



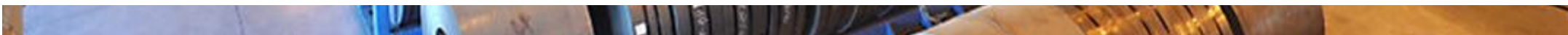
Q4 & FY 2015 Financial Results Presentation

3 February 2016



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Q4 & FY 2015 Results Overview

Q4 & FY 2015 Highlights:

- Group revenue decreased 16.1% q/q to \$1,396m (Q3 15: \$1,663m). This primarily reflects both further decline in average selling prices (ASP) and seasonally weaker sales volumes at Russian Steel. In the meantime, financial results improvement in Resources partially offset those negative trends. FY 15 revenue decreased 22.9% y/y to \$6,396m (FY 14: \$8,296m)
- Despite the group EBITDA margin compressing 2.8 pts q/q to 28.7% (Q3 15: 31.5%), it remained one of the highest in the industry. Group EBITDA* decreased 23.5% q/q to \$401m (Q3 15: \$524m). FY 15 Group EBITDA decreased 5.2% y/y to \$2,096m (FY 14: \$2,211m**)
- Severstal was able to release substantial net working capital due to effective inventory reduction and conservative shipments policies preventing the accumulation of bad receivables, and this supported earnings y/y. The Company substantially enhanced free cash flow generation, to \$1,552m in FY 15 (FY 14: \$1,232m), which is in line with the Company's strategic focus
- Q4 15 net loss*** of \$114m (Q3 15: \$130m) reflects a FX loss of \$208m and non-current assets impairment of \$173m. Adjusting for these non-cash items, Severstal would have posted an underlying net profit of \$267m (Q3 15: \$394m excluding FX loss and non-current assets impairment)
- The Net Debt/EBITDA ratio remained largely unchanged at 0.4x at the end of Q4 15 (Q3 15: 0.4x), which is one of the lowest amongst steel companies globally
- 2015 capex **** of \$440m, 43.5% lower y/y (2014: \$779m) , reflecting our prudent approach to investments. Severstal's FY 2016 capex target is RUB 43 billion, subject to FX fluctuations
- Recommended dividend payment of 20.27 roubles per share for the three months ended 31 December 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)

** The amount for FY 2014 reflects adjustments made in connection with the change in the methodology for calculating the unrealised gain in inventory, increasing EBITDA by \$8 million

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

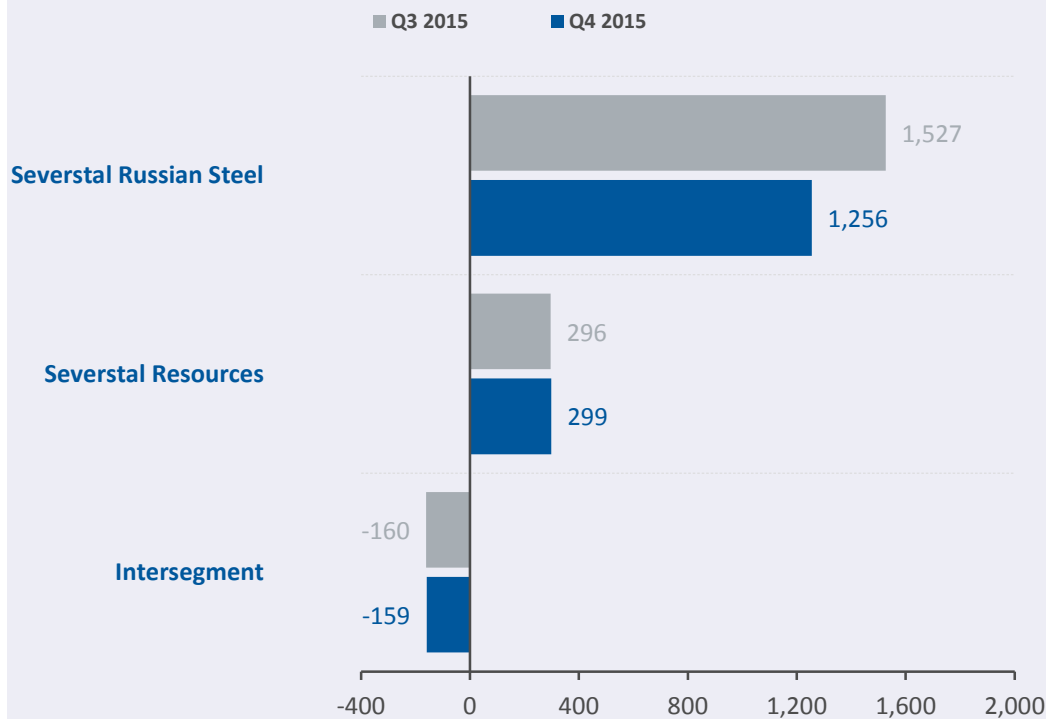
**** Represents cash outflow on capex in the period

Revenue Dynamics and Breakdown

Q4 2015 Revenue: \$1,396m

(Q3 2015: \$1,663m; -16.1%)

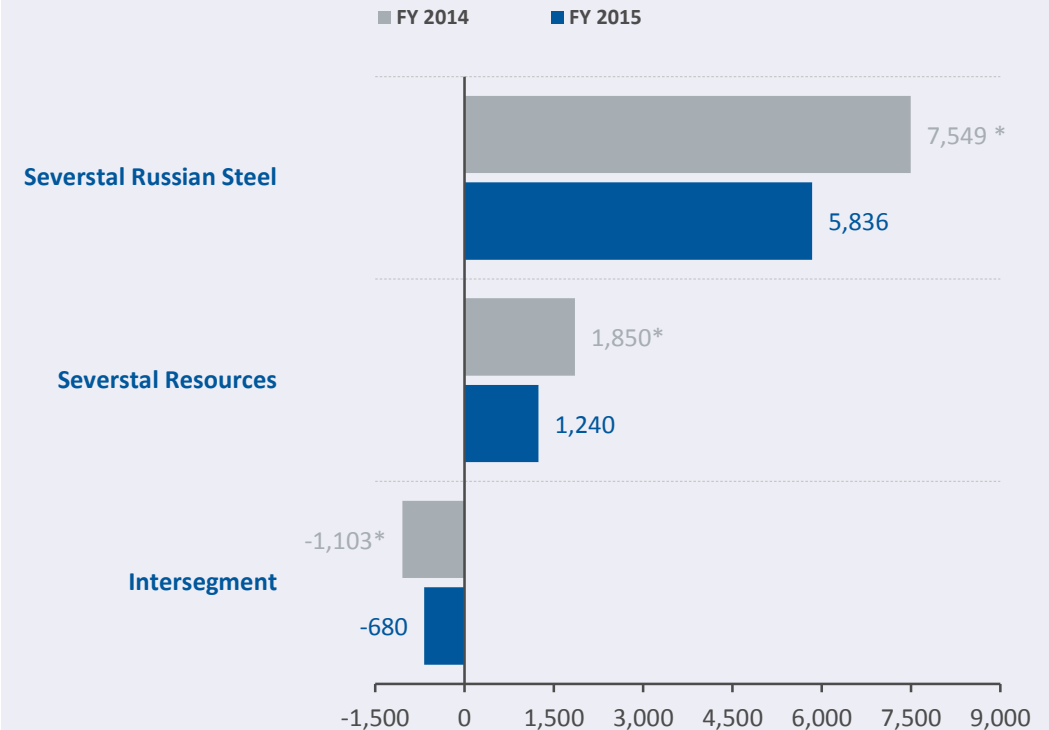
Group revenue decreased q/q as negative impact of lower average selling prices in USD terms and lower sales volumes at Russian Steel was only partially mitigated by better deliveries at Resources



