Analysis of Financial Performance for the 4Q and FY2007 according to US GAAP.

1. Financial results

Income Statement of MMK Group of Companies

Table 1

	12 months 2007 USD million		Year on year change	
	2007	2006	USD million	%
Gross revenue	8,197	6,424	1,773	*27.6%*
Income from operating activities	2,079	1,765	314	*17.8%*
Margin on revenue	*25.4%*	*27.5%*		
Income before tax and minority interest	2,293	1,895	398	21.0%
Margin on revenue	*28.0%*	*29.5%*		
Net income	1 772	1426	346	*24.3%*
Margin on revenue	*21.6%*	*22.2%*		
Comprehensive income	2,368	1,444	924	*64.0%*
Margin on revenue	*28.9%*	*22.5%*		
EBITDA *	2,342	2,005	337	*16.8%*
Margin on revenue	*28.6%*	*31.2%*		
Basic and fully diluted earnings per common share (USD)	0.164	0.140	0.024	17.1%

** EBITDA (Earning Before Interests, Tax, Depreciation and Amortization) = Income from operating activities + Depreciation and Amortization + Loss on disposal of property, plant and equipment*

Quarterly Data of Income Statement of MMK Group of Companies

Table 2

	1 Q	2 Q	3 Q	4 Q
Gross revenue	1,845	2,155	2,150	2,047
Income from operating activities	449	628	549	453
Margin on revenue	*24.3%*	*29.1%*	*25.5%*	*22.1%*
Income before tax and minority interest	471	648	664	510
Margin on revenue	*25.5%*	*30.1%*	*30.9%*	*24.9%*
Net income	350	516	527	379

Margin on revenue	*19.0%*	*23.9%*	*24.5%*	*18.5%*
Comprehensive income	406	639	675	648
Margin on revenue	*22.0%*	*29.7%*	*31.4%*	*31.7%*
EBITDA *	507	698	616	521
Margin on revenue	*27.5%*	*32.4%*	*28.7%*	*25.5%*

- The revenue of MMK Group of Companies in the 12 months of 2007 increased by 27.6 % compared to the 12 months of 2006 and amounted to USD 8,197 million (Table 1)
- The income from operating activities reached USD 2,079 million or 25.4% of the revenue. The growth compared to the twelve months of 2006 amounted to 17.8%.
- The consolidated net income of the Company in 12 months of 2007 increased by 24.3% against the same period of last year and amounted to USD 1,772 million, i.e. USD 0.164 per share. The net income accounted for 21.6% of the revenue.
- EBITDA for 12 months of 2007 reached USD 2,342 million or 28.6% of the revenue. EBITDA of the Company increased by USD 337 million or 16.8% compared with the 12 months of 2006.
- Reduction of the revenue and income in the 4th quarter against the 3d quarter of 2007 (table2) is accounted for by the seasonal factor in the steel products market conditions.

OJSC Magnitogorsk Iron and Steel Works is the main Company of the Group. The share of OJSC MMK's sales to third parties in the gross revenue of the Group accounts for 57.1% and together with the sales of the Group Metal Traders – for 90.2% (Table 3). It is obvious that the operating results of OJSC MMK have a determining influence on the financial results of the Group.

Sales of MMK Group to third parties

Table 3

	12 months USD million		Year on year change	
	2007	2006	USD million	%
Revenue of OJSC «MMK»	4,677	3,732	945	*25.3%*
% of Gross revenue	*57.1%*	*58.1%*		
Revenue of Group Metal-traders	2,711	2,197	514	*23.4%*
% of Gross revenue	*33.1%*	*34.2%*		
Revenue of Others Group Subsidiaries	809	495	314	*63.4%*
% of Gross revenue	*9.9%*	*7.7%*		
Gross revenue	**8 ,197**	**6,424**	**1,773**	***27.6%***

