

APPROVED BY

**Resolution of the Board of Directors of Mechel
PAO**

**(Minutes of Mechel PAO Board of Directors
meeting No. w/o _____, 2017)**

MECHEL PAO 2016 ANNUAL REPORT

Chief Executive Officer

O.V. Korzhov

**Moscow,
2017**

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1. COMPANY INFORMATION AND POSITION IN THE INDUSTRY. INFORMATION ABOUT THE VOLUME OF EACH TYPE OF ENERGY RESOURCES USED BY THE JOINT-STOCK COMPANY IN THE REPORTING YEAR BOTH BY VOLUME AND VALUE

Mechel PAO (hereinafter - the "Company") is a joint stock company registered under the laws of the Russian Federation. Since its foundation from March 19, 2003 to August 19, 2005 the official name was Mechel Steel Group Joint Stock Company.

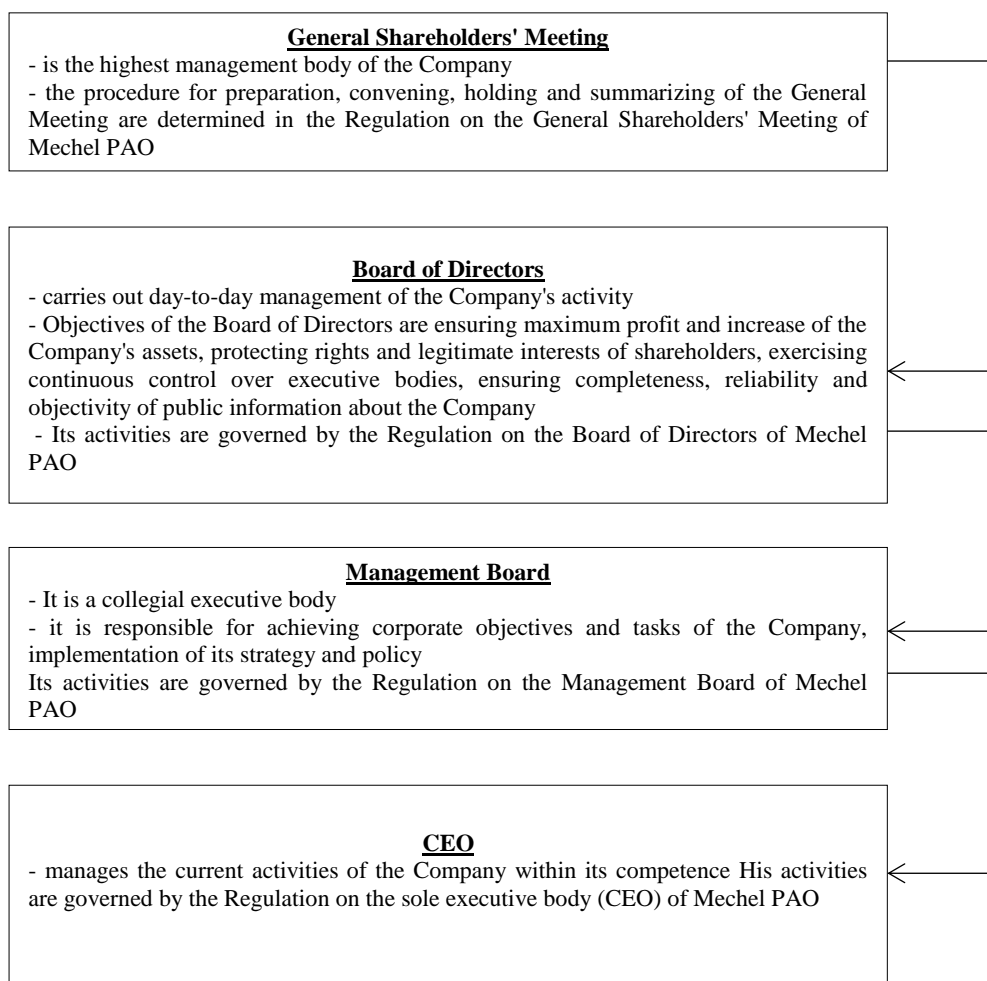
The Company is registered with the Federal Tax Service under state registration number 1037703012896. The Headquarters is located at the address: 1 Krasnoarmeiskaya Street, Moscow 125167, Russian Federation and it is the Company's place of business.

As of the date of foundation, the authorized capital of the Company amounted to RUB 3,829,690,860, paid for with the shares of metallurgical and mining industry enterprises, and comprised par value of 382,969,086 ordinary registered uncertified shares with par value of RUB 10 (ten) each.

As of 31.12.2016 the authorized capital of the Company amounted to RUB 5,550,276,600 and comprises 416,270,745 ordinary registered uncertified shares with par value of RUB 10 (ten) each and 138,756,915 preferred registered uncertified shares with par value of RUB 10 (ten) each.

The company adheres to the best standards of corporate governance. In addition to compliance with the company laws, Mechel assumes a number of additional obligations adhering to the highest international requirements, including corporate governance requirements of the New York Stock Exchange (NYSE) applicable to US companies within NYSE standard 303A for quoted shares.

The Company management bodies are:¹



Also the Audit Commission is elected and operates at the Company, its main function is inspection of financial and economic activities of the Company.

Status, composition, functions and powers of the Audit Commission are regulated by the Regulation on the Audit Commission of Mechel PAO approved by resolution of the extraordinary General Shareholders' Meeting (Minutes No. 4 dated 24.04.2004).

In order to independently assess the reliability of the accounting (financial) statements the Company annually involves an external auditor to audit the statements.

The Company's auditor is Joint-Stock Company Energy Consulting, state registration number 1047717034640, location: 53 Dubiniskaya str., bldg 5, Moscow 115054, member of Sodruzhestvo Association (AAS) Self-Regulating Organization of Auditors, main registration number 11606069294.

The Company's Register Holder is Independent Registrar Company Join Stock Company (until October 6, 2015 - Computershare Registrar Closed Joint Stock Company) (18 Stromynka str., bldg 5B, Moscow 107076), acting by virtue of Bank of Russia license to carry out activity to register No. 045-13954-000001 (without expiration date). Since 2008, the Company's Register has been kept by NIKoil Registrar JSC. On July 07, 2014, the entry on termination of NIKoil Registrar JSC as a result of its reorganization by merging with Computershare Registrar CJSC was made in the Unified State Register of Legal Entities.

As a successor of NIKoil Register JSC, Computershare Registrar CJSC continues to keep the register of security owners at the Company from 08.07.2014.

After bringing the Charter of CJSC "Computershare Registrar" in accordance with the Civil Code of the Russian Federation registrar name was changed to "Joint-Stock Company" Computershare Registrar ", and " Computershare Registrar "changed name to Joint-Stock Company "Independent Registrar Company" on October 5, 2015.

Mechel PAO is the main company having subsidiaries and affiliates, forming the holding together with their affiliates (hereinafter also referred to as "Mechel", "Company" or "Group").

Ordinary registered shares of the Company were listed at RTS under MTLR symbol in June 2004 and in October 2008 were transferred to quotation list A, level 2. In December 2011, RTS Stock Exchange Open Joint Stock Company (RTS JSC) was terminated due to reorganization by merging with MICEX Closed Joint Stock Company (MICEX CJSC), currently referred to as Moscow MICEX-RTS Stock Exchange Open Joint Stock Company (Moscow Stock Exchange PJSC). In this regard, ordinary registered shares of the Company were excluded from quotation list A, level 2 at RTS JSC.

In December 2008, ordinary registered shares of the Company were listed at MICEX JSC and included in quotation list B. In March 2009, the shares were transferred to quotation list A, level 1. After establishment of Moscow Stock Exchange OJSC in December 2011, ordinary registered shares of the Company are traded in quotation list A, level 1, at Moscow Stock Exchange PJSC only.

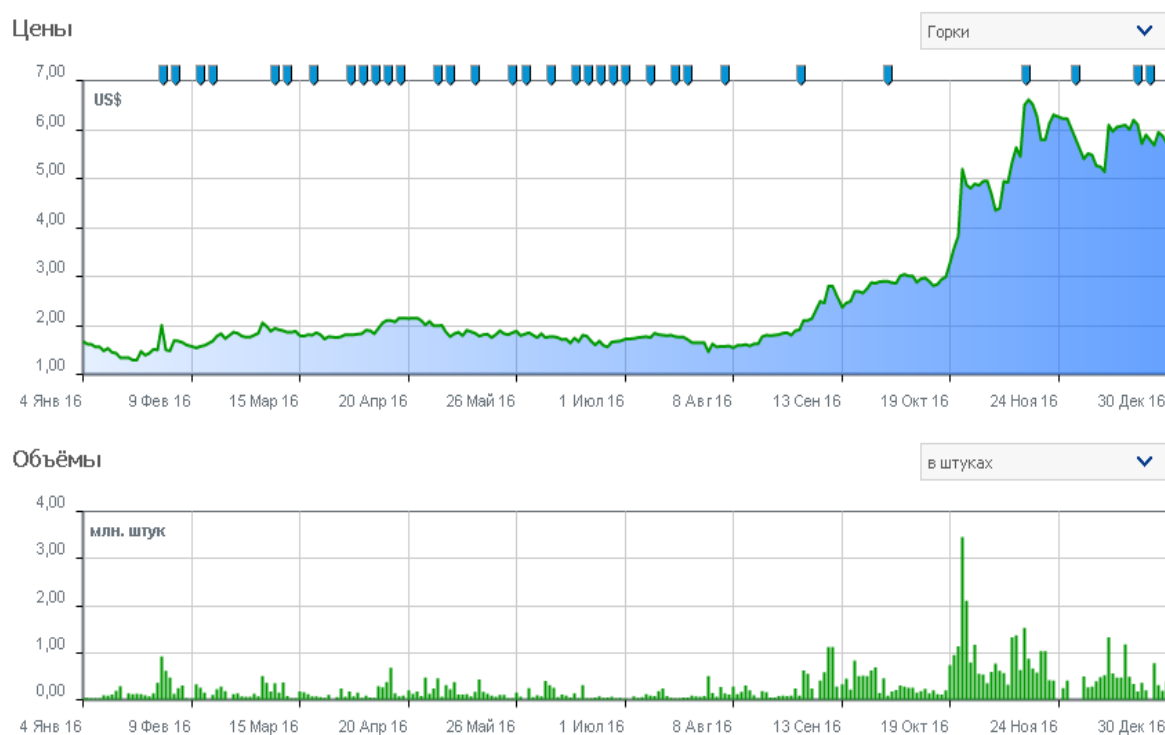
Since October 2004, ordinary registered shares of the Company have been circulating outside the Russian Federation in the form of American Depositary Receipts, level 3 (hereinafter - the "ADR") at New York Stock Exchange under MTL symbol. From January 12, 2016 each ADR is two ordinary shares of the Company.

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).

In April 2011, preferred shares of the Company were admitted for trading without passing the listing procedure at RTS Public Company and MICEX CJSC and were included in quotation list A, level 1, at MICEX CJSC in July 2011, currently referred to as Moscow Stock Exchange PJSC.

