

EVRAZ GROUP

1H 2009 Financial and Operating Results

1 September 2009

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-  Execution of Management Action Plan
-  1H09 Results Summary
-  Liquidity and Financial Position
-  Operations by Segment
-  Recent Market Developments
-  Appendices

Execution of Management Action Plan

■ Production optimisation

- Shutdown of inefficient capacity
- Shift of production to semi-finished products, where demand is relatively high
- Take advantage of flexibility between billet and slab production depending on market situation
- Full utilisation of available capacity in Russia (13.5 mtpa of crude steel) achieved from 1 July 2009

■ Cost saving measures

- Cash cost of one tonne of semi-finished steel products in Russia decreased by 35%
- Labour costs decreased by 32% compared to 1H08
- Services and auxiliary materials costs decreased by 42% compared to 1H08

■ Capex savings

- Capex in 1H09 was US\$203 million (62% down vs. 1H08) out of US\$500m FY2009 guidance
- Exit from Cape Lambert Project in Australia

■ Financial management

- US\$738m of working capital released in 1H09 in line with our full year guidance to release US\$700m
- Total debt decreased to US\$8,482m, net debt decreased to US\$7,783m as of 30 June 2009
- US\$965m raised from concurrent GDR and convertible bond offerings in July 2009
- Additional US\$912m short-term debt repayment in July and August

Major Changes in Accounting Policies

- Adoption of the revaluation model for property, plant and equipment instead of the cost model in accordance with IAS16 from 1 January 2009 in order to provide more relevant information in the light of recent currencies devaluation

- The effect of this change in accounting policies on the consolidated financial statements for the six-month period ended 30 June 2009
 - US\$7,901m of surplus arising on revaluation of property, plant and equipment, which cannot be distributed to shareholders (before income tax effect of \$1,670m)
 - US\$564m of revaluation deficit (before income tax effect of \$144m)
 - US\$339m of additional depreciation expense (before income tax effect of \$77m)
 - US\$76m of impairment loss recognised as of the date of revaluation in respect of goodwill
 - US\$96m impairment loss recognised as of the date of revaluation in respect of classes of property, plant and equipment that were not subject to revaluation (before income tax effect of \$21m)
 - No impact on EBITDA or cash-flow

1H09 Financial Summary

US\$ mln unless otherwise stated	1H 2009	1H 2008	Change
Revenue	4,639	10,723	(57)%
Cost of revenue	(4,297)	(6,616)	(35)%
SG&A	(595)	(960)	(38)%
Adjusted EBITDA*	468*	3,706	(87)%
<i>Adjusted EBITDA margin</i>	10%	35%	
Net Profit/(loss)**	(999)**	2,039	
Net Debt***	7,783	9,031	(14)%
Sales volumes**** ('000 tonnes)	6,823	9,473	(28)%

* Adjusted EBITDA represents profit from operations plus depreciation and amortisation, impairment of assets and loss (gain) on disposal of PP&E, forex gains/(losses). EBITDA excluding one-off items would have been US\$512 million

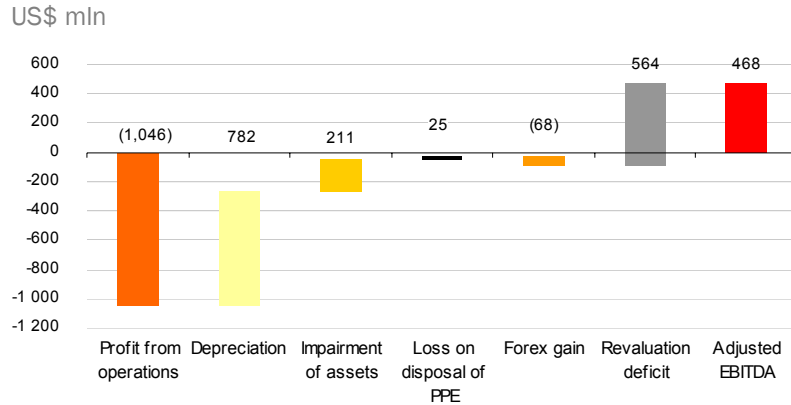
** Net profit line is reduced by US\$833 million as a result of revaluation of property plant and equipment. Without the effect of revaluation net loss would have been US\$166 million

*** As of the end of the period

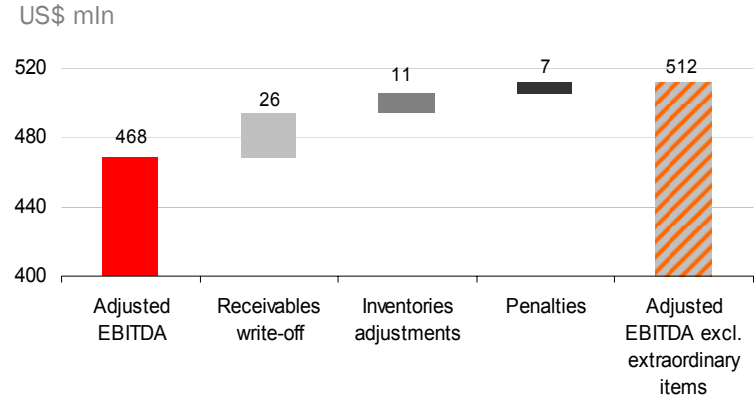
**** Steel segment sales volumes to third parties

