



**2005 annual
IFRS financial results
July 2005
Moscow**

Income statement highlights

\$mIn							Including:			
	2005	%	2004	%	Change	%	Organic	Forex	Disposal	Acquisition
Sales	666.1	100	523.8	100	142.3	27	(8.0)	5.6	(27.3)	172.0
Gross Profit	126.6	19	102.0	19	24.6	24	10.9	0.3	(11.4)	24.8
EBITDA	59.4	9	39.5	8	19.9	50	27.8	(0.7)	(25.2)	18.0
Profit for the year	6.2	1	61.0	12	(54.8)		18.8	(0.9)	31.1	(103.8)

Change in sales by segment

\$mIn	2005	2004	Change	%	Including:			
					Organic	Forex	Disposal	Acquisition
NPPEQ	195.0	146.0	49.0	34%	(40.6)	0.1	(1.5)	91.0
STEEL	307.4	201.7	105.7	52%	33.2	2.8	-	69.7
MMEQ	114.1	96.2	17.9	19%	15.9	2.0	-	-
MINEQ	128.7	97.7	31.0	32%	28.8	2.2	-	-
Other	59.0	105.3	(46.3)	(44%)	(5.4)	0.8	(53.4)	11.7
<i>Intersegment & unallocated</i>	(138.1)	(123.1)	(15.0)	12%	(39.9)	(2.3)	27.6	(0.4)
Total	666.1	523.8	142.3	27%	(8.0)	5.6	(27.3)	172.0

Change in EBITDA by segment

\$mIn	2005	2004	Change	%	Including:			
					Organic	Forex	Disposal	Acquisition
NPPEQ	28.7	13.0	15.7	121%	6.5	(0.8)	-	10.0
STEEL	27.0	7.2	19.8	275%	11.1	-	-	8.7
MMEQ	3.4	(6.0)	9.4	157%	9.3	0.1	-	-
MINEQ	13.6	6.3	7.3	116%	7.1	0.2	-	-
Other	0.6	5.8	(5.2)	-90%	0.5	-	(5.2)	(0.5)
<i>Intersegment & unallocated</i>	(13.9)	13.2	(27.1)	-205%	(6.7)	(0.2)	(20.0)*	(0.2)
Total	59.4	39.5	19.9	50%	27.8	(0.7)	(25.2)	18.0

* - profit from disposal of non-core subsidiaries

Changes in EBITDA and in Profit for the year

\$mIn	Organic	Forex	Disposal	Acquisition
EBITDA	27.8	(0.7)	(5.2)	18.0
Effect of sale of non-core subsidiaries			(20.0)	
Total EBITDA	27.8	(0.7)	(25.2)	18.0
Profit for the year	18.8	(0.9)	(2.9)	10.2
Effect of sale of non-core subsidiaries			(20.0)	
Effect of negative goodwill				(114.0)
Effect of sale of discontinued operations			54.0	
Total Profit for the year	18.8	(0.9)	31.1	(103.8)

Profitability

Million US\$	2005	2004
Operating profit before negative goodwill	37.7	11.4
Less gain from release of government financing and tax penalties	(6.5)	(9.6)
Less write-off of account receivable, related to discontinued operation	3.3	-
Plus (minus) impairment of PP&E	(1.6)	13.9
Plus impairment of intangible assets	1.4	6.1
Plus depreciation & amortization	25.1	17.7
Total EBITDA	59.4	39.5

Other operating income/expenses

Million US\$, note 26	2005	Description	2004	Description
Profit from sale of non-core subs	0.9	Zarubezhenergoproect	21.4	GTEK, ZSMK, Izhora-Energosbit, Instrument
Change in provision for impairment of receivables and obsolete inventory	6.9	Release provision for loss-making contracts (Uralmash & Izhora)	(5.0)	Write-off of receivables and inventory
Gain from release of government financing and tax penalties	6.5	Write-off of tax penalties, government financing (Uralmash)	9.6	Write-off of tax liabilities (Uralmash)
Write-off of account receivable, related to discontinued operation	(3.3)	Write-off of accounts receivable MNP	-	
Impairment (charge)/release on PP&E	1.6	Uralmash	(13.9)	Uralmash (decrease in projected cash-flows)
Impairment (charge) of intangible assets	(1.4)	Goodwill impairment (Kran&Vniiptmash)	(6.1)	Goodwill impairment (Uralmash + OMZ Sibir)
Gain on disposal of PP&E	9.0	Sale of non-core assets (Uralmash & Izhora)	6.8	Sale of non-core assets (Uralmash & Izhora)
Other	(1.1)		0.9	
Total	19.1		13.7	

Change in profitability by segment

	Gross margin			EBITDA margin			Operating margin		
\$mn	2004	2005	+/-	2004	2005	+/-	2004	2005	+/-
NPPEQ	23%	21%	-	9%	15%	+	7%	12%	+
STEEL	10%	11%	+	4%	9%	+	(1%)	4%	+
MMEQ	13%	11%	-	(6%)	3%	+	(28%)	2%	+
MINEQ	21%	26%	+	6%	11%	+	6%	10%	+

