



## FY2014 RESULTS PRESENTATION

April 28, 2015



# DISCLAIMER



This presentation does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of Mechel OAO (Mechel) or any of its subsidiaries in any jurisdiction or an inducement to enter into investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. Any purchase of securities should be made solely on the basis of information Mechel files from time to time with the U.S. Securities and Exchange Commission. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. None of the Mechel or any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with the presentation.

This presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of Mechel, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements. We refer you to the documents Mechel files from time to time with the U.S. Securities and Exchange Commission, including our Form 20-F. These documents contain and identify important factors, including those contained in the section captioned "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" in our Form 20-F, that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the achievement of anticipated levels of profitability, growth, cost and synergy of our recent acquisitions, the impact of competitive pricing, the ability to obtain necessary regulatory approvals and licenses, the impact of developments in the Russian economic, political and legal environment, volatility in stock markets or in the price of our shares or ADRs, financial risk management and the impact of general business and global economic conditions.

The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice





## FINANCIAL HIGHLIGHTS



## FY 2014 FINANCIAL RESULTS SUMMARY



	2014	2013	%	4Q14	3Q14	%
<b>Revenue</b>	6,406	8,506	-24.7%	1,384	1,585	-12.7%
<b>EBITDA (a)</b>	709	732	-3.1%	220	227	-3.1%
<b>Adjusted net (loss)/income</b>	(144)	(527)	72.7%	134	17	688%
<b>Net Debt</b>	6,774	8,758	-22.7%	6,774	7,822	-13.4%



## FY 2014 HIGHLIGHTS

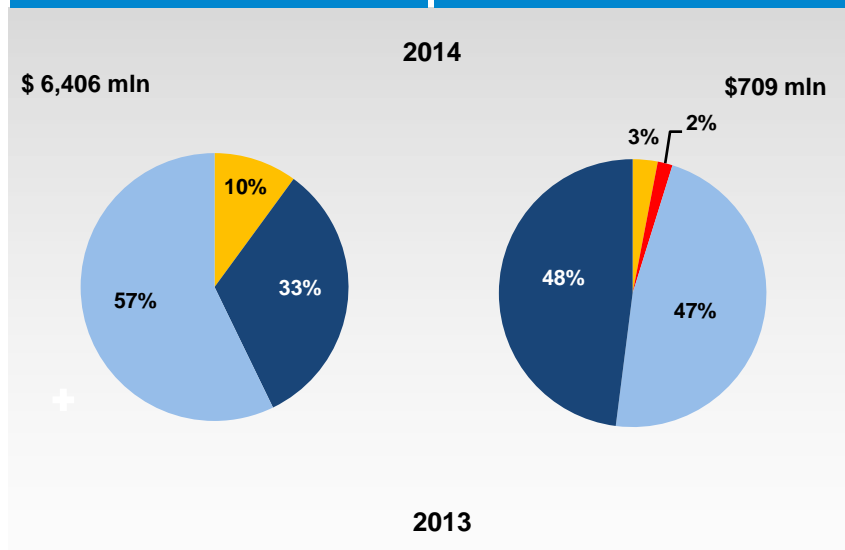


+	Revenue decreased on lower coal and iron ore prices and changes in Steel segment sales structure.
+	EBITDA(a) flat Y-o-Y and Q-o-Q due to increased profitability and lower cost. Gross margin increased from 31% in 2013 to 37% in 2014.
+	Segments contribution to consolidated EBITDA(a) became almost equal with share of Steel segment increased from 29% in 2013 to 47% in 2014 and Mining segment share decreased from 67% to 48%.
+	Net debt (excluding finance lease liabilities) amounted to \$6.8 bln as of December 31, 2014. Net debt decreased by 23% in 2014 mostly due to ruble depreciation.
+	Bottom line affected by \$2.4 bln of FX loss primarily due to loan revaluation and \$1.5 bln loss from discontinued operations. Adjusted Net loss decreased 73% y-o-y.
+	Export sales amounted to 34% of total Revenue in 2014 with mining segment being the largest contributor to export sales.

