

9M'16 RESULTS PRESENTATION

November 29, 2016



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CORE MARKETS DEVELOPMENTS AND OPERATIONAL HIGHLIGHTS

Oleg Korzhov – CEO

KEY MARKET DRIVERS AND FINANCIAL RESULTS

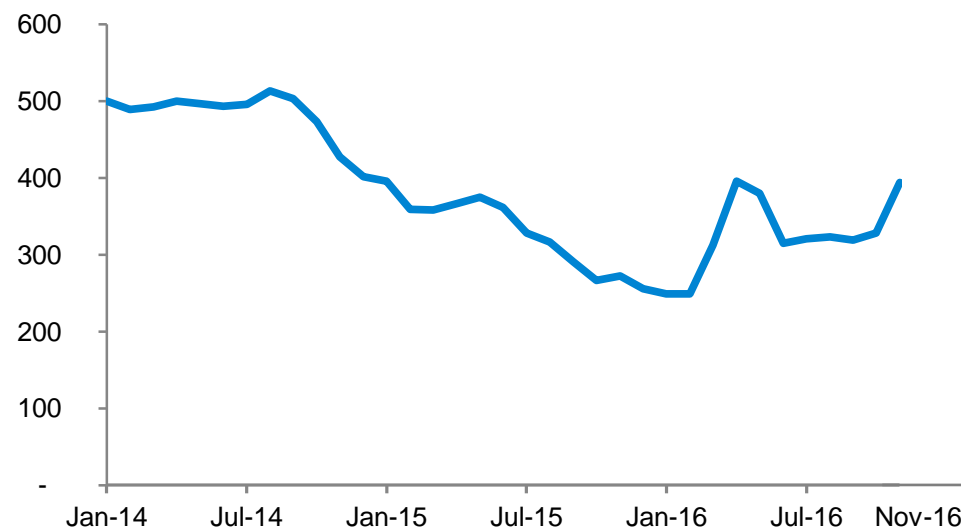


- Prices for steel products ramped up at the end of 1Q16 and maintained at a high levels during 2Q16. Seasonal factors as well as overheating of market led to price correction in 3Q16 but in 4Q16 prices started further increase
- Starting from beginning of August 2016 HCC prices demonstrated unprecedented growth. Benchmark HCC prices for the 4Q16 were set at a level of \$200/t while benchmark for the 3Q16 was \$92/t. Even more, after 4Q16 benchmark settlement spot prices continued their growth reaching \$309/t level in November 2016
- MECHEL's Operating profit increased by 31% compared to 9M'15 and reached 28.8 bln RUB, with EBITDA* growth by 16% up to 41.6 bln RUB
- Mining segment EBITDA increased 20% to 24.0 bln RUB with EBITDA margin 29% mostly due to cost optimization
- Steel segment EBITDA grew by 8% to the level of 15.8 bln RUB with EBITDA margin 13% on higher prices and change in product mix
- MECHEL maintained secured position as one of the lowest cash-cost producer of steel and coal world-wide
- MECHEL completed restructuring of its debts with Russian State Banks with extension of repayment profile up to 6 years and other lenders which totally represent 73% of Group's debt
- Improving financial results let to Net Debt**/EBITDA ratio decrease from 9.6 in 1H'16 to 8.8** in 9M'16.

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

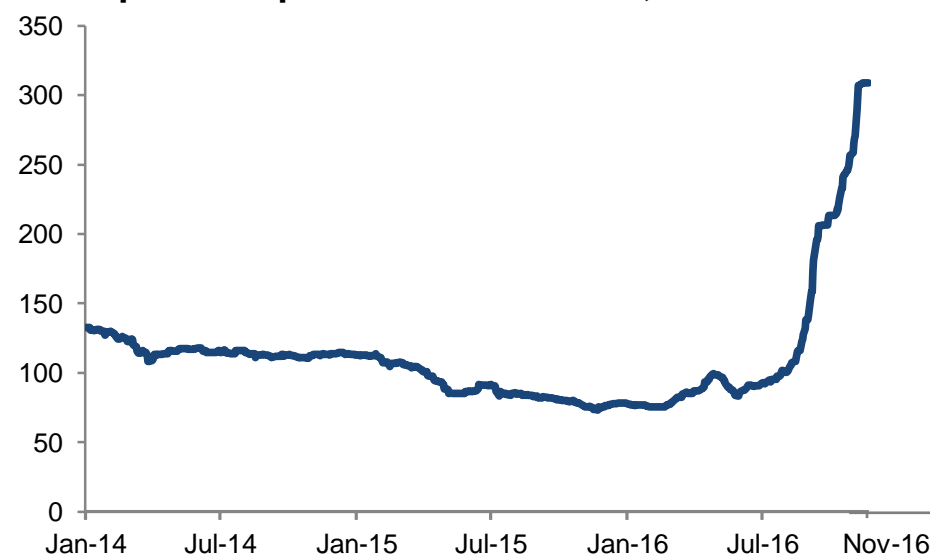
**excluding GPB option on Elga

Billet FOB Black Sea, US\$/t



Source: Metal Courier

Spot HCC prices FOB Australia, US\$/t



Source: Bloomberg

9M 16 PRODUCTION AND SALES SUMMARY



Production (th tonnes)

Product	9M'16	9M'15	%	3Q'16	2Q'16	%
Run-of-mine Coal	17,087	17,404	-2	5,559	5,864	-5
Pig Iron	3,012	3,059	-2	968	1,039	-7
Steel	3,131	3,240	-3	1,019	1,067	-5

- Decrease of production in Mining segment was a result of transportation limitations imposed by Russian Railways for tracks reconstruction
- Lower pig iron and steel production were a result of maintenance works on blast-furnace shop equipment

Sales (th tonnes)

Product	9M'16	9M'15	%	3Q'16	2Q'16	%
Coking Coal	6,491	6,201	+5	2,021	2,249	-10
Steam Coal	5,363	4,906	+9	1,788	1,863	-4
Flat Products	353	357	-1	99	126	-22
Long Products	2,258	2,101	+7	758	767	-1

- Coking and steam coal sales increased in 9M'16 vs 9M'15 permitting to benefit from our major markets improvement
- Long products sales have grown compared to 9M'15 due to production and sales structure improvements to take advantage of higher pricing and favorable markets

KEY PROJECTS RESULTS



Universal rolling mill on Chelyabinsk metallurgical plant

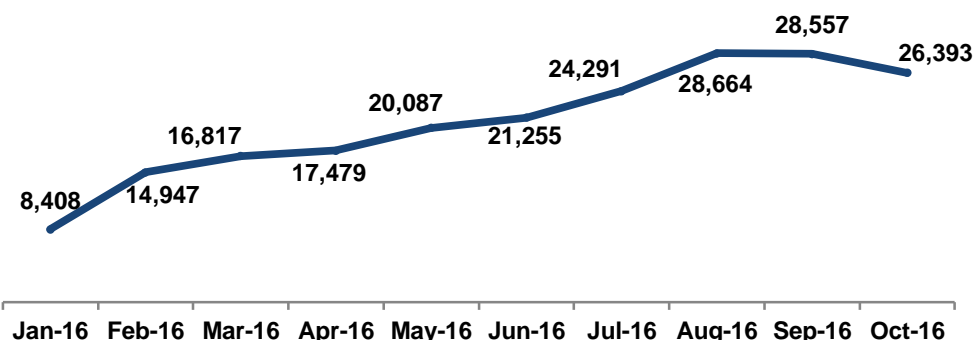
- From January 2016 Mechel started supply of rails to Russian Railways
- Total sales volume during 9M'16 amounted to 357 th tonnes, including 181 th tonnes of rails to Russian Railways
- Steady ramp up of Universal rolling mill capacity utilization quarter by quarter in 2016 resulted in threefold growth of production volumes if compared to 9M'15
- Universal rolling mill capacity utilization in 2016 will increase to almost 50% from 16% in 2015