Adjusted EBITDA and Net Loss Reconciliation

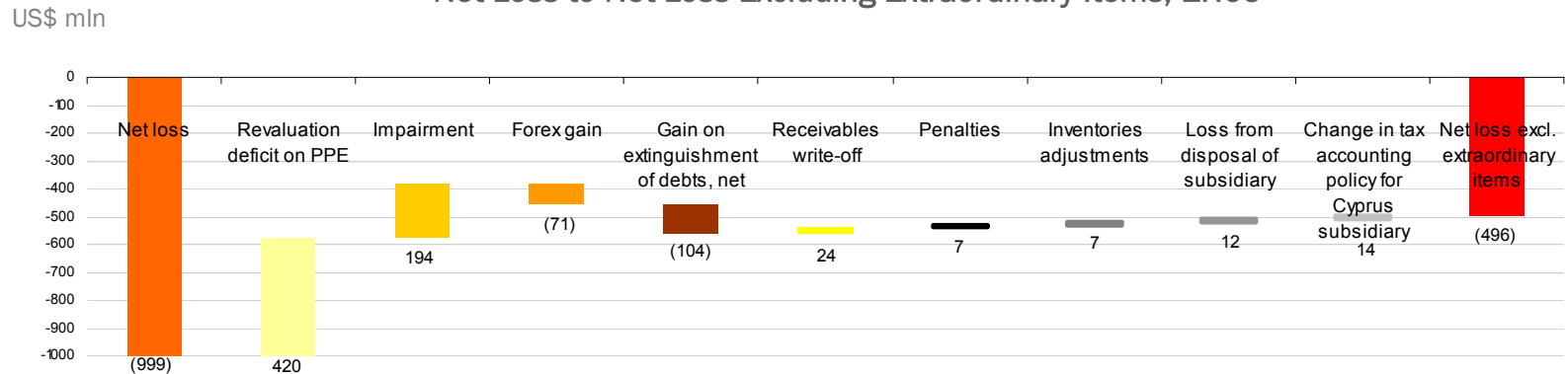
Profit from Operations to Adjusted EBITDA, 1H09



EBITDA Excluding All Extraordinary Items, 1H09



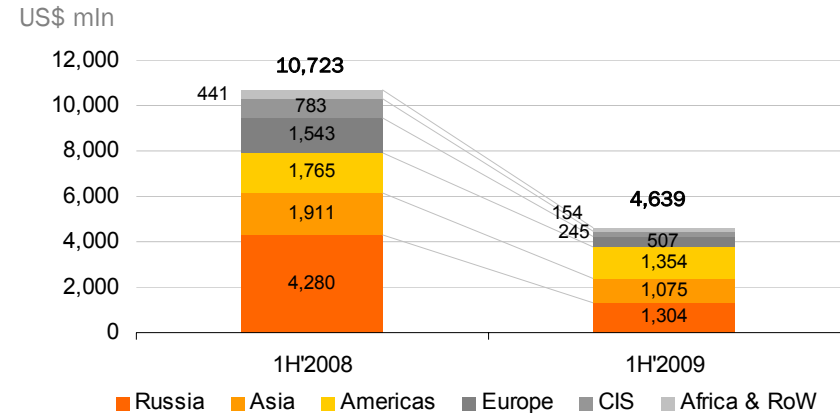
Net Loss to Net Loss Excluding Extraordinary Items, 1H09



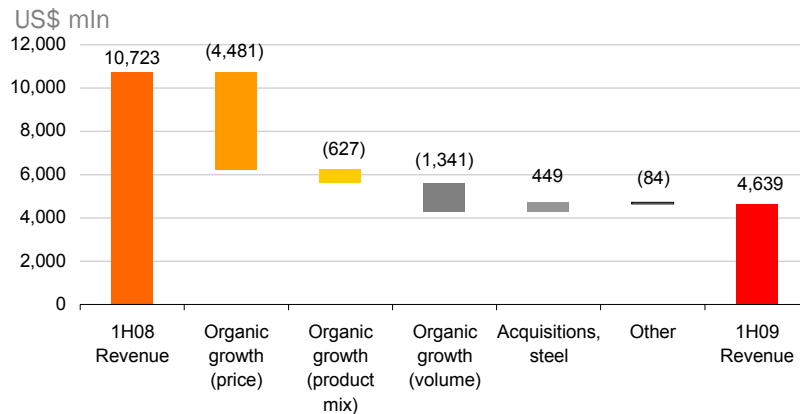
1H09 Financial Highlights

- Group revenue decreased by 57%, driven largely by decrease in average prices and sales volumes of steel products
- Geographical diversification of the business helped to stabilise operations in crisis environment
- International assets performed well in the first quarter with subsequent deterioration due to the later start of destocking in the mature markets
- Recovery of export demand for semi-finished steel helped to fully utilise Russian assets as from 1 July 2009
- Due to forward nature of contract sales, the benefits of increased market prices, as from April 2009, for semi-finished steel exports is expected to be reflected only in 2H09 results

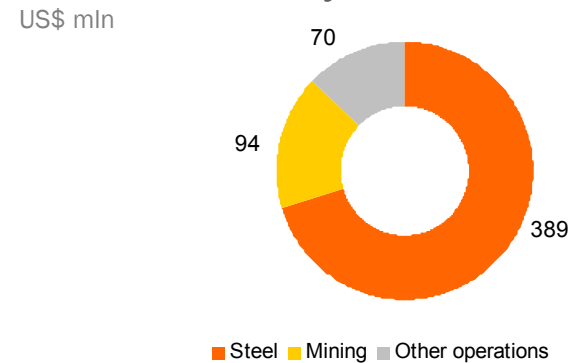
Consolidated Revenue by Market



Revenue, 1H08-1H09



Selected Segments of Consolidated Adjusted EBITDA*

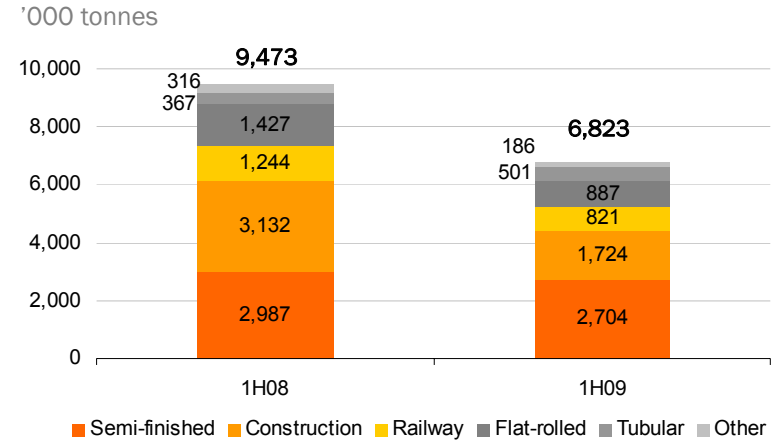


* Consolidated Adjusted EBITDA of US\$468m also includes negative EBITDA of US\$(34)m in respect of Vanadium segment, US\$22m of eliminations and unallocated US\$(73)m

