

Investor Profile



Moscow, July 2006



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- **Severstal investment highlights**
- Russian steel operations
- North American steel operations
- Lucchini steel operations
- Russian mining operations

Severstal strong sides



- One of the most profitable steel companies worldwide
- Well balanced geographically with core activities in the most attractive low cost and fast growing region, like Russia, and presence in developed markets with strong customer base
- A very strong industrial base and well invested capacities
- Healthy balance sheet enabling strong growth in the coming years
- Prudent financial policy and M&A stance

Severstal: key divisional financials



Russian Steel

- Leading domestic steelmaker with an output of 10.8 million tonnes of crude steel in 2005



NA Steel

- Integrated producer of high quality flat rolled carbon steel products in NA with focus on the automotive industry



Lucchini

- European steel producer of high value added long products



Russian Mining

- Focused on high value-added pellets and hard coking coal conc. for major international and domestic customers

Severstal

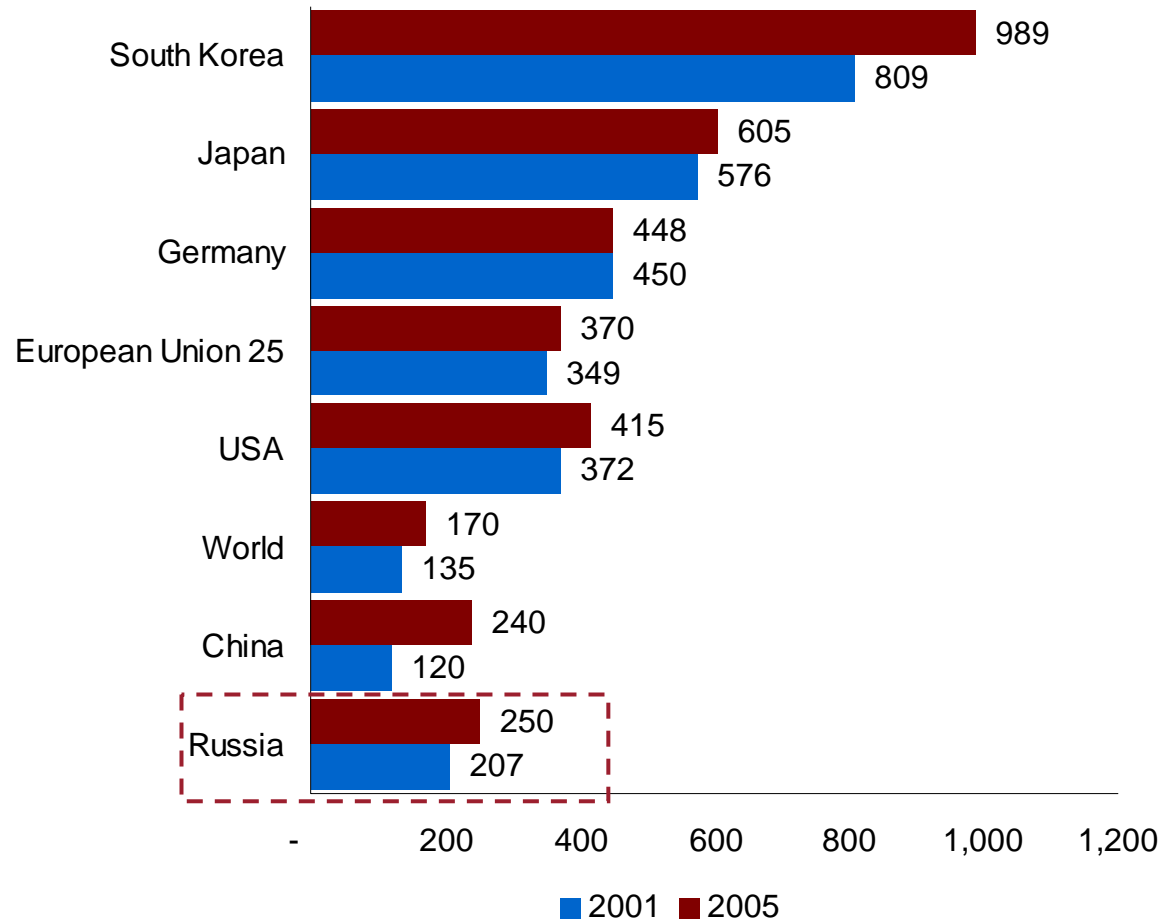
	FY 2005	
	Revenue	EBITDA
Russian Steel	US\$6.2bn	US\$2.0bn
NA Steel	US\$1.8bn	US\$0.1bn
Lucchini	US\$3.0bn	US\$0.3bn
Russian Mining	US\$1.4bn	US\$0.6bn
Severstal	US\$11.6bn ⁽¹⁾	US\$3.2bn ⁽²⁾

1) Net of inter-company sales of US\$0.8bn

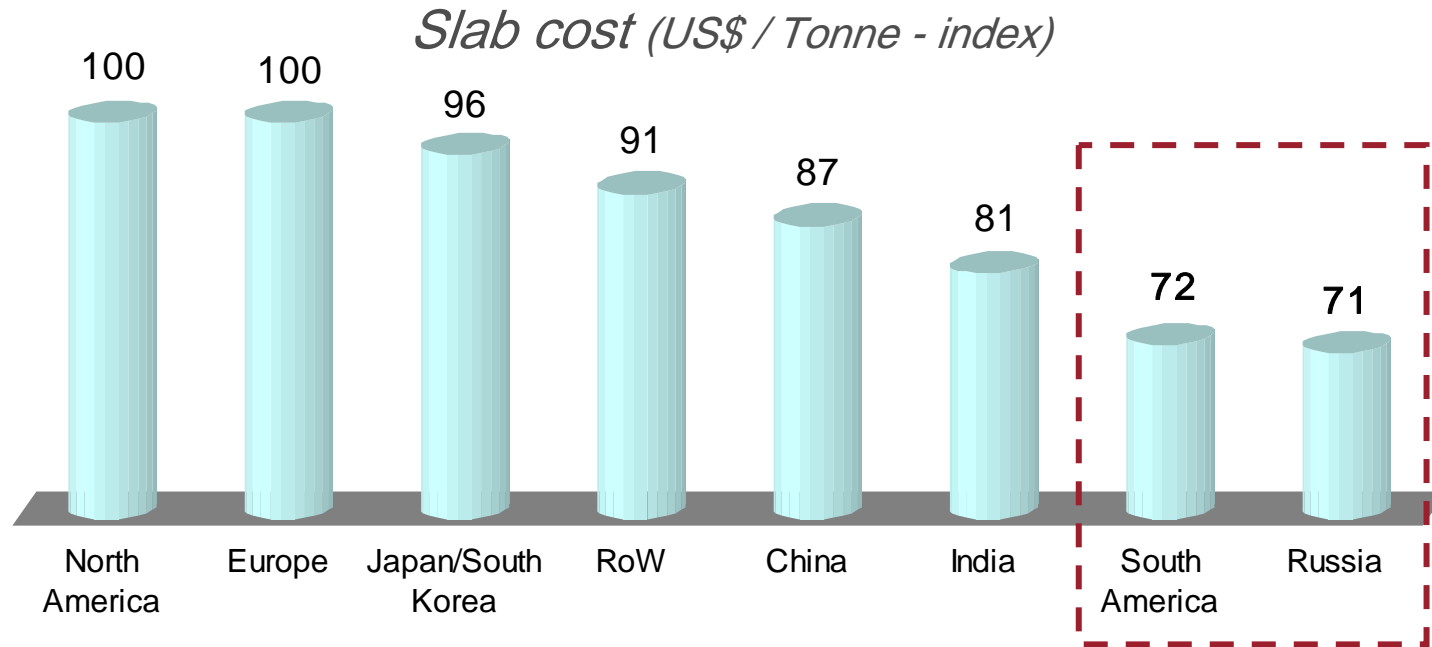
2) Includes pro-forma EBITDA adjustments of US\$0.1bn; Numbers as shown on the page may not add up precisely due to rounding

Significant room for growth given current consumption levels

Global per capita steel consumption 2001/2005



Strategically located low cost production



Russia on the cost curve

*Production cash cost. North America = base 100
Source: World Steel Dynamics, 2005*

- Russia has one of the lowest steel slab production costs in the world
 - Access to captive raw materials, including iron ore, coal, scrap and energy
 - Highly skilled and low cost labour force
- Favourably positioned on the lowest decile of the cost curve for slabs, heavy plate, sections and wire rod

