

2007 Financial Results Presentation

17 March 2008

SeverStal

Agenda

- » *Introduction*
- » *Financials*
- » *Outlook*
- » *Q&A*
- » *Appendices*

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» **Introduction**

- *Alexei Mordashov / CEO, SeverStal*

Financial Highlights

» **Strong year-on-year results**

- *Revenues up 22.5% to a record \$15,245 million*
- *EBITDA up 24.5% to \$3,680 million*
- *Net profit up 33.1% to \$1,936 million*
- *EBITDA margin up to 24.1% in 2007 from 23.8% a year earlier*
- *EPS up 22.3% to \$1.92*

» **Final dividend of \$0.17 making a total of \$0.77 for the full year, an increase of 97.4% on the previous year**

» **Positive outlook for 2008 due to:**

- *Current favourable pricing environment in Russia and the USA*
- *Robust European markets*
- *Vertically integrated business model*

Key numbers

\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Revenues	12,449	15,245	22.5%
Profit from operations	2,314	2,842	22.8%
<i>Operating margin</i>	18.6%	18.6%	
EBITDA	2,957	3,680	24.5%
<i>EBITDA margin</i>	23.8%	24.1%	
Net profit	1,454	1,936	33.1%
<i>Net margin</i>	11.7%	12.7%	
EPS	\$ 1.57	\$ 1.92	22.3%
DPS	\$ 0.39	\$ 0.77	97.4%

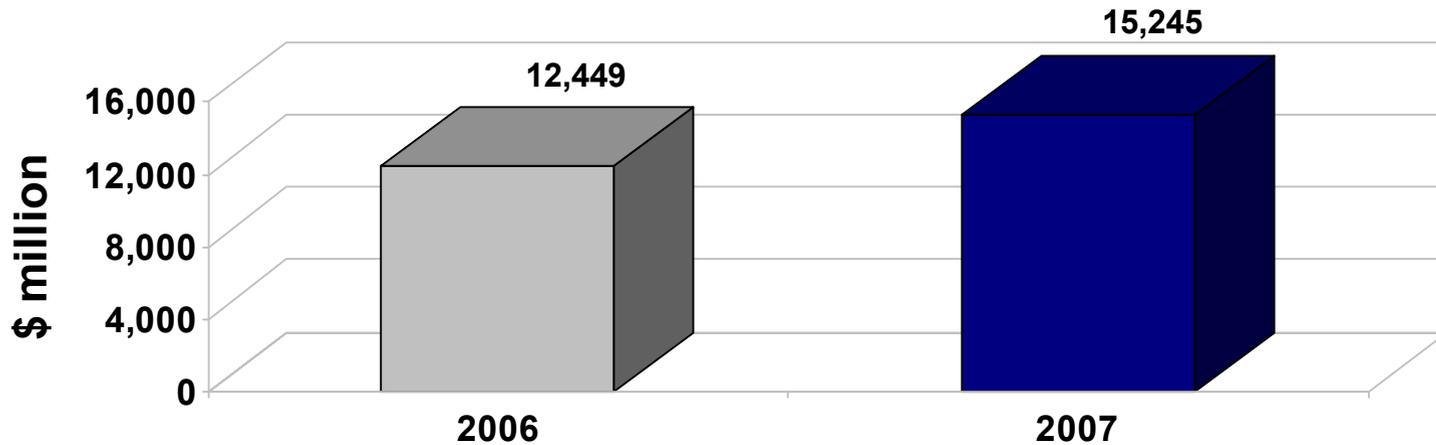
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» **Financials**

