

EVRAZ Q4 and FY 2016 PRODUCTION REPORT

19 January 2017 — EVRAZ plc (LSE: EVR; “EVRAZ” or the “Group”) today released its operational results for the fourth quarter and full year of 2016.

Q4 2016 vs Q3 2016 OPERATIONAL HIGHLIGHTS:

- In Q4 2016, EVRAZ’ consolidated crude steel output remained stable QoQ at 3.4 million tonnes, as production increased at its Russian steel mills and decreased at the North American and Ukrainian assets.
- Consolidated output of steel products, net of re-rolled volumes, rose by 4.0% QoQ to 3.2 million tonnes. The main drivers were higher steel product output at the Russian steel mills due to market conditions and greater output at EVRAZ North America (higher volumes of slabs purchased from third parties were used in production).
- The increase in steel product output at the Russian steel mills, net of re-rolled volumes, reflected higher volumes of semi-finished products, while output of construction products fell, reflecting market conditions and a seasonal slowdown in demand for construction products in Russia.
- Railway product output at the Russian rail mills increased, driven by the completion of repairs at EVRAZ ZSMK’s rail mill in Q3 2016, which had impacted production volumes in that period, as well as higher demand in Q4 2016.
- In North America, output of tubular products (large-diameter pipes (LDP), oil country tubular goods (OCTG) and small-diameter line pipes) improved, as demand picked up amid a decline in surplus inventories in the distribution channels. An increase in orders from major customers boosted output of railway products QoQ. Output of construction products decreased by 19.5% due to performed annual maintenance activities amid lower demand.
- In Q4 2016, output of raw coking coal increased, primarily due to the completion of longwall moves at the Raspadskaya mine in September. Production of coking coal concentrate decreased by 4.6% QoQ, due to two factors: a temporary interruption in the supply of raw coking coal to coal-washing plants, caused by coal congelation in November amid severe weather conditions; and a temporary lack of cars on export routes, which limited shipments.

FY 2016 vs FY 2015 HIGHLIGHTS:

- In 2016, consolidated crude steel production and steel product output, net of re-rolled volumes, decreased by 5.7% and 6.1% respectively. This was mainly due to weak tubular and rail markets in North America, lower crude steel production at EVRAZ ZSMK due to planned capital repairs at blast furnaces in 2016, and the deconsolidation of EVRAZ Highveld Steel and Vanadium in April 2015.
- Changes in the steel product mix reflected market conditions. Together with increased output at EVRAZ ZSMK’s rolling mill, this resulted in higher exports of railway products .
- In North America, the fall in tubular product output was due to a market slump amid low oil prices and delays in pipeline projects. The decline in railway product output was attributable to lower demand from major customers.
- Production of coking coal concentrate grew by 4.9% YoY. This was due to the completion of longwall moves and more favourable geological conditions at the Erunakovskaya-8 mine, improved productivity at the Uskovskaya and Osinnikovskaya mines, and higher output at Mezhegeyugol following the launch of room-and-pillar mining operations in 2016.

STEEL

Product, '000 tonnes	Q4 2016	Q3 2016	Q4 2016 / Q3 2016, change	2016	2015*	2016 / 2015, change
Coke (saleable)	166	280	-40.6%	903	959	-5.8%
Pig iron	2,859	2,898	-1.3%	11,314	11,922	-5.1%
Pig iron (saleable)	92	126	-27.2%	407	552	-26.3%
Crude steel	3,397	3,392	0.2%	13,527	14,351	-5.7%
Steel products, gross**	3,364	3,280	2.6%	13,147	13,959	-5.8%
Steel products, net of re-rolled volumes	3,149	3,029	4.0%	12,352	13,160	-6.1%
Semi-finished products***	1,451	1,302	11.5%	5,192	4,963	4.6%
Finished products	1,698	1,727	-1.7%	7,160	8,197	-12.7%
Construction products	871	996	-12.6%	3,942	4,560	-13.6%
Railway products	398	344	15.7%	1,493	1,514	-1.4%
Flat-rolled products****	162	141	14.9%	624	709	-12.0%
Tubular products	117	99	18.6%	523	831	-37.0%
Other steel products	150	147	2.3%	578	583	-0.9%

Note. Numbers in this table and the tables below may not add to totals due to rounding.

