

# *Acquisition of Sparrows Point*

*20 March 2008*

**SeverStal**

# Disclaimer

***These materials may contain projections and other forward-looking statements regarding future events or the future financial performance of OAO SeverStal (SeverStal). You can identify forward looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might”, the negative of such terms, or other similar expressions. SeverStal wishes to caution you that these statements are only predictions and that actual events or results may differ materially. SeverStal does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Factors that could cause the actual results to differ materially from those contained in projections or forward-looking statements of SeverStal may include, among others, general economic conditions in the markets in which SeverStal operates, the competitive environment in, and risks associated with operating in, such markets, market change in the steel and mining industries, as well as many other risks affecting SeverStal and its operations.***

# Agenda

- » *Transaction Overview*
- » *Sparrows Point Overview*
- » *Pro Forma SeverStal*



» *Transaction Overview*

# Acquisition of Sparrows Point – Key Terms

<b>Purchase Price</b>	<ul style="list-style-type: none"><li>• US\$810 million</li><li>• US\$225 cost per ton (based on 3.6mt of crude steel capacity at Sparrows Point)</li></ul>
<b>Acquisition Consideration</b>	<ul style="list-style-type: none"><li>• Acquisition consideration all cash</li></ul>
<b>Structure</b>	<ul style="list-style-type: none"><li>• Acquisition of the stock of Sparrows Point LLC and other assets related to the Sparrows Point business</li><li>• Acquiring company on a debt free / cash free basis; minimal pension and OPEB liabilities</li></ul>
<b>Process</b>	<ul style="list-style-type: none"><li>• Sale process was run by a divestiture trustee appointed by the US Department of Justice</li><li>• US Department of Justice mandated the sale of Sparrows Point following the merger agreement of Mittal and Arcelor in 2006</li><li>• Mittal Steel USA acquired Sparrows Point as part of the ISG acquisition in 2005</li><li>• Previously announced agreement in August 2007 with E2 terminated in December 2007</li></ul>
<b>Labor Agreement</b>	<ul style="list-style-type: none"><li>• SeverStal has agreed to enter into an agreement with the United Steelworkers (USW)</li></ul>
<b>Conditions to Closing</b>	<ul style="list-style-type: none"><li>• Subject to customary closing conditions, including regulatory and CFIUS (Committee on Foreign Investment in the United States) approval</li></ul>
<b>Expected Timetable</b>	<ul style="list-style-type: none"><li>• Definitive agreement signed on March 20, 2008</li><li>• Closing expected in Q2 2008</li></ul>

# Transaction Rationale

- » *SeverStal is an active participant in the consolidation of the global steel industry and the US remains a priority market*
- » *We believe in the long term outlook of the US market and see the acquisition as an opportunity to build on our established US footprint and create a leading flat steel producer in North America*
- » *The acquisition will further strengthen our US market position*
  - *Sparrows Point is a profitable asset with further growth opportunities*
  - *Complementary product line to SeverStal's existing US businesses*
  - *Extends US footprint with some of the best distribution channels in the industry*
  - *Synergy potential with SNA and SeverCorr*
  - *Clearly identified opportunities for business improvement*

# SeverStal is poised to deliver maximum value from Sparrows Point

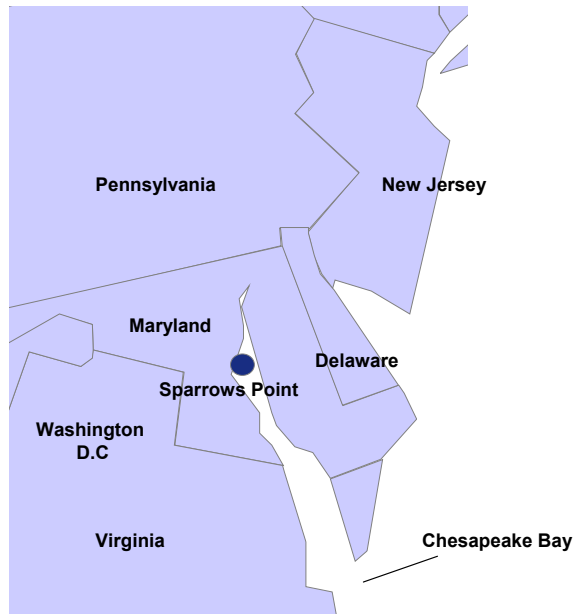
- » ***Commitment to further grow the business, secure local coke contracts and expand capacity***
- » ***SeverStal has the relevant skills and experience to successfully integrate and strengthen Sparrows Point***
- » ***Synergies of around \$50m and business improvements to be realized in the following areas:***
  - *Global supply and purchasing optimization*
  - *Operational and efficiency improvements*
  - *Cost reductions*
- » ***Strong relationship with union***
- » ***Transaction is expected to be accretive in 2008***



