

SeverStal Group Overview



Severstal – Summary overview



- Severstal Group is one of the largest industrial groups in Russia with interests in steel, mining, pipe-production, automotive, plywood, banking and insurance



- Over 80% of group turnover is done in steel&mining sector: these are the assets that are part of the transaction perimeter



- Using best management practices



Severstal – Group Structure

Severstal Group

Steel Making Division

- Severstal
- Severstal North America
- Lucchini & Ascometal
- SeverGal
- Izhorsky Pipe Plant

Other businesses

- Ply-wood production
- Automobile
- Insurance
- Banking

Severstal Resource

- Karelski Okatysh (pellets)
- Olkon (iron ore)
- Kuzbassugol
- Vorkutaugol

Severstal Metiz

- Cherepovets Steel Rolling Mill
- Orel Steel Rolling Mill
- Volgograd Steel Rolling Mill
- Dneprometiz
- Carrington Wire

 Transaction Perimeter



Severstal – Key Dates



- 1955 Cherepovetz Steel Plant opens
- 1993 Registered as Severstal joint-stock company
- 1994 Company acquires Karelskiy Okatysh, a producer of iron-ore pellets in Karelia Region
- 1995 Purchases Olenegorskiy mining and processing plant in Murmansk Region
- 2000-2001 Acquires Ulianovsk Automotive Plant and Zavolzhie Engine Plant
- 2001 Establishes Severstal Corporative University, a research and educational center
- 2001 Buys Kuzbassugol Co., in Kemerovo region
- 2002 Forms joint venture Sevegal with Arcelor to produce galvanized steel with a cover layer for outer and inner car panels
- 2002 OAO Severstal establishes Severstal Group. Severstal Group is made up of three divisions: steel, natural resources and auto.
- 2002 Mr. Mordashov named chairman of OAO Severstal and CEO of Severstal Group
- 2003 Acquires Rouge Steel (Severstal North America) in Dearborn, Michigan
- 2005 Acquires 70% Lucchini stake
- 2006 Consolidation of steel and mining assets starts
- 2006 Announces merger agreement with Arcelor, creating the world's largest steel company

Severstal – Best Management Practices



- Trust in People
 - Expertise in basic industries management
 - Expertise in anti-crisis and post-crisis management
 - Knowledge & Talent management
 - Highly motivated workforce
- Business Ethics and Stakeholder Philosophy
 - Ethical and responsible corporate citizen
 - Long-term Customer relations
 - Reliable partner for suppliers
 - Ethical competitor
 - Long-term partnership with the investors, government and local communities

