



**MAGNITOGORSK  
IRON & STEEL  
WORKS**

OPEN JOINT STOCK COMPANY

# Presentation of the OJSC MMK Group 9M 2007 US GAAP Financial Statements



The presentation contains selected data from the financial statements of MMK Group.  
Detailed information is provided in the financial statements of the Group for 9 months 2007 prepared according to US GAAP.

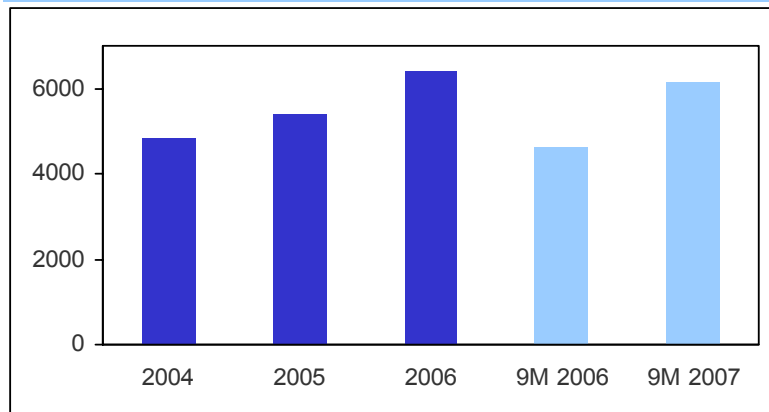
## MMK Group Operations and Income Statement

	9 Months, USD m		Change compared to same period of previous year	
	2007 год	2006 год	USD m	%
Revenue	6,150	4,648	1,502	32.3%
Operating income	1,626	1,302	324	24.9%
<i>Revenue margin</i>	26.4%	28.0%		
Income before income tax and minority interest	1,783	1,408	375	26.6%
<i>Revenue margin</i>	29.0%	30.3%		
Net income	1,393	1,069	324	30.3%
<i>Revenue margin</i>	22.7%	23.0%		
Comprehensive income	1,720	1,069	651	60.9%
<i>Revenue margin</i>	28.0%	23.0%		
EBITDA*	1,821	1,447	374	25.8%
<i>EBITDA margin</i>	29.6%	31.1%		
Basic and diluted earnings per common share (USD)	0.130	0.105	0.025	23.8%

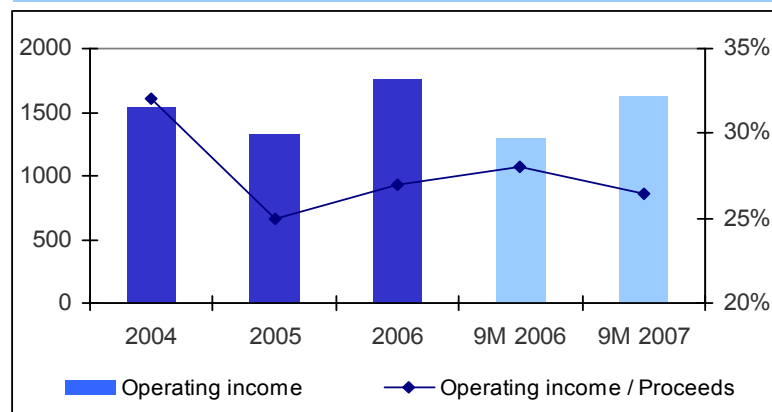
\* EBITDA = Operating income + Depreciation of assets + Loss on disposal of fixed assets

