



## 9M2014 RESULTS PRESENTATION

9 December, 2014



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## FINANCIAL HIGHLIGHTS



## 9M 2014 HIGHLIGHTS

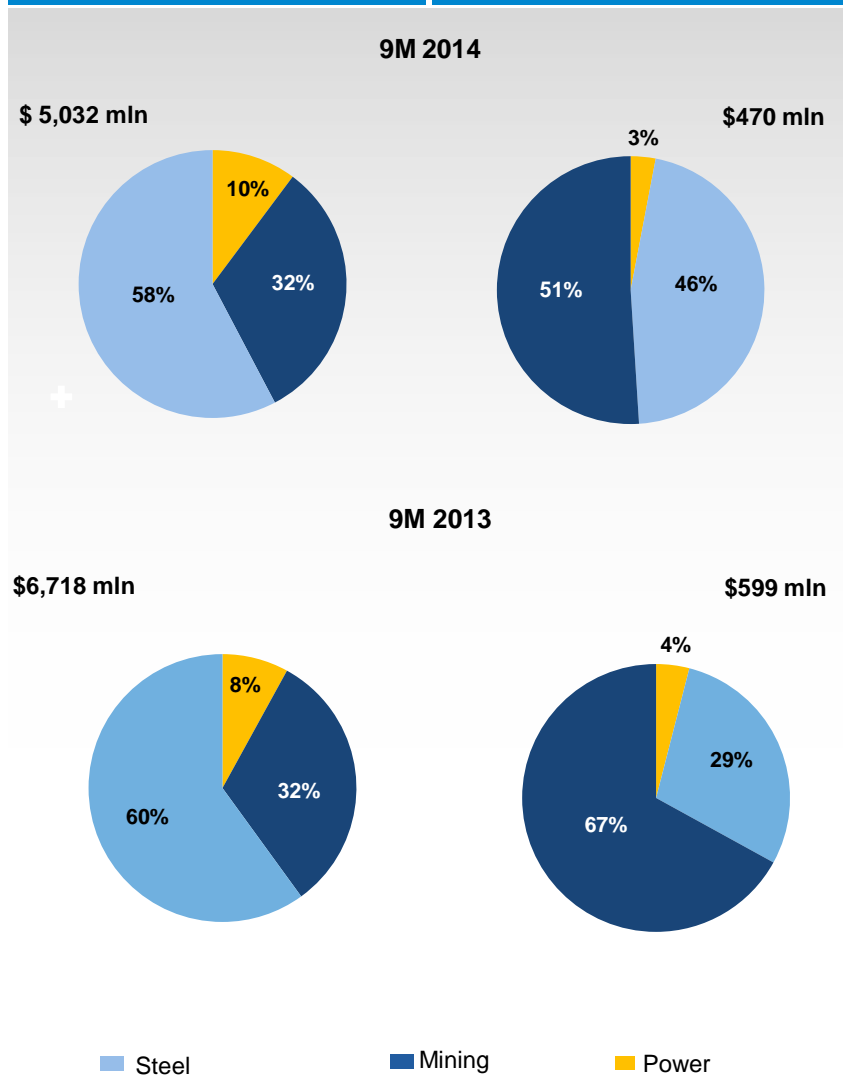


|   |   |
|---|---|
| + | In 3Q 2014 metallurgical coal market was rather stable but prices were at their lows. Long steel products market looked better with some price increase on domestic market compared to 2Q 2014.   |
| + | Export sales amounted to 33% of total Revenue for 9M 2014 period with mining segment being the largest contributor to export sales.   |
| + | On a stable Revenue structure, share of Steel segment in Consolidated EBITDA increased from 29% in 9M 2013 to 45% in 9M 2014.   |
| + | Gross margin increased from 30% in 9M 2013 to 35% in 9M 2014.   |
| + | Net debt (excluding finance lease liabilities) amounted to \$7.8 bln as of September 30, 2014. In 3Q 2014 Net debt decreased by 9% due to ruble depreciation and partial redemption of bonds.   |
| + | In 3Q 2014 bottom line affected by \$551 mln of FX loss primarily due to loan revaluation. But adjusted Net loss decreased 90% q-o-q.   |
| + | In 3Q 2014 operating income grew to \$107 mln on adjusted basis 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) compared with adjusted operating income of \$41 mln in 2Q 2014. |

