Severstal

9m 2008 Financial Results Presentation

18 November 2008

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Summary

Strong Revenues and EBITDA in 9m 2008

- Revenues up 60.6% y-o-y to $18,152 million
- EBITDA* of $4,981 million, up 69.4% y-o-y including $156 m of one-off events
- Net profit** up 112.5% to $3,243 million including $620 million one-off gains
  - Negative goodwill gain of $219 million from acquisition of Sparrows Point
  - Negative goodwill gain of $33 million from acquisition of WCI
  - Negative goodwill gain of $12 million from acquisition of Wheeling
  - Net gain after tax of $255 million from disposal of Kuzbassugol
  - $101 million net gain after tax from the termination of a long-term electricity supply contract at SNA
- EPS up 112.5% to $3.22 from $1.51 y-o-y
- Q3 DPS of $0.26, or 7.17 rubles

* 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

Key Financials

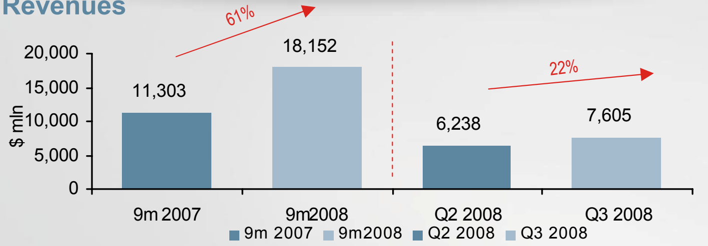
$ mln Unless Otherwise Stated	9m 2007	9m 2008	Change, y-o-y	Q2 2008	Q3 2008	Change, q-o-q
Revenues	11,303	18,152	60.6%	6,238	7,605	21.9%
Profit from Operations	2,313	4,179	80.7%	1,487	1,927	29.6%
Operating Margin	20.5%	23.0%		23.8%	25.3%	
EBITDA*	2,941	4,981	69.4%	1,749	2,199	25.7%
EBITDA Margin	26.0%	27.4%		28.0%	28.9%	
Net Profit**	1,526	3,243	112.5%	1,501	1,306	(13.0%)
Net Margin	13.5%	17.9%		24.1%	17.2%	
EPS, $	1.51	3.22	112.5%	1.49	1.30	(13.0%)
DPS***, $	0.59	1.23	108.5%	0.75	0.26	(65.3%)

Source: Company

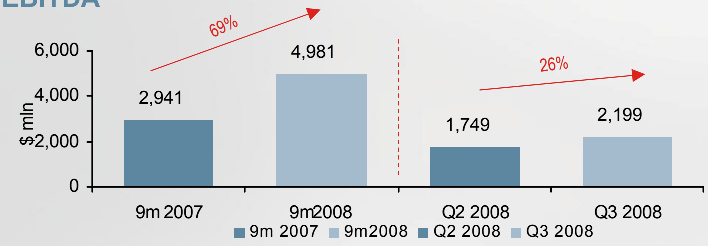
* EBITDA represents profit from operations plus depreciation and amortisation adjusted for gain (loss) on disposals of property plant and equipment
** Net profit attributable to shareholders
*** Dividends announced on the basis of respective period results, translated at the exchange rate as of the date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

Revenue and Profits

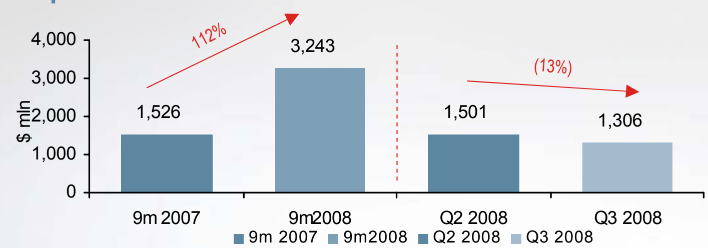
Revenues



EBITDA



Net profit



- Strong revenue growth up 60.6% y-o-y in 9m 2008
- Coal prices of Vorkutaugol increased by 93.9 % y-o-y (including change in blend)
- Iron ore prices increased by 41.4 % y-o-y
- Average rolled products price 36% up in 9m 2008 over 9m 2007 with strongest increases in hot-rolled coil (+48%) and large diameter pipes (+54%)
- Volumes of rolled and semi-finished products up 22% and 40% y-o-y respectively
- EBITDA up 69.4% y-o-y
- Net profit up by 112.5% y-o-y including one-off gains:
  - Negative goodwill gain of $219 million from acquisition of Sparrows Point
  - Negative goodwill gain of $33 million from acquisition of WCI
  - Negative goodwill gain of $12 million from acquisition of Wheeling
  - $255 million net gain after tax from disposal of Kuzbassugol
  - $101 million net gain after tax from the termination of a long-term electricity supply contract at SNA

