H1 2008 Financial Results Presentation

4 September 2008

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Agenda

- » *Introduction*
- » *Financials and Outlook*
- » *Appendices*

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Disclaimer

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» *Introduction*

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Financial Highlights

- ***Record revenues and EBITDA***
  - *Revenues up 36.3% year-on-year to a record $10,547 million*
  - *EBITDA* up 34.4% to $2,784 million*
  - *Net profit** up 69.0% to $1,940 million including one-off gains*
    - *Negative goodwill gain of $219 million from acquisition of Sparrows Point*
    - *$255 million from disposal of Kuzbassugol*
  - *EPS up 68.4% to $1.92 from $1.14 in H1 2007*
- ***Strong domestic and global demand for metallurgical coal and iron ore drive excellent performance in Mining, with EBITDA up 83.2% year-on-year***
- ***Positive pricing environment for steel products drives EBITDA up in Russian Steel and Severstal International***
- ***Net debt of $1,337 million as at 30 June 2008 reflecting net cash flow from operating activities of $1,581 million***
- ***Dividend increase of 98.0%, up to $0.97 per share, reflecting significant increase in net profit***
- ***A breakthrough in the scale and capability of our North American business***

**EBITDA represents profit from operations plus depreciation and amortisation adjusted for gain (loss) on disposals of property plant and equipment*
***Net profit attributable to shareholders*

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Key financials

$ mln unless otherwise stated	H1 2007	H1 2008	Change, y-o-y	Q1 2008	Q2 2008	Change, q-o-q
Revenues	7,739	10,547	36.3%	4,309	6,238	44.8%
Profit from operations	1,678	2,254	34.3%	765	1,489	94.6%
Operating margin	21.7%	21.4%		17.8%	23.9%	
EBITDA*	2,071	2,784	34.4%	1,036	1,748	68.7%
EBITDA margin	26.8%	26.4%		24.0%	28.0%	
Net profit**	1,148	1,940	69.0%	439	1,501	241.9%
Net margin	14.8%	18.4%		10.2%	24.1%	
EPS	$ 1.14	$ 1.92	68.4%	$ 0.44	$ 1.49	238.6%
DPS***	$ 0.49	$ 0.97	98.0%	$ 0.22	$ 0.75	240.9%

**   EBITDA represents profit from operations plus depreciation and amortisation adjusted for gain (loss) on disposals of property plant and equipment*
*** Net profit attributable to shareholders*
**** Dividends announced on the basis of respective period results, translated at the exchange rate as of the date of recommendation by Board of Directors*

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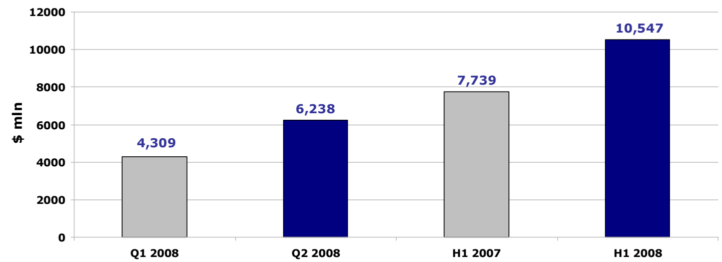
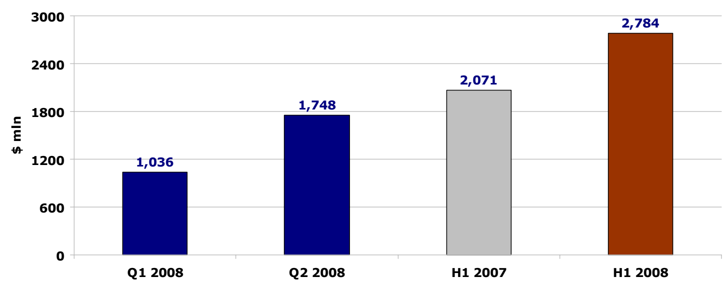
Revenue and profits