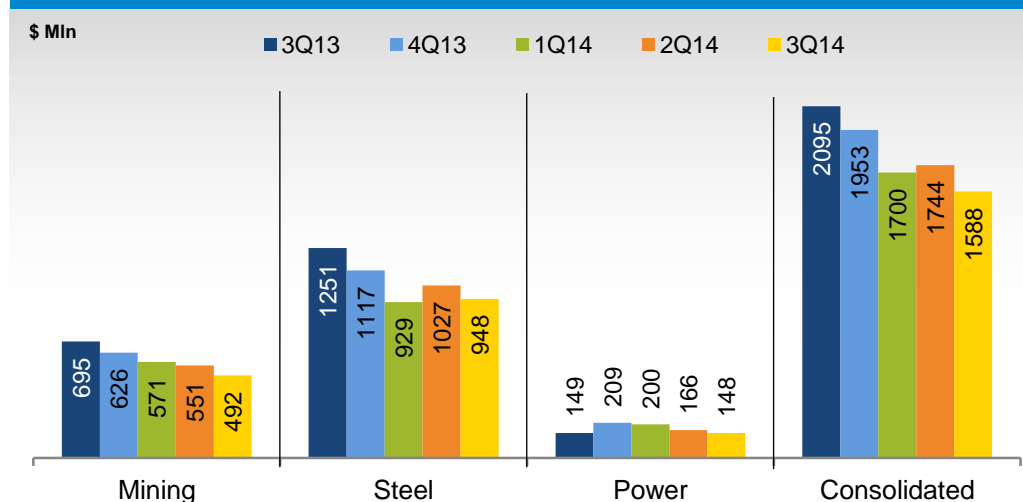
# SEGMENTS OVERVIEW



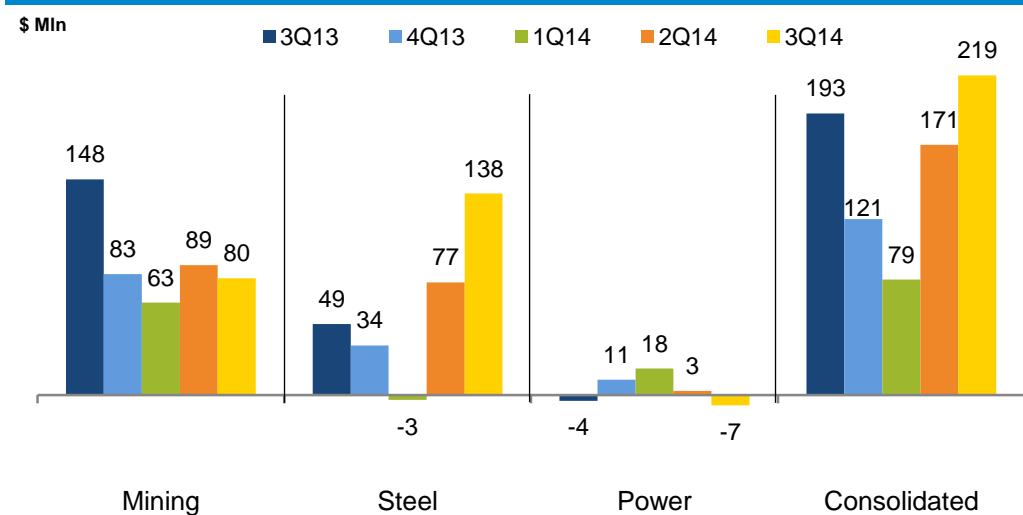
## REVENUE BY SEGMENTS | EBITDA(a) (1) BY SEGMENTS



## REVENUE BY SEGMENTS



## EBITDA(a)(1) BY SEGMENTS



(1) EBITDA(a) represents earnings before Depreciation, depletion and amortization, Foreign exchange gain / (loss), Loss from discontinued operations, Gain / (loss) from remeasurement of contingent liabilities at fair value, Interest expense, Interest income, Net result on the disposal of non-current assets, Impairment of goodwill and long-lived assets, Provision for amounts due from related parties, Result of disposed companies (incl. the result from their disposal), Amount attributable to noncontrolling interests, One-off accrual of taxes for prior periods and Income taxes.

## MINING SEGMENT

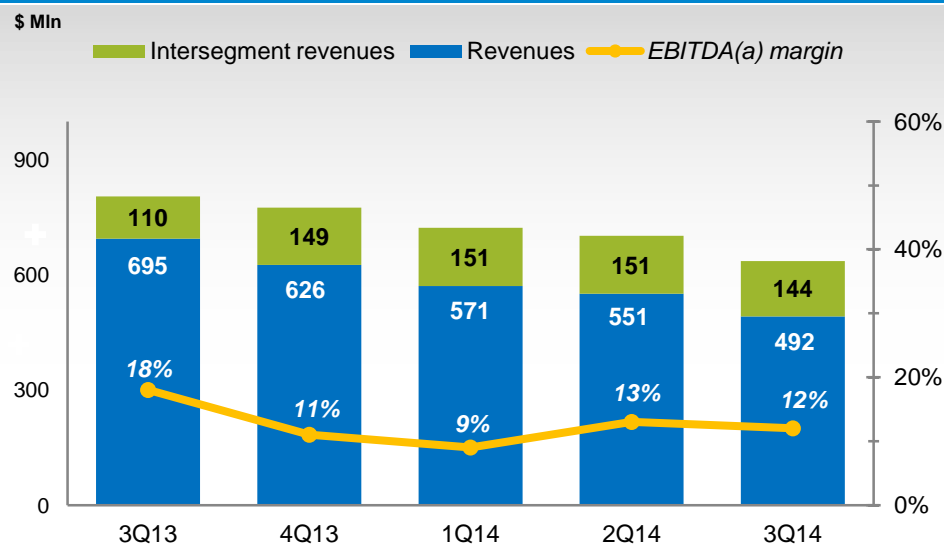


|   |   |
|---|---|
| + | Stable EBITDA(a) margin of 12,5% in 3Q 2014.  |
| + | Operating income \$1.3 mln in 3Q 2014 vs \$2 mln Operating loss in 2Q 2014  |
| + | Cash costs decrease q-o-q of 11% at Southern Kuzbass, 8% at Yakutugol, 7% at Moscow Coke and Gas Plant and 6% at Mechel Coke.<br>Cash cost in 3Q2014 at Elga was \$26 per tonne.  |
| + | Export sales on stable level of about 70%.  |
| + | Bluestone operations suspension negatively influences segment`s results.<br>But Elga coal deposit shows first notable volumes.<br>By the end of 2014 over 1.2 mln tonnes of ROM coal expected with more then 250 thousand tonnes of HCC concentrate produced. |
| + | Share of iron ore sales down to 2% q-o-q of Segment`s revenue as we switched to supplying our Steel segment and lower production volumes.   |

