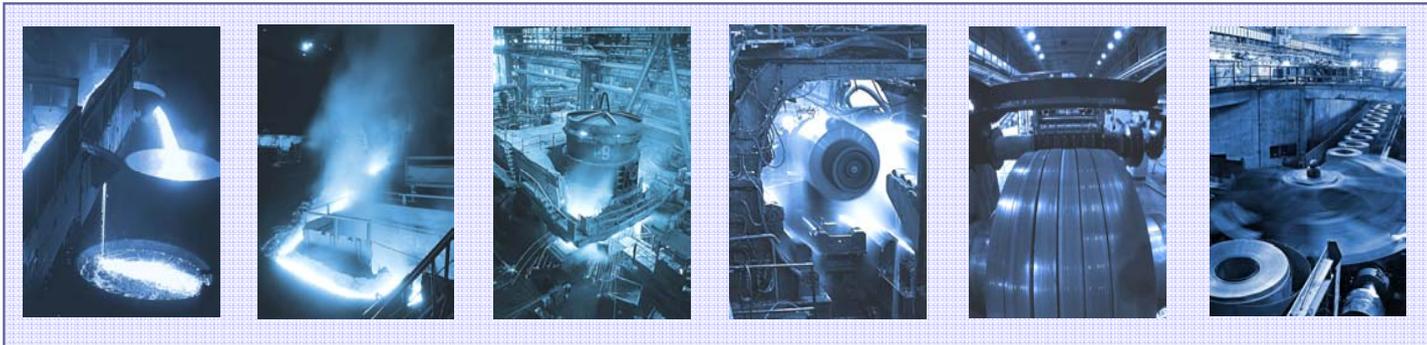




MAGNITOGORSK IRON AND STEEL WORKS



December 2006

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✓ Company Overview

- Key Strengths
- Development Strategy
- Key Financial Indicators

Brief Description and Key indicators

- ✓ MMK is one of the largest steelmaking companies in Russia and is ranked among the top 20 leading world steel producers
- ✓ In 2005 MMK produced 11.4m tons of crude steel and 10.2m tons of finished products
- ✓ Consolidated revenues in 2005 amounted to US\$5.4bn, EBITDA – US\$1.5bn
- ✓ MMK offers the broadest range of steel products in Russia and CIS which are supplied to various destinations, with highest share of value added products compared to Russian peers

Key Operational and Financial Highlights

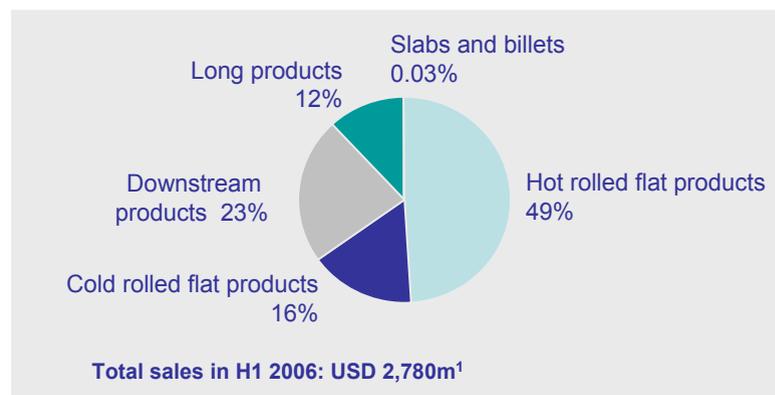
	2005	H1 05	H1 06
Steel, tons mln	11.4	5.5	5.9
Steel products, tons mln	10.2	4.9	5.4
Sales, US\$ mln	5,380	2,695	2,780
EBITDA, US\$ mln	1,511	819	785
EBITDA Margin, %	28.1%	30.4%	28.2%
Net Income, US\$ mln	947	523	588
Net Margin, %	17.6%	19.3%	21.2%

