

# *9 months 2007 Financial Results Presentation*

*3 December 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*

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# Financial Highlights

## » **Strong year-on-year results**

- *Revenues up 23.7% to a record \$11,283 million*
- *EBITDA up 38.9% to \$2,986 million*
- *Net profit up 60.7% to \$1,326 million*
- *Operating margin for the 9m up to 18.0% from 15.4%*
- *EPS up 48.3% to \$1.32*

» **One-off events impacted production in Q3 resulting in lower quarter-on-quarter revenues and profit**

» **Confident of meeting market expectations for the full year 2007**

# Key numbers

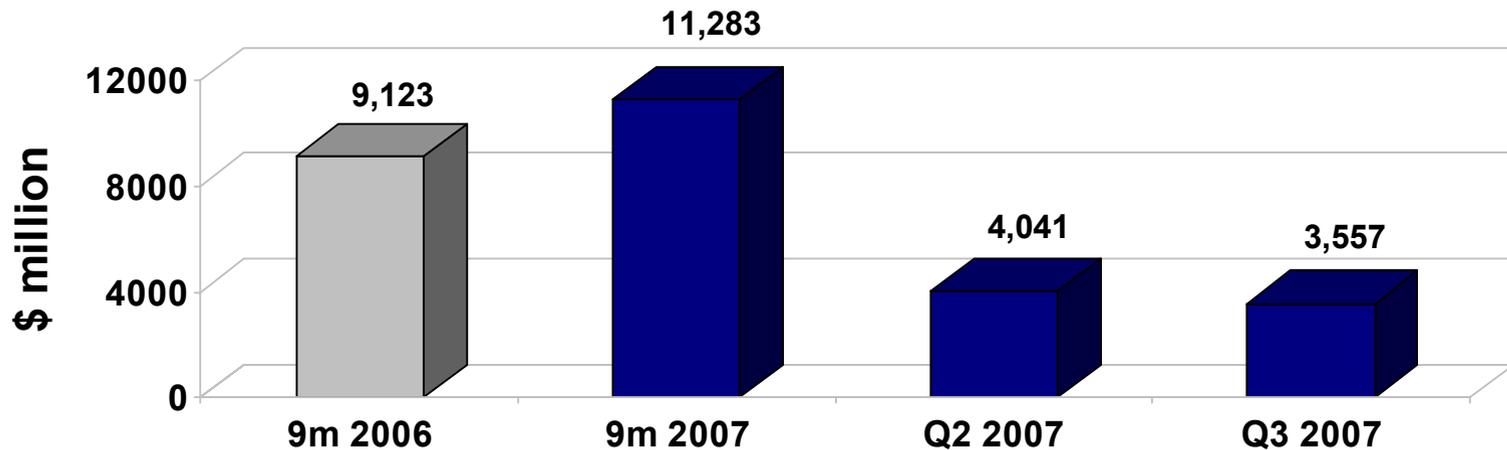
\$ mln unless otherwise stated	9m 2006	9m 2007	Change, y-o-y	Q2 2007	Q3 2007	Change, q-o-q
<b>Revenues</b>	9,123	11,283	23.7%	4,041	3,557	(12.0%)
<b>Profit from operations</b>	1,408	2,029	44.1%	849	545	(35.8%)
<b>Operating margin</b>	15.4%	18.0%		21.0%	15.3%	
<b>EBITDA</b>	2,149	2,986	38.9%	1,173	891	(24.0%)
<b>EBITDA margin</b>	23.6%	26.5%		29.0%	25.0%	
<b>Net profit</b>	825	1,326	60.7%	604	326	(46.0%)
<b>Net margin</b>	9.0%	11.8%		14.9%	9.2%	
<b>EPS</b>	\$ 0.89	\$ 1.32	48.3%	\$ 0.60	\$ 0.32	(46.7%)
<b>DPS</b>	\$ 0.21	\$ 0.61	190.5%	\$ 0.41	\$ 0.10	(75.6%)



» ***Financials***

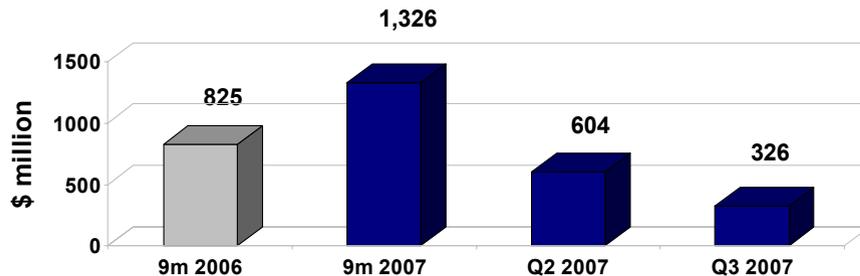
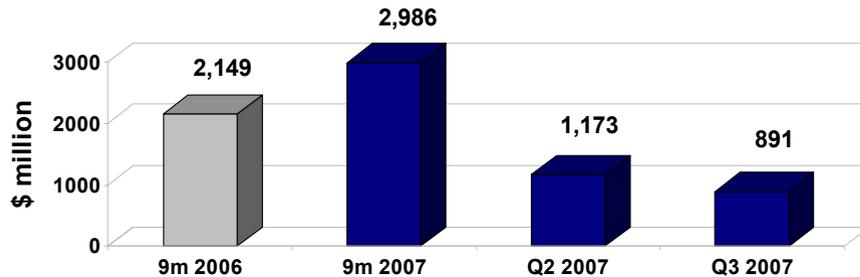
# Revenue

