

Severstal

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Severstal Resources

10 September 2008



Overview

Market Dynamics and Strategy

Operational Review

Conclusions

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1. Overview

– Roman Deniskin



Summary

- We are a globally expanding mining business with EBITDA of over \$500m for 1H 2008, meeting 120% of Severstal's internal needs in iron ore (Russia), over 50% (globally) and over 90% needs in coking coal (Russia), over 40% (globally)
- Our strategy is predicated on the growing global steel demand based on global industrialisation and urbanization of entire markets, which will drive iron ore and coking coal demand
- Our objective is to grow as a cost leading mining business based on prime quality product on a cost competitive basis
- We also aim to diversify into other minerals (gold, etc.) where we can achieve attractive market positions and investment returns
- We balance project pipeline by early stage and developed projects in iron ore, coal, gold and potentially other minerals
- In our existing assets we pursue operational improvement programs and technology changes to improve on safety track record and cost position further
- Outside Russia, where we already hold a strong position, our primary growth interests are in Africa and the Americas

Key Facts

- A leading producer in each of its business categories – coking coal, iron ore pellets and gold
- Growth focus on superior product quality; safe and cost competitive operations
- 2007 production: 7.6m tonnes of coking coal, 1.8m tonnes of steam coal, 10m tonnes of iron ore pellets, and 4.7m tonnes of iron ore concentrate
- Gold business segment: 2007 output of over 170,000 Oz.
- Agreement to purchase up to a 61.5% stake in iron ore deposit in the Putu Range area of Liberia, West Africa reached in May 2008
- Agreement to acquire 100% of PBS Coals, a coking coal company in USA, reached in August 2008

(\$m)	2007	1H08	1H08 ⁽¹⁾
Revenues	\$2,197	\$1,587	\$1,309
EBITDA	501	533	517
EBITDA Margin (%)	22.8	34	40
ROIC	19	22	23
Return on Assets	10	14	16
Capex	\$394.0	\$216.0	\$202.0

(1) Excluding result of scrap operations.

Source: Severstal Resources

Strong Performance in Safety and Profitability

Metrics	2003	2004	2005	2006	2007 ⁽¹⁾	2008, Forecast ⁽¹⁾	Growth since 2003
Incident Frequency Rate (Per 1m Working Hours)	20.0	16.7	15.5	10.6	6.2	–	(69)%
Run of mine (ROM) (m tonnes)	125.2	138.7	171.0	174.9	180.0	187.8	50%
EBITDA (\$bn)	0.1	0.3	0.6	0.4	0.5	1.0 - 1.1	1000%
EBITDA Margin (%)	19%	36%	45%	30%	23%	32%	68%
ROM Extraction per Employee (000s Tonnes/Employee)	3.5	4.3	5.7	5.8	6.8	8.6	146%
Production Cash Costs per Tonnes (\$/tonne) ⁽²⁾	24.0	24.7	33.7	36.6	36.9	46.4	93% ⁽³⁾

(1) Result from scrap operations and gold assets included.

(2) Calculations based on iron ore and coal production.

(3) RUR appreciation vs. USD; costs inflation (labor, utilities, materials, services); growth of coking coal concentrate share in total coal production volume – caused increase of production costs.

Our Philosophy

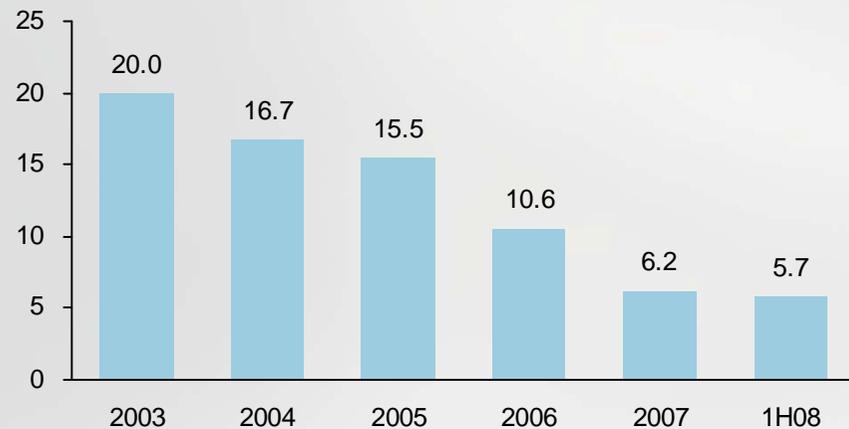
- Safety
 - Zero accidents target
 - 78% decrease in accidents from 2003–2007
- People
 - Dynamic management team with strong track record
 - Open corporate culture with focus on people engagement
 - Aspiration to be a preferred employer in Russia
- Growth
 - Primary raw materials for steel with focus on safety and cost competitive operations
 - Regional and mineral diversification, leveraging corporate and divisional strength
- Operational efficiency
 - Cost improvement initiatives and new technological solutions at existing assets

Health, Safety and Environmental Performance are Steadily Improving

- **Health and Safety:** Visible improvement in working conditions and safety indicators, including Total Recordable Incident Frequency rate

