

EVRAZ Investor Day

London. 18 October 2017



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Today's speakers



Sir Michael Peat
Senior Independent
Non-Executive Director



Alexander Frolov
Chief Executive Officer



Alexey Ivanov
Senior Vice President,
Commerce and
Business development



Sergey Stepanov
Vice President,
Head of the Coal Division



Conrad Winkler
Chief Executive Officer
EVRAZ North America



Nikolay Ivanov
Chief Financial Officer

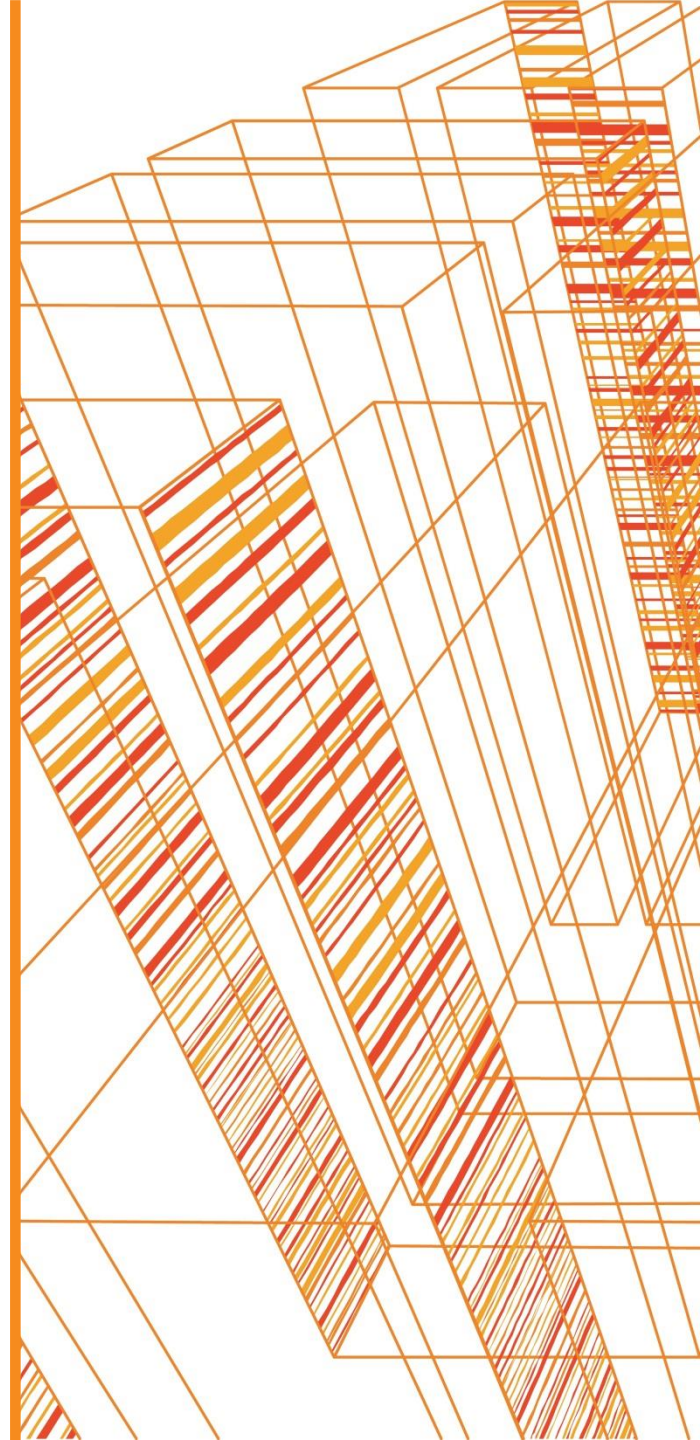
Agenda

- 9:05 am** **Corporate governance**
Sir Michael Peat,
Senior Independent Non-Executive Director
- 9:10 am** **Strategic overview**
Alexander Frolov, CEO
- 9:30 am** **Steel, Russia**
Alexey Ivanov, Senior Vice President,
Commerce and Business development
- 9:50 am** **Coal, Russia**
Sergey Stepanov, Vice President, Head of the Coal Division
- 10:05 am** **Steel, North America**
Conrad Winkler, CEO, EVRAZ North America
- 10:20 am** **Financial overview**
Nikolay Ivanov, CFO
- 10:35 am** **Q&A session**
- 11:20 am** Buffet lunch / informal interaction with management

Corporate governance

Sir Michael Peat

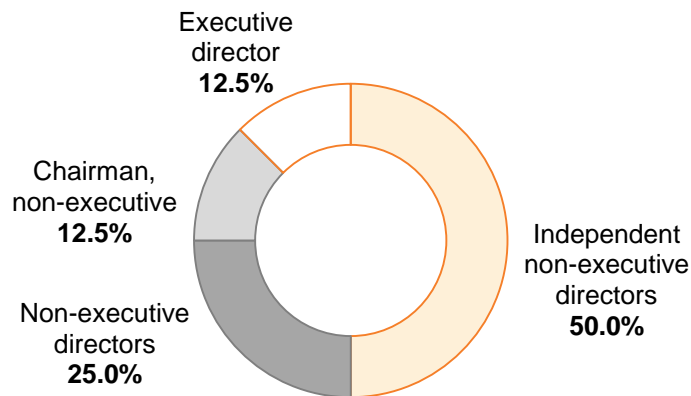
Senior Independent Non-Executive Director



Solid corporate governance

- EVRAZ approach to corporate governance is primarily based on the UK Corporate Governance Code published by the Financial Reporting Council in April 2016 and the Listing Rules of the UK Listing Authority
- EVRAZ complies with all of the provisions of the 2016 UK Corporate Governance Code except in relation to claw-back
- The Board and Board committees meet on a regular basis and run in-depth discussions of key matters in accordance with each Committee's terms of reference
- Corporate governance policies are continuously reviewed to ensure that the Company's procedures are promptly aligned with the new requirements and best practices
- EVRAZ has an audit committee which is made up solely of independent directors
- During 2016, the Audit Committee reviewed and amended its terms of reference to reflect the latest regulatory developments and the transformation of the Risk Committee into the Risk Management Group
- In 2017, the Audit Committee has continued to focus on the integrity of the Group's financial reporting, the related internal control framework and risk management

Board composition

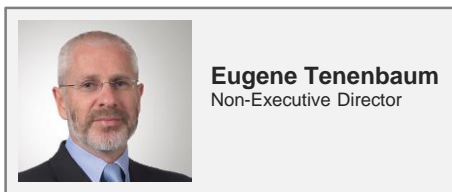
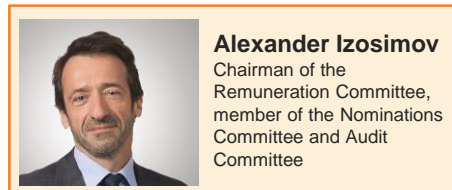
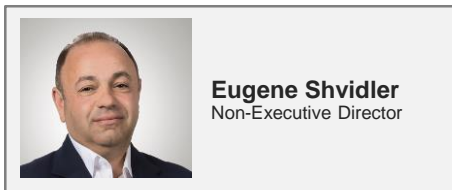
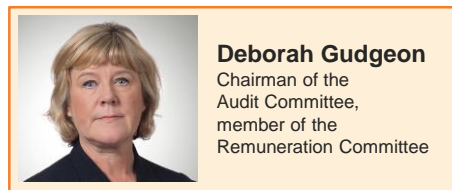
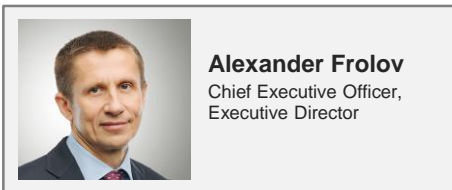
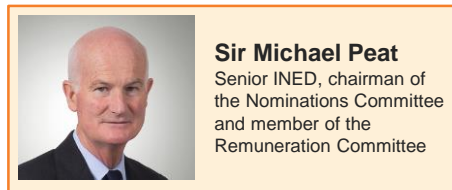
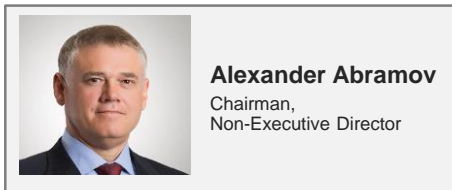


- The Board held 12 scheduled meetings in 2016 and has held 7 so far in 2017. The major topics discussed were:
 - HSE updates, performance of key businesses and investment project reviews
 - Critical success factors for strategic development of the Company's competitive advantages
 - Disposal of EVRAZ Nakhodka Trade Sea Port and EVRAZ Sukha Balka
 - The assumptions, stress-test scenarios and mitigating actions used in preparing the Company's viability statement
 - Implementation throughout the group over the next five years of the EVRAZ Business System
 - Linking succession planning to corporate strategy execution, and the need to look deeper into the group for future leaders
 - Review of the findings of the internally facilitated Board evaluation exercises and action plans
 - Compliance with the Market Abuse Regulation in relation to managing inside information, share dealing by insiders and online training of all insiders

Source: EVRAZ data

Current Board composition and performance evaluation

Current Board composition



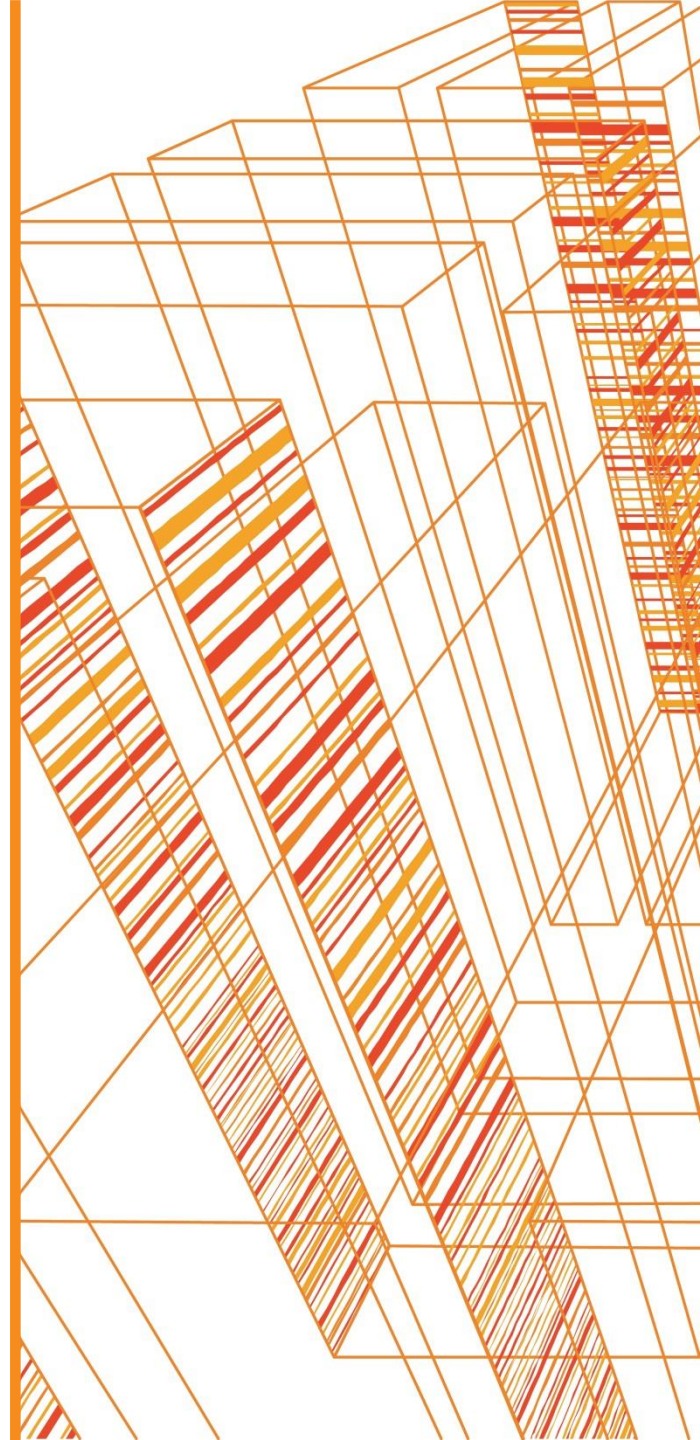
 Directors  Independent Non-Executive Directors

Performance evaluation under supervision of Nom. Committee

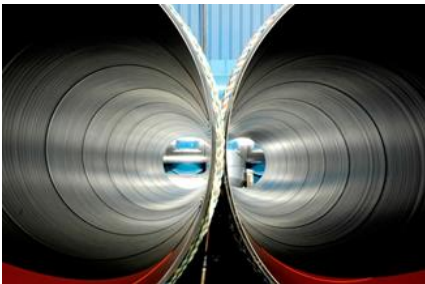
- An internally facilitated annual Board evaluation was conducted in December 2016
- The review was carried out with the initiative and participation of the Nominations Committee
- Questionnaires were distributed to all Board directors for their response and comment
- The results were discussed at three levels: (i) between the members of the Nominations Committee, (ii) between Sir Michael Peat (as chairman of the Nominations Committee) and Alexander Abramov (as chairman of the Board) and (iii) between the Board as a whole
- Board performance was deemed to be satisfactory, notwithstanding the reduction in Board membership from 10 to 8 in 2016
- Overall, the review was encouraging and useful
- EVRAZ undertakes regular performance evaluations of the Board in line with the requirements of the UK Corporate Governance Code
- An externally facilitated board and committee evaluation for 2017 is currently in progress and is being facilitated by Lintstock

Strategic overview

Alexander Frolov
Chief Executive Officer



EVRAZ highlights



- EVRAZ is a global steel and mining company, the leading producer of infrastructure steel products with the lowest costs along the value chain
- The leader in the Russian construction and rail markets
- The largest coking coal producer in Russia
- № 1 producer of rails and large diameter pipes in North America
- Revenue of \$5.10bn, EBITDA of \$1.15bn in H1 2017

