



**MAGNITOGORSK  
IRON & STEEL  
WORKS**

OPEN JOINT STOCK COMPANY

# Presentation of the OJSC MMK Group 1H 2008 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 1H 2008 prepared according to US GAAP.

## MMK Group Operations and Income Statement

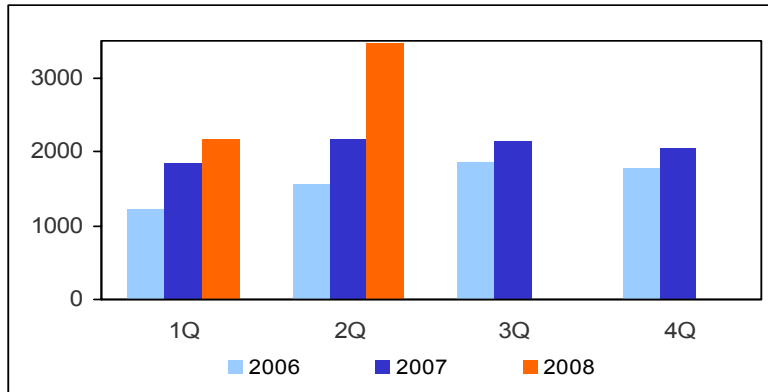
|  | 2Q 2008 | 1Q 2008 | Change | 1H 2008 | 1H 2007 | Change |
|--|---------|---------|--------|---------|---------|--------|
| Revenue  | 3,484   | 2,169   | 1,315  | 5,653   | 4,000   | 1,653  |
| Operating income                               | 974     | 393     | 581    | 1,367   | 1,077   | 290    |
| <i>Revenue margin</i>                          | 28.0%   | 18.1%   |        | 24.2%   | 26.9%   |        |
| Income before income tax and minority interest | 764     | 455     | 309    | 1,420   | 1,119   | 301    |
| <i>Revenue margin</i>                          | 21.9%   | 21.0%   |        | 25.1%   | 28.0%   |        |
| Net income                                     | 760     | 271     | 489    | 1,031   | 866     | 165    |
| <i>Revenue margin</i>                          | 21.8%   | 12.5%   |        | 18.2%   | 21.7%   |        |
| Comprehensive income                           | 1,432   | 837     | 595    | 2,284   | 1,045   | 1,239  |
| <i>Revenue margin</i>                          | 41.1%   | 38.6%   |        | 40.4%   | 26.1%   |        |
| EBITDA*  | 1,046   | 465     | 581    | 1,511   | 1,205   | 306    |
| <i>EBITDA margin</i>                           | 30.0%   | 21.4%   |        | 26.7%   | 30.1%   |        |

