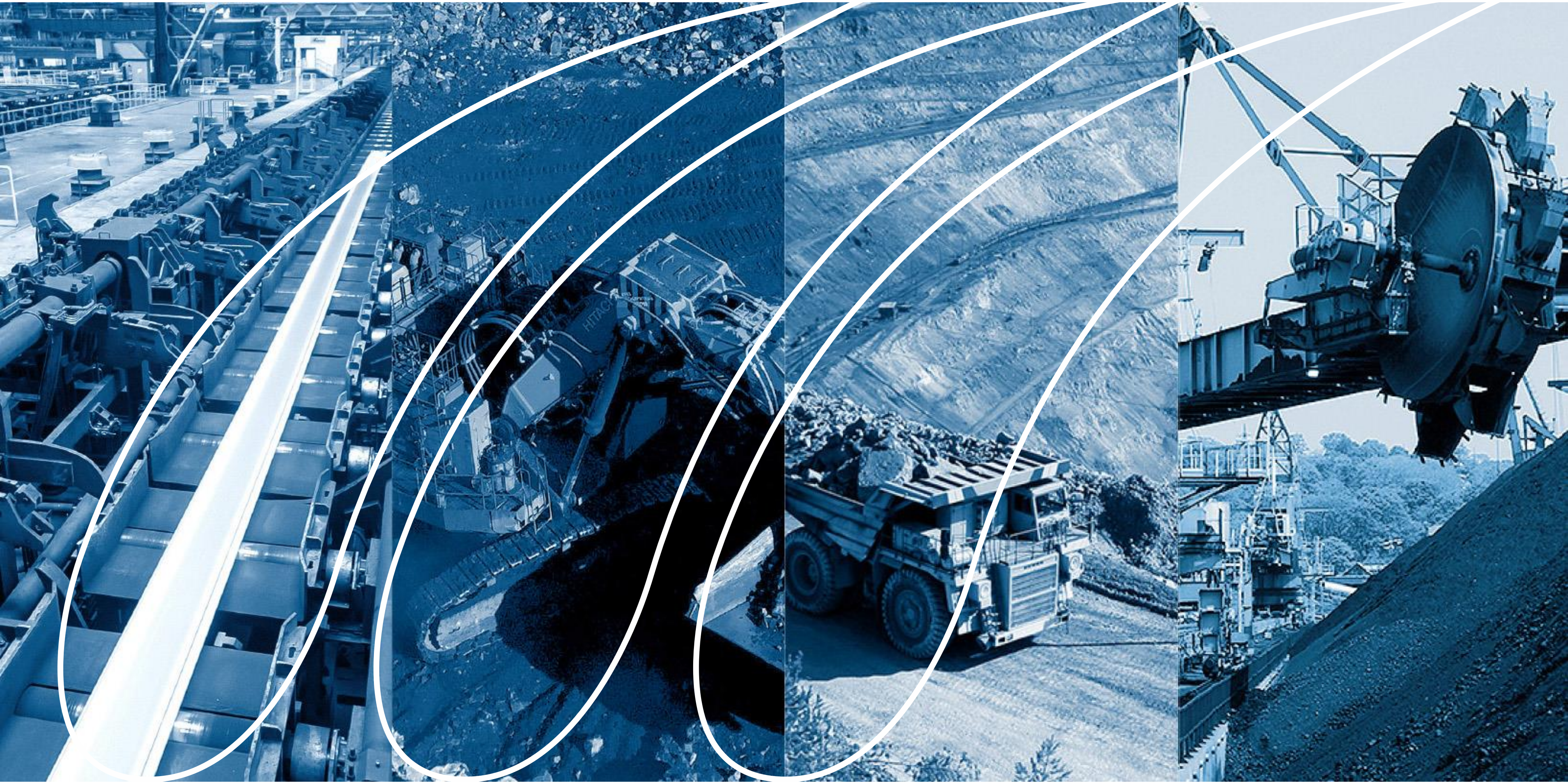
9M 2017 RESULTS PRESENTATION

November 28, 2017



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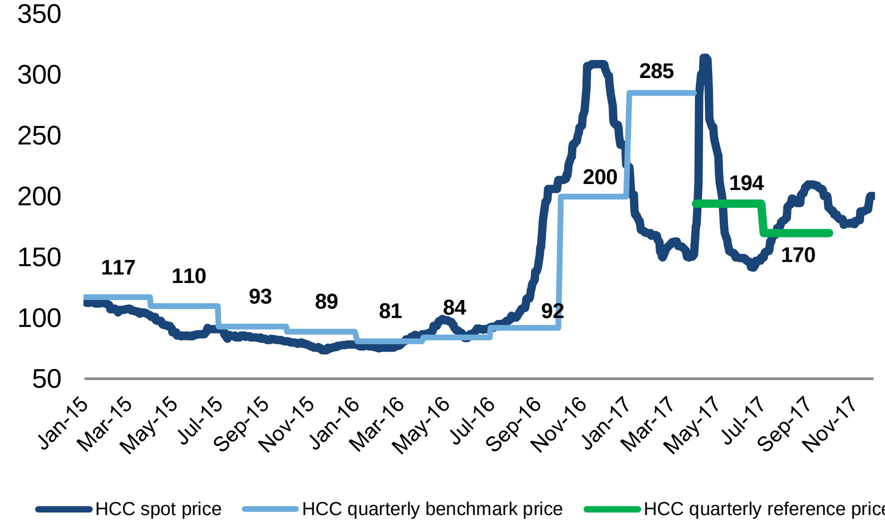
KEY FINANCIAL RESULTS

Sergey Rezontov – Chief Financial Officer

Key market drivers

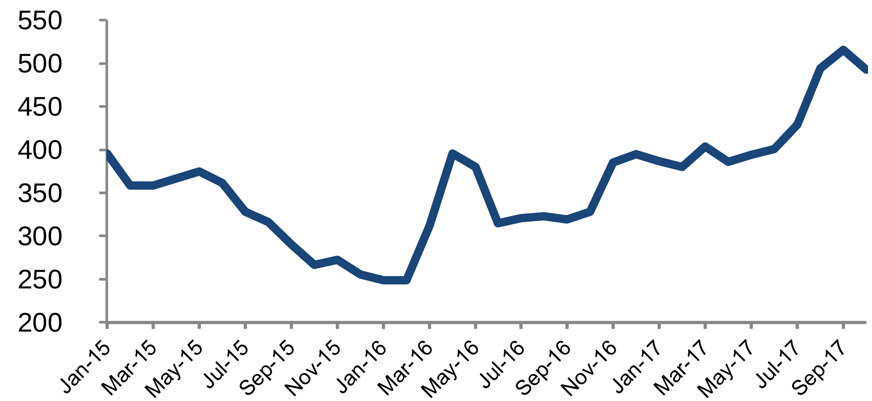
- In 2017 prices on coal market were very volatile with a peak of over $300 per tonne and lowest level at $140 per tonne. Relative stability was only reached in 3Q17 when after bottoming to the level of $140 in June 2017, the price rebounded to $200 in September.
- Between August and today coal price fluctuate in the range $170-$210 per tonne. Nowadays we again see growing trend for price increase.
- Since 2Q17 quarterly benchmark was replaced by so called “reference price”, calculated as average spot index price over 3 months. It was fixed at a level of $194 in 2Q, $170 in 3Q.
- Iron ore prices in 1Q17 demonstrated growth to $95* per tonne supported by an increase of steel prices. But in 2Q17 iron ore prices decreased to $54* following the decline in steel prices.
- Iron ore prices started the 3Q17 with upward trend on the back of growing steel prices but after a high level of $79 per tonne by the end of August, they started to decline and by the end of quarter returned to $62. In 4Q17 iron ore prices are stabilized at a level of $65.
- During the first half of the year billet price was more stable and fluctuated in the range between $385 and $405 per tonne compared with the range $294 and $395 in the first half of the previous year. At the same time average domestic market prices for rebar in this period fell from RUB27th to RUB24th following the currency appreciation.
- Starting from July we saw an increase of the billet price to $530 per tonne which together with currency appreciation and seasonal increase of the demand resulted in the increase of our rebar sales prices on the domestic market to RUB33th per tonne.
- Since October we see a moderate downward trend in billet and rebar prices.

