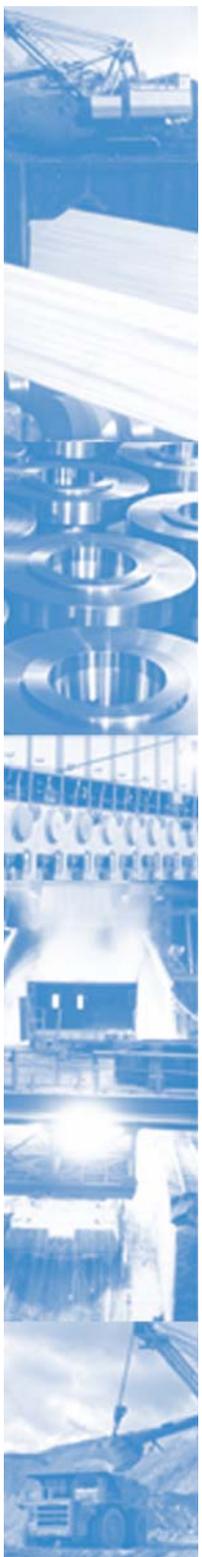




**FY 2009 Results Presentation**  
**April 21, 2010**



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# Financial Review

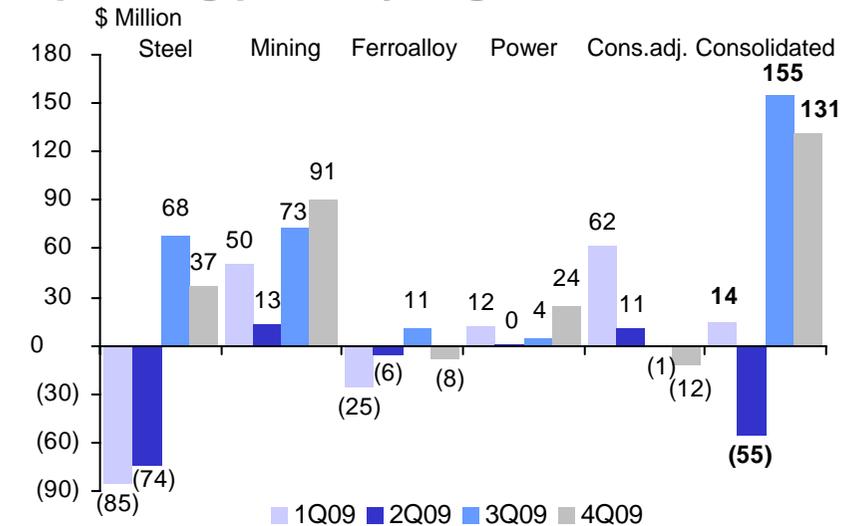
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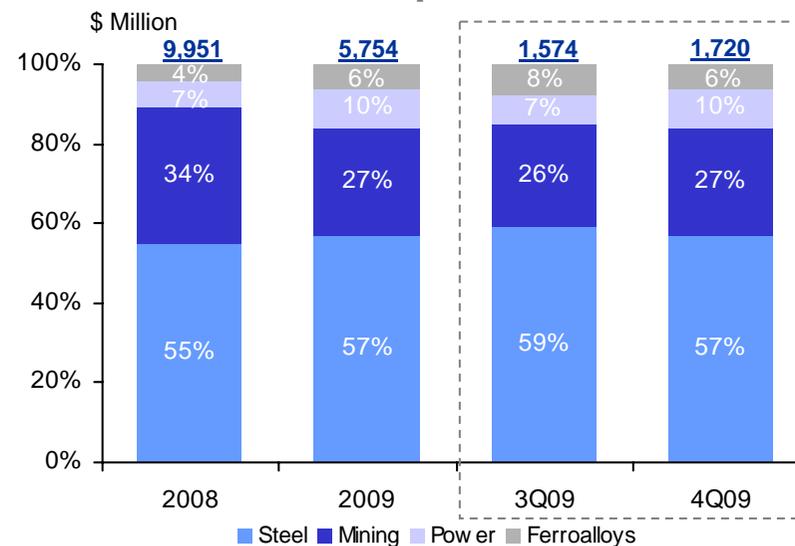
# Segments Overview

- ➔ Sales in Russia support results growth
- ➔ Strong upward trends in all key segments
- ➔ Mining and Power Segments demonstrate positive operating results throughout FY09

