

APPROVED

on May 29, 2020 by resolution of the Board of
Directors
of Mechel, Public Joint Stock Company
(minutes of the Board of Directors
Of Mechel PAO No. w/o number 01 June 2020)

ANNUAL REPORT
OF PUBLIC JOINT STOCK COMPANY
MECHEL

BASED ON THE RESULTS OF 2019

Chief executive officer _____

(signature)

O. Korzhov

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CEO's address**Dear shareholders!**

In 2019 consolidated revenue of Mechel by IFRS decreased by 5% to 296,6 bn. rubles. Net profit attributable to the shareholders of Mechel PAO was recorded at the level of 2.4 bn. rubles. EBITDA decreased by 29% to 53.4 bn. rubles. It was mainly influenced by EBITDA's decrease in the steel segment. It was caused by steel products production cutbacks and turnover reduction against an ambitious program Chelyabinsk Metallurgical Plant equipment reconstruction. It has to be emphasized that the measures aimed at renovation of productive capacities will have a positive impact on both production volumes and the plant's profitability, the standard-bearer of Mechel's steel business segment. In the first quarter of 2020 after a large-scale technical re-equipment we started an updated blast furnace and a converter at CMP, capacity of upgraded units increased by 15%. In addition, environmental activities implemented in the course of these works, which correspond to the Best Available Techniques (BAT), allowed minimizing the environmental load. Upgrading business assets in the steel segment continues in 2020, which allows us plan a wider range of products with high added value. Also in 2019, we started upgrading one of the four-ferroalloy furnaces at the Bratsk Ferroalloy Plant. Thus, the BFP already operates two updated ore thermal furnaces, which meet the most exact environmental requirements, and replacement of the remaining two is planned for the future.

Financial result of the mining segment was primarily influenced by negative dynamics on the coal market of metal industry. At the same time, in 2019, we implemented a targeted program for updating and restoring mining and conveyor equipment, reconstruction and repair of beneficiation capacities. The result of this work at Southern Kuzbass was seen at the end of the year: starting October, the company reached a monthly extraction volume of 1 million tons and at the end of the year showed a strong growth in all major indicators, increasing production by a quarter. Annual figures of Korshunov Mining Plant increased by 30%. In 2019, we put in great efforts to maintain overall coal production at the same level against the increased amount of overburden operations. This was facilitated by both launch of new mining equipment and involvement of third-party contractors.

Certainly, the most financially significant transaction, which was de jure consummated in April 2020, was the sale of 51% shares in the companies comprising the Elginsky coal complex. This decision was made by the company's management with consideration of the current global economic situation and the existing level of Mechel's debt. We also reached an agreement with Gazprombank and VTB Bank to extend the loan principal repayment period for 10 years – until 2030. The proceeds from the sale of Elga will be used to repay part of the accounts payable to the above mentioned banks. Mechel's total debt will be reduced by one-third to about 335 bn. rubles. Reducing financial load will contribute to implementation of an investment program aimed at increasing coal mining and processing at our enterprises in Kuzbass and Yakutia, as well as increasing production of high-margin products in the metallurgical segment. This shall allow us maintain financial and social stability in operation of enterprises and ensure further development of Mechel PAO.

I am certain that the strategy implemented by the company's management will help overcome difficulties and strengthen Mechel's financial stability, which, as the final result, shall lead to increase in its capitalization.

On behalf of the Board of Directors and the Management Board of the company we thank you for your trust, support and cooperation!

Chief Executive Officer Mr. Korzhov

General information about the Company

1.1. Name

Full name in Russian: Публичное акционерное общество «Мечел» (hereinafter referred to as – "Company", "Mechel").

Short name in Russian: ПАО «Мечел».

Short name in English: Mechel PAO.

1.2. Contact information

Company's location: Moscow, Russian Federation

Company's address indicated in the Unified state register of legal entities: 1 Krasnoarmeiskaya Street, Moscow, 125167, Russian Federation

Mail address: 1 Krasnoarmeiskaya Street, Moscow, 125167, Russian Federation

Phone number: +7 (495) 221-88-88.

Internet pages where the information about the company is available: <http://www.mechel.ru/> ; <http://www.e-disclosure.ru/portal/company.aspx?id=1942>.

E-mail address: mechel@mechel.com.

1.3. Details on the state registration

Mechel PAO is a joint stock company established under the laws of the Russian Federation. The Company was registered on March 19th 2003 in the Russian Federation by the Interdistrict inspection of the Federal tax service No. 46 in the city of Moscow under the main state registration number 1037703012896 (Certificate of state registration of a legal entity blank series 77 No. 011726883). Since its foundation on March 19th 2003 till August 19th 2005 the official name of the Company was Mechel Steel Group Joint Stock Company (Mechel OAO).

Mechel PAO has been given Individual taxpayer's number No. 7703370008 and Code of reason for registration No. 771401001 (Certificate of registration of a Russian organization in a local tax office in the Russian Federation blank series 77 No. 017744898).

Articles of Association (current version) was approved on June 30th 2017 by the decision of the Annual general meeting of shareholders (Minutes No. 1 dated June 30th 2017) and registered by the Interdistrict inspection of the Federal tax service No. 46 in the city of Moscow on July 14th 2017 under state registration number 8177747645188.

The amendments to the Articles of Association were approved on March 26th 2019 by decision of the General Shareholders' Meeting of the Company (Minutes No.2 dd. March 27th 2019) and registered by the Interdistrict inspection of the Federal tax service No. 46 in the city of Moscow on April 4th 2019 under state registration number (GRN) 91977467446287.

1.4. Authorized company and shares

According to the current version of the Articles of association of the Company, its authorized capital amounts to 550,276,600 (five hundred fifty million two hundred seventy six thousand and sixty) rubles.

Authorized capital of the Company consists of the nominal value of the shares bought by the shareholders.

The current number of the Company's shares is 555,027,660, of which:

– 416,270,745 (four hundred sixteen million two hundred seventy thousand seven hundred forty five) shares are ordinary registered uncertified shares with par value of RUB 10 (ten) each.

State registration number of the securities issue: 1-01-55005-E dated 29.04.2003.

– 138,756,915 (One hundred thirty eight million seven hundred fifty six thousand nine hundred fifteen) privileged nominal uncertified shares par value of ten (10) rubles per share.

State registration number of the securities issue: 2-01-55005-E dated 05.06.2008.

In 2019 ordinary shares were the voting stock. In 2019 no shareholders meetings on agendas giving the right to participate in the meeting to holders of privileged shares were held.

According to the list of persons entitled to participate in the annual shareholders meeting on 28.06.2019, the number of shareholders holding ordinary shares of the Company reached 17,615;

The Company has no shares of the Company at its disposal. The entity controlled by the Company owns privileged and ordinary shares.

1.5. Principal shareholders of the Company

Principal shareholders of Mechel PAO (having a participation interest in the authorized capital of more than 5%) are as follows:

Full company name: **SKYBLOCK LIMITED**

Abbreviated company name: **no**

Location: **27, Michalakopoulou street, 1075, Nicosia, Cyprus**

Participation interest in the authorized capital of the Company: **10,05%**

Percent of the Company's ordinary shares owned by the person: **0,24479%**

The entity is controlled by the Company: Mechel PAO owns 100% of its authorized capital;

Full company name: **MetHall Limited Liability Company**

Abbreviated company name: **MetHall LLC**

Location: **1 Krasnoarmeiskaya, Moscow, Russian Federation, 125167**

INN: **7705378683**

OGRN: **1037739555831**

Participation interest in the authorized capital of the Company: **14.02%**

Percent of the Company's ordinary shares owned by the person: **18.7%**

Authorized capital belongs to I.V. Zyuzina, K.I. Zyuzina and K.I. Zyuzin in shares 34%, 33% and 33% respectively.

Full name: **Igor Vladimrovich Zyuzin**

Participation interest in the authorized capital of the Company: **19.86%**

Percent of the Company's ordinary shares owned by the person: **26.47%**

The shareholder is Chairman of the Company's Board of Directors.

I.V. Zyuzin, Chairman of the Board of Directors of Mechel PAO, with regard of direct and indirect ownership together with his family members, owns 51,91% of the total number of ordinary shares of the Company.

The Company has no other information about shareholding exceeding five percent, in addition to the above.

The Company allows no acquisition of control to shareholders, which is disproportionate to their participation in the company's authorized capital, including on the basis of shareholder agreements.

1.6. Registrar

The share register of the Company is maintained by the professional member of the securities market– Independent Registrar Company R.O.S.T. Joint-Stock Company (JSC IRC R.O.S.T.).

It has Share Register License No. 045-13976-000001 issued by the Bank of Russia without limitation of the period of validity.

It is a member of the Professional Association of Registrars, Transfer Agents and Depositories (PARTAD), the Russian Union of Industrialists and Entrepreneurs, the National Financial Association (NFA), Saint Petersburg Chamber of Commerce and Industry, the Association of Regional Banks of Russia and a member of the Transfer Agent and Registrars System (STAR).

According to the National Rating Agency, JSC IRC R.O.S.T. has been leading the independent industry ranking for the Registrar market for two years in a row: the company is leading in all indicators for all indications of 2018 and 2017.

Registered persons are serviced on a real-time basis, both at the Moscow Central office and at 67 branches located in 47 regions.

Address: 18 Stromynka Street, Building 5B, Moscow, 107996.

Web-page address: <http://rrost.ru/ru>.

1.7. Auditor

For the purpose of independent evaluation of accounting (financial) statements under the Russian Accounting Standards, Mechel PAO attracts annually an external auditor for statements auditing.

The Company's auditor is Energy Consulting JSC, State Registration Number 1047717034640, located at: 23 Obrucheva, bld. 3, block XXII, Office 9b, Moscow, Russia, 117630, a member of the self-regulatory organization of auditors – “Russian Unit of Auditors” (RSA), included in the register of auditors and audit organizations of the specified self-regulatory organization of auditors by a decision dated 20.12.2019, primary registration number 11906106131

For 2019, the audit of consolidated financial statements of Mechel under the IFRS standards was carried out by Ernst & Young Limited Liability Company (Ernst & Young LLC).

Location: 77 Sadovnicheskaya Naberezhnaya, Building 1, Moscow, Russia.

1.8. Information on subsidiaries/affiliates. Information on the Company's securities quotations

Mechel PAO was founded in 2003 on the basis of production capacities in the mining and metallurgical sectors. Today Mechel PAO is one of the leading companies in Russia. The Company constitutes a vertically integrated Group that unites the producers of coal, iron ore, steel, rolled metal, ferrosilicon, heating and electric energy. Besides, the Company owns a logistics company and transport operator. The Group's own distributive structures sell its products in the Russian market, in the CIS, Europe, Asia, the Middle East, North and South America. All enterprises of the Group work in a single production chain: from raw materials to products with high added value.

Mechel Group is one of the biggest producers of coking coal in Russia and one of the leading producers of coals for the metallurgical industry in the world. In 2019 the total volume of mined coal was 18.8 million tons, including 11,9 million tons of coking coal. Based on the results of 2019, the Group produced 12.5% of the total coking coal production market in Russia.

Mechel Group is one of the biggest producers of specialty steels and alloys in the country, which produces the widest range of these products and has the second place for bar iron output in Russia (not including bloom). In addition, Mechel is the largest producer of wire rod in Russia and has the fourth place for reinforced bars output.

According to the IFRS, in 2018 the consolidated revenue of the Company was 296.6 billion rubles. For 2019, the profit attributed to the shareholders of Mechel PAO was 2.4 billion rubles; the consolidated adjusted EBITDA was 53.4 billion rubles.

According to the Russian Accounting Standards, for 2019, the consolidated revenue was 14.4 billion rubles, the net profit was 2.0 billion rubles, the operating profit (sales profit) was 12.6 billion rubles.

Mechel PAO is one of the leading international companies in the mining and metallurgical industries. The Company includes production facilities in 11 regions of Russia and in Lithuania.

Mining Segment

The mining enterprises of Mechel PAO produce and sell iron-ore concentrate, coking coal concentrate, anthracite coal, PCI and coke, which are the main kinds of raw materials for steel production, as well as produce and sell power generating coal and middling products. The mining segment products are sold to outside consumers in Russia and abroad and are used to meet the internal needs of the Metallurgical and Power segments of the Group.

Mechel Group is the second biggest producer of coking coal in Russia, according to the data of the Central Dispatching Department of the Fuel and Energy Complex for 2019.

As of December 31, 2019, in accordance with the JORC standards, the licensed coal reserves are 2.9 billion tons, where coking coal is 76%.

Mechel Mining OOO, a subsidiary, unites mining and coke chemical assets of Mechel Group represented by such enterprises as Southern Kuzbass PAO, Yakutugol Holding Company AO, Elgaugol OOO (as of the report approval date, it is no longer part of the Group), Korshunov Mining Plant PAO, Moscow Coke and Gas Plant AO and Mechel-Coke OOO. The functions of the sole executive body of coal and iron ore production companies and coke producers are performed by Mechel Mining Management Company OOO, a wholly owned subsidiary of Mechel Mining OOO.

Southern Kuzbass Public Joint-Stock Company (Mezhdurechensk, Kemerovo Region) is one of the largest Russian producers of coking and power generating coal. The mining assets of Southern Kuzbass PAO include four open-pit mines: Krasnogorsky Open-Pit Mine, Sibirginsky Open-Pit Mine, Olzherassky Open-Pit Mine, Tomusinsky Open-Pit Mine, and three mines: Olzherasskaya Novaya Mine, Mine named after V.I. Lenin and Sibirginskaya Mine. The processing assets of Southern Kuzbass PAO include four washing plants: Sibir Central Washing plant, Kuzbasskaya Central Washing plant, Krasnogorskaya Washing plant, Tomusinskaya Ore Mining and Processing Plant, as well as Sibirginskaya Washing plant. Southern Kuzbass has sufficient reserves of coking coal and power generating coal, which provide stable long-term operation of open-pit mines and mines. The total estimated capacity of the washing plants of Southern Kuzbass PAO is about 17.3 million tons of run-of-mine coal per year. As of December 31, 2019, according to the JORC standards, the total volume of mineral reserves of Southern Kuzbass PAO is 532 million tons. As of year-end 2019, the facilities of Southern Kuzbass mined 8.8 million tons of run-of-mine coal.

