

H1 2007 Financial Results Presentation

10 September 2007

SeverStal

Agenda

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

Disclaimer

These materials may contain projections and other forward-looking statements regarding future events or the future financial performance of OAO SeverStal (SeverStal). You can identify forward looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might”, the negative of such terms, or other similar expressions. SeverStal wishes to caution you that these statements are only predictions and that actual events or results may differ materially. SeverStal does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Factors that could cause the actual results to differ materially from those contained in projections or forward-looking statements of SeverStal may include, among others, general economic conditions in the markets in which SeverStal operates, the competitive environment in, and risks associated with operating in, such markets, market change in the steel and mining industries, as well as many other risks affecting SeverStal and its operations.



» *Introduction*

- *Alexei Mordashov, CEO, SeverStal*

H1 2007 Highlights

- » *A record \$7,711 million in revenues, up 31.1% year-on-year*
- » *EBITDA of \$2,094 million in H1 2007, up 60.7% year-on-year*
- » *Net profit up 134.5% to \$999 million*
- » *Operating margin up to 19.2% from 13.9% due to higher prices and management gains*
- » *EPS of \$0.99, up 115.2% year-on-year*
- » *Higher average prices across all markets and segments*
- » *Positive trends seen in Q1 2007 gathered momentum in Q2 2007*
- » *Positive outlook for 2007*
- » *\$500 million of dividends for 1H 2007, of which \$102 million paid for Q1 and \$398 million recommended by the board for Q2, compared with \$126 million in 1H 2006*

Key numbers

(\$ million unless otherwise stated)

	H1 2006	H1 2007	Change, y-o-y	Q1 2007	Q2 2007	Change, q-o-q
Revenues	5,883	7,711	31.1%	3,677	4,034	9.7%
Profit from operations	820	1,484	81.0%	635	849	33.7%
Operating margin, %	13.9%	19.2%		17.3%	21.1%	
EBITDA	1,303	2,094	60.7%	921	1,173	27.4%
EBITDA margin, %	22.1%	27.2%		25.0%	29.1%	
Net profit	426	999	134.5%	396	603	52.3%
Net margin, %	7.2%	13.0%		10.8%	14.9%	
EPS, \$	0.46	0.99	115.2%	0.39	0.60	53.8%

Note: Net profit attributable to shareholders

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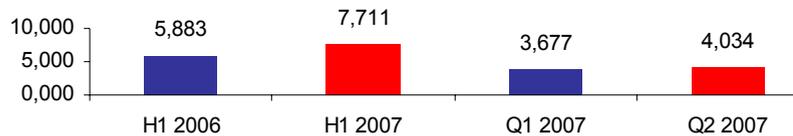
» *Financials*

- *Mikhail Noskov, CFO, SeverStal*

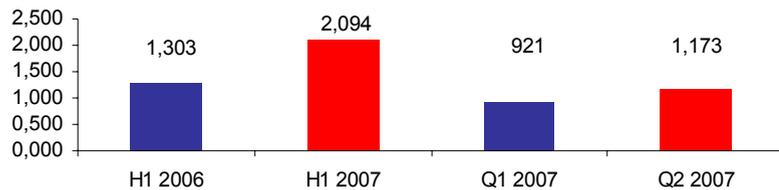
H1 Financial Summary

\$ million

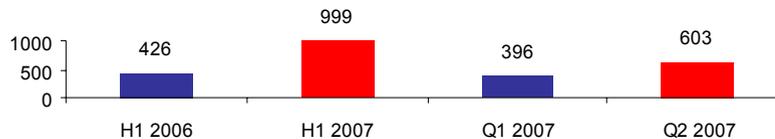
Sales



EBITDA



Net profit



» Strong sales continued in Q2 2007

- Results ahead of business plan in all segments, apart from SNA
- Supportive pricing in all markets, apart from North America
- Growth supported by further increase in sales volumes and average prices

» Impressive growth in H1 2007 EBITDA

- Strong operational results based on volume growth
- Continued favorable pricing in Russian market

