



1H2014 RESULTS PRESENTATION

14 October, 2014



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FINANCIAL HIGHLIGHTS

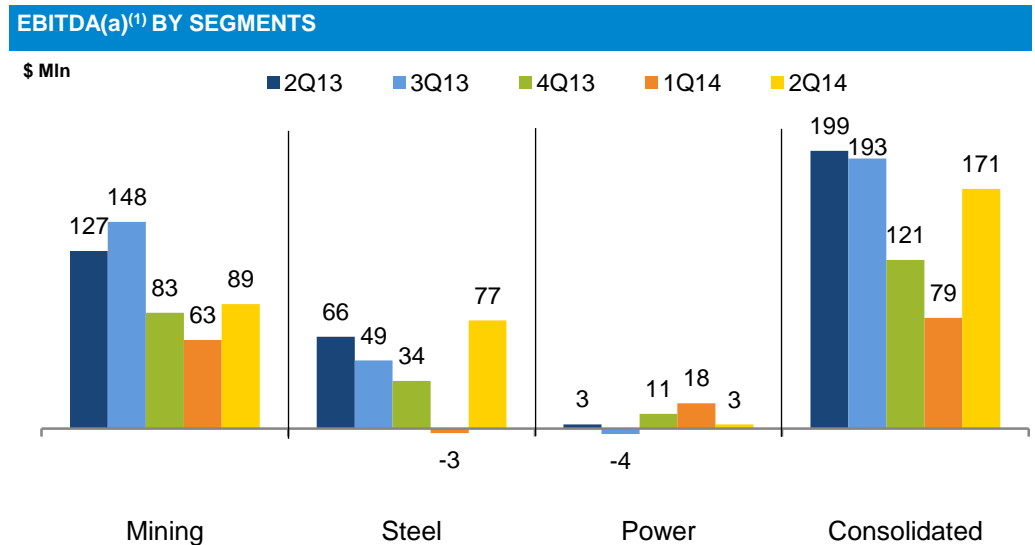
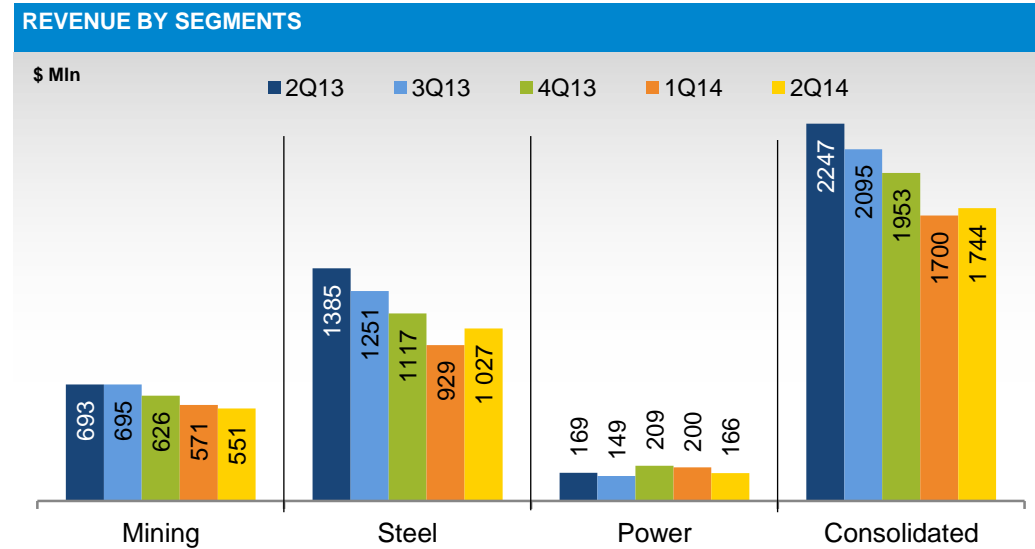
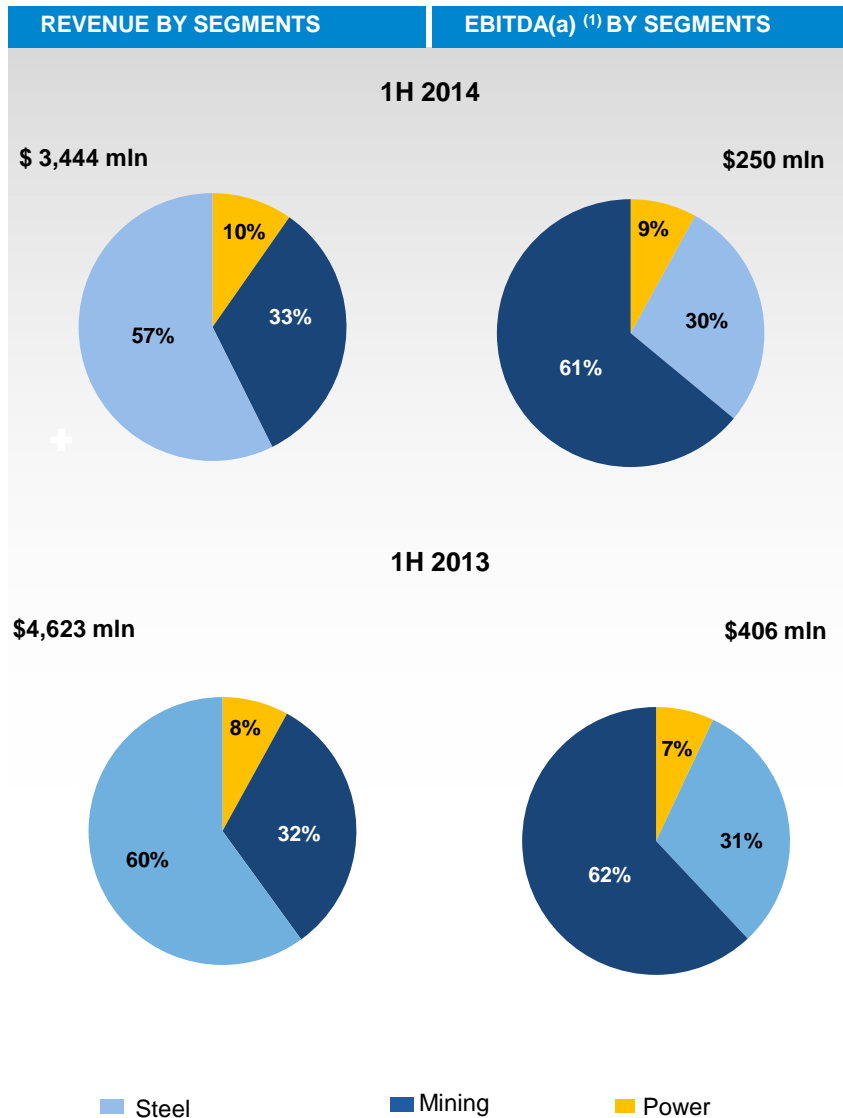


