

Severstal

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UBS Annual Investment Conference

Russia/CIS: to prosperity through partnership

30 October 2008



Disclaimer

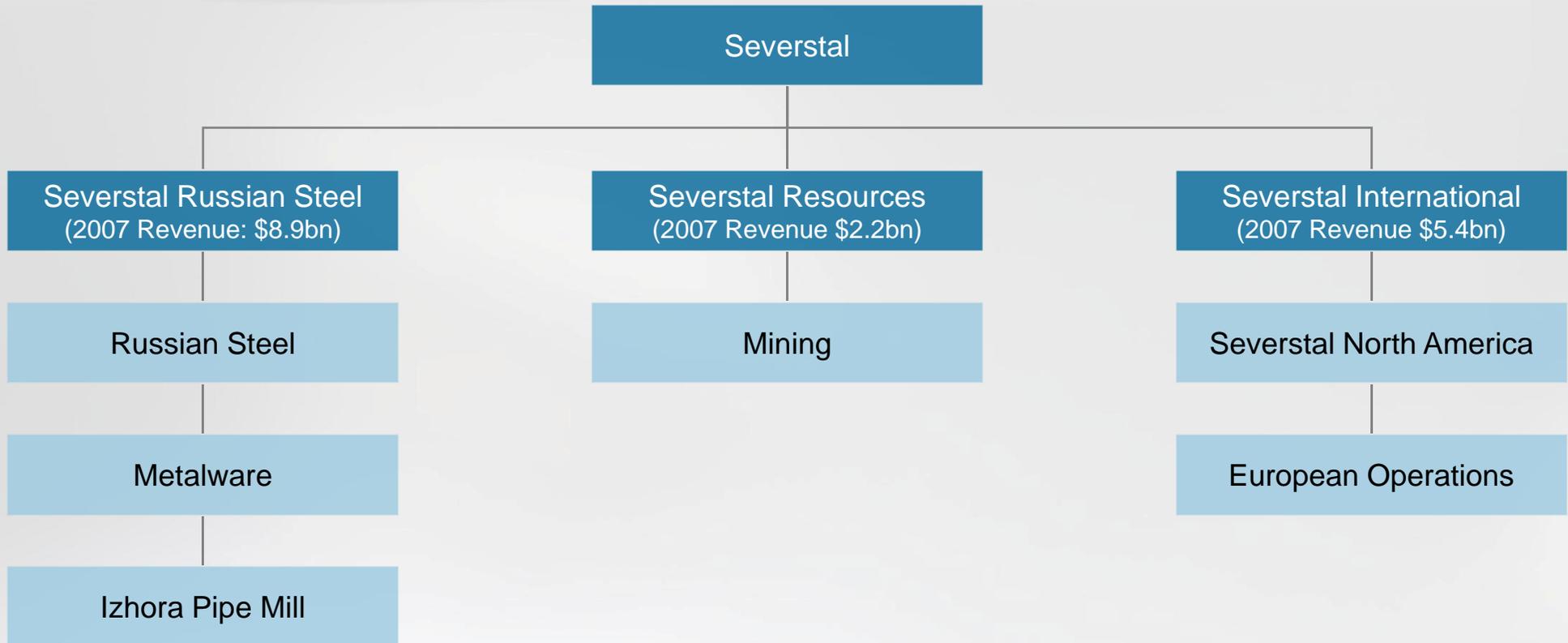
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An International, Vertically Integrated Steel Player

- Leading crude steel producer
 - 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
- Positive developments in 3Q08



