

Pursuant to the Federal Law on Competition, acquisitions of voting stock capital of a joint stock company, involving companies with a combined value of assets or annual revenues, exceeding a certain threshold under Russian Accounting Standards, or companies registered as having more than a 35% share of a certain commodity market, and which would result in a shareholder (or a group of shareholders defined under Russian law) holding more than 25%, 50% or 75% of the voting capital stock of such company, or in a transfer between such companies of assets or rights to assets, the value of which exceeds a certain amount, or transfer of powers of the chief executive officer to a management company in certain instances must be approved in advance by the Federal Antimonopoly Service.

Notification of Foreign Ownership

Foreign persons registered as individual entrepreneurs in Russia who acquire shares in a Russian joint stock company and foreign companies that acquire shares in a Russian joint stock company may need to notify the Russian tax authorities within one month following such acquisition. However, the procedure of notifying the Russian tax authorities by foreign companies that are not registered with such tax authorities at the time of their share acquisitions remain unclear.

Material Contracts

None.

Exchange Controls

The Federal Law on Currency Regulation and Currency Control which came into effect as of June 18, 2004, sets forth certain restrictions on settlements between residents of Russia with respect to transactions involving foreign securities (including ADRs), including requirements for settlement in Russian rubles.

Repatriation of Export Proceeds

Russian companies must repatriate 100% of their receivables from the export of goods and services (with a limited number of exceptions concerning, in particular, certain types of secured financing) within seven days of the date on which they were received (also with a limited number of exceptions).

Restrictions on the remittance of dividends, interest or other payments to non-residents

The Federal Law on Foreign Investments in the Russian Federation of July 9, 1999, specifically guarantees foreign investors the right to repatriate their earnings from Russian investments. However, the evolving Russian exchange control regime may affect your ability to do so. Ruble dividends on common shares may be paid to the depositary or its nominee and converted into U.S. dollars by the depositary for distribution to owners of ADSs without restriction. Also, ADSs may be sold by non-residents of Russia for U.S. dollars outside Russia without regard to Russian currency control laws as long as the buyer is not a Russian resident for currency control purposes. However, the ability to convert rubles into U.S. dollars is also subject to the availability of U.S. dollars in Russia's currency markets. Although there is an existing market within Russia for the conversion of rubles into U.S. dollars, including the interbank currency exchange and over-the-counter and currency futures markets, the further development of this market is uncertain. At present, there is no market for the conversion of rubles into foreign currencies outside of Russia and a limited emerging market in which to hedge ruble and ruble-denominated investments.

Taxation

The following discussion describes the material U.S. federal and Russian income and withholding tax consequences to a beneficial owner of common shares or ADSs that is a "United States person," as defined in the United States Internal Revenue Code of 1986, as amended. No opinion of counsel will be issued with respect to the following discussion and, therefore, such discussion is not based on an opinion of counsel. A resident of the United States for purposes of the Convention between the United States of America and the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital (the "United States-Russia income tax treaty") that is fully eligible for benefits under the United States-Russia income tax treaty is referred to herein as a "U.S. holder." Subject to certain provisions of the United States-Russia income tax treaty relating to

limitations on benefits, you generally will be a resident of the United States for treaty purposes and entitled to treaty benefits if you are:

- liable, under the laws of the United States, for U.S. federal income tax (other than taxes in respect only of income from sources in the United States or capital situated therein) by reason of your domicile, residence, citizenship, place of incorporation, or any other similar criterion (and, for income derived by a partnership, trust or estate, residence is determined in accordance with the residence of the person liable to tax with respect to such income); and
- not also a resident of the Russian Federation for purposes of the United States-Russia income tax treaty.

The benefits under the United States-Russia income tax treaty discussed in this document generally are not available to U.S. persons who hold ADSs or common shares in connection with the conduct of a business in the Russian Federation through a permanent establishment as defined in the United States-Russia income tax treaty. Subject to certain exceptions, a U.S. person's permanent establishment under the United States-Russia income tax treaty is a fixed place of business through which such person carries on business activities in the Russian Federation (generally including, but not limited to, a place of management, a branch, an office and a factory). Under certain circumstances, a U.S. person may be deemed to have a permanent establishment in the Russian Federation as a result of activities carried on in the Russian Federation through agents of the U.S. person. This summary does not address the treatment of those holders.