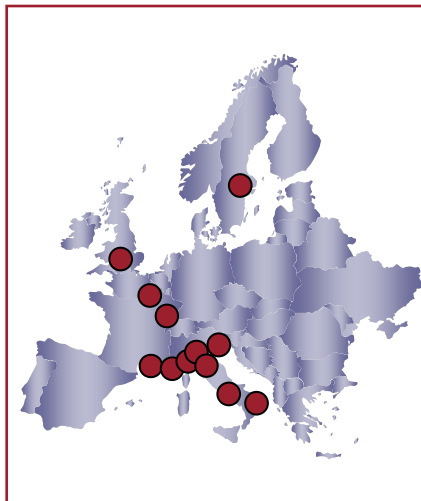
Site location



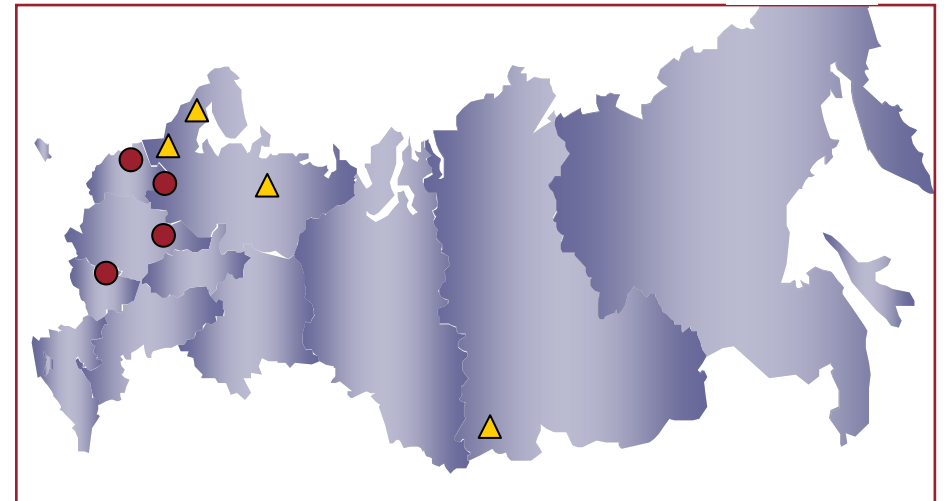
North America



Europe



Russia



● Steel & Rolling ▲ Mining



- **Second largest producer of flat steel products in Russia and 5th largest integrated steel-maker in the U.S.**
- **First Russian steel company with upstream and downstream assets in the USA and EU**
- **Supplies and transportation of iron ore, coal and limestone secured by affiliates in Russia**
- **Advantageous geographical location:**
 - close to the Baltic Sea ports and key customers in Central Russia
 - near Detroit close to automotive customers and raw material suppliers in North America
