Q4 and FY 2012 Financial Results Presentation

5 March 2013

Severstal
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Table of Contents

Severstal

Q4 2012
Results Overview

Summary

Severstal

Q4 and FY 2012 highlights

- Resilient performance in a challenging 2012 year for the industry
- Q4 revenue down 13.2% q/q to $3,116m on lower realized prices and volumes across the divisions. FY 2012 Group revenue decreased by 10.8% to $14,104m as a result of slightly weaker sales volumes at Russian Steel and overall lower realized prices
- Q4 EBITDA* down 36.4% q/q to $347m (Q3 2012: $546m) mainly due to a traditionally weaker demand by end of year, resulting in the decrease of EBITDA margin by 4.1 ppts q/q to 11.1%. FY12 EBITDA contracted by 40.9% to $2,119m with EBITDA margin at 15%
- Excluding the negative non-cash items of $42m (mainly allowance for doubtful debts and obsolescence provision), Q4 2012 EBITDA would be $389m with EBITDA margin of 12.5%. The FY12 effect of these non-cash items amounted to $128m
- Q4 net loss of $150 million (Q3 2012: net profit of $329 million) was negatively affected by the following non-cash items: a goodwill impairment of PBS in the amount of $49m and an impairment allowance in respect of consideration in other financial assets receivable from the sale of the North America disposal group in the amount of $101m. Q3 was also impacted by FX gains of $152m. Excluding those non-cash items, Severstal would have broken even in Q4 2012. FY12 net profit amounted to $762m (FY 2011: $2,035)
- Net debt reduced from $4,112m to $3,983m over the year. Net Debt/EBITDA at the end of Q4 was 1.9x. Strong liquidity of $1,726m in cash and cash equivalents, exceeding short-term debt of $1,282m*** with committed unused credit lines of $922m
- In October, Severstal successfully placed $750m 10-year Eurobonds with a coupon rate of 5.9%
- In October, A. Mordashov, Severstal's CEO, was elected Chairman of the World Steel Association
- Recommended dividend payment of 1.89 roubles per share (approximately $0.06) for the 12 months ended 31 December 2012, reflecting the Board's confidence in the medium term outlook and the financial strength of the company

* EBITDA represents profit /(loss) from operations plus depreciation and amortization of productive assets adjusted for gain/(loss) on disposals of property, plant, equipment and intangible assets

** Attributable to shareholders of OAO Severstal

*** Representing principal amount of debt

Revenue Dynamics and Breakdown

Severstal

Q4 2012 Revenue: $3,116m

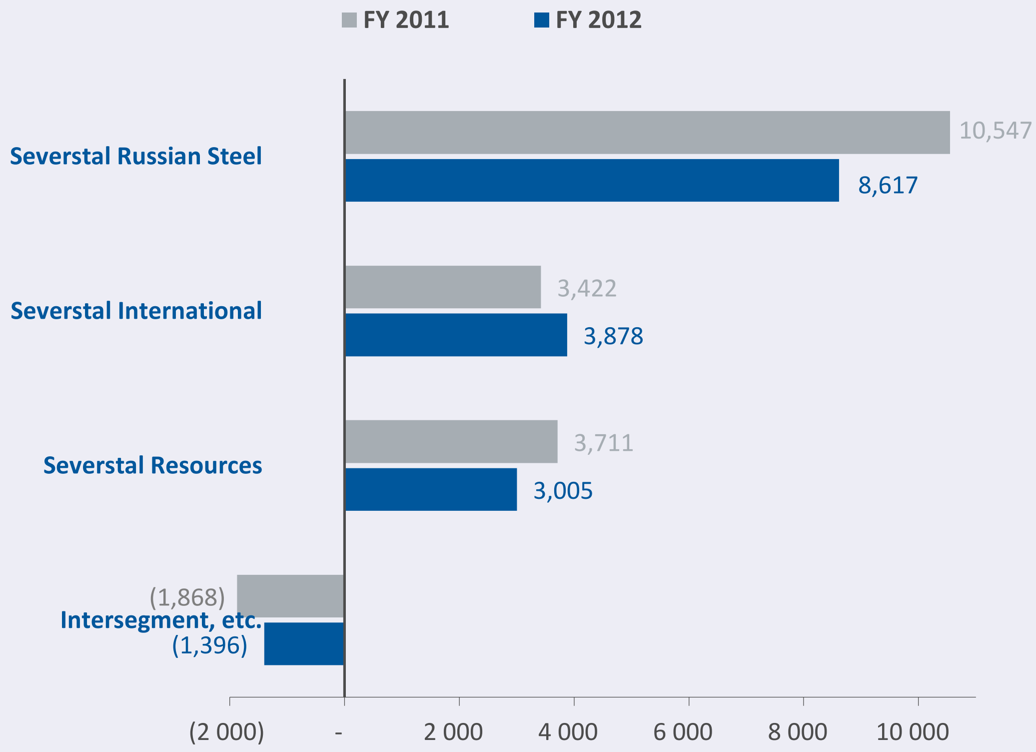
(Q3 2012: $3,591m; -13.2%)

Q4 revenue down on lower sales volumes and realized prices across the divisions, which was mainly demand driven and lower prices for steel and bulks globally

FY 2012 Revenue: $14,104m

(FY 2011: $15,812m; -10.8%)

FY12 Group's revenue decreased as a result of slightly weaker sales volumes at Russian Steel and overall lower realized prices. Severstal International increased revenue after ramp-up of new capacities



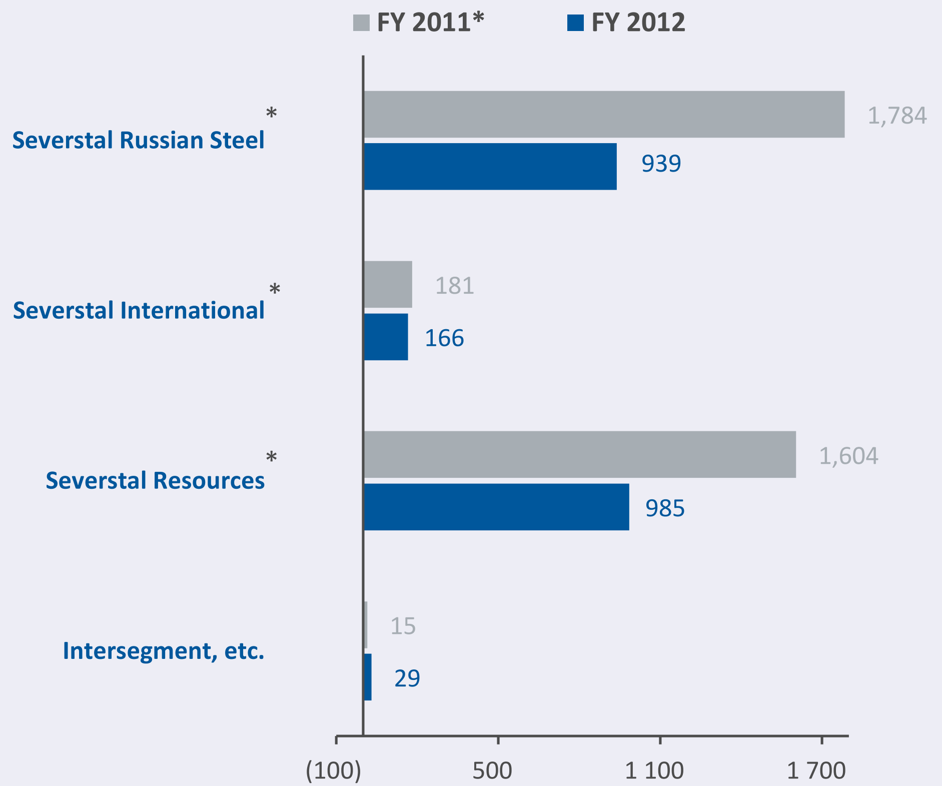
EBITDA Dynamics and Breakdown

Q4 2012 EBITDA: $347m
(Q3 2012: $546m; -36.4%)

The EBITDA reduction was primarily attributable to the weaker demand environment

FY 2012 EBITDA: $2,119m
(FY 2011: $3,584m; -40.9%)

Severstal International's EBITDA was comparable y/y given a ramp-up in new capacities, while Severstal Russian Steel and Severstal Resources contracted due to weaker pricing. EBITDA of Resources outpaced Russian Steel



