Severstal

Q1 2009 Financial Results Presentation

15 May 2009

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Summary

Summary

Q1 2009 Highlights

- Q1 performance impacted by difficult global economic and operating environment throughout the quarter
- Q1 revenue of $2,796 million, a 30.4% decline compared to Q4 2008
- Q1 negative EBITDA* of $158 million compared to positive $298 million in Q4 2008
- Q1 net loss** of $644 million including $381 million pre-tax foreign exchange loss compared to $1,208 million loss in Q4 2008, a reduction of loss. The Q4 loss was impacted by impairment charges and adjustments on inventories to Net Realisable Value (NRV)
- Cash, cash equivalents and short-term bank deposits decreased from $3,472 million as of December 31, 2008 to $2,653 million as of March 31, 2009 due to the $325 million repayment of the 2009 Eurobond and other scheduled debt amortisation
- Q1 free cash flow*** positive at $278 million

Continued decisive and proactive responses to the difficult current environment

- Decisive management actions to optimise cash costs and manage production in line with demand:
  - Idling production capacities to adjust to reduced demand from the market
  - Strict control over capital spending: $265 million of capex for Q1 in line with $1.0 billion guidance for FY2009 and compared to $661 million in Q4 2008
  - Headcount reduction programme underway across the group – significant cost savings already achieved, with further savings to be realised in Q2 and Q3
- Strong cash position and financing structure in place
  - Cash, short-term deposits and committed facilities exceed current debt obligations
  - Operating cash flow includes $617 million of working capital release in Q1 2009
- Expiring credit facilities renewed in Q1 as planned
- No dividend proposed for Q1 2009 and no FY 2009 dividend payments anticipated unless conditions improve

* EBITDA represents profit/(loss) from operations plus depreciation and amortisation adjusted for gain/(loss) on disposals of property plant and equipment.

** Net profit/(loss) attributable to shareholders

*** Free cash flow was calculated as follows: Net cash from operating activities adjusted for cash from investing activities

Key Financials

$ mln Unless Otherwise Stated	Q1 2009	Q1 2008	Q4 2008
Revenues	2,796	4,359	4,019
Profit/(Loss) from Operations	(375)	808	(27)
Operating Margin	(13.4%)	18.5%	(0.7%)
EBITDA*	(158)	1,081	298
EBITDA Margin	(5.7%)	24.8%	7.4%
Net Profit/(Loss)**	(644)	470	(1,208)
Net Margin	(23.0%)	10.8%	(30.1%)
EPS, $	(0.64)	0.47	(1.20)
DPS***, $	0.00	0.22	0.00

Source: Company

* EBITDA represents profit/(loss) from operations plus depreciation and amortisation adjusted for gain/(loss) on disposals of property plant and equipment.

** Net profit/(loss) 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

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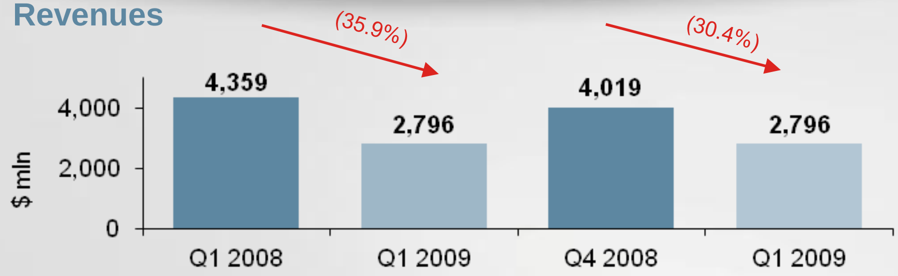
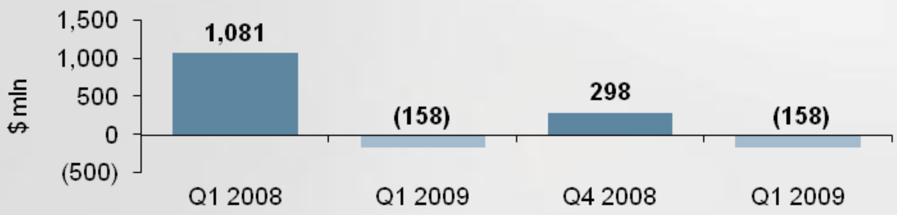
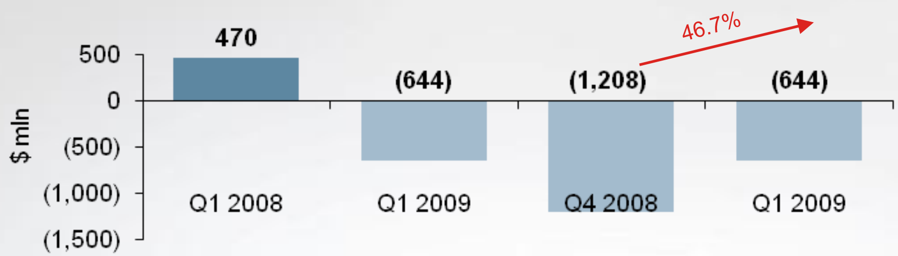
Revenues



