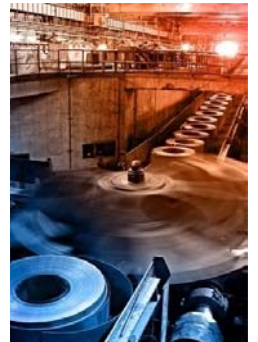




**MAGNITOGORSK  
IRON & STEEL  
WORKS**  
OPEN JOINT STOCK COMPANY

## **Analyst Presentation**



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THIS PRESENTATION IS FOR DISTRIBUTION IN UK ONLY AMONG THE PEOPLE HAVING PROFESSIONAL SKILL IN THE ISSUES RELATED TO INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, OR THOSE PEOPLE, AMONG WHICH IT MAY BE LAWFULLY DISTRIBUTED. THIS INFORMATION IS CONFIDENTIAL AND PROVIDED TO YOU EXCLUSIVELY FOR YOUR REFERENCE. BY ACCEPTANCE OF THIS INFORMATION THE RECIPIENT HEREOF CONFIRMS THAT HE OR SHE IS A SPECIALIST IN THE SPHERE OF INVESTMENTS WITHIN THE MEANING OF ARTICLE 19(5) OF DIRECTIVE ON FINANCIAL ADVERTISEMENT APPROVED IN 2005 ON THE BASIS OF LAW ON FINANCIAL SERVICES AND MARKETS 2000, ACTING IN HIS OR HER NATURE.

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THIS PRESENTATION INCLUDES THE STATEMENTS RELATED TO THE FUTURE, WHICH REPRODUCE THE INTENTIONS, OPINIONS AND CURRENT EXPECTATIONS OF THE COMPANY. THE STATEMENTS FOR THE FUTURE INCLUDE ANYTHING, WHICH IS NOT A FACT OCCURRED. THE COMPANY TRIED TO HIGHLIGHT SUCH STATEMENTS RELATED TO THE FUTURE BY MEANS OF THE WORDS, SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "INTEND", "EVALUATE", "ASSUME", "PLAN", "TO HAVE AN OPINION", "TRY", "FORECAST", "CONTINUE" AND SIMILAR WORDS OR THEIR NEGATIVE FORMS. SUCH STATEMENTS HAD BEEN DONE BASED ON THE ASSUMPTIONS AND ASSESSMENTS, WHICH MAY OCCUR FAULTY, THOUGH THE COMPANY CONSIDERS THEM REASONABLE AT THE CURRENT MOMENT.

SUCH STATEMENTS RELATED TO THE FUTURE ARE LINKED TO THE RISKS, UNCERTAINTIES AND ASSUMPTIONS, AS WELL AS TO OTHER FACTORS, WHICH MAY LEAD TO THE EVENT THAT ACTUAL RESULTS OF THE COMPANY'S ACTIVITY AND ACTIVITY OF THE MARKETS, ON WHICH IT OPERATES OR INTENDS TO OPERATE IN, THEIR FINANCIAL STATUS, LIQUIDITY, CHARACTERISTICS, PROSPECTS AND ABILITIES COULD MATERIALLY DIFFER FROM THOSE, WHICH ARE EXPRESSED WITH THE HELP OF SUCH STATEMENTS RELATED TO THE FUTURE. THE IMPORTANT FACTORS, WHICH MAY RESULT IN SUCH DIFFERENCES, INCLUDE, INTER ALIA, CHANGING BUSINESS CONDITIONS AND OTHER MARKET CONDITIONS, COMMON ECONOMIC CONDITIONS IN RUSSIA, EU COUNTRIES, THE UNITED STATES OF AMERICA OR ANYWHERE ELSE, AS WELL AS THE ABILITY OF THE COMPANY TO MEET THE TRENDS IN THE INDUSTRY. THE MATERIAL DIFFERENCE OF THE ACTUAL RESULTS, FEATURES AND ACHIEVEMENTS MAY BE THE RESULT OF ADDITIONAL FACTORS. THE COMPANY AND ALL ITS DIRECTORS, OFFICERS, EMPLOYEES AND ADVISORS HERewith STATE THAT THEY ARE NOT OBLIGED TO ISSUE ANY UPDATE OF OR REVISE ANY STATEMENTS RELATED TO THE FUTURE CONTAINED HEREIN, OR DISCLOSE ANY CHANGES IN THE FORECASTS OF THE COMPANY OR EVENTS, CONDITIONS AND CIRCUMSTANCES, WHICH SUCH STATEMENTS RELATED TO THE FUTURE ARE BASED ON, SAVE AS IN THE CASES PROVIDED FOR BY THE APPLICABLE LAWS.

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## MMK is a company focusing on value added products

**1** Russia's only company concentrating exclusively on steel production

**2** Focus on value added products

**3** Strong positions on the attractive domestic market

**4** Strong positions in Russia's fast growing pipe making sector

**5** Modern, low-costs production capacity

**6** A unique management team and highly qualified personnel

**7** Best management information system among the Russian steel makers



## Geographic Location



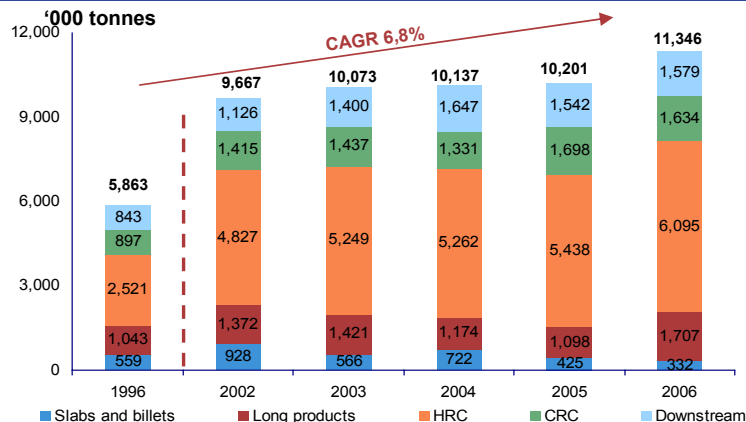
## Financial & Operational Indicators - MMK Group

	2004	2005	2006	1H2006	1H2007
Steel, tonnes produced mln <sup>(1)</sup>	11,3	11,4	12,5	5,9	6,5
Steel products produced, tonnes mln <sup>(1)</sup>	10,1	10,2	11,3	5,4	6,0
Sales, US\$ mln	4 829	5 380	6 424	2 780	4 000
EBITDA, US\$ mln	1 735	1 511	2 005	785	1 205
EBITDA margin, %	35,9	28,1	31,2	28,2	30,1
Net income, US\$ mln	1 233	947	1 426	588	866
Net margin, %	25,5	17,6	22,2	21,2	21,7

Source: MMK US GAAP Accounts

1. Steel production and shipments volumes for OAO MMK only

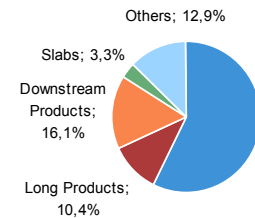
## Steel Products Output



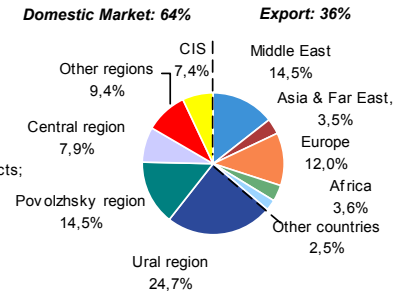
Source: MMK

## MMK Sales & Shipments Breakdown (1)

**Total Sales in 1H2007**  
US\$ 4,000 mln. <sup>(1)</sup>



**Total Shipments in 1H2007**  
5.95 mln. tonnes <sup>(2)</sup>



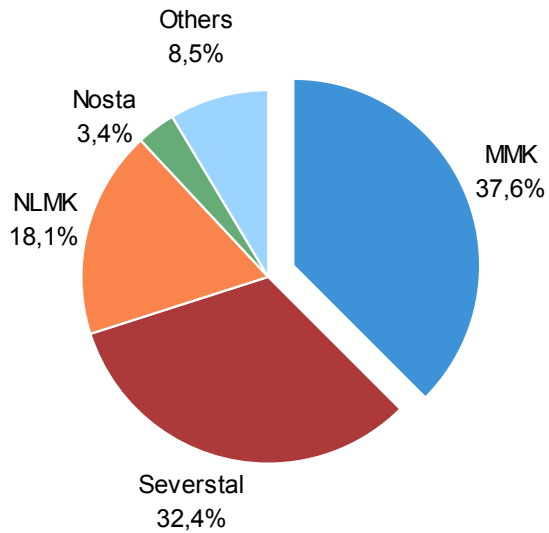
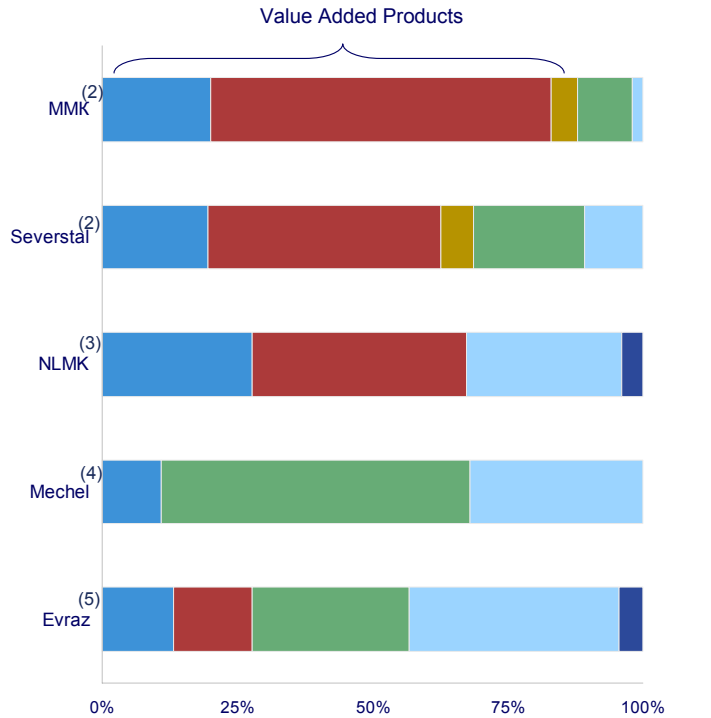
Source: MMK

1. Sales Breakdown for MMK Group

2. Shipments Breakdown by Regions for OJSC MMK

# Focus on value added products

**The largest share of the value added products (1)**      **The largest share in Russian rolled flat products in 1H2007**



Legend: Further production stage (blue), Flat products (red), Metalware (yellow), Long products (green), Slabs and billets (light blue), Hot iron and others (dark blue)

Source: Company's statements for 2006.

Source: Metal Expert

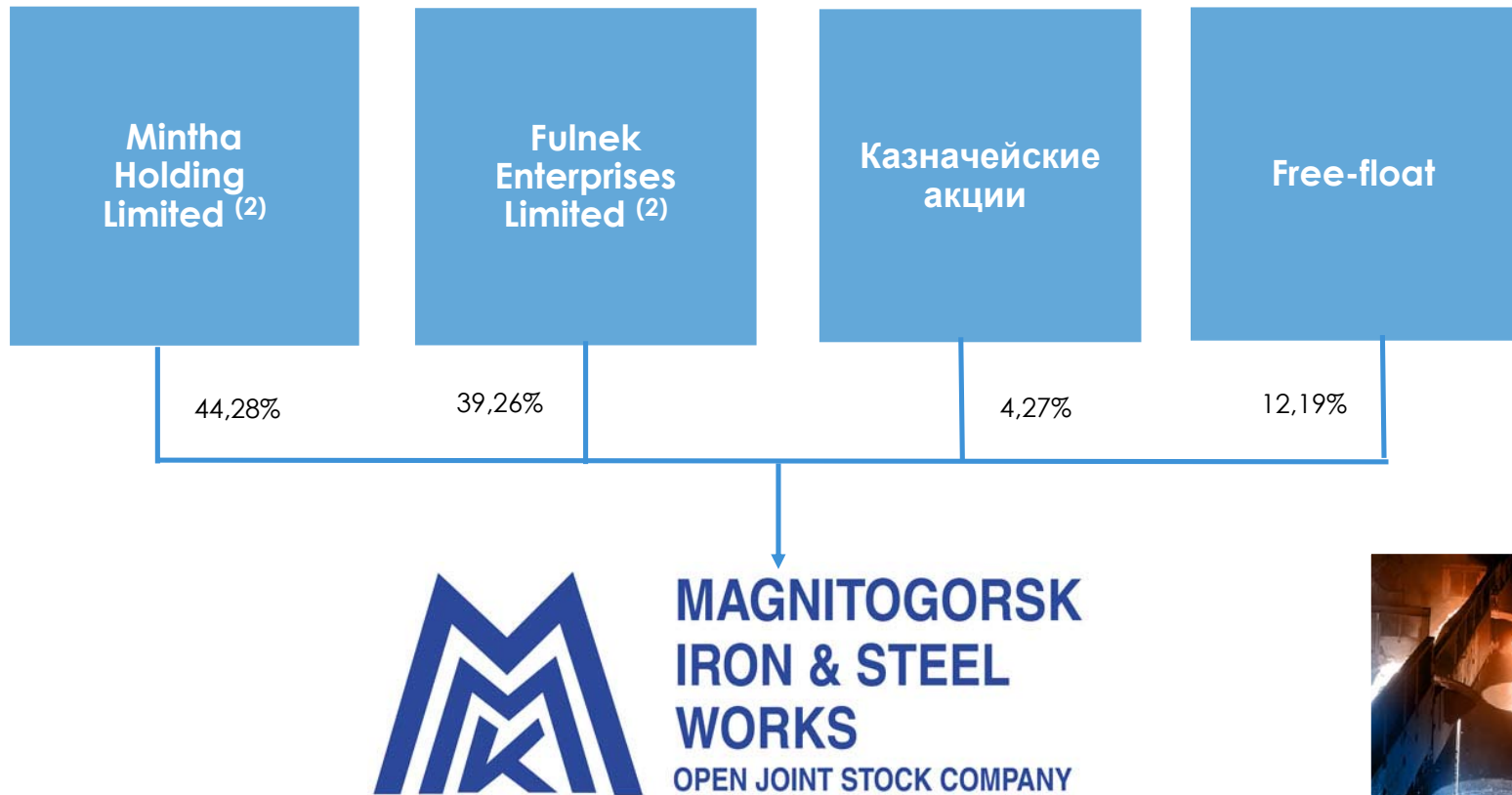
- The structure is based on the sales breakdown in steel making segment
- Financial statements for 2006
- Revenues of the mother company of the Group (OAO "NLMK") according to quarter statements "Operational Results" (trading update) for 2006
- Presentation of the financial results for 2006
- 2006 Annual Report





# Share Capital Structure

(1)



1. Data upon register closing as of July 16, 2007  
 2. Mr.V.F.Rashnikov, Head of Board of Directors, MMK, is the beneficiary owner of MMK's ordinary shares, which belong to Mintha Holding Limited and Fulnek Enterprises Limited.

Production	Sales	Procurement	Costs Structure	Group Structure	Financing	Development Prospects	Financial Results.
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## Production

Sales

Procurement

Costs Structure

Group Structure

Financing

Development Prospects

Financial Results







## Characteristics of the main production facilities

Coke/chemical  
by-products and Blast  
Furnace  
Divisions

Steel  
making  
division

Rolling Division

Downstream  
facilities

Key assets	Production capacities <sup>(1)</sup> , million tons	Actual production, million tons <sup>(2)</sup>
9 Coke Batteries	5,7	4,05
3 Sinter Plants	10,8	7,59
8 Blast Furnaces	9,5	7,20
Three 370t BOFs	10,3	7,57
Two 180t EAFs	4,0	1,91
Twin-bath steel smelter (each bath capacity – 180t)	0,6	0,45
<b>Finished rolled products</b>		
3 Long Products Mills	2,0	1,39
<b>Flat rolled products:</b>		
<u>4 hot rolling mills:</u>		
2350	0,450	0,317
4500	0,340	0,234
2500	3,9	2,9
2000	5,55	4,2
<u>4 cold rolling mills:</u>		
2500	1,6	1,08
Reversing mill	0,8	0,56
1200	0,4	0,28
1450	0,2	0,09
mill 630 for production of c/r narrow strip	0,400	0,300
2 electrolytic tinning lines	0,284	0,199
3 HD tinning lines	0,018	0,007
2 HD continuous galvanizing lines	0,610	0,452
Colour coating line	0,180	0,138
4 lines for formed sections production	0,630	0,166
3 lines for electrowelded tubes production	0,100	0,057