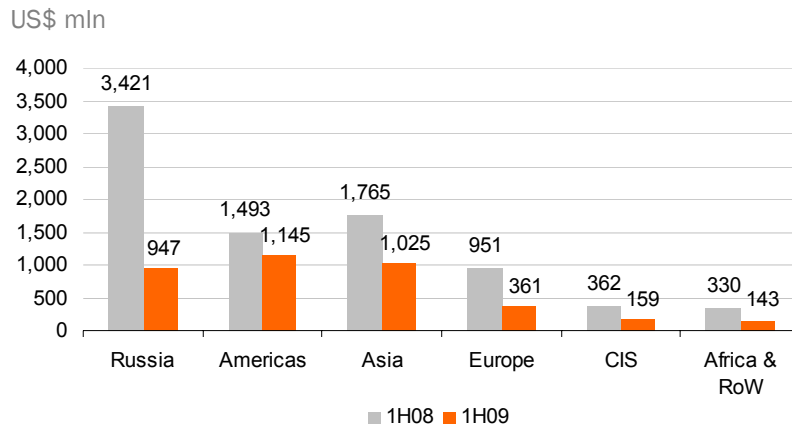
□ Increase in Export and Geographic Diversification

- Sales to customers outside Russia increased from 60% to 72% of total revenues h-o-h
- Raised share of semi-finished products in steel segment revenues from 21% in 1H08 to 22% in 1H09
- Sales volumes of semi-finished products increased by 9% from 31% to 40% of total steel sales
- Change in the product mix towards semi-finished products has limited effect on margins due to export parity pricing of Russian domestic finished steel products

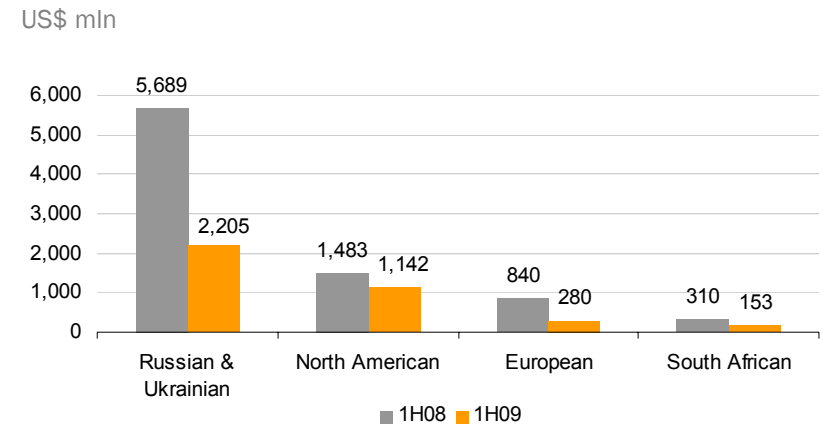
Steel Products Sales Volumes by Product



Steel Products Sales by Market



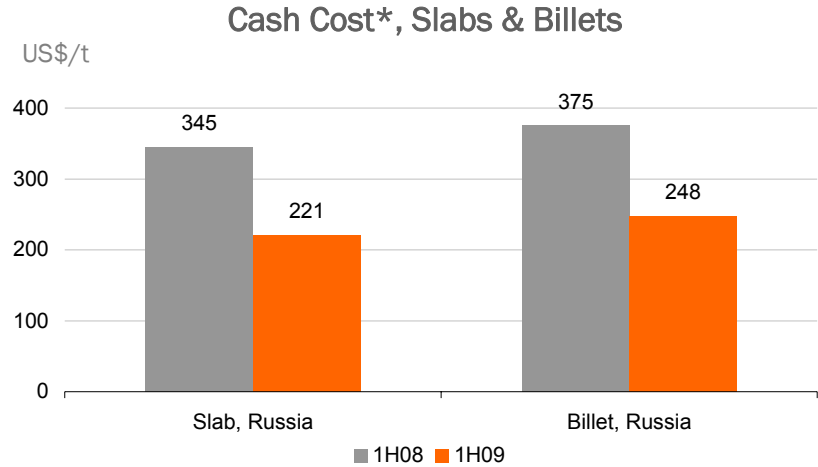
Steel Products Sales by Operations



Source: Management accounts

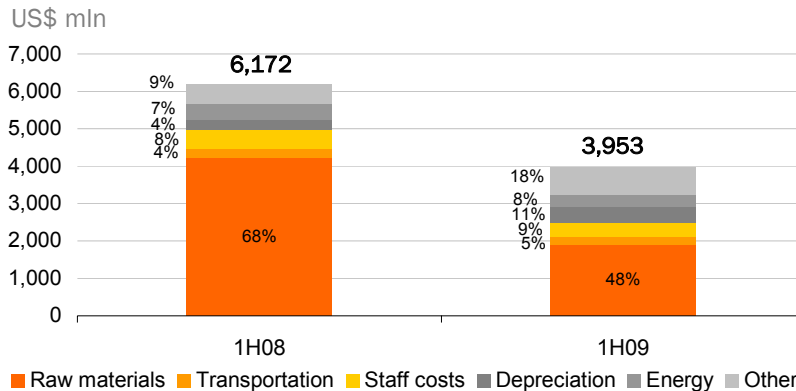
Maintaining Cost Leadership

- Constant review of product and resources flows for potential efficiency gains
- Mining segment cash costs have reduced significantly:
 - Approximately 75% of consolidated cost is rouble denominated
 - Russian-based assets have benefited from declines in utilities and staff costs
- Low proportion of fixed costs in the US operations with key raw materials being scrap and our own slab

