Alexander Erenburg
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Morgan Stanley:
Russia Metals & Mining Infrastructure Field Trip

26 July 2012, Moscow
EVRAZ in brief

- Global top-20 steel producer based on crude steel production of 16.8 million tonnes in 2011
- 102% self-covered in iron ore and 56%* in coking coal as of 2011
- 2011 consolidated revenue of $16.4bn; EBITDA of $2.9bn
- $1,281m of capex in 2011
- Total debt as at 31 December 2011 of $7.2bn, net debt/LTM adjusted EBITDA of 2.2x
- Resumption of dividend payments with $491m of interim and special dividends in October 2011 and announced final dividend for 2011 of $228m
- Redomiciliation in the UK and shares listed on the Premium segment of the London Stock Exchange since 7 November 2011
- Constituent of FTSE 100 index since December 2011 and the only steel stock in UK FTSE All-Share index
- In May 2012 EVRAZ was included in MSCI UK and MSCI World Indices

*Excluding production of Raspadskaya Coal Company, EVRAZ’s equity investment
Global operating model

2011 Steel sales volume by geography
Africa 4%
Europe 10%
Americas 18%
Asia 19%
Russia & CIS 49%

2011 Steel sales volume by product
Construction 36%
Semi-finished 22%
Flat-rolled 19%
Railway 14%
Other 4%
Tubular 6%

Steel mills
- Iron ore mining
- Coal mining
- Vanadium
- Sea ports
- Mezhegey coal mill in development

Third party steel products sales* (Kt), 2011
Internal supply of slabs and billets from Russian steel mills (Kt)

* Excluding routes with sales volumes below 50kt each, together totalling 160kt
Expected global steel consumption growth

- EVRAZ is well-positioned in sustainable markets with steel consumption outperforming GDP growth

World steel consumption growth*, 2011-2016

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP growth, 2011-16, CAGR, %</th>
<th>Steel cons. growth, 2011-16, CAGR, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>World total</td>
<td>2.9</td>
<td>4.2</td>
</tr>
<tr>
<td>USA &amp; Canada</td>
<td>2.9</td>
<td>3.1</td>
</tr>
<tr>
<td>EU-15**</td>
<td>1.4</td>
<td>1.6</td>
</tr>
<tr>
<td>CIS</td>
<td>4.0</td>
<td>6.1</td>
</tr>
<tr>
<td>S. Africa</td>
<td>3.8</td>
<td>4.0</td>
</tr>
</tbody>
</table>

* Source: Worldsteel, EVRAZ estimates

** EU15 comprises the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom
Leading Russian vertically integrated producer of long steel

**Source:** EVRAZ estimates

**Price of intergroup raw materials = cash costs + railway tariff**
Exposure to Russian and CIS construction markets

Sustainable growth in consumption of long products in Russia and CIS is ensured by:
- necessity to modernise underinvested old infrastructure in Russia and CIS
- residential construction potential: 23sqm of house space per capita in Russia, compared with the 30-40sqm developed countries average
- large events in Russia (World Student Games 2013, Winter Olympic Games 2014, Far East and Siberia development, Football World Cup 2018)

Residential construction market is growing in line with GDP

Demand on construction long products in Russia recovered quickly after crisis and already in 2012 will exceed the 2007 level

During the next 3 years the demand for construction long products in Russia will grow but at slower rates, in line with overall economic situation deterioration in Russia due to the fall of oil prices and global economy slowdown

EVRAZ is the key supplier of rails to RZHD
- RZHD – stable replacement volumes
- Annual demand of RZHD for replacement of old railways is estimated at 650-750,000 tonnes. In 2012 RZHD will replace 748,000 tonnes of rails\(^2\).
- The RZHD requirements for new railroad construction are estimated at 2.1 – 2.7 million tonnes by 2030

Approximate shares of the Russian & CIS rail market volumes in 2012 for 60% belong to Russian Railways, 30% - to CIS countries (excl. Ukraine) with the remaining part belonging to other Russian customers

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1 Source: Goldman Sachs, EVRAZ estimates.
2 Numbers exclude new construction and rails for switches.
**Infrastructure projects in Russia**

- EVRAZ is the largest producer of infrastructure steel and took part in large infrastructure projects APEC 2012 and Sochi 2012

