



Severstal
Achieve more together

Q4 2015 and FY 2015 Operational Results

26 January 2016



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Q4 2015 Group Highlights

- Hot metal output remained largely unchanged q/q at 2.34 mln t (Q3 2015: 2.31 mln t).
- Crude steel production decreased 5% q/q to 2.75 mln t (Q3 2015: 2.89 mln t), partially as a result of seasonally weaker demand for long steel products and lower output at Balakovo mini-mill, which remains in ramp-up mode. Crude steel output at Cherepovets Steel Mill was impacted by scheduled short-term maintenance of converter #1, continuous casters #4 and #5 and the billet caster.
- Reflecting a seasonal softness in the domestic market, the share of domestic steel products sales volumes in the sales mix decreased marginally to 64% (Q3 2015: 67%).
- Consolidated sales of steel products decreased 13% q/q to 2.62 mln t (Q3 2015: 3.00 mln t) on the back of seasonally weaker steel consumption in Russia's construction sector.
- The share of HVA products in the sales portfolio remained strong at 47% despite an 88% q/q increase in semi-finished product sales.
- Ongoing concerns regarding the prospects of the Chinese economy and the potential slowdown of the US economy have put pressure on the global metals & mining sector. At the same time, steel overcapacity continues to influence global steel prices which remained in decline over the quarter. In the domestic market, USD-denominated prices started to decline, reflecting both the RUB devaluation and initiatives by Russian steel producers to cut local prices in response to seasonally weaker demand.

Production volumes, t	Q4 2015	Q3 2015	Change, %	2015	2014	Change, %
Crude steel (Total output):	2,750,898	2,893,026	(5%)	11,451,066	11,301,979	1%
Hot metal (Total output):	2,335,698	2,313,103	1%	9,243,471	9,075,597	2%
Sales volumes, t	Q4 2015	Q3 2015	Change, %	2015	2014	Change, %
Coking coal concentrate	1,475,919	1,458,964	1%	5,666,440	5,371,269	5%
Iron ore pellets	2,697,648	2,729,137	(1%)	10,603,728	10,617,584	(0%)
Iron ore concentrate	959,895	1,126,007	(15%)	4,142,906	4,429,995	(6%)
Total steel products (Consolidated)	2,619,351	3,001,339	(13%)	10,823,680	10,409,608	4%
Total steel products (Russian Steel)	2,631,266	3,012,818	(13%)	10,874,206	10,592,758	3%



