

EVRAZ Cost Analysis

Facts:

2011 Sales \$16,400 million (EVRAZ Annual Report)
2011 Pretax Earnings \$873 million, 5.3% of sales (EVRAZ Annual Report)
2011 Operating Cost \$12,473 million, 76.1% of sales (EVRAZ Annual Report)
2011 Electricity Cost \$600 million 3.7% of sales, \$37.74/ton (EVRAZ Annual Report)
2011 tons of steel 15.9 million (EVRAZ Annual Report)
2011 average price/ton flat rolled steel \$1019/ton or \$835 with 18% price drop (EVRAZ Annual Report)
Hot rolled steel price last 10/2012 to 9/2013, \$730/ton (Metalprices.com)
US Corporate Tax Rate 38.2%
Canadian Corporate Tax Rate 25.5%
Delaware Corporate Tax Rate 8.75% plus 0.1886% Gross Receipts Tax
Oregon Corporate Tax Rate 6.6% first \$10 million, 7.6% over \$10 million
Saskatchewan Corporate Tax Rate 10%
Claymont, Delaware Industrial Electric Rate (US EIA) 77.60/MWh, +56% Portland, +36% Regina
Portland, Oregon Industrial Electric Rate (US EIA) \$49.90/MWh
Regina, Saskatchewan Industrial Electric Rate (Sask Energy) \$57.10 (US)
Claymont 2012 production 380,000 tons (EVRAZ Press Release)

Assumptions:

Electricity use 760 KWh/ton – DOE 2000 report showed 1270 KWh/ton, other references show up to 40% efficiency improvement since then or 762 KWh/ton today. Assuming Portland electric price is typical globally, \$37.74 electric cost/ton divided by \$0.0499/KWh = 756 KWh/ton. Electric use in Claymont = 288,280 MWh.

Claymont revenue ranges from \$277.4 million/yr to \$317.3 million/yr for average of \$297.4 million/yr– using MetalPrices.com or EVRAZ Annual Report \$/ton less 18% price drop from 2011.

Portland electricity rate is equal to EVRAZ average corporate rate – Portland rate is low for US because of high % of hydro power. Most power used in Russia where EVRAZ owns power plants fueled with captive coal. This balanced with high prices elsewhere.

Calculations:

Electricity Bill for 380,000 tons

<u>Location</u>	<u>Cost/ton</u>	<u>Electric Bill</u>	<u>Difference</u>
Oregon	\$37.74	\$14,341,200	-
Saskatchewan	\$43.17	\$16,404,600	\$2,063,400
Delaware	\$58.87	\$22,370,600	\$8,029,400

State Corporate Tax on \$15,762,200 pre-tax earnings (\$297.4 million X .053)

<u>Location</u>	<u>Gross Receipts Tax</u>	<u>Corporate Tax</u>	<u>Difference</u>	<u>Effective Tax Rate</u>
Oregon	0	\$1,097,927	-	7%
Saskatchewan	0	\$1,576,220	\$478,293	10%
Delaware	\$560,896	\$1,379,193	\$842,162	12.3%

National Corporate Tax

<u>Location</u>	<u>Corporate Tax</u>	<u>Difference</u>
Oregon	\$6,021,160	\$2,001,799
Saskatchewan	\$4,019,361	-
Delaware	\$6,021,160	\$2,001,799

Net Difference Operating Cost compared to Portland (\$297.4 million X .761 = \$226.3 million):

<u>Location</u>	<u>\$ Difference</u>	<u>% Difference Operating Cost</u>	<u>% of Pre-tax Profit</u>
Saskatchewan	\$2,541,693	1.1% (DE 2.8% more)	16%
Delaware	\$8,871,562	3.9%	56%

Net Difference including Federal taxes

<u>Location</u>	<u>\$ Difference</u>	<u>% Difference Operating Cost</u>	<u>% of Pre-tax Profit</u>
Saskatchewan	\$ 539,894	0.2% (DE 3.7% more)	3%
Delaware	\$8,871,562	3.9%	56%