- » **Strong revenue growth up 23.7% y-o-y for 9m 2007 due to:**
  - Higher average prices
  - Volume growth in Russian Steel as well as in Mining
- » **One-off events impacted production in Q3 reducing revenue**
- » **Pricing remained stable in Q3 in all markets**



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# EBITDA and Net Profit



## » EBITDA up 38.9% y-o-y:

- Strong economic growth in Russia which boosted consumption
- Russian domestic price premium

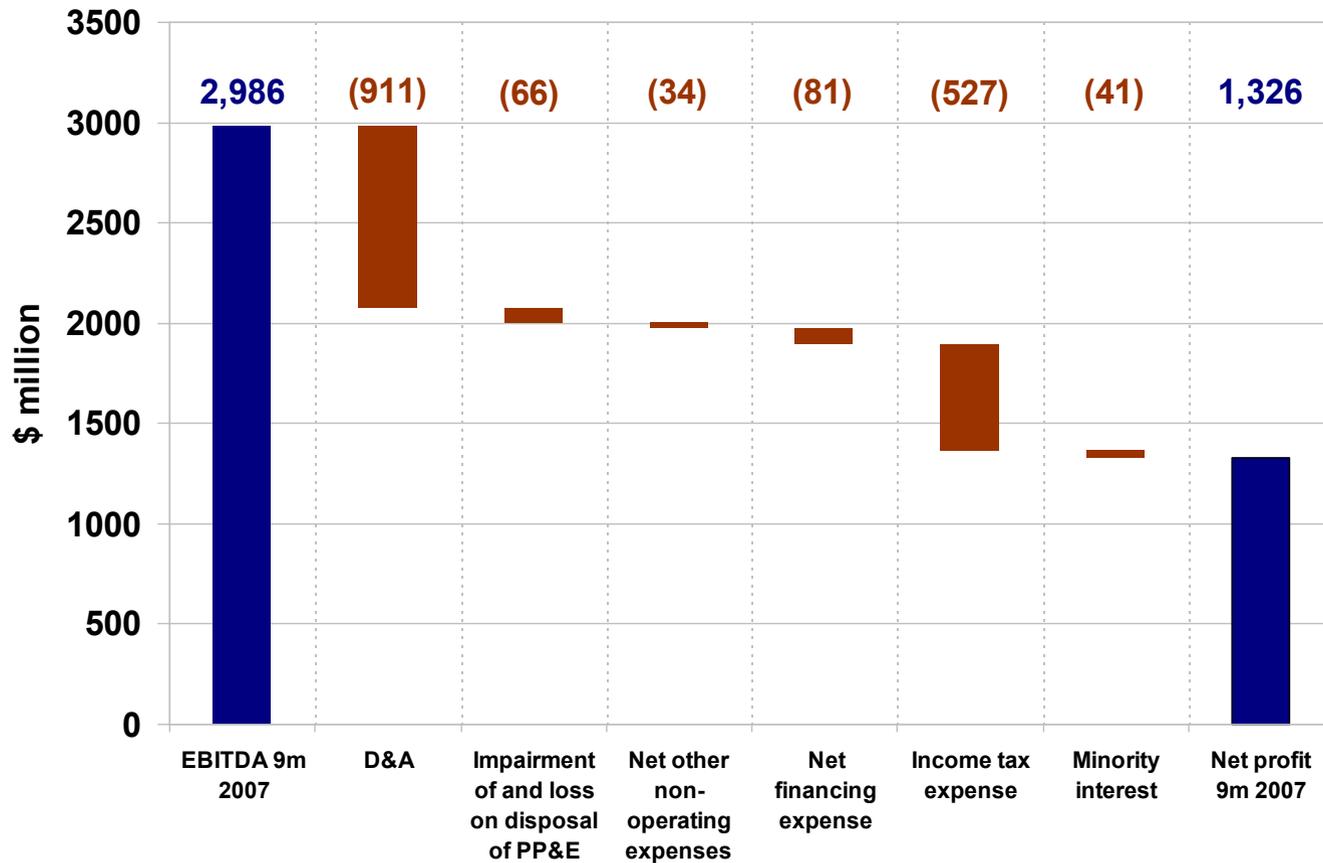
## » One-off events impacted production in Q3 resulting in lower profit during Q3

- SNA production down 10% as blast furnace "C" was under major renovation between July and October
- A temporary interruption to production at Cherepovets in July resulted in 4% lower production
- Coal production in Q3 down 28% as a result of an industrial accident at Vorkutaugol

