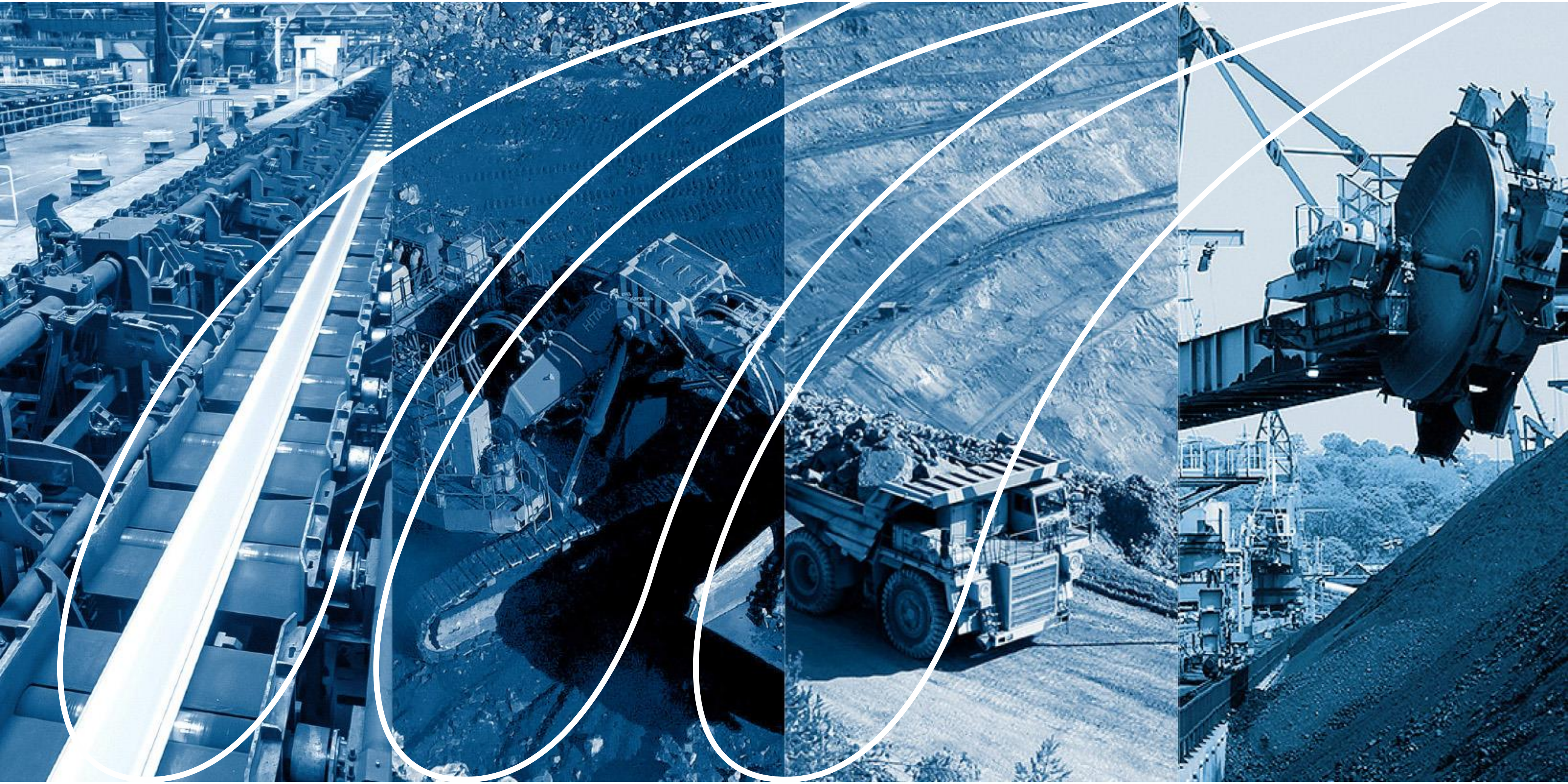
FY2018 RESULTS PRESENTATION

March 21, 2019



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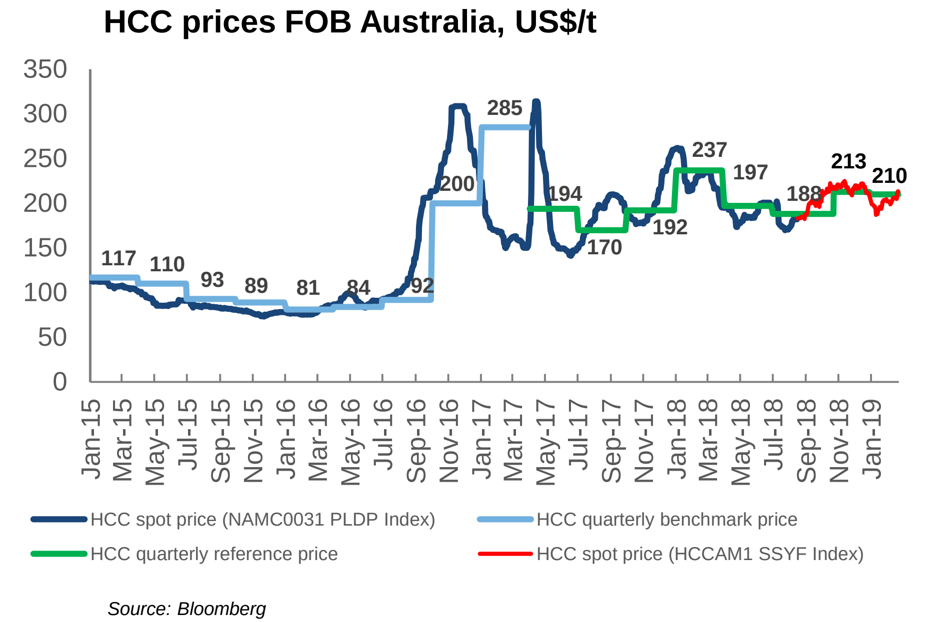
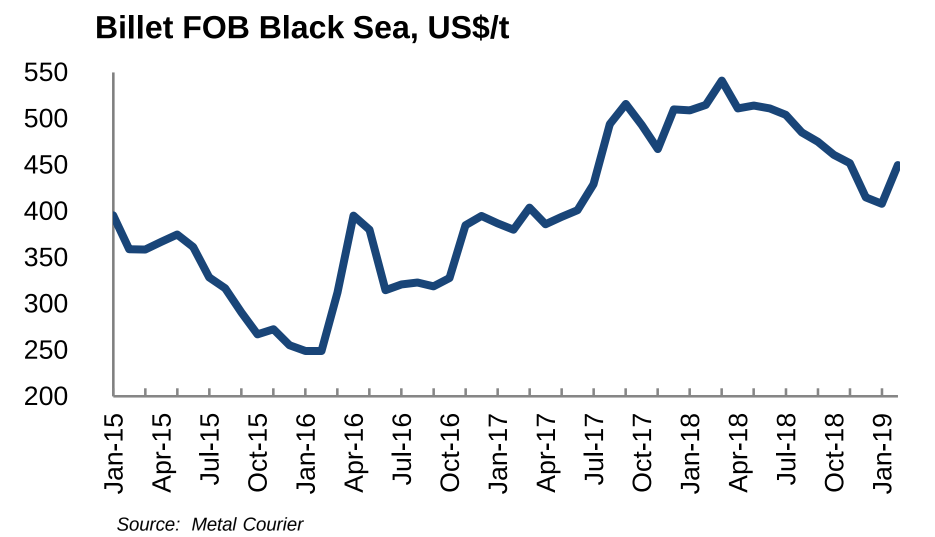
KEY FINANCIAL RESULTS

Nelli R. Galeeva – Chief Financial Officer

Key market drivers

- International HCC market in 2018 was more sustainable than in 2017 though average quarterly reference prices for 2018 and 2017 were almost on the same level ($208-$210).
- On consumption side prices were affected by limitations in Chinese steel production due to ecological issues, escalation of the trade conflict between the USA and China and introduction of restrictions against coal imports in Chinese ports.
- At the same time coal supplies from Australia were encountering difficulties related to weather conditions, infrastructural limitations and technical issues at mines.
- At the Russian coal market the year 2018 started with domestic prices growth in consequence of seaborne HCC prices spike. Later through the year prices varied slightly quarter to quarter remaining at favorable levels. Average coking coal prices at domestic market in 2018 were about 17% higher than in 2017.
- Increase of prices at semi-finished products market in mid-March 2018 was followed by gradual decline as Chinese producers and traders entered the export market due to weak domestic demand. In 3Q2018 additional pressure on the market came from Turkish market weakness and the movement of billet consumption center from MENA region to South-East Asia that implies higher freight rates. Nevertheless average billet price FOB Black sea in 2018 was 12% higher than in 2017.
- Overall rebar market in 2018 was relatively stable. Prices movements were generally driven by traditional weakness in winter period and increase of market activity in summer. Last year seasonal growth was partially suppressed by hosted in Russia FIFA World Cup. Ultimately average prices in 2018 were almost 20% higher than in 2017.





