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## Evraz announce interim results for H1 2010

Friday, 03 Sep, 2010

Evraz Group SA announces its unaudited interim results for the six months ended June 30th 2010.

### H1 2010 financial highlights

1. Consolidated revenue USD 6,379 million
2. Consolidated adjusted EBITDA USD 1,154 million
3. Net loss USD 270 million. Without the effects of non-cash and one-off transactions there would have been a net profit of USD 284 million
4. Operating cash flow USD 744 million
5. Total debt USD 7,873 million

	2010	2009	Change
Revenue	6,379	4,639	37.50%
EBITDA	1,154	468	146.60%
Profit/(loss) from operations	167	-1,046	N/A
Net (loss)/profit	(270)*	-999	N/A

In USD million

Mr Alexander Frolov CEO of Evraz Group said “During the first half of 2010 we have seen the continuation of a measured recovery in the global economy which, in turn, has led to an increase in steel demand across all our key markets. This has allowed us to fully utilize our steelmaking capacities in Russia and significantly increase the utilization rates of our international operations.

He said that “Prices for steel products rose steadily throughout the second half of 2009 and the first four months of 2010, in line with higher raw material prices, followed by a correction in May-July of 2010. Group EBITDA margins advanced benefiting in part from the significant scale of our vertical integration.”

He added that “Demand in Russia was driven by an increase in private sector construction activity as well as Russian government-financed infrastructure projects, including infrastructure development in preparation for the APEC Summit in the Far East and the Sochi Olympic Games. Export demand is driven by the ongoing growth of developing economies, particularly in Asia, which represents one of our key markets. Our North American operations registered notable volume increases driven by strong demand for pipes to facilitate shale gas exploration projects and construction plate in relation to infrastructure investment on behalf of local governments.”

He said “Overall our key strategic priorities remain unchanged: cost leadership, an appropriate level of vertical integration into raw materials, geographic diversification, a manufacturing focus on infrastructure products and the extraction of further synergies from our international asset base. During the remainder of 2010 our focus will be on driving efficiency gains and operational improvements. We are embarking on a major reconstruction of our Russian rail mills which will herald the production of higher margin products, including the manufacture of 100 meter high speed rails. The introduction of a pulverized coal injection project, scheduled for completion in 2012, will increase our energy efficiency, eliminate the need for natural gas and reduce our coking coal consumption by almost 20%.”

Mr Giacomo Baizini CFO of Evraz Group said “Our financial performance, benefiting from the market recovery, showed a significant improvement during the first half of 2010. This was reflected in a 147% increase in EBITDA compared to the first half of 2009 and was in line with our guidance despite the market turbulence experienced in May and June.”

He said “Our net loss of USD 270 million resulted from two factors impacting our net result:

I). The adoption last year of the revaluation model of accounting for property plant and equipment (the net effect on the net profit in 1H 2010 was USD 416 million)

II) A number of one-off transactions totaling USD 138 million. In the absence of these factors, our net profit for the first half

of 2010 would have amounted to USD 284 million. The increased depreciation expense under the revaluation model of accounting will have a negative effect on our net result in the future, thereby distorting comparison with peers that employ the cost method of property, plant and equipment valuation. Against this background we believe that EBITDA will provide a more accurate measure of performance.

He added that “The refinancing of short-term debt through longer-term maturities remains our priority in terms of financial management. A successful USD 500 million equivalent Rouble bond placement in March 2010 and the refinancing of a USD 1 billion short-term debt to VEB through a USD 950 million 5 year loan from Gazprombank reflected the confidence of investors and lenders alike in the Company’s prospects. Our cost of capital continued to decline, reflecting the improvement in financial and operating results together with more favorable market conditions. For example, since October 2009 bond yields have fallen from almost 10% to nearer 7%.”

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