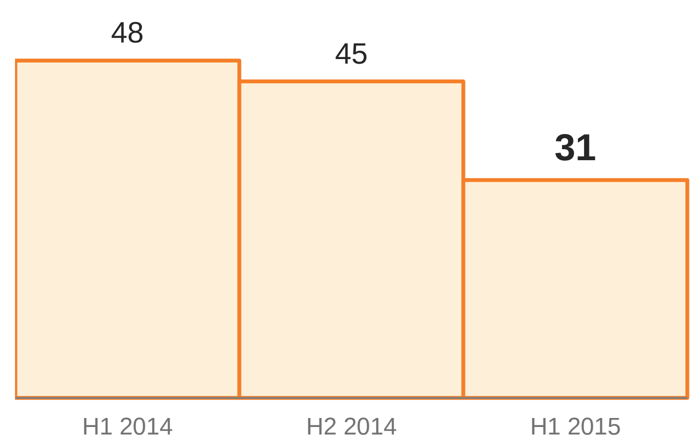
Iron ore

- Production sinter and pellets in Russia remained flat in H1 2015, amounting to 8.7mt vs 8.9mt in H1 2014
- Steel segment revenues from the sales of iron ore products decreased by 49%, primarily as a result of the fall in iron ore prices and deconsolidation of EVRAZ Highveld Steel and Vanadium
- 64% of iron ore consumption was supplied by the Group's own operations vs. 53% in H1 2014
- Cash costs of iron ore products (Fe 58%) decreased from $48/t in H1 2014 to $31/t in H1 2015
- Vertical integration remains value creating with a positive effect on steel segment costs even in the current pricing environment

Iron ore production and consumption, kt



Cash cost, Russian iron ore products (Fe 58%), $/t*

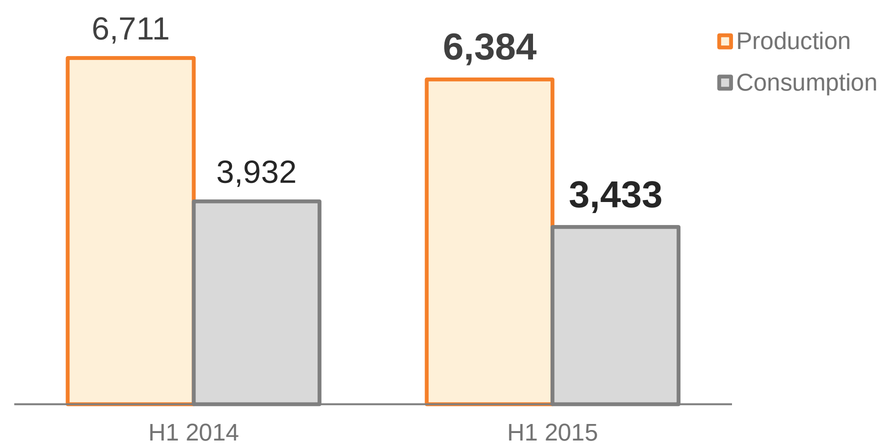


** The data in this chart is derived from the unaudited monthly management accounts of EVRAZ in respect of the indicated periods*

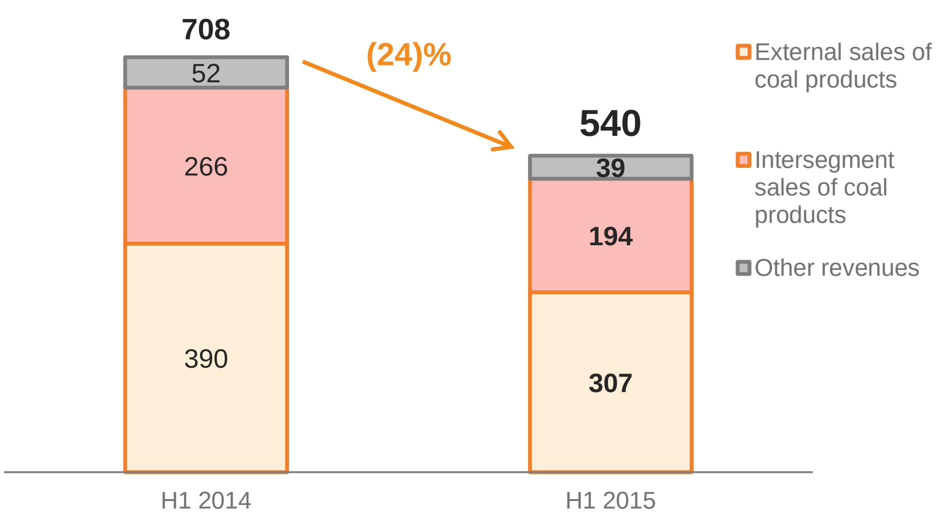
Coal

- All steam coal mines have been closed or sold
- H1 2015 coking coal sales decreased due to optimisation of the production programme
- Cash cost of washed coking coal dropped to $32/t
- The decrease in in-house coal consumption resulted from the shutdown of two coke batteries and launch of a PCI plant
- As a result, volumes shipped to 3rd parties were increased

