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Q2 2018 Highlights:

- Group revenue increased 4.0% to \$2,259 million (Q1 2018: \$2,173 million) largely driven by higher sales volumes in the Resources division in Q2 2018.
- Group EBITDA* improved significantly, up 23.8% q/q, to \$874 million (Q1 2018: \$706 million). This EBITDA increase was supported by the Group revenue growth and lower cost of sales in the Russian Steel division. Group EBITDA margin grew 6.2 pts reaching a record level of 38.7% (Q1 2018: 32.5%).
- Free cash flow** totalled \$598 million (Q1 2018: \$289 million) which reflects a release of net working capital on the back of receivables collection, accumulated in Q1 2018 and a decline in inventories.
- Net profit of \$557 million (Q1 2018: \$461 million) includes a FX loss of \$56 million. Adjusting for this non-cash item, Severstal would have posted an underlying net profit of \$613 million (Q1 2018: net profit of \$449 million).
- Cash CAPEX*** increased 17.6% q/q to \$160 million (Q1 2018: \$136 million) due to seasonal factors. The Group's capital expenditure programme for 2018 is expected to stand at 49.5 bn RUB and will focus on upstream investments.
- Net debt declined 80.5% to \$153 million by the end of Q2 2018 (Q1 2018: \$785 million) reflecting cash balances growth on the back of free cash flow generation for Q2 2018.
- Recommended dividend payment of 45.94 RUB per share for the three months ended 30 June 2018.

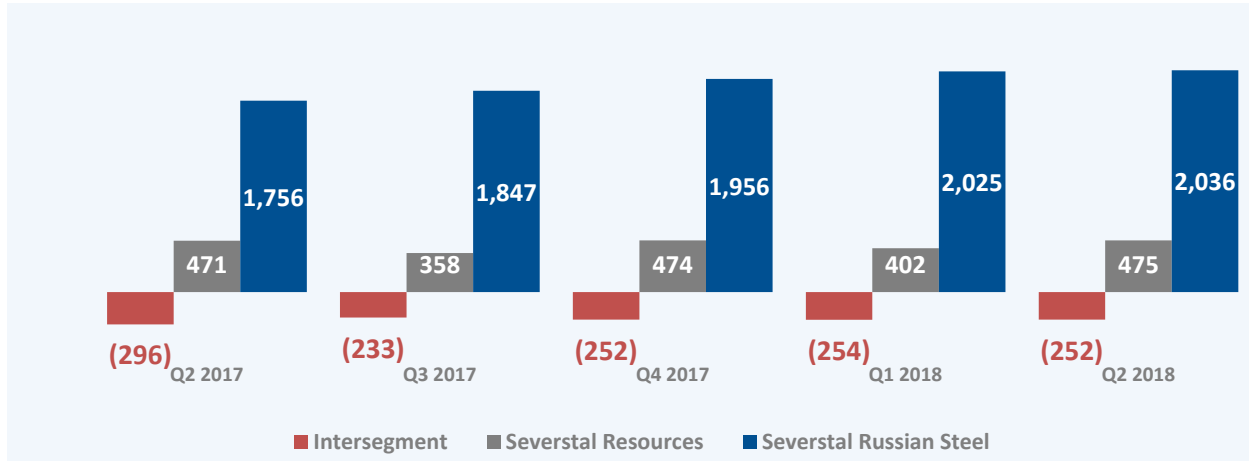
* EBITDA represents profit from operations plus depreciation and amortisation of productive assets (including the Group's share in depreciation and amortisation of associates and joint ventures) adjusted for gain/(loss) on disposals of PPE and intangible assets and its share in associates' and joint ventures' non-operating income/(expenses).

**Free Cash Flow is determined as the aggregate amount of the following items: Net cash from operating activities, CAPEX, proceeds from disposal of PPE, interest received and dividends received.

*** Represents cash outflow on capex in the period.

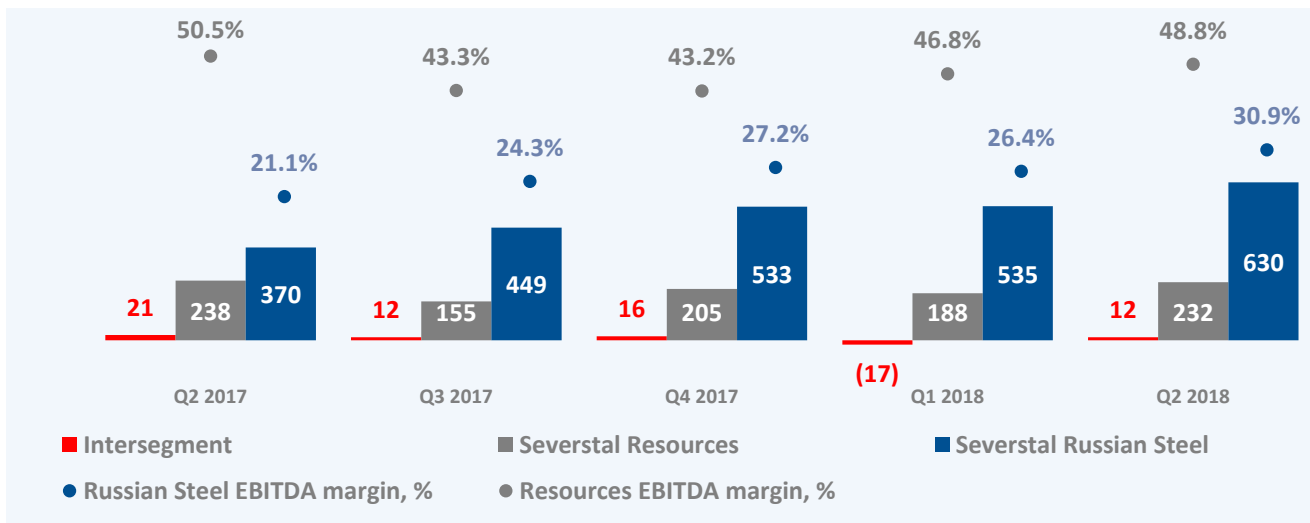
Revenue & EBITDA divisional quarterly dynamics

