



Q3 and 9M 2014 Financial Results Presentation

5 November 2014





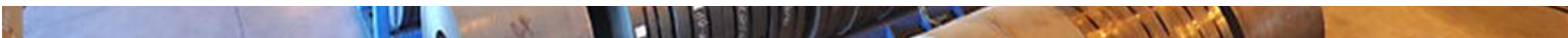
Table of Contents

3 Q3 2014 Results Overview

7 Divisional Performance and Market Outlook

11 Financial Position

16 Appendices



Q3 2014 Highlights:

- On 16 September 2014, Severstal announced the completion of the sale of Severstal North America (SNA)
- Robust Q3 performance demonstrated merits of vertically integrated business model with Russian Steel Division performance supported by lower raw materials prices and proximity to key consuming regions and Resources Division offsetting negative effect of prices decline via efficiency optimization programs
- Group EBITDA margin expanded to 28.4% in Q3 14 (Q2 14: 23.1%*) notwithstanding revenue growth of 2.4% q/q in Q3 14 to \$2,240m (Q2 14: \$2,187m*) with EBITDA** for Q3 14 up 25.7% q/q to \$636m (Q2 14: \$506m*)
- Robust Q3 14 free cash flow of \$218m (Q2 14: \$333m*) and of \$807m for 9M 2014
- Net loss of \$45m*** (Q2 14 net loss of \$661m) primarily impacted by FX losses of continuing operations of \$453 million and a gain on disposal of \$85 million of the discontinued operation. Adjusting for those non-cash items, Severstal would have posted a net profit of \$323m (Q2 2014: net profit of \$206m, excluding FX gain of \$199m and impairment of \$1,066m for continuing and discontinued operations)
- Net Debt/EBITDA temporarily fell to 0.4x on the back of SNA disposal with gross debt decreasing q/q by approximately \$330m****
- FY capex target has been reduced to \$868m, reflecting SNA assets disposal and weaker RUB. Capex***** in Q3 down 4.7% q/q to \$181m, while 9M capex was at \$622m (excluding SNA)
- Recommended record high dividend payment of 54.46 RUB per share (approximately \$1.37) (including special dividend) for the 9 months ended 30 September 2014 reflecting the previously announced intention to distribute portion of SNA sale proceeds in form of dividends.

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

** 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 OAO Severstal.

**** vs. gross debt as at the end of Q2 2014 including Severstal International segment

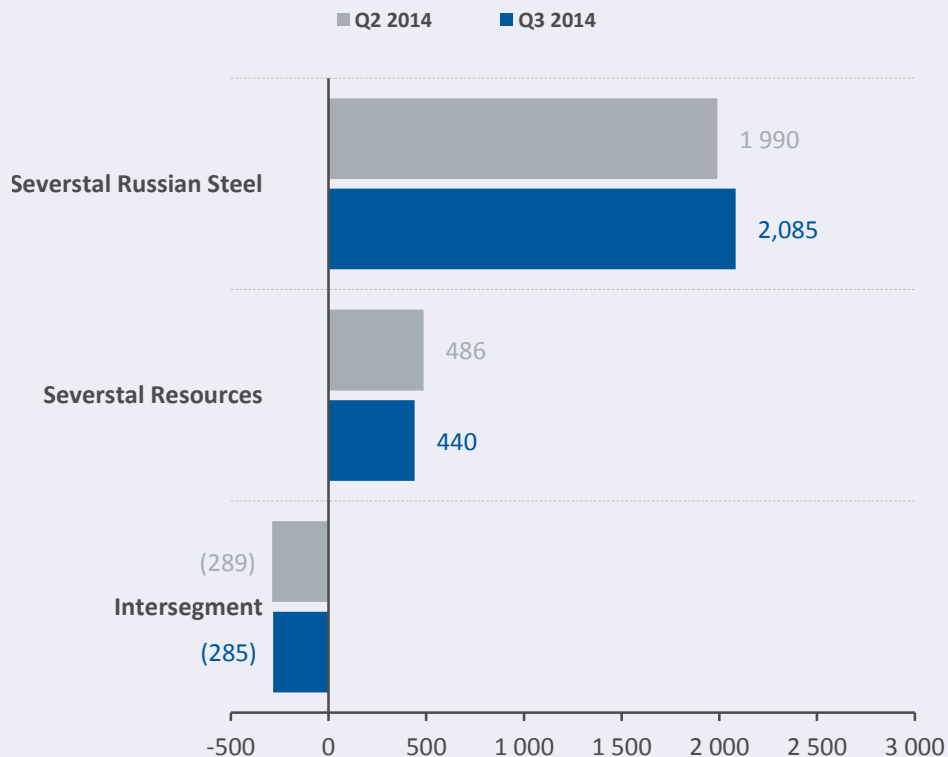
***** Represents cash outflow on capex in the period

Revenue Dynamics and Breakdown

Q3 2014 Revenue: \$2,240m

(Q2 2014: \$2,187m*; +2.4%)

Russian Steel performance improved on the back of a higher share of HVA products and was the main driver for Group revenue growth q/q despite a weaker pricing environment at Resources.