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

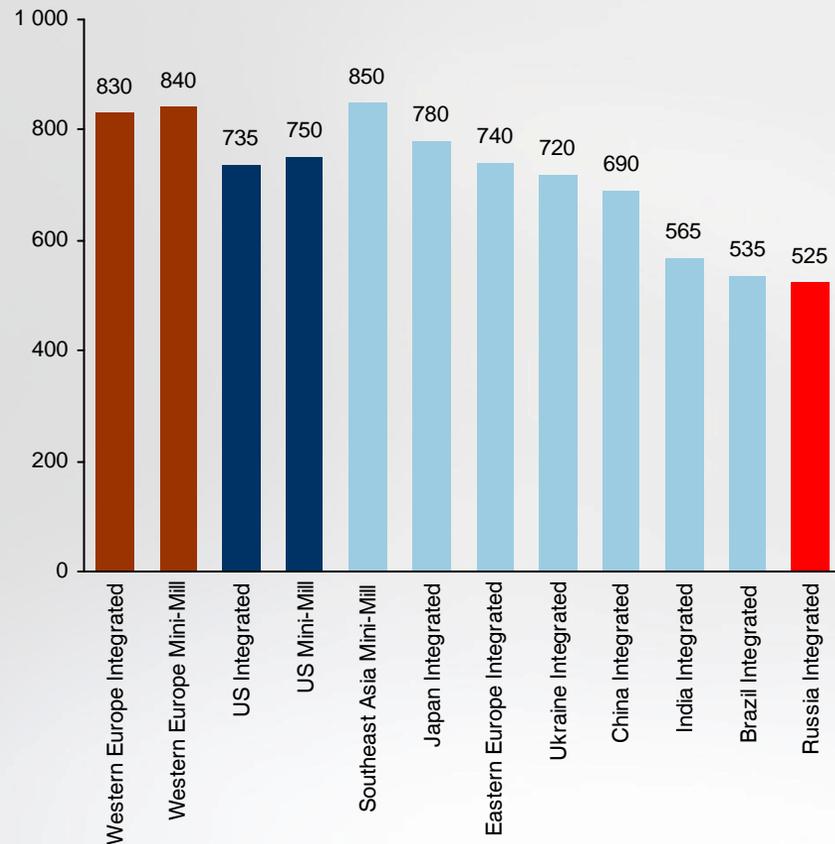
- 5 out of 10 Directors, including the Chairman of the BoD, are independent as defined by the UK Combined Code
 - Uncommon for Russian companies
- Separate committees for Audit, Remuneration/Nomination and Strategy



(1) Independent Directors.

Low-cost Business Model ...

Average HRC Full Production Cost, USD/tonne (Sep 2008)



Source: WSD 2008 World Cost Curve; Severstal

Note: Current ocean freight rate: China - US ~\$85/tonne of steel

- Integrated steel and mining business model worldwide
 - 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

... With Vertical Integration Globally ...

Iron Ore Prices
(\$/tonne)



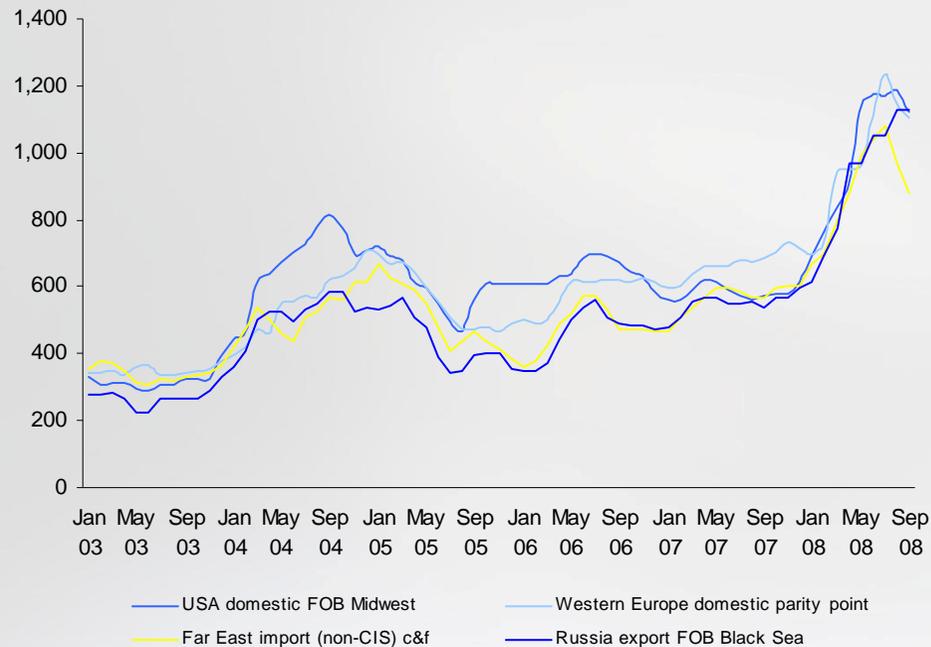
Source: Severstal Resources

- Unprecedented increases in iron ore, coking coal and scrap prices in H1 2008
- High degree of self-sufficiency in raw materials
 - 95% in coal in Russia
 - 115% in iron ore in Russia
 - 32% in coke in US in 2007 and 64% targeted in 2009
- Long-term iron ore supply contracts in US
- Further increases in value of vertical integration and mining competences

