

H1 2019 Financial Results

8 August 2019



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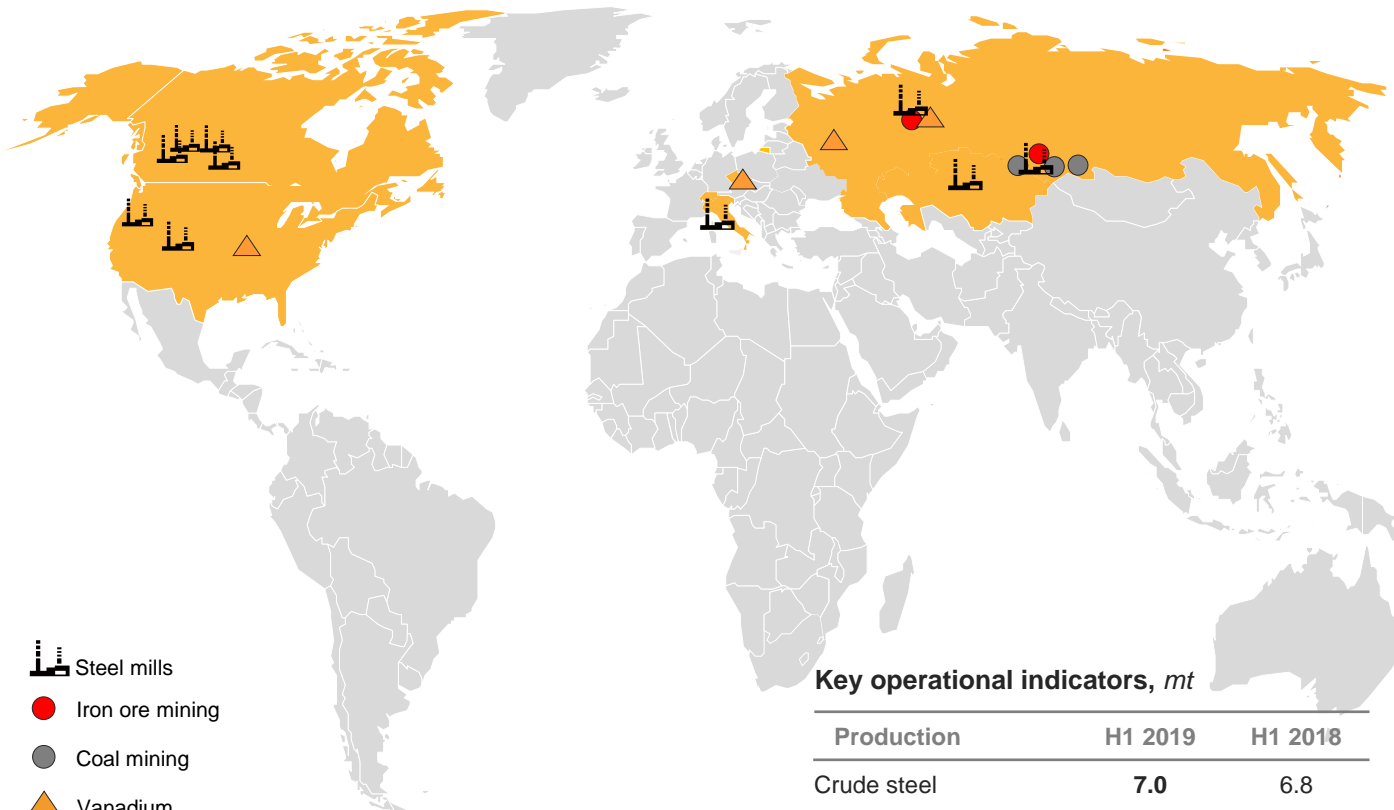
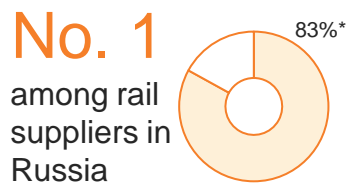
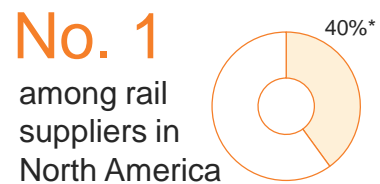
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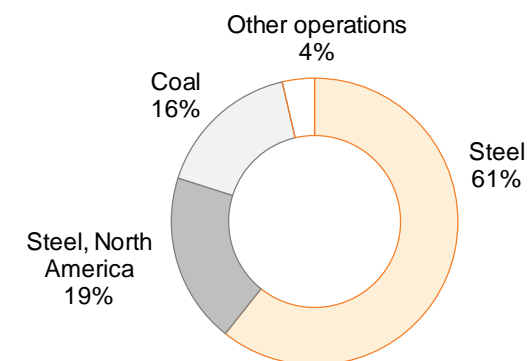
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Core operations and distribution markets

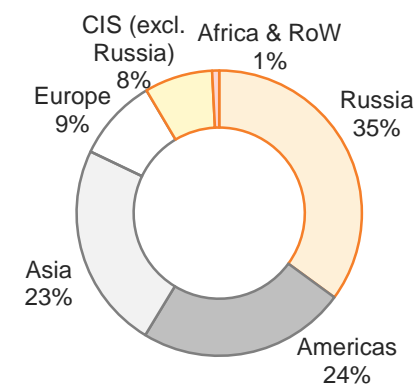


- Steel mills
- Iron ore mining
- Coal mining
- Vanadium

Segment revenue structure***, %



Consolidated revenue by region, %



Source: Company information

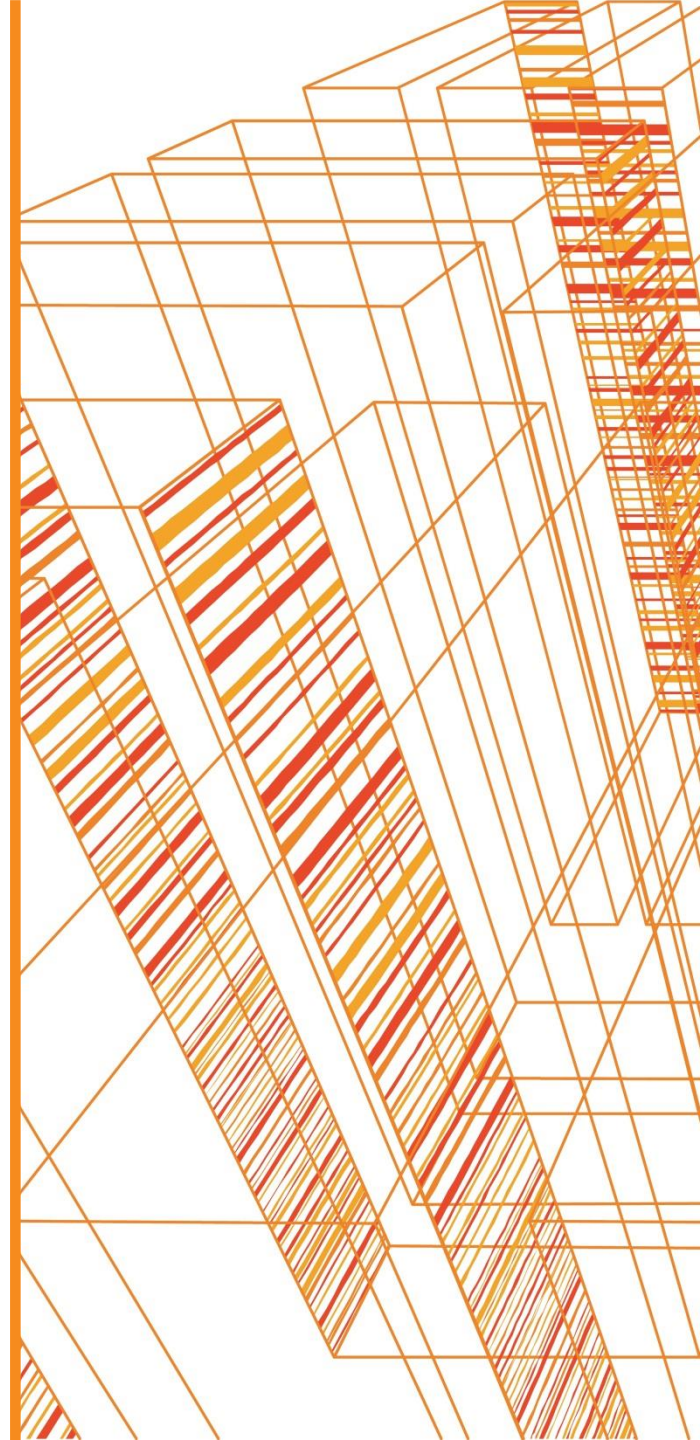
* For construction steel market in Russia - market share in beams, all data are company's estimation for H1 2019

** Coking coal concentrate (Semi-hard coking coal high-volatile), company's estimation for H1 2019

*** 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

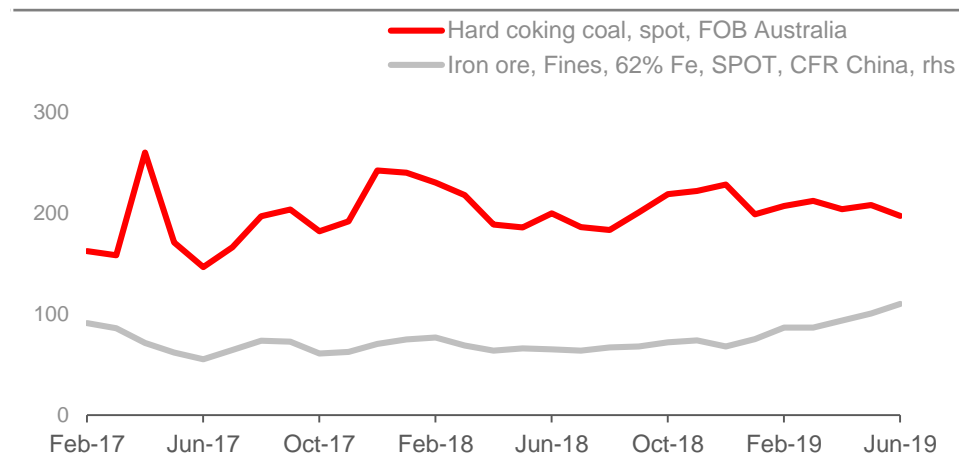
Alexander Frolov – Chief Executive Officer