Management Actions

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- Uncertain global economic outlook impacting steel consuming industries
- Strong management actions taken to address tougher market environment:
  - 2008 full Capex reduced by 20% from planned amounts; majority of the planned 2009-2011 $8bn investment programme deferred until market visibility and conditions improve
  - Production is being reduced further, reflecting market conditions
  - Headcount reduction programme underway across the group
- Share buy back programme suspended; the situation remains under close and constant review

Divisional Review

Divisional Results: Revenue Breakdown

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$ mln Unless Otherwise Stated	9m 2007	9m 2008	Change, y-o-y	Q2 2008	Q3 2008	Change, q-o-q
Mining	1,342	2,017	50.3%	681	708	4.0%
Russian Steel	6,177	9,172	48.5%	3,355	3,671	9.4%
North America	1,303	3,966	204.4%	1,063	2,312	117.5%
European Operations (Lucchini)	2,788	3,323	19.2%	1,224	1,042	(14.9%)
Metalware	754	971	28.8%	370	329	(11.1%)
Izhora Pipe Mill	312	791	153.5%	272	359	32.0%
Intersegment Adjustments	(1,373)	(2,088)	n.a.	(727)	(816)	n.a.
Total	11,303	18,152	60.6%	6,238	7,605	21.9%

Source: Company

Divisional Results: EBITDA Breakdown

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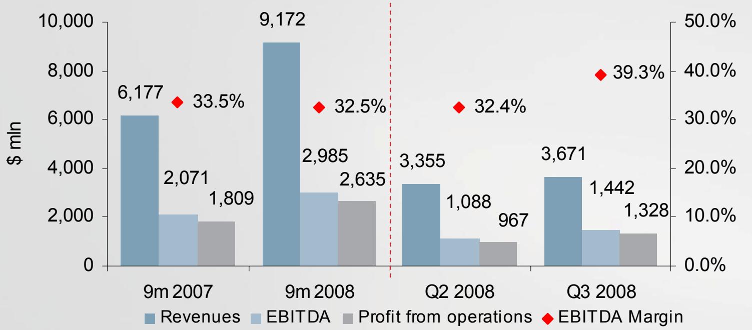
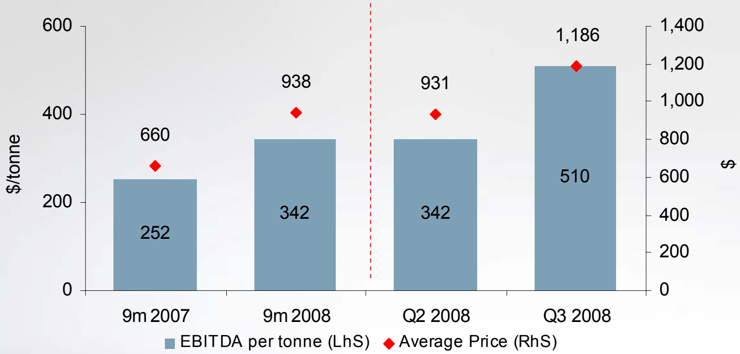
$ mln Unless Otherwise Stated	9m 2007	9m 2008	Change, y-o-y	Q2 2008	Q3 2008	Change, q-o-q
Mining	390	822	110.8%	305	308	1.0%
Russian Steel	2,071	2,985	44.1%	1,088	1,442	32.5%
North America	(5)	449	n.a.	77	221	187.0%
European Operations (Lucchini)	360	431	19.7%	189	100	(47.1%)
Metalware	54	119	120.4%	55	33	(40.0%)
Izhora Pipe Mill	89	241	170.8%	91	109	19.8%
Intersegment Adjustments	(18)	(66)	n.a.	(56)	(14)	n.a.
Total	2,941	4,981	69.4%	1,749	2,199	25.7%