Severstal Resources

Severstal Resources Operational Results

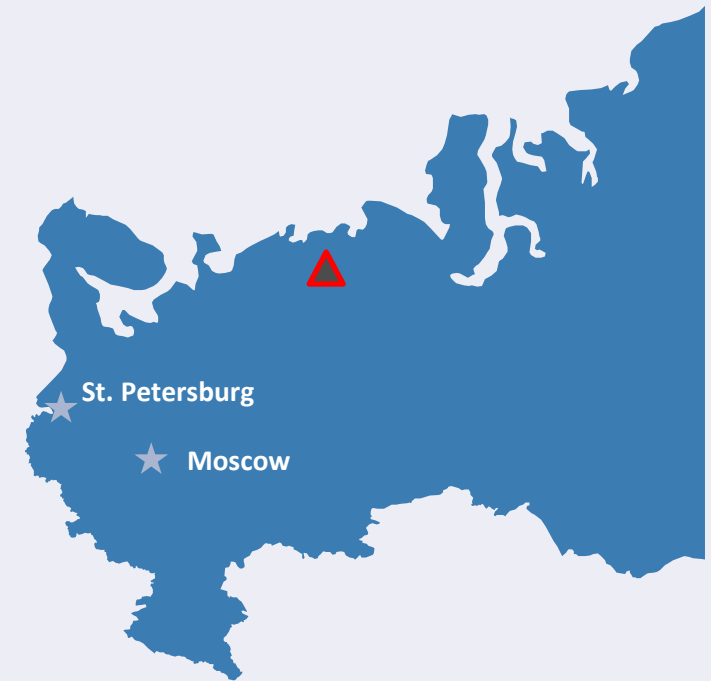


Sales volumes, t	Q4 2015	Q3 2015	Change, %	2015	2014	Change, %
Coal:	2,153,290	2,037,512	6%	7,809,265	7,086,161	10%
Coking coal concentrate:	1,475,919	1,458,964	1%	5,666,440	5,371,269	5%
Vorkutaugol	1,475,919	1,458,964	1%	5,666,440	4,846,981	17%
PBS Coals	-	-	n.a.	-	524,288	n.a.
Raw coking coal, Vorkutaugol	-	-	n.a.	8,719	57,999	(85%)
Steam coal:	677,371	578,548	17%	2,134,106	1,656,893	29%
Vorkutaugol	677,371	578,548	17%	2,134,106	1,635,441	30%
PBS Coals	-	-	n.a.	-	21,452	n.a.
Iron ore:	3,657,543	3,855,144	(5%)	14,746,634	15,047,579	(2%)
Iron ore pellets	2,697,648	2,729,137	(1%)	10,603,728	10,617,584	(0%)
Iron ore concentrate	959,895	1,126,007	(15%)	4,142,906	4,429,995	(6%)

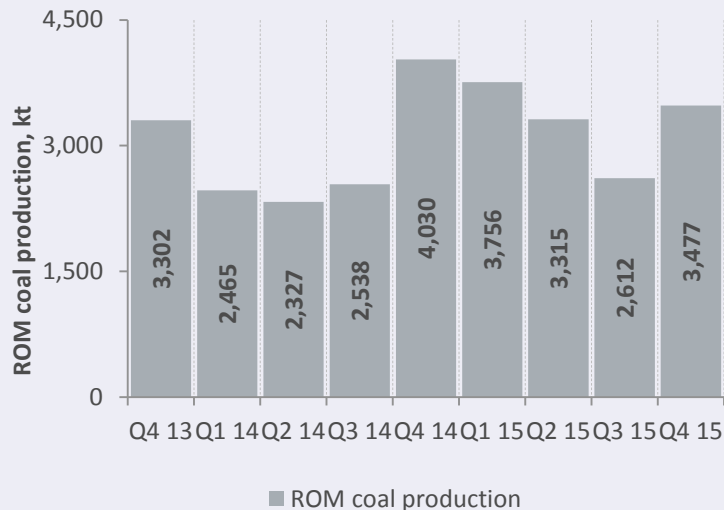
Sales price, \$/tonne	Q4 2015	Q3 2015	Change, %	2015	2014	Change, %
Coking coal concentrate, Vorkutaugol	71	64	11%	73	89	(18%)
Coking coal concentrate, PBS Coals	n.a.	n.a.	n.a.	n.a.	105	n.a.
Raw coking coal, Vorkutaugol	n.a.	n.a.	n.a.	18	58	(69%)
Steam coal, Vorkutaugol	17	18	(6%)	20	33	(39%)
