Q3 & 9M 2015 Financial Results Presentation

22 October 2015

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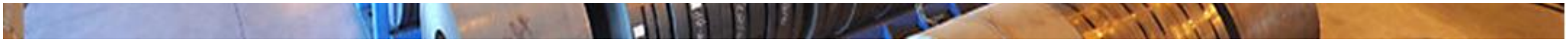
Q3 & 9M 2015 Results Overview



Summary

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Q3 2015 Highlights:

- Group EBITDA margin remains amongst the highest in the industry at 31.5% in Q3 15 (Q2 15: 32.6%). Group EBITDA* decreased 10.9% q/q to $524m (Q2 15: $588m)
- In spite of further RUB devaluation driving down USD-denominated average selling prices for both steel and steel-related raw materials, q/q Group revenue decreased only 7.9% q/q to $1,663m (Q2 15: $1,806m) strongly supported by a seasonal rebound in sales volumes in domestic markets in both the steel and mining divisions
- Free cash flow for Q3 15 increased 42.0% q/q to $609m (Q2 15: $429m) reflecting further progress against the strategic objective and was mainly a function of a seasonal uptick in demand in the local market, although not as pronounced as previous years, and a higher share of domestic sales. These led to a substantial working capital release compared with the previous quarter
- Q3 15 net loss** of $130m (Q2 15: net profit of $469m) reflects a FX loss of $515m. Adjusting for this non-cash item, Severstal would have posted an underlying net profit of $385m (Q2 15: $339m excluding FX profit)
- As strong free cash flow generation more than offset cash outflows on gross debt reduction and the quarterly dividend payment, Net Debt/EBITDA ratio reduced sharply q/q to 0.4x at the end of Q3 15, remaining one of the lowest amongst steel companies globally
- Q3 15 capex *** of $103m, 7.2% lower q/q (Q2 15: $111m), which is a reflection of our prudent approach to investments. We reiterate our FY15 capex target of RUB 30bn
- Recommended dividend payment of 13.17 roubles per share for the three months ended 30 September 2015

* EBITDA represents profit from operations plus depreciation and amortization of productive assets (including the Group's share in depreciation and amortization 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 (loss)/profit from continuing operations after FX fluctuations

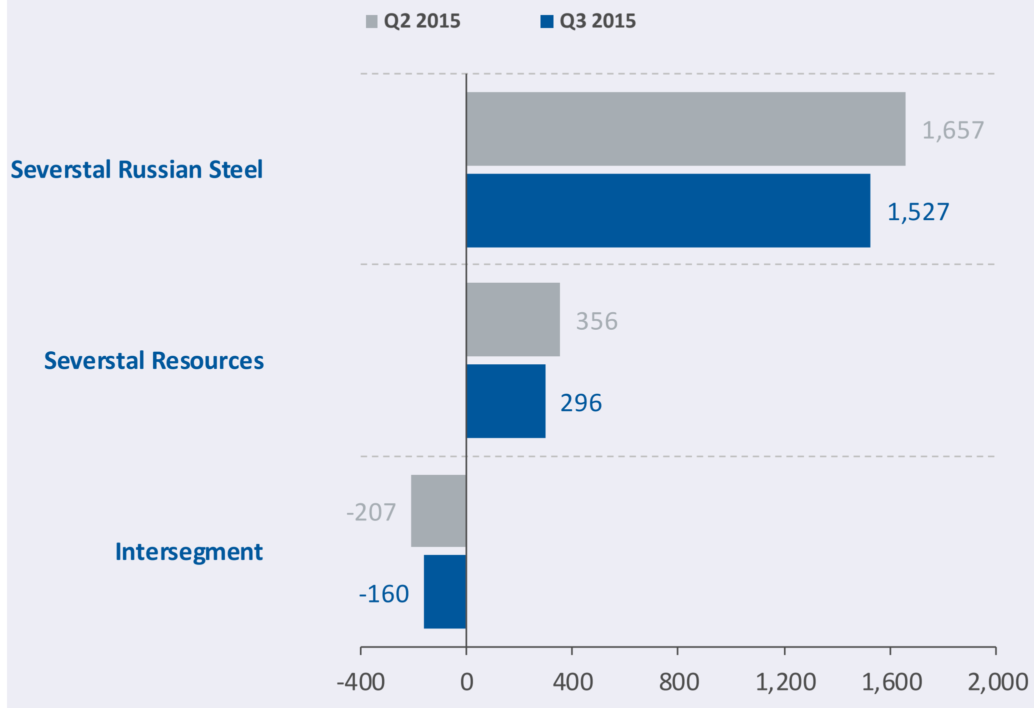
*** Represents cash outflow on capex in the period

Revenue Dynamics and Breakdown

Q3 2015 Revenue: $1,663m

(Q2 2015: $1,806m; -7.9%)

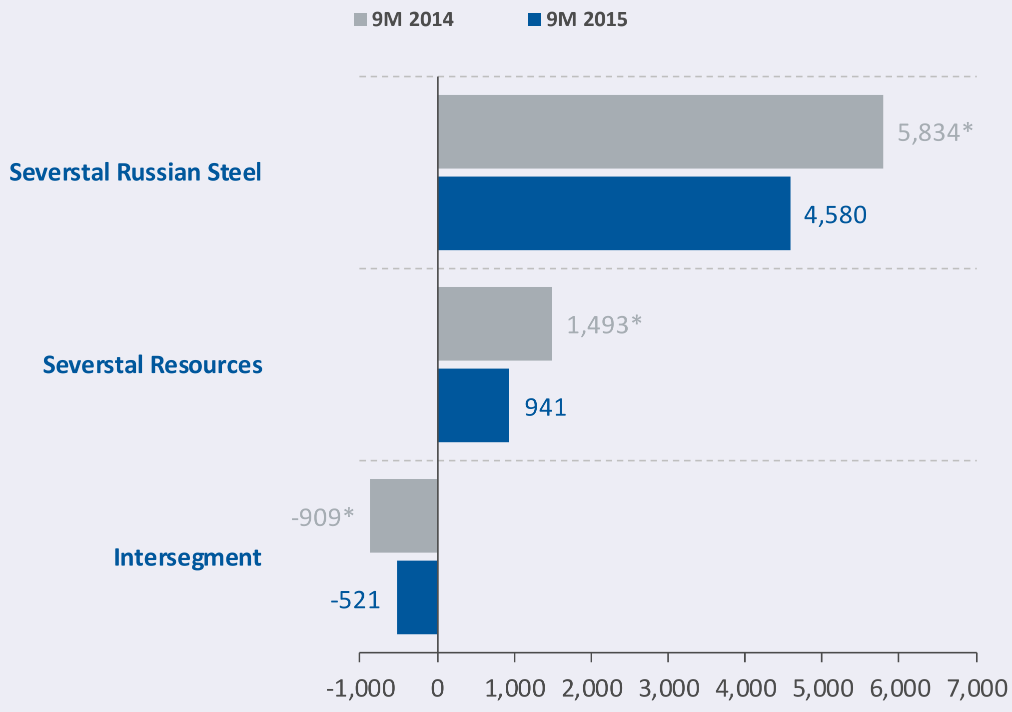
Group revenue decreased q/q due to average selling prices decline in USD terms on the back of RUB devaluation. This factor was only partially mitigated by a seasonal rebound in sales volumes on domestic markets both in steel and mining divisions



