

Severstal

Severstal Releases H1 2008 Operational Results

July 28, 2008 – Severstal (LSE: SVST) today released its H1 2008 operational results as follows.

PRODUCTION VOLUMES

H1 2008 overview

Production of crude steel in Q2 2008 was 5.3 million tonnes, 10% higher than in the previous quarter. Production of rolled products rose 13% to 4 million tonnes. Total production of iron ore pellets was 4% lower than in Q1 2008, iron ore concentrate production was up by 11% and coking coal concentrate production rose by 1%.

Consolidated production of hot metal and crude steel

Total throughput, metric tonnes	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Hot metal: total throughput	6,607,432	6,982,527	6%	3,272,800	3,709,728	13%
Crude steel: total throughput	9,013,268	10,065,841	12%	4,794,863	5,270,978	10%

Consolidated production (net of intercompany sales)

Production for sale, metric tonnes	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Coal:	2,692,655	1,537,174	-43%	755,982	781,192	3%
Coking coal concentrate	1,441,960	666,861	-54%	289,337	377,524	30%
Coking coal	47,729	61,776	29%	44,617	17,159	-62%
Steam coal	1,202,966	808,537	-33%	422,028	386,509	-8%
Iron ore:	1,929,431	2,571,592	33%	1,534,309	1,037,283	-32%
Iron ore pellets	1,929,431	2,222,482	15%	1,310,939	911,543	-30%
Iron ore concentrate	0	349,110	n.a.	223,371	125,739	-44%
Gold	0	2,035	n.a.	900	1,135	26%
Semifinished products	974,401	1,055,813	8%	521,542	534,271	2%
Rolled products:	6,845,289	7,569,229	11%	3,547,463	4,021,766	13%
Hot-rolled strip and plate	3,086,055	3,320,843	8%	1,571,522	1,749,321	11%
Cold-rolled sheet	958,099	1,150,718	20%	518,667	632,051	22%
Galvanised and other metallic coated sheet	728,979	940,486	29%	394,276	546,210	39%
Color coated sheet	121,440	123,630	2%	58,467	65,163	11%
Long products	1,792,950	1,870,340	4%	916,633	953,707	4%
Rails	157,766	163,213	3%	87,899	75,314	-14%
Downstream products:	964,442	986,576	2%	469,816	516,760	10%
Metalware products	588,709	555,849	-6%	269,745	286,104	6%
Large diameter pipes	104,878	186,698	78%	78,049	108,649	39%
Other tubes and pipes, formed shapes	233,658	244,030	4%	122,023	122,007	0%
Wheels, axles, tires	37,197	0	n.a.	0	0	n.a.

Segmental information

Mining

Production for sale, metric tonnes	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Coal:	5,268,815	3,551,244	-33%	1,814,800	1,736,444	-4%
• Coal (Vorkutaugol)	4,259,312	3,192,674	-25%	1,456,230	1,736,444	19%
• Coal (Kuzbassugol)	1,009,503	358,570*	n.a.	358,570	0*	n.a.
Coking coal concentrate	3,036,692	2,377,683	-22%	1,185,770	1,191,913	1%
• Coking coal concentrate (Vorkutaugol)	2,142,340	2,051,561	-4%	859,648	1,191,913	39%
• Coking coal concentrate (Kuzbassugol)	894,352	326,122*	n.a.	326,122	0*	n.a.
Coking coal	1,029,157	365,024	-65%	207,001	158,023	-24%
• Coking coal (Vorkutaugol)	914,006	332,576	-64%	174,553	158,023	-9%
• Coking coal (Kuzbassugol)	115,151	32,448	-72%	32,448	0*	n.a.
Steam coal	1,202,966	808,537	-33%	422,028	386,509	-8%
Iron ore:	7,093,011	7,573,694	7%	3,778,094	3,795,600	0%
Iron ore pellets	4,814,073	5,150,663	7%	2,627,162	2,523,501	-4%
Iron ore concentrate	2,278,938	2,423,031	6%	1,150,932	1,272,099	11%
Gold	0	2,035	n.a.	900	1,135	26%

* In April 2008, we sold Kuzbassugol to Arcelor Mittal.

Russian Steel

Total throughput, metric tonnes	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Hot metal: total throughput	4,368,830	4,540,958	4%	2,311,162	2,229,796	-4%
Crude steel: total throughput	5,946,212	6,261,603	5%	3,186,508	3,075,095	-3%
Production for sale, metric tonnes						
Semifinished products	495,221	445,853	-10%	239,420	206,433	-14%
Rolled products:	4,695,054	4,911,419	5%	2,393,822	2,517,597	5%
Hot-rolled strip and plate	2,454,286	2,656,867	8%	1,272,165	1,384,702	9%
Cold-rolled sheet	730,793	735,720	1%	367,800	367,920	0%
Galvanised and other metallic coated sheet	378,509	369,091	-2%	181,178	187,913	4%
Color coated sheet	121,440	118,669	-2%	58,467	60,202	3%
Long products	1,010,026	1,031,072	2%	514,213	516,859	1%
Downstream products:	253,172	266,214	5%	133,924	132,290	-1%
Metalware products	19,514	22,184	14%	11,901	10,283	-14%
Other tubes and pipes, formed shapes	233,658	244,030	4%	122,023	122,007	0%

