

Evraz Group S.A.  
13 October 2005

INTERIM RESULTS FOR 6 MONTHS ENDED JUNE 30 2005

Evraz announces record earnings and cash flows

Moscow, October 13, 2005 - Evraz Group S.A. (LSE: EVR), one of the leading vertically integrated steel production and mining businesses with operations mainly in Russia, today announces its interim results for the 6 months ended June 30, 2005 with strong growth in revenues, EBITDA and net profit.

Financial highlights:

- Consolidated revenues increased by 27.2% to US\$3.63 billion in 1H 2005 from US\$2.86 billion
- Consolidated EBITDA increased by 15.5% to US\$1.1 billion in 1H 2005 from US\$968 million 1H 2004
- Net profit grew by 10.3% to US\$729 million in 1H 2005 from US\$661 million in 1H 2004
- Record cash flow from operations of US\$727 million in 1H 2005, a 288.6% increase over US\$187 million in 1H 2004
- Earnings per share of US\$5.65.

Corporate highlights:

- Raised US\$422 million through initial public offering (IPO) on London Stock Exchange (LSE) in June 2005
- Mine 12 and EvrazRuda purchased in March 2005

Commenting on the results, Alexander Abramov, Evraz's Chairman and Chief Executive, said:

'The results reflect our superior drive for performance to strengthen our long-term competitive position across all of Evraz's business. Excellent operational performance across all the business segments resulted in record

earnings and cash flows. These results are a reflection of the realisation of our stated strategy, with continued focus on domestic growth in steel and further integration into mining. Our targeted capex initiatives have added to our cost efficiency and are expected to yield significant results next year. We remain focused on delivering to all shareholders on the commitments we made at the time of our IPO. '

#### Consolidated Results

	1H 2005 (unaudited)	1H 2004 (unaudited)	Change, %
Revenues, US\$ thousand	3,631,812	2,856,315	27.2%
Profit from operations, US\$ thousand	1,005,381	886,881	13.4%
Operating margin, %	27.7%	31.0%	
Net profit, US\$ thousand	728,876	660,670	10.3%
Net operating margin, %	20.1%	23.1%	
Net profit attributable to equity holders of the parent entity, US\$ thousand	612,339	582,585	5.1%
Adjusted EBITDA(1), US\$ thousand	1,118,611	968,235	15.5%
Earnings per share, US\$	5.65	5.43	4.1%

(1) Please refer to Attachment 1 for reconciliation of Adjusted EBITDA to profit from operations.

Evraz's consolidated revenue rose by 27% to US\$3.63 billion. The increase was primarily due to higher prices for steel products in Russia and in export markets, and increased production volumes.

In the first six months of 2005, consolidated cost of revenues amounted to US\$2.25 billion compared with US\$1.72 billion in the first half of 2004. While raw materials prices increased significantly, the growth of Evraz's own iron ore production shielded their effect on consolidated gross profit to a considerable extent. Gross profit reached US\$1.38 billion, or 38% of revenues in the first six months of 2005, compared with US\$1.15 billion, or 40.2% of revenues, in the first half of 2004.

Profit from operations increased by 13.4% to US\$1.005 billion in the first six months of 2005, compared to US\$887 million in the corresponding period in 2004. Profit from operations as a percentage of consolidated revenue decreased from 31% in the first half of 2004 to 27.7% in the first six months of 2005, mainly as a result of continuous cost pressure from rising coking coal prices and general and administrative expenses.

Consolidated EBITDA grew by 15.5% in the first six months of 2005 to US\$1.1 billion, or 30.8% of revenues, compared with US\$968 million in the first half of 2004, or 33.9% of revenues.

For the six months ended 30 June 2005, Evraz reported Group net profit attributable to equity holders of the parent entity of US\$612 million, compared with US\$583 million in the first half of 2004.

