



Yakovlevsky Mine at a glance

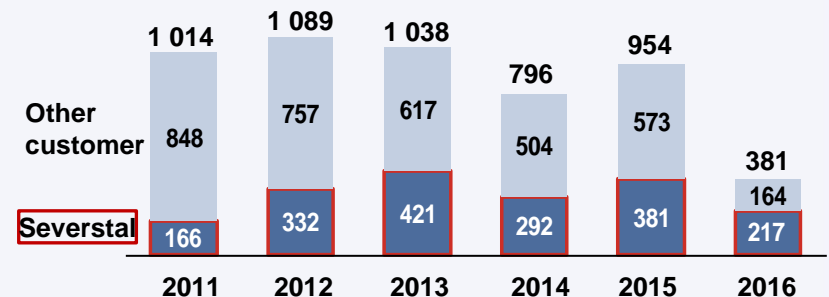
Asset overview

- Located 40 km north of the city of Belgorod
- Total resource base of the Yakovlevsky deposit exceeds 9.6 bnt with a high Fe content (61.4%)
- Production capacity of 1.0-1.2 mtpa with the potential to increase to 4.5 mtpa in the medium-term
- Operational scheme: underground mining, surface crushing
- No beneficiation of ore required due to high Fe content
- c.1300 employees
- Direct access to railroad via private 28 km long rail line
- Diversified customer base - selling iron ore to all major Russian steel producers. Severstal has historically been the key customer, purchasing c. 30-40% of overall production volumes
- The asset will increase Severstal's existing total vertical integration in iron ore (concentrate + pellets) from c.110% to c.115%

Location



Historic iron ore sales and Severstal's share, kt*



* Yakovlevsky Mine, Severstal data.

The transaction and strategic rationale for the further consolidation



The transaction:

- On July 20 2017, Severstal announced the completion of an acquisition from Gazprombank of outstanding debt of 12 bln RUB of Metal-Group LLC (owner of the mining license for the central part of the Yakovlevsky iron ore deposit), as well as securities under the debt in the form of pledges on 100% shares in the mine and personal guarantees of shareholders for 6 bln RUB.
- Severstal now intends to reach an agreement with the mine's shareholders to acquire 100% of the shares in Yakovlevsky Mine.
- The current debt burden prevents the asset from developing efficiently. Since August 2016, Gazprombank, as the major lender, has undertaken the operational management of Yakovlevsky Mine. Severstal is now taking over operational control of the asset from Gazprombank.
- Severstal, as a long-term strategic investor, will unlock the asset's potential and return confidence to employees at the mine. We are confident that our experience of successfully transforming Severstal's current iron ore assets will enable us to elevate efficiencies at Yakovlevsky Mine to industry leading levels.

Strategic rationale for further consolidation of the asset:

- Severstal remains committed to its vertically-integrated business model. The acquisition supports longer-term vertical integration by substituting depleting mines and increasing Severstal's self-sufficiency in iron ore (concentrate + pellets) from c.110% to c.115% and reducing its dependence on 3rd party supplies/ buffering it from the effects of unfavourable market conditions.
- Yakovlevsky Mine is a long-standing supplier of quality iron ore to Severstal's Cherepovets Steel Mill and is therefore well-known to the Company.
- Extensive resource base of over 9 blnt of direct shipping ore (over 60% Fe content).
- All major infrastructure is already in place with further capacity expansion requiring low-to-medium capital intensity. The mine's development program and the exact investment required will be determined following a detailed analysis of the asset.
- Synergies with our existing iron ore assets and potential for significant operational improvements identified.