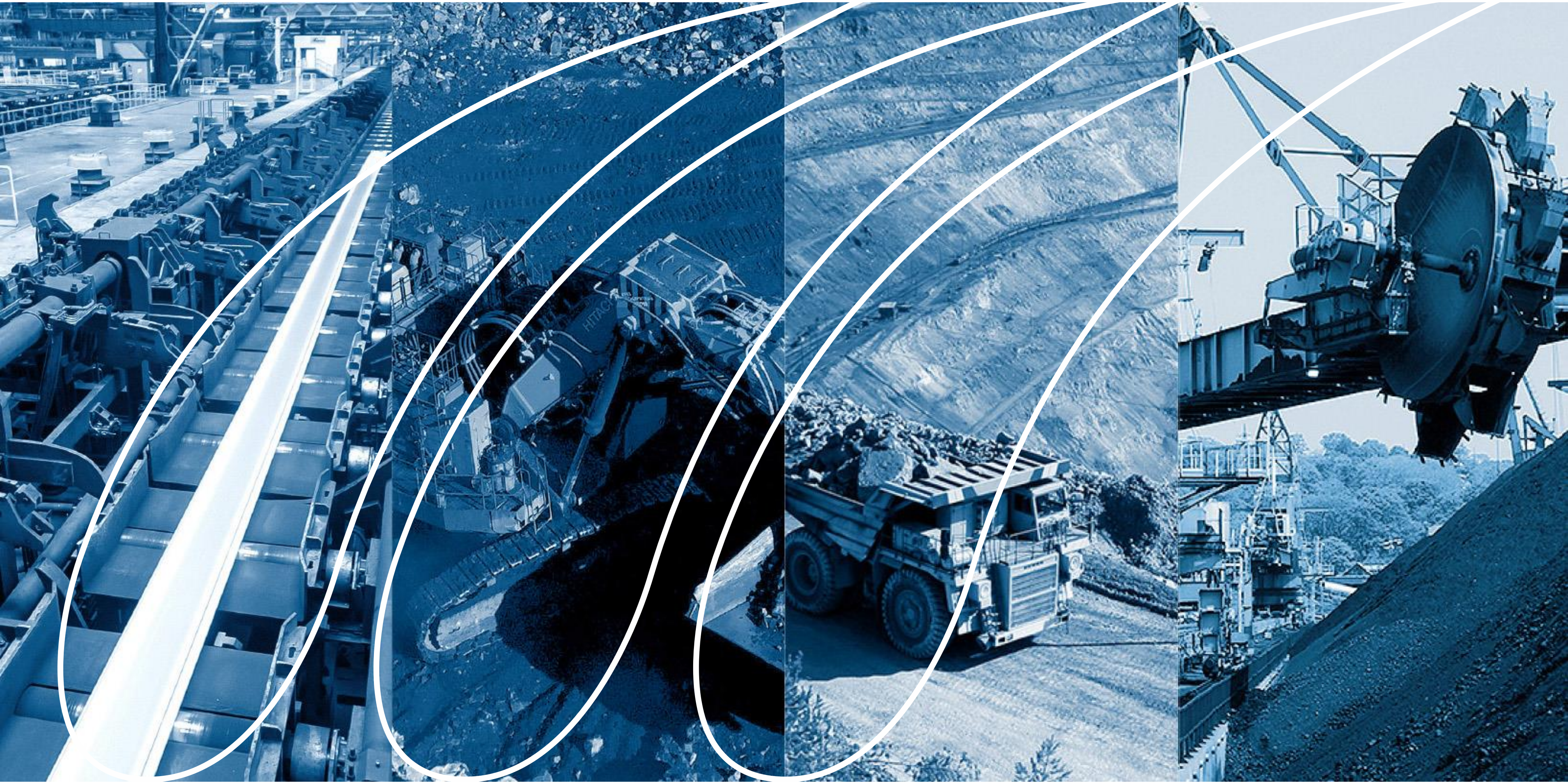
FY 2017 RESULTS PRESENTATION

April 5, 2018



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KEY FINANCIAL RESULTS

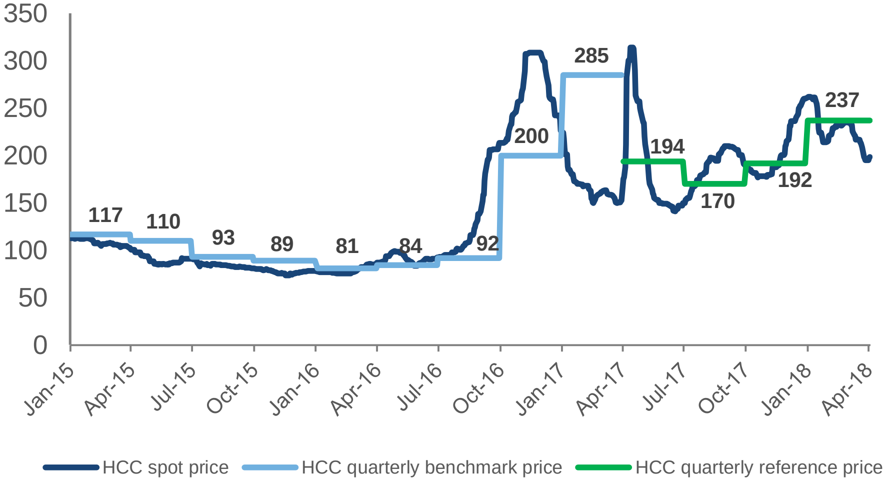
Nelli Galeeva – Chief Financial Officer

Key market drivers

- In 2017 prices on coal market were very volatile with a peak of over $300 per tonne and lowest level at $140 per tonne. Relative stability was reached in 3Q17 when after bottoming to the level of $140 in June 2017, the price rebounded to $200 in September, and after a short correction in October, rebounded to $250 per tonne by the year end.
- Since the beginning of 2018 coal price fluctuates in the range $210-$230 per tonne.
- Totally average price on quarterly contracts for the FY2017 amounted to about $210 per tonne FOB Australia, that is by $96 per tonne or by 84% higher than in FY2016.
- Iron ore prices in 1Q17 demonstrated growth to $95* per tonne supported by an increase of steel prices, but in 2Q17 iron ore prices decreased to $54* following the decline in steel prices. 3Q17 started with the upward trend for iron ore prices but after a high level of $79 per tonne by the end of August, they started to decline and by the end of quarter returned to $62. In 4Q17 iron ore prices were stabilized at a level of $66.
- As a result in FY2017 average level of Fe62% iron ore index CFR China amounted to $71/dmt (+22% to the level of FY2016).
- In 2017 billet demonstrated predominantly upward trend on stable demand from Northern Africa and Middle East region. Antidumping duties imposed by Egypt also supported price levels.
- Overall in 2017 billet prices increased from the level of $400 to $500 FOB Black Sea.
- Rebar prices on the local Russian market were more volatile than billet prices on international market. Nevertheless after weak first half of the year in summer 2017 rebar prices stabilized at a level above 24,000-28,000 Rubles per tonne (ex VAT) and remain relatively stable in the beginning of 2018.