Incident Frequency Rate

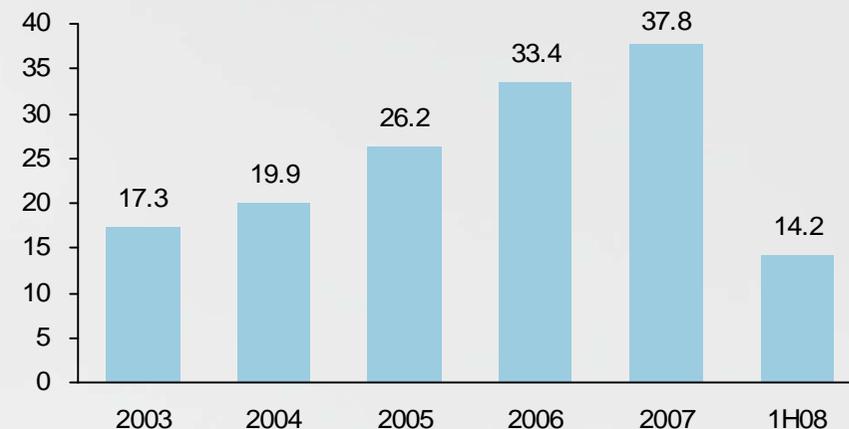
(Per 1m Working Hours)



Source: Severstal Resources

Investments in Labour safety

(\$m)



Source: Severstal Resources

Environmental

- Operates under strict supervision of Russian environmental bodies
- Compliance with all environmental guidelines
- Introducing procedures allowing its mining assets to comply with the future, more stringent environmental laws (Karelsky Okatysh to comply with Finnish environmental regulations and Vorkutaugol introducing Coal Mine Methane utilisation)

Management Team

CEO



Roman Deniskin
With Severstal Resources since 2002

Previous experience
McKinsey&Company, Inc

COO



Alexander Grubman

Joined the team in 2006

Previous experience:
UNIMILK
Suninterbrew
Coca-Cola

CFO



Alexey Kulichenko

Joined the team in 2005

Previous experience:
UNIMILK
Suninterbrew
Rosar

HR



Elena Romanova

Joined the team in 2003

Previous experience:
McKinsey&Company, Inc
Coca-Cola

SML



Sergey Starodubtsev

Joined the team in 2003

Previous experience:
Effes
Suninterbrw
Coca-Cola

Legal



Olga Khokhlova

With Severstal since 2007
To join Resources team In Oct 2008

Previous experience:
Freshfields Bruckhaus
Deringer,
White&Case, LLC

Purchasing



Pavel Lezhnev

With Severstal since 1995

Joined the Resources team in 2004

Geology



Vladimir Shvetsov

Joined the team in 2007

Previous experience:
Geo Inter Consultants
Komi Aluminium
Polar Geology

Strategy



Boris Granovsky

Joined the team in 2006

Previous experience:
A.T.Kearney
KPMG

Communication



Ekaterina Kapralova

Joined the team in 2008

Previous experience:
Public Area
Sladko Group
British Council

Gold



Nikolai Zelenski

Joined the team in 2004

Previous experience:
McKinsey&Company, Inc

People Driven Company

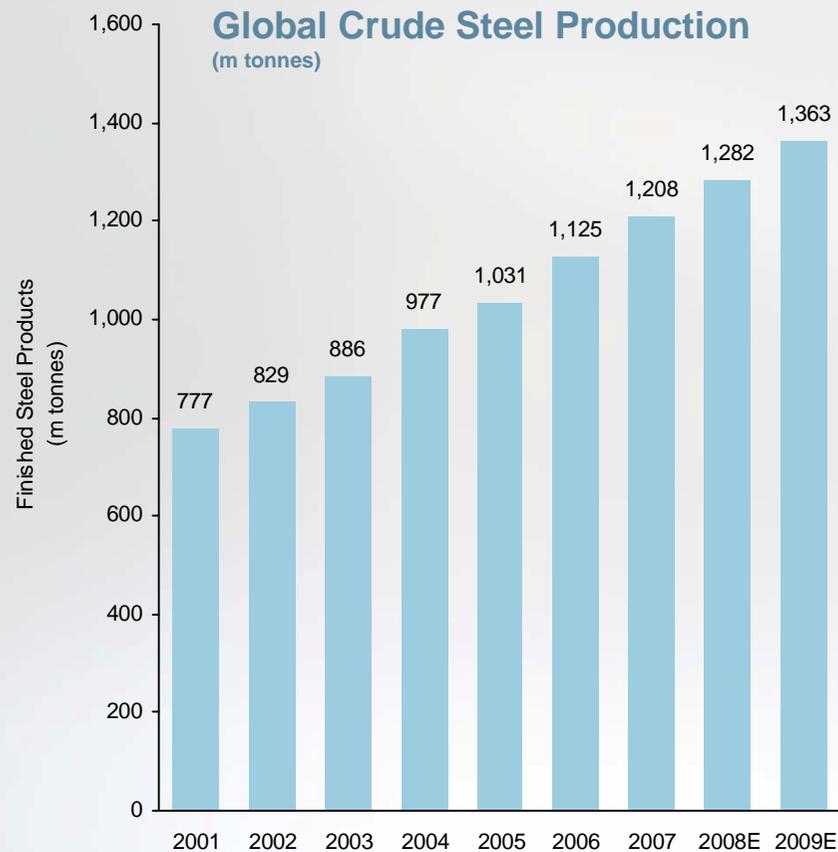
- Rigorous performance management process, especially for top 500 managers
- Training and development programs for all employees
- Grading system based on Watson Wyatt Co. methodology
- Code of Corporate Values and Ethics committee to control Code compliance
- Corporate Standards for Working Conditions on mining sites
- Agreements with trade unions until 2010

