OAO Mechel

Consolidated Balance Sheets

(in thousands of U.S. dollars, except share amounts)

| (in thousands of U.S. dollars, except share amounts) | | ~ | | _ |
|---|----|-----------------------|----|-----------------------|
| | | September 30, 2014 | | December 31, 2013* |
| | _ | (unaudited) | _ | (unaudited) |
| ASSETS | | 70 0 40 | * | 254 520 |
| Cash and cash equivalents | \$ | 72,062 | \$ | 274,539 |
| Accounts receivable, net of allowance for doubtful accounts of \$70,030 as of September 30, 2014 and \$81,845 as of December 31, 2013 | | 473,469 | | 593,285 |
| Due from related parties, net of allowance of \$1,578,375 as of September 30, | | | | |
| 2014 and \$1,623,661 as of December 31, 2013 | | 39,949 | | 56,792 |
| Inventories | | 868,617 | | 1,413,284 |
| Deferred income taxes | | 29,094 | | 34,972 |
| Prepayments and other current assets | - | 306,132 | | 442,597 |
| Total current assets | = | 1,789,323 | = | 2,815,469 |
| Long-term investments in related parties | | 7,368 | | 7,604 |
| Other long-term investments | | 6,517 | | 14,788 |
| Property, plant and equipment, net | | 5,810,294 | | 6,871,908 |
| Mineral licenses, net | | 3,017,775 | | 3,271,018 |
| Due from related parties, net of allowance of \$nil as of September 30, 2014 and | | | | |
| \$nil as of December 31,2013 | | 7,300 | | - |
| Other non-current assets | | 154,518 | | 160,894 |
| Deferred income taxes | | 17,684 | | 5,066 |
| Goodwill | | 572,761 | _ | 687,763 |
| Total assets | _ | 11,383,540 | _ | 13,834,510 |
| I LADII ITIES AND EQUITY | | | | |
| LIABILITIES AND EQUITY Short-term borrowings and current portion of long-term debt | | 7,618,320 | | 1,484,912 |
| Accounts payable and accrued expenses: | | 7,018,520 | | 1,404,912 |
| Trade payable to vendors of goods and services | | 799,925 | | 945,629 |
| Advances received | | 109,146 | | 140,919 |
| Accrued expenses and other current liabilities | | 489,468 | | 362,919 |
| Taxes and social charges payable | | 373,047 | | 278,294 |
| Unrecognized income tax benefits | | 40,531 | | 78,333 |
| Due to related parties | | 36,764 | | 106,943 |
| Asset retirement obligations, current portion | | 10,097 | | 2,001 |
| Deferred income taxes | | 30,302 | | 37,775 |
| Pension obligations, current portion | | 16,088 | | 20,391 |
| Dividends payable | | 2,633 | | 3,293 |
| Finance lease liabilities, current portion | | 169,762 | | 122,815 |
| Total current liabilities | - | 9,696,083 | | 3,584,224 |
| Total current habilities | = | 9,090,085 | = | 5,564,224 |
| Long-term debt, net of current portion | | 240,871 | | 7,520,217 |
| Asset retirement obligations, net of current portion | | 44,579 | | 57,135 |
| Pension obligations, net of current portion | | 142,685 | | 151,945 |
| Deferred income taxes | | 897,015 | | 1,082,819 |
| Finance lease liabilities, net of current portion | | 207,934 | | 296,885 |
| Due to related parties | | 5 | | 21 |
| Other long-term liabilities | | 375,741 | | 329,444 |
| | | | | |

(in thousands of U.S. dollars, except share amounts)

| | September 30, 2014 | December 31, 2013* |
|--|-----------------------|-----------------------|
| | (unaudited) | (unaudited) |
| EQUITY | | |
| Common shares (10 Russian rubles par value; 497,969,086 shares authorized, 416,270,745 shares issued and outstanding as of September 30, 2014 and December 31, 2013) | 133,507 | 133,507 |
| Preferred shares (10 Russian rubles par value; 138,756,915 shares authorized, 83,254,149 shares issued and outstanding | | |
| as of September 30, 2014 and December 31, 2013) | 25,314 | 25,314 |
| Additional paid-in capital | 834,136 | 834,118 |
| Accumulated other comprehensive income (loss) | 187,231 | (47,601) |
| (Accumulated deficit) retained earnings | (1,650,596) | (427,863) |
| Equity attributable to shareholders of Mechel OAO | (470,408) | 517,475 |
| Noncontrolling interests | 249,035 | 294,345 |
| Total equity | (221,373) | 811,820 |
| Total liabilities and equity | 11,383,540 | 13,834,510 |

*there were certain reclassifications to conform with the current period presentation

Consolidated Statements of Operations and Comprehensive Income

(Loss)

| 20142013*Revenue, net (including related party amounts of \$87,270 and \$126,031 during 9 months 2014 and 2013, respectively)\$5,032,121\$6,718,100Cost of goods sold (including related party amounts of \$81,026 and \$269,377 during 9 months 2014 and 2013, respectively)\$5,032,121\$6,718,100Gross profit(3,272,309)(4,669,898Selling, distribution and operating expenses: Selling and distribution expenses(1,136,949)(1,312,079Taxes other than income tax(4,336)(3,744Loss on write-off of property, plant and equipment(7,713)(5,270)Inpairment of goodwill and long-lived assets-(177,416Provision for amounts due from related parties(2,87,56)(16,885)General, administrative and other operating expenses, net(3,49,094)(408,765)Total selling, distribution and operating expenses, net(1,500,694)(2,643,927)Operating income (loss)79,118(595,717)Other income and (expense); Interest spense673,688Interest expense(734,724)(179,7168)Loss from continuing operations, het of income tax(1,212,756)(1,323,288)Income from continuing operations, het of income tax8,005(0,013,37)Net loss attributable to noncontrolling interests(1,218,605)(2,243,635)Income from continuing operations, het of income tax8,005(1,233,628)Income from continuing operations(1,218,605)(2,243,635)Interest spense)(1,218,605)(2,243,635)Interest income | (Loss) (in thousands of U.S. dollars) | | 9 months ended September 30, | | | |
