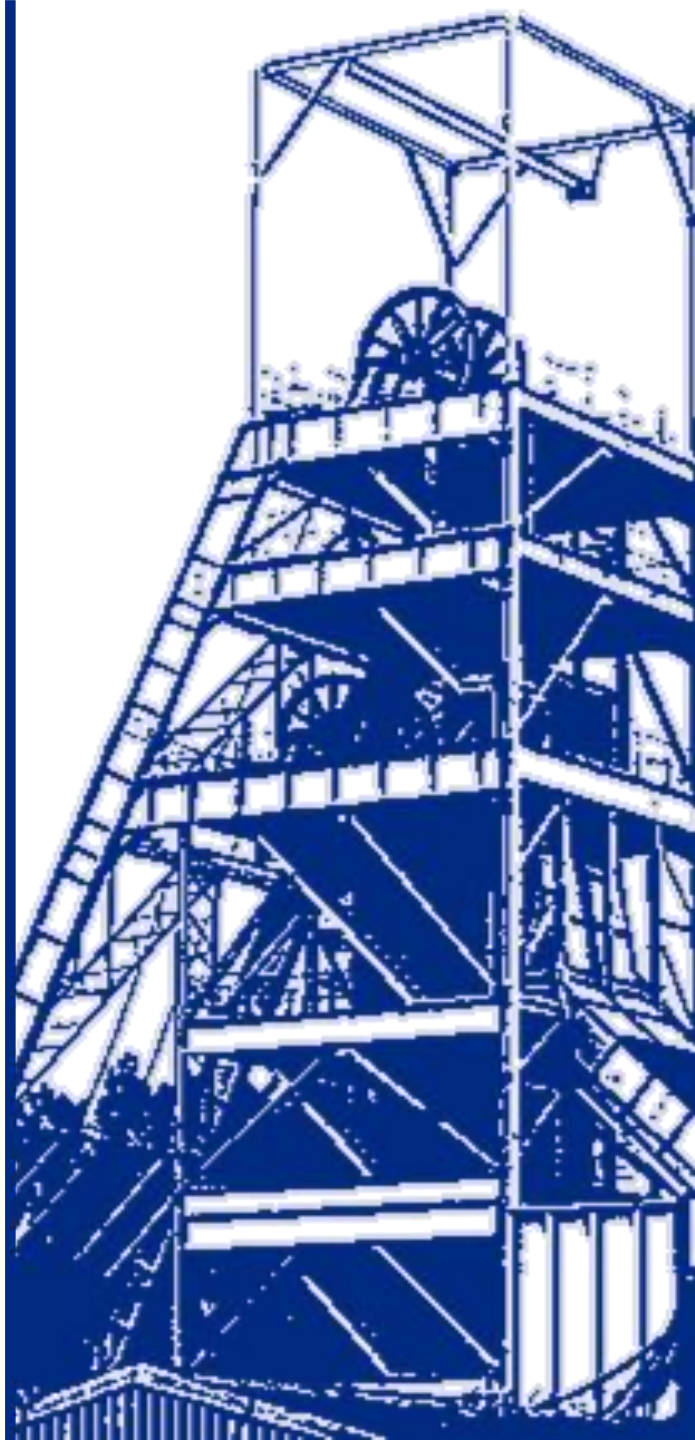
RASPADSKAYA

RASPADSKAYA PJSC

H1 2017 Financial Results

25 August 2017



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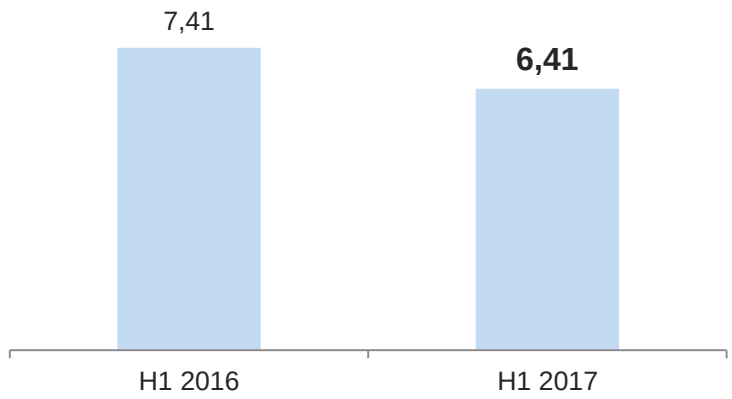
Highlights

