



## 1Q2015 RESULTS PRESENTATION

June 23, 2015



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## FINANCIAL HIGHLIGHTS



# 1Q 2015 FINANCIAL RESULTS SUMMARY



	1Q15	4Q14	%	1Q14	%
<b>Revenue</b>	1,113	1,384	-19.6%	1,695	-34.3%
<b>EBITDA (a)</b>	211	220	-4.1%	86	145.3%
<b>Adjusted net (loss) / income *</b>	(99)	134	-173.9%	(143)	-30.8%
<b>Net Debt **</b>	6,568	6,774	-3.0%	8,428	-22.1%

\* See our press release for full calculations

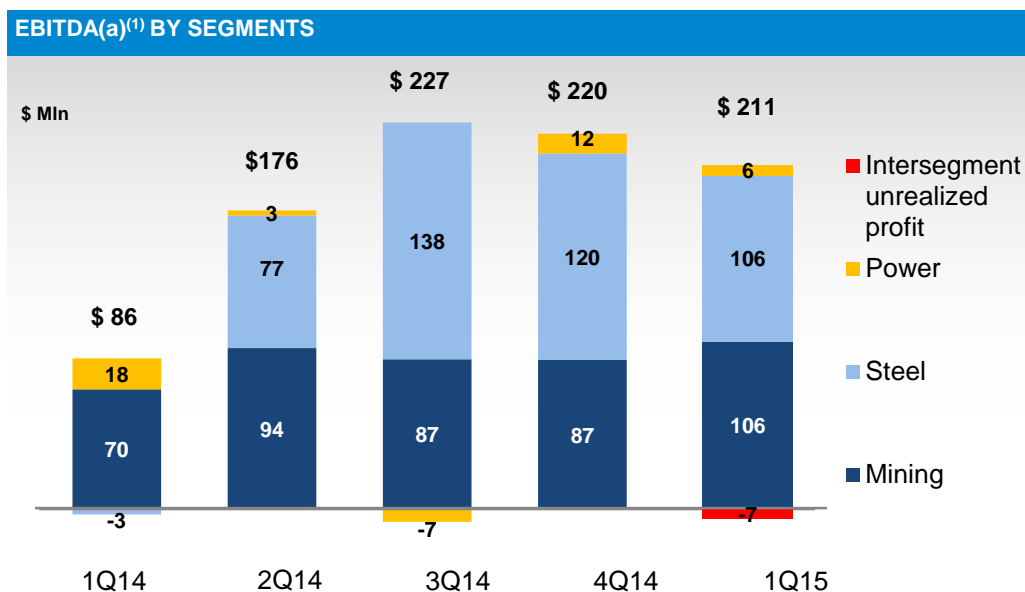
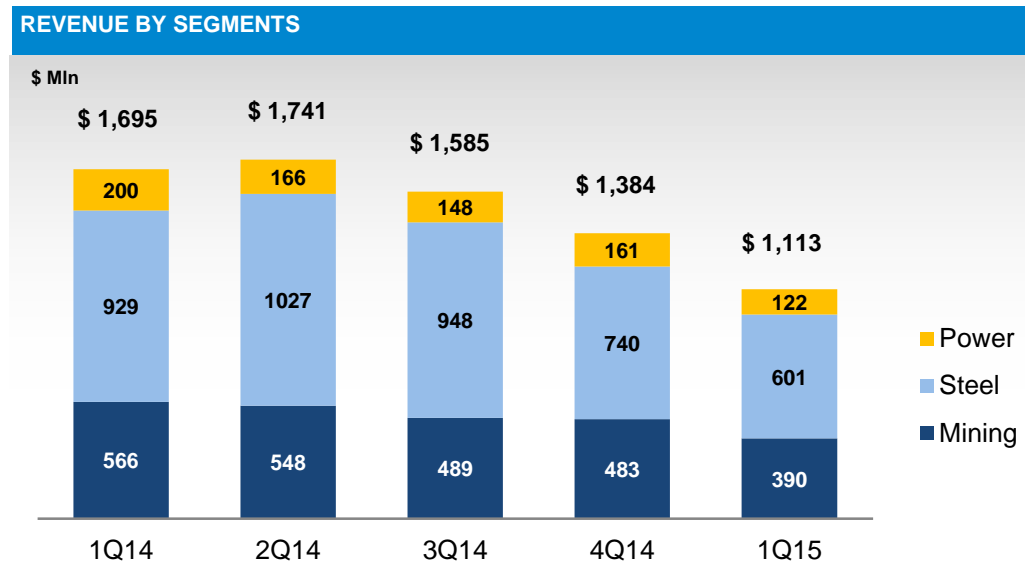
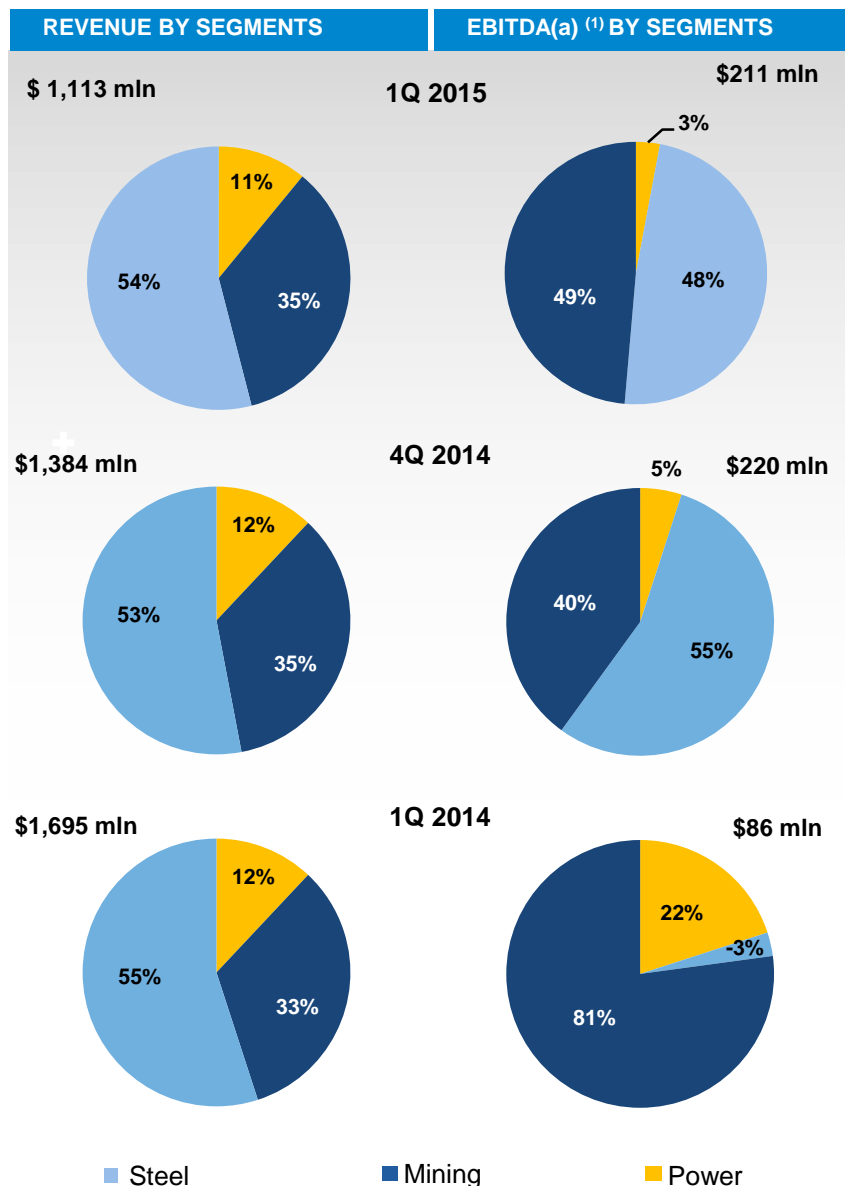
\*\* Excluding finance lease liabilities

