

***Presentation of the
Consolidated Financial
Results for the
First Half of 2006***



September 2006

Safe Harbour

This presentation contains certain forward-looking statements regarding the anticipated market evolution and future prospects of Severstal (the “Company”). While these statements are based on the Company's estimates as at the date hereof, the actual results will vary due to market conditions, the action of competitors, consumer demand, steel prices, economic conditions and other factors. The Company accepts no obligation to update such forward-looking statements.

Certain numbers in this presentation are based on non-audited financial statements. The company makes no representation, direct or implied, that these figures are true and correct, and you should not rely on these numbers as having been audited or otherwise independently verified. Certain numbers may be presented differently once audited, and the company takes no responsibility and accepts no liability for such changes and accepts no responsibility for providing the final audited financial statements to you once the audit has been completed

1H 2006 Highlights

- » **Financial performance driven by**
 - Strong performance of North American steel operations
 - Weaknesses in Russian steel and mining pricing environment
 - Successful cost containment efforts
 - One off factors

- » **Completed consolidation of mining operations**

- » **Decision to consolidate Lucchini in October 2006**

- » **Major investment programmes remain**
 - on track
 - on budget

Summary of Income Statement

US Dollars in millions

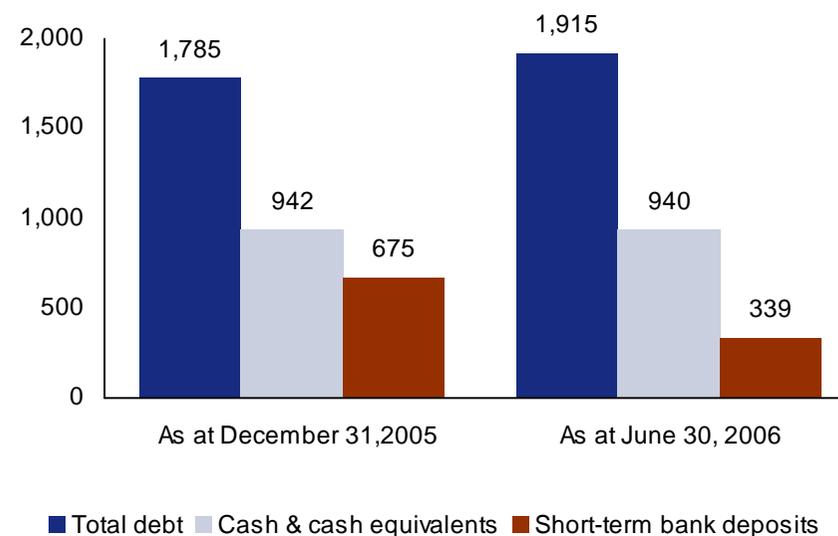
	1H2006	1H2005	Change
Sales	4,377	4,470	(2.1%)
Cost of Sales	(3,103)	(2,559)	21.3%
Profit from Operations	710	1,377	(48.4%)
Operating Margin	16.2%	30.8%	
EBITDA	1,076	1,561	(31.1%)
EBITDA Margin	24.6%	34.9%	
Net Profit	405	877	(53.8%)
Net Margin	9.3%	19.6%	
SG&A Expenses	(196)	(172)	14.0%
Distribution Expenses	(291)	(293)	0.7%
Net Financing Expense	(38)	(112)	(66.1%)
Income Tax Expense	(222)	(334)	(33.2%)
EPS	0.44	0.97	(54.6%)

Summary of Balance Sheet

US Dollars in millions

	As at June 30, 2006	As at December 31, 2005
Current Assets	4,524	4,207
Non-current Assets	9,513	8,385
Total Assets	14,037	12,593
Current Liabilities	1,784	1,527
Non-current Liabilities	3,105	2,964
Shareholders Equity	9,148	8,101
Total Liabilities and Shareholders Equity	14,037	12,593
Cash & Equivalents + Bank Deposits	1,279	1,617
Total Debt Finance	1,915	1,785
Net Debt	636	168

