



Q3 and 9M 2013 Financial Results Presentation

14 November 2013



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Severstal

**Q3 2013
Results Overview**

Q3 and 9M 2013 Highlights

- Third consecutive quarter of earnings improvement, driven by cost reduction programs, especially in G&A, at Severstal Russian Steel and Severstal Resources
- Q3 revenue decreased 6.5% q/q to \$3,192m due to lower selling prices and sales volumes at Severstal Russian Steel and iron ore units of Severstal Resources. 9M revenue down 9.6% y/y to \$9,928m as a result of weaker steel, iron ore and coal realized prices
- Q3 EBITDA* up 13.4% q/q to \$543m (Q2 2013: \$479m) driven by production cost reductions at Severstal Russian Steel and Severstal Resources, as well as at the G&A level and higher coking coal sales volumes at Vorkuta. As a result, the Group's EBITDA margin increased strongly by 3.0 ppts to 17.0% (Q2 2013: 14.0%)
- Q3 2013 operating profit of \$347m (Q2 2013: \$278m)
- Net profit** of \$157 million (Q2 2013: net loss of \$44 million, caused by \$226 million FX losses)
- Further decrease in gross debt following \$544 million July 2013 Eurobond repayment to \$4,977 million, down 8.7% vs Q2 2013. Net debt/EBITDA ratio stabilized at 2.2x. Strong liquidity position of \$1,014m in cash and cash equivalents and committed unused credit lines of \$1,692m
- Q3 2013 capex*** of \$282 million broadly in line q/q
- Recommended dividend payment of 2.01 roubles per share (approximately \$0.06) for the 9 months ended 30 September 2013.

* 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)

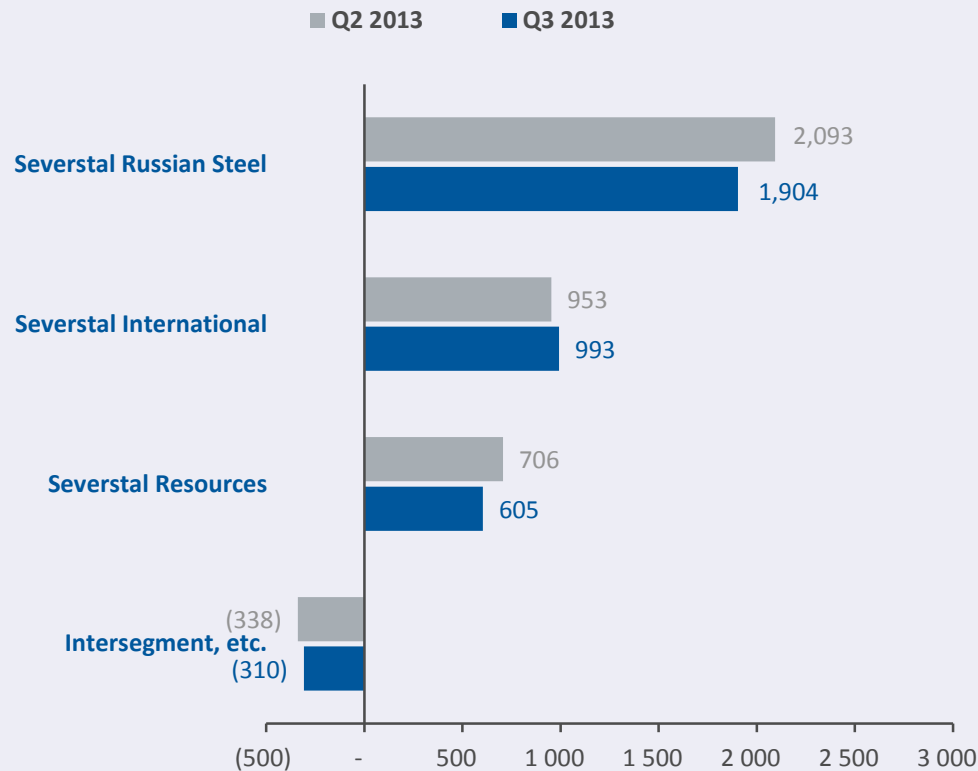
** Net (loss)/ profit attributable to shareholders of OAO Severstal.

*** Represents cash outflow on capex in the period

Revenue Dynamics and Breakdown

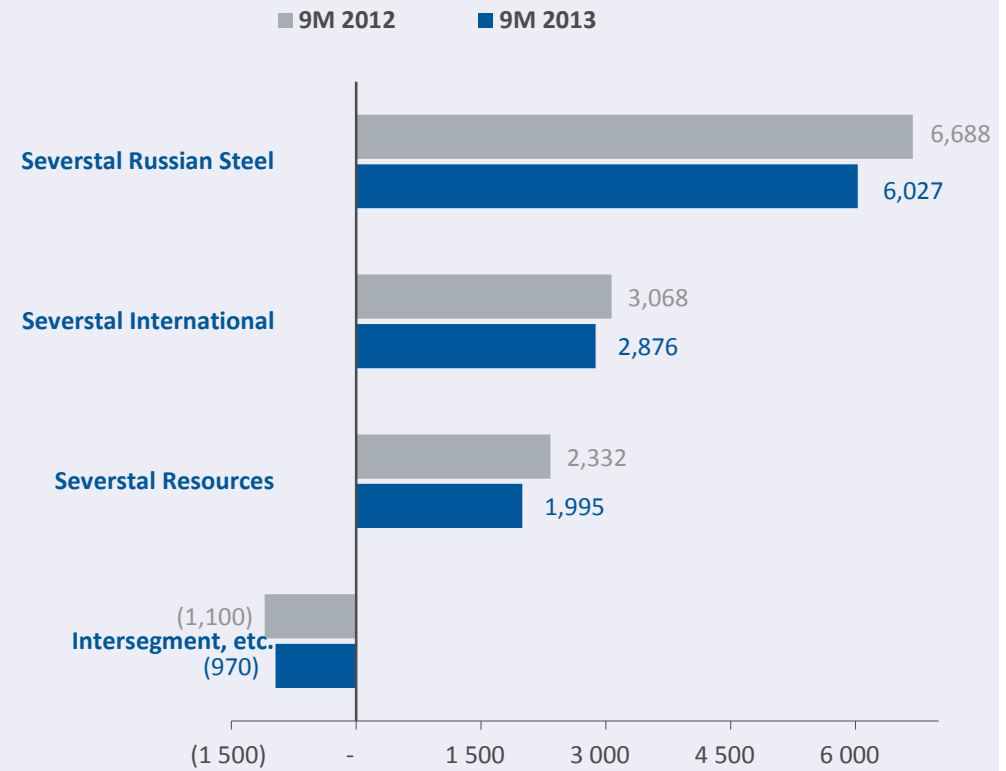
Q3 2013 Revenue: \$3,192m
 (Q2 2013: \$3,414m; -6.5%)