# SEGMENTS OVERVIEW

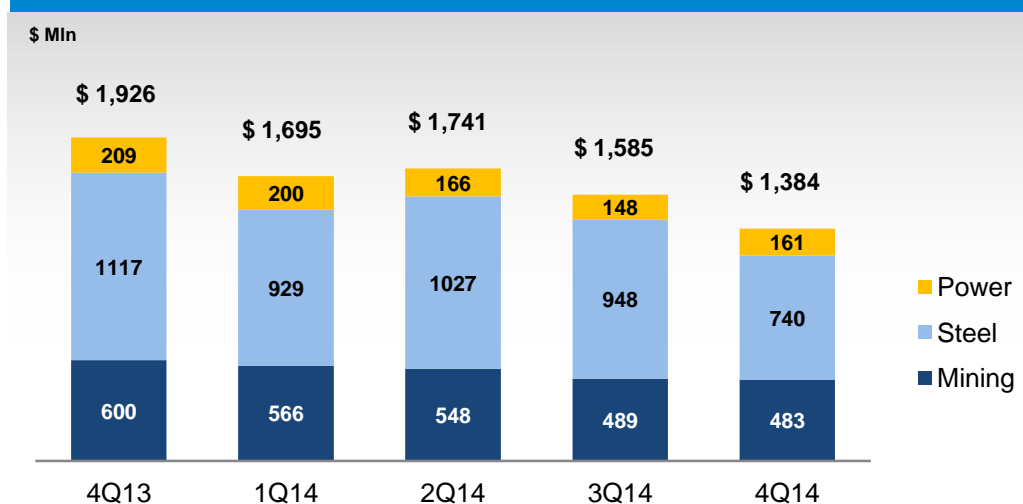


## REVENUE BY SEGMENTS | EBITDA(a) <sup>(1)</sup> BY SEGMENTS

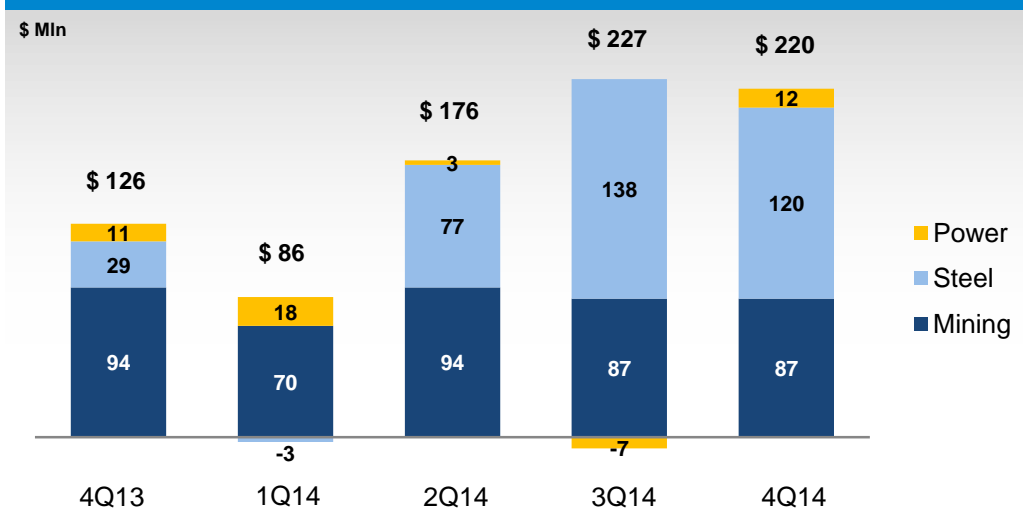


Steel Mining Power Intersegment unrealized profit

## REVENUE BY SEGMENTS



## EBITDA(a)<sup>(1)</sup> BY SEGMENTS



(1) EBITDA(a) represents earnings before Depreciation, depletion and amortization, Foreign exchange gain / (loss), Loss from discontinued operations, 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, Income taxes and Other one-off items.

+

Hard coking coal benchmark prices decreased from \$152 FOB in 4Q 2013 to 143 FOB in 1Q 2014 and then further to \$120 FOB in 2Q and 3Q 2014 and to \$119 FOB in 4Q 2014. Iron ore prices declined from \$135 CIF China in 4Q 2013 to about \$70 CIF China in 4Q 2014 – volumes from Korshunov Mining Plant were redirected for internal use.

+

Significant coal price decline together with decline in 3<sup>rd</sup> party sales of iron ore concentrate in 2014 resulted in Revenue lowered by 20% YoY, EBITDA(a) - by 32% YoY.

+

4Q 2014 Revenue and EBITDA(a) flat QoQ with slight margin increase on stable pricing environment and sales volumes.

+

Operating income dropped to \$64 mln in 2014 vs \$212 mln in 2013 on low prices.

+

Significant cash cost decline due to expenses optimization and Ruble depreciation. Cash costs at Southern Kuzbass decreased by 21%, at Yakutugol by 40% if compared to 4Q 2013.

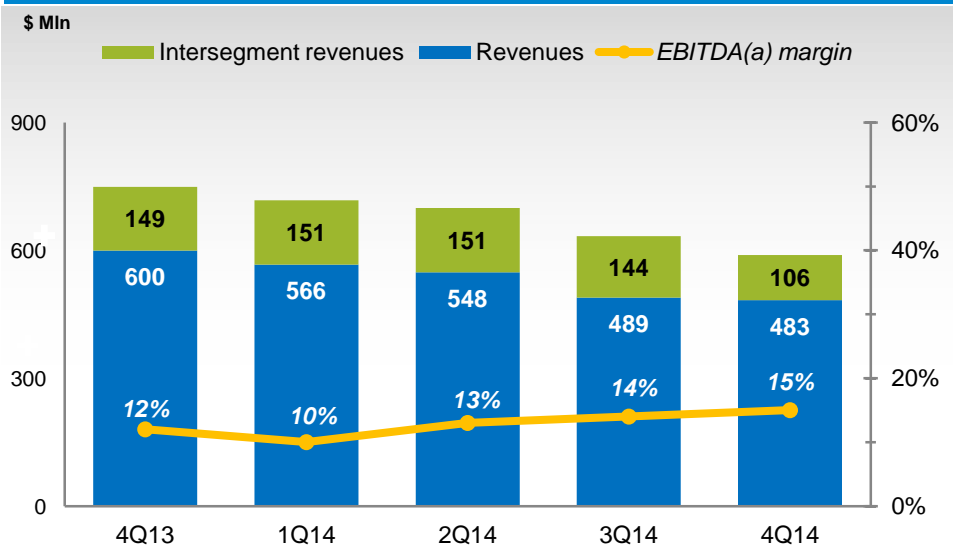
+

Export sales share (in third party sales) in 4Q 2014 increased to 81% from 70% in 3Q 2014. Tonnage of export increased in 4Q 2014 by 15% to 3.8 mln tonnes from 3.3 mln tonnes in 3Q 2014

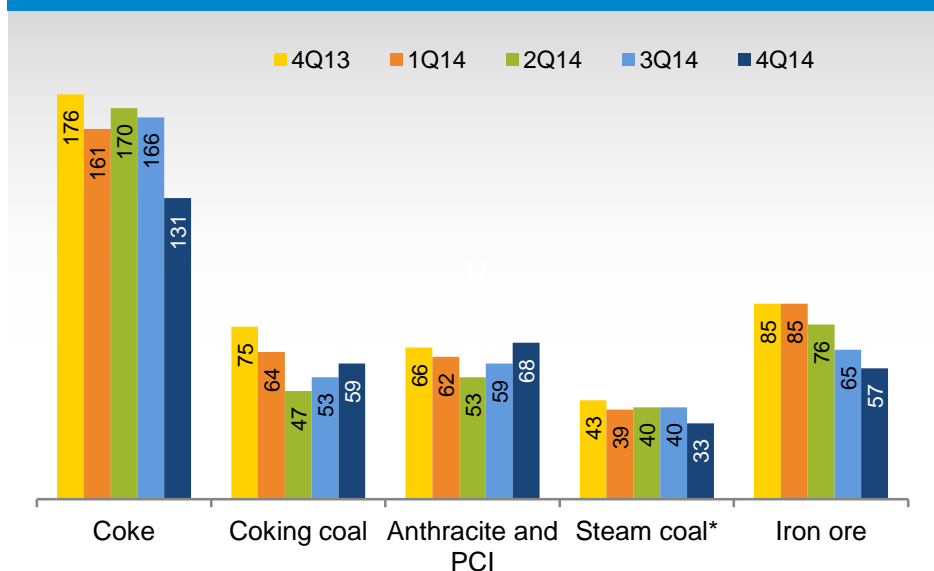
# MINING SEGMENT



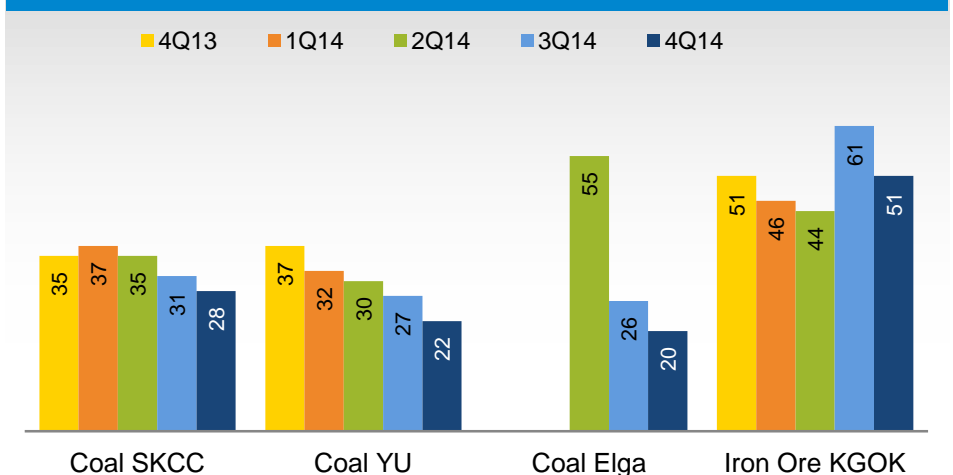
## REVENUE, EBITDA(a)(1)