# MMK Group Key Performance Indicators

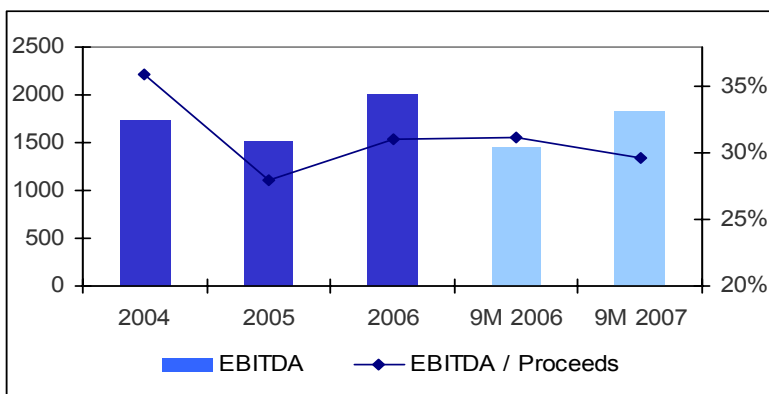
Sales proceeds, UCD m



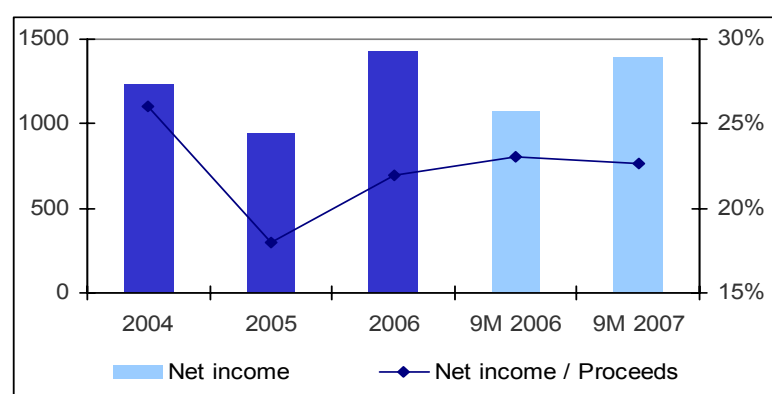
Operating income, USD m



EBITDA, USD m



Net income, USD m



# MMK Group's Key Financial Indicators

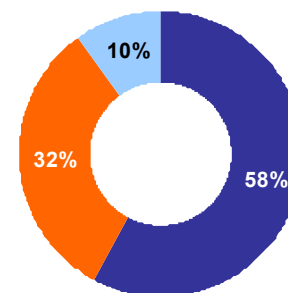
## MMK Group's Sales

	9 Months, USD m		Change compared to same period of previous year	
	2007	2006	USD m	%
OJSC MMK's proceeds	3,560	2,669	891	33.4%
Group's steel traders' proceeds	1,980	1,617	363	22.5%
Group's other companies' proceeds	610	362	248	68.5%
<b>Total proceeds</b>	<b>6,150</b>	<b>4,648</b>	<b>1,502</b>	<b>32.3%</b>



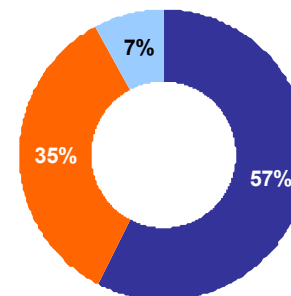
## MMK Group's Sales in USD

9M2007 г.



■ OJSC MMK  
■ Steel traders\*  
■ Other companies

9M2006 г.



\* MMK Steel Trade AG  
MMK Trading AG

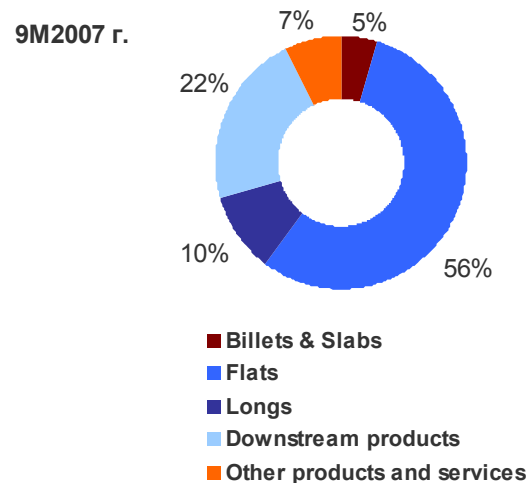
# MMK Group's Key Financial Indicators (continued)

## Proceeds by type of product

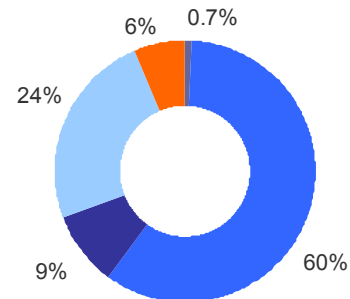
	9 Months, USD m		Change compared to same period of previous year	
	2007	2006	USD m	%
Billets and slabs	290	33	257	X8.7
Flat products	3,419	2,754	665	24.1%
Long products	628	425	202	47.6%
Downstream products	1,374	1,137	237	20.9%
Other products and services	439	299	141	46.8
<b>Total proceeds</b>	<b>6,150</b>	<b>4,648</b>	<b>1,502</b>	<b>32.3%</b>



## Proceeds by type of product in USD



9M2006 г.