Yakutugol Holding Company Joint-Stock Company (Neryungi, Republic of Sakha (Yakutiya)). The company assets include three open-pit mines: Neryungrinsky Open-Pit Mine, Kandalassky Open-Pit Mine, Gebariki Khaya Open-Pit Mine and Neryunginskaya Washing plant. Yakutugol Holding Company also holds the licenses for the development of Sutamskoye iron-ore deposit. Yakutugol is one of the few producers of hard coking coal in Russia. Primarily, it is high-quality coking coal. The products of Yakutugol is in high demand both in the domestic and foreign markets. The coking coal concentrate is supplied to metallurgical and coke-chemical enterprises of the Central Russia and exported to the Asia-Pacific Region. As of December 31, 2019, according to the JORC standards, the total volume of mineral reserves is 177 million tons. At year-end 2018, it was mined 5.8 million tons of run-of-mine coal.

Currently, Elgaugol Limited Liability Company implements a large-scale project for exploration and development of Elga Coal Complex, Elga is one of the world's largest deposits of high-quality coking coal, which is hard-to-find in Russia. As of December 31, 2019, according to the JORC standards, its licensed reserves are about 2.2 billion tons where the coking coal reserves are 87%. The deposit is located in the southeastern part of Yakutia, 415 km to the east from Neryungi and 320 km to the north from Verkhnezeysk settlement, in the central part of Tokinsky Coal Region. The production works at the first stage section of Elga Open-Pit Mine development were commenced in August 2011. A through traffic at the 321-kilometer railway line built by Mechel uniting the deposit with Baykal-Amur Mainline was opened the same year. A year-round washing plant with a capacity of 2.7 million tons was established in Elga Deposit. As of year-end 2019, the facilities of Elga Coal Deposit mined 4.3 million tons of run-of-mine coal. In 2020, companies comprising Elga Coal Deposit were sold and are no longer a part of Mechel Group. At the same time operational performance and financial indications of the Group for 2019 include the results of operation of Elga Coal Deposit.

Korshunov Mining Plant Public Joint-Stock Company (Zheleznogorsk-Ilimsky, Irkutsk Region) is one of the biggest iron-ore mining enterprises in Russia and the only one acting in the East Siberian Region. The assets of Korshunov Mining Plant PAO include two open-pit mines: Korshunovsky Open-Pit Mine and Rudnogorsky Open-Pit Mine, as well as Korshunovsky Washing plant. As of December 31, 2019, according to the JORC standards, the total volume of mineral reserves of Korshunov Mining Plant is 133.7 million tons at year-end 2019; it mined 6.5 million tons of iron-ore raw materials and produced 2.5 million tons of iron-ore concentrate.

The mining segment also includes two coke production enterprises: **Moscow Coke JSC**, located in the town of Vidnoye, Moscow Region, and **Mechel-Coke OOO** located in Chelyabinsk. Coke is produced both for internal use and for selling to third parties.

Moscow Coke Gas Plant (Vidnoye, Moscow Region) has a favorable geographical location and stable sales markets. The enterprise produces coke, benzene and coal tar. The coking chemical production of the enterprise is successfully sold in the domestic market, basically, to the enterprises located in the Central Russia, and exported. Currently, the total production capacity of four coke batteries is 0.7 million tons of bulk coke per year with the moisture of 6%.

Chelyabinsk Coke and Chemical Products Plant Limited Liability Company (Mechel Coke OOO, Chelyabinsk) is an enterprise that produces coke and chemical products. The main product is metallurgical coke currently produced by eight coke-oven batteries with the aggregate annual capacity of 3.0 million tons. Mechel-Coke OOO caters for the production needs of the enterprises of Mechel and sells its products in the domestic and foreign markets. The produced coke is characterized by high quality: uniform humidity and strength, low content of ash and sulfur, low output of volatile substances. 19 types of chemical products are produced from coke gas, the byproduct, at the shops of Mechel-Coke: benzene, toluene, solvent, naphthalene, ammonia sulfate, resins and other products. They are used to produce plastic masses, synthetic fibers, medicine, perfume and organic synthesis products, both in Russia and abroad.

Steel Segment

The activities of Mechel in the Steel Segment include production of rolled sections from carbon and alloyed steel, as well as flat sections of stainless steel, steel products with high added value, including steel ware, stamping and forging, as well as blanking. The Steel Segment of Mechel includes the enterprises in Russia and Lithuania.

According to the data of "Metal Expert", Mechel Group takes the second place in terms of wire rod production volumes (not including bloom), the first place in terms of rolled wire, the fourth place in terms of reinforced bars, specialty steel and alloys production volumes in Russia. Besides, according to "Metal Expert", Mechel Group takes the fourth place in terms of ferrosilicon production.

In terms of steel casting, the production capacities of Mechel PAO in Russia include two steel casting enterprises – Chelyabinsk Metallurgical Plant and Izhstal Plant. The Company also includes the steel ware producing enterprise – Beloretsk Metallurgical Plant, Vyartsilya Steelware Plant, and Mechel Nemunas (Lithuania), stamping and forging production plant "Urals Stampings Plant". After the liquidation of the Ferroalloy Segment in 2014, Bratsk Ferroalloy Plant in Bratsk was added into the Steel Segment. Mechel Group also includes the world-famous Kasli plant of architectural and artistic casting, one of the oldest factories in Russia preserving centuries-old traditions of artistic casting and architectural iron casting. Enterprises of Mechel Steel Segment are controlled by a subsidiary company, MC Mechel-Steel OOO.

Chelyabinsk Metallurgical Plant Public Joint-Stock Company (Chelyabinsk) is one of the biggest in Russia full-cycle metallurgical plants producing high quality steel. CMP produces a wide range of metallurgical products: pig iron, steel semi-products for further conversion, rolled sections and sheet products from carbon, structural, tool and corrosion-resistant steel grades, as well as rails. The universal structural mill (USM) was commissioned at CMP in July 2013. USM is a first Russian comprehensive universal production of high-quality profiled bars and rails with the length up to 100 meters. The rails produced by USM surpass their international analogues in terms of a range of main aspects resulting from climatic and other conditions of rails operation in Russia, namely, low temperature reliability, increased wear resistance and contact endurance. The capacity of USM amounts to 1.1 million tons of finished products per year. In June 2015, the company received a certificate of compliance with the requirements of

the Technical Regulations of the Customs Union for rails up to 100 meters. This Certificate allows the company to supply the products of Chelyabinsk Metallurgical Plant to JSC Russian Railways. In 2017, Chelyabinsk Metallurgical Plant mastered a new technology for the production of large-tonnage ingots with a weight of 60 tons from different steel grades, which will allow CMP to enter the market for oversized products, which is new for the Company, and to supply those products both to the domestic market and for export. In 2019, Chelyabinsk Metallurgical Plant produced 3.4 million tons of crude steel and 3.1 million ton of steel rolled products, of which 280,000 tons were rail products.

Izhstal Open Joint Stock Company (Izhevsk, the Udmurt Republic) – the biggest steel enterprise of Udmurtia, one of the most significant economic entities in the Republic. The enterprise occupies the leading positions among Russian producers of special steel grades, alloys and stainless rolled sections, and makes graded, calibrated and turned rolled products, cold-rolled strip, high-precision shaped steel profiles of structural, tool, high-speed, stainless steel grades. The consumers of Izhstal PAO products are the enterprises of the Defense Complex and high-tech mechanical engineering, automotive, aviation, oil, mining industries, tool factories. The enterprise products are shipped to the USA, EU and CIS countries. In 2019, the enterprise produced 225 thousand tons of crude steel and 377 thousand tons of rolled steel products.

Beloretsk Metallurgical Plant Joint Stock Company (Beloretsk, the Republic of Bashkortostan) is one of the main metalware producers in Russia. The range of the produced items includes wire rod and steel wire from quality steel grades – carbon, alloyed and stainless, steel ropes of various structures without coating and galvanized, tape of various sizes and sections, nails, and it is the only Russian enterprise producing micro wire with diameter of up to 0.009 mm. The products of Beloretsk Metallurgical Plant are demanded by almost all industries: fuel and power industry, mechanical engineering, construction, as well as by the Defense Industrial Complex. Today BMP is implementing a new investment project for the production of import-substituting products - multi-strand ropes with a number of strands from 6 to 12 and a diameter of 22 to 90 mm, including those with a polymer coating. In 2019, BMP produced 423 thousand tons of steel ware products.

Urals Stampings Plant Public Joint Stock Company (Chebarkul, Chelyabinsk Region) – the biggest Russian producer of stamped products from special steel and alloys. The unique forging and stamping production on the basis of heavy and super heavy units, whose fundamental equipment is stamping hammers with the mass of falling parts from 2 to 25 tons, as well as the world's largest hammer without an anvil block with impact energy of 150 ton forces, allow the production of stamping weighing up to 2.5 tons and of up to 4 meters in length. Russia's first facility for production of large wrought rings is designed for production parts weighing up to 2 tons and of up to 4 meters in diameter. Urals Stampings Plant produces stamping for almost all mechanical engineering industries: missile engineering and space industry; aircraft engineering, heavy, transport, power, oil and gas engineering; production of lifting and transport vehicles, chemical, food, ore mining and many other industries. In 2018 Urals Stampings Plant PJSC produced 149 thousand tons of stampings and forgings from special steels.

Vyartsilya Metal Products Plant Joint Stock Company (Village of Vyartsilya, the Republic of Karelia) produces steel ware products, including low carbon, electrode and structural wire, galvanized nails and steel mesh with polymer coating from the wire rod supplied by Chelyabinsk Metallurgical Plant. In 2019, Vyartsilya Metal Products Plant JSC produced 66.7 thousand tons of steel ware products.

Mechel Nemunas ZAO (Kaunas, Lithuania) – a steel ware enterprise producing wire, steel fiber designed for reinforcement of cement mixture and concrete, nails, including for the

Europallets, and mesh. Its consumers are, first of all, mechanical engineering, construction and furniture enterprises. Main production capacities of Mechel Nemunas plant include wiredrawing mills, nail and thread machines, mesh weaving machinery. The products of Mechel Nemunas are widely demanded not only in the Baltic States, but also within the EU market. In 2019, Mechel Nemunas ZAO produced 26.7 thousand tons of steel ware products.

Bratsk Ferroalloy Plant Limited Liability Company (Bratsk, Irkutsk Region) – a modern and highly efficient enterprise producing high-grade ferrosilicon (with 65% and 75% silicon content). The enterprise is gradually switching to metal melting from quartzite's of own Uvatskoye deposit. The products have an international quality certificate. The plant has a favorable geographical location and stable sales markets. The enterprise products are supplied to the plants of Mechel Group and it is also sold at the domestic and foreign markets. In 2019 Bratsk Ferroalloy Plant OOO produced 66.9 thousand tons of ferrosilicon with 65% and 75% silicon content.

Power segment

Mechel's power segment generates electricity, heat and other types of energy for the needs of Mechel production companies, sells surplus energy resources in the free market, supplies electricity from the wholesale electricity (capacity) market, and provides heating energy to a number of cities.

The power segment of the Group is represented by the thermal power plant Southern Kuzbass Power Plant and the power sales company Kuzbass Power Sales. All power assets are managed by Mechel-Energo OOO.

Southern Kuzbass Power Plant Public Joint Stock Company (Kaltan, Kemerovo Region) – a heat power plant in Kaltan, Kemerovo Region is designed to cover for the base loads of Kuzbass power system. The installed electric capacity of Southern Kuzbass Power Plant is 554 MW. Southern Kuzbass Power Plant provides hot water for heating and hot water supply in Kaltan and Osinniki, Kemerovo Region. The installed heat capacity of the enterprise is 506 Gcal/hour. Coal for Southern Kuzbass Power Plant is supplied from Southern Kuzbass PAO.

Kuzbass Power Sales Company Public Joint Stock Company (Kemerovo) is one of the largest power sales companies in the Kemerovo Region operating in the status of a guarantee supplier. The number of consumers serviced by Kuzbass Power Sales Company PJSC currently exceeds 90% of consumers of the region, including industrial enterprises, budget institutions, utility facilities and social spheres, small business enterprises, agricultural enterprises, as well as residents of cities and rural settlements.

Logistic assets

Striving for the maximum efficiency in the delivery of goods to its consumers, Mechel is actively developing its own logistics network. The Group includes cargo seaports in the Japanese Sea (Trade Port Posiet) and the Azov Sea (Mechel-Temryuk Port) and a cargo river port on the Kama River in the Central Russia (Port Kambarka). Having its own cargo transportation capacities allows the Group to save on costs. Thus, Mechel is less dependent on fluctuations in the transportation market – the company can create a flexible delivery schedule that is convenient for customers. Mechel also has a large fleet of rolling stock. In 2019, the company transported more than 29 million tons of cargo. MC Mecheltrans OOO operates logistic assets.

Trade Port Posiet Joint Stock Company (the village of Posiet, the Primorye Territory) – a sea trade port, ensures coal supply to the countries of the Asia-Pacific Region. The railway

connects it with the Trans-Siberian Railway, northeast China and North Korea. Posiet is a convenient terminal for transporting coal mined in the fields of the enterprises of Mechel Group – Yakutugol and Southern Kuzbass. According to the results of the first port modernization stage, it is capable of transshipping up to 7 million tons of cargoes a year, and after the modernization is completed its capacity will increase up to 9 million tons a year in a long-term. The purpose of the technical re-equipment project is to turn the Posiet port into a specialized coal terminal. An increase in cargo turnover was achieved due to the introduction of modern technology of processing bulk goods and installation of high-performance equipment.