#### Review of Operations

##### Steel Segment Results

	1H 2005 (unaudited)	1H 2004 (unaudited)	Change, %
Revenues, US\$ thousand	3,661,064	2,729,757	34.1%
Profit from operations, US\$ thousand	775,540	841,539	-7.8%
Adjusted EBITDA, US\$ thousand	854,478	918,487	-7.0%
EBITDA margin, %	23.3%	33.6%	

##### Steel Segment Production

	1H 2005, thousand tonnes	1H 2004, thousand tonnes	Change, %
Pig Iron	5,951	5,630	5.7%

Steel	7,008	6,728	4.2%
Rolled products	6,306	6,012	4.9%

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Steel Segment Sales

	1H 2005		1H 2004	
	US\$ million (unaudited)	% of total	US\$ million (unaudited)	% of total
Semi-finished products	1,401.5	38.3%	1,128.9	41.3%
Construction products	770.1	21.0%	672.1	24.6%
Other products	646.4	17.7%	245.6	9.0%
Railway products	461.7	12.6%	290.2	10.6%
Other steel products	319.1	8.7%	344.3	12.6%
Mining products	62.3	1.7%	48.6	1.8%

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Steel segment revenues for the six months of 2005 were US\$3.66 billion, an increase of 34.1% compared with segment revenue of US\$2.73 billion in the first half of 2004. Higher prices across all products, as well as increased production were the key drivers of this increase.

In the first six months of 2005, revenues from domestic sales amounted to 57% of total sales, compared with 56% in the first half of 2004. While comparative export volumes were similar, the increased share of domestic revenues was attributable to the relatively higher growth of prices in the domestic market compared to the prices in export markets.

In the first six months of 2005, the steel segment generated profit from operations of US\$776 million, or 21.2% of steel segment revenues, compared with US\$842 million, or 30.8% of steel segment revenues in the first half of 2004. The main reason for migration of profits toward the mining segment was the rise in raw materials prices, increased selling and distribution (mainly transportation) costs, as well as general and administrative expenses increases related to the steel segment.

As compared with the first half of 2004, EBITDA in the steel segment declined

and totalled US\$854 million in the first six months of 2005, or 23.3% of steel segment revenues.

#### Mining Segment Results

	1H 2005 (unaudited)	1H 2004 (unaudited)	Change, %
Revenues, US\$ thousand	593,541	243,063	144.2%
Profit from operations, US\$ thousand	223,881	32,986	578.7%
Adjusted EBITDA, US\$ thousand	252,730	36,779	587.2%
EBITDA margin, %	42.6%	15.1%	

#### Mining Segment Production

	1H 2005, thousand tonnes	1H 2004, thousand tonnes	Change, %
Iron ore			
Concentrate	1,291	1,153	12.0%
Sinter	4,632	3,269	41.7%
Pellets	2,757	492	459.9%
Coal			
Coking coal	156		n/a
Steam coal	24		n/a
Reference			
Coking coal (Raspadskaya)	3,314		n/a

Mining segment revenue increased by 144.2% to US\$594 million in the first six months of 2005, compared with US\$243 million in the first half of 2004. This increase in revenues was mainly due to the acquisition of KGOK in May 2004, and also due to substantial growth in iron ore prices during the first six months of 2005 compared with the corresponding period of 2004. Revenues attributable to KGOK in the first six months of 2005 amounted to US\$329 million compared with

US\$25 million in the first half of 2004.

The mining segment profit from operations increased by 578.7% and reached a record US\$224 million in the first six months of 2005, or 37.7% of mining segment revenues, compared with US\$33 million, or 13.6% of mining segment revenues in the first half of 2004.

EBITDA in the mining segment rose by 587.2% to US\$253 million in the first six months of 2005, or 42.6% of mining segment revenues, compared with US\$37 million in the first half of 2004.

#### Consolidated Group Financial Position

##### Cash flow

Cash flow from operating activities was a record US\$727 million, or 288.6% higher than in the first six months of 2004.

The Group continued to make significant capex investment. It spent US\$280 million on purchases of property, plant and equipment during the first six months of 2005 versus US\$239 million during the first half of 2004. Key investment projects include construction of a 2.5 mty slab caster and revamping of a blast furnace at Zapsib, ongoing modernisation of electric arc furnaces at NKMK, and construction of a new coal mine at Neryungriugol.

##### Balance sheet

The balance sheet strengthened during the period and net debt reduced as compared to 31 December 2004 by US\$289 million to US\$736 million as of 30 June 2005. Cash reserves were up by 129.8% as compared to 31 December 2004 to US\$673 million as of 30 June 2005.

In the first half of 2005, total assets increased by US\$1.25 billion to US\$5.5 billion.