The following changes occurred in the revenue structure of MMK Group of Companies compared with the same period of the last year: 1) the revenue of OJSC MMK, the parent company, in the consolidated sales of the Group increased by 25.3% due to the growth of prices and shipments of steel products to the domestic and CIS markets; 2) the growth of the revenue from the increased exports sales through the Group Metal Traders stood at 23.4%; 3) the revenue of MMK Group subsidiaries increased by 63.4%. In particular, the revenue of MMK-Metiz grew by USD 171 million, the revenue of ZAO Stroitelny Complex, by USD 27 million, and the revenue of MMK-Profil-Moscow, by USD 39 million (16 times). The revenue of Bakalskoye Rudoupravlenie in the amount of USD 31 million was included in the Group revenue.

In the 12 months of 2007 OJSC Magnitogorsk Iron and Steel Works produced 13,261 thousand tons of crude steel and 12,203 thousand tons of commercial steel products, which is respectively 6.5% and 7.6% more than in the same period of 2006. The volume of commercial products sold amounted to 12,157 thousand tons, which is 778 thousand tons or 6,8% higher than for the same period of the year 2006. Increase in production and sales volumes is due to the expansion of the company's production facilities, in particular increase in production of EAF steel. The production and sales of steel products in the 4th quarter came down respectively by 3.8 % and 1.3% due to repair works at the facilities carried out during domestic sales slowdown.

The average price of 1 ton of steel products sold by OJSC MMK during the 12 months of 2007 reached USD 589, which is USD 92 or 18.6% more than in 2006. The average price growth is related to the world steel market conditions and increasing shipments of steel products to the domestic market were the average price of steel products shipped in 2007 was USD 154 higher than in the export market.

In turn the average price of steel products sold in the 4th quarter of 2007 decreased compared with the 3d quarter of 2007 by 2.0%. It is accounted for by the seasonal slowdown in the domestic steel market where the average price of one ton of steel products came down by 9.5% or USD 64. However the average price of steel products shipped to the export market increased by 4% or USD 20.

