

Severstal

Investor Presentation

10 September 2008

Severstal



Introduction and Market Update – Alexey Mordashov

Overview of Severstal – Sergei Kuznetsov

Corporate Strategy – Alexey Mordashov

Disclaimer

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Principal Speakers



Alexey Mordashov
CEO Severstal



Sergei Kuznetsov
CFO Severstal



Gregory Mason
COO Severstal
CEO Severstal International



Roman Deniskin
CEO Severstal Resources

Today's Agenda

- Overview of Severstal
 - Alexey Mordashov and Sergei Kuznetsov
- Severstal International
 - Gregory Mason
- Severstal Resources
 - Roman Deniskin
- Conclusion
 - Alexey Mordashov

1. Introduction and Update

Alexey Mordashov

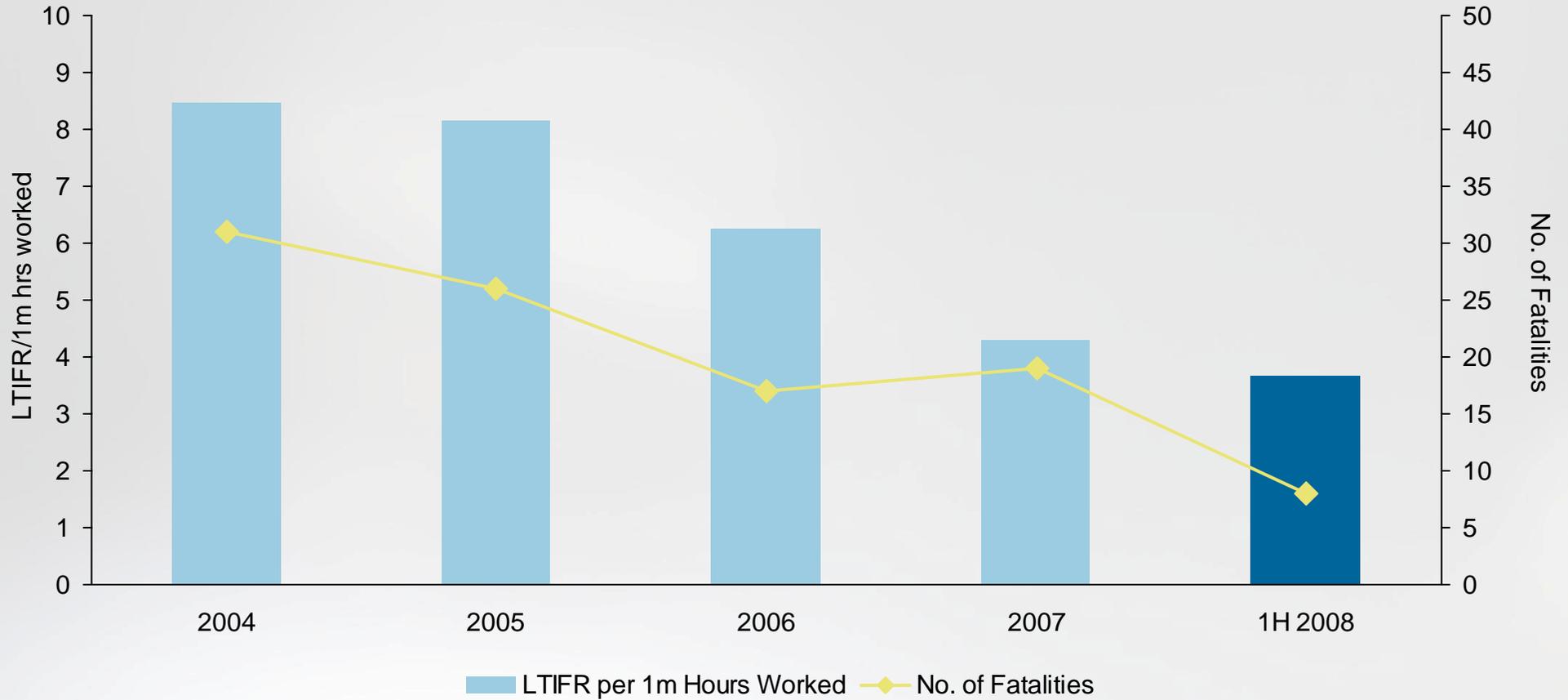


An International, Vertically Integrated Steel Player

- Leading crude steel producer
 - 23m tonnes of crude steel production in 2008
 - 25m tonnes of capacity by end of 2008
- 2nd largest producer of steel and steel products, iron ore pellets and coking coal in Russia
- 4th largest integrated steel producer in the US
- Record 1H08 – revenue up over 36% to \$10.5 billion and EBITDA up over 34% to \$2.8 billion with strong outlook for the full year