Cash Position History



Source: Severstal consolidated IFRS financial statements

Leverage Ratios at June 30, 2006

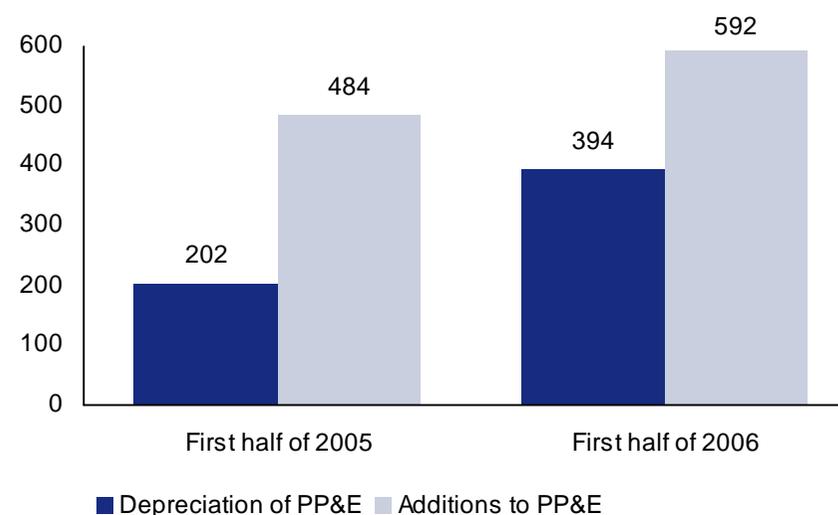
Net Debt/Equity	0.1x
Net Debt/EBITDA	0.3x
Current Ratio	2.5x
EBITDA/Gross Interest	11.6x
EBITDA/Net Interest	19.1x

Summary of Cash Flow Statement

US Dollars in millions

	1H2006	1H2005
Net Cash Flow from operating activities	705	1,145
Cash Flow used for investing activities	(897)	(1,172)
Cash Flow from financing activities	149	(13)
Net decrease in cash	(2)	(83)
Cash & Equivalents at beginning of the period	942	1,090
Cash & Equivalents at end of the period	940	1,007
Depreciation of PP & E	394	202
Interest received	31	22
Interest paid	(78)	(76)
Additions to PP&E	(592)	(484)
Proceeds from Debt Finance	319	396
Repayment of Debt Finance	(259)	(281)