Key themes

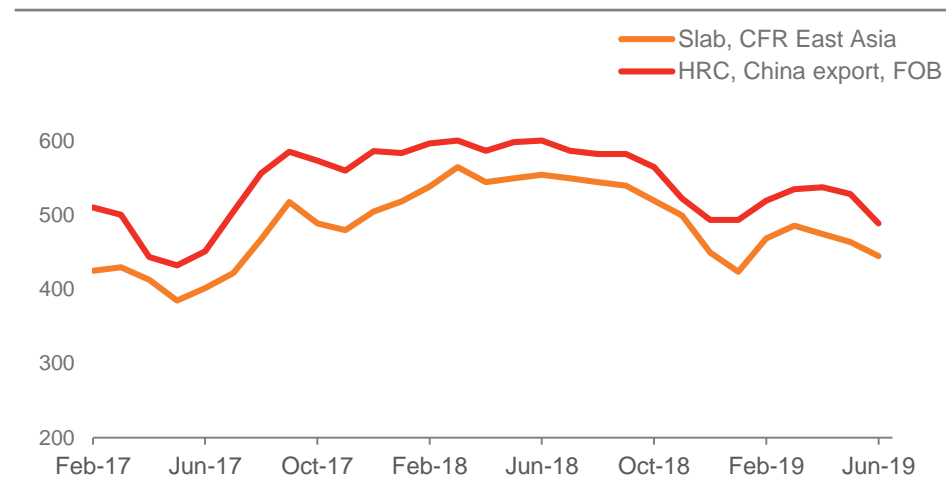
- Healthy financial results reflecting favorable market conditions and the effect from efficiency improvements
- Consolidated EBITDA reached \$1,482m (-22.2% YoY), driving the EBITDA margin down to 24.1% as a result of lower vanadium, coal and steel product prices
- Customer focus efforts and cost cutting initiatives together added \$150m to the EBITDA
- CAPEX reached \$309m. New investment projects remain in focus
- Free cash flow generation remained strong at \$692m
- Net debt increased to \$3,650m (FY2018: \$3,571m) due to the recognition of lease liabilities under the new IFRS 16 Leases standard
- An interim dividend of \$0.35 per share, totalling c.\$508.17m was recommended by the BoD on 7 August 2019

Global raw material prices, \$/t



Source: Metal Expert

Global steel prices, \$/t

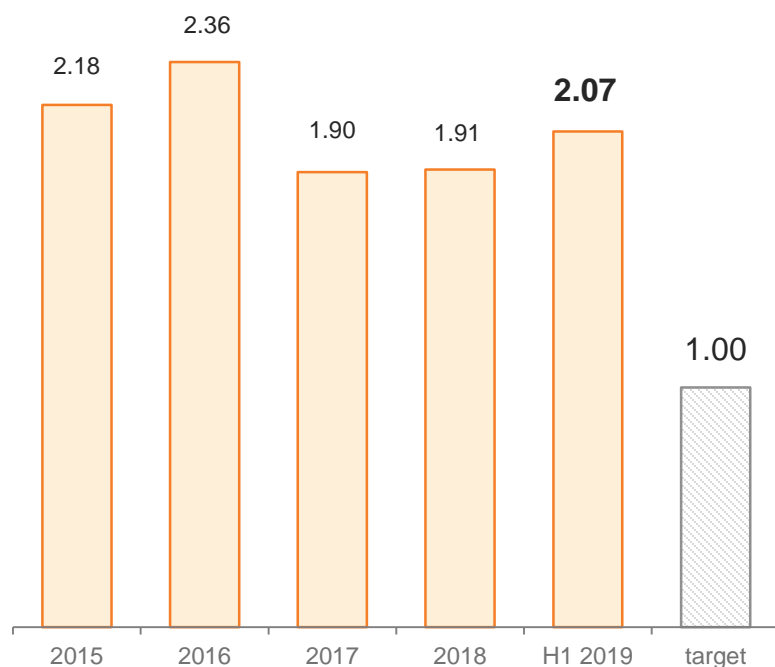


Source: Metal Expert

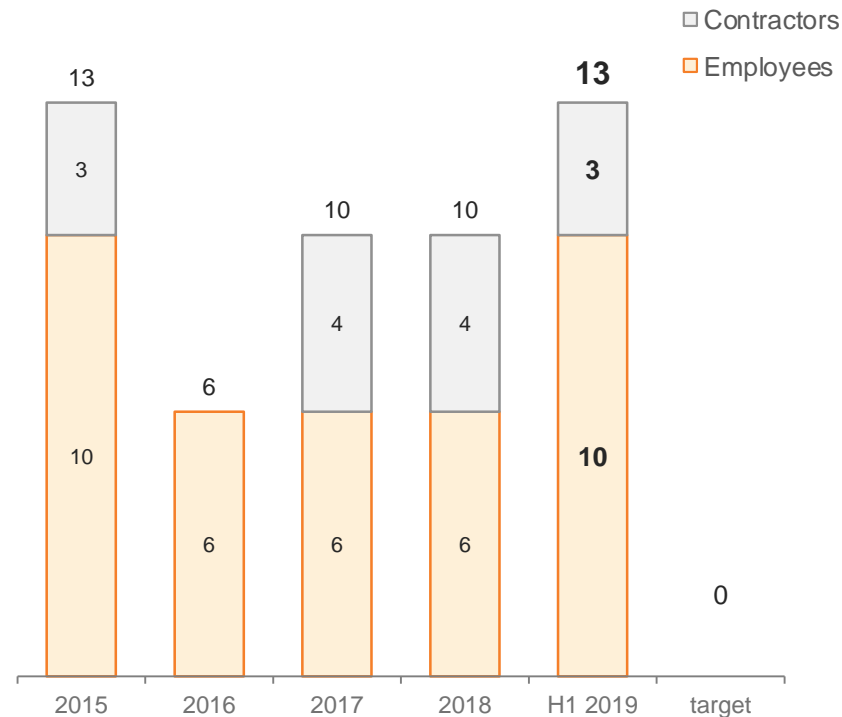
Safety is a top priority

- Ensuring zero injuries and fatalities in the workplace has always been and remains of paramount importance for EVRAZ' management
- Sadly, despite every effort, thirteen people lost their lives in H1 2019
- EVRAZ' management aims to do more to minimize the risks associated with operations and to continue focusing on risk management, improvement in working environment and staff training

Lost Time Injury Frequency Rate (LTIFR)*



Fatalities



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

Source: Company information

Vertically integrated business model supported by robust cost base

- Cash cost of slabs decreased amid rouble depreciation and greater sales volumes
- Iron ore cash cost remained mostly flat YoY
- Coking coal cash cost decreased mainly due to higher sales volumes

Cost positions*, \$/t



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

** The data for 2017 was changed following adjustment in methodology for using the Fe 62% content in calculation (previously Fe 58% content)

***The raw material requirement of EVRAZ steelmaking facilities compared with coal product sales or production of iron ore products from own raw materials.

Source: Company information

EVRAZ strategic priorities remain

Market trends

- Growth in steel demand and production in China based on infrastructure and construction activity alongside demand stagnation in developed world
- Strong demand for long steel in Russia amid recovery of construction activity and seasonal restocking
- Shortage of iron ore supply due to Vale dam accident and strong demand from Chinese steelmakers
- Limitation of metallurgical coal supply due to logistical constraints and unfavorable weather conditions in Australia
- Lower vanadium demand due to substitution by niobium and European automotive industry slowdown

EVRAZ strategic priorities

**Debt management
and stable
dividends**

**Prudent
CAPEX**

**Retention
of low-cost
position**

**Development
of product
portfolio and customer
base**

EVRAZ strategy achievements

EVRAZ strategic priorities



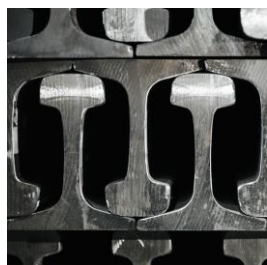
Debt management and stable dividends



Prudent CAPEX



Retention of low-cost position



Development of product portfolio and customer base

Achievements in H1 2019

- ✓ Net Debt increased by \$79m and reached \$3,650m driven by recognition of lease liabilities under new accounting standard
- ✓ Net Debt / EBITDA level of 1.1x
- ✓ c.\$570m of dividends paid out with a dividend yield of 5%

- ✓ Development CAPEX - \$79m
- ✓ Maintenance CAPEX - \$230m
- ✓ We remain focused on previously announced investment projects

