



Q1 2015 Financial Results Presentation

23 April 2015

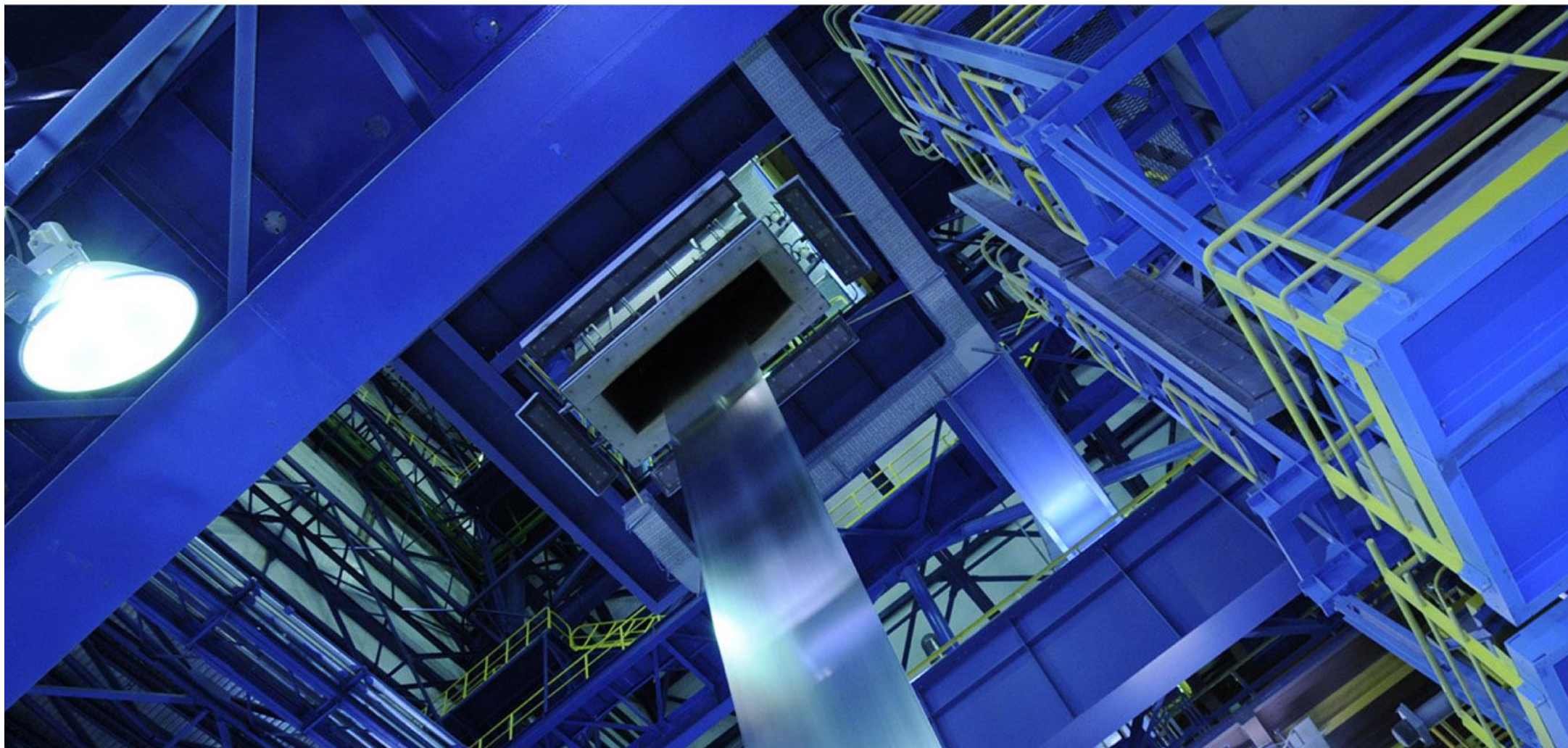


Table of Contents

- 3 Q1 2015 Results Overview
- 7 Divisional Performance and Market Outlook
- 11 Financial Position
- 16 Appendices



Q1 2015 Highlights:

- Primarily reflecting a combination of ongoing efficiency improvements as well as lower input costs with RUB devaluation mitigating the impact of lower selling prices Severstal posted further EBITDA* margin expansion by 6.4 pts q/q to 38.5% (Q4 14: 32.1%).
- This represents the highest level in Severstal's history as a public company amidst challenging market conditions
- Q1 15 Group revenue decreased 18.5% q/q to \$1,531m (Q4 14: \$1,878m) largely reflecting a decline in global steel prices and steelmaking raw materials price. However, Group EBITDA decreased a negligible 2.0% q/q to \$590m (Q4 14: \$602m)
- Free cash flow of \$209m (Q4 14: \$425m) generated in line with our key strategic focus. Q/q decline of 50.8% primarily reflects an increase in stock to normalized level after divesting inventories during Q4 2014 against strong demand
- Q1 15 net profit** of \$343m (Q4 14: net loss ** of \$795m) was marginally impacted by FX translation losses of continuing operations of \$31m. Adjusting for those non-cash items, Severstal would have posted a net profit of \$374m (Q4 14: net profit of \$534m excluding impairments)
- Net Debt/EBITDA ratio further decreased q/q to 0.6x at the end of Q1 15 (Q4 14: 0.7x). This represents one of the lowest levels among steel companies globally
- Q1 15 capex *** of \$103 million, 34.4% lower q/q (Q4 14: \$157 million) reflecting our prudent approach to investments as well as the completion of most large-scale development projects
- Recommended dividend payment of 12.81 roubles per share for the three months ended 31 March 2015

* EBITDA represents profit/(loss) 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 profit/ (loss) attributable to shareholders of PAO Severstal.