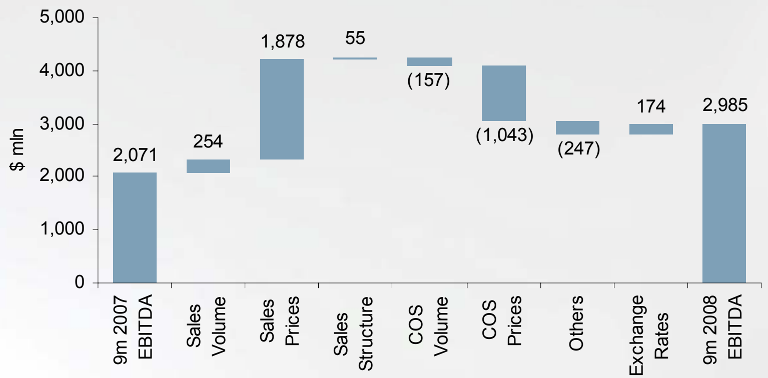
Source: Company

Severstal Russian Steel

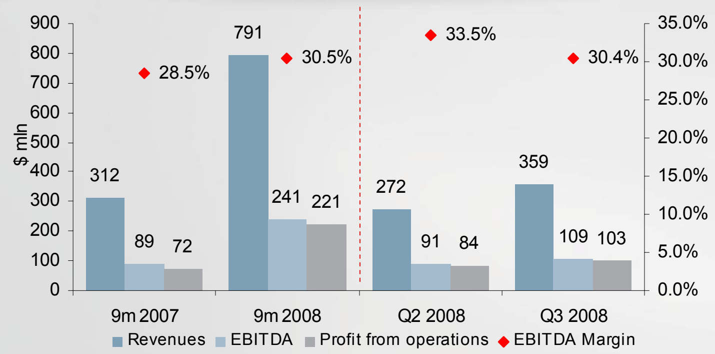




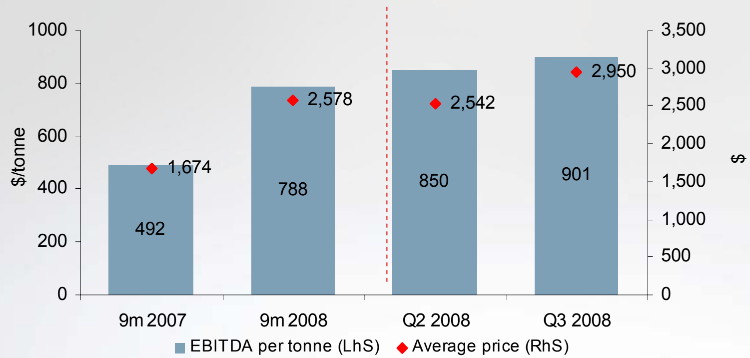
- EBITDA margin increased to 39.3% in Q3 2008 due to
  - Average selling price growth of 27.4% in Q3 vs Q2
  - Insignificant increase in costs in Q3
- EBITDA per tonne up 49.1% to $510 in Q3 vs Q2
  - Per tonne margin makes division the most resilient to cyclicality
- Very strong performance in 9m 2008 despite strong pressure on costs from:
  - Scrap +55% y-o-y; Coal +59% y-o-y; Ferroalloys +36% y-o-y; Pellets +33% y-o-y; Iron ore +27% y-o-y

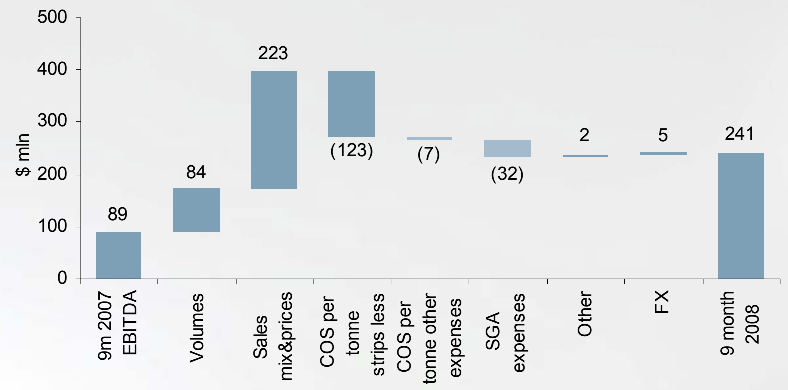


Severstal Russian Steel: Izhora Pipe Mill



- EBITDA up 170.8% y-o-y
  - Sales volumes increased by 69.1% y-o-y
- Effective cost controls in place
  - EBITDA per tonne increased by 60.2% y-o-y
  - Sales price increased by 54.0% in 9 m 2008 vs 9 m 2007
- Further growth in EBITDA per tonne and sales price in Q3 over Q2