## 1Q 2015 HIGHLIGHTS



+	Revenue decreased by 20% QoQ on weakening Mining segment markets and Ruble depreciation affecting Steel segment sales in US Dollar terms.
+	EBITDA(a) slightly lower QoQ (-4%) mostly due to Steel segment EBITDA decrease on deteriorating market conditions.
+	Major segments contributed almost equally to consolidated EBITDA(a) – 48% Steel segment and 49% Mining segment.
+	Net debt (excluding finance lease liabilities) amounted to \$6.6 bln as of March 31, 2015. Net debt decreased by 22% YoY and by 3% QoQ on Ruble depreciation.
+	Bottom line affected by lower Mining segment sales, Ruble-nominated cash cost growth and \$154 mln of FX loss.
+	Export sales amounted to 40% of total Revenue in 1Q 2015 with Mining segment exports providing 29% of total Revenue.

# SEGMENTS OVERVIEW



(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.

## MINING SEGMENT

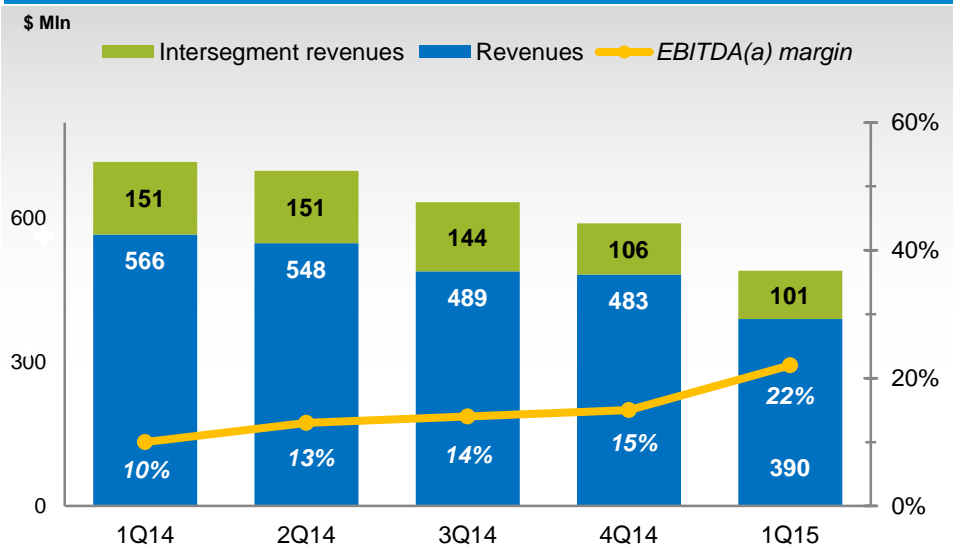


+	In 1Q 2015 metallurgical coal prices on international markets continued to go down. Hard coking coal benchmark decreased from \$119 FOB in 4Q 2014 to \$117 FOB in 1Q 2015 with even stronger decline in spot prices. Domestic coal prices growth in Rubles was offset by high US dollar exchange rate.
+	CIF and FOB coal price decline together with softer 3 <sup>rd</sup> party sales resulted in Revenue decrease by 19% QoQ.
+	At the same time EBITDA (a) increased by 22% to \$106 mln on lower US\$ denominated cash costs. EBITDA (a) margin reached 22%, compared to 15% in 4Q 2014 and 10% in 1Q 2014.
+	Operating income in 1Q 2015 amounted to \$68 mln which is twice as much as \$38 mln of Operating income for 4Q 2014.
+	In Ruble-terms Southern Kuzbass and Yakutugol cash cost increased. Ruble depreciation led to decrease of cash costs at Southern Kuzbass by 5%, at Yakutugol by 20% if compared to 4Q 2014. Korshunov Mining Plant cash cost in US\$ terms dropped by 37% on weaker Ruble and higher sales.
+	Exports sales share (in third party sales) reached 81% in 4Q 2014 and remained on this level in 1Q 2015 with average FY 2014 export sales 73%.

