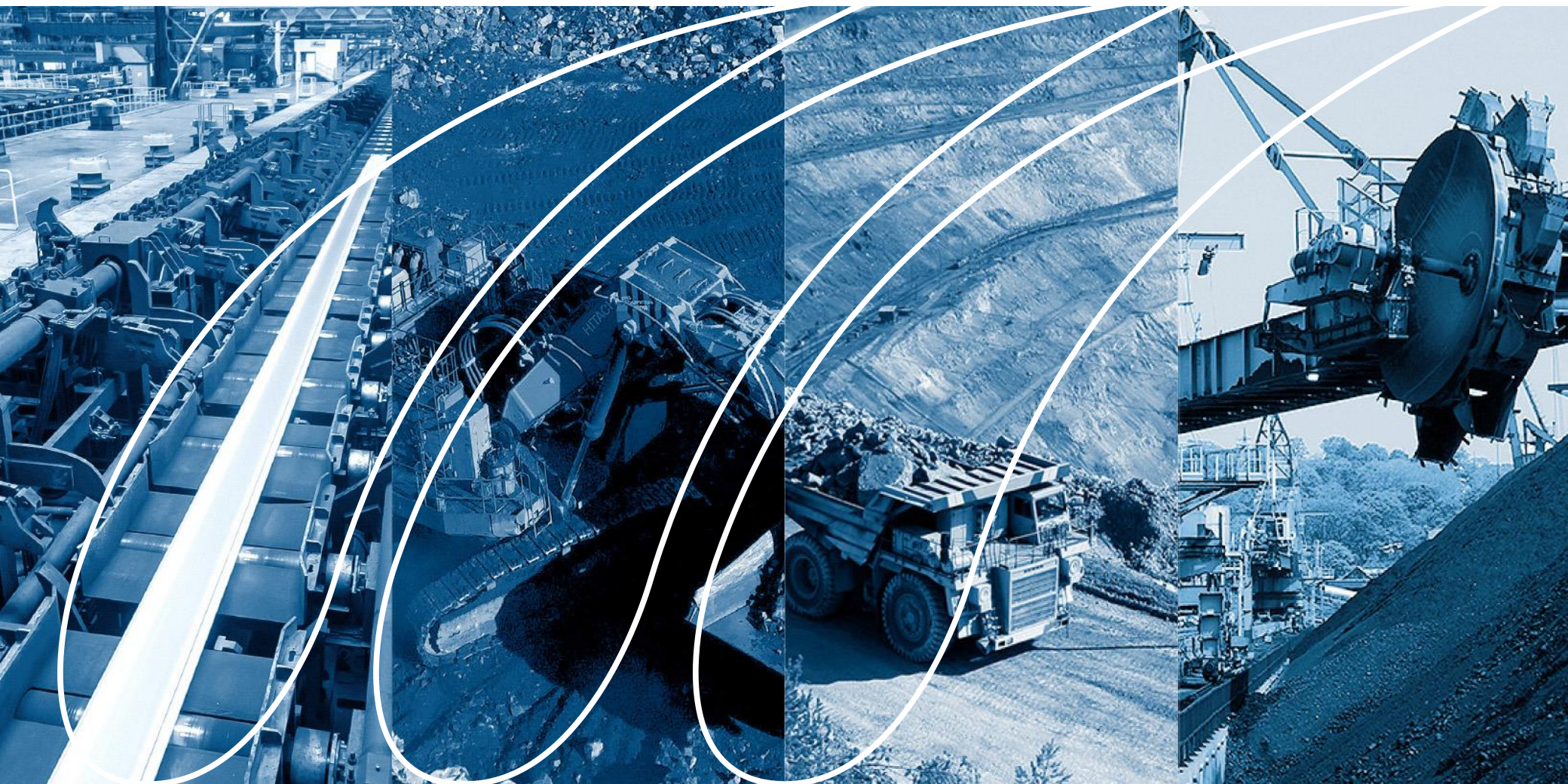


2Q 2020 RESULTS PRESENTATION



August 19, 2020



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KEY FINANCIAL RESULTS

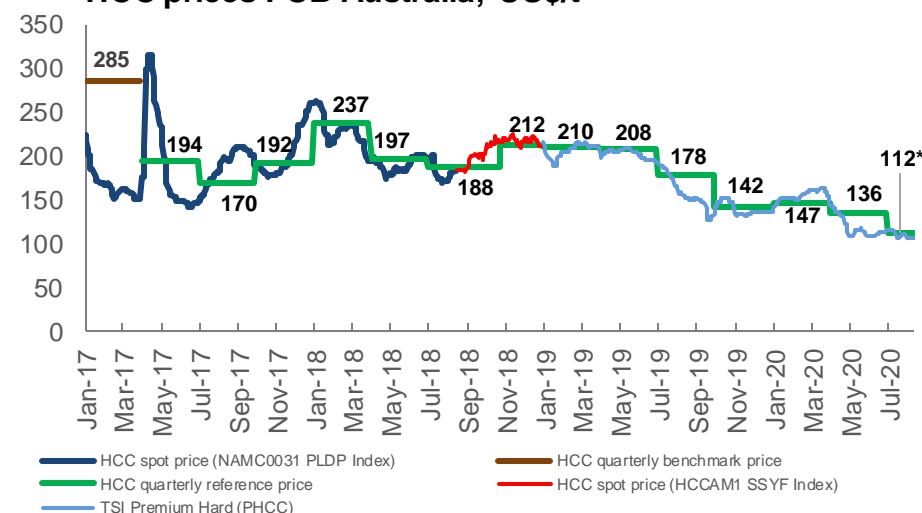
Nelli R. Galeeva – Chief Financial Officer



Key market drivers

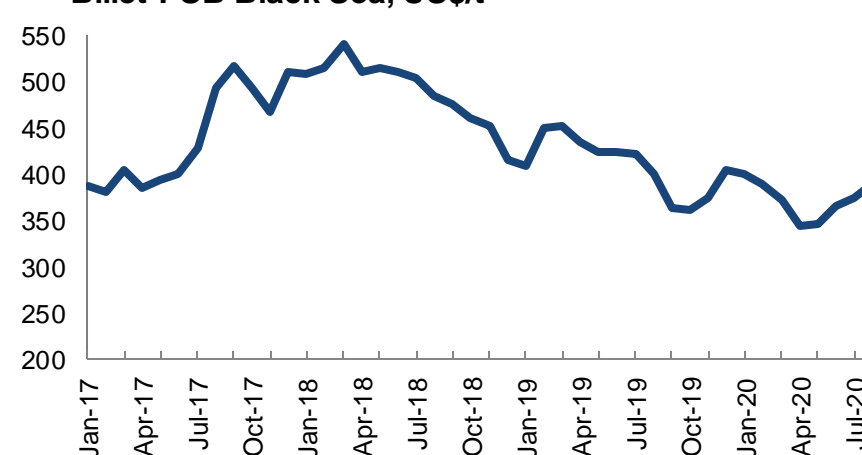
- In 2Q2020 coking coal prices demonstrated significant decline compared to 1Q2020. Prices were under pressure of the volumes rejected by Indian customers after COVID-19 pandemic restrictions tightening. In May coal oversupply remained as deliveries to China from Australia and Mongolia increased. Later Chinese Government imposed additional restrictions in regard to coal imports customs processing. As a result average spot price for Premium LV HCC in 2Q2020 amounted to \$118 per tonne that was a 24% lower than in 1Q2020.
- In 3Q2020 coal prices remained under pressure of oversupply as most Chinese customers were out of import quotes and Indian demand remained weak. Average coal spot price in 3Q2020 may show further decline compared to 2Q2020.
- Russian Coal market contracting is performed on a quarter basis, April price level remained stable through the 2Q2020. In 3Q2020 local coal prices declined following seaborne coal prices weakness. Market recovery in Asia may take place in 2H2020, recovery of the European coal market is highly questionable in the short run.
- In 2Q2020 iron ore prices in China advanced, reaching in mid-May the highest point since the beginning of the year. It was a result of final products market strengthening due to construction sector and infrastructure projects recovery in China at a time of limited supply due to unfavorable weather conditions and production suspensions at some of Vale mining assets in Brazil.
- In 2Q2020 amid limitations related to COVID-19 pandemics led to scrap collection decrease that prevented billet prices from significant decline. In April the market witnessed prices downward trend on a weaker demand. After quarantine restrictions in China were lifted the Chinese government performed additional liquidity inflows to the economy to stimulate construction sector activity. It triggered intensive purchases of finished and semi-finished steel products imports that led to billet prices growth. As a result average square billet price in 2Q2020 declined by 9.1% compared to 1Q2020.
- In 3Q2020 scrap deficit remains in place. Chinese customers are still active on the market buying billets from CIS, India, Vietnam and Brazil. That led to billet price growth. MENA-region also demonstrates demand growth. In light of this significant fluctuations of prices are not expected and average square billet prices in 3Q2020 may demonstrate growth compared to 2Q2020.