2. Market Dynamics & Strategy

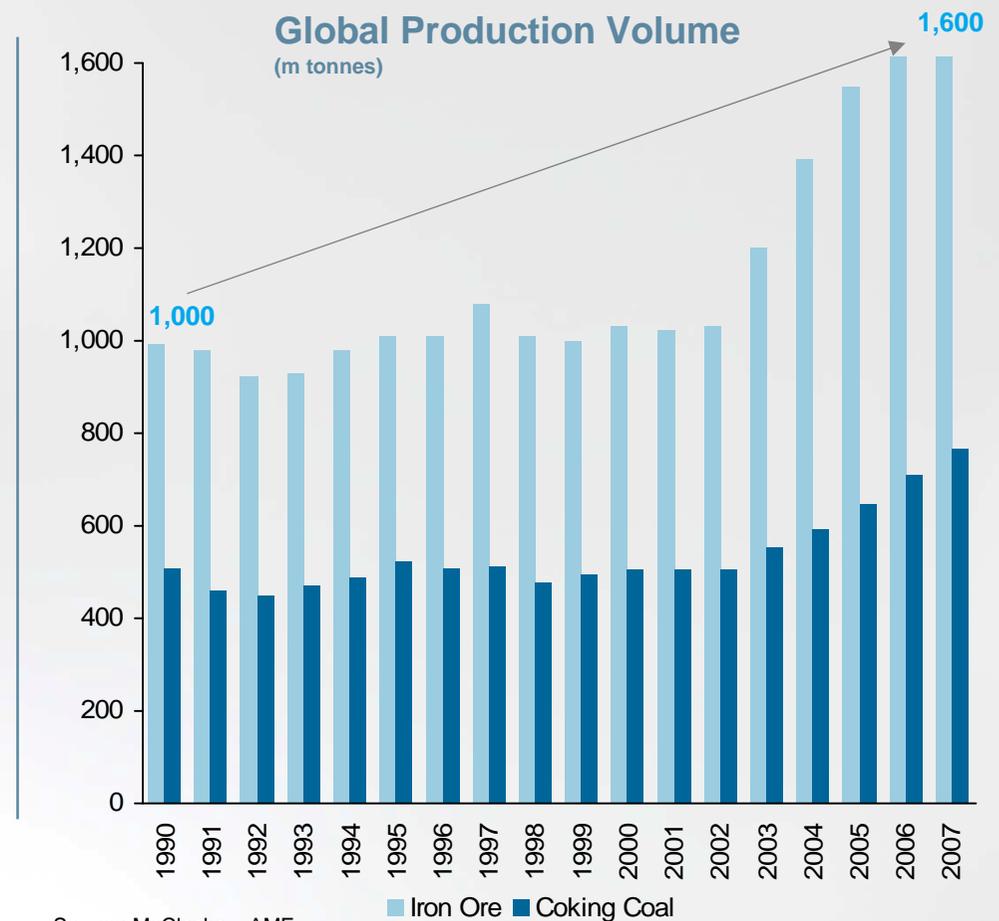


Iron Ore and Coking Coal Fundamentals

- Demand for steel is expected to be robust, driven by continued urbanisation and industrialisation in BRIC countries and beyond
- Strong demand for steel primary raw materials: iron ore and coking coal



Source: IISI April 2008 Short Range Outlook



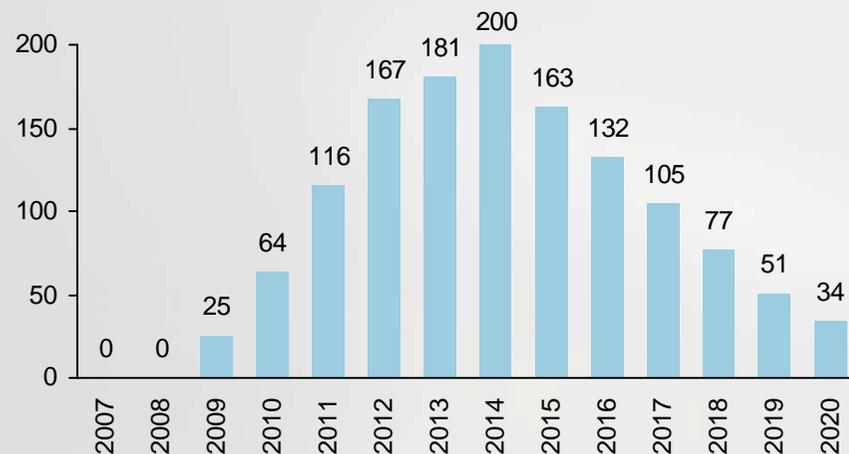
Source: McCloskey, AME

■ Iron Ore ■ Coking Coal

Global Iron Ore Demand-Supply Balance

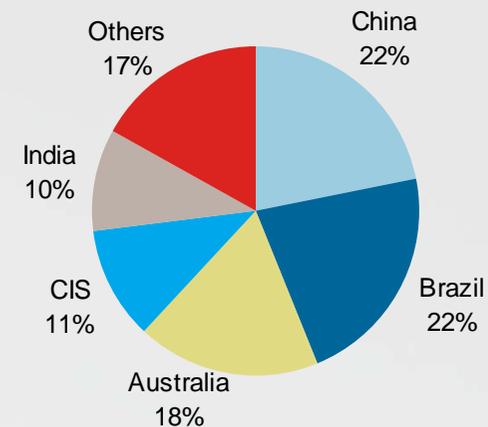
Forecasted Iron Ore Supply Surplus

(m tonnes)



Source: McKinsey

Supply Breakdown by Country, 2007



Source: McKinsey

- Large volume iron ore projects in Australia, Brazil and Africa may create overcapacity in mid-term
- Project delays may significantly limit iron ore supply
- Brazil and Australia are the largest exporters of iron ore with a combined 74% share of global seaborne market
- Largest three iron ore producers (Vale, BHP and Rio Tinto) account for 37% of production