1H 2014 HIGHLIGHTS



+	In 1H2014 metallurgical coal market saw further deterioration in demand and pricing. HCC benchmark price decreased from \$152 per ton in 4Q13 to \$120 per ton in 2Q14 as ample supply ran against Chinese government's (accounts for about half of world steel production) efforts to curb demand by tightening liquidity.
+	Consolidated revenue down 26% in 1H2014 to \$3.4 bln compared with 1H2013 as: - Steel segment's revenue drops 29% on lower sales volumes due to Romanian plants disposal and third-party products resale suspension. As 66% of Steel segment's sales are domestic, rouble depreciation was also a contributing factor to dollar denominated price decrease. - Mining segment's revenue drops 23% on lower iron ore third party sales as large volumes were redirected for intra-Group consumption and further decrease in met coal prices.
+	Consolidated EBITDA(a) down 38% in 1H2014 to \$250 mln as profitability in the Mining and Steel segments was affected by price and sales deterioration. EBITDA(a) margin decreased from 8,8% in 1H2013 to 7,3% in 1H2014.
+	Operating loss amounted to \$15.7 mln in 1H2014. Net of one-off accruals (Impairment of goodwill and long-lived assets, provision for amounts due from related parties, loss on write-off of PPE and additional taxes) adjusted operating income was \$16.5 mln in 1H2014 vs \$143.4 mln in 1H2013.
+	Bottom line affected by \$183 mln of FX loss resulting in a Net Loss of \$648 mln for 1H 2014.
+	Gross margin increased from 30% in 1H2013 to 34% in 1H2014.
+	Net debt (excluding finance lease liabilities) reduced by \$120 mln, standing at \$ 8.6 bln as of June 30, 2014 vs. \$8.8 bln in Dec 31, 2013 mainly at the expense of working capital release and rouble depreciation.

SEGMENTS OVERVIEW



(1) EBITDA(a) represents earnings adjusted by forex gain/loss, interest income, net income on the disposal of non-current assets, amount attributable to non-controlling interests gain/loss from remeasurement of contingent liabilities at fair value, impairment of long-lived assets and goodwill, result of disposed companies (incl. the result from their disposal) provision for amounts due from related parties and losses from discontinued operations, net of income tax.

MINING SEGMENT

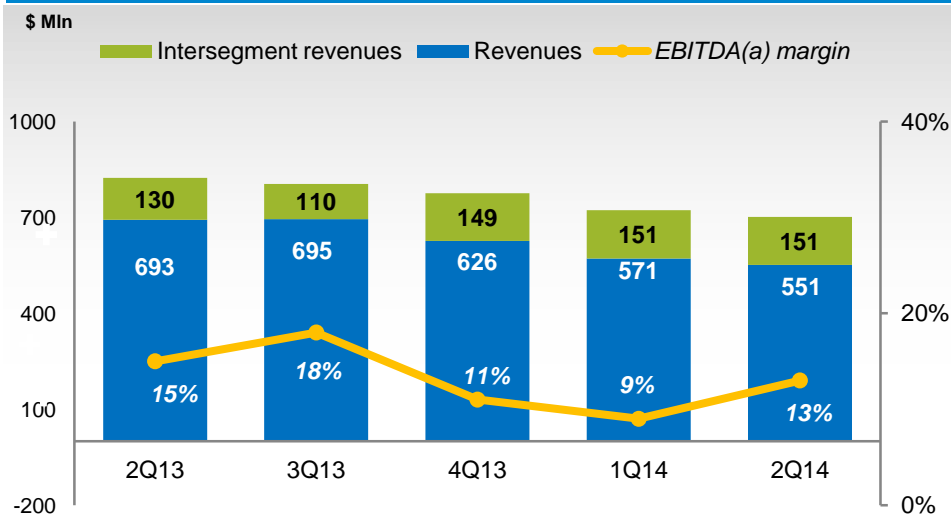


+	<p>Continuing price weakness at our main markets together with decrease in iron ore sales volumes to 3d parties led to 23% decrease in Revenue with EBITDA(a) down 39% to \$152 mln in 1H2014. Met coal lower prices effect contribution amounted to more than 40% of the revenue decrease, another 37% of decrease came from iron ore lower 3d parties sales volumes.</p>
+	<p>On lower repair works and positive currency exchange rate change, cash costs in 1H2014 decreased at Korshunov Mining Plant by 14%, at Southern Kuzbass by 12% and at Yakutugol by 4%, if compared to 1H2013.</p>
+	<p>Operations at Bluestone are idled due to unfavorable pricing environment. Suspension of Bluestone operations negatively affected both metallurgical and steam coal sales volumes.</p>
+	<p>Share of coking coal export sales vs domestic sales increased to 82% amounting to 48% of overall export sales as we target higher margin product sales. At the same time share of other met coal sales (PCI/anthracites) also increased on stronger demand mostly from Asia. Combined share of met coal and coking coal sales y-o-y is up to 69% of Segment's revenue.</p>
+	<p>Coal shipments to China grew 35% tonnage wise in 1H2014 vs.1H2013 to 51% of overall Segment`s export sales as we continue expansion to Asia Pacific.</p>
+	<p>Share of iron ore sales down to 6% q-o-q of Segment's revenue as we switched to supplying our Steel segment.</p>