HCC prices FOB Australia, US\$/t



Source: Bloomberg
* Current situation

Billet FOB Black Sea, US\$/t



Source: Metal Courier

2Q 2020 Financial results summary



- Consolidated Revenue in 2Q2020 amounted to 64.5 bln RUB, a decrease of 4% compared to 1Q2020. This was a result of Steel and Power segments Revenue decline on 3%-lower steel products sales tonnage-wise and seasonal weakness in heat and power sales volumes.
- 2Q2020 EBITDA* went down by 33% compared to 1Q2020 and amounted to 8.9 bln RUB with EBITDA margin 14%.
- Profit attributable to equity shareholders of Mechel PAO in 2Q2020 amounted to 47.1 bln RUB, compared to loss amounted to 36.9 bln RUB in 1Q2020. Gain on sale of Elga coal complex companies was the major factor of positive dynamics.

RUB mln	2Q' 20	1Q' 20	%	1H 20	1H 19	%
Revenue	64,536	67,237	-4%	131,773	148,456	-11%
Operating (loss) / profit	(2,260)	7,930	-128%	5,670	22,391	-75%
EBITDA*	8,852	13,161	-33%	22,013	30,935	-29%
EBITDA margin, %	14%	20%		17%	21%	
Profit / (loss) attributable to equity shareholders of Mechel PAO	47,074	(36,878)	-	10,196	12,745	-20%

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

2Q 2020 Production and sales summary



- In 2Q2020 coal mining volumes increased by 7% compared to 1Q2020 on higher production at Yakutugol and almost stable results of Southern Kuzbass Q-on-Q.
- Pig iron and steel production increased by 5% and 6% respectively Q-on-Q after blast furnace #4 and converter #1 at Chelyabinsk Metallurgical Plant were put into operation in March 2020 after reconstruction.
- Coking coal sales to third parties in 2Q2020 increased by 14% compared to 1Q2020.
- Other met coal (PCI and anthracites) sales were higher by 13% Q-on-Q. Steam coal sales (including middlings) grew in 2Q2020 by 11% Q-on-Q.
- All coal products sales dynamics was a result of overall coal mining and processing volumes increase Q-on-Q.
- Flat products sales decreased by 12% Q-on-Q which was partly a result of weaker demand from machine-building plants on COVID-19 restrictions.
- Long products sales remained flat Q-on-Q.

Production (th tonnes)

Product	2Q' 20	1Q' 20	%	1H 20	1H 19	%
Run-of-mine Coal*	4,578	4,279	+7	8,857	6,098	+45
Pig Iron	912	872	+5	1,783	1,737	+3
Steel	926	876	+6	1,803	1,861	-3

*Excluding the volume of the Elga coal complex.

Sales (th tonnes)

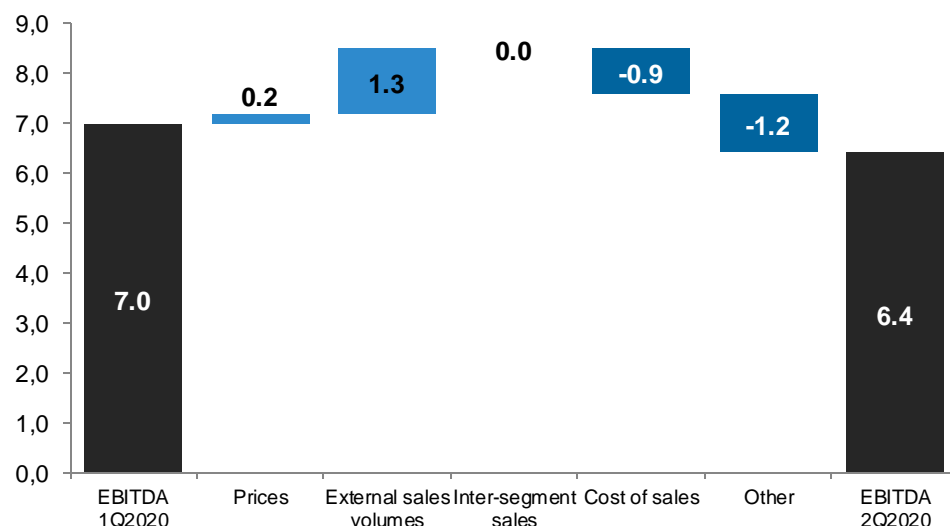
Product	2Q' 20	1Q' 20	%	1H 20	1H 19	%
Coking Coal	1,628	1,424	+14	3,052	2,957	+3
Steam Coal*	975	882	+11	1,857	1,594	+17
Flat Products	109	124	-12	233	229	+2
Long Products	647	648	0	1,295	1,262	+3

*Excluding the volume of the Elga coal complex.

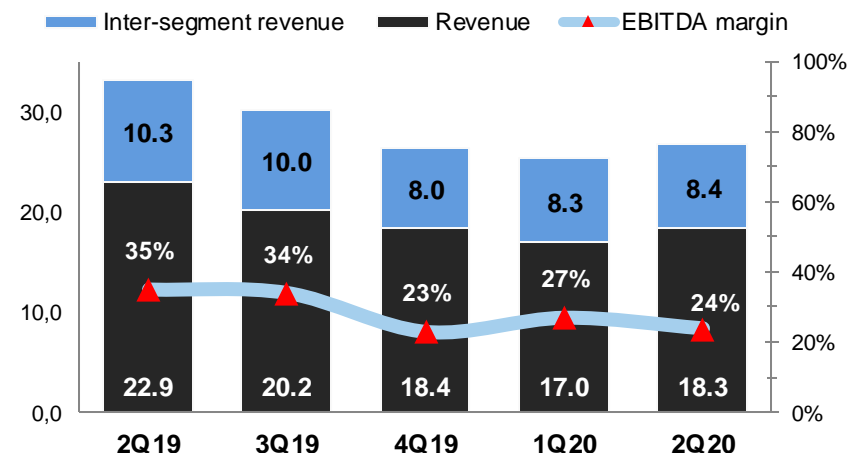
Mining segment

- Changes in the regional sales structure of the Mining segment were driven by the overall increase in production and sales volumes, as well as by the reallocation of volumes in line with the demand of contractors. Share of local sales declined from 26% to 20% Q-on-Q. Share of Europe decreased from 16% to 9% and Middle East share - from 7% to 5%. At the same time share of sales to Asia (without China) increased from 40% to 44% and sales to China comprised 20% after 10% in 1Q2020.
- Increase of sales volumes resulted in 8% Mining segment revenue growth Q-on-Q but sales structure change and growth of export sales share led to profitability decrease that resulted in 8% EBITDA decline Q-on-Q.
- Despite overall coal market weakening in 2Q2020 our average sales prices remained stable Q-on-Q due to quarterly contract pricing in Russia and average ruble to USD exchange rate increase.