HCC prices FOB Australia, US$/t



Source: Bloomberg

Billet FOB Black Sea, US$/t



Source: Metal Courier

** CFR China Fe62% Platts IODEX*

9M 2017 Financial results summary

- Consolidated Revenue in 9M2017 amounted to 222.8 bln RUB. It increased by 13% compared to 9M2016, due to higher prices for both Mining and Steel segments products and growing share of high value-added products in Steel segment product mix.
- EBITDA* increased by 42% compared to 9M2016 and amounted to 59.1 bln RUB with EBITDA margin 27% which was a result of Mining segment profitability growth based on higher prices.
- Group generated Net profit attributable to equity shareholders of Mechel PAO of 11.1 bln RUB vs 5.5 bln RUB in 9M2016 including currency appreciation effect which amounted to 3.6 bln RUB and 19.7 bln RUB, respectively.

RUB mln	9M17	9M16	%	3Q17	2Q17	%
Revenue	222,797	196,350	13%	73,413	71,970	2%
Operating profit	46,415	28,761	61%	15,738	12,588	25%
EBITDA*	59,140	41,571	42%	18,913	17,421	9%
EBITDA margin, %	27%	21%		26%	24%	
Net profit (loss) attributable to equity shareholders of Mechel PAO	11,114	5,543	101%	6,120	(8,908)	

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

9M 2017 Production and sales summary

- Non-sufficient stripping operations over the last years and dedication of equipment to cover this gap resulted in lower coal mining volumes vs 9M2016. We are fully committed to recover production in our Mining segment with greater investments in equipment repairs, new mining machinery procurement, increase of stripping works execution by the outsourcing to the third party companies.
- Production of coal in 3Q2017 has already demonstrated growth by 2% Q-on-Q.
- Production of pig iron was at a stable level compared to 9M2016.
- Steel production increased by 3% compared to 9M2016 but was lower by 9% Q-on-Q as a result of intensive overhauls of facilities executed in summer 2017.
- Coking and steam coal sales declined in 9M2017 as a result of lower mining volumes as well as a permanent railcar deficit and the August cyclone in the Far East.
- Flat products sales in 9M2017 increased by 28% compared to 9M2016 on high demand and product-line expansion efforts, and were almost unchanged Q-on-Q.
- Long products sales decreased slightly due to product line revision with an increase of more high-value added products production.

Production (th tonnes)

Product	9M17	9M16	%	3Q17	2Q17	%
Run-of-mine Coal	15,694	17,087	-8	5,363	5,257	+2
Pig Iron	3,048	3,012	+1	1,010	991	+2
Steel	3,217	3,127	+3	1,000	1,096	-9

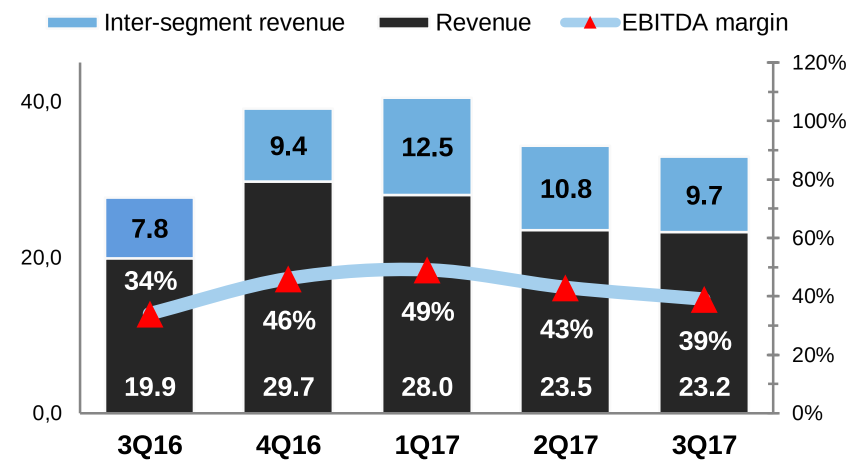
Sales (th tonnes)

Product	9M17	9M16	%	3Q17	2Q17	%
Coking Coal	5,970	6,491	-8	1,898	2,076	-9
Steam Coal	4,642	5,363	-13	1,478	1,576	-6
Flat Products	453	353	+28	149	151	-2
Long Products	2,214	2,258	-2	747	761	-2

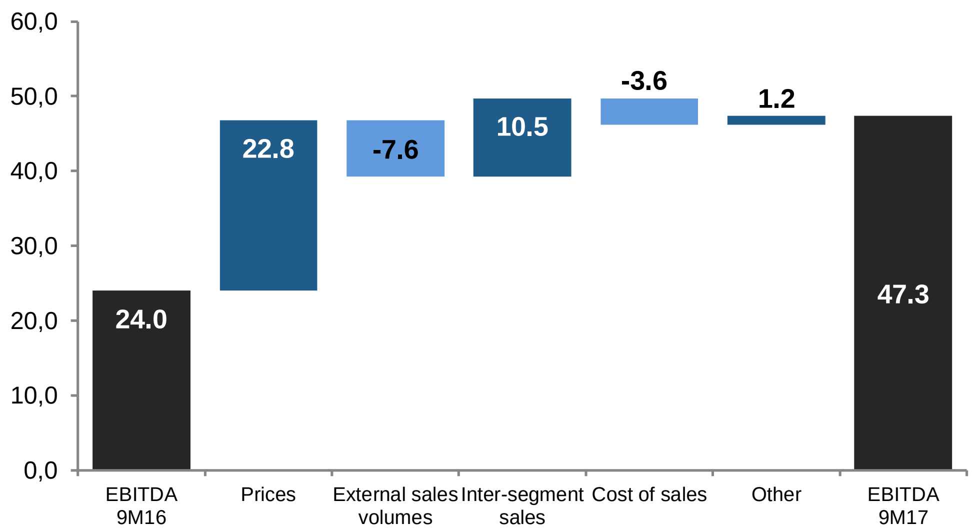
Mining segment

- Share of China and rest of Asia increased significantly in 9M2017 with a reduction of sales in Russia and Europe. This was a result of stronger demand and higher prices in this region. Consolidated share of Russia together with Europe decreased from 42% in 9M2016 to 32% in 9M2017.
- High average sales prices were the main factor of EBITDA growth by 97% compared to 9M2016 which reached 47.3 bln RUB with EBITDA margin 44%.
- Revenue from inter-segment sales increased as a result of iron ore prices growth since almost 100% of iron ore concentrate produced by Korshunov Mining Plant was consumed within the group compared to 9M2016.

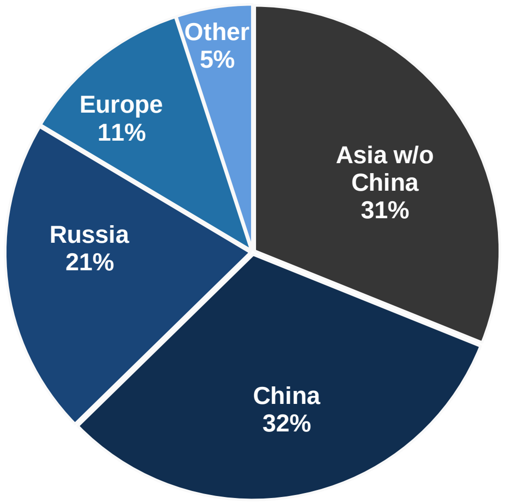
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln



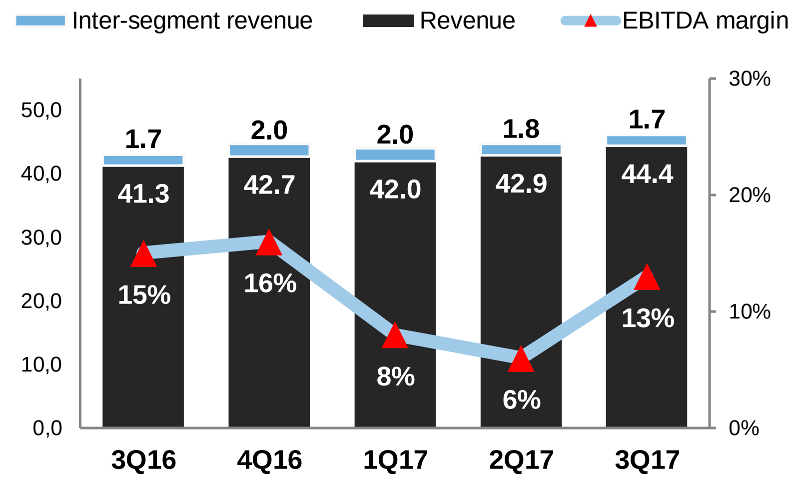
Revenue breakdown by regions (9M 2017)



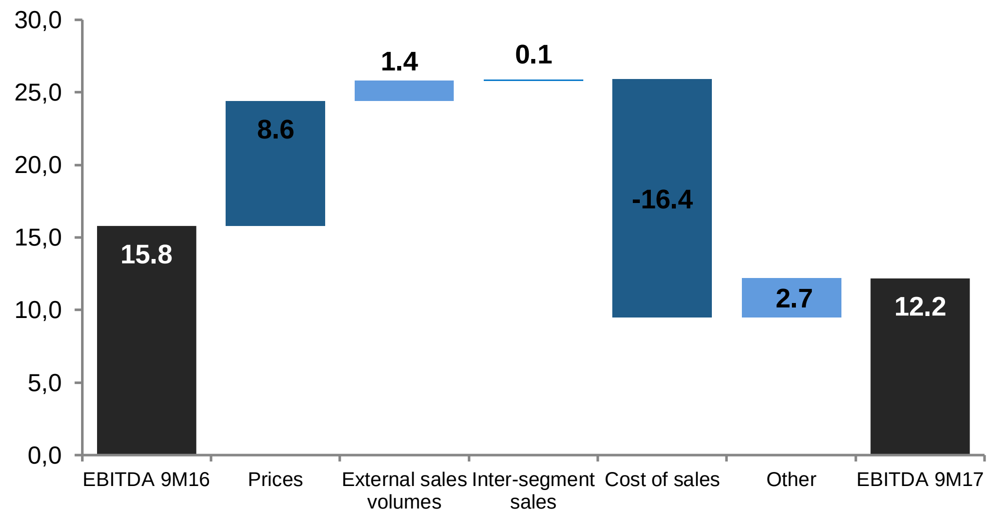
Steel segment

- Domestic Russian and CIS markets are most important for our steel division sales with their share amounting to 84% of segment revenue.
- Better pricing environment and product mix improvements (increased share of high value-added products) had a positive impact on 9M2017 EBITDA but it was offset by higher costs.
- Increase of costs were primarily a result of higher raw materials prices as average iron ore and coal prices increased significantly comparing to 9M2016.
- After profitability decline in 1Q and 2Q2017, in 3Q2017 EBITDA margin restored to healthy 13% on better market conditions and lower costs compared to the first half of the year.

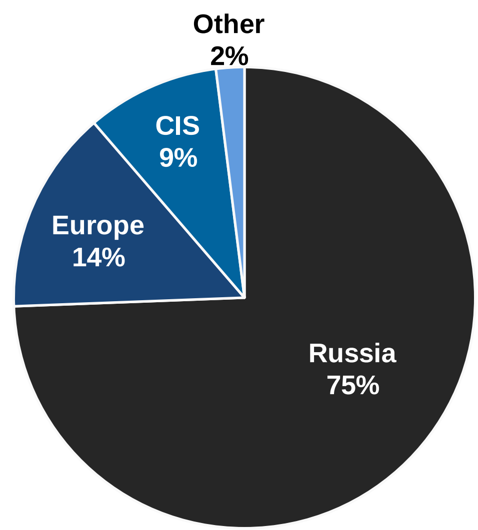
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln

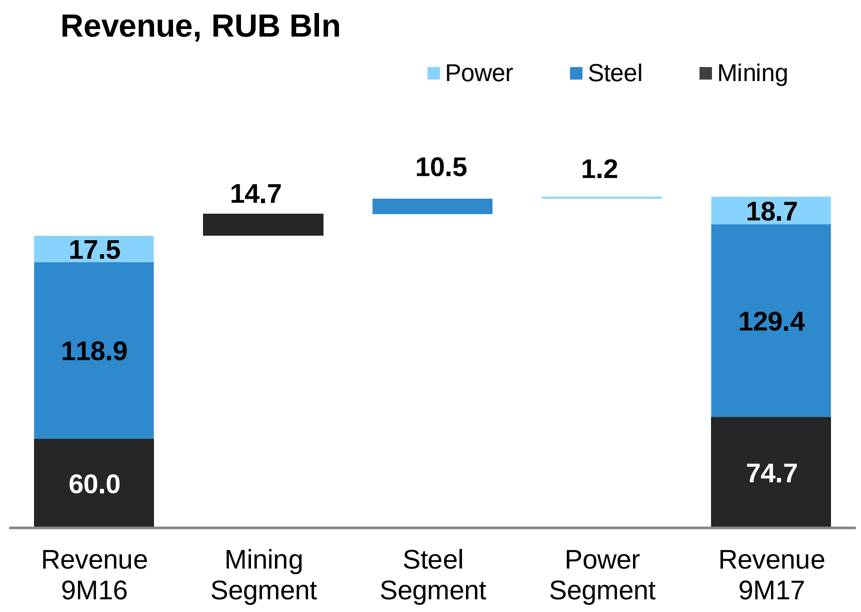


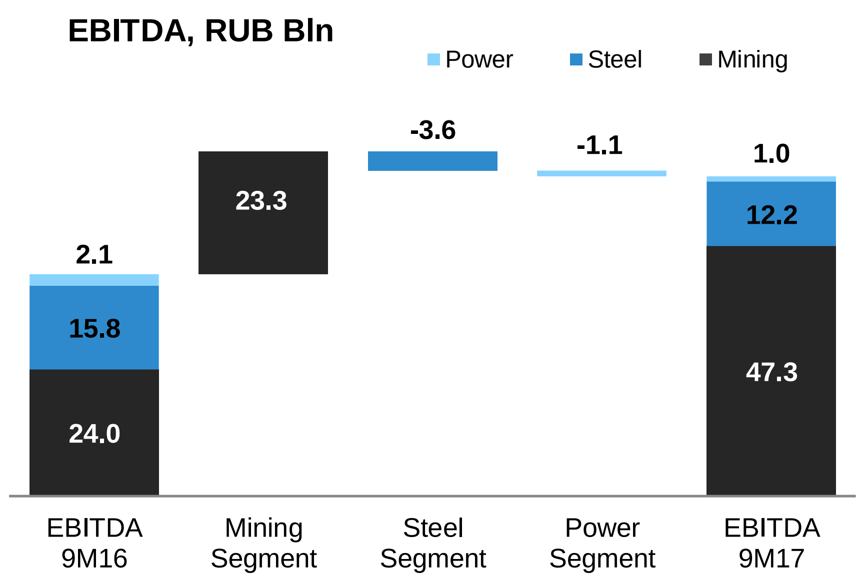
Revenue breakdown by regions (9M 2017)



Consolidated revenue and EBITDA dynamics

- Mining segment Revenue to 3rd parties in 9M2017 increased by 24%, compared to 9M2016 on higher coal prices but their effect was partially offset by lower sales volumes.
- Steel segment Revenue demonstrated a 9% growth on higher prices and increased share of rails, beams, flat steel and other high-value added products compared to 9M2016.
- Power segment Revenue to 3rd parties increased by 7% due to tariffs growth compared to 9M2016.
- Mining segment EBITDA increased by 97%. Two-fold increase compared to 9M2016 was due to high coal prices and amounted to 47.3 bln RUB.
- Steel segment EBITDA lost 23% on higher costs arising from high raw materials prices and amounted to 12.2 bln RUB.
- Power segment EBITDA decreased by 53% and amounted to 1.0 bln RUB.

