



FY 2006 Results
Management Presentation



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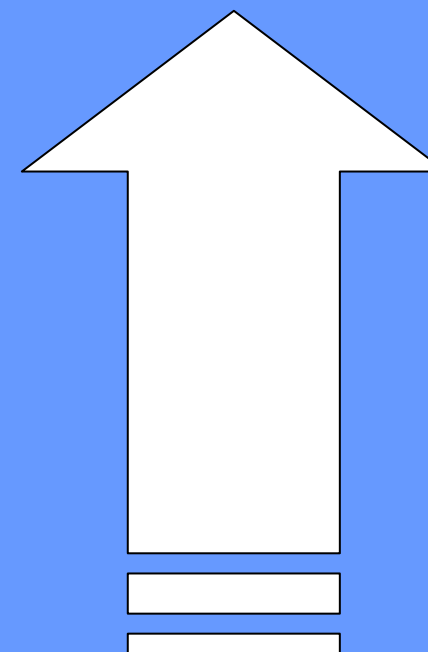
Record Financial Results

➤ Record financial results since the creation of the company

+15.6% ↑ Revenue

+47.1% ↑ EBITDA

+58.3% ↑ Net Income



➤ Well balanced strategy

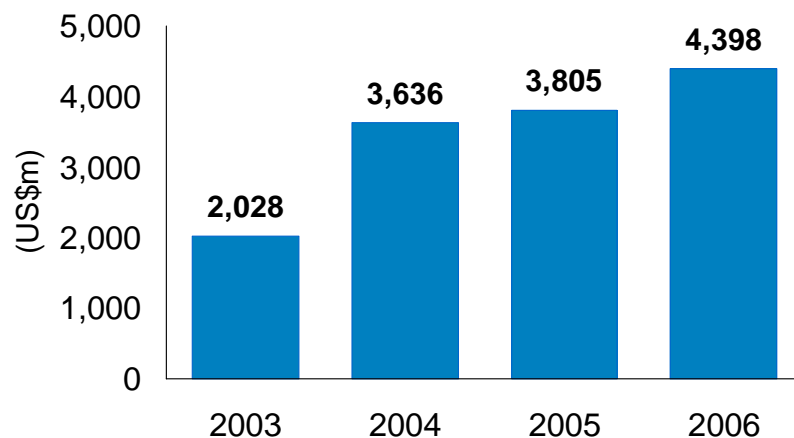
➤ Strong Management

➤ Focus on shareholder value

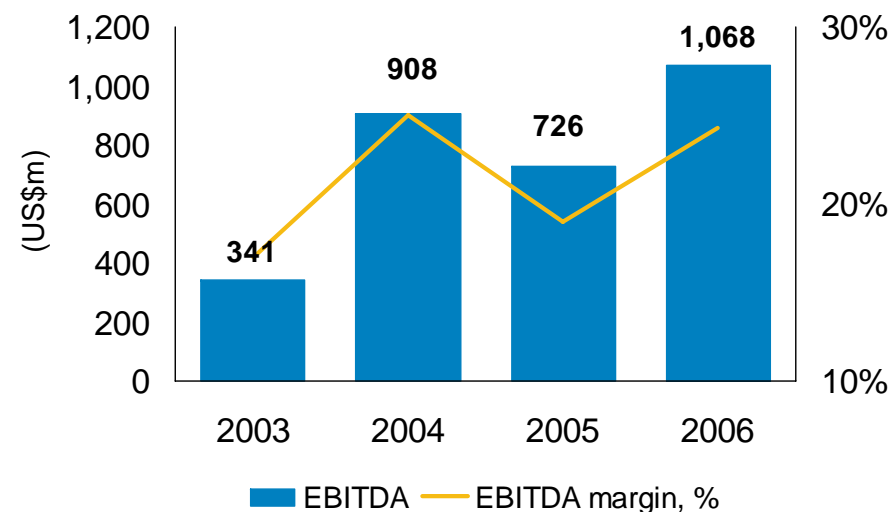


FY 2006 Financial Performance

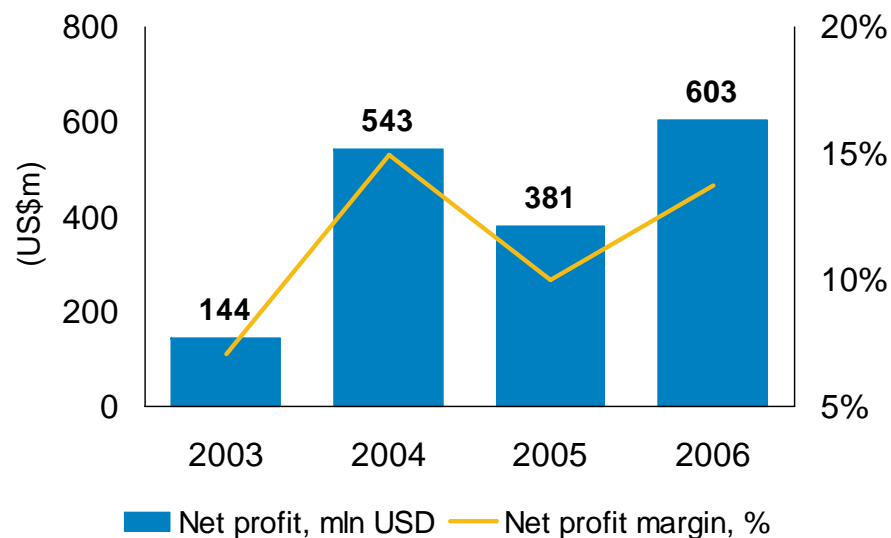
Revenue



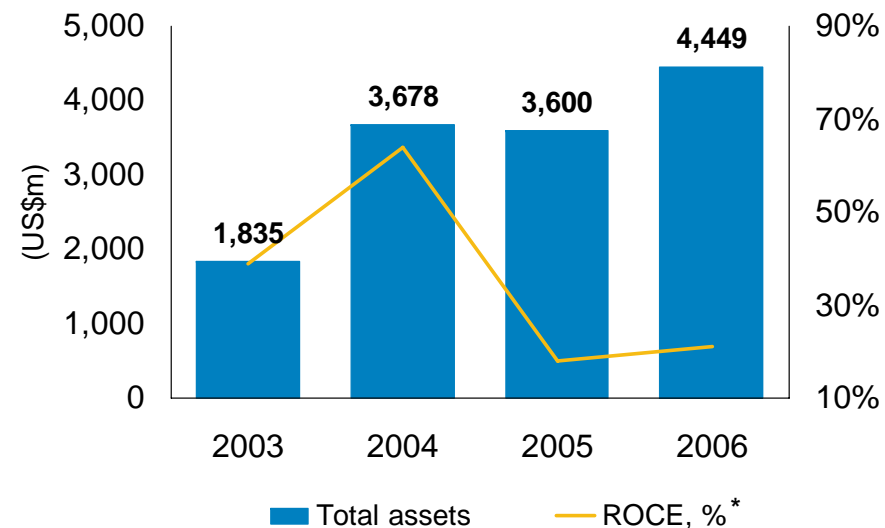
EBITDA*



Net profit *



Total assets



* Excluding gain on the sale of the stake in MMK in 2004

Mining: Coal

Volume Growth

Value Added Growth

→ Commissioning of Olzherasskaya mine

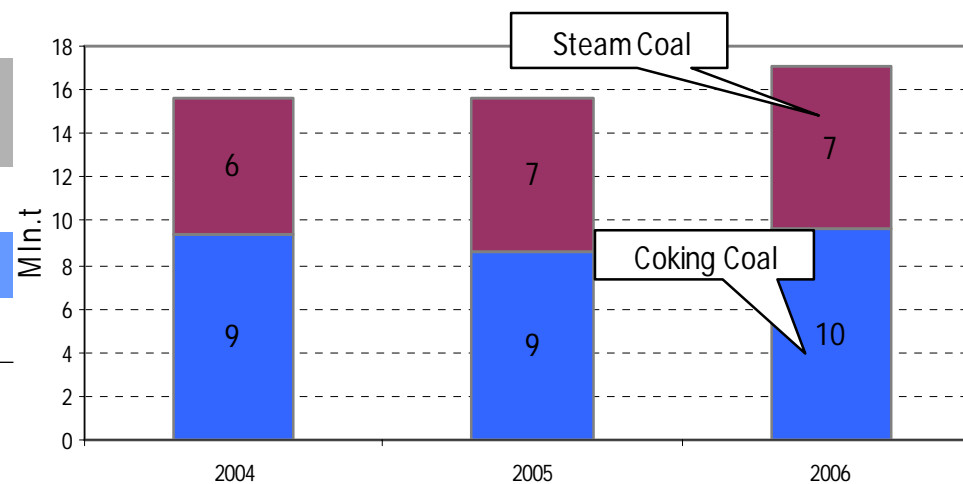
→ Acquisition of the Moscow Coke and Gas Plant