Severstal Russian Steel: Metalware

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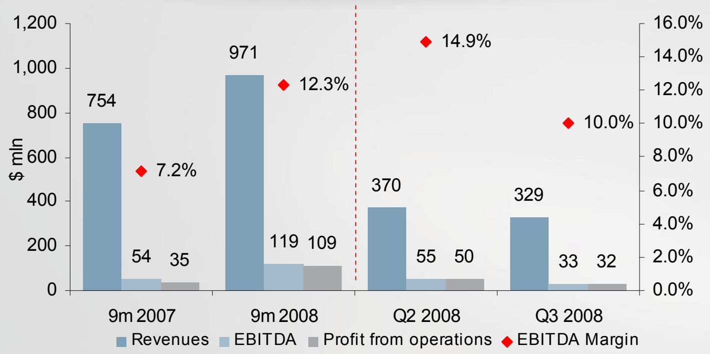
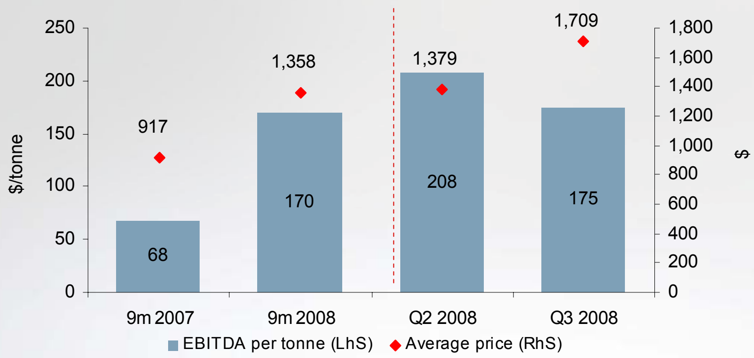
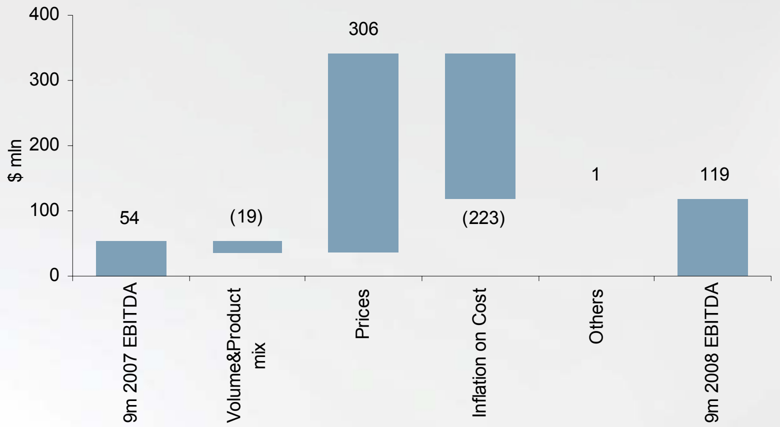




- Higher prices for 9m 2008 vs. 9m 2007 drove EBITDA 120.4% higher y-o-y
- Inflation on key costs items, primarily on input materials, passed on to customers
- EBITDA margin increased from 7.2% in 9m 2007 to 12.3% in 9m 2008, and 14.9% in Q2 2008



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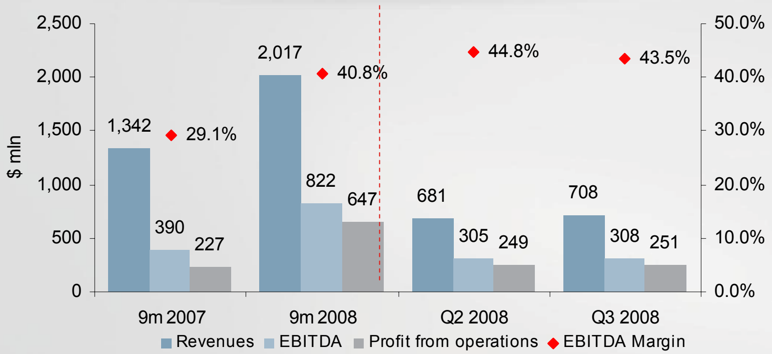
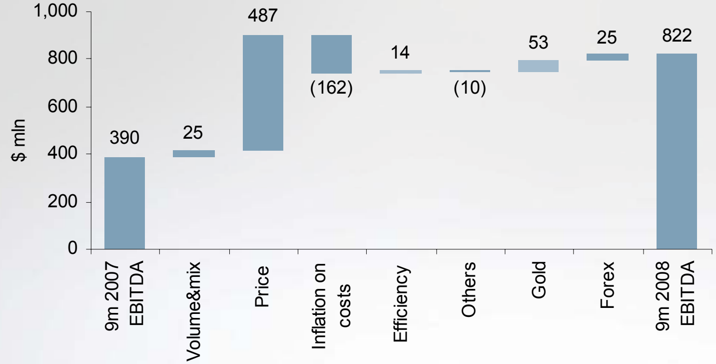
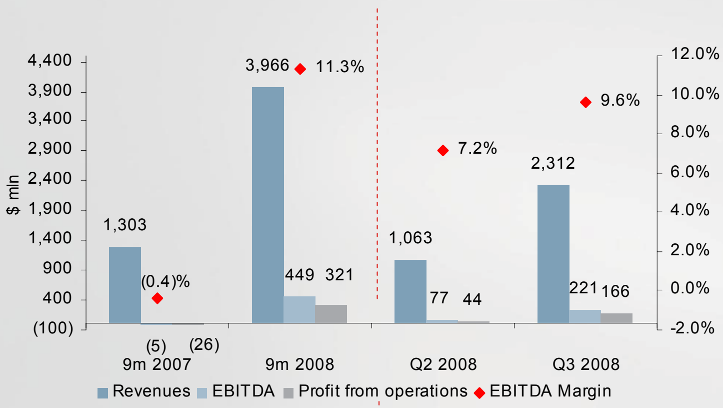
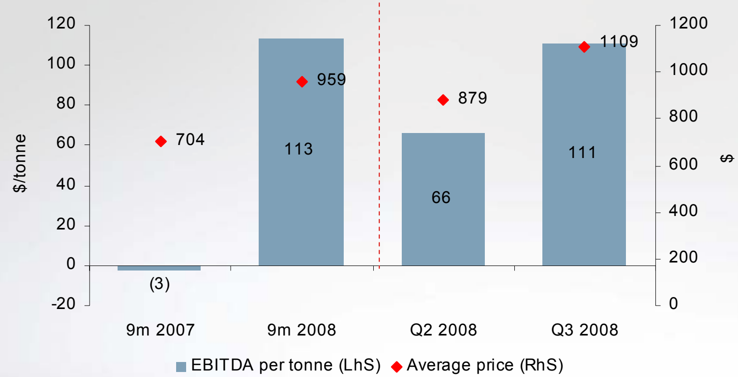