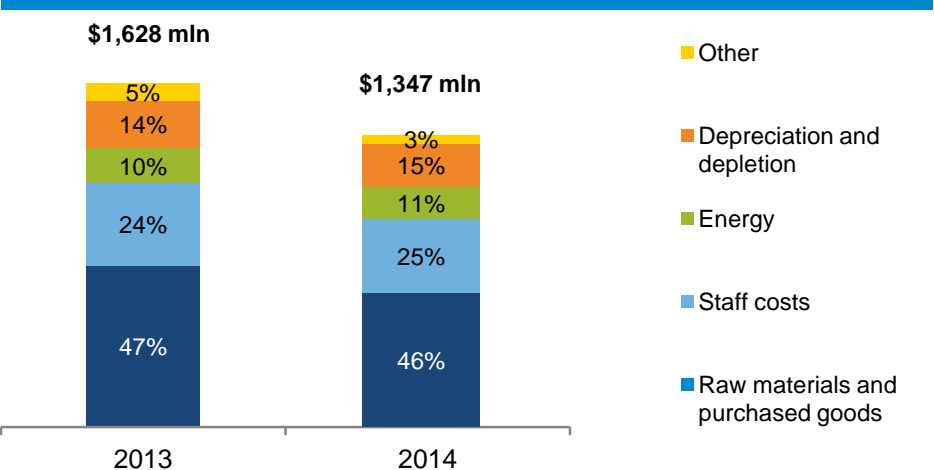
## AVERAGE SALES PRICES FCA, US\$/TONNE



## CASH COSTS, US\$/TONNE



## COS STRUCTURE



(1) EBITDA(a) represents earnings before Depreciation, depletion and amortization, Foreign exchange gain / (loss), Loss from discontinued operations, 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, Income taxes and Other one-off items.

\* Restated to include middlings

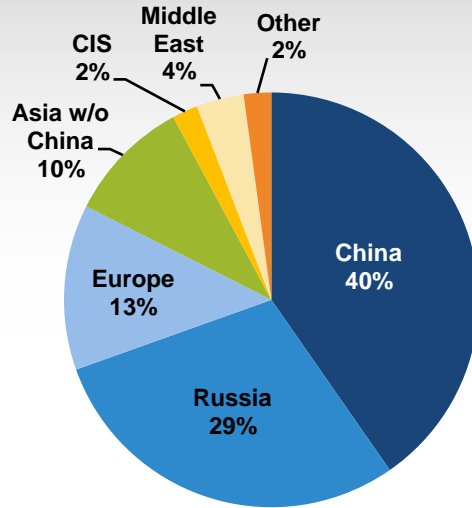


# MINING SEGMENT

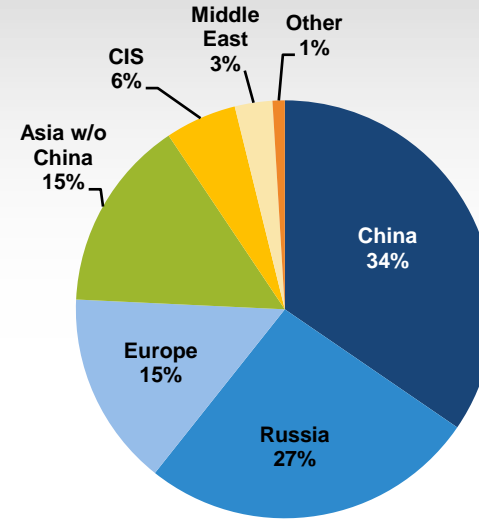


## REVENUE BREAKDOWN BY REGION

2013

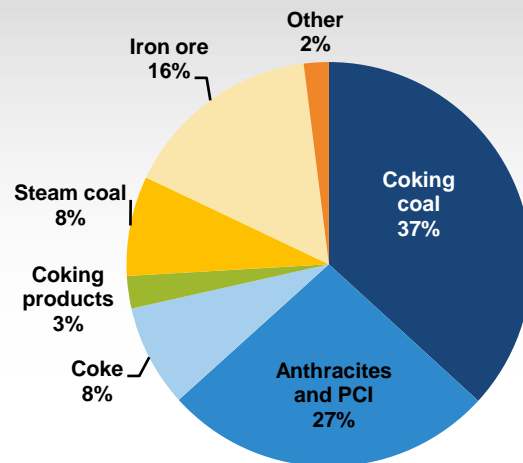


2014



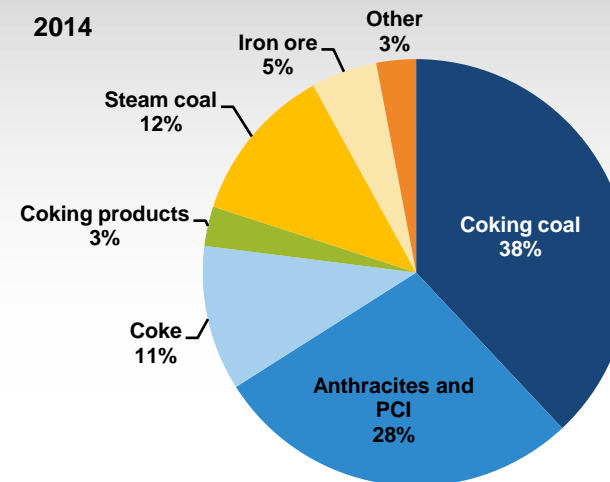
## REVENUE BREAKDOWN BY PRODUCTS

2013



FY2013 revenue \$2,619 mln

2014



FY2014 revenue \$2,087 mln

# MINING SEGMENT OPERATIONAL RESULTS



## PRODUCTION:

Product name	FY2014, thousand tonnes	FY2013, thousand tonnes	%	4Q2014, thousand tonnes	3Q2014, thousand tonnes	%
Run-of-mine coal	22,624	27,516	-18	5,617	5,810	-3

## SALES:

Product name	FY2014, thousand tonnes	FY2013, thousand tonnes	%	4Q2014, thousand tonnes	3Q2014, thousand tonnes	%
Coking coal concentrate	10,140	11,051	-8	2,360	2,427	-3
PCI	3,063	3,308	-7	620	820	-24
Anthracites	2,107	2,202	-4	581	525	11
Steam coal	5,958	5,898	1	1,790	1,640	9
Iron ore concentrate	3,120	4,166	-25	615	619	-1
Coke	3,233	2,976	9	913	830	10

## STEEL SEGMENT



+

FY 2014 EBITDA(a) up 65% YoY to \$333 mln on favorable market conditions and lower costs.