Steam coal, PBS Coals	n.a.	n.a.	n.a.	n.a.	68	n.a.
Iron ore pellets	43	45	(4%)	48	80	(40%)
Iron ore concentrate	31	30	3%	32	55	(42%)

Vorkutaugol (part of Severstal Resources)

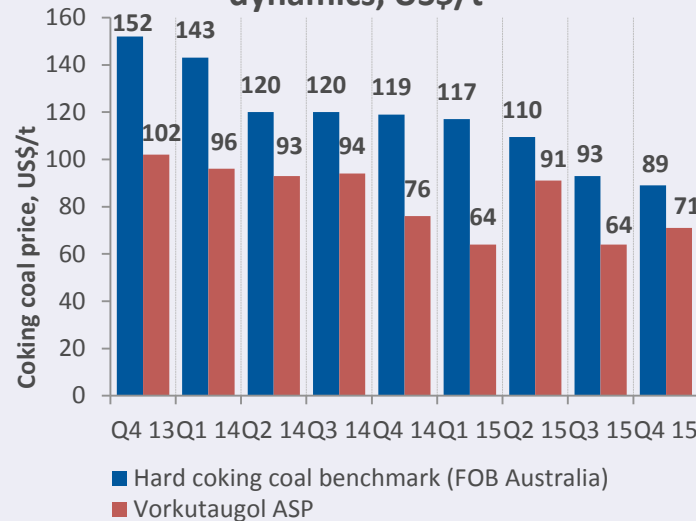
- Coking coal concentrate sales volumes increased 1% q/q to 1.48 mln tonnes (Q3 2015: 1.46 mln tonnes) reflecting a substantial increase in ROM-coal output volumes in Q4 at Vorkutaugol with completion of the scheduled long-wall repositionings at several mines at the beginning of Q4.
- Steam coal sales at Vorkutaugol increased 17% q/q on the back of improved demand from domestic consumers during the heating season.
- Average coking coal concentrate selling prices increased 11% q/q despite a 4% q/q decline of hard coking coal benchmark contract prices (Australia, FOB) in Q4 and an 8% q/q decline of global coking coal spot prices. This is primarily a function of an upward revision of coking coal contract prices in the domestic market fully offsetting the RUB devaluation of 5% during the quarter. Additionally, an increase in the share of hard coking coal within the sales mix positively impacted the average selling price.