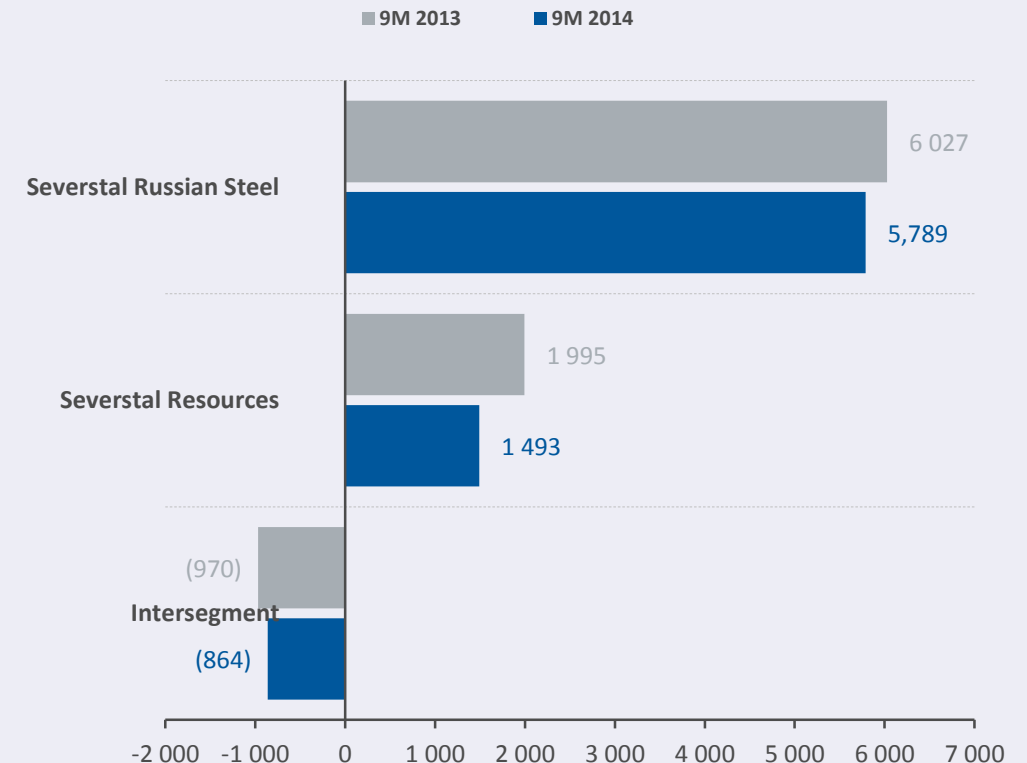


* These amounts reflect adjustments made in connection with the presentation of the discontinued operation

9M 2014 Revenue: \$6,418m

(9M 2013: \$7,052m*; -9.0%)

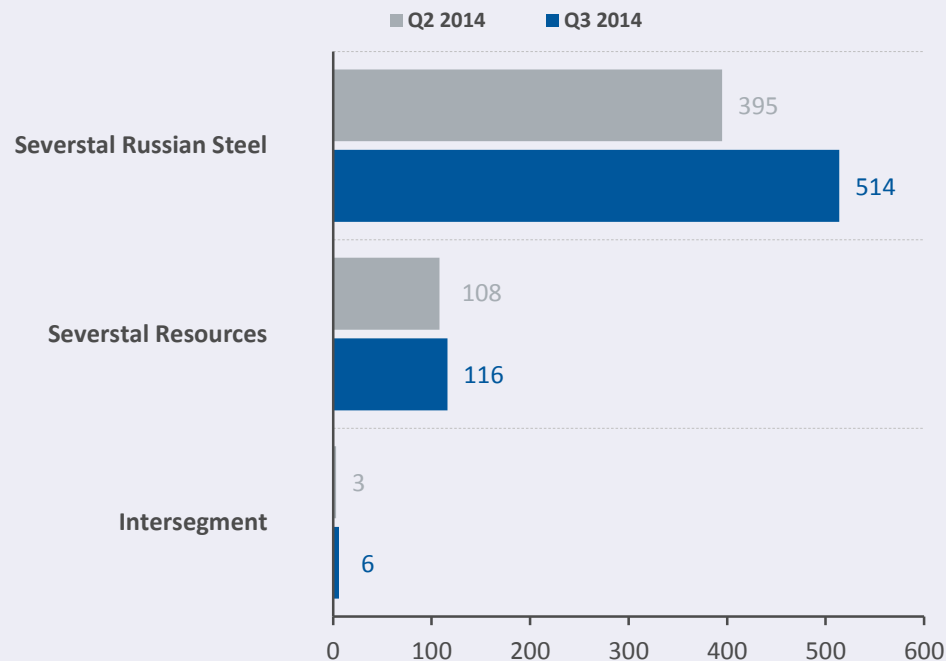
Despite substantial improvements in product mixes, both Russian Steel and Resources saw decreases in revenues on lower realized prices and sales volumes y/y



EBITDA Dynamics and Breakdown

Q3 2014 EBITDA: \$636m
(Q2 2014: \$506m*; +25.7%)

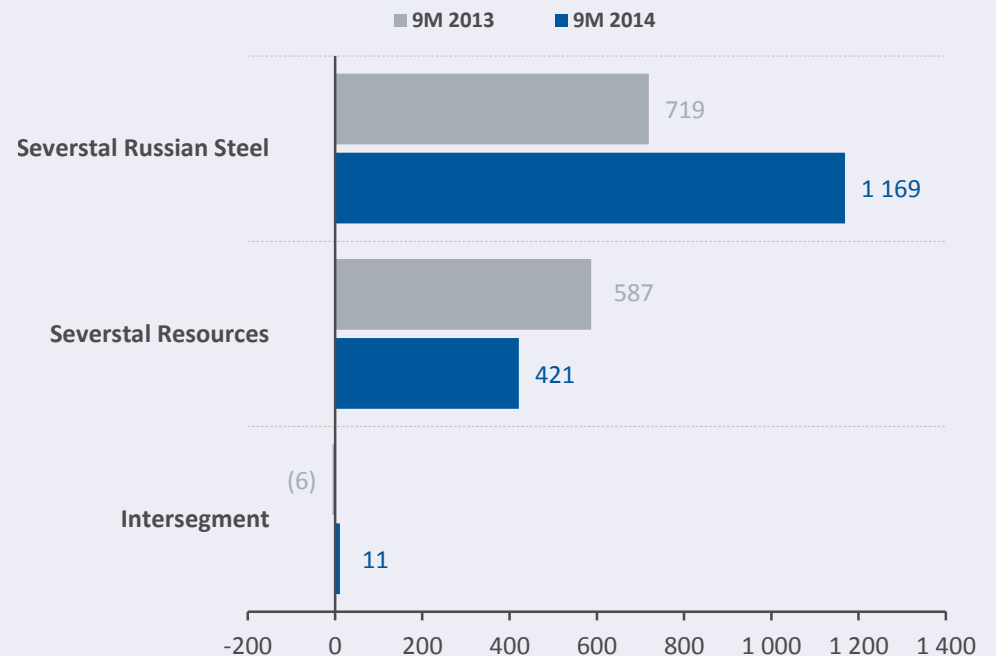
Group EBITDA margin** expanded q/q substantially driven by a stellar performance at Russian Steel due to lower input costs, further RUB devaluation and ongoing efficiency improvements. Resources managed to mitigate effect of prices decline. Robust group numbers demonstrate benefits of prudent vertical integration



* These amounts reflect adjustments made in connection with the presentation of the discontinued operation
 ** The Group Q3 2014 EBITDA margin was 28.4%