... And Step-up in 2008 Steel Prices

HRC pricing dynamics in 2003-2008

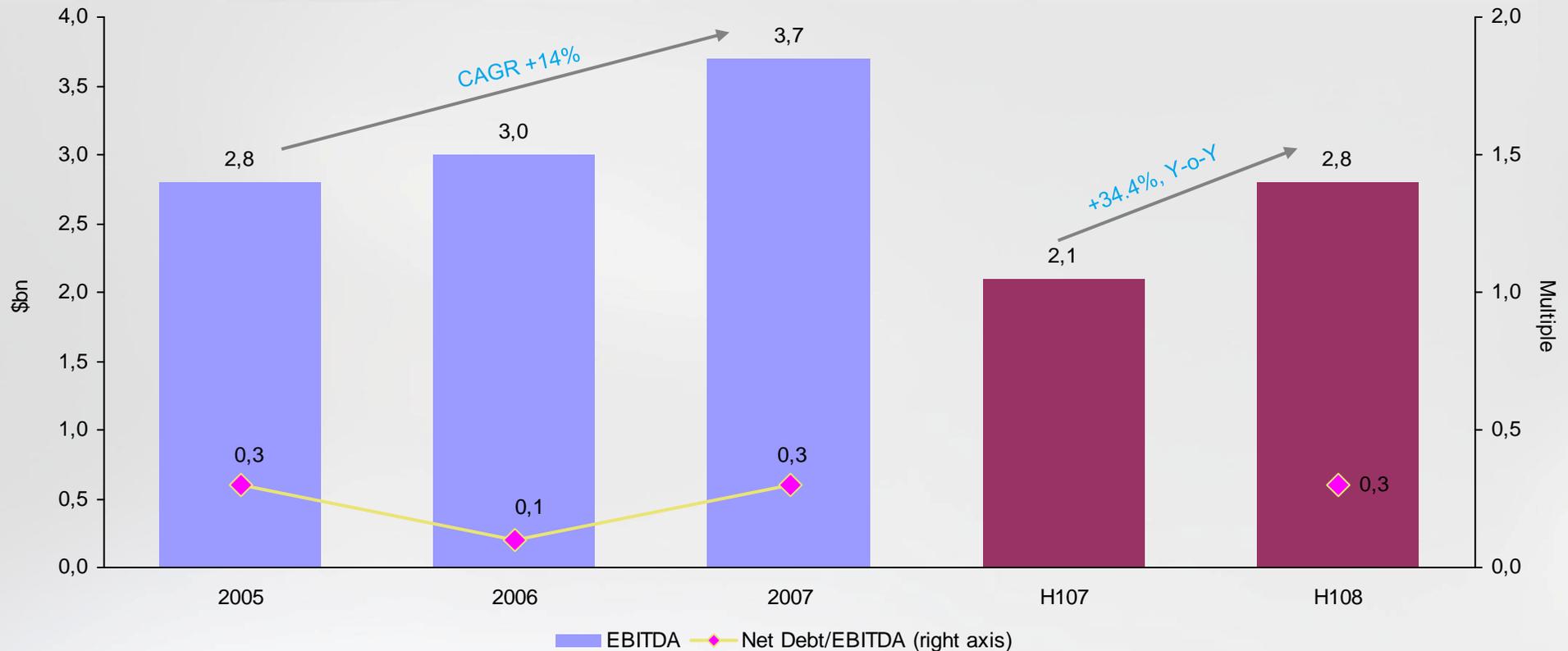
(\$/metric tonne)



Source: CRU

- Substantial price increases in all regions in 1H 2008
 - Based on high capacity utilization and sustained demand
 - Full pass-through of raw material cost increases
 - More consolidated markets – Russia, US and Europe – demonstrate better price discipline
- Strong price correction in September and October
 - Credit markets liquidity problems
 - No visibility for producers and buyers
 - Customers cutting production volumes
- Mid-term prospects could improve
 - Production cuts
 - Service centres destocking
 - Government's liquidity injections in US, EU and Russia