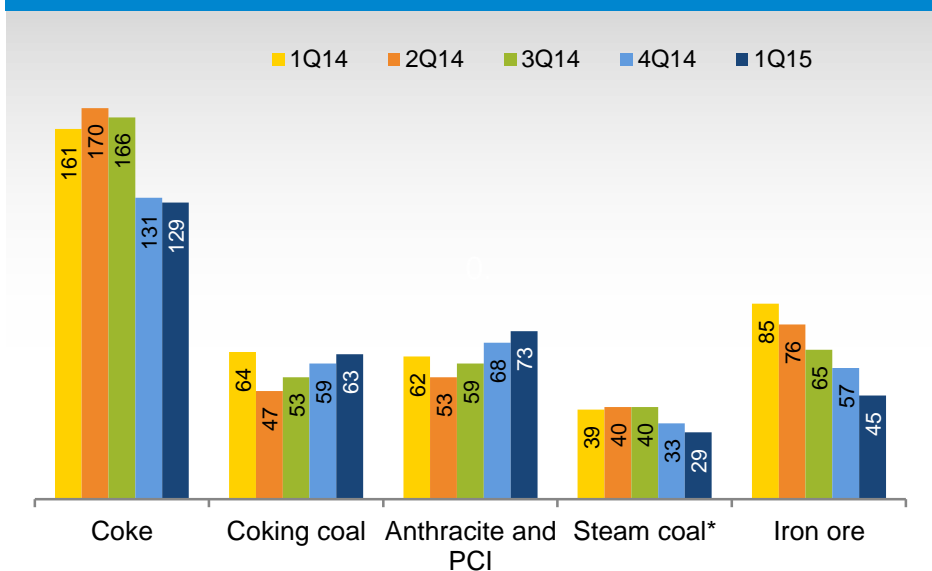
# MINING SEGMENT



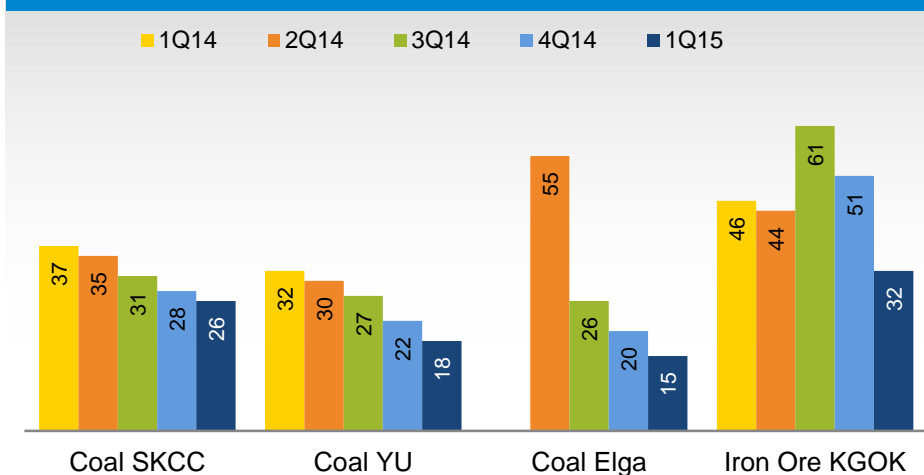
## REVENUE, EBITDA(a)(1)