Severstal International increased revenue thanks to better prices and sales volumes. Decreases at Severstal Russian Steel and Severstal Resources due to weaker prices and selling volumes



9M 2013 Revenue: \$9,928m
 (9M 2012: \$10,988m; -9.6%)

Lower y/y revenue negatively affected by weaker pricing environment



EBITDA Dynamics and Breakdown

Q3 2013 EBITDA: \$543m
(Q2 2013: \$479m; +13.4%)

Group EBITDA increased 13.4% driven by surging EBITDA at Severstal Russian Steel and Severstal International. Severstal Resources' EBITDA decreased q/q due to lower prices across the division as well as weaker iron ore sales volumes



9M 2013 EBITDA: \$1,452m
(9M 2012: \$1,789m; -18.8%)

Lower steel prices resulted in a moderate EBITDA decrease at the steel divisions. A slump in coking coal prices was the major reason behind the decrease at Severstal Resources





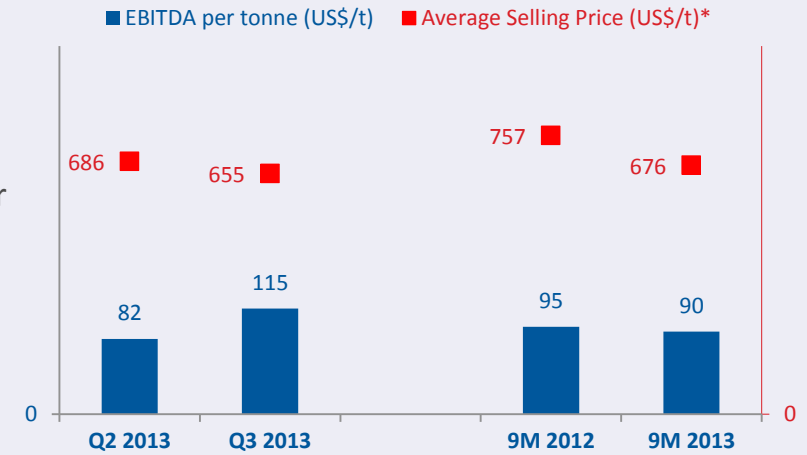
Divisional Performance and Market Outlook



Severstal Russian Steel

- The division's sales volumes were 6.1% down q/q to 2.6 mt
- Q3 revenue down 9.0% q/q to \$1,904m (Q2 2013: \$2,093m) due to lower sales volumes and selling prices. 9M 2013 revenue of \$6,027 million decreased 9.9% y/y (9M 2012: \$6,688 million)
- Q3 EBITDA surged 31.9% q/q to \$298m (Q2 2013: \$226m) with EBITDA margin 4.9 ppts higher q/q at 15.7% due to cost reduction initiatives, lower input prices, higher shares of HVA products and domestic sales. Y/y 9M 2013 EBITDA of \$719 million decreased by 4.3% (9M 2012: \$751 million)
- Share of HVA products increased further q/q to 46%. It was flat y/y on a year-on-year basis
- Share of sales volumes to the domestic market in Q3 reached a record high of 69% from 65% in Q2. It was also higher than in Q3 2012, when it reached 61%

EBITDA per tonne and average selling price



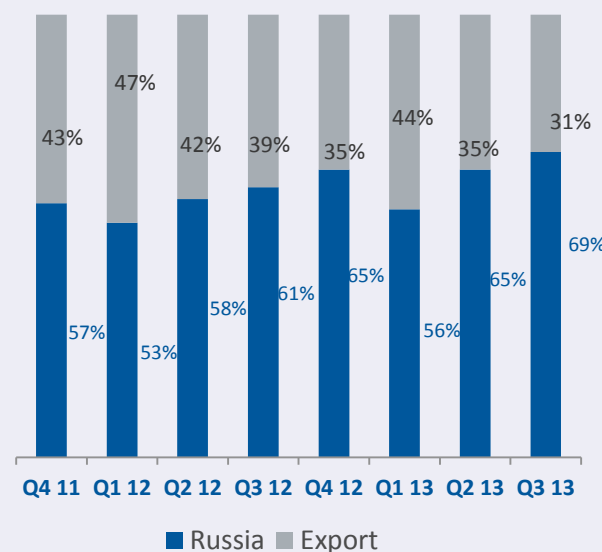
*All steel products, incl. pipes, etc.; Ex Works price terms.

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

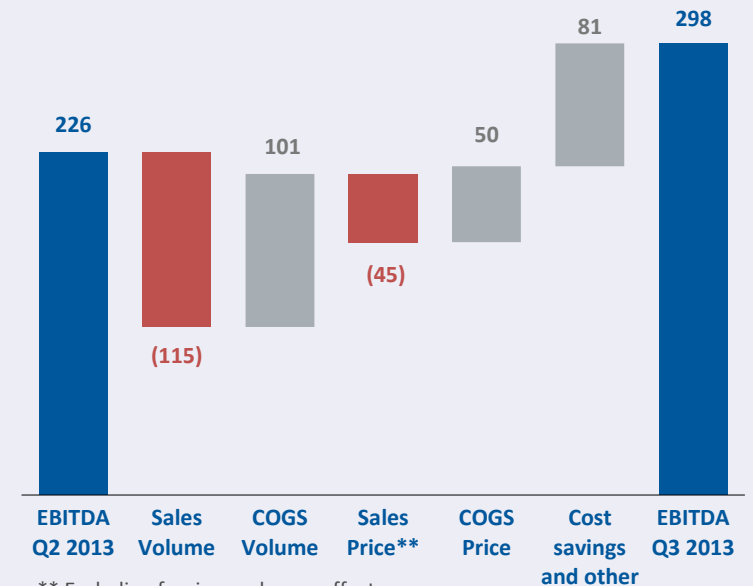


*** High-value-added comprises: plate; cold-rolled, galvanized and metallic coated, color coated sheet; metalware; large-diameter and other pipes.