Global steel industry is facing structural improvement

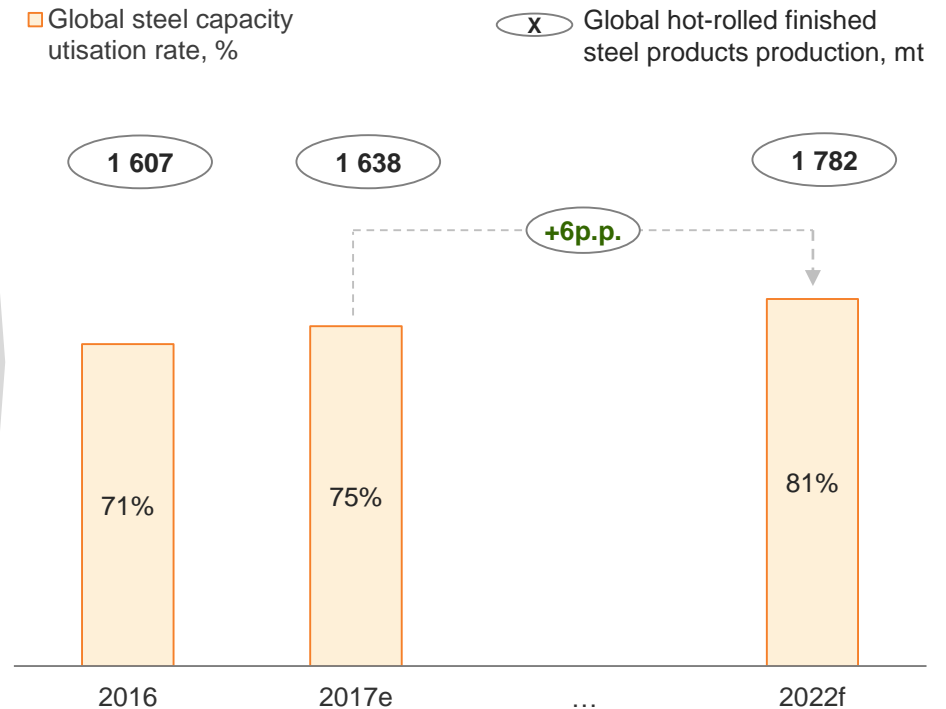
- Global steel demand is fairly strong in 2017 with China and other Asia being the major drivers
- Utilisation ratio is up by 4p.p. due to the capacities reduction programme in China
- Healthy steel demand growth rates are forecasted to continue by 2022 (CAGR 1.7%), driven by global economy development

Global steel demand, mt

	Steel demand 2016, mt	Steel demand 2017e, mt	Growth 17e-22f, mt	CAGR 17e-22f, %
China	779	789	10	0.2%
Other Asia	330	340	48	2.6%
Europe	190	193	24	2.4%
North America	120	127	18	2.7%
Middle East	54	55	10	3.5%
CIS	52	49	17	6.3%
Other regions	76	78	20	4.7%
TOTAL	1 602	1 632	147	1.7%

Source: CRU

Global steel capacity utilisation, %



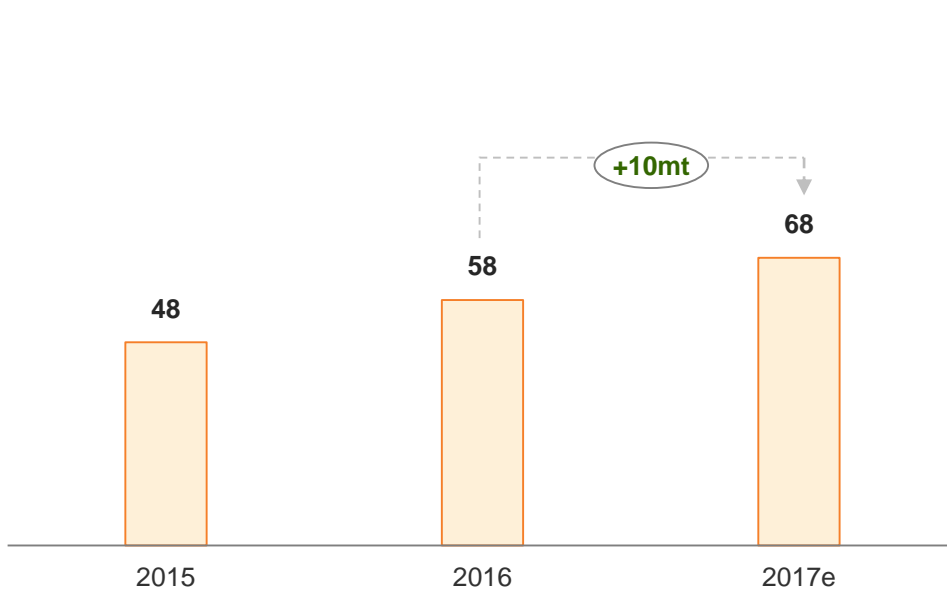
Source: CRU

Stronger demand for coking coal

- In 2017, Chinese coking coal imports increased driven by domestic coal capacity shutdowns
- Despite high prices, supply response was limited and was mainly represented by high-cost US producers
- Going forward, demand for coal in global markets is expected to increase further, mainly driven by India import growth

Chinese coking coal import, mt

□ Chinese coking coal import, mt



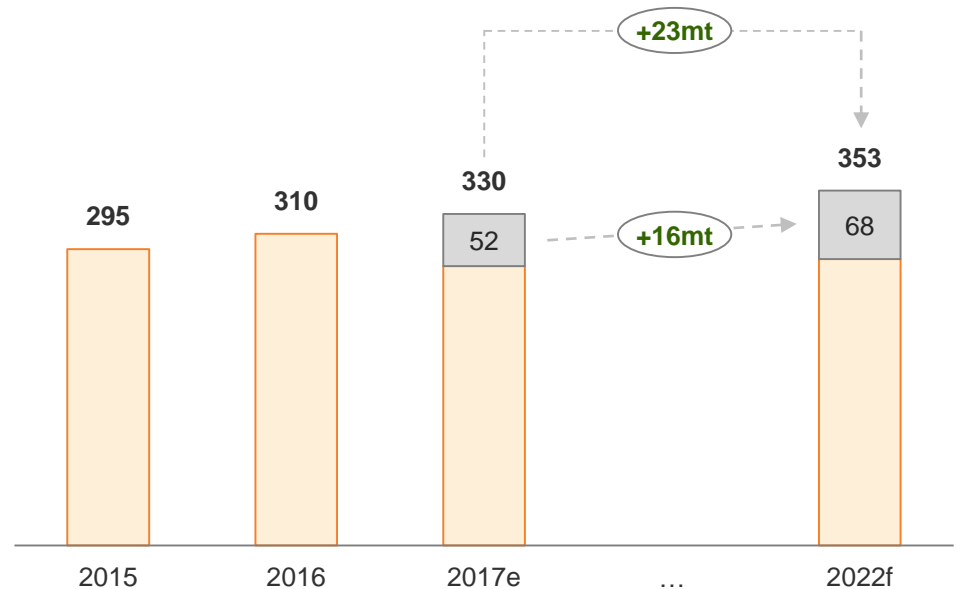
Source: Sell-side Equity Research

* Includes imports to China, Japan, Europe, India and Brazil

Global coking coal demand*, mt

□ Global coking coal demand*, mt

■ Import to India, mt



Source: Sell-side Equity Research

Consolidation in global iron ore market is growing

- In 2017, the market share of the top 4 iron ore producers (Rio Tinto, Vale, BHP and Fortescue) reached 75% versus 68% in 2012
- In the next five years, Chinese iron ore producers will decrease production by 120 mtpa due to depletion of reserves and higher costs
- The total market share of top 4 global iron ore producers is expected to reach 85% by 2022

Supply of top 4 iron ore producers, mt

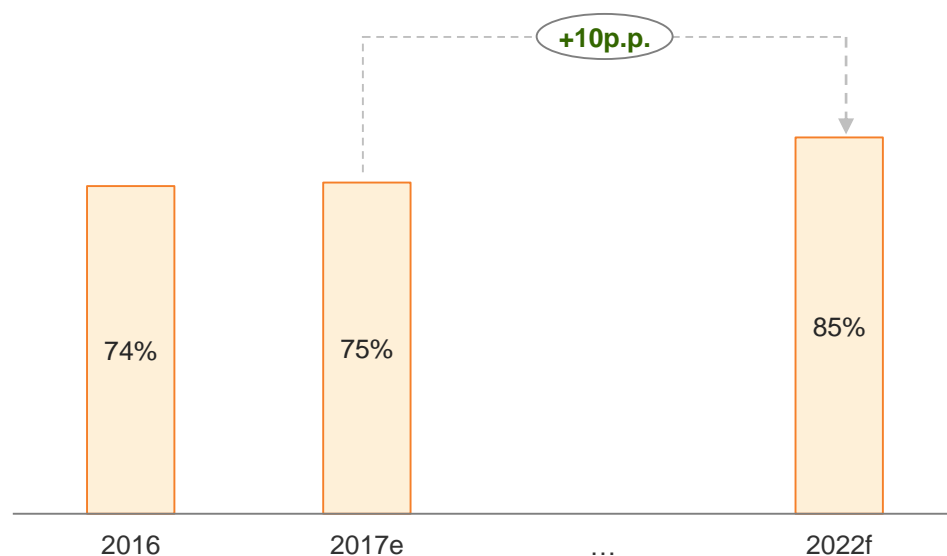
Top iron ore exporters	Supply 2016, mt	Supply 2017e, mt	Δ 17e-22f, mt
Rio Tinto	328	331	20
Vale	289	319	30
BHP	260	275	16
Fortescue	166	160	0

For reference:

China iron ore production	200	200	-120
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Source: Sell-side Equity Research

Market share of top 4 iron ore producers, %



Source: Sell-side Equity Research

EVRAZ strategy continuity

- EVRAZ strategic priorities were redefined as a result of positive market trends

Market trends

- Improvements in global steel market have structural reasons
- Iron ore and coking coal prices will most likely stabilise at higher levels than previously expected

EVRAZ strategic priorities

Development of product portfolio and customer base

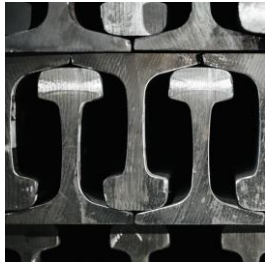
Retention of low-cost position

Prudent CAPEX

Debt management and stable dividends

EVRAZ strategy achievements

EVRAZ strategic priorities



Development of product portfolio and customer base



Retention of low-cost position



Prudent CAPEX



Debt management and stable dividends

Achievements in 2017

✓ Efficiency improvement programme effect of c.\$220m incl.

- Customer focus initiatives - \$62m
- Cost-cutting initiatives - \$158m

✓ BF #7 at EVRAZ NTMK (“ENTMK”)

✓ Regina Steelmaking upgrade and LDP mill

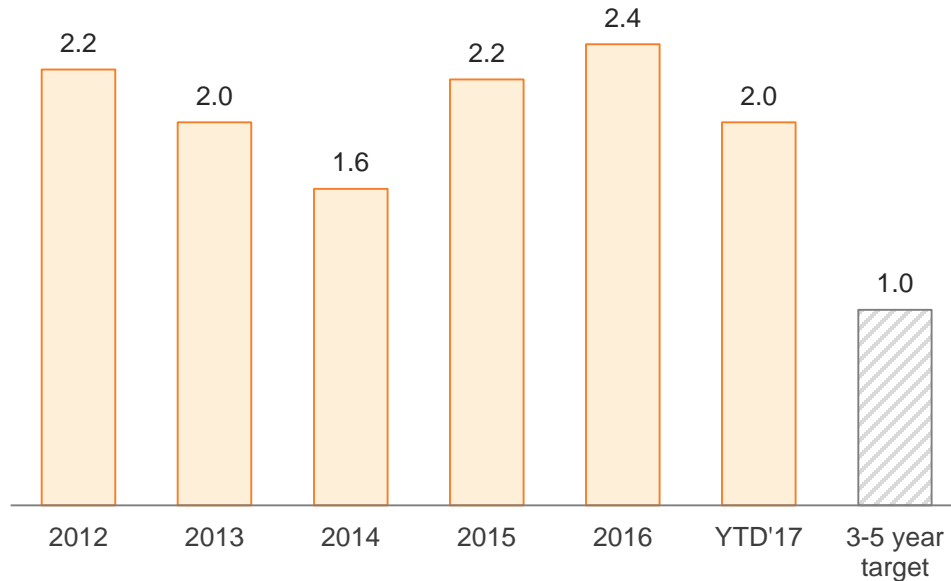
✓ Net Debt / EBITDA level achieved 2.0x in H1 2017

✓ c.\$430m of dividends paid out

Safety as a base for business sustainability

- Safety remains a key priority for EVRAZ
- In 2017, EVRAZ was able to reduce YTD LTIFR to 2.0x vs 2.4x in 2016 with major initiatives focused on behavioural safety conversations and developing the standard operating procedures for the key risk areas in each production shop
- We remain committed to having zero fatal accidents at our sites and target to reach LTIFR level of 1.0x