* Excluding intercompany dividend income

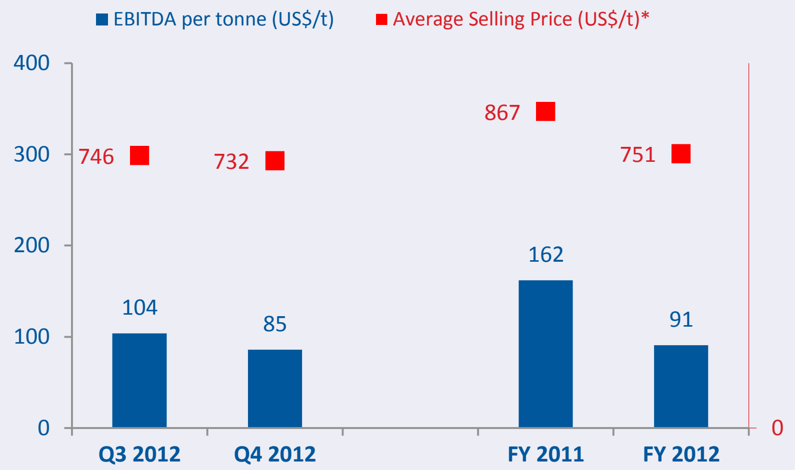
Divisional Performance and Market Outlook

Severstal Russian Steel

Severstal

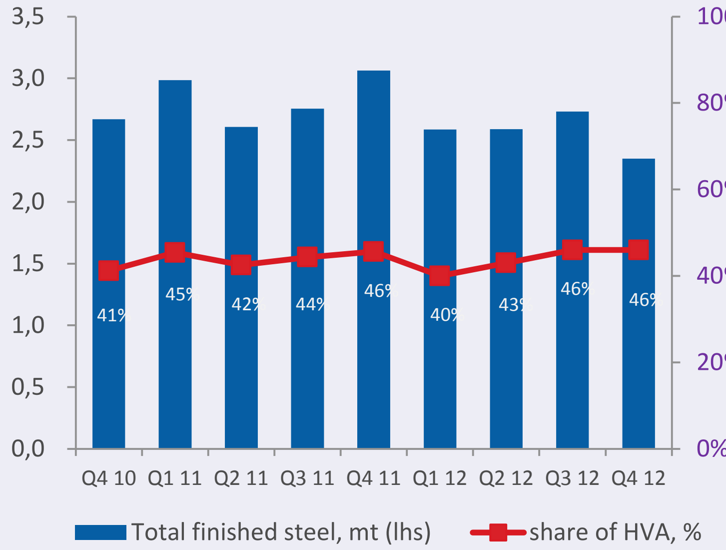
- Q4 revenue down 14.4% q/q to $1,929m (Q3 2012: $2,254m) on lower realized volumes and prices. FY12 revenue decreased by 18.3% to $8,617m (FY11: $10,547m)
- Q4 EBITDA*** down 29.6% to $200m (Q3 2012: $284m) with EBITDA margin down to 10.4% due to lower sales volumes and prices. FY12 EBITDA down 47.4% to $939m (FY11: $1,784m) as a result of weaker pricing environment
- Share of high-value-added (HVA) products remained high q/q in Q4 at 46%, while share of HVA products in FY12 was 44%
- Share of sales volumes to the domestic market increased to a record 65% in Q4 from 61% in Q3. Overall split between domestic and export markets in FY12 was 60%:40%, compared to 59%:41% in FY11

EBITDA per tonne and average selling price



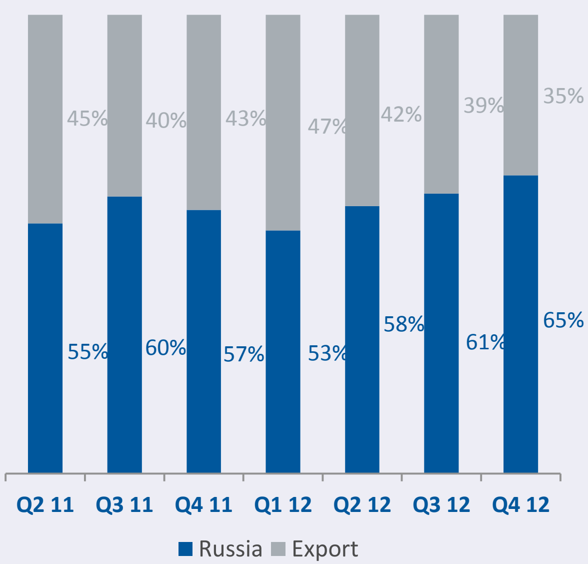
*All steel products, incl. pipes, etc.; Ex Works price terms.

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

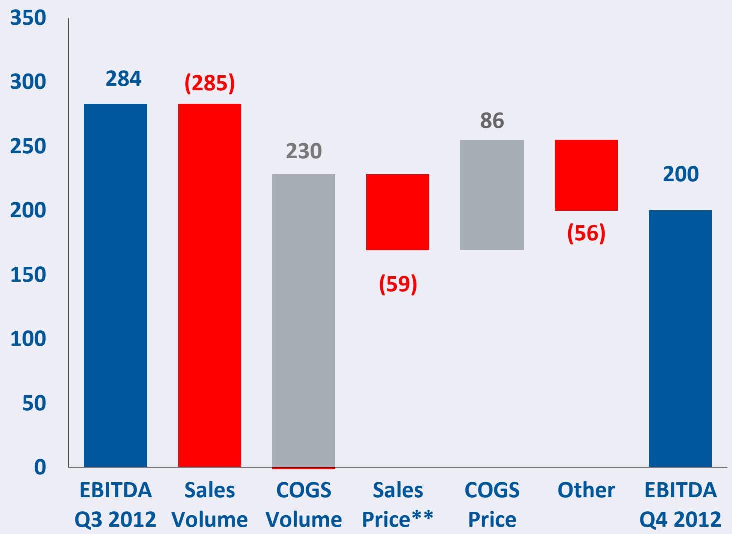


* High-value-added comprises: plate; cold-rolled , galvanized and metallic coated, color coated sheet; metalware; large-diameter and other pipes.