EBITDA



Net Profit/(Loss)



- Decrease in average selling prices in Q1 2009:

  Compared to Q1 2008
  - Coking coal concentrate (21.7%)
  - Iron ore pellets (49.1%)
  - Rolled products (15.2%)

  Compared to Q4 2008
  - Coking coal concentrate (28.2%)
  - Iron ore pellets (50.5%)
  - Rolled products (33.8%)

- Production volumes of coal up 35.9% (due to the effect of PBS Coals acquisition in November 2008), iron ore pellets down 56% and rolled products down 18% in Q1 2009 compared to Q1 2008; production volumes of coal down 22.1%, iron ore pellets down 38.9% and rolled products up15.8% compared to Q4 2008
- EBITDA decreased from $298 million in Q4 2008 to negative $158 million in Q1 2009
- Net loss decreased from $1,208 million in Q4 2008 to $644 million in Q1 2009

Severstal Action Plan for 2009

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Preserving cash and maintaining solid financial profile

Maintaining adequate liquidity

- Strong liquidity with $2.7 bln in cash and deposits and $0.6 bln in unused lines
- Strict management on cash usage

Review of asset portfolio for potential disposals

- Ongoing review to identify potential disposal targets to release cash/decrease liabilities

Roll-over of working capital lines

- $812 million are working capital lines to be rolled over
- Refinancing of further $350 million with long-term debt

Operating Restructuring

- NA restructuring
- Aligning capacity utilisation with steel demand
- Staffing rationalisation across all units

Capex program revision

- Program is cut to $1 bln, including $0.6 bln in maintenance capex and $0.4 bln of efficiency improvement projects
- All development projects are on hold

Cash release from working capital

- Reduction in inventory levels
- Tighter account receivables management
- Better terms from trade creditors

Freeze on dividends

- No dividends on 2009 income unless the trading environment significantly improves

Debt reduction

- Eurobond redeemed in February
- Scheduled debt amortisation will be repaid from cash holdings

Integration of assets

- Realisation of synergies between the existing and newly acquired assets

Any acquisitions on hold

- No plans for acquisitions, due to:
- Cash outflow considerations
- Need for management's time
- Potential difficulties at targets' level

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Divisional Review

Divisional Results: Revenue and EBITDA Breakdown

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Revenues

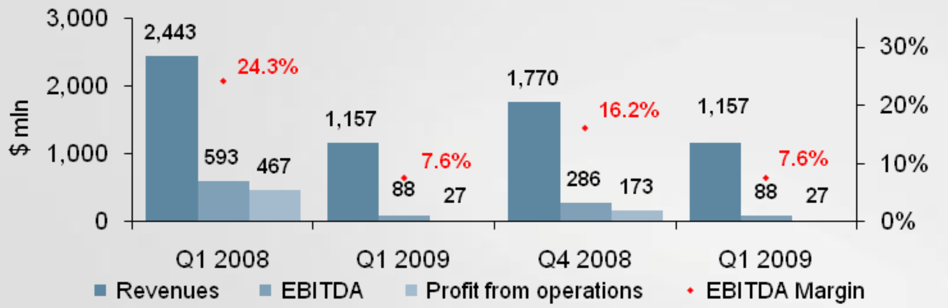
$ mln unless Otherwise Stated	Q1 2009	Q1 2008	Q4 2008
Severstal Resources	365	627	435
Severstal Russian Steel	1,157	2,443	1,770
North America	972	591	1,353
European Operations (Lucchini)	455	1,057	667
Intersegment Adjustments	(153)	(359)	(206)
Total	2,796	4,359	4,019

EBITDA

$ mln unless Otherwise Stated	Q1 2009	Q1 2008	Q4 2008
Severstal Resources	39	201	42
Severstal Russian Steel	88	593	286
North America	(243)	151	(74)
European Operations (Lucchini)	(43)	142	(1)
Intersegment Adjustments	1	(6)	45
Total	(158)	1,081	298

