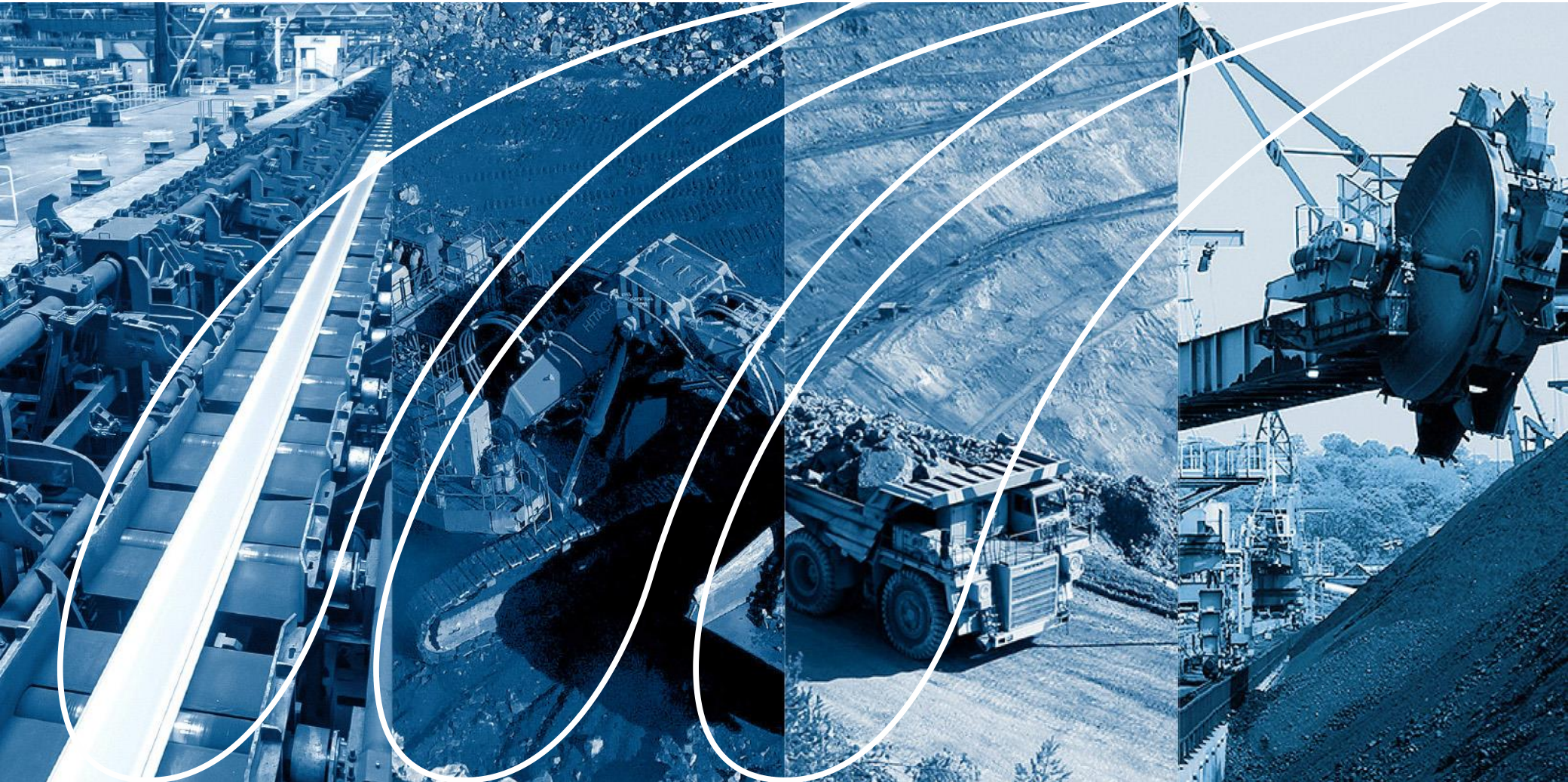


1Q 2018 RESULTS PRESENTATION

May 24, 2018



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The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice

KEY FINANCIAL RESULTS

Nelli R. Galeeva – Chief Financial Officer

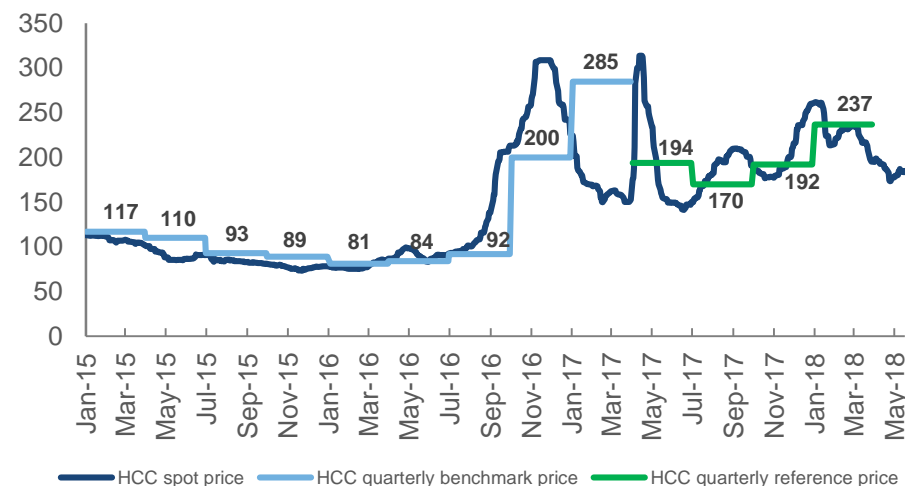


Key market drivers



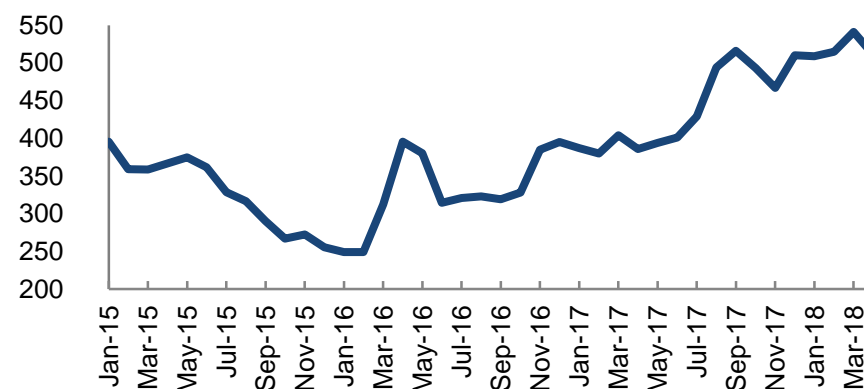
- In 1Q 2018 hard coking coal price was on the highest level in the past 12 months. Quarterly reference price was fixed at a level of \$237 per tonne.
- Even despite downward trend in prices in 2Q 2018, average spot price for premium quality hard coking coal in 1Q 2018 was \$228 per tonne that is 11% higher than in 4Q 2017.
- In 2Q 2018 we see decline in spot coal prices and expect reference price for the quarter to be some 15-20% lower than in 1Q 2018.
- Iron ore prices in 1Q 2018 remained at rather high levels reaching up to \$80/dmt on high steel prices and restocking before long Chinese holidays in February, but in March prices declined to \$63/dmt.
- Average level of Fe62% iron ore index CFR China Average price in 1Q 2018 was \$74/dmt that was 12% higher than in 4Q 2017.
- In the middle of 1Q 2018 billet demonstrated growth on favorable rebar market and high scrap prices but since March we see downward trend on low market activity, growth of export from China and USA protectionists actions.
- Rebar prices on the local Russian market were relatively stable in the beginning of 2018 on low market activity.

