Severstal

FY 2008 Financial Results Presentation

11 March 2009

Table of Contents

Summary

Divisional Review

Cash Flow and Balance Sheet Overview

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.



Summary

Summary

SeverStal

Strong Revenue and EBITDA in 2008

- Revenues up 44.4% y-o-y to $22,393 million from $15,503 million
- EBITDA* of $5,366 million, up 45.5% y-o-y including $423 million of one-off gains
- Net profit** up 9.9% to $2,034 million including $821 million one-off gains
- Net non-operating loss of $279 million from foreign exchange variance
- EPS up 9.8% to $2.02 from $1.84 y-o-y
- FY 2008 dividend up 61.8% to $1.23; payout ratio of 60.9%
- Net cash flow from operations increased by $1,199 million from $2,236 million in 2007 to $3,435 million in 2008

Challenging Market Environment in Q4 2008

- Revenues down 47.5% q-o-q to $4,019 million
- EBITDA down 86.5% q-o-q to $298 million
- Net loss of $1,208 million due to deteriorating economic conditions and adjustments of $411 million on inventories to NRV***, as well as a $1,540 million impairment of non-current assets
- Q4 free cash flow positive at $639 million

Well-Positioned for Industry Downturn With Strong Liquidity

- Decisive management actions to optimise cost position and preserve cash
- Net cash flow from operations increased by $1,199 million from $2,236 million in 2007 to $3,435 million in 2008
- Strong cash position and financing structure in place: cash, cash equivalents and short-term bank deposits amounted to $3,472 million as of December 31, 2008 against approximately $1,978 million of debt maturing in 2009
- No dividend proposed for Q4 2008; No dividend expected for 2009 unless market conditions improve

* 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

*** Net realisable value

Key Financials

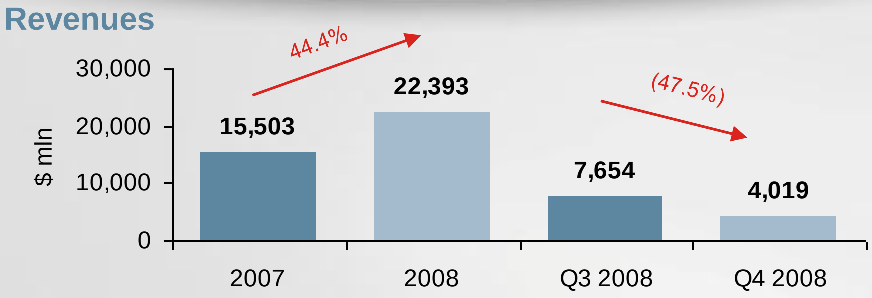
SeverStal

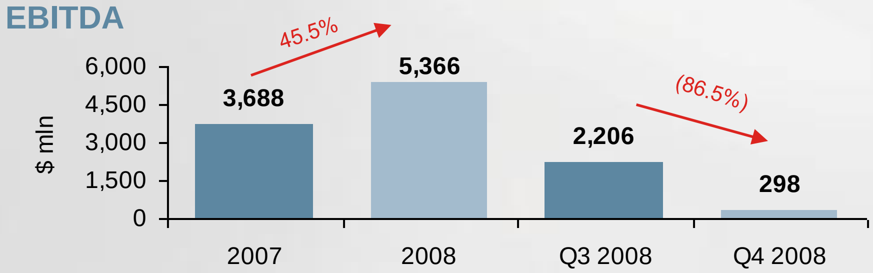
$ mln Unless Otherwise Stated	2007	2008	Change, y-o-y	Q3	Q4	Change, q-o-q
Revenues	15,503	22,393	44.4%	7,654	4,019	(47.5%)
Profit from Operations	2,807	4,226	50.6%	1,928	(27)	n.a.
Operating Margin	18.1%	18.9%		25.2%	(0.7%)	
EBITDA*	3,688	5,366	45.5%	2,206	298	(86.5%)
EBITDA Margin	23.8%	24.0%		28.8%	7.4%	
Net Profit**	1,850	2,034	9.9%	1,274	(1,208)	n.a.
Net Margin	11.9%	9.1%		16.6%	(30.1%)	
EPS, $	1.84	2.02	9.8%	1.26	(1.20)	n.a.
DPS***, $	0.76	1.23	61.8%	0.26	0	n.a.

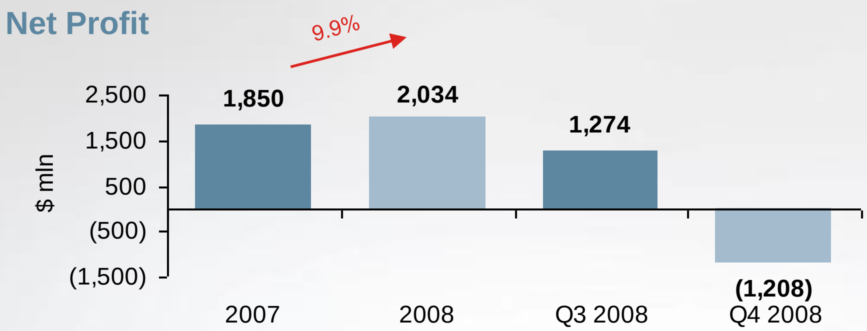
Source: Company

* 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 the Board of Directors; 2008 dividend based on proposal of nil Q4 2008 dividend.

