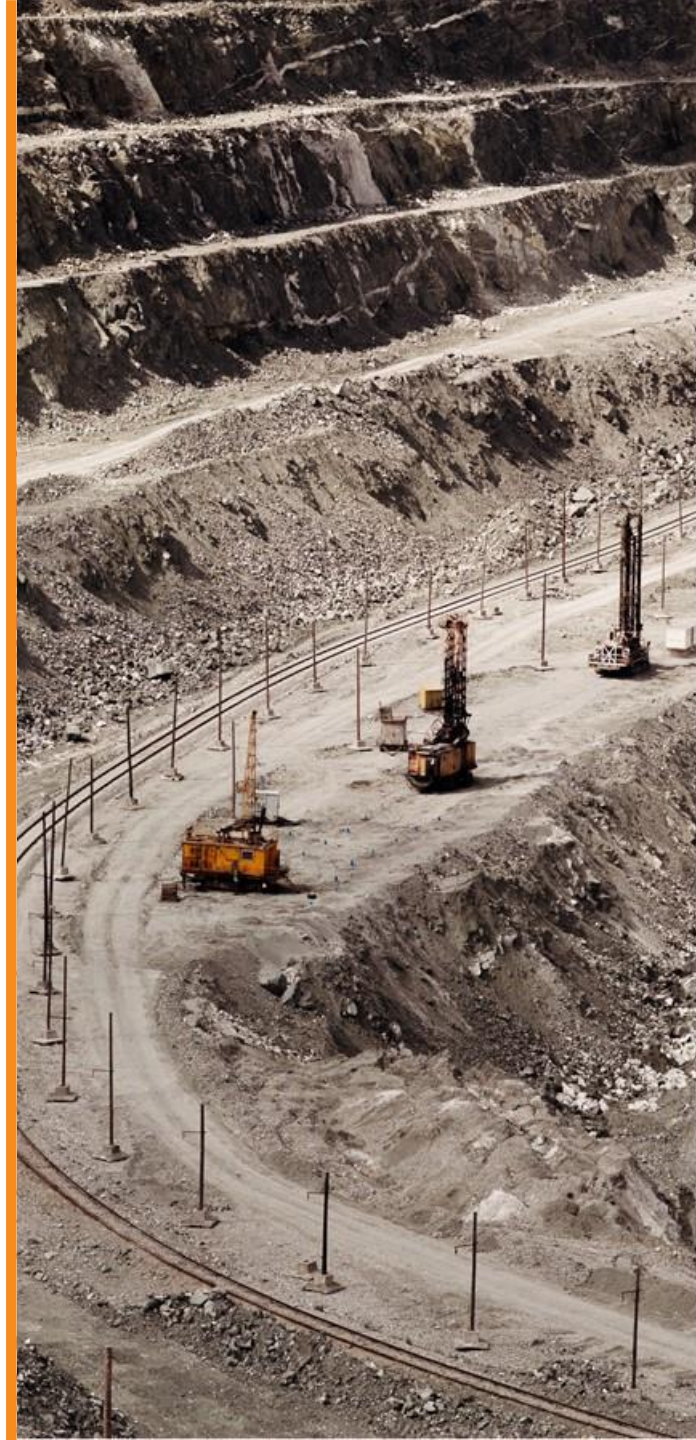


# FY 2015 Financial Results

15 March 2016



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This document contains “forward-looking statements”, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group’s control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking, including, among others, the achievement of anticipated levels of profitability, growth, cost and synergy of recent acquisitions, the impact of competitive pricing, the ability to obtain necessary regulatory approvals and licenses, the impact of developments in the Russian economic, political and legal environment, volatility in stock markets or in the price of the Group’s shares or GDRs, financial risk management and the impact of general business and global economic conditions.

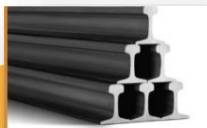
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# EVRAZ core operations and distribution markets

#1 in rails



#1 in LDP\*



#1 in rails\*



Leader in construction products\*

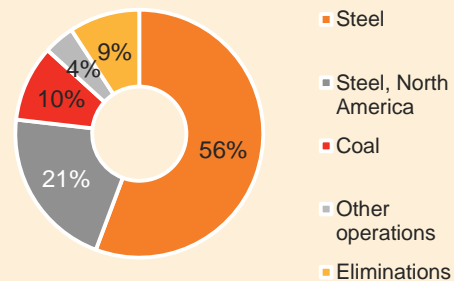


- Steel mills
- Iron ore mining
- Coal mining
- Vanadium
- Nakhodka sea port
- Greenfields: Mezhegey coal and Timir iron ore

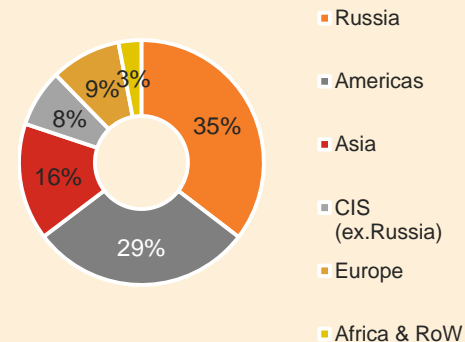
Key operational indicators, mt

	2014	2015
Crude steel production	15.5	14.3
Iron ore products	20.5	20.5
Raw coking coal	21.0	20.9

Consolidated revenue by segments\*\*



Consolidated revenue by region



Source: Company information

\* in 2015 according to Metal Expert

\*\*EVRAZ's steel segment sales include sales of semi-finished and finished steel products, iron ore and vanadium products both to local and global markets

# Highlights

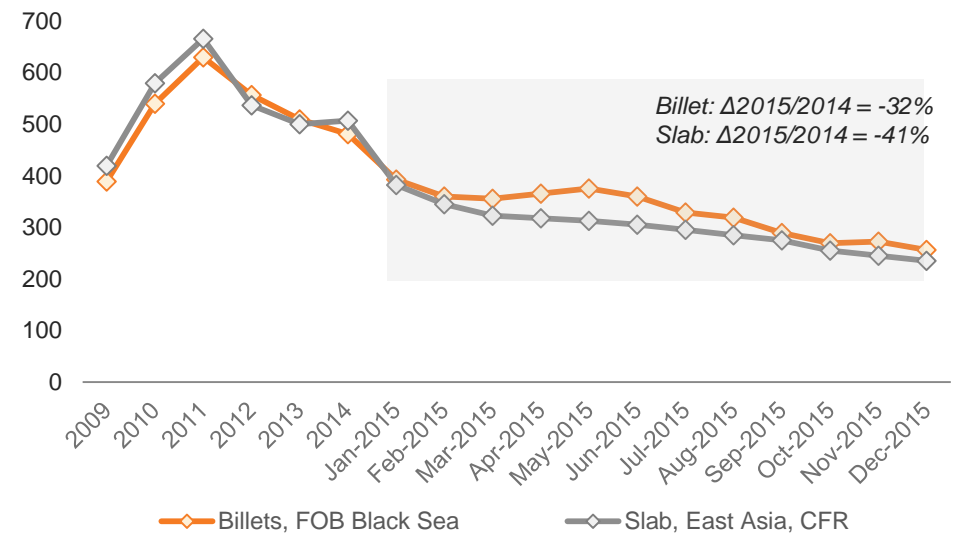
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Alexander Frolov – Chief Executive Officer