FY 2015 Revenue: \$6,396m

(FY 2014: \$8,296m; -22.9%)

Group revenue decreased y/y as a result of lower realized prices y/y at Russian Steel and Resources, which has been only partially mitigated by an increase in sales volumes

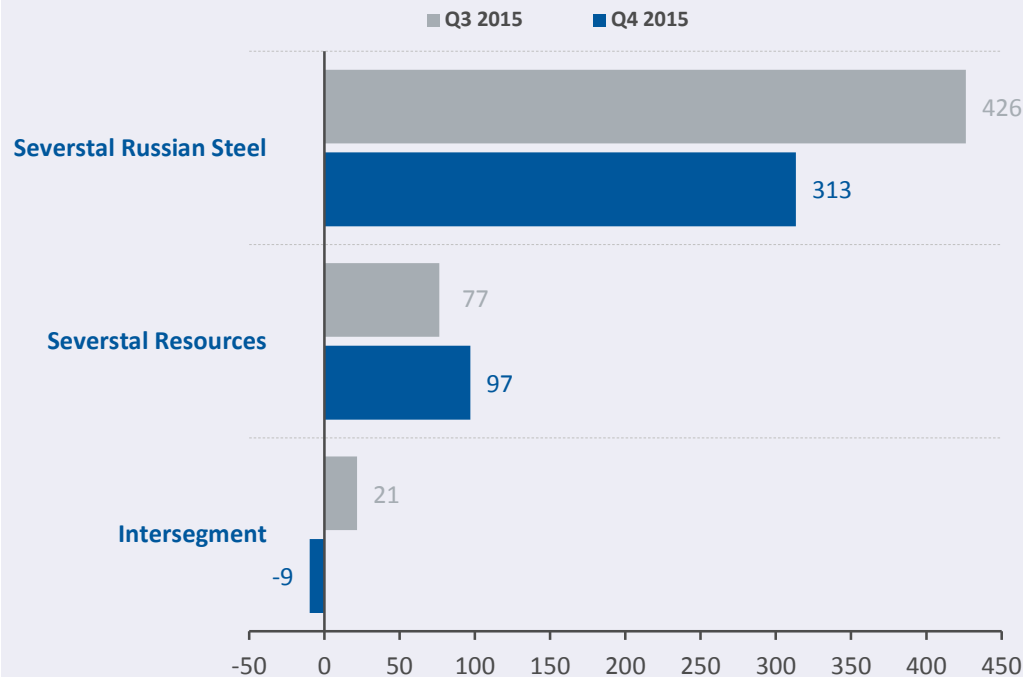


* Divisional results for the respective previous periods were restated following a change in the Group's management structure in January 2015

EBITDA Dynamics and Breakdown

Q4 2015 EBITDA: \$401m
(Q3 2015: \$524m; -23.5%)

Group EBITDA decreased q/q as ongoing efficiency improvements coupled with marginal production cost decline on the back of RUB devaluation only partially offset negative impact of higher raw materials input prices and lower steel products selling prices in USD terms

