



FY 2015 RESULTS PRESENTATION

May 13, 2016



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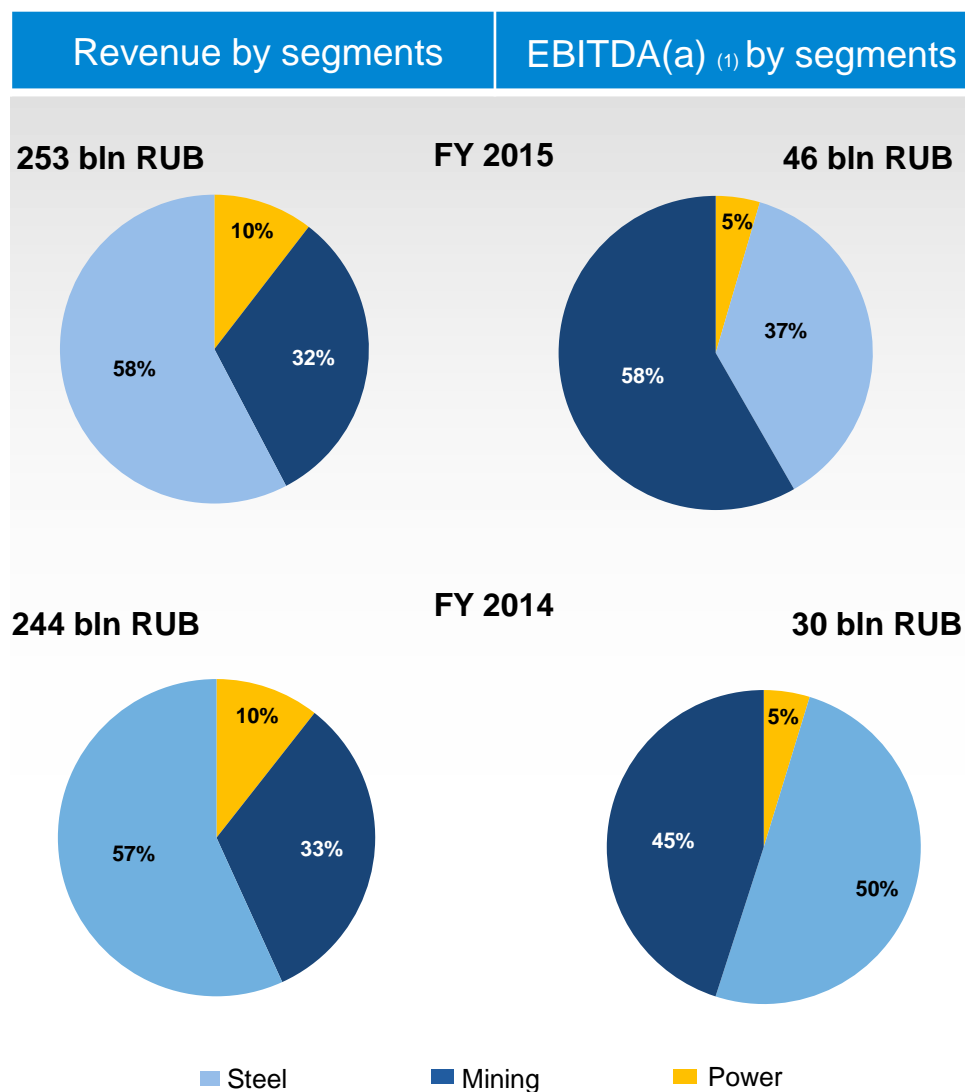
FINANCIAL HIGHLIGHTS



FY 2015 FINANCIAL RESULTS SUMMARY



Bln. RUB	FY 15	FY 14	Change
Revenue	253	244	4%
EBITDA(a)*	46	30	54%
Net (loss) / income	(115)	(133)	-13%
Net Debt*	507	407	25%



* For full calculations here and after see our press release

FY 2015 HIGHLIGHTS



+

Revenue increased by 4% YoY that together with lower Selling, distribution and operating expenses resulted in operating profit and EBITDA(a) increase.

+

EBITDA(a) margin in 2015 increased to 18% from 12% in 2014.

+

Mining segment`s contribution to consolidated EBITDA(a) amounted to 58%, Steel segment share was 37% and Power segment share was 5%.

+

Net debt amounted to 507 bln rubles as of December 31, 2015.
Net debt increased by 25% from 407 bln rubles as of the end of 2014 primarily due to further ruble depreciation and growth in Interest payable, fines and penalties on overdue amounts.

+

Net loss in 2015 decreased by 13% compared to the year 2014.
The major cause of 115 bln rubles Net loss was 71 bln rubles FX-loss .

+

Chinese demand decrease resulted in lower metallurgical coal sales volumes ...
... but it was fully offset by ruble denominated prices growth on ruble depreciation.

+

Weaker demand in China resulted in decrease of China share in segment sales from 35% to 27%.
Asia w/o China share as well as Europe share both increased from 15% to 20%.

+

Revenue from external customers was stable YoY (+1%)
Intersegment sales increased as a result of coke and iron ore ruble prices increase due to ruble depreciation.

+

Higher ruble denominated coal prices with stable cash costs and lower selling and distribution expenses resulted in EBITDA(a) growth from 13 bln rubles in 2014 to 27 bln rubles in 2015.

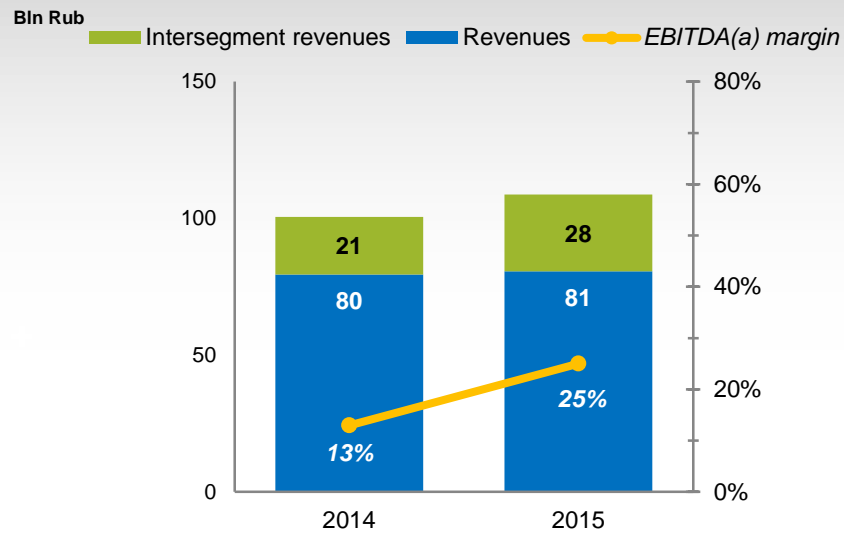
+

EBITDA(a) margin amounted to 25%, compared to 13% in 2014.