Steel sales volumes by destination, %



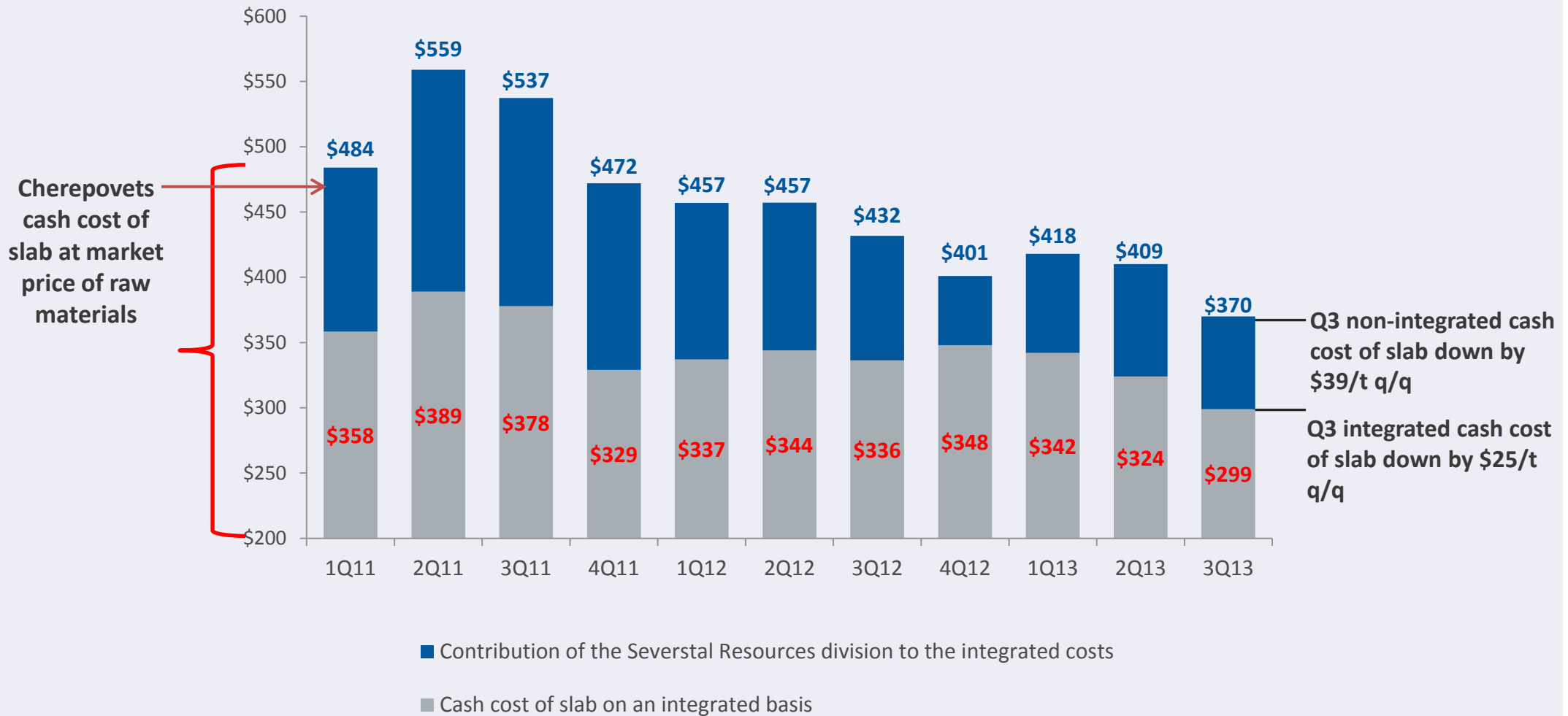
EBITDA drivers in Q3 2013, \$m



** Excluding foreign exchange effect.

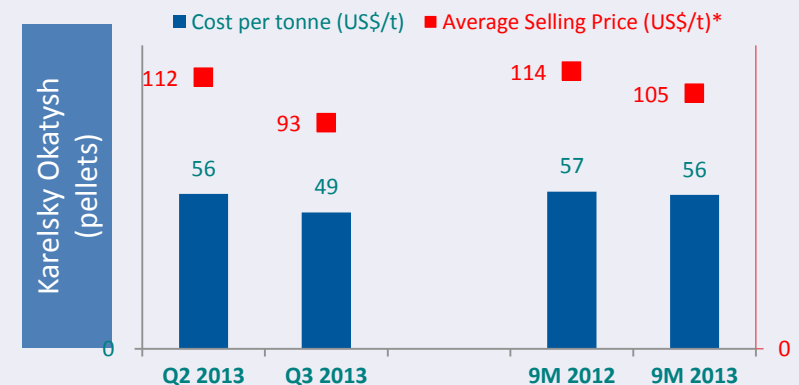
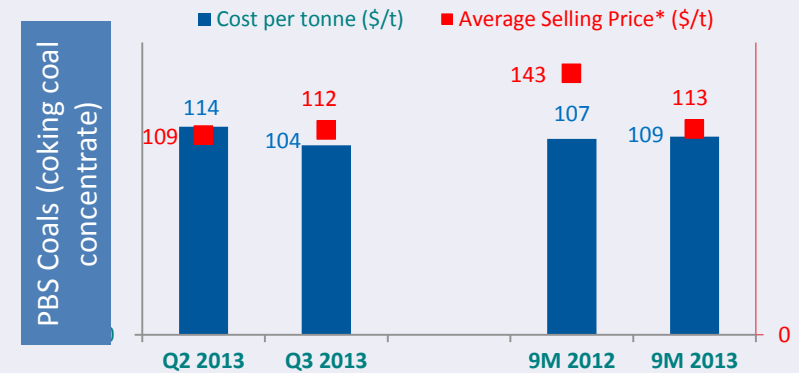
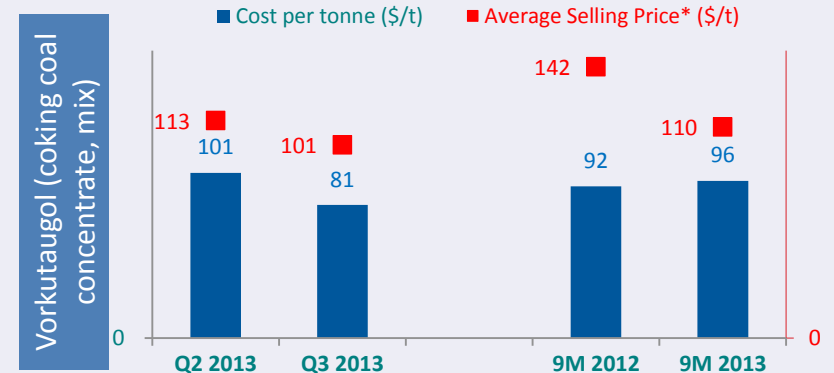
Cost Control at Severstal Russian Steel