9M 2014 EBITDA: \$1,601m
(9M 2013: \$1,300m*; +23.2%)

Robust results of Russian Steel on the back of operational enhancements and lower input costs, fully offsetting weaker deliveries at Resources

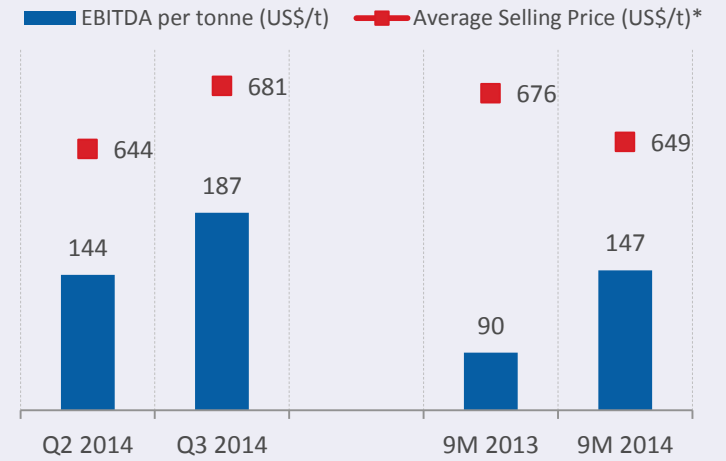




Severstal Russian Steel

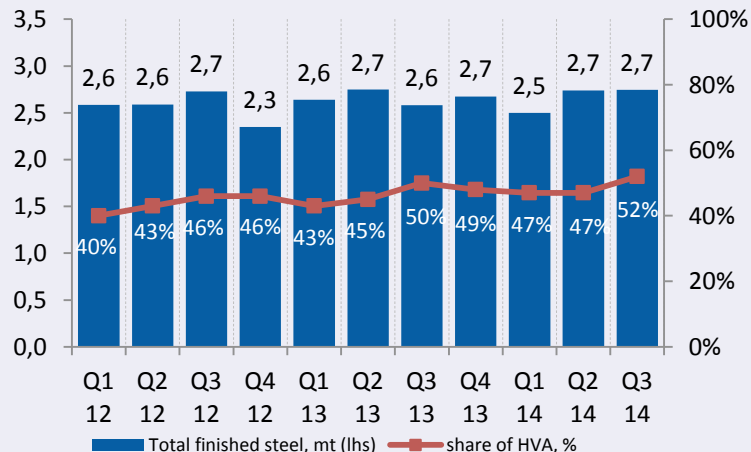
- Despite a sharp decline in semi-finished products sales (down 91% q/q), sales volumes of rolled and downstream products increased by 4% q/q and 16% q/q respectively reflecting seasonally robust market environment
- Proximity to domestic clients and export markets provided Russian Steel with flexibility to increase share of local shipments to 71% (Q2: 64%), given domestic prices growth
- Solid growth has been largely driven by sales of hot-rolled plates (up 14% q/q), galvanized and metallic coated coils (up 23% q/q) and color coated coils (up 20% q/q)
- The share of high value added (HVA) products increased substantially to 52% (Q2 2014: 47%)
- Q3 revenue up 4.8% q/q to \$2,085m (Q2 14: \$1,990m) on improved product mix and some price improvement q/q. 9M revenue reduced 3.9% y/y
- Q3 EBITDA of \$514m was 30.1% higher q/q (Q2 14: \$395m) owing to both lower raw materials prices and higher share of HVA products. RUB devaluation provided additional positive effect. EBITDA/t increased 29.9% q/q, and EBITDA margin expanded 4.9 ppts to 24.7%. 9M EBITDA was 62.6% higher y/y
- In Q3 Cherepovets total non-integrated cash cost of slab decreased \$34/t q/q due to lower raw materials prices and higher share of pig iron used in steelmaking process substituting high cost scrap. Q3 integrated cash cost of slab went down \$38/t q/q to \$280/t due to improved profitability of Severstal Resources offsetting lower prices

EBITDA per tonne and average selling price

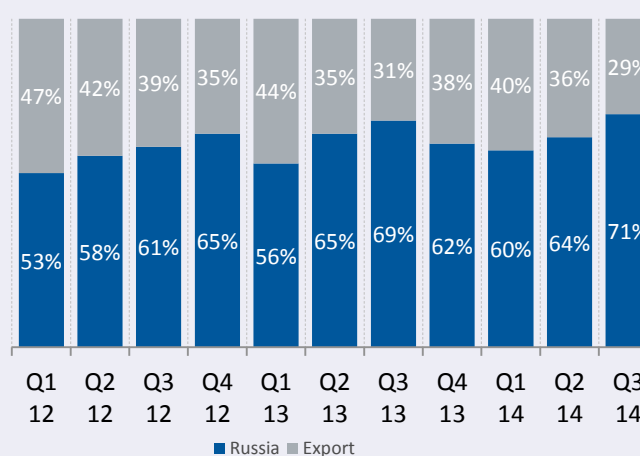


*All steel products, incl. pipes, etc.; Ex Works price terms.

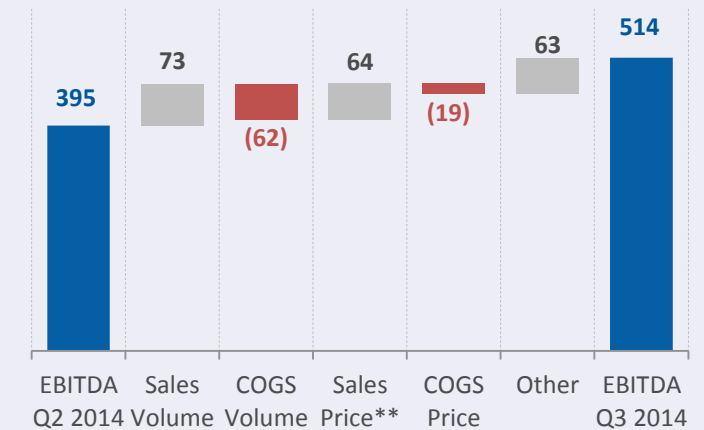
Share of high-value-added products*** in total steel shipments, %