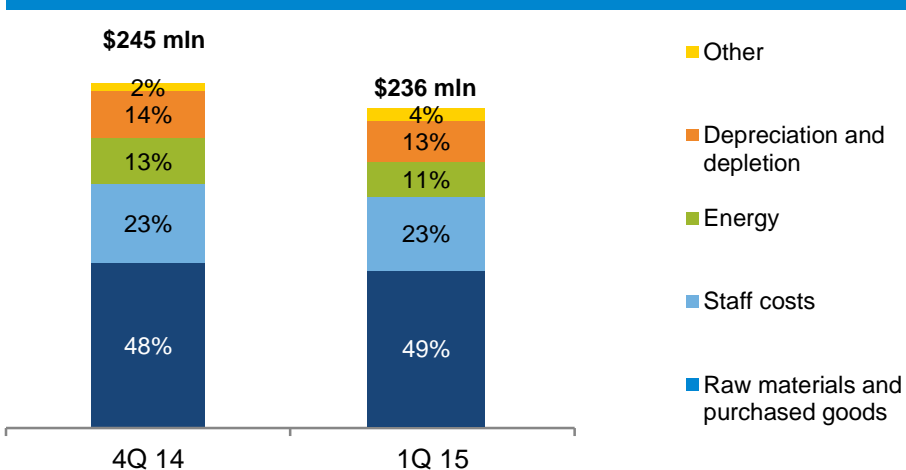
## AVERAGE SALES PRICES FCA, US\$/TONNE



## 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

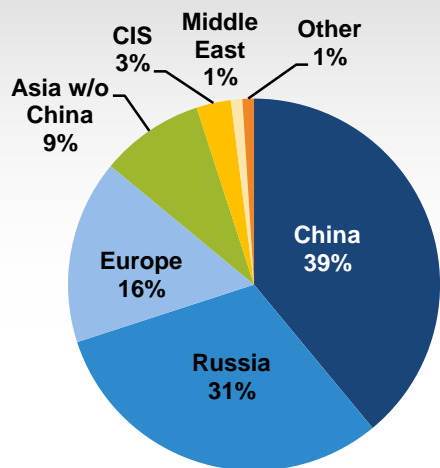


# MINING SEGMENT

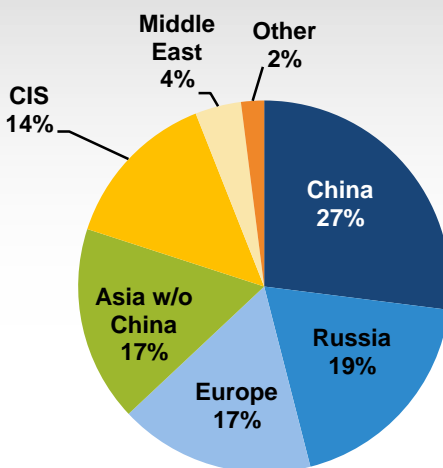


## REVENUE BREAKDOWN BY REGION

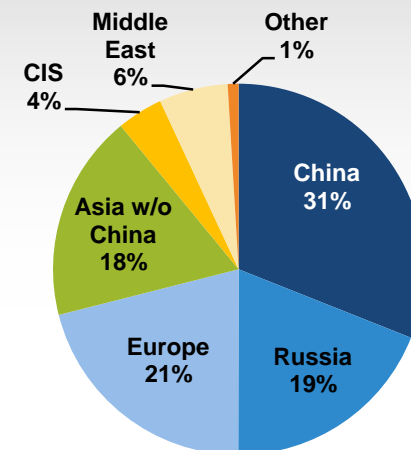
1Q 2014



4Q 2014

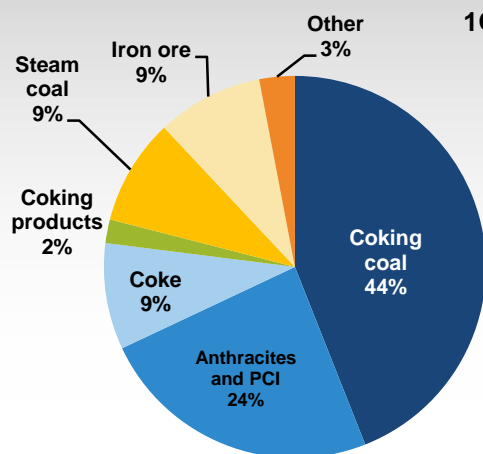


1Q 2015

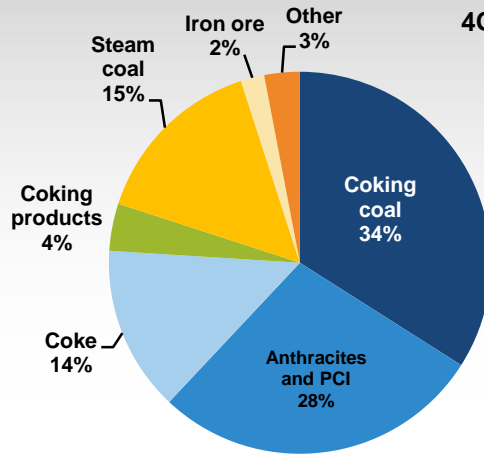


## REVENUE BREAKDOWN BY PRODUCTS

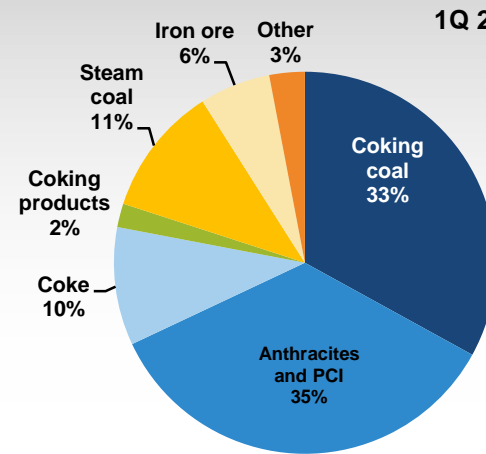
1Q 2014



4Q 2014



1Q 2015



1Q2014 revenue \$566 mln

4Q2014 revenue \$483 mln

1Q2015 revenue \$390 mln

# MINING SEGMENT OPERATIONAL RESULTS



## PRODUCTION:

Product name	1Q 2015, thousand tonnes	1Q2014, thousand tonnes	%	1Q 2015, thousand tonnes	4Q2014, thousand tonnes	%
Run-of-mine coal	5,506	5,565	-1	5,506	5,617	-2

## SALES:

Product name	1Q 2015, thousand tonnes	1Q2014, thousand tonnes	%	1Q 2015, thousand tonnes	4Q2014, thousand tonnes	%
Coking coal concentrate	2,040	2,611	-22	2,040	2,359	-14
PCI	653	590	+11	653	620	+5
Anthracites	544	482	+13	544	581	-6
Steam coal	1,476	1,361	+8	1,476	1,790	-18
Iron ore concentrate	707	973	-27	707	615	+15
Coke	767	757	+1	767	913	-16

## STEEL SEGMENT



+

As 64% of Revenue comes from Russian market Ruble-denominated sales, increased US dollar exchange rate was the main reason for 19% Revenue decline QoQ.

+

1Q 2015 EBITDA(a) down 12% QoQ to \$106 mln on softer demand and US dollar-nominated sales prices decrease on Ruble depreciation.

+

EBITDA(a) margin increased from 15% in 4Q 2014 to 16% in 1Q 2015.

+

Operating income of \$65 mln in 1Q 2015 vs Operating income of \$42 mln in FY 2014 and Operating loss of \$42 mln in 4Q 2014.

+

Weaker Ruble supported cash cost decrease over all the product mix. Ruble-denominated cash cost increased on higher raw materials Ruble prices.

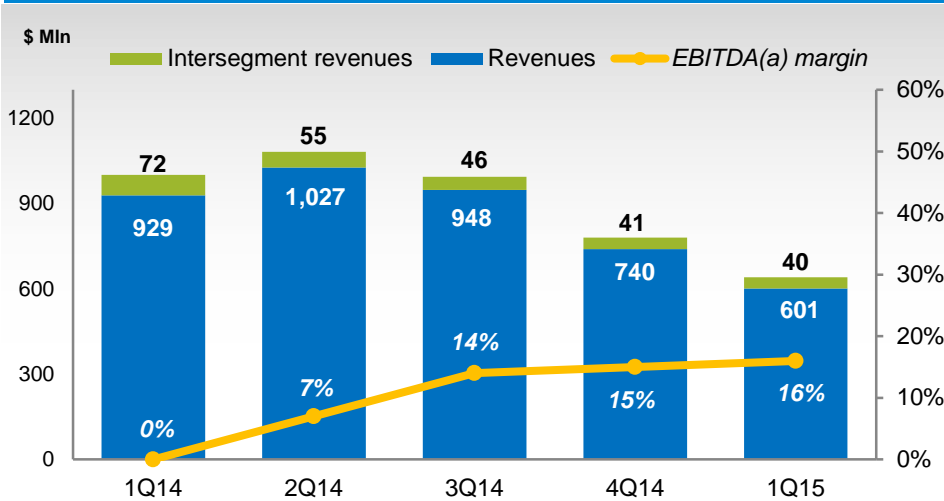
+

Sales to CIS and Europe share increased but domestic sales still dominate.