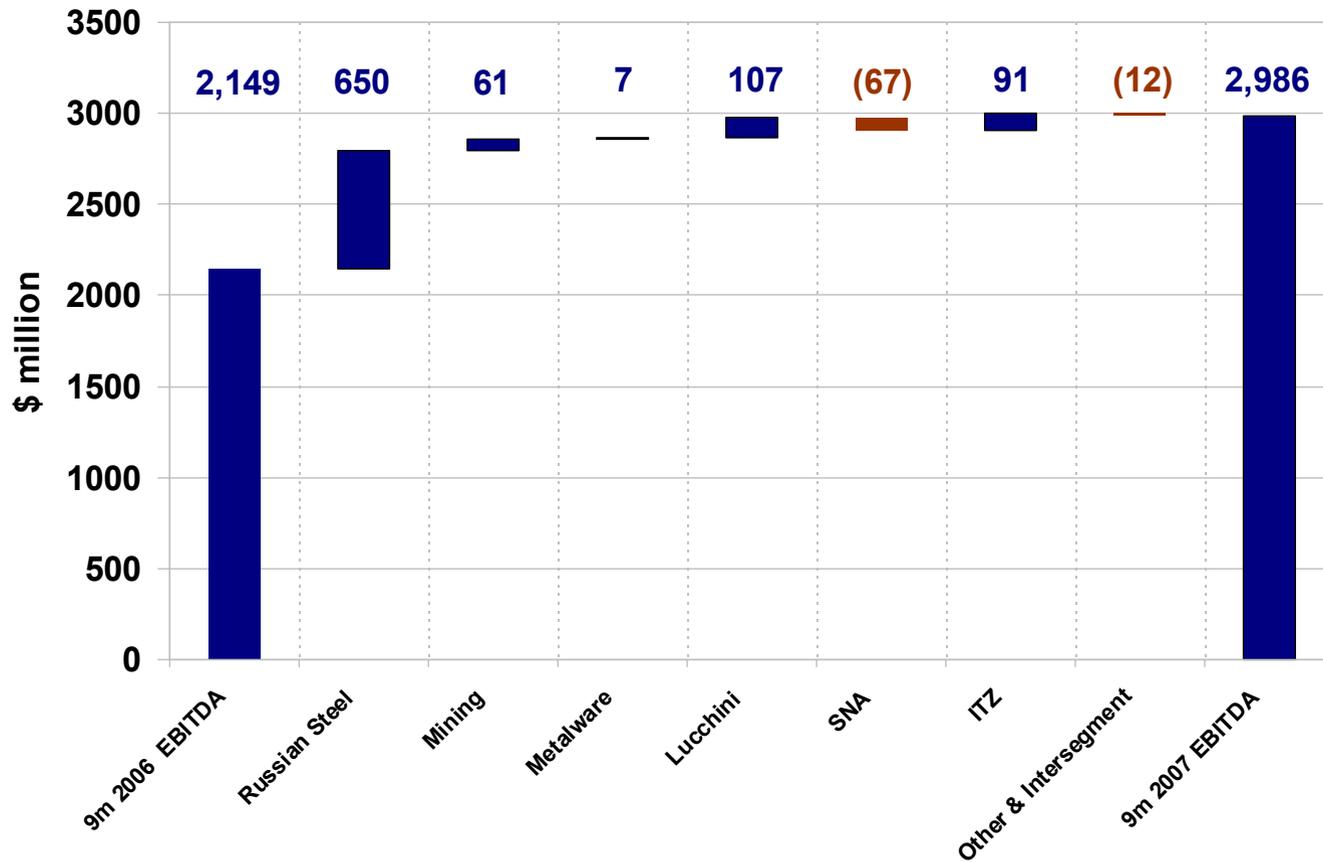
## Progress on production issues

- » *SNA started operations at blast furnace “C” in October ahead of schedule with capacity expected to exceed previous production capabilities by 30%, while lowering operating costs*
- » *Cherepovets has increased production volumes in Q4*
- » *Vorkutaugol improved production levels in Q4*

# EBITDA – Net Profit in 9m 2007



# EBITDA Dynamics by segment



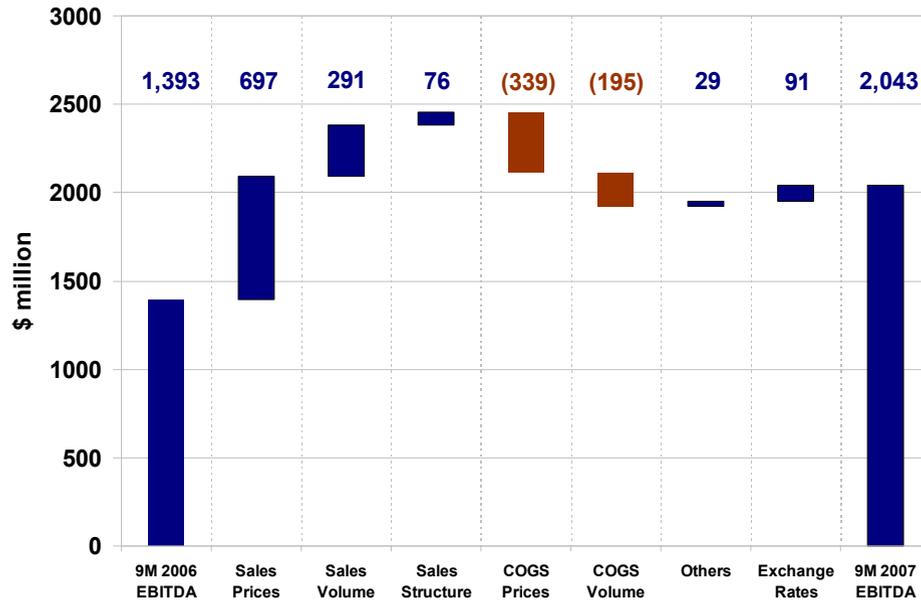
# Segmental results: revenue breakdown

\$ mln unless otherwise stated	9m 2006	9m 2007	Change, y-o-y	Q2 2007	Q3 2007	Change, q-o-q
<b>Russian Steel</b>	4,595	5,958	29.7%	2,098	1,968	(6.2%)
<b>SNA</b>	1,477	1,282	(13.2%)	456	378	(17.1%)
<b>Luchini</b>	2,439	2,788	14.3%	1,018	792	(22.2%)
<b>Metalware</b>	604	754	24.8%	273	257	(5.9%)
<b>Izhora pipe mill (ITZ)</b>	-	312	n.a.	96	154	60.4%
<b>Mining</b>	1,093	1,583	44.8%	557	534	(4.1%)
<b>Intersegment</b>	(1,085)	(1,394)	n.a.	(457)	(526)	n.a.
<b>Total</b>	<b>9,123</b>	<b>11,283</b>	<b>23.7%</b>	<b>4,041</b>	<b>3,557</b>	<b>(12.0%)</b>