Steel sales volumes by destination, %



EBITDA drivers in Q3 2014, \$m

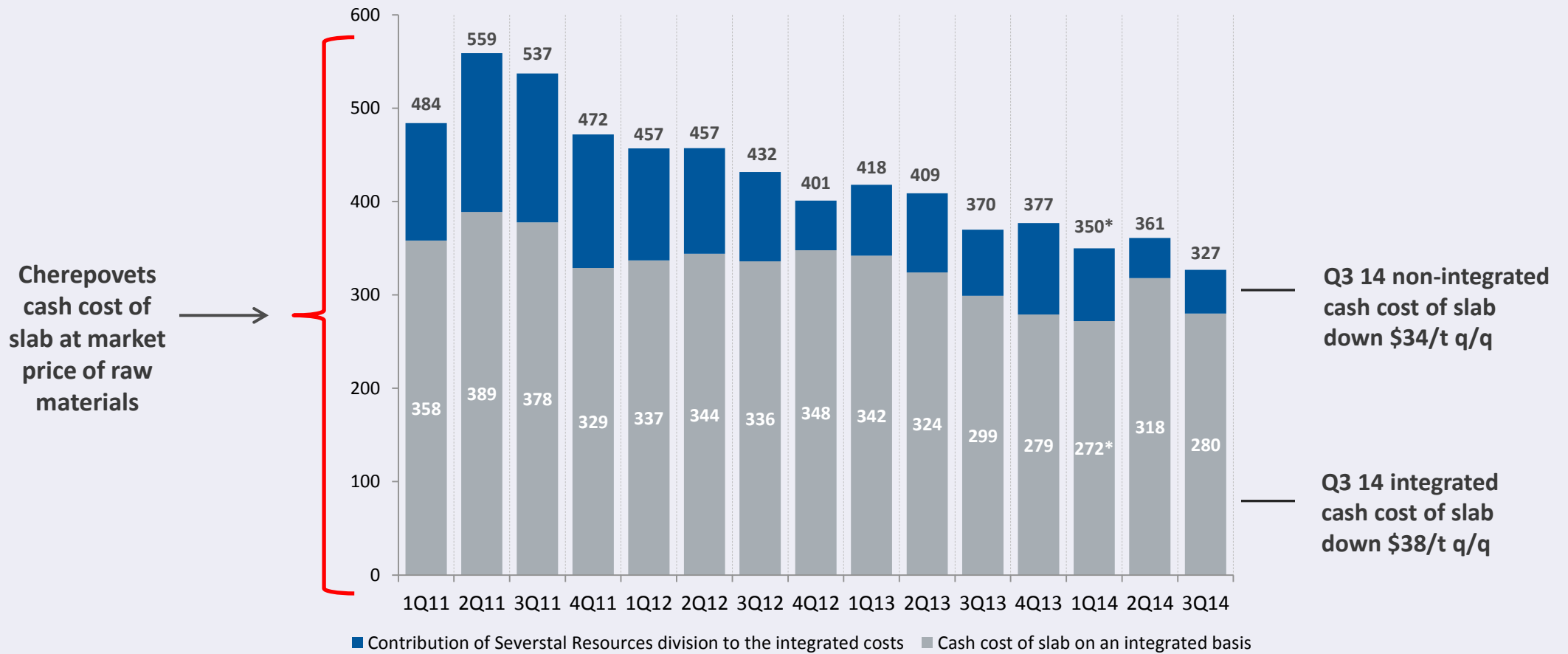


** Excluding foreign exchange effect.

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

Cost Control at Severstal Russian Steel

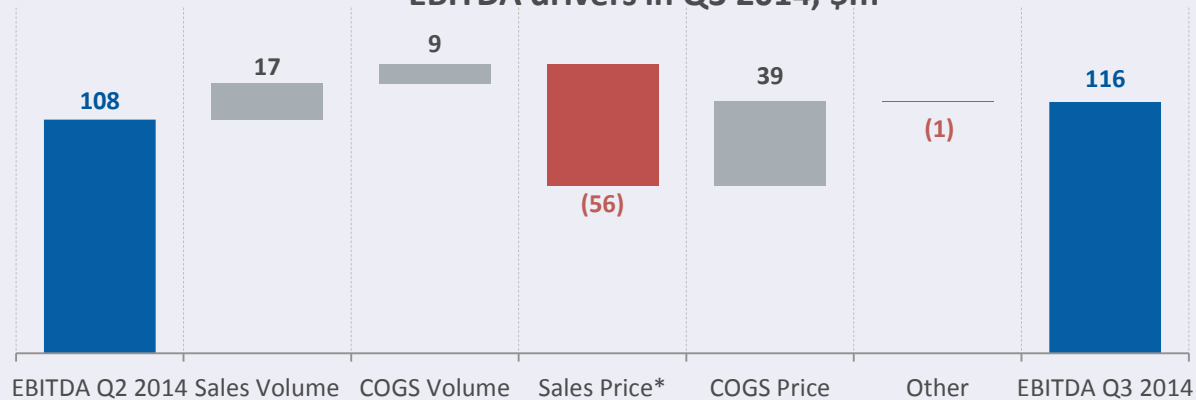
Cherepovets Steel Mill production cash cost of slab, \$/t



