



**2006 First Half Results Presentation**  
**October 11, 2006**

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A vertical strip on the left side of the slide, containing a collage of industrial images: a crane, stacks of white material, metal rollers, a factory interior with a large structure, a bright light source, and a truck in a mining or construction setting.

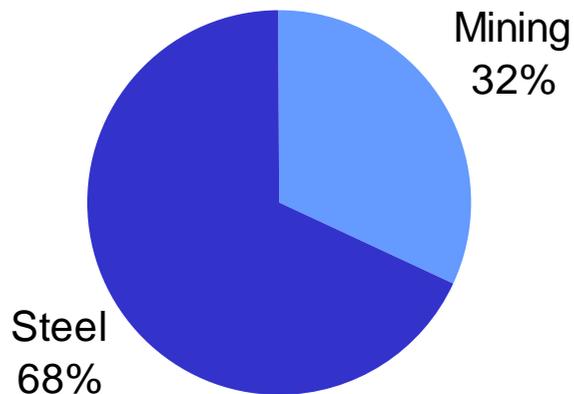
# Introduction and Overview

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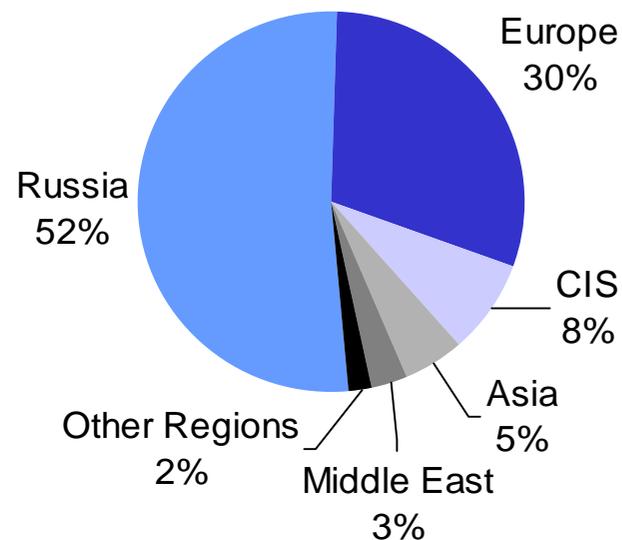
# Results Overview

- ◆ Net income in 1H06 was \$181.7 million on revenues of \$1.93 billion
- ◆ Consolidated EBITDA margin of 17.9%
- ◆ Actions to further expand mining segment – commissioning of Olzherasskaya mine
- ◆ Efficiency improvement programs in the steel segment yielding positive results, as EBITDA margin for the steel segment increased from 6.9% to 15.1%
- ◆ Maintained leadership in core products
  - 2<sup>nd</sup> largest coking coal producer and exporter
  - 2<sup>nd</sup> largest long product producer