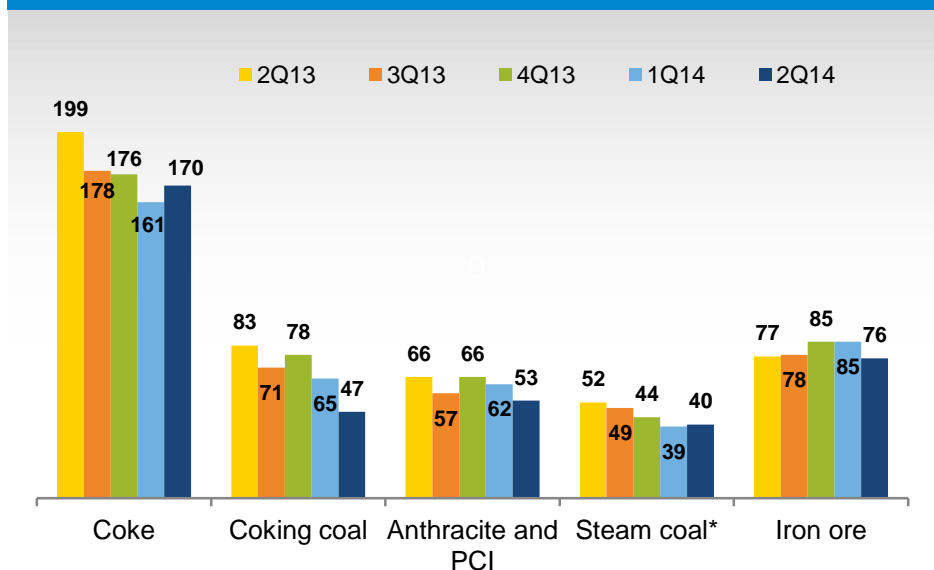
MINING SEGMENT



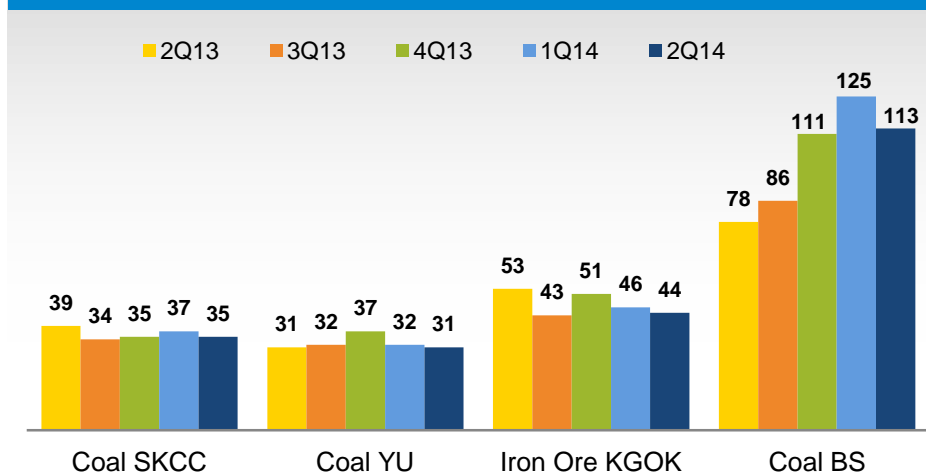
REVENUE, EBITDA(a)(1)



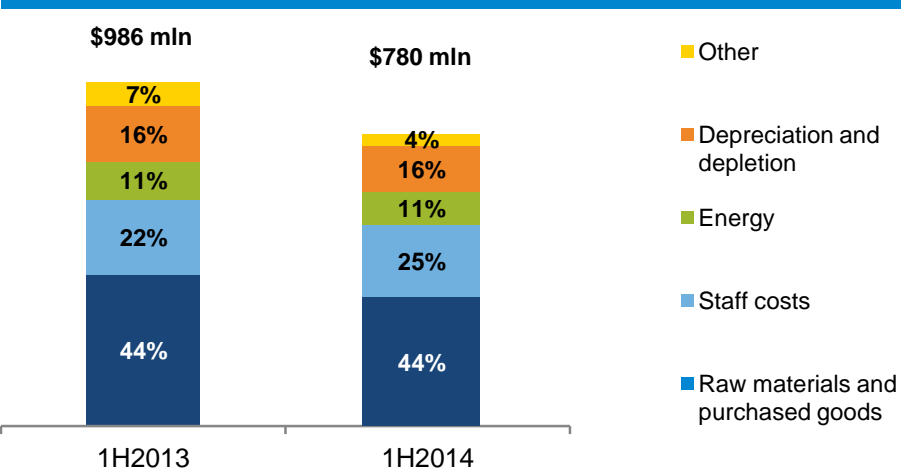
AVERAGE SALES PRICES FCA, US\$/TONNE



CASH COSTS, US\$/TONNE



COS STRUCTURE



(1) EBITDA(a) represents earnings adjusted by forex gain/loss, interest income, net income on the disposal of non-current assets, amount attributable to non-controlling interests gain/loss from remeasurement of contingent liabilities at fair value, impairment of long-lived assets and goodwill, result of disposed companies (incl. the result from their disposal) provision for amounts due from related parties and losses from discontinued operations, net of income tax.

