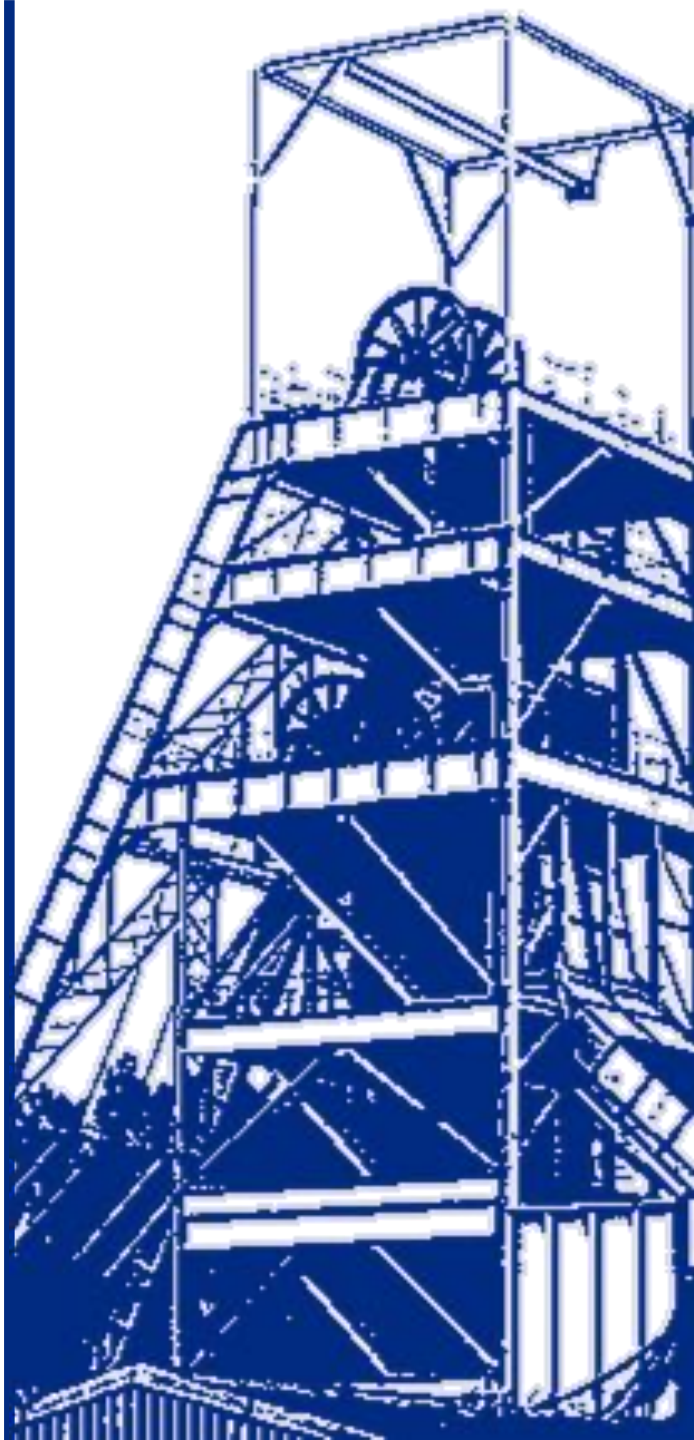
RASPADSKAYA

RASPADSKAYA PJSC

2017 Financial Results

22 March 2018



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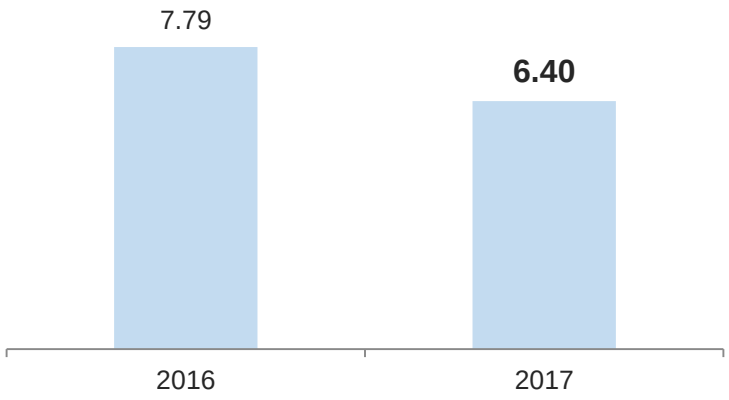
Highlights