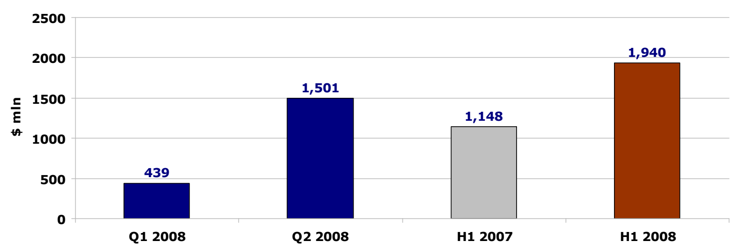
Revenues



EBITDA



Net profit



» ***Strong revenue growth up 36.3% y-o-y in 1H 2008***

» ***Strongest price growth was in coking coal and iron ore***

» ***All steel markets demonstrated positive price dynamics in H1 2008***

» ***EBITDA up 34.4% y-o-y***

» ***Net profit up by 69.0% y-o-y including one-off gains:***

- *Goodwill gain of $219 million from acquisition of Sparrows Point*
- *$255 million net gain after tax from disposal of Kuzbassugol*

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North American Breakthrough

- *Acquisition of a controlling stake in Severstal Columbus (formerly SeverCorr)*
- *Acquisition of Sparrows Point*
- *In July 2008, the Group acquired a 100% stake in WCI Steel Inc*
- *In August 2008, the Group acquired a 100% stake in Esmark*

- *In August 2008, the Group signed a binding agreement to acquire the business of PBS Coals Corporation*

- *Total crude steel capacity in the US has reached 12.2 million tonnes with increase to 13.7 million tonnes in 2009, following the start-up of the second phase of Columbus*
- *Severstal is now one of the leaders in the North American flat steel market*
- *Acquiring local vertical integration in coal in North America*

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» ***Financials and Outlook***

Divisional results: revenue breakdown

» ***Growth in volumes, including the newly acquired assets, added to the positive changes***

$ mln unless otherwise stated	H1 2007	H1 2008	Change, y-o-y	Q1 2008	Q2 2008	Change, q-o-q
Mining	1,049	1,587	51.3%	698	889	27.4%
Russian Steel	3,990	5,265	32.0%	2,086	3,179	52.4%
North America	917	1,654	80.4%	591	1,063	79.9%
European Operations (Lucchini)	1,996	2,281	14.3%	1,057	1,224	15.8%
Metalware	497	642	29.2%	272	370	36.0%
Izhora pipe mill	159	432	171.7%	160	272	70.0%
Intersegment adjustments	(869)	(1,314)	n.a.	(555)	(759)	n.a.
Total	7,739	10,547	36.3%	4,309	6,238	44.8%

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Divisional results: EBITDA breakdown

- *Increase in prices for finished steel goods exceeded raw material, energy and labour cost inflation*
- *Russian Steel and Izhora Pipe Mill demonstrated extremely strong results in Q2*

$ mln unless otherwise stated	H1 2007	H1 2008	Change, y-o-y	Q1 2008	Q2 2008	Change, q-o-q
Mining	291	533	83.2%	211	322	52.6%
Russian Steel	1,402	1,527	8.9%	457	1,070	134.1%
North America	38	228	500.0%	151	77	(49.0%)
European Operations (Lucchini)	279	331	18.6%	142	189	33.1%
Metalware	42	86	104.8%	31	55	77.4%
Izhora pipe mill	39	132	238.5%	41	91	122.0%
Intersegment adjustments	(20)	(53)	n.a.	3	(56)	n.a.
Total	2,071	2,784	34.4%	1,036	1,748	68.7%