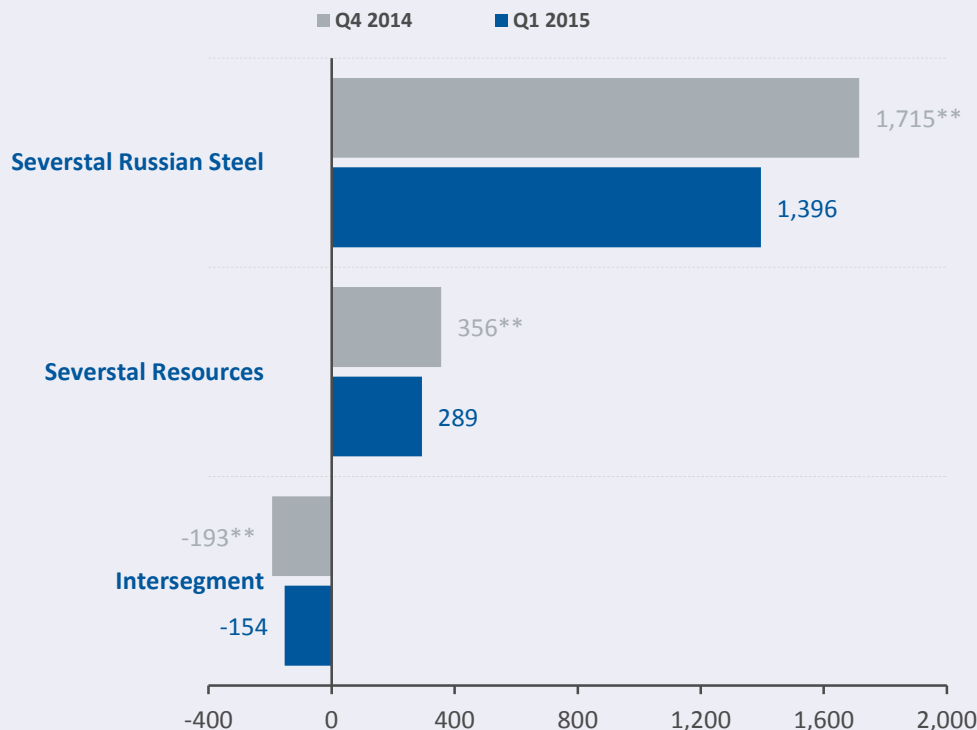
*** Represents cash outflow on capex in the period

Revenue Dynamics and Breakdown

Q1 2015 Revenue: \$1,531m

(Q4 2014: \$1,878m; -18.5%)

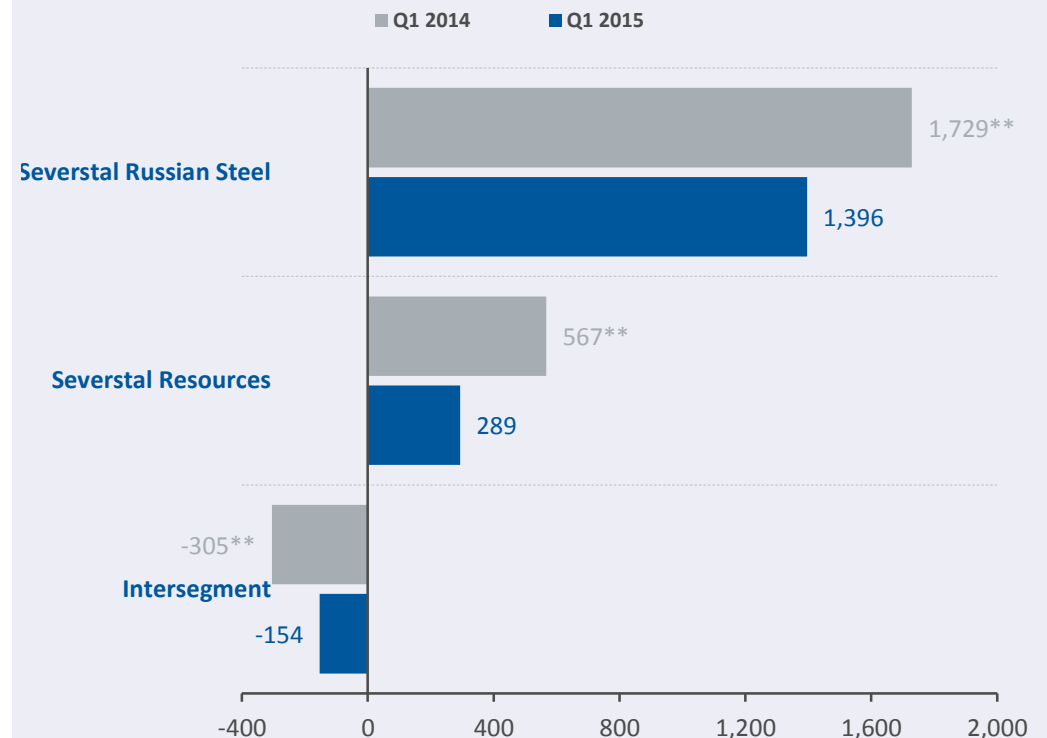
Group revenue decreased q/q despite solid demand and the Company's flexibility to shift its sales between domestic and export markets coupled with number of successful attempts to increase RUB-denominated selling prices in order to mitigate sharp RUB devaluation



Q1 2015 Revenue: \$1,531m

(Q1 2014: \$1,991m*; -23.1%)

Primarily impacted by lower realized prices effect, which has been partially mitigated by sizable increase in sales volumes at the Russian Steel division, Group revenue decreased y/y

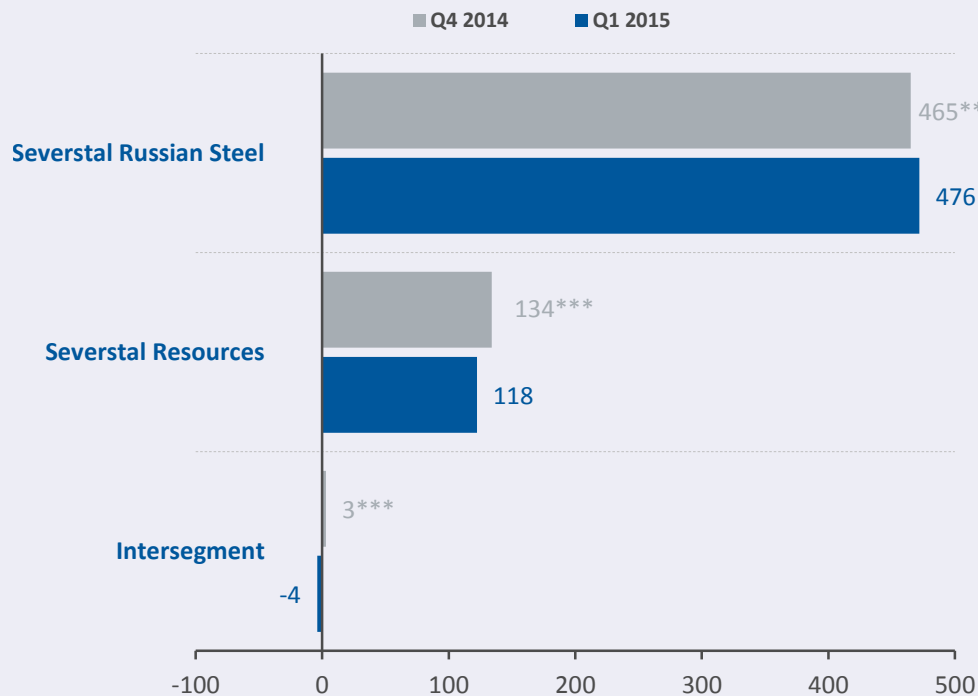


* These amounts reflect adjustments made in connection with the presentation of the discontinued operation
 ** Divisional results for the respective previous periods were restated following a change in the Group's management structure in January 2015