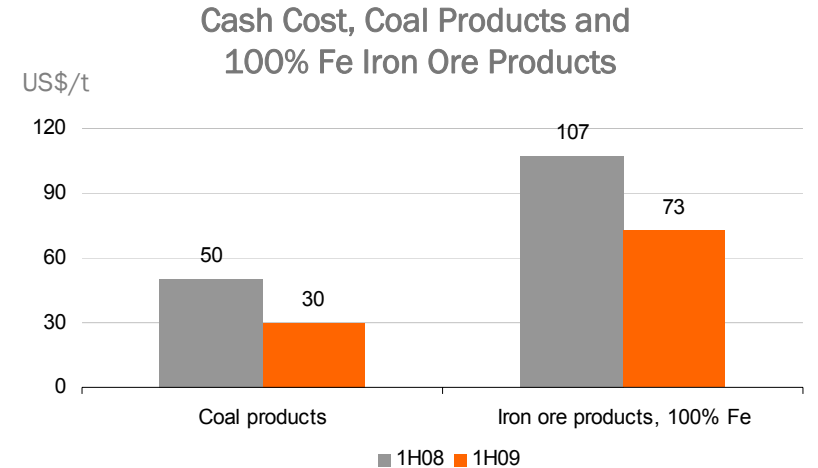


* Average for Russian steel mills, excl. SG&A and amortisation

Cost of Revenue, Steel Segment



%% is given to total Steel Segment Cost of Revenue

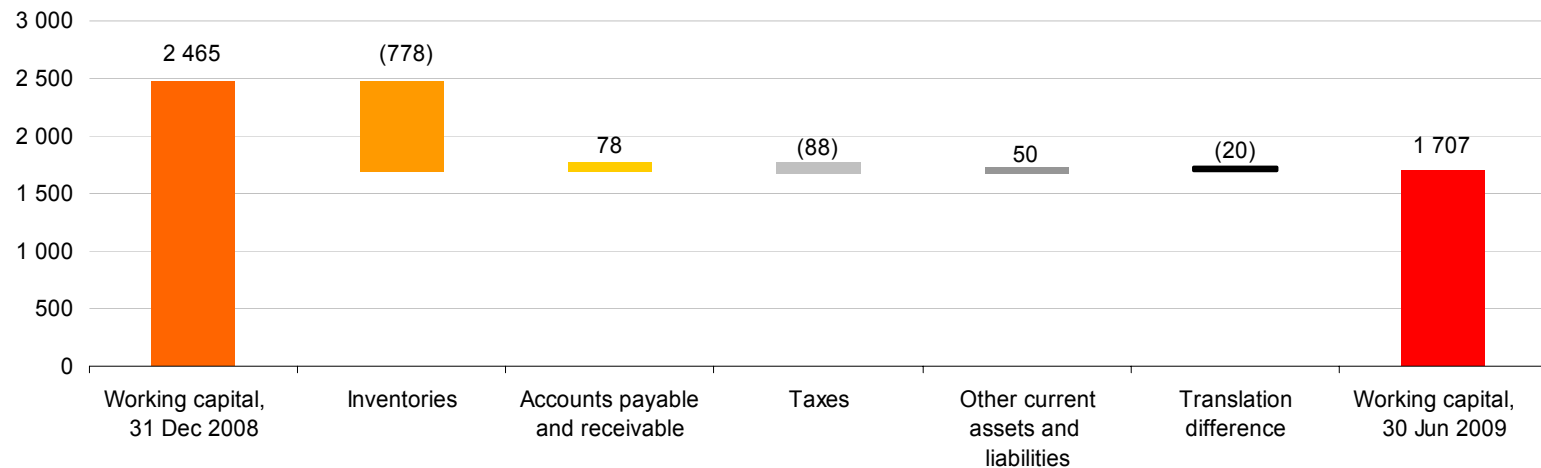


Source: Management accounts

Financial Initiatives: Prudent Working Capital Management

- Company has actively focused on management of working capital to minimise cash outflows
- Management has suppressed production levels in line with real demand
- Preference towards direct sales vs. traders
- Excess inventory levels have been sold down to almost zero
- US\$738m working capital release in 1H09
- FY09 guidance remains US\$700m

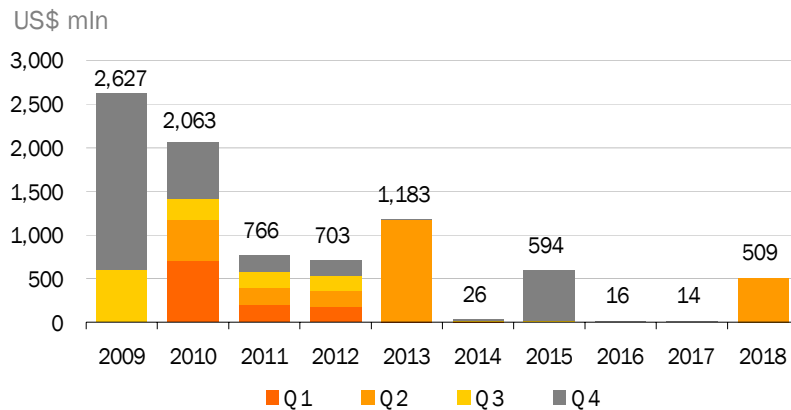
US\$ mln



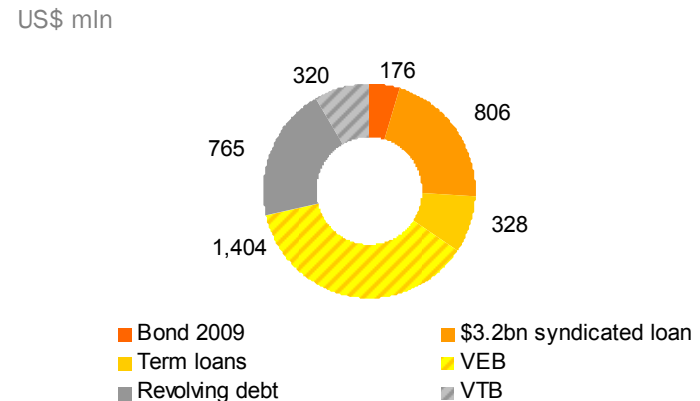
Debt Maturities and Liquidity Profile

- Total debt reduction of approx. US\$1.51bn from US\$9.99bn as of 31 December 2008 to US\$8.48bn as of 30 June 2009
- Short-term debt as of 30 June 2009 was approx. US\$3.8bn*
- Approx. US\$765m is represented by trade finance and other revolving debt
- Cash and cash equivalents amounted to US\$678m as of 30 June 2009 with additional US\$1.17bn available under undrawn credit facilities
- On 1 June 2009, the Supervisory Board of VEB approved the potential extension of maturity of the US\$1.81bn loan facilities from another year. Finalisation of relevant documentation expected in September
- Negotiations with VTB to extend a RUR10bn (approx. US\$320m) loan due in October 2009 for a further four years

