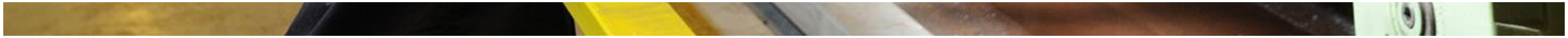
Q2 and H1 2012 Financial Results Presentation

Severstal
Achieve more together

29 August 2012



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Q2 2012 highlights

- Q2 revenue slightly up 1.1% q/q to $3,718m partly driven by lower intersegment sales;
- Consolidated EBITDA* increased 18.1% q/q to $664m (Q1 2012: $562m) owing to stronger performances at Russian Steel and Severstal International, and the one-off inventory provision at Russian Steel, taken in Q1. EBITDA margin advanced 2.6 ppts q/q to 17.9%, as a result;
- Operating profit increased 24.9% q/q to $481m (Q1 2012: $385m) with operating margin up 2.4 ppts to 12.9%;
- Q2 net profit** dropped by 63.7% q/q to $155m (Q1 2012: $427m), which is mainly attributable to FX losses of $143 million, compared to FX gains of $122 million in Q1 and the separation of Nordgold, which contributed to net profit in Q1;
- Net Debt/EBITDA as of end of Q2 remained at comfortable level of 1.2x, below target level of 1.5x;
- In July 2012 Severstal completed the cancellation of 170 million shares, announced on February 29, 2012. The cancellation of 170 million shares was reflected in the Company's register on July 30 2012. As of July 30 2012, the total number of Severstal shares outstanding is 838 million, including 27 million treasury shares. This cancellation was related to the separation of Nordgold;
- Recommended dividend payment of 1.52 rubles per share (approximately $0.05) for the 6 months ended 30 June 2012

* 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.

Revenue Dynamics and Breakdown

Q2 2012 Revenue: $3,718m
(Q1 2012: $3,679m; +1.1%)

Q2 revenue increased due to lower intersegment sales, while all divisions delivered marginally lower revenue

H1 2012 Revenue: $7,397m
(H1 2011*: $7,566m; -2.2%)

H1 revenues slightly down y/y, driven mainly by Russian Steel. Severstal International delivered significant sales growth due to ramp-up of new capacities

* These amounts reflect adjustments made in connection with the presentation of discontinued operations”.

EBITDA Dynamics and Breakdown

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Q2 2012 EBITDA: $664m

(Q1 2012: $562m; +18.1%)

Both steel units increased EBITDA q/q on stronger market conditions. Lower profits at Resources owed to contracting global bulks prices

H1 2012 EBITDA: $1,226m

(H1 2011*: $1,799m; -31.9%)

Russian Steel's performance was the main driver behind y/y EBITDA decline. Severstal International was the only division to increase its EBITDA y/y

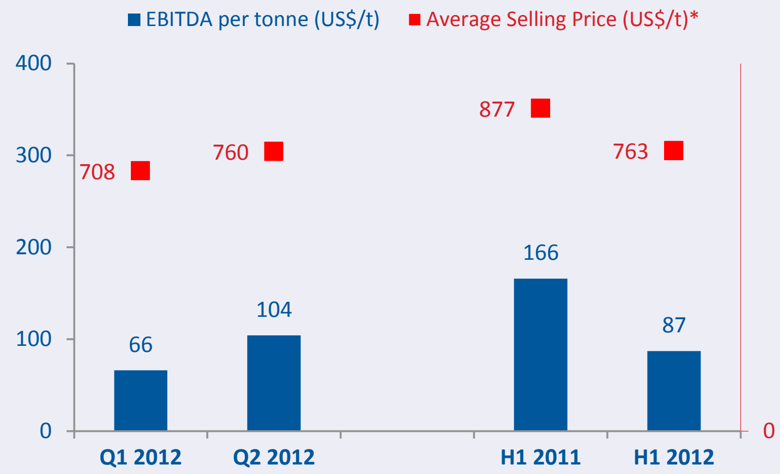
* These amounts reflect adjustments made in connection with the presentation of discontinued operations and the early adoption of the revised IAS 19 "Employee benefits".

Divisional Performance and Market Outlook

Severstal Russian Steel

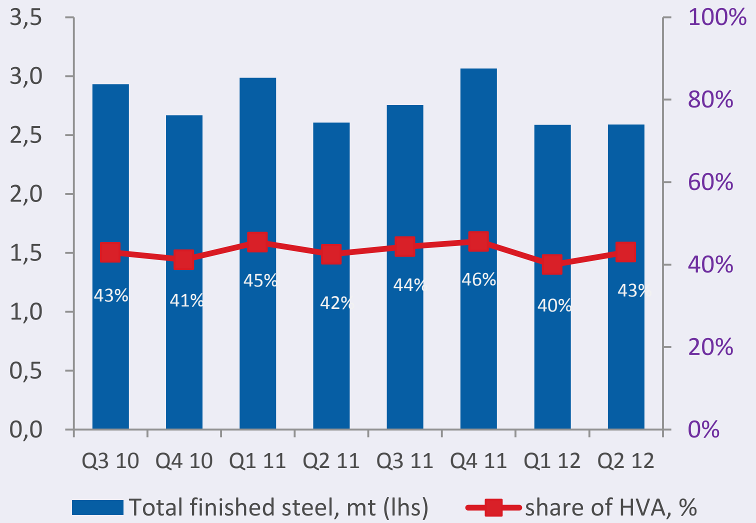
- Q2 revenue down 0.8% q/q to $2,209m (Q1 2012: $2,226m) on lower selling volumes
- Q2 EBITDA increased 44.6% to $269m (Q1 2012: $186m) with EBITDA margin up 3.8 ppts to 12.2% due to lower input costs and lack of the $56.7m one-off inventory provision, taken in Q1
- Share of high-value-added products up to 43% due to higher sales of value-added products to the domestic market
- Share of sales volumes to the domestic market increased to 58% on seasonally strong demand