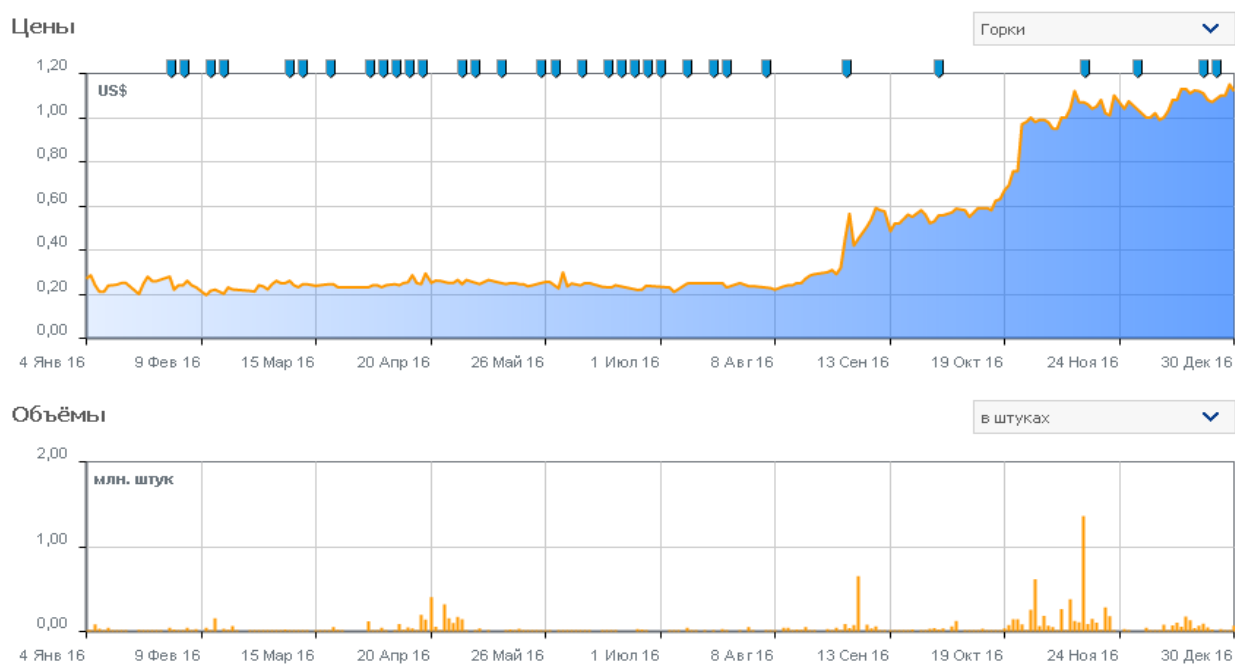
In December 2011, RTS JSC was terminated as a result of reorganization in the form of merging with MICEX CJSC, currently referred to as Moscow Stock Exchange PJSC, and the preferred shares of the Company were excluded from the list of securities authorized for trading without passing the listing procedure at RTS JSC. After establishment of Moscow Stock Exchange PJSC in December 2011, preferred shares of the Company are traded in quotation list A, level 1, at Moscow Stock Exchange PJSC only.

Price trend of one American Depositary Receipt for an ordinary share for 2016.



Динамика за период с 1-Янв-2016 по 31-Дек-2016

Price trend of one American Depositary Receipt for a preferred share for 2016.



Динамика за период с 1-Янв-2016 по 31-Дек-2016

The Company was founded in 2003 on the basis of production capacities in mining and metallurgical sectors. Today, Mechel PAO is one of the leading companies in Russia. The Company is a vertically integrated Group uniting producers of coal, iron ore, steel, rolled products, ferrosilicium, heat

and electric power. Besides, the Company owns a logistics company and a transport operator. Own sales structures of the Group sell products at the Russian market, in CIS, Europe, Asia, in the Middle East and America. All enterprises of the Group operate in a unified production chain: from raw materials to products with high added value. The Group products are sold at the Russian and foreign markets.

About 61.5 people are working for the Company. 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 through first of all being major taxpayers and employers. Elga Coal Complex development in the Far East region resulted in new work places offering competitive salary and wages level thus proving the above mentioned statement..

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 labour market.

Mechel PAO was the first company among the mining and metallurgical companies in the Eastern and Central Europe and Russia to list its shares at New York Stock Exchange.

In 2016 the revenue of the Company amounted to RUB 12.6 bn, net loss amounted to RUB 7.9 bn and operating profit (revenue from sales) amounted to RUB 10.9 bn (as per RAS).

The consolidated revenue of the Company in 2016 amounted to RUB 276.0 bn, the net profit accounted for by the shareholders of Mechel PAO amounted to RUB 7.1 bn, consolidated adjusted EBITDA amounted to RUB 66.2 bn (as per IFRS).

Mechel is the second largest exporter of coking coal in Russia in terms of volume (source: RasMin LLC).

Mechel ranks second in the country in terms of rolled sections production (except for square billets), it is the third-largest producer of fittings and the largest producer of wire rods. Mechel is the fourth-largest company in terms of volume of special steels and alloys production in Russia, and it is also the largest producer of metalware (source: Metal-Expert Information Agency, Corporation of Ferrous Metal Producers LLC (Chermet)).

Mining Segment

Mechel Mining AO, a subsidiary, unites mining and coke chemical assets of Mechel Group represented by the following enterprises: Southern Kuzbass PAO, Yakutugol Holding Company AO, Elgaugol OOO, Korshunov Mining Plant PAO, Moscow Coke and Gas Plant AO and Mechel-Coke OOO. The functions of the sole executive body at coal and iron ore production companies and coke producers are performed by Mechel Mining Management Company OOO, a wholly owned subsidiary of Mechel Mining OAO.

Subsidiary Southern Kuzbass Coal Company Public Joint Stock Company and its branches develop coal deposits located in the Kuznetsk Basin near Mezhdurechensk in south-west Siberia. The Company assets include four open-pit mines, three mines, four concentrating plants and one treatment facility.

Yakutugol Holding Company AO develops coal deposits located in the Republic of Sakha (Yakutiya) in Eastern Siberia. The Company assets include three open pit mines and one concentrating plant. Yakutugol Holding Company AO also has licenses for development of Pionerskoye, Sivaglinskoye and Sutamskoye iron ore deposits.

Korshunov Mining Plant PAO develops two open pit mines for production of iron ore and manages the concentrating plant located near Zheleznogorsk-Ilimskiy in the Irkutsk Region of East Siberia. **Elgaugol OOO** is currently implementing a large-scale project on development of the Elga Coal Complex. Elga is one of the world's largest deposits of high quality coking coal, whose licensed reserves amount to approximately 2.2 billion tons in accordance with the JORC standards. The production works at the first stage section of Elga open-pit mine development were commenced in August 2011. In the

same year through traffic at the 321 kilometer railway line built by Mechel uniting the deposit with Baykal-Amur Mainline was opened. It is the only Russian large-scale project in the transport industry that is implemented by private business. In September 2012, process start-up of the seasonal concentrating plant in the Elga field was commenced, during this start-up when the first batch of coking coal was treated, the concentrating plant has been operated round-the-clock since autumn 2014. Following the results of 2016, about 3.7 mln tons of raw coal were produced.

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

Metallurgical Segment

The enterprises of Mechel metallurgical segment are managed by Mechel Steel Management Company OOO, a subsidiary.

The metallurgical segment includes production of billets and slabs, rolled sections and sheet products from carbon, alloyed and stainless steel, as well as metal products with high added value, including metalware, stamping and forging.

The the Company's steel casting production capacities in Russia include two steel casting enterprises - Chelyabinsk Metallurgical Plant (Chelyabinsk) and Izhstal (Izhevsk).

The Company also includes metalware producing enterprises - Beloretsk Metallurgical Plant (Beloretsk), stamping and forging production plant - Urals Stampings Plant (Chebarkul), metalware producing plant - Vyartsilya Metal Products Plant in the North-West of Russia on the border with Finland and Mechel Nemunas in Lithuania.

After liquidation of the Ferroalloy Segment in 2014, the Steel Segment included Bratsk Ferroalloy Plant (Bratsk).

Mechel is the third-largest company in Russia in terms of the ferrosilicium production volume (source: Metal-Expert Information Agency).

Power Segment.

The power segment of Mechel generates electric power, heat power and other types of power resources for the production companies of Mechel, sells surplus power resources at the non-regulated market, supplies electric power from the wholesale electricity (capacity) market and provides heat power to some cities.

All power assets are managed by Mechel-Energo OOO. The power segment of the Group is represented by Southern Kuzbass Power Plant OAO located in Kaltan, Kemerovo Region, Kuzbassenergosbyt OAO, the largest distributor of electric power in the Kemerovo Region. Mechel-Energo owns power generating assets and services heat networks in the Kemerovo Region, the Chelyabinsk Region, the Udmurt Republic and the Republic of Bashkortostan, the Moscow Region.

With commitment to achieve the maximum efficiency in cargoes delivery to consumers, Mechel is actively developing own logistics network. Mechel-Trans OOO is the main forwarder of Mechel. The Group includes cargo sea ports in the Sea of Japan (Trade Port Posiet AO) and the Sea of Azov (Port Mechel Temryuk OOO) and the cargo river port on the Kama River in the central Russia (Port Kambarka OAO). Besides, Mechel has a large fleet of rolling stock. In 2016, the Company transported about 46 mln tons of cargoes. Own trading companies sell the mining segment products, metal products and ferroalloys at the domestic and external markets. The Company has a network of foreign subsidiaries, branches, warehouses, service centers and agents to sell own products at the international market, as well as the Russian selling and service subsidiary to sell metal products at the domestic market with regional divisions in 43 cities of Russia as of December 31, 2016.

The Company has the following representation offices:

➤ Representation Office of Mechel, Public Joint Stock Company, in the Republic of Korea located at: 146-2 Samsung-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 Bylaws 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 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.

Business footprint of Mechel Group



Mechel includes the following main production enterprises:



Southern Kuzbass Public Joint Stock Company (Mezhdurechensk, the Kemerovo Region) is one of the largest Russian coking and steam coal producers. The producing assets of Southern Kuzbass PAO include four open-pit mines: Krasnogorskiy, Sibirginskiy, Olzherasskiy, Tomusinskiy and three mines: Olzherasskaya-Novaya, Lenin mine, and Sibirginskaya mine. The processing assets of Southern Kuzbass PAO include four concentrating plants: Sibir Central Concentrating Plant, Kuzbass Central Concentrating Plant, Krasnogorskaya Concentrating Plant, Tomusinskaya Mine and Concentration Plant, and Sibirginskaya treatment plant. The total design capacity of concentrating plants amounts to approximately 17 million tons of run-of-mine coal a year. As of December 31, 2016, the cumulative mineral resources at Southern Kuzbass PAO amounted to approximately 592 mln tons

according to the JORC standards.



Joint Stock Holding Company Yakutugol (Neryungri, the Republic of Sakha (Yakutiya) produces mostly coking, as well as steam coal. The Company includes three mining enterprises: Neryungrinskiy open-pit mine, Kangalasskiy open-pit mine, Dzhebariki-Khaya mine, as well as Neryungrinskaya concentrating plant. In 2012, Yakutugol Holding Company AO won the mineral licence auction for Sivaglinskoye and Sutamskoye iron ore deposits located in the Neryungri District of the Republic of Sakha (Yakutiya). Yakutugol Holding Company AO is one of the few solid coking coal producers in Russia. The enterprises of Yakutugol Holding Company AO also produce steam coal and middlings, it is one of the byproducts generated in the coking coal concentration process. In 2016, the cumulative production amounted to 9.9 mln tons of coal. The mineral resource portfolio of Yakutugol Holding Company AO amounted to approximately 198 mln tons according to the JORC standards. The products of Yakutugol Holding Company AO are sold both at Russian and external markets. Coking coal concentrate is supplied by the CIS metallurgical enterprises, and it is exported to the countries of the Asian and Pacific Region. Supplies of steam coals to the domestic market are performed to power, cement and utility enterprises of the Far Eastern Federal District of Russia.



