



**2004 interim
IFRS financial results**

**November 2004
Moscow**

Income statement highlights

| \$mln | Six months 2004 | | Six months 2003 | | Change | % Change |
|--|-----------------|------|-----------------|------|--------|----------|
| Sales | 176.2 | 100% | 133.4 | 100% | 42.8 | 32% |
| Gross margin | 53.1 | 30% | 38.6 | 29% | 14.5 | 38% |
| EBITDA | 18.5 | 10% | 13.5 | 10% | 5.0 | 37% |
| EBIT | 13.5 | 8% | 9.3 | 7% | 4.2 | 45% |
| EBT | 5.6 | 3% | 1.3 | 1% | 4.3 | 331% |
| Profit for six month before discontinued operations | 5.4 | 3% | 4.7 | 4% | 0.7 | 15% |

Segmentation – key results

| \$mln | NPPEQ | STEEL | MMEQ | MINEQ | Other | Intersegment sales | Total |
|---|--------------|--------------|-------------|--------------|--------------|---------------------------|--------------|
| Sales Six months 2004 | 58.6 | 59.1 | 48.8 | 42.5 | 54.5 | (87.3) | 176.2 |
| Gross Margin Six months 2004 | 40% | 10% | 13% | 18% | 20% | | 30% |
| Sales Six months 2003 | 41.2 | 47.8 | 58.9 | 22.9 | 31.7 | (69.1) | 133.4 |
| Gross Margin Six months 2003 | 34% | 15% | 16% | 23% | 14% | | 29% |

Change in sales by segment

| \$mIn | Six months 2004 | Six months 2003 | Change | % Change | Change structure |
|---------------------------|------------------------|------------------------|---------------|-----------------|-------------------------|
| NPPEQ | 58.6 | 41.2 | 17.4 | 42.2% | 40.7% |
| STEEL | 59.1 | 47.8 | 11.3 | 23.6% | 26.4% |
| MMEQ | 48.8 | 58.9 | (10.1) | (17.1%) | (23.6%) |
| MINEQ | 42.5 | 22.9 | 19.6 | 85.6% | 45.8% |
| Other | 54.5 | 31.7 | 22.8 | 71.9% | 53.3% |
| Intersegment sales | (87.3) | (69.1) | (18.2) | 26.4% | (42.5%) |
| Total | 176.2 | 133.4 | 42.8 | 32.1% | 100.0% |

Change in gross margin by segment

| \$mln. | Six months 2004 | Six months 2003 | Change | Change % | Change structure |
|---|----------------------------|----------------------------|---------------|---------------------|-----------------------------|
| NPPEQ | 23.2 | 13.8 | 9.4 | 68.1% | 64.8% |
| STEEL | 6.2 | 7.1 | (0.9) | (12.7%) | (6.1%) |
| MMEQ | 6.2 | 9.3 | (3.1) | (33.3%) | (21.4%) |
| MINEQ | 7.8 | 5.2 | 2.6 | 50% | 17.9% |
| Other | 10.9 | 4.4 | 6.5 | 147.7% | 44.8% |
| Eliminations & unallocated | (1.2) | (1.2) | - | - | - |
| Total | 53.1 | 38.6 | 14.5 | 37.6% | 100.0% |

Change in EBITDA by segment

| \$mln. | Six months 2004 | Six months 2003 | Change | % Change | Change structure |
|---------------------------------------|------------------------|------------------------|---------------|-----------------|-------------------------|
| NPPEQ | 14.6 | 7.2 | 7.4 | 102.8% | 148% |
| STEEL | 0.2 | 1.2 | (1.0) | (83.3%) | (20%) |
| MMEQ | 1.4 | (1.8) | 3.2 | (177.8%) | 64% |
| MINEQ | 0.3 | 2.1 | (1.8) | (85.7%) | (36%) |
| Other | 6.0 | 0.6 | 5.4 | 900.0% | 108% |
| Eliminations & unallocated | (4.0) | 4.2 | (8.2) | (195.2%) | (164%) |
| Total | 18.5 | 13.5 | 5.0 | 37% | 100.0% |

Cost of sales

| (\$'000) | Six months 2004 | | Six months 2003 | | Change |
|---|--------------------|-------------|--------------------|-------------|---------------|
| Materials and components used | 77 955 | 50.7% | 55 736 | 49.7% | 22 219 |
| Labour costs | 33 038 | 21.5% | 25 171 | 22.4% | 7 867 |
| Gas and fuel | 24 353 | 15.9% | 17 454 | 15.6% | 6 899 |
| Services | 12 607 | 8.2% | 9 035 | 8.0% | 3 572 |
| Depreciation | 4 281 | 2.8% | 3 890 | 3.5% | 391 |
| Negative goodwill depreciation | (561) | (0.4%) | (566) | (0.5%) | 5 |
| Other | 2 023 | 1.3% | 1 450 | 1.3% | 573 |
| Cost of production | 153 696 | 100% | 112 170 | 100% | 41 526 |
| Changes in inventories of finished goods and work in progress | (30 616) | | (17 341) | | (13 275) |
| Cost of sales | 123 080 | | 94 829 | | 28 251 |

G&A expenses

| (\$'000) | Six months 2004 | Six months 2003 | Change | Forex | Six months 2003, adjusted for Forex | Adjusted change |
|--------------------------------|--------------------|--------------------|--------------|--------------|---|--------------------|
| Taxes | 3 309 | 4 151 | (842) | 361 | 4 512 | (1 203) |
| Labour costs | 23 813 | 22 344 | 1 469 | 1 942 | 24 286 | (473) |
| Amortisation of intangibles | 413 | 113 | 300 | 10 | 123 | 290 |
| Depreciation | 904 | 836 | 68 | 73 | 909 | (5) |
| Services | 11 158 | 9 624 | 1 534 | 837 | 10 461 | 697 |
| Administration overheads | 2 395 | 2 093 | 302 | 182 | 2 275 | 120 |
| Total | 41 992 | 39 161 | 2 831 | 3 405 | 42 566 | (574) |