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

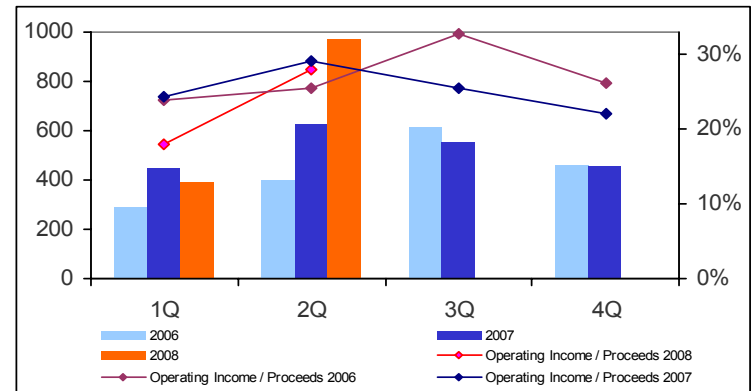


# MMK Group Key Performance Indicators

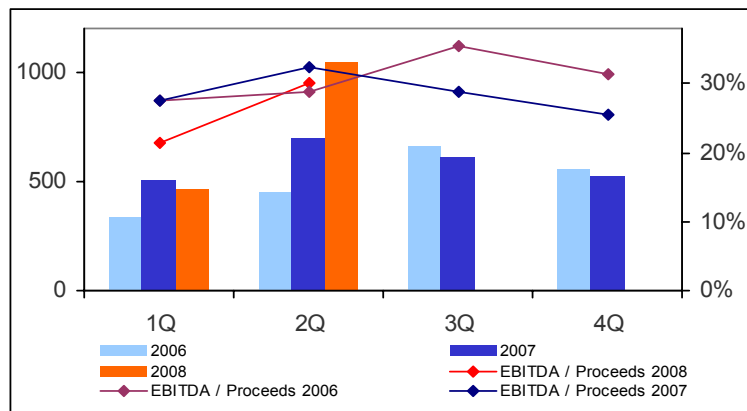
Sales proceeds, USD m



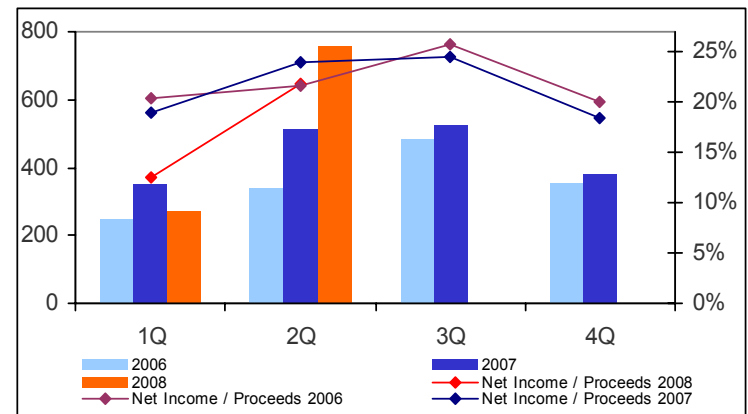
Operating income, USD m



EBITDA, USD m



Net income, USD m



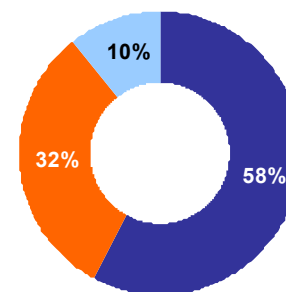
# MMK Group's Key Financial Indicators

## MMK Group's Sales, USDm

|                                   | 2Q 08        | 1Q 08        | 1H 08        | 1H 07        |
|-----------------------------------|--------------|--------------|--------------|--------------|
| OJSC MMK's proceeds               | 1,905        | 1,364        | 3,269        | 2,383        |
| Group's steel traders' proceeds   | 1,208        | 584          | 1,792        | 1,252        |
| Group's other companies' proceeds | 371          | 221          | 592          | 365          |
| <b>Total proceeds</b>             | <b>3,484</b> | <b>2,169</b> | <b>5,653</b> | <b>4,000</b> |

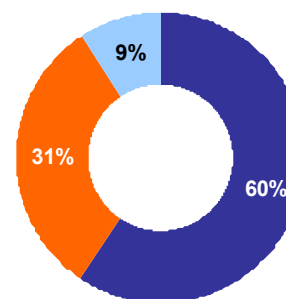
## MMK Group's Sales in USD

1H 2008



■ OJSC MMK  
■ Steel traders\*  
■ Other companies

1H 2007



\* MMK Steel Trade AG  
MMK Trading AG



# MMK Group's Key Financial Indicators

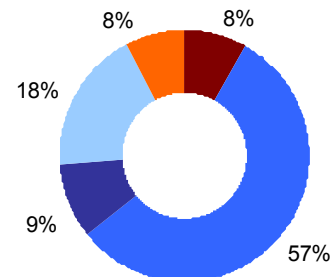
## Proceeds by type of product, USDm

|                             | 2Q 08        | 1Q 08        | 1H 08        | 1H 07        |
|-----------------------------|--------------|--------------|--------------|--------------|
| Billets and slabs           | 278          | 185          | 463          | 131          |
| Flat products               | 2,037        | 1,135        | 3,172        | 2,293        |
| Long products               | 284          | 252          | 536          | 417          |
| Downstream products         | 610          | 430          | 1,040        | 905          |
| Other products and services | 275          | 167          | 442          | 254          |
| <b>Total proceeds</b>       | <b>3,484</b> | <b>2,169</b> | <b>5,653</b> | <b>4,000</b> |