- **Increased focus on high quality auto steel and strips**
- **Cohesive and highly experienced management team**
- **Increased focus on domestic and cross-border consolidation**



Corporate

- Severstal is ranked 13th over the top 30 steelmaking companies of the world (IISI)
- 2005 production: 17.1 million tonnes
- One of the 5 most competitive steelmakers in the world
- The first Russian steel company with substantial investments outside Russia



Financial (Lucchini and Resource not consolidated)

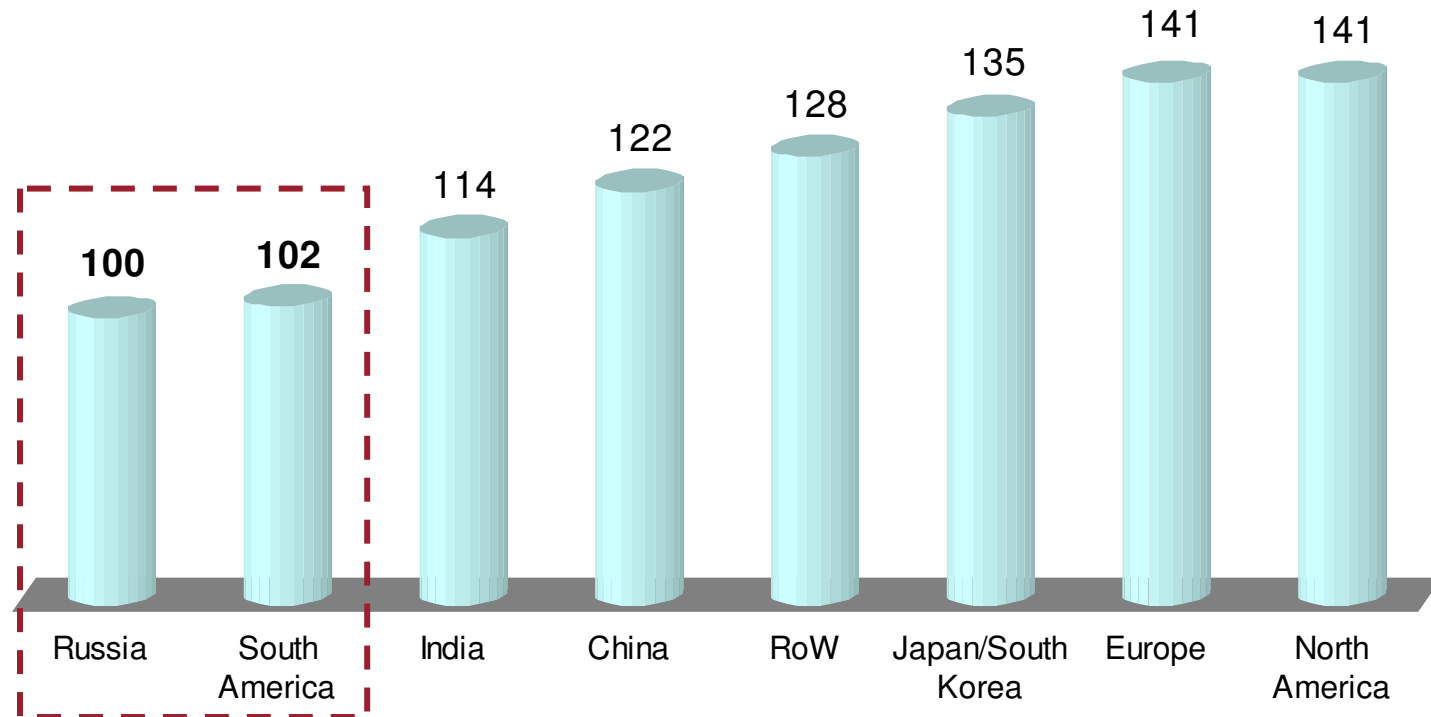
- 2005 sales: \$7.97 billion
- 2005 EBITDA: \$2.13 billion