- Revenue grew to $868m (+73% YoY) amid stable higher market prices
- EBITDA reached $455m (2016: $204m)
- EBITDA margin reached 52.4% vs 40.6% in 2016
- Net debt amounted to $(7)m as of 31.12.2017 ($399m as of 31.12.2016)
- Cash cost of concentrate reached $32/t, up 23% YoY
- Net profit amounted to $319m in 2017 ($185m in 2016)
- Overall production of raw coking coal amounted to 11.4mt (+9% YoY)
- Production at Raspadskaya underground mine reached 6.6mt (+16% YoY) of raw coking coal mined
- Open-pit mining of the OS (premium low-vol HCC) coking coal grade, which is in high demand, began at the site of the Raspadskaya-Koksovaya mine with 720kt mined in 2017
- Coal concentrate quality increased as a result of the launch of new equipment at Raspadskaya coal washing plant
- No fatal incidents with employees

Health and Safety

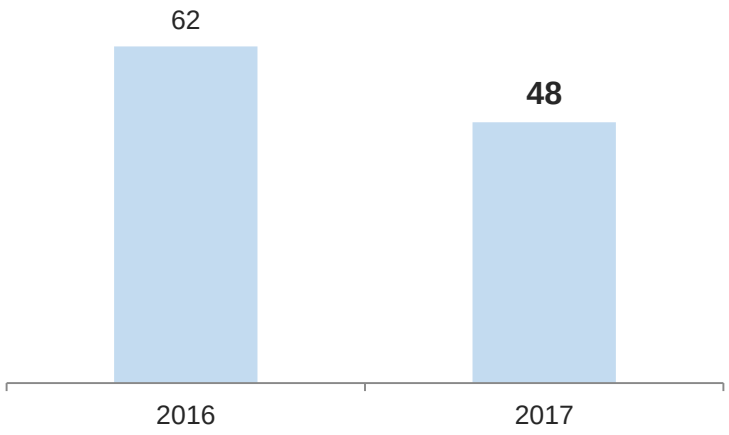
- Safety remains our key priority
- Regretfully, one fatal incident with contractor
- No fatal incidents with employees
- LTIFR 6.40x in 2017 vs 7.79x in 2016

LTIFR



Source: Company data

Injuries



Source: Company data

Operational performance

- As part of an investment project, flotation was launched in the third section of the coal washing plant, boosting concentrate output when preparing the difficult-to-clean KS-grade coal
- Open-pit mining of the OS (premium low-vol HCC) coking coal grade, which is in high demand, began at the site of the Raspadskaya-Koksovaya mine
- Increasing output of OS-grade coal will be one of the main drivers of the enhancing of product portfolio

