

Transforming into global steel player



October 2005

Safe Harbour

- This presentation contains certain forward-looking statements regarding the anticipated market evolution and future prospects of Severstal. While these statements are based on the company's best estimates as of the date hereof, the actual results will vary due to market conditions, the action of competitors, consumer demand, steel prices, economic conditions and other factors.
- Certain numbers in this presentation are based on non-audited financial statements. The company makes no representation, direct or implied, that these figures are true and correct, and you should not rely on these numbers as having been audited or otherwise independently verified. Certain numbers may be presented differently once audited, and the company takes no responsibility and accepts no liability for such changes and accepts no responsibility for providing the final audited financial statements to you once the audit has been completed.

Company's profile

SECTION 1

Severstal Profile

- The first Russian steel company with substantial investments outside Russia
- Acquisition of Severstal North America (SNA) in 2004
 - The first successful attempt of Russian steelmaker to enter the biggest automotive steel market in the world
 - Acquisition price below the industry's average price
 - 2004 results in line with our expectations
- Acquisition of Lucchini in 2005
 - Benefits from a broader geographical, product portfolio and customer diversification
 - Average European acquisition price
 - Reduction of debt burden

Severstal Geographical Coverage



SNA in 2004

- 5th largest integrated steel-maker in the U.S.
- 4.8% U.S. market share in flat rolled steel
- High quality flat rolled carbon steel products
- 3 million tonnes of steel making capacity p.a.
- 4 million tonnes of rolling capacity p.a.,
- 2,100 employees (w/o JV)



OA0 Severstal

- 2nd largest producer of flat steel products in Russia
- Annual steel production capacity of 11 million tonnes
- Supplies of iron ore, coal and limestone secured by affiliates in Russia
- 34,000 employees



Lucchini in 2005

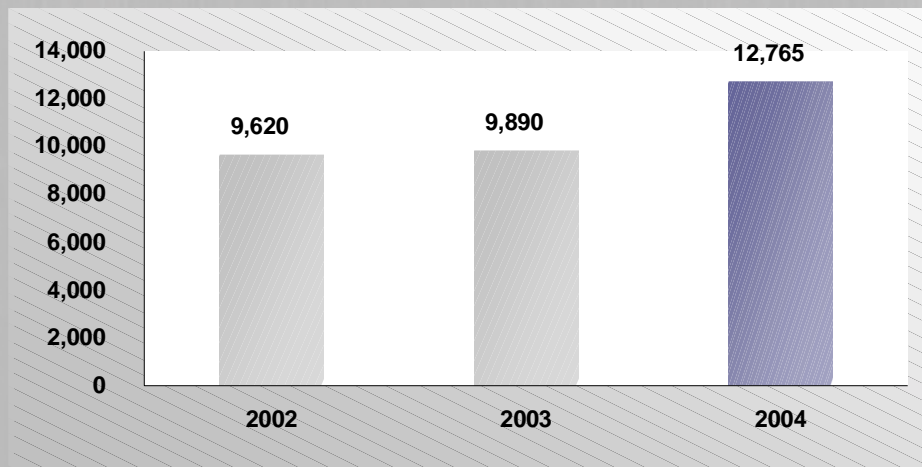
- 2nd largest steel group in Italy
- 20 production mills in 5 European countries
- High quality long and specialty carbon steel products
- 4 million tonnes of steel making capacity p.a.
- 9,000 employees