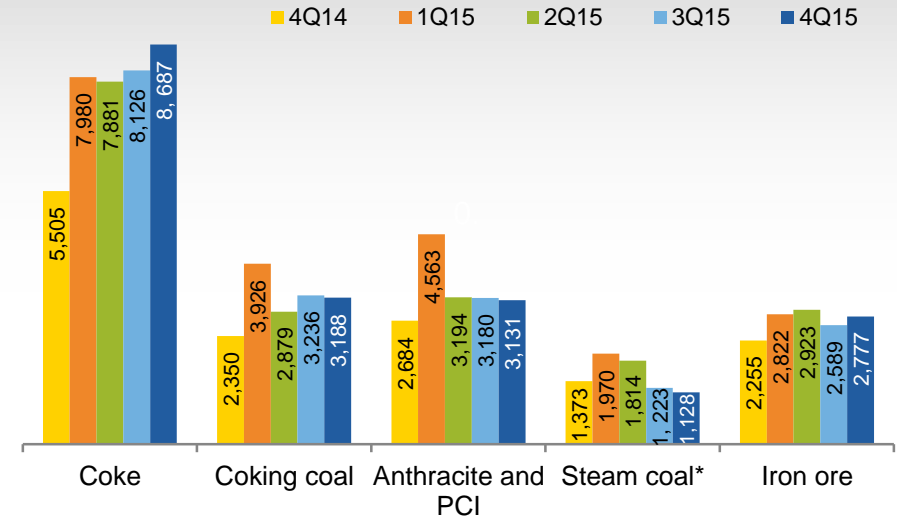
MINING SEGMENT



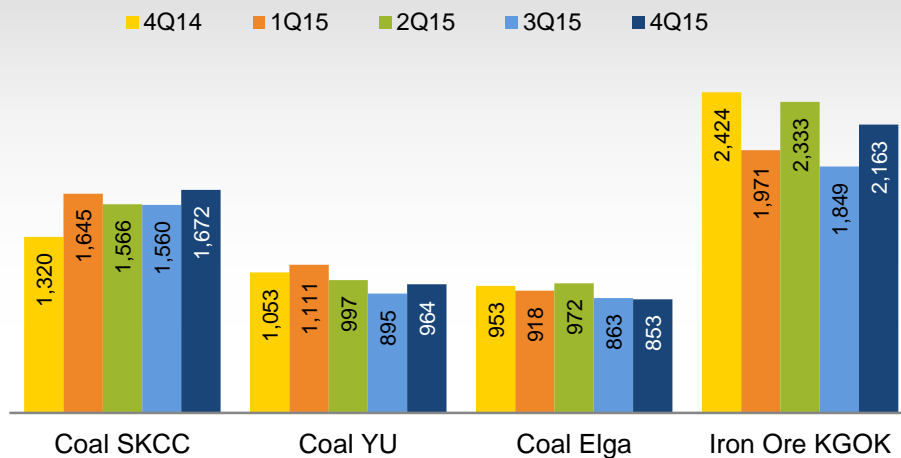
REVENUE, EBITDA(a)⁽¹⁾



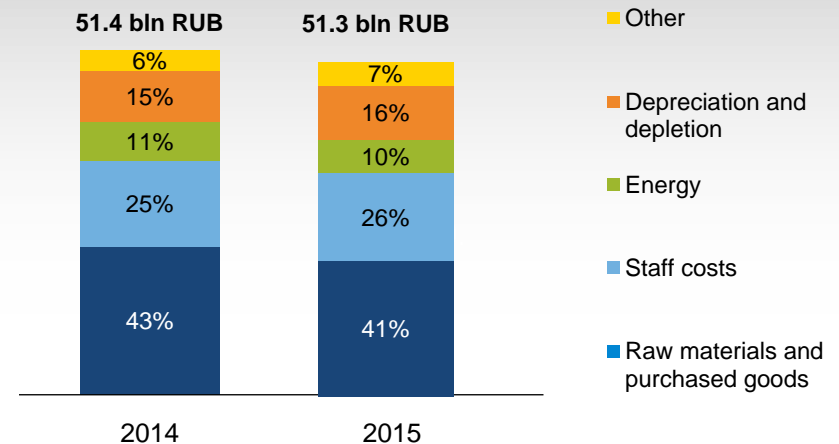
AVERAGE SALES PRICES FCA, RUB/TONNE



CASH COSTS, RUB/TONNE



COS STRUCTURE

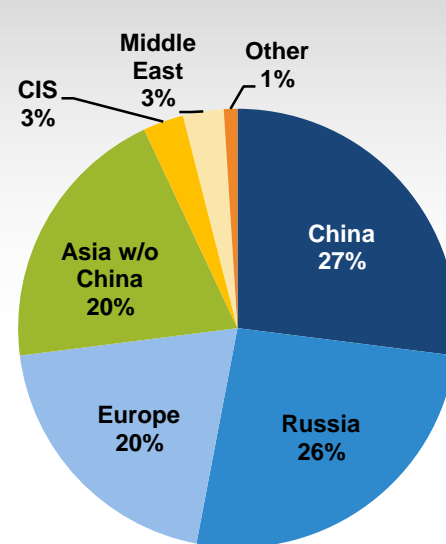
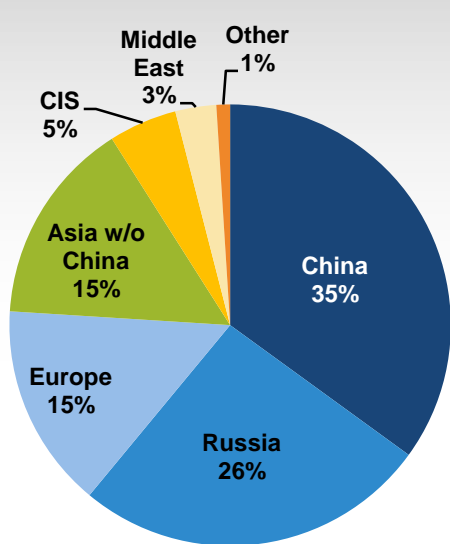


* Restated to include middlings

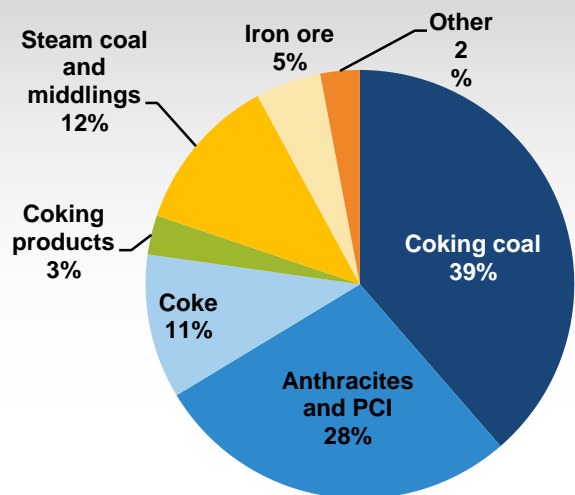
MINING SEGMENT



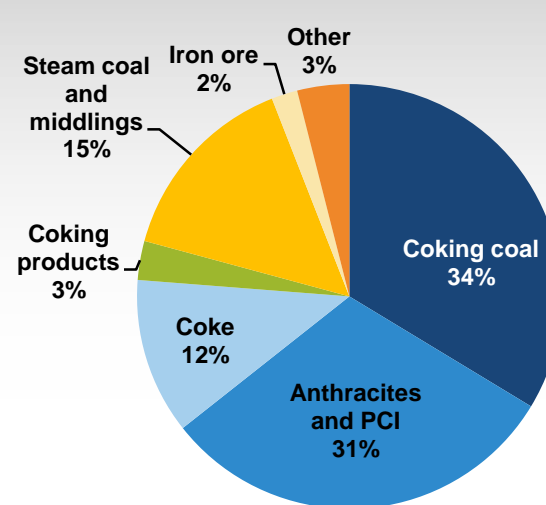
REVENUE BREAKDOWN BY REGION



REVENUE BREAKDOWN BY PRODUCTS



2014 revenue 80 bln RUB



2015 revenue 81 bln RUB

MINING SEGMENT OPERATIONAL RESULTS



PRODUCTION:

Product	FY 2015, thousand tonnes	FY 2014, thousand tonnes	Change	4Q 2015, thousand tonnes	3Q 2015, thousand tonnes	Change
Run-of-mine coal	23,181	22,624	+2%	5,776	5,957	-3%