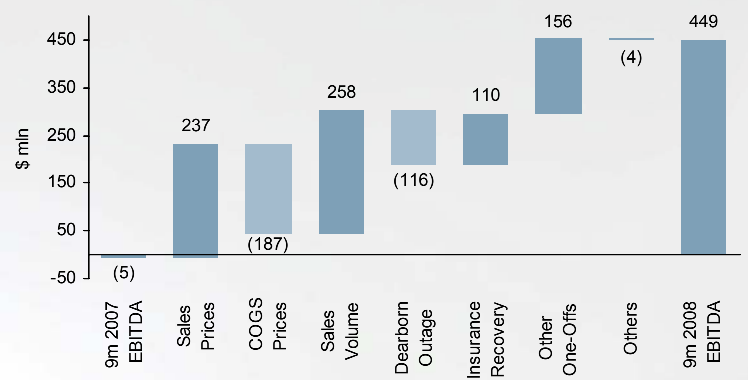
- EBITDA of $822 million, an increase of 110.8% compared with 9m 2007
- Coal prices of Vorkutaugol increased by 93.9 % y-o-y (including change in blend)
- Iron ore prices increased by 41.4 % y-o-y
- Cash cost increased by 32% year-on-year (excluding ferroniobium, gold)
  - Payroll, energy and materials prices inflation partially offset by efficiency improvements
  - FX impact on cash cost is 9.4%
- Iron ore production up 6% year-on-year
- Gold business added $53 million EBITDA
- SG&A costs are 9% down vs. 9m 2007 excluding effect of acquisitions (mainly due to Kuzbass disposal)

Severstal International: North America

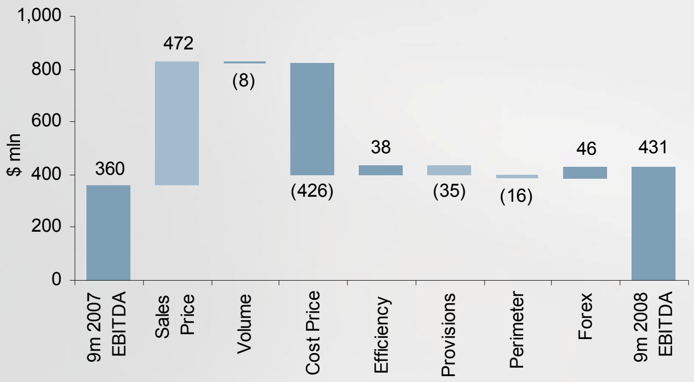




- Positive steel pricing partly offset by raw material increases
- $156 million one-off includes:
  - $156 million gain before taxes on buyout of long-term electricity supply contract at Dearborn
- Strong results for 9m 2008 on back of record steel prices, strong demand for steel and low imports
  - EBITDA of $449 million, including $156 million of one-offs
- Strong performance in Q3 2008
  - Average selling price up 26.2% to record $1109 per tonne
  - EBITDA per tonne up to $111 from $66 in Q2 2008



Severstal International: Lucchini



- EBITDA up 19.7% y-o-y
  - Like-for-like, EBITDA up 25% taking account of Sidermeccanica disposal in Q2 2007
- Stable production rates
- Production of wire rod and bars slightly up y-o-y, rails stable
- Stable development
  - Strong prices for long products in Europe in 9m 2008
  - Price squeeze slightly negative in Ascometal segment and positive in Piombino segment

European Operations (Lucchini) (cont.)