- Revenue grew to $439m (+127% YoY) amid stable higher market prices
- EBITDA reached $235m (H1 2016: $53m)
- EBITDA margin reached 53.5% vs 27.5% in H1 2016
- Net debt amounted to $167m as of 30.06.2017 ($399m as of 31.12.2016)
- Cash cost of concentrate reached $31/t, up 24% YoY
- Net profit amounted to $168m in H1 2017 ($49m in H1 2016)
- Significantly increased sales to Ukraine (including intra-group)
- Overall production of raw coking coal amounted to 6.0mt (+22% YoY)
- Production at Raspadskaya underground mine reached 3.6mt (+37% YoY) of raw coking coal mined
- Razrez Raspadsky production increased by 2% YoY to 2.1mt
- Open-pit mining of the OS (semi-hard) coking coal grade, which is in high demand, began at the site of the Raspadskaya-Koksovaya mine in Q2 2017
- Coal concentrate quality increased amid launch of new equipment at Raspadskaya coal washing plant

Health and Safety

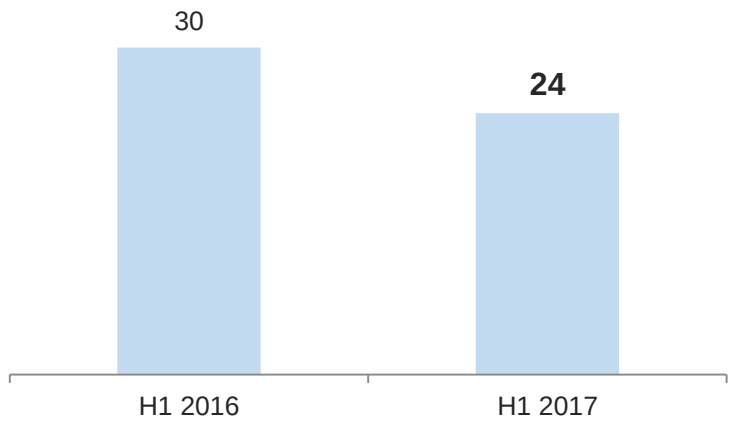
- Safety remains our key priority
- No fatal incidents in H1 2017
- LTIFR 6.41x in H1 2017 vs 7.41x in H1 2016

LTIFR



Source: Company data

Injuries



Source: Company data

Operational performance

- Production at Raspadskaya underground mine increased driven by a reduction of time needed for longwall move and downtime during mining
- In Q2 2017, 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 (semi-hard) coking coal grade, which is in high demand, began at the site of the Raspadskaya-Koksovaya mine in Q2 2017
- 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*

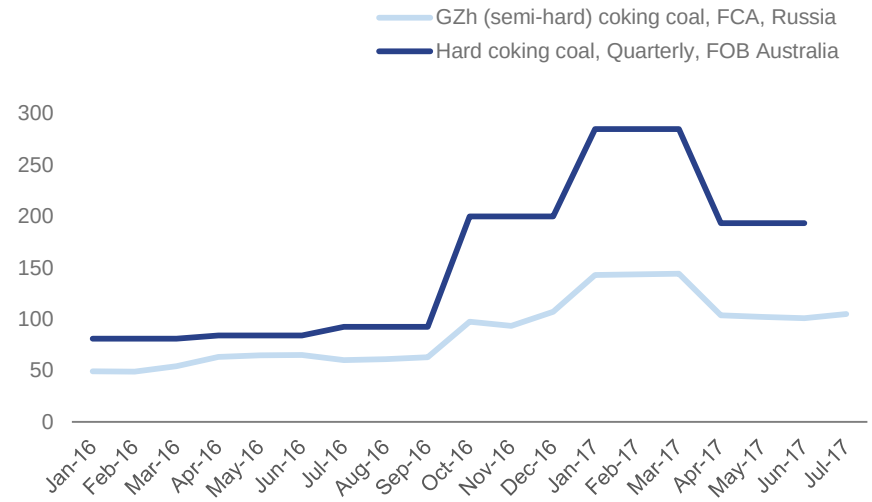
Mine	Coal grade	H1 2017	H1 2016	Change, %
Raspadskaya	GZh	3,552	2,584	37%
Razrez Raspadsky	GZh/GZhO	2,067	2,025	2%
Raspadskaya-Koksovaya	K	287	274	5%
Raspadskaya-Koksovaya (open-pit)	KS/OS/KO	52	-	100%
Total		**5,957**	**4,883**	**22%**