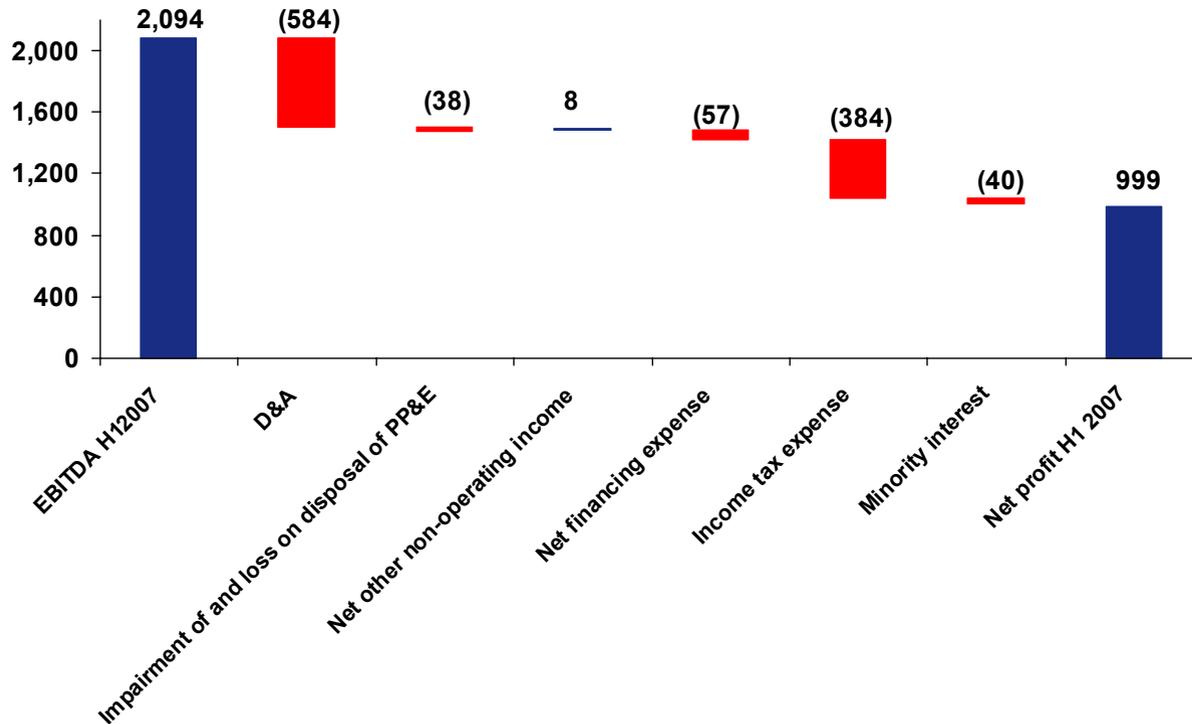
» Increase in net profit based on

- Impressive performance of Russian Steel
- Mining, Izhora pipe and Lucchini all demonstrating strong progress

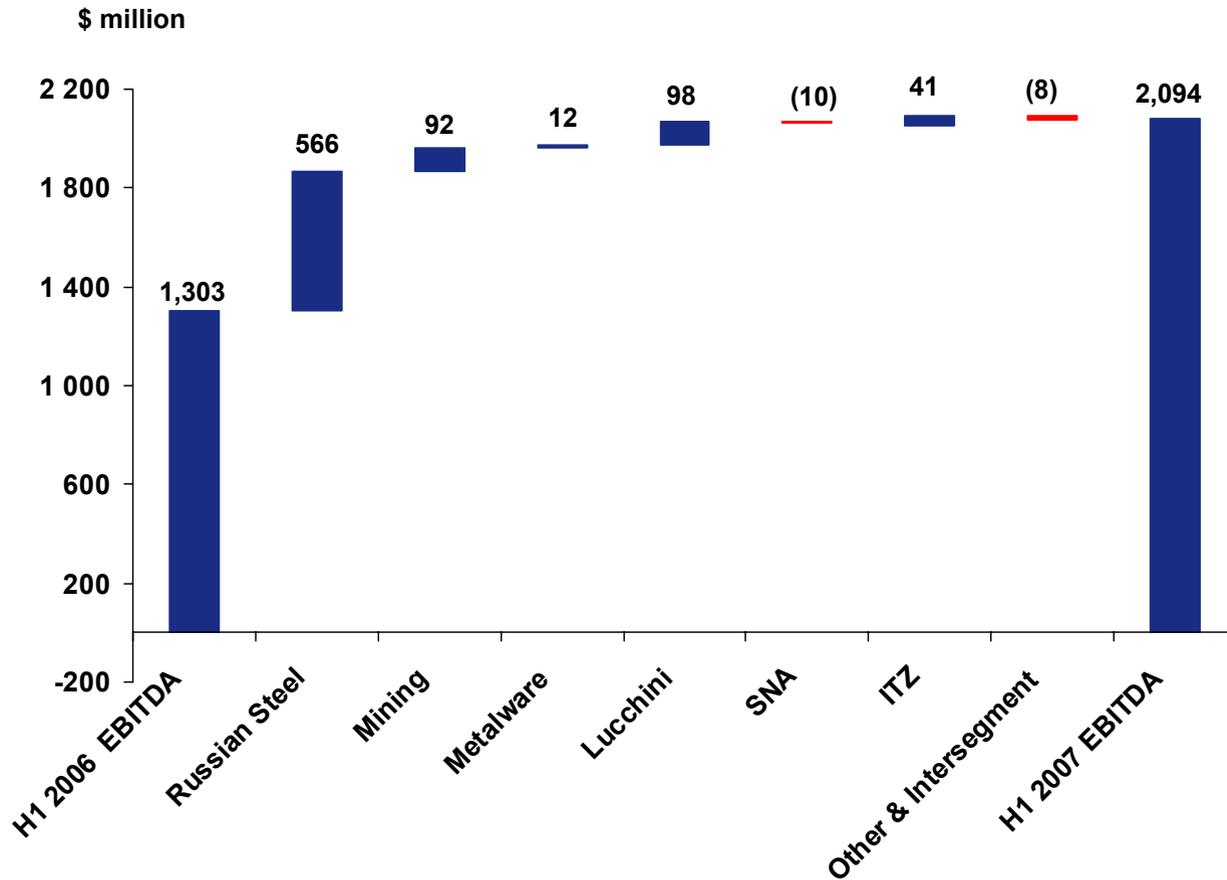
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EBITDA – Net Profit in H1 2007