Revenue (m\$) Q2 17– Q2 18:



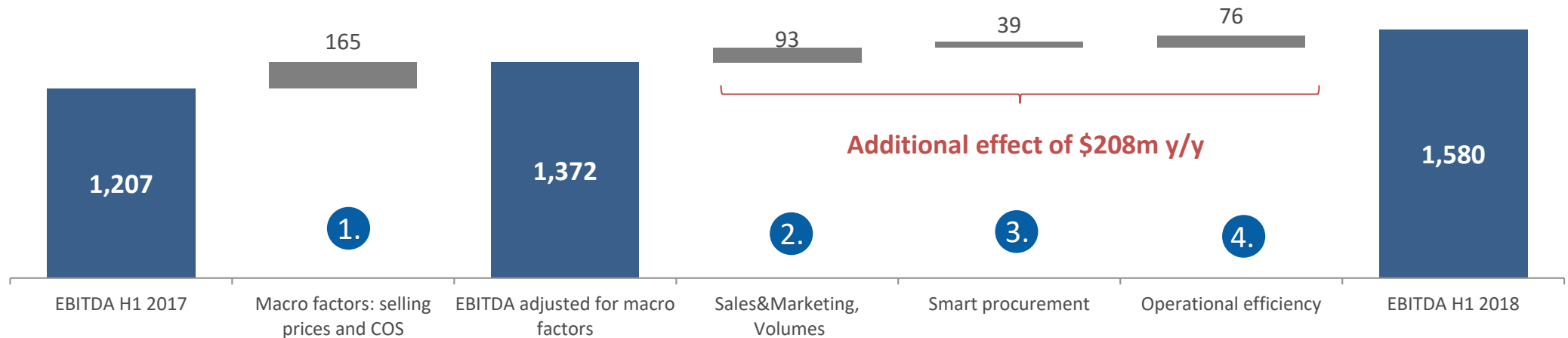
➤ **Q2 2018 Group Revenue: \$2,259m** (Q1 2018: \$2,173m; up 4.0%). Group revenue increased as a result of higher sales volumes at the Resources division.

EBITDA (m\$) Q2 17– Q2 18:



➤ **Q2 2018 Group EBITDA: \$874m** (Q1 2018: \$706m; up 23.8%). Group EBITDA was up as a result of higher Group's topline and declining COGS at the Russian Steel.

+\$350m EBITDA 2018 programme progress: key drivers* from H1 2017 to H1 2018



* Company estimations

➤ For H1 2018 the effect from the programme of +350m EBITDA totalled \$208m including: \$93m sales and marketing initiatives, \$39m smart procurement, \$76m operational efficiency improvements.

1. **Macro factors** contributed positive \$165m y/y as the growth in steel prices of \$395m was offset by higher input costs (railway tariffs, prices for ferroalloys, refractories, electrodes and scrap).
2. **Sales and marketing** initiatives earned additional \$65m of EBITDA. Key factors: reallocation of HRC sales to EU, improvement of spread in thick plate. Additional contribution comes from premium pellet sales by Karelsky Okatysh to the market, achieving higher selling prices vs steel indices. Additional **sales volumes** effect of \$28m was a result of growth in steel product sales at the Russian Steel division.
3. **Smart procurement** positive EBITDA impact was a result of better negotiations with 3rd parties on the range of products due to smart contracting.
4. **Operational improvements** added \$76m to EBITDA which includes lower consumption of coke, improvement of Fe concentration in iron ore agglomerate, savings on ferroalloys consumption, improved efficiency of maintenance works of and an increase in productivity of aggregates.