FY2018 Financial results summary

- Consolidated Revenue in FY2018 amounted to 312.6 bln RUB, an increase of 5% compared to FY2017, predominantly due to favorable market conditions and higher average sales prices for both Steel and Mining division products.
- FY2018 EBITDA* went down by 7% compared to FY2017 and amounted to 75.7 bln RUB with EBITDA margin decreased to 24% which was a result of lower sales volumes and higher costs.
- Group generated Profit attributable to equity shareholders of Mechel PAO of 12.6 bln RUB in FY2018.

RUB mln	FY18	FY17	%	4Q18	3Q18	%
Revenue	312,574	299,113	5%	75,571	79,965	-5%
Operating profit	49,780	57,167	-13%	1,978	15,161	-87%
EBITDA*	75,667	81,106	-7%	15,021	19,206	-22%
EBITDA margin, %	24%	27%		20%	24%	
Profit attributable to equity shareholders of Mechel PAO	12,628	11,557	9%	1,631	6,304	-74%

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

FY2018 Production and sales summary

- In FY2018 coal mining volumes decreased by 9% compared to FY2017 as Mining division intensified stripping works to overcome the underrun of resource preparation. Limitations in rolling stock supplies also affected mining volumes.
- Stripping works significantly increased on our mining assets in FY2018. Coal mining assets added 25% Y-on-Y, Korshunov mining plant – more than by one and a half.
- Production of pig iron and steel descended by 8% and 9% respectively Y-o-Y due to the scheduled repair works at Chelyabinsk Metallurgical Plant's facilities.

Production (th tonnes)

Product	FY18	FY17	%	4Q18	3Q18	%
Run-of-mine Coal	18,813	20,638	-9	4,341	4,781	-9
Pig Iron	3,600	4,029	-8	872	889	-2
Steel	3,881	4,274	-9	905	925	-2

- Coking coal sales in FY2018 declined by 10% as a consequence of railway cars deficit we faced in the reporting period.
- Steam coal sales decreased in FY2018 by 14% on lower steam coal mining volumes.
- Lower steel production negatively influenced flat and long steel sales.

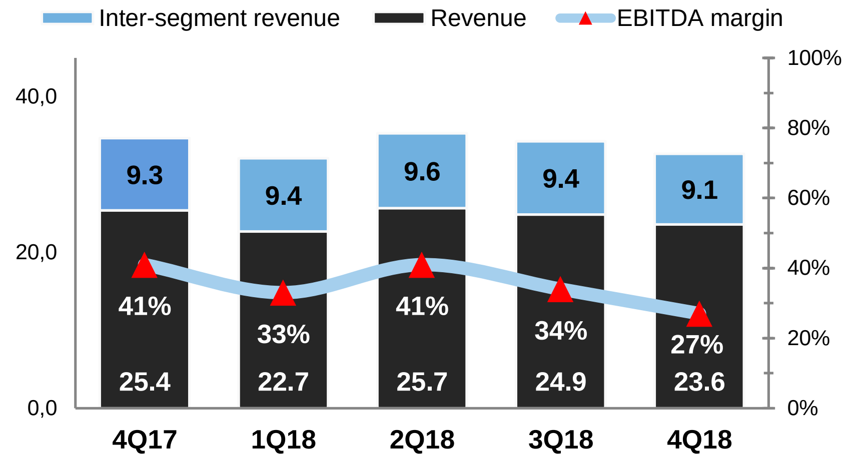
Sales (th tonnes)

Product	FY18	FY17	%	4Q18	3Q18	%
Coking Coal	7,149	7,942	-10	1,747	1,881	-7
Steam Coal	5,290	6,141	-14	971	1,298	-25
Flat Products	481	581	-17	91	119	-24
Long Products	2,731	2,919	-6	621	699	-11

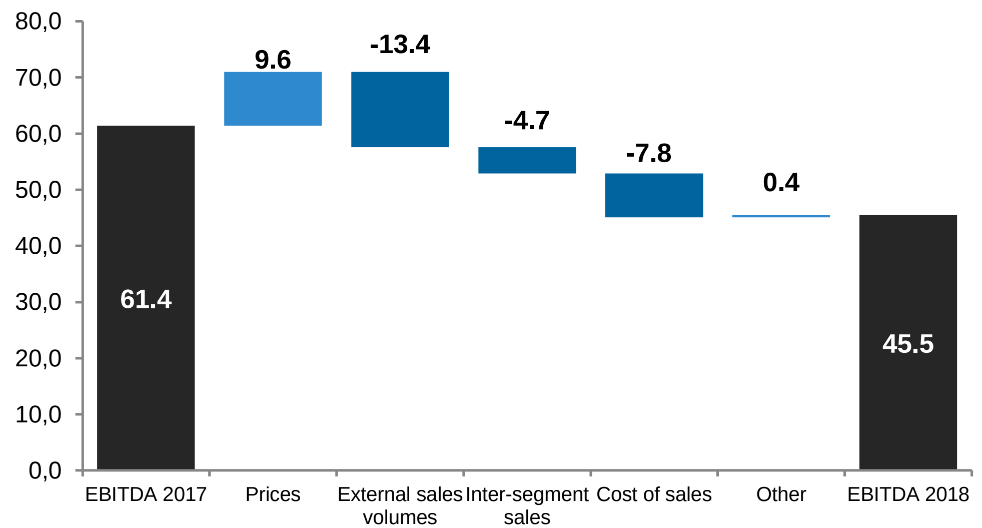
Mining segment

- Share of Mining segment sales to China decreased to 21% in FY2018 from 29% in FY2017 due to higher sales to Japan and recovery in sales volume in South Korea after decline in 1Q2017. Start of steam coal crushing at Elga also allowed to redirect steam coal sales from China to alternative markets.
- Sales volumes decline was the major factor of EBITDA decrease in FY2018. It was partlially compensated by higher prices.
- Stripping works growth on lower sales resulted in costs increase which was the main factor of Mining segment EBITDA decline Q-o-Q to 27% in 4Q2018.
- Mining EBITDA margin decreased to 34% in FY2018.