* Includes production volumes of EVRAZ Highveld Steel and Vanadium (EHSV), which are not consolidated starting from April 2015 due to business rescue proceedings.

** Gross volume of steel products in the tables includes those re-rolled at other EVRAZ mills. However, such volumes are eliminated as inter-company sales for the purposes of EVRAZ' consolidated operating results.

*** Consolidated production volumes of semi-finished products are preliminary, as intra-group re-rolling volumes are yet to be finalised.

**** Includes production volumes of EVRAZ Palini e Bertoli (68 thousand tonnes in 2016), which resumed operations in 2016 after suspending them in August 2013.

RUSSIA and KAZAKHSTAN

Product, '000 tonnes	Q4 2016	Q3 2016	Q4 2016/ Q3 2016, change	2016	2015	2016 / 2015, change
Coke (saleable)	96	90	6.5%	377	296	27.3%
Pig iron	2,608	2,618	-0.4%	10,246	10,764	-4.8%
Pig iron (saleable)	54	91	-40.5%	319	478	-33.2%
Crude steel	2,866	2,790	2.8%	11,100	11,401	-2.6%
Steel products, gross	2,759	2,677	3.1%	10,541	10,741	-1.9%
Steel products, net of re-rolled volumes	2,685	2,599	3.3%	10,293	10,424	-1.3%
Semi-finished products	1,467	1,308	12.2%	5,183	4,960	4.5%
Finished products	1,218	1,291	-5.7%	5,110	5,464	-6.5%
Construction products	756	882	-14.3%	3,407	3,935	-13.4%
Railway products	321	275	16.8%	1,166	1,001	16.5%
Other steel products	141	134	4.9%	537	528	1.8%

In Q4 2016, pig iron production remained largely unchanged QoQ. FY 2016 pig iron production fell by 4.8%, due to planned capital repairs at EVRAZ ZSMK's blast furnace no. 1 (in May-June 2016) and capital repairs at EVRAZ ZSMK's blast furnace no. 3 (in October-November).

In Q4 2016, volumes of saleable pig iron declined and output of crude steel and steel products rose due to changes in the sales mix, as slabs were more profitable than pig iron QoQ. In addition, crude steel output in Q3 2016 was impacted by repairs at EVRAZ ZSMK's electric arc furnace in October, which also affected the change in crude steel output QoQ. FY 2016 output of crude steel decreased by 2.6% YoY.

Output of steel products increased QoQ in Q4 2016, mostly due to higher volumes of semi-finished products, which rose by 12.2%. At the same time, annual production of steel products decreased by 1.9% YoY in 2016. The lower output of steel products YoY primarily reflected a fall in construction product output, while output of semi-finished products rose by 4.5% YoY due to market conditions.

Output of construction products fell by 14.3% QoQ, reflecting market conditions and the beginning of the low construction season in Russia.

Production of railway products grew by 16.8% QoQ amid higher demand and the completion of repairs of EVRAZ ZSMK's rail mill in Q3 2016, which had impacted production in that period. FY output of railway products increased by 16.5% YoY following operational improvements at EVRAZ ZSMK's rolling mill, better product mix, higher demand on rails from Russian Railways and export customers as well as higher demand on railcar sections.

Average selling prices

US\$/tonne (ex works)	Q4 2016	Q3 2016	2016	2015
Coke	133	91	98	109
Pig iron	204	198	167	180
Steel products				
Semi-finished products	287	294	254	256
Construction products	460	424	392	383
Railway products	548	516	489	540
Other steel products	418	388	381	405

Overall, steel selling prices followed global benchmarks. However, prices for semi-finished products decreased QoQ because part of the production volumes in Q4 2016 were booked by slabs which were sold at the prices of Q3 2016.

In Q1 2017, steel production is expected to increase by 4-5% QoQ, as Q4 2016 output was impacted by capital repairs at EVRAZ ZSMK's blast furnace no. 3 and lower oxygen availability.