Lost Time Injury Frequency Rate (LTIFR)*

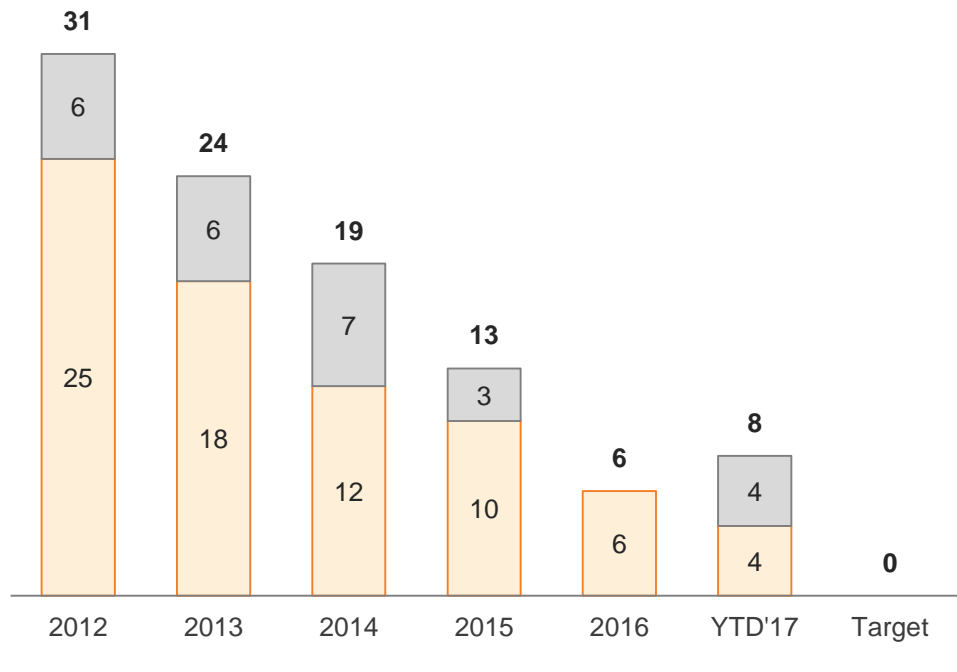


Source: EVRAZ data

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

Fatalities

□ Employees □ Contractors



Source: EVRAZ data

Ambitious product portfolio improvement goals

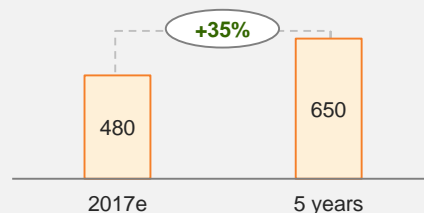
Segment

Key long-term goals

Steel



EVRAZ sales of H-beam in Russia, kt

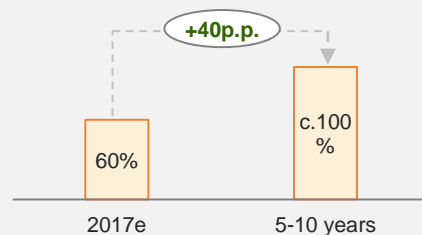


- Domestic market demand improvement through promotion of steel construction and substitution of welded beams

Coal



Internal consumption*, %

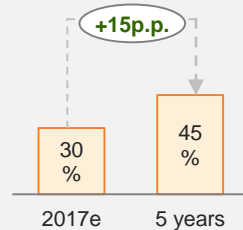


- Development projects in low-volatile coal grades (K, KO, OS, KS) to reach full self-sufficiency

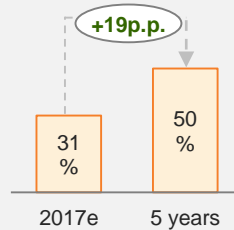
ENA



NA Rails market share, %



OCTG market share in Western Canada, %



- Investment projects to regain market share

Source: EVRAZ data

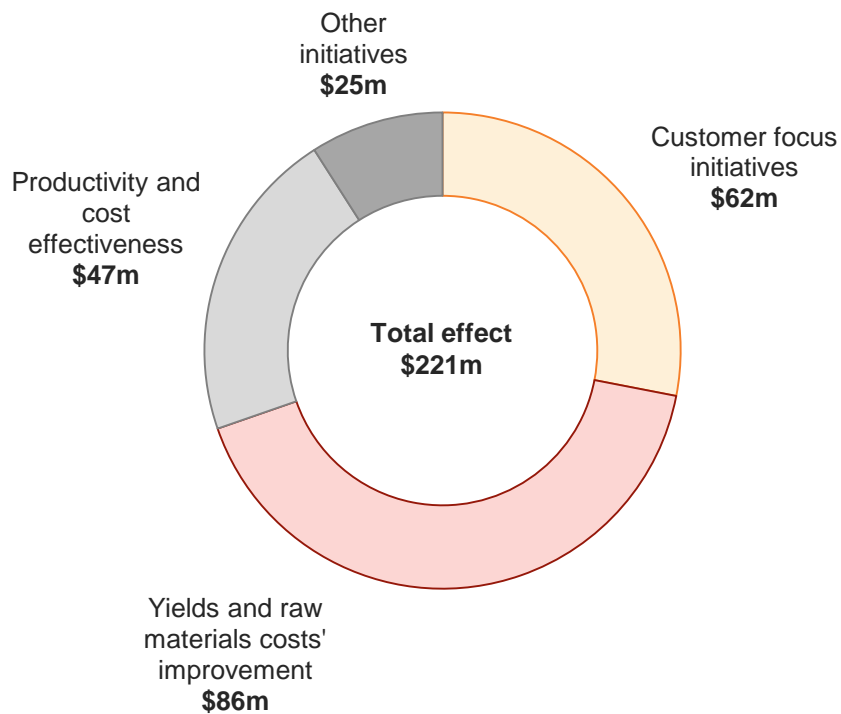
* internal consumption is calculated as the share of internal coal purchases in total EVRAZ coal consumption

Continuous focus on efficiency improvements

- In 2017, the effect from efficiency improvements programme is expected to reach c.\$220m
- EVRAZ plans to maintain the pace of improvements of at least 2-3% of COGS per annum
- This goal will be achieved via a combination of bottom-up and top-down approaches to initiatives generation (incl. EVRAZ Business System, see slide 26)

EBITDA effect from EVRAZ initiatives, 2017e, \$m

Examples of initiatives



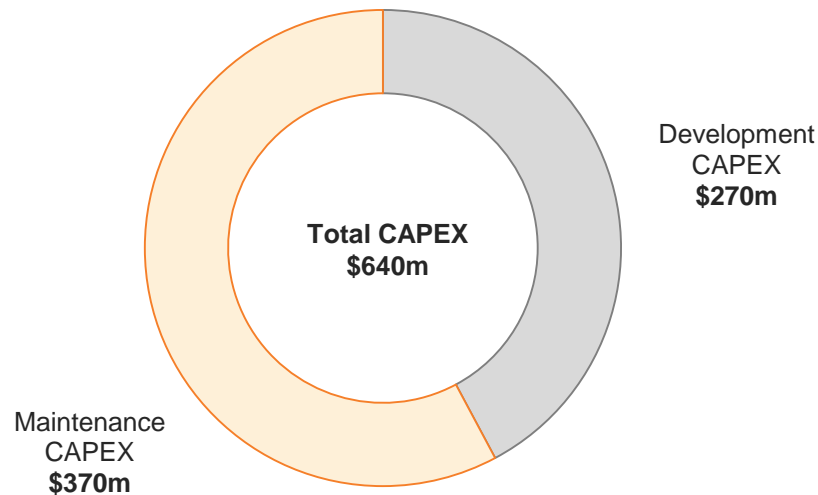
No	Project description	EBITDA effect 2017
1	Wheels production debottlenecking	\$21m
2	Higher yield at Raspadskaya mine due to lower ash content in raw coal	\$18m
3	Energy efficiency initiatives	\$12m

Source: EVRAZ data

Selective investments in development

- In 2017, EVRAZ will see an increase in CAPEX due to Blast Furnace #7 construction at ENTMK and rouble appreciation
- In 2018, EVRAZ expects CAPEX to be close to \$700m
- Future investments projects are most likely to be focused on the development of the steel products portfolio in Russia and North America

EVRAZ CAPEX, 2017e, \$m



Key development projects, 2017e, \$m

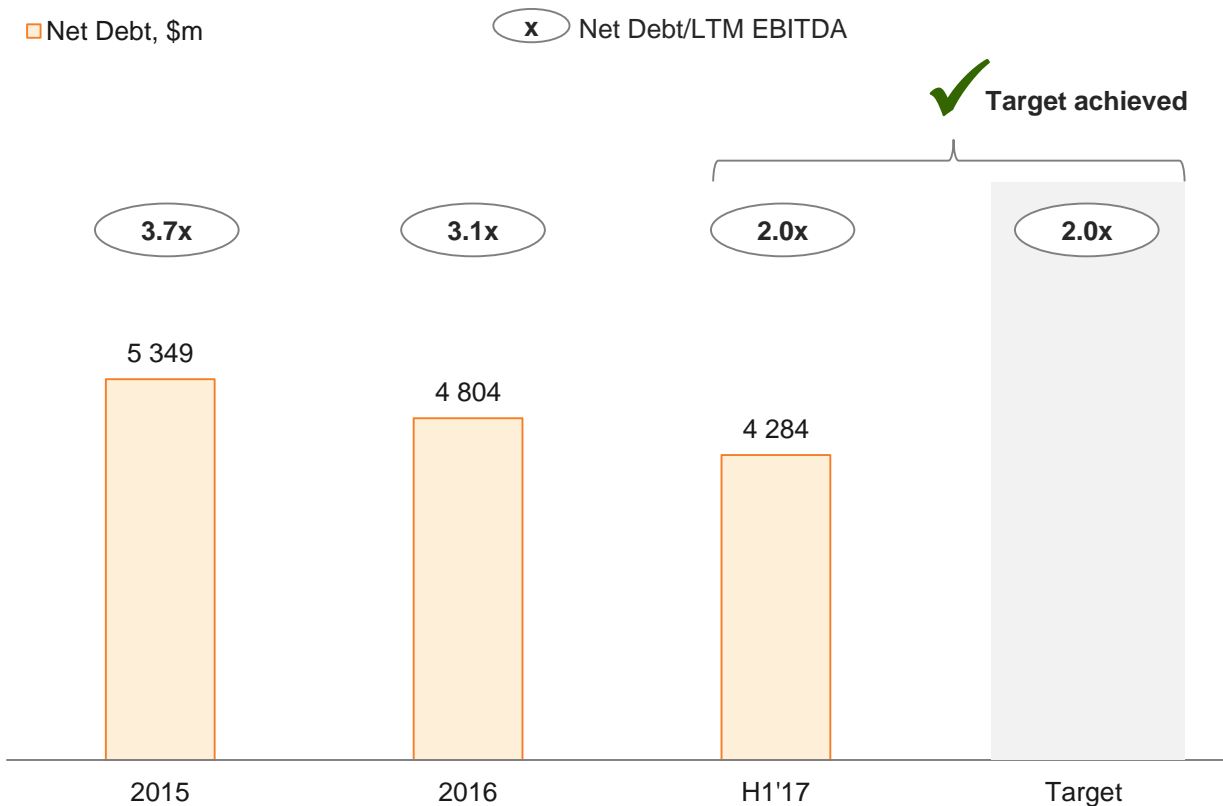
No	Project description	CAPEX 2017
1	Blast Furnace construction #7 at ENTMK	\$147m
2	Regina Steel Making expansion	\$57m
3	Ball mill construction at ENTMK	\$10m

Source: EVRAZ data

Debt reduction target achieved

- EVRAZ has reached the target Net Leverage metric of 2.0x and intends to retain this level in the future
- As a result, EVRAZ resumed dividend payments with a view to stabilise payouts going forward

EVRAZ Net Leverage



Source: EVRAZ data

EVRAZ dividend payments, 2017e

Amount of dividends	\$429.6m
Dividends per share	\$0.3

Key takeaways

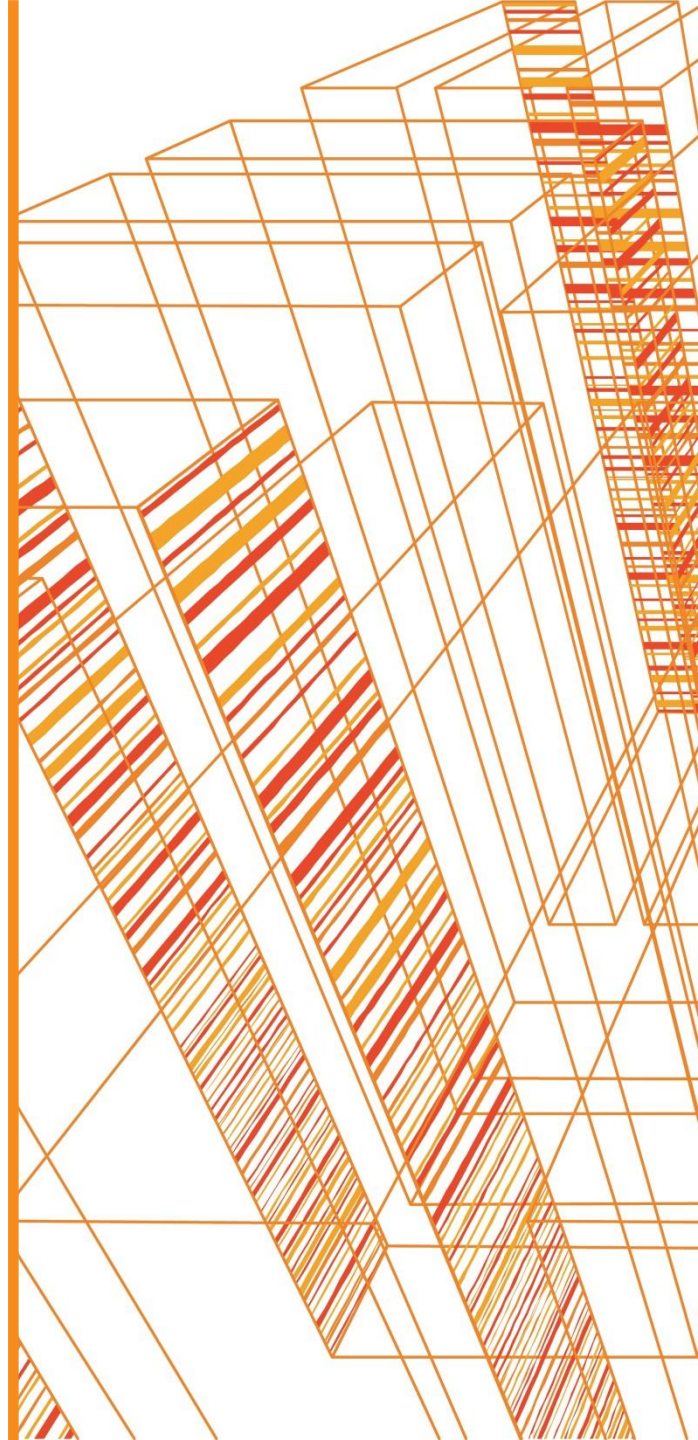
- Improvements in the global steel market have structural reasons
- Iron ore and coking coal prices will most likely stabilise at higher levels than previously expected
- EVRAZ is on track to deliver on its strategic priorities in 2017
- EVRAZ long-term goals are the following:
 1. Improve our product portfolio by increasing the share of finished products, reaching self-sufficiency in all coal grades as well as regaining market shares in North American rail and tube markets
 2. Implement annual efficiency improvement programme with the effect of 2-3% from COGS per annum
 3. Pursue selective investments in projects with IRR > 20%
 4. Maintain Net debt / EBITDA level 2.0x through the cycle, resume stable dividend payouts

