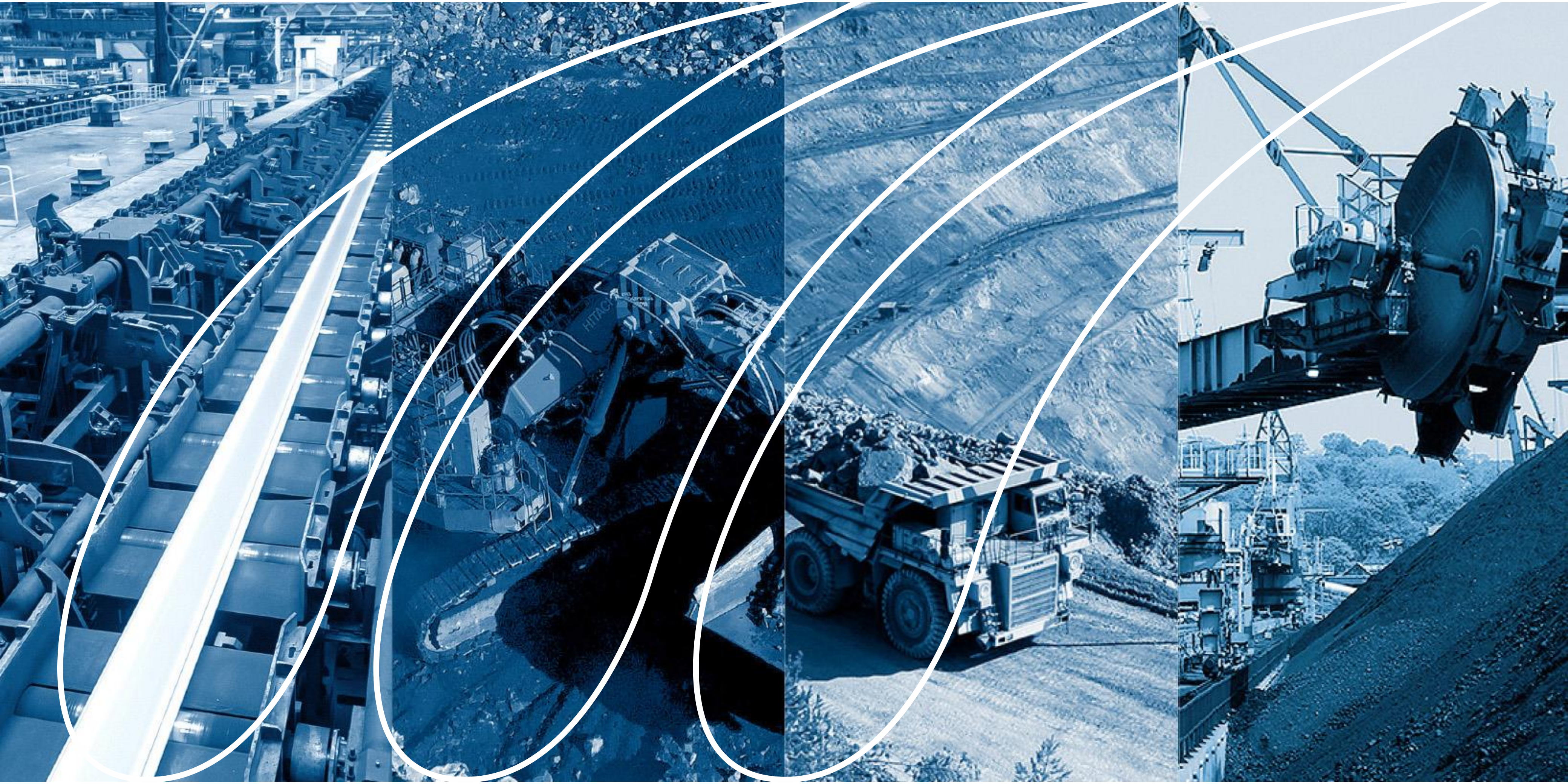
FY 2016 RESULTS PRESENTATION

April 26, 2017



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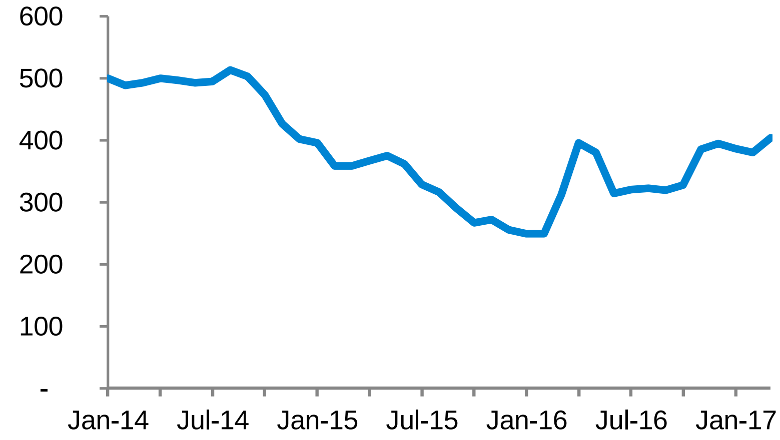
Key market drivers

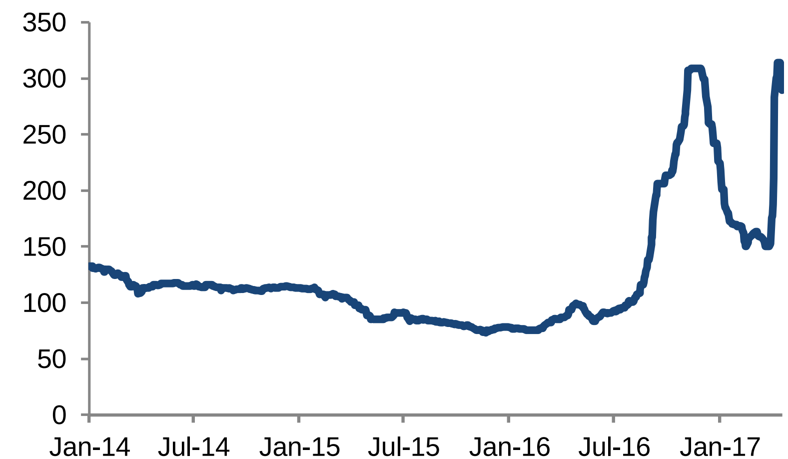
- The year 2016 started with the record low prices both in the coking coal and steel markets. This situation obviously could not last for a long time as it already led to bankruptcies of a number of world largest coal mining companies.
- In order to support its industries Chinese government has injected liquidity for industrial production and this together with a number of other factors led to a sharp increase of the steel prices and moderate increase of coal prices during 1H2016.
- In the second half of 2016 steel market prices has decreased comparing to the second quarter of the year by 10% and remained stable. As opposed to the steel market, prices on the coking coal market continued to increase and went above $300 per tonn for HCC on FOB basis.
- In 4Q16 HCC benchmark was fixed at a level of $200 and spot went to $300, in 1Q2017 benchmark was fixed at $285 and average spot price was $170. Nevertheless HCC prices from our prospective are balanced for the suppliers and buyers at the range between $150-200 per tonn.
- For the time being there is no benchmark for 2Q2017 since Japanese and Australian companies have agreed to fix prices after completion of the reparation works on railroads in Australia.