Source: US GAAP

Complete Metallurgical Cycle



Sales Breakdown by Products

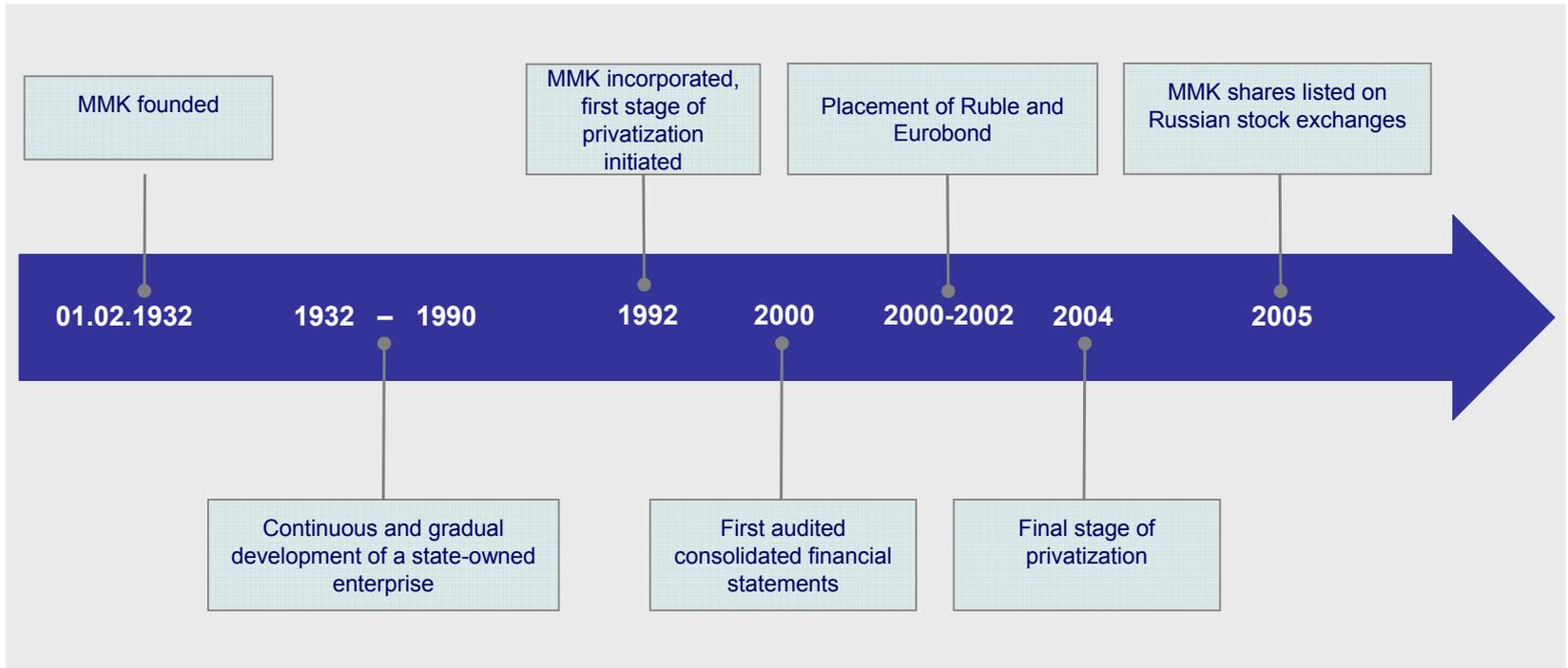


¹ Includes only OAO MMK's products

Geographical Location



- ✓ Relatively close to raw materials base
- ✓ Close to domestic customers (50% of MMK's domestic sales are shipped within 500 km radius)
- ✓ Favorable location: the Ural industrial region has the highest steel consumption in Russia
- ✓ Planned and announced investments in production and transportation of oil and gas determine further development of pipe industry





- Company Overview
- ✓ Key Strengths
- Development Strategy
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Favorable Environment of Russian Steel Market

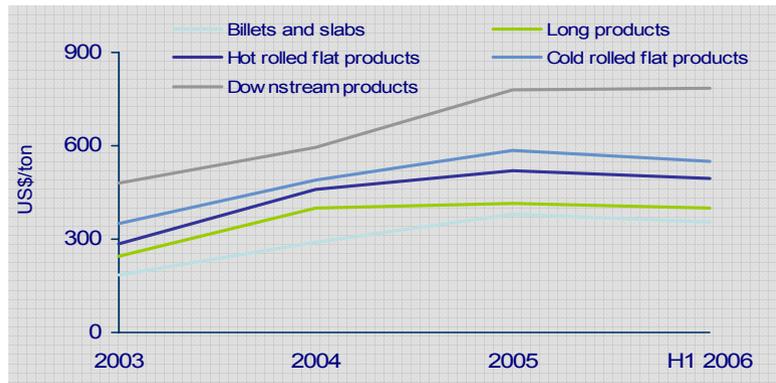


Economic Growth and Increase in Domestic Steel Consumption...



Source: Rosstat

... Triggered Growth of Domestic Prices....

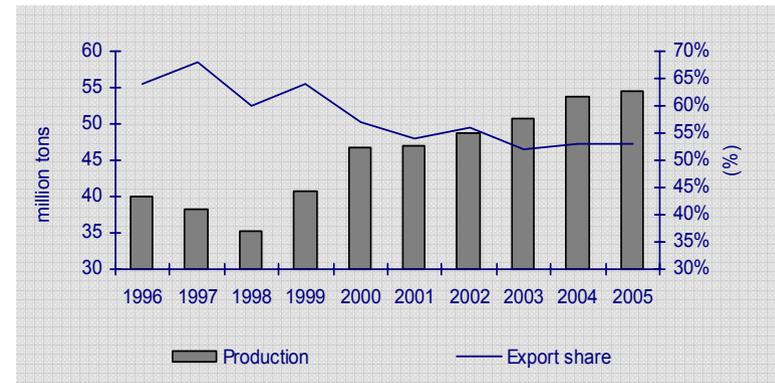


Source: MMK

Comments

- ✓ Almost 100% of domestic demand is met by Russian steelmakers
- ✓ Stable growth of GDP and metal-consuming industries drives steel demand and consumption in Russia
- ✓ As per Chermet, in H1 2006 rolled steel production in Russia increased by 5.8% y-o-y and amounted to 28.3m tones
- ✓ As per Company estimates, domestic steel consumption in Russia grew by 9% up to 15.1m tones in H1 2006