Selling expenses

| (\$'000) | Six months 2004 | Six months 2003 | Change | Forex | Adj Six months 2003 | Adjusted change |
|---------------------------|--------------------|--------------------|---------------|------------|------------------------|--------------------|
| Transportation | 1 720 | 1 211 | 509 | 105 | 1 316 | 404 |
| Services | 2 828 | 1 767 | 1 061 | 154 | 1 921 | 907 |
| Labour costs | 737 | 308 | 429 | 27 | 335 | 402 |
| Other | 521 | 112 | 409 | 9 | 121 | 400 |
| Total | 5 806 | 3 398 | 2 408 | 295 | 3 693 | 2 113 |
| Sales | 176 157 | 133 424 | 42 733 | | 133 424 | 42 733 |
| Selling exp./Sales | 3.3% | 2.5% | 0.8% | | 2.8% | 0.5% |

Key Ratios

| | June 30, 2004 | December 31, 2003 |
|-------------------------------|---------------|-------------------|
| Debt to market capitalisation | 1.1 | 0.8 |
| Turnover (days) | | |
| Inventories | 171 | 180 |
| Trade accounts receivable | 73 | 112 |
| NWC | 201 | 242 |

Debt dynamics

| \$mln | June 30, 2004 | | December 31, 2003 | |
|--|----------------------|-------------|--------------------------|-------------|
| Long-term debt (incl. non-convertible bonds) | 68.0 | 26% | 43.5 | 17% |
| Short-term debt | 193.1 | 74% | 206.0 | 83% |
| Total debt | 261.1 | 100% | 249.5 | 100% |

Effective interest rate

| \$mIn | Six months 2004 | Six months 2003 |
|----------------------------|----------------------------|----------------------------|
| Average debt | 255.8 | 182.1 |
| Interest expense | 12.6 | 8.8 |
| Effective interest rate | 9.9% | 9.7% |

Change in NWC by segment

| \$mIn. | NPPEQ | STEEL | MMEQ | MINEQ | Other Eliminations& unallocated | Total | |
|---|--------------|--------------|-------------|--------------|--|---------------|---------------|
| NWC December 31, 2003 | 65.7 | 13.9 | 28.5 | 32.7 | 11.4 | 23.3 | 175.5 |
| Settlements with customers | 5.2 | (1.1) | 6.7 | - | (7.2) | (14.0) | (10.4) |
| Inventories | (5.8) | 0.8 | 39.0 | 3.7 | (2.3) | (1.9) | 33.5 |
| Accounts due from/to customers for contract work | 19.4 | - | - | - | 0.6 | - | 20.0 |
| Taxes receivables | (1.1) | 1.7 | 3.2 | (1.0) | (3.0) | - | (0.2) |
| Other current assets | (0.3) | (0.2) | (0.6) | (1.3) | (0.8) | 6.4 | 3.2 |
| Settlements with suppliers | (5.2) | (6.9) | (12.7) | (4.7) | 2.0 | 5.8 | (21.7) |
| Taxes payables | 1.7 | (0.7) | (0.3) | 0.7 | 1.2 | - | 2.6 |
| Other current liabilities | (0.3) | (0.7) | (0.1) | (0.3) | 0.4 | (7.1) | (8.1) |
| Net change | 13.6 | (7.1) | 35.2 | (2.9) | (9.1) | (10.8) | 18.9 |
| NWC June 30, 2004 | 79.3 | 6.8 | 63.7 | 29.8 | 2.3 | 12.5 | 194.4 |

Pro-forma consolidated Balance sheet as at June 30, 2004 including Skoda*

| \$ mln | OMZ | Skoda | Total |
|---|--------------|--------------|--------------|
| ASSETS | | | |
| Current assets | 472.2 | 108.8 | 575.9 |
| Non-current assets | 140.0 | 99.0 | 239.0 |
| Total assets | 612.2 | 207.8 | 814.9 |
| LIABILITIES | | | |
| Current liabilities | 470.8 | 70.0 | 578.1 |
| Non-current liabilities | 99.3 | 44.1 | 143.4 |
| Total liabilities | 570.1 | 114.1 | 721.5 |
| EQUITY | | | |
| Equity and reserves attributable to the Companies` equity holders | 19.1 | 93.6 | 70.3 |
| Minority interests | 23.0 | - | 23.0 |
| Total equity | 42.1 | 93.6 | 93.3 |
| Total liabilities and equity | 612.2 | 207.8 | 814.9 |

*Consolidated since January 2004 and based on assumption that carrying value of Skoda companies approximates their fair value

Pro-forma consolidated Income statement for six months of 2004 including Skoda*

| \$ mln | OMZ | Skoda | Total |
|---|-------------|--------------|-------------|
| Sales | 176.2 | 100.9 | 277.1 |
| Gross profit | 53 | 14.5 | 67.5 |
| Profit from acquisition of Skoda companies | 50.9 | - | 50.9 |
| Profit (loss) before loss from discontinued operations | 56.4 | (0.8) | 55.6 |
| Profit (loss) for the year | 5.9 | 0.4 | 6.3 |
| Depreciation&Amortisation | 5.0 | 4.8 | 9.8 |
| EBITDA | 18.5 | 5.4 | 23.9 |

*Consolidated since January 2004