EBITDA Dynamics and Breakdown

Q1 2015 EBITDA: \$590m
(Q4 2014: \$602m; -2.0%)

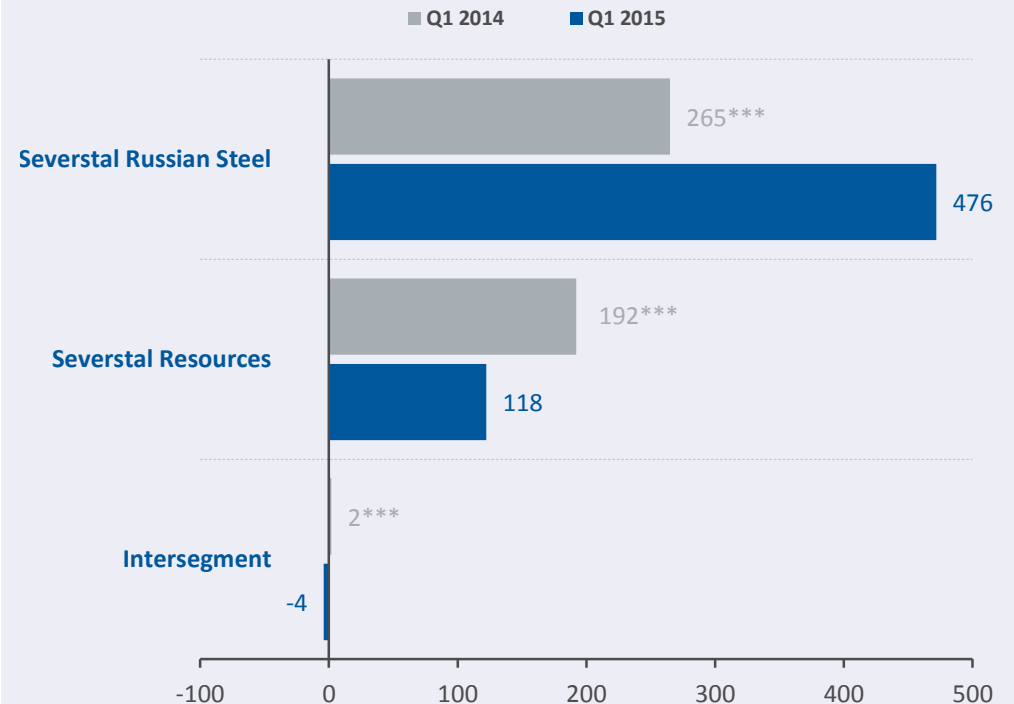
While Group EBITDA decreased marginally q/q, EBITDA margin* expanded further driven by combination of ongoing efficiency improvements at both Russian Steel and Resources as well as lower input costs and the RUB devaluation mitigating the impact of lower selling prices



* The Group Q1 2015 EBITDA margin was 38.5%
 ** These amounts reflect adjustments made in connection with the presentation of the discontinued operation
 *** Divisional results for the respective previous periods were restated following a change in the Group's management structure in January 2015

Q1 2015 EBITDA: \$590m
(Q1 2014: \$459m**; +28.5%)

EBITDA improvement y/y reflects a strong result at Russian Steel on the back of operational enhancements, lower input costs and RUB devaluation, more than offsetting lower deliveries at Resources

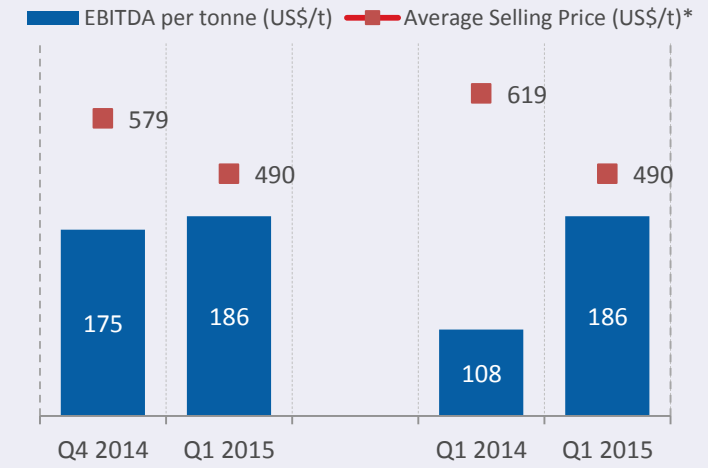




Severstal Russian Steel (RSD)

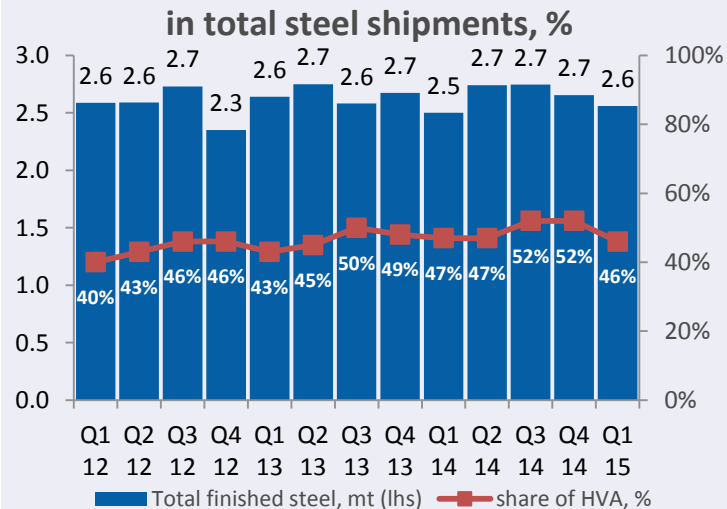
- Severstal Russian Steel increased its steel output in Q1 2% to 2.96mnt with all its rolling facilities at Cherepovets Steel Mill (CherMK) running at almost full capacity. However, steel products sales decreased 4% q/q to 2.56mnt. This allowed the Company to build up its internal stock of high value-added (HVA) products to normal levels following the divestment of inventory against strong demand in Q4 14
- Severstal's proximity to export markets facilitated a shift from domestic to export deliveries. As a result, in Q1 2015 exports accounted for 38% of sales (Q4 14: 29%)
- Increased exports and increased domestic RUB-denominated sales prices in order to catch up with the USD-denominated parity helped to partially mitigate the negative impact of the sharp RUB devaluation on revenue. That said, revenue decreased 18.6% q/q to \$1,396m (Q4 14: \$1,715m**)
- RSD has been able to fully mitigate the impact of lower selling prices through lower input prices in conjunction with reductions in production and G&A costs. That said, EBITDA increased 2.4% q/q to \$476m (Q4 14: \$465m**), while EBITDA margin increased to 34.1% (Q4 14: 27.1%)
- In Q1 Cherepovets total non-integrated cash cost of slab decreased \$41/t q/q due to lower raw materials prices as well as a higher crude steel production volumes and the positive impact of RUB devaluation. Q1 integrated cash cost of slab decreased \$34/t q/q to \$169/t

