



Severstal  **Q1 2016 Operational Results**
Achieve more together

12 April 2016





Table of Contents

- 3 Group Highlights
- 4 Severstal Resources Operational Results
- 9 Severstal Russian Steel Operational Results

Q1 2016 Group Highlights

- As operations of converter #1, continuous casters #4 and #5 and the billet caster at Cherepovets Steel Mill were recommenced following maintenance works, crude steel production increased 6% q/q to 2.91 mln tonnes.
- Consolidated sales of steel products decreased 7% q/q to 2.45 mln tonnes, which reflects further contraction in domestic consumption, partially on the back of seasonal factors.
- Refurbishment of the four-stand cold rolling mill at CherMK started in January 2016, which resulted in lower output of HVA products, which was somewhat offset by an increase in HRC. This refurbishment, which is expected to be completed in Q2 2016, will increase mill capacity to 200,000 tonnes per annum and significantly improve product quality, enabling the company to expand its product line and enter new markets.
- The abovementioned factors resulted in lower availability of high value-added products for domestic deliveries. That said, the share of domestic steel products sales volumes in the sales mix declined to 60% (Q4 2015: 64%).
- By the end of 2015 global steel prices had reached the lowest level in the last ten years. This subdued picture changed significantly in March 2016 with global hot rolled coil prices rallying more than 40% compared with the previous month. In the domestic market, USD-denominated prices started to increase as well, reflecting both RUB appreciation and proactive initiatives by Russian steel producers to increase local prices in order to catch up with export USD-nominated parity.

Production volumes, t	Q1 2016	Q4 2015	Change, %	Q1 2016	Q1 2015	Change, %
Crude steel (Total output):	2,908,314	2,750,898	6%	2,908,314	2,959,389	(2%)
Hot metal (Total output):	2,354,256	2,335,698	1%	2,354,256	2,305,312	2%
Sales volumes, t	Q1 2016	Q4 2015	Change, %	Q1 2016	Q1 2015	Change, %
Coking coal concentrate	1,360,081	1,475,919	(8%)	1,360,081	1,272,642	7%
Iron ore pellets	2,407,186	2,697,648	(11%)	2,407,186	2,576,453	(7%)
Iron ore concentrate	937,772	959,895	(2%)	937,772	984,272	(5%)
Total steel products (Consolidated)	2,448,043	2,619,351	(7%)	2,448,043	2,544,868	(4%)
Total steel products (Russian Steel)	2,461,741	2,631,266	(6%)	2,461,741	2,558,524	(4%)