North America**

Total throughput, metric tonnes	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Hot metal: total throughput	955,602	1,191,106	25%	331,488	859,618	159%
Crude steel: total throughput	1,153,496	2,029,528	76%	711,443	1,318,085	85%
• Crude steel (Dearborn)	1,153,496	901,795	-22%	389,323	512,471	32%
• Crude steel (Columbus)	0	684,461	n.a.	322,120	362,341	12%
• Crude steel (Sparrows Point)	0	443,272	n.a.	0	443,272	n.a.
Production for sale, metric tonnes						
Semifinished products	0	99,519	n.a.	0	99,519	n.a.
Rolled products:	1,293,020	1,868,688	45%	746,983	1,121,705	50%
• Rolled products (Dearborn)	1,269,309	952,642	-25%	431,267	521,376	21%
• Rolled products (Columbus)	23,711	652,480	n.a.	315,716	336,763	7%
• Rolled products (Sparrows Point)	0	263,566	n.a.	0	263,566	n.a.
Hot-rolled strip and plate	715,244	877,333	23%	383,017	494,316	29%
Cold-rolled sheet	227,306	414,997	83%	150,867	264,130	75%
Galvanised and other metallic coated sheet	350,470	571,395	63%	213,098	358,297	68%

** SNA, Severcorr (consolidated beginning Q1 2008), Sparrows Point (consolidated beginning Q2 2008)

Lucchini

Total throughput, metric tonnes	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Hot metal and pig iron: total throughput	1,283,000	1,250,464	-3%	630,150	620,314	-2%
Crude steel: total throughput	1,913,560	1,774,710	-7%	896,912	877,798	-2%
• Crude steel (Piombino)	1,257,707	1,159,235	-8%	586,515	572,720	-2%
• Crude steel (Ascometal)	655,853	615,475	-6%	310,397	305,078	-2%
Production for sale, metric tonnes						
Semifinished products	601,606	525,188	-13%	282,121	243,066	-14%
Rolled products:	1,262,240	1,292,645	2%	634,756	657,890	4%
• Rolled products (Piombino)	802,466	843,788	5%	414,756	429,033	3%
• Rolled products (Ascometal)	459,774	448,857	-2%	220,000	228,857	4%
Long products	1,104,474	1,129,432	2%	546,857	582,576	7%
Rails	157,766	163,213	3%	87,899	75,314	-14%
Downstream products:	59,233	17,312	-71%	6,653	10,659	60%
Metalware products	22,036	17,312	-21%	6,653	10,659	60%
Wheels, axles, tires	37,197	0	n.a.	0	0	n.a.

Metalware

Production for sale, metric tonnes	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Downstream products:						
Metalware products	547,159	516,354	-6%	251,191	265,163	6%

Izhora pipe mill

Production for sale, metric tonnes	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Downstream products:						
Large diameter pipes	104,878	186,697	78%	78,049	108,649	39%

AVERAGE SELLING PRICES

Consolidated sales

Sales prices (EXW), USD/tonne	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Coal:	55	104	89%	91	118	30%
Coking coal concentrate	81	139	72%	123	155	26%
Coking coal	31	48	55%	47	49	4%
Steam coal	26	33	27%	32	34	6%
Iron ore:	69	96	39%	91	101	11%
Iron ore pellets	75	105	40%	97	112	15%
Iron ore concentrate	58	78	34%	77	79	3%
Gold	0	29,196	n.a.	29,671	28,422	-4%
Semifinished products						
Rolled products:	713	881	24%	769	983	28%
Hot-rolled strip and plate	592	760	28%	640	867	35%
Cold-rolled sheet	670	778	16%	686	864	26%
Galvanised and other metallic coated sheet	896	954	6%	869	1,020	17%
Color coated sheet	1,201	1,325	10%	1,192	1,450	22%
Long products	805	1,041	29%	900	1,179	31%
Rails	735	945	29%	901	990	10%
Downstream products:	1,001	1,344	34%	1,148	1,520	32%
Metalware products	937	1,199	28%	1,045	1,343	29%
Large diameter pipes	1,494	2,335	56%	2,051	2,543	24%
Other tubes and pipes, formed shapes	768	937	22%	810	1,061	31%
Wheels, axles, tires	2,683	0	n.a.	0	0	n.a.