Source: Company

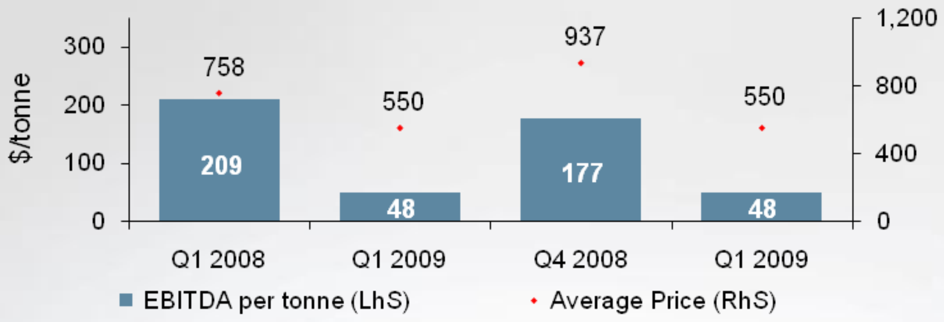
Severstal Russian Steel

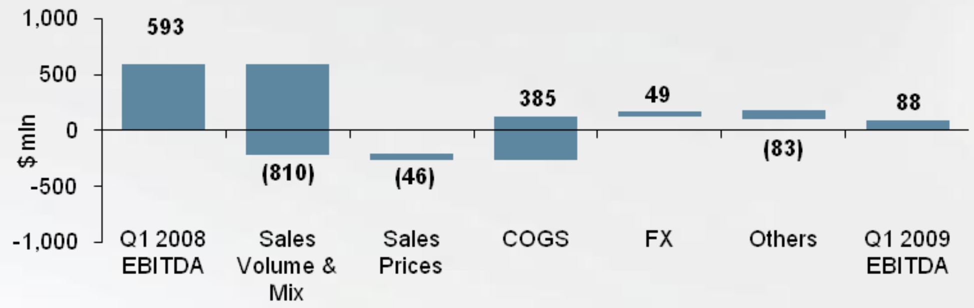


- Performance reflects weak market conditions in Q1 2009

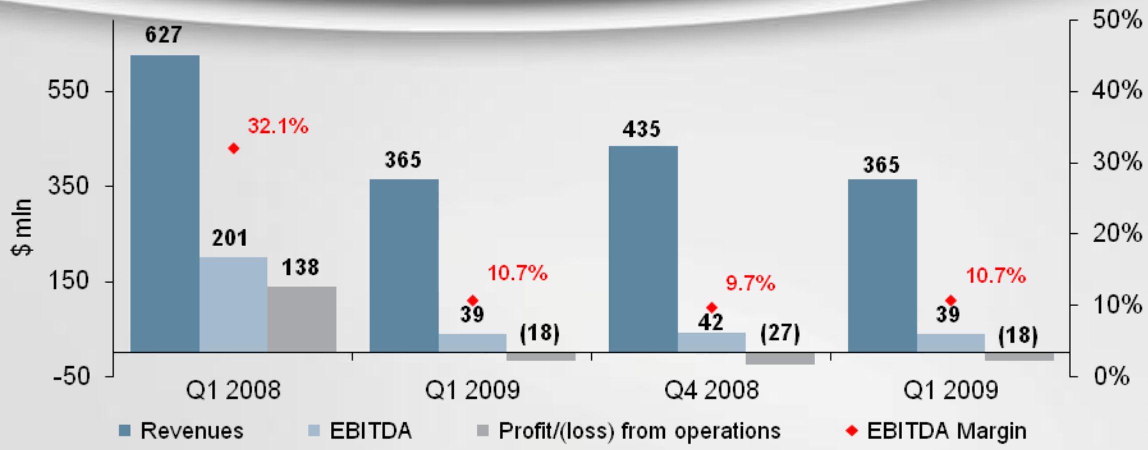
  Compared to Q1 2008
  - Revenue down 52.6%
  - Sales volume down 34.3%
  - EBITDA down 85.2%