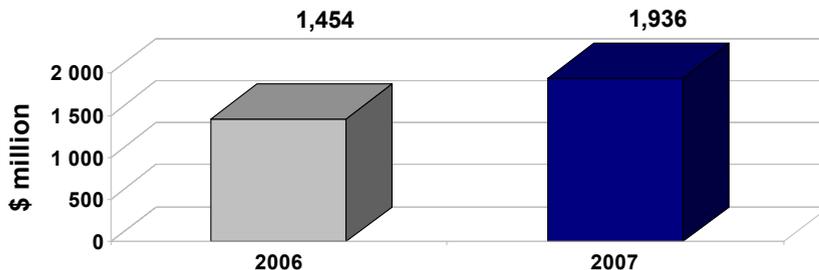
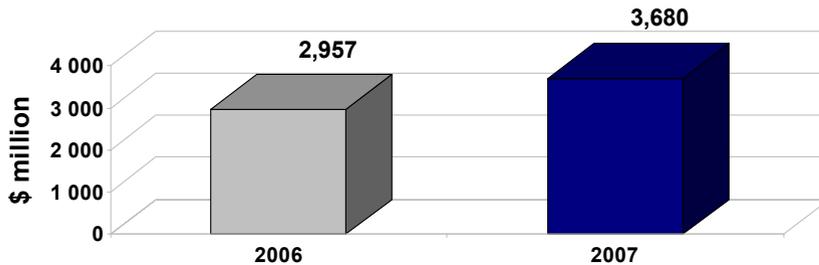
- *Mikhail Noskov / CFO, SeverStal*

Revenue

- » **Strong revenue growth up 22.5% y-o-y for 2007 due to:**
 - Higher average prices
 - Volume growth in Russian Steel and Izhora pipe mill
- » **Strong pricing environment in 2007 in all markets, except North America**



EBITDA and Net Profit



» **EBITDA up 24.5% y-o-y:**

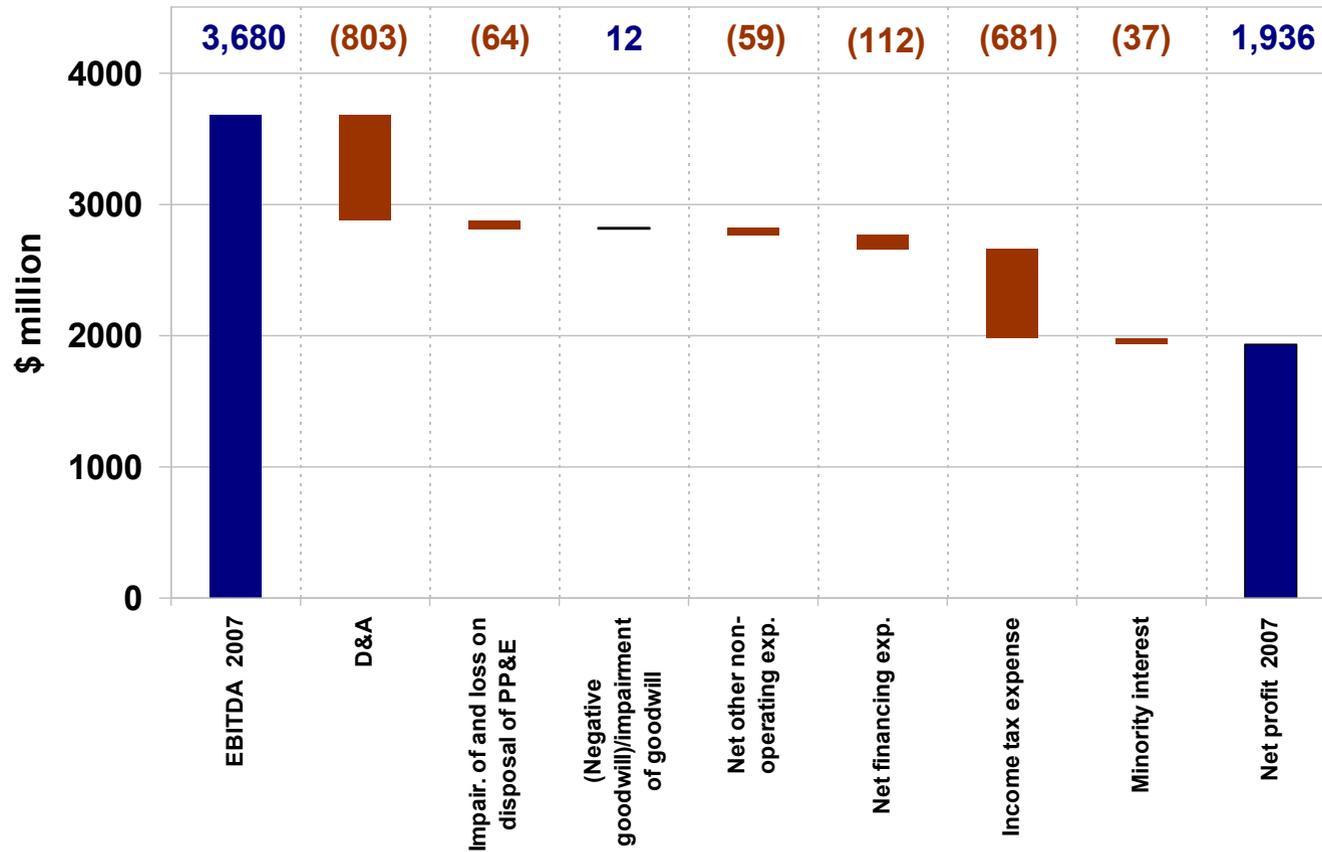
- Strong economic and steel intensive growth in Russia
- Russian domestic price premium remained sustainable