EBITDA per tonne and average selling price

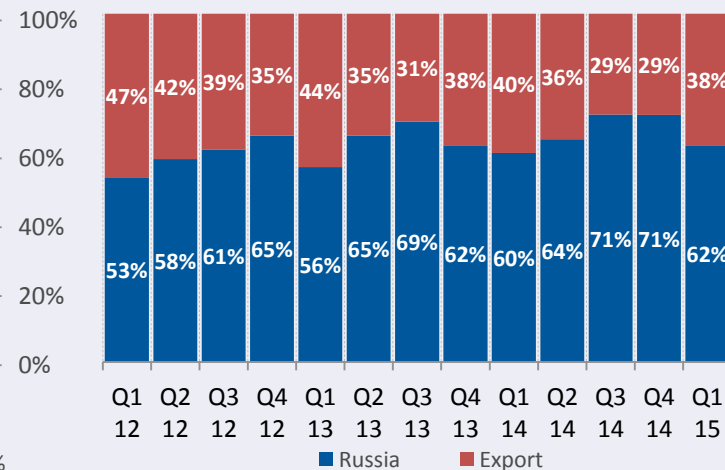


*All steel products, incl. pipes, etc.; Ex Works price terms.

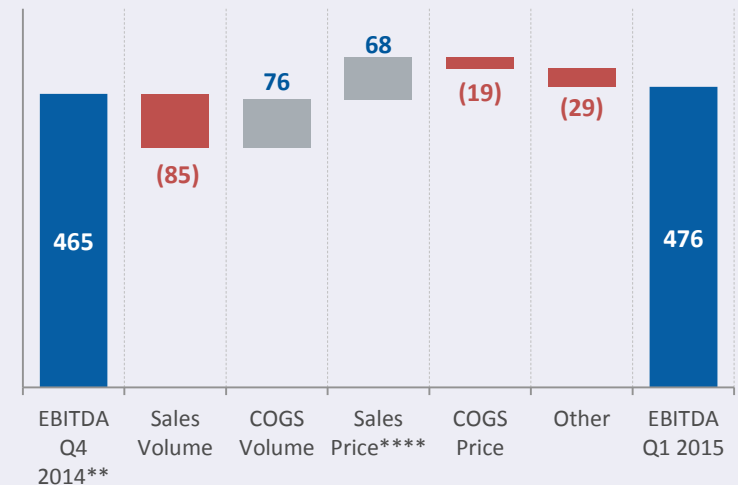
Share of high-value-added products***



Steel sales volumes by destination, %



EBITDA drivers in Q1 2015, \$m



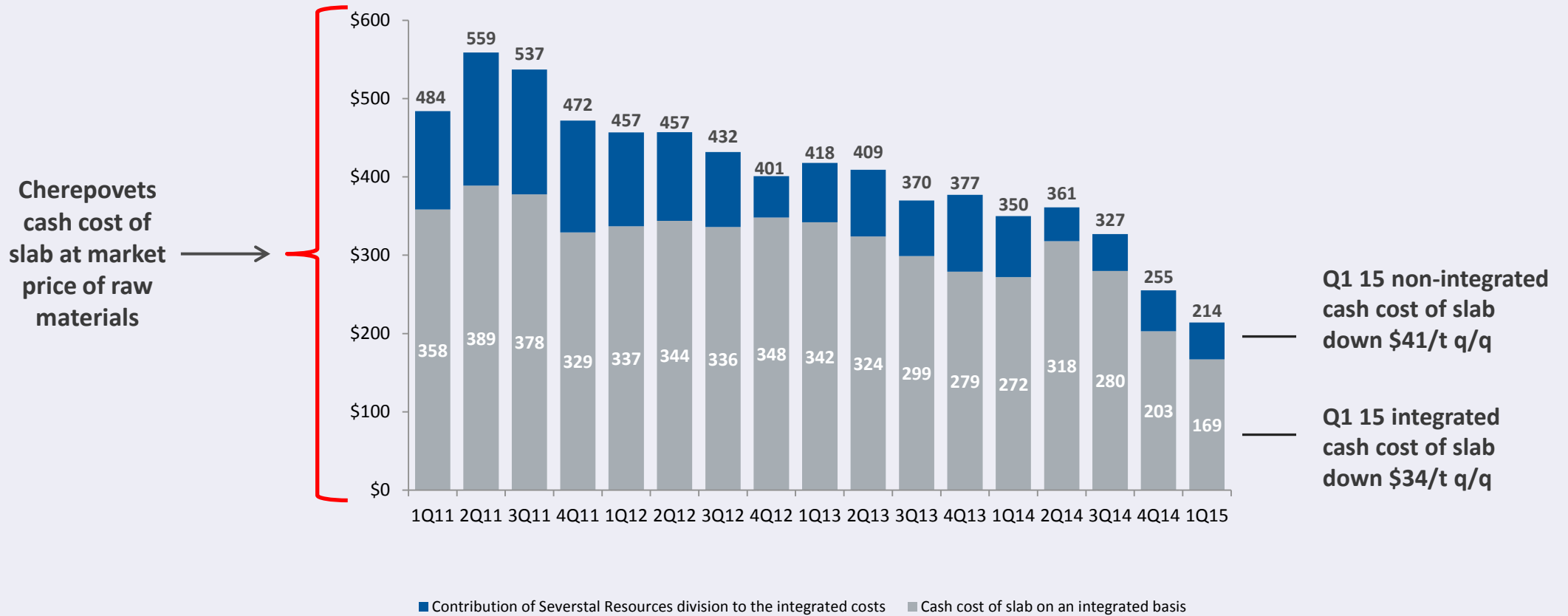
** Divisional results for the respective previous periods were restated following a change in the Group's management structure in January 2015