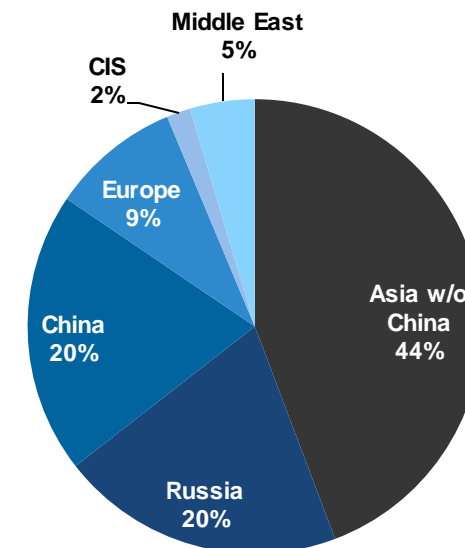
EBITDA, RUB Bln



Revenue, EBITDA margin, RUB Bln



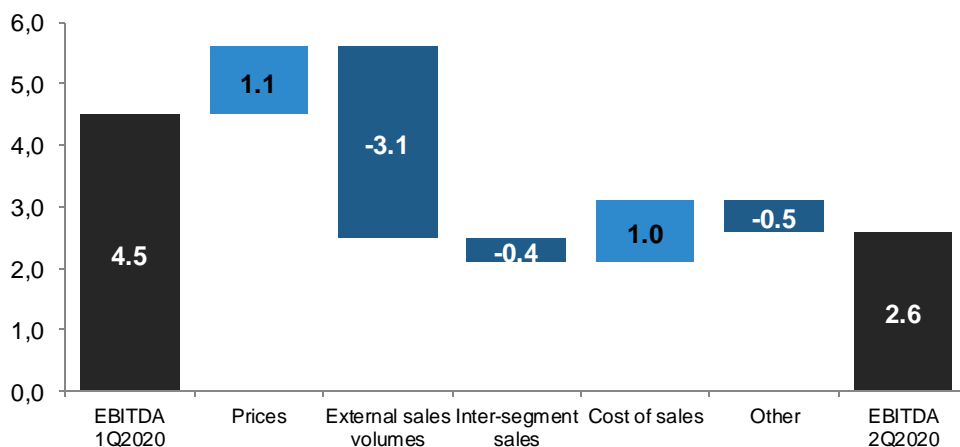
Revenue breakdown by regions (2Q 2020)



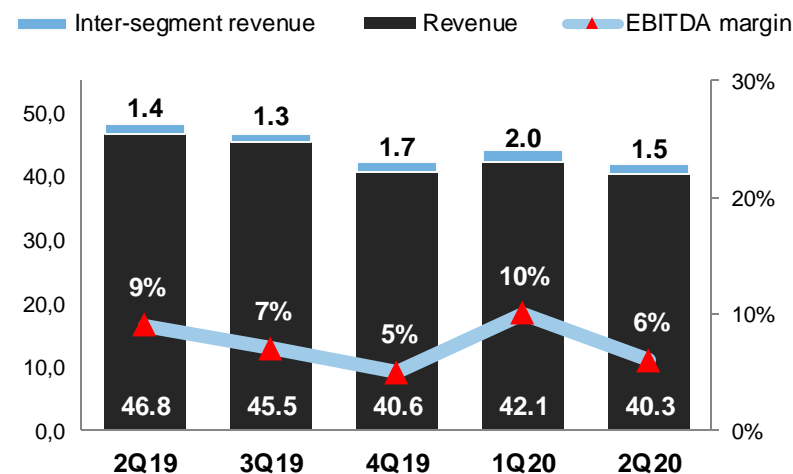
Steel segment

- In 2Q2020 Revenue decreased by 4% compared to 1Q2020 due to 3% decline of overall steel products sale tonnage-wise.
- EBITDA in 2Q2020 went down by 43% compared to 1Q2020 on lower sales of high value-added products such as rails, flat steel and railroad axles.
- Segment's EBITDA margin declined Q-on-Q from 10% to 6%.

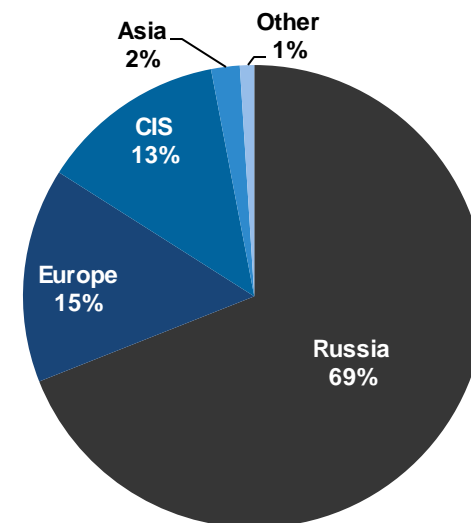
EBITDA, RUB Bln



Revenue, EBITDA margin, RUB Bln



Revenue breakdown by regions (2Q 2020)

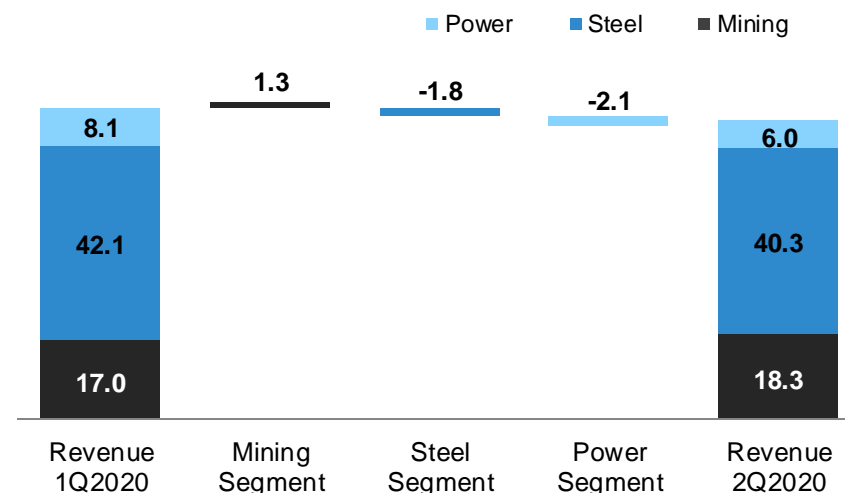


Consolidated revenue and segment EBITDA dynamics

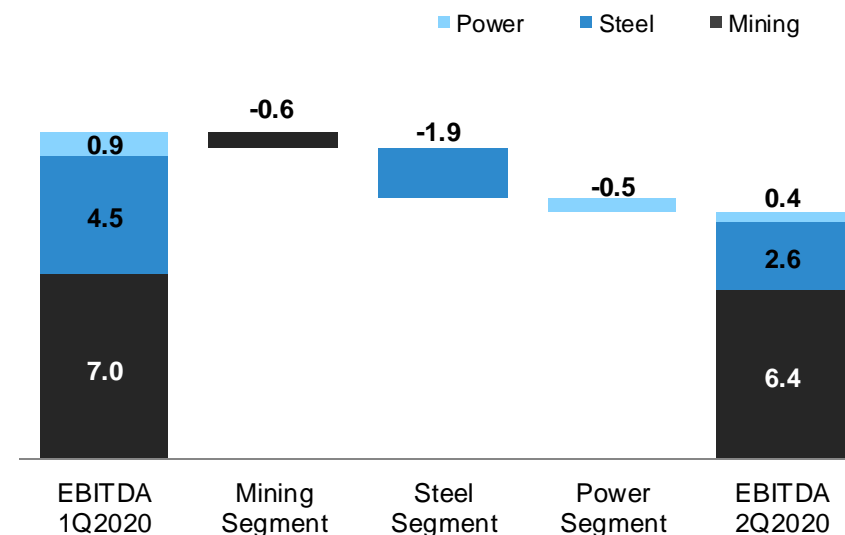
- Mining segment Revenue to 3rd parties in 2Q2020 increased by 8% compared to 1Q2020. This was a result of increased sales of all types of metallurgical coals, middlings as well as iron ore concentrate. In the reporting period, the pricing environment generally maintained at a favorable level for the company.
- Steel segment Revenue to 3rd parties in 2Q2020 declined by 4% compared to 1Q2020 due to 3% decline of overall steel products sale tonnage-wise.
- As expected, Power segment Revenue to 3rd parties declined by 26% in 2Q2020 compared to 1Q2020 due to the end of the heating season and the period of increased energy consumption.