Strategically located low cost production



Slab cost (US\$ / Tonne - index)



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

- **SNA possesses strategic assets – quality plants, superior customer base and solid management skills**



High quality plants



Asset description

- Steel making capacity of 3 millions tonnes and rolling capacity of 4 million tonnes
- Advantageous geographical locations :
 - ~200 steel customers located within 350 miles of the company's integrated facility
 - Facilities adjacent to Ford's stamping and assembly operations
- Capex plan of ~\$760 mm for the upcoming 2 years should permit EBITDA annual savings of nearly \$180 mm

Superior customer base



- Domestic market share of 5% in steel flat products
- Access to the US auto steel market (Ford, GM, Daimler-Chrysler, ...)
- First supplier of Ford Motor Company

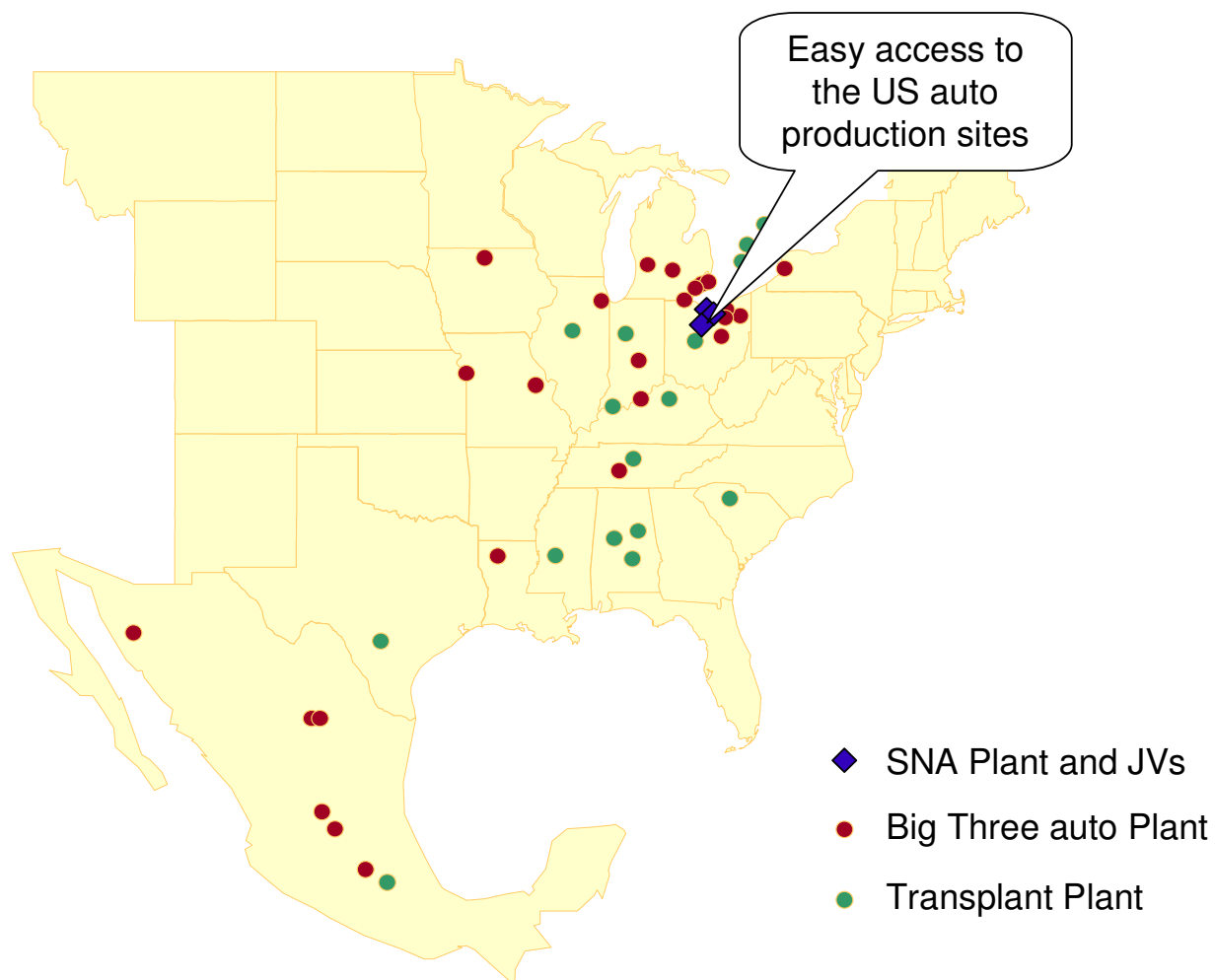
Solid management skills



- Turnaround in profitability : EBITDA and Net Income back in black in 2004
- Successful cost cutting in 2004 :
 - New labor contract saved \$50 mm
 - Process optimization programme saved \$8 mm
- Coke supply secured by joint-venture with Wheeling-Pittsburgh



- SNA plants are located in advantageous geographical locations close to main auto production sites in the US



- **Lucchini and Asco have key market positions thanks to “state-of-the-art” plants, access to key markets and high-tech expertise**



“State-of-the-art” plants



Access to key European markets



High-tech expertise



Asset description

- **Lucchini possesses excellent locations close to its customers**, e.g. 50% of Lecco sales made to customers in a perimeter of 25 km around the plant
- Through operational improvement, Piombino is among the **most cost efficient plant in Europe**
- **Lucchini the sole producer in Italy** which is the first European market for quality wire rod (30% of EU-15 10 million tons market)
- **Asco, world leader in very hi-tech market segments**
 - Auto - Share France 50%, Europe 10%
 - Bearings – Share Europe 29% (Leader)
 - Springs – Share Europe 27% (Leader)
 - Energy – World co-leader 25%
- **R&D Asco budget** is €4.5M with 48 employees

Lucchini & Ascometal – Location

- Lucchini & Asco have access to key markets



Severstal steel assets



SNA

- 5th largest integrated flat carbon steel producer in the U.S.
- 3 million tonnes of flat steel capacity p.a.
- 4 million tonnes of rolling capacity p.a.