|--|---|----|------------------------------|----|-------------|--|
| Revenue, net (including related party amounts of \$87,270 and \$126,031 during 9 months 2014 and 2013, respectively)5Sost of goods old (including related party amounts of \$91,026 and \$50,3377 during 9 months 2014 and 2013, respectively)5 $5,032,121$ \$ $6,718,100$ Selling, distribution and operating expenses: Selling and distribution expenses $(1,136,949)$ $(1,312,079)$ $(3,272,309)$ $(4,669,898)$ Selling, distribution expenses $(1,136,949)$ $(1,312,079)$ $(3,272,309)$ $(4,669,898)$ Sost of goods of for the tan income tax $(138,248)$ $(90,386)$ Accretion expense $(4,436)$ $(3,744)$ Loss on write-off of property, plant and equipment $(7,713)$ $(5,270)$ Income from related parties $(15,598)$ $(629,392)$ Provision for amounts due from related parties $(2,8756)$ $(148,56)$ Provision for doubiful accounts $(2,8756)$ $(16,855)$ Gotar setting income doss) $(73,4714)$ $(79,718)$ Other income and (expense): Interest spense $(73,4724)$ $(15,978)$ Interest spense $(73,4724)$ $(15,938)$ Other income and (expense), net $(1,212,756)$ $(1,232,885)$ Income (loss) from discontinued operations, net of income tax $(4,003)$ $(2,246,652)$ Net lossIrobusto operations, net of income tax $(1,218,605)$ $(2,246,652)$ Net lossIrobusto operations of Mechel OAO $(1,222,732)$ $(2,246,652)$ Net lossIributable to noncontrolling interests $(4,003)$ $(2,2930)$ Net | (| - | | | | |
| Revenue, net (including related party amounts of \$87,270 and \$126,031 during 9 months 2014 and 2013, respectively)5Sost of goods old (including related party amounts of \$91,026 and \$50,3377 during 9 months 2014 and 2013, respectively)5 $5,032,121$ \$ $6,718,100$ Selling, distribution and operating expenses: Selling and distribution expenses $(1,136,949)$ $(1,312,079)$ $(3,272,309)$ $(4,669,898)$ Selling, distribution expenses $(1,136,949)$ $(1,312,079)$ $(3,272,309)$ $(4,669,898)$ Sost of goods of for the tan income tax $(138,248)$ $(90,386)$ Accretion expense $(4,436)$ $(3,744)$ Loss on write-off of property, plant and equipment $(7,713)$ $(5,270)$ Income from related parties $(15,598)$ $(629,392)$ Provision for amounts due from related parties $(2,8756)$ $(148,56)$ Provision for doubiful accounts $(2,8756)$ $(16,855)$ Gotar setting income doss) $(73,4714)$ $(79,718)$ Other income and (expense): Interest spense $(73,4724)$ $(15,978)$ Interest spense $(73,4724)$ $(15,938)$ Other income and (expense), net $(1,212,756)$ $(1,232,885)$ Income (loss) from discontinued operations, net of income tax $(4,003)$ $(2,246,652)$ Net lossIrobusto operations, net of income tax $(1,218,605)$ $(2,246,652)$ Net lossIrobusto operations of Mechel OAO $(1,222,732)$ $(2,246,652)$ Net lossIributable to noncontrolling interests $(4,003)$ $(2,2930)$ Net | | | (unaudited) | | (unaudited) | |
| $\begin{array}{cccc} & $309,377 \ during 9 \mbox{ months } 2014 \mbox{ and } 2013, respectively) \\ \hline & $3,272,309 \mbox{ months } 2014 \mbox{ months } 2013 \mbox{ months } 2013 \mbox{ months } 2014 mont$ | | \$ | 5,032,121 | \$ | 6,718,108 | |
| Gross profit $1,759,812$ $2,048,210$ Selling, distribution and operating expenses: Selling and distribution expenses $(1,136,949)$ $(1,312,079)$ Taxes other than income tax $(138,248)$ $(00,386)$ Accretion expense $(4,336)$ $(3,764)$ Loss on write-off of property, plant and equipment $(7,713)$ $(5,270)$ Impairment of goodwill and long-lived assets $ (177,416)$ Provision for amounts due from related parties $(15,598)$ $(629,392)$ Provision for doubtful accounts $(28,756)$ $(16,855)$ General, administrative and other operating expenses, net $(1,680,694)$ $(2.643,292)$ Operating income (loss) $79,118$ $(595,717)$ Other income and (expense): Interest expense 67 $3,683$ Interest expense $(573,451)$ $(547,740)$ Other income and (expense), net $(1,29,177)$ $(19,168)$ Other income (expense), net $(1,212,756)$ $(1,3284)$ Income from calciexpense), net $(1,212,756)$ $(1,333,298)$ Income tax (expense) benefit $(1,222,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(124,605)$ $(2,243,635)$ Lass: Net (income) loss attributable to noncontrolling interests $(1,218,605)$ $(2,243,635)$ Lass: Net (income) loss attributable to noncontrolling interests $(1,222,732)$ $(2,246,692)$ Net loss $(124,605)$ $(2,243,635)$ $(2,245,635)$ Lass: Net (income) loss | | | (3,272,309) | | (4,669,898) | |