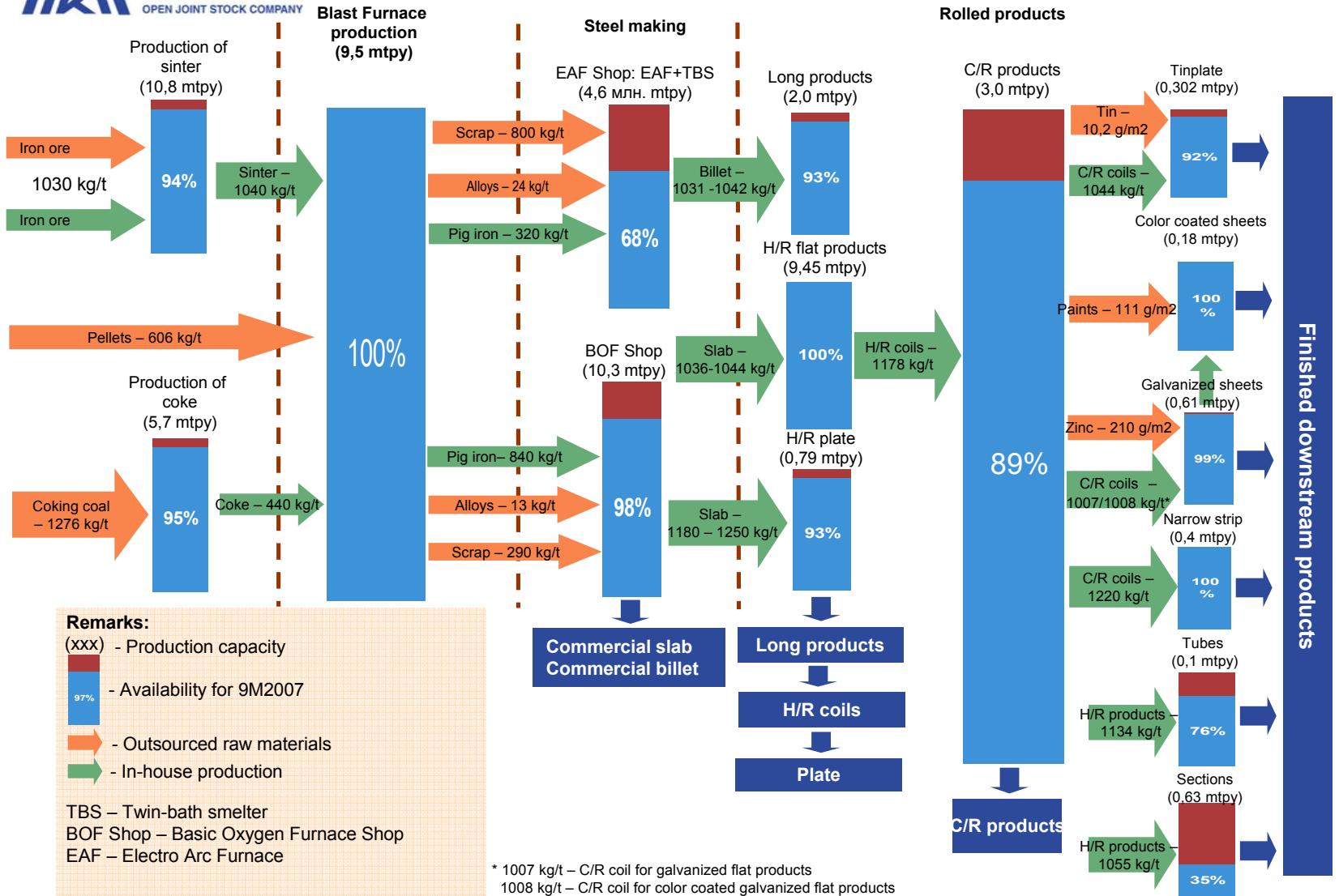
**Remarks**

1. Production capacities referred to the year of 2007
2. Figures for 9M2007

Production	Sales	Procurement	Costs Structure	Group Structure	Financing	Development prospects	Financial Results
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# OJSC MMK's process flow chart in 2007



Production

Sales

Procurement

Cost Structure

Group Structure

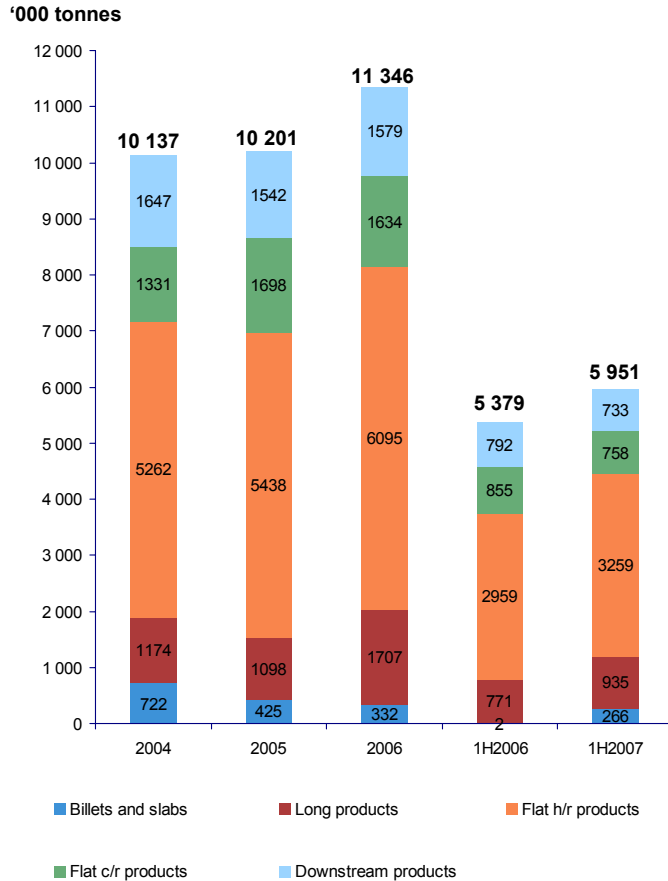
Financing

Development  
Prospects

Financial Results

# Key Production Indicators

## OJSC MMK's Commercial Products Growth



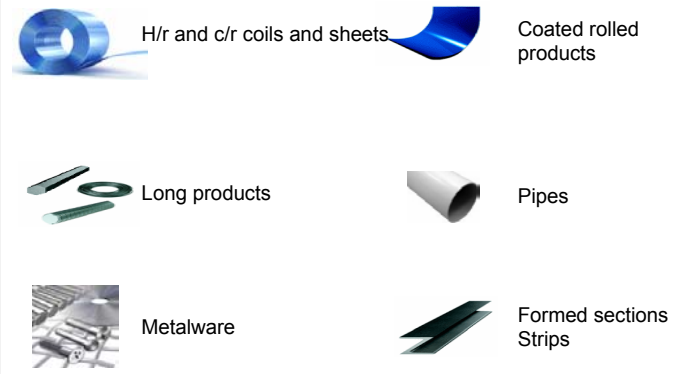
Source: MMK

## Production dynamics

'000 tonnes	2004	2005	2006	1H2006	1H2007
Sinter	10 361	10 343	10 750	5 453	4 949
Coke	5 872	5 576	5 496	2 780	2 619
Pig iron	9 645	9 655	9 733	4 920	4 652
Crude steel	11 281	11 385	12 455	5 922	6 476
Rolled products	10 137	10 201	11 346	5 379	5 951
Hardware	440	441	541	250	380

Source: MMK

## MMK's Key Products



Production

Sales

Procurement

Costs Structure

Group Structure

Financing

Development  
Prospects

Financial Results.



## Sales

Production

Procurement

Costs Structure

Group Structure

Financing

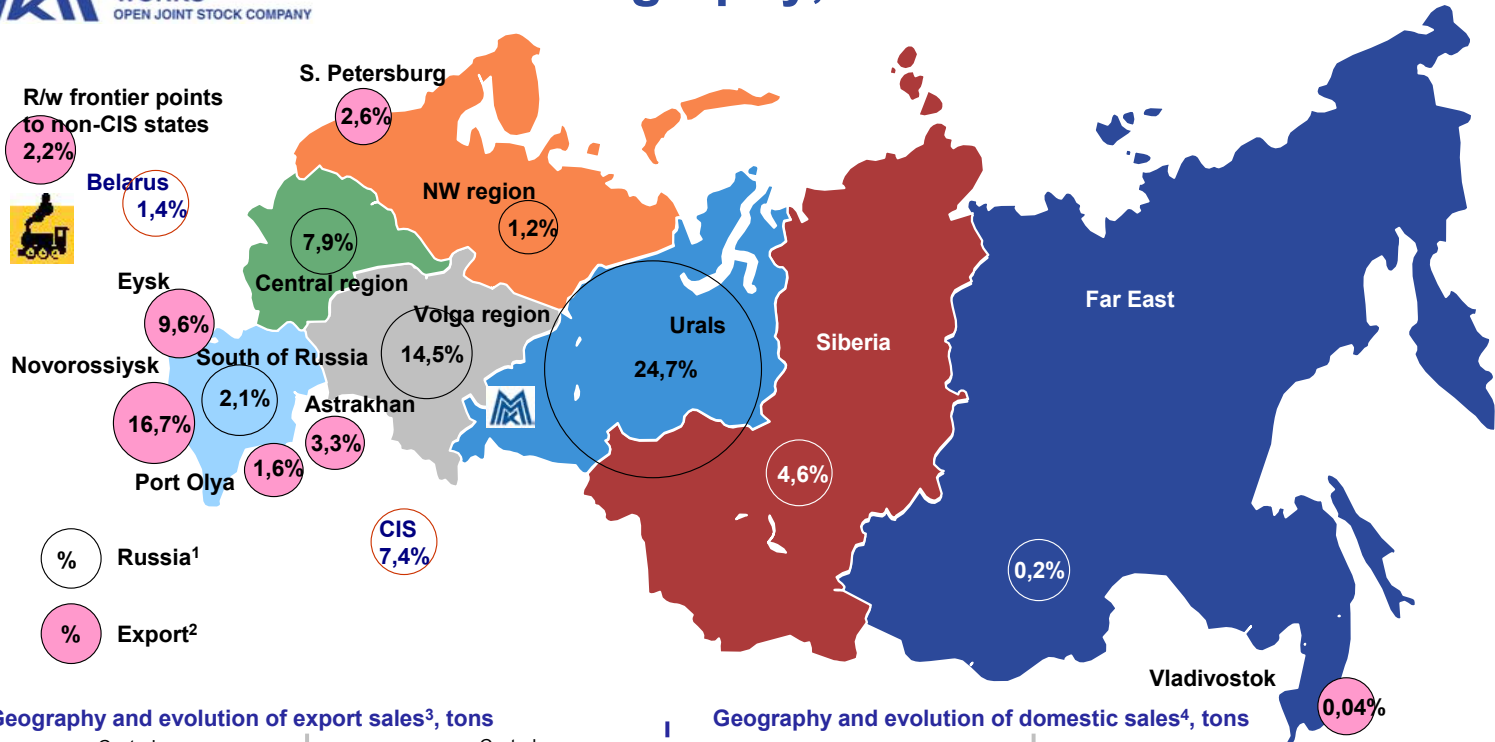
Development Prospects

Financial Results

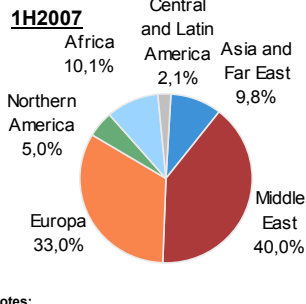
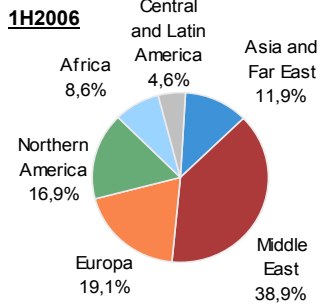




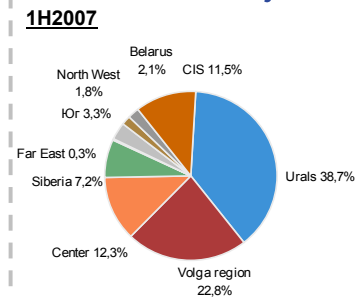
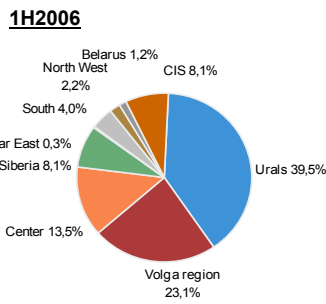
# Sales Geography, 1H2007



**Geography and evolution of export sales<sup>3</sup>, tons**



**Geography and evolution of domestic sales<sup>4</sup>, tons**



**Notes:**

1. Region share in OJSC MMK's total sales on the basis of quantities
2. Port share in OJSC MMK's total shipment on the basis of quantities
3. Region share in OJSC MMK's total export sales on the basis of quantities
4. Region share in OJSC MMK's total export sales in Russia and CIS on the basis of quantities

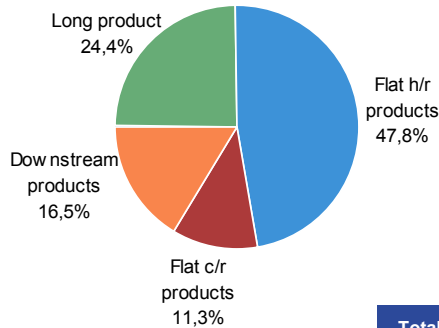
Source: MMK

Production	<b>Sales</b>	Procurement	Costs Structure	Group Structure	Financing	Development Prospects	Financial Results
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# Regional Sales Structure

## Domestic market, 1H2007 <sup>(1)</sup>

in % of tons shipped

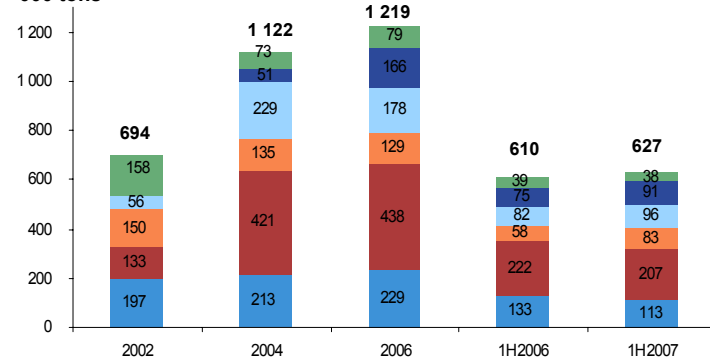


**Total: 3,801 thous. t**

Source: MMK, OJSC MMK's data  
1. Domestic market includes Russia and CIS

## Growth of downstream products sales in Russia and CIS, 2002-2006 and 1H2007

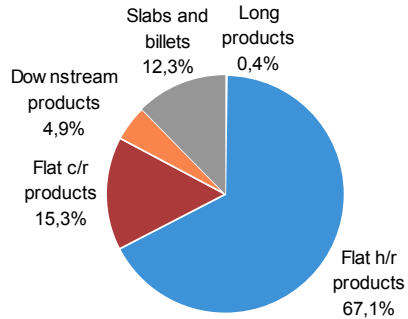
'000 tons



White tin Galvanized sheets Steel strips Shaped sections Color Coated Flat Products Other

## Export, 1H2007

in % of tons shipped

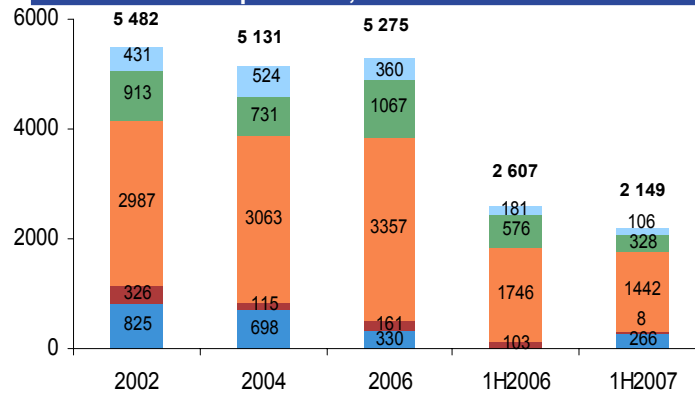


**Total: 2,149 thous. t**

Source: MMK, OJSC MMK's data

## Evolution of export structure on the basis of quantities, 2002-2006 and 1H2007

Source: MMK



Slabs and billets Long products H/r sheets C/r sheets Downstream product

Source: MMK



Production

**Sales**

Procurement

Costs Structure

Group Structure

Financing

Development  
Prospects

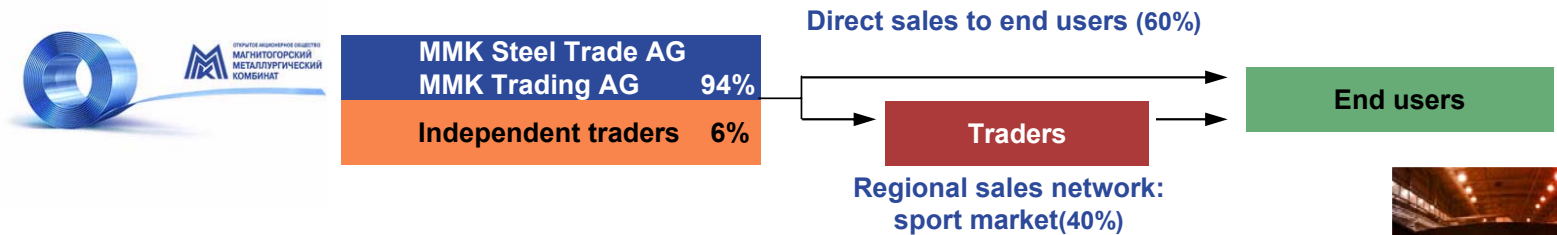
Financial Results

# Way to the Customer

## Domestic market



## Export

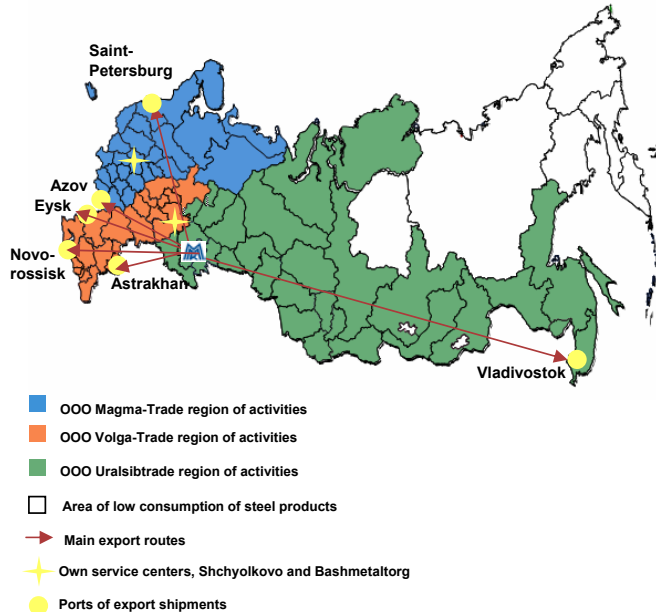


Источник: MMK



Production	<b>Sales</b>	Procurement	Costs Structure	Group Structure	Financing	Development Prospects	Financial Results
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## OAO MMK sales network and main ports of export



### Service centers

MMK plans to develop the service centers network in the cities of above one million inhabitants in order to increase the share of final sales based on the following factors:

- conformance to the clients' specific requirements
- proximity to end users
- rendering of services of cutting and packing the products

## Transportation and logistics

### Railway transportation

- Russian Railways ensure about 41% of export shipments inside the country (1st half of 2007) at the basic tariff rate
- MMK-Trans (an associated company) transports 59% of export products inside the country (1st half of 2007)
- Advantages of shipments through MMK-Trans:
  - stable access to the rolling stock comprising closed and open-top wagons
  - novelty of the rolling stock, which allows to exclude unnecessary downtimes due to breakdowns
  - possibility to obtain discounts from tariff rates
  - discount for the return of wagon frames (10%)
  - easier routing thanks to the availability of own rolling stock
  - 40-45 days' deferment of payment for shipments

### Freight

- Transportation of products through several port terminals in Novorossisk, Astrakhan, Eysk, Saint-Petersburg, Vladivostok, Azov
- Transshipment and freight rates are coordinated with OAO MMK

### Terms of transportation

- Domestic market – FCA
- CIS – CPT (up to border crossing points)
- Export (through traders) – FOB, CIF