OA0 Severstal

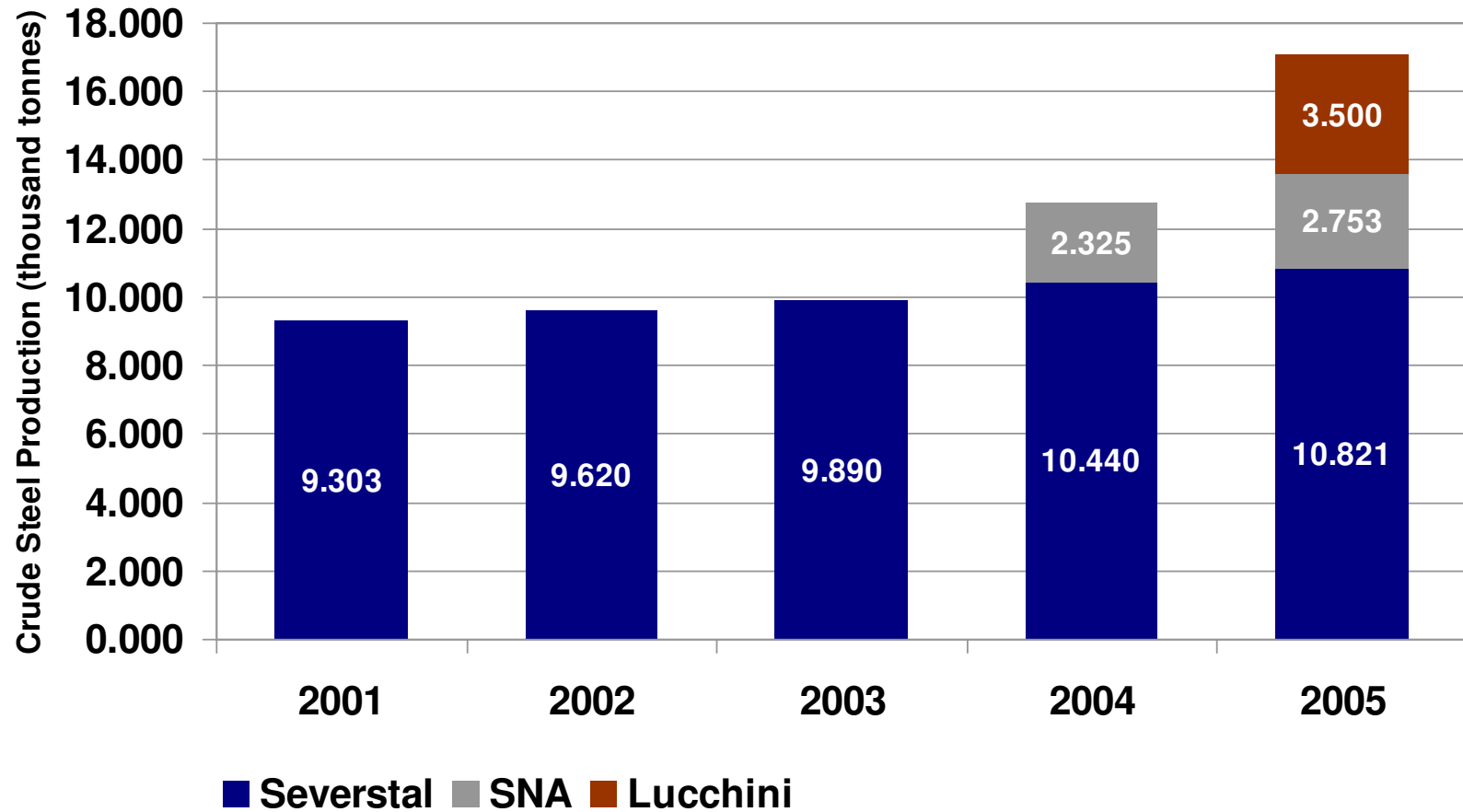
- 2nd largest producer of flat steel products in Russia
- 11 million tonnes of steel making capacity p.a.



Lucchini

- 2nd largest steel group in Italy
- Significant presence in France
- 4 million tonnes of long carbon steel making capacity p.a.

Severstal - Steel production



Source: Severstal



Carrington Wire

- » Produces Baling wire, carbon spring wire, electrogalvanised wire, nails
- » 2005 production of approximately 144 000 tonnes
- » Located in UK, 3 plants
- » Employees: 500



Dneprometiz

- » Produces low-carbon steel wire of various purpose, fixture products, welding electrodes
- » 2005 production of approximately 120 000 tonnes
- » Located in Ukraine
- » Employees: 1900



Carrington

Cherepovets

Orel

Volgograd

Dnepropetrovsk

Cherepovets Steel Rolling Mill

- » Produces nails, wire, steel and welded mesh, welding materials, ropes, fixture for machine-building, furniture and railway
- » 2005 production of approximately 557 000 tonnes
- » Located in Cherepovets
- » Employees: 5700

Orel Steel Rolling Mill

- » Produces low-carbon, middle-and high carbon steel wire of various purpose, welding electrodes, a metal mesh, the steel ropes
- » 2005 production of approximately 193 000 tonnes
- » Located in Orel region
- » Employees: 5000

Volgograd Wire Rope Mill

- » Produces high-quality spring wire, welding wire, a wire for facing and manufacturing of the electrodes
- » 2005 production of approximately 71 000 tonnes
- » Located in Volgograd region
- » Employees: 2200

The largest Russian and CIS manufacturer of wire and wire products

- 960 thousand tons of wire and wire products
- Wide range of products with over 26 000 items (low carbon steel products, calibrated rolled steel and shaped sections, high carbon steel products)
- 31% – share on the domestic metalware market
- 50% of Russian metalware exports

Severstal Resource Highlights



- 15% – share on the domestic Russian coal market
 - 2005 production: Coal 10.2 m tonnes



- 14% – share on the domestic Russian iron ore market
 - 2005 production: Iron Ore 12,9 m tonnes



- 2005 EBITDA: \$0,6 billion



- The company is in process of consolidation with OAO Severstal, that should be completed by the end of June 2006