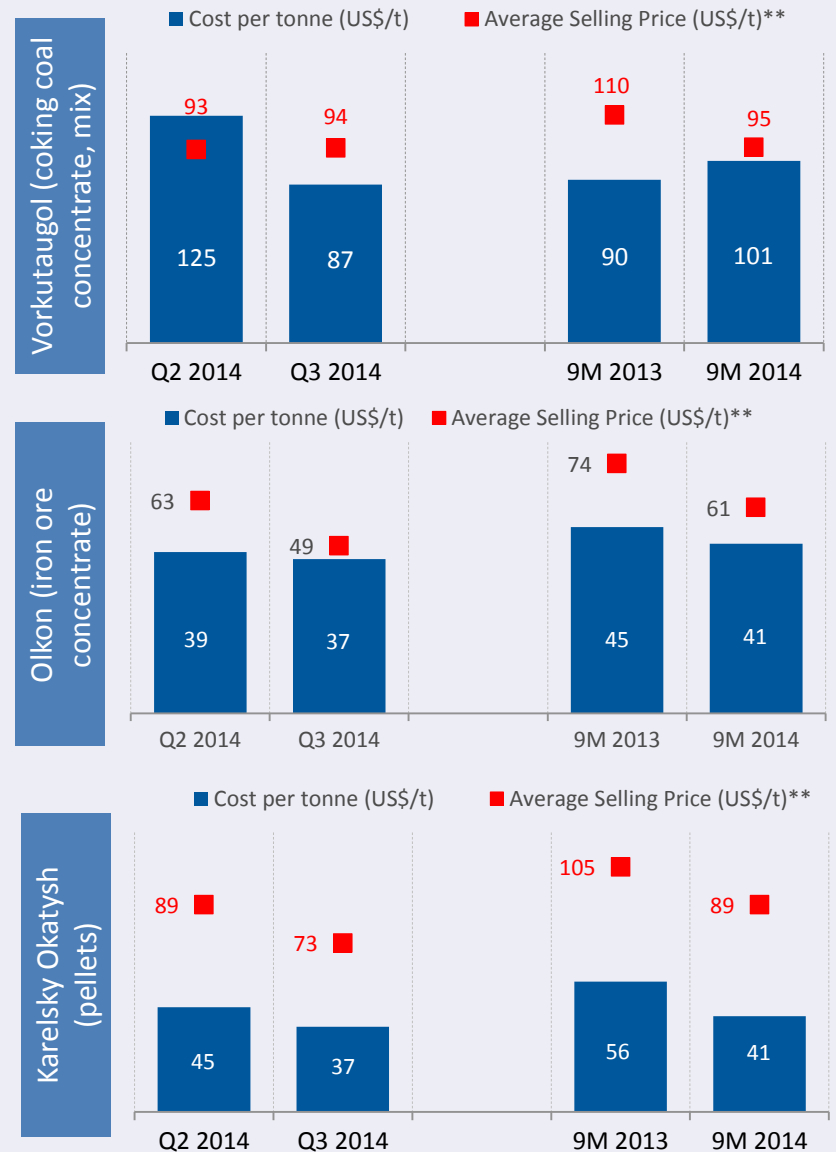
* slab BOF non-integrated cash cost for the Q1 2014 has been restated

- Q3 revenue 9.5% lower q/q to \$440m (Q2 14: \$486m) largely driven by further decline in average selling prices for iron ore pellets and concentrate (down 18% q/q and 22% q/q, respectively). Negative effect has been largely mitigated by 8% q/q increase in iron ore pellets sales volumes at Karelsky Okatysh and 18% q/q increase in coking coal concentrate sales volumes. 9M revenue down 25.2% y/y due to substantial decline in prices.
- Q3 EBITDA of \$116m up 7.4% q/q (Q2 14: \$108m) with EBITDA margin improving 4.2 ppts to 26.4% primarily due to better performance of Vorkutaugol. Moreover, Olkon has fully ceased external shipments of iron ore concentrate to preserve profitability in Q3 2014. 9M EBITDA was 28.3% lower y/y.
- Continuous implementation of efficiency improvement projects to further decrease total cash cost (TCC) of production: TCC at Karelsky Okatysh declined to \$37/t (\$45/t in Q2 14) on higher volumes; TCC at Olkon remained broadly in line with Q2 2014 (\$37/t in Q3 14 vs. \$39/t in Q2 14).
- TCC at Vorkutaugol improved substantially to \$87/t (Q2 14: \$125/t) driven by remarkable progress in the long wall repositioning, driving volumes up in Q3. Further progress expected in Q4 14.

EBITDA drivers in Q3 2014, \$m



Average selling price and cash cost per tonne



* Excluding foreign exchange effect

**Free carrier price terms.



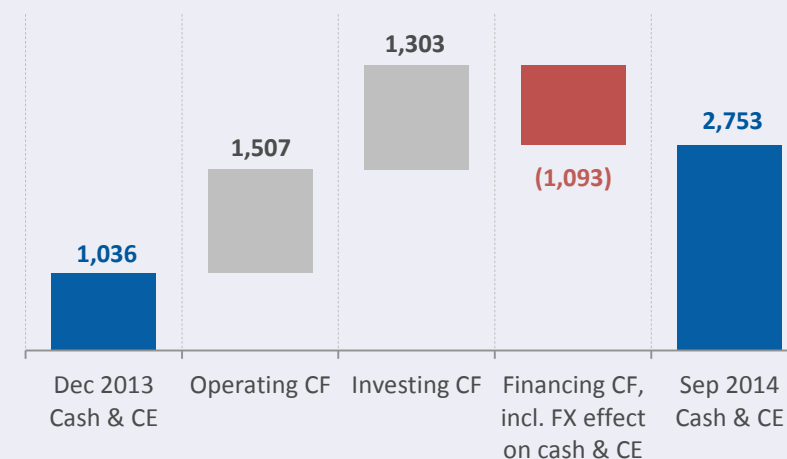
Financial Position

Cash Flow and Net Working Capital

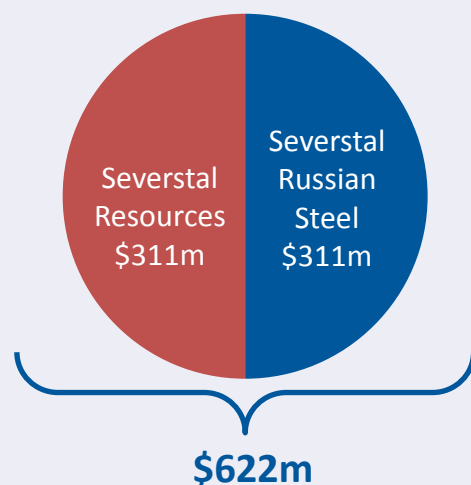
Q3 and 9M 2014 Highlights:

- Solid liquidity position of \$2,753m in cash and cash equivalents on the back of the SNA disposal
- Strong operating cash flow of \$379m* in Q3 14
- Q3 capex of \$181m, 5% below the capex of Q2 (excluding SNA capex for Q2)
- FY capex target has been reduced to \$868m, reflecting SNA assets disposal and weaker RUB. Capex in Q3 down 4.7% q/q to \$181m, while 9M capex was at \$622m
- Q3 free cash flow of \$218m (9M 2014 FCF: \$807m)
- Net working capital down 25.5% YTD**; NWC/LTM revenue declined to 11.6% YTD**

Cash Flow dynamics,
31 Dec 2013 to 30 Sep 2014



9M 2014 CAPEX breakdown, \$m



FY 2014 target CAPEX breakdown, \$m



Net Working Capital developments

Net working capital, \$m

September 30, 2014	December 31, 2013**	Change, %
1,022	1,371	(25.5%)

Net working capital as % of revenues (LTM)

