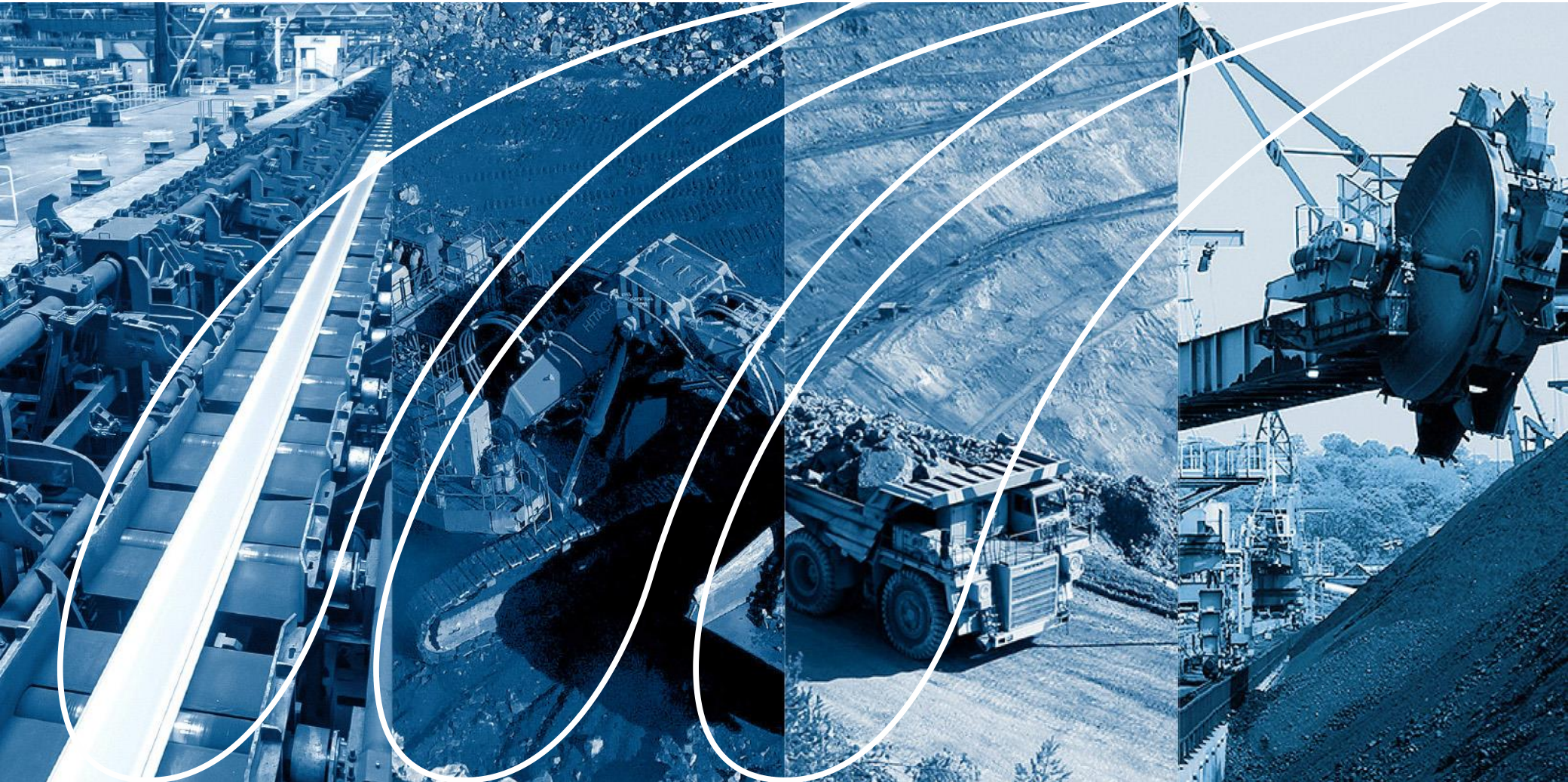


# 1Q2019 RESULTS PRESENTATION



May 23, 2019





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# KEY FINANCIAL RESULTS

Nelli R. Galeeva – Chief Financial Officer

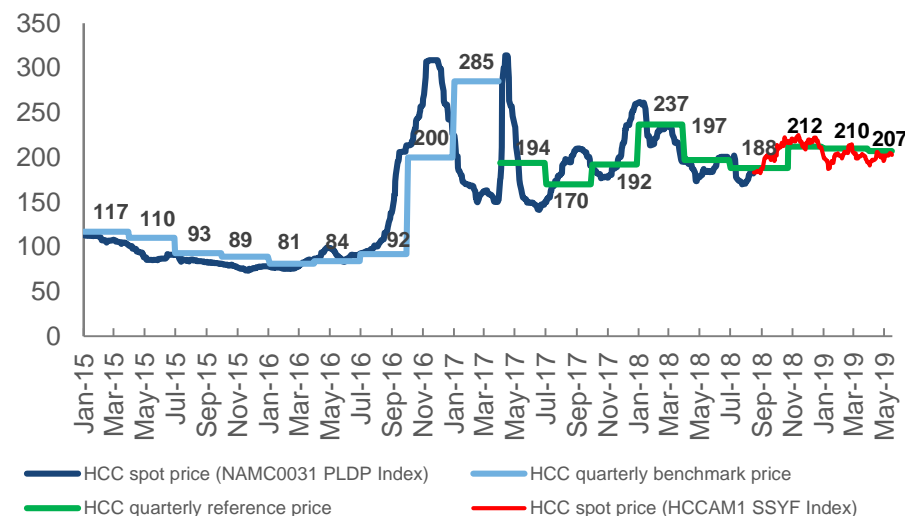




# Key market drivers

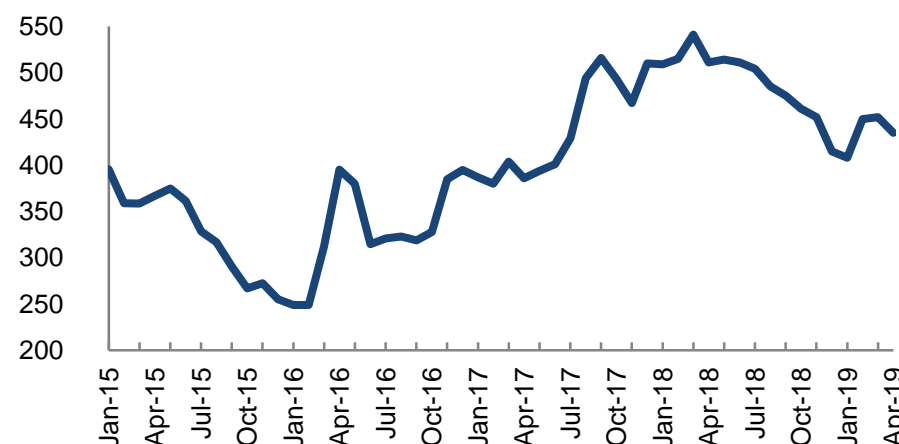
- Hard coking coal prices in 1Q and 2Q2019 demonstrate relative stability. Persisting difficulties with custom clearance of imported coal in Chinese ports were balanced by disruption of coal supplies from Australia as a result of interruptions in major ports operations and mine accidents.
- As a result 1Q2019 HCC reference price decreased by just \$2 to \$210 FOB Australia and average spot price level decreased by 7% to \$206 per tonne compared to 4Q2018 price levels. 2Q2019 HCC reference price shows another \$3 decline compared to 1Q2019 and average spot price will remain at a level of 1Q2019.
- Russian coal market was even more stable as players contract coal supplies on quarterly basis and short term international price fluctuations do not reflect in price levels.
- Iron ore price growth continues on market fears regarding anticipated decrease in production at Australian mines, enhanced by forecasted supplies decline from Brazil.
- Turkish market weakness led to billet prices bottomed in January 2019 to \$408 FOB Black Sea. Ramadan standstill in May will further affect semi-finished products market.
- Now the US administration decision dated May 17, 2019, to abolish additional 25% import duties on Turkish steel products (the US used to be the major market for Turkish steel) will support demand growth for scrap and semi-finished steel from Turkish steelmakers. It will also decrease competition at MENA and SEA regions where Turkish producers had to redirect their products initially intended for sales to the US. This will have positive impact on billet pricing at FOB Black Sea basis.
- Rebar market in 1Q2019 despite traditional seasonal weakness remained in average on the levels of 4Q2018. By the end of 2Q2019 recovery of market activity is expected that may lead to prices increase.