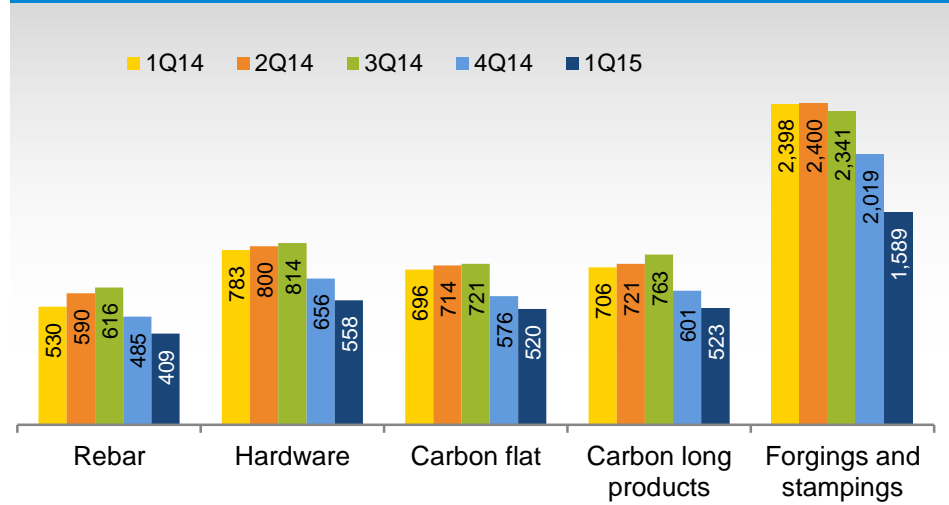
# STEEL SEGMENT



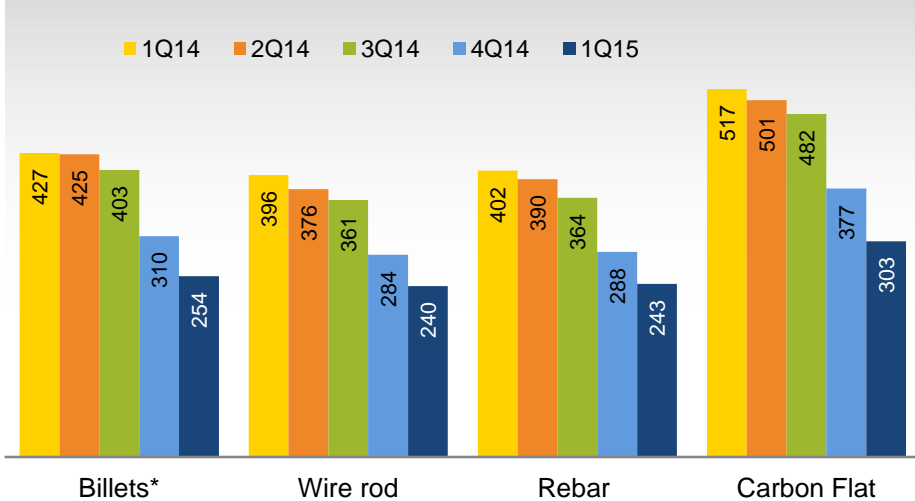
## REVENUE, EBITDA(a)<sup>(1)</sup>



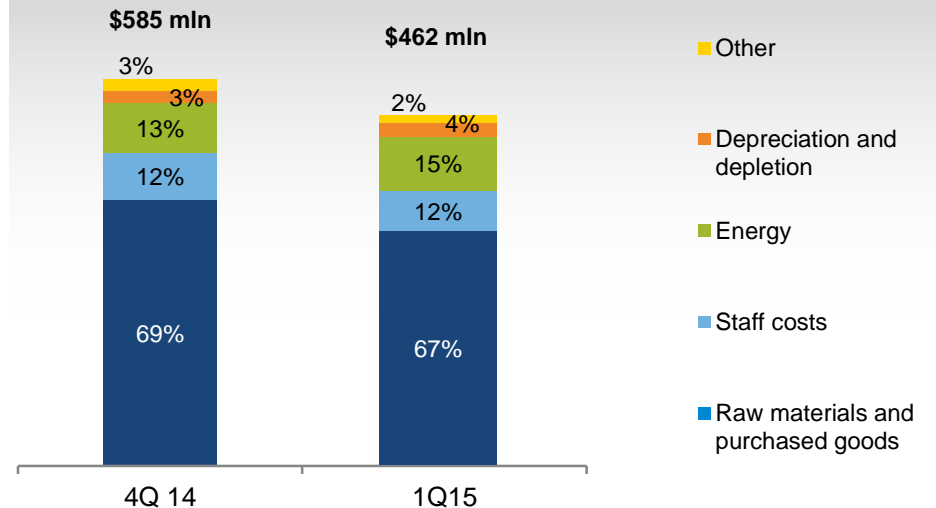
## AVERAGE SALES PRICES FCA, US\$/TONNE



## CASH COSTS, US\$/TONNE



## COS STRUCTURE



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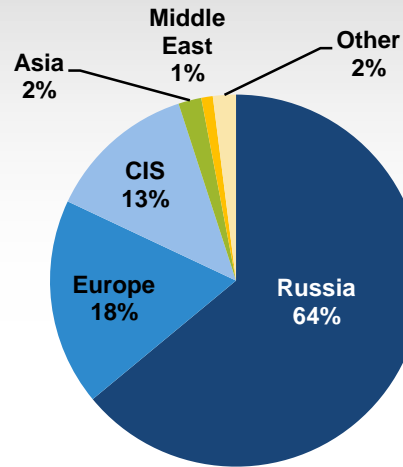
\* Domestic sales