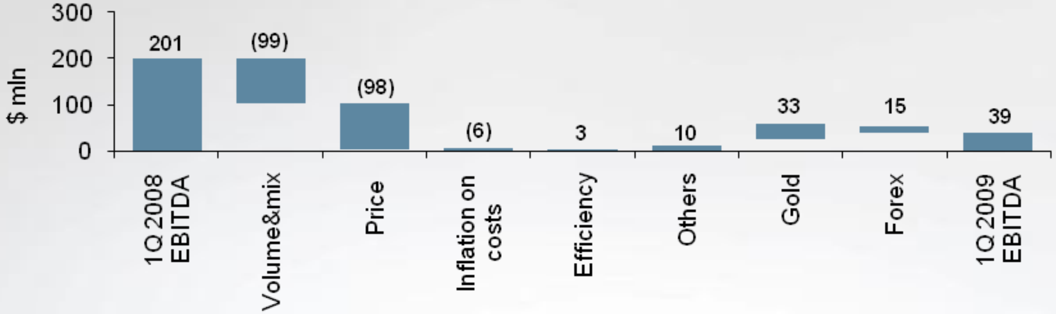
  Compared to Q4 2008
  - Revenue down 34.6%
  - Sales volume up 11.6%
  - EBITDA down 69.2%
- Week domestic and export markets in Q1 2009
- Shift in sales structure
- Q1 2009 highlights compared to Q4 2008
  - Production of crude steel increased by 24.9%
  - Average price down by 41.3%
  - EBITDA margin down to 7.6% from 16.2%