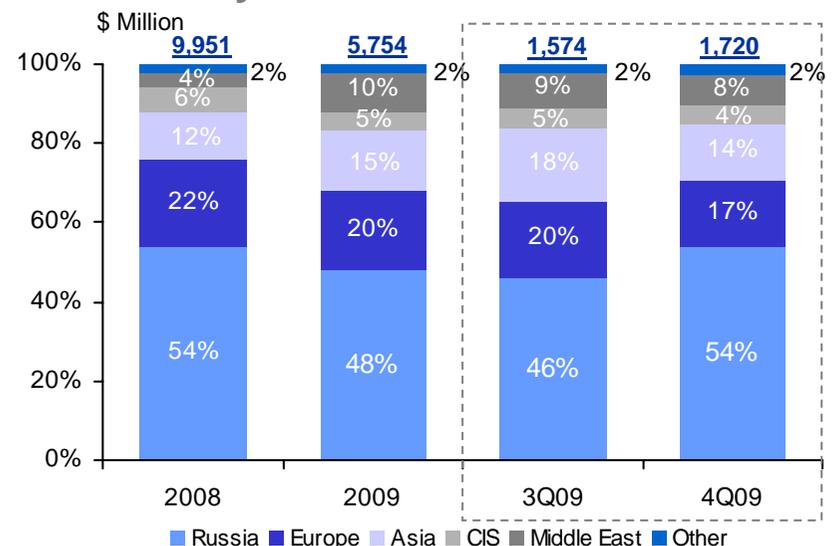
## Operating profit by segments



## Revenue from third parties



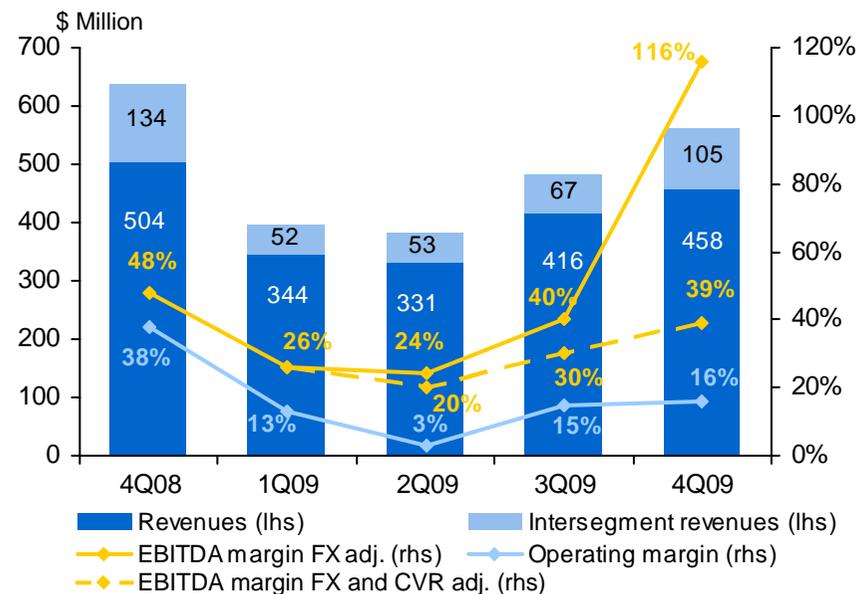
## Revenue by market



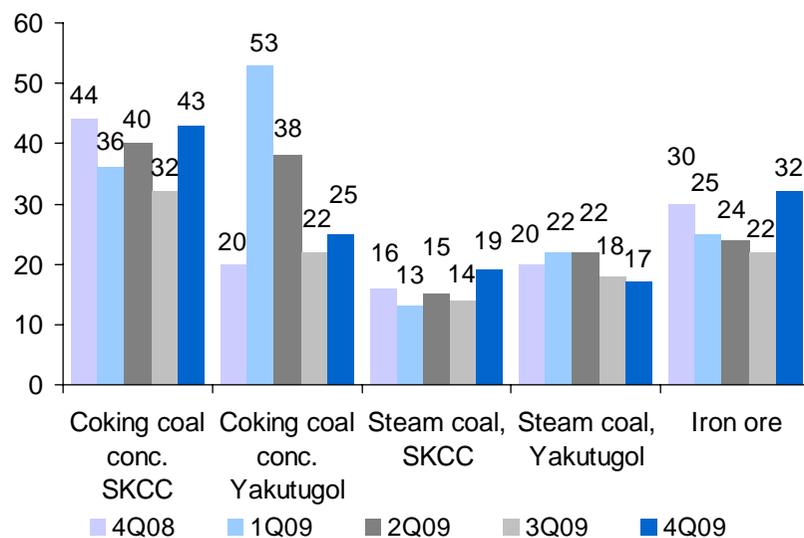
# Mining Segment Performance

- ➔ Sales up 10% to \$458 mn q-o-q
- ➔ Administrative expenses down to 2% of sales in 4Q09
- ➔ Operating income up 25% to \$91m
- ➔ EBITDA \$644 mn in 4Q09 includes \$433 mn of gain from remeasurement of contingent obligation (CVR) linked to Bluestone acquisition

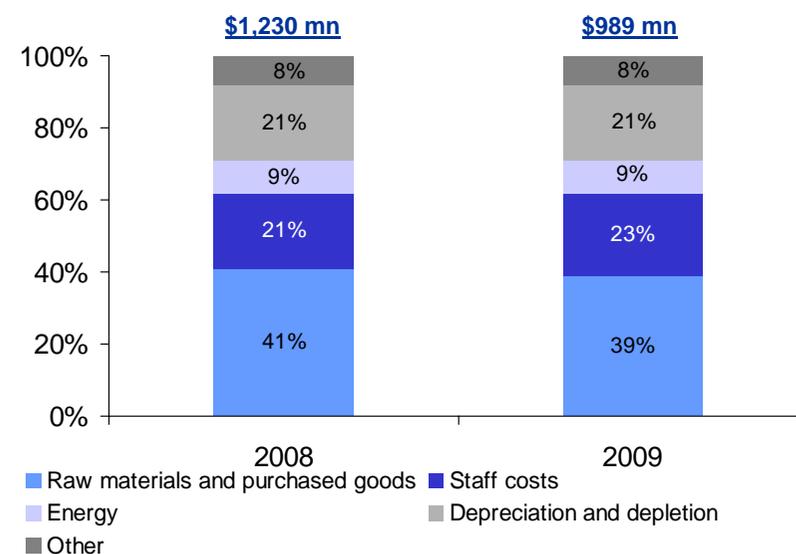
## Revenue, EBITDA



## Cash costs, US\$/tonne



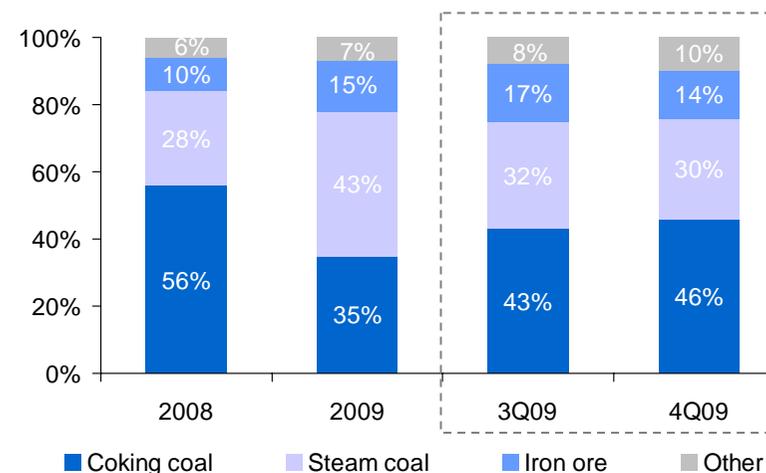
## COS structure



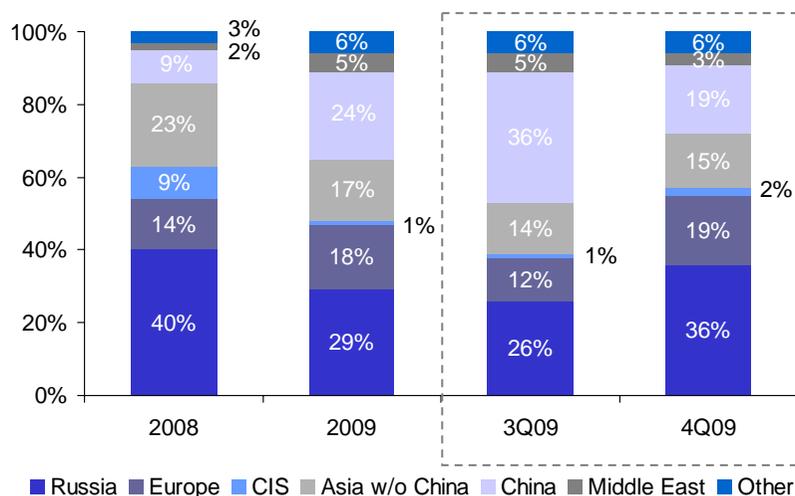
# Mining Segment Performance

- Continuous improvement in the coking coal market:
  - prices up 22% on the FCA basis
  - export sales volumes up 11%
- Share of coking coal sales up to 46% of revenue
- Price recovery for coking coal in the domestic market led to an increase of its share in revenue