September 30, 2014	December 31, 2013**	Change, ppts
11.6%	14.5%	(2.9 ppts)

** For representation purposes only Group's Balance Sheet items as of the end of FY13 are represented excluding SNA balances

* Excluding SNA

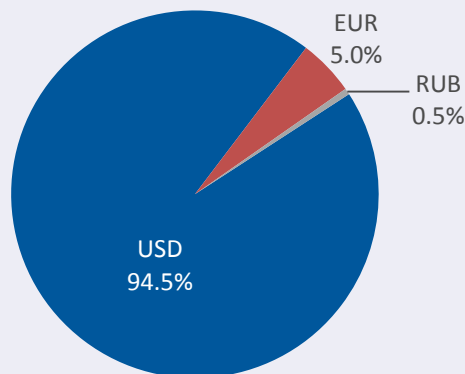


Robust Liquidity and Sustainable Leverage Severstal

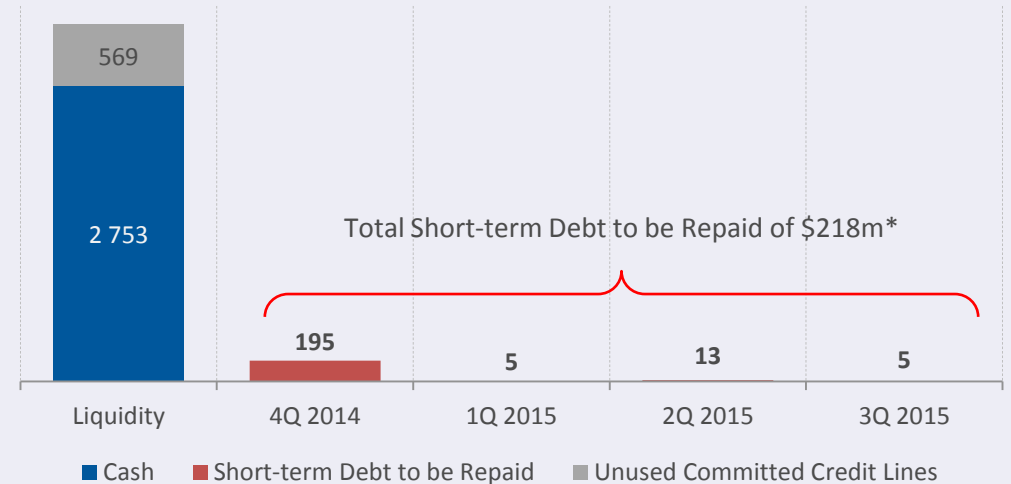
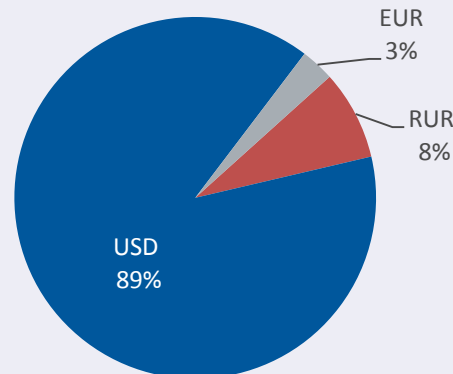
Strong liquidity position:

- As at the end of Q3, cash and cash equivalents increased to \$2,753m on the back of SNA disposal
- Committed unused credit lines of \$569m
- Proactive debt reduction: between now and the year end Severstal will repay \$457 million of bank debt maturing in 2015, 2016 and 2017;
- Liquidity position with \$2,753 million in cash and cash equivalents (notwithstanding the recommended dividend payout before the end of FY2014) and committed unused credit lines of \$569 million, more than covering the short-term debt of \$218 million (excluding early repayments of debt maturing in 2015, 2016 and 2017)
- Net debt/EBITDA fell q/q to 0.4x with gross debt decreasing 8.6% q/q by approximately \$330m (by approximately \$170m, excluding effect of SNA external debt repayment)