HCC prices FOB Australia, US\$/t



Source: Bloomberg

Billet FOB Black Sea, US\$/t



Source: Metal Courier

* CFR China Fe62% Platts IODEX

1Q 2018 Financial results summary



- Consolidated Revenue in 1Q 2018 amounted to 74.9 bln RUB. It decreased by 3% compared to 1Q 2017, due to lower revenue in Mining segment on sales volumes decrease.
- EBITDA* decreased by 19% compared to 1Q 2017 and amounted to 18.4 bln RUB with EBITDA margin reaching 25% which was a result of intensive stripping works and repairs in Mining segment.
- Group generated Profit attributable to equity shareholders of Mechel PAO of 3.3 bln RUB.

RUB mln	1Q18	1Q17	%	1Q18	4Q17	%
Revenue	74,852	77,414	-3%	74,852	76,316	-2%
Operating profit	13,383	18,089	-26%	13,383	10,752	24%
EBITDA*	18,436	22,806	-19%	18,436	21,966	-16%
EBITDA margin, %	25%	29%		25%	29%	
Profit attributable to equity shareholders of Mechel PAO	3,293	13,902	-76%	3,293	443	

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

1Q 2018 Production and sales summary



- Coal mining production volumes in 1Q 2018 remained flat quarter-on-quarter. Mining volumes stabilization was a result of our efforts to restore production and sales volumes in Mining segment.
- We are fully committed to recover production in our Mining segment with significant 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 4Q 2017.

Production (th tonnes)

Product	1Q18	1Q17	%	1Q18	4Q17	%
Run-of-mine Coal	4,965	5,074	-2	4,965	4,944	0
Pig Iron	985	1,046	-6	985	981	0
Steel	1,055	1,121	-6	1,055	1,057	0

- Coking coal sales in 1Q 2018 decreased compared to 4Q 2017 on scheduled repair works at Neryungrinskaya Washing Plant and persisting limitations for coal delivery to Far Eastern ports.
- Steam coal sales increased on higher sales to Russian generating companies.
- Flat products sales increased by 8% compared to 4Q 2017 due to higher demand on Russian market and increased activity of European clients.
- Long products sales slightly decreased in 1Q 2018 mostly due to temporarily curtailed production on universal rolling mill.

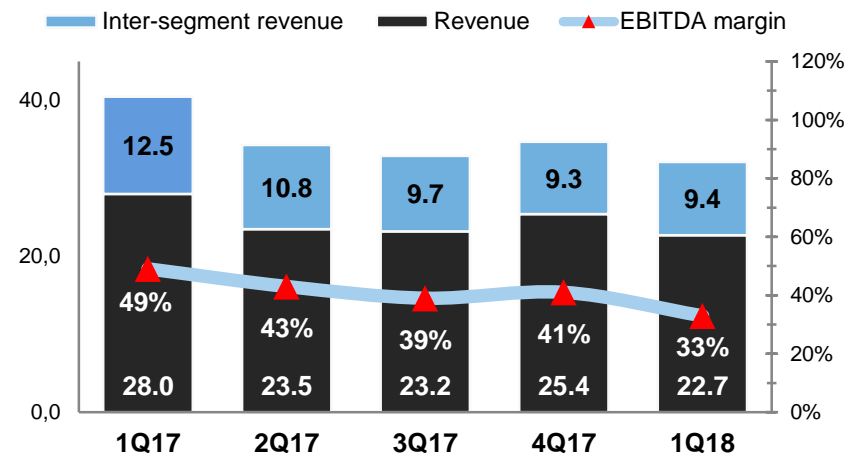
Sales (th tonnes)

Product	1Q18	1Q17	%	1Q18	4Q17	%
Coking Coal	1,610	1,996	-19	1,610	1,972	-18
Steam Coal	1,611	1,589	+1	1,611	1,499	+7
Flat Products	138	153	-10	138	128	+8
Long Products	686	705	-3	686	705	-3

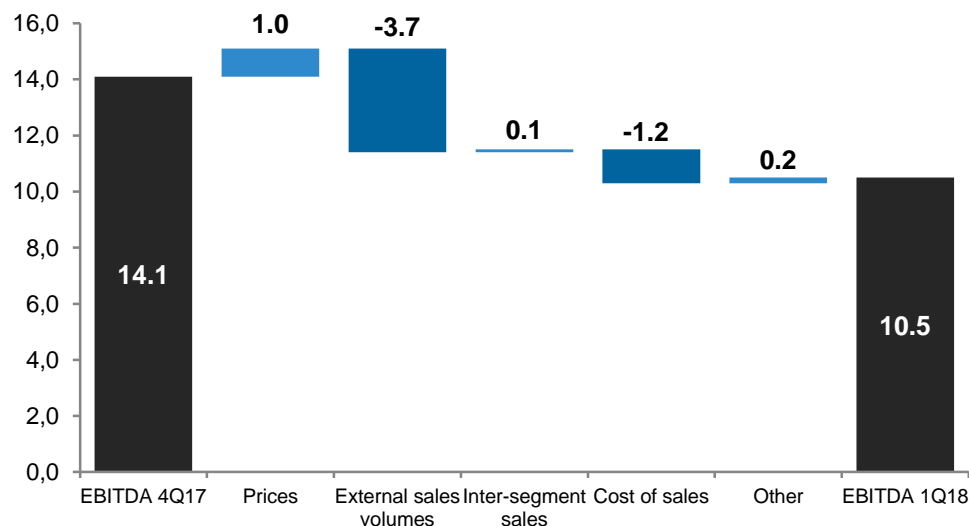
Mining segment

- Share of China in sales structure decreased from 24% in 4Q 2017 to 15% in 1Q 2018 due to better prices negotiated with Japanese and Korean buyers. Limitations imposed on Chinese steel producers also negatively affected demand from China.
- Decrease of external sales volumes and costs increase were the major factors of EBITDA contraction by 26% compared to 4Q 2017.
- 1Q 2018 EBITDA amounted to 10.5 bln RUB with EBITDA margin 33%.
- Negative influence of lower sales volumes to third-parties was slightly compensated by higher sales prices.

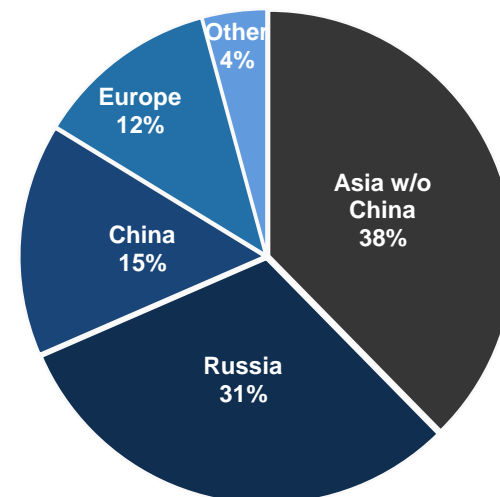
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln



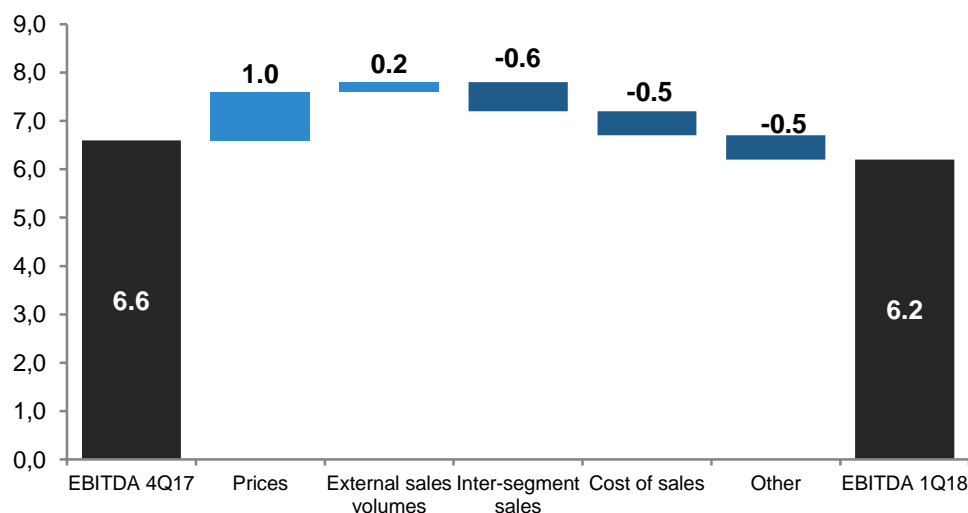
Revenue breakdown by regions (1Q 2018)



