

**EVRAZ GROUP S.A.**

**Renaissance  
Capital Conference**

**Moscow, 19 June 2007**



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# Evraz Highlights



Vertically integrated steel and mining business, one of the largest steel producers in the world



US\$8,292 mln revenue in 2006 with EBITDA margin of 32%



Total steel sales volumes up by 25% to 16.0 mln tonnes in 2006



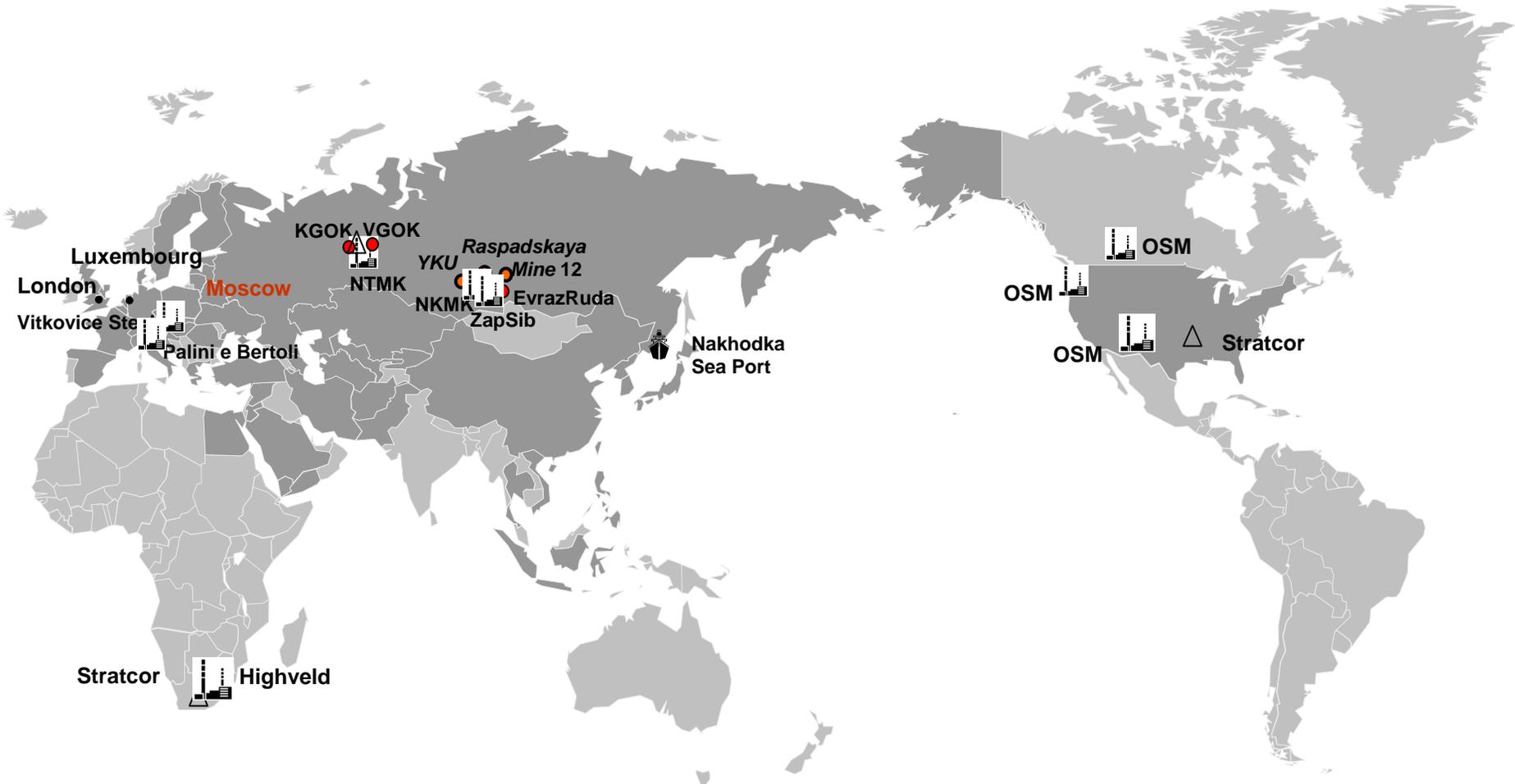
Robust level of self-coverage - 80% in iron ore and 84% in coking coal



Leader in Russian long products market with 30-100% market share. Strong international presence on emerging South African and mature European and North American markets. Leader on the world vanadium market



# Evraz Group's Main Locations



-  Steel mills
-  Iron ore mining
-  Coal mining
-  Vanadium
-  Sea port
-  Main export countries

making the world stronger

# 2006 Strategic Deliverables

## Advance long product leadership in Russia and CIS

- Strong growth in sales to Russia and CIS by 8% and 148%, respectively
- Growing rail products sales to Russian and CIS customers

## Expand presence in international flat product markets

- Strengthened overseas market position through increased sales volumes of 37% up to 8.9 mln tonnes
- Non-Russian plate sales up by 2.9x and semi-finished sales up +29%
- Breakthrough into US market with acquisition of Oregon Steel Mills

## Enhance cost leadership position

- Consolidated cash cost per tonne of US\$252 versus US\$231 in 2005
- Successfully implemented capex programme of US\$660 mln in 2006 to introduce further operational improvements

## Complete vertical integration and competitive mining platform

- Development licence obtained for the Sobstvenno-Kachkanarskoye ore deposit with reserves of 3.3 bln tonnes
- New coal assets with 308 mln tonnes of proven and probable reserves acquired by OAO Rospadskaya
- Successful IPO of OAO Rospadskaya in November

## Achieve world leadership in vanadium business

- Acquisitions of Stratcor and a 24.9% stake in Highveld Steel and Vanadium Corporation
- Vanadium products (slag and alloys) sales 8% lower only to US\$224 mln despite 40% vanadium price decline

# FY2006 Financial Summary

US\$ mln unless otherwise stated	2006	2005	Change
Revenue	8,292	6,508	27%
Cost of revenue	(5,159)	(4,172)	24%
SG&A	(732)	(648)	13%
EBITDA*	2,652	1,859	43%
<i>EBITDA margin</i>	32%	29%	
Net Profit**	1,385	918	51%
<i>Net Profit margin</i>	17%	14%	
EPS (USD per GDR)	3.94	2.71	45%
Sales volumes*** ('000 tonnes)	16,014	12,860	25%

\* EBITDA represents profit from operations plus depreciation and amortisation, impairment of assets and loss (gain) on disposal of PP&E