EBITDA per tonne and average selling price



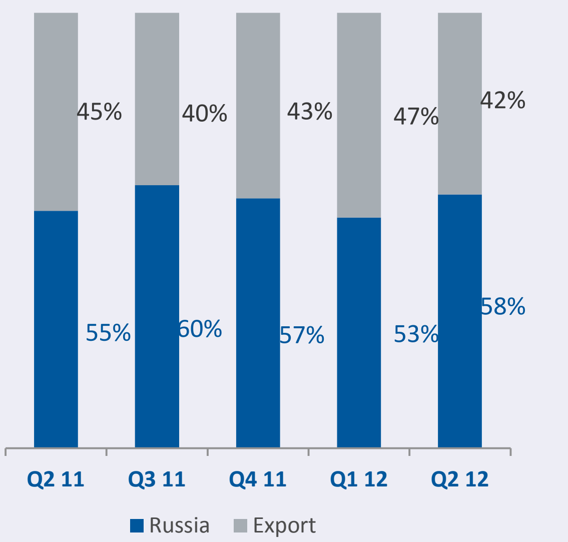
*All steel products, incl. pipes, etc.; Ex Works price terms.

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

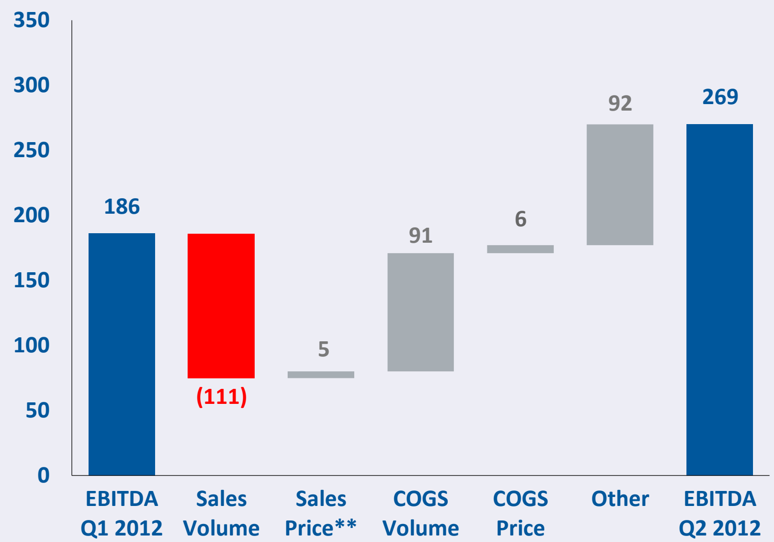


* High-value-added comprises: plate; cold-rolled , galvanized and metallic coated, color coated sheet; metalware; large-diameter and other pipes.

Steel sales volumes by destination, %



EBITDA drivers in Q2 2012, $m

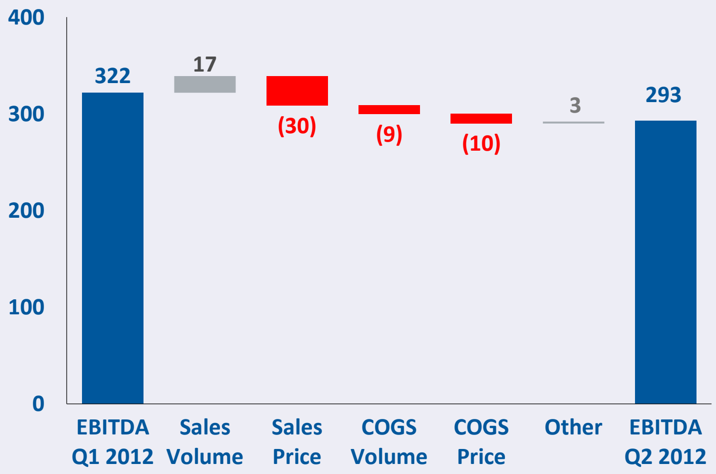


** Excluding foreign exchange effect

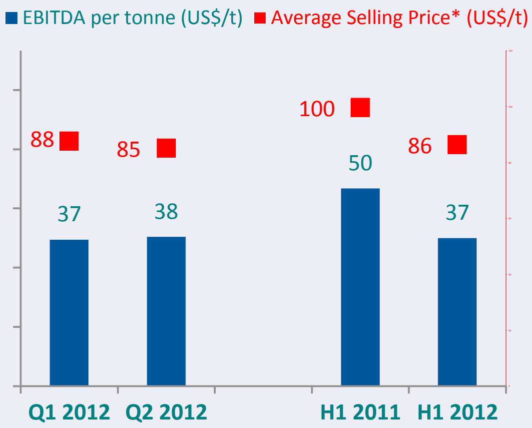
Severstal Resources

- Q2 2012 revenue reduced 3.1% to $786m (Q1 2012: $811m) due to lower realized prices, in line with global trends
- Q2 2012 EBITDA of $293m was down 9.0% (Q1 2012: $322m) on lower revenue and mixed cost dynamics among the units
- PBS costs broadly flat at $107/t (Q1 2012: $100/t), but expected to decline in Q3 after idling of 5 high-cost mines in July
- Vorkuta costs went up to $105/t (Q1 2012: $86/t) owing to the planned maintenance and slightly lower coking coal output. We expect production costs to stay broadly flat into Q3
- Iron ore unit costs decreased slightly to $47/t at Olkon and $55/t at Karelskiy Okatysh