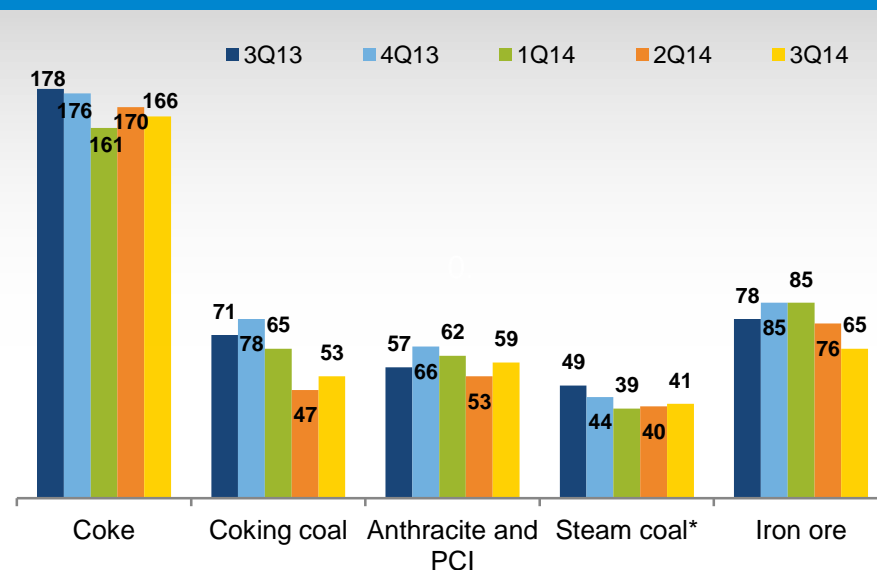
# MINING SEGMENT



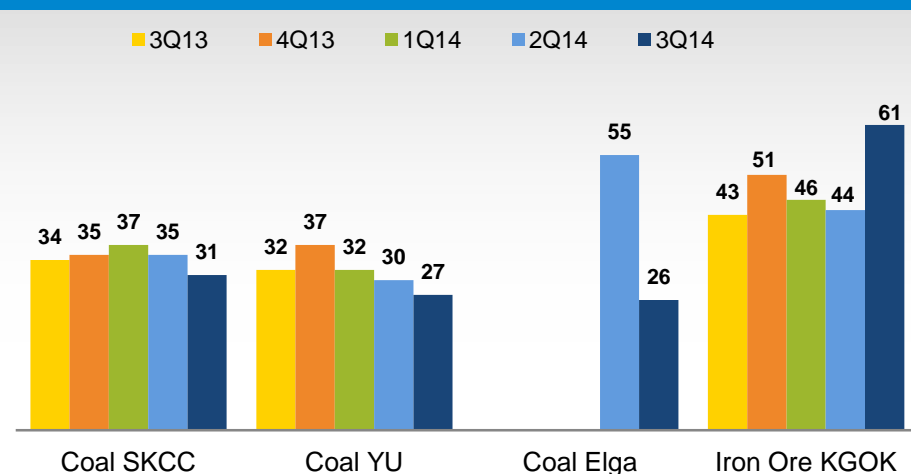
## REVENUE, EBITDA(a)<sup>(1)</sup>



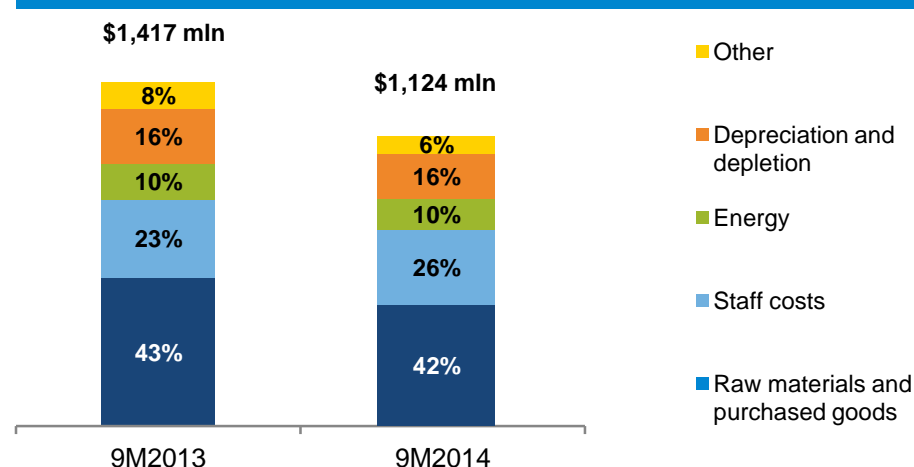
## AVERAGE SALES PRICES FCA, US\$/TONNE



## CASH COSTS, US\$/TONNE



## COS STRUCTURE



(1) EBITDA(a) represents earnings before Depreciation, depletion and amortization, Foreign exchange gain / (loss), Loss from discontinued operations, Gain / (loss) from remeasurement of contingent liabilities at fair value, Interest expense, Interest income, Net result on the disposal of non-current assets, Impairment of goodwill and long-lived assets, Provision for amounts due from related parties, Result of disposed companies (incl. the result from their disposal), Amount attributable to noncontrolling interests, One-off accrual of taxes for prior periods and Income taxes.