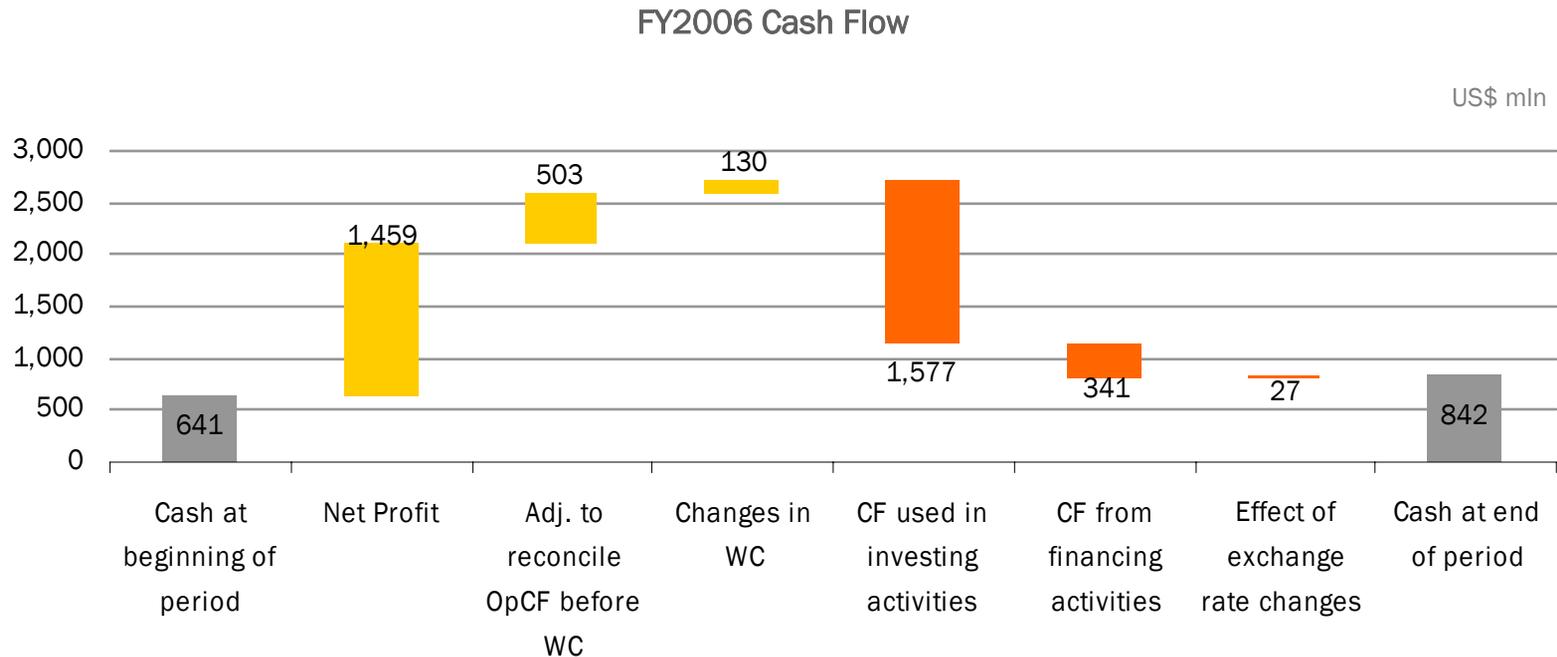
\*\* Net profit attributable to equity holders of Evraz Group S.A.

\*\*\* Steel segment sales volumes to third parties



# Excellent Cash Flow Generation

- Strong net cash flow from operating activities of US\$ 2,092 mln
- EBITDA to Net Operating Cash Flow conversion at 79%
- Cash flow mainly used for CAPEX and acquisitions





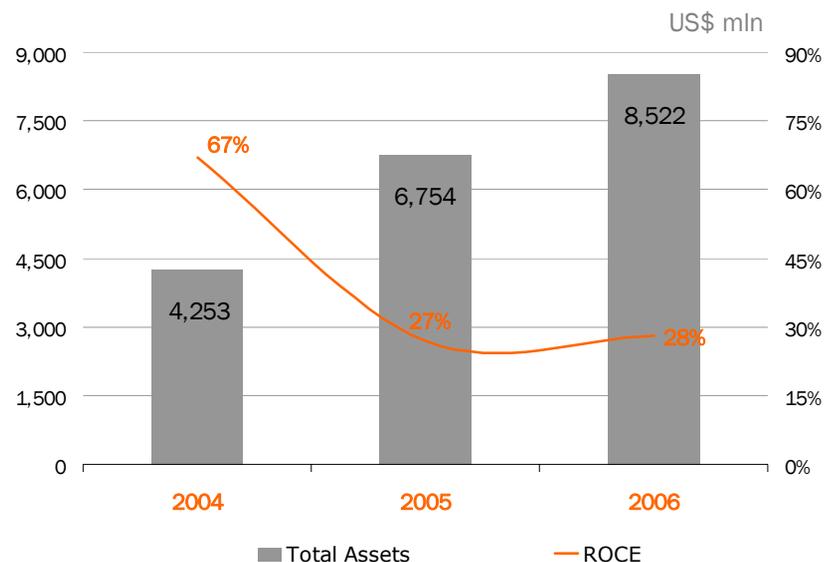
# Well-capitalised Balance Sheet to Fund Future Growth

- Net Debt/EBITDA decreased to 0.7x
- On pro forma basis, including Oregon Steel Mills acquisition, Net Debt/EBITDA remains within stated target of 1.5x
- Leverage growth in line with growth in revenues
- Current credit ratings: BB by Fitch; Ba3 by Moody's; BB- by S&P

### Net Debt-to-EBITDA Ratio



### Total Assets



<sup>1</sup>Net debt equals total debt less cash & cash equivalents and short-term bank deposits. Net debt for 2006 does not include US\$300 mln financial guarantee for OAO Raspadskaya

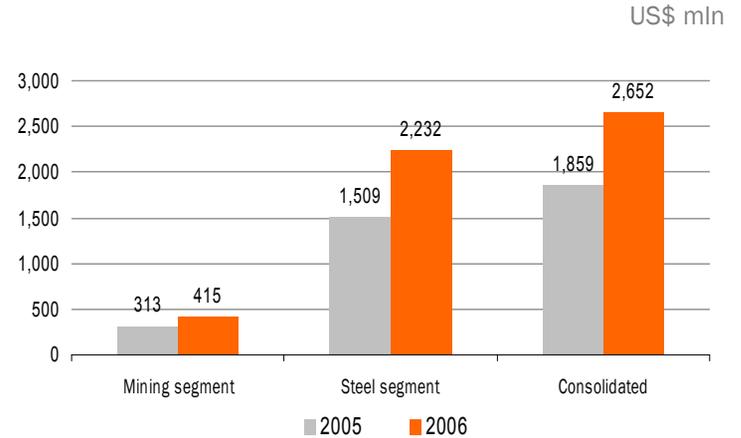
<sup>2</sup>ROCE represents profit from operations plus profit from equity investments less income tax over total equity plus interest bearing loans and lease average for the period



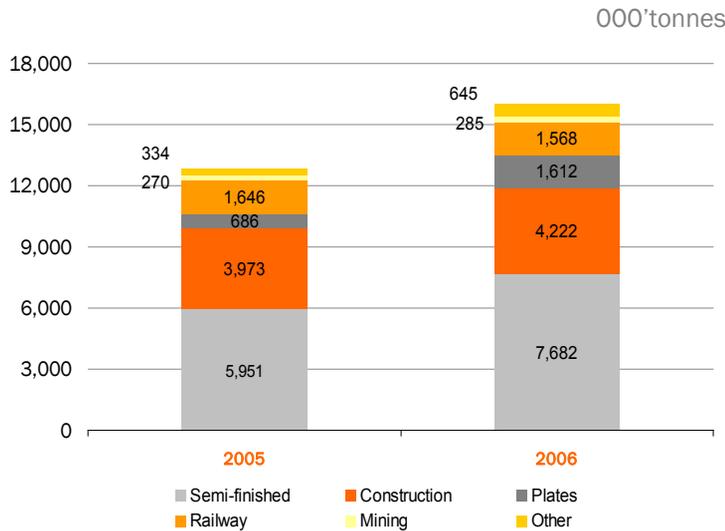
# Leveraging Sales

- Total revenues increased by 27% to US\$8,292 mln backed by growth in sales volumes and favourable pricing
- Non-Russian revenues expanded by 57% driven by Europe and US
- Sales to Asian market declined from 32% to 23%
- Consolidated steel products sales volume up 25% to 16.0 mln tonnes, including 0.65 mln tonnes of sold stock