\$ million



EBITDA Dynamics by segment



Segmental results: revenue breakdown

Revenue by segment (\$ million)

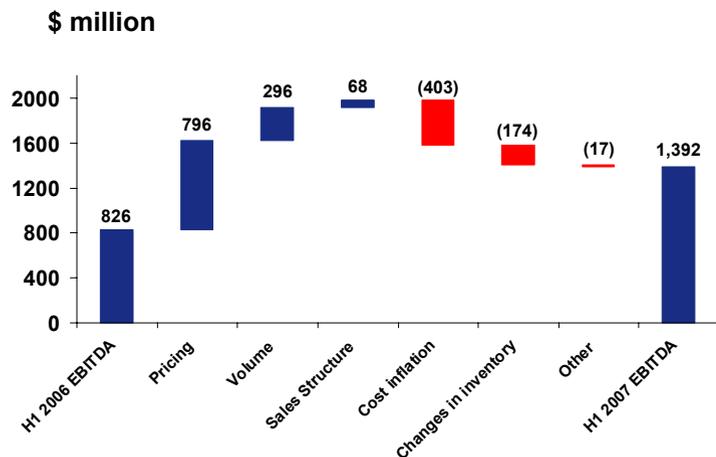
	H1 2006	H1 2007	Change, y-o-y	Q1 2007	Q2 2007	Change, q-o-q
Russian Steel	2,830	3,990	41.0%	1,892	2,098	10.9%
SNA	1,063	904	(15.0%)	448	456	1.8%
Lucchini	1,674	1,996	19.2%	978	1,018	4.1%
Metalware	359	497	38.4%	224	273	21.9%
Izhora pipe mill (ITZ)	-	159	n.a.	63	96	52.4%
Mining	684	1,034	51.2%	484	550	13.6%
Intersegment and other	(727)	(869)	n.a.	(412)	(457)	n.a.
Total	5,883	7,711	31.1%	3,677	4,034	9.7%

Segmental results: EBITDA breakdown

EBITDA by segment (\$ million)

In US\$ mln	H1 2006	H1 2007	Change, y-o-y	Q1 2007	Q2 2007	Change, q-o-q
Russian Steel	826	1,392	68.5%	597	795	33.2%
SNA	66	56	(15.2%)	34	22	(35.3%)
Lucchini	181	279	54.1%	130	149	14.6%
Metalware	30	42	40.0%	12	30	150.0%
Izhora pipe mill	(2)	39	n.a.	9	30	233.3%
Mining	197	289	46.7%	147	142	(3.4%)
Intersegment and other	5	(3)	n.a.	(8)	5	n.a.
Total	1,303	2,094	60.7%	921	1,173	27.4%

