



Q1 2010 Financial Results Presentation

14 May 2010

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Summary

Summary

- Group revenue decreased by 7.3% to \$3,142 million (Q4 09: \$3,389 million) as a result of lower sales volumes in the Russian Steel and Resources divisions and lower pricing for steel across all markets
 - Russian Steel sales volumes affected by impact of severe weather conditions reducing the level of exports from port of St. Petersburg
 - North American operations posted further volume improvements
 - Strong price growth in Resources division
- Underlying market conditions are expected to improve, with the effects of recently announced steel price increases expected to come through in Q2
- Costs up in all divisions due to increases in raw material, energy and transport costs
- EBITDA* decreased by 20.6% to \$492 million (Q4 09: \$620 million), mainly as a result of the seasonal effects referred to above and higher input prices
- Net loss** of \$785 million (Q4 09: net loss \$162 million) includes effect of discontinued operations in Europe of \$855 million
- Strong performance from Resources division: EBITDA margin up to 30.1% (Q4 09: 27.5%)
- \$206 million invested in Q1 with an acceleration in spending expected in Q2, as spring conditions enable additional construction and exploration activities
- European operations qualified as discontinued operations

Funding position

- Cash, cash equivalents and short-term bank deposits of \$2,323 million as at 31 March 2010 (as at 31 December 2009: \$2,949 million)
- Committed unused credit lines of \$497 million as at 31 March 2010
- Q1 2010 operating cash flow was negative of \$219 million (excluding discontinued operations) because of increasing scale of operations across all businesses and higher inventories at Russian Steel resulting from weather related back logs in export shipments
- Net debt broadly flat at \$4.3 billion (exclude Lucchini 's balances*) as at 31 March 2010

* As at 31 March 2010 Lucchini was classified as held for sale and reported as a discontinued operation.

Key Financials

\$ mln unless otherwise stated	Q1 2010***	Q4 2009***	Change, q-o-q	Q1 2009***	Change, y-o-y
Revenue	3,142	3,389	(7.3%)	2,343	34.1%
Profit/(Loss) from Operations	298	390	(23.6%)	(321)	n.a.
Operating Margin, %	9.5%	11.5%		(13.7%)	
EBITDA*	492	620	(20.6%)	(117)	n.a.
EBITDA Margin, %	15.7%	18.3%		(5.0%)	
Net loss**	(785)	(162)	n.a.	(656)	n.a.
Net Margin, %	(25.0%)	(4.8%)		(28.0%)	
EPS, \$	(0.78)	(0.16)	n.a.	(0.65)	n.a.

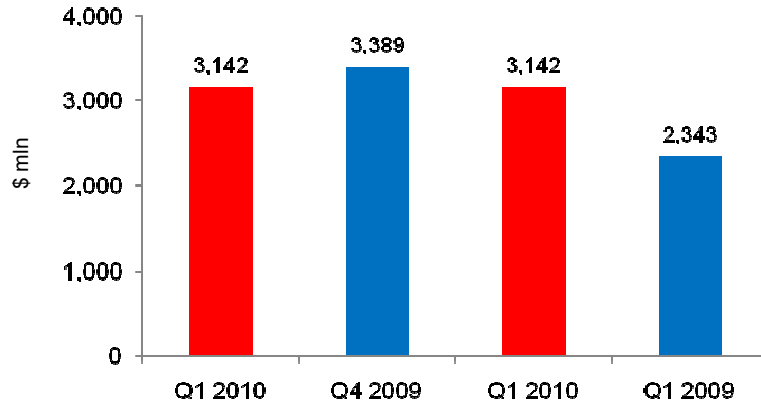
* EBITDA represents profit/(loss) from operations plus depreciation and amortisation adjusted for gain/(loss) on disposals of property plant and equipment.