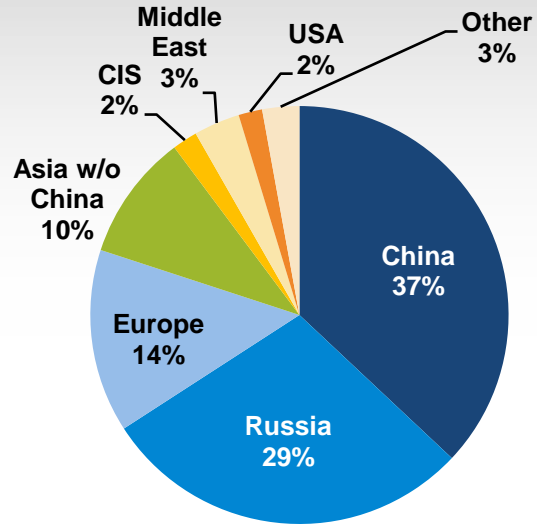
* Restated to include middlings

MINING SEGMENT

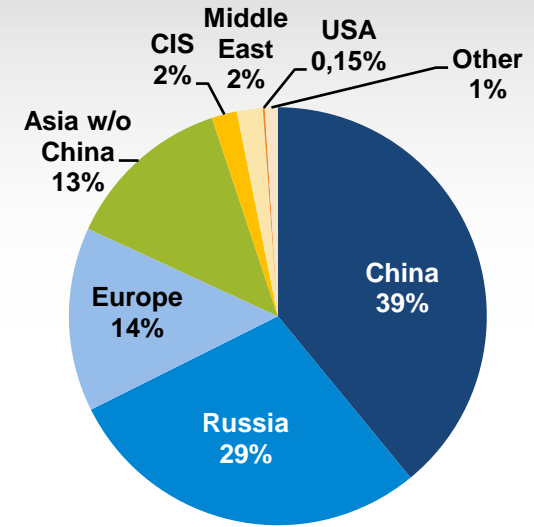


REVENUE BREAKDOWN BY REGION

1H 2013

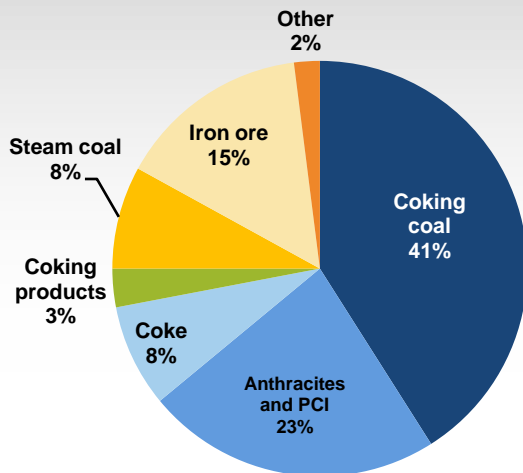


1H 2014

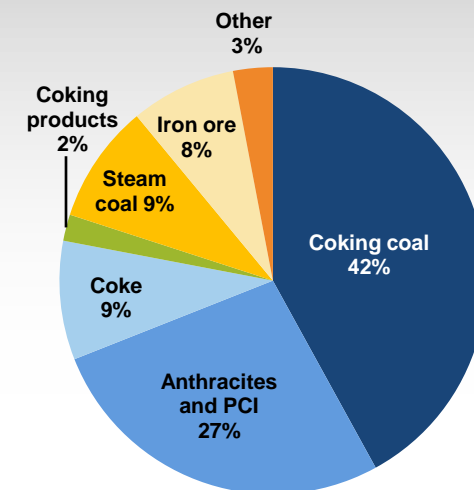


REVENUE BREAKDOWN BY PRODUCTS

1H 2013



1H 2014



STEEL SEGMENT

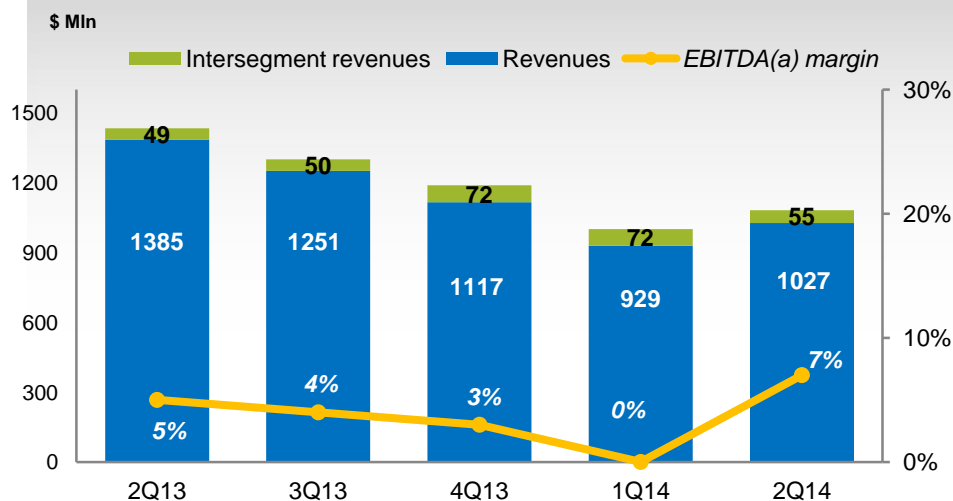


+	Segment's revenue decreased 29% to \$2.0 bln in 1H2014 compared with 1H2013. Reduction of third-party products resale and further downsizing of European part of Mechel Service Global operations resulted in sales volumes decline. Additionally downward pressure came from weaker ruble resulting in lower dollar denominated prices.
+	Sales volumes effect on lower Segment's revenue amounted to \$607 mln with most decline from billets (down 82%), rebar (down 17%), pipes (down 53%) and flat steel (down 30%) if compared to 1H 2013 sales volumes.
+	Negative effect from lower prices amounted to \$163 mln.
+	Cash costs down on lower prices for input raw materials and weaker ruble. However reduction in cash costs is insufficient to offset lower prices and sales volumes resulting in 1H2014 EBITDA(a) decrease to \$74 mln.
+	Product mix improved with share of semi-finished products down to 6% of Segment's revenue as most billets are processed intra-group after the launch of universal rolling mill at Chelyabinsk Plant.
+	Due to product portfolio optimization, lower cash costs and improving market environment EBITDA(a) margin in 2Q14 increased to 7%, highest level for the last year.

