Metalloinvest Group

A flagship company shaping the development of Russia ’s mining and steel industry

Information Memorandum

October 2006

TABLE OF CONTENTS

EXECUTIVE SUMMARY
Introduction

The Presentation (information memorandum) provides an introduction to the Metall oinvest Group, its main producing companies, management, asset base, performanc e, and corporate background

In December 2004, Mr. Alisher Usmanov and Mr. Vasily Anisimov, t wo Group’s shareholders, acquired **97.6% of MGOK in one of the largest private equity deals in Russ ia**

In 2006 Mikhailovsky GOK Group successfully **merged with Gazmetall Group where Mr. Usmanov was a principal shareholder.** At present the Group includes significant iron ore, steel, manufacturing and transportation assets represented by:

- **Lebedinsky GOK** (LGOK), Russia’s largest iron ore producer
- **Mikhailovsky GOK** (MGOK), Russia’s second largest iron ore producer
- **Ural Steel**, one of Russia’s leading steel producers
- **Oskolsky Electric Metallurgy Plant** (OEMK), the most modern EAF steel producer
- **Moldova Steel Works** (MMZ), Moldavian EAF steel producer
- **Ormeto-YUMZ,** Russia’s leading metallurgical equipment producer
- **Metalloinvest Trans and RudMet Trans,** transportation companies

GROUP OVERVIEW
Group Structure

Iron Ore Division

- 98%
- 99% — ЛГОК

Steel Division

- 100% — УРАЛЬСКАЯ СТАЛЬ
- 95% — ОЭМК
- 35% — СЗАО ММЗ

Manufacturing Division

- 100% — Ormeto-YUMZ

Transportation Division

- 100% — Metalloinvest Trans
- 100% — RudMet Trans

GROUP OVERVIEW
Group Structure

LGOK is the centerpiece of the Group and is the leading iron ore producer in Russia with a 21% share of the domestic market. LGOK owns the second largest r eserves domestically and is a recognized producer of high quality iron concentrate, pelle ts and the only producer of high quality hot briquettes (HBI) in Russia

MGOK owns Russia's largest iron ore reserves and represents 17% of Russian annual iron ore production. The quality of MGOK's products is acknowledged both by domestic and foreign steelmakers. It exports its products to Austria, Czech Republic, Slovakia, Poland, Romania, Ukraine and China

Ural Steel is an integrated Russian steel producer. It is the la rgest producer of pipe billets, bridge steel and strips in Russia in its assortment. Ural Steel is specialized in the production of both flat and long rolled products and is known for its effec tive management

OEMK manufactures 2.4 mln tonnes of high quality EAF steel using modern technology and equipment. OEMK is the single producer in Russia which applies d irect-reduced technology in steel production

GROUP OVERVIEW
Group Structure (continued)

MMZ is located in Moldova. It has an annual production almost of 1 mln tonnes of high quality EAF steel. It is a member of the International Iron and Steel Institute and its Quality Management System was approved by Lloyd's Register Quality Assurance under the requirements of ISO 9002-94.

Ormeto-YUMZ is one of Russia's leading manufacturing company which mainly produces metallurgical equipment. The significant part in output volume is occupied by unique examples of equipment for mining and metallurgy.

GROUP OVERVIEW
Group Performance

In 2005 the Metalloinvest Group's consolidated revenues reached USD 5.0 billion according to the IFRS accounting statements. The Group has separ ate IFRS audited reports for all its producing assets

Steel Production in 2005				**mln tonnes**
Product	Ural Steel	OEMK	MMZ	**Total**
Pig iron	2.6	-	-	**2.6**
Crude steel	3.4	2.6	0.9	**6.9**
Rolled metal	2.7	2.5	0.9	**6.1**

Source: Company's data, Rudprom

Shipments of Iron Ore in 2005	**mln tonnes**
Product	**Total**
Concentrate	**18.0**
Pellets	**20.0**
Hot briquettes	**1.0**

Source: Company's data, Rudprom

GROUP OVERVIEW
Corporate History

- **Mikhailovsky GOK (MGOK)** was established upon the wealth of the Mikhailovsky iron ore de posits in the European part of Russia. The total proven reserves of the company contain more than 11 billion tonnes of crude iron ore

- **In December 2004** Mr. Alisher Usmanov and Mr. Vasily Anisimov, the Group ’s shareholders, acquired 97.6% of MGOK in the biggest M&A deal in the Russian Mining and Metallurgy ind ustries