##### Outlook

- ' Further benefits of vertical integration, mainly in iron ore
- ' Robust domestic performance, difficult pricing environment in the

steel export markets until the year end  
' Completion of the main part of return-driven capex program  
' Positive impact on the Group's top-line and bottom-line performance  
as a result of acquisitions: Palini e Bertoli (consolidated from Q3  
2005 ) and Vitkovice Steel (consolidation expected from Q4 2005)  
' Focus on strategic acquisitions:  
o downstream assets complimentary to Russian steel semis exports;  
o steel-making in low cost regions;  
o greenfield / brownfield iron ore and coal mining.

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Notes to Editors

EvrAZ Group S.A.

EvrAZ Group is one of the largest vertically-integrated steel and mining businesses with operations mainly in the Russia. In 2004, Evraz produced 13.7 million tonnes of crude steel.

EvrAZ Group is a listed company on the London Stock Exchange (LSE). The company listed its global depository receipts (GDRs) on the LSE on June 2, this year.

Evraz's principal assets include three of the leading steel plants in Russia: Nizhny Tagil (NTMK) in the Urals region, and West Siberian (Zapsib) and Novokuznetsk (NKMK) in Siberia.

Evraz Group's mining businesses comprise the Kachkanarsky (KGOK), Evraz Ruda and Vysokogorsky (VGOK) iron ore mining complexes, NeryungriUgol Coal Company, Mine 12 and an equity interest in the Raspadskaya coal mine.

Evraz also owns and operates the Nakhodka commercial sea port, in the Far East of Russia, which facilitates access to Asian export markets.

#### Attachment 1

##### 1. Adjusted EBITDA

Adjusted EBITDA represents profit from operations (before interest and taxes) plus depreciation and amortization, impairment of assets and loss (gain) on dispositions of property plant and equipment. Adjusted EBITDA is not a measure of financial performance under IFRS, and it should not be considered as an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Evraz's calculation of Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

Reconciliation of Adjusted EBITDA to profit from operations is as follows:

	Six months ended 30 June	
	2005	2004
	US\$ thousand	
Consolidated Adjusted EBITDA reconciliation		
Profit from operations	1,005,381	886,661
Add:		
Amortisation of negative goodwill	0	(15,347)
Depreciation	103,938	90,676
Impairment of assets	1,456	2,185
Loss (gain) on disposal of property, plant &		



equipment	7,836	4,060
Consolidated Adjusted EBITDA	1,118,611	968,235
Steel segment Adjusted EBITDA reconciliation		
Profit from operations	775,540	841,539
Add:		
Amortisation of negative goodwill	0	(10,085)
Depreciation	71,209	80,732
Impairment of assets	91	2,112
Loss (gain) on disposal of property, plant & equipment	7,638	4,189
Steel segment Adjusted EBITDA	854,478	918,487
Mining segment Adjusted EBITDA reconciliation		
Profit from operations	223,881	32,986
Add:		
Amortisation of negative goodwill	0	(3,858)
Depreciation	27,171	7,691
Impairment of assets	1,365	-
Loss (gain) on disposal of property, plant & equipment	313	(40)
Mining segment Adjusted EBITDA	252,730	36,779
Other operations Adjusted EBITDA reconciliation		
Profit from operations	11,746	14,348
Add:		
Amortisation of negative goodwill	0	(1,404)
Depreciation	5,558	2,253
Impairment of assets	0	73
Loss (gain) on disposal of property, plant & equipment	(115)	4
Other operations Adjusted EBITDA	17,189	15,274

## 2. Net Debt

Net Debt represents long-term loans, net of current portion, plus short-term loans and current portion of long-term loans less cash and cash equivalents (excluding restricted deposits). Net Debt is not a balance sheet measure under IFRS, and it should not be considered as an alternative to other measures of financial position. Evraz's calculation of Net Debt may be different from the calculation used by other companies and therefore comparability may be limited.

Net Debt has been calculated as follows:

	At 30 June 2005	At 31 December 2004
	----- US\$ thousand	
Net Debt Calculation		
Add:		
Long-term loans, net of current portion	914,382	788,093
Short-term loans and current portion of long-term loans	494,780	529,951
Less:		
Cash and cash equivalents	673,085	292,947
Net Debt	----- 736,077	----- 1,025,097

Evraz Group S.A.

