



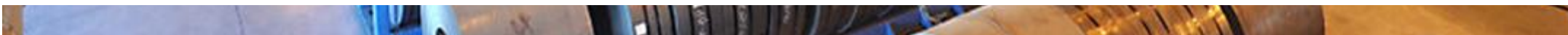
Q1 2016 Financial Results Presentation

21 April 2016



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Summary



Q1 2016 Highlights:

- The entire company was extremely saddened as a result of the tragic deaths of 31 Severstal employees and five rescue workers in an incident at the Severnaya mine in February 2016. The Company is providing full support to the families of those affected. At the time of writing, we are working with the authorities to identify the cause of the accident. One of the Company's key objectives is to eliminate all fatalities across the business, and health and safety remains a key priority and focus of investment as we strive to ensure tragedies such as this are not repeated
- **Group revenue decreased 21.4% q/q to \$1,097m** (Q4 15: \$1,396m). This reflects both a further decline in average selling prices, which started to bottom out in March 2016, and weaker sales volumes at both Russian Steel and Resources
- Despite **lower raw materials costs in USD-terms and RUB devaluation** having a positive impact on the cost base during the period, group EBITDA* declined 31.9% q/q to \$273m (Q4 15: \$401m) reflecting a sharp decline in average selling prices. The Group EBITDA margin compressed 3.8 ppts q/q to **24.9%** (Q4 15: 28.7%). However, it remains one of the highest in the industry
- Reflecting unprecedented difficulties in the global steel market with global steel prices reaching their lowest level in the last ten years the Company's free cash flow turned negative at \$32m (Q4 15: positive \$305m)
- Net profit** of \$270m (Q4 15: net loss of \$114m) reflects an FX gain of \$175m and a \$4m impairment of non-current assets. Adjusting for these non-cash items, Severstal would have posted an underlying net profit of \$99m (Q4 15: \$267m excluding FX losses and non-current assets impairment)
- Cash outflow on capex*** of \$119m was 2.5% lower q/q (Q4 15: \$122m). Severstal's FY 2016 capex target is RUB 43 billion, subject to FX fluctuations
- Recommended dividend payment of 8.25 roubles per share for the three months ended 31 March 2016

* 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 for share in associates' and joint ventures' non-operating income/(expenses)

** Net profit /(loss) from continuing operations after FX fluctuations

*** Represents cash outflow on capex in the period



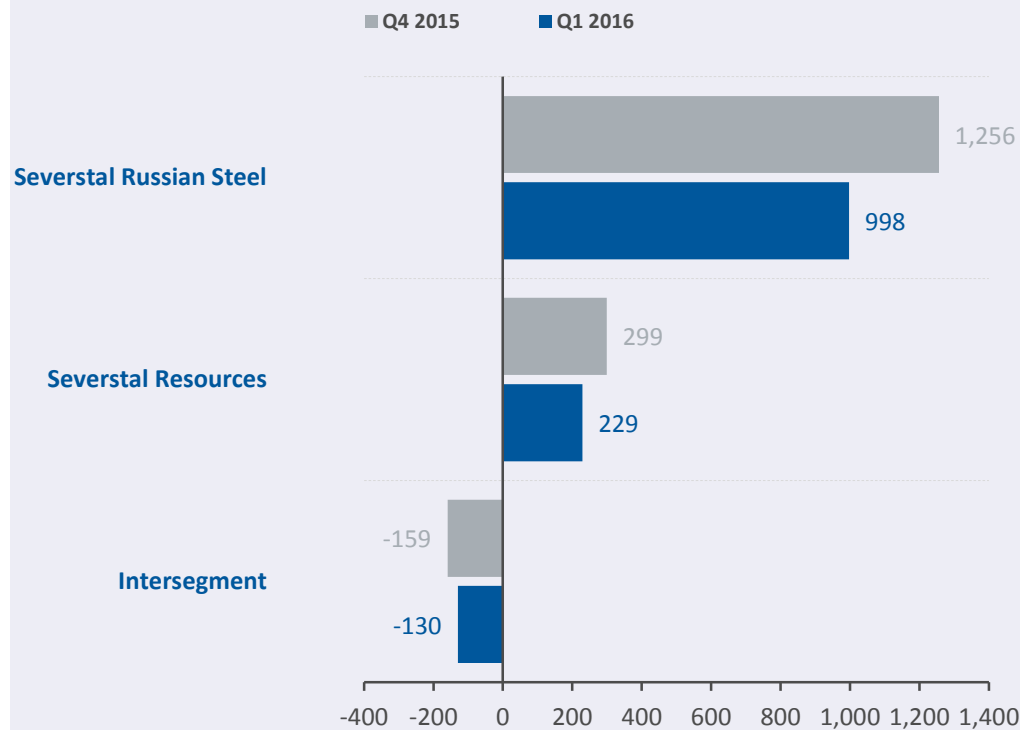
Revenue Dynamics & Breakdown

Severstal

Q1 2016 Revenue: \$1,097m

(Q4 2015: \$1,396m; -21.4%)