Breakdown of MMK Group sales by product types

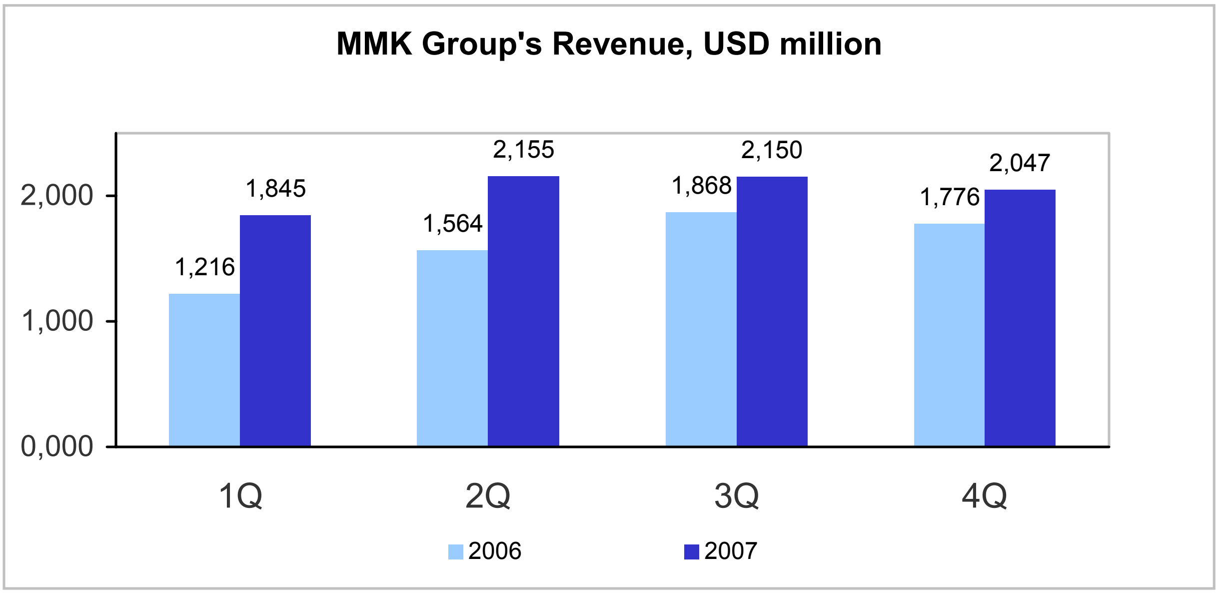
Table 4

	12 months USD million		Year-over-year change	
	2007	2006	USD million	%
Billets and Slabs	472	107	365	X 4.4
% of Revenue	*5.8%*	*1.7%*		
Flat-rolled products	4 555	3 752	803	21.4%
% of Revenue	*55.6%*	*58.4%*		
Long products	833	604	229	37.9%
% of Revenue	*10.2%*	*9.4%*		
Downstream products	1 741	1 539	202	13.1%
% of Revenue	*21.2%*	*24.0%*		
Other products and services	596	422	174	41.2%
% of Revenue	*7.3%*	*6.6%*		
Gross revenue	**8,197**	**6,424**	**1,773**	**27.6%**

The growth of the consolidated revenue for the 12 months of 2007 compared with last year was prompted by increased production and sales of all types of steel products, in particular:

- Increase in sales of slabs and billets. This increase was due to the expansion of the Company's steel making facilities which resulted in the increased production of commercial slabs and billets.
- Increase in sales of long products and their share in the total revenue thanks to the start-up of new state-of-the-art section mills and production of new types of steel products.
- Growth of the revenue from sales of flat and downstream products;
- Increase in the sales of other products and services by the companies of the Group.

Chart 1



Quarterly Breakdown of MMK Group sales by product types

Table 5 m USD

	Q1	Q2	Q3	Q4
Billets and Slabs	67	64	159	182
% of Revenue	*3.6%*	*3.0%*	*7.4%*	*8.9%*
Flat-rolled products	1,047	1,246	1,126	1,136
% of Revenue	*56.7%*	*57.8%*	*52.4%*	*55.5%*
Long products	191	226	211	205
% of Revenue	*10.4%*	*10.5%*	*9.8%*	*10.0%*
Downstream products	417	488	469	367
% of Revenue	*22.6%*	*22.6%*	*21.8%*	*17.9%*
Other products and services	123	131	185	157
% of Revenue	*6.7%*	*6.1%*	*8.6%*	*7.7%*
Gross revenue	**1,845**	**2,155**	**2,150**	**2,047**

Revenues in 4Q have reduced by USD 103 million, or by 4.8 percent, if compared to 3Q of 2007, due to the seasonal factor. Thus, for instance, the last year's revenue for the same period also reduced by 4.9% (see Chart 1). In particular, in 4Q of 2007:

- Decreased revenues from long products and downstream products' sales resulted from an increased export of such products and reduced output due to the production facilities' repairs;
- Flat products' sales were growing due to more stable prices for flats in the domestic market and long-term contracts with hot-rolled plates' consumers, i.e. pipe companies, and increased average prices for export shipments;
- Increased sales of billets and slabs resulted from increased production of these products.

Operating expenses of MMK Group
Table 6

	12 months USD million		Year-over-year change	
	2007	2006	2007	2006
Cost of products sold (exclusive amortization and depreciation)	4,912	3,619	1,293	35.7%
Amortization and depreciation	211	188	23	12.2%
Selling and distribution expenses, incl.:	551	415	136	32.8%
Transport expenses	*483*	*337*	*146*	*43.3%*
Administrative expenses	278	285	-7	-2.5%
Social costs	82	76	6	7.9%
Taxes other than income taxes	85	63	22	34.9%

Production costs were primarily influenced by the production increase and growth of average purchase prices for main raw materials and supplies.