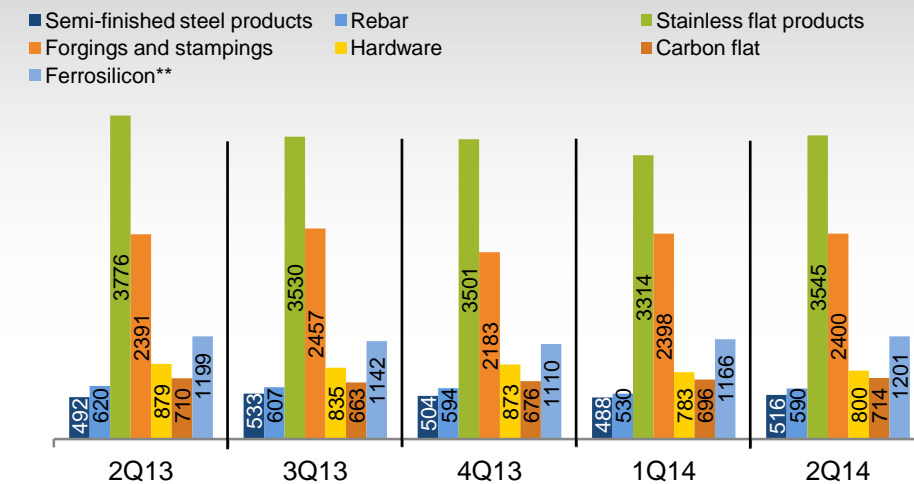
STEEL SEGMENT



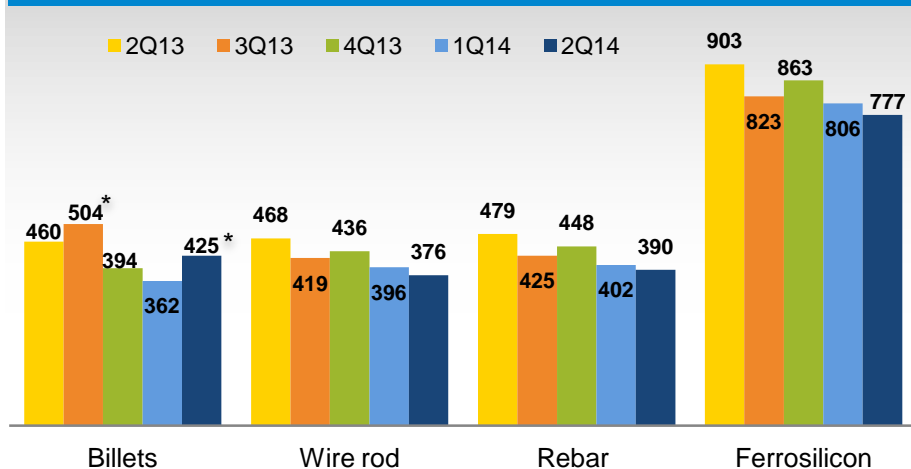
REVENUE, EBITDA(a)⁽¹⁾



AVERAGE SALES PRICES FCA, US\$/TONNE

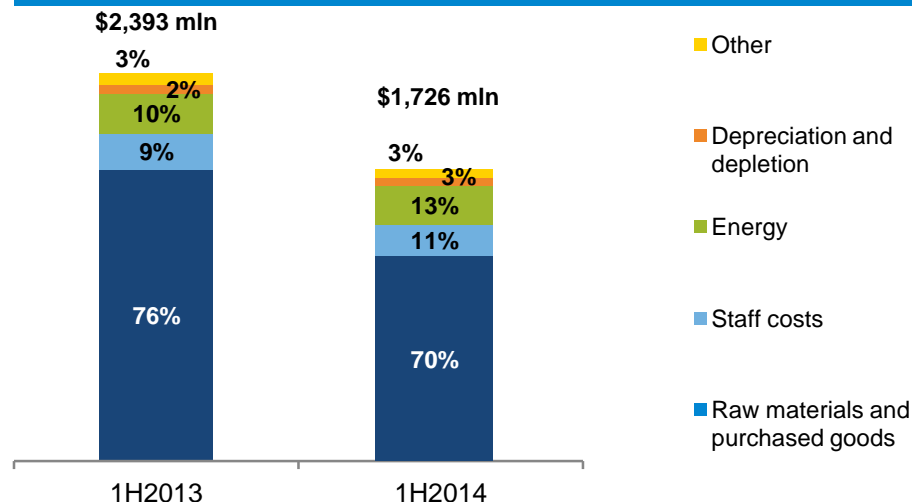


CASH COSTS, US\$/TONNE



* Domestic sales

COS STRUCTURE



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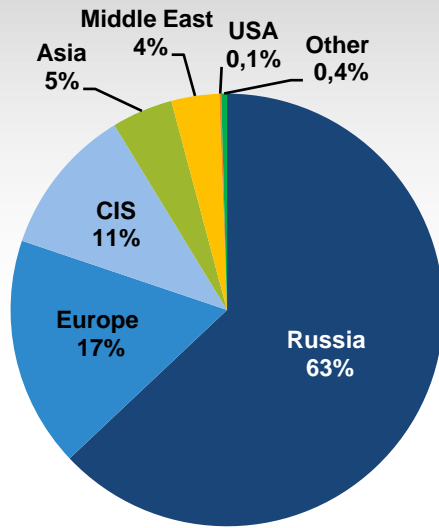
** Ferroalloy segment was combined with Steel segment