A Global Steel and Mining Industry Leader

- One of the world's largest steel and mining groups with 2005 sales of \$11.6 bn and EBITDA of \$3.2 bn
- The world's 13th largest steelmaker by volume with 17 million tonnes of production in 2005
- One of the largest mining companies in Russia with a 15% market share in coking coal and 14% in iron ore



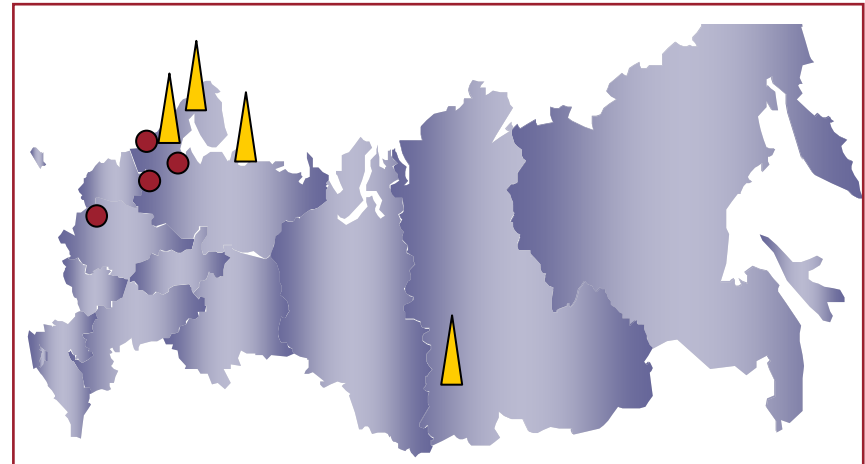
North America



Europe



Russia



● Steel & Rolling ▲ Mining

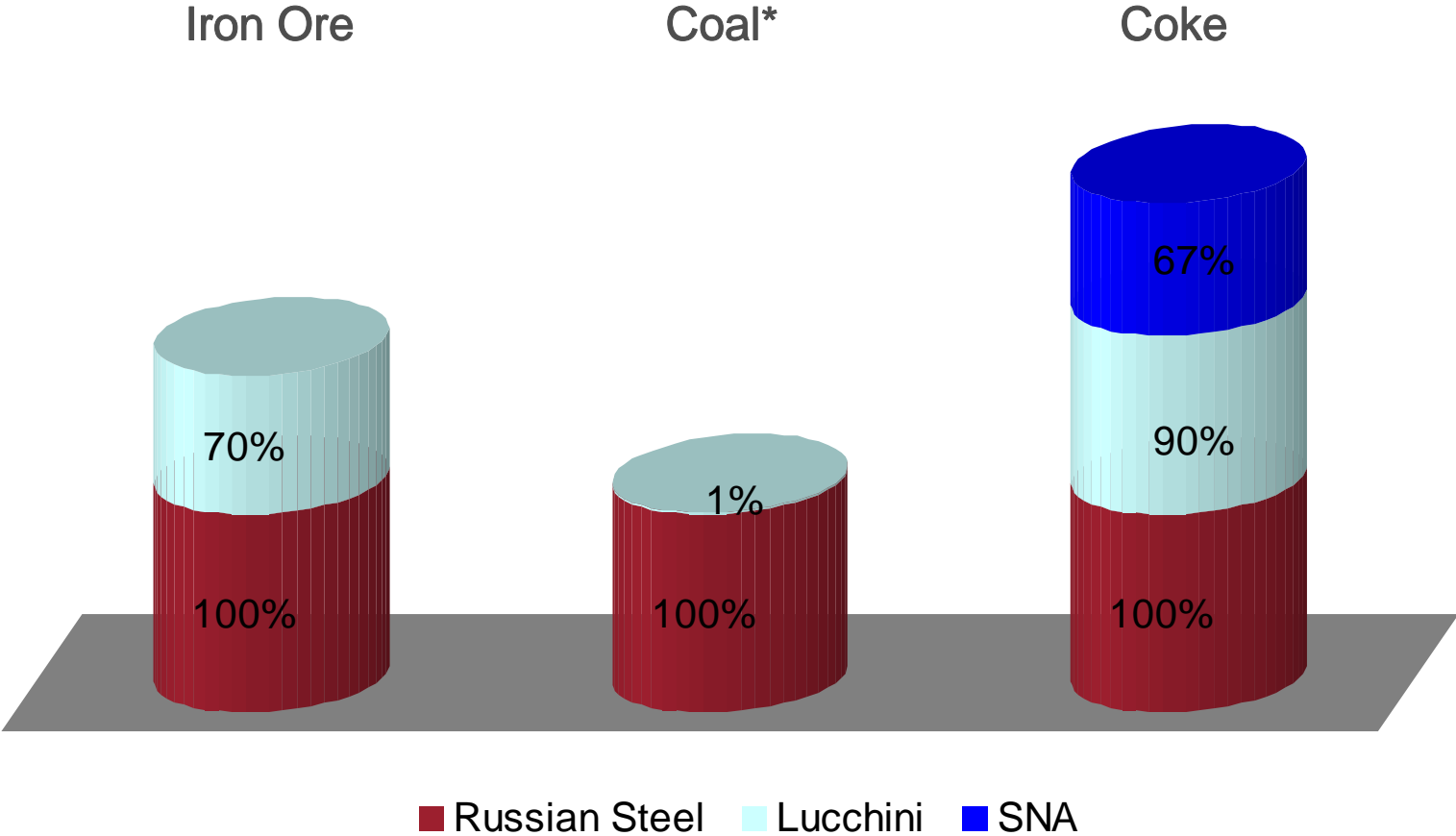
- Steelmaking capacity of 3 mt and rolling capacity of 3 mt
- 4th largest integrated steelmaker in the U.S.
- 5% market share in flat steel in the U.S.

- Steelmaking capacity of 4 mt
- Produces long and specialty carbon steel products in 5 countries

- Steelmaking capacity of 11 million tonnes
- 2nd largest producer of flat steel
- Produced 12.9 mt of iron ore and 10.2 mt of coal in 2005
- Estimated reserves of more than 1.8 billion tonnes of iron ore and 900 million tonnes of coal

Vertical Integration in Raw Materials

% of Raw Material Needs Met By Internal Sourcing



**As coal production increases in the near future, Lucchini's operations will eventually be sourcing 40% of their coal needs from the Mining division.*

High Quality Asset Base



Russia

- Approximately \$1.4 billion invested from 2004-2005
- Capital expenditures modernised the major equipment and increased capacity for high value-added products



Western Europe

- Approximately €1.1 billion invested from 1998-2002
- Ongoing requirements will be in line with maintenance needs only



United States

- Modern and state-of-art production facilities, close to auto customers in Dearborn, Michigan
- \$900 million in capex is planned for the next three years to further enhance the competitiveness of the facility



Modest future capex needs

- Investment requirements per tonne are expected to decrease by 50% from 2007-2010

Strong corporate citizenship & rigorous standards



Rigorous standards of corporate governance

Adherence to **IFRS** accounting standards

Independent Directors on the Board

Best-in-class internal control procedures and audit functions



Strong employee and community relations

Strong **employee relations** evidenced with no material disputes, strikes, or lawsuits against employees