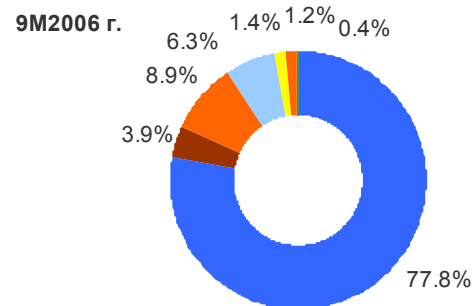
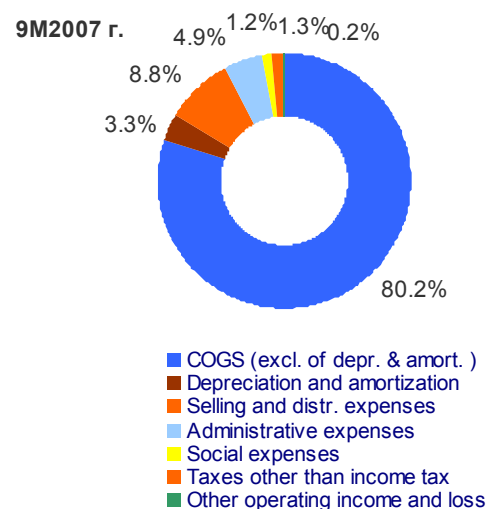


# MMK Group's Operating Costs' Structure

## MMK Group's operating costs

	9 Months, USD m		Change compared to same period of previous year	
	2007	2006	USD m	%
Cost of products sold (excl. of amortization and depreciation)	3,644	2,624	1,020	38.9%
Depreciation and amortization	152	132	20	15.2%
Selling and distribution expenses	399	301	98	32.6%
Administrative expenses	225	213	12	5.6%
Social expenses	56	48	8	16.7%
Taxes other than income tax	59	41	18	43.9%
Loss on disposal of plant and equipment	43	13	30	x3.3
Other operating income and loss	- 54	- 26	- 28	107.7%

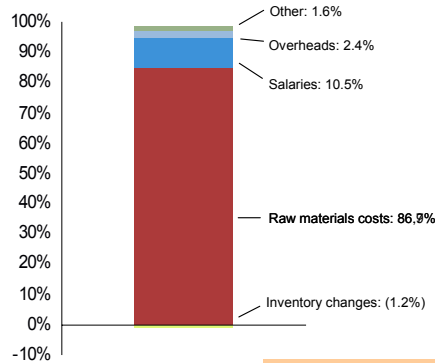
## MMK Group's operating costs in USD



# Cost Structure Analysis

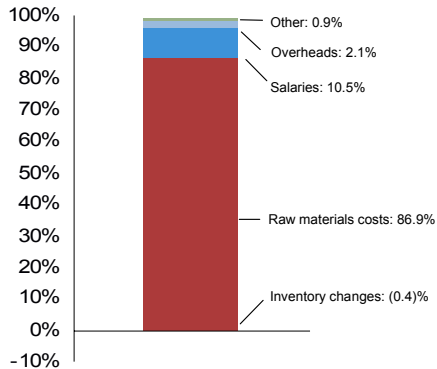
## Cost of Goods Sold Breakdown, MMK Group