Revenue breakdown by product, 1H06



Revenue breakdown by region, 1H06



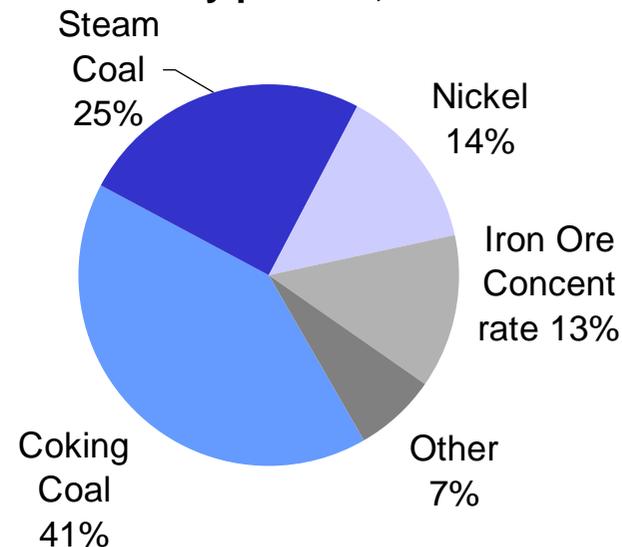
# 1H 2006: Mining Segment

- ◆ Operating income of \$96.4 million on revenues of \$613.5 million.
- ◆ EBITDA margin of 19.2%\*
- ◆ Mining segment EBITDA represented 42.6% of consolidated EBITDA
- ◆ Sales to 3<sup>rd</sup> parties increased to 80.2% of total segment revenues
- ◆ Strong segment output growth
- ◆ Solid growth in iron ore concentrate and nickel further strengthens our self-sufficiency in raw materials

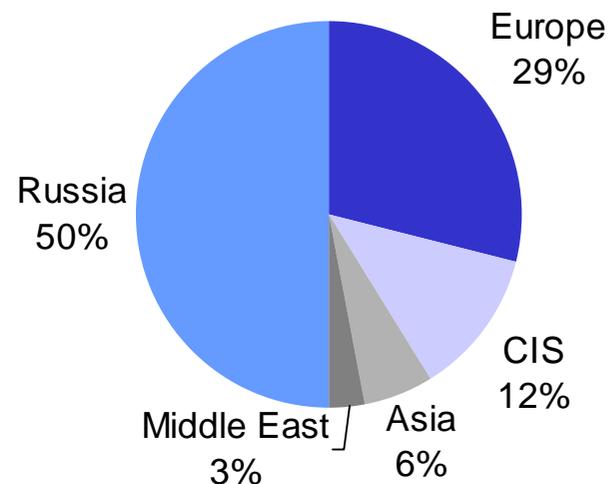
Product output, 1H06	Thousand tonnes	1H06vs.1H05, %
Coal	8,094	+8
Coking coal	4,497	+9
Steam coal	3,597	+6
Iron ore concentrate	2,391	+8
Nickel	6.97	+25

\* was corrected for comparison with other companies, margin is calculated out of consolidated revenues of the segment, including intersegment sales

Revenue by product, 1H06



Revenue by region, 1H06



# 1H 2006: Mining Segment

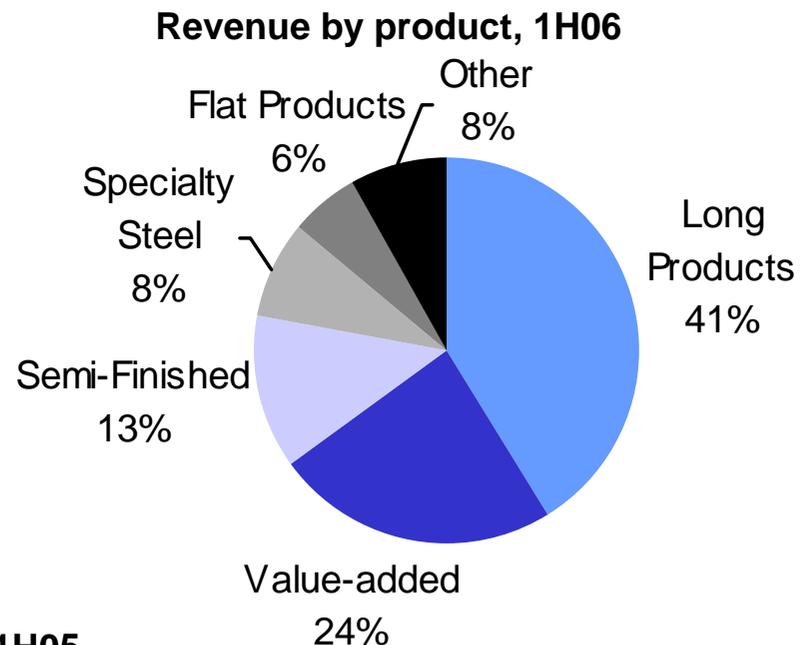
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## Implementation of strategy in the mining segment