Elgaugol Limited Liability Company develops the Elga coal deposit - one of the world's largest coking coal deposits. The deposit is located in the south-eastern part of Yakutiya, 415 km east of Neryungri and 320 km north of Verkhnezeysk settlement in the central part of Tokinskiy coal-bearing region. Development of the Elga Coking Coals Deposit is the priority strategic project of Mechel Group and will allow the company to increase the volumes of coal export to the markets in the countries of the Asia-Pacific Region. Elgaugol OOO produces coking coal with high concentration of volatile substances, high volatility, low content of sulfur, nitrogen and phosphor, high calorific capacity, as well as oxidized coal referring to the category of steam coals with high calorific capacity. Steam coal and middlings are also produced. At the end of 2016, cumulative coal production at Elga open-pit mine amounted to 3.7 mln tons of coal. As of December 31, 2016, the volume of mineral resources at Elga open-pit mine amounted to approximately 2.24 billion tons in accordance with the JORC standards.



Korshunov Mining Plant Public Joint Stock Company (Zheleznogorsk-Ilimskiy, the Irkutsk Region) – one of the largest iron ore mining concentration enterprises in Russia and the only enterprise operating in the East Siberia Region. The assets of Korshunov Mining Plant PAO include two open-pit mines: Korshunovskiy and Rudnogorskiy, as well Korshunov Mining and Concentration Complex. As of December 31, 2016, the cumulative mineral resources at Korshunov Mining Plant PAO amounted to 154.6 mln tons according to the JORC standards.



Moscow Coke and Gas Plant Joint Stock Company (Vidnoye, the Moscow Region) has favorable geographical location and stable sales markets. The enterprise produces coke, benzene, coal tar. The coke chemical products of the enterprise are successfully sold at the domestic market, mostly to the enterprises in the Central Region of Russia, and they are also exported. Total production capacity of four coke oven batteries currently amounts to 0.9 mln tons of bulk coke with 6% humidity per year.

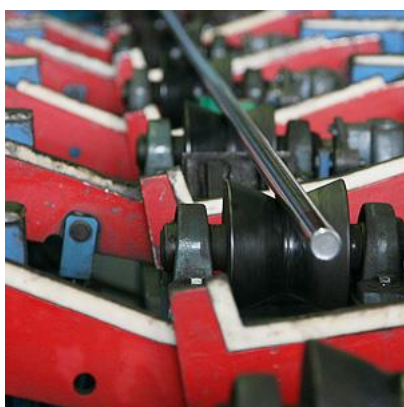


Chelyabinsk Coke and Chemical Products Plant Limited Liability Company (Mechel-Coke OOO, Chelyabinsk) is the enterprise producing coke and chemical products. The main product, metallurgical coke, is currently produced at eight coke-oven batteries with aggregate annual capacity of approximately 3.0 mln tons. Mechel-Coke OOO provides for the production needs of the enterprises of Mechel Company, and it also sells its products at the domestic and foreign markets. The produced coke is characterized by high level of quality: uniformity in terms of 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 fibres, medicine, perfume and organic synthesis products both in Russia and abroad.



Chelyabinsk Metallurgical Plant Public Joint Stock Company (Chelyabinsk) – one of the largest enterprises in Russia with full metallurgical cycle producing quality and 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. Chelyabinsk Metallurgical Plant has the conformity certificate of quality management in accordance with ISO 9001:2000 international standard. CMP is one of the few enterprises in the country authorized to assign own index - ChS (Russian: ЧС) (Chelyabinsk steel) to its products. Currently, more

than 130 steel grades of this type are produced. The universal structural mill (USM) was commissioned at CMP in July 2013. USM is the first Russian comprehensive universal production of high-quality profiled bars and rails with length from 12.5 to 100 meters. New USM rails will surpass world analogues by a number of main indicators based on climatic and other conditions of rails operation in Russia, namely, low temperature reliability, increased wear resistance and contact endurance. Capacity of USM amounts to up to 1.1 mln tons of finished products per year.



Izhstal Open Joint Stock Company (Izhevsk, the Udmurt Republic) - the largest metallurgical enterprise of Udmurtiya, one of the most significant economic entities in the Republic. The enterprise occupies the leading positions among Russian producers of special steel grades and stainless rolled sections. Izhstal has a set of equipment to produce the whole range of steel grades, including structural carbon, structural alloyed, bearing, string, stainless steel and steel of increased treatment ability. It has the conformity certificate of quality management in accordance with ISO 9001:2008 international standard, as well as TUV certification for compliance of hot rolled products with the requirements of AD WO/TRD 100 standard. Traditional consumers of Izhstal OAO products include the enterprises of defense complex and high-tech mechanical engineering, automotive, aviation, oil, mining industries, tool factories. The enterprise products are shipped to USA, EU and CIS countries.



Beloretsk Metallurgical Plant Joint Stock Company (Beloretsk, the Republic of Bashkortostan) - 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 microwire 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.

Since 2003, BMP has the conformity certificate of the quality management system in accordance with ISO 9001:2000 international standard, and since November 2010 – in accordance with ISO 9001:2008 standard. Besides, certain types of products are additionally certified at authoritative Russian and international supervisory bodies for promotion at the market.



Urals Stampings Plant Public Joint Stock Company (Chebarkul, the Chelyabinsk Region) – the largest 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. The quality management system of Urals Stampings Plant PAO is certified by TÜV, the international certification body, for compliance with ISO 9001 requirements.. Quality of the enterprise products is annually confirmed by the Association of American Railways (AAR) and the Aviation Register of the Interstate Aviation Committee.



Mechel Nemunas ZAO (Kaunas, Lithuania) – metalware 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 wire drawing mills, nail and thread machines, mesh weaving machinery. The products of Mechel Nemunas are widely demanded not only in the Baltic states, it is also very popular in Germany, France, Italy, Holland, Sweden, Poland, Switzerland, Czech Republic, Great Britain, USA and other countries.



Vyartsilya Metal Products Plant Closed Joint Stock Company (Vyartsilya, the Republic of Karelia) produces metal 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. Currently, the plant is the only producer of hot galvanized nails in the country.



Bratsk Ferroalloy Plant Limited Liability Company (Bratsk, the Irkutsk Region) – modern and highly efficient enterprise producing high-grade ferrosilicium (with 65% and 75% silicon content). The enterprise is gradually switching to metal melting from quartzites of own Uvatskoye deposit. The first supply of raw materials from the deposit was performed in March 2013. 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.



Southern Kuzbass Power Plant Open Joint Stock Company (Kaltan, the Kemerovo Region) – heat power plant in Kaltan, the Kemerovo Region is designed to cover 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, the Kemerovo Region. The installed heat capacity of the enterprise is 581 Gcal/hour. Coal for Southern Kuzbass Power Plant is supplied from Southern Kuzbass PAO.



Kuzbass Energy Sales Open 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 Kuzbassenergosbyt OAO 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.



Trade Port Posiet Joint Stock Company (Posiet, Primorye Territory) – sea trade port, ensures coal supply to the countries of the Asia-Pacific Region. It is connected with the Trans-Siberian Railway, north-east China, North Korea with the railway. Posiet is a convenient terminal for transporting coal mined in the fields of the enterprises of Mechel Group - Yakutugol and Southern Kuzbass. The port will play an important role with commencement of export supplies from Elga Coal Deposit. Currently, port Posiet is capable of transshipping up to 7 mln tons of cargoes a year, and after the modernization is completed its capacity will increase up to 12 mln tons a year in a long-term. It is planned to organize a gradual adaptation of the port to service ships with cargo carrying capacity from 40 (to begin with) and then up to 60 thousand tons.



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 two operating berths of 248 meters in length to service export/import cargoes and one berth to service ships with domestic 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 currently transships approximately 1.5 million tons of cargoes a year. Main types of cargoes are coal and coke, as well as metal rolled products. The Group exports steam coal from Kuzbass through Mechel Temryuk.



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 transships the Mechel 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.

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.

In 2012-2014 Russian GDP grew at an average rate of 1.8% against a slight economic growth in 2012 and gradual slowdown in improvements of economic indicators in 2013-2014. 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. At the end of 2014, economic crisis broke out in Russia, it was caused by rapid decrease in world oil prices and imposition of international sanctions, as a consequence, exchange-value of rouble decreased.

In 2015, Russian GDP decreased by 2.8% due to the negative external economic environment affecting petroleum feedstock. The continued devaluation of rouble in Q1 of 2016 led to a drastic decrease of GDP (17%). From Q2 till Q4 of 2016, exchange-value of rouble stabilized at the level of 2015 and during this period GDP growth averaged 6.5%. Following the results of 2016, GDP decreased by 0.2% in relation to 2015.

The average growth rate of industrial production index in 2012-2016 was 0.6%. Dynamics of the indicator was consistent with the general economic trends in this period. 2012-2014 are characterized by a stable growth of industrial production. In 2012, the increase was 3.4%, in 2013 - 0.4% and in 2014 - 1.7%, respectively. In 2015, due to economic sanctions and unfavorable market conditions for export goods of the Russian companies, there was a reduction of production and decrease in the production index by 3.4%. In 2016, the industrial production growth amounted to 1.1% compared to 2015.

In the period of 2012-2014 there was a growth in the demand for steel in Russia. In the 2nd half of 2014, due to the economic crisis on the domestic market there was a drastic decrease of apparent

consumption. This trend continued in 2015-2016, consumption of rolled products fell especially in Q4 of 2015 (by 12.7%) and in Q1 of 2016 (by 7.5%). In general, decrease in apparent consumption of steel products in 2016 amounted to 5.1% compared to 2015.

Despite the adverse economic conditions of recent years, the Russian steel industry retains a relatively high level of competitiveness due to the relatively low costs of production, improved technology, efficient management of production and sale of products. Mechel's share in manufacture of steel rolled products has gradually increased since 2014 amounting in 2014 to 5.51%, in 2015 - to 5.56% and in 2016 - to 5.71%, respectively (source: Metal-Courier Information Agency).

Coal mining industry was affected by economic difficulties faced in 2012 and economic crisis of 2014 as well. The share of Mechel enterprises in coking coal mining was 20% in 2012 (source of information: CDU TEK). The share of the Company in coking coal production remained 20% in 2013 and decreased down to 18.3% in 2014. In 2015, the Company's share decreased to 16.6%. In 2016, the Company's share in coking coal production rose to 18.5% due to increased production by 14.2% (to 15.6 mln tons) by enterprises of the mining division of Mechel. The market of thermal coal is regulated by such major factors as electric power consumption, coal demand and supply balance, tariff change and seasonality. The volumes increased in 2012. Thermal coal production volumes decreased by 2.8% in 2013 vs. 2012. In 2014 thermal coal production volumes increased by 1.8% vs. 2013 and in 2015 the increase was 4.1%. In 2016 the volume of production of thermal coal in the Russian Federation increased by 3.4% to 293.3 mln tons according to Metal Expert.

The production and sales tendencies for iron ore, nickel and other products of the mining industry coincide with those demonstrated by steel segment.