Billet FOB Black Sea, US$/t



Source: Metal Courier

Spot HCC prices FOB Australia, US$/t



Source: Bloomberg

KEY FINANCIAL RESULTS

Sergey Rezontov – Chief Financial Officer

FY 2016 Financial results summary

- Consolidated Revenue amounted to 276.0 bln RUB, increased by 9% in FY16 compared to FY15
- Operating profit constituted 42.7 bln RUB, up 76% on favorable market conditions and stable costs
- EBITDA* increased by 45% and reached 66.2 bln RUB with EBITDA margin 24%
- For the first time since 2011 Group generated Net profit attributable to shareholders of Mechel PAO of 7.1 bln RUB vs 115.2 bln RUB of Net loss in FY15

RUB mln	FY 2016	FY 2015	%
Revenue	276,009	253,141	9%
Operating profit	42,690	24,252	76%
EBITDA*	66,164	45,730	45%
EBITDA margin, %	24%	18%	
Net profit (loss)	8,832	(114,628)	
Net profit (loss) attributable to shareholders of Mechel PAO	7,126	(115,163)	

**Here and further EBITDA is calculated as Adjusted EBITDA in accordance with definitions in Press release Appendix A*

FY 2016 Production and sales summary

- Decrease of production in Mining segment was a result of limited stripping works volumes in previous years
- Production of pig iron and steel was influenced by maintenance works in the third quarter but in the fourth quarter production volumes restored

Production (th tonns)

Product	FY2016	FY2015	%	4Q'16	3Q'16	%
Run-of-mine Coal	22,683	23,181	-2	5,596	5,559	+1
Pig Iron	4,053	4,065	0	1,041	968	+8
Steel	4,252	4,321	-2	1,125	1,019	+10

- Coking and steam coal sales increased in 2016 due to previously accumulated stocks and reduction of intra-group sales to benefit from high coal prices
- Long products sales went up by 9% due to the increase of sales of the universal rolling mill's high value-added products. In 2016 the steel division also increased sales of rebar both domestically and in Europe

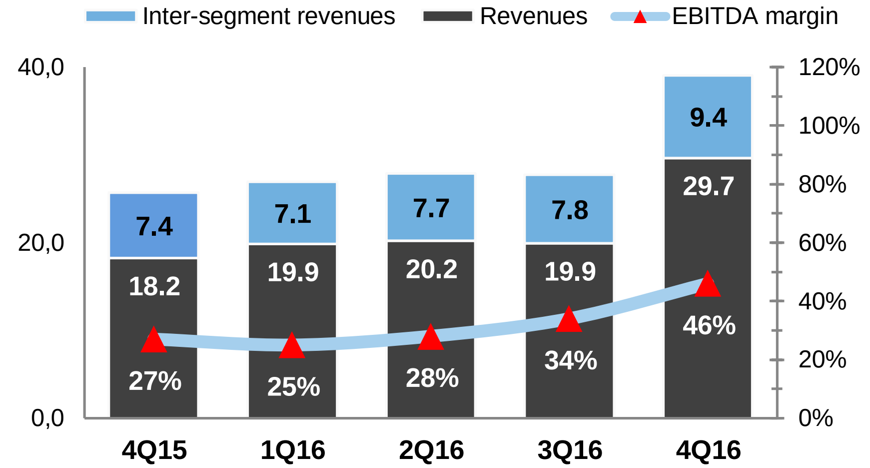
Sales (th tonns)

Product	FY2016	FY2015	%	4Q'16	3Q'16	%
Coking Coal	8,664	8,215	+5	2,172	2,021	+7
Steam Coal	6,994	6,564	+7	1,631	1,788	-9
Flat Products	494	478	+3	141	99	+43
Long Products	2,988	2,743	+9	730	758	-4

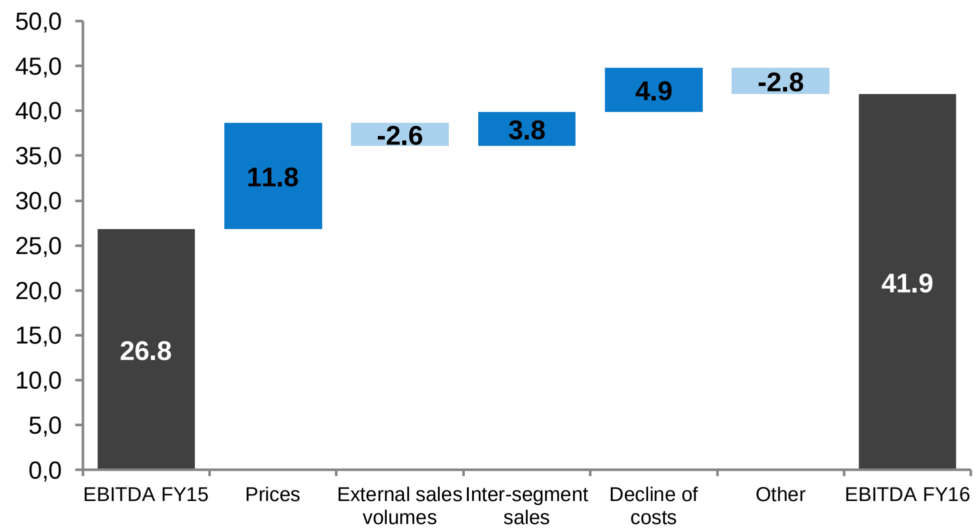
Mining segment

- Asian markets remain the most important for the coal sales with increase of its share in segment`s revenue from 47% to 58%
- Price surge was the main factor of EBITDA growth
- COGS decrease also contributed to better results
- Almost all volumes of iron ore concentrate produced by Korshunov Mining Plant were consumed internally. That negatively affected external revenues but incresed inter-segment sales.
- Share of domestic sales in FY 2016 revenues was almost the same as in FY 2015 results at an average level of 25-26%, but intrayear it was fluctuating from 32% in 2Q to 18% in 4Q.

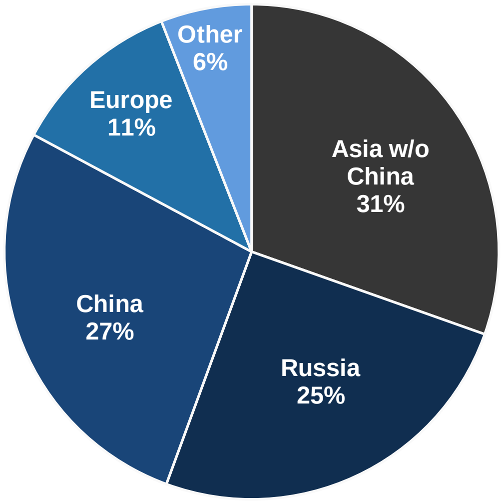
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln



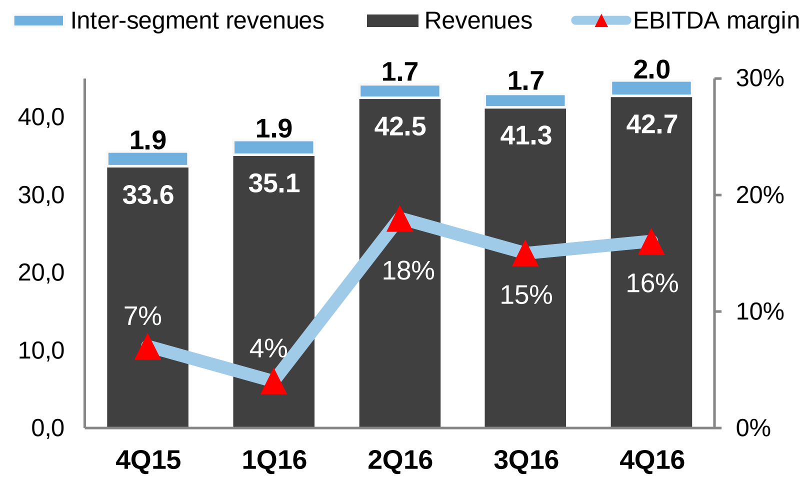
Revenue breakdown by regions



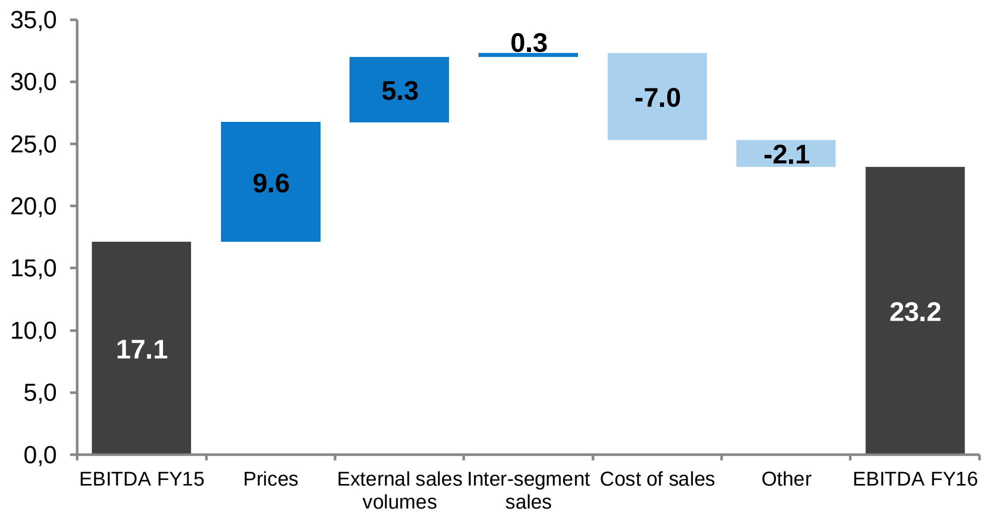
Steel segment

- Domestic Russian and CIS markets are most important for our steel division with their share amounting to 83% of revenue
- EBITDA growth was supported by higher prices, sales volumes and better product mix
- Higher costs were primarily result of higher raw materials prices, including intra-group purchase of iron ore concentrate and coke
- Despite maintenance works on blast furnace #5 at Chelyabinsk Metallurgical Plant made 3Q 2016 pig iron production remained stable Y-o-Y

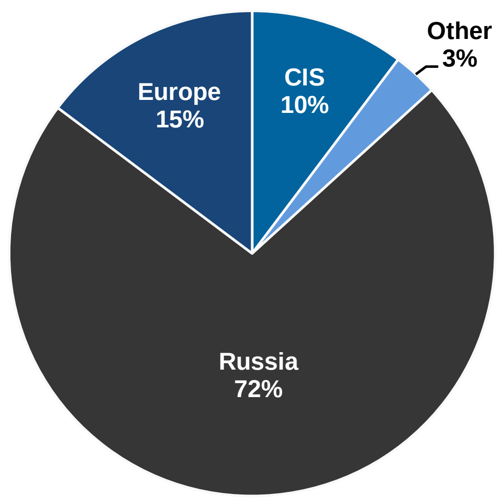
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln

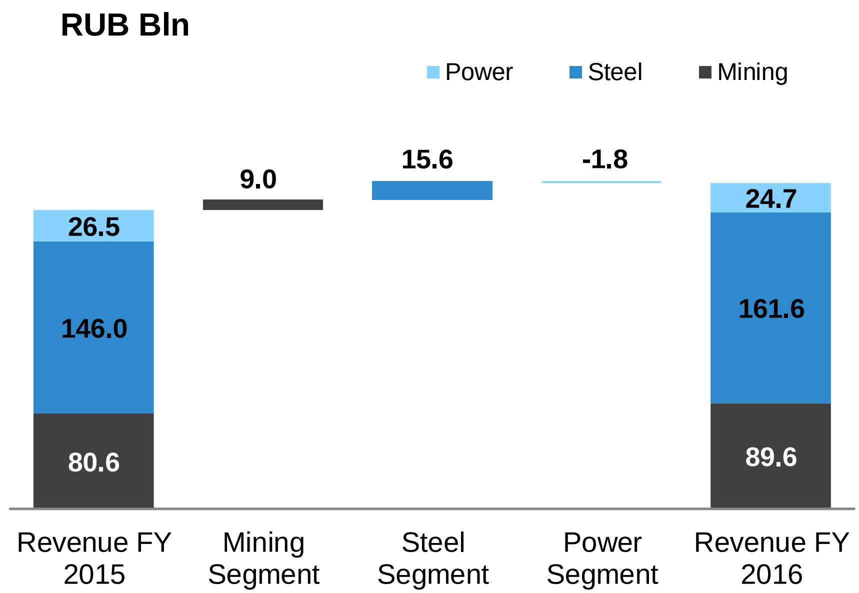


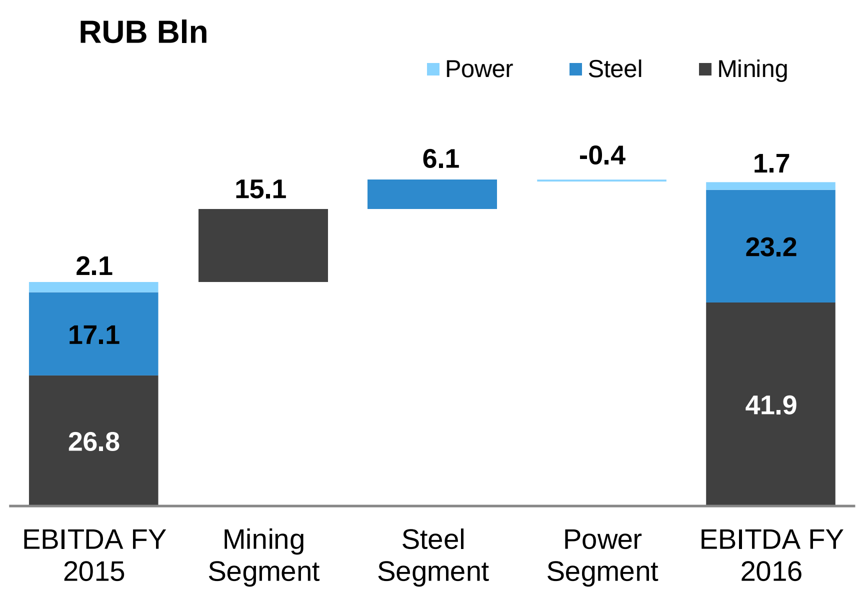
Revenue breakdown by regions



Consolidated revenue and EBITDA dynamics

- Mining segment Revenue to 3rd parties in FY 2016 increased by 11%, compared to FY 2015 on higher prices and increase of coal sales to third parties by 5%
- Steel segment is traditionally a major contributor to Consolidated Revenue. Its 3rd party Revenue increased by 11% driven by better sales volumes and prices
- Power segment 3rd party Revenue decreased by 7% on lower sales volumes due to weather conditions (warmer temperature)
- Mining segment EBITDA increased by 56% mostly due to the coal prices hike and amounted to 41.9 bln RUB
- Steel segment EBITDA grew by 35% on higher prices and better product mix diversification and amounted to 23.2 bln RUB
- Power segment EBITDA decreased by 20% on higher costs and selling expences and amounted to 1.7 bln RUB