HCC prices FOB Australia, US\$/t



Source: Bloomberg

Billet FOB Black Sea, US\$/t



Source: Metal Courier

# 1Q2019 Financial results summary



- Consolidated Revenue in 1Q2019 amounted to 74.9 bln RUB, a slight decrease of 1% compared to 4Q2018. This was a result of Steel segment Revenue decline by 5% Q-o-Q offset by Mining segment Revenue increase by 4%.
- 1Q2019 EBITDA\* went up by 2% compared to 4Q2018 and amounted to 15.3 bln RUB with EBITDA margin decreased to 20%.
- Group generated Profit attributable to equity shareholders of Mechel PAO of 11.3 bln RUB in 1Q2019 due to ruble appreciation.

RUB mln	1Q19	1Q18	%	1Q19	4Q18	%
<b>Revenue</b>	74,856	74,852	0%	74,856	75,571	-1%
<b>Operating profit</b>	10,837	13,383	-19%	10,837	1,978	448%
<b>EBITDA*</b>	15,322	18,436	-17%	15,322	15,021	2%
<b>EBITDA margin, %</b>	20%	25%		20%	20%	
<b>Profit</b> attributable to equity shareholders of Mechel PAO	11,336	3,293	244%	11,336	1,631	595%

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

# 1Q2019 Production and sales summary



- In 1Q2019 coal mining volumes decreased by 29% compared to 1Q2018 and by 19% compared to 4Q2018 as a result of production plan correction aimed to decrease coal stocks at our mining plants built up amid railcars supply constrains at the end of 2018.
- Pig iron production remained flat Q-o-Q.
- Steel production increased by 3% Q-o-Q.

## Production (th tonnes)

Product	1Q19	1Q18	%	1Q19	4Q18	%
Run-of-mine Coal	3,520	4,965	-29	3,520	4,341	-19
Pig Iron	870	985	-12	870	872	0
Steel	930	1,055	-12	930	905	3

- Overall coking coal sales in 1Q2019 decreased by 3% Q-o-Q but sales to third-parties grew by 3%.
- Steam coal sales increased in 1Q2019 by 37% Q-o-Q and third-party sales jumped by 45% on transportation constraints elimination.
- Flat products sales increased by 26% Q-o-Q as a result of flat steel production ramp-up at Chelyabinsk Metallurgical Plant and due to higher sales of third-party flat products to machine-building enterprises in Austria and Germany and to steel structures producers in Croatia.
- Long products sales decreased by 2% Q-o-Q on seasonal construction market weakness.

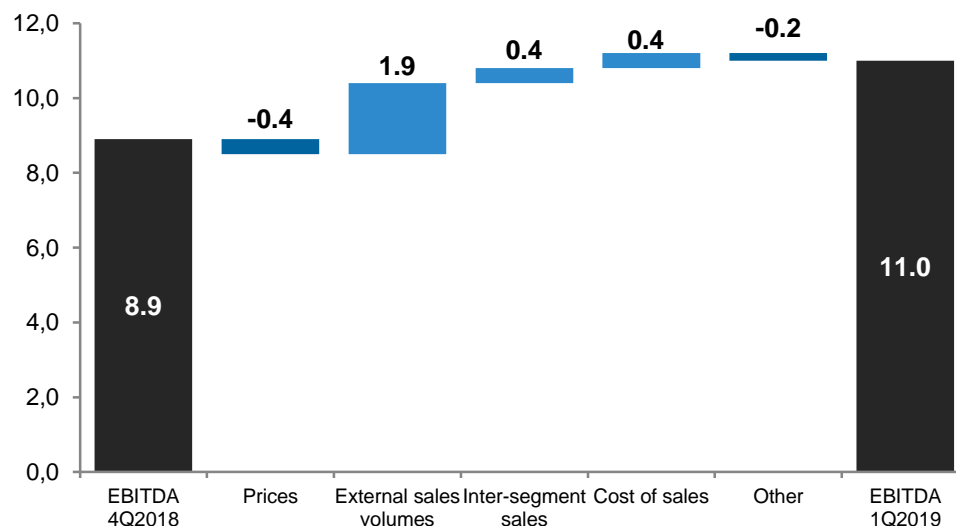
## Sales (th tonnes)

Product	1Q19	1Q18	%	1Q19	4Q18	%
Coking Coal	1,697	1,610	5	1,697	1,747	-3
Steam Coal	1,333	1,611	-17	1,333	971	37
Flat Products	114	138	-17	114	91	26
Long Products	607	686	-11	607	621	-2

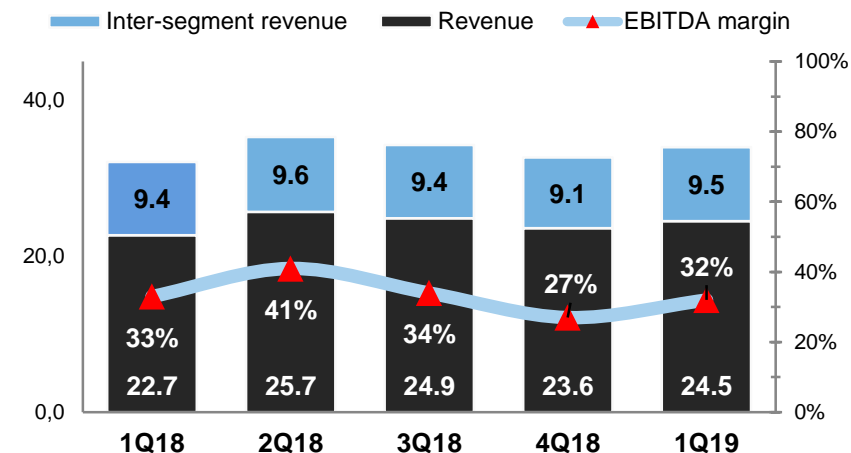
# Mining segment

- Share of Mining segment sales to China decreased to 12% in 1Q2019 from 18% in 4Q2018 (15% in 1Q2018) due to higher sales of Southern Kuzbass coal to local market on general sales volumes growth. Also there were test deliveries of Elga coal to South Korea and Yakutugol coal to Malaysia and Indonesia that further decrease share of China.
- External sales volumes growth was the major factor of EBITDA increase in 1Q2019 vs 4Q2018.
- Mining EBITDA margin increased to 32% in 1Q2019.