** Net (loss)/profit attributable to shareholders

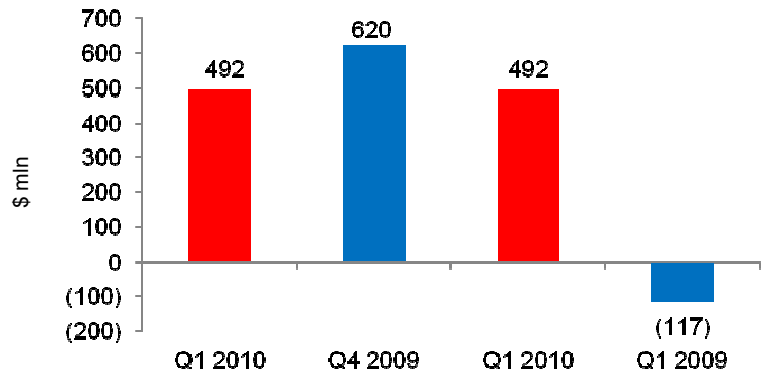
*** As at 31 March 2010 Lucchini was classified as held for sale and reported as a discontinued operation. Lucchini's results have therefore been excluded from revenue, profit/(loss) from operations and EBITDA figures in the the table above for Q1 2010, Q4 2009 and Q1 2009, and in the commentary below. The net loss and EPS figures for all periods include Lucchini's losses. The amounts for Q1 2009 reflect adjustments made in connection with the completion of purchase price allocation and discontinued operation.

Revenue and Profit

Revenue



EBITDA



- Revenues down 7.3% q-o-q in Q1
 - Increase in coal and iron ore prices
 - Steel prices slightly down across all markets
 - Sales volumes improved in North America but were lower in Russian Steel and Resources due to severe weather conditions
- Increase in costs as input prices increase
- Growth in EBITDA and drop in revenue in Severstal Resources in Q1 q-o-q
- Both revenue and EBITDA of Severstal Russian Steel were down in Q1 q-o-q
- In North America revenue was up due to higher sales volume, underlying EBITDA was higher in Q1 q-o-q

Divisional Review

Divisional Results

Revenue

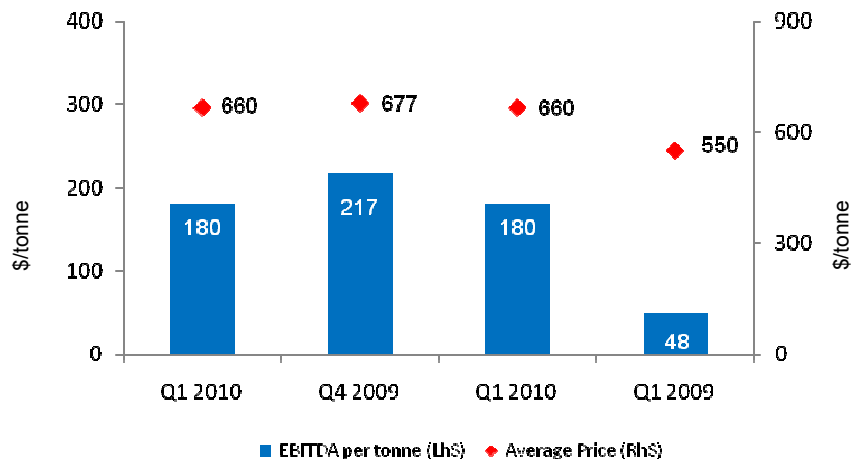
\$ mln	Q1 2010	Q4 2009	Q1 2009
Severstal Russian Steel	1,664	1,954	1,157
Severstal Resources	594	621	365
North America	1,170	1,059	972
Intersegment Adjustments	(286)	(245)	(151)
Total	3,142	3,389	2,343

EBITDA

\$ mln	Q1 2010	Q4 2009	Q1 2009
Severstal Russian Steel	404	555	88
Severstal Resources	179	171	41
North America	(83)	(97)	(243)
Intersegment Adjustments	(8)	(9)	(3)
Total	492	620	(117)