Steadily Improving Safety Record



Source: Company

New Corporate Structure



Transparency, accountability and best practice transfer

Source: Company
 Note: Pro forma, non-audited, for illustrative purposes

Robust Corporate Governance

International recognition of governance standards – awarded ‘The Best Progress in Corporate Governance’ by the Investor Protection Association in December 2007

- 5 out of 10 Directors, including the Chairman of the BoD, are independent as defined by the UK Combined Code
 - Uncommon for Russian companies
- Separate committees for Audit, Remuneration/Nomination and Strategy



(1) Independent Directors.

Strong Growth in Global Steel Demand ...

Finished Steel Products

(m tonnes)



Source: IISI April 2008 Short Range Outlook

- Strong growth in recent years driven by BRIC markets
 - Infrastructure projects
 - Urbanization trends
- Record capacity utilization
 - Capacity expansions limited by rising construction costs and availability of financing
- Robust global demand expected in 2009 and beyond

... With Strongly Rising Raw Material Prices ...

Iron Ore Prices

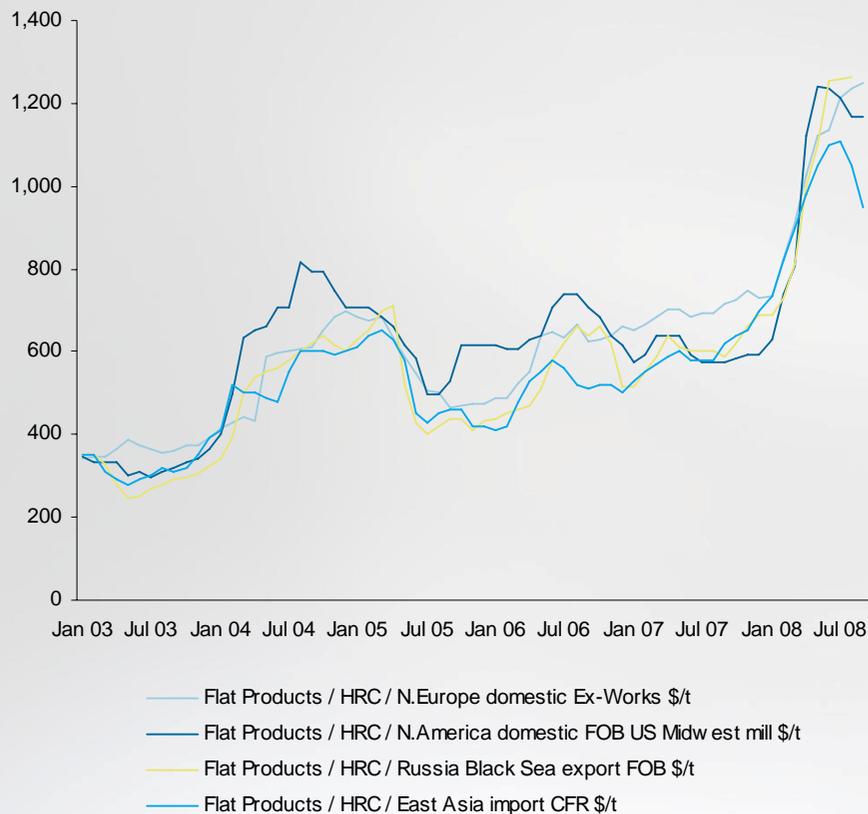
(\$/tonne)



Source: Severstal Resources

- Unprecedented increases in iron ore, coking coal and scrap prices in 2008
- Continuing tight supply/demand situation
- Capacity constraints and high global consolidation to drive markets in 2009
- Further increases in value of vertical integration and mining competences