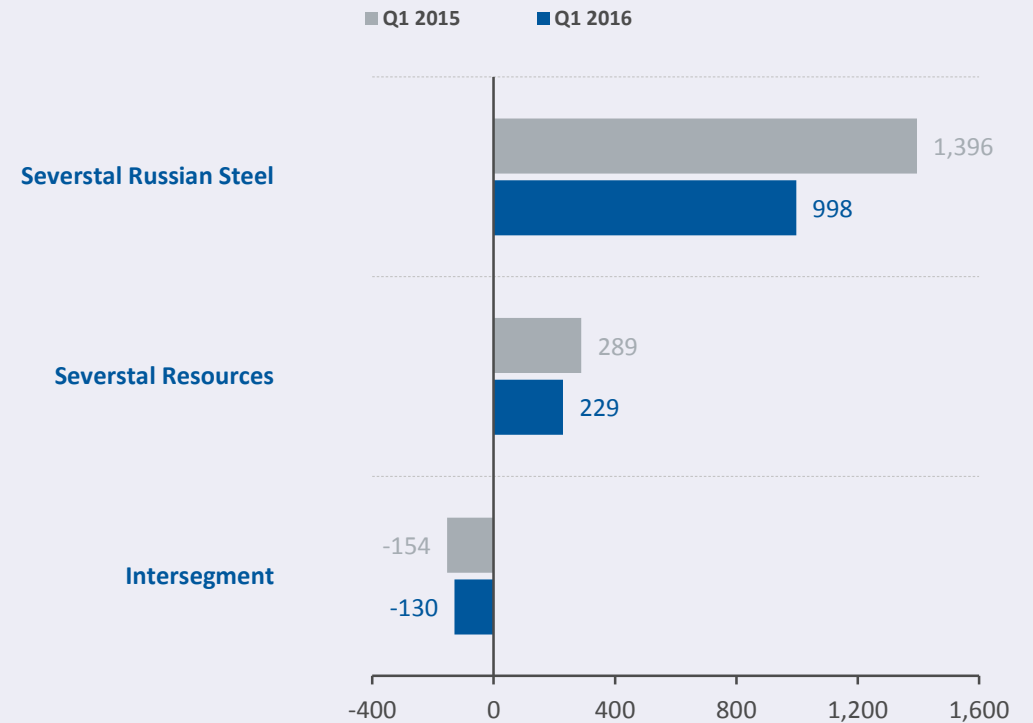
Group revenue decreased q/q as negative impact of **lower average selling prices in USD** terms and lower sales volumes at both Russian Steel and Resources



Q1 2016 Revenue: \$1,097m

(Q1 2015: \$1,531m; -28.3%)

Group revenue decreased y/y as a result of substantially lower realized prices y/y at Russian Steel and Resources

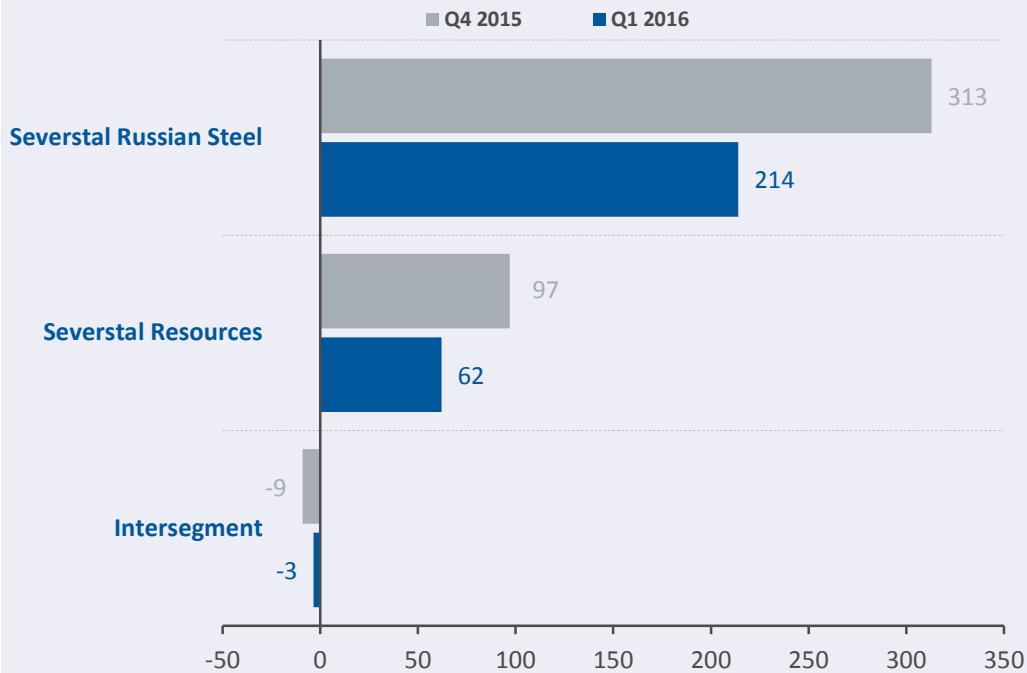




EBITDA Dynamics & Breakdown

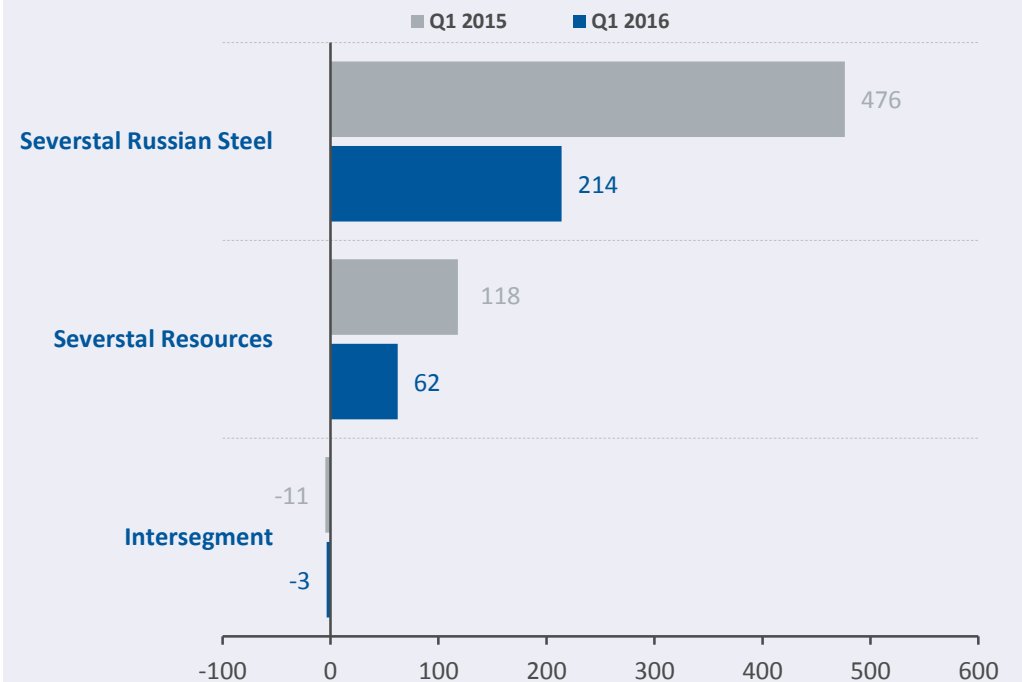
Q1 2016 EBITDA: \$273m
(Q4 2015: \$401m; -31.9%)