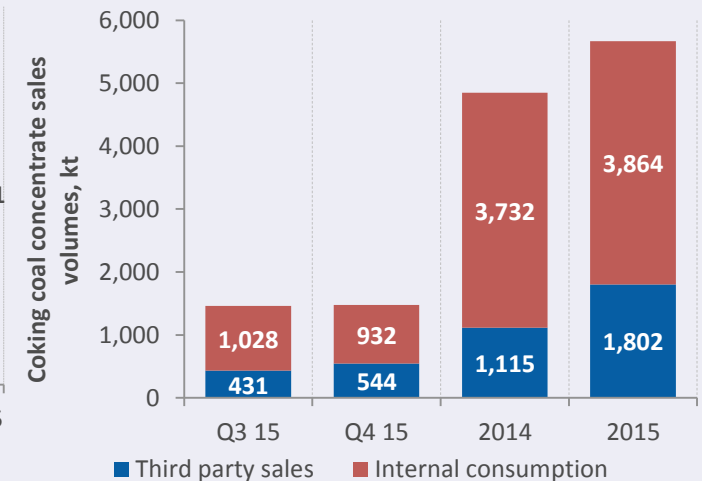
ROM coal production



Vorkutaugol average selling price dynamics, US\$/t

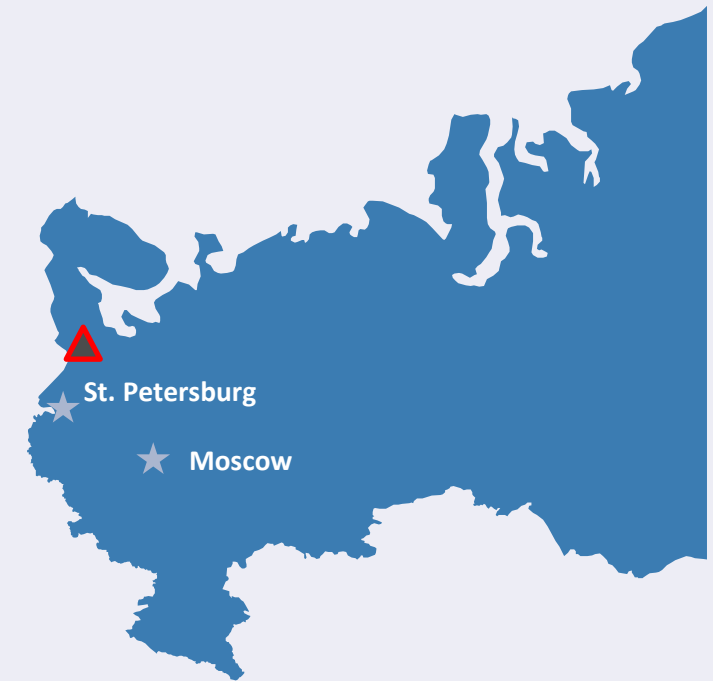


Vorkutaugol coking coal concentrate sales volumes

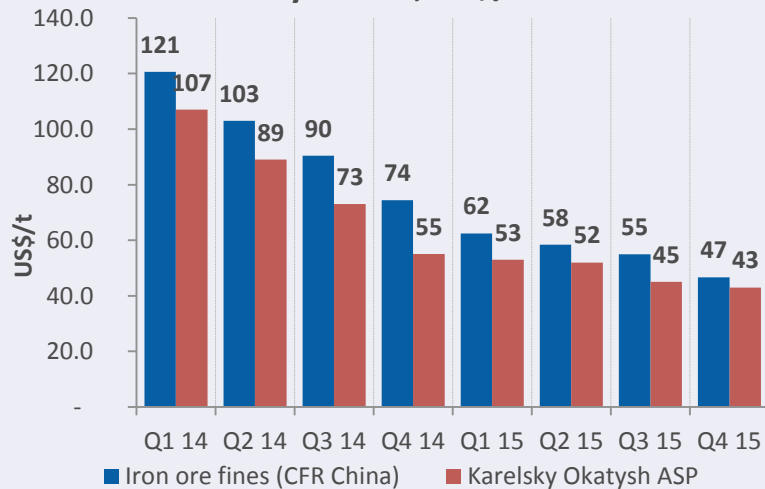


Karelsky Okatysh (part of Severstal Resources)

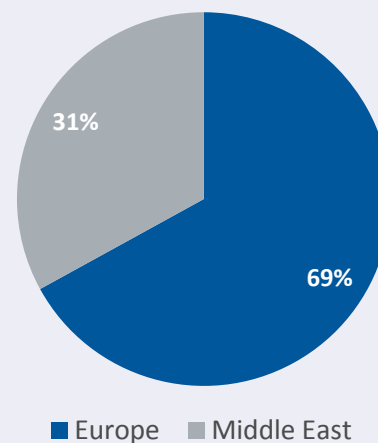
- Iron ore pellet sales decreased 1% q/q to 2.70 mln tonnes (Q3 2015: 2.73 mln tonnes) reflecting both lower internal procurement and seasonally weaker demand.
- Against a 15% q/q decline of the global iron ore benchmark (China, CFR) in Q4, average USD-denominated selling prices of iron ore pellets at Karelsky Okatysh decreased 4% q/q. This was largely due to geographical structure of sales.



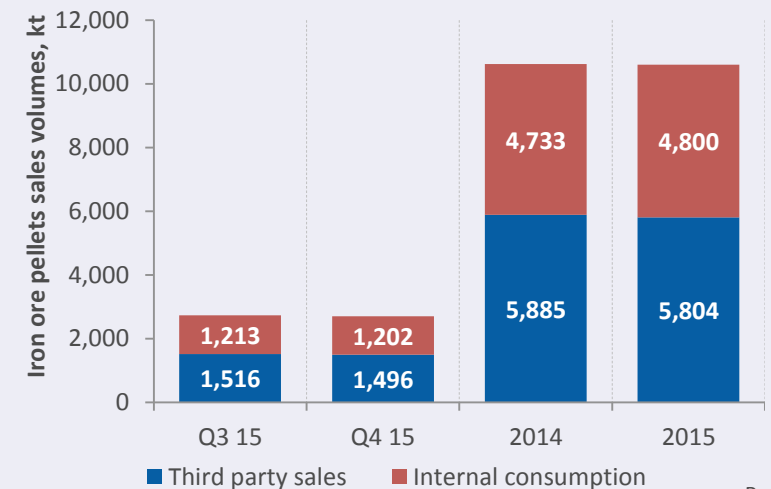
Karelsky Okatysh average selling price (ASP) dynamics, US\$/t