Steel sales volumes by destination, %



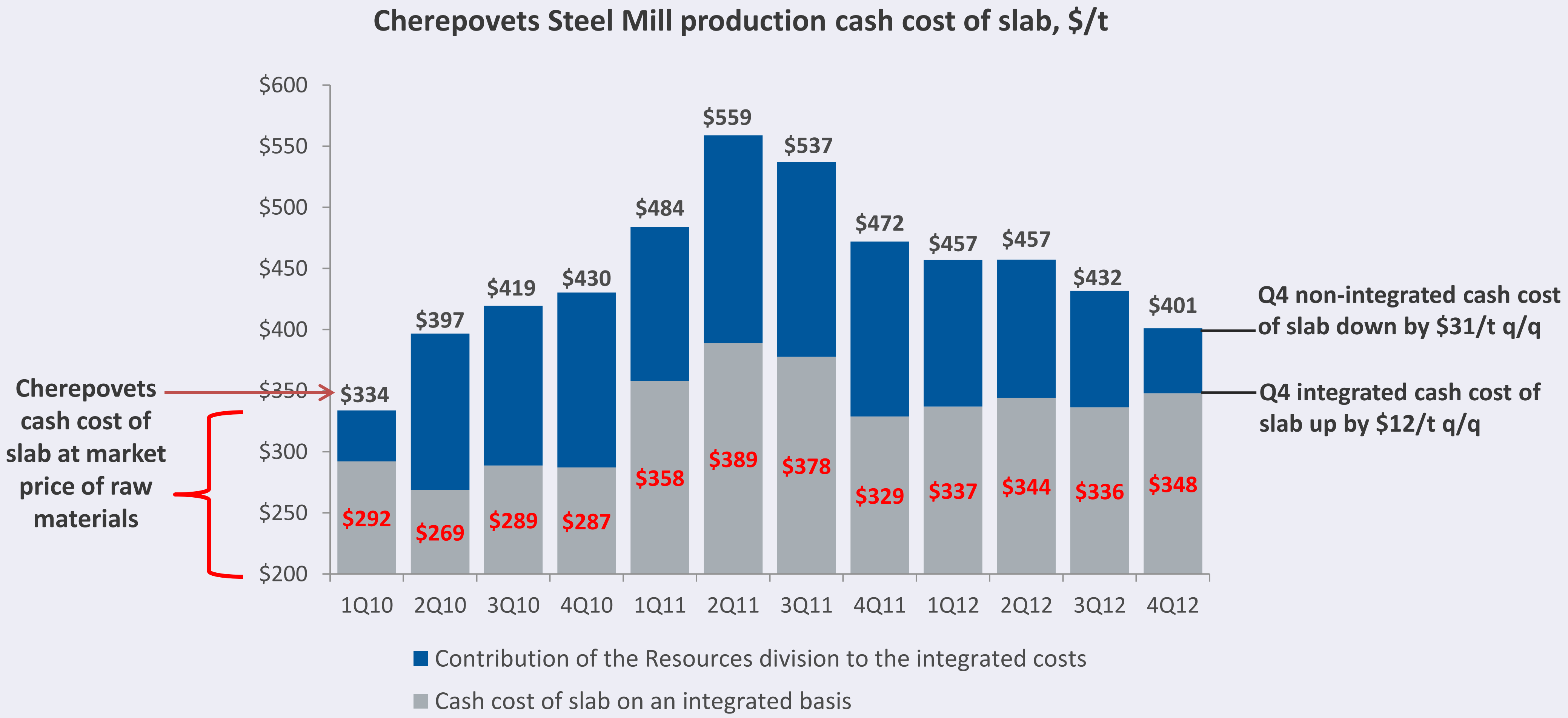
EBITDA*** drivers in Q4 2012, $m



** Excluding foreign exchange effect
*** Excluding intercompany dividend income

Cost Control at Severstal Russian Steel

Vertical integration helps us benefit from mining margins regardless of the market environment

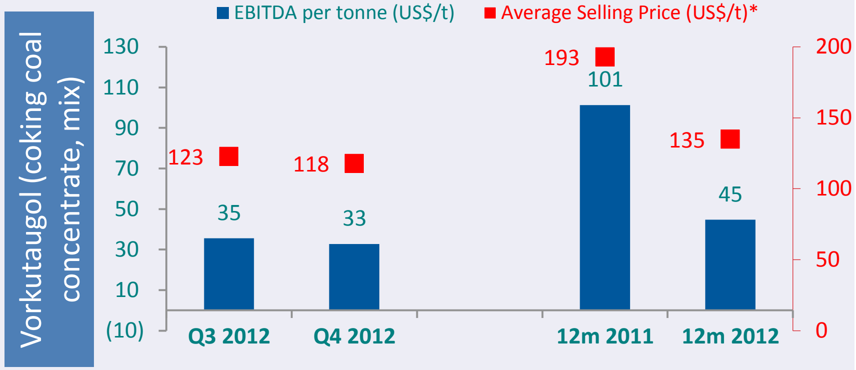


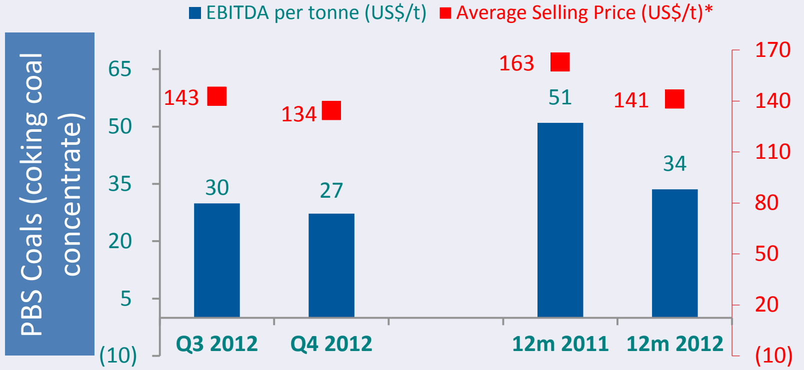
Severstal Resources

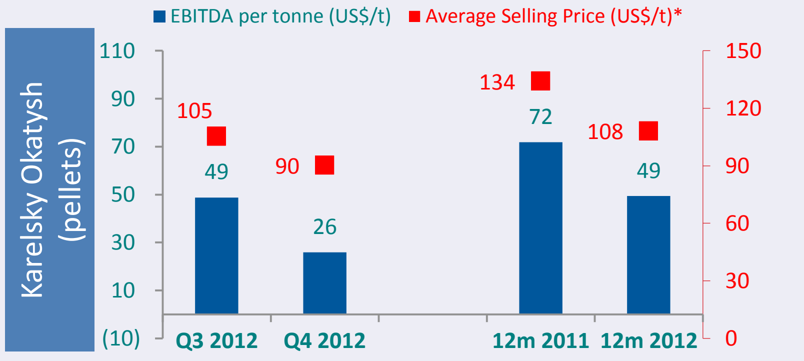
Severstal

- Q4 revenue down 8.4% to $673m (Q3 2012: $735m) on lower realized prices and sales volumes. FY12 revenue down 19.0% to $3,005m (FY11: $3,711m)
- Q4 EBITDA*** of $132m down by 45.7% (Q3 2012: $243m) mainly due to lower realized prices. FY12 EBITDA down 38.6% to $985m (FY11: $1,604m)
- Vorkuta cash costs** slightly down to $85/t (Q3 2012: $87/t). FY13 average cash costs are anticipated to be similar to this level
- PBS cash costs down to $107/t (Q3 2012: $113/t), we expect costs at PBS to continue to fall further. In December 2012 two mines were idled in addition to 5 already mothballed in July
- Unit cash costs at Karelskiy Okatysh up to $64/t (Q3 2012: $57/t) due to allowance for doubtful debt (Q4 impact of $6/t)
- Olkon cash costs increased to $60/t (Q3 2012: $44/t) on a larger amount of repairs and higher energy costs in the winter period

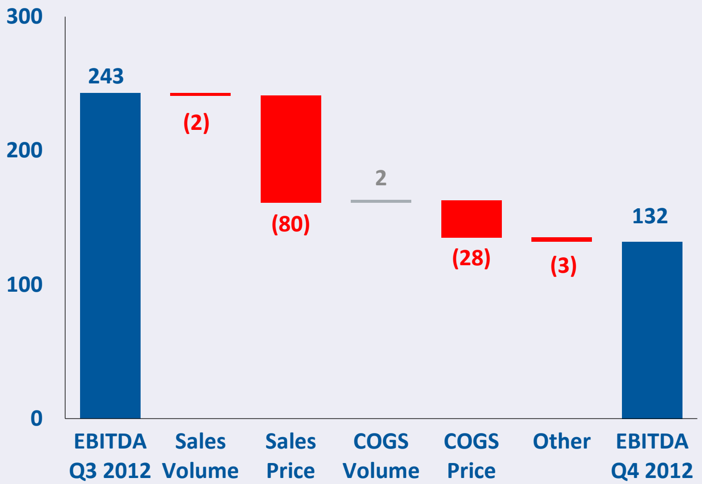
EBITDA per tonne and average selling price



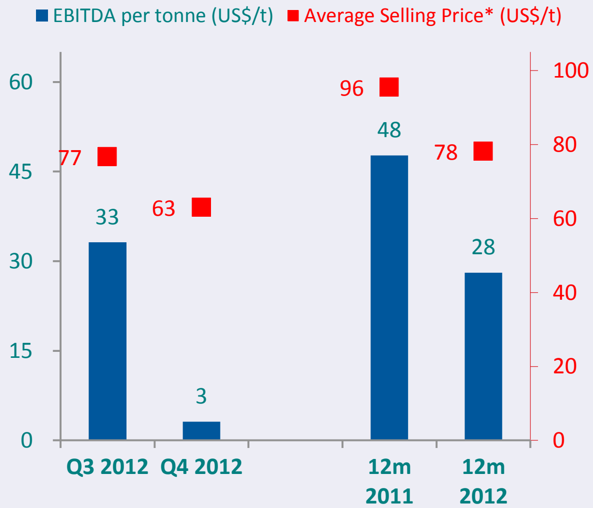




EBITDA** drivers in Q4 2012, $m



Olkon (iron ore concentrate)



*** Excluding intercompany dividend income

** Cash costs per tonne represent difference between Price/t and EBITDA/t

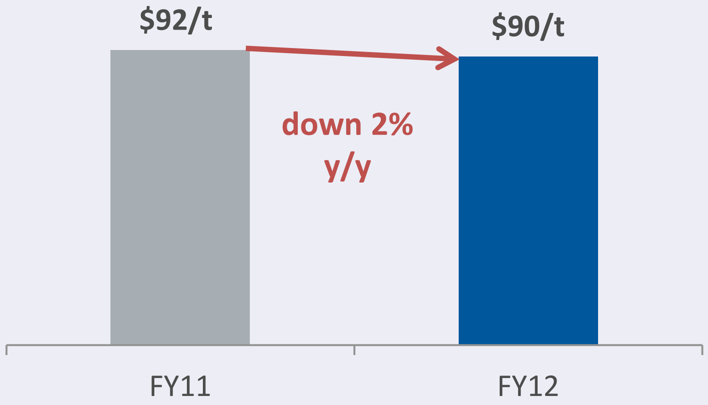
*Free carrier price terms.