Russia: Iron Ore Market

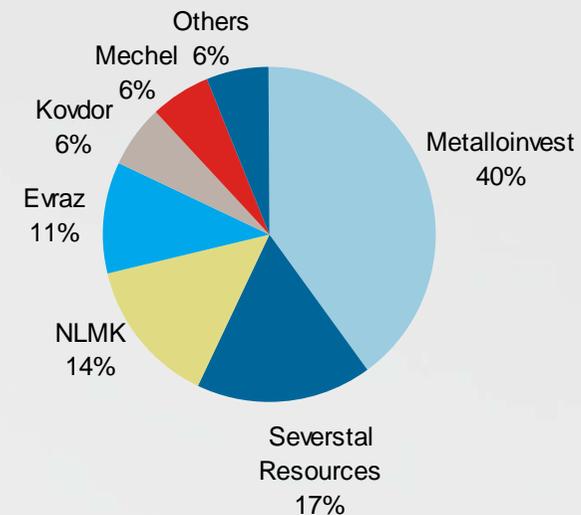
Iron Ore Prices

(\$/tonne)



Source: Severstal Resources

Iron Ore Market Share in Russia



Source: Rudprom

- Three largest players account for 71% of the Russian iron ore market
- Domestic prices in Russia are linked to seaborne price benchmarks
- Severstal Resources is the second largest player with 17% share of Russian production
- Iron ore production in Russia exceeds demand by 27% with remaining volumes exported to Eastern and Western Europe

Severstal Resources Iron Ore Strategy

- Capacity growth and operational efficiency improvement at Karelsky Okatysh and Olkon
- Geographical expansion by acquiring world class deposits in Africa and the Americas matching the following criteria:
 - Safe and low-cost operations
 - High quality products
 - Access to infrastructure
 - Access to seaborne market or ability to supply Severstal steel mills

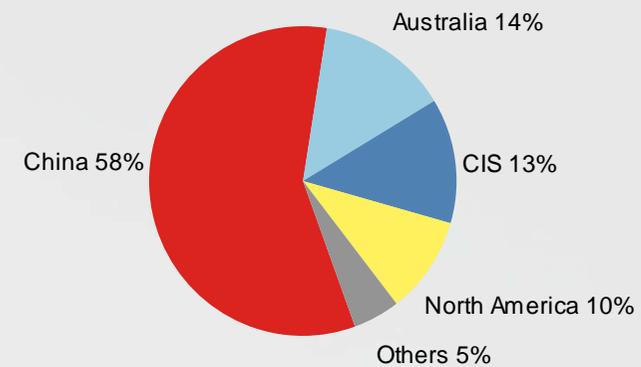
Global Coking Coal Demand-Supply Balance

Demand-Supply⁽¹⁾
(m tonnes)



Source: McCloskey

Supply Breakdown by Country



Source: McCloskey, Barlow Jonker

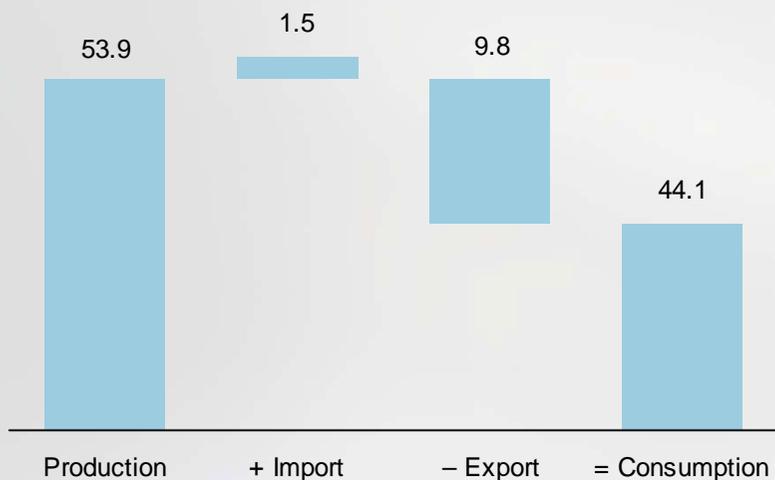
- Australia, CIS and North America are the largest net exporters of hard coking coal
- Launch of new projects is limited due to global scarcity of high quality hard coking coal resources

(1) Assumptions for estimation of new project delays are: 20% delay for additional capacity launched in 2009–2011, 30% for 2012–2015 and 50% for 2016–2018.

Russia: Coking Coal Market

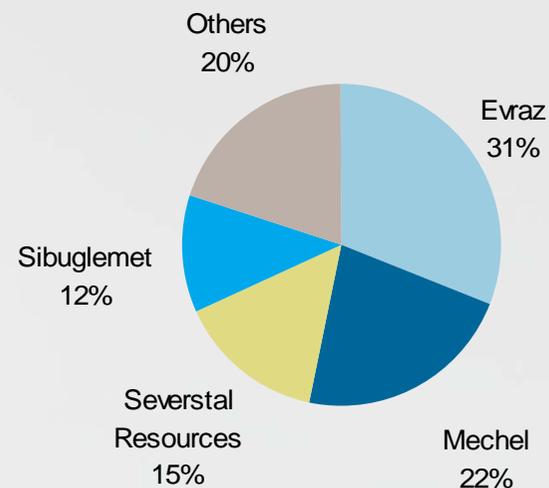
Supply/Demand Balance Coking Coal Concentrate, 2007

(m tonnes)



Source: McCloskey, CDU TEK

Coking Coal Producers in Russia, 2007



Source: McCloskey, CDU TEK

- Coking coal supply in Russia is expected to grow primarily due to large scale greenfield projects in Yakutiya
- Positive pricing dynamics in Russian and global markets