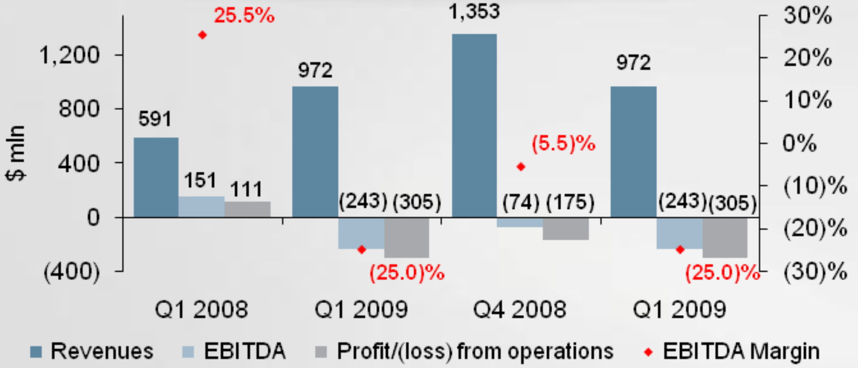
Severstal Resources

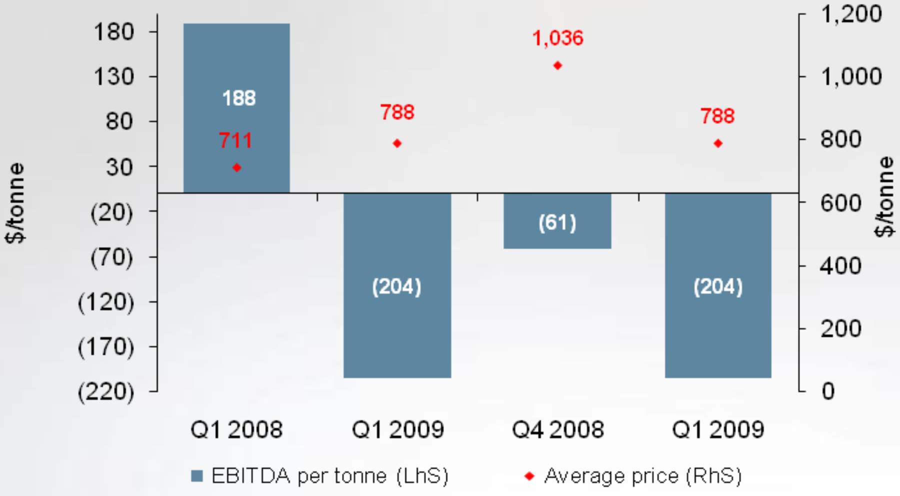




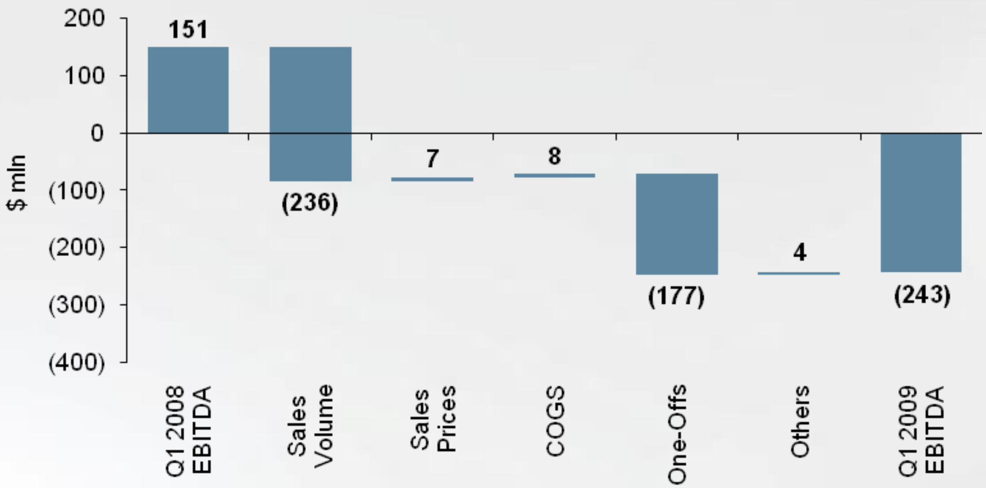
- EBITDA of $39 million, decrease of 80.6% compared to Q1 2008; decrease of 7.1% compared to Q4 2008
  - Sales volume and prices down y-o-y
  - Vorkutaugol coal prices decreased by 36.6% y-o-y and by 35.6% q-o-q
  - Prices for iron ore products decreased by 54.9% y-o-y and by 38.8% q-o-q
- Total cash costs net of foreign exchange differences decreased by 4.6% y-o-y (excluding ferroniobium, gold, PBS, Kuzbassugol) due to:
  - Lower production volumes
  - Cost reduction initiatives
  - Additional positive foreign exchange differences impact on total cash cost was 27.1% in Q1
- Gold business added $33 million to EBITDA increment y-o-y (mainly effect of High River Gold)
  - Management effort focused on increase in gold production
- SG&A costs net of foreign exchange differences decreased by 0.4 % y-o-y (excluding ferroniobium, gold, PBS, Kuzbassugol)
  - Management effort focused on increase in production efficiency

Severstal International: North America

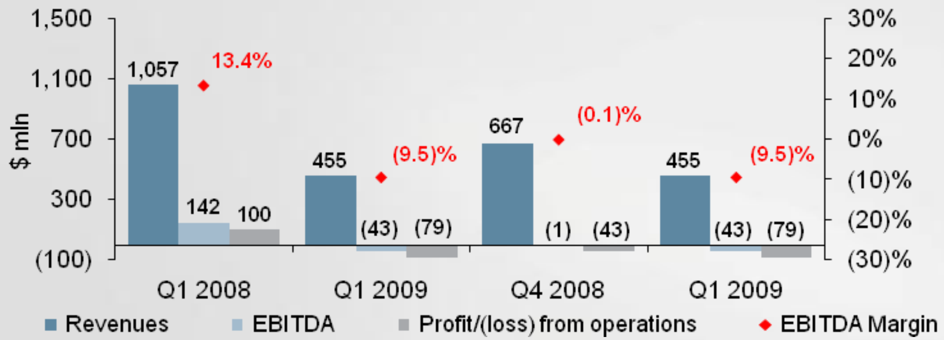


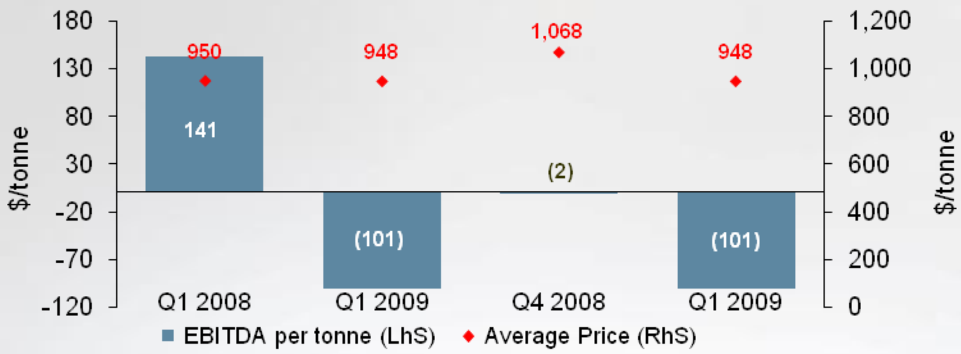


- Q1 2009 EBITDA negative $243 million
  - EBITDA per tonne down from negative $61/tonne in Q4 2008 to negative $204/tonne in Q1 2009 as a result of deteriorating prices and sales volumes
  - Sales with negative margin and $177 million one-off gain before taxes, including $156 million on buyout of long-term electricity supply contract at Dearborn and $21 million blast furnace “B” insurance recovery were the main changes from Q1 2008 to Q1 2009.
- Average selling prices declined 24% or $248 per tonne compared to Q4 2008
- 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 and Wheeling until market conditions improve
  - Adjusting the size of our workforce across all US operations in line with this reduced level of production

