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Q2 2015 and H1 2015 Operational Results

15 July 2015



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Q2 2015 Group Highlights*

- In Q2 hot metal production decreased 1% q/q to 2.29 mln tonnes (Q1 2015: 2.31 mln tonnes). At the same time, crude steel production decreased 4% q/q to 2.85 mln tonnes (Q1 2015: 2.96 mln tonnes). While this suggests lower consumption of scrap material in steelmaking process, it also reflects an impact of scheduled maintenance at the BOF#3 and continuous caster #2 and #4.
- Consolidated sales of steel products increased 4% q/q partially due to seasonal increase in demand, despite anticipated weaker steel consumption domestically. Moreover, Severstal's proximity to export markets allowed the Company the flexibility to allocate additional volumes for export.
- The share of high value-added (HVA) products improved 1 ppt to 47% (Q1 2015: 46%) largely due to a 13% q/q increase in downstream products sales and a reduction in long products sales q/q. These have partially offset a 10% q/q increase in HRC sales.
- Coking coal concentrate sales increased 15% q/q in spite of a decrease in ROM-coal output volumes in Q2 at Vorkutaugol on the back of scheduled long-walls repositioning activity in June 2015. The former is largely a low-base effect with washing plant operations being negatively impacted by severe weather conditions in Q1.
- Whilst the pricing environment on the global markets remains challenging, Severstal average USD-nominated selling prices for steel products improved q/q owing to RUB appreciation. Specifically, after catching up with the USD-nominated parity, domestic prices reached an unusual premium vs. export prices. We would expect a gradual normalization of this premium later in the year.

Production volumes, t	Q2 2015	Q1 2015	Change,%	H1 2015	H1 2014	Change,%
Crude steel (Total output):	2 847 753	2 959 389	(4%)	5 807 142	5 548 036	5%
Hot metal (Total output):	2 289 358	2 305 312	(1%)	4 594 670	4 472 728	3%
Sales volumes, t	Q2 2015	Q1 2015	Change,%	H1 2015	H1 2014	Change,%
Coking coal concentrate	1 458 915	1 272 642	15%	2 731 557	2 611 921	5%
Iron ore pellets	2 600 490	2 576 453	1%	5 176 943	5 122 128	1%
Iron ore concentrate	1 072 732	984 272	9%	2 057 004	2 310 441	(11%)
Total steel products (Consolidated)	2 658 122	2 544 868	4%	5 202 990	5 103 883	2%
Total steel products (Russian Steel)	2 671 598	2 558 524	4%	5 230 122	5 193 032	1%

* Group volumes for H1 2014 reflect adjustments made in connection with the presentation of the discontinued operation.