- **Mr. Usmanov** and **Mr. Anisimov** are prominent figures in the Russian business community and their respective companies Ural Steel and Coalco are recognized industry leaders

- **Ural Steel** has earned a reputation for prudent acquisitions and well -placed capital investment programs. The management is known for its purchase of financiall y strapped operations that have been mismanaged, their calculated discipline for cost efficienci es, capital restructuring, and focused CAPEX investment. All of this has shown in the consistency and s trength of their financial results

- **In 2006** Mikhailovsky GOK Group merged with Gazmetall Group to create th e largest player on Russian mining industry and a significant (5th biggest) steel group in Russia. **At present the consolidated Management Company Metalloinvest is running two big gest iron ore producers and two integrated steel producers in Russia, making t he group number 1 in mining segment and number 5 in steel segment**

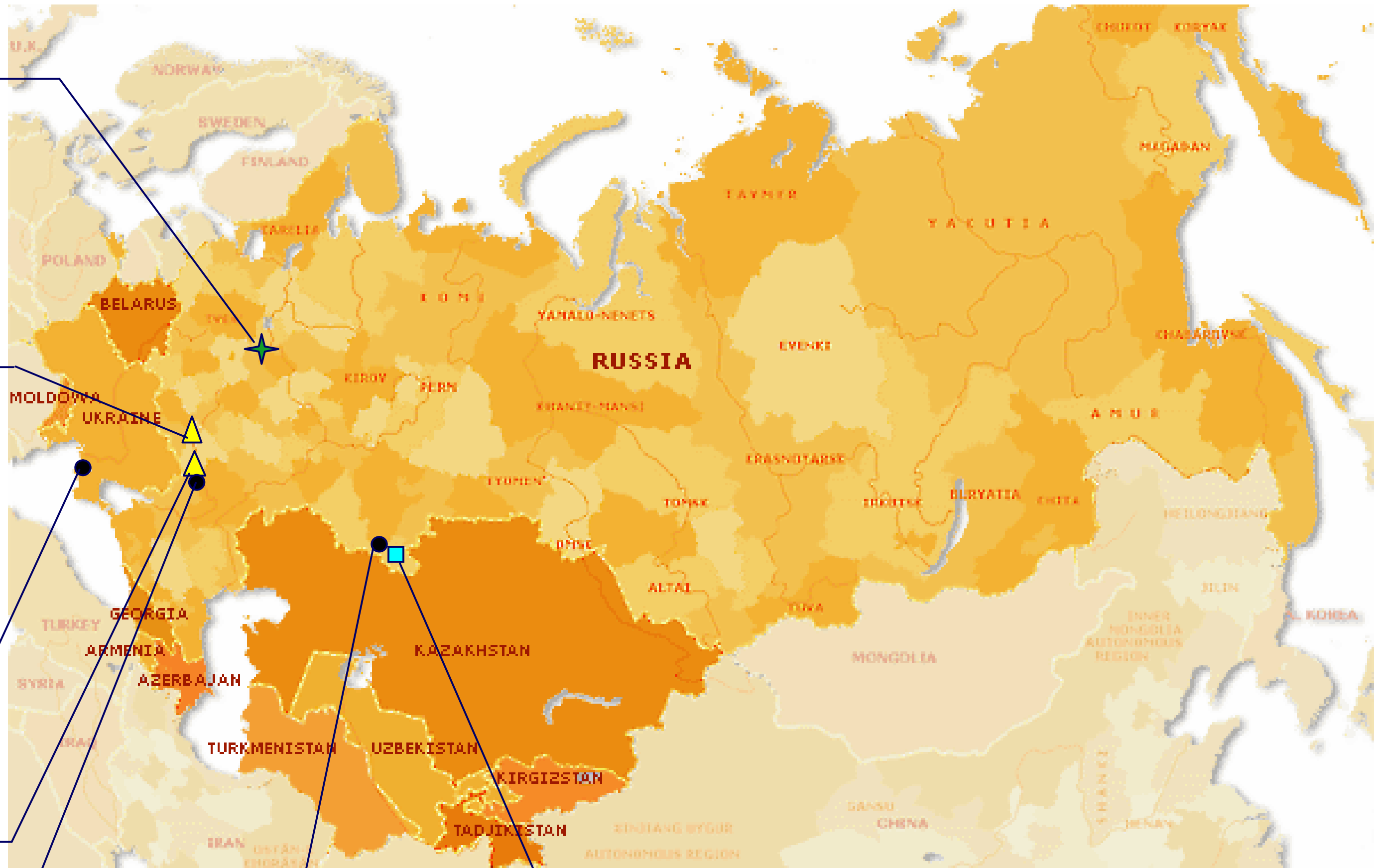
GROUP OVERVIEW
Geographical Presence in CIS