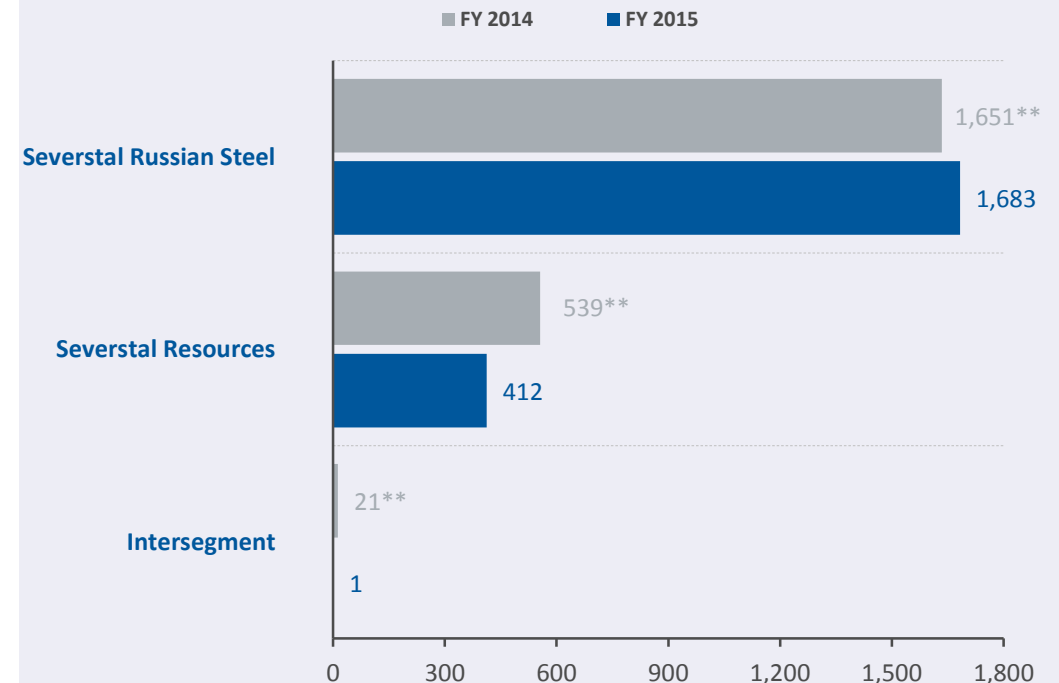


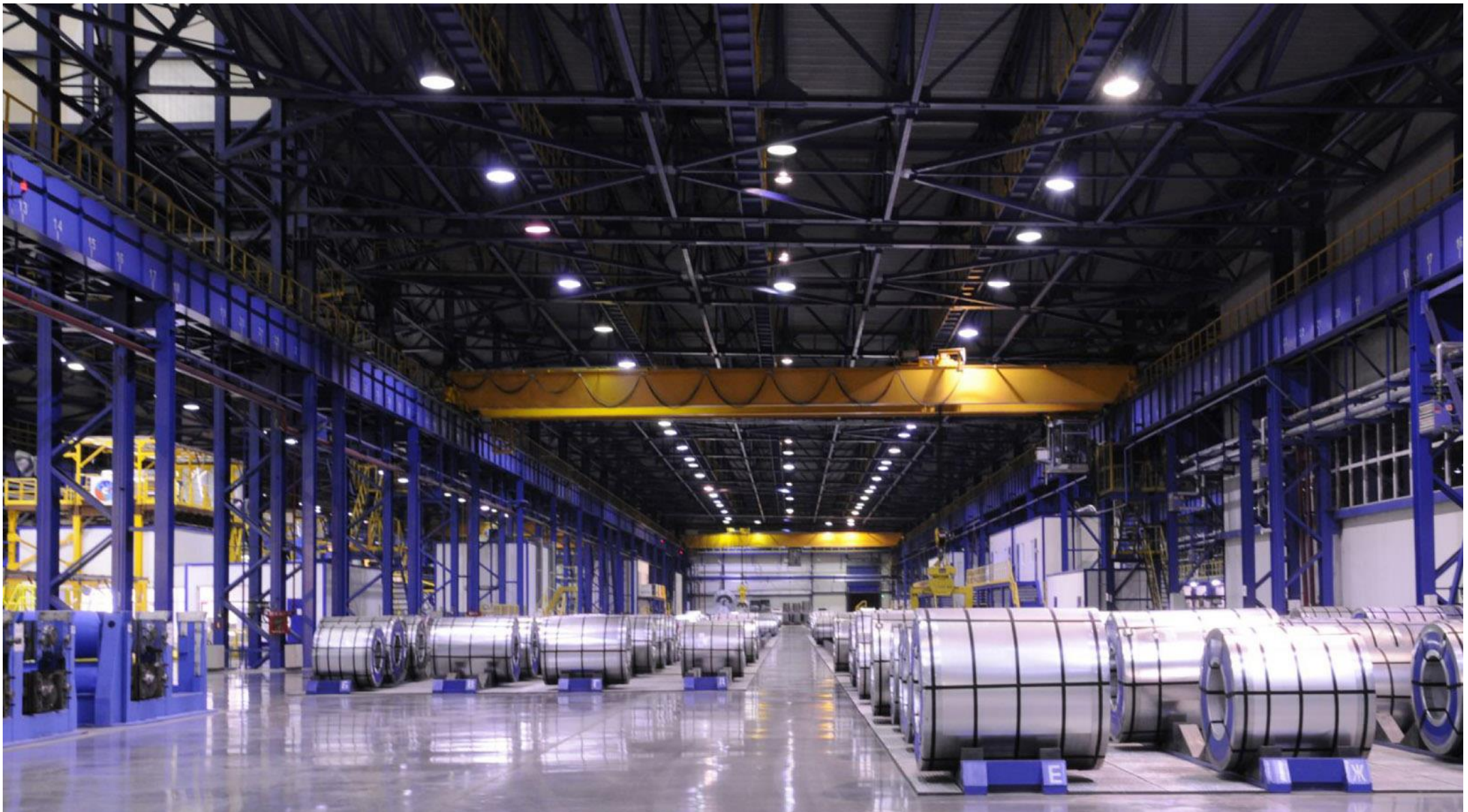
* The amounts for 2014 reflect adjustments made in connection with the change in the methodology for calculating the unrealised gain in inventory, increasing EBITDA by \$8 million

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

FY 2015 EBITDA: \$2,096m
(FY 2014: \$2,211*; -5.2%)

Group EBITDA marginally decreased y/y as lower deliveries at Resources have been partially offset by further improvements at Russian Steel on the back of operational enhancements, lower input costs and RUB devaluation

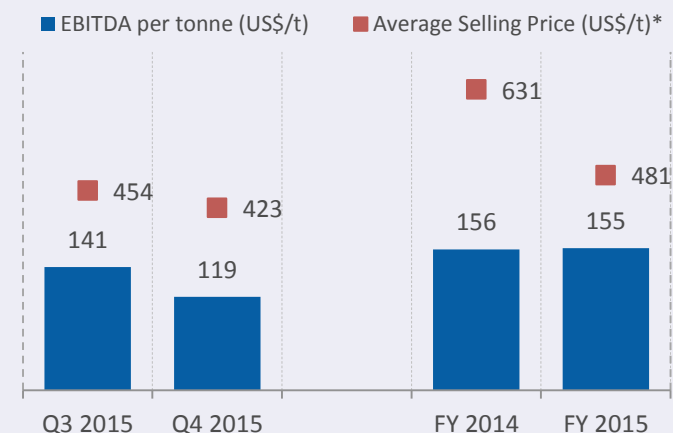




Severstal Russian Steel (RSD)

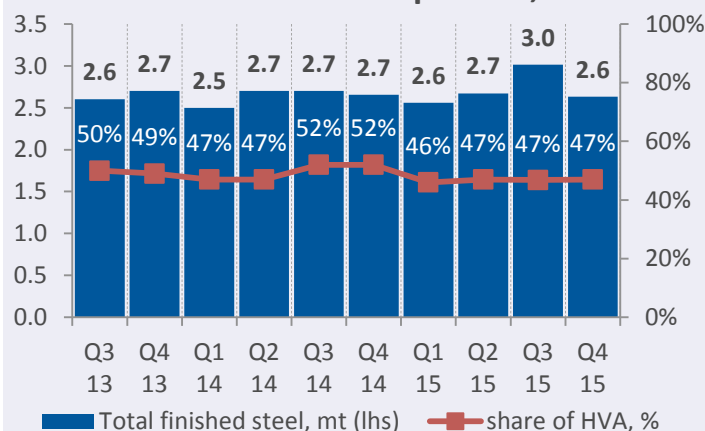
- Steel product sales decreased 13% q/q to 2.63mnt due to seasonal factors and short-term scheduled maintenance at the hot-rolling shop at Cherepovets Steel Mill.
- Despite seasonally weaker demand, the share of domestic sales volumes within the sales mix decreased only marginally to 64% (Q3 15: 67%). The share of HVA products within the sales mix remained at 47%.
- Reflecting the continuing downward adjustment in global steel prices and a seasonally soft domestic market, USD-denominated average steel prices for rolled products at RSD decreased q/q for almost all products. Ongoing RUB devaluation put additional pressure on USD-denominated prices.
- Revenue decreased 17.7% q/q to \$1,256m (Q3 15: \$1,527m). The negative impact of lower selling prices and volumes was further exacerbated by higher raw material input prices and only partially mitigated by lower production costs on the back of RUB devaluation. As a result, EBITDA decreased 26.5% q/q to \$313m (Q3 15: \$426m) and the EBITDA margin compressed 3.0 pts to 24.9% (Q3 2015: 27.9%).
- The total non-integrated cash cost of slab production at the Cherepovets Steel Mill in Q4 decreased \$3/t q/q to \$203/t (Q3 15: \$206/t) as the positive effect of further RUB devaluation and ongoing efficiency improvements was negatively impacted by lower crude steel production volumes, triggering fixed costs growth. The integrated cash cost of slab in Q4 decreased \$12/t q/q to \$164/t as a result of better delivery performance from Resources.