→ Commissioning of new Coke battery at CMP

→ Acquisition of the Southern Kuzbass Power Plant:
Electricity market provides additional outlet for coal production

Product output, FY 2006	Thousand tonnes	FY06 vs. FY05,%
Coal	17,013	+9
Coking coal	9,697	+13
Steam coal	7,316	+4

Mechel 2004-2006 Coal Production



Mining: Nickel and Iron Ore

Nickel

→ 14% volume growth

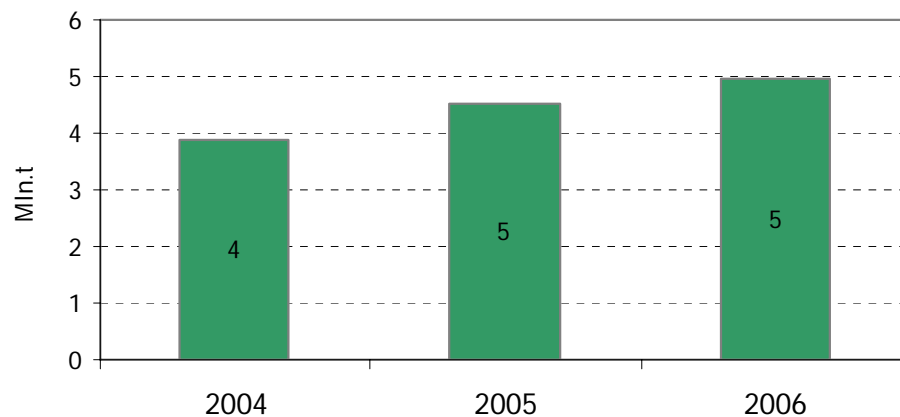
→ Lowered cash cost per tonne

Iron Ore

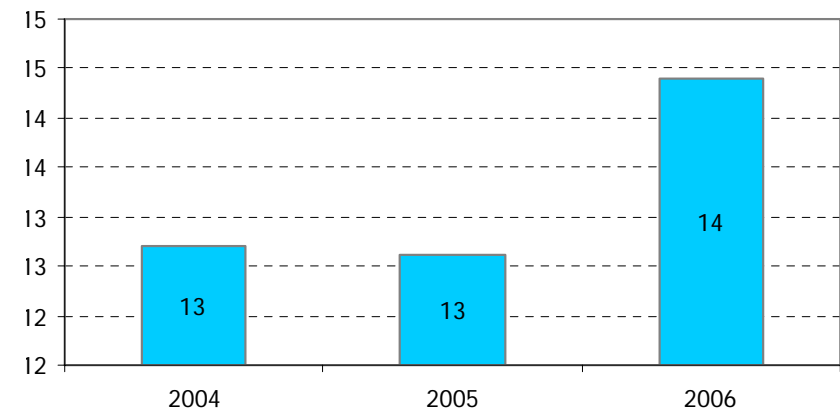
→ Reached 5 million tonnes milestone ahead of schedule

→ Strategy to maintain production with tight cost control

Mechel 2004-2006 Iron Ore Production



Mechel 2004-2006 Nickel Production



Product output, FY 2006	Thousand tonnes	FY06 vs. FY05, %
Iron ore concentrate	4,976	+10
Nickel	14.4	+14

Steel: Successful Strategy Execution

Cost cutting and control projects

→ Commissioning of the Concaster No.4 at CMP (1 mln. tonnes)

→ Commissioning of new Coke battery at CMP

→ Acquisition of scrap collecting and processing company, as well as other minor scrap collectors

Product output, FY 2006	Thousand tonnes	FY06 vs. FY05, %
Hardware	611	+10
Rolled products	4,714	+2
Flat products	400	+28
Long products	2,529	+1
Steel	5,950	+1
Hot iron	3,631	+ 8



Steel: Lowering Production Costs

➤ Record margins

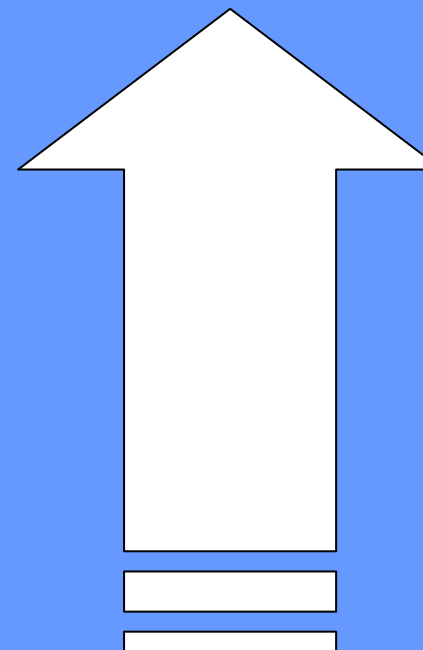
➤ Roadmap to even better performance

+13.0% ↑ Revenue of \$3 062 million

+153.4% ↑ EBITDA of \$660 million

EBITDA margin of 21.4%

+503% ↑ Net Income of \$406 million



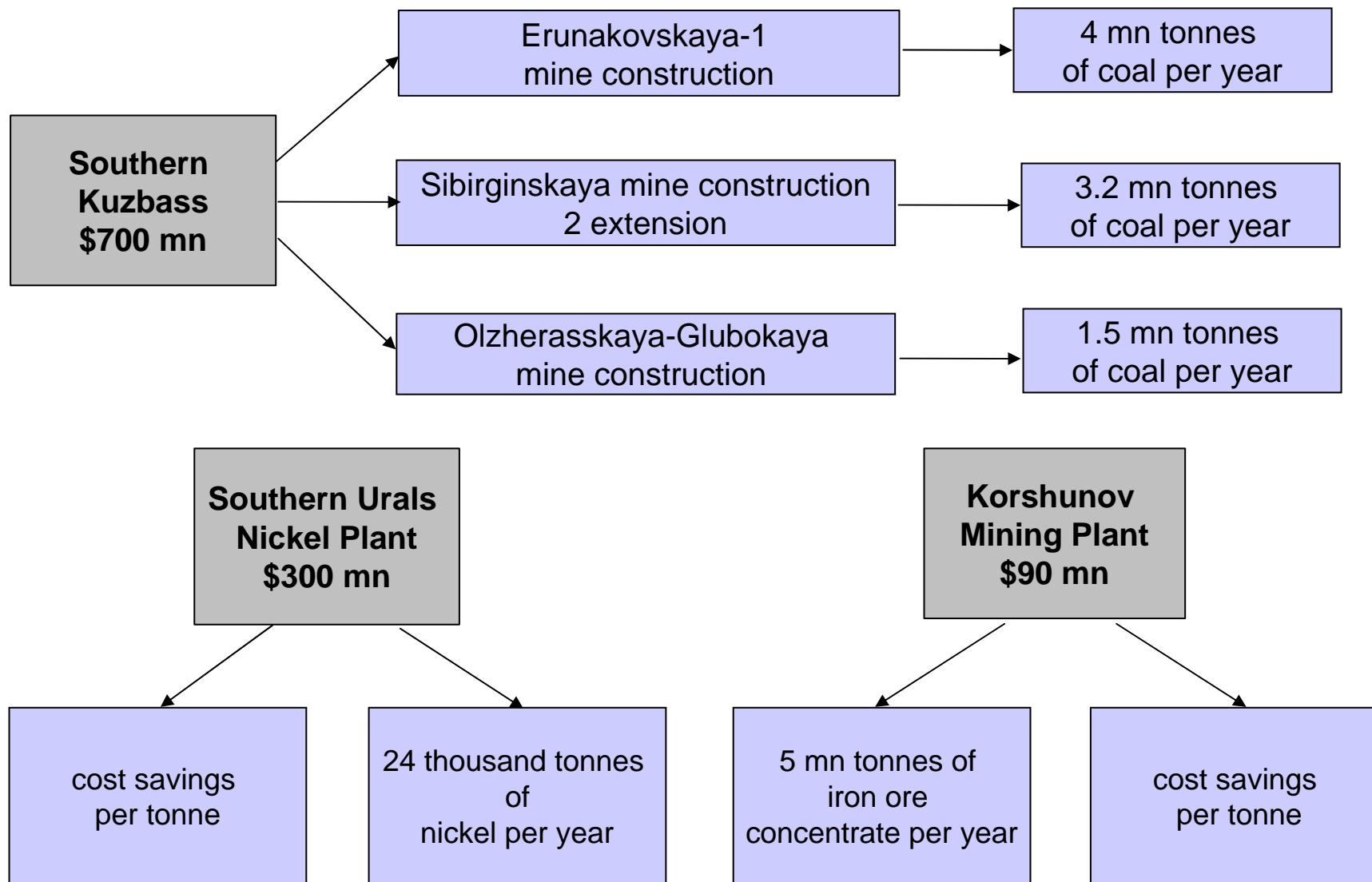
➤ Cost saving and efficiency improvements