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Severstal Resources



Severstal Resources Operational Results

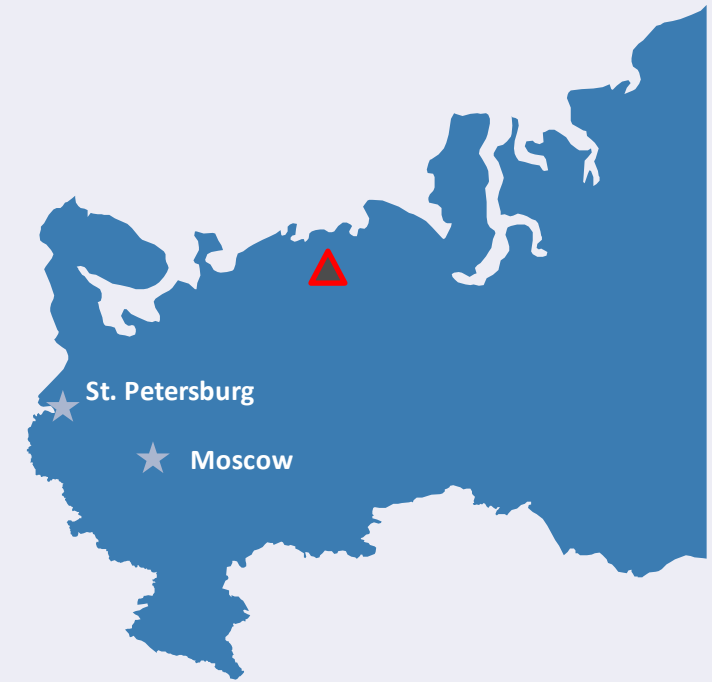


Sales volumes, t	Q2 2015	Q1 2015	Change,%	H1 2015	H1 2014	Change,%
Coal:	1 882 160	1 728 145	9%	3 610 305	3 581 963	1%
Coking coal concentrate:	1 458 915	1 272 642	15%	2 731 557	2 611 921	5%
Vorkutaugol	1 458 915	1 272 642	15%	2 731 557	2 195 356	24%
PBS Coals	-	-	n.a.	-	416 565	n.a.
Raw coking coal, Vorkutaugol	-	561	n.a.	561	57 999	n.a.
Steam coal:	423 245	454 942	(7%)	878 187	912 042	(4%)
Vorkutaugol	423 245	454 942	(7%)	878 187	890 591	(1%)
PBS Coals	-	-	n.a.	-	21 452	n.a.
Iron ore:	3 673 222	3 560 725	3%	7 233 947	7 432 569	(3%)
Iron ore pellets	2 600 490	2 576 453	1%	5 176 943	5 122 128	1%
Iron ore concentrate	1 072 732	984 272	9%	2 057 004	2 310 441	(11%)

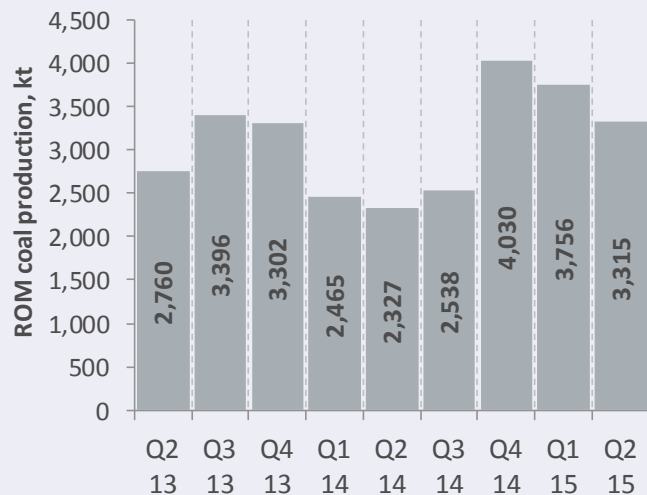
Sales price, \$/tonne	Q2 2015	Q1 2015	Change,%	H1 2015	H1 2014	Change,%
Coking coal concentrate, Vorkutaugol	91	64	42%	78	95	(18%)
Coking coal concentrate, PBS Coals	n.a.	n.a.	n.a.	n.a.	107	n.a.
Raw coking coal, Vorkutaugol	n.a.	18	n.a.	18	58	(69%)
Steam coal, Vorkutaugol	24	21	14%	22	36	(39%)
Steam coal, PBS Coals	n.a.	n.a.	n.a.	n.a.	68	n.a.
Iron ore pellets	52	53	(2%)	52	98	(47%)
Iron ore concentrate	35	32	9%	34	66	(48%)

Vorkutaugol (part of Severstal Resources)

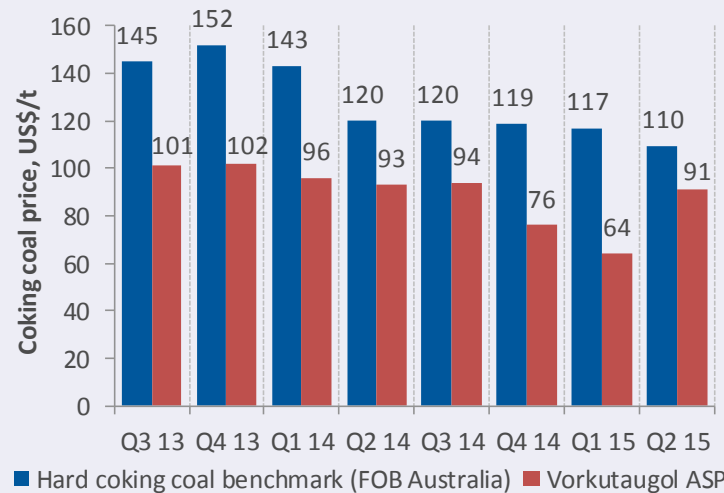
- Coking coal concentrate sales volumes increased 15% q/q to 1.46 mln tonnes (Q1 2015: 1.27 mln tonnes) due to a low-base effect with production in Q1 being negatively impacted by severe weather conditions in the region.
- ROM-coal output declined q/q, which was driven by scheduled long-walls repositioning in June 2015.
- Steam coal sales at Vorkutaugol decreased 7% q/q on the back of seasonally lower demand from domestic consumers.
- Average coking coal concentrate selling prices increased 42% q/q, this is primarily a result of several rounds of RUB-nominated price upgrades by the Company, which took place in the second half of Q1 already. Meanwhile, RUB strengthening of c. 15% q/q further supported USD-nominated price appreciation.



