

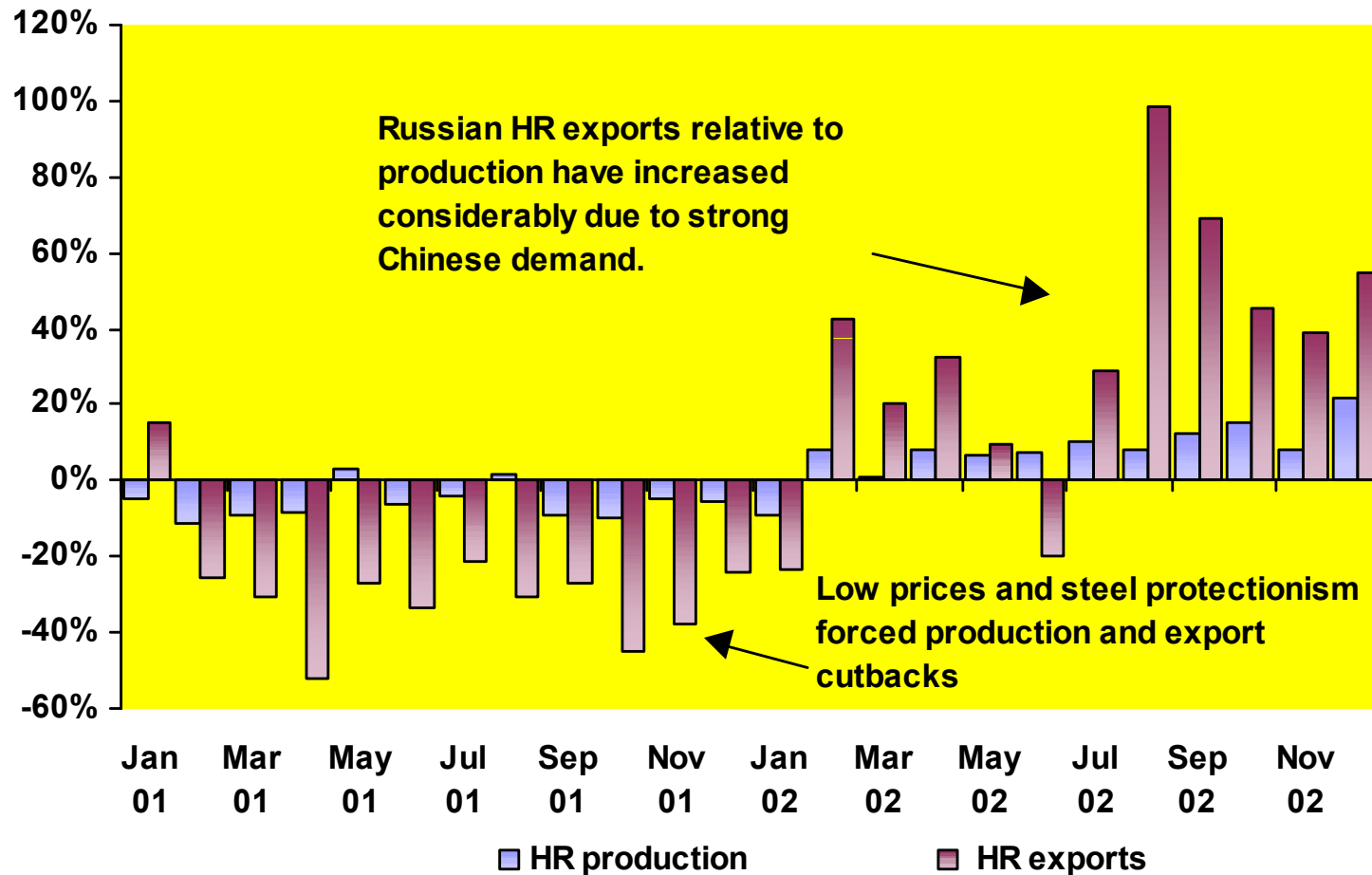


**Russia's steel industry -
prospects in the era of value creation**

**Metal Bulletin's/Eurasian Metals Russian Steel Summit
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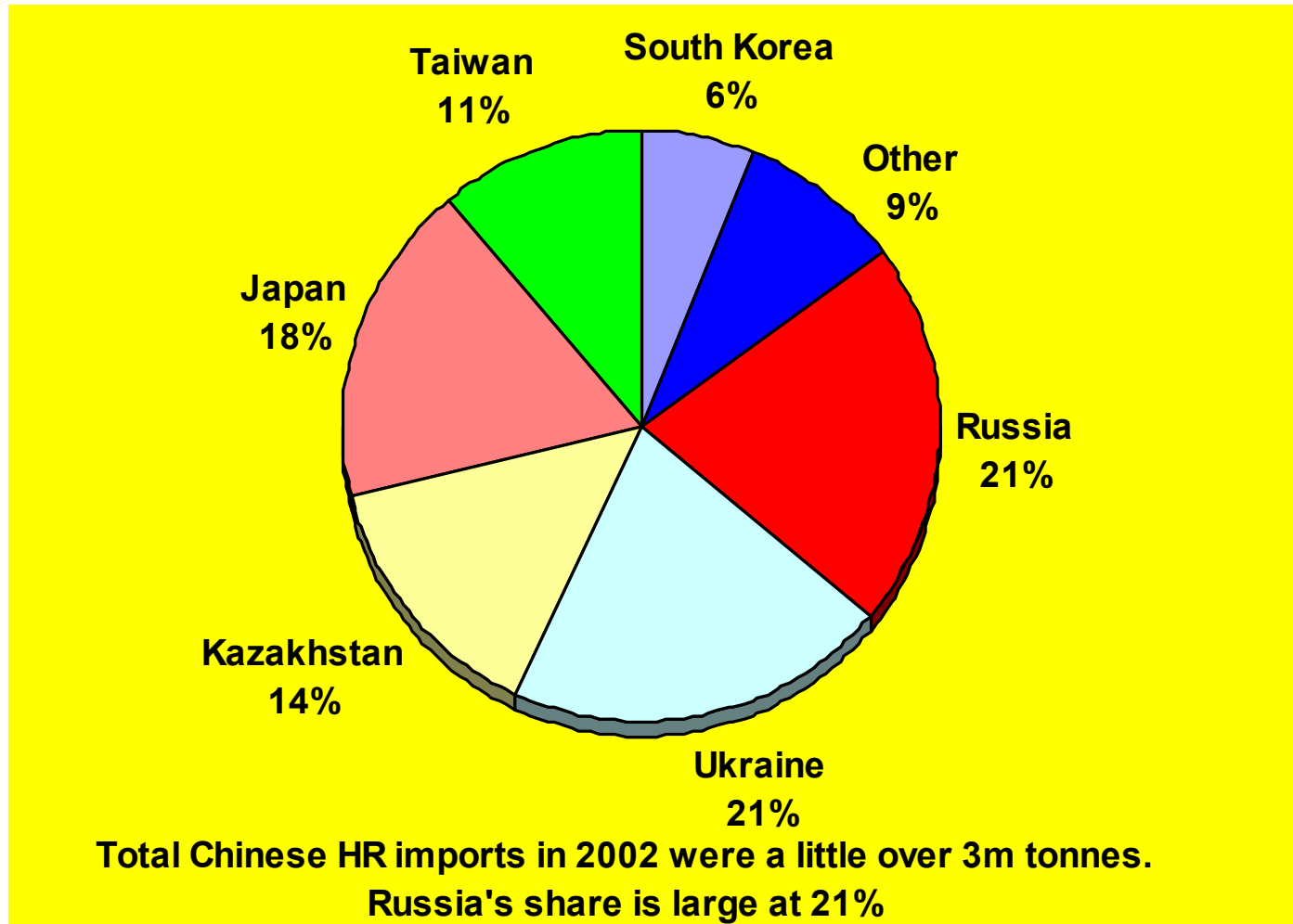
Russian year-on-year % change in HR sheet/coil production and export volumes



The danger in over-relying on the Chinese market

- China is rapidly building new capacities as part of on-going import substitution policies e.g. China's HR capacity is increasing by 31% alone in 2003.
- There is no slowdown in Chinese production volumes. Chinese crude steel output is already up 19.4% during the first four months of 2003.
- Existing Chinese steel quotas could easily tighten over time with added threats of anti-dumping duties imposed in the future.
- Strong competition is already being met by other regional competitors attempting to off-load their excess output onto the Chinese market.