- Mining segment EBITDA went down by 8% in 2Q2020 compared to 1Q2020 and amounted to 6.4 bln RUB due to increased commercial and distribution costs as a result of export share in total shipments to third parties rising from 65% to 78%.
- Steel segment EBITDA decreased by 43% and amounted to 2.6 bln RUB compared to 1Q2020 influenced by decline in sales of high value-added products such as rails, flat steel and railway car axles.
- Power segment EBITDA dropped by 57% in 2Q2020 Q-on-Q and amounted to 387 mln RUB.

Revenue, RUB Bln



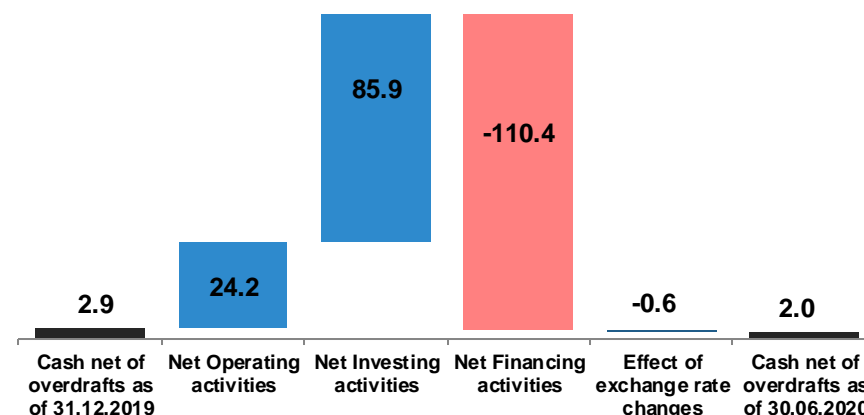
Segment EBITDA, RUB Bln



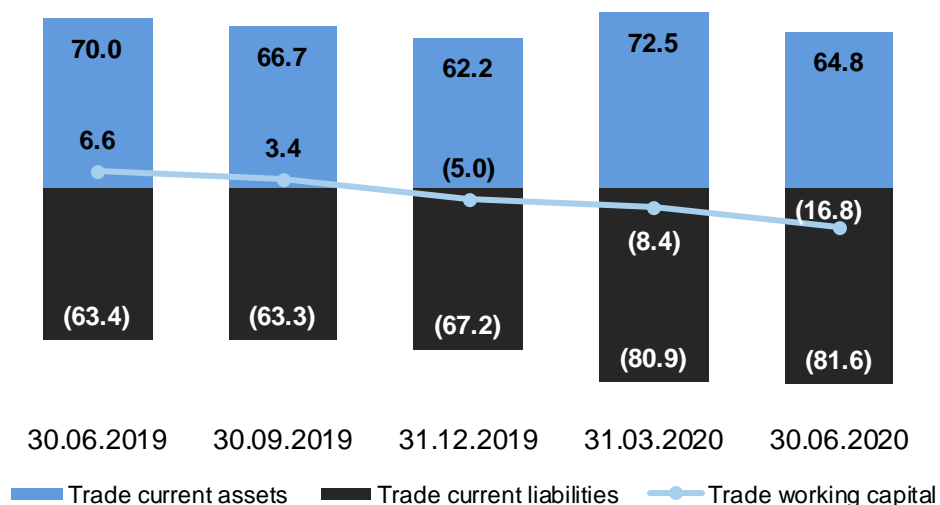
Cash flow & trade working capital

- Cash flow from operations covers Group's current expenses, including debt service and lease payments. Additional cash received from Elga sale in 2Q2020 was used to decrease debt.
- As of June 30, 2020, trade working capital was negative at -16.8 bln RUB.
- Group's capital expenditures in 1H2020 amounted to 4.3 bln RUB, including 0.8 bln RUB of lease payment.

