



Building on our strengths

In the second quarter of 2010, Evraz Inc. NA launched a companywide transformation initiative rooted in the organization's commitment to the core principles of quality, continuous improvement, and responsiveness to customer needs and economic conditions.

Evraz Inc. NA is committed to continuous improvement.

Under the leadership of CEO Mike Rehwinkel and with improving market conditions, this endeavor will further integrate North American operations by aligning commercial and manufacturing expertise and capabilities across the company.

As a first step, internal operations were reorganized in three groups, according to the primary product categories—flat, tubular and long products. This new structure is intended to:

- Identify and implement best practices companywide.
- Leverage the company's size to benefit from economies of scale in production, procurement and other activities.
- Break down geographic barriers and increase collaboration between mills.

Executive Vice Presidents Rob Simon (left) and Scott Montross

This reorganization was the first step in a long-term goal to evolve Evraz Inc. NA into a commercially driven, cohesive enterprise with fully aligned business functions.

The **Flat Products Group**, led by Executive Vice President Scott Montross, includes steel plate, coil, heat-treated plate, cut-to-length plate, slit coil products, custom burned plate, and structural tubing. These production facilities are in Portland, Oregon; Claymont, Delaware; Regina, Saskatchewan; and Surrey, British Columbia. Evraz Inc. NA's General Scrap Partnership, Western Canada's largest scrap metal recycler, with locations throughout the prairies and North Dakota, also falls within the flat products group.

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Operational results

The first quarter of 2010 showed positive results as production increased by nearly 50% in most categories compared with Q1 last year. Production increased in every category over last quarter.

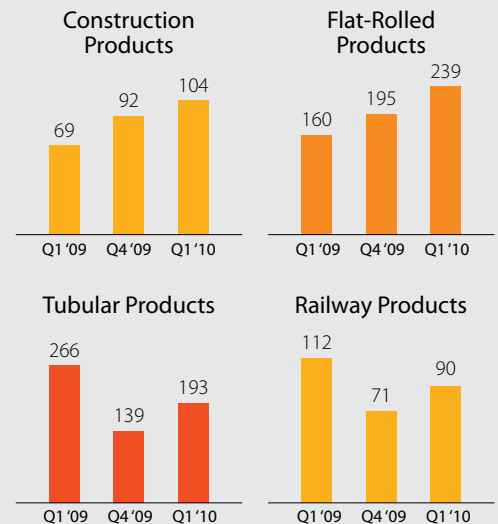
Evraz Inc. NA highlights:

- Production of construction products was up 51.7% over Q1 last year and up 13.1% over Q4
- Rolled product production levels increased by 49.4% from Q1 last year
- Tubular products increased 38.7% over last quarter
- Railway products showed a 26.7% increase compared with last quarter

"We are starting to see accelerated infrastructure spending, and a significant part of the recovery in steel markets...is attributable to the stimulus money from the federal government."

Pavel Tatyani in Reuters

Evraz Inc. NA steel production in thousands of tons



Strengths

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The **Tubular Products Group** includes the Canadian pipe mills in Regina, Saskatchewan; Calgary, Red Deer, and Camrose, Alberta; a spiral mill in Portland, Oregon; and the seamless pipe mill in Pueblo, Colorado. This group is led by Executive Vice President Rob Simon and is responsible for large diameter API line pipe, ERW OCTG, casing, drill pipe, coupling stock and seamless OCTG products.

Evraz Inc. NA is a diversified North American steel manufacturer built from numerous legacy operations with decades of experience and expertise.

The third division, the **Long Products Group**, produces head-hardened rail, and rod and bar produced at our Pueblo, Colorado, facility. This group is currently overseen by George Schleining, Vice President and General Manager of Evraz Rocky Mountain Steel.

To facilitate improvements across all North American operations, Mike Garcia, Senior Vice President, Manufacturing and Supply Chain, is leading companywide efforts focused on production optimization, maintenance practices, procurement, process control and benchmarking. New CFO Glenda Minor is overseeing the realignment of finance and IT to support the new product line structure. Coordinating these reorganization and integration efforts across all business functions is Jennifer Murray, Senior Vice President, Organization and Change Management.

BUILDING MOMENTUM

The global market recovery during the first half of 2010 confirmed our expectations. Due to Evraz's business model based on vertical integration of assets and focus on a narrow range of products—mostly infrastructure-related—we are well-positioned to benefit from economic improvements. We expect slow but steady recovery in demand for our products in North America to continue.



We are nearing full utilization of steelmaking capacity in North America, and operations in the U.S. and Canada are profitable. Our NA business is marginally ahead of budget in key financial indicators: revenue, EBITDA and operating cash flow. In April, our facility at Claymont reached 30,000 tons in sales, a volume we have not seen for many months. We see numerous infrastructure projects being launched in North America and are ready to fully meet the demand of our partners and customers.

Evraz's global business has also performed well in recent months. We are running at full capacity in Russia due to recovering domestic demand in the country as well as maintaining strong positions in key export

markets. Our European operations have reached full capacity utilization and significantly improved their financial performance. Despite recent improvements, risk in the international steel markets remains high due to a turbulent world economy and specific problems such as economic problems in Europe or slowing growth in China.