Source: Company data

Market prices

- Domestic coking coal prices improved driven by global benchmarks
- Price for hard coking coal (FOB Australia) averaged $239 per tonne, compared with $83 per tonne in H1 2016
- Price for semi-soft coking coal (GZh grade, FCA Russia) averaged $123 per tonne, up by 113% YoY
- A customer focused initiative to switch to formula-based contracts with domestic clients underpinned the benefit from the surge in global coking prices during the reporting period

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

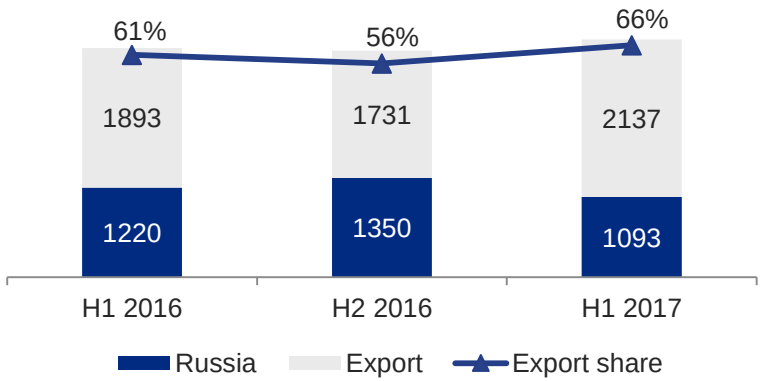


Source: Metal Expert

Sales volumes

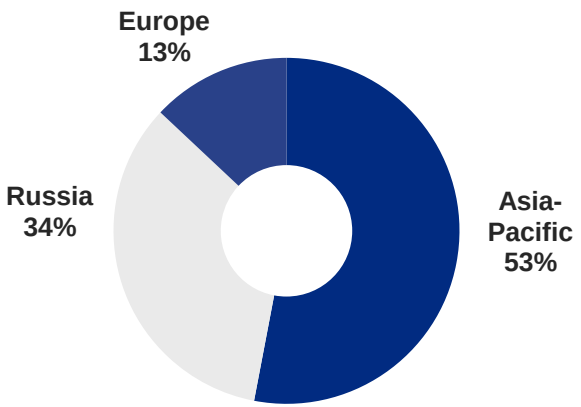
- Sales volumes of coal products increased to 3.6mt (+11% YoY), mainly due to higher shipments to EVRAZ' enterprises and higher export
- Sales of coal concentrate in Russia decreased to 1.1mt (-10% YoY) due to change in product mix (higher sales of raw coal) and higher competition amid launch of new mines
- Major Russian consumers of Raspadskaya coal products include EVRAZ, MMK, Ural Steel, Mechel
- Share of exports in coal concentrate sales volumes increased to 66% due lower domestic sales
- Export sales volumes increased by 13% YoY to 2.1mt
- 2017 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