Universal rolling mill production (th tonnes)

Product	9M'16	9M'15	%	3Q'16	2Q'16	%
Rails, beams and shapes	357	120	+198	144	117	+23

Sales of rails to Russian Railways in Jan- Oct 2016

(th tonnes)



Elga coal project development

- This year Elga development was more focused on stripping works execution for future production
- In 9M'16 share of coking coal in total mining volumes exceeded 75%

Elga Coal Complex (th tonnes)

Product	9M'16	9M'15	%	3Q'16	2Q'16	%
Run-of-mine coal	2,884	2,989	-4	872	1,018	-14

KEY FINANCIAL RESULTS

Sergey Rezontov – Chief Financial Officer

9M 16 FINANCIAL RESULTS SUMMARY



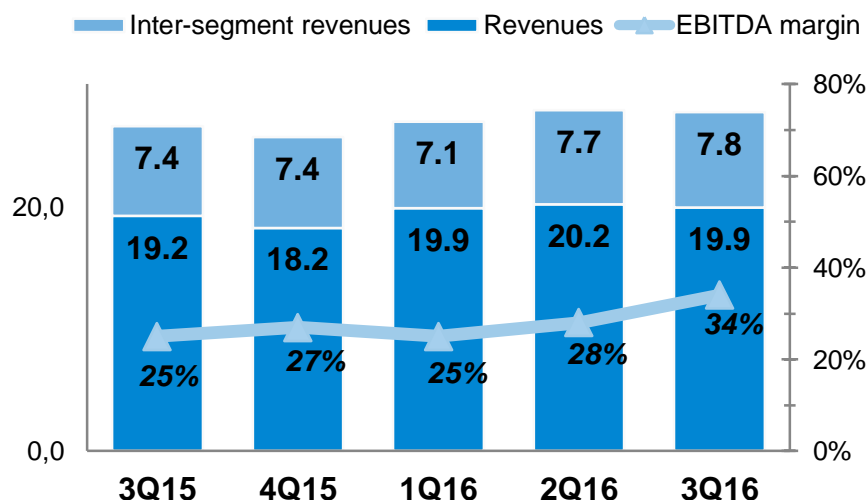
RUB mln	9M'16	9M'15	%
Revenue	196,350	194,039	1%
Operating profit	28,761	22,018	31%
EBITDA	41,571	35,845	16%
EBITDA margin, %	21%	18%	
Net profit (loss) attributable to shareholders of Mechel PAO	5,543	(74,585)	

- Consolidated Revenue remains flat in 9M'16 compared to 9M'15
- Operating profit up 31% on higher Revenue in Steel segment and cost decrease in Mining and Power segments
- EBITDA increased by 16% with EBITDA margin reaching 21%
- Group generated Net profit attributable to shareholders of Mechel PAO of 5.5 bln RUB vs 74.6 bln RUB of Net loss in 9M'15

MINING SEGMENT

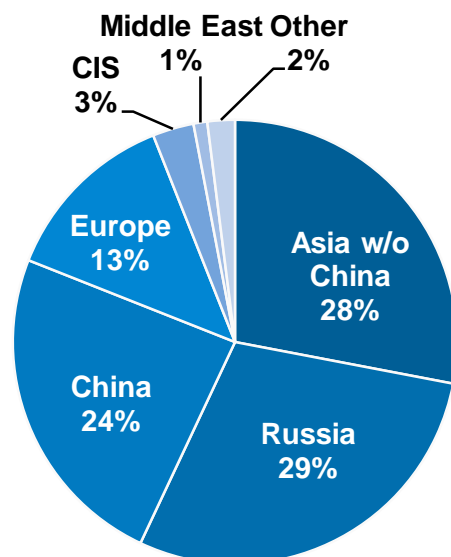


REVENUE, EBITDA MARGIN, RUB BLN

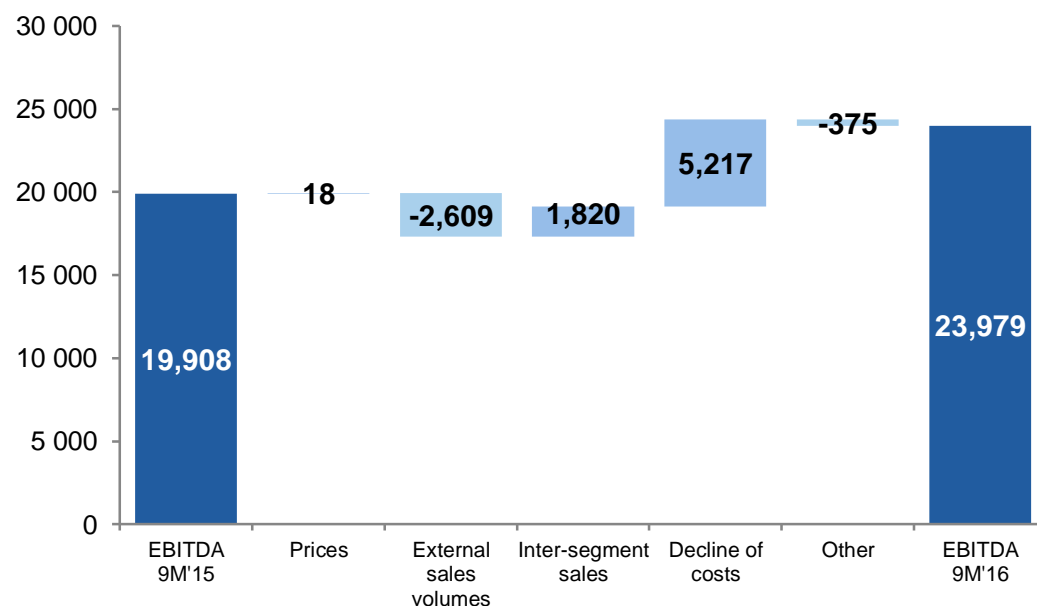


- Asian markets remain the most important for the coal sales with increase of its share from 47% to 52%
- Inter-segment sales increased due to partial replacement of purchase of coal products from third parties and redirection of all iron ore volumes for internal consumption
- Share of domestic market sales has increased due to growth both in inter-segment sales and sales to Russian consumers
- Cash costs optimization played a major role in EBITDA growth