Karelsky Okatysh pellets export structure, Q4 2015

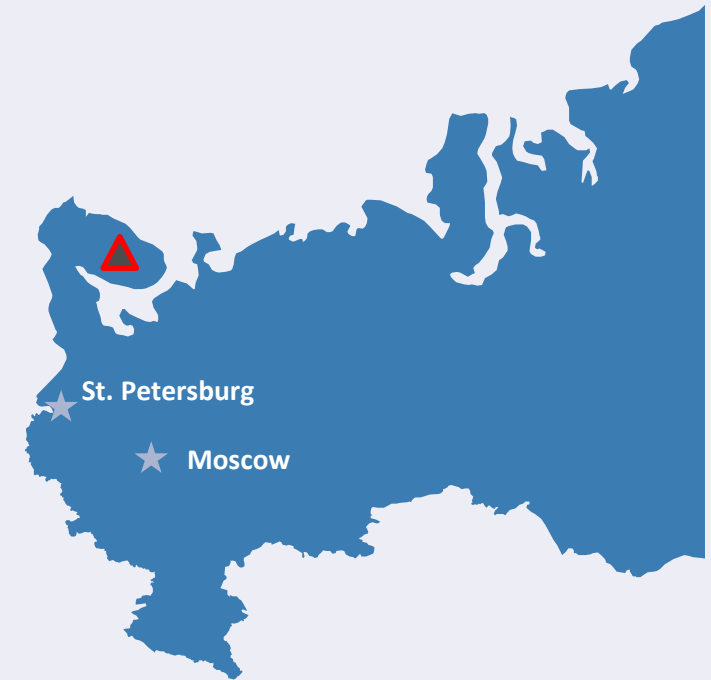


Iron ore pellets sales volumes

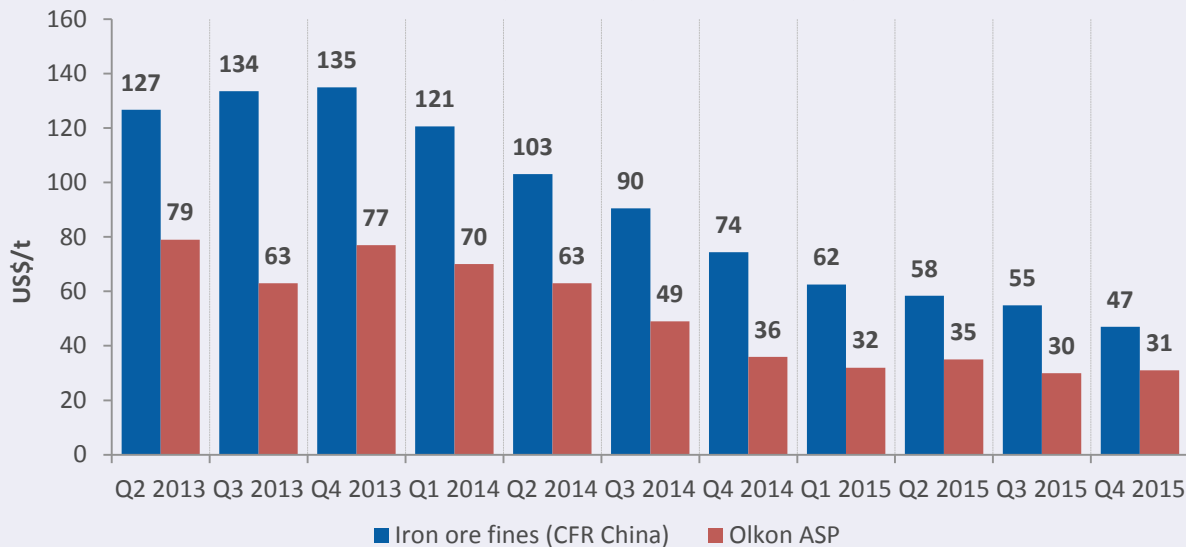


Olkon (part of Severstal Resources)

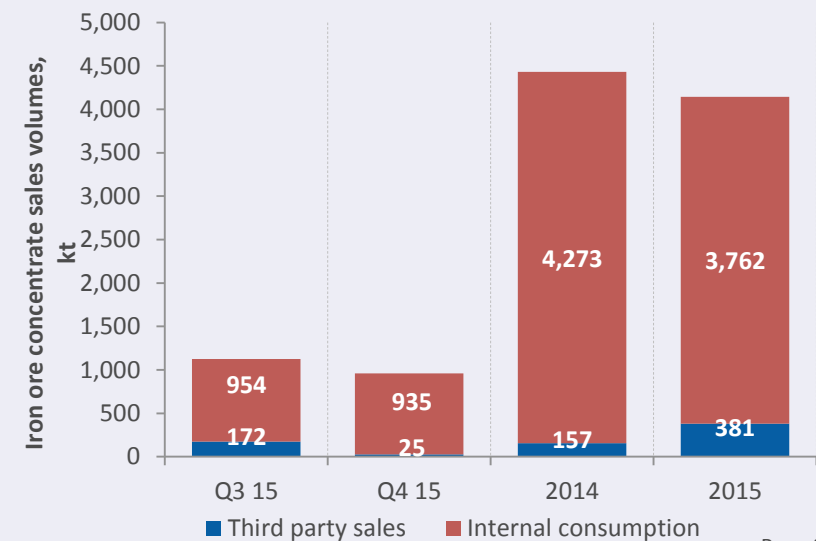
- Iron ore concentrate sales volumes decreased 15% q/q to 0.96 mln tonnes (Q3 2015: 1.13 mln tonnes) due to considerably lower external sales resulting from seasonally weaker demand.
- Internal consumption was also lower due to increased use of higher Fe content olivine pellets, which require lower volumes of sinter.
- Average USD-denominated selling prices of iron ore concentrate at Olkon increased 3% q/q against a 15% q/q decline in the global iron ore benchmark (China, CFR). This was largely driven by a marginal increase in RUB-denominated prices offsetting the RUB devaluation during the period.