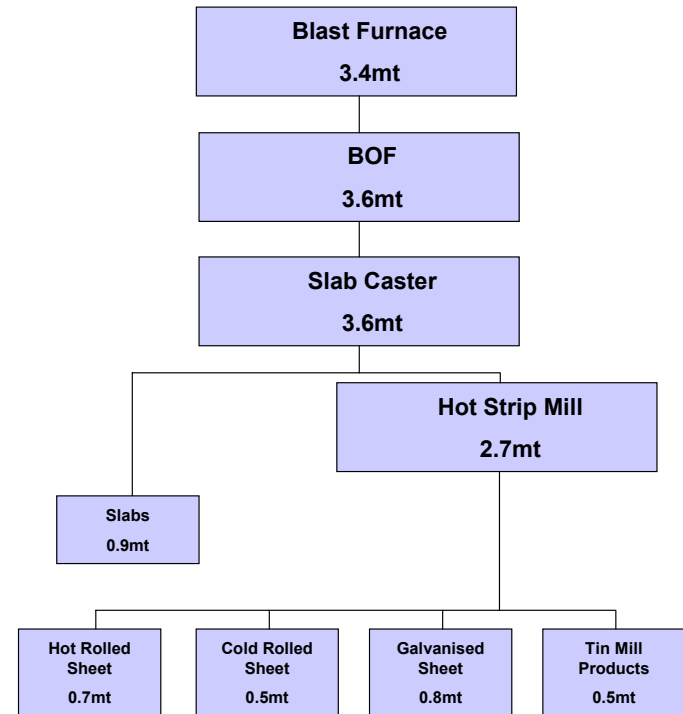
» *Sparrows Point Overview*

# Strategic location with strong transportation connections

- » ***The only integrated steel plant on the East Coast with its own deep water port and rail connection to the main East Coast rail networks***
- » ***Approx. 2,500 employees***



## Facility Layout



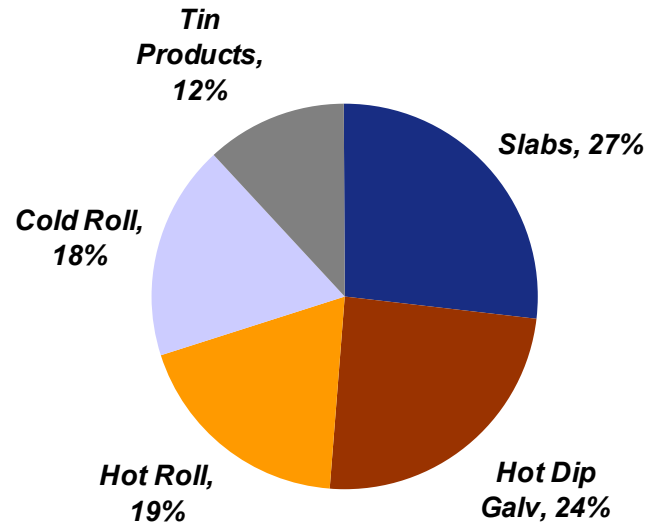
# High quality assets and flexible production capability

- » *Third largest blast furnace in North America, completely relined in 1999*
- » *Flexible and modern straight mold continuous casters*
- » *One of the most modern cold mills in North America, commissioned in April 2000*
- » *Self-contained tin mill*
- » *3 active on-site Hot Dip Galvanizing Lines*
- » *Wholly-owned on-site 120MW power generation facility*

# Varied and flexible product mix

- » *Fully integrated producer of a range of sheet and tin mill products*
- » *Leading market shares in construction-grade sheet products*
- » *Significant slab capacity of 3.6 million tons*