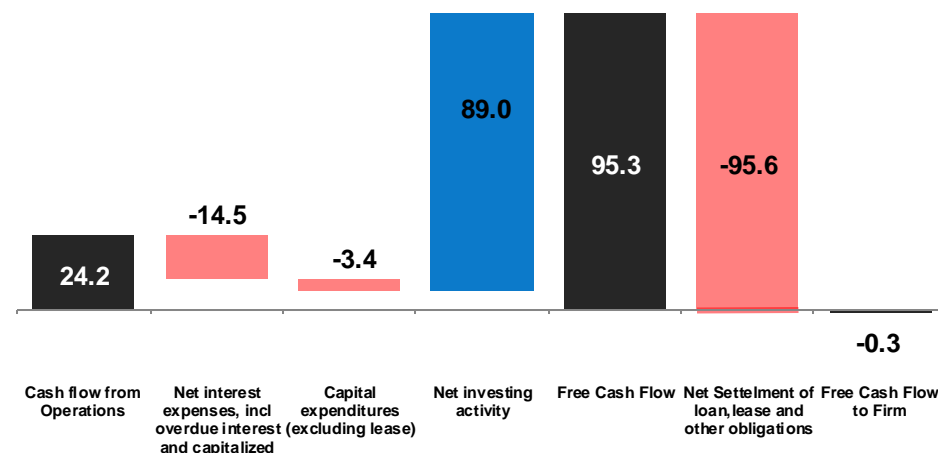
CASH FLOW, RUB Bln



Trade working capital management, RUB Bln

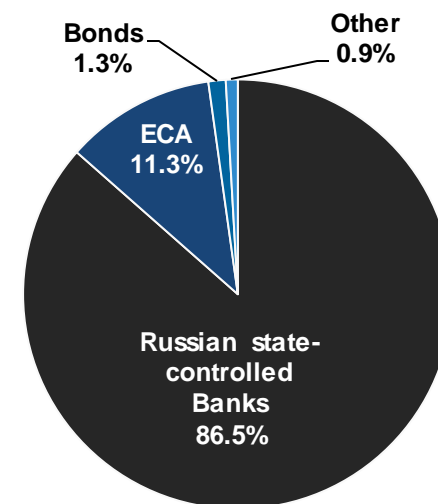
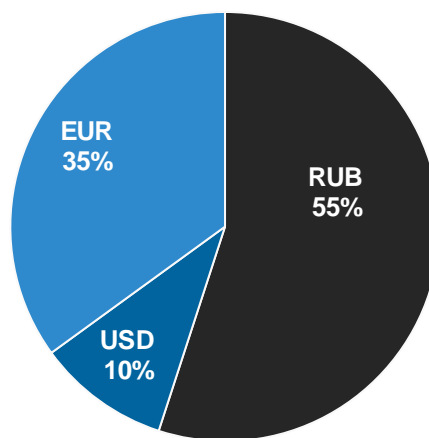
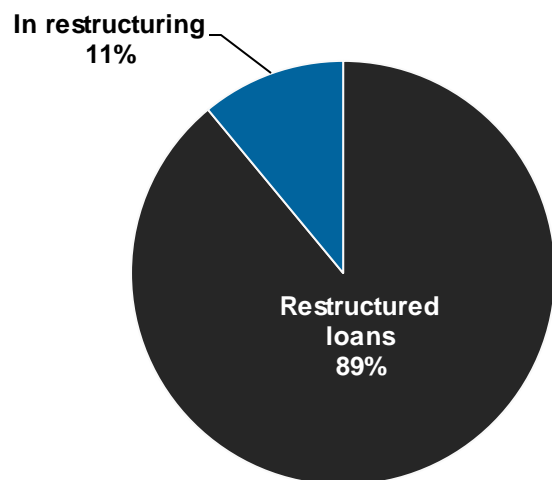
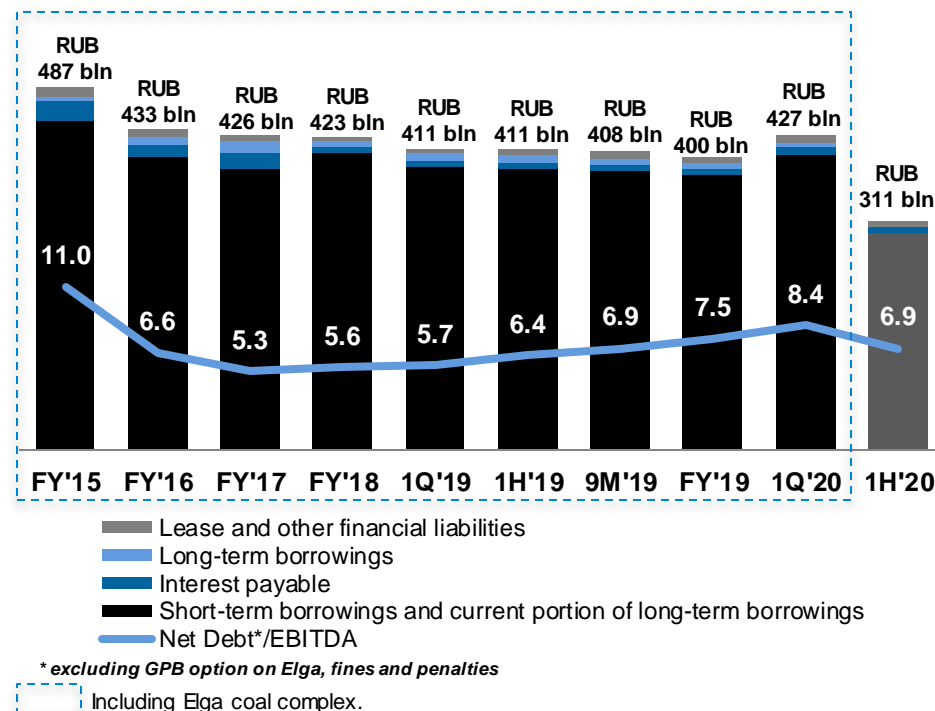


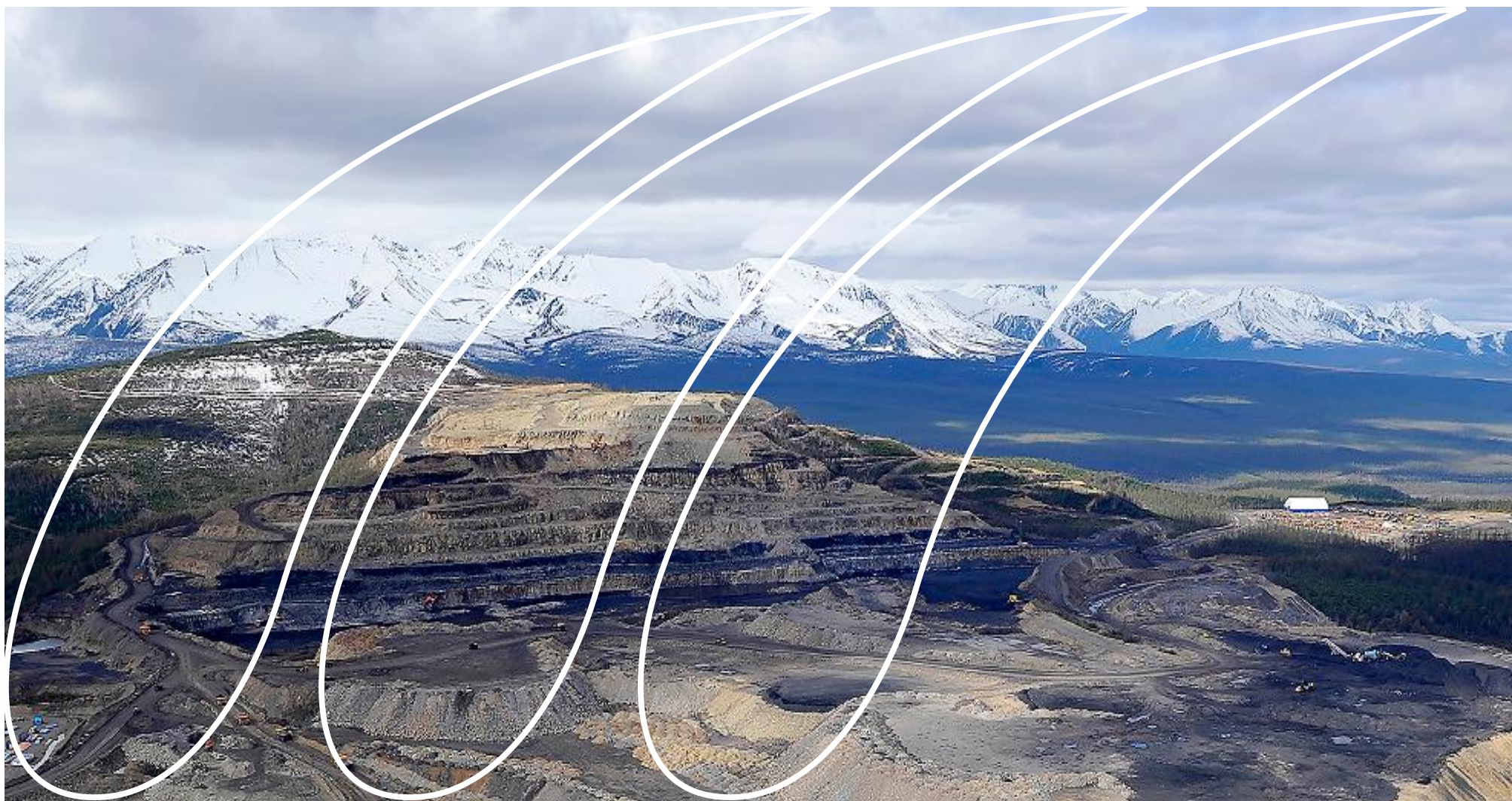
FREE CASH FLOW for 1H 2020, RUB Bln



Debt structure & net debt / EBITDA ratio dynamics

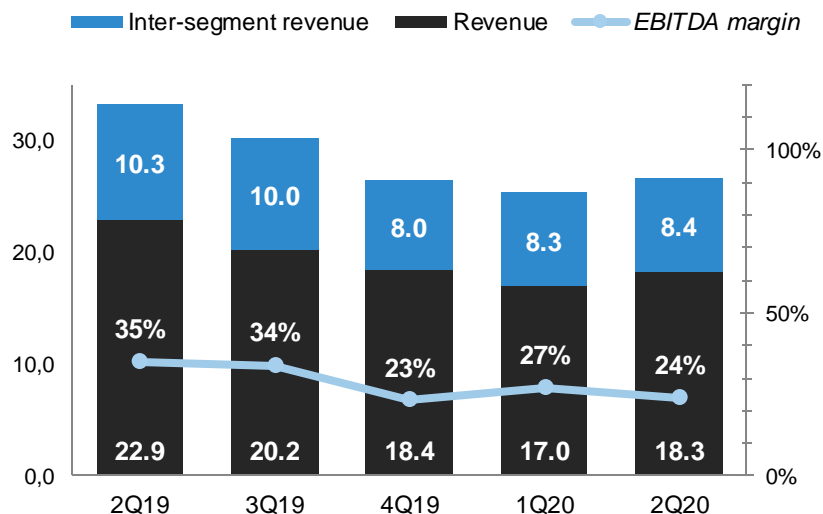
- Portion of restructured debt is at a level of 89%; ruble portion of debt amounts to 55%; and Russian state-controlled banks hold 86.5% of our debt portfolio.
- Net leverage went down to 6.9 on debt decrease after proceeds from Elga disposal were used to pay down VTB and Gazprombank credits.
- Average interest rate through the debt portfolio as of August 2020 is 5.6% per annum; average paid interest rate amounts to 5.4% per annum.
- In 2Q2020 Group repaid 89.7 bln RUB of debt principal.