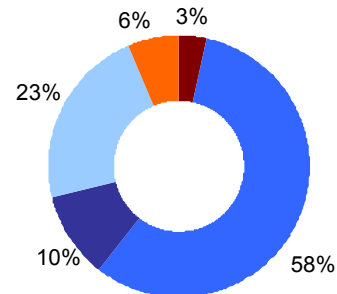
## Proceeds by type of product in USD

1H 2008



- Billets & Slabs
- Flats
- Longs
- Downstream products
- Other products and services

1H 2007

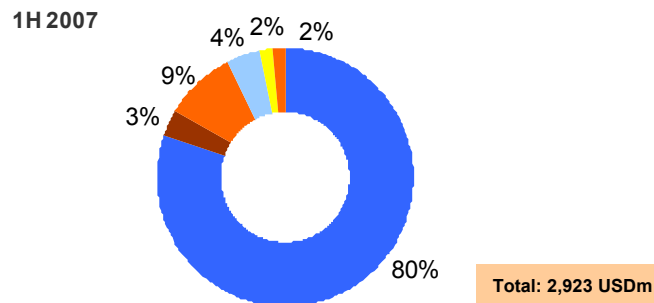
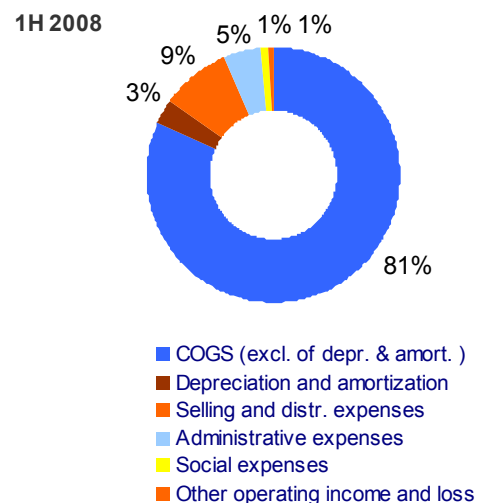


# MMK Group's Operating Costs' Structure

## MMK Group's operating costs, USDm

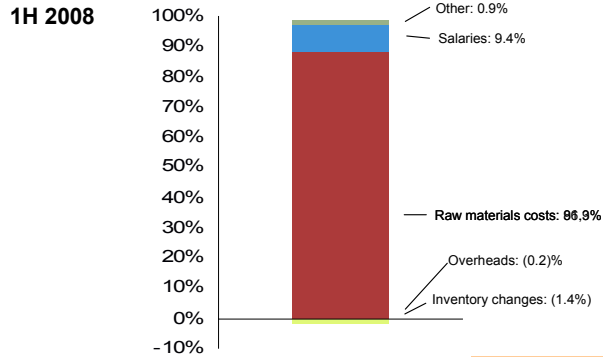
|  | 2Q 08 | 1Q 08 | 1H 08 | 1H 07 |
|--|-------|-------|-------|-------|
| Cost of products sold<br>(excl. of amortization<br>and depreciation) | 2,086 | 1,413 | 3,499 | 2,348 |
| Depreciation and<br>amortization                                     | 60    | 73    | 133   | 99    |
| Selling and<br>distribution expenses                                 | 214   | 162   | 376   | 256   |
| Administrative<br>expenses   | 126   | 85    | 211   | 121   |
| Social expenses  | 22    | 18    | 40    | 47    |
| Taxes other than<br>income tax                                       | 24    | 24    | 48    | 40    |
| Loss on disposal of<br>plant and equipment                           | 12    | -1    | 11    | 29    |
| Other operating<br>income and loss                                   | -34   | 2     | -32   | -17   |