Steel, Russia

Alexey Ivanov

Senior Vice President,

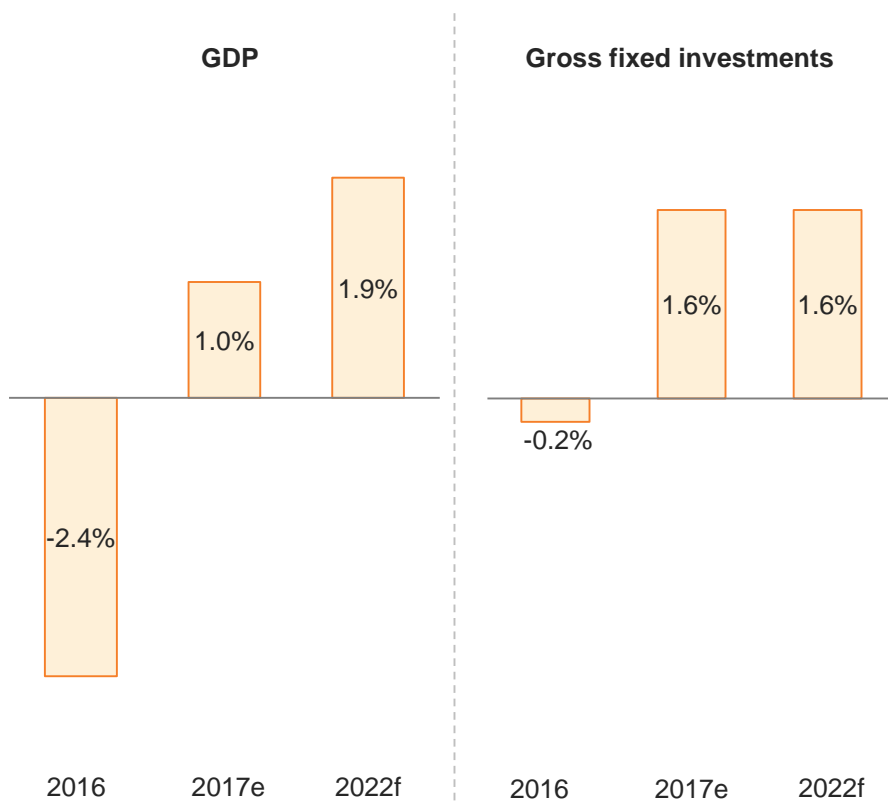
Commerce and Business development



Russian steel demand is on a positive track

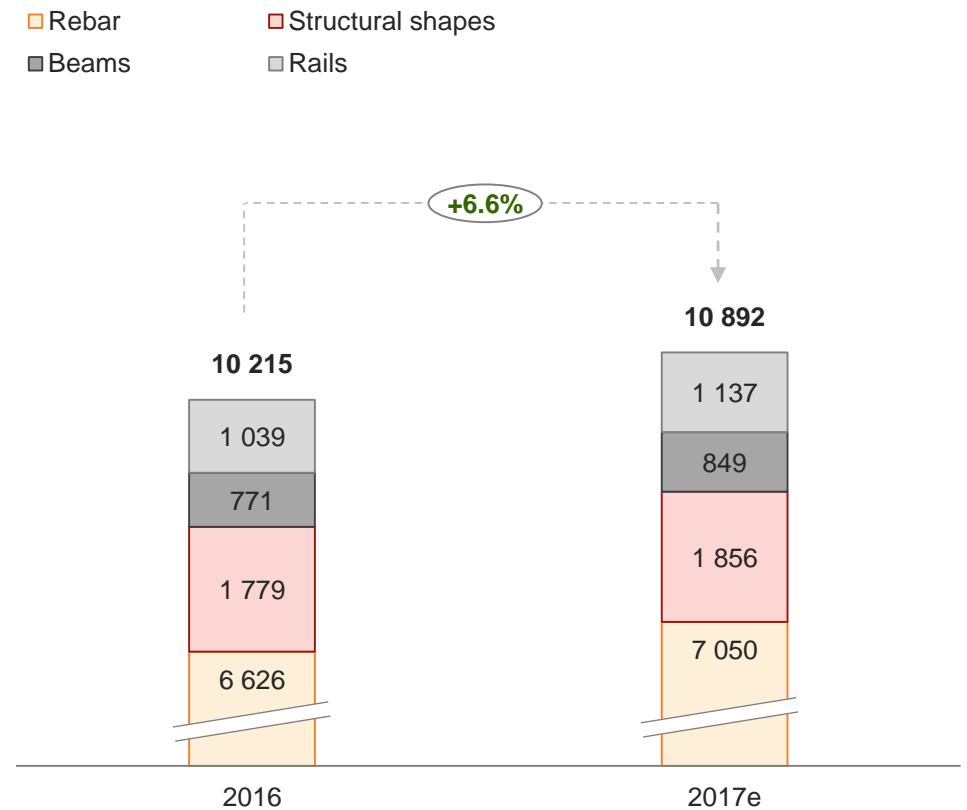
- Russian GDP and fixed asset investments are expected to demonstrate growth in 2017, supporting the domestic steel demand

Russian GDP and gross fixed investments growth, %



Source: EIU, Thomson Reuters

Demand for key EVRAZ products in Russia, kt

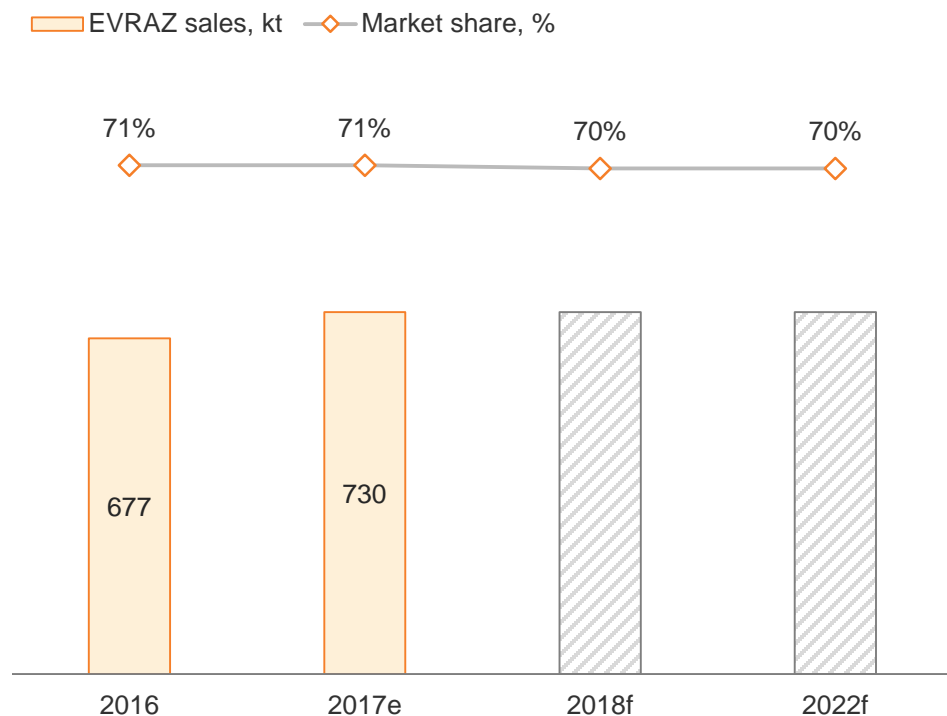


Source: Metal Expert, EVRAZ estimates

Development of the rail portfolio

- In 2017, Russian Railways (“RZhD”) reached a multi-year record of rail consumption (more than 1mt), with EVRAZ maintaining an c.70% market share
- EVRAZ ZSMK (“EZSMK”) rail mill is to retain 100% utilisation rate
- We are currently considering various options to increase rail production capacity in order to serve export markets

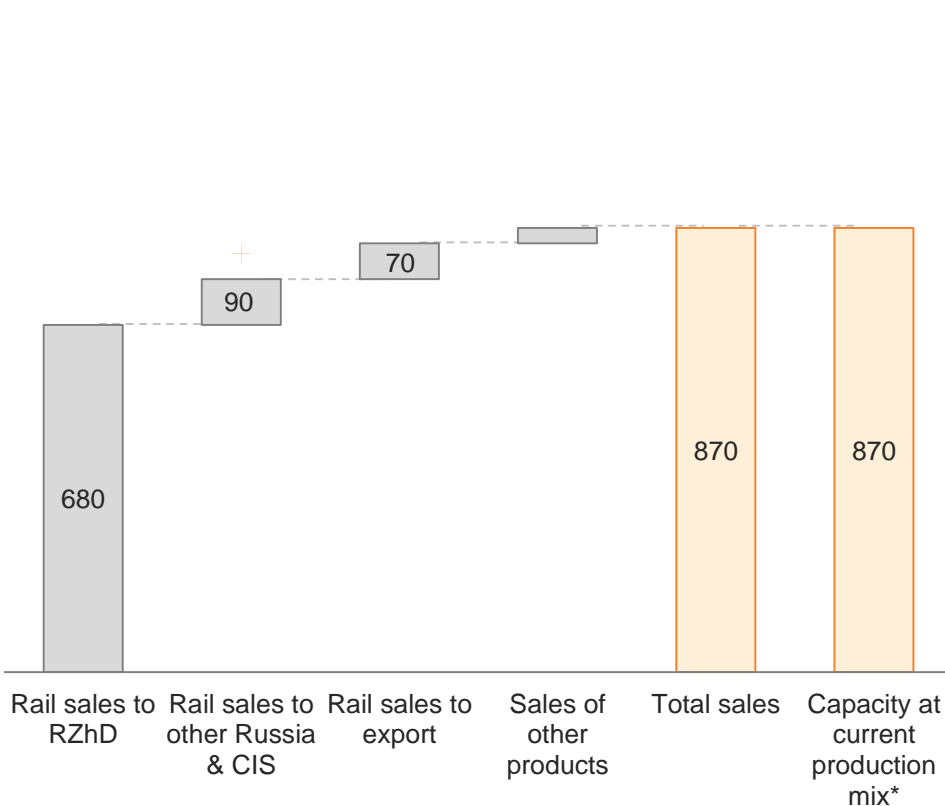
Rail sales to RZhD, kt



Source: EVRAZ data

* Rail production capacity could be as high as 950 ktpa, depending on production mix

EZSMK rail mill production, 2017e, kt



Source: EVRAZ data

Strong upside in Russian H-beam market

- EVRAZ is executing a number of initiatives to increase its sales and total demand for beams in Russia
- Beam demand increased by 10% in 2017 and is expected to reach 1.2mt by 2022

Beam market development initiatives



- Design engineering and construction in partnership with clients



- New beam types development



- Beam availability to final customers



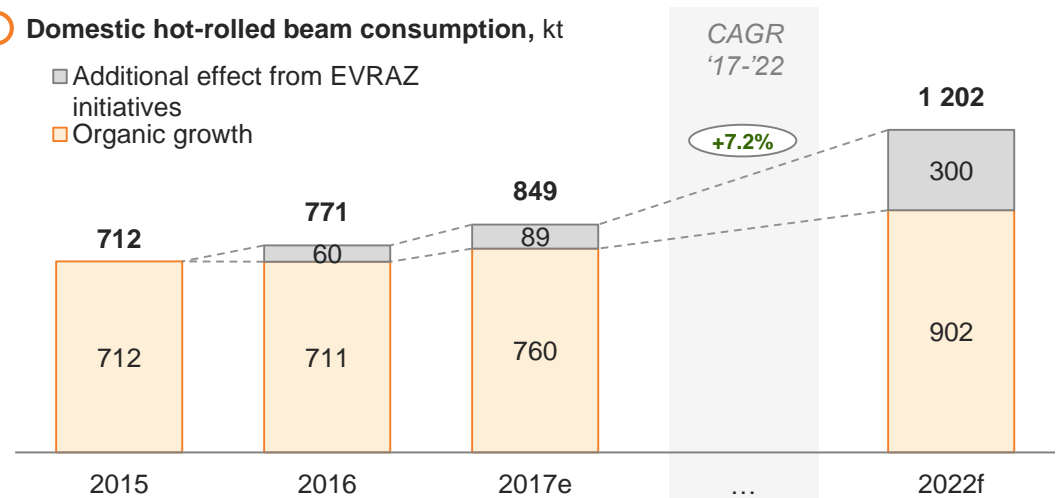
- Flexible pricing policy to rapidly react to market changes

Source: EVRAZ data

Impact on the H-beam market

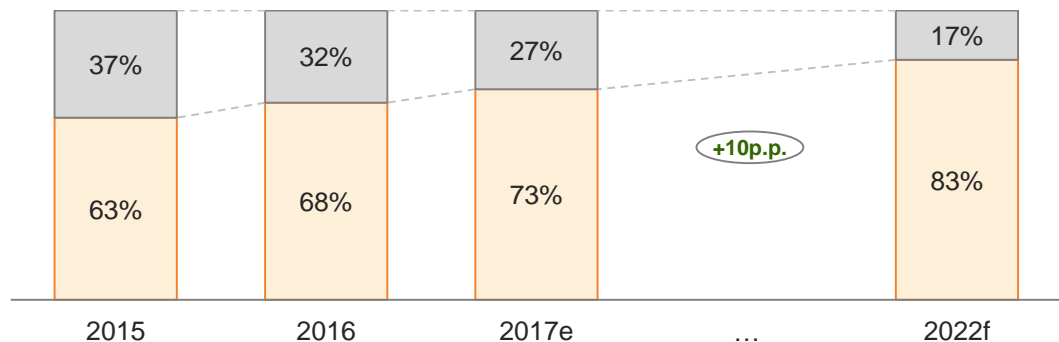
① Domestic hot-rolled beam consumption, kt

- Additional effect from EVRAZ initiatives
- Organic growth




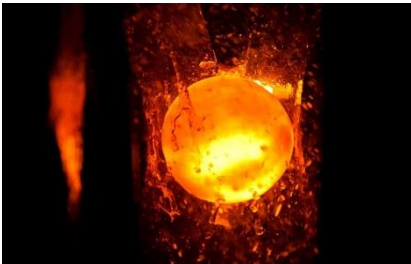

② Beam consumption breakdown, %

- Hot-rolled beam
- Welded beam



Optimum CAPEX for maintenance and growth

- CAPEX in 2017-2018 will be above the 2015-2016 level due to planned Blast Furnace #7 construction
- Future investment projects will be focused on efficiency improvement and selective product portfolio development