Metalloinvest

Mikhailovsky GOK

Moldavsky MZ

Lebedinsky GOK



Oskolsky EMK

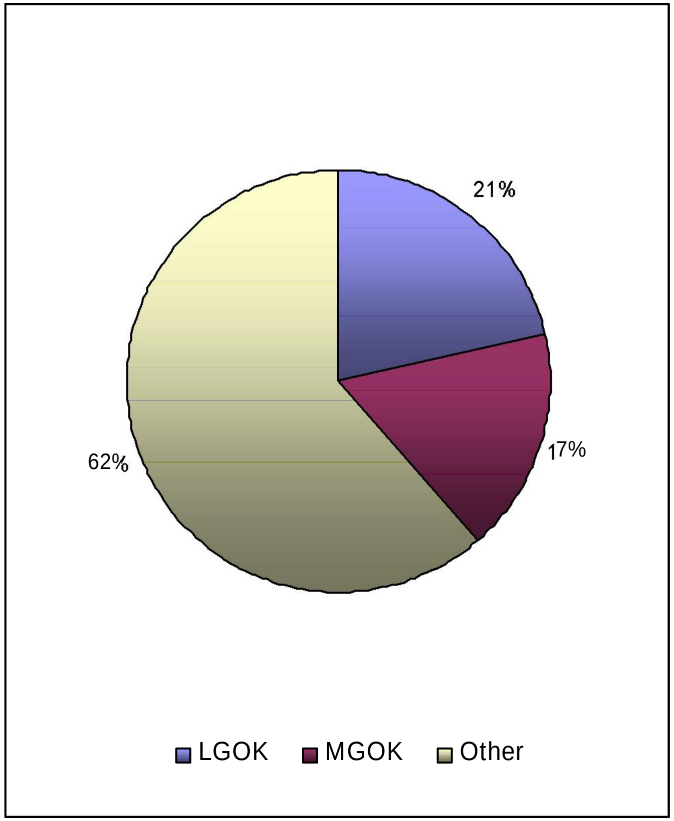
Ural Steel

ORMETO-YUMZ

- Iron ore (mining)
- Steel (metals)
- Mechanical Engineering
- Management Company

GROUP OVERVIEW
Market Share

Russian Iron Ore Mining Industry, 2005



Source: Rudprom

Company	Production, '000 tonnes	%
Lebedinsky GOK (LGOK)	**20,564**	***21%***
Mikhailovsky GOK (MGOK)	**16,902**	***17%***
Stoylensky GOK (StGOK)	11,891	*12%*
Karelsky Okatysh (KarOkatysh)	9,123	*9%*
Kachkanarsky GOK	8,649	*9%*
Evrazruda	7,502	*8%*
Kovdorsky GOK	5,794	*6%*
Korshunovsky GOK	4,522	*5%*
Olenegorsky GOK	4,024	*4%*
Other	7,793	*8%*
Total	**96,764**	***100%***
Group total	**37,466**	***39%***

GROUP OVERVIEW
Market Share

Ural Steel & OEMK, 2005

Segment	Company	Production, '000 tonnes	% of Russia	Russia Totally, '000 tonnes
EAF Steel	**OEMK, Ural Steel**	**3,400**	***24%***	***13,511***
Steel for Machinery	Ural Steel	262	25%	1005
Pipe Billets	OEMK, Ural Steel	628	*44%*	1,516
Strip	Ural Steel	372	*42%*	898
Bridge Construction Steel	Ural Steel	119	*64%*	182

Source: Company's Data

GROUP OVERVIEW
Principal Shareholders

Alisher Usmanov

- Holds a BSc in International Law from MGIMO and a degree in Bank ing from the Financial Academy, Ph.D. in Sociology
- From 1994 to 1997 he was the Senior Advisor of MAPO, the state -owned aviation holding, where he became the Advisor of CEO in 1995
- From 1994 to 1998 Alisher was also heading the MIFK Interfin, an investment and finance company
- In 1997 he was appointed Vice-President of Gazprominvestholding, the investment arm of OAO Gazprom. He became President in 2000

