



Severstal
Achieve more together



Q3 2015 and 9M 2015 Operational Results

13 October 2015





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Q3 2015 Group Highlights

- Crude steel production increased 2% to 2.89 mln tonnes (Q2 2015: 2.85 mln tonnes), while hot metal output increased 1% to 2.31 mln tonnes (Q2 2015: 2.29 mln tonnes) against the previous quarter, during which steel production was impacted by scheduled maintenance at the BOF#3 and continuous caster #2 and #4.
- Severstal's proximity to the border allowed the Company to flexibly relocate sales volumes from export market, with share of domestic deliveries within the sales mix increasing to 67% (Q2 2015: 59%).
- Consolidated sales of steel products increased 13% q/q with Severstal's steel assets continuing to run at near to full capacity. Steel consumption in Russia was stronger q/q despite less pronounced seasonality compared with previous years.
- The share of high value-added (HVA) products in the sales portfolio remained strong at 47% (Q2 2015: 47%).
- Coking coal concentrate sales remained flat q/q in spite of a decrease in ROM-coal output volumes in Q3 at Vorkutaugol on the back of scheduled long-walls repositioning activity during the period.
- Global steel prices continued to decline, largely impacted by concerns regarding the prospects of the Chinese economy. However, successful increases in RUB-denominated prices reflects improved buying activity on the domestic market, which has partially offset the impact of RUB devaluation.

| Production volumes, t | Q3 2015 | Q2 2015 | Change, % | 9M 2015 | 9M 2014 | Change, % |
|--|------------------|------------------|------------|------------------|------------------|-----------|
| Crude steel (Total output): | 2,893,026 | 2,847,753 | 2% | 8,700,168 | 8,410,240 | 3% |
| Hot metal (Total output): | 2,313,103 | 2,289,358 | 1% | 6,907,773 | 6,755,320 | 2% |
| Sales volumes, t | Q3 2015 | Q2 2015 | Change, % | 9M 2015 | 9M 2014 | Change, % |
| Coking coal concentrate | 1,458,964 | 1,458,915 | 0% | 4,190,521 | 3,900,648 | 7% |
| Iron ore pellets | 2,729,137 | 2,600,490 | 5% | 7,906,080 | 7,863,134 | 1% |
| Iron ore concentrate | 1,126,007 | 1,072,732 | 5% | 3,183,011 | 3,449,213 | (8%) |
| Total steel products (Consolidated) | 3,001,339 | 2,658,122 | 13% | 8,204,329 | 7,766,056 | 6% |
| Total steel products (Russian Steel) | 3,012,818 | 2,671,598 | 13% | 8,242,940 | 7,938,292 | 4% |