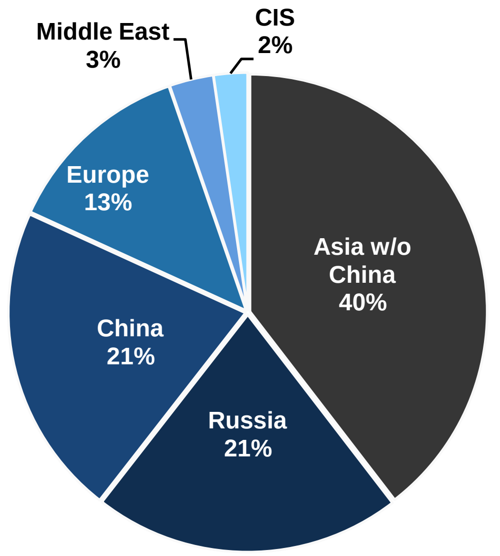
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln



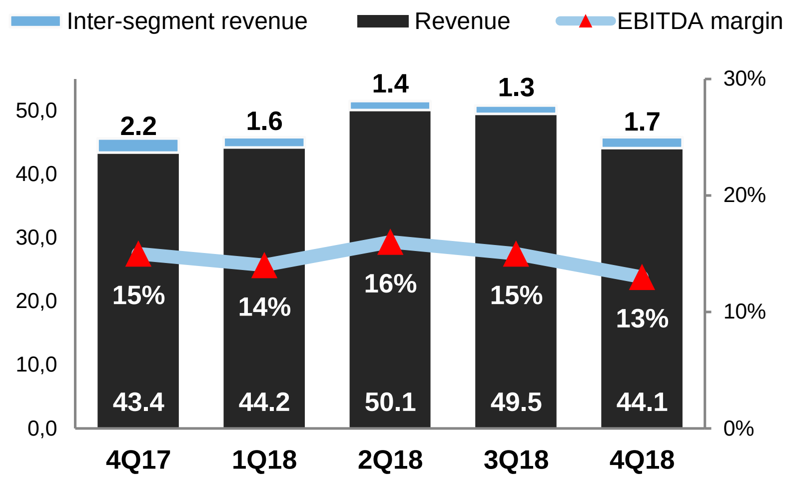
Revenue breakdown by regions (FY2018)



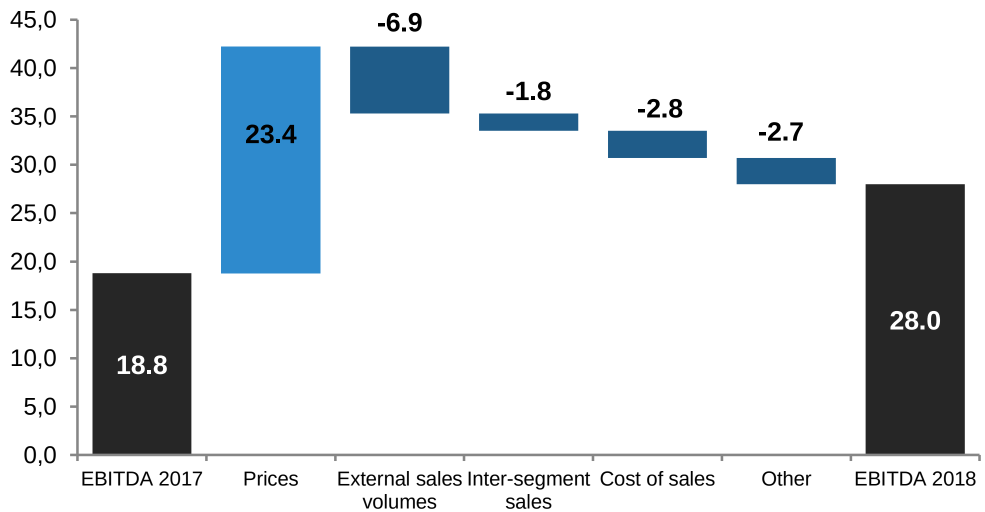
Steel segment

- In FY2018 Revenue increased mostly due to favorable market conditions and higher prices but it was negatively affected by lower production and sales volumes.
- Steel segment EBITDA rose by 49% Y-o-Y.
- Segment`s EBITDA margin grew Y-o-Y from 10% to 14%.

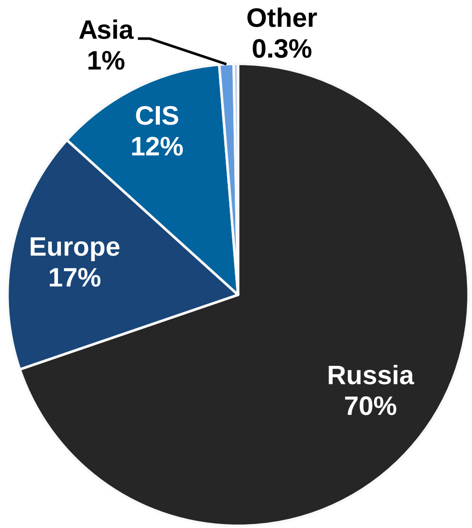
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln



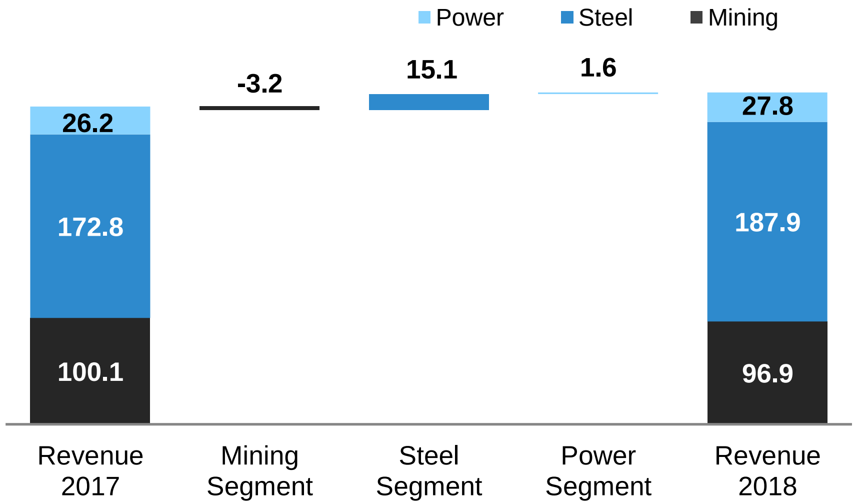
Revenue breakdown by regions (FY2018)



Consolidated revenue and EBITDA dynamics

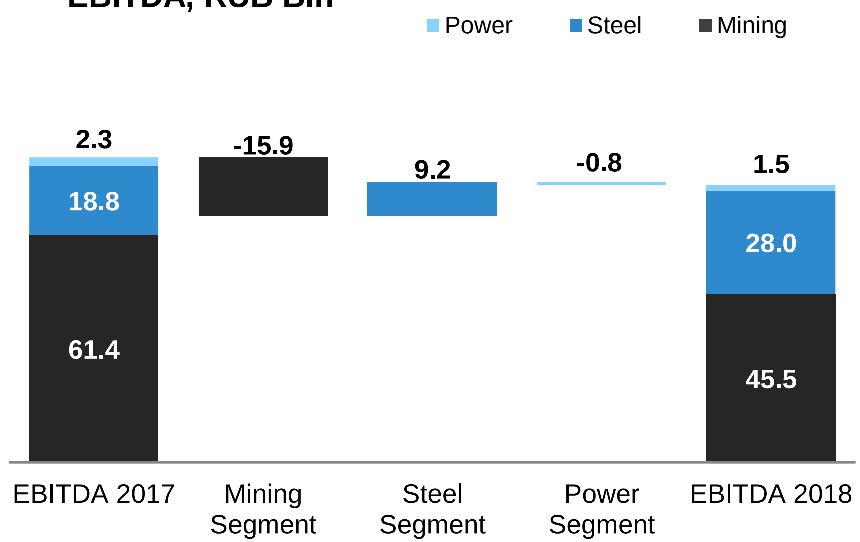
- Mining segment Revenue to 3rd parties in FY2018 decreased by 3%, compared to FY2017, on lower coal sales volumes.
- Steel segment Revenue to 3rd parties in FY2018 increased by 9% compared to FY2017 on higher prices but was affected by lower sales volumes due to extensive repairs program.
- Power segment Revenue to 3rd parties added 6% in FY2018 vs FY2017 due to higher power sales volumes and price growth at capacity market.

Revenue, RUB Bln



- Mining segment EBITDA decreased by 26% in FY2018 compared to FY2017 and amounted to 45.5 bln RUB due to lower sales volumes and high costs.
- Steel segment EBITDA added 49% Y-o-Y on higher prices and amounted to 28.0 bln RUB.
- Power segment EBITDA decreased by 33% Y-o-Y and amounted to 1.5 bln RUB on higher energy costs.

