

# Dividends

## History of Payments

In July 2003, the Board of Directors of Severstal adopted the key principles of Severstal's corporate dividend policy.

Pursuant to the current dividend policy, Severstal will pay dividends on an annual basis provided that there are sufficient available annual profits to do so, after accounting for, inter alia, capital expenditure commitments. Whilst the amount of such annual dividends will vary according to Severstal's net profit and cash flow, Severstal intends to declare dividends for the medium term (until 2008) in an average amount equivalent to 25% of net profit (calculated in accordance with IFRS) for the relevant reporting period subject to availability of funds. In the long-term (after 2008), Severstal may increase dividend payments, subject to a decrease in capital expenditure requirements. Severstal may declare an interim dividend if it believes its financial position for such period is sustainable.

The following table illustrates the complete history of Severstal's dividend payments:

Dividend Period	Shares Outstanding	Record Date	Ex-Dividend Date	Dividend Per Share, RUB	Dividend Per Share, U.S.\$	Starting Date for Payments
2000 full year	22,074,192	03.05.2001	03.05.2001	60.00	2.08	-
2001 full year	22,074,192	06.05.2002	06.05.2002	28.80	0.92	-
2002 full year	22,074,192	06.04.2003	06.04.2003	72.00	2.30	-
2003 interim, 6 months	22,074,192	30.06.2003	30.06.2003	194.00	6.39	-
2003 interim, 9 months	22,074,192	14.10.2003	14.10.2003	205.00	6.82	-
2003 full year	22,074,192	02.04.2004	02.04.2004	28.00	0.97	21.05.2004
2004 interim, 3 months	22,074,192	02.04.2004	02.04.2004	42.00	1.45	21.05.2004
2004 interim, 6 months	22,074,192	05.08.2004	05.08.2004	100.00	3.42	30.09.2004
2004 interim, 9 months	22,074,192	23.10.2004	23.10.2004	230.00	8.27	27.12.2004
2004 full year	551,854,800	21.04.2005	21.04.2005	3.00	0.11	27.06.2005
2005 interim, 3 months	551,854,800	21.04.2005	21.04.2005	4.00	0.14	27.06.2005
2005 interim, 6 months	551,854,800	04.08.2005	04.08.2005	3.90	0.14	10.10.2005
2005 interim, 9 months	551,854,800	19.10.2005	19.10.2005	3.00	0.10	13.12.2005
2005 full year (subject to approve by AGM)	551,854,800	21.04.2006	21.04.2006	4.00		10.06.2005

The current number of issued ordinary shares is 551,854,800

### Note:

In December 2004 Severstal completed a 1:25 share split resulting in a change in the number of outstanding shares from 22,074,192 to 551,854,800. The new number of shares should be used to calculate the size of dividends for all periods starting from the financial year 2004. Dividends per share for the previous periods are stated according to the decisions in the shareholder's meetings and must be divided by 25 to receive comparable data.

Dividends in respect of full year 2005 is subject to approve by AGM on June 9th, 2006

## Dividend Policy

The Board of Directors of OAO Severstal adopted the key principles of the corporate dividend policy.

In accordance with the OAO Severstal Charter dividends are a portion of the company's net profits allotted to shareholders in proportion to the amount of shares of the appropriate category and type owned by them. The company shall have the right to make a decision on (announce) the payment of dividends on placed shares. Decisions on the payment of dividends, the amount of those dividends and the form of payment shall be taken in accordance with the requirements of the Russian federal law "On Joint-Stock Companies". The amount of the dividend may not be higher than that suggested by the company's Board of Directors.

The company will make dividend payment within 9 months after the decision to pay dividends was adopted, unless otherwise enumerated in the dividend payment decision.

All shareholders registered as of the compilation date for the list of shareholders with the right to participate in the shareholder meeting at which the resolution on dividend payment was approved have the right to collect dividends.

The key points of the dividend policy:

- The company will pay dividends on the annual basis
- The affordable level of the annual profit is the prerequisite for the dividend payment
- The annual dividend payout will depend on the industry's cycle, i.e. it will vary with the amount of the profit received and company's cash flow
- The mid-term dividend policy is to pay out as dividends a minimum of 25% of net profits received by the end of the reporting period, calculated according to IFRS
- In long-term the company may increase the dividend payout ratio if the capex requirements are reduced
- If the current financial position of the company is sustainable it can make an interim dividend payment.