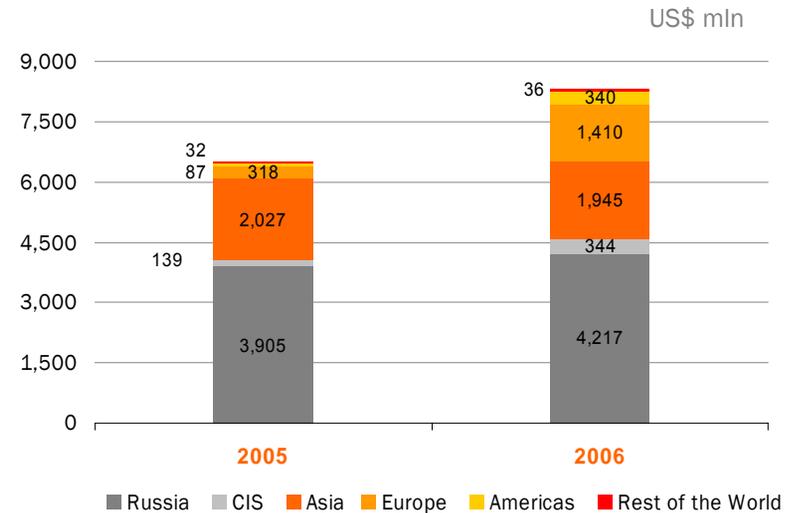
### EBITDA by Segment



### Steel Product Sales Volumes



### Revenues by Region

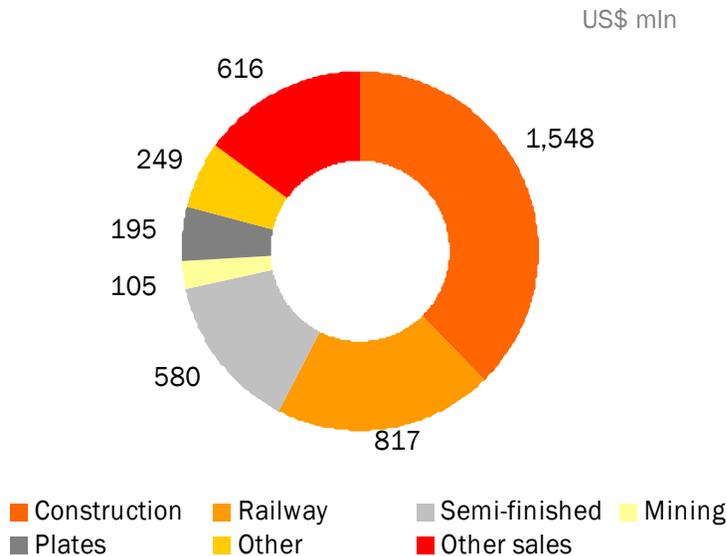




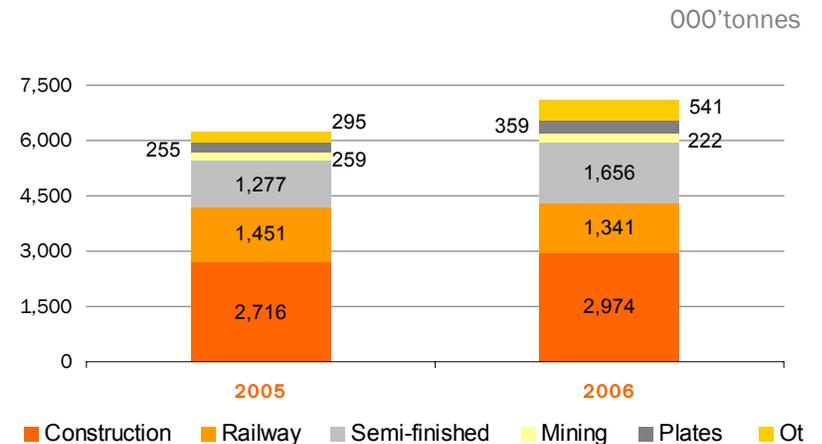
# Steel: Capitalising On Russian Growth

- Russia remains a key market contributing 50% to total steel segment revenues with total sales volumes increasing by 13% to 7.1 mln tonnes
- Construction products sales increased by 9%, fuelled by accelerated construction growth in Russia
- Strong pricing environment through 2006 and improved mix
- Average revenue per tonne is up 11% to US\$493 from US\$444 in 2005

Segment Revenues: Russia



Segment Sales Volumes: Russia



# Russian Sales by Key Products

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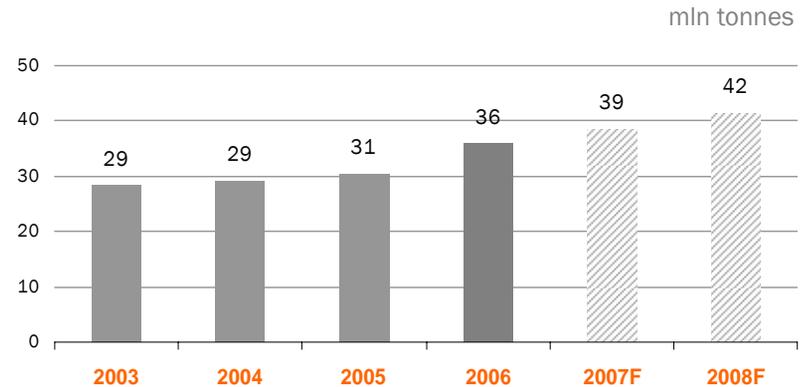
000' tonnes	2006	2005	Change
Rebars	1,264	1,011	25%
Rails	904	891	2%
H-beams	615	481	28%
Channels	562	452	24%
Angles	331	303	9%
Pipe blanks	911	730	25%
Other	2,506	2,385	5%
<b>Total</b>	<b>7,093</b>	<b>6,253</b>	<b>13%</b>



# Steel: Best Positioned For Construction Boom In Russia

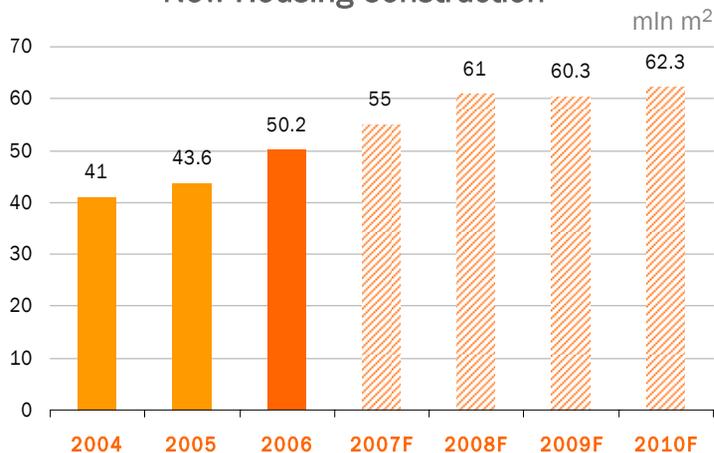
- In 2006 Russian steel consumption increased 16% y-o-y to 36 mln tonnes and expected to continue to expand
- Construction growth in Russia and CIS outperforms GDP growth
- Robust Russian pricing environment supports strong earnings
- Recently announced Russian railways investment programme of US\$400 bln till 2030