Production volumes of raw coking coal by mine, *kt*

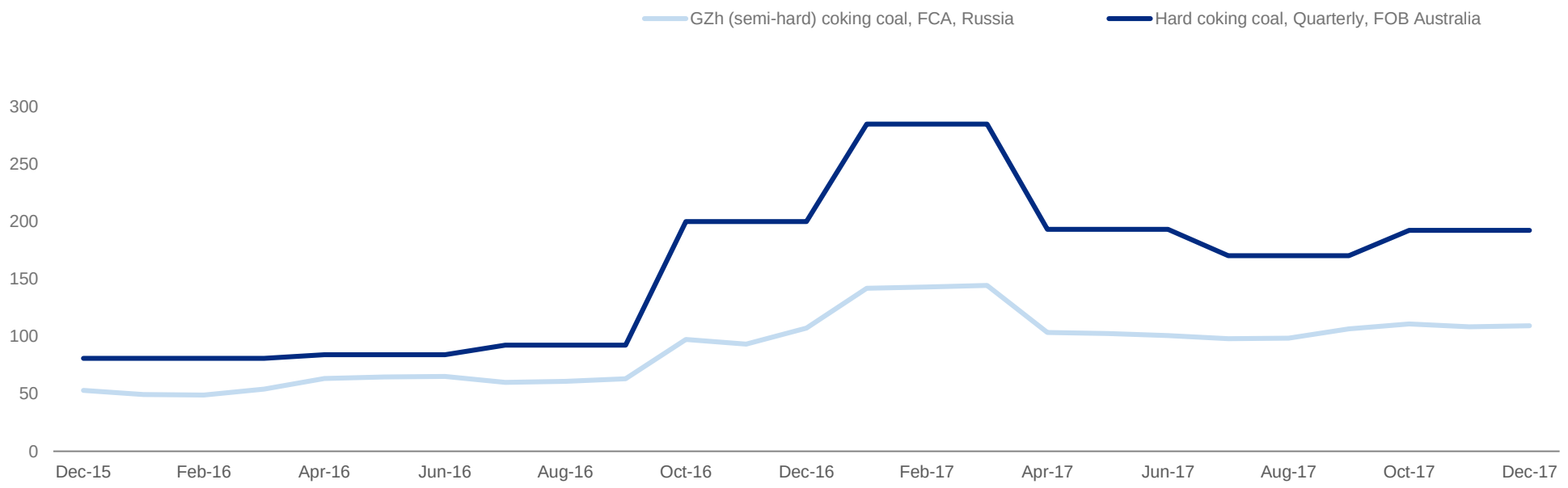
Mine	Coal grade	2017	2016	Change, %
Raspadskaya	GZh	6,570	5,683	16%
Razrez Raspadsky	GZh/GZhO	3,590	4,367	(18)%
Raspadskaya-Koksovaya	K/KO	555	462	20%
Raspadskaya-Koksovaya (open-pit)	KS/OS	720	-	100%
Total		**11,435**	**10,512**	**9%**

Source: Company data

Market prices

- Domestic coking coal prices improved driven by global benchmarks
- Price for hard coking coal (FOB Australia) averaged $210 per tonne, compared with $114 per tonne in 2016
- Price for semi-soft coking coal (GZh grade, FCA Russia) averaged $114 per tonne, up by 65% YoY

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

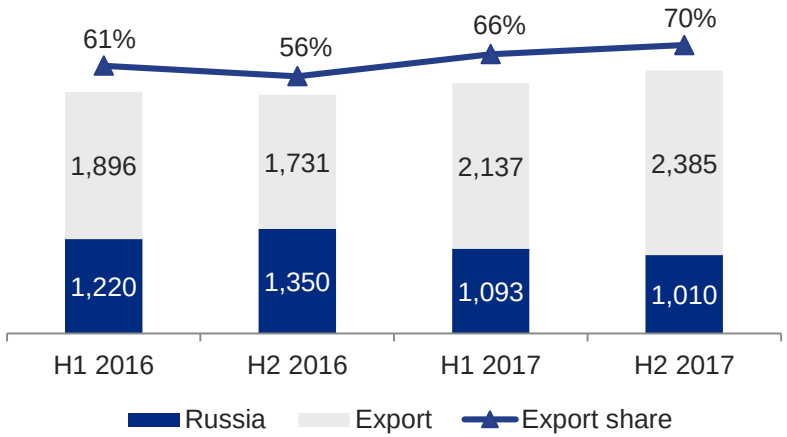


Source: Metal Expert

Sales volumes

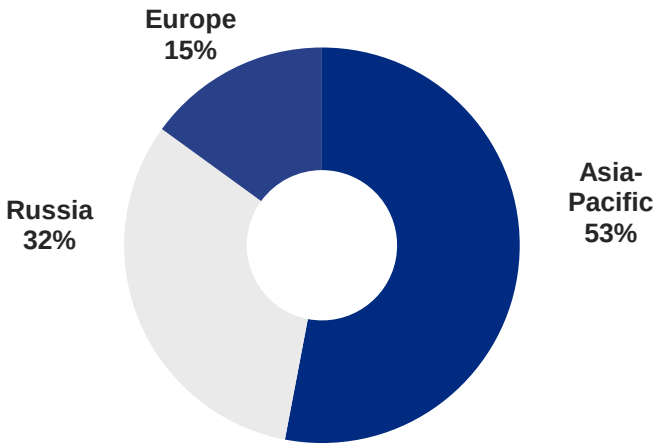
- Sales volumes of coal products increased to 7.5mt (+16% YoY), mainly due to higher shipments to EVRAZ' enterprises and higher export
- Sales of coal concentrate in Russia decreased to 2.1mt (-18% YoY) due to change in product mix (higher sales of raw coal) and higher competition amid launch of new mines
- Major Russian consumers of Raspadskaya coal products include EVRAZ, MMK, Ural Steel
- Share of exports in coal concentrate sales volumes increased to 68% amid higher production
- Export sales volumes increased by 25% YoY to 4.5mt
- 2018 focus on sales structure improvement by diversifying geographically and maintaining balance between long-term contracts and spot deliveries