➤ Positive market fundamentals



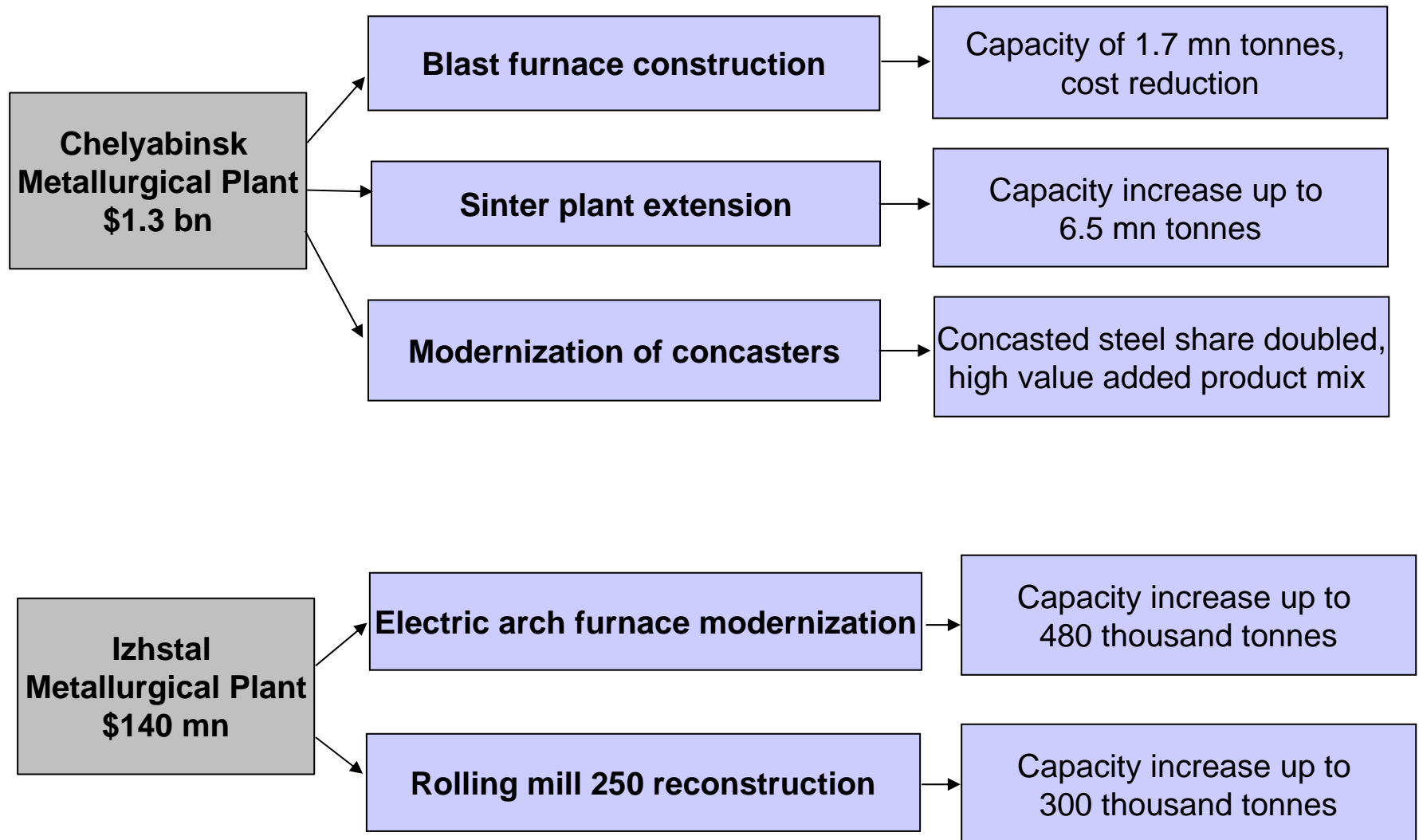
Investment Program: Mining Segment

▶ Total CAPEX for mining segment in 2007-2011 at \$1.2 bn



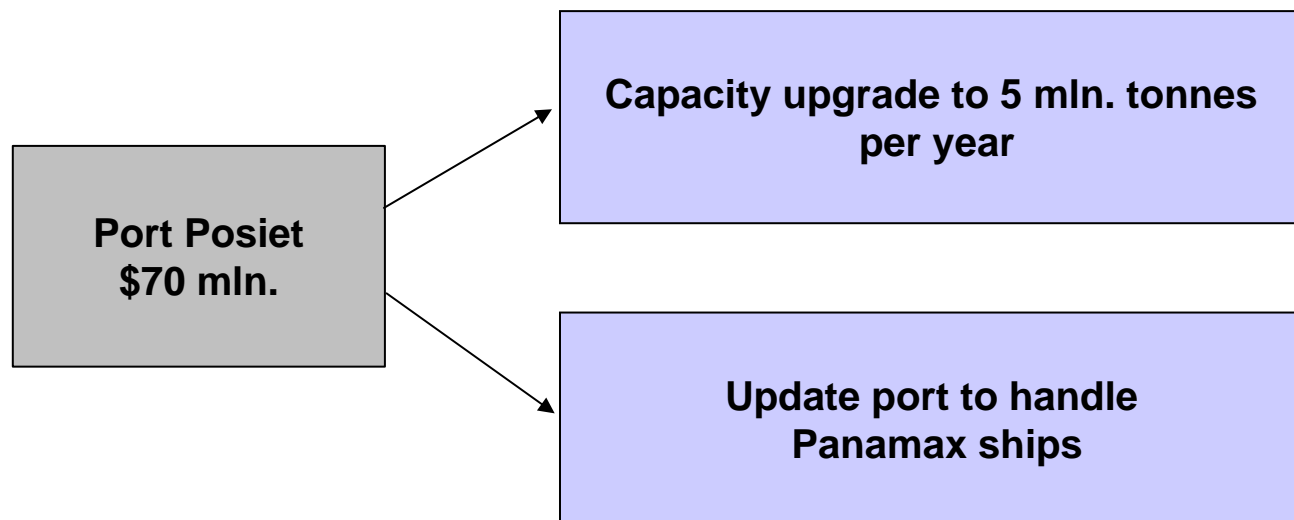
Investment Program: Steel Segment

▶ Total CAPEX for steel segment in 2007-2011 at \$1.5 bn



Investment Program: Logistics

▶ Total CAPEX Port Posiet 2007-2011 at \$70 mln



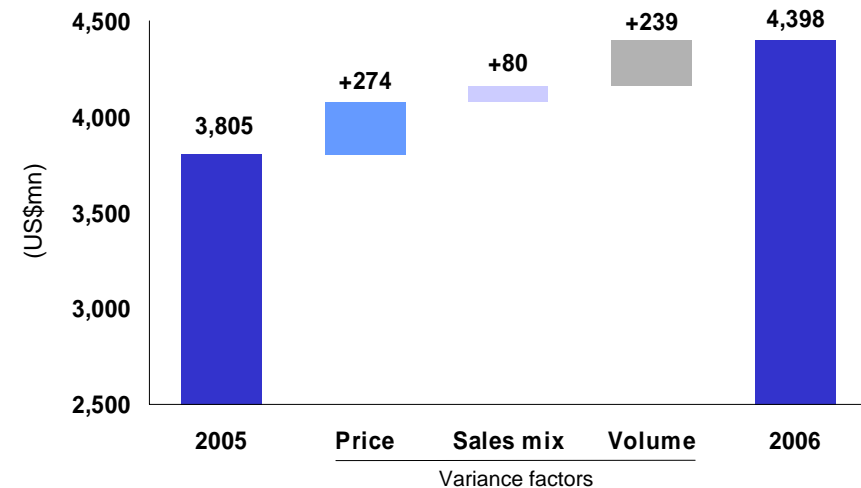


Financial Review

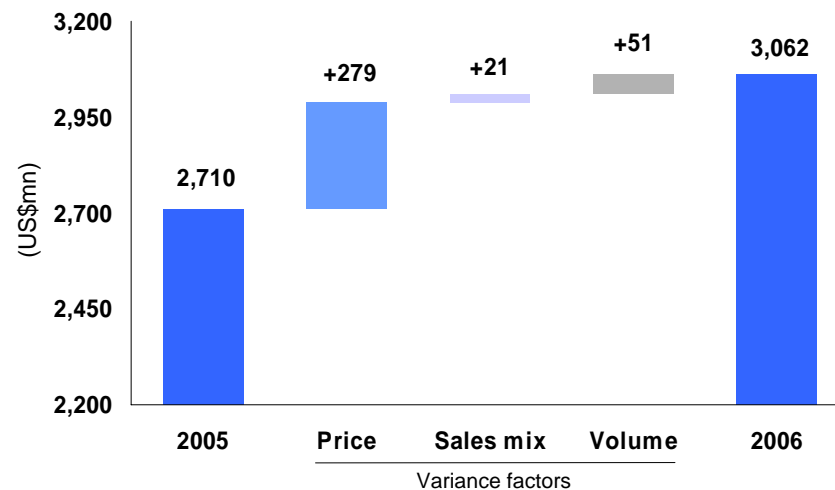
Sales Overview

- ◆ Company benefited from higher sales prices in steel segment
- ◆ Increase in volumes in mining segment is a reflection of our strategy to develop additional mines