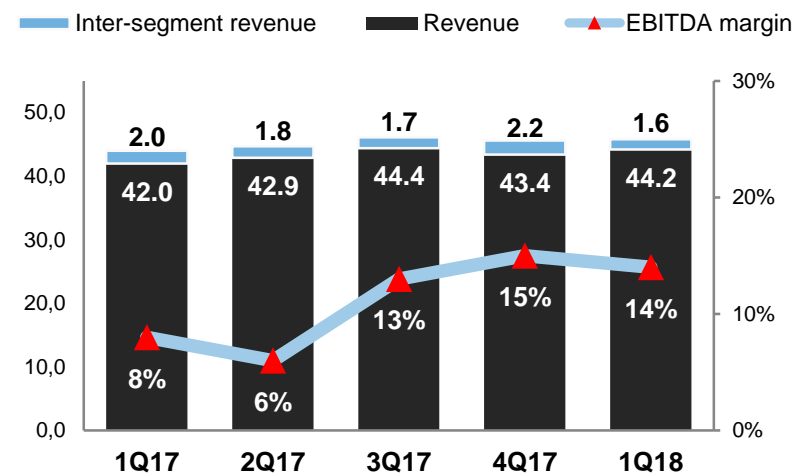
Steel segment

- In 1Q 2018 we observed increase in demand from CIS and European markets for wide range of our Steel segment products. As a result share of Russian market decreased from 73% to 70% compared to 4Q 2017. Share of Europe grew from 14% to 16% and CIS – from 11% to 12% compared to 4Q 2017.
- Higher raw materials prices and decrease of inter-segment sales undermined positive effect of higher sales prices and third-party sales volumes, which resulted in decreasing of Steel segment financial results in 1Q 2018 compared to 4Q 2017.
- 1Q 2018 Steel segment EBITDA decreased by 7% to 6.2 bln RUB with EBITDA margin 14%.
- Segment's profitability remains on a stable level of 13-15% starting from 3Q 2017.

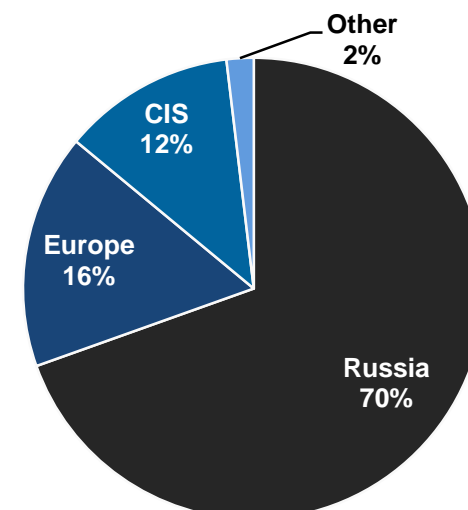
EBITDA, RUB Bln



Revenue, EBITDA margin, RUB Bln



Revenue breakdown by regions (1Q 2018)

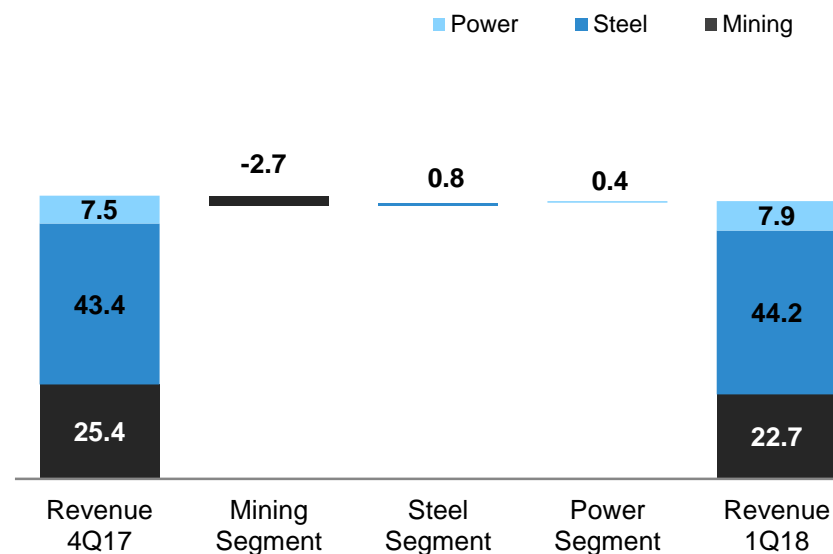


Consolidated revenue and EBITDA dynamics

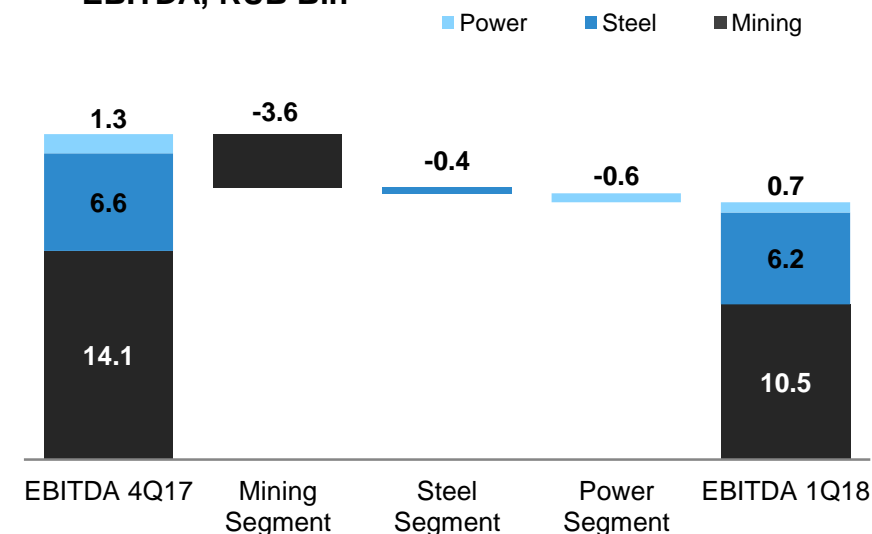
- Mining segment Revenue to 3rd parties in 1Q 2018 decreased by 11%, compared to 4Q 2017 on lower sales volumes and that mitigated positive effect of Steel and Power segments Revenue growth.
- Steel segment Revenue demonstrated a 2% growth on higher prices and stable third-party sales volumes compared to 4Q 2017.
- Power segment Revenue to 3rd parties increased by 5% due to seasonal growth in sales volumes.

- Mining segment EBITDA decreased by 26% compared to 4Q 2017 and amounted to 10.5 bln RUB.
- Steel segment EBITDA lost 7% on higher costs and lower inter-segment sales and amounted to 6.2 bln RUB.
- Power segment EBITDA decreased by 44% Q-o-Q and amounted to 0.7 bln RUB on selling and marketing expenses growth and additional provisions for doubtful receivables.