# STEEL SEGMENT

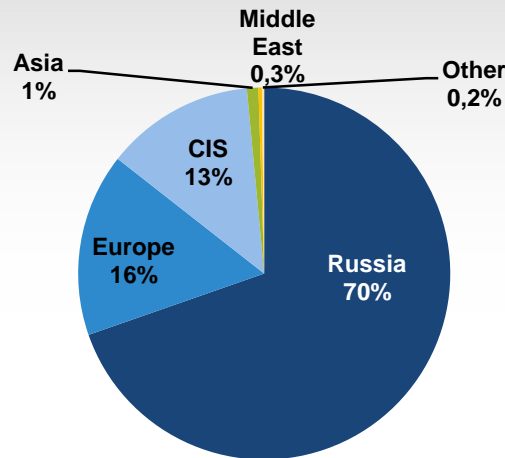


## REVENUE BREAKDOWN BY REGION

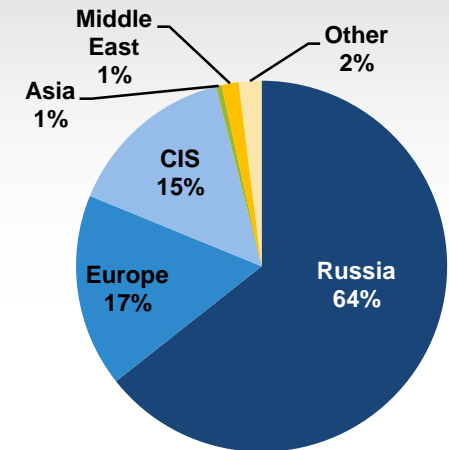
1Q 2014



4Q 2014

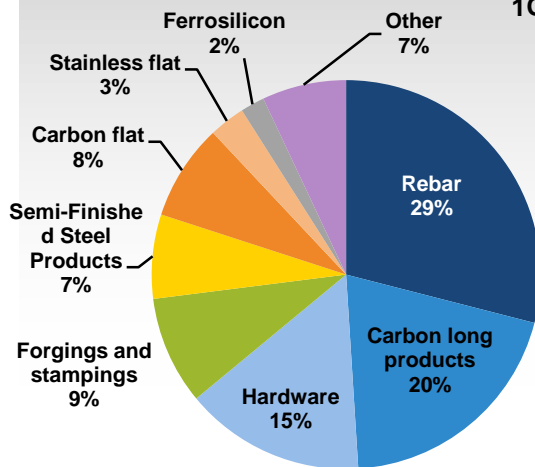


1Q 2015



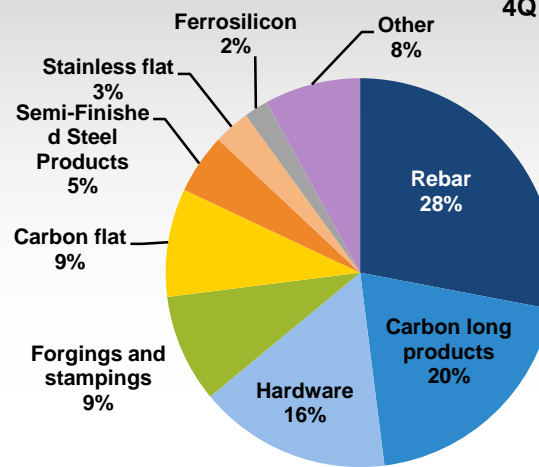
## REVENUE BREAKDOWN BY PRODUCTS

1Q 2014



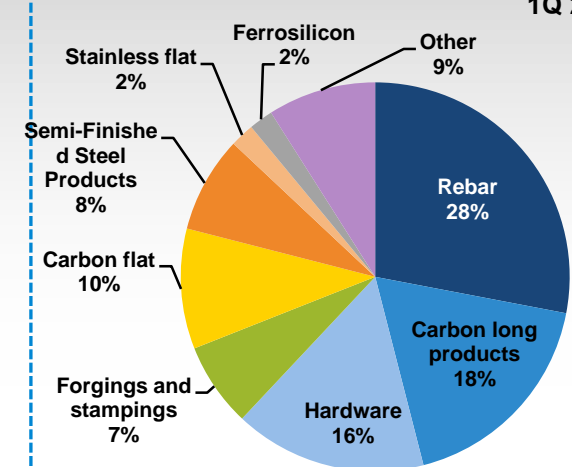
1Q2014 revenue \$929 mln

4Q 2014



4Q2014 revenue \$740 mln

1Q 2015



1Q2015 revenue \$601 mln

# STEEL SEGMENT OPERATIONAL RESULTS



## PRODUCTION:

Product name	1Q 2015, thousand tonnes	1Q2014, thousand tonnes	%	1Q 2015, thousand tonnes	4Q2014, thousand tonnes	%
Pig Iron	1,051	935	+12	1,051	1,036	+1
Steel	1,102	1,031	+7	1,102	1,087	+1

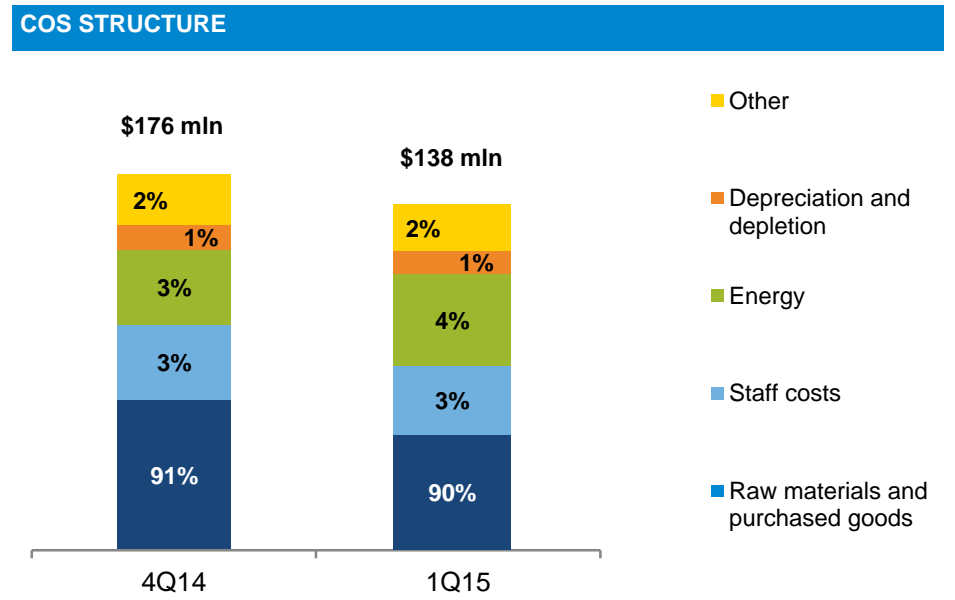
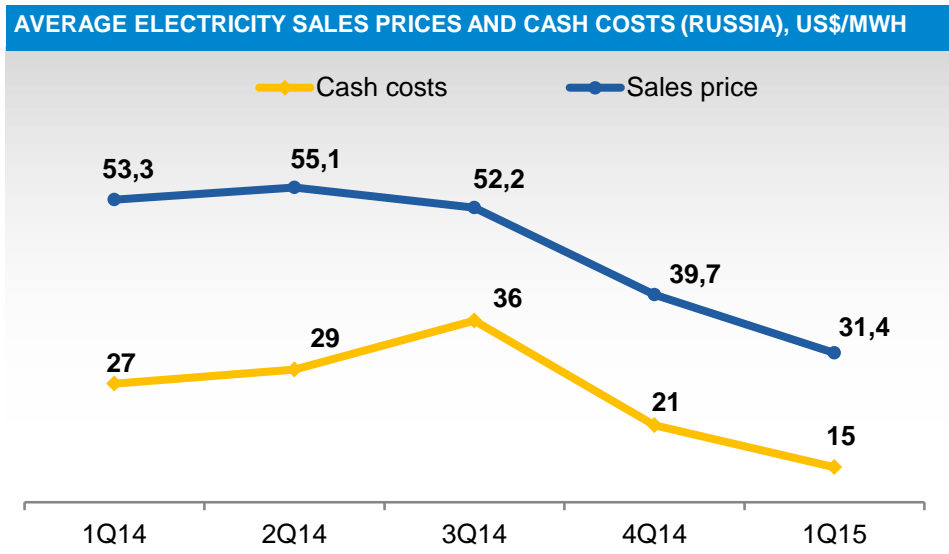
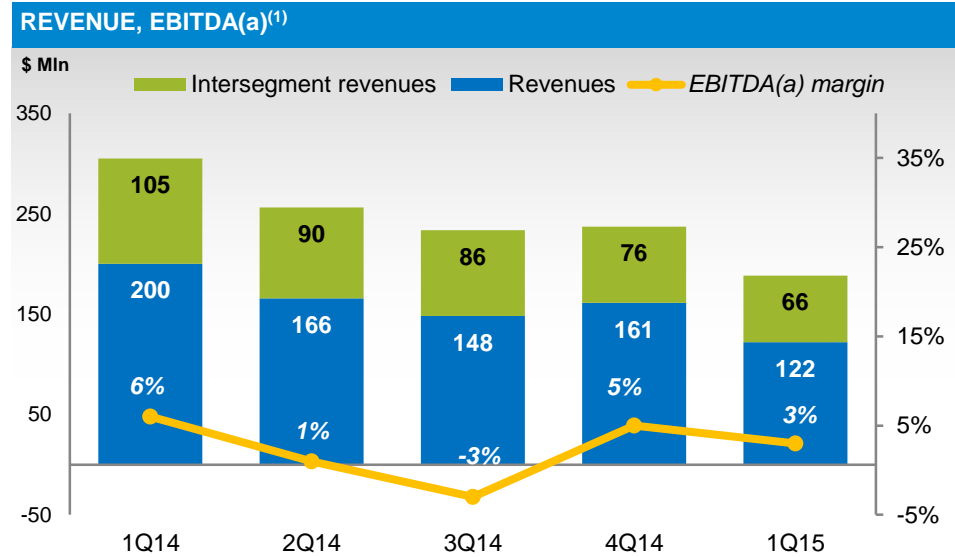
## SALES:

Product name	1Q 2015, thousand tonnes	1Q2014, thousand tonnes	%	1Q 2015, thousand tonnes	4Q2014, thousand tonnes	%
Flat products	117	112	+4	117	119	-1
Long products	637	782	-18	637	678	-6
Billets	81	34	+137	81	37	+119
Hardware	171	177	-4	171	183	-7
Forgings	14	12	+19	14	13	+6
Stampings	13	22	-43	13	20	-36
Ferrosilicon	22	22	+1	22	22	-2

# POWER SEGMENT



- +** 1Q 2015 EBITDA(a) \$6 mln, EBITDA(a) margin 3%.
- +** Both revenues and cash costs influenced by Ruble depreciation.
- +** 1Q 2015 Net income of \$0,9 mln.