Coal concentrate sales, *kt*



Source: Company data

Coal concentrate sales by region

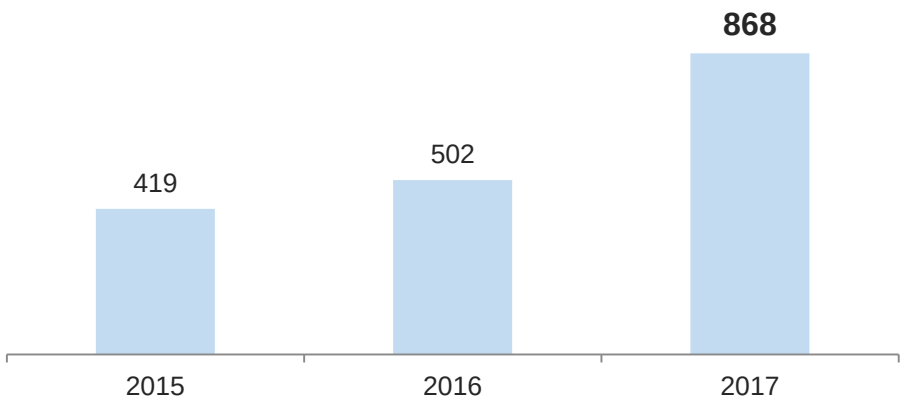


Source: Company data

Financial performance

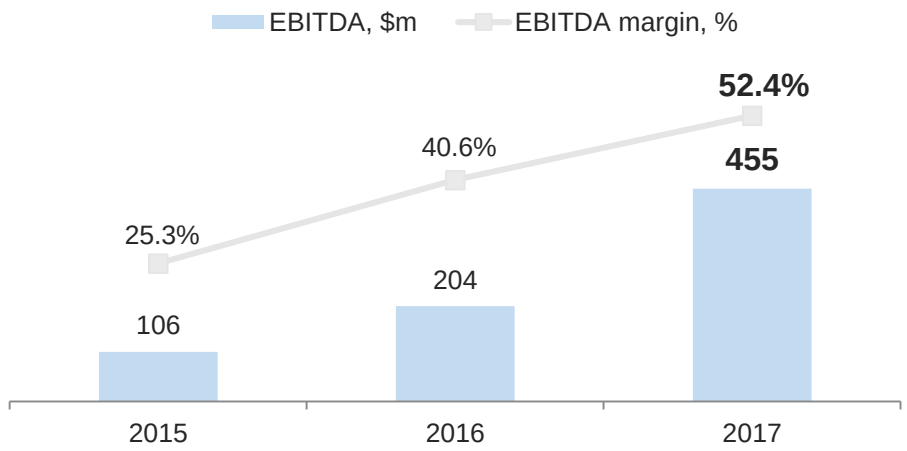
- Revenues increased by 73% YoY amid growth of sales prices following global benchmarks
- EBITDA increased two times YoY on the back of higher sales prices, accompanied by the increased sales volumes
- EBITDA margin up to 52.4% (2016: 40.6%)
- Net profit reached $319m in 2017 ($185m in 2016)
- On 21 March 2018, the Board of Directors decided not to recommend dividend payments for 2017