In 2012 the average price for Iron Ore Concentrate decreased both in the global market (by 23%) and in the domestic market (by 20%) because of a difficult macroeconomic situation in China as well as because of the unfavorable conditions in the market of steel products and speculative consumer policy. In 2013 the average annual price for Iron-ore concentrate grew by 5% in the global market and by 4% in the domestic market. In 2014 the average annual price for Iron-ore concentrate fell by 28% in the global market and by 14% in the domestic market. This tendency continued in 2015 – the prices fell by 43% and 9% in the global and domestic markets respectively. In 2016 the price of iron-ore concentrate at the world market increased by 4% and amounted to 58 \$/t CFR China. The increase was due to higher prices for steel rolled products and increasing demand for high-quality imported iron ore in China. At the domestic market of the Russian Federation the increase of prices for iron-ore concentrate in 2016 amounted to 8% compared to 2015, to 2,231 roubles/t. FCA. The way the situation in the market will develop in future depends on demand and supply balance in the industry that depends on demand dynamics and on the implementation by major global producers of their strategical plans for increasing their production capacities.

8.66 million ton of coking coal concentrate, 3.39 million ton of met-coals (anthracites and PCI), 6.99 million ton of thermal coal, 2.74 million ton of iron ore concentrate and 2.84 million ton of coke were totally sold by all mining enterprises of Mechel in 2016.

In 2016 all steel enterprises of Mechel totally produced 4.05 million ton of pig iron and 4.25 million ton of steel and sold 3.48 million ton of rolled products, 665 thousand ton of steel ware products, 91 thousand ton of pipes and 79 thousand ton of ferrosilicon. The operating results of the Company fully coincide with the modern tendencies for the development of the mining and steel industries.

Information on the volume of each power resource type used by the Joint Stock Company in the reporting year (nuclear power, heat power, electric power, electromagnetic power, oil, motor petrol, diesel fuel, fuel oil, natural gas, coal, oil shale, peat, etc.) both by volume and value

The Company does not consume power resources.

2. PRIORITY BUSINESSES

The main purpose of the Company's activities is making profit from investments into securities by means of an effective management and administration of its subsidiaries and to secure for the Company's stable development and growth of its equity.

The Company's priority businesses are:

- 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.

3. DIRECTORS' REPORT ON THE COMPANY'S PERFORMANCE IN THE PRIORITY AREAS OF ITS BUSINESS

Information about of Board of Directors activity

In the reporting period, over 80 meetings of the Mechel PAO Board of Directors that is in charge of overall leadership of the Company were held in total to discuss and act upon matters reserved for its decision.

The following major issues have been addressed by the Board in the reporting period:

- defining priority areas of Mechel PAO operations in 2016;
- evaluating the 2015 investment programme performance and discussing the relevant targets for 2016;
- reviewing the Company's benchmarks for 2016;
- reviewing preliminary results of the Company's financial and operational performance in 2015 and the Company's 2016 Production and Financial Plan for the key lines of the Company's business;
- addressing aspects of strategy in power, transport, metalware, mining divisions, as well as measures for implementation of the Program of development of the Company's activities for 2016 in the main areas of activity, as well as the progress of the project Elga coal mining complex;
- composition of permanent Committees of the Board of Directors was approved;
- determination of the status of independent Directors;
- consideration of reports on the work of the Committees of the Board of Directors of Mechel PAO
- approving the work plans of the Company BoD, BoD Audit Committee, Investment and Strategic Planning Committee, and Nomination and Compensation Committee;
- calling of the annual and extraordinary general meetings of the Company's shareholders;
- making recommendations to the general meeting of shareholders with respect to distribution of profits;
- fixing the external auditor's fee;
- the price of disposed of or acquired property or services in transactions was determined;
- approving related party transactions;
- approving other transactions were made in accordance with the Charter;
- determination of the numbers of members of the collegial executive body (Management Board) of Mechel PAO, electing the members of the Management Board;
- appointed the Sole Executive Body (CEO);
- decided to change the information on the representative offices of the Company;
- approved internal documents: Regulations on the Company's dividend policy, Regulations on the Internal Audit Department of the Company, Regulations on the Department of Corporate Relations and Property;
- reviewing other issues of the BoD.

Decision-making by the BoD is supported by its permanent Committees.

The Committees are in charge of preliminary review and expertise of technical, production, and economic aspects of the Company's development to be further discussed at the BoD level.

Information on the work of the Audit Committee of the Board of Directors.

The permanent Audit Committee of the Board of Directors of Mechel PAO consists of 3 independent directors. The activities of the Audit Committee is regulated by Bylaw on the Audit Committee of the Board of Directors the updated version of which was approved by the Company Board of Directors in May 2016.

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 Mechel

PAO, to develop 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;
- Suppression of frauds on the part of the Company employees and third parties.

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

The composition of the Audit Committee during the period from March till June 2016 consisted of the following persons:

Vladimir Y. Korovkin – Chairman of the Audit committee;

Alexander N. Kotsky – Audit Committee member;

Vladimir V. Gusev - Audit Committee member.

The composition of the Audit Committee was changed in June 2016 and up to now consists of the following persons:

Vladimir Y. Korovkin - Chairman of the Audit committee

Alexander N. Kotsky - Audit Committee member

Alexander D. Orischin - Audit Committee member

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

12 meetings (3 in praesentia and 9 in form of conference calls) were held during the period from May 2016 till May 2017 where questions within the competence of the Committee were discussed. The annual report of the Audit Committee describes in detail the questions discussed (Section 12 of the present Annual Report).

The table below contains the information on the participation of the members of the Board of Directors in the work of the Audit Committee:

Members of the Audit Committee of the Board of Directors	Independent director	Participation in the meetings
Vladimir Y. Korovkin – Chairman of the Audit committee	+	12/12
Alexander N. Kotsky	+	12/11(1)
Vladimir V. Gusev	+	2/2
Alexander D. Orischin	+	10/10

The data in the table above is represented in format “12/11(1)”, which means that 12 meetings of the Audit Committee were held during the period of work of an Audit Committee member and that the Committee member was personally present at 11 of them and sent his written opinion to the Audit Committee in respect of the questions discussed at the one meeting that he was not personally present at.

If the number of meetings in which the Audit Committee members could take part corresponds to the number of meetings in which such members took part, it means that independent directors took an active part in the work of the Audit Committee.

Information on the work Investments Committee of the Board of Directors for Investments and Strategic Planning.

Mechel PAO has a permanent Investments and Strategic Planning Committee of the Board of Directors.

The activities of the Investments and Strategic Planning Committee are regulated by Bylaw on the Investments and Strategic Planning Committee.

The purpose of the Investments and Strategic Planning 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 the fulfillment of the targets set and to submit such questions to the Board of Directors of the Company for consideration.

The following are the main tasks of the Committee based on the targets set:

- 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 the investment opportunities of the Company and work out proposals in respect of creation of a long-term balanced plan 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.
- Keep monitoring and controlling the execution of the decisions of the Board of Directors in respect of the questions within its competence.

The composition of the Committee until July 12th 2016 was as follows:

- Igor S. Kozhukhovskiy - Committee Chairman,
- Yury N. Malyshev – Committee member
- David A. Johnson - Committee member,
- Alexey G. Ivanushkin - Committee member,
- Victor A. Trigubko - Committee member,
- Oleg V. Korzhov - Committee member.

The composition of the Committee was changed on July 12th 2016 as follows:

- Yury N. Malyshev – Committee Chairman,
- Alexander D. Orischin - Committee member,
- Alexander N. Kotsky - Committee member,
- Tigran G. Khachaturov - Committee member,
- Oleg V. Korzhov - Committee member.

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.

5 meetings (3 in praesentia and 2 in absentia) were held by Committee in 2016 to discuss the questions within its competence, including the following:

- Preliminary results of the Company's financial and operational activities in 2015;
- 2015 Investment Program results;
- Report on the status of implementation of Elga Coal Complex development project;
- Plans for 2016;
- Results of the activities of the Company production Segments in 2015, programs of the Segments production and financial development in 2016, analysis of 2015 Investment program fulfillment and plans for 2016.
- It was recommended to submit the reports on the results of the Segments in 2015, the programs of the production and financial development of the Segments for 2016, analysis of 2015 Investment programs implementation and plans for 2016 to the Board of Directors for consideration;
- A task was set for Steel ware Segment to facilitate the work related to changing the assortment of products to give priority to products with a high added value, looking for new sales markets and attraction of target crediting; as a result the Committee worked out the question of a possibility of having FER invest into the project of multistrand ropes production;
- Plans of work for 2016-2017 were considered and approved for the sub-committees of the Committee.
- 2016-2017 Plan of work for the Committee was considered and approved to be submitted to the Board of Directors for approval.
- Preliminary results of the Company's financial and operational activities in 2016, status and analysis of Investment programs implementation;
- Priority areas of activities for 2017 were defined for Mechel PAO;
- A task was set for Mining Segment to analyze the prospects of fulfillment of obligations by licenses for mineral resources prospecting and extraction;
- A task was set for Mining Segment to generate a list of first priority activities and to estimate the amount of investments into equipment repair required to ensure effective production;

- It was recommended to submit the preliminary results of the Company's financial and operational activities in 2016 and the status and analysis of the Investment programs implementation to the Board of Directors for consideration.

Information on the work of the Nominations and Compensation Committee.

A standing Nominations and Compensation Committee of the Board of Directors is in place in Mechel PAO.

The activities of the Nominations and Compensation Committee are regulated by Provisions on the work of the Nominations and Compensation Committee of Mechel PAO.

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 per 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.

The following persons were the members of the Committee until July 12th, 2016:

- Vladimir V. Gusev – Committee Chairman,
- Yury N. Malyshev – Committee member,
- Alexander D. Orischin – Committee member,
- Vladimir Y. Korovkin – Committee member.

Starting from July 12th, 2016 the composition of the Committee was changed:

- Alexander D. Orischin – Committee Chairman,
- Yury N. Malyshev – Committee member,
- Vladimir Y. Korovkin – Committee member.

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 also competent in the questions related to HR policy, remuneration policy capable of stimulating the effectiveness of work as well as related to social policy embracing such topics as the 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 Committee had 8 meetings (2 in praesentia and 6 in absentia) in 2016 where the questions related to its competency were discussed, including the following:

- 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 2015;
- The main payroll fund generation principles in 2016 for each production segment and for the Company in general;
- Plans for the payroll fund of the Company in 2016;
- Candidates for top management positions in the Company structures were considered and agreed;
- Cooperation and interactions with other BD Committees, sub-committees, subdivisions and leading specialists of the Company;

4. COMPANY DEVELOPMENT OUTLOOK

The strategy of the Company is aimed at generating the maximum profit from the Group mining and steel assets in order to successfully perform its operational activities, improve its financial results and decrease its debt load. The Company intends to focus on improvement of its effectiveness and on upgrading the areas of activities that are expected to improve the overall profitability of its 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. It is intended by the Company to pay special attention to the development of Elga coal deposit that is one of the deposits having the biggest volumes of coal reserves in the world. 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 to the market, such as electric and thermal power 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 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. As more and more new types of products manufactured by the universal structural mill are getting mastered and certified, the sales volumes of such products are also growing higher, which in the end will contribute to the implementation of the Import Substitution Strategy. The Company intends to improve the production capacity of the Group and the quality of its high added value products to retain its leading position in the markets of special steels, stainless rolled products and steel ware in Russia.