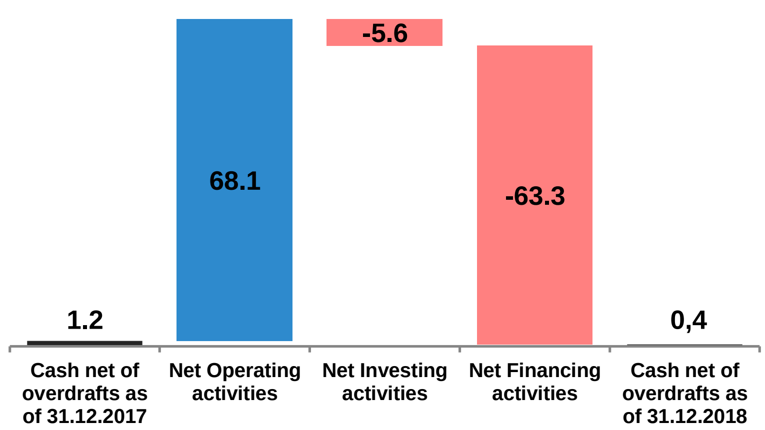
EBITDA, RUB Bln



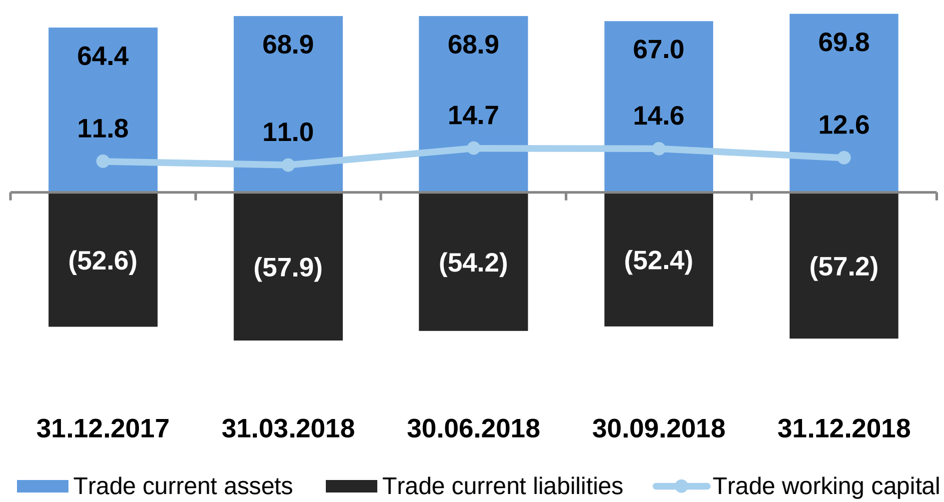
Cash flow &
trade working capital

- Cash flow from operations completely covers Group's current expenses, including debt service and lease payments.
- Through 2018 level of our trade working capital remained quite stable. In 4Q2018 there was slight trade working capital decrease to 12.6 bln RUB.
- Group’s capital expenditures in 4Q2018 amounted to 3.0 bln RUB, including 0.6 bln RUB of lease payment.
- Group’s capital expenditures in FY2018 amounted to 9.3 bln RUB, including 2.8 bln RUB of lease payment.

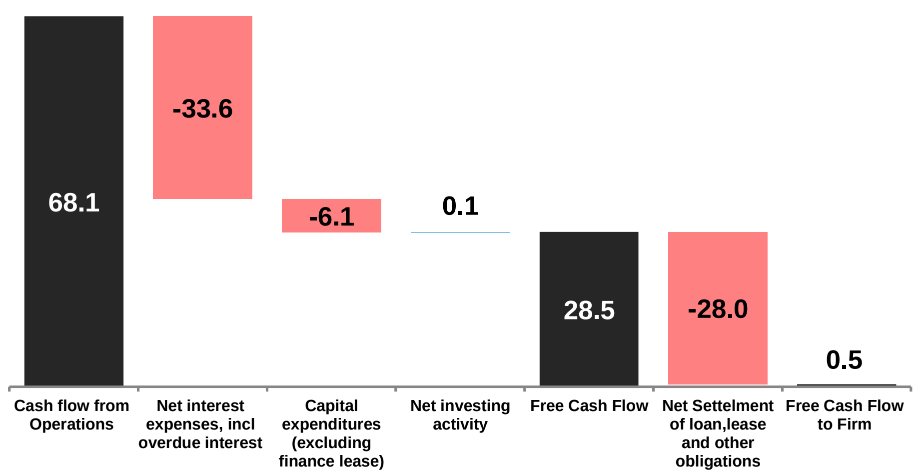
CASH FLOW, RUB Bln



Trade working capital management, RUB Bln



FREE CASH FLOW for FY2018, RUB Bln



Key projects results

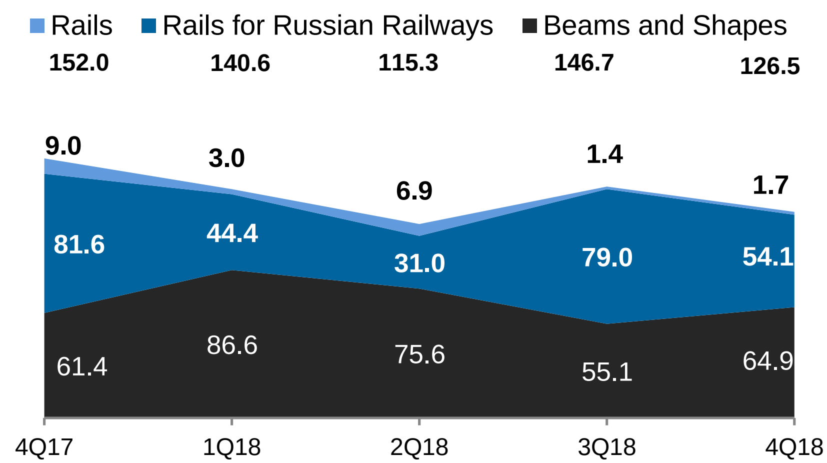
Universal rolling mill
at Chelyabinsk metallurgical plant

- Rails production decreased by 17% Y-o-Y. Universal rolling mill focused on a structural shapes production as their sales were more profitable than rails supplies.
- Structural shapes sales increased by 3% Y-o-Y and by 18% in 4Q2018 compared to 3Q2018.
- We continue developing and producing new types of rails and shapes at Universal rolling mill. In 2018 production of 17 highly profitable new types of shapes was set up. Total of about 70 types of shapes can be produced at the mill as of now.

Universal rolling mill sales (th tonnes)

Product	FY18	FY17	%	4Q18	3Q18	%
Railway rails	244	357	-32	61	90	-32
Structural shapes	282	268	+5	71	69	+3

Universal rolling mill Production in 4Q2017– 4Q2018 (th tonnes)



Elga coal project development

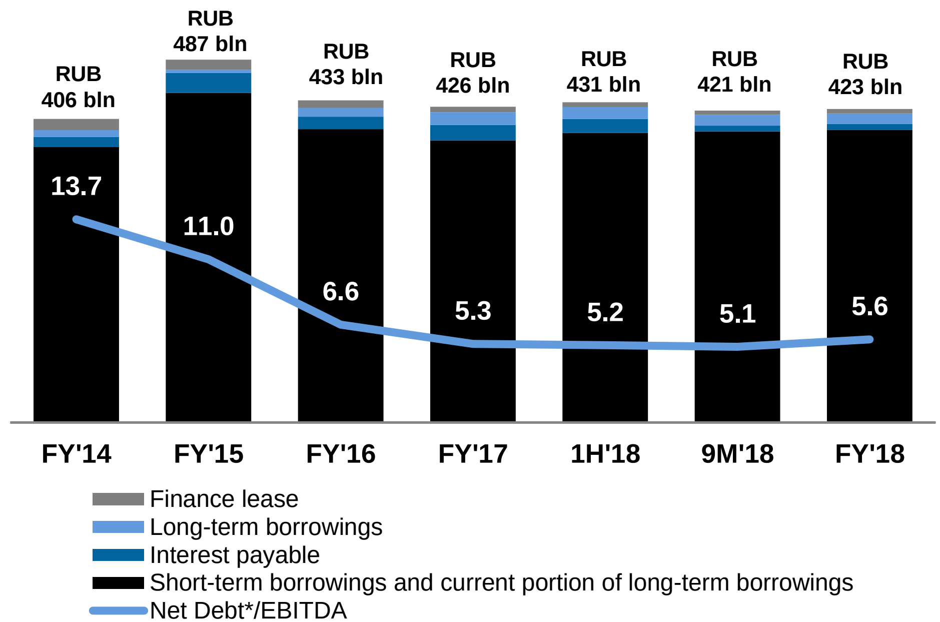
- Production in 2018 amounted to 4.9 mln tonnes.
- Mining volumes at Elga in 4Q2018 decreased by 25% compared to 3Q2018 as production plan was corrected considering lack of rolling stock and high volume of coal at stocks.
- In FY2018 share of coking coal in total mining volumes amounted to 70%.