- ◆ Negative trend in coal prices was partly offset by rapid increase in nickel prices
- ◆ Increased share of high value-added products in steel segment

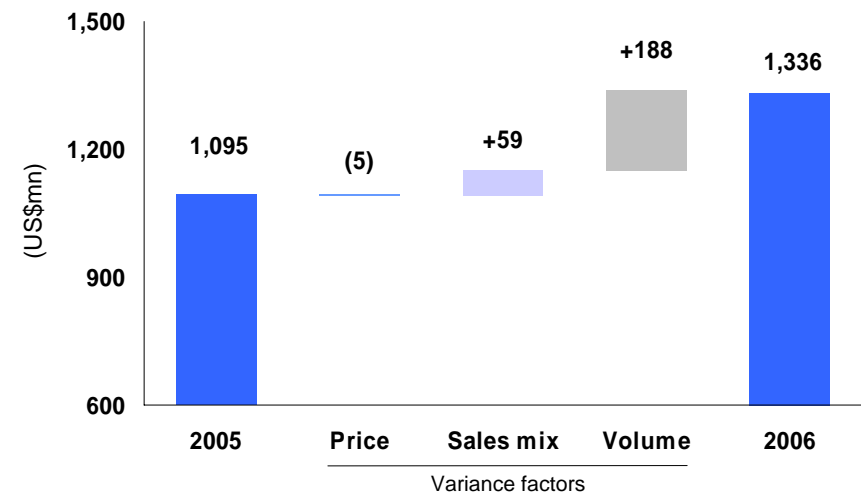
Consolidated revenue



Steel segment revenue



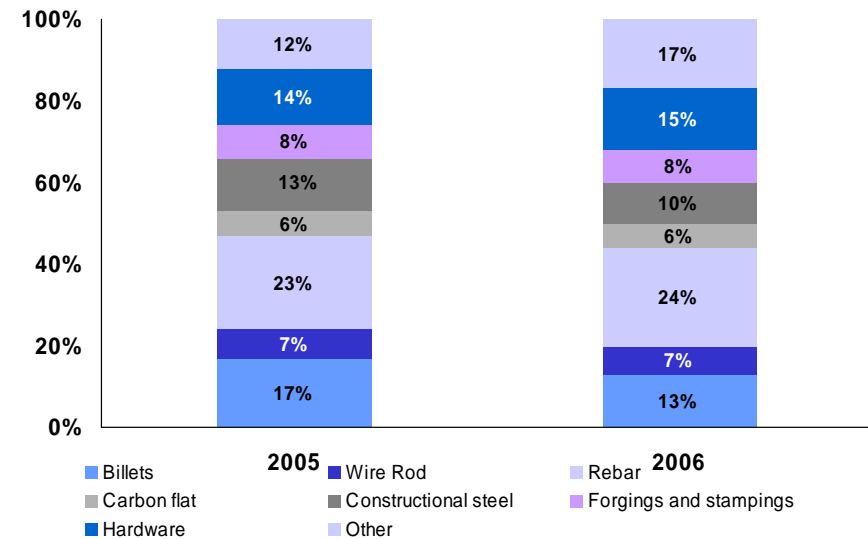
Mining segment revenue



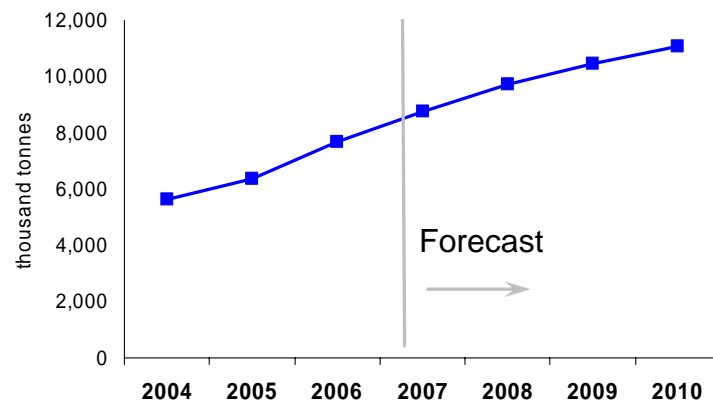
Steel Sales: Structure and Prices

- ◆ Improved sales mix to include greater percentage of higher-margin products
- ◆ Strong demand trends in construction industry drove increased pricing
- ◆ Additional value-added product sales from recently installed equipment
- ◆ Continued demand from key international markets

