



Severstal
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Q2 & H1 2016 Operational Results

12 July 2016





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Q2 2016 Group Highlights

- Hot metal output decreased 6% q/q to 2.21 mln tonnes mainly impacted by short-term maintenance of BF#5 at CherMK during the quarter. Reflecting abovementioned maintenance as well as scheduled short-term maintenance of continuous casters #3 and the billet caster, crude steel production declined 3% q/q to 2.81 mln tonnes.
- Despite a decline in crude steel output, consolidated sales of steel products increased 14% q/q to 2.79 mln tonnes (Q1 2016: 2.45 mln). This reflects higher domestic steel consumption on the back of seasonal factors as well as improved activity by local traders anticipating RUB-denominated domestic steel price increases. This resulted in a substantial inventory reduction by the Company during the period.
- The four-stand cold rolling mill was in ramp-up mode in June 2016. Despite this, the share of high value-added (HVA) products in the sales portfolio increased to 43% reflecting robust demand in the domestic market.
- The Company was able to swiftly relocate volumes from export destinations to the local markets given the proximity of the main producing assets to the border, resulting in the share of domestic steel products sales volumes in the sales mix increasing to 64%.
- Following a significant spike in global steel prices in March 2016, we continue to observe the expected steel price normalisation process. We believe this price normalisation will once again trigger an intention by Chinese steel producers to start cutting production capacities. In the domestic market, Russian steel companies managed to successfully deliver several rounds of RUB-denominated price increases in order to catch up with export USD-denominated prices.

Production volumes, t	Q2 2016	Q1 2016	Change, %	H1 2016	H1 2015	Change, %
Crude steel (Total output):	2,813,020	2,908,314	(3%)	5,721,334	5,807,142	(1%)
Hot metal (Total output):	2,211,183	2,354,256	(6%)	4,565,439	4,594,670	(1%)
Sales volumes, t	Q2 2016	Q1 2016	Change, %	H1 2016	H1 2015	Change, %
Coking coal concentrate	1,076,786	1,360,081	(21%)	2,436,867	2,731,557	(11%)
Iron ore pellets	2,850,102	2,407,186	18%	5,257,288	5,176,943	2%
Iron ore concentrate	1,110,199	937,772	18%	2,047,971	2,057,004	(0%)
Total steel products (Consolidated)	2,790,121	2,448,043	14%	5,238,164	5,202,990	1%
Total steel products (Russian Steel)	2,798,443	2,461,741	14%	5,260,184	5,230,122	1%