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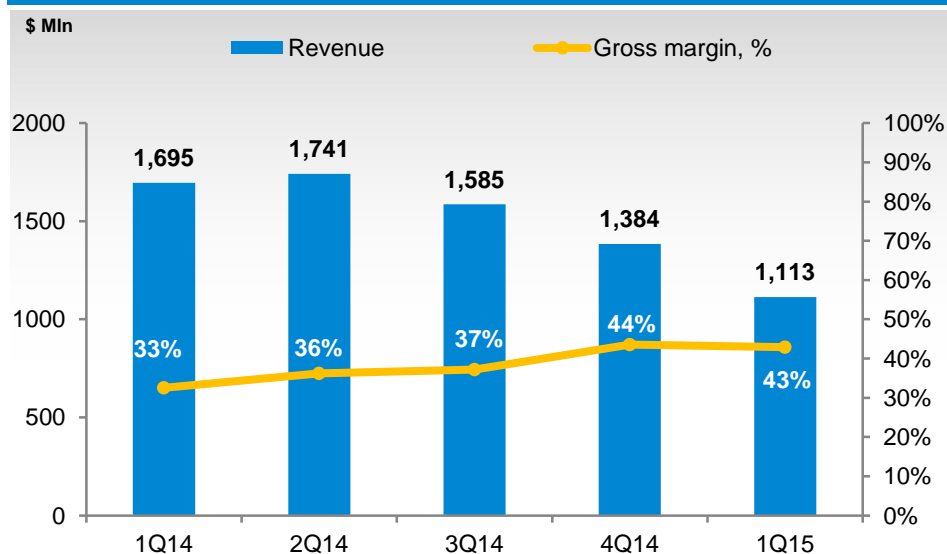
# CONSOLIDATED P&L



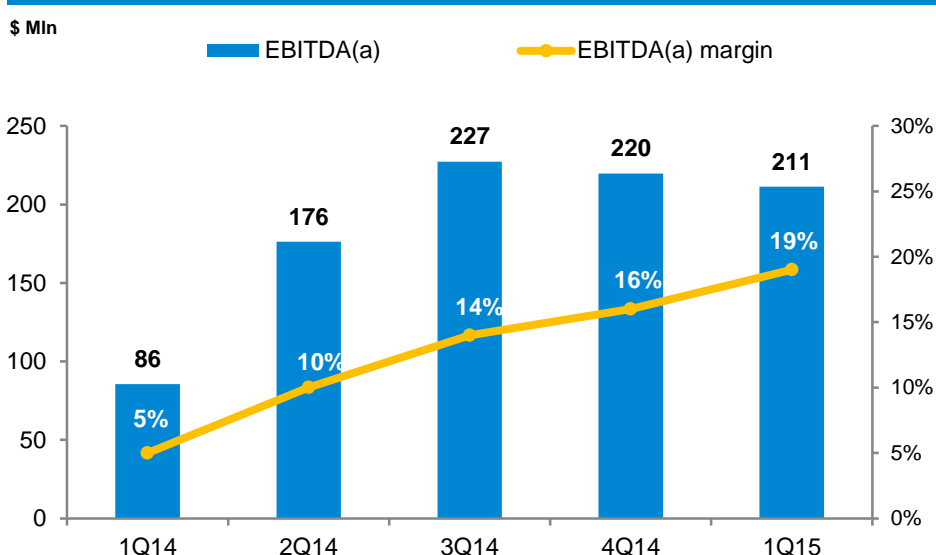
## FINANCIAL PERFORMANCE HIGHLIGHTS:

- +** Revenue decrease by 20% and EBITDA(a) lower just by 4% resulted in EBITDA(a) margin increased to 19% in 1Q 2015 vs 16% in 4Q 2014.
- +** Gross margin remained flat QoQ as lower Revenue was accompanied by proportional US\$-denominated cash cost decrease.
- +** Bottom line affected by Ruble-denominated cash cost increase over a number of assets and FX loss. Net loss of \$273 mln.

### REVENUE, \$MLN



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



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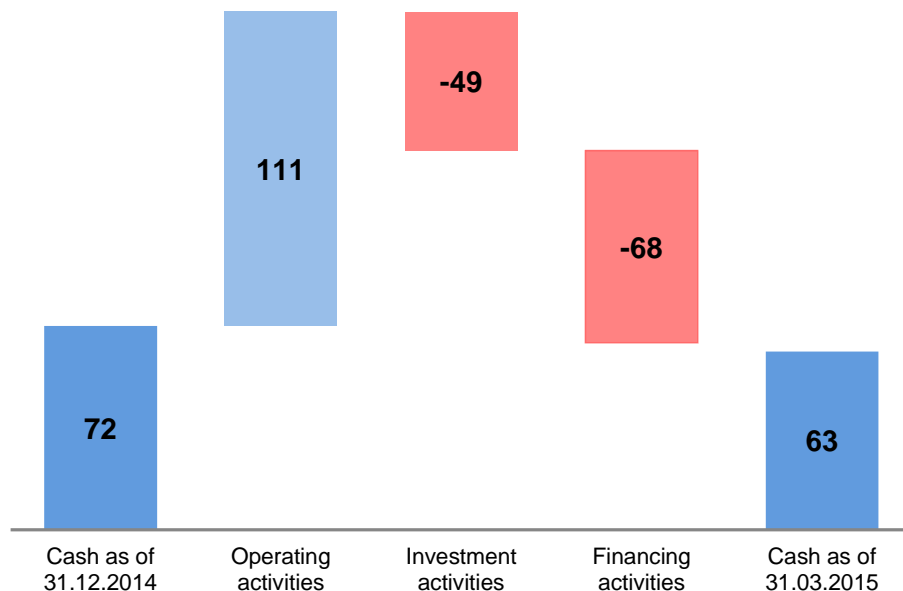