... and Reduction of Export Share

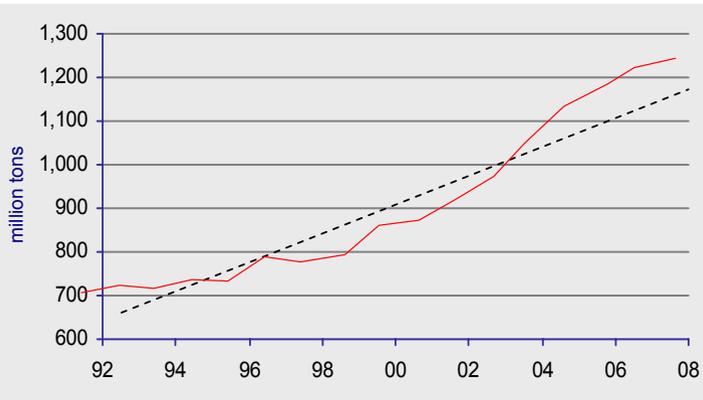


Source: Rosstat

Favorable Environment of Global steel market



Global Consumption Growth...

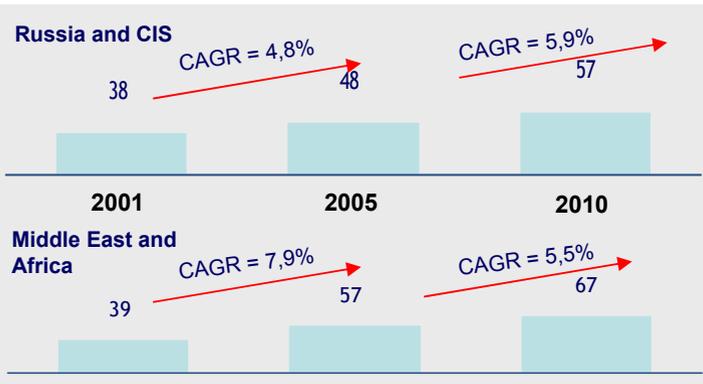


Source: IISI, MEPS (dd. 03.03.2006)

Comments

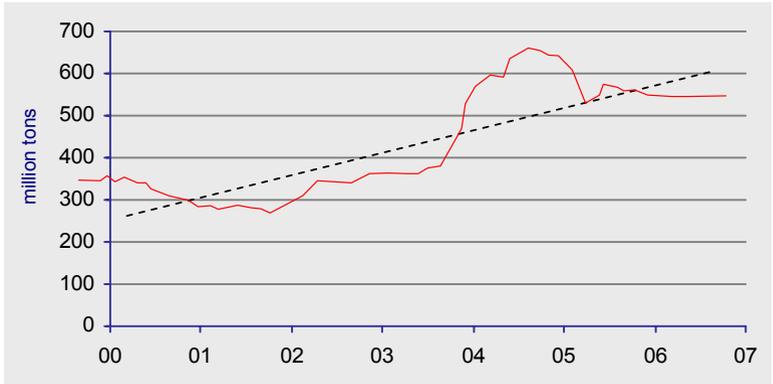
- ✓ In 2005 global steel consumption exceeded 1bn tons, while its production volumes increased by 6.1% and exceeded 1.1bn tons
- ✓ In H1 2006 global steel production amounted to 595,7m tones which is 7,9% higher compared to H1 2005
- ✓ As per IISI, MMK's key markets – Russia/CIS, Middle East and Africa are among the fastest-growing in the world

...Especially Visible in MMK's Key Markets...



Source: AME Steel Outlook, May 2006

... Entails Global Increase in Average Steel Prices

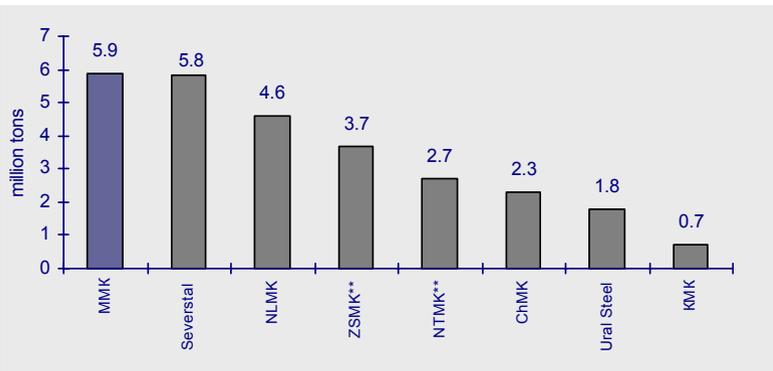


Source: MEPS

Leading Russian Steel Producer...