NORTH AMERICA

Product, '000 tonnes	Q4 2016*	Q3 2016	2016 / 2016, change	2016	2015	2016 / 2015, change
Crude steel	298	338	-11.8%	1,370	1,795	-23.7%
Steel products, net of re-rolled volumes	365	349	4.5%	1,650	2,237	-26.2%
Construction products	48	59	-19.5%	242	248	-2.5%
Railway products	77	70	11.4%	328	514	-36.2%
Flat-rolled products	123	121	1.7%	557	644	-13.6%
Tubular products	117	99	18.6%	523	831	-37.0%

* Q4 2016 production volumes are preliminary

In Q4 2016, steelmaking operations at EVRAZ Regina and Pueblo experienced prolonged scheduled outages. During the Regina outage, upgrades to the caster and rolling mill were carried out (as part of the Regina steel upgrade project). At Pueblo, major mechanical components in the electric arc furnace cover mechanism were replaced. Taken together, these outages resulted in an 11.8% QoQ decline in crude steel production.

FY 2016 production of crude steel and steel products declined by 23.7% and 26.2% YoY respectively. The main drivers were weak tubular and rail markets, along with extended planned outages in Q4 2016. Overall, there were 148 days of downtime in 2016, compared with 86 days in 2015.

Q4 2016 construction product output declined by 19.5% QoQ, as the wire rod mill was temporarily shut down for annual maintenance.

Rail production in Q4 increased by 11.4% QoQ in response to marginally improving demand from Class-I railways. At the same time we saw an annual decline of rail production (-36.2%) due to



significantly lower demand from Class I railway companies in 2016 as a result of inventory rebalancing and lower CAPEX.

Production of flat-rolled products grew by 1.7% QoQ, as customers increased purchases after a prolonged period of maintaining low inventories. In 2016, subdued flat-rolled products demand resulted in output that was 13.6% below 2015 levels.

Output of tubular products increased by 18.6% QoQ. OCTG and seamless pipe production improved, as inventory overhangs in the distribution channel declined and rig utilisation began to increase. In 2016, weak OCTG demand, a result of low drilling activity, and delays in pipeline approvals resulted in lower tubular products output compared to 2015.

Average selling prices

US\$/tonne (ex works)	Q4 2016	Q3 2016	2016	2015
Construction products	517	515	513	648
Flat-rolled products	623	691	639	722
Tubular products	972	922	972	1,111

Prices for construction and flat-rolled products decreased during Q4 2016, reflecting prevailing scrap and other input prices. In contrast, tubular product prices increased due to improvements in OCTG and seamless pipe volumes. In 2016, prices for most steel products declined YoY, reflecting the prevailing dynamics of scrap and other input prices.

In Q1 2017, the combination of major increases in tubular products orders, marginally higher rail and flat-rolled products orders, and the absence of major planned outages will likely result in higher volumes and a positive pricing trend.

UKRAINE

Product, '000 tonnes	Q4 2016	Q3 2016	Q4 2016 / Q3 2016, change	2016	2015	2016 / 2015, change
Coke (saleable)	70	190	-62.9%	526	663	-20.6%
Pig iron	251	280	-10.3%	1,068	1,008	5.9%
Pig iron (saleable)	38	36	6.7%	87	74	18.5%
Crude steel	233	264	-11.9%	1,057	1,005	5.2%
Steel products	200	234	-14.5%	889	857	3.7%
Semi-finished products	124	167	-25.7%	554	478	16.0%
Finished products	76	67	13.5%	335	379	-11.8%
Construction products	67	55	22.5%	293	330	-11.2%
Other steel products	9	12	-25.8%	42	49	-15.7%

Saleable coke volumes decreased QoQ, due to a transition to a tolling scheme at EVRAZ Yuzhkoks.

Pig iron output declined by 10.3% QoQ, amid temporary disruptions to Russian coal supplies. FY 2016 pig iron output increased by 5.9% YoY, as production in 2015 had been affected by unstable blast furnace operations and maintenance repairs. In 2016, blast furnace productivity increased due to more stable blast furnaces performance as a result of improved coke and sinter quality, driving pig iron output.