Sales structure

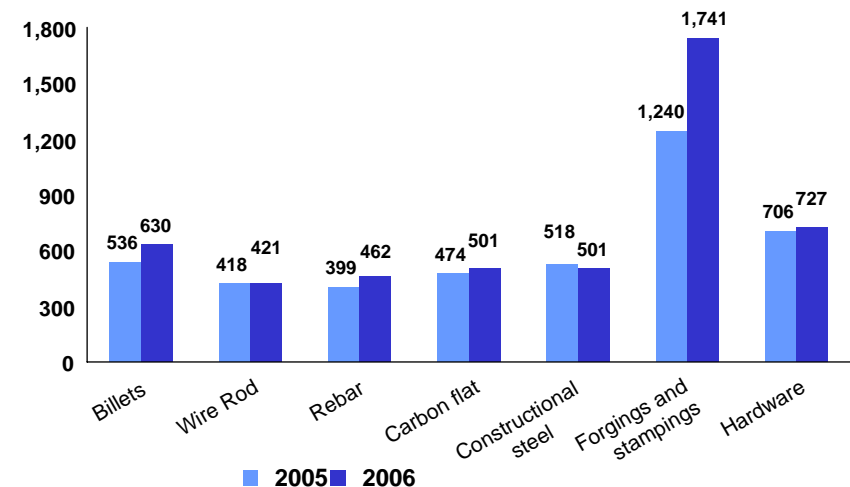


Steel consumption in construction industry, Russia



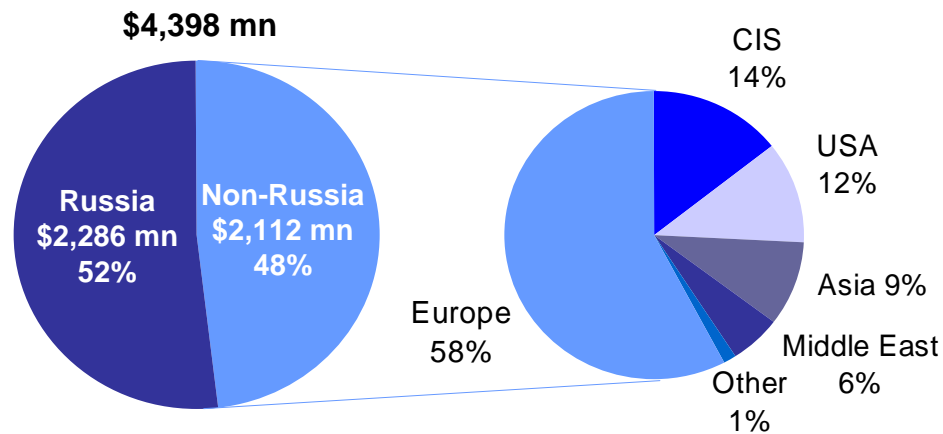
Source: Company data

Average sales prices FCA, \$/tonne Domestic market

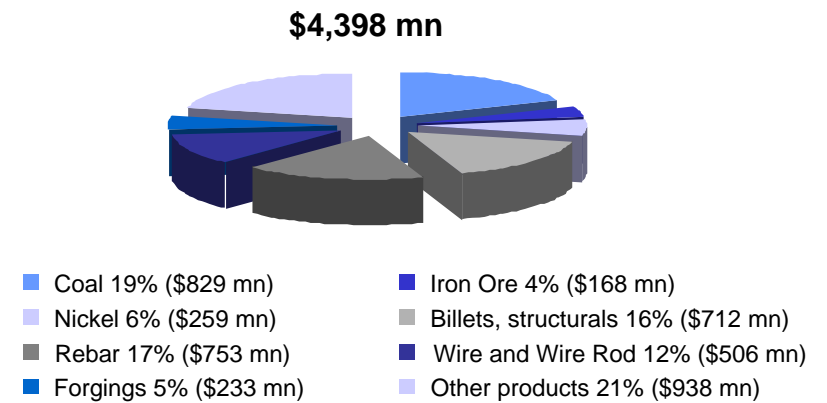


Sales Geography and Mix

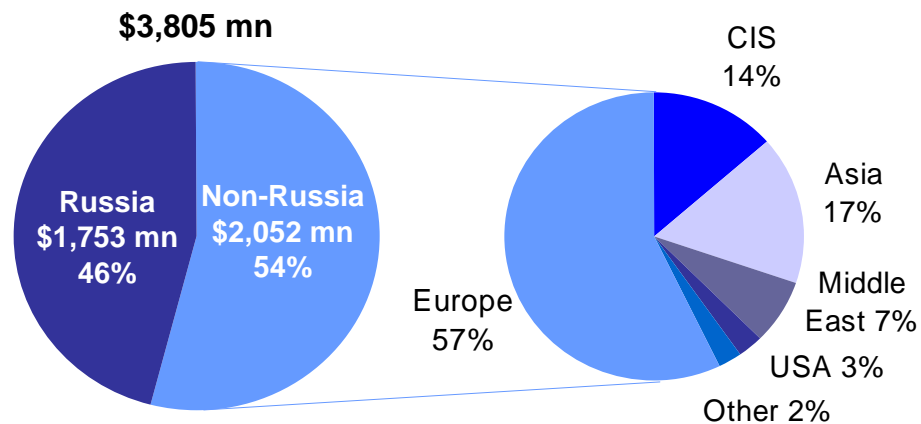
Revenue breakdown by region, FY 2006



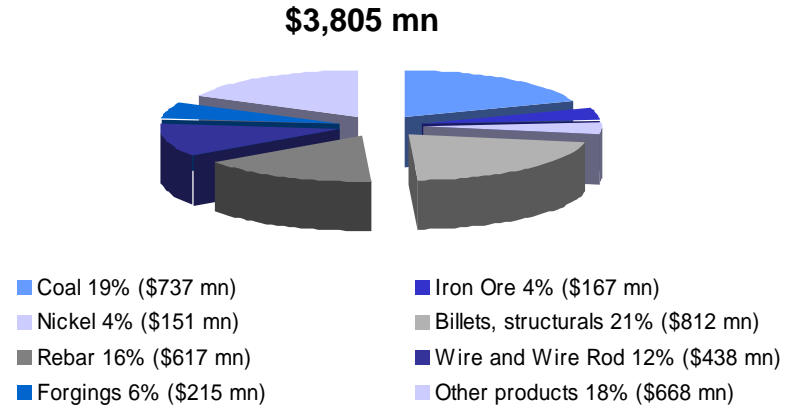
Sales Mix, FY 2006



Revenue breakdown by region, FY 2005



Sales Mix, FY 2005

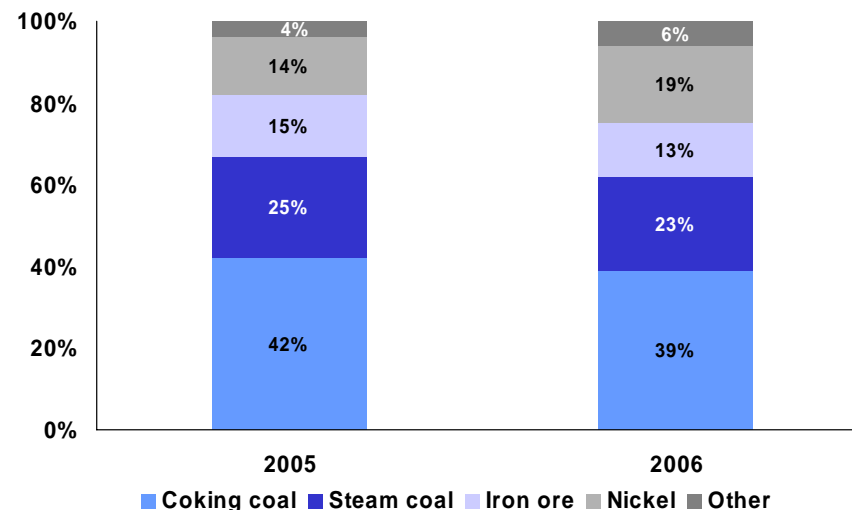




Mining Sales: Structure and Prices

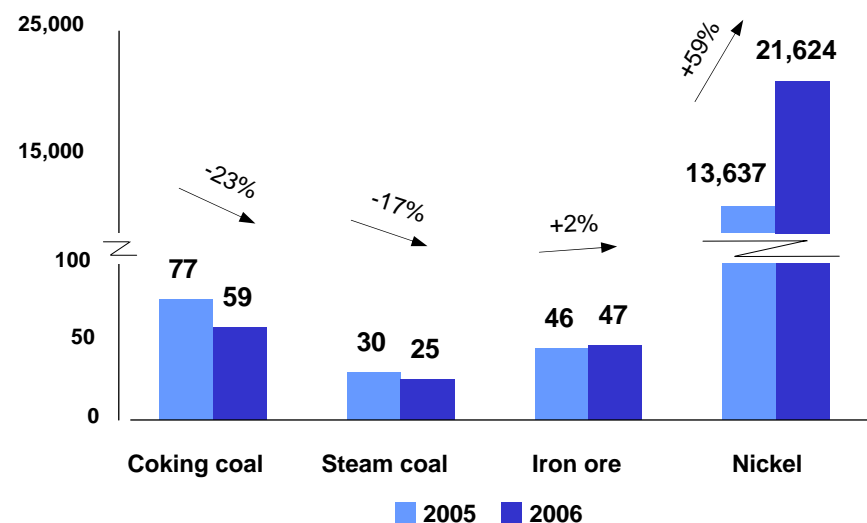
- ◆ Drop in coking coal prices in 2006 is the primary reason for weaker mining segment performance in 2006
- ◆ Positive outlook for healthy price environment for coking coal in 2007 driven by high steel prices
- ◆ Strong supporting market forces for nickel prices
- ◆ Privatization of power generating companies gives additional steam coal supply opportunity