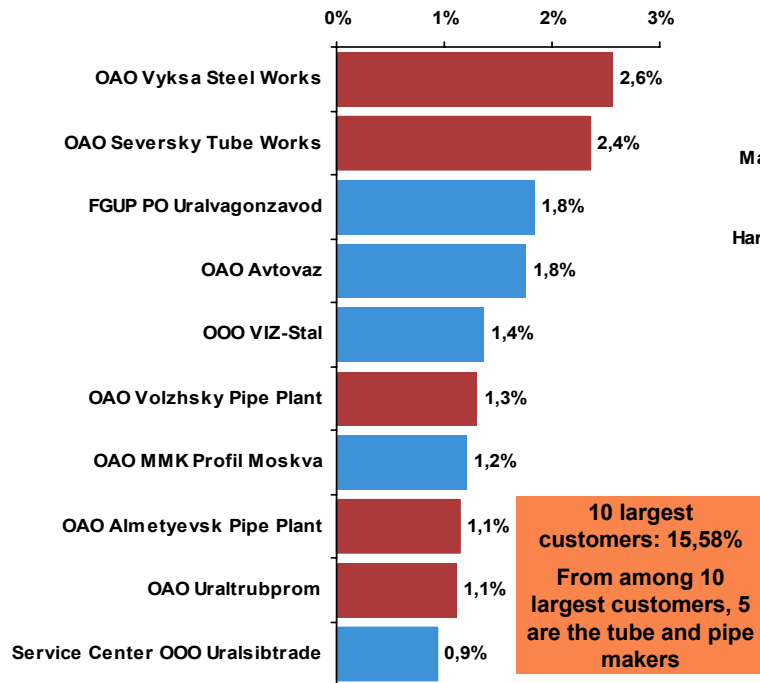
Source: MMK



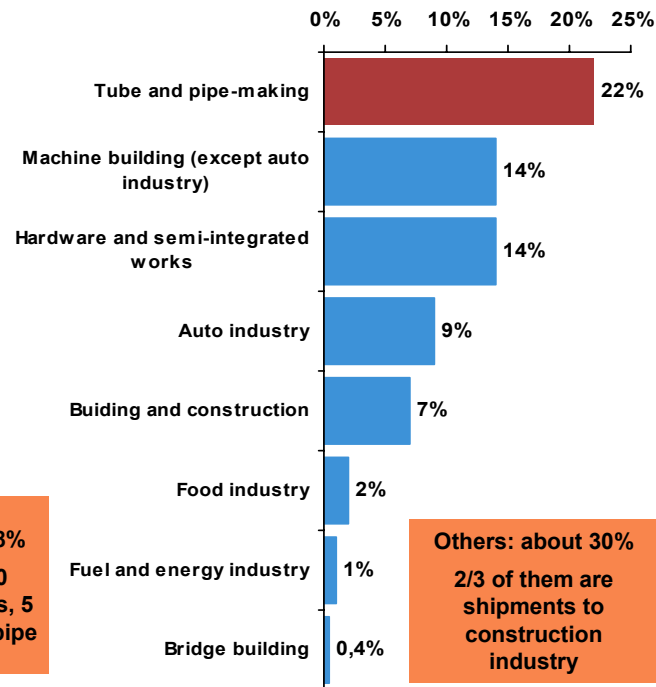
## Diversified customer base

- MMK has a diversified customer base comprising leading Russian companies
- There is no concentration on a single consumer: the share of each domestic client does not exceed 2,6% of total export and domestic sales
- OAO MMK has long-term and mutually beneficial relations with its main customers. In the first half of 2007 ten largest customers accounted for 15,58% of proceeds and 14,9% of MMK shipments (in tons)
- More than 20% of MMK domestic shipments fall on the tube and pipe-making industry
- About 30% of domestic sales are made through the network of service centers and warehouses. 60% of them are shipments to construction industry

**Main customers - % of proceeds (1)**



**Sectoral structure of Russian sales (1),(2)**



**More than 20% of MMK domestic shipments fall on the tube and pipe-making industry**

**From them:**

- TMK – 7,9%
- OMK – 6,8%
- CHTPZ – 1,9%



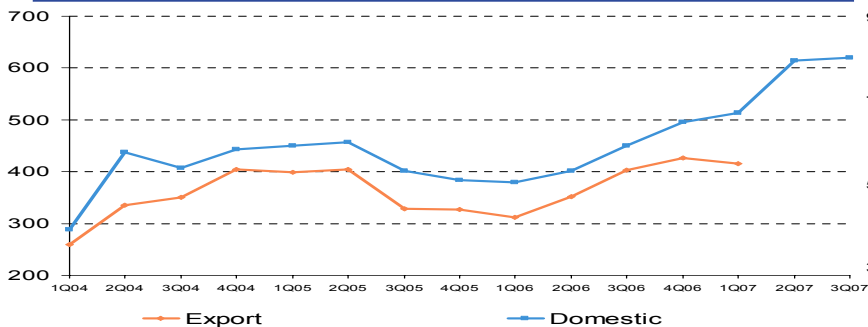
Source: MMK, data on OAO MMK  
1. % of total sales based on data for the 1st half of 2007

Source: MMK, data on OAO MMK  
1. % of domestic shipments based on data for the 1st half of 2007  
2. Sales in Russia and Belarus

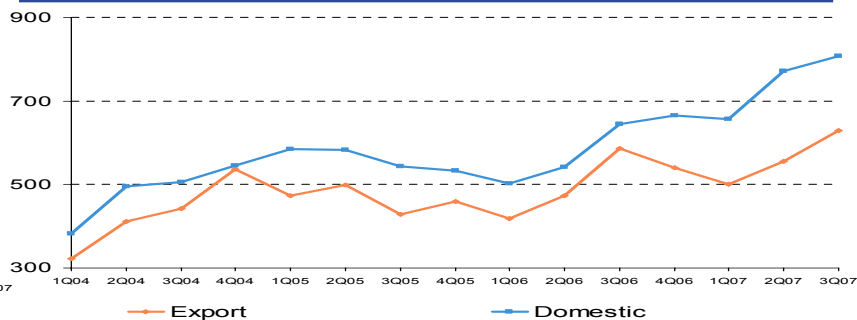
Production	<b>Sales</b>	Procurement	Costs Structure	Group Structure	Financing	Development Prospects	Financial Results
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# Price development for OAO MMK steel products

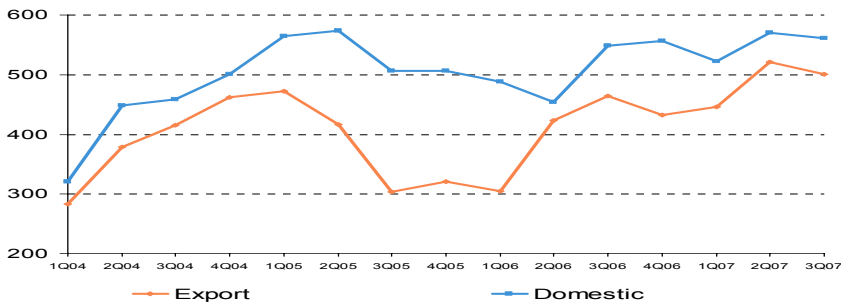
Price development for long products, USD/t



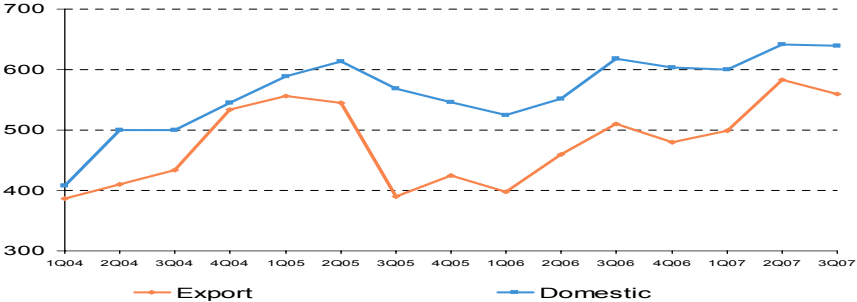
Price development for plates, USD/t



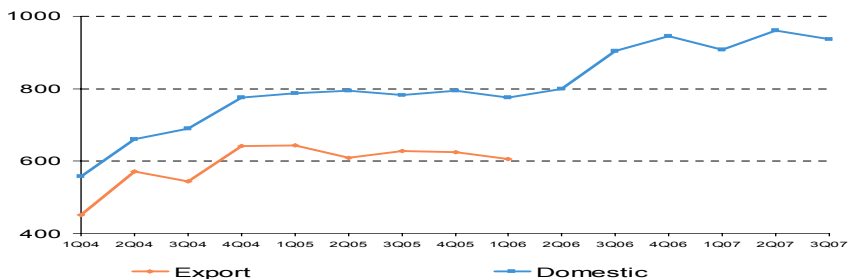
Price development for HR coils, USD/t



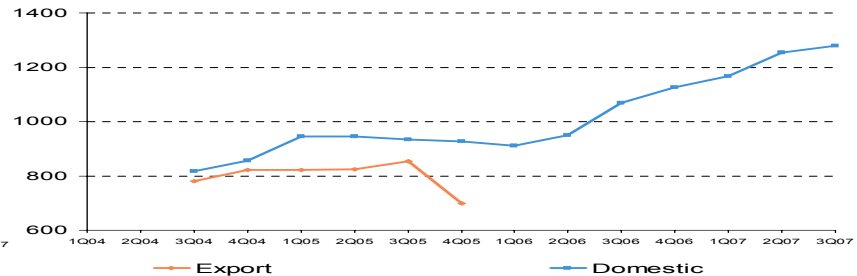
Price development for CR products, USD/t



Price development for galvanized products, USD/t



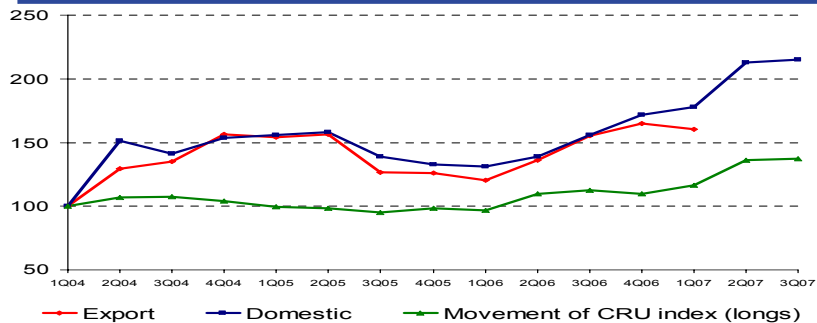
Price development for coated products, USD/t



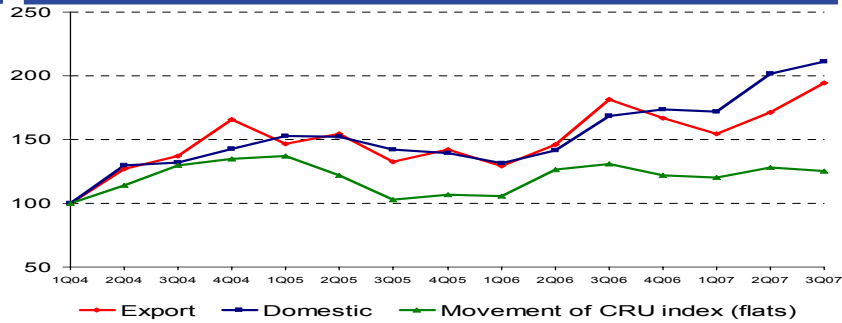
Source: MMK, CRU

# Price Development for MMK's Commercial Products compared to CRU index

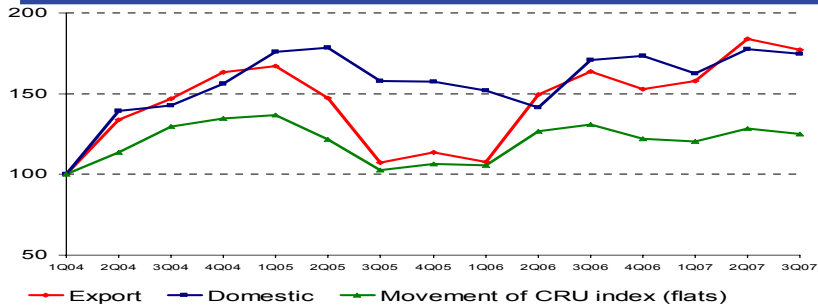
### Price development for long products, %



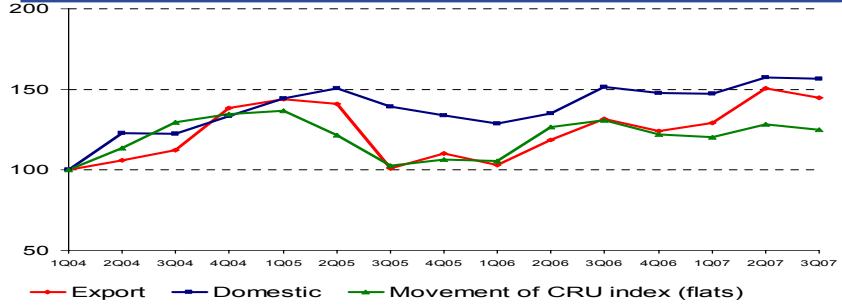
### Price development for plates, %



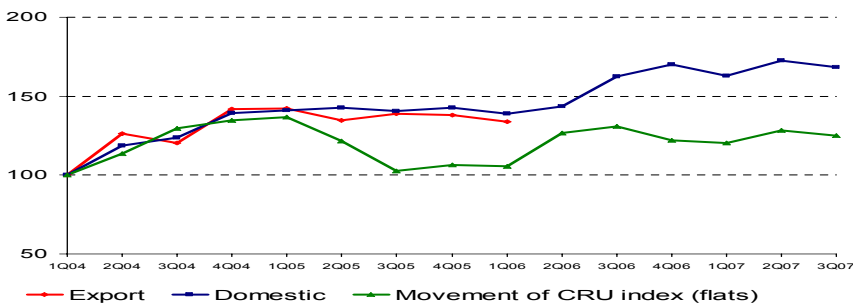
### Price development for HR coils, %



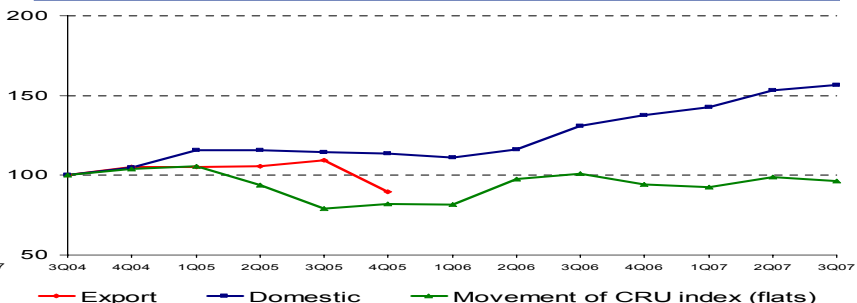
### Price development for CR products, %



### Price development for galvanized products, %



### Price development for coated products, %



Source: MMK, CRU



## Procurement

Production

Sales

Costs Structure

Group Structure

Financing

Development Prospects

Financial Results





# Security for Raw Materials Supply

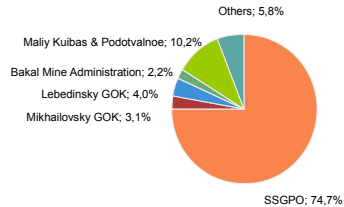
**Deliveries in H1  
2007**

**Principal Suppliers**

**Comments**

**Iron Ore Raw  
Materials**

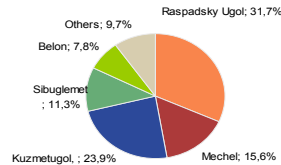
**8.1 Mt**



- The main supplier of the iron ore raw materials to MMK is SSGPO by reason of the close proximity (about 330 km)
- At the present time the Company has entered into a 10-year Agreement on the delivery of feedstock from Sokolovsko-Sarbaysky GOK.
- In November 2006 MMK has obtained the license for the right to use the special-purpose subsurface mineral resources and for the development of the Prioskol Iron Ore Deposit, which is located on the territory of the Kursk Magnetic Anomaly in the South part.
- The unoxidized ferruginous quartzite resources are calculated by categories B+C1+C2 and amount to 2,1 bln tons
- On January 31, 2007 MMK has purchased 51% share in authorised capital of LLC Bakalskoe Rudoupravlenie, of the operative mining company with the total reserves – 559 Mt
- 10% of the iron ore raw materials are provided by the local iron ore base with the proved reserves of 42 Mt and annual ore mining over 2 Mt; taking into consideration Bakal Iron Ore Deposit, the supply of the own iron ore raw materials amounts to about 20% of the requirements of the Plant.

**Coal Concentrate**

**3.5 Mt**



- 5-year Contracts with OOO Raspadsky Ugol, OOO Kuzmetugol, ZAO Sibuglemet and OOO TD Mechel are in force.
- About 80% of MMK's requirement for the coal concentrate are provided by the 5-year Contracts.
- JV with OJSC Uzhkuzbasugol (ZAO Kazankovskaya Coal Mine include:
  - Tagarishskaya Mine – started in the 3<sup>rd</sup> quarter of 2006 , (power-generating coal)
- A license for the development of the Kureinskoye coking coal deposit , the coking coals prospected reserves amount to 425 Mt.

**Steel Scrap**

**2.4 Mt**

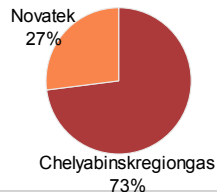


ZAO Profit; 100%

- Stability of scrap deliveries to OJSC MMK is provided by the long-term relationships with the company ZAO Profit, which is a leader among scrap processors in Russia
- Scrap preparation sites belong to OJSC MMK and are located on its territory.

**Gas**

**2.1 bnm<sup>3</sup>**

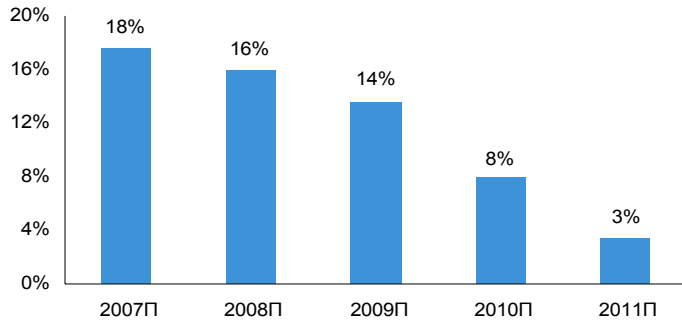


Chelyabinskregiongas  
73%

- OOO Chelyabinskregiongas – On November 2, 2007 MMK has entered into the long-term agreement on the delivery of natural gas for the period from January 1, 2008 to December 31, 2012, in the volume of delivery of 3 057,8 M m3 on an annual basis.
- OJSC Novatek – On May 30, 2003 MMK has entered into the long-term agreement on the delivery of natural gas for the period from June 1, 2003 to December 31, 2015 in the volume of delivery of 1 250 Mm3 on an annual basis.