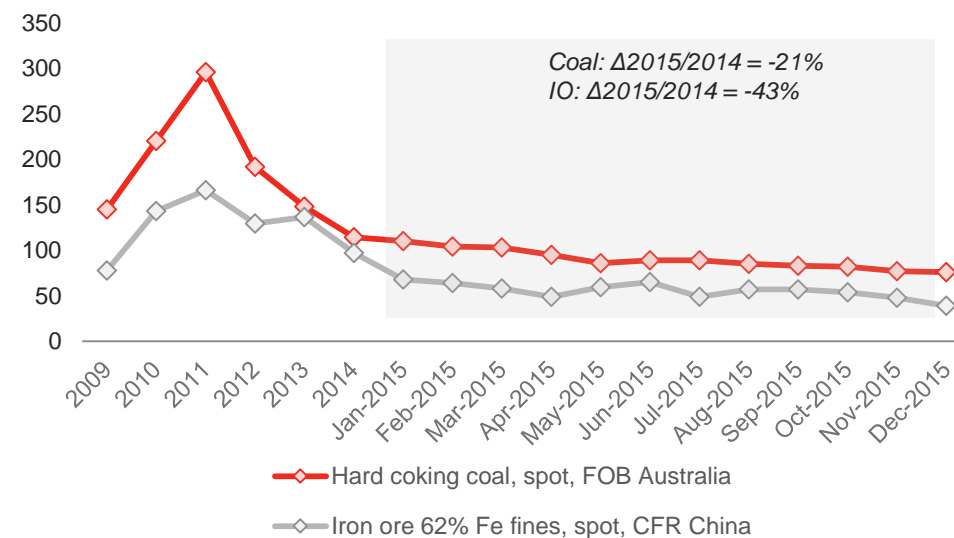
# Key themes

- Weak demand and excess supply in the steel, iron ore and coking coal markets led to a negative global price environment during the year
- Despite the market downturn, EVRAZ was able to maintain full capacity utilisation in 2015 due to its low cost positions across the industry
- Continuous revenue and cost improvements contributed US\$374m to EBITDA, which together with working capital and investment discipline made strong year end free cash flow of \$799m
- The Group's net debt reduced by \$465m
- The Group maintained its premium product portfolio, helping to mitigate margin deterioration
- In 2015, EVRAZ demonstrated great flexibility in redirecting sales from the domestic to the export market, maintaining production and helping to increase profitability

**Global steel prices, \$/t**



**Global raw material prices, \$/t**

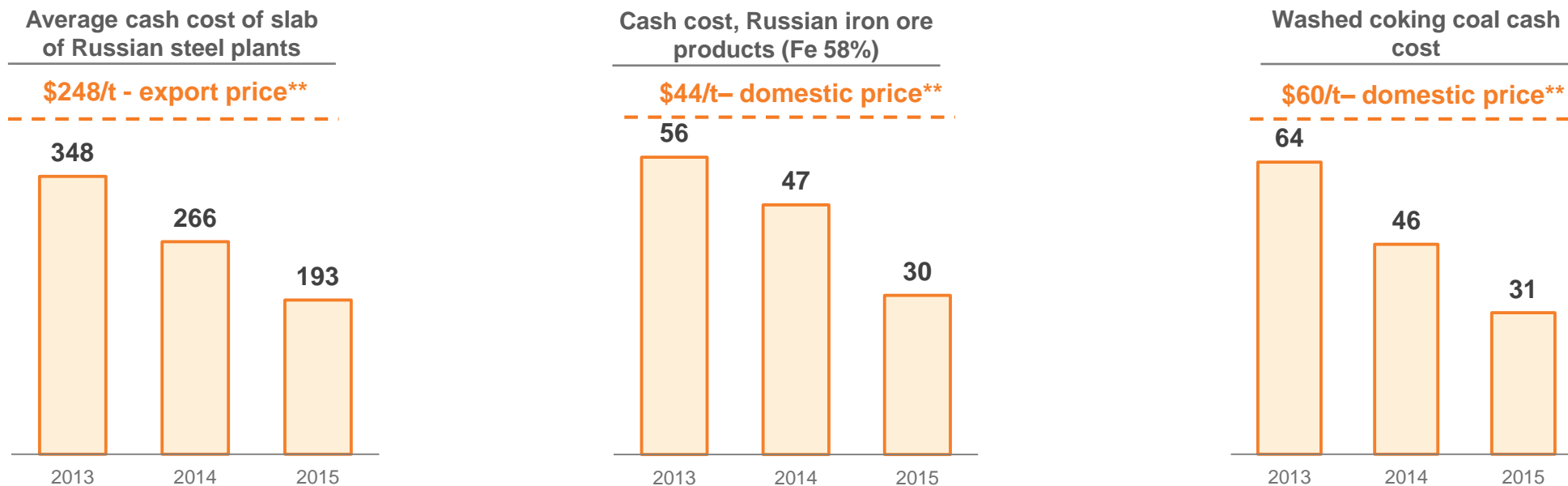


Source: Metal Expert, CRU

# Robust cost base

- Having low-cost operations is crucial for EVRAZ, especially in a period of declining steel and raw material prices

## Enhanced cost positions\*, \$/t



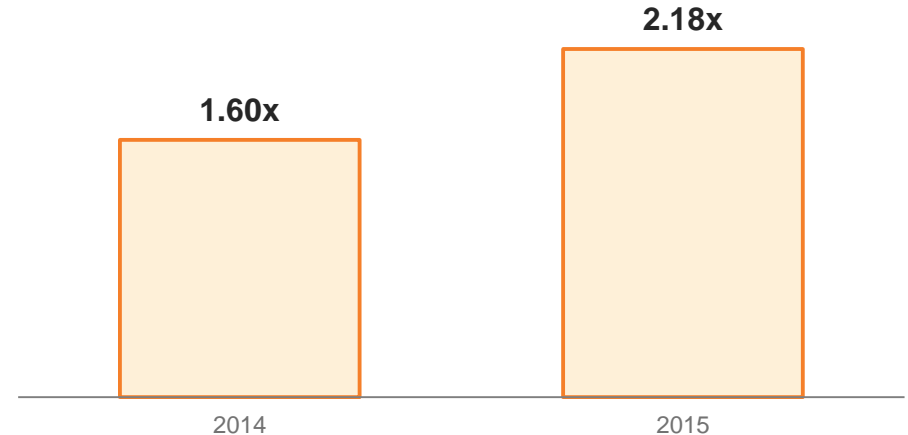
\* The data in this chart is derived from the unaudited monthly management accounts of EVRAZ in respect of the indicated periods  
\*\* Average price for 2015: Slab – FCA , export slab, Iron ore products - 58% Fe, FCA, Washed coking coal - GZh concentrate, FCA

# Safety and Environment

## Safety

- Regrettably 13 fatalities (3 contractors)
- A clear downward trend in serious lost-time injuries: 34 in 2015 vs 43 in 2014
- LTIFR 2.18x, up 36% due to a spike in reported lost-time incidents involving minor injuries