## MMK Group's operating costs in USD

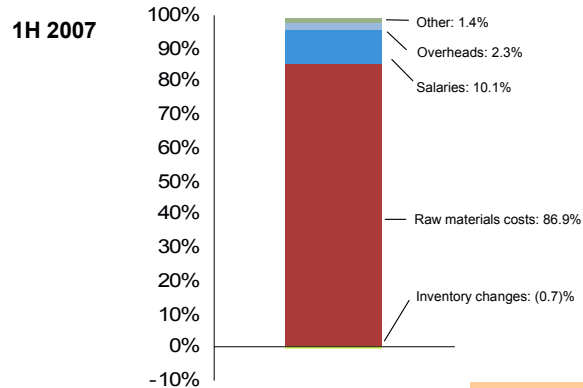


# Cost Structure Analysis

## Cost of Goods Sold Breakdown, MMK Group

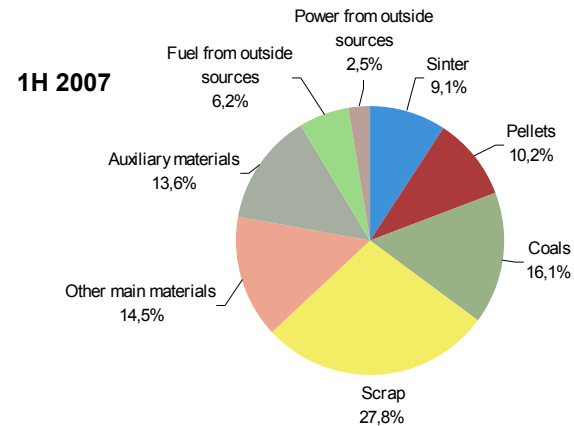
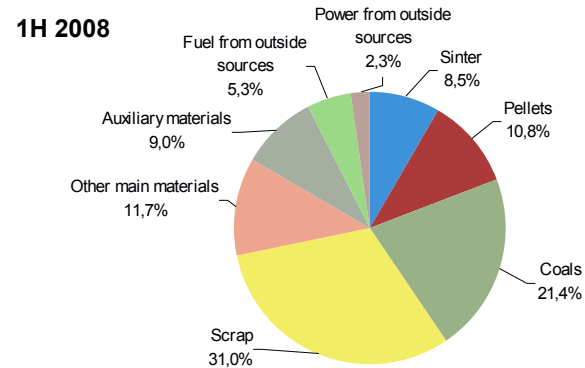