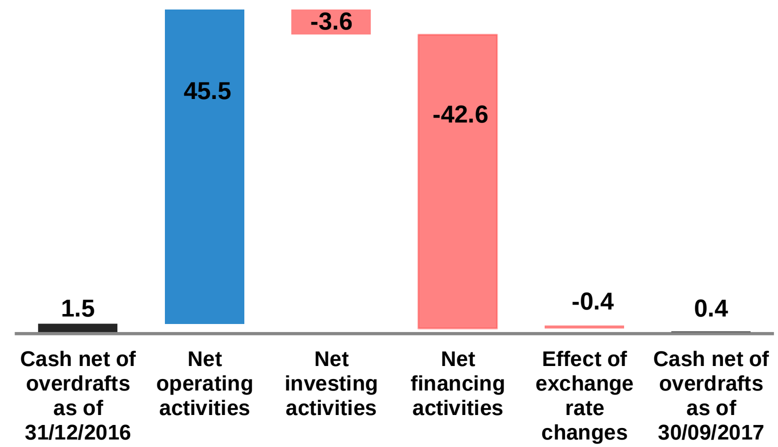




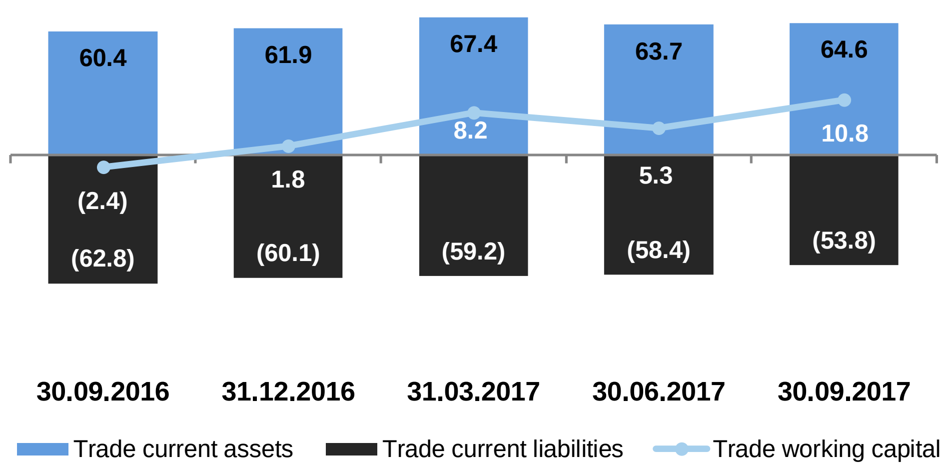
Cash flow & trade working capital

- Cash flow from operations covers to a large extent Group's current expenses, including debt service and partial amortization of debt.
- In 3Q2017 we invested 5.5 bln RUB into a working capital.
- Group’s capital expenditures decreased from 3.1 bln RUB in 2Q2017 to 2.3 bln RUB in 3Q2017, including 0.7 bln RUB of lease payments.

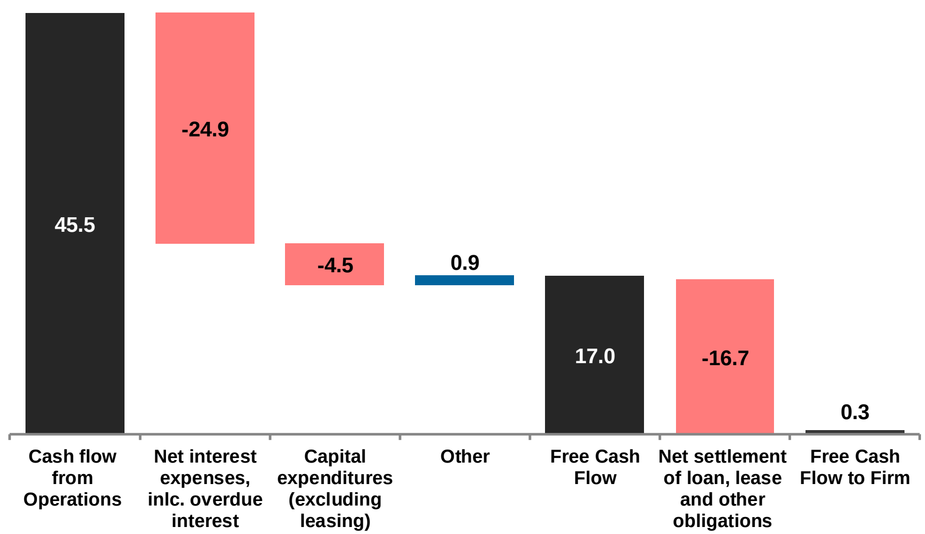
CASH FLOW, RUB Bln



Trade working capital management, RUB Bln



FREE CASH FLOW for 9M 2017, RUB Bln



Key projects results

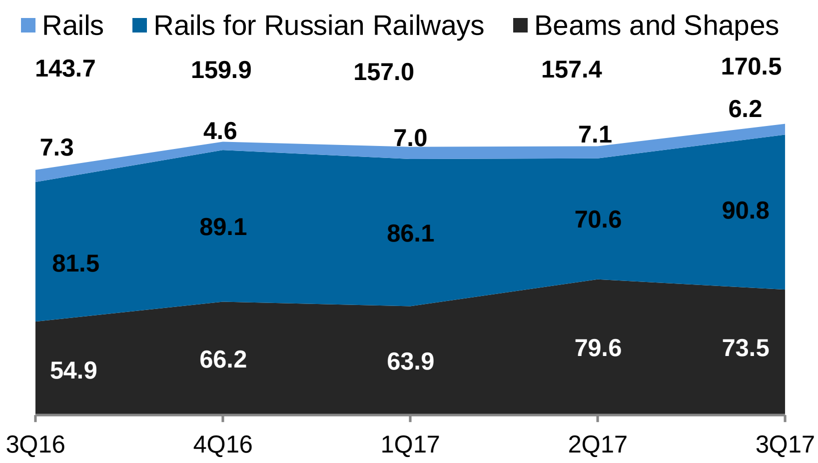
Universal rolling mill on Chelyabinsk metallurgical plant

- From January 2016 Mechel supplies rails to Russian Railways.
- As a result of Universal rolling mill's steady ramp up, its capacity utilization in 2016 reached almost 50% and in 9M2017 it already exceeds 65%, achieving 80% at certain months.
- Total production volume during 9M2017 amounted over 480 th tonns, an increase of 35% compared to 9M2016.
- In October total production volume of rails since the launch of operations exceeded 680 th tonns.
- New types of rails production (for use at European railways) have already been adopted at the plant and passed certification for conformity with European railroad standards.

Universal rolling mill production (th tonnes)

Product	9M17	9M16	%	3Q17	2Q17	%
Rails, beams and shapes	484	357	+35	170	156	+9

Universal rolling mill Production in 3Q 2016 – 3Q 2017 (th tonnes)



Elga coal project development

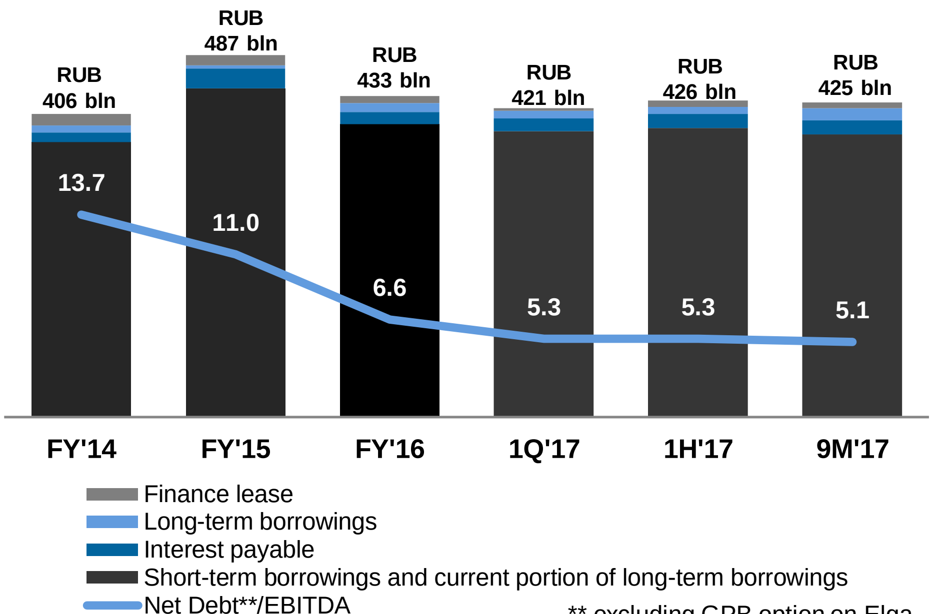
- Production plan for 2017 is 4.5 mln tonnes of coal.
- In 9M2017 share of coking coal in total mining volumes amounted to 81%.

