



2007 First Quarter Results Presentation

July 11, 2007



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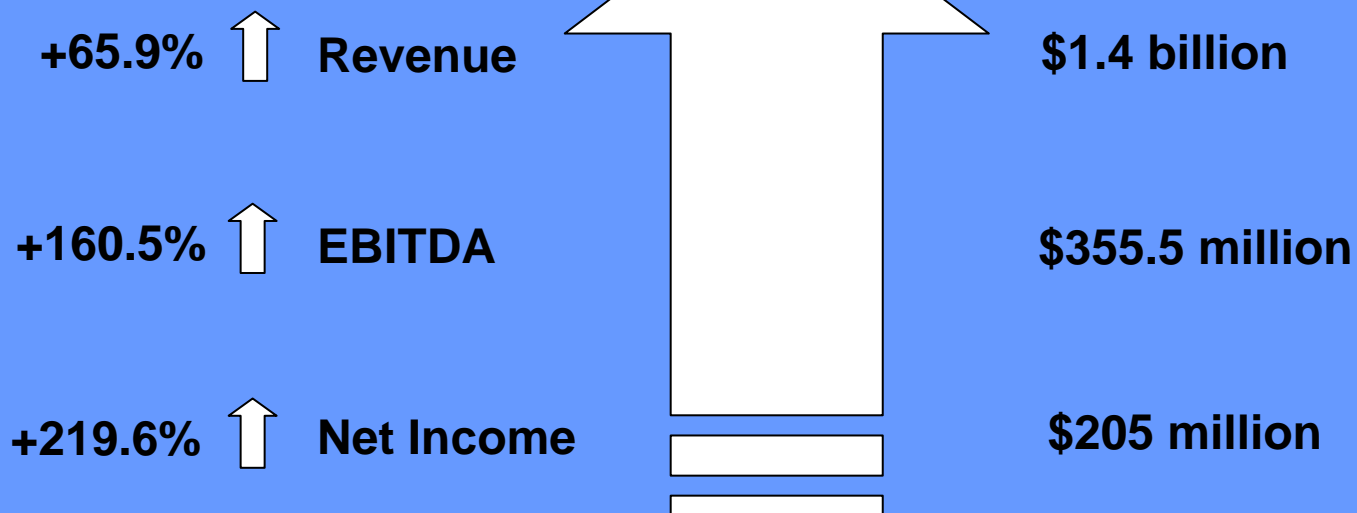
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1Q07 Financial Highlights

➤ Strong 1Q07 vs. 1Q06 financial results



➤ Well balanced strategy

➤ Strong Management

➤ Focus on shareholder value

1Q07 realized projects

- **Acquisition of Southern Kuzbass Power Plant**
 - Installed electric power capacity of 554 MWt
 - Reduction of production costs by generating own electric power

- **Commissioning of a new Concaster at Mechel Targoviste**
 - Cost savings through reduction of liquid steel consumption ratio in manufacturing billets
 - Achieved early closure of privatization contract

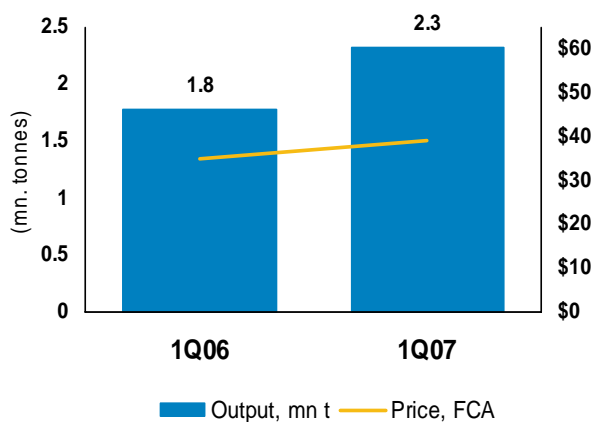
- **Early completion of privatization contract for Mechel Campia Turzii**
 - Successful execution of strategy to transform formerly unprofitable assets into sustainable and profitable companies



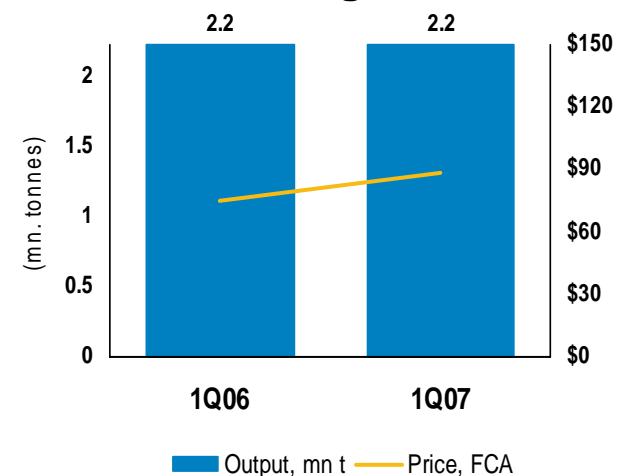
Mining 1Q07 vs. 1Q06

- Net profit in 1Q07 vs. 1Q06 grew by 277.9%
- EBITDA margin doubled to 33.3%
- Increased coal and nickel production volumes
 - Coal output increased 13%
 - Nickel output increased 22%
- Positive market fundamentals