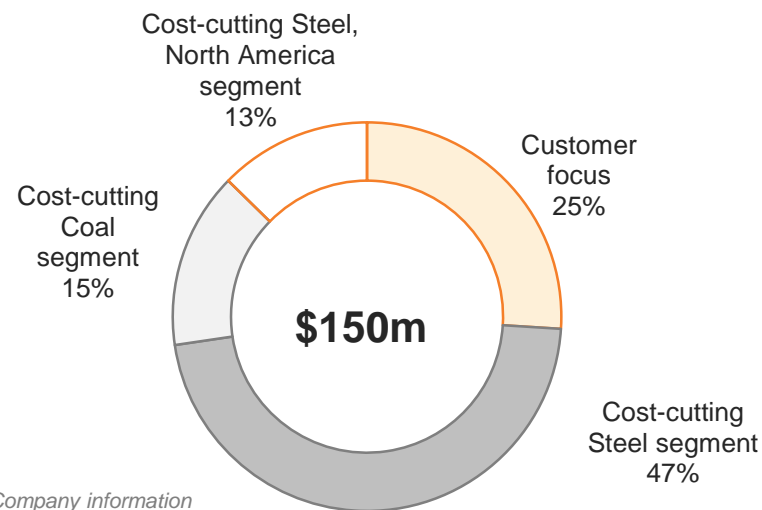
- ✓ Cost cutting initiatives effect on EBITDA - \$111m

- ✓ Customer focus initiatives effect on EBITDA - \$39m

H1 2019 efficiency improvements

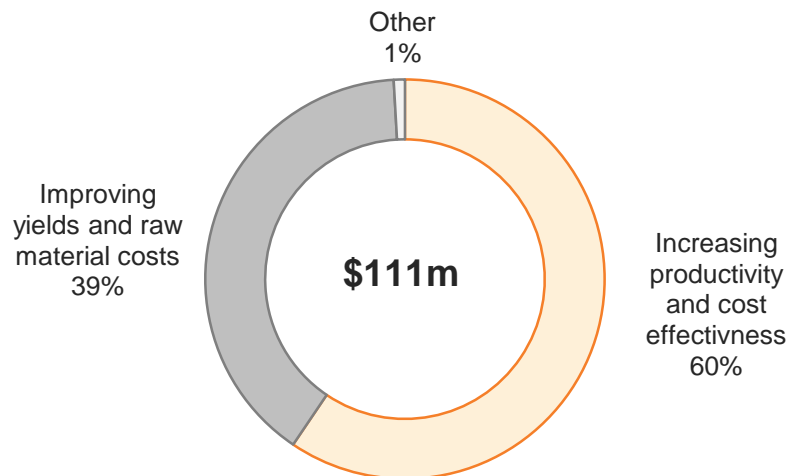
- The efficiency programme generated \$111m of additional EBITDA, mostly through productivity growth, yield improvements and numerous savings projects
- Customer focus initiatives added \$39m to EBITDA as a result of sales efforts in beams, grinding balls and vanadium, as well as to improvements in logistics efficiency.

Efficiency improvement programme effect on EBITDA, \$m



Source: Company information

Cost-cutting initiatives effect on EBITDA, \$m



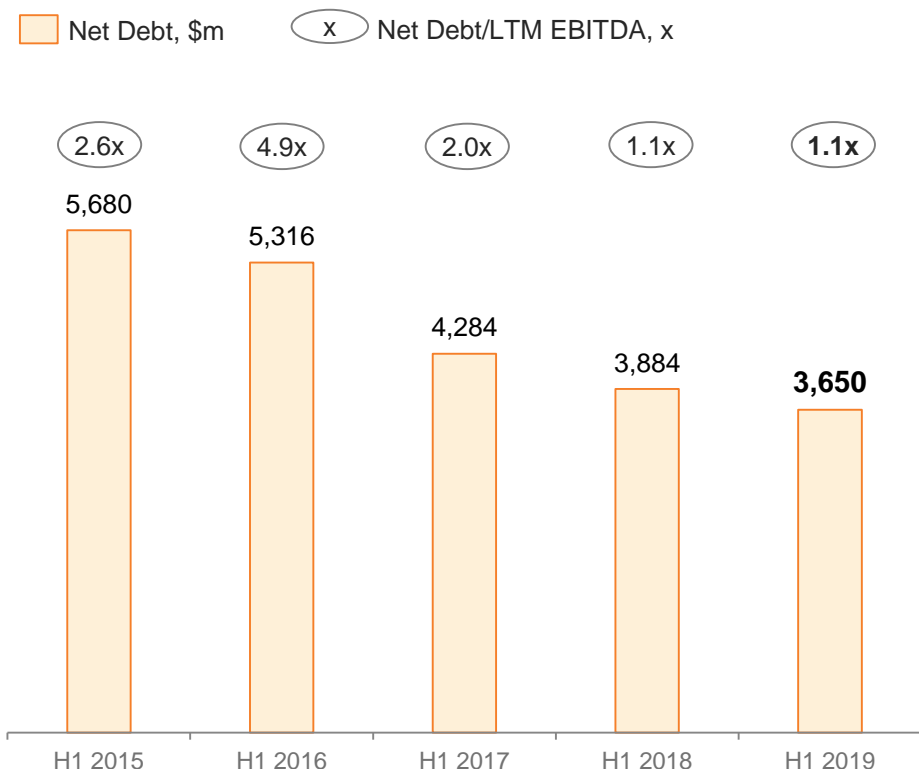
Source: Company information

Increasing productivity and cost effectiveness	67
Improving yields and raw material costs	43
Improving yields and raw material costs of Urals and Siberia divisions	27
Various improvements at coal washing plants and mines	11
Improving yields and raw material costs of North American assets and vanadium operations	5
Others, including	1
Total	111

Debt management and stable dividends

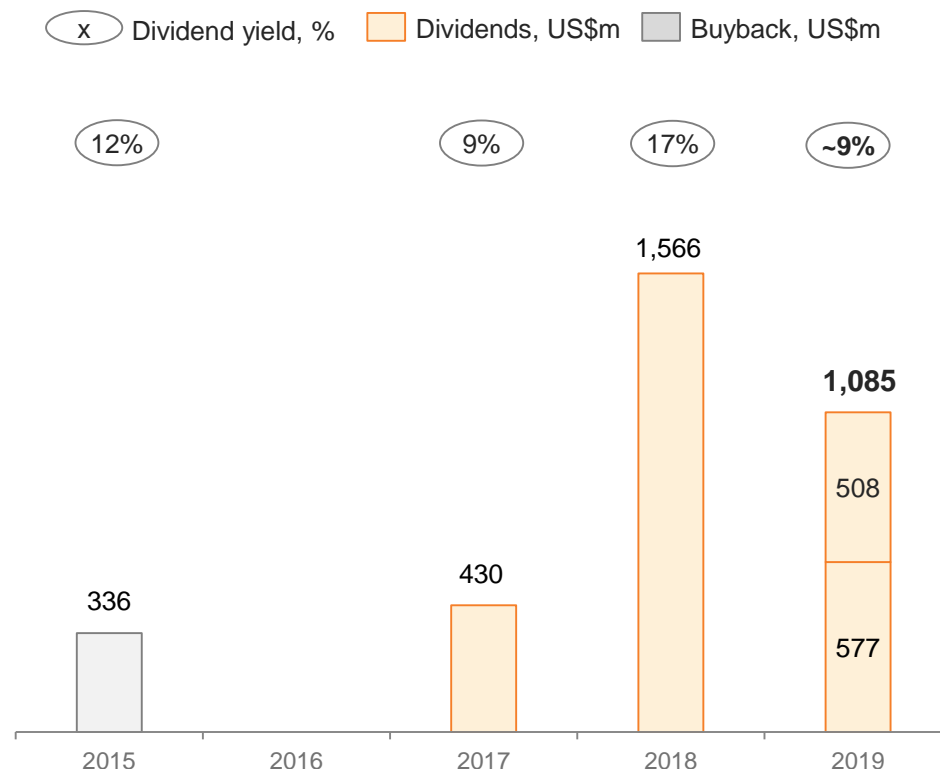
EVRAZ leverage

- EVRAZ ended H1 2019 with net debt of \$3,650m and retains its medium-term debt target at below \$4bn
- Net debt increased vs \$3,571m as of 31.12.2018 as a result of recognition of lease liabilities under new IFRS accounting standard



EVRAZ dividend payments

- In H1 2019, EVRAZ paid dividends of c.\$577m, equivalent to a 5% yield
- An interim dividend of c.\$508.17m was declared by the BoD on 7 August 2019
- EVRAZ remains committed to stable dividend payments going forward