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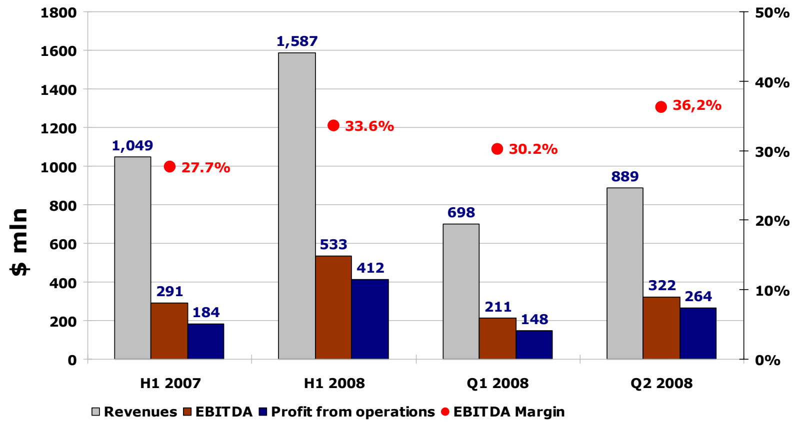
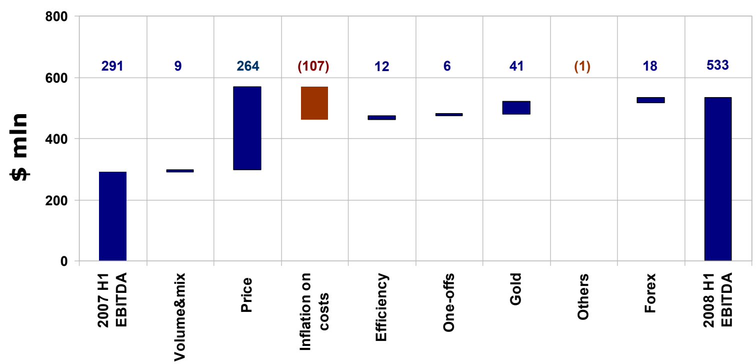
Mining Operations





» ***EBITDA amounted to $533 million, an increase of 83.2% compared with H1 2007***

» ***Prices up on average by 72.9 % y-o-y***

» ***Cash cost increased by 28.9% y-o-y (excluding scrap, gold)***

» ***Management effort focused on coking coal production***

- *Resolution of geological problems*
- *Further improvements in Vorkuta are expected in H2 2008*

» ***Gold business added $41 million EBITDA in H1 2008***

» ***EBITDA was up 52.6% q-o-q, mainly due to higher prices***

» ***EBITDA margin was 36.2 % in Q2 2008 vs. 30.2% in Q1 2008***

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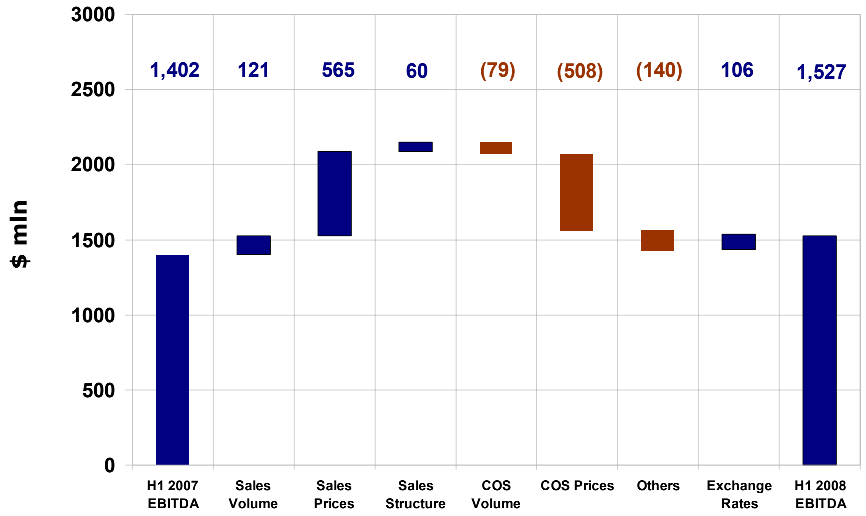
Russian Steel Operations