Elga Coal Complex (th tonnes)

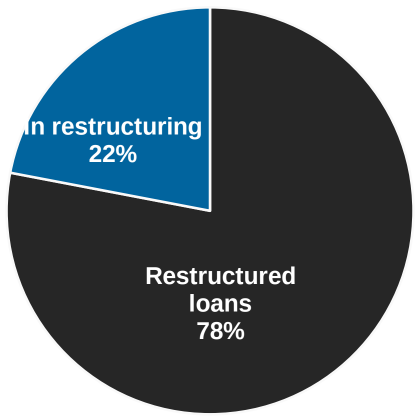
Product	9M17	9M16	%	3Q17	2Q17	%
Run-of-mine coal	3,049	2,884	+6	1,116	1,097	+2

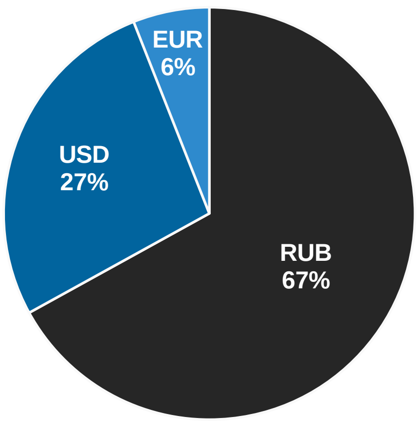
Debt structure & net debt / EBITDA ratio dynamics

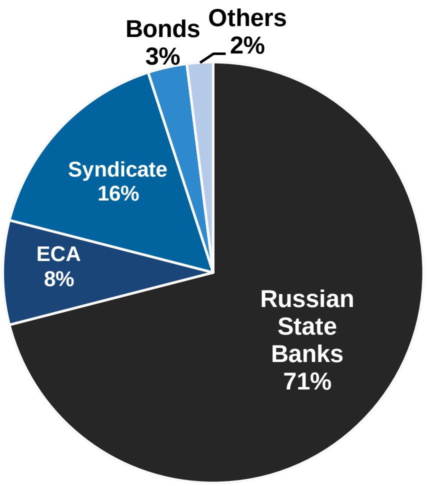
- As of the date of financial release – portion of restructured debt has increased to 78%; ruble portion of debt amounts to 67%; and Russian state banks hold 71% of our debt portfolio.
- New repayment schedules with Russian state banks came into force in the middle of April 2017, which assumes a grace period until 1Q-2Q20 and equal monthly repayment until 2Q22.
- Net leverage decreased to a level of 5.1 on EBITDA growth and stable debt.
- Average interest rate through the debt portfolio as of November 2017 is 9% per annum and it trends to lower levels as most Ruble denominated loans rate is linked to Central bank key interest rate; average paid interest rate (with PIC) amounts to 7.9% per annum.
- In 9M2017 Group repaid 11.6 bln RUB of debt.