Elga Coal Complex (th tonnes)

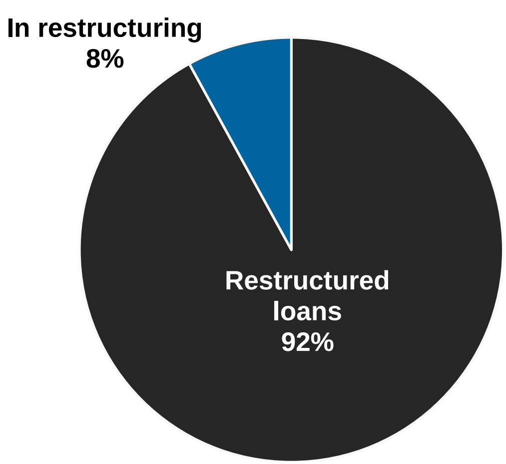
Product	FY18	FY17	%	4Q18	3Q18	%
Run-of-mine coal	4,923	4,154	19	1,024	1,359	-25

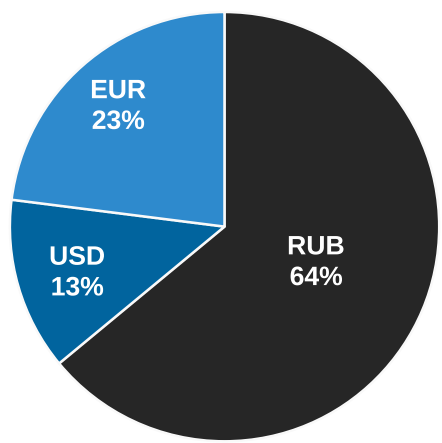
Debt structure & net debt / EBITDA ratio dynamics

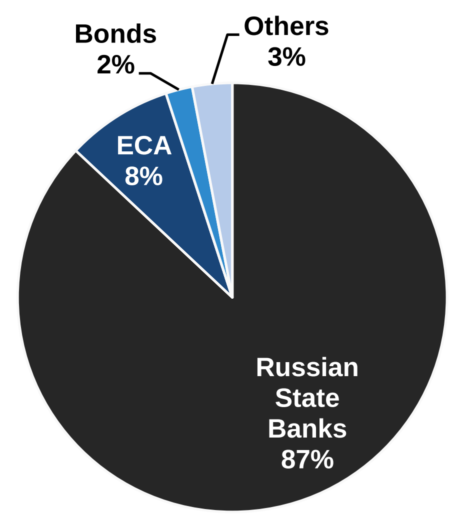
- As of the date of financial release – portion of restructured debt reached 92%; ruble portion of debt amounts to 64%; and Russian state banks hold 87% of our debt portfolio.
- Net leverage increased to 5.6 on lower EBITDA given the stable debt level.
- Average interest rate through the debt portfolio as of February 2019 is 8.2% per annum; average paid interest rate amounts to 7.9% per annum.
- In FY2018 Group repaid 20.8 bln RUB of debt. In 4Q2018 – 4.1 bln RUB.



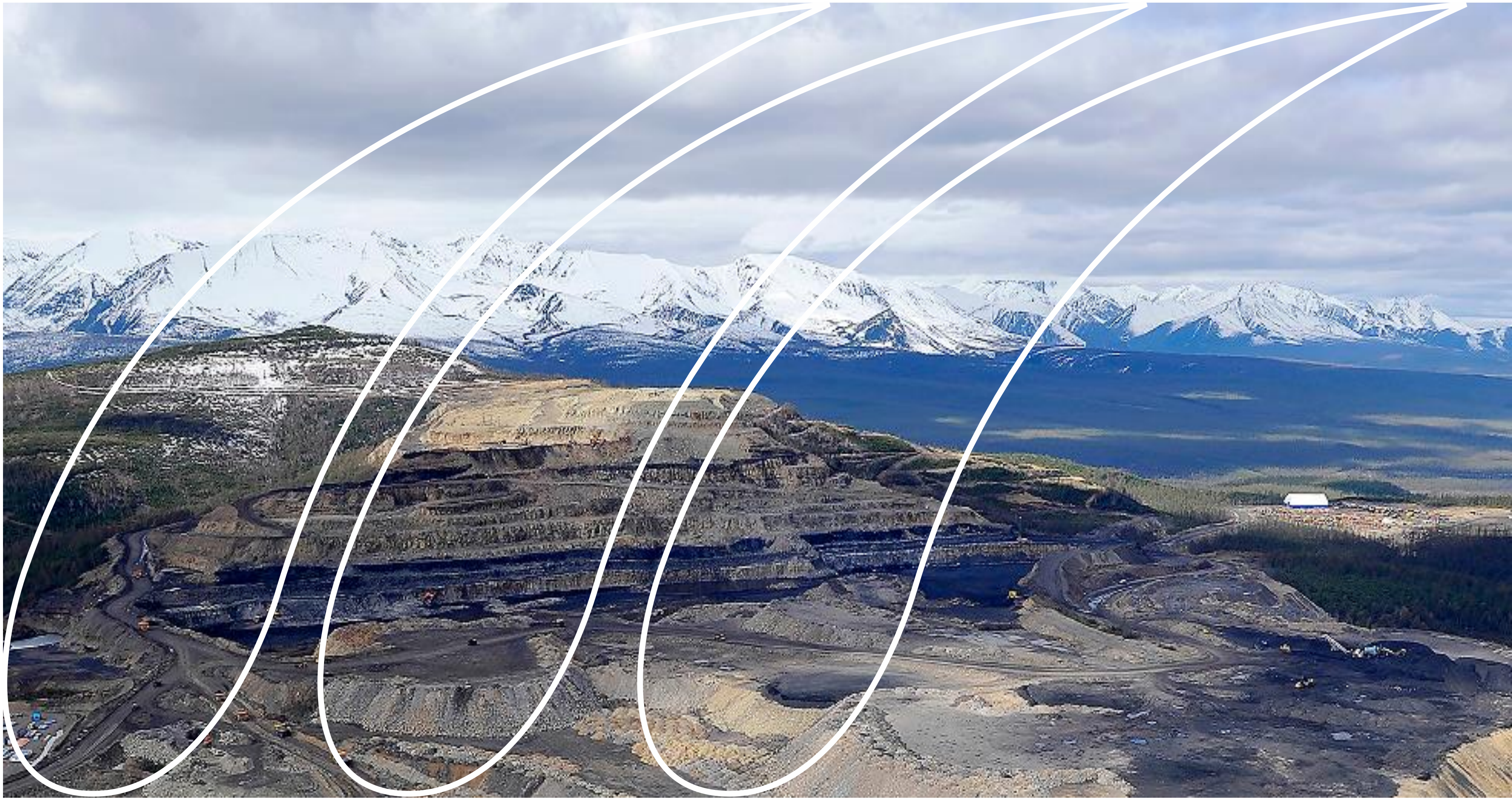
*** excluding GPB option on Elga, fines and penalties**