# Segmental results: EBITDA breakdown

\$ mln unless otherwise stated	9m 2006	9m 2007	Change, y-o-y	Q2 2007	Q3 2007	Change, q-o-q
<b>Russian Steel</b>	1,393	2,043	46.7%	795	651	(18.1%)
<b>SNA</b>	111	44	(60.4%)	22	(12)	n.a.
<b>Luchini</b>	253	360	42.3%	149	81	(45.6%)
<b>Metalware</b>	47	54	14.9%	30	12	(60.0%)
<b>Izhora pipe mill (ITZ)</b>	(2)	89	n.a.	30	50	66.7%
<b>Mining</b>	334	395	18.3%	142	105	(26.0%)
<b>Intersegment</b>	13	1	n.a.	5	4	n.a.
<b>Total</b>	<b>2,149</b>	<b>2,986</b>	<b>38.9%</b>	<b>1,173</b>	<b>891</b>	<b>(24.0%)</b>

# Russian Steel Operations



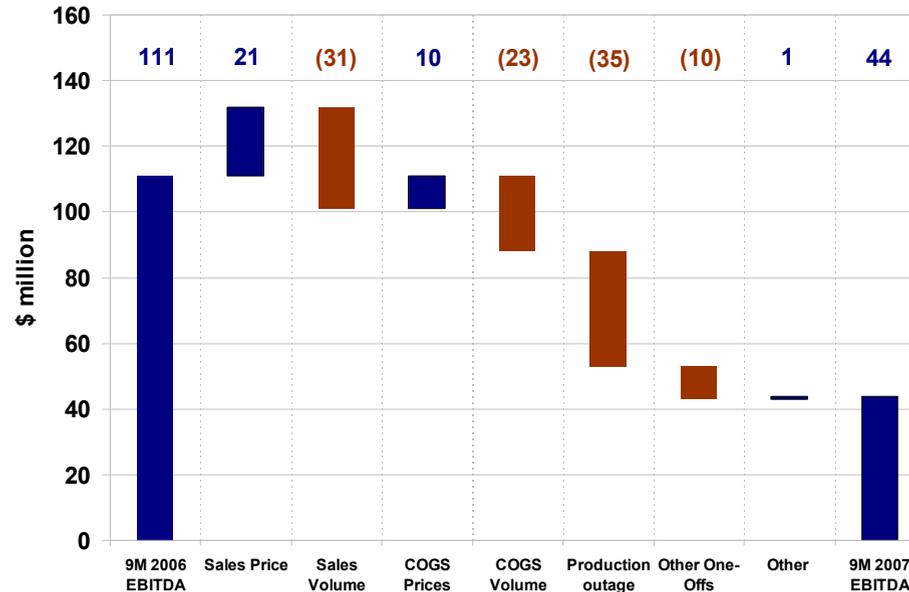
- » **EBITDA up 46.7% y-o-y due to:**
  - Strong prices in both Russian and export markets
  - 7% increase in volume y-o-y
- » **Domestic premium and value-added products added \$78 million**
  - Share of domestic sales up from 71% to 73%
  - More hot rolled strip, galvanized and polymer coated products in total sales
- » **Higher costs for alloys, scrap and energy partially off-set by**
  - Decrease in consumption rates and structure of raw materials

## Russian Steel Operations (cont.)

\$ mln unless otherwise stated	9m 2006	9m 2007	Change, y-o-y	Q2 2007	Q3 2007	Change, q-o-q
<b>Revenues</b>	4,595	5,958	29.7%	2,098	1,968	(6.2%)
<b>Profit from operations</b>	949	1,545	62.8%	625	475	(24.0%)
<b>Operating Margin</b>	20.7%	25.9%		29.8%	24.1%	
<b>EBITDA</b>	1,393	2,043	46.7%	795	651	(18.1%)
<b>EBITDA Margin</b>	30.3%	34.3%		37.9%	33.1%	
<b>EBITDA per ton, \$</b>	182	249	36.8%	280	255	(8.9%)
<b>Average price, \$/ton</b>	531	660	24.3%	676	702	3.8%

- » ***A temporary interruption to production at Cherepovets in July resulted in 4% lower production in Q3 vs. Q2***
  - *Slab production was down substantially*
- » ***Average price for rolled products was stable in Q3 compared with Q2***
  - *Significant correction was in galvanised steel (-6% q-o-q)*
  - *Other flat and long products showed positive trend in Q3*
- » ***Higher prices for alloys and scrap in Q3 also reduced profitability***

# Severstal North America



## » **Blast Furnace rebuild has positioned the business for future success**

- During the 98 day Blast furnace outage (started in 3Q) production volumes were about 1/3 of normal levels
- Volume reduction was partially compensated by purchased slabs to support long term contracts
- Average prices up \$12/tonne
- Increases in zinc, pellets and scrap costs balanced by favourable coke and natural gas pricing