9M2007



**Total: 3,664 USD m**

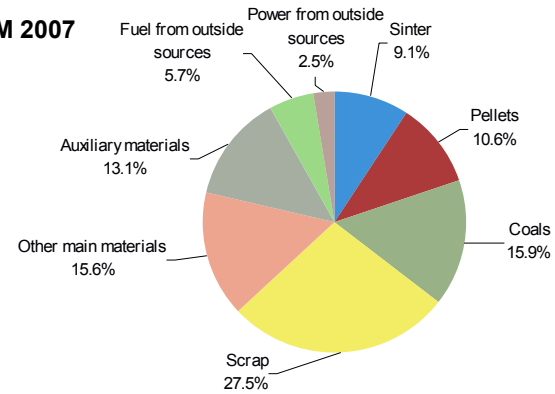
9M2006



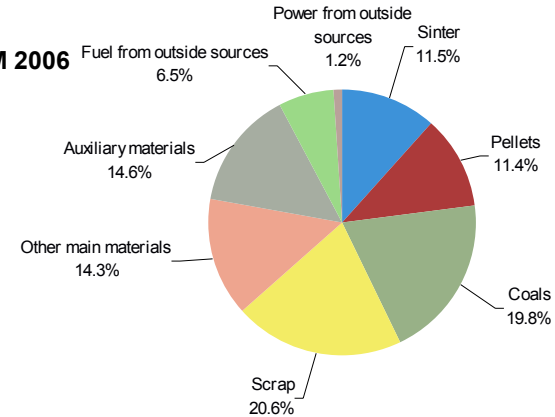
**Total: 2,624 USD m**

## MMK's Material Costs in USD m <sup>(1)</sup>

9M 2007



9M 2006



1. Includes only OAO MMK raw material expenses, which account for more than 90% of MMK Group costs

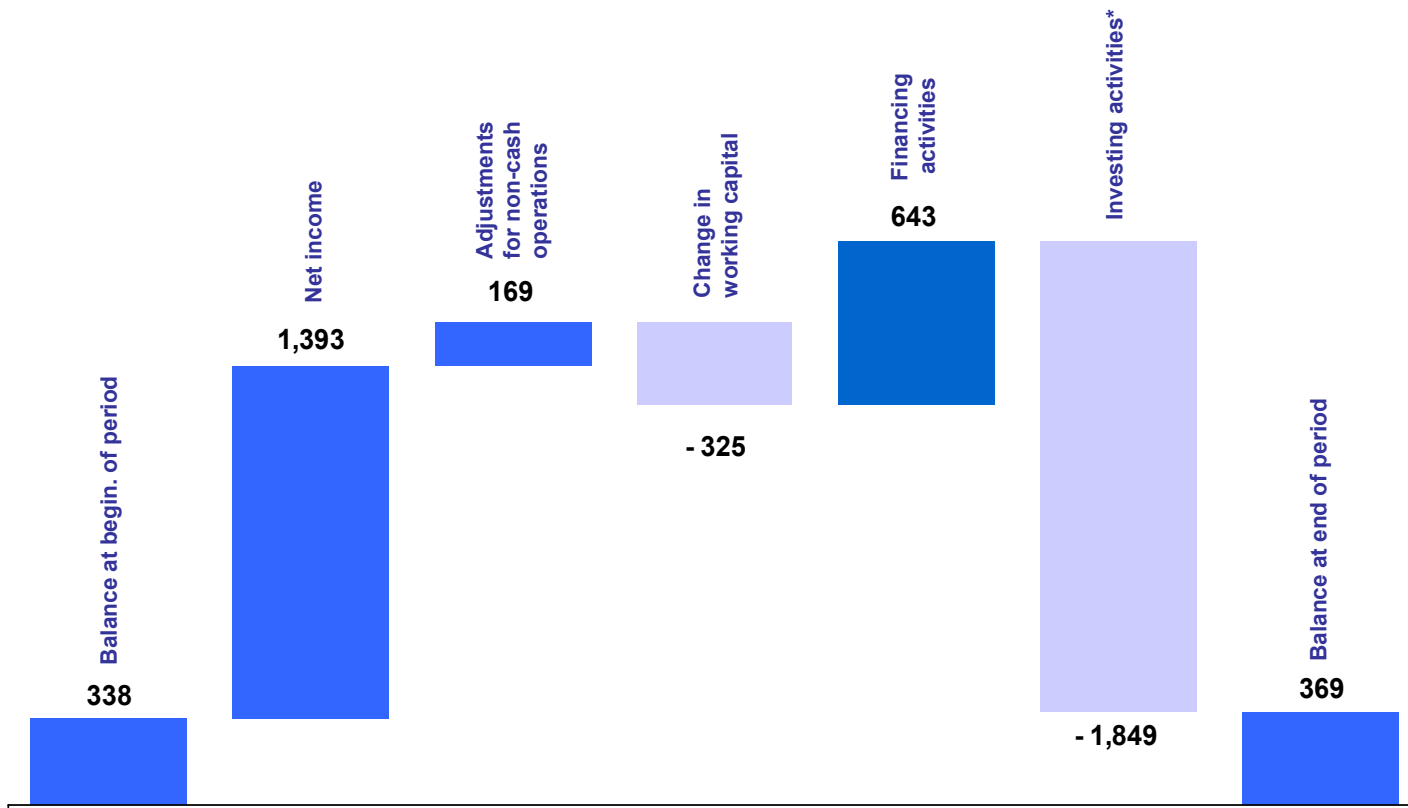
## MMK Group's Balance Sheet, USD m

	30.09.2007	31.12.2006	Change	%
<b>Current assets, including</b>	<b>4,055</b>	<b>2,480</b>	<b>1,575</b>	<b>63.5%</b>
<i>Cash and cash equivalents</i>	369	338	31	9.2%
<i>Short-term bank deposits</i>	1,283	228	1,055	462.7%
<i>Short-term investments</i>	368	325	43	13.2%
<i>Accounts receivable less allowance for doubtful accounts</i>	650	410	240	58.5%
<i>Inventories</i>	830	688	142	20.6%
<i>Other receivables and current assets</i>	555	491	64	13.0%
<b>Non-current assets, including</b>	<b>4,389</b>	<b>3,209</b>	<b>1,180</b>	<b>36.8%</b>
<i>Property, plant and equipment</i>	3,416	2,764	652	23.6%
<i>Long-term bank deposits</i>	115	109	6	5.5%
<i>Other non-current assets</i>	858	336	522	155.4%