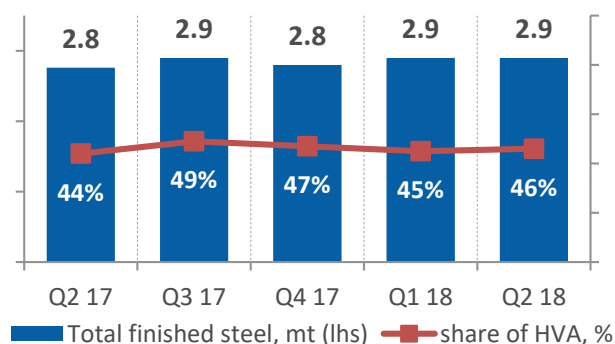


Divisional Performance and Market Outlook

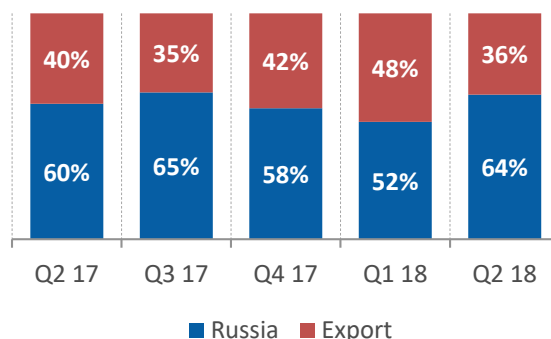
Severstal Russian Steel (RSD)

- RSD steel product sales declined to 2.86 mln tonnes in Q2 2018 (Q1 2018: 2.87 mln tonnes). Domestic sales increased to 64% (Q1 2018: 52%) reflecting a more attractive pricing environment driven by the commencement of construction season in Russia.
- The share of high value-added (HVA) products within the sales portfolio remained high at 46% (Q1 2018: 45%).
- Large diameter pipe (LDP) sales volumes declined 28% q/q due to the accumulation of finished goods to be dispatched in Q3 2018 from the Izhora Pipe Mill.
- Average selling prices for the majority of steel products remained high in Q2 2018 in line with global trends. Export steel prices were supported by strong steel demand in China. The recovery of domestic steel prices after the Q1 slowdown resulted in a more attractive domestic pricing environment.
- Declining sales volumes were offset by higher average selling prices which resulted in a broadly stable topline q/q of \$2,036 million (Q1 2018: \$2,025 million). EBITDA improved 17.8% q/q to \$630 million (Q1 2018: \$535 million) on the back of decreased cost of goods sold. The EBITDA margin improved 4.5 ppts to 30.9% (Q1 2018: 26.4%).
- The total non-integrated cash cost of slab production at the Cherepovets Steel Mill in Q2 2018 declined \$13/t q/q to \$322/t (Q1 2018: \$335/t) as a result of Russian currency depreciation q/q. The integrated cash cost of slab in Q2 2018 decreased \$31/t to \$233/t (Q1 2018: \$264/t) as a result of higher EBITDA of the Resources division.

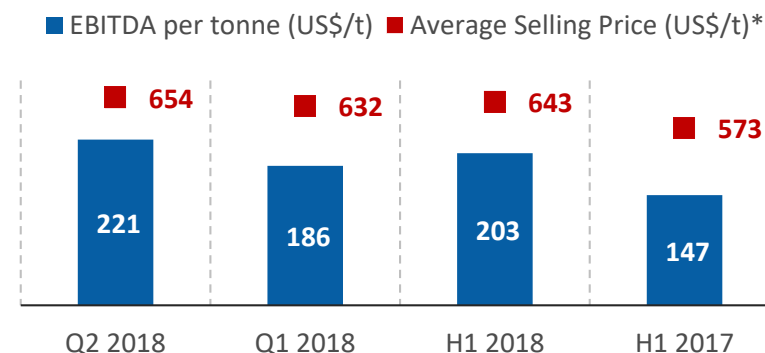
Share of high-value-added products** in total steel shipments, %



Steel sales volumes by destination, %



EBITDA per tonne and average selling price



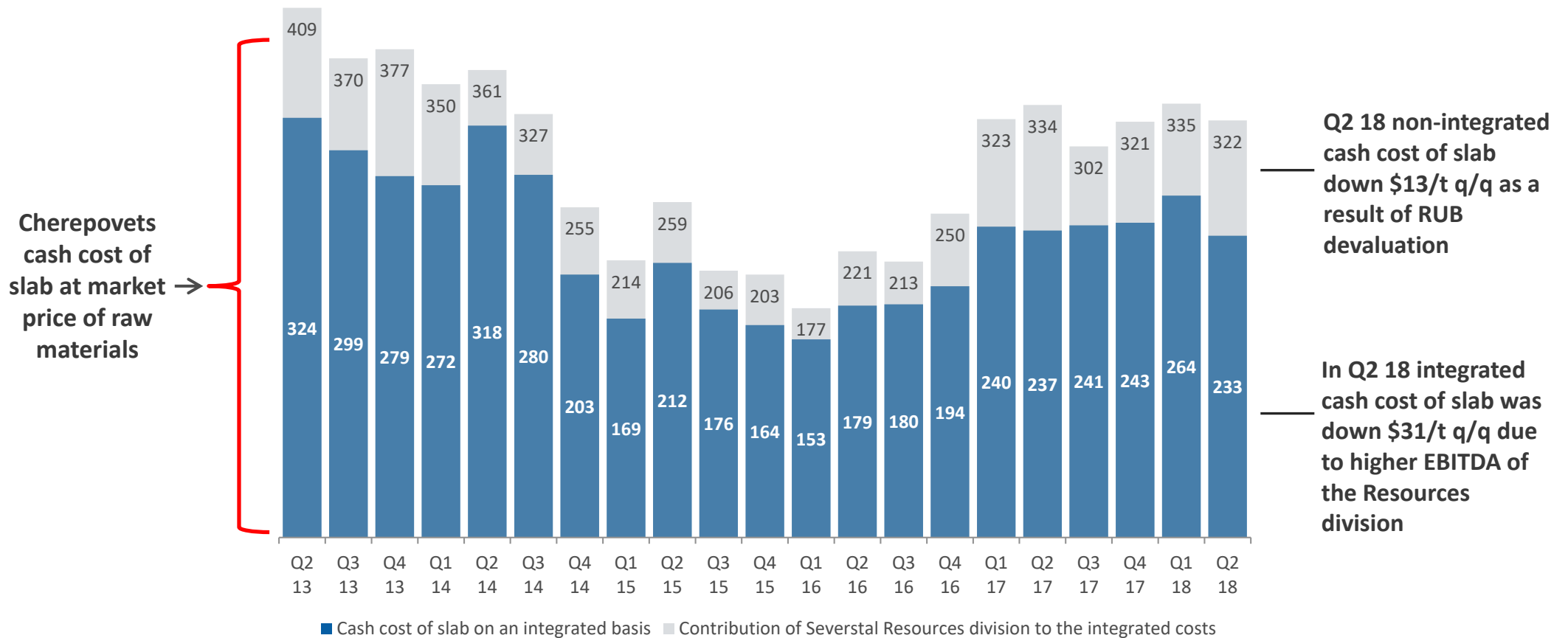
*All steel products, incl. pipes, etc.; Ex Works price terms.