Selling and distribution expenses of the Group during the 12 months of 2007 grew by USD 136 million or 32.6%, mainly due to the expenses of transportation of the increased volumes of steel products through the Group's metal traders.

Administrative expenses decreased by USD 7 million, or 2.5% due to one-off irregular gains in 2007.

Social expenses rose due to the increased expenses for charity, including USD 7 million spent for the construction of Ice-Hockey Metallurg Arena.

The increase of other taxes by USD 22 million is related to the growth of the Group's volume of operations. The most significant influence was due to the increase by USD 12 million of the property tax since new fixed assets had been put into operation.

MMK Group's Quarterly Operating Expenses

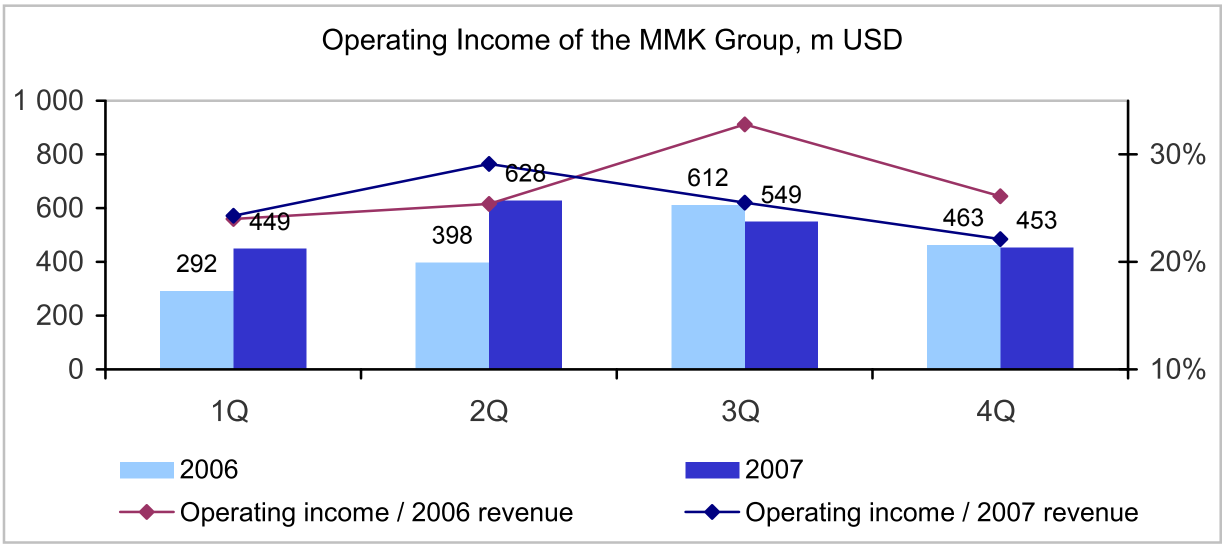
Table 7 m USD

	1 quarter	2 quarter	3 quarter	4 quarter
Cost of products sold (exclusive amortization and depreciation)	1,110	1,238	1,296	1,268
Amortization and depreciation	49	50	53	59
Selling and distribution expenses	131	125	143	152
Transport expenses	118	110	124	131
Administrative expenses	64	57	104	53
Social costs	19	28	9	26
Taxes other than income taxes	19	21	19	26

In the 4Q of 2007:

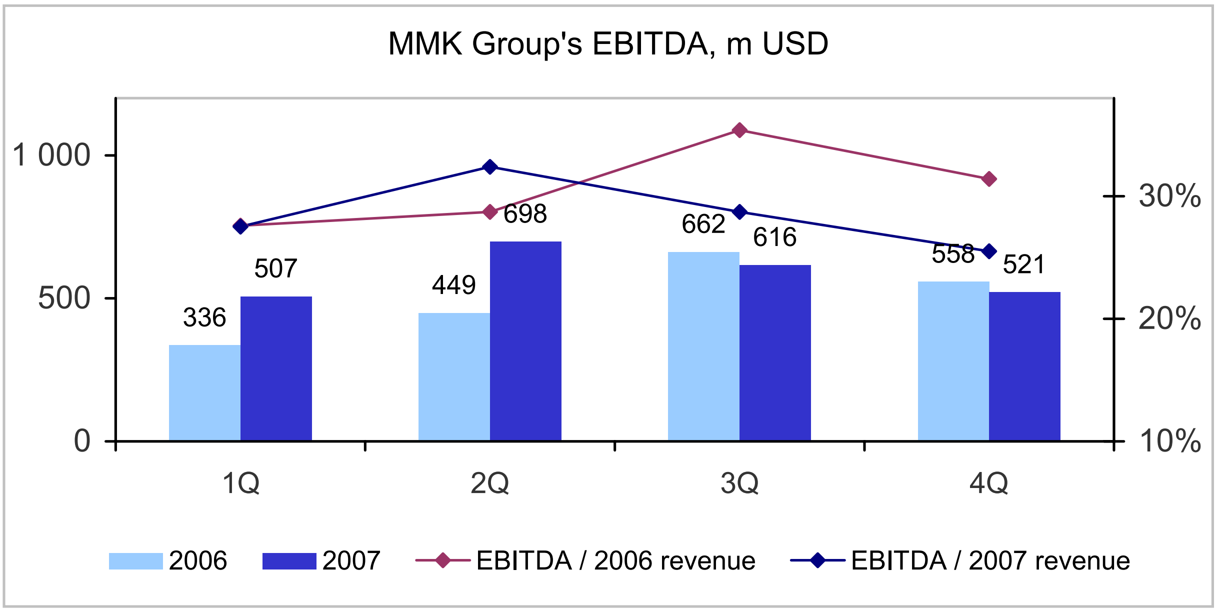
- the cost of products sold reduced due to the reduction in the steel products output and sales;
- amortization and depreciation increased due to the increase in the fixed assets value;
- selling and distribution expenses increased due to the increase in export sales of steel products and the consequent increase in the expenses of steel products transportation;
- administrative expenses reduced due to receiving such additional unpredictable income in the 4Q of 2007 as the insurance indemnity, securities revaluation and the income from assets inventory. Note that such income was received also in the 1Q and the 2Q of 2007;

Chart 2



The operating income amounted to USD 2,079 m or 25.4 % of the revenue. The growth compared to the same period of last year amounted to 17.8%. The certain reduction in the margin was due to the faster growth of the production cost compared to the revenue growth. Operating income in the 4th quarter of 2007 decreased compared with the 3d quarter of 2007 by 17.5%. It is accounted for by the seasonal factor. For the same period in 2006 reduction accounted to 24.3%.

Chart 3



EBITDA in the 12 months of 2007 reached USD 2,342 m or 28.6% of the revenue which is higher than the average EBITDA of the sector. The company's EBITDA increased by USD 337 m or 16.8% as compared to 2006.

The EBITDA's growth was driven mainly by the following factors in 2007:

- Growth of the steel products' output and sales;
- Growth of average steel prices in the foreign and domestic markets;
- Growth of the sales in the domestic market;
- Growth of the income of the subsidiaries.