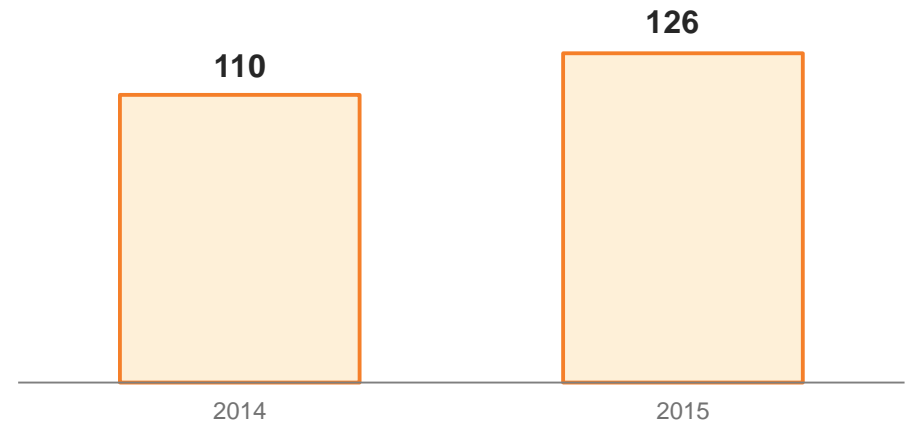
### Lost Time Injury Frequency Rate (LTIFR)\*



## Environment

- 126% of non-mining waste and by-products recycled or reused vs 110% in 2014
- A positive trend in fresh water consumption due to implementation of water management programs leads to decrease in fresh water consumption by 14.9%\*\*\*

### Recycling rate\*\*, %



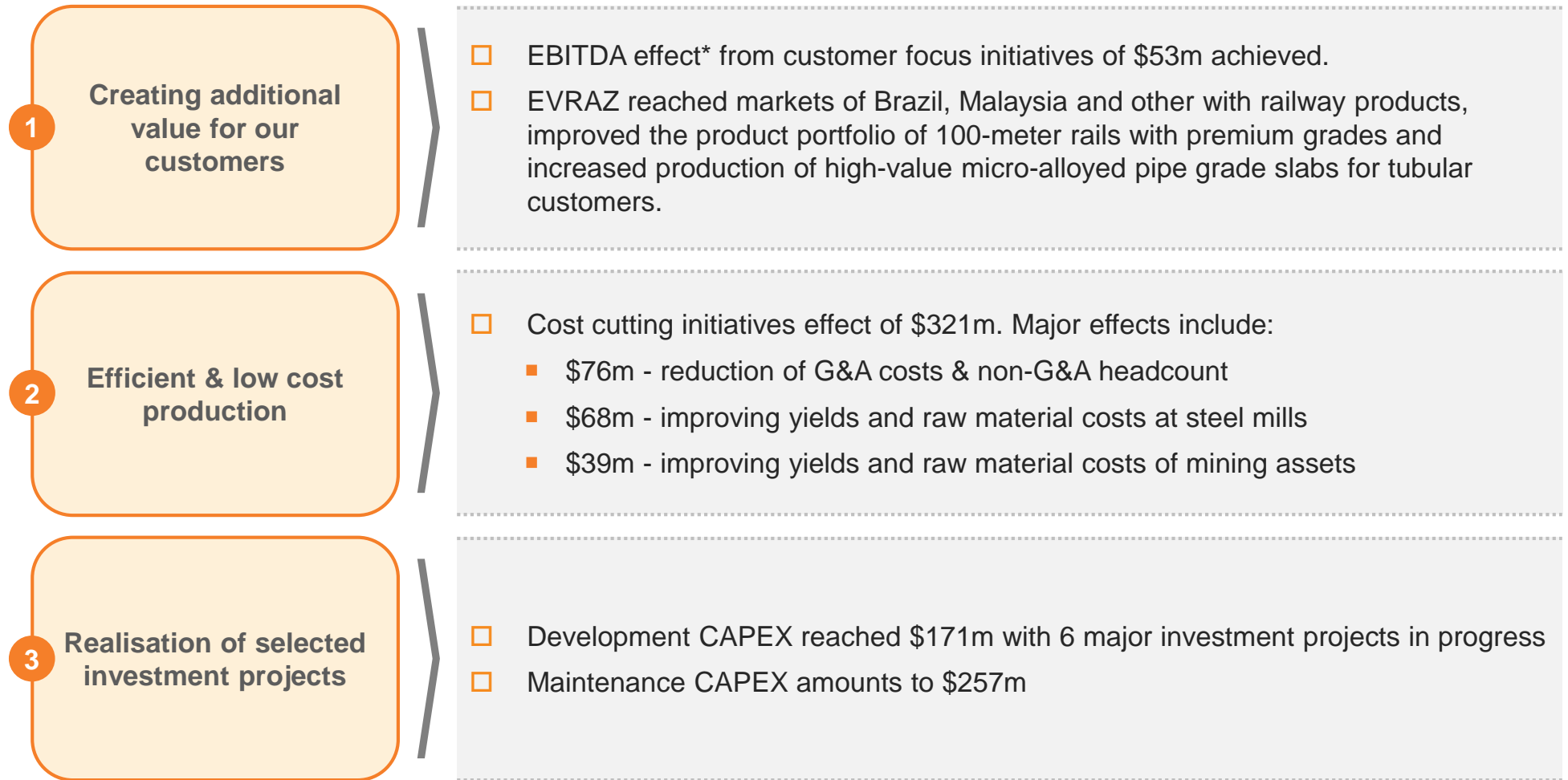
\*Calculated as number of lost working hours due to injuries, excluding fatalities, per 1 million hours worked

\*\*Excluding waste products of mining industry and including materials from old dumps

\*\*\* Given the HSE Committee's decision to re-base the target by excluding data related to disposed assets, fresh water consumption decreased compared with the 2011 adjusted baseline

# Strategic goals 2015 – FY deliverables

## Key business priorities



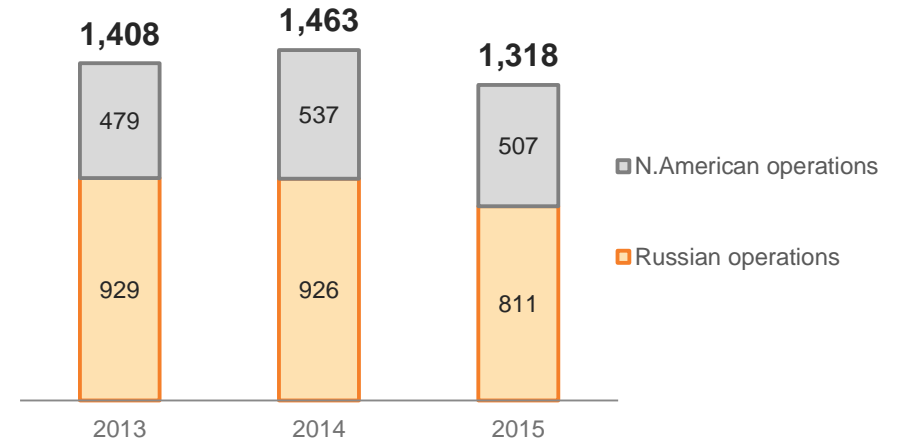
\*Incremental effect



# Significant presence in rail market

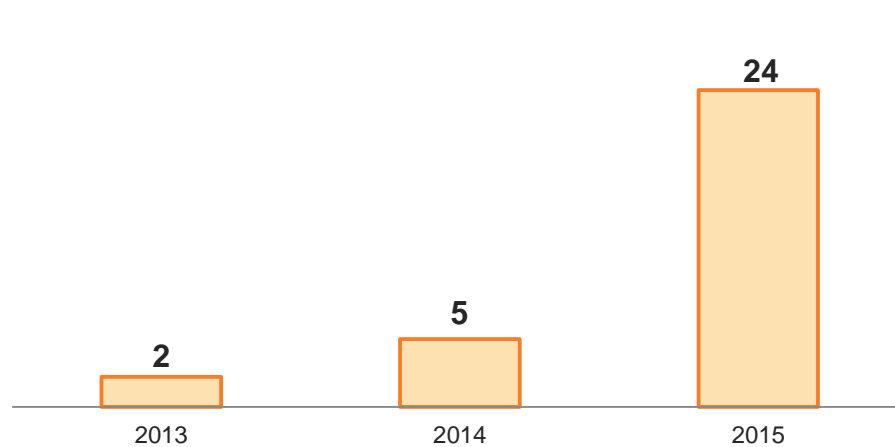
- Maintained market share in Russia at 97%
- Remained core supplier to Russian Railways with volumes secured by long-term contracts until the end of 2017
  - 2015 sales to RZD – 632kt vs 650kt in 2014
- Entered new overseas markets, and exported around 40kt of rails in the year
- Committed to reaching full capacity in Russia in 2016 by increasing rail volumes by a further 100 thousand tonnes
- The North American rail market was fairly stable in 2015, consumption amounting to 1.4mt
  - market share remained at 38%

