



Resilience through operational excellence

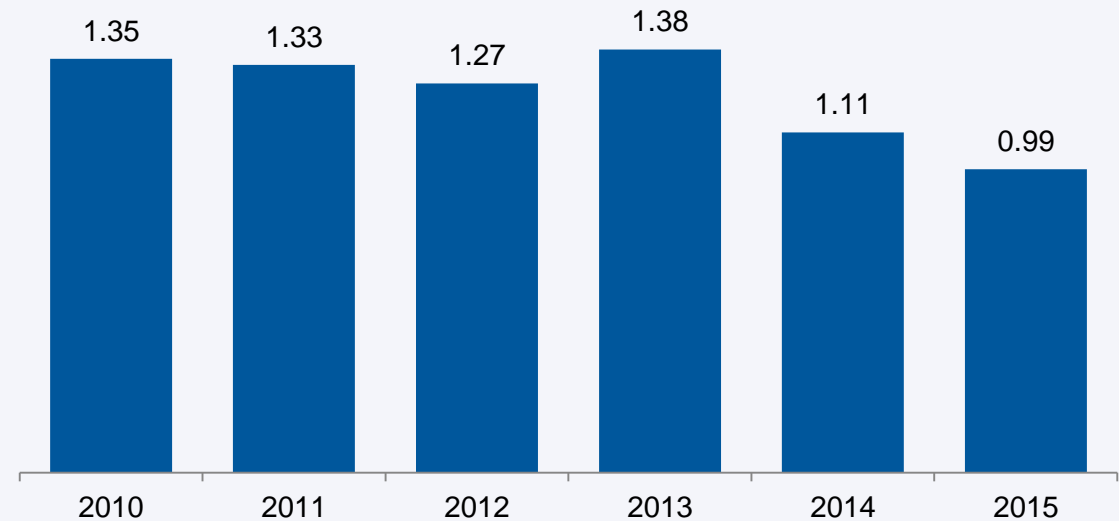
June 2016



Safety is our top priority

- Strategic objective to eliminate all fatal accidents
- HSE is supervised by a dedicated Board Committee
- Steady movement to the low level of 1.0 and below
- Main focus on underground coal mining where 2015 LTIFR is 4.1

LTIFR dynamics



* LTIFR stands for Lost Time Injury Frequency Rate.