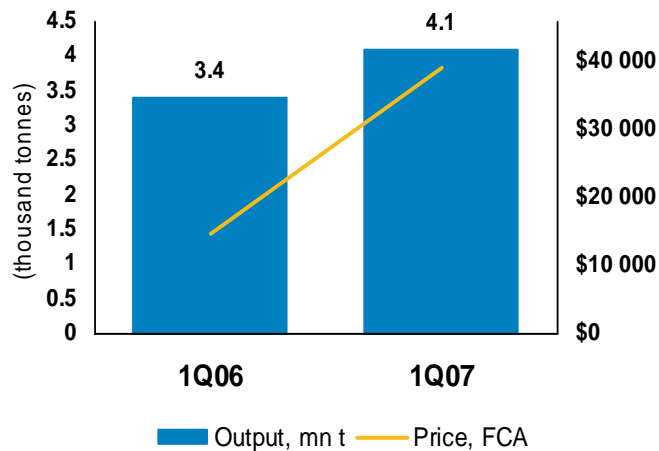
Steam coal



Coking coal



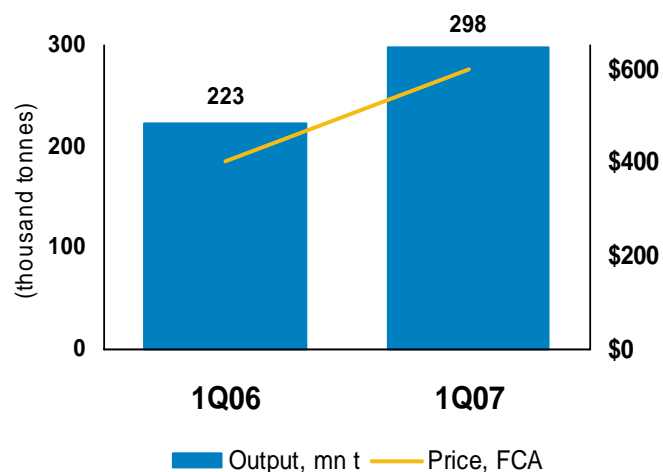
Nickel



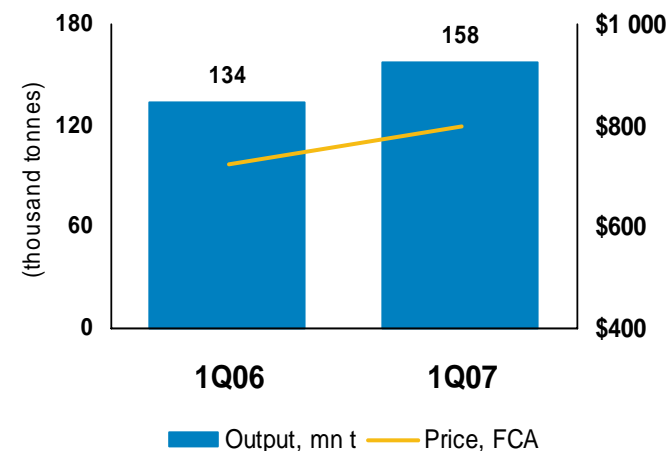
Steel 1Q07 vs. 1Q06

- Net profit in 1Q07 vs. 1Q06 grew by 185%
- Cost saving and efficiency improvements:
 - Increased output of high value added products
 - Increased share of concasted steel
- Moscow Coke&Gas Plant and new coking battery at CMP allow for sharp increase in coke production
- Positive market fundamentals