Revenues, *$m*



Source: Company data

EBITDA and EBITDA margin

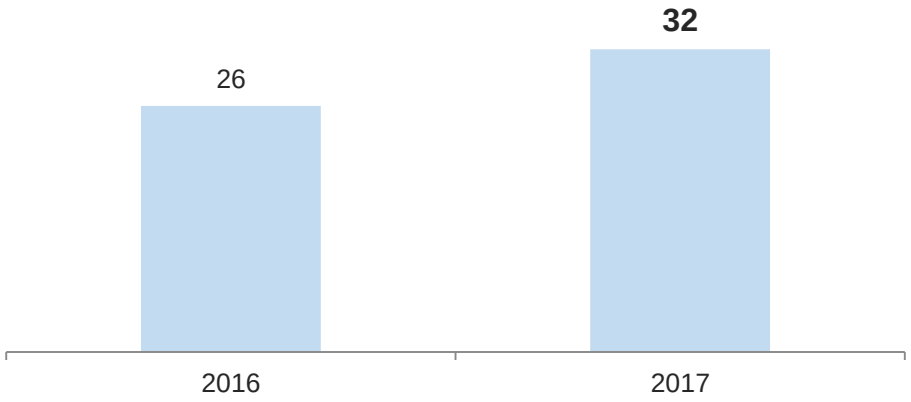


Source: Company data

Cash-cost and cost of production

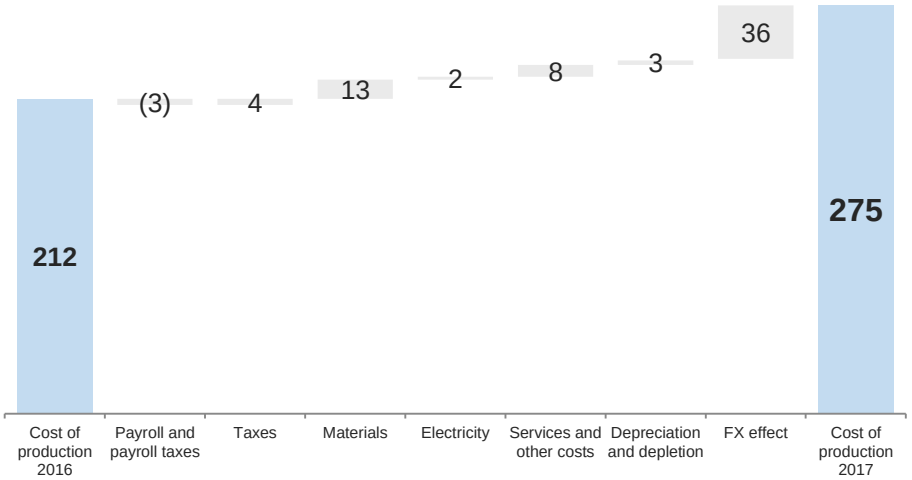
- Cash-cost per tonne of coal concentrate increased by 23% YoY mainly due to FX effect:
  - In rouble terms cash-cost of coal concentrate rose by 11% YoY
- Cost of production increased by 30% YoY mostly due to FX effect:
  - Materials costs up amid higher prices and increased production volumes
  - Services and other costs increased amid beginning of open-pit mining at the site of Raspadskaya-Koksovaya mine and higher amount of degasing works at Raspadskaya mine
  - Taxes rose YoY due to significant increase in deflator ratio which applied to the rate of MET and the increase in the production of raw coal