Group EBITDA decreased q/q as ongoing efficiency improvements coupled with production cost decline on the back of RUB devaluation could not offset negative impact of lower selling prices in USD terms



Q1 2016 EBITDA: \$273m
(Q1 2015: \$583; -53.2%)

Group EBITDA decreased y/y as operational enhancements and RUB devaluation only partially mitigated negative impact of lower selling prices





Divisional Performance and Market Outlook

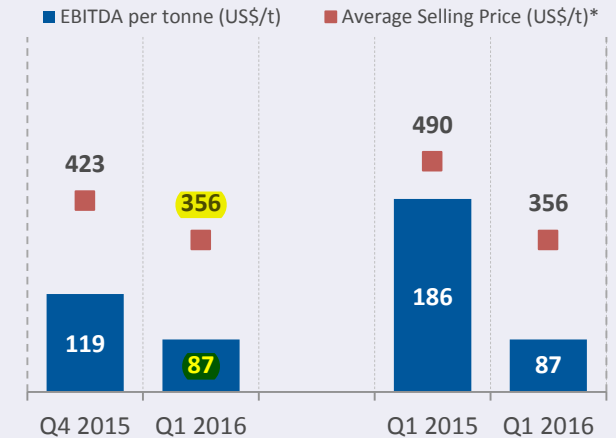


Severstal Russian Steel (RSD)

Severstal

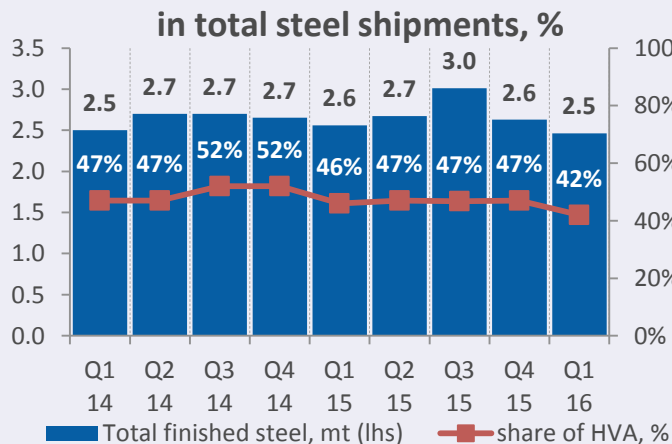
- Steel product sales decreased 6% q/q to 2.46 mln tonnes due to seasonal factors and the scheduled four-stand cold rolling mill upgrade at Cherepovets Steel Mill, which is expected to continue until the end of Q2 2016.
- Lower volumes of HVA products available to supply domestic demand impacted the share of domestic steel product sales volumes in the sales mix, which declined to 60% (Q4 15: 64%).
- In the domestic market, USD-denominated prices started to increase, reflecting both recent RUB appreciation and proactive initiatives by Russian steel producers to increase local prices in order to catch up with export USD-nominated parity.
- Reflecting all of the abovementioned factors, revenue declined 20.5% q/q to \$998m (Q4 15: \$1,256m). The negative impact of lower selling prices and volumes was only partially mitigated by lower production costs on the back of RUB devaluation as well as lower raw material prices. Hence, EBITDA decreased 31.6% q/q to \$214m (Q4 15: \$313m) and the EBITDA margin compressed 3.5 pts to 21.4% (Q4 15: 24.9%).
- The total non-integrated cash cost of slab production at the Cherepovets Steel Mill in Q1 decreased \$26/t q/q to \$177/t (Q4 15: \$203/t) as the positive effect of further RUB devaluation and ongoing efficiency improvements was further exacerbated by higher crude steel production volumes, triggering fixed costs decline. The integrated cash cost of slab in Q1 decreased \$11/t q/q to \$153/t as a result of weaker performance from Resources.

EBITDA per tonne and average selling price

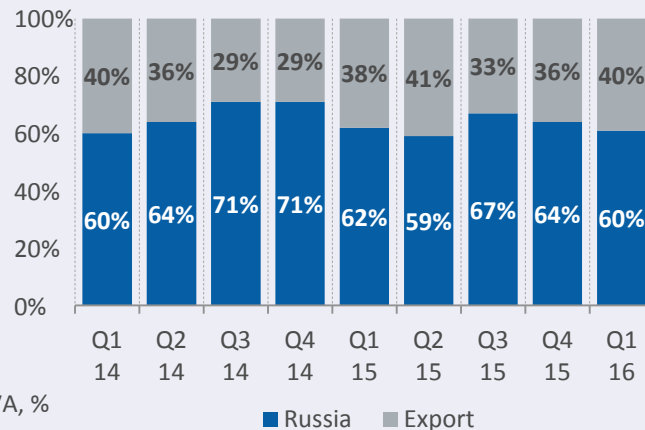


*All steel products, incl. pipes, etc.; Ex Works price terms.