Rebar, production output & prices



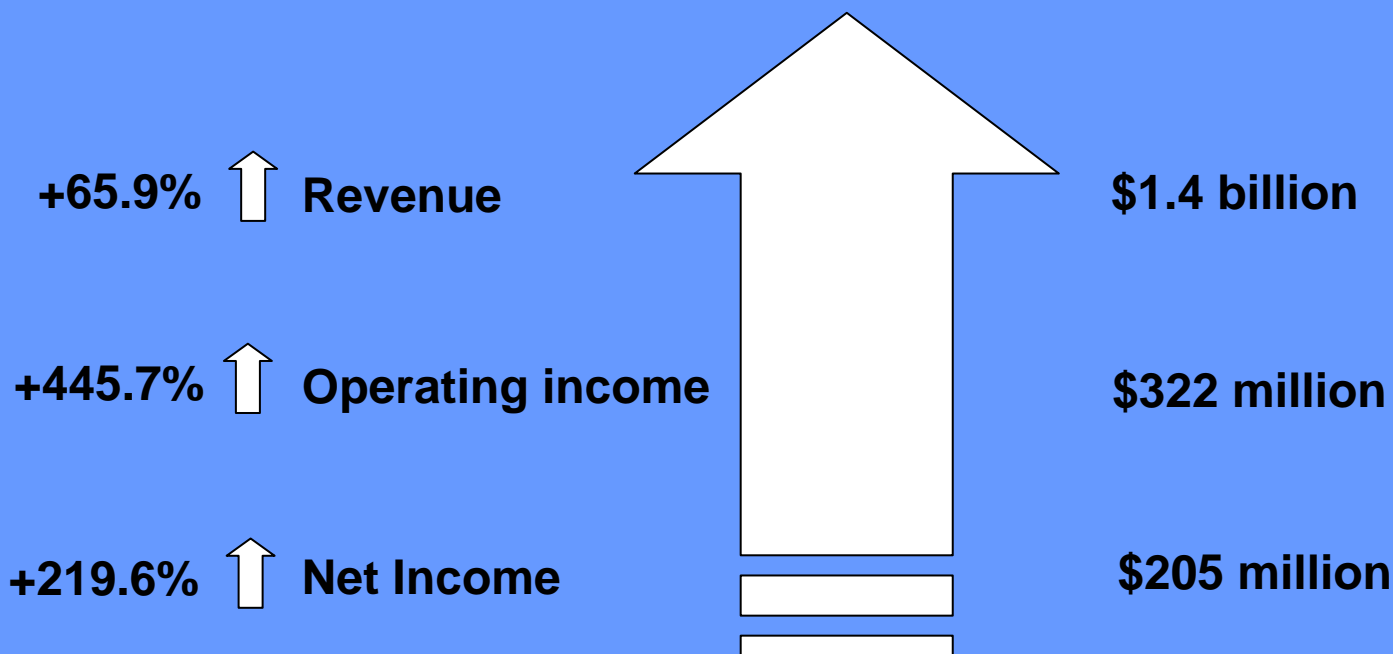
Hardware, production output & prices





1Q07 Financial Highlights

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➤ Well balanced strategy

➤ Strong Management

➤ Focus on shareholder value

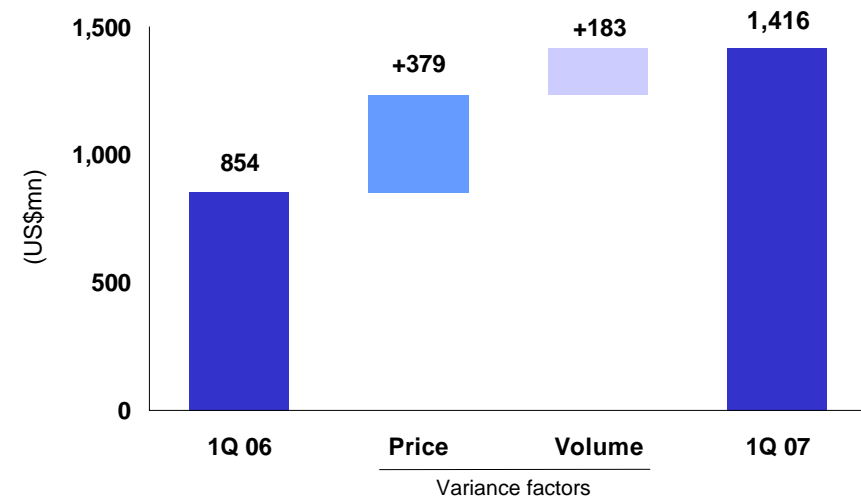
Financial Review



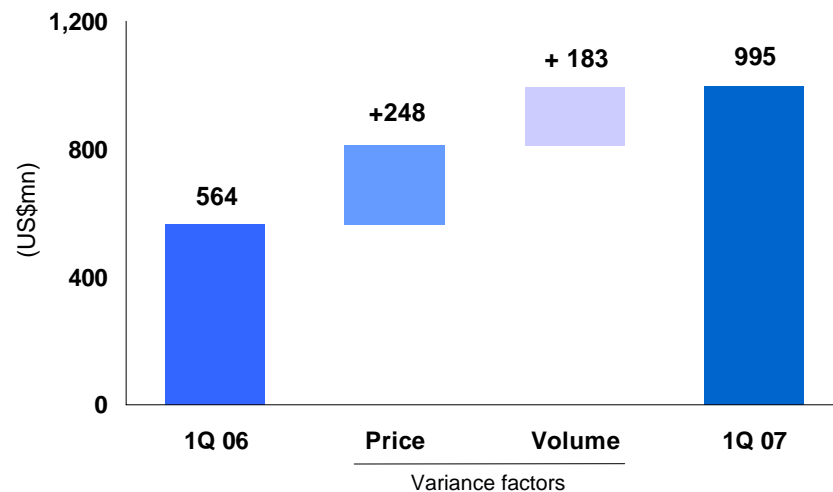
Sales Overview

- ◆ Company benefited from higher sales prices across both segments
- ◆ Increased steel sales volumes
- ◆ Proportion of high value-added products in steel segment increased