+

EBITDA(a) margin more than doubled - from 4% in 2013 to 9% in 2014.

+

EBITDA(a) margin at 5 year high of 15% in 4Q 2014 despite lower EBITDA(a) vs 3Q 2014.

+

Operating income of \$42 mln in 2014 vs Operating loss of \$853 mln in 2013.  
Adjusted operating income of \$201 mln vs \$30 mln in 2013.

+

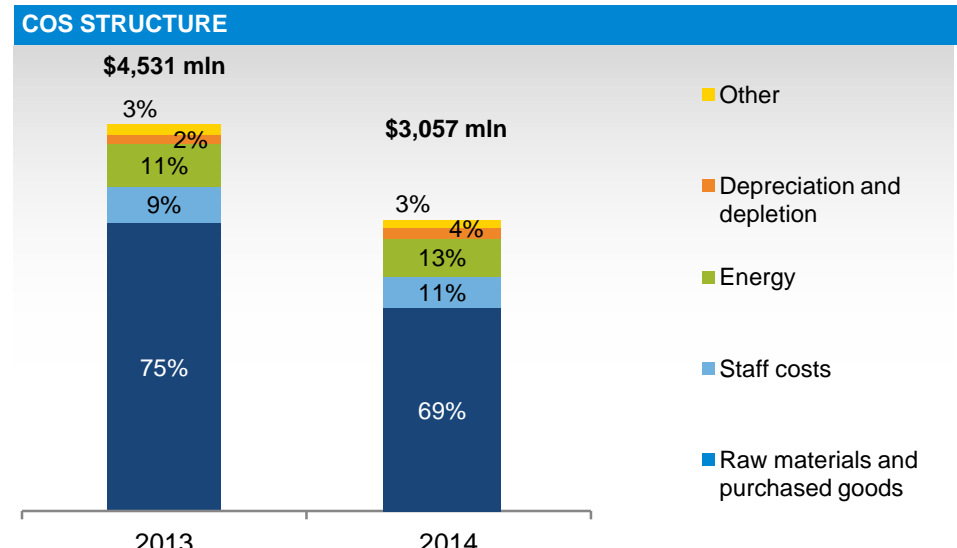
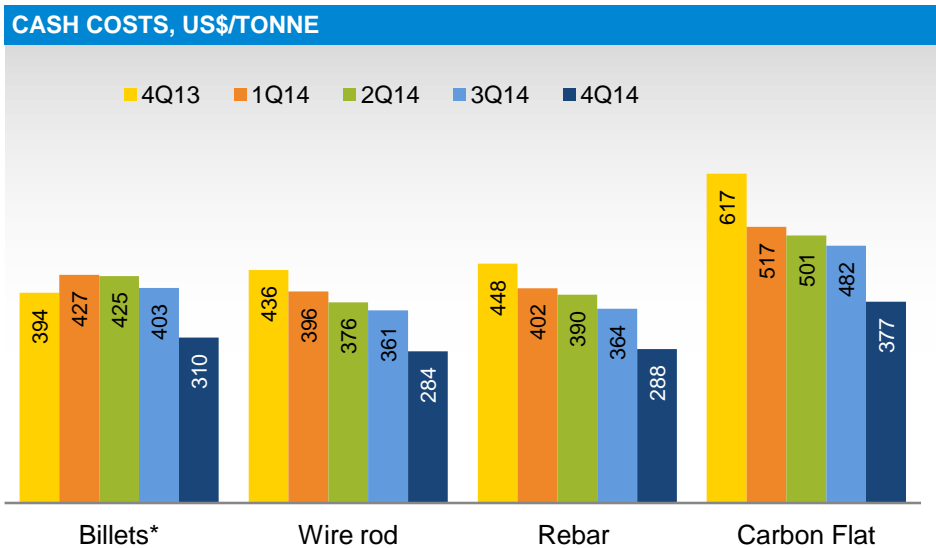
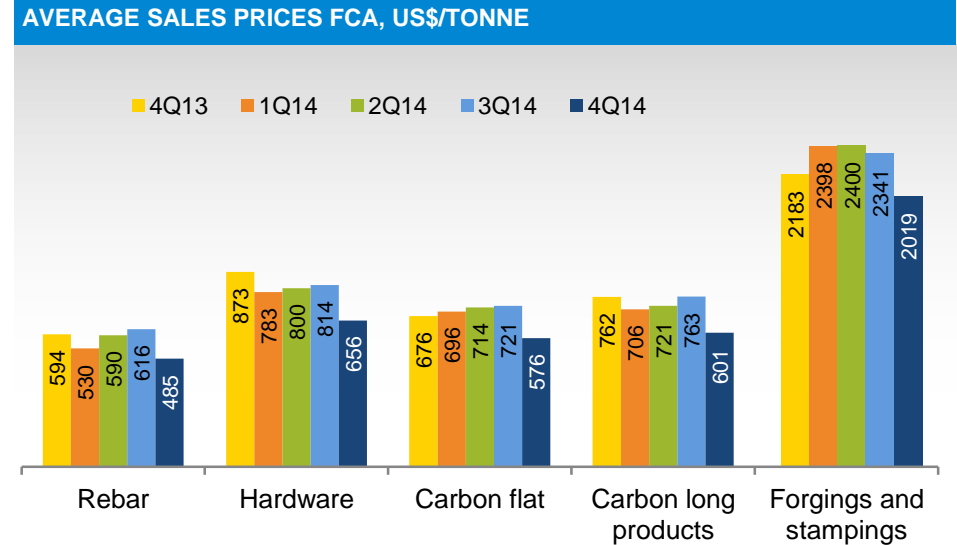
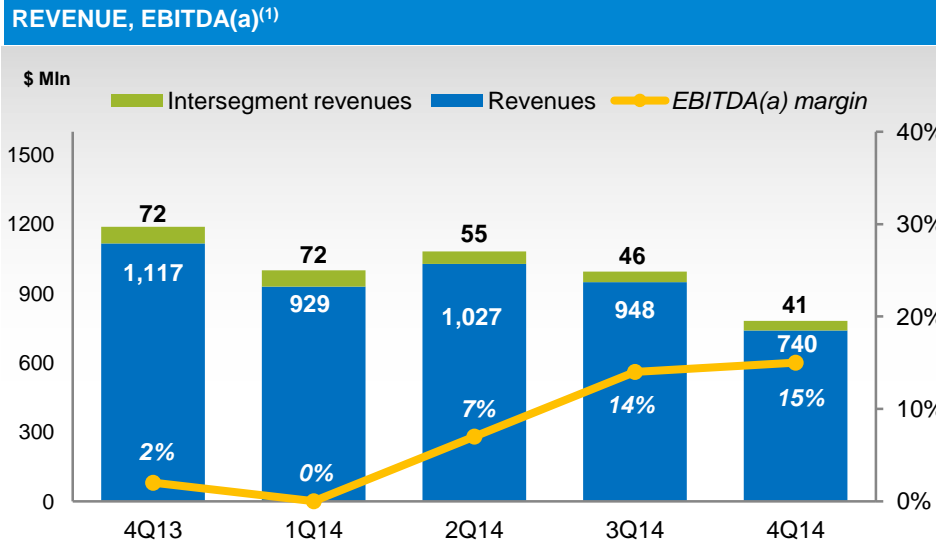
Product mix mostly stable with semi-finished products share decreased to 5% in 2014 from 11% in 2013.