Port Mechel Temryuk Limited Liability Company (Temryuk, the Krasnodar Territory, Taman Coast of the Sea of Azov) – is a modern, technically equipped sea port open for foreign ships entry. It has a favorable geographical location and climatic conditions allowing navigation throughout the year. Port Mechel Temryuk ensures coal supply to the countries of the Black Sea and Mediterranean Sea Basin both using a direct option with ships of "river-sea" type and with transshipment in the Kerch Strait to heavy-tonnage, vessels (bulk carriers). Port Temryuk comprises four operating berths, two of which are 248 meters in length and are used to service export/import cargoes, one berth is used to service ships with coastal cargoes. The total length of the coastal line, where the transshipment facility is located, is 850 meters, and the area of the transshipment facility is around 36 hectares. The port has its own access railway. The port's current transshipment capacity is up to 2 million tons of cargoes a year. The main types of cargoes are coal and coke, as well as rolled steel products.

Port Kambarka Open Joint Stock Company (Kama, the Udmurt Republic) is one of the most deep-water river ports in Russia transshipping metal products, coal, sand, crushed stone and quarry stone. The port has a berthing wall of 620 meters in length with guaranteed depth of the ship's passage and berth entries with 4 meters depth. The length of the internal railways equal to 3.8 kilometers allows simultaneous loading of up to 60 wagons. Loading and unloading works are carried out by eight portal cranes with a lifting capacity ranging from 5 to 20 tons. The total area of the warehouse is 38,300 square meters. The enterprise specializes in transshipment of bulk cargoes (coal, crushed stone, gypsum stone, quarry stone, sand, ASG, alumina) and packaged cargo (slabs, billets, rolled steel products, tubular products). The port transships Mechel's cargoes sending them to the Baltic Sea, the Caspian Sea, the Black Sea and Mediterranean Basin via the internal waterways of Russia. The port also transships products to supply them to Turkey, Romania, Bulgaria and further to Europe.

Product sales

Sales of products of the mining segment, steel products and ferroalloys in the domestic and foreign markets are conducted by own trading companies. The company has its own network of foreign subsidiaries, branches, warehouses, service centers and agents for marketing its own products in the international market, as well as a Russian subsidiary sales and service company that sells steel products in the domestic market with regional offices in more than 40 Russian cities.

Mechel Group geographical presence



Shares of Mechel PAO

Mechel PAO is the first company among mining and metallurgical companies from Eastern and Central Europe, and Russia that placed its shares on the New York Stock Exchange.

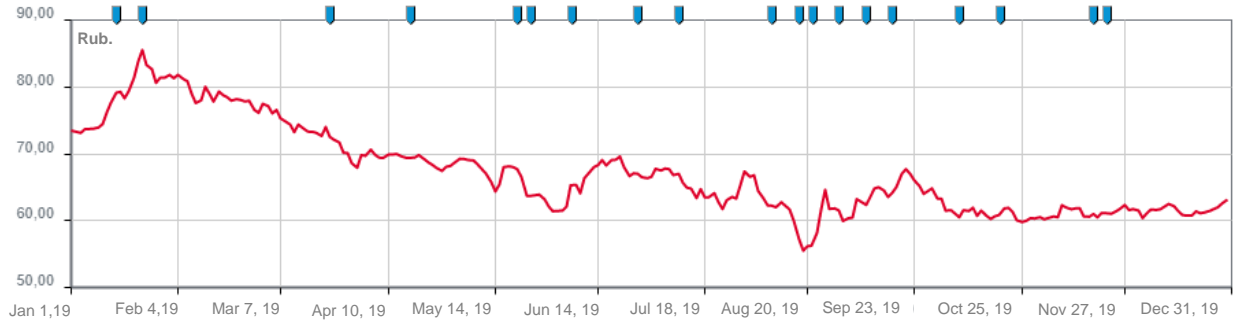
Since October 2004, ordinary registered shares of the Company have been circulating outside the Russian Federation in the form of American Depositary Receipts, level 3 (hereinafter – the "ADR") at New York Stock Exchange under MTL symbol. From January 12, 2016, each ADR represents two ordinary shares of the Company.

Since May 7, 2010, preferred shares of the Company have been circulating at New York Stock Exchange in the form of Preferred American Depositary Receipts. Each preferred ADR is a half of a preferred share (1 preferred ADR = ½ of a preferred share).

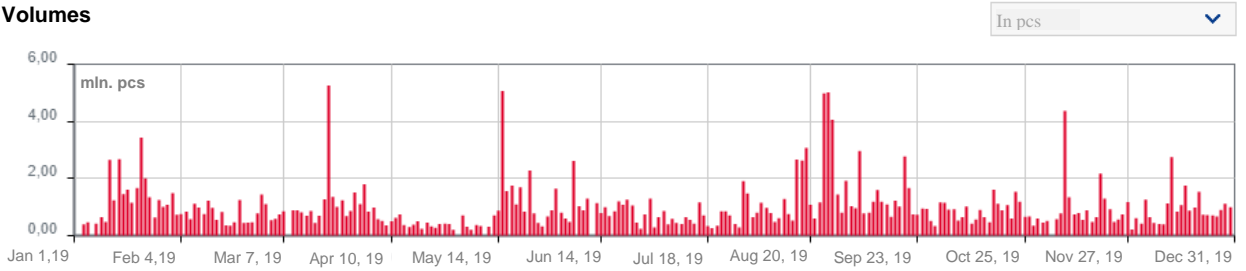
The shares of the Mechel PAO were admitted for trading at the Moscow Stock Exchange PJSC and were included in quotation list A, level 1.. In the trading system, common shares are assigned the MTLR code, and preferred shares trade under MTLRP code.

Price trend in 2019: ordinary shares

Prices



Volumes

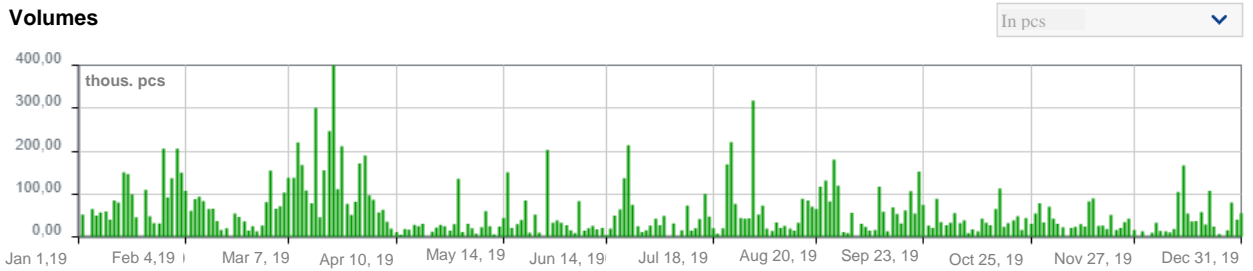


2019 price trend for one American Depositary Receipt for an ordinary share

Prices



Volumes

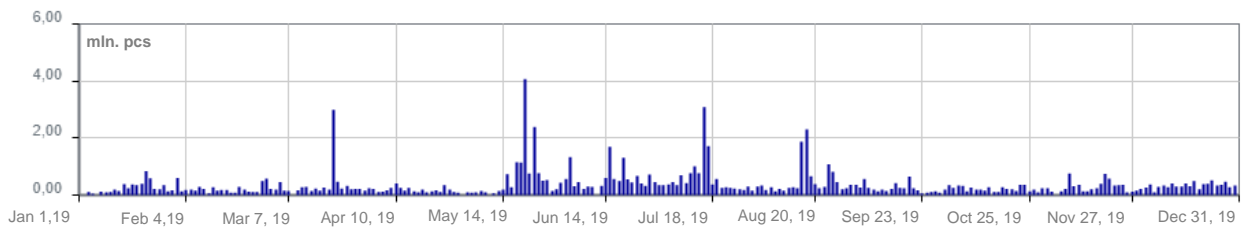


Price trend in 2019: preferred shares

Prices



Volumes

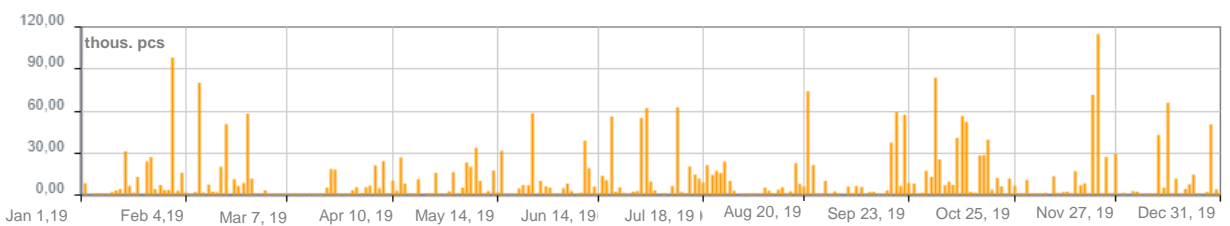


2019 price trend for one American Depositary Receipt for a preferred share

Prices



Volumes



1.9. Staff Headcount and Social policy

The headcount of Mechel PAO in 2019 was 251 people. 56.182 people work at Mechel Group enterprises.

Mechel enterprises follow the principles of social responsibility and therefore contribute a lot to the social and economic development of the regions of their location, first, through being major taxpayers and employers.

Mechel's social policy is aimed at the improving of the Company's effectiveness and competitiveness, generating stable and high-qualified working teams by means of a developed social security system to cater for the needs of the employees. By investing into social programs, the Company is planning to ensure the high level of the employees' efficiency, retain professional teams and preserve good reputation in the external labor market.

1.10. Representation Offices

The Company has the following Representation Offices:

- Representation Office of Mechel, Public Joint Stock Company, in the Republic of Korea located at: 6th floor bld. "Jisang", Kangnam-Gu, Yongdeong str. 86gil 6 Daechi-dong Gangnam-gu, Seoul, South Korea, established on August 11th 2009.

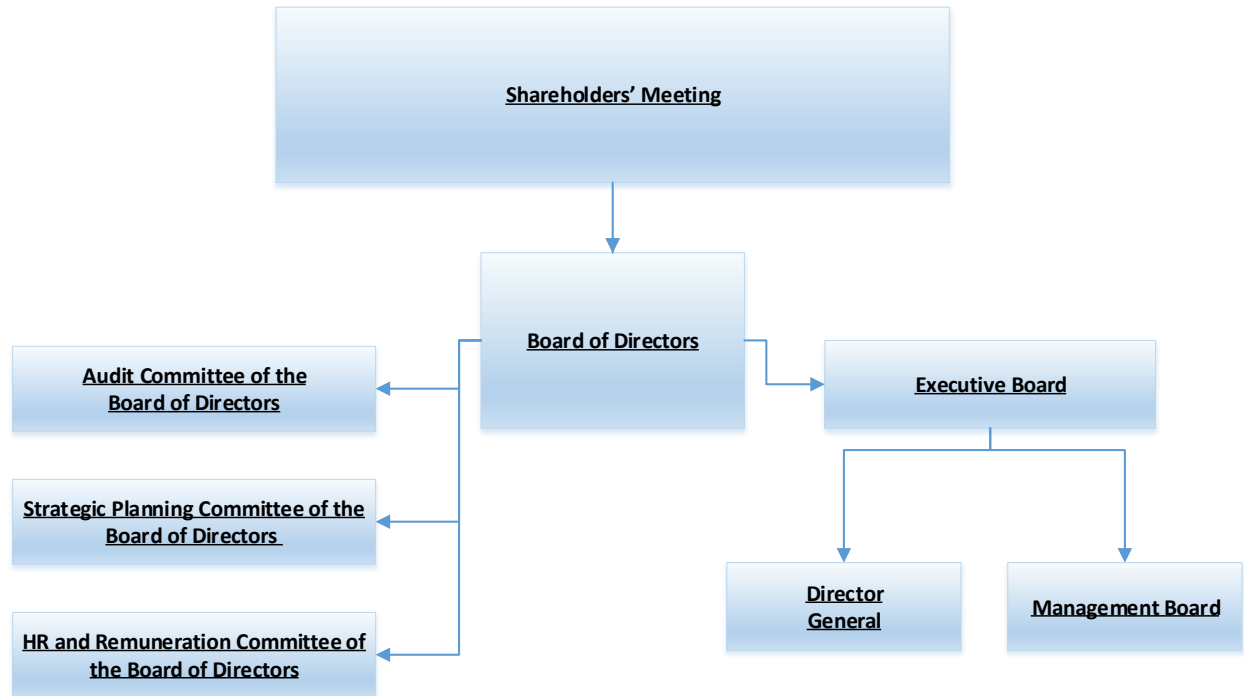
- Representation Office of Mechel, Public Joint Stock Company, in Japan, located at: No. 302 Atagoyama Bengoshi Building 1-6-7 Atago Minato-ku, Tokyo 105-0002, established on September 24th 2009.

The activities of the Representation Offices are regulated by approved by Laws on Mechel OAO's Representative Offices. The following are the main tasks and functions of the Representation Offices:

- represent the interests of Mechel PAO related to foreign economic activities in the countries they are located;
- perform the monitoring of the way the economic situation in the countries they are located in influences the interests of the Company;
- participate in the work of the intergovernmental bodies of the Russian Federation establishing cooperation with the countries of the Asia-Pacific region (APAC) in the fields of commerce, science and technology;
- analyze the situation in the commodity and stock markets of APAC in the part of demand for the products of the Company as well as in the part of cost of its shares;
- provide support to the Company's delegations during business negotiations in the countries they are located.