Cost Control at Severstal Resources

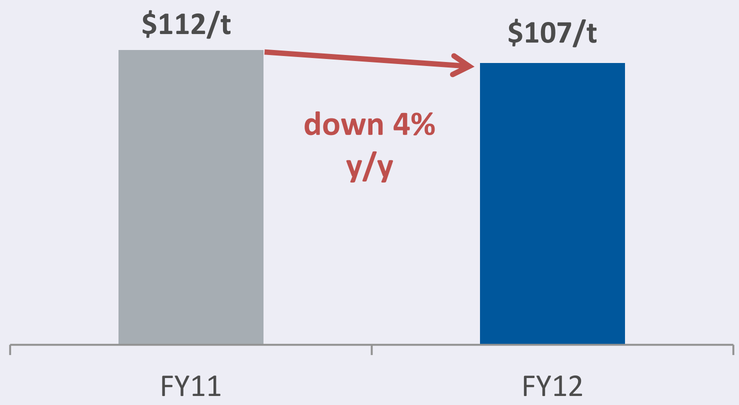
Severstal

Total cash costs at our mining unit were all down y/y, except for Olkon

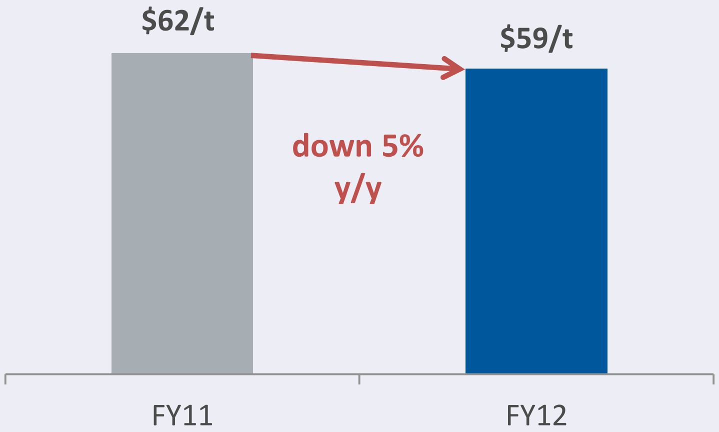
Vorkuta coking coal concentrate total cash costs



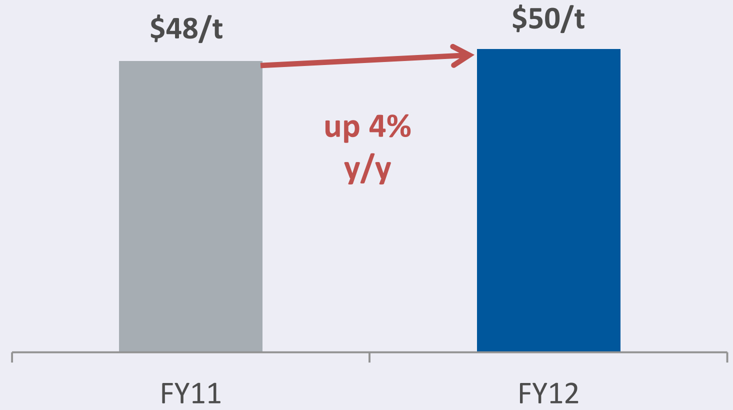
PBS coking coal concentrate total cash costs



Karelskiy Okatysh pellet total cash costs



Olkon iron ore concentrate total cash costs



Severstal International

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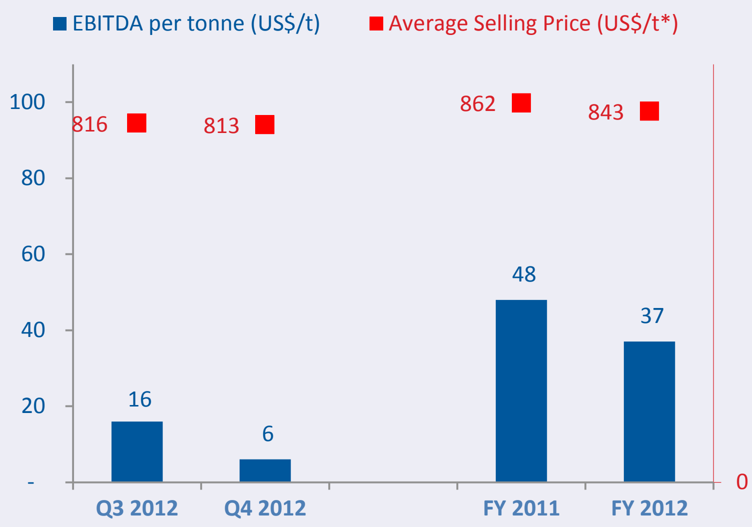
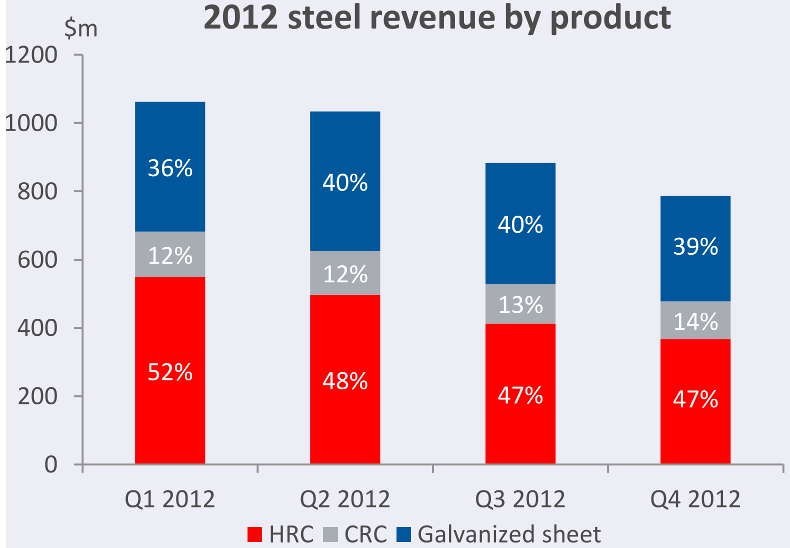
- Q4 SNA revenue of $810 million (Q3 2012: $910 million), down 11.0% q/q. FY12 revenue of $3,878 million (FY11: $3,422 million) increased by 13.3% y/y
- Q4 EBITDA* down 64.7% q/q to $6 million. FY12 EBITDA of $166 million was 8.3% off y/y (FY11: $181 million): lower realized prices were offset by higher sales volumes
- Q4 EBITDA margin was down to 0.7% (Q3 2012: 1.9%), while EBITDA per tonne decreased q/q to $6 from $16 in Q3. FY12 EBITDA margin contracted to 4.3% (FY11: 5.3%) due to weaker prices
- Marketwise construction spending in 2012 finished the year 9.2% higher than 2011, with residential construction increasing 15% and nonresidential increasing 6%. Auto industry continues its upward trend with 2013 NAFTA auto production projected to increase 2.9% over 2012 to 15.9 million units. The US energy market has stalled but there are signs of renewal as 2013 drilling programs begin and new pipeline projects have been announced

EBITDA per tonne and average selling price

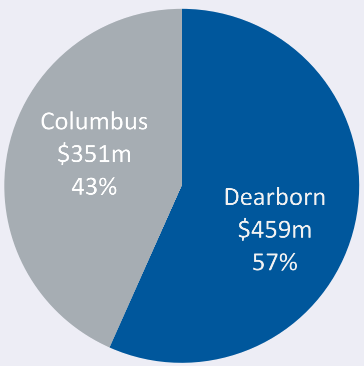


*All steel products, mixed price terms, resulting ex works.