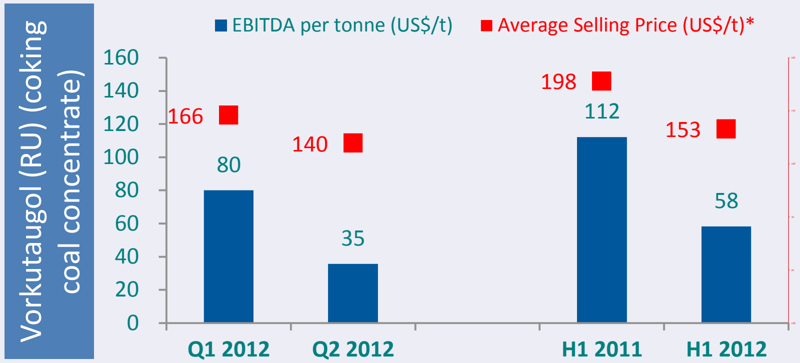
EBITDA drivers in Q2 2012, $m

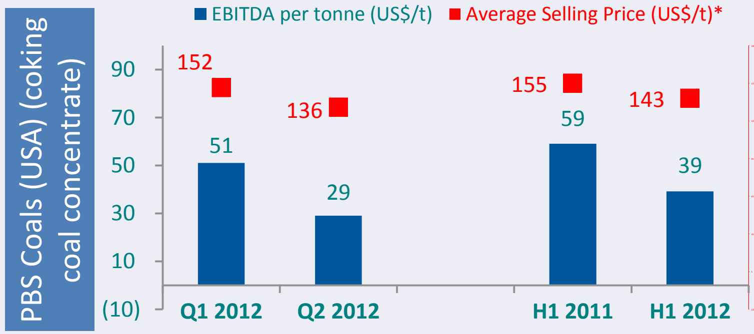


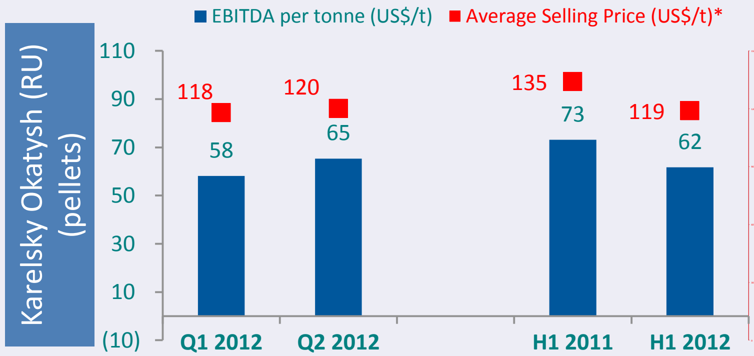
Olkon (RU)
(iron ore concentrate)



EBITDA per tonne and average selling price





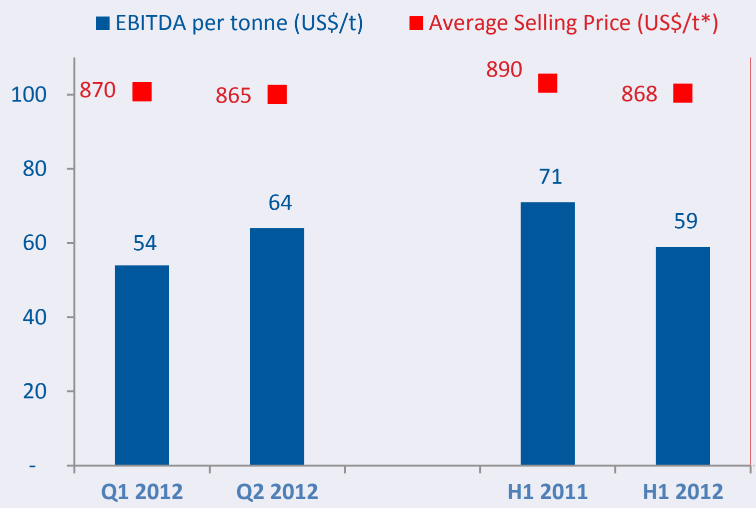


*Free carrier price terms.

Severstal International

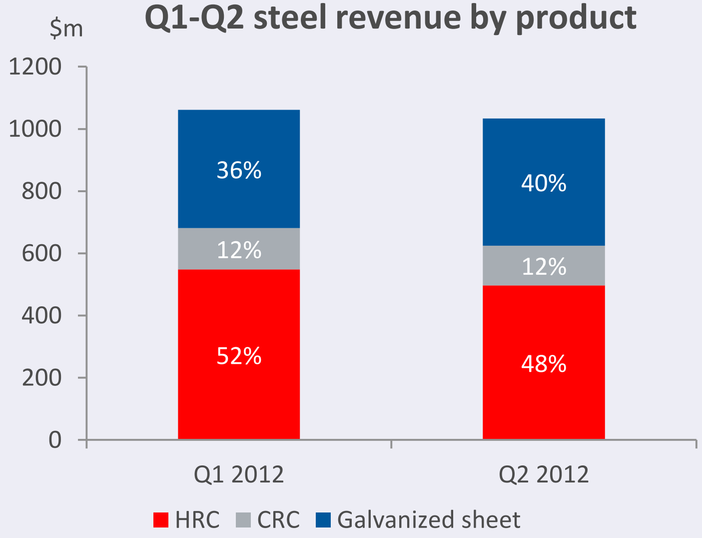
- Q2 revenue down 2.9% q/q to $1,063m (Q1 2012: $1,095m) on lower average realized price and selling steel volumes
- Q2 EBITDA up 16.7% q/q to $77m (Q1 2012: $66m) on better cost control and improved product mix
- Increase in Q2 EBITDA margin to 7.2% (Q1 2012: 6.0%) and EBITDA per tonne to $64 (Q1 2012: $54)
- Automotive demand remains strong: sales in H1 were 15% higher y/y while inventory remained below optimum levels. New orders of durable goods increased 7.2% YTD with machinery and fabricated metals up 6.6% and 1.4%, respectively. Private nonresidential construction spending through H1 has increased 14% YTD. Residential Construction Starts through H1 26.5% higher YTD led by multi-unit construction, up 41.9% YTD