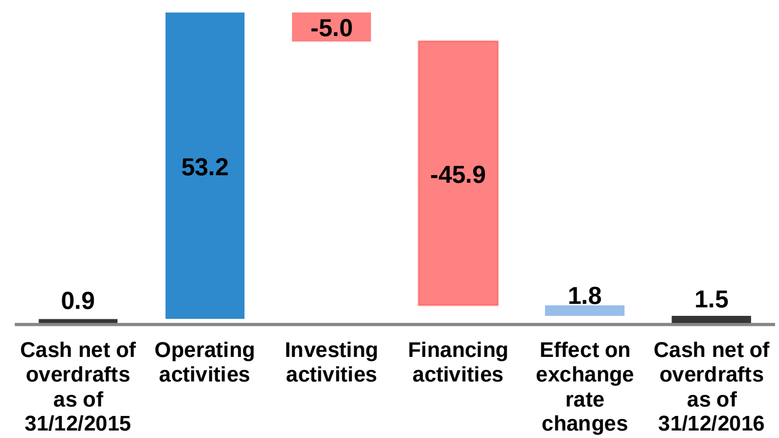




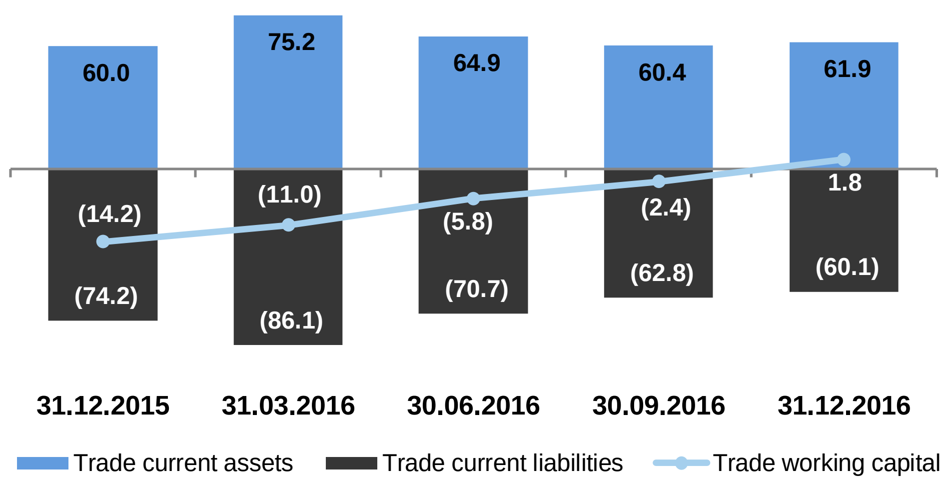
Cash flow &
trade working capital

- Cash flow from operations completely covers needs for investing and financing activities
- Trade working capital in 2016 increased by 16.1 bln RUB and became positive
- Sale of 49% in Elga supported to raise funds for partial repayment of bank debt in amount 32.9 bln RUB

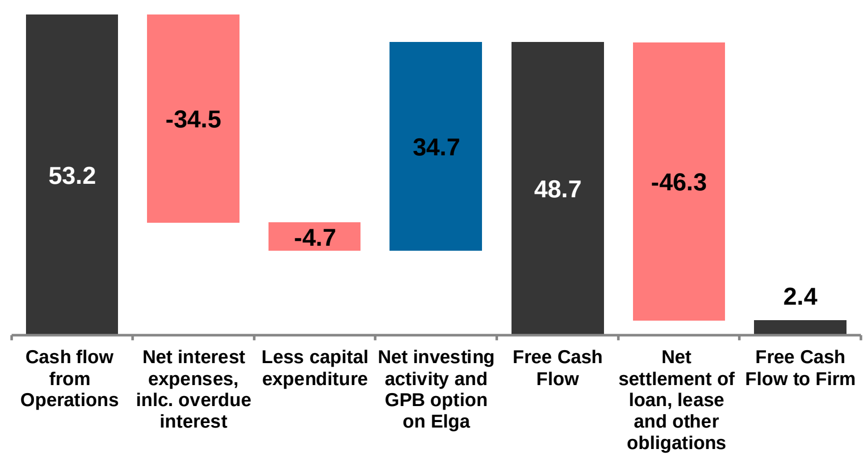
CASH FLOW, RUB Bln



Trade Working capital management, RUB Bln



FREE CASH FLOW for FY 2016, RUB Bln



Key projects results

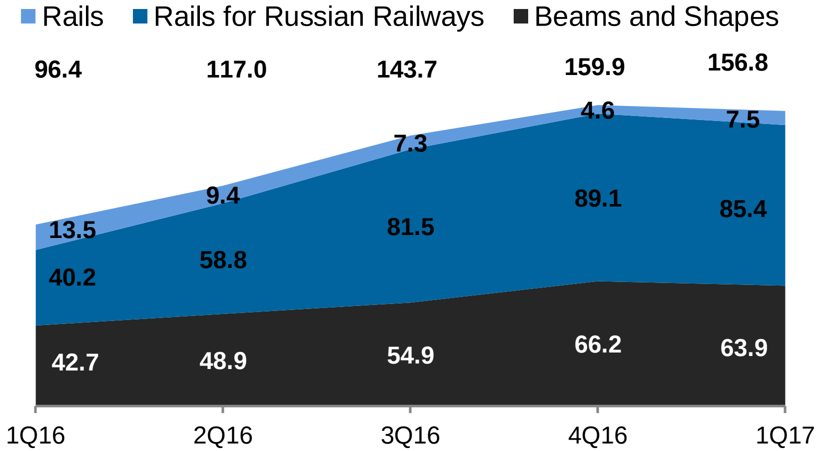
Universal rolling mill
on Chelyabinsk metallurgical plant

- From January 2016 Mechel started supply of rails to Russian Railways
- Total sales volume during FY 2016 exceeded 500 th tonns, including about 300 th tonns of rails to Russian Railways
- Steady ramp up of Universal rolling mill capacity utilization quarter by quarter in 2016 resulted in threefold growth of production volumes if compared to FY 2015
- Universal rolling mill capacity utilization in 2016 reached almost 50% and in 2017 it is expected to exceed 65%
- Universal rolling mill total production since the launch of operations reached 1 million tonns in January 2017

Universal rolling mill production (th tonns)

Product	FY16	FY15	%	4Q'16	3Q'16	%
Rails, beams and shapes	517	175	+195	160	144	+11

Universal rolling mill Production in FY 2016 – 1Q 2017 (th tonnes)



Elga coal project development

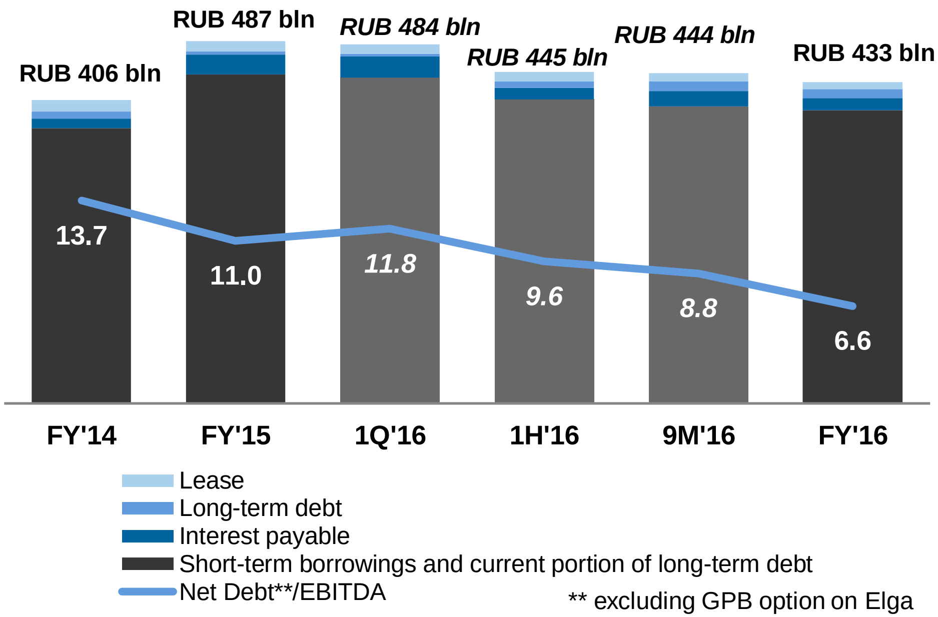
- Elga development in 2016 was focused on stripping works for future production and plan for 2017 is 4.5 mln tonnes of coal
- In FY 2016 share of coking coal in total mining volumes exceeded 75%

Elga Coal Complex (th tonns)

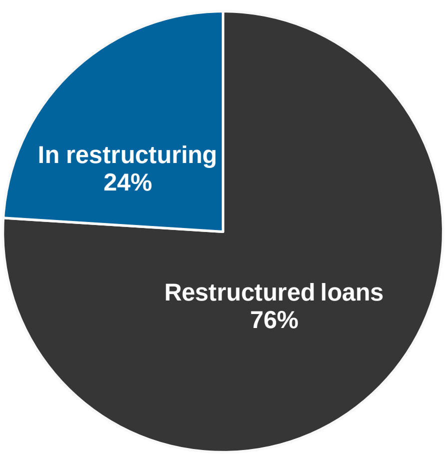
Product	FY16	FY15	%	4Q'16	3Q'16	%
Run-of-mine coal	3,726	3,952	-6	842	872	-3