- ***Favourable pricing in H1 2008 was the main factor in EBITDA growth, although volumes contributed***
- ***HR wide plate, CR sheet and HR pipe plate led the price increases***
- ***Positive product mix improvements***
- ***Input cost pressure was offset by strong selling prices***

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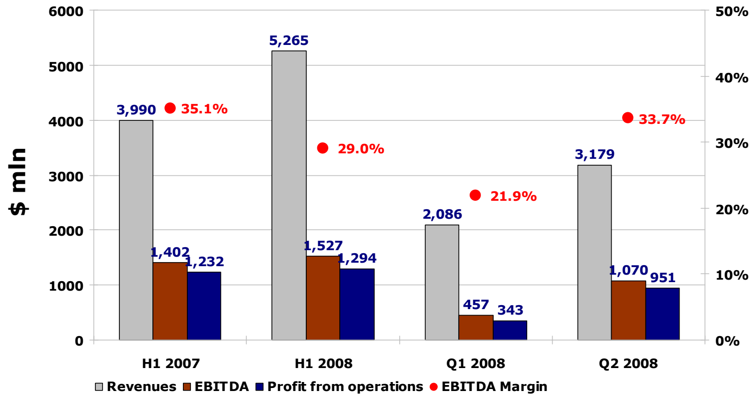
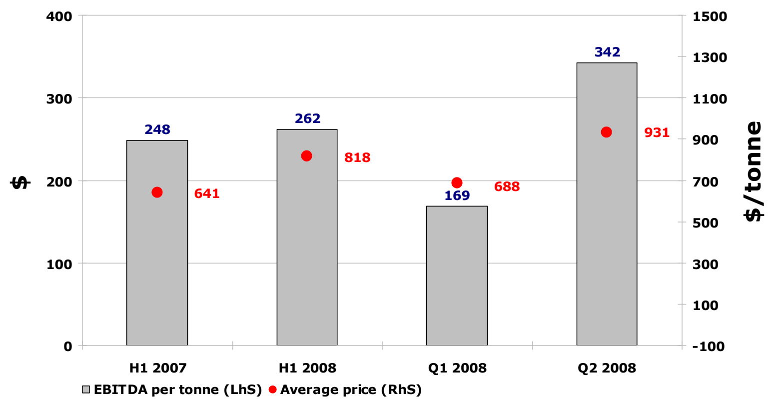
Russian Steel Operations (cont.)





» *Strong progress in profitability in Q2 vs. Q1*

» *New contract prices gained momentum in late March and into Q2*

» *35.3% increase in average selling price q-o-q*

» *Favourable outlook through the remainder of 2008*

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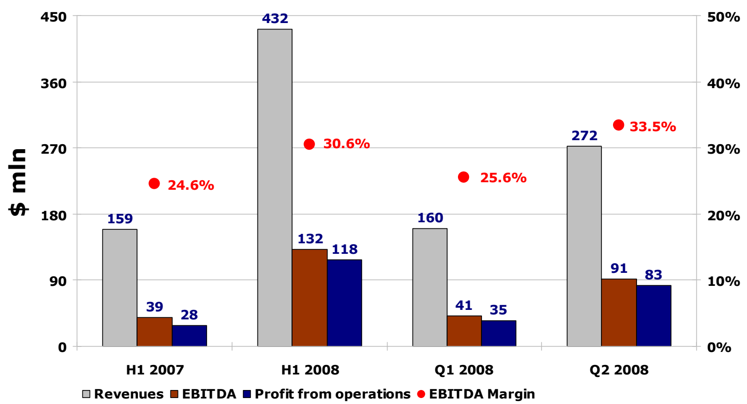
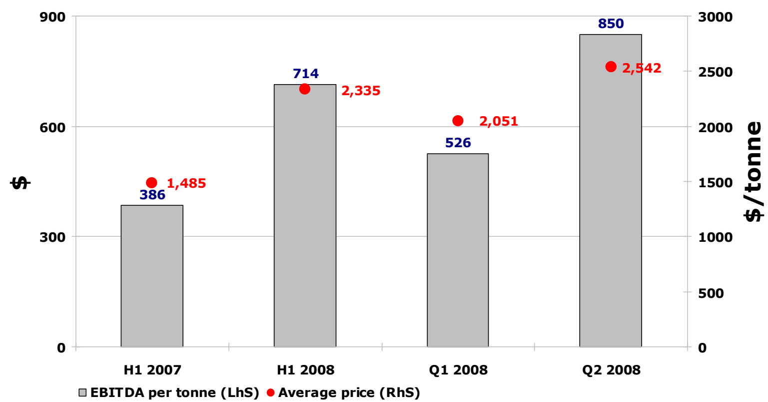
Izhora Pipe Mill