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

**** Excluding foreign exchange effect

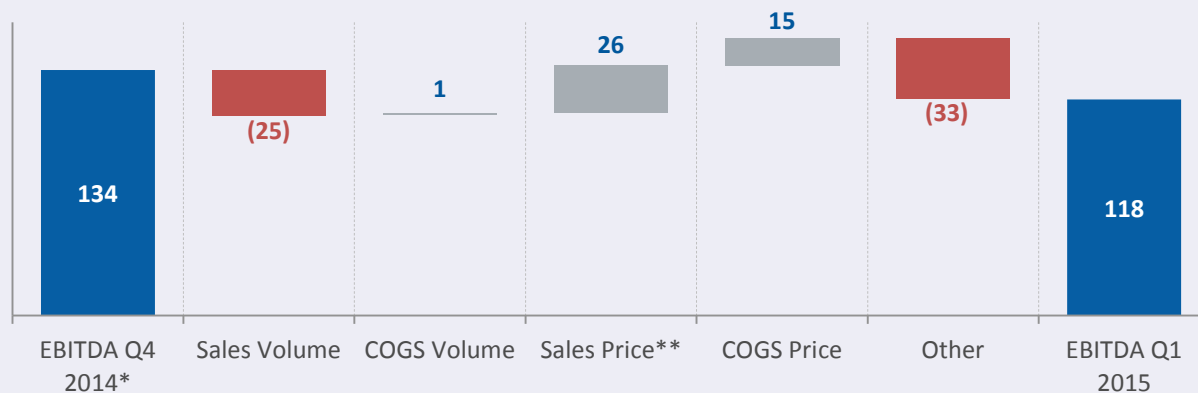
Cost Control at Severstal Russian Steel

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



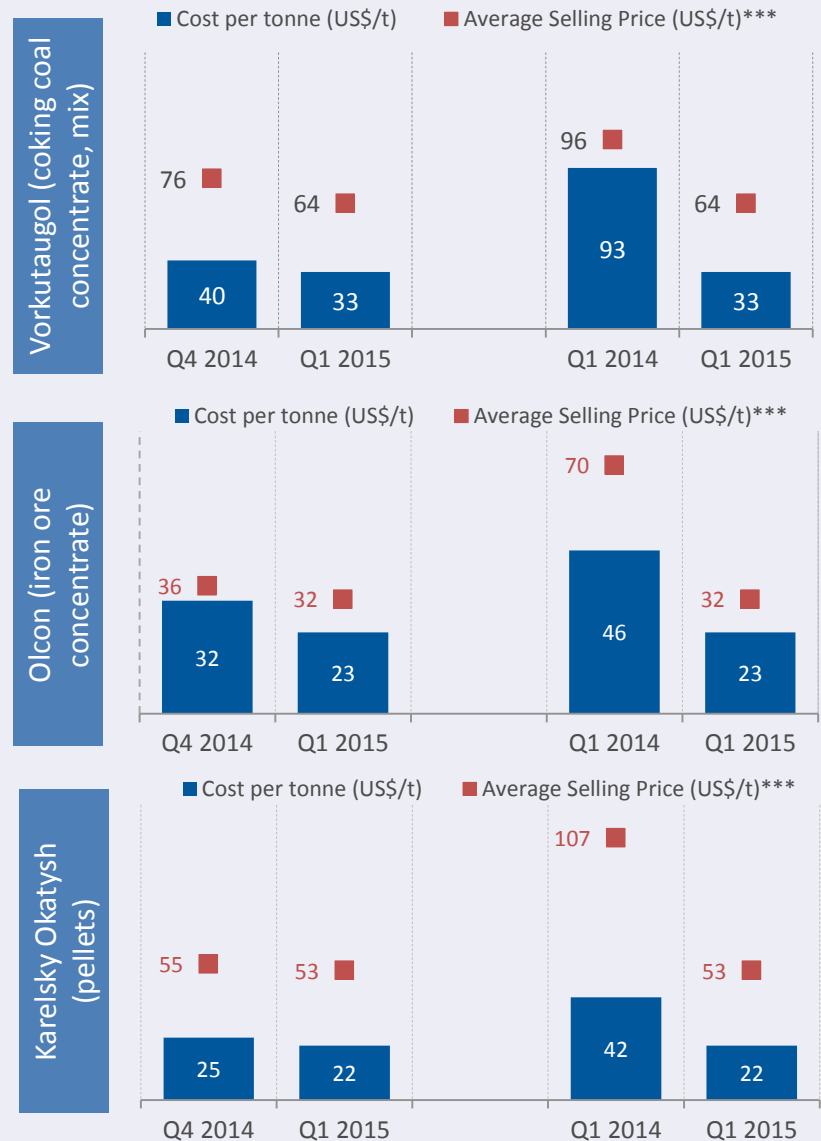
- Severstal Resources has been able to partially mitigate the impact of a 15% q/q drop in the global iron ore benchmark and negative RUB devaluation effect. USD-denominated prices for iron ore pellets and concentrate decreased 4% q/q and 11% q/q, respectively
- Coking coal concentrate price decline of 16% q/q is purely a function of ca. 30% q/q RUB devaluation partially offset by another round of RUB-denominated prices upgrades
- The division's total coking coal concentrate sales down 13% q/q due to severe weather conditions. The Company expects production volumes to recover in Q2 15. Iron ore pellet sales volumes down 6% q/q against strong comparatives in Q4 14
- Severstal Resources' revenue decreased 18.8% q/q to \$289m (Q4 14: \$356m*). Nevertheless, Q1 15 EBITDA decreased 11.9% q/q to \$118m (Q4 14: \$134m*) with EBITDA margin increasing to 40.8%
- Continuous implementation of efficiency improvement projects to further decrease TCC of production supported by RUB devaluation: TCC at Karelsky Okatysh declined to \$22/t (\$25/t in Q4 14), while TCC at Vorkutaugol decreased to \$33/t (\$40/t in Q4 14)
- TCC at Olcon improved substantially to \$23/t (\$32/t in Q4 14) on solid production

EBITDA drivers in Q1 2015, \$m



* Divisional results for the respective previous periods were restated following a change in the Group's management structure in January 2015
 ** Excluding foreign exchange effect
 *** Free carrier price terms