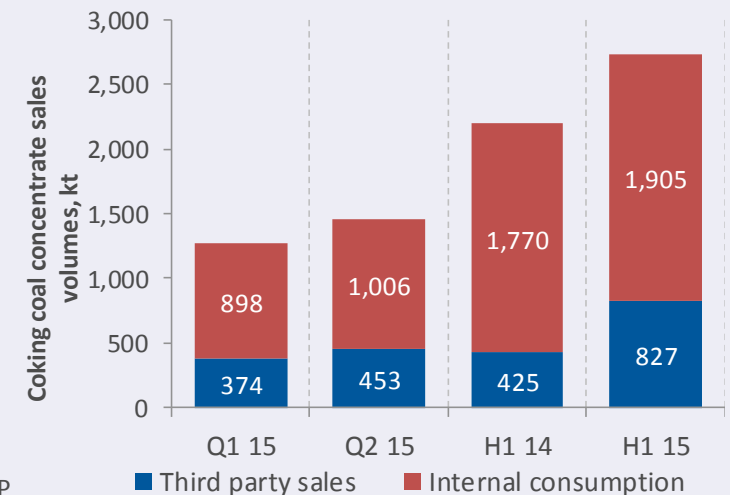
ROM coal production



Vorkutaugol average selling price dynamics, US\$/t

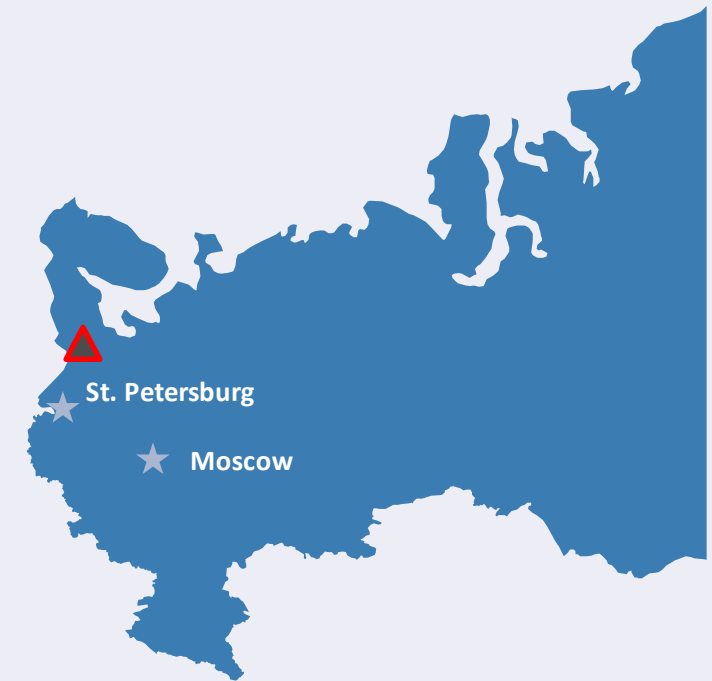


Vorkutaugol coking coal concentrate sales volumes

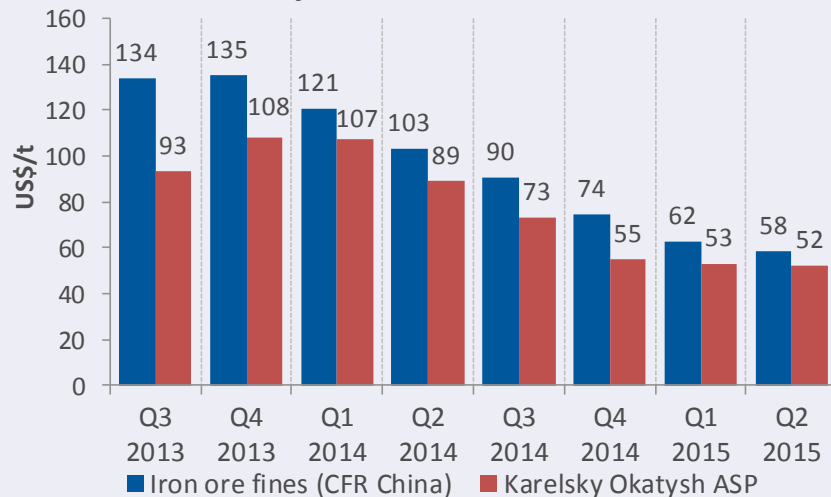


Karelsky Okatysh (part of Severstal Resources)

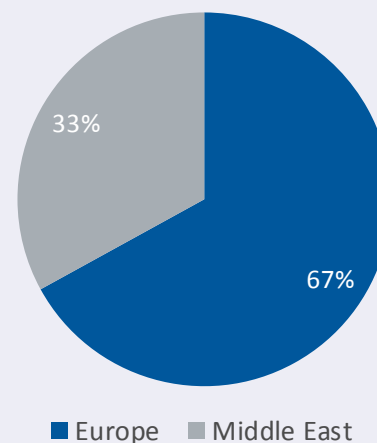
- Iron ore pellets sales remained largely flat q/q at 2.60 mln tonnes (Q1 2015: 2.58 mln tonnes).