- ◆ Commissioning of Olzherasskaya mine – increased coal output by 1.8 million tonnes in 2007 and by 3 million tonnes annually starting from 2010
- ◆ Erunakovskaya mine – construction to begin in 4Q 2006. Increased annual coal extraction by 1.5 million tonnes in 2010
- ◆ Sibirginsk mine (second extension) – construction to begin in 4Q 2006. Increased annual coal output from 1.5 to 3 million tonnes
- ◆ Expansion of Sibirginsk Open Pit Mine – underway. Increased annual coking coal output by 1.5 million in 2010
- ◆ Korshunov Mining Plant – expansion of concentrate production facilities

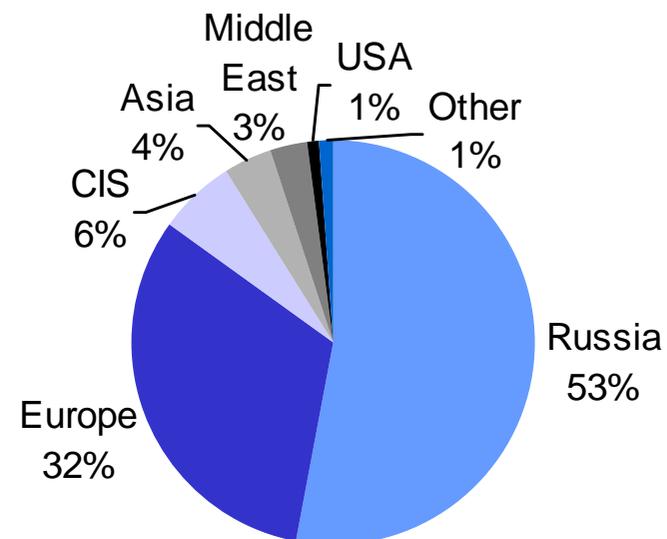
# 1H 2006: Steel Segment

- ◆ Revenues from 3<sup>rd</sup> parties of \$1,313 million in 1H06
- ◆ EBITDA margin of 15.1%\*
- ◆ Steel segment EBITDA constituted 57.4% of consolidated EBITDA
- ◆ Net income generated by the segment soared by 991.5% compared to the first half 2005
- ◆ EBITDA margin rose to 15.1% from 6.9%



Product output, 1 H06	Thousand tonnes	1H06vs.1H05, %
Hardware	288	+7
Rolled products	2,276	- 6
Flat products	192	+26
Long products	1,215	+2
Steel	2,865	- 7
Pig iron	1,728	- 6
Coke	1,078	- 21

**Revenue by region, 1H06**



\* was corrected for comparison with other companies, margin is calculated out of consolidated revenues of the segment, including intersegment sales

# 1H 2006: Steel Segment

## Implementation of strategy in the steel segment

### ◆ Chelyabinsk Metallurgical Plant:

- Sinter plant commissioned in full: savings in 1H 2006 – \$10.3 million, expected for FY 2006 – \$ 38.5 million
- Concaster #4 to be commissioned in 4Q 2006

### ◆ Beloretsk Metallurgical Plant:

- Modernization of hardware equipment. Increase in production of copper-plated welding wire by 7,500 tonnes a year.
- Modernization of continuous wire mill. Increase in wire-rod capacity by 85,000 tonnes a year.