Severstal Resources

Severstal Resources Operational Results

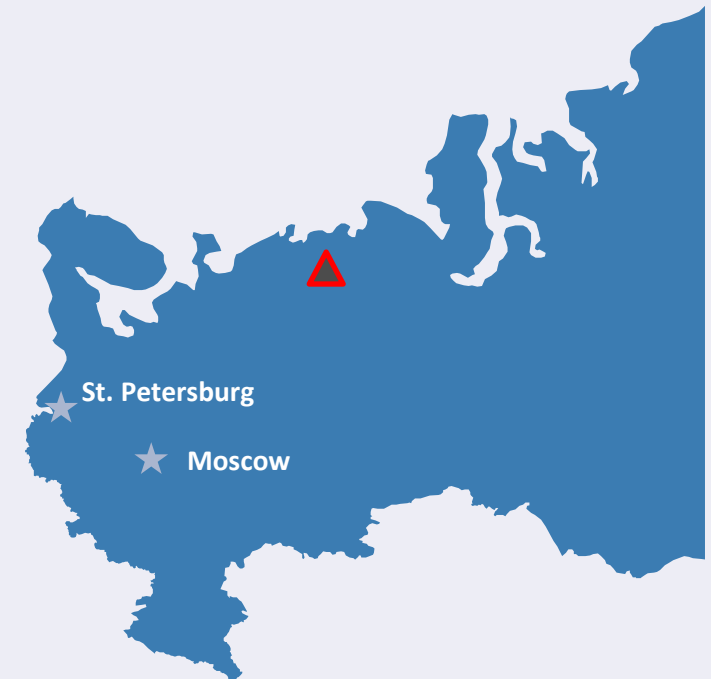


Sales volumes, t	Q1 2016	Q4 2015	Change, %	Q1 2016	Q1 2015	Change, %
Coal:	2,077,905	2,153,290	(4%)	2,077,905	1,736,303	20%
Coking coal concentrate	1,360,081	1,475,919	(8%)	1,360,081	1,272,642	7%
Raw coking coal	-	-	n.a.	-	8,719	n.a.
Steam coal	717,824	677,371	6%	717,824	454,942	58%
Iron ore:	3,344,958	3,657,543	(9%)	3,344,958	3,560,725	(6%)
Iron ore pellets	2,407,186	2,697,648	(11%)	2,407,186	2,576,453	(7%)
Iron ore concentrate	937,772	959,895	(2%)	937,772	984,272	(5%)

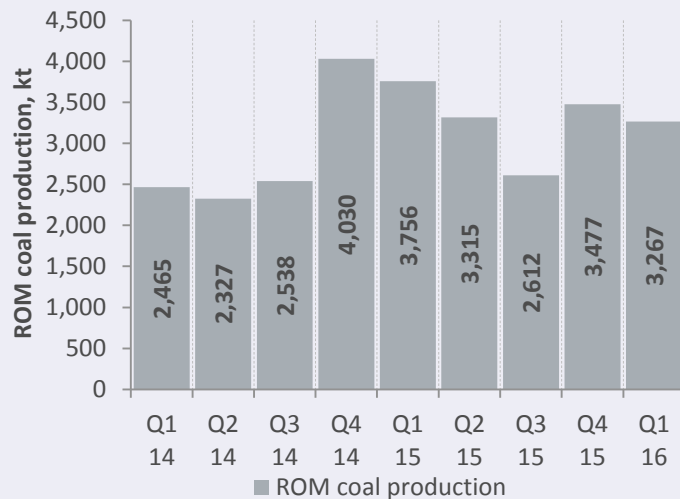
Sales price, \$/tonne	Q1 2016	Q4 2015	Change, %	Q1 2016	Q1 2015	Change, %
Coking coal concentrate	62	71	(13%)	62	64	(3%)
Raw coking coal	n.a.	n.a.	n.a.	n.a.	18	n.a.
Steam coal	14	17	(18%)	14	21	(33%)
Iron ore pellets	36	43	(16%)	36	51	(29%)
Iron ore concentrate	23	31	(26%)	23	32	(28%)

Vorkutaugol (part of Severstal Resources)

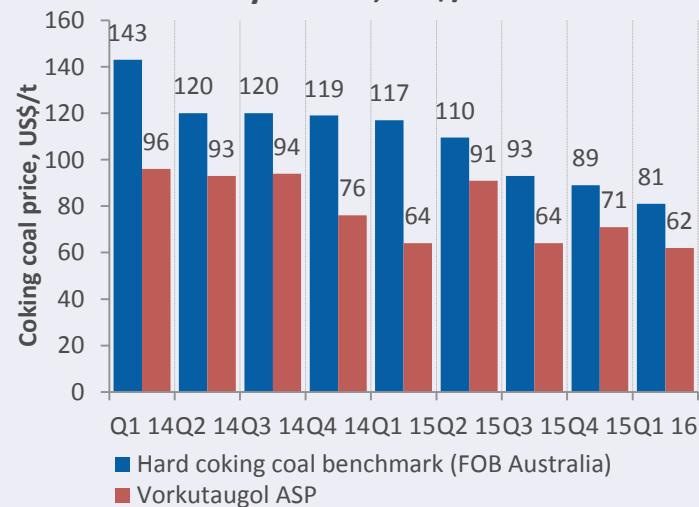
- Coking coal concentrate output was negatively affected as a result of the incident at Vorkutaugol's Severnaya mine on 26 February 2016. Whilst the investigation continues, Government Committee has provisionally determined that the main reasons behind the rock burst and subsequent methane blast was geological factors. Mining operations at Severnaya remain suspended. All of Vorkutaugol's other four mines and one open pit are operating as usual.
- Taking into account coking coal inventories levels onsite, coking coal concentrate sales at Vorkutaugol decreased 8% q/q to 1.36 mln tonnes.
- Average coking coal concentrate selling prices decreased 13% q/q reflecting a 9% q/q decline in hard coking coal benchmark contract prices (Australia, FOB) in Q1. A decline in the share of hard coking coal within the sales mix as a result of the incident at Severnaya mine impacted the average selling price as well. The moderate recovery of global coking coal spot prices throughout the Q1 2016, as well as the RUB appreciation provide Russian coal producers with an ability to start positively revising domestic coal prices.