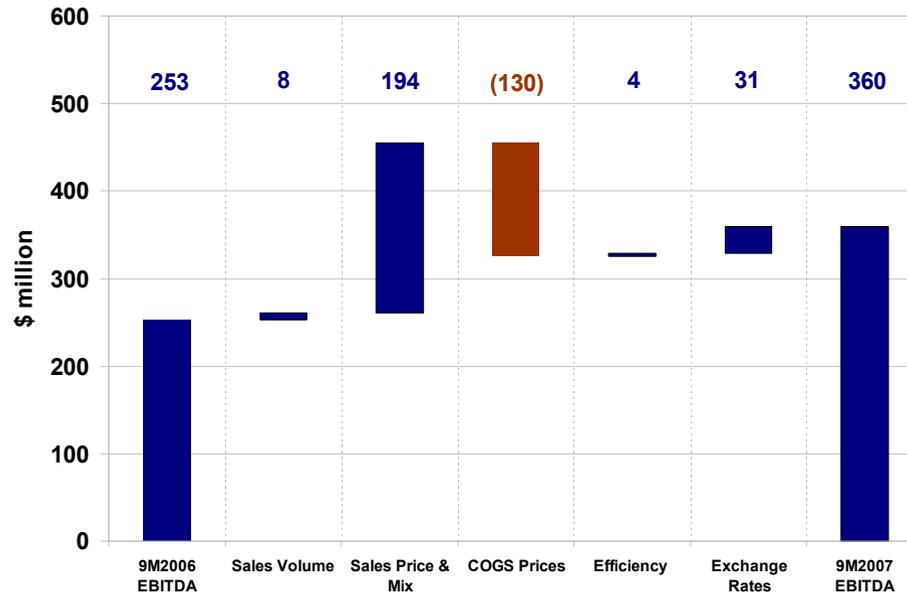
## » **Blast Furnace Reline completed ahead of schedule and on budget**

- Blast furnace was commissioned 8 days ahead of schedule and production resumed immediately in late October

## Severstal North America (cont.)

\$ mln unless otherwise stated	9m 2006	9m 2007	Change, y-o-y	Q2 2007	Q3 2007	Change, q-o-q
<b>Revenues</b>	1,477	1,282	(13.2%)	456	378	(17.1%)
<b>Profit from operations</b>	104	34	(67.3%)	20	(18)	n.a.
<b>Operating Margin</b>	7.0%	2.7%		4.4%	(4.8%)	
<b>EBITDA</b>	111	44	(60.4%)	22	(12)	n.a.
<b>EBITDA Margin</b>	7.5%	3.4%		4.8%	(3.2%)	
<b>EBITDA per ton, \$</b>	53	25	(52.8%)	35	(24)	n.a.
<b>Average price, \$/ton</b>	696	708	1.7%	712	726	2.0%

- » ***Production of crude steel down in Q3 by 43% vs. Q2***
- » ***Purchased slabs supported long term contracts, but profit margins reduced***
  - *Profit from re-rolling of purchased slabs was marginal*
- » ***Average selling prices YTD were slightly up***
  - *Market stabilised in Q3 and Q4*
  - *Prices for Q1 2008 could trend higher due to lower inventories level in Q4 2007 and import pressure easing due to ocean freight and weak dollar*



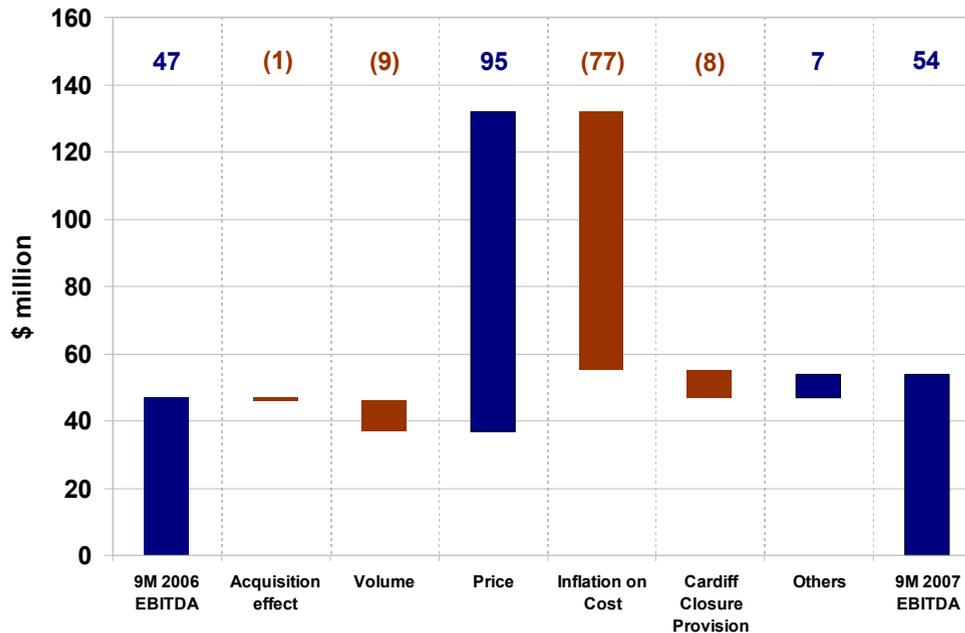
- » **Good 9M performance**
  - Turnover up 14.3 % y-o-y
  - EBITDA up 42.3 % y-o-y
- » **Improved results from**
  - Increase in sale prices
  - Sales volumes increase by 8% in long products with a positive mix effect
  - Increase in raw material prices (in particular scrap and ferroalloys)
- » **Stable development**
  - Strong prices for long products in Europe
  - Ascometal surcharge model neutral to scrap deficit in Europe