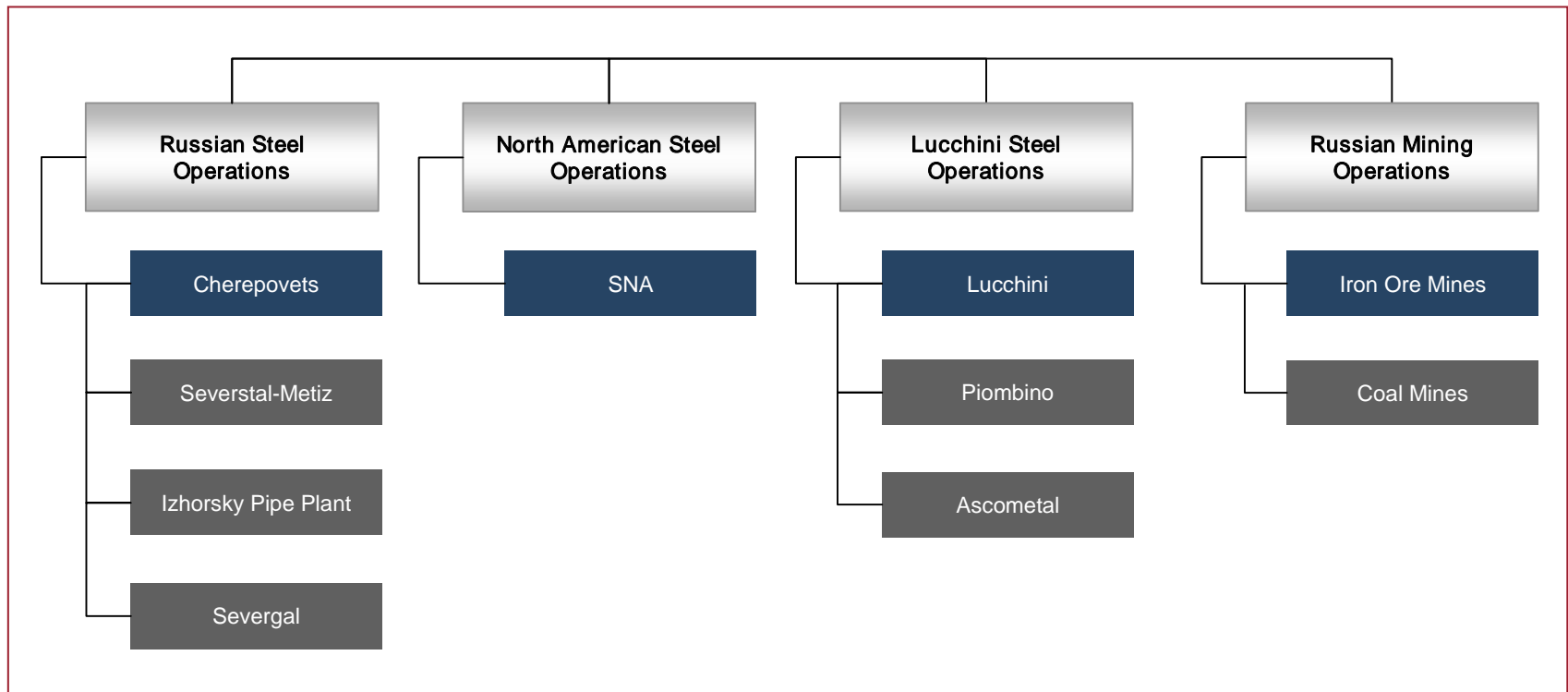
First Russian metals & mining company to be declared compliant with **international safety standard OHSAS-18001:1999**

First Russian metals & mining company to be declared compliant with **international environmental standard ISO 14001:1996**



Transparent, robust, responsive

Corporate Ownership Summary



Agenda



- Severstal investment highlights
- **Russian steel operations**
- North American steel operations
- Lucchini steel operations
- Russian mining operations

Severstal Russia – World Class Steel Player



*Steel Operations located at Cherepovets
Izhora pipe mill located at Kolpino*

- Commenced operations in 1955 – revenue today of US\$6.22 billion
- 16.7% market share of Russian steel production as measured by production of crude steel
- 2nd largest producer of flat steel products in Russia
- Modernisation and restructuring programme 1996 – 2004 creating world class, low cost integrated manufacturing facilities
- One of the world's top 5 most competitive steelmakers

- Cherepovets – 11m tonnes of steel making capacity
- 2nd largest steel complex in CIS (and among 5 largest in the world)
- EBITDA margin of 32.8% reflecting strong competitive position
- Favourably positioned on the lowest decile of the cost curve for slabs, heavy plate, sections and wire rod
- Focus on value-added finished products, 32% of total Severstal Russia production

Severstal Russia - Key operating facilities

Severstal Russia

Cherepovets

- 11m tonne capacity
- State-of-art facilities
- Focus on high value steel flat steels

Severstal - Metiz

- 1.2m tonne capacity
- High profit segments with strong client relationships (e.g. railway)
- Focus on finished long products

Izhora Pipe Mill

- 500,000 tonne capacity
- Greenfield startup state-of-art facilities expected to be completed in late 2006
- Focus on large diameter pipe for oil & gas industry

Severgal

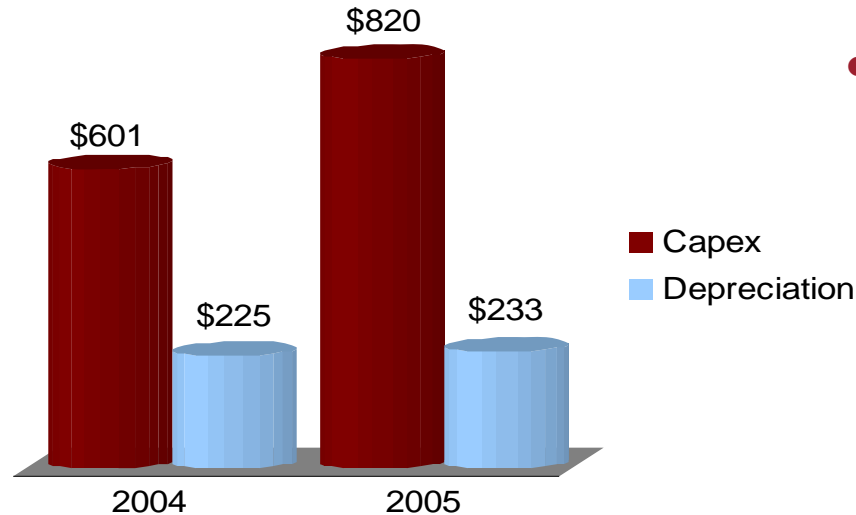
- Galvanizing capacity of 400,000 tonnes
- JV with Arcelor commenced 2001
- Focus on auto body sheet



Severstal Russia – Capex Program



Capex & Depreciation – US\$m



- For the period 2006-2016 Severstal expects to invest US\$4.5bn in capex
- Better quality of products to strengthen competitive position in high margin niche business

Main Projects

Modernisation of continuous-casting machines and other equipment in converter shop

Reconstruction of two blast furnaces

Investments in cold-rolled sheet quality improvements.

Construction of new electric-arc furnace

Goal

- ➔ Increased annual crude steel capacity by 1.0mt
- ➔ Better quality of products and higher environmental standards
- ➔ Increase finishing & rolling capacity
- ➔ Increased annual crude steel capacity by 1.1mt

Focus on High-Margin High-Demand Growth Segments



Focus on Russian market
(54% of sales)

- Russian prices are at a premium to global prices
- Rapid demand growth

Focus on most active sectors

- Automotive
- Fuel & energy
- Pipe manufacturing

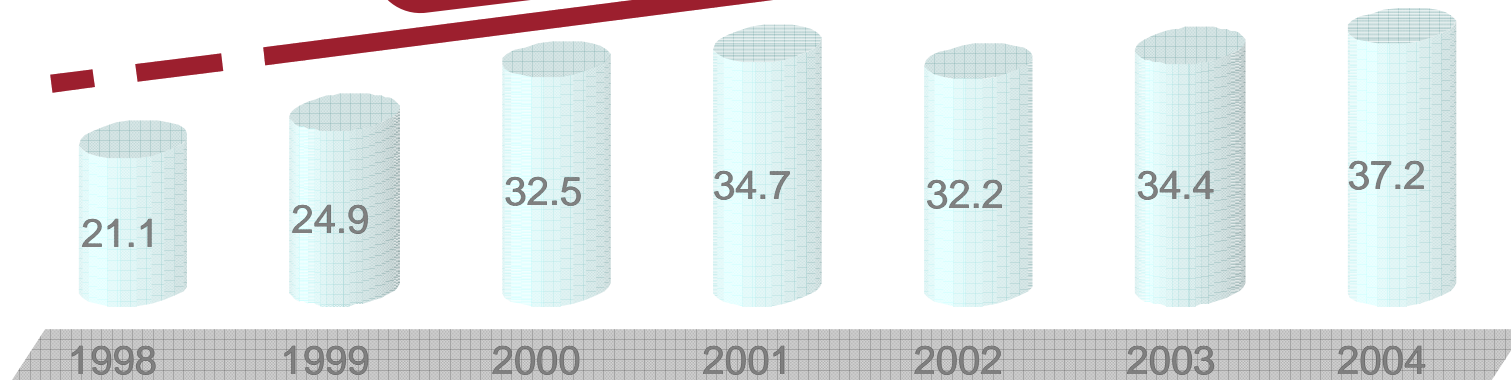


Focus on largest domestic customers

Customization of products
Additional services

Crude steel consumption in Russia

CAGR 9.9%



Continuous addition of high value added products

- Alumino-silicon galvanised sheet
- Interstitial free steel for the automotive industry
- New alloyed steel grade for pipe strips for oil and gas pipelines
- High-quality galvanised automotive sheet at Severgal