EVRAZ rail shipments, kt



Source: Company information

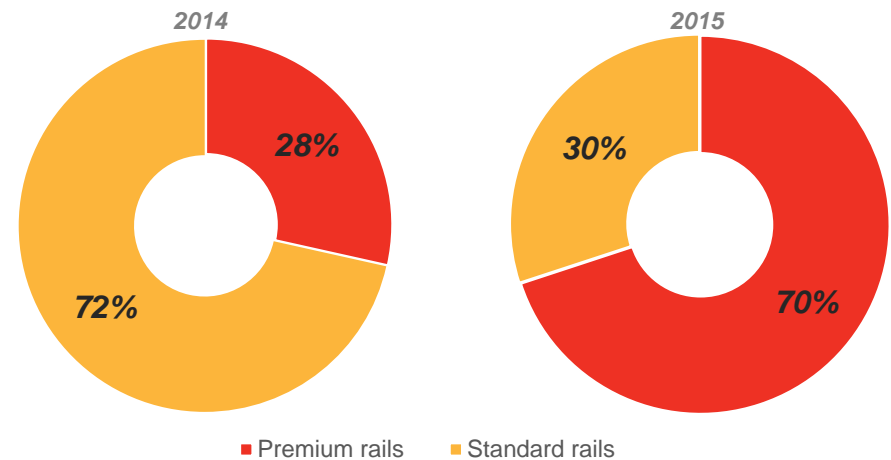
EVRAZ's export sales from Russia\*, kt



Source: Company information

\* Excluding sales to CIS

Rail production by type

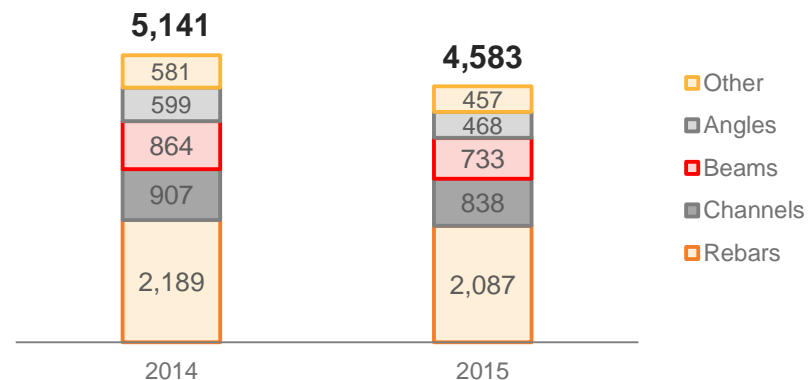


Source: Company information

# Construction steel. Resilient market position in Russia

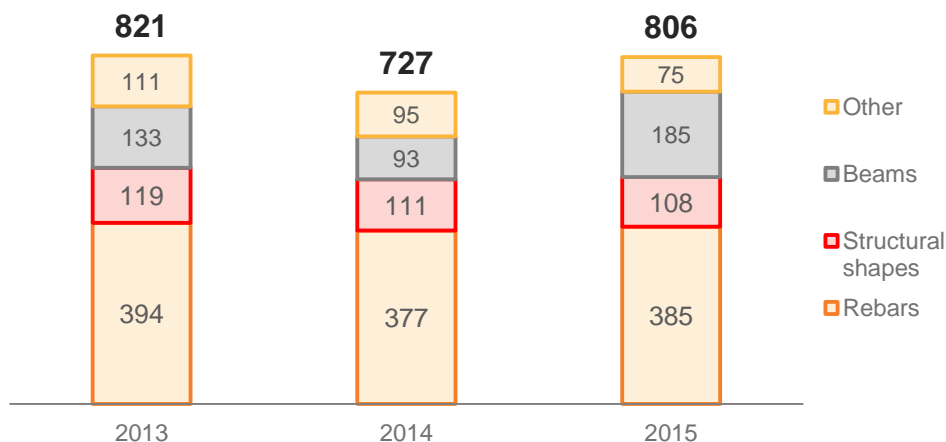
- Maintained and improved leading positions in key high-value added product segments
- Flexible operational set-up to sell volumes into export markets if advantageous
- Expanded international presence in construction steel 806kt of construction steel products exported in 2015 from Russian mills (+80kt vs 2014)
- In early 2016 construction activity in Russia remained subdued, but some recovery expected to return with the construction season

EVRAZ's steel segment sales volumes, kt



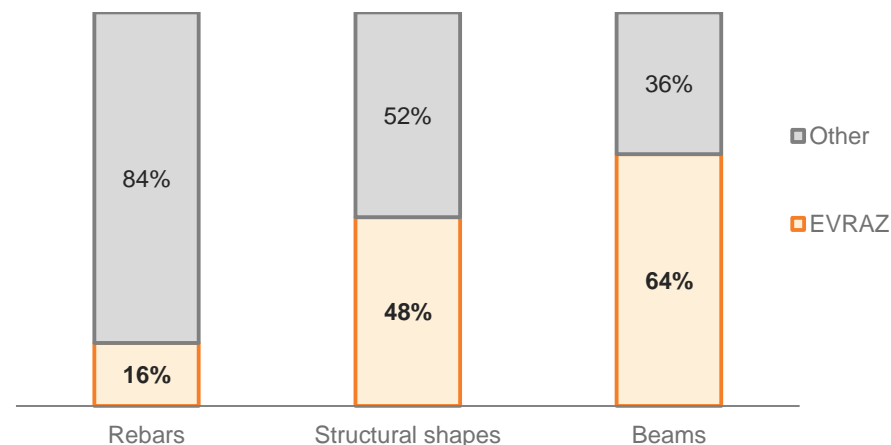
Source: Company information.