International sales

Geographic area	2005	%	2004	%
Russia	294.9	44%	252	48%
CIS	47.3	7%	31.7	6%
Asia	75.4	11%	157.4	30%
Europe	239.6	36%	81.2	16%
Other	8.9	1%	1.5	0%
Total	666.1	100%	523.8	100%
% of int'l sales		56%		52%

Cost of sales

\$mIn	2005		2004		Change		Including:			
		%		%		%	Organic	Forex	Disposal	Acquisition
Sales	666.1		523.8		142.3	27				
Materials and components used	278.0	48.8	246.3	55.1	31.7	13	(15.9)	3.4	(3.9)	48.1
Labour cost	97.2	17.0	72.0	16.1	25.2	35	3.4	0.6	(3.9)	25.1
Gas and Fuel	53.9	9.5	53.2	11.9	0.7	1	(1.2)	0.3	(6.3)	7.9
Services	112.8	19.8	40.4	9.0	72.4	179	7.7	0.7	(2.0)	66.0
Depreciation	20.9	3.7	14.5	3.2	6.4	44	-	0.3	(0.5)	6.6
Amortization of intangible assets	2.0	0.4	1.0	0.2	1.0	100	0.9	-	-	0.1
Amortization of negative goodwill	-	0.0	(1.3)	-0.3	1.3	-100	1.3	-	-	-
Other	4.6	0.8	21.1	4.8	(16.5)	-78	(17.8)	0.4	(0.3)	1.2
COST OF PRODUCTION	569.4	100	447.2	100	122.2	27	(21.6)	5.7	(16.9)	155.0
Change in inven. Of fin. Goods&WIP	(29.9)		(25.4)		(4.5)	18	2.7	(0.4)	1.0	(7.8)
COST of sales	539.5		421.8		117.7	28	(18.9)	5.3	(15.9)	147.2

SG&A

\$mIn	2005		2004		Change		Including:			
		%		%		%	Organic	Forex	Disposal	Acquisition
Taxes	6.5	8	6.7	8	(0.2)	-3	(0.3)	0.1	(0.1)	0.1
Labour cost	48.8	57	45.2	54	3.6	8	2.0	0.8	(2.4)	3.2
Amortization & Depreciation	2.2	3	3.4	4	(1.2)	-35	(1.5)	-	(0.1)	0.4
Services	23.3	27	20.1	24	3.2	16	2.1	0.4	(0.8)	1.5
Administration overheads	4.5	5	7.7	9	(3.2)	-42	(3.4)	0.2	(0.3)	0.3
Total G&A	85.3	100	83.1	100	2.2	3	(1.1)	1.5	(3.7)	5.5
Transportation	8.4	37	6.6	31	1.8	27	(0.7)	0.1	-	2.4
Services	6.5	29	11.0	52	(4.5)	-41	(5.3)	0.1	-	0.7
Labour cost	6.6	29	2.7	13	3.9	144	2.8	0.1	(0.1)	1.1
Other	1.1	5	0.9	4	0.2	22	-	-	(0.1)	0.3
Total Selling	22.6	100	21.2	100	1.4	7	(3.2)	0.3	(0.2)	4.5
Total SG&A	107.9		104.3		3.6	3	(4.3)	1.8	(3.9)	10.0

Change in working capital

\$mIn	2005 2004		Change	%	Including:			
					Organic	Forex	Disposal	Acquisition
*Excl. financial and investing activities								
Cash	57	24	33	138	32	-	-	1
Trade receivables	132	221	(89)	-40	(90)	(3)	(1)	5
Advances issued	92	104	(12)	-12	(10)	(4)	-	2
Taxes receivables	82	73	9	12	10	(3)	(1)	3
Other receivables*	2	4	(2)	-50	(2)	-	-	-
Raw materials	47	43	4	9	6	(2)	-	-
Work in progress	76	64	12	19	14	(2)	(1)	1
Finished goods	47	37	10	27	11	(1)	-	-
Goods in transit	5	1	4	400	4	-	-	-
Current assets	540	571	(31)	-5	(25)	(15)	(3)	12
Trade payables	(123)	(158)	35	-22	31	5	-	(1)
Advances rec'd	(168)	(175)	7	-4	5	2	-	-
Taxes payable	(43)	(46)	3	-7	1	2	1	(1)
Other payables*	(29)	(30)	1	-3	-	-	1	-
Current liab.	(363)	(409)	46	-11	37	9	2	(2)
NET WC	177	162	15	9	12	(6)	(1)	10

Key Ratios

	2005	2004	%
Turnover (days)			
Inventories	108	123	-12%
Trade accounts receivable	147	177	-17%
Trade accounts payable	211	207	2%
NWC (excluding cash)	94	122	-31%

Debt dynamics

\$mIn	December 31, 2005		December 31, 2004	
Long-term debt (incl. non-convertible bonds)	103.4	47%	97.4	44%
Short-term debt	117.9	53%	122.0	56%
Total debt	221.3	100%	219.4	100%
Unused borrowing facilities (\$mIn.)	122.2		107.9	