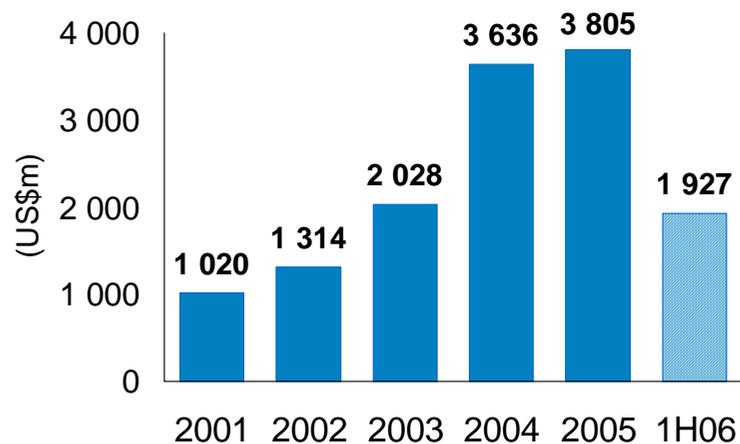


**Financial Review**

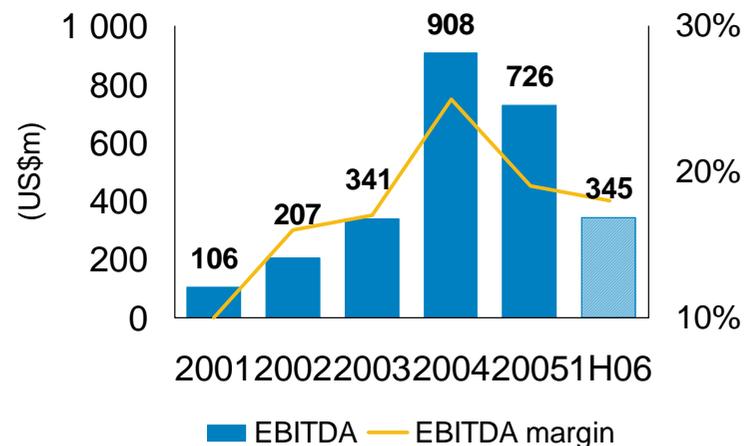
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# Financial performance