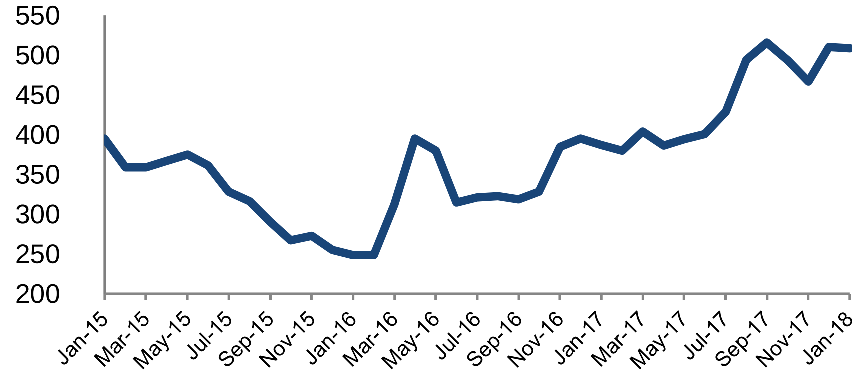
** CFR China Fe62% Platts IODEX*

HCC prices FOB Australia, US$/t



Source: Bloomberg

Billet FOB Black Sea, US$/t



Source: Metal Courier

FY 2017 Financial results summary

- Consolidated Revenue in FY2017 amounted to 299.1 bln RUB. It increased by 8% compared to FY2016, due to higher prices for both Mining and Steel segments products and growing share of high value-added products such as rails, beams, flat steel products etc. in Steel segment product mix.
- EBITDA* increased by 23% compared to FY2016 and amounted to 81.1 bln RUB with EBITDA margin reaching 27% which was a result of Mining segment intense profitability growth due to higher prices.
- Group generated Profit attributable to equity shareholders of Mechel PAO of 11.6 bln RUB vs 7.1 bln RUB in FY2016 including foreign exchange rate effect which amounted to 4.2 bln RUB and 25.9 bln RUB, respectively.

RUB mln	FY17	FY16	%	4Q17	3Q17	%
Revenue	299,113	276,009	8%	76,316	73,413	4%
Operating profit	57,167	42,690	34%	10,752	15,738	-32%
EBITDA*	81,106	66,164	23%	21,966	18,913	16%
EBITDA margin, %	27%	24%		29%	26%	
Profit attributable to equity shareholders of Mechel PAO	11,557	7,126	62%	443	6,120	-93%

**Here and further EBITDA is calculated as Adjusted EBITDA in accordance with definition in Press release Attachment A*

FY 2017 Production and sales summary

- Coal production in 2017 declined by 9%. Coking coal mining volumes declined by 1.5 mln tonnes, steam coal mining was lower by 0.6 mln tonnes.
- The major reason for lower mining volumes was non-sufficient stripping operations and repairs over the last years.
- We are fully committed to recover production in our Mining segment with greater investments in equipment repairs, new mining machinery procurement, increase of stripping works execution by the outsourcing to the third party companies.
- Production of pig iron and steel was at a stable level compared to FY2016.

Production (th tonnes)

Product	FY17	FY16	%	4Q17	3Q17	%
Run-of-mine Coal	20,638	22,683	-9	4,944	5,363	-8
Pig Iron	4,029	4,053	-1	981	1,010	-3
Steel	4,274	4,252	+1	1,057	1,000	+6

- Coking and steam coal sales in FY2017 declined compared to FY 2016 as a result of lower mining volumes as well as a railcar deficit and the August cyclone in the Far East. But there was positive dynamics quarter to quarter as we realize equipment repair and procurement program.
- Flat products sales in FY2017 increased by 17% compared to FY2016 on high demand and product-line expansion efforts.
- Long products sales slightly decreased in general compared to FY2016 but within this product category semi-finished and low-marginal products were to a great extent replaced by high value-added products.

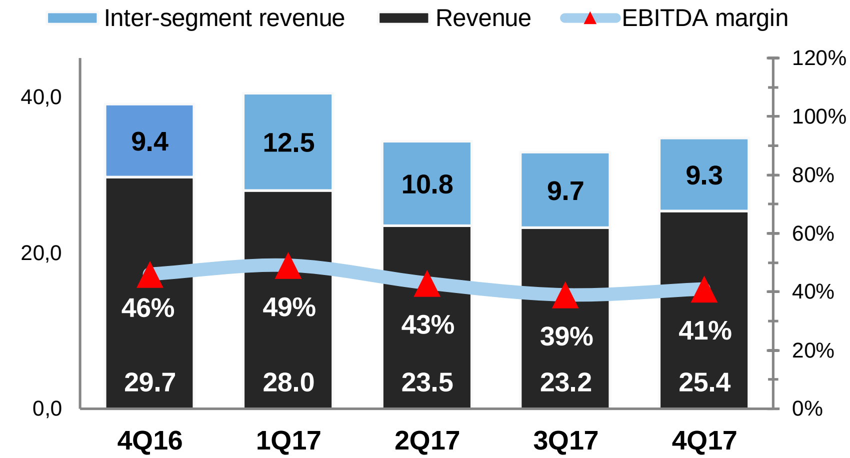
Sales (th tonnes)

Product	FY17	FY16	%	4Q17	3Q17	%
Coking Coal	7,942	8,664	-8	1,972	1,898	+4
Steam Coal	6,141	6,997	-12	1,499	1,478	+1
Flat Products	581	496	+17	128	149	-14
Long Products	2,919	2,990	-2	705	747	-6

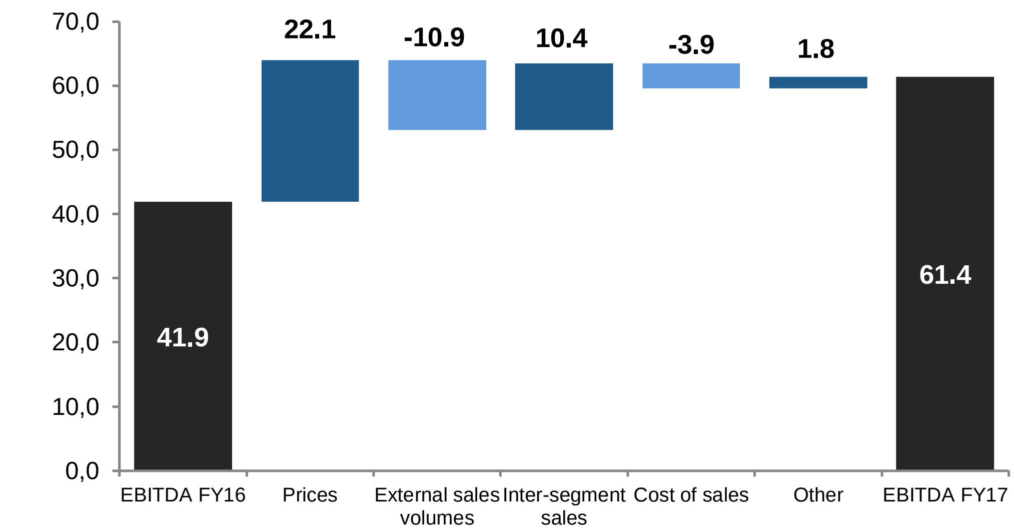
Mining segment

- China and rest of Asia remain very important market for our Mining division. In FY2017 combined share of this region increased to 61% from 58% in FY2016 as a result of stronger demand and higher prices in this region. Consolidated share of Russia together with Europe slightly decreased from 36% in FY2016 to 34% in FY2017.
- Favorable pricing environment was the main factor of EBITDA growth almost by half compared to FY2016 which reached 61.4 bln RUB with EBITDA margin 43%.
- Negative influence of lower sales volumes to third-parties was compensated by higher intersegment sales since intra-group coal sales increased by 9% year-on-year and almost 100% of iron ore concentrate produced by Korshunov Mining Plant was consumed within the group.