The distribution network of the Company provides a stable basis for further sales development. The Company is able to quickly respond to any market changes and redirect its supplies not only within Russia but also abroad, which makes it possible to gain additional profit.

Another strategical priority of the Group is to develop its logistics facilities. Its own fleet of rail cars serves to provide the balance between transportation safety and costs efficiency. Development of the cargo in transit capacity of Port Posiet is a basis for the uninterrupted regular supplies of coal products to the Asian-Pacific Region. The growth in export-oriented coal produced by Mining Segment will lead to a necessity of further increasing the port facilities of the main export routes.

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

The Company's dividend policy is determined by the Regulation on Dividend Policy ⁱⁱ(approved by resolution of the Board of Directors, Minutes No. w/o of the meeting of the Board of Directors dated 20.01.2016).

The Company's dividend policy is developed to ensure clear mechanism of determining the amount of dividends and their payment for shareholders, 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

.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.

The Company shall ensure transparency of the dividend policy by placing respective information on the Company web site: <http://www.mechel.ru>, and also on the Company web site in the Internet provided by the competent information agency

The dividends are paid on the basis of the resolution of the General Shareholders' Meeting in accordance with recommendations of the Company Board of Directors.

The previous years' income distribution resolution adopted by the Annual General Shareholders' Meeting as recorded in Minutes No.1 dated 30.06.2016 states as follows:

- Not to pay dividends on the Company's uncertificated registered ordinary shares for 2015
- To pay dividends on the Company's uncertificated registered preferred shares for 2015 in the amount of 5 kopecks per share Dividends shall be paid in non-cash according to Russian Federation legislation.

In total for the payment of dividends on the Company's preferred shares for 2015 previous years' income totalling 6,937,845 RUB, 75 kopecks was distributed.

The dividends were paid in due time under RF legislation. As of 31.12.2016 the amount of dividends paid is 6,936,464.25 roubles.

6. 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 exchange rate, 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 strategical targets of the Company.

Interest rate risk

The Company is prone to interest rate risk. The Company's debt portfolio consists of credits and bonded loans. The major 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.

The Group enterprises get some part of their profit in foreign currency and some part of the Group's financial liabilities (including liabilities under credits) is denominated in foreign currency as well. 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, cost of production related services and labor payment that are significantly sensitive to 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.

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.

Legal risks

Legal risks related to the laws amendments that affect the Issuer activity at the internal market in:

- 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 into account such amendments. 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 tax types.

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:

- introduction of the profit taxation procedure for foreign companies controlled by Russian tax residents. Mechel PAO can be recognized as the controlling entity for foreign companies (direct and indirect participation), profit of controlled foreign companies can be included into the tax base in the Russian Federation.

- profit tax rate as regards dividend income of Russian companies from Russian and foreign companies increases up to 13% (earlier the rate was 9 %);

- disclosure of the beneficial ownership, beneficial recipients of income and the tax residency of legal entities according to their actual place of business is a prerequisite for the application of tax exemptions and preferences, including reduced tax rates provided for in international treaties on avoidance of double taxation.

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;

- 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 activity

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 obligations of third parties, in particular of subsidiaries and affiliates of the Issuer performance of such obligations are controlled by the Issuer, however there is a risk of filing claims by the creditors as regards obligations performance within 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 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 no possibility to extend the issuer license to perform particular 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 a party to court proceedings that can entail significant consequences for the Company activity. 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.

Risk under the claim against minor shareholder Tomusinsky Open-Pit Mine OAO by Saven Enterprise, that filed a claim with the court in Nicosia (Cyprus) against a number of companies of Mechel PAO group (including Tomusinsky Open-Pit Mine OAO, Calridge Ltd, Armolink Ltd, Bellasis Holding Ltd., Methol OOO, Mechel PAO, Mechel Mining OAO, MC Mechel Mining OOO, Southern Kuzbass PAO, and against I.V. Zyuzin)) with the claim to recover damage of 781 mln US dollars, is assessed by the management as minor. On 15.02.2017, at the request of lawyers of two parties, the court dismissed proceedings and interim measures.

The risks below are assessed by management as not material:

- According to the notification of London Court of International Arbitration(LCIA), VTB JSC and VTB Capital PLC lodged 14 claims in respect of Mechel enterprises to collect the amounts of all the indebtedness by syndicated loan agreements signed by Southern Kuzbass and Yakutugol with the syndicate of banks (including those that will appear within the litigation process), that must be paid by surety/borrower (respectively) under the terms and conditions of the guarantee/loan agreement (within the limit stated in the guarantee) as well as interest, litigation costs and other amounts that may be further awarded by arbitration court. 2 out of 14 claims are against Mechel PAO (as a surety). For the moment the claimants applied to LCIA by each claim it is claimed to collect 16,243,830.77 USD of the indebtedness by loan granted to Yakutugol by syndicate of banks and 16,253,578.91 USD of the indebtedness by loan granted to Southern Kuzbass by syndicate of banks. It was agreed by parties to postpone the litigation processes till 01.06.2017.

- [Atrix B.V. Private Company Limited by Shares applied to the Arbitration court of the Rostov Region with a claim to Mechel PAO](#), Mechel Mining Management Company OOO, Mechel-Steel Management Company OOO, NK INVEST OOO, G.K. Somov for recovery of damages jointly and severally in the amount of 10,880,244,750.64 RUB(taking into account the increase of claims). On 13.04.2017 the case was suspended in connection with expert examination.

- Within cases on bankruptcy of Zlatoust Metallurgical Plant OAO and Guryevsk Metallurgical Plant OAO (debtors) under consideration by the Arbitration court of the Chelyabinsk Region and the Arbitration court of the Kemerovo Region, respectively, Rostov Electric and Metallurgical Plant OOO and LOMprom Rostov OOO applied with a requirement to bring Mechel PAO to subsidiary liability for debtors' obligations. The applicants allege that Mechel PAO was an entity controlling debtors and in accordance with the Federal Law "On insolvency (bankruptcy)" it shall be liable in the amount equal to the aggregate amount of creditors' claims that remained unpaid due to insufficiency of debtors' property. The amount of claims is currently not determined, next court sessions will be held on 13.06.2017 and 31.05.2017, respectively.

The below risk is assessed by the management as possible.

To LCIA towards Yakutugol AO and Southern Kuzbass PAO (as borrowers), as well as towards Yakutugol AO, Southern Kuzbass PAO, Mechel PAO, Mechel Mining OAO, KGOK PAO, Mechel Carbon AG and Mechel Carbon Singapore (as guarantors) within syndicated loans dated 06.09.2010 (with subsequent amendments) in the amount of 501,981,997.25 US dollars arbitration claims were filed by several creditors (ING Bank NV; ICBC (London) Plc; JSC UniCredit Bank; UniCredit SpA; Caterpillar Financial Services Corporation; ICU Advisory Limited; London Forfaiting Company Limited; Federated Project and Trade Finance Core Fund; Barclays Bank Plc; Arvo Investment Holdings Sarl; and Akacia Limited) for recovery of debt within syndicated loans in the amount of 230,963,856.54 USD (including 203,946,666.77 of the principal debt and 27 017 189,77 of interests) within syndicated loan of Southern Kuzbass PAO and in the amount of 230,097,186.95 USD (including 203 946 666,77 of the principal debt and 26 150 520,18 of interests) within syndicated loan of Yakutugol Holding Company AO.

Other court proceedings the Company is involved in, cannot significantly affect current activity irrespective of their outcome.

Reputational risks

The Company may be at risk of negative view of the financial sustainability because of lawsuits from creditors and counterparties of the company.

During 2016 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 report was not completed.

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.

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.

59% of the total headcount of the Company is represented by trade unions as of December 31st, 2016.

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, 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 2016 for Coal and Steel segments and the major part of collective agreements was renewed by Group enterprises.

The risks of having blackout activities arranged by trade unions that may produce material adverse effect on the results of the enterprises' operations and the financial state of the latter are insignificant due to the social policy followed by the Company.

7. INFORMATION ABOUT THE TRANSACTIONS CONSUMMATED BY THE COMPANY IN THE REPORTING YEAR RECOGNIZED AS MAJOR TRANSACTIONS AND RELATED-PARTY TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

7.1. Information about the transactions entered into by the company in the reporting year that are major transactions in the meaning of the Federal Law on Joint Stock Companies as well as other transactions that are subject to approval as major transactions as required by the company's Charter; specifying material conditions for each transaction and the Company management body

In the reporting year, the Company made one major transaction, information about which is disclosed in the information and communication network Internet.

A reference to the information disclosed by the Company, indicating the address of the page on the Internet on which this information is disclosed - <https://www.e-disclosure.ru/portal/event.aspx?EventId=wEXJ5dNH10288VlztLDjzg-B-B>

The name and other identification features of the document in which this information is disclosed: Notice of a material fact "On a major transaction by an organization controlling the issuer or controlled by the issuer that has significant value for it" of December 23, 2016.

7.2. Information about the transactions settled by the Company in the reporting year recognized in accordance with the Federal Law On Joint Stock Companies as related-party transactions and that are required to be approved by the authorized management body of the Company pursuant to chapter XI of the Federal Law On Joint Stock Companies.

In the reporting year, the Company carried out more than 200 interested-party transactions, the need for approval of which by the Company's management bodies is provided for by Chapter XI of the Federal Law "On Joint Stock Companies".

The person who is interested in the transactions was a shareholder of the Company who has 20 or more percent of the Company's voting shares jointly with its affiliates, the transactions were approved by the Company's management bodies - the Board of Directors and the General Meeting of Shareholders, in accordance with the procedure in force.

The list and description of interested party transactions is provided in the Company's

8. BOARD OF DIRECTORS, INCLUDING INFORMATION ON ANY MEMBERSHIP CHANGES OCCURRING IN THE REPORTING YEAR, AND DIRECTORS' DETAILS, INCLUDING BRIEF BIOGRAPHICAL PROFILES AND INTERESTS HELD IN THE COMPANY IN THE REPORTING YEAR

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 the Federal law On Joint Stock Companies, and the Company Charter.

Status, procedure of establishment and competence of the Board of Directors, grounds and extent of liability of its members, procedure for convening and holding meetings of the Board of Directors, procedure for taking and executing its resolutions are regulated by the Charter of Mechel PAO and the Regulation on the Board of Directors of Mechel PAO approved by resolution of the extraordinary General Shareholders' Meeting (minutes No.2 dated 04.03.2016).


These documents can be found at the Company's official website in the section "Shareholders and investors".

The Company's Board of Directors consists of Nine (9) members with a majority of independent directors.

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.