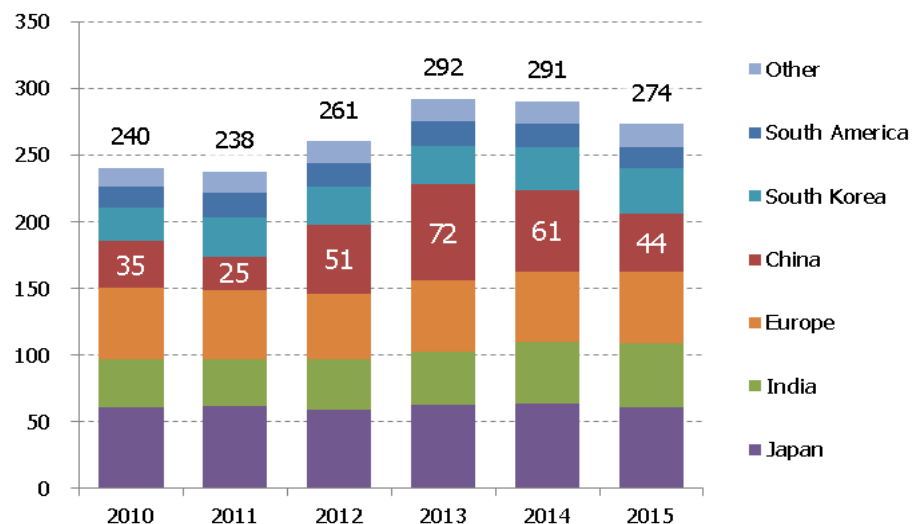
SALES:

Product	FY 2015, thousand tonnes	FY 2014, thousand tonnes	Change	4Q 2015, thousand tonnes	3Q 2015, thousand tonnes	Change
Coking coal concentrate	8,215	10,140	-19%	2,014	2,133	-6%
PCI	2,251	3,063	-27%	457	472	-3%
Anthracites	2,076	2,107	-1%	506	462	+10%
Steam coal	6,564	5,958	+10%	1,657	1,867	-11%
Iron ore concentrate	2,806	3,120	-10%	737	752	-2%
Coke	2,911	3,234	-10%	670	757	-11%

BEST CASH COST COAL PRODUCER



WORLD COKING COAL TRADE, MLN TONNES



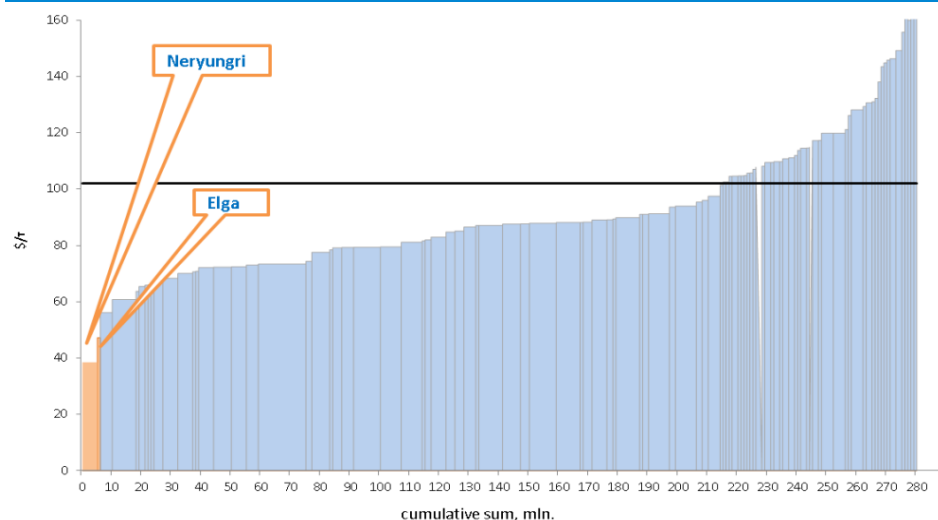
World coking coal trade (a key market of Elga and Yakutugol) is estimated to 290-295 million tonnes.

The share of hard coking coal (HCC) in the total exports in 2015 amounted to ~ 70 % or ~ 205 million tonnes.

In 2012-2013, China became the largest consumer of coal, but the reduction in domestic demand led to a decrease in demand for imports, which in turn had an impact on the overall dynamics of world trade.

Meanwhile, the demand from other players (Japan, Korea and India) is growing. Therefore, excluding China, who internally covers 92-93% of its own needs, it can be said that the export market of coking coal is developing steadily.

MECHEL ON HCC COST CURVE IN 2015

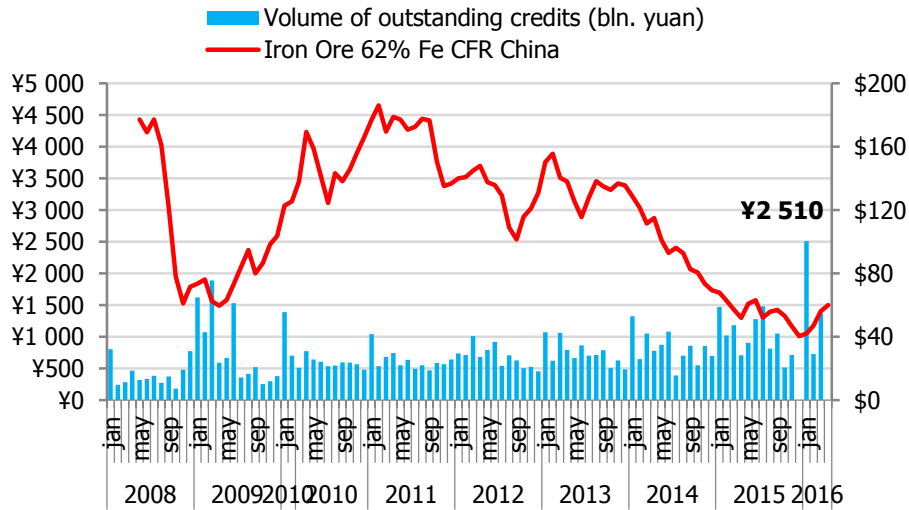


According to CRU Int., Mechel's export-oriented mining assets are below the level of marginal producer at the specified volumes of world trade. In other words we are fundamentally competitive and we can sell everything we mine even at a strong price competition.

COKING COAL, INTERNATIONAL MARKET – IS THE BOTTOM PASSED?