Severstal Russia - Financial Highlights



Revenue
(US\$m)

2004

5,321

2005

6,224

EBITDA
(US\$m)

2,046

2,039

Margin %

38.5%

32.8%

Profit for the year
(US\$m)

1,276

1,271

Capex
(US\$m)

(601)

(820)

- Growing revenue driven by increasing demand and high value added products
- Strong cash flow generation – supporting future growth
- High margins from efficient production

Severstal Russia – A Clear Strategic Focus on the Future



- Maintain emphasis on high growth domestic market
- Focus on high value added products (automotive, oil & gas, white goods and shipbuilding)
- Margin sustainability
 - Retain position as a low cost producer
 - Higher cost business segments should offer higher margins
- Continued upgrade & investment in production facilities
 - Lower cost production
 - Maintain competitiveness
- Energy supply security
 - Add-on internal power generation capacity

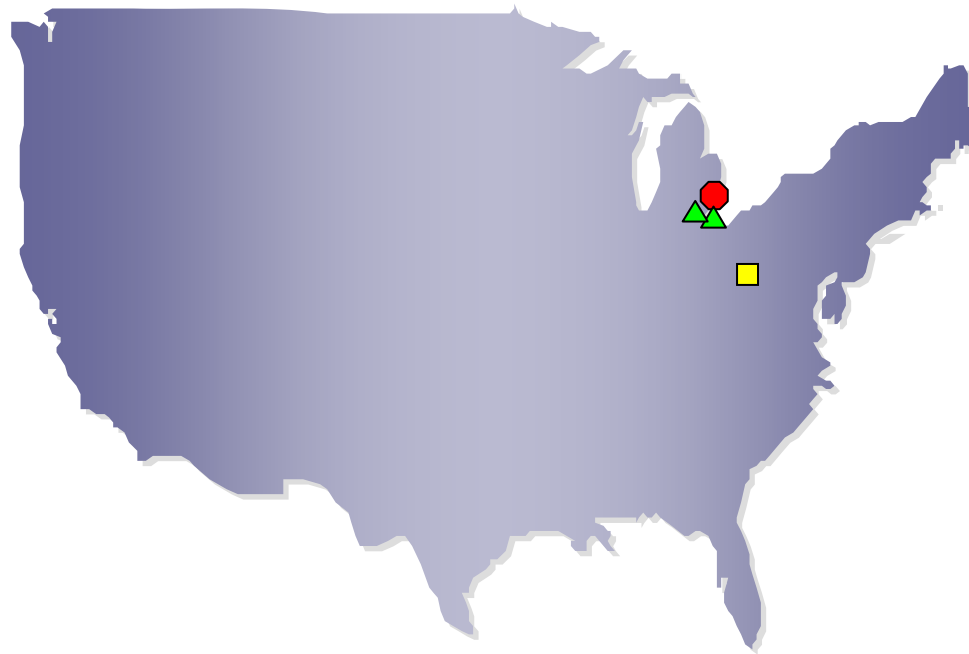
Value maximisation

Agenda



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- **North American steel operations**
- Lucchini steel operations
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Severstal North America – Leader in high-quality steel



- Main facility (steelmaking and rolling)
- ▲ Galvanizing joint ventures
- Coke joint venture

- Formerly Rouge Steel, acquired by Severstal in Jan 2004
- 4th largest integrated steelmaker in the U.S., with 5% market share of U.S. steel production
- Strategically located in close proximity to major automotive customers
- 40% of sales made under long-term contracts (>1yr)
- Major capital investment programme to be completed in 2008, substantially reducing capex needs thereafter

Severstal North America – Key operating facilities

Severstal North America

Dearborn

- 4th largest integrated steelmaker in the U.S.
- 3m tonnes of flat steelmaking and rolling capacity
- Focus on value added high-strength, high-carbon and vacuum degassed steel

Double Eagle JV

- 800k tonnes of galvanizing capacity
- Largest electro-galvanizing line in the world
- 50/50 JV with US Steel
- Focus on zinc-coated steel for automotive sector

Spartan Steel JV

- 450k tonnes of galvanizing capacity
- JV with Worthington Industries (SNA owns 48%)
- Focus on hot-dipped galvanized steel for automotive industry

Mountain State Carbon JV

- Produces 1m tonnes of coke per year
- 50/50 JV with Wheeling-Pittsburgh started in 2005
- Will supply two-thirds of SNA's coke needs by 2007



Secure and competitive supply of key raw materials



Iron Ore

- Favourable long-term contract with Cleveland-Cliffs through 2012
- Connection to Great Lakes waterways provides easy access to iron ore deliveries by ships



Coke

- JV with Wheeling-Pittsburgh to provide SNA with 350k tonnes of coke in 2006 and 525k tonnes in 2007+
- Will cover two-thirds of SNA's coke needs in 2007 and beyond



Slab

- In addition to its own steelmaking, SNA also purchases slab (300k tonnes in 2005, expected to increase to 1.2m tonnes p.a. after shutdown of "B" blast furnace)
- Opportunity to optimise purchases by sourcing slab from Arcelor Brasil



Extensive \$900 million capital investment programme to be completed in 2008



Blast Furnace

Expand blast furnace "C" and shut down blast furnace "B" in 2008

Install PCI to reduce natural gas and coke consumption



Basic Oxygen Furnace

Install secondary emission control system to enable use of lower-priced scrap and meet environmental standards



Continuous Caster

Straight mould conversion at continuous caster to improve slab quality for auto sector



Hot-Strip Mill

Upgrade reheat furnace at hot-strip mill to increase capacity by 10% and reduce natural gas usage

Cold Mill

Upgrade cold mill to lower conversion cost, increase width, increase yield and improve product quality

Grow automotive position with new products and customers

+

Reduce costs

+

Create value

Excellent labour situation



Positive, tangible support by UAW



Highly competitive labour agreement



Greatly reduced legacy liabilities



- The UAW publicly endorsed Severstal in its bid for Rouge Steel, issuing a written letter of support on its behalf
- Management and the UAW continue to maintain an excellent relationship
- Severstal negotiated a new, modern agreement with the UAW which included more flexible work rules, simplified job classifications and greater incentive-based compensation
- Defined contribution plan for pensions
- SNA's obligations under post-retirement medical plan capped at 2005 level; any increases in medical costs borne by employees

Severstal North America – Financial highlights



	2004 ⁽²⁾	2005
Revenue (US\$m)	1,343	1,823
EBITDA (US\$m)	137	89
Margin %	10.2%	4.9%
Profit for the year (US\$m)	136	42

- In 2005, SNA made capital investments, including investments in joint ventures, of approximately US\$75 million

(1) Financials based on IFRS accounts provided for consolidation purposes

(2) Severstal Russia acquired SNA on January 30, 2004. Information presented here includes only 11 months and does not include financial information from SNA's predecessor

Severstal North America – A Clear Strategic Focus on the Future



- Diversify customer base by building relationships with New Domestic automakers, e.g., Honda, Toyota, Nissan and Hyundai
- Work together with automotive customers to develop new, stronger and lighter weight steel
- Continue to shift product mix to high-margin cold-rolled and galvanized products
- Optimise capex after 2009
- Optimise raw materials position
 - Source slab from Arcelor Brasil
 - Source two-thirds of coke supply internally, from Mountain State Carbon JV

Strengthen position as a leading supplier of high-quality steel to the U.S. auto industry

Agenda



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- **Lucchini steel operations**
- Russian mining operations

Lucchini Overview

- The Lucchini Group is one of the largest European producers of special quality steel long products with 20 plants and service centres throughout Europe,
- The group has two main strategic production units: Lucchino Piombino and Lucchini Ascometal



LUCCHINI

	Lucchini Piombino SpA (Italy)	Ascometal S.A. (France)
Main Products	Railway Wire Rod Bars Billets	Drawn Wire Wire Rod Round and Flat Bars Blooms Billets Ingots
Production Units	Trieste Piombino Lecco	Les Dunes Hagondange Fos Sur Mar Le Cheylas (Allevard) Custines Le Marais



Lucchini - Key operating facilities



Lucchini Piombino

- 1.9m tonnes production of high quality steel
- Operates state-of-art facilities in Piombino, Trieste and Lecco
- Focus on wire rod and railway products