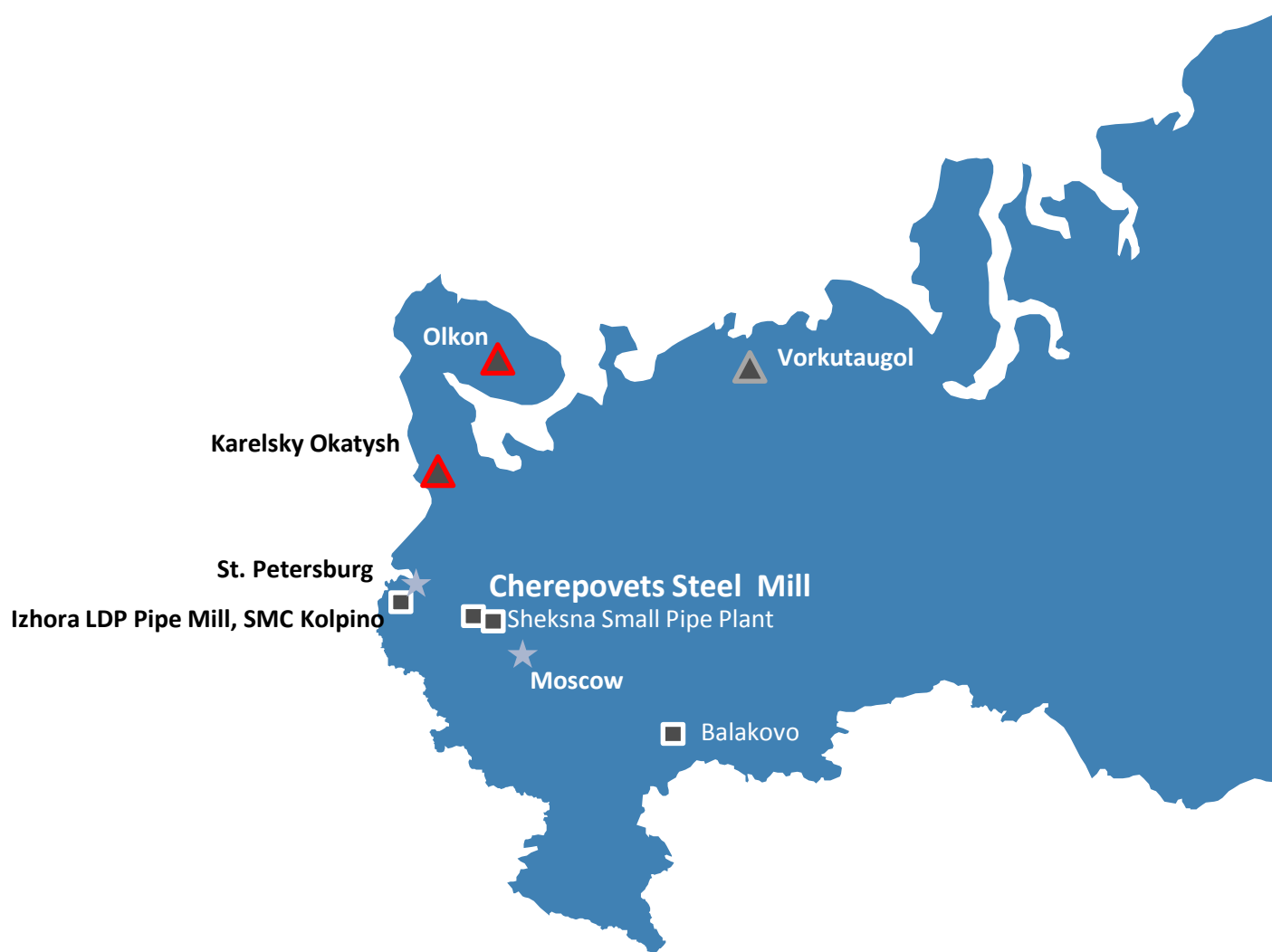
**All figures exclude Severstal North America and PBS Coals.

- *On 25 February, an underground rock burst occurred at Severnaya mine, one of the five mines at Vorkutaugol. On 28 February, the Emergency Commission determined that, due to the degree of destruction and the level of methane gas concentration in the mine, all of the missing miners were presumed dead.*
- *The Emergency Commission has preliminary determined that the initial blast was caused by geological reasons rather than men's error or equipment failure.*



Severstal's investment profile

- Safety continues to be our top priority
- One of the lowest cost producers on the global cost curve
- Industry leading margins and strong free cash flow generation
- Proximity to export routes enables flexibility to shift volumes between markets
- Well-diversified product mix with a share of HVA in the portfolio at ca. 50%
- Operational enhancements since 2010 with further potential gains
- Intense focus on customer care and quality should drive market share expansion
- Minimal debt and a dedicated dividend policy
- High level of corporate governance, sustainability and shareholder engagement
- Part of the MSCI Russia index



Severstal: In the center of major steel consuming regions and closest to the export routes