- Moreover, external sales volumes on both domestic and export markets improved on restocking activity.
- Prices for iron ore pellets were less resilient to the global iron ore market volatility than iron ore concentrate prices due to the geographical structure of sales.
- Iron ore pellets prices declined 2% q/q.



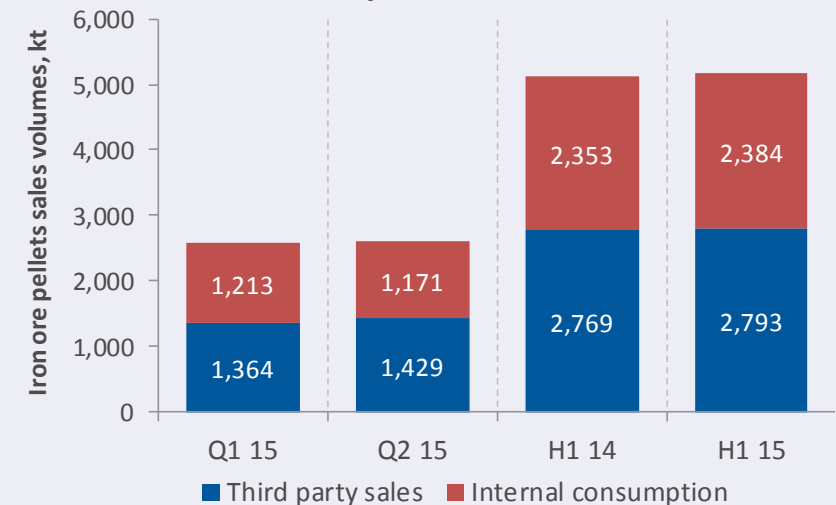
Karelsky Okatysh average selling price (ASP) dynamics, US\$/t