EBITDA per tonne and average selling price

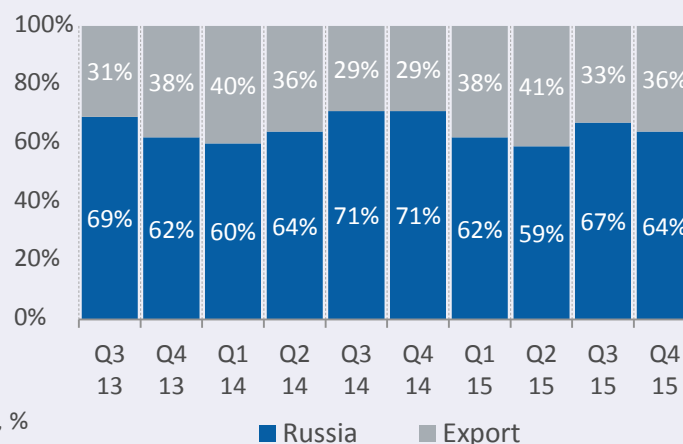


*All steel products, incl. pipes, etc.; Ex Works price terms.

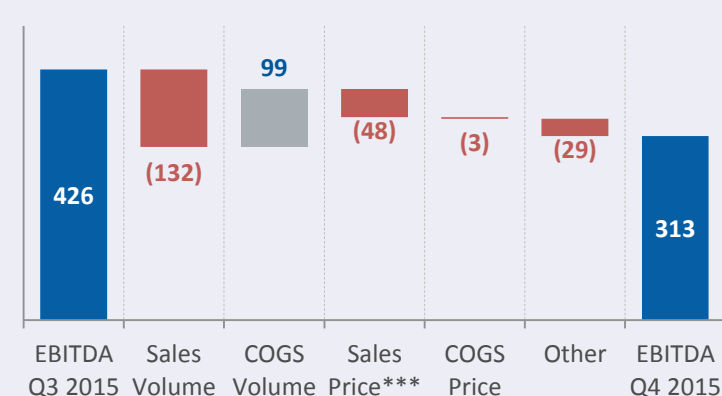
Share of high-value-added products** in total steel shipments, %



Steel sales volumes by destination, %



EBITDA drivers in Q4 2015, \$m



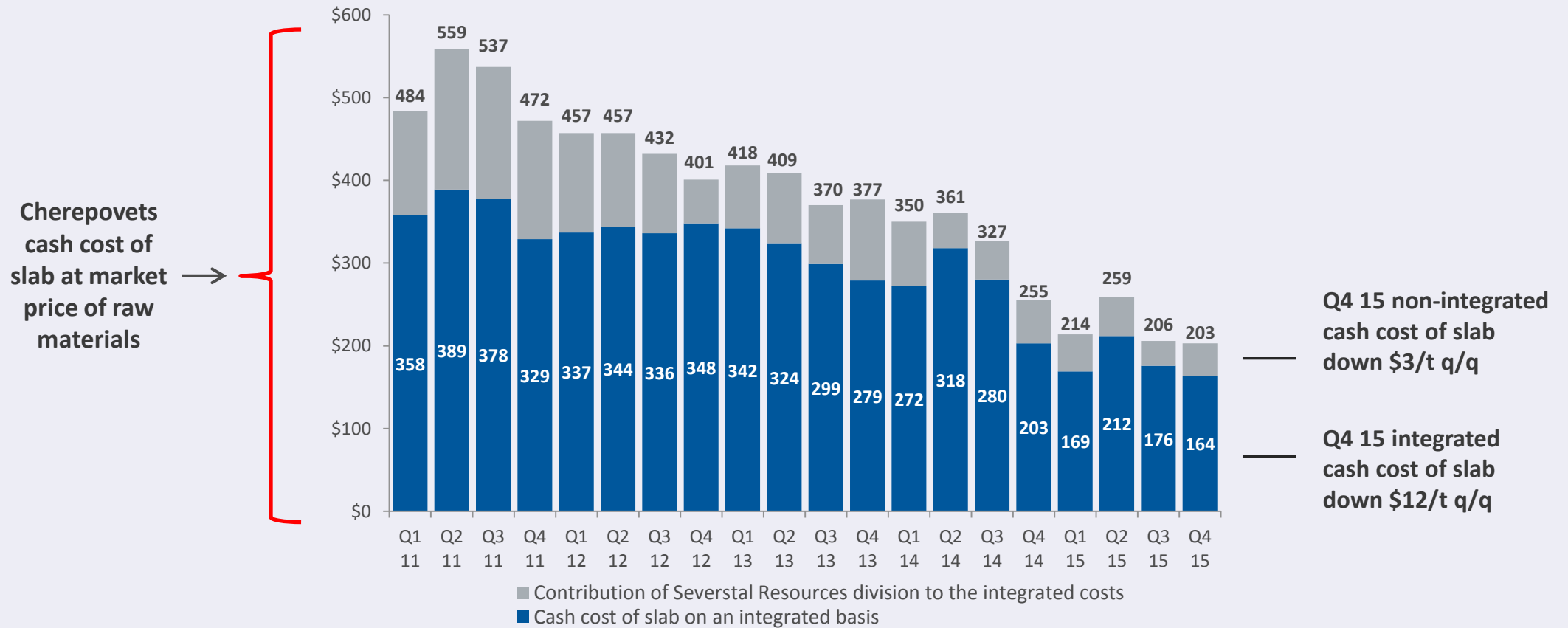
** High-value-added comprises: plate; cold-rolled, galvanised and metallic coated, color coated sheet; metalware; large-diameter and other pipes.