EBITDA per tonne and average selling price

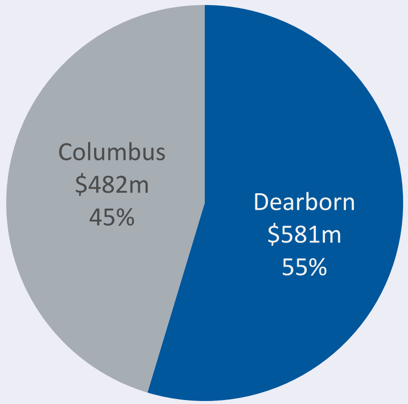


*All steel products, mixed price terms, resulting ex works.

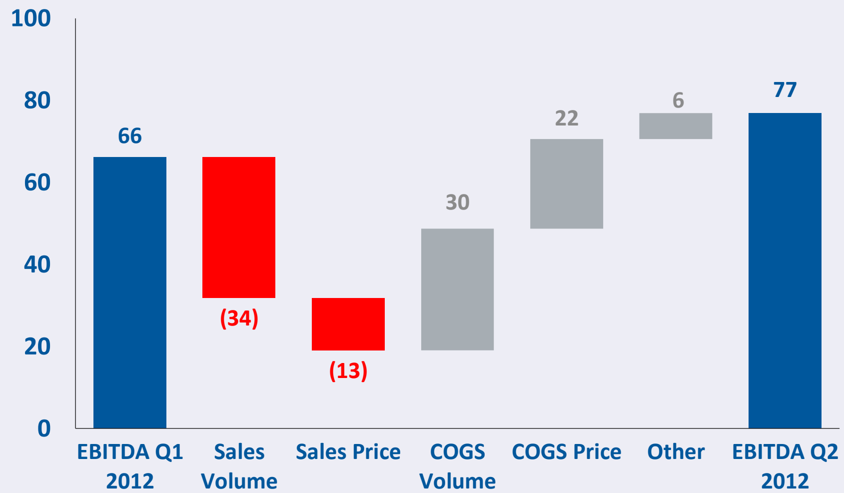
Q1-Q2 steel revenue by product



Q2 2012 revenue by plant



EBITDA drivers in Q2 2012, $m



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Financial Position

Cash Flow and Net Working Capital

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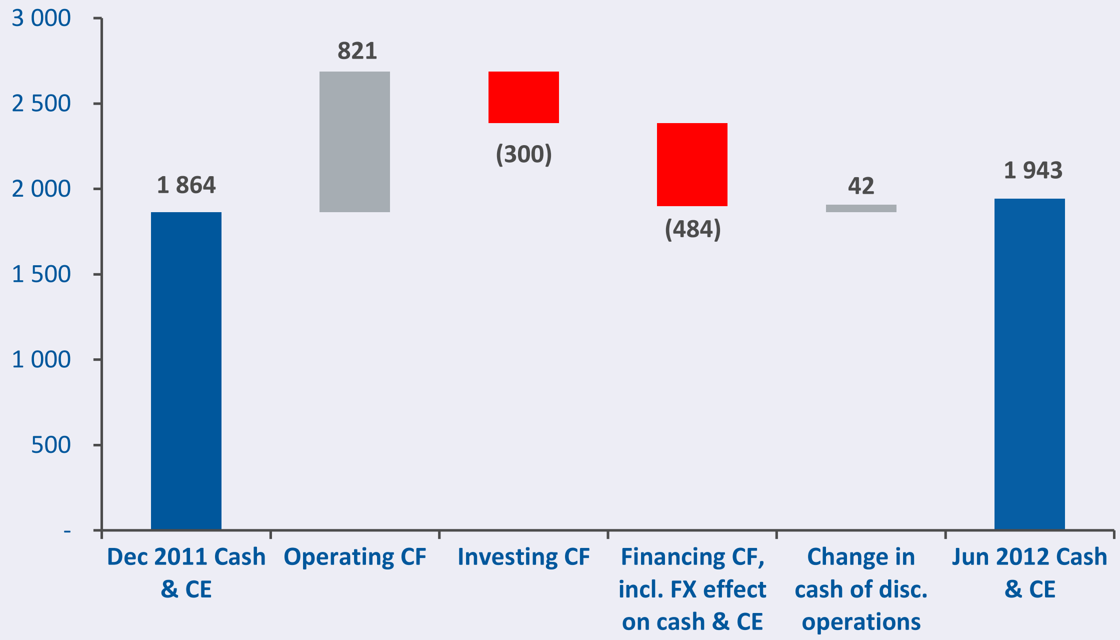
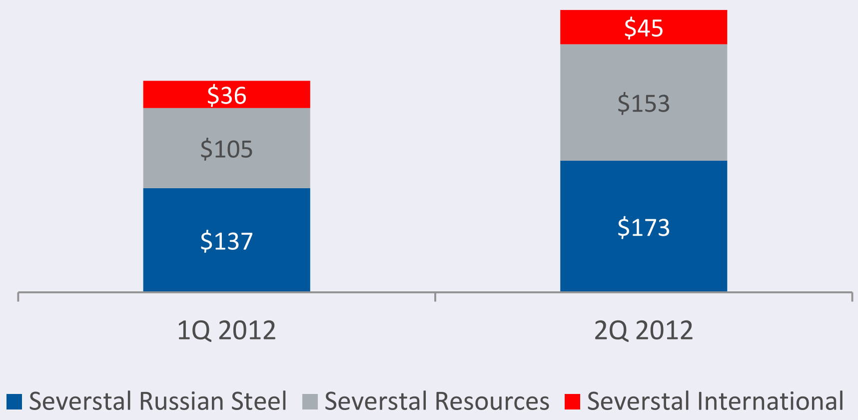
Highlights:

- Strong liquidity position of $1,943m in cash and equivalents
- Decrease in Q2 net debt by 8.8% compared to Q4 2011 and by 1.3% compared to Q1 2012
- Solid operating cash flow generation of $821m
- NWC/revenues ratio of 14.9% reduced from 16.0% from a quarter ago



Q1-Q2 2012 CAPEX breakdown, $m



Net Working Capital developments, $m

Net working capital, $m

June 30, 2012	December 31, 2011	Change, %
2,338	2,402	-2.7%

Net working capital as % of revenues

June 30, 2012	December 31, 2011	Change, ppts
14.9%	15.2%	-0.3 ppts

Robust Liquidity and Sustainable Leverage

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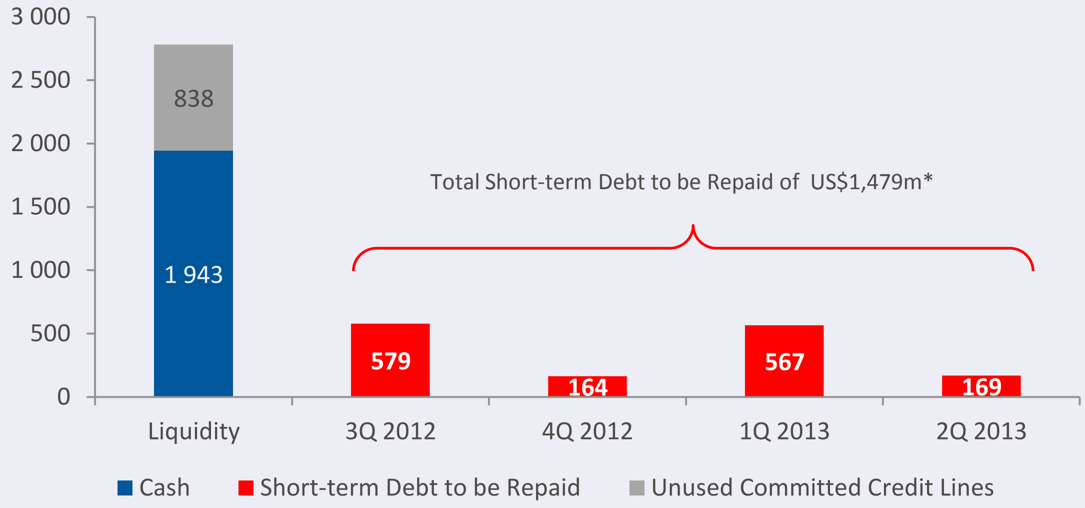
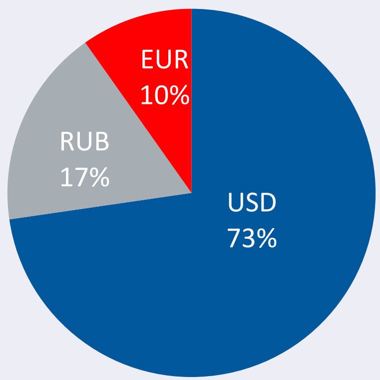
- Maintaining strong liquidity position:
  - Cash and cash equivalent of $1,943m
  - Committed unused credit lines of $838m
- Upcoming short-term debt maturities serviced with available liquidity of $2,781m.
  - Q3 repayments of $579m, represented mainly by RUB bonds
  - Short-term debt amounts at $1,479m
- Net Debt/EBITDA was slightly up to 1.2x, but still below the target level of 1.5x

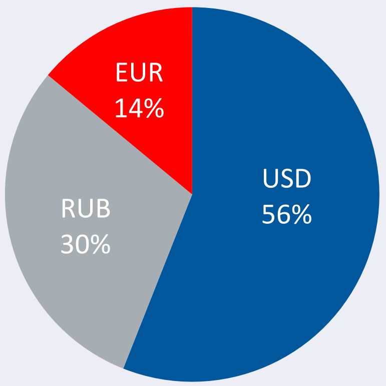


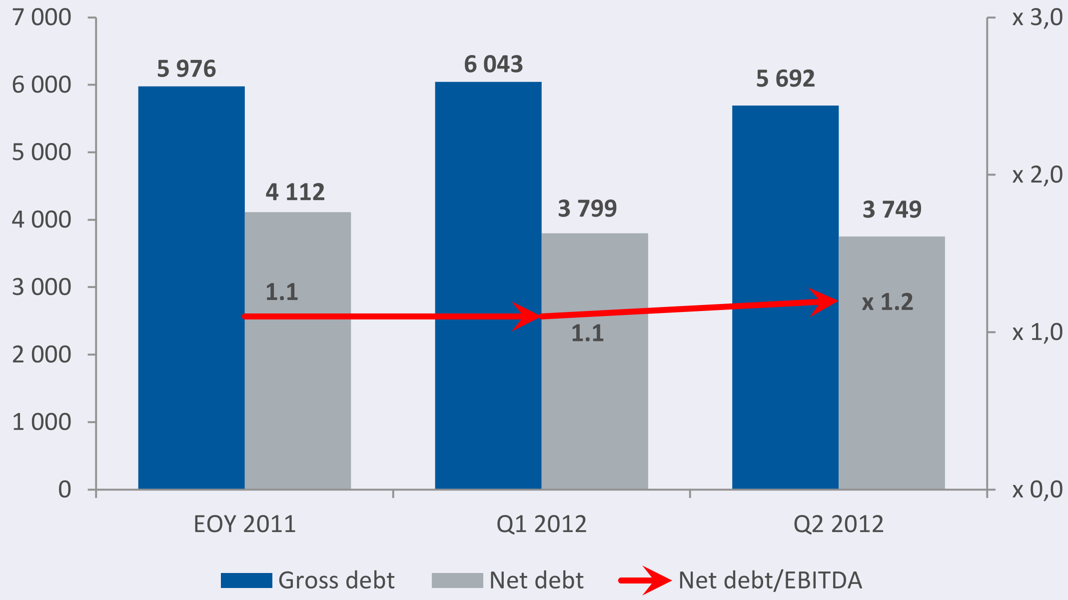
* Excluding accrued interest and unamortised balance of transaction costs.