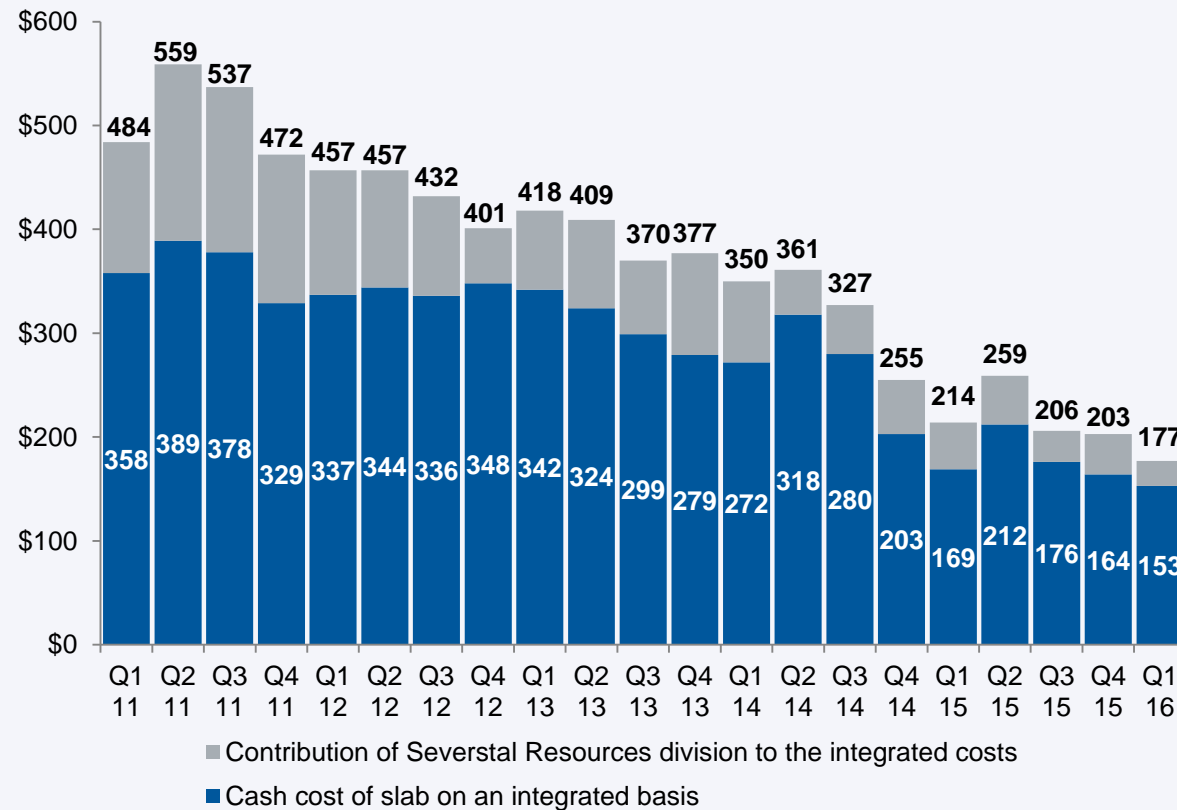
Vertically integrated, low-cost steelmaker

Vertical Integration¹

Global Cost Competitiveness

110%
Integration
in Iron Ore

96%
Integration
in Coking Coal²



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

(1) Vertical integration – percent of self-sufficiency in terms of its own generation and consumption (2015 data)

(2) On the back of the Severnaya accident integration into coking coal temporarily declined to 77%