The following discussion is based on:

- the United States Internal Revenue Code of 1986, as amended, the Treasury regulations promulgated thereunder and judicial and administrative interpretations thereof;
- Russian legislation; and
- the United States-Russia income tax treaty (and judicial and administrative interpretations thereof);

all as in effect on the date of this document. All of the foregoing are subject to change, possibly on a retroactive basis, after the date of this document. This discussion is also based, in part, on representations of the depositary, and assumes that each obligation in the deposit agreement and any related agreements will be performed in accordance with its terms. The

discussion with respect to Russian legislation is based on our understanding of current Russian law and Russian tax rules, which are subject to frequent change and varying interpretations. See “Item 3. Key Information–Risk Factors–Risks Relating to the Russian Federation–Legal Risks and Uncertainties–Weaknesses relating to the legal system and legislation create an uncertain environment for investment and business activity” and “Item 3. Key Information–Risk Factors–Risks Relating to the Russian Federation–Legal Risks and Uncertainties–Characteristics of and changes in the Russian tax system could materially adversely affect our business, financial condition, results of operations and prospects and the value of the shares and ADSs.”

We believe, and the following discussion assumes, that for U.S. federal income tax purposes, we were not a passive foreign investment company for the taxable year ending in 2006, we will not be a passive foreign investment company for the current taxable year and we will not become a passive foreign investment company in the future. However, passive foreign investment company, determinations are made annually and may involve facts that are not within our control. If we were a passive foreign investment company, materially adverse United States federal income tax consequences could result for investors who are “United States persons” as defined in the United States Internal Revenue Code of 1986.

The following discussion is not intended as tax advice to any particular investor. It is also not a complete analysis or listing of all potential U.S. federal or Russian income and withholding tax consequences to you of ownership of common shares or ADSs. We urge you to consult your own tax adviser regarding the specific U.S. federal, state and local and Russian tax consequences of the ownership and disposition of the common shares or ADSs under your own particular factual circumstances.

Russian Income and Withholding Tax Considerations

The Russian tax rules applicable to U.S. holders are characterized by significant uncertainties and by an absence of interpretive guidance. Russian tax authorities have not provided any guidance regarding the treatment of ADS arrangements, and there can be no certainty as to how the Russian tax authorities will ultimately treat those arrangements. In particular, it is unclear whether Russian tax authorities will treat U.S. holders as the beneficial owners of the underlying shares for the purposes of the United States-Russia income tax treaty. If the Russian tax authorities were not to treat U.S. holders as the beneficial owners of the underlying shares, then the benefits discussed below regarding the United States-Russia income tax treaty would not be available to U.S. holders. See “Item 3. Key Information–Risk Factors–Risks Relating to Our Shares and ADSs and the Trading Market–ADS holders may not be able to benefit from the United States-Russia income tax treaty.”

Russian tax law and procedures are also not well developed, and the process, implementation and systematization of a comprehensive Russian tax regime is not yet finalized. Local tax inspectors have considerable autonomy and often interpret tax rules without regard to the rule of law. Both the substantive provisions of Russian tax law and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable change than in jurisdictions with more developed capital markets.

The first part of the Tax Code of the Russian Federation, or the Tax Code, came into effect as of January 1, 1999, and it defines the general principles of taxation in Russia, including the legal status of taxpayers and tax agencies, the general rules of tax filings and tax control, as well as procedures for challenging tax and appealing claims and assessments of the tax authorities and their actions (or failure to act).

The second part of the Tax Code came into effect as of January 1, 2001, and it sets forth the specific tax categories and rules for imposing taxes.

Taxation of dividends

Dividends paid to U.S. holders generally will be subject to Russian withholding tax at a 15% rate to 30% rate for individual holders. This tax may be reduced to 5% to 10% under the United States-Russia income tax treaty for U.S. holders; a 10% rate applies to dividends paid to U.S. holders owning less than 10% of the entity’s outstanding shares and 5% for U.S. holders, which is a legal entity, owning 10% or more of the entity’s outstanding shares. Given the depository’s status as the legal owner of all the shares underlying our ADSs, it is possible that the depository may claim entitlement to a reduced withholding tax rate of 5%. Under current regulations, authorization from the Russian tax authorities is not required to allow us to withhold at reduced rates under applicable double tax treaties provided that all of the numerous administrative requirements are met. See “United States-Russia income tax treaty procedures.”