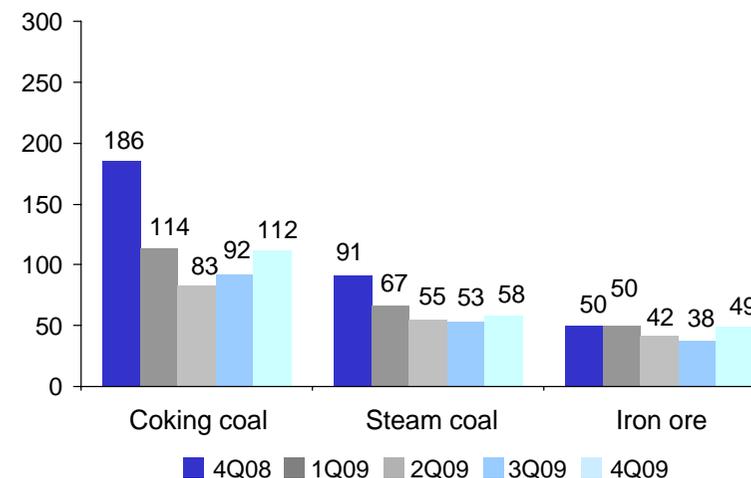
## External sales structure



## Revenue breakdown by region



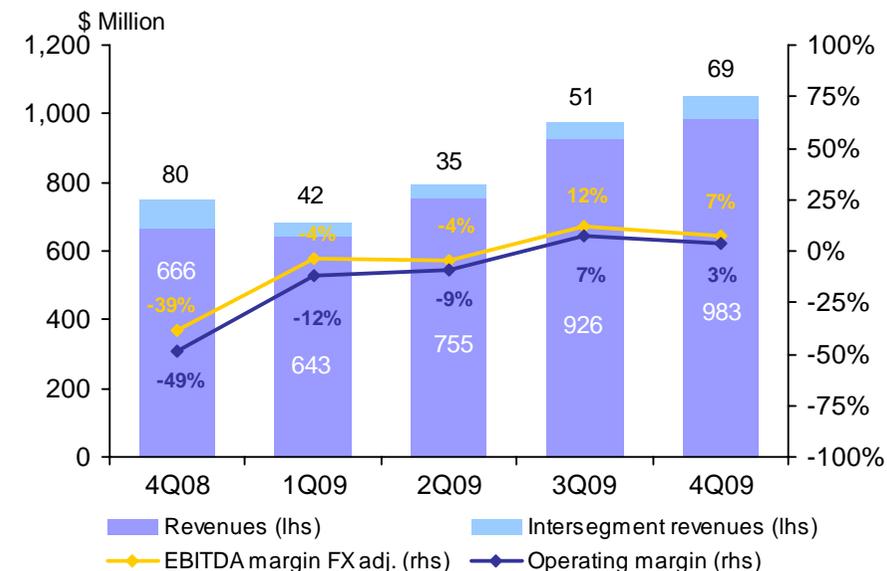
## Average sales prices FCA, US\$/tonne



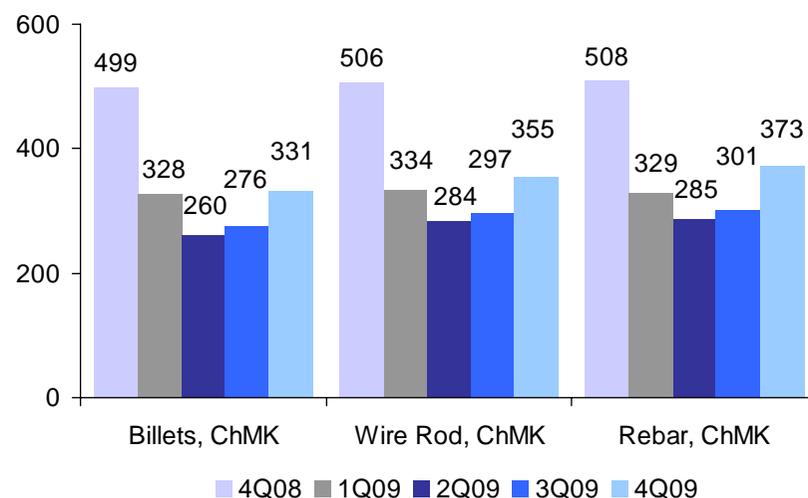
# Steel Segment Performance

- ➔ Revenue grew 6% to \$983 mn q-o-q
- ➔ 30% of 2009 revenue generated in 4Q09
- ➔ Positive operating result of \$105 mn in 2H09
- ➔ Net income \$21 mn in 2H09
- ➔ EBITDA \$77 mn in 4Q09
- ➔ Operating income and EBITDA excluding FX and inventory NRV effect grew in 4Q09 vs 3Q09