+

Sales prices in 4Q 2014 dropped due to Ruble depreciation as over 80% are sales to domestic market.



# STEEL SEGMENT



(1) EBITDA(a) represents earnings before Depreciation, depletion and amortization, Foreign exchange gain / (loss), Loss from discontinued operations, 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, Income taxes and Other one-off items.

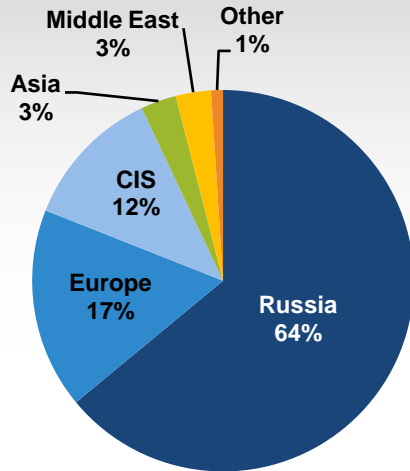
\* Domestic sales  
 \*\* Ferroalloy segment was combined with Steel segment

# STEEL SEGMENT

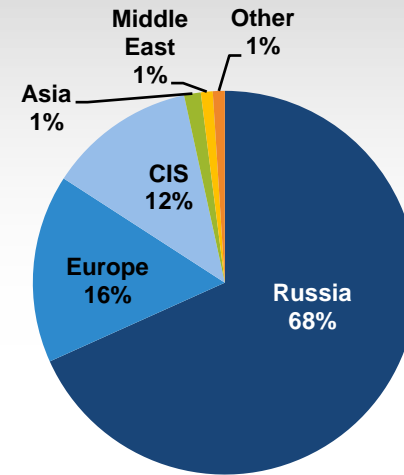


## REVENUE BREAKDOWN BY REGION

2013

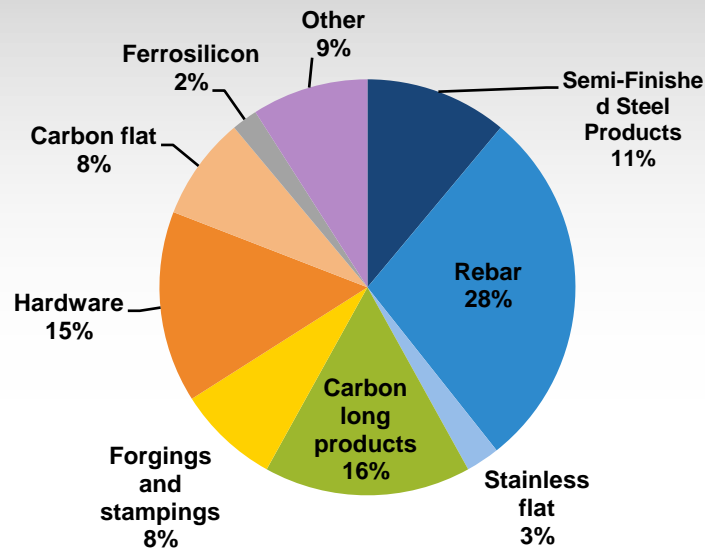


2014



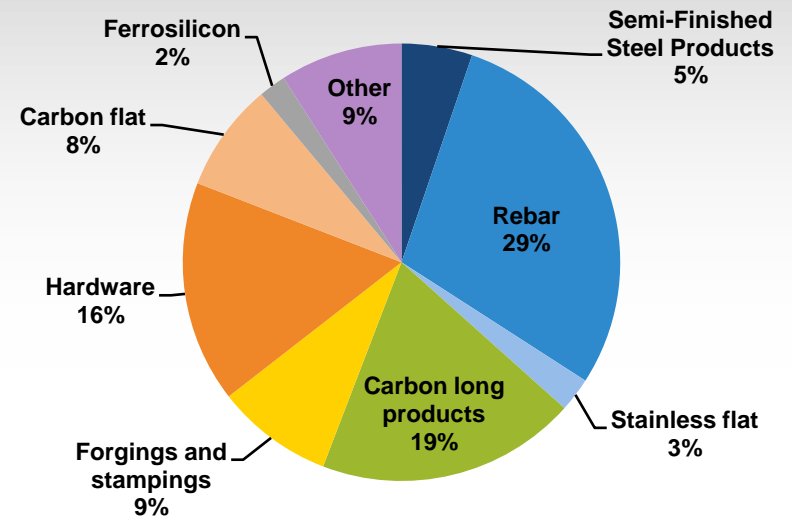
## REVENUE BREAKDOWN BY PRODUCTS

2013



FY2013 revenue \$5,132 mln

2014



FY2014 revenue \$3,643 mln

# STEEL SEGMENT OPERATIONAL RESULTS



## PRODUCTION:

Product name	FY2014, thousand tonnes	FY2013, thousand tonnes	%	4Q2014, thousand tonnes	3Q2014, thousand tonnes	%
Pig Iron	3,946	3,743	5	1,036	1,010	3
Steel	4,269	4,650	-8	1,087	1,055	3