Source: Company

Severstal Russian Steel



- Strong recovery in demand on Russian and global markets resulted in significant year-on-year growth:
 - Revenue up 43.8%
 - Average price up 20.0%
 - Sales volume up 19.5%
 - EBITDA up 4.6 times

- In Q1 2010 versus Q4 2009:
 - Revenue down 14.8%
 - Average price down 2.5%
 - Sales volume down 13.3%
 - EBITDA down 27.2%

- Higher input costs and lower sales volumes were the main reasons for weaker quarterly results
 - EBITDA margin down to 24.3% in Q1 2010 (Q4 09: 28.4%)

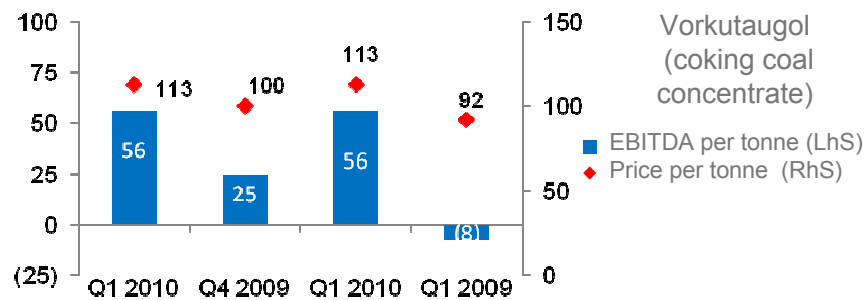
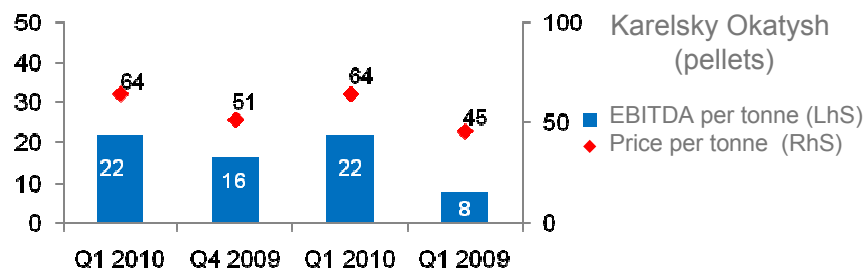
- Share of export sales in Q1 decreased to 45.5% (Q4 09: 52.9%; Q1 09: 56.4%) due to severe weather conditions and detention of export shipments from the St. Petersburg port

- As a result of higher raw material prices, the slab cost (including D&A) was \$340 in Q1 (Q4 09: \$296)

\$ mln	Q1 2010	Q4 2009	Q1 2009
Revenue	1,664	1,954	1,157
Profit from operations	330	473	26
EBITDA	404	555	88
EBITDA Margin	24.3%	28.4%	7.6%

Severstal Resources

\$ mln	Q1 2010	Q4 2009	Q1 2009
Revenue	594	621	365
Profit from operations	115	84	(40)
EBITDA	179	171	41
EBITDA Margin	30.1%	27.5%	11.2%