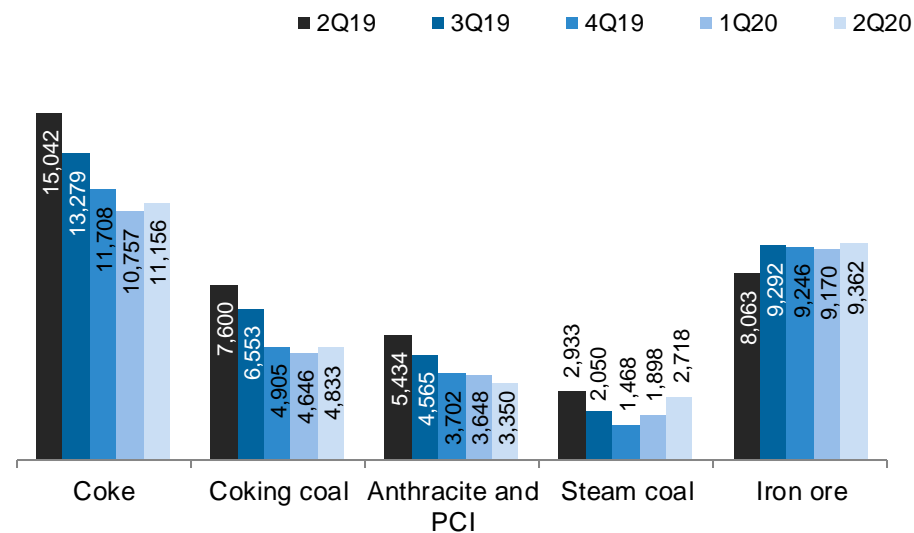


Mining segment

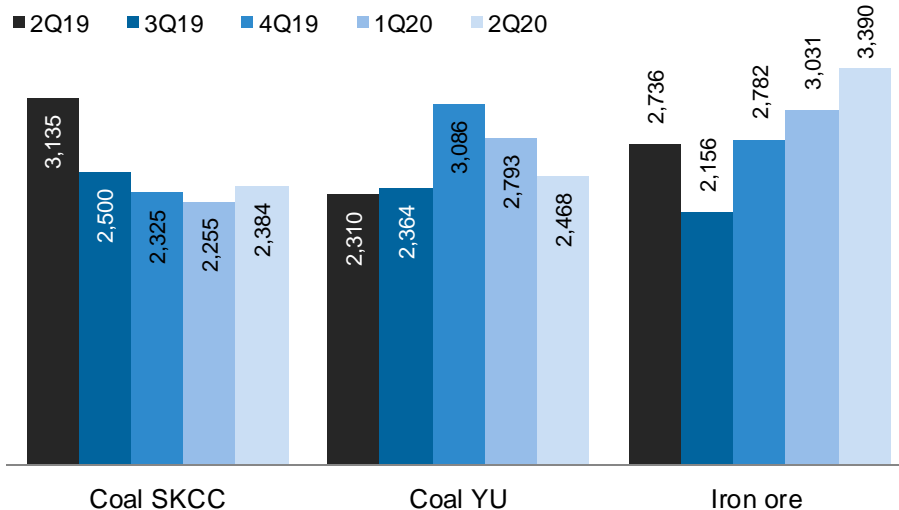
Revenue, EBITDA margin, RUB Bln



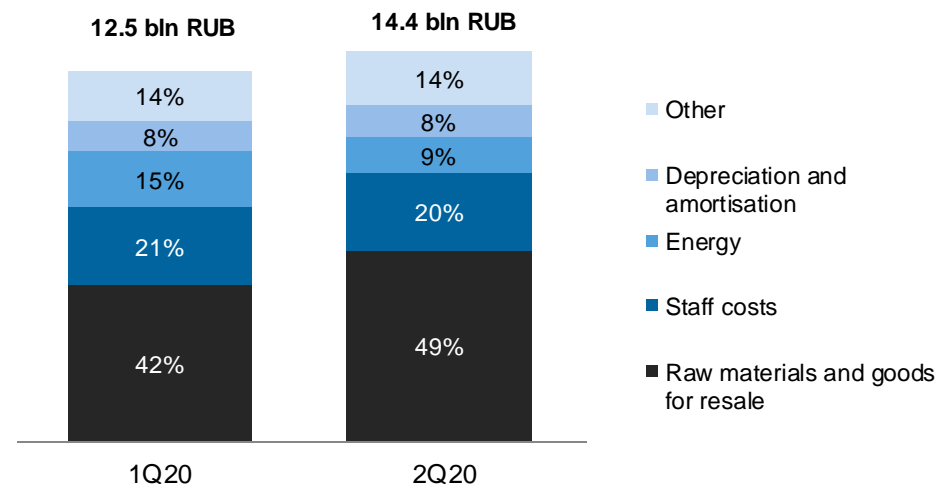
Average sales prices FCA, RUB/tonne



Cash costs, RUB/tonne

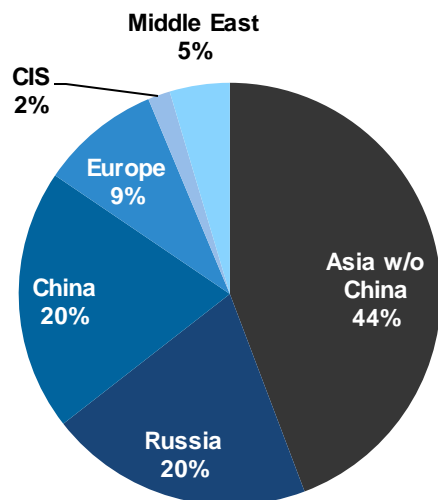


COS structure

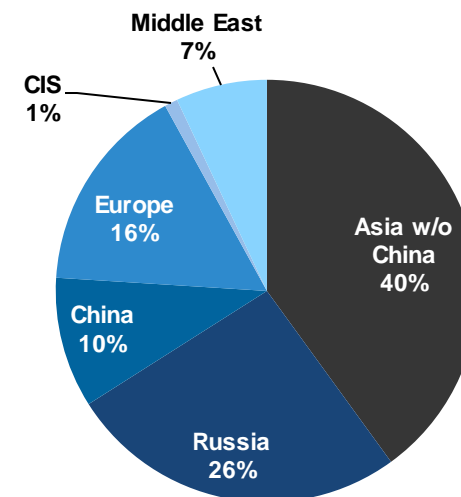


Mining segment

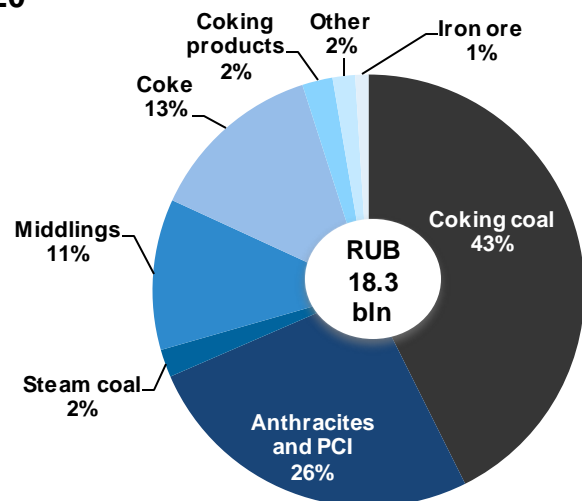
Revenue breakdown by regions
2Q 2020



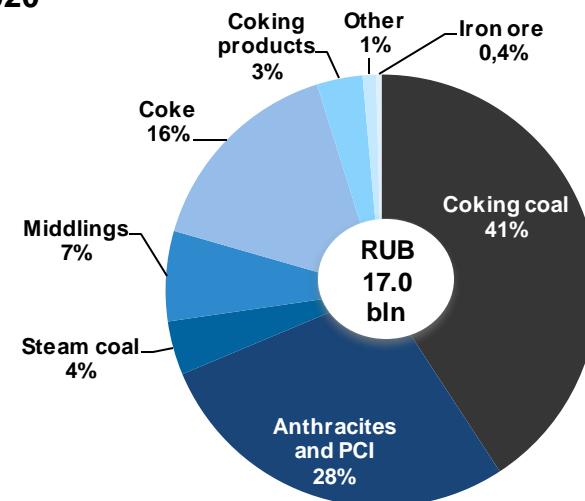
Revenue breakdown by regions
1Q 2020



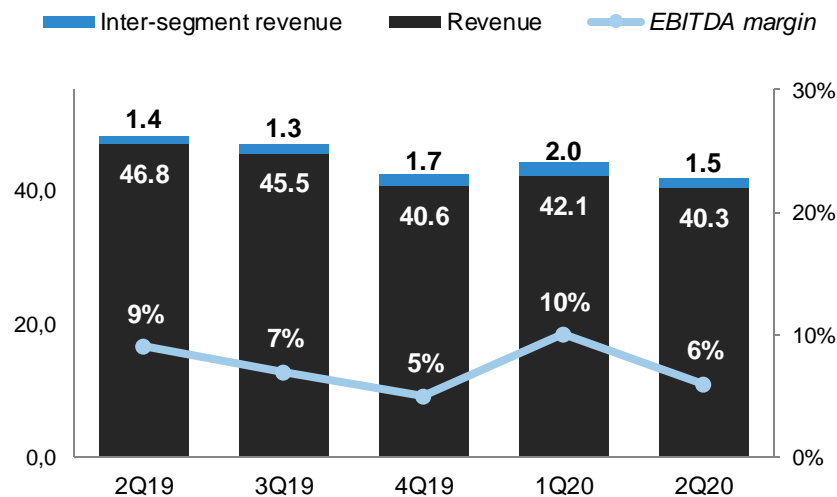
Revenue breakdown by products