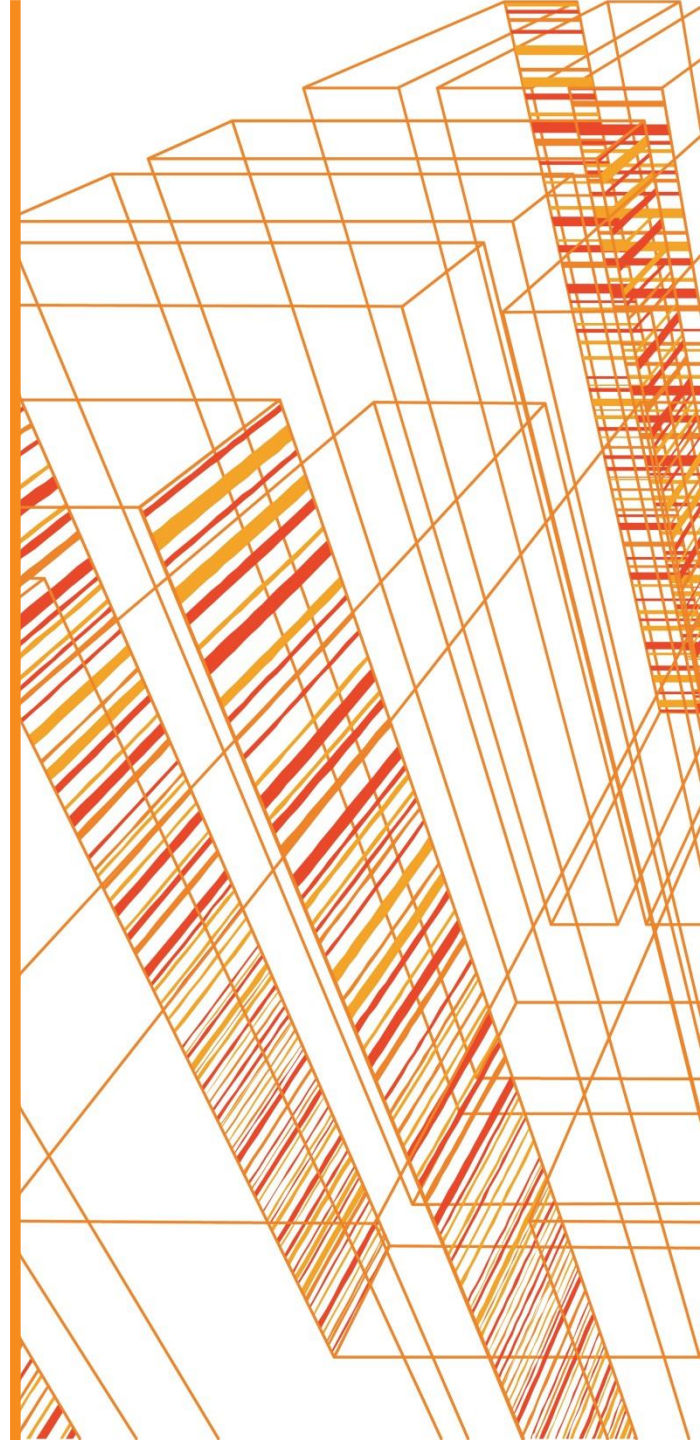
Source: Company information

Year-end outlook

- In H2 2019 EVRAZ expects iron ore prices to stay at elevated levels due to continuing production limitations in Brazil
- Hard coking coal prices should not go significantly down from the current levels on the back of Indian demand rebound in Q3 2019
- EVRAZ doesn't expect further material deterioration of the global steel markets due to relatively expensive bundle of raw materials support
- Russian steel market will remain strong till the end of the construction season

Financial Performance

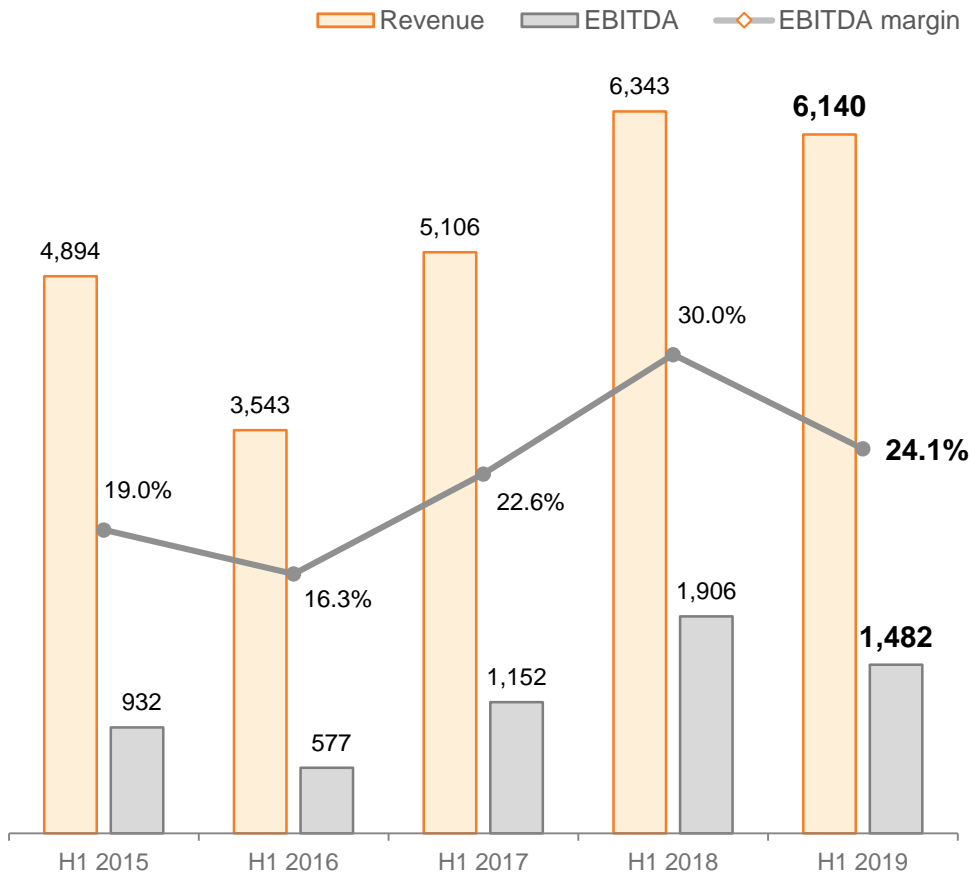
Nikolay Ivanov – Chief Financial Officer



EBITDA and margins

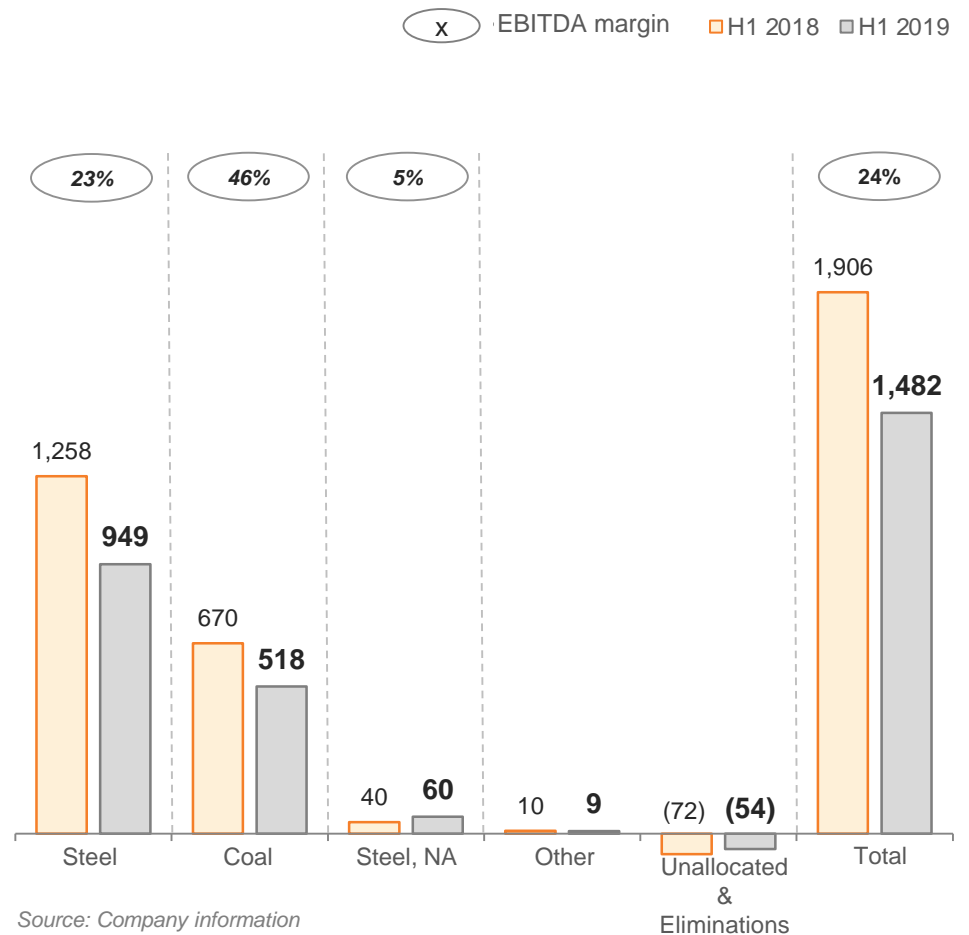
- EBITDA amounted to \$1,482m in H1 2019 vs \$1,906m in H1 2018, bringing down the EBITDA margin from 30.0% to 24.1%
- The decrease is primarily attributable to lower vanadium products prices, semi-finished and construction products sales prices as well as coal products sales prices, and increase in prices for raw materials

Financial performance, \$m



Source: Company information

EBITDA by segment, \$m

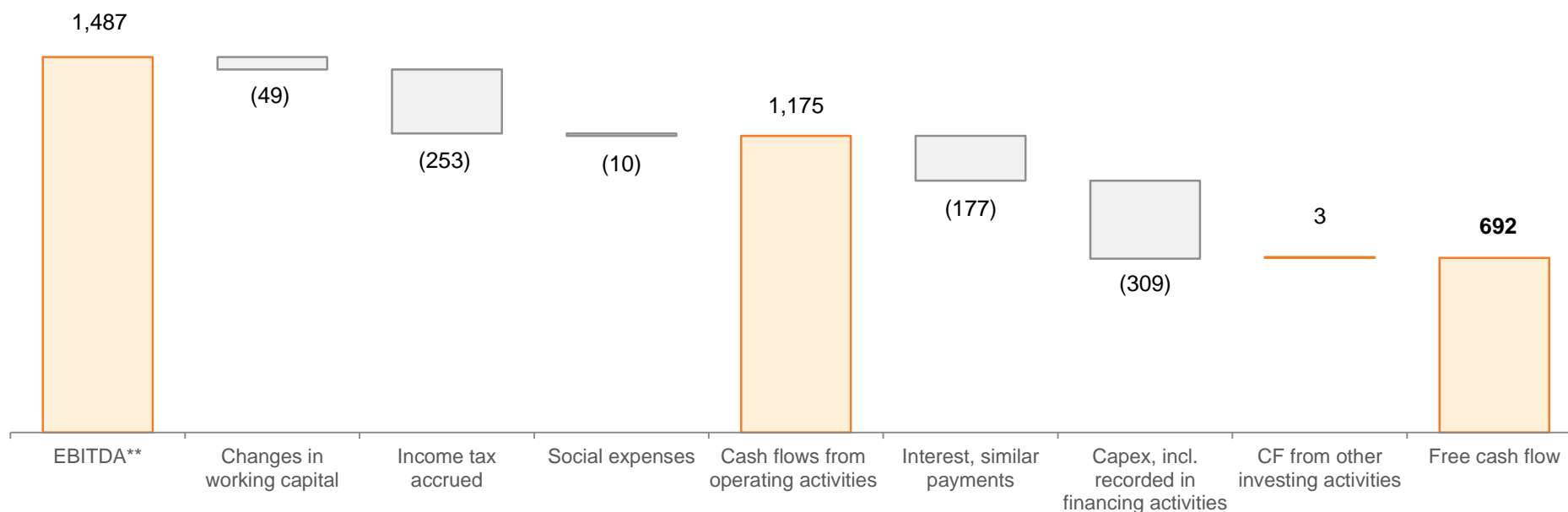


Source: Company information

FCF generation

- Free cash flow for the period is a positive \$692m
- Net cash flow from operating activities amounted to \$1,175m in H1 2019 vs \$932m in H1 2018