Russian Steel Operations

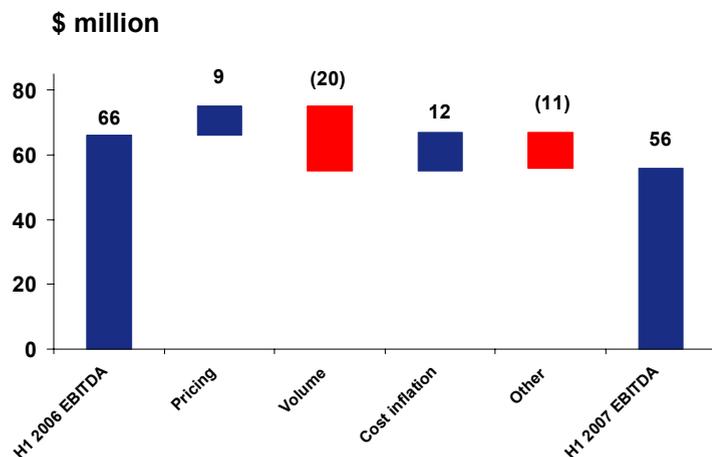


- » **Strong prices in both Russian and export markets**
- » **Revenues up 41% y-o-y**
- » **EBITDA up 68.5% y-o-y**
- » **Sales structure added \$68 million to EBITDA**
 - Increasing share of domestic sales of Cherepovets steel mill from 63% to 67%
 - Increasing share of galvanized and polymer coated products
- » **Higher costs for alloys, scrap and energy partially offset by**
 - Decrease in consumption rates and structure

\$ million	H1 2006	H1 2007	Change	Q1 2007	Q2 2007	Change
Revenues	2,830	3,990	41.0%	1,892	2,098	10.9%
Profit from operations	532	1,070	101.1%	445	625	40.4%
Operating Margin	18.8%	26.8%		23.5%	29.8%	
EBITDA	826	1,392	68.5%	597	795	33.2%
EBITDA Margin	29.2%	34.9%		31.6%	37.9%	
EBITDA per ton, \$	162	246	51.9%	212	280	32.1%
Average price, \$/ton	487	642	31.8%	607	676	11.4%

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Severstal North America



» **EBITDA decreased 15.2% year on year due to lower volume**

- Increases in zinc, pellets and scrap costs balanced by favourable coke and natural gas pricing
- Operating costs impacted by Blast furnace repairs and lower production volumes
- Sales volume cuts helped support spot prices and stabilize inventory levels at the mill in Q2

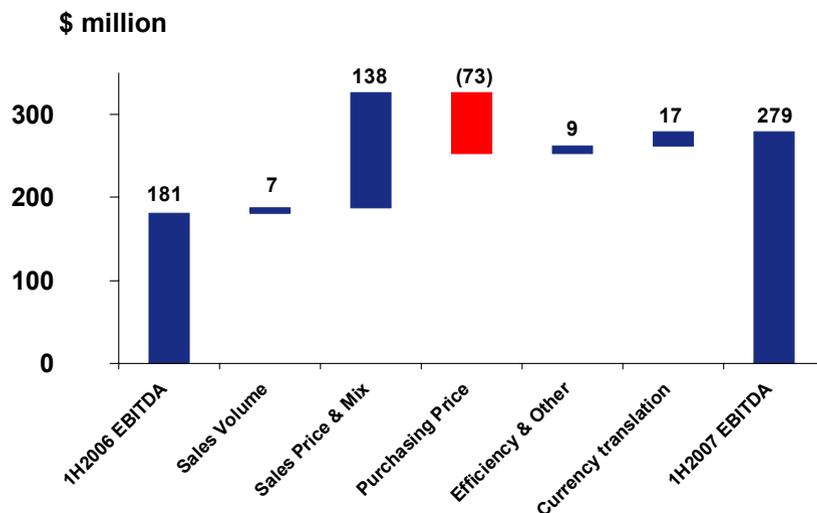
» **Positive contract pricing offset by inventory driven corrections in the non-auto segments**

- Selling power under pressure due to high inventories at service centres
- Automotive pricing up \$55/tonne from 2006 levels as a result of contract re-negotiations

\$ million	H1 2006	H1 2007	Change	Q1 2007	Q2 2007	Change
Revenues	1,063	904	(15.0%)	448	456	1.8%
Profit from operations	62	52	(16.1%)	32	20	(37.5%)
Operating Margin	5.8%	5.8%		7.1%	4.4%	
EBITDA	66	56	(15.2%)	34	22	(35.3%)
EBITDA Margin	6.2%	6.2%		7.6%	4.8%	
EBITDA per ton, \$	43	44	2.3%	53	35	(34.0%)
Average price, \$/ton	689	700	1.6%	689	712	3.3%

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Lucchini



» **Good H1 performance**

- Turnover up 19.2 % y-o-y
- EBITDA up 54.1 % y-o-y

» **Improved results from**

- General increase in sale prices
- Increase in sales volumes in the core business – long products with a positive mix effect