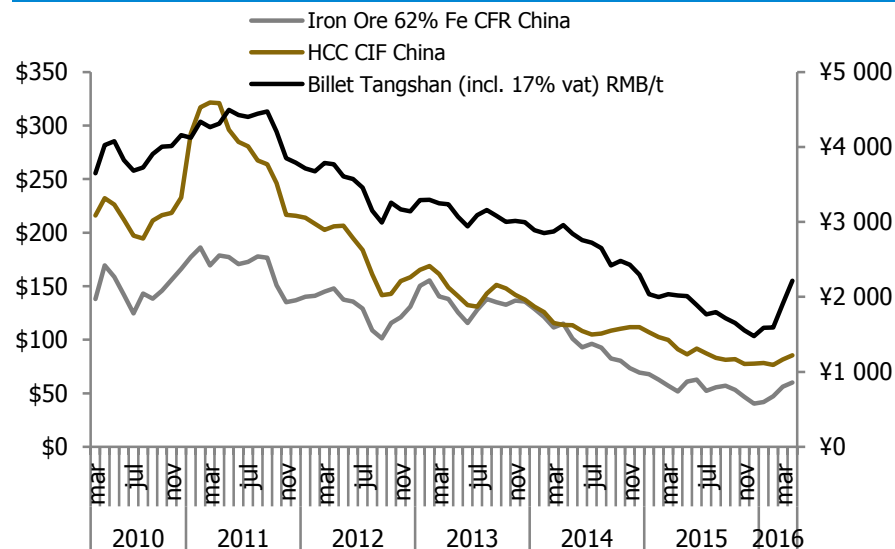


VOLUME OF OUTSTANDING CREDITS AND IRON ORE PRICES

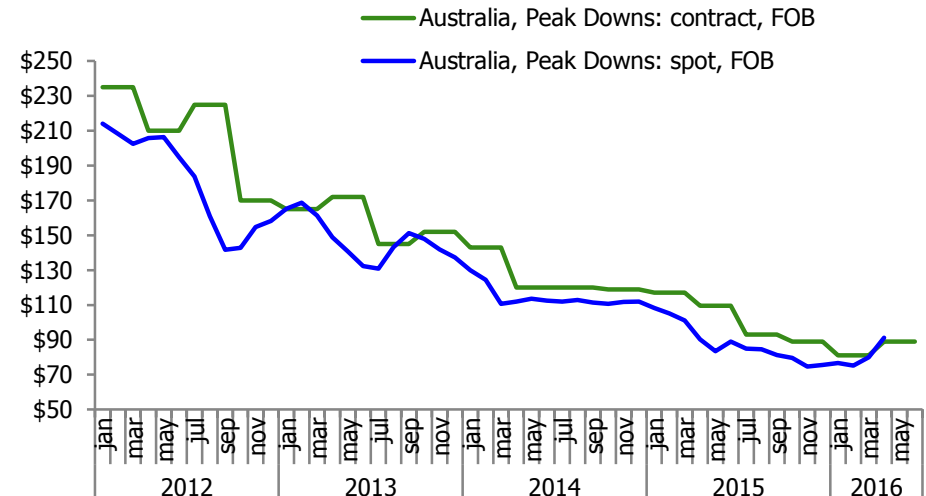


- In January 2016, China's Central Bank granted yuan loans for the amount of approximately \$385 billion. There was no such large capital infusions even in 2008-2009.
- Increase of capital inflows to construction sector stimulated the growth of steel products demand.
- Speculative element was added to fundamental factors: the expectation of further measures to stimulate domestic demand and to reduce steel production in Tangshan during horticulture exhibition.
- As a result, there was a price boom on steel products on a domestic market, which in turn pulled up the prices for iron ore and coking coal. We expect this trend to remain in place in the nearest future.
- Eventually, in April spot coking coal prices exceeded contract prices and reached \$100/ton for different types. So in the third quarter contract prices will be arranged near the level of \$100/ton FOB Australia.

BILLETS AND IMPORTED RAW MATERIALS PRICES IN CHINA



CONTRACT PRICES AND SPOT PRICES HCC, USD/MT FOB AUSTRALIA



STEEL SEGMENT



+

Revenue from third parties increased 5% YoY mostly due to steel prices increase driven by ruble depreciation.

+

COGS grew at lower rate that led to insignificant increase in profitability.

+

EBITDA(a) grew by 15% YoY and amounted to 17 bln rubles.

+

Ruble denominated cash costs were gradually increasing throughout the year on growing prices for steel raw materials

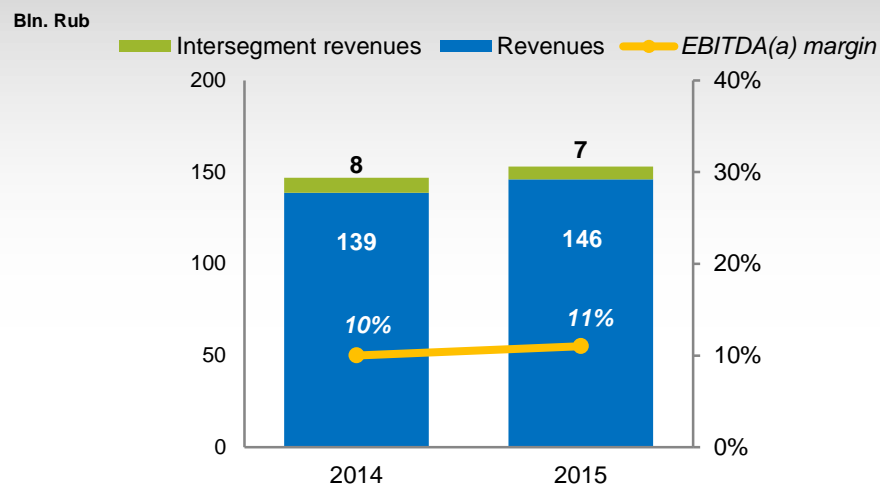
+

Revenue structure by products and markets slightly changed YoY.

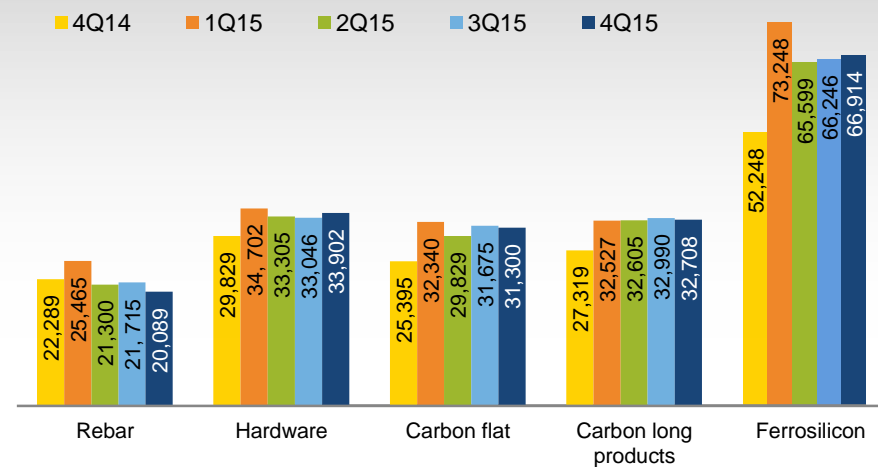
STEEL SEGMENT



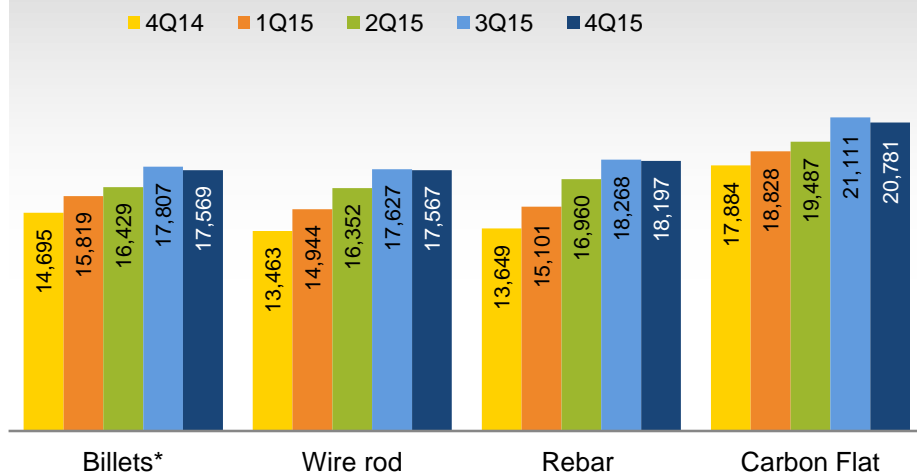
REVENUE, EBITDA(a)