Major investment projects		Effect driver	CAPEX		Launch
			2017	2018	
Blast Furnace #7 construction at ENTMK		New blast furnace instead of #6	\$147m	\$39m	2018
Ball mill construction at ENTMK		110ktpa of balls	\$10m	\$2m	2018
Wheel resurfacing capacity expansion		17ktpa of wheels	\$2m	\$11m	2018

Source: EVRAZ data

EVRAZ Business System as a new source of improvements

- The main idea is to engage all employees in the improvement process
- By 2020 EVRAZ Business System (“EBS”) will become a major source of new ideas for the efficiency improvement programme

Number of EBS transformations

4 in 2017

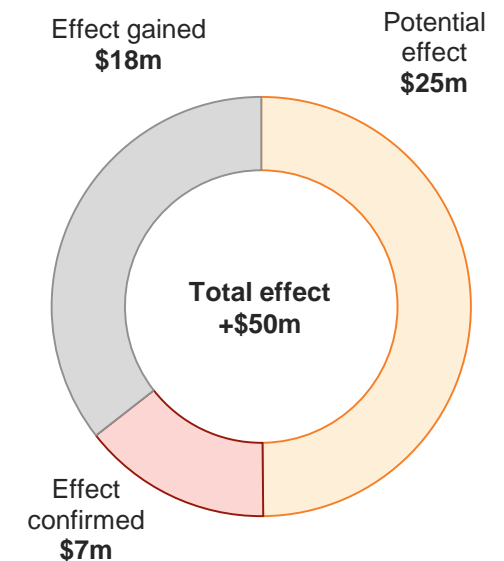
113 by 2020

Initiatives generated by employees

c.2 000 initiatives have already been generated by EVRAZ employees

Examples of initiatives generated by employees	Potential EBITDA effect
1 Implementation of new sampling device	+\$2.5m
2 Usage of one railcar for various cargo	+\$0.5m
3 Mill set-up process improvement	+\$0.4m

Identified EBITDA effect, 2017e, \$m


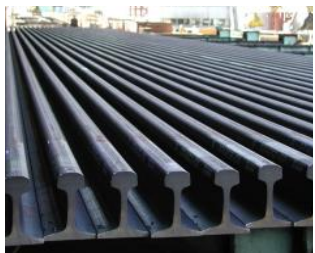



Source: EVRAZ data

EVRAZ is a leading player in global vanadium market

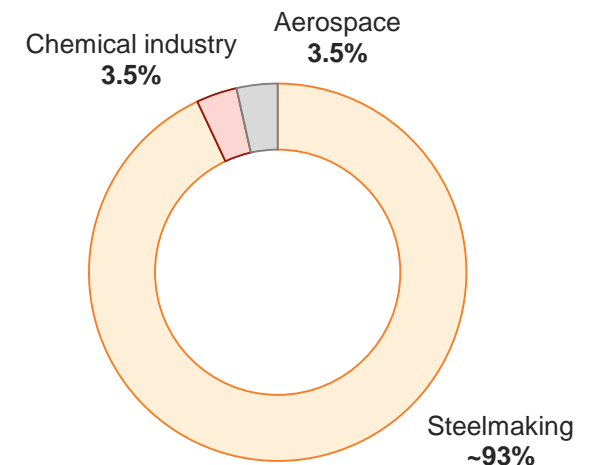
- Ferrovandium (FeV) is an alloy used in steel production in order to increase toughness of rebar, rails, H-beam and LDP
- 90 - 95% of vanadium is used in steelmaking industry

Vanadium usage in steel production

<p>High strength rebars and H-beams</p>		<ul style="list-style-type: none">□ High strength rebars and H-beams are a safe, reliable and cost effective solution for construction in earthquake regions
<p>Rails</p>		<ul style="list-style-type: none">□ Vanadium can be added to improve the properties of high performance rail steels required for extreme service conditions
<p>Oil and gas tubes</p>		<ul style="list-style-type: none">□ High strength, tough and weldable HSLA plate and coil steels containing vanadium are used for oil and gas transmission pipelines

Source: EVRAZ data

Vanadium applications breakdown, %

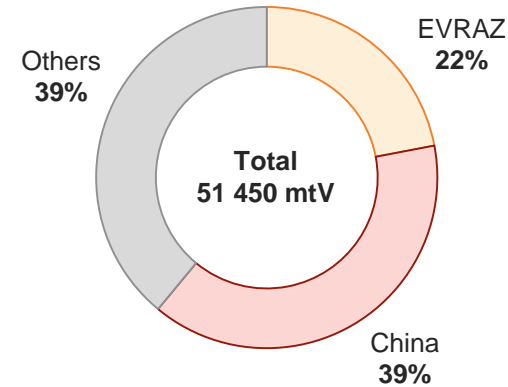


Source: EVRAZ data

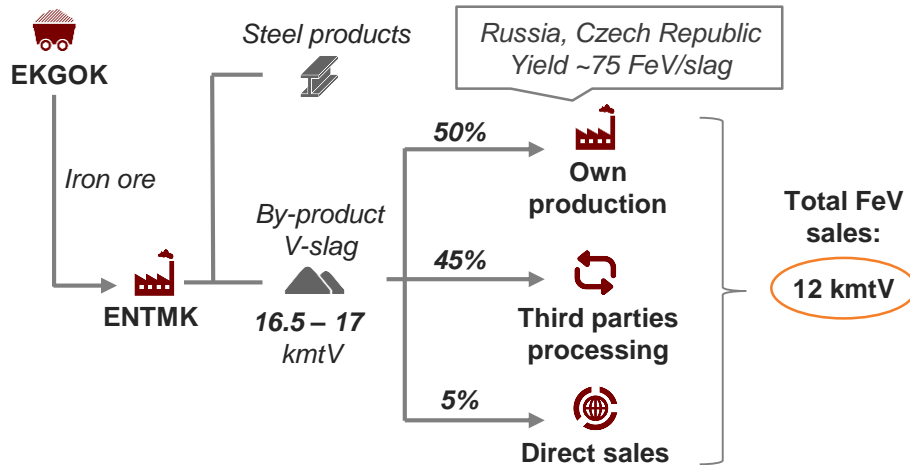
Vanadium business in detail

- EVRAZ share of the global Ferrovanadium market is c.22%
- EVRAZ sales average c.12 kmtV* (thousand metric tons of vanadium) per annum
- EVRAZ produces FeV from slag (by-product of steel production at ENTMK), which makes us one of the lowest cost producers in the world

Global Ferrovanadium supply, 2016, %



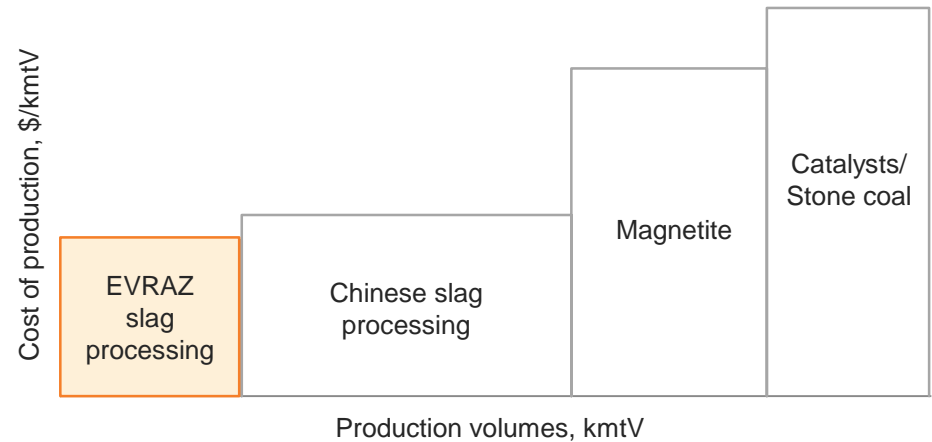
EVRAZ vanadium production model overview



Source: EVRAZ data

* Own ENTMK slag feed related sales only, accounting for 75% to 95% of EVRAZ vanadium sales depending on the year

Vanadium production cost curve

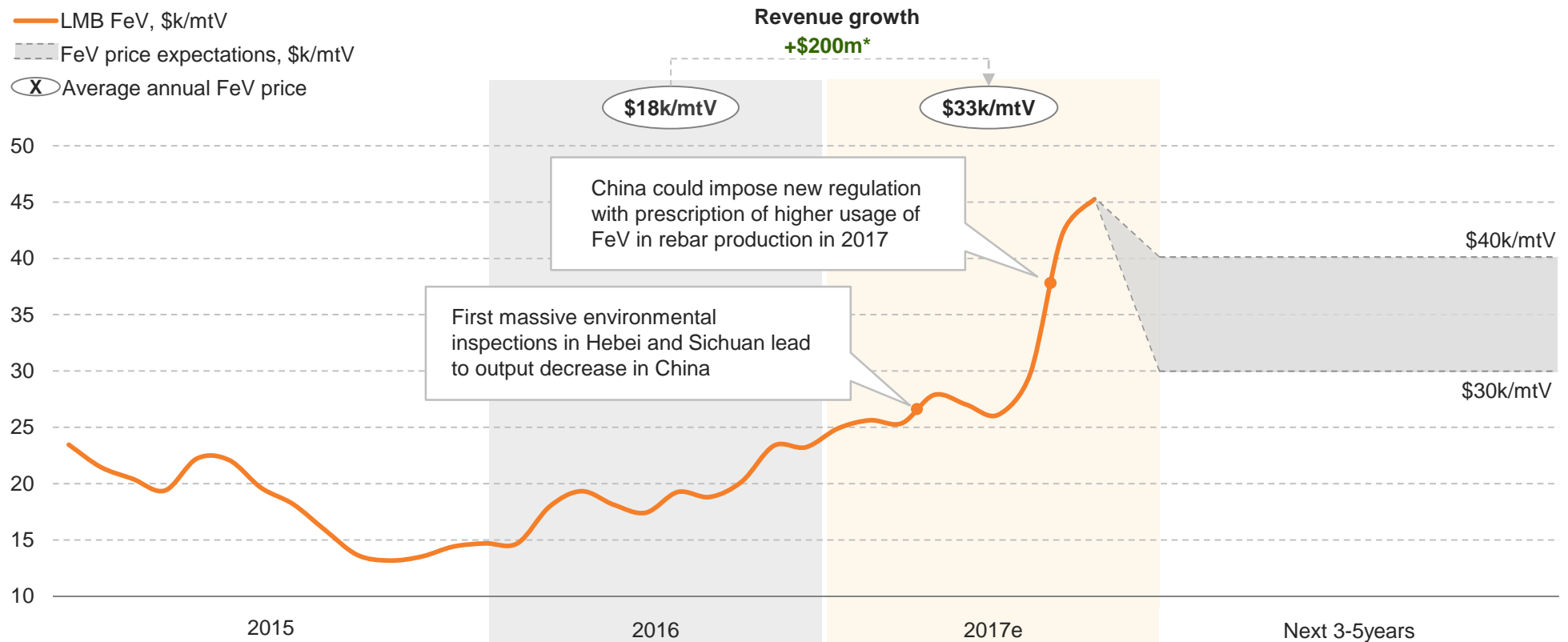


Source: EVRAZ data

Vanadium business contribution to the financial performance

- FeV price increased from \$26k/mtV in H1 2017 to \$45k/mtV in September 2017 due to Chinese production halt during environmental inspections
- EVRAZ expects to generate \$200m of additional revenue in 2017 versus 2016
- Going forward, the price could stabilise between \$30k/mtV and \$40k/mtV, given that supply response is likely to be limited

FeV LMB price, \$/mtV



Source: EVRAZ data

*Including \$170m price effect on Ferrovandium annualised volumes .

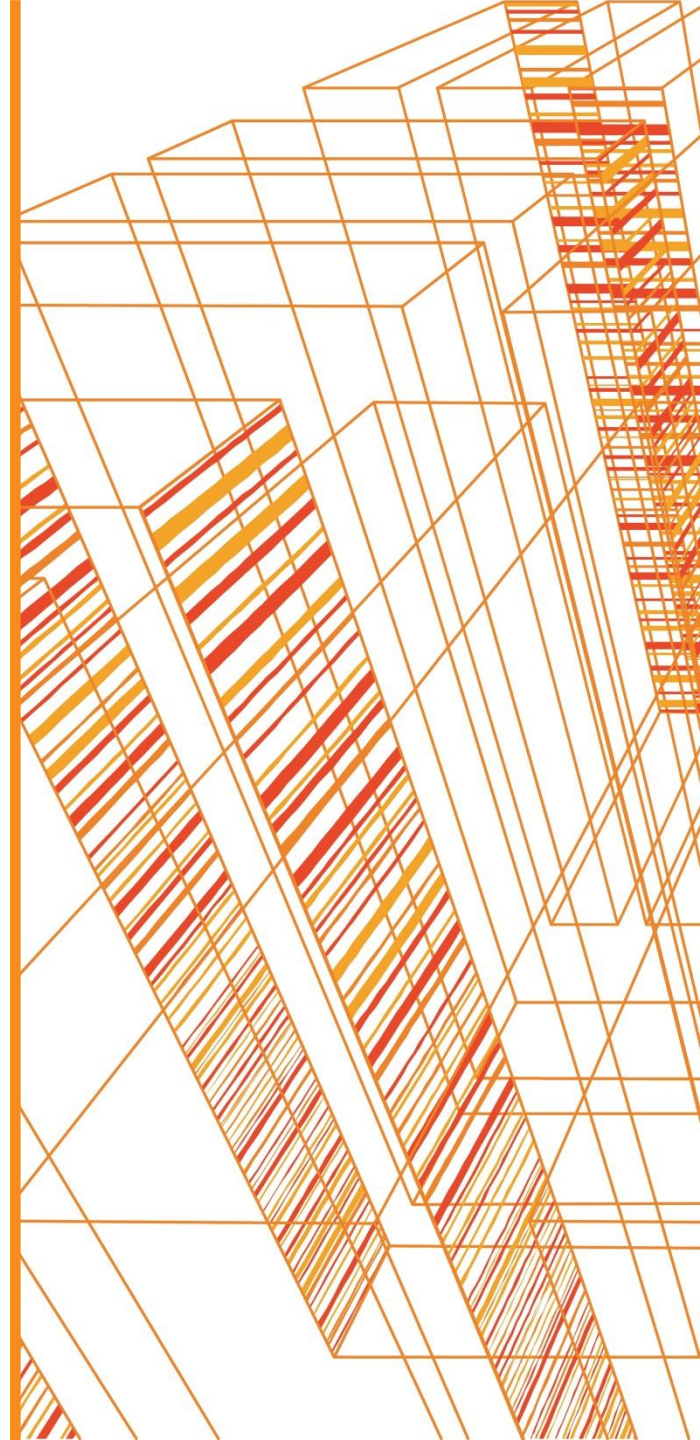
Key takeaways

- Russian steel consumption is recovering on the back of the economic rebound
- EVRAZ is focused on rails and H-beam development
- Selective investments in the steel product portfolio development and cost reduction
- EBS to become a major source of new ideas for the efficiency improvement programme
- EVRAZ is a leading player in the global vanadium market with an expected revenue growth of c.\$200m in 2017 versus 2016