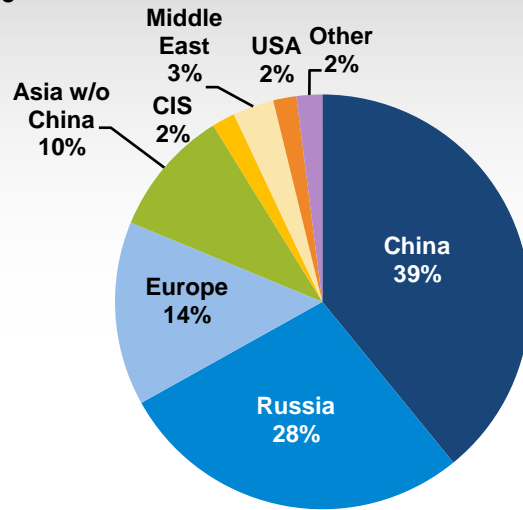
\* Restated to include middlings

# MINING SEGMENT

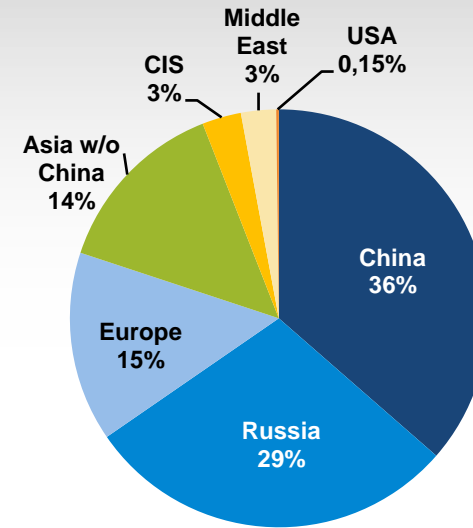


## REVENUE BREAKDOWN BY REGION

9M 2013

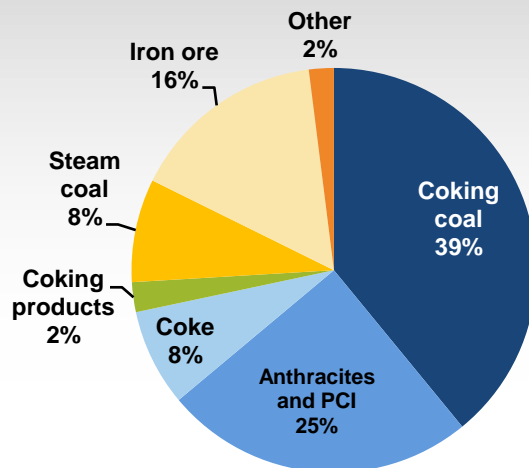


9M 2014

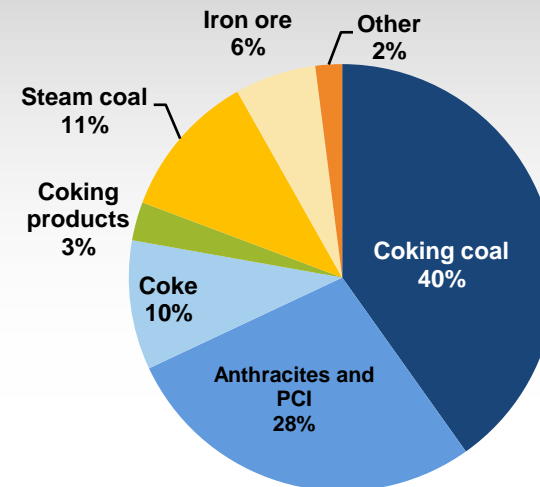


## REVENUE BREAKDOWN BY PRODUCTS

9M 2013



9M 2014





## STEEL SEGMENT

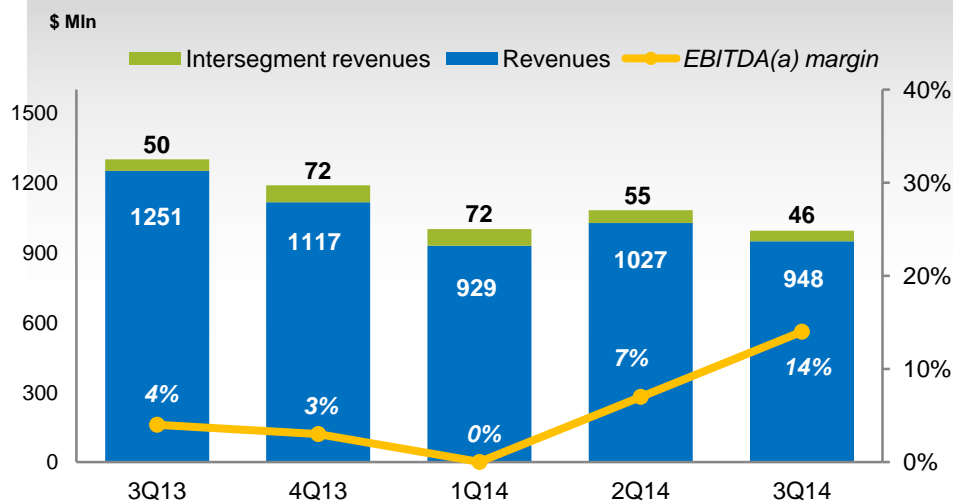


|   |  |
|---|--|
| + | 3Q 2014 EBITDA(a) up 79% quarter on quarter on favorable market conditions and lower costs                           |
| + | EBITDA(a) margin doubled from 7% in 2Q 2014 to 14% in 3Q 2014.   |
| + | Adjusted Operating income grew from \$39 mln in 2Q 2014 to \$102 mln in 3Q 2014.                                     |
| + | Adjusted Net income of \$15 mln in 3Q 2014 after Net loss of \$47 mln in 2Q 2014.                                    |
| + | Product mix mostly stable with further decrease of semi-finished products share to 3% in 3Q 2014 from 5% in 2Q 2014. |
| + | Further downsizing of Mechel Service Global operations in Europe resulted in European sales share decline.           |