... And Substantial Step-up in 2008 Steel Prices



Source: SBB

- Substantial price increases in all regions in 2008
 - Based on high capacity utilisation and sustained demand
 - Full pass-through of raw material cost increases
 - More consolidated markets – Russia, US and Europe – demonstrate better price discipline
- Positive 1H results and outlook statements by Russian and international peers
- Recent dip in Asian pricing reflects seasonal and one-off effects
 - Need to await removal of “Olympics” factor for more clarity on regional price trends
 - Underlying demand in emerging markets remains robust

2. Overview of Severstal

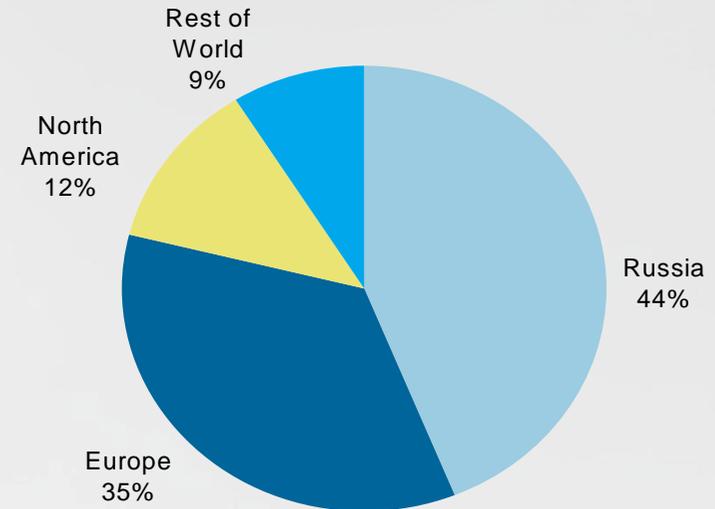
Sergei Kuznetsov



Strongly Positioned in Our Markets

- Geographically diversified across four continents. Facilities in over 20 locations
- Strong market shares in Russia and the US
- Attractive niche markets in Europe

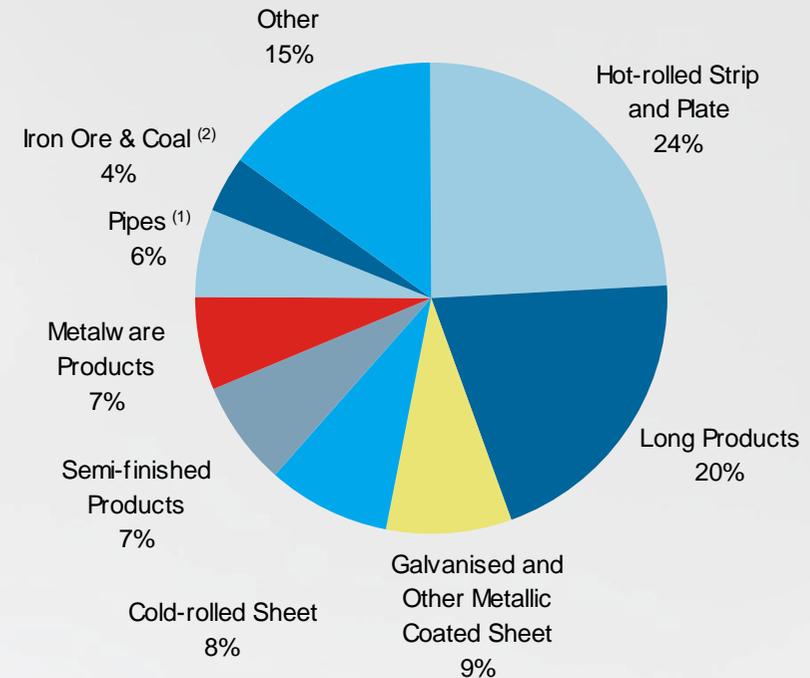
2007 Revenue by Geography



Balanced Mix and Value-added Products

- Balanced products mix with focus on high value-added products in attractive niche markets
- Vertically integrated business model
- Iron ore and coal mines
- Integrated and EAF steel mills and rolled product plants
- Downstream production and distribution businesses

