Debt Restructuring

Materials for EGM to be held on March 4th, 2016

February 2016

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Introduction

- In 2014, as a result of deteriorating market conditions, Mechel defaulted on its debt obligations.
- Throughout 2014-2015, the Company held intensive negotiations with its creditors on debt restructuring.
- Strong market positions, cash cost control and launch of the main investment projects together with ruble devaluation allowed the Company to improve its financial standing in 2015 and arrive at a comprehensive solution in restructuring talks by the beginning of 2016.
- In order for it to come into force, the restructuring is subject to approval in the form of four separate related-party transactions, as qualified as such by Russian legislation. As the controlling shareholders are not eligible to vote on related-party transactions, it is up to the disinterested shareholders to approve these transactions by simple majority. **Therefore, completion of the restructuring is fully dependent upon the vote of disinterested shareholders.**

Debt Restructuring Goals and Objectives

Successful debt restructuring will:

- address current liquidity issues,
- extend debt maturities,
- lower interest payments,
- eliminate significant portion of accrued penalties and fines,
- allow management to focus on operational performance and shareholder value creation.

Debt to be restructured amounts to $5.1bn (80% of total debt) and includes only the largest creditors:

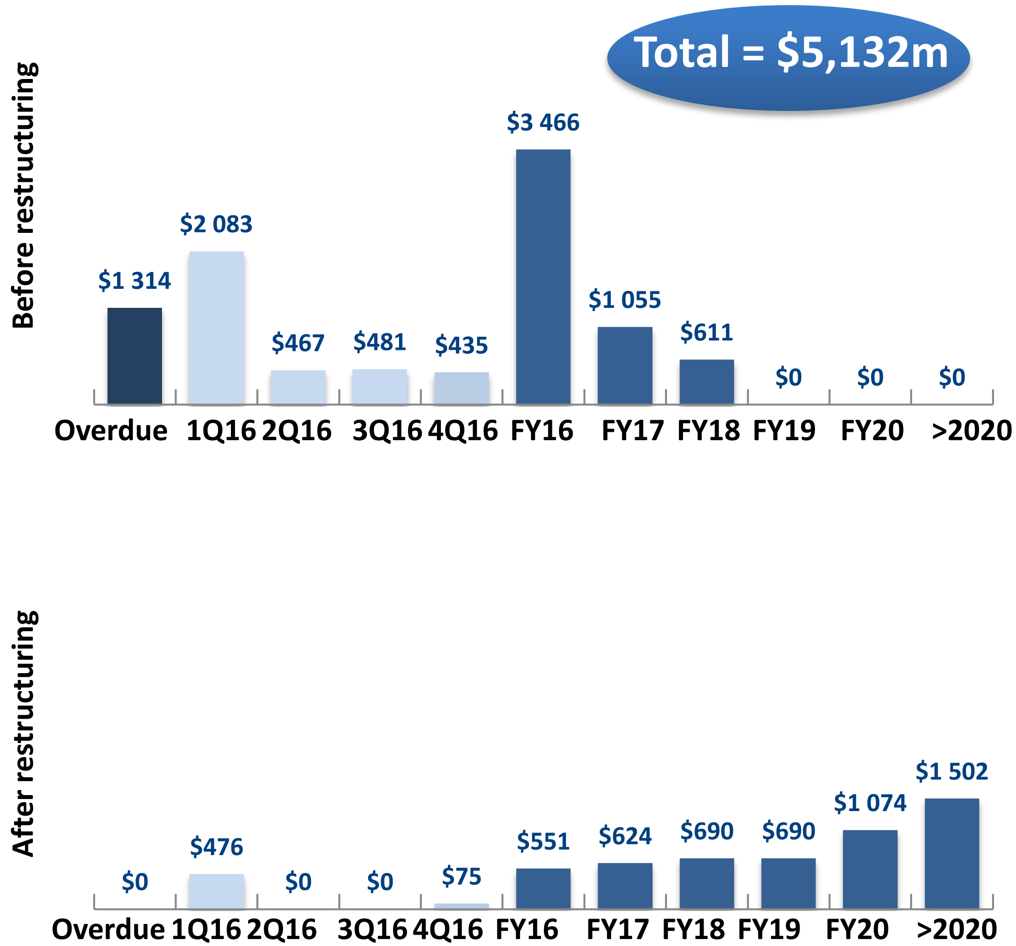
- Sberbank ($1,267m),
- Gazprombank ($1,793m),
- VTB ($1,068m),
- Syndicate of International banks ($1,004m).