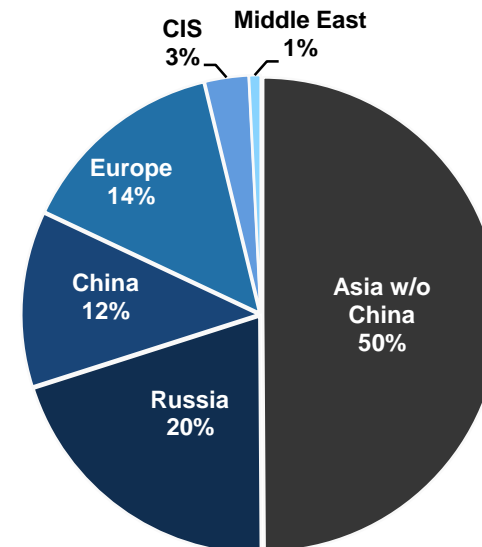
## EBITDA, RUB Bln



## Revenue, EBITDA margin, RUB Bln



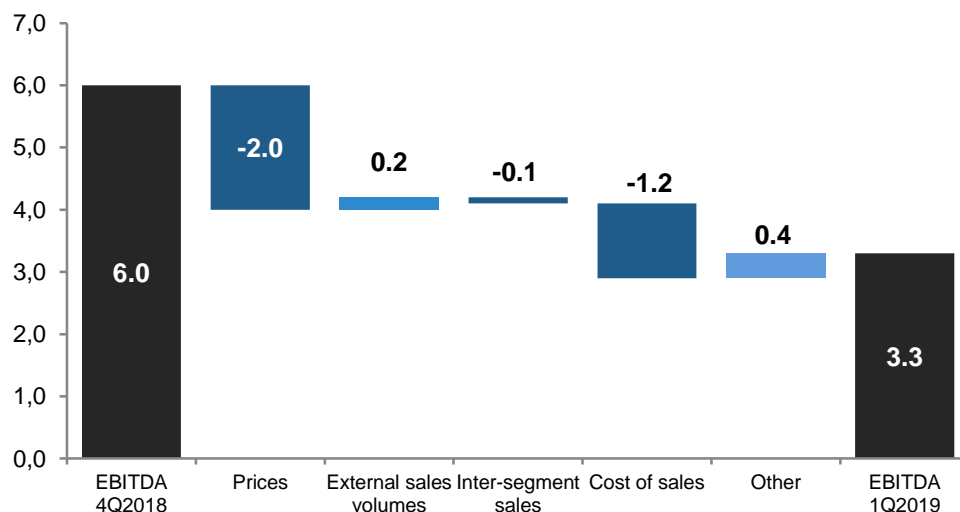
## Revenue breakdown by regions (1Q2019)



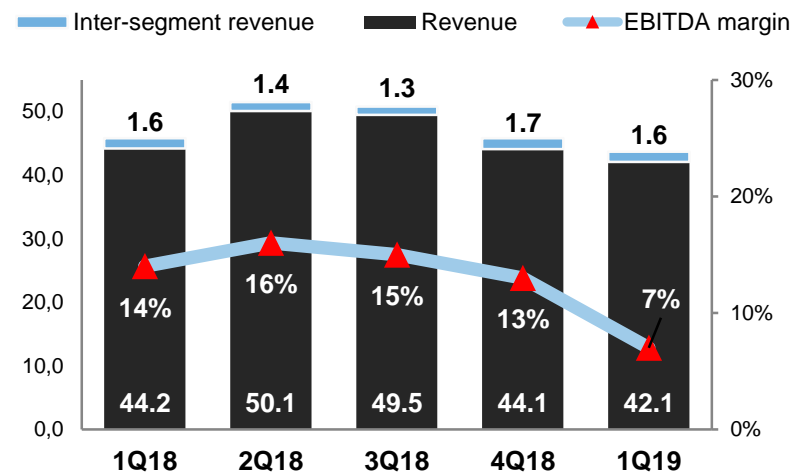
# Steel segment

- In 1Q2019 Revenue decreased mostly due to lower prices and seasonal construction market weakness.
- Steel segment EBITDA decreased by 46% Q-o-Q on lower Revenue and higher cost due to iron ore prices growth.
- Segment's EBITDA margin fell Q-o-Q from 13% to 7%.

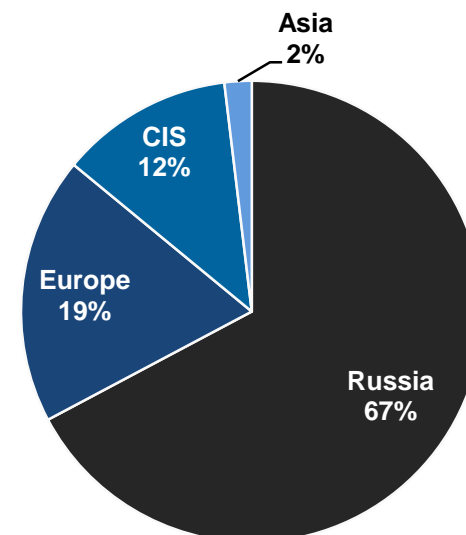
## EBITDA, RUB Bln



## Revenue, EBITDA margin, RUB Bln



## Revenue breakdown by regions (1Q2019)



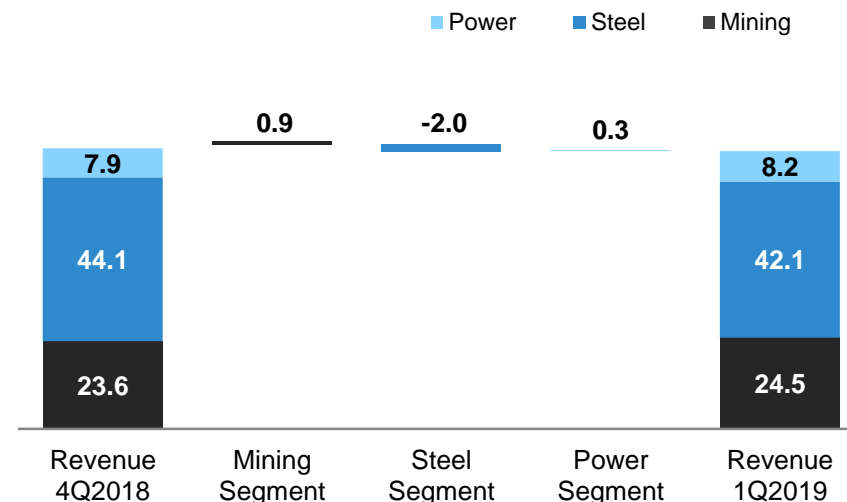


# Consolidated revenue and EBITDA dynamics

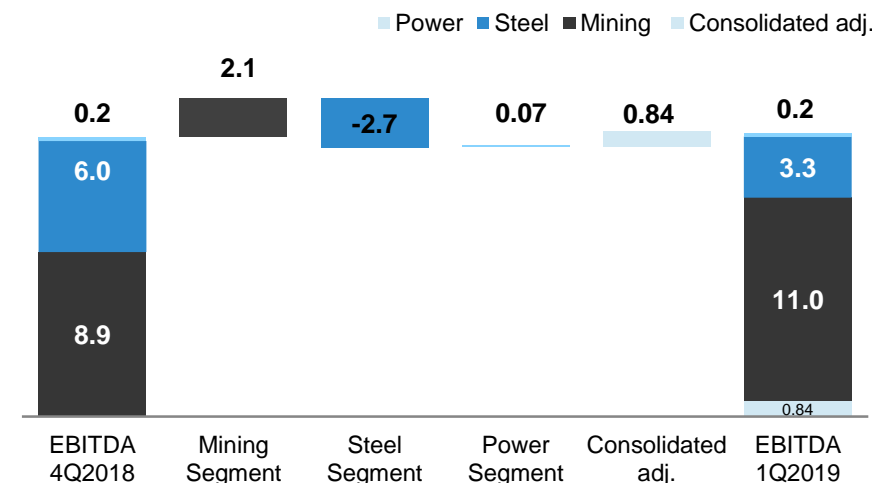
- Mining segment Revenue to 3<sup>rd</sup> parties in 1Q2019 increased by 4%, compared to 4Q2018, on higher coal sales volumes partly offset by weaker prices.
- Steel segment Revenue to 3<sup>rd</sup> parties in 1Q2019 decreased by 5% compared to 4Q2018 on weaker prices.
- Power segment Revenue to 3<sup>rd</sup> parties added 4% in 1Q2019 vs 4Q2018 due to higher demand for heat and hot water in winter season and increased sales at capacity market.