# Security for Electric Power Supply

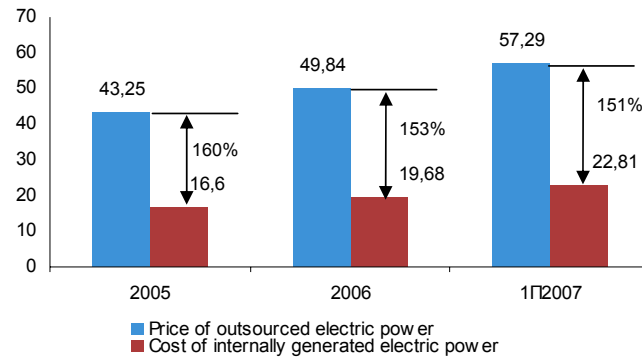
## Average Energy Wholesale Price Increase



Source: analytics of Renaissance Capital, Federal Tariff Service

## Comparison of Electric Power Cost produced by MMK with the Purchase Price

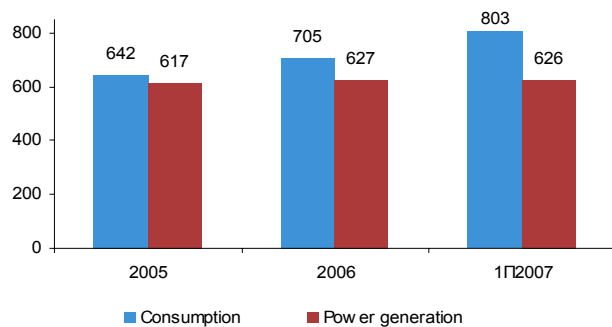
US\$ / MW\*h



Source: MMK

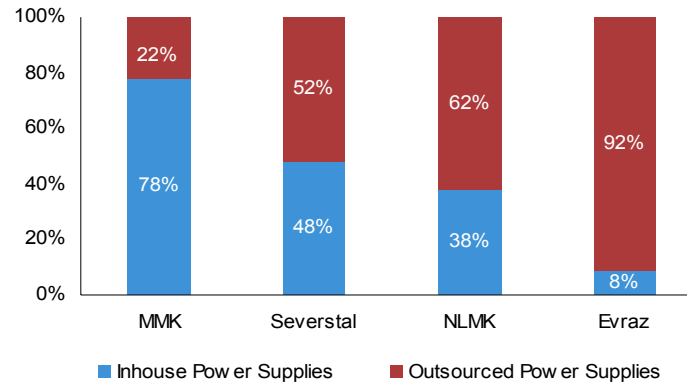
## Balance of Energy Supply Consumption

MW



Source: MMK

## Security for Electrical Power Supply (1)



Source: MMK, annual reports and Offering Circulars of companies  
1. NLMK – 2005, Severstal – 2005, Evraz – 2004, MMK – 1H of 2007.





Production
Sales
Procurement
<b>Costs Structure</b>
Group Structure
Financing
Development Prospects
Financial Results

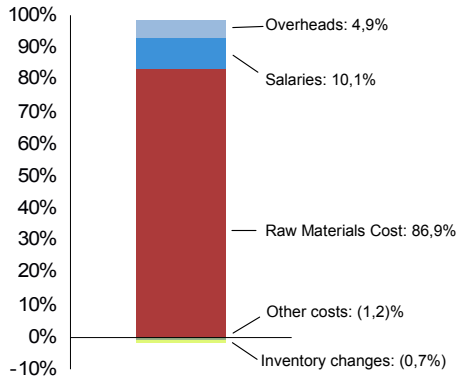




# Cost Composition of Output

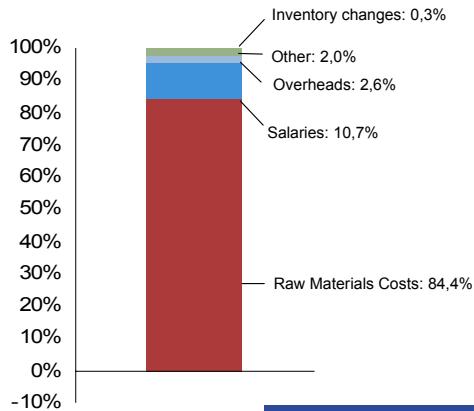
## Cost of Goods Sold Breakdown MMK Group

H1 2007



**Total: 2,348 USD m**

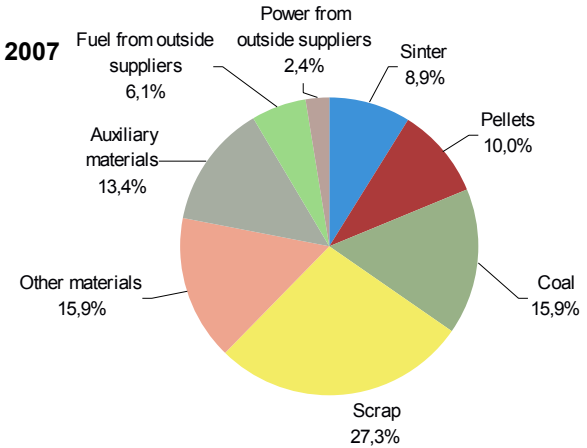
H1 2006



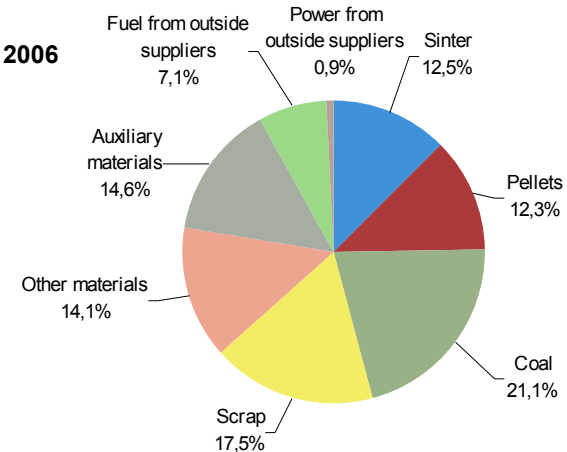
**Total: 1,631 USD m**

## OJSC MMK Production Costs in USD <sup>(1)</sup>

H1 2007



H1 2006



Notes:

1. Only OJSC MMK production costs are included, which amount to over 90% of the Group's expenses.

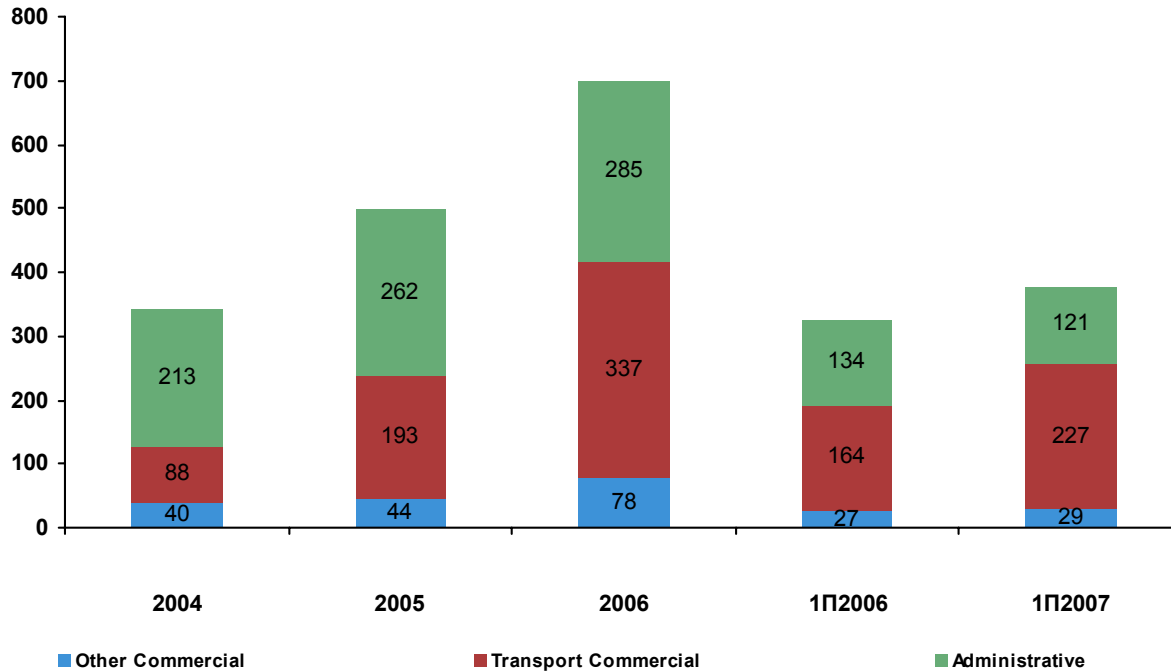


# Costs Structure Analysis: Administrative, Commercial and Other Expenses

## Expenses (US\$ m) <sup>(1)</sup>

### % of Sales

<b>Administrative</b>	<b>4,4%</b>	<b>4,9%</b>	<b>4,4%</b>	<b>4,8%</b>	<b>3,0%</b>
<b>Commercial:</b>	<b>2,7%</b>	<b>4,4%</b>	<b>6,5%</b>	<b>6,9%</b>	<b>6,4%</b>
<b>Transport charges</b>	<b>1,8%</b>	<b>3,6%</b>	<b>5,2%</b>	<b>5,9%</b>	<b>5,7%</b>
<b>Other</b>	<b>0,8%</b>	<b>0,8%</b>	<b>1,2%</b>	<b>1,0%</b>	<b>0,7%</b>



Source: MMK  
1. MMK Group Data

## Consumption and cost of primary raw materials

	2004	2005	2006	1H2006	1H2007
Consumption (thousand tons)					
Iron Ore (sinter)	7,725	7,452	8,215	4,253	3,853
Iron Ore (pellets)	6,384	6,378	5,834	2,942	2,891
Coking Coal	7,900	7,440	7,324	3,688	3,520
Scrap	2,051	2,411	3,798	1,498	2,435
Cost of 1 ton (USD / ton)					
Iron Ore (sinter)	49.8	56.1	40.4	40.3	46.0
Iron Ore (pellets)	83.8	89.4	56.7	57.4	68.9
Coking Coal	65.8	96.1	78.8	78.6	89.6
Scrap	125.6	140.3	187.2	160.7	223.0

Source: OJSC MMK

1. Data from the management accounting for OJSC MMK





Production

Sales

Procurement

Costs Structure



## Group Structure

Financing

Development Prospects

Financial Results



# The Group's Structure as of 30.06.07.

	Description of Activities of the Group's Companies	Share in the Group's Revenues % <sup>3</sup>	Participation in the Group's total manpower, %
<b>OJSC Magnitogorsk Iron and Steel Works (parent company)</b>			
<b>Trading companies</b>	<b>Steel products' manufacturing and sales</b>	<b>91.0</b>	<b>46.1</b>
<b>OJSC MMK products' downstream processing companies</b>	<b>Production and sales of fastenings, metae and other downstream products</b>	<b>6.7</b>	<b>14.5</b>
<b>Companies contributing to OJSC MMK's production operations</b>	<b>Production of coke, dolomite, cement, refractory and other materials, industrial waste processing</b>	<b>0.7</b>	<b>9.6</b>
<b>Companies providing maintenance services to OJSC MMK</b>	<b>Maintenance, diagnostics and repair of process equipment</b>	<b>1.1</b>	<b>23.6</b>
<b>Companies active in financial markets</b>	<b>All kinds of activities performed in financial markets to the benefit of the Group</b>	<b>0.03</b>	<b>0.3</b>
<b>Companies rendering transportation and other services</b>	<b>transportation, representative and social services provided to the Group's companies</b>	<b>0.5</b>	<b>5.9</b>
<b>Total number of the Group's Companies – 60</b>	<b>The Group's total manpower – 57 784 persons<sup>(1)</sup> OJSC MMK's total manpower - 26 600 persons<sup>(2)</sup></b>		

**Notes**

1. Average number of the Group's employees in 1H2007
2. Average number of OJSC MMK's employees in 1H2007
3. Revenues as specified in the financial statements for 1H2007



# MMK-METIZ: high added value products and a highroad to customers

## En-to-end technology of OJSC MMK and MMK-METIZ, 1H2007

### Share in OJSC MMK's total shipments in kind

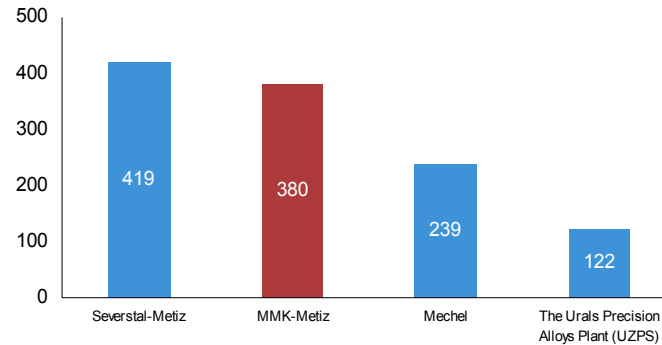
- Long products (26,1%)
- Hot rolled sheets (4,0%)
- Cold rolled sheets (0,1%)

comprising 6,3% of the total shipments

Source: OJSC MMK

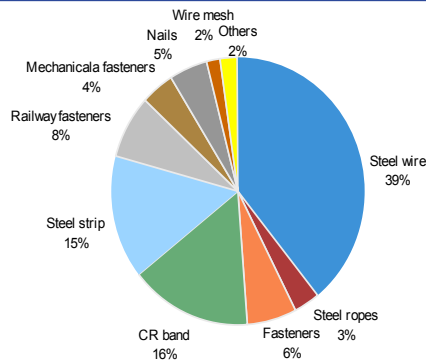
## Metae Companies' Output, 1H2007

'000 tons



Source: Prommetiz Association

## Output of MMK-METIZ, 1H2007 (1)



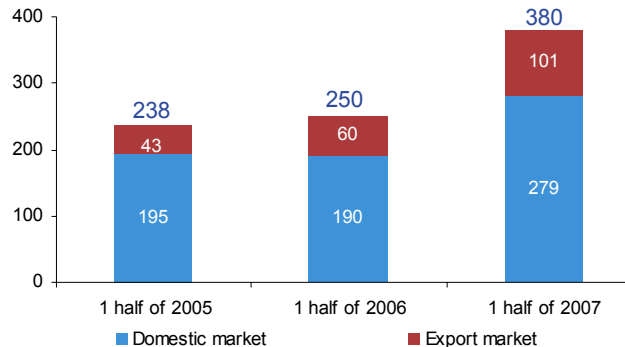
**Total: 380 thousand tons**

Source: OJSC MMK

\* - excluding bands provided on a give-and-take basis

## Significantly increased sales of MMK-METIZ

'000 tons



Source: Prommetiz Association



Production	Sales	Procurement	Costs Structure	<b>Group Structure</b>	Financing	Development Prospects	Financial Results
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Production

Sales

Procurement

Costs Structure

Group Structure



## Financing

Development Prospects

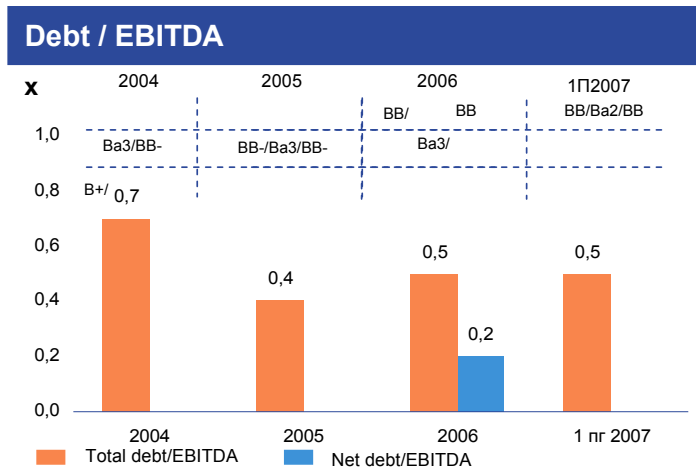
Financial Results



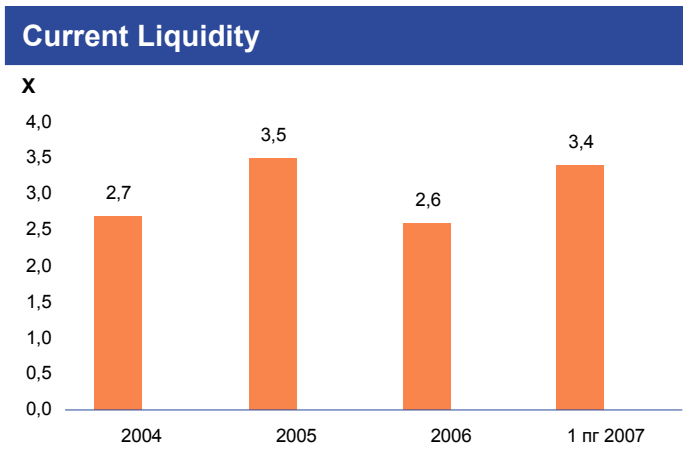


# Financial Reliability

- OJSC MMK has historically MMK been notable for its strong liquidity and creditworthiness
  - Positive money balance and low borrowings
  - Positive and stable rating assigned by S&P, Moody's and Fitch
- Debt schedules feature no major disbursements before 2008
- Dividend rate is expected to be minimum 15% of the net profit



Source: OJSC MMK's financial statements, rating agencies (S&P, Moody's, Fitch)