» **Stable development**

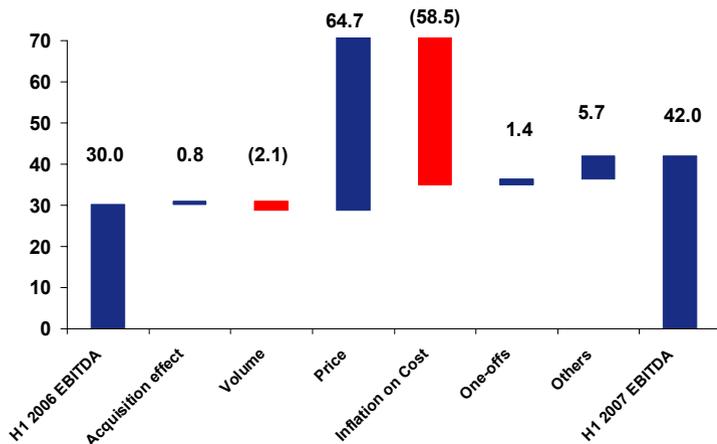
- Strong prices for long products in Europe
- Moderate volume growth
- Ascometal surcharge model neutral to scrap deficit in Europe

\$ million	H1 2006	H1 2007	Change	Q1 2007	Q2 2007	Change
Revenues	1,674	1,996	19.2%	978	1,018	4.1%
Profit from operations	124	196	58.1%	98	98	0.0%
Operating Margin	7.4%	9.8%		10.0%	9.6%	
EBITDA	181	279	54.1%	130	149	14.6%
EBITDA Margin	10.8%	14.0%		13.3%	14.6%	
EBITDA per ton, \$	88	136	54.5%	140	132	(5.7%)
Average price, \$/ton	742	879	18.5%	962	811	(15.7%)

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Metalware

\$ million



- » **Good H1 performance**
 - Revenues up 38.4 % y-o-y
 - EBITDA up 40.0 % y-o-y
- » **Improved results from**
 - General Increase in sale prices by 28.7 % y-o-y
 - EBITDA per ton up 30.0 % y-o-y
- » **Inflation on cost remains the key problem for further improvements**
 - Restructuring plan adopted by the management team
- » **Strong growth in EBITDA margin in Q2 to 11.0 % from 5.4 % in Q1**

\$ million	H1 2006	H1 2007	Change	Q1 2007	Q2 2007	Change
Revenues	359	497	38.4%	224	273	21.9%
Profit from operations	15	17	13.3%	0	17	n.a.
Operating Margin	4.2%	3.4%		0.0%	6.2%	
EBITDA	30	42	40.0%	12	30	150.0%
EBITDA Margin	8.4%	8.5%		5.4%	11.0%	
EBITDA per ton, \$	60	78	30.0%	47	105	123.4%
Average price, \$/ton	689	887	28.7%	836	930	11.2%

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Izhora Pipe Mill (ITZ)

» **101K tons of pipes produced in 1H 2007**

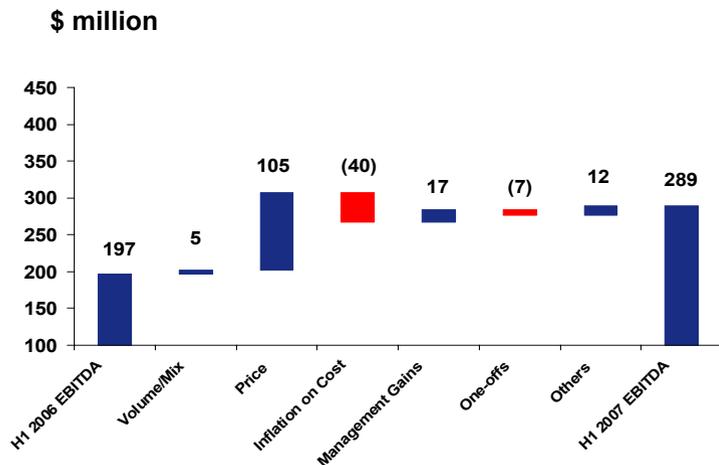
» **Average price of \$1,485 per tonne**

» **44.2% growth in production numbers in Q2 vs. Q1**

» **EBITDA margin increased to 31.3% in Q2 from 14.3% in Q1**

\$ million	H1 2006	H1 2007	Change	Q1 2007	Q2 2007	Change
Revenues	-	159	n.a.	63	96	52.4%
Profit from operations	(2)	28	n.a.	4	24	500.0%
Operating Margin	-	17.6%		6.3%	25.0%	
EBITDA	(2)	39	n.a.	9	30	233.3%
EBITDA Margin	-	24.5%		14.3%	31.3%	
EBITDA per ton, \$		386	n.a.	225	492	118.7%
Average price, \$/ton		1,485	n.a.	1,575	1,426	(9.5%)