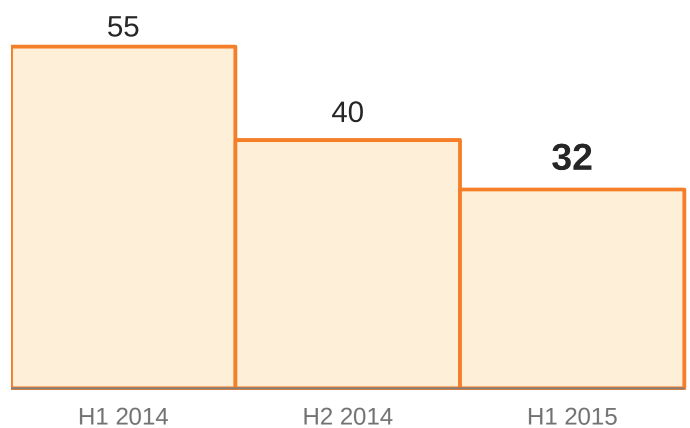
Washed coking coal (concentrate) production and consumption, kt *



Coal segment revenues by products, $m



Cash cost, Russian washed coking coal, $/t**



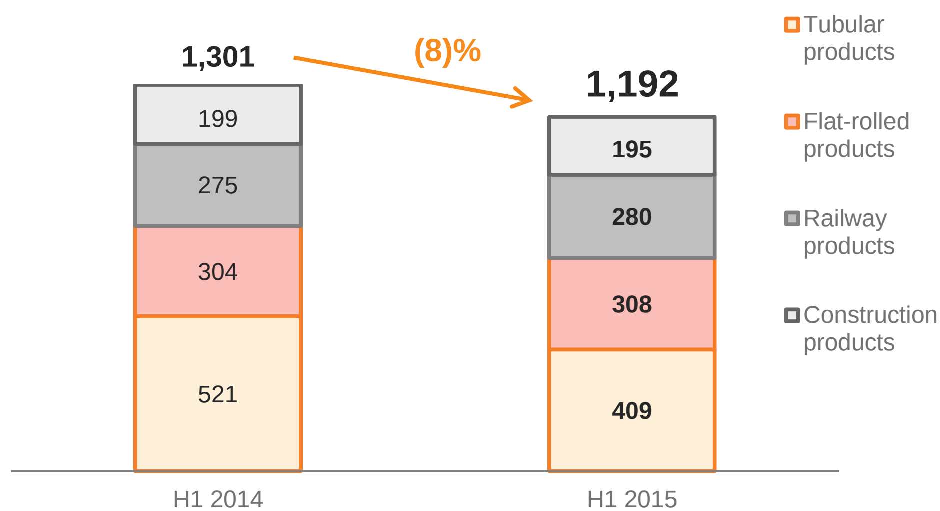
*total production in washed coking coal equivalent and Steel segment consumption (excluding consumed for coke for sale)

**The data in this chart is derived from the unaudited monthly management accounts of EVRAZ in respect of the indicated periods

North America: Steel

- Tubular products: performance of large diameter (LD) pipe and the OCTG subsegments diverged significantly:
  - LD pipes: strengthening volumes as infrastructure companies initiated new projects
  - OCTG: curtailed operations due to rapid decline in drilling activity
- Long products: the EVRAZ Pueblo rail mill operated at full capacity
- Record CAPEX spending by class-I railroads expected to translate into robust demand
- Flat product impacted by declining plate prices as a result of high imports
- EVRAZ North America will continue focusing on improving financial performance through aggressive cost and inventory optimisation

Steel product sales (totals shown net of intracompany), kt



Steel product revenues

Division	Revenue, $m		Revenue per tonne, $	
	H1 2015	H1 2014	H1 2015	H1 2014
Tubular products	539	743	1,318	1,426
Flat-rolled products	235	304	762	999
Railway products	240	271	857	985
Construction products	145	163	745	819
TOTAL	**1,159**	**1,481**	**972**	**1,140**

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Looking Forward

2015 year-end outlook

Global

- Assuming current market conditions persist into H2 2015, steel prices will continue to decline following the slide in input costs and pressure from the devaluation of key currencies against US dollar
- China's weakening demand and recent Fx devaluation should further impact pricing and Chinese exports competitiveness
- Importantly, EVRAZ continues to expect positive free cash flow and progress towards the absolute decline of net debt while optimising working capital with a particular focus on quality of receivables