<b>Total assets</b>	<b>8,444</b>	<b>5,689</b>	<b>2,755</b>	<b>48.4%</b>
<b>Long-term debt, including</b>	<b>774</b>	<b>686</b>	<b>88</b>	<b>12.8%</b>
<i>Long-term loans and capital lease obligations</i>	556	606	-50	-8.3%
<i>Other long-term debt</i>	218	80	138	172.5%
<b>Current liabilities, including</b>	<b>1,417</b>	<b>964</b>	<b>453</b>	<b>47.0%</b>
<i>Short-term borrowings</i>	642	400	242	60.5%
<i>Accounts payable</i>	311	225	86	38.2%
<i>Other accounts payable and current liabilities</i>	464	339	125	36.9%
<b>Minority interest</b>	<b>81</b>	<b>12</b>	<b>69</b>	<b>575.0%</b>
<b>Shareholders' equity</b>	<b>6,172</b>	<b>4,027</b>	<b>2,145</b>	<b>53.3%</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,444</b>	<b>5,689</b>	<b>2,755</b>	<b>48.4%</b>



# MMK Group's Cash Flows

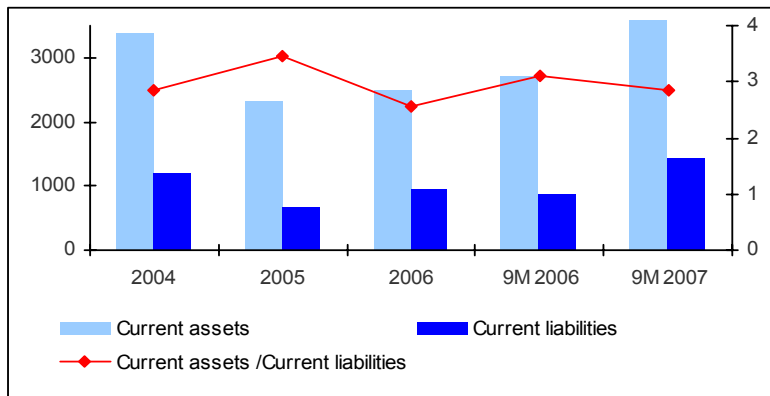
Change of cash balance during the 9 months 2007, USD m



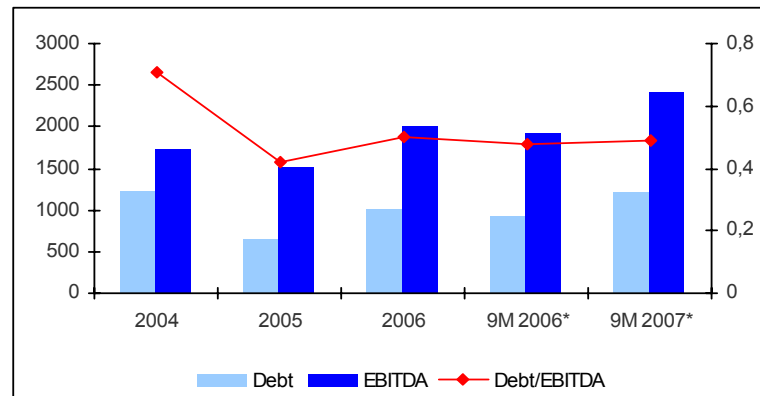
\* - Investing activities: USD 775 mln. – Purchase of property, plant and equipment and intangible assets; USD 1055 mln. – Net change in bank deposits