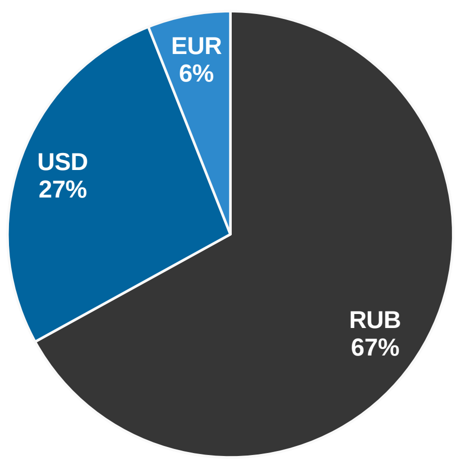
Debt structure & net debt / EBITDA ratio dynamics

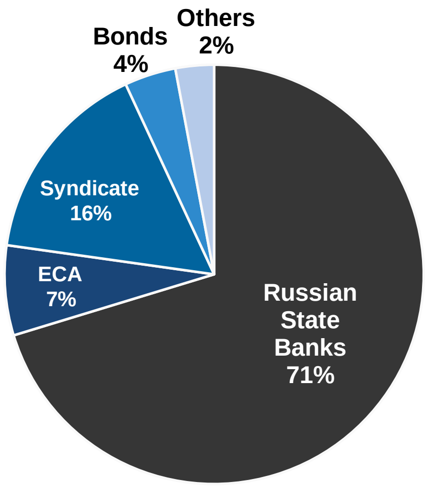
- As of the date of financial release - 76% of Group's debt has been restructured; ruble portion of debt amounts to 67%; and Russian state banks hold 71% of our debt portfolio.
- New repayment schedules with Russian state banks came into force in the middle of April 2017, which assumes grace period till 1Q-2Q20 and equal monthly repayment till 2Q22.
- EBITDA growth led to net leverage decrease from 13.7 as of December 31, 2014 to 6.6** as of December 31, 2016.
- Average interest rate through debt portfolio as of April 2017 is 9.7% per annum and it trends to lower as most Ruble denominated loans rate is linked to Central bank key rate; average paid interest rate (with PIC) amounts to 7.8% per annum.