EBITDA bridge to Free cash flow* in H1 2019, \$m



* 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

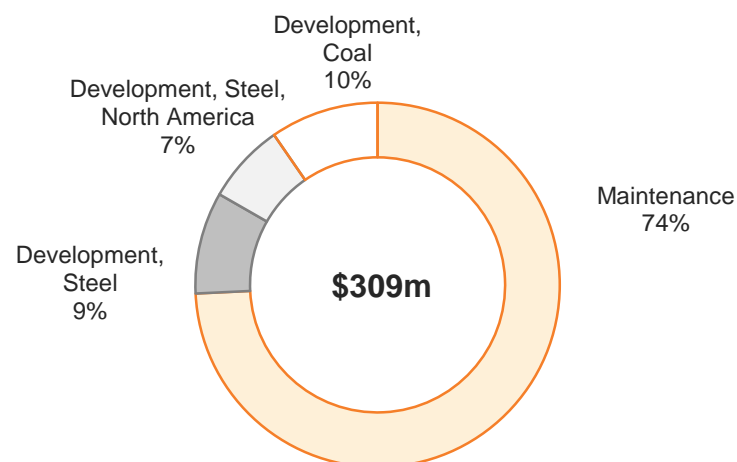
** EBITDA excluding non-cash items

Source: Company information

CAPEX

- Capital expenditures rose to \$309m, compared with \$232m in H1 2018 driven by increased maintenance expenses
- Major announced projects are currently in the equipment supplier selection stage or the engineering phase. These projects include:
 - the rail and beam mill modernization at EVRAZ NTMK
 - continuous casting machine no. 5 at EVRAZ NTMK
 - integrated flat casting and rolling complex at EVRAZ ZSMK
 - long rail mill at EVRAZ Pueblo
- FY 2019 target is c.\$800m

CAPEX breakdown, \$m



Development CAPEX breakdown by key projects in H1 2019

Source: Company information

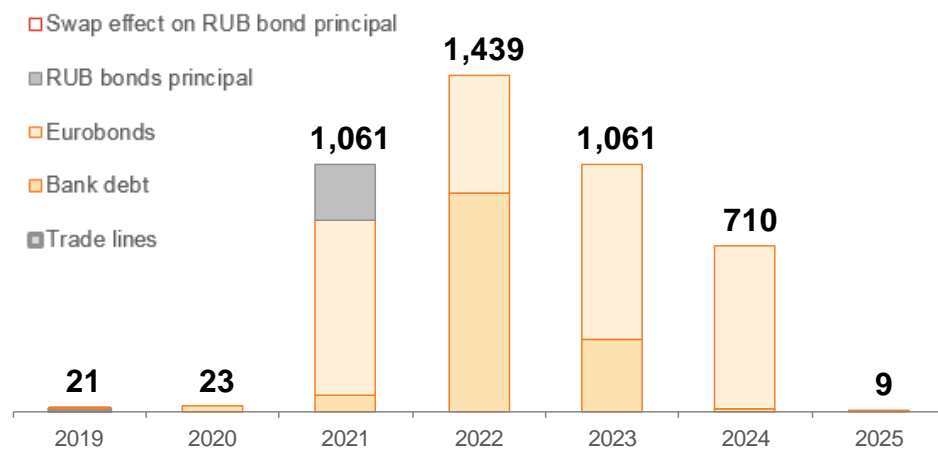
Segment	Projects	Effect	Launch year	H1 2019, \$m
Steel	Tashtagol mine expansion (Mining division of EVRAZ ZSMK)	Increased mining volumes	2021	5
	Technical re-equipment of air heaters of BF No. 2 (EVRAZ ZSMK)	Increased production efficiency	2019	5
	Construction of Blast Furnace 7 (EVRAZ NTMK)	Stable production of pig iron at EVRAZ NTMK at 5mt per year	2018	4
Steel, North America	Long rail mill at EVRAZ Pueblo	Construction of long rail mill to maintain technical leadership and continue shifting to a higher value product mix with production of 100m rails	2021	7
	Red Deer Heat Treat (EVRAZ Red Deer)	ERW pipes production capacity expansion, improved production efficiency	2019	5
Coal	Access and development of reserves in the Uskovskaya mine's seam no. 48	Prepare the reserves in seam no. 48	2020	12
	Access and development of reserves in the Esaulskaya mine's seam no. 29a	Relocate mining operations from seam no. 26 to seam no. 29a.	2020	4
Total				43

Source: Company information

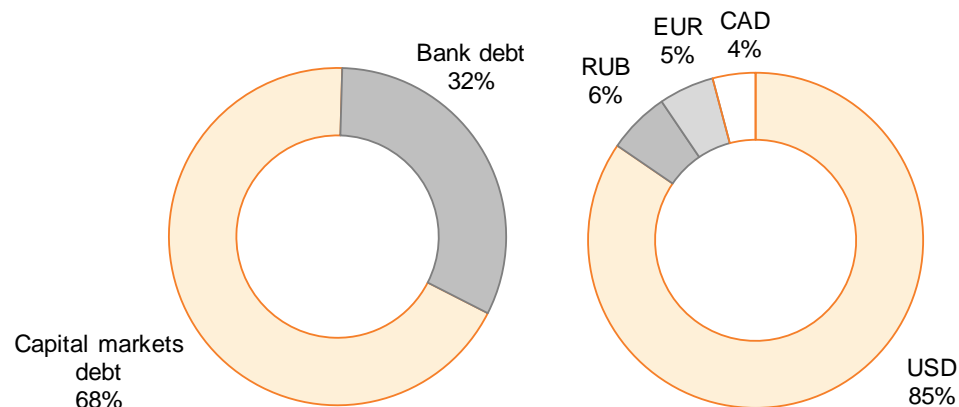
Debt management

- Total debt reduced by c.\$112m to c.\$4,526m*
- Net debt increased by \$79m to \$3,650m due to the recognition under the new IFRS 16 Leases standard on the balance sheet of operating leases that were not recognised as a liability under the previous standard
- 85% of debt is in US dollars, with diversified funding sources
- Interest expense accrued in H1 2019 under loans, bonds and notes was \$148m vs \$167m in H1 2018
- Liquidity cushion of \$876m in cash and equivalents is sufficient to cover upcoming maturities of 2019 and 2020
- During H1 2019 EVRAZ:
 - completed issuer substitution for outstanding Eurobonds from Evraz Group S.A. to EVRAZ plc
 - issued a \$700m Eurobond due 2024 with a semi-annual coupon of 5.25%
 - executed a tender offer for the Eurobonds due 2020 and the make whole call for the residual outstanding of these notes
 - repaid RUB15,000m of 12.95% Ruble Bonds due 2019 and \$50m in loans from Sberbank due in 2019

Debt maturity profile, as of 30.06.2019**, \$m



Debt structure, as of 30.06.2019, %



* Total debt as of 30/06/2019 includes \$118m of leases, recognized under new accounting standards