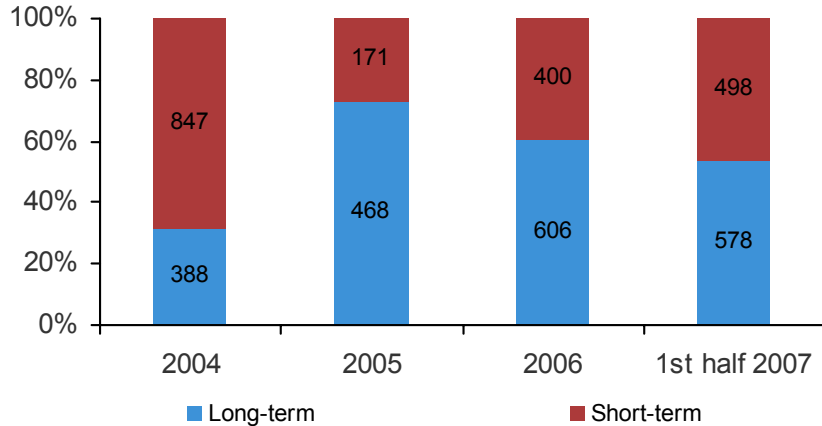
Source: OJSC MMK's financial statements



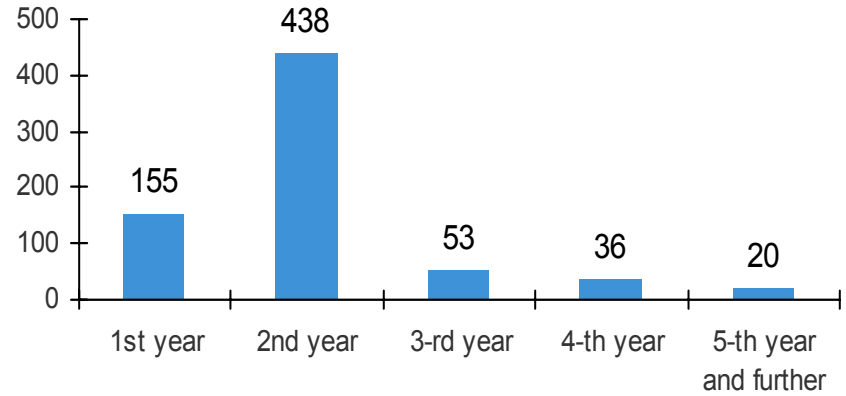


# Financing

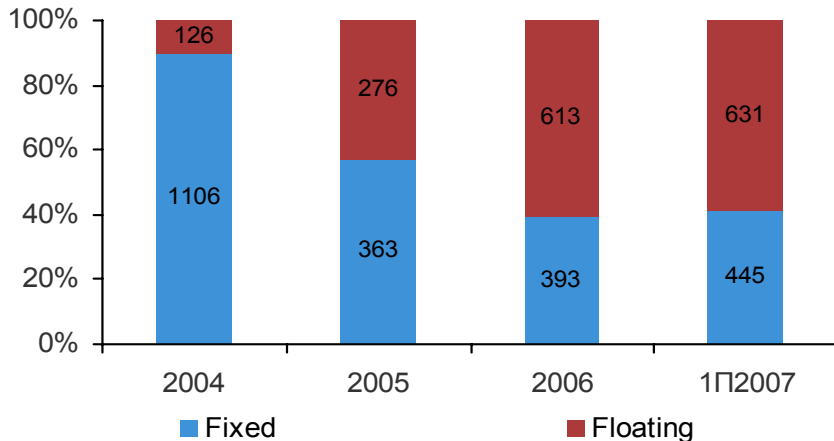
Debt Structure as of the end of the period (short-term / long-term), USD mln.



Debt Repayment on loans and credits since June, 30, 2007, . USD mln.



Debt Structure as of the end of the period (interest rate), USD mln.



## Long-term Financing Policy

- Unified Borrowing Policy for MMK Group.
- Use of project financing for implementation of perspective long-term projects for MMK business extension.
- Maintenance of minimum level of secured debt.
- Maintenance of leverage at the level:
  - Debt / EBITDA not more than 2;
  - Indebtedness / Equity not more than 1.



Production

Sales

Procurement

Costs Structure

Group Structure

Financing

## Development Prospects

Financial Results



## MMK: Domestic Markets Trends

### Increased consumption of downstream products

- High economic growth rates in Russia
- Goods with highest value added are sold in the Russian market
- Growing demand for high quality galvanized and polymer coated rolled products

### Growing demand from pipe manufacturers

- Favourable situation on energy markets
- Capex growth for renovation of oil and gas industry
- Necessity of Russian oil and gas infrastructure extension
- Growing demand for flat rolled products

### Construction industry growth

- Construction industry is constantly among leaders with the highest growth of steel products consumption rate
- Growing demand for rolled products of construction purpose

### Expected growth of demand from other industries

- Growing demand for high quality cold rolled products due to development of automotive industry. At present investment agreements have been already signed by 15 automotive concerns, among them Toyota, Ford, Nissan, Renault, General Motors, Suzuki, Volkswagen, BMW, PSA Peugeot-Citroen
- Development of production of automotive components
- Investments to railway transport infrastructure, wagon base upgrades
- Development of processing industries





# The Goal and Strategies in the Domestic Sales Market

**Goal: Strengthening of MMK leading position in the domestic sales market and increase of domestic sales up to 10 mt by 2013.**

## Strategies

Establish a service center network

Vertical integration with steel consumers

Increase shipments to large consumers

Increase share of high-value-added products in the product mix

- Central region (MMK-Profile-Moscow)
- Volga region
- Urals region (Bashmetaltorg)
- Siberian region
- North-West region
- Republic of Belarus

- Bringing the sales volumes of OJSC MMK-METIZ up to 1 million tons

- Pipe industry
- Automotive sector (IntercoS-IV)
- Machine building
- Construction

- In 2006 the share of high-value-added products amounted to 82% of the total MMK output (11.3 mln. tons)
- By 2013 it is planned to increase the share of such products up to 85,4% of the total MMK output (15.0 mln. tons)

# MMK: Overview of Key Export Markets

## Middle East

- High rate of growth in metal consumption; large net importer
- Expansion of steel product mix consumed
- Geographic proximity to the market produces a favorable effect on MMK's positions
  - Turkey is a perspective market and the main destination for MMK exports
  - MMK's sales growth in the region is also supported by shifting sales from the Far East
- MMK successfully competes with products of local producers on a product quality basis

## Europe

- Stable and favorable sector dynamics, ongoing demand growth and high prices.
- Quotas on the Russian steel products delivery
  - Quotas on the steel products delivery to the EU states rise every year. Due to EU expansion, quota on the Russian steel products delivery increased by 28% in 2007.

## Asia and Far East

- Regional sector dynamics are driven by the steel production growth in China.
- Regional supply chain and logistics are not so attractive as compared to other export markets.
- Transport logistics results in price disadvantage for MMK's products relative to local producers.
- MMK's products sales share to Asia and Far East is continuously decreasing to the advantage of the high value-added steel products sales market.

## North America

- Net importer
- Very strong lobbying by local producers and regulatory protectionism
- Restrictive measures imposed on the Russian steel products import.
- MMK steel products sales share to the North America's market has decreased because of unfavorable economic environment that caused the end-user demand decrease.



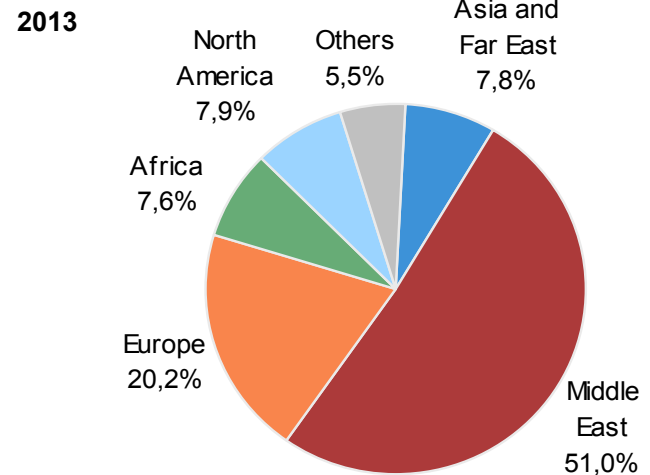
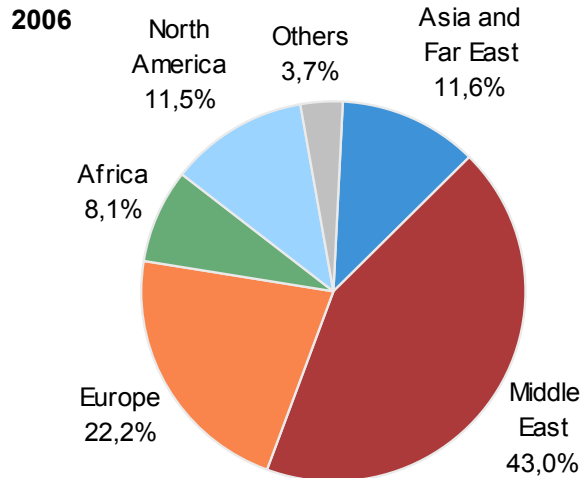
# Goal and Strategies of International Sales

**Goal: Maintaining MMK's Competitive Edge on the International Markets**

## Strategies

Securing export sales of up to 5 Mtpy from the Magnitogorsk site

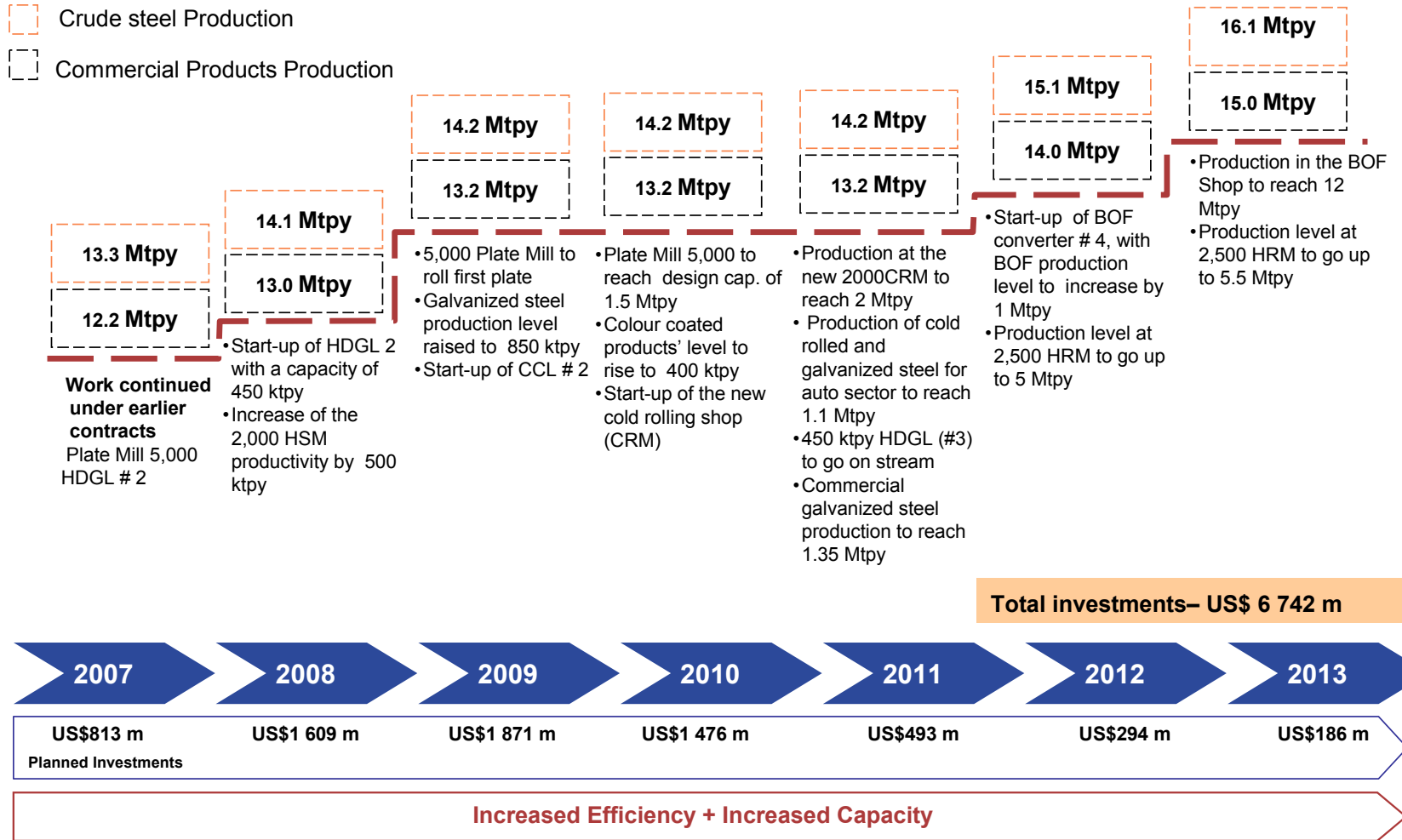
Expansion of MMK's presence on the fast growing markets, including Middle East, and high-end industrialized markets with traditionally high price levels tech



\* Taking into consideration of the Turkey plant's commercial products



# Targeted Investments Geared to Creating the Most Efficient Steel Production in Russia : Stages of Growth



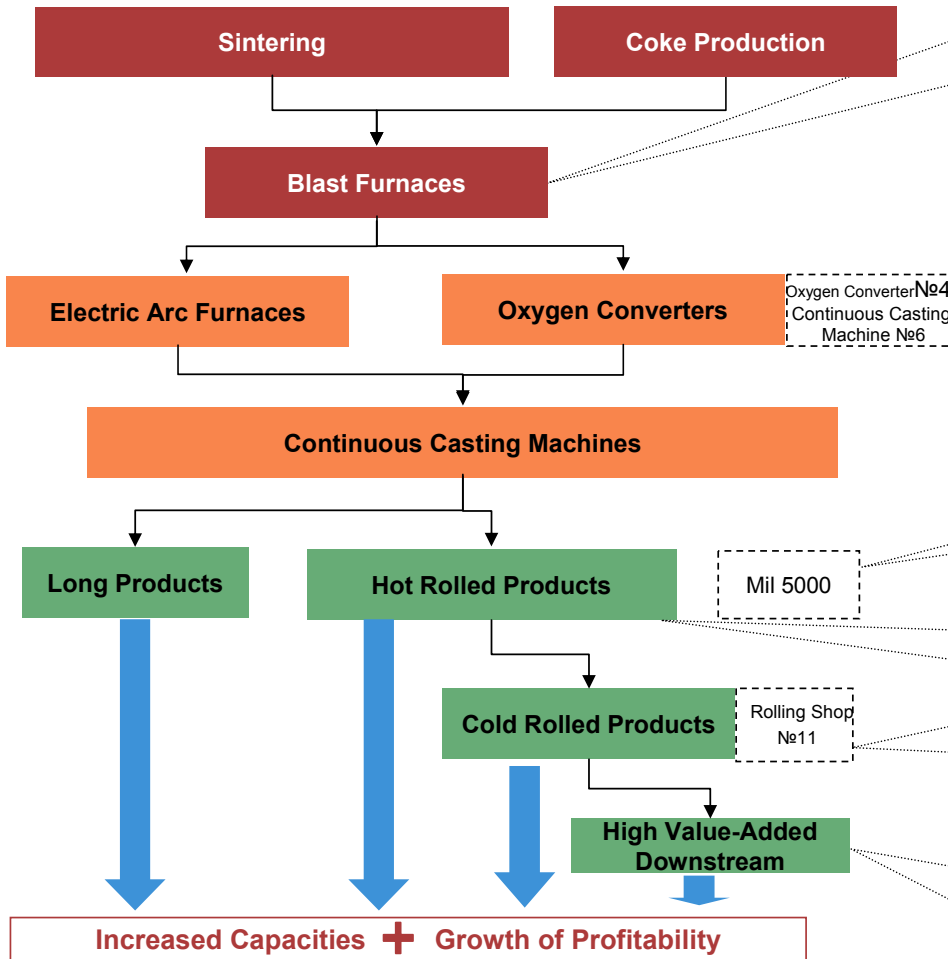
**Note:**

1. Expected capacity expansion based on management assessments according to MMK's current Capex budget

Production	Sales	Procurement	Costs Structure	Group Structure	Financing	<b>Development Prospects</b>	Financial Results
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# Production: Integrated Investments 2007-2013



**1. Stabilization sites construction for agglomerate stabilization at sintering plants # 2 and 3 and installation of Belless Top Charging Systems at Blast Furnace Shop:**

- Coke consumption decrease by 15 kg/tonne of iron, on average
- Blast Furnace productivity increase by 2-3%
- Procurement of higher levels of gas utilization

**2. Fourth oxygen converter and sixth continuous casting machine construction:**

- Liquid steel converter production increase up to ~12,0 millions tonnes per annum
- Continuous casting capacities increase
- Converter gas usage increase

**3. Mill 5000 construction:**

- Unique for Russia steel plates production for oil and gas piping industry
- Estimated increase of steel plates production capacities to 1.5mln tonnes
- Steel plates sales profitability increase

**4. HR products output increase:**

- Overall productivity increase of mill 2000 and mill 2500 for more than 2 million tonnes hot rolled products
- HR products quality enhancement