REVENUE BREAKDOWN BY REGIONS



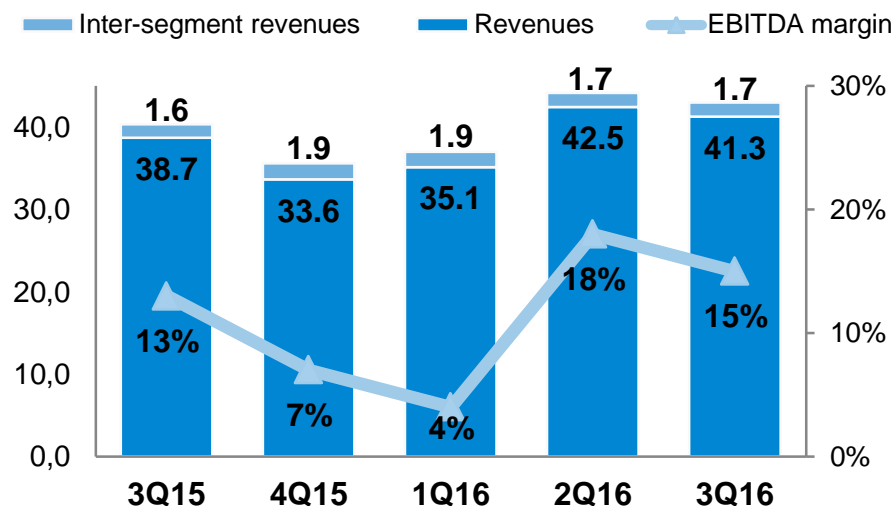
EBITDA, RUB MLN



STEEL SEGMENT

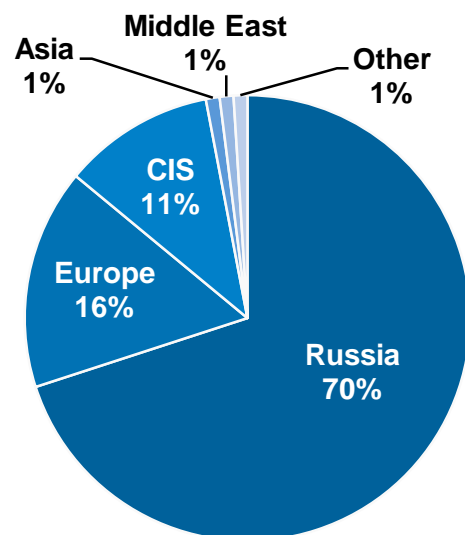


REVENUE, EBITDA, RUB BLN

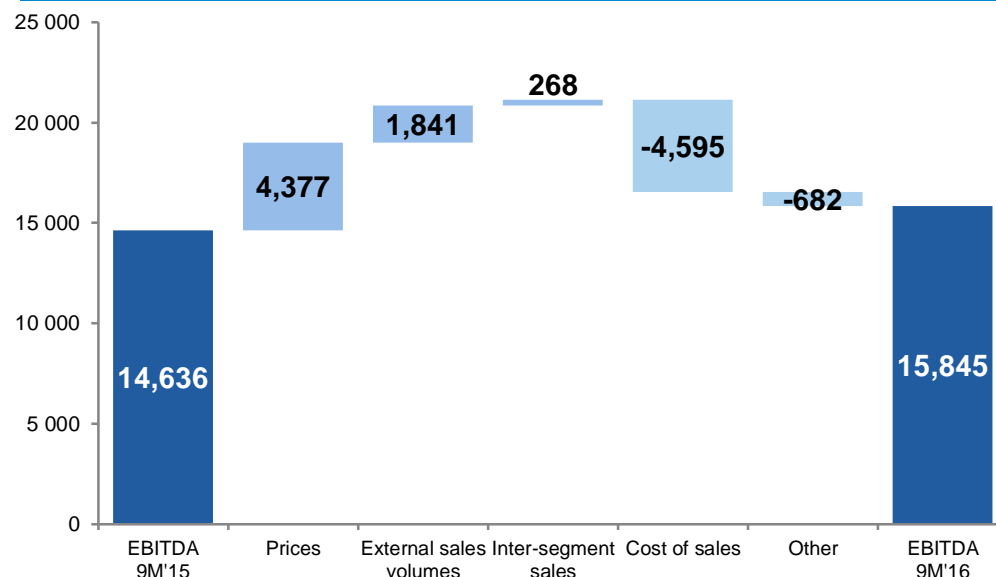


- 85% of Steel segment sales was dedicated to domestic market
- EBITDA growth was supported by stable prices and better product mix quarter on quarter
- Further increase of the Universal rolling mill capacity utilization supported growth of high value added products production and sales
- Overall pig iron and steel production was negatively affected by maintenance works in 3Q16 but volumes are recovering in 4Q16

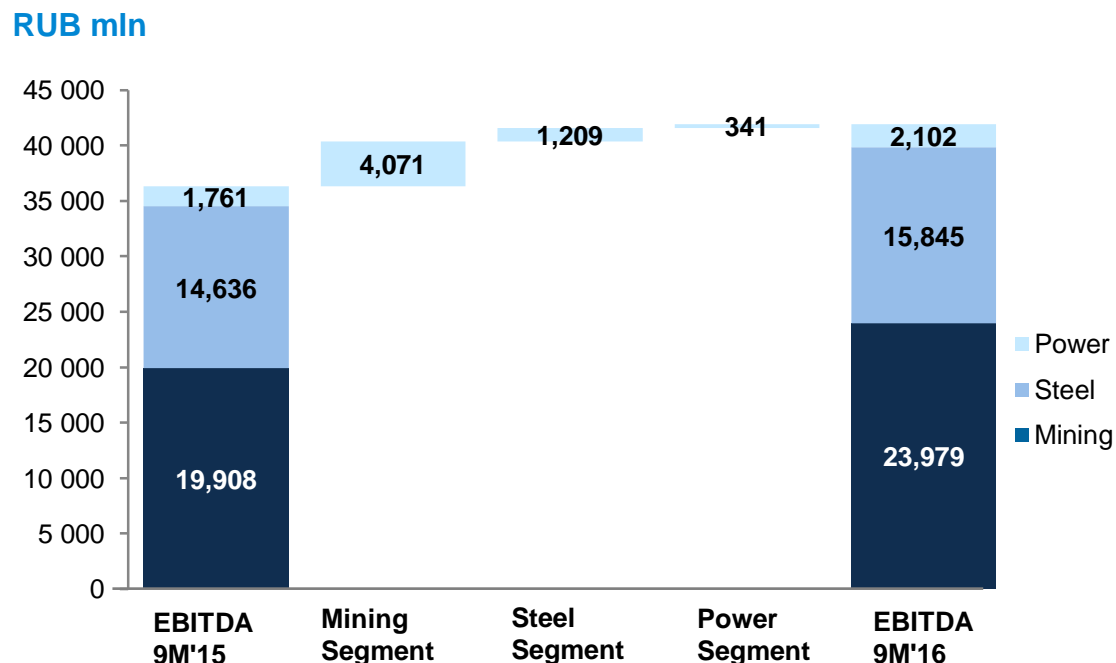
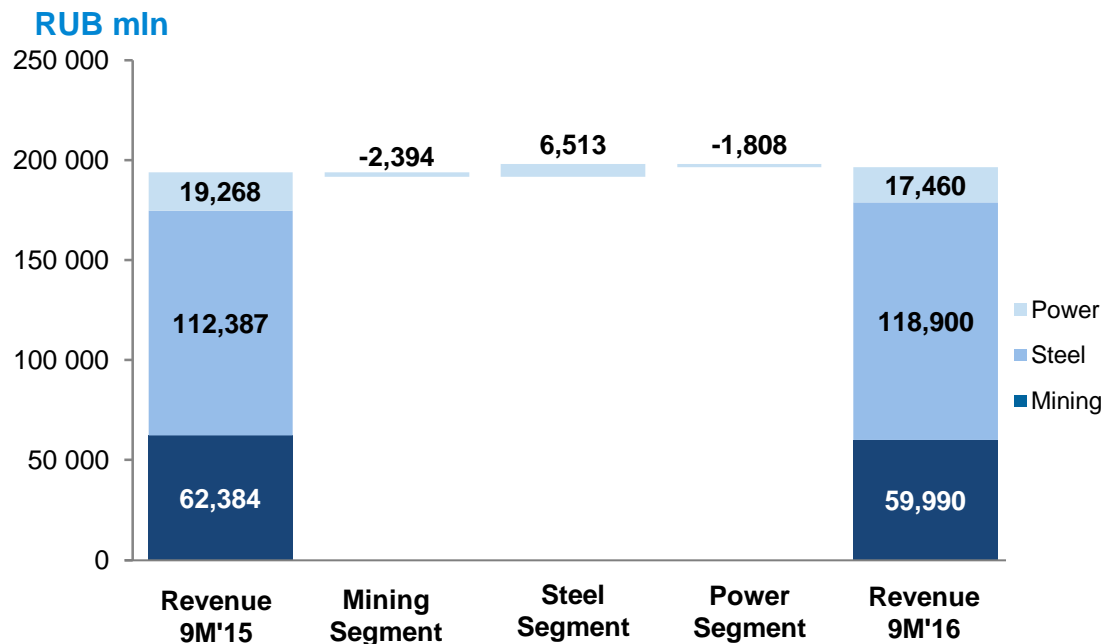
REVENUE BREAKDOWN BY REGIONS