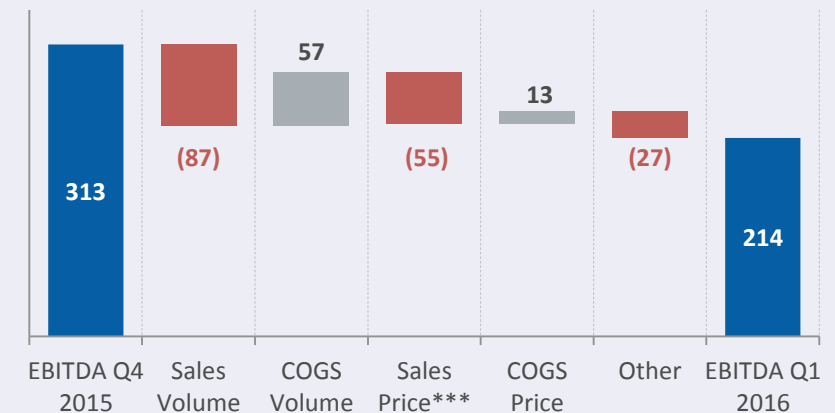
Share of high-value-added products**



Steel sales volumes by destination, %



EBITDA drivers in Q1 2016, \$m



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

*** Excluding foreign exchange effect

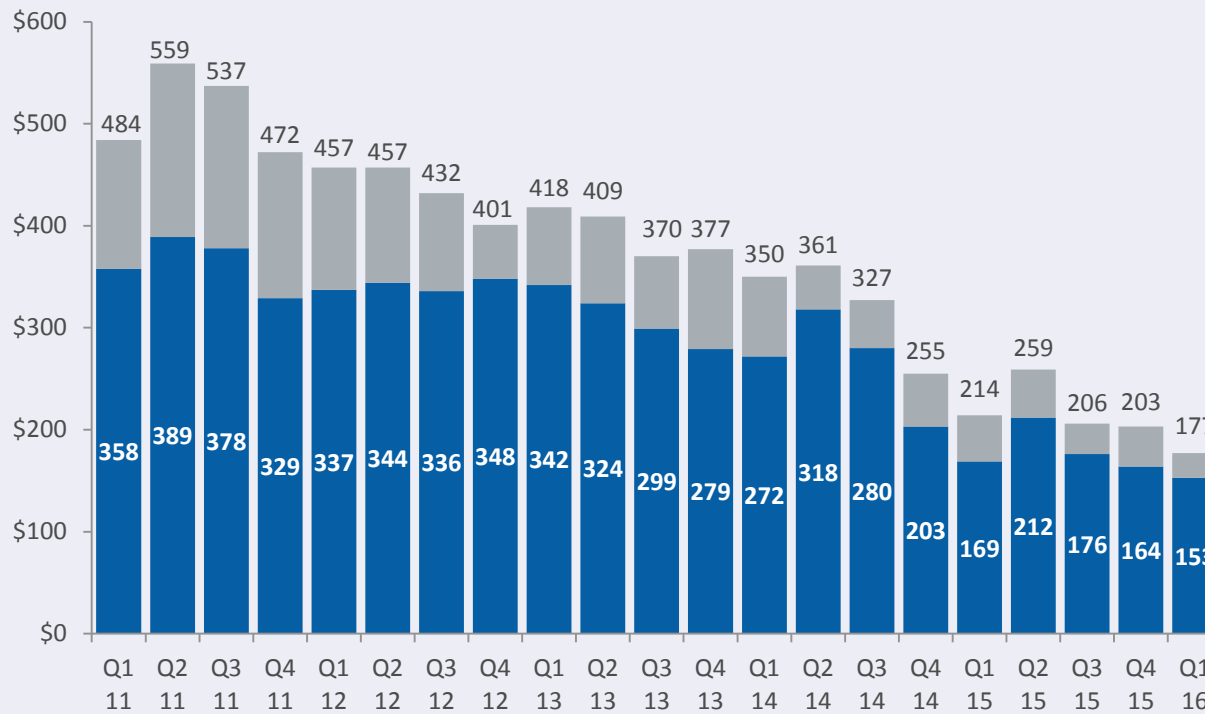


Cost Control at Severstal Russian Steel

Severstal

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

Cherepovets cash cost of slab at market price of raw materials →



■ Contribution of Severstal Resources division to the integrated costs
 ■ Cash cost of slab on an integrated basis

Q1 16 non-integrated cash cost of slab down \$26/t q/q

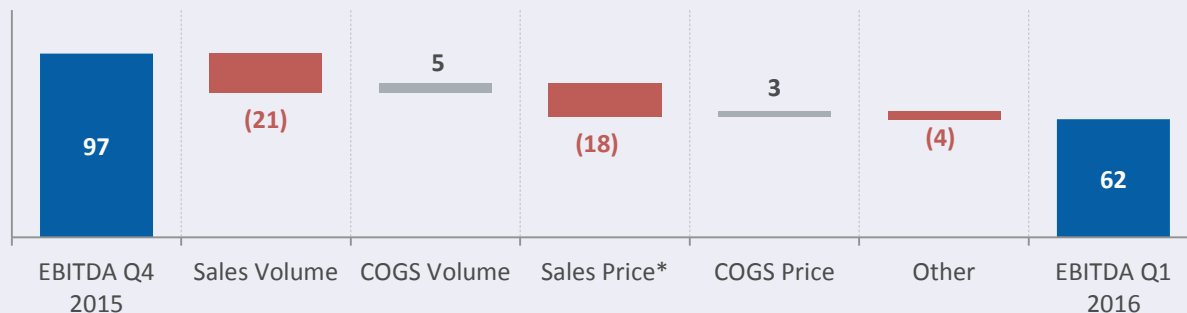
Q1 16 integrated cash cost of slab down \$11/t q/q