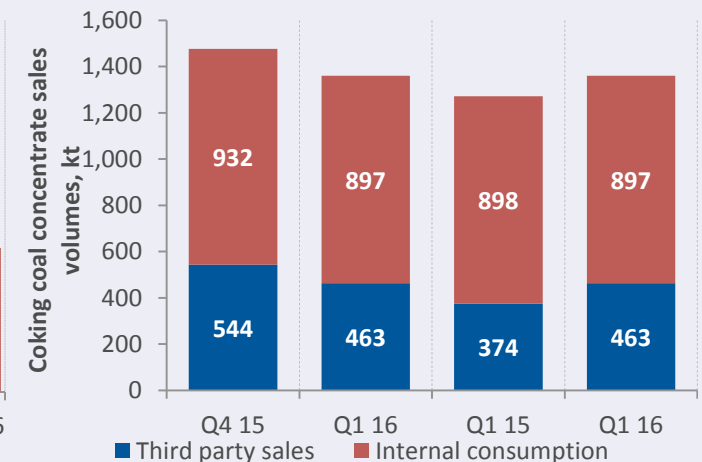
ROM coal production



Vorkutaugol average selling price dynamics, US\$/t

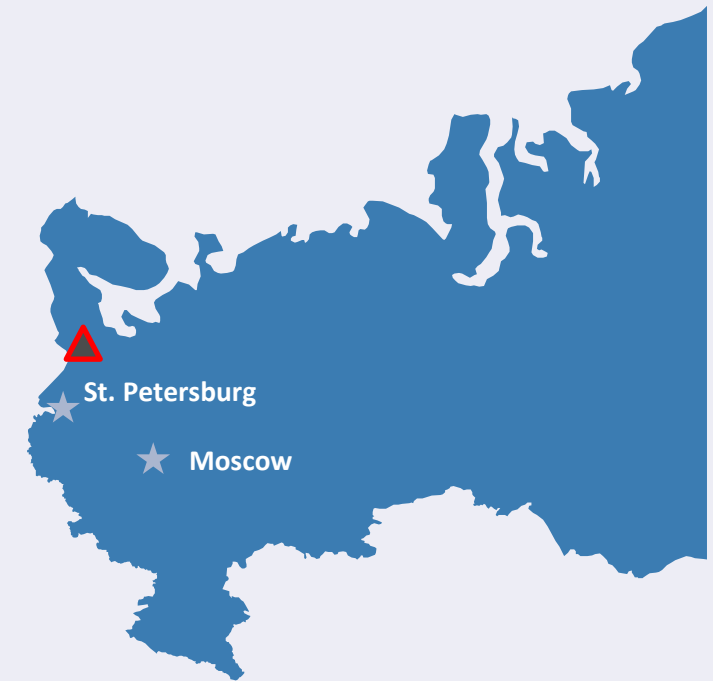


Vorkutaugol coking coal concentrate sales volumes

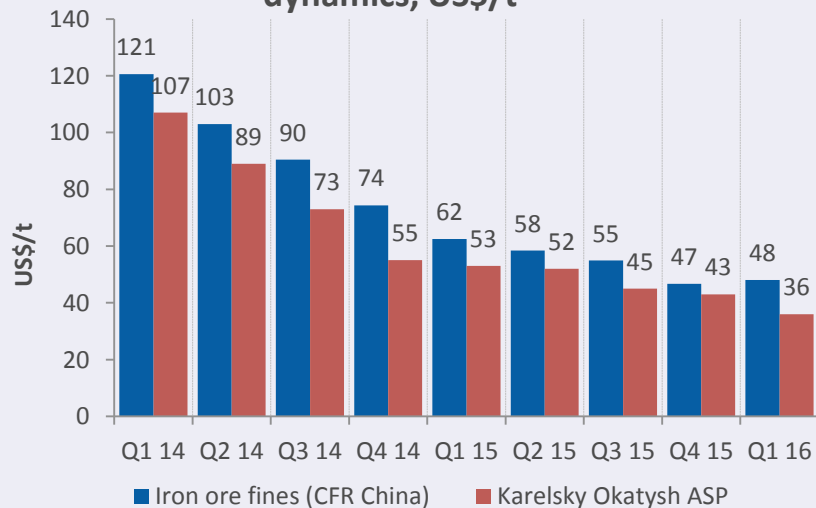


Karelsky Okatysh (part of Severstal Resources)

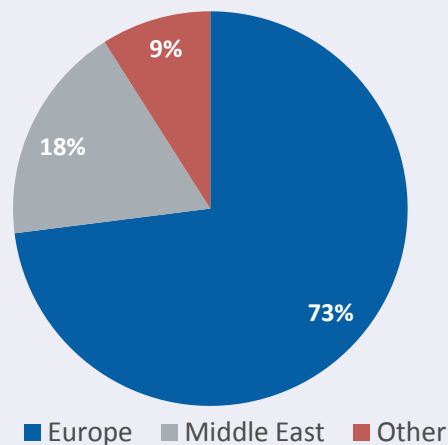
- While internal procurement of iron ore pellets improved as a result of the completion of maintenance works at the blast furnace shop, seasonally weaker demand both in the domestic and export markets resulted in a 11% q/q decline in iron ore pellets sales to 2.41 mln tonnes (Q4 2015: 2.70 mln tonnes).