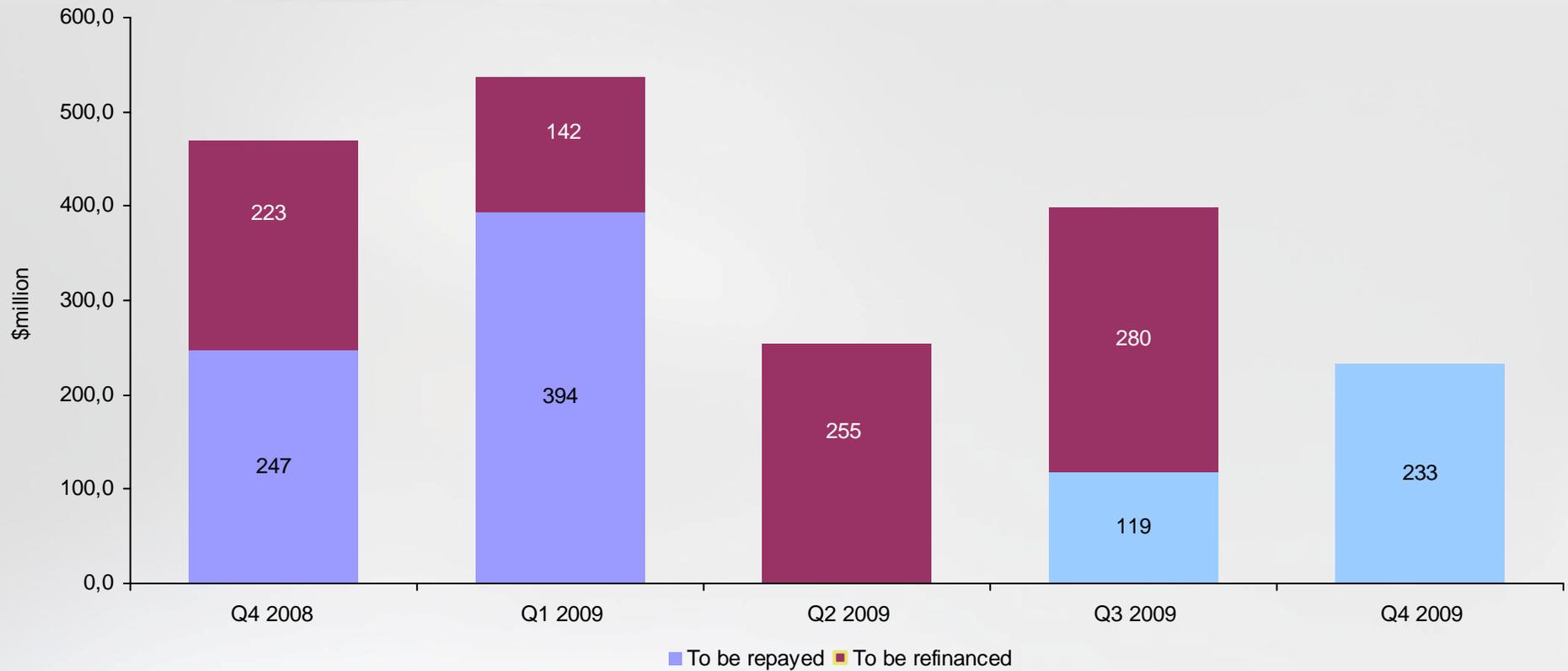
Strong EBITDA Growth, Low Gearing



- Positive developments in 3Q08
- Diversified, proactive financing policy

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

Short-term Debt Schedule



- M&A's postponed
- Capex would be cut substantially in 4Q08 and trough 2009

Source: Company

Short-term Outlook

- Demand in Russia is weak on liquidity problems
 - Low visibility for November and December
 - Traders and service centers have estimated 4-5 months of inventories
 - Further production cuts are not excluded to prevent prices from further sliding down
 - GDP growth may slow down from 7.1% in 2008 to 3.5% in 2009
- US market contracted on expectations of recession
 - 30% cuts are already announced, but further steps to tighten supply are likely
 - Market is dominated by recession fears
 - GDP growth is expected to sink to zero or negative in 2009 from 1.5% in 2008
 - US car sales are forecasted at 11-12 units in 2009
- In Europe situation looks better
 - niche and high-value player in consolidated markets (SB, quality wire rod and rails)
 - GDP growth is expected to remain in low-digit positive territory
- China
 - Statistics showed 9% drop in production y-o-y in September
 - Unless demand recovers, steel makers are likely to struggle to break even in the next two quarters

Summary

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