# MMK Group's Financial Position Indicators

## Current liquidity

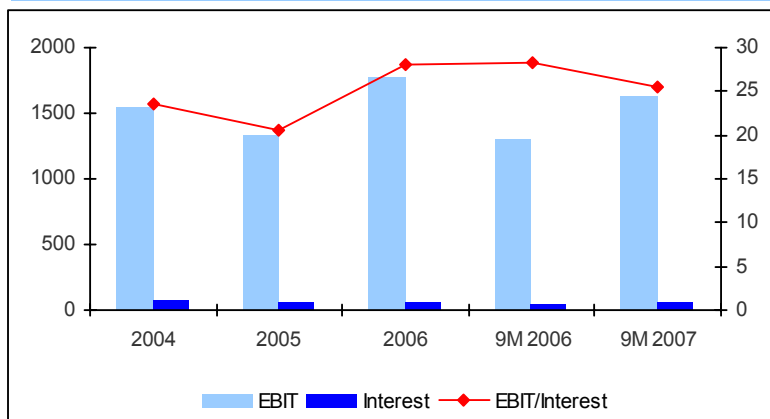


## Debt / EBITDA

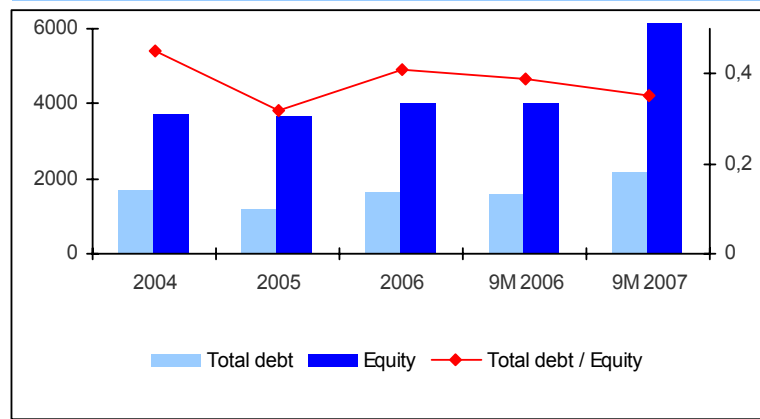


\* EBITDA calculated as 9 months EBITDA divided by 3 and multiplied by 4

## EBIT / Interest



## Total debt / Equity



## OJSC MMK's Key Production Indicators

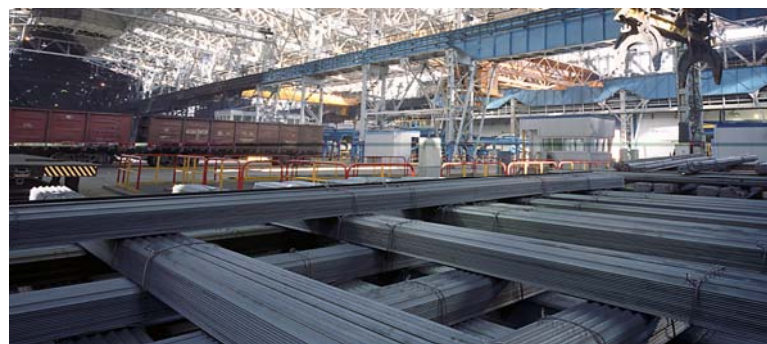
thousand tons

Description	2004	2005	2006	9M2006	9M2007	Change
6% humidity coke	5,872	5,576	5,496	4,194	4,048	-146
Pig iron	9,645	9,655	9,733	7,427	7,198	-229
Crude steel	11,281	11,385	12,455	9,187	9,934	747
<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>936</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>-189</i>