Unaudited Condensed Consolidated Income Statements  
(In thousands of US\$, except for per share information)

	Six-month periods ended	
	June 30,	
	2005	2004
	-----	-----
Revenue		

Sale of goods	\$ 3,571,195	\$ 2,783,117
Rendering of services	60,617	73,198
	-----	-----
Cost of revenue	3,631,812	2,856,315
Amortisation of negative goodwill	(2,251,213)	(1,723,529)
	-----	-----
Gross profit	1,380,599	1,148,133
Selling and distribution costs	(107,283)	(102,393)
General and administrative expenses	(227,203)	(136,890)
Social and social infrastructure maintenance expenses	(35,822)	(16,381)
Loss on disposal of property, plant and equipment	(7,836)	(4,060)
Impairment of assets	(1,456)	(2,185)
Foreign exchange (losses)/gains, net	(276)	3,592
Other operating income/(expenses), net	4,658	(3,155)
	-----	-----
Profit from operations	1,005,381	886,661
Interest income	4,335	6,777
Interest expense	(65,884)	(45,070)
Share of profits of associates and a joint venture	41,013	17,236
Gain/(loss) on extinguishment of debts	1,314	(101,276)
Gain on financial assets	-	57,189
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	9,761	5,541
Other non-operating (losses)/gains, net	(10,607)	1,218
	-----	-----
Profit before tax	985,313	828,276
Income tax expense	(256,437)	(167,606)
	-----	-----
Net profit	\$ 728,876	\$ 660,670
	=====	=====

Attributable to:		
Equity holders of the parent entity	\$ 612,339	\$ 582,585
Minority interests	116,537	78,085
	-----	-----
	\$ 728,876	\$ 660,670
	=====	=====
Earnings per share attributable to equity holders of the parent entity, basic and diluted, US dollars	\$ 5.65	\$ 5.43

Evraz Group S.A.

Unaudited Condensed Consolidated Balance Sheets  
(In thousands of US\$)

	June 30, 2005	December 31, 2004
	-----	-----
Assets		
Non-current assets		
Property, plant and equipment	\$ 2,533,910	\$ 2,398,929
Negative goodwill	-	(362,612)
Investment in a joint venture	244,135	194,712
Other long-term investments	8,521	8,644
Restricted deposits at banks	7,668	8,570
Other non-current assets	156,795	9,651
	-----	-----
	2,951,029	2,257,894
Current assets		
Inventories	848,851	807,819
Trade and other receivables	302,630	293,706
Prepayments	72,856	79,801
Receivables from related parties	85,599	89,316
Taxes recoverable	521,790	397,533
Short-term investments and notes receivable	17,153	21,804
Restricted deposits at banks	30,837	12,441
Cash and cash equivalents	673,085	292,947

	-----	-----
	2,552,801	1,995,367
	-----	-----
Total assets	\$ 5,503,830	\$ 4,253,261
	=====	=====
Equity and liabilities		
Equity		
Parent shareholders' equity		
Issued capital	\$ 315,879	\$ 42
Additional paid-in capital	537,501	319,177
Legal reserve	9,586	-
Accumulated profits	1,916,277	1,126,070
Translation difference	77,469	163,755
	-----	-----
Minority interests	2,856,712	1,609,044
	298,850	357,579
	-----	-----
	3,155,562	1,966,623
Non-current liabilities		
Long-term loans	914,382	788,093
Liabilities under the Settlement Agreement	-	4,224
Restructured taxes payable	12,220	23,259
Deferred income tax liabilities	201,804	214,481
Finance lease liabilities	27,071	25,661
Post-employment benefits	52,864	53,381
Provisions	19,792	20,582
Other long-term liabilities	2,292	21,207
	-----	-----
	1,230,425	1,150,888
Current liabilities		
Trade and other payables	303,871	227,935
Advances from customers	46,835	55,189
Short-term loans and current portion of long-term loans	494,780	529,951
Payables to related parties	37,339	117,806
Taxes payable	220,838	197,721
Current portion of finance lease liabilities	10,677	4,688

Provisions and other liabilities	3,503	2,460
	-----	-----
	1,117,843	1,135,750
	-----	-----
Total equity and liabilities	\$ 5,503,830	\$ 4,253,261
	=====	=====

Evraz Group S.A.