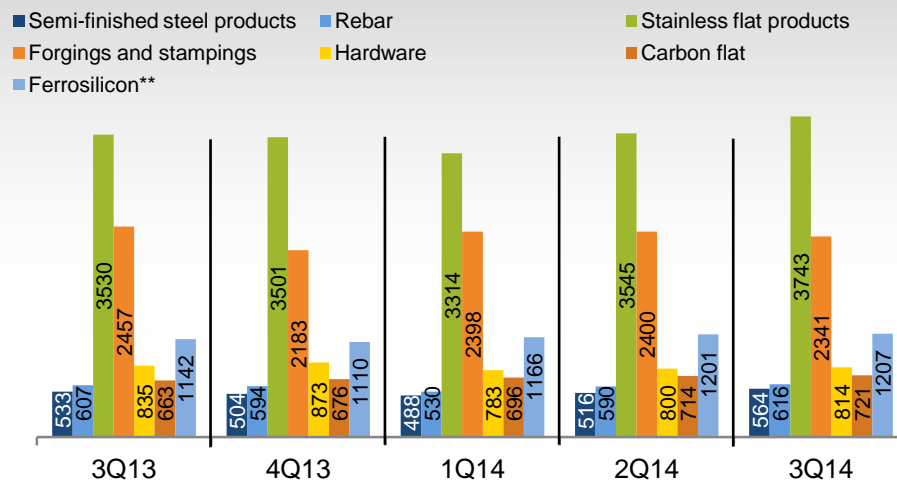
# STEEL SEGMENT



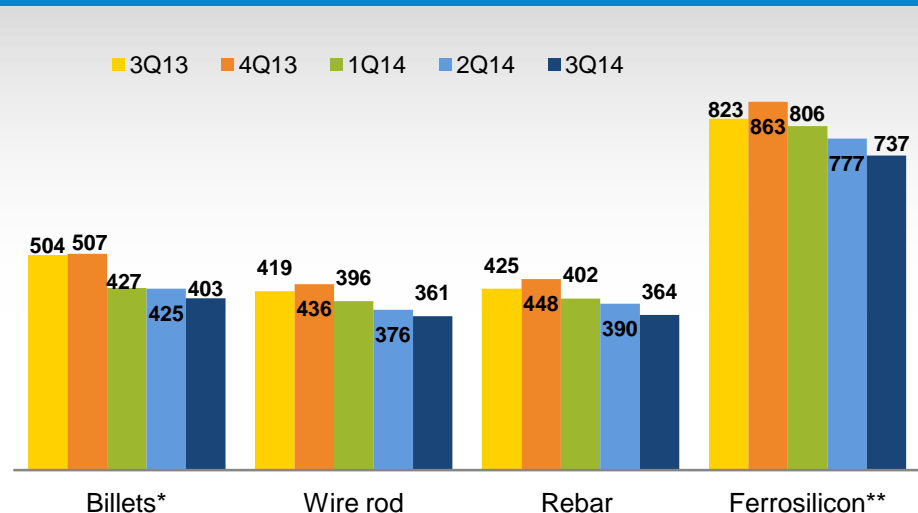
## REVENUE, EBITDA(a)<sup>(1)</sup>



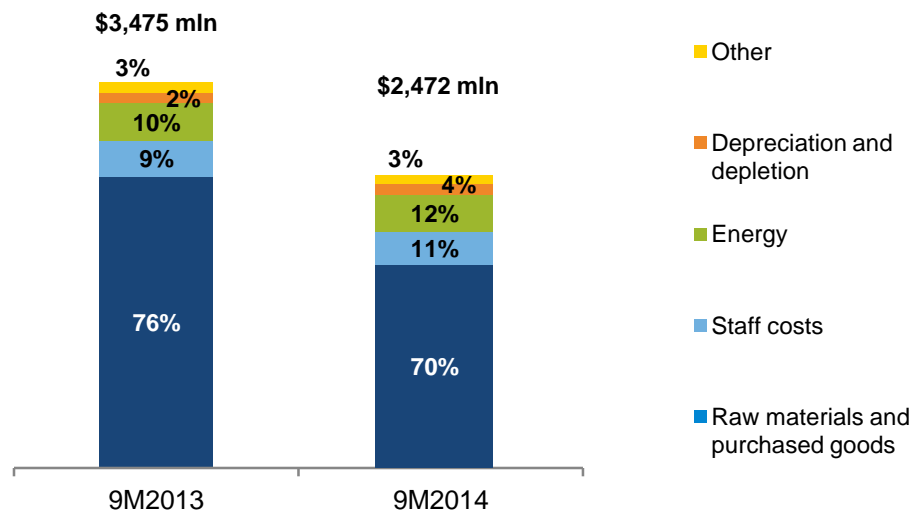
## AVERAGE SALES PRICES FCA, US\$/TONNE



## CASH COSTS, US\$/TONNE



## COS STRUCTURE



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\* Domestic sales

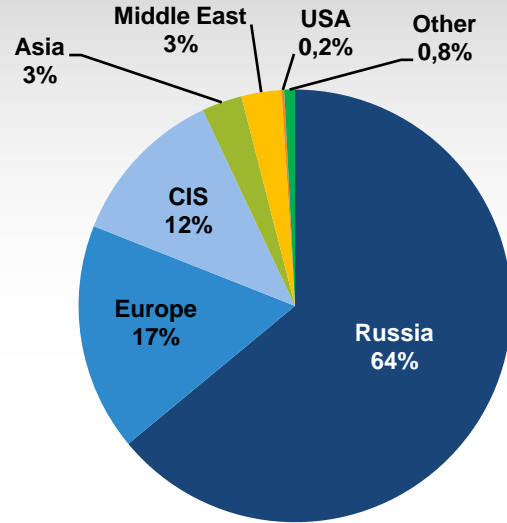
\*\* Ferroalloy segment was combined with Steel segment