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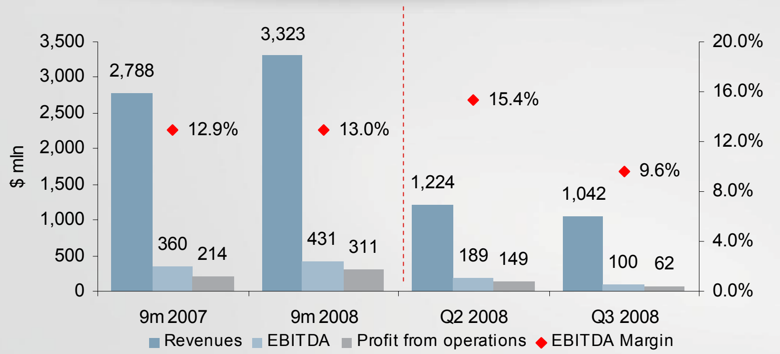

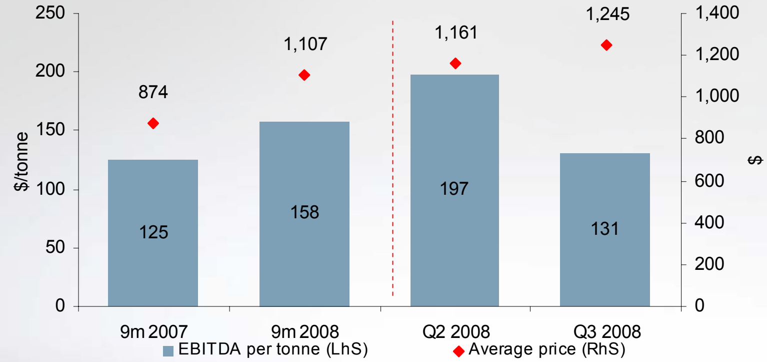

- EBITDA margin up from 12.9% in 9m 2007 to 13.0% in 9m 2008
- Seasonal drop in demand in August resulted in lower EBITDA numbers in Q3 2008 vs Q2 2008
- Raw material price increases likely to be the key factor influencing performance in 2008
  - Negative price/cost squeeze in Ascometal of about $22 million
  - Piombino price/cost squeeze still positive

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Cash Flow and Balance Sheet Overview

Cash-flow highlights

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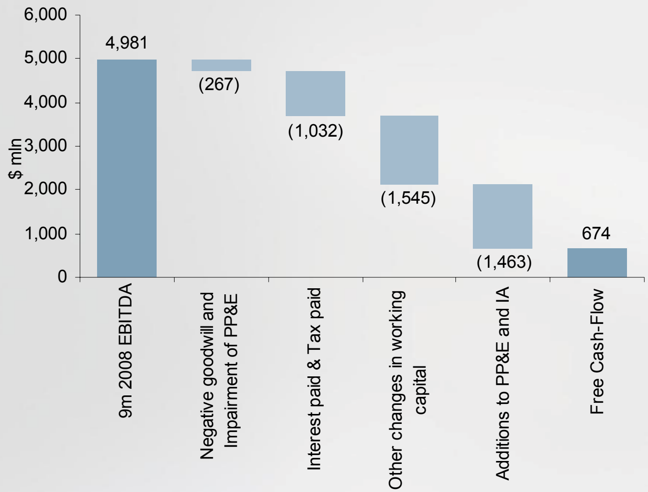
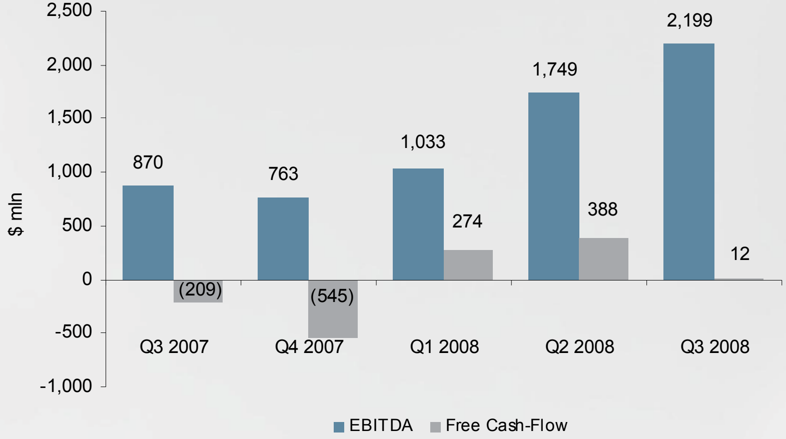
Free Cash-Flow* ($ mln)