Severstal Resources



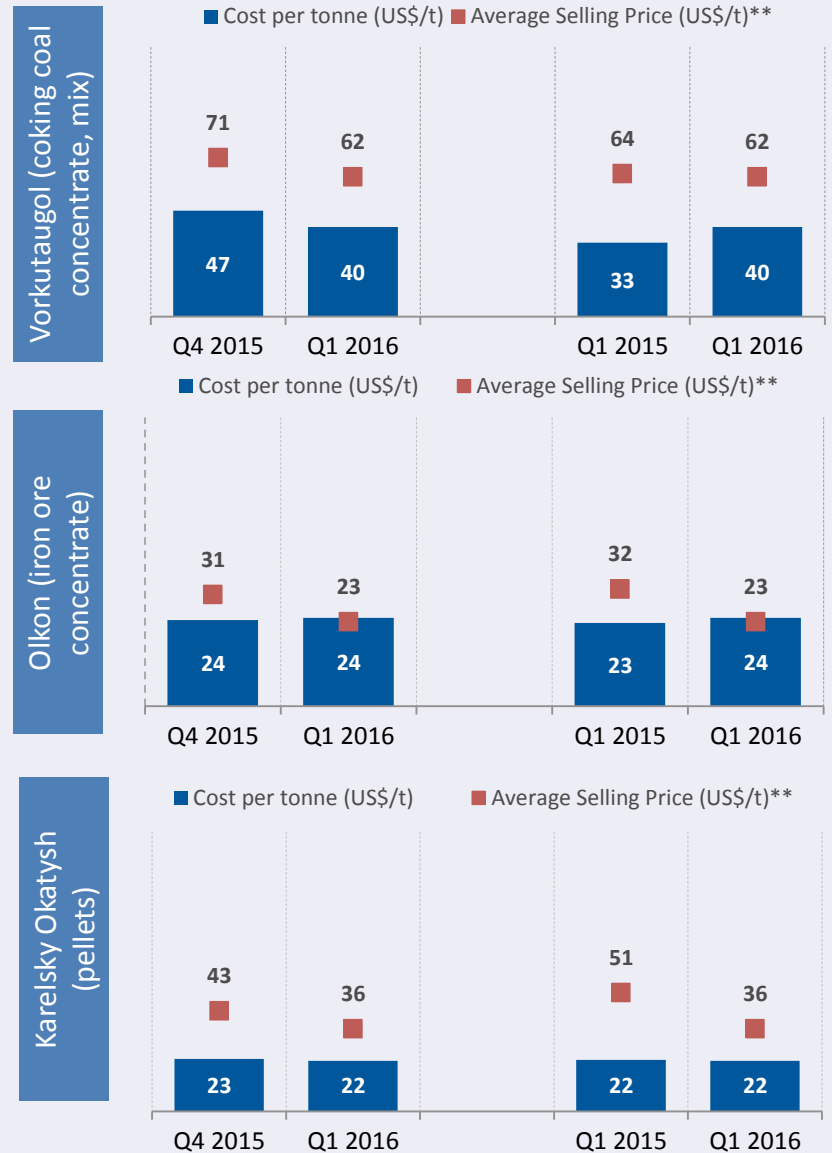
- Reflecting production outlay on the back of the tragic incident and taking into account coking coal inventories levels onsite, coking coal concentrate sales at Vorkutaugol decreased 8% q/q to 1.36mnt (Q4 15: 1.48mnt). Average coking coal concentrate selling prices decreased 13% q/q partially reflecting a 9% q/q decline in hard coking coal benchmark contract prices in Q1. A decline in the share of hard coking coal within the sales mix as a result of the incident at Severnaya mine impacted the average selling price as well.
- While internal procurement of iron ore pellets improved as a result of the completion of maintenance works at the blast furnace shop, seasonally weaker demand both in the domestic and export markets resulted in a 11% q/q decline in iron ore pellets sales to 2.41mnt (Q4 15: 2.70mnt). Average selling prices of iron ore pellets at Karelsky Okatysh declined 16% q/q.
- On the back of the abovementioned factors revenue declined 23.4% q/q to \$229m (Q4 15: \$299m). Taking into account hampered profitability at Olkon, EBITDA declined 36.1% q/q to \$62m (Q4 15: \$97m). The EBITDA margin compressed 5.3 ppts to 27.1% (Q4 15: 32.4%).
- Despite the ROM-coal production volumes decline total cash costs (TCC) at Vorkutaugol decreased to \$40/t (Q4 15: \$47/t) reflecting RUB devaluation as the majority of costs at Severstal Resources are RUB-denominated. At the same time, TCC at Karelsky Okatysh decreased marginally to \$22/t (Q4 15: \$23/t), while TCC at Olkon remained unchanged at \$24/t (Q4 15: \$24/t) on the back of lower output given the fixed-cost nature of the mining operations.

EBITDA drivers in Q1 2016, \$m



* Excluding foreign exchange effect
 ** Free carrier price terms

Average selling price and cash cost per tonne





Financial Position





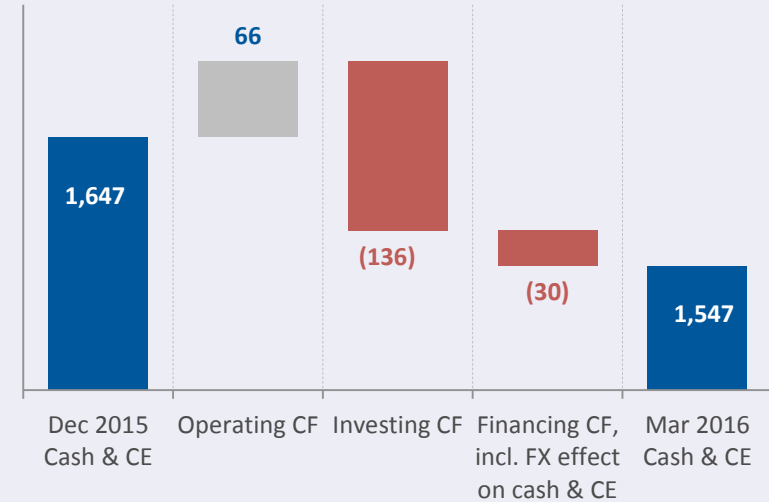
Cash Flow and Net Working Capital

Severstal

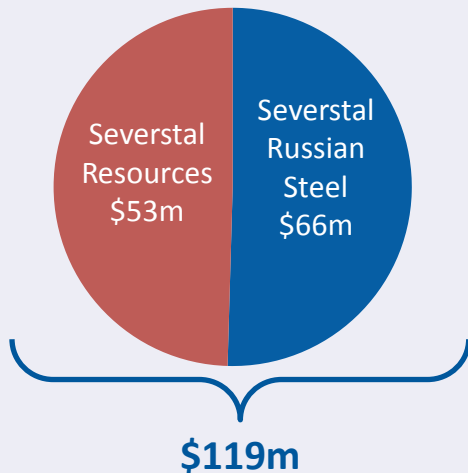
Q1 2016 Highlights:

- Solid liquidity position of \$1,547m in cash and cash equivalents
- Operating cash flow of \$66m* in Q1 16
- Q1 16 capex of \$119m, 2.5% lower q/q (Q4 15: \$122m) reflecting prudent approach to investments
- Negative free cash flow of \$32m on the back of sharp earnings deterioration
- Net working capital build-up of 47.3% YTD on the back of higher share of export deliveries as well as inventories build-up prior to the start of construction season; NWC/LTM revenue increased to 12.1%