# STEEL SEGMENT

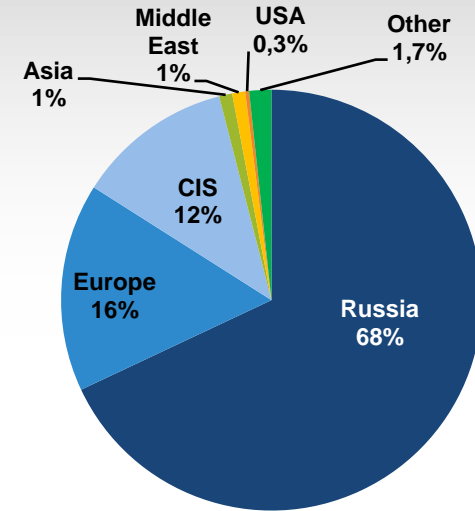


## REVENUE BREAKDOWN BY REGION

9M 2013

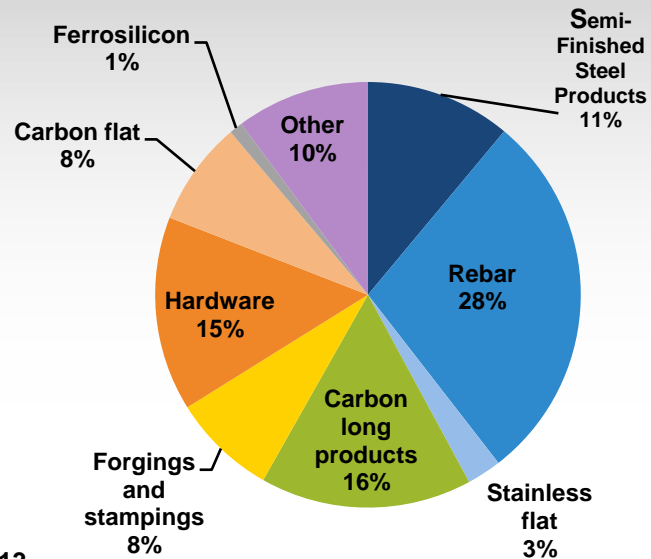


9M 2014

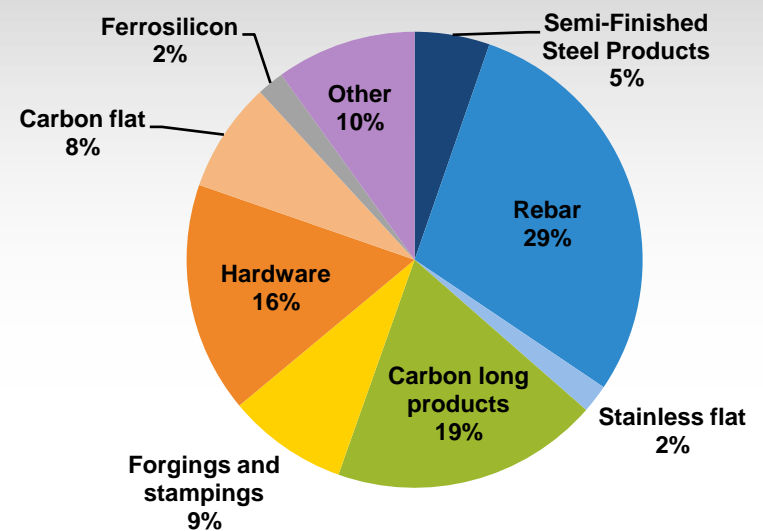


## REVENUE BREAKDOWN BY PRODUCTS

9M 2013



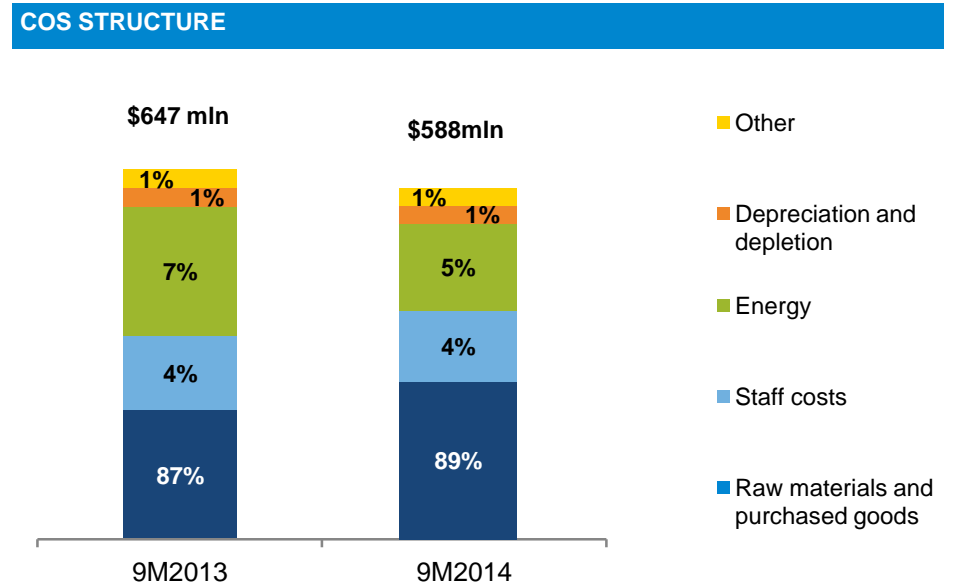
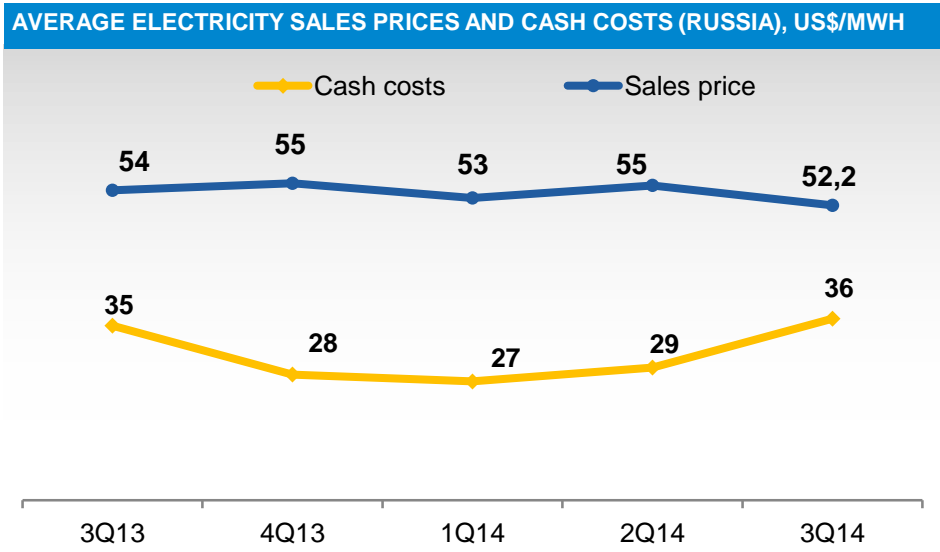
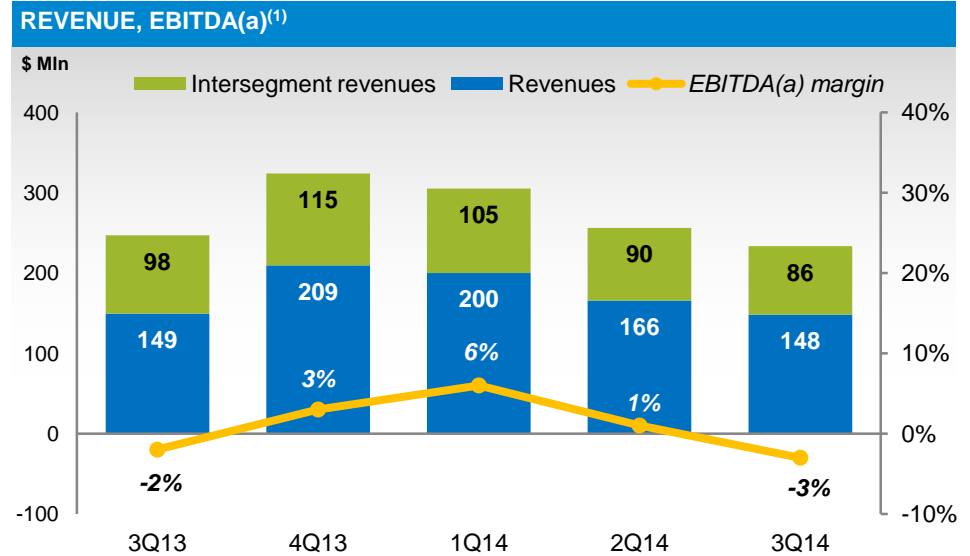
9M 2014



# POWER SEGMENT



- + Seasonal decline in segment's results.
- + Negative influence of ruble depreciation on Revenues.
- + Net loss decreased by 60%.



(1) EBITDA(a) represents earnings before Depreciation, depletion and amortization, Foreign exchange gain / (loss), Loss from discontinued operations, Gain / (loss) from remeasurement of contingent liabilities at fair value, Interest expense, Interest income, Net result on the disposal of non-current assets, Impairment of goodwill and long-lived assets, Provision for amounts due from related parties, Result of disposed companies (incl. the result from their disposal), Amount attributable to noncontrolling interests, One-off accrual of taxes for prior periods and Income taxes.