From June 30, 2015 till March 3, 2016 there was the following composition of the Board of Directors elected by resolution of the annual General Shareholders' Meeting (minutes No.1 dated 01.07.2016):	From March 4, 2016 till June 30, 2016 there was the following composition of the Board of Directors elected by resolution of the extraordinary General Shareholders' Meeting (minutes No.2 dated 04.03.2016.):	From March 4, 2016 till June 30, 2016 there was the following composition of the Board of Directors elected by resolution of the extraordinary General Shareholders' Meeting (minutes No.1 dated 30.06.2016.):
1. Gusev Vladimir Vasilievich 2. Malyshev Yuri Nikolayevich 3. Korovkin Vladimir Yurievich 4. Zyuzin Igor Vladimirovich 5. Arthur David Johnson 6. Kozhukhovskiy Igor Stepanovich 7. Korzhov Oleg Viktorovich 8. Ivanushkin Alexey Gennadievich 9. Trigubko Victor Alexandrovich	1. Zyuzin Igor Vladimirovich 2. Khachaturov Tigran Garikovich 3. Korzhov Oleg Viktorovich 4. Gusev Vladimir Vasilievich 5. Malyshev Yuri Nikolayevich 6. Korovkin Vladimir Yurievich 7. Kotskiy Aleksandr Nikolaevich 8. Orischin Alexander Dmitrievich 9. Ivanushkin Alexey Gennadievich	1. Shokhin Alexander Nikolaevich 2. Zyuzin Igor Vladimirovich 3. Korzhov Oleg Viktorovich 4. Kotskiy Aleksandr Nikolaevich 5. Malyshev Yuri Nikolayevich 6. Korovkin Vladimir Yurievich 7. Orischin Alexander Dmitrievich 8. Trigubko Victor Alexandrovich 9. Khachaturov Tigran Garikovich

The structure and the information about the Company's Board of Directors as of 31.12.2016


	Zyuzin Igor Vladimirovich Chairman of the Board of Directors
Year of birth	1960
Education	Higher education. Tula Polytechnic Institute (area of specialty – underground mining technology and integrated mechanization of underground mining operations). PhD in engineering (coal mining).
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	Period: 2003-to date Company: Mechel PAO Position: BoD member, BoD Chairman (from July 2010) Period: 2006-2010 Company: Mechel PAO Position: CEO Period: 2007-2010 Company: Mechel PAO Position: Chairman of the Management Board Period: 1999-to date Company: Southern Kuzbass PAO Position: Chairman of the Board of Directors Period: 2001-to date

	<p>Company: CMP PAO Position: BoD member</p> <p>Period: 2007-to date Company: Yakutugol AO Position: BoD member, Chairman of the Board of Directors(from June 2013)</p> <p>Period: 2011-to date Company: Mechel Mining OAO Position: CEO</p> <p>Period: 2011- April 2014 Company: Mechel Mining OAO Position: Chairman of the Management Board</p> <p>Period: 2008-to date Company: Mechel Mining OAO Position: BoD member</p>
Interest in the Company equity	16.16%
Percentage of ordinary shares held	21.54%
Share purchase or transfer transactions in respect of the Company shares made during the accounting year	None


	<p>Korzhov Oleg Viktorovich BoD member</p>
Year of birth	1970
Education	Higher 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.
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: January 2014 – to date Company: Mechel PAO Position: CEO, Chairman of the Management Board.</p> <p>Period: 06.2014 – to date Company: Mechel PAO Position: BoD member</p> <p>Period: 2011-to date Company: Mechel Mining OAO Position: BoD member, Chairman of the Board of Directors (from June 2014)</p>


	<p>Period: 02.2012 -12.2013 Company: Mechel PAO Position: Senior Vice President for Economy and Development</p> <p>Period: 11.2011- 02.2012 Company: Mechel PAO Position: Senior Vice President for Business Planning and Analysis</p> <p>Period: 2010-2014 Company: Mechel-Trans OOO Position: BoD member</p> <p>Period: 2010-2014 Company: BMP AO Position: BoD member</p> <p>Period: 2010-2014 Company: Kuzbassenergosbyt OAO Position: BoD member</p> <p>Period: 2009-2011 Company: Mechel PAO Position: Vice President for Business Planning and Analysis</p> <p>Period: 2009-05.2011 (from 2014 to 2015) Company: CMP PAO Position: BoD member</p> <p>Period: 2009-2014 Company: South Kuzbass GRES OAO Position: BoD member</p> <p>Period: 2008-2014 Company: Trade Port Posiet AO Position: BoD member</p> <p>Period: 2008-2010 Company: Vyartsilya Metal Products Plant ZAO Position: BoD member</p> <p>Period: 2008-2009 Company: Mechel-Steel Management Company OOO Position: Deputy General Director for Economics and Finance</p> <p>Period: 2006-2008 Company: Mechel-Steel Management Company OOO Position: Director of Planning and Economic Department</p> <p>Period: 2005-2006 Company: PAO Mechel Position: Director of Planning and Economic Department</p> <p>Period: 2003-2005 Company: Evrazholding OOO Position: Director for Finance and Economics</p>
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	Period: 1998-2003 Company: Nizhny Tagil Metallurgical Plant Position: Deputy Director of the Economic Department for Analytical Work and Prices (Director of the Economic Department for Analytical Work and Prices)
Interest in the Company equity	0.0018%
Percentage of ordinary shares held	0.0024%
Share purchase or transfer transactions in respect of the Company shares made during the accounting year	None

	Shokhin Alexander Nikolaevich Deputy Chairman of the Board of Directors independent BoD member
Year of birth	1951
Education	Higher education. Lomonosov Moscow State University. Has a doctorate in economics.
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p> Period: 2016-to date Company: Mechel PAO Position: BoD member, Chairman </p> <p> Period: 2005-to date Company: Russian Union of Industrialists and Entrepreneurs Position: President </p> <p> Period: 2005-2009 Company: Public Chamber of the Russian Federation Position: member </p> <p> Period: 2002-2005 Company: Investment group "Renaissance Capital" Position: Chairman of the Supervisory Board </p> <p> Period: 1995-to date Company: National Research University "Higher School of Economics" Position: President, Head of the Department of Theory and Practice of Interaction between Business and Government </p> <p> Period: 1994-2002 Work in the State Duma: Deputy, First Deputy Chairman of the State Duma, Head of the Duma fraction "Our Home - Russia", Chairman of the State Duma Committee on Credit Organizations and Financial Markets </p> <p> Period: 1991- 1994 (1998) - Deputy Chairman of the Government </p>

	of the Russian Federation Period: 1991- 1994 - Minister of Labor and Employment, Minister of Economy, Chairman of the Russian Agency for International Cooperation and Development
Interest in the Company equity	None
Percentage of ordinary shares held	None
Share purchase or transfer transactions in respect of the Company shares made during the accounting year	None


	Orischin Alexander Dmitrievich independent BoD member
Year of birth	1932
Education	Higher education. Tomsk Polytechnic Institute and Moscow Mining Institute, specialty - "Development of mineral deposits", PhD (Engineering).
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	Period: 2016-to date Company: Mechel PAO Position: BoD member Period: 2010-2014 Company: Mechel Mining OAO Position: BoD member
Interest in the Company equity	None
Percentage of ordinary shares held	None
Share purchase or transfer transactions in respect of the Company shares made during the accounting year	None

	Kotskiy Aleksandr Nikolaevich independent BoD member
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Year of birth	1957
Education	Higher education. Novosibirsk Institute of Railway Engineers, specialty - "Railway Engineer".
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2016-to date Company: Mechel PAO Position: BoD member</p> <p>Period: 2015-2016 Company: Port Vanino OAO Position: BoD member</p> <p>Period: 2008-2015 Company: Southern Kuzbass PAO Position: BoD member</p>
Interest in the Company equity	0.005%
Percentage of ordinary shares held	0.006 %
Share purchase or transfer transactions in respect of the Company shares made during the accounting year	None

	Trigubko Victor Alexandrovich BoD member
Year of birth	1956
Education	Higher education. Kalinin (now - Tver) State University, specialty - "Labor economics".
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: June 2016-to date Company: Mechel PAO Position: BoD member</p> <p>Period: February 2016- to date Company: Mechel PAO Position: Management Board member</p> <p>Period: 2012-March 2016 Company: Mechel PAO Position: BoD member</p> <p>Period: 2006-to date Company: Mechel PAO Position: Senior Vice-President for Interaction with Public Authorities</p> <p>Period: 2005-2006 Company: Mechel PAO Position: Vice-President for Interaction with Public Authorities</p> <p>Period: 2003-2005</p>


	<p>Company: Mechel PAO Position: Vice President for Central and Eastern Europe</p> <p>Period: 2003-2005 Company: Mechel Campia Turzii S.A. Position: Chairman of the board of directors</p> <p>Period: 2003-2005 Company: Mechel Targoviste S.A. Position: Chairman of the board of directors</p> <p>Period: 2002-2003 Company: Mechel International Holdings AG Position: Director of the Representative Office in Romania</p> <p>Period: 1997-2002 Company: Izhstal OAO Position: Director of the Representative Office in Moscow</p>
Interest in the Company equity	0.00036%
Percentage of ordinary shares held	0.00048 %
Share purchase or transfer transactions in respect of the Company shares made during the accounting year	None

	<p>Malyshev Yuri Nikolayevich Independent BoD member</p>
Year of birth	1939
Education	Higher education. Kemerovo Mining Institute (specialty: Mining engineer)
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2013-to date Company: Mechel PAO Position: BoD member</p> <p>Period: 2015-to date Company: Akron PAO Position: BoD member</p> <p>Period: 2010-2016 Company: Soyuzspetsstroy ZAO Position: Chairman of the Board of Directors</p> <p>Period: 1993-to date Company: Russian Academy of Mining Sciences Position: President</p>

	<p>Period: 2011-to date Company: State Geological Museum of V.I. Vernadsky Position: President</p> <p>Period: 1999-2013 Company: Non-profit Partnership Russian of Mining Operators Position: President</p>
Interest in the Company equity	None
Percentage of ordinary shares held	None
Share purchase or transfer transactions in respect of the Company shares made during the accounting year	None

	<p>Korovkin Vladimir Yurievich Independent BoD member</p>
Year of birth	1960
Education	Higher education. Lomonosov Moscow State University, International Economy and Geography. PhD in Economics.
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 06.2014-to date Company: Mechel PAO Position: BoD member</p> <p>Period: 2011-2014 Company: Mechel Mining OAO Position: Chairman of the Board of Directors</p> <p>Period: 2004-2016 Company: Federal Fund Corporation JSC Position: Chairman of the Board of Directors</p> <p>Period: 1999-2004 Company: Federal Fund Corporation JSC Position: President</p> <p>Period: 1982-1995 work at the Institute of World Economy and International Relations of the Russian Academy of Sciences</p>
Interest in the Company equity	None
Percentage of ordinary	None

shares held	
Share purchase or transfer transactions in respect of the Company shares made during the accounting year	None

	Khachaturov Tigran Garikovich Independent BoD member
Year of birth	1979
Education	Higher, Plekhanov Russian Academy of Economics, specialty - "Banking and Finance".
Positions held in the Company and other organizations for the recent 5 years, including part-time employments	<p>Period: 2016-to date Company: Mechel PAO Position: BoD member</p> <p>Period: 2016-to date Company: Bank GPB (JSC) Position: Head of Management of Restructured Assets of the Bank</p> <p>Period: 2015 – 2016 Company: Mechel PAO Position: Adviser to the General Director for Finance</p> <p>Period: 07.2014 - 12.2014 Company: JSC Atomenergoprom Position: Advisor to the Director</p> <p>Period: 2013 - 2014 Company: Uranium One Holding N.V. Position: First Executive Vice President, Head of the Representative Office in Moscow</p> <p>Period: 2007 - 2013 Company: JSC Atomredmetzoloto Position: First Deputy General Director, Acting General Director</p> <p>Period: 2004 - 2007 Company: JSC Techsnabexport Position: First Deputy General Director</p>
Interest in the Company equity	None
Percentage of ordinary shares held	None

Share purchase or transfer transactions in respect of the Company shares made during the accounting year	None
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9. INFORMATION ABOUT THE PERSON HOLDING THE POSITION OF THE SOLE EXECUTIVE BODY INCLUDING BRIEF BIOGRAPHICAL PROFILES AND INTERESTS HELD IN THE COMPANY IN THE REPORTING YEAR

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) and the Regulation on the Sole Executive Body (CEO) of Mechel PAO.ⁱⁱⁱ

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, he also acts as the Chairman of the Company Management Board.