# CASH FLOW & TRADE WORKING CAPITAL

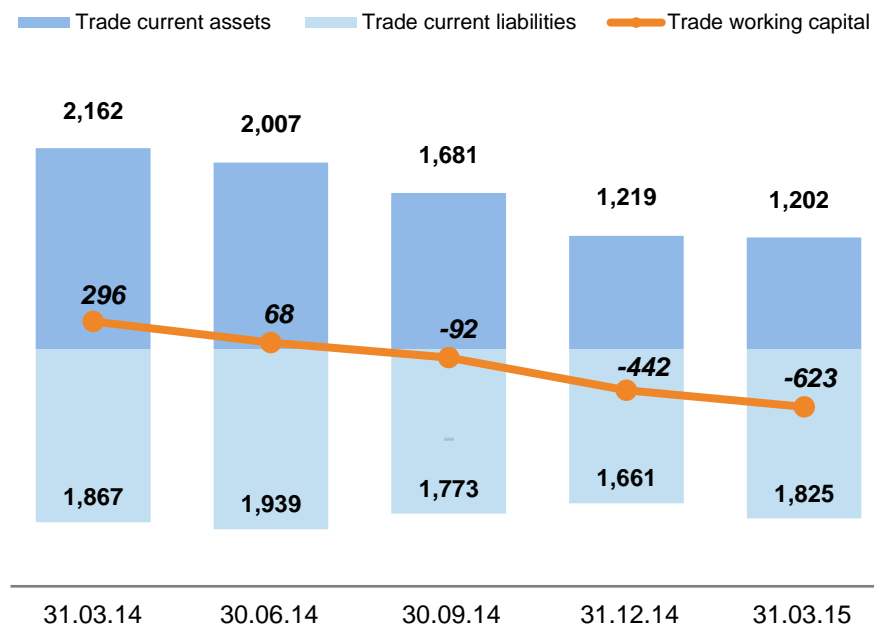


- +** Operating cash flow deficit became a result of significant increase in debt serving payments. Cash deficit was financed by further decrease in trade working capital by \$181 mln.
- +** Investment cash flow amounted to \$49 mln in 1Q 2015 – mostly maintenance CAPEX and Elga.

CASH FLOW, \$MLN



TRADE WORKING CAPITAL MANAGEMENT, \$MLN

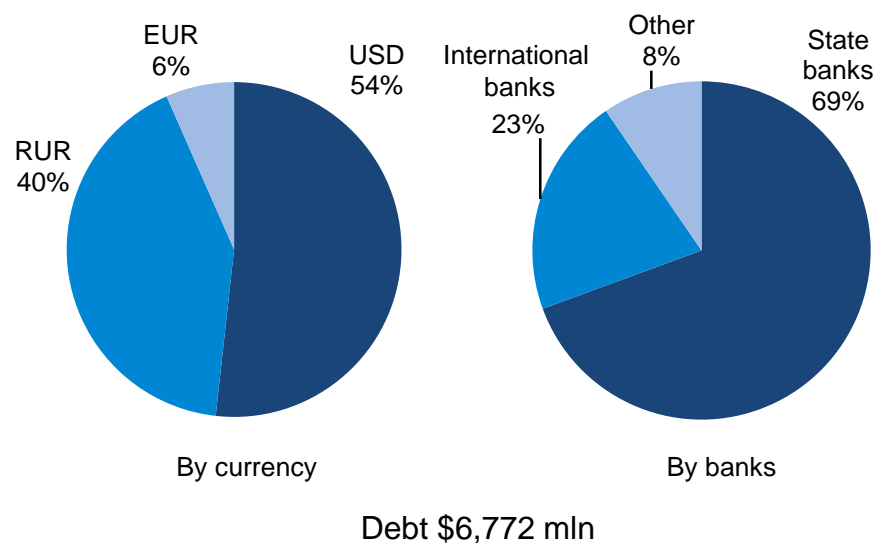


# DEBT PROFILE

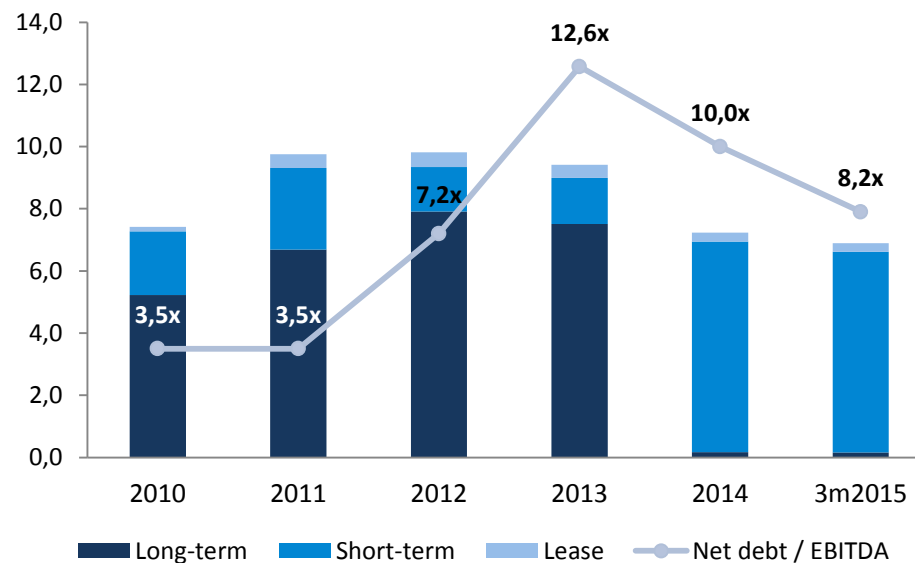


- +** Despite insignificant repayments during 5 months, strengthening of Ruble by the end of May provides for little change in the loan portfolio
- +** We are still in negotiations with our creditors and thus most of the debt is classified as short-term in our financials.
- +** Profitability increase in 4Q2014 and 1Q2015 led to Net debt/EBITDA falling to 8,2x.

## DEBT PROFILE AS OF JUNE 15, 2015



## DEBT BURDEN DYNAMICS 2011-2015, USD BLN



Note: converted at the exchange rate established by CB RF June 15, 2015 on the following date

# FINANCIAL RESULTS OVERVIEW



US\$ MILLION UNLESS OTHERWISE STATED	1Q15	4Q14	%	1Q15	1Q14	%
Revenue <sup>(2)</sup>	1,113	1,384	-19.6%	1,113	1,695	-34.3%
Cost of sales	(635)	(781)	-18.7%	(635)	(1,143)	-44.4%
<i>Gross margin</i>	<i>42.9%</i>	<i>43.6%</i>		<i>42.9%</i>	<i>32.6%</i>	
Adjusted Operating income / (loss)	152	157	-3.2%	152	(8)	2,000%
EBITDA(a) <sup>(1)</sup>	211	220	-4.1%	211	86	145.3%
<i>EBITDA(a) margin</i>	<i>19%</i>	<i>16%</i>		<i>19%</i>	<i>5%</i>	
Net loss	-273	-3,113	-91.2%	-273	-585	-53.3%
<i>Net loss margin</i>	<i>-24.5%</i>	<i>-224.9%</i>		<i>-24.5%</i>	<i>-34.5%</i>	
Net Debt (excluding finance lease liabilities)	6,568	6,774	-3.04%	6,568	8,428	-22.1%
CapEx	34	22	54.5%	34	137	-75.2%

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(2) Includes sales to the external customers only