### Russian Steel Consumption Growth



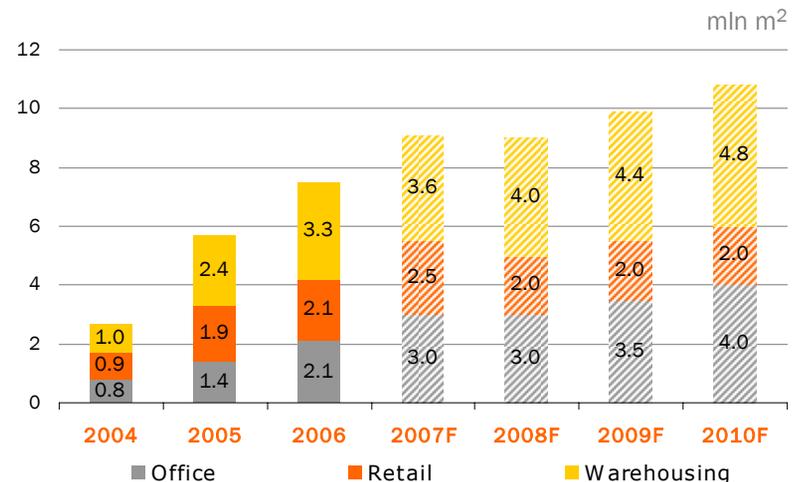
Sources: IISI

### New Housing Construction



Sources: Goskomstat RF data and forecasts

### Commercial Real Estate



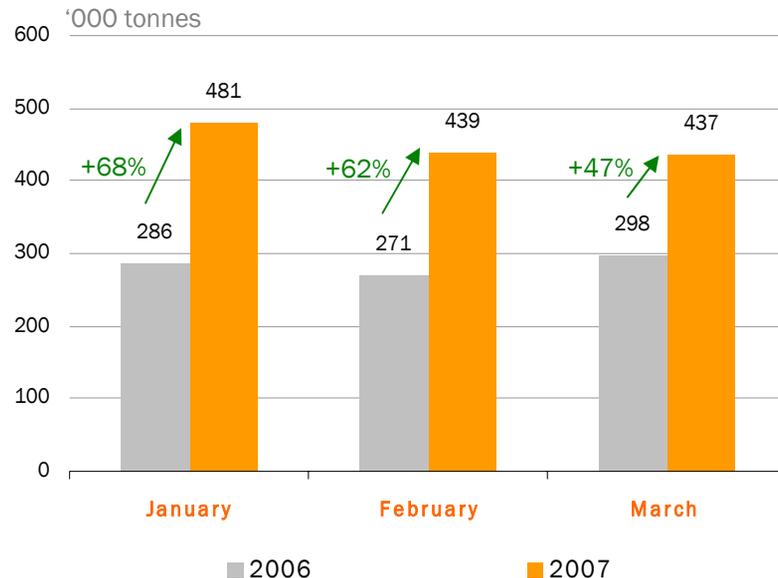
Sources: Goskomstat RF data and forecasts



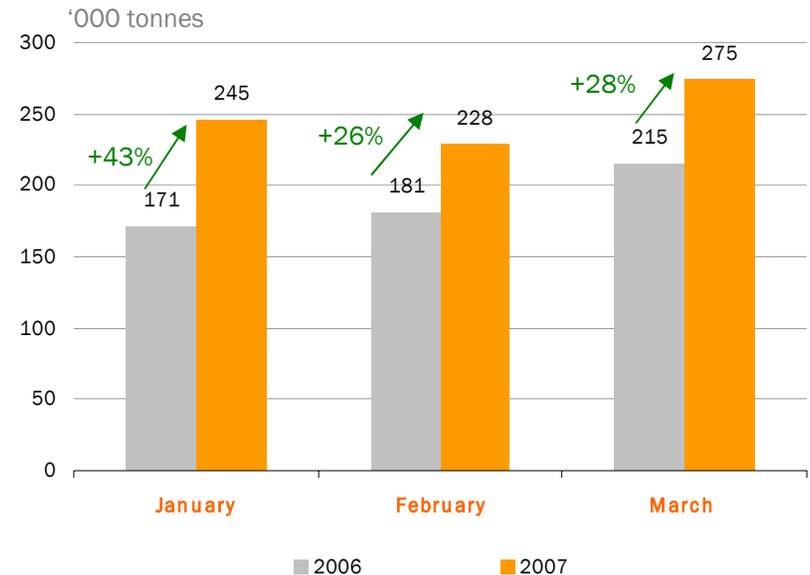
# 2007 Accelerated Growth in Russian Market

- Favourable situation in the Russian market characterised by:
  - Increased activity in the construction market
  - Continuously growing demand
  - High prices for long products
- Considerable shift from export to internal sales compared with 2005
- Rebar consumption up 50% and sections up 32% in 1Q07 vs. 1Q06
- Growth continued in April and May