- ***EBITDA up more than 3 times y-o-y following successful ramp-up***
- ***Average price increased by 57.2% y-o-y***
- ***Sales volumes increased by 83.2% y-o-y***
- ***Demand from Gazprom remains stable - purchasing pipes for project Bovanenkovo-Ukhta (Yamal)***
- ***Cost per tonne increased by 31% in H1 2008 compared with H1 2007***
- ***EBITDA margin increased from 24.6% in H1 2007 to 30.6% in H1 2008***

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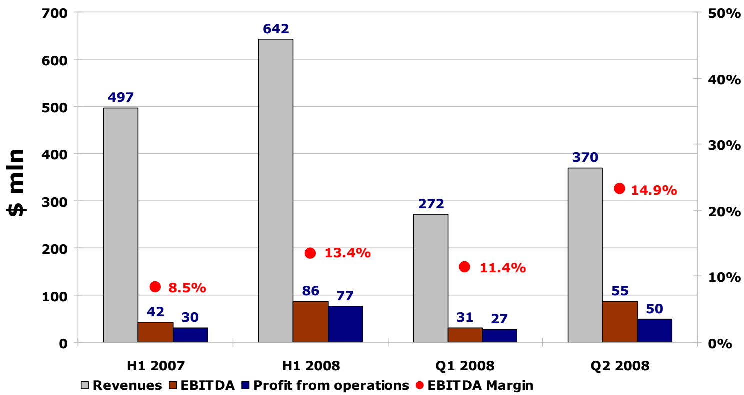
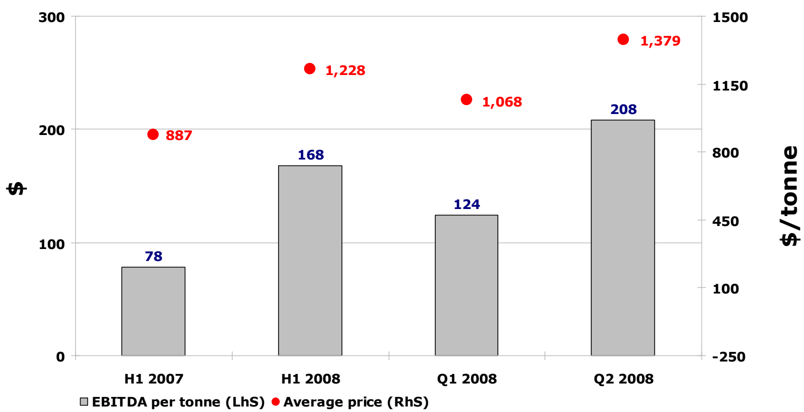
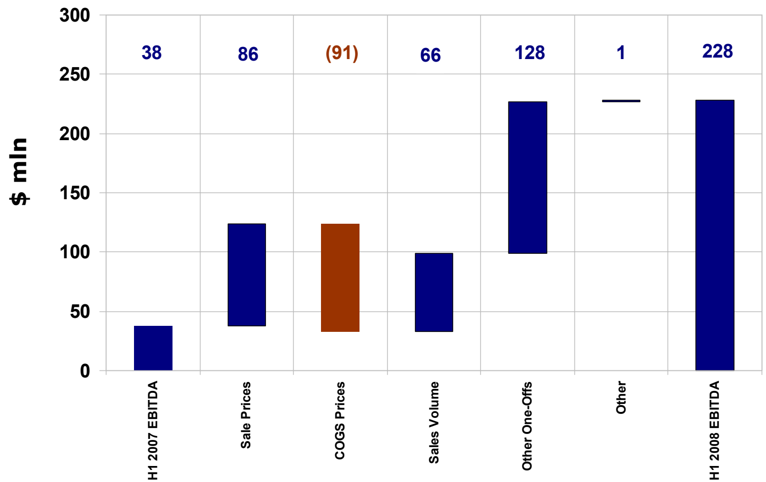
Metalware