Severstal mining assets overview



Vorkutaugol

- Product range includes the production of coking and thermal coal
- The enterprise's structure is formed by 7 coal producers, concentrating factory, mechanical factory, coal sales management, supply management and some other subdivisions
- Annual output: 9 million tons of coal

Kuzbassugol

- Product range includes the production of coking coal
- Structure includes mines Fizkulturnik, Sibirskoe, Berezovskaya, Pervomaiskaya, Novaya and a range of auxiliary enterprises
- Annual output: 4 million tons of coal

Karelsky Okatysh

- The company specializes in mining and processing of ferruginous quartzites into high-quality iron-ore pellets
- In 2004 8 million tons of pellets were produced, with expected expansion to 11.5 mta by 2008

Olenegorskiy plant

- Company manufactures iron ore concentrate
- Annual concentrate production is 3.7 million tons

Severstal mining assets overview

Karelsky Okatysh

(iron ore pellets)

- Produces iron ore pellets
- Estimated reserves of 1,221m tonnes
- Located in Karelia Republic
- Employees: 6400



Olkon

(iron ore)

- Produces iron ore concentrate
- Estimated reserves of 630m tonnes
- Located on Murmansk region
- Employees: 2,400

Vorkutaugol

(coking & steam coal)

- Produces coking and thermal coal concentrate
- Estimate reserves of 439m / 130m tonnes
- Located in Komi Republic
- Employees: 12100 / 2200

Kuzbassugol

(coking coal)

- Produces coking coal and concentrate
 - Estimated reserves of 373m tonnes
 - Located in Kemerovo region
 - Employees: 2600
- Includes two main mines – Pervomayskaya and Berezovskaya

Moscow



2007 estimated production per entity



Mining Russia



SeverStal Russia



SeverStal North America



Lucchini

Ascometal

Production details (milliontonnes)

- Iron ore:
 - KO: 9.6
 - Olkon: 4.5
- Coking coal and concentrate:
 - KuzbassUgol: 3.5
 - VorkutaUgol: 8.6
- Flat products:
 - Plates: 0.3
 - Pipes: 0.5
 - Hot rolled coils: 6,1
 - Cold rolled products: 1,8
 - Galvanized: 0,7
 - Organic coating: 0.2
- Flat finished products:
 - Hot rolled coils: 2.0
 - Cold rolled coils: 0.6
 - Coated: 1.3
- Long products:
 - Rebar: 0.4
 - Merchant bar: 0.6
 - Wire rod: 0.4
- Semi-finished products:
 - Slabs: 0.5
- Long finished products:
 - Wire rod & bars & rails: 1.0
- Semi-finished flat products:
 - Slabs: 0.9
- Special long products: 1.2

Severstal: Key financials

Pro forma, 12 months ended 31 December (\$m)



Revenues

Russian Steel and Severstal North America ⁽¹⁾
Resources ⁽²⁾⁽⁴⁾
Lucchini ⁽³⁾
Total

2005

7,973
674
2,623
\$11,270



EBITDA

Russian Steel and Severstal North America ⁽¹⁾
Resources ⁽²⁾
Lucchini ⁽³⁾
Total

2,129
632
367
\$3,129



Net Income

Russian Steel and Severstal North America ⁽¹⁾
Resources ⁽²⁾
Lucchini ⁽³⁾
Total

1,292
358
86
\$1,736



Net Debt

Russian Steel and Severstal North America ⁽¹⁾
Resources ⁽²⁾
Lucchini ⁽³⁾⁽⁵⁾
Total

127
245
689
\$1,061

(1) As per audited consolidated IFRS financial statements

(2) Based on financial statements prepared in accordance to Russian GAAP. Underlying financial statements are audited by local auditors according to Russian Auditing Standards. The underlying financial statements were in Roubles and converted to US\$ for the convenience of the reader only

(3) Based on audited consolidated financial statements prepared in accordance to Italian GAAP, pro forma Sidermeccanica carve-out. Sidermeccanica carve-out adjustments are made over the consolidated results by using the management accounts on Sidermeccanica. The underlying financial statements were in Euros and converted to US\$ for the convenience of the reader only

(4) External sales only (as provided by the company), internal sales are eliminated for aggregation purposes

(5) Net debt figure is adjusted to include certain IFRS items