Q2 2012 debt currency mix



Q2 2012 cash currency mix





Debt Structure

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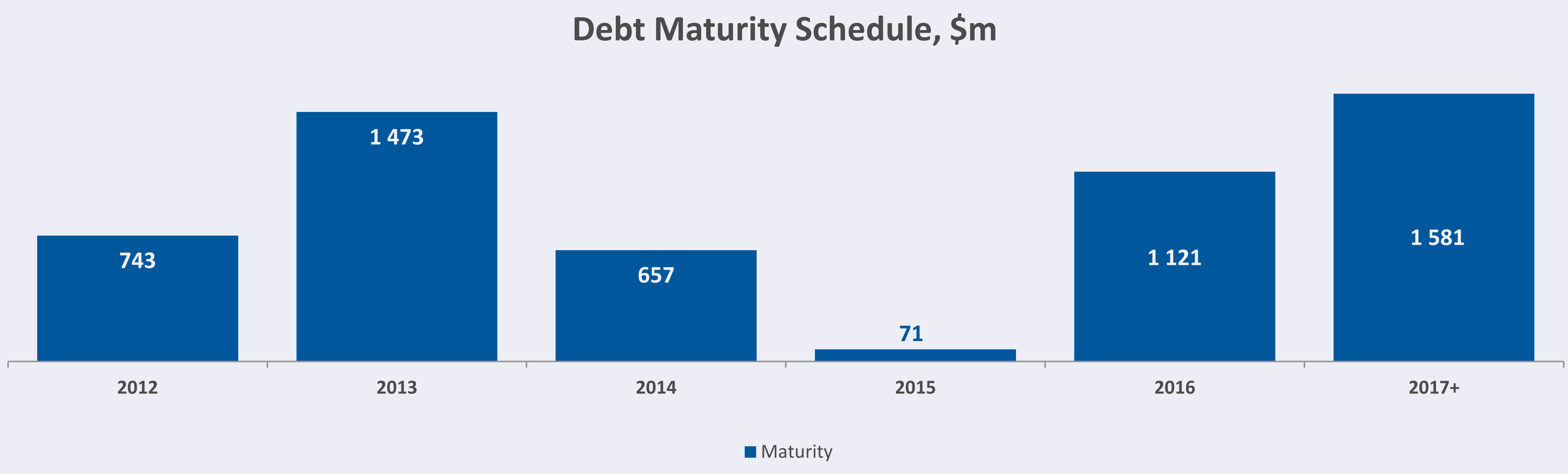
As of 30.06.2012 no significant changes in the current debt structure, 68% of which is represented by public debt and 73% is denominated in USD



•On this chart the total debt excludes accrued interest and unamortised balance of transaction costs .

Q3 2012 Market Outlook

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Global:

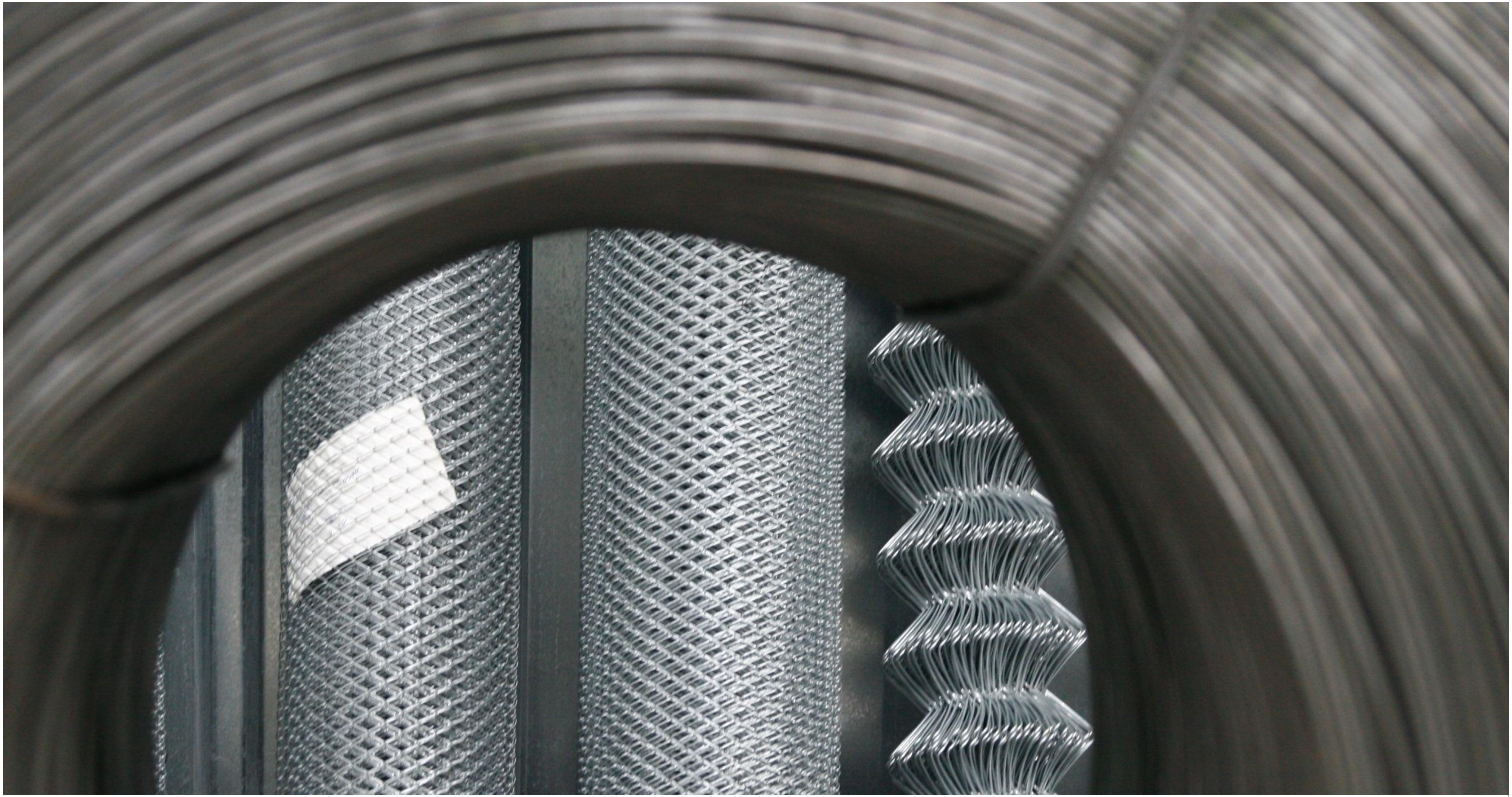
- Leading indicators (PMI, OECD CLI) are quite pessimistic, particularly for Eurozone
- Crude steel production in China is expected to decrease in H2 2012 which could put pressure on the raw material prices. Measures to promote growth by Chinese authorities could boost construction activity in H1 2013

CIS including Russia:

- Export prices decreasing, however buying activity is expected to revive in September which could lead to price increases
- Apparent steel use in Russia is pretty high which allows maintained high capacity utilization of Russian mills. Domestic steel consumption is expected to increase driven by construction activity

USA:

- US producers have started to increase prices on the back of improving market balance with lower imports, production cuts due to idling several facilities and seasonal maintenance work
- Real steel demand remains healthy, seasonal pick up of automotive activity is expected after summer breaks
- Main uncertainties for US economy include the President elections and possible “fiscal cliff” due to increasing taxes which could start in the beginning of 2013



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Thank you. Q&A

Appendices

Summary Income Statement

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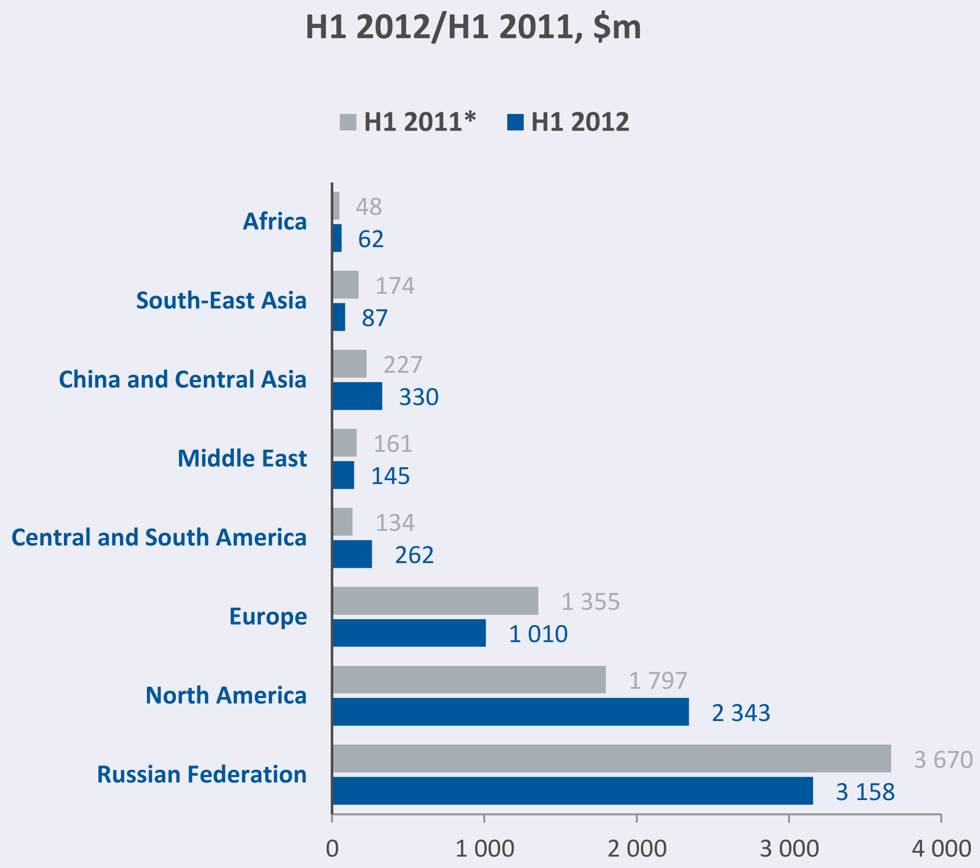
$ million, unless otherwise stated	Q2 2012	Q1 2012	H1 2012
Revenue	3,718	3,679	7,397
COGS	(2,737)	(2,816)	(5,552)
EBITDA*	664	562	1,226
EBITDA margin, %	17.9%	15.3%	16.6%
Profit from operations	481	385	866
Operating margin, %	12.9%	10.5%	11.7%
Profit before income tax	223	384	607
Net profit**	155	427	582
EPS, $	0.19	0.46	0.67
Dividend per share, $***	0.05	0.13	0.18

* 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 Q2 2012 need to be approved by EGM on September 27, 2012.