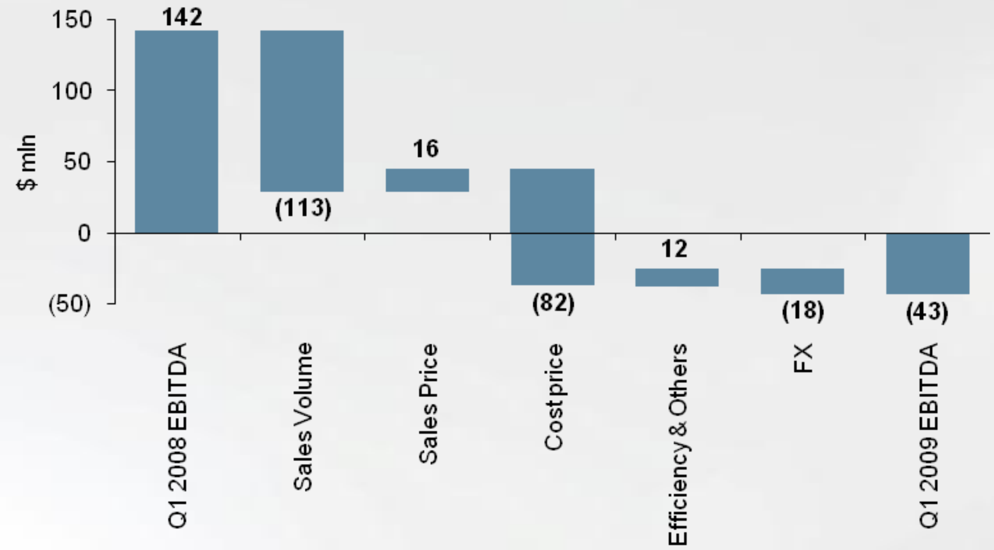


Severstal International: European Operations





- EBITDA in Q1 2009 decreased by $185 million compared to Q1 2008; decreased by $42 million compared to Q4 2008
- Production rates in the first 3 months of the 2009 have been reduced to follow market conditions
- Impact of sales volumes (for both Ascometal and Piombino) and raw material prices (for Piombino) have been the key factors influencing performance in Q1 2009
- Q1 highlights:
  – Steel Shop in Piombino stopped at the end of November 2008 and restarted in mid January at minimum technically possible capacity
  – In Q1 2009 production volume in Piombino has been 55% lower than in Q1 2008
  – Ascometal produced 62% less in Q1 2009 than during the same period of 2008