Mining

Sales prices (EXW), USD/tonne	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Coal:	55	104	89%	91	118	30%
Coking coal concentrate	81	139	72%	123	155	26%
Coking coal	31	48	55%	47	49	4%
Steam coal	26	33	27%	32	34	6%
Iron ore:	69	96	39%	91	101	11%
Iron ore pellets	75	105	40%	97	112	15%
Iron ore concentrate	58	78	34%	77	79	3%
Gold	0	29,196	n.a.	29,671	28,422	-4%

Russian Steel

Sales prices (EXW), USD/tonne	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Semifinished products	408	618	51%	502	731	46%
Rolled products:	651	818	26%	687	940	37%
Hot-rolled strip and plate	596	794	33%	665	907	36%
Cold-rolled sheet	653	774	19%	680	877	29%
Galvanised and other metallic coated sheet	915	987	8%	877	1,093	25%
Color coated sheet	1,201	1,315	9%	1,192	1,441	21%
Long products	592	791	34%	618	964	56%
Downstream products:	772	934	21%	812	1,054	30%
Metalware products	814	910	12%	837	979	17%
Other tubes and pipes, formed shapes	768	937	22%	810	1,061	31%

North America**

Sales prices (EXW), USD/tonne	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Rolled products:	698	801	15%	710	869	22%
Hot-rolled strip and plate	600	713	19%	622	790	27%
Cold-rolled sheet	725	786	8%	702	843	20%
Galvanised and other metallic coated sheet	874	932	7%	863	979	13%

** SNA, Severcorr (consolidated beginning Q1 2008), Sparrows Point (consolidated beginning Q2 2008)

Lucchini

Sales prices (EXW), USD/tonne	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Semifinished products	584	653	12%	592	728	23%
Rolled products:	969	1,232	27%	1,132	1,330	17%
Long products	1,004	1,271	27%	1,163	1,375	18%
Rails	735	945	29%	901	990	10%
Downstream products:	2,632	1,172	-55%	1,121	1,207	8%
Metalware products	2,571	1,172	-54%	1,121	1,207	8%
Wheels, axles, tires	2,683	0	n.a.	0	0	n.a.

Metalware

Sales prices (EXW), USD/tonne	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Downstream products:						
Metalware products	875	1,213	39%	1,053	1,365	30%

Izhora pipe mill

Sales prices (EXW), USD/tonne	H1 2007	H1 2008	H1 2008/ H1 2007	Q1 2008	Q2 2008	Q2 2008/ Q1 2008
Downstream products:						
Large diameter pipes	1,494	2,335	56%	2,051	2,543	24%

Comments

The sale of Kuzbassugol was completed in the beginning of April. The impact of the disposal was almost fully offset by a 19% increase in coal production at Vorkutaugol in Q2, resulting in total coal production decline by only 4% quarter-on-quarter. The 19% rise in coal production at Vorkutaugol was primarily due to the solving of geological problems which had impacted coal production in Q1. Vorkutaugol also changed its product mix in Q2 in favour of coking coal concentrate. The production of low grade coal and steam coal reduced due to a seasonal decline in consumption.

Production of iron ore was stable in Q2. Iron ore concentrate output at Olkon rose by 11% and the production of iron ore pellets at Karelsky Okatysh reduced by 4%. Net of intercompany sales pellets sales reduced by 30% and iron ore concentrate sales dropped by 44%. This was due to an increase in intercompany pellets sales (particularly due to shipments to Lucchini's mills in Europe) and a temporary fall in iron ore concentrate shipments to the Cherepovets steel mill in Q1 resulting in Olkon sales to the market. Following Cherepovets steel mill's concentrate consumption growth, Olkon increased intercompany shipments in Q2.

Production of gold grew by 26% quarter-on-quarter due to seasonal factors. The increase mostly came from Aprekovo and Celtic mines.

Production of crude steel at Russian Steel decreased by 3% due to repair works in a converter shop and blast furnace №4 resulting in a 14% fall in the production of semifinished products (mainly slabs). Production of all other products (with the exception of metalware products) increased. Production of hot rolled strip and plates increased the most – by 9% quarter-on-quarter.

Production of crude steel in North America rose significantly, by 85% quarter-on-quarter. The acquisition of Sparrows Point, completed in Q2, contributed to this. Production at Dearborn and Columbus increased by 32% and 12% respectively. This was due to favorable pricing and increased demand in North America as well as the continuing ramp-up of Blast furnace "C" at Dearborn.

Production of crude steel at Lucchini fell by 2%, resulting in a slight reduction of slab and rails production, while long products (especially wire rods) throughput rose by 7%.

With repair works completed at Izhora Pipe mill in Q1 the production of large diameter pipes increased by 39% in Q2 2008.

Weighted average selling prices increased across the business, with the exception of gold, which fell by 4% reflecting the relative volatility of gold prices in the market. Severstal steel prices have changed in line with those in the wider steel market. The biggest growth (56%) came from long products at Russian Steel. The appreciation of the Russian ruble also played a role.

Note:

Semifinished products include slabs, billets, ingots, steel casting and forgings.