| Selling and distribution expenses $(1,136,949)$ $(1,312,079)$ Taxes other than income tax $(138,248)$ $(00,386)$ Accretion expense $(4,336)$ $(3,764)$ Loss on write-off of property, plant and equipment $(7,713)$ $(5,270)$ Impairment of godwill and long-lived assets- $(17,416)$ Provision for amounts due from related parties $(28,756)$ $(16,855)$ General, administrative and other operating expenses, net $(349,094)$ $(408,765)$ Total selling, distribution and operating expenses, net $(1,340,094)$ $(2,643,927)$ Other income and (expense): $(1,600,694)$ $(2,2643,927)$ Income from equity investments 67 $3,683$ Increst income $2,717$ $6,992$ Interest income $(2,74,51)$ $(547,740)$ Other income and (expense): net $(1,221,874)$ $(797,168)$ Income from equity investments 67 $3,683$ Interest expense $(73,451)$ $(79,71,68)$ Other income and (expense), net $(1,221,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,224,605)$ $(2,243,635)$ $(2,246,655)$ Less: Dividends on preferred shares (124) (124) (124) Net loss $(1,218,605)$ $(2,243,635)$ $(2,246,652)$ Less: Dividends on preferred shares $(1,218,605)$ $(2,243,635)$ Curre | | _ | | - | 2,048,210 | |
| Taxes other than income tax $(138,248)$ $(90,386$ Accretion expense $(4,336)$ $(3,764)$ Loss on write-off of property, plant and equipment $(7,713)$ $(5,270)$ Impairment of goodwill and long-lived assets $(1,77,13)$ $(5,270)$ Provision for amounts due from related parties $(15,98)$ $(629,392)$ Provision for doubtrul accounts $(28,756)$ $(16,885)$ General, administrative and other operating expenses, net $(349,094)$ $(408,765)$ Operating income (loss)79,118 $(595,717)$ Other income and (expense):79,118 $(595,717)$ Income from equity investments 67 $3,683$ Interest income $2,717$ $6,992$ Interest income $2,717$ $(19,9166)$ Total other income and (expense), net $(1,221,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,332,285)$ Income tax (expense) benefit $(1,333,298)$ $(1,222,610)$ $(1,233,298)$ Income (loss) from discontinued operations, net of income tax $(4,003)$ $(2,245,655)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,245,655)$ Less: Dividends on preferred shares (124) (127) Net loss $(1,218,605)$ $(2,246,655)$ $(2,246,655)$ C | Selling, distribution and operating expenses: | | | | | |
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| Loss on write-off of property, plant and equipment $(7,713)$ $(5,270)$ Impairment of goodwill and long-lived assets. $(177,416)$ Provision for amounts due from related parties $(15,598)$ $(629,392)$ Provision for doubtful accounts $(28,756)$ $(16,885)$ General, administrative and other operating expenses, net $(349,094)$ $(408,765)$ Total selling, distribution and operating expenses, net $(1,680,694)$ $(2,643,927)$ Operating income (loss)79,118 $(595,717)$ Other income and (expense):Income from equity investments67 $3,683$ Interest income $2,717$ $6,992$ Interest income (expense), net $(1,291,874)$ $(797,168)$ Cother income (expense), net $(1,221,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,332,298)$ Income (loss) from discontinued operations, net of income tax $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,243,635)$ Less: Dividends on preferred shares $(1,218,605)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,243,635)$ $(2,246,692)$ Net loss attributable to common shareholders of Mechel OAO $(1,222,732)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,243,635)$ $(2,243,635)$ Cutrency translation adjustment $(10,031,002)$ $(2,273,969)$ Charge in pension benefit obligation $(6,528)$ $(2,230,692)$ <trd>Cutades a</trd> | Taxes other than income tax | | (138,248) | | (90,386) | |
| Impairment of goodwill and long-lived assets- $(177,416)$ Provision for amounts due from related parties $(15,598)$ $(629,392)$ Provision for doubtif accounts $(28,756)$ $(16,885)$ General, administrative and other operating expenses, net $(349,094)$ $(408,765)$ Total selling, distribution and operating expenses, net $(1,680,694)$ $(2,643,927)$ Operating income (loss)79,118 $(595,717)$ Other income and (expense):67 $3,683$ Incerest income $2,717$ $6,992$ Interest income $2,717$ $6,992$ Interest income $2,717$ $(6,992)$ Interest income and (expense), net $(1,291,874)$ $(779,168)$ Cother income and (expense), net $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,583$ Income tax (expense) benefit $(12,26,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $(4,003)$ $(2,243,655)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,243,655)$ Less: Dividends on preferred shares $(12,21,605)$ $(2,243,655)$ Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $(6,328)$ $(2,649)$ Other income intribuble to soncontrolling interests (307) (836) Comprehensive loss $(1,033,102)$ $(2,273,969)$ Comprehensive loss $(1,033,102)$ $(2,273,969)$ < | Accretion expense | | (4,336) | | (3,764) | |