2007 Sparrows Point Shipment Product Mix

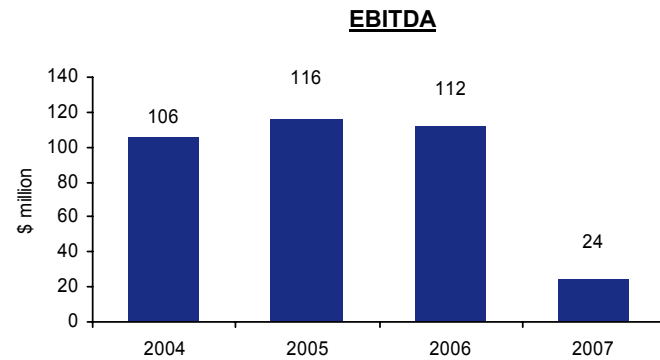
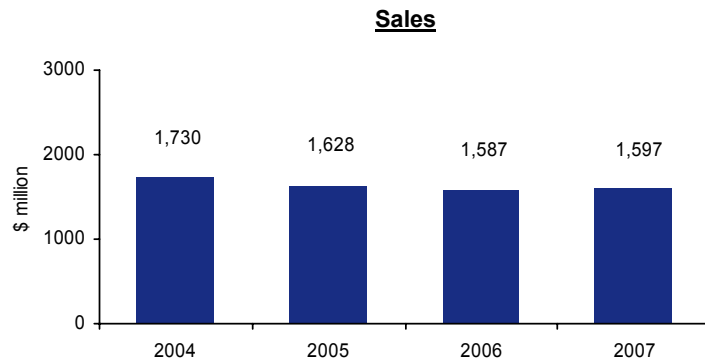


Total Shipment: 2.3mt

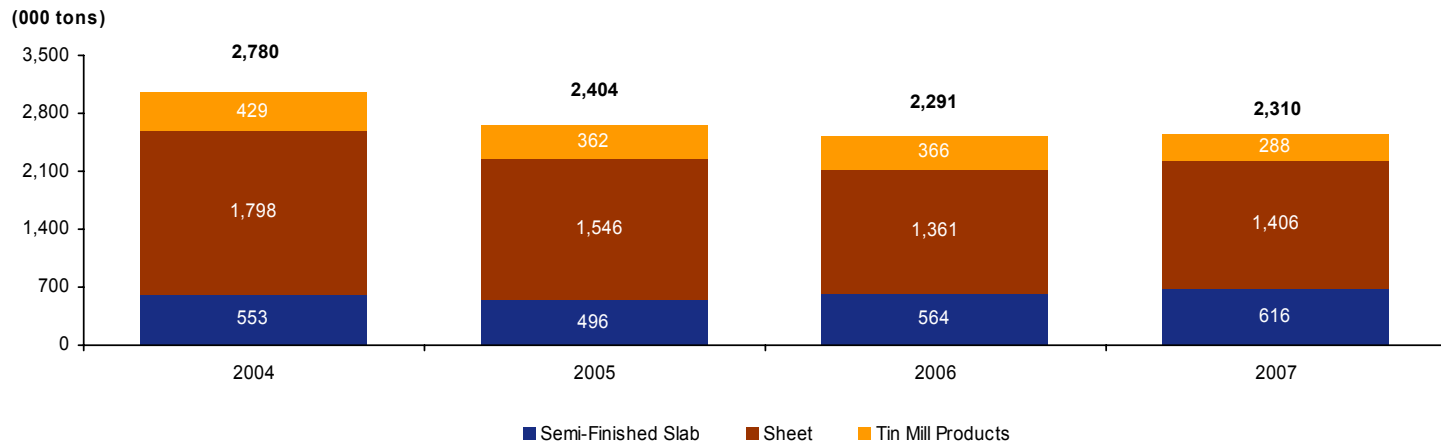
**SeverStal**

# Strong financial results

## » Summary Financials



## » Shipments



# SeverStal



» *Pro Forma SeverStal*

**SeverStal**

# Successful track record of acquiring and strengthening major international steel businesses

## » 2004: Rouge Industries (now SeverStal North America)

- Business returned to profitability, capex investment over the following 5 years to modernize facility

## » 2005: SeverCorr

- Fully consolidated in 2008
- Reached 90% design capacity for Phase I and on-track for Phase II completion by early 2010