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



Iron ore concentrate sales volumes





Severstal Russian Steel

Severstal Russian Steel Operational Results

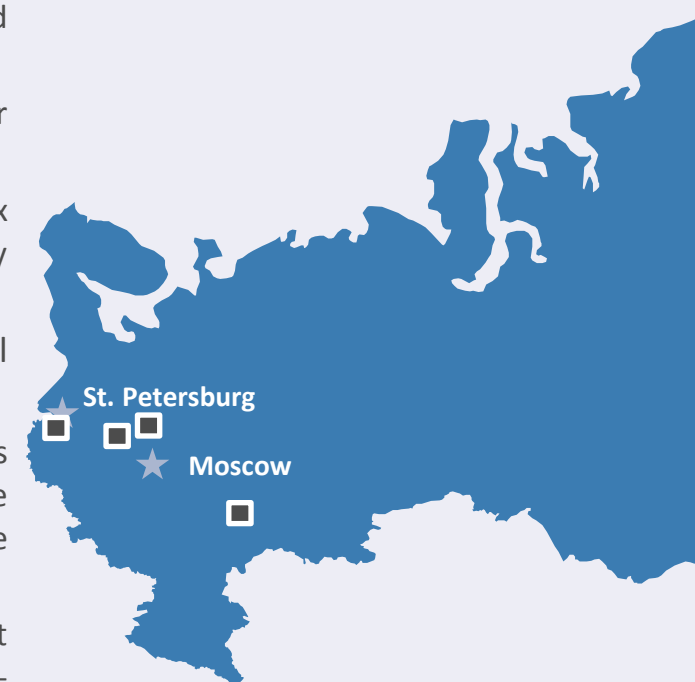


Sales volumes, t	Q4 2015	Q3 2015	Change, %	2015	2014	Change, %
Total steel products	2,631,266	3,012,818	(13%)	10,874,206	10,592,758	3%
Semi-finished products	191,711	102,049	88%	488,802	403,462	21%
Rolled products:	1,973,884	2,376,419	(17%)	8,393,103	8,284,852	1%
Hot-rolled coil	933,742	1,108,855	(16%)	3,989,684	3,773,373	6%
Hot-rolled plate	193,959	164,867	18%	713,554	840,345	(15%)
Cold-rolled coil	329,430	367,716	(10%)	1,335,962	1,448,939	(8%)
Galvanised and metallic coated coil	147,797	201,559	(27%)	624,202	591,868	5%
Color coated coil	100,747	146,883	(31%)	417,450	433,797	(4%)
Long products	268,209	386,539	(31%)	1,312,251	1,196,530	10%
Downstream products:	465,671	534,350	(13%)	1,992,301	1,904,444	5%
Metalware products	149,079	170,869	(13%)	613,106	639,137	(4%)
Large diameter pipes	129,491	130,654	(1%)	548,171	402,112	36%
Other tubes, pipes, formed shapes	187,101	232,827	(20%)	831,024	863,195	(4%)