Revenue and Profits







- Strong revenue growth up 44.4% y-o-y in 2008
  - In Q4 revenues down 47.5% q-o-q
- Increase in average selling price in 2008 y-o-y
  - Coking coal concentrate +71% ($144 per tonne)
  - Iron ore pellets +37% ($103 per tonne)
  - Rolled products +36% ($985 per tonne)
- Drop in prices in Q4 q-o-q
  - Coking coal concentrate -23% ($129 per tonne)
  - Iron ore pellets -24% ($82 per tonne)
  - Rolled products -19% ($958 per tonne)
- Volumes of coal 11% down, iron ore pellets 9% up and rolled products 8% up y-o-y
  - Q4 volumes down by 10% in iron ore pellets and by 41% in rolled products q-o-q
  - Coal volumes increased on q-o-q basis due to consolidation of PBS Coals
- EBITDA up 45.5% y-o-y
- Net profit up by 9.9% y-o-y including one-off gains

Strong Management Actions Aimed at Optimising Cost Position and Cash Preservation

- Immediate response to deterioration in Q4 steel demand: Capacity utilisation lowered to 50% in Russian Steel, 40% in North American and 60% in European operations in December
- 2009 capex reduced to $1.0 billion, including approximately $0.6 billion of maintenance works, from $3.0 billion projected in long-term plan
- Additional release of cash from working capital due to reduction in inventories and better cash management is expected to reach $1.2 billion during 2009
- No dividends proposed for Q4 2008
  - No dividend expected for 2009 unless markets recover and visibility improves
- Fixed cost reduction programme underway across the group
  - Reduction in headcount numbers in Q4 to adjust to lower production levels
  - Further cuts possible depending on the pace of restoration of demand for steel
- Prices for ferroalloys and refractory materials down
- Temporary cessation of operations at Severstal Warren to balance production volumes with demand

SeverStal

Divisional Review

Divisional Results: Revenue Breakdown

SeverStal

$ mln Unless Otherwise Stated	2007	2008	Change, y-o-y	Q3	Q4	Change, q-o-q
Mining	1,849	2,453	32.7%	708	435	(38.6%)
Russian Steel	8,436	11,246	33.3%	3,726	1,833	(50.8%)
North America	1,805	5,319	194.7%	2,312	1,353	(41.5%)
European Operations (Lucchini)	3,757	3,989	6.2%	1,042	667	(36.0%)
Metalware	1,012	1,175	16.1%	329	204	(38.0%)
Izhora Pipe Mill	551	824	49.5%	359	33	(90.8%)
Intersegment Adjustments	(1,907)	(2,613)	n.a.	(822)	(506)	n.a.
Total	15,503	22,393	44.4%	7,654	4,019	(47.5%)

Source: Company

- Russian Steel remains largest division
  - Revenues up by 33.3% in FY 2008
- International operations show increase
  - North American growth due to acquisitions and higher prices
  - European revenues stable with 6.2% revenue growth
- Mining and other segments show healthy performance

Divisional Results: EBITDA Breakdown

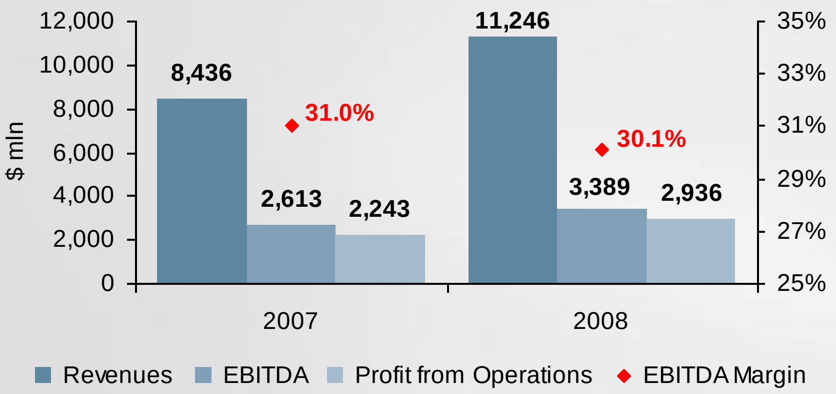
SeverStal

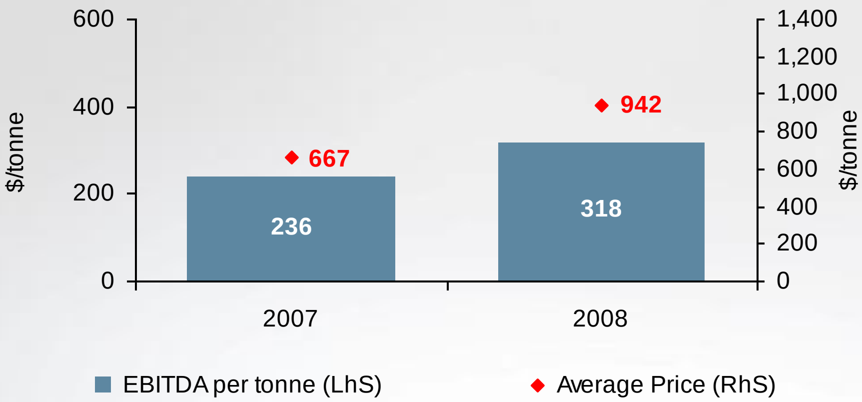
$ mln Unless Otherwise Stated	2007	2008	Change, y-o-y	Q3	Q4	Change, q-o-q
Mining	497	859	72.8%	307	42	(86.3%)
Russian Steel	2,613	3,389	29.7%	1,448	312	(78.5%)
North America	(50)	377	n.a.	223	(74)	n.a.
European Operations (Lucchini)	416	430	3.4%	100	(1)	n.a.
Metalware	87	114	31.0%	33	(5)	n.a.
Izhora Pipe Mill	151	227	50.3%	109	(14)	n.a.
Intersegment Adjustments	(26)	(30)	n.a.	(14)	38	n.a.
Total	3,688	5,366	45.5%	2,206	298	(86.5%)