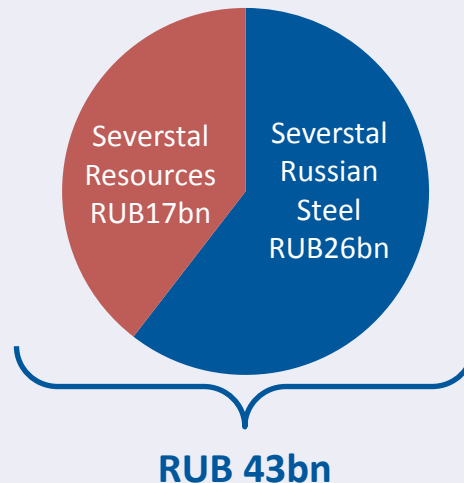
Cash Flow dynamics, 31 Dec 2015 to 31 Mar 2016



Q1 2016 CAPEX breakdown, \$m



FY 2016 target CAPEX breakdown, RUBbn



Net Working Capital developments

Net working capital, \$m

March 31, 2016	December 31, 2015	Change, %
723	491	47.3%

Net working capital as % of revenues (LTM)

March 31, 2016	December 31, 2015	Change, pts
12.1%	7.7%	4.4 pts

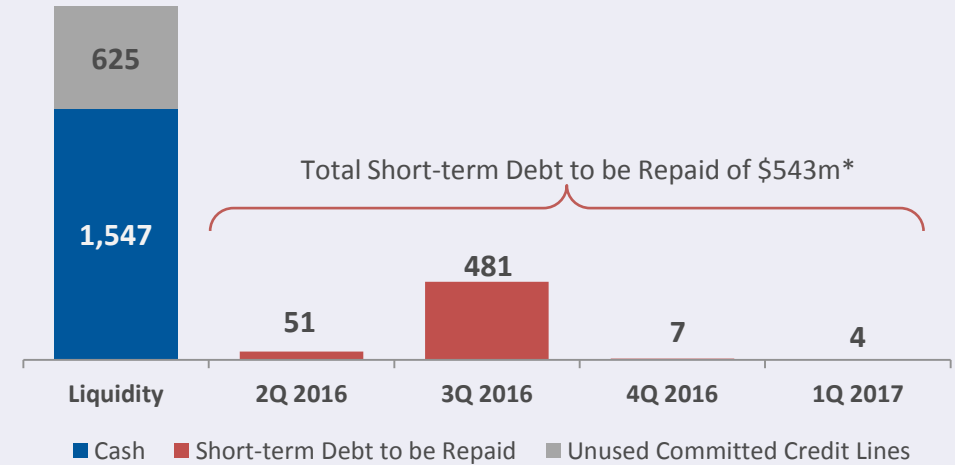
* Net cash from operating activities



Robust Liquidity and Sustainable Leverage Severstal

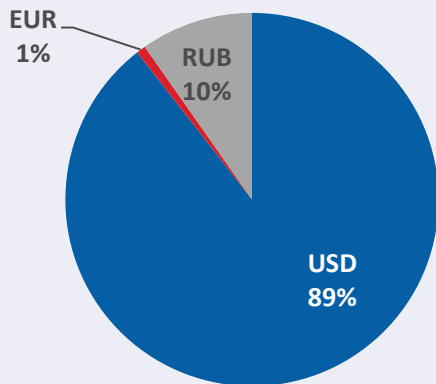
Strong liquidity position:

- As at the end of Q1 16, cash and cash equivalents were at \$1,547m (Q4 15: \$1,647m) which primarily reflects the negative free cash flow
- Severstal's gross debt in USD-terms decreased a marginal 0.7% at the end of Q1 16 to \$2,434m (Q4 15: \$2,452m)
- Reflecting a decline in cash and cash equivalents net debt increased to \$887m as at the end of Q1 16 (Q4 15: \$805m). The Net Debt/EBITDA ratio increased to 0.5x at the end of Q1 16 (Q4 15: 0.4x), which reflects the sharp decline in earnings y/y, but still remains one of the lowest ratios amongst steel companies globally
- Strong liquidity, with \$1,547m in cash and cash equivalents and unused committed credit lines of \$625m, more than covers short-term debt principal requirements of \$543m

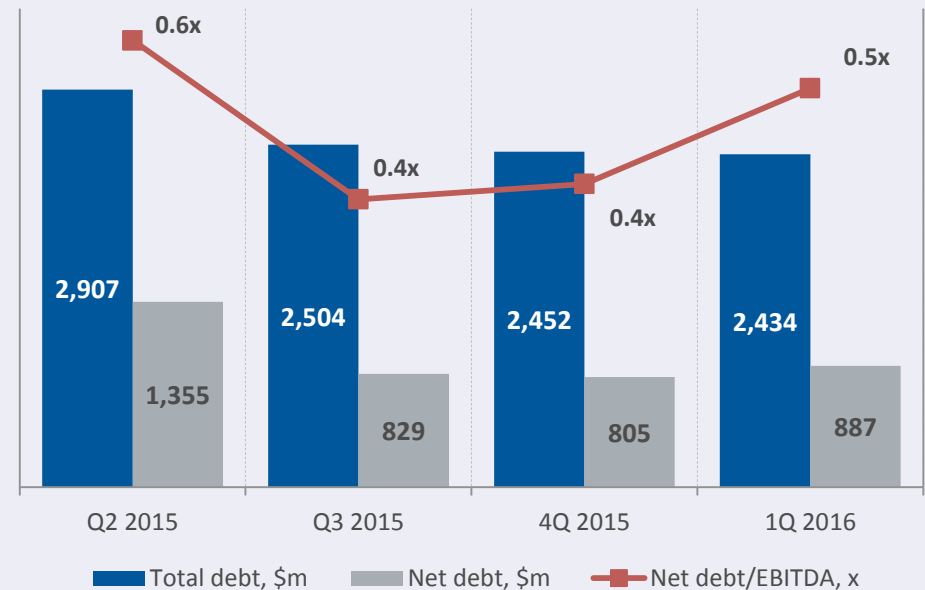
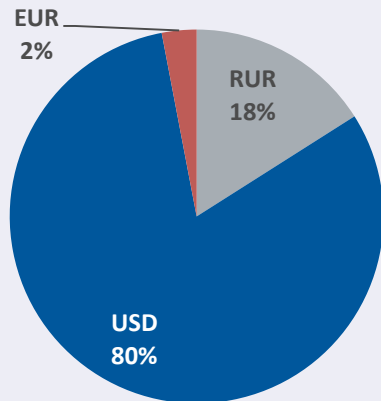