2. MANAGEMENT BODIES OF THE COMPANY

The following is the structure of management bodies of Mechel PAO:



2.1. General Shareholders' Meeting

General Shareholders' Meeting is the highest management body of the Company that makes decisions on the questions that are the most important for the Company operations.

The Regulation on the General Shareholders' Meeting of Mechel PAO (approved by resolution of the extraordinary General Shareholders' Meeting, Minutes No.2 dd. March 4th 2016) is in force in the Company.

Annual General Shareholders' Meeting

The Annual General Shareholders' Meeting of Mechel PAO was held on June 28th 2019 (MoM No. 1 dd. June 28th 2019). The Agenda of the Annual General Shareholders' Meeting was as follows:

1. Distribution of profit, including payment (announcement) of dividends of the Company based on the results of financial year 2018.
2. Election of the members of the Board of Directors of the Company.
3. Approval of the auditor of the Company.

Extraordinary General Meetings of Shareholders

The Extraordinary General Meetings of Shareholders was held on March 26 2019 with the following agenda:

1. Approval of consummation of a transaction, which is a related-party transaction.
2. Introduction of changes to the Company's Articles.

Changes associated with dissolution of the Review Committee were introduced to the Articles.

2.2. Board of Directors

The Company Board of Directors shall be responsible for overall management of the Company business, except for the items referred to the authority of the Company General Shareholders' Meeting by Federal law On Joint Stock Companies, and the Company Charter.

The Company's Board of Directors is subject to election by the General Meeting of the Company's shareholders by way of cumulative voting, thus guaranteeing protection of minority shareholders' rights.

Members of the Company's Board of Directors were elected in the number of 9 (nine) by the General Shareholders' Meeting of Mechel PAO on June 28th 2019, 5 (five) of these members are independent directors.

Regulation on the Board of Directors of Mechel PAO is in force in the Company (approved by resolution of the extraordinary General Shareholders' Meeting on March 4th 2016, minutes No.2 dated March 4th 2016).

Composition of the Board of Directors of the Company as of December 31st 2019:

<p>Zyuzin Igor Vladimirovich (Chairman of the Board of Directors)</p>	<p>Year of birth: 1960.</p> <p>Education: higher professional education. - Tula Polytechnic Institute, area of specialty – Underground mining technology and integrated mechanization of underground mining operations. - Postgraduate training program of Tula Polytechnic Institute. PhD in engineering. - Kuzbass Polytechnic Institute, area of specialty - Economics and Company Management in the fields of mining and geological prospecting), Mining engineer and economist.</p> <p>Primary employment: Chairman of the Board of Directors of Mechel PAO.</p> <p>Stake in equity of the Company: 19.86%</p> <p>Owned stock of common shares of the Company: 26.14 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed</p> <p>Participation in management bodies of other companies: member of the Board of Directors of Mechel Mining JSC, Board Chairman of Mechel Mining AO (from July 2018).</p>
<p>Korzhov Oleg Viktorovich</p>	<p>Year of birth: 1970.</p>

(BoD member)	<p>Education: Higher professional education. - Urals Technical University named after Kirov (specialty: Economics and Management in Steel Industry); - The Russian Presidential Academy of National Economy and Public Administration (specialty: Management). PhD in Economics.</p> <p>Primary employment: Chief Executive Officer of Mechel PAO</p> <p>Stake in equity of the Company: 0.0018 %.</p> <p>Owned stock of common shares of the Company: 0.0024 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: BoD member of Mechel Mining JSC.</p>
<p>Petrov Georgiy Georgievich (independent BoD member)</p>	<p>Year of birth: 1948.</p> <p>Education: Higher professional education Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the USSR, a specialty in foreign trade economic</p> <p>Primary employment: Advisor on international affairs for the president of Chamber of Commerce and Industry of the Russian Federation.</p> <p>Stake in equity of the Company: 0%</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p>
<p>Kotskiy Aleksandr Nikolaevich (independent BoD member)</p>	<p>Year of birth: 1957.</p> <p>Education: Higher professional education - Novosibirsk Institute of Railway Engineers, specialty - "Railway Engineer".</p> <p>Primary employment: independent BoD member of Mechel PAO.</p> <p>Stake in equity of the Company: 0,01043 %.</p> <p>Owned stock of common shares of the Company: 0,00966 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: In August 2019 Mr. Kotskiy purchased 2500 ordinary shares and 2000 preferred shares of Mechel PAO.</p>
<p>Malyshev Yuri Nikolayevich (independent BoD member)</p>	<p>Year of birth: 1939.</p> <p>Education: Higher professional education - Kemerovo Mining Institute, specialty: "Development of mineral deposits, Mining engineer. Doctor of Engineering, professor, member of the Academy of Sciences.</p> <p>Primary employment: President of the Academy of Mining Sciences.</p>

	<p>Stake in equity of the Company: 0 %.</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: independent BoD member of Acron PAO and of JSC Rosgeo (till September 2019), Honorary President and member of the Supreme Mining Council of the Non-profit Partnership for Mining Industries of Russia; President of the State Geology Museum of the Russian Academy of Sciences named after Vladimir Vernadsky.</p>
<p>Orischin Alexander Dmitrievich (independent BoD member)</p>	<p>Year of birth: 1932.</p> <p>Education: Higher professional education - Tomsk Polytechnic Institute and Moscow Mining Institute, specialty - "Development of mineral deposits"; - Moscow State Mining University. Mining Engineer (development of mineral deposits). PhD in engineering.</p> <p>Primary employment: independent BoD member of Mechel PAO.</p> <p>Stake in equity of the Company: 0 %.</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p>
<p>Trigubko Victor Alexandrovich (BoD member)</p>	<p>Year of birth: 1956.</p> <p>Education: Higher professional education - Kalinin (now - Tver) State University, specialty - "Labor economics".</p> <p>Primary employment: Senior Vice President for Government Relations.</p> <p>Stake in equity of the Company: 0,00036 %.</p> <p>Owned stock of common shares of the Company: 0,00048 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p>
<p>Khachaturov Tigran Garikovich (BoD member)</p>	<p>Year of birth: 1979.</p> <p>Education: Higher professional education - Plekhanov Russian Academy of Economics, specialty - "Banking and Finance". Economist.</p> <p>Primary employment: Deputy Board Chairman, member of the GPB Bank (JSC) management.</p> <p>Stake in equity of the Company: 0 %.</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or</p>

	<p>alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: Board member of REP Holding JSC.</p>
<p>Shokhin Alexander Nikolaevich (Deputy Chairman of the Board of Directors, independent BoD member)</p>	<p>Year of birth: 1951.</p> <p>Education: Higher professional education - Lomonosov Moscow State University, University. Doctor of Economics, professor</p> <p>Primary employment: President of the Russian Union of Industrialists and Entrepreneurs.</p> <p>Stake in equity of the Company: 0 %.</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: President of the Higher School of Economics National Research University; BoD member of Eurasia Drilling Company Limited; BoD member of TMK PAO; BoD member of The Federal Corporation for the Development of Small and Middle Size Businesses AO; Board member of the Chamber of Commerce and Industry of the Russian Federation; Supervisory Board member of the Agency for Strategic Initiatives (ASI); Presidium member of the National Corporate Governance Council, Non-profit organization; President of The Russian Union of Industrialists and Entrepreneurs</p>

The BoD composition of Mechel PAO did not change in 2019.

Information on the activities of the Board of Directors of the Company

28 meetings of the Board of Directors of Mechel PAO were held during the accounting period, 22 of them were held in form of absent voting and 6 of them were held in form of personal presence (joint attendance).

The Board of Directors members I.V. Zyuzin, O.V. Korzhov, V.A. Trigubko, A.N. Kotskiy, Yu.N. Malyshev, A.D. Orischin, G.G. Petrov took part in each of the Board of Directors meetings held in 2019, T.G. Khachaturov took part in 16 meetings.

Necessary quorum was achieved due to high attendance of the meetings by BD members during the accounting year for the purpose of decision making by agenda points.

Decisions by the major part of the agenda points were taken unanimously

In 2019 the Company invited an external advisor of JSC IRC R.O.S.T. (hereinafter referred to as the Advisor) to participate in assessment of the Board of Directors work.

Based on the survey results the Advisor concluded, that all Directors possess the knowledge and experience required to make important and weighted decisions on majority of issues within the competence of the Board of Directors.

Knowledge and experience of directors ensure that all Board directors possess the required competence.

The Advisor concluded that all directors have positive business and personal reputation. The above-mentioned allows the Board of Directors fulfill its duties efficiently. The approach to nominating and electing directors, implemented by the Company, meets the requirements of the Code and the best corporate governance practices.

Specialty committees of the Board of Directors

There are 3 (three) Committees operating in the Board of Directors of Mechel PAO:

- Audit Committee;
- Nominations and Compensation Committee;
- Investments and Strategic Planning Committee.

Audit Committee

The permanent Audit Committee of the Board of Directors of Mechel PAO consists of 3 independent directors. The activities of the Audit Committee are regulated by Regulation on the Board of Audit Directors Committee of Mechel Public Joint Stock Company (approved by resolution of the Board of Directors of Mechel PAO, MoM w/o number dd. May 19th 2016).

The main purpose of the Audit Committee is to facilitate effective performance of the functions of the Board of Directors in the part of control over the financial and operational activities of Mechel PAO, to elaborate recommendations as per questions within its competency and submit them to the Board of Directors.

The main tasks of the Audit Committee cover the following fields of the Company activities:

- Accounting and financial statements;
- Internal and external audit;
- Internal control;
- Prevention of frauds on the part of the Company employees and third parties.

More detailed information as per the tasks is contained in the Regulation on the Audit Committee of the Board of Directors.

Audit Committee members have experience and knowledge in the field of preparation, analysis, assessment and audit of book accounting statements and of IFRS financial statements.

The composition of the Audit Committee of the Board of Directors of Mechel PAO did not change in 2019.

The composition of the Audit Committee of the Board of Directors of Mechel PAO was approved on June 28th 2019 by resolution of the Board of Directors of Mechel PAO (MoM dd. June 28th 2019) as follows:

1. Georgy Georgy Petrov – Committee Chairman;
2. Kotskiy Aleksandr Nikolaevich – Committee member;
3. Orischin Alexander Dmitrievich – Committee member.

Georgy Georgy Petrov was approved as the Financial Expert of the Audit Committee of the Board of Directors.

During the period from January until June 2019 the composition of the Audit Committee was as follows:

1. Georgy Georgy Petrov – Committee Chairman;
2. Kotskiy Aleksandr Nikolaevich – Committee member;
3. Orischin Alexander Dmitrievich – Committee member.

Audit Committee of the Board of Directors of Mechel PAO had 10 (ten) meetings in 2019 (3 physical meetings and 9 conference calls). Questions within the competence of the Committee were discussed. Detailed information in respect of the questions considered is contained in the annual report of the Audit Committee (section 12 hereof).

Below you can see the information related to the participation of BD members in the work of the Audit Committee:

Members of the Audit Committee of the Board of Directors	Independent director	Participation in the meetings
Georgy G. Petrov - Chairman of the Audit Committee	+	10/10
Alexander N. Kotsky	+	9/10
Alexander D. Orischin	+	10/10

The number of meetings in which Audit Committee members could participate coincides with the number of the meetings in which Audit Committee members participated. That means that independent directors actively participated in the work of the Audit Committee.

Nominations and Compensation Committee

The activities of the Nominations and Compensation Committee of the Board of Directors of the Company are regulated by Provisions on the work of the Nominations and Compensation Committee of Mechel PAO (approved by resolution of the Board of Directors of Mechel PAO, MoM w/o number dd. May 19th 2016).

The purpose of the Committee is to consider and discuss the questions related to the creation of effective and transparent remuneration practices and preparation of recommendations in respect of decision making as per hiring and training the highly qualified specialists to be elected to the Board of Directors, collegial executive body (the Board) and to be appointed to the positions of the Chief Executive Officer, top management positions, heads of the Company's subsidiaries and associates as well as for assessment of their activities and the framework and amounts of their remuneration and recommendations as per the main principles of the HR policy and remuneration policy.

In view of the targets set, the following tasks are to be fulfilled by the Committee:

- ensure creation by the Company of an effective and transparent remuneration practice for members of the Board of Directors, members of the collegial executive body of the Company, its sole executive body and key management staff (top management and heads of the subsidiaries and associates of the Company);

- ensure succession and high professional and management level in case of change of members of the Board of Directors, members of the collegial executive body (the Board), Chief Executive Officer, top management, heads of subsidiaries and associates;

- ensure creation of the remuneration system for payment of remuneration to members of the Board of Directors, members of the collegial executive body (the Board), Chief Executive Officer, top management, heads of subsidiaries and associates of the Company with the consideration of the shareholders' interests, ensure the system is agreed with the Company's general policy of labour payment and with the remuneration level of other employees as well as to ensure its competitiveness and compliance with the existing law.

Committee members have experience and skills in the field of making decisions related to the creation of effective and transparent remuneration practices and preparation of recommendations in respect of decision making as per hiring and training the highly qualified specialists. They are competent in the questions related to HR policy, remuneration policy capable of stimulating efficient operation as well as related to social policy associated with assessment of the effectiveness of social programs and the compliance of the external and internal social policy to the strategical priorities of the Company.

The composition of the Nominations and Compensation Committee of the Board of Directors of Mechel PAO did not change in 2019.

The composition of the Nominations and Compensation Committee of the Board of Directors of Mechel PAO was approved on June 29th 2018 by resolution of the Board of Directors of Mechel PAO (MoM dd. June 29th 2018) as follows:

1. Orischin Alexander Dmitrievich – Chairman of the Committee;
2. Georgy Georgievich Petrov – Committee member;
3. Malyshev Yuri Nikolayevich – Committee member.