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

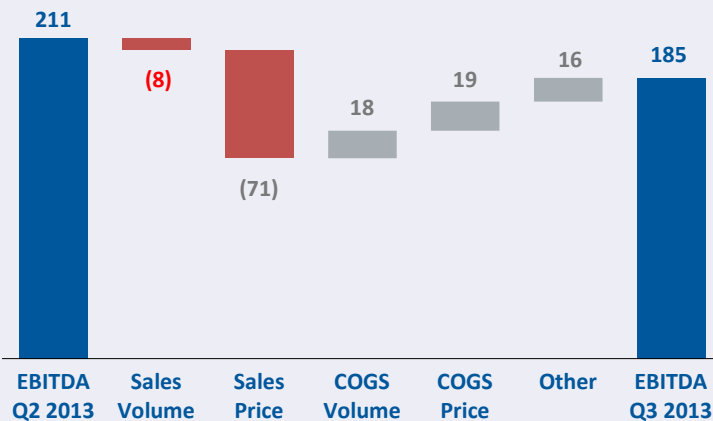


- Q3 revenue down 14.3% q/q to \$605m (Q2 2013: \$706m) due to weaker prices and lower iron ore sales volumes. On a y/y basis 9M 2013 revenue of \$1,995 million was down 14.5% (9M 2012: \$2,332 million)
- Q3 EBITDA of \$185m down 12.3% q/q (Q2 2013: \$211m) due to lower revenues and despite exemplary cost control across our operations. Y/y 9M 2013 EBITDA of \$587 million was 31.2% lower (9M 2012: \$853 million)
- Cash costs at the iron ore operations decreased further in Q3 2013 with total cash costs (TCC) at Karelskiy Okatysh down to \$49/t (Q2 2013: \$56/t) and to \$40/t (Q2 2013: \$43/t) at Olkon
- TCC for Vorkuta coking coal concentrate fell 19.8% or \$20/t q/q to \$81/t (Q2 2013: \$101/t) on 11% higher sales volumes and we see potential for further cost decreases in Q4 2013. At PBS cash costs decreased to \$104/t (Q2 2013: \$114/t)

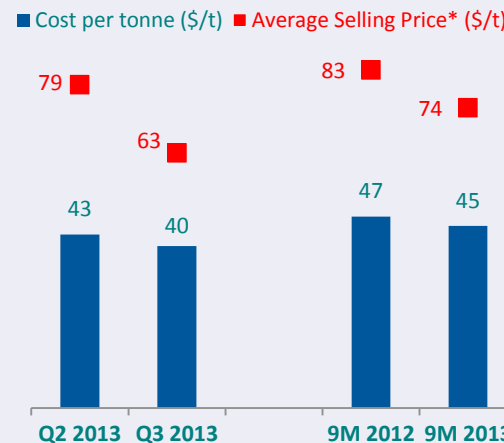
Average selling price and cash cost per tonne



EBITDA drivers in Q3 2013, \$m



Olkon (iron ore concentrate)

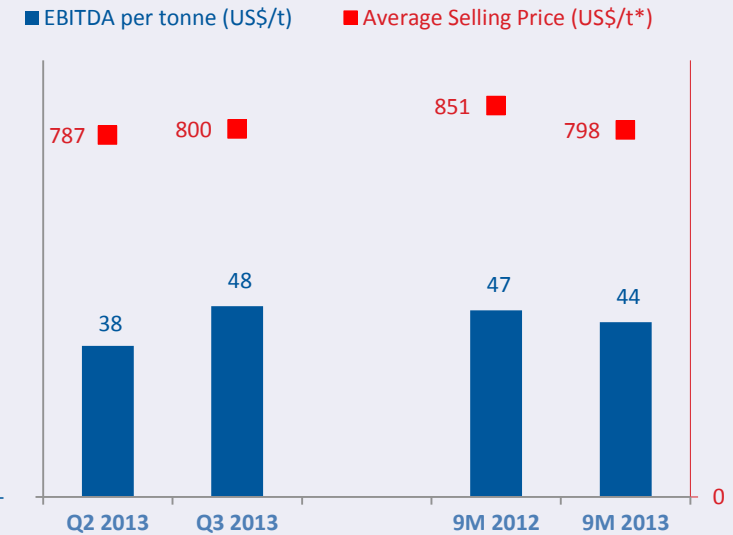


** Cash costs per tonne represent difference between Price/t and EBITDA/t

*Free carrier price terms.

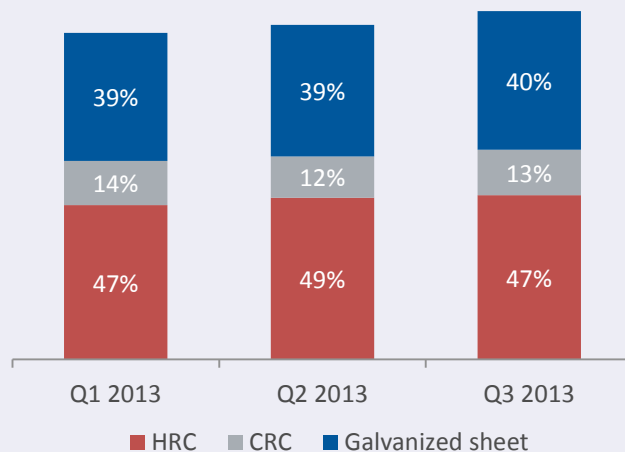
- Sales volumes increased 2.5% q/q to 1.2 mt due to better CRC and galvanized products sales
- Q3 revenue of \$993 million (Q2 2013: \$953 million), up 4.2% q/q due to higher sales volumes and higher average selling price
- Q3 EBITDA increased 31.8% q/q to \$58 million due to better selling prices and sales volumes, as well as slightly lower unit costs at Columbus
- Q3 EBITDA margin up to 5.8% (Q2 2013: 4.6%), and EBITDA per tonne increased q/q to \$48 from \$38 in Q2 2013
- In Q3 the US economy continued its steady growth with average US capacity utilization remaining stable at 77%. World Steel Association's latest forecast on US steel growth is 0.7% in 2013, with a 3.0% increase in 2014 driven by the automotive, energy and residential construction markets. We expect the US auto industry to boost annual new model launches by 19% through 2017, supporting strong growth in US auto production