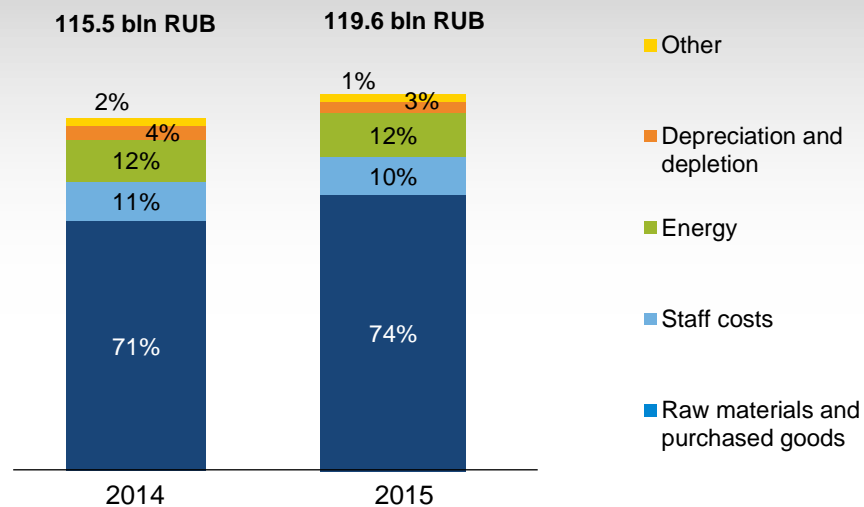
AVERAGE SALES PRICES FCA, RUB/TONNE



CASH COSTS, RUB/TONNE



COS STRUCTURE

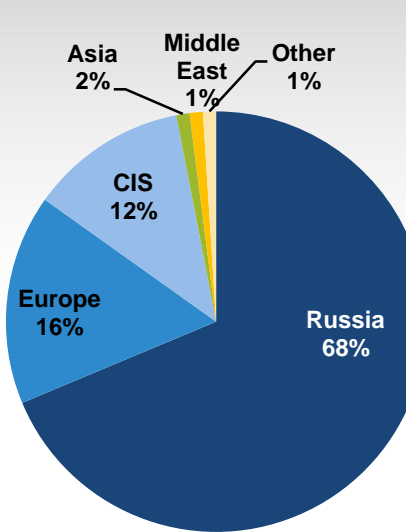
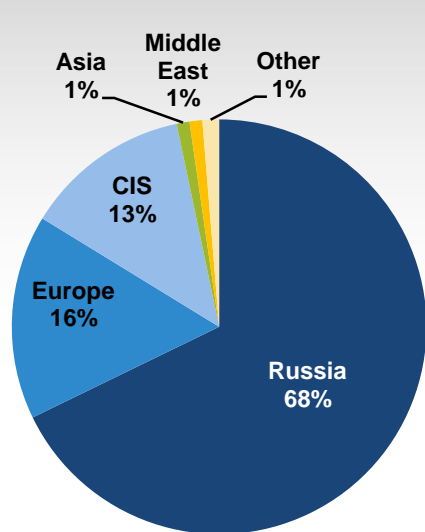


* Domestic sales

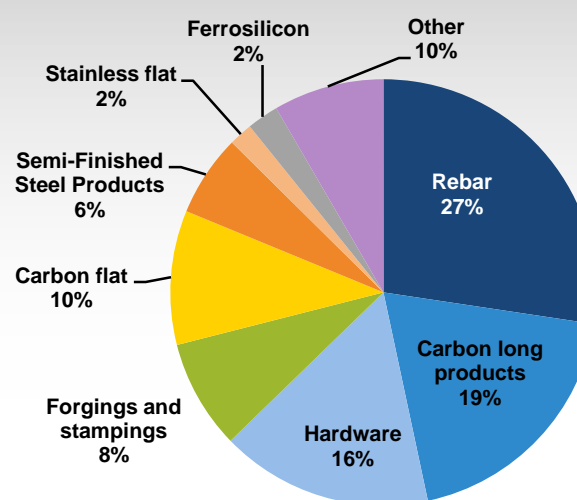
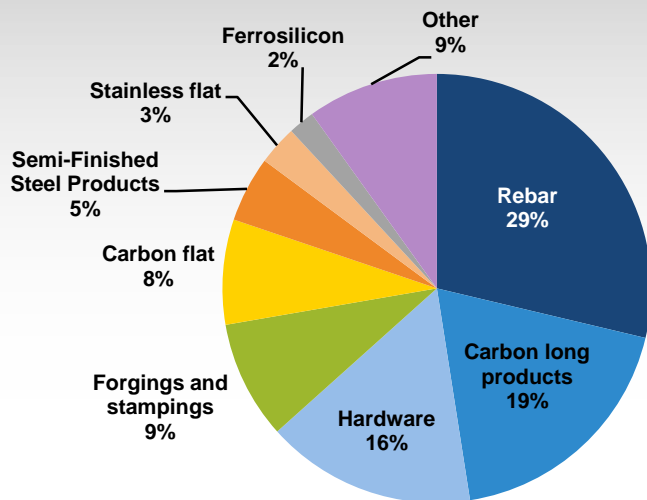
STEEL SEGMENT



REVENUE BREAKDOWN BY REGION



REVENUE BREAKDOWN BY PRODUCTS



2014 revenue 139 bln RUB

2015 revenue 146 bln RUB

STEEL SEGMENT OPERATIONAL RESULTS



PRODUCTION:

Product	FY 2015, thousand tonnes	FY 2014, thousand tonnes	Change	4Q 2015, thousand tonnes	3Q 2015, thousand tonnes	Change
Pig Iron	4,065	3,946	+3%	1,006	1,014	-1%
Steel	4,321	4,269	+1%	1,081	1,093	-1%

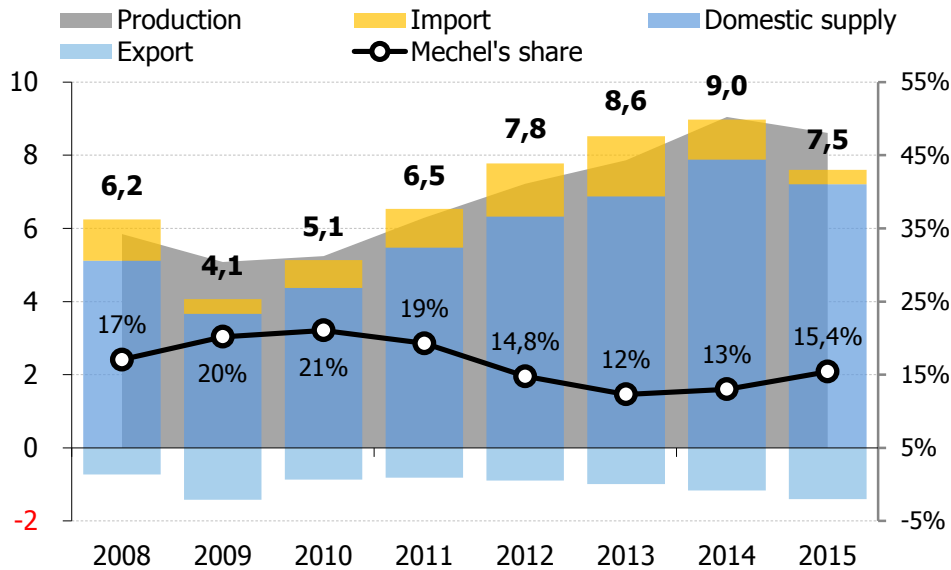
SALES:

Product	FY 2015, thousand tonnes	FY 2014, thousand tonnes	Change	4Q 2015, thousand tonnes	3Q 2015, thousand tonnes	Change
Flat products	478	451	+6%	121	121	0%
Long products	2,743	2,960	-7%	641	734	-13%
Billets	232	117	+98%	64	56	+14%
Hardware	692	766	-10%	162	189	-14%
Forgings	54	53	+2%	12	15	-19%
Stampings	67	84	-20%	17	18	-5%
Ferrosilicon	81	87	-7%	22	23	-4%