- ***Higher prices for 1H 2008 vs. 1H 2007 pushed up EBITDA 104.8% y-o-y***
- ***Inflation on key costs items, primarily on input materials, was passed on to customers***
- ***EBITDA margin increased from 8.5% in H1 2007 to 13.4% in H1 2008, and 14.9% in Q2 2008***
- ***In July 2008, the Group acquired Redaelli Tecna SpA. The acquisition enhances our wire rope product portfolio***

North America



- ***$228 million of EBITDA including $128 million of one-off events in H1 2008 compared with EBITDA of $38 million in H1 2007***
- ***Columbus reached its projected capacity in seven months from the start up, the most rapid Continous Strip Production Mill ramp-up in the steel industry***
- ***Both Dearborn and Columbus had a strong second quarter due to favourable pricing and solid demand***
- ***Dearborn lost profits and additional costs as a result of blast furnace "B" outage - offset by business interruption insurance recovery***
- ***Dearborn blast furnace "C" ramp up is on schedule***

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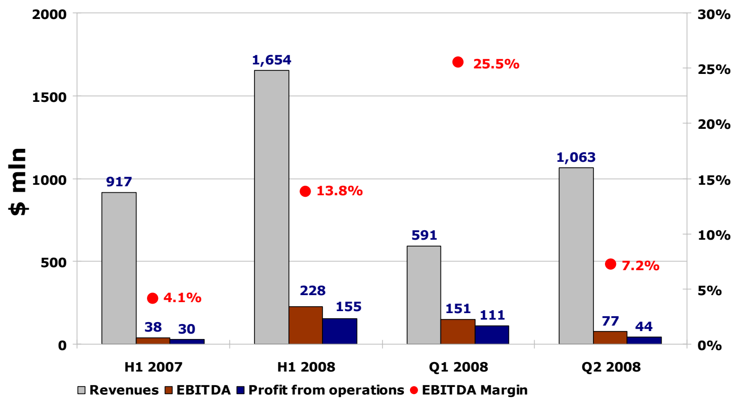
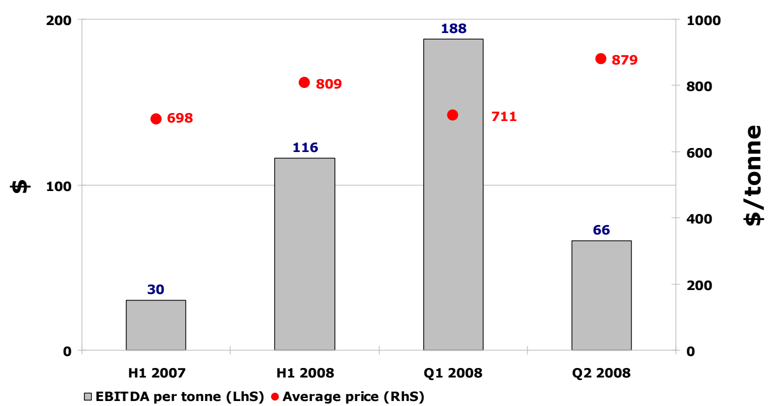
North America (cont.)