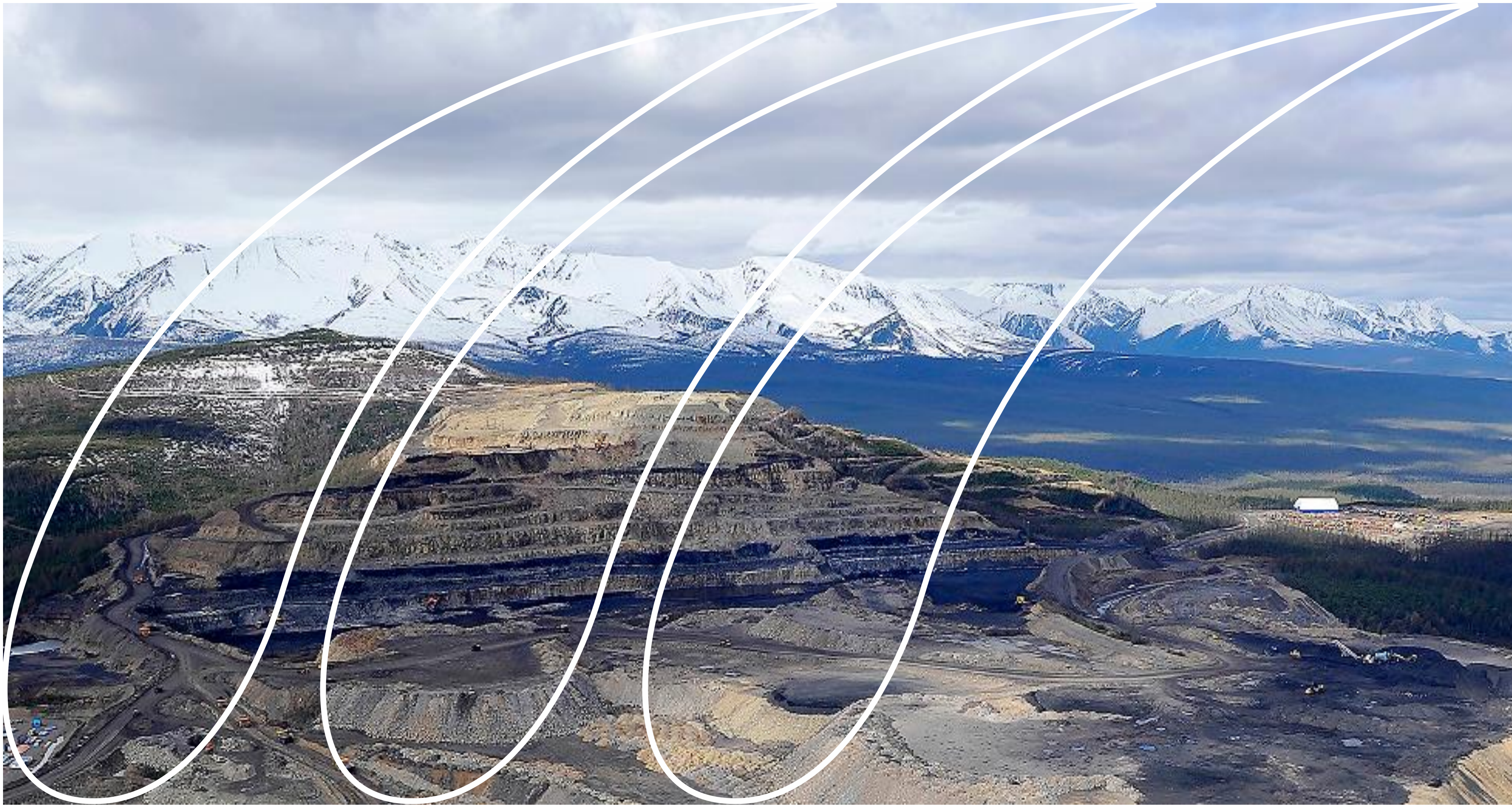
** excluding GPB option on Elga





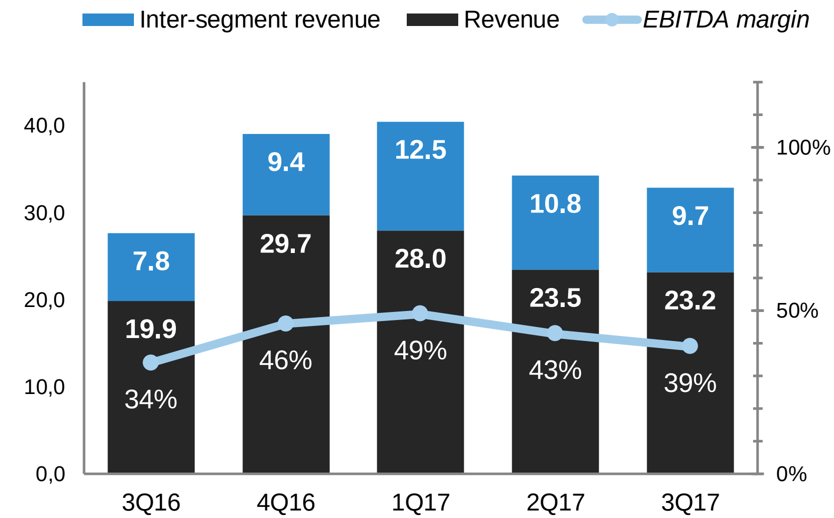


APPENDIX

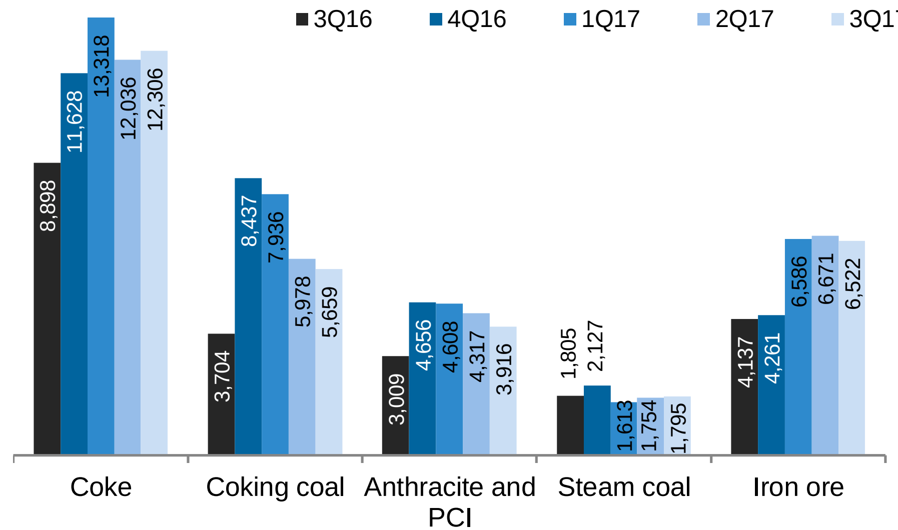


Mining segment

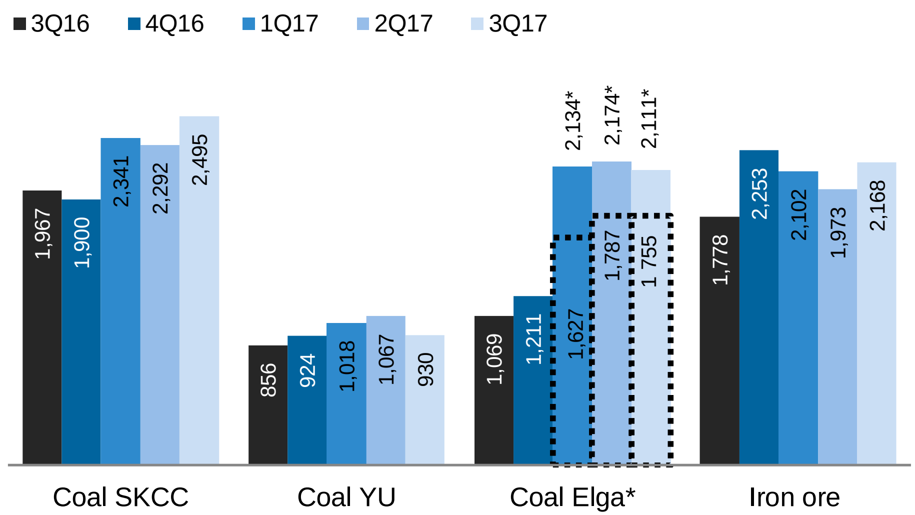
Revenue, EBITDA margin, RUB Bln



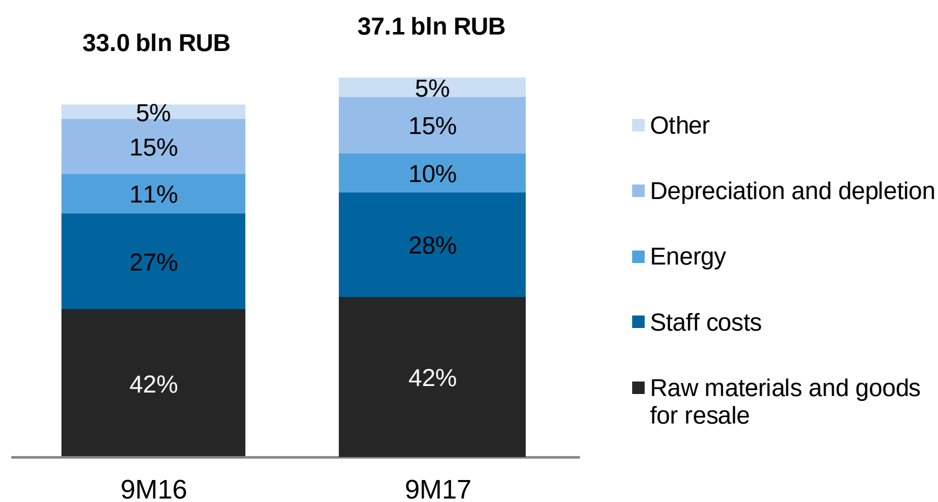
Average sales prices FCA, RUB/tonne



Cash costs, RUB/tonne



COS structure

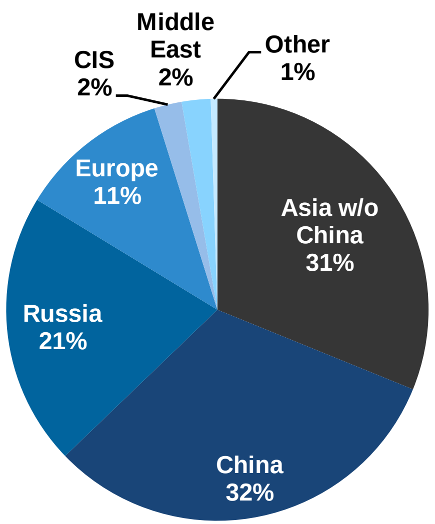


Coking coal concentrate produced on Elga

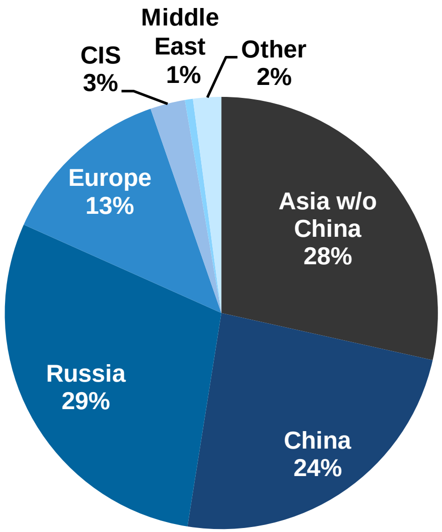
* Coking coal concentrate produced on Elga and Southern Kuzbass Coal Company washing facilities