Revenue, RUB Bln



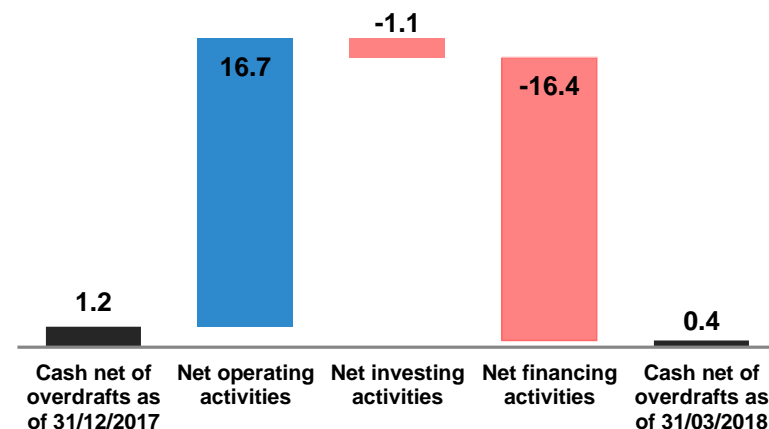
EBITDA, RUB Bln



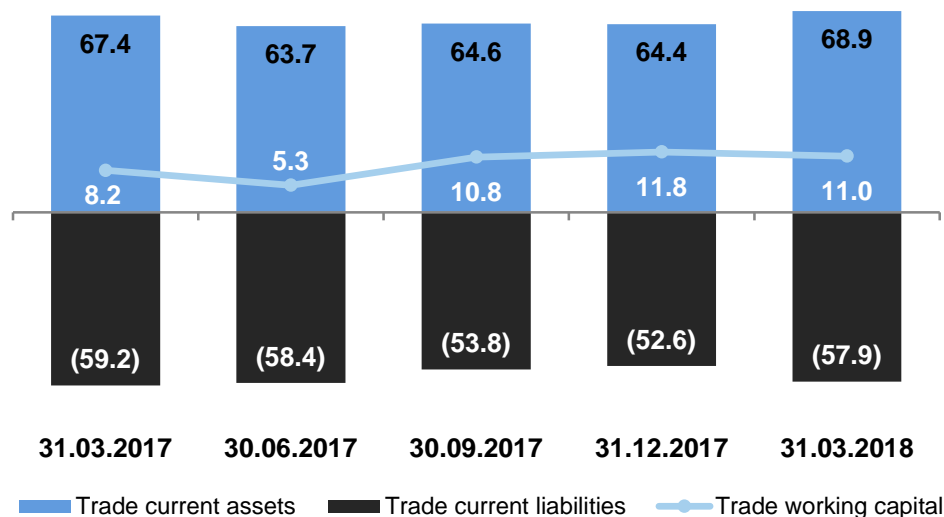
Cash flow & trade working capital

- Cash flow from operations mostly covers Group's current expenses, including debt service and partial amortisation of debt.
- In 1Q 2018 we experienced a moderate trade working capital release to comfortable level of 11.0 bln RUB.
- Group's capital expenditures in 1Q 2018 amounted to 2 bln RUB, including 0.7 bln RUB of lease payment.

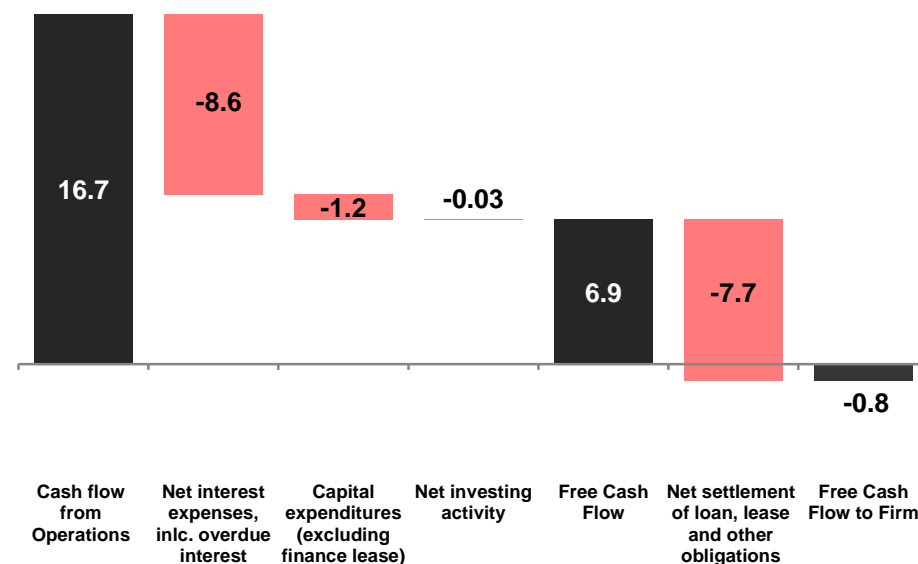
CASH FLOW, RUB Bln



Trade working capital management, RUB Bln



FREE CASH FLOW for 1Q 2018, RUB Bln



Key projects results

Universal rolling mill on Chelyabinsk metallurgical plant

- Capacity utilisation of Universal rolling mill grew from almost 50% in FY2016 to about 60% in FY2017 and is expected to exceed 70-75% in FY2018.
- In 1Q 2018 mill production was focused on mastering production of new types of profiles in demand by the market. As a result beams and shapes production volumes increased by 16% but total mill production volumes decreased by 8% compared to 4Q 2017 and amounted to 141 th tonnes.
- Plan for FY2018 is up to 800 th tonnes.
- Over 80% of rails produced in 1Q 2018 were 100 meters long rails.

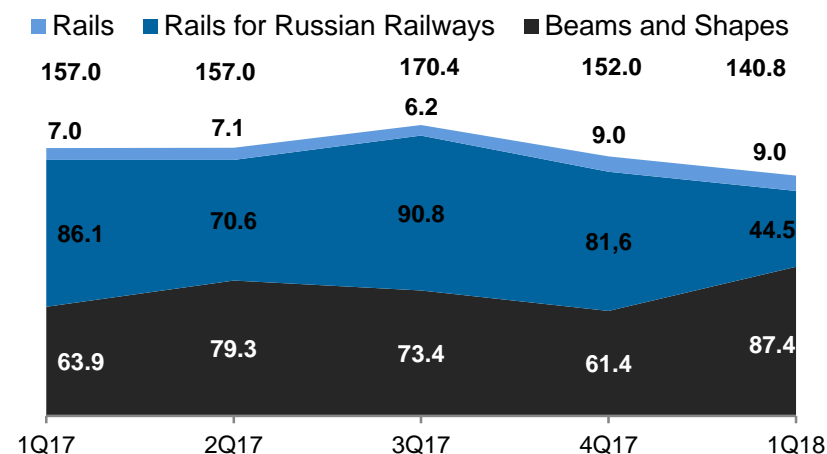
Elga coal project development

- Production plan for 2018 is 5.3 mln tonnes of coal.
- Mining volumes at Elga in 1Q 2018 increased by 8% compared to 4Q 2017 and by 43% vs 1Q 2017.
- In 1Q 2018 share of coking coal in total mining volumes exceeded 75%.

Universal rolling mill production (th tonnes)

Product	1Q18	1Q17	%	1Q18	4Q17	%
Rails, beams and shapes	141	157	-10	141	152	-8

Universal rolling mill Production in 1Q 2017– 1Q 2018 (th tonnes)