Karelsky Okatysh pellets export structure, Q2 2015

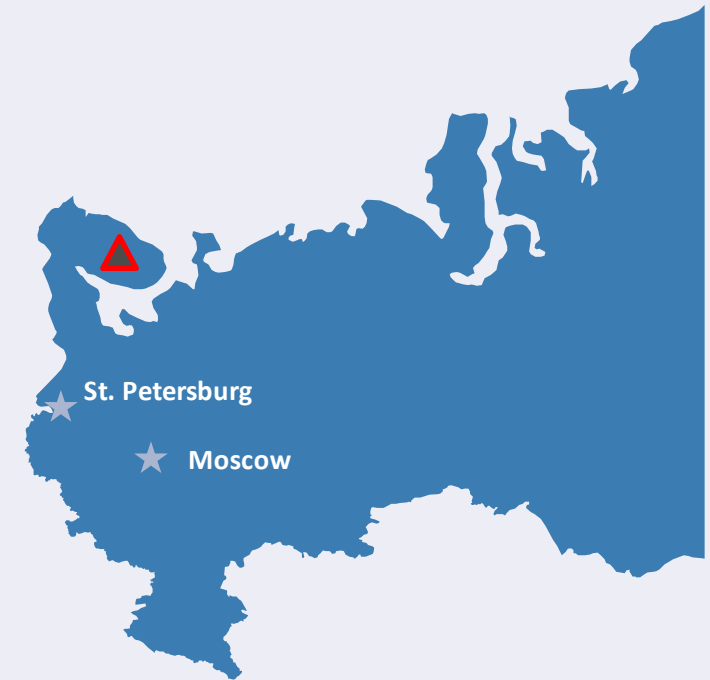


Iron ore pellets sales volumes

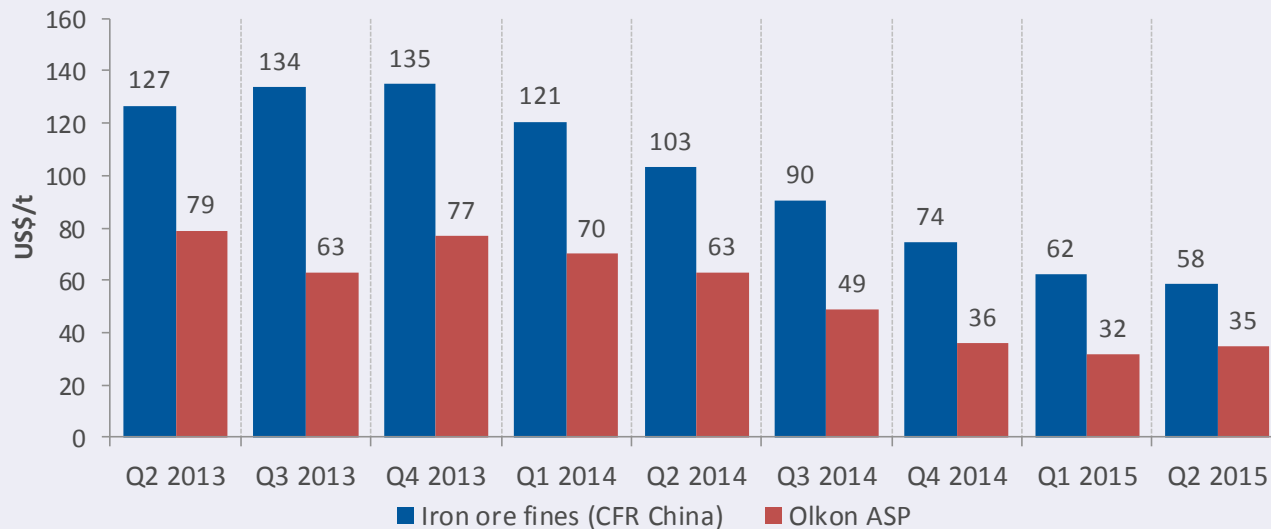


Olkon (part of Severstal Resources)

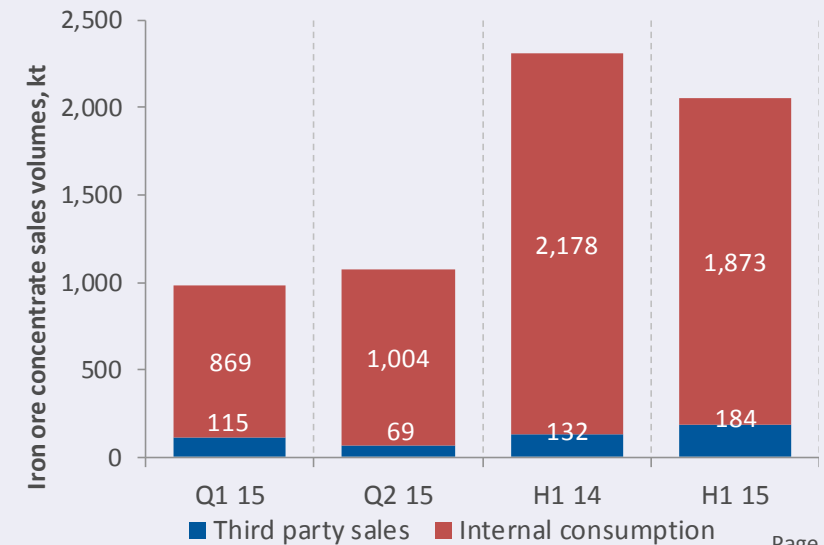
- Iron ore concentrate sales volumes increased 9% q/q primarily reflecting seasonal increase in production and higher internal procurement of iron ore concentrate by CherMK.
- The poor performance of the global iron ore benchmark in Q2 (down 6% q/q) was fully mitigated by RUB appreciation, with iron ore concentrate USD-nominated prices increasing 9% q/q.