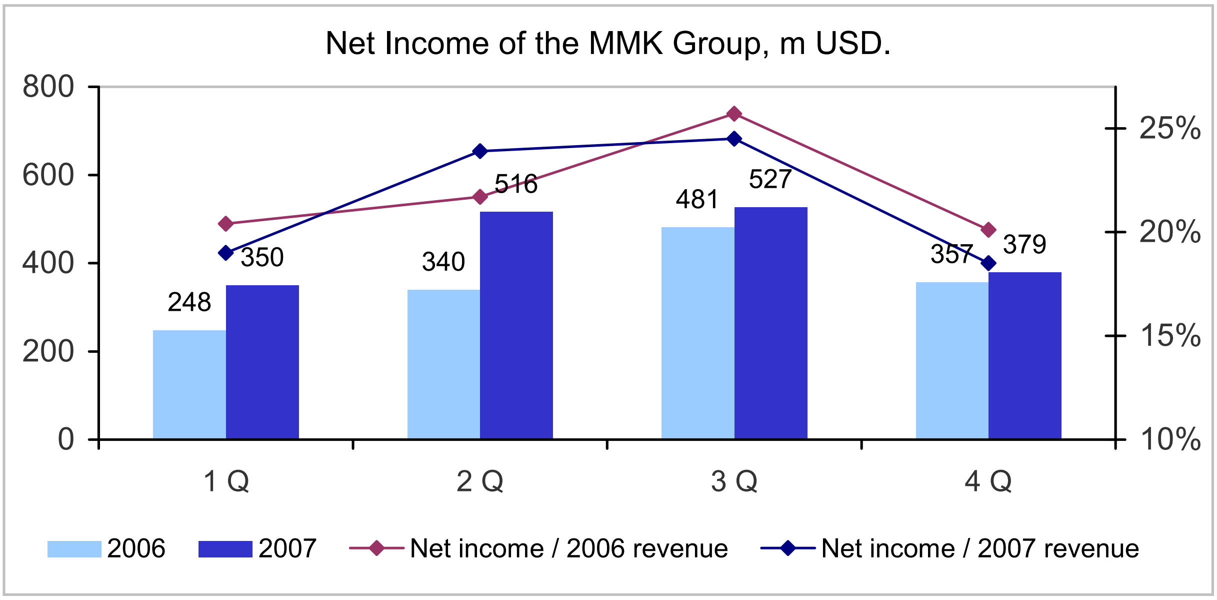
The key factors keeping EBITDA down in 2007 consist in:

- Growth of the material costs connected with the growth of the production output and raw materials prices;
- Growth of the selling and distribution expenses related to the increased transportation costs of exported steel products.

The certain reduction of relative profitability in 2007 as compared to 2006 was compensated by the absolute increase of the revenue and income, as well as increased income and earnings per ton of steel. For example, EBITDA per ton of steel increased by USD 16 or 9.7%.

Reduction of EBITDA by USD 95 m or 15.4% in the 4Q compared to the 3Q of 2007 was due to the seasonal factor (Chart 3), thus in the same period of the previous year the reduction also amounted to 15.4%.

Chart 4



The income before tax and deduction of the minority interest and the net income for the 12 months of 2007 were growing at a greater rate than the operating income due to growth of financial and other income including the growth of the net interest income by USD 40 m or 7.7 times and the growth of the foreign exchange gain caused by the reduction of the dollar exchange rate by USD 43 m or 32.6%.

The net income reduced by USD 148 m or 28.1% in the 4Q compared to the 3Q due to the reduction of operating figures and the foreign exchange gain by USD 56 m against the 3Q of 2007.

Growth of the net income per share amounted to USD 0.024 or 17.1%.

The gross income received in 2007 includes revaluation of the company's shares owned by Fortescue Metals Group in the amount of USD 596 m.

MMK Group's Free Cash Flow

Table 8

	12 months, m USD		Change against the same period of the previous year
	2007	2006	m USD
Funds flow from operations *	2,053	1,683	370
Change in working capital	(722)	(553)	-169
Net cash provided by operating activities	**1,331**	**1,130**	**201**
CAPEX	(1,317)	(725)	-592
Free cash flow	**14**	**405**	**-391**

** Funds flow from operations = Net cash from the operating activities before the change in the working capital*

Funds flow from operations in the 12 months of 2007 amounted to USD 2,053 m, which is higher than in the same period of the previous year.

Capital outflow due to the change in the working capital was USD 722 m in connection with the increase in the volume of the MMK Group's operations.

The net cash provided by operating activities was USD 1,331 m.