EBITDA, RUB MLN



CONSOLIDATED REVENUE AND EBITDA DYNAMICS

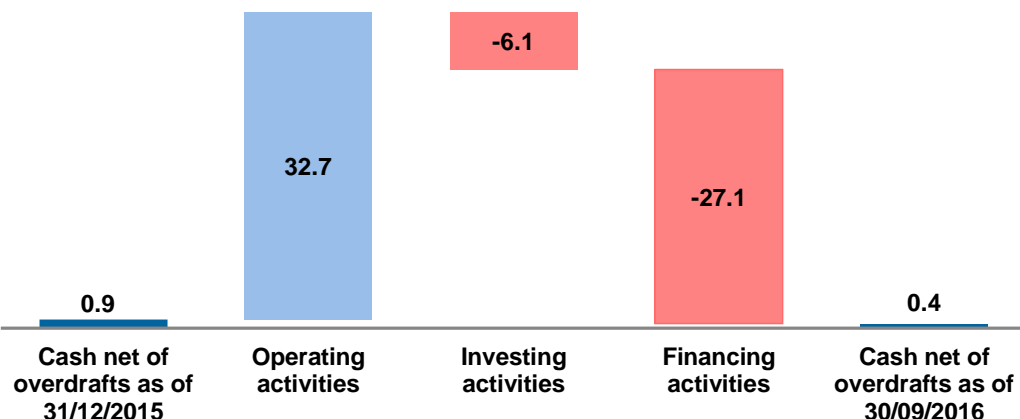


- Mining segment Revenue to 3rd parties in 9M'16 decreased by 4%, compared to 9M'15 as we were replacing third-party coal procurement by increase of inter-segment supplies and full redirection of iron ore sales to own consumption
- Steel segment is traditionally a major contributor to Consolidated Revenue. Its 3rd party Revenue increased by 6% driven by better sales volumes and prices
- Power segment 3rd party Revenue decreased by 9% on lower sales volumes due to weather conditions (warmer temperature)
- Consolidated EBITDA increased by 16% compared to 9M'15
- Mining segment EBITDA increased by 20% due to the positive impact of cost cutting effect and prices improvement
- Steel segment EBITDA grew by 8% on higher prices and better product mix diversification
- Power segment EBITDA increased by 19% on growing prices

CASH FLOW & TRADE WORKING CAPITAL

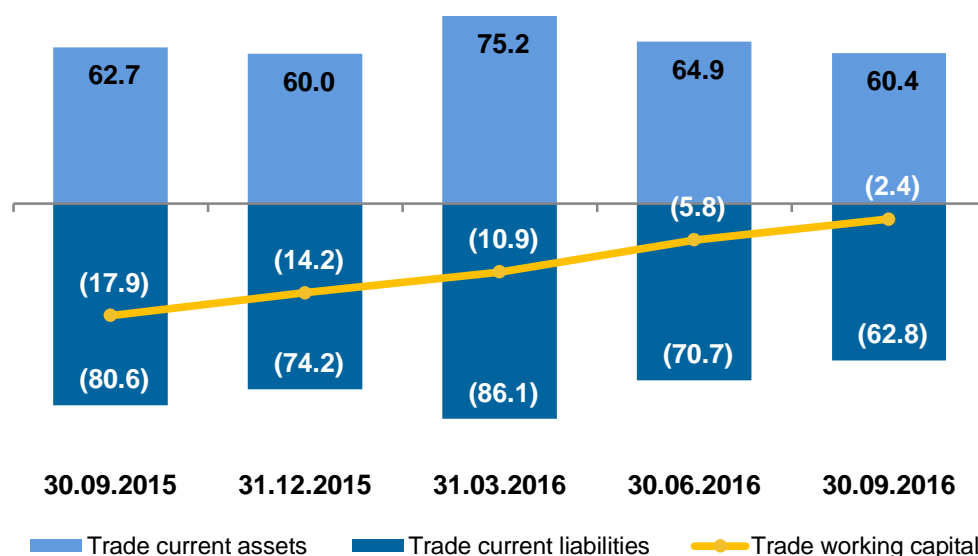


CASH FLOW, RUB BLN

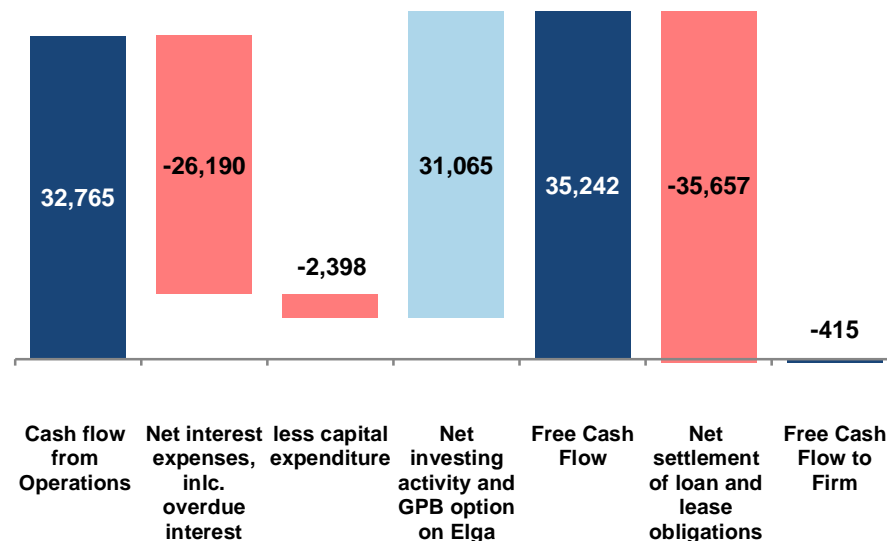


- Cash flow from operations almost completely covers needs for investing and financing activities
- Trade working capital demonstrated constant improvement with increase by 3.4 bln RUB in 3Q16 and tends to move to positive value
- Sale of 49% in Elga supported to raise funds for partial repayment of bank debt in amount 32.9 bln RUB