Production of crude steel decreased by 11.9% amid decline in pig iron output. Output of crude steel increased by 5.2% YoY.

In Q4 2016, changes in the steel product mix reflected improved export demand for construction products (mainly from Russia). Output of steel products increased by 3.7% YoY. Changes in production mix of steel products YoY reflected lower demand for construction products in Russia and CIS markets.

Average selling prices

US\$/tonne (ex works)	Q4 2016	Q3 2016	2016	2015
Coke (saleable)	201	154	144	167
Pig iron	218	204	209	243
Steel products				
Semi-finished products	306	286	275	288
Construction products	384	386	369	407
Other steel products	611	522	522	597

In Q4 2016, prices for pig iron and steel products largely rose QoQ, following global benchmarks. Prices for construction products slightly decreased QoQ, reflecting the downward market trend in the previous quarter. In 2016, steel prices moved in line with global benchmarks.

In Q1 2017 sales volumes of pig iron are expected to fall thus output of crude steel and steel products is expected to increase QoQ.

IRON ORE

Product, '000 tonnes	Q4 2016	Q3 2016	Q4 2016 / Q3 2016, change	2016	2015	2016 / 2015, change
Sinter (Russia)	2,676	2,705	-1.1%	10,618	11,126	-4.6%
Pellets (Russia)	1,660	1,558	6.5%	6,520	6,510	0.2%
Lumpy ore (Ukraine)	618	639	-3.3%	2,563	2,809	-8.7%

In Q4 2016, output of pellets increased QoQ, following kiln repairs in Q3 2016. In 2016, sinter output dropped by 4.6%, primarily due to capital repairs at EVRAZ ZSMK's blast furnace no.1. Production of pellets was largely unchanged YoY.

Average selling prices

US\$/tonne (ex works)	Q4 2016	Q3 2016	2016	2015
Pellets (Russia)	42	37	38	41
Lumpy ore (Ukraine)	28	25	23	23

Prices for pellet and lumpy ore moved in line with global benchmarks.

In Q1 2017, sinter output is expected to increase following the completion of repairs at EVRAZ ZSMK and KGOK's sintering machines in Q4 2016.

COAL

Product, '000 tonnes	Q4 2016	Q3 2016	Q4 2016 / Q3 2016, change	2016	2015*	2016 / 2015, change
Raw coking coal (mined)	5,808	5,434	6.9%	22,257	20,889	6.6%
<i>Yuzhkuzbassugol</i>	2,444	2,811	-13.1%	11,182	10,295	8.6%
<i>Raspadskaya</i>	3,198	2,431	31.6%	10,512	10,352	1.5%
<i>Mezhegeyugol</i>	166	192	-13.7%	563	242	133.1%
Coking coal concentrate (production)	3,401	3,566	-4.6%	14,264	13,601	4.9%

* Change to the previously reported figures due to the reclassification of KS coal grade from steam to coking coal

Production of raw coking coal increased by 6.9% QoQ in Q4 2016, primarily due to an increase in output at the Raspadskaya mine following the completion of longwall moves in September. Output of raw coking coal decreased at the Osinnikovskaya and Erunakovskaya-8 mines, reflecting planned longwall repositioning in Q4 2016. Production at Mezhegeyugol decreased QoQ, due to the repositioning of mining equipment.

FY 2016 raw coking coal production increased by 6.6%; coking coal concentrate production rose by 4.9%. This was driven by higher annual output at the Erunakovskaya-8 mine in 2016, following longwall moves and unfavourable geological conditions in 2015. In addition, productivity at the Uskovskaya and Osinnikovskaya mines improved, and annual output at Mezhegeyugol rose following the launch of room-and-pillar mining operations in 2016.

Output of coking coal concentrate decreased by 4.6% QoQ due to temporary interruptions in the supply of raw coking coal to coal-washing plants, caused by coal congelation in November amid severe weather conditions and a temporary lack of cars on export routes, which limited shipments. Output of coking coal concentrate increased by 4.9% YoY due higher raw coal production.