REBAR: RISING PRICES

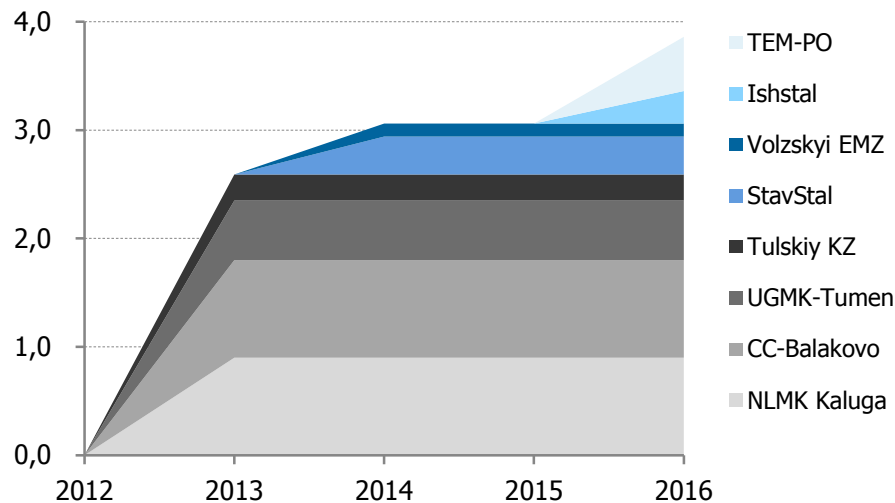


BALANCE OF RUSSIAN REBAR MARKET, MLN TONNES

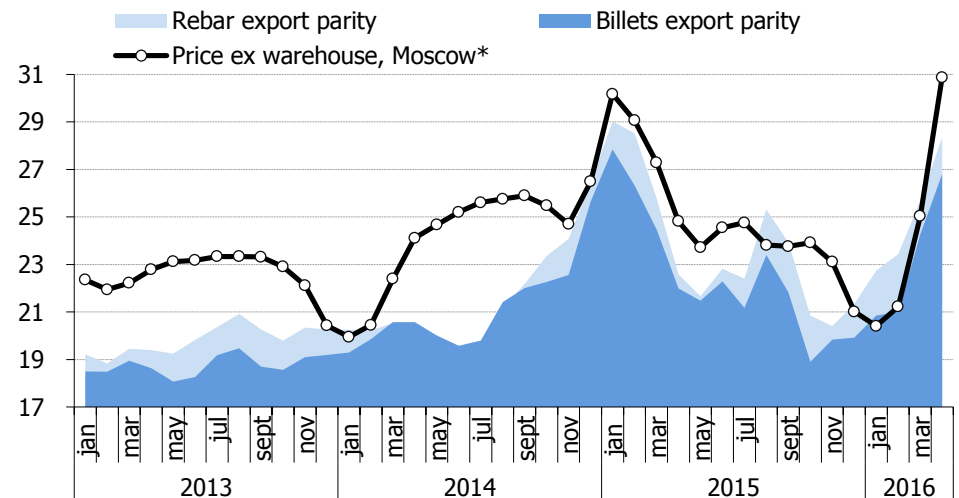


- Russian rebar market is one of the key markets for the Company based on high capacity and dynamic demand
- The development of our own regional distribution network allowed us to gain additional market share despite the growth of competition on the part of new capacities and decrease of the demand in 2015.
- Positive trends on export markets, caused by refocusing of Chinese exporters on their domestic market following the seasonal growth of demand, provided for price increase on domestic market at the end of 1Q 2016.
- Together with seasonal growth of demand in construction sector, it led to a sharp price increase - to a level higher than the level of the end of 2014 and the beginning of 2015 when the main factor was ruble devaluation.
- Current price increase in Russia has also a fundamental component (seasonal growth of demand in Russia and on a domestic market of China), so the rebar price growth trend in Russia can remain in the months ahead.

LAUNCH OF NEW LONG STEEL CAPACITIES IN RUSSIA, MLN TONNES



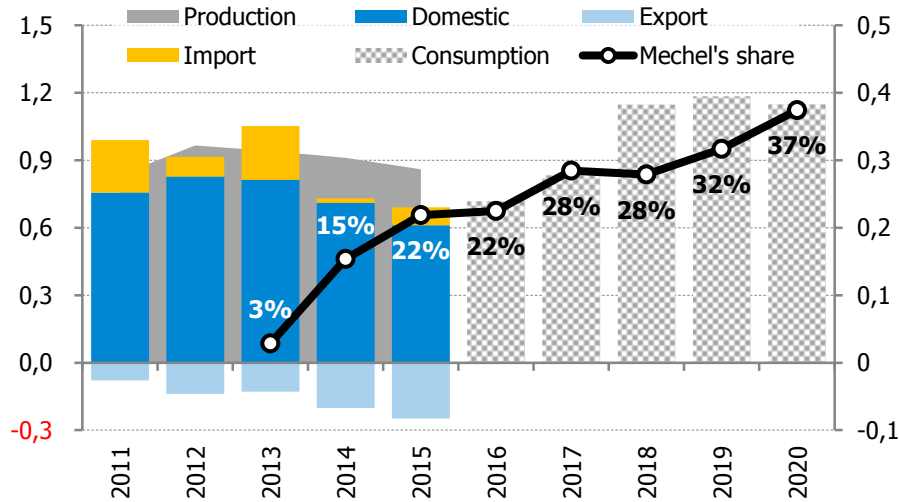
REBAR PRICE IN MOSCOW AND PARITIES, TH. RUB./T EXW WITH VAT



BEAMS AND RAILS

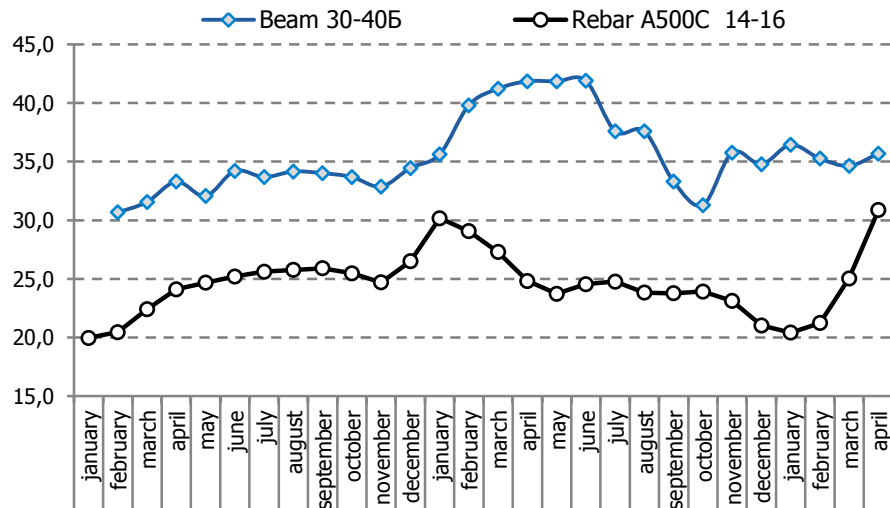


BALANCE OF RUSSIAN BEAM MARKET, MLN TONNES

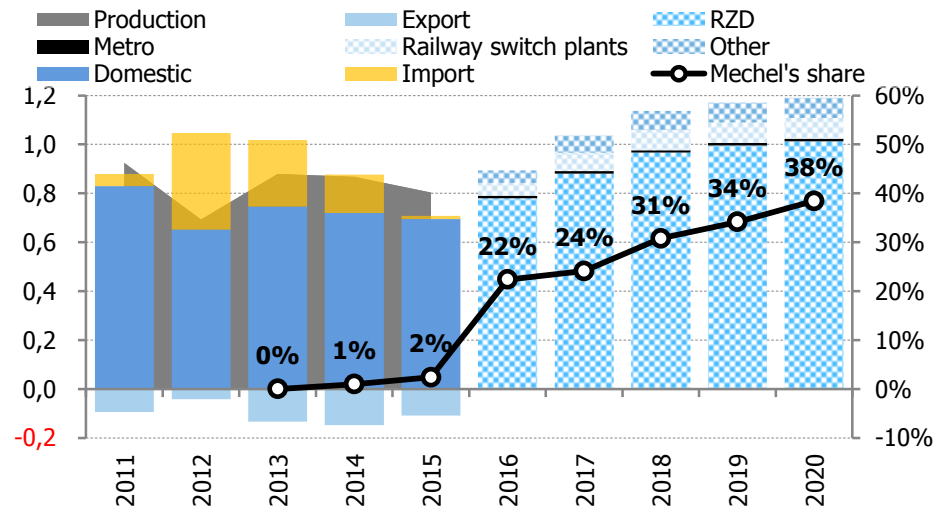


- Russian market of beams and rails is one of the most attractive markets for our metallurgical segment due to limited supply of domestic production.
- Market of beams in Russia has a capacity of approximately 1 mln. tonnes. The decline in demand in recent years was caused by the decrease of capital expenditures and limited access to international capital markets.
- At the same time the limited supply, as a result of high market entry barriers, leads to a higher yield of beams in comparison with other types of long products (rebar, small shapes).
- Rails market capacity is comparable to the capacity of beams market. As the bulk of rails is consumed by Russian Railways, the development of this market is largely connected with the implementation of the investment programme of Russian Railways.