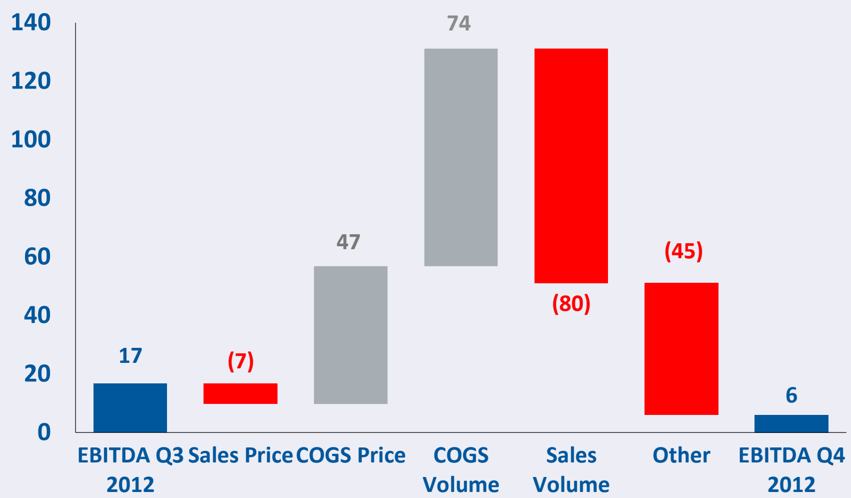
2012 steel revenue by product



Q4 2012 revenue by plant



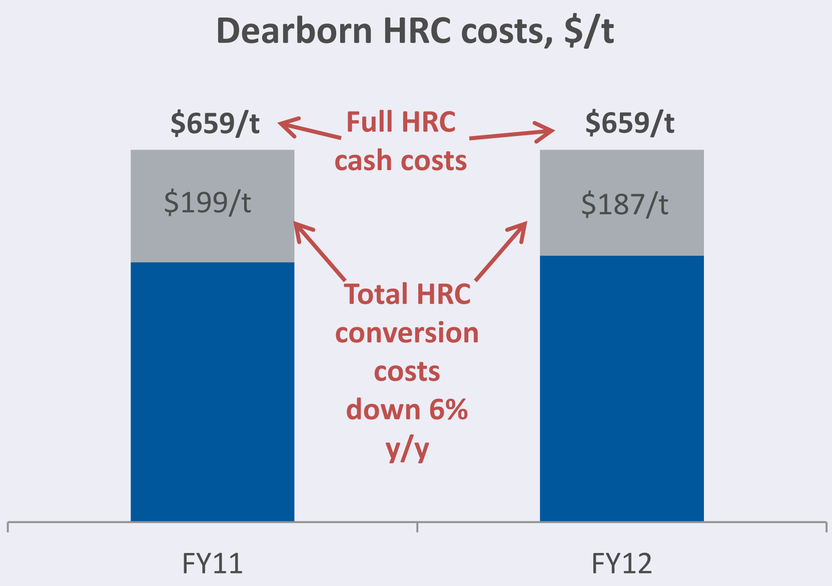
EBITDA* drivers in Q4 2012, $m

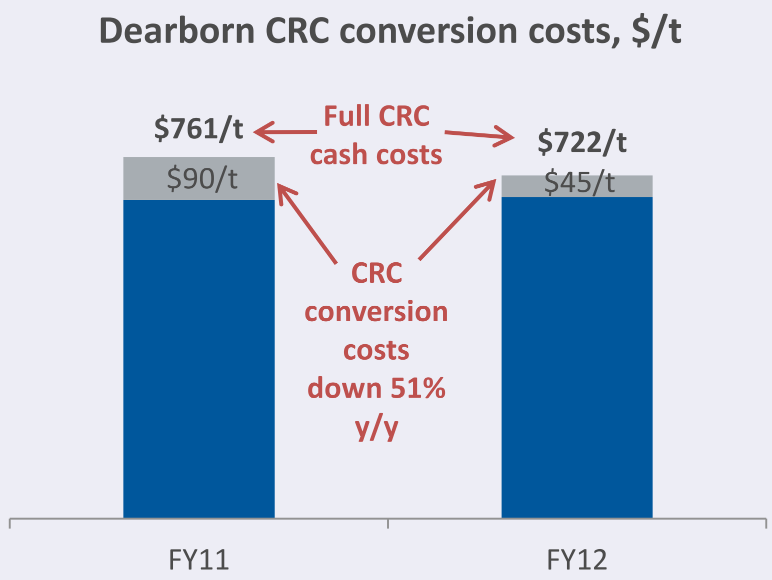


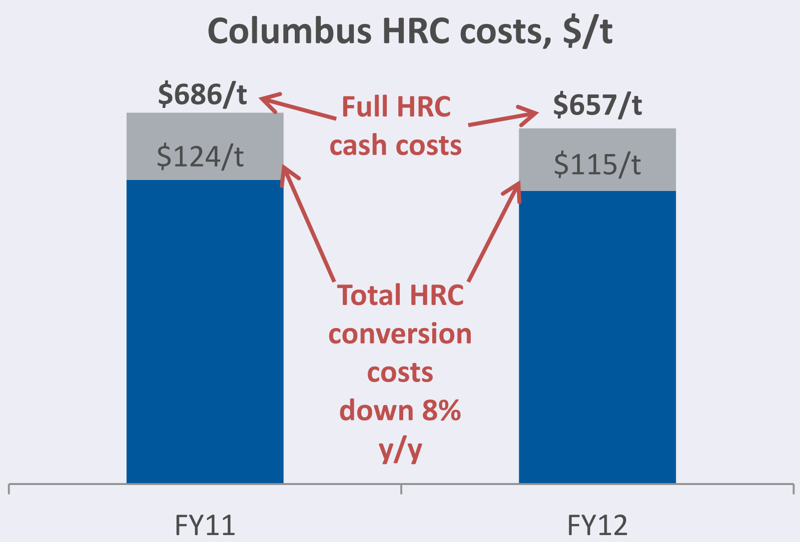
* Excluding intercompany dividend income

Cost Control at Severstal International

Conversion costs down at Dearborn and Columbus.
Dearborn CRC conversion costs decreased substantially after the launch of the new cold rolling mill