| Provision for amounts due from related parties $(15,598)$ $(629,392)$ Provision for doubtful accounts $(28,756)$ (16.855) General, administrative and other operating expenses, net $(349,094)$ $(408,765)$ Total selling, distribution and operating expenses, net $(1.680,694)$ $(2.643,927)$ Operating income (loss) $79,118$ $(595,717)$ Other income and (expense): $79,118$ $(595,717)$ Income from equity investments 67 3.683 Interest income $2,717$ $6,992$ Interest expense $(573,451)$ $(547,740)$ Foreign exchange loss $(734,724)$ $(150,938)$ Other income and (expense), net $13,517$ $(109,166)$ Total other income and (expense), net $(1,221,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,226,610)$ $(1,233,298)$ $(1,226,610)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(2,243,635)$ Less: Dividends on preferred shares (124) (127) Net loss $(1,222,608)$ $(2,246,655)$ Less: Dividends on preferred shares (124) (122) Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $-68,951$ $68,951$ Change in pension benefit obligation $(6,328)$ $(2,237,369)$ <td>Loss on write-off of property, plant and equipment</td> <td></td> <td>(7,713)</td> <td></td> <td>(5,270)</td> | Loss on write-off of property, plant and equipment | | (7,713) | | (5,270) | |
| Provision for doubtful accounts $(28,756)$ $(16,855)$ General, administrative and other operating expenses, net $(349,094)$ $(408,765)$ Total selling, distribution and operating expenses, net $(1,680,694)$ $(2,643,927)$ Operating income (loss) $79,118$ $(595,717)$ Other income and (expense): 67 $3,682$ Increst income $2,717$ $6,992$ Interest income $2,717$ $6,992$ Interest income $2,717$ $6,992$ Interest income $(2,44,27)$ $(150,938)$ Other income (expense), net $(1,218,74)$ $(179,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,332,288)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss from continuing operations, net of income tax $(4,003)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(1,212,608)$ $(2,243,635)$ Less: Dividends on preferred shares (124) (127) Net loss $(1,218,605)$ $(2,243,635)$ $(2,243,635)$ Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $(6,328)$ $(2,659)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss attributable to noncontrolling interests $(2,243,635)$ $(2,243,635)$ Corrency translation adjustment due to disposal of subsidiaries $(6,328)$ $(2,243,635)$ Change in pensi | Impairment of goodwill and long-lived assets | | - | | (177,416) | |
| General, administrative and other operating expenses, net $(349,094)$ $(408,765)$ Total selling, distribution and operating expenses, net $(1,680,694)$ $(2,643,927)$ Operating income (loss)79,118 $(595,717)$ Other income and (expense): 67 $3,683$ Interest income $2,717$ $6,992$ Interest expense $(573,451)$ $(547,740)$ Foreign exchange loss $(734,724)$ $(150,938)$ Other income (expense), net $113,517$ $(109,166)$ Total other income and (expense), net $(1,221,876)$ $(1,392,885)$ Loss from continuing operations, before income tax $(1,226,610)$ $(1,333,298)$ Income tax (expense) benefit $(1,226,610)$ $(1,233,3298)$ Income (loss) from discontinued operations, net of income tax $(4,003)$ $(2,243,635)$ Less: Net loss $(1,218,605)$ $(2,243,635)$ $(2,246,692)$ Net loss attributable to noncontrolling interests $(122,608)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,243,635)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,243,635)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,243,635)$ $(2,243,635)$ Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $ 68,951$ Change in pension benefit obligation $(6,328)$ $(2,273,969)$ Comprehensive loss attributable to noncontrolling interests 307 (836) Comprehensive loss attributable t | Provision for amounts due from related parties | | (15,598) | | (629,392) | |
| Total selling, distribution and operating expenses, net $(1,680,694)$ $(2,643,927)$ Operating income (loss)79,118 $(595,717)$ Other income and (expense): Income from equity investments673,683Interest income2,7176,992Interest expense $(573,451)$ $(547,744)$ Foreign exchange loss $(734,724)$ $(150,938)$ Other income (expense), net $13,517$ $(109,166)$ Total other income and (expense), net $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,587$ Net loss from continuing operations, het of income tax $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,218,605)$ $(2,243,635)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(1,212,608)$ $(2,246,655)$ Less: Dividends on preferred shares (124) (127) Net loss $(1,218,605)$ $(2,243,635)$ $(2,246,652)$ Less: Dividends on preferred shares (124) (127) Net loss $(1,218,605)$ $(2,243,635)$ $(2,246,652)$ Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $-68,951$ $(6,328)$ $(2,655)$ Change in pension benefit obligation $(6,528)$ $(2,655)$ $(2,273,969)$ Change in pension benefit obligation $(6,328)$ $(2,655)$ Change in pensio | Provision for doubtful accounts | | (28,756) | | (16,855) | |