### Rebars Market in Russia

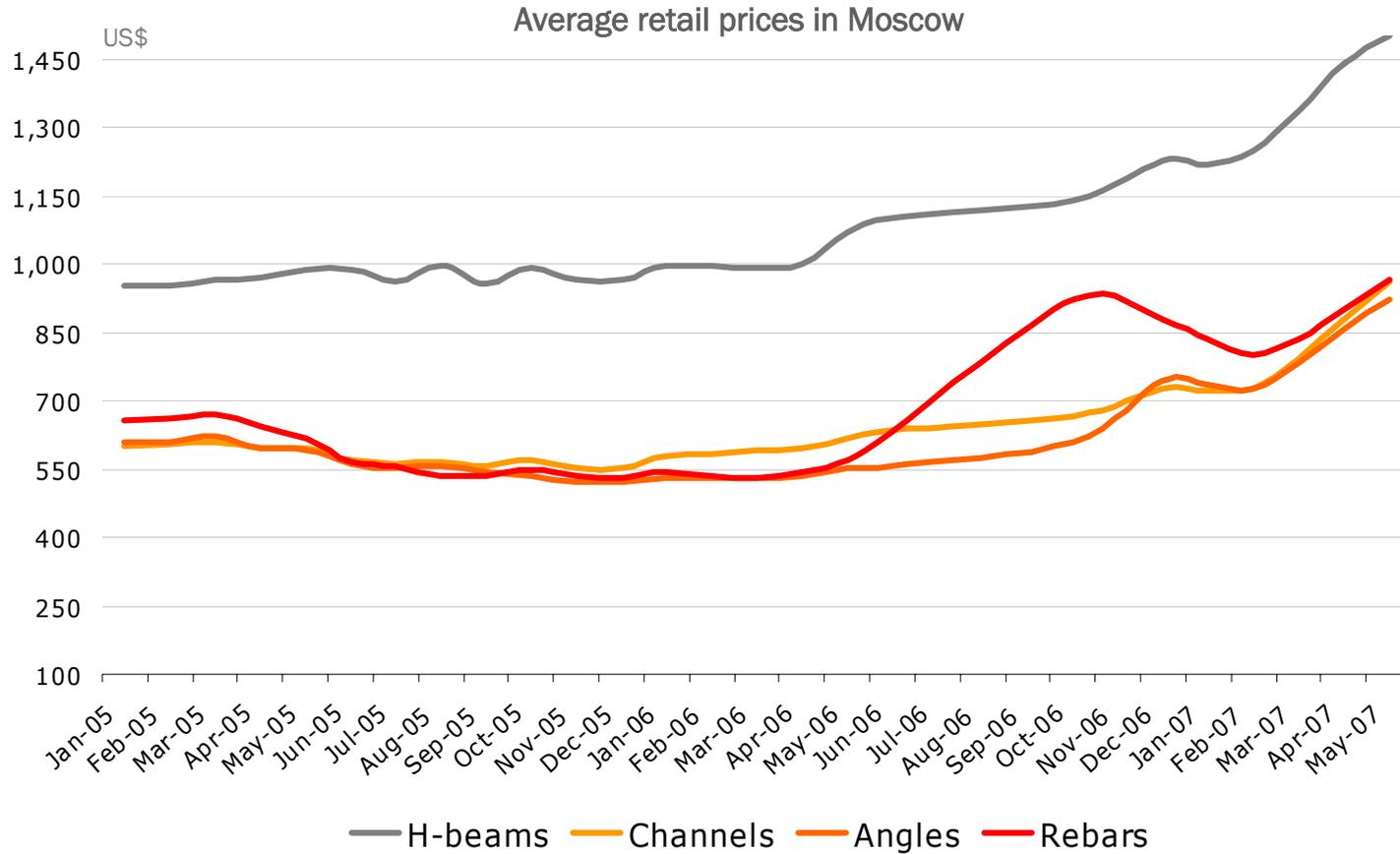


### Sections Market in Russia





# Strong Price Environment to Continue



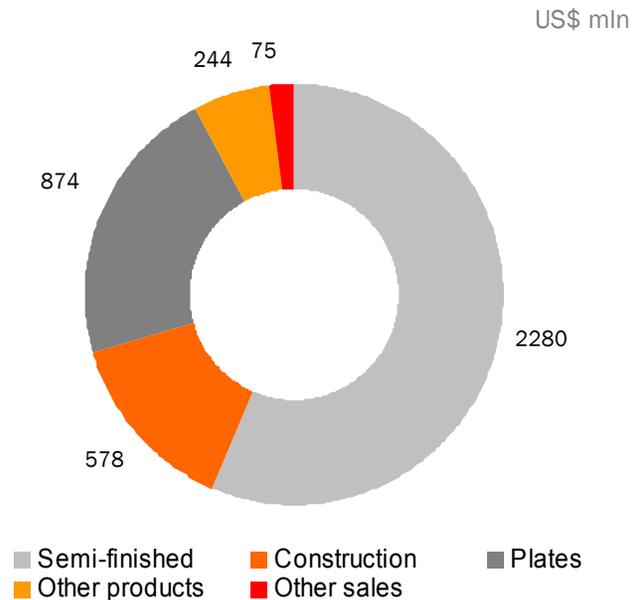
Source: Evraz market estimates



# Steel: Optimising Non-Russian Product Mix

- Overseas sales in steel segment increased by 56 % to US\$4,051 mln including US\$301mln revenues of Palini e Bertoli and US\$671 mln of Vitkovice Steel
- Total overseas steel sales increased by 35% to 8.9 mln tonnes
- Semi-finished products sales volumes grew by 29% driven by organic growth
- Strong plates sales growth by 2.9x due to acquisitions of Vitkovice Steel and Palini e Bertoli plate mills