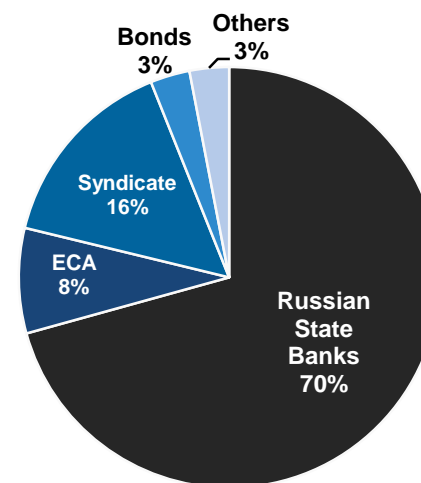
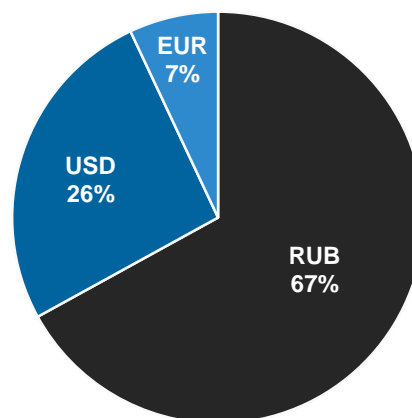
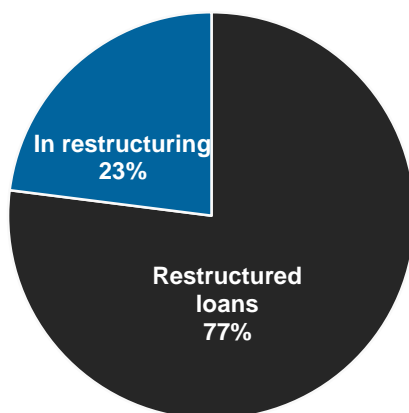
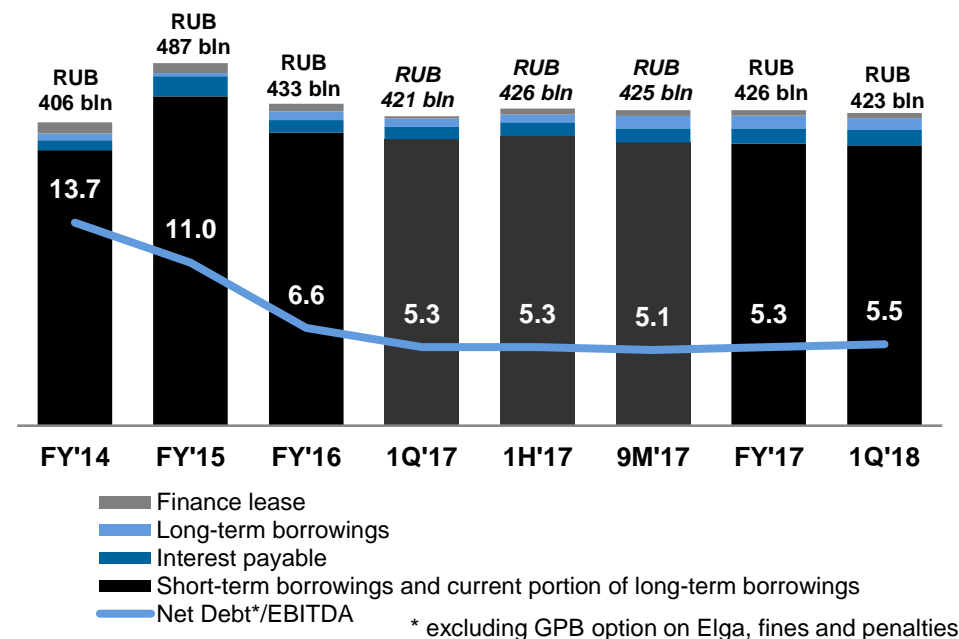


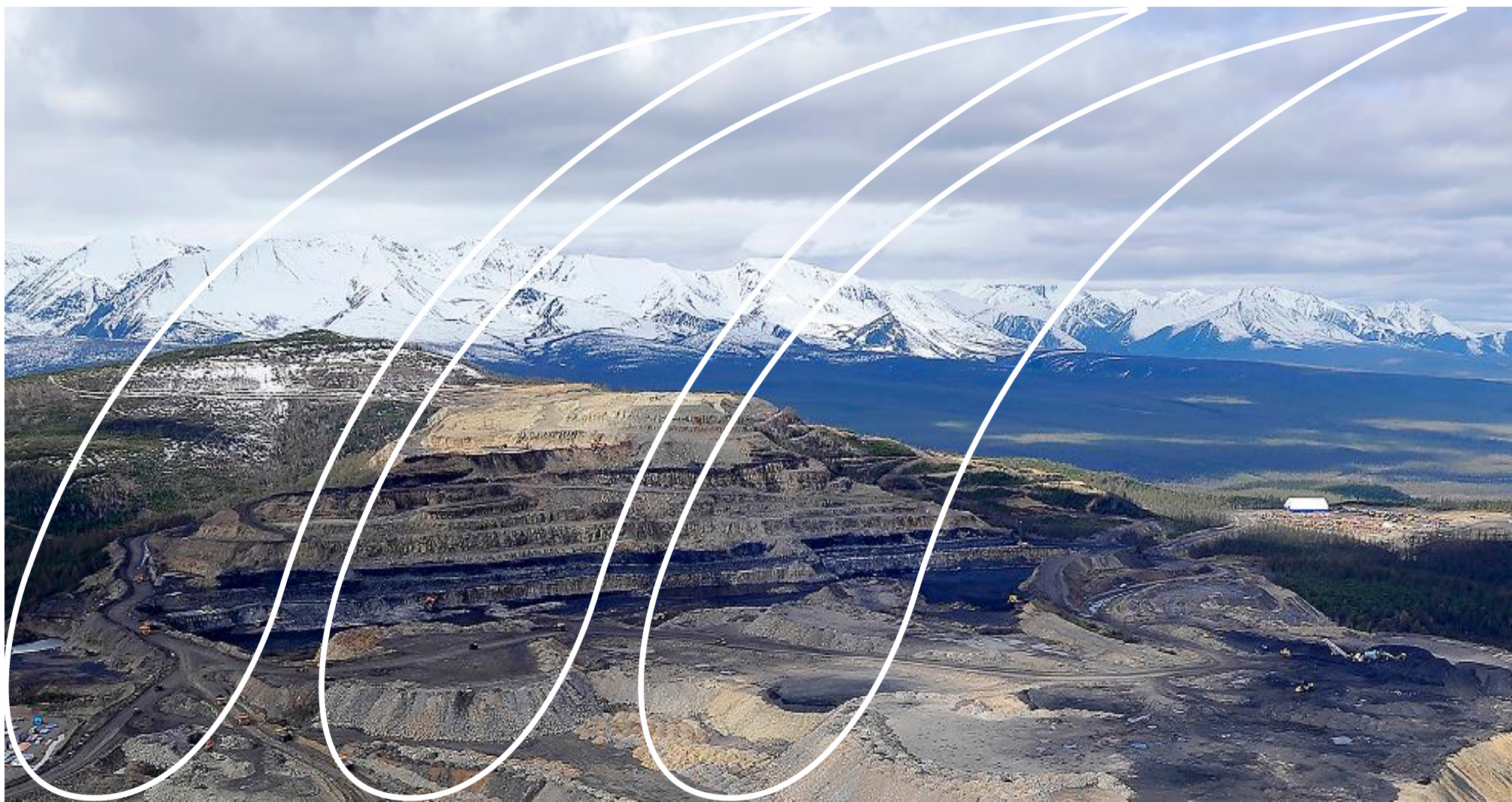
Elga Coal Complex (th tonnes)

Product	1Q18	1Q17	%	1Q18	4Q17	%
Run-of-mine coal	1,197	837	+43	1,197	1,105	+8

Debt structure & net debt / EBITDA ratio dynamics

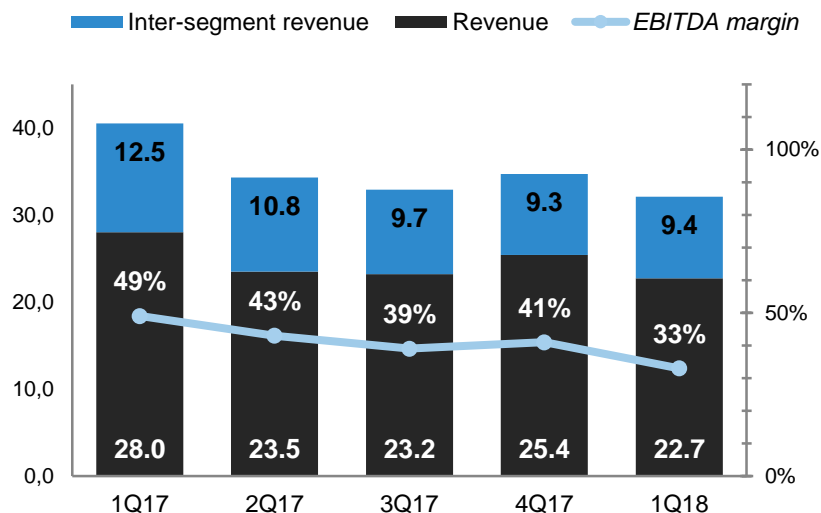
- As of the date of financial release – portion of restructured debt reached 77%; ruble portion of debt amounts to 67%; and Russian state banks hold 70% of our debt portfolio.
- New repayment schedules with Russian state banks came into force in the middle of April 2017, which assumes a grace period until 1Q-2Q 2020 and equal monthly repayment until 2Q 2022.
- Net leverage increased to a level of 5.5 on EBITDA decrease and stable debt.
- Average interest rate through the debt portfolio as of May 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 1Q 2018 Group repaid 5.9 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.