- Mining segment EBITDA increased by 23% in 1Q2019 compared to 4Q2018 and amounted to 11.0 bln RUB due to higher sales volumes and costs decrease.
- Steel segment EBITDA decreased by 46% Q-o-Q on higher costs and amounted to 3.3 bln RUB.
- Power segment EBITDA increased by 41% Q-o-Q and amounted to 0.2 bln RUB.

## Revenue, RUB Bln



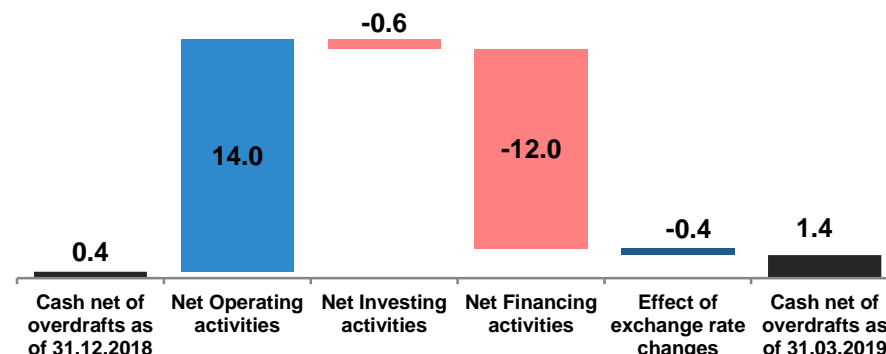
## EBITDA, RUB Bln



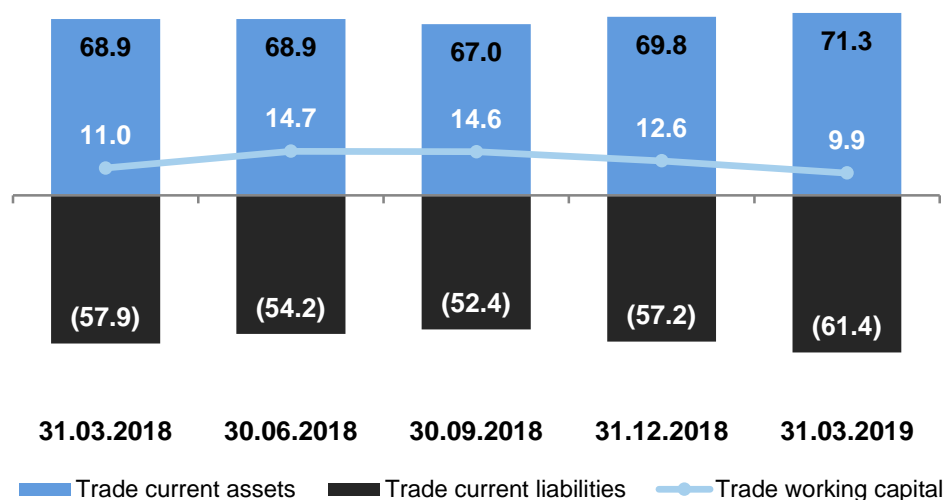
# Cash flow & trade working capital

- Cash flow from operations completely covers Group's current expenses, including debt service and lease payments.
- In 1Q2019 there was 2.7 bln RUB trade working capital release.
- Group's capital expenditures in 1Q2019 amounted to 1.7 bln RUB, including 0.5 bln RUB of lease payment.

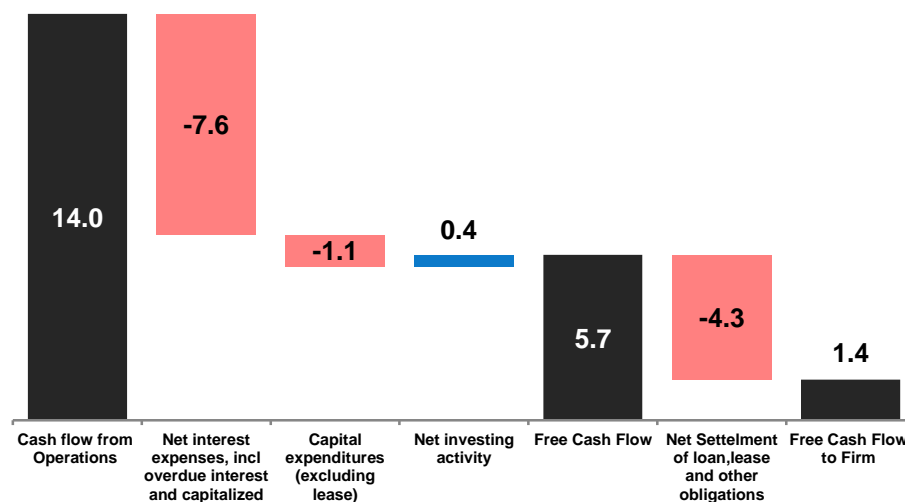
## CASH FLOW, RUB Bln



## Trade working capital management, RUB Bln

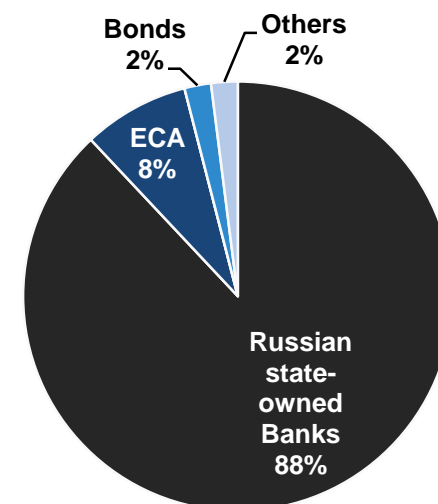
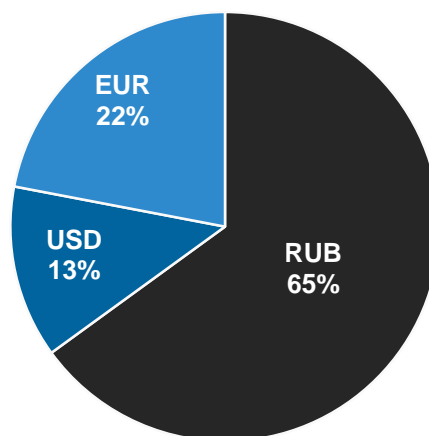
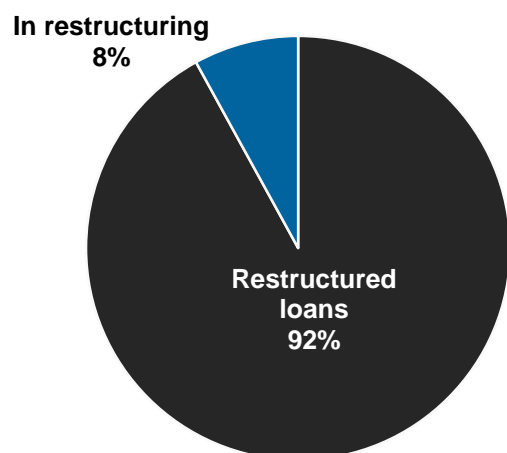
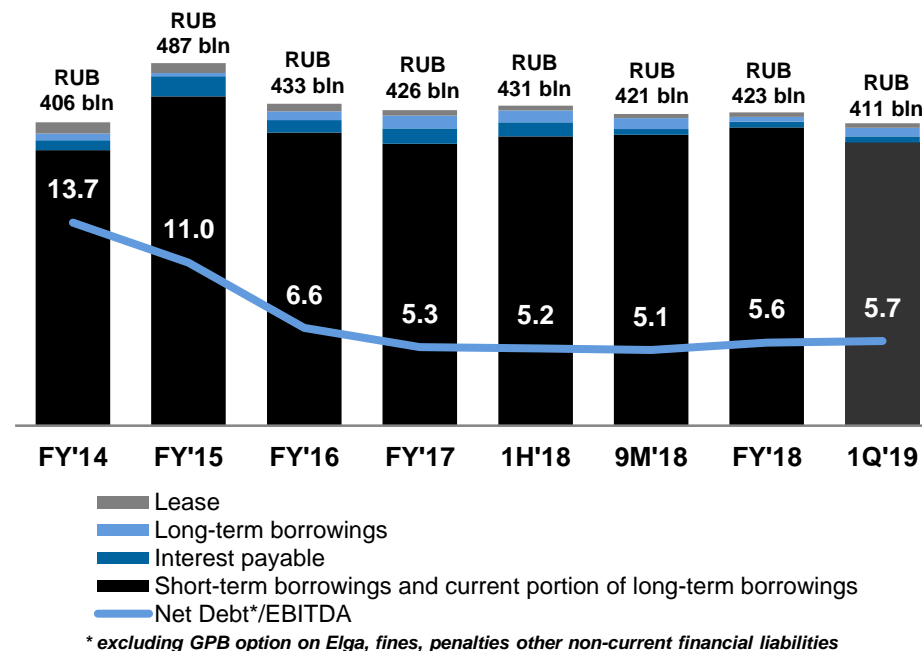