Coal, Russia

Sergey Stepanov

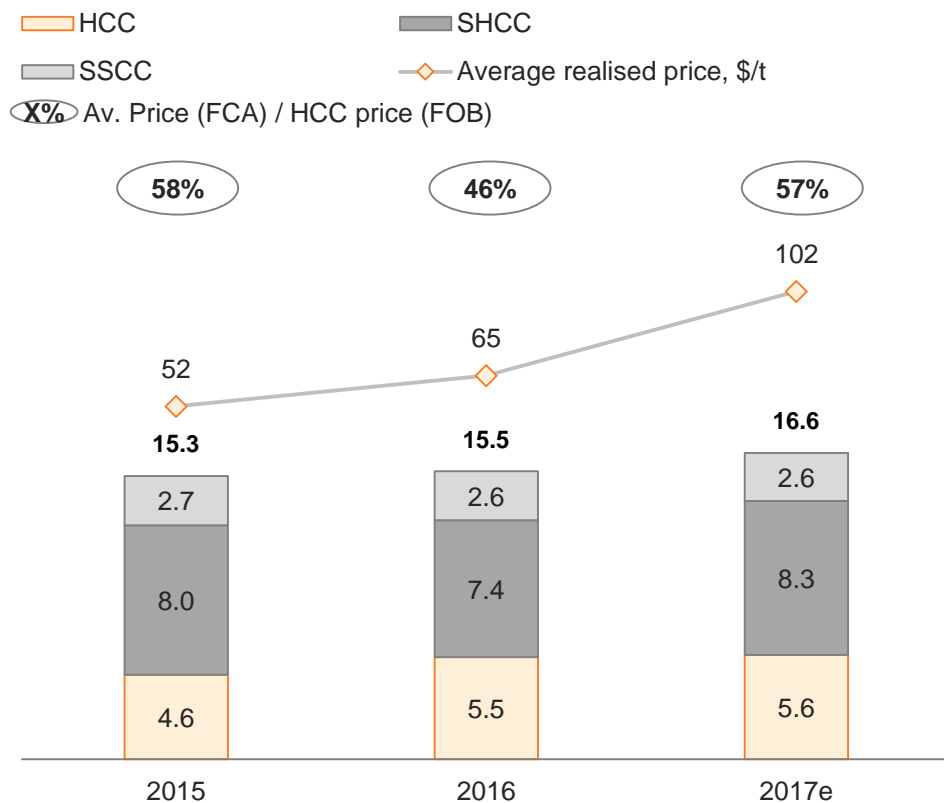
Vice President,
Head of the Coal Division



Coal sales overview

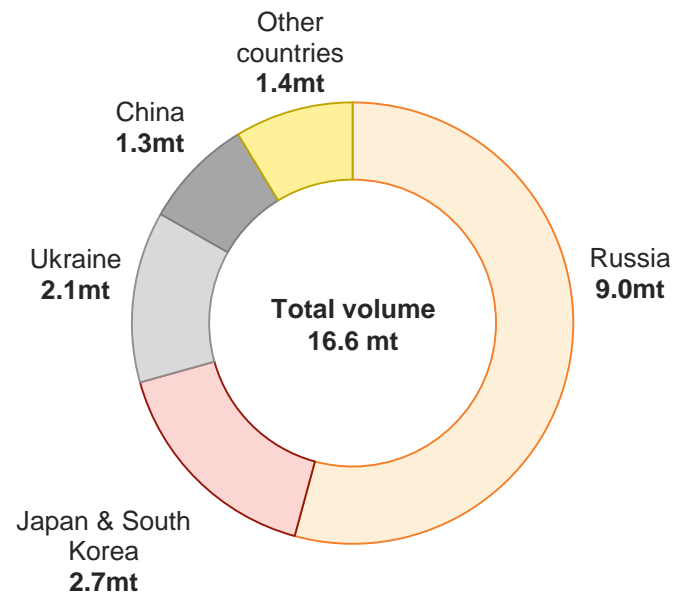
- In 2017, EVRAZ coal sales are expected to increase by 1.1mt while average realised price could reach \$102/t (+57% versus 2016)
- EVRAZ international client base is expanding and becoming more geographically diverse

Coal sales breakdown by type, mt



Source: EVRAZ data

Coal sales breakdown by region, 2017e, mt



Source: EVRAZ data

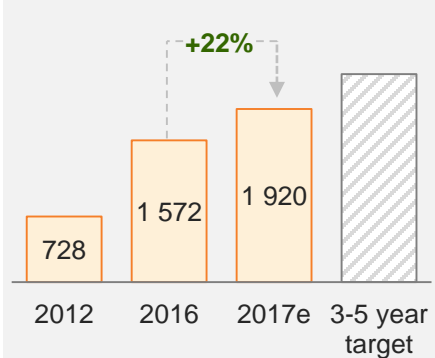
Efficiency increase along the value chain

- In 2017, EVRAZ coal business increased its operational efficiency in mine development (+22%) and coal mining (+8%)
- Cash cost moved up due to rouble appreciation, higher maintenance and HSE expenses on the back of favorable market conditions
- Further operational improvements are expected along the whole coal production value chain in order to keep the costs at current levels and increase the volumes

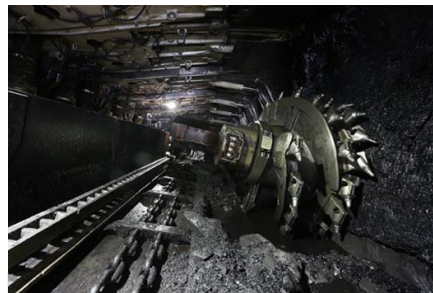
Mine preparation



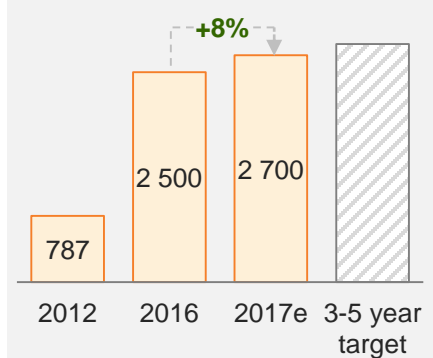
Mine development productivity
m/year/crew



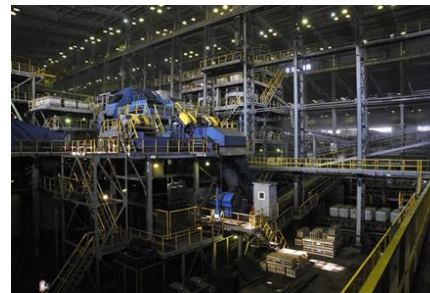
Mining



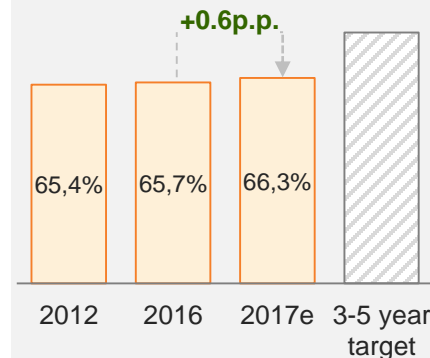
Coal mining productivity
tonnes/person/year



Beneficiation



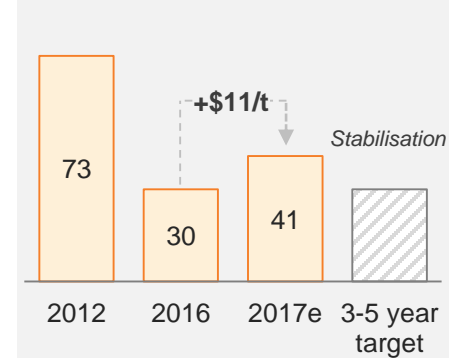
Concentrate yield
%



Coal concentrate



Cash cost
\$/t

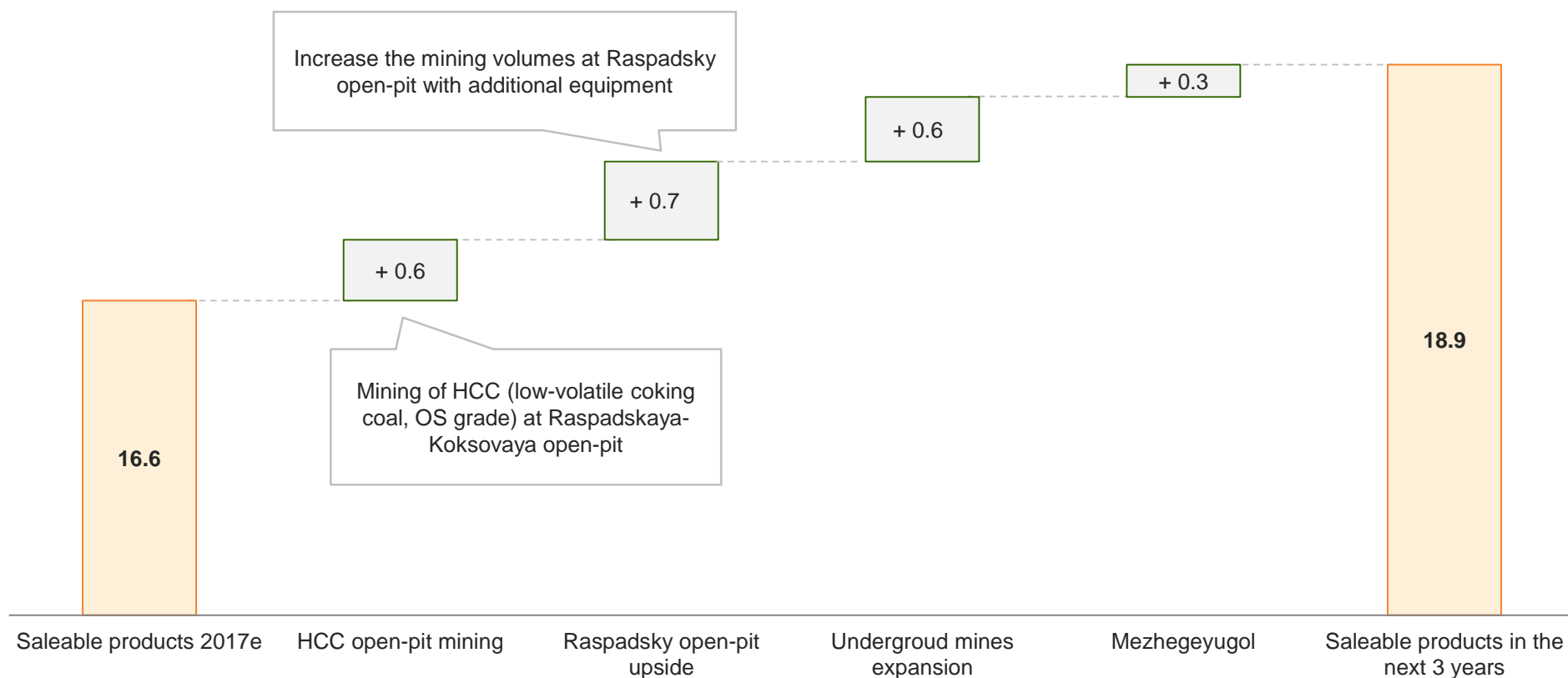


Source: EVRAZ data

Coal division is expected to increase volumes

- EVRAZ can increase sales by 2.3mtpa in three years through the brownfield expansion of existing mines