If the appropriate documentation has not been provided to us before the dividend payment date, we are required to withhold tax at the full rate, and U.S. holders qualifying for a reduced rate under the United States-Russia income tax treaty then would be required to file claims for refund within three years with the Russian tax authorities. There is significant uncertainty regarding the availability and timing of such refunds.

Taxation of capital gains

U.S. holders generally should not be subject to any Russian income or withholding taxes in connection with the sale, exchange, or other disposition of ADSs or common shares outside of Russia if the shares or ADSs are not sold to a Russian resident. Sales or other dispositions of ADSs or common shares to Russian residents, however, may be subject to Russian income or withholding taxes, and for such a sale by a U.S. holder, the Russian resident purchaser may be required to withhold 20% to 30% of any gain realized on the sale. However, there is no mechanism by which a Russian purchaser would be able to effect this withholding upon purchasing ADSs from a U.S. holder in connection with the sale of ADSs on the New York Stock Exchange.

U.S. holders may be able to claim the benefits of a reduced rate of withholding under the United States-Russia income tax treaty on the disposition of common shares or ADSs to Russian residents, or obtain a refund of any withheld amounts at rates different from those provided in the treaty, by relying on the United States-Russia income tax treaty and complying with the appropriate procedures described below.

Regardless of the residence of the purchaser, a U.S. holder which is a legal entity should not be subject to any Russian income or withholding taxes in connection with the sale, exchange or other disposition of ADSs if immovable property constitutes 50% or less of our assets or if ADSs are sold via foreign exchanges where they are legally circulated.

United States-Russia income tax treaty procedures

Under current rules, to claim the benefit of a reduced rate of withholding under the United States-Russia income tax treaty, a non-resident generally must provide official certification from the U.S. tax authorities of eligibility for the treaty benefits in the manner required by Russian law.

A U.S. holder may obtain the appropriate certification by mailing completed forms, together with the holder’s name, taxpayer identification number, the tax period for which certification is required, and other applicable information, to the

United States Internal Revenue Service. The procedures for obtaining certification are described in greater detail in the instructions to Internal Revenue Service Form 8802. As obtaining the required certification from the Internal Revenue Service may take at least six to eight weeks, U.S. holders should apply for such certification as soon as possible.

If tax is withheld by a Russian resident on dividends or other amounts at the rate different from provided in the tax treaty, a U.S. holder may apply for a tax refund by filing a package of documents with the Russian local tax inspectorate to which the withholding tax was remitted within three years from the withholding date for U.S. holders which are legal entities, and within one year from the withholding date for individual U.S. holders. The package should include confirmations of residence of the foreign holder (IRS Form 6166), a copy of the agreement or other documents substantiating the payment of income, documents confirming the beneficial ownership of the dividends recipient and the transfer of tax to the budget. Under the provisions of the Tax Code the refund of the tax should be effected within one month after the submission of the documents. However, procedures for processing such claims have not been clearly established, and there is significant uncertainty regarding the availability and timing of such refunds.

Neither the depositary nor us will have any obligation to assist an ADS holder with the completion and filing of any tax forms.

United States Federal Income Tax Considerations

The following is a general description of the material U.S. federal income tax consequences that apply to you if you are, for U.S. federal income tax purposes, a beneficial owner of ADSs or common shares who

147

is a citizen or resident of the United States, a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, an estate the income of which is subject to U.S. tax regardless of its source, or a trust, if a U.S. court can exercise primary supervision over the administration of the trust and one or more U.S. persons can control all substantial trust decisions, or if the trust was in existence on August 20, 1996 and has properly elected to continue to be treated as a U.S. person. If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of ADSs or common shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Since your U.S. federal income and withholding tax treatment may vary depending upon your particular situation, you may be subject to special rules not discussed below. Special rules will apply, for example, if you are:

- an insurance company;
- a tax-exempt organization;
- a financial institution;
- a person subject to the alternative minimum tax;
- a person who is a broker-dealer in securities;
- an S corporation;
- an expatriate subject to Section 877 of the United States Internal Revenue Code;
- an owner of, directly, indirectly or by attribution, 10% or more of our outstanding common shares; or
- an owner holding ADSs or common shares as part of a hedge, straddle, synthetic security or conversion transaction.