Russian Mining Operations



» EBITDA up 46.7% in H1 2007 vs. H1 2006

- Prices up on average by 16.7%
- Effective cost control: cash cost per ton 6% up vs. 2006 in rouble terms
- 10.4 % growth in volumes (excluding scrap)

» Some slow down in Q2 2007 vs. Q1 2007

- Higher share of low coal grades in Vorkuta resulted in \$7 million drop in EBITDA vs. Q1
- Average price decreased of 1.6% was mainly due to product mix in coal

\$ million	H1 2006	H1 2007	Change	Q1 2007	Q2 2007	Change
Revenues	684	1,034	51.2%	484	550	13.6%
Profit from operations	85	128	50.6%	67	61	(9.0%)
Operating Margin	12.4%	12.4%		13.8%	11.1%	
EBITDA	197	289	46.7%	147	142	(3.4%)
EBITDA Margin	28.8%	27.9%		30.4%	25.8%	
EBITDA per ton, \$	17	23	35.3%	23	22	(4.3%)
Average price, \$/ton	54	63	16.7%	64	63	(1.6%)



» Outlook

- *Alexei Mordashov, CEO, SeverStal*

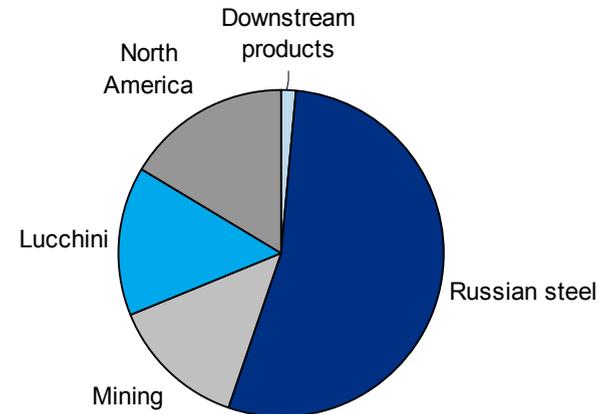
Positive outlook for Severstal in 2007

- » *H1 2007 provides a strong foundation for full year results for 2007*
- » *Stable steel prices in all major regions*
- » *Economic growth in Russia supports strong demand for steel*
- » *Increasing margins at Lucchini*
- » *Stabilization of inventories and volume cuts provides more positive outlook for SNA*
- » *Strong balance sheet provides solid platform for future growth*

Severstal in 2011

- » *Severstal's board is positive on its ability to invest profitably to exploit the strong outlook for the global steel market*
- » *Most of planned investment, c\$6 billion, to be in Russian steel*
- » *Plans for c\$2 billion investment in Mining, intended to drive 30% increase in coal and 15% in iron ore production*
- » *Doubling of scrap production*
- » *Overall intention for significant (c45%) increase in finished steel production supported by new mini mills in Russia and North America*
- » *Approximately 15% of total spend to be in Lucchini and 10% in North America*
- » *These plans are based on existing market conditions and reflect Severstal's best estimate now of where it can invest most profitably to grow margins sustainably and achieve high returns on investment.*

Current planned split of organic investment between now and 2011*

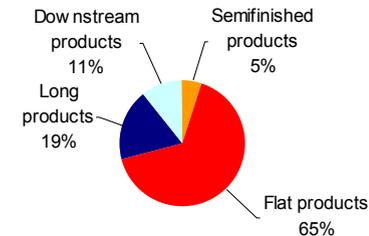


* The plans will inevitably be adjusted in the future as conditions change

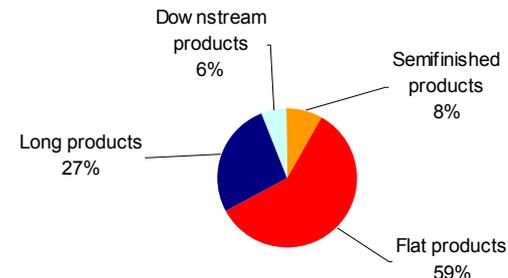
Russian Steel in 2011

- » **Planned capex of \$6 billion between now and 2011**
- » **Finished steel goods production planned to increase c25% from 2006 levels**
- » **2 new mini mills with 1 million tonnes capacity each**
 - Exposure to attractive construction applications market
- » **Cherepovets mill to develop value-added and long products**
 - Additional galvanised steel and second polymer coated line by 2010
 - Modernising heavy section mill to increase production of long products