*** Excluding foreign exchange effect

Cost Control at Severstal Russian Steel

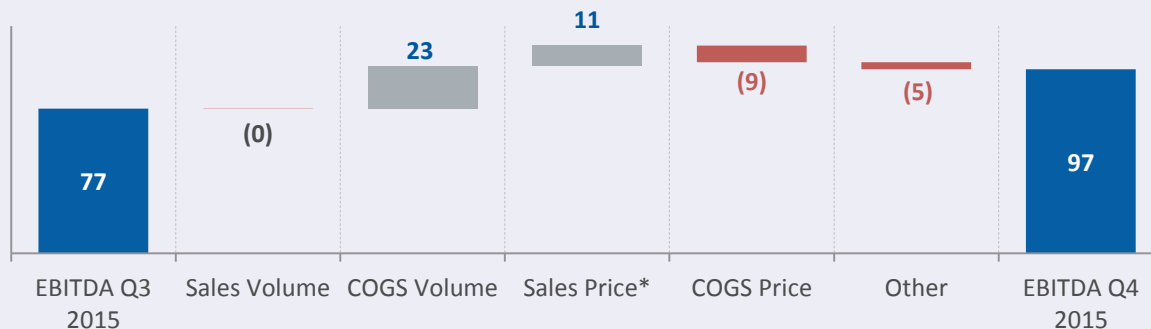


Cherepovets Steel Mill production cash cost of slab, \$/t



- Coking coal concentrate sales volumes increased 1% q/q to 1.48mnt (Q3 15: 1.46mnt) reflecting a substantial increase in ROM-coal output volumes in Q4 15 at Vorkutaugol. Average coking coal concentrate selling prices increased 11% q/q despite a 4% q/q decline in hard coking coal benchmark contract prices in Q4. This is primarily a function of an upward revision of coking coal contract prices in the domestic market.
- Iron ore pellet sales decreased 1% q/q to 2.70mnt (Q3 15: 2.73mnt), while iron ore concentrate sales volumes decreased 15% q/q to 0.96mnt (Q3 15: 1.13mnt) both reflecting lower internal procurement and seasonally weaker demand. Average USD-denominated selling prices of iron ore concentrate at Olkon increased 3% q/q largely driven by a marginal increase in RUB-denominated prices offsetting RUB devaluation during the period.
- All the abovementioned factors resulted in largely unchanged revenue q/q at \$299m (Q3 15: \$296m). Marginal RUB devaluation q/q led to production costs reduction, while an increase in ROM-coal output at Vorkutaugol with completion of the scheduled long-wall repositionings had an additional positive impact on production costs. That said, EBITDA increased 26.0% to \$97m (Q3 15: \$77m). The EBITDA margin expanded 6.4 ppts to 32.4% (Q3 15: 26.0%).
- Reflecting the robust rebound in ROM-coal output at Vorkutaugol following completion of the scheduled long-wall repositionings, total cash costs (TCC) at Vorkutaugol decreased sharply to \$47/t (Q3 2015: \$59/t). TCC at Karelsky Okatysh decreased marginally to \$23/t (Q3 2015: \$24/t), which was primarily a function of the RUB devaluation. At the same time, TCC at Olkon increased to \$24/t (Q3 2015: \$21/t) on the back of lower output and seasonal factors.

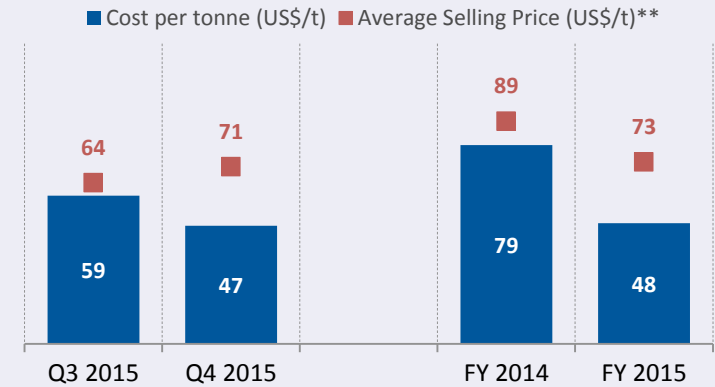
EBITDA drivers in Q4 2015, \$m



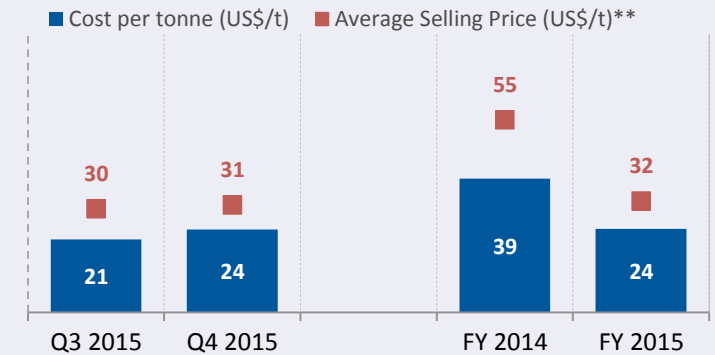
* Excluding foreign exchange effect
 ** Free carrier price terms

Average selling price and cash cost per tonne

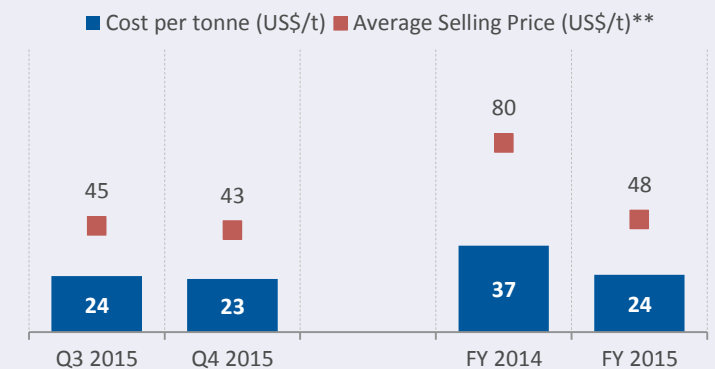
Vorkutaugol (coking coal concentrate, mix)



Olkon (iron ore concentrate)



Karelsky Okatysh (pellets)



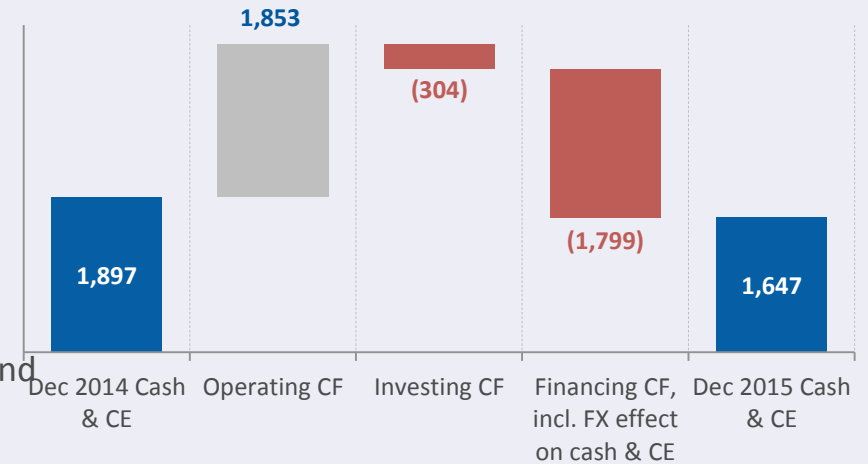


Cash Flow and Net Working Capital

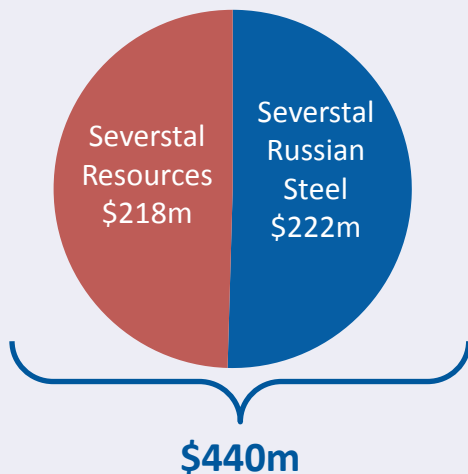
Q4 and FY 2015 Highlights:

- Solid liquidity position of \$1,647m in cash and cash equivalents
- Strong operating cash flow of \$407m* in Q4 15 and \$1,853m* in FY 2015
- Q4 15 capex of \$122m, 18.4% higher q/q (Q3 15: \$103m); FY 2015 capex of \$440m, 43.5% lower y/y (FY 2014: \$779) reflecting prudent approach to investments
- FY 2015 free cash flow of \$1,552m; Q4 15 free cash flow of \$305m
- Net working capital down 33.4%** YTD due to effective inventory reduction and conservative shipments policies preventing the accumulation of bad receivables; NWC/LTM revenue decreased to 7.7% YTD

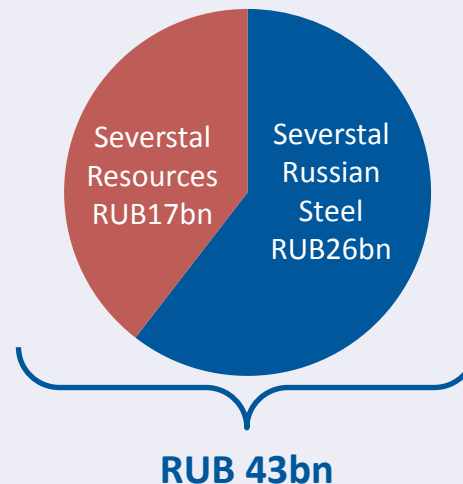
Cash Flow dynamics,
31 Dec 2014 to 31 Dec 2015



FY 2015 CAPEX breakdown, \$m



FY 2016 target CAPEX breakdown, RUBbn



Net Working Capital developments

Net working capital, \$m

December 31, 2015	December 31, 2014**	Change, %
491	737	(33.4%)

Net working capital as % of revenues (LTM)

December 31, 2015	December 31, 2014**	Change, pts
7.7%	8.9%	(1.2 pts)

* Net cash from operating activities

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

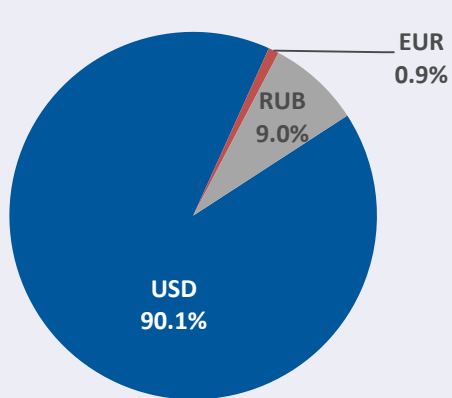


Robust Liquidity and Sustainable Leverage Severstal

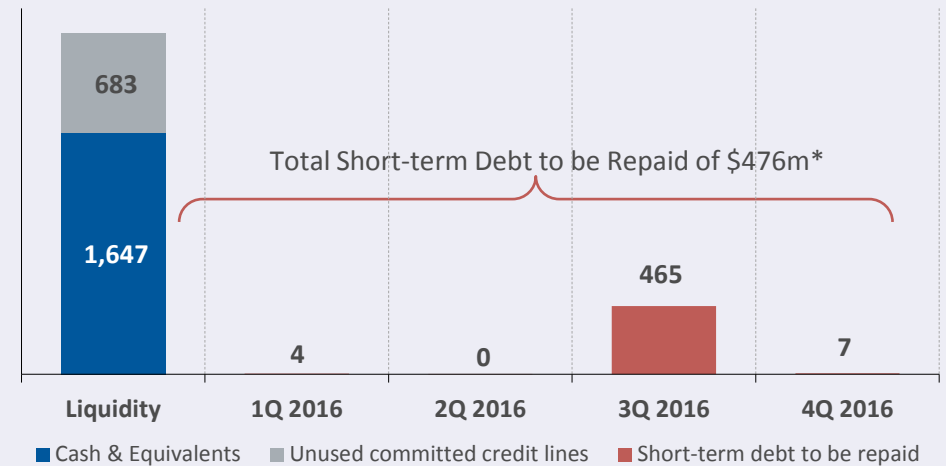
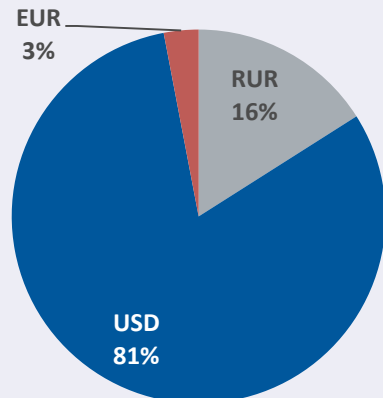
Strong liquidity position:

- As at the end of Q4 15, cash and cash equivalents were at \$1,647m (Q3 15: \$1,675m) as strong free cash flow generation more than offset cash outflows on the quarterly dividend payment
- Severstal's gross debt decreased a marginal 2.1% at the end of Q4 15 to \$2,452m (Q3 15: \$2,504m) largely reflecting FX fluctuations
- Net debt continued to reduce to \$805m as at the end of Q4 15 (Q3 15: \$829m). The Net Debt/EBITDA ratio remained largely unchanged at 0.4x at the end of Q4 15 (Q3 15: 0.4x), which is one of the lowest amongst steel companies globally. During FY 15 the net debt/EBITDA ratio reduced to 0.4x (YE 14: 0.7x) driven primarily by the substantial reduction in net debt
- Strong liquidity, with \$1,647m in cash and cash equivalents and unused committed credit lines of \$683m, more than covers short-term debt principal requirements of \$476m.