Debt Maturities as of 30 June 2009



Breakdown of Short-term Debt



* Principal debt. Assuming anticipated extension of the VEB and VTB facilities (for one and four years respectively) and repayments of two tranches of the Deutsche Bank syndicated loan (covered by the remaining tranches of the VEB loan), short-term debt would decline to approx. US\$1.67bn

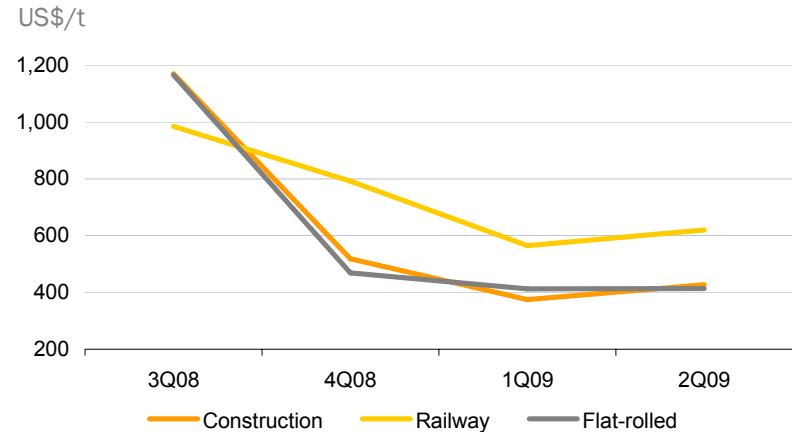
Recent Capital Market Developments

- On 9 July Evraz priced concurrent GDR and convertible bond offerings, raising US\$965m
- After placement of the offerings, cash and cash equivalents increased to approx. US\$1.64bn
- US\$176m of 2009 bonds repaid in August 2009 (net outstanding amount post buy-backs of the original issue of US\$300m)
- In July-August 2009 Evraz borrowed US\$851m (including US\$650m under the convertible bonds issue) and repaid US\$912m of current loans and borrowings
- The remaining current maturities are expected to be covered by free cash flows and refinancing of current debts
- Evraz is currently in compliance with all its financial covenants
- Management intends to proactively approach lenders to address potential covenant compliance issues in relation to full year results for 2009

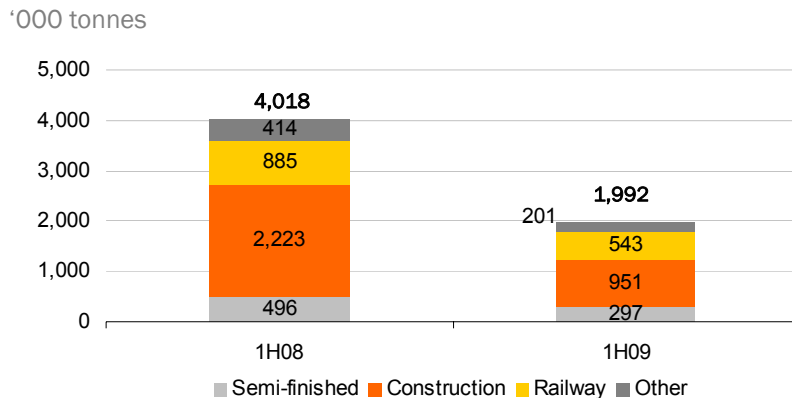
Steel: Russian & Ukrainian Domestic Sales

- Destocking in Russian domestic market completed
- Apparent domestic demand for finished steel stabilised at approximately 50% of last year's sales volumes with some volume pick-up observed in July and August
- Prices of main products remain close to export parity level
- Russian government infrastructure spending, potentially a major driver of demand for construction steel and railway products, is unlikely to have significant impact this year due to seasonality