- ***Record high steel prices towards the end of H1 as result of run-up in raw material cost, strong demand for steel and low imports***
- ***Average selling price 23.6% up q-o-q***
- ***Production of crude steel in Dearborn down in H1 due to "B" blast furnace outage***
- ***Enhancement of product mix offering to non-automotive markets, significantly increased revenues from customers in other sectors of the North American market and further diversified our customer base***

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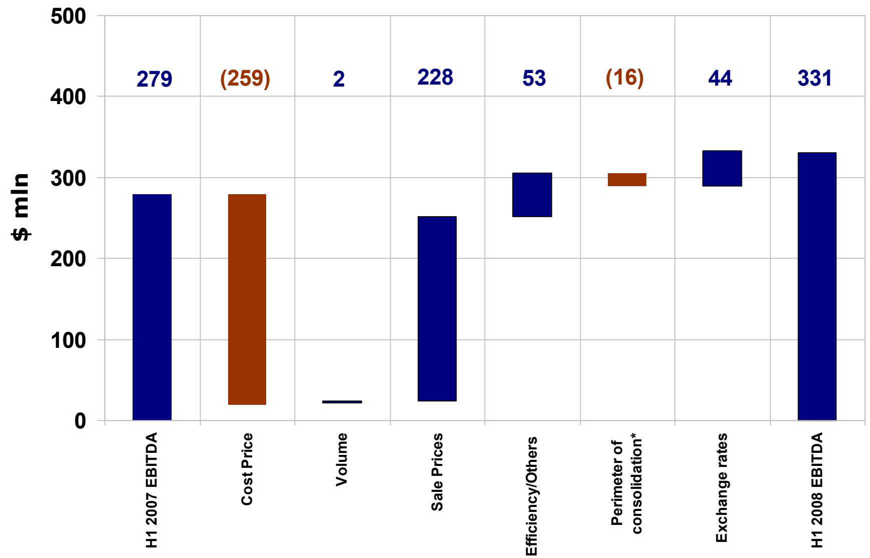
European Operations (Lucchini)



- *EBITDA up 18.6 % y-o-y*
- *Strong prices for long products in Europe*
- *Raw materials inflation was offset by increased operational efficiencies and higher prices for finished steel products*

*relates to disposal of assets

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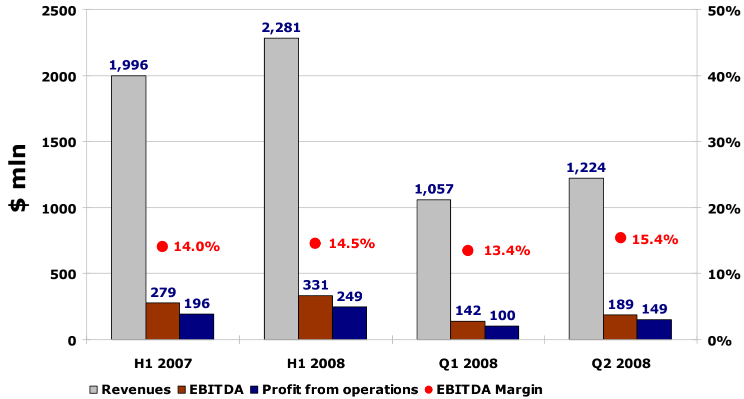
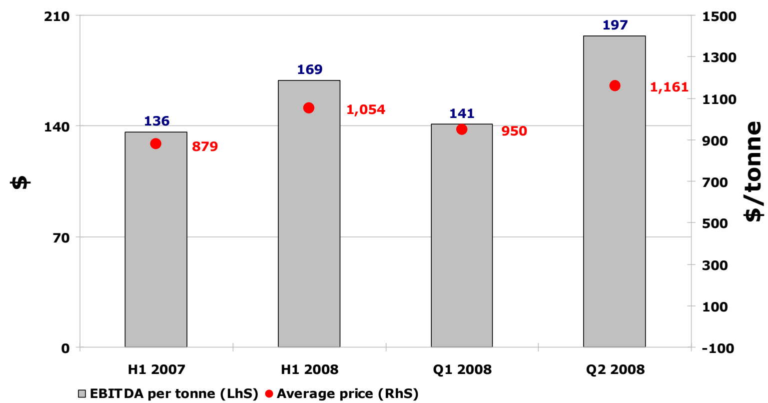
European Operations (Lucchini) (cont.)