## FREE CASH FLOW for 1Q2019, RUB Bln

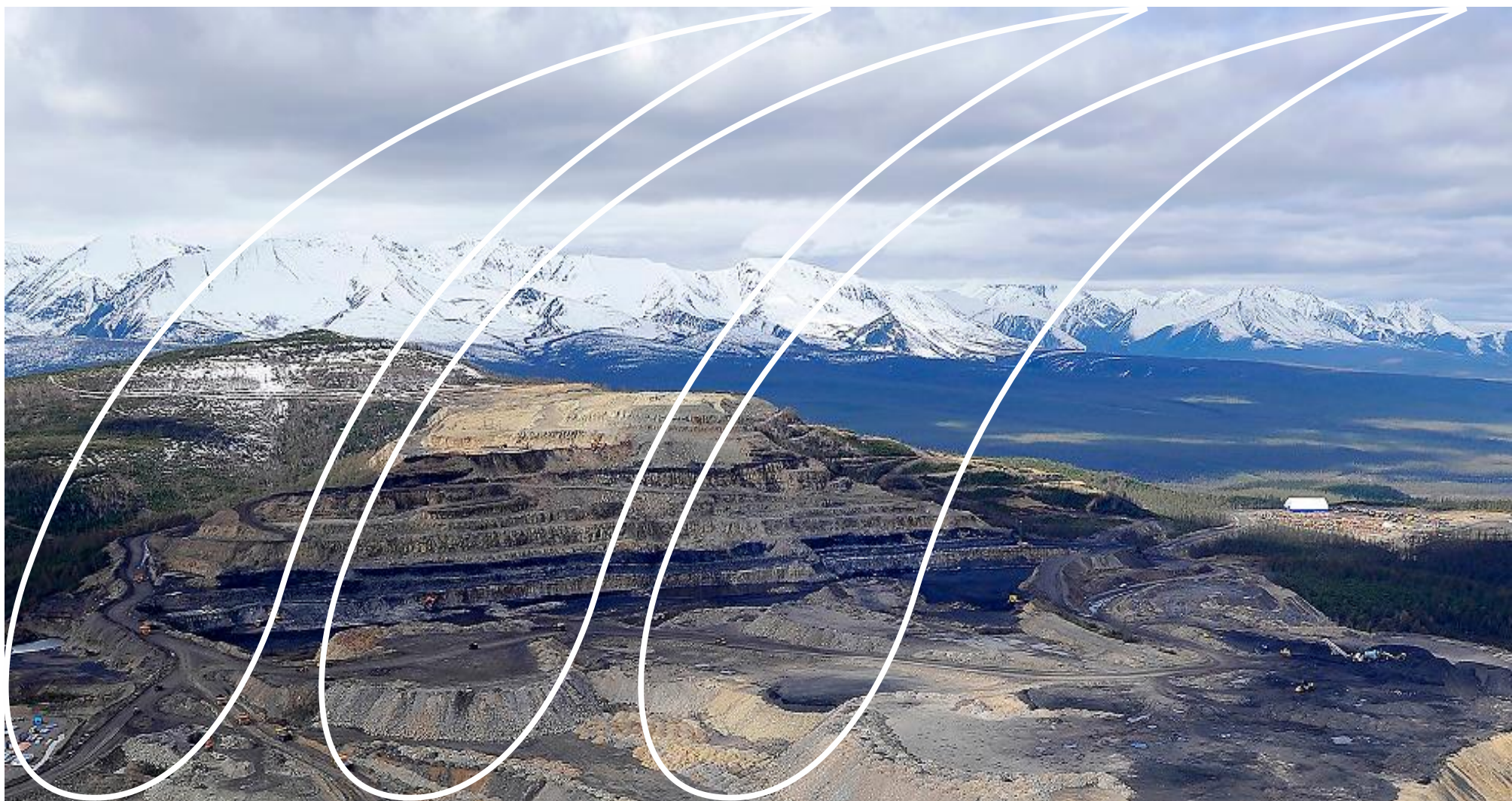


# Debt structure & net debt / EBITDA ratio dynamics

- Portion of restructured debt reached 92%; ruble portion of debt amounts to 65%; and Russian state-owned banks hold 88% of our debt portfolio.
- Net leverage increased to 5.7 on lower EBITDA.
- Average interest rate through the debt portfolio as of May 2019 is 8.2% per annum; average paid interest rate amounts to 7,9% per annum.
- In 1Q2019 Group repaid 4.3 bln RUB of debt, including capitalized interest.