Unaudited Condensed Consolidated Cash Flow Statements (continued)  
(In thousands of US\$)

	Six-month periods ended June 30,	
	2005	2004
	-----	-----
Cash flows from operating activities		
Net profit	\$ 728,876	\$ 660,670
Adjustments to reconcile net profit to net cash provided by operating activities:		
Amortisation of negative goodwill	-	(15,347)
Depreciation, depletion and amortisation	103,938	90,676
Deferred income tax benefit	(11,062)	(20,656)
Loss on disposal of property, plant and equipment	7,836	4,060
Impairment of assets	1,456	2,185
(Gain)/loss on extinguishment of debts	(1,314)	101,276
Foreign exchange losses/(gains)	276	(3,592)
Share of profits from associates and a joint venture	(41,013)	(17,236)
Gain on financial assets	-	(57,189)
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	(9,761)	(5,541)
Other non-operating losses /(gains)	10,607	(1,218)
Interest income	(4,335)	(6,777)
Interest expense	65,884	45,070

Bad debt expense	1,951	8,416
	-----	-----
	853,339	784,797
Changes in operating assets and liabilities:		
Inventories	(49,416)	(96,409)
Trade and other receivables	(28,291)	(180,714)
Prepayments	8,595	(23,143)
Receivables from / payables to related parties	(8,690)	(362,519)
Taxes receivable	(134,434)	(63,599)
Other assets	325	(1,499)
Trade and other payables	68,816	67,164
Advances from customers	(11,848)	247
Taxes payable	30,338	56,491
Other liabilities	(1,332)	6,357
	-----	-----
Net cash flows from operating activities	727,402	187,173
Cash flows from investing activities		
Issuance of short-term loans receivable to related parties	(3,043)	(1,181)
Issuance of loans receivable	(1,437)	-
Proceeds from repayment of short-term loans receivable	12,231	1,539
Purchases of subsidiaries, net of cash acquired	(12,866)	(216,950)
Prepayments for purchases of subsidiaries	(80,870)	-
Purchases of minority interests	(307,822)	-
Purchase of interest in a joint venture	-	(61,800)
Restricted deposits at banks	(16,765)	(3,620)
Short-term deposits at banks	7,276	-
Purchases of property, plant and equipment	(279,818)	(238,912)
Proceeds from disposal of property, plant and equipment	2,675	1,835
Payments to acquire equity of other companies	(508)	-
Proceeds from sales of equity of other companies	3,068	2,045
Payments to acquire debt instruments of other companies	(603)	(36,677)

Proceeds from sale/redemption of debt instruments of other companies	11,227	26,871
Dividends received	10,134	-
	-----	-----
Net cash flows used in investing activities	(657,121)	(526,850)

Evraz Group S.A.

Unaudited Condensed Consolidated Cash Flow Statements (continued)  
(In thousands of US\$)

	Six-month periods ended June 30,	
	2005	2004
	-----	-----
Cash flows from financing activities		
Proceeds from issuance of share capital, net of issuance costs	\$ 399,747	\$ -
Contributions from Crosland Limited	131,020	30,000
Payments to entities under common control for the transfer of ownership interest in subsidiaries	(32,246)	(32,769)
Proceeds from long-term loans provided by related parties	2,836	65,374
Repayment of long-term loans provided by related parties	-	(11,714)
Proceeds from short-term loans provided by related parties	6,091	225,377
Repayment of short-term loans provided by related parties	(62,354)	(54,012)
Proceeds from short-term loans	217,680	547,711
Repayment of short-term loans, including interest	(291,366)	(340,385)
Proceeds from long-term loans and promissory notes	194,308	98,486
Repayment of long-term loans and promissory notes, including interest	(89,651)	(153,759)



Dividends paid	(133,416)	-
Dividends of consolidated subsidiary paid to minority shareholders	(3,482)	-
Payments under finance leases, including interest	(5,755)	(1,551)
Payments under Settlement Agreements, including interest, and purchases of debts in subsidiaries	(7,609)	(29,274)
Payments of restructured taxes, including interest	(9,711)	(10,976)
	-----	-----
Net cash flows from financing activities	316,092	332,508
Effect of foreign exchange rate changes on cash and cash equivalents	(6,235)	2,216
	-----	-----
Net increase in cash and cash equivalents	380,138	(4,953)
Cash and cash equivalents at beginning of year	292,947	195,737
	-----	-----
Cash and cash equivalents at end of year	\$ 673,085	\$ 190,784
	=====	=====
Supplementary cash flow information:		
Cash flows during the year:		
Interest paid	\$ 56,182	\$ 38,655
Income taxes paid	292,653	154,579