- ***Increase in EBITDA margin from 14.0% in H1 2007 to 14.5% in H1 2008***
- ***Q2 2008 EBITDA margin of 15.4% vs. 13.4% in Q1 2008***
- ***Increase in operational efficiency and product mix optimisation remain the key priorities***

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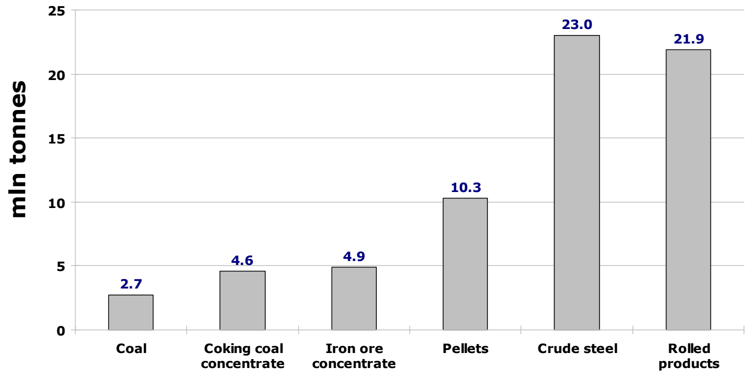
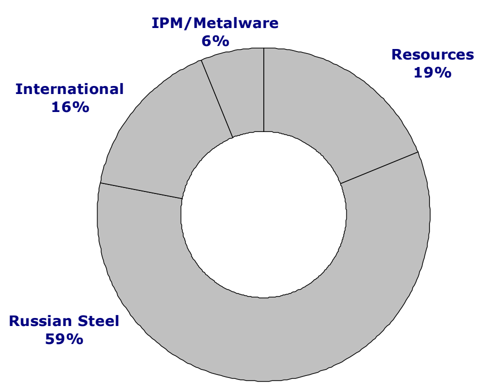
Positive outlook for Severstal in 2008

- **_Growth in sales volumes across our businesses_**
  - *Improved operational performance in Q2, especially in Mining*
  - *WCI and Esmark to be consolidated in Q3*
- **_We expect 2008 EBITDA to be within the range of $5.8 to $6.1 billion_**

2008E Production Volumes



2008E EBITDA Breakdown



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» *Appendices*

Summary of Balance Sheet

$ mln	As at December 31, 2007	As at June 30, 2008
Current Assets	8,048	11,547
Non-current Assets	9,273	10,807
Total Assets	17,321	22,354
Current Liabilities	3,291	5,234
Non-current Liabilities	3,924	5,056
Total Equity	10,106	12,064
Total Equity and Liabilities	17,321	22,354

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Summary of Income Statement

$ mln unless otherwise stated	H1 2007	H1 2008	Change, y-o-y
Sales	7,739	10,547	36.3%
Cost of Sales	(5,186)	(7,393)	42.6%
Profit from operations	1,678	2,254	34.3%
Operating margin, %	21.7%	21.4%	
Net profit	1,148	1, 940	69.0%
Net margin, %	14.8%	18.4%	
EPS, $	1.14	1.92	68.4%

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Summary of Cash Flow Statement

$ mln	H1 2007	H1 2008
Profit before financing and taxation	1,676	2,740
Cash generated from operations	2,150	2,062
Interest paid (excluding banking operations)	(134)	(142)
Income tax paid	(349)	(340)
Net Cash from operating activities	1,668	1,581
Cash from investing activities	(1,218)	(1,182)
Additions to PP&E	(700)	(886)
Cash from financing activities	(312)	945
Effect of exchange rates on cash and cash equivalents	17	92
Net (decrease) /increase in cash and cash equivalents	155	1,436
Cash & cash equivalents at beginning of the period	1,733	1,620
Cash & cash equivalents at end of the period	1,888	3,056

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