## SALES:

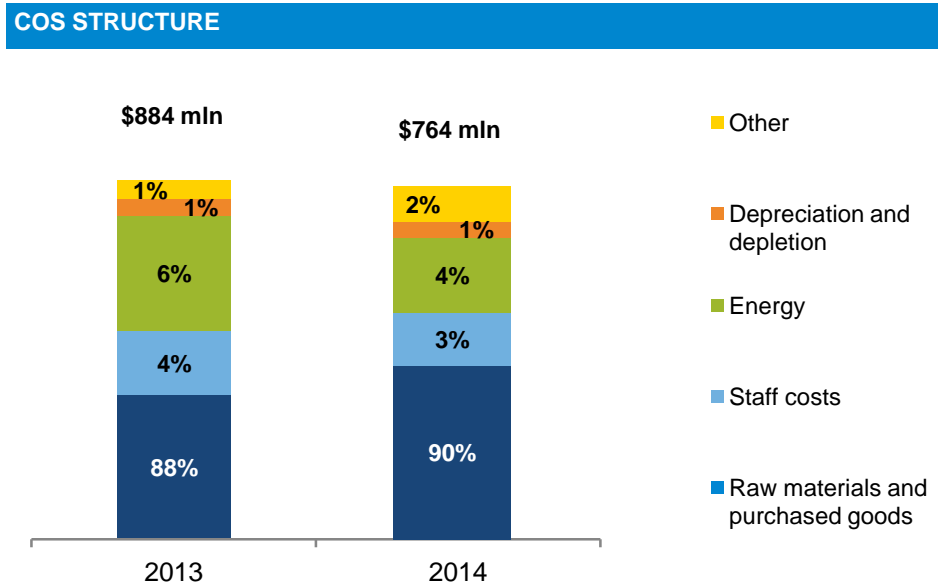
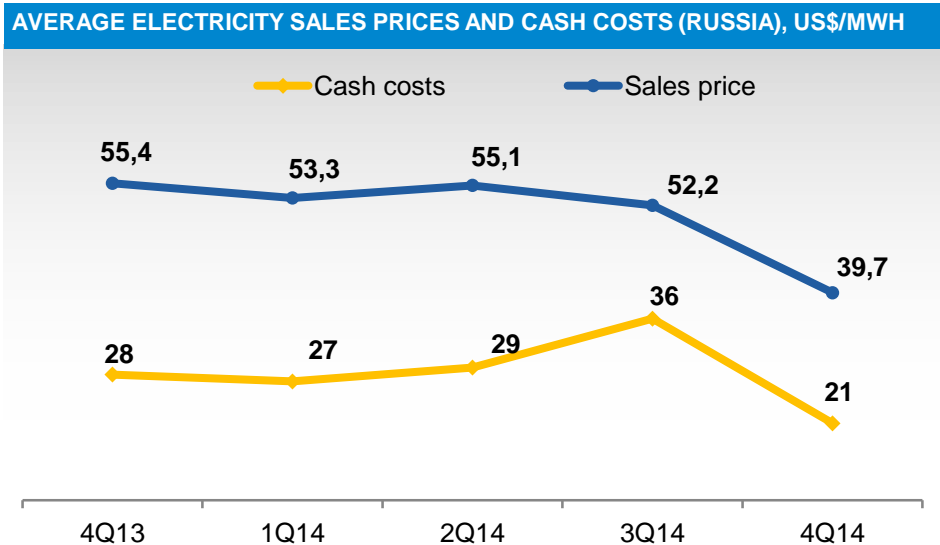
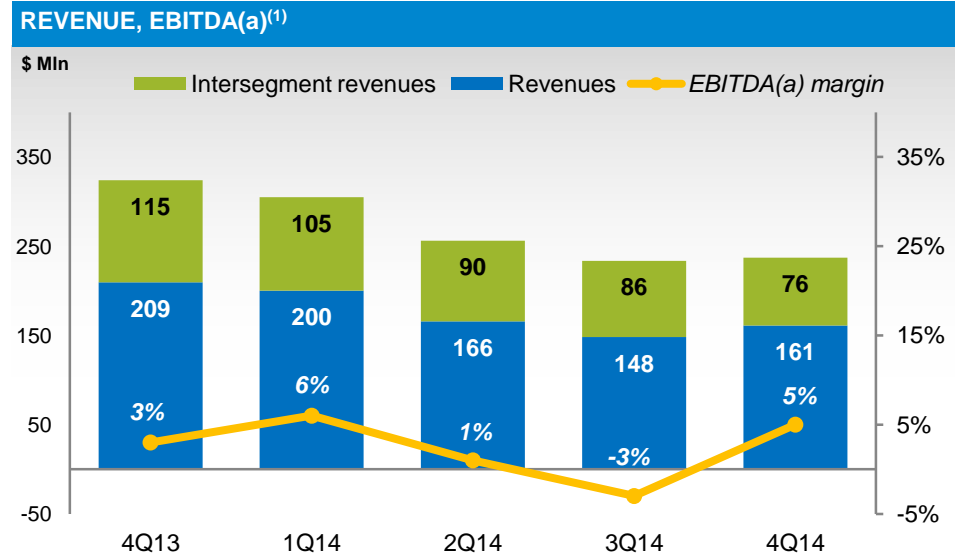
Product name	FY2014, thousand tonnes	FY2013, thousand tonnes	%	4Q2014, thousand tonnes	3Q2014, thousand tonnes	%
Flat products	451	586	-23	119	105	13
Long products	2,960	3,541	-16	678	695	-2
Billets	117	690	-83	37	19	95
Hardware	766	852	-10	183	200	-9
Forgings	53	69	-21	13	15	-13
Stampings	84	102	-18	20	20	0
Ferrosilicon	87	94	-7	22	23	-4



# POWER SEGMENT



- +** FY 2014 EBITDA(a) \$25 mln, EBITDA(a) margin 2%.
- +** Both revenues and cash costs influenced by ruble depreciation.
- +** Net loss decreased by 67% YoY.



(1) EBITDA(a) represents earnings before Depreciation, depletion and amortization, Foreign exchange gain / (loss), Loss from discontinued operations, 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, Income taxes and Other one-off items.

