

## Severstal reports Q2 2023 and H1 2023 operational results

**Moscow, Russia – 24 July 2023** – PAO Severstal (MOEX: CHMF) announces that crude steel production grew by 6% yoy to 5.65 mln tonnes in H1 2023, while sales of steel products increased by 9% yoy to 5.47 mln tonnes. In Q2 2023, crude steel production increased by 9% qoq to 2.95 mln tonnes. Consolidated sales of steel products decreased to 2.7 mln tonnes (-2% qoq).

### KEY CONSOLIDATED OPERATIONAL RESULTS\*

|                        | Q2 2023 | Q1 2023 | qoq  | H1 2023 | H1 2022 | yoy  |
|------------------------|---------|---------|------|---------|---------|------|
| <b>Production, kt</b>  |         |         |      |         |         |      |
| Hot metal              | 2,917   | 2,724   | 7%   | 5,641   | 5,305   | 6%   |
| Crude steel            | 2,950   | 2,701   | 9%   | 5,651   | 5,325   | 6%   |
| <b>Sales, kt</b>       |         |         |      |         |         |      |
| Steel products, incl.: | 2,699   | 2,766   | -2%  | 5,466   | 4,994   | 9%   |
| Semis                  | 281     | 300     | -6%  | 580     | 644     | -10% |
| Commercial             | 1,103   | 1,278   | -14% | 2,381   | 2,001   | 19%  |
| HVA**                  | 1,316   | 1,188   | 11%  | 2,504   | 2,349   | 7%   |
| Iron ore products      | 651     | 369     | 76%  | 1,020   | 997     | 2%   |

\* 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 Annex 1.

### Q2 2023 consolidated operational results highlights:

- **Production:** Hot metal production increased by 7% qoq to 2.92 mln tonnes after the completion of scheduled repairs at blast furnaces. Crude steel production increased by 9% qoq and amounted to 2.95 mln tonnes, due to an increase in the production of BOF steel.
- **Steel sales** decreased by 2% qoq to 2.7 mln tonnes amid the normalization of finished-product inventories in the supply chain. Sales of semi-finished products decreased by 6% qoq to 0.28 mln tonnes, mainly due to a decrease in sales of pig iron. Sales of commercial steel (hot-rolled and long steel) decreased by 14% qoq to 1.1 mln tonnes due to a decrease in sales of hot-rolled steel, which was reallocated for further processing to increase production and sales of high-value-added (HVA) products.
- **Sales of HVA products** increased by 11% qoq to 1.32 mln tonnes mainly due to an increase in demand for coated steel during the construction season, as well as increased demand for oil and gas pipes. The share of HVA products in total sales increased to 49% (+6 p.p. qoq).
- **Iron ore sales** to third parties increased to 0.65 mln tonnes (+76% qoq) amid an increase in concentrate sales.

### H1 2023 consolidated operational results highlights:

- **Production:** Hot metal and crude steel production increased by 6% yoy to 5.64 mln tonnes and 5.65 mln tonnes, respectively, due to an increase in the utilization rate.
- **Steel sales** increased by 9% yoy to 5.47 mln tonnes. Sales of semi-finished products decreased by 10% yoy to 0.58 mln tonnes. Sales of commercial steel (hot-rolled and long steel) increased by 19% yoy to 2.38 mln tonnes amid increased demand for hot-rolled steel as the Russian economy adapted to sanctions pressure.
- **Sales of HVA products** increased by 7% yoy to 2.5 mln tonnes. The share of HVA products in total sales was 46% (-1 p.p. yoy).
- **Iron ore sales** to third parties increased to 1 mln tonnes (+2% yoy) due to an increase in the sale of pellets in the Russian market.

### HEALTH AND SAFETY PERFORMANCE

- Severstal continues to transform its health and safety management system, driving a positive trend in terms of the overall lost time injury frequency rate (LTIFR) compared with the same period last year.