- Despite a 4% q/q improvement in the global iron ore benchmark (China, CFR) average USD-denominated selling prices of iron ore pellets at Karelsky Okatysh declined 16% q/q. This reflects geographical structure of sales and structural changes in the global iron ore pellets seaborne market. The USD-denominated prices of domestic iron ore products are expected to increase in Q2 2016 following global raw material markets trends.



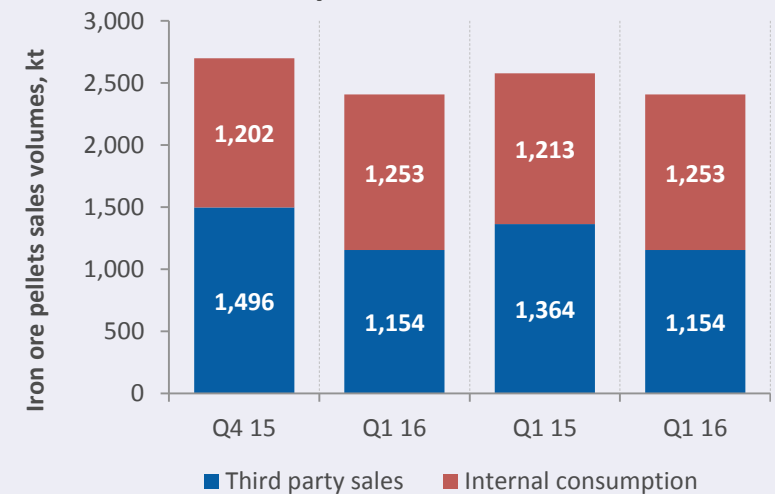
Karelsky Okatysh average selling price (ASP) dynamics, US\$/t