EVRAZ's export sales from Russian steel mills, kt



Source: Company information

EVRAZ's market shares in Russia in 2015, %

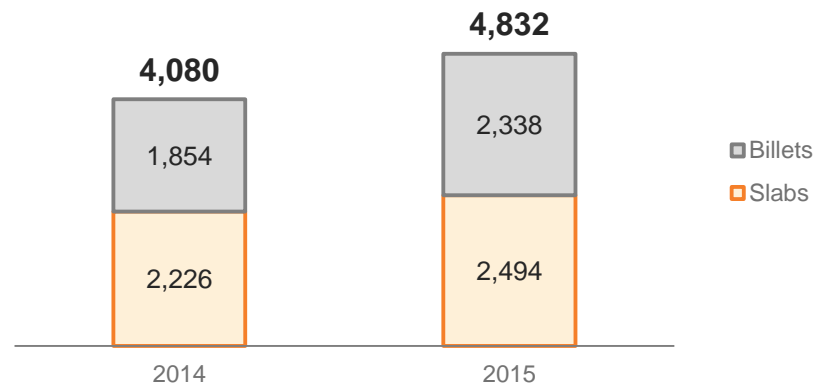


Source: Metal Expert, Company information

# Semi-finished steel. Consistent in delivering value to clients

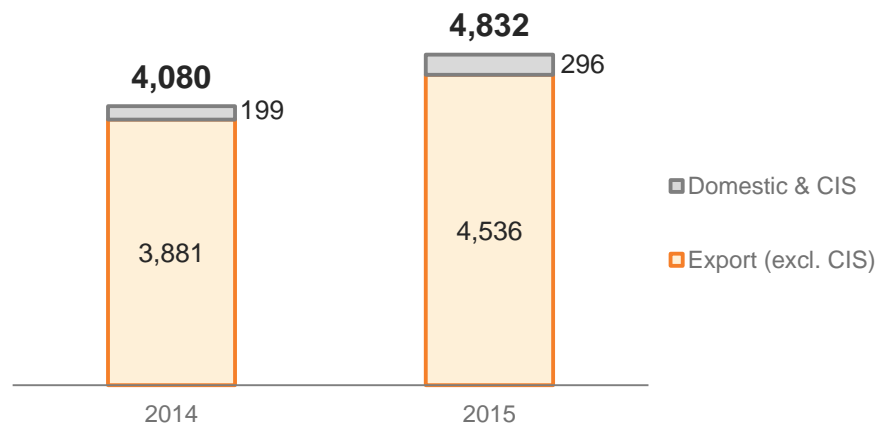
- Flexibility in managing volumes between Russia and export markets. Export markets – a balancing factor
- Export sales of semi-finished products to non-CIS countries surged, driven by weaker demand in Russia for finished steel goods due to the economic downturn
- Overall cash cost of semi-finished products produced at Russian steel mills declined to \$195/t, allowing for all exports to be sold profitably
- Increased output of high-value micro-alloyed pipe-grade slabs
- Despite temporary increase in sales of semi-finished products our focus remains on high-margin products

Sales volumes, kt



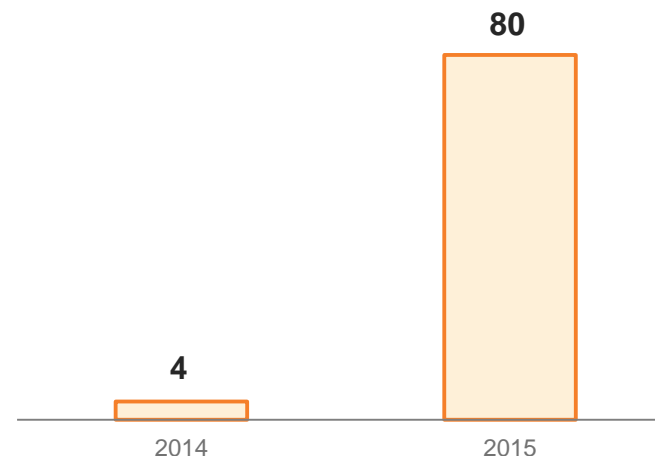
Source: Company information

Sales volumes of slabs & billets by region, kt



Source: Company information

Domestic sales of high-quality premium slabs, kt

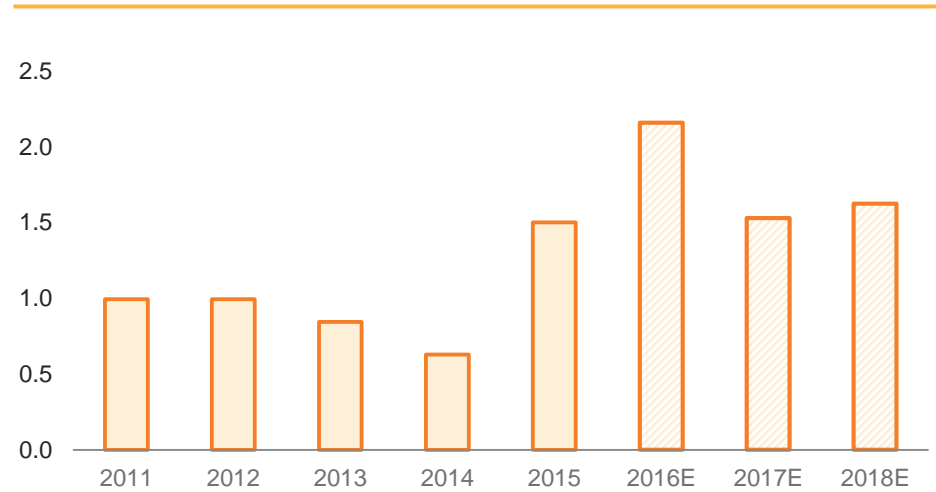


Source: Company information

# Leading market positions in large-diameter pipes in N. America

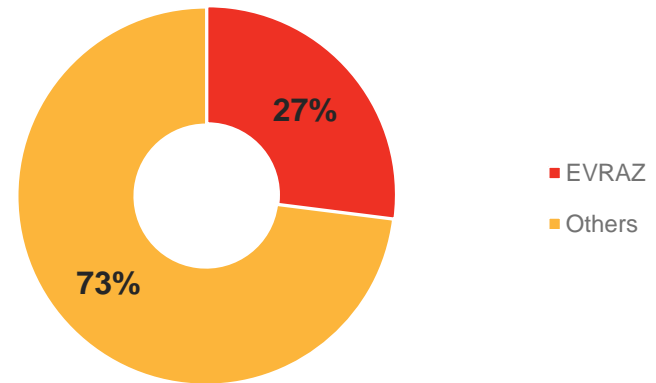
- Strong sales of large-diameter pipes (“LDP”) up 6% to 363kt from 344kt in 2014, due to strong oil and gas transmission market in the US and Canada
- Modernisation of Regina steel mill and construction of a new LDP mill will continue to improve steel and pipe quality
- Consumption of large-diameter pipes nearly doubled in North America in 2015, reaching 1.5mt, up 0.7mt from the year before
- EVRAZ expects the LDP market conditions to remain favourable for the next 3 years