Average selling prices

US\$/tonne (ex works)	Q4 2016	Q3 2016	2016	2015
Raw coking coal	58	30	38	33
Coking coal concentrate	118	62	73	58

Coal prices demonstrated positive quarterly and yearly dynamics, following global benchmarks.

In Q1 2017, raw coal production is expected to decrease due to scheduled longwall repositioning at Raspadskaya mine.

VANADIUM

Product, kgV*	Q4 2016	Q3 2016	Q4 2016 / Q3 2016, change	2016	2015**	2016 / 2015, change
Vanadium slag, gross production	4,350	4,269	1.9%	16,886	17,984	-6.1%
Russia	4,350	4,269	1.9%	16,886	16,196	4.3%
South Africa	0	0	n/a	0	1,788	-100.0%
Vanadium in final products (saleable)	3,013	3,241	-7.0%	12,861	14,681	-12.4%

* Calculated in pure vanadium equivalent

** Includes production volumes of EVRAZ Highveld Steel and Vanadium (EHSV) and Hochvanadium, which are not consolidated starting from April 2015 due to business rescue proceedings.

Vanadium slag production increased by 1.9% QoQ, due to higher output of pig iron, as well as improved vanadium slag yields at EVRAZ NTMK. FY 2016 vanadium slag output declined by 6.1% YoY, which was attributable to EVRAZ Highveld's deconsolidation as of Q2 2015. Annual vanadium slag production in Russia increased by 4.3% in 2016 YoY, due to higher pig iron output, as well as improved extraction yields at EVRAZ NTMK.

Q4 output of saleable vanadium products decreased by 7.0% QoQ amid lower ferrovanadium production at Nikom due to poor availability of oxides. This was partly offset by a QoQ increase in ferrovanadium output at Vanady-Tula, which was affected by repairs in September. Annual output of saleable vanadium products fell by 12.4% YoY, due to lower volumes of ferrovanadium and oxides resulting from the deconsolidation of Hochvanadium.

Additionally, in 2016 we saw a decline in oxide production at Stratcor (US) amid a reduction in available feedstock and following the decision to decrease oxide production and serve only certain customers. This fall was partly offset by an increase in nitrovan output at Vametco (SA), due to improved operating efficiencies.

Average FeV indices

US\$/kgV	Q4 2016	Q3 2016	2016	2015
Metal Bulletin Ferro-Vanadium basis 78% min, free DDP, consumer plant, 1st grade Western Europe	22.34	18.50	18.47	18.58
Ryan's Notes N.A. FeV 80% min, US ex-warehouse, duty paid	23.47	22.02	20.58	20.21

In Q4 2016, the Metal Bulletin FeV80 index averaged US\$22.34/kgV, up 21% from US\$18.50/kgV in Q3 2016. Meanwhile, the Ryan's Notes index, used in North America, averaged US\$23.47/kgV in Q4 2016, 7% higher than US\$22.02/kgV in the previous quarter. In 2016, the averages for the Metal Bulletin FeV80 and the Ryan's Notes indexes were almost flat YoY. Sale prices for vanadium products followed market dynamics.

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Notes:

Semi-finished products include slabs, billets, pipe blanks and other semi-finished products.

Construction products include beams, channels, angles, rebars, wire rods, wire, and other construction products.

Railway products include rails, wheels, tyres and other railway products.

Flat-rolled products include commodity plate, specialty plate and other flat products.

Tubular products include large-diameter line pipes, ERW pipes and casings, seamless pipes and other tubular products.

Other steel products include rounds, grinding balls, mine uprights, strips, etc. They also include railway products for Ukraine.

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EVRAZ is a vertically integrated steel, mining and vanadium business with operations in Russia, Ukraine, Kazakhstan, the US, Canada, the Czech Republic, Italy and South Africa. EVRAZ is among the top steel producers in the world, based on crude steel production of 13.5 million tonnes in 2016. The Group's mining operations cover a significant part of its internal consumption of iron ore and coking coal. Consolidated revenues for the year ended 31 December 2015 were US\$8,767 million and consolidated EBITDA amounted to US\$1,438 million.