Karelsky Okatysh pellets export structure, Q1 2016

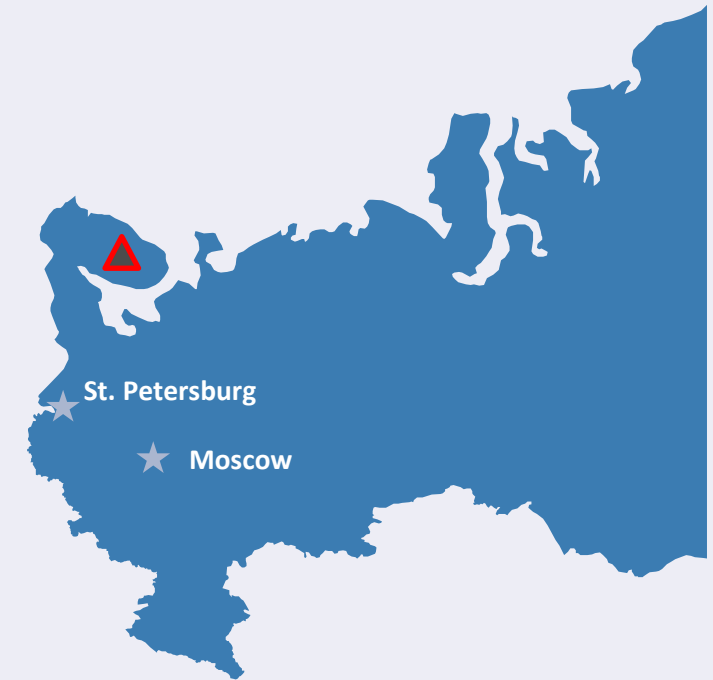


Iron ore pellets sales volumes

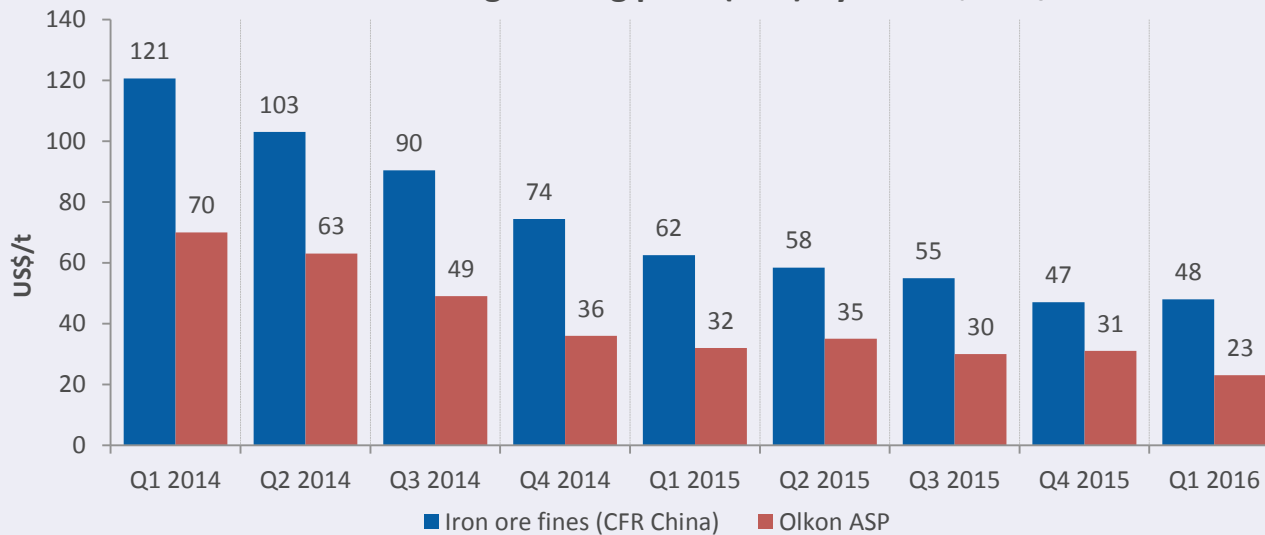


Olkon (part of Severstal Resources)