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



Iron ore concentrate sales volumes






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Severstal Russian Steel



Severstal Russian Steel Operational Results

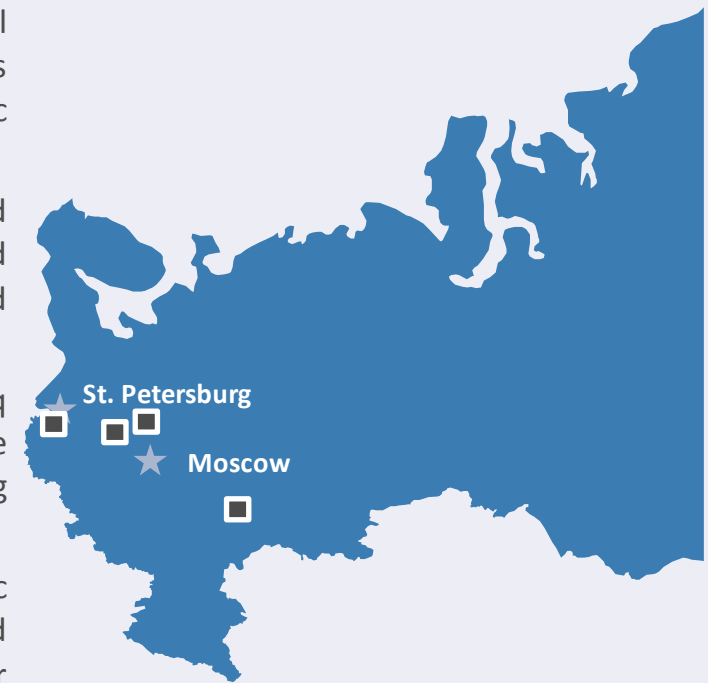


Sales volumes, t	Q2 2015	Q1 2015	Change,%	H1 2015	H1 2014	Change,%
Total steel products	2 671 598	2 558 524	4%	5 230 122	5 193 032	1%
Semi-finished products	88 151	106 891	(18%)	195 042	289 743	(33%)
Rolled products:	2 057 076	1 985 724	4%	4 042 800	4 060 340	0%
Hot-rolled coil	1 018 937	928 150	10%	1 947 087	1 945 577	0%
Hot-rolled plate	162 732	191 996	(15%)	354 728	423 540	(16%)
Cold-rolled coil	335 160	303 656	10%	638 816	721 450	(11%)
Galvanised and metallic coated coil	140 233	134 613	4%	274 846	258 589	6%
Color coated coil	85 361	84 459	1%	169 820	188 837	(10%)
Long products	314 653	342 850	(8%)	657 503	522 346	26%
Downstream products:	526 371	465 909	13%	992 280	842 949	18%
Metalware products	154 459	138 699	11%	293 158	322 909	(9%)
Large diameter pipes	166 514	121 512	37%	288 026	130 036	121%
Other tubes, pipes, formed shapes	205 398	205 698	0%	411 096	390 004	5%