# Lucchini (cont.)

\$ mln unless otherwise stated	9m 2006	9m 2007	Change, y-o-y	Q2 2007	Q3 2007	Change, q-o-q
<b>Revenues</b>	2,439	2,788	14.3%	1,018	792	(22.2%)
<b>Profit from operations</b>	160	214	33.8%	98	18	(81.6%)
<b>Operating Margin</b>	6.6%	7.7%		9.6%	2.3%	
<b>EBITDA</b>	253	360	42.3%	149	81	(45.6%)
<b>EBITDA Margin</b>	10.4%	12.9%		14.6%	10.2%	
<b>EBITDA per ton, \$</b>	90	125	38.9%	132	98	(25.8%)
<b>Average price, \$/ton</b>	778	874	12.3%	811	859	5.9%

- » **Lucchini expected production slowdown in August resulted in 24% drop in volumes of rolled products for Q3**
  - Crude steel production was down 16%
- » **Lucchini returned to normal monthly production levels in September**
- » **Pricing environment remained strong in Q3**
  - Long products were 7% up and metalware products 16% up q-o-q
  - Seasonal downward correction in slab prices partially offsets positive trends in pricing

# Metalware



- » *Higher prices for 9m 2007 vs. 9m 2006 pushed up EBITDA 14.9% y-o-y*
- » *Inflation on key costs items, primarily on metal-roll, lowered EBITDA in Q3 compared to Q2*
- » *\$8 million provision for closure of Cardiff mill*
- » *\$2 million addition to EBITDA as a result of disposal of inventories*

# Metalware (cont.)

\$ mln unless otherwise stated	9m 2006	9m 2007	Change, y-o-y	Q2 2007	Q3 2007	Change, q-o-q
<b>Revenues</b>	604	754	24.8%	273	257	(5.9%)
<b>Profit from operations</b>	32	14	(56.3%)	17	(3)	(117.6%)
<b>Operating Margin</b>	5.3%	1.9%		6.2%	(1.2%)	
<b>EBITDA</b>	47	54	14.9%	30	12	(60.0%)
<b>EBITDA Margin</b>	7.8%	7.2%		11.0%	4.7%	
<b>EBITDA per ton, \$</b>	58	68	17.2%	105	47	(55.2%)
<b>Average price, \$/ton</b>	717	917	27.9%	930	979	5.3%

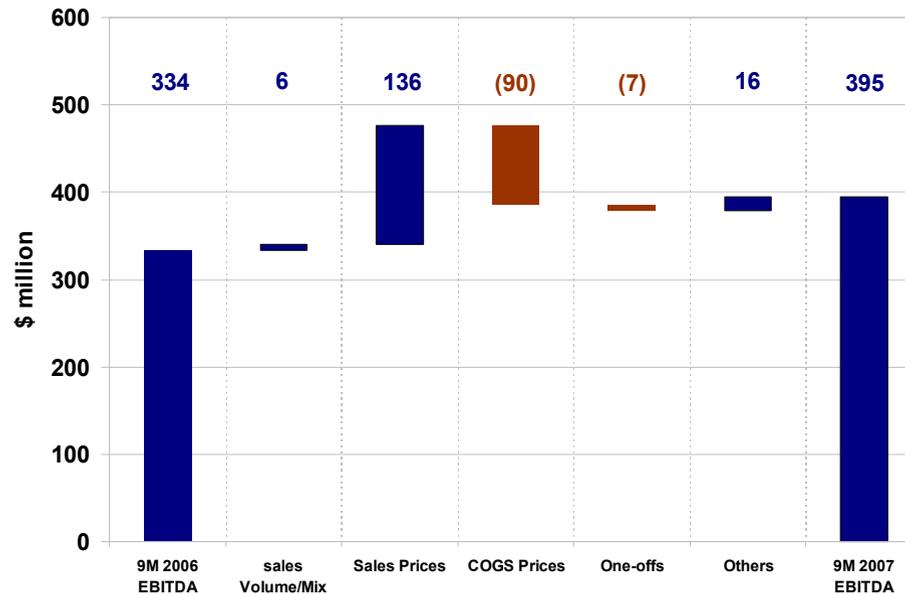
- » *Selling prices were up 5.3% q-o-q*
- » *But gradual increase in prices for input materials offset this improvement*
- » *Concentration on niche products remains the key to turnaround in performance*

# Izhora Pipe Mill (ITZ)

\$ mln unless otherwise stated	9m 2006	9m 2007	Change, y-o-y	Q2 2007	Q3 2007	Change, q-o-q
<b>Revenues</b>	-	312	n.a.	96	154	60.4%
<b>Profit from operations</b>	(3)	72	n.a.	24	44	83.3%
<b>Operating Margin</b>	n.a.	23.1%		25.0%	28.6%	
<b>EBITDA</b>	(2)	89	n.a.	30	50	66.7%
<b>EBITDA Margin</b>	n.a.	28.5%		31.3%	32.5%	
<b>EBITDA per ton, \$</b>	n.a.	492	n.a.	492	625	27.0%
<b>Average price, \$/ton</b>	n.a.	1,674	n.a.	1,426	1,898	33.1%