Chinese HR coil imports (below 3mm) by major country of origin during 2002



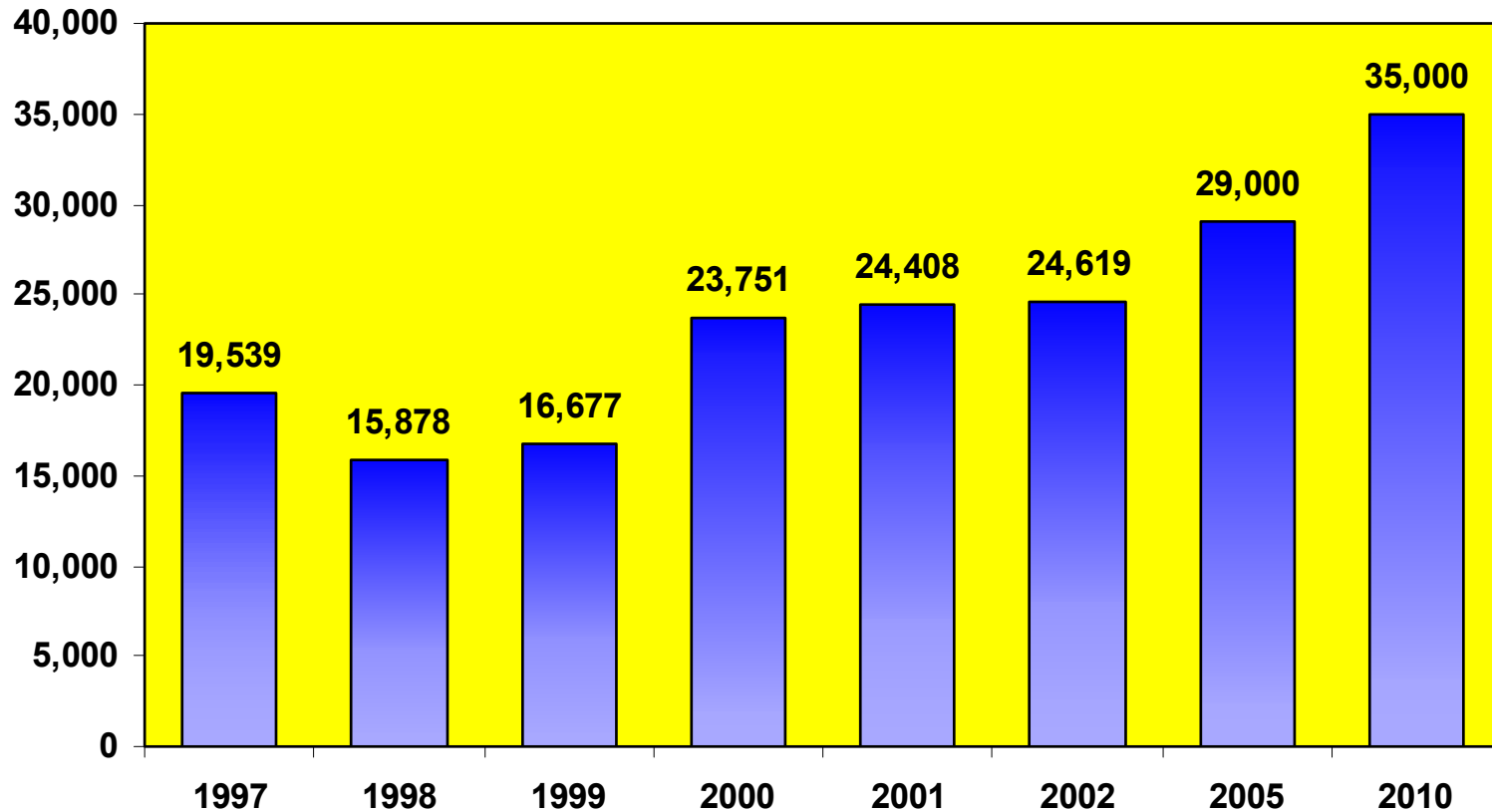
CIS foreign acquisitions summary

- Severstal has considered acquiring Rouge Steel (enabling access to the US car sheet market); Portugal's Lusoider (before Corus sold it to CSN) and Poland's PHS (beaten by the LNM Group bid)
- Severstal is currently considering acquiring Hungary's Dunafer and Poland's Huta Czestochowa
- Severstal has a joint venture with Arcelor on a HDG line. Rumours of a possible merger between Severstal and Arcelor?
- MBR expects Severstal to acquire a Western European galvanising operation in the next five years.
- Novolipetsk currently owns Denmark's DanSteel supplying slabs to compete in the Scandinavian plate market