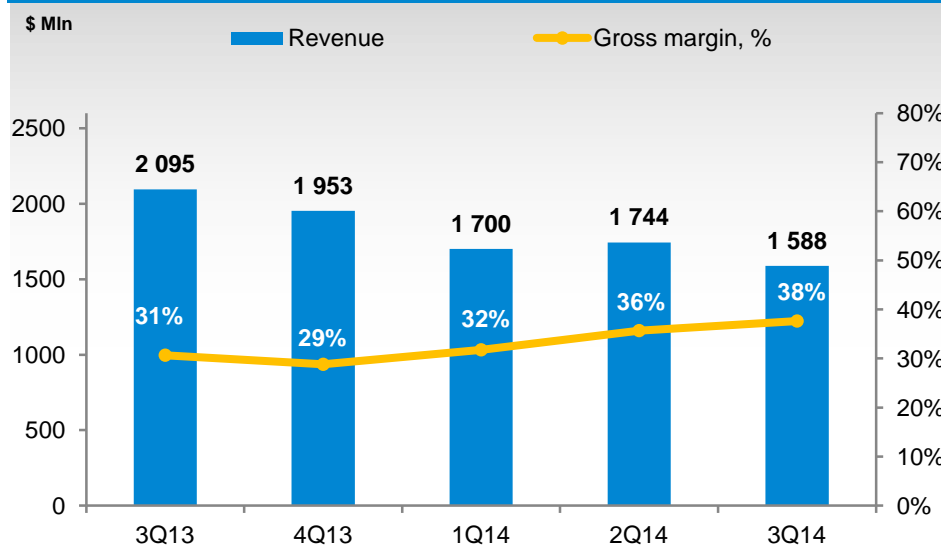
# CONSOLIDATED P&L



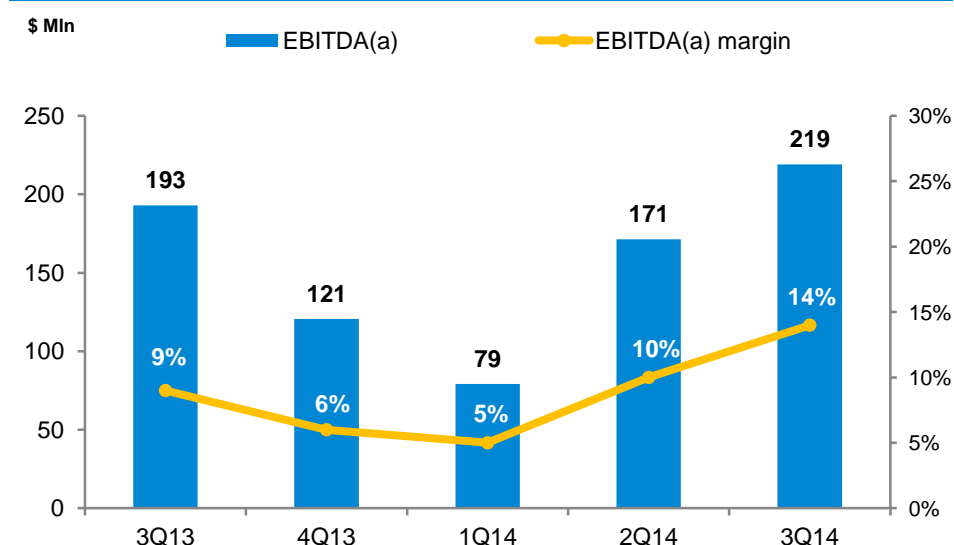
## FINANCIAL PERFORMANCE HIGHLIGHTS:

- + Consolidated EBITDA(a) up 28% q-o-q to \$219 mln on Steel segment`s strong results
- + Further Gross margin and EBITDA(a) margin increase
- + Bottom line affected by FX loss but Adjusted Net loss decreased in 3Q 2014 to just \$15 mln.

### REVENUE, \$MLN



### EBITDA(a)<sup>(1)</sup>, \$MLN



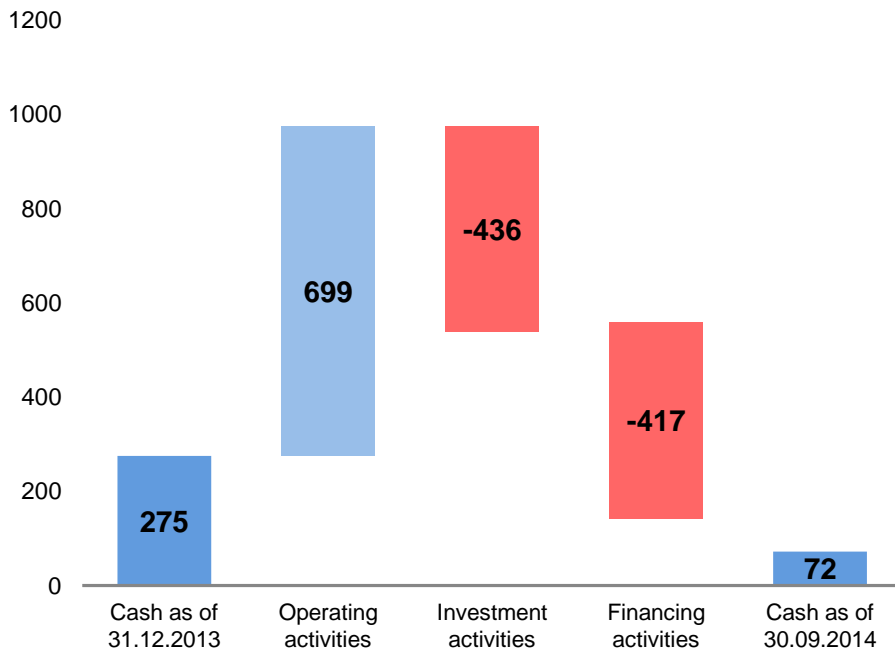
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# CASH FLOW & TRADE WORKING CAPITAL

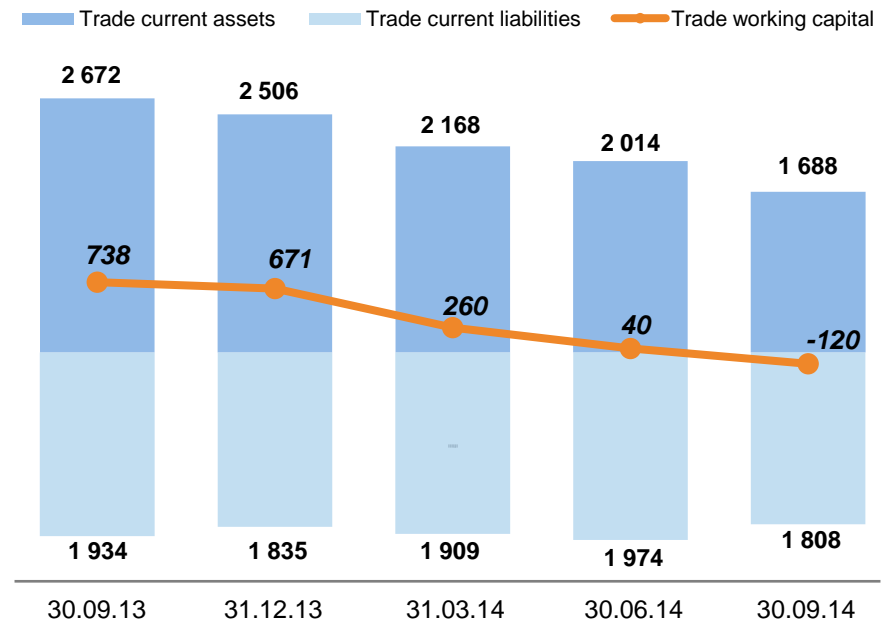


- +** Considerable payments on financing activities are met mainly by working capital decrease.
- +** Investment cash flow amounted to \$436 mln in 9M 2014 with most of it going to Elga under project financing with VEB.