9M 2015 Revenue: $5,000m

(9M 2014: $6,418m; -22.1%)

Group revenue decreased y/y as the impact of lower realized prices was partially mitigated by moderate increases in sales volumes at Russian Steel and Resources



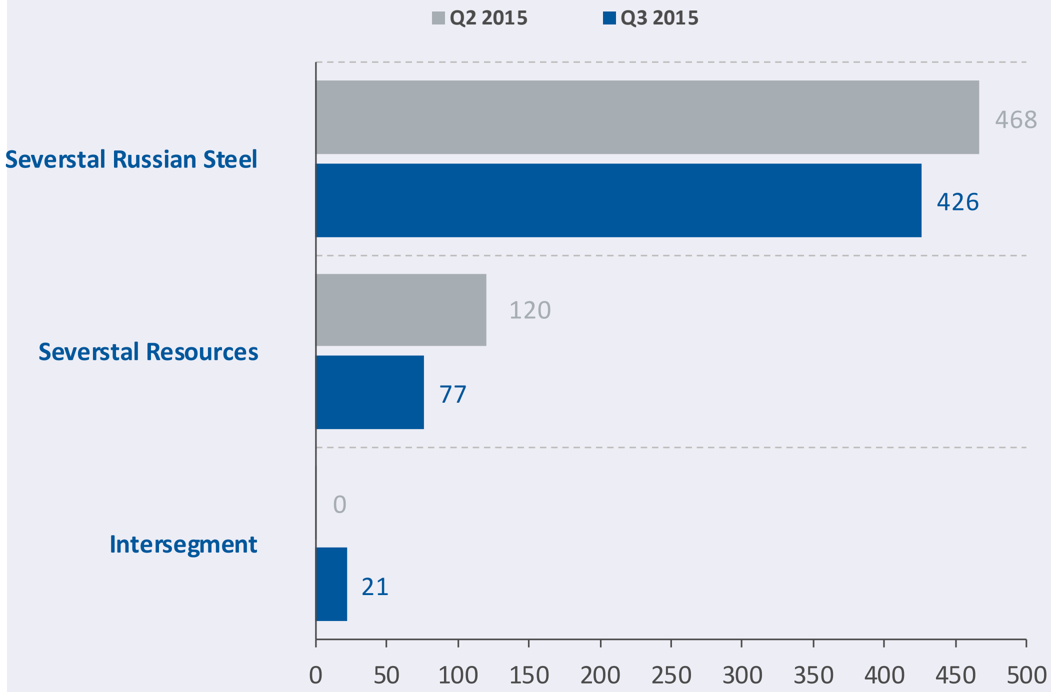
* Divisional results for the respective previous periods were restated following a change in the Group's management structure in January 2015

EBITDA Dynamics and Breakdown

Q3 2015 EBITDA: $524m

(Q2 2015: $588m; -10.9%)

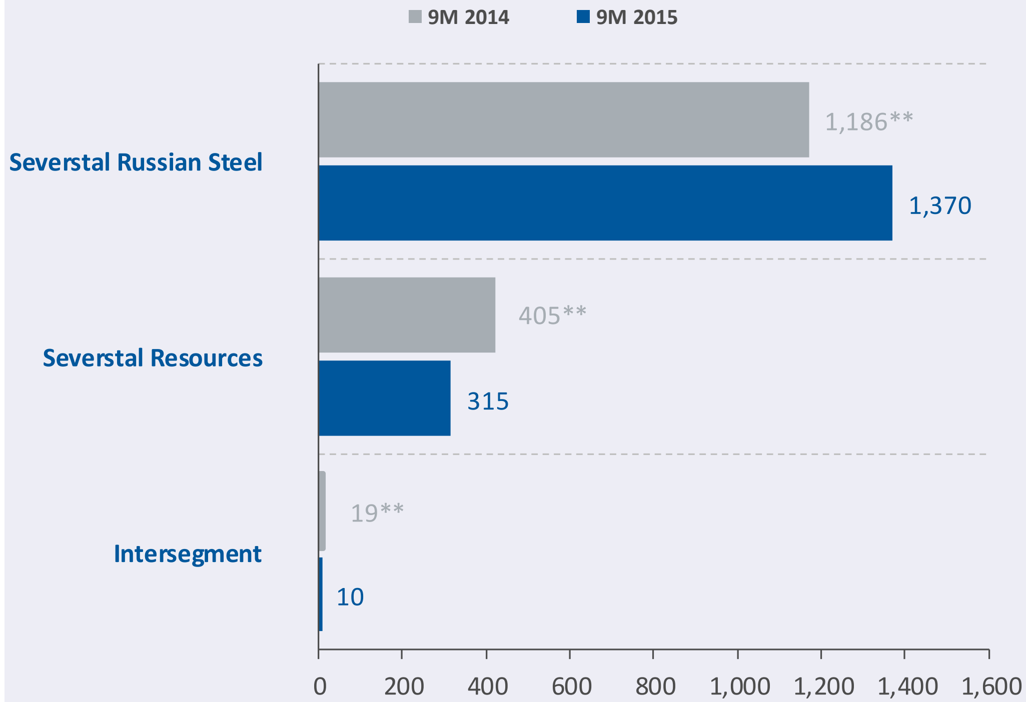
Group EBITDA decreased q/q as negative impact of lower average selling prices in USD terms was somewhat offset by lower cost base on the back of RUB devaluation and ongoing efficiency improvements