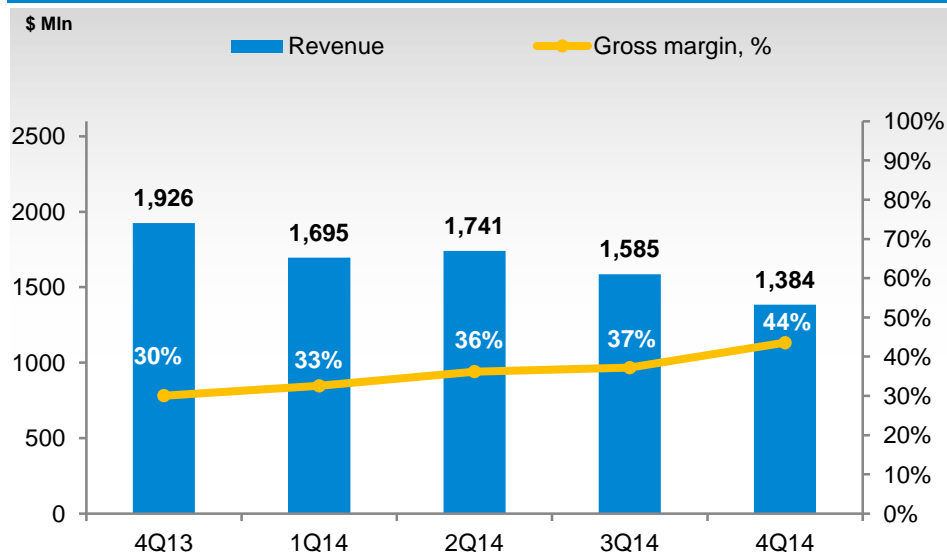
# CONSOLIDATED P&L



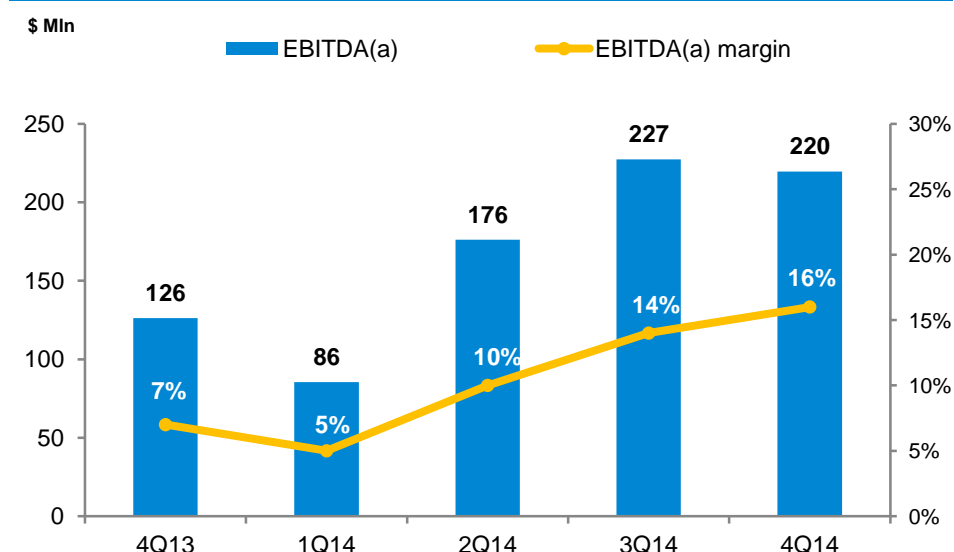
## FINANCIAL PERFORMANCE HIGHLIGHTS:

- +** Gross margin increased to 44% in 4Q 2014, FY 2014 Gross margin amounted to 37% vs 31% in 2013. With Mining and Power segment Gross margin stable, the increase in Steel segment gross margin from 15.7% to 20.8% Y-o-Y was due to the increase in share of high value-added products sold as well as the reduction in main raw materials prices and the weakening of the ruble against the U.S. dollar.
- +** EBITDA (a) margin grew to 16% in 4Q 2014. FY 2014 EBITDA (a) margin reached 11% vs 9% in FY 2013 .
- +** Bottom line affected by \$2.4 bln FX loss and \$1.5 bln loss from discontinued operations. but Adjusted Net loss decreased in 2014 to just \$144 mln from \$527 mln in 2013.

### REVENUE, \$MLN



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



(1) EBITDA(a) represents earnings before Depreciation, depletion and amortization, Foreign exchange gain / (loss), Loss from discontinued operations, 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, Income taxes and Other one-off items.

# CASH FLOW & TRADE WORKING CAPITAL

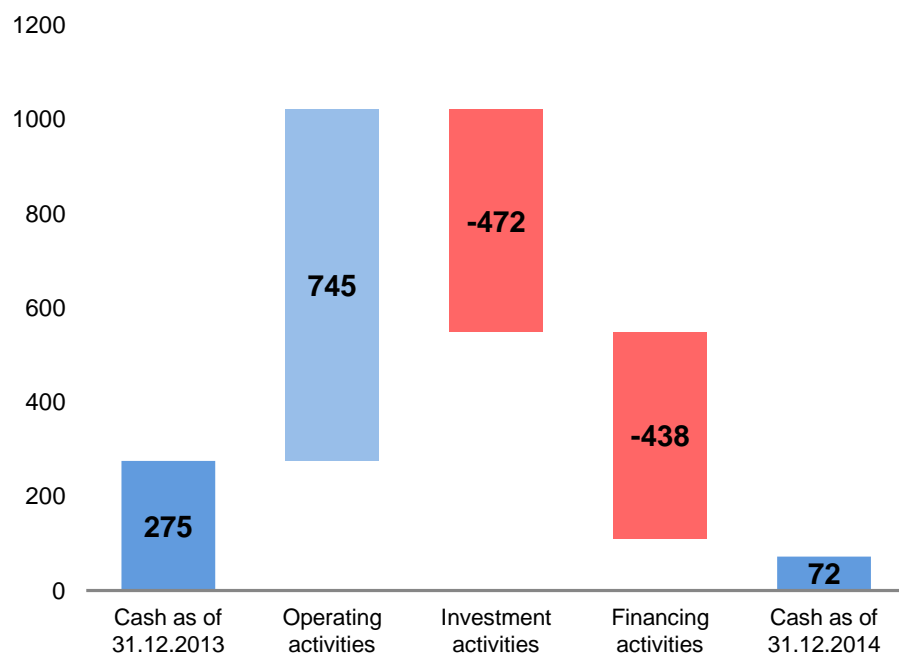


2014 operating cash flow deficit was covered by decrease in working capital (primarily overdue accounts payable increase and decrease in inventory) and reduction in financial payments.

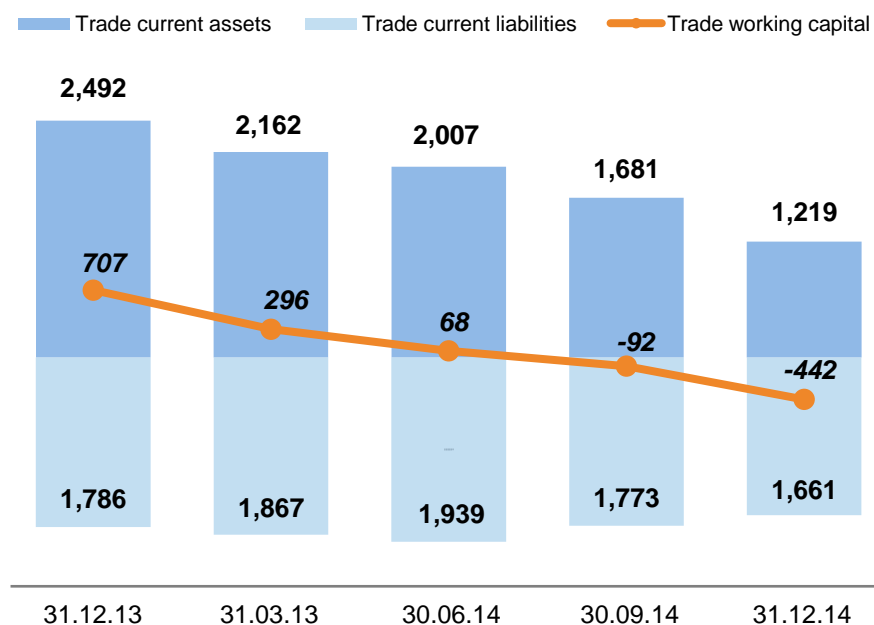


Investment cash flow amounted to \$472 mln in 2014 – including maintenance CAPEX and Elga.