**LDP market size, mt**



Source: Company information

**EVRAZ LDP market share in 2015**



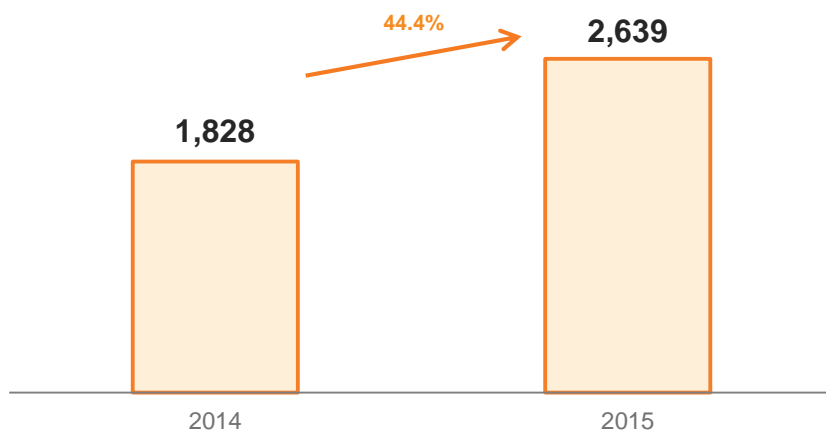
Source: Company information

Source: Company information

# Russia's largest coking coal producer

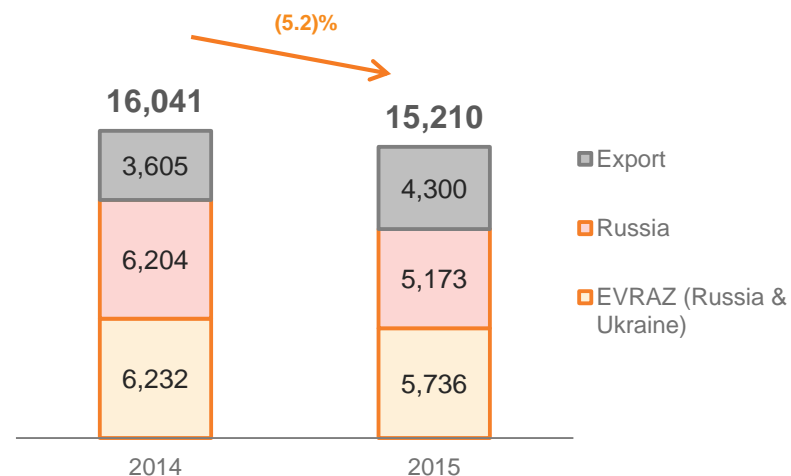
- Coking coal production volumes at operating mines were relatively flat at 20.9mt
- Domestic sales of 10mt of coking coal; c.50% - external sales mostly covered by long-term contracts
- Coal products export shipments increased by 19% in 2015 with 4.3mt vs 3.6mt a year before
- Sales to more profitable markets of Ukraine, Europe, South Korea and Japan increased from 1.9mt in 2014 to 2.7mt in 2015; stable sales to China at 1mt maintained
- 2016 focus on the expansion of our coal grades presence in Ukrainian market, improving our coking coal quality stability and increasing the share of long-term contracts vs spot

## Export sales to TOP-5 clients, kt



\*Domestic price - coking coal concentrate Zh-grade, FCA  
Source: Company information

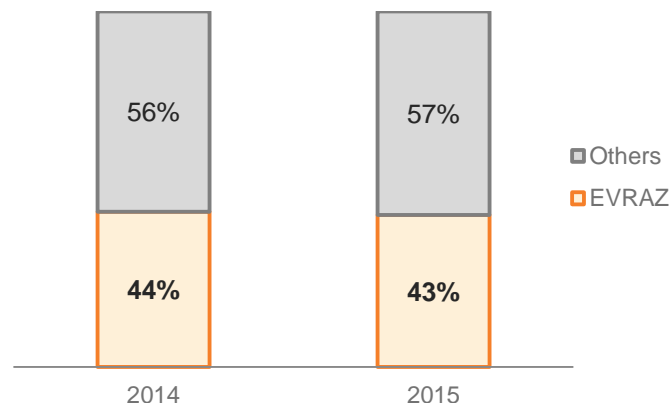
## Coking coal products sales by market, kt



Source: Company information

## EVRAZ market share in Russia\*

\*(high-vol grades (Zh, GZh, GZhO) coking coal concentrate)



Source: Metal Expert, Company information

# Financial Performance

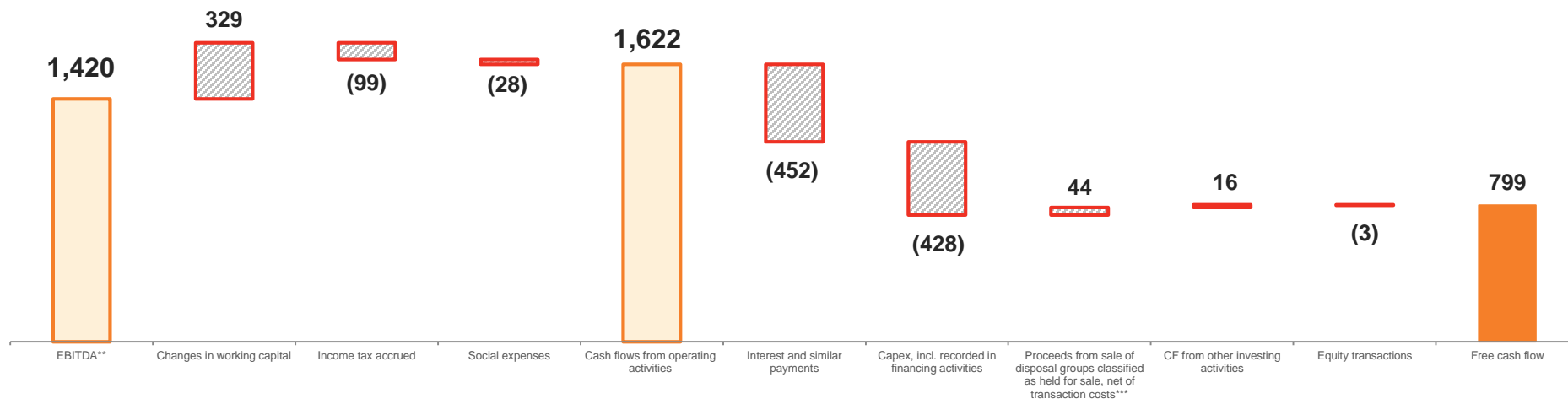
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Pavel Tatyandin – Chief Financial Officer

# Strong free cash flow

- Strong net cash flows from operating activities contracted by only 17% in 2015, \$329m are attributed to the release of net working capital
- Free cash flow totaled \$799m in 2015, allowing EVRAZ to reduce net debt by \$465m to \$5,349 as of 31 December 2015

## EBITDA bridge to Free cash flow\* in 2015, \$m



Source: Company information

\* Free cash flow is a non-IFRS measure and is calculated as net cash generated from operating activities less net cash used in investing activities for the reported period

\*\* EBITDA excluding non-cash items

\*\*\* including interest in JV and associates

# Continuous reduction of net debt

- Deleveraging on track: net debt reduced to \$5,349m
- Total net debt reduction reached \$1,185m in 2014-2015
- Net leverage increased to 3.7x due to the EBITDA decline

## Net debt bridge, \$m



LTM EBITDA	2,355	1,438
Net leverage**	2.5	3.7

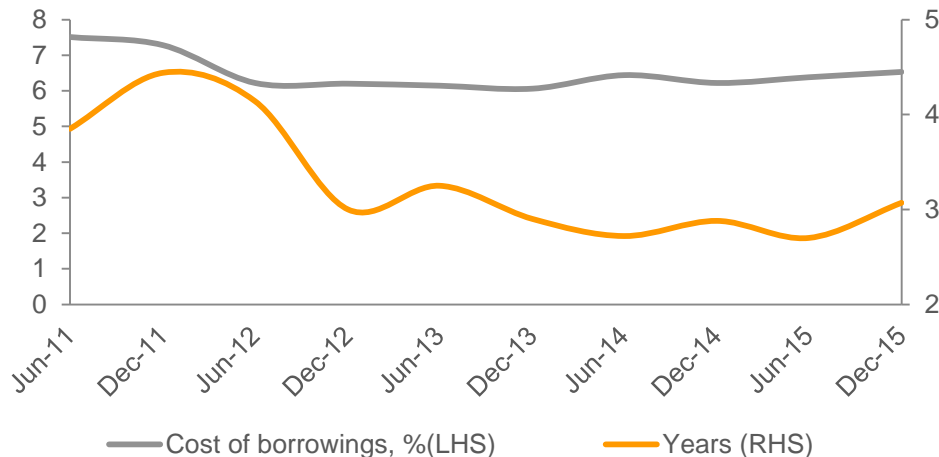
Note. These calculations should not be considered for covenants purposes  
 \* Including effects on cash, debt and hedging instruments  
 \*\* Net leverage is a ratio of Net debt as of the reporting date to LTM EBITDA