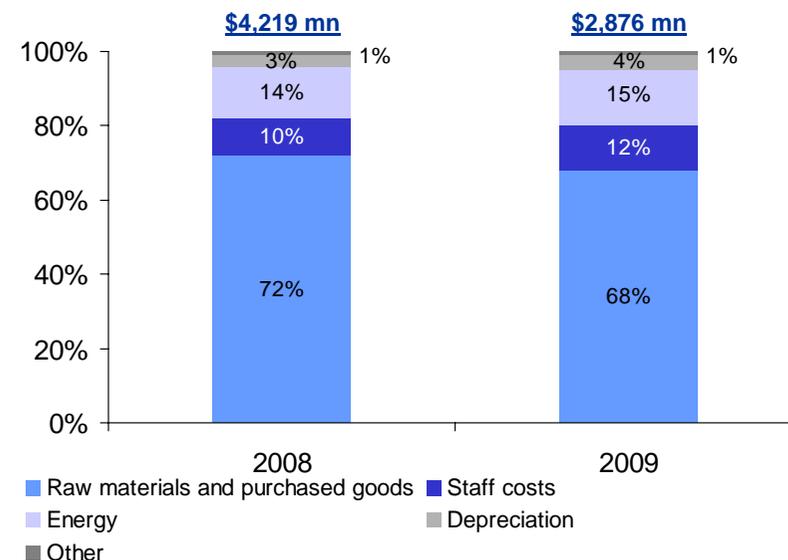
## Revenue, EBITDA



## Cash costs, US\$/tonne



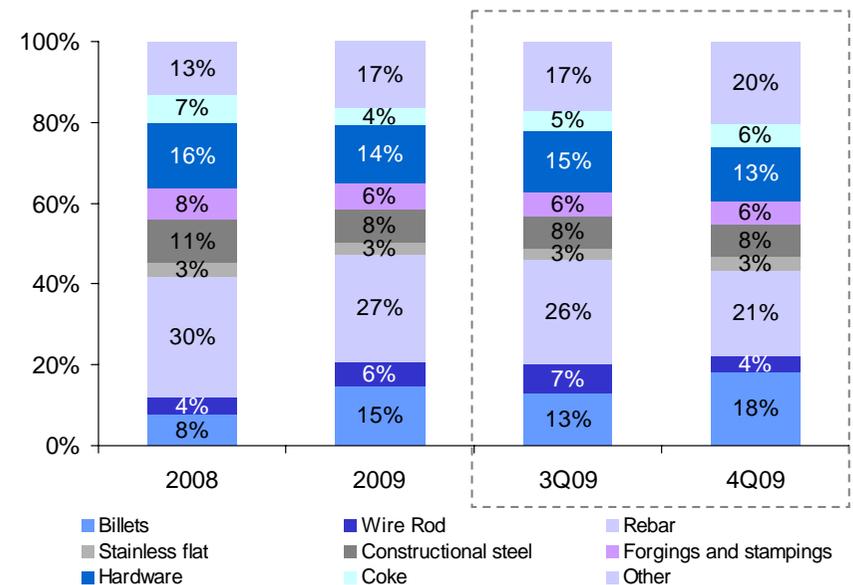
## COS structure



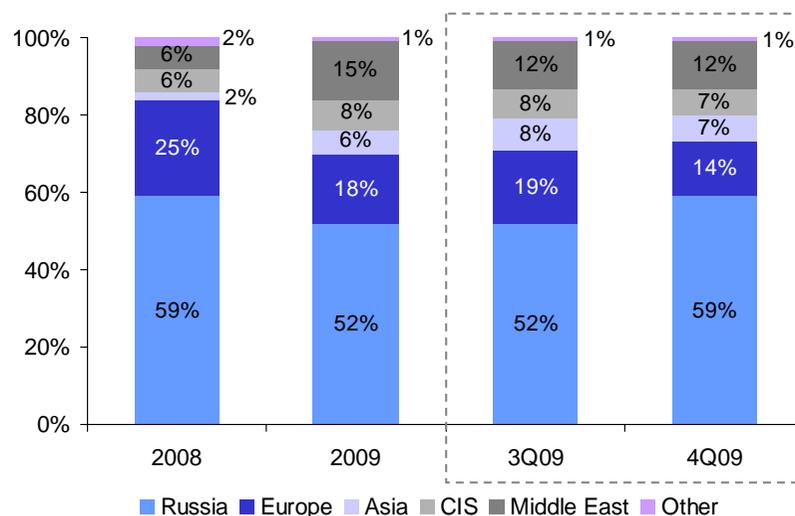
# Steel Segment Performance

- 57% of the Group's revenue in 4Q09
- Product and market diversification helped to maximise economic effect
- Sales of higher margin products in the domestic market led to increase of its share in revenue
- Seasonal restocking in Russia led to decrease in rebar sales and increase in export of semis