Cash-cost of concentrate, *$/t*



Source: Company data

Cost of production, *$m*

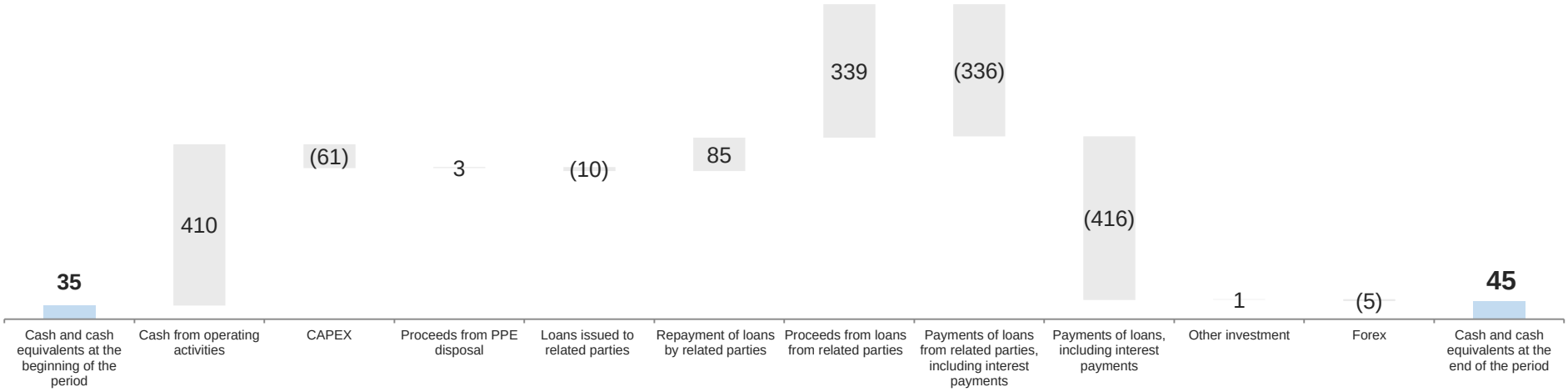


Source: Company data

Cash flow

- Cash flow from operating activities amounted to $410m
- Proceeds from loans from related parties amounted to $339m - loans from EVRAZ KGOK, EVRAZ ZSMK
- Repayment of loans by related parties amounted to $85m - repayments from Evraz Group S.A.
- Payments of loans and credits amounted to $416m - redemption of 7.75% Eurobonds
- Payments of loans from related parties amounted to $336m - payments to EVRAZ KGOK, EVRAZ ZSMK
- CAPEX amounted to $61m

Cash flow in 2017, *$m*

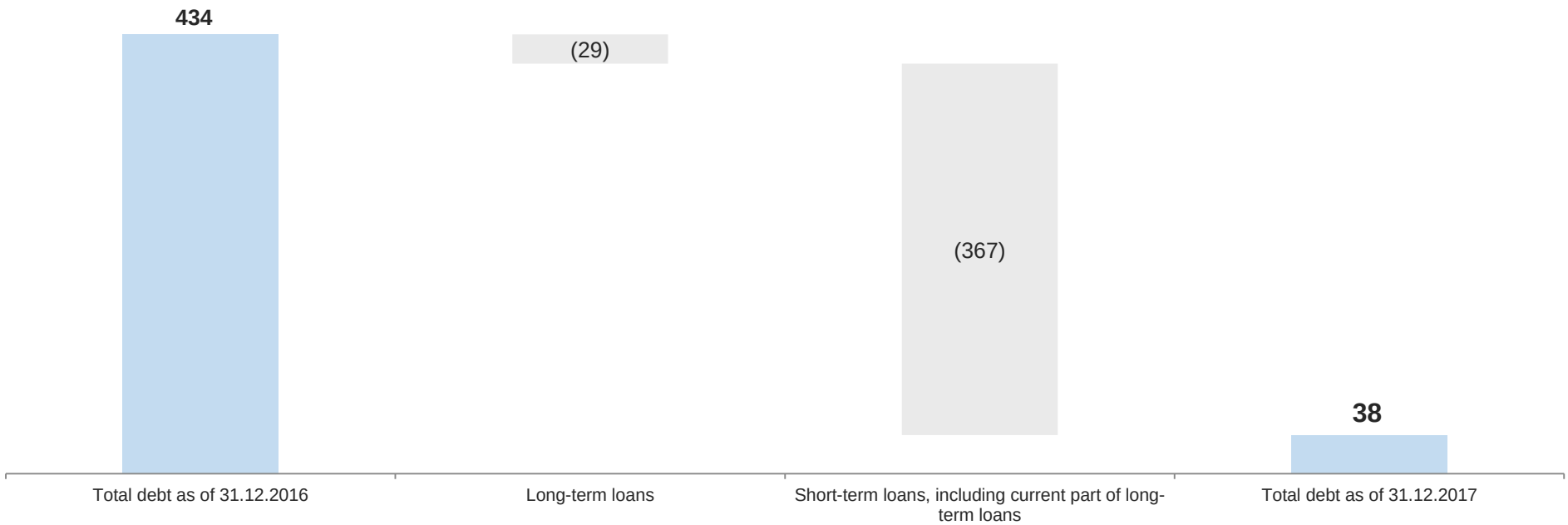


Source: Company data

Debt

- $400m of Eurobonds due in April 2017 were repaid using accumulated cash of Raspadskaya and its subsidiaries and funds from EVRAZ
- Total debt decreased by $396m in the reporting period
- As of 31.12.2017 total debt of Raspadskaya amounted to $38m and consist of intra-group loans from EVRAZ' entities