9M 2015 EBITDA: $1,695m

(9M 2014: $1,610m*; +5.3%)

Group EBITDA increased y/y driven by Russian Steel's operational enhancements, lower input costs and RUB devaluation y/y, more than offsetting lower deliveries at Resources



* The amounts for 9M 2014 reflect adjustments made in connection with the change in the methodology for calculating the unrealised gain in inventory, increasing EBITDA by $9 million

** Divisional results for the respective previous periods were restated following a change in the Group's management structure in January 2015

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Divisional Performance and Market Outlook

Severstal Russian Steel (RSD)

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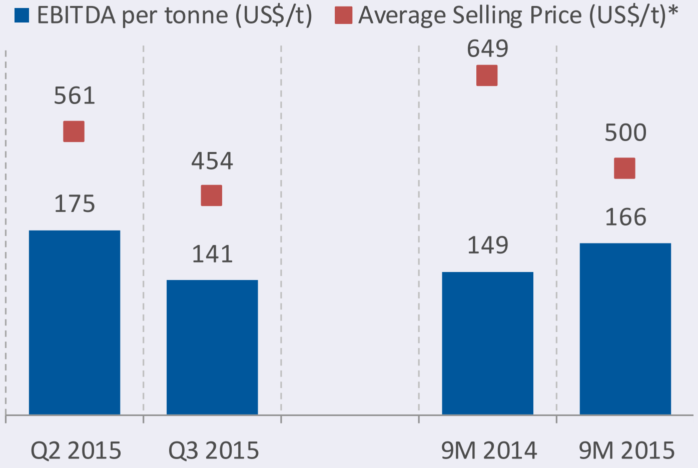
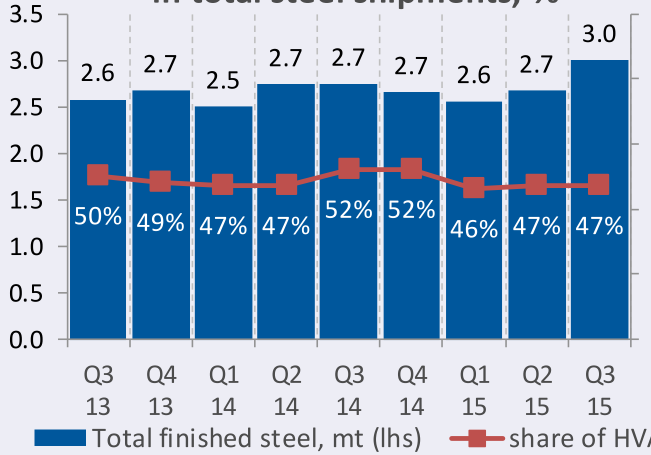
- Steel product sales increased 13% q/q to 3.01mnt driven by improved domestic steel consumption and despite less pronounced seasonality in 2015 than in previous years
- The share of domestic sales within the sales mix increased to 67% (Q2 15: 59%) reflecting Severstal's ability to efficiently reallocate sales volumes between the export and domestic markets and capture improved consumption trends in the domestic market
- Improved domestic flat steel consumption led to notable increases in high-value added (HVA) sales volumes. This enabled RSD to maintain the share of HVA products within sales mix at 47%
- A seasonal uptick in domestic demand enabled RSD to proceed with RUB-denominated price increases. This helped to partially mitigate the RUB devaluation impact in Q3 15
- RSD revenue decreased 7.8% q/q to $1,527m (Q2 15: $1,657m). EBITDA margin compressed only 0.3 ppts to 27.9% (Q2 15: 28.2%) as the negative impact of lower selling prices was partially mitigated by lower raw material input prices and lower production costs on the back of RUB devaluation. As a result, EBITDA decreased 9.0% q/q to $426m (Q2 15: $468m)
- In Q3 Cherepovets total non-integrated cash cost of slab decreased $53/t q/q to $206/t due to lower raw materials prices and rolling costs on RUB depreciation as well as higher crude steel production and ongoing efficiency improvements. Q3 integrated cash cost of slab decreased $36/t q/q to $176/t

EBITDA per tonne and average selling price

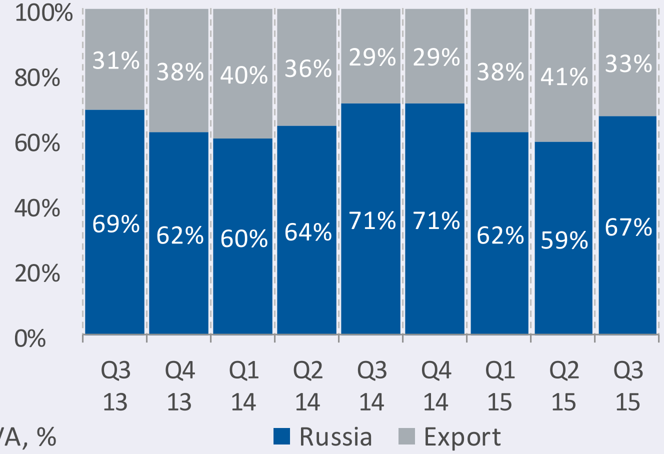


*All steel products, incl. pipes, etc.; Ex Works price terms.

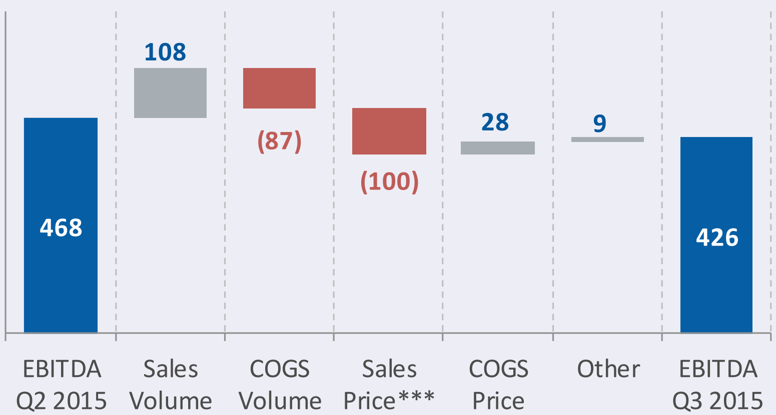
Share of high-value-added products** in total steel shipments, %



Steel sales volumes by destination, %



EBITDA drivers in Q3 2015, $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