Severstal Resources

Severstal Resources Operational Results

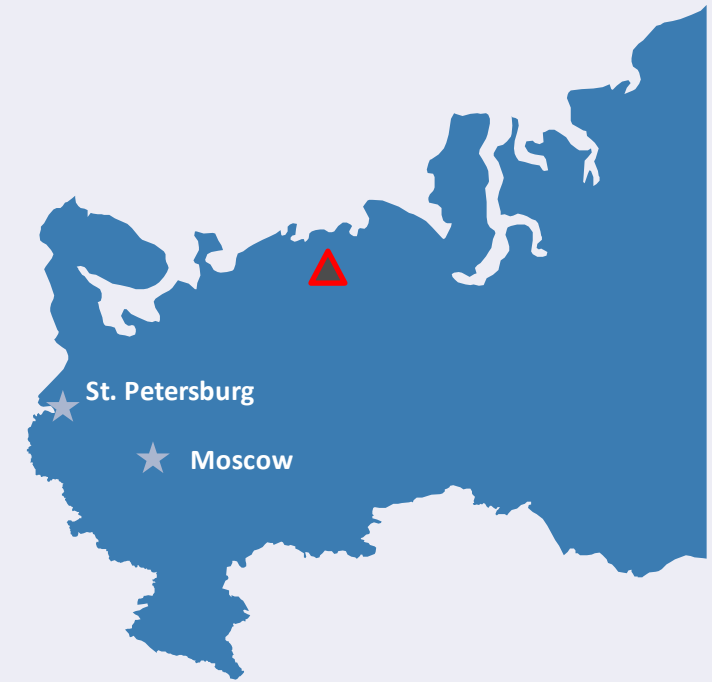


| Sales volumes, t | Q3 2015 | Q2 2015 | Change, % | 9M 2015 | 9M 2014 | Change, % |
|-------------------------------------|-----------|-----------|-----------|------------|------------|-----------|
| Coal: | 2,037,512 | 1,882,160 | 8% | 5,655,975 | 5,188,816 | 9% |
| Coking coal concentrate: | 1,458,964 | 1,458,915 | 0% | 4,190,521 | 3,900,648 | 7% |
| Vorkutaugol | 1,458,964 | 1,458,915 | 0% | 4,190,521 | 3,376,360 | 24% |
| PBS Coals | - | - | n.a. | - | 524,288 | n.a. |
| Raw coking coal, Vorkutaugol | - | - | n.a. | 8,719 | 57,999 | (85%) |
| Steam coal: | 578,548 | 423,245 | 37% | 1,456,735 | 1,230,169 | 18% |
| Vorkutaugol | 578,548 | 423,245 | 37% | 1,456,735 | 1,208,717 | 21% |
| PBS Coals | - | - | n.a. | - | 21,452 | n.a. |
| Iron ore: | 3,855,144 | 3,673,222 | 5% | 11,089,091 | 11,312,347 | (2%) |
| Iron ore pellets | 2,729,137 | 2,600,490 | 5% | 7,906,080 | 7,863,134 | 1% |
| Iron ore concentrate | 1,126,007 | 1,072,732 | 5% | 3,183,011 | 3,449,213 | (8%) |

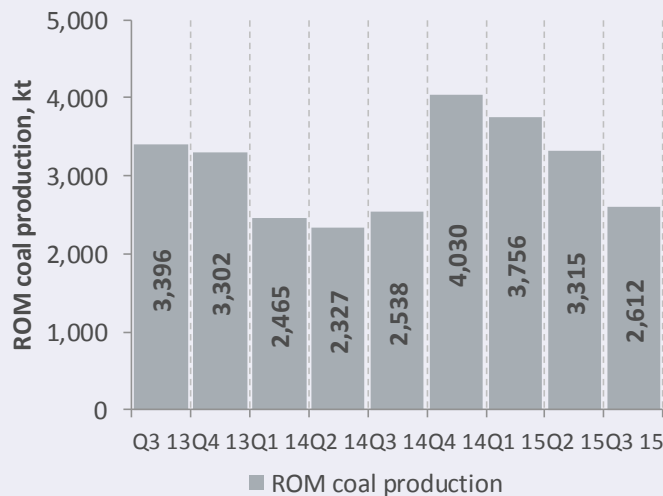
| Sales price, \$/tonne | Q3 2015 | Q2 2015 | Change, % | 9M 2015 | 9M 2014 | Change, % |
|--------------------------------------|---------|---------|-----------|---------|---------|-----------|
| Coking coal concentrate, Vorkutaugol | 64 | 91 | (30%) | 73 | 95 | (23%) |
| Coking coal concentrate, PBS Coals | n.a. | n.a. | n.a. | n.a. | 105 | n.a. |
| Raw coking coal, Vorkutaugol | n.a. | n.a. | n.a. | 18 | 58 | (69%) |
| Steam coal, Vorkutaugol | 18 | 24 | (25%) | 21 | 35 | (40%) |
| Steam coal, PBS Coals | n.a. | n.a. | n.a. | n.a. | 68 | n.a. |
| Iron ore pellets | 45 | 52 | (13%) | 49 | 89 | (45%) |
| Iron ore concentrate | 30 | 35 | (14%) | 32 | 61 | (48%) |

Vorkutaugol (part of Severstal Resources)