Since January 01, 2016, Chief Executive Officer of Mechel PAO is Oleg Viktorovich Korzhov who was appointed to this role by the resolution of the Company's Board of Directors for 1 year.

Mr. Korzhov's biographical details are given in Chapter 8 hereof.

10. INFORMATION ABOUT MEMBERS OF THE COLLEGIAL EXECUTIVE BODY OF THE COMPANY, INCLUDING BRIEF BIOGRAPHICAL PROFILES AND INTERESTS HELD IN THE COMPANY IN THE REPORTING YEAR

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.

During 2016, membership of the Company Management Board changed as follows:

There was the following membership of the Management Board within the period from 21.07.2015 till 19.02.2016:	There was the following membership of the Management Board within the period from 19.02.2016 till 29.07.2016:
1) Korzhov Oleg Viktorovich; 2) Slivchenko Andrey Andreevich; 3) Selivanova Elena Vladimirovna; 4) Ivanushkin Alexey Gennadievich; 5) Ipeyeva Irina Nikolaevna; 6) Tytsky Vladimir Ivanovich; 7) Sheverdin Valery Anatolyevich; 8) Shtark Pavel Viktorovich; 9) Lebedev Alexey Viktorovich; 10) Darbinyan Minas Arsenovich.	1) Korzhov Oleg Viktorovich; 2) Slivchenko Andrey Andreevich; 3) Trubkina Natalia Olegovna; 4) Ivanushkin Alexey Gennadievich; 5) Ipeyeva Irina Nikolaevna; 6) Ponomarev Andrey Alexandrovich; 7) Sheverdin Valery Anatolyevich; 8) Shtark Pavel Viktorovich; 9) Lebedev Alexey Viktorovich; 10) Darbinyan Minas Arsenovich; 11) Trigubko Victor Alexandrovich.

By resolution of the Company Board of Directors (Minutes w/o of the Board of Directors of Mechel PAO dated 02.08.2016 (meeting on 29.07.2016) the Management Board was elected, it remained unchanged as of 31.12.2016.

The structure and the information about the Company's Management Board as of 31.12.2016

Name, surname	Year of birth	Position
Oleg V. Korzhov	1970	CEO, Chairman of the Management Board
Viktor A. Trigubko.....	1956	Senior Vice-President for Interaction with Public Authorities, member of the Board of Directors, member of the Management Board
Sergey V. Rezontov.....	1983	CFO, member of the Management Board
Irina N. Ipeyeva.....	1963	Director of the Legal Department, member of the Management Board
Natalia O. Trubkina.....	1964	HR Director, member of the Management Board
Pavel V. Shtark.....	1969	CEO, Mechel Mining Management Company OOO, member of the Management Board
Nelly R. Galeeva	1973	Director of the Administration for Accounting and Tax Records, member of the Management Board
Aleksandr V. Lebedev	1974	CEO, Mechel Trans Management Company OOO, member of the Management Board
Valery A. Sheverdin.....	1963	Vice President, Corporate Security, member of the Management Board
Minas A. Darbinyan	1983	Deputy General Director for Financial Control, member of the Management Board
Andrey A. Ponomarev	1977	CEO, Mechel-Steel Management Company OOO, member of the Management Board

Mr. Korzhov's and Mr. Trigubko's biographical details are given in Chapter 8 hereof.

Sergey V. Rezontov has been the CFO of our company since June 2016 and member of the Management Board of our company since July 2016. He has been member of the Board of Directors of Southern Urals Nickel Plant PAO since May 2015, member of the Board of Directors of BMP AO since June 2015, Chairman of the Board of Directors of Urals Stampings Plant PAO since March 2016 and member of the Board of Directors of Mechel Mining OAO since June 2016. From November 2014 till June 2016 Mr. Rezontov held the position of the Director of the Financial Department of our company. From 2013 till 2014 he was the CFO and then the Deputy General Director of Lysva Metallurgical Company OOO. In 2012, he was the Deputy Director of Administration for Treasury Operations of our company. From 2006 to 2012 he held various positions at the Corporate Financing Group of our company, including the Head of the Group since February 2009. From October 2004 till August 2006 he was the Manager of the Metallurgy and Mining Group of the Department of Corporate Clients of Commerzbank (Eurasia) ZAO. Mr. Rezontov graduated from Plekhanov Russian Academy of Economics, specialty - "Management".

Interest in the Company equity: 0.00206 %

Percentage of ordinary shares held: 0.0027 %

Irina N. Ipeyeva has been Director of our Legal Department since April 2009 and a member of our Management Board since September 2007. She has been a member of the Board of Directors of Southern Kuzbass Coal Company PAO since 2007 and a member of the Board of Directors of Mechel Mining OAO since June 2014. From September 2007 to April 2009, she was our General Counsel, Deputy Director of the Legal Department — Director of the Department of Corporate Governance and Property.

From 2003 to 2007, Ms. Ipeyeva held the position of General Counsel and Director of the Department of Corporate Governance and Property. From February to July 2006, she was Director of the Department of Corporate Governance and Property of Mechel-Steel Management Company OOO. From March to June 2003, Ms. Ipeyeva held the position of Deputy CEO for Property Matters of Uglemet-Trading OOO. From December 2001 to March 2003, she was Head of the Department for Regulation of Corporate Relations and Property of Southern Kuzbass Coal Company PAO and, from January to November 2001, she was Head of the Share Capital Department. From August 1988 to January 2001, Ms. Ipeyeva worked at the Kuzbassugleobogashcheniye Industrial Amalgamation and the Tomusinskaya Washing Plant, where she held positions ranging from a legal adviser to head of the legal department. Ms. Ipeyeva has a degree in law from the Kuibyshev State University.

Interest in the Company equity: 0.00018 %

Percentage of ordinary shares held: 0.00024 %

Natalia O. Trubkina is the HR Director of our company since September 2015 and member of the Management Board of our company since February 2016. From August 2009 till August 2015 she held the position of the HR Director of Mechel-Steel Management Company OOO. She is member of the Board of Directors of CMP PAO since June 2015. She was member of the Board of Directors of Urals Stampings Plant PAO from June 2014 till June 2015. In 2009, she held the position of the HR Director of CJSC "MC "SOUZMETALLRESOURCE". From 2004 till 2009 Ms. Trubkina worked at United Company RUSAL, including as the Head of the HR Group of the Remelted Alloy Business since 2006. From 2003 till 2004 she was the HR Manager in Texas Nafta Industries Inc. From 1994 till 2002 she was the HR Manager at Belpromstroybank JSC. Ms. Trubkina graduated from Novopolotsk Polytechnic Institute, specialty - "Heat and gas supply and ventilation" and also obtained a diploma of additional education in program "Personnel management psychology" of Lomonosov Moscow State University.

Interest in the Company equity: 0

Percentage of ordinary shares held: 0

Pavel V. Shtark has been Chief Executive Officer of Mechel Mining Management Company OOO since July 2013 and a member of our Management Board since August 2014. He was a member of the Management Board of Mechel Mining OAO from July 2013 to April 2014. He has been a member of the Board of Directors of Moscow Coke and Gas Plant AO since June 2013, a member of the Board of Directors of Elgaugol OOO since August 2013 and a member of the Board of Directors of Mechel Mining OAO, Yakutugol Holding Company AO, Korshunov Mining Plant PAO and Southern Kuzbass PAO since June 2014. From October 2012 to July 2013, he held the position of Deputy CEO for Coke and Chemical Products Production — Managing Director of Moscow Coke and Gas Plant AO. From April 2008 to October 2012, Mr. Shtark served as Deputy Director, Director and Managing Director of Mechel Coke OOO. From October 1996 to March 2008, he was Head of the Workshop, Chief Engineer of Coke and Chemical Products Production at Nizhniy Tagil Iron and Steel Works OAO. Mr. Shtark has a degree in equipment and technology of welding production from the Urals State Technical University and a degree in chemical technology of natural energy carriers and carbon materials from the same university.

Interest in the Company equity: 0

Percentage of ordinary shares held: 0

Nelly R. Galeeva is the Director of the Administration for Accounting and Tax Records of our company since March 2014 and member of the Management Board of our company since July 2016. She held positions of the Chief Accountant of Mechel-Mining Management Company OOO from April 2009 till March 2014 and the Director for Finance of Mechel Mining OAO from May 2008 till April 2009. From August 2005 till May 2008 she was the Chief Accountant of Southern Kuzbass Coal Company OAO. From March 2000 till August 2005 Ms. Galeeva worked at Southern Kuzbass Coal Company OAO, at first, as the Head of the Consolidated and International Reporting Group and then as the Deputy Chief Accountant - Head of the Consolidated Reporting Group. From June 1995 till February 2000 she

was the Accountant of the Finance Group and then the Deputy Chief Accountant for Production in Krasnogorskiy Open-Pit Mine OAO. Ms. Galeeva graduated from Kuzbass State Technical University, specialty - "Accounting and audit", and Kemerovo State University, specialty - "Banking and Finance". Interest in the Company equity: 0

Interest in the Company equity: 0

Percentage of ordinary shares held: 0

Alexey V. Lebedev has been Chief Executive Officer of Mecheltrans Management Company OOO since December 2013 and a member of our Management Board since August 2014. Also Mr. Lebedev has been member of the Board of Directors of Port Vanino OAO, Port Kambarka OAO since June 2014. He was member of the Board of Directors of Trade Port Posiet AO from June 2014 till March 2016 and member of the Board of Directors of Mechel-Trans OOO from April 2014 till August 2016. He served as Chief Executive Officer of Mecheltrans Auto OOO from February 2011 to December 2013 and Director of Motor Transportation Department of Mechel-Trans OOO from June 2010 to January 2011. From 2005 to 2010, Mr. Lebedev was Director of Uraltechstroy NN OOO. From 2004 to 2005, he held the position of Deputy CEO of Region Express TK OOO. From 1998 to 2003, he held various positions at UralPromSnab OOO. From 1993 to 1998, he was Head of Railway Transportation Department of Transfero EAFC OOO. Mr. Lebedev has a degree in industrial management from the Izhevsk State Technical University.

Interest in the Company equity: 0.00004 %

Percentage of ordinary shares held: 0.00006%

Valery A. Sheverdin has been our Vice President for Corporate Security since March 20, 2013 and a member of our Management Board since August 2014. From June 2009 to March 2013, Mr. Sheverdin held the positions of our Director of the Department of Safety of Property Complex and Director of the Corporate Security Department of Mechel PAO. From April 2011 to March 2014, he was Chief Executive Officer of Mechel-Garant OOO. From July 2007 to April 2011, he worked in PSC Mechel-Centre OOO, including as CEO from December 2007. From April 2004 to June 2007, Mr. Sheverdin was Assistant to the Head of Department, Deputy Head of Department, Head of Department at Lukom-A Agency ZAO. From February 2001 to March 2003, he was Chairman of the Belgorod regional office of the Russian Fund of Social Progress. From January 1998 to February 2001 Mr. Sheverdin was Deputy CEO at Troitsa ZAO. From September 1995 till January 1998 he was Instructor of the Economic Security Group and Deputy Head of the Economic Security Group of Forpost Security Firm OOO. From November 1981 to August 1995, he served in the Armed Forces of the Russian Federation. Mr. Sheverdin graduated from the Moscow Border Institute of the Federal Security Service of the Russian Federation with a degree in law and the Kolomna Higher Artillery Command College of the October Revolution.