Mining segment

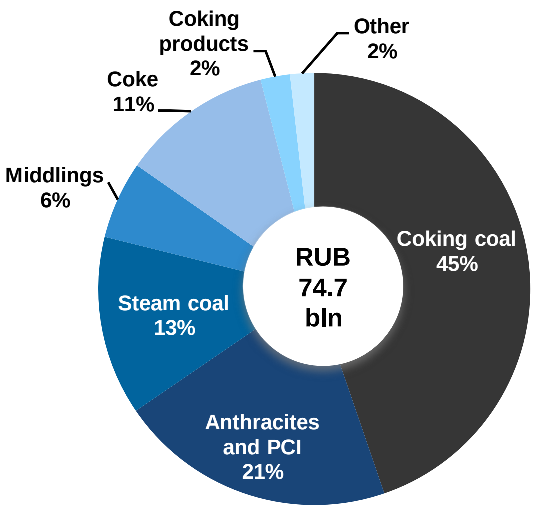
Revenue breakdown by regions 9M 2017



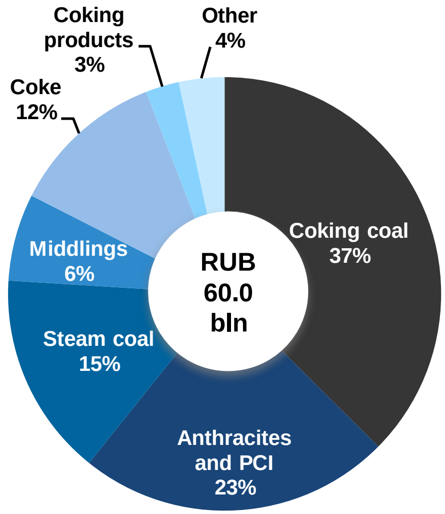
Revenue breakdown by regions 9M 2016



Revenue breakdown by products 9M 2017

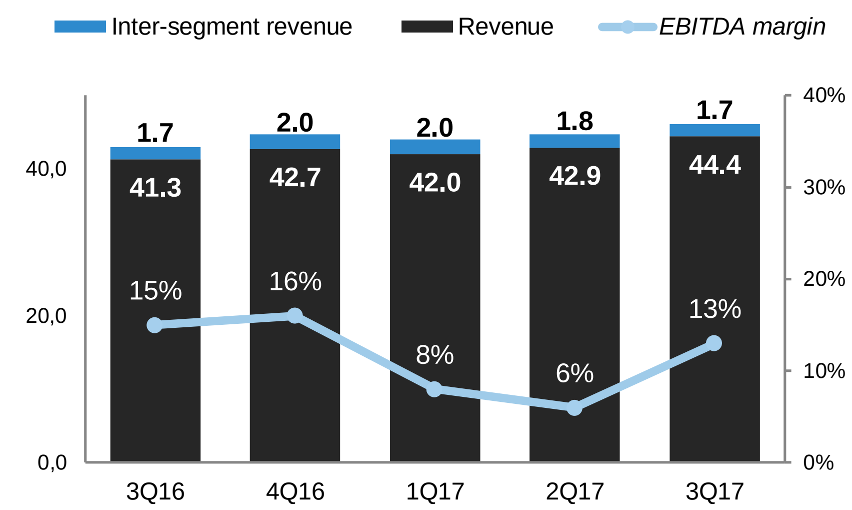


Revenue breakdown by products 9M 2016

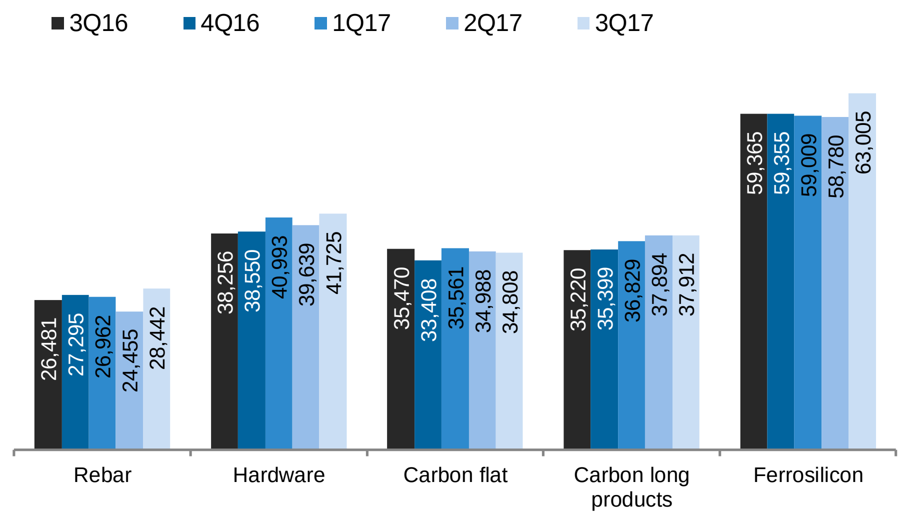


Steel segment

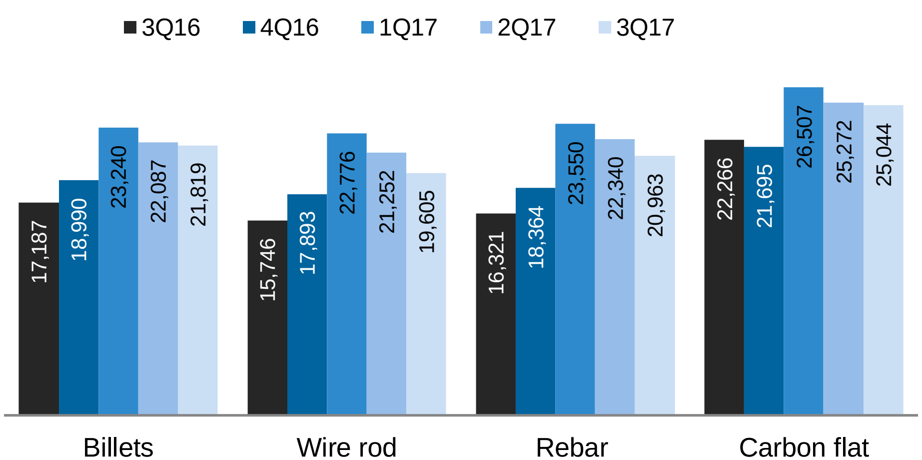
Revenue, EBITDA margin, RUB Bln



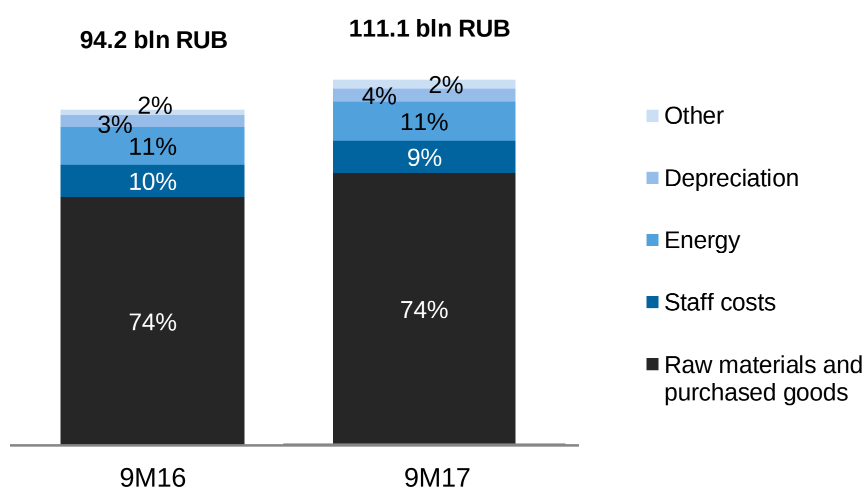
Average sales prices FCA, RUB/tonne



Cash costs, RUB/tonne

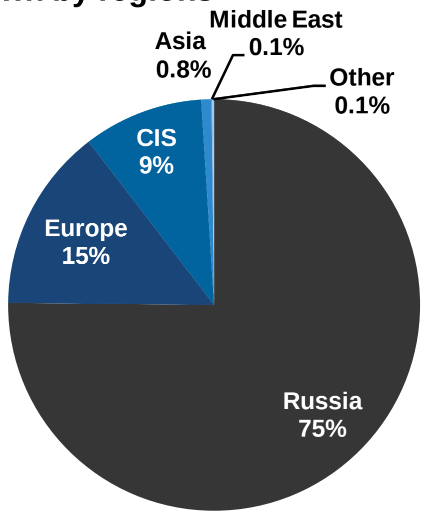


COS structure

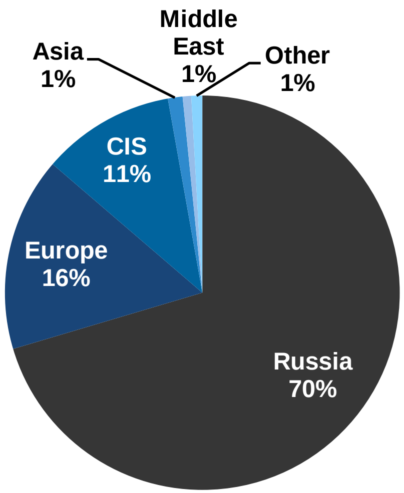


Steel segment