Total debt reduction in 2017, *$m*



Source: Company data

Governance

- At the upcoming AGM to be held in 17 May 2018:
  - The following Directors were re-nominated, will be subject to AGM approval:
    - Alexander Frolov – CEO of EVRAZ
    - Sergey Stepanov – CEO of RUK
    - Aleksey Ivanov – Senior Vice President of EVRAZ
    - Nikolay Ivanov – CFO of EVRAZ
    - Alexander Kuznetsov – Vice President of EVRAZ
    - Ilya Lifshits – Partner at EDAS Law Bureau
    - Olga Pokrovskaya –Director at Highland Gold Mining
    - Terry Robinson – Deputy Chairman at Katanga Mining Ltd
    - Hugh Stoyell - Chairman of Katanga Mining Ltd

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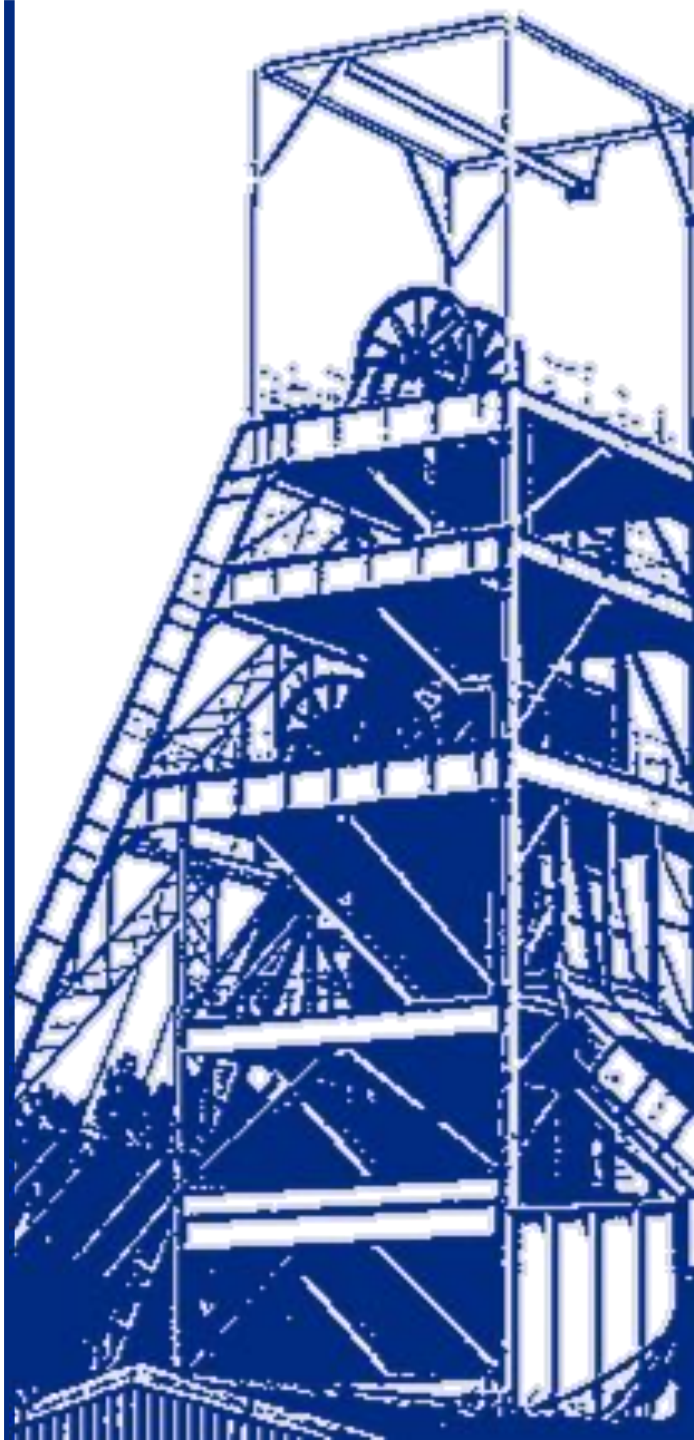

Investor Relations

Moscow +7 495 232 1370

ir@evraz.com