Coal sales growth breakdown, mt



Source: EVRAZ data

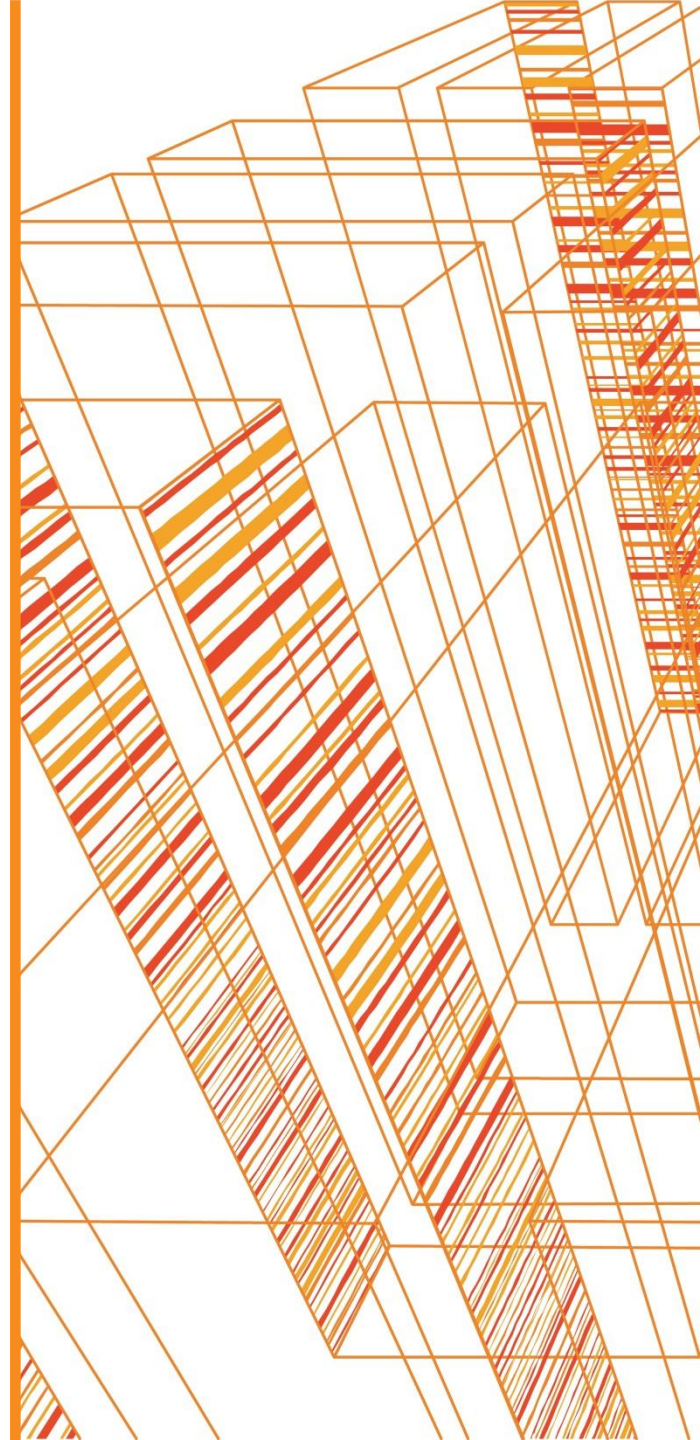
Coal segment strategic priorities

Priorities	Achievements in 2017	Aims for 2018
<p>1</p> <p>Safety</p>	<ul style="list-style-type: none"> ✓ Degas drilling intensification, launch of the pilot project for directional drilling ✓ Installation of highly effective ventilators ✓ LTIFR reduction programme 	<ul style="list-style-type: none"> □ Full scale implementation of directional drilling and new ventilation system □ Modern equipment for degassing drilling from surface
<p>2</p> <p>Increase sales of high quality coking coal (mainly to EZSMK and ENTMK)</p>	<ul style="list-style-type: none"> ✓ Start of new HCC open-pit (grade OS) ✓ Launch of Rapsadskaya high quality seam #6 	<ul style="list-style-type: none"> □ Reaching 1.5 mt raw coal production at open-pit □ Growth of HCC raw coal production (+0.5 mt of grade Zh) at Osinnikovskaya mine
<p>3</p> <p>Mining productivity growth</p>	<ul style="list-style-type: none"> ✓ Rapsadskaya mine is expected to reach 6.5 mt production of raw coal 	<ul style="list-style-type: none"> □ Reaching 7.0 mt production of raw coal at Rapsadskaya mine
<p>4</p> <p>Beneficiation efficiency growth</p>	<ul style="list-style-type: none"> ✓ Launch of flotation at Rapsadskaya beneficiation plant at 3rd section (+3% concentrate yield improvement) 	<ul style="list-style-type: none"> □ Lower ash content at mined raw coal (+1% yield) □ Launch of flotation at Rapsadskaya at 1st and 2nd sections (full +1.5% yield effect from 2019) □ EBITDA effect from initiatives more than \$15m

EVRAZ North America

Conrad Winkler

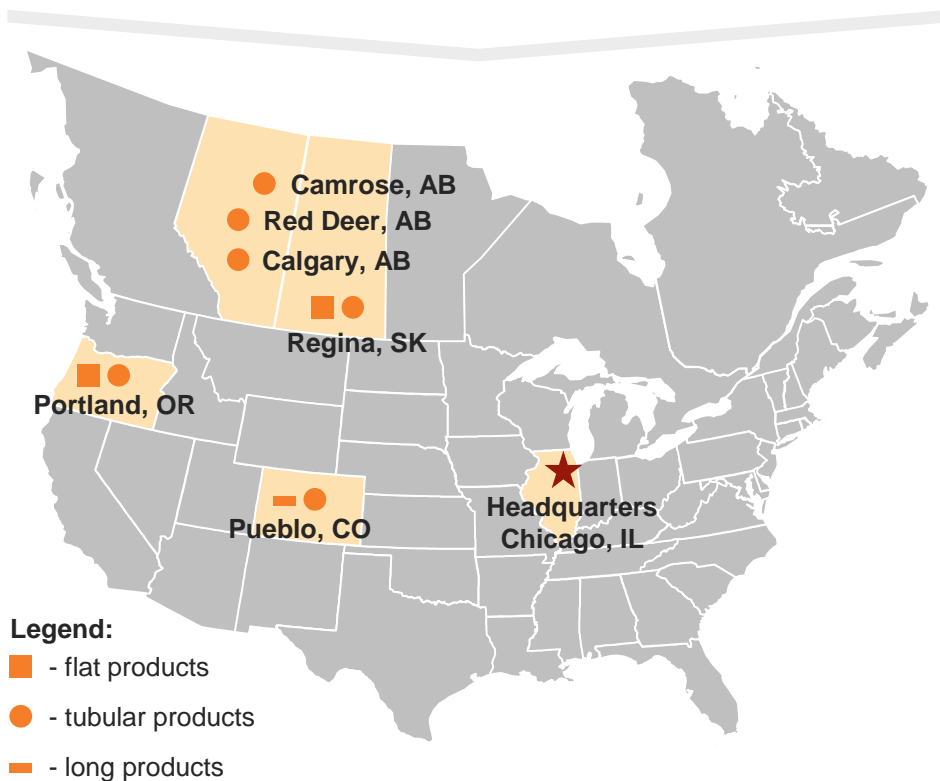
CEO, EVRAZ North America



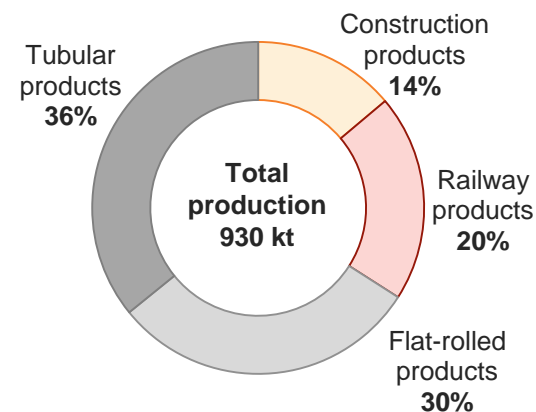
ENA at a glance

Division overview

- EVRAZ North America is the leading producer of engineered steel products in Western North America
- The Division has 6 production sites in the US and Canada with total 2.1 mtpa steelmaking capacity

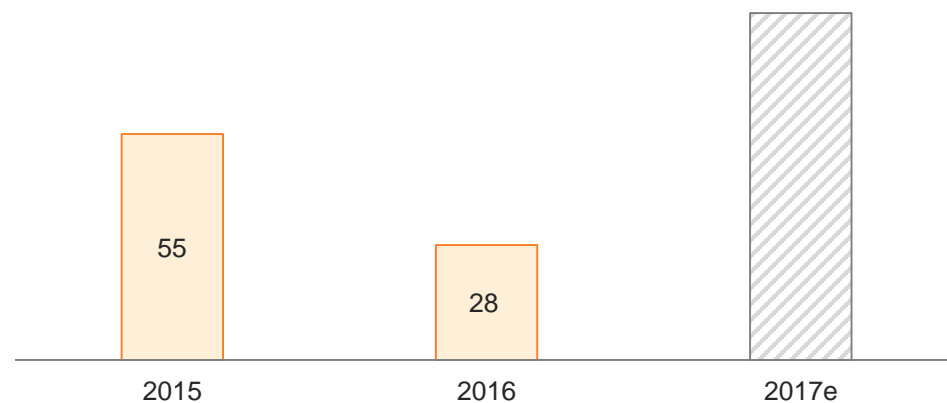


ENA product mix in H1 2017, %



Source: EVRAZ data

EBITDA 2015 – 2017e, \$m




Source: EVRAZ data

North American steel markets

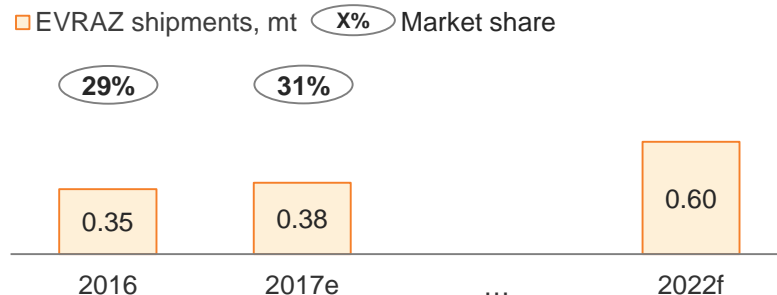
- North American steel markets are expected to have positive dynamics, however competition remains high
- EVRAZ has leading positions in US & Canada LDP and Rails markets

Product

Rails
US & Canada



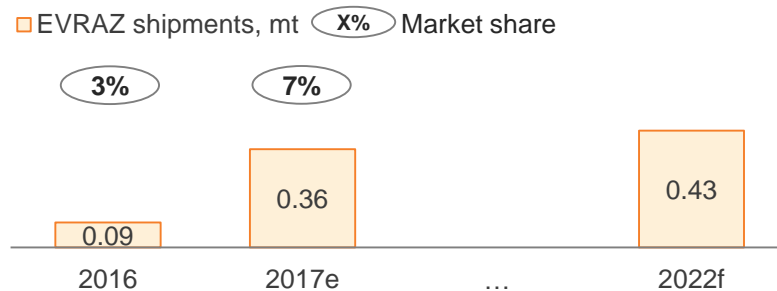
EVRAZ shipments*, mt



Long-term goals

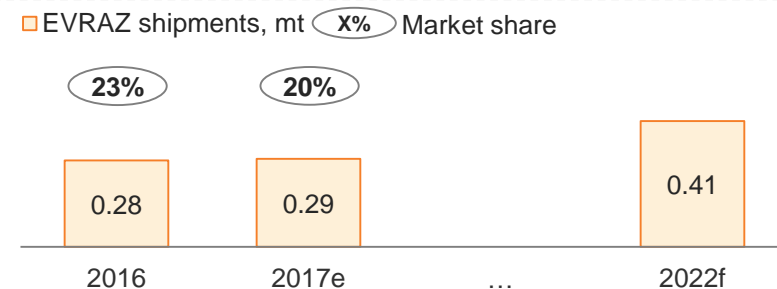
- Maintain market leading position and technological advantages over peers
- Consolidate position of technical leadership in the North American rail market

OCTG
(incl. seamless)
US & Canada

- Realise investment projects in Red Deer and Pueblo to increase share of premium products and continue driving costs down

LDP
US & Canada





- Leverage from the new LD pipe mill in Regina
- Keep market share and continue improving quality

Source: EVRAZ data, EVRAZ estimates

* All data is shown in short tons

ENA investment projects

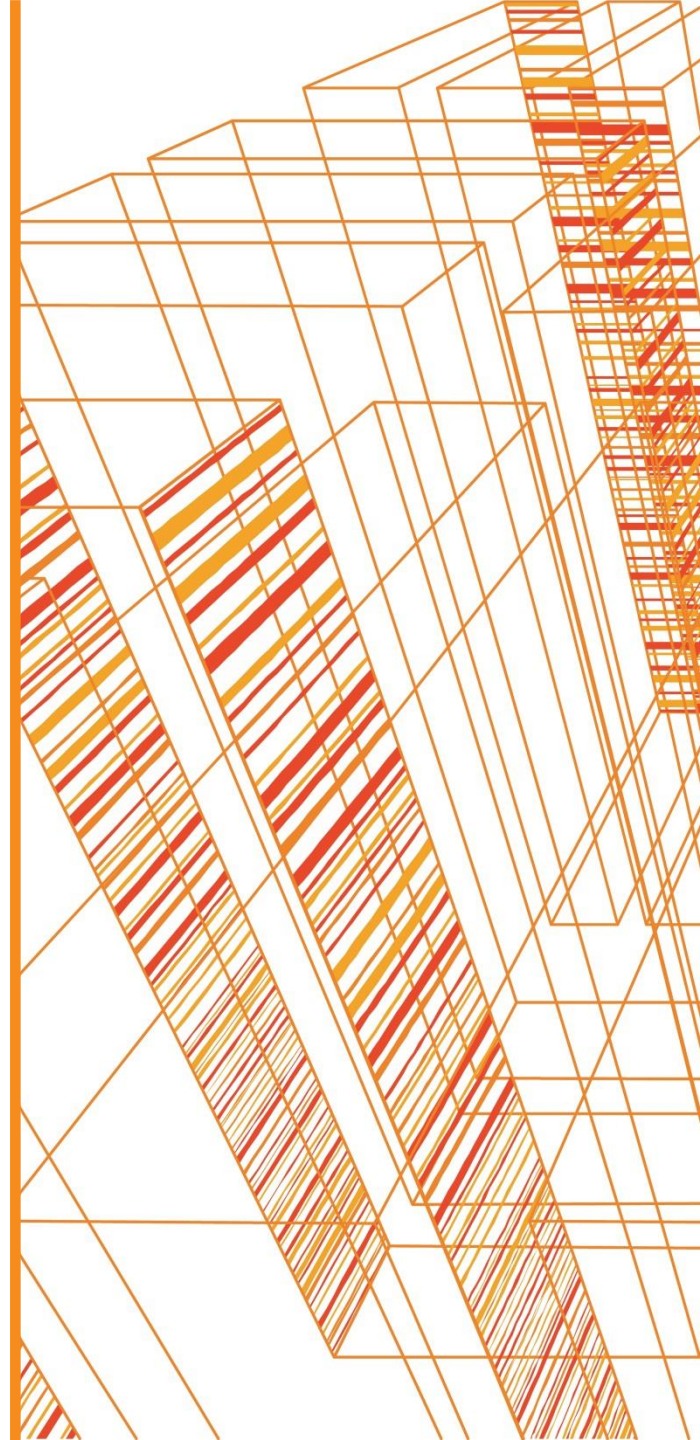
- EVRAZ has a pipeline of investment projects aimed to regain market leading positions in key infrastructure steel products