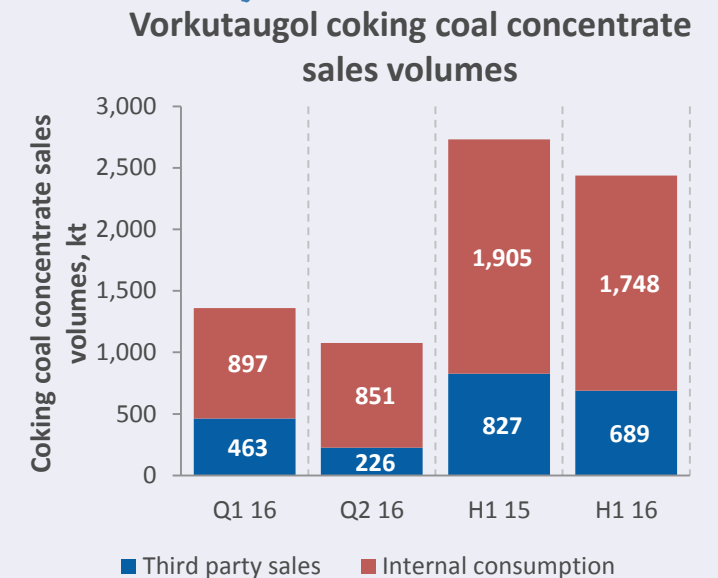
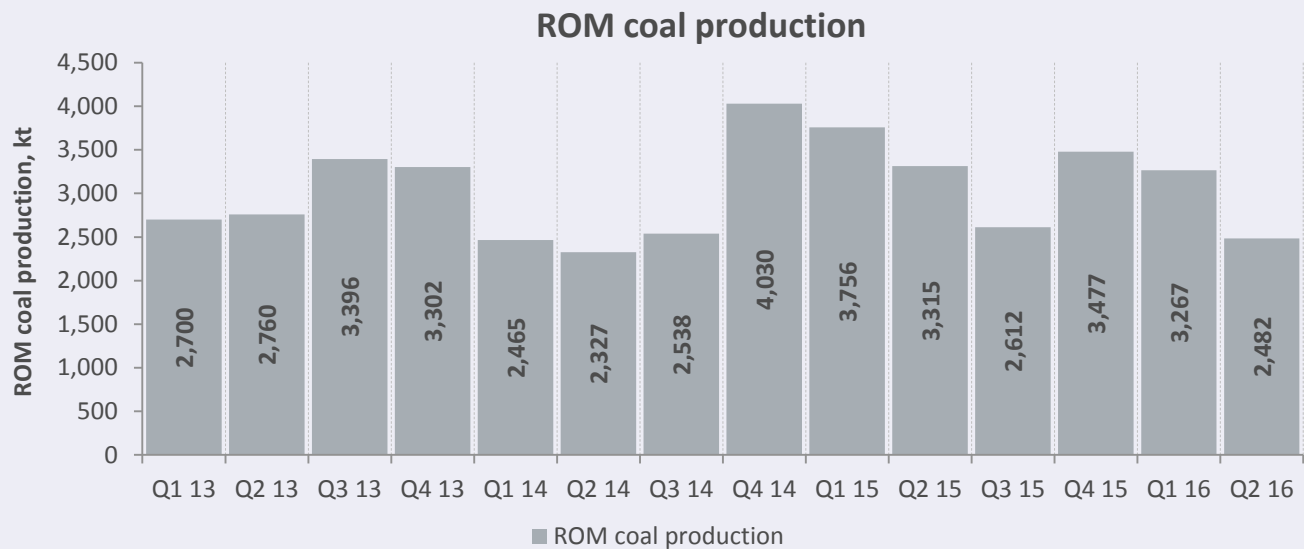
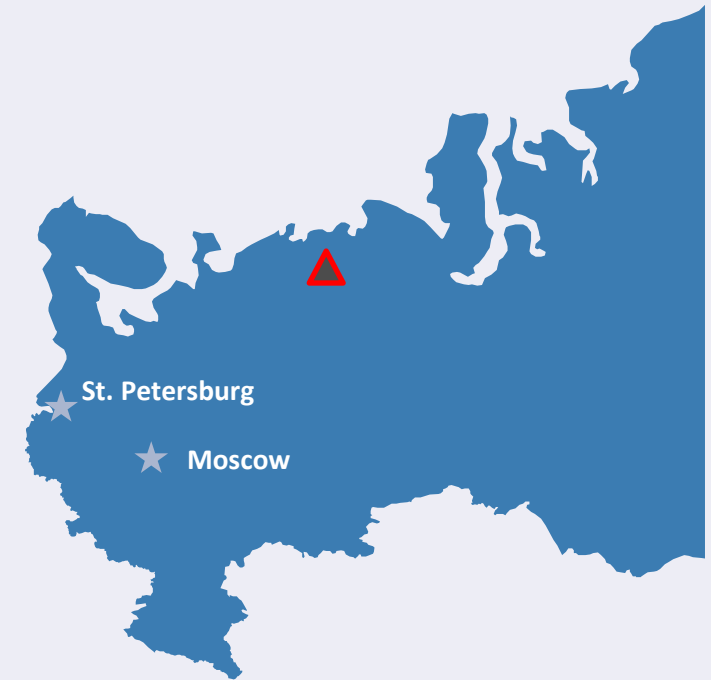
Severstal Resources

Severstal Resources Operational Results

Sales volumes, t	Q2 2016	Q1 2016	Change, %	H1 2016	H1 2015	Change, %
Coal:	1,547,846	2,077,905	(26%)	3,625,751	3,618,463	0%
Coking coal concentrate	1,076,786	1,360,081	(21%)	2,436,867	2,731,557	(11%)
Raw coking coal	-	-	n.a.	-	8,719	n.a.
Steam coal	471,060	717,824	(34%)	1,188,884	878,187	35%
Iron ore:	3,960,301	3,344,958	18%	7,305,259	7,233,947	1%
Iron ore pellets	2,850,102	2,407,186	18%	5,257,288	5,176,943	2%
Iron ore concentrate	1,110,199	937,772	18%	2,047,971	2,057,004	(0%)