Average selling price and cash cost per tonne



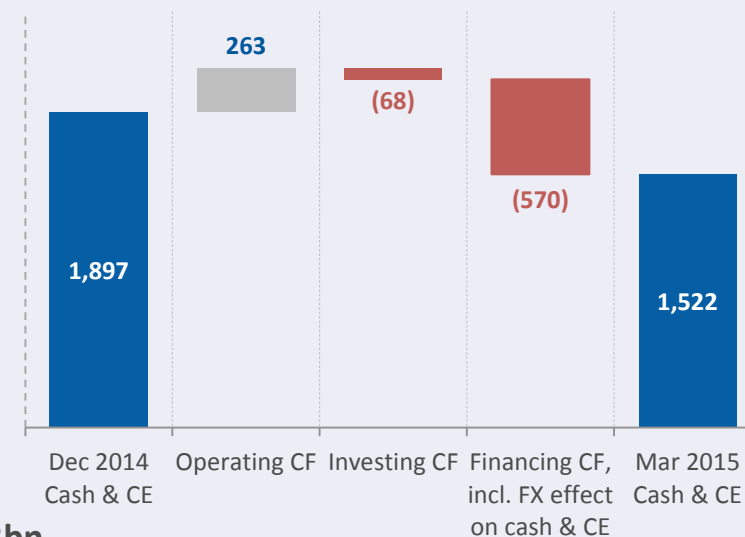


Cash Flow and Net Working Capital

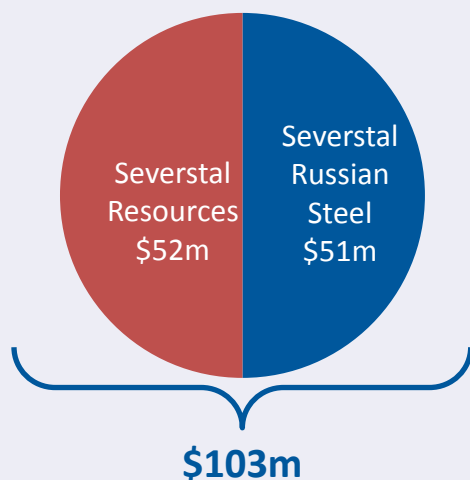
Q1 2015 Highlights:

- Solid liquidity position of \$1,522m in cash and cash equivalents
- Strong operating cash flow of \$277m*
- Q1 15 capex of \$103m, 34.4% lower q/q (Q4 14: \$157m) reflecting our prudent approach to investments as well as the completion of most large-scale development projects
- Q1 15 free cash flow of \$209m
- Net working capital up 30.9% YTD; NWC/LTM revenue increased to 12.4% YTD on a back of inventory build up as well as higher share of export sales

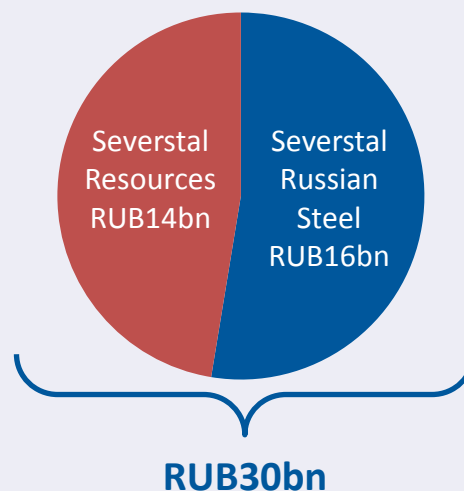
Cash Flow dynamics, 31 Dec 2014 to 31 Mar 2015



Q1 2015 CAPEX breakdown, \$m



FY 2015 target CAPEX breakdown, RUBbn



Net Working Capital developments

Net working capital, \$m

March 31, 2015	December 31, 2014	Change, %
975	745	30.9%

Net working capital as % of revenues (LTM)

March 31, 2015	December 31, 2014	Change, ppts
12.4%	9.0%	3.4 ppts

* Net cash from operating activities – continuing operations

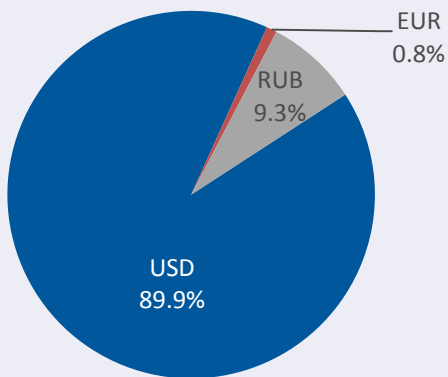


Robust Liquidity and Sustainable Leverage Severstal

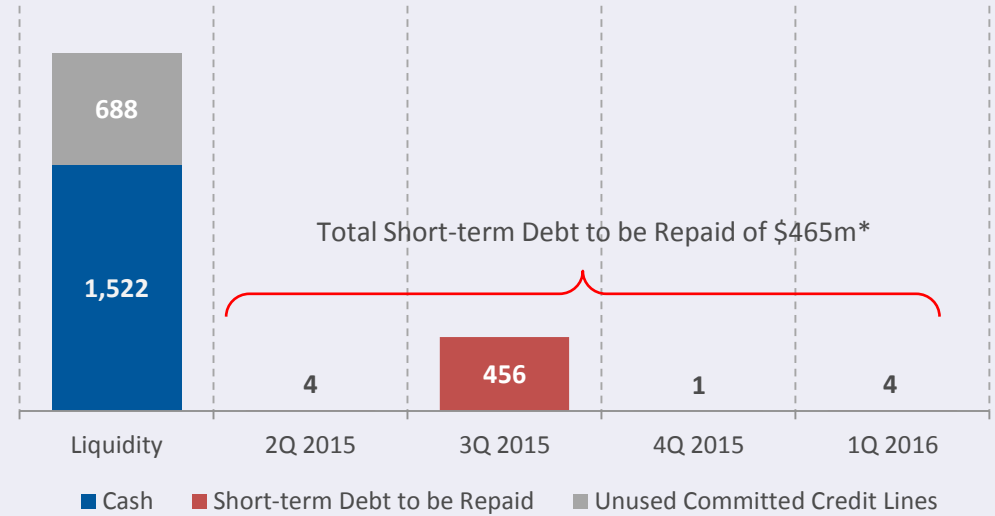
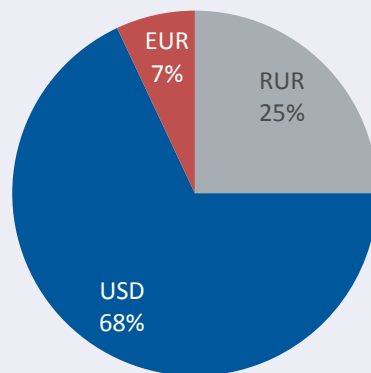
Strong liquidity position:

- Severstal gross debt reduced by 15.5% since the end of Q4 14 to \$2,899m
- Total of \$221m of bond issues redeemed during a public tender offer to buy back the Company's 2016 and 2017 Eurobonds
- Committed unused credit lines returned to \$688m after \$300m of short-term debt raised in Q4 14 via committed facilities was repaid during Q1 15
- Solid liquidity position at the end of Q1 15 with \$1,522m in cash and cash equivalents and committed unused credit lines of \$688m, more than covering short-term debt of \$465m*
- Net Debt/EBITDA ratio further decreased q/q to 0.6x at the end of Q1 15 (Q4 14: 0.7x), one of the lowest amongst steel companies globally