CASH FLOW, \$MLN



TRADE WORKING CAPITAL MANAGEMENT, \$MLN



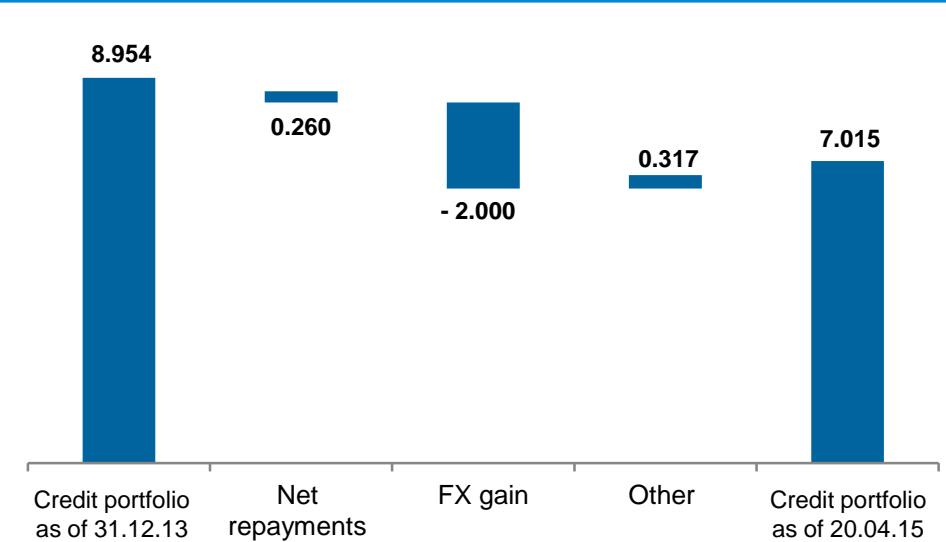


# DEBT PROFILE

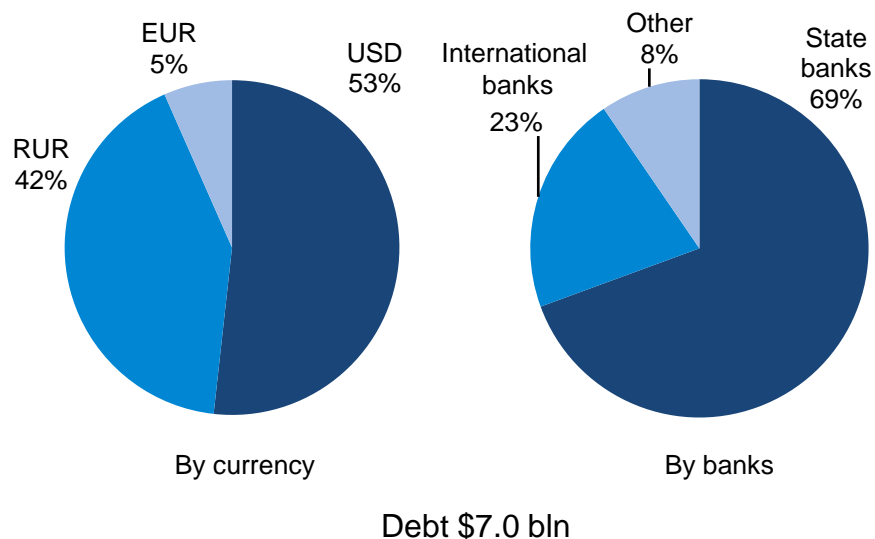


- +** Net debt reduced by 23% from \$8,758 mln down to \$6,774 mln as of December 31, 2014, mainly as an effect from ruble depreciation.
- +** We are still in negotiations with our creditors and thus re-classified long-term debt into short-term in our financials.
- +** Debt reduction and profitability increase led to Net debt/EBITDA falling to 10.0x.

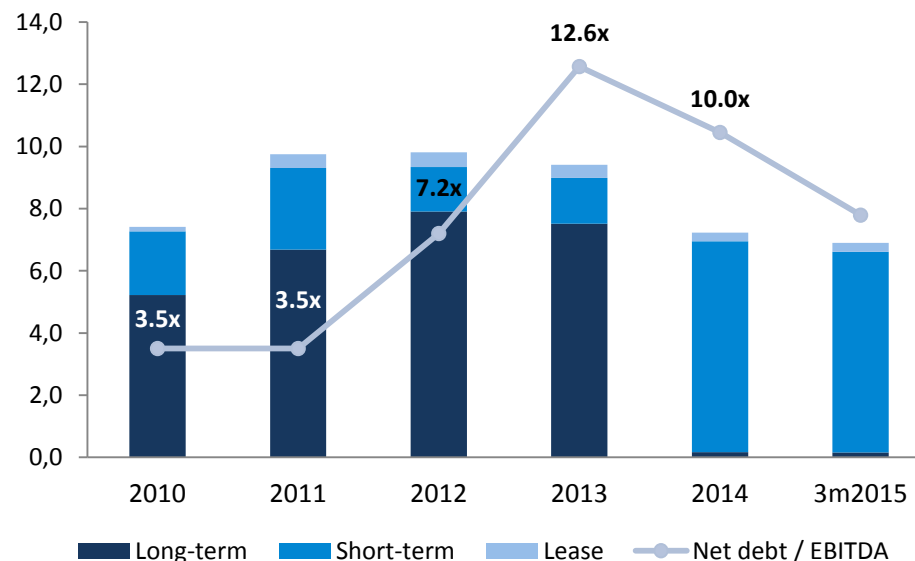
## CHANGES IN CREDIT PORTFOLIO AS OF APRIL 20, 2015 USD BLN



## DEBT PROFILE AS OF APRIL 20, 2015



## DEBT BURDEN DYNAMICS 2011-2014, USD BLN



Note: converted at the exchange rate established by CB RF April 20, 2015 on the following date

# FINANCIAL RESULTS OVERVIEW



US\$ MILLION UNLESS OTHERWISE STATED

Revenue	6,406	8,506	-24.7%
Cost of sales	(4,032)	(5,846)	-31.03%
<i>Gross margin</i>	<i>37.06%</i>	<i>31.27%</i>	
Adjusted Operating income	327	290	12.6%
EBITDA(a) <sup>(1)</sup>	709	732	-3.1%
<i>EBITDA(a) margin</i>	<i>11%</i>	<i>9%</i>	
Net Income / (loss)	(4,335)	(2,928)	48.1%
<i>Net Income margin</i>	<i>-67.67%</i>	<i>-34.42%</i>	
Net Debt (excluding finance lease liabilities)	6,774	8,758	-22.7%
CapEx	444	445	-0.2%

(1) EBITDA(a) represents earnings before Depreciation, depletion and amortization, Foreign exchange gain / (loss), Loss from discontinued operations, 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, Income taxes and Other one-off items.

(2) Includes sales to the external customers only

\* Ferroalloy segment was combined with Steel segment