* Represents principal amount of debt

Q1 2016 debt currency mix



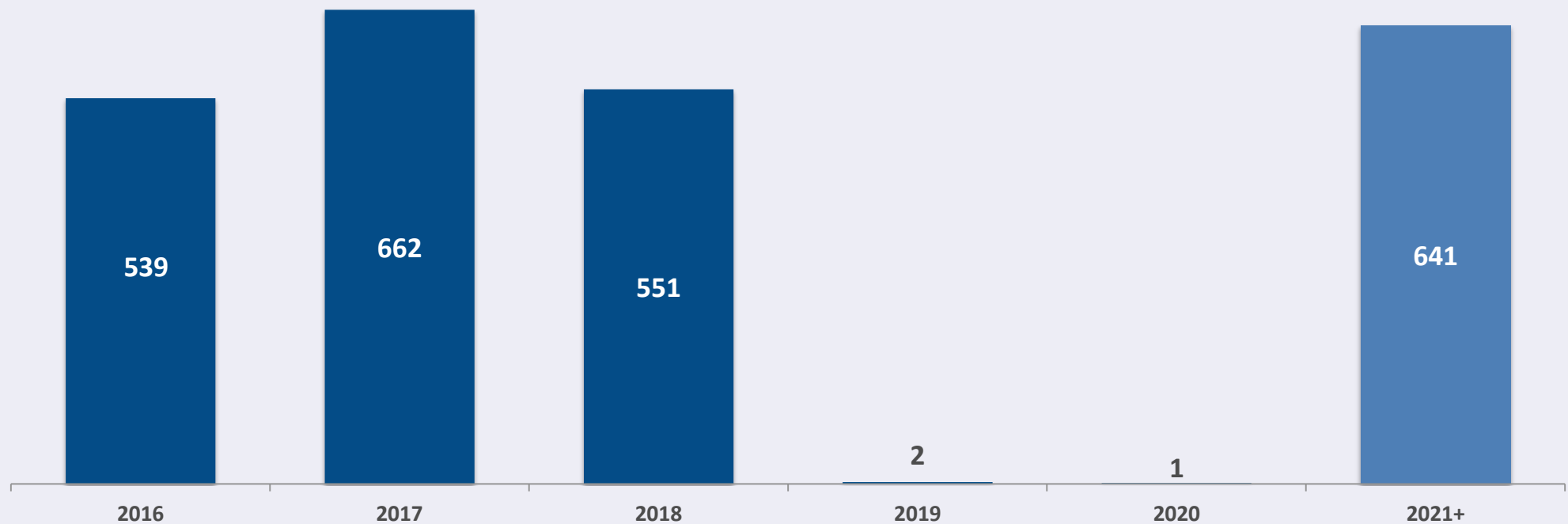
Q1 2016 cash currency mix



Debt Structure

As at 31.03.2016 the debt structure was dominated by public debt (87.4% of total) and the US dollar (89.4% of total).

Debt Maturity Schedule*, \$m



Notes:

Debt represents the principal amount of debt. Debt for 2016 represents amount of debt as at 31 March 2016

* Figures exclude accrued interest and unamortized balance of transactional costs

Market Outlook

Global:

- Reflecting 3.0% steel consumption decline globally in 2015 coincided with steel production adjustment by 2.8% during the same period, global steel capacity utilization averaged at 70%
- Such a negative trend resulted in sharp negative correction of global steel prices, which reached one of the lowest levels during the last decade by the end of 2015 and the beginning of 2016
- An intention of Chinese Government to start cutting local steel capacities coupled by an intention to lay off substantial number of personnel at the steel mills has already resulted in a decline in steel production in China
- Reduction in steel products availability coupled by moderate steel consumption increase ex-China as well as better economic sentiment in China led to a substantial improvement in global steel prices recently
- Despite positive changes to the global steel landscape, the low utilisation rate and weak demand continue to weigh pressure on steel and steel-related commodity prices and we would expect moderate negative correction in steel prices in a mid-term

Russia:

- Russian GDP is expected to marginally contract in 2016
- According to Worldsteel, Russian steel demand could fall almost 10% in 2016 due to lower construction activity
- Increasing protectionism globally will continue to exert pressure on export deliveries and margins
- The Board remains confident that, underpinned by the Company's vertically integrated business model, high quality operations, and a sizeable share of high-value added products in the portfolio, Severstal remains well positioned comparing to both local and global peers





Summary Income Statement

Severstal

\$ million, unless otherwise stated	Q1 2016	Q4 2015*	Q1 2016	Q1 2015*
Revenue	1,097	1,396	1,097	1,531
COGS	(715)	(891)	(715)	(824)
EBITDA	273	401	273	583
EBITDA margin, %	24.9%	28.7%	24.9%	38.1%
Profit from operations	196	303	196	495
Operating margin, %	17.9%	21.7%	17.9%	32.3%
Profit/(loss) before income tax	334	(131)	334	438
Net profit/(loss)**	270	(114)	270	336
Basic EPS***, \$	(0.33)	(0.13)	(0.33)	0.41

* During the current year the Group changed the classification of packaging expenses between cost of sales and distribution expenses to more appropriately reflect their nature. Also these amounts reflect adjustment made in connection with the changes in unrealised gain in inventory calculation methodology

** Net profit/(loss) from continuing operations after FX fluctuations

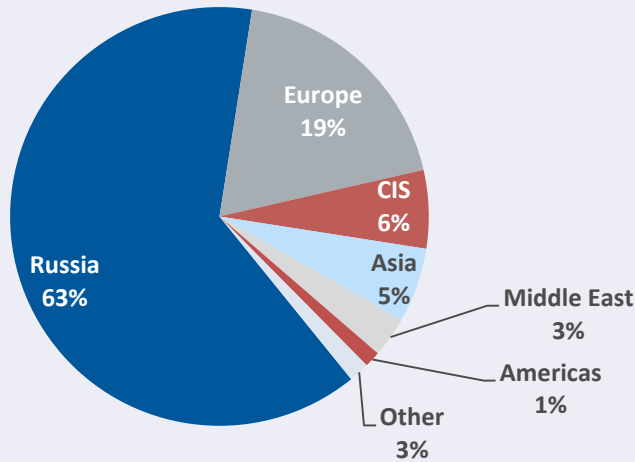
*** Basic EPS from continuing operations is calculated on the following basis: net profit/(loss) from continuing operations divided by the weighted average number of shares outstanding during the period: 810.6 million shares for Q1 2015, Q4 2015 and Q1 2016