Source: Severstal, as of July 2005

Operating Highlights

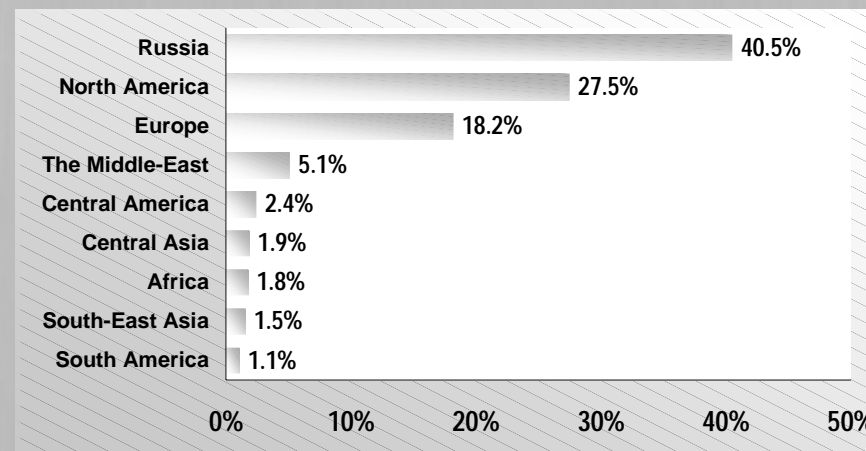
- 2004 crude steel production in Russia of 10.4 million tonnes, a 5.5% growth over 2003, and 12.8 million tonnes globally, a 29.1% addition to 2003
 - 1H 2005 crude steel production in Russia of 5.1 million tonnes, in line with 1H 2004
 - SNA steel output in 1H 2005 was 1.4 million tonnes, a 13% increase over 1H 2004

Crude steel production, th. tonnes



Source: Severstal consolidated IFRS financial statements

2004 sales by geography, %

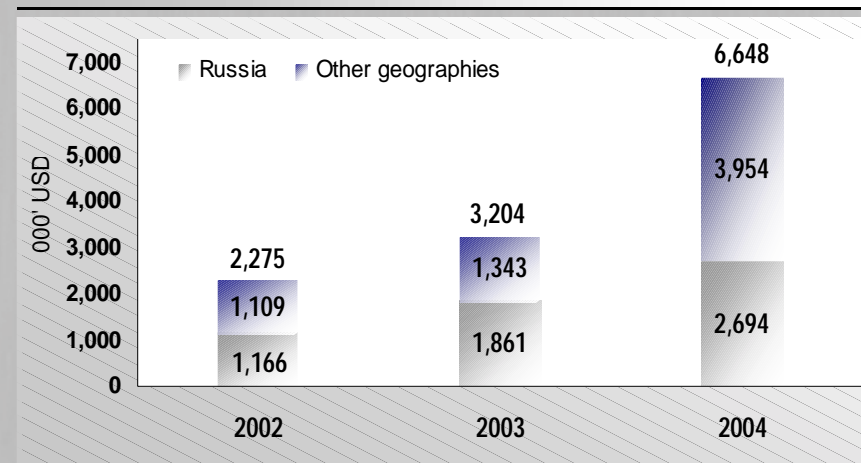


Financial Highlights

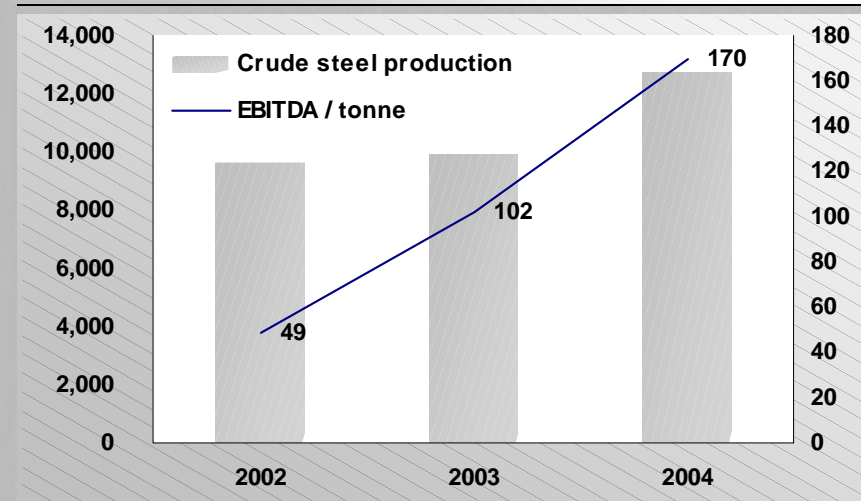
- Robust revenue of \$6.7 billion in 2004, a double of the previous full year figure
 - Revenue of \$4.1 billion in 1H 2005, a 52% increase to 1H 2004 numbers
- EBITDA of \$2.4 billion for 2004 compared to \$1.0 billion in 2003
 - EBITDA growth of 22% in 1H 2005 to \$1.2 billion from \$0.9 billion in 1H 2004
- Net profit of \$1.4 billion, a 135% growth over 2003
 - Net profit of \$0.7 billion in 1H 2005, a 16% growth compared to 1H 2004