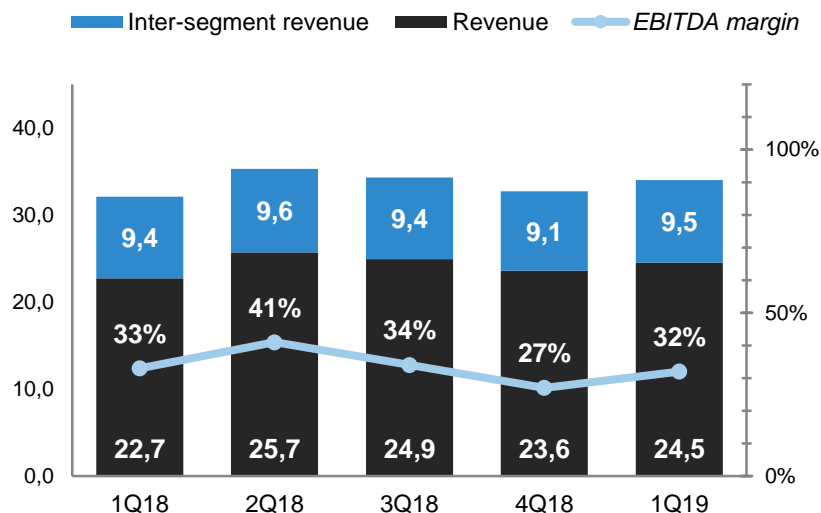




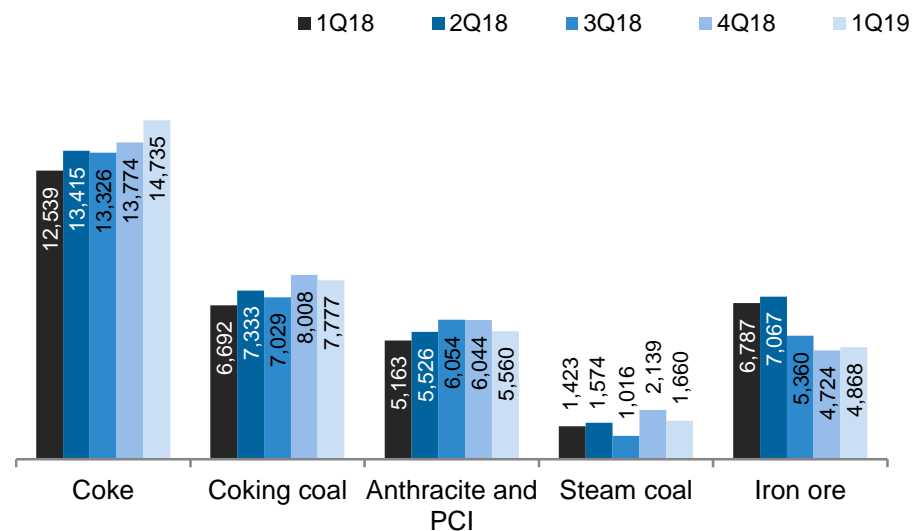


# Mining segment

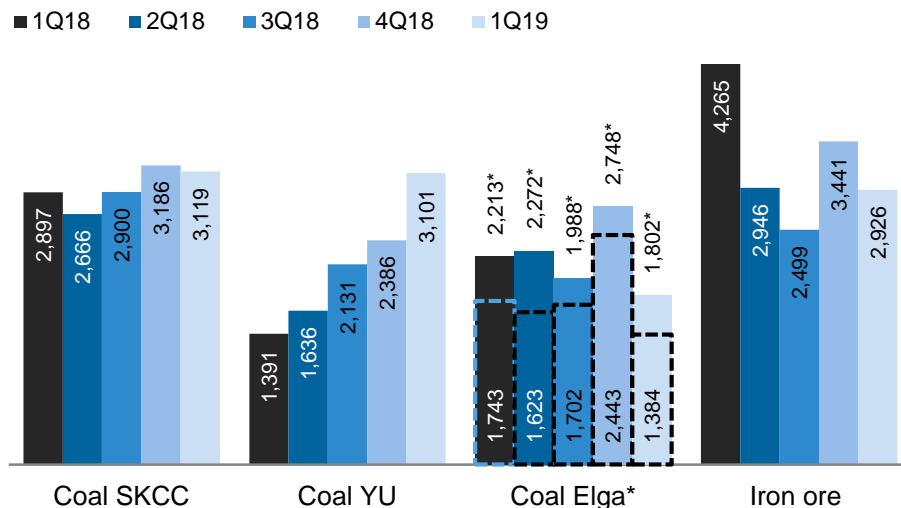
## Revenue, EBITDA margin, RUB Bln



## Average sales prices FCA, RUB/tonne



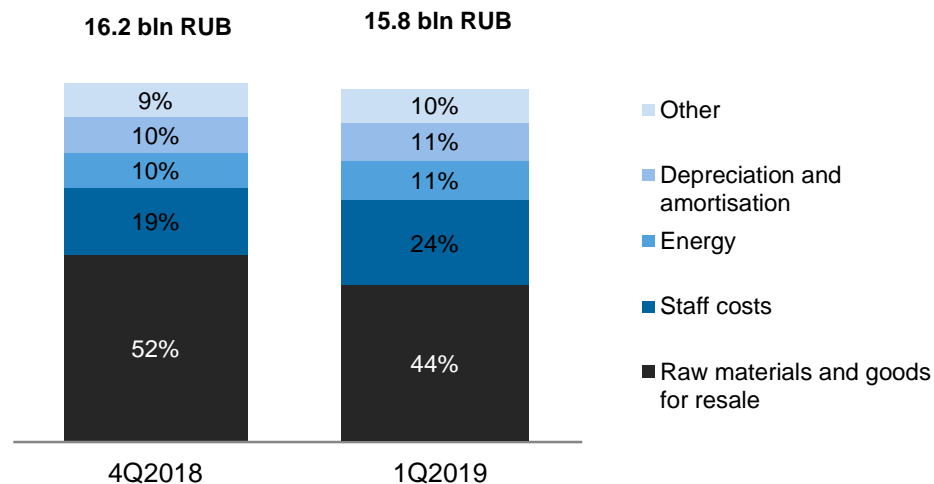
## Cash costs, RUB/tonne



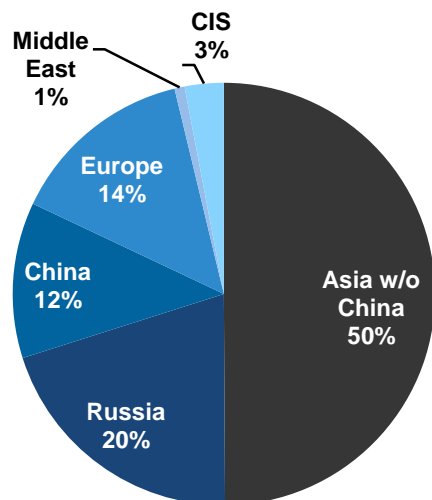
Coking coal concentrate produced on Elga