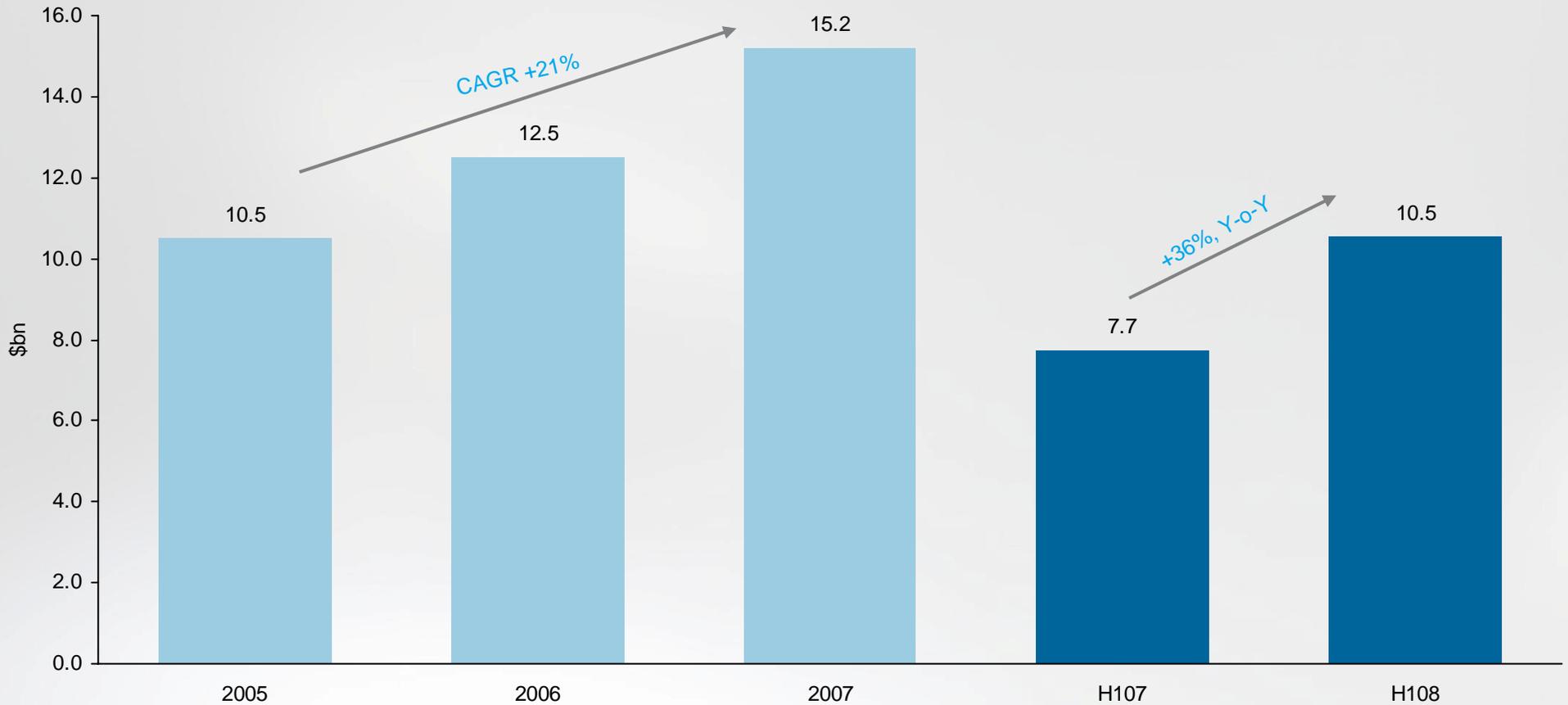
2007 Revenue by Product



(1) Includes: 'Large diameter pipes' and 'Other tubes, pipes, formed shapes'