Source: Severstal consolidated IFRS financial statements

Sales growth



Production vs EBITDA/tonne



Strategy Review

SECTION 2

Global Strategy

- **Driven by global industry consolidation trends...**
 - ...spurred by high concentration of suppliers
 - ...and customers
- **Analysis of potential acquisition targets based on:**
 - strategic rationale
 - economic value
- **Ongoing cross border integration of acquired assets**
 - Severstal North America
 - Lucchini

Industrial Strategy

- **Margin sustainability**

- Retain position of a low cost producer
- Higher cost business segments should offer higher margins

- **Strategic focus on Russian market**

- **Modernisation of production facilities**

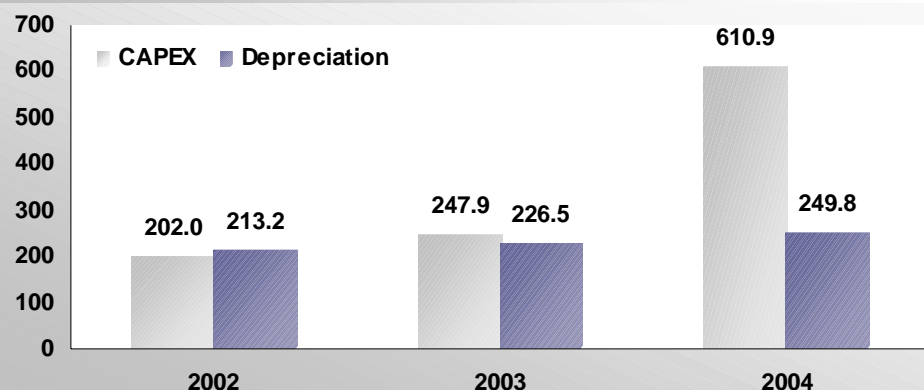
- Lower production cost
- Maintain competitiveness

- **Energy supply security**

- Add on internal power generation capacity in Russia

CAPEX Program

Capex vs depreciation, U.S.\$ million



Source: Severstal consolidated IFRS financial statements

Capex plans

- Severstal plans to invest c.a. \$950 million in PP&E during 2005-2006 (excluding SNA and Lucchini)
- Better quality of products will strengthen Severstal's competitive position in a high-margin niche
- Moderate CAPEX at SNA and Lucchini reflective of the better quality of assets