Ascometal

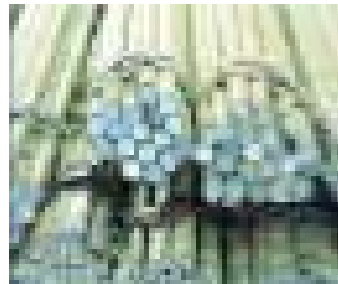
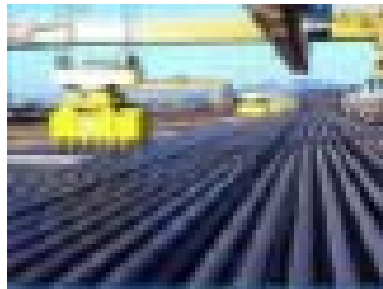
- 1.2m tonnes production of long special steels
- Operates four plants based on EAF mills throughout France
- Focus on long special steels products



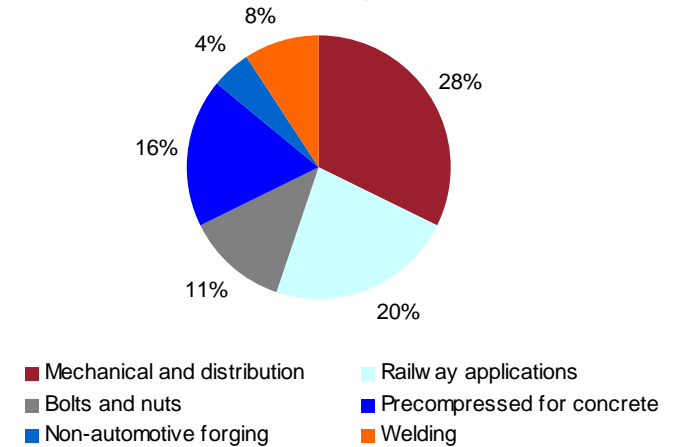
Lucchini Piombino – leader in high quality steels



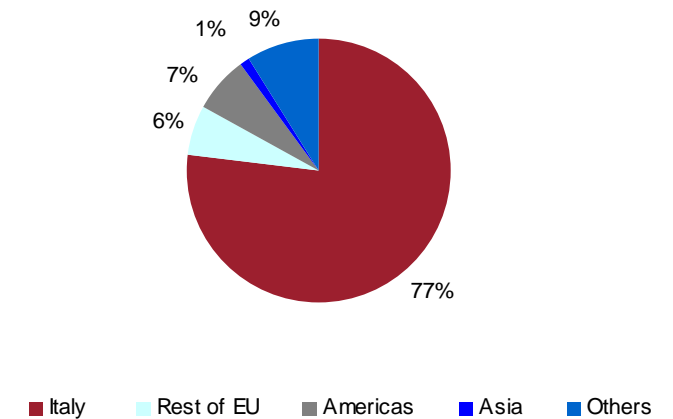
- European leader in wire rods and bars (>50% of sales)
- Established customer base in the mechanical and European railway sectors
- Highly advantageous geographic location with close proximity to seaport



2005 Sales by market



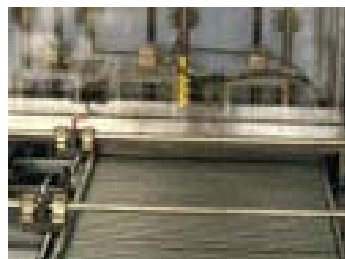
2005 Sales by geography



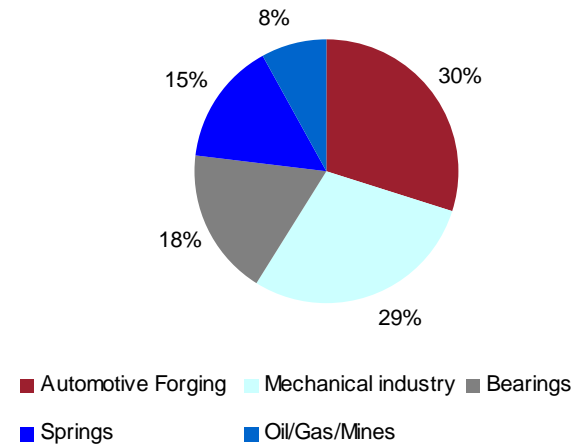
Lucchini Ascometal – leader in long special steels



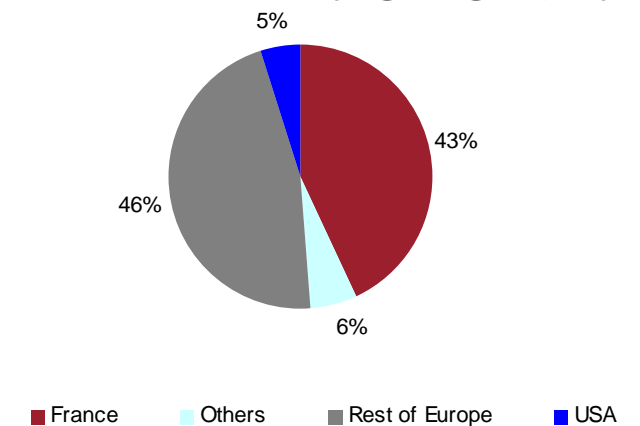
- European leader for long special steels
- Additional strengths in bearings (29% market share in Europe) and springs (27% market share in Europe)
- Diversified customer base of 600 customers (10 largest account for 35% revenue)



2005 Sales by market



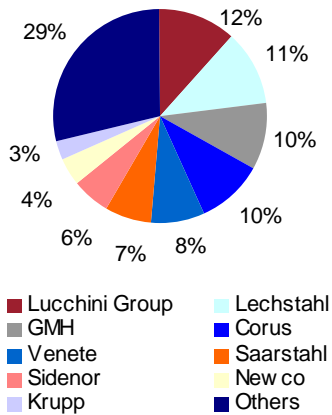
2005 Sales by geography



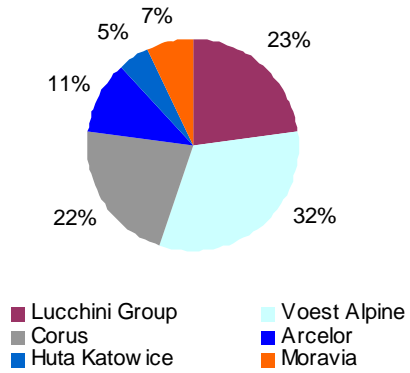
Leading Position in Specialised European Niches



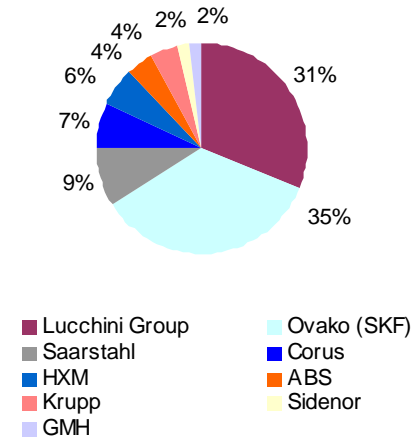
Automotive



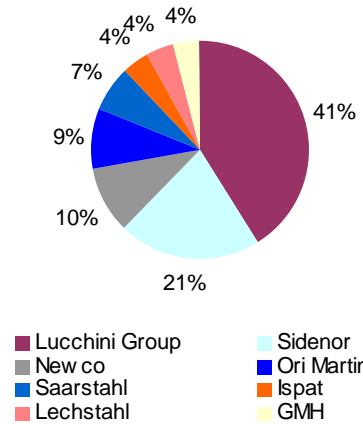
Rails



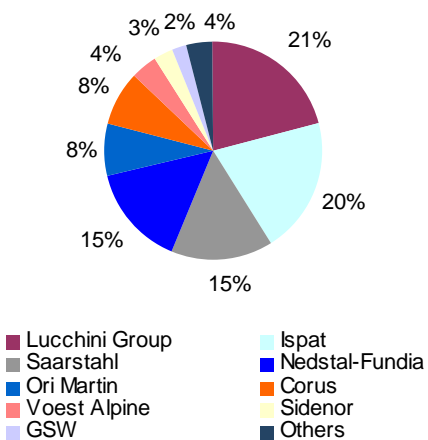
Bearings



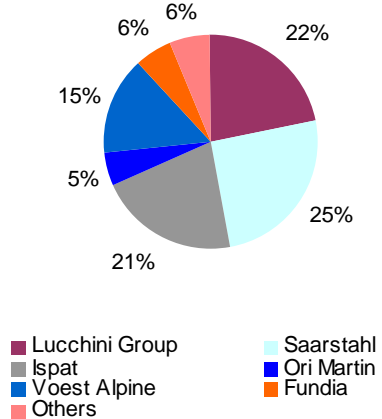
Springs



Wire rod – nuts & bolts



Wire rod - welding



Over 600 customers in six product niches

Well invested modern facilities

Overview

Key Strengths



Piombino Plant



- Over €600m capital investments since 1998, requiring only maintenance capex in the medium term
- Blast furnace and converters revamped in 1998