**Total: 3,499 USD m**



**Total: 2,348 USD m**

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



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

## MMK Group's Balance Sheet, USD m

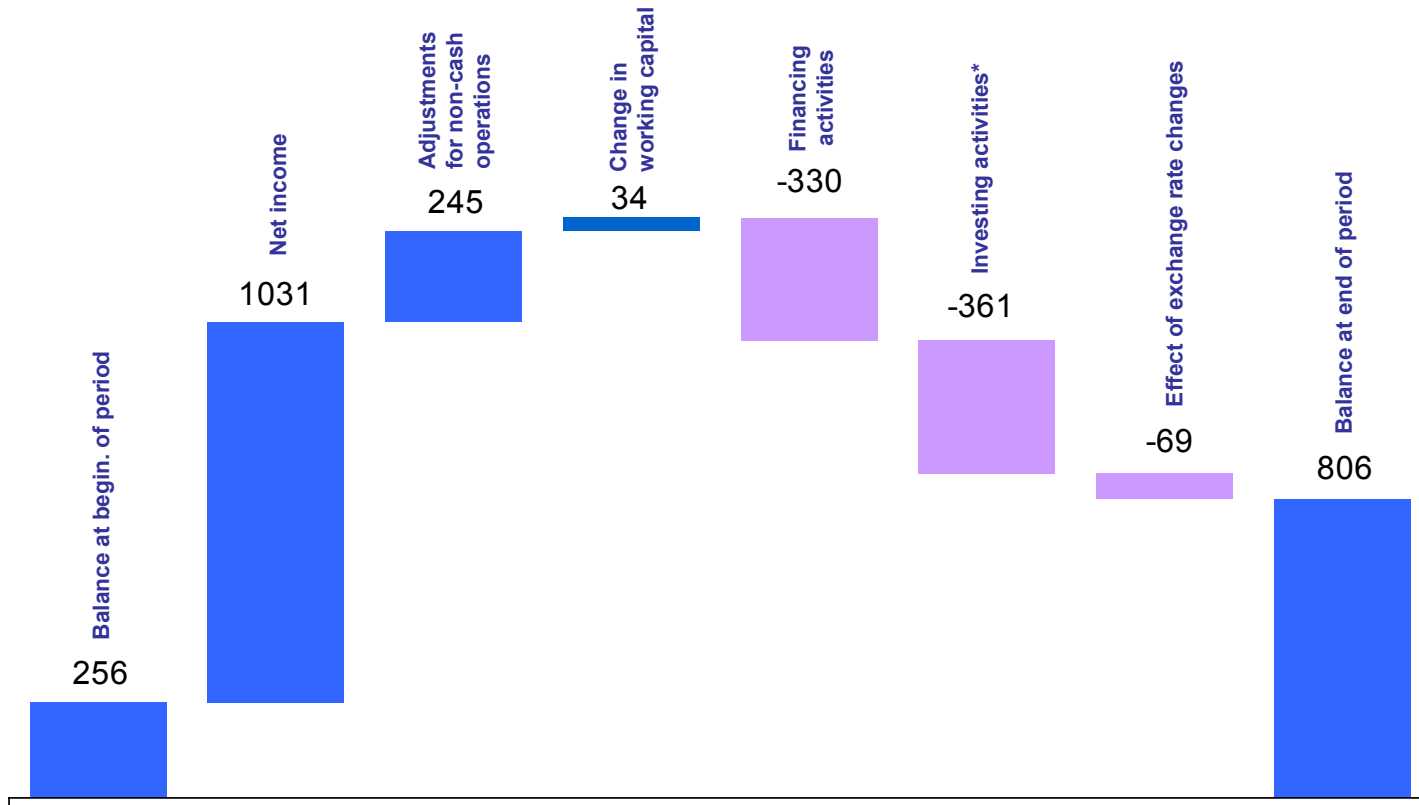
|   | 30.06.2008 | 31.12.2007 | Change | %      |
|---|------------|------------|--------|--------|
| <b>Current assets, including</b>                                | 4 120      | 4 291      | -171   | -4,0%  |
| <i>Cash and cash equivalents</i>                                | 806        | 256        | 550    | 214,8% |
| <i>Short-term bank deposits</i>                                 | 350        | 1 279      | -929   | -72,6% |
| <i>Short-term investments</i>                                   | 367        | 393        | -26    | -6,6%  |
| <i>Accounts receivable less allowance for doubtful accounts</i> | 864        | 691        | 173    | 25,0%  |
| <i>Inventories</i>  | 1 050      | 946        | 104    | 11,0%  |
| <i>Other receivables and current assets</i>                     | 683        | 726        | -43    | -5,9%  |
| <b>Non-current assets, including</b>                            | 7 739      | 5 091      | 2 648  | 52,0%  |
| <i>Property, plant and equipment</i>                            | 5 491      | 3 879      | 1 612  | 41,6%  |
| <i>Other non-current assets</i>                                 | 2 248      | 1 212      | 1 036  | 85,5%  |
| <b>Total assets</b>   | 11 859     | 9 382      | 2 477  | 26,4%  |
| <b>Long-term debt, including</b>                                | 919        | 550        | 369    | 67,1%  |
| <i>Long-term loans and capital lease obligations</i>            | 215        | 230        | -15    | -6,5%  |
| <i>Other long-term debt</i>                                     | 704        | 320        | 384    | 120,0% |
| <b>Current liabilities, including</b>                           | 1 935      | 1 921      | 14     | 0,7%   |
| <i>Short-term borrowings</i>                                    | 1 149      | 1 224      | -75    | -6,1%  |
| <i>Accounts payable</i>   | 302        | 326        | -24    | -7,4%  |
| <i>Other accounts payable and current liabilities</i>           | 484        | 347        | 137    | 39,5%  |
| <b>Minority interest</b>  | 135        | 87         | 48     | 55,2%  |
| <b>Shareholders' equity</b>                                     | 8 870      | 6 824      | 2 046  | 30,0%  |
| <b>Total liabilities and shareholders' equity</b>               | 11 859     | 9 382      | 2 477  | 26,4%  |