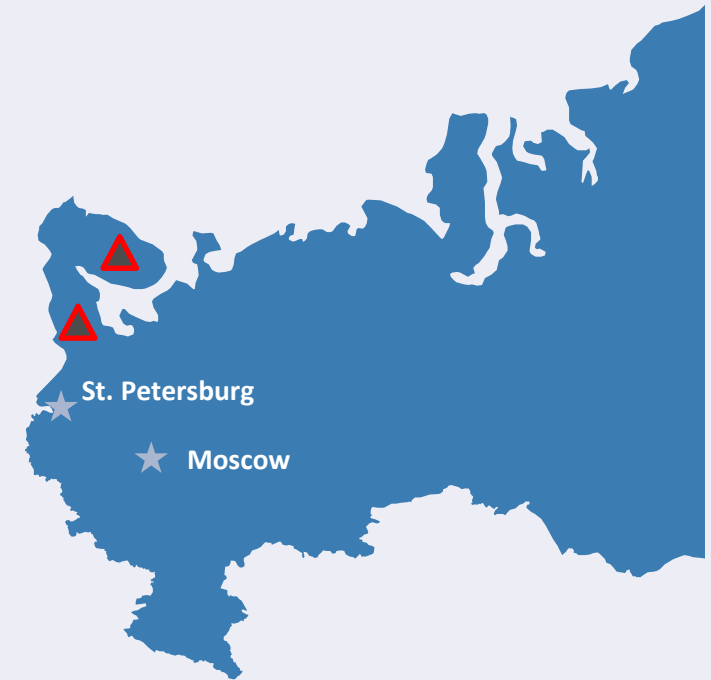
Vorkutaugol

- Coal mining at Vorkutaugol has been negatively impacted due to the tragic incident at the Severnaya mine in February 2016. The Company is still considering different options for the mine's recovery. The Company completed flooding the mine with water, and now monitors methane gas concentration levels in order to identify further potential steps.
- Reflecting the above, coking coal concentrate sales at Vorkutaugol decreased 21% q/q to 1.08 mln tonnes. Internal coking coal concentrate procurement remained largely unchanged. Expectedly external sales volumes compressed by more than 50% q/q.
- Steam coal sales at Vorkutaugol decreased 34% q/q on the back of much lower domestic consumption by the end of the heating season.

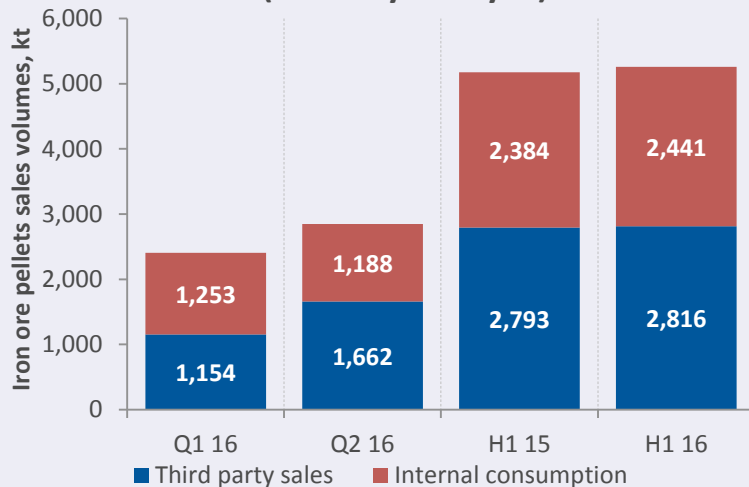


Karelsky Okatysh & Olkon

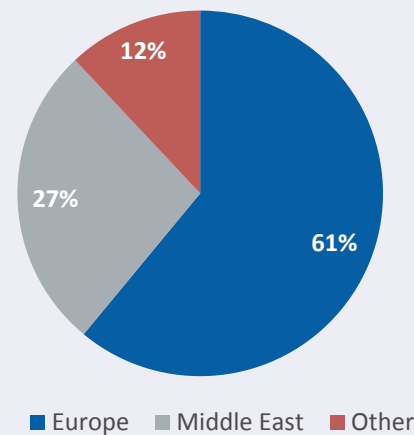
- While internal procurement of iron ore pellets decreased marginally, the seasonal sharp improvement in demand in export markets resulted in an 18% q/q increase in iron ore pellets sales to 2.85 mln tonnes (Q1 2016: 2.41 mln tonnes).
- The improved economics of the iron ore business resulted in a decision to restart iron ore concentrate external shipments at Olkon. This was a key factor behind the 18% q/q increase in sales volumes. Moreover, Severstal also increased iron ore concentrate inventories at CherMK.