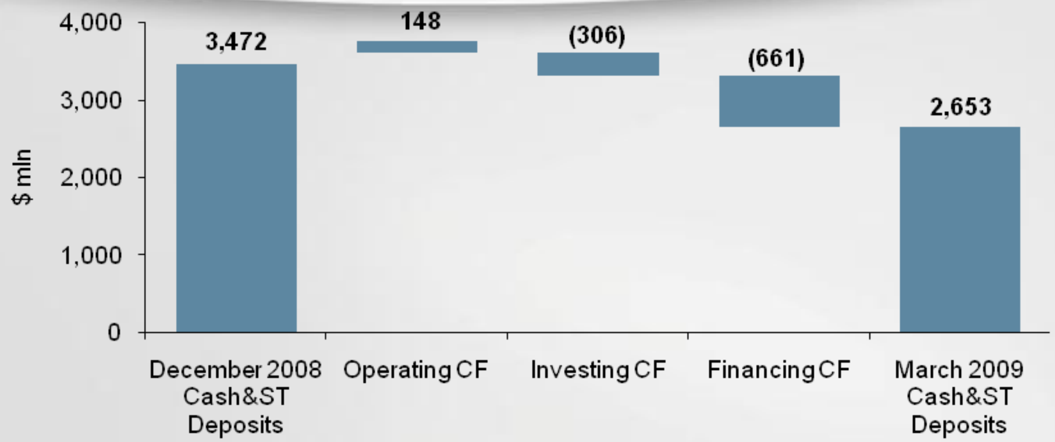


Current Divisional Trading Update

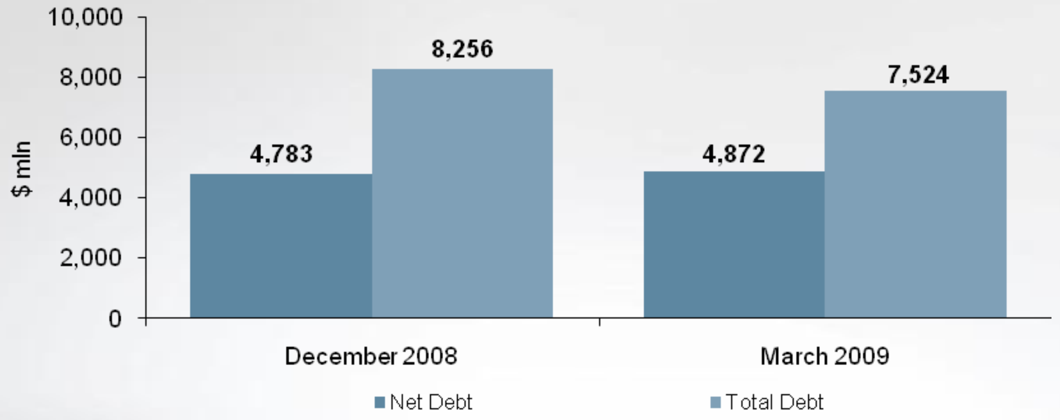
- Steel prices in main operating markets were lower in March and April than in February
- Russian Steel production in April is expected to be lower than in March due to weak demand for long steel on the domestic market
  - Export of flat steel remains important of the source of orders, and domestic demand is improving marginally
  - Pick up in long steel is likely in June or July
- In North America the restructuring plan should improve financial position, and market environment should be more supportive as inventory levels remains low
  - Order book concentrated at Dearborn, Columbus and Sparrows Point
  - Warren operations and steelmaking at Wheeling idled
  - Sparrows Point and Dearborn have increased production q-o-q in response to some improvements in their respective markets
  - Workforce reductions will continue
- Business in Europe is suffering poor market conditions, and further headcount reduction is likely
- Rouble depreciation made Russian steel makers the most competitive globally
  - They remain competitive even after newly announced coal benchmark prices and 20% temporary decrease in iron ore prices

Cash Flow and Balance Sheet Overview

Strong Cash Position and Financing Structure in Place



Note: Q1 cash includes $382 million of short-term deposits
Q4 cash includes $819 million of short-term deposits



- Cash, short-term deposits and committed facilities exceed current debt obligations
- Operating cash flow in Q1 includes $617 million net working capital release
- Unused credit lines of $645 million as at March 31, 2009
- At March 31, 2009 net debt represents 1.2x to LTM EBITDA

Debt Schedule

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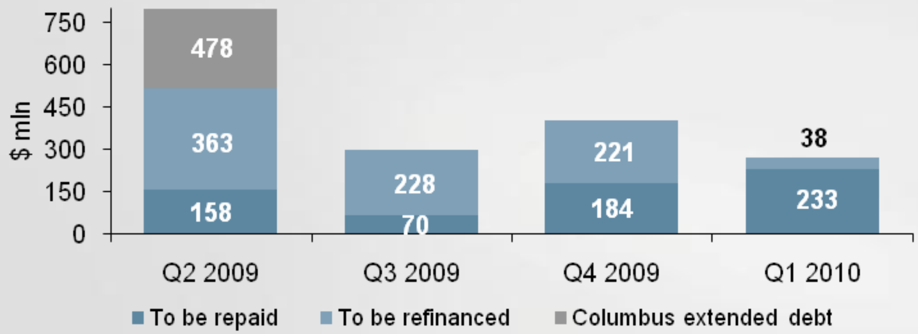
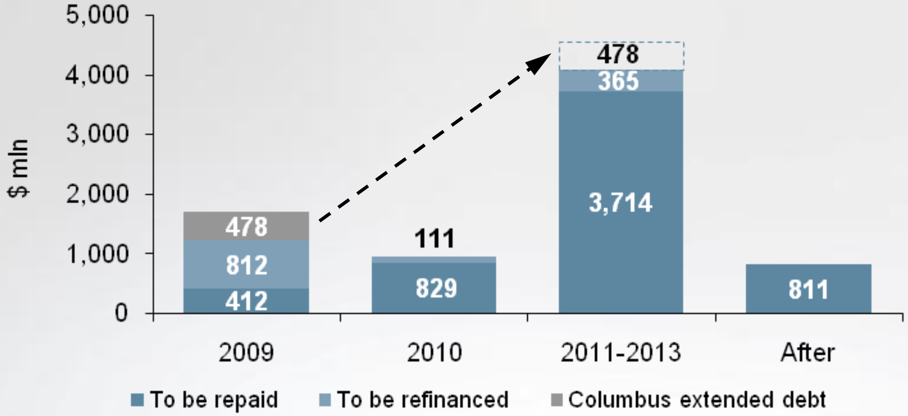
Short-Term Debt Schedule*