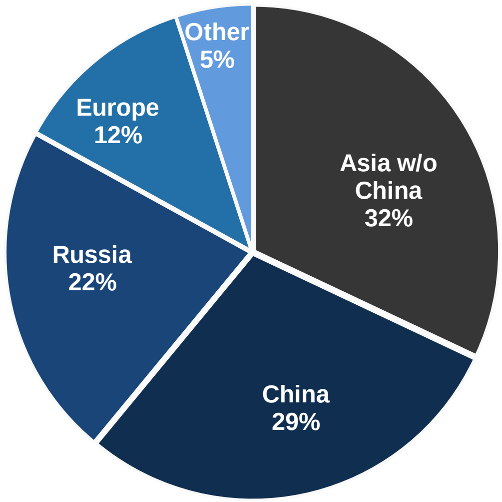
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln



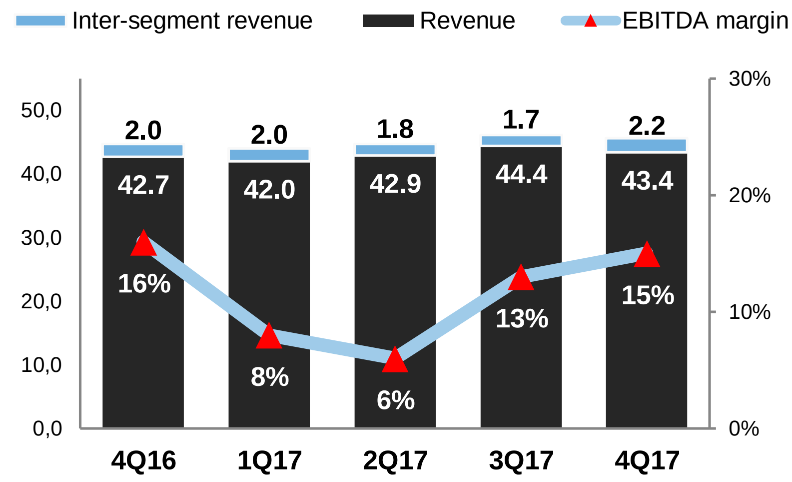
Revenue breakdown by regions (FY2017)



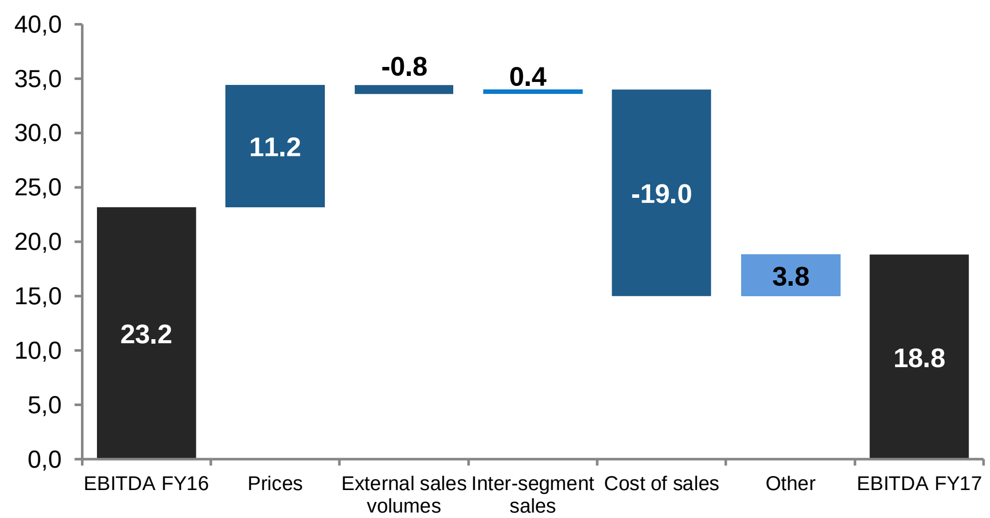
Steel segment

- Traditionally Russian and CIS markets were most important for our steel division sales with their share amounting to 84% of segment revenue.
- High raw materials prices and unfavorable market conditions in the beginning of 2017 resulted in weakening of Steel division financial results but in the second half of 2017 segment`s metrics rebounded and returned to more healthy levels.
- Costs of sales increase was primarily a result of higher raw materials prices as average iron ore and coke prices grew significantly comparing to FY2016.
- Effect of higher costs was partially offset by higher prices but segment`s EBITDA in FY 2017 decreased by 19% if compared to FY2016.

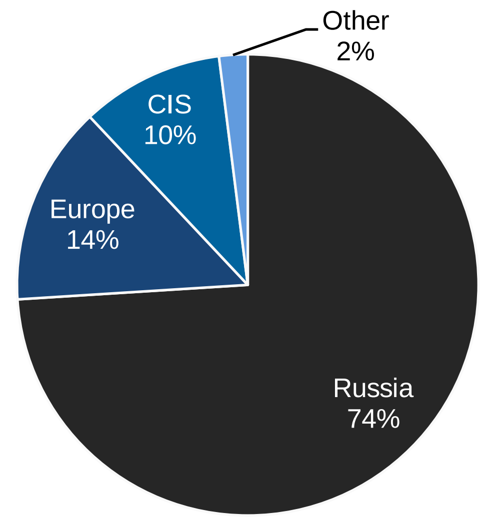
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln

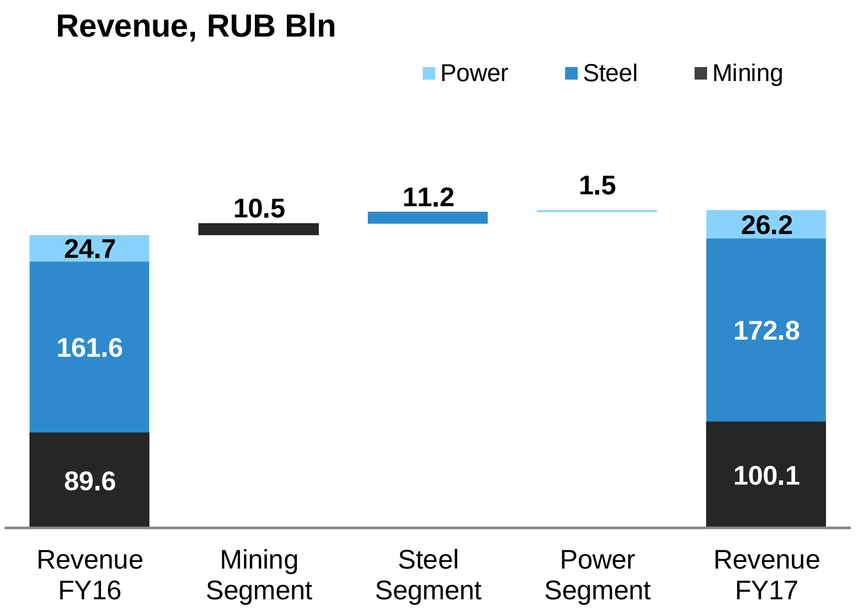


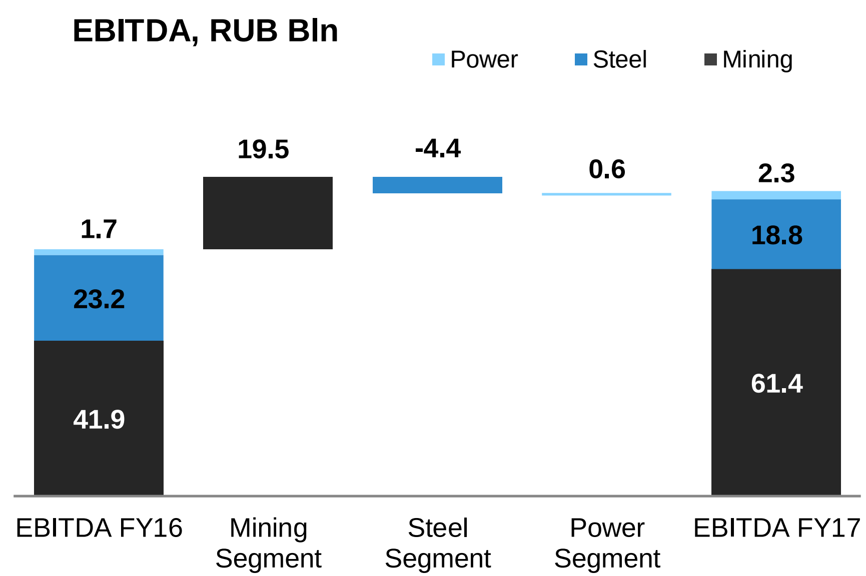
Revenue breakdown by regions (FY 2017)



Consolidated revenue and EBITDA dynamics

- Mining segment Revenue to 3rd parties in FY2017 increased by 12%, compared to FY2016 on higher coal prices but their effect was partially offset by lower sales volumes.
- Steel segment Revenue demonstrated a 7% growth on higher prices and increased share of rails, beams, flat steel and other high value-added products compared to FY2016.
- Power segment Revenue to 3rd parties increased by 6% due to tariffs growth compared to FY2016.
- Due to high coal prices Mining segment EBITDA increased by 47% compared to FY2016 and amounted to 61.4 bln RUB.
- Steel segment EBITDA lost 19% on higher costs arising from high raw materials prices and amounted to 18.8 bln RUB.
- Power segment EBITDA increased by 39% Y-o-Y and amounted to 2.3 bln RUB as prices dynamics surpassed costs growth.