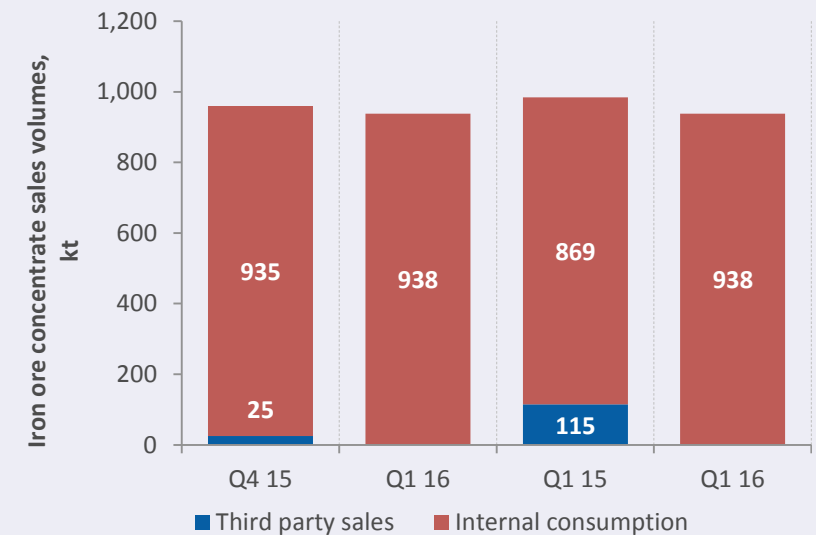
- Due to reduced profitability of third party iron ore concentrate sales, Olkon did not make any external shipments in Q1 2016, which is the key reason behind 2% q/q decline in iron ore concentrate sales volumes.
- Despite a 4% q/q improvement in the global iron ore benchmark (China, CFR) average USD-denominated selling prices of iron ore concentrate at Olkon declined 26% q/q. The USD-denominated prices of domestic iron ore products are expected to increase in Q2 2016 following global raw material markets trends.



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



Iron ore concentrate sales volumes






Severstal
Achieve more together

Severstal Russian Steel

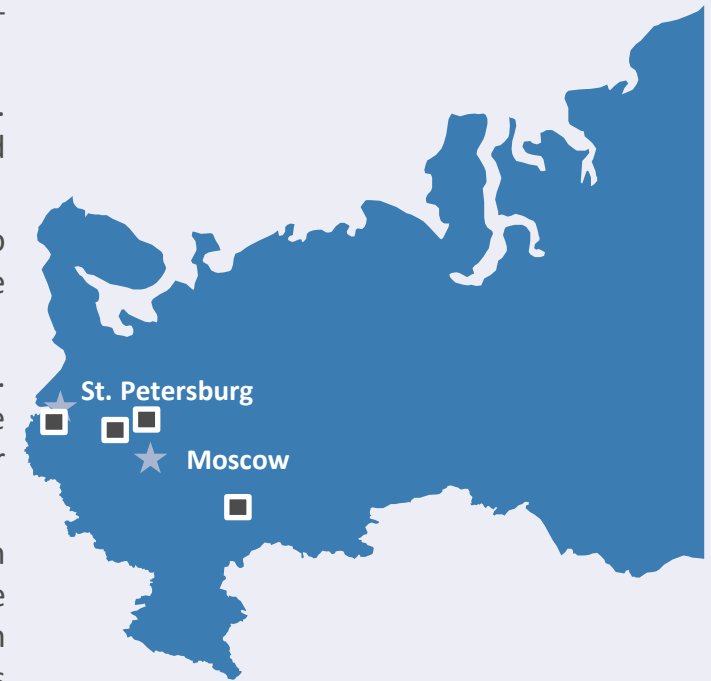
Severstal Russian Steel Operational Results

