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Evraz Group Strategy

Achieve Superior Growth

Advance long product leadership position in Russia and CIS
  ◦ Leverage construction product range breadth, effective distribution and customer service
  ◦ Develop railroad products portfolio to grow domestic and export business

Build global steel business
  ◦ Expand presence in attractive plate and other flat product markets complementing a flexible world-class semis export business

Enhance Margin Profile

Enhance cost leadership position
  ◦ Increase efficiency through operational improvements and ongoing realization of asset synergies
  ◦ Complete CAPEX-driven asset optimization

Expand competitive mining platform
  ◦ Complete vertical integration in iron ore and pursue selective opportunities globally
  ◦ Build domestic and export coal portfolio, increase capitalization of coal business
  ◦ Achieve world leadership in vanadium business
1H07 revenues increased by 57% to US$ 6,023 mln

Total 1H07 shipments almost flat at 8.466 mln tonnes

1H07 EBITDA grew by 87% to US$ 2,050 mln with EBITDA margin advanced to 34%

Net profit increased by 98% to US$1,126 mln

Russia remains key market with revenue up 47% and volumes increasing by 16%

Asian sales slipped from 28% in 1H06 to 18% in 1H07 with revenues almost flat y-o-y

Shift to Higher Margin Products

- Average price for steel products grew by 51% to US$629/tonne with mix shift in favour of higher margin products
- Share of semi-finished products sales fell from 37% to 23% with volumes decreasing by 27%
- Evraz OSM acquisition contributed 762 thousand tonnes of rolled products, including 189 thousand tonnes of tubular and 228 thousand tonnes of railway products
- Highveld contributed 124 thousand tonnes of steel products for the two months of consolidation
Steel: Yielding on Russian Demand Growth

- Russian steel revenue grew by 53% fuelled by domestic construction boom and strong pricing.
- Steel sales volumes increased by 16% to 3.8 mln tonnes and selling price averaged 637$/tonne.
- Russian construction sales: almost double revenues on the back of 32% increase in sales volumes.
- Railway products: revenues grew by 26% with sales volumes increasing by 5%.
- Flat products revenue jumped by 105%.

Key Products Prices in Russia

Segment Revenues: Russia

Russian Steel Sales Volumes
Steel: Europe

- Sales grew by 38% to US$820 mln on the back of strong pricing environment and contribution from vanadium products sales
- Average slab and plate sales prices were up 41% and 32% respectively
- 1H07 EBITDA of Palini e Bertoli and Evraz Vitkovice Steel amounted to US$60 mln and US$99 mln respectively
Steel: North America

- Sales jumped from US$117 mln to US$961 mln on Evraz OSM and Stratcor acquisition.
- Total steel sales increased by 156% to 854 thousand tonnes of higher margin products.
- 1H07 Evraz OSM revenues totalled US$828 mln with EBITDA of US$108 mln.
Vanadium: Leveraging Market Exposure

- Vanadium business contributed US$241 mln to revenues compared with US$83 mln in 1H06
- Vanadium slag volumes increased to 5.5 thousand tonnes* and vanadium products volumes totalled 4.2 thousand tonnes* due to Stratcor and Highveld consolidation
- Russian vanadium slag sales volumes increased by 9% to 4.7 thousand tonnes*
- 1H07 Stratcor revenue totalled US$98 mln with total sales of 2.7 thousand tonnes* of vanadium products

Vanadium Revenues by Region

Vanadium Market Price**

* Metric tonnes of vanadium equivalent
** Per tonne of Vanadium in Ferro-vanadium products at major European destinations

Source: Metal Bulletin
Mining: Hedging Steel Production Costs

- EBITDA increased by 157% to US$345 mln on 53% price growth
- Iron ore self-coverage of 84%
- 10.8 mln tonnes of raw metallurgical coal produced by affiliates covered* 83% of steel production needs in 1H07
- Significant hidden value of Yuzhkuzbassugol to be unlocked through major turnaround

*Self-coverage is calculated as a sum of coking coal production by Mine 12, YuKU and Raspadskaya pro-rated by Evraz’s respective ownership (all in coal concentrate equivalent), divided by group’s total coking coal consumption excluding coal used in production of coke products for sale
Steel Segment Costs

- Steel segment costs increased by 53% to US$4,422 mln from US$2,892 mln in 1H06.