The Nominations and Compensation Committee of the Board of Directors of Mechel PAO had 12 (twelve) meetings in 2019 (2 physical meetings and 10 absentee meetings).

The following are the most significant questions that were discussed by Committee:

- Questions related to the status of implementation of Industrial agreements and to the Company's interactions with employers' associations and trade unions;

- Results of using the pay roll fund of the Company in 2018;

- The main payroll fund generation principles in 2019 for each production segment and for the Company in general;

- Plans for the payroll fund of the Company in 2019;

- Candidates for top management positions in the Company structures were considered and agreed;

- Implementation of remuneration scheme standardization projects of the Group was reviewed;

- Implementation of projects aimed at increase of the Group personnel management efficiency was reviewed;

- Implementation of the Group structures standardization was reviewed;

- generation of the Group corporate candidates pool was reviewed;

- work and cooperation in terms of issues associated with the Board of Directors Committees, sub-committees, subdivisions and leading Company specialists.

Investments and Strategic Planning Committee

The activities of the Investments and Strategic Planning Committee are regulated by Bylaw on the Investments and Strategic Planning Committee of the Board of Directors of the Company (approved by resolution of the Board of Directors of the Company, MoM w/o number dd. August 6th 2007).

The purpose of the Investments and Strategic Planning Committee is a preliminary qualified discussion and preparation of questions related to the strategic planning of the main areas of the Company's activities as well as to building up an investment policy that would be able to ensure fulfillment of the targets set and to submit such questions to the Board of Directors of the Company for consideration.

In view of the targets set the following tasks are to be fulfilled by the Committee:

- perform preliminary assessment and preparation, as the case may be, of the opinion in respect of the drafts of long-term programs of the main production segments technical and production development designed by executive bodies and subject for consideration by the Company Board of Directors;

- work out proposals in respect of the strategy for the development of the Mining, Steel and Power production segments and their production infrastructure and submit such proposals to the Board of Directors of the Company for consideration;

- analyze investment opportunities of the Company and work out proposals in respect of creation of a long-term balanced program of capital investments for the priority areas of the Company's activities;

- arrange within its competence the interactions between the Board of Directors and Management bodies of the Company;

- monitoring and control over the execution of the decisions of the Board of Directors in respect of the questions within its competence.

Committee members have experience and knowledge in the field of management of financial and operational activities, analysis of investment opportunities, investment activities management and creation of long-term programs of capital investments, working out respective investment policy for the purpose of implementation of the Company development strategy.

The composition of the Investments and Strategic Planning Committee did not change in 2019.

The composition of the Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO was approved on June 29th 2018 by resolution of the Board of Directors of Mechel PAO (MoM dd. June 29th 2018) as follows:

1. Malyshev Yuri Nikolayevich – Chairman of the Committee;
2. Orischin Alexander Dmitrievich – Committee member;
3. Kotskiy Aleksandr Nikolaevich – Committee member;
4. Khachaturov Tigran Garikovich – Committee member;
5. Korzhov Oleg Viktorovich – Committee member.

The Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO consists of the **following approved subcommittees**:

- Subcommittee for Steel Segment Strategy:

1. Orischin Alexander Dmitrievich – Head of the Subcommittee;
2. Korzhov Oleg Viktorovich – Subcommittee member;

- Subcommittee for Mining Segment Strategy:

1. Malyshev Yuri Nikolayevich – Head of the Subcommittee;
2. Kotskiy Aleksandr Nikolaevich – Subcommittee member.

The Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO had 3 (three) meetings in 2019 (two meetings in praesentia and one meeting in absentia).

The following are the most significant questions that were discussed by Committee:

- Preliminary results of the Company's financial and operational activities in 2018;
- 2018 Investment Program completion status;
- Results of the activities of the production Segments and the Company in 2018, programs of the Segments production and financial development in 2019, analysis of 2018 Investment program fulfillment and plans for 2019;
- Report on the status of implementation of Elga Coal Complex development project;
- Report on the status of implementation of the Universal Structural Mill project at CMP and on the results achieved;
- Report on the status of implementation of the project "Technical re-equipment of Port Posiet" and on the results achieved;
- Report on the achieved performance indicators under the project "Stranded wire rope industry engineering";
- Report on "SPK modernization" completion status;
- Questions to be included into the 2019-2020 Plan of Work for the Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO.

The following are the results of the consideration of the above mentioned questions:

- It was recommended to submit the reports on the results of the Segments work in 2018, the programs of the production and financial development of the Segments for 2019, analysis of 2018 Investment program implementation and plans for 2019 to the Board of Directors for consideration;
- Results of the investment activities of the Company for HY 1 of 2019 and forecasted capital expenses for HY 2 2019 were discussed and approved;
- Reports on strategical investment projects (implementation status and the results achieved) were discussed and approved;
- The 2019-2020 Plan of Work for the Investments and Strategic Planning Committee of the Board of Directors of Mechel PAO was approved.
- Forecasts for the Company financial and operational activities for 2019, status and analysis of the Investment Programs implementation were presented and approved for being submitted to the Board of Directors for consideration;
- Priority areas of activities for 2020 were defined and approved for Mechel PAO;

The Committee and Expert sub-committees focused on the most important investment projects during the accounting period, including CMP PAO Converter No 1 modernization, BFP OOO electric ore smelting furnace No 3 reconstruction. The following was implemented within the investment activities:

- ✓ In April 2019 the Investment Committee (hereinafter - IC) of Mechel PAO considered and recommended for implementation an investment project of a metalware segment "Introduction of the best affordable technologies aimed at increase of efficiency of steel and wire rope manufacturing at Beloretsk Metallurgical Plant" increasing the output of profitable high-carbon products. In May 2019 a target loan contract was concluded with the Industry Development Fund in order to implement this investment project;
- ✓ In July 2019 a Finding of conformity of completed facilities of the first stage of technical re-equipment launch complex of Posiet Port with the project documentation and technical regulations was obtained;
- ✓ In August 2019 a long wall 0-17-18 of the Mine named after V. I. Lenin of Southern Kuzbass PAO was brought into operation;
- ✓ In September 2019, the Mechel PAO (IC) reviewed and submitted for further development the Mine named after V.I. Lenin with involvement of sections "Granichny", "Field of the Olzherassky Mine". The final revision of this project considering the implemented recommendations was repeatedly reviewed by PAO Mechel's IC, preliminarily approved and recommended for consideration by the Mechel's Board of Directors in January 2020; the investment project of the mining segment "Final extraction of coal reserves"
- ✓ In October 2019 a long wall 3-1-11 of Southern Kuzbass Sibirginsky Mine was brought into operation;
- ✓ In December 2019 after a thorough overhaul of the first category a blast-furnace No 4 of CMP
- ✓ In December 2019 a Finding of conformity of completed facilities of the second stage of technical re-equipment first launch complex of Posiet Port with the project documentation and technical regulations was obtained.

The Committee and its Sub-committees are working in close cooperation with the interested subdivisions, leading specialists and certain Group enterprises.

2.3. Chief Executive Officer and Management Board

The system of executive bodies of the Company includes the Management Board - collegial executive body and CEO - sole executive body of the Company that manage current activities of the Company and report to the General Shareholders' Meeting and the Company Board of Directors.

Procedure of appointment and formation of executive bodies of the Company, principles and procedure of their activities are established in the Regulation on the Collegial Executive Body (Management Board) (approved by Annual General Shareholders' Meeting of the company, MoM No.1 dd. June 9th 2011) and the Regulation on the Sole Executive Body (CEO) (approved by Annual General Shareholders' Meeting of the company, MoM No.1 dd. June 9th 2011).

Sole executive body of the Company

The Company's Chief Executive Officer is a permanent Sole Executive Management Body responsible primarily for day-to-day operations to ensure the Company's profitability as well as protect the Company's shareholders' rights and lawful interests. The Chief Executive Officer acts within the scope of its authority and reports to the Company's Board of Directors and General Shareholders' Meeting.

Chief Executive Officer shall be appointed by Board of Directors for the period of 1 (one) year.

Korzhov Oleg Viktorovich was appointed Chief Executive Officer of Mechel PAO based on resolution of the Board of Directors dd. December 14th 2018 (Mom dd. December 17th 2018). He assumed office on January 1st 2019.

Information on the Chief Executive Officer of the Company:

<p>Korzhov Oleg Viktorovich (BoD member, Chairman of the Board of Mechel PAO)</p>	<p>Year of birth: 1970.</p> <p>Education: Higher professional education. - Urals Technical University named after Kirov (specialty: Economics and Management in Steel Industry); - The Russian Presidential Academy of National Economy and Public Administration (specialty: Management). PhD in Economics.</p> <p>Primary employment: Chief Executive Officer of Mechel PAO.</p> <p>Stake in equity of the Company: 0.0018 %.</p> <p>Owned stock of common shares of the Company: 0.0024 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: BoD member of Mechel Mining JSC.</p>
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Collegial executive body of the Company

The Company's Management Board is in charge of day-to-day management of Mechel PAO operations defining ways of executing the Company's strategy, supervising compliance with investment projects, generating proposals for incentives for the Company's staff and addressing (on a preliminary basis) matters reserved for the decision by the Company's Board of Directors.

The composition of the Board was elected on January 19th 2018 by resolution of the Board of Directors of Mechel PAO (MoM w/o number dd. January 19th 2018) and remained unchanged as of December 31st 2018.

Composition of the Management Board of the Company as of December 31st 2010:

<p>Korzhov Oleg Viktorovich (Chairman of the Board)</p>	<p>Year of birth: 1970.</p> <p>Education: Higher professional education. - Urals Technical University named after Kirov (specialty: Economics and Management in Steel Industry);</p>
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	<p>- The Russian Presidential Academy of National Economy and Public Administration (specialty: Management). PhD in Economics.</p> <p>Primary employment: Chief Executive Officer of Mechel PAO.</p> <p>Stake in equity of the Company: 0.0018 %.</p> <p>Owned stock of common shares of the Company: 0.0024 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: BoD member of Mechel Mining JSC.</p>
<p>Galeeva Nelli Rafailovna (Board member)</p>	<p>Year of birth: 1973.</p> <p>Education: higher professional education. - Kuzbass State Technical University, specialty - "Accounting and audit"; - Kemerovo State University, specialty - "Banking and Finance".</p> <p>Primary employment: Chief Financial Officer of Mechel PAO.</p> <p>Stake in equity of the Company: 0%</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: BoD member of Mechel Mining AO</p>
<p>Natalia Olegovna Trubkina (Board member)</p>	<p>Year of birth: 1964.</p> <p>Education: higher professional education. - Novopolotsk Polytechnic Institute, specialty - "Heat and gas supply and ventilation"; - Lomonosov Moscow State University, a diploma of additional education in program "Personnel management psychology"</p> <p>Primary employment: HR Director of Mechel PAO</p> <p>Stake in equity of the Company: 0%</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: no.</p>
<p>Ipeeva Irina Nikolaevna (Board member)</p>	<p>Year of birth: 1963.</p> <p>Education: higher professional education. - A degree in law from the Kuibyshev State University.</p> <p>Primary employment: Director of Legal Department of Mechel</p>

	<p>PAO.</p> <p>Stake in equity of the Company: 0,00018 %.</p> <p>Owned stock of common shares of the Company: 0,00024 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: BoD member of Elga Coal OOO BoD member of Mechel Mining JSC.</p>
<p>Sheverdin Valery Anatolievich (Board member)</p>	<p>Year of birth: 1963.</p> <p>Education: higher professional education. - Moscow Border Institute of the Federal Security Service of the Russian Federation, a degree in law; - the Kolomna Higher Artillery Command College of the October Revolution.</p> <p>Primary employment: Vice President for Corporate Security of Mechel PAO.</p> <p>Stake in equity of the Company: 0%</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: no.</p>
<p>Darbinyan Minas Arsenovich (Board member)</p>	<p>Year of birth: 1983.</p> <p>Education: higher professional education. - the Academy of National Economy under the Government of the Russian Federation on a specialty "Management"; - the State Academic University for Humanities, specialty - "Economic theory".</p> <p>Primary employment: Deputy Chief Executive Officer for Financial Control of Mechel PAO.</p> <p>Stake in equity of the Company: 0%</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: BoD member of Chelyabinsk Metallurgical Plant PAO, BoD member of JSC Vanino Commercial Sea Port</p>
<p>Trigubko Victor Alexandrovich (Board member)</p>	<p>Year of birth: 1956.</p> <p>Education: Higher professional education - Kalinin (now - Tver) State University, specialty - "Labor economics".</p> <p>Primary employment: Senior Vice President for Government</p>

	<p>Relations, Board member of Mechel PAO</p> <p>Stake in equity of the Company: 0,00036 %.</p> <p>Owned stock of common shares of the Company: 0,00048 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p> <p>Participation in management bodies of other companies: no.</p>
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Information on the Corporate Secretary

Regulation on the Department of Corporate Relations and Property was approved by resolution of the Board of Directors of the Company on September 23rd 2016 (MoM No. w/o number dd. September 26th 2016).

In accordance with the above mentioned Regulation the Department is a structural subdivision of the Company that serves as a Corporate Secretary to perform the following functions:

- Participate in the improvement of the issuer's corporate governance system and practices;
- Participate in the organization and preparation of the general meetings of issuer's shareholders;
- Ensure the work of the Board of Directors and of the Committees of the Board of Directors;
- Participate in the implementation of the issuer's policy related to information disclosure as well as ensure the storage of issuer's corporate documentation;
- Ensure interactions between the issuer and its shareholders;
- Participate in the work related to the prevention of corporate conflicts;
- Ensure implementation by issuer of the procedures prescribed by legislation and by issuer's local regulatory bylaws related to the provision of the statutory rights and interests of shareholders and control over the execution of such procedures;
- Ensure interactions of the issuer with regulatory authorities, traders, registrar, other professional securities traders within the powers of the Corporate Secretary;
- immediate informing of the Board of Directors of all the revealed violations of legislation as well of the provisions of the internal documents of the Company compliance with which is in the domain of the responsibilities of the Corporate Secretary of the Company.