| Operating income (loss) $79,118$ $(595,717)$ Other income and (expense): Income from equity investments 67 $3,683$ Interest income $2,717$ $6,992$ Interest income $2,717$ $6,992$ Interest expense $(573,451)$ $(547,740)$ Foreign exchange loss $(734,724)$ $(150,938)$ Other income (expense), net $13,517$ $(109,166)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,587$ Net loss from continuing operations $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,2212,608)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,246,652)$ Net loss attributable to shareholders of Mechel OAO $(1,222,732)$ $(2,246,692)$ Net loss (124) (127) (124) Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $-68,951$ $(6,328)$ $(2,659)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss $(1,003,102)$ $(2,273,969)$ Comprehensive loss attributable to noncontrolling interests $45,325$ $23,623$ | General, administrative and other operating expenses, net | _ | (349,094) | | (408,765) | |
| Other income and (expense):Income from equity investments67 $3,683$ Interest income $2,717$ $6,992$ Interest expense $(573,451)$ $(547,740)$ Foreign exchange loss $(734,724)$ $(150,938)$ Other income (expense), net $13,517$ $(109,166)$ Total other income and (expense), net $(1,221,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,332,288)$ Income tax (expense) benefit $(13,854)$ $59,587$ Net loss from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,930)$ Net loss attributable to shareholders of Mechel OAO $(1,222,732)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,243,635)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,246,692)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,246,692)$ $(1,222,732)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,246,692)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,24$ | Total selling, distribution and operating expenses, net | | (1,680,694) | | (2,643,927) | |
| Income from equity investments 67 $3,683$ Interest income $2,717$ $6,992$ Interest expense $(573,451)$ $(547,740)$ Foreign exchange loss $(734,724)$ $(150,938)$ Other income (expense), net $13,517$ $(109,166)$ Total other income and (expense), net $(1,221,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,587$ Net loss from continuing operations $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,2930)$ Net loss attributable to shareholders of Mechel OAO $(1,222,608)$ $(2,246,652)$ Net loss $(1,218,605)$ $(2,243,635)$ $(2,243,635)$ Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries 307 (836) Change in pension benefit obligation $(6,328)$ $(2,273,969)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss $(1,033,102)$ $(2,273,969)$ Compr | Operating income (loss) | | 79,118 | _ | (595,717) | |
| Interest income $2,717$ $6,992$ Interest expense $(573,451)$ $(547,740)$ Foreign exchange loss $(734,724)$ $(150,938)$ Other income (expense), net $13,517$ $(109,166)$ Total other income and (expense), net $(1,291,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,587$ Net loss from continuing operations $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,2930)$ Net loss attributable to shareholders of Mechel OAO $(1,222,608)$ $(2,246,652)$ Less: Dividends on preferred shares (124) (127) Net loss $(1,218,605)$ $(2,243,635)$ Currency translation adjustment $(10 disposal of subsidiaries)$ $(6,328)$ $(2,243,635)$ Change in pension benefit obligation $(6,328)$ $(2,659)$ $(2,659)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss $(1,033,102)$ $(2,273,969)$ Comprehensive loss attributable to noncontrolling interests $45,325$ $23,628$ | Other income and (expense): | | | | | |
| Interest expense $(573,451)$ $(547,740)$ Foreign exchange loss $(734,724)$ $(150,938)$ Other income (expense), net $13,517$ $(109,166)$ Total other income and (expense), net $(1,291,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,587$ Net loss from continuing operations $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,930)$ Net loss attributable to shareholders of Mechel OAO $(1,222,608)$ $(2,246,655)$ Less: Dividends on preferred shares (124) (127) Net loss $(1,218,605)$ $(2,243,635)$ Currency translation adjustment $(16,328)$ $(2,243,635)$ Currency translation adjustment $(16,328)$ $(2,659)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss $(1,033,102)$ $(2,273,969)$ Comprehensive loss attributable to noncontrolling interests $45,325$ $23,628$ | Income from equity investments | | 67 | | 3,683 | |
| Foreign exchange loss $(734,724)$ $(150,938)$ Other income (expense), net $13,517$ $(109,166)$ Total other income and (expense), net $(1,291,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,587$ Net loss from continuing operations $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,930)$ Net loss attributable to shareholders of Mechel OAO $(1,222,608)$ $(2,246,655)$ Less: Dividends on preferred shares (124) (127) Net loss attributable to common shareholders of Mechel OAO $(1,222,732)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,243,635)$ Currency translation adjustment $(6,328)$ $(2,659)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss $(1,033,102)$ $(2,273,969)$ Comprehensive loss attributable to noncontrolling interests $45,325$ $23,628$ | Interest income | | 2,717 | | 6,993 | |