# MMK Group's Cash Flows

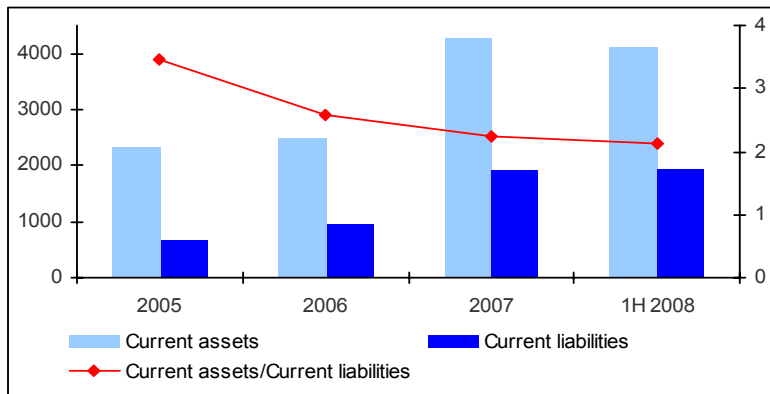
Change of cash balance during the 1H 2008, USD m



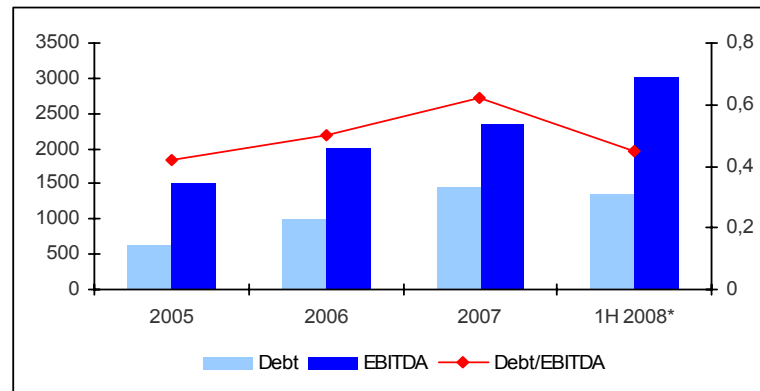
\* - Investing activities: USD 1,079 mln. – Purchase of property, plant and equipment and intangible assets;