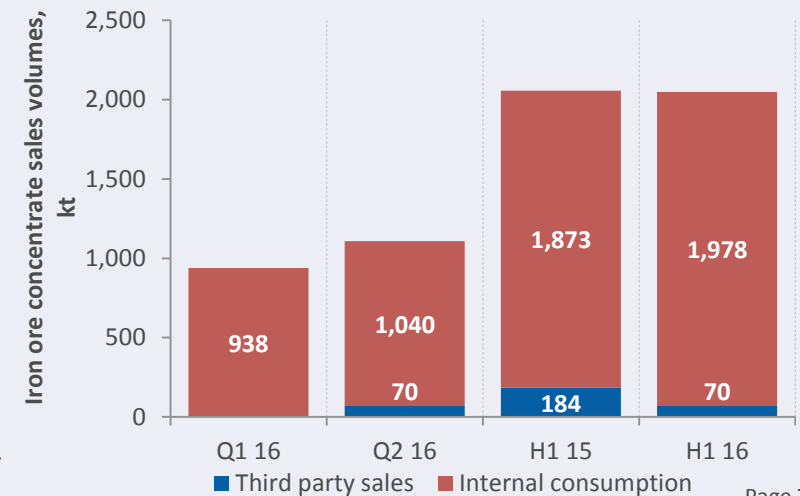
Iron ore pellets sales volumes (Karelsky Okatysh)



Karelsky Okatysh pellets export structure, Q2 2016



Iron ore concentrate sales volumes (Olkon)






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Severstal Russian Steel

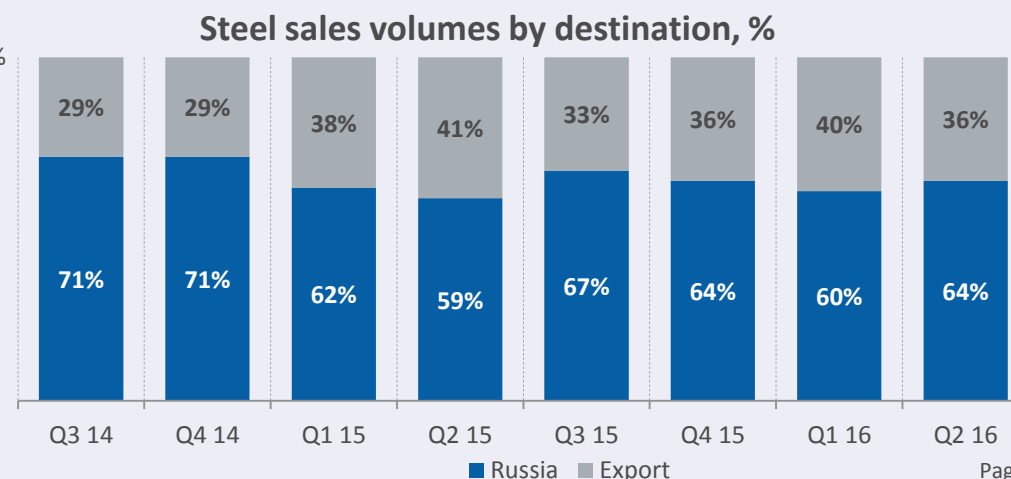
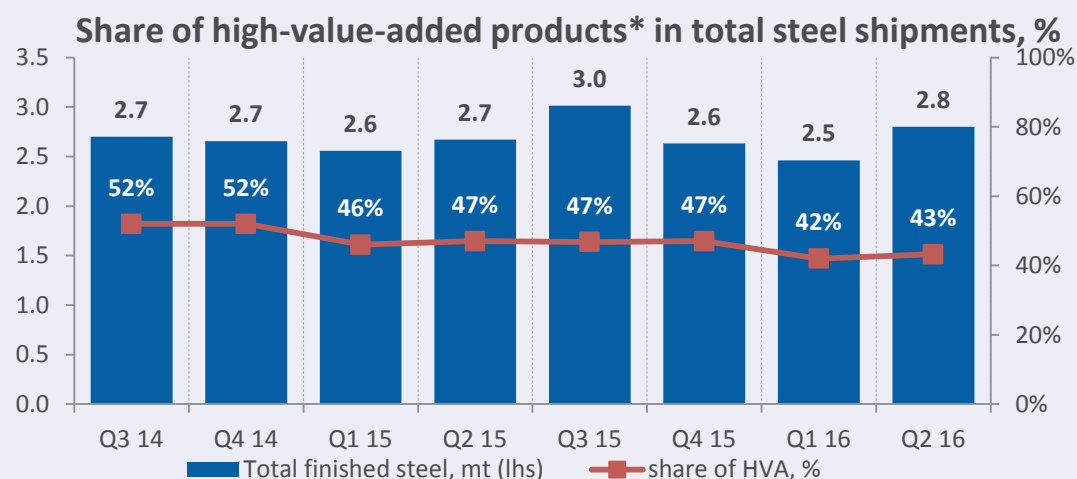
Severstal Russian Steel Operational Results