Short-Term and Long-Term Debt Schedule*



- Severstal redeemed $325 million of 2009 Eurobond and made other scheduled debt payments in Q1
- In Q2 Severstal has to pay off $158 million of debt
- Short-term debt includes $478 million of senior debt at Columbus which was temporarily classified as short-term. Amendment to the credit agreement was finalized in April
- Expiring credit facilities renewed in Q1 as planned
- Liquidity became more available in Q1 2009 in the domestic market but pricing was up

Principal Long-Term Borrowings

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

* Excluding accrued interest and unamortised balance of transaction costs

Source: Company

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Outlook

Short-Term Outlook

- Operating environment improved with production volumes increasing on consecutive basis in Russian Steel and North American operations
- Re-stocking and government funded infrastructure projects helped steel industry in Q1 and are likely to support steel demand in Q2 and through the year
- Russian steel producers will continue to outperform global steel players given significant cash cost advantages
- Since majority of our sales are on a spot basis it makes forecasting more difficult compared with contract business
- Visibility remains limited, but in Q2 and Q3 we expect stronger global demand
  - In the current conditions it would be inappropriate to provide any guidance for 2009 but we will seek to once market conditions allow visibility of outlook

Conclusion

Q1 2009 Highlights

- Q1 performance impacted by difficult global economic and operating environment throughout the quarter
- Q1 revenue of $2,796 million, a 30.4% decline compared to Q4 2008 despite volume increases
- Q1 negative EBITDA* of $158 million compared to positive $298 million in Q4 2008
- Q1 net loss** of $644 million including $381 million pre-tax foreign exchange loss compared to $1,208 million loss in Q4 2008, a reduction of loss. The Q4 loss was impacted by impairment charges and adjustments on inventories to Net Realisable Value (NRV)
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Appendices

Summary of Balance Sheet

$ mln	As at December 31, 2008	As at March 31, 2009
Current Assets	10,692	8,504
Non-current Assets	11,788	11,081
Total Assets	22,480	19,585
Current Liabilities	4,768	4,188
Non-current Liabilities	8,158	7,210
Total Equity	9,554	8,187
Total Equity and Liabilities	22,480	19,585

Summary of Income Statement

$ mln Unless Otherwise Stated	Q1 2009	Q1 2008	Change, y-o-y
Sales	2,796	4,359	(35.9%)
Cost of Sales	(2,740)	(3,161)	(13.3%)
Profit from Operations	(375)	808	n.a.
Operating Margin, %	(13.4%)	18.5%	
Net (Loss)/Profit	(644)	470	n.a.
Net Margin, %	(23.0%)	10.8%	
EPS, $	(0.64)	0.47	n.a.

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Cost of Sales	(2,740)	(3,987)	(31.3%)
Profit from Operations	(375)	(27)	(1,288.9%)
Operating Margin, %	(13.4%)	(0.7%)	
Net (Loss)/Profit	(644)	(1,208)	(46.7%)
Net Margin, %	(23.0%)	(30.1%)	
EPS, $	(0.64)	(1.2)	(46.7%)

Summary of Cash Flow Statement

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$ mln	Q1 2009	Q1 2008	Q4 2008
(Loss)/Profit Before Financing and Taxation	(413)	775	(1,503)
Cash Generated from Operations	326	955	1,702
Interest Paid	(163)	(61)	(133)
Income Tax Paid	(15)	(194)	(269)
Net Cash from Operating Activities	148	700	1,300
Cash from Investing Activities	130	(68)	(1,592)
Additions to PP&E and IA	(265)	(422)	(661)
Cash from Financing Activities	(571)	66	592
Effect of Exchange Rates on Cash and Cash Equivalents	(91)	93	11
Net (Decrease)/Increase in Cash and Cash Equivalents	(384)	791	311
Cash & Cash Equivalents at Beginning of the Period	2,654	1,623	2,343
Cash & Cash Equivalents at End of the Period	2,270	2,414	2,654