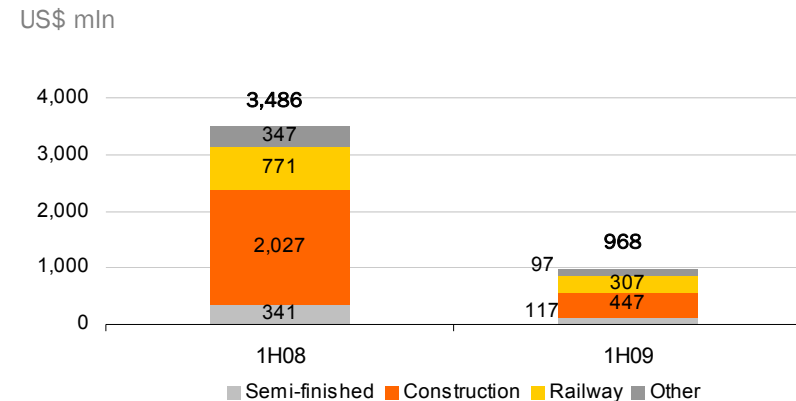
Evraz Prices, Russia, exW



Steel Product Sales Volumes



Steel Product Sales

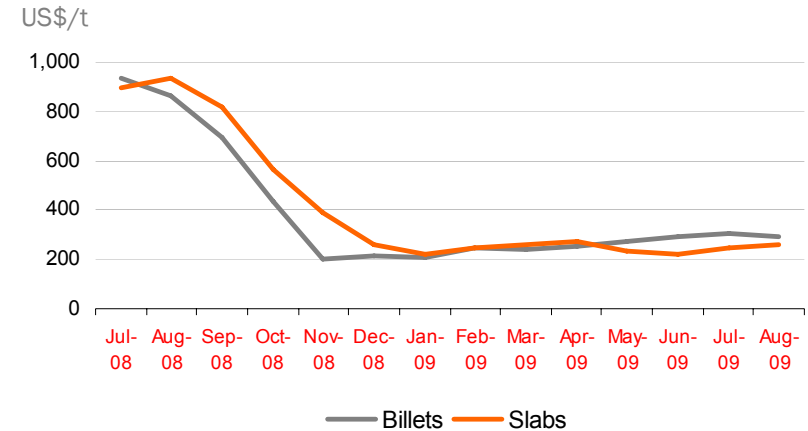


Source: Management accounts

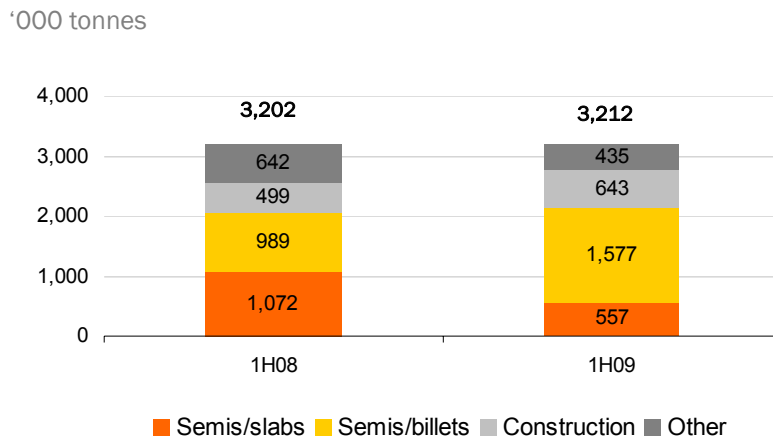
Steel: Russian & Ukrainian Export Sales

- Increasing global competitiveness of exports due to lower cost base and devaluation of local currencies
- Restart of blast furnace at Zapsib effective from July 2009, adding back 1.2 mtpa of steelmaking capacity due to sustainable export demand
- High product mix flexibility, allowing switch from slab to billet and vice versa within 12 hours of decision, depending on market pricing for these products
- Increasing production of billets due to more favourable pricing environment
- Evraz's focus on exports of semi-finished steel products rules out risk of imposition of trade barriers

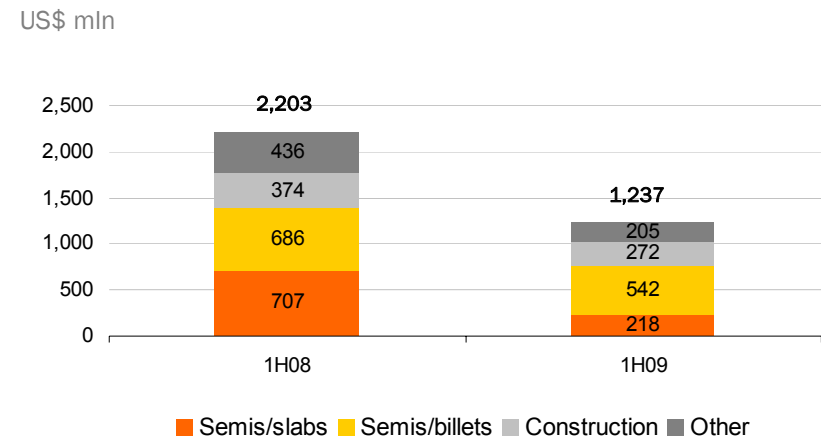
Evraz Prices, Russia, FCA



Steel Product Sales Volumes



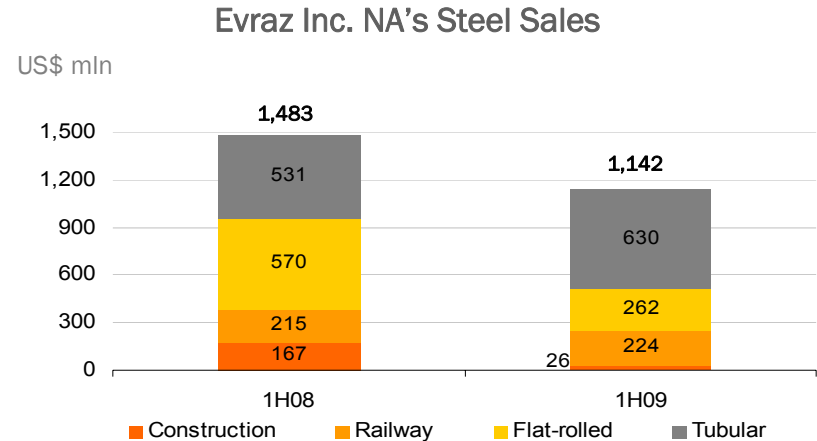
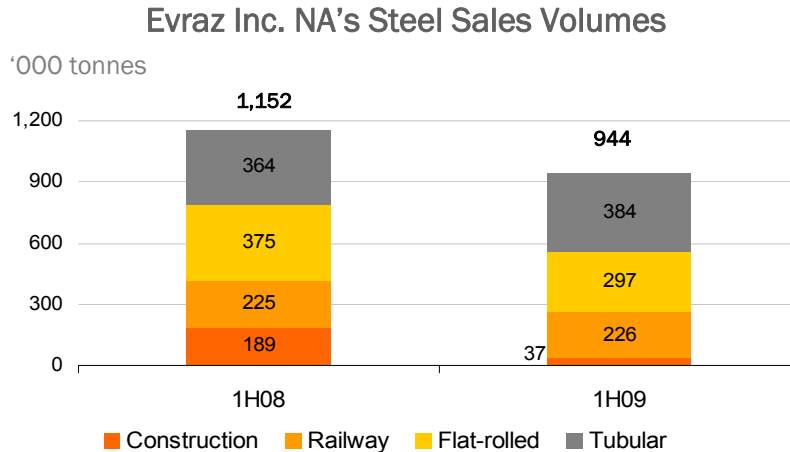
Steel Product Sales



Source: Management accounts

Steel: North America

- Good performance at the beginning of 2009 with subsequent deterioration in line with market trends
- Stability of demand for large diameter pipes in Canada due to long contracts
- Destocking in the market is largely over with apparent demand remaining distinctly limited
- Well-positioned to benefit from expected government infrastructure investments