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

Cost Control at Severstal Russian Steel

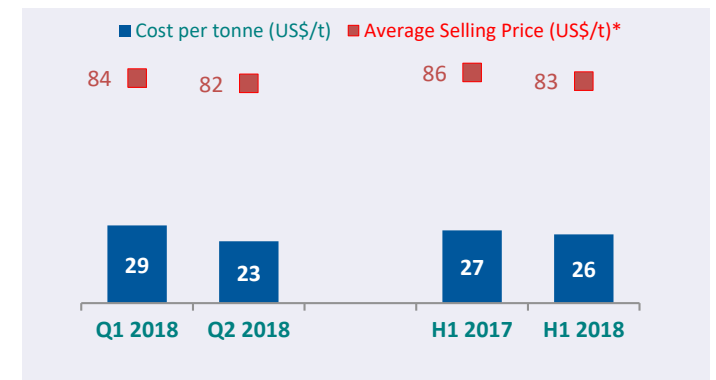
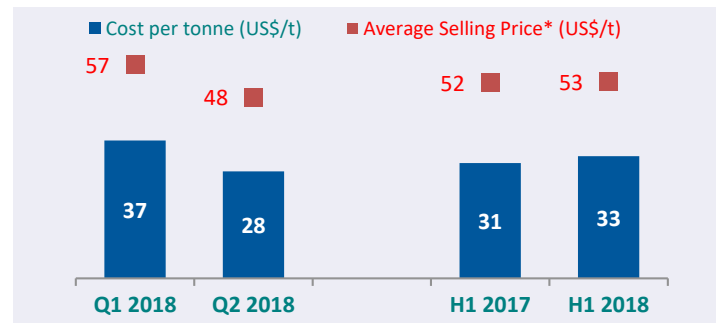
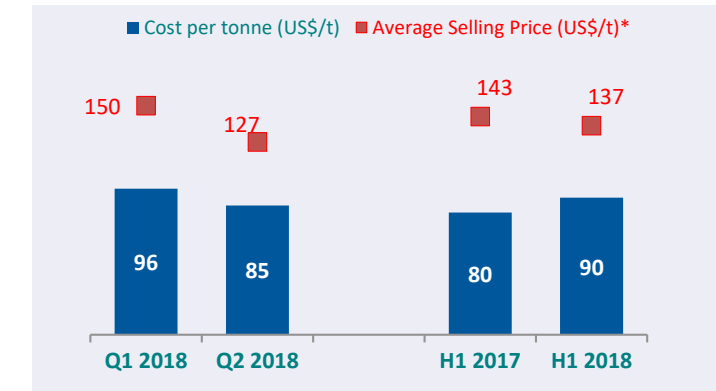


Cherepovets Steel Mill production cash cost of slab, \$/t



- Coking coal concentrate sales volumes from Vorkutaugol grew 19% largely driven by higher production volumes of “2ZH”, “GZHO” and “Concentrate K” grades. Meanwhile, Vorkutaugol sold-off stocks of “1ZH” grade which also contributed to Q2 2018 sales volumes growth.
- Iron ore pellet sales grew strongly 31% and totalled 3.12 mln tonnes (Q1 2018: 2.38 mln tonnes) after the realisation of a share of finished goods in transit in Q2, carried over from the previous quarter.
- Iron ore concentrate sales increased to 1.36 mln tonnes (Q1 2018: 1.29 mln tonnes) driven by seasonal production growth at Olcon. The improvement in H1 2018 iron ore concentrate sales y/y partially reflects the consolidation of the Yakovlevskiy mine.
- Reflecting the q/q uptick in sales volumes, revenue of the Resources division gained 18.2% q/q, to \$475 million (Q1 2018: \$402 million) and EBITDA increased 23.4% to \$232 million (Q1 2018: \$188 million).
- Given the fixed cost nature of the mining business, higher processing volumes and Russian currency depreciation at Vorkutaugol brought Q2 2018 cash costs down to 85\$/t (Q1 2018: \$96/t). Cash cost per tonne at Karelsky Okatysh declined to \$23/t (Q1 2018: \$29/t) driven by sales volumes growth and RUB depreciation. Cash cost per tonne at Olcon was down \$9/t to \$28/t (Q1 2018: \$37/t).