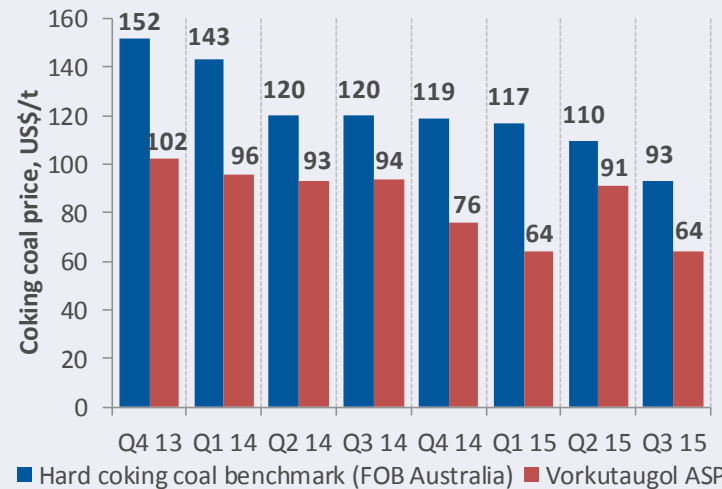
- Coking coal concentrate sales volumes remained largely flat q/q at 1.46 mln tonnes (Q2 2015: 1.46 mln tonnes) despite a declined ROM-coal output q/q.
- That was driven by scheduled long-wall repositioning at the several mines at Vorkutaugol during the period. In 2015, Vorkutaugol will commission 5 new coalfaces across all of its mines.
- Steam coal sales at Vorkutaugol increased 37% q/q on the back of improved demand from domestic consumers prior to the heating season.
- Average coking coal concentrate selling prices decreased 30% q/q, which was a function of the weaker RUB q/q as well as a downwards revision of coking coal contract prices starting from July 2015. Moreover, there has been an increase in the share of semi-soft coking coal within the sales mix.