2Q 2020



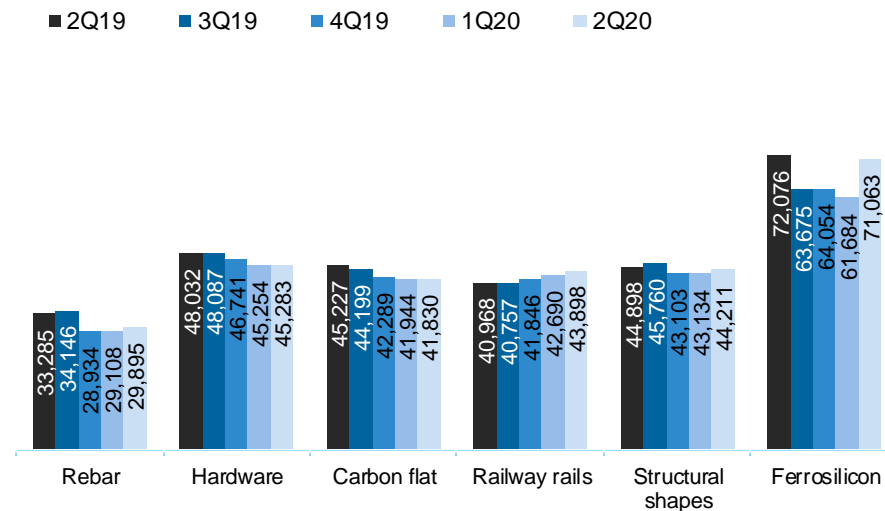
Revenue breakdown by products
1Q 2020



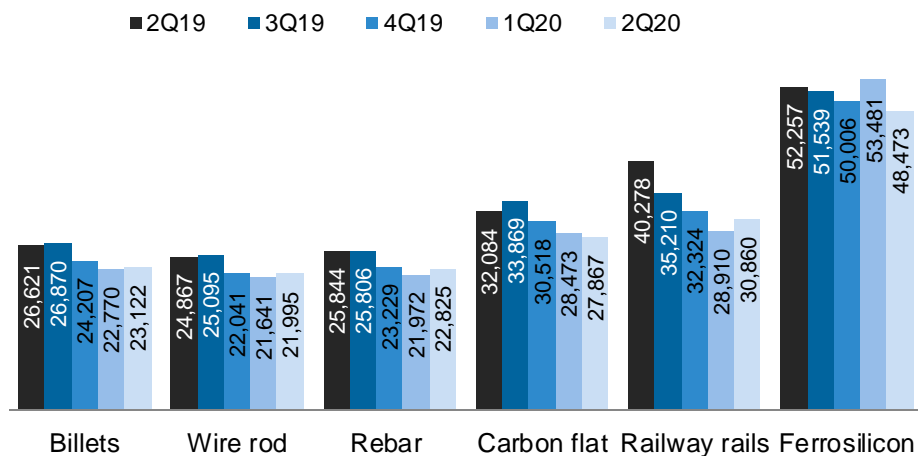
Revenue, EBITDA margin, RUB Bln



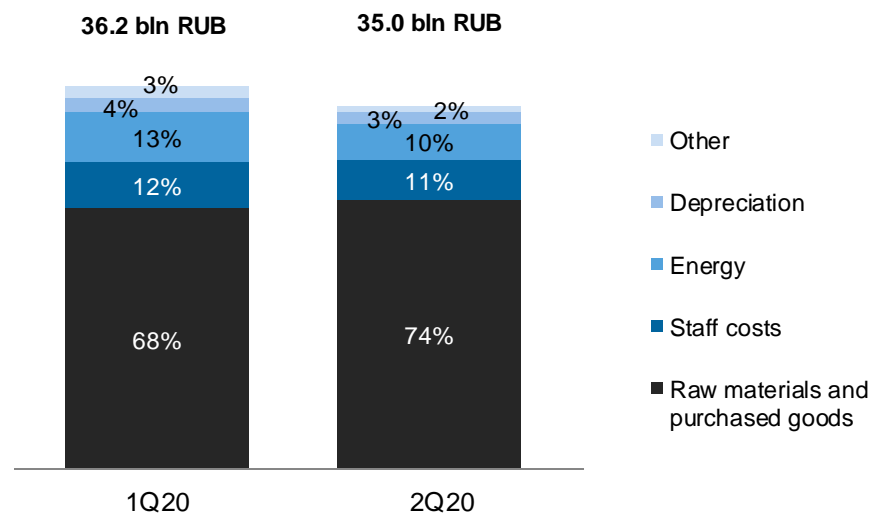
Average sales prices FCA, RUB/tonne



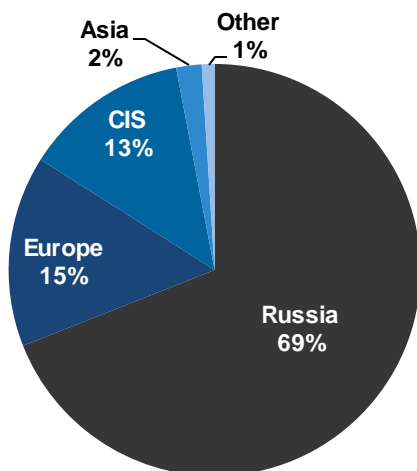
Cash costs, RUB/tonne



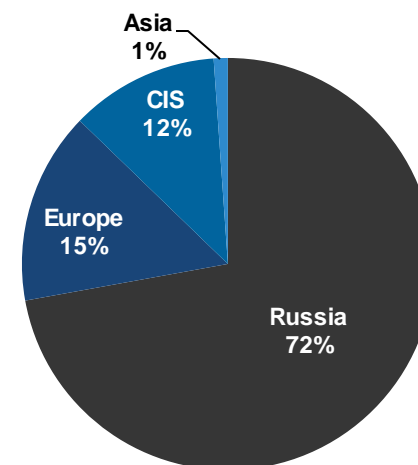
COS structure



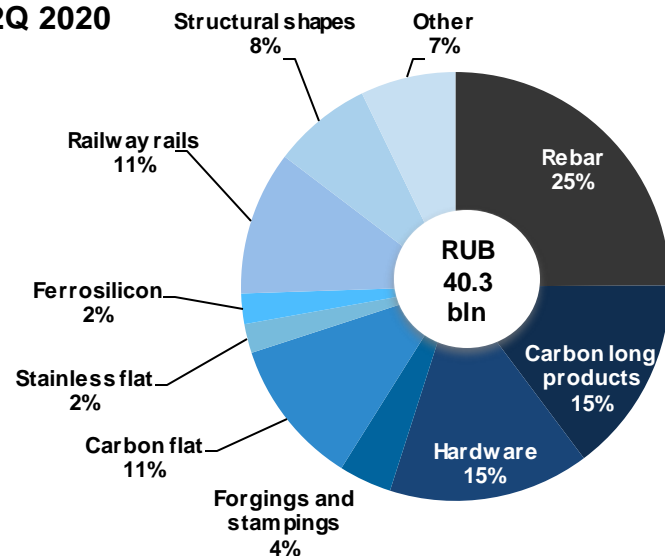
Revenue breakdown by regions
2Q 2020



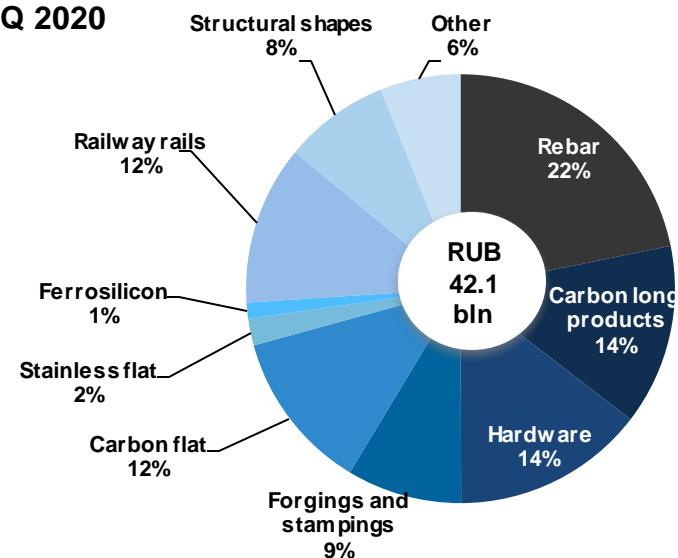
Revenue breakdown by regions
1Q 2020



Revenue breakdown by products
2Q 2020