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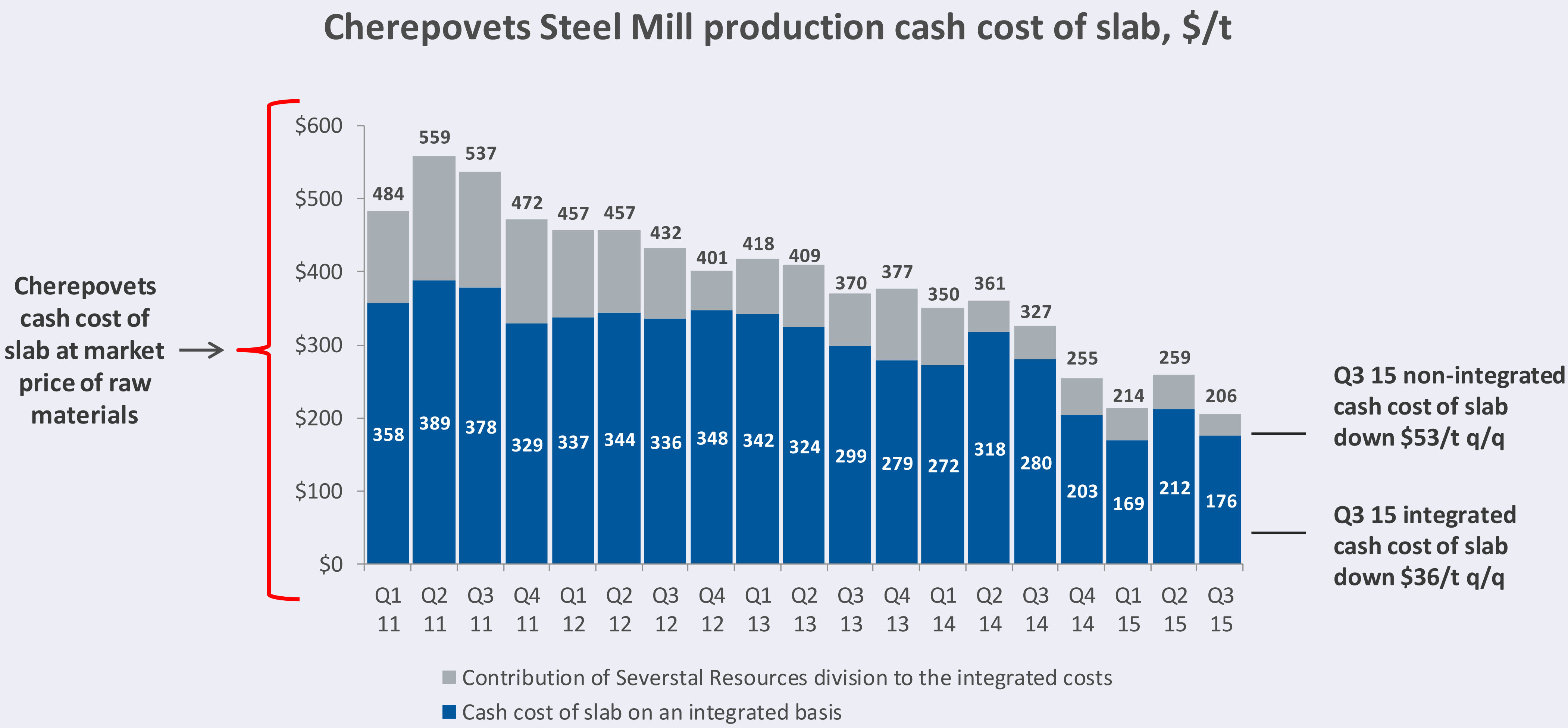
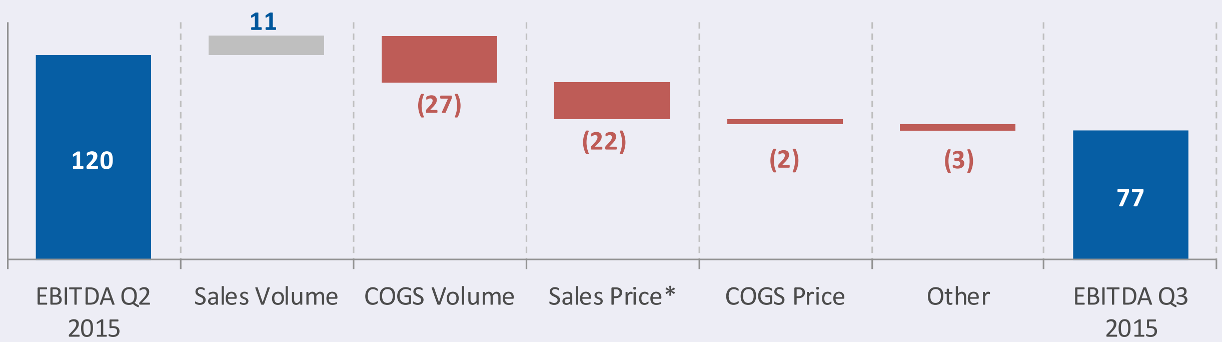