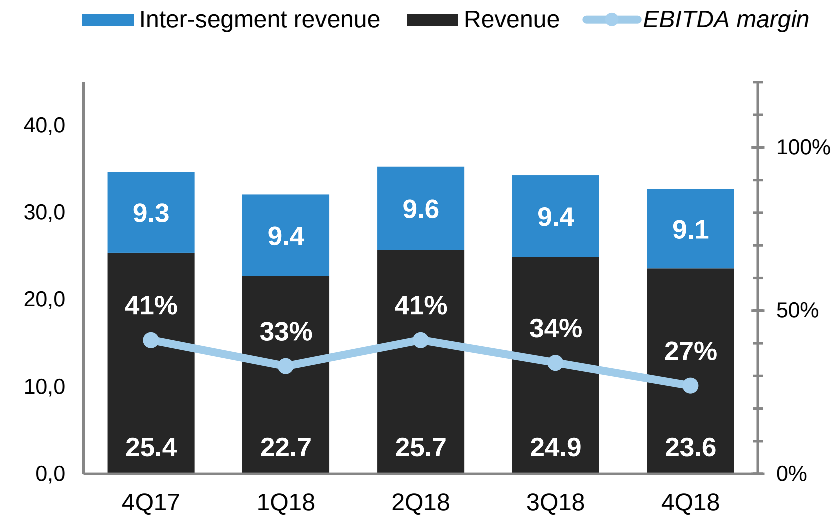


APPENDIX

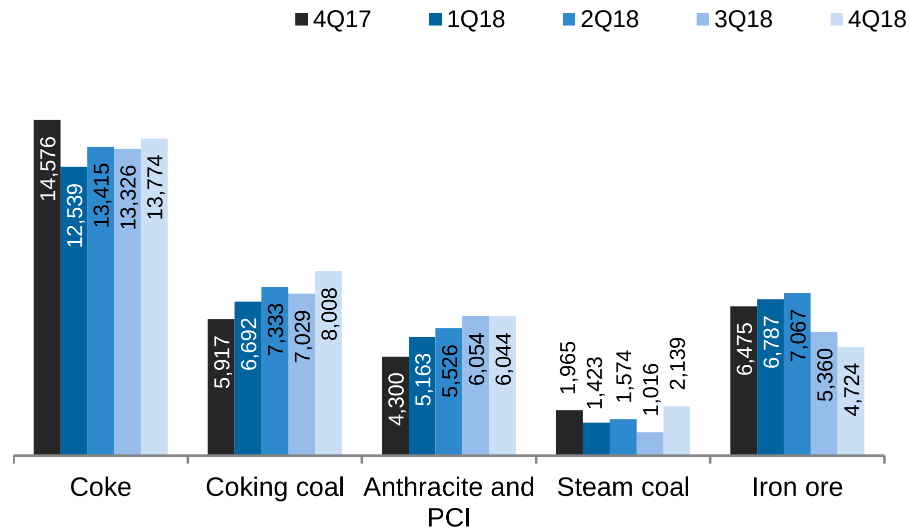


Mining segment

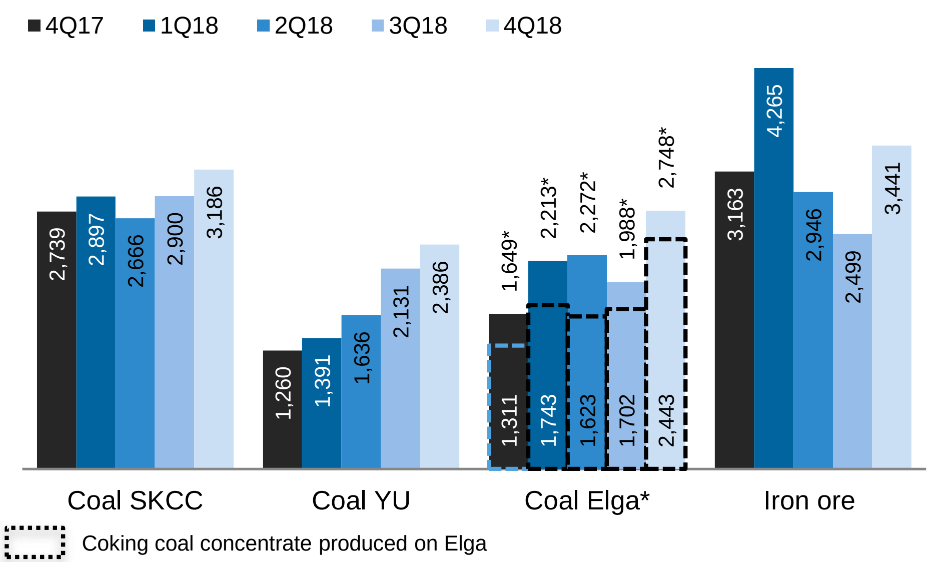
Revenue, EBITDA margin, RUB Bln



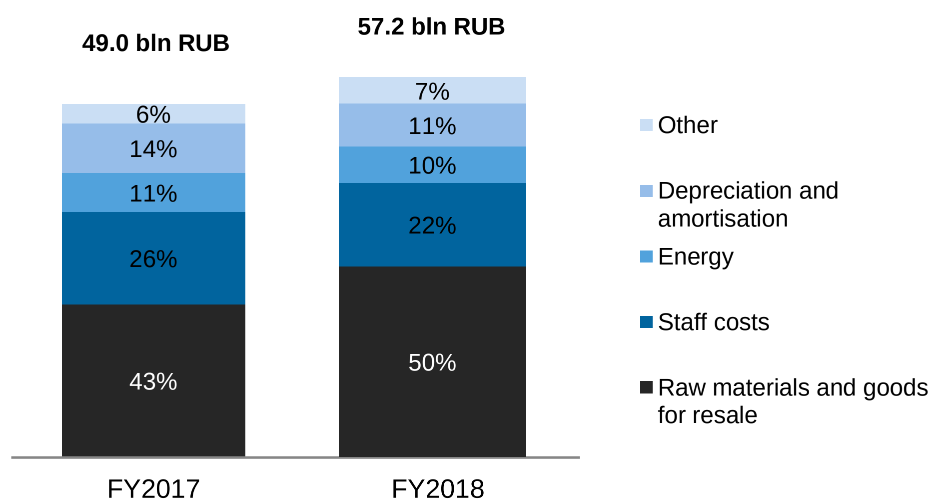
Average sales prices FCA, RUB/tonne



Cash costs, RUB/tonne



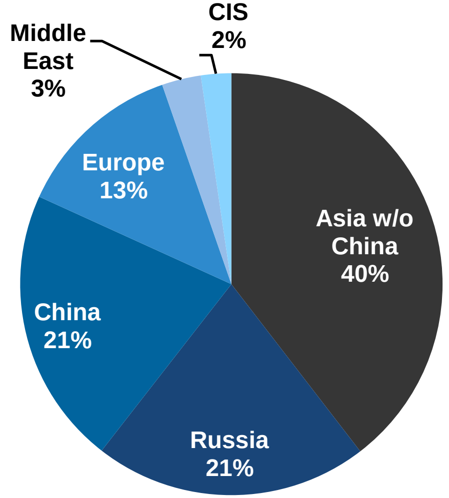
COS structure



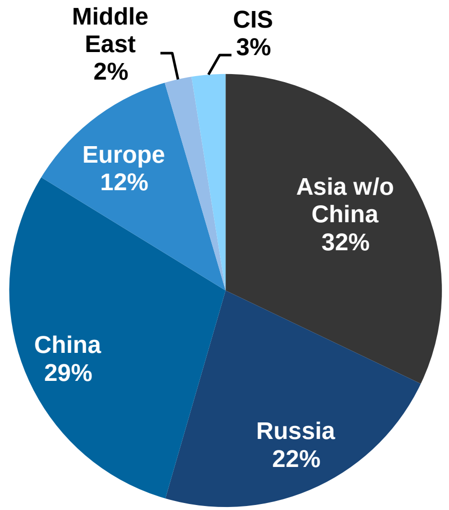
* Coking coal concentrate produced on Elga and Southern Kuzbass Coal Company washing facilities