Sales volumes, t	Q1 2016	Q4 2015	Change, %	Q1 2016	Q1 2015	Change, %
Total steel products	2,461,741	2,631,266	(6%)	2,461,741	2,558,524	(4%)
Semi-finished products	131,402	191,711	(31%)	131,402	106,891	23%
Rolled products:	1,861,119	1,973,884	(6%)	1,861,119	1,985,724	(6%)
Hot-rolled coil	966,772	933,742	4%	966,772	928,150	4%
Hot-rolled plate	163,703	193,959	(16%)	163,703	191,996	(15%)
Cold-rolled coil	203,972	329,430	(38%)	203,972	303,656	(33%)
Galvanised and metallic coated coil	117,941	147,797	(20%)	117,941	134,613	(12%)
Color coated coil	82,362	100,747	(18%)	82,362	84,459	(2%)
Long products	326,369	268,209	22%	326,369	342,850	(5%)
Downstream products:	469,220	465,671	1%	469,220	465,909	1%
Metalware products	148,060	149,079	(1%)	148,060	138,699	7%
Large diameter pipes	113,800	129,491	(12%)	113,800	121,512	(6%)
Other tubes, pipes, formed shapes	207,360	187,101	11%	207,360	205,698	1%

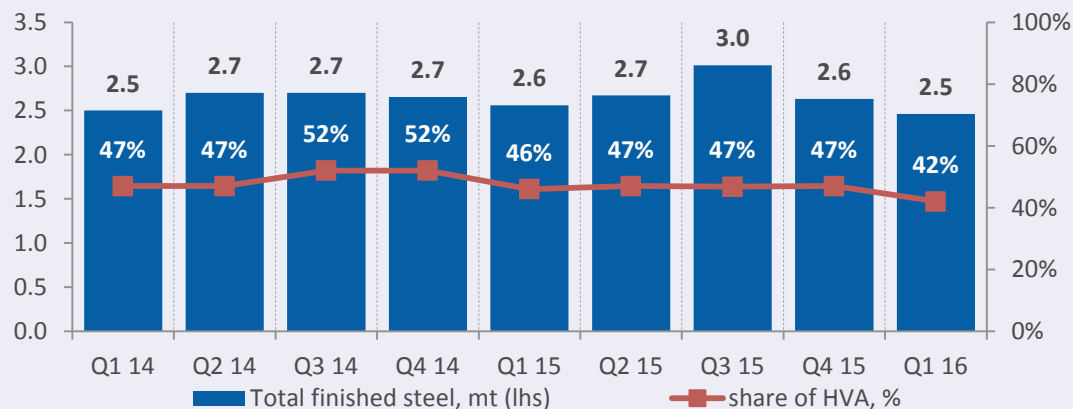
Sales price, \$/tonne	Q1 2016	Q4 2015	Change, %	Q1 2016	Q1 2015	Change, %
Semi-finished products	224	238	(6%)	224	374	(40%)
Hot-rolled coil	255	299	(15%)	255	394	(35%)
Hot-rolled plate	354	431	(18%)	354	486	(27%)
Cold-rolled coil	365	412	(11%)	365	445	(18%)
Galvanised and metallic coated coil	440	520	(15%)	440	570	(23%)
Color coated coil	589	711	(17%)	589	736	(20%)
Long products	239	289	(17%)	239	374	(36%)
Metalware products	643	763	(16%)	643	823	(22%)
Large diameter pipes	1,054	1,169	(10%)	1,054	1,196	(12%)
Other tubes, pipes, formed shapes	361	414	(13%)	361	462	(22%)

Severstal Russian Steel (RSD)