*slab BOF non-integrated cash cost for the Q1 2014 has been restated

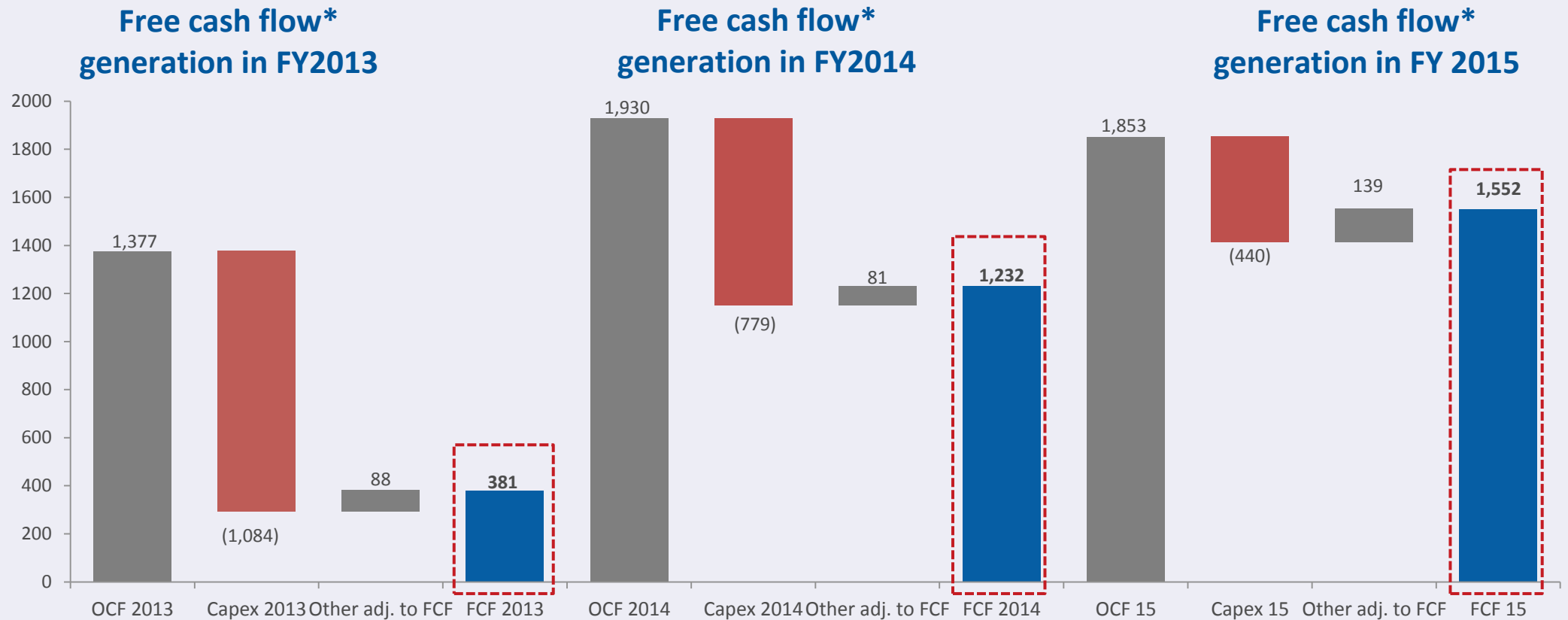
Our targets remain intact with a focus on increasing customer care

Cost Position	Middle-to-the-left position of all our assets on the cost curve	On integrated basis: Achieved Individual assets: Strong progress
Margins	Targeting cycle-average EBITDA margin of c. 20%	Delivered: 32.8% for FY 15 
FCF	Stable positive free cash flow	Delivered: \$1,552 mln for FY 15 
CAPEX	Mid-term target below \$1.0bn a year	Delivered: FY2016 target CAPEX of 43 bln RUB 
Net Debt	Striving to keep Net debt/EBITDA below 1.5x	Delivered: 0.5x as of Q1 16 
Dividends	Payout of not less than 50% of the net income*	Delivered 
Customer care	Lead in Russia in the level of service and quality	A comprehensive system in place

* Not less than 50% of the net profit for the reporting period provided that Net debt/EBITDA is below 1.0x. Should the ratio increase to higher than 1.0x, Severstal would return to its previous dividend payout of 25% of net profit.