Sales structure*



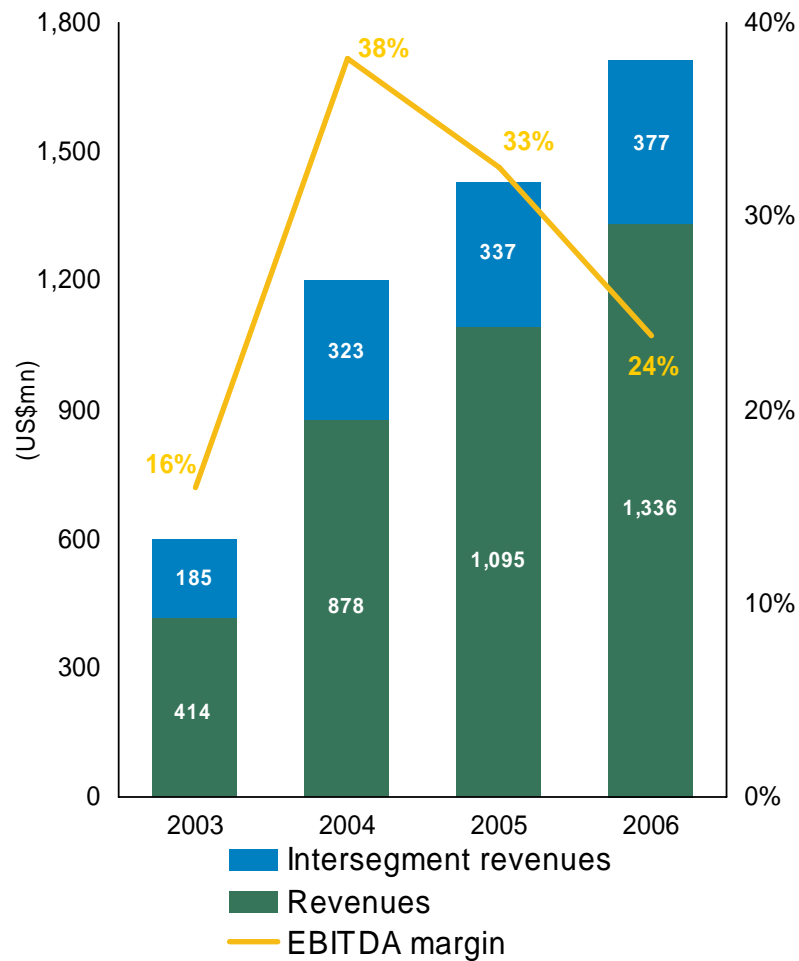
* Calculation based on sales revenue

Average sales prices FCA, \$/tonne

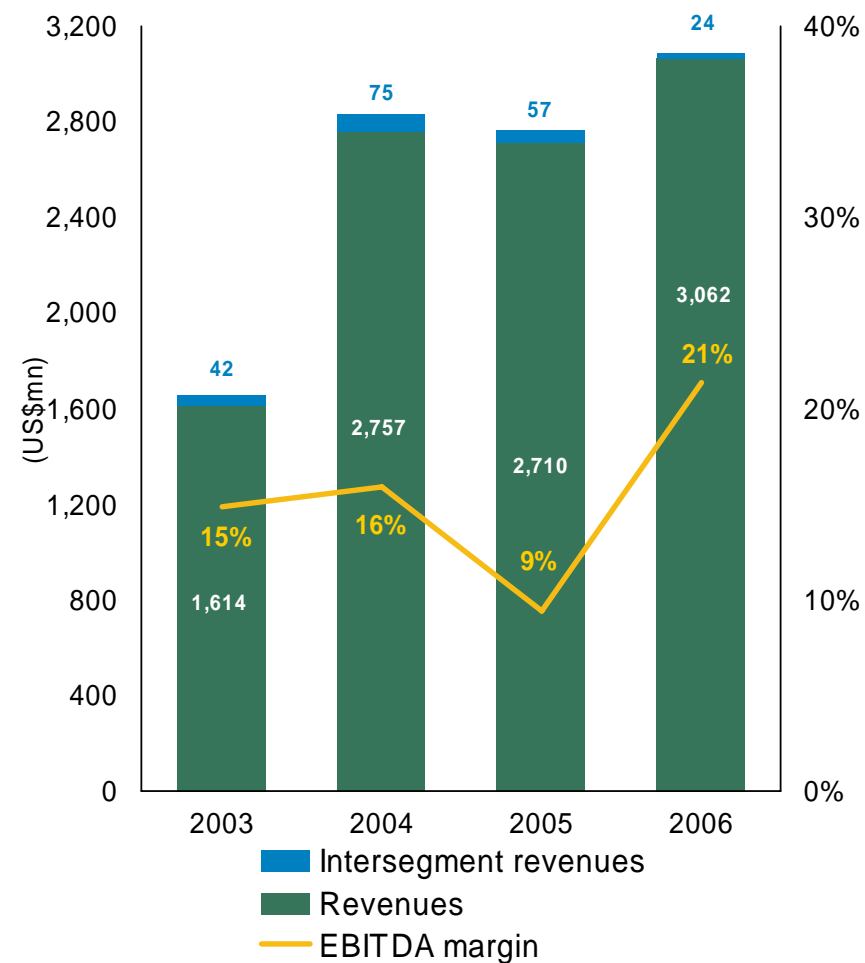


Segment Operations

Mining segment



Steel segment



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

Targeted Capex Achieved Planned Results



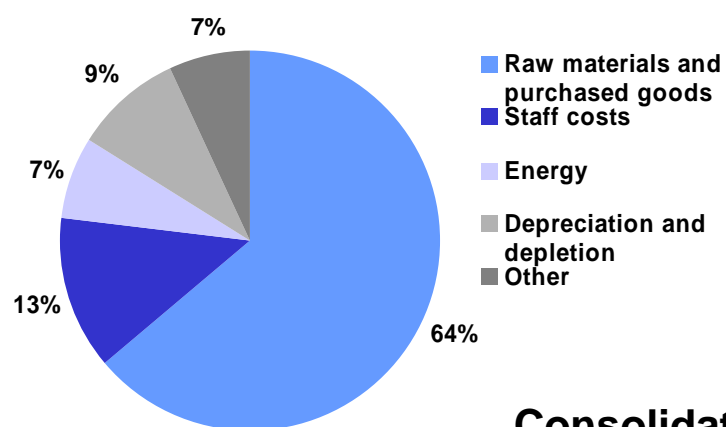
- ◆ Improved steel segment performance on back of efficient capex
- ◆ Growth in coal output in line with previously stated strategy

Project	Date of completion	Effect
New Sinter Plant at CMP - 1st line and 1st stage of the 2nd line	August 2005, August 2006	\$59.0 mn annual overall economic effect for the Group
Modernization of EBT oven at Mechel Targoviste	January 2006	\$6.5 mn of annual cost savings
Equipment complex to produce spring wire at BMP	July 2006	\$4.5 mn annual overall economic effect
Olzherassk Mine	September 2006	+700,000 tonnes additional volumes \$15.5 mn annual economic effect
Krasnogorsk Coal Washing Plant	December 2005	+389,000 tonnes additionally washed volumes \$1.8 mn annual economic effect

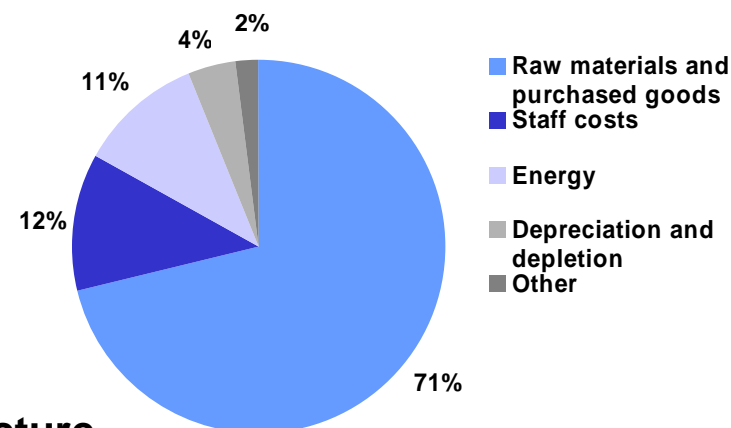
Cost Structure

- ◆ Selling expenses to sales decreased to 9.5% from 11.8% as a result of sales structure changes
- ◆ Average cash cost per tonne for major products in 2006: coking coal \$25-30, steam coal \$15-20, iron ore \$21, rebar \$285, billets \$275

