

Severstal reports Q1 2023 operational results

Moscow, Russia – 20 April 2023 – PAO Severstal (MOEX: CHMF) announces that in Q1 2023 crude steel production was almost flat qoq and stood at 2.7 mln tonnes (-1% qoq). Consolidated steel sales followed production dynamics and decreased slightly, by 1% qoq to 2.77 mln tonnes.

KEY CONSOLIDATED OPERATIONAL RESULTS*

	Q1 2023	Q4 2022	qoq	3m 2023	3m 2022	yoy
Production, kt						
Hot metal	2,724	2,845	-4%	2,724	2,878	-5%
Crude steel	2,701	2,725	-1%	2,701	2,922	-8%
Sales, kt						
Steel products, incl.:	2,766	2,797	-1%	2,766	2,726	1%
Semis	300	287	4%	300	464	-35%
Commercial	1,278	1,357	-6%	1,278	990	29%
HVA**	1,188	1,153	3%	1,188	1,272	-7%
Iron ore products	369	485	-24%	369	281	31%

* Hereinafter, the total amount may differ slightly from the sum of each line due to rounding.

** The list of products included in the HVA group is given in Appendix 1.

Q1 2023 consolidated operational results highlights:

- **Production:** Hot metal output decreased by 4% qoq to 2.72 mln tonnes on the back of planned repairs on BF Nos. 3, 4 and 5. Crude steel production, however, was lower by only 1% qoq and amounted to 2.7 mln tonnes due to increased crude steel output at EAF facilities.
- **Steel sales** followed production and were lower by 1% at 2.77 mln tonnes. However, sales of semi-finished products increased to 0.3 mln tonnes (+4% qoq) due to strong pig iron sales. Commercial steel sales (HRC and long steel) declined by 6% qoq to 1.28 mln tonnes, mainly due to a decrease in HRC demand during the winter season.
- **Sales of high-value-added (HVA)** products grew by 3% qoq to 1.19 mln tonnes. The total share of HVA products in the product mix increased to 43% (+2 ppt qoq).
- **Raw material sales:** Iron ore sales to third parties decreased to 0.37 mln tonnes (-24% qoq), mainly due to the redistribution of iron ore concentrate sales to the Company's own assets.

HEALTH AND SAFETY PERFORMANCE

- We continue transforming our system for occupational health and safety to make the working environment safer for employees. In the reporting period, a new project called VZOR (Involve, Declare, Provide, Develop) was launched. It is expected to be one of the drivers of further improvement of our LTIFR indicator.
- The Q1 2023 LTIFR for our employees and contractors declined by 4% qoq and reached 0.46 (-51% yoy).
- The LTIFR for only our employees decreased to 0.36 (-33% qoq, -57% yoy).

ALEXANDER SHEVELEV, CEO OF SEVERSTAL MANAGEMENT, COMMENTED:

“The first quarter of 2023 was a period of demand and price recovery in global steel markets as covid restrictions were lifted in China. The HRC index in Turkey increased by about 20% to \$763/tonne from the beginning of the year to mid-March. In China, prices for similar products rose about 11% and reached the level of \$675/tonne. However, by the beginning of April, in response to a growing steel supply and increasing fears of an economic recession around the world, steel prices declined slightly.

“In the domestic market, HRC prices increased by 8.3% during the first quarter while decreasing in dollar terms due to the devaluation of the rouble. As for consumption, according to our estimates, the demand for steel products in Russia in Q1 2023 increased by 6% from Q4 2022. In annual terms, the demand for steel in the first three months of 2023 was 3% lower than the same period last year.

“Due to planned repairs on blast furnaces and steelmaking equipment, hot metal production decreased by 4% qoq, and crude steel production was only 1% lower qoq. As a result, sales of steel products also decreased by 1% to 2.77 million

tonnes. However, sales of HVA products increased by 3% qoq to 1.19 mln tonnes, and the share of such products in the sales portfolio increased to 43% (+2 p.p. qoq).

“The company’s results enabled us to increase employee wages starting from 1 April 2023. We paid special attention to those employees whose wages are equal to or lower than 50 thousand roubles. For them, the increase amounted to 12% yoy. For the rest of the company’s employees, a total payroll increase of 10% yoy was approved.