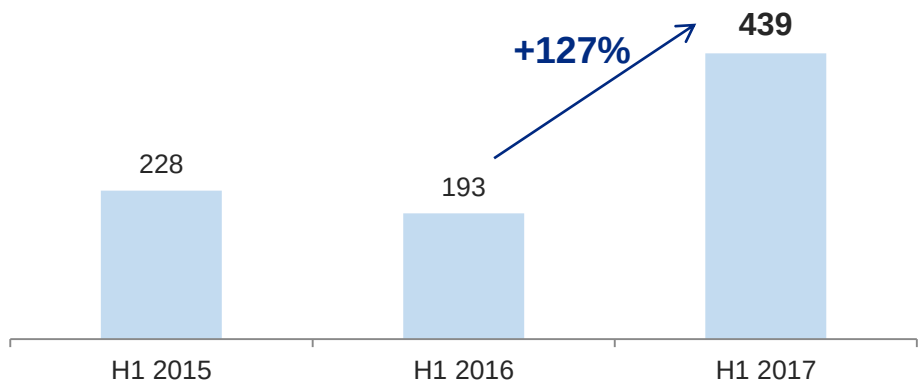


Source: Company data

Financial performance

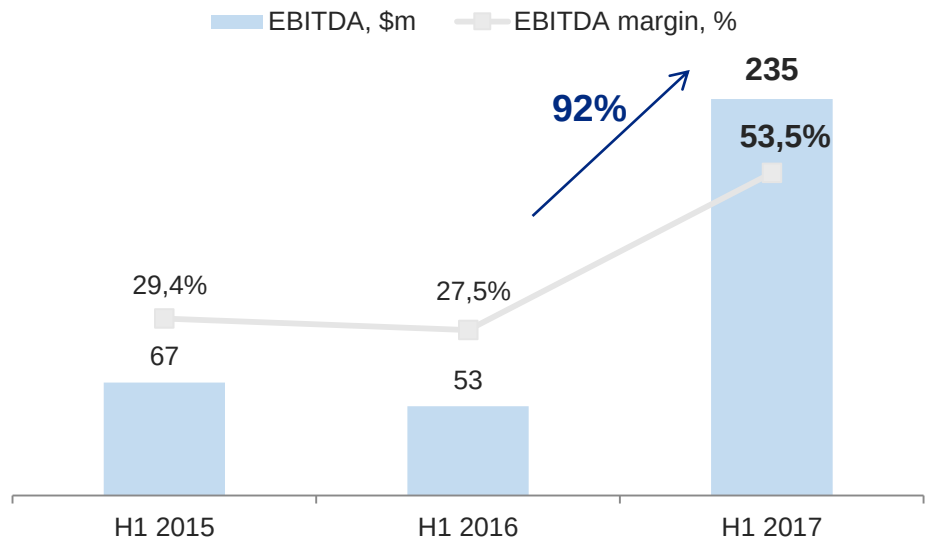
- Revenues increased by 127% YoY amid growth of sales prices following global benchmarks
- EBITDA increased four times YoY on the back of higher sales prices, accompanied by the increased sales volumes
- EBITDA margin up to 53.5% (H1 2016: 27.5%)
- Net profit reached $168m in H1 2017 ($49m in H1 2016)