# MMK Group's Financial Position Indicators

## Current liquidity

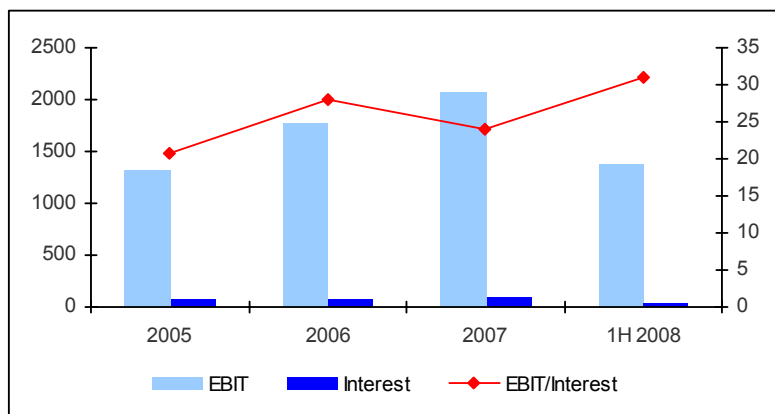


## Debt / EBITDA

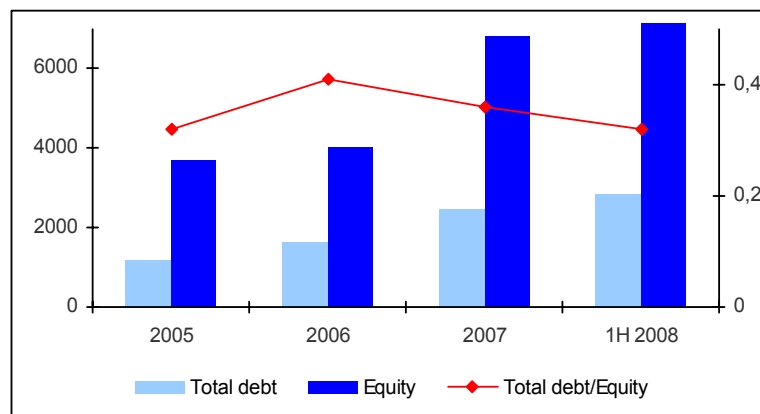


\* EBITDA = 1H 2008 EBITDA \* 2

## EBIT / Interest



## Total debt / Equity



## OJSC MMK's Key Production Indicators

thousand tons

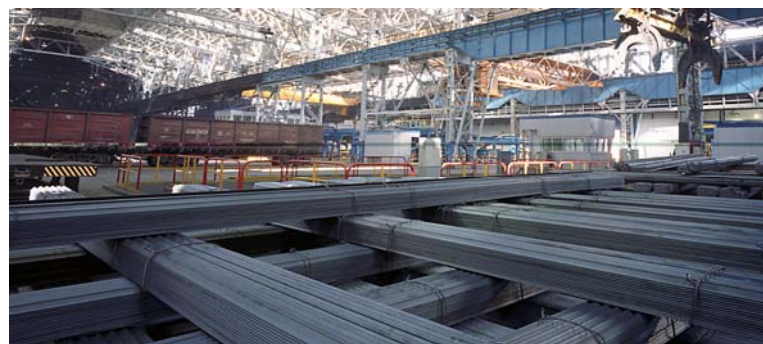
| Description            | 2Q 2008      | 1Q 2008      | Change      | 1H 2008      | 1H 2007      | Change     |
|------------------------|--------------|--------------|-------------|--------------|--------------|------------|
| 6% humidity coke       | 1,456        | 1,467        | -11         | 2,923        | 2,619        | 304        |
| Pig iron               | 2,448        | 2,613        | -165        | 5,060        | 4,652        | 409        |
| Crude steel            | 3,418        | 3,598        | -180        | 7,015        | 6,476        | 539        |
| <i>Incl. EAF steel</i> | <i>889</i>   | <i>941</i>   | <i>-52</i>  | <i>1,829</i> | <i>1,518</i> | <i>311</i> |
| <i>BOF steel</i>       | <i>2,529</i> | <i>2,657</i> | <i>-128</i> | <i>5,186</i> | <i>4,958</i> | <i>228</i> |