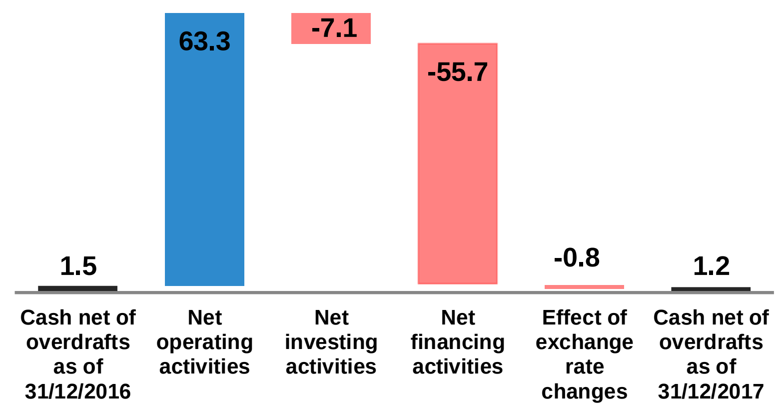




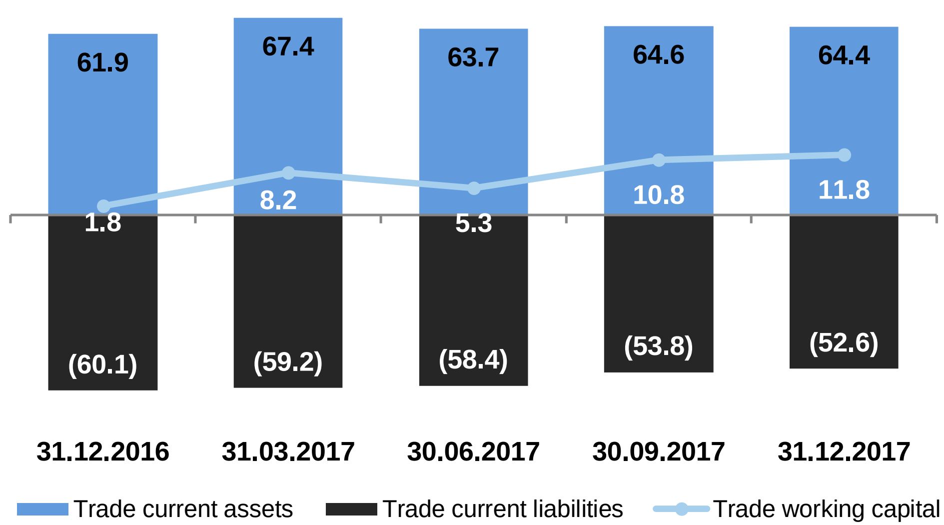
Cash flow & trade working capital

- Cash flow from operations completely covers Group's current expenses, including debt service and partial amortization of debt.
- In 2017 we invested 10.0 bln RUB into a working capital. We consider current level of 11.8 bln RUB as comfortable to support Group`s stable operations and envisage just slight increase in 2018.
- Group’s capital expenditures increased from 8.8 bln RUB in FY2016 to 11.0 bln RUB in FY2017, including 3.5 bln RUB of lease payments

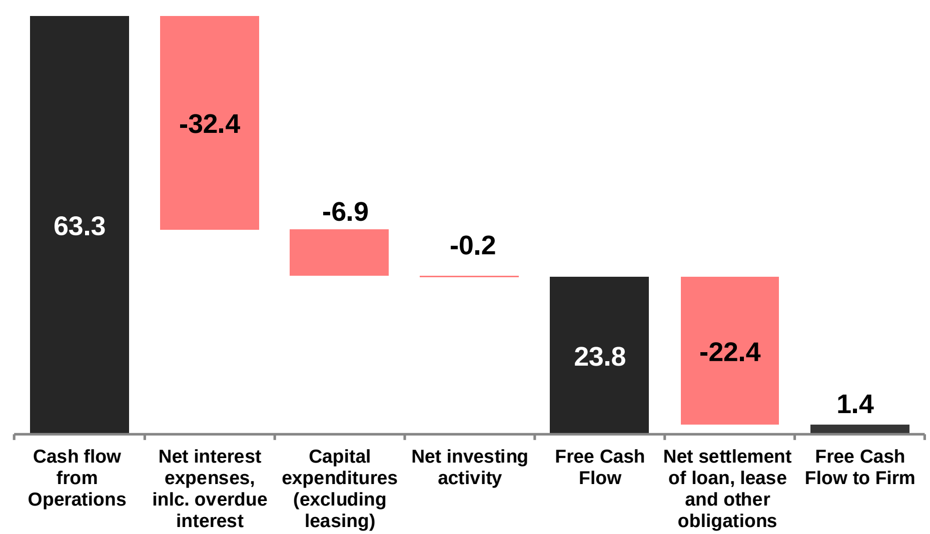
CASH FLOW, RUB Bln



Trade working capital management, RUB Bln



FREE CASH FLOW for FY2017, RUB Bln



Key projects results

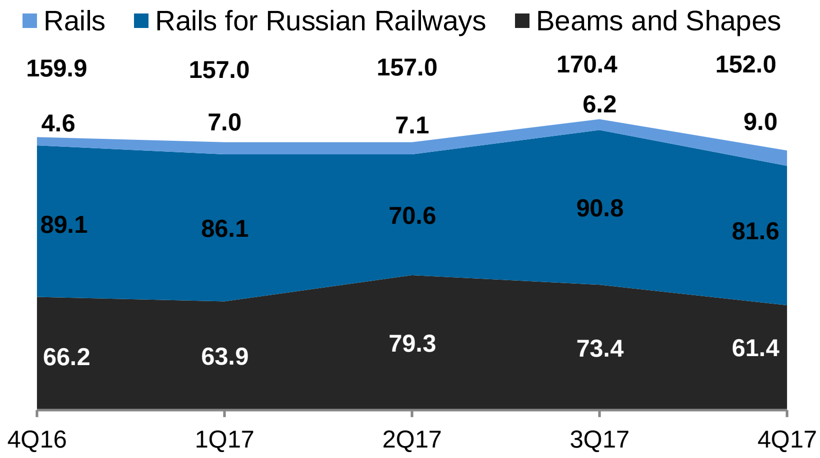
Universal rolling mill on Chelyabinsk metallurgical plant

- Capacity utilization of Universal rolling mill grew from almost 50% in FY2016 to about 60% in FY2017 and is expected to exceed 70-75% in FY2018.
- Total production volume during FY2017 amounted to over 630 th tonns, an increase of 23% compared to FY2016. Plan for FY2018 is over 800 th tonns.
- Over 90% of rails produced are 100 meters long rails.
- New types of rails production (for use at European railways) have already been adopted at the plant and passed certification for conformity with European railroad standards.