Revenues, *$m*



Source: Company data

EBITDA and EBITDA margin

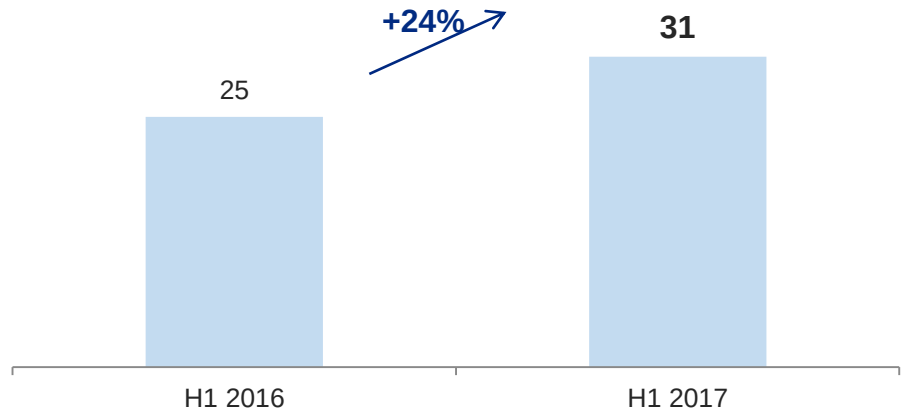


Source: Company data

Cash-cost and cost of production

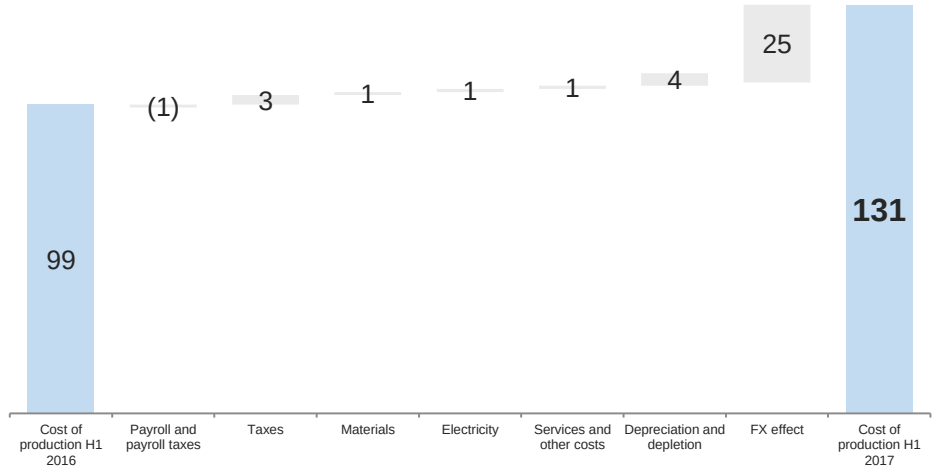
- Cash-cost per tonne of coal concentrate increased by 24% YoY mainly due to FX effect:
  - In rouble terms cash-cost of coal concentrate remained flat YoY
- Cost of production increased by 32% YoY mostly due to FX effect:
  - Depreciation and depletion rose YoY due to commissioning of new transport and motor vehicles at Razrez-Raspadsky as well as higher production at Raspadksaya 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
  - Materials and electricity costs increased amid higher prices
  - Services and other costs increased amid higher amount of degasing works