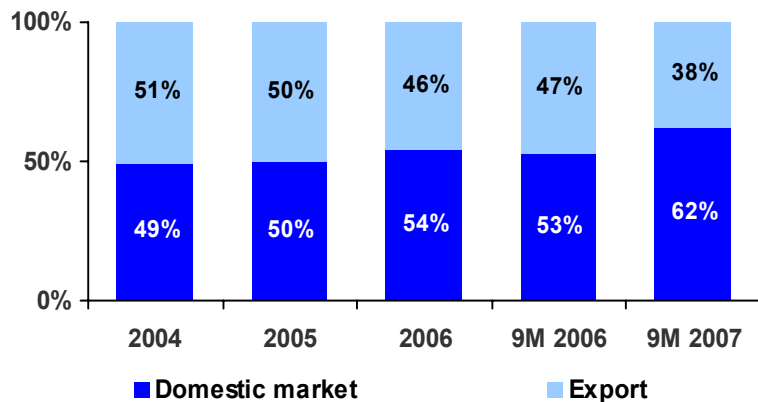
## Historical Structure of OJSC MMK's commercial products' mix

Description	thousand tons					
	2004	2005	2006	9M2006	9M2007	Change
Billets and slabs	722	425	332	121	588	467
Long products	1,174	1,098	1,707	1,248	1,384	136
Flat products	6,593	7,136	7,729	5,788	5,997	209
Downstream products	1,647	1,542	1,579	1,195	1,128	-67
<b>Commercial products</b>	<b>10,137</b>	<b>10,201</b>	<b>11,346</b>	<b>8,352</b>	<b>9,097</b>	<b>745</b>

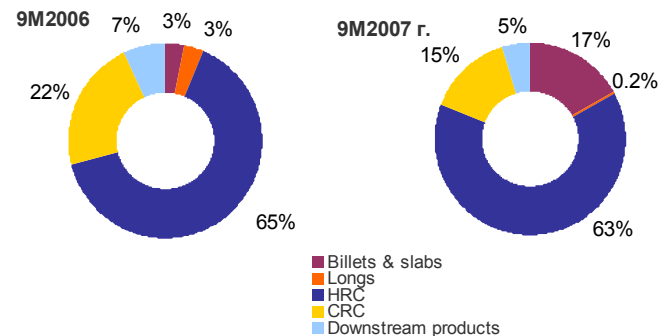


## OJSC MMK's Historical Product Mix By Market

### Domestic sales' growth in tonnes



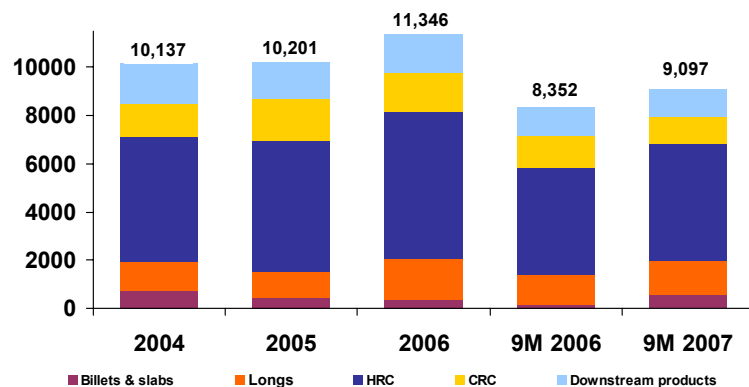
### Export shipments



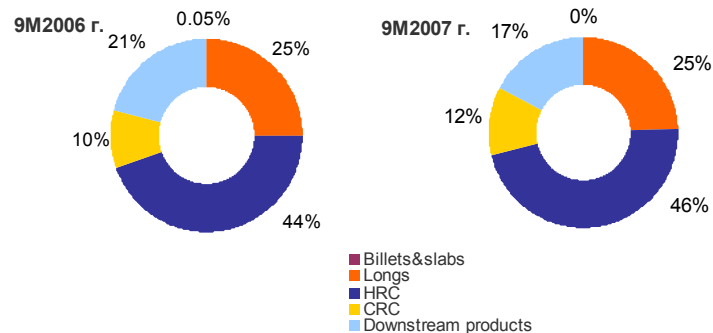
Total: 3,914 kt

Total: 3,487 kt

### Changes in shipments' structure in tonnes



### Changes in domestic shipments



Total: 4,438 kt

Total: 5,610 kt

## Significant Events Since the beginning of 2007

01.02.2007

MMK's 75<sup>th</sup> Anniversary

05.02.2007

MMK purchases a 51 % stake in OOO Bakalskoye Mine Administration  
Fitch raises OJSC MMK's rating from BB- to BB, with a "Stable" outlook