Interest in the Company equity: 0

Percentage of ordinary shares held: 0

Minas A. Darbinyan has been the Deputy Director General for Financial Control of our company since June 2015 and a member of the Management Board of our company since July 2015. He has been member of the Board of Directors of Trade Port Posiet AO since March 2016. Previously, from November 2013 till January 2015 he was the Director for Strategic Planning in Uranium One Holding N.V. (part of Rosatom Group of Companies). From April till November 2013 he held the position of the Head of the Investment Planning and Development Department of JSC Atomredmetzoloto (also a part of Rosatom Group of Companies). From May 2011 to April 2013, Mr. Darbinyan was a senior consultant in the company "KPMG". From 2008 to 2011 he held various positions at MIEL-DPM company, including Chief Financial Officer since 2010. From 2006 to 2008 he was the Assistant Vice President - Head of the Moscow regional branch of PJSC "Moscow Industrial Bank". Mr. Darbinyan graduated from the

Academy of National Economy under the Government of the Russian Federation on a specialty "management" and the State Academic University for Humanities in "economic theory."

Interest in the Company equity: 0

Percentage of ordinary shares held: 0

Andrey A. Ponomarev has been Chief Executive Officer of Mechel-Steel Management Company OOO since December 2015 and a member of our Management Board since February 2016. From August 2012 till November 2015 he was the First Deputy CEO of Mechel-Steel Management Company OOO. He has been member of the Board of Directors of CMP PAO since 2013. He was member of the Board of Directors of Vyartsilya Metal Products Plant ZAO and BMP AO from 2013 till 2014, Urals Stampings Plant PAO - from 2013 till 2015 and Izhstal OAO - from 2014 till 2015. From August 2009 till August 2013 he was the Head of Mechel Service Global B.V. From May 2005 till August 2009 Mr. Ponomarev was the Managing Director of Mechel Service OOO. From 2002 till 2005 he held various positions at Uglemet-Trading OOO and Mechel Trading House OOO, including the Head of the Regional Sales Department. From 2000 till 2002 he held the position of the Head of the Analysis Bureau, Marketing and Sales Service, CMP PAO. From 1999 till 2000 he was Engineer of the Special Steel Sales Group, Marketing and Sales Service, CMP PAO. Mr. Ponomarev graduated from South Ural State University, specialty - "Pressure metal treatment " and "Finance". During the reporting year members of the Management Board did not conclude transactions for acquisition or disposal of the Company's shares.

Interest in the Company equity: 0.00006 %

Percentage of ordinary shares held: 0.00004%

11. MAIN PROVISIONS OF THE REMUNERATION PAYMENT POLICIES FOLLOWED BY JOINT STOCK COMPANY AND THE INFORMATION ON EACH MANAGEMENT BODIES OF THE JOINT STOCK COMPANY, INCLUDING THE AMOUNTS OF ALL TYPES OF REMUNERATION

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.

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 to the members of the Board of Directors for 12 months of 2016 is RUB 143 854 000 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 2016 is RUB is 123 328 000 rubles.

12. REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Board of Directors hereby reports that the basic principles of corporate management stipulated by Code of Corporate Governance recommended for the use by the Bank of Russia are complied with.

This Report on compliance with the code of corporate governance (hereinafter - CCG) principles and recommendations of the Bank of Russia is prepared taking into account peculiarities stipulated by clause 70.4. Provisions on information disclosure by issuers of equity securities approved by the Bank of Russia on 30.12.2014 No. 454-II, using the form recommended by CJSC MICEX Stock Exchange

(Information letter of CJSC MICEX Stock Exchange dated 13.03.2015 No. 31-14/236) for companies the shares of which are allowed for organized trade.

The Company's corporate governance system is based on requirements of the laws of the Russian Federation, requirements of the Listing rules of the Moscow Stock Exchange, principles and recommendations of the CCG, international standards of corporate conduct and business ethics, principles of openness and transparency.

The Company complies with most of the principles and recommendations of the CCG that is reported respectively by the Board of Directors. A more detailed description of significant aspects of the corporate governance model and practices, as well as information about compliance with principles and recommendations of the CCG is given in this Appendix.

Based on the assessment performed in 2016 it was recommended by Board of Directors to enhance the model and practices of Corporate Governance so that it would comply with the principles currently not complied with by Company or complied with but only partially.

On the basis of such recommendations in the reporting year 2016, the Company performed work for improving the practice of the corporate governance model, in particular:

- Amendments were introduced into internal procedures of the Company (Regulation on the Board of Directors) regarding placement of materials for shareholders at the Company's website <http://mechel.com>, as well as in terms of disclosure of information about the date of execution of the list of persons entitled to participate in the General Shareholders' Meeting at least 7 days prior to its occurrence;

- The Company approved the Regulation on Dividend Policy (Minutes w/o of the Board of Directors dated 20.01.2016), that determines the Company's dividend policy consistent with recommendations of the Code of Corporate Governance;

- at the annual General Shareholders' Meeting that was held on June 30, 2016 independent directors were elected who fully comply with independence criteria recommended by the Code of corporate governance, and the Company Charter;

- The Company approved the Regulation on the Department of Corporate Governance and Property (DCGP) (Minutes of the BoD w/o dated 26.09.2016), that performs the functions of the Corporate Secretary (cl. 1.3. of the Regulation on the DCGP).

Brief description of the most significant aspects on the model and practice of corporate governance at the Company

Brief description of the most significant aspects of the model and practice of corporate governance - specified in **Appendix** to this annual report.

Planned (proposed) activities of the Company to enhance the model and practices of Corporate Governance.

Consider the following actions based on results of assessment of compliance with the principles of Corporate Governance in order to improve the practices of Corporate Governance followed by the Company:

It is recommended to appoint one of the selected independent directors as a senior independent director so that such person would coordinate the work of independent directors and interact with the Chairman of the Board of Directors.

It is recommended that the possibility of the Company Board of Directors members to discuss and vote on the meeting agenda issues by means of conference communication and (or) video-conference communication is fixed in the Regulation on the Company Board of Directors.

13. ANNUAL REPORT OF THE AUDIT COMMITTEE

This report is prepared in accordance with requirements of cl. 306 of Statement S-K of Securities and Exchange Commission USA and regulations of other lead institutions for audit.

This report on the work of the Audit Committee during May 2016 - May 2017 is prepared in accordance with requirements of cl. 306 of Statement S-K of Securities and Exchange Commission USA, recommendations of the Central bank (Letter N 06-52/2463 dated 10.04.2014), and regulations of other lead institutions for audit and securities.

The Committee is composed exclusively of independent directors pursuant to definition under standards for securities admission to trading at New York Stock Exchange and Rule 10A-3 of the 1934 Securities Exchange Act.

The current revision of the Regulation on the Audit Committee of Mechel PAO Board of Directors (hereinafter "Regulation"), an internal document regulating the operation of the Audit Committee, was approved by Mechel PAO Board of Directors on May 19, 2016.

According to the Regulation, the main purpose of establishing the Audit Committee is to assist in effective performance of functions of the Board of Directors in part of control over financial and economic activities of the Company, development and provision of recommendations to the Board of Directors on issues within its competence.

Main tasks of the Audit Committee were brought in compliance with recommendations of the Central Bank on compliance with corporate governance principles.

During the period from March to June 2016, the Audit Committee consisted of:

V. Yu. Korovkin - Chairman of the Audit Committee

A.N. Kotskiy - Member of the Audit Committee

V.V. Gusev - Member of the Audit Committee

From June 2016 to the present the Audit Committee includes:

V. Yu. Korovkin - Chairman of the Audit Committee

A.N. Kotskiy - Member of the Audit Committee

A. D. Orishchin - Member of the Audit Committee

In furtherance of its functions the Committee reviewed and discussed with the Company management the 2015 IFRS consolidated financial statements drawn up in accordance with requirements of the first application of standards in May 2016. Previously, the Audit Committee reviewed the statements prepared according to the US GAAP for 6 months of 2015 and 9 months of 2015. Consolidated financial statements according to IFRS for 2016 were reviewed and approved by the Audit Committee in April 2017. The discussion included not only the applicability of the book accounting principles but also their quality, rationale for material assertions and clarity of the information disclosed in financial statements.

The Committee discussed with independent external auditor Ernst & Young LLC the correctness of applying book accounting principles and other points that needed to be considered by Committee in accordance with Provision No. 61 of the Audit Standards ("Interaction with Audit Committees" (restated and amended)), other standards of Public Company Accounting Oversight Board (USA), US SEC rules and other active applicable rules. Besides, the independency of the external auditor of the Company and its management was discussed by Committee with Ernst & Young LLC.

The Committee discussed with the Company management and independent external auditor the status of the remediation activities planned to eliminate the deficiencies revealed by 2015 audit and preparation of the remedial action plan following the 2016 audit results.

The Committee discussed the Plan for Integrated Audit of 2016 Consolidated Statements with the independent external auditor and the Plan of Work for 2017 with the Internal Audit Department.

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

The Committee reviewed the functioning of the integrated risk management system.

During 2016-2017, the Audit Committee held meetings with representatives of the independent external auditor in order to approve the services rendered by him/her. In particular, the Audit Committee approved services for the audit of consolidated financial statements of Mechel PAO and the companies belonging to the Mechel group by "Ernst & Young", in accordance with IFRS, prepared for 2016, 2017, 2018, as well as the audit and preparation of the report on the efficiency of the system of internal control over preparation of these financial statements; review of the consolidated financial statements of Mechel PAO Group of Companies in accordance with IFRS prepared for semi-annual periods - for 6 months of 2017 and 6 months of 2018 with comparable data, as well as review of the Reporting form 20F for the New York Stock Exchange in accordance with the rules of the US Securities and Exchange Commission (SEC). The Audit Committee also approved rendering by Ernst & Young LLC of services in transfer pricing and accounting for complex financial derivatives.

The Committee evaluated the audit opinion on financial statements for 2016 provided by the external auditor JSC Energy Consulting that the auditor carried out audit and issued an opinion in accordance with the established procedure and legally confirms the reliability of the accounting (financial) reporting and compliance of the accounting procedure with the laws of the Russian Federation. The Audit Committee recognized the audit opinion on financial statements of Mechel PAO following the results of financial and economic activities for reporting year 2016 that were prepared in accordance with the applicable laws of the Russian Federation as corresponding to the real situation at Mechel PAO.

During the reporting period there were 12 meetings of the Committee (3 face-to-face and 9 conference calls). The above mentioned meetings were related to the review of IFRS consolidated financial statements approval, approval by Audit Committee of the services to be rendered by external auditor, analysis of the Group administrative and operational activities in general and in certain material aspects as well as the improvement of the respective internal control mechanisms and risk management.

ⁱ The personal composition of the Company's management bodies is given in sections 8 and 9 hereof

ⁱⁱ The Regulation on Dividend Policy of the Company is available on the Company's website at the following link:
http://www.mechel.ru/shareholders/corporate_governance/docs/polozhenie_o_dividendnoj_politike/

ⁱⁱⁱ Regulations on activities of management bodies can be found on the Company's website in the section "Shareholders and investors" at the following link:
http://www.mechel.ru/shareholders/corporate_governance/docs/ustav/