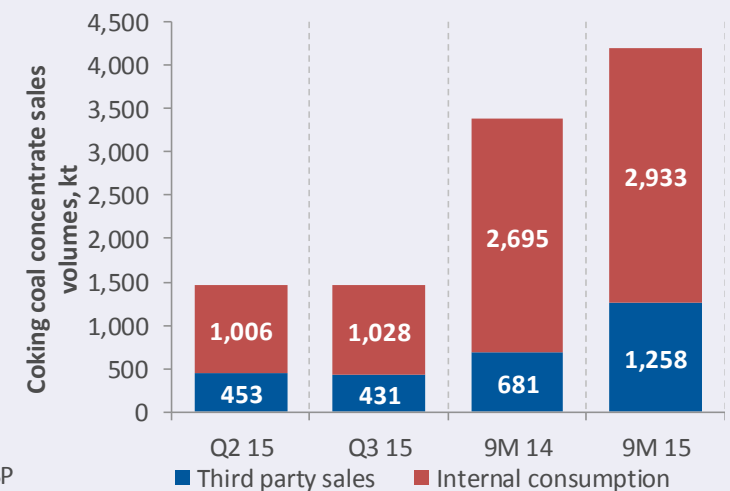
ROM coal production



Vorkutaugol average selling price dynamics, US\$/t

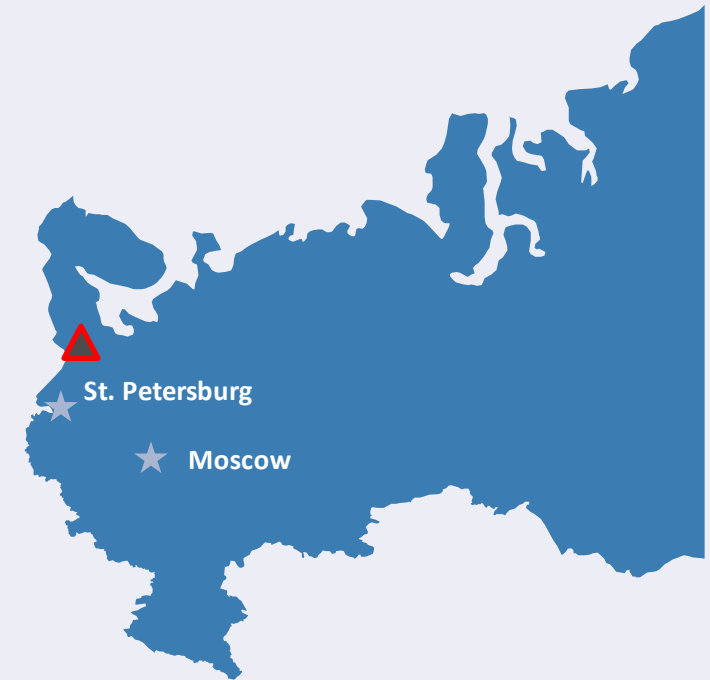


Vorkutaugol coking coal concentrate sales volumes

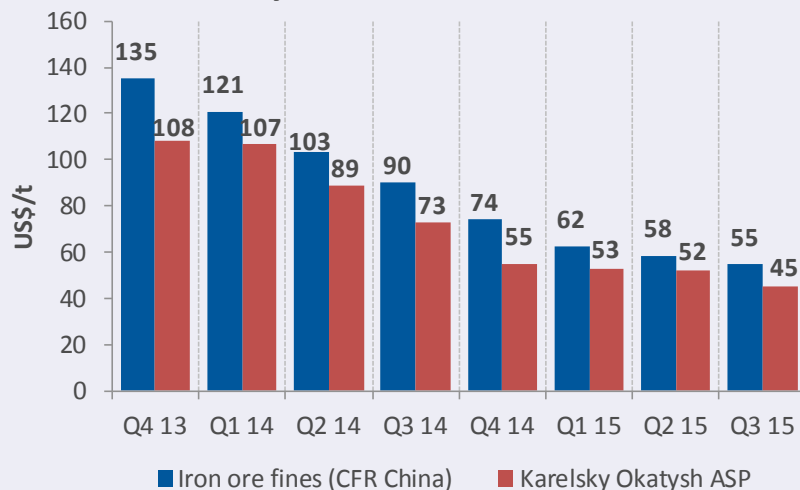


Karelsky Okatysh (part of Severstal Resources)

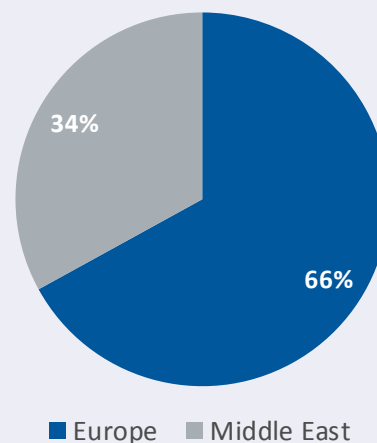
- Iron ore pellets sales increased 5% q/q to 2.73 mln tonnes (Q2 2015: 2.60 mln tonnes) reflecting both higher internal procurement and seasonally higher external sales on the domestic market.
- Against a 6% q/q decline of the global iron ore benchmark in Q3, average selling prices of iron ore pellets at Karelsky Okatysh decreased 13% q/q.
- This was largely driven by a ca. 20% q/q RUB devaluation against the USD during the period, which was partially offset by RUB-denominated price increases.



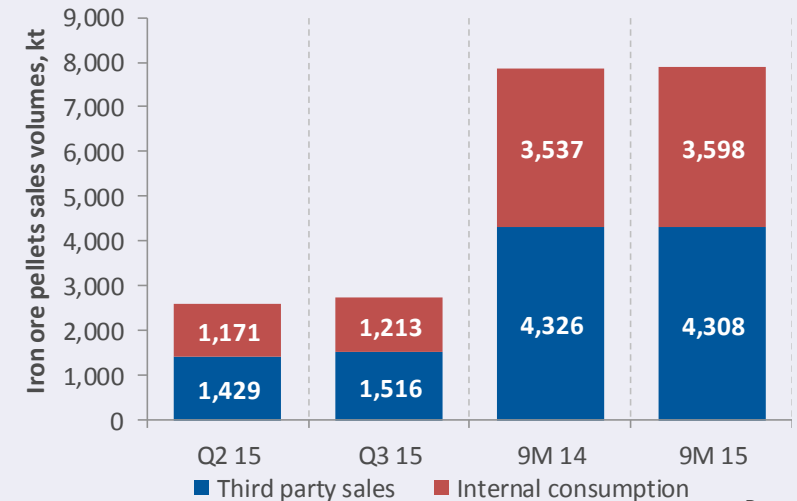
Karelsky Okatysh average selling price (ASP) dynamics, US\$/t