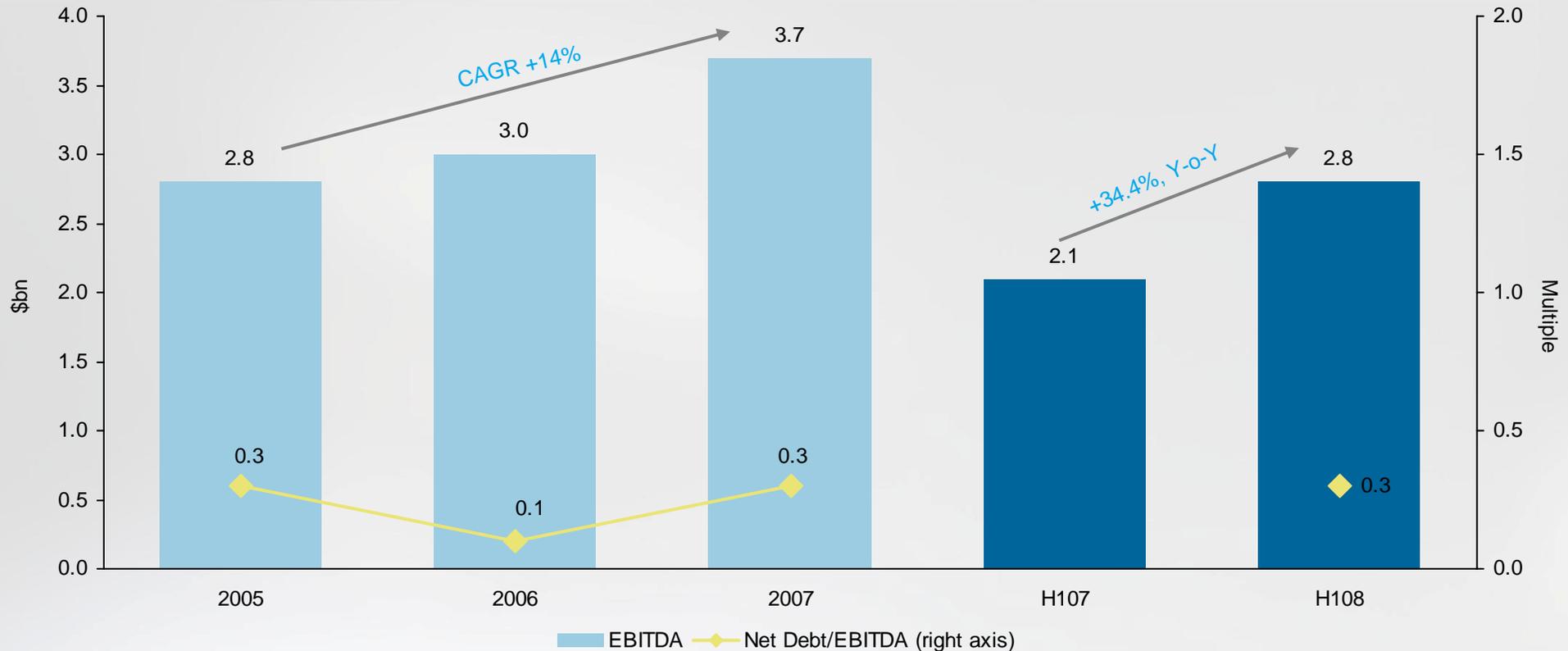
(2) Includes 'Coal and coking coal concentrate' and 'Pellets and iron ore'

Strong Revenue Growth



Source: Company

Strong EBITDA Growth, Low Gearing



- Despite active M&A strategy and expansion capex, we maintain a conservative balance sheet
- Diversified, proactive financing policy

Note: 1H07 Net Debt / EBITDA is n.m. due to positive cash balance

Source: Company

Dividend Policy

- Policy is to pay out at least 25% of earnings
- Declared and paid quarterly

	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08
EPS (\$)	0.39	0.60	0.32	0.34	0.44	1.49
DPS (\$)	0.10	0.39	0.10	0.17	0.22	0.75
Payout Ratio (%)	25.6	65.0	31.3	50.0	50.0	50.3