Universal rolling mill production (th tonnes)

Product	FY17	FY16	%	4Q17	3Q17	%
Rails, beams and shapes	636	517	+23	152	170	-11

Universal rolling mill Production in 4Q 2016 – 4Q 2017 (th tonnes)



Elga coal project development

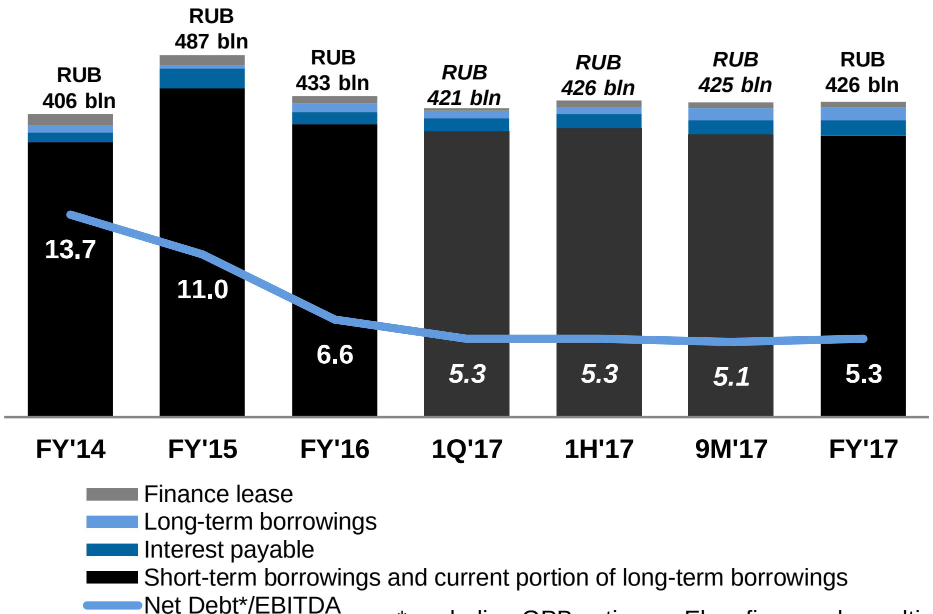
- Production plan for 2018 is 5.3 mln tonnes of coal.
- In FY2017 share of coking coal in total mining volumes amounted to 83%.

Elga Coal Complex (th tonnes)

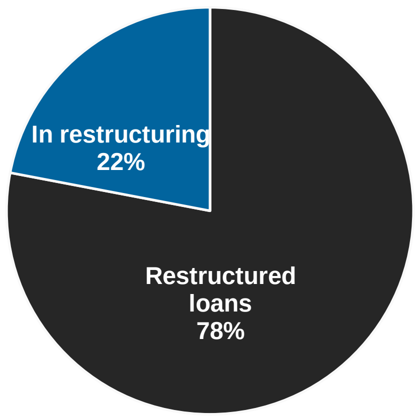
Product	FY17	FY16	%	4Q17	3Q17	%
Run-of-mine coal	4,154	3,726	+11	1,105	1,116	-1

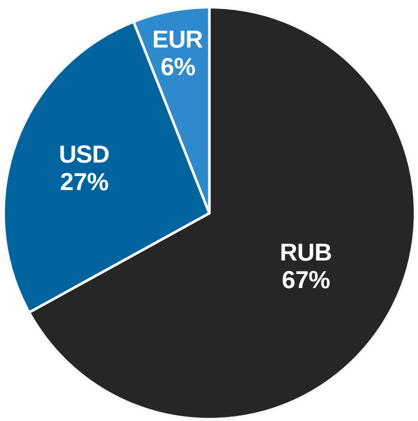
Debt structure & net debt / EBITDA ratio dynamics

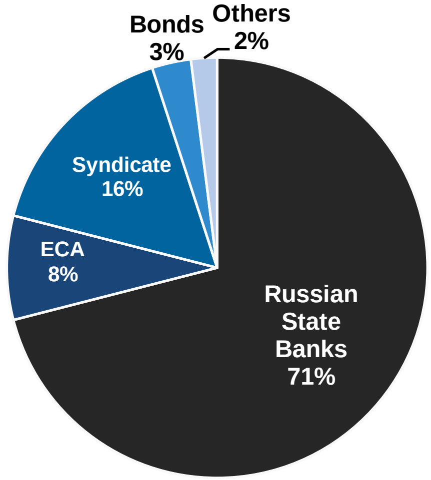
- As of the date of financial release – portion of restructured debt has increased to 78%; ruble portion of debt amounts to 67%; and Russian state banks hold 71% of our debt portfolio.
- New repayment schedules with Russian state banks came into force in the middle of April 2017, which assumes a grace period until 1Q-2Q2020 and equal monthly repayment until 2Q2022.
- Net leverage decreased to a level of 5.3 on EBITDA growth and stable debt.
- Average interest rate through the debt portfolio as of April 2018 is 8.1% per annum and it trends to lower levels as most Ruble denominated loans rate is linked to Central bank key interest rate; average paid interest rate (with PIC) amounts to 7.9% per annum.
- In 2017 Group repaid 11.8 bln RUB of debt.
- December 29, 2017 Mechel PAO successfully completed negotiations on restructuring the 1-billion-dollar syndicated loan with International banks. All necessary documents will be signed in the nearest future.



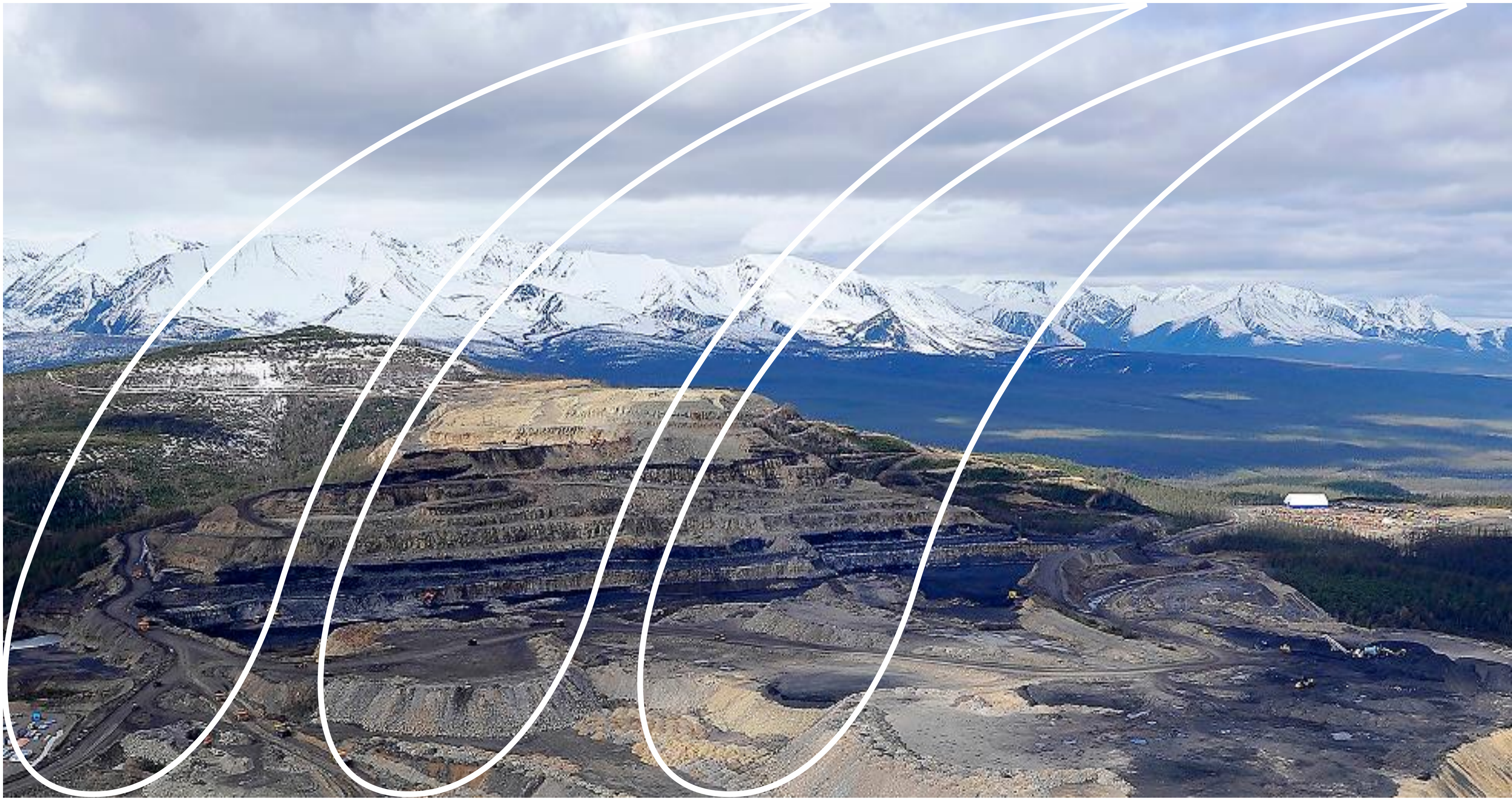
* excluding GPB option on Elga, fines and penalties