Coking Coal Strategy

- Cost reduction in Vorkutaugol
- Identify and develop greenfield opportunities in Russia
- Pursue coking coal opportunities in the Americas and Africa, meeting the following criteria:
 - Safe operations
 - Premium coal quality
 - Low-cost production
 - Access to infrastructure
 - Access to seaborne market or ability to supply Severstal steel assets

PBS Coals Overview

Company Description

- PBS coals is a producer of coking coal in Pennsylvania, USA
 - Six surface and six underground mines, two preparation plants
 - 133.5m tonnes of high quality coal reserves and 228.3m tonnes of coal resources
 - Good access to infrastructure for sales to seaborne market
 - Located in proximity to Severstal steel mills in North America and ensures coking coal self sufficiency of North American operations by 50%
 - Experienced management team

Growth Potential

- Mine expansion initiated to increase production from 3.2m tonnes in 2007 to 4.0m tonnes in 2011
- Product mix will change towards higher value added products (from 68% of coking coal in 2008 to 92% in 2011)



Operation	Geographic Location	Distance to PBS Coals Operations
PBS Coals Operations	Centered in Friedens, Pennsylvania	
SNA Operations		
(1) Severstal Dearborn	Dearborn, Michigan	349 miles
(2) Severstal Wheeling	Wheeling, West Virginia	113 miles
(3) Severstal Sparrows Point	Baltimore, Maryland	174 miles
(4) Severstal Warren	Warren, Ohio	150 miles

Source: RBC Capital Markets

Gold: Market Update

Three Key Factors Determine Upward Pressure on Gold

Investment Demand

- Lower expected GDP growth, higher inflation, depreciating dollar resulting in higher investment demand globally
- Central Banks decreasing Net Sell Positions
- ETFs accumulate gold

Jewellery Consumption

- Next phase of the economic growth in BRIC countries expected to result in increased consumption of luxury goods, in particular jewellery

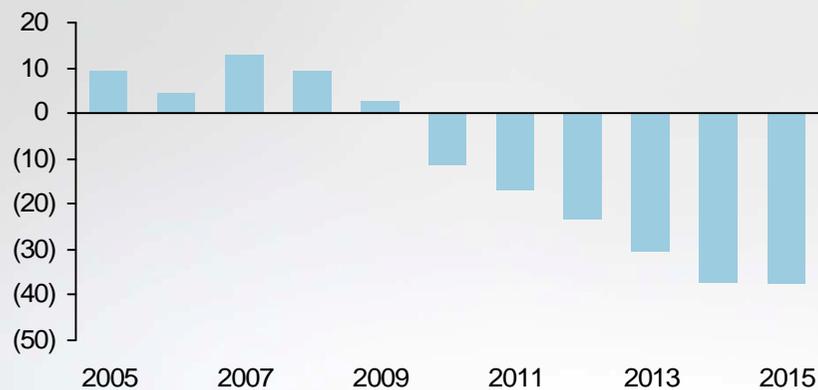
Diminishing Supply

- Diminishing supply on a global level is resulting in a long term imbalance
- Expected increased production costs and lack of world-class deposits

Gold Production in 2007 (m oz)

Country	Production (m oz)
China	9.7
South Africa	9.6
Australia	8.7
US	8.4
Russia	6.0
Peru	5.9
Indonesia	4.8
Canada	3.6
Ghana	2.8
Uzbekistan	2.6

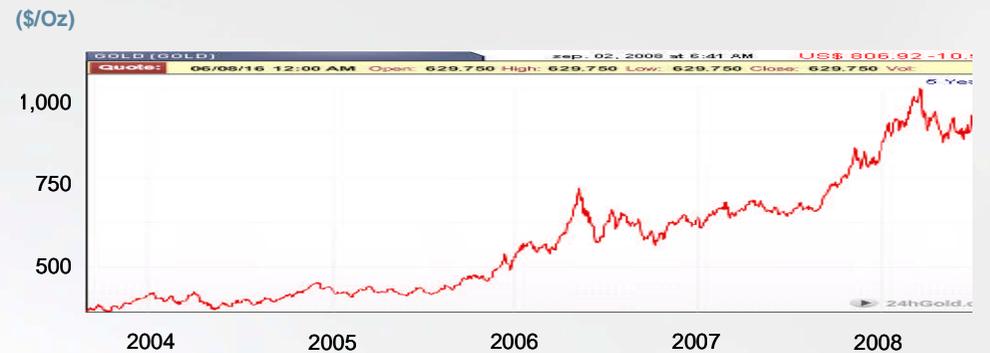
Forecasted Supply/Demand Balance (m oz) Underpins Attractive Long-term Gold Price



Source: World Gold Council, CRU, 24hGold.com

- World gold production in 2007 totaled 86.2m oz
- Top-10 producing countries account for 72% of world production

Historical Gold Price (\$/Oz)



Severstal Resources Gold Strategy

Strategy

- To build within five year horizon a balanced portfolio of gold assets including
 - Producing mines
 - Explored reserves
 - High potential exploration blocks