- » ***186K tons of pipes produced in 9m 2007***
- » ***Average price of \$1,674 per tonne***
- » ***31% growth in production numbers in Q3 vs. Q2***
- » ***Ramp up in production expected up to year end***
- » ***Full capacity to be reached in 2008***

# Russian Mining Operations



- » ***EBITDA up 18.3% in 9M 2007 vs. 9M 2006***
- » ***Prices up on average by 16.4%***
- » ***Cash cost per ton 14% up vs. 2006 in rouble terms, pushed by payroll and materials***
- » ***2.4% growth in volumes (excluding scrap) mainly achieved in iron ore***

## Russian Mining Operations (cont.)

\$ mln unless otherwise stated	9m 2006	9m 2007	Change, y-o-y	Q2 2007	Q3 2007	Change, q-o-q
<b>Revenues</b>	1,093	1,583	44.8%	557	534	(4.1%)
<b>Profit from operations</b>	152	148	(2.6%)	61	19	(68.9%)
<b>Operating Margin</b>	13.9%	9.3%		11.0%	3.6%	
<b>EBITDA</b>	334	395	18.3%	142	105	(26.1%)
<b>EBITDA Margin</b>	30.6%	25.0%		25.5%	19.7%	
<b>EBITDA per ton, \$</b>	18	21	16.7%	22	18	(18.2%)
<b>Average price, \$/ton</b>	55	64	16.4%	63	65	3.2%

- » **Q3 EBITDA down 26.1% vs. Q2**
- » **Lower production rates in Vorkuta – 34 % due to geological problems and June interruption**
- » **\$17 million drop in EBITDA vs. Q2 in Vorkuta**
- » **\$11 million for Karelsky Okatysh vs. Q2 due to work to rule and inflation on cost**
- » **Improvements in Q4 are foreseen both for Vorkuta and Karelsky Okatysh**

# SeverCorr

- » *Consolidation of SeverCorr as promised*
- » *Board of Directors approved acquisition of 100% of Baracom, which owns 18.5% and controls 79.9% of Severcorr, for \$84.4 million. To be closed in Q4*
- » *71.1 % of ownership in 1.3 million tons of new capacity*
- » *Additional value transferred to Severstal at investment cost*

# Gold

- » *Opportunistic and relatively small investment, exploiting the expertise in Severstal's mining business*
- » *Acquiring existing investments at attractive valuations, supplemented by new licenses*
- » *Further development under strict control of the Board and top management team*

## Positive outlook for Severstal in 2007

- » *Strong year-on-year performance*
- » *As a result of operational improvements, a robust and growing Russian economy, and relatively strong prices in other world markets, the Board is confident of meeting market expectations for the full year*
- » *\$101 million of dividend to be paid for Q3 2007*

*Thank you*



» ***Appendices***

# Summary of Balance Sheet

\$ mln	As at December 31, 2006	As at September 30, 2007
<b>Current Assets</b>	<b>7,499</b>	<b>8,503</b>
<b>Non-current Assets</b>	<b>11,318</b>	<b>12,112</b>
<b>Total Assets</b>	<b>18,817</b>	<b>20,615</b>
<b>Current Liabilities</b>	<b>2,965</b>	<b>3,737</b>
<b>Non-current Liabilities</b>	<b>4,173</b>	<b>4,101</b>
<b>Total Equity</b>	<b>11,679</b>	<b>12,777</b>
<b>Total Equity and Liabilities</b>	<b>18,817</b>	<b>20,615</b>

# Summary of Income Statement

\$ mln unless otherwise stated	9m 2007	9m 2006	Change, y-o-y
<b>Sales</b>	<b>11,283</b>	<b>9,123</b>	<b>23.7%</b>
<b>Cost of Sales</b>	<b>(7,955)</b>	<b>(6,619)</b>	<b>20.2%</b>
<b>Profit from operations</b>	<b>2,029</b>	<b>1,408</b>	<b>44.1%</b>
<b>Operating margin, %</b>	<b>18.0%</b>	<b>15.4%</b>	
<b>Net profit</b>	<b>1,326</b>	<b>825</b>	<b>60.7%</b>
<b>Net margin, %</b>	<b>11.8%</b>	<b>9.0%</b>	
<b>EPS, \$</b>	<b>1.32</b>	<b>0.89</b>	<b>48.3%</b>

**SeverStal**

# Summary of Cash Flow Statement

\$ mln	9m 2007	9m 2006
Profit before financing and taxation	1,976	1,344
Cash generated from operations	2,822	2,069
Interest paid (excluding banking operations)	(187)	(164)
Income tax paid	(623)	(501)
Net Cash Flow from operating activities	2,012	1,404
Cash from investing activities, including	(1,465)	(1,293)
Additions to PP&E	(1,027)	(934)
Cash from financing activities	(219)	(210)
Effect of exchange rates on cash and cash equivalents	55	74
Net increase /(decrease) in cash and cash equivalents	383	(25)
Cash & cash equivalents at beginning of the period	1,701	1,328
Cash & cash equivalents at end of the period	2,084	1,303