In addition, this summary is generally limited to persons holding common shares or ADSs as “capital assets” within the meaning of Section 1221 of the United States Internal Revenue Code and whose functional currency is the U.S. dollar. The discussion below also does not address the effect of any U.S. state or local tax law or foreign tax law.

For purposes of applying United States federal income and withholding tax law, a holder of an ADS should be treated as the owner of the underlying common shares represented by that ADS.

Taxation of dividends on common shares or ADSs

For U.S. federal income tax purposes, the gross amount of a distribution, including any Russian withholding taxes, with respect to common shares or ADSs will be treated as a taxable dividend to the extent of our current and accumulated earnings and profits, computed in accordance with United States federal income tax principles. For taxable years beginning before January 1, 2011, if you are a non-corporate taxpayer, such dividends may be taxed at the lower applicable capital gains rate provided (1) certain holding period requirements are satisfied, (2) either (a) in the case of ADSs, our ADSs continue to be listed on the New York Stock Exchange (or other national securities exchange that is registered under section 6 of the Securities Exchange Act of 1934, as amended, or the Nasdaq Stock Market) or (b) we are eligible for the benefits of the United States-Russia income tax treaty, and (3) we are not, for the taxable year in which the dividend was paid, or in the preceding taxable year, a “passive foreign investment company.” Non-corporate U.S. holders are strongly urged to consult their own tax advisors as to the applicability of the lower capital gains rate to dividends received with respect to ADSs or common shares. Distributions in excess of our current and accumulated earnings and profits will be applied against and will reduce your tax basis in common shares or ADSs and, to the extent in excess of

148

such tax basis, will be treated as gain from a sale or exchange of such common shares or ADSs. You should be aware that we do not intend to calculate our earnings and profits for U.S. federal income tax purposes and, unless we make such calculations, you should assume that any distributions with respect to common shares or ADSs generally will be treated as a dividend, even if that distribution would otherwise be treated as a return of capital or as a capital gain pursuant to the rules described above. If you are a corporation, you will not be allowed a deduction for dividends received in respect of distributions on common shares or ADSs, which is generally available for dividends paid by U.S. corporations.

If a dividend distribution is paid in rubles, the amount includible in income will be the U.S. dollar value of the dividend, calculated using the exchange rate in effect on the date the dividend is includible in income by you, regardless of whether the payment is actually converted into U.S. dollars. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is includible in your income to the date the rubles are converted into U.S. dollars will be treated as ordinary income or loss. You may be required to recognize foreign currency gain or loss on the receipt of a refund of Russian withholding tax pursuant to the United States-Russia income tax treaty to the extent the U.S. dollar value of the refund differs from the U.S. dollar equivalent of that amount on the date of receipt of the underlying dividend.

Russian withholding tax at the rate applicable to you under the United States-Russia income tax treaty should be treated as a foreign income tax that, subject to generally applicable limitations and conditions, is eligible for credit against your

U.S. federal income tax liability or, at your election, may be deducted in computing taxable income. If, however, the holder of an ADS is not treated as the owner of the underlying common shares represented by the ADS for U.S. federal income tax purposes, then Russian withholding tax would not be treated as a foreign income tax eligible for credit as described in the preceding sentence. If Russian tax is withheld at a rate in excess of the rate applicable to you under the United States-Russia income tax treaty, you may not be entitled to credits for the excess amount, even though the procedures for claiming refunds and the practical likelihood that refunds will be made available in a timely fashion are uncertain.

For United States foreign tax credit purposes, a dividend distribution will be treated as foreign source income and will generally be classified as "passive category income" but could, in the case of certain U.S. holders, constitute "general category income" for taxable years beginning after December 31, 2006. The rules relating to the determination of the foreign tax credit, or deduction in lieu of the foreign tax credit, are complex and you should consult your own tax advisors with respect to those rules.

Taxation on sale or exchange of common shares or ADSs

The sale of common shares or ADSs will generally result in the recognition of gain or loss in an amount equal to the difference between the amount realized on the sale and your adjusted basis in such common shares or ADSs. That gain or loss will be capital gain or loss if the common shares or ADSs are capital assets in your hands and will be long-term capital gain or loss if the common shares or ADSs have been held for more than one year. If you are an individual, such realized long-term capital gain is generally subject to a reduced rate of U.S. federal income tax. Limitations may apply to your ability to offset capital losses against ordinary income.