Cash-cost of concentrate, *$/t*



Source: Company data

Cost of production, *$m*

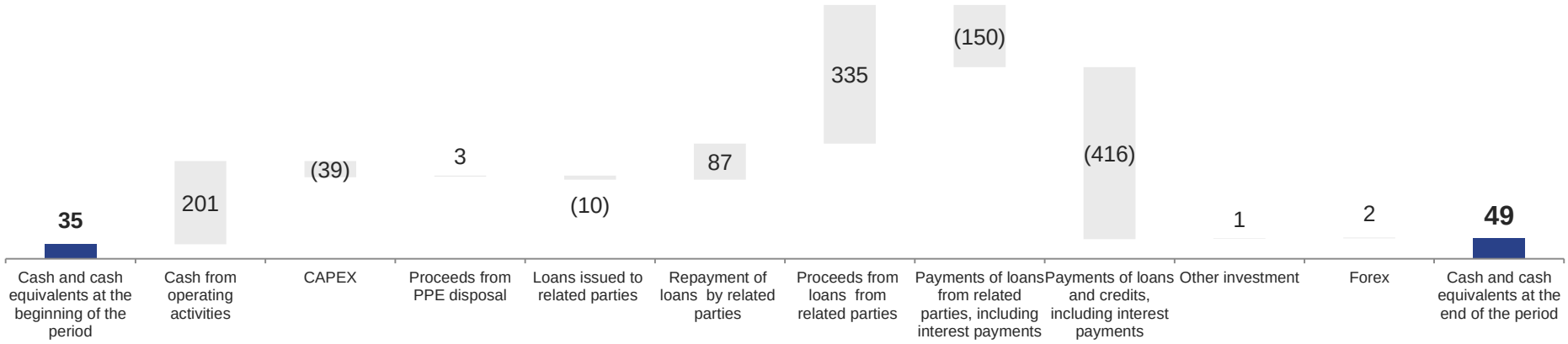


Source: Company data

Cash flow

- Cash flow from operating activities amounted to $201m
- Proceeds from loans from related parties (EVRAZ KGOK, EVRAZ ZSMK) amounted to $335m
- Repayment of loans by related parties (Evraz Group S.A.) amounted to $87m
- Payments of loans and credits (redemption of Eurobonds) amounted to $416m
- Payments of loans from related parties (EVRAZ KGOK, EVRAZ ZSMK) amounted to $150m
- CAPEX amounted to $39m

Cash flow in H1 2017, *$m*

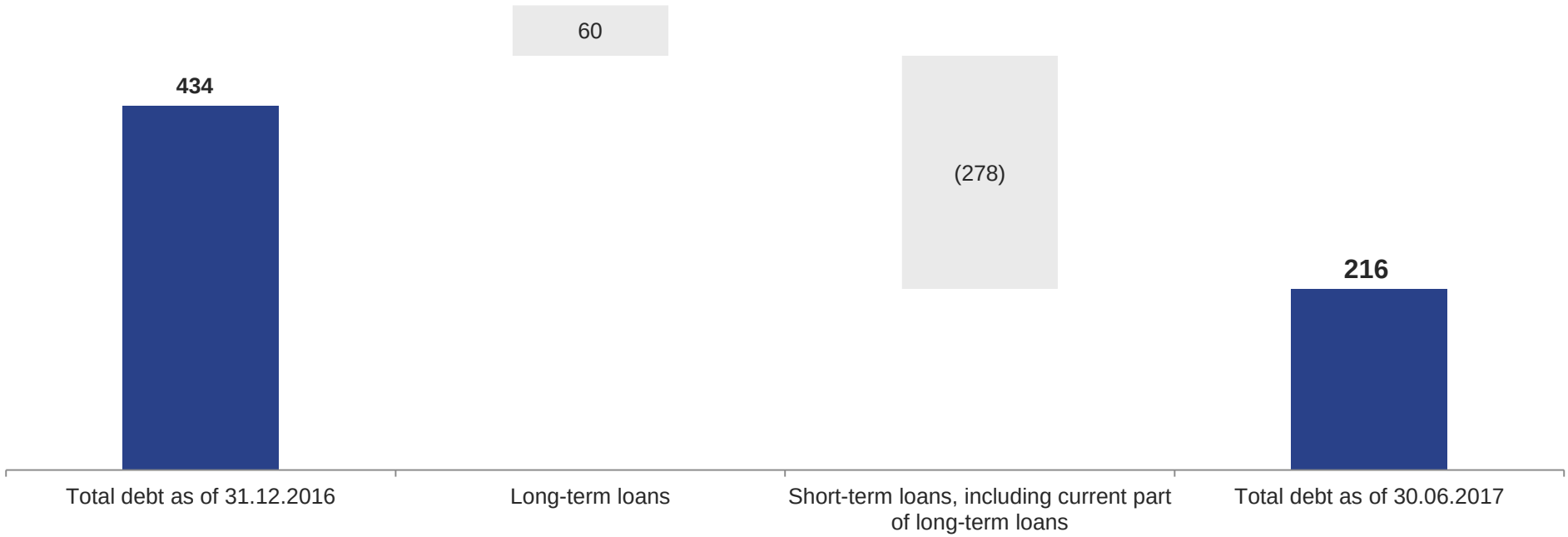


Source: Company data

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 $218m in the reporting period
- As of 30.06.2017 total debt of Raspadskaya amounted to $216m and consist of intra-group loans from EVRAZ' entities