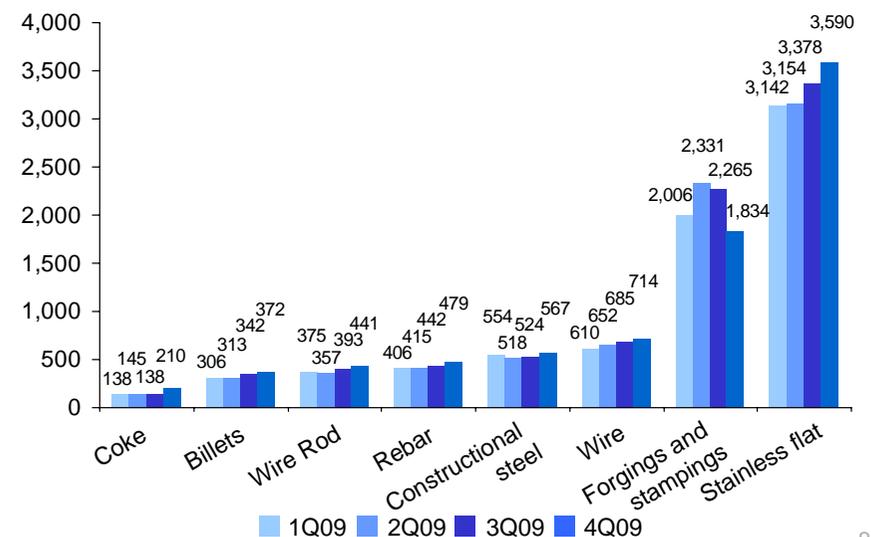
## External sales structure



## Revenue breakdown by region



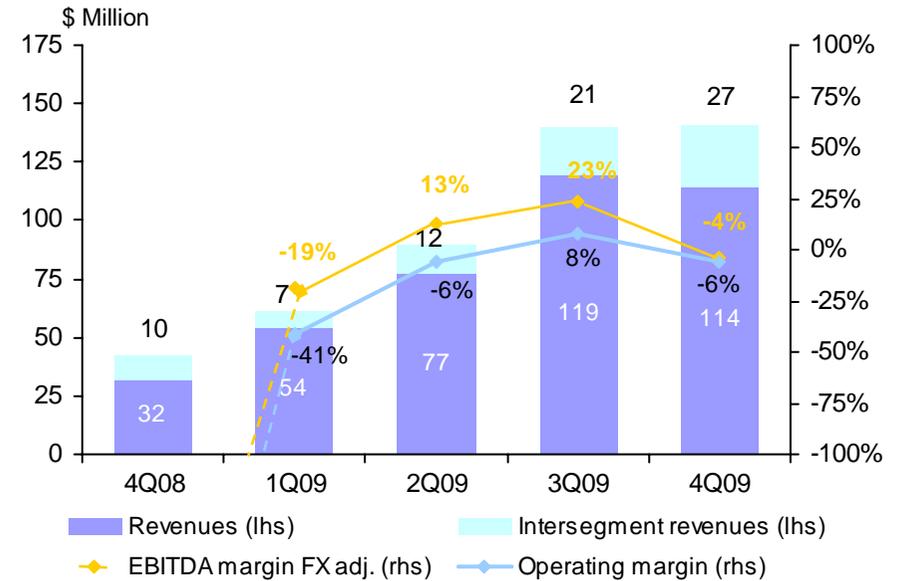
## Average sales prices FCA, US\$/tonne



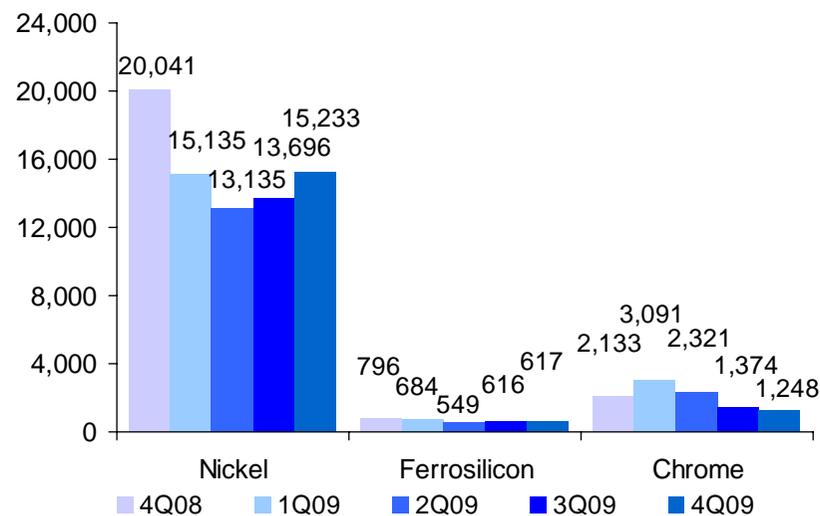
# Ferroalloys Segment Performance

- ➔ Flat revenue q-o-q
- ➔ Intersegment sales grew by 26% following increase in Steel Segment consumption
- ➔ Operating income grows and EBITDA flat q-o-q after adjustment for FX and inventory NRV effect
- ➔ Share of power and depletion in COS increased as own FeCr production ramped up

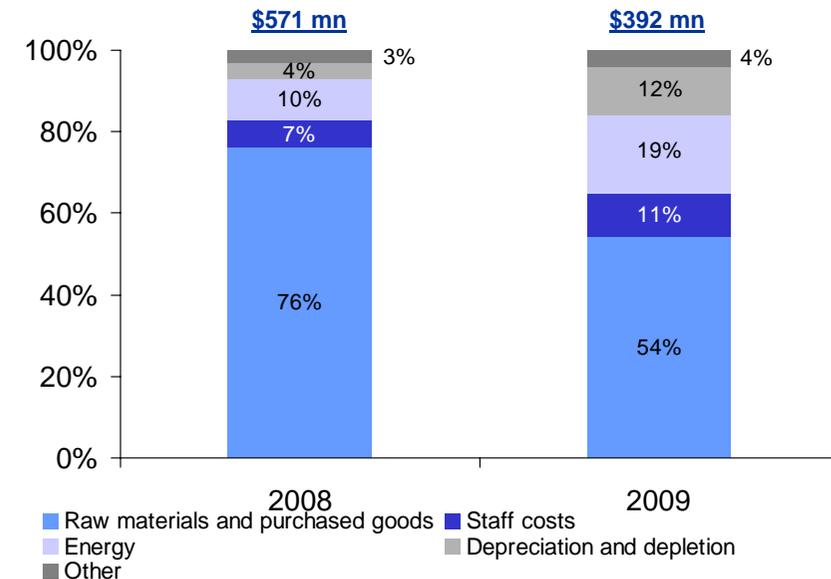
## Revenue, EBITDA



## Cash costs, US\$/tonne



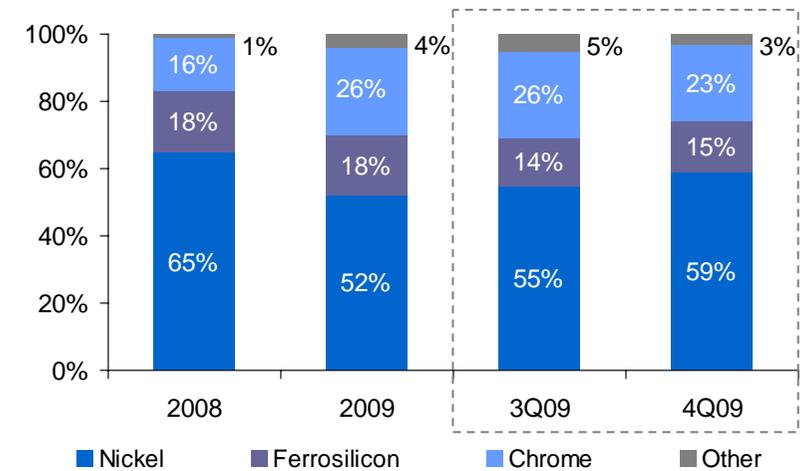
## COS structure



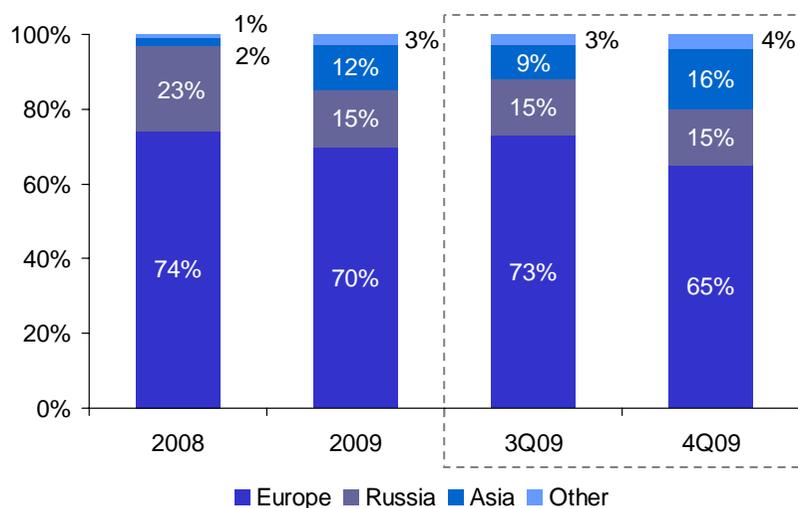
# Ferroalloys Segment Performance

- ➔ Recovery in prices across all products:
  - ➔ Ni up 2% q-o-q
  - ➔ FeSi up 5% q-o-q
  - ➔ Cr up 11% q-o-q
- ➔ Share of nickel sales reached 59% of segment revenue in 4Q09
- ➔ Increased diversification in geography of sales forms the basis for the further growth