Delivering substantial and meaningful FCF

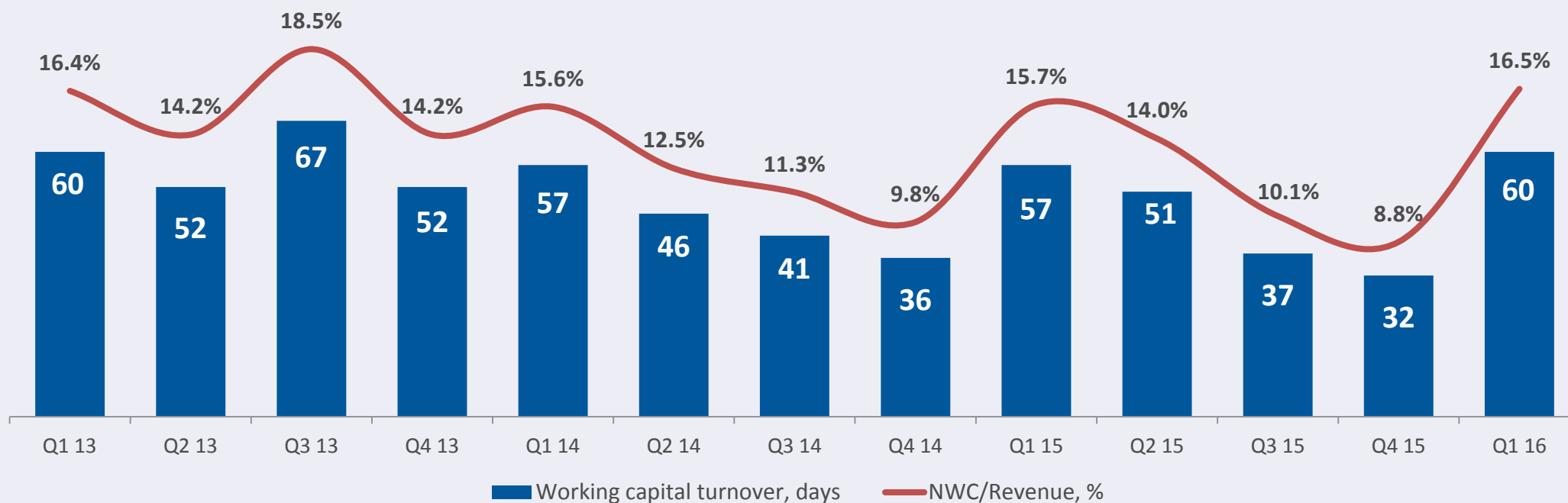


Highlights:

- Capex traditionally covered by operational cash flow
- FCF used for dividend payments and further deleveraging

* Free cash flow is determined as an aggregate amount of the following lines: Net cash from operating activities – continuing operations, CAPEX, proceeds from disposal of PPE, interest received and dividends received

Net working capital dynamics and turnover**



* Excludes SNA in Q1 2013– Q2 2014.

** These amounts reflect adjustments made in connection with the change in the unrealized gain in inventory calculation methodology.

Highlights:

- Despite market volatility, WC turnover in 2015 remained below the 2013-2014 average levels
- Use of more complex tools with better payment terms to finance purchases (factoring, etc.)
- Proactive engagement with customers
- Conservative shipment policies prevent accumulation of bad receivables
- Short term spike in Q1 2016 reflects inventories build up prior to construction season as well as substantial increase in export deliveries.



Sensitivity to currency

Element	Its composition
Revenues	~70% Rubles
All-in cost (COGS and SG&A)	~80% Rubles
CAPEX	~62% Rubles

Share of RUB outflow and inflow broadly match

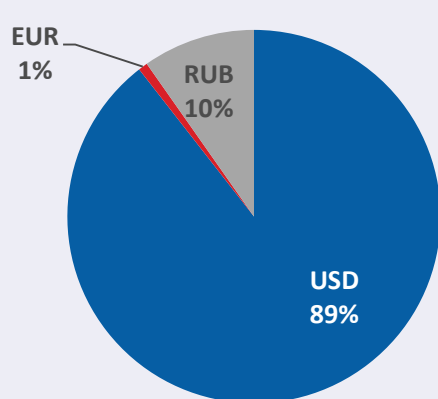
- Broadly positive effect of FX on EBITDA due to high share of export shipments with payment in USD and Euro
- Generally benefit from the RUB weakening as a result of the export net back parity effect on the local pricing