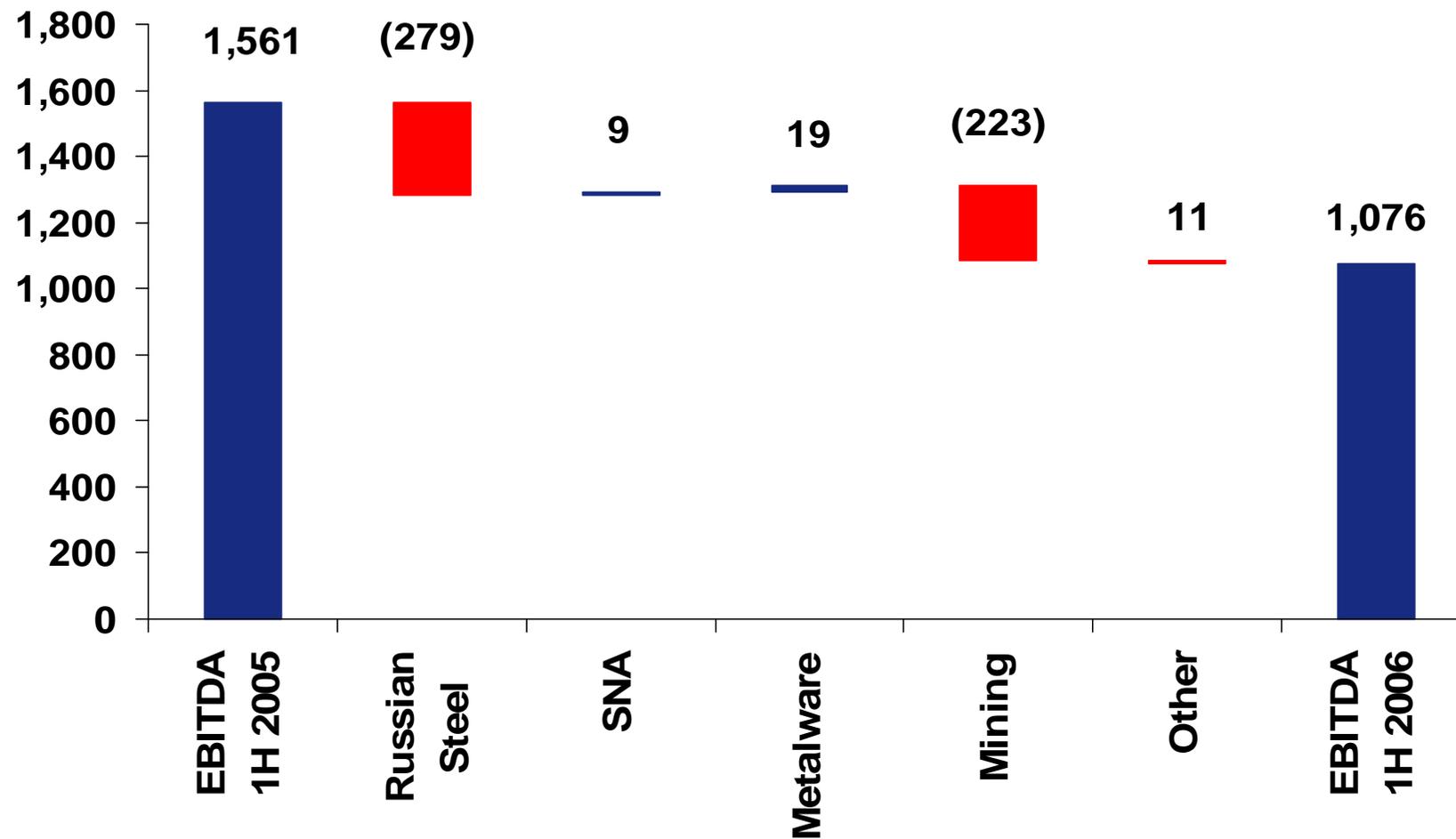
CAPEX and Depreciation



Source: Severstal consolidated IFRS financial statements

Consolidated EBITDA Dynamics

US Dollars in millions



Russian Steel Operations

Temporary and technical reduction in profitability in 1H 2006...

» Reduction in sales prices

- Weak market conditions with further negative impact of long-term contracts concluded at the end of 2005...
- ...current contracts with higher prices

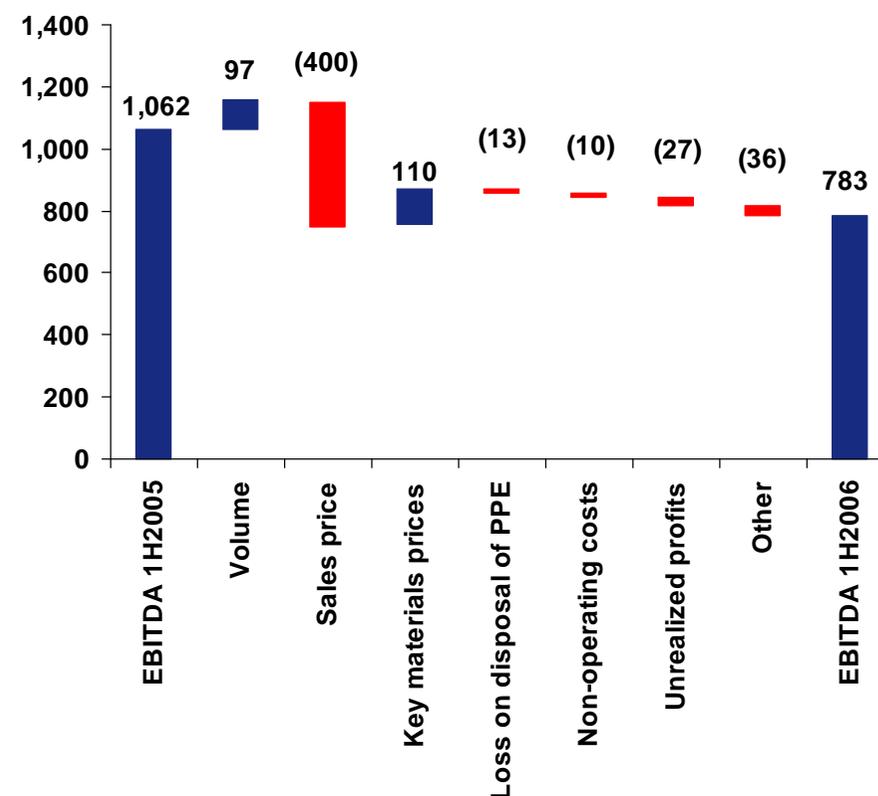
» Temporary bottleneck

- Modernisation programme resulted in temporary excess of slab production
- Export slabs sales less profitable than value-added domestic sales
- Bottleneck to be removed by Nov 06 with new rolling capacity to meet domestic demand for value added products

» Relining of Blast Furnace 5

- Temporary negative impact on profitability given build-up of semi-finished products ahead of 3Q 06 relining