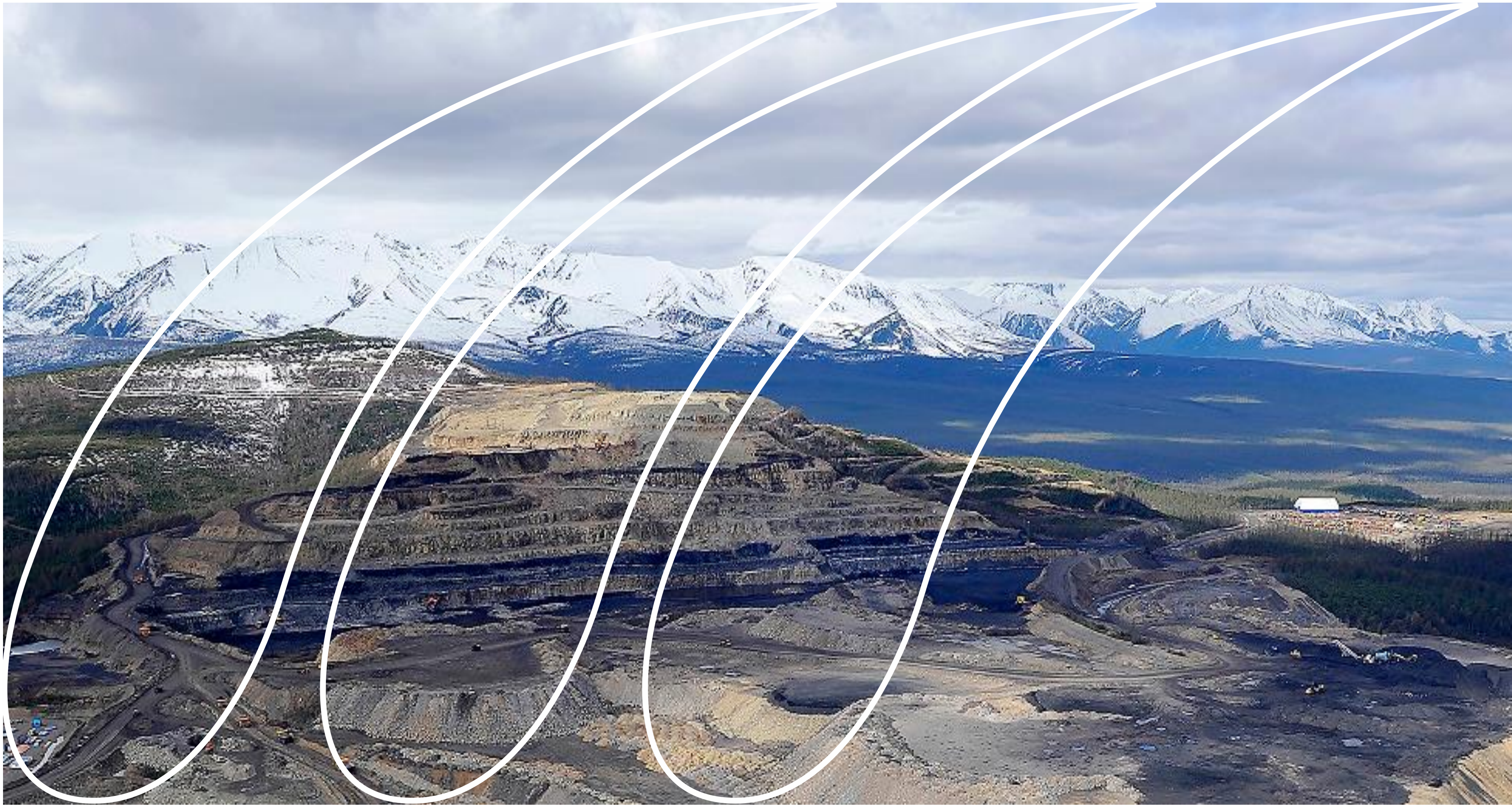
** excluding GPB option on Elga



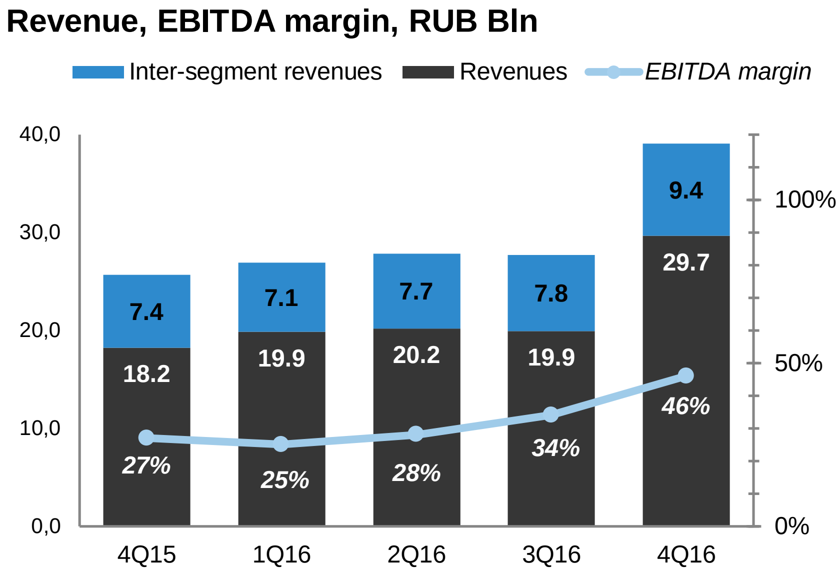


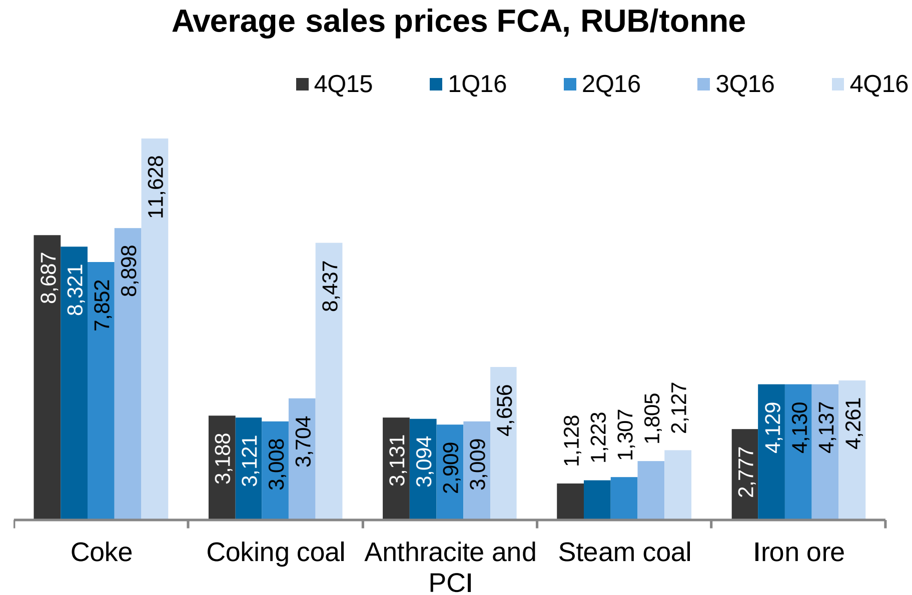


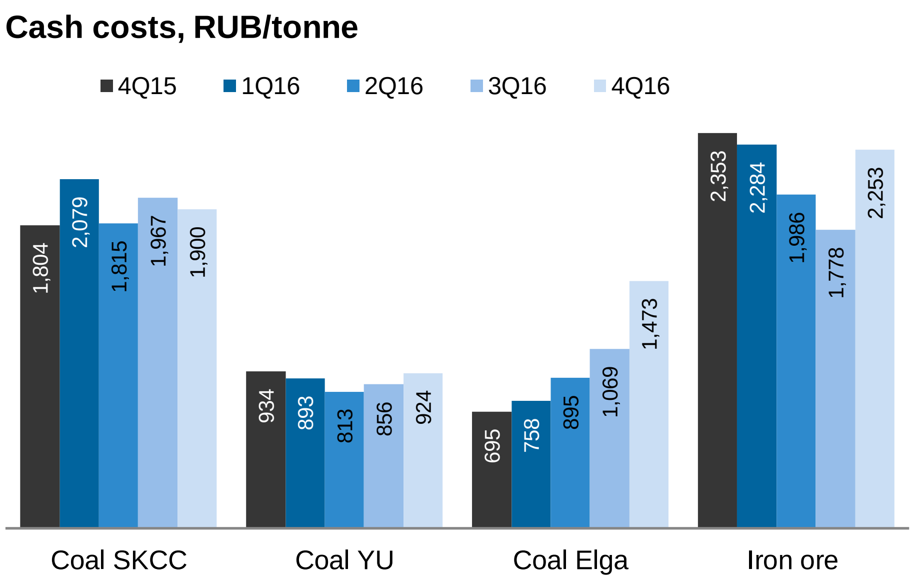
APPENDIX

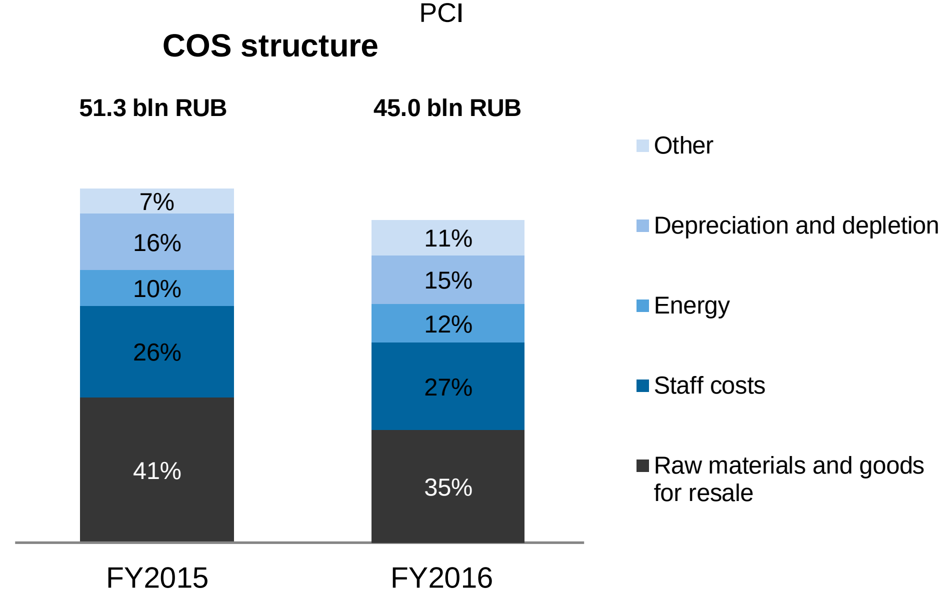


Mining segment



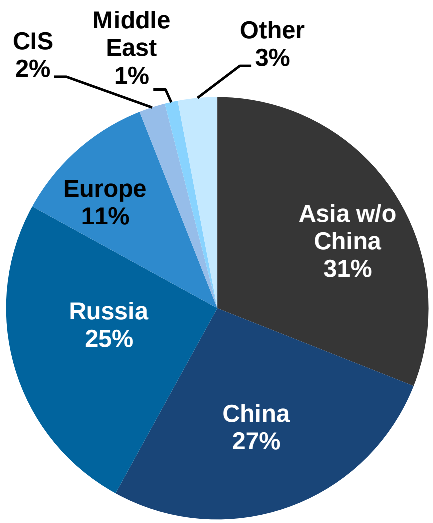




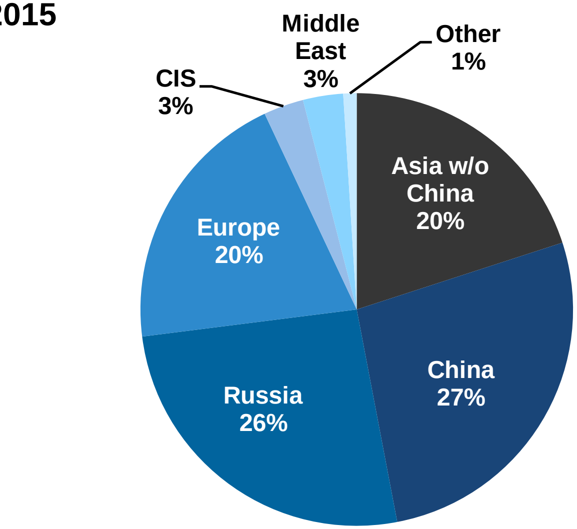


Mining segment

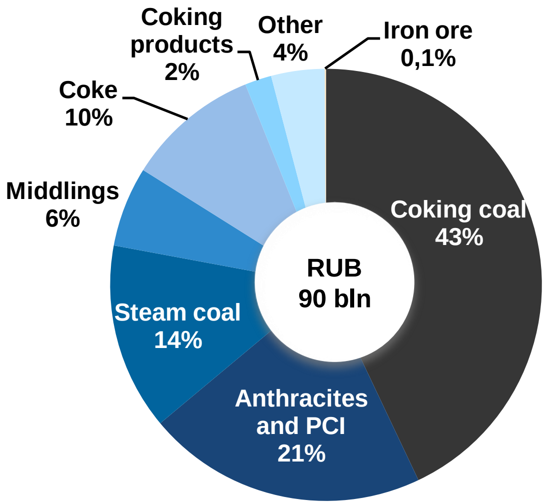
Revenue breakdown by regions
FY 2016



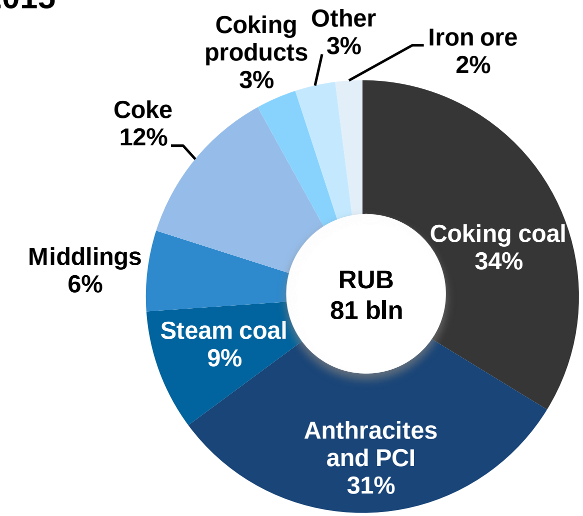
Revenue breakdown by regions
FY 2015



Revenue breakdown by products