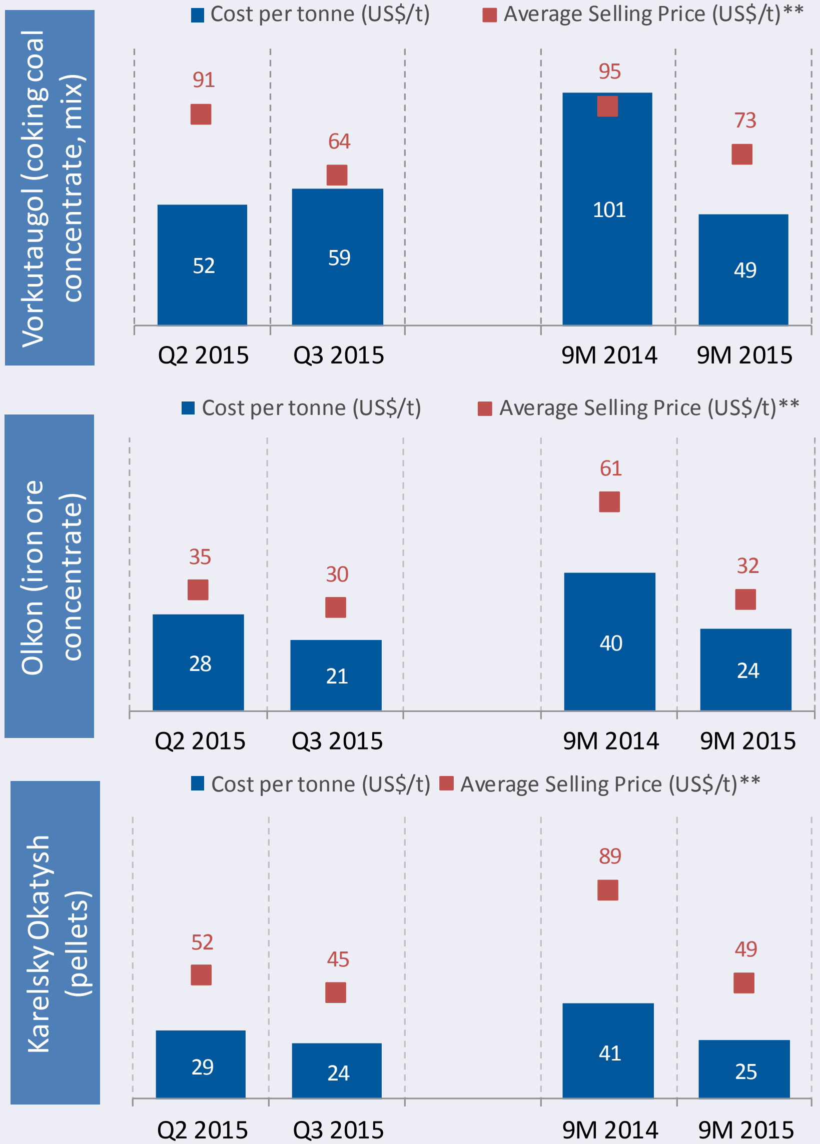
Severstal Resources

- Average coking coal concentrate selling prices decreased 30% q/q, which was a function of the weaker RUB q/q as well as a downwards revision of coking coal contract prices starting from July 2015
- As for the iron ore products, average selling prices of iron ore pellets at Karelsky Okatysh and iron ore concentrate at Olkon decreased by 13% and 14% respectively. This was largely driven by a ca. 20% q/q RUB devaluation against the USD during the period
- Coking coal concentrate sales volumes remained largely flat q/q despite a declined ROM-coal output q/q. Both iron ore concentrate and iron ore pellets sales volumes increased 5% q/q mainly driven by seasonally higher external sales on the domestic market
- Severstal Resources' revenue decreased 16.9% q/q to $296m (Q2 15: $356m). The decrease in average selling prices was only partially offset by efficiency improvement initiatives and reduced production costs on the back of the RUB-devaluation with EBITDA margin reducing 7.7 ppts to 26.0% (Q2 15: 33.7%). EBITDA decreased 35.8% to $77m (Q2 15: $120m)
- Total cash costs (TCC) at Karelsky Okatysh decreased to $24/t (Q2 15: $29/t), while TCC at Olkon reduced to $21/t (Q2 15: $28/t). This was primarily a function of the RUB devaluation, as the majority of costs at Severstal Resources are RUB-denominated. At the same time, given the fixed-cost nature of the mining business and reflecting the decline of ROM-coal production at Vorkutaugol on the back of the scheduled long-wall repositioning activity, TCC at Vorkutaugol increased to $59/t (Q2 15: $52/t)

EBITDA drivers in Q3 2015, $m



Average selling price and cash cost per tonne



* Excluding foreign exchange effect
** Free carrier price terms

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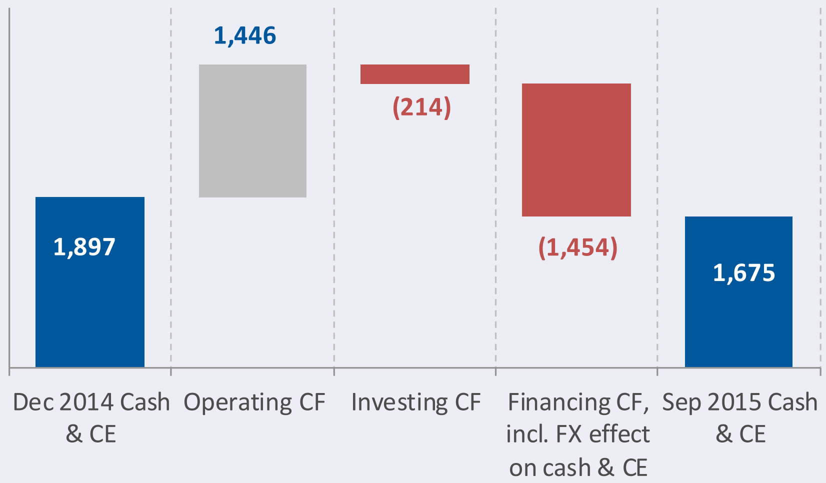
Financial Position

Cash Flow and Net Working Capital

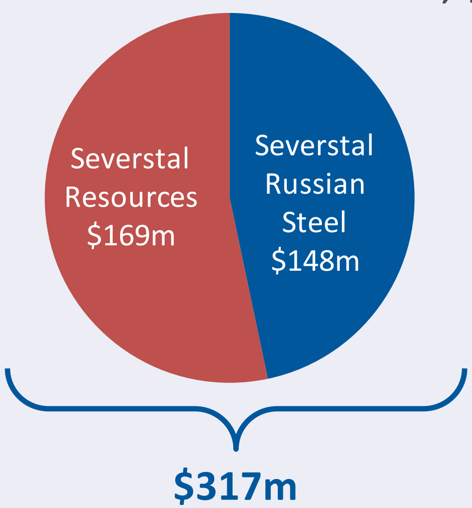
Q3 and 9M 2015 Highlights:

- Solid liquidity position of $1,675m in cash and cash equivalents
- Strong operating cash flow of $686m* in Q3 15
- Q3 15 capex of $103m, 7.2% lower q/q (Q2 15: $111m) reflecting prudent approach to investments
- Q3 15 free cash flow of $609m (Q2 15: $429m)
- Net working capital down 9.0%** YTD on a back of seasonal inventory release; NWC/LTM revenue increased to 9.8% YTD