![Steel Segment Costs 1H07](chart)

![Segment Cost Bridge 1H06 vs. 1H07](chart)
Well-Capitalised Balance Sheet to Fund Future Growth

- Net Debt\(^{(1)}\)/EBITDA on LTM basis increased to 1.3x within stated target
- Current credit ratings: BB by Fitch; Ba3 by Moody’s; BB- by S&P
- ROCE\(^{(2)}\) remains strong at 38% and RoA\(^{(3)}\) flat at 19%

**Net Debt-to-EBITDA Ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Debt</th>
<th>Net Debt</th>
<th>Net Debt/EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2,350</td>
<td>1,693</td>
<td>0.7</td>
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<tr>
<td>2006</td>
<td>2,596</td>
<td>1,730</td>
<td>0.9</td>
</tr>
<tr>
<td>1H07LTM</td>
<td>5,152</td>
<td>4,743</td>
<td>1.3</td>
</tr>
</tbody>
</table>

**Total Assets and Return on Assets**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets</th>
<th>ROCE</th>
<th>RoA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6,754</td>
<td>37%</td>
<td>12%</td>
</tr>
<tr>
<td>2006</td>
<td>8,512</td>
<td>38%</td>
<td>13%</td>
</tr>
<tr>
<td>1H07LTM</td>
<td>14,446</td>
<td>38%</td>
<td>15%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Net Debt equals total debt less cash & cash equivalents and short-term bank deposits.
\(^{(2)}\) ROCE represents profit from operations over total equity plus interest bearing loans and finance lease liabilities average for the period
\(^{(3)}\) RoA represents profit from operations over total assets
**Strong Cash Flow Generation**

- Strong net cash flow from operating activities of US$1,651 mln
- EBITDA to Net Operating Cash Flow conversion at 81%
- Cash balance, including US$23 mln in short-term deposits, amounted to US$409 mln

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**1H2007 Cash Flow**

### Cash Flow Diagram

- **Cash* at beginning of period**: US$866 mln
- **Net Profit**: US$1,162 mln
- **Adj. to reconcile OpCF before WC**: US$406 mln
- **Changes in WC**: US$83 mln
- **CF from financing activities**: US$1,525 mln
- **CF used in investing activities**: (US$3,636) mln
- **Effect of exchange rate changes**: US$4 mln
- **Cash* at end of period**: US$409 mln

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*Cash at beginning and end of period includes short-term deposits amounted to US$24 mln and US$23 mln respectively
1H 2007 Capex Programme

Investment highlights:

- Capital spending of US$235 mln in 1H07 vs. US$262 mln in 1H06 focused on efficiency improvements mainly in steel production
- FY07 capex budget was revised to US$690 mln to meet the needs of the acquired assets
- NTMK converter shop expansion programme commenced in 2006 with an aim to increase installed BOF capacity up to 4.3 mln tpa
- NTMK wheels quality testing has been put into operation in July
- Additional capex will be spent on safety and degassing equipment at Yuzkuzbassugol

Investment capex: US$104 mln

Maintenance capex: US$131 mln
Evraz FY2007 Outlook

Production:
- Full year 2007 steel production target: 16.0-16.2 mln tonnes of crude steel, and 15.1-15.3 mln tonnes of rolled products, including 1.8 mln tonnes in the US and 0.5 mln tonnes in South Africa
- Pig iron sales will amount to 1 mln tonnes
- Zapsib blast furnace #1 relining was completed in 105 days and was put into operation in early October, ahead of schedule

Risks:
- Potential further staff cost increase in Russia

Financial Outlook FY 2007:
- Consolidated revenues expected to increase by 45-55% (Y-o-Y)
- EBITDA expected to grow by 55-60% (Y-o-Y)