Average selling price and cash cost per tonne



* Free carrier price terms



Cash Flow and Net Working Capital

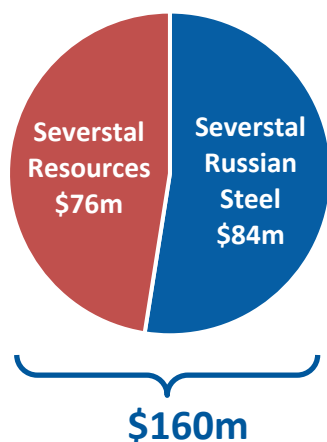
Q2 2018 Highlights:

- Q2 18 free cash flow of \$598m saw an increase as a result of net working capital decline due to positive effect of changes in receivables and inventories.
- Q2 18 cash CAPEX of \$160m, 17.6% higher q/q (Q1 18: \$136m).
- Net working capital decreased \$149 q/q to \$835m in Q2 18 (Q1 18: \$984m).
- NWC/LTM revenue declined to 9.7% as of Q2 18 (Q1 18: 11.9%).

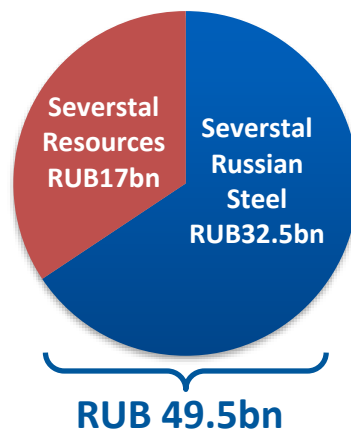
EBITDA to Free Cash flow reconciliation for Q2 18, m\$

| | |
|---------------------------------|-------|
| EBITDA Q2 2018 | 874 |
| cash CAPEX | (160) |
| interest paid & other fin. cost | (27) |
| income tax paid | (111) |
| NWC change | 30 |
| other adj. | (8) |
| FCF Q2 2018 | 598 |