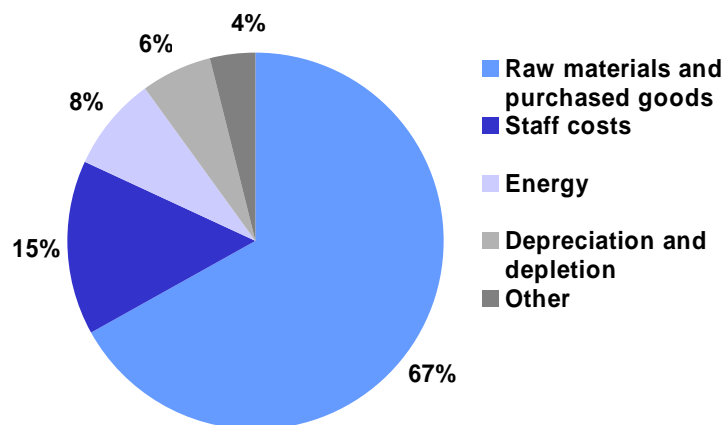
Mining segment COS structure



Steel segment COS structure



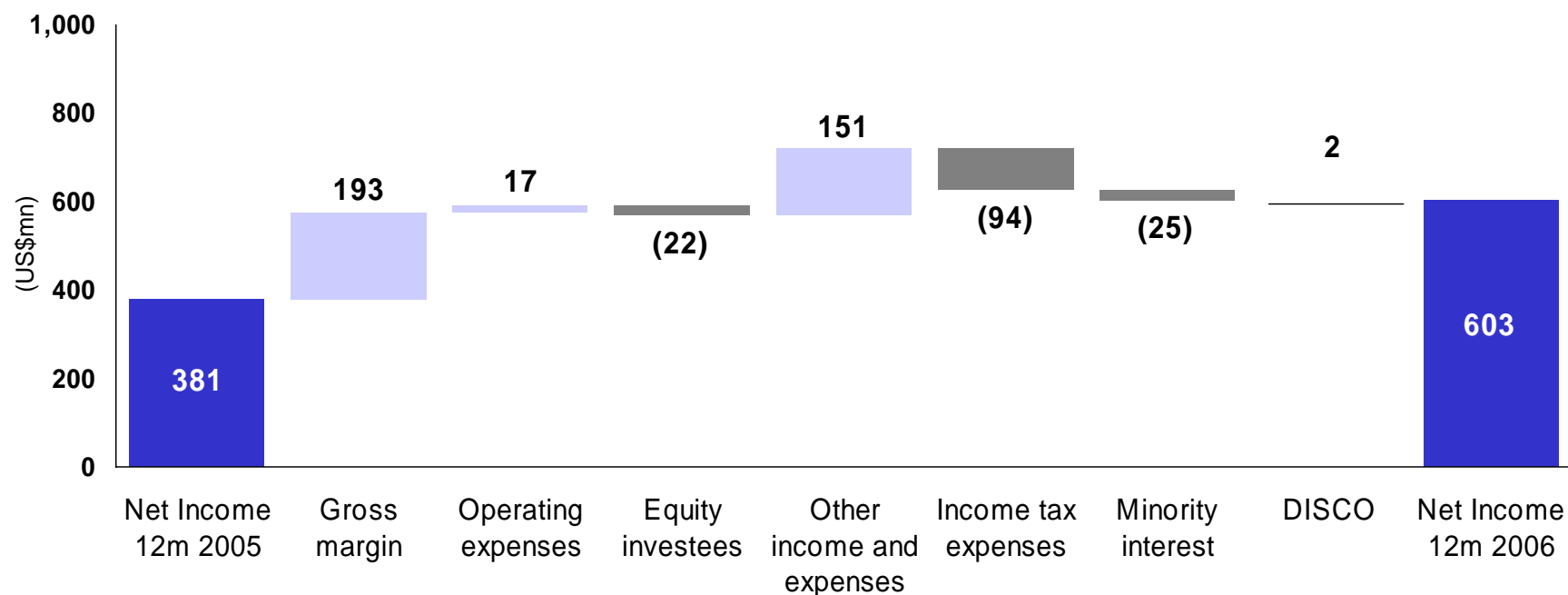
Consolidated COS structure



Net Income Analysis

- ◆ Gain on forgiveness of restructured debts at Mechel Targoviste due to close of privatization contract ahead of schedule \$45 mn
- ◆ Gain on revaluation of trading securities held by Moscow Coke and Gas Plant \$51 mn

Analysis of net income change

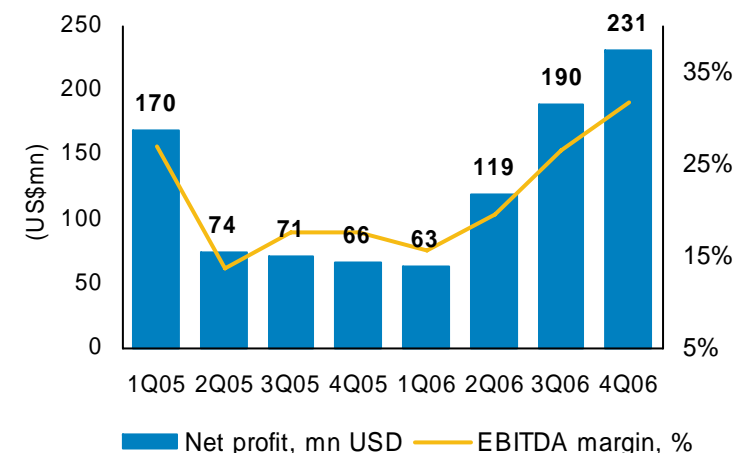




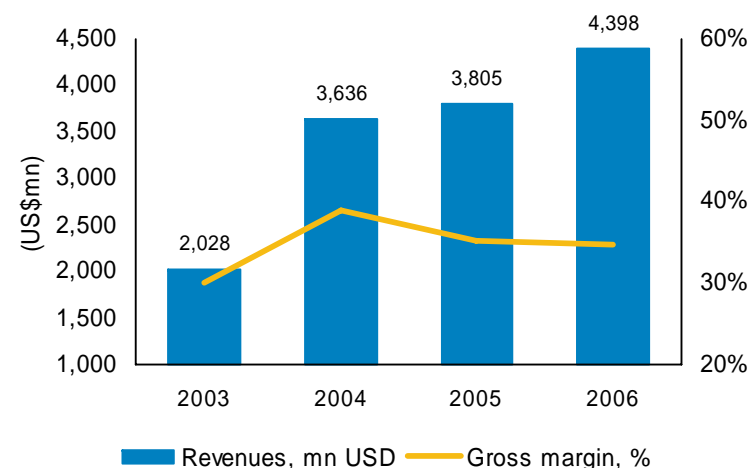
Financial Performance Analysis

- ◆ Strong positive trend in profitability growth
- ◆ Three consecutive quarters of sustainable improvements in sales, net profit and EBITDA
- ◆ Previous capital expenditures started yielding the results
- ◆ Favorable and stable market outlook
- ◆ Positive macroeconomic factors that support the trend started with second quarter 2006