| Other income (expense), net $13,517$ $(109,166)$ Total other income and (expense), net $(1,291,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,587$ Net loss from continuing operations $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,290)$ Net loss attributable to shareholders of Mechel OAO $(1,222,608)$ $(2,246,652)$ Less: Dividends on preferred shares (124) (127) Net loss attributable to common shareholders of Mechel OAO $(1,222,732)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,243,635)$ Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $-68,951$ $(6,328)$ Change in pension benefit obligation $(6,328)$ $(2,659)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss $(1,033,102)$ $(2,273,969)$ Comprehensive loss attributable to noncontrolling interests $45,325$ $23,628$ | Interest expense | | (573,451) | | (547,740) | |
| Total other income and (expense), net $(1,291,874)$ $(797,168)$ Loss from continuing operations, before income tax $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,58$ Net loss from continuing operations $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,2930)$ Net loss attributable to shareholders of Mechel OAO $(1,222,608)$ $(2,246,655)$ Less: Dividends on preferred shares (124) (127) Net loss attributable to common shareholders of Mechel OAO $(1,222,732)$ $(2,246,652)$ Net loss $(1,218,605)$ $(2,243,635)$ Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $-68,951$ $(6,328)$ Change in pension benefit obligation $(6,328)$ $(2,659)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss $(1,033,102)$ $(2,273,969)$ Comprehensive loss attributable to noncontrolling interests $45,325$ $23,628$ | Foreign exchange loss | | (734,724) | | (150,938) | |
| Loss from continuing operations, before income tax $(1,212,756)$ $(1,392,885)$ Income tax (expense) benefit $(13,854)$ $59,58'$ Net loss from continuing operations $(1,226,610)$ $(1,333,298)$ Income (loss) from discontinued operations, net of income tax $8,005$ $(910,337)$ Net loss $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,930)$ Net loss attributable to shareholders of Mechel OAO $(1,222,608)$ $(2,246,655)$ Less: Dividends on preferred shares (124) (127) Net loss $(1,218,605)$ $(2,243,635)$ Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $ 68,951$ Change in pension benefit obligation $(6,328)$ $(2,629)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss $(1,033,102)$ $(2,273,969)$ Comprehensive loss attributable to noncontrolling interests $45,325$ $23,628$ | Other income (expense), net | _ | 13,517 | _ | (109,166) | |
| Income tax (expense) benefit(13,854)59,587Net loss from continuing operations(1,226,610)(1,333,298Income (loss) from discontinued operations, net of income tax8,005(910,337Net loss(1,218,605)(2,243,635Less: Net (income) loss attributable to noncontrolling interests(4,003)(2,930)Net loss attributable to shareholders of Mechel OAO(1,222,608)(2,246,565Less: Dividends on preferred shares(124)(127)Net loss attributable to common shareholders of Mechel OAO(1,222,732)(2,246,692)Net loss(1,218,605)(2,243,635)Currency translation adjustment191,524(95,790)Transfer of currency translation adjustment due to disposal of subsidiaries-68,951Change in pension benefit obligation(6,328)(2,659)Adjustment of available-for-sale securities307(836Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | Total other income and (expense), net | _ | (1,291,874) | _ | (797,168) | |
| Net loss from continuing operations(1,226,610)(1,333,298)Income (loss) from discontinued operations, net of income tax8,005(910,337)Net loss(1,218,605)(2,243,635)Less: Net (income) loss attributable to noncontrolling interests(4,003)(2,930)Net loss attributable to shareholders of Mechel OAO(1,222,608)(2,246,565)Less: Dividends on preferred shares(124)(127)Net loss attributable to common shareholders of Mechel OAO(1,222,732)(2,246,692)Net loss(1,218,605)(2,243,635)Currency translation adjustment191,524(95,790)Transfer of currency translation adjustment due to disposal of subsidiaries-68,951Change in pension benefit obligation(6,328)(2,659)Adjustment of available-for-sale securities307(836)Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | Loss from continuing operations, before income tax | | (1,212,756) | | (1,392,885) | |
| Income (loss) from discontinued operations, net of income tax8,005(910,337Net loss(1,218,605)(2,243,635)Less: Net (income) loss attributable to noncontrolling interests(4,003)(2,930)Net loss attributable to shareholders of Mechel OAO(1,222,608)(2,246,565)Less: Dividends on preferred shares(124)(127)Net loss attributable to common shareholders of Mechel OAO(1,222,732)(2,246,692)Net loss(1,218,605)(2,243,635)Currency translation adjustment191,524(95,790)Transfer of currency translation adjustment due to disposal of subsidiaries(6,328)(2,659)Change in pension benefit obligation(6,328)(2,273,969)Adjustment of available-for-sale securities307(836)Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | - | _ | | _ | 59,587 | |