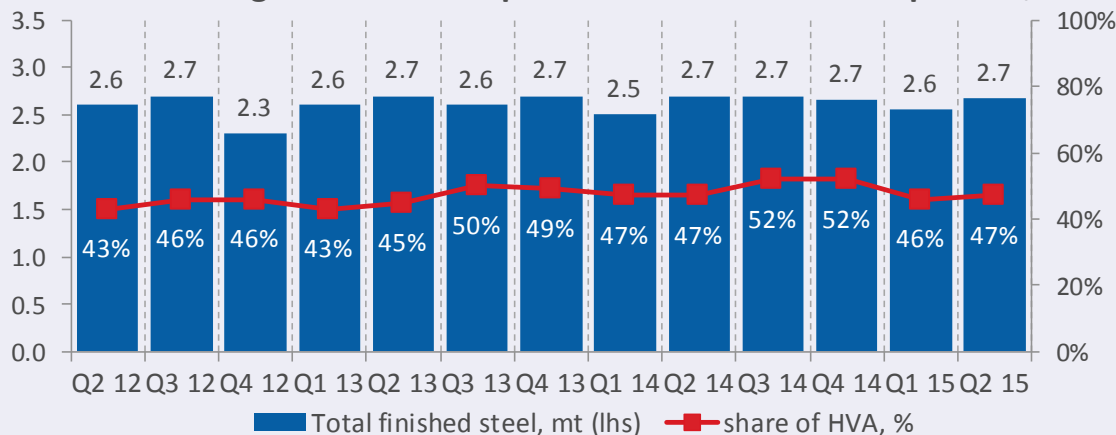
Sales price, \$/tonne	Q2 2015	Q1 2015	Change,%	H1 2015	H1 2014	Change,%
Semi-finished products	347	374	(7%)	362	448	(19%)
Hot-rolled coil	405	394	3%	400	485	(18%)
Hot-rolled plate	571	486	17%	525	764	(31%)
Cold-rolled coil	500	445	12%	473	581	(19%)
Galvanised and metallic coated coil	644	570	13%	608	770	(21%)
Color coated coil	863	736	17%	800	1 007	(21%)
Long products	402	374	7%	387	532	(27%)
Metalware products	906	823	10%	867	1 085	(20%)
Large diameter pipes	1 533	1 196	28%	1 391	1 546	(10%)
Other tubes, pipes, formed shapes	527	462	14%	495	639	(23%)

Severstal Russian Steel (RSD)

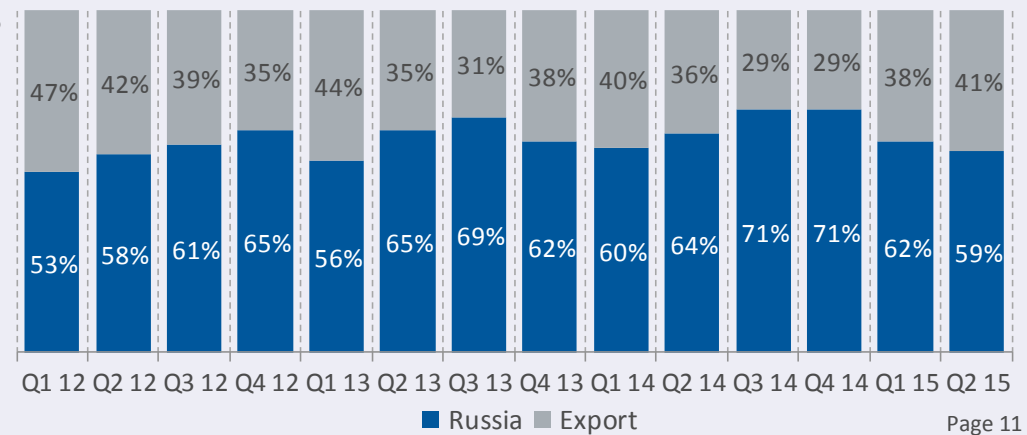
- Indicating seasonal uptick in demand both on domestic and export markets RSD increased steel products sales 4% q/q to 2.67 mln tonnes. The latter has been achieved despite less pronounced seasonality and existing problems with apparent steel consumption on domestic market this year.
- Severstal's proximity to export markets allowed it the flexibility to shift between domestic and export deliveries. Reflecting an increase of export share to 41% in Q2 2015 (Q1 2015: 38%) and change to the product mix RSD recorded a 10% q/q increase in HRC sales vs. 18% q/q reduced sales of semi-finished products.
- Solid 13% q/q growth of downstream products sales volumes primarily reflects 37% q/q increase in sales of large diameter pipes (LDPs). Severstal continued supplying LDPs for the Southern Corridor and Gazprom maintenance projects. In addition, Severstal began supplying LDPs for the Power of Siberia project.
- Regardless of the downward trend in global steel prices and a comparatively soft domestic market, USD-nominated average steel prices for rolled products at RSD experienced a broad range of increases dependent on the product owing to RUB appreciation. That said, after catching up with the USD-nominated parity domestic prices switched to unusual premium in Q2 2015. We would expect gradual normalization of premium later in the year.



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



Steel sales volumes by destination, %



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

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