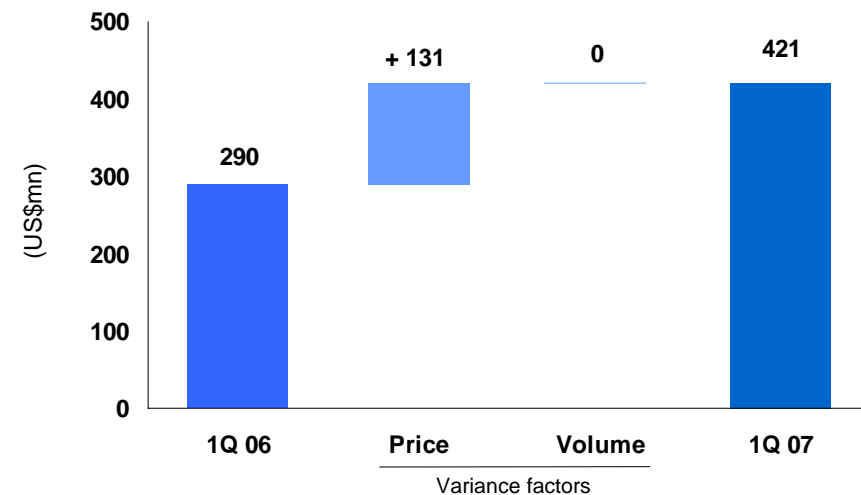
Consolidated revenue



Steel segment revenue



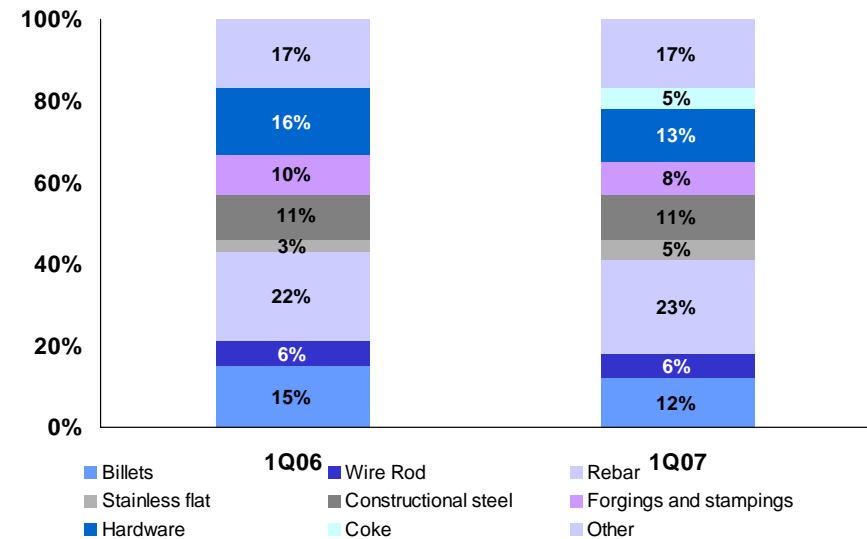
Mining segment revenue



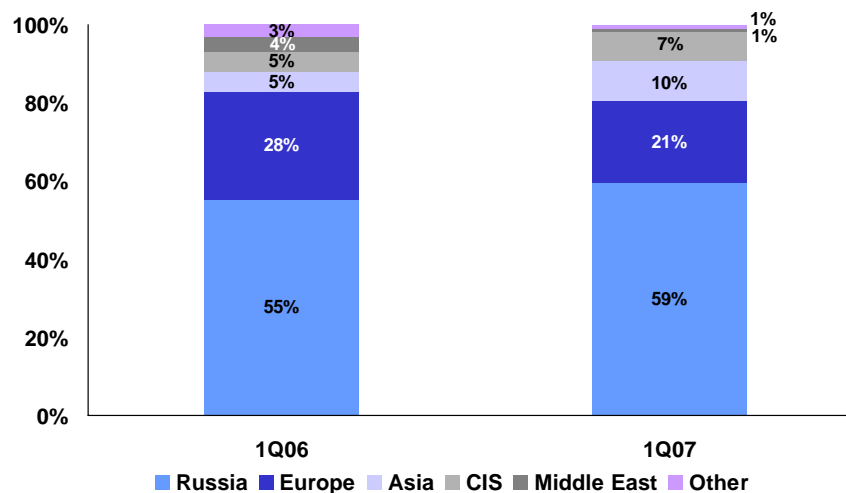
Steel Sales: Structure and Prices

- ◆ Improved sales mix to include greater percentage of higher-margin products
- ◆ Continuing strong demand trends in construction industry drove increased pricing
- ◆ Growing share of higher-margin domestic market

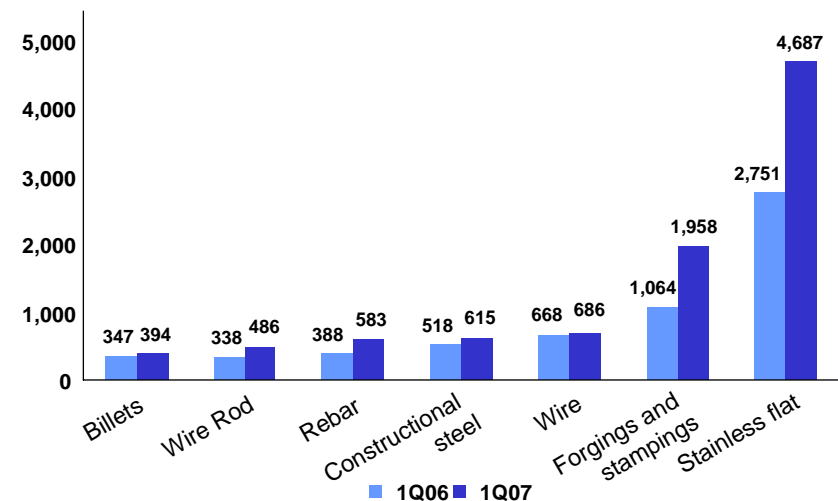
Sales structure



Revenue breakdown by region



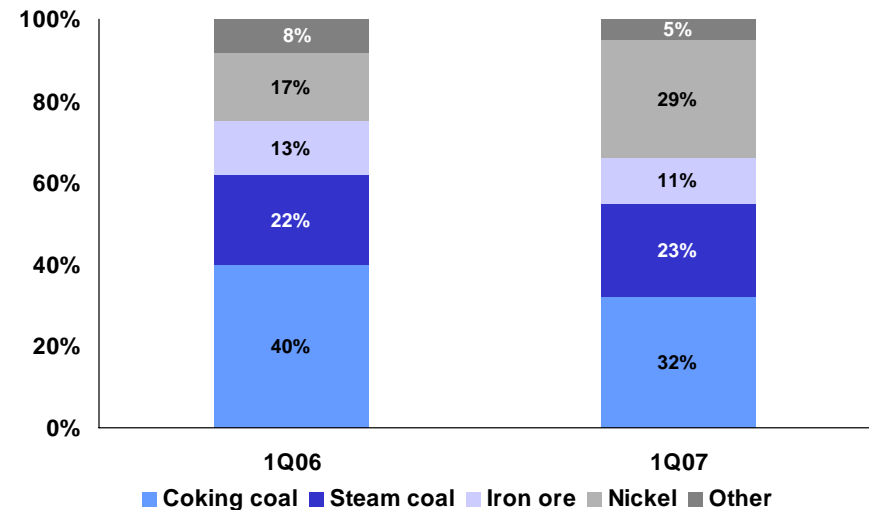
Average sales prices FCA, \$/tonne Domestic market