Vasily Anisimov

- Holds a degree in Economics from the Alma -Ata National Economy Institute
- From 1986 to 1989 he served as General Director of Roskhoztorg, a Moscow-based hardware wholesaler (with the turnover exceeding $1bln)
- Since 1994 Vasily owned and served as President of Coalco, holdi ng large stakes in Russian aluminum industry, including aluminum smelters, bauxite mines, semi - finished products producers, cable plants, energy producer and cryolite plant
- In 2000 he divested aluminum business and began investment activity
- Since 2001 - a significant investor in Moscow and New York Real Estate marke ts

GROUP OVERVIEW
Board of Directors

Farhad Moshiri – Chairman of the Board

- Holds a BSc (honours) degree in Economics and Statistics from London U niversity and is a fellow of the Chartered Association of Certified Accountants
- Farhad worked for Ernst&Young and Deloitte&Touche from 1979 to 1 993 when he joined the Metal and Energy group Global Natural Energy plc. in London
- He is the Chairman of the Board of Management Company Metalloinv est

Maxim Gubiev – Chief Executive Officer

- 1999 obtained MBA degree in International Commerce at Higher Com mercial Management School of the Ministry of Foreign Trade of Russia
- 1999 - 2000 Finance Director at Oskol Electrometallurgical Works (OEMK)
- 2000 - 2002 served as the First Deputy General Director of Lebedinsky GOK (LGOK)
- 2002 - 2006 held the position of CFO of OJSC Gazmetall
- Since June 2006 he has been the CEO of Management Company Metall oinvest LLC

Ivan Streshinsky – Member of the Board

- Holds a degree in Applied Mathematics (honours) from the Moscow Institute of Physics and Technology, the leading Russian technical institute
- Ivan worked for Inteco in Italy as a Software Programmer and in 1993 moved to Moscow to work in Equity Research
- In 1993-94 he served as a Board Member of Perm Motors and joined Coalco to work as Chief Financial Officer
- Currently Ivan serves as the Treasurer and Executive Director of Coalco and a Member of the Board of Management Company Metalloinvest LLC

GROUP OVERVIEW
Board of Directors

Maxim Basov – First Deputy to CEO

- Graduated from New York University with a degree in Economics an d Finance, International Business and Philosophy
- M.Basov started his career at CitiBank, next held a position of senior analyst at MFK Renaissance, later shifted to a consultant position at McKinsey & Co
- His further career path includes the following appointments: Fin ance Director and General Director of Kuzbassugol OJSC, Business Development Director of Severstal Resource OJSC
- February 2004 he held the position of First Vice -Chairman at Interpipe Corporation
- From July 2006 the First Deputy CEO of Management Company Metall oinvest LLC

Nazim Efendiev – Executive Director

- MBA from the Russian Federation Government's Economic Academy, Degree in Management from Kingston University in England
- From 1996 Nazim was the Director and the Deputy Director in prod uction and sales companies of Russky Aluminium (RUSAL) where he became the Head o f Rolling division in 2000
- In 2002 Nazim joined the new venture of RUSAL - Ural Steel where he operated as Deputy Director and General Director from 2004
- From 2006 – Executive Director of the Management Company Metalloinvest LLC

GROUP PERFORMANCE
Iron Ore Division

Lebedinsky GOK:

- **Russia's largest iron ore producer representing 21% of the market with 20.5 mln tonnes in 2005**
- Russia's second largest reserves with over 5.3 bn tonnes proven
- Highest quality concentrate in Russia, 69.5% of iron
- The only CIS mining company applying DRI technology (Directly Re duced Iron) and producing HBI. The company plans to further develop its HBI technological step having the sufficient concentrating and pelletizing capacity
- One of the largest Russian mining player on the East European ma rket with the main customers which are significant American, Russian, and Chinese steel producers including Mechel Group, US Steel, and others

Mikhailovsky GOK:

- In December 2004 Mr. Usmanov and Mr. Anisimov **acquired 97.6% of MGOK** (the biggest M&A deal in Russia's Mining and Metal industries)
- Russia's largest iron ore reserves and second largest production (17% m arket share)
- The 11 bn tonnes of reserves suffice for 310 years of production at current levels
- Customers are significant American, European, and Chinese steel producers including US Steel, Mittal, and others

GROUP PERFORMANCE
Steel Division

Ural Steel:

- Russia’s 7th largest steel producer with 3.6 mln tonnes of crude steel in 2005
- Controls niche of bridge and strip products on the Russian market with 64% and 42% respectively
- The main mill – OHMK-Ural Steel, with a production capacity of over 4 mln tonnes of steel annually
- Currently the plant is reconstructing its EAF and flat rolling mills facilities which will allow the company to produce the x50 and x60 thick strips for large-diameter pipes

OEMK:

- Russia’s most modern steel producing mill which operates on Directly Reduced Iron technology
- The most efficient and direct logistics – all the required iron ore resource is slurried from Lebedinsky GOK. OEMK has the perfect proximity to Kursk region where the largest iron ore producing companies, LGOK and MGOK, are located
- Production capacity of over 2.5 mln tonnes of slabs and 3.3 mln tonnes of rolled metal
- The biggest EAF steel producer in Russia with 22% in respective market
- Production of more than 2000 specifications of the highest quality steel for automotive and oil-processing companies

MMZ:

- The fifth largest mini-metallurgy plant in Europe
- One of the newest EAF steel producing mills in the Former Soviet Union, built 1985
- Ideal location, 260 km from the Black Sea ports and 200 km from Eastern European markets
- The company has annual production capacity of over 1 mln tonnes of high quality EAF steel

VALUE ADDITION

Experience in the Investment Group

- **Experienced Investor:** The investor group would benefit from a well -funded and experienced partner active in the industry into which they are investing. LG OK and MGOK and its affiliates have a long-term and successful track record in Mining and Metals

- **Industry Activity:** The industry experience in Mining and Metals is directly applic able to the exploration and production activity in CIS countries. Over a decade of industry experience would be valuable to both LGOK and MGOK (and its affiliated companies) an d any co-investors in monitoring the investment

- **Market Insight:** Activity, client networks, and distribution channels in the wor ld markets necessitates the monitoring of the trends and developments in th ose markets. This diligence is synergetic to constant and proper supervision of the investment

VALUE ADDITION
Industry Know-How in Mining and Metals

- **Know-How:** The Group controls Russia's largest Iron Ore mines and has an experienced management team. Our comprehensive knowledge of this industry is a valuable asset

- **Technologies and Processes:** The Group focuses on CAPEX in technologies that will improve the product quality, cost efficiency, and the bottom line. Examples include the electric arc furnace shop and rolling mill reconstructions

- **Commercial Experience:** The Group has an experienced team focused on risk mitigation and commercial logistics. This includes hedging, insuring, transporting, and contracting with suppliers and customers

- **International Network:** An extensive network of suppliers, consumers, transport, trade-finance, and other commercially significant relationships have been developed

VALUE ADDITION
Hot Briquette Iron (HBI) production

- **HBI Potential:** The growing global demand for HBI is largely connected with the decrease in scrap availability across the world. Scrap and HBI are the main sources for the EAF steel production which proportion has risen and will continue to grow

- **EAF Advantages:** (1) The increase in demand for more precise and complex steel grades which are normally produced through EAF route, (2) EAF allows to exclude the blast furnace process which does not have such a bad environmental consequence. The demand for the EAF feed materials (particularly HBI) is increasing across the world

- **EAF in Russia:** The expected growth of Russia's demand for HBI is strongly connected with the estimated EAF steel capacity growth by 13-15 million tonnes by 2010. The scarcity of the domestic scrap leads to an irreplaceable domestic demand for an additional 2 million tonnes of HBI

- **HBI Capacity of the Group:** LGOK and OEMK are the only producers of HBI and DRI in Russia. In 2007, after launching the second HBI module at Lebedinsky GOK the Group will enjoy its production capacities of just below 5.0 million tonnes of HBI / DRI material. DRI produced at OEMK is mostly used to feed its own EAF steel production, but some of the volumes are exported

- **Future Prospects:** In the next 2-3 years the Group is planning to build another 2 HBI modules at Lebedinsky GOK which has its production optionality, including the site, pelletizing capacities and the required quality of the material. MGOK will also have one HBI producing module in the next 2-3 years