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

Source: Company information

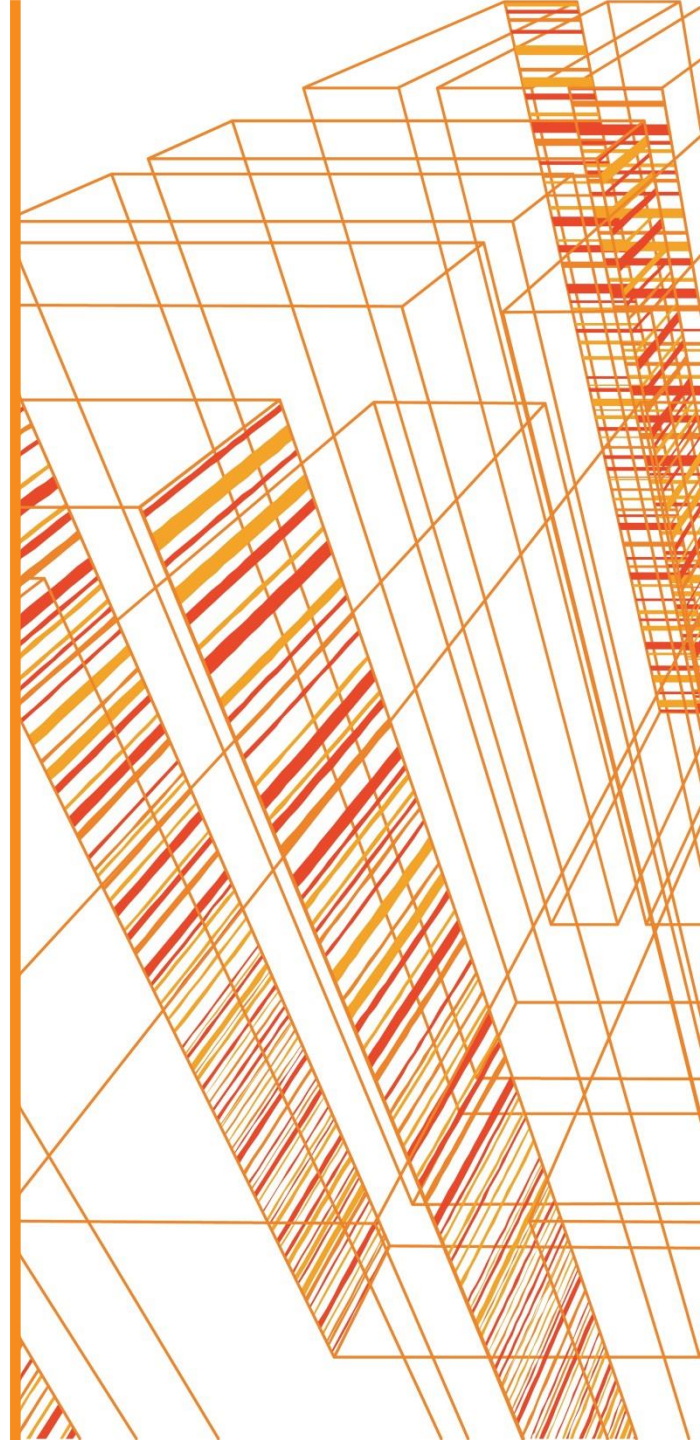
Interim dividend for 2019

- Given the performance in H1 2019, EVRAZ has announced an interim dividend
- On 7 August 2019, the Board of Directors voted to disburse a total of \$508.17m, or \$0.35 per share

Dividend payment timetable

Record Date	16 Aug 2019
Last day for dividend currency election	19 Aug 2019
Conversions	21 Aug 2019
Payment Date	5 Sep 2019

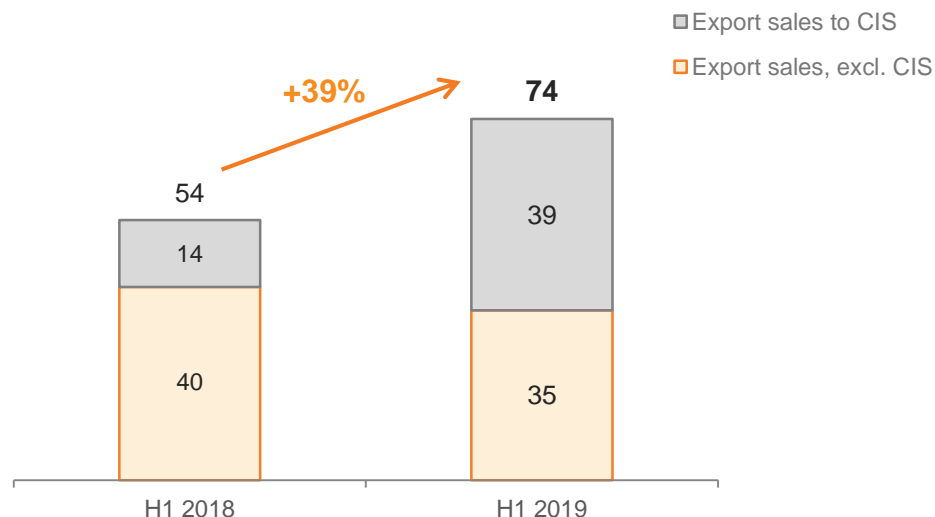
Operational update



Railway products in Russia

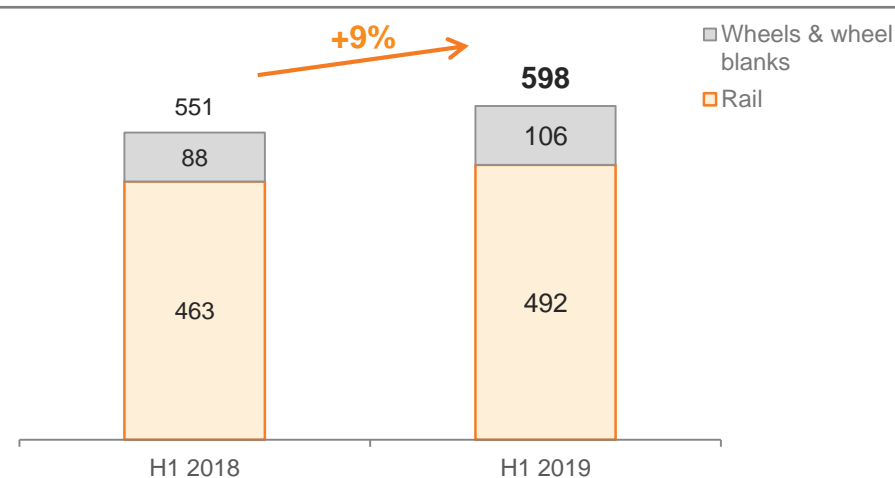
- Rails sales were up 6% YoY (to 492kt) amid higher purchases by Russian Railways
- Railway wheels and wheel blanks sales surged by 20% YoY amid higher demand
- EVRAZ remained the core supplier to Russian Railways with 396kt of sales in H1 2019 (388kt in H1 2018)
- New types of services and technical requirements are being developed through the collaboration between the EVRAZ and Russian Railways
- EVRAZ remained the leader in Russian rail production with a 83% market share

Export sales of rails, kt



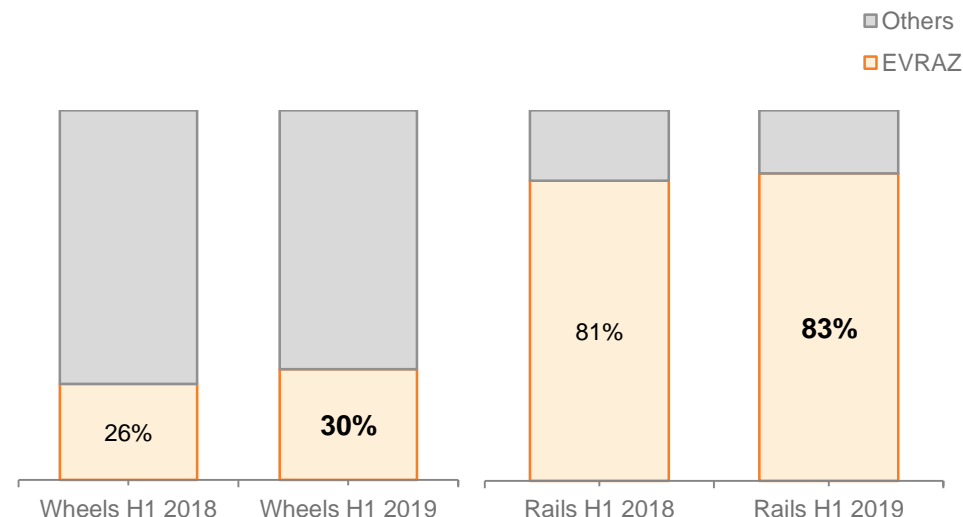
Source: Company information

Rails and wheels shipments, kt



Source: Company information

EVRAZ' market shares in Russia, %

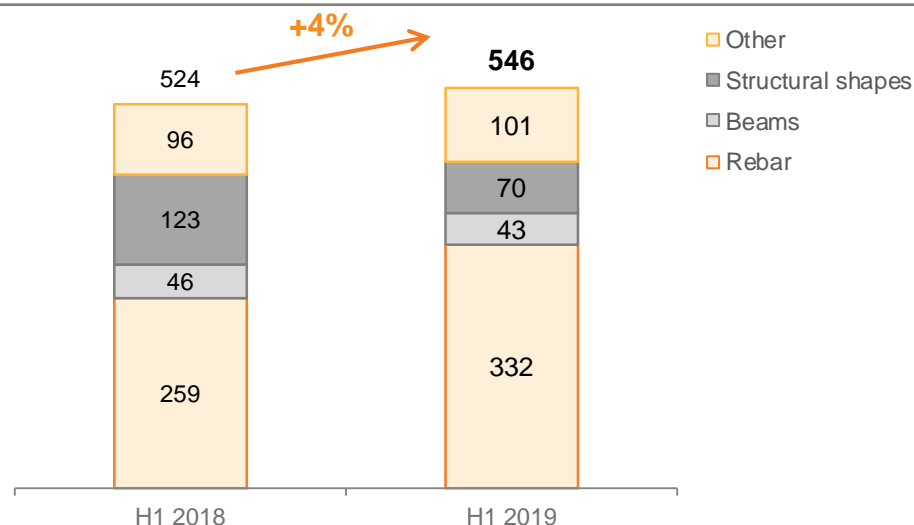


Source: Company information

Construction steel

- The Russian steel market saw demand recovery of 10-15% for major construction products supported by a healthy real estate market, resulted in higher rebar sales
- EVRAZ maintained strong market shares for key products of 68% in beams, 39% in structural shapes
- Beams sales increased by 19% YoY thanks to EVRAZ' customer focus initiatives and import displacement
- EVRAZ continued to develop its programme aimed at promoting demand for beams in construction and improving the availability of its products to clients