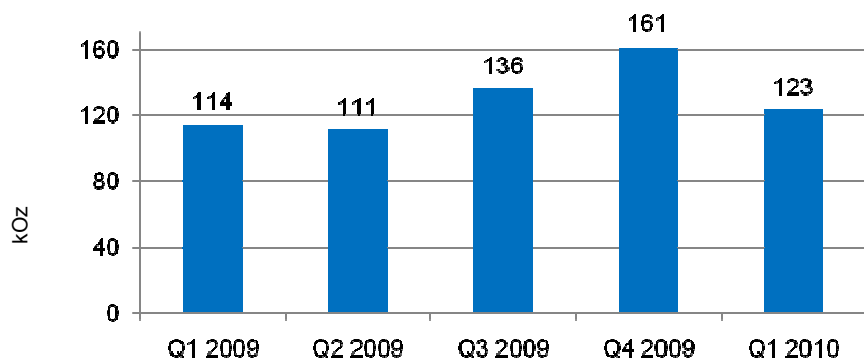


- In Q1 2010 compared to Q1 2009:
 - Revenue up 62.7%
 - EBITDA up 4.4 times
- In Q1 2010 compared to Q4 2009:
 - EBITDA up 4.7%
 - EBITDA margin up to 30.1% from 27.5% in Q4 2010
- Severstal Resources remain the key supplier of raw materials for steel operations
 - Backward integration with coal industry in North America increase self-sufficiency
- Significantly improvement in EBITDA in all businesses increase stability

\$ mln	EBITDA Q1 2010	EBITDA Q1 2009	Change, y-o-y
Iron ore business	46	18	155.6%
Gold business	67	47	42.6%
Coal business	62	-22	n.a.
Other businesses	4	-2	n.a.
Total Resources	179	41	336.6%

Gold Business

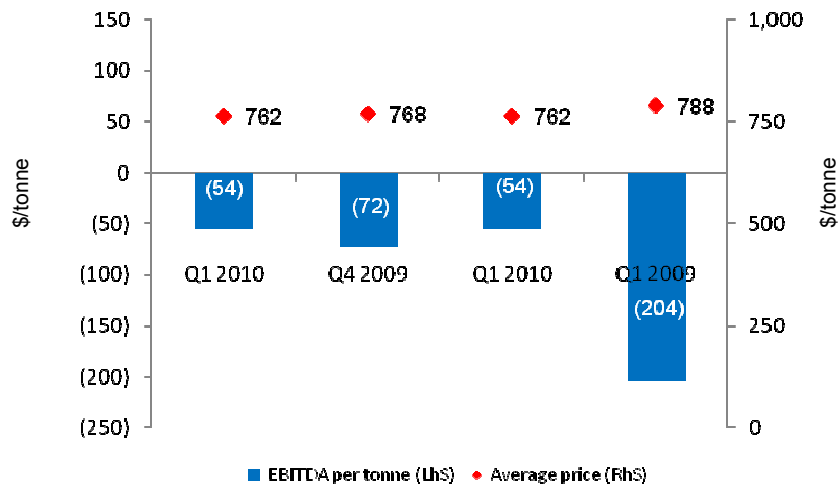
Sales volumes, kOz



- Production levels are typically lower during the winter months: during summer production is expected to increase
- Record EBITDA margin achieved in Q1 2010
- Progress in management improvements:
 - Removed newly identified bottlenecks
 - Best practice sharing and joint purchasing
 - Optimisation of spending by sharing processing facilities
- Exploration programme to certify additional reserves and resources under JORC in 2010 is underway
- Over \$100 million of capex planned to further decrease bottleneck in production facilities and increase resource base
- Severstal Gold is already Russia's second largest gold producer and has the critical size to continue consolidating the sector

\$ mln	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue	135	174	131	107	106
Profit from operations	47	55	33	30	27
EBITDA	67	82	57	50	47
EBITDA Margin	49.6%	47.1%	43.5%	46.7%	44.3%

Severstal International: North America



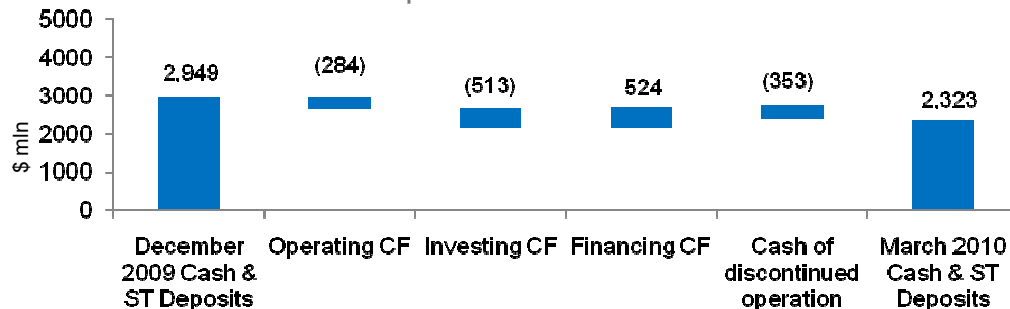
\$ mln	Q1 2010	Q4 2009	Q1 2009
Revenue	1,170	1,059	972
Loss from operations	(138)	(160)	(305)
EBITDA	(83)	(97)	(243)
EBITDA Margin	(7.1%)	(9.2%)	(25.0%)