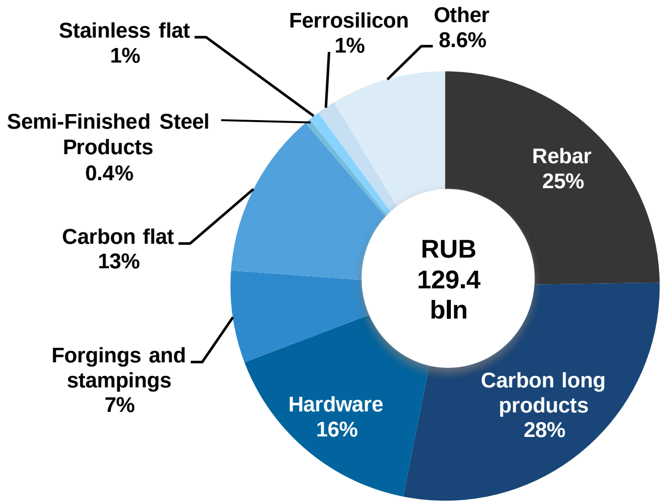
Revenue breakdown by regions
9M 2017



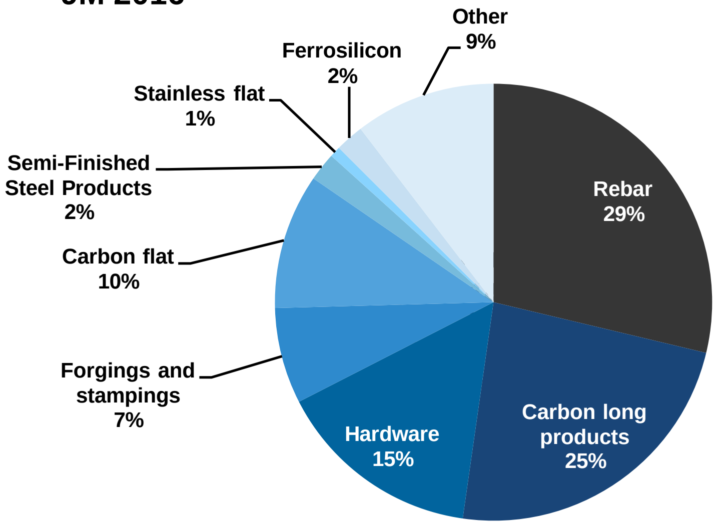
Revenue breakdown by regions
9M 2016



Revenue breakdown by products
9M 2017



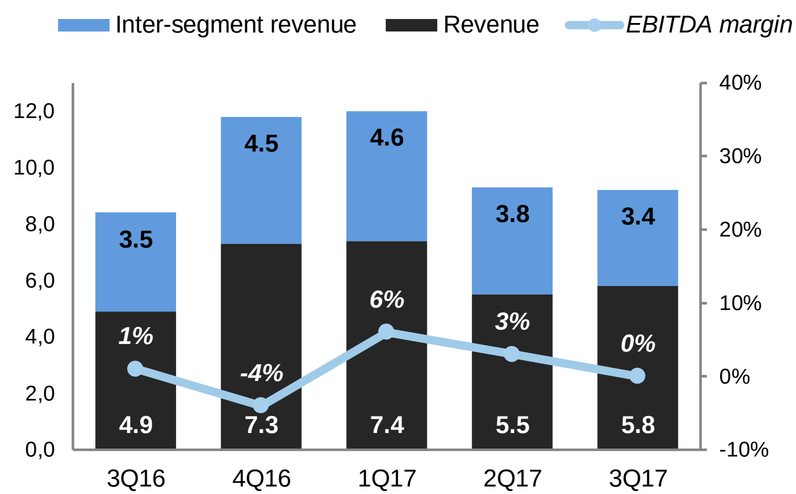
Revenue breakdown by products
9M 2016



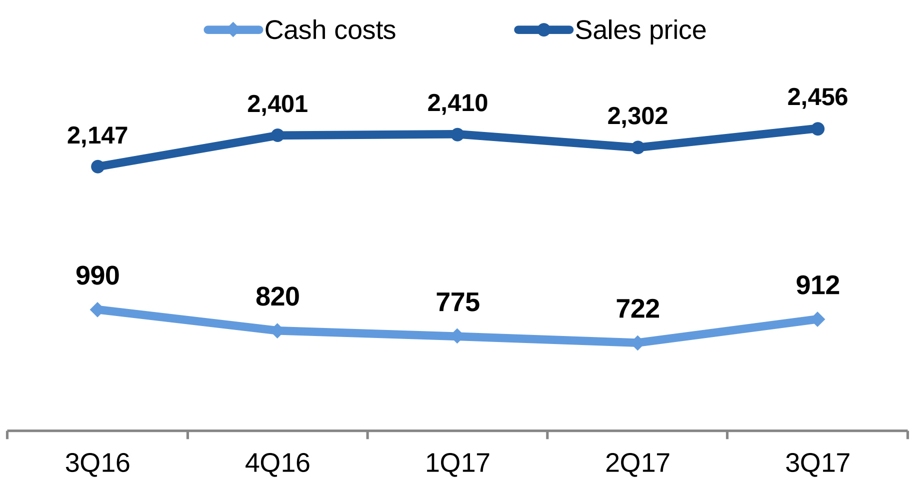
Power segment

- Revenue for the 9M2017 slightly increased on tariffs growth.
- 9M2017 EBITDA decreased on higher tariffs on electricity for resale.

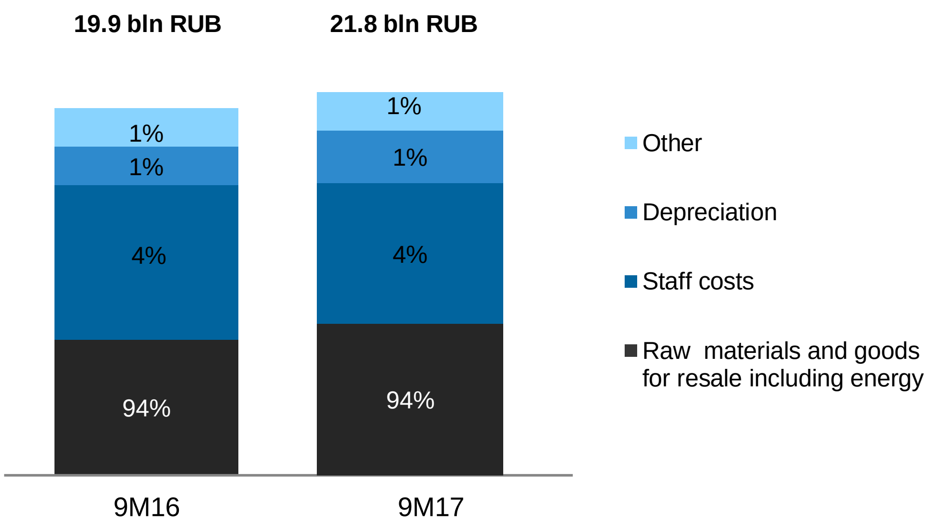
Revenue, EBITDA margin, RUB Bln



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



COS structure



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