Deposits and withdrawals of common shares by you in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Gain realized on the sale of common shares or ADSs will generally be treated as U.S. source income and therefore the use of foreign tax credits relating to any Russian taxes imposed upon such sale may be limited. You are strongly urged to consult your own tax advisors as to the availability of tax credits for any Russian taxes withheld on the sale of common shares or ADSs.

Information reporting and backup withholding

Dividends and proceeds from the sale or other disposition of common shares or ADSs that are paid in the United States or by a U.S.-related financial intermediary will be subject to U.S. information reporting rules and U.S. backup withholding tax, unless you are a corporation or other exempt recipient. In addition, you will not be subject to backup withholding if you provide your taxpayer identification number and certify that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding, but such holders may be required to provide certification as to their non-U.S. status.

Documents on Display

The documents that are exhibits to or incorporated by reference in this document can be read at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These filings are also available at the website maintained by the SEC at <http://www.sec.gov>.

You can also inspect some of our reports and other information at the offices of the NYSE at 20 Broad Street, New York, New York 10005.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, our financial position is routinely subject to a variety of risks. We are exposed to market risks associated with foreign currency exchange rates, interest rates and commodity and equity prices. We are also subject to the risks associated with the business environment in which we operate, including the collectibility of accounts receivable.

Except for hedging foreign currency exchange rates risk as more fully discussed below, we do not enter into hedge transactions to manage the risks specified above.

We do not hold or issue derivative financial instruments for trading purposes.

Currency risk

The functional currencies for our Russian and Romanian subsidiaries are the ruble and lei, respectively. The U.S. dollar is the functional currency of our other international operations. Our reporting currency is the U.S. dollar.

As the economies of Russia and Romania were considered highly inflationary through December 31, 2002 and September 30, 2004, respectively, transactions and balances of respective domestic operations not already measured in U.S. dollars were remeasured as if the functional currency were the U.S. dollar, in accordance with the relevant provisions of SFAS No. 52, "Foreign Currency Translation." The objective of this remeasurement process is to produce the same results that would have been reported if the accounting records had been kept in U.S. dollars. Under this method, monetary assets and liabilities are translated using the exchange rate as of the balance sheet dates. Non-monetary assets and liabilities, including non-current non-monetary assets, liabilities and shareholders' equity, are stated at their actual U.S. dollar cost or are restated from their historic cost, by applying the historical exchange rate as at the date of the original transaction. Income and expenses are restated by applying the annual average exchange rates. Items in the statement of cash flows are translated at the annual average exchange rates and where applicable at the exchange rates on the dates of the transactions. Foreign currency differences arising from remeasurement of the local currencies to U.S. dollars are included in the consolidated income statement as "Foreign exchange gain (loss)."

Effective January 1, 2003 and October 1, 2004, Russia and Romania, respectively, no longer meet the criteria for highly inflationary economies for purposes of applying SFAS No. 52. Accordingly, for the periods starting January 1, 2003 and October 1, 2004, respectively, the translation adjustments resulting from the process of translating financial statements from the functional currency into the reporting currency are included in determining other comprehensive income.

The initial implementation of this change had the effect of decreasing the U.S. dollar value of the combined net assets of our Russian subsidiaries by \$30.9 million and increasing the accumulated other comprehensive income by the same amount. The impact of the change was to record \$30.9 million of income for the year ended December 31, 2003, as a component of accumulated net other comprehensive income in the shareholders' equity section of the consolidated balance sheet. The impact of the change related to Romania in 2004 was not significant.

The Russian ruble and the Romanian lei are generally not convertible outside Russia and Romania, respectively, so our ability to hedge against further devaluation by converting to other currencies is significantly limited. Further, our ability to convert Russian rubles and Romanian leis into other currencies in Russia and Romania, respectively, is subject to rules that restrict the purposes for which conversion and the payment in foreign currencies are allowed.

We at times enter into forward transactions to buy U.S. dollars for euros to hedge our exposure to movements in foreign currency exchange rates arising on euro-denominated accounts receivable of Mechel Trading AG and Mechel Metal Supply, our Swiss and Liechtenstein wholly owned subsidiaries. This derivative was not designated as a hedge for accounting purposes. Such forward transactions amounted to \$10.4 million during the year ended December 31, 2006. As of December 31, 2006, we did not have outstanding any forward transactions.