FY 2016

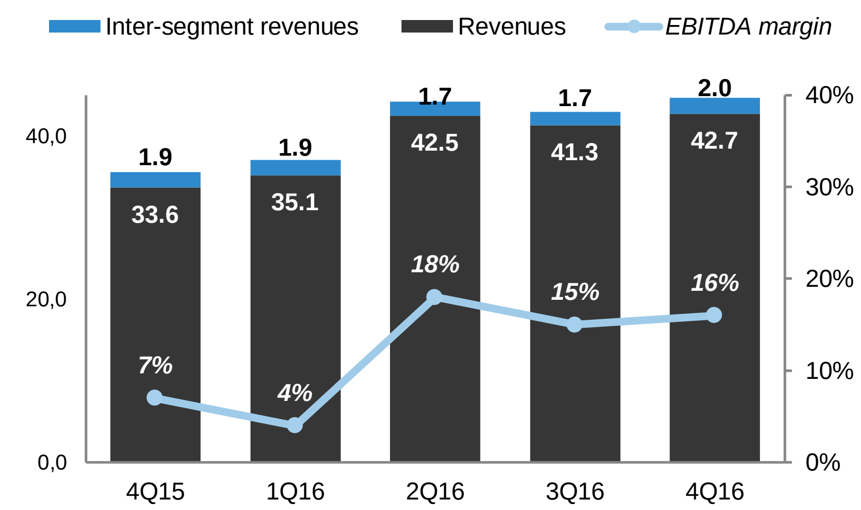


Revenue breakdown by products
FY 2015

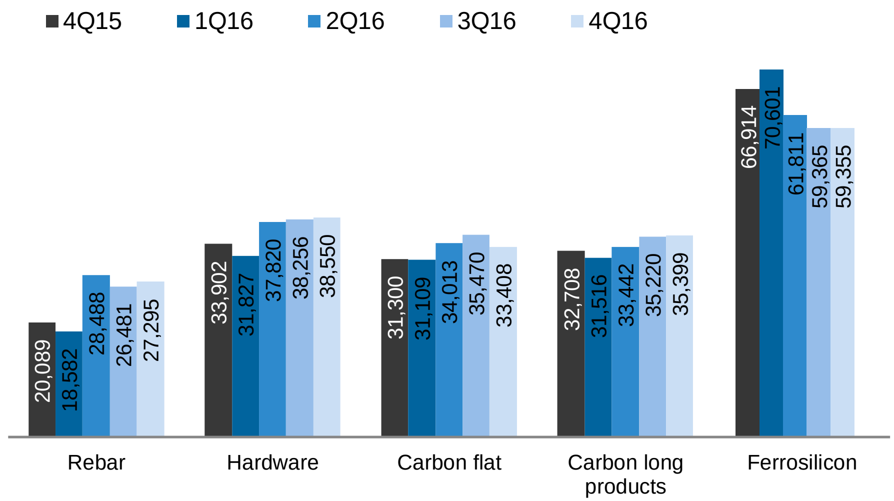


Steel segment

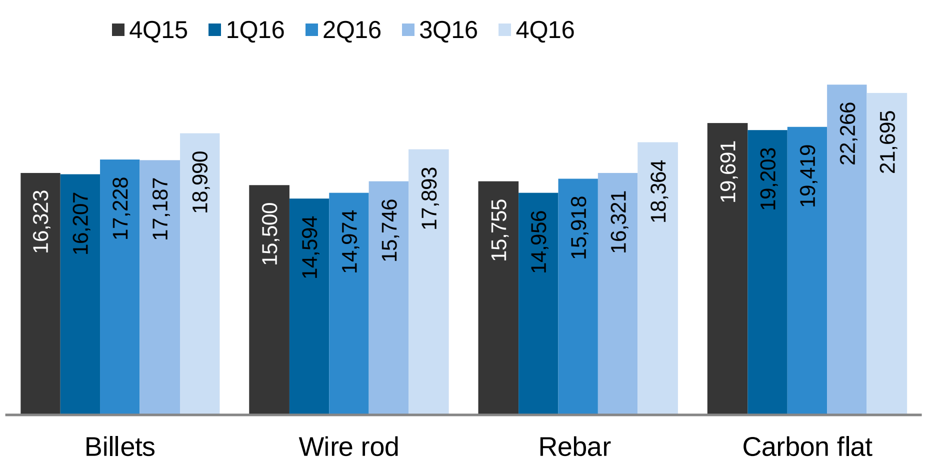
Revenue, EBITDA margin, RUB Bln



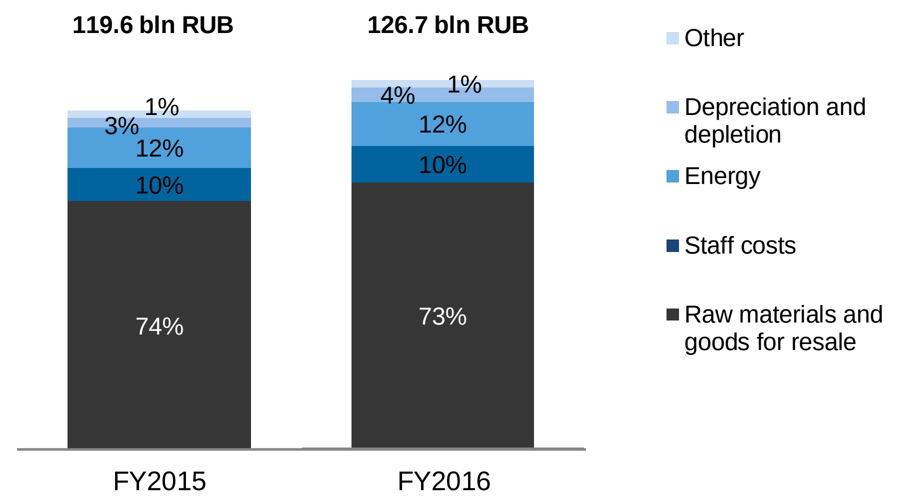
Average sales prices FCA, RUB/tonne



Cash costs, RUB/tonne

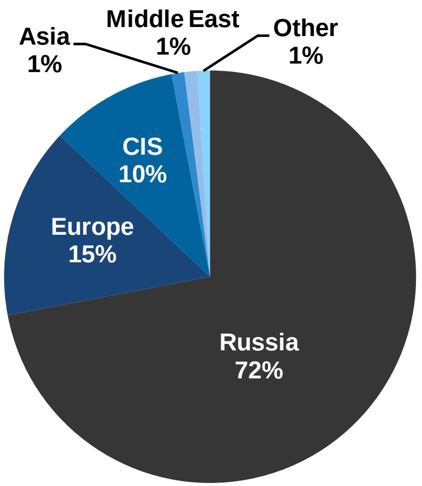


COS structure

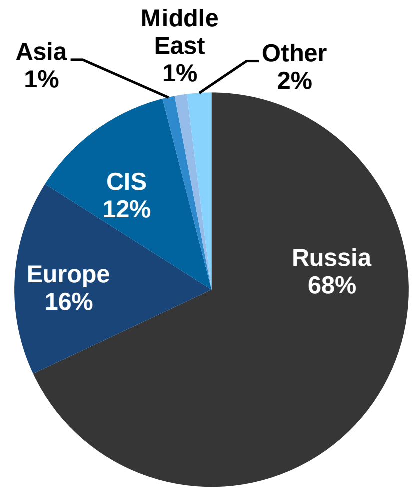


Steel segment

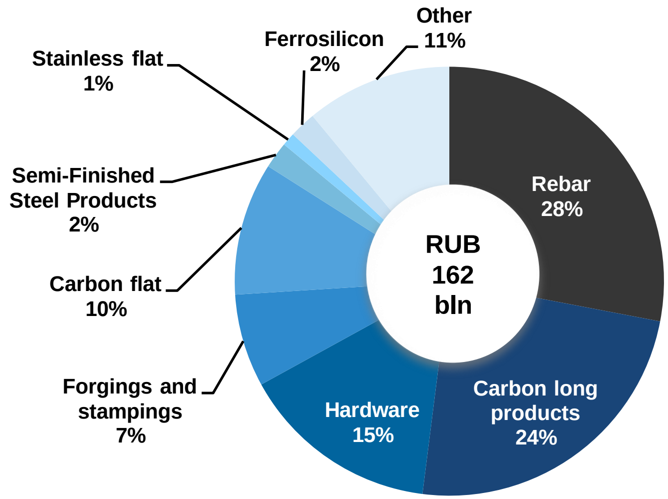
Revenue breakdown by regions
FY 2016



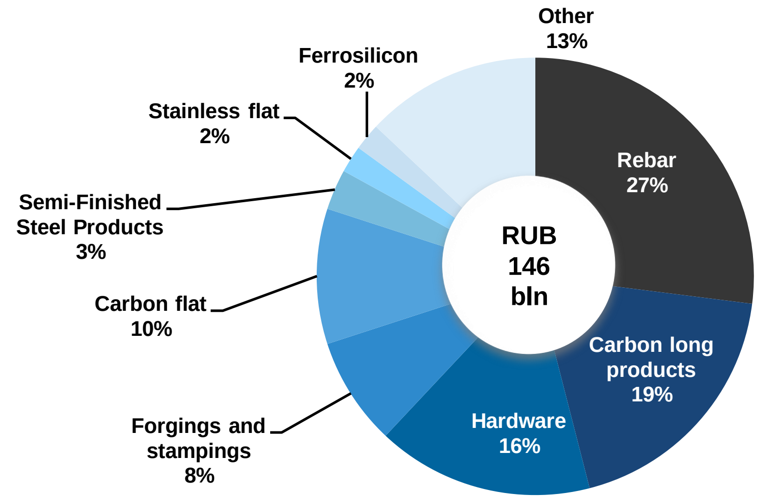