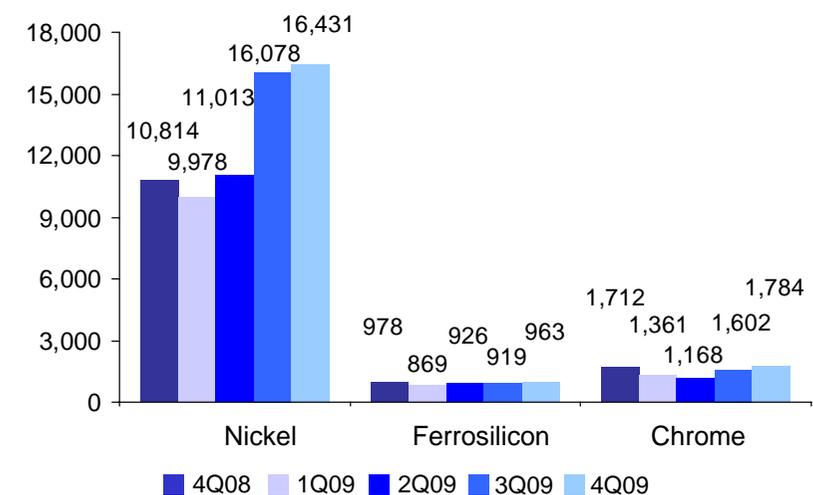
## External sales structure



## Revenue breakdown by region



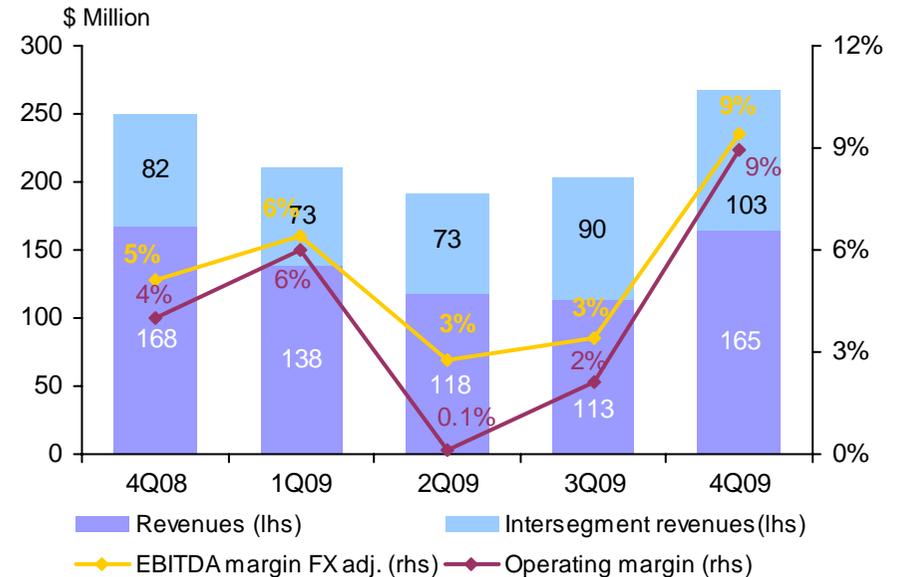
## Average sales prices FCA, US\$/tonne



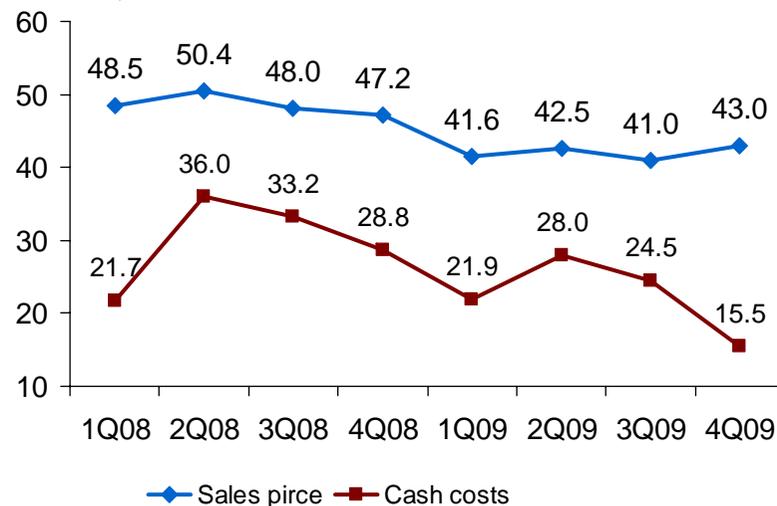
# Power Segment Performance

- The 2nd largest segment by operating profitability and EBITDA in 2009
- Revenue jumped by 46% to \$165 mn in 4Q09
- Gross margin increased by 82% q-o-q
- Share of intra-group sales increased to 39% as production in other segments recovers
- EBITDA up 3.7x to \$25 mn in 4Q09
- \$10 mn Net Income in 4Q09