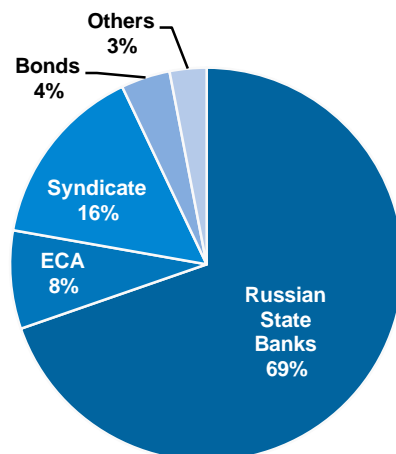
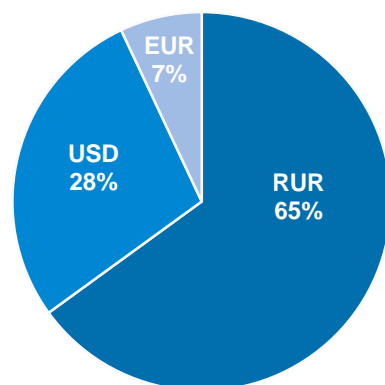
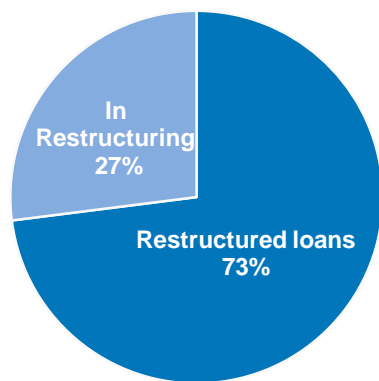
TRADE WORKING CAPITAL MANAGEMENT, RUB BLN



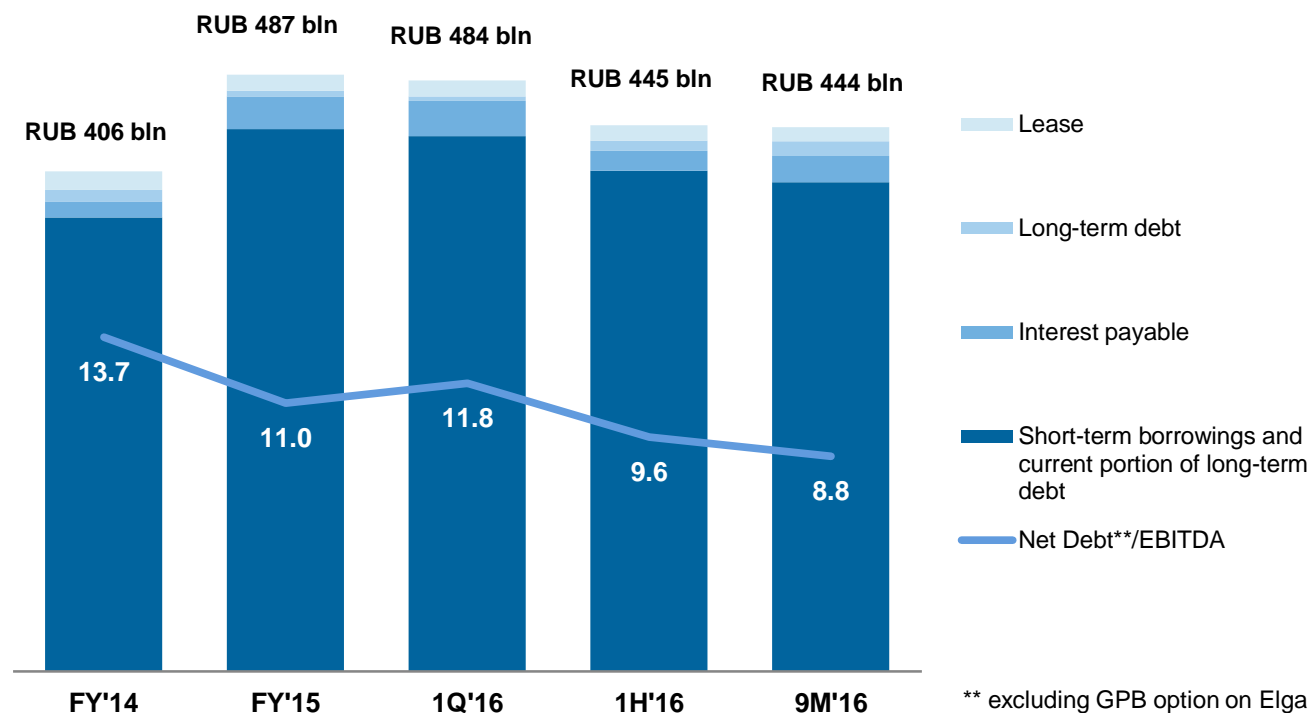
FREE CASH FLOW FOR 9M'16, RUB MLN



DEBT STRUCTURE & NET DEBT / EBITDA RATIO DYNAMICS



- As of the end of November 2016 - 73% of Group's debt was restructured; ruble portion amounts to 65%; and state banks hold 69% of our debt portfolio.
- Restructuring with Russian State Banks with up to 6 years amortization concluded
- EBITDA growth led to net leverage decrease from 11.0 as of 31.12.2015 to 8.8** as of 30.09.2016
- Average interest rate through debt portfolio is 10.2% and it trends lower as ruble rates linked to Central bank key rate and average paid interest rate (with PIC) 7.7%