BEAMS VS. REBAR, PRICES RUB/T EXW MOSCOW + VAT



BALANCE OF RUSSIAN RAIL MARKET, MLN TONNES

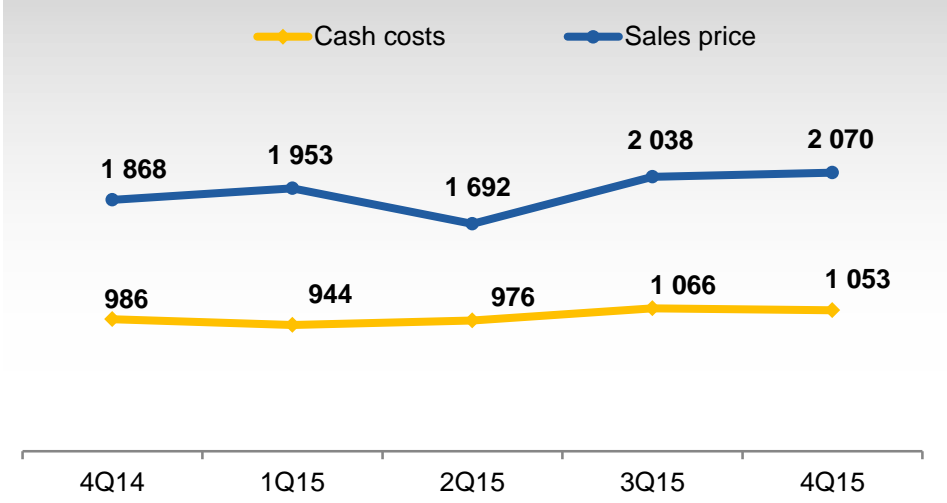


POWER SEGMENT

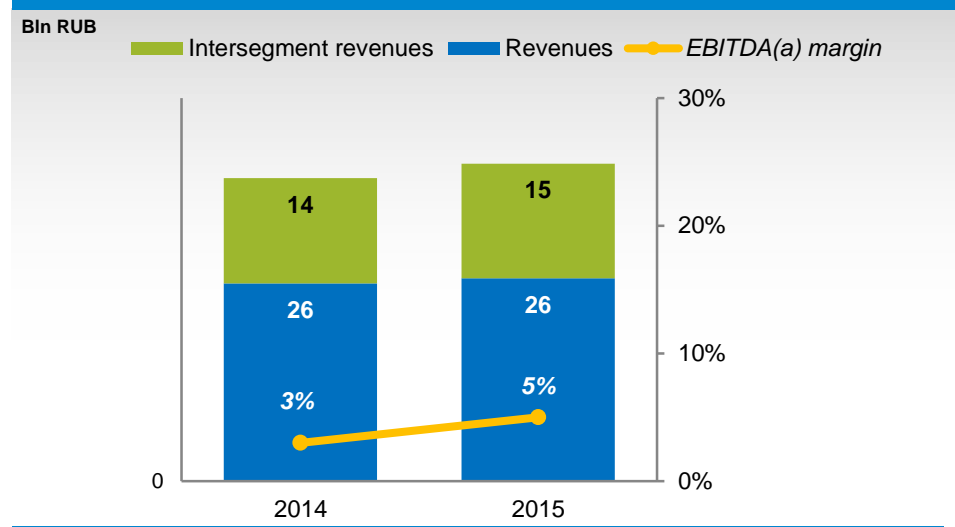


- +** Revenue from external customers was flat. Intersegment Revenue grew on increase of supplies to Group`s assets.
- +** Stable cash cost and prices result in stable margins.

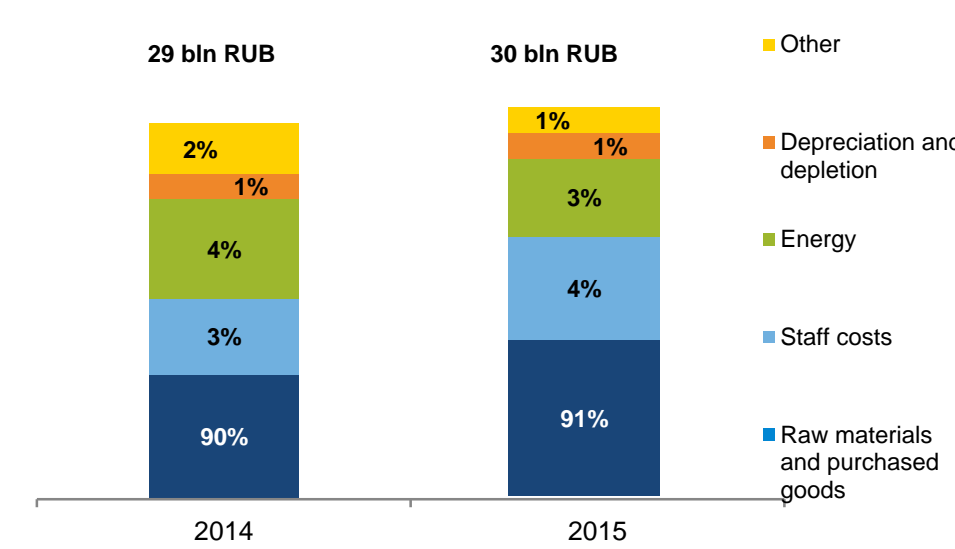
AVERAGE ELECTRICITY SALES PRICES AND CASH COSTS (RUSSIA), RUB/KWH



REVENUE, EBITDA(a)