- Recently installed or revamped
- Modern and efficient production assets provide high quality and reliable output
 - Better quality steel than EAF competitors especially critical in the rail sector
- Ability to rapidly change the product mix in-line with market conditions and demand



Ascometal Plant



- Two cold finishing centres and one distributions centre

- Ability to tailor make products to customer requirements
- In 2006, expected to benefit from budgeted capex of €43m

Financial Highlights



Revenue
(US\$m)

2004

3,055

2005

2,986

EBITDA
(US\$m)

327

346

Margin %

10.7%

11.6%

Profit for the year
(US\$m)

69

70

- Good sales visibility backed by multi-year contracts in several sectors (e.g. in railway)
- Growing margins driven by high quality product offering
- Profitability / cash flow expected to remain at healthy levels
- Capex mainly consisting of maintenance at Piombino and expansion at Ascometal
 - Piombino's capex requirements will be c. US\$ 60 million per annum
 - Ascometal's capex requirements are in the range of c. US\$ 75 million per annum

Lucchini – A Clear Strategic Focus on the Future



- Maintain emphasis on diversified customer base
- Focus on customised, high quality products (automotive, machinery, appliances and rail)
- Margin sustainability
 - Tailor made products commanding premium pricing,
 - Total Quality policy / trademarks
 - Improved management of input costs
 - Shift from “product-oriented” to “market-oriented”
- Leverage synergies with Severstal
 - Raw materials supply
 - Broadening customer base
 - Sale of slab to North America
- Further enhance technological leadership
 - Full-cycle technology
 - R&D, state-of-art facilities

High quality products for attractive markets



- Severstal investment highlights
- Russian steel operations
- North American steel operations
- Lucchini steel operations
- **Russian mining operations**

A Russian Mining Industry Leader



Scale and profitability

- One of the largest mining businesses in Russia
- EBITDA margin of 44% on revenues of US\$ 1,372m
- Four high-quality mining assets in iron ore and coking coal
- Growing production



Premium products

- High proportion of pellets and hard coking coal in total output
- Projects underway to further increase production of premium products
- High demand for products both domestically and abroad
- Vertically integrated to steel operations to ensure highest efficiency



Low cost and stability

- Production costs substantially lower than in other developed markets
- Favourable geographic location to reach European customers
- Steadily improving labour productivity and tight cost controls
- Surplus volumes to ensure stable supplies to steel operations

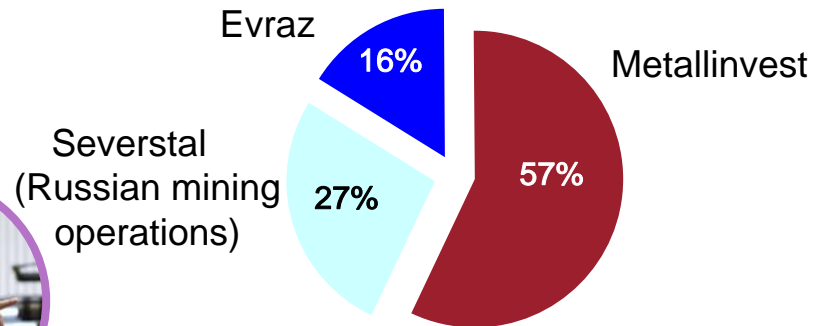


Strong management

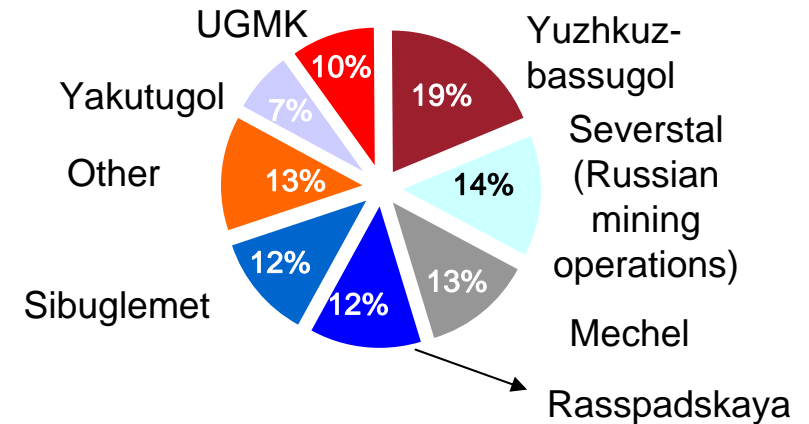
- Highly qualified and tested management team
- Focus on profitability through production increase and cost control
- New initiatives underway to further improve transparency and accountability
- Commitment to employee safety, environmental & social responsibility

Strong domestic market position in premium products

Iron Ore Pellets 100%=32 mln tn



Coking Coal 100%=68 mln tn



Iron Ore Pellets

- 8.8 mt of production in 2005
- Fast growing production
- High quality export product
- Favourable location to Europe

Coking Coal

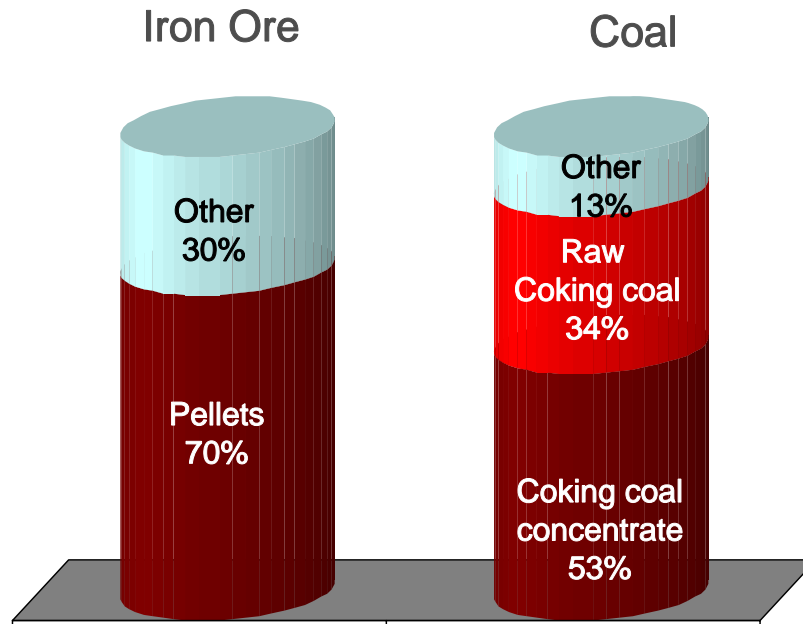
- 9.2 mt of production in 2005
- Major expansion underway
- Highest quality hard coking coal
- Favourable location to Europe

With 10% of world coking coal reserves and 16% of world iron ore reserves, Russia represents an important supply base for global steel industry

Focus on High Value products



Over 75% of 2005 Production From High Value Products (share by volume)