Production structure by tonnes in 2006



Planned production structure by tonnes in 2011



North America and Lucchini in 2011

- » **SNA – plans for significant (40%+) increase in finished steel goods production from existing asset base**
- » **SNA- Relining of BF “C” in 2007 with introduction of PCI**
 - Cost reductions by replacement of natural gas and reduction of coke usage rates by introduction of pulverized coal injection and various productivity improvements
- » **SNA - New Pickle Line Tandem Cold Mill by June 2009**
 - Best product capability in North America - Value added customer book and premium pricing
 - Operational cost savings from continuous pickling/cold rolling process
- » **SNA - New Auto Exposed Galvanizing Line by 2010**
 - Hot Dip Galvanized and Galvanneal products
 - Significant Growth in sales to New Domestic Automotive Customers
- » **Potential for further investment at SeverCorr depending on performance of new plant and conditions nearer the time**
 - Margins expected to be in line with US mini mills or higher
 - Located in Columbus, Mississippi to serve growing markets in the South
- » **At Lucchini**
 - Planned capex of over \$1 billion between now and 2011
 - Significant (15%+) increase in volumes between now and 2011
 - Slab production in Piombino transformed into flat steel

Mining in 2011

- » ***Intention to invest c \$2 billion between now and 2011***
- » ***30% increase in coal production***
- » ***15% increase in iron ore production***
 - *3D survey of Olcon deposit to be done before making further investments*
- » ***Scrap collection to double between now and 2011***
 - *New mini mills would have sustainable source of scrap*

Recent developments

» **Acquisition of SeverCorr**

- *At investment cost in Q4 2007*
- *Additional value transferred to Severstal at attractive valuation*

» **New opportunities in basic metals and gold**

- *Long-term positive outlook for gold*
- *Stake in Celtic Resources bought at attractive valuation*
- *Platform for growth in basic metals and gold*

» **2 new mini mills in Russia**

- *1 million tons of capacity each*
- *Strong view on construction steel segment in Russia*

Summary

- » *A record \$7,711 million in revenues, up 31.1% year-on-year*
- » *EBITDA of \$2,094 million in H1 2007, up 60.7% year-on-year*
- » *Net profit up 134.5% to \$999 million*
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- » *Positive trends seen in Q1 2007 gathered momentum in Q2 2007*
- » *Positive outlook for 2007*
- » *\$500 million of dividends for 1H 2007, of which \$102 million paid for Q1 and \$398 million recommended by the board for Q2, compared with \$126 million in 1H 2006*

Thank you



» *Appendices*

Summary of Balance Sheet

\$ million	As at December 31, 2006	As at June 30, 2007
Current Assets	7,493	8,211
Non-current Assets	11,313	11,475
Total Assets	18,806	19,686
Current Liabilities	2,955	3,298
Non-current Liabilities	4,173	3,989
Total Equity	11,678	12,399
Total Equity and Liabilities	18,806	19,686

Summary of Income Statement

\$ million

	H1 2006	H1 2007	Change, y-o-y
Sales	5,883	7,711	31.1%
Cost of Sales	(4,330)	(5,362)	23.8%
Profit from operations	820	1,484	81.0%
Operating margin, %	13.9%	19.2%	
Net profit	426	999	134.5%
Net margin, %	7.2%	13.0%	
EPS, \$	0.46	0.99	115.2%

Summary of Cash Flow Statement

\$ million

	H1 2006	H1 2007
Profit before financing and taxation	782	1,480
Cash generated from operations	1,183	2,137
Interest paid (excluding banking operations)	(114)	(134)
Income tax paid	(296)	(349)
Net Cash from operating activities	773	1,654
Cash from investing activities, including	(898)	(1,198)
Additions to PP&E	(636)	(574)
Cash from financing activities	(46)	(335)
Effect of exchange rates on cash and cash equivalents	60	18
Net (decrease)/ increase in cash and cash equivalents	(111)	139
Cash & cash equivalents at beginning of the period	1,327	1,700
Cash & cash equivalents at end of the period	1,216	1,839

Sales by product (consolidated)