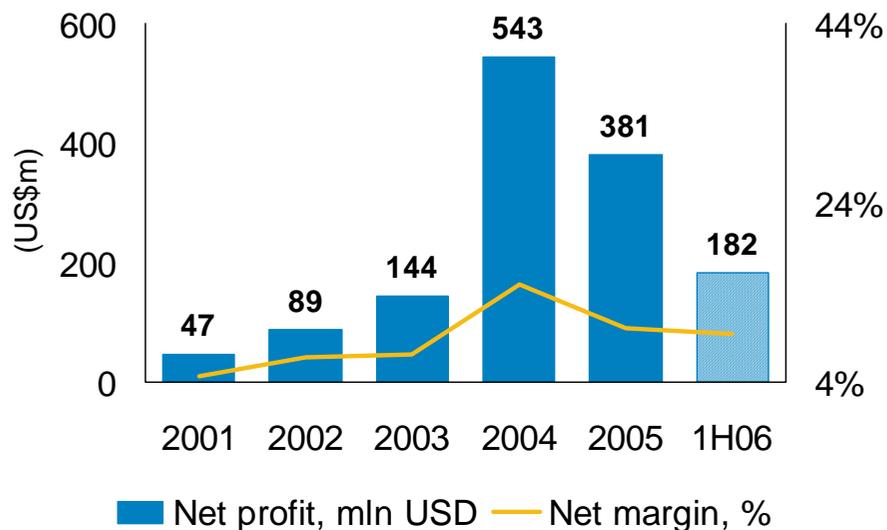
## Revenues



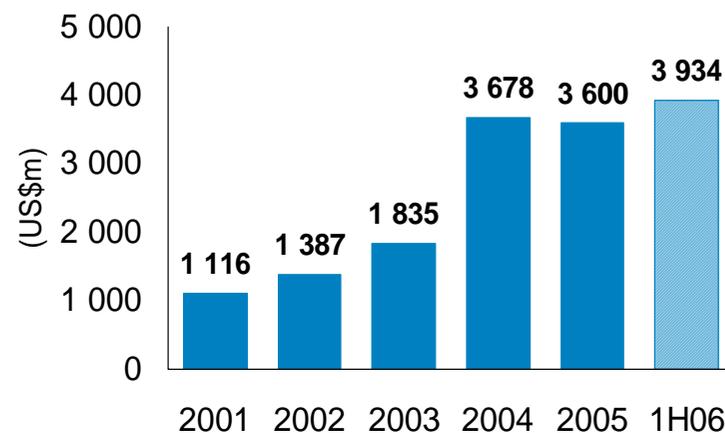
## EBITDA\*



## Net profit \*



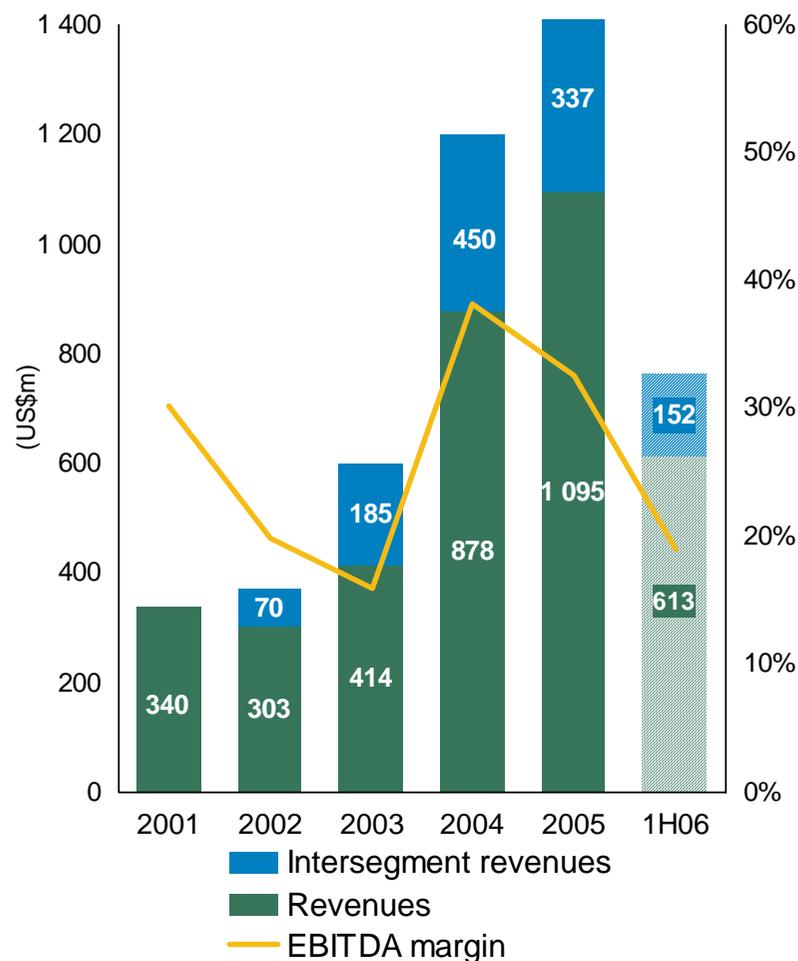
## Total assets



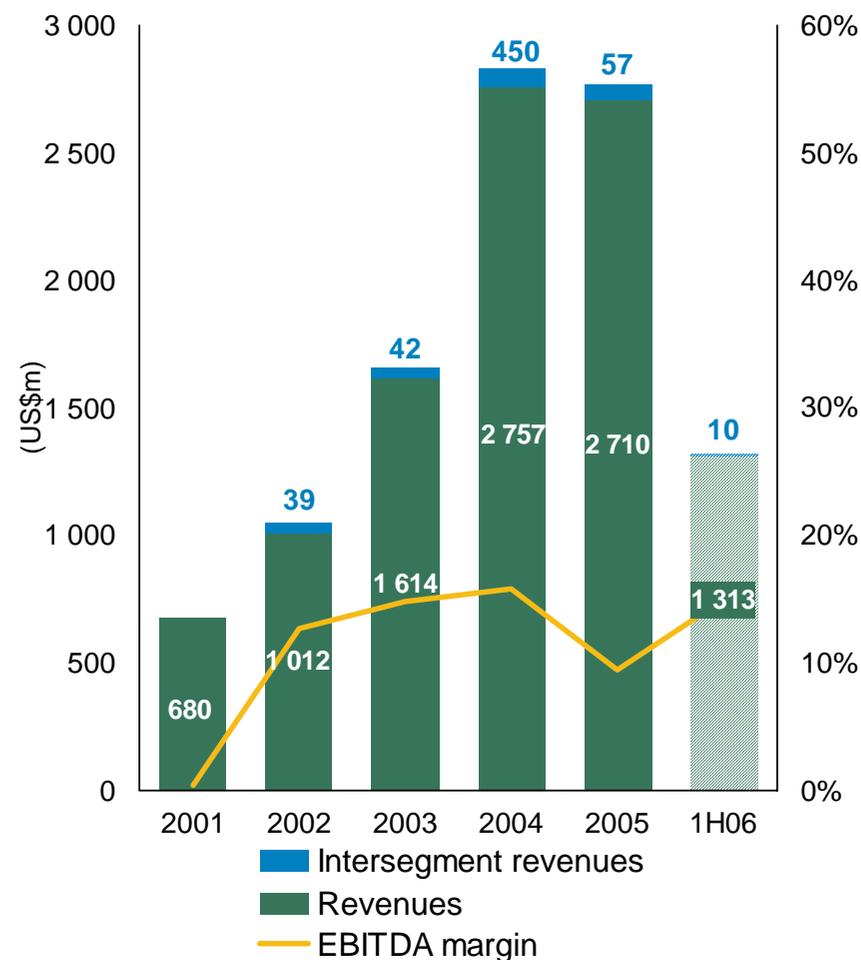