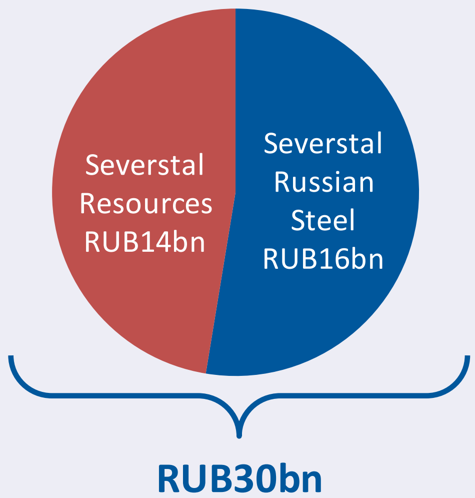
Cash Flow dynamics, 31 Dec 2014 to 30 Sep 2015



9M 2015 CAPEX breakdown, $m



FY 2015 target CAPEX breakdown, RUBbn



Net Working Capital developments

Net working capital, $m

September 30, 2015	December 31, 2014**	Change, %
671	737	(9.0%)

Net working capital as % of revenues (LTM)

September 30, 2015	December 31, 2014**	Change, ppts
9.8%	8.9%	0.9 ppts

* Net cash from operating activities

** These amounts reflect adjustments arising from a change in the methodology for calculating the unrealised gain in inventory

Robust Liquidity and Sustainable Leverage

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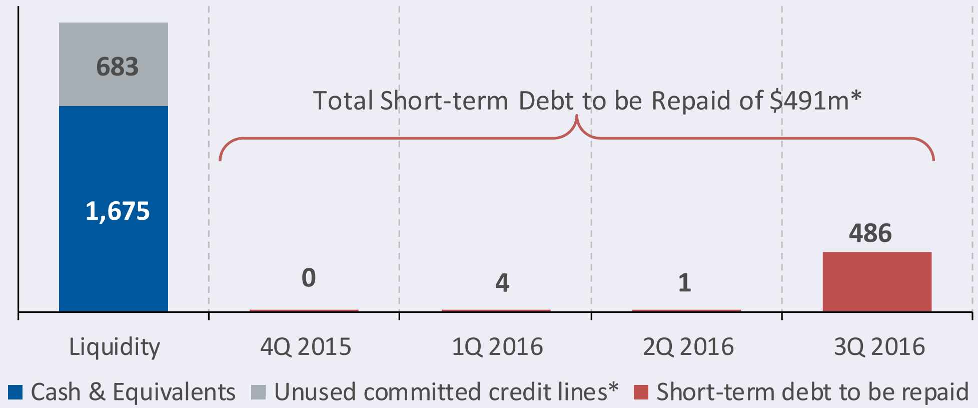
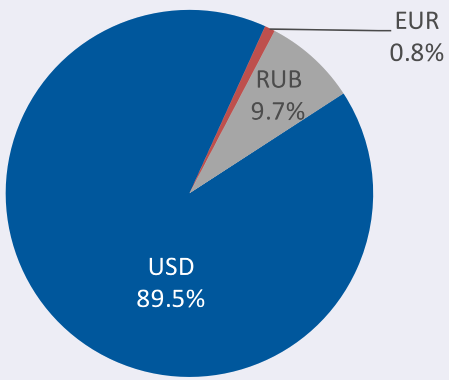
Strong liquidity position:

- The Company exercised a put option on Convertible Bonds in September 2015. $390m of outstanding bonds were submitted by bondholders. The outstanding principle now is $61.8m
- Severstal gross debt decreased 13.9% since the end of Q2 15 to $2,504m (Q2 15: $2,907m)
- As at the end of Q3 15, cash and cash equivalents were at $1,675m (Q2 15: $1,552m)
- Net debt declined a significant 38.8% to just $829m as at the end of Q3 15 (Q2 2015: $1,355m). Net Debt/EBITDA ratio reduced sharply q/q to 0.4x at the end of Q3 15 (Q2 15: 0.6x), remaining one of the lowest amongst steel companies globally
- Strong liquidity with $1,675 million in cash and cash equivalents and unused committed credit lines of $683 million, more than covers short-term debt principal requirements of $491 million