# Debt management

- Refinancing initiatives during 2015 in various debt markets to proactively extend short-term debt maturities and reduce the cost of debt
- All debt maturities falling due regularly coming due in 2016 are covered with the cash reserves
- Weighted average maturity profile improved in 2015 while keeping the cost of debt stable
- Debt currency composition:
  - USD – 91% (incl. synthetic USD); EUR – 5%, RUB – 4%
- Cash currency composition:
  - USD – 87%; RUB – 9%; other – 4%

## Cost of borrowings

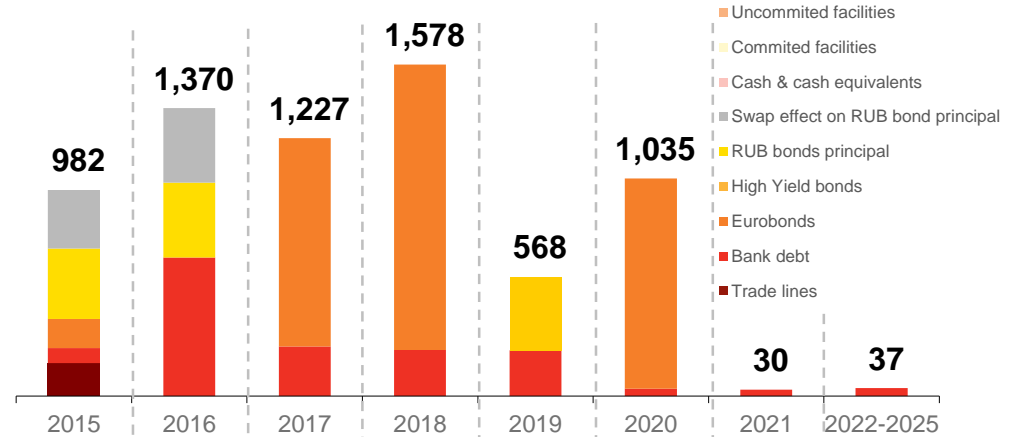


Source: Company information

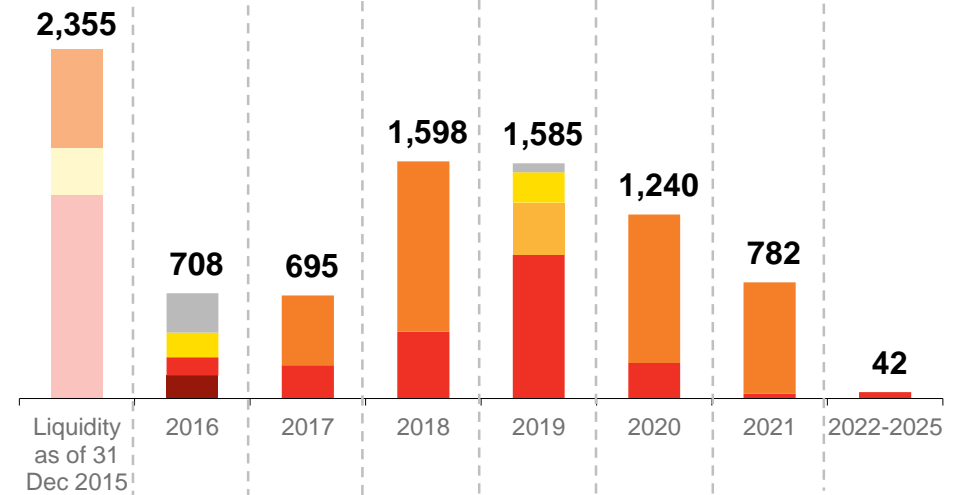
\* Principal of loans and borrowings (incl. hedging exposure and excl. interest payments)

## Maturity profile\*, \$m

as of 31 December 2014



as of 31 December 2015



# Performance impacted by weak commodity markets

- Significantly lower commodity prices weighed on earnings as EBITDA fell 39% over the year
- Impact partially offset by cost savings and favourable movements in FX rates

## Steel

- Steel segment's EBITDA declined amid generally negative steel price trends globally and depressed demand in Russia, partly offset by lower expenses in US dollar terms due to rouble depreciation

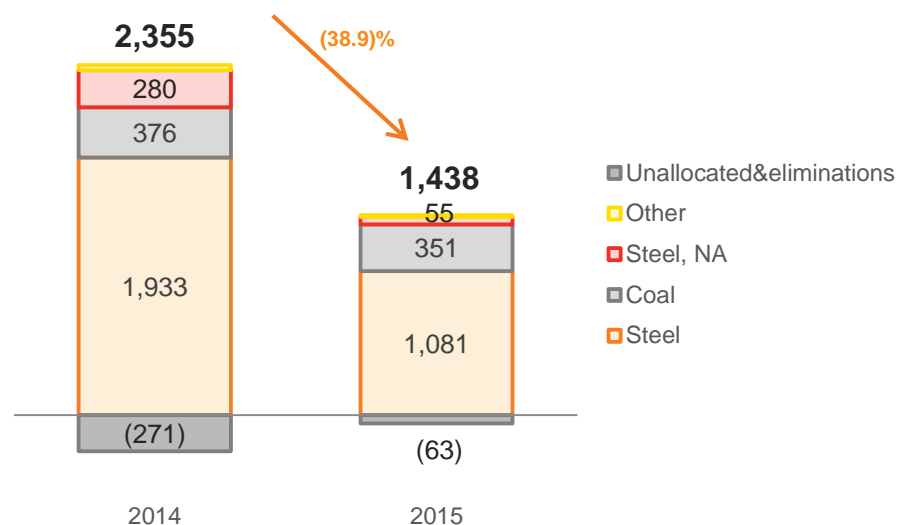
## Steel, NA

- The Steel, North America segment's EBITDA impacted by lower sales volumes stemming from a downturn in the OCTG and flat product markets

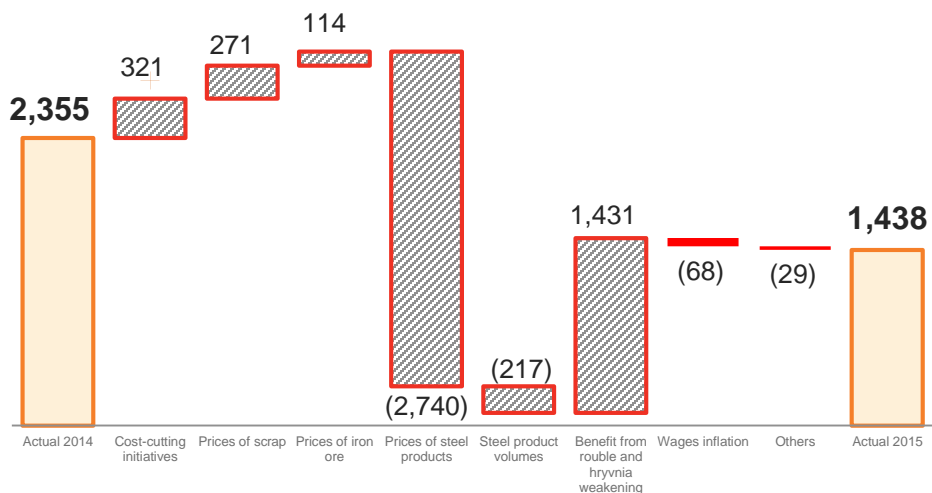
## Coal

- The Coal segment's EBITDA remained flat year-on-year, as Yuzhkuzbassugol implemented an efficiency improvement programme and optimised assets and the rouble devaluation had a favourable effect on costs, while coal product sales prices decreased