- The LTIFR in Q2 2023 among employees was 0.55 (+61% qoq). The total LTIFR for employees and contractors in the reporting period reached 0.57 (+24% qoq).
- For H1 2023, the LTIFR among employees was 0.46 (-45% yoy). At the same time, the total number of injuries decreased (18 injuries compared with 37 for H1 2022); the total LTIFR for employees and contractors was 0.52 (-36% yoy).
- There were no fatalities in H1 2023.

## **ENVIRONMENTAL PROTECTION**

- In H1 2023, total emissions of pollutants into the atmosphere decreased by 14% yoy to 177 thousand tonnes. At the same time, the decrease in Q2 2023 was 17% qoq.
- Despite a slight increase in emissions at CherMK due to an increase in the production of the plant's main products, Severstal reduced its total volume of pollutant emissions thanks to the sale of JSC Vorkutaugol and the redistribution of pellet production volumes towards an increase in the share of fluxed pellet, which led to a reduction in SO<sub>2</sub> emissions and overall emissions at Karelsky Okatysh.
- Gross greenhouse gas emissions (Scope 1 and Scope 2) decreased by 8% yoy to 13.1 mln tonnes of CO<sub>2</sub>-eq. in H1 2023. The main reason for the reduction was the Company's divestment from JSC Vorkutaugol in 2022, as well as a decrease in specific emissions from steel production.
- Specific greenhouse gas emissions in H1 2023 amounted to 2,164 tonnes of CO<sub>2</sub> per tonne of steel, which is 4% lower than in the same period last year. The reduction in emissions was due to the optimization of the utilization rate thanks to an increase in crude steel production, as well as the positive effect of the implementation of investment projects to replace heating furnaces in the rolling shop and to reduce the consumption of solid fuel in blast furnaces.

## **ALEXANDER SHEVELEV, CEO OF SEVERSTAL MANAGEMENT, COMMENTED:**

"Global markets faced a difficult situation in Q2 2023, as prices for steel and raw materials declined beginning in March amid low demand for steel in China. China's steel output grew for most of Q1 2023. At the same time, the increase in demand for steel from end consumers was not as high as expected at the beginning of the year. With production growth alongside stagnation in steel consumption in China, China increased its exports of steel products considerably. For example, steel exports from China in May reached their highest level since 2016 (98 mln tonnes on an annualized basis), which put downward pressure on steel prices in many regions around the world. Prices stabilized only in June, reaching \$545/t FOB China. At the same time, we are not seeing this kind of price volatility in the Russian market.

"We continue to demonstrate stable growth and to overcome all the challenges facing us. In Q2 2023, crude steel production increased by 9% qoq to 2.95 mln tonnes. In H1 2023, we increased steel production by 6% to 5.65 mln tonnes, and sales of steel products increased by 9% yoy to 5.47 mln tonnes. At the same time, the share of finished products increased to 89% (+2 p.p. yoy). Sales of HVA products increased by 7% yoy to 2.5 mln tonnes.

"Our team continues to increase operational efficiency. We have a stable financial position thanks to an improvement in the structure of our sales portfolio, sales growth and price stability in our key market of Russia.

"We also continue to implement investment projects. At CherMK in the reporting quarter, blast furnace No. 5, "Severyanka", was overhauled prior to the shutdown period. Planned work was carried out to rebuild the air heaters and the furnace's casting bed. In the current production environment, our team carried out work that can be performed prior to the furnace's planned shutdown for major repairs in 2024.

"We continue to focus on issues of health and safety. In H1 2023, the LTIFR for our employees and contractors was 0.52, which is 36% lower than the same period last year. No fatalities were reported in H1 2023.

"Despite all our achievements, we refuse to rest on our laurels. We continue to improve our processes and strive for even better results. Our goal is to remain a leader in the industry and to meet all the needs of our customers.

"I want to thank all our employees for their professional work and dedication to the Company. I also want to thank our partners and customers for their trust and support."