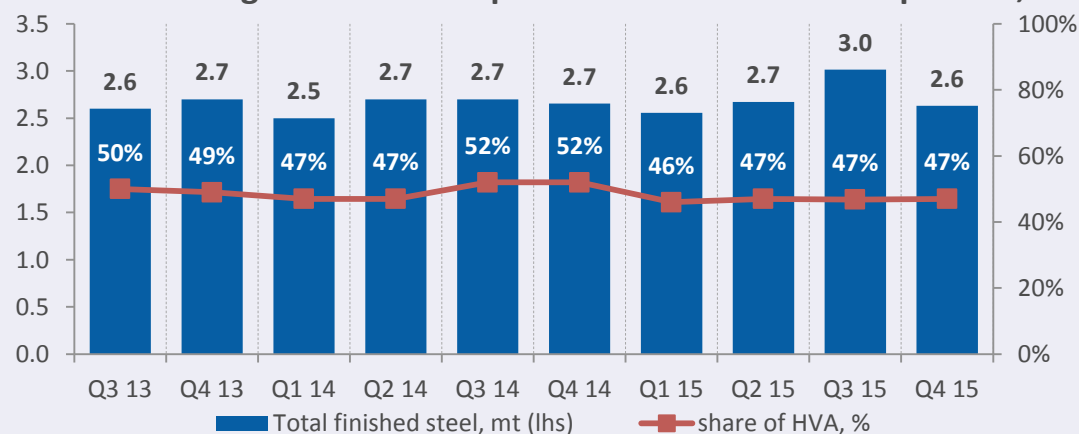
Sales price, \$/tonne	Q4 2015	Q3 2015	Change, %	2015	2014	Change, %
Semi-finished products	238	255	(7%)	291	451	(35%)
Hot-rolled coil	299	356	(16%)	364	486	(25%)
Hot-rolled plate	431	475	(9%)	488	706	(31%)
Cold-rolled coil	412	427	(4%)	446	558	(20%)
Galvanised and metallic coated coil	520	519	0%	558	736	(24%)
Color coated coil	711	718	(1%)	750	982	(24%)
Long products	289	315	(8%)	346	515	(33%)
Metalware products	763	762	0%	812	1,042	(22%)
Large diameter pipes	1,169	1,110	5%	1,272	1,424	(11%)
Other tubes, pipes, formed shapes	414	456	(9%)	466	642	(27%)

Severstal Russian Steel (RSD)

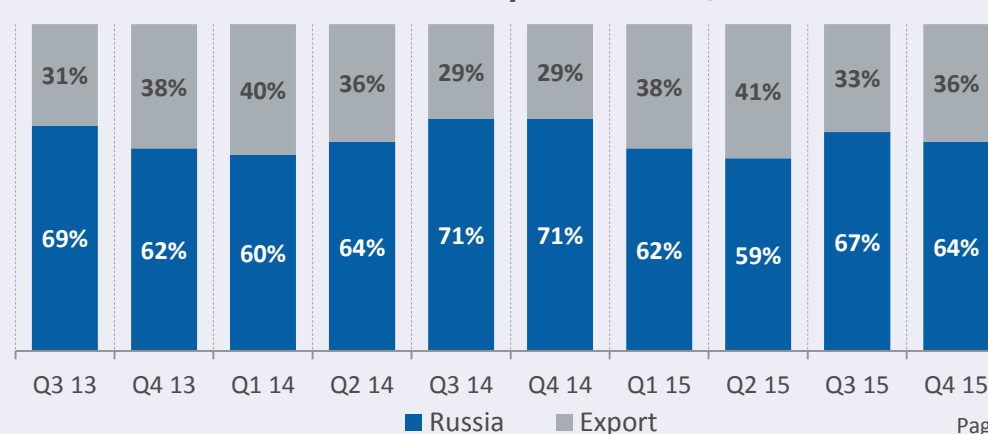
- RSD steel product sales decreased by 13% q/q to 2.63 mln tonnes due to seasonal factors and short-term scheduled maintenance at the hot-rolling shop at Cherepovets Steel Mill.
- The share of HVA products within the sales mix remained at 47%, despite seasonally lower demand for galvanised and metallic coated coil and color coated coil.
- Despite seasonally weaker demand, the share of domestic sales volumes within the sales mix decreased only marginally to 64% (Q3 2015: 67%), reflecting Severstal's ability to efficiently reallocate sales volumes between markets and target higher margin domestic sales.
- Long product sales volumes decreased 31% q/q reflecting subdued demand for long steel products due to seasonality and scheduled maintenance of the billet caster at CherMK.
- Despite a marginal 1% q/q decline in large diameter pipe (LDP) sales volumes, Izhora Pipe Mill was operating at full capacity in Q4 2015. Severstal continued supplying LDPs to Gazprom for the Power of Siberia and Ukhta-Torzhok projects during the quarter. Moreover, some volumes were delivered to Transneft and Gazprom for maintenance projects.
- Reflecting the continuing downward adjustment in global steel prices and a seasonally soft domestic market, which resulted in Russian steel producers reducing their prices, USD-denominated average steel prices for rolled products at RSD decreased q/q for almost all products (except for LDPs). RUB devaluation weighed additional pressure on USD-denominated prices.



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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