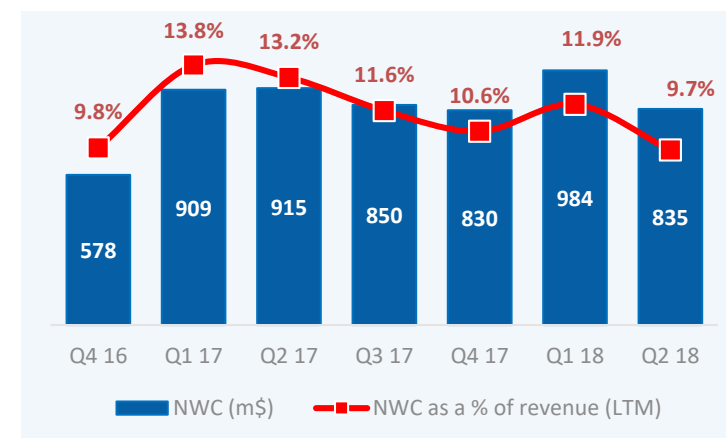
Q2 2018 CAPEX breakdown, \$m



FY 2018 target CAPEX breakdown, RUBbn



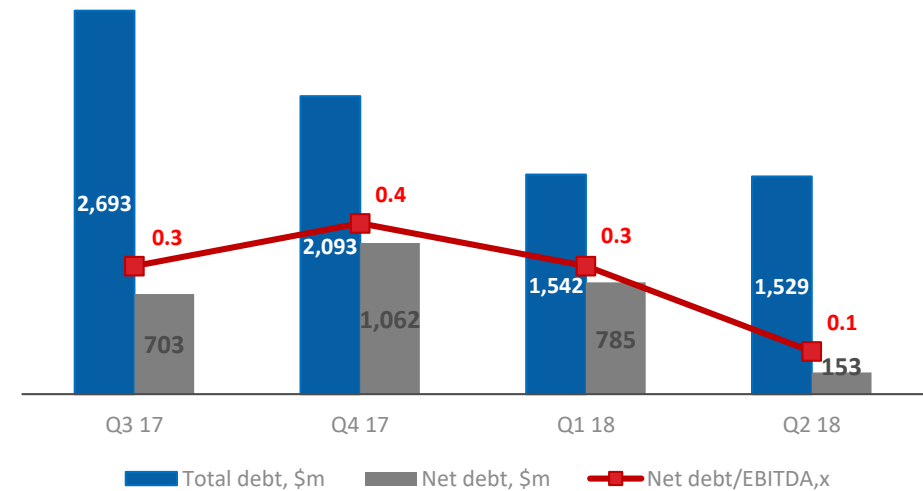
Net Working Capital developments



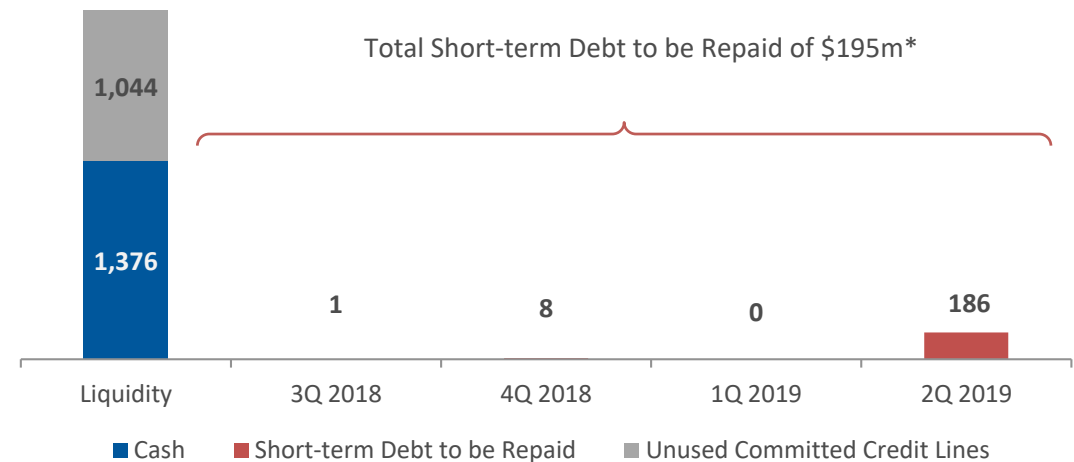
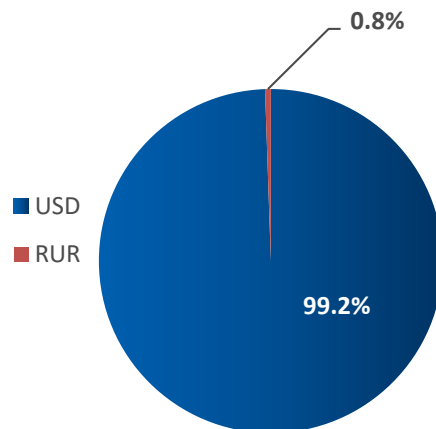
Robust Liquidity and Sustainable Leverage



- At the end of Q2 2018, cash and cash equivalents stood at \$1,376 million (Q1 2018: \$757 million) reflecting the net effect of free cash flow generation for the period.
- Gross debt remained relatively unchanged at \$1,529 million (Q1 2018: \$1,542 million).
- Net debt declined 80.5% to \$153 million by the end of Q2 2018 (Q1 2018: \$785 million) reflecting cash balances growth on the back of free cash flow generation for the period. As a result, the Net Debt/EBITDA ratio declined to 0.1x at the end of Q2 2018 (Q1 2018: 0.3x). Severstal's Net Debt/EBITDA remains one of the lowest amongst steel companies globally and enables Severstal to maintain a low level of debt whilst returning value to its shareholders.
- The liquidity position remains strong, with \$1,376 million in cash and cash equivalents and unused committed credit lines of \$1,044 million, more than covering the short-term principal debt of \$195 million.