Mining Sales: Structure and Prices

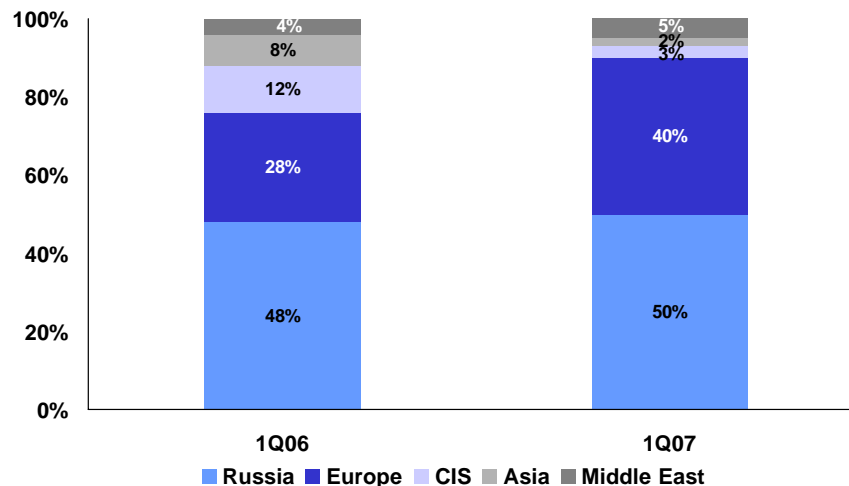
- ◆ Strong coal and iron ore prices were key drivers of sales growth
- ◆ Average nickel prices up 28% in the 1Q07
- ◆ Further growth of sales to Europe
- ◆ Privatization of power generation companies gives additional steam coal supply opportunity

Sales structure*

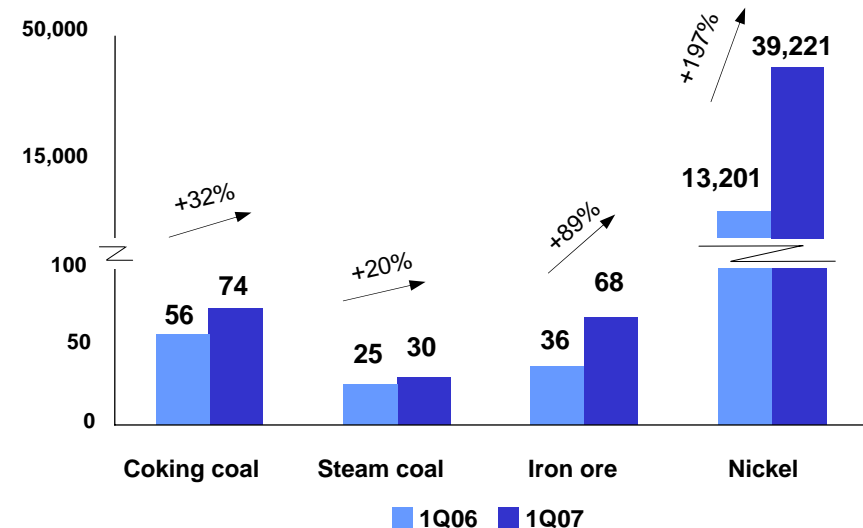


* Calculation based on sales revenue

Revenue breakdown by region



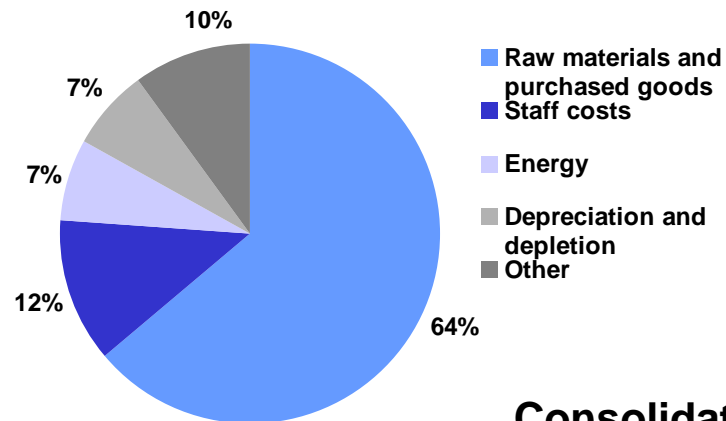
Average sales prices FCA, \$/tonne



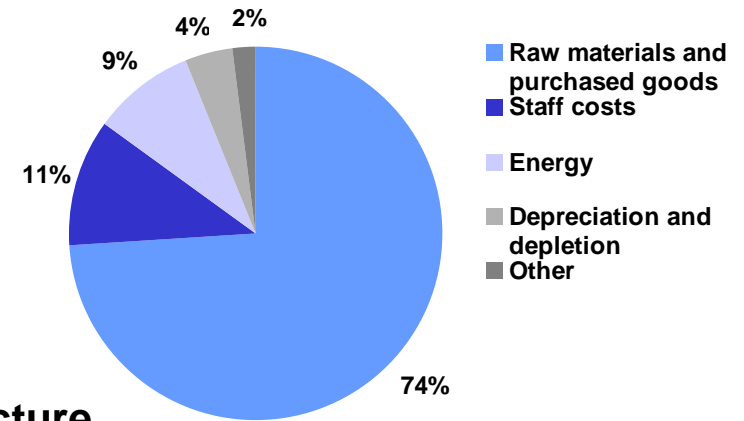
Cost Structure

- ◆ Selling expenses to sales decreased to 8.4% from 12.0% q-o-q as a result of sales structure changes
- ◆ Tighter cost control results in G&A expenses fall to 5.4% from 7.2% q-o-q