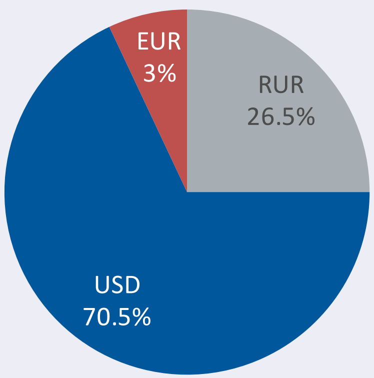


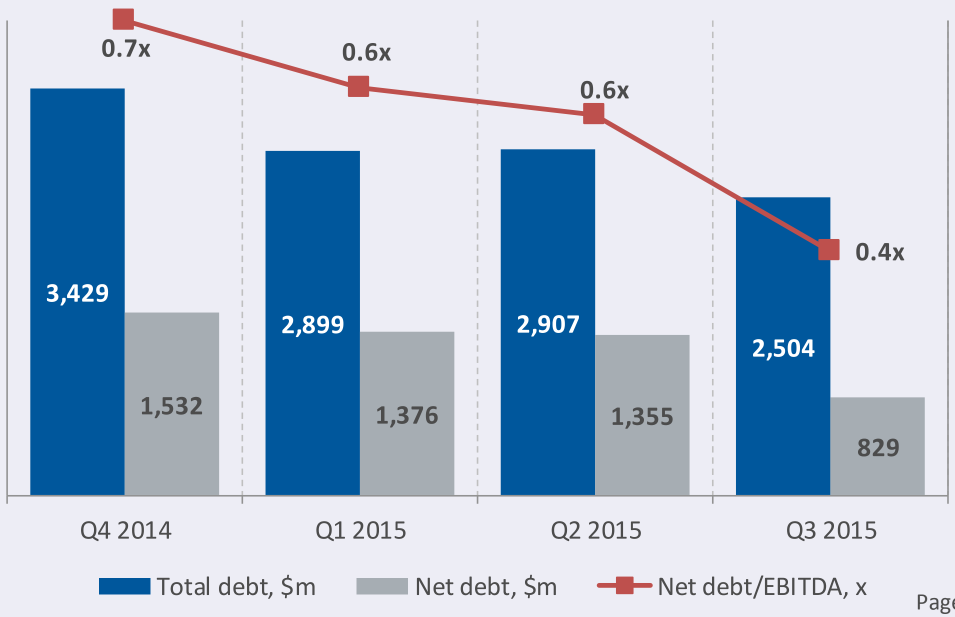
* Represents principal amount of debt

Q3 2015 debt currency mix



Q3 2015 cash currency mix

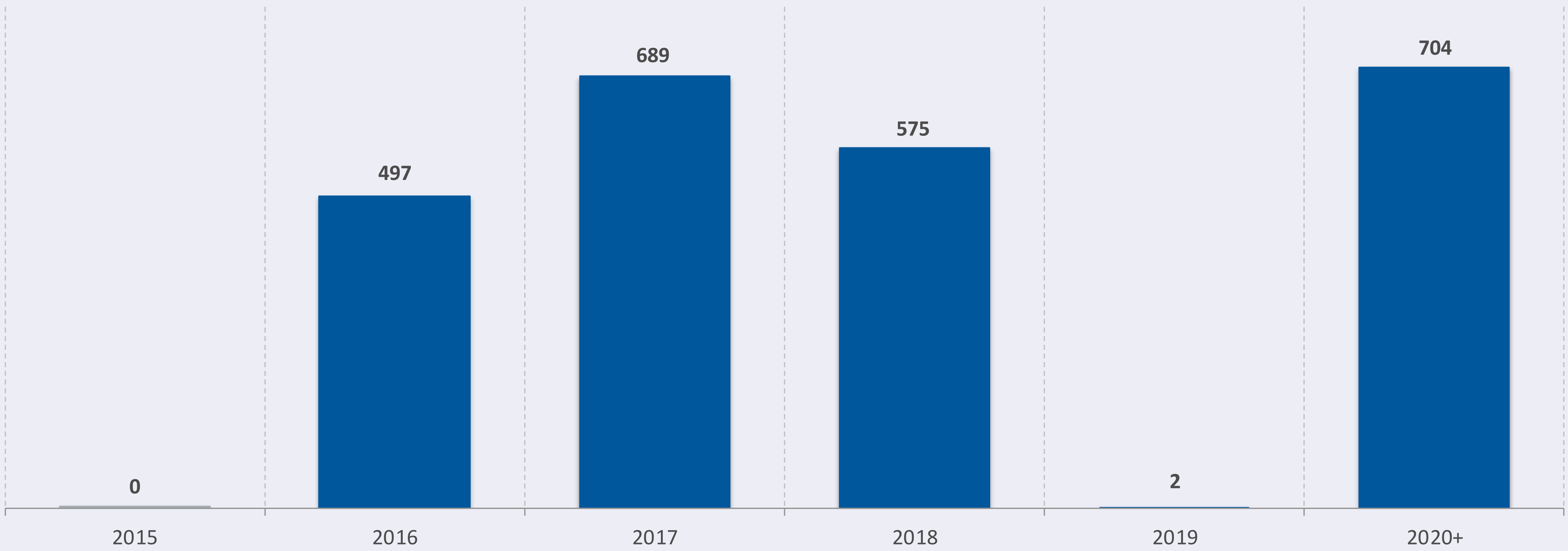




Debt Structure

As at 30.09.2015 the debt structure was dominated by public debt (90% of total) and the US dollar (89.5% of total).

Debt Maturity Schedule*, $m



Notes:
Debt represents the principal amount of debt. Debt for 2015 represents amount of debt as at 30 September 2015
* Figures exclude accrued interest and unamortized balance of transactional costs

Market Outlook

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Global:

- Global steel capacity utilisation stays at subdued levels of 68% comparing vs. 78% a year ago.
- Chinese steel demand weakening by 5.5% YTD coincided with elevated steel products exports from China (up 27% YTD) as well as decision by the People's Bank of China to devaluate RMB in August 2015.
- These factors add further pressure on steel and steel-related commodity prices.

Russia:

- The Russian economy is showing signs of improvement with the steel demand growing in the Q3 on the back of seasonal construction activity.
- Though visibility of the steel demand remains low, Russian production costs remain highly competitive.
- In this environment despite the risks, we believe Severstal stays in good shape and well-positioned to remain resilient through this turbulent period.

Source: Worldsteel, Severstal estimates

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Appendices

Summary Income Statement

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$ million, unless otherwise stated	Q3 2015	Q2 2015	9M 2015	9M 2014***
Revenue	1,663	1,806	5,000	6,418
COGS	(1,023)	(1,060)	(2,902)	(4,302)
EBITDA	524	588	1,695	1,610
EBITDA margin, %	31.5%	32.6%	33.9%	25.1%
Profit from operations	422	483	1,400	1,150
Operating margin, %	25.4%	26.7%	28.0%	17.9%
(Loss)/profit before income tax	(163)	578	854	148
Net (loss)/profit*	(130)	469	676	16
Basic EPS, $**	(0.16)	0.58	0.83	0.02

* Net (loss)/profit from continuing operations after FX fluctuations
** Basic EPS from continuing operations is calculated on the following basis: net (loss)/profit from continuing operations divided by the weighted average number of shares outstanding during the period: 810.6 million shares for Q3 2015, Q2 2015, 9M 2015 and 9M 2014
*** The amounts for 9M 2014 reflect adjustments made in connection with the change in the methodology for calculating the unrealised gain in inventory, increasing EBITDA by $9 million