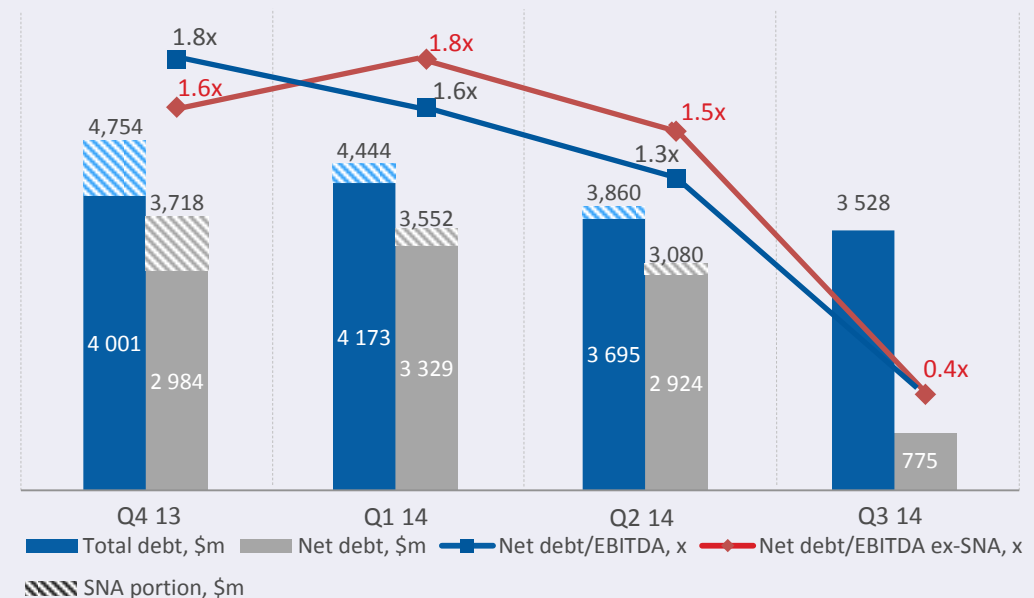
Q3 2014 debt currency mix



Q3 2014 cash currency mix



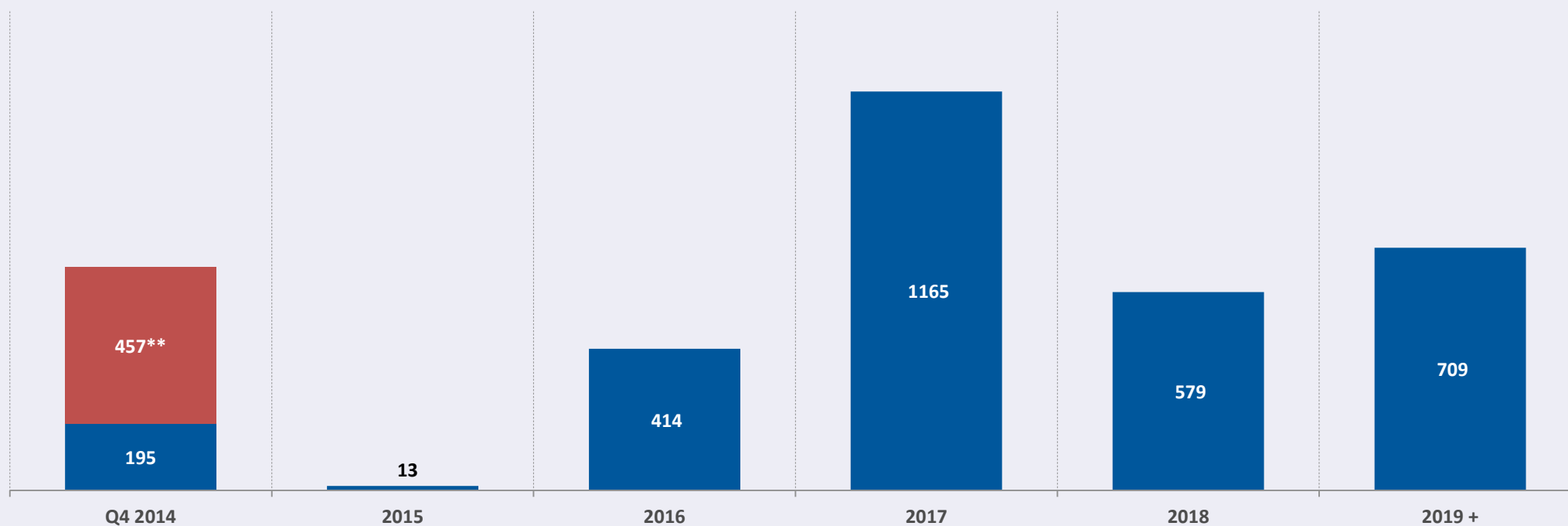
* Represents principal amount of debt excluding early repayments of debt maturing in 2015, 2016 and 2017



Debt Structure

As at 30.09.2014 the debt structure was dominated by public debt (80% of total) and the US dollar (94.5% of total).

Debt Maturity Schedule*, \$m



Notes:

Debt represents the principal amount of debt. Debt for 2014 represents amount of debt as at 30 September 2014

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

** Early repayment of bank debt maturing in 2015, 2016 and 2017

Global:

- » Though overcapacity issues remain, global steelmaking profitability has substantially improved this year as a result of relatively resilient steel prices and sharply falling raw materials prices
- » Global steel demand grew 2.0% in 9M 2014 y/y. It is expected to remain stable in Q4 2014, with slight growth by 1.0% y/y in 2015

Russia:

- » Steel consumption in Russia is marginally decreasing YTD due to a slump in non-residential construction, automotive production, machinery
- » However, we continue to see solid demand coming from the resilient residential construction segment and large diameter pipes
- » Steel imports to Russia have declined in 2014 providing Russian producers with an ability to increase shipments to domestic market
- » RUB weakening provides additional support for the Russian steelmakers' export competitiveness



Summary Income Statement

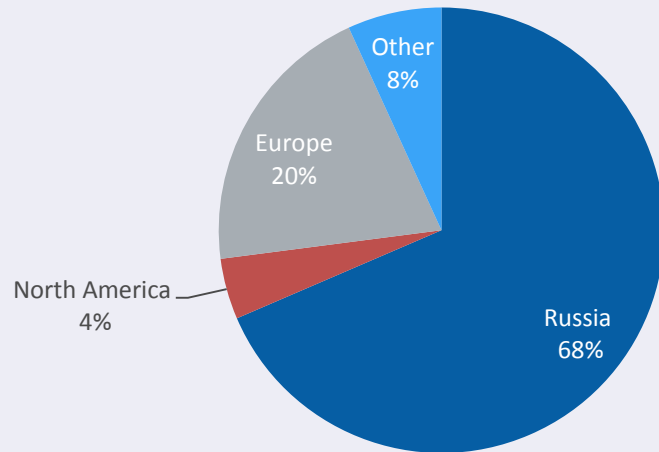
\$ million, unless otherwise stated	Q3 2014	Q2 2014*	9M 2014	9M 2013*
Revenue	2,240	2,187	6,418	7,052
COGS	(1,447)	(1,507)	(4,311)	(4,977)
EBITDA	636	506	1,601	1,300
EBITDA margin, %	28.4%	23.1%	24.9%	18.4%
Profit from operations	479	353	1,141	839
Operating margin, %	21.4%	16.1%	17.8%	11.9%
(Loss)/ profit before income tax	(53)	290	139	337
Net (loss)/profit	(45)	(661)	(807)	157
Basic EPS, \$	(0.06)	(0.82)	(1.00)	0.19
Dividend per share, \$**	1.37	0.06	1.50	0.13

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

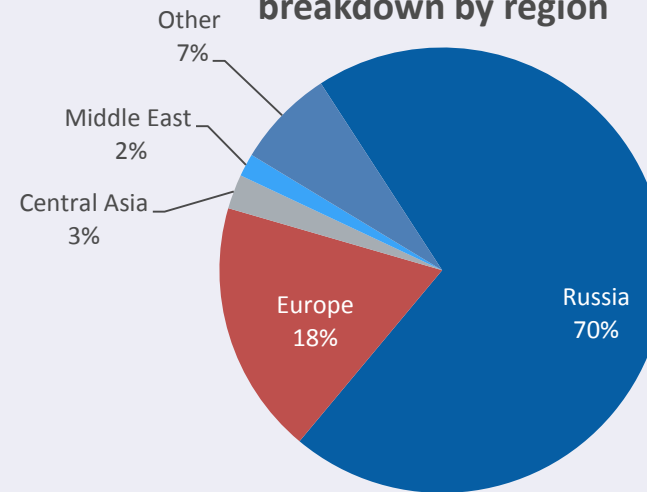
**Dividends announced on the basis of respective period results. Dividends for Q3 2014 need to be approved by EGM on 14 November 2014