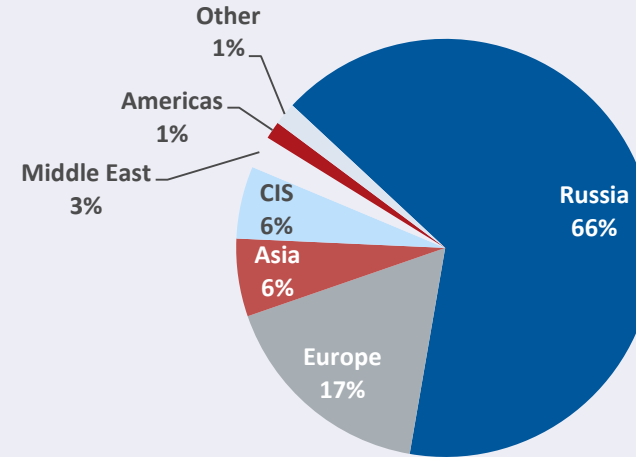
Q1 2016 Revenue Breakdown by Region

Severstal

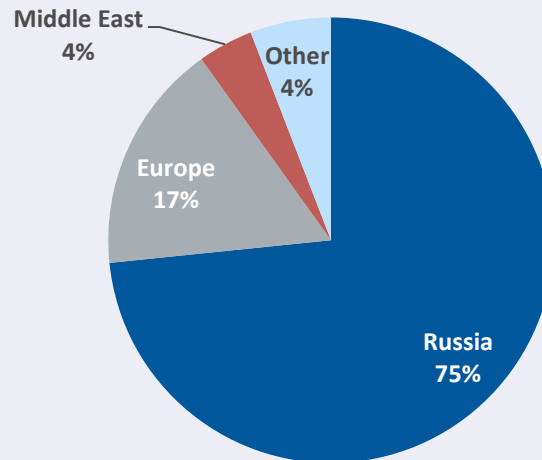
Severstal Group Q1 2016 revenue breakdown by region



Severstal Russian Steel Q1 2016 revenue breakdown by region



Severstal Resources Q1 2016 revenue breakdown by region





Q1 2016 Division Results

Severstal

Severstal Resources

	Q1 2016	Q4 2015	Change, %	Q1 2016	Q1 2015	Change, %
Revenue (\$m)	229	299	(23.4%)	229	289	(20.8%)
Cost of sales (\$m)	(147)	(185)	(20.5%)	(147)	(155)	(5.2%)
G&A expenses (\$m)	(13)	(13)	0%	(13)	(15)	(13.3%)
Distribution expenses (\$m)	(26)	(31)	(16.1%)	(26)	(30)	(13.3%)
EBITDA (\$m)	62	97	(36.1%)	62	118	(47.5%)
Operating Profit (\$m)	33	63	(47.6%)	33	84	(60.7%)
EBITDA Margin, %	27.1%	32.4%	(5.3 ppts)	27.1%	40.8%	(13.7 ppts)

Severstal Russian Steel

	Q1 2016	Q4 2015*	Change, %	Q1 2016	Q1 2015*	Change, %
Revenue (\$m)	998	1,256	(20.5%)	998	1,396	(28.5%)
Cost of sales (\$m)	(685)	(848)	(19.2%)	(685)	(802)	(14.6%)
G&A expenses (\$m)	(71)	(63)	12.7%	(71)	(70)	1.4%
Distribution expenses (\$m)	(76)	(83)	(8.4%)	(76)	(96)	(20.8%)
EBITDA (\$m)	214	313	(31.6%)	214	476	(55.0%)
Operating Profit (\$m)	167	249	(32.9%)	167	423	(60.5%)
EBITDA Margin, %	21.4%	24.9%	(3.5 ppts)	21.4%	34.1%	(12.7 ppts)
EBITDA per tonne (\$/t)	87	119	(26.9%)	87	186	(53.2%)
Average Selling Price (US\$/t**)	356	423	(15.8%)	356	490	(27.3%)

* During the current year the Group changed the classification of packaging expenses between cost of sales and distribution expenses to more appropriately reflect their nature

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

Summary Balance Sheet

\$ million	As at 31 March 2016	As at 31 December 2015
Cash and Cash Equivalents	1,547	1,647
Total Assets:	6,165	5,867
Current Assets	3,021	2,937
Non-current Assets	3,144	2,930
Total Liabilities:	3,558	3,599
Current Liabilities	1,285	1,297
Non-current Liabilities	2,273	2,302
Total Equity	2,607	2,268
Total Equity and Liabilities	6,165	5,867



Summary Cash Flow Statement

Severstal

\$ million	Q1 2016	Q4 2015	Q1 2016	Q1 2015
Profit before Financing and Taxation	183	108	183	481
Cash Generated from Operations	111	475	111	323
Interest Paid	(31)	(51)	(31)	(42)
Income Tax Paid	(14)	(19)	(14)	(4)
Net cash from Operating Activities - continuing operations	66	405	66	277
Net cash from/(used in) Operating Activities - discontinued operation	-	2	-	(14)
Net cash from Operating Activities	66	407	66	263
Total cash used in Investing Activities, incl.	(136)	(90)	(136)	(68)
Additions to PP&E and IA	(119)	(122)	(119)	(103)
Free Cash Flow*	(32)	305	(32)	209
Cash used in Financing Activities	(46)	(329)	(46)	(554)
Effect of Exchange Rate on Cash and Cash Equivalents	16	(16)	16	(16)
Net decrease in Cash and Cash Equivalents	(100)	(28)	(100)	(375)
Cash and Cash Equivalents at beginning of the Period	1,647	1,675	1,647	1,897
Cash and Cash Equivalents at end of the Period	1,547	1,647	1,547	1,522

* Free cash flow excludes discontinued operation

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