Sales volumes, t	Q2 2016	Q1 2016	Change, %	H1 2016	H1 2015	Change, %
Total steel products	2,798,443	2,461,741	14%	5,260,184	5,230,122	1%
Semi-finished products	142,083	131,402	8%	273,485	195,042	40%
Rolled products:	2,150,772	1,861,119	16%	4,011,891	4,042,800	(1%)
Hot-rolled coil	1,057,412	966,772	9%	2,024,184	1,947,087	4%
Hot-rolled plate	190,843	163,703	17%	354,546	354,728	(0%)
Cold-rolled coil	233,134	203,972	14%	437,106	638,816	(32%)
Galvanised and metallic coated coil	163,627	117,941	39%	281,568	274,846	2%
Color coated coil	115,926	82,362	41%	198,288	169,820	17%
Long products	389,830	326,369	19%	716,199	657,503	9%
Downstream products:	505,588	469,220	8%	974,808	992,280	(2%)
Metalware products	174,411	148,060	18%	322,471	293,158	10%
Large diameter pipes	115,577	113,800	2%	229,377	288,026	(20%)
Other tubes, pipes, formed shapes	215,600	207,360	4%	422,960	411,096	3%

Sales price, \$/tonne	Q2 2016	Q1 2016	Change, %	H1 2016	H1 2015	Change, %
Semi-finished products	276	224	23%	251	362	(31%)
Hot-rolled coil	358	255	40%	309	400	(23%)
Hot-rolled plate	456	354	29%	409	525	(22%)
Cold-rolled coil	448	365	23%	409	473	(14%)
Galvanised and metallic coated coil	561	440	28%	510	608	(16%)
Color coated coil	775	589	32%	698	800	(13%)
Long products	376	239	57%	313	387	(19%)
Metalware products	777	643	21%	716	867	(17%)
Large diameter pipes	1,203	1,054	14%	1,129	1,391	(19%)
Other tubes, pipes, formed shapes	463	361	28%	413	495	(17%)

Severstal Russian Steel (RSD)

- RSD steel product sales increased 14% q/q to 2.80 mln tonnes due to a robust increase in both domestic final steel demand and improved traders' activity. The Company released its steel inventories, previously stockpiled prior to the construction season. The proximity of key assets to the border also facilitated shifting to domestic deliveries with the share of export sales within the sales-mix decreasing to 36% in Q2 2016.
- Given the higher demand in the domestic market, sales volumes of cold-rolled coil, galvanized and metallic coated coil and colour coated coil went up 14% q/q, 39% q/q and 41% q/q, respectively. This is partially because of the low base due to the scheduled upgrade of the four-stand cold rolling mill in January-May 2016, which has already resulted in even higher rerolling capacities.
- Large diameter pipes (LDP) sales volumes remained largely unchanged q/q. In Q2 2016 Izhora Pipe Mill continued supplying LDPs for the Gazprom maintenance projects.
- The share of HVA products within the sales mix improved marginally to 43%.
- March 2016 marked positive developments in the global steel markets with steel prices globally improving sharply. In the domestic market, Russian steel companies managed to successfully command several rounds of RUB-denominated price increases in order to catch up with export USD-denominated prices. Severstal's average selling prices achieved an increase of 14-57% q/q depending on specific product. In the meantime, we are observing both global and domestic prices gradually returning to more normalised levels.



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

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