Segment Revenues: Non-Russian

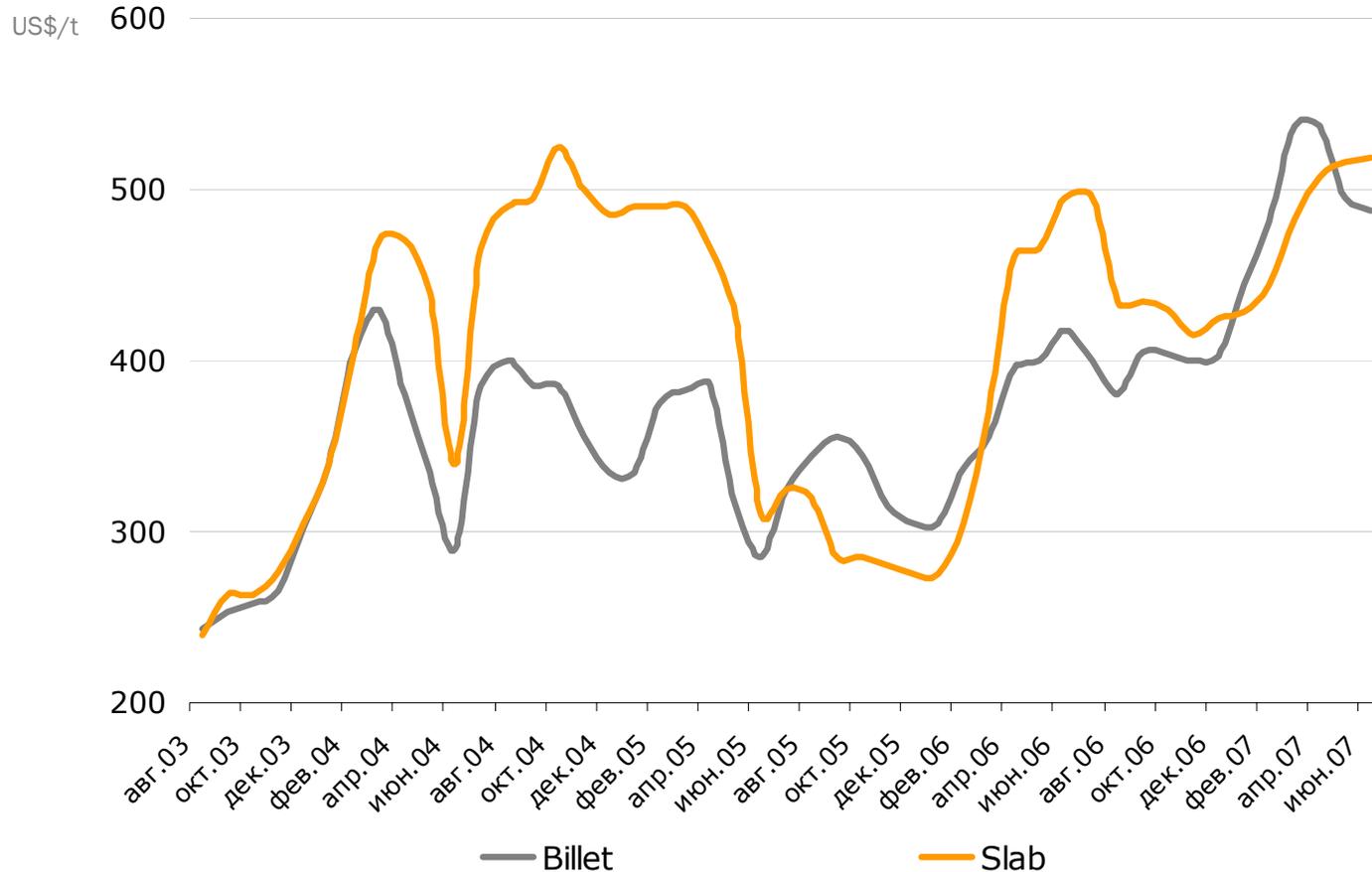


Segment Sales Volumes: Non-Russian



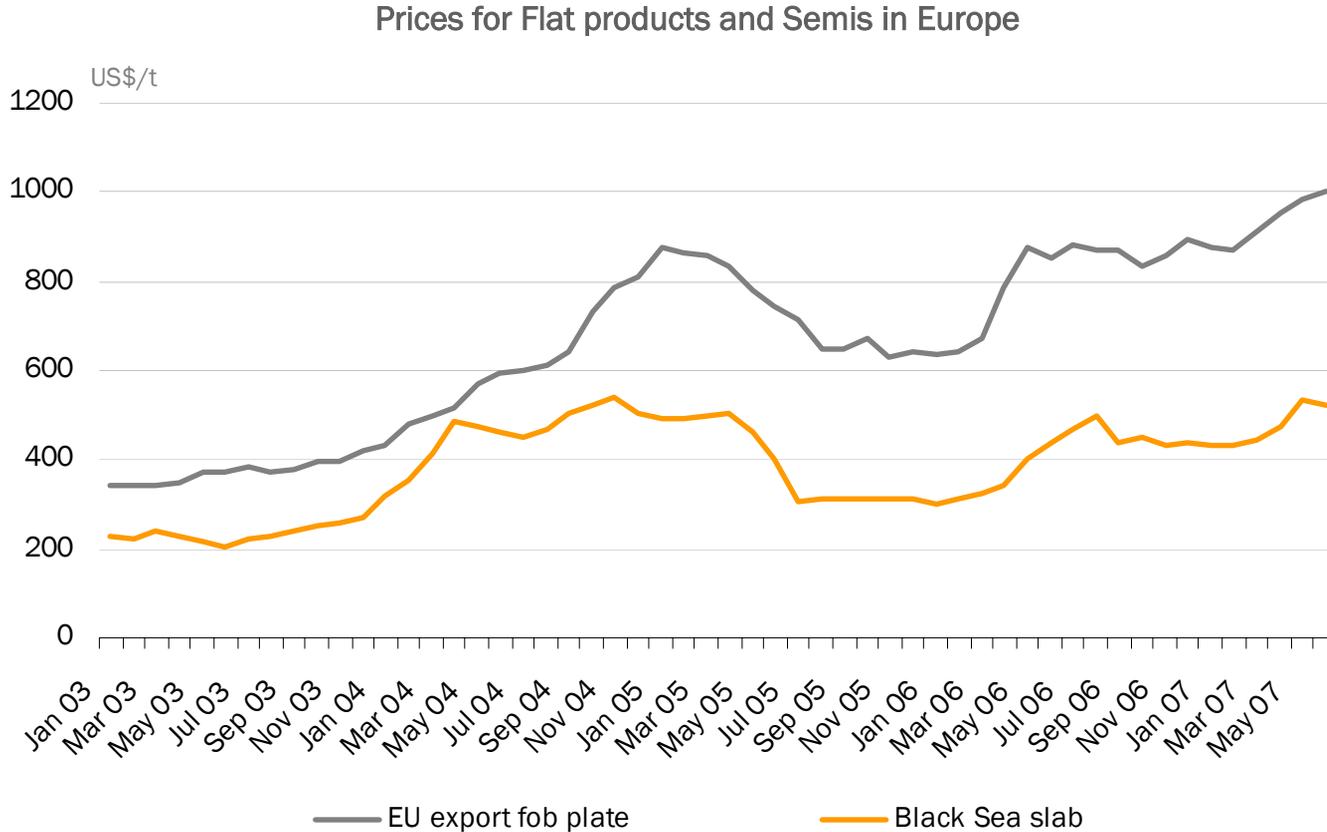


# Export Prices for Slabs & Billets



\*Prices has shown on Far East FOB basis except Jan-June 07 ( Black Sea FOB)

# Sustainable Slab/Plate Margin

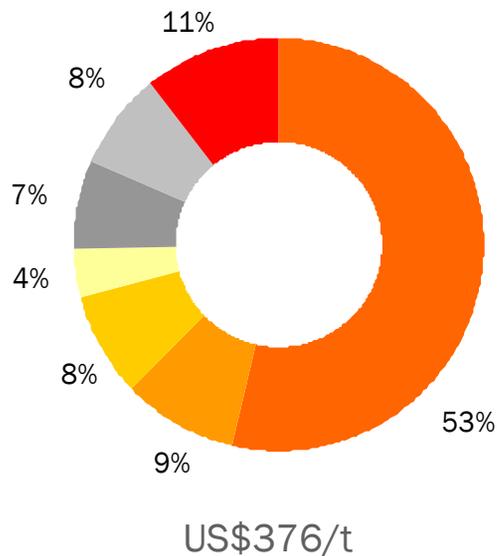




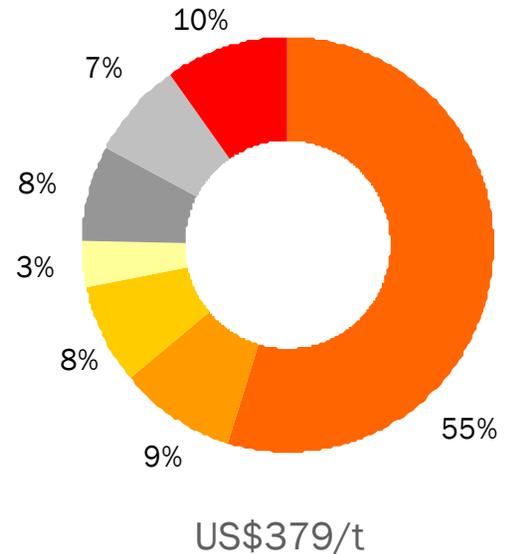
# Steel Segment Costs

- Steel segment cost increased by 26% to US\$6,088 mln from US\$4,837 mln in 2005
- Main cost items per tonne remained almost flat
- Transportation costs increased by 25% mainly attributable to the growth in non-Russian sales volumes and related transportation costs
- Staff costs increased by 21% affected by inflation and acquisitions
- Energy costs grew by 34% due to acquisitions, overall increase in steel production and energy tariffs inflation in Russia

Steel Segment Costs structure 2005



Steel Segment Costs 2006



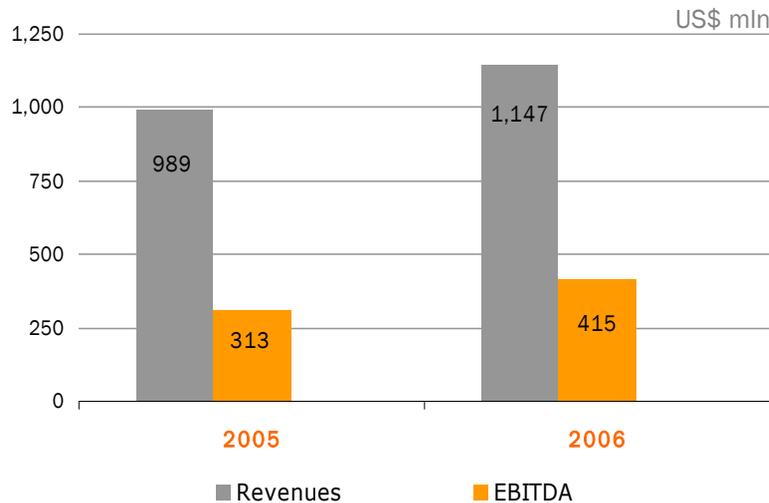
- Raw materials
- Transportation
- Staff costs
- Depreciation
- Energy
- Other
- SGA