Hereinafter, the current restructuring relates to the abovementioned banks only. All debt parameters are as of Sept. 30, 2015. Applicable exchange rate: RUR 66.24 / $1.

Following slides demonstrate general terms of restructuring and debt repayment profile improvement.

Restructuring will extend debt maturity

Debt repayment profile, $ m



Debt Restructuring Terms:

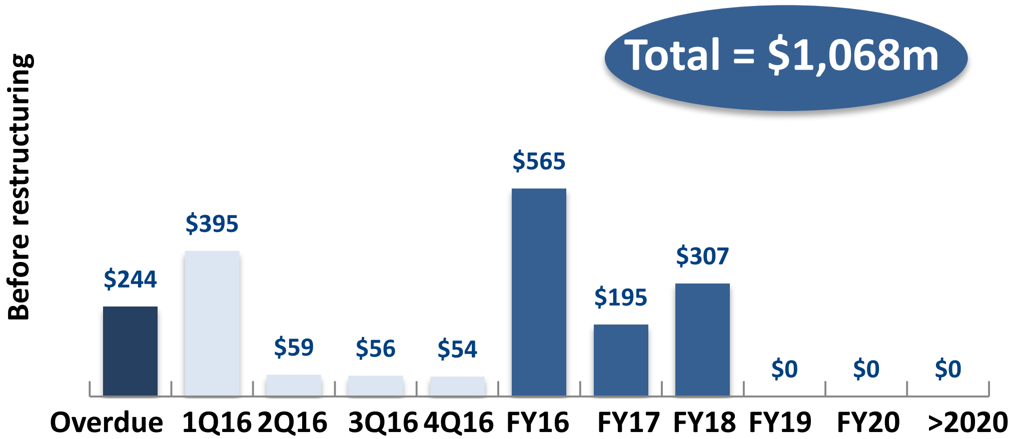
- Tenure
  - Repayment extends up to 2017-2022*
- Currency
  - Full conversion of the Gazprombank and VTB loans into rubles
  - Ruble portion of the debt up from 35% to 60%
- Interest rates
  - Rates tied to LIBOR and CBR Key rate instead of highly volatile MosPrime rate
  - Ruble interest payments down to 8.75% from current 12.5%-14.5% due to partial interest capitalization
- Penalties and fines
  - Banks agree to waive significant portion of accrued penalties and fines

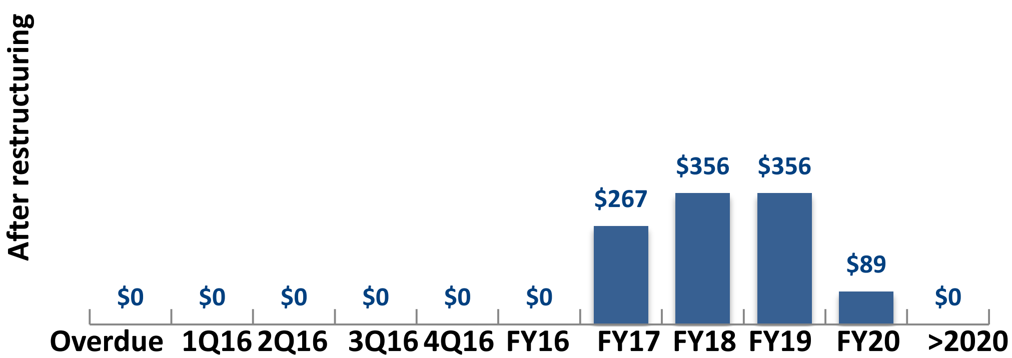
* Subject to fulfillment of subsequent conditions