\* Excluding gain on the sale of the stake in MMK in 2004

# Segment operations

## Mining segment



## Steel segment

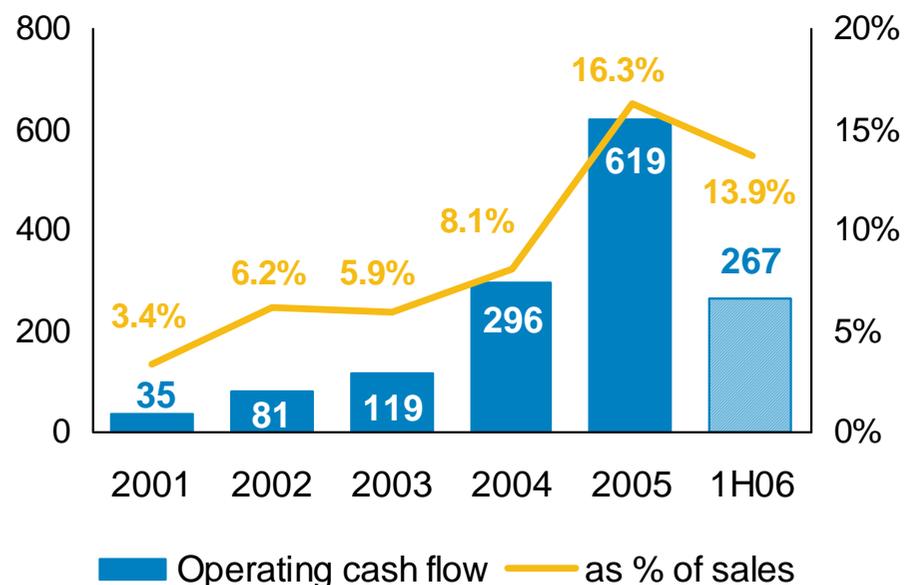


NOTE: EBITDA margin calculated by dividing reported EBITDA by total revenues, including intersegment revenues