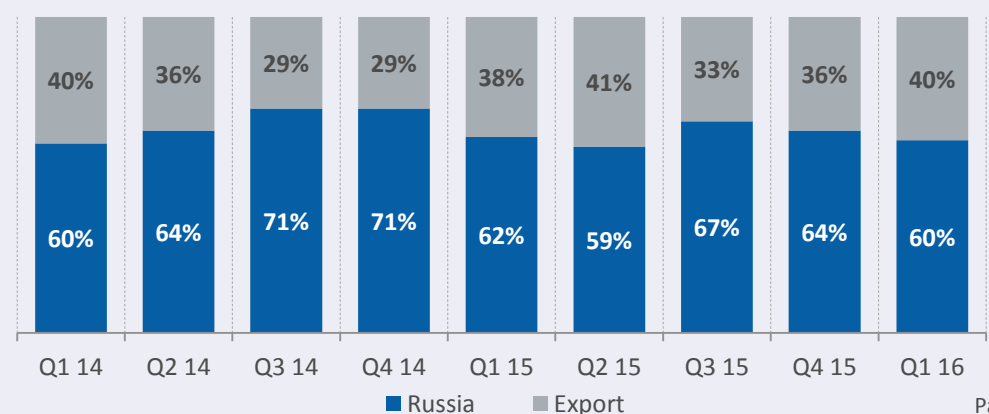
- RSD steel product sales decreased 6% q/q to 2.46 mln tonnes due to seasonal factors and four-stand cold rolling mill upgrade at CherMK, which is expected to last until the end of Q2 2016.
- Given the lower rerolling capacity availability sales volumes of hot-rolled coil increased 4% q/q. Meanwhile, sales volumes of cold-rolled coil, galvanized and metallic coated coil and colour coated coil went down 38% q/q, 20% q/q and 18% q/q, respectively.
- Taking into account the above factors the share of HVA products within the sales mix declined to 42% (Q4 2015: 47%), despite a 31% q/q decline in semi-finished products sales volumes due to the lower profitability of export deliveries at the beginning of the year.
- Large diameter pipes (LDP) sales volumes declined 12% q/q reflecting mostly changes in sales mix. In Q1 2016 Izhora Pipe Mill mainly supplied Transneft and Gazprom maintenance projects. At the same time, following the recent auction results, 140,000 tonnes of LDPs will be delivered for Gazprom's major gas transmission projects Power of Siberia and Ukhta-Torzhok-2.
- The steel products average selling price decline of 6-18% q/q reflects the downward adjustment in global steel prices in December 2015. Meanwhile, in March 2016 there were marked positive developments in the global steel markets with export hot-rolled coil price increasing more than 40% comparing with the previous month. In the domestic market, USD-denominated prices started to increase, reflecting both RUB appreciation and initiatives by local steel producers to increase prices in order to catch up with export USD-denominated parity.



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.

Disclaimer

These materials are confidential and have been prepared by PAO Severstal (Severstal) solely for your information and may not be reproduced, retransmitted or further distributed to any other person or published, in whole or in part, for any other purpose.

These materials may contain projections and other forward-looking statements regarding future events or the future financial performance of Severstal. You can identify forward-looking statements by terms such as “expect,” “believe,” “estimate,” “intend,” “will,” “could,” “may” or “might”, or other similar expressions. Severstal cautions you that these statements are only predictions and that actual events or results may differ materially. Severstal will not update these statements to reflect events and circumstances occurring after the date hereof. Factors that could cause the actual results to differ materially from those contained in projections or forward-looking statements of Severstal may include, among others, general economic and competitive environment conditions in the markets in which Severstal operates, market change in the steel and mining industries, as well as many other risks affecting Severstal and its operations.

These materials do not constitute or form part of any advertisement of securities, any offer or invitation to sell or issue or any solicitation of any offer to purchase or subscribe for, any securities of Severstal in any jurisdiction, nor shall they or any part of them nor the fact of their presentation, communication or distribution form the basis of, or be relied on in connection with, any contract or investment decision.

No representation or warranty, express or implied, is given by Severstal, its affiliates or any of their respective advisers, officers, employees or agents, as to the accuracy of the information or opinions or for any loss howsoever arising, directly or indirectly, from any use of these materials or their contents.