» **Increase in costs passed on to end customers**

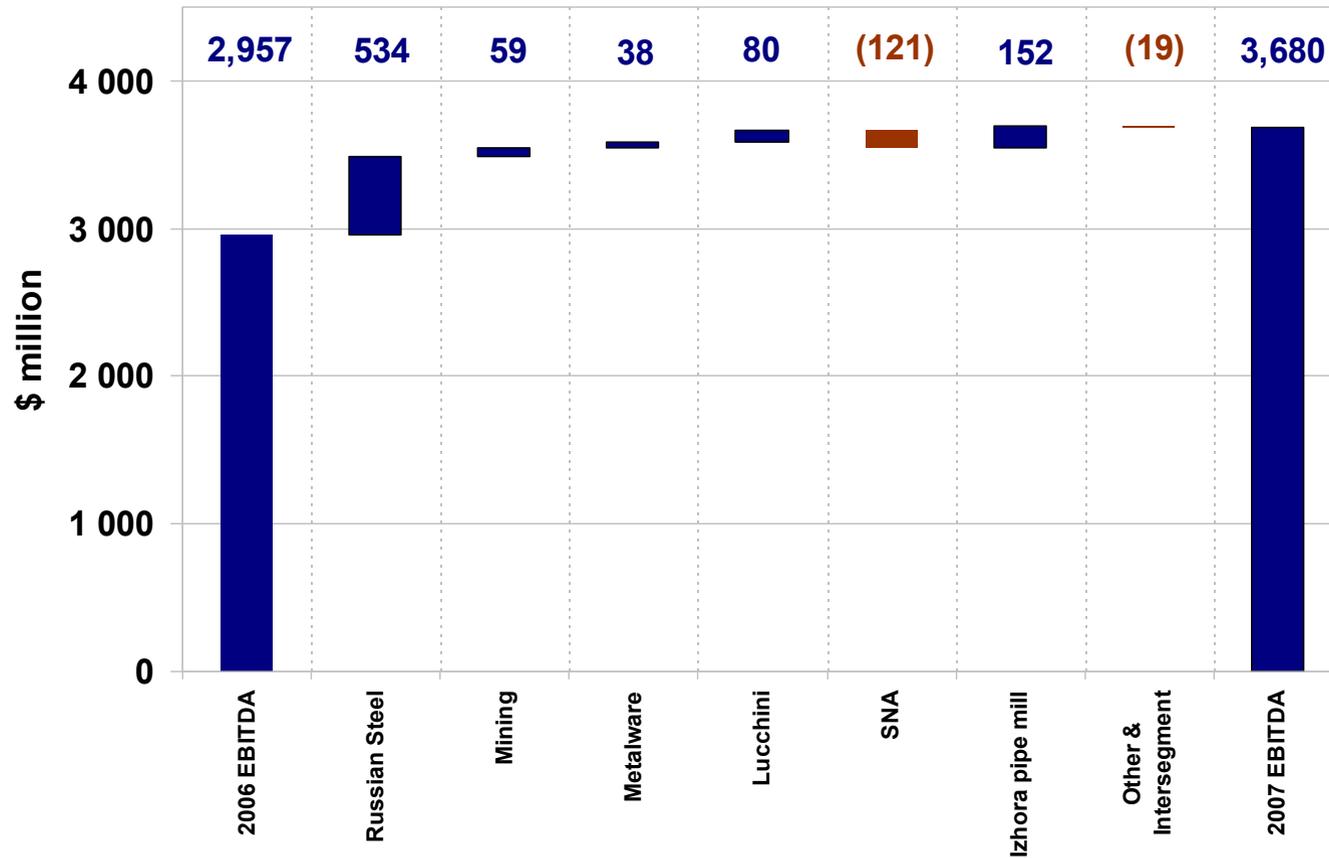
» **Improvements in production rates in 2007 compared with 2006**