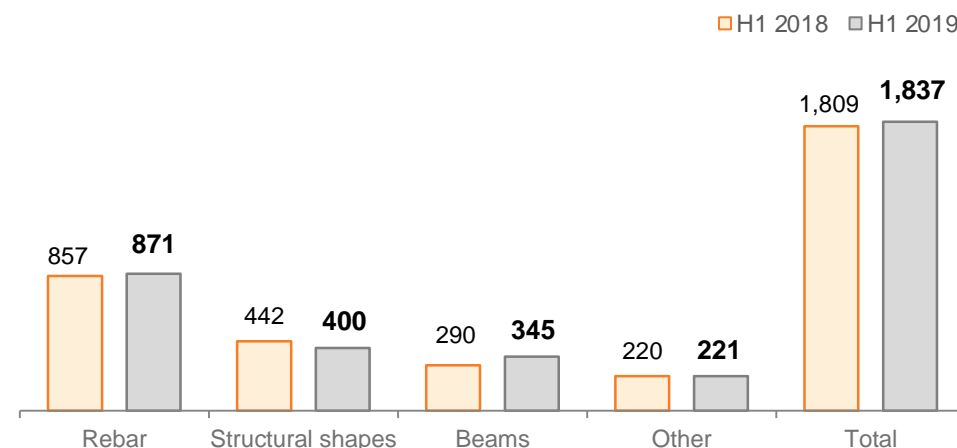
Export sales *, kt



*Structural shapes (structural) are angles and channels

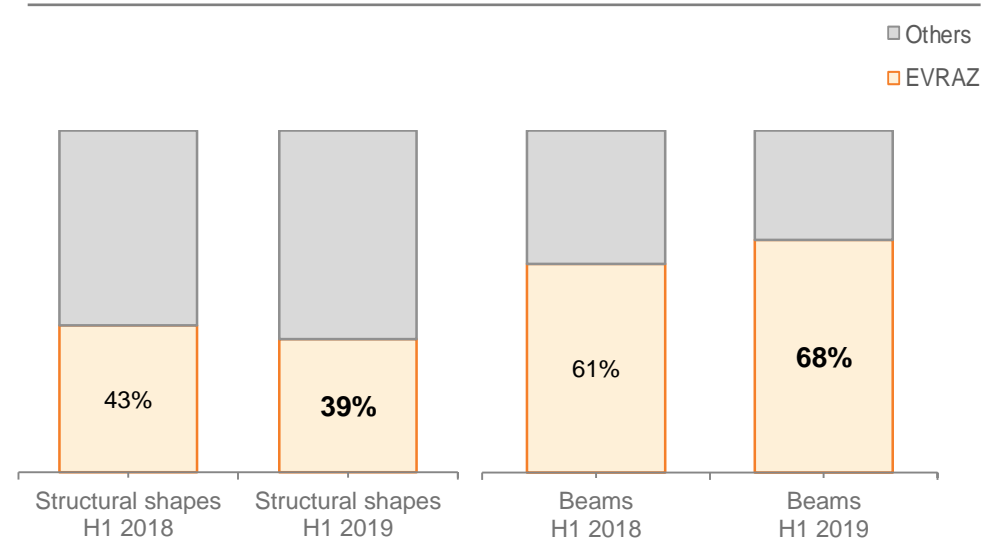
Source: Company information

Construction product sales volumes, kt



Source: Company information

EVRAZ' market shares in Russia, %

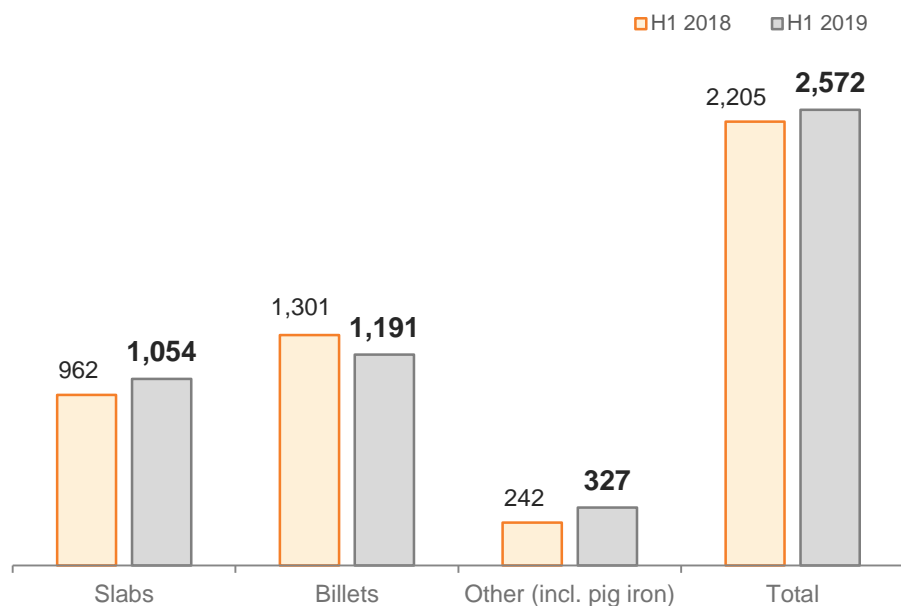


Source: Metal Expert, Company information

Semi-finished steel

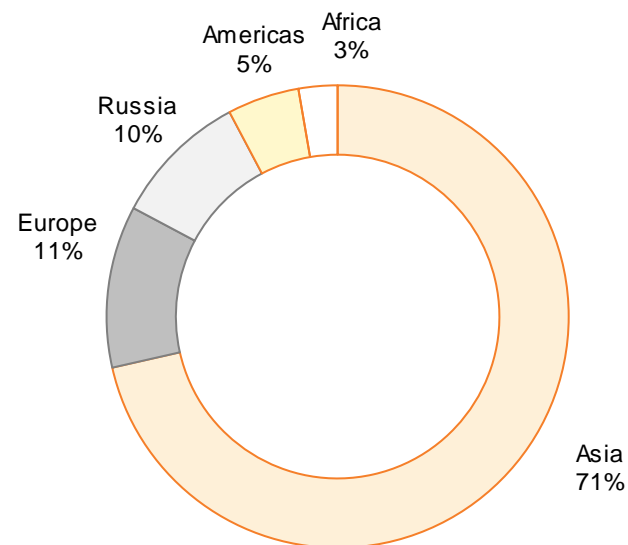
- Sales volumes of semi-finished steel products slightly increased YoY
- Production of 130mm new profile square billet was established at EVRAZ ZSMK to satisfy the clients needs
- Higher export sales of pig iron allowed to capture additional margin for vanadium content

Sales volumes semi-finished products, kt



Source: Company information

Sales volumes of semi-finished products by region, kt

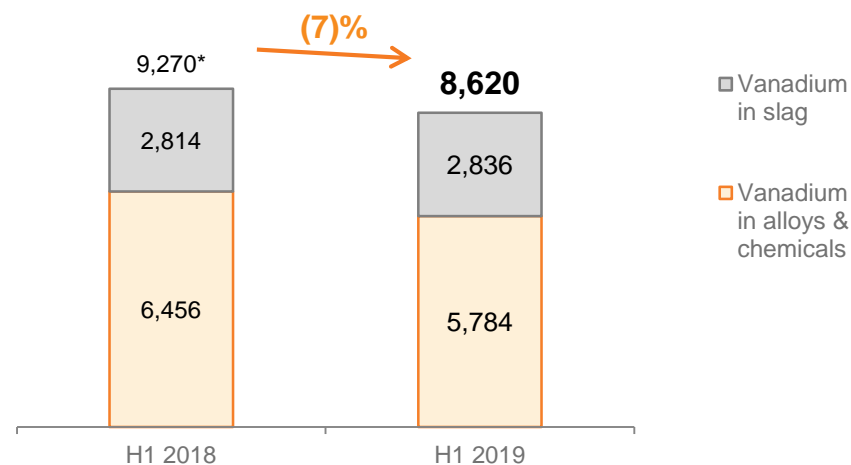


Source: Company information

Vanadium operations

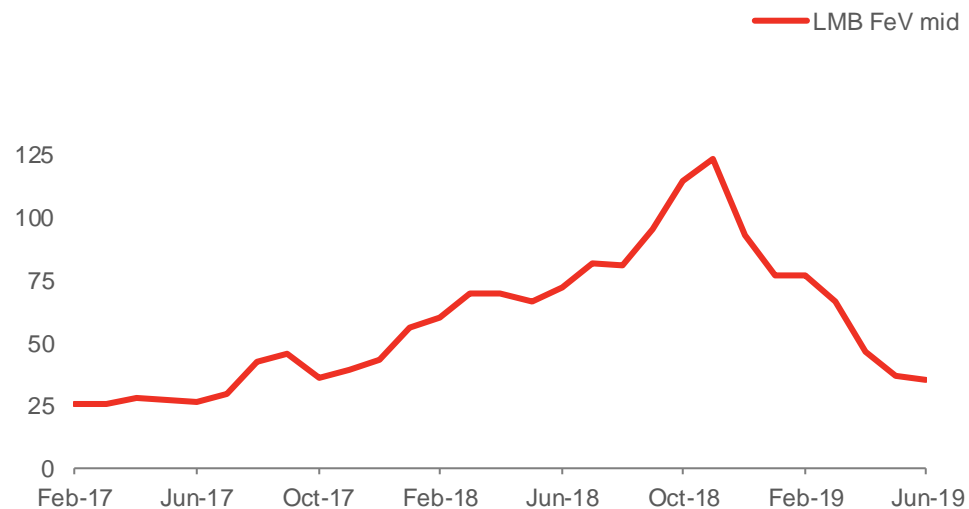
- Sales of FeV in H1 2019 declined YoY mainly affected by lower sales during Q1 2019 amid sharp decline of demand from the automotive industry, heavy destocking at steel makers and steel end users triggered by falling prices and expensive FeV stocks
- EVRAZ managed to retain its target market shares in core regions – approx. 30% in the EU, 15% in the US and 95% in the CIS and further expanded its customer base in the Far East, India and South America
- EVRAZ lowered the share of long-term contracts to 70% from 75% in H1 2018 to improve participation on the spot market
- The market is approaching a balanced state (although local price fluctuations at specific regions are possible) as lower vanadium prices are stimulating demand from steelmakers (mainly via reverse substitution from niobium to vanadium), restraining excessive supply and supporting extra demand from Vanadium Redox Flow Batteries producers