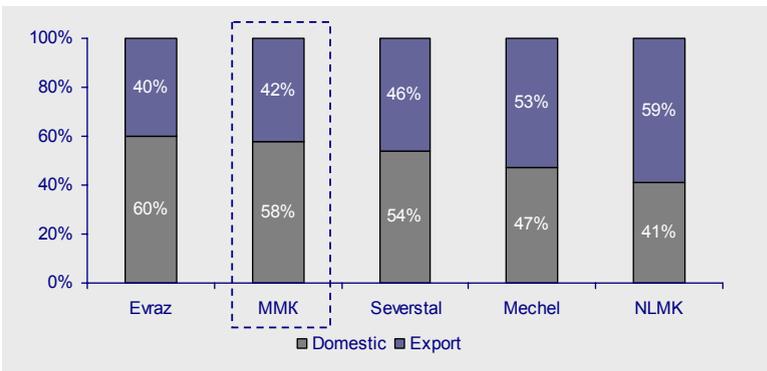


Leading Russian Steel Producers in H1 2006*: Production Volumes



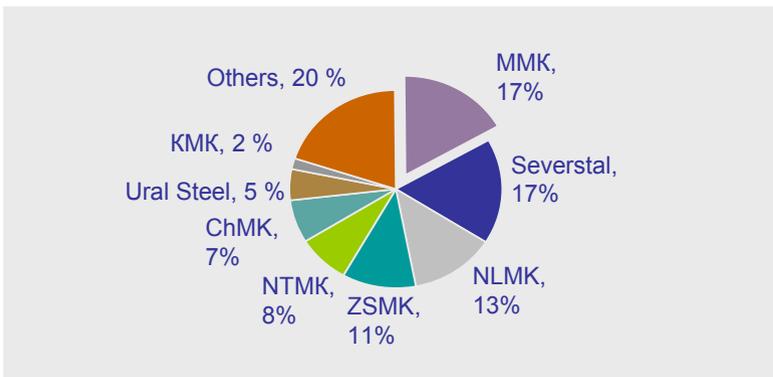
* - data related to individual steel plants ** - part of Evraz holding
Source: Chermet

Large share of domestic sales – well positioned to exploit the more favorable steel prices in Russia (2005)



Sources: companies' annual reports

Share of MMK in Russian Steel Production in H1 2006



Source: Chermet

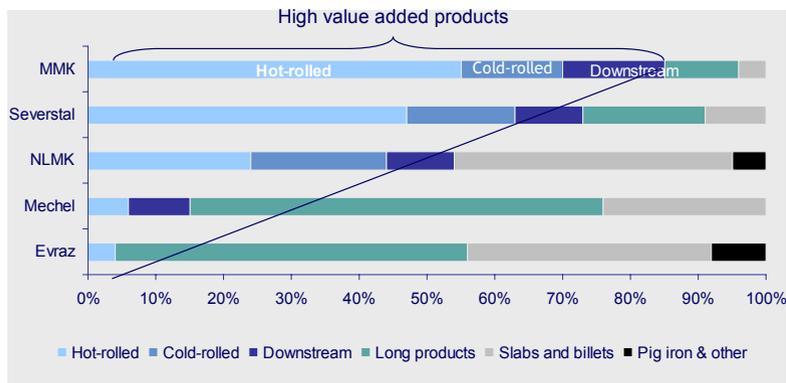
Comments

- ✓ MMK is one of the largest Russian steelmaking companies
- ✓ MMK's development strategy is focused on domestic market with sustainable growth of steel consumption. In 2005 the share of domestic sales amounted to 58%
- ✓ MMK is best positioned to benefit from potential growth of domestic demand:
 - geographical proximity to main customers
 - long-term relationships with key Russian steel-consuming companies

... Focused on High Value Added Products



Highest Share of Value Added Products (2005)

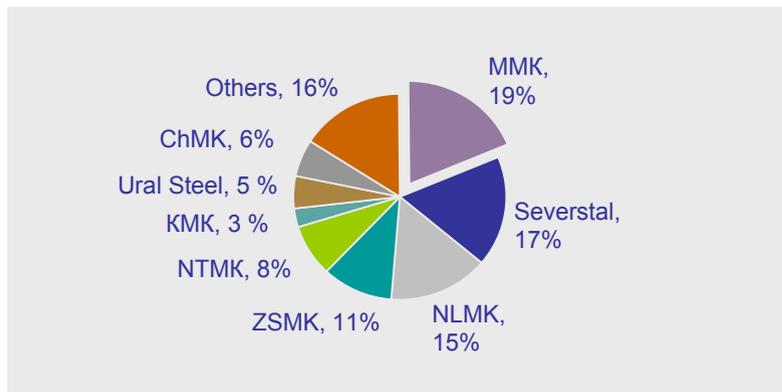


Source: companies' annual statements

Comments

- ✓ MMK is focused on increasing production of cold rolled steel and downstream products and reducing the share of semi-finished steel
- ✓ MMK holds the leading market position in some value added products:
 - Tinplate – in H1 2006 MMK shipped 107,000 tons to domestic market covering 67% of Russian demand for tinplate
 - Cold-formed sections – MMK is one of the largest Russian producers of high strength sections; shipments in H1 2006 amounted to 81,000 tons representing 56% of the market
 - Galvanized steel – in H1 2006 domestic sales of MMK's galvanized coils and sheets amounted to 193,000 tons which represents 25% of the market
 - Colour coated products – in H1 2006 MMK's domestic sales amounted to 70,000 tons or 23% of the total color coated steel market

MMK's Share in Russian Rolled Products Output (H 1 2006)