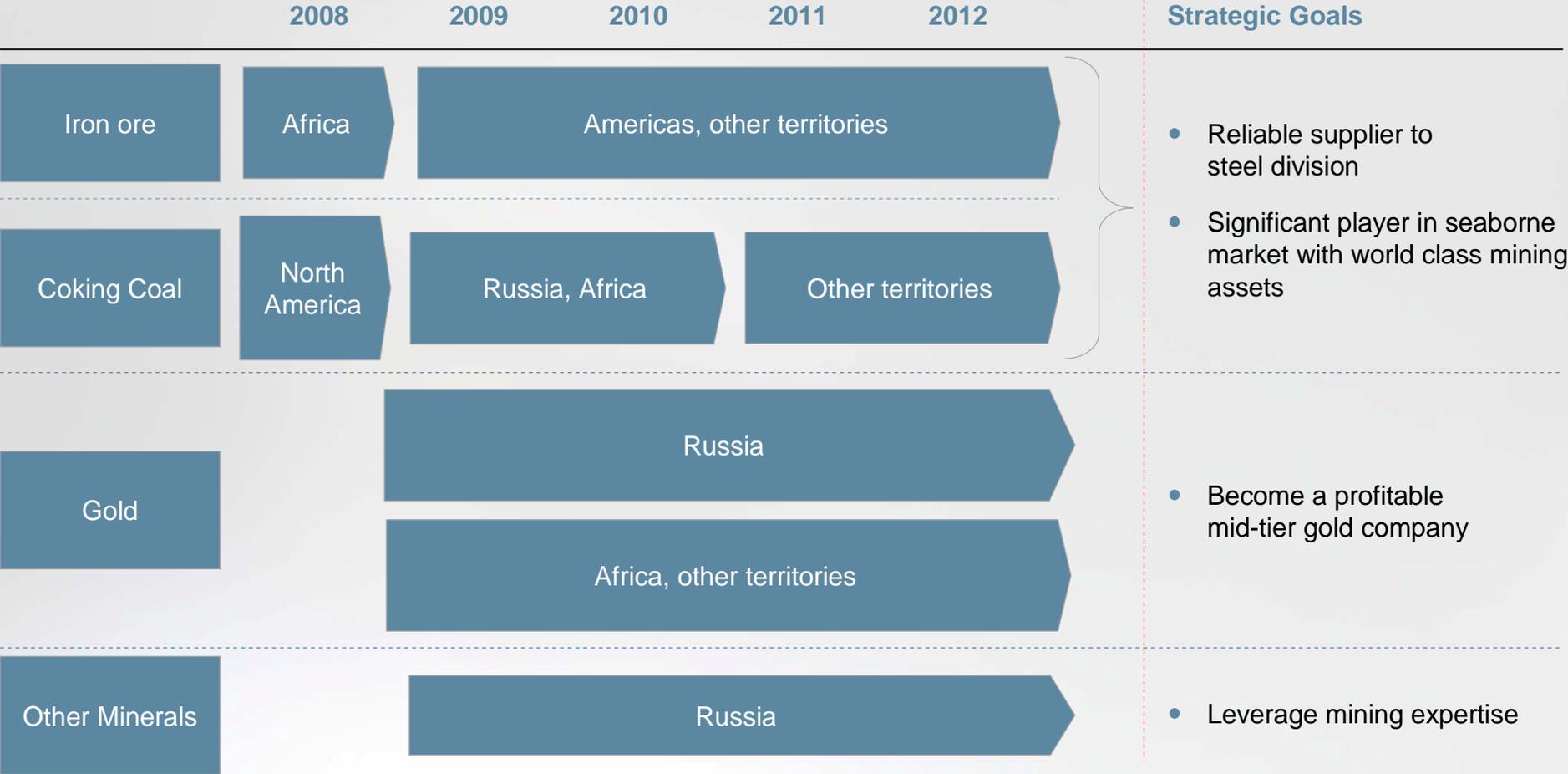
Medium-term Growth Targets

- Greenfield
 - Exploration at Transbaikal blocks acquired in 2007–2008 will increase Severstal gold resource base. The resource potential of the blocks is estimated to be in excess of 10m oz. The blocks will not be brought into production until 2012
- Brownfield
 - Expansion of Neryungri and Suzdal operating mines will significantly increase gold production
 - Two other mines (Balazhal and Zherek) will be reopened in 2008–2009

Longer-term Goal

- Create a mid-tier gold company through organic growth and possible acquisitions of exploration and production assets
- Severstal intends to bid for Sukhoi Log, the world largest undeveloped gold deposit, located in Russia

Severstal Resources 2008–2012 Growth Roadmap



4. Operational Review – Alexey Kulichenko



Summary of Operational Overview

- Severstal Resources' Russian operations consist primarily of
 - Two iron ore complexes: Karelsky Okatysh and Olkon in northwest Russia
 - One coal mining complex: Vorkutaugol in northwest Russia
 - Gold mining assets in east Russia and in Kazakhstan
- With a focus on high value-added products, such as export quality iron ore pellets and coking coal concentrate, Severstal Resources had a total output of 14.7m tonnes of iron ore and 9.4m tonnes of coal in 2007
- Severstal Resources estimates that, as of 30 June 2008, it had iron ore reserves and resources of approximately 1,650m tonnes and metallurgical coal reserves and resources of approximately 297m tonnes ⁽¹⁾
- Severstal Resources expects to achieve headcount efficiency due to higher productivity through increased use of technology, employee training and the optimization of organisational structures

(1) Based a report issued by IMC Consulting Ltd. dated 14 August 2006, prepared in accordance with JORC reporting standards, adjusted for actual production since 1 January 2006 and for the disposal of the Kuzbassugol mining complex in April 2008.