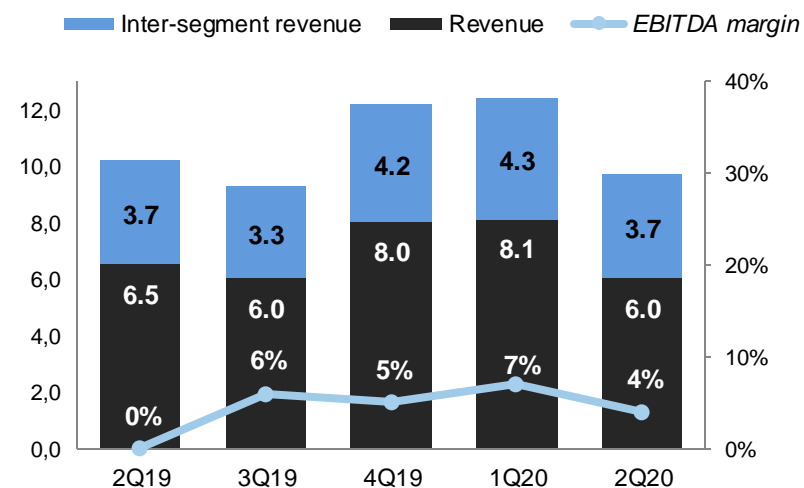
Revenue breakdown by products
1Q 2020



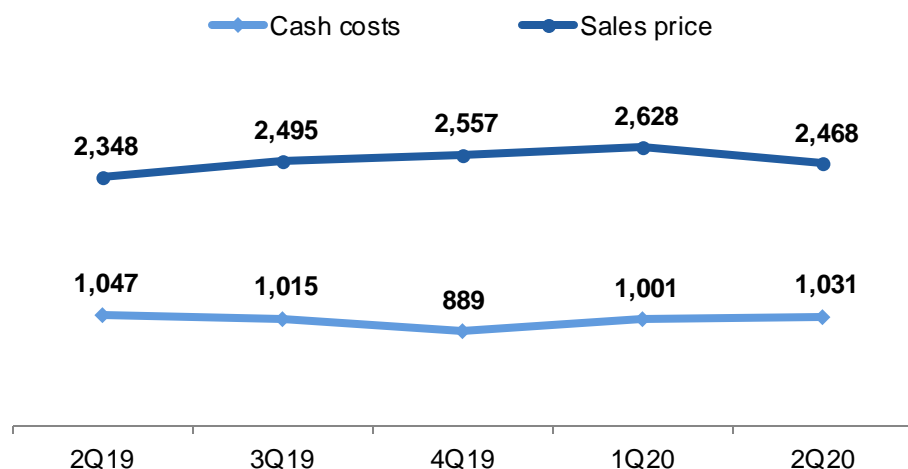
Power segment

- Power segment Revenue to 3rd parties reduced by 26% in 2Q2020 compared to 1Q2020 due to the end of the heating season and the period of increased energy consumption.
- For similar reasons power segment EBITDA dropped by 57% in 2Q2020 and amounted to 387 mln RUB.

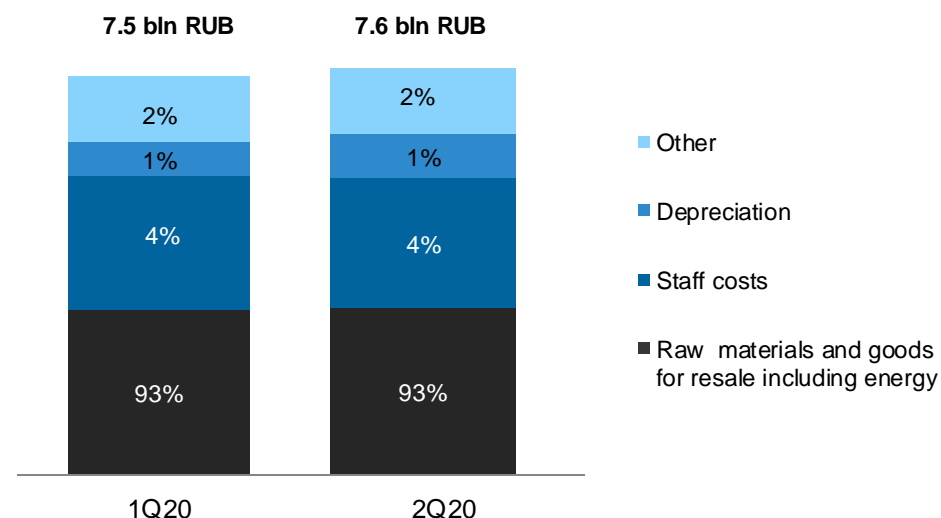
Revenue, EBITDA margin, RUB Bln



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



COS structure



Mechel is a global mining and metals company