151

We are exposed to movements in the ruble and euro exchange rates relative to the U.S. dollar, our reporting currency. The following table sets forth our monetary assets and liabilities by currency at December 31, 2006.

Balance as of December 31, 2006	U.S. Dollar	Ruble	Euro	Lei	Other	Total
	(in thousands of U.S. dollars)					
Current Assets:						
Cash and cash equivalents	35,021	112,069	20,521	1,109	3,894	172,614
Trade receivables, net	25,499	92,285	36,343	32,474	4,571	191,172
Due from related parties	127	407	11	—	—	545
Deferred income taxes	26	8,124	—	(323)	95	7,922
Current assets on discontinued operations	—	—	—	—	9	9
Prepayments and other current assets	9,347	579,680	3,863	1,410	1,264	595,564
Total current assets	70,020	792,565	60,738	34,670	9,833	967,826
Current Liabilities:						
Short-term borrowings and current maturities of long-term debt	(63,144)	(32,078)	(52,146)	(17,836)	(1,313)	(166,517)
Accounts payable and accrued expenses:						
Advances received	(20,457)	(66,883)	(237)	(655)	(45)	(88,278)
Accrued expenses and other current liabilities	(3,825)	(76,937)	(168)	(2,778)	(924)	(84,632)
Pension obligations, current portion	—	(9,697)	—	(1,347)	—	(11,044)
Current liabilities of discontinued operations	—	—	—	—	(508)	(508)
Taxes and social charges payable	(4,391)	(111,858)	—	(5,129)	(21,658)	(143,037)
Trade payables to vendors of goods and services	2,152	(141,019)	(14,765)	(23,082)	(6,771)	(183,485)
Due to related parties	(482)	(1,871)	—	—	—	(2,353)
Asset retirement obligation	—	(2,443)	—	(1,001)	—	(3,444)
Deferred income taxes	(2,778)	(56,042)	—	—	—	(58,820)
Finance lease liabilities	—	(5,579)	—	—	(487)	(6,066)
Deferred revenue	(7,156)	(28)	—	—	—	(7,183)
Total current liabilities	(100,081)	(504,437)	(67,315)	(51,829)	(31,704)	(761,919)
Long-term Liabilities:						
Restructured taxes and social charges payable, net of current portion	—	(6,552)	—	(1,230)	—	(7,782)
Long-term debt, net of current portion	(59)	(318,650)	—	(3,894)	—	(322,604)
Pension obligations, net of current portion	—	(56,596)	—	(2,573)	—	(59,170)
Asset retirement obligation, net of current portion	—	(85,632)	—	(3,283)	—	(88,914)
Due to related parties	—	—	—	—	—	—
Deferred income tax	(17,230)	(107,700)	—	(11,989)	—	(136,920)
Finance lease liabilities	—	(49,838)	—	—	(1,230)	(51,068)
Other long-term liabilities	—	—	—	—	—	—
Total long-term liabilities	(17,290)	(624,203)	—	(22,980)	(1,230)	(665,692)
Minority interest	—	(138,264)	—	(24,772)	—	(163,036)
Net monetary assets (liabilities)	(47,350)	(475,102)	(6,576)	(64,899)	(23,108)	(617,038)

152

The table below summarizes our debt position by currency and rate method as of December 31, 2006.

	U.S. Dollar	Ruble	Euro	Lei	Lit	Total
	(in thousands of U.S. dollars)					
Total debt including	(83,267)	(272,867)	(115,335)	(17,652)	—	(489,121)
Fixed-rate debt	(59)	(262,141)	(64,020)	—	—	(326,220)
Variable-rate debt	(83,208)	(10,726)	(51,315)	(17,652)	—	(162,901)

Interest rate risk

Our interest rate exposure results mainly from debt obligations. At December 31, 2006, we had \$326.2 million in fixed-rate borrowings and \$162.9 million in variable-rate borrowings.

We have not entered into transactions designed to hedge against interest rate risks, which may exist under our current, or future indebtedness. We monitor the market and assess our options for hedging interest rate risks and may enter into such arrangements.