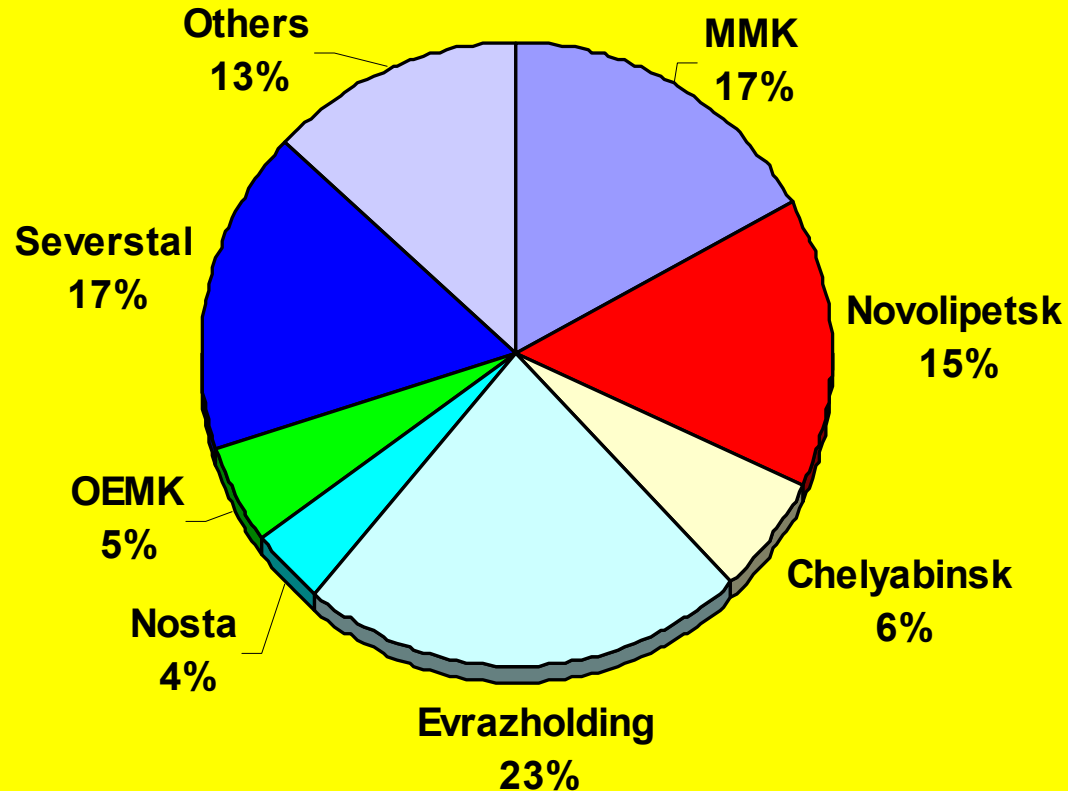
CIS foreign acquisitions summary continued

- Magnitogorsk has considered acquiring US Detroit Steel
- Mechel Group has considered Romania's Petrotub and Tempro Lasi and currently owns Romania's Cost Targoviste and Industria Sirmei
- Gallagher Holdings (Usmanov) with links to OEMK and Nosta has recently bought a 5.11% stake in Corus UK.
- Ukraine's Lemman Commodities currently owns Italian HR and plate mill Ferriera Valsider Spa

Russian total finished steel apparent consumption historical and forecast '000 tonnes



Russian steel producer shares in the domestic market in 2002



Massive consolidation in Russia in recent years means that four steel groups control 70% of the market