



European Bank
for Reconstruction and Development

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Dear Ms Spatar,

Thank you very much for your letter regarding the environmental impacts of the Mittal Steel complex in Temirtau, which I received on August 20, 2007.

We have arranged a translation of the Russian attachments and forwarded to Arcelor-Mittal's HSE Vice President for comments and an update on the status of the projects you inquired about. Here is a summary of what we learned from the company in response to your questions and concerns:

Converter shop gas cleaning project

According to the new loan agreement, which we signed on 15 June 2007, Arcelor-Mittal was committed to undertake the construction of gas cleaning equipment for all of the three converters between 2008 and 2012. The company has started working on the project which is scheduled to be completed within the above time frame. Discussions, currently being held with SMS Demag and Siemens VAI, are expected to be finalized by the end of September. The contract is likely to be signed in October. The implementation is expected to be about 36 to 48 months.

Water consumption and waste waters

In 2006 water consumption of process water compared with 2005, decreased from **223.6** million m³ to **196.4** million m³ (a reduction of **12.16%**) by means of increasing the rate of recycling. A further decrease of intake of process water and discharge into the Samarkand water reservoir is expected as Mittal Steel Temirtau has now completed the



project design for the new dam on the cooling pond and submitted for approval to the State Ecological Expertise. After receiving their confirmation the project will be executed. The procurement is already in progress.

In order to improve the quality of treated waste waters discharged into the river Nura from the waste water treatment facility to obtain the required standard, design documentation has been prepared for the construction of a biological treatment facility and it has been submitted for approval to the State Ecological Expertise. After receiving their confirmation the project will be executed. The procurement is already in progress.

Ash pond

The design documentation on the ash pond reconstruction & strengthening was prepared by a St Petersburg institute called “Vnig”. The project design has been approved by the State Expertise and the contract for implementation of the works has been finalized with a company called “Argos”. According to the schedule the construction work is expected to be completed by the end of this year.

Emission reductions – data for 2005-2006

Air emissions from Mittal Steel Temirtau show the following reduction between 2005 and 2006:

| Name | 2005 year Thousand tonnes | 2006 year Thousand tonnes | Decrease of emissions | |
|-------------------------|---------------------------------|---------------------------------|-----------------------|----------------|
| | | | Thousand tonnes | % |
| Gross emissions: | 310.06 | 288.23 | - 21.83 | - 7.04 |
| including: | | | | |
| Dust | 43.57 | 40.60 | - 2.97 | - 6.82 |
| Gas | | | | |
| including: | | | | |
| CO | 180.22 | 171.07 | - 9.15 | - 5.08 |
| SO₂ | 70.59 | 63.72 | - 6.87 | - 9.73 |
| NO_x | 14.35 | 11.56 | - 2.79 | - 19.44 |
| Others | 1.33 | 1.29 | - 0.04 | -3.01 |

Emissions of pollutants from shops of steel making production were decreased from 46,104.6 t (2005) to 45,884.6 t (2006), by 0.5%.



Air Quality data for 2005-2007

The percentages of samples taken at the border of the sanitary protective zone which exceeded the maximum admissible concentration of pollutants was as follows:

| Name | 1 half 2005 % | 1 quarter 2006 % | 1 quarter 2007 % | Remark |
|--|------------------------------|-------------------------------------|-------------------------------------|---|
| % of air samples failed to comply with Maximum allowed concentration at border of sanitary protected zone | 3.17 | 1.7 | 0.9 | 2005 – data from inspection Act of Karaganda oblast office of public prosecutor dated 1-31.08.2005 2006 and 2007 – data of Instruction of Karaganda oblast office of public prosecutor as per results of inspection 9.04 - 3.06.2007. |

Environmental protection activities completed in 2005-2006

The reduction in emissions was achieved by the completion of a number of environment protection activities during the period of 2005-2006:

- Construction of the Continuous Casting Machine enabled the three casting shops to be decommissioned with the elimination of 31 emission sources with an emission volume of 10,000 t.p.a.;
- Installation of anelectrostatic filter behind boiler №5 at the Combined Heat and Power Station #2 has decreased emissions by 9,600 t.p.a.;
- Modernization of the gas cleaning system of the sinter shop has decreased emissions by 420 t.p.a.;
- Optimization of the fuel combustion technology at the shaft furnaces in Lime Shop #2 has decreased emissions of *cox* by 2,000 t.p.a. and of dust by 150 t.p.a.

For the fulfillment of these and other similar environmental protection activities in 2005 – 2006, a sum of approx. 1,966,200,000 Tenge (\$15,729,600) was spent by Arcelor Mittal Temirtau in Kazakhstan. For the period from and during the period of Arcelor Mittal Temirtau in Kazakhstan from 1995 to 2006 a sum spent by the company reached approx 12,807,000,000 Tenge (\$102,456,000).



Environmental protection activities planned for 2007-2009

The reduction in emissions is planned to be achieved by a number of approved environment protection activities during the period of 2007-2008:

- for 2007 – includes 14 environment protection projects with a total annual expenditure of Tenge 888,258,000 (\$7,106,000) (confirmed with Environment Protection Ministry of Kazakhstan);
- for 2008 – includes 11 projects with a total annual expenditure of Tenge 3,447,400,000 (\$27,579,200) (sent for confirmation to Environment Protection Ministry of Kazakhstan).

In order to decrease emissions of pollutants, improve the quality of waste waters and prevent land pollution, the following projects are planned to be implemented in 2007 – 2009:

- Upgrade of equipment for decreasing the amount of waste containing chrome in Cold Rolling Mill #3;
- Upgrade of phenol sewage control in the chemicals collecting shop of the Coke Chemicals Production Plant;
- Modernization of the slime transportation system of the combined heat and power plants and coal mills;
- Upgrade of the aspiration system of Blast Furnace #3;
- Installation of two electrical filters at Blast Furnace #4 and upgrade of dust removal system at Blast Furnace #1;
- Reconstruction of the dust removal system at boiler №4 of the combined heat and power plant #2 (the installation of ring emulgeators) and on boiler №6 (the installation of electrical filters);
- Preparation of project documentation for waste utilization of the chemical collecting shop at the Coke Chemical Production Plant and for a closed system of coke gas cooling;
- Implementation of an environmental management system as per requirements of international standards ISO-14001:2004.

Yours sincerely,

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