EBITDA per tonne and average selling price

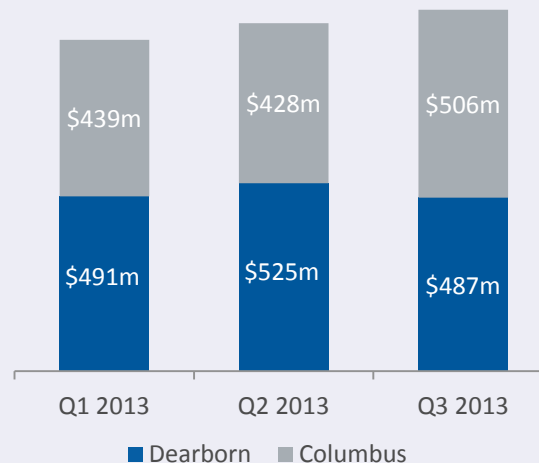


*All steel products, mixed price terms, resulting ex works.

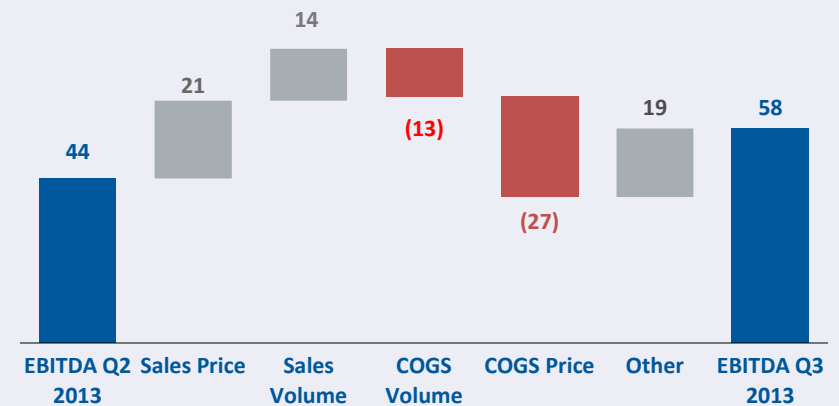
9M 2013 steel revenue by product dynamics



9M 2013 revenue by plant dynamics



EBITDA drivers in Q3 2013, \$m





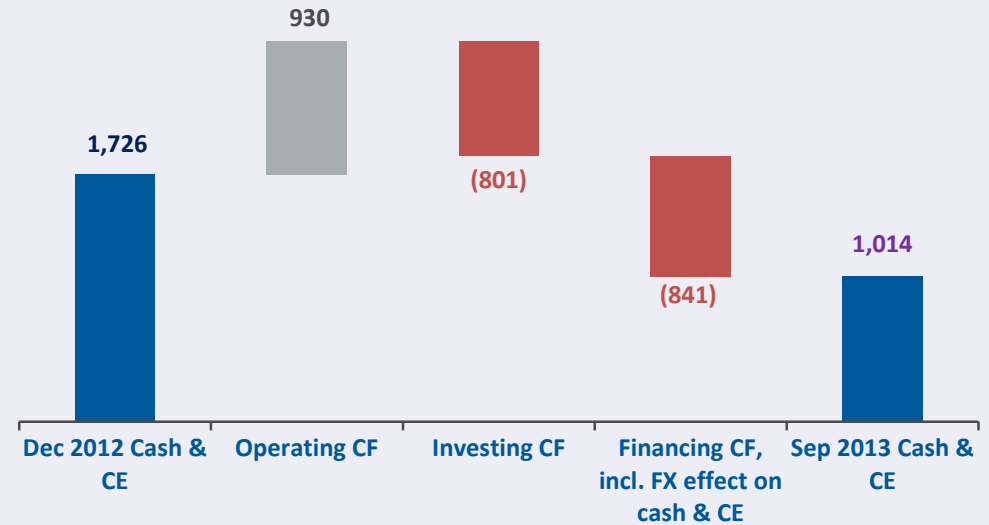
Severstal 

Financial Position

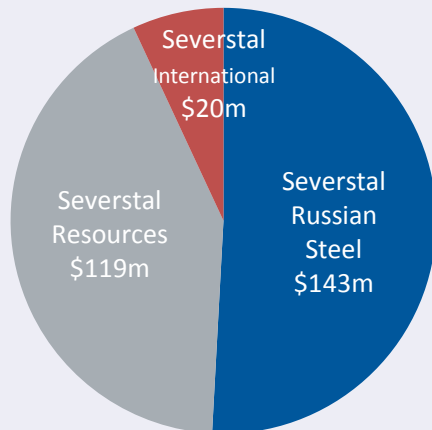
Cash Flow and Net Working Capital

9M Highlights:

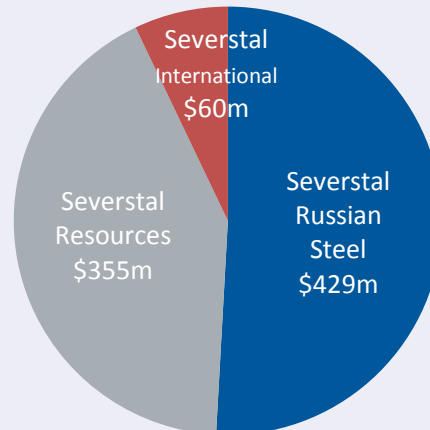
- Solid liquidity position of \$1,014m in cash and cash equivalents
- Strong operating cash flow of \$930m
- CAPEX of \$844m
- Free cash flow of \$141m
- Net working capital temporarily up 7.2% from the beginning of the year and NWC/LTM revenue up 2.3 ppts