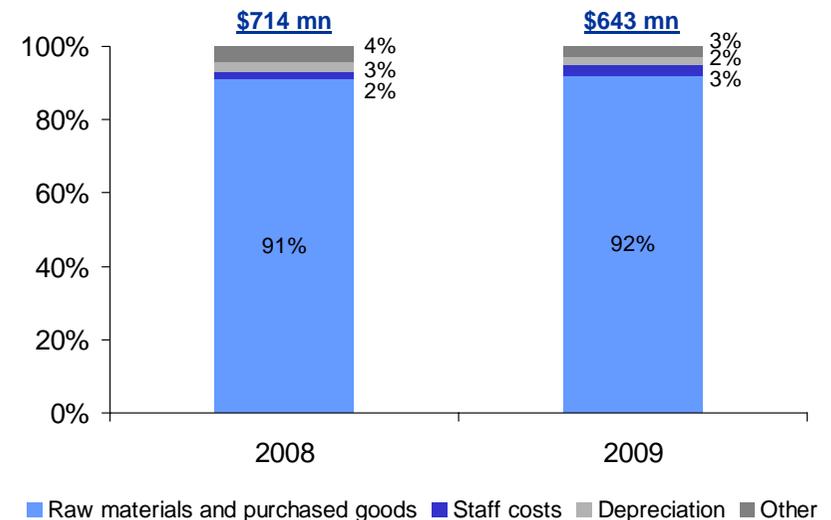
## Revenue, EBITDA



## Average electricity sales prices and cash costs, US\$/MWh



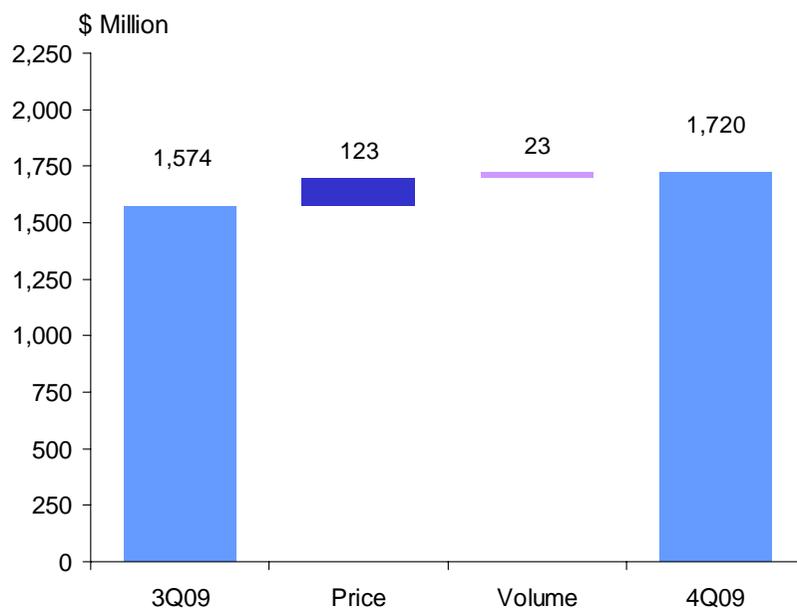
## COS structure



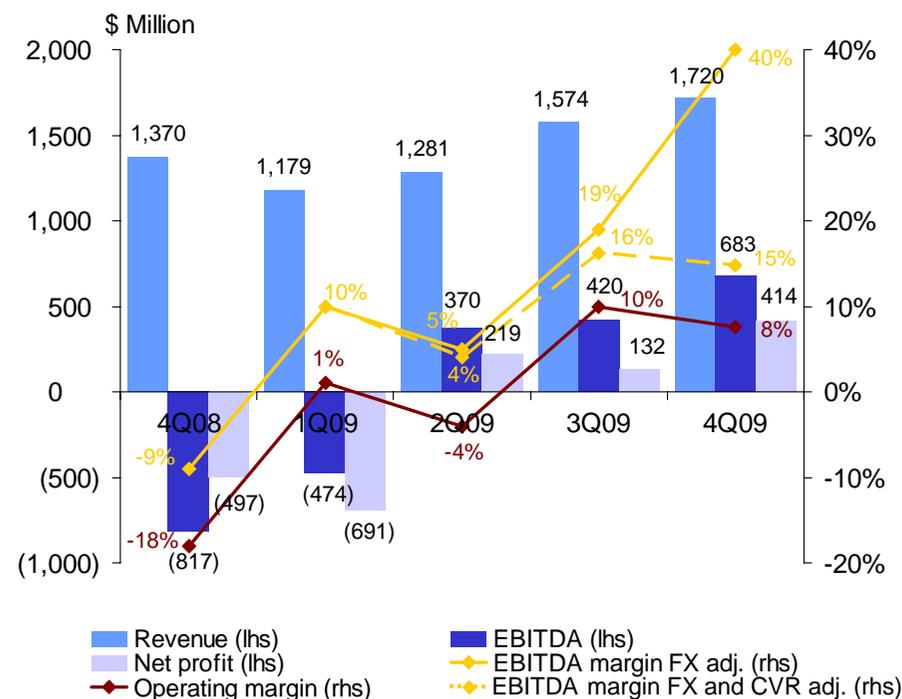
# Improving Financial Performance

- Four consecutive quarters of sustainable growth in revenue
- Revenue increased by 9% in 4Q09
- \$998 mn EBTIDA for the FY09
- \$74 mn Net income attributable to shareholders of Mechel for the FY09
- Full year results include \$494 mn of gain from remeasurement of contingent obligation (CVR) linked to Bluestone acquisition

## Revenue Dynamics



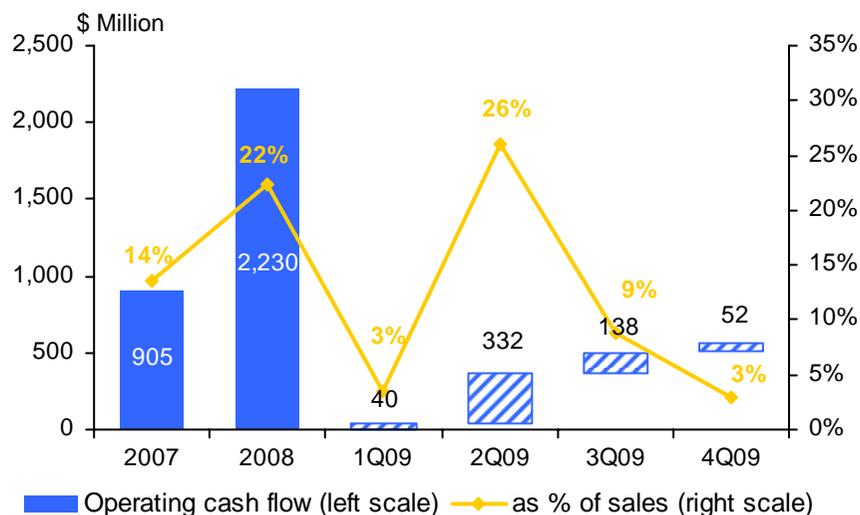
## Revenue, EBITDA and Net profit



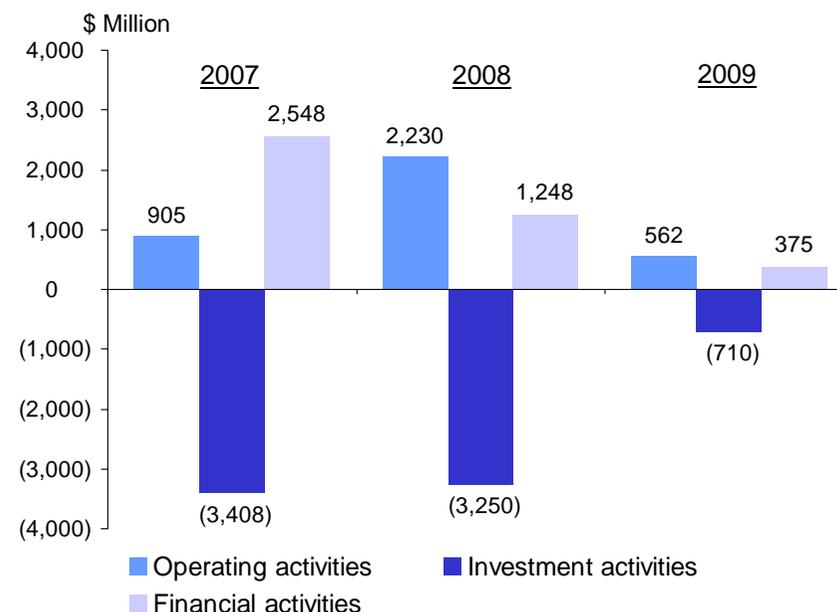
# Cash Generation Capacity

- FY Operating CF of \$562 mn with \$610 mn from changes in working capital
- Scheduled debt amortisation serviced out of operating cash flow, as capex is financed through long-term instruments
- \$415 mn cash balance as of December 31, 2009
- Operating CF reinvested into working capital to facilitate growth of sales