EBITDA and FCF ($ mln)



- Drop in FCF in Q3 due to increase in working capital needs

* Free- cash- flow was calculated as follows: Net cash from operating activities less cash invested into property, plant and equipment and intangible assets

Balance sheet highlights

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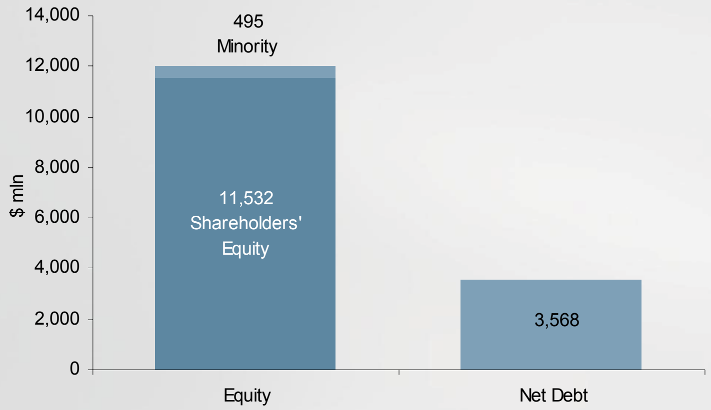
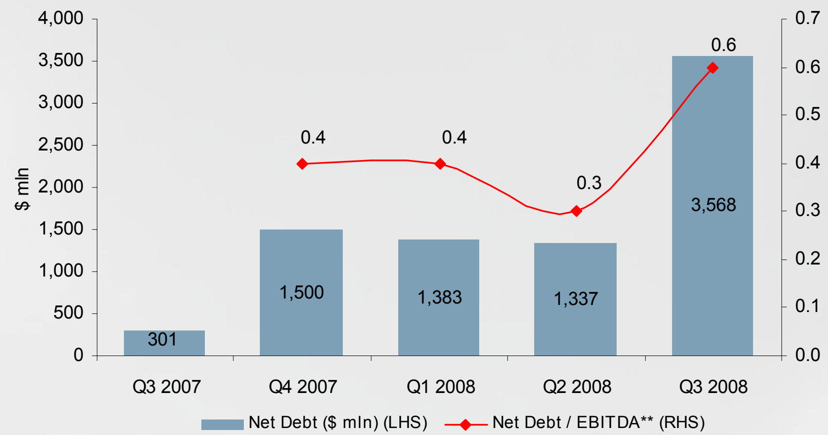
Net Debt* & Equity ($ mln)



Net Debt ($ mln) and Net Debt / EBITDA ratio (x)



- Net debt/LTM EBITDA increased to 0.6x in Q3 due to acquisition and capex spending
- Net debt/LTM EBITDA will be higher in Q4 as a result of PBS acquisition
- Net debt/Equity and Net debt/LTM EBITDA remain at low level

* Net debt was calculated as as total indebtedness less cash and cash equivalents, less short-term bank deposits
** Based on latest twelve months (LTM) EBITDA

Debt Schedule

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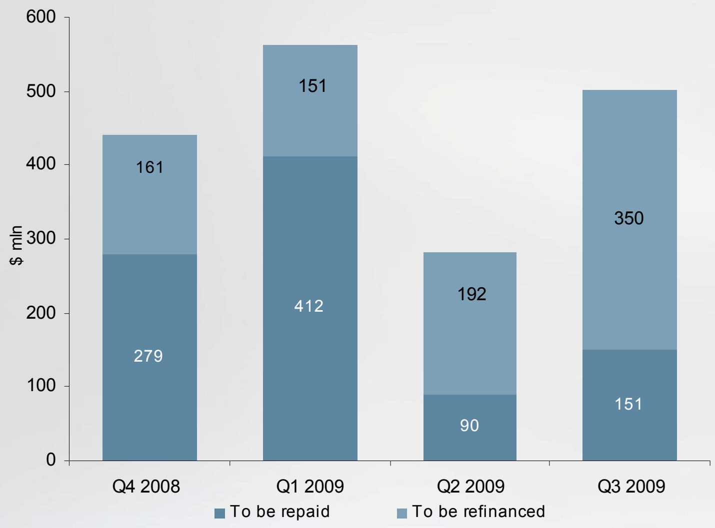
Short-term Debt Schedule



- $3.22 billion of cash and ST deposits as at September 30, 2008
- $829 million used for PBS Coals acquisition in October
- Total $932 million of ST principal repayments for the next 12 months
- $854 million working capital type credit facilities expected to be refinanced or extended in due course
- Unused availability on committed credit facilities on September 30, 2008 $2.2 billion ($1.2 billion was drawn in early October from syndicated pre-export facility)