The resolution to appoint Yakunina Olga Anatolievna the Director of Department of Corporate Relations and Property of Mechel PAO was approved by Board of Directors on September 28th 2016 (MoM w/o number dd. September 30th). In 2018, Olga Yakunina continued to perform her duties prescribed by this position. The Director of the Department of Corporate Relations and Property shall report to and is functionally subordinated on the Board of Directors and administratively subordinated to the Chief Executive Officer, which provides a due level of independency.

Information on Yakunina Olga Anatolievna:

<p>Yakunina Olga Anatolievna: (Director of Department of Corporate Relations and Property that is a structural subdivision acting as a corporate secretary)</p>	<p>Year of birth: 1977.</p> <p>Education: Higher professional education - Kuzbass State Technical University (KuzSTU), Kemerovo, specialty "Accounting and Audit"; - The Russian Academy for Foreign Trade (RFTA), Moscow, specialty "Law"</p> <p>Primary employment: Director of Department of Corporate Relations and Property of Mechel PAO.</p> <p>Stake in equity of the Company: 0 %.</p> <p>Owned stock of common shares of the Company: 0 %.</p> <p>Information on transactions related to the acquisition or alienation of shares in the accounting period: no such transactions were performed.</p>
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3. COMPANY INFORMATION AND POSITION IN THE INDUSTRY

The main type of the Company business is the provision of consultancy services to the business entities in the equity capital of which the Company participates directly or through third parties. Nevertheless, the situation in the main businesses of such entities (mining and steel businesses) has a direct impact upon the results of the business of the Company.

Besides, the economic situation in Russia and throughout the world has a great influence on the Company's activities.

The period of 2014-2016 can be characterized as a period of economic stagnation in the European countries and slowdown in economic growth in the Asian countries. 2014 is characterized with a rapid decrease in oil prices and the imposition of international sanctions resulting in ruble depreciation. Economic crisis broke out in Russia in 2014.

In 2015, Russian GDP decreased by 2.3 % due to the negative external economic environment affecting petroleum feedstock. From the economic viewpoint 2016 can be characterized as a smooth year without any significant negative trends and achievements. The GDP dynamics in 2016 was positive, it grew by 0.3%. The ruble exchange rate started to strengthen in the global market by end of 2016. There were no rapid ruble exchange rate fluctuations in 2017. Ruble exchange rate strengthening and inflation decrease contributed to GDP growth in 2018 by 2,5%. GDP growth in the first quarter of 2019 was 0.4%, in the second 1.1%, in the third 1.5%, in the fourth 2.1%, respectively. The general GDP growth in 2019 was 1.3%.

Dynamics of the Industrial Production Index in 2015-2017 was consistent with the general economic trends in this period. So, in 2015 Industrial Production Index fell by 0.8% due to a decreasing real income of the population and a shrinking consumer demand. In 2016 and 2017 due to the implementation of the import substitution program, preparation of facilities to FIFA World Cup and decreasing rate of the Central Bank (in 2017), the IPI grew by 2.2% in 2016 and by 2.1% in 2017. In 2018, it grew by 2.9%. In 2019, Industrial Production Index grew by 2.3%.

Due to the economic crisis of 2014, there was a decrease of finished rolled steel consumption in 2015-2016. Total decrease of finished rolled steel consumption amounted to 1.55% in 2015 vs 2014 and to 4.9% in 2016 vs 2015, accordingly. This trend changed in 2017 when steel products apparent consumption grew by 6.41%. 2018 demonstrated a significant slowdown in the steel products consumption growth in RF; it grew only by 0.6%. The main reason for the significant growth in rolled metal consumption in 2019 was the growth of demand from the construction sector (developers sought to bring projects to the required preparedness level by July 1 to continue their financing under the old scheme, which is why in the first half of the year, demand for rolled products increased sharply).

Despite the adverse economic conditions of recent years, the Russian steel industry retains a high level of competitiveness due to the relatively low costs of production, improved technology, efficient management of products production and sales.

Development of the market situation in the future will depend on the balance of supply and demand in the industry, which depends on demand from metallurgical companies, as well as the implementation of strategic plans of the world's biggest manufacturers.

The tendencies in the market of mining and sales of iron ore, nickel and other products of the mining industry coincide with those of the steel market.

In 2019, all enterprises of the Mechel mining segment sold 7.16 million tons of coking coal concentrate, 2.15 million tons of coal for steel industry (anthracites and coal for PCI), 5.18 million tons of steam coal, 2.56 million tons of iron ore concentrate and 2.53 million tons of coke. According to Central Dispatching Department of the Fuel and Energy Complex, the Company's share in the production of coking coal in the Russian Federation was 12.5%.

The steam coal market is regulated by such main factors as consumption by power generating companies, the ratio of demand and supply of coal, changes in tariffs, and seasonality. According to Metal Expert in 2019, the volume of steam coal production in the Russian Federation decreased by 1.6% compared to the previous year, and at the end of the year amounted to 321.6 million tons.

In 2019, the total production of all enterprises of the Mechel steel segment amounted to 3.33 million tons of pig iron and 3.61 million tons of steel. 2.96 million tons of rolled products, 564 thousand tons of hardware products, and 67 thousand tons of ferrosilicon were sold.

According to the Metal-Courier News Agency Mechel's share in the production of rolled products in the Russian Federation in 2019 amounted to 4.5%. In 2019, the Group's consolidated revenue amounted to RUB 296.6 billion, net profit attributable to Mechel shareholders amounted to RUB 2.4 billion, and consolidated adjusted EBITDA amounted to RUB 53.4 billion (according to IFRS).

The Group operations are represented by the following three Segments:

- **Steel Segment:** it includes production and sales of steel semi-finished goods, rolled products from carbon steel and specialty steels, steel products of various shaped profiles, including stamping and forging, steel ware, rails and ferrosilicon.

- **Mining Segment:** it includes mining and sales of coal (coking coal and steam coal) and by-product, coke and chemical by-products and chemicals, iron ore, provision of the Steel and Power Segments with raw materials as well as selling big volumes of raw materials to third parties.

- **Power Segment:** it includes generating and sales of electric and thermal power, provision of the Steel and Mining Segments with electric and thermal power as well as partial sales of electric and thermal power to third parties. The above mentioned Segments embrace multiple subsidiaries, at that each Segment has its own management and offers various products and services.

4. PRIORITY BUSINESSES

In accordance with the Charter of Mechel PAO, the main purpose of the Company's activities is making profit as well as satisfying the demand of legal and physical persons for products (works, services) produced (rendered, provided) by Company to full extend and with due quality.

The following are the activities that the Company may perform:

- investments in securities;
- coal extraction and processing operational management;
- steel production operational management;
- retail and wholesale trade operational management related to sales of steel, coal and other types of products;
- procurement and sales;
- organization of the process of products manufacturing and sales, of retail and wholesale trade;
- operational management of supply of materials and machinery and of sales;
- advising on marketing management, market researching;
- advising on companies financial management, design of accounting systems, production cost accounting programs, budget control and management procedures, etc.

The priority areas of the Company activities are as follows:

- rendering information and advisory services;
- investments in securities;
- advising on marketing management, market researching;
- advising on companies financial management, design of accounting systems, production cost accounting programs, budget control and management procedures;
- advising on human resources management;
- advising on efficiency and control planning, organization and assurance;
- advising on accounting and taxation, business operations and company management;
- granting trademark rights under license agreements.

Increasing the equity value of the business is the main criterion for selection of business of priority.

Important tasks to be faced by Company. Strategic purposes of the Company.

Our purpose is to become a leading producer of metal coals and steel products through using the potential of vertical integration and ensuring the maximum possible synergy between our production assets that are at the base of the business model. Our strategy is aimed at generating the maximum benefit from our mining and steel assets. We plan to focus upon the improvement of the effectiveness and upgrading of the segments of our business that we expect to improve the overall profitability of our business.

While focusing upon the improvement of the effectiveness of the main segments of our business we may also consider a possibility of alienation of some of our assets in order to minimize costs as well as to let financial or strategic investors participate in our core assets in order to reduce the debt load and to contribute to the development of our business

5. REPORT OF THE BOARD OF DIRECTORS ON THE RESULTS OF THE COMPANY DEVELOPMENT BY PRIORITY BUSINESSES OF THE COMPANY

Mining, steel, power, logistics and sales enterprises of Mechel are operating as a single production chain and form a single vertically integrated production complex having multiple cooperation ties. Some part of the products is sold in the market; another part serves as raw materials for the production of high added value products.

Plans for the Company development are considered and approved by Board of Directors of the Company on an annual basis.

The consolidated adjusted EBITDA of the Group in 2019 decreased by 29% vs 2018. The greatest impact on its dynamics had the decrease in EBITDA of the steel segment as a result of reduction in production and sales of steel products against the background of a large-scale program of equipment reconstruction at the Chelyabinsk Metallurgical Plant. It should be noted that the ongoing measures to upgrade capacities at our enterprises in the near future will undoubtedly have a positive impact on both production volumes and its profitability. Thus, the capacity of updated blast furnace and Converter, which were put into operation march 2019, will grow by 15% after technical re-equipment. In addition, the environmental measures implemented during the repairs will minimize the load of this equipment on the environment. Further work in this direction, which continues in 2020, will allow us expand the range of products, improve their quality, and improve environmental performance.

Financial result of the mining segment was primarily influenced by negative dynamics on the coal market of metal industry. The indications were also affected by a reduction in coal production in the first half of last year against the background of overstocking of warehouses at the end of 2018. At the same time, in 2019, we implemented a targeted program for updating and restoring mining transport equipment and by the end of the year; we were able to reach high production volumes. The fourth-quarter index is the strongest since 2016. By maintaining the achieved levels and continuing to gradually improve them, the division will be able to show good results even in the current unstable market situation.

The money flow generated by the company allows us meet debt service obligations and make partial repayment of loans. However, it will not be sufficient to meet the repayment schedule stipulated in the current loan agreements. We continue negotiations with our major

creditors regarding changes to the payback period and hope to sign appropriate restructuring agreements with banks within the next few months.

In 2019 the Group's consolidated revenue was RUB 296.6 billion, net profit attributable to Mechel shareholders was RUB 2.4 billion, and consolidated adjusted EBITDA was RUB 53.4 billion (according to IFRS). The decrease in revenue and net profit in 2019 is primarily due to a decrease in sales prices.

In 2018 the Group's consolidated revenue was RUB 312.6 billion, net profit attributable to Mechel shareholders was RUB 12.6 billion, and consolidated adjusted EBITDA was RUB 75.7 billion (according to IFRS). The growth of revenue and net profit in 2018 is primarily due to an increase in sales prices.

In 2017 the Group's consolidated revenue was RUB 299.1 billion, net profit attributable to Mechel shareholders was RUB 11.6 billion, and consolidated adjusted EBITDA was RUB 81.1 billion (according to IFRS). The growth of revenue, net profit and adjusted EBITDA in 2017 is primarily due to an increase in sales prices.

As of December 31st 2019, the Group's total liabilities exceeded its total assets by RUB 233.6 billion.

As of December 31st 2018, the Group's total liabilities exceeded its total assets by RUB 233.2 billion.

As of December 31st 2017, the Group's total liabilities exceeded its total assets by RUB 244,1 billion.

As of December 31st 2019, the Group's net debt, excluding fines and penalties for overdue debt, amounted to RUB 448.7 billion.

As of December 31st 2018, the Group's net debt, excluding fines and penalties for overdue debt, amounted to RUB 467.7 billion.

As of December 31st 2017, the Group's net debt, excluding fines and penalties for overdue debt, amounted to RUB 466.9 billion.

In 2019, the Group's facilities implemented a series of major ecological initiatives. Mechel Group, Russia's Nature Ministry, Federal Supervisory Natural Resources Management Service (Rosprirodnadzor), and Chelyabinsk Region's government signed a quadrilateral agreement on environmental cooperation. As part of this agreement, the Group is implementing an ecological program at its Chelyabinsk production site, investing some 10 billion rubles before 2024, which would cut waste emissions by 14,200 tonnes a year. In 2019, Chelyabinsk Metallurgical Plant launched an extensive revamping of its blast-furnace #4 and converter #1, which minimized their impact on the environment. Mechel-Coke completed large-scale reconstruction of its by-product recovery plant. The new by-product cleansing equipment enabled the plant to cut down emissions by 132 tonnes a year. The plant also modernized its coke-pitch facility #4 and began upgrading its coke battery #8.

Bratsk Ferroalloy Plant signed a similar quadrilateral ecology cooperation agreement with Russia's Natural Resources and Ecology Ministry, Federal Supervisory Natural Resources Management Service and Irkutsk Region's natural resources and ecology ministry. As part of the agreement, in 2019-2021 the plant is implementing environment protection measures to bring down emissions. The plant assumed obligations to upgrade the gas offtake system on three of its ore thermal furnace, which will bring down waste emissions by 50 tonnes a year.

Urals Stampings Plant began constructing a new water treatment complex for its industrial and rain discharge, which will ensure maximum cleansing for the disposed water.

Moscow Coke and Gas Plant revamped the aerotank of its biochemical facility which neutralizes coke chemistry residuals in water using bacteria, as well as stopped discharging rainwater into the city sewers by creating a closed cycle of water usage in the plant's technical process.

The Group's mining facilities implemented compensatory fish stocking of the nearby rivers (Korshunov Mining Plant, Southern Kuzbass Coal Company) as well as rehabilitation of disturbed land (Southern Kuzbass Coal Company, Yakutugol Holding Company).