CAPEX in fixed and intangible assets and subsidiaries acquisition amounted to USD 1,317 m in the 12 months of 2007 incl.:

1) Acquisition of property, plant and equipment, including prepaid expenses:
   - OJSC MMK – USD 969 million
   - MMK–Atakash – USD 91 million
   - Other subsidiaries – USD 180 million
2) Acquisition of intangible assets – USD 17 million;
3) Acquisition of subsidiaries, net of cash acquired – USD 60 million.

The dividends on OJSC MMK's shares were USD 547 m for 12 months of 2007 (excluding dividends on the treasury stock).

2. Financial performance

Balance of the MMK group, USD million

Table 9

	31.12.2007	31.12.2006
Total current assets, including	4,291	2,480
Cash and cash equivalents	*256*	*338*
Short-term bank deposits	*1,279*	*228*
Short-term investments	*393*	*325*
Trade accounts receivable	*784*	*422*
Allowance for doubtful accounts receivable	*-8*	*-12*
Inventories	*946*	*631*
Other receivables and current assets	*641*	*548*
Non-current assets, including	5,091	3,209
Property, plant and equipment	*3,879*	*2,764*
Other non-current assets	*1,212*	*445*
Total Assets	**9,382**	**5,689**
Non-current liabilities, including	550	686
Long Term Debt and capital lease obligations	*230*	*606*
Other long-term liabilities	*320*	*80*
Current liabilities, including	1,921	964
Short Term Debt	*1,224*	*400*
Trade accounts payable	*339*	*225*
Other payables and current liabilities	*358*	*339*
Minority Interests	87	12
Equity	6,824	4,027
Total liabilities and stockholders' equity	**9,382**	**5,689**

The financial status of MMK Group is characterized by:

High liquidity. The value of current assets has grown by USD 1,811 million or by 73.0 percent (mainly as a result of the receipt of monetary funds from the Initial Public Offering), the Company's current liabilities have grown by USD 957 million or by 99.3 percent (as a result of the growth of loans, borrowings and payables). The current liquidity ratio went down from 2.6 as of the end of 2006 to 2.2 as of the end of 12 months of 2007. The monetary funds on the accounts of the Group as of December 30, 2007 came to USD 256 million. MMK's free cash flow was placed in highly liquid financial instruments: short-term bank deposits– USD 1,279 million, trading securities, unit trusts, liquid promissory notes – USD 393 million.

Significant growth of short-term debt on loans and borrowings in the amount of USD 824 million or 206.0 percent, as well as a reduction of long-term debt by USD 400 million or 62.0 percent are conditioned by:

- reclassification of five-year Eurobond loan debt in the amount of USD 300 dollars, the maturity of which is October, 2008;
- growth of debt on pre-export financing of daughter trading companies in the amount of USD 338 million due to the growth of export proceeds;

- exceeding repayments compared to long-term loans raised for financing of capital construction. Disbursement of the loans under the projects commenced in 2007: Plate Mill 5000, Cold Rolling Mill 2000, revamping of Hot Rolling Mills 2000 and 2500 is stipulated from 2008.

The low dependency on the external sources of financing. The financial leverage calculated as a ratio of the total liabilities to the Equity amounted to 0.36 as of the end of the twelve months of 2007. The Debt to Equity and Debt to EBITDA for the year amounted to 0.21 and 0.62 respectively. The net cash position of the Group stood at USD 81 million

Analytical figures

Table 10

Ratios	12 м. 2007
EBITDA margin	28.6%
Return on Average Equity (ROAE) = Net Income / Total Average Equity	32.7%
Net cash provided by operating activities / EBITDA	X 0.68
Current ratio = Current Assets / Current Liabilities	X 2.2
Leverage = Total Liabilities / Total Equity	X 0.36
Debt / Equity	X 0.21
Debt / EBITDA	X 0.62
Interest EBITDA Coverage = EBITDA/ Interest Expense	X 26.9
Debt	1 454
Net Debt / (Net Cash Position) = Debt – Cash and equivalents – Short-term deposits	(81)