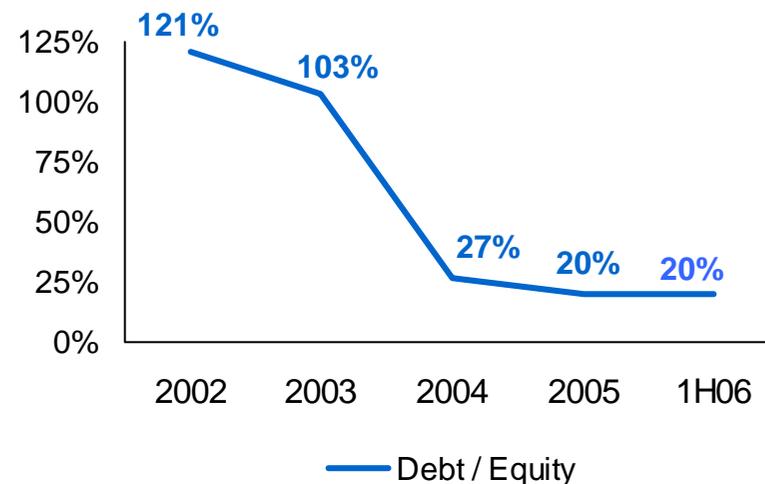
# Strong balance sheet to support growth

- ◆ Sound cash flow generation
- ◆ Strong balance sheet
- ◆ US\$122 million net debt position provides significant financial flexibility to:
  - Fund capex program
  - Pursue value enhancing M&A opportunities
  - Pay dividends in line with new dividend policy

## Operating cashflow



## Debt / equity

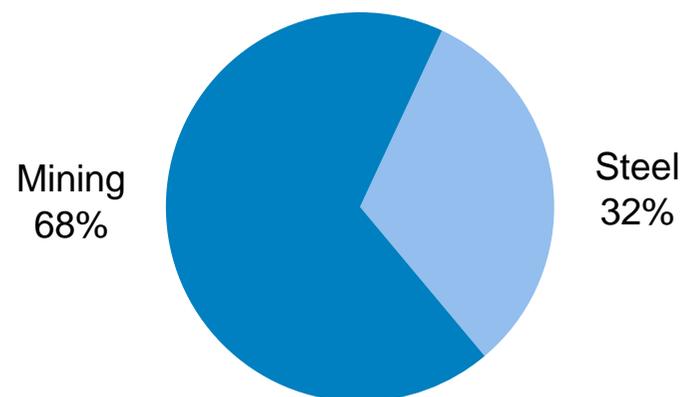


# Disciplined approach to spending

## 2006-2010 Capex program

	US\$m	Comments
<b>Mining</b>		
Coal	680	<ul style="list-style-type: none"> <li>◆ Mine development: Olzherasskaya, Erunakovskaya-1, Sibirginsk</li> <li>◆ Construction of Sibirginsk washing plant</li> <li>◆ Mining equipment</li> </ul>
Iron ore	70	<ul style="list-style-type: none"> <li>◆ Mine development: Krasnoyarskoye</li> </ul>
<b>Steel</b>	<b>350</b>	<ul style="list-style-type: none"> <li>◆ Concaster</li> <li>◆ Coke battery</li> <li>◆ Maintenance</li> </ul>
<b>TOTAL</b>	<b>1,100</b>	

## 2006-2010 Capex breakdown



# Compelling investment case

**Low-cost vertically integrated producer, almost fully self-sufficient in key raw materials**

**Strong mining business: 2<sup>nd</sup> largest coking coal producer and the largest exporter**

**NYSE-listed, Commitment to highest corporate governance standards**



**Strong platform for growth supported by conservative balance sheet**

**Track record of realizing synergies on the back of integration between subsidiaries**

**Able to increase production and lower costs with targeted capex**