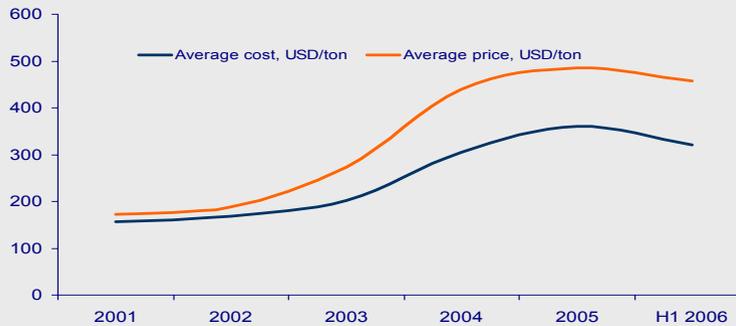


Source: Chermet

Competitive Cost Position

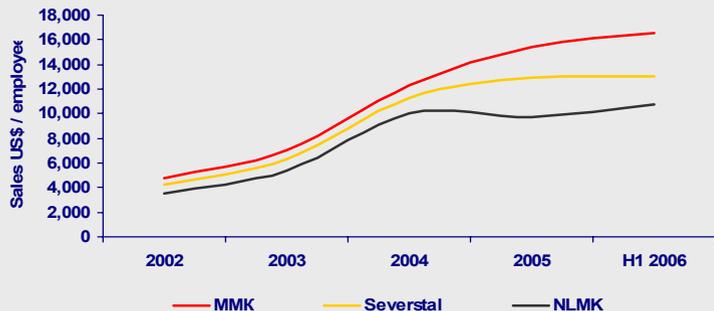


Improving Production Efficiency



Source: MMK financial statements

High Labour Productivity

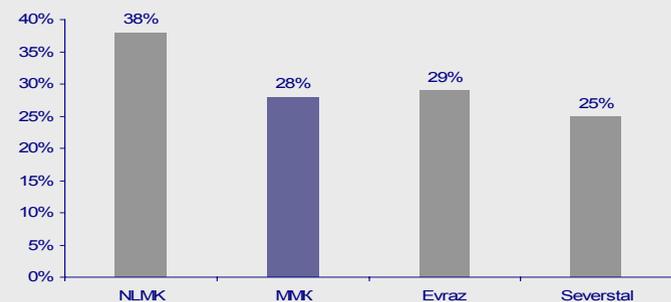


Source: Chermet

Cost Reduction Program

- ✓ MMK is one of the most efficient steel producers in the world
- ✓ In spite of rising raw material prices, MMK managed to maintain competitive prices of its steel products with steel prices rising faster than MMK's production costs. MMK benefits from:
 - ✓ higher labour productivity comparing to other Russian steelmakers
 - ✓ extensive captive power generation capacity
 - ✓ large-scale utilization of waste gases and waste heat

High EBITDA Margin (H1 2006)

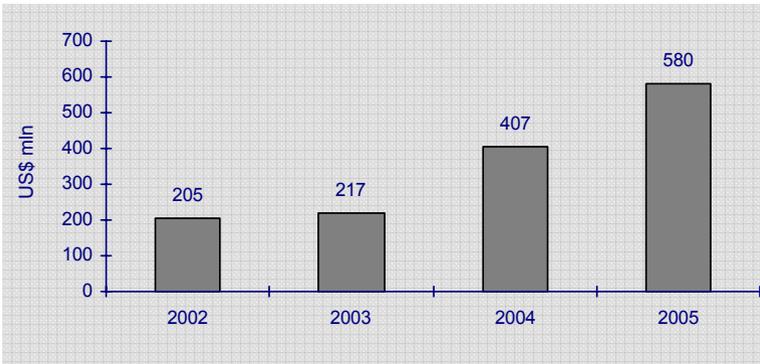


Source: companies' financial statements

Maximum Efficiency in Allocation of Funds



Large-Scale Investments in 2002 - 2005...