Source: Company

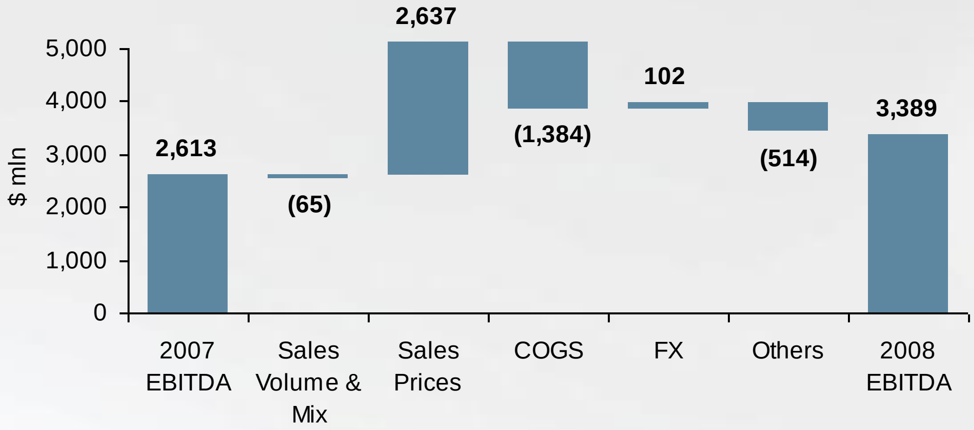
Severstal Russian Steel

SeverStal

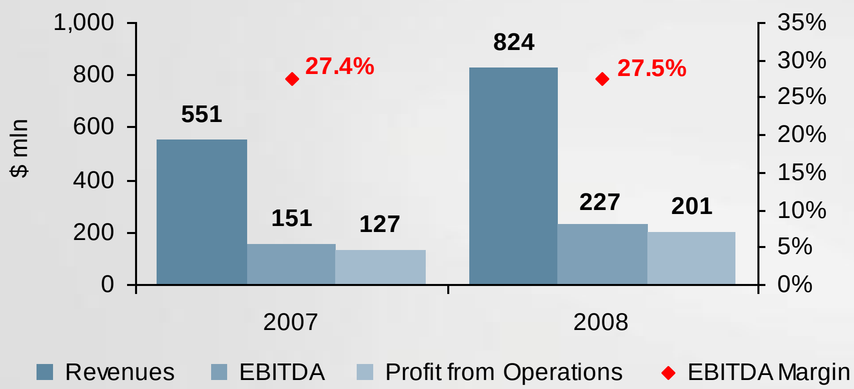




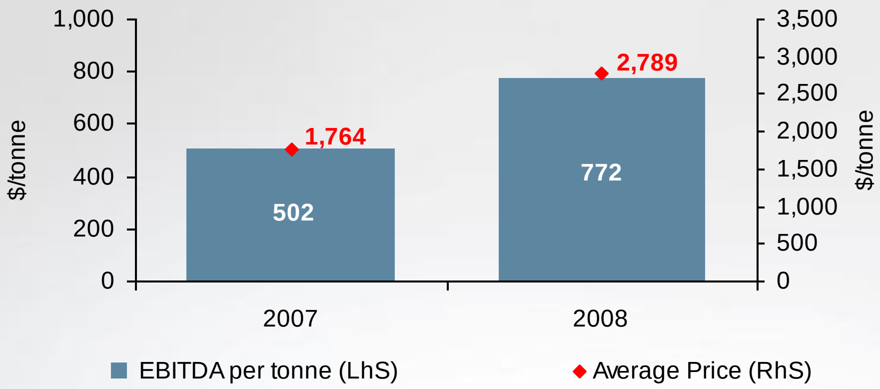
- Strong y-o-y growth
  - Revenues up 33.3%
  - EBITDA up 29.7%
- Strong domestic and exports markets in the first 9 months
- Strong pressure on costs from raw material side
- Q4 2008 highlights
  - Production of crude steel down 48% q-o-q
  - Share of exports increased to 36.4% from 27.9% in Q3
  - Average price down by 22.4% q-o-q
  - EBITDA margin down to 17.0% from 38.9% in Q3