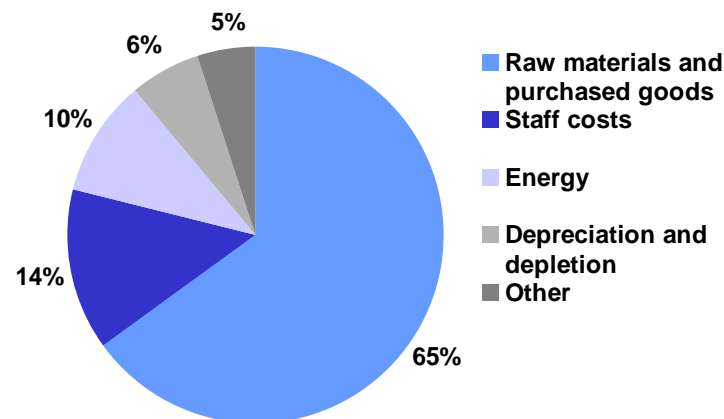
Mining segment COS structure



Steel segment COS structure

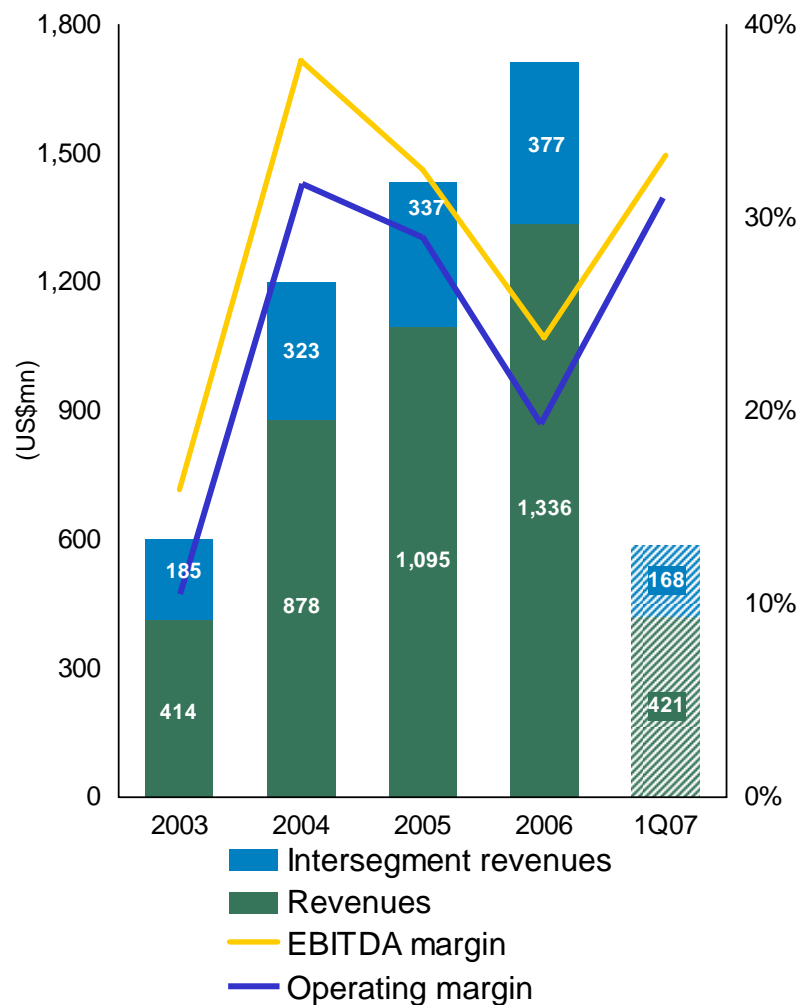


Consolidated COS structure

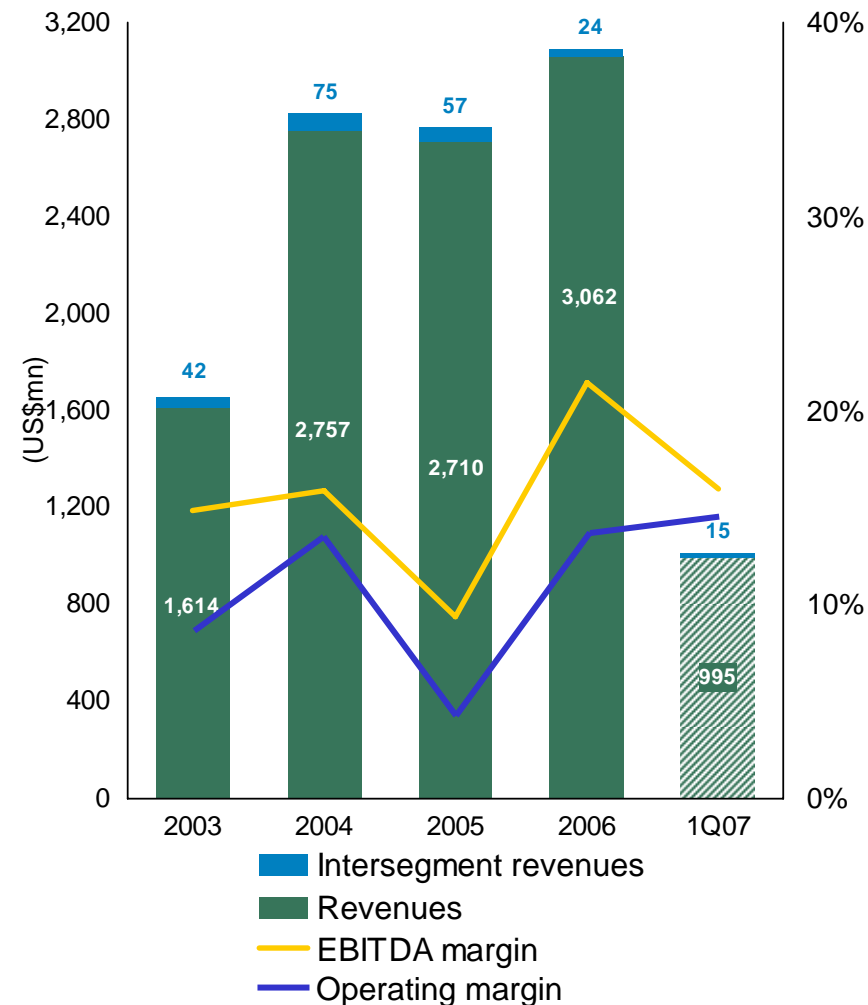


Segment Operations

Mining segment



Steel segment



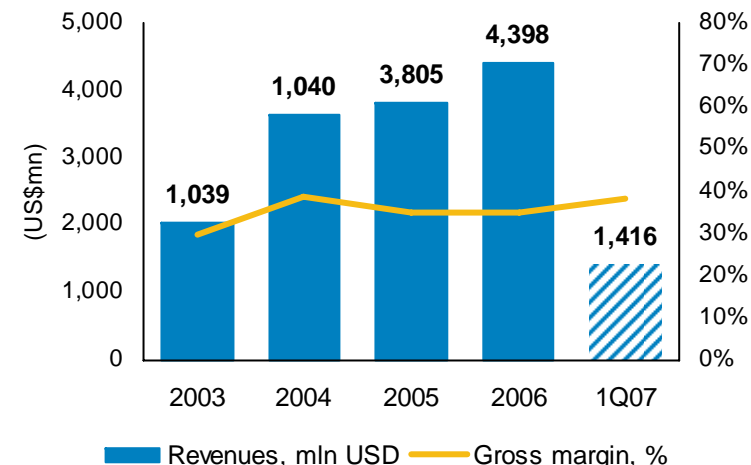
NOTE: EBITDA margin calculated by dividing reported EBITDA by total revenues, including intersegment revenues



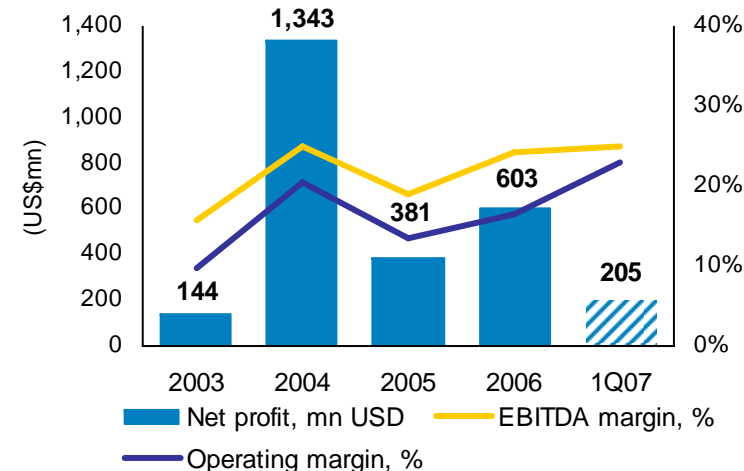
Financial Performance Analysis

- ◆ Strong positive trend in revenue and profitability growth