## CASH FLOW, \$MLN



## TRADE WORKING CAPITAL MANAGEMENT, \$MLN



# DEBT PROFILE



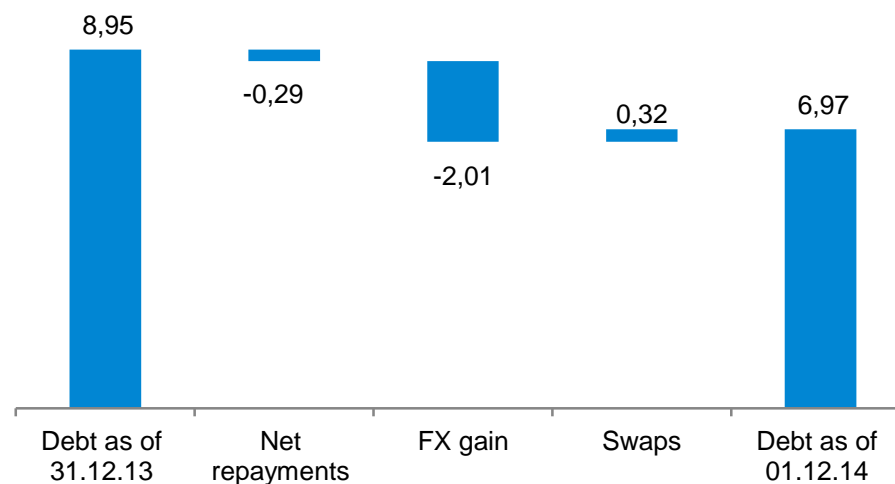
+

Total debt reduced by \$2.0 bln from \$9.0 bln down to \$7.0 bln as of December 1, 2014, mainly as an effect from ruble devaluation

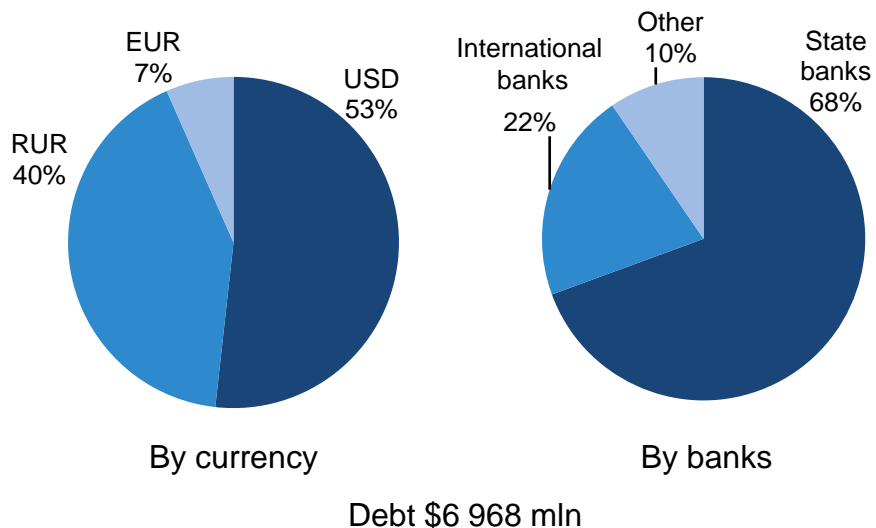
+

Since mid-year we entered into restructuring negotiations and suspended repayments of principal to financial institutions and cut interest payments.

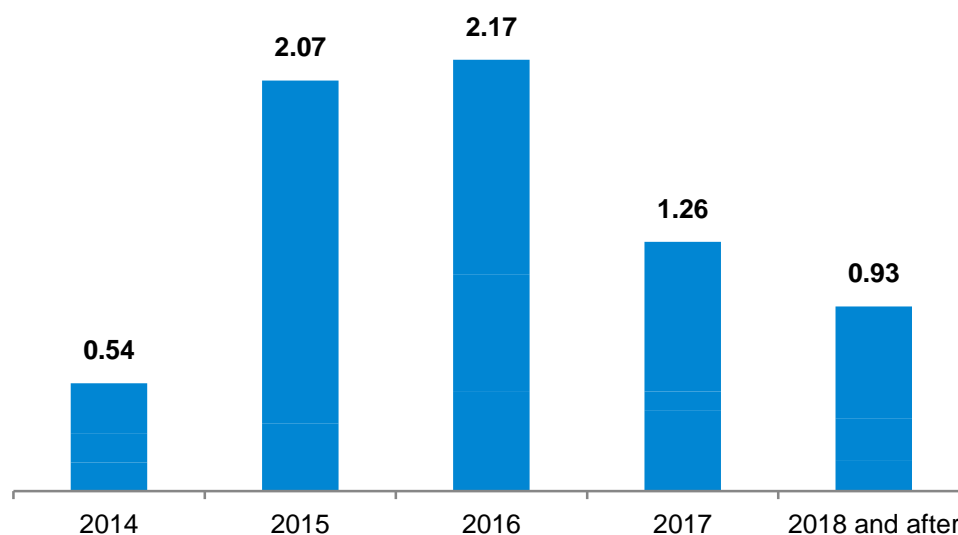
## CHANGES IN CREDIT PORTFOLIO AS OF DECEMBER 1, 2014, USD BLN



## DEBT PROFILE AS OF DECEMBER 1, 2014



## DEBT MATURITY SCHEDULE, USD BLN



\* incl. debt under restructuring

# FINANCIAL RESULTS OVERVIEW



| US\$ MILLION UNLESS OTHERWISE STATED            | 9M2014         | 9M2013         | CHANGE, % |
|---|----------------|----------------|-----------|
| Revenue   | 5,032          | 6,718          | -25.1%    |
| Cost of sales                                   | (3,272)        | (4,670)        | -29.94%   |
| <i>Gross margin</i>                             | <i>34.97%</i>  | <i>30.49%</i>  |           |
| Adjusted Operating income                       | 124            | 216            | -42.6%    |
| EBITDA(a) <sup>(1)</sup>                        | 470            | 599            | -21.5%    |
| <i>EBITDA(a) margin</i>                         | <i>9.3%</i>    | <i>8.9%</i>    |           |
| Net Income / (loss)                             | (1,223)        | (2,247)        | -45.6%    |
| <i>Net Income margin</i>                        | <i>-24.30%</i> | <i>-33.44%</i> |           |
| Net Debt (excluding finance lease liabilities)  | 7,836          | 9,087          | -13.8%    |
| CapEx   | 421            | 445            | -5%       |
| <b>Sales volumes<sup>(2)</sup>, '000 tonnes</b> | <b>9M2014</b>  | <b>9M2013</b>  | <b>%</b>  |
| Mining segment                                  | 15,021         | 17,889         | -16%      |
| Steel segment                                   | 3,746          | 5,070*         | -26%      |

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(2) Includes sales to the external customers only

\* Ferroalloy segment was combined with Steel segment