Beloretsk Metallurgical Plant launched a new cooling tower and a closed recovery water cooling system for the wire-drawing equipment in the cold rolls workshop. This enabled the plant to reduce water consumption and industrial water discharge volumes. The plant also launched modernization of the wire-rope production facility, which will enable the plant to minimize its impact on the environment by mechanical descaling without use of acid.

6. INFORMATION ON THE POWER RESOURCES VOLUMES CONSUMED BY COMPANY IN THE ACCOUNTING YEAR

Type of power resource	Consumption volume in kind	Unit of measurement	Consumption volume, thous. RUB
Thermal power	415	Gcal	- *
Electric power	838,718	kWh	- *
Petrol fuel for transportation vehicles	33 133,25	l	- **

* Mechel PAO performs its operations in leased premises. According to the terms and conditions of the agreement, all costs related to the maintenance of the premises and payment for the consumed power resources (thermal power, electric power) shall be borne by Lessor.

** Transportation vehicles are not registered at the balance of the Company. Transportation services are performed based on transportation vehicles leasing agreements. According to the terms and conditions of the agreement, all costs related to transportation vehicles maintenance shall be borne by Lessor.

No other types of power resources except for those reflected in the table were consumed.

7. COMPANY DEVELOPMENT OUTLOOK

Our strategy is aimed at generating the maximum benefit from our mining and steel assets. We plan to focus upon the improvement of the effectiveness and upgrading of the segments of our business that we expect to improve the overall profitability of our business.

In the Mining Segment, the Company will continue the development of the existing coal reserves, in particular, in order to sell higher volumes to third parties. Coking coal and iron ore production is a steady basis for Steel Segment. It is possible to use steam coal for power generation activities, which will make it possible for the Company to sell products with high added value, such as electric and thermal power, to the market, and to improve the level of self-sufficiency of the Mining and Steel Segments in energy. Nevertheless, in spite of having its internal reserves for power supply the Company intends to continue following its long-continued practice of buying raw materials from external suppliers and selling its products, including raw materials, to internal and external consumers in order to have additional opportunities for the Group to generate profit.

In Steel Segment, the Company is planning to focus on the railway, engineering and construction markets. Commissioning of the universal structural mill at Chelyabinsk Metallurgical Plant made it possible to enrich the assortment of high added value products, such as structural steel and rails, as well as to significantly improve the plant's level of competitiveness making it a supplier of a wide range of products for the railway and construction industries and an important supplier of RZD JSC. In 2015 and 2018, we successfully certified rail products in accordance with the technical rules of the Customs Union, which led to issuance of five certificates of conformity. Certificates allow free circulation of rail products when imported to the territory of the Customs Union. The increase in sales of universal rolling mill products will occur as new types of products are developed and certified and will allow us implement an import substitution strategy. We intend to increase productivity of our Group and improve the quality of high-value-added steel products in order to restore our leading position in special, stainless steels, and hardware in Russia.

The Company's sales network provides a solid foundation for further sales development. In the current economic situation, the Company is able to respond quickly to changes in market conditions and redirect product deliveries not only in Russia, but abroad, which allows for additional profit.

Another strategic priority is to develop our logistics capabilities. We own our fleet of rail cars, which ensures a balance between transport safety and cost efficiency. Development of cargo handling capacity of port Posiet is the basis for continuous supply of our coal products to the Asia-Pacific region. The growth of export-oriented coal production in our mining segment shall require further expansion of port facilities on our main export routes, as well as expansion of our own fleet of railway cars.

While focusing on improving efficiency of our core businesses, we may also consider selectively disposing of assets in order to reduce our debt load and contribute to business development. In April 2020, the Group sold its 51% shares in Elgaugol LLC, Elga-Doroga LLC and Mechel Trans Vostok LLC to A-property LLC.

8. REPORT ON THE ANNOUNCED (ACCRUED) DIVIDENDS PAID ON THE COMPANY'S SHARES

The Company's dividend policy is determined by "Regulations on Dividend Policy" approved by resolution of the Board of Directors on January 19th 2016 (Minutes No. w/o dated January 20th 2016).

The Company's dividend policy is developed to ensure the most transparent and clear mechanism of determining the amount of dividends and their payment for shareholders and all interested parties, as well as to determine the strategy of the Company Board of Directors when preparing recommendations on the amount of dividends on shares, their payment conditions and procedure and on the date of defining a list of persons entitled for dividends.

The main principles of the Company dividend policy are as follows:

- observance of the effective laws of the Russian Federation, Charter and internal documents of the Company;
- striving for the highest standards of corporate governance;
- improvement of the investment potential of the Company;
- ensuring positive dynamics in dividends amount provided that the net profit of the Company increases;
- striving to ensure the most convenient way for shareholders to receive dividends;
- ensuring the highest transparency of the mechanism for dividend amount setting.

It was resolved by Annual General Shareholders' Meeting dd. June 28th 2019 based on the results of 2018 financial year to pay dividends by privileged registered uncertified shares of the Company in the amount of 18 rubles 21 kopecks per share (MOM No. 1 dd. June 28th 2019).

July 18th 2019 was stated as the date of defining the list of persons entitled for receive dividends by privileged registered uncertified shares.

Dividend payment was effected by a bank transfer. The amount of 2,526,763,422 rubles 15 kopecks was spent for payment of dividends by placed privileged shares.

As of December 31st 2019 the dividends paid based on results of 2018 financial year amounted to 2,525,253 thousand rubles.

Payment of dividends for the previous accounting periods amounted to 375 thousand rubles due to the shareholders' request.

The indebtedness by dividends owed to the shareholders as of the end of the accounting period is 2,496 thousand rubles.

The indebtedness by dividends owed to the shareholders is related to the absence of the exact address details or bank details necessary to effect dividends payment. The indebtedness is going to be repaid as soon as respective requests for payment of uncalled dividends are received from shareholders (as per clause 9 of article 42 of the Federal Law No. 208-FZ "On Joint Stock Companies" dd. December 26th 1995).

DESCRIPTION OF MAJOR RISK FACTORS RELATED TO THE COMPANY ACTIVITY

Country and region risks

The Company has its business in the territory of the Russian Federation, and in a number of foreign countries, it is subjected to all risks related to political and economic situation in these countries. Geographical peculiarities of the regions where the Company has its business have no significant impact on its business. Risks related to disaster hazards and possibility of transport connection termination are minor.

Financial risks

The Company is prone to financial risks, including risks related to changes in interest rates, exchange rates, foreign currency rates, inflation and liquidity risks. To mitigate the above mentioned risks the Company is currently and as the case may be using its internal risk management related tools and reserves helping the Company to comply with its liabilities and obligations as well as is considering possibilities of applying hedging transactions in financial markets. The key target of financial risks management is to minimize the adverse effect of the below mentioned risks when meeting the strategic targets of the Company.

Interest rate risk

The Company is prone to interest rate risk. The Company's debt portfolio consists of borrowed funds, credits and bonded loans. Some certain part of its liabilities is based on a floating rate depending on the Key rate of the Bank of Russia, and an increase in the latter will result in increasing interest payment amounts for the Company. The growing debt portfolio servicing related costs may have an adverse effect upon the Company's ability to pay its debts as well as upon the final results of the Company's operational activities.

The same way an increase in a floating interest rate may produce an adverse effect upon the Group's debt load because a significant share of the Group's debt portfolio is also based on a floating interest rate, including floating rates depending on the Key rate of the Bank of Russia. An increase in the overall level of interest rates may result in the Group enterprises' debt servicing becoming more expensive, which will produce an adverse effect upon their operational activities and upon their ability to pay dividends.

Exchange rate risk

Exchange rate risk is related to a growth in the cost of foreign currency towards ruble and does not produce any material adverse effect upon the Company's financial state because the Company does not have any significant financial liabilities in foreign currency. Changes in the exchange rate of a foreign currency against the ruble may also affect the Company's balance sheet position.

Changes in the exchange rate of foreign currencies do not affect the Company's obligations under issued securities (bonds), since these obligations are denominated in the currency of the Russian Federation. The Group's entities receive a portion of their revenue in foreign currency and a portion of the Group's liabilities (including those on contracted loans) are also denominated in foreign currency. So, there is a probability of profit deficiency in case if ruble exchange rate grows versus the currencies of export contracts, and in case if ruble exchange rate decreases the debt load by credits denominated in foreign currency will increase.

Inflation risk

The Company faces the inflation risk that may produce an adverse effect upon its operational results. Prices increase may result in a growth in costs in rubles, including expenses

for fuel, sources of power, and cost of the general prices growth in the Russian market and therefore become a reason for a decrease in profitability indicators thus producing an adverse effect upon the financial results of the Company's activities. At the same time, recent decisions of the Bank of Russia are aimed at reducing this risk and controlling the level of inflation.

Liquidity risk

Liquidity risk is related to the Company's cash flow and appears in case if the Company fails to fulfill its financial liabilities within the time limits set. Liquidity risk is often related to interest rate, exchange rate and inflation risks. Liquidity risk may be faced by Group enterprises in case of a decrease in prices or demand for its products, which may result in a lack of cash for the debt servicing.

All the above mentioned financial risks are the risks that may produce the most significant influence on revenues from sales, costs and financial indicators reflected in the balance sheet, e.g. outstanding debt and funds available on the accounts of the Company. In case of any of the above mentioned risks the Company will take all possible measures to mitigate the negative consequences of such risks. Necessary measures are to be worked out for each particular case depending on the situation. It cannot be guaranteed by the Company that the actions aimed at the mitigation of negative consequences will be able to completely remediate the situation because the above described factors are beyond its control.

Production related risks

Subsidiaries of the Company are prone to production related risks.

The following factors may influence the production process of Enterprises: high level of fixed assets wear and tear, untimely supply of raw materials, materials, spare parts limitations of natural monopolies and other factors. In order to prevent or mitigate the influence of production related risks the Enterprises perform detailed planning, forecasting of the production plan results and develop the measures of responding to production related risks.

Legal risks

Legal risks related to making amendments to the laws that affect the Issuer's activity in the internal market, including:

- foreign currency laws.

Changes in the currency exchange regulation have no direct impact on the Company business. However, should the current laws be amended the Company is determined to plan its activity taking such amendments into account. In this regard, the Company assesses the risks of the foreign currency laws amendment to be minor;

- tax laws.

Changes in the Russian tax laws may adversely affect the Company activity, in particular:

- introducing amendments or additions into the laws on taxes and levies related to tax rates growth;

- toughening of requirements to documents confirming the use of reduced rates stipulated in the international treaties on avoidance of double taxation.

- introducing of profit taxation of the controlled foreign companies.

- introducing new types of taxes.
- cancellation of tax benefits in subjects of the Russian Federation.

Due to amendments of the current tax laws, there is a possibility for the Company to increase its expenses on taxes payment and mandatory payments.

In particular:

- The Company is recognized as a controlling entity (through direct or indirect participation), the profit of such controlled foreign companies shall be included into the tax base of the Russian Federation;

- A Multilateral Instrument on Measures related to tax agreements to prevent tax base erosion and profit shifting (BEPS convention, MLI) was ratified by Russia. This may make it more difficult to apply tax benefits when paying out passive types of income (interest, dividends, etc.) to foreign companies. In this case, the Company may be held liable for tax, fine and penalties payment. Possible growth of the rate for taxes paid by the Company in the course of its production and financial activity may result in the Company expenses increase and reduction of monetary funds remaining after current business financing. Should current procedure and terms of taxation be changed the Company is determined to plan its financial and economic activity taking into account such changes;

- The Ministry of Finance of the Russian Federation submitted letters to the Ministries of Finance of Cyprus, Luxembourg and Malta concerning amendments to bilateral agreements on avoidance of double taxation. It is expected that the tax on dividends and interest income paid from the Russian Federation will increase to 15%.

- customs clearance and duties have no significant impact on the Company business;

- no licensing of core business of the Company or licensing rights to use facilities limited in circulation as management advisory activity is not subject to licensing in the territory of the Russian Federation and the Company does not use in its activity facilities limited in circulation;

- changes in the judicial practice on the issues related to the Company activity (including on the issues of licensing) that may adversely affect its performance and results of current court proceedings the Company is involved in, have no significant effect.

Risks related to the Company operations

Risks related to possible responsibility for the debts of third parties, including subsidiaries and affiliates, may have significant effect on the Company. The Issuer has sureties issued to secure for the obligations of third parties, in particular of subsidiaries and affiliates of the Issuer. Issuer controls performance of such obligations, however there is a risk of filing claims by creditors as regards such obligations performance within the issued sureties should third parties, in particular affiliates and subsidiaries of the Issuer, fail to perform their obligations.

Pursuant to provisions of the Civil Code of the Russian Federation and Articles 3 and 6 of the Federal Law On Joint Stock Companies, the Company may be jointly liable with its affiliate for the transactions concluded by the latter to follow the Company instructions. Should the Company affiliate be insolvent (bankrupt) through the Company fault the Company shall bear subsidiary liability for the affiliate company debts.

Risks related to the possibility of consumers' loss with turnover with such consumers minimum 10 per cent of the total revenue from the services rendering by the Company have no significant effect on the Company.

There are no risks peculiar to the Issuer only.

Risks related to the impossibility of extending the issuer's license to perform particular type of activity or to use facilities limited in circulation (including natural resources): none.

Risks related to current court proceedings the Company is involved in.

Currently Mechel PAO is not a party to court proceedings that can entail significant consequences for the Company operations. Risks related to court proceedings assessed by the management as "probable" can be considered as risks capable to significantly affect financial performance of the Company. Risks related to court proceedings assessed by the management as "possible" or "insignificant" cannot be considered as risks capable to significantly affect financial performance of the Company.

Social Risks

Social risks are related to the presence of the trade unions at the enterprises of the Company capable of influencing their activities within labour legislation.

56% of the total headcount of Mechel Group is represented by trade unions as of December 31st, 2019.