Q2 2012 Revenue Breakdown by Region



Q2 2012 Highlights:

- Higher revenue from Russia due to seasonal pick-up in the domestic market
- Boost in North America sales due to the high US prices, ramp-up of Columbus in Q1 and higher exports to the region from Russia
- Continuing high exports to LatAm coupled with resumed high supplies to Europe, enabling to reduce exports to Asia

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

Q2 2012 Division Results

Severstal

Severstal Russian Steel	Q2 2012	Q1 2012	Change, %	H1 2012	H1 2011*	Change, %
Revenue ($m)	2,209	2,226	(0.8%)	4,435	5,216	(15.0%)
Cost of sales ($m)	(1,680)	(1,792)	(6.3%)	(3,472)	(3,805)	(8.8%)
G&A and distribution ($m)	(323)	(320)	0.9%	(643)	(655)	(1.8%)
G&A and distribution as % of revenue	14.6%	14.4%	0.2 ppts	14.5%	12.6%	1.9 ppts
EBITDA ($m)	269	186	44.6%	455	890	(48.9%)
Operating Profit ($m)	185	104	77.9%	289	719	(59.8%)
EBITDA Margin, %	12.2%	8.4%	3.8 ppts	10.3%	17.1%	(6.8 ppts)
EBITDA per tonne ($/t)	104	66	57.6%	87	166	(47.6%)
Average Selling Price (US$/t**)	760	708	7.3%	763	877	(13.0%)

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

Severstal International	Q2 2012	Q1 2012	Change, %	H1 2012	H1 2011*	Change, %
Revenue ($m)	1,063	1,095	(2.9%)	2,158	1,568	37.6%
Cost of sales ($m)	(1,004)	(1,049)	(4.3%)	(2,053)	(1,461)	40.5%
G&A and distribution ($m)	(25)	(26)	(3.8%)	(51)	(43)	18.6%
G&A and distribution as % of revenue	2.4%	2.4%	-	2.4%	2.7%	(0.3 ppts)
EBITDA ($m)	77	66	16.7%	143	121	18.2%
Operating Profit($m)	35	22	59.1%	57	67	(14.9%)
EBITDA Margin, %	7.2%	6.0%	1.2 ppts	6.6%	7.7%	(1.1 ppts)
EBITDA per tonne ($/t)	64	54	18.5%	59	71	(16.9%)
Average Selling Price (US$/t**)	865	870	(0.6%)	868	890	(2.5%)

* These amounts reflect adjustments made in connection with the presentation of discontinued operations and the early adoption of the revised IAS 19 “Employee benefits”.
**All steel products; mixed price terms, mostly Ex Works.

Q2 2012 Division Results (Continued)

Severstal

Severstal Resources

	Q2 2012	Q1 2012	Change, %	H1 2012	H1 2011*	Change, %
Revenue ($m)	786	811	(3.1%)	1,597	1,768	(9.7%)
Cost of sales ($m)	(425)	(412)	3.2%	(837)	(836)	0.1%
G&A and distribution ($m)	(114)	(116)	(1.7%)	(230)	(200)	15.0%
G&A and distribution as % of revenue	14.5%	14.3%	0.2 ppts	14.4%	11.3%	3.1 ppts
EBITDA ($m)	293	322	(9.0%)	615	800	(23.1%)
Operating Profit ($m)	237	269	(11.9%)	506	696	(27.3%)
EBITDA Margin, %	37.3%	39.7%	(2.4 ppts)	38.5%	45.2%	(6.7 ppts)

* These amounts reflect adjustments made in connection with the presentation of discontinued operations and the early adoption of the revised IAS 19 “Employee benefits”.

Summary Balance Sheet

Severstal

$ million	As at 31 December 2011	As at 30 June 2012
Cash and Cash Equivalents	1,864	1,943
Total Assets:	17,910	15,321
Current Assets	8,930	6,120
Non-current Assets	8,980	9,201
Total Liabilities:	10,843	8,462
Current Liabilities	5,370	3,595
Non-current Liabilities	5,473	4,867
Total Equity	7,067	6,859
Total Equity and Liabilities	17,910	15,321

Summary Cash Flow Statement

Severstal

$ million	Q2 2012	Q1 2012	H1 2012
Profit before Financing and Taxation	456	357	813
Cash Generated from Operations	585	567	1,152
Interest Paid	(79)	(138)	(217)
Income Tax Paid	(39)	(67)	(106)
Net cash from operating activities – continuing operations	467	362	829
Net cash used in operating activities – discontinued operations	-	(8)	(8)
Net cash from Operating Activities	467	354	821
Cash (used in)/ from investing activities – continuing operations	(373)	116	(257)
Cash used in investing activites – discountinued operations	-	(43)	(43)
Cash (used in)/ from Investing Activites , incl.	(373)	73	(300)
Additions to PP&E and IA	(371)	(278)	(649)
Cash used in Financing Activities	(291)	(149)	(440)
Effect of Exchange Rate on Cash and Cash Equivalents	(104)	60	(44)
Net (decrease)/increase in Cash and Cash Equivalents	(301)	338	37
Less change in Cash and CE of discontinued operations and AHFS at end of the period	-	42	42
Cash and Cash Eqivalents at beginning of the Period	2,244	1,864	1,864
Cash and Cash Eqivalents at end of the Period	1,943	2,244	1,943

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