VTB

Restructuring signed

Debt repayment profile, $ m





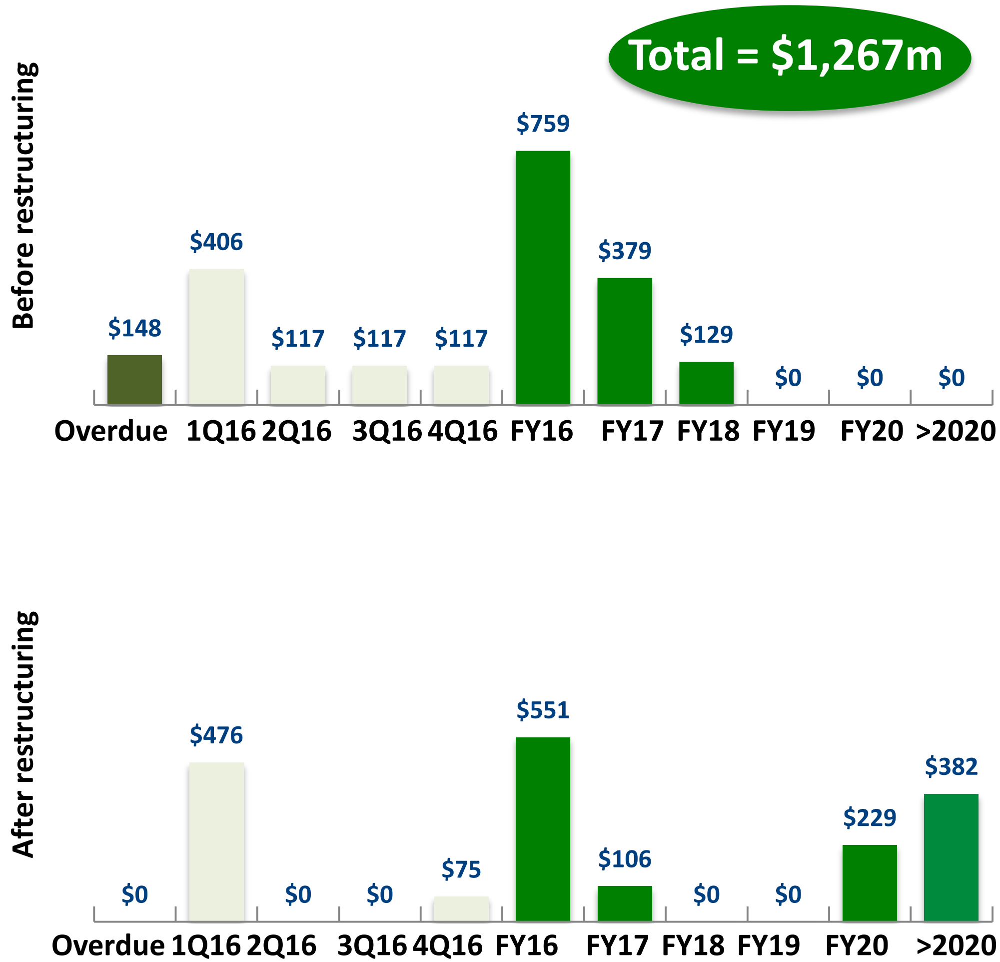
Debt Restructuring Terms:

- Tenure
  - 1-year grace period; extension of grace period up to 4 years under discussion
  - 4-year repayment
- Currency and Interest rate
  - CBR key rate + 2.35% until January 6th, 2018
  - CBR key rate + 2.99% thereafter
- Security package
  - Property and Equipment
  - Shares of major subsidiaries
  - Suretyships of operating subsidiaries

Sberbank

Restructuring terms being negotiated

Debt repayment profile, $ m



Debt Restructuring Terms:

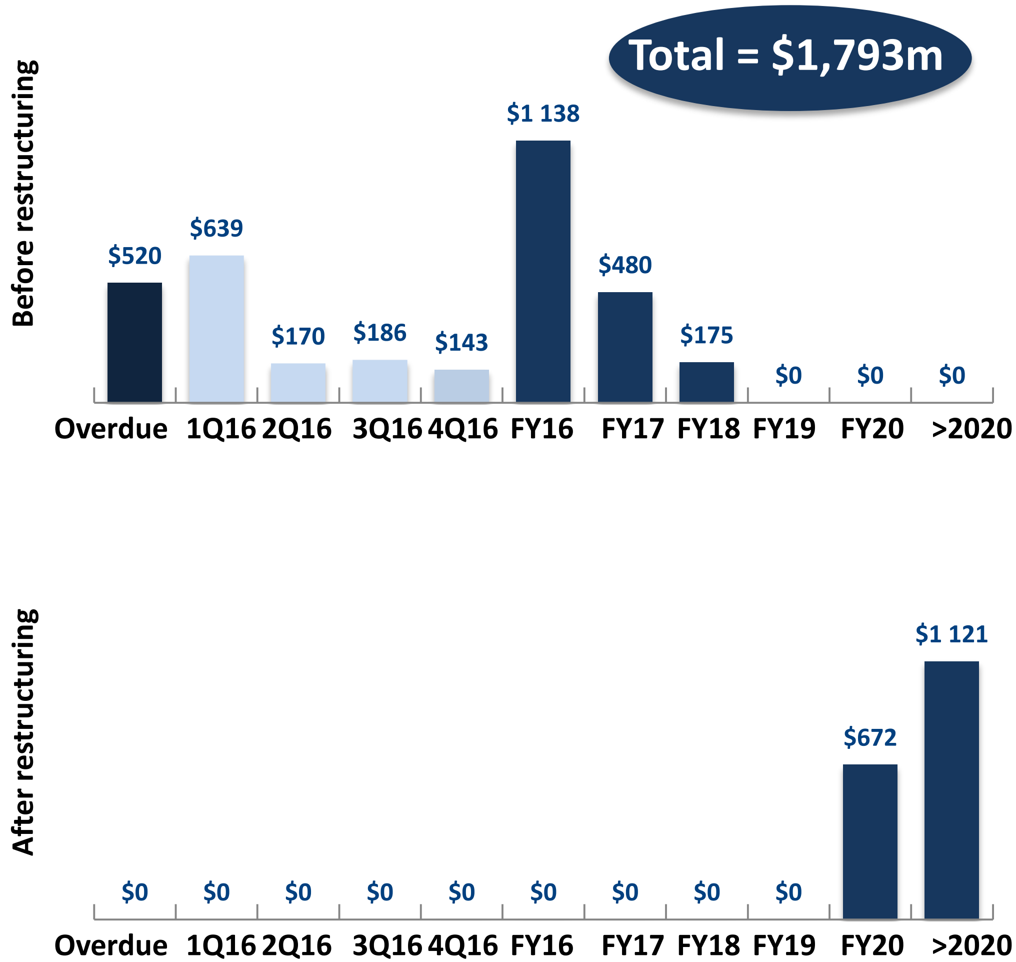
- Tenure
  - Pre-agreed fixed payments in 2016-2017
  - 4-year grace period *
  - 3-year repayment
- Currency and Interest rate
  - In rubles: CBR key rate + 1.5%*, but no less than 8.75%
  - In dollars: LIBOR 3M + 7%, but no less than LIBOR 3M + 5%
- Security package
  - Property and Equipment
  - Shares of major subsidiaries
  - Suretyships of operating subsidiaries

* Subject to fulfillment of subsequent conditions

Gazprombank

Restructuring subject to subsequent conditions

Debt repayment profile, $ m



Debt Restructuring Terms:

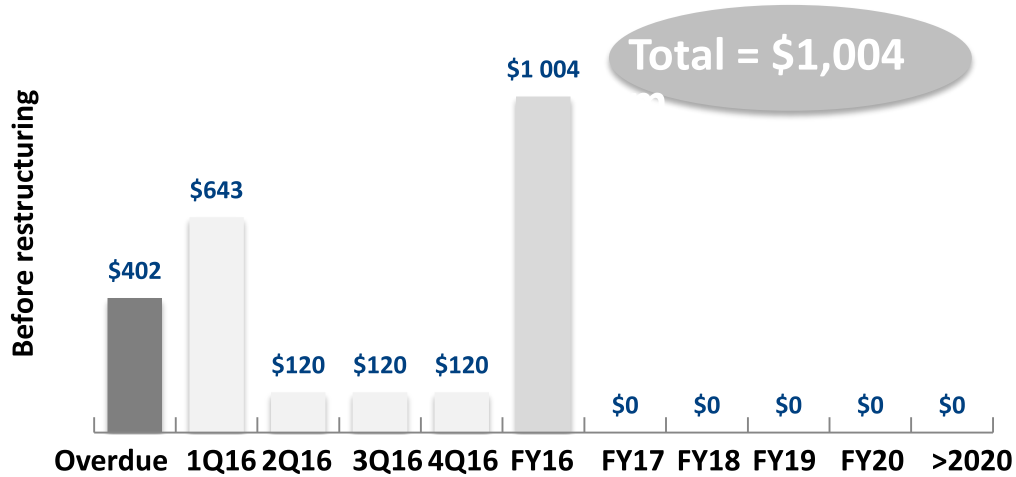
- Tenure
  - 4-year grace period*
  - 3-year repayment
- Currency and Interest rate
  - Full conversion into rubles
  - CBR key rate + 1.5%*, but no less than 8.75%
- Security package
  - Property and Equipment
  - Shares of major subsidiaries
  - Suretyships of operating subsidiaries

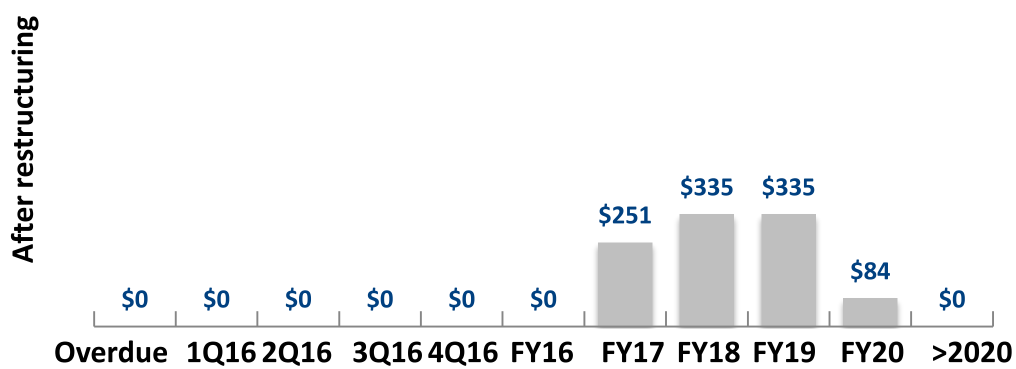
* Subject to fulfillment of subsequent conditions

Syndicated Loan

Restructuring terms being negotiated

Debt repayment profile, $ m





Debt Restructuring Terms:

- Tenure
  - 1-year grace period, extension of grace period up to 4 years under discussion
  - 4-year repayment
- Currency and Interest rate
  - All loans in USD
  - No more than Libor +5.75%
- Security package
  - Property and Equipment
  - Shares of major subsidiaries
  - Suretyships of operating subsidiaries

Summary

- Debt restructuring is extremely important for the future of the Company.
- Special Committee of independent directors unanimously recommends to approve related-party transactions based on an independent fairness opinion issued by Renaissance Capital.
- Majority of disinterested shareholder votes are required to approve the related-party transactions.
- Every shareholder`s vote counts!

If the deals are not approved by the EGM, not only certain terms may fail to come into force, but the restructuring at large might be adversely affected.