In accordance with the RF legislation, there is a certain number of cases when trade unions are legally entitled to strike, which may result in the downtime and interruption of the production processes of the enterprises the way it happens from time to time with other Russian companies having powerful trade unions representation.

The Company is socially-oriented and performs certain activities to develop social partnership at Group Enterprises, which makes it possible to eliminate such risks, nevertheless in case if interactions with trade unions and labor teams become worse, there still remains a probability of getting strikes, lockouts or delays in the renewal of collective agreements.

Branch agreements were prolonged in 2019 for Coal and Steel and Mining segments. If Group Enterprises are unable to prolongate collective labour agreements based on similar terms and conditions in future, or if the employees are unsatisfied with the terms and conditions of such collective agreements and take any collective actions in this respect, it may produce material adverse effect on the Company business, its financial state, operational results and prospects.

Reputational risks

The Company and its subsidiaries may be at risk of negative view of the financial sustainability because of lawsuits from creditors and counterparties of the company. The Company and its subsidiaries were at risk of negative view of the financial sustainability due to ongoing negotiations with creditors about debt restructuring, a number of which at the time of publication of the statements were still in progress. The Company is focused on implementation of a system of measures aimed at development and maintenance of a sustainable business reputation - it discloses information in accordance with the laws of the Russian Federation, rules of the New York Stock Exchange, international standards of corporate governance through the corporate website www.mechel.ru. Company management regularly appear in the media to explain the Company's stance on various issues.

10. INFORMATION ABOUT THE TRANSACTIONS MADE BY COMPANY IN THE ACCOUNTING YEAR

10.1. Information about the transactions entered into by the company in the accounting year that are major transactions in accordance with the Federal Law on Joint Stock Companies

Company performed no major transactions with other persons in the accounting period.

10.2. A list of the transactions settled by the Company in the accounting year recognized in accordance with the Federal Law On Joint Stock Companies as related-party transactions

In accordance with clause 70.3 of chapter 70 of the "Provisions on Information Disclosure by Issuers of Issue-grade securities" (approved by the Bank of Russia on December 30th 2014 No.454-II) there is a reference to the document containing a list of related party transactions made by Company in the accounting period.

Document name: "Report on the Related Party Transactions Made by Mechel PAO in 2019"

The document can be found on the following web-page:
http://www.mechel.ru/shareholders/corporate_governance/shareholders_meeting/;
<http://www.e-disclosure.ru/portal/company.aspx?id=1942>.

Document approval date: approved on May __ 2020 by decision of the Board of Directors of Mechel PAO (MOM w/o number dd. May __ 2020).

The accounting period described in the document: 2019.

11. REMUNERATION PAYMENT AND EXPENSES COMPENSATION POLICIES FOLLOWED BY COMPANY

Remuneration shall be paid to Chief Executive Officer in the amount and based on the terms and conditions of the Labor Contract signed by such Chief Executive Officer and the Company.

Remuneration shall be paid to the members of the Board of Directors of the Company based on the respective decision of the General Shareholders Meeting in compliance with the procedure prescribed by Regulation on Payment of Remuneration to Members of the Board of Directors of Mechel PAO and of Compensation for the Expenses Related to the Fulfillment by Members of the Board of Directors of their Functional Duties approved by General Shareholders' Meeting of Mechel PAO.

The Regulation above defines the amount of annual remuneration that depends both on the membership in and/or control over committees of the Board of Directors. There are not any additional payments or compensations in case of early termination of powers of BD members resulting from transfer of control over the Company or from any other circumstances.

The Regulation above also provides for compensating the members of the Board of Directors of Mechel PAO for the costs actually borne by them, including travelling expenses

related to round trips to the place of the meeting of the Board of Directors and of its committees and back, accommodation costs and other expenses related to the activities of the Company.

The incentive system is in place to financially motivate the members of the Board of Mechel PAO to achieve strategical goals and improve the economic effectiveness of the management.

The incentive system for the Chairman and members of the Board includes the following elements:

- official salary;
- premium for results;
- one-time premium paid to a manager for contributing to the development of the Company.

Board members are provided with policies of voluntary insurance and with paid mobile services and are entitled for the benefits and compensations prescribed by Labor Code of the Russian Federation, federal laws, statutory and regulatory enactments of the Russian Federation, internal bylaws of the Company (payment (compensation for) representation costs, business trip expenses, transportation services).

The information by each Management Body of the Company (but for Chief Executive Officer) shall include the amount of all types of remuneration paid during the accounting period:

The total amount of remuneration, including salary, bonuses, commission fees, benefits and/or compensations for expenses borne paid by Issuer to the members of the Board of Directors for 12 months of 2019 is RUB 194,727 thous. rubles.

The total amount of remuneration, including salary, bonuses, commission fees, benefits and/or compensations for expenses borne paid to the Board members of the Company for 12 months of 2019 is RUB 112,155 thous. rubles.

12. REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS. Annual report of the Audit Committee

ANNUAL REPORT OF THE AUDIT COMMITTEE

This report was prepared in accordance with the requirements prescribed by article 306 of Regulation S-K of the US Stock and Exchange Commission as well as the regulatory documents of other leading audit companies.

Report on the Work of the Audit Committee for the period from March 2018 till March 2019

This Report was prepared in accordance with the requirements prescribed by article 306 of Regulation S-K of the US Stock and Exchange Commission, Recommendations of the Central Bank (Letter No. 06-52/2463 dd. April 10th 2014) and regulatory documents of other leading companies operating in the fields of audit and securities.

Audit Committee consists of only independent directors in accordance with the standards for admission of securities to the NY Stock of Exchange and Rule 10A-3 of the Law on Securities Trading dd. 1934.

The effective edition of the Regulation on the Audit Committee of Mechel PAO (further on referred to as the "Regulation") that is an internal regulatory document of the Company regulating the activities of the Audit Committee was approved by Board of Directors of Mechel PAO on May 19th 2016.

According to the Regulation, the main purpose of the Audit Committee is to facilitate effective performance of the functions of the Board of Directors in the part of control over the financial and operational activities of the Company, to develop recommendations as per questions within its competency and submit them to the Board of Directors.

The main tasks of the Audit Committee were brought in compliance with the Recommendations of the Central Bank related to compliance with Corporate Governance Principles.

The composition of the Audit Committee starting from April 1st 2018 and up to now consists of the following persons:

G. G. Petrov - Chairman of the Audit committee

A.N. Kotsky - Audit Committee member

A.D. Orischin - Audit Committee member

Consolidated financial statements under IFRS for the 12 months 2017, 3 months 2018, 6 months 2018, 9 months 2018 and 12 months 2018 were considered by Audit Committee and discussed with the Company's management within its functional duties. The discussion included not only the question of the applicability of book accounting principles but also questions related to their quality,

reasonableness of material judgements and accuracy of the information disclosed in the financial statements.

The question of correctness of applying book accounting principles were discussed by Audit Committee with Ernst&Young OOO, an independent external auditor, as well as other questions that are to be considered by Audit Committee in accordance with the Provisions of Audit Standards No. 61 "Interactions with Audit Committees" (as amended), other standards of the Supervisory Board exercising control over book accounting in public companies (USA), rules of the US Stock and Exchange Commission and other applicable regulations. Besides, the question of the independency of the external auditor on the Company management was discussed by Audit Committee with Ernst&Young OOO.

Completion status of the Remediation plan developed to remediate the deficiencies revealed by audit in 2017 and preparation of the Remediation plan based on the results of the audit performed in 2018 were discussed by Audit Committee with the Company management and the external independent auditor.

The Plan for Integrate Audit of the consolidated statements for 2018 and the Plan of Work for 2019 were discussed by Audit Committee with the external independent auditor and with the Internal Audit Department.

Regular meetings with the Internal Audit Department were held by Audit Committee to discuss the results of the audit performed and the results of the assessments.

Questions related to the functioning of the integrated Risk Management System were considered by Audit Committee and the effectiveness of such system was analyzed.

The results of anti-fraud activities performed by subsidiaries and affiliates of the company are discussed by Audit Committee on a regular basis.

During 2018-2019. Meetings with the participation of the representatives of the external independent auditor were held by Audit Committee in to approve the services to be provided by auditor. In particular, the Audit Committee approved provision by Ernst&Young OOO of services related to transfer pricing, consulting services related to the review of salaries and compensations, assistance in providing the creditor (VTB (PJSC) with the compliance certificate confirming that the covenants are met.

The Committee performed assessment of the Auditor's Opinion in respect of the book accounting for 2018 provided by external auditor Energy Consulting stating that the auditor performed the audit and issued its opinion in accordance with the established procedure and on a legal basis confirms the reliability of the book accounting (financial) statements and compliance with the book accounting procedure with the legislation of the Russian Federation. The Audit Committee recognized that the Auditor's Opinion in respect of the book accounting statements of Mechel PAO prepared based on the results of operational and financial activities in the accounting year 2018 and in accordance with the effective laws of the Russian Federation, reflects the real state of business in PAO Mechel.

12 meetings were held by Audit Committee during the accounting period (3 in praesentia and 7 in form of conference calls) where questions were discussed related to the approval of IFRS consolidated financial statements, approval of the services to be provided by external auditor, analysis of the results of operational activities of the Company both in general and within certain

material aspects, as well as the improvement of respective mechanisms of the internal control and risks management.

Chairman
G. G. Petrov

Report of the Audit Committee on the work performed from April 2019 till May 2020.

This Report was prepared in accordance with the requirements prescribed by article 306 of Regulation S-K of the US Stock and Exchange Commission, Recommendations of the Central Bank (Letter No. 06-52/2463 dd. April 10th 2014) and regulatory documents of other leading companies operating in the fields of audit and securities.

Audit Committee consists of only independent directors in accordance with the standards for admission of securities to the NY Stock of Exchange and Rule 10A-3 of the Law on Securities Trading dd. 1934.

The effective edition of the Regulation on the Audit Committee of Mechel PAO (further on referred to as the "Regulation") that is an internal regulatory document of the Company regulating the activities of the Audit Committee was approved by Board of Directors of Mechel PAO on May 19th 2016.

According to the Regulation, the main purpose of the Audit Committee is to facilitate an effective performance of the functions of the Board of Directors in the part of control over the financial and operational activities of the Company, to develop recommendations as per questions within its competency and submit them to the Board of Directors.

The main tasks of the Audit Committee were brought in compliance with the Recommendations of the Central Bank related to compliance with Corporate Governance Principles.

The composition of the Audit Committee starting from April 1st 2018 and up to now consists of the following persons:

G. G. Petrov - Chairman of the Audit committee

A.N. Kotsky - Audit Committee member

A.D. Orischin - Audit Committee member

IFRS consolidated financial statements for 3 months 2019, 6 months 2019, 9 months 2019, 12 months 2019 were considered and discussed with the management by Audit Committee within its functional duties. The discussion included not only the question of the applicability of book accounting principles but also questions related to their quality, reasonableness of material judgements and accuracy of the information disclosed in the financial statements.

The question of correctness of applying book accounting principles was discussed by Audit Committee with Ernst&Young OOO, and independent external auditor, as well as other questions that are to be considered by Audit Committee in accordance with the Provisions of Audit Standards No. 61 "Interactions with Audit Committees" (as amended), other standards of the Supervisory Board exercising control over book accounting in public companies (USA), rules of the US Stock and Exchange Commission and other applicable regulations. Besides, the question of the

independency of the external auditor on the Company management was discussed by Audit Committee with Ernst&Young OOO.

Completion status of the Remediation plan developed to remediate the deficiencies revealed by audit in 2019 and preparation of the Remediation plan based on the results of the audit performed in 2020 were discussed by Audit Committee with the Company management and the external independent auditor

Regular meetings with the Internal Audit Department were held by Audit Committee to discuss the results of the audits performed.

Questions related to the functioning and efficiency of the integrated Risk Management System and Internal Control System as well as the results of anti-fraud activities performed by subsidiaries and affiliates of the company were considered by Audit Committee.

In 2019-2020 the Audit Committee approved provision by Ernst&Young OOO of services related to audit of the Group's consolidated financial statements for 2019, 2020, 2021 according to IFRS; audit and preparation of a report on effectiveness of the system of internal controls over the preparation of these reports; review of the Group's consolidated financial statements for 6 months 2019, 6 months 2020 and 6 months 2021 in accordance with IFRS with comparable data; additional services associated with approved procedures with submission of a report to be submitted to VTB Bank (PAO), as well as inspection of the 20F Report Form for New York Stock market in compliance with the rules of the US Stock and Exchange Commission (SEC). The Audit Committee also approved provision of tax consulting services by Ernst&Young OOO, training services and access to on-line resources of Ernst&Young OOO, consulting services related to the review of salaries and compensations in 2019, and consulting services associated with assisting in preparation of presentation materials for creditor banks in terms of structuring and selecting data for the preparation of the report.

Audit Committee performed assessment of the Auditor's Opinion in respect of the book accounting for 2019 provided by external auditor Energy Consulting AO stating that the auditor performed the audit and issued its opinion in accordance with the established procedure and on a legal basis confirms the reliability of the book accounting (financial) statements and compliance of the book accounting procedure with the legislation of the Russian Federation. The Audit Committee recognized that the Auditor's Opinion in respect of the book accounting statements of Mechel PAO prepared based on the results of operational and financial activities in the accounting year 2019 and in accordance with the effective laws of the Russian Federation, reflects the real state of business in PAO Mechel.

10 meetings were held by Audit Committee during the accounting period (3 in praesentia and 7 in form of conference calls).

**Chairman
of the Audit Committee
G.G. Petrov**

The Report on Compliance with Corporate Governance Principles can be found in respective Appendix hereof.

13. APPENDIX TO THE ANNUAL REPORT

13.1. The Report on Compliance with Corporate Governance principles and recommendations

13.2. Consolidated financial statements for the year 2019