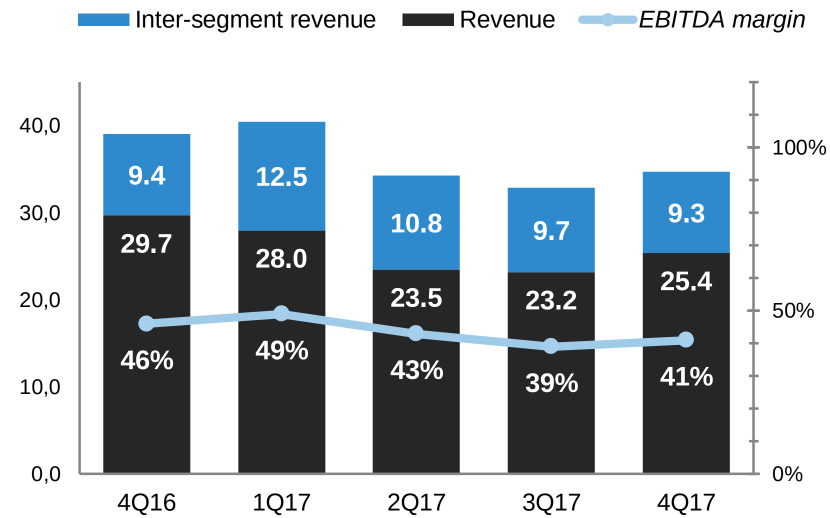


APPENDIX

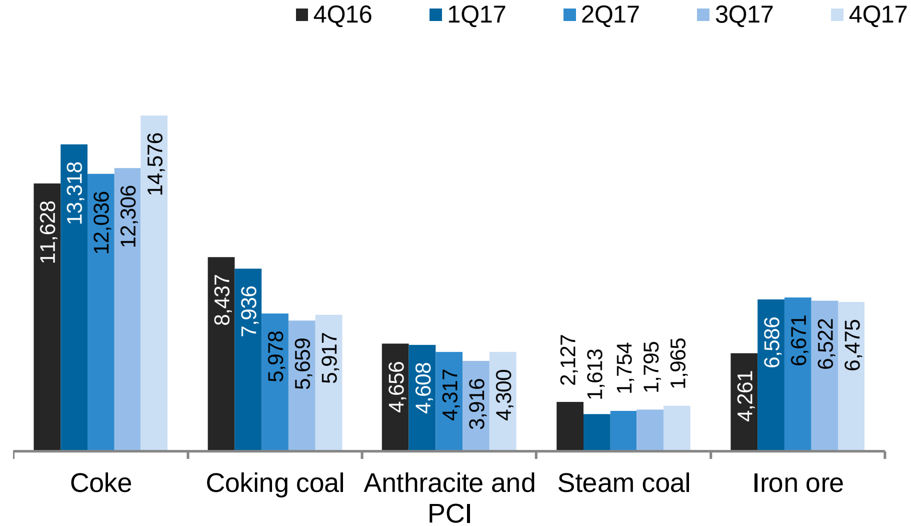


Mining segment

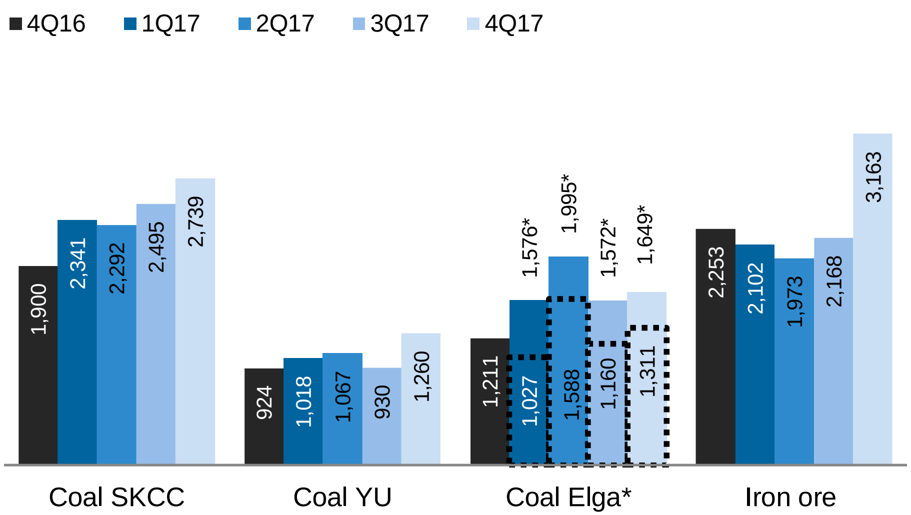
Revenue, EBITDA margin, RUB Bln



Average sales prices FCA, RUB/tonne



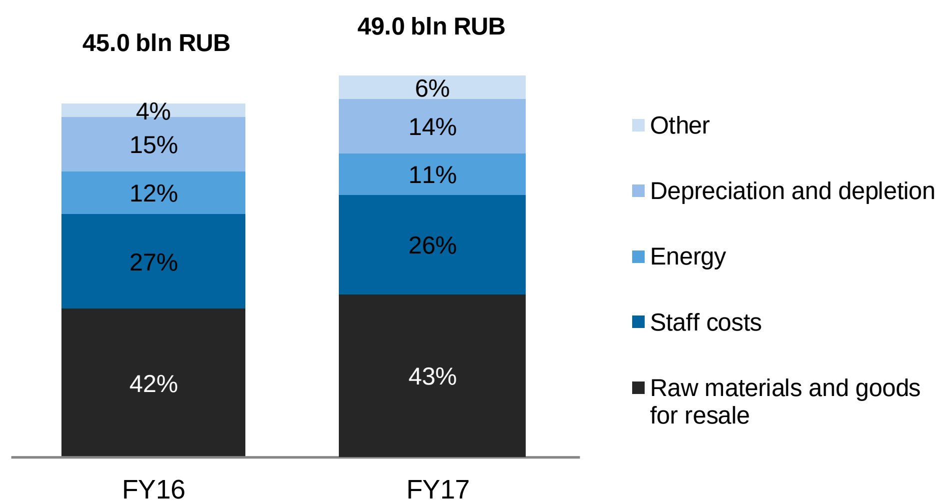
Cash costs, RUB/tonne



Coking coal concentrate produced on Elga

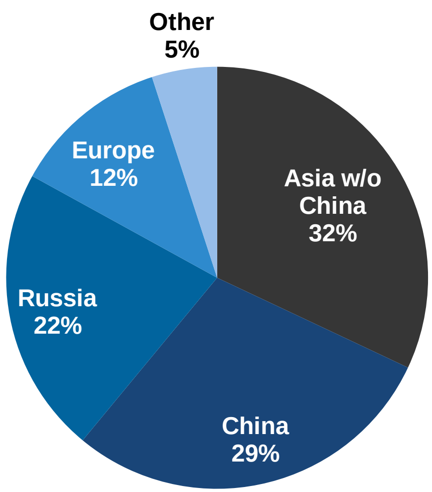
* Coking coal concentrate produced on Elga and Southern Kuzbass Coal Company washing facilities