# Sales by product (consolidated)

Consolidated	9m 2006, '000 tonnes	9m 2006, \$ million	Average price, \$/tonne	9m 2007, '000 tonnes	9m 2007, \$ million	Average price, \$/tonne	Change in average price, %
Hot-rolled strip and plate	4,615	2,539	550	4,516	2,796	619	12.5%
Long products	2,323	1,627	700	2,682	2,329	868	24.0%
Galvanized and other metallic coated sheet	1,024	830	811	1,102	993	901	11.1%
Cold-rolled sheet	1,676	1,017	607	1,373	932	679	11.9%
Semifinished products	1,234	680	551	1,468	812	553	0.4%
Metalware products	838	601	717	818	746	912	27.2%
Rails, wheels and axles	253	276	1,091	260	245	942	(13.7%)
Others tubes and pipes, formed shapes	344	224	651	369	292	791	21.5%
Coal and coking coal concentrate	4,066	191	47	4,121	199	48	2.1%
Pellets and iron ore	2,771	173	62	2,860	205	72	16.1%
Color coated sheet	91	89	979	181	224	1,238	26.5%
Large diameter pipes	-	-	-	181	303	1,674	n.a.
Shipping and handling costs billed to customers	-	394	-	-	469	-	n.a.
Others	-	482	-	-	738	-	n.a.
<b>Total</b>	<b>19,235</b>	<b>9,123</b>	<b>429</b>	<b>19,931</b>	<b>11,283</b>	<b>506</b>	<b>21.1%</b>

# Sales by product (Russian Steel)

Russian Steel	9m 2006, '000 tonnes	9m 2006, \$ million	Average price, \$/tonne	9m 2007, '000 tonnes	9m 2007, \$ million	Average price, \$/tonne	Change in average price, %
Hot-rolled strip and plate	3,521	1,847	525	3,780	2,410	638	21.5%
Long products	1,422	611	430	1,542	949	615	43.0%
Galvanized and other metallic coated sheet	509	408	802	565	527	933	16.3%
Cold-rolled sheet	1,194	678	568	1,057	702	664	16.9%
Semifinished products	538	180	335	677	286	422	25.7%
Metalware products	43	32	744	33	27	818	9.9%
Others tubes and pipes, formed shapes	344	224	651	369	292	791	21.5%
Color coated sheet	91	89	978	181	224	1,238	26.6%
Shipping and handling costs billed to customers	-	294	-	-	279	-	n.a.
Others	-	232	-	-	262	-	n.a.
<b>Total</b>	<b>7,662</b>	<b>4,595</b>	<b>531</b>	<b>8,204</b>	<b>5,958</b>	<b>660</b>	<b>24.3%</b>

## Sales by product (SNA and Lucchini)

SNA	9m 2006, '000 tonnes	9m 2006, \$ million	Average price, \$/tonne	9m 2007, '000 tonnes	9m 2007, \$ million	Average price, \$/tonne	Change in average price, %
Hot-rolled strip and plate	1,099	697	634	909	551	606	(4.4%)
Galvanized and other metallic coated sheet	515	422	819	537	466	868	6.0%
Cold-rolled sheet	482	340	705	316	230	728	3.3%
Others	-	18	-	-	35	-	n.a.
<b>Total</b>	<b>2,096</b>	<b>1,477</b>	<b>696</b>	<b>1,762</b>	<b>1,282</b>	<b>708</b>	<b>1.7%</b>

Lucchini	9m 2006, '000 tonnes	9m 2006, \$ million	Average price, \$/tonne	9m 2007, '000 tonnes	9m 2007, \$ million	Average price, \$/tonne	Change in average price, %
Long products	1,502	1,261	840	1,615	1,653	1,024	21.9%
Semifinished products	1,070	660	617	1,008	621	616	(0.2%)
Rails, wheels and axles	253	276	1,091	260	245	942	(13.7%)
Shipping and handling costs billed to customers	-	67	-	-	99	-	n.a.
Others	-	175	-	-	170	-	n.a.
<b>Total</b>	<b>2,825</b>	<b>2,439</b>	<b>778</b>	<b>2,883</b>	<b>2,788</b>	<b>874</b>	<b>12.3%</b>

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

Mining	9m 2006, '000 tonnes	9m 2006, \$ million	Average price, \$/tonne	9m 2007, '000 tonnes	9m 2007, \$ million	Average price, \$/tonne	Change in average price, %
Coal and coking coal concentrate	7,702	409	53	7,894	455	58	9.4%
Pellets and iron ore	10,354	578	56	10,592	726	69	23.2%
Shipping and handling costs billed to customers	-	42	-	-	109	-	n.a.
Others	-	64	-	-	293	-	n.a.
<b>Total</b>	<b>18,056</b>	<b>1,093</b>	<b>55</b>	<b>18,486</b>	<b>1,583</b>	<b>64</b>	<b>16.4%</b>

Metalware	9m 2006, '000 tonnes	9m 2006, \$ million	Average price, \$/tonne	9m 2007, '000 tonnes	9m 2007, \$ million	Average price, \$/tonne	Change in average price, %
Metalware products	810	581	717	796	730	917	27.9%
Shipping and handling costs billed to customers	-	11	-	-	12	-	n.a.
Others	-	12	-	-	12	-	n.a.
<b>Total</b>	<b>810</b>	<b>604</b>	<b>717</b>	<b>796</b>	<b>754</b>	<b>917</b>	<b>27.9%</b>

ITZ	9m 2006, '000 tonnes	9m 2006, \$ million	9m 2007, '000 tonnes	9m 2007, \$ million	Average price, \$/tonne
Large diameter pipes	-	-	181	303	1,674
Shipping and handling costs billed to customers	-	-	-	2	-
Others	-	-	-	7	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>312</b>	<b>1,674</b>