Q3 2013 CAPEX breakdown, \$m



9M 2013 CAPEX breakdown, \$m



Net Working Capital developments

Net working capital, \$m

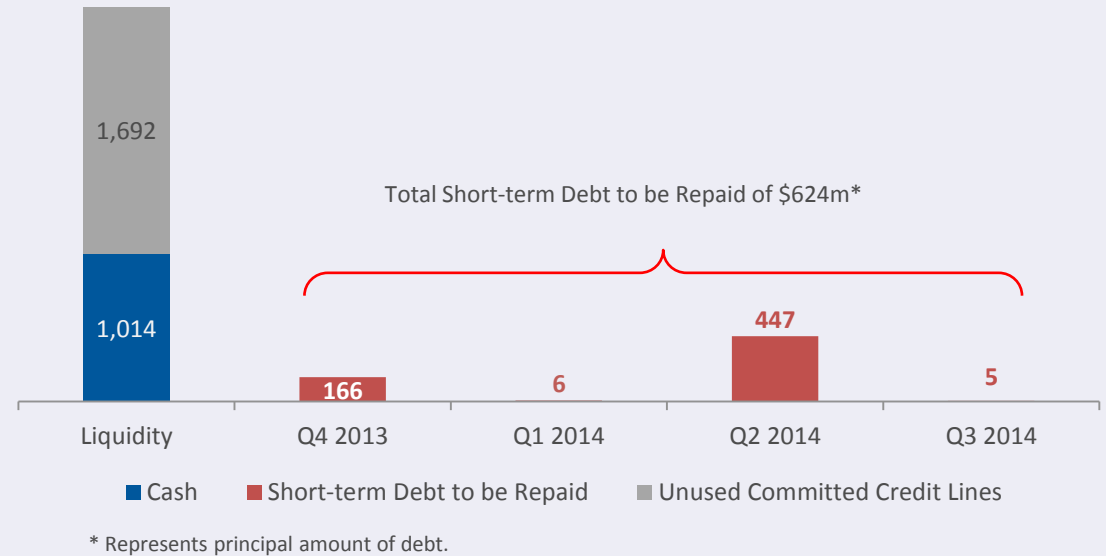
September 30, 2013	December 31, 2012	Change, %
2,193	2,046	7.2%

Net working capital as % of revenues

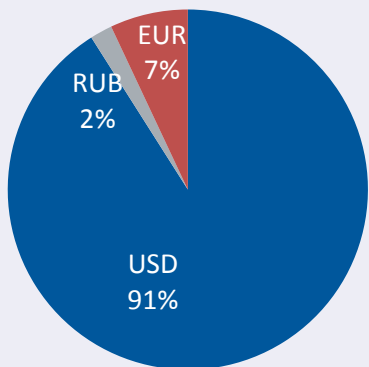
September 30, 2013	December 31, 2012	Change, ppts
16.8%	14.5%	2.3 ppts

Robust Liquidity and Sustainable Leverage **Severstal**

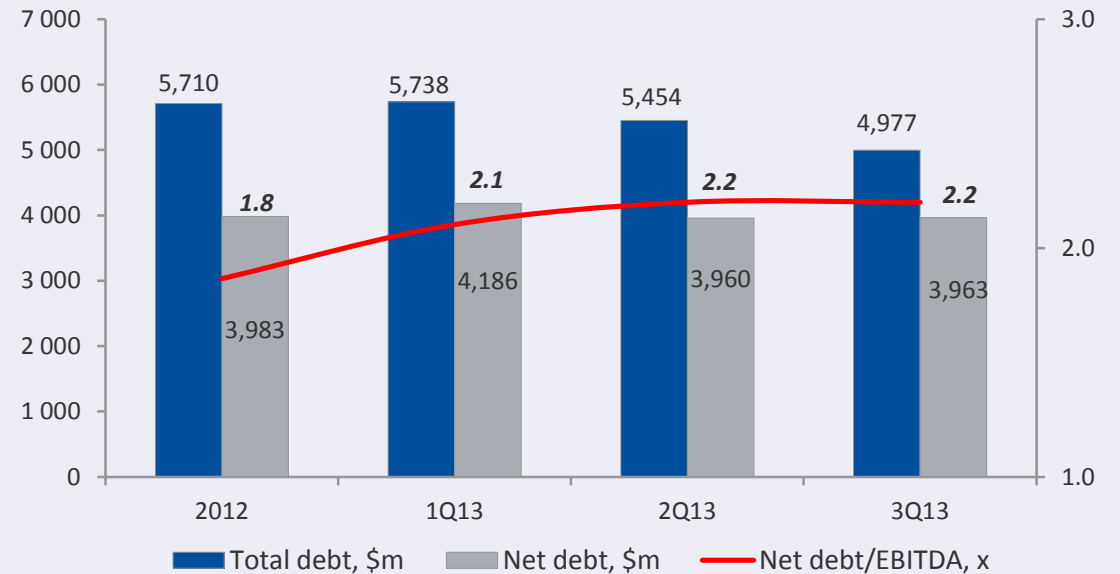
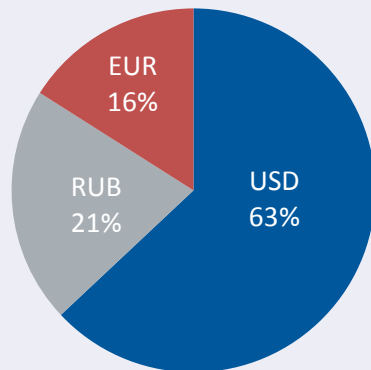
- Solid liquidity position:
 - Cash and cash equivalent of \$1,014m
 - Committed unused credit lines of \$1,692m
- Upcoming short-term debt maturities serviced with available liquidity of \$2,706m:
 - Q4 2013 repayments of \$166m
 - Short-term debt amounts to \$624m
- Net Debt/EBITDA stable at 2.2x with gross debt decreased YTD by 13% to \$4,977m