Q2 2018 debt currency mix

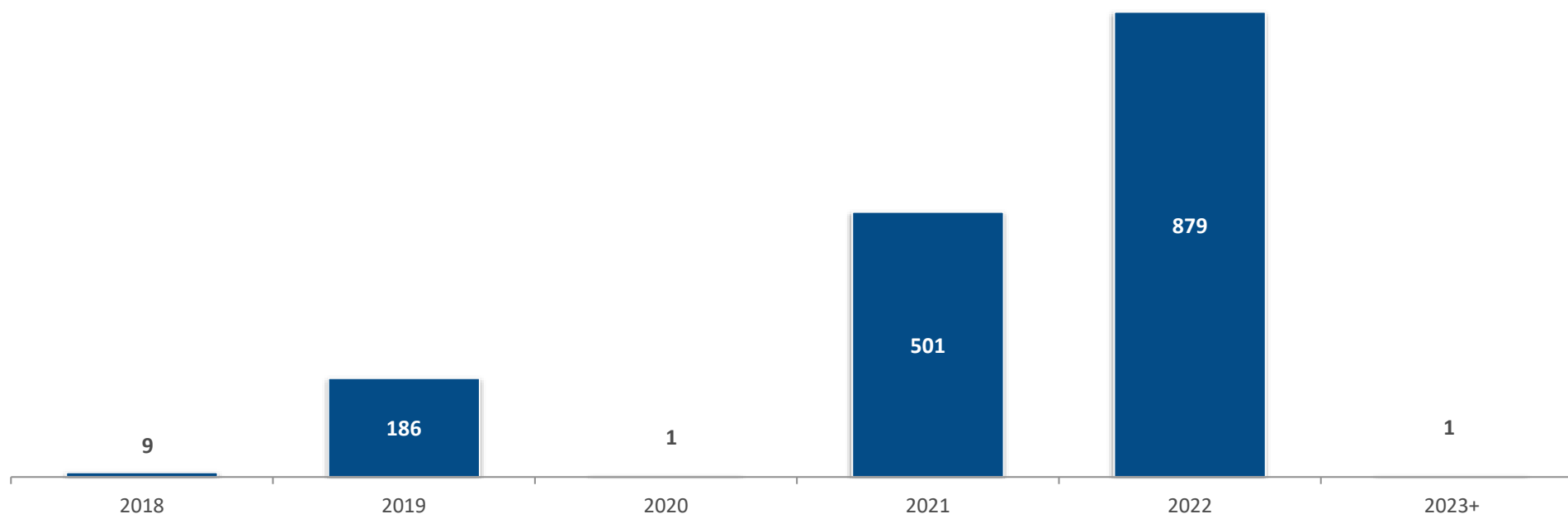


* Represents principal amount of debt from third parties

Debt Structure

As at 30.06.2018, the debt structure was dominated by public debt with vast majority in US dollars (99.2%).

Debt Maturity Schedule*, \$m



Notes:

Debt represents the principal amount of debt from third parties. Debt for 2018 represents amount of debt as at 30 June 2018.

* Figures exclude accrued interest and unamortised balance of transactional costs.

- Demand for steel and raw materials markets is expected to remain at good levels.
- Prices for our products should be further supported by the continued construction season in most parts of the world.
- With a strong portfolio of high-value added products, a leading cost position and its proximity to export routes, Severstal remains well positioned to adapt quickly to changing conditions and capture attractive pricing both domestically and globally.



Appendices



Summary Income Statement

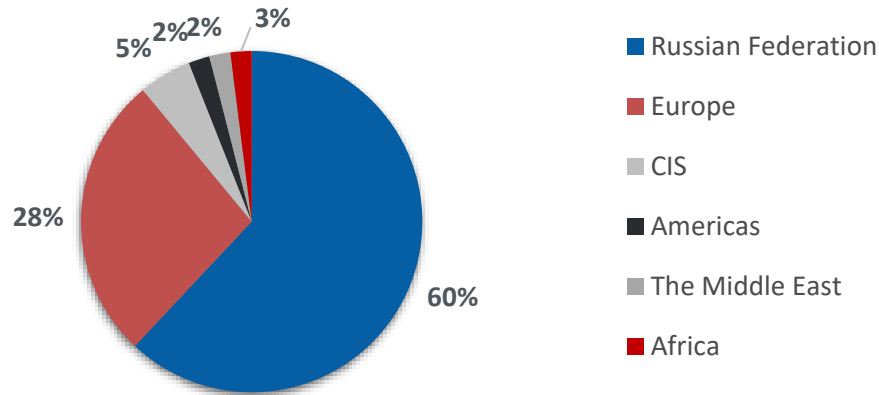
| \$ million, unless otherwise stated | Q2 2018 | Q1 2018 | H1 2018 | H1 2017 |
|-------------------------------------|---------|---------|---------|---------|
| Revenue | 2,259 | 2,173 | 4,432 | 3,698 |
| COGS | (1,265) | (1,314) | (2,579) | (2,216) |
| EBITDA | 874 | 706 | 1,580 | 1,207 |
| EBITDA margin, % | 38.7% | 32.5% | 35.6% | 32.6% |
| Profit from operations | 766 | 585 | 1,351 | 1,004 |
| Operating margin, % | 33.9% | 26.9% | 30.5% | 27.1% |
| Profit before income tax | 683 | 569 | 1,252 | 659 |
| Net profit* | 557 | 461 | 1,018 | 495 |
| Basic EPS**, \$ | 0.68 | 0.57 | 1.25 | 0.61 |

* Net profit after FX fluctuations and other non-cash items.

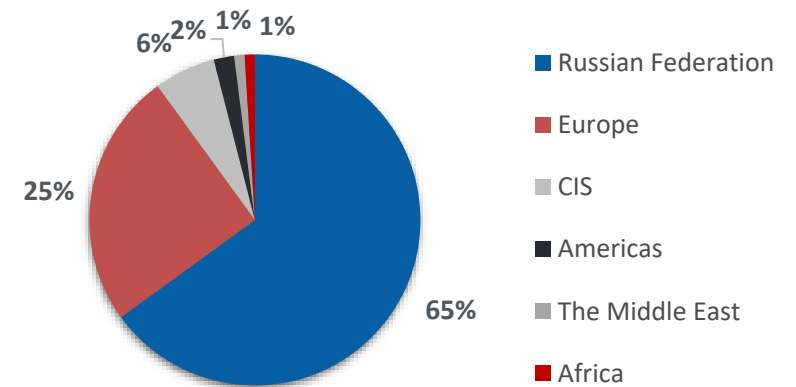
** Basic EPS is calculated on the following basis: net profit divided by the weighted average number of shares outstanding during the period: 814.4 million shares for Q2 2018, 814.1 million shares for Q1 2018, 814.3 million shares for H1 2018 and 810.6 million shares for H1 2017.