COS structure

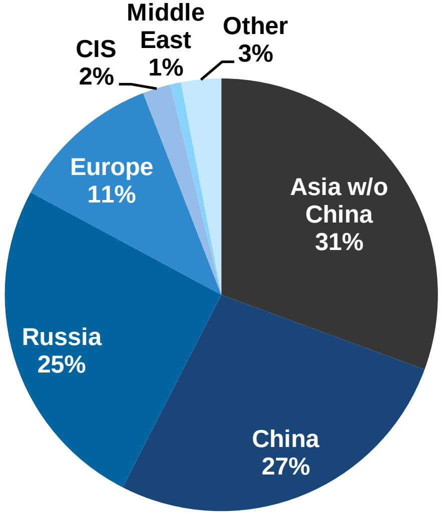


Mining segment

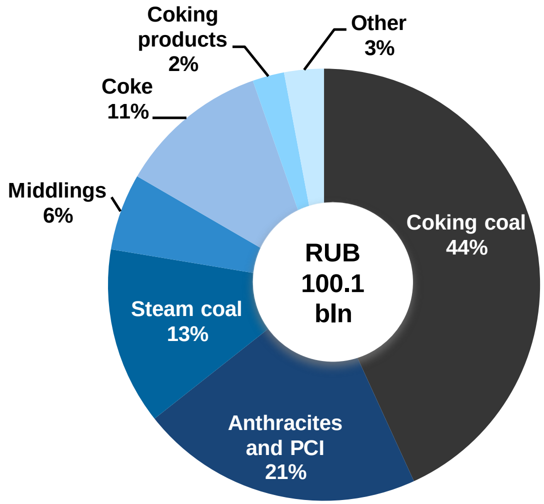
Revenue breakdown by regions FY 2017



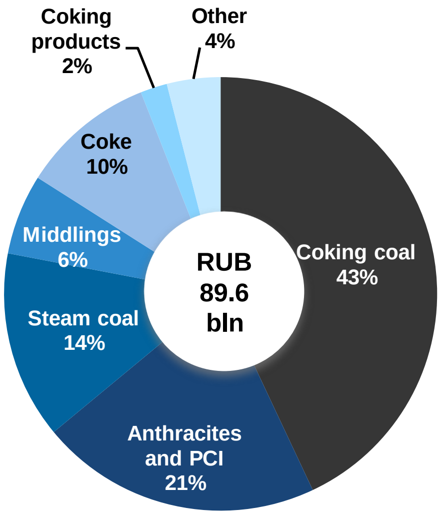
Revenue breakdown by regions FY 2016



Revenue breakdown by products FY 2017

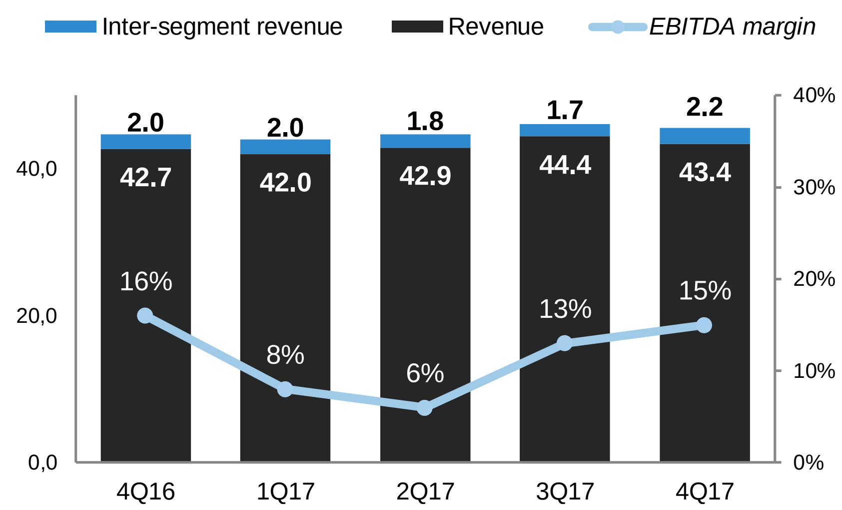


Revenue breakdown by products FY 2016

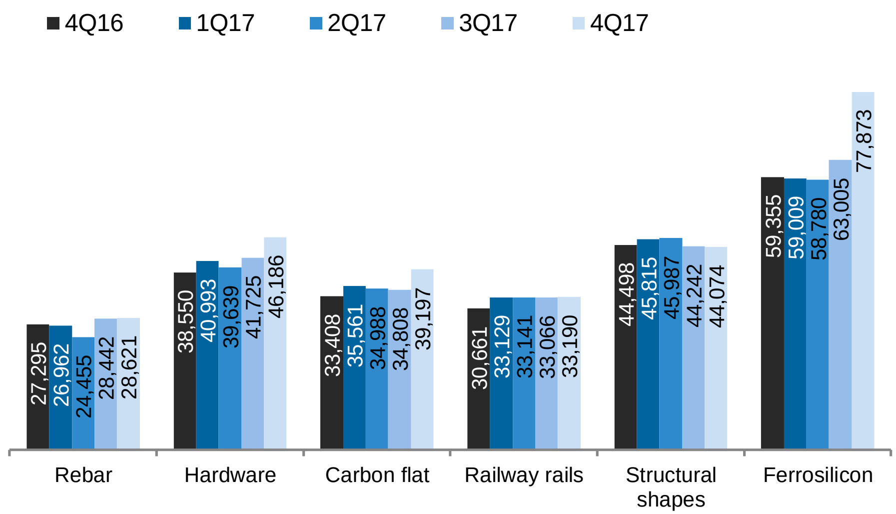


Steel segment

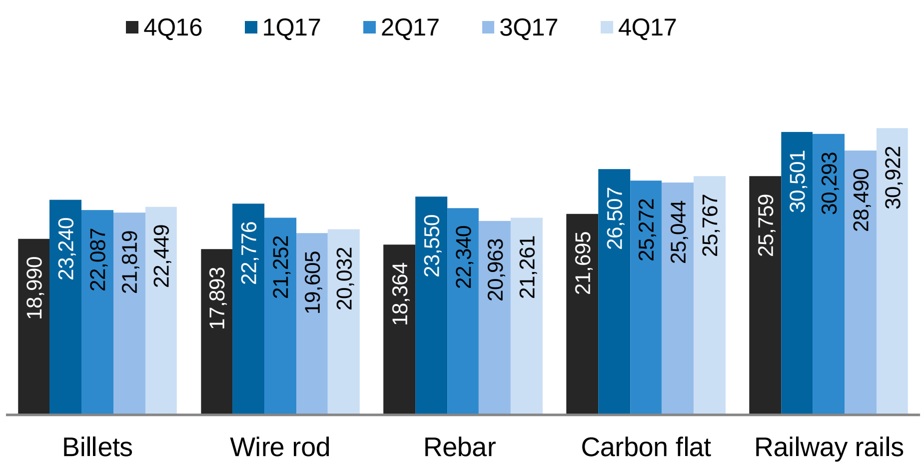
Revenue, EBITDA margin, RUB Bln



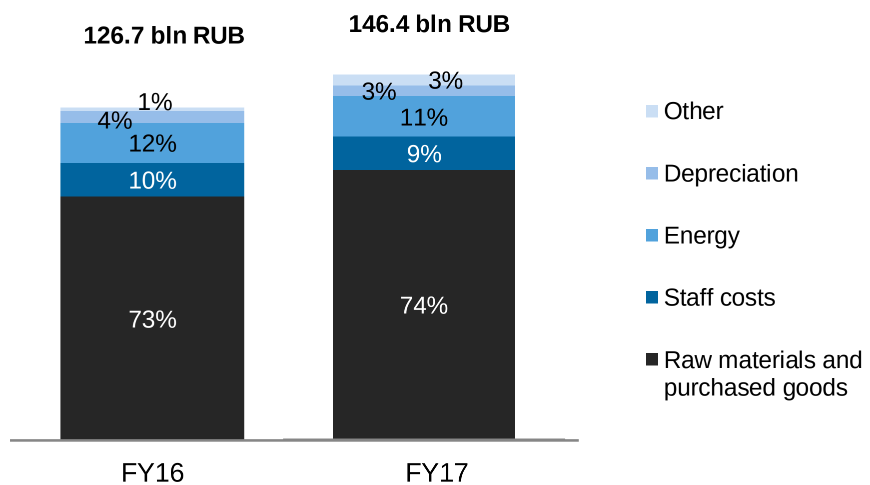
Average sales prices FCA, RUB/tonne



Cash costs, RUB/tonne

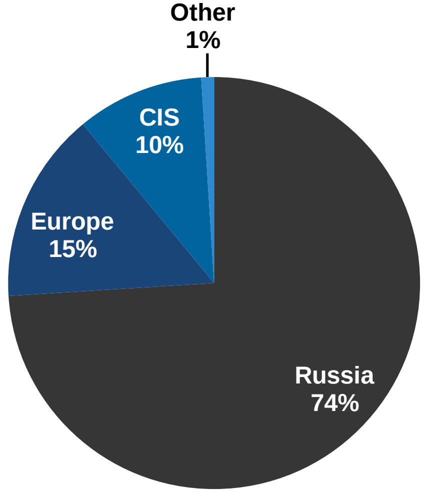


COS structure

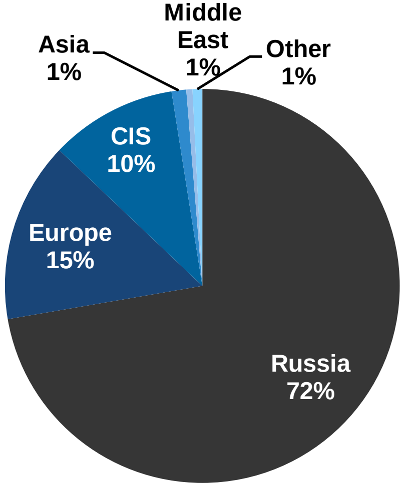