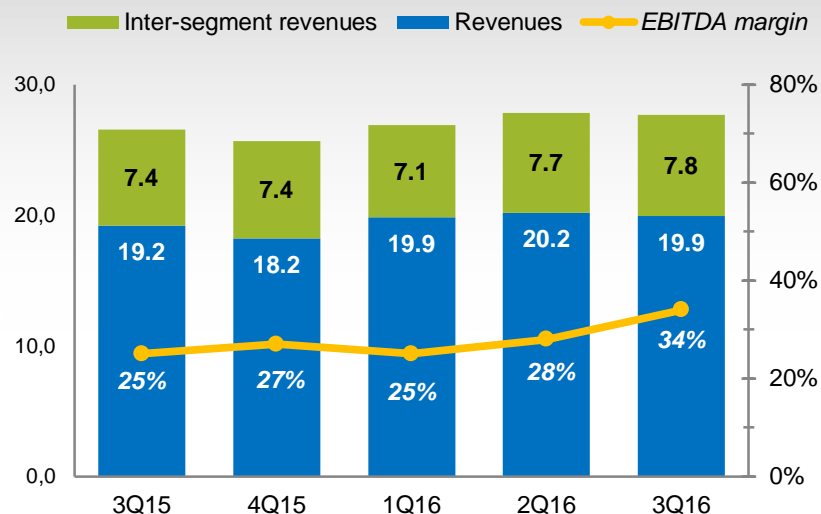
** excluding GPB option on Elga

APPENDIX

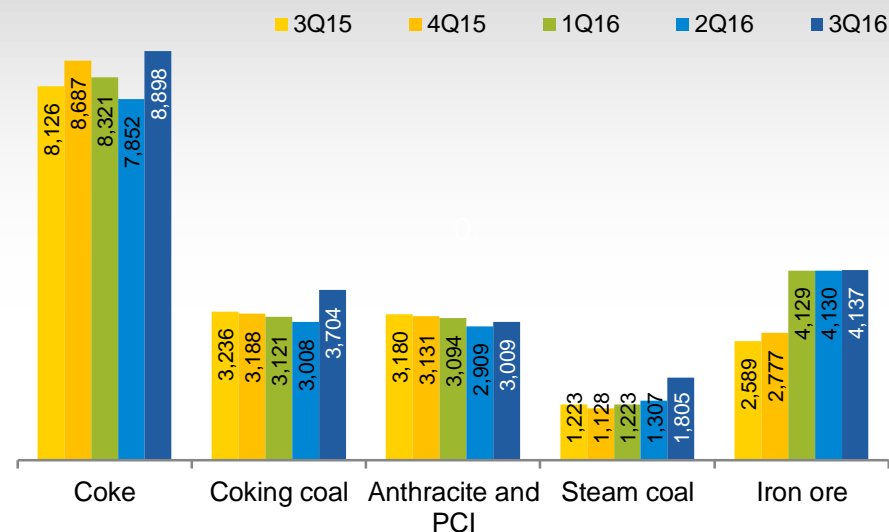
MINING SEGMENT



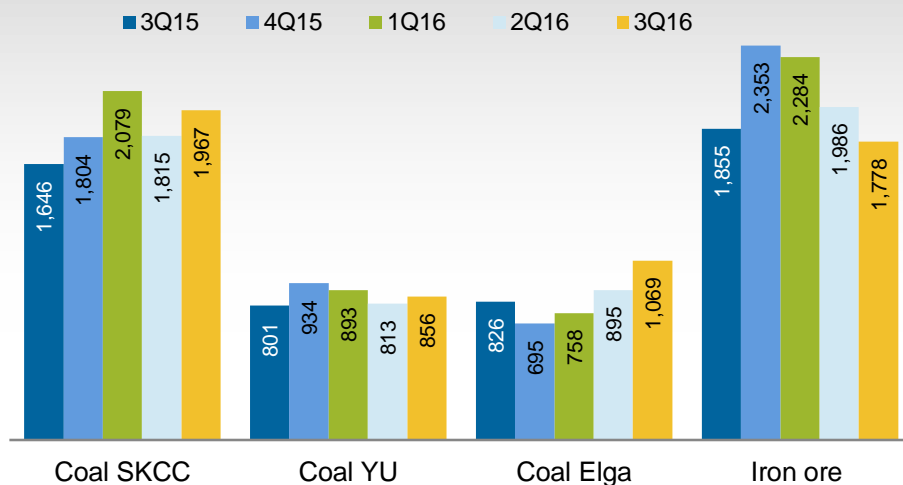
REVENUE, EBITDA, RUB BLN



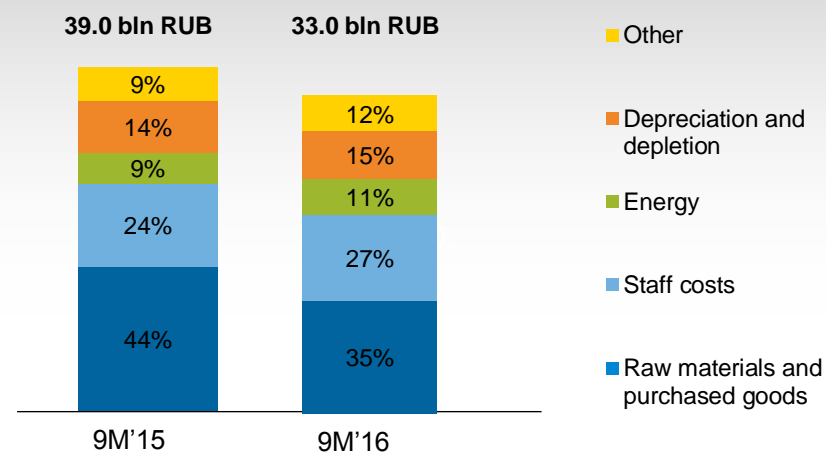
AVERAGE SALES PRICES FCA, RUB/TONNE



CASH COSTS, RUB/TONNE



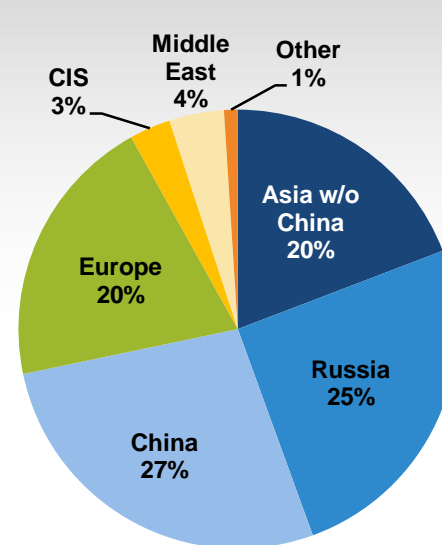
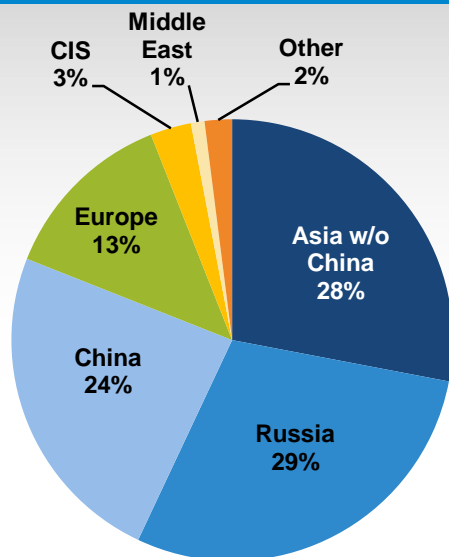
COS STRUCTURE



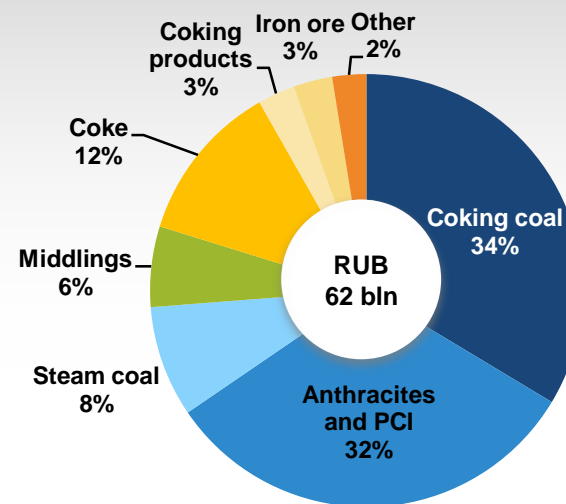
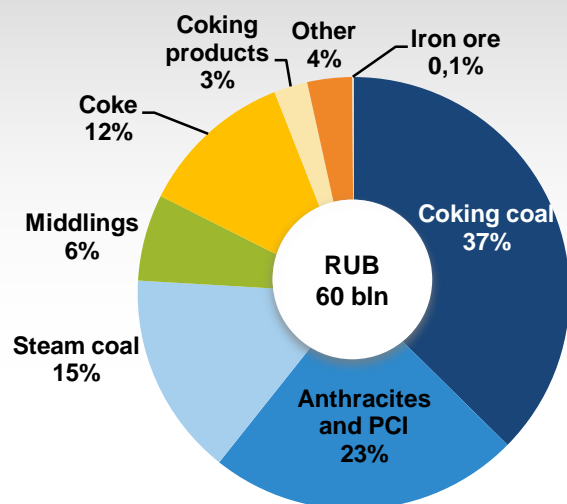
MINING SEGMENT