US Dollars in millions

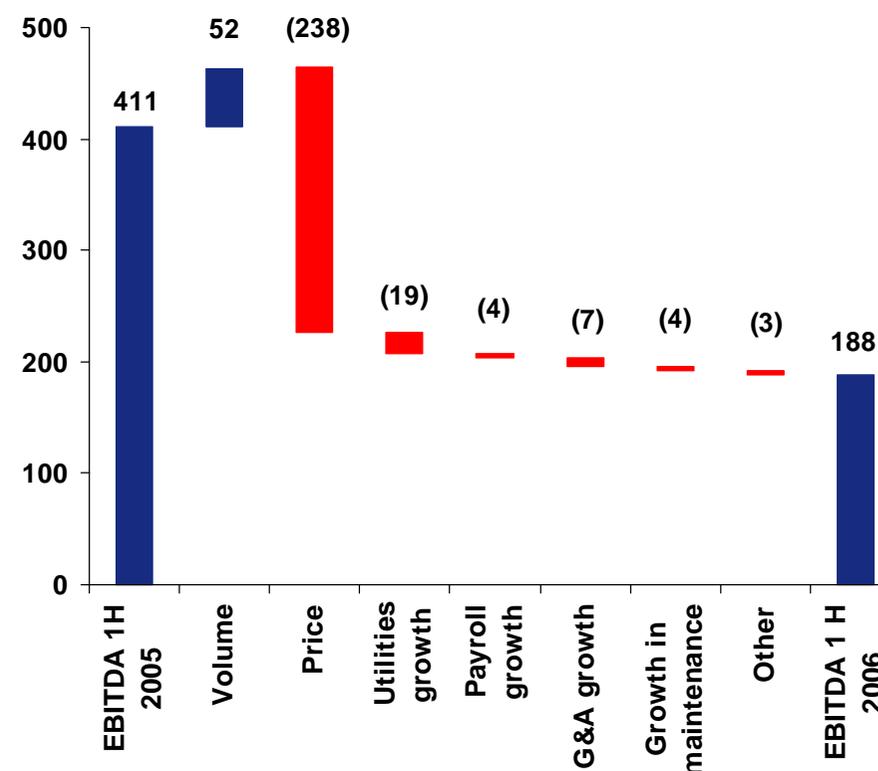


...productivity gains expected from September 06 with new facilities

Russian Mining Operations

- » **Soft domestic market**
 - Offset by effective sales strategy and cost discipline
- » **Sales price down by 28%**
 - Iron ore most affected
- » **Increased production volume by 12%**
 - Targeting long-term international customers
 - Exports increased by 26%
- » **Tight cost control**
 - Below inflation unit cost increases
 - Offset by productivity improvements
 - Wages, energy and rouble pressure

US Dollars in millions



2H 2006 Outlook

- » **Significantly improved market**
 - Feed through to long contracts in 1H2006 / 2007
- » **Further volume growth**
- » **Continued focus on unit costs**

North American Steel Operations

- » **Managerial improvements behind the strong performance y-o-y**
 - Translates into quality sales mix and higher volumes on the growing trend on the US market
 - Slab supplies from Lucchini
- » **Operational costs under strong management control**
 - Increase in natural gas and pellets price...
 - Were balanced by favourable coke and scrap pricing...
 - And savings from application of best operating practises and operating efficiencies
- » **Reduction in SG&A**

2H 2006 Outlook

- » **Outlook for 2H 2006 is positive and supported by long-standing customer relationships and strong and stable market share**

Corporate Events

» Consolidation of mining assets

- Strengthened position of Severstal as a leading metals and mining producer both in Russia and globally
- Transparent corporate structure

» Consolidation of Lucchini

- Natural decision resulting from a successful acquisition
- Access to European markets of value-added steel solutions and railway products
- Attractive growth opportunities
- High margin product portfolio of Lucchini reduces reliance on commodity steel prices
- Transparent corporate structure
- Consolidation expected from October 2006

Major Investments Projects

Increase of value-added products and improved cost competitiveness...

» **Izhora pipe plant**

- Exposure to high-growth Russian oil&gas sector
- Cost and quality competitive project
- The brand new line
- Total investment \$300 m

» **Severgal**

- The unique galvanizing line in Russia
- Automotive transplants coming to Russia
- Rapid growth of domestic car market
- Total investment \$210 m

» **Blast Furnace 5 relining**

- Additional 180K tonnes of pig iron production
- Improvements in energy consumption
- Total investment \$170 m including \$50 m of related operating expenses

» **Coal mining: Vorkutaugol**

- Improved cost and quality, and volume growth from 2007

Outlook for 2006

- » **Growth in steel prices during the summer and buoyant demand provides an optimistic outlook for the second half of the year**
- » **Stronger pricing environment for iron ore and coal**
- » **Company is very focused on continuing to contain operating costs**
- » **Major investment programmes continue**

**COMPANY BELIEVES OUTLOOK IS POSITIVE
ACROSS DIVISIONS AND BUSINESSES**