Q3 2015 Revenue Breakdown by Region

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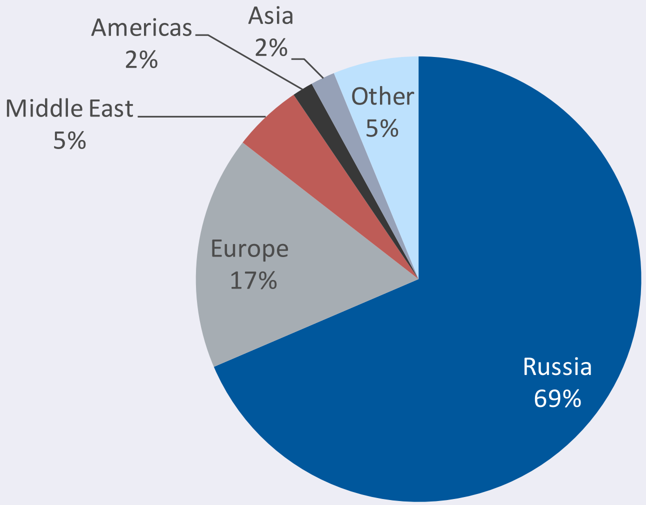
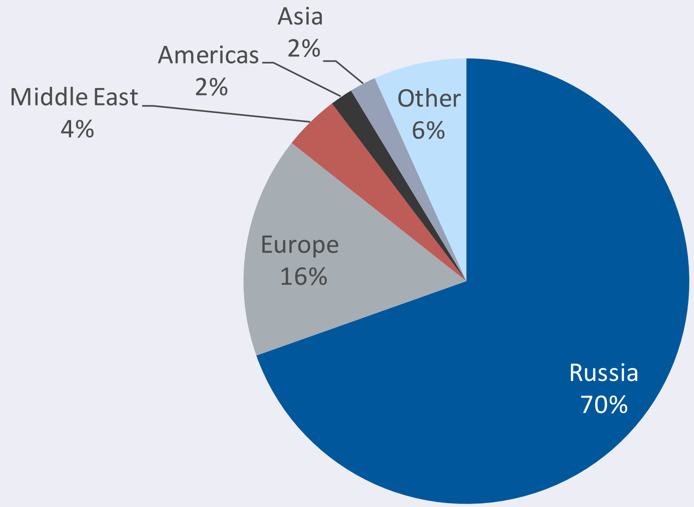
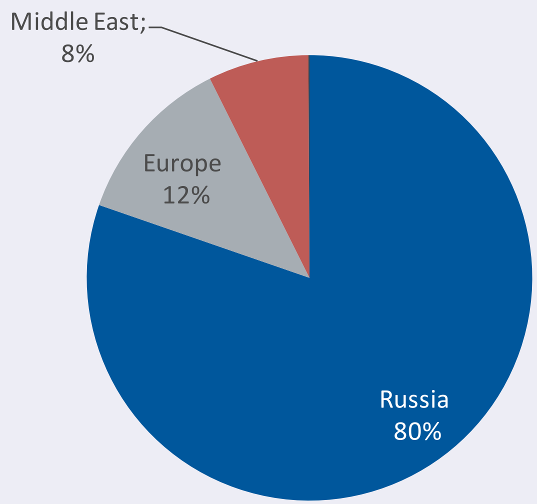
Severstal Group Q3 2015 revenue breakdown by region



Severstal Russian Steel Q3 2015 revenue breakdown by region



Severstal Resources Q3 2015 revenue breakdown by region



Q3 & 9M 2015 Division Results

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Severstal Resources

	Q3 2015	Q2 2015	Change, %	9M 2015	9M 2014*	Change, %
Revenue ($m)	296	356	(16.9%)	941	1,493	(37.0%)
Cost of sales ($m)	(205)	(213)	(3.8%)	(573)	(991)	(42.2%)
G&A expenses ($m)	(12)	(19)	(36.8%)	(46)	(97)	(52.6%)
Distribution expenses ($m)	(31)	(36)	(13.9%)	(97)	(141)	(31.2%)
EBITDA ($m)	77	120	(35.8%)	315	405	(22.2%)
Operating Profit ($m)	42	80	(47.5%)	206	230	(10.4%)
EBITDA Margin, %	26.0%	33.7%	(7.7 ppts)	33.5%	27.1%	6.4 ppts

Severstal Russian Steel

	Q3 2015	Q2 2015	Change, %	9M 2015	9M 2014*	Change, %
Revenue ($m)	1,527	1,657	(7.8%)	4,580	5,834	(21.5%)
Cost of sales ($m)	(993)	(1,048)	(5.2%)	(2,838)	(4,196)	(32.4%)
G&A expenses ($m)	(56)	(78)	(28.2%)	(204)	(293)	(30.4%)
Distribution expenses ($m)	(103)	(120)	(14.2%)	(324)	(417)	(22.3%)
EBITDA ($m)	426	468	(9.0%)	1,370	1,186	15.5%
Operating Profit ($m)	359	401	(10.5%)	1,183	899	31.6%
EBITDA Margin, %	27.9%	28.2%	(0.3 ppts)	29.9%	20.3%	9.6 ppts
EBITDA per tonne ($/t)	141	175	(19.4%)	166	149	11.4%
Average Selling Price (US$/t**)	454	561	(19.1%)	500	649	(23.0%)

* Divisional results for the respective previous periods were restated following a change in the Group's management structure in January 2015

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

Summary Balance Sheet

Severstal

$ million	As at 30 September 2015	As at 31 December 2014*
Cash and Cash Equivalents	1,675	1,897
Total Assets:	6,433	7,553
Current Assets	3,105	3,612
Non-current Assets	3,328	3,941
Total Liabilities:	3,789	4,725
Current Liabilities	1,422	1,734
Non-current Liabilities	2,367	2,991
Total Equity	2,644	2,828
Total Equity and Liabilities	6,433	7,553

* These amounts reflect adjustments arising from a change in the methodology for calculating the unrealised gain in inventory

Summary Cash Flow Statement

Severstal

$ million	Q3 2015	Q2 2015	9M 2015	9M 2014*
Profit before Financing and Taxation	408	472	1,361	920
Cash Generated from Operations	729	569	1,621	1,619
Interest Paid	(33)	(51)	(126)	(190)
Income Tax Paid	(11)	(17)	(32)	(45)
Net cash from Operating Activities - continuing operations	685	501	1,463	1,384
Net cash from/(used in) Operating Activities - discontinued operation	1	(4)	(17)	123
Net cash from Operating Activities	686	497	1,446	1,507
Net cash (used in)/from Investing Activities - continuing operations	(74)	(72)	(214)	1,397
Net cash used in Investing Activities - discontinued operation	-	-	-	(94)
Total cash (used in)/from Investing Activities, incl.	(74)	(72)	(214)	1,303
Additions to PP&E and IA	(103)	(111)	(317)	(622)
Free Cash Flow**	609	429	1,247	807
Cash used in Financing Activities - continuing operations	(406)	(413)	(1,373)	(649)
Cash used in Financing Activities - discontinued operation	-	-	-	(368)
Cash used in Financing Activities	(406)	(413)	(1,373)	(1,017)
Effect of Exchange Rate on Cash and Cash Equivalents	(83)	18	(81)	(76)
Net increase/(decrease) in Cash and Cash Equivalents	123	30	(222)	1,717
Cash and Cash Equivalents at beginning of the Period	1,552	1,522	1,897	1,036
Cash and Cash Equivalents at end of the Period	1,675	1,552	1,675	2,753

* These amounts reflect adjustments made in connection with the change in the methodology for calculating the unrealised gain in inventory
** Free cash flow excludes discontinued operation

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