Q3 2013 debt currency mix



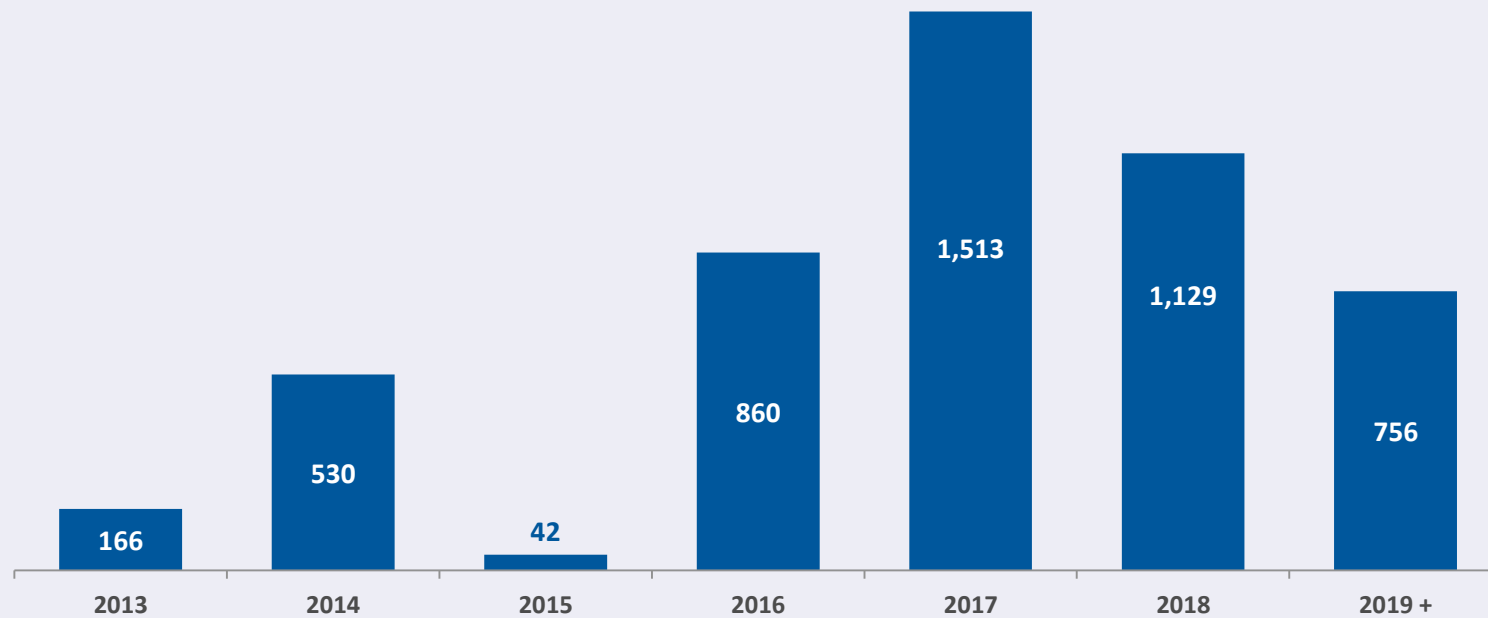
Q3 2013 cash currency mix



Debt Structure

As at 30.09.2013 the debt structure remains unchanged dominated by public debt (85% of total) and US dollar (91% of total)

Debt Maturity Schedule, \$m



This chart represents principal amount of debt.

Global:

- Global capacity utilization increased to 79.3% in September driven by China and seasonal recovery in Europe
- Iron ore prices remain strong at \$135/t CFR China on the back of Chinese steel production. They are likely to weaken by the end of the year due to the inventory cycle and increasing supply from Brazil
- Coking coal prices are subdued by oversupply in the market, however there is no room for further decreases and prices are expected to bottom out
- Global flat steel prices are weak as Chinese exports remain high and traders are destocking before year end. The inventory cycle will turn to the positive in Nov-Dec when traders start sell the products with delivery in Q1 14

Russia:

- Jan-Sep 2013 steel demand in Russia was 3% higher y/y
- The main drivers of domestic demand continue to be residential construction and oil and gas sectors
- The spread between the Russian domestic and export prices remains narrow

USA:

- The September Purchasing Managers Index (PMI) increased 0.5% to 56.2%. This represents the highest PMI rating since April 2011 when the index was 59.4%
- US steel sheet and long prices are strengthening on the back of thin inventories, good demand and the idling of some capacity



Severstal 

Q&A





Appendices

Summary Income Statement

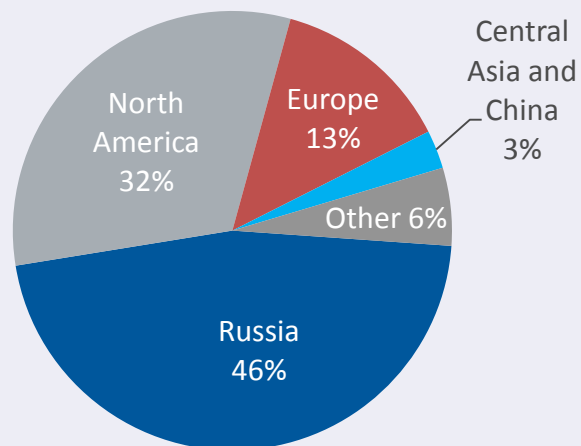
\$ million, unless otherwise stated	Q3 2013	Q2 2013	9M 2013	9M 2012**
Revenue	3,192	3,414	9,928	10,988
COGS	(2,468)	(2,678)	(7,771)	(8,310)
EBITDA	543	479	1,452	1,789
EBITDA margin, %	17.0%	14.0%	14.6%	16.3%
Profit from operations	347	278	847	1,243
Operating margin, %	10.9%	8.1%	8.5%	11.3%
Profit/ (loss) before income tax	237	(72)	259	1,043
Net profit/ (loss)	157	(44)	157	912
Basic EPS, \$	0.19	(0.06)	0.19	1.07
Dividend per share, \$*	0.06	0.06	0.13	0.28

* 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 9M 2013 need to be approved by EGM on December 17, 2013

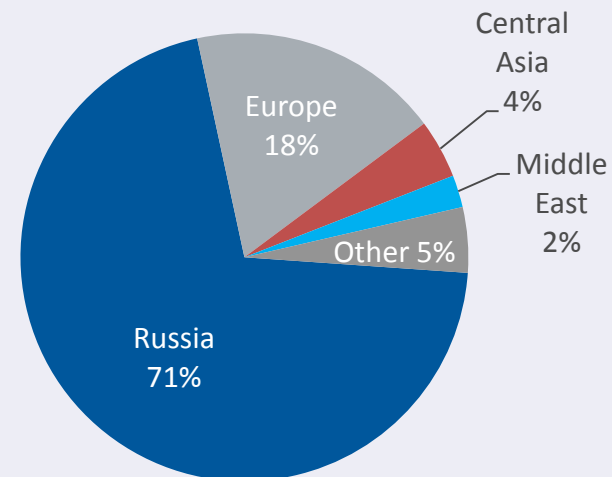
** 9M 2012 amounts reflect adjustments made in connection with the change in classification of income and expenses related to finance operations between general and administrative expenses, gain/(loss) on remeasurement and disposal of financial investments and finance costs to more appropriately reflect their nature