Revenue breakdown by regions
FY 2015



Revenue breakdown by products
FY 2016



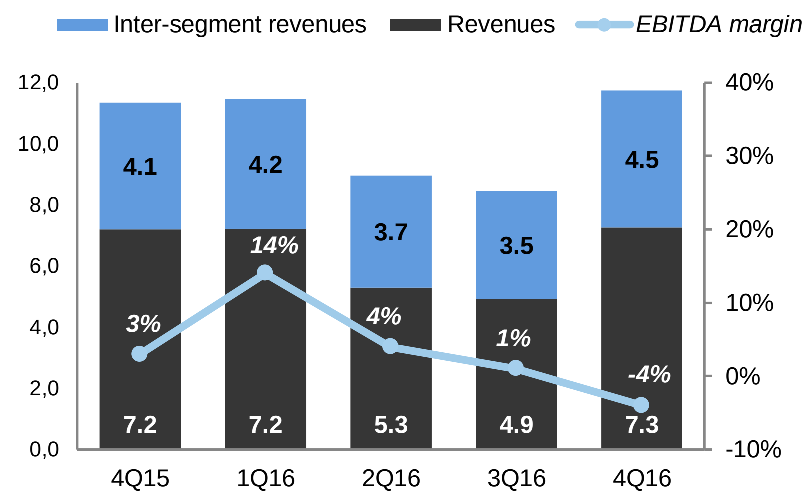
Revenue breakdown by products
FY 2015



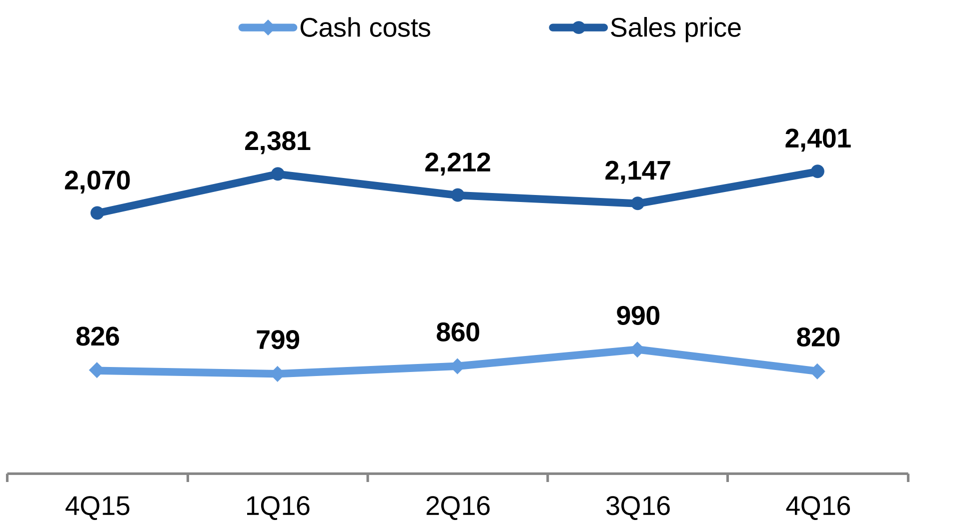
Power segment

- Revenue for the period decreased on better weather conditions
- 4Q EBITDA negatively influenced by high selling expences

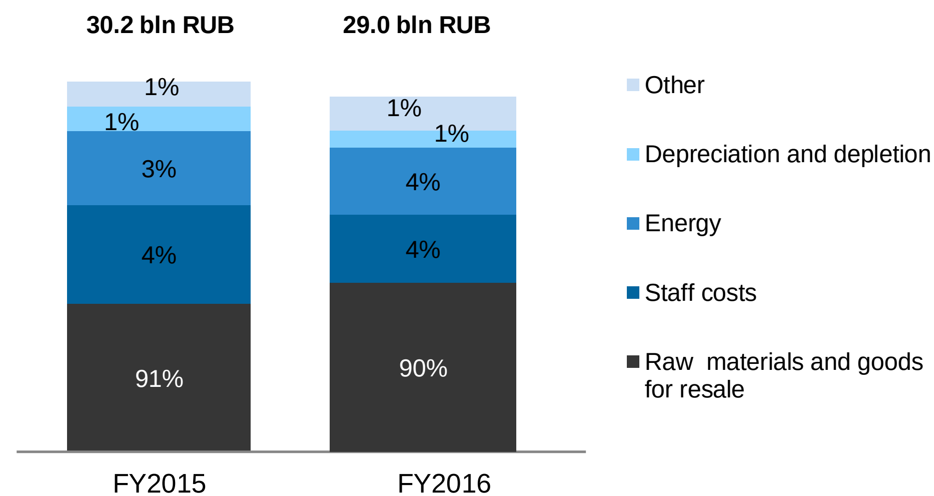
Revenue, EBITDA margin, RUB Bln



Average electricity sales prices and cash costs, RUB/ th KWh



COS structure



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