## Operating cash flow



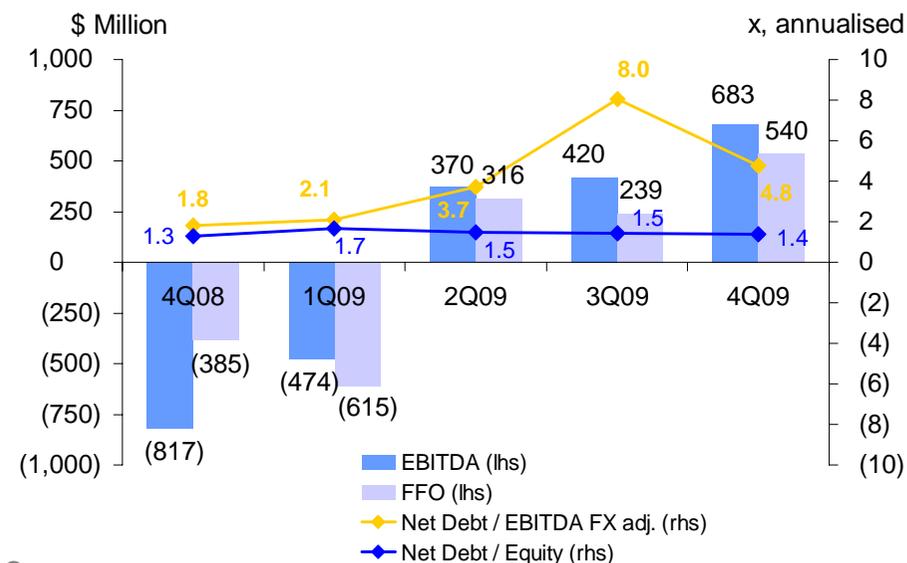
## Net Cash Flow



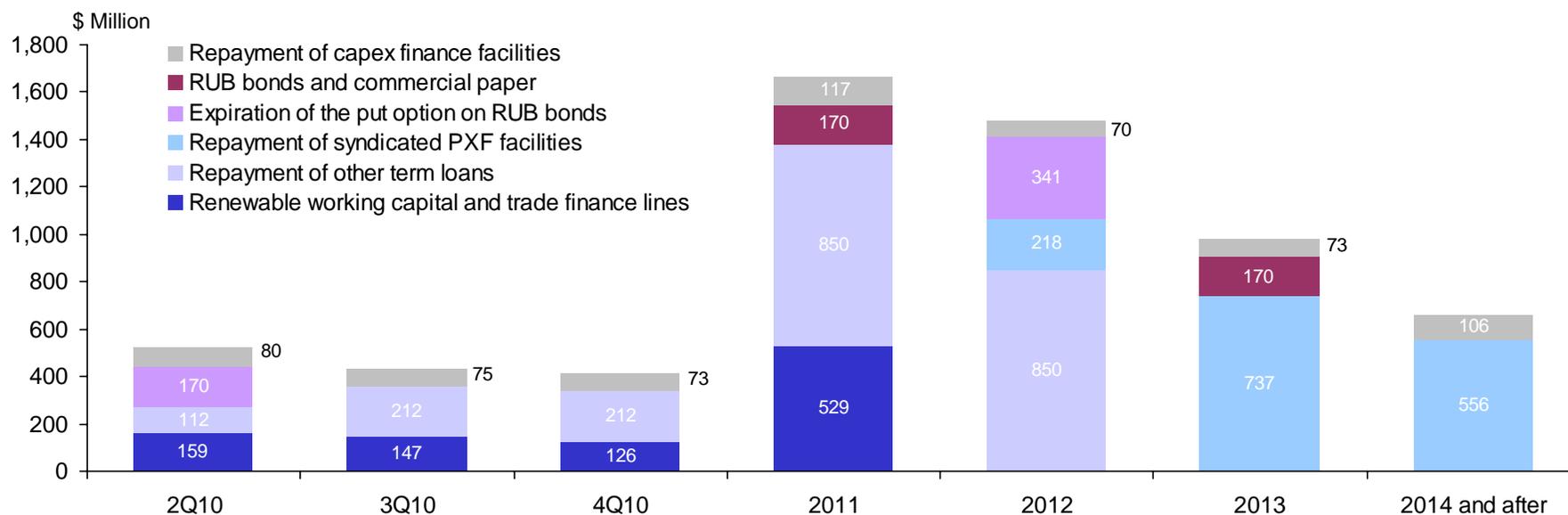
# Debt Profile

- ➔ Growing EBITDA improves debt service ratios
- ➔ In 1Q10 \$480 mn of short-term debt extended beyond 2010
- ➔ \$329 mn of unutilized committed long-term facilities as of December 31, 2009
- ➔ Working capital requirements fully covered with existing loan commitments and public market instruments in 2010

## EBITDA, FFO and Net Debt



## Loans repayment schedule as of April 1, 2010



# Financial Results Overview

US\$ million unless otherwise stated	4Q09	3Q09	Change, %
<b>Revenue</b>	<b>1,720</b>	<b>1,574</b>	<b>9%</b>
<b>Cost of sales</b>	<b>(1,150)</b>	<b>(1,037)</b>	<b>11%</b>
<b>Gross margin</b>	<b>33.2%</b>	<b>34.2%</b>	
<b>Operating profit</b>	<b>131</b>	<b>155</b>	<b>-15%</b>
<b>Operating margin</b>	<b>7.6%</b>	<b>9.9%</b>	
<b>EBITDA</b>	<b>683</b>	<b>420</b>	<b>63%</b>
<b>EBITDA margin</b>	<b>39.7%</b>	<b>26.7%</b>	
<b>Net Income</b>	<b>414</b>	<b>132</b>	<b>214%</b>
<b>Net Income margin</b>	<b>24.0%</b>	<b>8.4%</b>	
<b>Sales volumes*, '000 tonnes</b>			
<b>Mining segment</b>	<b>4,800</b>	<b>5,099</b>	<b>-6%</b>
<b>Steel segment</b>	<b>1,774</b>	<b>1,870</b>	<b>-5%</b>

\* Includes sales to the external customers only