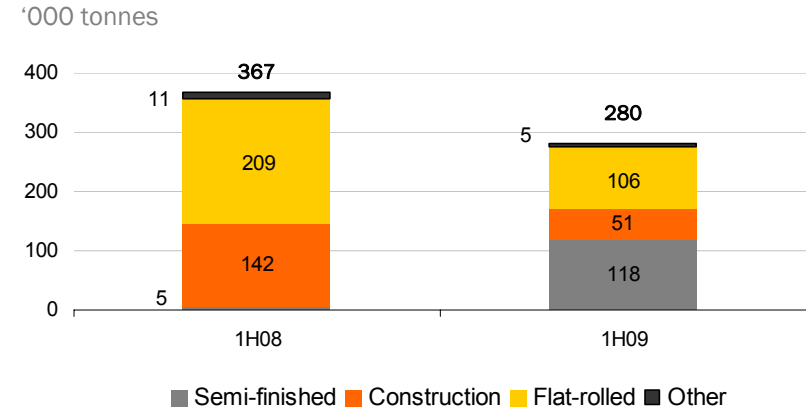


Source: Management accounts

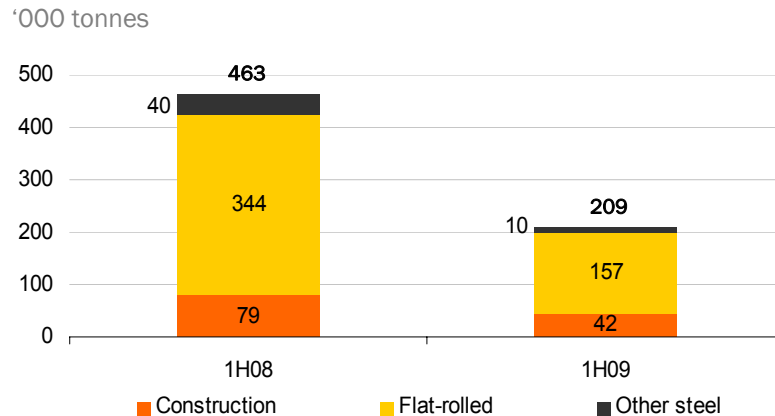
Steel: Europe, South Africa

- Destocking of traders is largely over
- Domestic demand in Europe remains weak and exclusively related to public projects
- Increased share of production is exported to the Middle East and North Africa
- Demand for certain products in South Africa dramatically improved in August-September, although sustainability is unclear

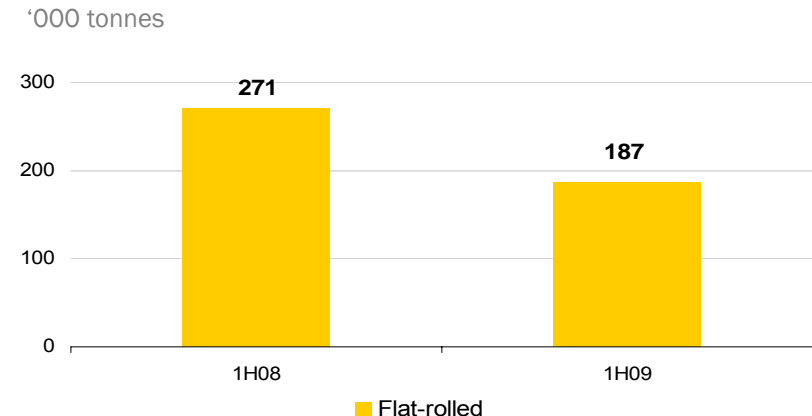
Highveld Sales Volumes



Evraz Vitkovice Steel Sales Volumes



Evraz Palini e Bertoli Sales Volumes

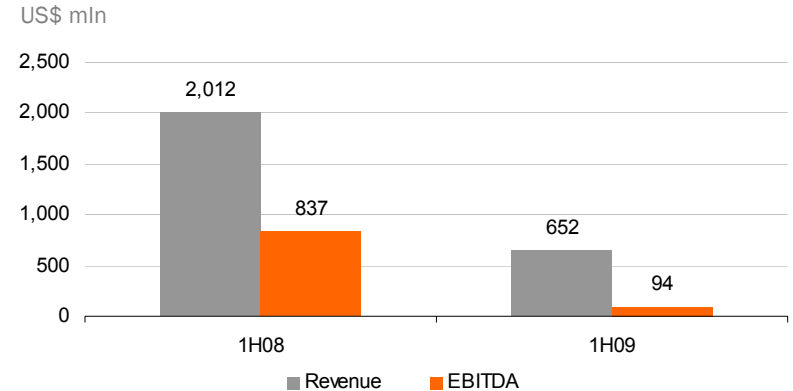


Source: Management accounts

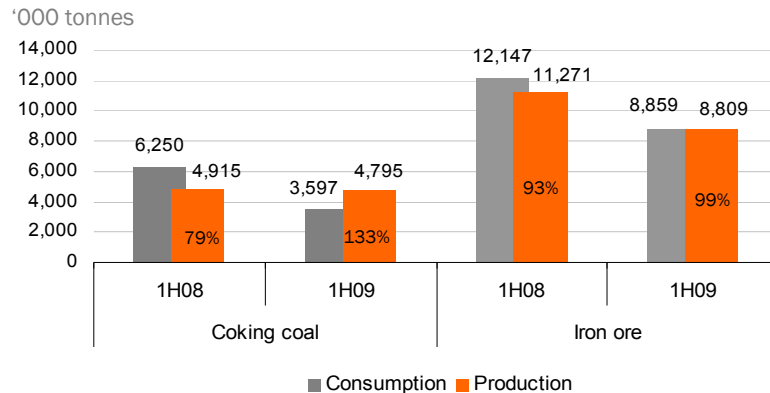
Mining: Positive Margins Even in the Downturn

- Full self-coverage in raw materials achieved, allowing cash preservation
- Mining segment remained EBITDA positive even at the lowest levels of raw material prices
- Sustainability of vertically-integrated model in market downturn