	H1 2006, '000 ton	H1 2006, \$ million	Average price, \$/ton	H1 2007, '000 ton	H1 2007, \$ million	Average price, \$/ton	Change in average price, %
Hot-rolled strip and plate	3,132	1,630	520	3,211	1,941	604	16.2%
Long products	1,634	1,101	674	1,876	1,616	861	27.7%
Galvanized and other metallic coated sheet	685	539	787	751	681	907	15.2%
Cold-rolled sheet	1,125	665	591	945	634	671	13.5%
Semifinished products	910	471	518	1,052	591	562	8.5%
Metalware products	519	358	690	554	490	884	28.1%
Rails, wheels and axles	214	180	841	212	191	901	7.1%
Others tubes and pipes, formed shapes	218	136	624	244	189	775	24.2%
Coal and coking coal concentrate	2,971	116	39	3,207	157	49	25.6%
Pellets and iron ore	1,378	87	63	1,834	133	73	15.9%
Color coated sheet	38	34	895	123	149	1,211	35.3%
Large diameter pipes	-	-	-	101	150	1,485	n.a.
Shipping and handling costs billed to customers	-	263	-	-	322	-	n.a.
Others	-	303	-	-	467	-	n.a.
Total	12,824	5,883		14,110	7,711	-	

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Sales by product (Russian Steel)

	H1 2006, '000 ton	H1 2006, \$ million	Average price, \$/ton	H1 2007, '000 ton	H1 2007, \$ million	Average price, \$/ton	Change in average price, %
Hot-rolled strip and plate	2,342	1,139	486	2,610	1,608	616	26.7%
Long products	957	374	391	1,034	613	593	51.7%
Galvanized and other metallic coated sheet	300	224	747	391	366	936	25.3%
Cold-rolled sheet	777	424	546	727	476	655	20.0%
Semifinished products	422	125	296	504	210	417	40.9%
Metalware products	30	21	700	21	17	810	15.7%
Others tubes and pipes, formed shapes	218	136	624	244	189	775	24.2%
Color coated sheet	38	34	895	123	149	1,211	35.3%
Shipping and handling costs billed to customers	-	194	-	-	197	-	n.a.
Others	-	159	-	-	165	-	n.a.
Total	5,084	2,830	487	5,654	3,990	642	31.8%

Sales by product (SNA and Lucchini)

SNA

	H1 2006, '000 ton	H1 2006, \$ million	Average price, \$/ton	H1 2007, '000 ton	H1 2007, \$ million	Average price, \$/ton	Change in average price, %
Hot-rolled strip and plate	790	491	622	685	412	601	(3.4%)
Galvanized and other metallic coated sheet	385	315	818	360	315	875	7.0%
Cold-rolled sheet	348	244	701	219	158	721	2.9%
Others	-	13	-	-	19	-	n.a.
Total	1,523	1,063	689	1,264	904	700	1.6%

Lucchini

	H1 2006, \$ million	H1 2007, '000 ton	H1 2007, \$ million	Average price, \$/ton
Long products	879	1,174	1 183	1,008
Cold-rolled sheet	1	-	-	-
Semifinished products	459	693	434	626
Metalware products	-	-	-	-
Rails, wheels and axles	180	189	191	1,011
Shipping and handling costs billed to customers	45	-	60	n.a.
Others	110	-	128	n.a.
Total	1,674	2,056	1 996	879

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Sales by product (Mining, Metalware, Izhora pipe mill)

Mining	H1 2006, '000 ton	H1 2006, \$ million	Average price, \$/ton	H1 2007, '000 ton	H1 2007, \$ million	Average price, \$/ton	Change in average price, %
Coal and coking coal concentrate	5,112	258	50	5,786	325	56	12.0%
Pellets and iron ore	6,807	382	56	6,980	483	69	23.2%
Shipping	-	20	-	-	75	-	n.a.
Others	-	24	-	-	151	-	n.a.
Total	11,919	684	54	12,766	1,034	63	16.7%
Metalware	H1 2006, '000 ton	H1 2006, \$ million	Average price, \$/ton	H1 2007, '000 ton	H1 2007, \$ million	Average price, \$/ton	Change in average price, %
Cold-rolled sheet	-	-	-	-	-	-	n.a.
Metalware products	501	345	689	541	480	887	28.7%
Shipping	-	7	-	-	8	-	n.a.
Others	-	7	-	-	9	-	n.a.
Total	501	359	689	541	497	887	28.7%
Izhora pipe mill	H1 2006, '000 ton	H1 2006, \$ million	Average price, \$/ton	H1 2007, '000 ton	H1 2007, \$ million	Average price, \$/ton	
Large diameter pipes	-	-	-	101	150	1,485	
Shipping	-	-	-	-	2	-	
Others	-	-	-	-	7	-	
Total	-	-	-	101	159	1,485	