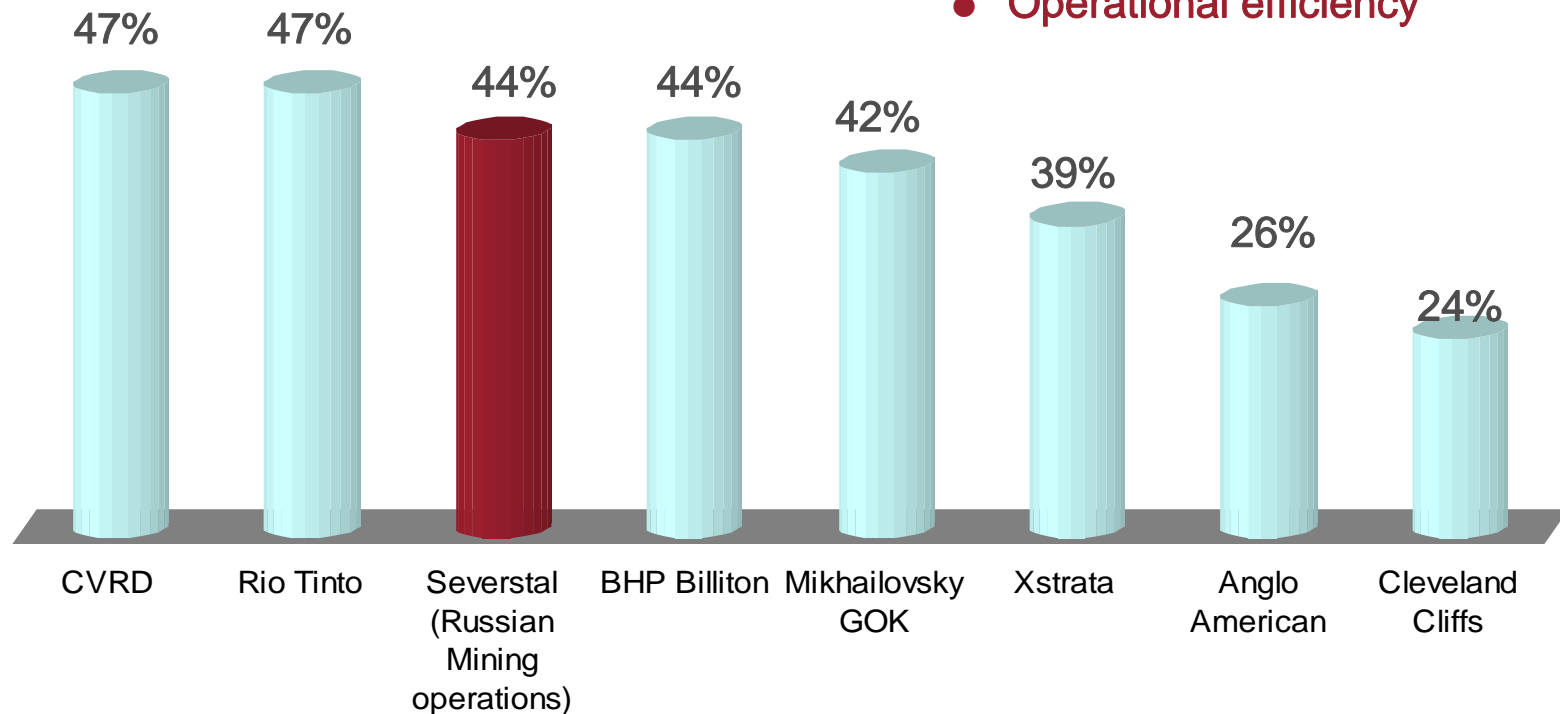
- Beneficiation plant in Kuzbass to be completed in July 2006
- Beneficiation plant in Vorkuta to be revamped by 2008
- All coking coal will be converted into concentrate

One of the most profitable mining houses

EBITDA margin, 2005, percent



- High share of value-added products
- Favourable domestic market
- Low factor costs
- Operational efficiency



Diversified and Robust Mining Assets with Further Improvement Potential



Karelsky Okatysh (iron ore pellets)

- Produces iron ore pellets
- Annual output: 8.8 mt
- JORC reserves and resources: 1,338 mt
- Located in Karelia Republic
- Employees: 6,300

Olkon (iron ore)

- Produces iron ore concentrate
- Annual output: 4.0 mt
- JORC reserves and resources: 424 mt
- Located in the Murmansk region
- Employees: 2,400



Moscow

Cherepovets

Vorkutaugol (coking & steam coal)

- Produces coking and thermal coal concentrate
- Annual output: 6.9mt
- JORC reserves and resources: 325 mt
- Located in Komi Republic
- Employees: 14,300



Kuzbassugol (coking coal)

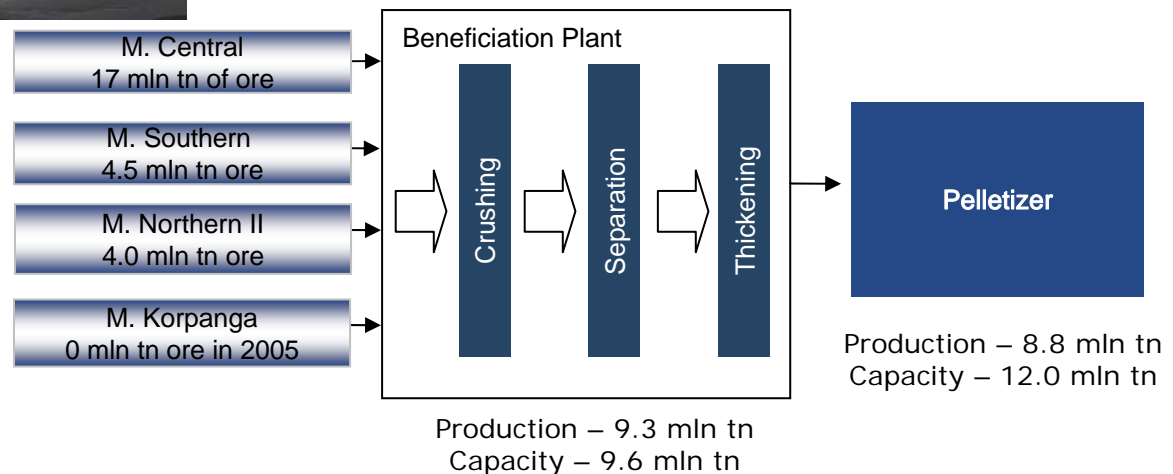
- Produces coking coal and concentrate
- Annual output: 2.3 mt
- JORC reserves and resources: 234 mt
- Located in Kemerovo region
- Employees: 4,800



Karelsky Okatysh – operations overview

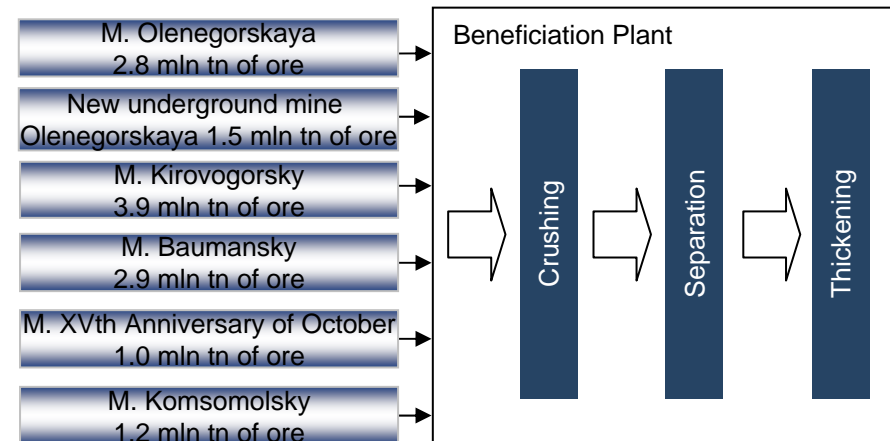


- Produces iron ore pellets with Fe% of 64-66%
- Mines ore from 4 major deposits that have an estimated useful life of over 35 years
- New Korpanga mine with 7,5 mln tn of capacity is under construction
- Average Fe% of reserves is approximately 29%
- Pelletizing capacity of 12 million tonnes per annum will be fully utilized through mine debottlenecking and capacity leveling



Olkon – operations overview

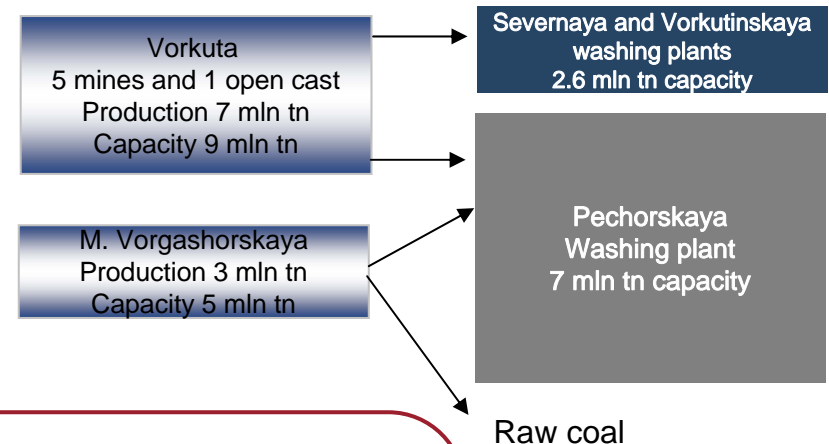
- Produces iron ore at 5 major open-pit mines. A new underground mine was built in 2005 and started production in December 2005. Deposit reserves and resources have estimated life of over 20 years
- Average Fe% of reserves is approximately 28%
- Beneficiation capacity of 5 million tonnes per annum
- Produces iron ore concentrate with an average Fe% of 65.7%