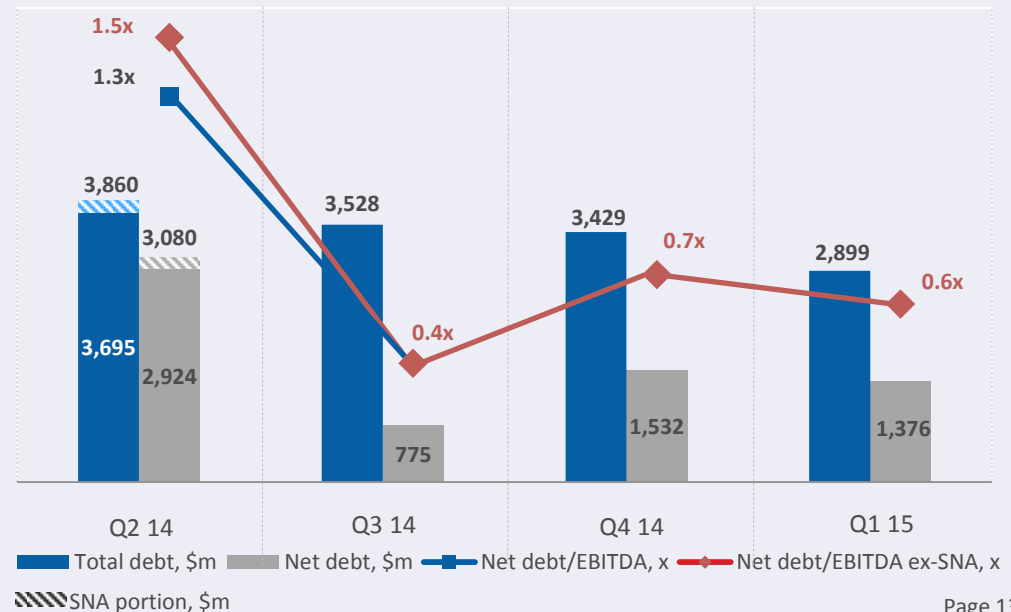
Q1 2015 debt currency mix



Q1 2015 cash currency mix



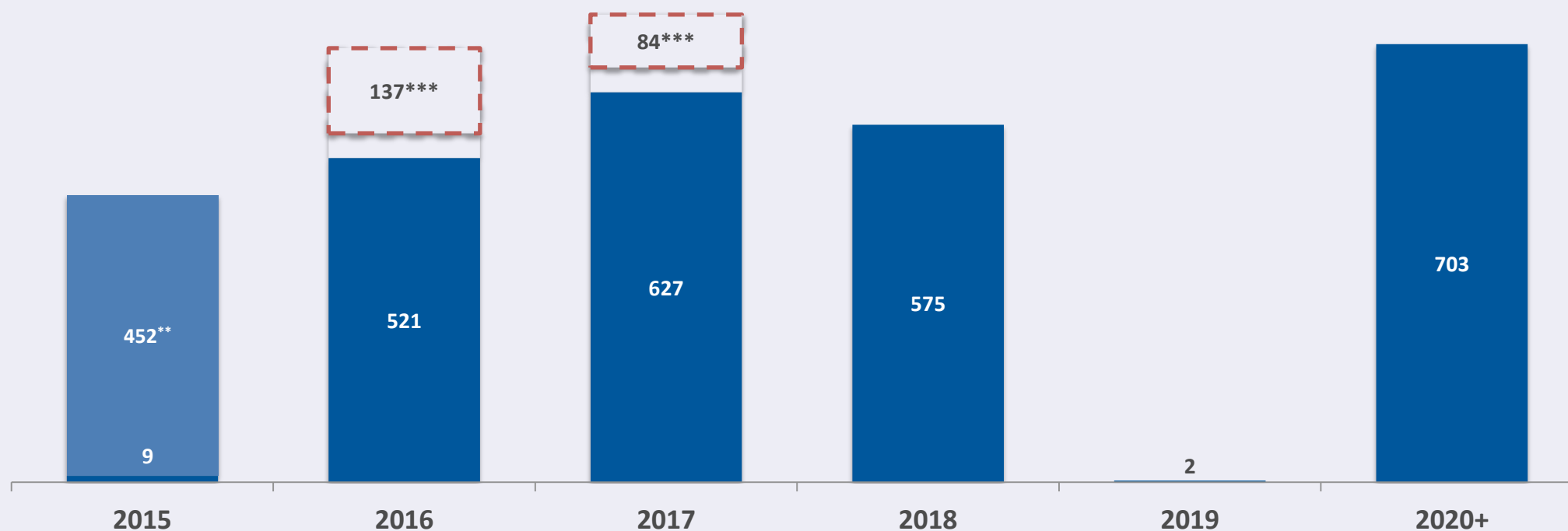
* Represents principal amount of debt including repayment of Convertible Bond in line with Put Option in September 2015 assuming Put Option realized



Debt Structure

As at 31.03.2015 the debt structure was dominated by public debt (90% of total) and the US dollar (89.9% of total).

Debt Maturity Schedule*, \$m



Notes:

Debt represents the principal amount of debt. Debt for 2015 represents amount of debt as at 31 March 2015

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

** Repayment of Convertible Bond in line with Put Option in September 2015 assuming Put Option realized

*** Redeemed in February 2015

Global:

- Global steel markets remain under pressure due to steel overcapacity, weakening of the Chinese economy and softening of the steel-related commodity prices
- Near-term support for steel pricing can come from the seasonal pick-up in the construction-related demand globally with first signs already seen in Europe
- Moreover, additional support in terms of supply/demand issues might be seen on declining steel exports from China and economic development acceleration in countries benefiting from the low oil price

Russia:

- Steel demand on the domestic market both in Q1 and so far in Q2 2015 turned to be better than initially expected with pricing reaching export USD-denominated parity after the sharp RUB devaluation in Q4 2014
- Though visibility of the steel demand remains low in Russia, we remain cautiously optimistic



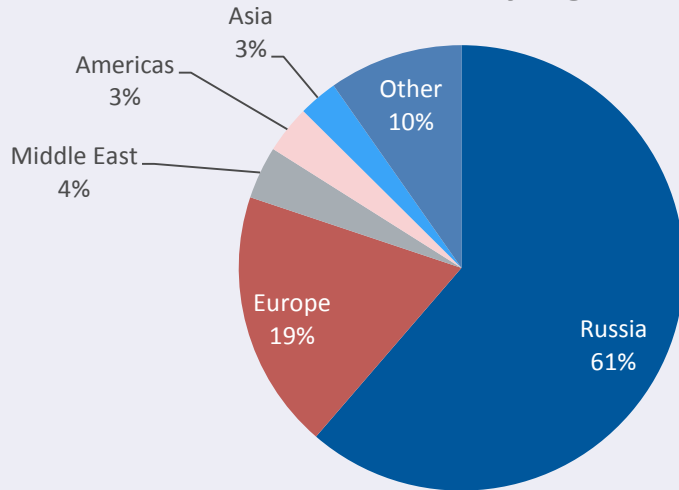
Summary Income Statement

\$ million, unless otherwise stated	Q1 2015	Q4 2014	Q1 2015	Q1 2014*
Revenue	1,531	1,878	1,531	1,991
COGS	(812)	(1,137)	(812)	(1,357)
EBITDA	590	602	590	459
EBITDA margin, %	38.5%	32.1%	38.5%	23.1%
Profit from operations	502	453	502	310
Operating margin, %	32.8%	24.1%	32.8%	15.6%
Profit/(loss) before income tax	446	(953)	446	(98)
Net profit/(loss)	343	(795)	343	(100)
Basic EPS, \$	0.42	(0.98)	0.42	(0.12)