REVENUE BREAKDOWN BY REGIONS



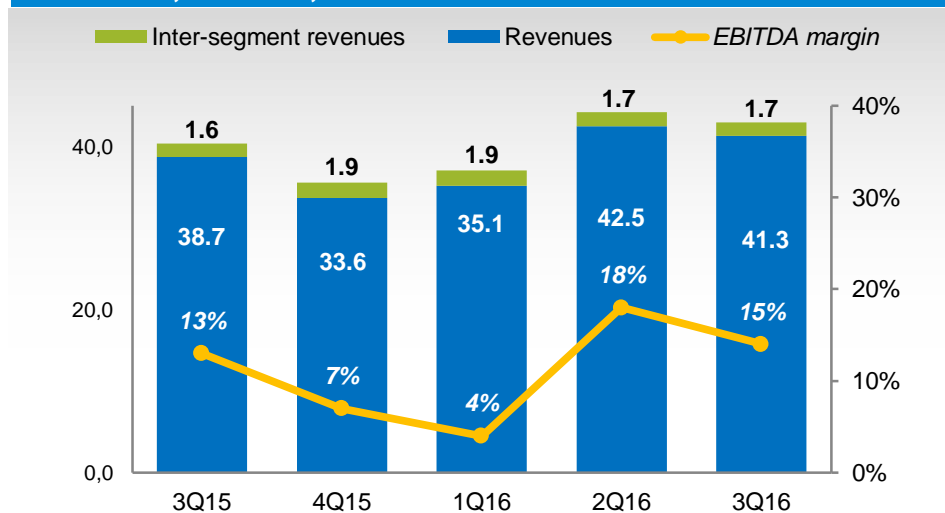
REVENUE BREAKDOWN BY PRODUCTS



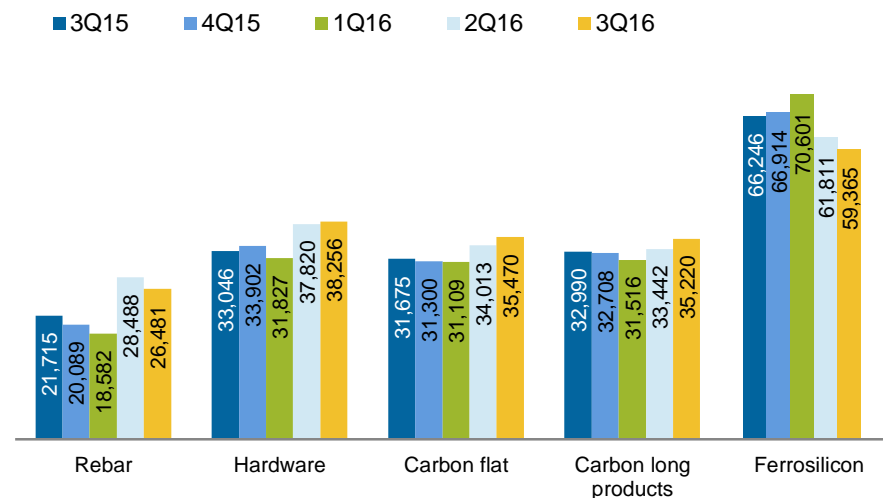
STEEL SEGMENT



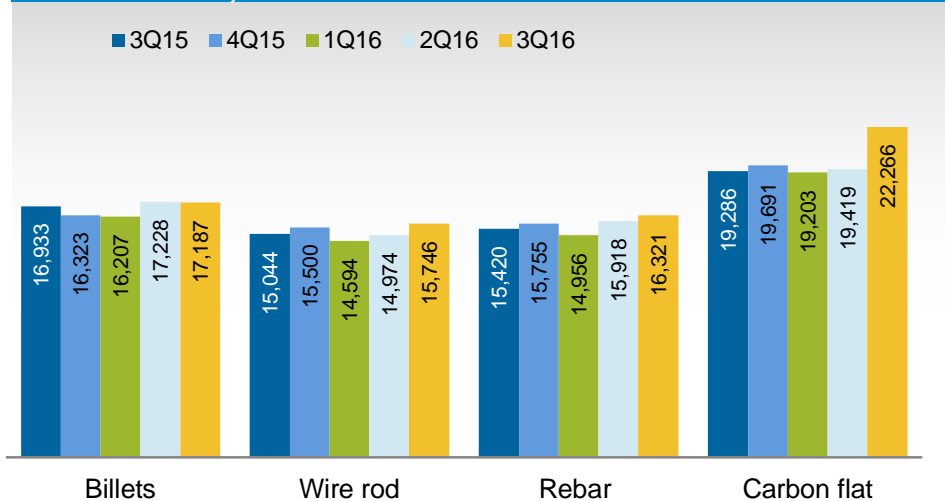
REVENUE, EBITDA, RUB BLN



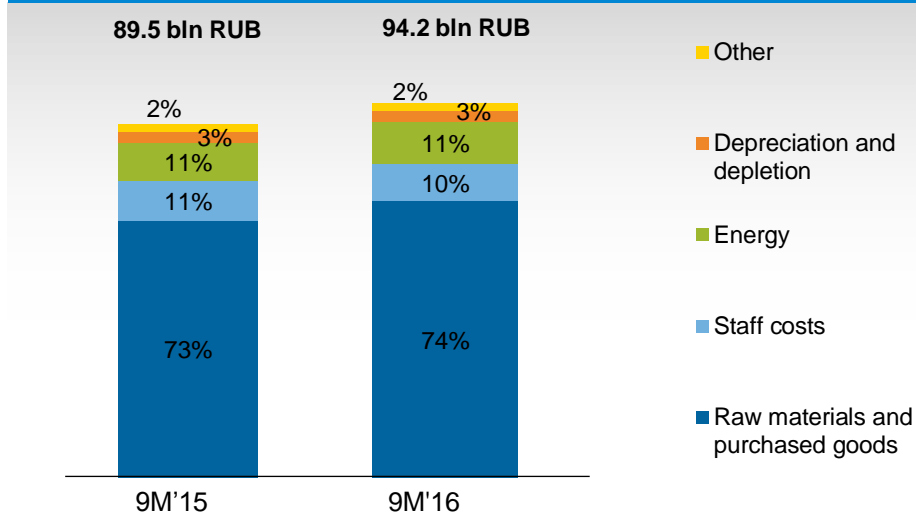
AVERAGE SALES PRICES FCA, RUB/TONNE



CASH COSTS, RUB/TONNE



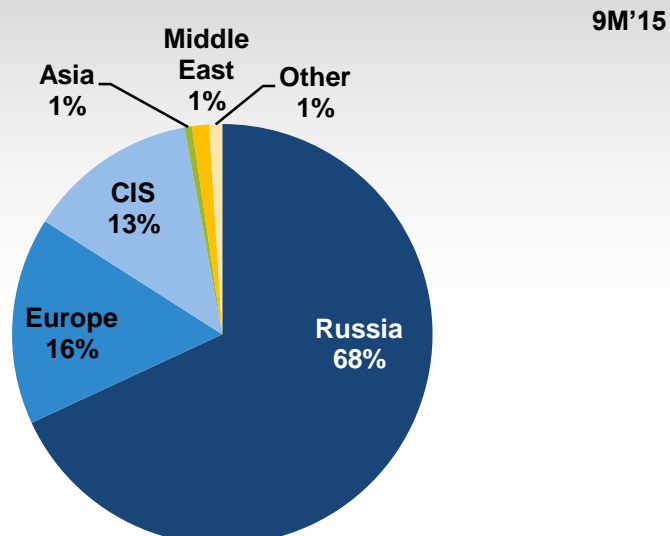
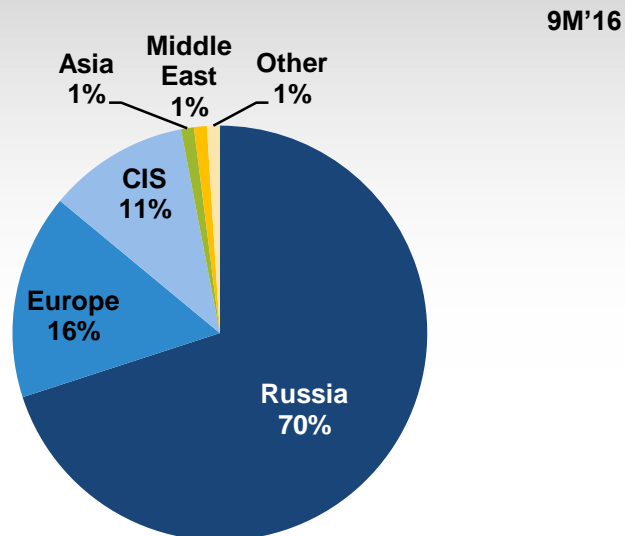
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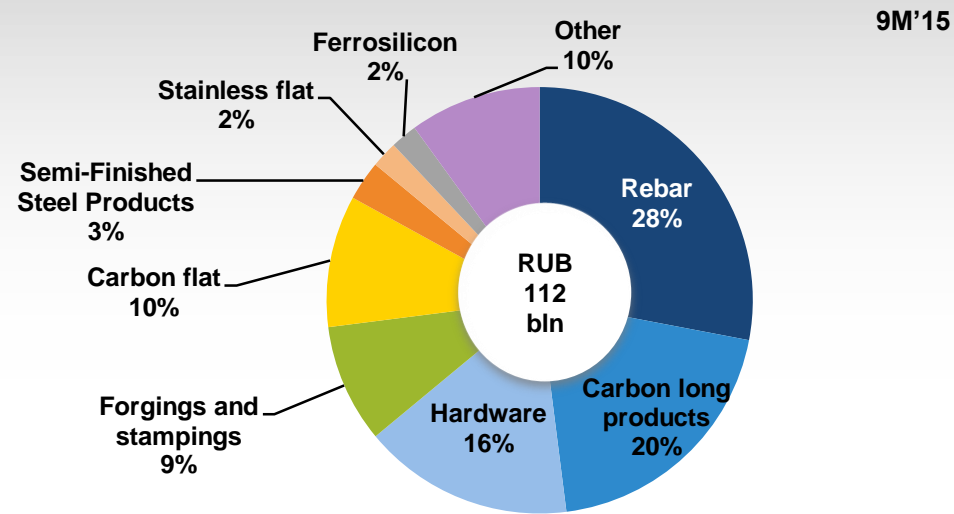