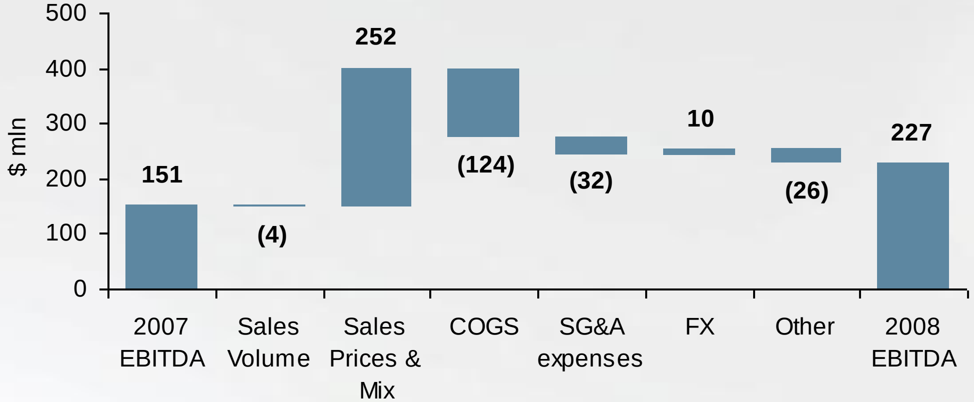


Severstal Russian Steel: Izhora Pipe Mill



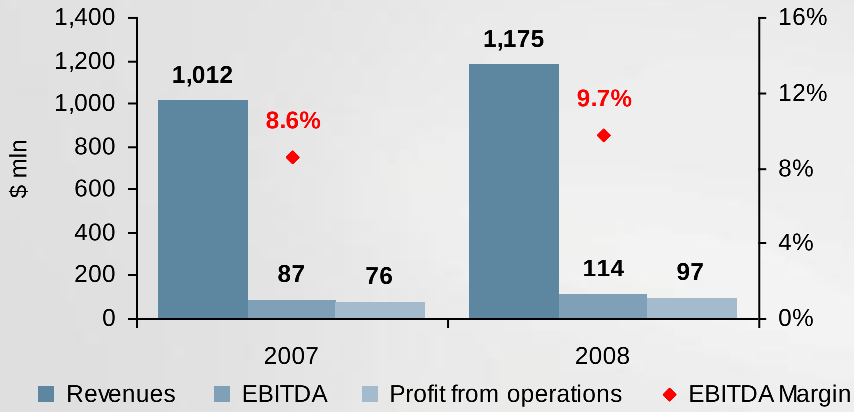
- EBITDA up 50.3% y-o-y
- EBITDA per tonne increased by 53.8% y-o-y
  - Effective cost control in place
- Sales prices increased by 58.1% in 2008 compared with 2007
- Production up 46.0% y-o-y



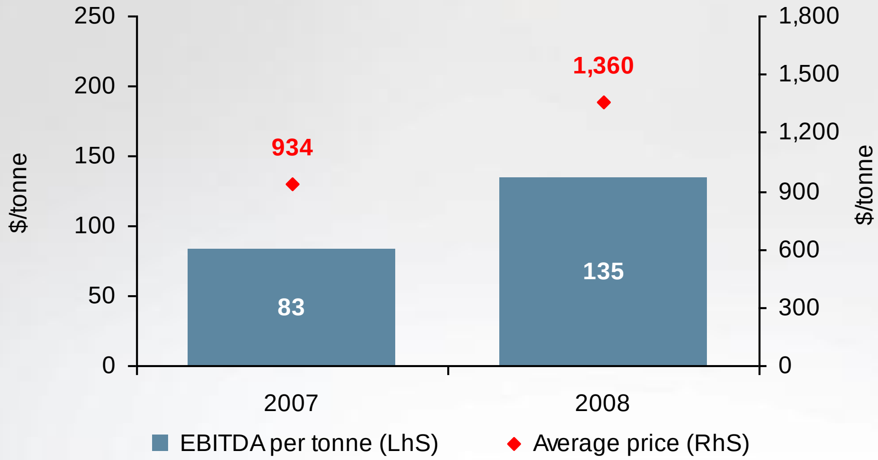


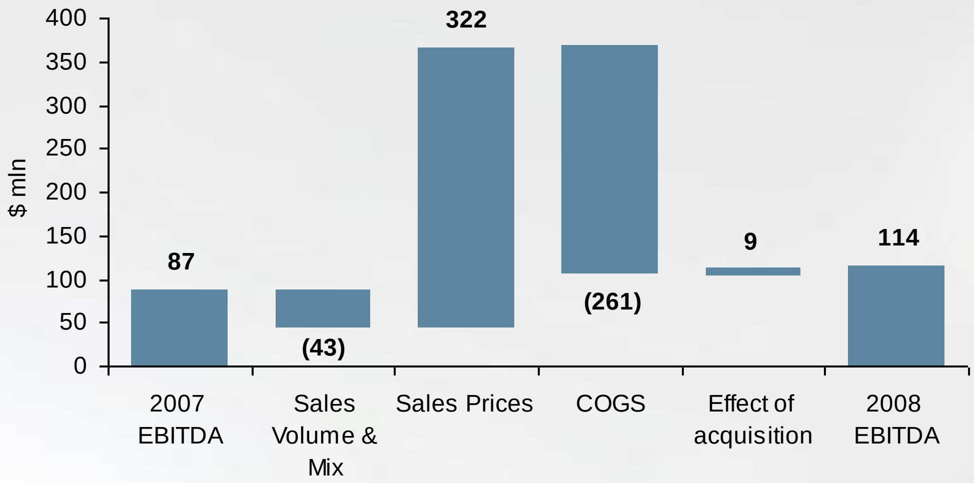
Severstal Russian Steel: Metalware

SeverStal



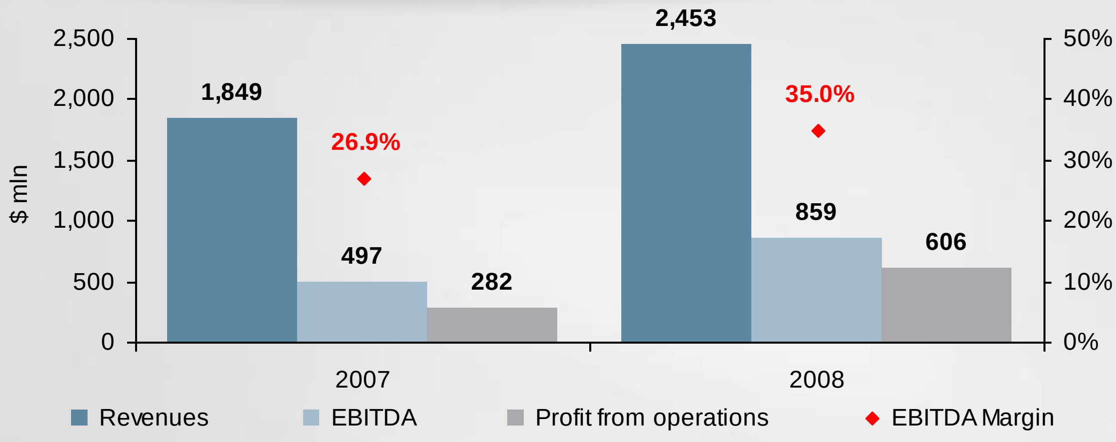
- In 2008 EBITDA increased by 31.0% compared with 2007 due to:
  - Increase in a share of high value added products in the product mix
  - Stable demand for wire in the key markets in H1of 2008
  - Raw materials inventory management
  - Cost reduction programmes
  - Acquisition of Redaelli, producer of special wire ropes in Italy
- EBITDA margin increased from 8.6% in 2007 to 9.7% in 2008