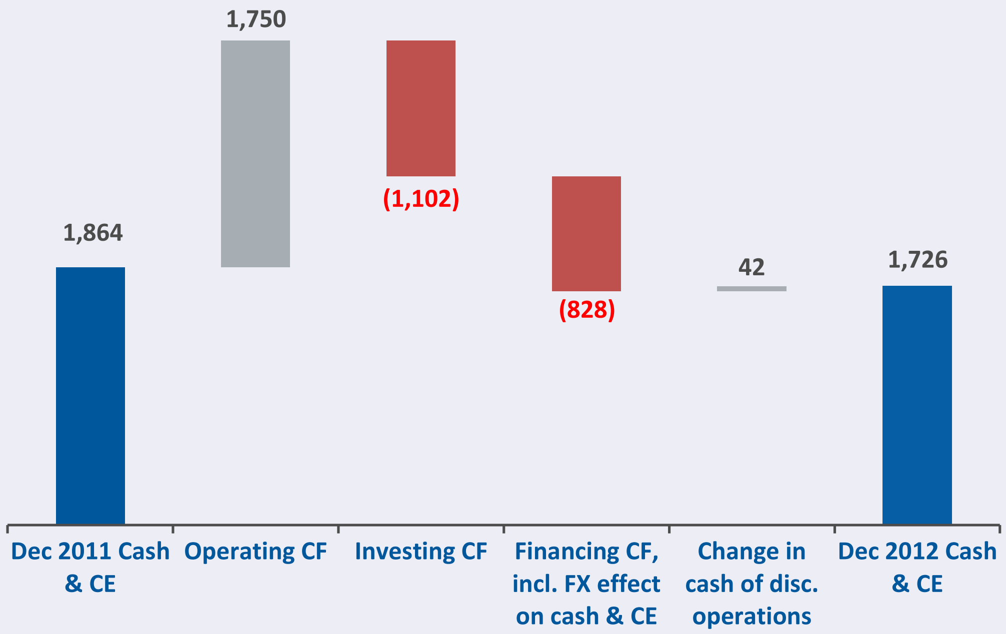
Financial Position

Cash Flow and Net Working Capital

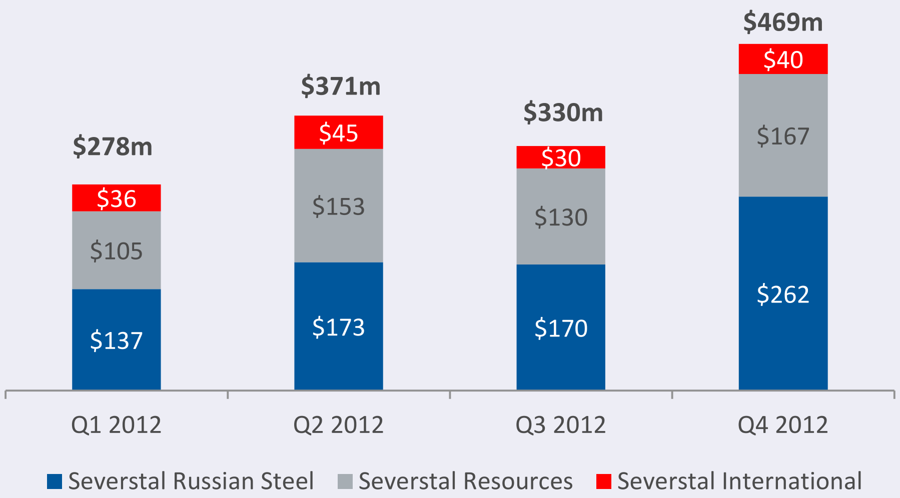
Severstal

Highlights:

- Liquidity position of $1,726m in cash and cash equivalents
- Operating cash flow of $1,750m more than covered FY12 cash CAPEX of $1,448m
- Lower than planned actual FY12 CAPEX in response to the deteriorating market conditions
- NWC reduced by 15% since the beginning of the year, while NWC/revenues ratio of 14.5% decreased from 15.2% since the beginning of the year



2012 cash CAPEX breakdown, $m



Net Working Capital developments, $m

Net working capital, $m

December 31, 2012	December 31, 2011	Change, %
2,046	2,402	-14.8%

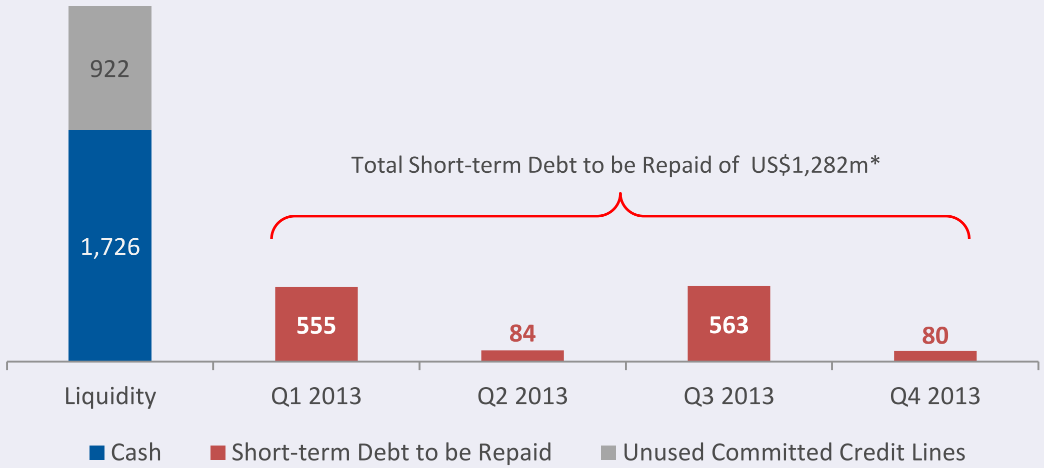
Net working capital as % of revenues

December 31, 2012	December 31, 2011	Change, ppts
14.5%	15.2%	-0.7 ppts

Robust Liquidity and Sustainable Leverage

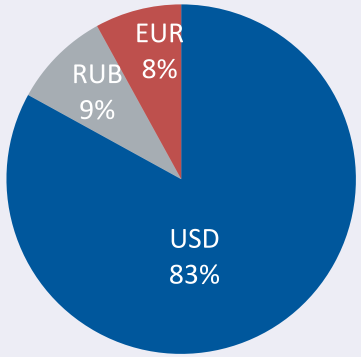
Severstal

- Solid liquidity position:
  - Cash and cash equivalent of $1,726m
  - Committed unused credit lines of $922m
- Upcoming short-term debt maturities serviced with available liquidity of $2,648m:
  - Q1 2013 repayments of $555m
  - FY13 maturities amounted to $1,282m
- Net Debt/EBITDA up to 1.9x on lower LTM EBITDA, while net debt further decreased to $3,983m

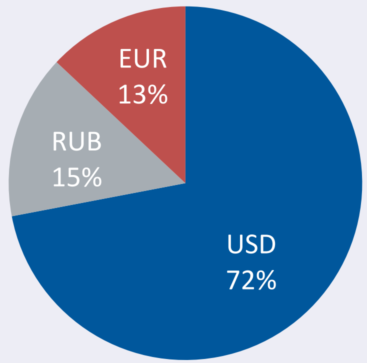


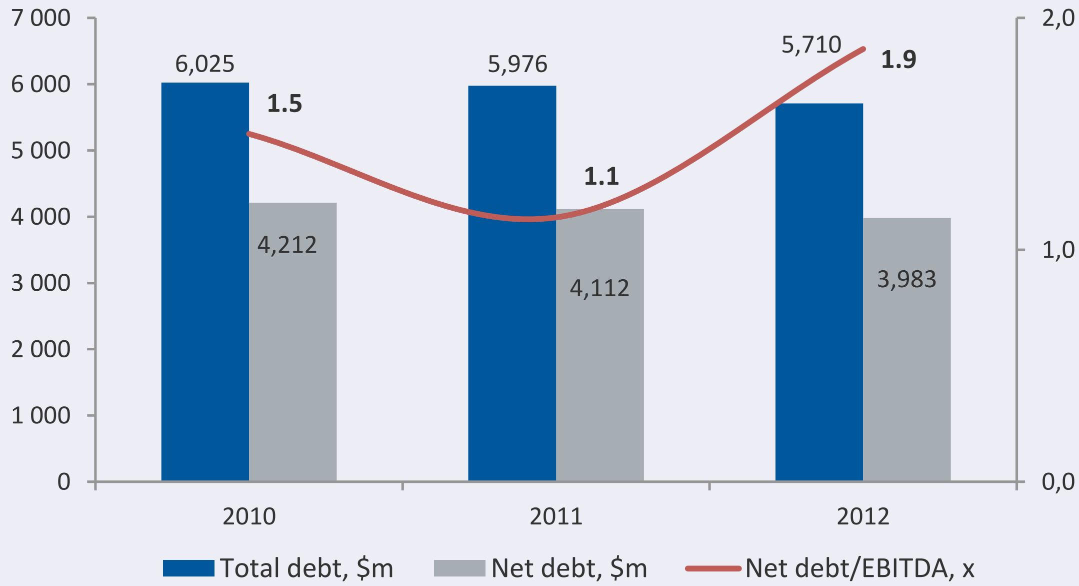
* Represents principal amount of debt.