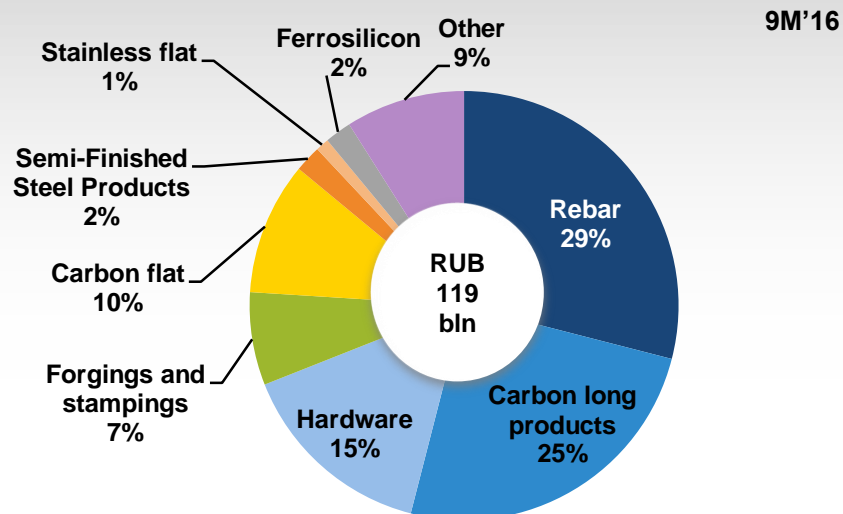
STEEL SEGMENT



REVENUE BREAKDOWN BY REGIONS



REVENUE BREAKDOWN BY PRODUCT

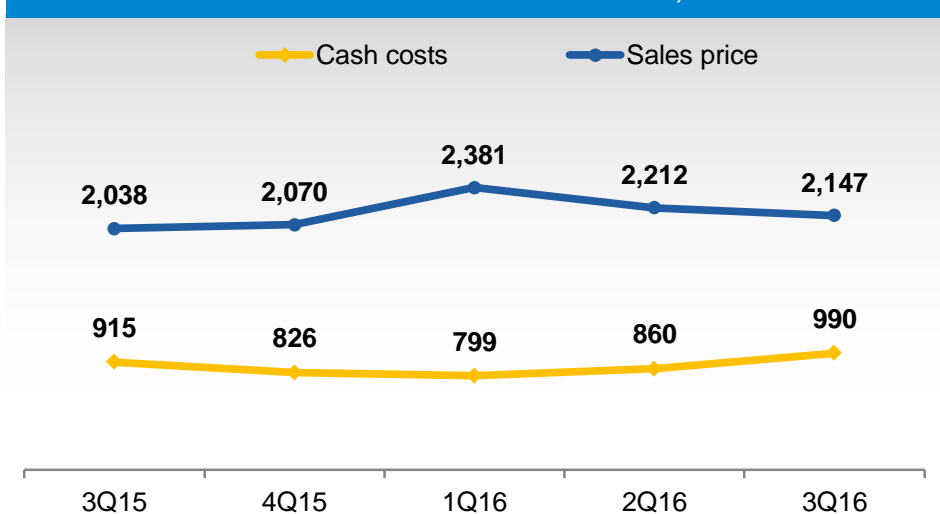


POWER SEGMENT

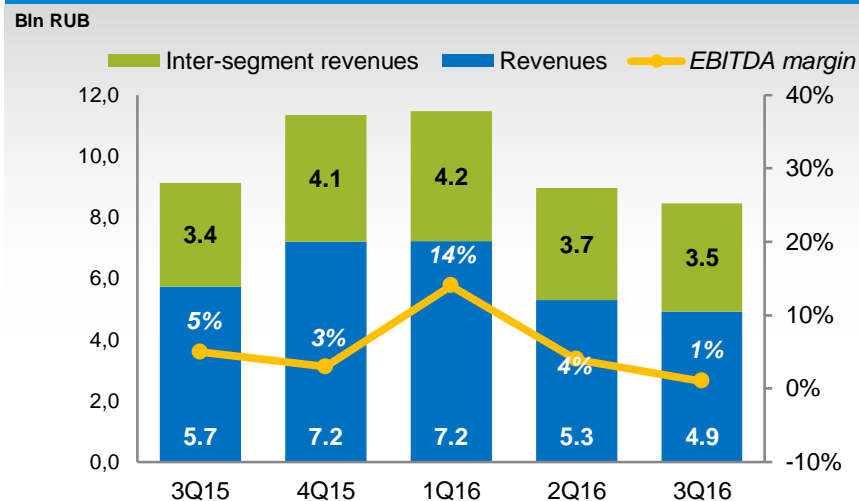


- Revenue for the period decreased on better weather conditions
- Stable cash costs and growing prices resulted in 19% EBITDA growth compared to 9M'15

AVERAGE ELECTRICITY SALES PRICES AND CASH COSTS, RUB/TH KWH



REVENUE, EBITDA, RUB BLN



COS STRUCTURE