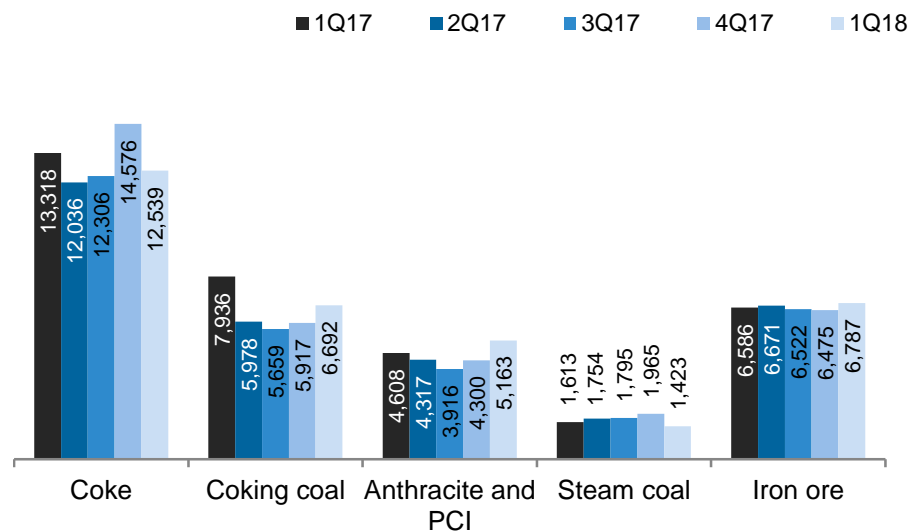


Mining segment

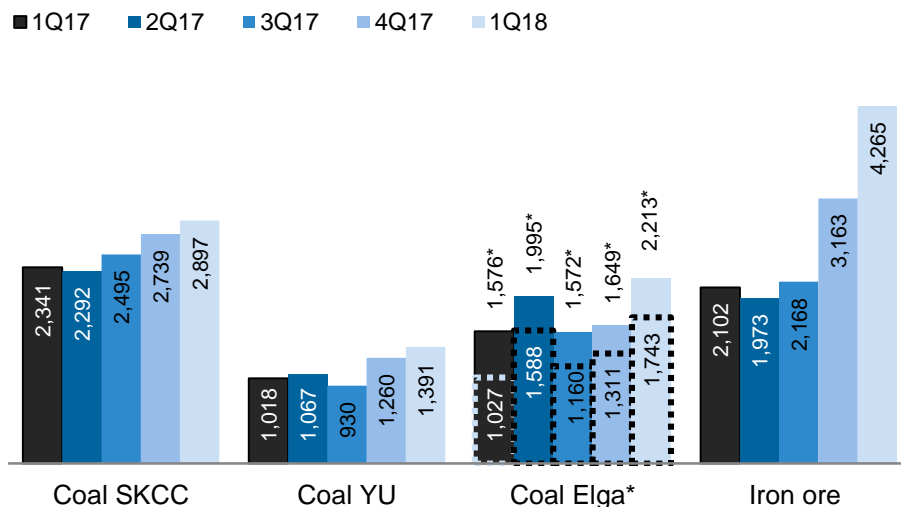
Revenue, EBITDA margin, RUB Bln



Average sales prices FCA, RUB/tonne



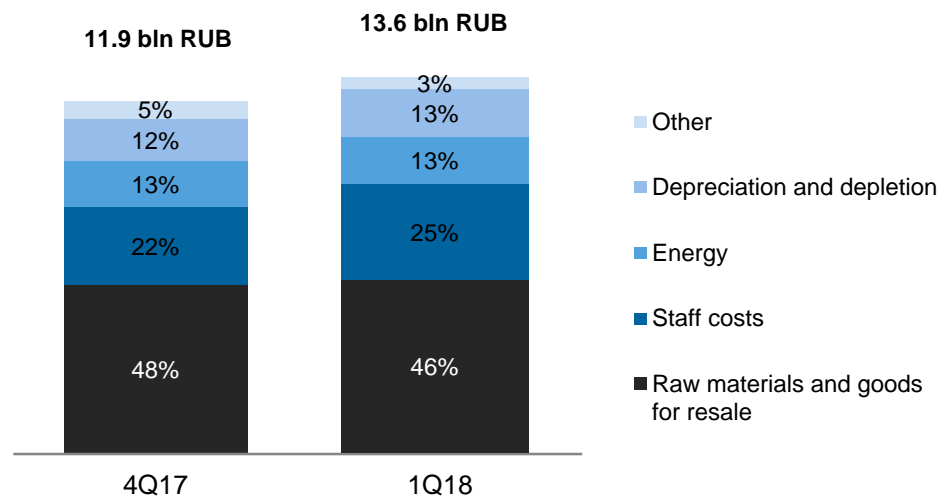
Cash costs, RUB/tonne



Coking coal concentrate produced on Elga

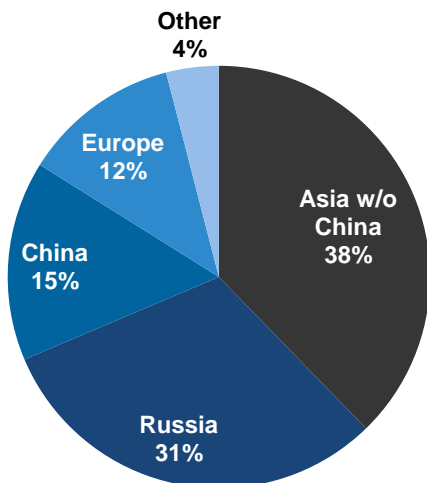
* Coking coal concentrate produced on Elga and Southern Kuzbass Coal Company washing facilities