Steel segment

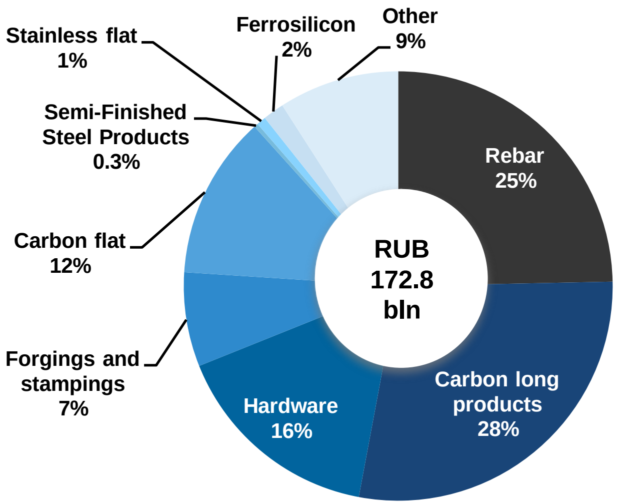
Revenue breakdown by regions FY 2017



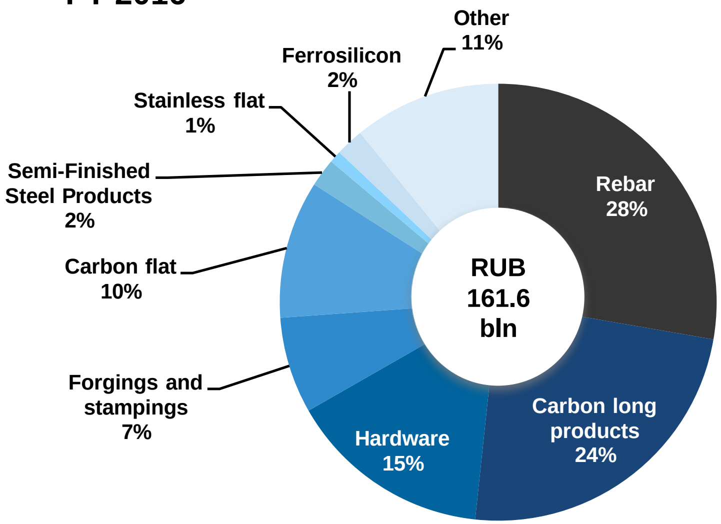
Revenue breakdown by regions FY 2016



Revenue breakdown by products FY 2017



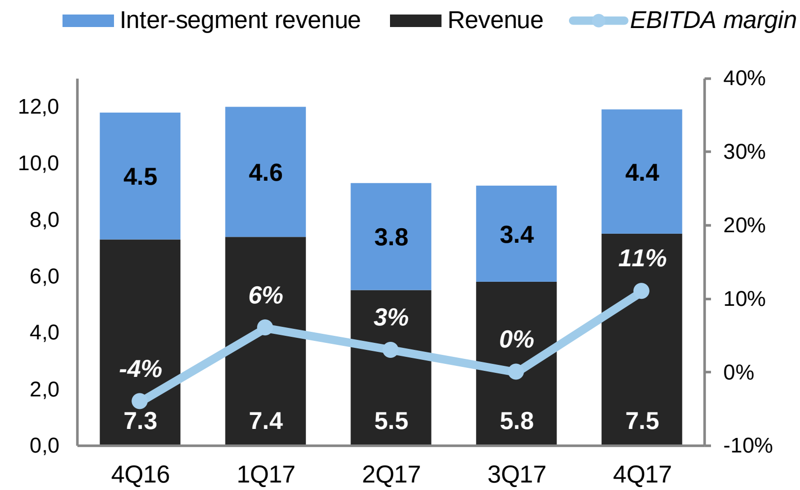
Revenue breakdown by products FY 2016



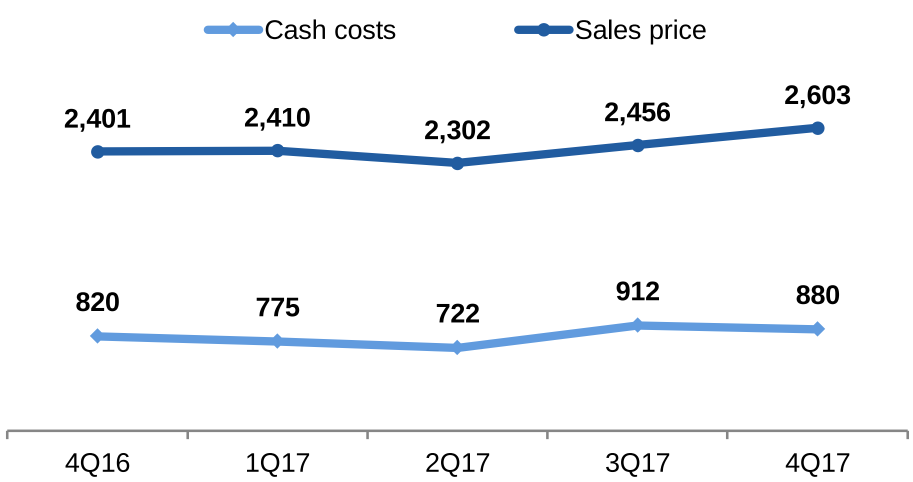
Power segment

- Revenue for the FY2017 increased by 6% mostly on tariffs growth.
- FY2017 EBITDA increased by 39% Y-o-Y as prices dynamics surpassed costs growth.

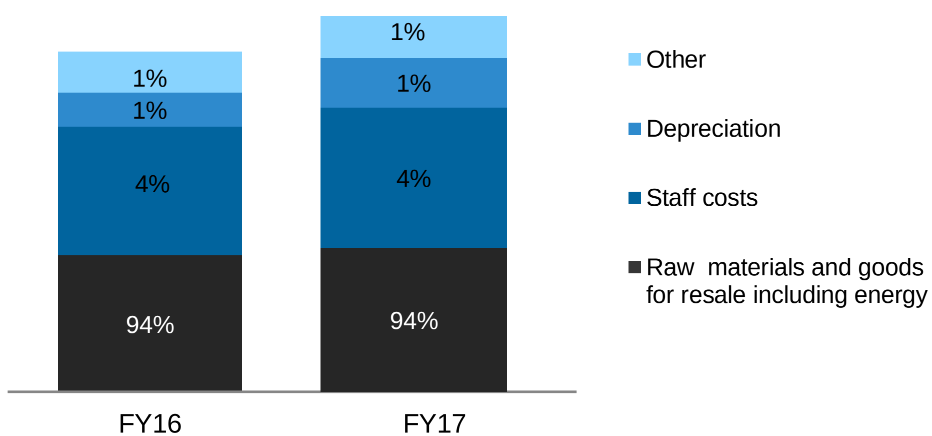
Revenue, EBITDA margin, RUB Bln



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



COS structure



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