09.02.2007

MMK and TMK (Pipe Metallurgical Company) sign a Memorandum of Strategic Cooperation

06.03.2007

MMK and the CHTPZ Group (Chelyabinsk Pipe Rolling Plant) sign a General Agreement of Strategic Partnership

19.03.2007

MMK and ENRC sign a 10-year contract for delivery of iron ore materials produced by SSGPO (Sokolov Sarbaisky Ore Production Plant)

24.04.2007

MMK carries out its IPO with subsequent listing on LSE

25.04.2007

Moody's raises OJSC MMK's rating from Ba3 to Ba2

27.04.2007

Standard & Poor's upgrades MMK's rating outlook from "Stable" to "Positive"

23.05.2007

MMK announces its plans to implement a steel mill project in Turkey with a capacity of 2.4 mtpy of commercial steel products

## Significant Events Since the beginning of 2007 (continued)

05.07.2007	MMK and KAMAZ sign a Strategic Cooperation Agreement
13.07.2007	MMK's Board of Directors approves an updated programme of the Company's strategic development
13.07.2007	As part of the Investment Programme, the following 4 major contracts are signed: <ul style="list-style-type: none"><li>• Construction of a secondary steel treatment complex</li><li>• Modernization of the 2,500 mm Hot Strip Mill</li><li>• Construction of a cold rolling complex</li><li>• Construction of Colour Coating Line # 2</li></ul>
03.08.2007	As part of its domestic market strategy, MMK acquires a 25.67% stake in OJSC Bashmetalloptorg located in Ufa, capital of Bashkortostan
10.08.2007	As part of its domestic market strategy, MMK acquires a 75% stake in Interkos-IV, a company located in the Leningrad Region.
15.08.2007	As part of its strategy of international expansion, MMK purchases a 50% + 1 share stake in MMK Atakas Metalurji Sanayi, Turkey
17.08.2007	As part of its domestic market strategy, MMK divests its share in the authorized capital of OOO M-Port.
31.08.2007	S&P affirmed MMK's long term credit rating at the level "BB/ruAA". Outlook – "Positive".

## Significant events since the beginning of 2007 (continued)

05.09.2007	V.I. Motvienko, the Governor of Saint-Petersburg, and V.F. Rashnikov, the President of LLC MMK Managing Company, signed an Investment Agreement. According to this Agreement MMK by 2010 is planning to establish a factory for production of automotive stamped components and a steel service center in Saint-Petersburg.
06.09.2007	V. Rashnikov, the President of LLC MMK Managing Company, and E. Savchenko, the Governor of Belgorodsk Region, signed an Agreement on Social and Economic Cooperation in development and implementation of social programs and measures and realization of MMK's production plans related to the possible construction of a mining company at Prioskolsk iron ore deposit.
14.09.2007	MMK and consortium banks ABN AMRO, Deutsche Bank AG and ING Wholesale Banking signed a Loan Agreement for providing MMK with a loan covered by EULER HERMES Kreditversicherungs-AG (Hamburg) in the amount of Euro 365 million for a 10 years' period for financing of the equipment and services supplied by SMS Demag AG under the project for construction of Plate Mill 5000 and slab continuous caster.

## Events after the balance sheet date

04.10.2007	MMK acquired 10.75% share in OJSC Belon, Russian producer of coal and coal concentrate.
15.10.2007	It was decided to include ordinary stock of OJSC MMK into MICEX index calculation base.
16.10.2007	MMK Atakaş A. Ş., a Russian-Turkish steel-making company, signed a contract with Danieli (Italy) for the supply of main process equipment
01.11.2007	MMK increased its share in OJSC Bashmetalloptorg from 25.67% to 87.99%
06.11.2007	MMK and Gazprom in the person of LLC Chelyabinskregiongaz, signed a long-term contract for natural gas supplies.
06.11.2007	MMK's shares were included in MSCI Russia index. Changes in the list of securities included in the index will come into force from November 30.



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