- Production of rolled products up 2% year-on-year
- 14% growth in downstream products in 2007
- Iron ore production up 6% in 2007
- Coal production down by 2% year-on-year

EBITDA – Net Profit in 2007



EBITDA Dynamics by segment



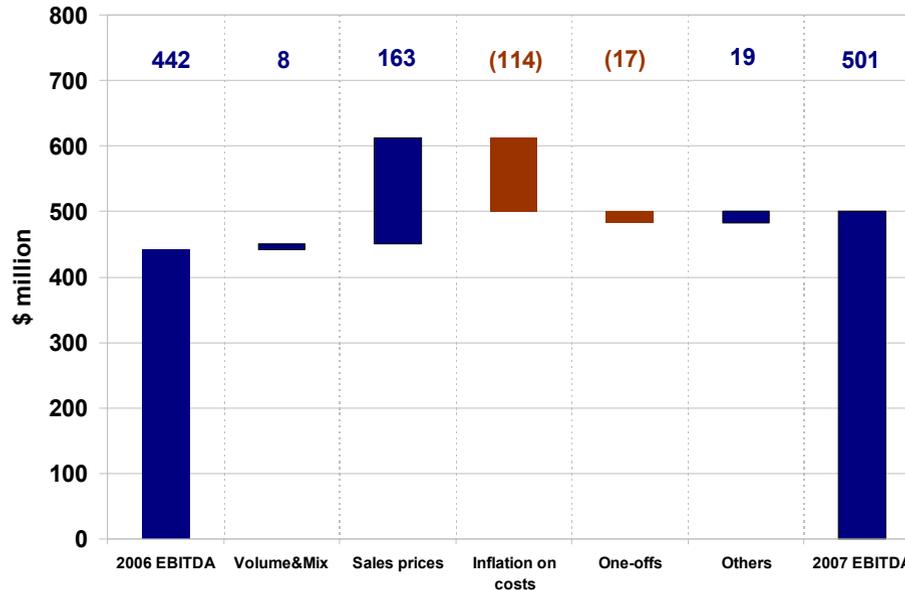
Segmental results: revenue breakdown

\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Russian Steel	6,317	7,969	26.2%
SNA	1,868	1,692	(9.4%)
Lucchini	3,357	3,757	11.9%
Metalware	839	1,012	20.6%
Izhora pipe mill	-	551	n.a.
Mining	1,491	2,197	47.4%
Intersegment	(1,423)	(1,933)	n.a.
Total	12,449	15,245	22.5%

Segmental results: EBITDA breakdown

\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Russian Steel	1,996	2,530	26.8%
SNA	142	21	(85.2%)
Lucchini	336	416	23.8%
Metalware	49	87	77.6%
Izhora pipe mill (IPM)	(1)	151	n.a.
Mining	442	501	13.3%
Intersegment	(7)	(26)	n.a.
Total	2,957	3,680	24.5%

Mining Operations



- » ***EBITDA up 13.3% in 2007 vs. 2006***
- » ***Positive price trend through the year***
- » ***Cash cost per ton 16% up vs. 2006 (excluding scrap), pushed by payroll, energy and materials prices***
- » ***3% growth in sales volumes (excluding scrap)***

Mining Operations (cont.)