- ◆ Benefits of capital expenditure program
- ◆ Positive macroeconomic factors that support the trend started in 2006 has lead to a favorable and stable market outlook

Revenue – Gross margin



Net Profit, EBITDA margin and Operating margin

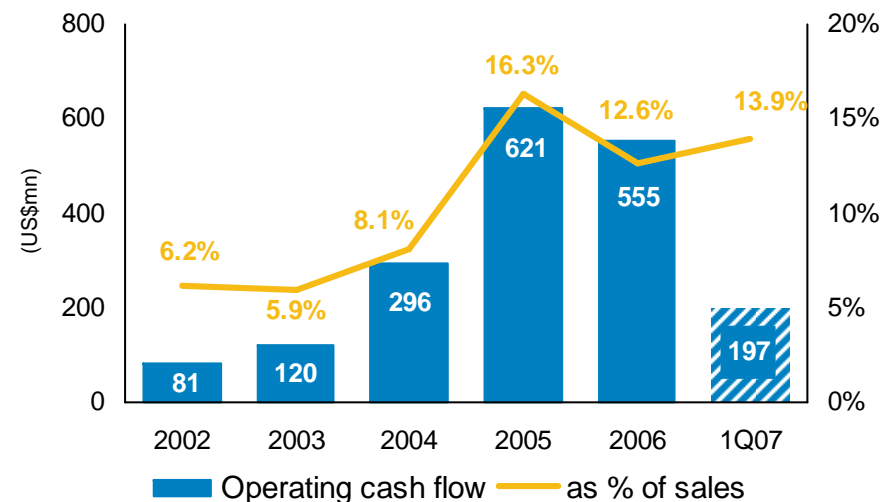


Strong Balance Sheet to Support Growth

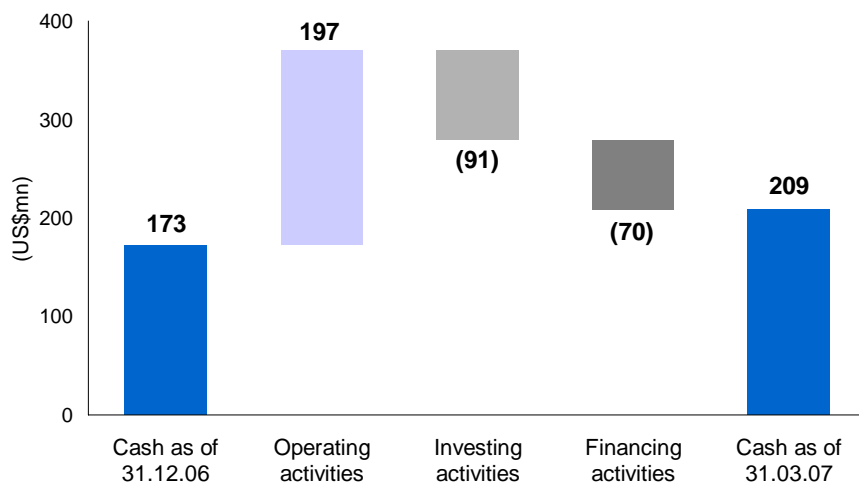


- ◆ Strong operating cash flow provides flexibility to :
 - Fund capex program
 - Expand current operations
 - Reduce short-term debt