Net Profit – EBITDA margin



Revenue – Gross margin

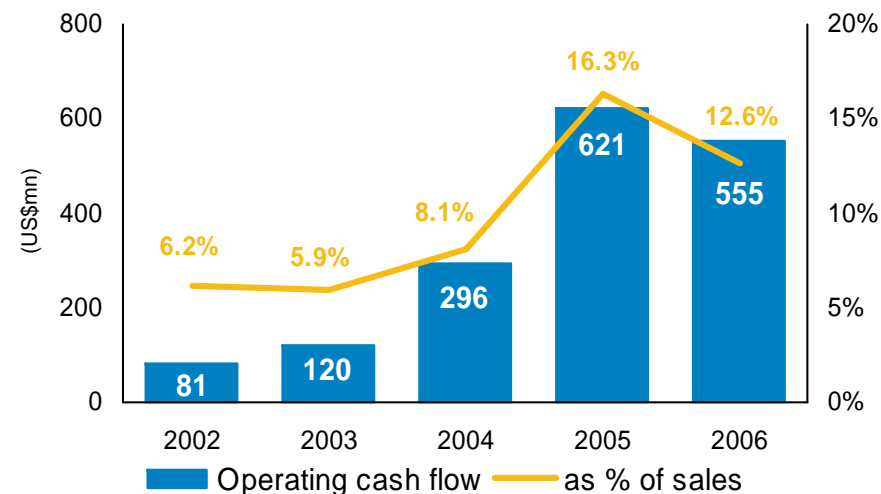


Strong Balance Sheet to Support Growth

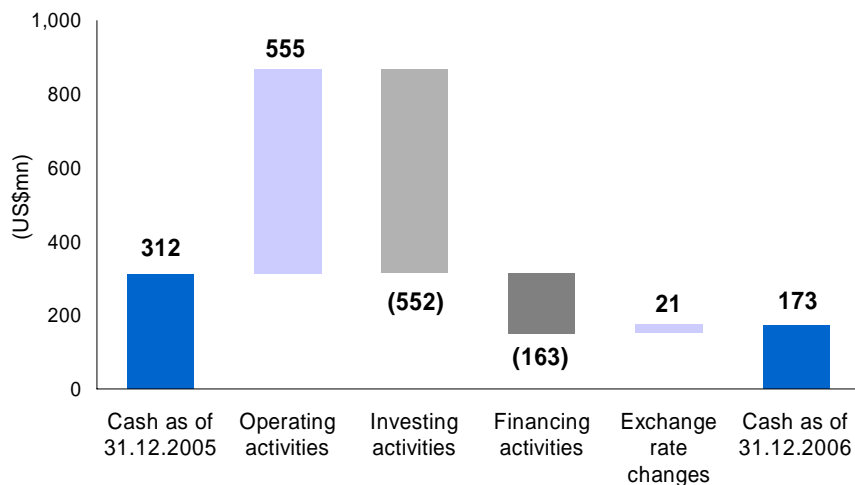


- ◆ \$317 million net debt position provides significant financial flexibility to:
 - Fund capex program
 - Pursue value enhancing M&A opportunities
 - Considerably expand current operations

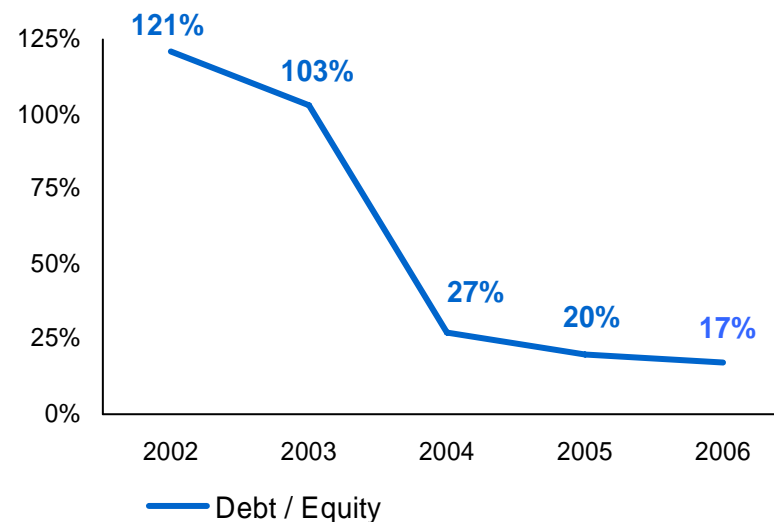
Operating cashflow



Cash Flow



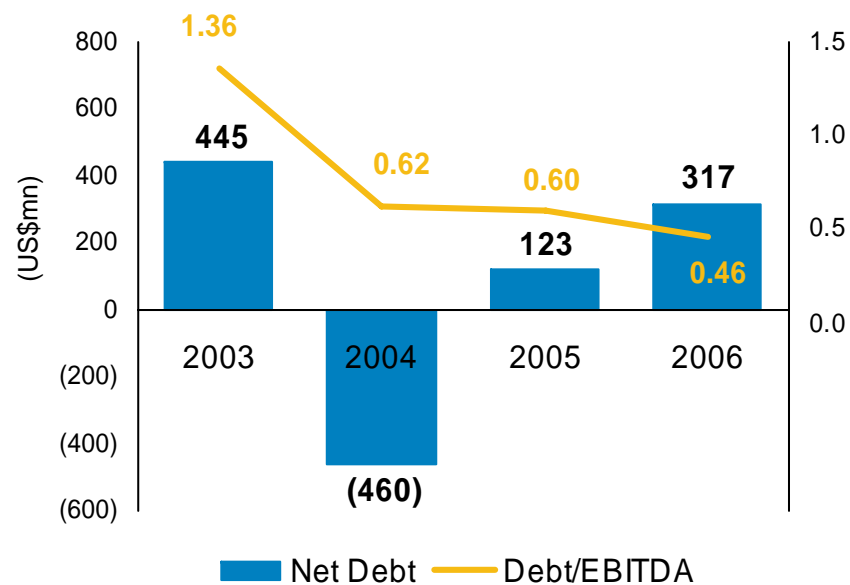
Debt / equity



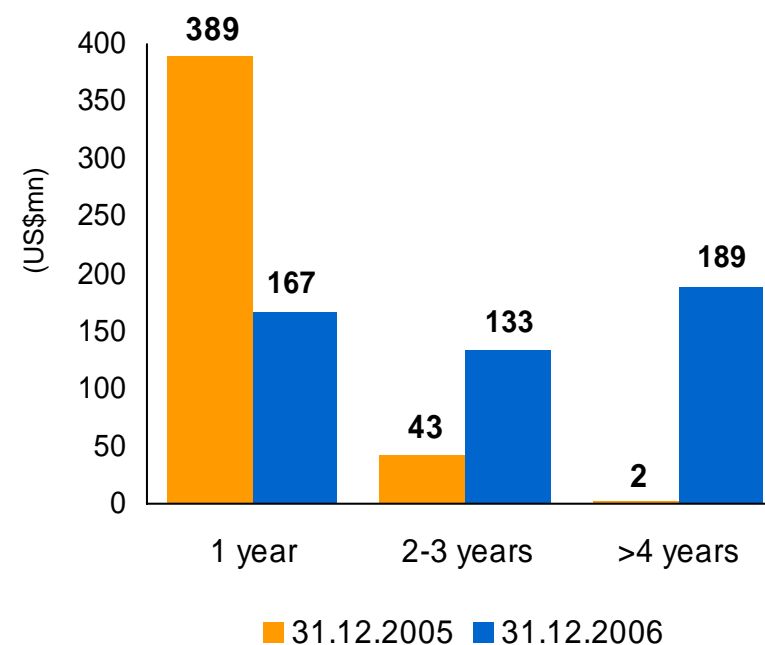
Solid Financial Position

- ◆ Share of Unsecured Debt increased to 57% at 31 December 2006 from 52% at 31 December 2005
- ◆ Considerable improvement in maturity profile
- ◆ Debt/EBITDA ratio as of 31 December 2006 was 0.46 is well within the stated target range

Debt to EBITDA ratio



Maturity Profile



FY 2006 Results Overview

\$ million unless otherwise stated	2006	2005	Change, %
Revenue	4,398	3,805	16%
Cost of revenue	(2,869)	(2,469)	16%
Operating income	726	516	41%
EBITDA	1,068	726	47%
<i>EBITDA margin</i>	24.3%	19.1%	
Net Income	603	381	58%
<i>Net Income margin</i>	13.7%	10.0%	
EPS (USD per share)	1.48	0.95	56%
Sales volumes, '000 tonnes			
Mining segment	16,228	13,775	18%
Steel segment	5,437	5,049	8%