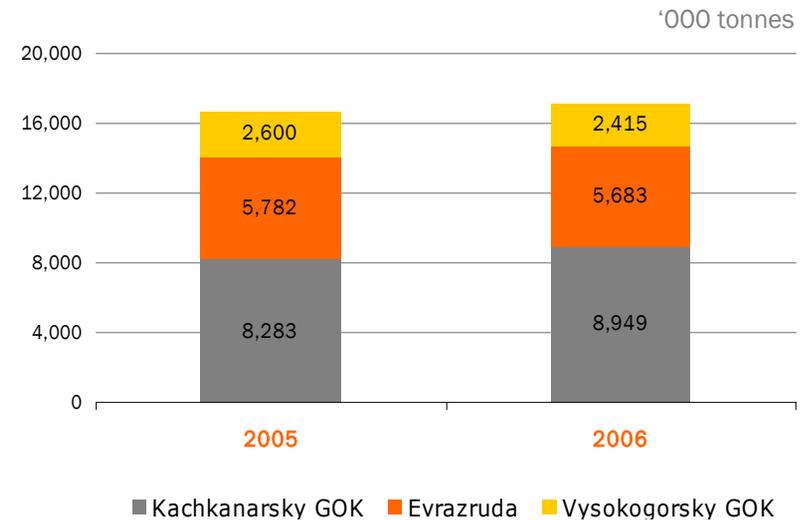
# Mining: Securing Steel Production Cost Efficiency

- Mining segment revenues increased by 16% to US\$1,147 mln mainly due to the growth in the average prices of iron ore
- Mining segment EBITDA increased by 33% to US\$415 mln with EBITDA margin improved to 36%
- Iron ore sales volumes up 2% to 17 mln tonnes covering 80% of Evraz iron ore requirements

### Mining Segment Performance



### Iron Ore Production

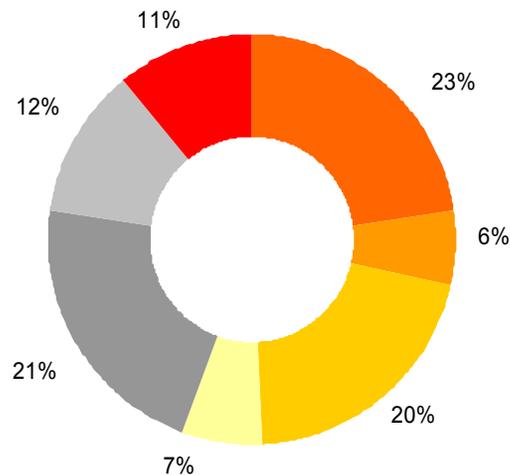




# Mining Segment Costs

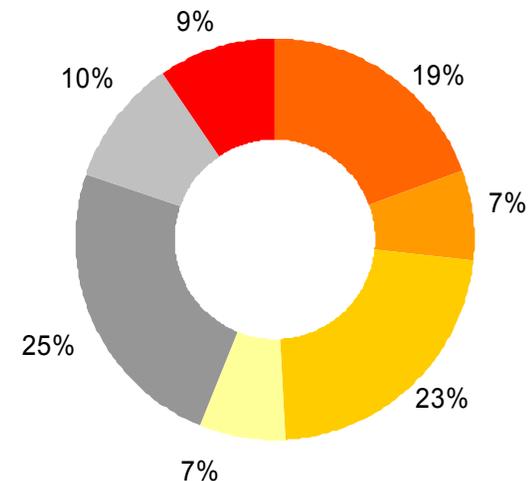
- Total mining segment cost increased by 9% to US\$781 mln from US\$717 in 2005
- Staff costs increased by 21%
- Energy costs increased by 21%
- Operational improvement programme launched at the main mining sites

Mining Segment Costs 2005



US\$43/t

Mining Segment Costs 2006



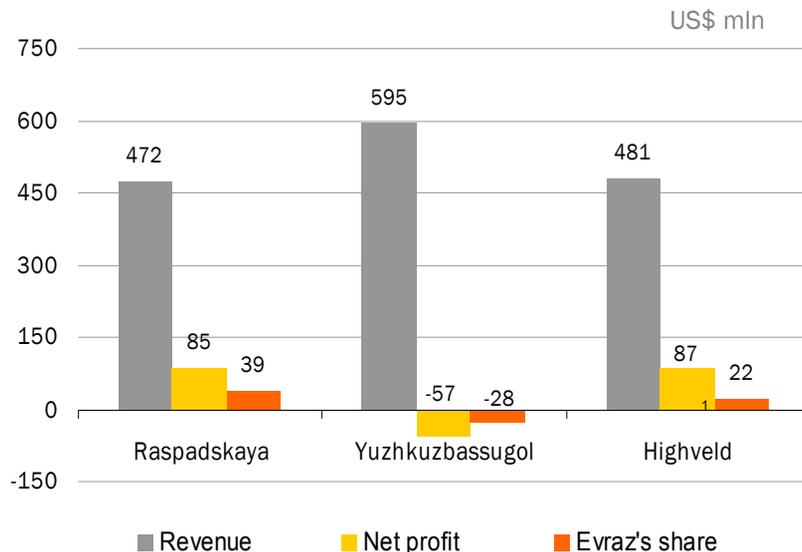
US\$46/t



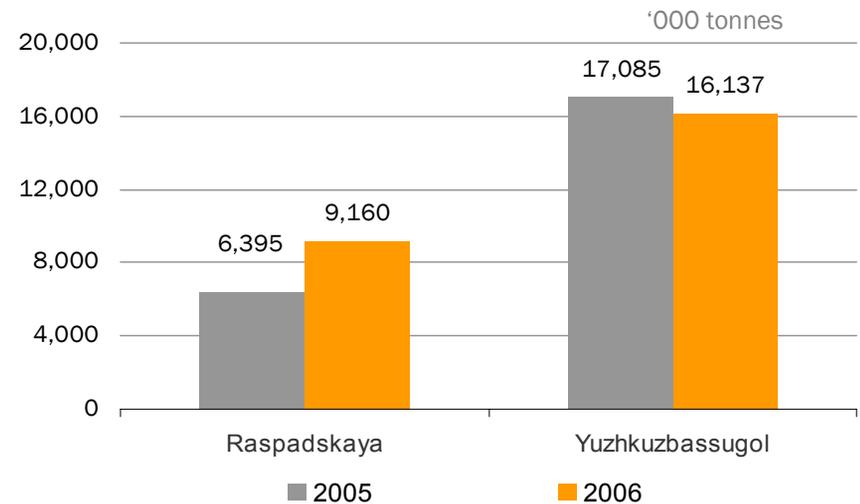
# Affiliated Companies Contribution

- Evraz share in income of affiliated companies decreased to US\$45 mln due to Yuzhkuzbassugol losses
- In 2006 coal affiliates produced 25 mln tonnes of coal
- In May 2006 OAO Rospadskaya acquired two coal assets with total proven and probable reserves of 308 mln tonnes and in November 2006 successfully placed 18% of its shares on MICEX and RTS for US\$317 mln, valuing the company at US\$1,760 mln
- A stake in Highveld Steel and Vanadium, acquired in July 2007 for US\$207 mln, contributed US\$22 mln to the bottom line

### Affiliated Companies Financial Results 2006



### Coal Affiliates Production



<sup>1</sup> Highveld 2006 Results starting from July 13, 2006



# 2006 Capex Programme

## Investment results

- Capital spending of US\$660 mln 2006 vs. US\$695 mln in 2005 focused on efficiency improvements mainly in steel production
- Some of the projects scheduled for 2007 commenced in 2006