Robust Liquidity and Sustainable Leverage

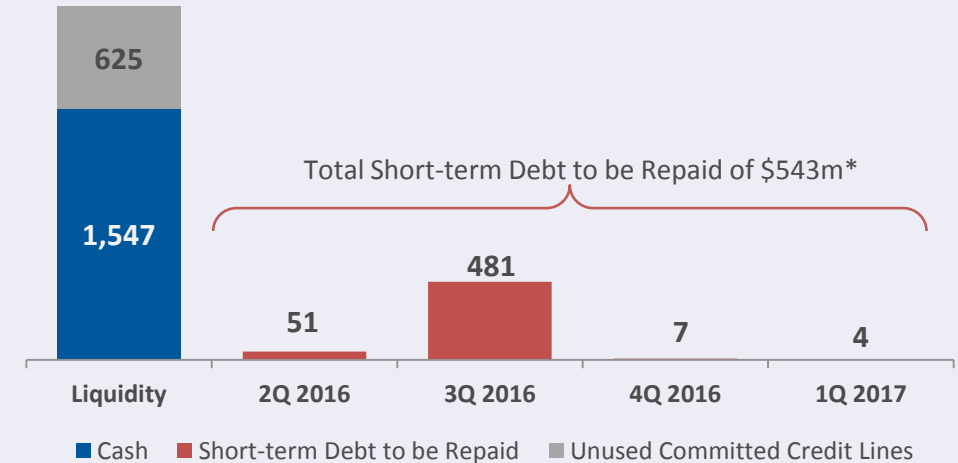
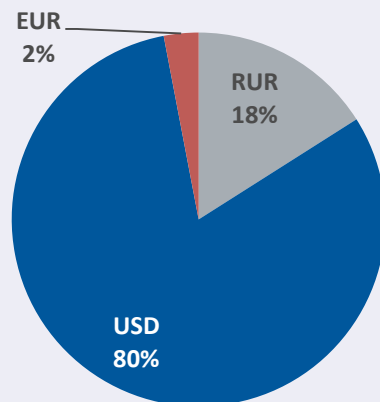
Strong liquidity position:

- 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

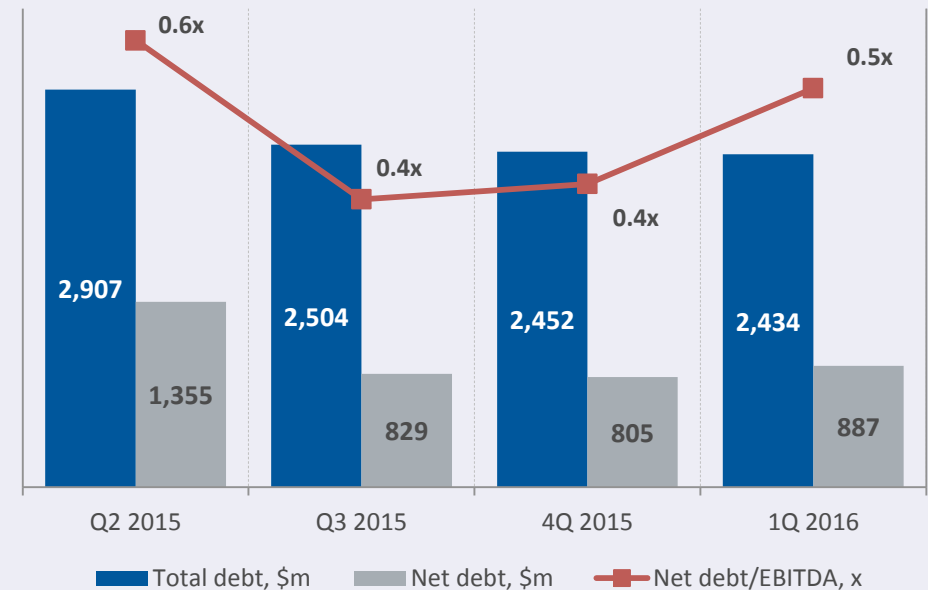
Q1 2016 debt currency mix



Q1 2016 cash currency mix



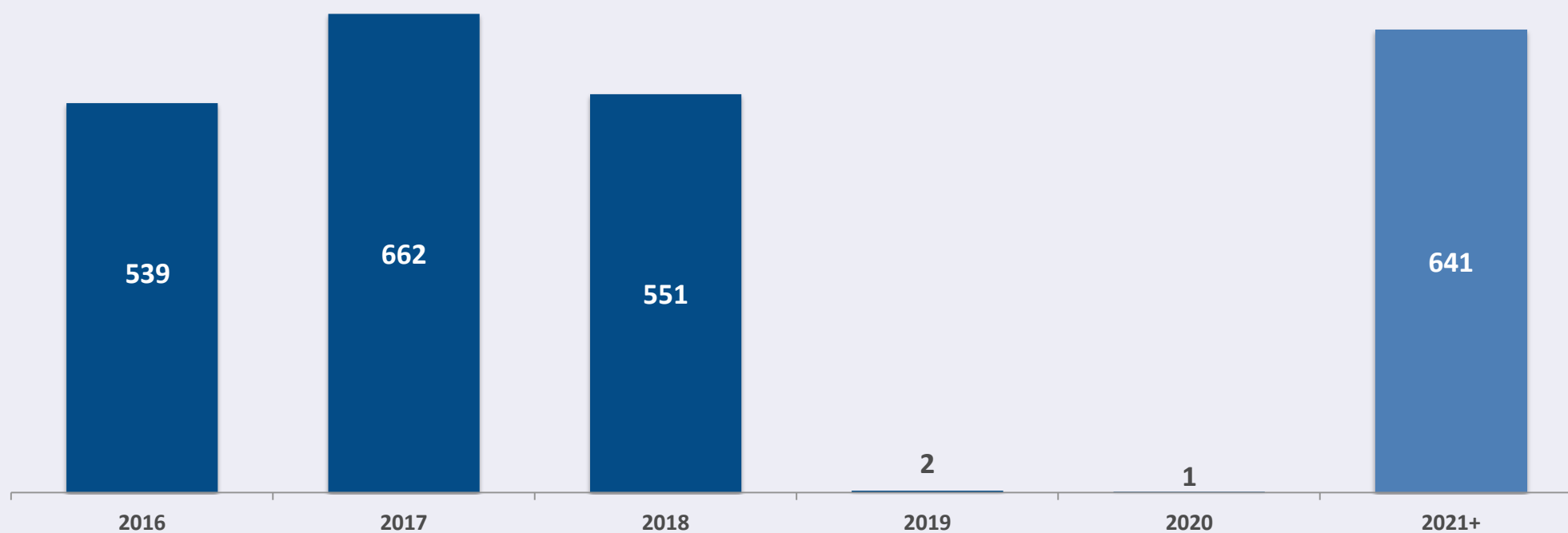
* Represents principal amount of debt



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

Modernization of the 4-stand CR Mill

Effects:

- CRC capacity to increase by 200 kt
- Cost reduction and quality improvement

Approx. capex: RUB 3.2 bln

Launch: Q2 2016

Current capacity (increase): 2.8mnt per annum (+7%)

New HDG/Coating lines

Effects:

- HDG capacity to increase by 400 kt
- Coating capacity to increase by 200 kt

Approx. capex: RUB 7.6 bln

Launch: 2017

Current capacity (increase):

HDG @ 1.2mnt per annum (+33%)

Color coated @ 400kt per annum (+50%)



Key pillars behind the delivery against the plan

1

Relentless focus on cost-reduction and operational enhancements since 2010

2

Fundamental strengths of our vertically integrated business model

3

Disposal of non-core assets to make the business more focused and streamlined

4

Customer care initiatives



Strong FCF and one of highest EBITDA margins globally throughout the cycle

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