Sales volumes of vanadium products, mtV



Source: Company information
*PY data was adjusted

Vanadium price, \$/kgV

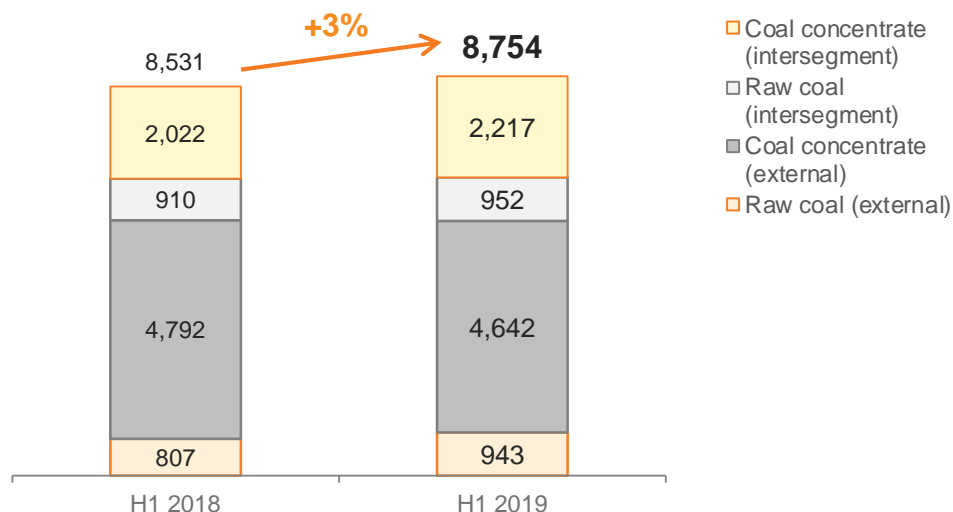


Source: Company information

Coal sales overview

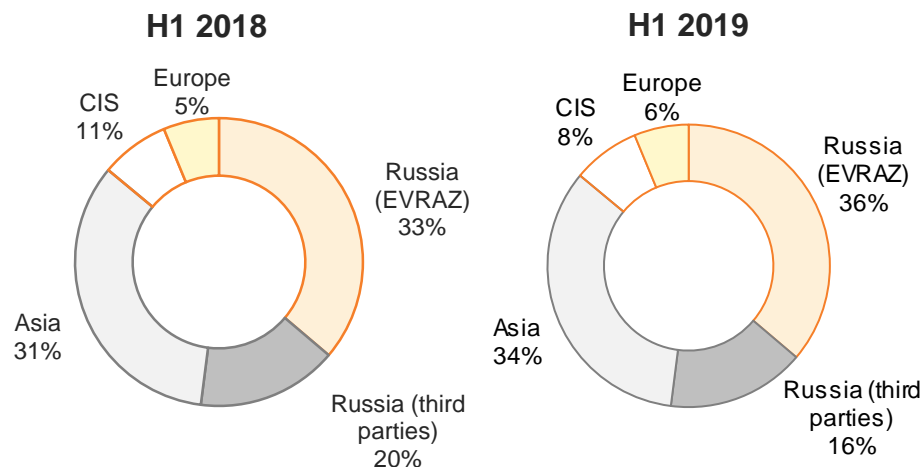
- EVRAZ coal sales increased by 3% YoY amid higher production volumes mainly of the K and Gzh coal grades
- Total export sales grew from 3.9mt in H1 2018 to 4.2mt in H1 2019
- Shipments to Baltic ports have been increased
- Sales to India, China and Vietnam rose in H1 2019 to meet customer needs

Coal products sales, mt



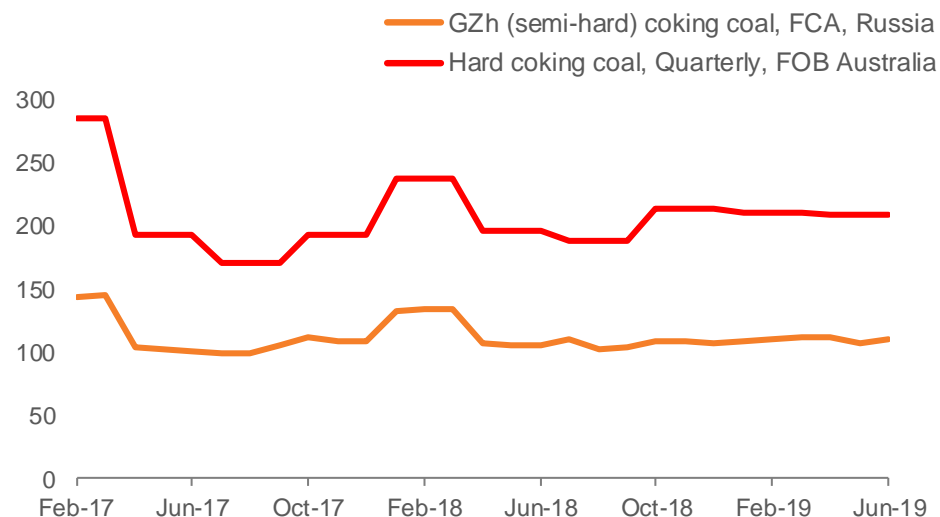
Source: Company information

Breakdown of coal products sales, kt



Source: Company information

Local coking coal price vs export benchmark, \$/t

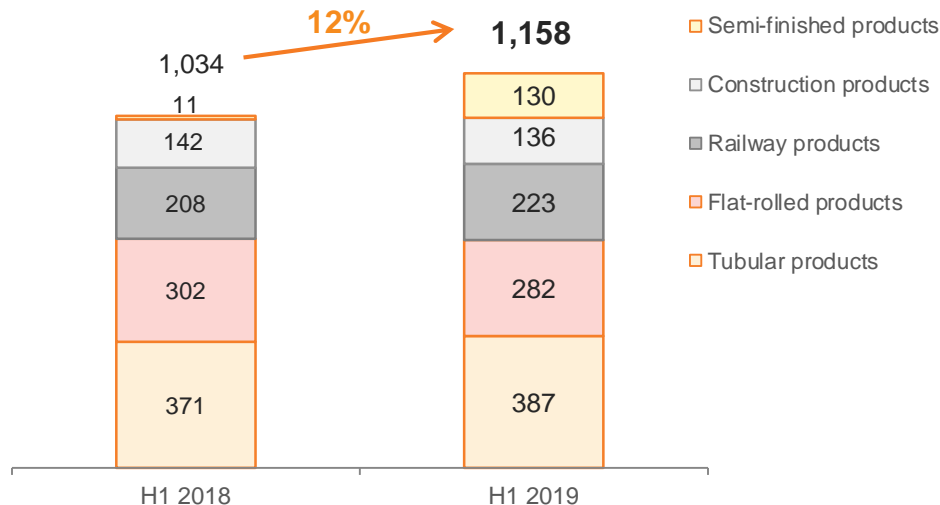


Source: Company information

EVRAZ North America

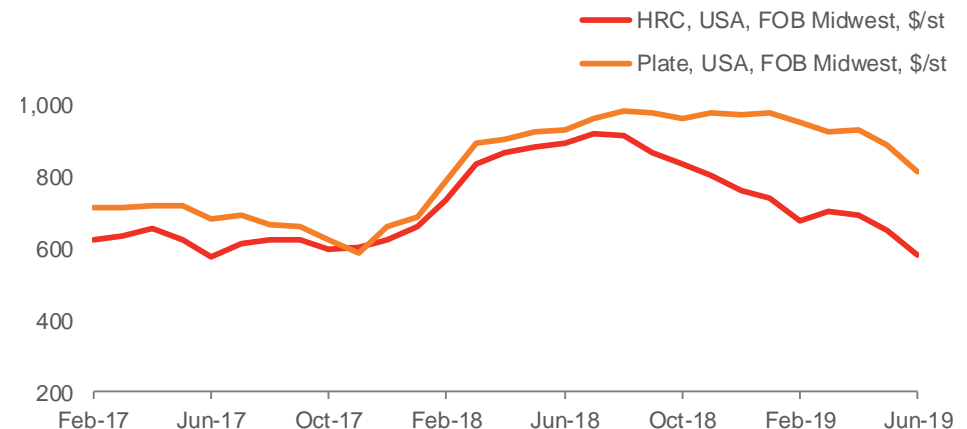
- LDP sales climbed from 76kt in H1 2018 to 157kt in H1 2019 due to solid demand in the US and Canada
- EVRAZ' market share in rails increased to 40% from 38% in H1 2018. Domestic rail sales increased 9% YoY amid stable market demand
- In Q2 2019 the US lifted the 25% Section 232 tariffs on steel imports from Canada and Canada removed its retaliatory tariffs. Also, in H1 2019, the US anti-dumping duty for imports of line pipe (16" or greater) produced in Canada was reduced from 24% to 12%
- Steel prices for flat products in the US showed negative dynamics half-on-half due to elevated inventory levels in the beginning of the year, destocking and incremental supply coming online

Steel products sales in North America, kt



Source: Company information

Prices for flat-rolled products in United States



Source: Steel Monitor



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