## Existing North American Operations

### Automotive-dedicated integrated mill model

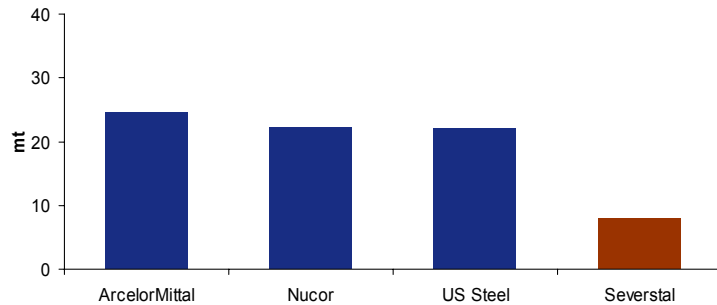
- » **SNA** – the 4<sup>th</sup> largest integrated steelmaker in the USA by Volume
- » Automotive steels account for about 75% of SNA's sales (incl. direct and indirect sales)
- » Close proximity to raw materials and major automotive customers

### Technologically advanced mini-mill model

- » **SeverCorr** – a brand-new flat-rolled steel mill
- » High-quality automotive steels
- » Low costs
- » Cutting-edge technology

# SeverStal to become #4 steel company in the US market by capacity

## » US crude steel capacity



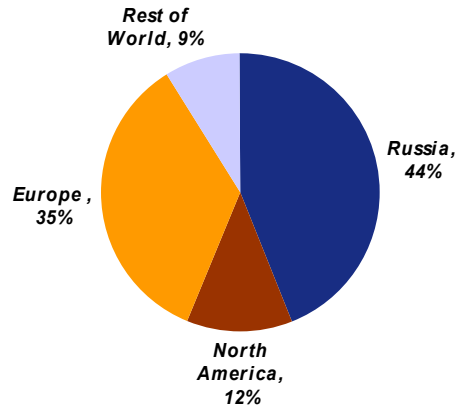
SeverStal Group capacity (metric tons)	
<i>Russian Steel</i>	12.0mt
<i>SNA</i>	3.0mt
<i>Lucchini</i>	4.0mt
<i>SeverCorr</i>	3.0mt <sup>(1)</sup>
<i>Sparrows Point</i>	3.6mt
<b>Total</b>	<b>25.6mt</b>



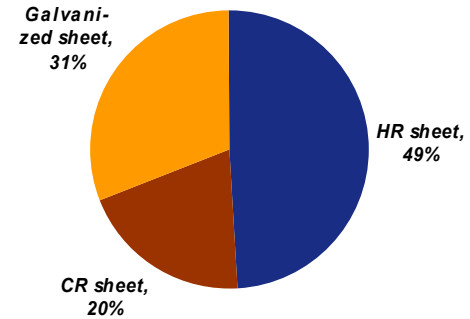
(1) Following the completion of Phase II expansion in 2010

# Expanded geographical reach and more diversified product offering

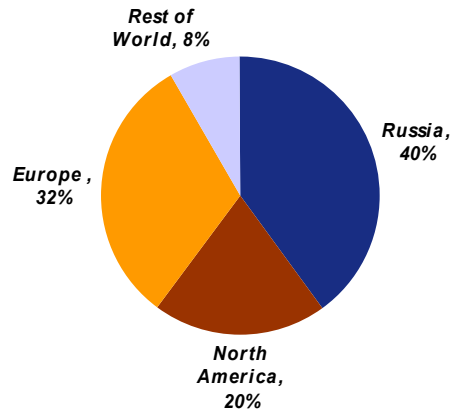
## » 2007 Group Revenue by geography



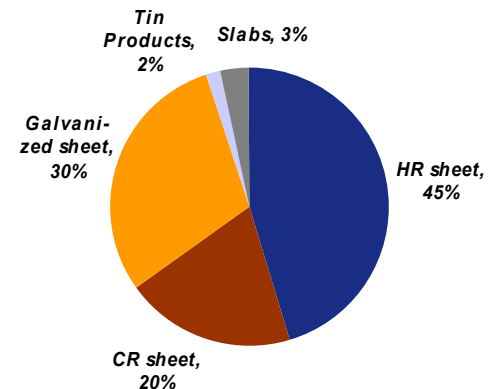
## » U.S. Product Mix



## » Pro Forma Group Revenue by geography



## » Pro Forma U.S. Product Mix



# Summary

- » *Transaction reflects a significant strategic opportunity to add complementary assets and scale to SeverStal's existing U.S. business*
- » *SeverStal expected to realize significant business improvements and synergies at Sparrows Point*
- » *Transaction is expected to be accretive in 2008*