Mining segment

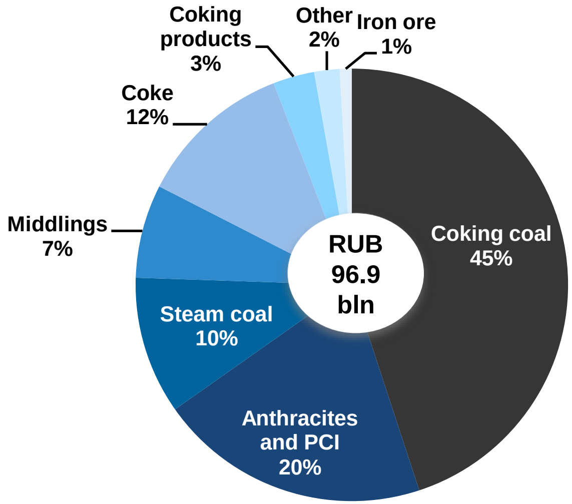
Revenue breakdown by regions FY2018



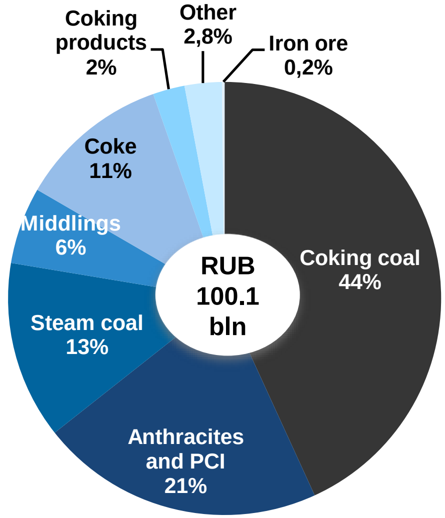
Revenue breakdown by regions FY2017



Revenue breakdown by products FY2018

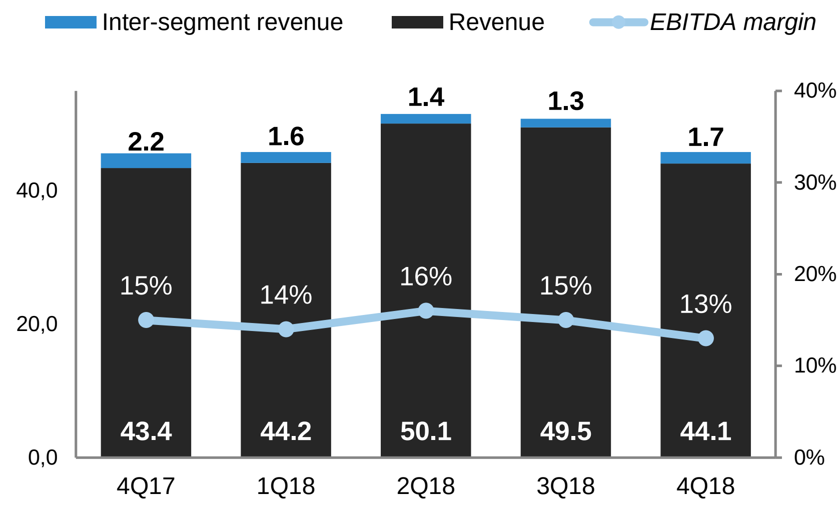


Revenue breakdown by products FY2017

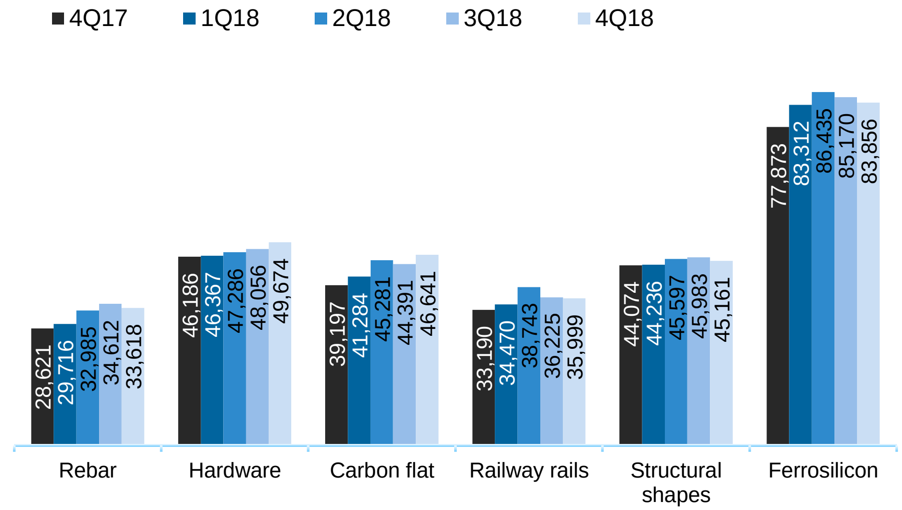


Steel segment

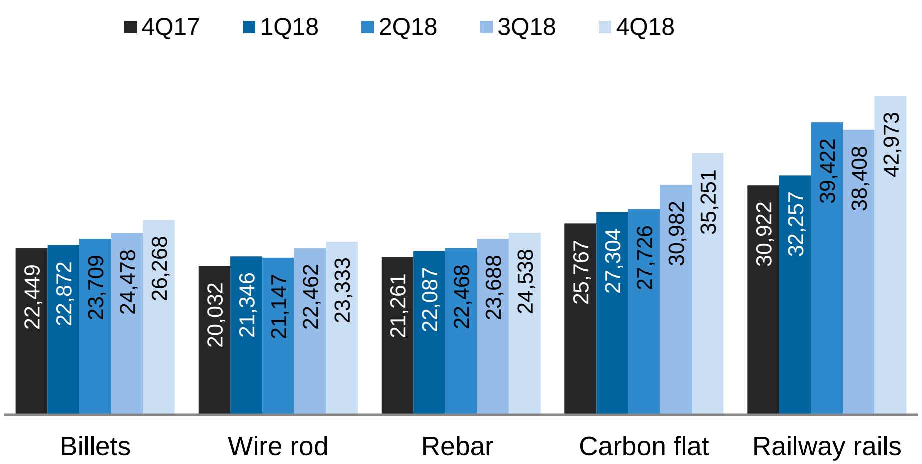
Revenue, EBITDA margin, RUB Bln



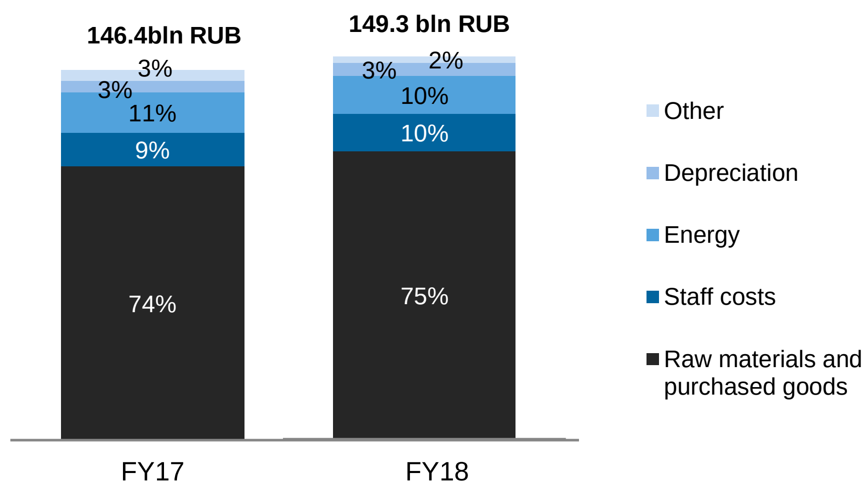
Average sales prices FCA, RUB/tonne



Cash costs, RUB/tonne

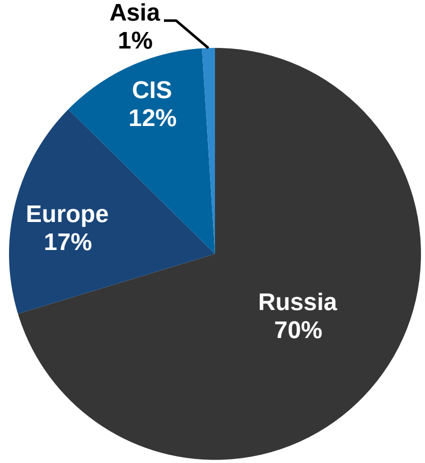


COS structure

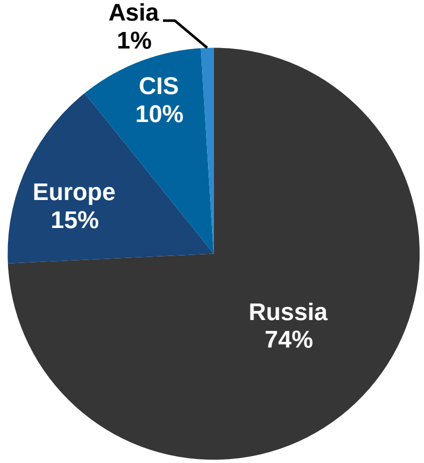


Steel segment

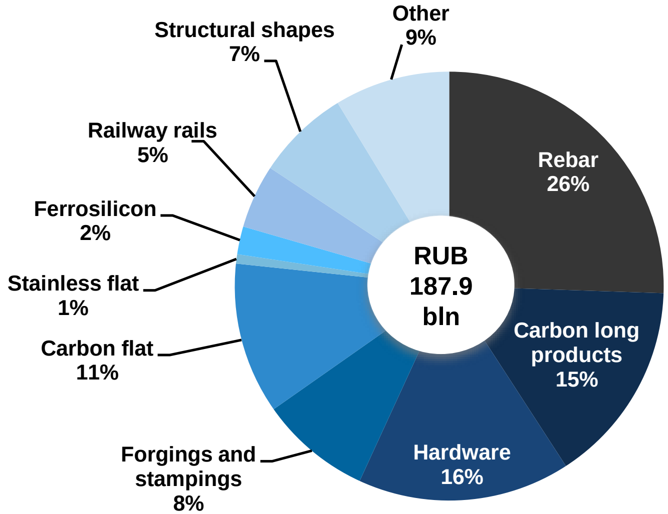
Revenue breakdown by regions
FY2018



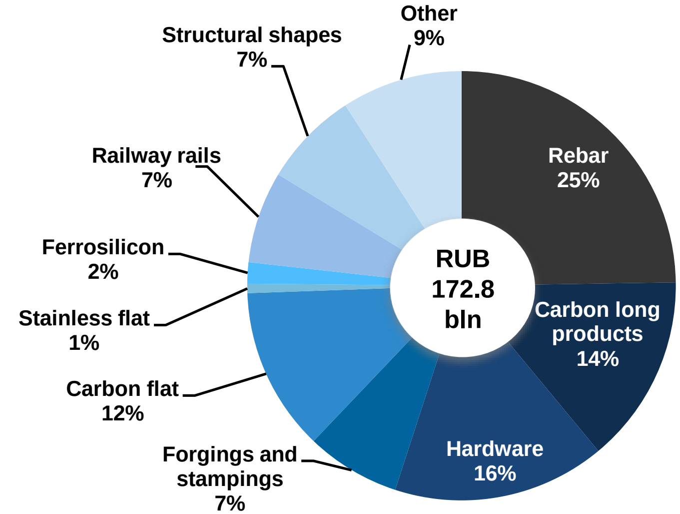