Karelsky Okatysh pellets export structure, Q3 2015

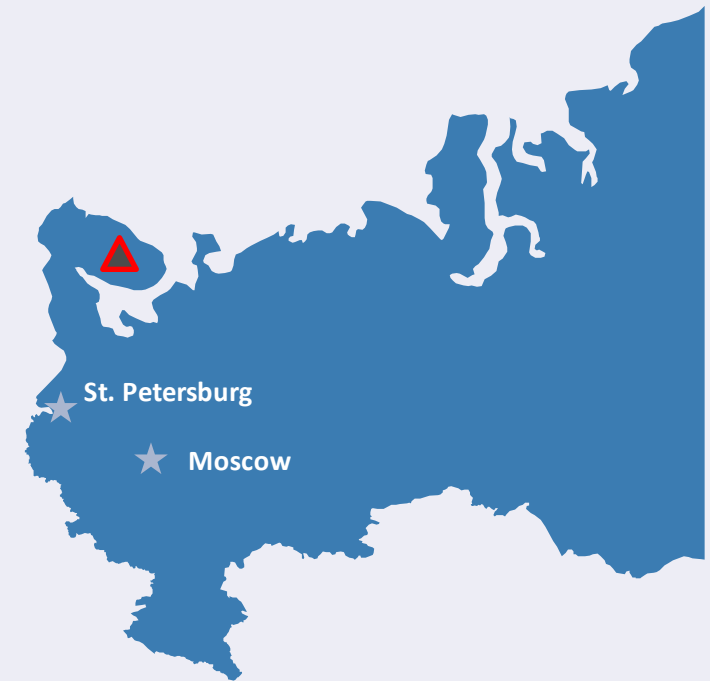


Iron ore pellets sales volumes

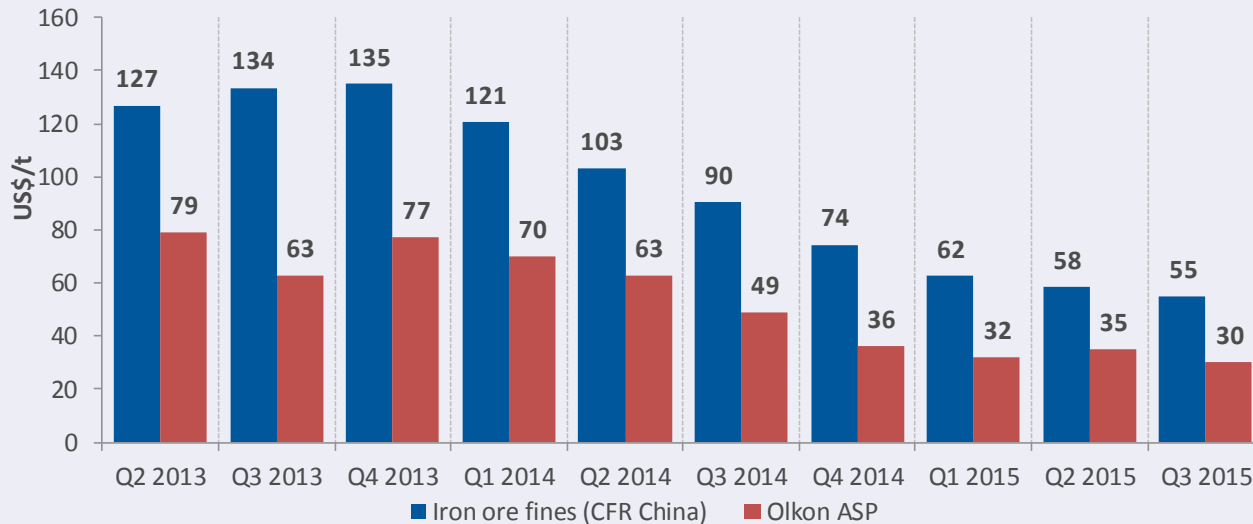


Olkon (part of Severstal Resources)

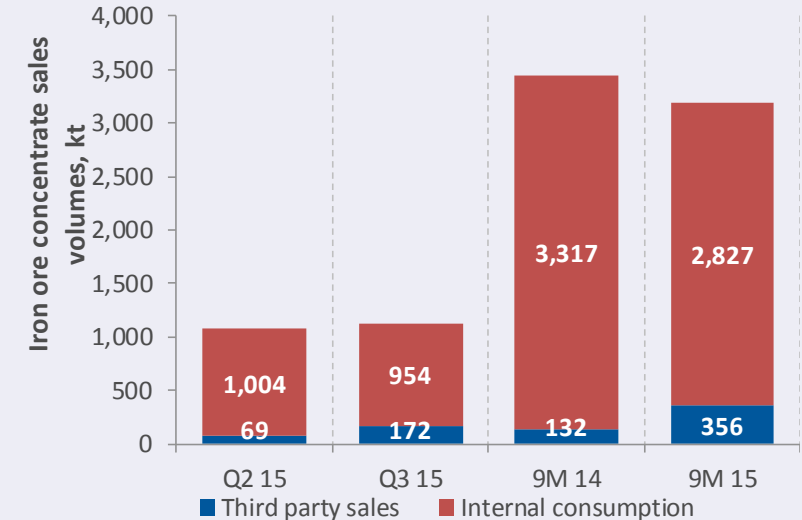
- Iron ore concentrate sales volumes increased 5% q/q to 1.13 mln tonnes (Q2 2015: 1.07 mln tonnes) mainly driven by an increase in external sales as profitability at Olkon was supported by RUB devaluation.
- Against a 6% q/q decline of the global iron ore benchmark in Q3, average selling prices of iron ore concentrate at Olkon decreased 14% q/q.
- This was largely driven by a ca. 20% q/q RUB devaluation against the USD during the period, which was partially offset by RUB-denominated price increases.