## SEGMENT PERFORMANCE

### Severstal Russian Steel (RSD)

| Sales, kt   | Q2 2023 | Q1 2023 | qoq  | H1 2023 | H1 2022 | yoy  |
|-------------|---------|---------|------|---------|---------|------|
| Steel sales | 2,709   | 2,779   | -3%  | 5,487   | 5,014   | 9%   |
| Semis       | 281     | 300     | -6%  | 580     | 644     | -10% |
| Commercial  | 1,111   | 1,290   | -14% | 2,401   | 2,020   | 19%  |
| HVA         | 1,317   | 1,189   | 11%  | 2,506   | 2,350   | 7%   |

#### Q2 2023 results

- Steel sales decreased to 2.71 mln tonnes (-3% qoq). Sales of semi-finished products amounted to 0.28 mln tonnes (-6% q/q). Sales of commercial steel were down by 14% qoq, amounting to 1.11 mln tonnes, due to the reallocation of hot-rolled steel for subsequent processing to maximise the production of HVA products during the construction season.
- Sales of HVA products increased by 11% qoq to 1.32 mln tonnes on the back of strong demand for coated steel and large diameter pipes. The share of HVA products in sales increased to 49% (+6 p.p. qoq).

#### H1 2023 results

- Steel sales increased by 9% yoy to 5.49 mln tonnes. Sales of semi-finished products decreased to 0.58 mln tonnes (-10% yoy) amid an increase in production at the subsequent processing stage. Sales of commercial steel increased by 19% yoy to 2.4 mln tonnes due to the recovery in demand for hot rolled products once the economy adapted to sanctions.
- Sales of HVA products increased to 2.51 mln tonnes (+7% yoy) mainly on the back of strong sales of cold-rolled and galvanized products. The share of HVA products in sales was 46% (-1 p.p. yoy).

### Severstal Resources

| Sales, kt            | Q2 2023 | Q1 2023 | qoq | H1 2023 | H1 2022 | yoy |
|----------------------|---------|---------|-----|---------|---------|-----|
| Iron ore             | 4,443   | 4,062   | 9%  | 8,505   | 8,286   | 3%  |
| Iron ore pellets     | 2,677   | 2,592   | 3%  | 5,269   | 4,776   | 10% |
| Iron ore concentrate | 1,765   | 1,470   | 20% | 3,236   | 3,510   | -8% |

#### Q2 2023 results

- Iron ore sales increased by 9% qoq to 4.44 mln tonnes. Pellet sales increased by 3% qoq, amounting to 2.68 mln tonnes. Sales of iron ore concentrate increased by 20% qoq to 1.77 mln tonnes amid increased demand on CherMK to support greater steel production, as well as an increase in sales of concentrate to third parties, which was fuelled by increased ore production in the summer season.

#### H1 2023 results

- Iron ore sales increased by 3% yoy to 8.51 mln tonnes. Sales of pellets increased by 10% yoy to 5.27 mln tonnes. Sales of iron ore concentrate decreased to 3.24 mln tonnes (-8% yoy).