Production – 4.0 mln tn
Capacity – 5.0 mln tn

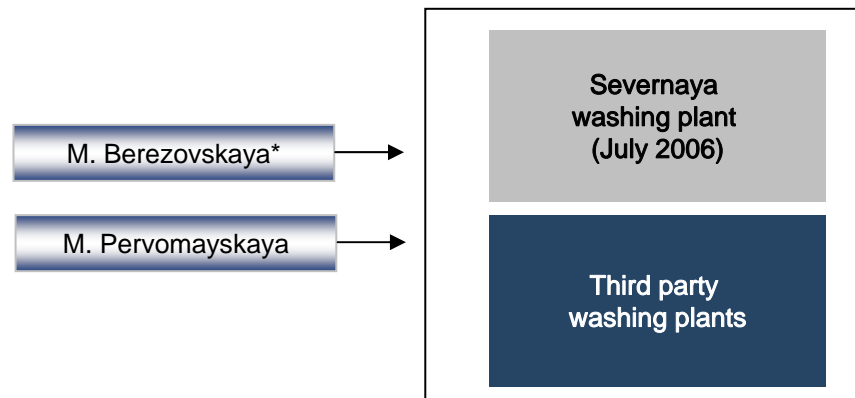
Vorkutaugol – operations overview

- Focuses on the production of premium hard coking coal, a segment where it is the Russian industry leader
- Produces coal at 5 major mines that have an estimated useful life of at least 25 years
- Owns three washing plants with major one, Pechorskaya, which has capacity of 7 mln tonnes
- Vorkuta reconstruction project is underway with objective to combine 4 mines in one to increase productivity and simplify infrastructure
- Maximum mining capacity of 14 million ROM coal tonnes per annum



Kuzbassugol – operations overview

- Operates two underground mines that specialize in the production of medium volatile coking coal
- The two major mines, Berezovskaya and Pervomayskaya, have a remaining useful life of 68 and 25 years, respectively
- Reconstruction of Berezovskaya mine to be completed in July 2006
- Mining capacity of 4 million tonnes of ROM coal per annum. Raw coal has an ash content of 18-23%, which is considered moderate
- New deposits with production potential of 4.5 mln tonnes were acquired (Zhernovsky-3 and Konyukhtinsky Zapadny)
- In 2005 raw coal was washed in the third-party washing plants or sold directly as raw coal based on concentrate price parity. New washing plant with 4.5 mln tonnes capacity under construction (to be launched in July 2006)

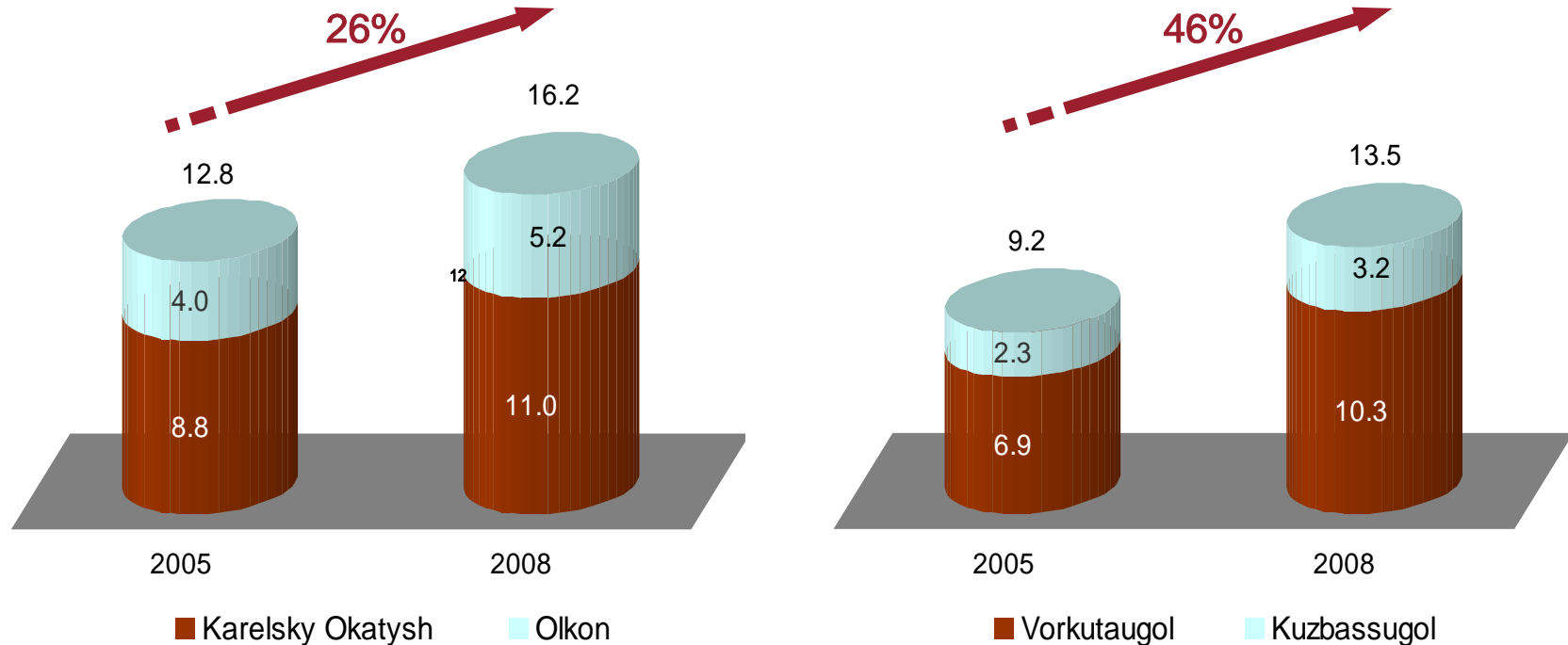


Significant Expansion Program Underway

*Current and Projected Raw Material Production
(In Millions of Tonnes)*

Iron Ore

Coal



- New open pit at Karelsky Okatysh
- Two new underground mines at Olkon
- Expansion of beneficiation facilities
- Overall Capex needs - \$276 Million

- New underground mega-mine in Vorkutaugol
- New shaft, washing plant in Kuzbassugol
- Revamp of washing facilities in Vorkuta
- Overall Capex needs - \$707 Million



Transparency and “best-in-class” management processes



Geology

- The iron ore and coal reserves audited by IMC Consulting to align them with internationally accepted standards of Joint Ore Reserve Committee (JORC) code



Operations

- The largest asset, Karelsky Okatysh, is ISO 9001 (quality), ISO 14001 (environment), certified. OHSAS 18001 (safety) certification expected in 2006. Other assets are in the process of obtaining such certifications
- Mining plans and major investment projects have been audited by established international consultants, including John T Boyd, Hatch, MBEG, Wardrop Engineering, DBT, Marston
- Operating processes audited and improved by McKinsey & Co
- A two year effort lead by DuPont Safety Resources will result in OHSAS 18001 certification of all assets



Finances

- IAS/ IFRS accounting implemented since 2001 at Karelsky Okatysh
- Audited IFRS 2004 and 2005 results for all business units of the Russian Mining Operations are available
- All business units, in cooperation with Deloitte & Touche expect to reach compliance with Sarbanes-Oxley requirements on internal controls by 2008



Russian mining operations financial highlights



Revenue
(US\$m)

2004

846

2005

1,372

EBITDA
(US\$m)

195

606

Margin %

23%

44%

Profit for the year
(US\$m)

0

460

Capex
(US\$m)

(170)

(377)

- Healthy revenue growth through both price and volume
- Rapid profitability growth
- Significant investment in new production facilities

Robust strategy aimed at further profitable expansion

Severstal Mining operations



- **Production growth**
 - Increasing production through modernization, best practices, and debottlenecking to grow the volume of export sales while meeting the supply requirements of Russian Steel Operations
 - Increasing the share of higher value added products in the product portfolio in order to further improve profitability
- **Asset base**
 - Actively participating in the consolidation of the Russian/CIS iron ore and coking coal industries
 - Gaining access to sea-borne markets through participation in large scale greenfield projects in Russia and neighbouring countries
 - Forming alliances with mining majors
- **Cost control**
 - Improving labour and equipment productivity in order to maintain the favourable operating cost position of the assets
 - Optimizing capital expenditure to ensure highest efficiency of spending

Profitable Expansion



Thank you

Dmitry Druzhinin
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