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

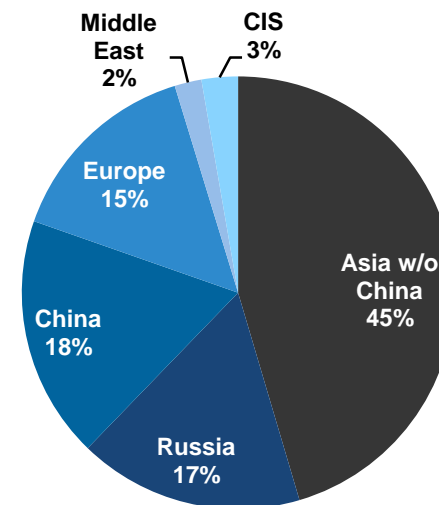
## COS structure



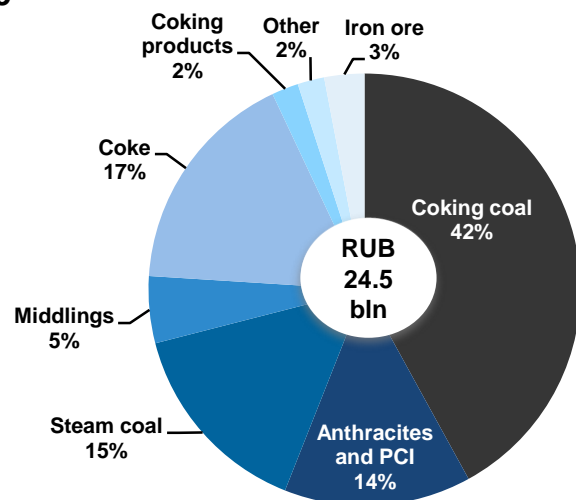
Revenue breakdown by regions  
1Q2019



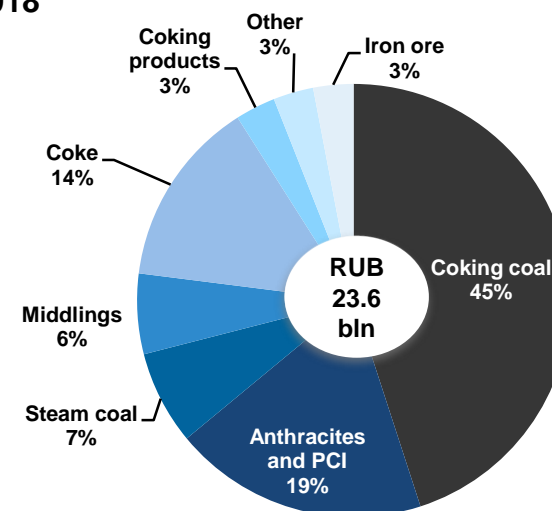
Revenue breakdown by regions  
4Q2018



Revenue breakdown by products  
1Q2019

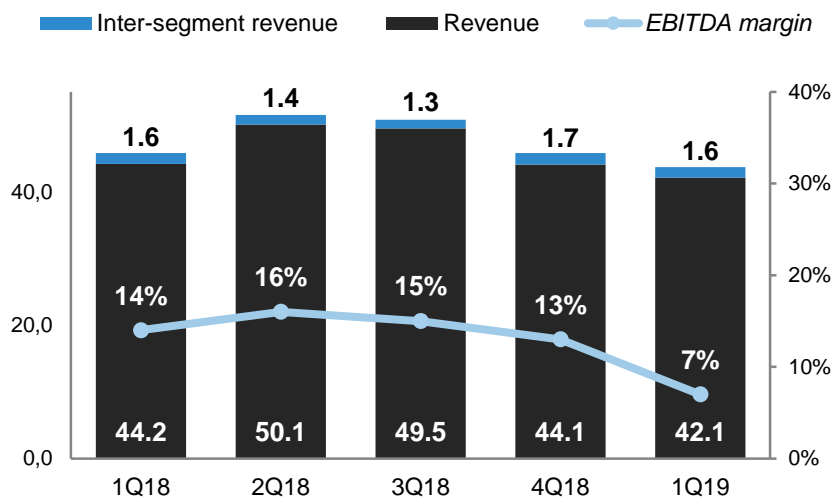


Revenue breakdown by products  
4Q2018

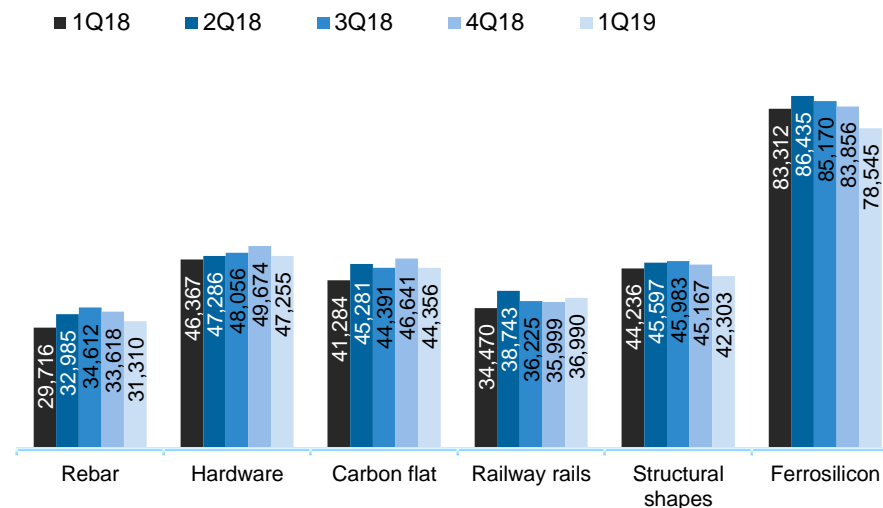




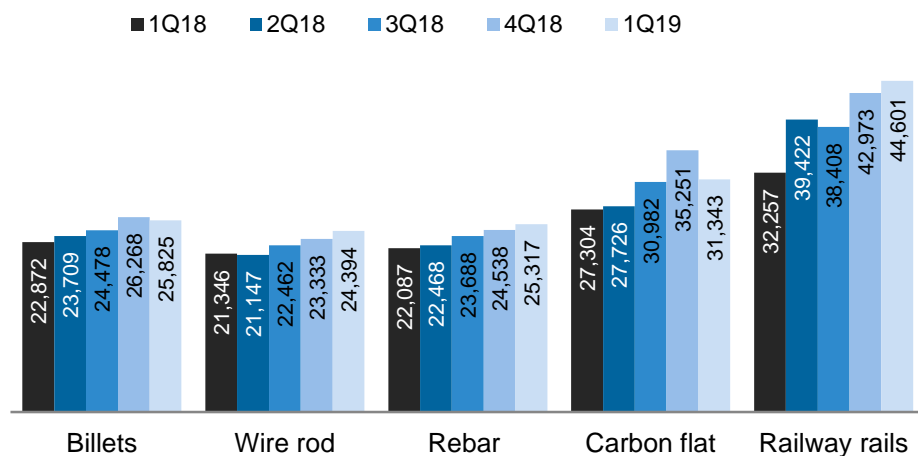
## Revenue, EBITDA margin, RUB Bln



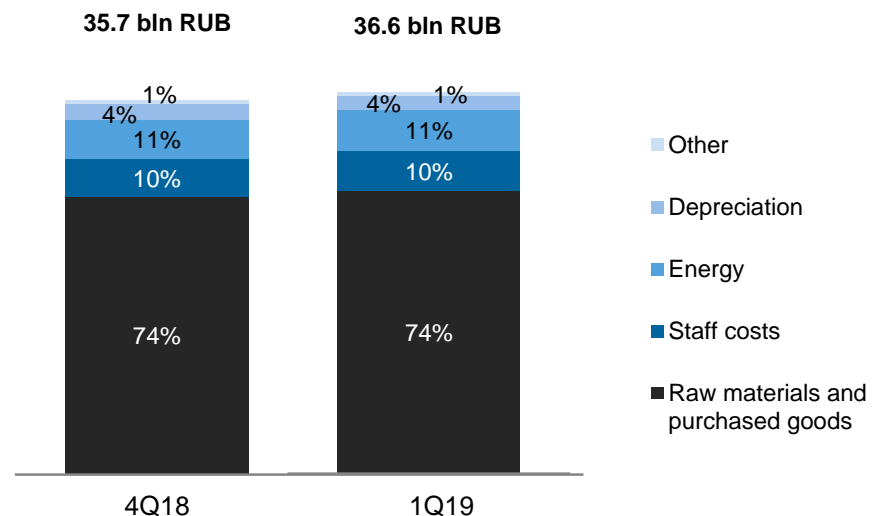
## Average sales prices FCA, RUB/tonne



## Cash costs, RUB/tonne

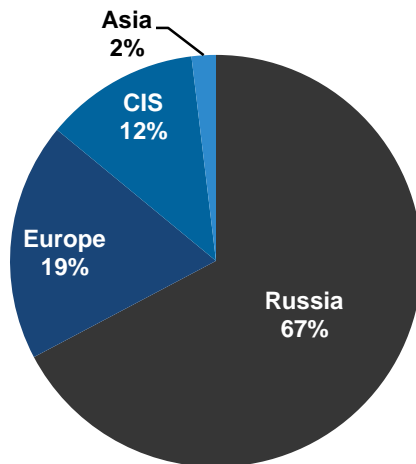


## COS structure

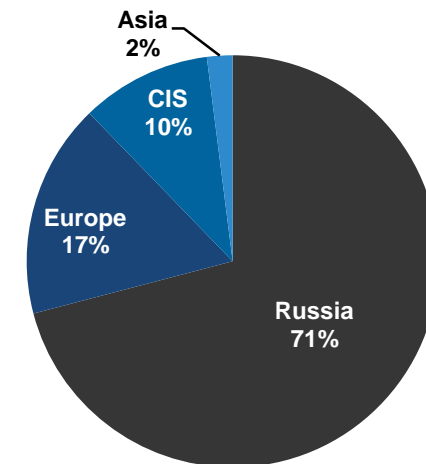


# Steel segment

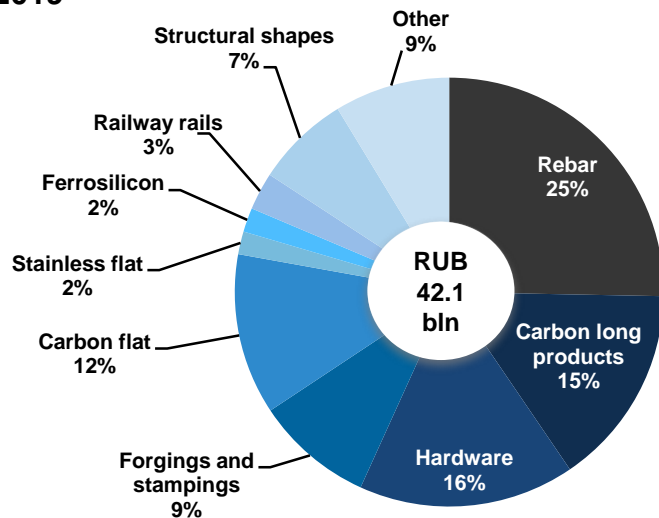