- EBITDA per tonne up from negative \$72 per tonne for Q4 2009 to negative \$54 per tonne for Q1 2010
- In Q1 2010 versus Q4 2009:
 - Revenue up 10.5%
 - Sales volume up 13.8%
 - Average prices down 0.8%
- EBITDA was negative \$83 million in Q1 2010 (Q4 09: negative \$97 million)
 - Improved market environment
 - Increased sales volumes
 - Restructuring effect
- Outlook: further increase in sales prices and continuing recovery in demand for steel on the major US markets, including automotive
- Restructuring programme should deliver further improvements in 2010

Overview of Cash Flow and Statement of Financial Position

Strong Cash Position and Financing Structure in Place

Cash and Short-Term Deposits

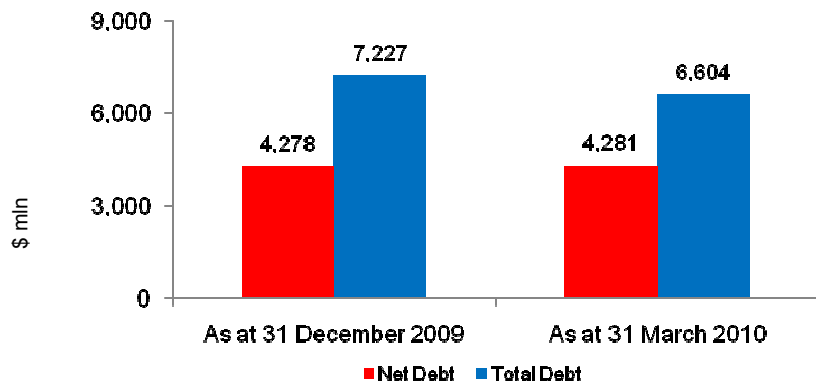


Note: Net cash from operating, investing and financing activities includes negative \$105 million of net cash-flow from discontinued operations due to Lucchini reclass.

Note: December 2009 cash includes \$96 million of short-term deposits

Note: March 2010 cash includes \$90 million of short-term deposits

Total and Net Debt*



* As at 31 March 2010 Lucchini was classified as held for sale and reported as a discontinued operation. Net debt as at 31 March 2010 does not include Lucchini's balances.

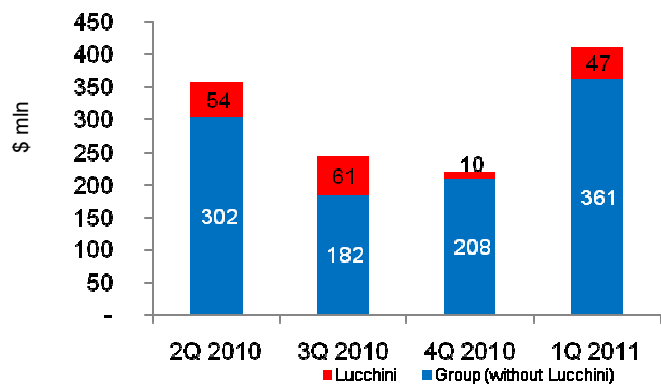
- Robust liquidity allows for operating and financial flexibility:
 - \$2,323 million cash and short-term deposits
 - Excluding \$353 million of cash attributable to assets held for sale (Lucchini and Severstal North America segments' companies)
 - \$497 million committed unused credit lines
 - Cash, short-term deposits and committed facilities in the total amount of \$2,820 million significantly exceed short-term debt obligations by \$ 1,716 million