## Investments in projects completed in 2006: US\$280 mln

- Revamp of BF5 at NTMK – US\$89 mln
- Revamp of CB5 at NTMK – US\$21 mln
- Construction of vacuum degasser at NTMK – US\$20 mln
- New oxygen facility at NKMK – US\$5 mln
- Reconstruction of EAF shop at NKMK – US\$12 mln
- New packaging lines at Zapsib – US\$13 mln
- Installation of ISSM at Vitkovice Steel – US\$24 mln
- Commencement of iron ore production at Izykhgol and Burluk mines – US\$8 mln

## Maintenance capex: US\$207 mln

## Total spending on projects in progress: US\$173 mln

## FY2007 Capex budgeted at US\$575 mln



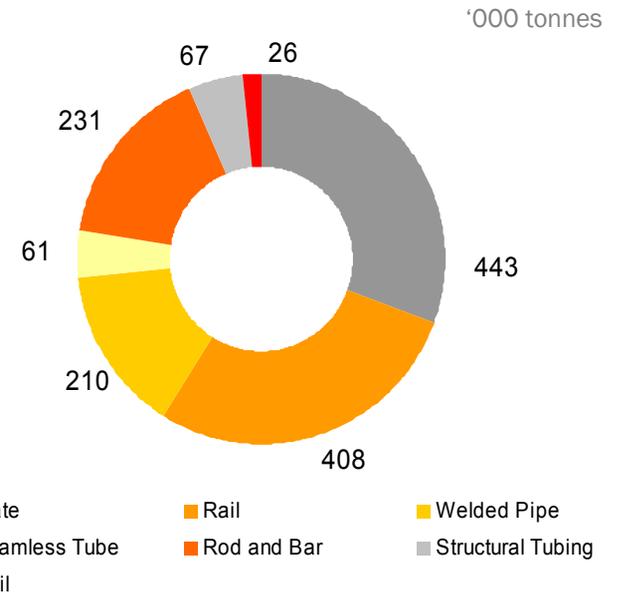


# Oregon Steel Mills, Inc.

- Leading plate and rails producer on the West Coast with total capacity of 2.1 mln tonnes
- In January 2007 Evraz successfully acquired Oregon Steel for US\$2.3 bln
- The acquisition of Oregon Steel represents a solid platform for Evraz in North America and secures an important place on the attractive plate and pipe market
- Combined company is the leading rail producer globally



2006 Sales by Product

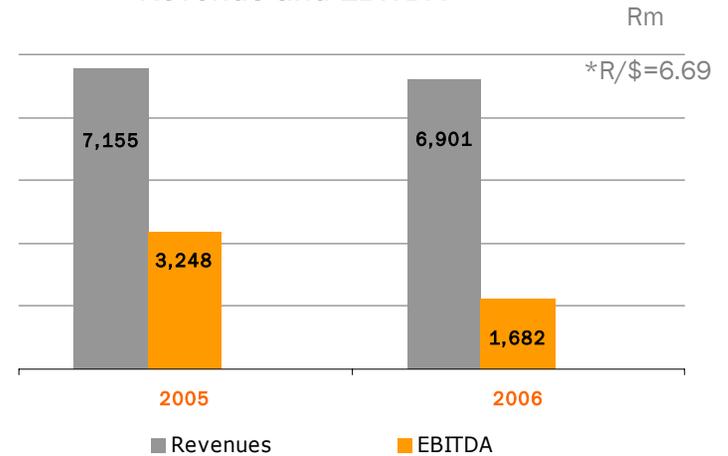




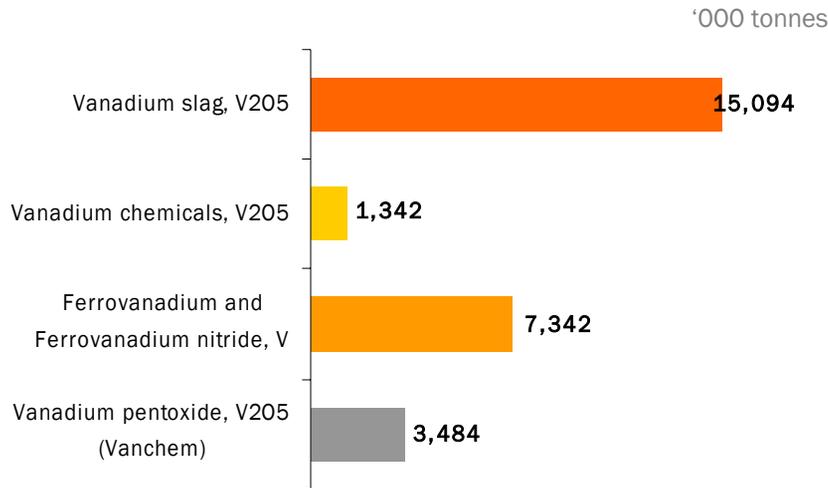
# Highveld Steel and Vanadium Corporation

- World's largest vanadium producer and the 2<sup>nd</sup> largest steel producer in South Africa with 803,000 tonnes of steel sold in 2006
- In 2006 Evraz acquired a 24.9% stake from Anglo American and increased it to 54.1% in May 2007
- Evraz gains access to expanding South African steel and construction sectors and becomes the leading vanadium player globally

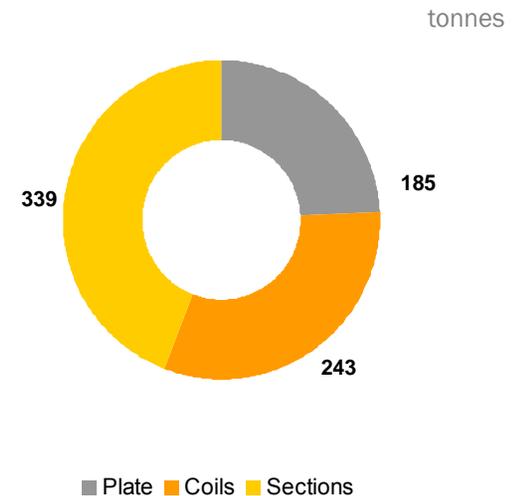
### Revenue and EBITDA\*



### 2006 Vanadium Products Sales



### 2006 Rolled Steel Production



<sup>1</sup> Highveld 2006 Results starting from July 13, 2006



# Evraz 2007 Outlook

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## Markets:

- According to IISI, the world steel consumption will grow 5.9% in 2007 and 6.1% in 2008
- Russian construction expansion will further stimulate domestic demand for long products and outperform GDP growth
- Strong pricing environment in 1Q07 will remain at present levels through 2Q07

## Production\*:

- Full year 2007 steel production target: 15.5-16.0 mln tonnes (crude steel), and 14.2-14.8 mln tonnes (rolled products), including 1.6-1.7 mln tonnes in the US
- 2007 CAPEX budget of approximately \$575 mln will mainly be targeted on the on-going projects
- Shutdown of all open hearth furnaces in Novokuznetsk will eliminate approximately 0.8 mln tonnes of crude steel production
- Zapsib blast furnace relines will decrease crude steel output for 2007 by approximately 1 mln tonnes
- Acquisition of West Siberian Heat and Power Plant in March to increase electricity self-sufficiency of Zapsib to 85% by end of year

## Risks:

- Potential further cost increase mostly concentrated in staff cost inflation
- Additional pressure on Russian assets from national ecological control agencies

## Financial Outlook 1H07\* :

- Consolidated revenues expected to increase by 45-55% (y-o-y)
- EBITDA expected to grow by 50-60% (y-o-y)



**+7 495 232-1370**  
**IR@evraz.com**

**[www.evraz.com](http://www.evraz.com)**