Evraz’s Global Business
2008 Strategic Highlights

Advance long product leadership in Russia and CIS
- Revenue from sales* of construction products in Russia and CIS grew by 24%
- Revenue from sales of railway products in Russia and CIS grew by 34%
- Sales volumes of railway products in Russia and CIS grew by 6%

Expand presence in international flat and tubular markets
- Expansion into North American market through strategic acquisitions of Claymont Steel and IPSCO Canada
- Growth in tubular sales revenue of 165% with sales volumes increasing by 81%
- Increased flat-rolled revenue by 65% with sales volumes up by 22% mainly due to North American operations

Enhance cost leadership position
- Shut down of inefficient production capacity
- Constant implementation of cost reduction programs
- Cost position being helped by Rouble and Hryvnia depreciation

Complete vertical integration and competitive mining platform
- Top three world steel producer with the highest level of vertical integration in iron ore, coking coal and coke
- Coking coal self-coverage of 89%
- Iron ore self-coverage to 93%
- Acquisition of Sukha Balka iron ore mine

Achieve world leadership in vanadium business
- The only producer of vanadium-rich ore in Russia
- Global footprint with five operating units on four continents and geographically diversified operation
- Vanadium segment revenues and EBITDA doubled year-on-year

* In this presentation – sales to third parties, unless otherwise specified
## 2008 Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Change</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>20,380</td>
<td>12,859</td>
<td>58%</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>(13,308)</td>
<td>(7,976)</td>
<td>67%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>(1,814)</td>
<td>(1,220)</td>
<td>49%</td>
</tr>
<tr>
<td>EBITDA*</td>
<td>6,323</td>
<td>4,305</td>
<td>47%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>31%</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Net Profit**</td>
<td>1,868</td>
<td>2,103</td>
<td>(11)%</td>
</tr>
<tr>
<td>Net Profit margin</td>
<td>9%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>EPS (US$ per GDR)</td>
<td>5.04</td>
<td>5.87</td>
<td>(14)%</td>
</tr>
<tr>
<td>Net Debt***</td>
<td>9,031</td>
<td>6,425</td>
<td>41%</td>
</tr>
<tr>
<td>Sales volumes**** ('000 tonnes)</td>
<td>17,021</td>
<td>16,389</td>
<td>3.9%</td>
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</table>

* EBITDA represents profit from operations plus depreciation and amortisation, impairment of assets and loss (gain) on disposal of PP&E
** Net profit attributable to equity holders of Evraz Group S.A.
*** As of the end of the period
**** Steel segment sales volumes to third parties
2008 Financial Highlights

- Group revenue increased by 58%, driven by both strategic acquisitions (an increase of US$4,468m) and strong organic growth (US$3,053m)
- Organic growth was fuelled by favourable pricing trends in 1Q08–3Q08 and positive product mix shift
- Net profit is depressed due to the extraordinary charges totalling US$1,857m

Revenue, FY08 vs. FY07

Revenue by Market

* Consolidated Adjusted EBITDA of US$6,323m excludes unallocated expenses of US$204m
Enhancing Geographic and Product Diversification

- Increasing share of high value-added products in steel segment revenues:
  - Share of tubular products increased from 6% to 11%
  - Share of semi-finished products decreased from 23% to 22%
- Diversifying into mature protected markets with higher margin products
- Production sites outside Russia account for 44% of total revenues and 30% of EBITDA

![Sales Revenue by Market](image)

![Sales Revenue by Production Unit](image)

Source: Management accounts
Strengthening the Cost Advantage

- Evraz has benefited from its high level of backward integration into both iron ore and coke.
- Reducing feedstock prices over the last 4 months have partially eroded this advantage, while geographical diversification of the business developed a natural hedge.
- Mining segment cash costs have reduced sufficiently:
  - Approximately 75% of consolidated cost is Rouble denominated.
  - Russia-based assets have benefited from declines in utilities and staff costs.
  - Margin-preserving cost structure in the US with key raw materials being scrap and our own slab.

Cost of Revenue, % of segment revenues in 2008

- Steel:
  - Raw materials: 5.2%
  - Transportation: 3.2%
  - Depreciation: 3.5%
  - Energy: 48.0%
  - Staff costs: 11.4%
  - Other: 24.1%

- Mining:
  - Raw materials: 6.7%
  - Transportation: 9.7%
  - Depreciation: 12.3%
  - Energy: 6.4%
  - Staff costs: 18.0%
  - Other: 4.8%

- Vanadium:
  - Raw materials: 6.5%
  - Transportation: 6.2%
  - Depreciation: 37.6%
  - Energy: 6.4%
  - Staff costs: 18.0%
  - Other: 4.8%

Cash Cost, Steel Products

- US$/t
- October 08 to March 09
- Russian & Ukrainian operations
- Overseas operations

Cash Cost, Coal Products and 100% Fe Iron Ore

- US$/t
- October 08 to March 09
- Iron ore products, in 100% Fe
- Coal products

Source: Management accounts.
Capital structure has been reinforced with the signing of US$1.8bn of credit lines from VEB in November 2008