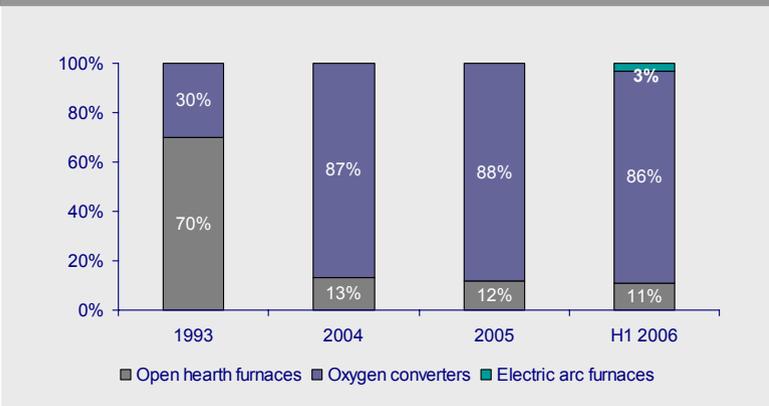


Source: MMK US GAAP financial statements

Successful Implementation of Modernization Program

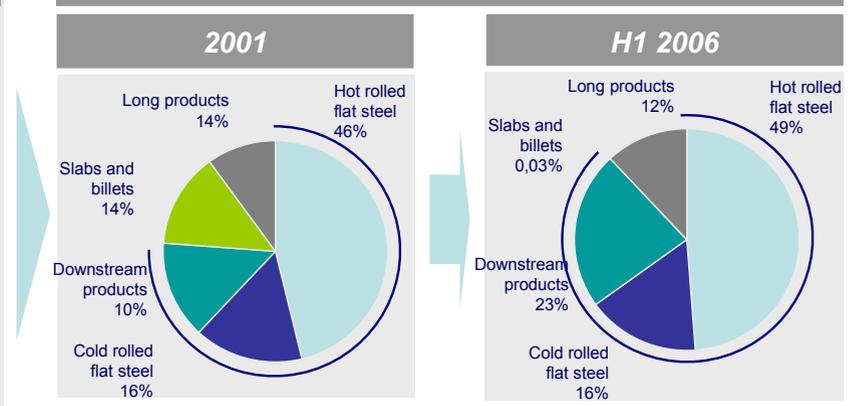
- ✓ MMK is one of the most efficient Russian steel producers and operates the most modern production facilities thanks to the extensive modernization program implemented in 1996 – 2005
- ✓ In the last 10 years MMK invested over US\$2bn which resulted in significant increase of production capacity and efficiency growth for all product types

... result in MMK Operating State-of-Art Production Facilities...



Source: MMK

... and Producing an increasing proportion of Higher Value Added Products



Source: MMK

Experienced Management Team



Victor F. Rashnikov
President
Experience at MMK – 39 years

- ✓ Professional and efficient team
- ✓ Successful track record of implementation of numerous complex projects
- ✓ Strategic vision to respond to market demands
- ✓ High standards of corporate governance



Andrey A. Morozov
Vice President for Corporate Affairs
Experience at MMK – 32 years



Igor V. Vier
Vice President for Commerce
Experience at MMK – 23 years



Marina A. Zhemchujeva
Chief Accountant
Experience at MMK – 25 years



Sergey V. Krivoschekov
Vice President for Property
Experience at MMK – 23 years



Guennady S. Senichev
Vice President – MMK
Executive Director
Experience at MMK – 36 years



Rafkat S. Takhautdinov
Vice President for Strategy
Experience at MMK – 26 years



Vladimir I. Shmakov
Vice President for Economics
and Finance
Experience at MMK – 23 years



Arkadiy V. Chernov
Head of Administration
Experience at MMK – 30 years



- Company Overview
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- ✓ Development Strategy
- Key Financial Indicators

Key Strategic Objectives



MMK is focused on enhancing its long-term competitiveness in the world steel market

Increase of steel production and market share

- ✓ Increase of domestic sales and expansion into fast-growing international markets
- ✓ Establishment of long-term relationships with Russian customers

Targeted investments for efficiency improvement

- ✓ Further modernization of production facilities
- ✓ Focus on high value added products
- ✓ Acquisition of assets in fast-growing international markets
- ✓ Maintaining moderate and conservative financial policy

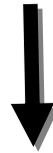
Further cost reduction and efficiency improvement

- ✓ Modernization of sinter, coke and pig iron production facilities (blast furnaces)
- ✓ Implementation of energy projects
- ✓ Establishment of cost control system
- ✓ Improvement of corporate governance principles

Secure supplies of raw materials

- ✓ Long-term contracts for supplies of iron ore materials, coking coal and scrap
- ✓ Expansion of captive raw materials base
- ✓ Establishment of integrated relationships with mining companies

Key investment program objectives



High-yield projects

- ✓ Revamping of hot mills 2000 and 2500
- ✓ Modernization of cold rolling shops
- ✓ Construction of hot dip galvanizing line №2
- ✓ Construction of plate mill

Cost reduction projects

- ✓ Complex of projects in BOF and EAF steelmaking shops
- ✓ Energy projects
- ✓ Modernization of sinter production facilities
- ✓ Modernization of blast furnaces: installation of bell-less top charging units (BLT) and pulverized coal injection systems (PCI)
- ✓ Modernization of coke and by-products division