Q4 2012 debt currency mix



Q4 2012 cash currency mix



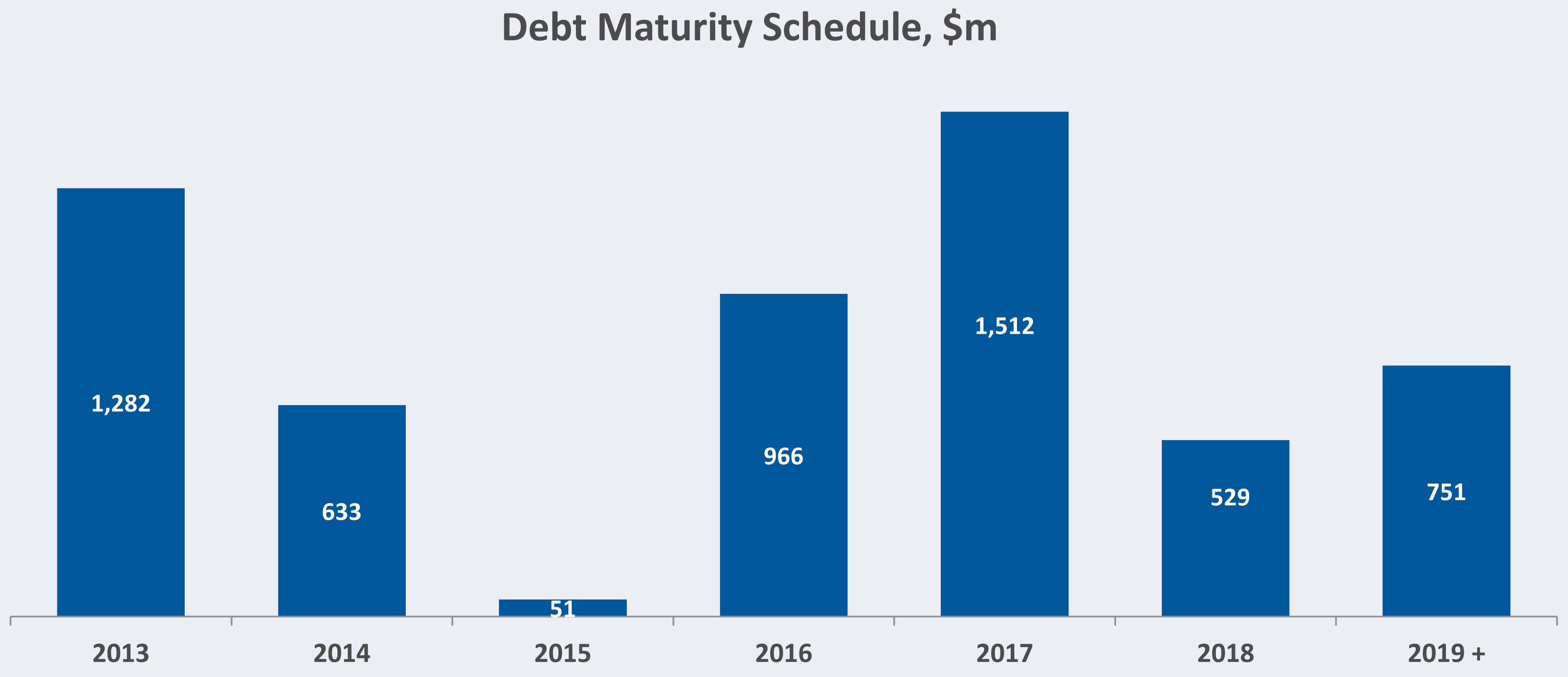


** On this chart figures exclude Gold segment's balances

Debt Structure

Severstal

As at 31.12.2012 the debt structure has shifted towards public debt (81% of total, 68% at 30.09.2012), but remains almost unchanged in the currency mix with USD representing 83% of total



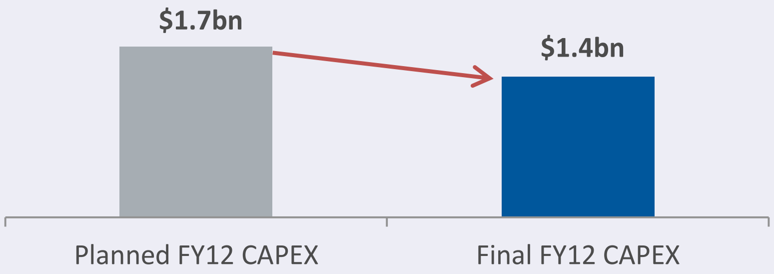
This chart represents principal amount of debt.

CAPEX highlights

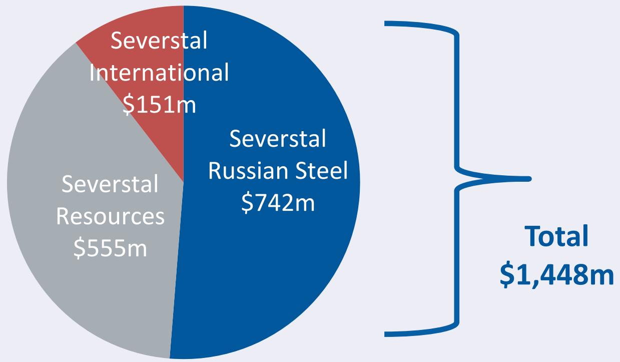
Selected 2013 CAPEX projects

Segment	Project	Effect	Launch
RUSSIAN STEEL	Balakovo mini-mill	+1 mtpa of long products capacity	2013
	Specialized steel service centers development	Increase in high-value added steel products sales	2013
	Installation of brand-new converter filters at Cherepovets Mill	Environment	2013-14
STEEL RESOURCES	Construction of incline shafts at the Vorgashorskaya and Zapolyarnaya mines	Higher coal output, infrastructure costs decrease, efficiency gains	2013-15
	4 mtpa capacity expansion (to 11 mtpa) at Pechorskaya Preparation Plant	Higher coking coal concentrate output, efficiency	2013-14
	Steeply inclined conveyor at Olkon	Higher iron ore output, infrastructure costs decrease, efficiency	2013
SEVERSTAL INTERNATIONAL	Environmental, health & safety, IT-infrastructure and customer care	Efficiency gains	2013

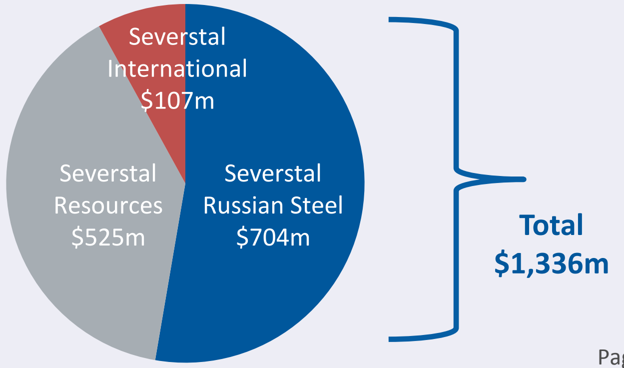
FY12 CAPEX Development: adjusted on worsening market conditions



Group's FY2012 cash CAPEX



Group's FY2013 target CAPEX



Q4 2012 Market Outlook

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Global:

- Although the fragile economic environment will maintain pressure on steel prices throughout 2013, we are seeing slight signs of recovery
- For 2013 we anticipate average global iron ore prices to remain flat y/y, while coking coal prices could be lower, compared to 2012

Russia:

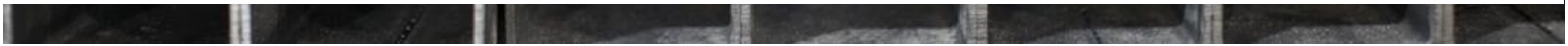
- Although high oil prices support the Russian economy, steel consumption growth decelerated from 13% in 2011 to 2% in 2012. On the positive side, we may expect growing steel demand in 2013 on the back of construction and infrastructure projects

USA:

- After 17% growth in 2012, the automotive industry continues its upward trend with 2013 NAFTA auto production projected to increase 3% during 2012 to 15.9 million units. US pipe and tube demand has moderated but there are signs of recovery in 2013 based on increasing drilling activity and new pipeline projects

Severstal

Thank you. Q&A



Severstal

Appendices

Summary Income Statement

Severstal

$ million, unless otherwise stated	Q4 2012	Q3 2012	FY 2012	FY 2011
Revenue	3,116	3,591	14,104	15,812
COGS	(2,475)	(2,757)	(10,785)	(10,903)
EBITDA*	347	546	2,119	3,584
EBITDA margin, %	11.1%	15.2%	15.0%	22.7%
Profit from operations	136	369	1,371	2,917
Operating margin, %	4.4%	10.3%	9.7%	18.4%
Profit before income tax	(6)	435	1,037	2,429
Net (loss)/profit**	(150)	329	762	2,035
EPS, $	(0.19)	0.41	0.91	2.02
Dividend per share, $***	0.06	0.10	0.34	0.52