| Net loss $(1,218,605)$ $(2,243,635)$ Less: Net (income) loss attributable to noncontrolling interests $(4,003)$ $(2,930)$ Net loss attributable to shareholders of Mechel OAO $(1,222,608)$ $(2,246,565)$ Less: Dividends on preferred shares (124) (127) Net loss attributable to common shareholders of Mechel OAO $(1,222,732)$ $(2,246,692)$ Net loss $(1,218,605)$ $(2,243,635)$ Currency translation adjustment $191,524$ $(95,790)$ Transfer of currency translation adjustment due to disposal of subsidiaries $ 68,951$ Change in pension benefit obligation $(6,328)$ $(2,659)$ Adjustment of available-for-sale securities 307 (836) Comprehensive loss $(1,033,102)$ $(2,273,969)$ Comprehensive loss attributable to noncontrolling interests $45,325$ $23,628$ | Net loss from continuing operations | _ | (1,226,610) | - | (1,333,298) | |
| Less: Net (income) loss attributable to noncontrolling interests(4,003)(2,930)Net loss attributable to shareholders of Mechel OAO(1,222,608)(2,246,565)Less: Dividends on preferred shares(124)(127)Net loss attributable to common shareholders of Mechel OAO(1,222,732)(2,246,692)Net loss(1,218,605)(2,243,635)Currency translation adjustment191,524(95,790)Transfer of currency translation adjustment due to disposal of subsidiaries-68,951Change in pension benefit obligation(6,328)(2,659)Adjustment of available-for-sale securities307(836)Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | · · · · · | | | | (910,337) | |
| Net loss attributable to shareholders of Mechel OAO(1,222,608)(2,246,565)Less: Dividends on preferred shares(124)(127)Net loss attributable to common shareholders of Mechel OAO(1,222,732)(2,246,692)Net loss(1,218,605)(2,243,635)Currency translation adjustment191,524(95,790)Transfer of currency translation adjustment due to disposal of subsidiaries-68,951Change in pension benefit obligation(6,328)(2,659)Adjustment of available-for-sale securities307(836)Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | | _ | | | | |
| Less: Dividends on preferred shares(124)(127)Net loss attributable to common shareholders of Mechel OAO(1,222,732)(2,246,692)Net loss(1,218,605)(2,243,635)Currency translation adjustment(191,524)(95,790)Transfer of currency translation adjustment due to disposal of subsidiaries-688,951Change in pension benefit obligation(6,328)(2,659)Adjustment of available-for-sale securities307(836)Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | | _ | | _ | | |
| Net loss attributable to common shareholders of Mechel OAO(1,222,732)(2,246,692Net loss(1,218,605)(2,243,635Currency translation adjustment191,524(95,790)Transfer of currency translation adjustment due to disposal of subsidiaries-68,951Change in pension benefit obligation(6,328)(2,659)Adjustment of available-for-sale securities307(836)Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | | | | | | |
| Net loss(1,218,605)(2,243,635)Currency translation adjustment191,524(95,790)Transfer of currency translation adjustment due to disposal of subsidiaries-68,951Change in pension benefit obligation(6,328)(2,659)Adjustment of available-for-sale securities307(836)Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | - | _ | | _ | | |
| Currency translation adjustment191,524(95,790)Transfer of currency translation adjustment due to disposal of subsidiaries-68,951Change in pension benefit obligation(6,328)(2,659)Adjustment of available-for-sale securities307(836)Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | Net loss attributable to common shareholders of Mechel OAO | = | (1,222,732) | = | (2,246,692) | |
| Transfer of currency translation adjustment due to disposal of subsidiaries-68,951Change in pension benefit obligation(6,328)(2,659)Adjustment of available-for-sale securities307(836)Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | | | | | (2,243,635) | |
| subsidiaries-68,951Change in pension benefit obligation(6,328)(2,659Adjustment of available-for-sale securities307(836Comprehensive loss(1,033,102)(2,273,969Comprehensive loss attributable to noncontrolling interests45,32523,628 | Currency translation adjustment | | 191,524 | | (95,790) | |
| Adjustment of available-for-sale securities307(836Comprehensive loss(1,033,102)(2,273,969Comprehensive loss attributable to noncontrolling interests45,32523,628 | | | - | | 68,951 | |
| Adjustment of available-for-sale securities307(836Comprehensive loss(1,033,102)(2,273,969Comprehensive loss attributable to noncontrolling interests45,32523,628 | | | (6,328) | | (2,659) | |
| Comprehensive loss(1,033,102)(2,273,969)Comprehensive loss attributable to noncontrolling interests45,32523,628 | | | | | (836) | |
| Comprehensive loss attributable to noncontrolling interests45,32523,628 | - | _ | | - | (2,273,969) | |
| | - | = | | = | 23,628 | |
| | Comprehensive loss attributable to shareholders of Mechel OAO | | (987,777) | _ | (2,250,341) | |

*there were certain reclassifications to conform with the current period presentation