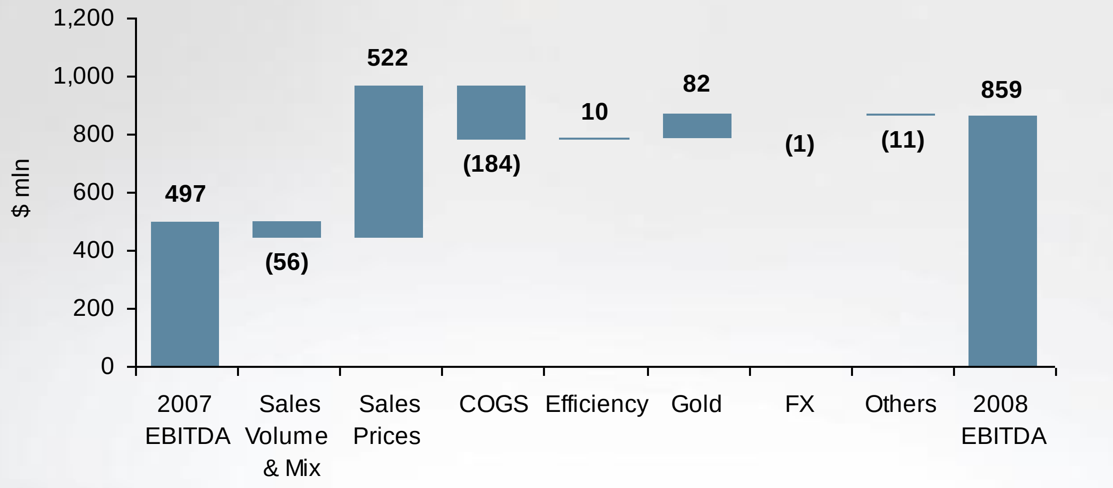




Severstal Resources

SeverStal

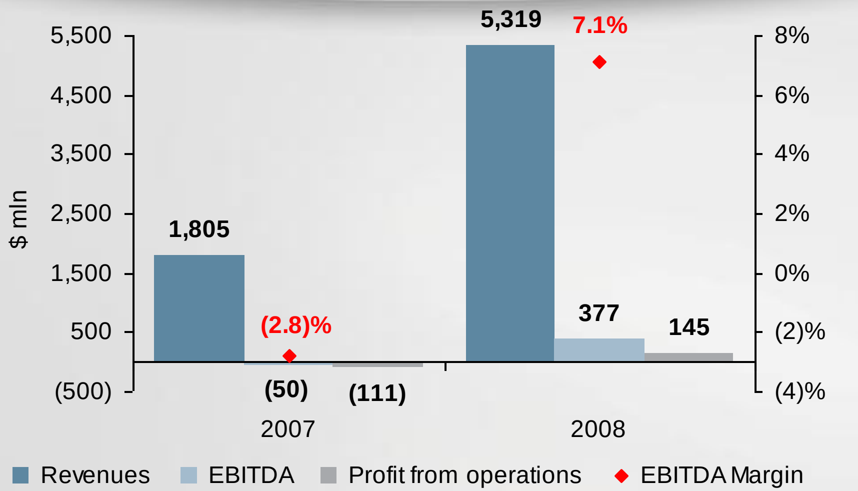


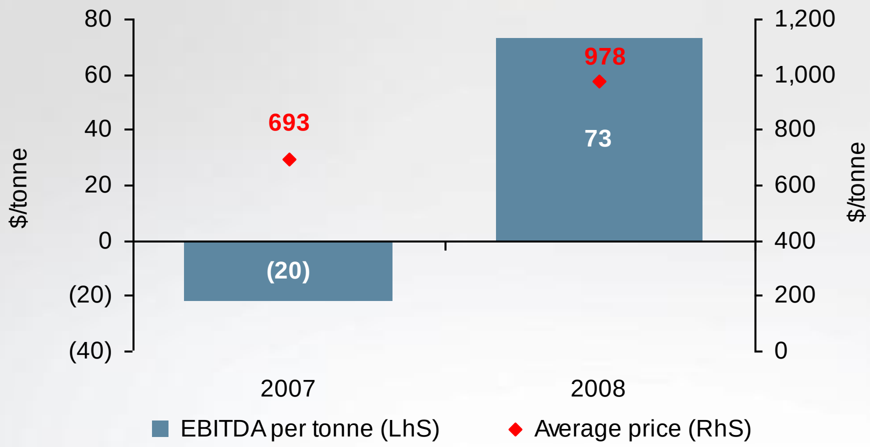


- EBITDA up 72.8% compared with 2007
- Coal prices of Vorkutaugol increased by 71.5% y-o-y (including change in blend)
- Iron ore prices increased by 30.5% y-o-y
- Cash cost increased by 16.6% y-o-y (excluding ferroniobium, gold, PBS, Kuzbassugol)
  - Payroll, energy and materials prices inflation partially offset by efficiency improvements
- Gold business added $82 million to EBITDA increment y-o-y
- SG&A costs increased by 30.4% y-o-y (excluding ferroniobium, gold, PBS, Kuzbassugol)