STEEL SEGMENT

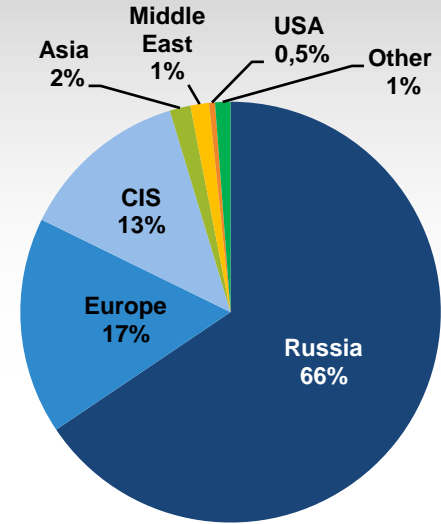


REVENUE BREAKDOWN BY REGION

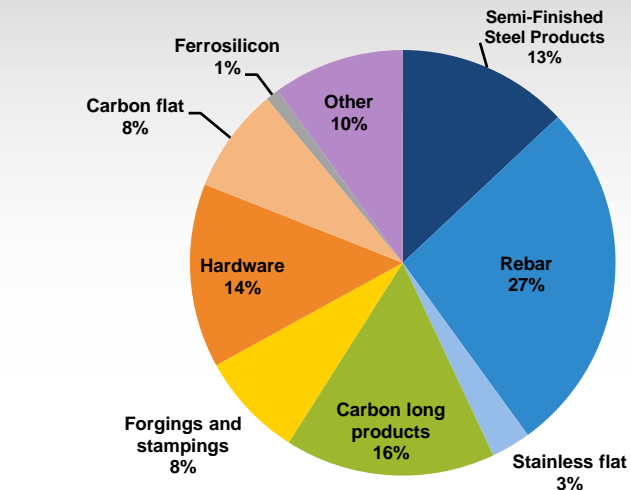
1H 2013



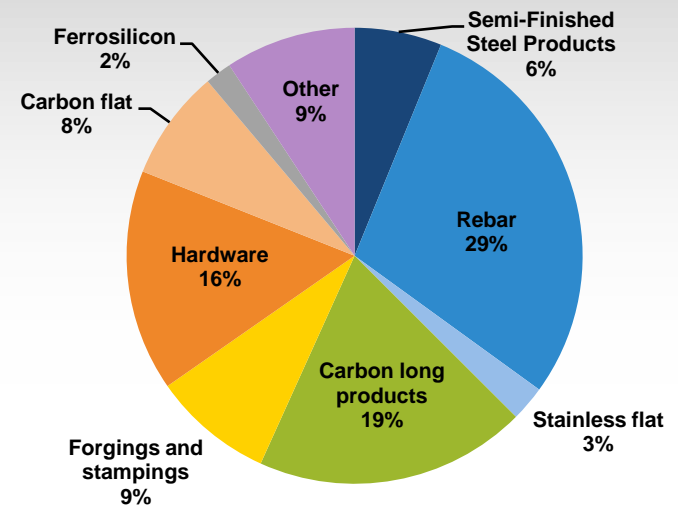
1H 2014



REVENUE BREAKDOWN BY PRODUCTS



1H 2013

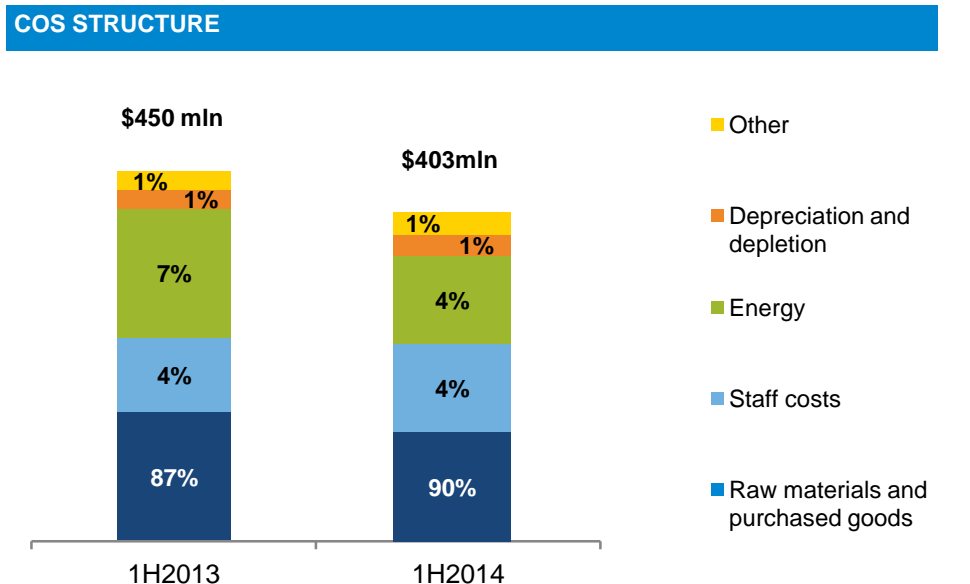
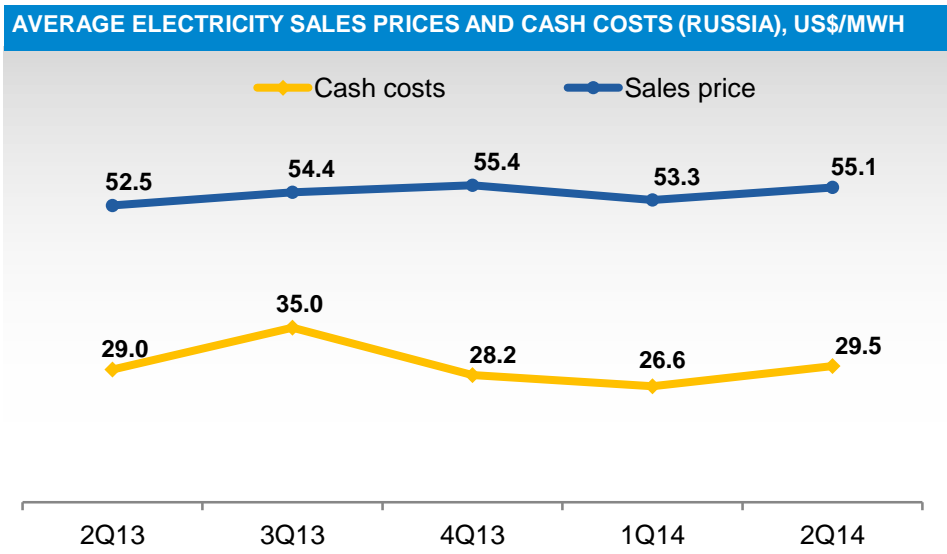
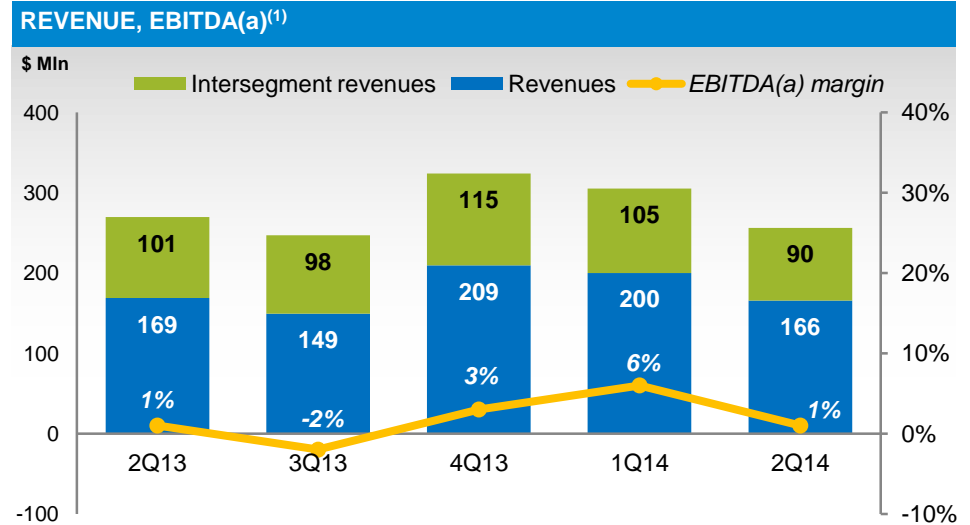


1H 2014

POWER SEGMENT



- +** Revenue is down 8% in 1H2014.
- +** EBITDA(a) down by 19% to \$21.2 mln.
- +** Significant Net loss decrease and stable operating income.



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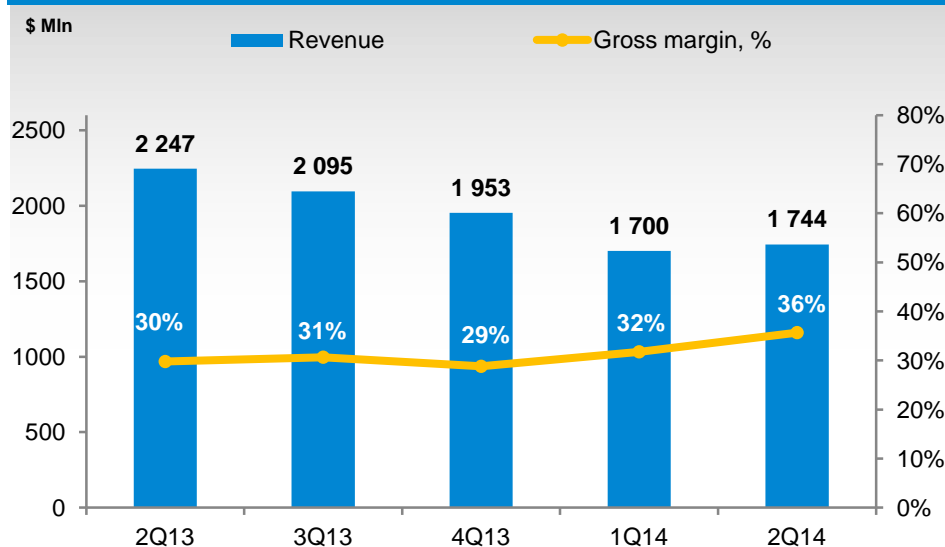
CONSOLIDATED P&L