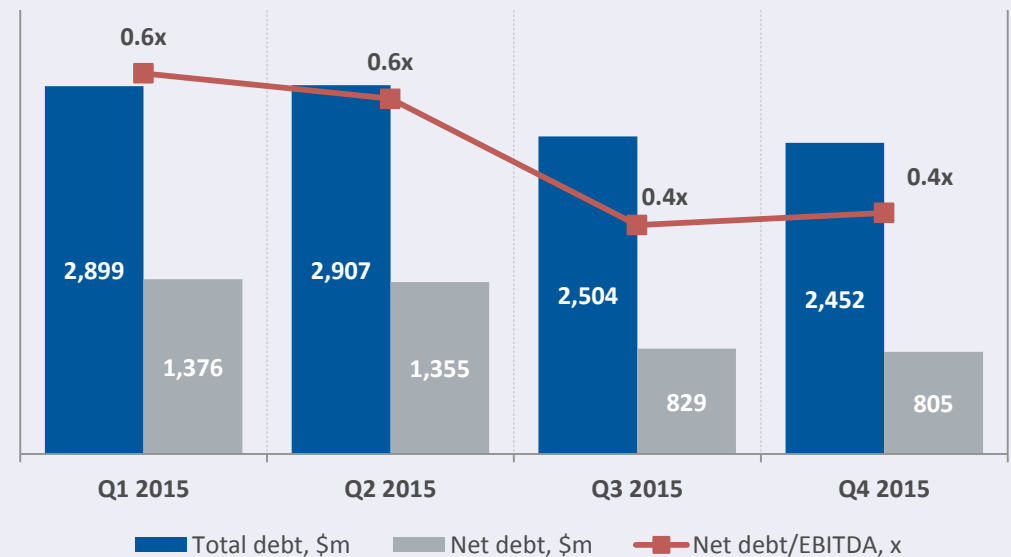
Q4 2015 debt currency mix



Q4 2015 cash currency mix



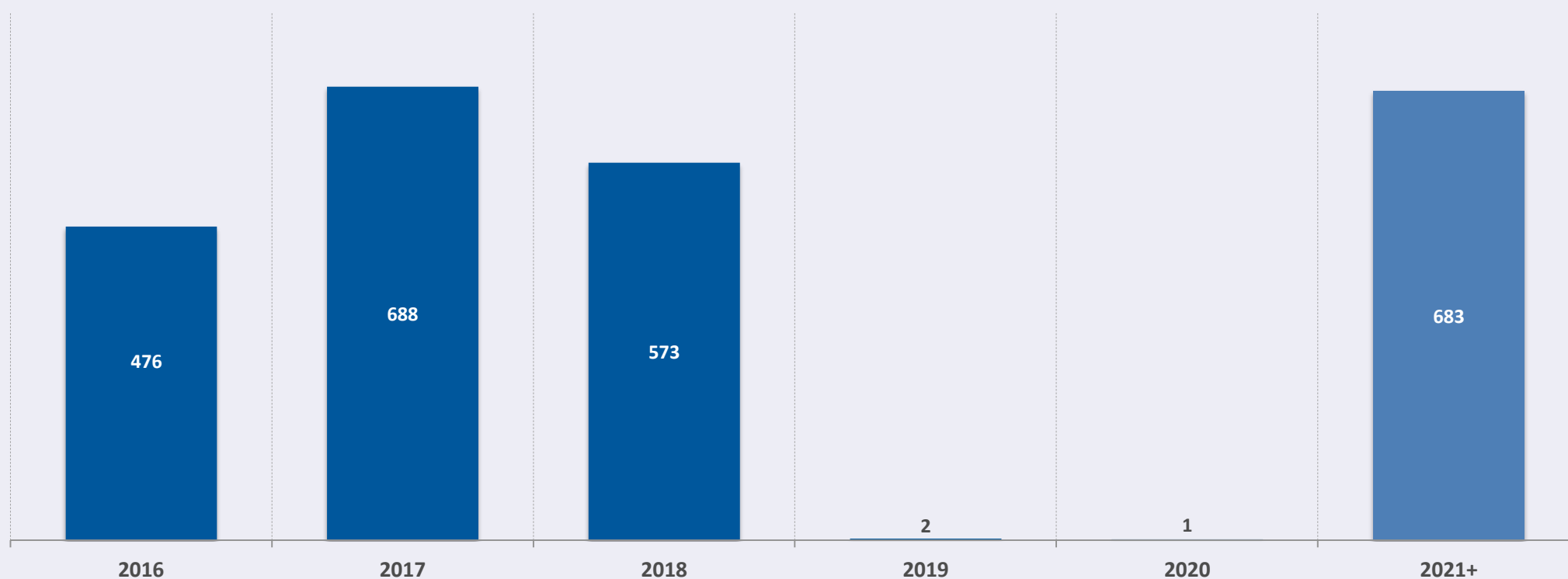
* Represents principal amount of debt



Debt Structure

As at 31.12.2015 the debt structure was dominated by public debt (90.1% of total) and the US dollar (90.1% of total).

Debt Maturity Schedule*, \$m



Notes:

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

* Figures exclude accrued interest and unamortized balance of transactional costs

Global:

- Global steel production has fallen by 2.8% in 2015 driving capacity utilization level to tremendously low level of 64.6% in Dec 2015
- Chinese steel demand remains weak with further decline in 2016 forecasted by World Steel Association , while Chinese export increased by 20% y/y in 2015
- These factors add further pressure on steel and steel-related commodity prices. Raw materials prices stay range-bound at depressed levels

Russia:

- A new leg of oil price deterioration might put pressure on Russian economic recovery in 2016
- Visibility for Russian steel demand in 2016 remains low
- Increasing protectionism globally will exert pressure on export deliveries structure and margins.
- The Board remains confident that, underpinned by the Company's vertically integrated business model, high quality operations, and a sizable share of high-valued added products in the portfolio, Severstal remains well positioned comparing vs. both local and global peers.



Summary Income Statement

\$ million, unless otherwise stated	Q4 2015	Q3 2015	FY 2015	FY 2014***
Revenue	1,396	1,663	6,396	8,296
COGS	(885)	(1,023)	(3,787)	(5,441)
EBITDA	401	524	2,096	2,211
EBITDA margin, %	28.7%	31.5%	32.8%	26.7%
Profit from operations	303	422	1,703	1,602
Operating margin, %	21.7%	25.4%	26.6%	19.3%
(Loss)/profit before income tax	(131)	(163)	723	(807)
Net (loss)/profit*	(114)	(130)	562	(795)
Basic EPS**, \$	(0.13)	(0.16)	0.70	(0.98)