Environmental projects

- ✓ Converter gas recovery
- ✓ Production waste utilization

Strategy of Raw Materials Supply



Iron ore

Iron ore is purchased on the Russian and CIS markets under yearly contracts

Coal

Coal is purchased on the Russian and CIS markets under yearly contracts

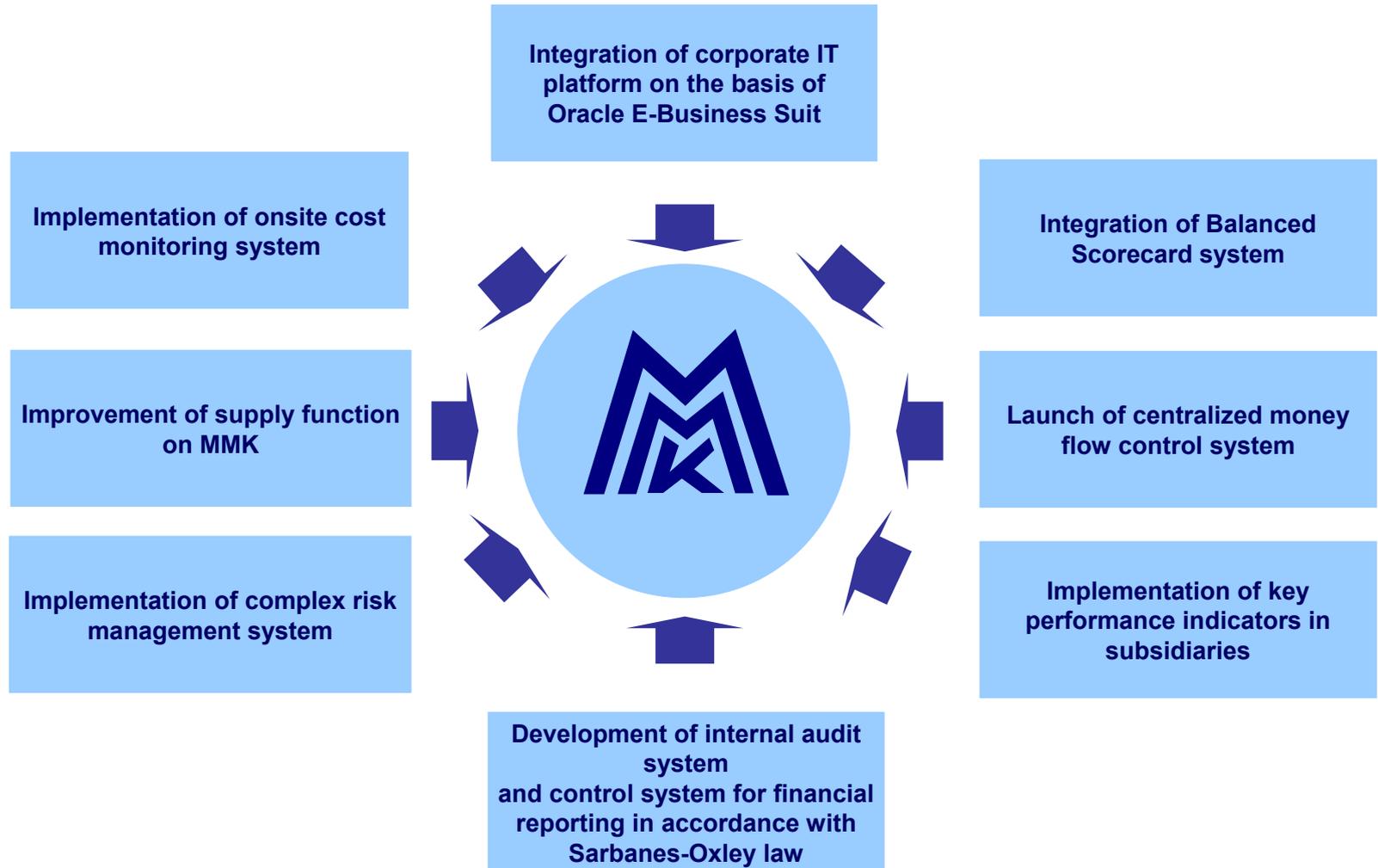
Scrap

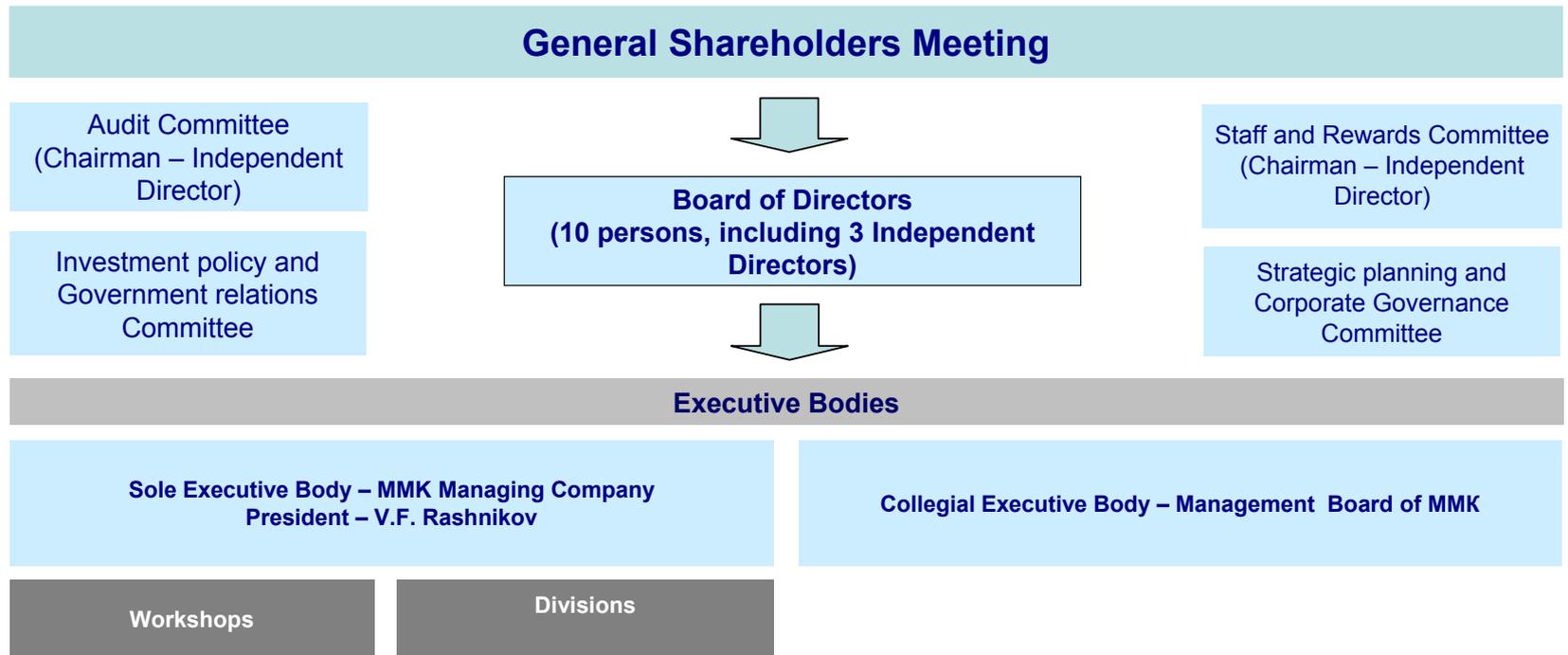
99% of scrap is supplied by a strategic partner through a scrap-collecting network