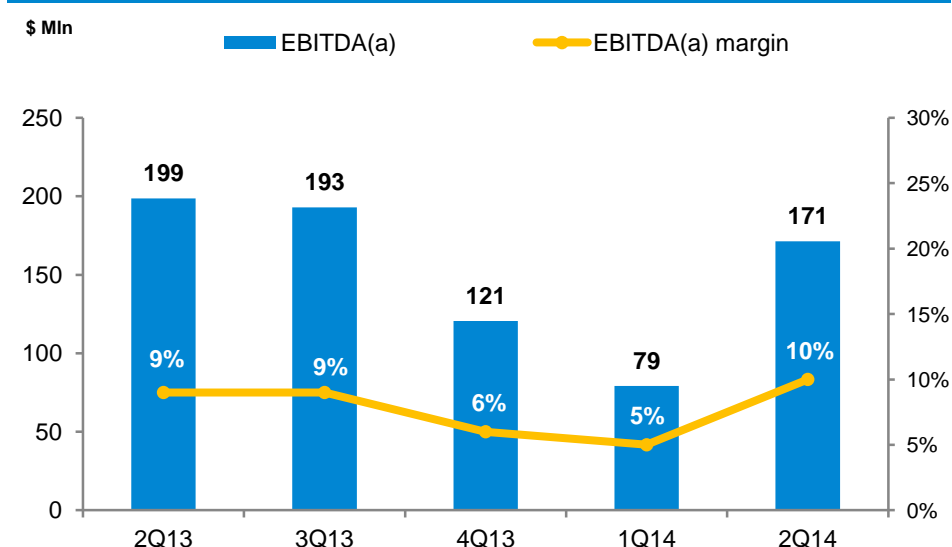
FINANCIAL PERFORMANCE HIGHLIGHTS:

- +** Consolidated EBITDA(a) down 38.3% y-o-y to \$250 mln due to lower profitability in the mining and steel segments affected by price and sales deterioration.
- +** 1H2014 bottom line affected by FX loss of \$183 mln.
- +** Gross margin increase despite lower Revenue. After 1Q14 sharp decrease, in 2Q14 we saw EBITDA(a) revival to near mid-2013 levels with EBITDA(a) margin exceeding 2013 levels.

REVENUE, \$MLN



EBITDA(a)⁽¹⁾, \$MLN



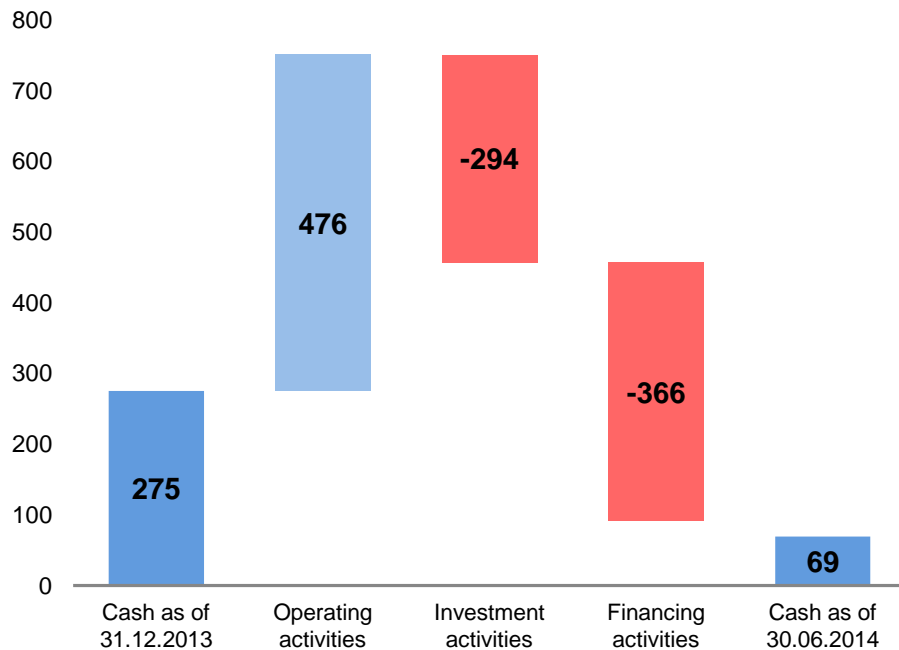
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CASH FLOW & TRADE WORKING CAPITAL

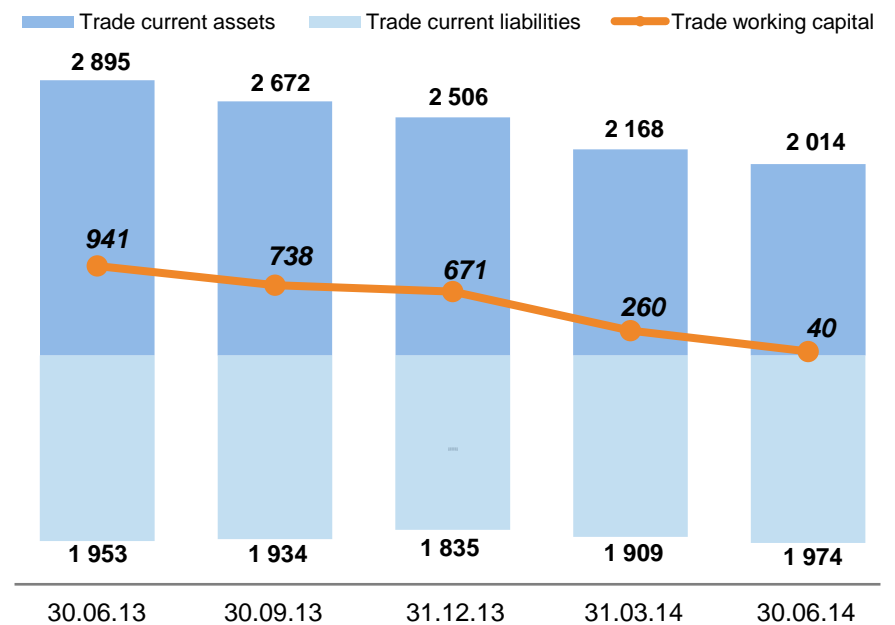


- +** Considerable payments on financing activities are met mainly by working capital decrease.
- +** Investment cash flow capped at \$294 mln in 1H2014 with most of it going to Elga under project financing with VEB.