Consolidated Statements of Cash Flows

| (<i>in thousands of U.S. dollars</i>) | | 9 months ended September 30, | | | |
|--|----|------------------------------|-------|--------------------|--|
| (in mousulus of 0.5. donars) | _ | 2014 | eu se | 2013* | |
| | | (unaudited) | | (unaudited) | |
| Cash Flows from Operating Activities | _ | · · · · | - | × , | |
| Net loss | \$ | (1,218,605) | \$ | (2,243,635) | |
| Plus: (Income) loss from discontinued operations, net of income tax | | (8,005) | | 910,337 | |
| Adjustments to reconcile net loss from continuing operations to net | | | | | |
| cash provided by operating activities: | | | | | |
| Depreciation | | 287,216 | | 320,452 | |
| Depletion and amortization | | 39,281 | | 64,999 | |
| Foreign exchange loss | | 734,724 | | 150,938 | |
| Deferred income taxes | | (117,367) | | (144,780) | |
| Provision for doubtful accounts | | 28,756 | | 16,853 | |
| Change in inventory reserves | | 88 | | (4,971) | |
| Accretion expense | | 4,336 | | 3,764 | |
| Loss on write-off of property, plant and equipment | | 7,713 | | 5,270 | |
| Impairment of goodwill and long-lived assets | | - | | 177,416 | |
| Income from equity investments | | (67) | | (3,683) | |
| Provision for amounts due from related parties | | 15,598 | | 629,392 | |
| Non-cash interest on pension liabilities | | 7,174 | | 8,148 | |
| Loss (gain) on sale of property, plant and equipment | | 2,254 | | (243) | |
| Gain on sale of investments | | (14,811) | | - | |
| Gain on accounts payable with expired legal term | | (616) | | (749) | |
| Loss on disposal of subsidiaries | | - | | 92,335 | |
| Amortization of loan origination fee | | 43,712 | | 42,328 | |
| Loss resulting from accretion and remeasurement of contingent liability | | 1,642 | | 1,521 | |
| Pension service cost, amortization of prior service cost and actuarial | | | | | |
| (gain) loss, other expenses | | 4,239 | | 4,796 | |
| Changes in working capital items, net of effects from acquisition of | | | | | |
| new subsidiaries: | | | | | |
| Accounts receivable | | 22,718 | | (22,397) | |
| Inventories | | 367,017 | | 412,421 | |
| Trade payable to vendors of goods and services | | 57,881 | | 38,787 | |
| Advances received | | (264) | | (35,797) | |
| Accrued taxes and other liabilities | | 458,204 | | 116,769 | |
| Settlements with related parties | | (41,647) | | (373,543) | |
| Other current assets | | 38,565 | | 62,400 | |
| Unrecognized income tax benefits | | (28,387) | | 32,787 | |
| Net operating cash flows of discontinued operations | _ | 7,897 | - | 50,624 | |
| Net cash provided by operating activities | _ | 699,246 | - | 312,539 | |
| Cash Flows from Investing Activities | | | | | |
| Acquisition of DEMP, less cash acquired | | (64,476) | | (43,548) | |
| Acquisition of Port Vanino | | - | | (518,823) | |
| Disposal of Port Vanino | | - | | 500,058 | |
| Proceeds from disposal of securities | | 15,599 | | - | |
| Short-term loans issued and other investments | | (2) | | (1,087) | |
| Proceeds from disposal of TPP Rousse, less cash disposed of | | 1,454 | | 26,684 | |
| Proceed from disposal of other subsidiaries disposed of, less cash | | 600 | | 1 226 | |
| disposed of Proceeds from short-term loans issued | | 690 1,334 | | 1,236 | |
| | | | | 6,465 4,685 | |
| Proceeds from disposals of property, plant and equipment | | 28,010 | | 4,685 (886) | |
| Purchases of mineral licenses and other related payments Purchases of property, plant and equipment | | (421,232) | | (880) (444,275) | |
| r urchases of property, plant and equipment | | (421,232) | | (444,273) | |

| (in thousands of U.S. dollars) | 9 months ended September 30, | | |
|--|------------------------------|-------------|--|
| | 2014 | 2013* | |
| | (unaudited) | (unaudited) | |
| Net investing cash flows of discontinued operations | 2,304 | (16,296) | |
| Net cash used in investing activities | (436,319) | (485,787) | |
| Cash Flows from Financing Activities | | | |
| Proceeds from borrowings | 2,061,294 | 2,555,319 | |
| Repayment of borrowings | (2,420,314) | (2,464,851) | |
| Dividends paid | (122) | (320) | |
| Dividends paid to noncontrolling interest | (147) | (1,569) | |
| Acquisition of noncontrolling interest in subsidiaries | (40,043) | (33) | |
| Repayment of obligations under finance lease | (33,047) | (109,026) | |
| Sale leaseback proceeds | 15,273 | 40,023 | |
| Net financing cash flows of discontinued operations | | (18,533) | |
| Net cash (used in) provided by financing activities | (417,106) | 1,010 | |
| Effect of exchange rate changes on cash and cash equivalents | (48,299) | (17,751) | |
| Net decrease in cash and cash equivalents | (202,478) | (189,989) | |
| Cash and cash equivalents at beginning of period | 274,539 | 297,993 | |
| Cash and cash equivalents at end of period | 72,062 | 108,004 | |

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*there were certain reclassifications to conform with the current period presentation