Q2 2018 Revenue Breakdown by Region

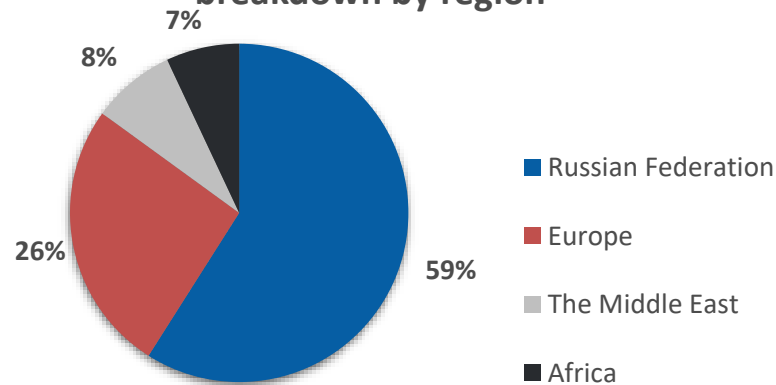
Severstal Group Q2 2018 revenue breakdown by region



Severstal Russian Steel Q2 2018 revenue breakdown by region



Severstal Resources Q2 2018 revenue breakdown by region



Q2 2018 Divisional Results



| Severstal Resources | Q2 2018 | Q1 2018 | Change, % | H1 2018 | H1 2017 | Change, % |
|-----------------------------|---------|---------|-----------|---------|---------|-----------|
| Revenue (\$m) | 475 | 402 | 18.2% | 877 | 895 | (2.0%) |
| Cost of sales (\$m) | (211) | (198) | 6.6% | (409) | (391) | 4.6% |
| G&A expenses (\$m) | (19) | (17) | 11.8% | (36) | (30) | 20.0% |
| Distribution expenses (\$m) | (37) | (28) | 32.1% | (65) | (69) | (5.8%) |
| EBITDA (\$m) | 232 | 188 | 23.4% | 420 | 452 | (7.1%) |
| Operating Profit (\$m) | 196 | 149 | 31.5% | 345 | 388 | (11.1%) |
| EBITDA Margin, % | 48.8% | 46.8% | 2.0ppts | 47.9% | 50.5% | (2.6ppts) |

| Severstal Russian Steel | Q2 2018 | Q1 2018 | Change, % | H1 2018 | H1 2017 | Change, % |
|-------------------------------|---------|---------|-----------|---------|---------|-----------|
| Revenue (\$m) | 2,036 | 2,025 | 0.5% | 4,061 | 3,379 | 20.2% |
| Cost of sales (\$m) | (1,305) | (1,342) | (2.8%) | (2,647) | (2,359) | 12.2% |
| G&A expenses (\$m) | (69) | (74) | (6.8%) | (143) | (136) | 5.1% |
| Distribution expenses (\$m) | (102) | (138) | (26.1%) | (240) | (227) | 5.7% |
| EBITDA (\$m) | 630 | 535 | 17.8% | 1,165 | 779 | 49.6% |
| Operating Profit (\$m) | 560 | 453 | 23.6% | 1,013 | 640 | 58.3% |
| EBITDA Margin, % | 30.9% | 26.4% | 4.5ppts | 28.7% | 23.1% | 5.6ppts |
| EBITDA per tonne (\$/t) | 221 | 186 | 18.8% | 203 | 147 | 38.1% |
| Average Selling Price (\$/t*) | 654 | 632 | 3.5% | 643 | 573 | 12.2% |

* All steel products, incl. pipes, etc.; Ex Works price terms

Summary Balance Sheet

| \$ million | As at 30 June 2018 | As at 31 December 2017 |
|-------------------------------------|---------------------------|-------------------------------|
| Cash and Cash Equivalents | 1,376 | 1,031 |
| Total Assets: | 6,997 | 7,209 |
| Current Assets | 3,197 | 2,952 |
| Non-current Assets | 3,800 | 4,257 |
| Total Liabilities: | 3,776 | 3,811 |
| Current Liabilities | 1,949 | 1,670 |
| Non-current Liabilities | 1,827 | 2,141 |
| Total Equity | 3,221 | 3,398 |
| Total Equity and Liabilities | 6,997 | 7,209 |

Summary Cash Flow Statement



| \$ million | Q2 2018 | Q1 2018 | H1 2018 | H1 2017 |
|---|---------|---------|---------|---------|
| Profit before Financing and Taxation | 756 | 575 | 1,331 | 637 |
| Cash Generated from Operations | 888 | 572 | 1,460 | 877 |
| Interest Paid | (27) | (30) | (57) | (64) |
| Income Tax Paid | (111) | (129) | (240) | (117) |
| Net cash from Operating Activities | 750 | 413 | 1,163 | 696 |
| Total cash from/(used in) Investing Activities, incl. | 40 | (133) | (93) | (198) |
| Additions to PP&E and IA | (160) | (136) | (296) | (277) |
| Free Cash Flow | 598 | 289 | 887 | 452 |
| Cash (used in)/from Financing Activities | (174) | (554) | (728) | 220 |
| Effect of Exchange Rates on Cash and Cash Equivalents | 3 | - | 3 | 23 |
| Net increase/(decrease) in Cash and Cash Equivalents | 619 | (274) | 345 | 741 |
| Cash and Cash Equivalents at beginning of the period | 757 | 1,031 | 1,031 | 1,154 |
| Cash and Cash Equivalents at end of the period | 1,376 | 757 | 1,376 | 1,895 |

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