COS structure

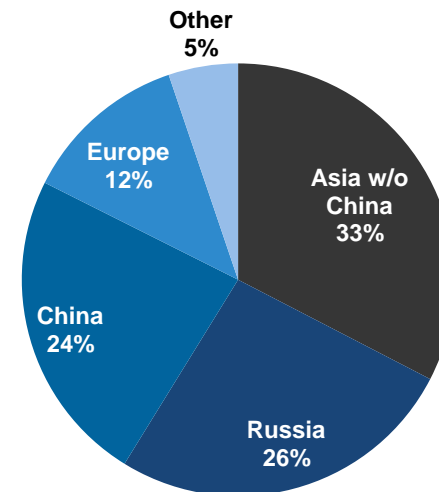


Mining segment

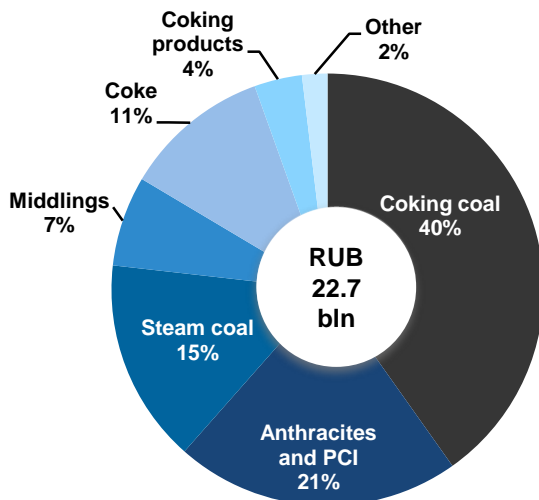
Revenue breakdown by regions
1Q 2018



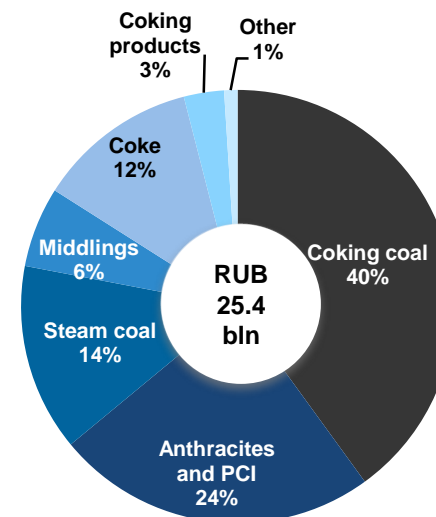
Revenue breakdown by regions
4Q 2017



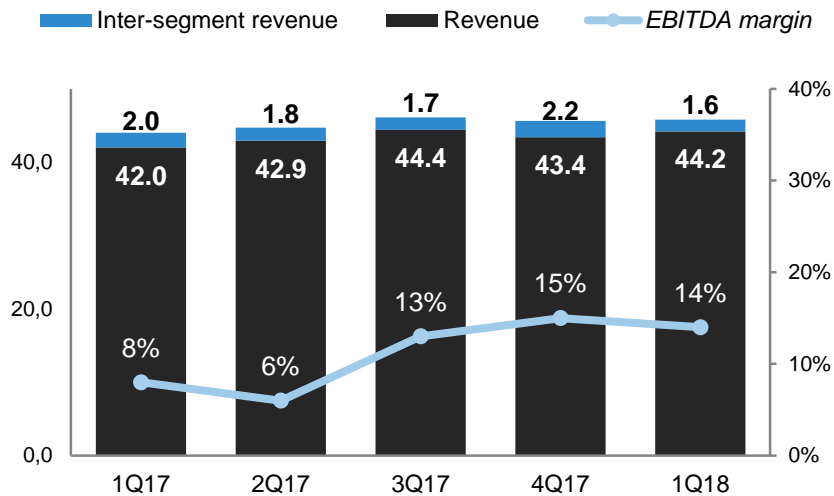
Revenue breakdown by products
1Q 2018



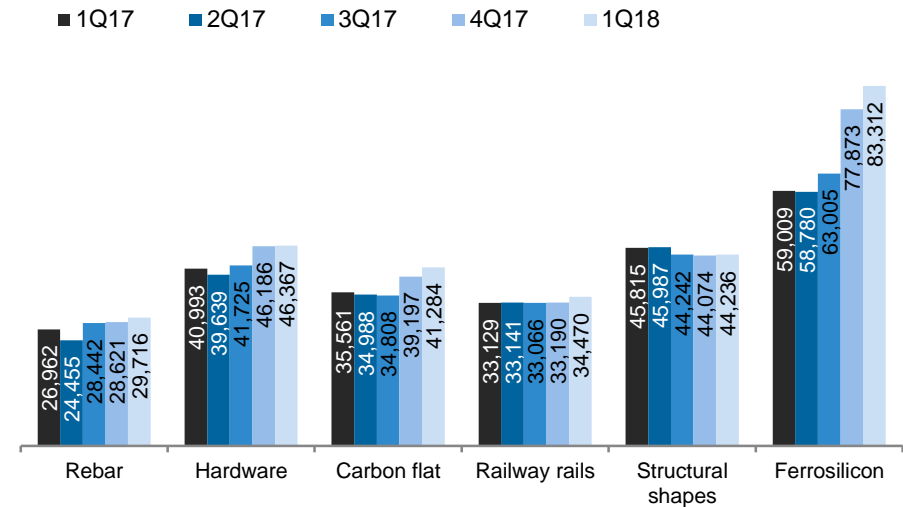
Revenue breakdown by products
4Q 2017



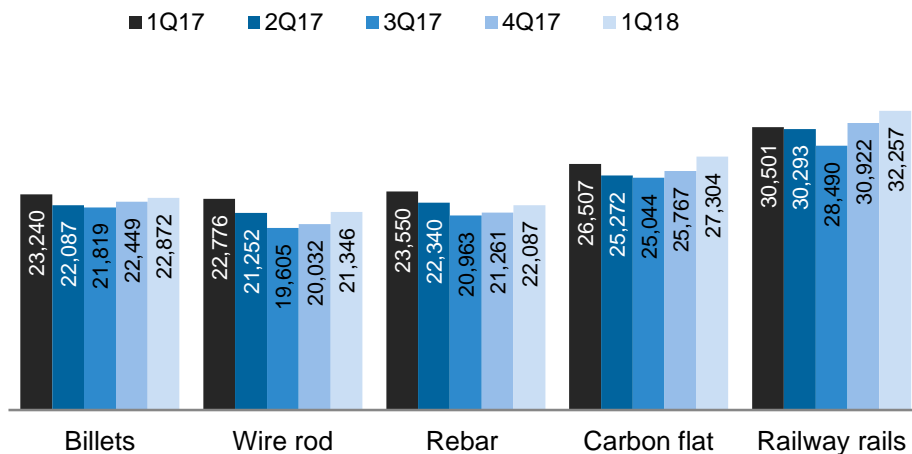
Revenue, EBITDA margin, RUB Bln



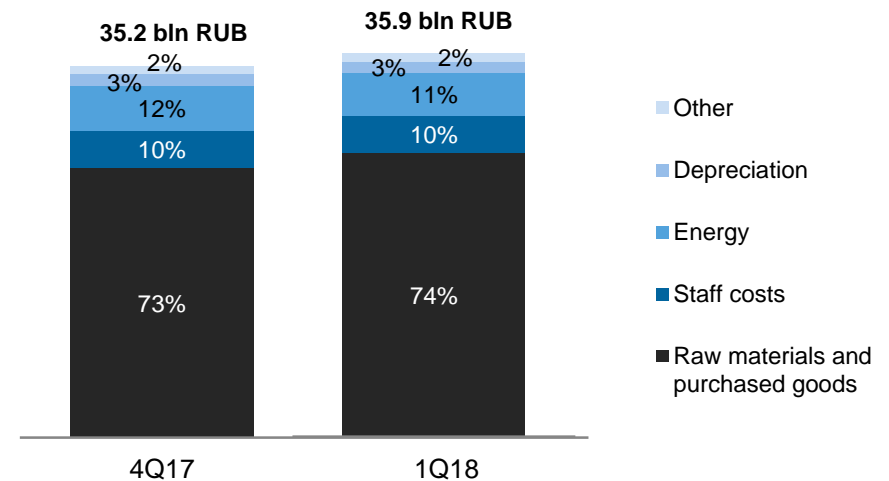
Average sales prices FCA, RUB/tonne



Cash costs, RUB/tonne



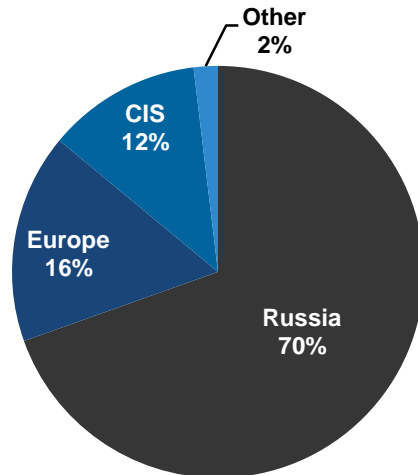
COS structure



Steel segment

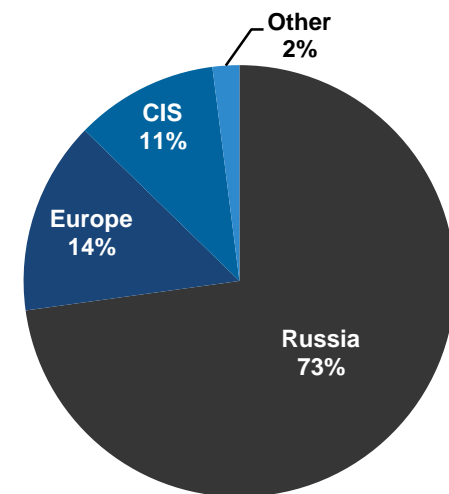
Revenue breakdown by regions

1Q 2018