EBITDA 2014 - 2015, \$m



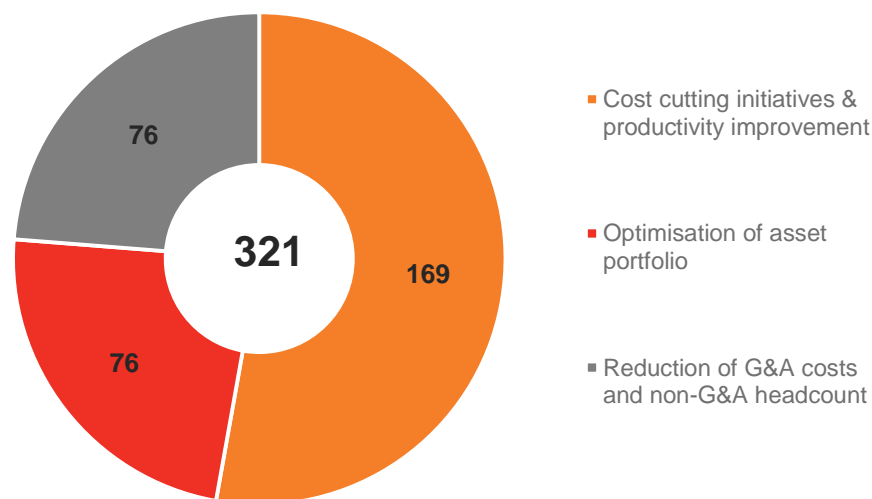
EBITDA bridge 2014 - 2015, \$m



# Efficiency improvement plan: FY 2015 progress update

□ Implementation of efficiency improvement plan resulted in US\$321m\* of savings

## Efficiency improvement, \$m



### Cost cutting initiatives & productivity improvement: 169

Improving yields and raw material costs at steel mills	68
Improving yields and raw material costs of mining assets	39
Productivity improvement	35
Energy efficiency and optimisation of maintenance costs	21
Other cost optimisations	6

### Optimisation of asset portfolio: 76

Highveld deconsolidation	39
EVRAZ North America: shutdown of Claymont	19
EVRAZ ZSMK: shutdown of coke battery #2 and disposal of non-core assets	11
Production suspension and disposal of high cost and inefficient assets at Rospadskaya and Evrazruda	7

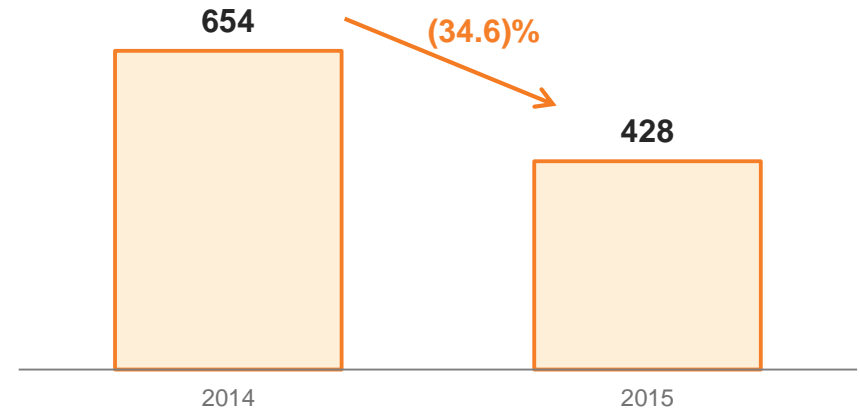
### Reduction of G&A costs & non-G&A headcount: 76

\* 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)

# Capex optimised

- Well invested asset base. Largest investment projects completed in recent years
- Ongoing optimisation of capital expenditures led to a significant decrease to \$428m in 2015
- Yearly target for 2016 is \$375-400m

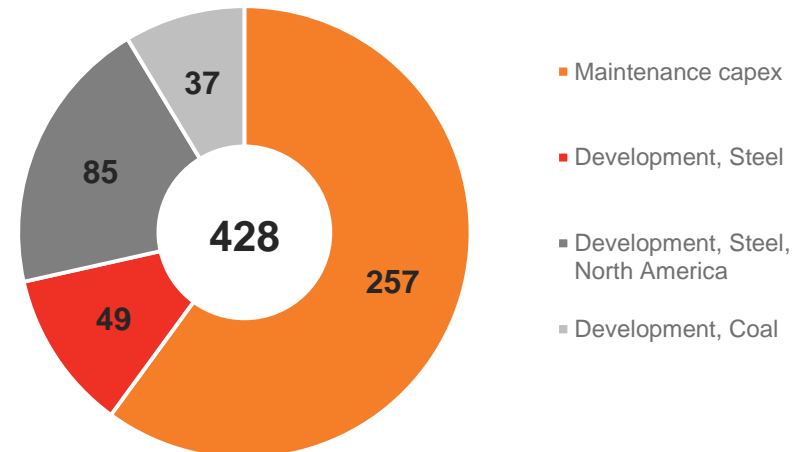
Capex development, \$m



Capital expenditure breakdown by projects

Projects	Amount, \$m
Construction of an LDP mill (EVRAZ Regina)	51
Continuous casting machine reconstruction (CCM) (EVRAZ ZSMK)	24
Coal deposit development (Mezhegey)	27
Iron ore mine capacity expansion (Sheregesh)	8
Steel mill upgrade (EVRAZ Regina)	18
Grinding ball mill construction (EVRAZ NTMK)	1
Other development projects	42
Maintenance	257
<b>Total</b>	<b>428</b>

Capex breakdown in 2015, \$m



Source: Company information

# Looking Forward

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# 2016 outlook

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- The global steel and bulk commodities industry remains under pressure due to overcapacity and the ongoing transformation of the Chinese economy
- EVRAZ does not anticipate substantial steel demand improvements in Russia in 2016. Situation will depend on GDP dynamics, FX rate volatility and state mortgage support programme's successful implementation
- In North America EVRAZ expects end demand to remain stable for rails, LDP and plate, and continued weakness for OCTG and wire rod products
- EVRAZ expects coking coal sales volumes and prices to remain at 2015 levels due to stable Russian steel production and the existing export contract portfolio
- An unexpected steel & iron ore price surge in early March has brought positive momentum
  - EVRAZ is reacting to recent steel price hike by maximizing export shipments
  - If announced plans for capacity cuts and investment stimulus measures in China prove to be sustainable, this may lead to stabilization in the market and potential positive changes in global trends
- Given the current environment, EVRAZ will remain focused on cost efficiency and product development, which will support its financial stability and enable it to deliver stronger financial results once markets improve
  - EVRAZ plans to implement an updated plan of cost-cutting initiatives with a bottom-line effect similar to 2015



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15 March 2016