Olkon average selling price (ASP) dynamics, US\$/t



Iron ore concentrate sales volumes





Severstal Russian Steel

Severstal Russian Steel Operational Results



| Sales volumes, t | Q3 2015 | Q2 2015 | Change, % | 9M 2015 | 9M 2014 | Change, % |
|-------------------------------------|------------------|------------------|------------|------------------|------------------|------------|
| Total steel products | 3,012,818 | 2,671,598 | 13% | 8,242,940 | 7,938,292 | 4% |
| Semi-finished products | 102,049 | 88,151 | 16% | 297,091 | 304,850 | (3%) |
| Rolled products: | 2,376,419 | 2,057,076 | 16% | 6,419,219 | 6,274,851 | 2% |
| Hot-rolled coil | 1,108,855 | 1,018,937 | 9% | 3,055,942 | 2,948,765 | 4% |
| Hot-rolled plate | 164,867 | 162,732 | 1% | 519,595 | 643,442 | (19%) |
| Cold-rolled coil | 367,716 | 335,160 | 10% | 1,006,532 | 1,098,483 | (8%) |
| Galvanised and metallic coated coil | 201,559 | 140,233 | 44% | 476,405 | 429,254 | 11% |
| Color coated coil | 146,883 | 85,361 | 72% | 316,703 | 322,077 | (2%) |
| Long products | 386,539 | 314,653 | 23% | 1,044,042 | 832,830 | 25% |
| Downstream products: | 534,350 | 526,371 | 2% | 1,526,630 | 1,358,591 | 12% |
| Metalware products | 170,869 | 154,459 | 11% | 464,027 | 486,863 | (5%) |
| Large diameter pipes | 130,654 | 166,514 | (22%) | 418,680 | 252,034 | 66% |
| Other tubes, pipes, formed shapes | 232,827 | 205,398 | 13% | 643,923 | 619,694 | 4% |

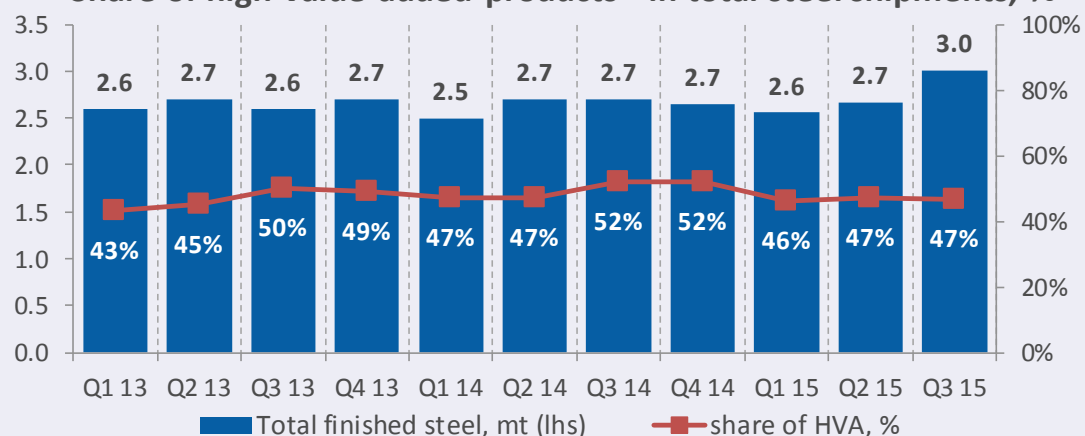
| Sales price, \$/tonne | Q3 2015 | Q2 2015 | Change, % | 9M 2015 | 9M 2014 | Change, % |
|-------------------------------------|---------|---------|-----------|---------|---------|-----------|
| Semi-finished products | 255 | 347 | (27%) | 325 | 450 | (28%) |
| Hot-rolled coil | 356 | 405 | (12%) | 384 | 496 | (23%) |
| Hot-rolled plate | 475 | 571 | (17%) | 509 | 751 | (32%) |
| Cold-rolled coil | 427 | 500 | (15%) | 456 | 579 | (21%) |
| Galvanised and metallic coated coil | 519 | 644 | (19%) | 570 | 783 | (27%) |
| Color coated coil | 718 | 863 | (17%) | 762 | 1,037 | (27%) |
| Long products | 315 | 402 | (22%) | 360 | 552 | (35%) |
| Metalware products | 762 | 906 | (16%) | 828 | 1,082 | (23%) |
| Large diameter pipes | 1,110 | 1,533 | (28%) | 1,303 | 1,501 | (13%) |
| Other tubes, pipes, formed shapes | 456 | 527 | (13%) | 481 | 642 | (25%) |