* EBITDA represents profit /(loss) from operations plus depreciation and amortization of productive assets adjusted for gain/(loss) on disposals of property, plant, equipment and intangible assets;

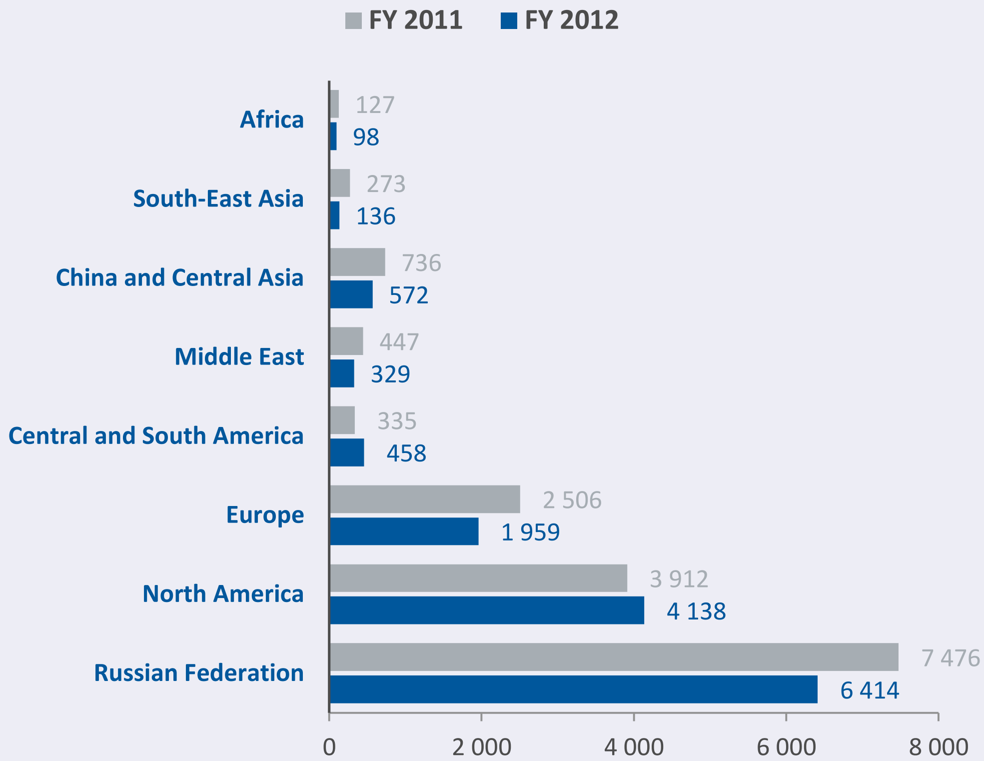
** Attributable to shareholders of OAO Severstal;

*** Dividends announced on the basis of respective period results, translated at the exchange rate as of the date of recommendation by Board of Directors. Dividends for FY2012 need to be approved by AGM on June 13, 2013.

Q4 2012 Revenue Breakdown by Region

Q4 2012/Q3 2012, $m

FY 2012/FY 2011, $m



Q4 2012 Highlights:

- Lower revenue from Russia due to weaker demand
- Decrease in North America sales on lower realized prices and volumes
- Sales to other regions demonstrated mixed dynamics

Q4 2012 Division Results

Severstal

Severstal Russian Steel

	Q4 2012	Q3 2012	Change, %	FY 2012	FY 2011	Change, %
Revenue ($m)	1,929	2,254	(14.4%)	8,617	10,547	(18.3%)
Cost of sales ($m)	(1,512)	(1,727)	(12.4%)	(6,711)	(7,749)	(13.4%)
G&A and distribution ($m)	(285)	(319)	(10.7%)	(1,247)	(1,272)	(2.0%)
G&A and distribution as % of revenue	14.8%	14.2%	0.6 ppts	14.5%	12.1%	2.4 ppts
EBITDA** ($m)	200	284	(29.6%)	939	1,784	(47.4%)
Operating Profit ($m)	498	203	145.3%	990	1,450	(31.7%)
EBITDA Margin, %	10.4%	12.6%	(2.2 ppts)	10.9%	16.9%	(6.0 ppts)
EBITDA per tonne ($/t)	85	104	(18.3%)	91	162	(43.8%)
Average Selling Price (US$/t*)	732	746	(1.9%)	751	867	(13.4%)

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

Severstal International

	Q4 2012	Q3 2012	Change, %	FY 2012	FY 2011	Change, %
Revenue ($m)	810	910	(11.0%)	3,878	3,422	13.3%
Cost of sales ($m)	(802)	(920)	12.8%	(3,775)	(3,292)	14.7%
G&A and distribution ($m)	(24)	(21)	14.3%	(96)	(83)	15.7%
G&A and distribution as % of revenue	3.0%	2.3%	0.7 ppts	2.5%	2.4%	0.1 ppts
EBITDA** ($m)	6	17	(64.7%)	166	181	(8.3%)
Operating (Loss)/Profit ($m)	(40)	(24)	(66.6%)	(7)	62	N.A.
EBITDA Margin, %	0.7%	1.9%	(1.2 ppts)	4.3%	5.3%	(1.0 ppts)
EBITDA per tonne ($/t)	6	16	(62.5%)	37	48	(22.9%)
Average Selling Price (US$/t*)	813	816	(0.4%)	843	862	(2.2%)

*All steel products; mixed price terms, mostly Ex Works.   ** Excluding intercompany dividend income

Q4 2012 Division Results (Continued)

Severstal

Severstal Resources

	Q4 2012	Q3 2012	Change, %	FY 2012	FY 2011	Change, %
Revenue ($m)	673	735	(8.4%)	3,005	3,711	(19.0%)
Cost of sales ($m)	(468)	(420)	11.4%	(1,725)	(1,746)	(1.2%)
G&A and distribution ($m)	(129)	(110)	17.3%	(469)	(487)	(3.7%)
G&A and distribution as % of revenue	19.2%	15.0%	4.2 ppts	15.6%	13.1%	2.5 ppts
EBITDA* ($m)	132	243	(45.7%)	985	1,604	(38.6%)
Operating Profit ($m)	58	187	(69.0%)	751	1,394	(46.1%)
EBITDA Margin, %	19.6%	33.1%	(13.5 ppts)	32.8%	43.2%	(10.4 ppts)

* Excluding intercompany dividend income

Summary Balance Sheet

Severstal

$ million	As at 31 December 2012	As at 31 December 2011
Cash and Cash Equivalents	1,726	1,864
Total Assets:	15,707	17,910
Current Assets	5,697	8,930
Non-current Assets	10,010	8,980
Total Liabilities:	8,492	10,843
Current Liabilities	3,370	5,370
Non-current Liabilities	5,122	5,473
Total Equity	7,215	7,067
Total Equity and Liabilities	15,707	17,910

Summary Cash Flow Statement

Severstal

$ million	Q4 2012	Q3 2012	FY 2012	FY 2011
Profit before Financing and Taxation	63	370	1,246	2,852
Cash Generated from Operations	452	769	2,373	3,132
Interest Paid	(78)	(129)	(424)	(441)
Income Tax Paid	(47)	(38)	(191)	(514)
Net cash from operating activities – continuing operations	327	602	1,758	2,177
Net cash (used in)/from operating activities – discontinued operations	-	-	(8)	402
Net cash from Operating Activities	327	602	1,750	2,579
Cash used in Investing Activites , incl.	(486)	(316)	(1,102)	(1,902)
Additions to PP&E and IA	(469)	(330)	(1,448)	(1,716)
Cash used in Financing Activities	(249)	(146)	(835)	(539)
Effect of Exchange Rate on Cash and Cash Equivalents	13	38	7	(70)
Net (decrease)/increase in Cash and Cash Equivalents	(395)	178	(180)	68
Less change in Cash and CE of discontinued operations and AHFS at end of the period	-	-	42	(217)
Cash and Cash Eqivalents at beginning of the Period	2,121	1,943	1,864	2,013
Cash and Cash Eqivalents at end of the Period	1,726	2,121	1,726	1,864

Severstal

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