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

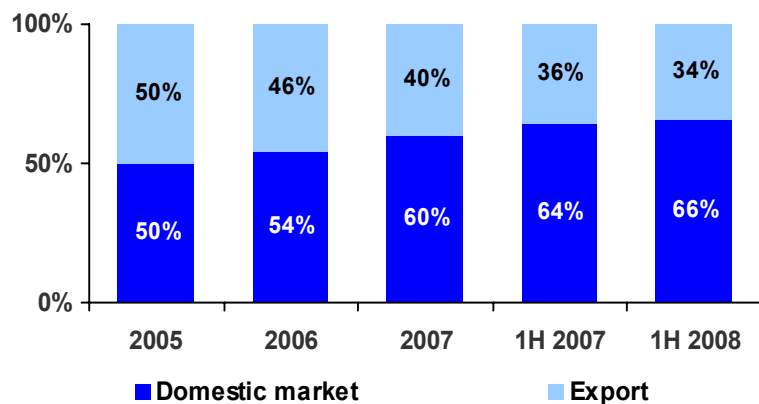
thousand tons

| Description                | 2Q 2008      | 1Q 2008      | Change      | 1H 2008      | 1H 2007      | Change     |
|----------------------------|--------------|--------------|-------------|--------------|--------------|------------|
| Billets and slabs          | 248          | 431          | -183        | 679          | 266          | 413        |
| Long products              | 451          | 485          | -34         | 936          | 935          | 1          |
| Flat products              | 2,087        | 2,023        | 65          | 4,111        | 4,017        | 94         |
| Downstream products        | 361          | 349          | 12          | 709          | 732          | -23        |
| <b>Commercial products</b> | <b>3,147</b> | <b>3,287</b> | <b>-140</b> | <b>6,434</b> | <b>5,951</b> | <b>483</b> |

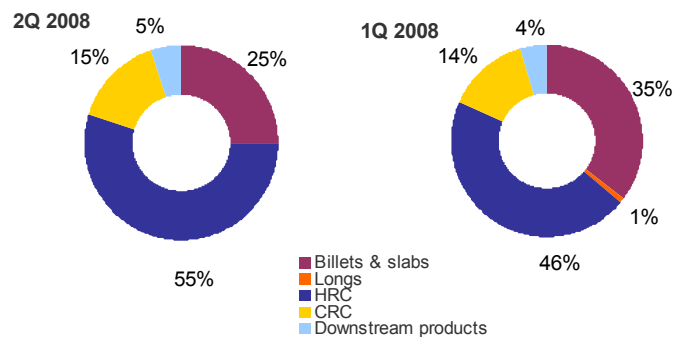


## OJSC MMK's Historical Product Mix By Market

### Domestic sales' growth in tons



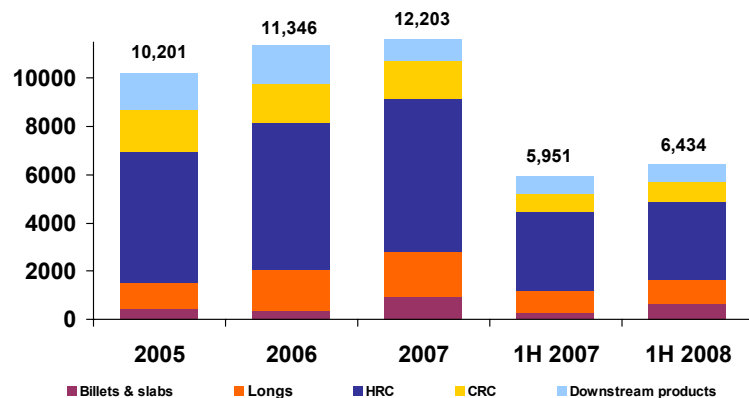
### Export shipments



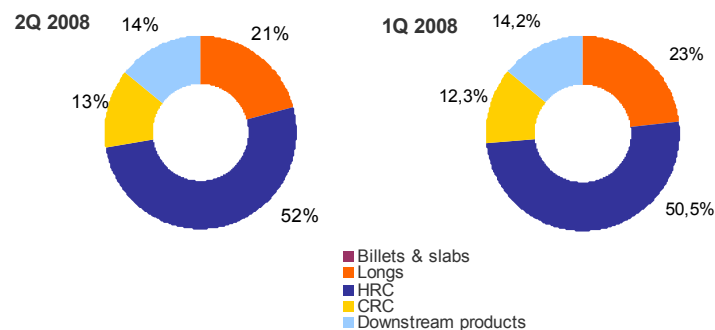
Total: 981 kt

Total: 1,222 kt

### Changes in shipments' structure in tons



### Changes in domestic shipments



Total: 2,166 kt

Total: 2,065 kt

## Contact Persons

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