**5. CR products output increase :**

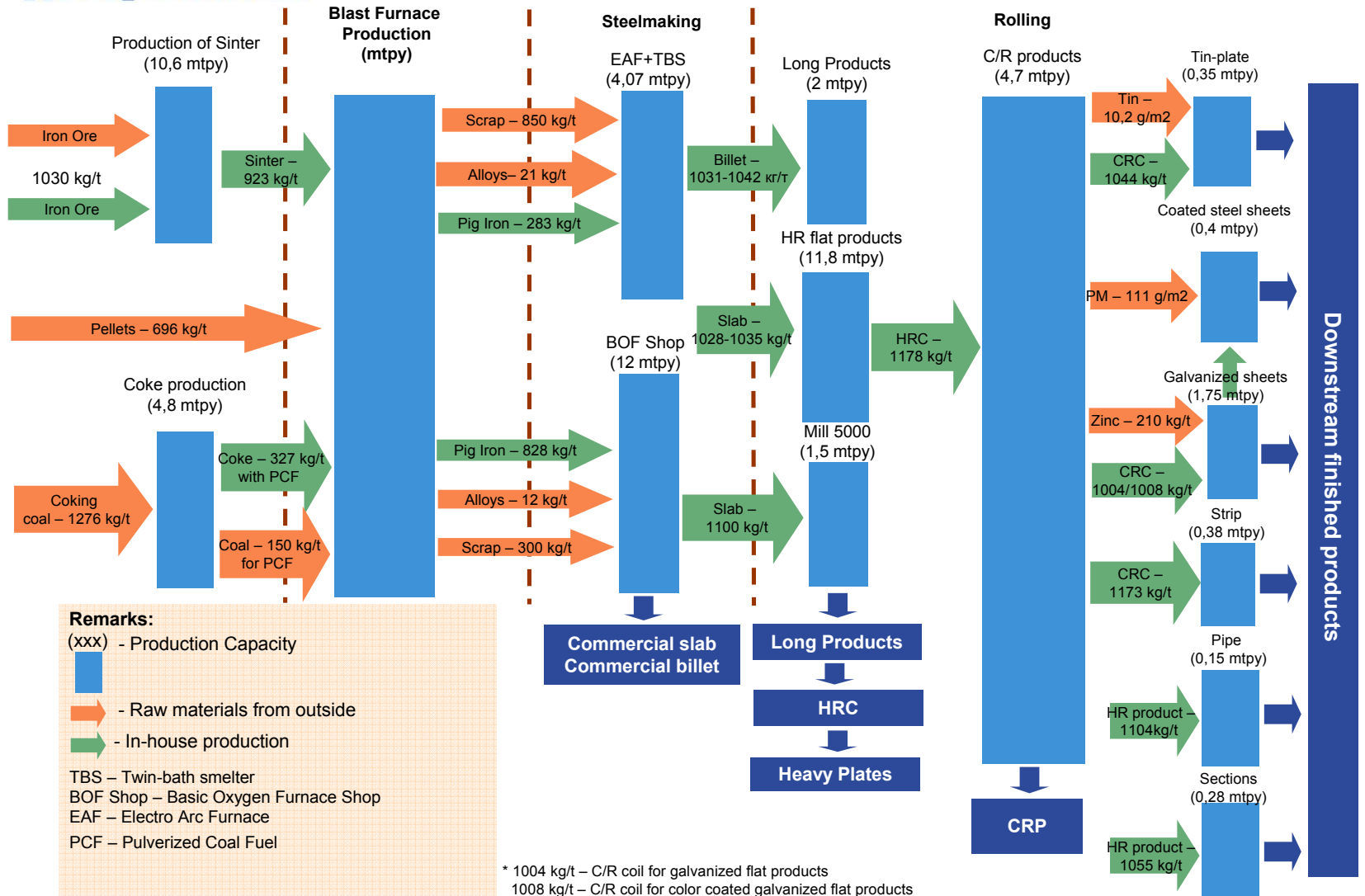
- CR products output increase
- International class production facilities of steel sheets for automotive industry

**6. High value-added downstream products output increase:**

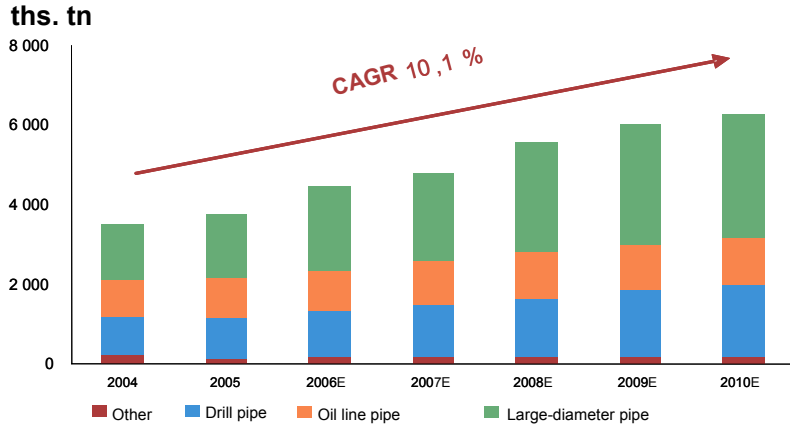
- Estimated commercial galvanized steel sheets production increase up to 1.35 million tonnes
- Estimated polymer coated steel sheets production increase up to 400 thousand tonnes

**Note:**  
1. Expected capacity expansions based on management assessments according to MMK's current Capex budget

# Perspective Process Layout of OJSC MMK, 2013

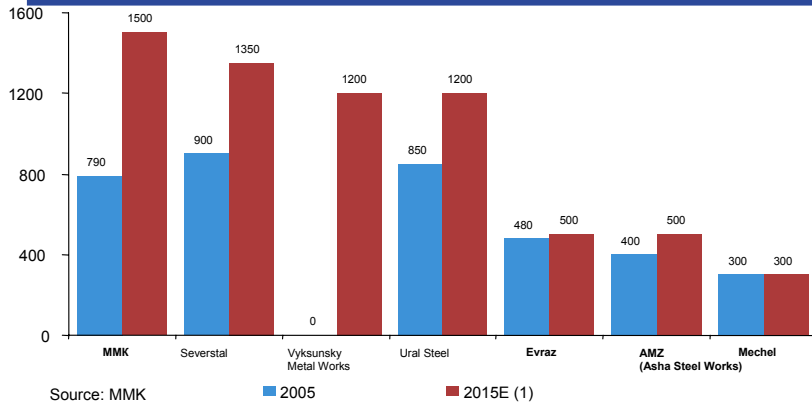


## Pipe Consumption Forecast in Russia



Source: Rosstat (Federal State Statistic Service), Metal Expert, UBS estimates

## Largest Plate Mill Facilities in Russia, ths. tn



Source: MMK

1. According to announced plans

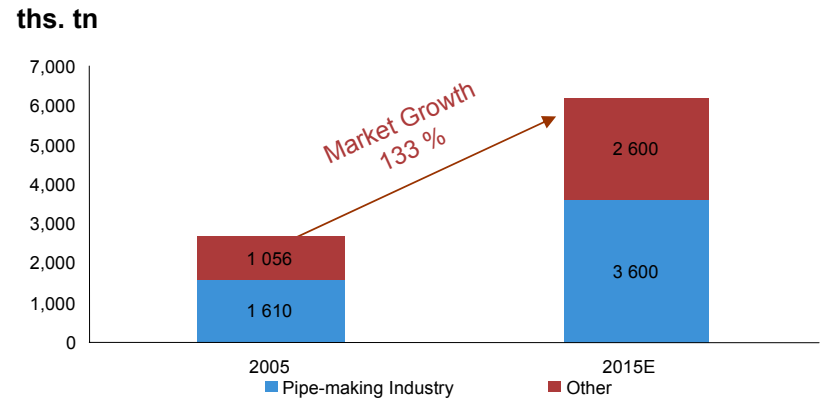
Start-up of Mill 5000 in capacity 1 500 ths. tn in 2009, completion of renovation of Mill 2500

## Pipeline Projects in Russia up to 2015

Project	Period	Length of pipeline (km)	Tonnage (mn. tn)
Projects JSC Gazprom	2006-2015	30 879	23,8
Projects JSC Transneft	2006-2015	5 539	4,3
<b>Total</b>		<b>36 418</b>	<b>28,1</b>

Source: MMK

## Forecast of heavy plates consumption in Russia



Источник: MMK



# Investments to Raise Production Efficiency: Mill 5000 Start-up



Only 8 worldwide producers (located in Germany, France and Japan) are capable of producing comparable heavy plates

## Summary

### Current Status

- Project implementation period under the Contract with SMS Demag is 32 months
- Capex: US\$ 1,4 bn.

Implementation of Mill 5000 construction under the Contract with SMS Demag

- November 7, 2006 – signing of the contract
- November 2007 – foundation works
- April 2008 – erection of a building
- July 2008 – installation works
- May 2009 – performance tests
- July 2009 – first sheet

## Mill 5000: MMK and Severstal

Description	MMK <sup>(1)</sup>	Severstal
Commissioning, year	2009	1989
Capacity, mn. tn	1,5	0,6
Width, mm	up to 4 800	up to 4 ,400
Thickness, mm	8-160	12-300
Roll force, in ths. tn	12	9
Length, m	24	18
Strength of steel	up to X120	up to X80

Source: MMK



# Investments to Raise Production Efficiency: Automotive Sheet Production



Implementation of the project will ensure the production of high-quality automotive steel sheets meeting the requirements of the world leading car-making companies (GM, Ford, Toyota and others)

## Summary

### Current Status

- 13.07.07 – signing of contract with the supplier - SMS Demag
- Approximate period of equipment manufacturing and installation: 36 months
- Capex: US\$ 1,4 bn.
- MMK is engaging some leading international banks to finance the contract concluded
- Commissioning is planned for 2010, ramp-up for the designed capacity is planned for 2011.

## Main Parameters

Capacity, ths. tn	<b>2000</b>
Width, mm	<b>850-1880</b>
Thickness, mm	<b>0,28 - 3,0</b>
Steel Grades	<b>HSLA, IF-HSS, BH, dual-phase, multiphase, TRIP</b>

Source: MMK

# Contracts signed as part of the Investment Program

Project / Design capacity	Equipment Supplier	Project goal	Commissioning/ Design cap. reached
5,000 mm Plate Mill 1.5 Mtpy	SMS - Demag	Expansion of plate mill production capacity by 1.5 Mtpy, of which 1 Mtpy will be supplied to pipe makers.	2009 / 2010
Secondary steel treatment unit (BOF Shop) At least 2 Mtpy	SMS - MEVAC	Serial casting of pipe grade steel and steel for production of premium quality auto body sheet	Q2 2009 / Q3 2009
Reconstruction of the 2,500 mm Hot Strip Mill of Strip Rolling Shop-4 / 5 Mtpy	ZAO NKMZ	Bring the mill productivity to 5 Mtpy; expand the range of sizes and steel grades produced; secure production of quality coils for cold rolling and sheet coating; customized cutting of hot rolled coils to end users' standards	2010 / 2011
Cold Rolling Complex construction / 2 Mtpy	SMS Demag	Increase the share of cold rolled and galvanized products in MMK's product mix; broaden the range of steel grades for cold rolled steel; supply of high quality auto sheet to automakers, incl. coated sheet	2010 - 2011
Colour Coating Line (# 2) 200 Ktpy	FATA HUNTER	Improve products' quality and range through production of colour coated sheet with special film protection, steel for white goods, with an option of applying decorative film and embossing micro-geometric patterns	January 2009/ match 2009

## Project location



## Project parameters

**Goal:** Realization of up to 300 thousand tons per year of cold rolled and galvanized metal products of OJSC MMK in the North-West region of RF by producing stamped and welded and stamped elements for automobile companies and domestic appliances producers.

**0 stage:** Acquisition of 75% shares of CJSC Interkos RUB 509 ml.

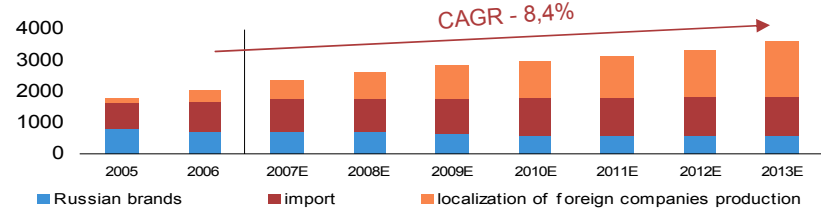
**1 stage:** Line for body painting of washing machines and refrigerators, project cost is EURO 1,2 ml. (line installation will be in the end of 2007; start-up is planned for the beginning of 2008).

**2 stage:** Construction of a steel service center and a plant for pressed elements production in Kolpino, Leningrad region, with the processing volume up to 300 thousand tons of cold rolled and galvanized metal products annually.

Construction time is 2,5 years.

## Cars output in Russia, 2005-13

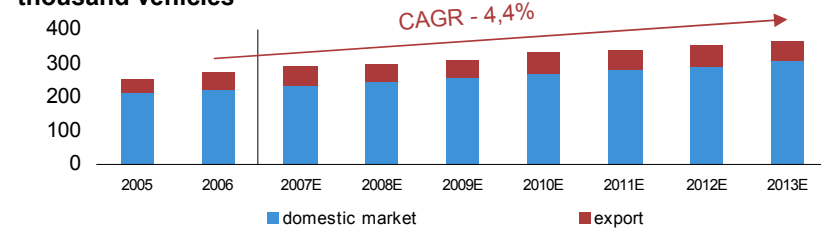
thousand vehicles



Source: Companies forecast, ASM-Holding, forecast of ING

## Commercial trucks output in Russia, 2005-13

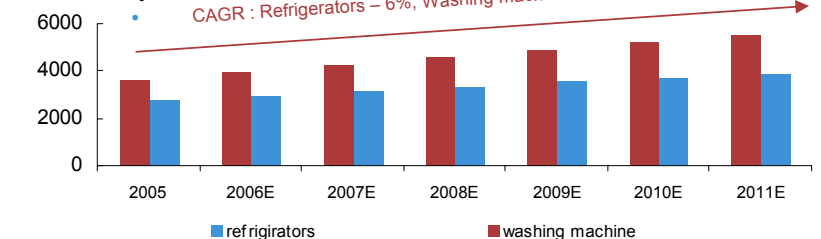
thousand vehicles



Source: Companies forecast, ASM-Holding, forecasts of ING

## Domestic appliances market in Russia, 2005-11

thousand pcs.



Source: Euromonitor, Forecasts of EIU





# Construction of Industrial Complex – access to the high-growth market of Turkey

## Geographical position, Turkey



## MMK – Atakas Project

### • Facilities:

- 2,300 Mtpy of hot rolled coils
- 0,750 Mtpy of cold rolled coils
- 900 thousand tons of galvanizes coils
- 400 thousand tons coated sheets

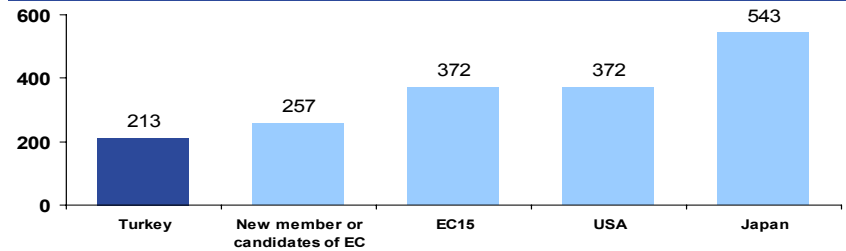
### • 2 steel service centers:

- 340 thousand tons per year
- 420 thousand tons per year

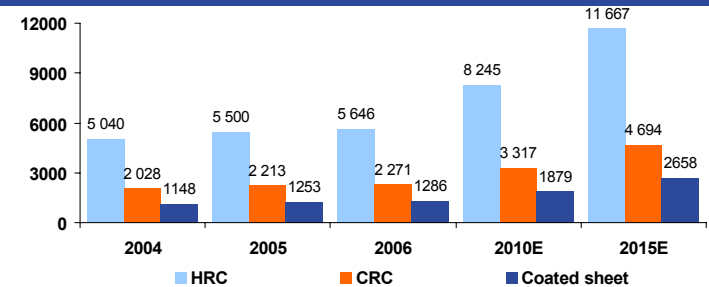
### • Construction time: 3 years

•IRR: 23,4%

## Consumption steel products per capita in 2006, kg

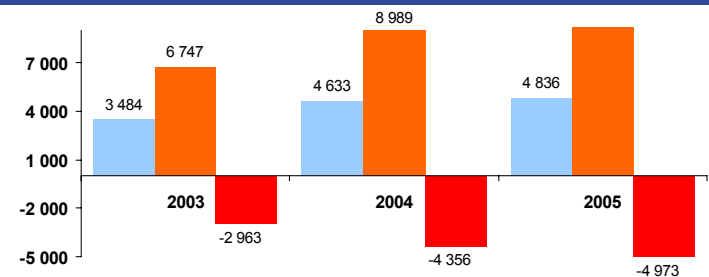


## Consumption of all kinds of products, thousand tons



\* Not including heavy plate \*\* Not including tin plate

## Production balance/ consumption of flat products \*, thousand tons



\* Including heavy plate and tin plate

Source: forecasts and data of WSD, IISI



# Strategy of Uninterrupted Raw Materials Supply

## Iron ore

- 10-year contract for supply of agreed volumes of ore materials from Sokolovsko-Sarbaisky Mine
- Development of the local iron ore base, including Bakal Mine Administration and captive mine in Magnitogorsk which will allow to cover over 20% of requirement for iron ore materials.
- Development of the Prioskol Iron Ore Deposit with reserves of over 2 bn tons and planned output of 25 Mtpy of crude ore.

## Coking Coal

- 5-year contracts with OOO Kuzmetugol, Rospadsky Ugol, TD Mechel, ZAO Sibuglemet
- Integration with the existing coal mining enterprises of the Kuzbas and Karaganda coal basins.
- ZAO Kazankovskaya Coal Mine, MMK's affiliate, owns a license for the development of the Kureinskoye coking coal deposit.
- Acquisition of 10,75% shares of coal producer OJSC Belon.

## Scrap

- 100% of MMK's requirement for scrap is met by an affiliate, ZAO Profit, a leader among scrap processors in Russia
- Installation of captive DRI facilities as a substitute for scrap

## Electric Power

- Maximized self-supply of electric power
- Plans for a consistent reduction of power consumption

## Gas

- OOO Cheliabinskregoingas – On the 2d November of 2007 a long-term agreement for natural gas supply was made for the period from 1 January 2008 until 31 December 2012, in the supply volume of 3 057,8 ml.m3 annually.
- OJSC Novateck – On the 30 May of 2003 a long-term agreement for natural gas supply was made for the period from 1 June 2003 until 31 December 2015, in the supply volume of 1 250 ml.m3 annually.