Procurement Strategies for Major Raw Materials

- ✓ Entering into long-term agreements for iron ore, coking coal and scrap supplies
- ✓ Expansion of MMK's raw material base including:
 - construction of a coal-mining complex in the Kuznetsk basin
 - construction of an iron ore mining and processing plant in Russia
 - construction of iron making facilities based on blast furnace-free technologies (DRI etc.)
- ✓ Establishment of integrated relationships with mining companies in Russia, CIS and overseas
- ✓ Acquisition of mines will be considered only where significant economic and strategic rationale exists

Major efficiency enhancement projects





- ✓ First Russian steel company to adopt the corporate governance code
- ✓ Establishment of MMK Managing Company
- ✓ Independent Directors in the Board of Directors
- ✓ 4 Committees in the Board of Directors have been formed
- ✓ RAS and US GAAP financial statements are published and audited
- ✓ MMK started implementation of Sarbanes-Oxley internal control system



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Key Financial Indicators

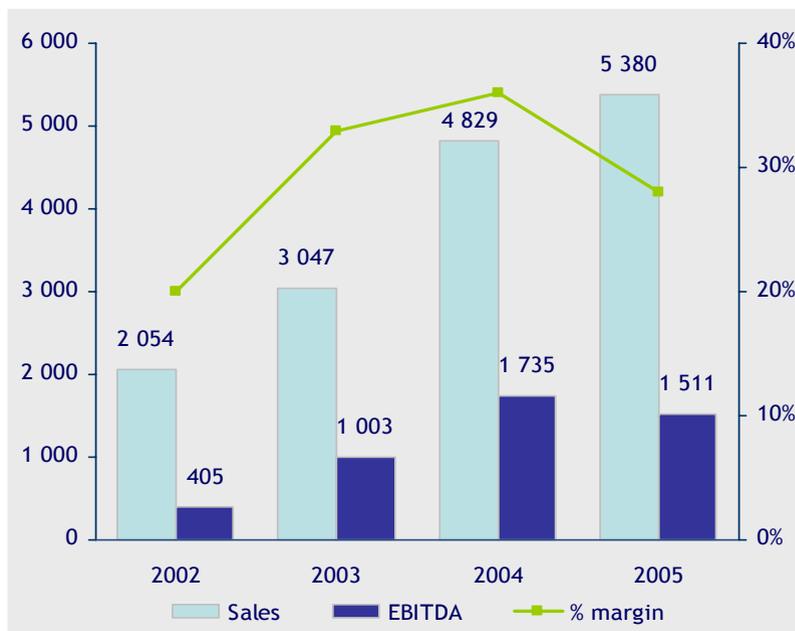


Financial Highlights (US\$ mln)

	2003	2004	2005	H1 05	H1 06
Sales	3,047	4,829	5,380	2,695	2,780
% growth	48.30%	58.50%	11.40%		3.15%
EBITDA	1,003	1,735	1,511	819	785
% margin	32.90%	35.90%	28.00%	30.39%	28.20%
Net income	608	1,232	947	523	588
Capex	217	407	580	308	310
% of sales	7.10%	8.40%	10.80%	11.43%	11.20%
Operating cash flow	585	1,010	1,255	450	660
% EBITDA	58.30%	58.20%	83.10%	54.95%	84.10%
Dividends	5	14	947	483	423
Debt	599	1,235	639	639	875
Cash	824	2,093	1,138	1,138	1,213

Source: US GAAP

Dynamics of Sales and EBITDA (US\$ mln)



Credit History & Market of Shares



Debt market

		 Moody's Investors Service	
<u>Initial</u>	B/positive 14/11/01	B1/stable 14/11/01	BB-/stable 03/10/03
<u>Current</u>	BB/stable 02/10/06	Ba3/positive 10/09/03	BB-/stable 08/02/05
<u>Tendency</u>			

In 2002 and 2003 MMK placed two issues of eurobonds for EUR 100 m and US\$ 300 m accordingly in Luxemburg Stock Exchange

Coupon rate and circulation period were 10% and 3 years for EUR 100 m eurobonds, and 8% and 5 years for US\$ 300 m. bonds accordingly

Market of Shares

On December 26, 2005, RTS and MICEX started trading of MMK's ordinary shares

Currently about 1% of shares are in trading