CASH FLOW, \$MLN



TRADE WORKING CAPITAL MANAGEMENT, \$MLN



SUCCESSFUL REFINANCING AND IMPROVED LIQUIDITY TO SERVICE UPCOMING MATURITIES

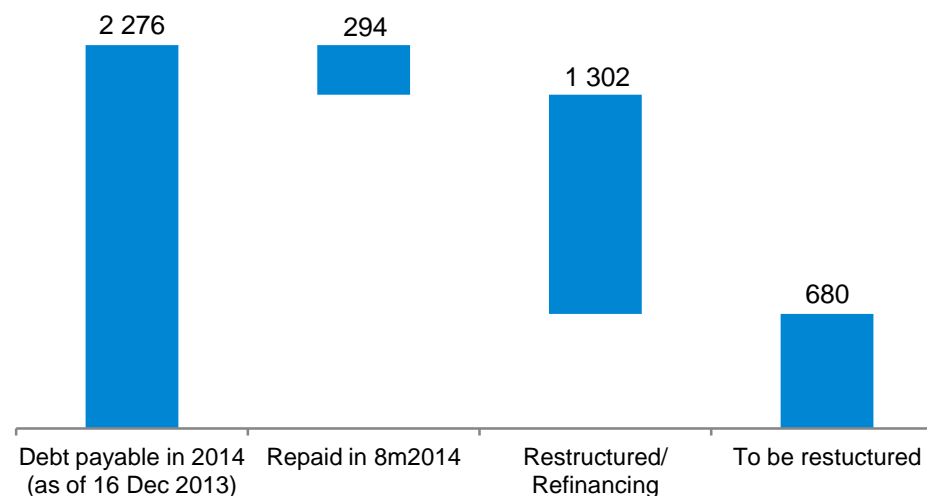


+ As of December 16, 2013 \$2.3 bln was payable in 2014

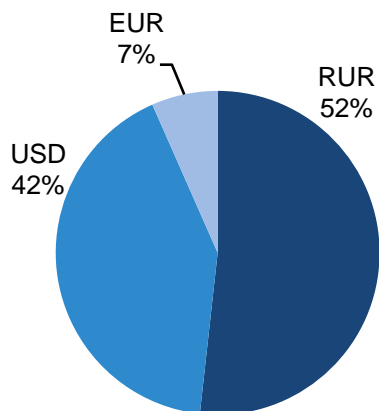
+ In 8m2014 \$0.3 bln was repaid (on net basis) and \$1.3 bln was successfully extended or refinanced. \$0.7 bln is due until year end

+ Total debt reduced by \$923 mln from \$9.0 bln down to \$8.0 bln as of September 1, 2014:
 - \$294 mln reduction through repayment;
 - \$629 mln effect from rouble devaluation.

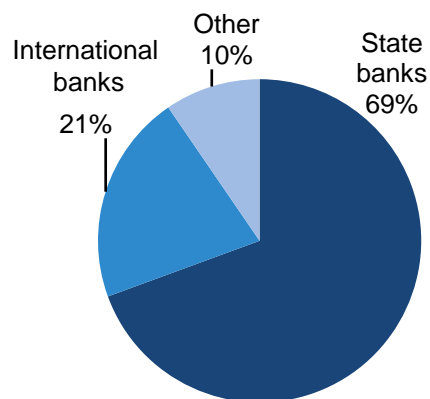
2014 DEBT MATURITY SCHEDULE CHANGES AS OF SEPTEMBER 1, 2014 , USD MLN



DEBT PROFILE AS OF SEPTEMBER 1, 2014

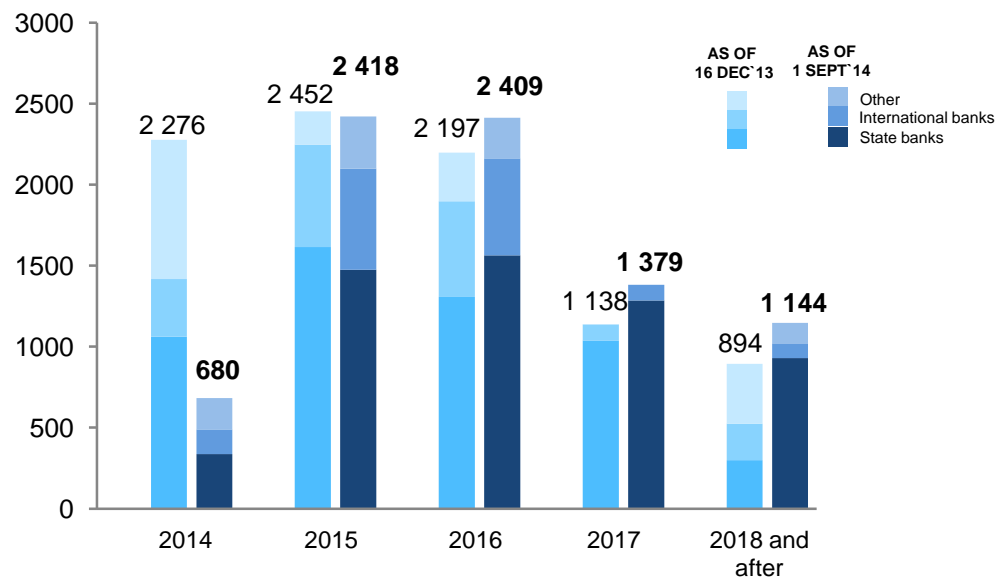


By currency



By banks

DEBT MATURITY SCHEDULE (AS OF 1 SEPTEMBER`14 VS 16 DECEMBER`13), USD MLN



FINANCIAL RESULTS OVERVIEW



US\$ MILLION UNLESS OTHERWISE STATED	1H2014	1H2013	CHANGE, %
Revenue	3,444	4,623	-25.5%
Cost of sales	(2,282)	(3,218)	-29.1%
<i>Gross margin</i>	<i>33.75%</i>	<i>30.40%</i>	
Adjusted Operating income	17	143	-88%
EBITDA(a) ⁽¹⁾	250	406	-38.3%
<i>EBITDA(a) margin</i>	<i>7.27%</i>	<i>8.77%</i>	
Net Income / (loss)	(648)	(2,120)	-69.4%
<i>Net Income margin</i>	<i>-18.81%</i>	<i>-45.85%</i>	
Net Debt (excluding finance lease liabilities)	8,650	9,120	-5%
CapEx	276	354	-22%
Sales volumes⁽²⁾, '000 tonnes	1H2014	1H2013	
Mining segment	10,293	11,740	-12%
Steel segment	2,573	3,483*	-26%

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(2) Includes sales to the external customers only

* Ferroalloy segment was combined with Steel segment