Production
Sales
Procurement
Costs Structure
Group Structure
Financing
Development Prospects
<b>Financial Results</b>

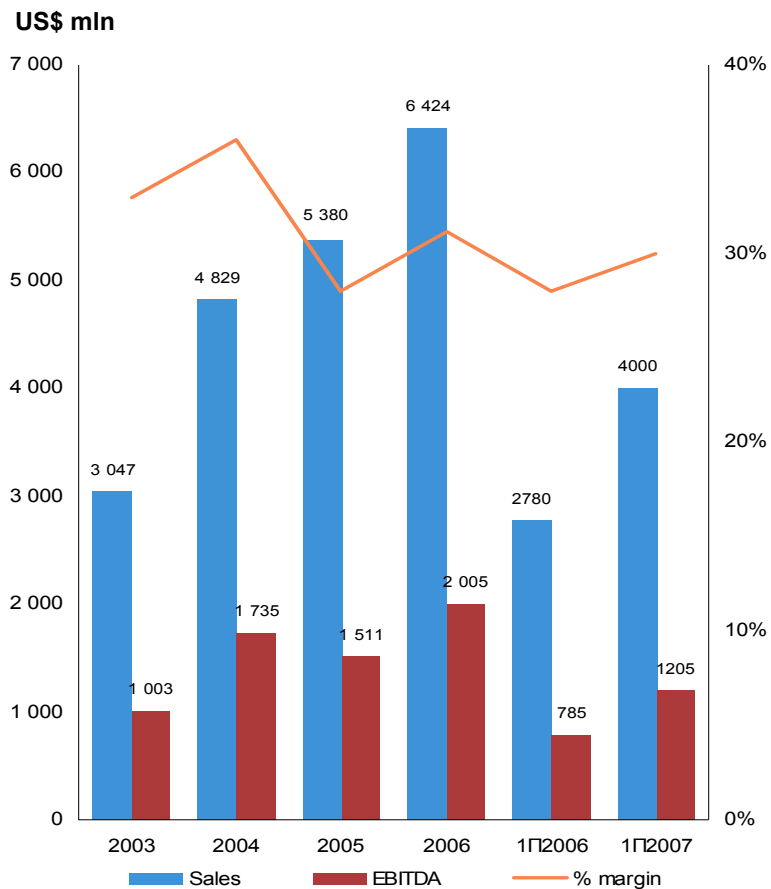


## Financial Highlights

US\$ mln	2003	2004	2005	2006	1П2006	1П2007
Sales	3 047	4 829	5 380	6 424	2780	4000
% growth	48,3	58,5	11,4	19,4	3,2	43,9
EBITDA	1 003	1 735	1 511	2 005	785	1205
% margin	32,9	35,9	28,0	31,2	28,2	30,1
Net Income	608	1 232	947	1 426	588	866
Capex <sup>(1)</sup>	217	407	580	725	299	356
% of sales	7,1	8,4	10,8	11,3	10,6	8,9
Operating cash flow	585	1 010	1 255	1 077	660	993
% EBITDA	58,3	58,2	83,1	54,0	84,01	83,4

Source: US GAAP consolidated MMK Group Financial Statements

## Dynamics of Sales & EBITDA



Production

Sales

Procurement

Costs Structure

Group Structure

Financing

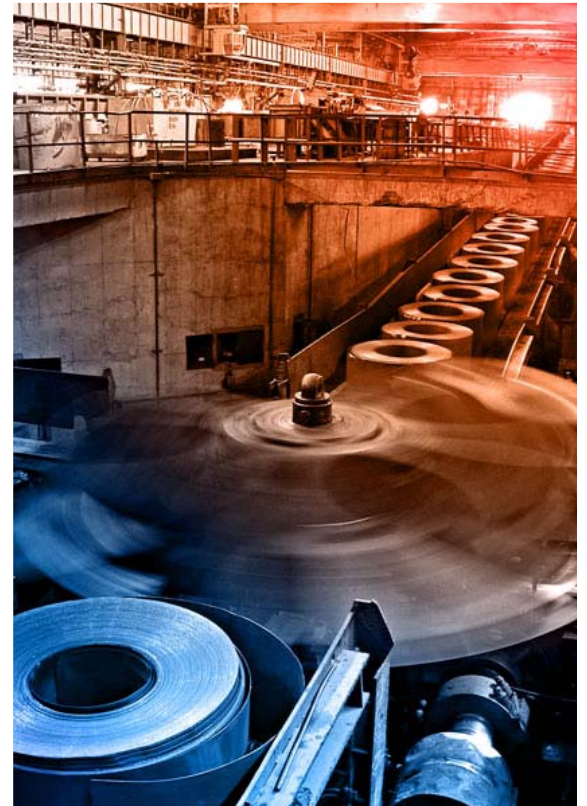
Development Prospects

**Financial Results**



**MAGNITOGORSK  
IRON & STEEL  
WORKS**  
OPEN JOINT STOCK COMPANY

## Annexes



# Unique Managing Team



**Victor F. Rashnikov**

Chairman of the OJSC MMK Board of Directors  
President of MMK Managing Company LLC  
Work experience at MMK – 39 years



**Andrey A. Morozov**

Deputy Chairman of OJSC MMK  
Board of Directors, Vice-President  
for Corporate Matters

Work experience at MMK – 33 years  
Main duties:

- Coordination of MMK Group's Activity
- Legal Matters
- Security
- Social Matters



**Gennady S. Senichev**

Chairman of the OJSC MMK Management  
Board

Vice-President for Operations  
Work experience at MMK– 34 years

Main duties:

- Production
- Technology
- Quality
- Information Technologies
- Capital Construction
- Sales



**Marina A. Zhemchueva**

Chief Accountant  
Work experience at MMK – 26  
years

Main duties:  
• Accounting



**Sergey V. Krivoschekov**

Vice-President for Property Administration  
Work experience at MMK – 24 years.

Main duties

- Integration Policy
- Property Administration



**Rafkat S. Takhautdinov**

Vice-President for Strategic  
Development

Work experience at MMK – 28 years  
Main duties:

- Strategic Planning
- Investment



**Vladimir I. Shmakov**

Vice-President for Finance and  
Economics

Work experience at MMK – 24 years  
Main duties:

- Finance
- Economics
- Procurement



**Arkadiy V. Chernov**

Head of the President's Staff , MMK  
Managing Company LLC

Work experience at MMK – 31 years  
Main duties:

- Organizational Support of the President's  
Activity



## MMK Group Operations and Income Statement

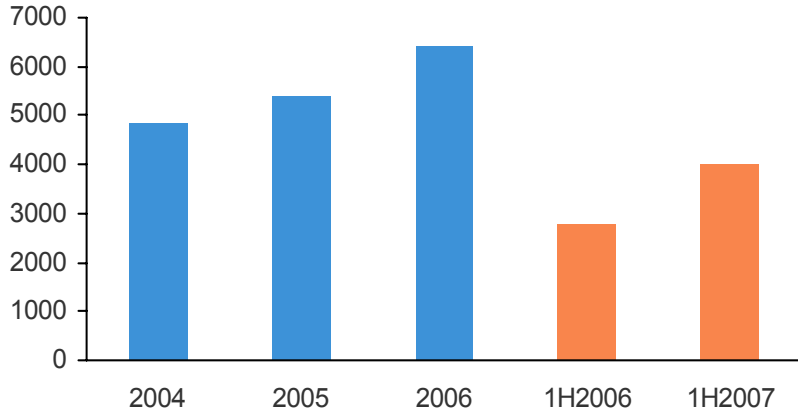
	1 <sup>st</sup> Year Half, USD m		Change compared to same period of previous year	
	2007 год	2006 год	USD m	%
Revenue	4,000	2,780	1,220	43.9%
Operating income	1,077	690	387	56.1%
<i>Revenue margin</i>	26.9%	24.8%		
Income before income tax and minority interest	1,119	779	340	43.6%
<i>Revenue margin</i>	28.0%	28.0%		
Net income	866	588	278	47.3%
<i>Revenue margin</i>	21.7%	21.2%		
Comprehensive income	1,045	588	457	77.7%
<i>Revenue margin</i>	26.1%	21.2%		
EBITDA*	1,205	785	420	53.5%
<i>EBITDA margin</i>	30.1%	28.2%		
Basic and diluted earnings per common share (USD)	0.083	0.058	0.025	43.1%

\* EBITDA = Operating income + Depreciation of assets + Loss on disposal of fixed assets

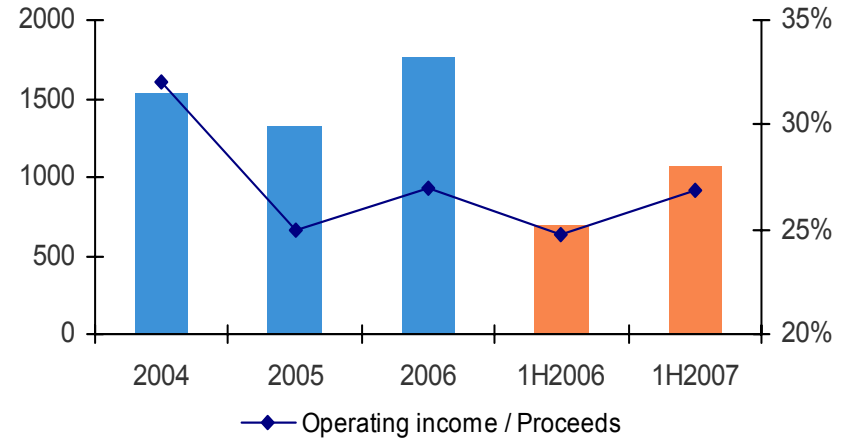


# MMK Group Key Performance Indicators

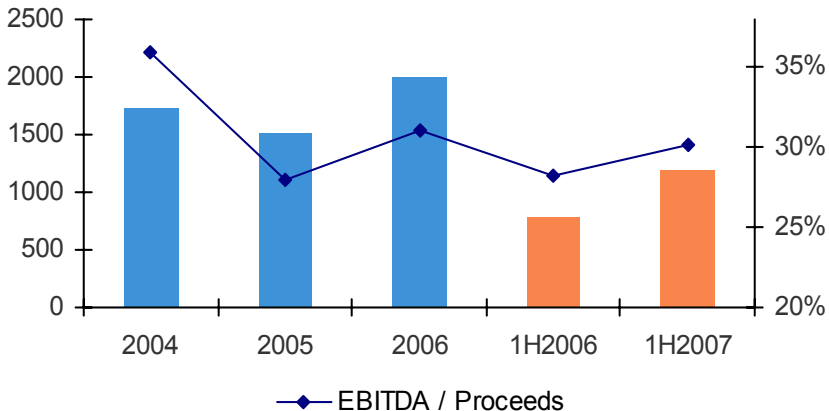
### Sales proceeds, UCD m



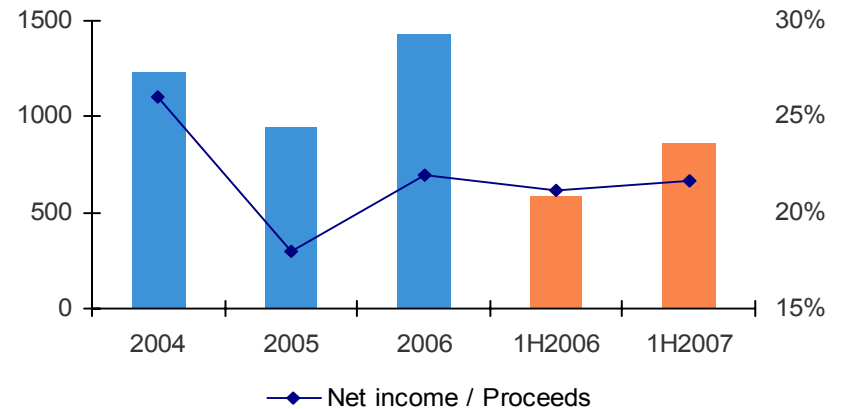
### Operating income, USD m



### EBITDA, USD m



### Net income, USD m







# MMK Group's Key Financial Indicators

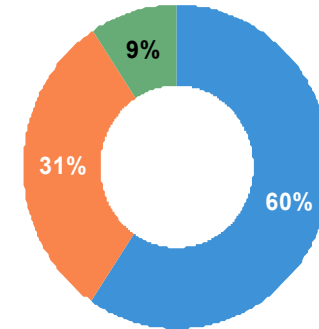
## MMK Group's Sales

	1 <sup>st</sup> Year Half, USD m		Change compared to same period of previous year	
	2007	2006	USD m	%
OJSC MMK's proceeds	2 383	1 618	765	47.3%
Group's steel traders' proceeds	1 252	955	297	31.1%
Group's other companies' proceeds	365	207	158	76.3%
<b>Total proceeds</b>	<b>4 000</b>	<b>2 780</b>	<b>1 220</b>	<b>43,9%</b>



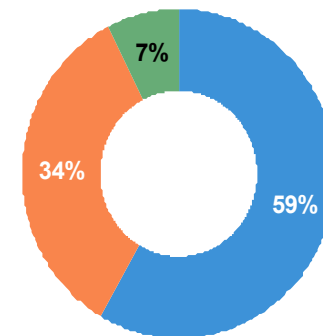
## MMK Group's Sales in USD

1H2007 r.



■ OJSC MMK  
■ Steel traders\*  
■ Other companies

1H2006 r.



\* MMK Steel Trade AG  
MMK Trading AG

# MMK Group's Key Financial Indicators

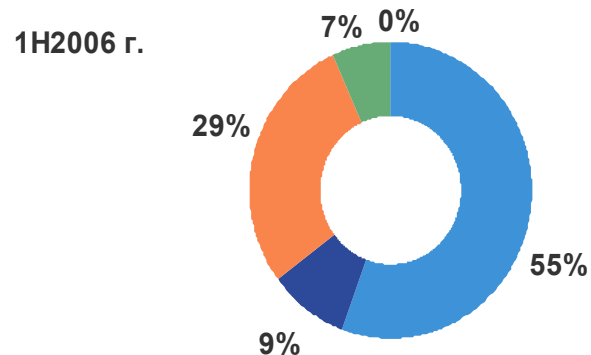
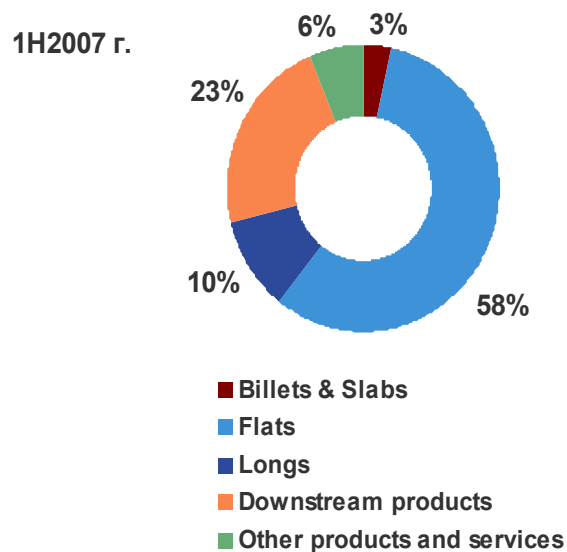
(continued)

## Proceeds by type of product

	1 <sup>st</sup> Year Half, USD m		Change compared to same period of previous year	
	2007	2006	USD m	%
Billets and slabs	131	1	130	x131
Flat products	2,293	1,547	746	48.2%
Long products	417	251	166	66.1%
Downstream products	905	793	112	14.1%
Other products and services	254	188	66	35.1%
<b>Total proceeds</b>	<b>4 000</b>	<b>2 780</b>	<b>1 220</b>	<b>43.9%</b>



## Proceeds by type of product in USD

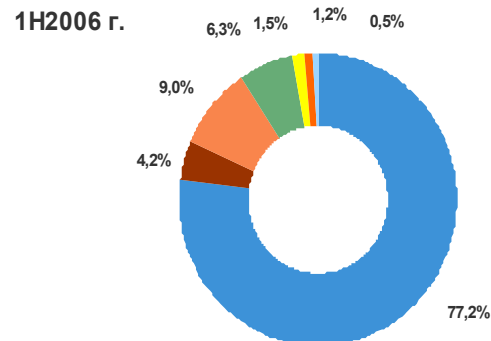
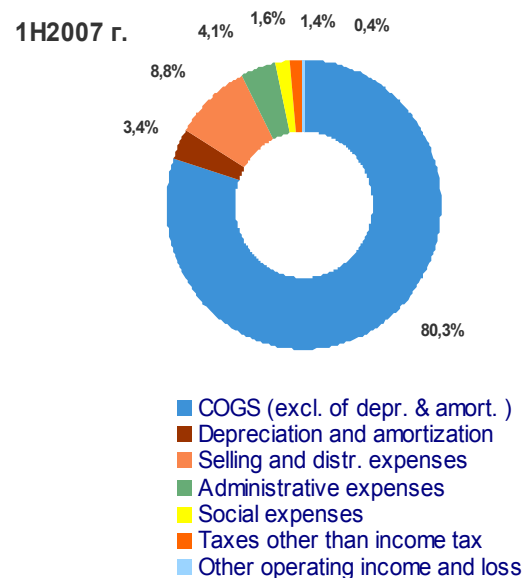


# MMK Group's Operating Costs' Structure

## MMK Group's operating costs

	1 <sup>st</sup> Year Half, USD m		Change compared to same period of previous year	
	2007	2006	USD m	%
Cost of products sold (excl. of amortization and depreciation)	2 348	1 631	717	44.0%
Depreciation and amortization	99	89	10	11.2%
Selling and distribution expenses	256	191	65	34.0%
Administrative expenses	121	134	-13	-9.7%
Social expenses	47	31	16	51.6%
Taxes other than income tax	40	25	15	60.0%
Loss on disposal of plant and equipment	29	6	23	383.3%
Other operating income and loss	17	-17	0	0.0%