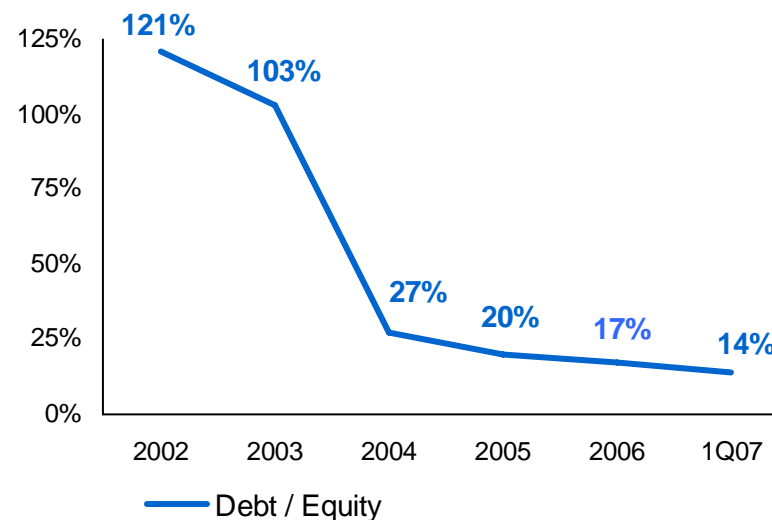
Operating cash flow



Cash Flow



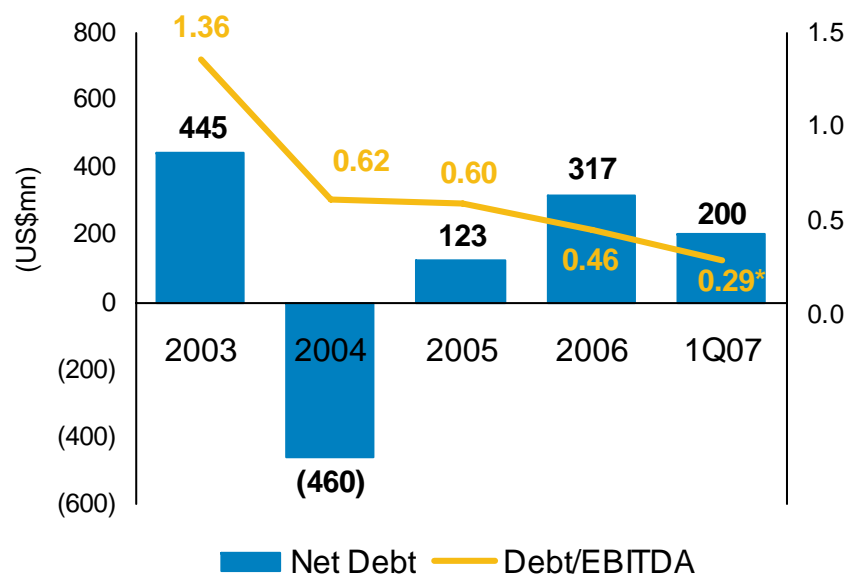
Debt / equity



Solid Financial Position

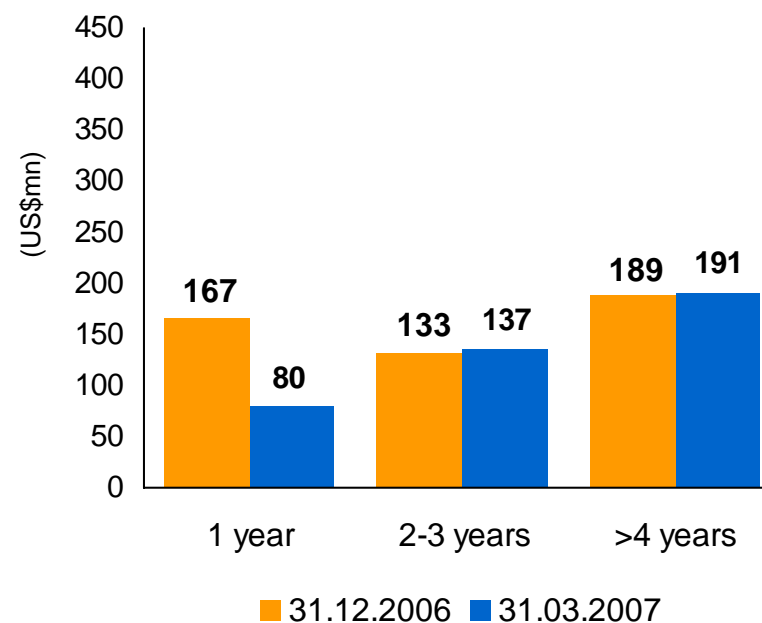
- ◆ Share of Unsecured Debt increased to 79% at 31 March 2007 from 57% at 31 December 2006
- ◆ Debt/EBITDA ratio of 0.29 is one of the lowest in the industry
- ◆ Flexibility to pursue value enhancing M&A opportunities and fund capex

Debt to EBITDA ratio



* annualised

Maturity Profile



First Quarter 2007 Results Overview



\$ million unless otherwise stated	1Q07	1Q06	Change, %
Revenue	1,416	854	66%
Cost of revenue	(876)	(592)	48%
Operating income	328	59	456%
EBITDA	355	134	165%
<i>EBITDA margin</i>	25.1%	15.8%	
Net Income	205	63	225%
<i>Net Income margin</i>	14.5%	7.4%	
EPS (USD per ADR)	1.47	0.48	206%
Sales volumes, '000 tonnes			
Mining segment	3,860	3,658	6%
Steel segment	1,644	1,081	52%