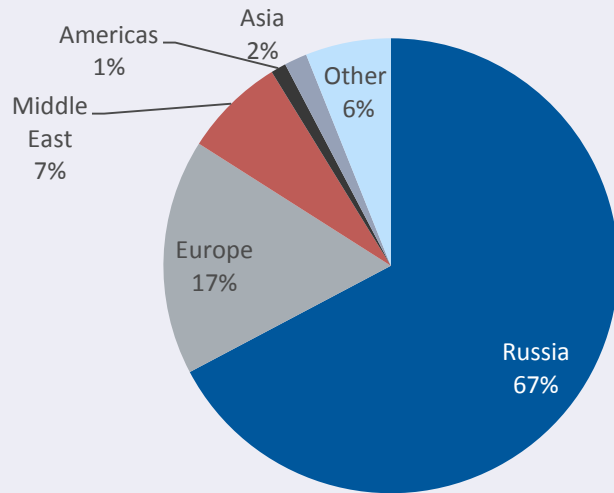
* Net (loss)/profit from continuing operations after FX fluctuations

** 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 Q4 2015, Q3 2015, FY 2015 and FY 2014

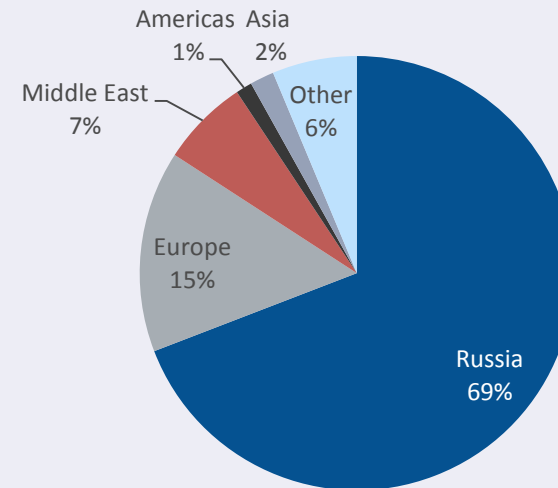
*** The amounts for FY 2014 reflect adjustments made in connection with the change in the methodology for calculating the unrealised gain in inventory, increasing EBITDA by \$8 million

Q4 2015 Revenue Breakdown by Region

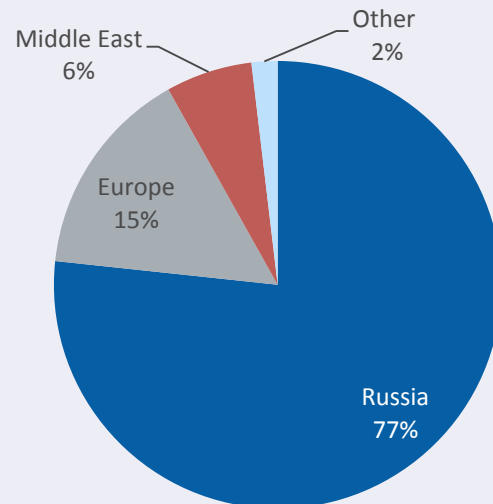
Severstal Group Q4 2015 revenue breakdown by region



Severstal Russian Steel Q4 2015 revenue breakdown by region



Severstal Resources Q4 2015 revenue breakdown by region



Q4 & FY 2015 Division Results

Severstal Resources

	Q4 2015	Q3 2015	Change, %	FY 2015	FY 2014*	Change, %
Revenue (\$m)	299	296	1.0%	1,240	1,850	(33.0%)
Cost of sales (\$m)	(185)	(205)	(9.8%)	(758)	(1,201)	(36.9%)
G&A expenses (\$m)	(13)	(12)	8.3%	(59)	(109)	(45.9%)
Distribution expenses (\$m)	(31)	(31)	0.0%	(128)	(177)	(27.7%)
EBITDA (\$m)	97	77	26.0%	412	539	(23.6%)
Operating Profit (\$m)	63	42	50.0%	269	318	(15.4%)
EBITDA Margin, %	32.4%	26.0%	6.4 pts	33.2%	29.1%	4.1 pts

Severstal Russian Steel

	Q4 2015	Q3 2015	Change, %	FY 2015	FY 2014*	Change, %
Revenue (\$m)	1,256	1,527	(17.7%)	5,836	7,549	(22.7%)
Cost of sales (\$m)	(842)	(993)	(15.2%)	(3,680)	(5,304)	(30.6%)
G&A expenses (\$m)	(63)	(56)	12.5%	(267)	(380)	(29.7%)
Distribution expenses (\$m)	(89)	(103)	(13.6%)	(413)	(541)	(23.7%)
EBITDA (\$m)	313	426	(26.5%)	1,683	1,651	1.9%
Operating Profit (\$m)	249	359	(30.6%)	1,432	1,263	13.4%
EBITDA Margin, %	24.9%	27.9%	(3.0 pts)	28.8%	21.9%	6.9 pts
EBITDA per tonne (\$/t)	119	141	(15.6%)	155	156	(0.6%)
Average Selling Price (US\$/t**)	423	454	(6.8%)	481	631	(23.8%)

* 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 December 2015	As at 31 December 2014*
Cash and Cash Equivalents	1,647	1,897
Total Assets:	5,867	7,553
Current Assets	2,937	3,612
Non-current Assets	2,930	3,941
Total Liabilities:	3,599	4,725
Current Liabilities	1,297	1,734
Non-current Liabilities	2,302	2,991
Total Equity	2,268	2,828
Total Equity and Liabilities	5,867	7,553

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

Summary Cash Flow Statement

\$ million	Q4 2015	Q3 2015	FY 2015	FY 2014*
Profit before Financing and Taxation	108	408	1,469	1,208
Cash Generated from Operations	475	729	2,096	2,232
Interest Paid	(51)	(33)	(177)	(247)
Income Tax Paid	(19)	(11)	(51)	(54)
Net cash from Operating Activities - continuing operations	405	685	1,868	1,931
Net cash from/(used in) Operating Activities - discontinued operation	2	1	(15)	107
Net cash from Operating Activities	407	686	1,853	2,038
Net cash (used in)/from Investing Activities - continuing operations	(90)	(74)	(304)	1,297
Net cash used in Investing Activities - discontinued operation	-	-	-	(95)
Total cash (used in)/from Investing Activities, incl.	(90)	(74)	(304)	1,202
Additions to PP&E and IA	(122)	(103)	(440)	(779)
Free Cash Flow**	305	609	1,552	1,232
Cash used in Financing Activities - continuing operations	(329)	(406)	(1,702)	(1,684)
Cash used in Financing Activities - discontinued operation	-	-	-	(367)
Cash used in Financing Activities	(329)	(406)	(1,702)	(2,051)
Effect of Exchange Rate on Cash and Cash Equivalents	(16)	(83)	(97)	(328)
Net (decrease)/increase in Cash and Cash Equivalents	(28)	123	(250)	861
Cash and Cash Equivalents at beginning of the Period	1,675	1,552	1,897	1,036
Cash and Cash Equivalents at end of the Period	1,647	1,675	1,647	1,897

* 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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