Russia

- Lower demand for our steel products is expected due to the instability of the Russian market influenced by a decrease of the investment activity
- Russia remains a key market for EVRAZ
- Commitment to customers and cost cutting initiatives remain EVRAZ’s top priorities
- Devaluation of the rouble will positively affect EVRAZ’s operating costs helping to maintain healthy profitability

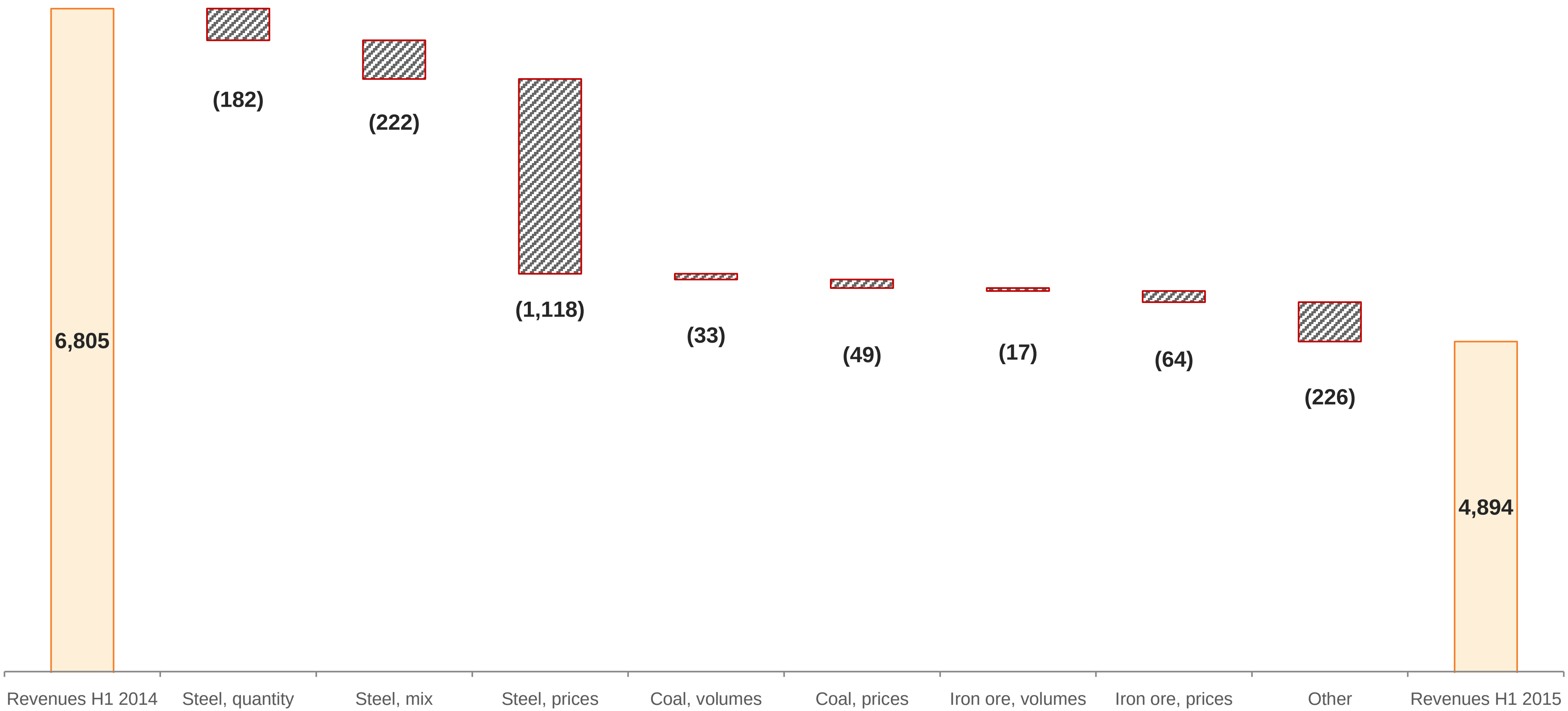
2015 market outlook - North America

- With the exception of the energy sector, demand remains strong, in the automotive and non-residential construction sectors in particular
- The US dollar appreciation and favourable local price premium led to significant import pressure on the US steel industry
- As a result price spreads have compressed below the level sufficient to encourage additional import volumes
- EVRAZ remains the largest LD pipes and rails producers in North America expecting further growth of these markets supported by ambitious investment plans of the Company’s main customers

Appendix

Revenue Drivers

$m



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