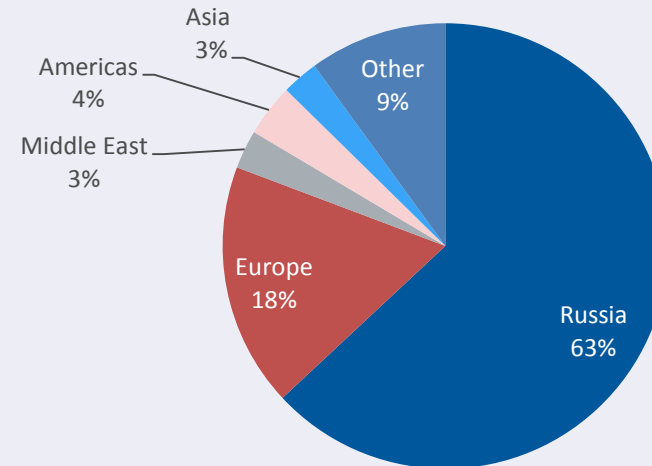
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Q1 2015 Revenue Breakdown by Region

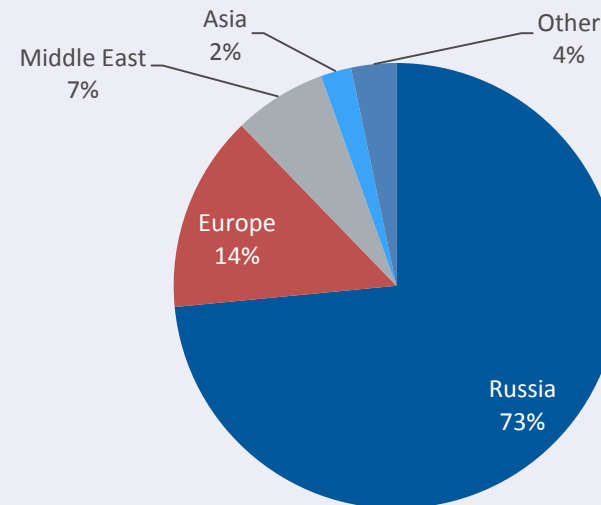
Severstal Group Q1 2015 revenue breakdown by region



Severstal Russian Steel Q1 2015 revenue breakdown by region



Severstal Resources Q1 2015 revenue breakdown by region



Q1 2015 Division Results

Severstal Resources

	Q1 2015	Q4 2014*	Change, %	Q1 2015	Q1 2014*	Change, %
Revenue (\$m)	289	356	(18.8%)	289	567	(49.0%)
Cost of sales (\$m)	(155)	(211)	(26.5%)	(155)	(344)	(54.9%)
G&A expenses (\$m)	(15)	(12)	25.0%	(15)	(30)	(50.0%)
Distribution expenses (\$m)	(30)	(36)	(16.7%)	(30)	(49)	(38.8%)
EBITDA (\$m)	118	134	(11.9%)	118	192	(38.5%)
Operating Profit (\$m)	84	88	(4.5%)	84	133	(36.8%)
EBITDA Margin, %	40.8%	37.6%	3.2 pts	40.8%	33.9%	6.9 pts

Severstal Russian Steel

	Q1 2015	Q4 2014*	Change, %	Q1 2015	Q1 2014*	Change, %
Revenue (\$m)	1,396	1,715	(18.6%)	1,396	1,729	(19.3%)
Cost of sales (\$m)	(797)	(1,108)	(28.1%)	(797)	(1,305)	(38.9%)
G&A expenses (\$m)	(70)	(87)	(19.5%)	(70)	(106)	(34.0%)
Distribution expenses (\$m)	(101)	(123)	(17.9%)	(101)	(127)	(20.5%)
EBITDA (\$m)	476	465	2.4%	476	265	79.6%
Operating Profit (\$m)	423	364	16.2%	423	174	143.1%
EBITDA Margin, %	34.1%	27.1%	7.0 pts	34.1%	15.3%	18.8 pts
EBITDA per tonne (\$/t)	186	175	6.3%	186	108	72.2%
Average Selling Price (US\$/t**)	490	579	(15.4%)	490	619	(20.8%)

* 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

\$ million	As at 31 March 2015	As at 31 December 2014
Cash and Cash Equivalents	1,522	1,897
Total Assets:	7,076	7,561
Current Assets	3,297	3,620
Non-current Assets	3,779	3,941
Total Liabilities:	4,093	4,723
Current Liabilities	1,262	1,734
Non-current Liabilities	2,831	2,989
Total Equity	2,983	2,838
Total Equity and Liabilities	7,076	7,561

Summary Cash Flow Statement

\$ million	Q1 2015	Q4 2014	Q1 2015	Q1 2014*
Profit before Financing and Taxation	488	290	488	289
Cash Generated from Operations	323	612	323	538
Interest Paid	(42)	(57)	(42)	(35)
Income Tax Paid	(4)	(9)	(4)	(8)
Net cash from Operating Activities - continuing operations	277	546	277	495
Net cash used in Operating Activities - discontinued operation	(14)	(15)	(14)	(7)
Net cash from Operating Activities	263	531	263	488
Net cash used in Investing Activities - continuing operations	(68)	(101)	(68)	(237)
Net cash used in Investing Activities - discontinued operation	-	-	-	(14)
Total cash used in Investing Activities, incl.	(68)	(101)	(68)	(251)
Additions to PP&E and IA	(103)	(157)	(103)	(251)
Free Cash Flow**	209	425	209	256
Cash (used in)/from Financing Activities - continuing operations	(554)	(1,035)	(554)	120
Cash from/(used in) Financing Activities - discontinued operation	-	1	-	(478)
Cash used in Financing Activities	(554)	(1,034)	(554)	(358)
Effect of Exchange Rate on Cash and Cash Equivalents	(16)	(252)	(16)	(23)
Net decrease in Cash and Cash Equivalents	(375)	(856)	(375)	(144)
Cash and Cash Equivalents at beginning of the Period	1,897	2,753	1,897	1,036
Cash and Cash Equivalents at end of the Period	1,522	1,897	1,522	892

* These amounts reflect adjustments made in connection with the presentation of the discontinued operation

** Free cash flow excludes discontinued operation

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