Overview of Operations

Karelsky Okatysh

(Iron ore Pellets)

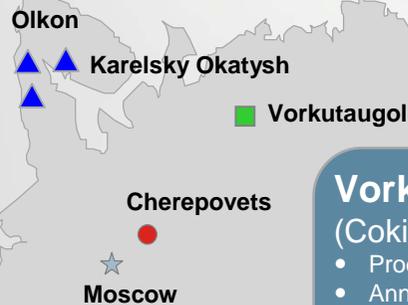
- Produces iron ore pellets
- Annual output: 10.0m tonnes
- JORC reserves and resources: 1,269m tonnes
- Located in Karelia Republic
- Employees: 5,332

Olkon

(Iron ore Concentrate)

- Produces iron ore concentrate
- Annual output: 4.7m tonnes
- JORC reserves and resources: 381m tonnes
- Located in the Murmansk region
- Employees: 2,521

- Cherepovets
- ▲ Severstal Resources gold mines
- ▲ Iron ore
- Coal



Vorkutaugol

(Coking and Steam Coal)

- Produces coking and thermal coal concentrate
- Annual output: 6.9m tonnes
- JORC reserves and resources:
- Coal – 297m tonnes
- Located in Komi Republic
- Employees: 13,335

Gold Division

- 3 producing mines
- Annual output: 170,000 oz
- Reserves and resources: >15m oz
- Located in Transbaikal region of Russia and Kazakhstan
- Employees: 1,800

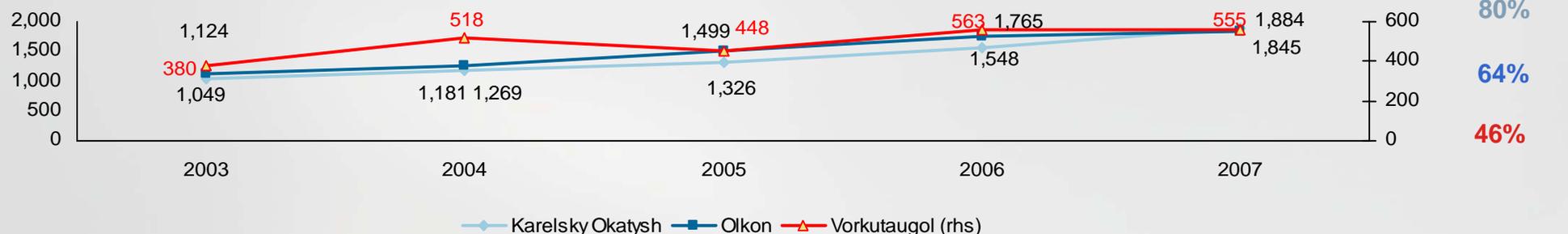
- ✓ Favourable locations
- ✓ 1.65bn tonnes of iron ore reserves / resources
- ✓ 0.3bn tonnes of coal reserves/resources
- ✓ High quality assets undergoing operational improvement programme

Source: Severstal Resources

Increasing Labour Productivity

Restructuring and headcount reduction programme's provided annual labour cost savings up to \$100m by 2007

Coal and Iron ore Production (Tonnes / Employee)



Headcount	2003	2004	2005	2006	2007	Change since 2003
Karelsky Okatysh	6,683	6,471	6,658	6,101	5,332	(20%)
Olkon	3,137	2,853	2,685	2,534	2,521	(20%)
Vorkutaugol	19,619	17,273	15,355	14,550	13,335	(32%)

- Higher productivity through increased use of technology
- Employee training
- Optimisation of organisational structures
- Outsourcing
- Operational efficiency programme

Source: Severstal Resources

Karelsky Okatysh: KPI

	2007	1H08		2012
Reserves and Resources (m tonnes)	1,284	1,269	↔	1,452
Production Volumes (m tonnes)	10.0	5.2	↔	11.4
EBITDA Margin (%)	40	47.2		
Production Cash Cost (\$/Tonnes)	35	43		
Capex (\$m)	98	46		
Headcount (FTE)	5,332	4,878		



Source: Severstal Resources

Karelsky Okatysh Secured Growth

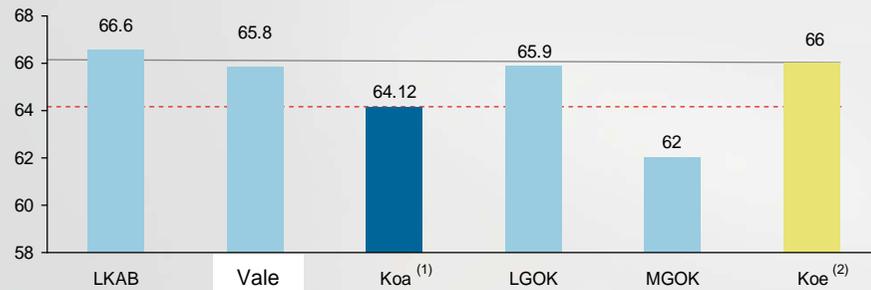
Selected CAPEX projects amounting to \$743.0m in 2008–2012 will secure

- **Volume growth** from 10.0 to 11.4m tonnes per year via expansion of ore extraction (development of the Korpangsky field), increasing the production capacity of beneficiating plant
- **Cost savings** by 10% via application of energy-saving programme, development of new refining technologies (dry magnetic separation) to increase productivity at the beneficiating plant, introduction of new cost-saving ore processing technologies (tailing, thickening), etc.
- **Upward pricing** by 9% to the current state with pellet quality improvement. Fe content to be increased up to 66% and detrimental impurities (SiO_2 , $\text{Na}_2\text{O}+\text{K}_2\text{O}$, S) to be halved or more by introduction of dry magnetic separation and flotation at the beneficiation plant