- Total reported debt in the amount of \$6,604 million does not include \$1,089 million of debt attributable to assets held for sale (Lucchini and service centres of Severstal North America)
 - \$1,104 million short term debt
 - \$5,500 million long term debt

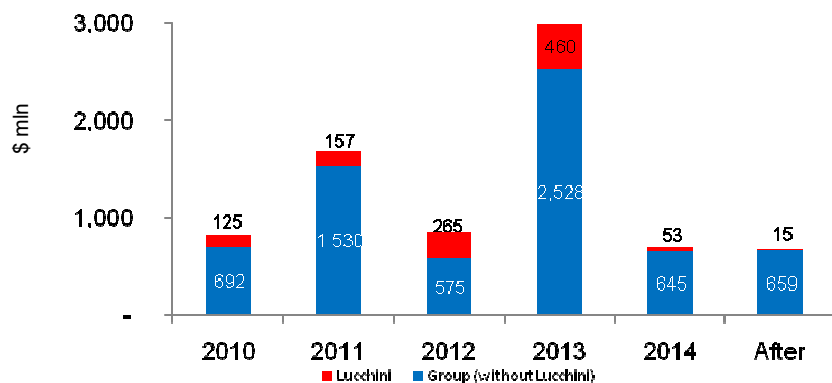
- Access to capital markets demonstrated by successful bond placements in Q1, 2010 providing funding diversification and extension of maturities:
 - Rouble 15 billion bond placement in February 2010, maturing in 2013.
 - \$525 million bond offering (Severstal Columbus) in February 2010, maturing in 2018. Proceeds of the offering were used to fully refinance all outstanding debt obligations of Columbus

Debt Schedule

Short-Term Debt Schedule*



Short-Term and Long-Term Debt Schedule*



* Excluding accrued interest and unamortised balance of transaction costs

Source: Company

- Low refinancing risk in the next 3 years:
 - \$692 million is scheduled to mature till the end of 2010 – more than offset by cash on hand
 - Debt maturities in 2010 - 2012 are fully covered by cash, short term deposits and unused committed credit availabilities

- Principal Long-Term Borrowings
 - \$1,250 million Eurobond; maturing in 2013
 - \$375 million Eurobond; maturing in 2014
 - €600 million EBRD loan agreement; amortising in 2009 to 2017
 - \$1,200 million PXF loan agreement; amortising in 2010 to 2013
 - 15 billion rouble exchange bonds; maturing in 2012 with 2-year put option
 - 15 billion rouble exchange bonds; maturing in 2013
 - \$525 million bond (issued by Severstal Columbus); maturing in 2018

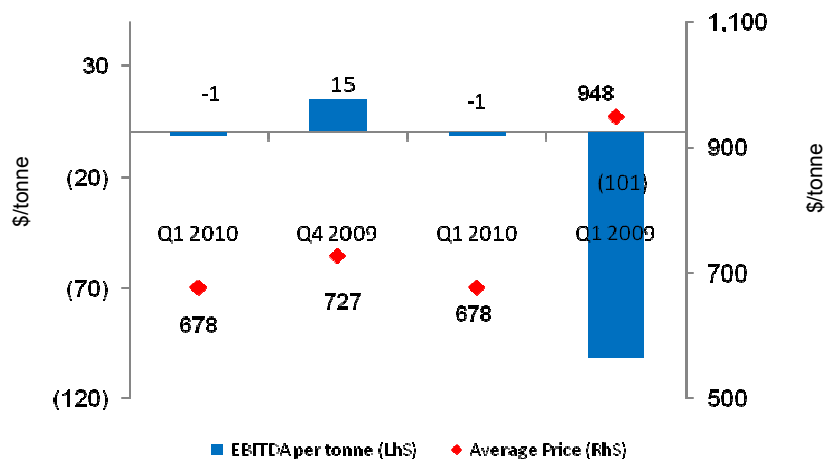
Market Outlook and Severstal Investment Priorities