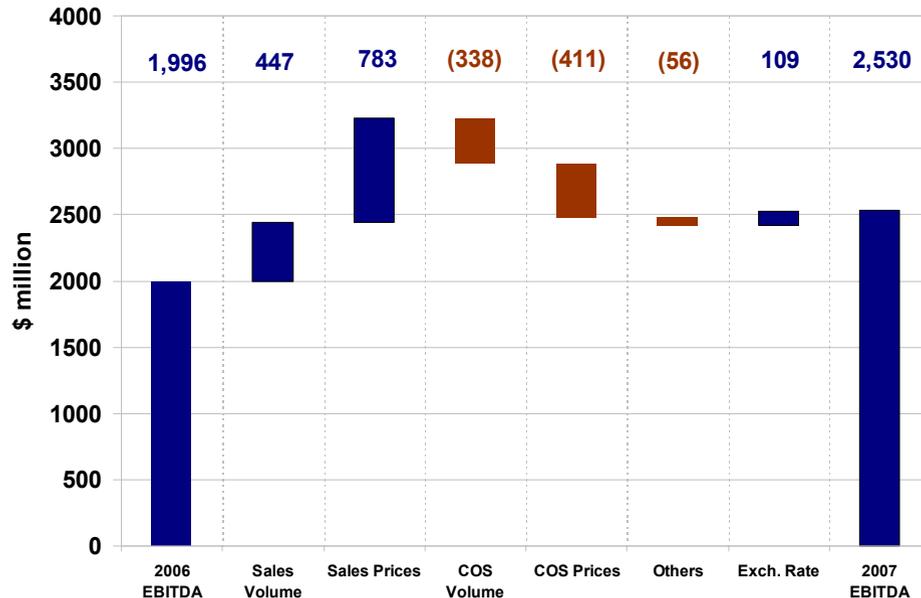
\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Revenues	1,491	2,197	47.4%
Profit from operations	238	282	18.5%
<i>Operating Margin</i>	16.0%	12.8%	
EBITDA	442	501	13.3%
<i>EBITDA Margin</i>	29.6%	22.8%	

» ***EBITDA growth of 13.3 % y-o-y***

- *Increase in coal and iron ore prices*
- *Lower coal volumes were offset by better performance of iron ore business (+ 6 % growth in tons y-o-y)*
- *Strong pressure on payroll and utilities cost*

» ***Operating and EBITDA margins were reduced by acquisition of scrap operations***

Russian Steel Operations



» **EBITDA up 26.8% y-o-y due to:**

- Strong prices in both Russian and export markets
- 7% increase in sales volume y-o-y

» **Domestic premium and value-added products added \$78 million**

- Share of domestic sales up from 71% to 73%
- Increasing share of hot rolled strip, galvanized and polymer coated products in total sales

» **Higher costs for alloys, scrap and energy partially off-set by**

- Decrease in consumption rates and structure of raw materials consumption

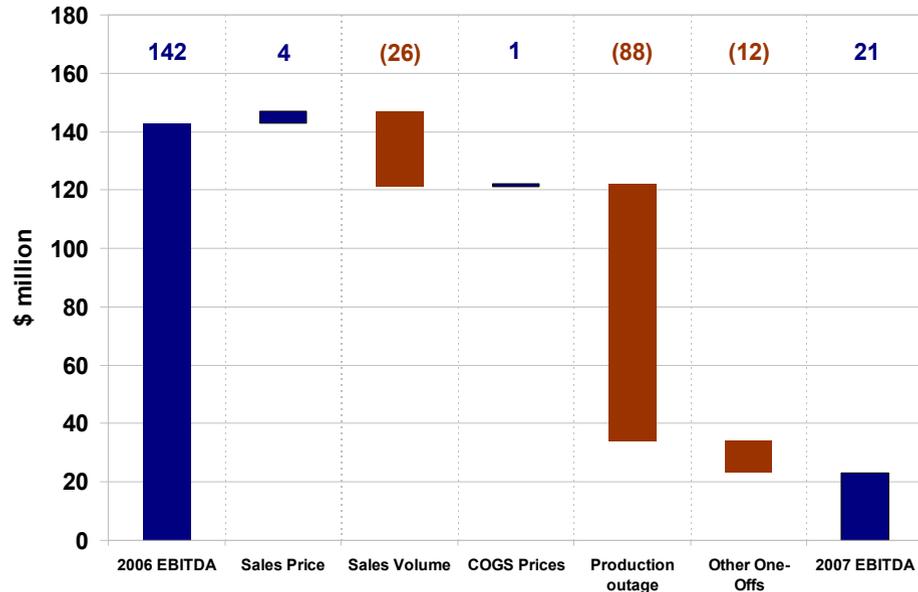
Russian Steel Operations (cont.)