Severstal Russian Steel (RSD)

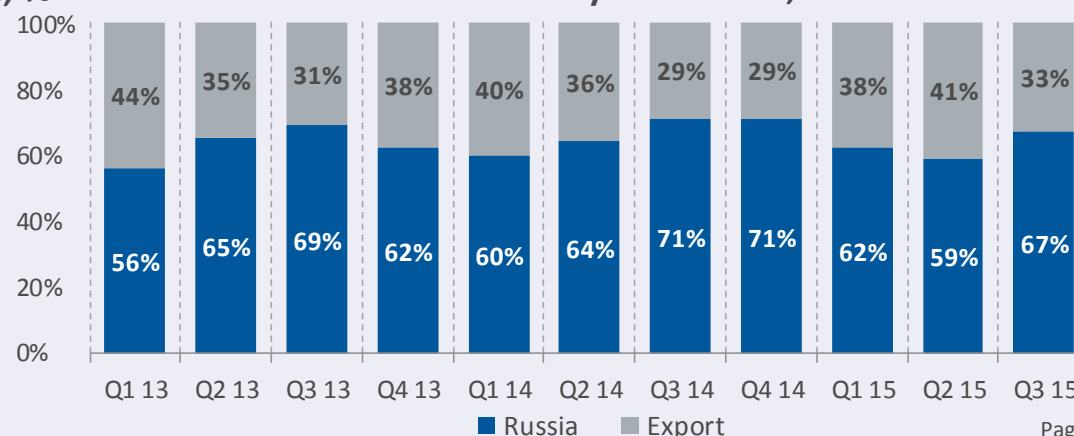
- RSD increased steel product sales by 13% q/q to 3.01 mln tonnes driven by improved domestic steel consumption and despite less pronounced seasonality this year.
- The share of domestic sales within the sales mix increased to 67% (Q2 2015: 59%) reflecting Severstal's ability to efficiently reallocate sales volumes between export and domestic markets and capture improved consumption trends on the domestic market.
- Improved domestic flat steel consumption led to notable increases in galvanised and metallic coated coil and color coated coil sales volumes, of 44% q/q and 72% q/q respectively. This enabled RSD to maintain the share of HVA products within sales mix at 47% regardless an increase in semi-finished products and hot-rolled coil sales.
- While Izhora Pipe Mill capacities were fully utilized in Q3 2015 large diameter pipes (LDPs) sales volumes declined 22% q/q. This mainly reflects change to product mix with higher share of Transneft maintenance projects deliveries q/q. In the meantime, Severstal continued supplying LDPs for the Power of Siberia project and Gazprom maintenance projects.
- Despite the continuing downward trend in global steel prices, a seasonal uptick in domestic demand enabled RSD to proceed with RUB-denominated price increases across almost all types of steel products. This helped to partially mitigate the impact of RUB devaluation in Q3 2015.



Share of high-value-added products* in total steel shipments, %



Steel sales volumes by destination, %



* High-value-added comprises: plate; cold-rolled, galvanised and metallic coated, color coated sheet; metalware; large-diameter and other pipes.

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