Source: Company

3. Corporate Strategy

Alexey Mordashov



Severstal Strategy

- Integrated steel and mining business model worldwide
- Target critical mass in key regions and markets
 - Focus on high-growth steel products responding to regional demand
 - Technology-intensive products in selected niches and regions
- Regional diversification with emphasis on structural attractiveness
 - Growing long-term demand
 - High consolidation and market discipline
 - Availability of local raw materials
- Low-cost business model to address cost inflation pressures
 - Vertical integration globally
 - On-going investments in operational efficiency
 - Further capture of energy and labour efficiencies

Target: Sustainable Margins and High Returns on Investments

Vertical Integration

Regional Diversification

Critical Mass

- Higher Margins
- Lower Volatility
- Stability of cash flows in consolidated markets



Acquisitions of undervalued assets with visible turnaround potential and greenfields in low-cost areas

- High Return on Investments

Severstal Market Overview

- Russia
 - High growth market
 - Construction and infrastructure boom in early stages
 - Local raw materials and abundant scrap generation
- North America
 - Structural trend for reindustrialization to support consumption growth
 - High consolidation and market discipline
 - Globally competitive raw materials
- Europe
 - Sophisticated end-markets for niche and technology-intensive products
 - High consolidation
- Frontier markets
 - Abundant steelmaking raw materials
 - Opportunities to develop low-cost production

Development Focus

- Russia and North America – critical mass in flats, one of the market leaders
 - Russia: No.2 flat steel producer, 30–50% market share in flat market segments
 - Development in Russia – build a strong position in longs to address infrastructure and construction boom – become one of the market leaders (like in flats)
 - US: No.3 flat steel producer, continuing ramp-up of capacity
- Vertical integration
 - Done in Russia – task is mine extension, cost control
 - No.1 priority for the US
- Europe – niche and high-value player in consolidated markets
 - Look for opportunities to realise assets' potential in the local market
- Frontier markets
 - Low-cost raw materials production through greenfields and brownfields
 - Assess opportunities for steel production

Strategy in Action: Russia

- Critical mass and leadership in the domestic market
 - High share in the key flat steel product markets
 - Expansion in high-demand long products to target infrastructure growth
 - Rebar greenfield mini-mill in the Volga region
 - Heavy beams mini-mill
 - Tubes and sections greenfield mill in Sheksna
- Improving value-chain in downstream and distribution
 - Kolpino service center to be launched in 4Q08
- Full raw materials self-sufficiency
 - Focus on mines optimisation and life extension



Strategy in Action: North America

- Target critical mass in key regions where we can build an integrated low-cost business model
- Critical mass delivered with recent acquisitions and investments
 - Severstal Sparrows Point in Baltimore, Maryland
 - Severstal Columbus, a greenfield plant in Columbus, Mississippi
 - Severstal Warren with major production facility in Warren, Ohio
 - Severstal Wheeling
- High returns on investment through low acquisition cost and subsequent improvement
- Raw materials integration in progress
 - Agreement to acquire PBS Coals to rise self-sufficiency in metallurgical coal by 50%
 - Acquisition of the remaining 50% of Mount State Carbon Coke JV with the Esmark acquisition



Strategy in Action: EU and Other Markets

- Western European Leader in selected high value-added customised products
 - Strong position in engineering steels (SBQ) and rails
- Strategic opportunities to strengthen position in the Italian market
 - Value-chain reinforcement via acquisition of downstream: Redaelli
 - Strategic investment in Piombino to substitute slabs for premium flat steel products
 - 1.5m tonnes hot-strip mill to be launched in 2010
- Emerging markets with substantial demand potential
 - Abundant steelmaking raw materials
 - Opportunities to develop low-cost production
 - Promising demand growth



Strategy in Action: Mining

- Essential part of Severstal is integrated business model
- Unique expertise of mining management in challenging environments
- Focus on global expansion to secure raw materials self-sufficiency and leverage mining expertise
 - Value-driven acquisitions
 - Greenfield development securing future growth needs
 - Utilisation of full potential for existing assets
 - Selected high-return projects in non-ferrous mining
- Recent Activity
 - PBS Coals acquisition to secure 50% of North American coal needs
 - Mano River license acquisition to enter African mining opportunities with a potential to supply low-cost iron ore to US and Italy
 - Mine life extension and capacity maximization in Russian iron ore



Summary

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