The table below presents the principle cash flows and related range of interest rates, by expected maturity dates, of our fixed-rate debt obligations as of December 31, 2006.

Annual
Interest

		Expected maturity date as of December 31,					rate (Actual at December 31,	
Currency		2007	2008	2009	2010	Thereafter	Total	at 31, 2006
(in thousands of U.S. dollars)								
Fixed-rate U.S. dollar debt:								
Astroga Trading	U.S. dollar	—	—	—	—	59	59	12%
Total		—	—	—	—	59	59	
Fixed-rate euro debt:								
Gazprombank	Euro	—	31,870	31,870	—	—	63,740	6.50%
STEIERMÄRKISCHE	Euro	280	—	—	—	—	280	6.00%
Total		280	31,870	31,870	—	—	64,020	
Fixed-rate ruble debt:								
Gazprombank	Ruble	42,017	—	—	—	—	42,017	6.60-6.70%
Sberbank	Ruble	7,596	—	—	—	—	7,596	7.80%
Uralsib	Ruble	11,393	—	—	—	—	11,393	6.00%
Bonds	Ruble	2,071	—	—	—	—	2,071	5.50%
Bonds	Ruble	—	—	7,320	—	—	7,320	5.50%
Bonds	Ruble	—	—	—	—	188,983	188,983	8.40%
Promissory notes	Ruble	—	2,457	—	106	107	2,671	7.49%
Other	Ruble	91	—	—	—	—	91	0.00-11.00%
Total		63,167	2,457	7,320	106	189,090	262,141	
Total debt:		63,448	34,327	39,190	106	189,149	326,220	

153

The table below presents the principal cash flows and related range of interest rates, by expected maturity dates, of our variable-rate debt obligations as of December 31, 2006.

		Expected maturity date as of December 31,					Total	Average annual interest rate (Actual at December 31 2006)
Currency		2007	2008	2009	2010	Thereafter		
(in thousands of U.S. dollars)								
Variable-rate U.S. dollar debt:								
Vneshtorgbank	U.S. dollar	—	17,160	—	—	—	17,160	10.94%
Raiffeisenbank	U.S. dollar	4,699	—	—	—	—	4,699	6.00-8.50%
BNP Paribas	U.S. dollar	41,956	—	—	—	—	41,956	7.20%
Hypo Vereinsbank	U.S. dollar	4,332	—	—	—	—	4,332	7.67%
Fortis Bank	U.S. dollar	3,070	—	—	—	—	3,070	9.45%
Commerzbank	U.S. dollar	—	—	3,184	—	—	3,184	7.50%
ING Bank	U.S. dollar	6,694	—	—	—	—	6,694	6.88%
Erste Bank Vienna	U.S. dollar	574	—	—	—	—	574	8.50%
Natexis	U.S. dollar	1,539	—	—	—	—	1,539	6%
Total		62,864	17,160	3,184	—	—	83,208	
Variable-rate euro debt:								
Commerzbank	Euro	—	—	32,943	—	—	32,943	5.96%
Bank SEB Vilniaus	Euro	1,312	—	—	—	—	1,312	4.00%
Raiffeisenbank	Euro	3,730	3,894	—	—	—	7,624	6.25-7.75%
BCR	Euro	1,294	—	—	—	—	1,294	6.50%
Fortis Bank	Euro	5,593	—	—	—	—	5,593	4.95%
BNP Paribas	Euro	1,179	—	—	—	—	1,179	4.89-7.45%
Erste Bank Vienna	Euro	1,057	—	—	—	—	1,057	7.45%
BCP	Euro	313	—	—	—	—	313	4.95%
Total		14,478	3,894	32,943	—	—	51,315	
Variable-rate ruble debt:								
Commerzbank	Ruble	—	—	5,606	—	—	5,606	7.92%
IMB	Ruble	—	—	5,120	—	—	5,120	7.97%
Total		—	—	10,726	—	—	10,726	
Variable-rate lei debt:								
Raiffeisenbank	Lei	17,652	—	—	—	—	17,652	9.70-10.80%
Total		17,652	—	—	—	—	17,652	
Total debt:		94,994	21,054	46,853	—	—	162,901	

The carrying amounts of short-term loans approximate their fair values due to their short maturity. We believe that the carrying value of our long-term debt approximates its fair value.

154