Source: Company

Focus on Net Debt Reduction

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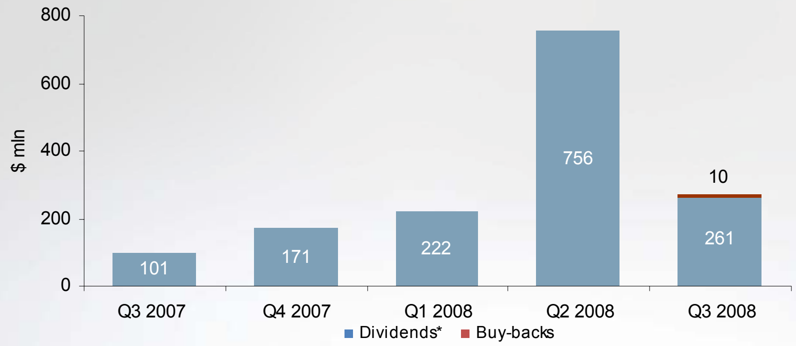
Cash Return to Shareholders ($ mln)



- Capex
  - 2008 capex to be reduced by approximately 20% from planned levels; majority of outstanding 2009-2011 $8bn investment programme deferred until market visibility and conditions improve
- Working capital reduction
  - Production is being reduced further, reflecting market conditions
  - Expected correction in prices for raw materials would enhance this trend through 2009

Source: Company

Note: Working capital calculated as total current assets less total current liabilities at the end of reporting period

* 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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Outlook

Short-term Outlook

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- Q4 demand environment in Russia has deteriorated due to liquidity issues
  - Limited order book visibility
  - Further production cuts are not excluded to prevent prices from eroding further
  - GDP growth expected to slow
- US market contracted on expectations of recession
  - 30% production cuts are already announced, but further steps to tighten supply are likely
  - Market is dominated by recession fears
  - GDP growth and US car sales are predicted to further decline in 2009
- In Europe situation looks more robust
  - Niche and high-value player in consolidated markets (SBQ, quality wire rod and rails)
- China
  - Statistics showed 9% drop in production y-o-y in September
  - Unless demand recovers, steel makers are likely to struggle to break even in the next two quarters

Conclusion

- Strong 9m performance
- Strong management actions being taken to proactively deal with challenging outlook
- Balance sheet and funding position is strong
- Expected production volumes for FY2008
  - 19.7 million tonnes of crude steel
  - 18.8 million tonnes of steel products
  - 6.8 million tonnes of coal and coal concentrate and steam coal
  - 13.9 million tonnes of iron ore pellets and iron ore concentrate
- The board of Severstal is recommending a dividend of $0.26, or 7.17 rubles, per share for Q3 2008. This represents a 20% payout ratio for the Q3 and a payout ratio of 38.2% on a nine months basis
- We now expect EBITDA for the current year to be in the range of $5.1-$5.3 billion

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Appendices

Summary of Balance Sheet

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$ mln	As at December 31, 2007	As at September 30, 2008
Current Assets	8,050	12,569
Non-current Assets	9,322	12,397
Total Assets	17,372	24,966
Current Liabilities	3,291	5,858
Non-current Liabilities	3,973	7,081
Total Equity	10,108	12,027
Total Equity and Liabilities	17,372	24,966

Summary of Income Statement

$ mln unless otherwise stated	9m 2008	9m 2007	Change, y-o-y
Sales	18,152	11,303	60.6%
Cost of Sales	(12,382)	(7,689)	61.0%
Profit from Operations	4,179	2,313	80.7%
Operating Margin, %	23.0%	20.5%	
Net Profit	3,243	1,526	112.5%
Net Margin, %	17.9%	13.5%	
EPS, $	3.22	1.51	112.5%

Summary of Cash Flow Statement

$ mln	9m 2008	9m 2007
Profit Before Financing and Taxation	4,699	2,261
Cash Generated from Operations	3,169	2,807
Interest Paid (Excluding Banking Operations)	(222)	(187)
Income Tax Paid	(810)	(623)
Net Cash from Operating Activities	2,137	1,996
Cash from Investing Activities	(3,225)	(1,574)
Additions to PP&E	(1,405)	(1,236)
Cash from Financing Activities	1,833	(102)
Effect of Exchange Rates on Cash and Cash Equivalents	(29)	62
Net Increase in Cash and Cash Equivalents	716	382
Cash & Cash Equivalents at Beginning of the Period	1,620	1,733
Cash & Cash Equivalents at End of the Period	2,336	2,115