**Future plans for infrastructure development**

<table>
<thead>
<tr>
<th>Name of project</th>
<th>Description</th>
<th>Realisation period</th>
<th>Steel - estimated consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Football World Cup (FIFA 2018)</td>
<td>According to the FIFA Bid Evaluation Report Russia made a commitment to construct 16 stadiums in 13 cities, 19,000 hotel rooms, build or reconstruct motorways and high-speed rails</td>
<td>2012-2017</td>
<td>2.5 – 3 million tonnes</td>
</tr>
<tr>
<td>(2) State Program “Buildings”</td>
<td>Construction of residential buildings in Russia. The initial state program for 2002-2010 was prolonged to 2015. Total investment of 621 billion RUB in 2011-2015, 90 million square meters by 2015.</td>
<td>2011-2015</td>
<td>1 – 1.5 million tonnes</td>
</tr>
<tr>
<td>(3) State Program “Development of transport system by 2015”</td>
<td>Construction of transport infrastructure in Russia with the aim of improving travel behavior (including new: automobile roads, railroads, marine terminals, bridges, airport strips). Total investment of 13,484 billion RUB.</td>
<td>2010-2015</td>
<td>2.5 – 3 million tonnes</td>
</tr>
<tr>
<td>(4) RZHD new railway roads expansion plan by 2030 – optimistic scenario</td>
<td>Russian Railways strategy development plan announces construction of 20,730 km new railway roads by 2030 with total investment of 13,812 billion RUB as per optimistic scenario (16,017 km and 11,447 billion RUB as per minimum scenario)</td>
<td>2008-2030</td>
<td>2.7 tonnes¹</td>
</tr>
<tr>
<td>(5) State Program of Development of the Baykal Region and Far East Areas by 2025 including</td>
<td>Development of social infrastructure in the Far East and the Baykal region in 12 constituent territories of the Russian federation aimed at improvement of living conditions (complex measures of development of the region – building of hospitals, houses, development of roads, sporting facilities, rail roads, small capacity atomic stations etc.)</td>
<td>2013-2025</td>
<td>2.5 million tonnes</td>
</tr>
<tr>
<td>(5.a) Construction of the Vostochny kosmodrom</td>
<td>A planned Russian spaceport to be located in the Amur area, in the Russian Far East. It is intended to reduce Russia’s dependency on the Baikonur spaceport in Kazakhstan. The project is currently in the 1st phase – the launch facility construction started in July 2012.</td>
<td>2012-2015</td>
<td>0.8 – 1.2 million tonnes²</td>
</tr>
</tbody>
</table>

¹ EVRAZ estimates based on optimistic scenario
² Included in the State Program Development of the Baykal Region and Far East Areas by 2025

Sources: Federal State Programs documentation, Russian Railways strategy development plan, EVRAZ Analytical department estimates, Media
Increased contribution from value-added products

EVRAZ to increase share of rolled products

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<tbody>
<tr>
<td>Steel production at ZSMK &amp; NTMK</td>
<td>10.9 Mtpa</td>
<td>11.1 Mtpa</td>
<td></td>
</tr>
<tr>
<td>Semis</td>
<td>3.9</td>
<td>2.6</td>
<td>5%</td>
</tr>
<tr>
<td>Railway products</td>
<td>1.6</td>
<td>2.1</td>
<td>35%</td>
</tr>
<tr>
<td>Construction + other</td>
<td>5.5</td>
<td>6.4</td>
<td>30%</td>
</tr>
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* Contribution margin = (Product revenue – Product variable costs)/Product revenue

Rail mill modernisation at ZSMK and NTMK : + 0.5 Mtpa

- Increase in rail production capacity from 1.0 Mtpa up to 1.5 Mtpa
- Rail quality improvement – satisfies technical requirements of all global markets

Construction of two new rolling mills: + 0.9 Mtpa

- Yuzhniy rolling mill (Greenfield): +0.45 Mtpa
  - Increase sales of long products in the large and growing market (south region of Russia)
  - Product line: rebar, channels, rod
- Vostochniy rolling mill (Greenfield): +0.45 Mtpa
  - Become No1 producer of long products in Kazakhstan
  - Product line: rebar, rod

Long-term memorandum with RZHD signed

- Period: 2013-2017
- 950,000 tonnes – minimum annual requirement of RZHD
- Supply of 100-metre head-hardened high-speed rails of not less than 100,000 tonnes in 2013, 250,000 tonnes in 2014, 300,000 tonnes per year in 2015-2017.
Leader in the global rail market

- Cost competitiveness due to vertical integration
- High rail quality – satisfy technical requirements of all global markets

**EVRAZ's rail capacity and current market position**

**#1 in Russia**

- Modernised rail mill capacity
  - Before modernisation: 1.0 mtpa
  - After modernisation (starting from mid-2012): 1.5 mtpa

- 95% of Russian rail market
  - Import: 10%
  - EVRAZ: 90%

**#1 in USA**

- Rail mill capacity in USA
  - 0.5 Mtpa

- 40% of USA rail market
  - EVRAZ: 40%
  - Arcelor: 20%
  - Import: 30%

**Russian rails’ potential in new markets**

- Sales to North America through existing sales network
- Brazil is a key emerging market with long-term import above 0.5 Mtpa

**Target markets for future penetration**

- Rail import in 2011: 0.2 mtpa
- Target markets for EVRAZ
  - N. America: 0.4 Mtpa
  - CIS: 0.2 Mtpa
  - Middle East & Turkey: 0.3 Mtpa
  - S.E. Asia: 0.3 Mtpa
  - Brazil: 0.2* Mtpa

*2011 is considered to be anomalously low. Brazil imported 0.6 Mtpa of rails in 2010. Long-term expectations above 0.5 Mtpa
Summary

- Long term cost competitiveness due to vertical integration
- Shift from semis to higher value-added products
- Exposure to growing Russian construction market
- Focus on global expansion of rails business
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Thank you for attending!

26 July 2012, Moscow