\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Revenues	6,317	7,969	26.2%
Profit from operations	1,720	2,165	25.9%
Operating Margin	27.2%	27.2%	
EBITDA	1,996	2,530	26.8%
EBITDA Margin	31.6%	31.7%	
EBITDA per ton, \$	198	232	17.2%
Average price, \$/ton*	561	662	18.0%

* including effect of change in foreign exchange rates

- » **Strong revenue growth of 26.2% y-o-y:**
 - Increase in average price by 18.0%
 - Production rates up 5% for rolled products and up 7% for downstream products
- » **Operating and EBITDA margins remained stable in 2007**
 - Cost control measures in place
 - Ability to pass cost increases on to end customers

Severstal North America

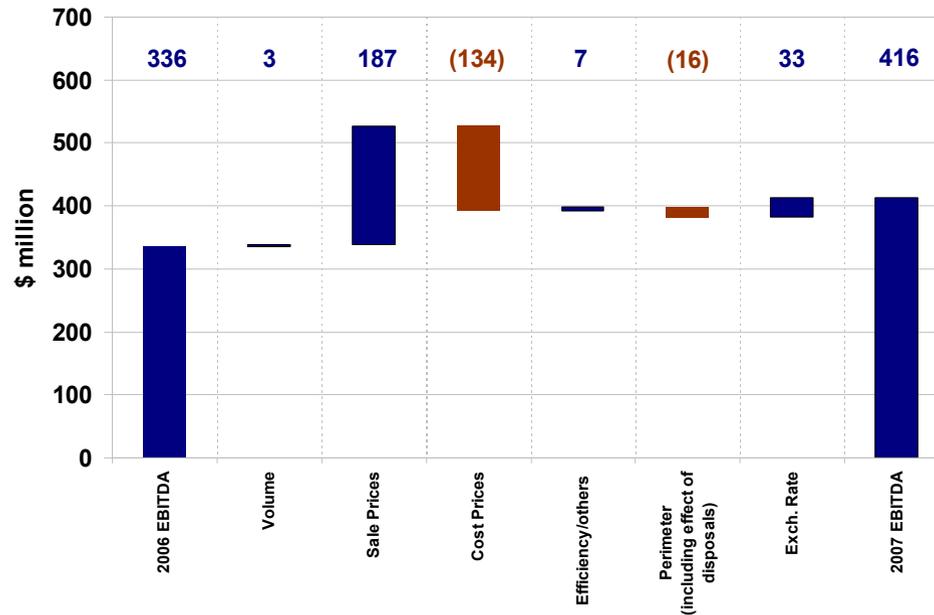


- » **Blast furnace C was down for 98 days for a major modernisation**
 - During this time production volumes were 1/3 of normal levels
- » **Volume reduction was partially compensated by purchased slabs to support long term contracts**
- » **Average prices up \$13/ton**
- » **Increases in zinc, pellets and scrap costs balanced by favourable coke and natural gas pricing**

Severstal North America (cont.)

\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Revenues	1,868	1,692	(9.4%)
Profit from operations	134	2	(98.5%)
<i>Operating Margin</i>	7.2%	0.1%	
EBITDA	142	21	(85.2%)
<i>EBITDA Margin</i>	7.6%	1.2%	
EBITDA per ton, \$	54	9	(83.3%)
Average price, \$/ton	693	706	1.9%

- » ***Purchased slabs supported long term contracts, but profit margins reduced***
 - *Profit from re-rolling of purchased slabs was marginal*
- » ***Average selling prices in 2007 were slightly up***
 - *Market stabilised in Q3 and Q4*



» **Improved results from:**

- *Increase in sale prices with a positive mix effect*
- *Increase in raw material prices (in particular scrap and ferroalloys) were surcharged on to end customers in Ascometall*

Lucchini (cont.)