COS STRUCTURE

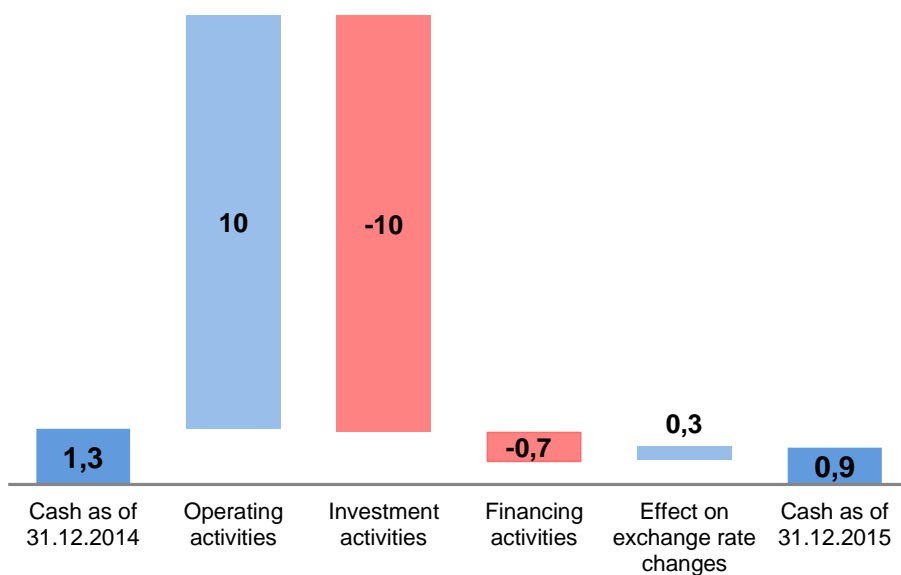


CASH FLOW & TRADE WORKING CAPITAL

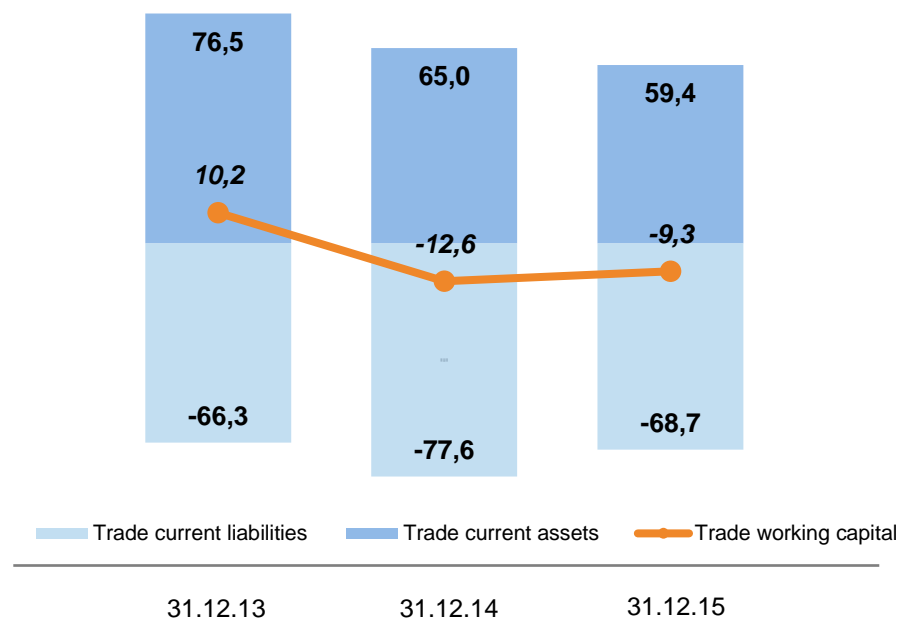


Trade working capital increased by 3.3 bln rubles year-on-year

CASH FLOW, BLN RUBLES



TRADE WORKING CAPITAL MANAGEMENT, BLN RUBLES

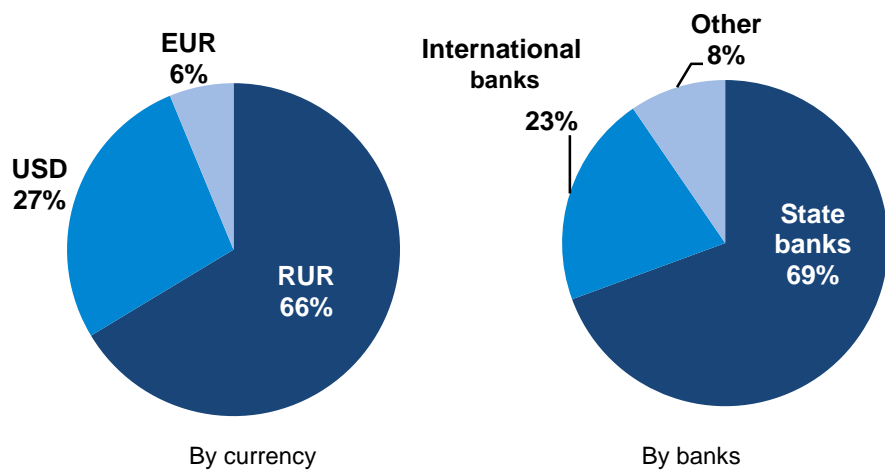


DEBT PROFILE



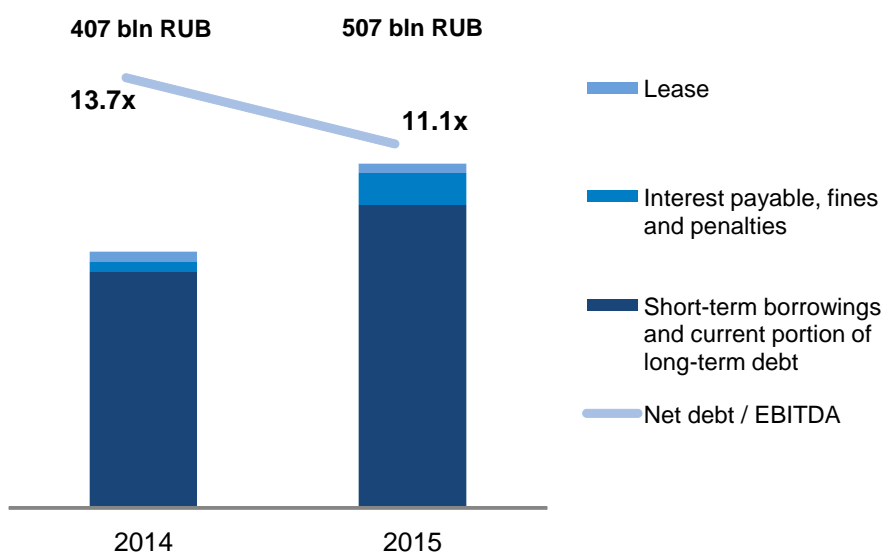
- +
- As of the end of 2015 our dollar denominated debt (without leasing and penalties) has decreased to US\$6,14bln from US\$6,79bln (9,6% y-o-y) despite the debt growth in the reporting currency
- +
- Restructuring agreements with Russian state banks were not signed and effective as of Dec 31, 2015 therefore most of the debt is classified as short-term
- +
- Restructuring agreements with all Russian state banks were signed and become effective by mid April 2016
- +
- As a result of restructuring part of our debt was converted in RUB and therefore share of RUB denominated debt has increased from 36% to 66%
- +
- Interest coverage ratio increased from 0.88 in 2014 to 1.08 in 2015.

DEBT PROFILE AS OF MAY 10, 2016



Debt (without leasing and penalties) 447.0 RUR bln

DEBT BURDEN DYNAMICS 2014-2015, RUB BLN



INTEREST EXPENSE DETAILS



MILLION RUBLES UNLESS OTHERWISE STATED	FY 15	FY 14
Interest expense in PL	(60,452)	(28,110)
Fines on loans and leasing	19,167	1,829
Other expenses*	947	708
Capitalized interest	(1,912)	(8,331)
Interest plus Capitalized interest and net of Fines plus Other expenses	(42,251)	(33,904)
EBITDA(a)	45,730	29,759

* Interest expenses under pension liabilities, Expenses related to discounting of financial instruments, Accretion expense

FINANCIAL RESULTS OVERVIEW



MLN RUBLES UNLESS OTHERWISE STATED	FY 15	FY 14	Change
Revenue ⁽¹⁾	253,141	243,992	4%
Cost of sales	(151,334)	(153,057)	-1%
<i>Gross margin</i>	<i>40%</i>	<i>37%</i>	
Adjusted operating income	29,203	12,147	140%
EBITDA(a) *	45,730	29,759	54%
<i>EBITDA(a) margin</i>	<i>18%</i>	<i>12%</i>	
<i>Net (loss) / income</i>	<i>(115,163)</i>	<i>(132,704)</i>	<i>-13%</i>
<i>Net (loss) / income margin</i>	<i>-45%</i>	<i>-54%</i>	
Net Debt *	506,891	407,240	25%
CapEx	5,146	11,401	-55%

(1) Includes sales to the external customers only

* For full calculations here and after see our press release