Total debt as of 30.06.2017, *$m*



Source: Company data

Governance

- At AGM held in 18 May 2017:
  - The following new nominations to the Board of Directors were elected:
    - Nikolay Ivanov – CFO of EVRAZ
    - Aleksey Ivanov – Senior Vice President of EVRAZ
    - Alexander Kuznetsov – Vice President of EVRAZ
  - The following Directors were re-elected:
    - Alexander Frolov – CEO of EVRAZ
    - Sergey Stepanov – CEO of RUK
    - Ilya Lifshits – Partner at EDAS Law Bureau
    - Olga Pokrovskaya –Director at Highland Gold Mining, Adviser to General Director at Millhouse LLC
    - Terry Robinson – Deputy Chairman at Katanga Mining Ltd (Canada)
    - Hugh Stoyell - Independent Non-Executive Chairman of Katanga Mining Ltd (Canada)

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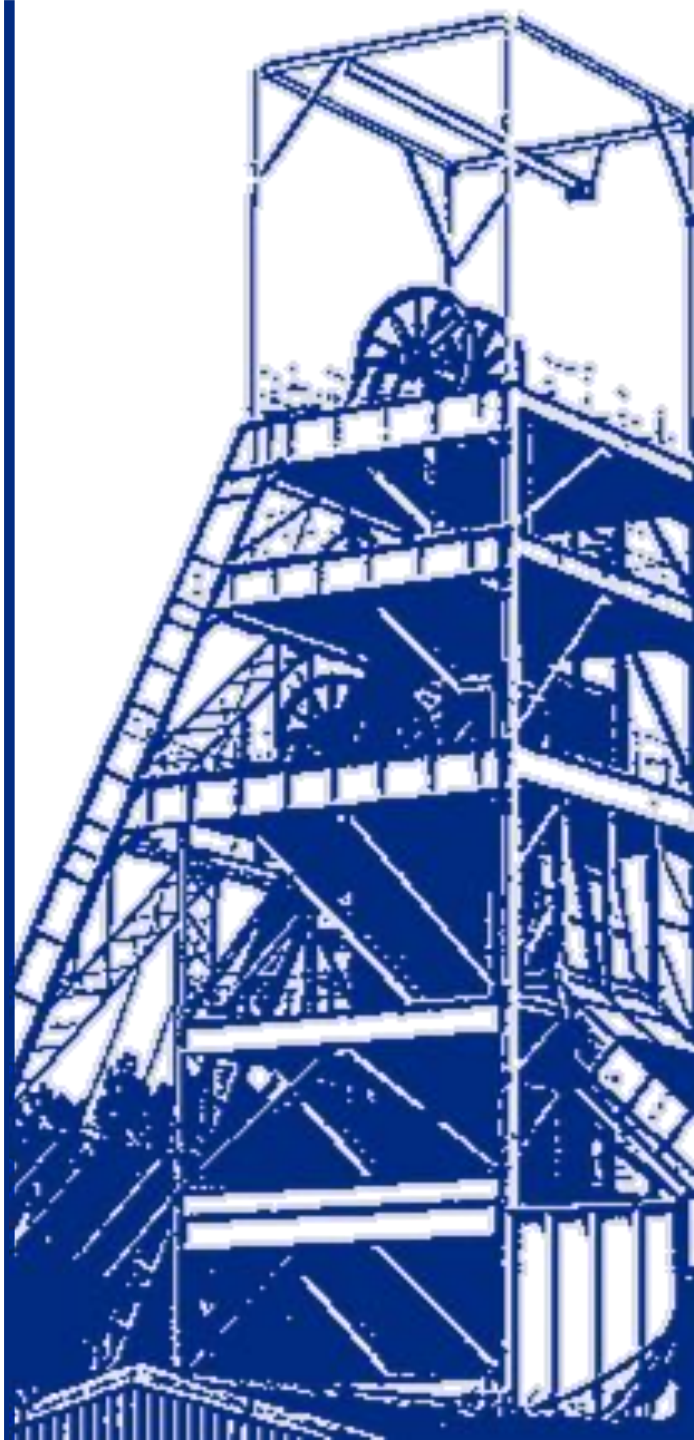

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