## MMK Group's operating costs in USD



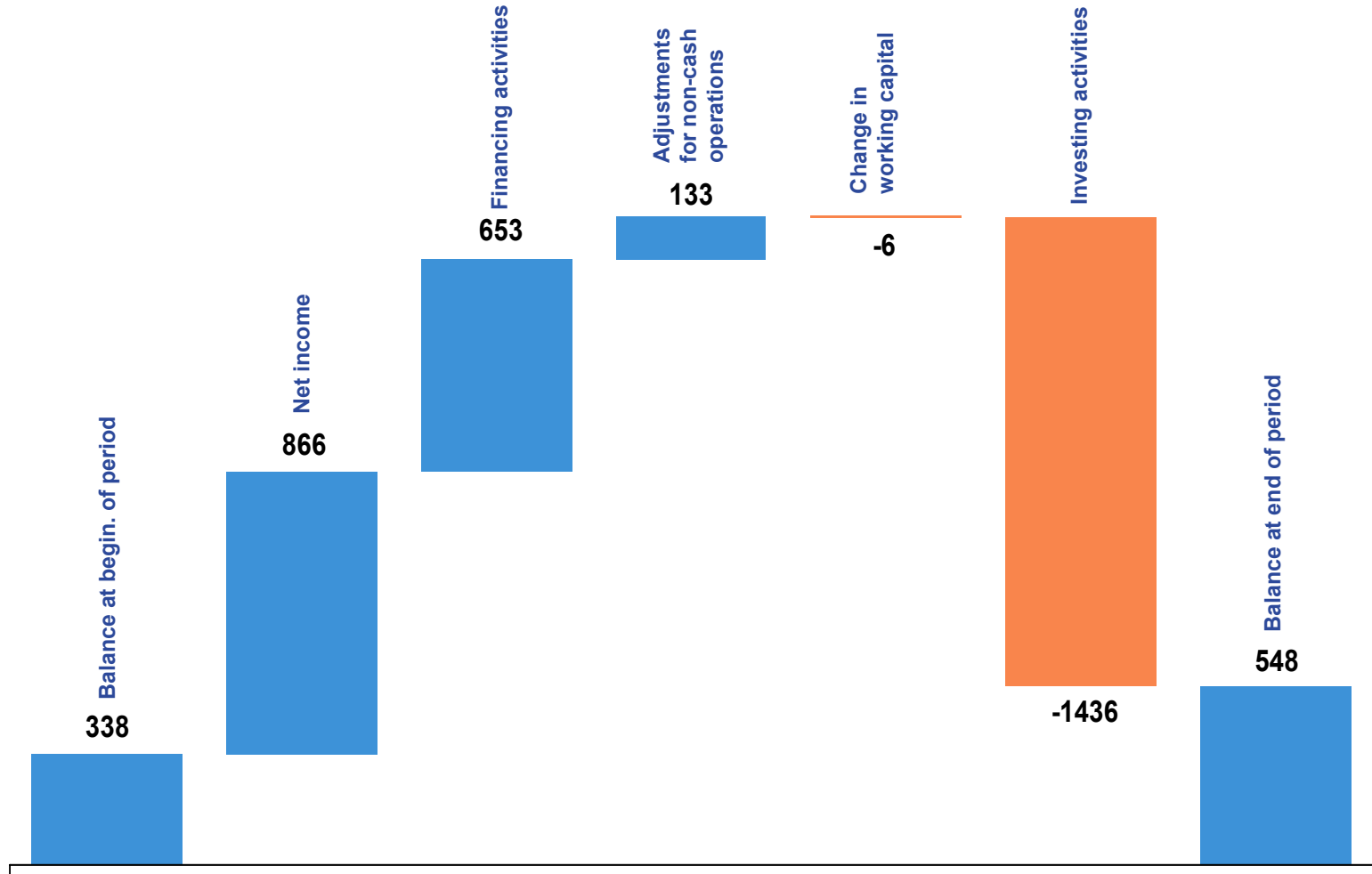
## MMK Group's Balance Sheet, USD m

	30.06.2007	31.12.2006	Change	%
<b>Current assets, including</b>	3,895	2,480	1,415	57.1%
<i>Cash and cash equivalents</i>	548	338	210	62.1%
<i>Short-term bank deposits</i>	1,278	228	1,050	460.5%
<i>Short-term investments</i>	306	325	-19	-5.8%
<i>Accounts receivable less allowance for doubtful accounts</i>	464	410	54	13.2%
<i>Inventories</i>	687	688	-1	-0.1%
<i>Other receivables and current assets</i>	612	491	121	24.6%
<b>Non-current assets, including</b>	3,682	3,209	473	14.7%
<i>Property, plant and equipment</i>	3,023	2,764	259	9.4%
<i>Long-term bank deposits</i>	111	109	2	1.8%
<i>Other non-current assets</i>	548	336	212	63.1%
<b>Total assets</b>	7,577	5,689	1,888	33.2%
<b>Long-term debt, including</b>	729	686	43	6.3%
<i>Long-term loans and capital lease obligations</i>	578	606	-28	-4.6%
<i>Other long-term debt</i>	151	80	71	88.8%
<b>Current liabilities, including</b>	1,147	964	183	19.0%
<i>Short-term borrowings</i>	498	400	98	24.5%
<i>Accounts payable</i>	306	225	81	36.0%
<i>Other accounts payable and current liabilities</i>	343	339	4	1.2%
<b>Minority interest</b>	23	12	11	91.7%
<b>Shareholders' equity</b>	5,678	4,027	1,651	41.0%
<b>Total liabilities and shareholders' equity</b>	7,577	5,689	1,888	33.2%



# MMK Group's Cash Flows

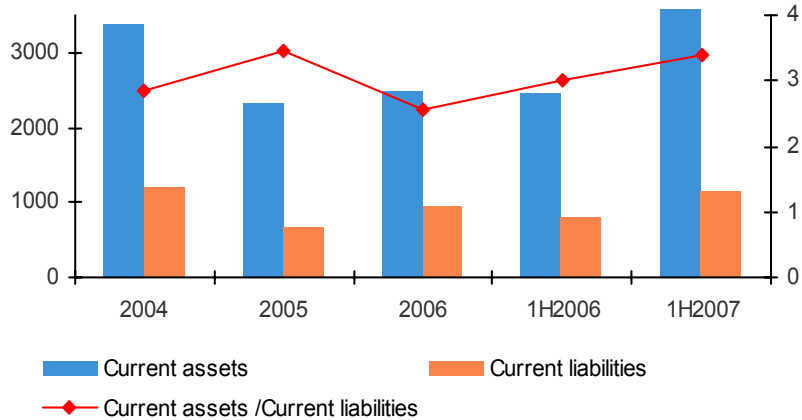
Change of cash balance during the 1H2007, USD m



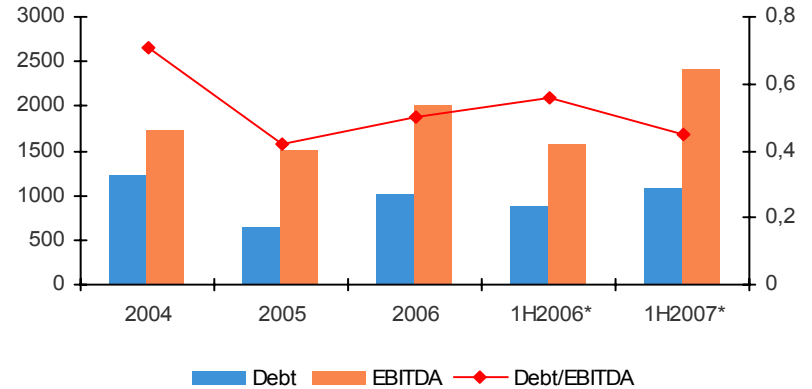


# MMK Group's Financial Position Indicators

## Current liquidity

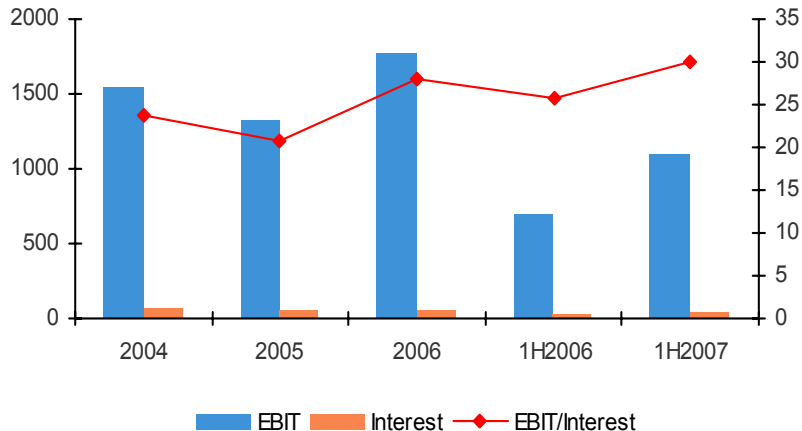


## Debt / EBITDA

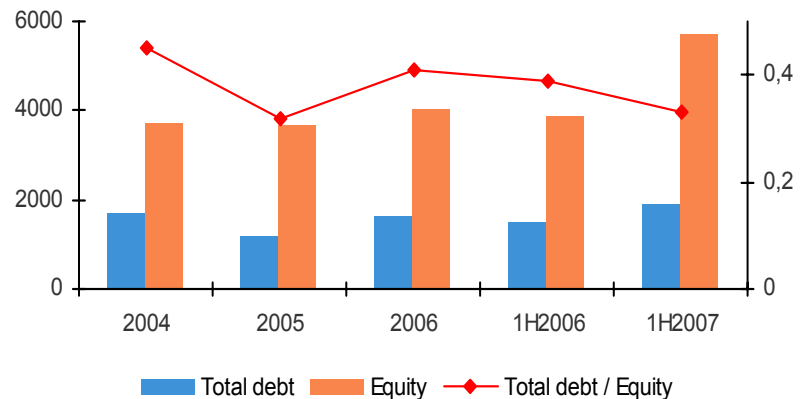


\* EBITDA calculated as 1<sup>st</sup> year half EBITDA multiplied by 2

## EBIT / Interest



## Total debt / Equity



## OJSC MMK's Key Production Indicators

thousand tons

Description	2004	2005	2006	9M2006	9M2007	Change
6% humidity coke	5 872	5 576	5 496	4 194	4 048	-3,5%
Pig iron	9 645	9 655	9 733	7 427	7 198	-3,1%
Crude steel	11 281	11 385	12 455	9 187	9 934	8,1%
<i>Incl. EAF steel</i>	<i>1 461</i>	<i>1 319</i>	<i>2 206</i>	<i>1 425</i>	<i>2 361</i>	<i>65,7%</i>
<i>BOF steel</i>	<i>9 820</i>	<i>10 066</i>	<i>10 249</i>	<i>7 762</i>	<i>7 573</i>	<i>-2,4%</i>





## Historical Structure of OJSC MMK's Commercial Products' Mix

thousand tons

Description	2004	2005	2006	9M2006	9M2007	Change
Billets and slabs	722	425	332	121	588	386,0%
Long products	1 174	1 098	1 707	1 248	1 384	10,9%
Flat products	6 593	7 136	7 729	5 788	5 997	3,6%
Downstream products	1 647	1 542	1 579	1 195	1 128	-5,6%
<b>Commercial steel products</b>	<b>10 137</b>	<b>10 201</b>	<b>11 346</b>	<b>8 352</b>	<b>9 097</b>	<b>8,9%</b>

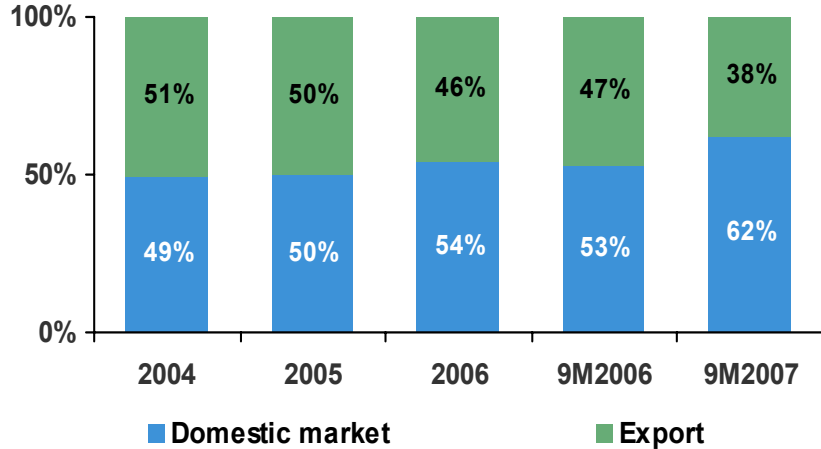




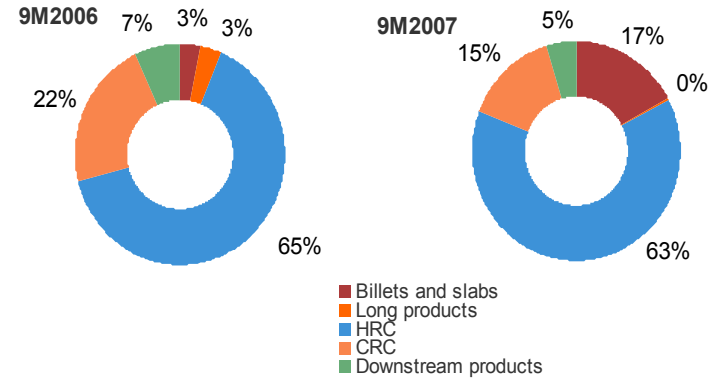


## OJSC MMK's Historical Commercial Product Mix By Market

Domestic sales' growth in kind



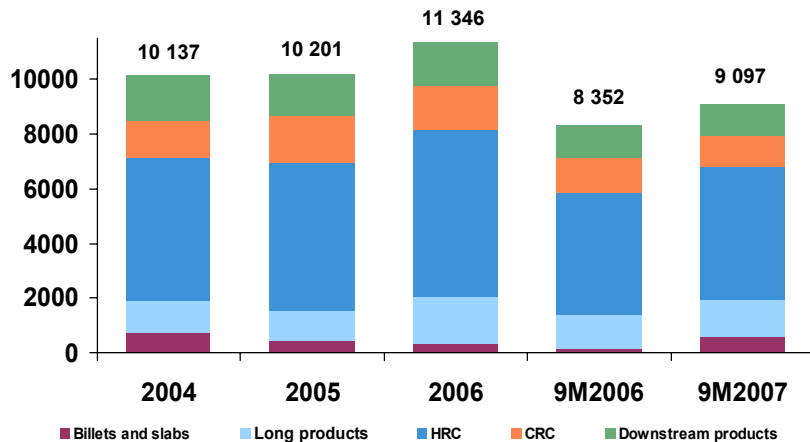
Trend in export shipments



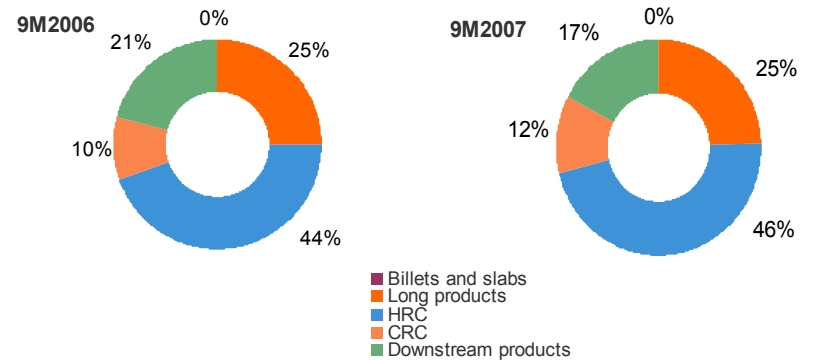
Total: 3 914 thousand tons

Total: 3 487 thousand tons

Changes in shipments' structure in kind



Changes in domestic shipments



Total: 4 438 thousand tons

Total: 5 610 thousand tons

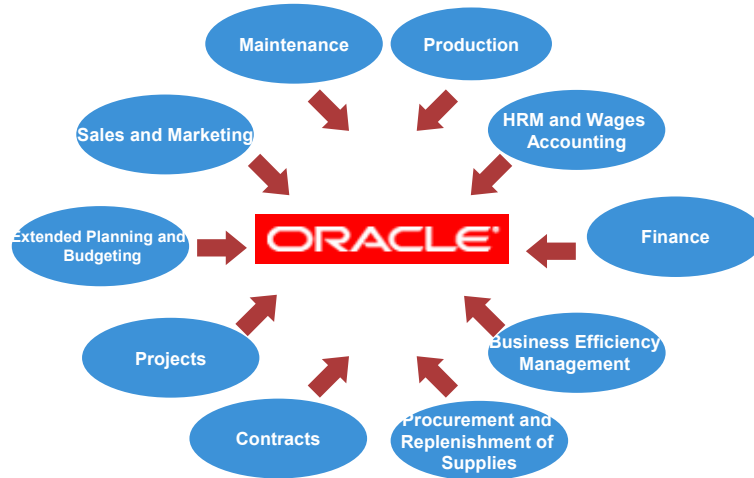


# The Best Information Control System among Russian Peers

## Prompt Acquisition of Financial and Production Data

- Plant Control System with the complete function package
- On-line data on the operating activity
  - Financial results are reported monthly within 5 days of a following month

## Unique Oracle applications as compared to other Russian steel-makers



## The earliest reporting date among Russian peers

(1)

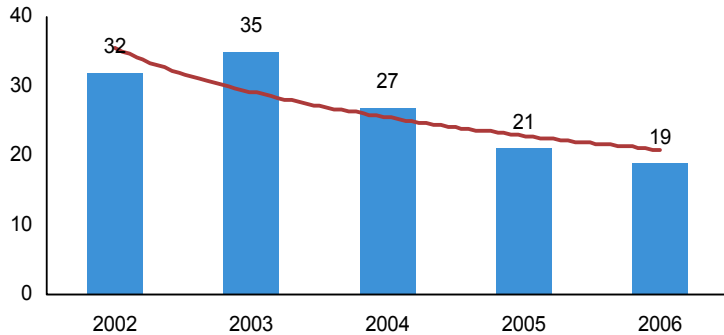
	MMK	Severstal'	Evraz	NLMK	Mechel
<b>Preliminary IAS/GAAP Financial Reporting for the end of a year</b>	2 <sup>nd</sup> week of March	1 <sup>st</sup> week of April	4 <sup>th</sup> week of April	3 <sup>rd</sup> week of April	4 <sup>th</sup> week of June
<b>Complete Financial Reporting according the Russian Standards</b>	on 5 <sup>th</sup> day of a following month, on 6 <sup>th</sup> day of a following quarter				



Source: the companies' web-sites

1. Based on the last annual financial results release

## Quantity of Industrial Accidents



Source: MMK

## Environmental Facilities of OJSC MMK

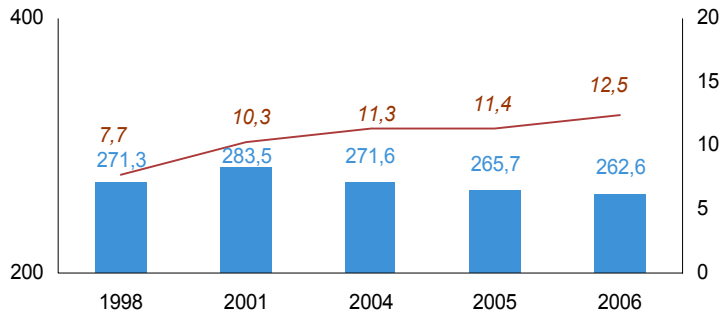


Source: MMK

## Trend of Gross Polluting Emissions of OJSC MMK in 1998 - 2006

Thousand tons

million tons

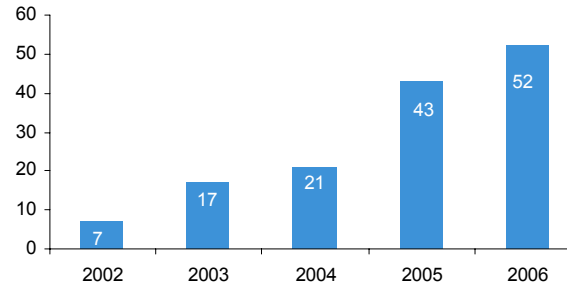


Source: MMK

— Steel Output

## Trend of Environmental Investments in 2002-2006

USD millions



Source: MMK





**MAGNITOGORSK  
IRON & STEEL  
WORKS**  
OPEN JOINT STOCK COMPANY