Major investment projects		Effect driver	CAPEX		Launch
			2017	2018	
Regina Steelmaking Expansion		Quality ↑ Cash cost ↓ +110kt of casting	\$57m	-	2017
Regina New LD Pipe Mill		Quality ↑ Cash cost ↓ +250kt of welding +160kt of finishing	\$2m	-	2017
Pueblo Seamless Threading		Cash cost ↓	\$2m	\$18m	2018
Red Deer Heat Treat		+64kt of alloy ERW pipes Cash cost ↓	\$8m	\$16m	2018

Source: EVRAZ data

Financial overview

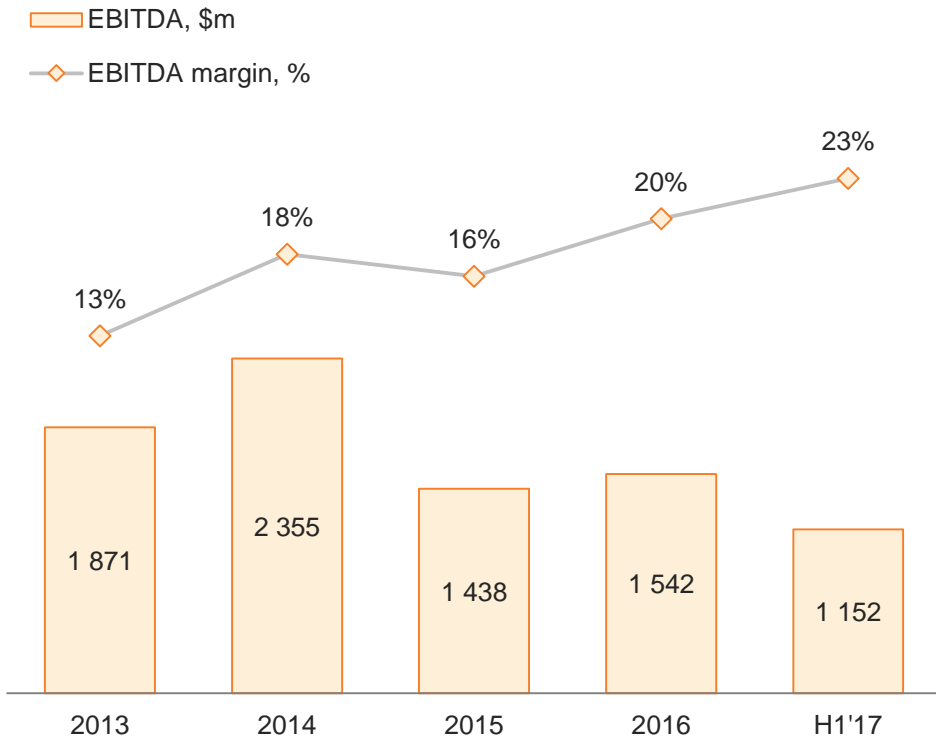
Nikolay Ivanov
CFO



Strong financial results in any market conditions

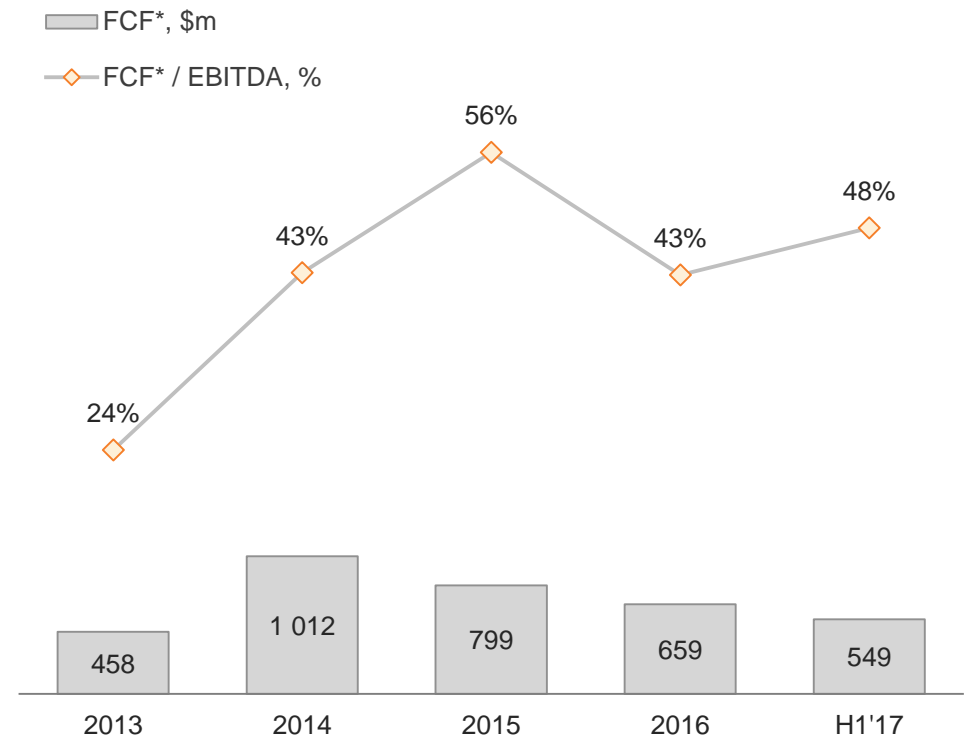
- EBITDA margin in H1 2017 reached 23% - the highest level for the last five years
- Annual FCF* generation was c.\$730m on average since 2013

EBITDA, \$m



Source: EVRAZ data

FCF, \$m



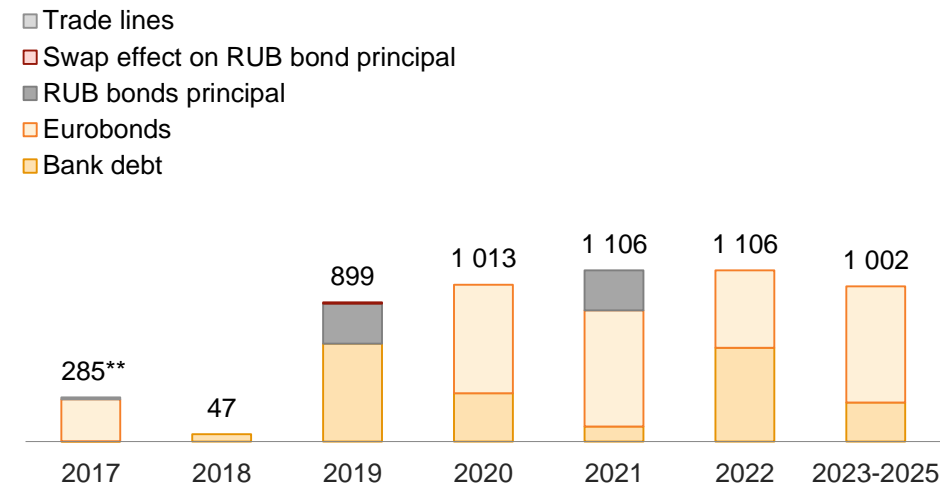
Source: EVRAZ data

* Free Cash Flow is based on the methodology shown in financial results taking into account EBITDA, working capital changes, tax accrued changes, interest payments, CAPEX, M&A activities and non-cash charges

Debt management

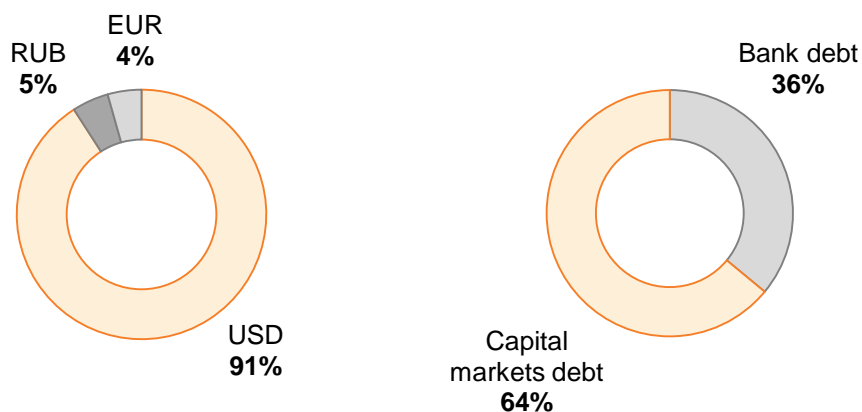
- Total debt reduced by c.\$0.4bn to c.\$5.56bn in 9m2017
- EVRAZ announced the full redemption via make whole of \$271m Eurobonds maturing in 2018, using cash on hand
- After completion of the make whole, overall debt maturities for 2017-2018 will be less than \$65m
- Average cost of borrowings reduced to 6.26%, the lowest level since 2014
- Over 90% of debt is in US\$, with diversified funding sources

Debt maturity profile, as of 30.09.2017*, \$m



Source: EVRAZ data

Debt structure, as of 30.09.2017, %

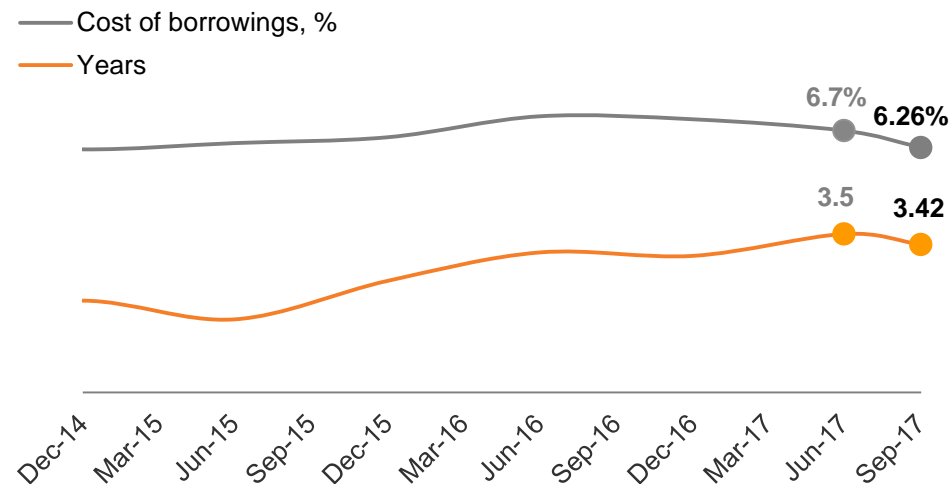


Source: EVRAZ data

* Principal of loans and borrowings (incl. hedging exposure and excl. interest payments)

** \$271m of 2018 Eurobonds to be fully redeemed on 27 October 2017 are included into 2017 maturities

Weighted average maturity and cost of borrowings



Source: EVRAZ data

Cash-flow priorities

1

Debt management

- **Continuous debt management activities** aimed at lower cost of borrowings
- **Target Net debt/EBITDA level - 2.0x**

2

Reinvestment

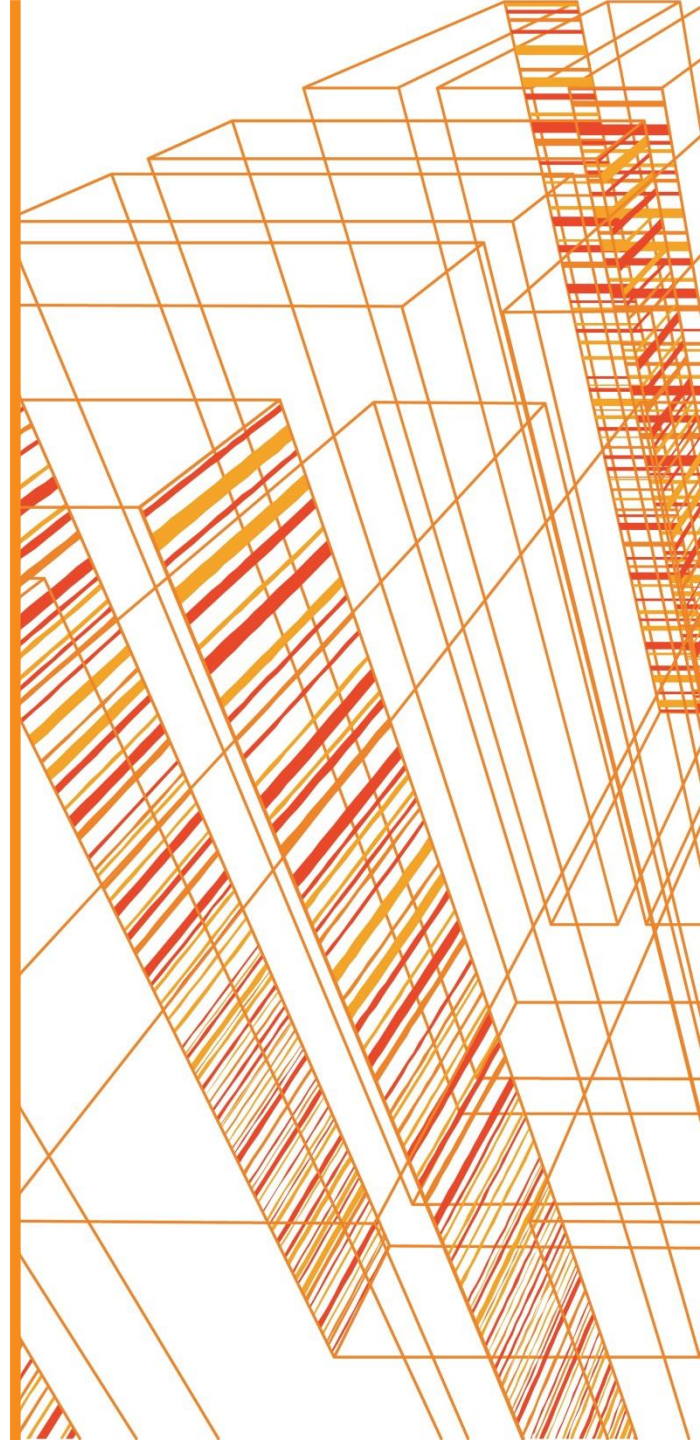
- **Prudent CAPEX**
- **New investment opportunities** are most likely to be focused on the development of the steel products portfolio in Russia and North America

3

Dividends

- **An interim dividend of \$429.6m** (\$0.30 per share) was paid in September 2017
- **New dividend policy** is under development

Q&A





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