- US$1.2bn has been drawn to refinance short-term debt as of 31 March 2009
- The remaining US$600m will be used for quarterly payments on the US$3.2bn syndicated loan until the end of 2009
- In 1Q09 net debt was reduced following the sale of the remaining 49% in NS Group to TMK for US$508m
- US$645m of short-term debt rescheduled into longer-term debt during the six months ended 31 March 2009
- Cash on hand of US$805m and undrawn facilities of US$1,791m as of 31 March 2009
- Total debt reduction of approx. US$1bn during 1Q09 from US$9,986m as of 31 December 2008 to US$8,987m as of 31 March 2009
- Debt is denominated predominantly in US$
Capacity Utilisation Management and Product Mix Flexibility

- Proactive management of production capacity to avoid inventory build ups and extended receivables
- Idling of 3 out of 10 blast furnaces in CIS
- Better steel-making capacity utilisation than some peers reflects stronger demand for Evraz products and demonstrates the benefits of vertical integration and synergies with downstream assets
- Evraz was prepared for the shift in the market demand for its Russian and Ukrainian steel products, being able to switch from slab into billet within 12 hours of decision

![Graphs showing capacity utilisation for Steel and Mining](image_url)
Cost Saving Initiatives

An extensive cost reduction programme has been implemented

Labour costs forecast to decline by more than 40% (in US$ terms) in 2009 vs. 2008 with key factors being:

- Salaries reduction
- Rouble and Hryvnia devaluation
- 4-day working week
- 5-shift schedule
- Workforce reduction

Key services and auxiliary materials price cuts of ca. 50% vs. (in US$ terms) 2008 levels

- Extensive renegotiation with suppliers
- Rouble and Hryvnia devaluation
Since 3Q08, capital expenditure has been reduced to essentially maintenance levels
- All key contracts are under negotiation and management expects a material reduction in costs
- CAPEX in 2008 was US$1,108m vs. previous management guidance of US$1.5bn

All discretionary greenfield/brownfield expansionary spend curtailed

All new investment opportunities deferred
- Extending exclusive option to acquire Delong Holdings by 6 months to August 2009 with a further 6 to 12 month extension in 2010 being negotiated. Investment in Delong to remain at 10% in 2009
- Evraz gave up the right for the licence to develop the Mezhegey coal deposit
- Cape Lambert acquisition put on hold indefinitely

Maintenance CAPEX sufficient to support Evraz’s asset quality and production efficiency through 2009 and 2010

CAPEX in 2009 expected to be less than US$500m
1Q09 Operational Results

- Rebound in volumes of semi-finished products and increase in construction products partially due to de-stocking
- Sequential decline in railway and flat-rolled products partially due to seasonality
- Prices for the main product groups stabilised in January and remain essentially flat
- Utilisation of Russian steelmaking capacity is up from 58% in 4Q08 to 67% in March 2009; of Russian iron ore mining – from 67% to 83%; coking coal mining remaining close to full capacity
- Robust order book and stable margins in rail business in North America
- Rouble and Hryvnia depreciation make Russian and Ukrainian markets the most competitive on a global cost curve
- Visibility of demand in construction remains very low

**Production**

- '000 tonnes
- **3Q08**
  - Semi-finished products: 1,282
  - Construction products: 1,187
  - Railway products: 966
  - Flat-rolled products: 688
  - Tubular products: 512
  - Other steel products: 281
- **4Q08**
  - Semi-finished products: 1,318
  - Construction products: 1,318
  - Railway products: 545
  - Flat-rolled products: 417
  - Tubular products: 428
  - Other steel products: 309
- **1Q09**
  - Semi-finished products: 1,172
  - Construction products: 1,172
  - Railway products: 265
  - Flat-rolled products: 265
  - Tubular products: 144
  - Other steel products: 144

**Average Prices for Select Products**

- US$/t
- **3Q08**
  - Russian rebars, FCA, domestic: 300
  - Russian slabs, FCA, export: 600
  - EVS plate, export: 900
  - NA commodity plate: 1,200
  - NA rails: 1,500
  - NA LD line pipes: 2,000
- **4Q08**
  - Russian rebars, FCA, domestic: 300
  - Russian slabs, FCA, export: 600
  - EVS plate, export: 900
  - NA commodity plate: 1,200
  - NA rails: 1,500
  - NA LD line pipes: 2,000
- **1Q09**
  - Russian rebars, FCA, domestic: 300
  - Russian slabs, FCA, export: 600
  - EVS plate, export: 900
  - NA commodity plate: 1,200
  - NA rails: 1,500
  - NA LD line pipes: 2,000

**Capacity Utilisation**

- %
- **3Q08**
  - Steel: 40%
  - Coal: 50%
  - Iron ore: 60%
- **4Q08**
  - Steel: 40%
  - Coal: 50%
  - Iron ore: 60%
- **1Q09**
  - Steel: 60%
  - Coal: 70%
  - Iron ore: 80%

Source: Management accounts
Price Dynamics

- Russian domestic prices for main product groups bottomed in November-December of 2008 and then stabilised or slightly increased due to the end of destocking-restocking cycle in construction steel.
- Export prices for semi-finished products remain relatively flat this year with some recovery in billet prices in April-May 2009.
- North American prices deteriorating this year with exception of large diameter pipes, showing some price recovery.
- European prices remain under pressure.

Average Prices for Evraz Products, NA

Average Prices for Evraz Products, Europe

Source: Metal Bulletin and Company data

Source: Metal Courier
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