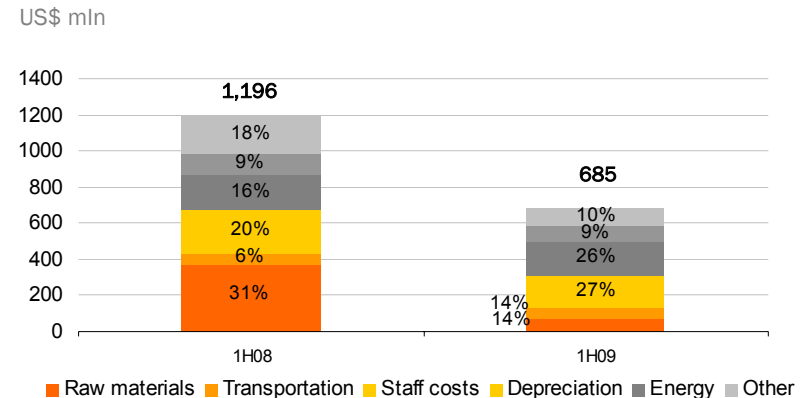
Mining Segment Performance



Iron Ore and Coking Coal Coverage*



Cost of revenue, Mining Segment



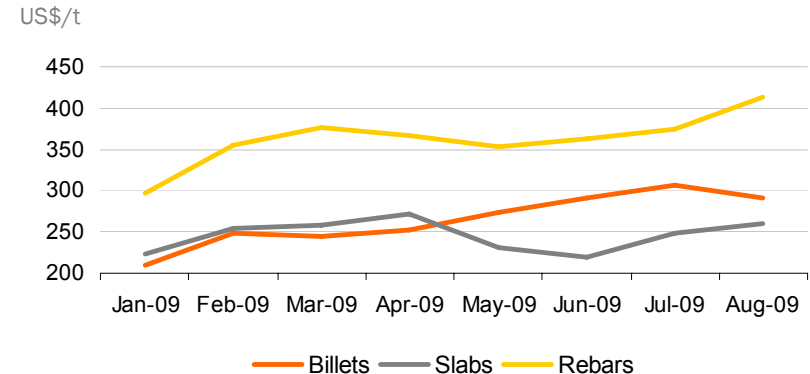
Source: Management accounts

* Self-coverage is calculated as a sum of coking coal production by Mine 12, Yuzhkuzbassugol production and pro rata to Evraz's ownership production of Raspadskaya, in coal concentrate equivalent, divided by Group's total coking coal consumption excluding coal, used in production of coke for sale to third parties

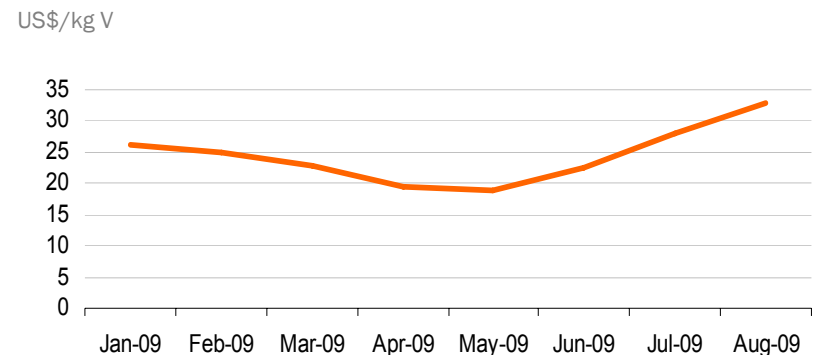
Market Improvement since the Beginning of 2009

- Destocking in most markets is over
- Recovery in prices for semi-finished steel is driven predominantly by demand from emerging markets in Asia, the Middle East and North Africa
- Apparent demand in mature markets remains weak
- Expected steelmaking capacity utilisation until year-end:
 - Russia – to remain 100%
 - Ukraine – steady at current level of 65%
 - North America – 80%
 - Czech Republic – 65%;
 - South Africa – to be fully utilised from September
- Russian mining assets are running at 100% capacity in coal and 85% in iron ore
- Steel volumes in 2H09 to grow by approximately 10% compared to 1H09 due to the restart of blast furnace
- Prices for semi-finished products in 2H09 will be higher than 1H09
- Russian and Ukrainian domestic demand expected to remain at 1H09 level

Prices for Select Evraz Russian Steel Products



Vanadium Prices, LMB FeV



Source: Management accounts

- Difficult economic situation in the first half of 2009
- Increased geographical diversification of business helped to stabilise the situation
- Strengthening global demand for semi-finished steel allowed us to fully utilise Russian steelmaking starting from 1 July 2009
- Post April 2009 improvement in benchmark prices for semi-finished steel products is expected to be reflected in second half revenues due to the nature of export contracts
- Management action plan in line with expectations in terms of cost savings and working capital release
- Decrease in debt level, successful US\$965 million capital raising exercise in July 2009
- End of destocking in our key markets, alongside improvement in Asian demand, makes us confident of achieving better results in the second half of 2009

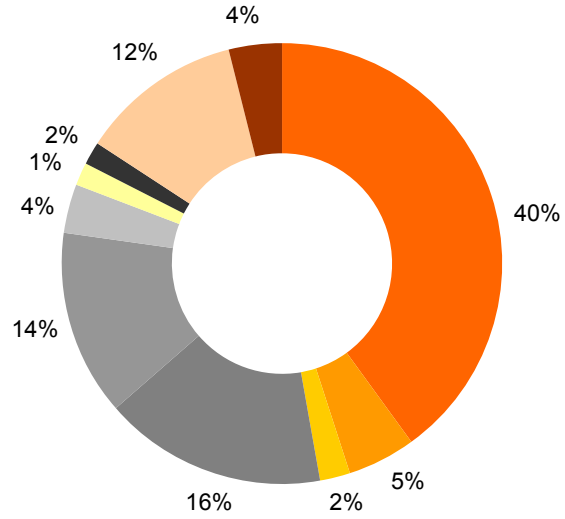
Appendices

Evraz's Global Business



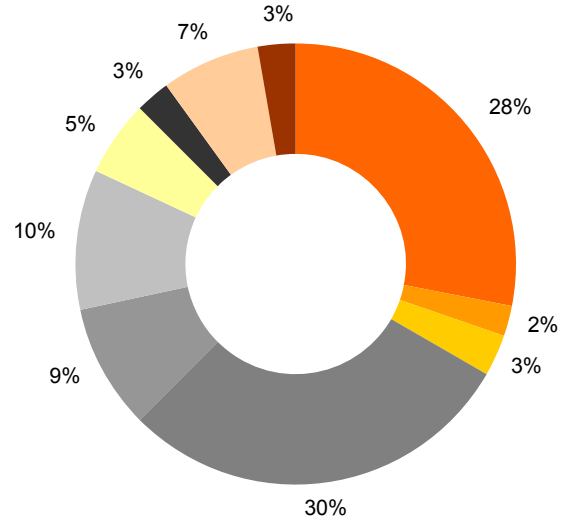
Revenue by Market

First Half of 2008



- Russia
- Ukraine
- Other CIS
- Americas
- Europe
- Middle East
- China
- Thailand
- Other Asian
- Africa & RoW

First Half of 2009



- Russia
- Ukraine
- Other CIS
- Americas
- Europe
- Middle East
- China
- Thailand
- Other Asian
- Africa & RoW

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