Revenue breakdown by regions  
1Q2019



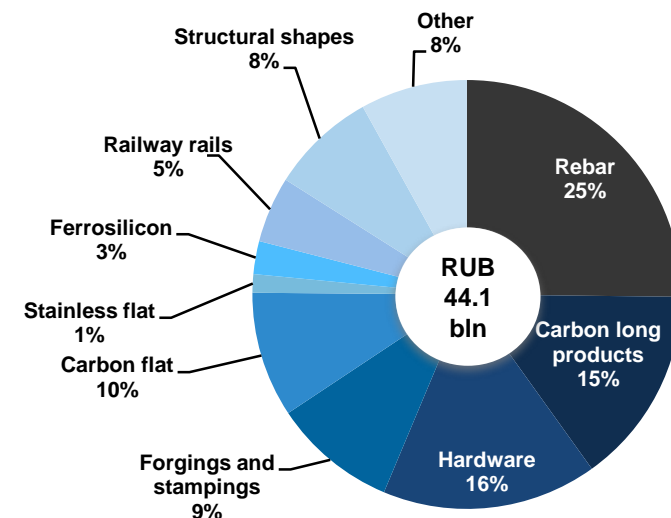
Revenue breakdown by regions  
4Q2018



Revenue breakdown by products  
1Q2019



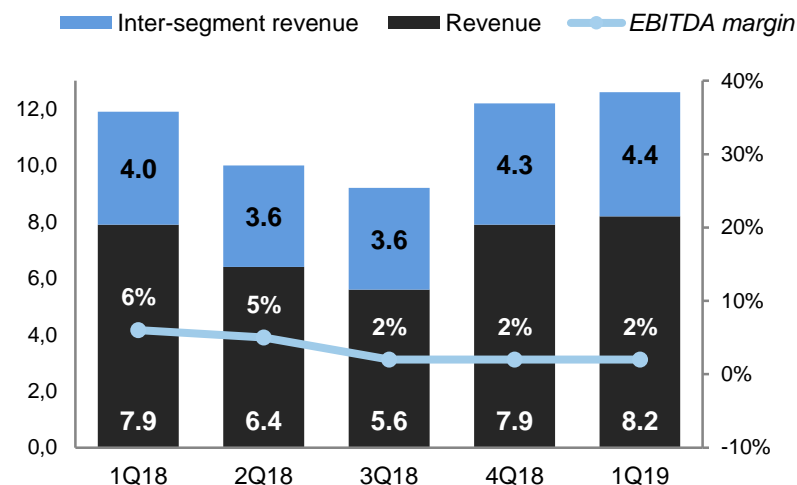
Revenue breakdown by products  
4Q2018



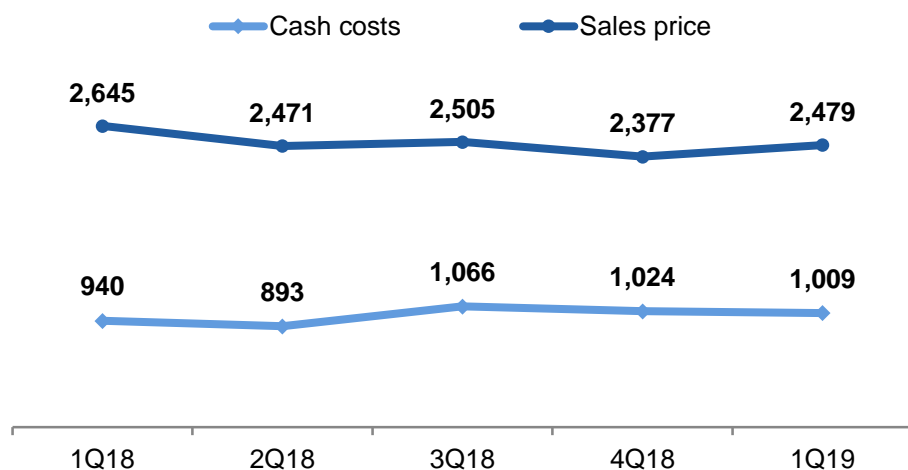
# Power segment

- 1Q2019 Revenue demonstrated 4% growth Q-on-Q as a result of seasonally higher demand for heat and hot water and increased sales at capacity market.
- 1Q2019 EBITDA grew by 41% compared to 4Q2018 on higher sales to both external and internal customers.

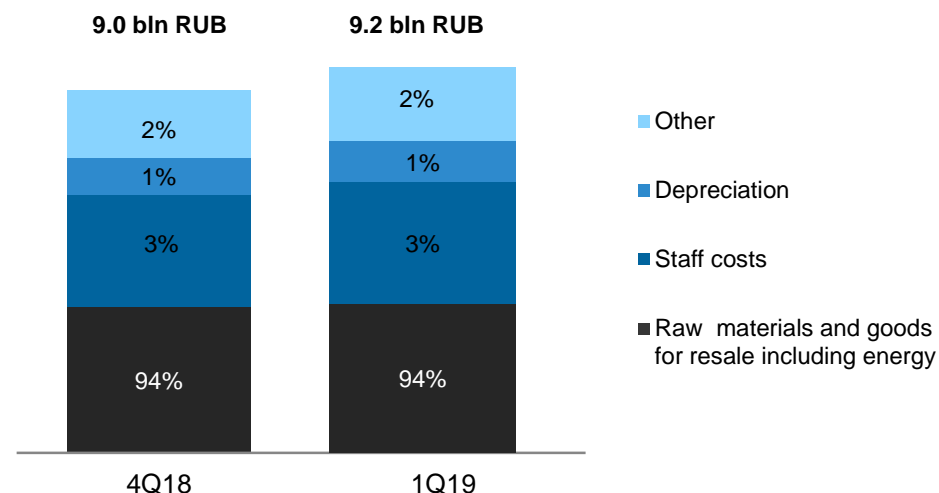
## Revenue, EBITDA margin, RUB Bln



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



## COS structure





Mechel is a global mining and metals company