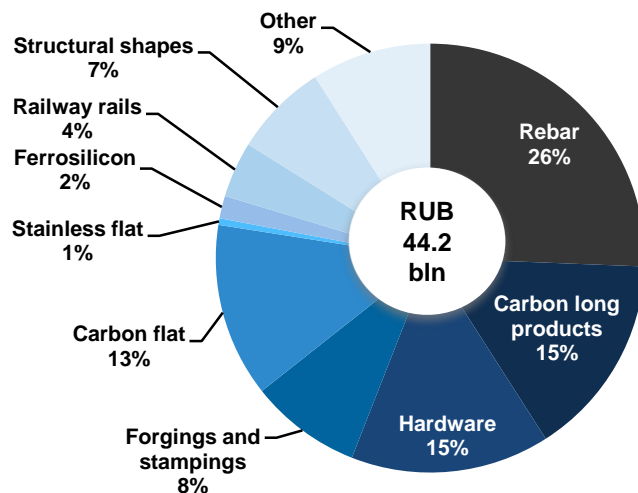
Revenue breakdown by regions

4Q 2017



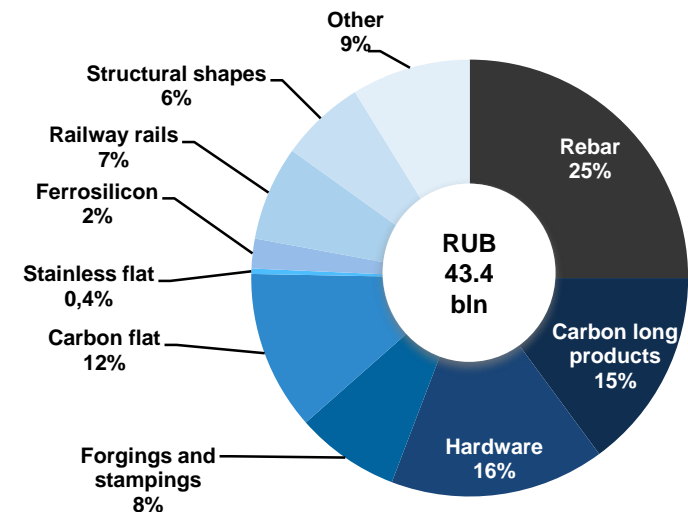
Revenue breakdown by products

1Q 2018



Revenue breakdown by products

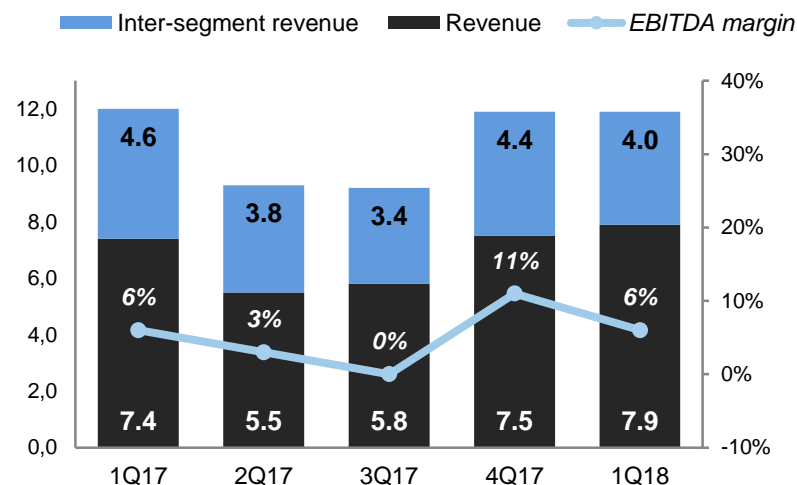
4Q 2017



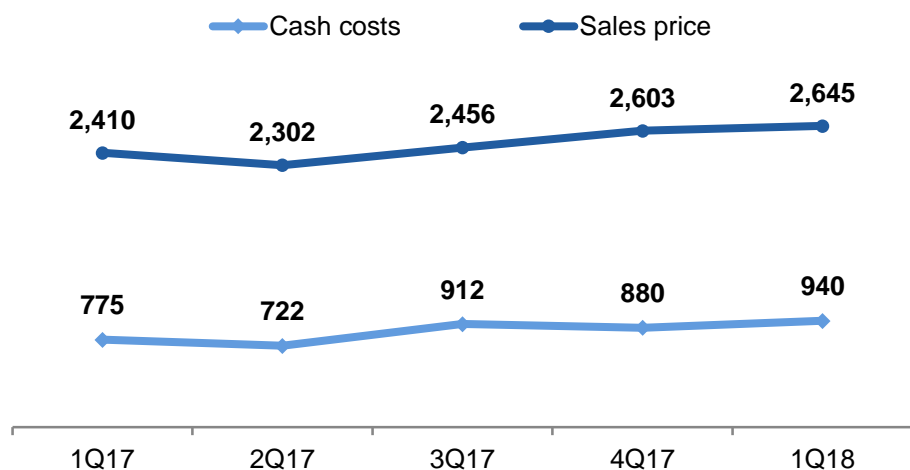
Power segment

- 1Q 2018 Revenue increased by 5% compared to 4Q 2017 due to high winter season for heat consumption.
- EBITDA for 1Q 2018 declined by 44% compared to 4Q 2017 on commercial expenses growth and provision for doubtful receivables.

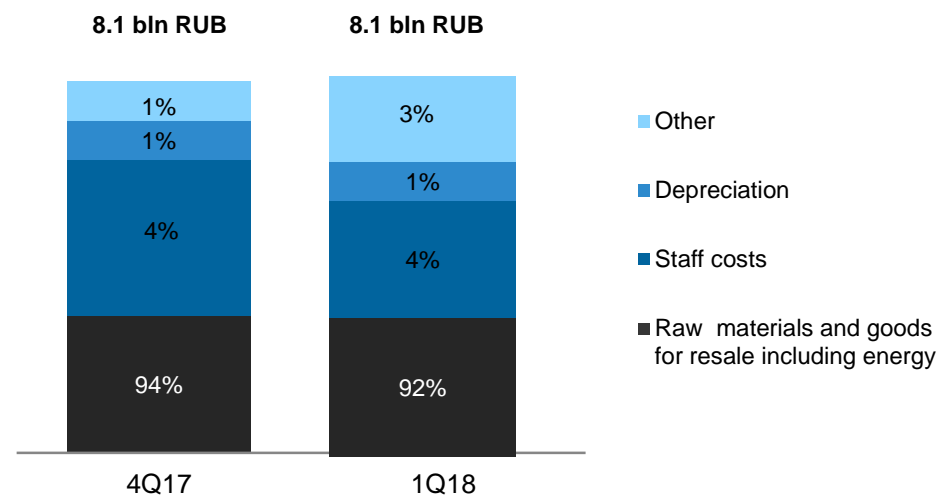
Revenue, EBITDA margin, RUB Bln



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



COS structure



Mechel is a global mining and metals company