Main projects

Goal

Reconstruction of two blast furnaces



Better quality of products and higher ecological standards

Construction of new electric-arc furnace



Increase of annual crude steel capacity by 1.1 mt

Modernisation of continuous-casting machine in converter shop



Increase of annual crude steel capacity by 1.0 mt

Investments in cold-rolled sheet quality improvement

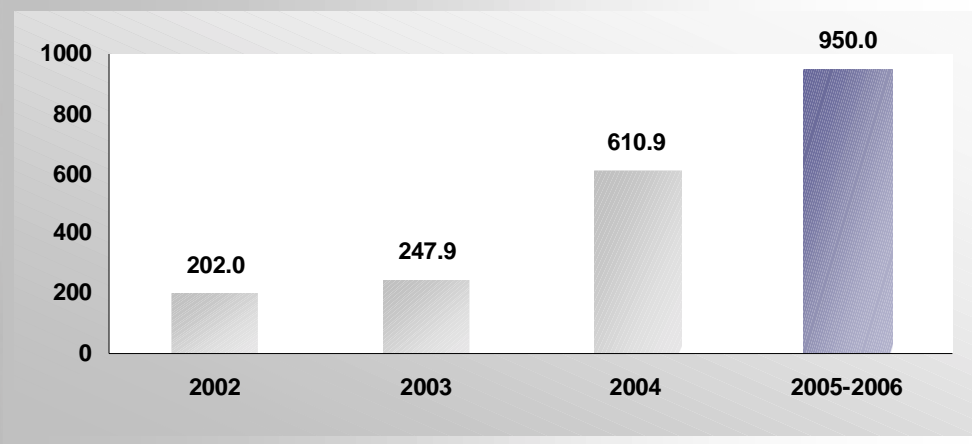


Shift to high-margin business

Source: Severstal consolidated IFRS financial statements

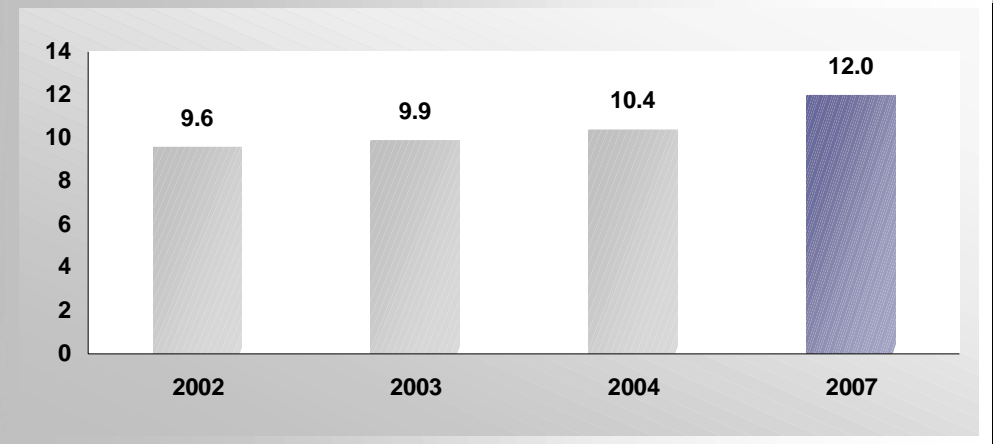
Crude Production in Russia

Capex Estimations, U.S.\$ million



Source: Severstal consolidated IFRS financial statements and Severstal estimations

Annual Crude Steel Production, million tonnes



Source: Chermet Corporation and Severstal estimations

The typical structure of Severstal's capital expenditures is as follows:

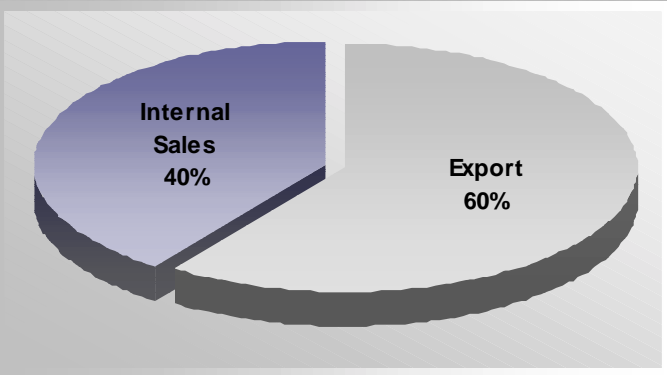
- The substantial share from 40 to 50 % of total capital investments are directed at maintaining of production volumes
- The other important field, consuming 25 - 30% of the CAPEX is the capacity widening and construction of new facilities
- The investments into increasing of materials' quality, development of new high-end products and improving of ecological standards, takes from 20 to 25%