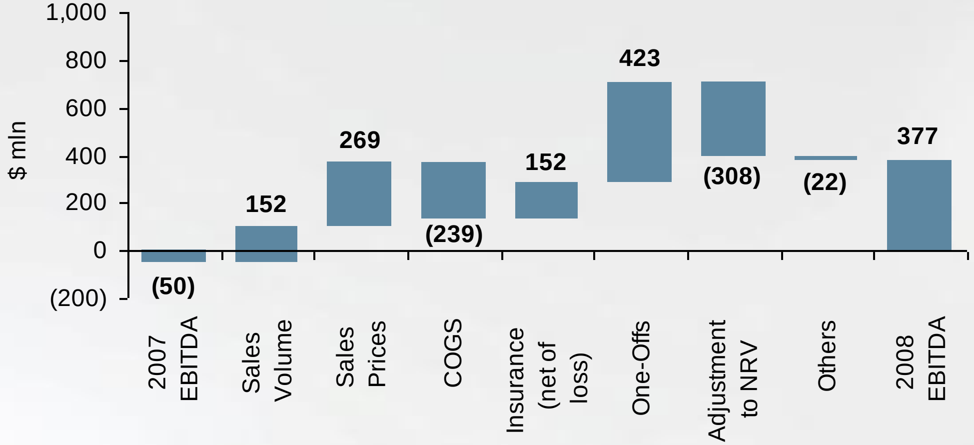
Severstal International: North America

SeverStal



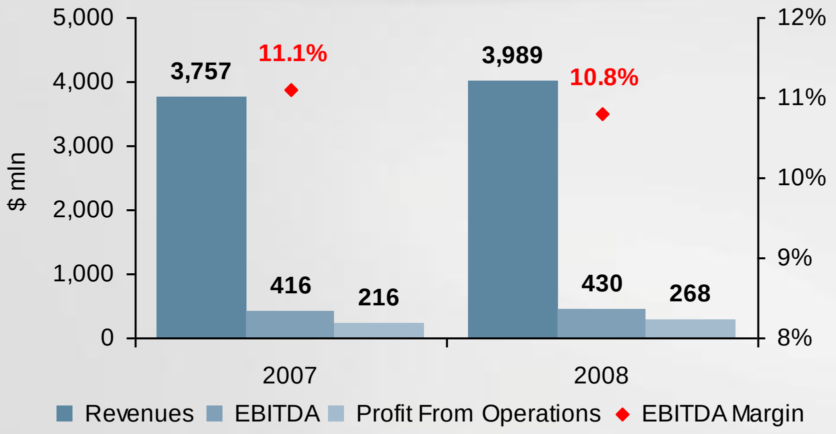


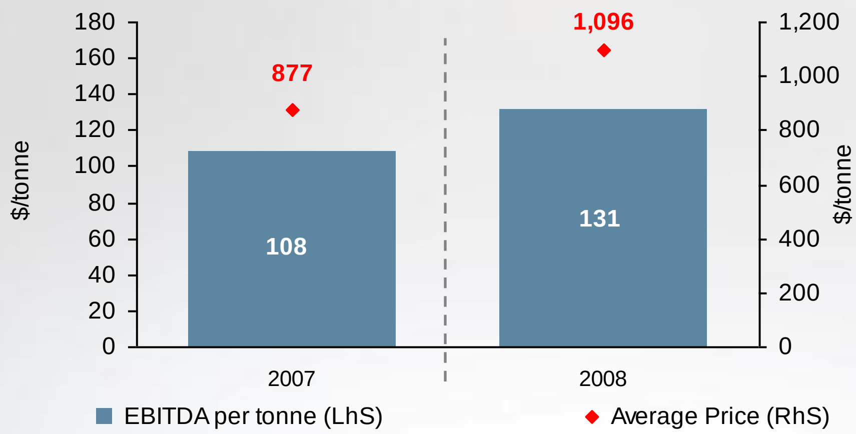
- $377 million of EBITDA in 2008 includes $423 million one-off gains :
  - $156 million gain before taxes on buyout of long-term electricity supply contract at Dearborn
  - $267 million gain before taxes from Massey Lawsuit Judgment
- Average selling price up 41.1% to record $978 per tonne
- Management actions in response to the challenging environment
  - Focus on conserving cash
  - Limiting capital expenditure to critical maintenance
  - Balancing the supply and demand of raw materials across facilities
  - Lowered capacity utilisation and the temporary cessation of operations at Severstal Warren until market conditions improve
  - Adjusting the size of our workforce across all US operations in line with this reduced level of production



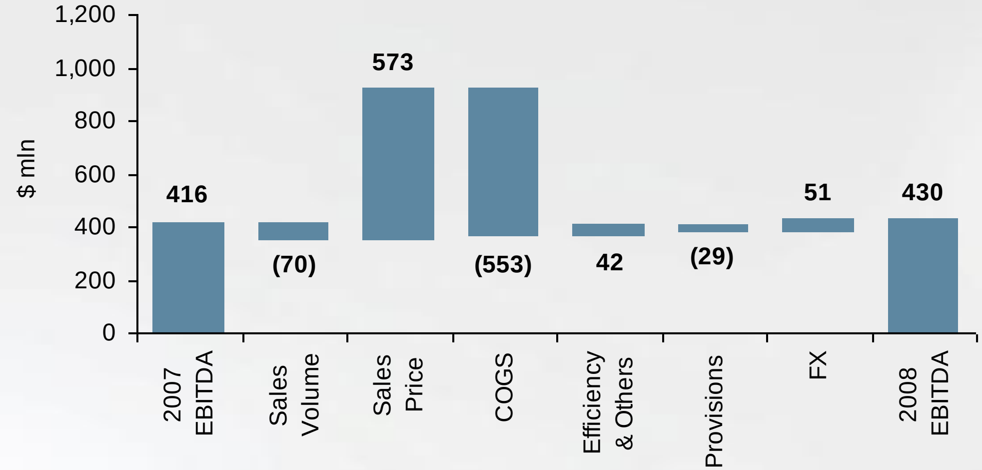
European Operations (Lucchini)

