

Audit Committee Report (As of 1 April 2008)

This report of the Audit Committee to the shareholders of Evraz Group S.A. covers the Committee's activities since the last report as at 24 April 2007 to 31 January 2008.

Following up on the key priorities identified in earlier reports of the Audit Committee, the Company has made significant progress in establishing Turnbull compliant, Enterprise Risk Management processes and procedures, including the initiation of a group-wide risk register. In addition, significant financial process improvements have been initiated to deliver earlier closing and publication of interim and final accounts and a detailed fraud incident and analysis reporting process has been instigated. These initiatives have been delivered within the dynamic acquisition growth environment since the Company's listing, leading to enhanced internal audit functionality and scope.

The Audit Committee has had an oversight role and a leadership function in these internal control enhancements.

Role of the Committee

The Board has delegated to the Committee the responsibility for oversight over Evraz Group's financial controls and reporting, oversight over the planning, process and reports of appropriate reviews of the Group's financial and operational internal controls and the risk management systems conducted by an internal audit function that is wholly independent of management and reports to the Audit Committee (as provided in the Group's internal audit charter).

The Committee is also responsible for managing the Company's relationship with the Company's external auditor.

In relation to these responsibilities, the Committee has:

- reviewed its board mandate;
- reviewed the form, content and integrity of the Company's and Group's published financial statements (within the period of this report the interim results to 30 June 2007), including the 2007 press release;
- monitored and reviewed arrangements to ensure the objectivity, scope and effectiveness of both the external and internal audit functions, including the proposed and respective programmes of audit work, the quality and independence of provision of the respective audit functions and of the costs or fees for the separate audit functions; and
- after these reviews, the Audit Committee recommended to the Board that the external auditors be reappointed.

The Composition of the Committee

During the period the members of the Audit Committee were:

- Terry Robinson (Chairman) a financially qualified, independent non-executive director;
- Olga Pokrovskaya, a financially qualified, non-executive director;
- John Heywood, a financially qualified, the Evraz's Board nominated member (not being a Evraz's director) of the Audit Committee. In addition to the papers of the Audit Committee, John also receives copies of all Board's minutes and has access to all Board's papers.

The composition of the Audit Committee is not compliant with the Combined Code, since the members of the Committee are not drawn wholly from the Board's independent non-executive directors. The Board continues to ensure independence through a rigorous regard of the Audit Committee's mandate and independent authority.

Report of the Committee's Activity in 2007

Meetings and attendance: four meetings were held during the 9-month period, which all Audit Committee's members attended. In addition, there was a special Audit Committee meeting attended by the Company's senior executives together with the Group's chief executive, at which a review of the response to the Group-wide Enterprise Risk Management questionnaire was performed and, through a working Group session, the structure, ownership and management action for the Group's risk register and score card was established. This working Committee meeting did not include Olga Pokrovskaya.

The external auditor, Ernst & Young, internal auditors, the Group's Senior Vice President and Chief Financial Officer attended all four regular meetings. In addition, senior members of the Group's finance team, the Group Vice President Evraz Metallurgy, the Group's IT Vice President, the Group's Vice President of Corporate Affairs and Investor Relations, the director of taxes of Evraz and various senior members of the Group's operational management team were present at various meetings of the Committee.

The principal issues considered during the period from 24 April 2007 to 31 January 2008 were:

- Review of the external auditor's management letter following their full year audit for 2006, together with the Company's management response and intended action.
- Review of the interim financial results and accounts presentation.
- In connection with the review of the full year and interim accounts, the Committee carefully enquired as to related-party transactions. These transactions have been materially reduced and the Company continues to make the objective of reducing related-party transactions to a level of immateriality a priority.

- Review of the scope and process for the Group-wide Enterprise Risk Management questionnaire and the subsequent executive response.
- Maintaining oversight over the Group's Fast close project intended to introduce modified, robust and comprehensive financial consolidation processes for earlier closing of the Group's IFRS accounts.
- Review of the Group's tax management processes.
- Review of the Group's incidences of fraud and activity in hand to manage and reduce such future incidences.
- Review of the actions instigating the Group's whistleblowing facility.
- Review of the revised manning, organisation and internal audit programme of the internal audit function to increase its scope to accommodate the expanded Group's operations through acquisitions.
- Review of the internal audit report on the effectiveness and process in delivering monthly management information and Board's reports.
- Review of the Group's plans for the consolidation and rationalisation of the Group's IT infrastructure; given the numerous legacy IT platforms in existence through acquisitions.

In addition, the Audit Committee reviewed and discussed all the programmed internal audit reports concerned with the business and financial internal controls and processes; in particular, the Audit Committee reviewed the Group's treasury function report, the report on the greatly expanded Vanadium operational unit and initial reviews of the functional internal controls at acquired subsidiaries.

The Committee has met with the external auditors, management and with the internal audit team separately for individual discussions.

Non-audit Services

As reported in previous years, it is the Group's policy to engage accountancy firms for due diligence work in connection with acquisitions and for tax advice. The Committee has given prior written approval to all such engagements and mandate fees where such engagements have involved the Company's external auditor.

In 2007, the audit fees on the interim review and yearend audit approved by the Committee were US\$4.35 million, and non-audit fees were US\$1.2 million.

Audit Committee Self-assessment

The Audit Committee has conducted a self-assessment questionnaire.

External Auditor

Ernst & Young continues to serve as Evraz Group S.A. external auditor for the fifth consecutive year. According to internal procedures, the Lead Audit Partner will be rotated starting from 1 January 2008.