Strategic Focus on Russian Market

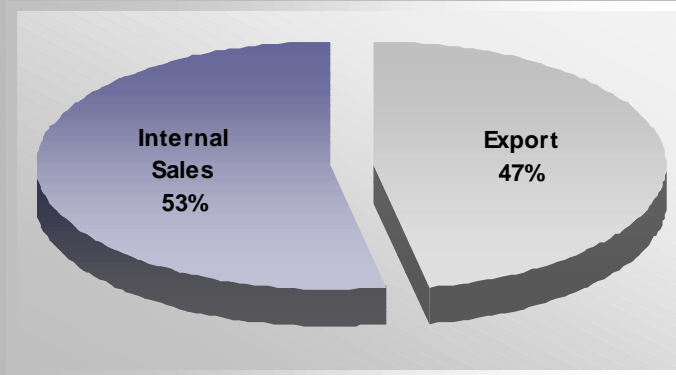
- The Russian market became more attractive for product supply and investments over the last several years
- The transnational companies move production facilities to the regions of Russia
- Severstal supplies transplants in Russia
 - Electrolux
 - Fiat
 - Ford
 - Philips

Domestic Sales of the Russian Mill

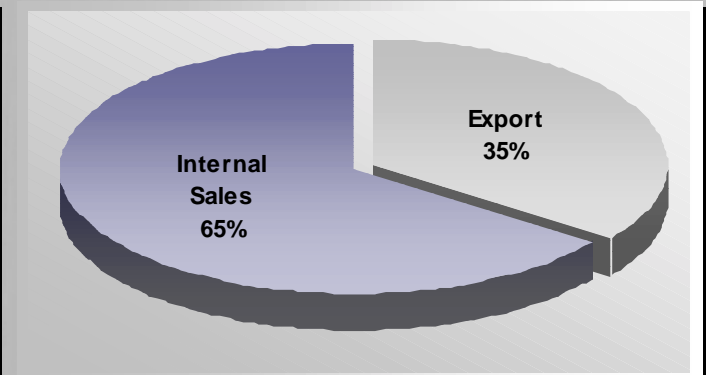
1999



2004



2010 (forecast)



Cooperation with Local Authorities

Cooperation Agreement

between JSC "Severstal" and
Vologda Region Government

- Joint efforts to implement "The Vologda Region Social and Economic Development Strategy up to 2010"
- Economic development of the region
- Providing proper conditions for establishing new production facilities on the territory of the Vologda Region"

The basic benefits for the investors are:

- Political support
- Loyal and approved supplier
- Suitable location to establish new facility with the appropriate infrastructure
- Tax remissions



Special Economic Zone

Basic activities: metal processing

Profile:

- Minimal investments of the residents – 10 million Euro
- Beneficial period – 20 years
- Tax remissions
 - Income tax
 - Exemption from property tax for 5 years
 - Exemption from land tax for 5 years
- Free customs zone regulations
- Territory – 1000 hectares (with the possibility of further extension up to 2000 hectares)
- Up to 150-200 residents

Potential residents:

- Service centers
- Steel-consuming enterprises (electrotechnical products, auto spare parts, household appliances, building materials)

Industrial and Investment Opportunities in Vologda Region



Cooperation

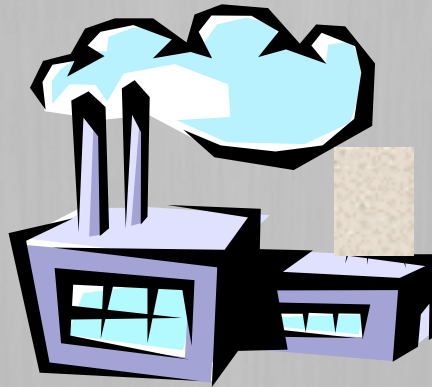
Regional administration



Steel products

Service

Infrastructure development



Tax Remissions

Minimal bureaucracy

Government support

Production



Domestic and international distribution