\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Revenues	3,357	3,757	11.9%
Profit from operations	208	216	3.8%
<i>Operating Margin</i>	6.2%	5.7%	
EBITDA	336	416	23.8%
<i>EBITDA Margin</i>	10.0%	11.1%	
EBITDA per ton, \$	84	108	28.6%
Average price, \$/ton*	757	877	15.9%

* including effect of change in foreign exchange rates

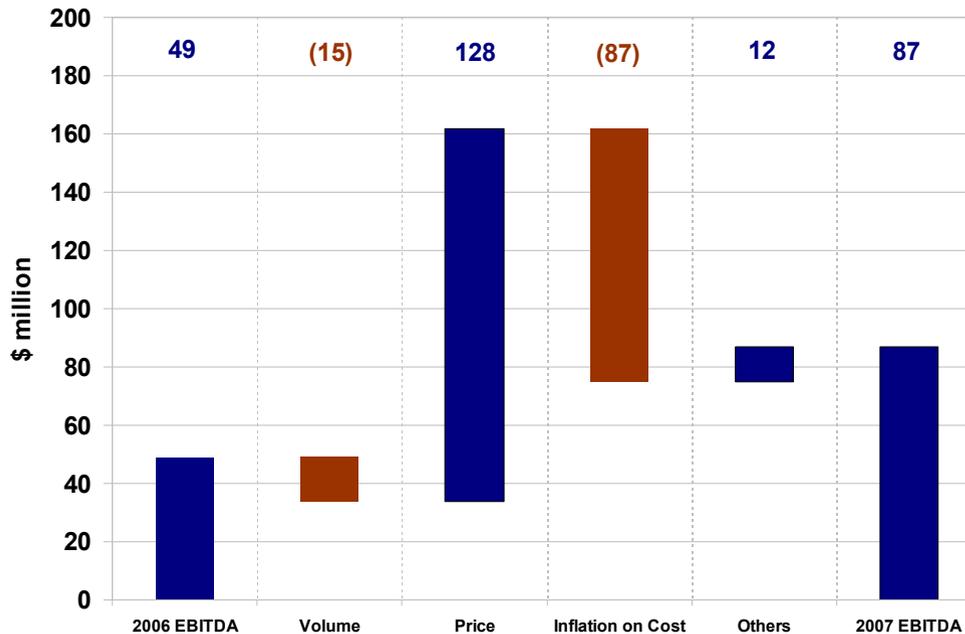
» ***Strong performance in 2007***

- *Revenues up 11.9 % y-o-y*
- *EBITDA up 23.8 % y-o-y*

» ***Raw material price increases is the key element influencing 2008 performance***

» ***Improvements in efficiency will remain the key priority***

Metalware



- » *Higher prices and product portfolio improvement for 2007 vs. 2006 pushed up EBITDA*
- » *Inflation on key costs items, mainly on wire rods, put EBITDA under pressure in 2007*
- » *But intensive cost reduction program partially offset this negative influence*

Metalware (cont.)

\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Revenues	839	1,012	20.6%
Profit from operations	23	76	230.4%
<i>Operating Margin</i>	2.7%	7.5%	
EBITDA	49	87	77.6%
<i>EBITDA Margin</i>	5.8%	8.6%	
EBITDA per ton, \$	45	83	84.4%
Average price, \$/ton	738	934	26.6%

- » *Selling prices were up 26.6% y-o-y*
- » *EBITDA increased by 77.6% in 2007 compared with 2006*
- » *EBITDA per ton was 84.4% higher than in 2006 due to product mix improvements*

Izhora Pipe Mill (IPM)

\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Revenues	-	551	n.a.
Profit from operations	(2)	127	n.a.
<i>Operating Margin</i>	n.a.	23.0%	
EBITDA	(1)	151	n.a.
<i>EBITDA Margin</i>	n.a.	27.4%	
EBITDA per ton, \$	n.a.	502	n.a.
Average price, \$/ton	n.a.	1,764	n.a.