Outlook

- Q2 outlook has improved as economic growth in emerging markets and gradual recovery in mature markets is accelerating
- In Q2 we expect further improvements as many price increases announced in Q1 will be effective for contracts to be closed from April to June
- Severstal Russian Steel:
 - Release of inventories in Russian Steel division should also improve sales volumes
 - Further recovery in the oil and gas and construction sectors
 - “Cash for clunkers” programme started quite successfully in March
 - Export markets will continue to be an important source of sales
- In other markets we expect re-stoking to be continued and the end demand to be healthier
- At the same time we see significant uncertainty in the global steel markets for the second half of the year
- Re-start of Warren in North America will increase sales volumes and utilisation ratio
- We are in a process of negotiations to divest Lucchini and expect to update the market as appropriate in the next six months

Appendices

Severstal International: European Operations



\$ mln	Q1 2010	Q4 2009	Q1 2009
Revenue	579	533	455
Loss from operations	(38)	(35)	(79)
EBITDA	(1)	9	(43)
EBITDA Margin	(0.2%)	1.7%	(9.5%)

- As at 31 March 2010 Lucchini segment was classified as held for sale and was reflected as discontinued operation in the Company's accounts
- For analytical purposes only we report that in Q1 2010 Lucchini's revenue was \$579 million (Q4 09: \$533 million) and EBITDA was negative \$1 million (Q4 09: positive \$9 million)
- Sales volume impacted positively on EBITDA
 - Sales volumes increased both in Italy and France
- Sales prices decreased mainly due evolution of the product mix and market competition
- Raw material price gave a positive impact mainly in Italy

Statement of Financial Position: Summary

\$ mln	As at March 31, 2010	As at December 31, 2009
Current Assets	9,319	8,185
Non-current Assets	10,022	11,459
Total Assets	19,341	19,644
Current Liabilities	4,822	3,828
Non-current Liabilities	6,995	7,440
Total Equity	7,524	8,376
Total Equity and Liabilities	19,341	19,644

Summary of Income Statement

\$ mln unless otherwise stated	Q1 2010	Q4 2009	Q1 2009
Sales	3,142	3,389	2,343
Cost of Sales	2,441	2,476	2,281
Profit/ (Loss) from Operations	298	390	(321)
Operating Margin, %	9.5%	11.5%	(13.7%)
Net Loss	(785)	(162)	(656)
Net Margin, %	(25.0%)	(4.8%)	(28.0%)
EPS, \$	(0.78)	(0.16)	(0.65)

Summary of Cash Flow Statement

\$ mln	Q1 2010	Q1 2009
Profit/ (Loss) before Financing and Taxation	224	(358)
Cash Generated from Operations	(4)	258
Interest Paid	(148)	(150)
Income Tax Paid	(67)	(14)
Net cash (used in)/from operating activities - continuing operations	(219)	94
Net cash (used in)/from operating activities - discontinued operations	(65)	54
Net Cash from Operating Activities	(284)	148
Cash (used in)/from investing activities - continuing operations	(485)	160
Cash used in investing activities - discontinued operations	(22)	(30)
Cash from Investing Activities	(507)	130
Additions to PP&E and IA	(206)	(228)
Cash from/(used in) financing activities - continuing operations	542	(527)
Cash used in financing activities - discontinued operations	(18)	(44)
Cash from Financing Activities	524	(571)
Effect of Exchange Rates on Cash and Cash Equivalents	0	(91)
Net Increase in Cash and Cash Equivalents	(267)	(384)
Less cash and cash equivalents of discontinued operations	(353)	0
Cash and Cash Equivalents at Beginning of the Period	2,853	2,654
Cash and Cash Equivalents at End of the Period	2,233	2,270