SeverStal





- EBITDA up 3.4% y-o-y
- Stable production rates in the first 9 months of the 2008 year
- Raw material price increases were the key factor influencing performance in 2008
- Q4 highlights
  - Production cuts from October of 2008 due to demand containment with exception of rails
  - Steel making at Piombino stopped in December and restarted in February
  - Ascometal produced 75% less than during the same period of 2007



Current Divisional Trading Update

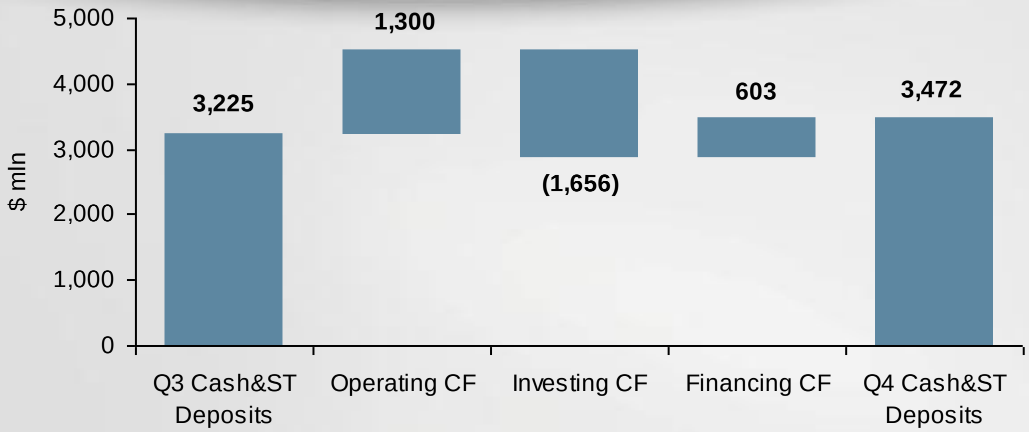
- Steel prices in main operating markets stabilised in January with a modest increase in February
- Russian Steel operations increased utilisation to 65-70% at the beginning of the year
  - Long steel lines in Russia fully utilised in January and February due to demand from service centres and construction companies
  - Rouble depreciation supported increase in exports from Russia
- In North America, operations utilisation increased to 55-60% in January and February due to restocking and operating facilities production optimisation
- To ensure further stabilisation of the market management in North America:
  - Align production with order book
  - Align workforce with production levels, including voluntary and involuntary layoffs
  - Schedule production at facilities that optimise cost efficiency and cash preservation
  - Higher prices are re-negotiated with automotive customers in US for 2009
  - Tin plate lines are fully utilised with prices 30% higher than in Q4
- Strong order book and stable margins in rail business in Europe
- Rouble depreciation made Russian steel makers the most competitive on the global cost curve
  - Energy and domestic transportation costs down in dollar terms
  - No increase in rouble wages is planned in 2009

SeverStal

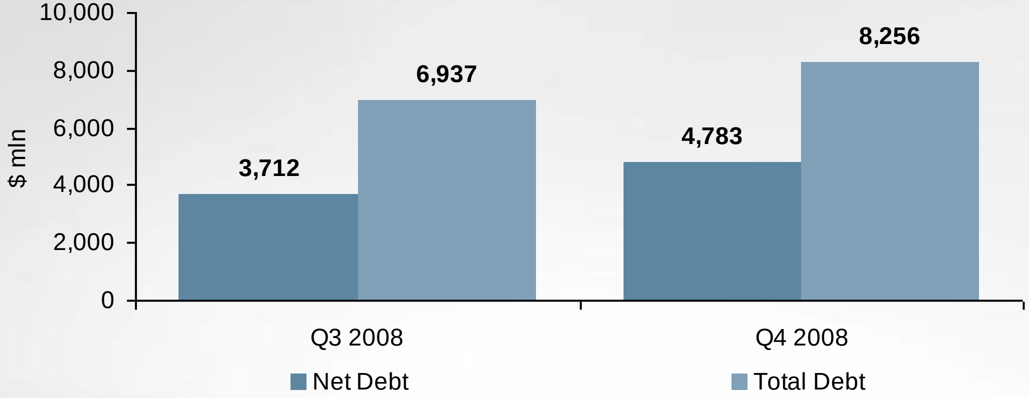
Cash Flow and Balance Sheet Overview



Strong Cash Position and Financing Structure in Place



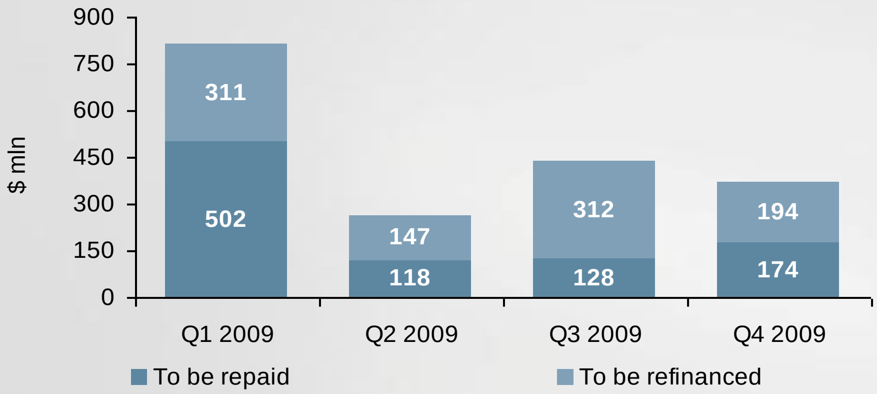
Note: Q3 cash includes $822 million of short-term deposits
Q4 cash includes $818 million of short-term deposits