Another significant achievement in recent months is the successful launch of our Evraz Inc. NA

reorganization project. We at Evraz Group S.A. are convinced this new operational structure will significantly strengthen our North American company by focusing on key product groups. This reorganization is yet another step in fine-tuning Evraz Inc. NA's operations to make them more dynamic, customer-oriented and transparent.

In the future we will remain focused on further integration of operational and logistic chains, efficient stock management and cost control, and reinforcement of synergies between Evraz's assets globally.

Pavel Tatyatin
Senior Vice President, International Operations
Evraz Group S.A.

Evraz Place: Where a community gathers

Evraz Place in Regina, Saskatchewan, is a central entertainment and business destination for Western Canada. Formerly known as the Regina Exhibition Association, the century-old events complex needed updating, and in 2007, Evraz Inc. NA—known then as IPSCO—provided that critical support.

"Regina is fortunate to have a facility with this line of event services," said Mark Allen, CEO of Evraz Place. "It gives our community and province an advantage as we seek to host large-scale, high-profile events. Through its support, Evraz is also helping spur job creation and the economic prosperity that comes with it."

With its name on a facility that hosts more than 2,000 events per year, including international trade shows and events like the World Junior Hockey Championships and the International Curling Championships, Evraz has built strong name recognition and a partnership in its community.

CONTINUOUS IMPROVEMENT

The second quarter of 2010 was busy and productive. I'm pleased to say our organization has continued to exceed my personal expectations, and I am optimistic as we embark on an ongoing journey to realize our full potential.

When I joined as CEO, my goal was to build Evraz Inc. NA into a single North American enterprise that is dynamic, commercially oriented and driven by a talented team prepared to do what it takes to achieve our goals.

During my first 60 days, I conducted a listening tour at all our North American facilities. The tour reinforced what I already suspected: This organization is full of dedicated steel industry professionals with a firm commitment to our customers, service, safety and quality. Beyond that, it was readily apparent we have best practices and processes in place companywide that I, along with my executive team, can activate and institute throughout our organization.



As you read in this newsletter, one step we have taken toward this vision is the restructuring of our operations around our three main product groups: long, flat and tubular products. This change allows us to standardize and streamline our operations within these vertical markets. As a result, we will be able to capitalize on synergies and efficiencies, all with a focus on building increased value and improving our processes and solutions.

I'm excited about the executive team leading this new structure and the transformation of our organization to one which continuously improves and meets our customers' needs.

In North America, we are not only making the world stronger, we are creating an unbeatable team.

Mike Rehwinkel
Chief Executive Officer
Evraz Inc. NA

Fueling our bottom line

Rising oil and gas prices are driving the use of increasingly difficult and unconventional extraction techniques in North America. One of these methods, shale gas extraction, involves drilling horizontal wells into underground hard rock formations and then fracturing them by injecting frac fluids, which allows the gas to be collected and piped to the surface. The increase in horizontal drilling methods coupled with sustained growth across North American oil country tubular goods (OCTG) markets has created an increased demand for Evraz's thicker, high-grade steel casing products.

Increased demand for specialized OCTG products

This form of extraction—in contrast to traditional vertical drilling—requires the use of high-grade, heavy-walled, high-strength specialty products manufactured to very tight tolerances. Evraz produces casing at facilities in Camrose, Calgary; Red Deer, Alberta; and Regina, Saskatchewan; in a variety of diameters and grades. Because Evraz starts with a coil product, its production facilities have the extraordinarily good dimensional and mechanical control critical to the uniform thickness and tight tolerances required of these products. Additionally, Evraz Rocky Mountain steel has seamless pipe capabilities for specialty casing applications.

With alternative extraction methods expected to remain viable as long as oil prices are high, Evraz will continue to focus on meeting OCTG steel needs in both the Western Canadian basin and the U.S. markets.



Evraz Place hosts a variety of events including sports, community gatherings, business meetings and trade shows.

Evraz steel helps keep the lights on

Evraz Inc. NA is providing high-strength, low-alloy coil and rolled plate from Evraz Oregon Steel and Evraz Claymont Steel to make power transmission poles that will be installed across North America.

While steel has been used in power transmission lines for more than 50 years, recent advances in corrosion prevention have made steel an innovative alternative to logging and treating trees for power pole production.

The U.S. power transmission grid consists of 300,000 km (or about 186,000 miles) of lines supported by approximately 185 million power poles. This massive, critical segment of infrastructure should continue to provide a growth opportunity for Evraz's specialized products for years to come.

Image courtesy of the American Iron and Steel Institute



Melting down guns in Claymont

For the past 12 years, Evraz Claymont Steel has melted guns and evidence for 14 law enforcement agencies from four states. This effort is representative of the many community partnerships and environmentally responsible practices Evraz Inc. NA is proud to be involved with across North America.



Claymont police unload guns for melting and recycling.

Feedback and comments

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