Revenue breakdown by regions
FY2017



Revenue breakdown by products
FY2018



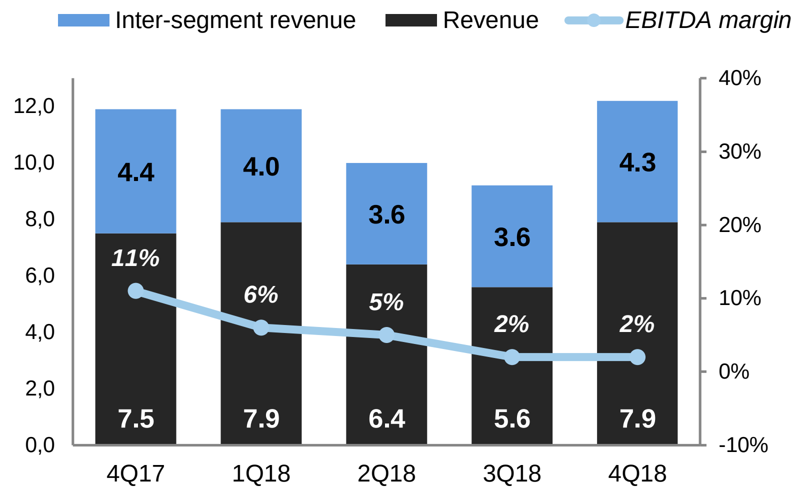
Revenue breakdown by products
FY2017



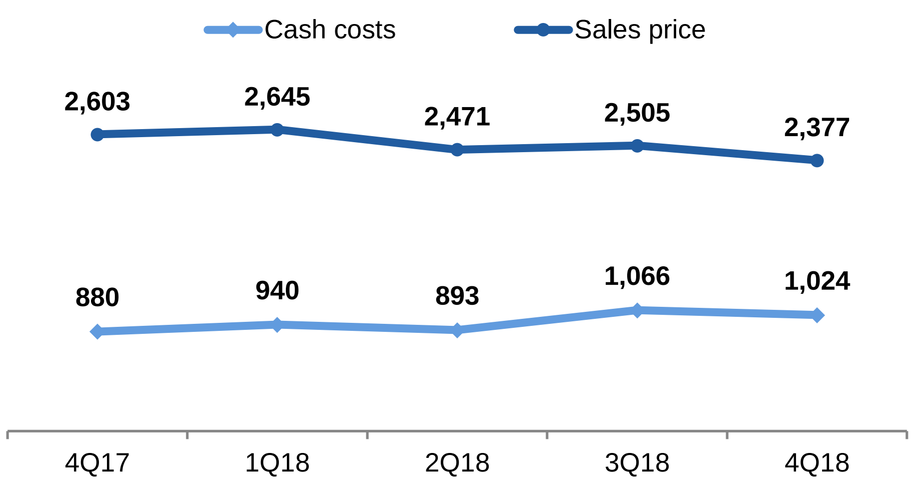
Power segment

- FY2018 Revenue demonstrated 6% growth as a result of higher power sales volumes and price growth at capacity market.
- FY2018 EBITDA decreased by 33% Y-o-Y on higher transmission costs and growth in material expenses.
- 4Q2018 Revenue increased by 42% Q-o-Q due to heating season beginning.
- EBITDA in 4Q2018 went down by 8% compared to 3Q2018 on higher energy costs.

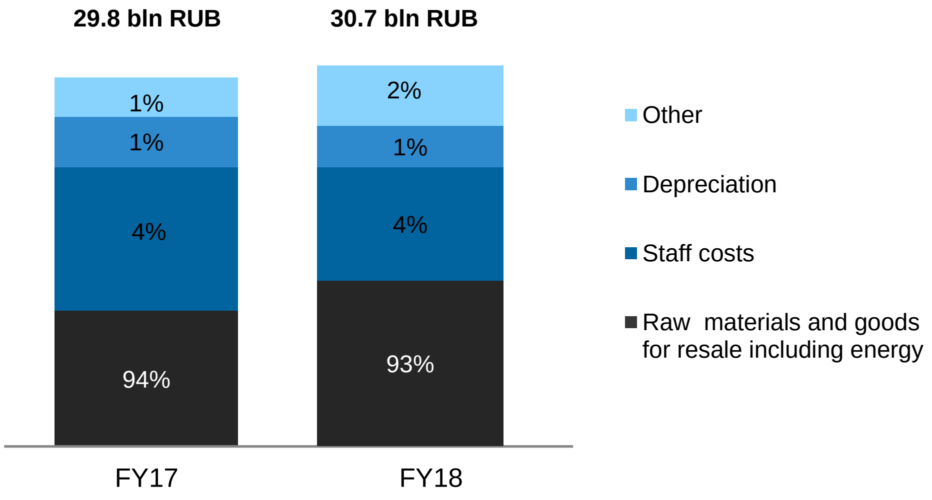
Revenue, EBITDA margin, RUB Bln



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



COS structure



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