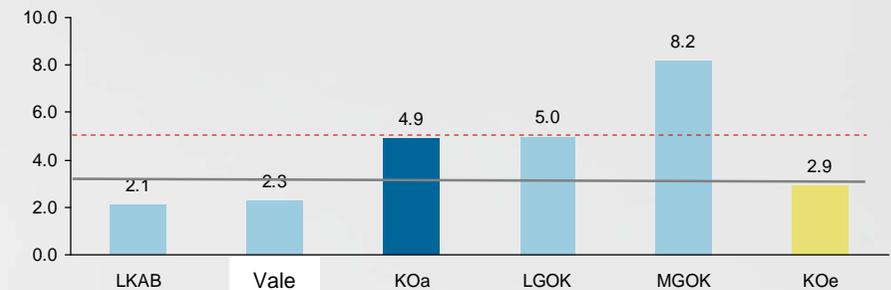
Product Quality: Karelsky Okatysh vs. Peers

Quality improvement due to dry magnetic separation and flotation will lead to upward pricing by 9%

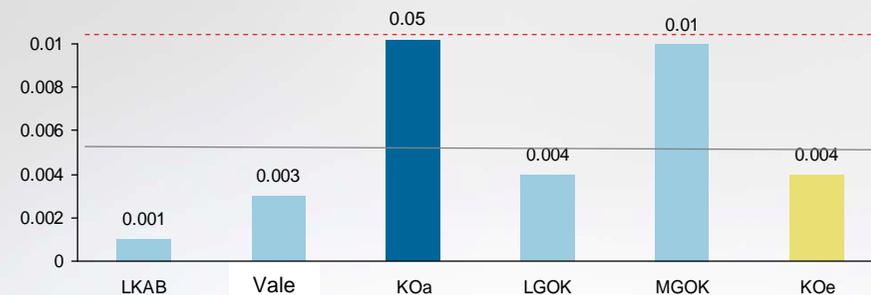
FE (%)



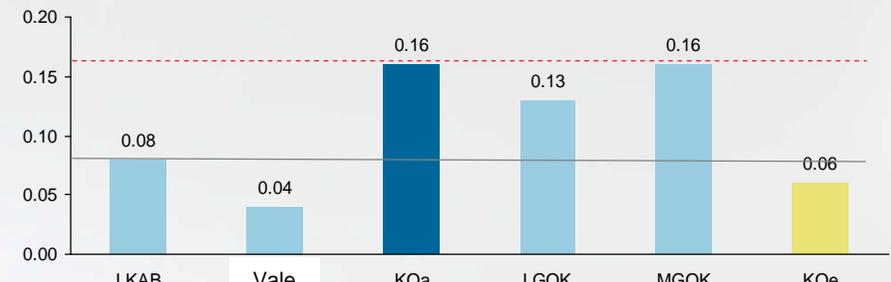
SiO₂ (%)



S (%)



Na₂O+K₂O (%)



(1) KOa – Actual.
 (2) KOe – Expected.
 (3) LGOK and MGOK are Metalloinvest mines

Source: Severstal Resources

Oikon: KPI

	2007	1H08		2012
Reserves and Resources (m tonnes)	388	381	↔	998
Production Volumes (m tonnes)	4.7	2.4	↔	5.0
EBITDA Margin (%)	41	45		
Production Cash Cost (\$/tonne)	27	32		
Capex (\$m)	70	24.5		
Headcount (FTE)	2,521	2,514		



Source: Severstal Resources

Olkon Secured Growth

Selected CAPEX projects amounting to \$375m in 2008–2012 will secure

- **Volume growth** of up to 5.0m tonnes per year via
 - Use of new mining technologies: Construction of two additional underground mines to support Olkon resource base and guarantee stable annual production volumes of iron ore concentrate
 - Construction of new open pits and improvements at the existing ones
 - Improvements in the railroads capacity
- **Cost savings** of up to \$40m with upgrade of railroads/motor transportation and growth of efficiency of beneficiation via construction of dry magnetic separation at grinding-sorting factory

Vorkutaugol: KPI

	2007	1H08		2012
Reserves and Resources (m tonnes)	302.4	297.2	↔	501.6
Production Volumes (m tonnes)	7.4	3.5	↔	8.6
EBITDA Margin (%)	8	27.1		
Production Cash Cost (\$/tonne)	42	57		
Capex (\$m)	135	80.4		
Headcount (FTE)	13,335	13,419		



Source: Severstal Resources

Vorkutaugol Secured Growth

Selected CAPEX projects amounting to \$1,005.0m in 2008–2012 will secure proper safety of coal mining and volume growth up to 8.6m tonnes by 2012 via

- Overcoming difficult mining-geological conditions and the rational use of the existing coal resource base, including solving problems with ventilation and excess methane
- Implementing new technology for development of new coal fields
- The quality of Vorkutaugol hard coking coal is comparable with coking properties from premier American and Australian mines, and exceed them on ash content and moisture

Gold Assets

Key Performance Indicator Estimates for 2008

- Production 180,000 oz
- CAPEX \$125m, primarily to production expansion and geological prospecting
- Total Cash Costs 490 \$/Oz
- Personnel 2,025
- Reserves and Resources >15m oz
- Mine lives >10 years

SeverStal's Gold assets are located in two regions: East Kazakhstan and Transbaikal



Source: Severstal Resources

5. Conclusion



Conclusions

- Safety
 - Zero accidents target
 - 78% decrease in accidents from 2003–2007
- People
 - Dynamic management team with strong track record
 - Open corporate culture with focus on people engagement
 - Aspiration to be a preferred employer in Russia
- Operational efficiency
 - Cost improvement initiatives and new technological solutions at existing assets
- Growth
 - Primary raw materials for steel with focus on safety and cost competitive operations
 - Regional and mineral diversification, leveraging corporate and divisional strength
 - Focus on returns

Concluding Remarks
- Alexey Mordashov