“Occupational health and industrial safety issues remain our priority. There have been some successes. In Q1 2023, the LTIFR indicator for our employees and contractors decreased by 4% qoq and amounted to 0.46 (-51% yoy). But in order to further improve the system, we have launched a new project called Leader’s VZOR (Involve, Declare, Provide, Develop). Its main goal is to introduce a new behaviour pattern of a leader—a leader involving subordinates and colleagues in solving safety issues. According to the VZOR model, the personal obligations of each manager, from the foreman to the CEO, include the following elements: "I involve", "I declare", "I provide", "I develop". Each of the commitments is supported by a specific set of tools and an assessment of their effectiveness.”

SEGMENT PERFORMANCE

Severstal Russian Steel (RSD)

Sales, kt	Q1 2023	Q4 2022	qoq	3m 2023	3m 2022	yoy
Steel sales	2,779	2,806	-1%	2,779	2,737	2%
Semis	300	287	4%	300	464	-35%
Commercial	1,290	1,365	-5%	1,290	1,000	29%
HVA	1,189	1,153	3%	1,189	1,272	-7%

Q1 2023 results

- Steel sales decreased to 2.78 mln tonnes (-1% qoq). Semi sales grew to 0.3 mln tonnes (+4% qoq). Commercial steel sales fell by 5% qoq to 1.29 mln tonnes due to seasonally lower demand for hot-rolled steel. HVA product sales recovered to 1.19 mln tonnes (+3% qoq) due to strong sales of HDG steel and construction tubes.
- The total share of high-value-added products amounted to 43% (+2 ppt qoq).

Severstal Resources

Sales, kt	Q1 2023	Q4 2022	qoq	3m 2023	3m 2022	yoy
Iron ore	4,062	4,329	-6%	4,062	4,089	-1%
Iron ore pellets	2,592	2,659	-3%	2,592	2,398	8%
Iron ore concentrate	1,470	1,671	-12%	1,470	1,691	-13%

Q1 2023 results

- Iron ore sales contracted to 4.06 mln tonnes (-6% qoq). Pellet sales were down by 3% qoq and amounted to 2.59 mln tonnes, while iron ore concentrate sales fell by 12% qoq to 1.47 mln tonnes on the back of a decrease in seasonal demand in the Russian market.

ANNEX*

1. Consolidated sales by product

Sales volumes, Kt	Q1 2023	Q4 2022	qoq	3m 2023	3m 2022	yoy
Iron ore:	369	485	-24%	369	281	31%
Iron ore pellets	369	324	14%	369	268	37%
Iron ore concentrate	0	161	-100%	0	13	-100%
Steel:	2,766	2,797	-1%	2,766	2,726	1%
Semi-finished products	300	287	4%	300	464	-35%
<i>Pig iron</i>	148	104	42%	148	222	-33%
<i>Slabs</i>	152	183	-17%	152	242	-37%
Hot-rolled steel:	1,317	1,394	-6%	1,317	1,062	24%
<i>incl. hot-rolled HVA products</i>	184	197	-6%	184	215	-14%
Cold-rolled steel	310	302	2%	310	276	12%
Galvanized steel	222	199	12%	222	231	-4%
Colour coated coil	84	94	-10%	84	94	-10%
Long steel	146	159	-9%	146	142	2%
Metalware	111	111	0%	111	141	-21%
Large diameter pipes	87	95	-8%	87	81	8%
Other tubes, pipes, formed shapes	184	149	24%	184	225	-18%
Steel solutions	6	6	3%	6	10	-39%
Incl. HVA products:	1 188	1 153	3%	1 188	1 272	-7%
Hot-rolled HVA products	184	197	-6%	184	215	-14%
Cold-rolled steel	310	302	2%	310	276	12%
Galvanized steel	222	199	12%	222	231	-4%
Colour coated coil	84	94	-10%	84	94	-10%
Metalware	111	111	0%	111	141	-21%
Large diameter pipes	87	95	-8%	87	81	8%
Other tubes, pipes, formed shapes	184	149	24%	184	225	-18%
Steel solutions	6	6	3%	6	10	-39%

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PAO Severstal is a vertically integrated steel and steel-related mining company that works with customers and partners to create new products and integrated solutions from steel. The company's production facilities are located in Russia. Severstal is listed on MOEX (CHMF). Severstal's crude steel production in 2022 reached 10.7 million tonnes.