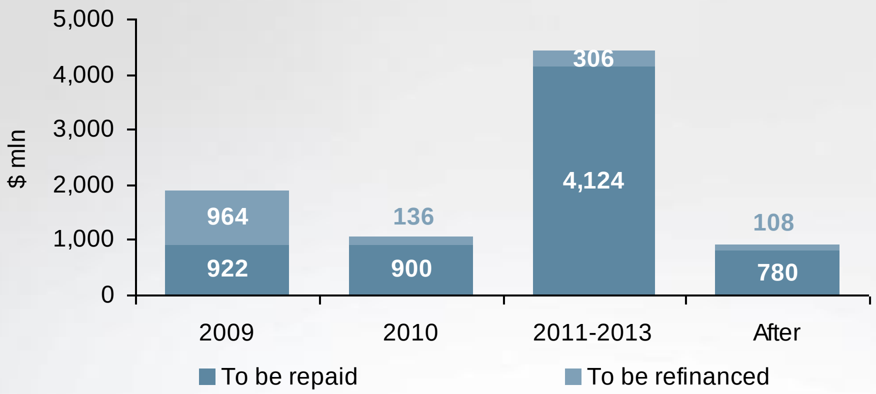
- Operating cash flow and committed facilities in place
- Sufficient cash position to serve short-term debt obligations
- Operating cash flow in Q4 includes $995 million net working capital release
- Financing cash flow in Q4 includes PXF draw down of $1,200 million, $1,231 million debt redemption and $598 million cash dividends
- Increase in total debt in Q4 due to draw down of PXF $1,200 million facility
- Increase in net debt in Q4 due to:
  - Investments of $877 million in PBS Coals acquisition
  - Dividend outflow for Q2
- Unused long-term credit lines of $951 million as at December 31, 2008
- Year end net debt represents 0.9x FY 2008 EBITDA

Debt Schedule

Short-Term Debt Schedule



Short-Term and Long-Term Debt Schedule



Source: Company

Main Repayments in 2009 (Excluding Refinancing Part)

- Severstal
  - Eurobond $325 million
  - VTB Europe $60 million
  - EBRD $57.7 million
- IPM
  - Sberbank and Commerzbank $28.9 million
- Severstal Resources
  - SocGen syndicated facility $47.6 million with Karelsky Okatysh
  - $40.3 million from Severstal Resources to Kuzbassugol
- Severstal Columbus
  - $82.8 million of total repayments

Principal Long-Term Borrowings

- Eurobond 2013 $1,250 million
- Eurobond 2014 $375 million
- EBRD €600 million starting amortisation in Dec. 2009 till 2017
- PXF $1,200 million amortising in 2010-2013

SeverStal

Outlook

Short-Term Outlook

- Global steel capacity cut in response to drop in demand
- Governments announced stimulus plans to support national economies including US, China and Russia
- Restocking helped steelmakers to increase capacity utilisation in Q1 2009
- Depreciation of rouble supported exports expansion of Russian Steel division in Q1 2009
- Markets could test higher steel price levels in Q2 2009 and Q3 2009 due to seasonal factors and restoration in underlying demand
- The current situation remains vulnerable and we would not exclude significant volatility in the next several months

Conclusion

- Strong performance in 2008
  - Revenues up 44.4% y-o-y to $22,393 million from $15,503 million
  - EBITDA* of $5,366 million, up 45.5% y-o-y including $423 million of one-off gains
  - Net profit** up 9.9% to $2,034 million including $821 million one-off gains
- Fall in underlying demand and destocking in Q4 resulted in decision to cut production in all divisions which started in October 2008
- Demand in Q1 above our expectations
  - Production rates increased to meet restocking demand in major markets
- Operating cash flow and committed facilities in place: sufficient cash position to serve short-term debt obligations
- Strong management actions taken to mitigate negative market environment:
  - 2009 capex reduced to $1.0 billion
  - Additional release of cash from working capital to reach $1.2 billion through the year 2009
  - No dividends proposed for Q4 2008
  - Cost reduction programme underway across the group

* 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.

SeverStal

Appendices

Summary of Balance Sheet

$ mln	As at December 31, 2007	As at December 31, 2008
Current Assets	8,192	10,692
Non-current Assets	9,409	11,788
Total Assets	17,601	22,480
Current Liabilities	3,492	4,768
Non-current Liabilities	4,035	8,158
Total Equity	10,074	9,554
Total Equity and Liabilities	17,601	22,480

Summary of Income Statement

SeverStal

$ mln Unless Otherwise Stated	2008	2007	Change, y-o-y
Sales	22,393	15,503	44.4%
Cost of Sales	(16,486)	(10,822)	52.3%
Profit from Operations	4,226	2,807	50.6%
Operating Margin, %	18.9%	18.1%	
Net Profit	2,034	1,850	9.9%
Net Margin, %	9.1%	11.9%	
EPS, $	2.02	1.84	9.8%

Summary of Cash Flow Statement

SeverStal

$ mln	2008	2007
Profit Before Financing and Taxation	3,218	2,732
Cash Generated from Operations	4,892	3,285
Interest Paid (Excluding Banking Operations)	(363)	(244)
Income Tax Paid	(1,094)	(804)
Net Cash from Operating Activities	3,435	2,236
Cash from Investing Activities	(4,811)	(2,100)
Additions to PP&E	(2,031)	(1,997)
Cash from Financing Activities	2,424	(340)
Effect of Exchange Rates on Cash and Cash Equivalents	(17)	84
Net Increase in Cash and Cash Equivalents	1,031	120
Cash & Cash Equivalents at Beginning of the Period	1,623	1,743
Cash & Cash Equivalents at End of the Period	2,654	1,623