Q3 2013 Revenue Breakdown by Region

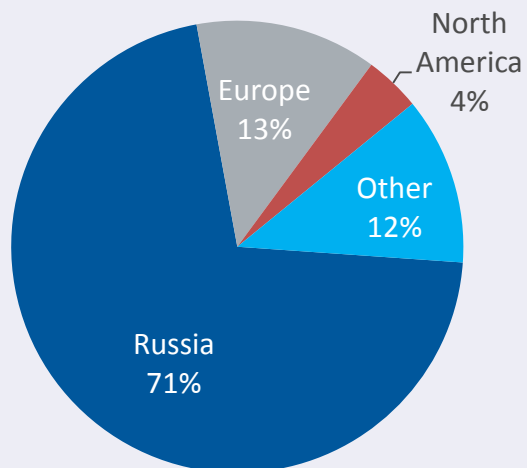
Severstal Group Q3 2013 revenue breakdown by region



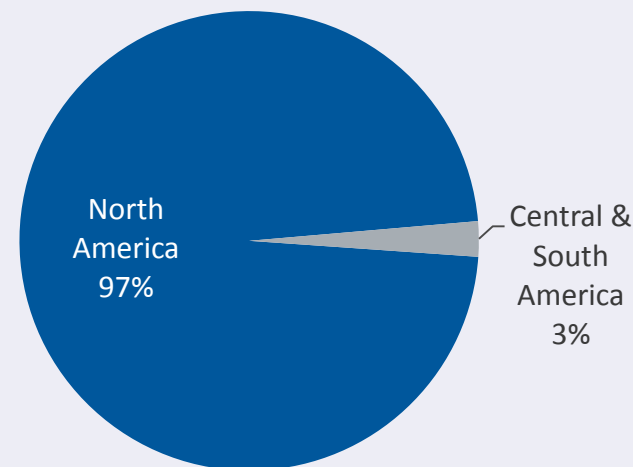
Severstal Russian Steel Q3 2013 revenue breakdown by region



Severstal Resources Q3 2013 revenue breakdown by region



Severstal International Q3 2013 revenue breakdown by region



Q3 2013 Division Results



Severstal Russian Steel	Q3 2013	Q2 2013	Change, %	9M 2013	9M 2012	Change, %
Revenue (\$m)	1,904	2,093	(9.0%)	6,027	6,688	(9.9%)
Cost of sales (\$m)	(1,433)	(1,652)	(13.3%)	(4,687)	(5,199)	(9.8%)
G&A and distribution (\$m)	(248)	(294)	(15.6%)	(848)	(959)	(11.6%)
G&A and distribution as % of revenue	13.0%	14.0%	(1.0 ppts)	14.1%	14.3%	(0.2 ppts)
EBITDA (\$m)	298	226	31.9%	719	751	(4.3%)
Operating Profit (\$m)	211	133	58.6%	443	500	(11.4%)
EBITDA Margin, %	15.7%	10.8%	4.9 ppts	11.9%	11.2%	0.7 ppts
EBITDA per tonne (\$/t)	115	82	40.2%	90	95	(5.3%)
Average Selling Price (US\$/t*)	655	686	(4.5%)	676	757	(10.7%)

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

Severstal International	Q3 2013	Q2 2013	Change, %	9M 2013	9M 2012	Change, %
Revenue (\$m)	993	953	4.2%	2,876	3,068	(6.3%)
Cost of sales (\$m)	(958)	(930)	3.0%	(2,794)	(2,973)	(6.0%)
G&A and distribution (\$m)	(20)	(18)	11.1%	(64)	(72)	(11.1%)
G&A and distribution as % of revenue	2.0%	1.9%	0.1 ppts	2.2%	2.3%	(0.1 ppts)
EBITDA (\$m)	58	44	31.8%	152	164	(7.3%)
Operating Profit/ (Loss) (\$m)	10	(4)	N.A.	9	33	(72.7%)
EBITDA Margin, %	5.8%	4.6%	1.2 ppts	5.3%	5.3%	-
EBITDA per tonne (\$/t)	48	38	26.3%	44	47	(6.4%)
Average Selling Price (US\$/t*)	800	787	1.7%	798	851	(6.2%)

*All steel products; mixed price terms, mostly Ex Works.

Q3 2013 Division Results (Continued)



Severstal Resources

	Q3 2013	Q2 2013	Change, %	9M 2013	9M 2012	Change, %
Revenue (\$m)	605	706	(14.3%)	1,995	2,332	(14.5%)
Cost of sales (\$m)	(386)	(434)	(11.1%)	(1,252)	(1,257)	(0.4%)
G&A and distribution (\$m)	(80)	(109)	(26.6%)	(296)	(340)	(12.9%)
G&A and distribution as % of revenue	13.2%	15.4%	(2.2 pts)	14.8%	14.6%	0.2 pts
EBITDA (\$m)	185	211	(12.3%)	587	853	(31.2%)
Operating Profit (\$m)	124	150	(17.3%)	399	687	(41.9%)
EBITDA Margin, %	30.6%	29.9%	0.7 pts	29.4%	36.6%	(7.2 pts)

Summary Balance Sheet

\$ million	As at 30 September 2013	As at 31 December 2012
Cash and Cash Equivalents	1,014	1,726
Total Assets:	14,833	15,707
Current Assets	4,974	5,697
Non-current Assets	9,859	10,010
Total Liabilities:	7,719	8,492
Current Liabilities	2,483	3,370
Non-current Liabilities	5,236	5,122
Total Equity	7,114	7,215
Total Equity and Liabilities	14,833	15,707

Summary Cash Flow Statement

\$ million	Q3 2013	Q2 2013	9M 2013
Profit before Financing and Taxation	331	251	784
Cash Generated from Operations	361	642	1,238
Interest Paid	(95)	(90)	(298)
Income Tax (Paid)/Received	(1)	4	(10)
Net cash from Operating Activities	265	556	930
Total cash used in Investing Activities , incl.	(262)	(246)	(801)
Additions to PP&E and IA	(282)	(253)	(844)
Free Cash Flow	8	319	141
Cash used in Financing Activities	(492)	(362)	(831)
Effect of Exchange Rate on Cash and Cash Equivalents	9	(6)	(10)
Net decrease in Cash and Cash Equivalents	(480)	(58)	(712)
Cash and Cash Equivalents at beginning of the Period	1,494	1,552	1,726
Cash and Cash Equivalents at end of the Period	1,014	1,494	1,014

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