## ANNEX

### 1. Consolidated sales by product

| Sales volumes, Kt                 | Q2 2023      | Q1 2023      | qoq        | H1 2023      | H1 2022      | yoy        |
|-----------------------------------|--------------|--------------|------------|--------------|--------------|------------|
| <b>Iron ore:</b>                  | <b>651</b>   | <b>369</b>   | <b>76%</b> | <b>1,020</b> | <b>997</b>   | <b>2%</b>  |
| Iron ore pellets                  | 401          | 369          | 9%         | 769          | 754          | 2%         |
| Iron ore concentrate              | 250          | 0            | >100%      | 250          | 244          | 3%         |
| <b>Steel:</b>                     | <b>2,699</b> | <b>2,766</b> | <b>-2%</b> | <b>5,466</b> | <b>4,994</b> | <b>9%</b>  |
| Semi-finished products            | 281          | 300          | -6%        | 580          | 644          | -10%       |
| <i>Pig iron</i>                   | 80           | 148          | -46%       | 228          | 279          | -18%       |
| <i>Slabs</i>                      | 201          | 152          | 32%        | 352          | 365          | -3%        |
| Hot-rolled steel:                 | 1,148        | 1,317        | -13%       | 2,464        | 2,059        | 20%        |
| <i>incl. Hot-rolled HVA</i>       | 214          | 184          | 16%        | 398          | 400          | 0%         |
| Cold-rolled steel                 | 291          | 310          | -6%        | 601          | 507          | 19%        |
| Galvanized steel                  | 258          | 222          | 16%        | 480          | 416          | 15%        |
| Colour-coated coil                | 110          | 84           | 31%        | 194          | 194          | 0%         |
| Long steel                        | 169          | 146          | 16%        | 315          | 342          | -8%        |
| Metalware                         | 114          | 111          | 2%         | 225          | 248          | -9%        |
| Large diameter pipes              | 122          | 87           | 40%        | 210          | 215          | -2%        |
| Other tubes, pipes, formed shapes | 199          | 184          | 8%         | 383          | 353          | 8%         |
| Steel solutions                   | 7            | 6            | 17%        | 13           | 17           | -22%       |
| <b>HVA</b>                        | <b>1,316</b> | <b>1,188</b> | <b>3%</b>  | <b>2,504</b> | <b>2,349</b> | <b>-7%</b> |
| Hot-rolled HVA                    | 214          | 184          | 16%        | 398          | 400          | 0%         |
| Cold-rolled coil                  | 291          | 310          | -6%        | 601          | 507          | 19%        |
| Galvanized steel                  | 258          | 222          | 16%        | 480          | 416          | 15%        |
| Colour-coated coil                | 110          | 84           | 31%        | 194          | 194          | 0%         |
| Metalware products                | 114          | 111          | 2%         | 225          | 248          | -9%        |
| Large diameter pipes              | 122          | 87           | 40%        | 210          | 215          | -2%        |
| Other tubes, pipes, formed shapes | 199          | 184          | 8%         | 383          | 353          | 8%         |
| Steel solutions                   | 7            | 6            | 17%        | 13           | 17           | -22%       |

### 2. Environmental protection data

| Kt   | Q2 2023     | Q1 2023     | qoq         | H1 2023      | H1 2022      | yoy         |
|--|-------------|-------------|-------------|--------------|--------------|-------------|
| <b>Total emissions of air pollutants (Group)</b>                       | <b>80.1</b> | <b>97.0</b> | <b>-17%</b> | <b>177.1</b> | <b>206.8</b> | <b>-14%</b> |
| <b>Emissions of air pollutants (Severstal Russian Steel)</b>           | <b>58.5</b> | <b>74.7</b> | <b>-22%</b> | <b>133.2</b> | <b>127.2</b> | <b>5%</b>   |
| <i>NOx</i>   | 2.7         | 2.6         | 7%          | 5.3          | 5.6          | -6%         |
| <i>SOx</i>   | 5.7         | 6.6         | -14%        | 12.3         | 11.4         | 8%          |
| <i>CO</i>  | 46.1        | 61.4        | -25%        | 107.5        | 101.8        | 6%          |
| <i>VOC</i>   | 0.1         | 0.1         | 1%          | 0.2          | 0.2          | -5%         |
| <i>Particulate matter</i>  | 3.7         | 3.7         | -2%         | 7.4          | 7.5          | -2%         |
| <b>Emissions of air pollutants (Severstal Resources)</b>               | <b>21.6</b> | <b>22.3</b> | <b>-3%</b>  | <b>43.9</b>  | <b>79.6</b>  | <b>-45%</b> |
| <i>NOx</i>   | 0.9         | 0.9         | -3%         | 1.8          | 2.6          | -33%        |
| <i>SOx</i>   | 18.2        | 19.4        | -6%         | 37.6         | 40.8         | -8%         |
| <i>CO</i>  | 0.6         | 0.6         | 0%          | 1.3          | 1.7          | -22%        |
| <i>VOC</i>   | 0.2         | 0.2         | 0%          | 0.4          | 0.4          | -1%         |
| <i>Particulate matter</i>  | 1.6         | 1.3         | 22%         | 2.9          | 3.0          | -3%         |
| <b>Specific air emissions (Severstal Russian Steel), kg/t of steel</b> | <b>19.8</b> | <b>27.6</b> | <b>-28%</b> | <b>23.6</b>  | <b>23.9</b>  | <b>-1%</b>  |

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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.