Q3 2014 Revenue Breakdown by Region

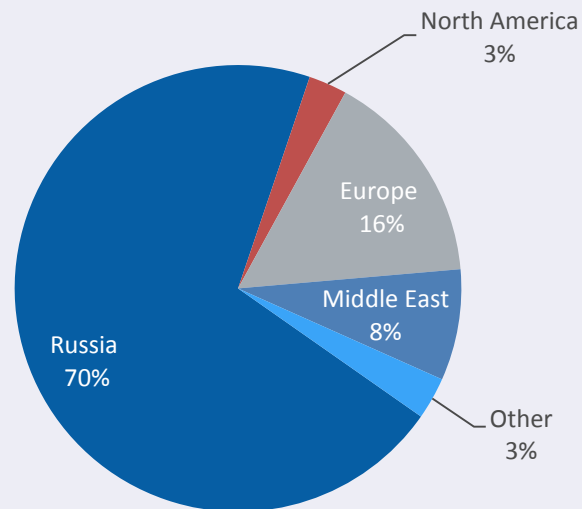
Severstal Group Q3 2014 revenue breakdown by region



Severstal Russian Steel Q3 2014 revenue breakdown by region



Severstal Resources Q3 2014 revenue breakdown by region



Q3 2014 Division Results

Severstal Resources

	Q3 2014	Q2 2014	Change, %	9M 2014	9M 2013	Change, %
Revenue (\$m)	440	486	(9.5%)	1,493	1,995	(25.2%)
Cost of sales (\$m)	(301)	(346)	(13.0%)	(991)	(1,252)	(20.8%)
G&A expences (\$m)	(22)	(34)	(35.3%)	(80)	(79)	1.3%
Distribution expences (\$m)	(47)	(44)	6.8%	(141)	(217)	(35.0%)
EBITDA (\$m)	116	108	7.4%	421	587	(28.3%)
Operating Profit (\$m)	59	49	20.4%	245	399	(38.6%)
EBITDA Margin, %	26.4%	22.2%	4.2 pts	28.2%	29.4%	(1.2 pts)

Severstal Russian Steel

	Q3 2014	Q2 2014	Change, %	9M 2014	9M 2013	Change, %
Revenue (\$m)	2,085	1,990	4.8%	5,789	6,027	(3.9%)
Cost of sales (\$m)	(1,437)	(1,454)	(1.2%)	(4,196)	(4,687)	(10.5%)
G&A expences (\$m)	(83)	(85)	(2.4%)	(265)	(359)	(26.2%)
Distribution expences (\$m)	(149)	(141)	5.7%	(417)	(489)	(14.7%)
EBITDA (\$m)	514	395	30.1%	1,169	719	62.6%
Operating Profit (\$m)	414	301	37.5%	884	443	99.5%
EBITDA Margin, %	24.7%	19.8%	4.9 pts	20.2%	11.9%	8.3 pts
EBITDA per tonne (\$/t)	187	144	29.9%	147	90	63.3%
Average Selling Price (US\$/t*)	681	644	5.7%	649	676	(4.0%)

Summary Balance Sheet

\$ million	As at 30 September 2014	As at 31 December 2013
Cash and Cash Equivalents	2,753	1,036
Total Assets:	10,576	14,534
Current Assets	4,943	4,906
Non-current Assets	5,633	9,628
Total Liabilities:	5,314	7,534
Current Liabilities	1,381	2,549
Non-current Liabilities	3,933	4,985
Total Equity	5,262	7,000
Total Equity and Liabilities	10,576	14,534

Summary Cash Flow Statement

\$ million	Q3 2014	Q2 2014*	9M 2014
Profit before Financing and Taxation	437	185	911
Cash Generated from Operations	463	618	1,619
Interest Paid	(46)	(109)	(190)
Income Tax (Paid)/Recieved	(38)	1	(45)
Net cash from Operating Activities - continuing operations	379	510	1,384
Net cash (used in)/from Operating Activities - discontinued operations	(44)	174	123
Net cash from Operating Activities	335	684	1,507
Net cash from/(used in) Investing Activities - continuing operations	1,817	(183)	1,397
Net cash used in Investing Activities - discontinued operations	(64)	(16)	(94)
Total cash from/(used in) Investing Activites, incl.	1,753	(199)	1,303
Additions to PP&E and IA	(181)	(190)	(622)
Free Cash Flow**	218	333	807
Cash used in Financing Activities - continuing operations	(259)	(510)	(649)
Cash from/(used in) Financing Activities - discontinued operations	213	(103)	(368)
Cash used in Financing Activities	(46)	(613)	(1,017)
Effect of Exchange Rate on Cash and Cash Equivalents	(69)	16	(76)
Net increase/(decrease) in Cash and Cash Equivalents	1,973	(112)	1,717
Cash and Cash Equivalents at beginning of the Period	780	892	1,036
Cash and Cash Equivalents at end of the Period	2,753	780	2,753

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

** Free cash flow excludes discontinued operation

Disclaimer

These materials are confidential and have been prepared by OAO Severstal (Severstal) solely for your information and may not be reproduced, retransmitted or further distributed to any other person or published, in whole or in part, for any other purpose.

These materials may contain projections and other forward-looking statements regarding future events or the future financial performance of Severstal. You can identify forward-looking statements by terms such as “expect,” “believe,” “estimate,” “intend,” “will,” “could,” “may” or “might”, or other similar expressions. Severstal cautions you that these statements are only predictions and that actual events or results may differ materially. Severstal will not update these statements to reflect events and circumstances occurring after the date hereof. Factors that could cause the actual results to differ materially from those contained in projections or forward-looking statements of Severstal may include, among others, general economic and competitive environment conditions in the markets in which Severstal operates, market change in the steel and mining industries, as well as many other risks affecting Severstal and its operations.

These materials do not constitute or form part of any advertisement of securities, any offer or invitation to sell or issue or any solicitation of any offer to purchase or subscribe for, any securities of Severstal in any jurisdiction, nor shall they or any part of them nor the fact of their presentation, communication or distribution form the basis of, or be relied on in connection with, any contract or investment decision.

No representation or warranty, express or implied, is given by Severstal, its affiliates or any of their respective advisers, officers, employees or agents, as to the accuracy of the information or opinions or for any loss howsoever arising, directly or indirectly, from any use of these materials or their contents.