- » **301K tons of pipes produced in 2007**
- » **Main customers are:**
 - *Gazprom – 188K tons*
 - *Novatek – 60K tons*
 - *Export markets - 16K tons*
 - *Other customers – 37K tons*
- » **Average price of \$ 1,764 per tonne**
- » **Every 7 minutes a new pipe is ready for shipping**
- » **Full capacity to be reached in 2008**

» **Outlook**

- *Alexei Mordashov / CEO, SeverStal*

Growth strategy

» **Strong organic growth and greenfield investments remain the main pillar of value creation**

- *\$6 billion to be invested in Russian Steel operations between now and 2011, including \$1 billion in 2 new mini mills, to add 25% capacity*
- *Mining to invest \$2 billion expanding coal production by 30% and iron ore by 15% between now and 2011*
- *Construction of second phase of SeverCorr has started*

» **Disciplined approach to M&A**

- *Shareholder value accretion is the key metric*
- *More value accretion to be found in niche strategy*
- *Synergy effects important part of value growth*

Business summary

» ***In Russian Steel***

- *More focus on long products, value-added and niche products for the Russian market*
- *Cost control measures include energy and material savings, and headcount reductions*

» ***In Mining***

- *More safety measures to be introduced in underground coal production*
- *Investment programme for Vorkutaugol to be approved later this year*

» ***Izhora pipe mill***

- *More than 500K of large diameter pipes to be produced in 2008*

» ***In North America***

- *Decision for SNA: rebuild the blast furnace B*
- *Construction of second phase of SeverCorr has started*

» ***In Europe***

- *Reinforce market position in SBQs through optimisation of operations in France*
- *New continuous caster would increase efficiency of operations in France*

Positive outlook for Severstal in 2008

- » ***More optimism at the start of 2008 as steel producers announce price increases in Russia and Europe***
 - *Current favourable pricing environment in Russia*
 - *Robust European markets*
- » ***Prices in North America for Q1 2008 trend higher due to:***
 - *Lower inventories level in Q4 2007*
 - *Import pressure easing as dollar further weakens*
- » ***Severstal enjoys high degree of self sufficiency in coal and iron ore in Russian Steel operations***
 - *Inflation in raw material costs supports integrated steel producers*
- » ***Surcharge business model in France protect margins in European operations***
- » ***Ability to pass costs through to end customers***
- » ***Positive sector outlook due to global steel demand supported by economic growth in BRIC countries***

Thank you



» ***Appendices***

Summary of Balance Sheet

\$ mln	As at December 31, 2006	As at December 31, 2007
Current Assets	7,480	7,998
Non-current Assets	7,234	8,719
Total Assets	14,714	16,717
Current Liabilities	2,978	3,163
Non-current Liabilities	3,182	3,343
Total Equity	8,554	10,211
Total Equity and Liabilities	14, 714	16, 717

Summary of Income Statement

\$ mln unless otherwise stated	2006	2007	Change, y-o-y
Sales	12,449	15,245	22.5%
Cost of Sales	(8,601)	(10,542)	22.6%
Profit from operations	2,314	2,842	22.8%
Operating margin, %	18.6%	18.6%	
Net profit	1,454	1,936	33.1%
Net margin, %	11.7%	12.7%	
EPS, \$	1.57	1.92	22.3%

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Summary of Cash Flow Statement

\$ mln	2006	2007
Profit before financing and taxation	2,222	2,767
Cash generated from operations	2,621	3,349
Interest paid (excluding banking operations)	(215)	(231)
Income tax paid	(677)	(803)
Net Cash Flow from operating activities	1,730	2,315
Cash from investing activities, including	(2,169)	(1,982)
Additions to PP&E	(1,244)	(1,562)
Cash from financing activities	726	(569)
Effect of exchange rates on cash and cash equivalents	86	82
Net increase /(decrease) in cash and cash equivalents	373	(154)
Cash & cash equivalents at beginning of the period	1,328	1,701
Cash & cash equivalents at end of the period	1,701	1,547