

August 27, 2021



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KEY FINANCIAL RESULTS

Nelli Galeeva – Deputy Chief Executive Officer for Economics and Finance



Key market drivers



At the beginning of 2Q'2021 coking coal prices remained at a stable level but at the end of May and in June coal prices increased significantly on both FOB Australia and CFR China basis. As a consequence of unsafe mines closures prior to the Communist Party of China centenary celebration there developed a deficit of coking coal local supplies in China. Despite absence of Australian coal supplies to China, stable demand in Asian region enabled Australian producers to increase coal prices. As a result average sales price for coking coal concentrate produced by Mechel mining segment on FCA basis in 2Q'2021 increased by **51%** compared to 1Q'2021 average price. As of now international coal prices continue to advance.

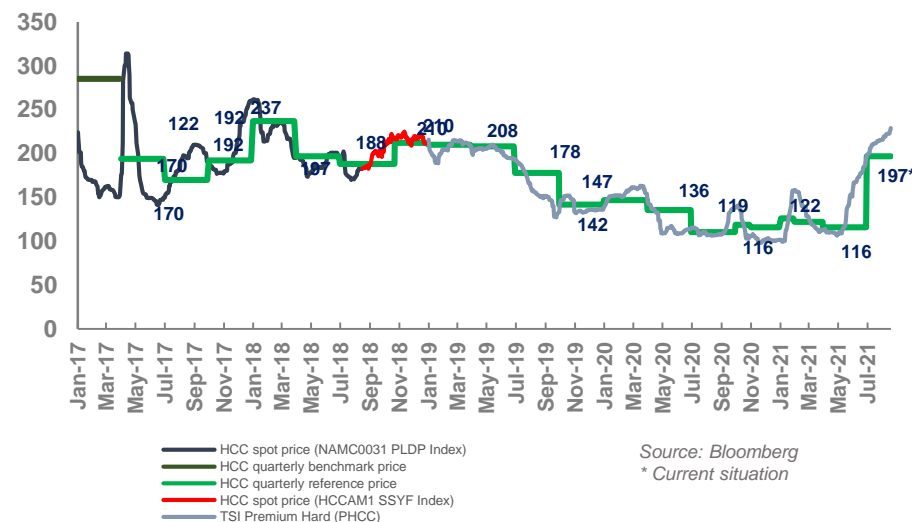
Demand for coking coal concentrate from China will stay at a current level. Limitations for Australian coal imports will remain in place. Besides political issues, current situation with high prices allows Chinese coal miners to invest into industry without governmental participation. Current level of coal prices is favorable for both Australian and Chinese producers and significant decline in prices is highly doubtful. The situation is also influenced by new COVID strain and security checks at mining assets in China. This may lead to a further coking coal and coke price growth.

On the Russian local market, coking coal concentrate prices also demonstrated positive trends in 2Q'2021 following high international alternatives. In 3Q'2021 coking coal prices demonstrate further growth as local producers increase export sales.

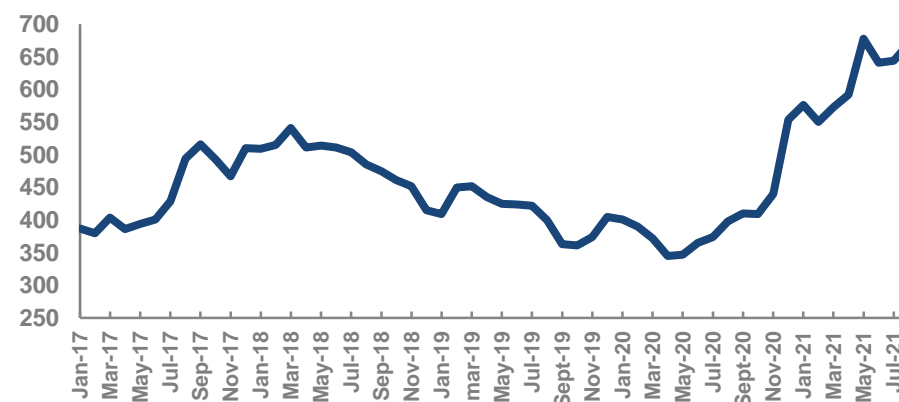
In 2Q'2021 iron ore concentrate prices continuously advanced amid steel production limitations in China as demand for steel remained at a high level that supported prices for both steel and iron ore. Limitations in Australian and Brazilian supplies were also a reason for iron ore prices to retain upward trend. In 3Q'2021 iron ore concentrate prices declined. It happened on markets concerns regarding possible stimulus package tampering by FRS.

Major factor influencing rebar market in 2Q'2021 was VAT reimbursement abolishing for steel exports in China in May. That led to spike in export steel prices. Afterwards rebar prices were slowly stagnating but still stay on relatively high levels. 2Q'2021 was quite dynamic for the local rebar market, with quotations actively growing throughout the entire period. In 3Q'2021, as export alternatives are weakening, the prices also begin to go down. Introduction of export tariffs for metals made additional adjustments into the market trend. The new export tariffs force steelmakers to redirect their output to domestic sales, which creates excessive supply. Nevertheless, rebar prices remain fairly high and favorable for producers.

HCC prices FOB Australia, US\$/t



Billet FOB Black Sea, US\$/t



2Q 2021 Financial results summary



Consolidated Revenue in 2Q'2021 amounted to **108.9** bln RUB, an increase by **43%** compared to 1Q'2021. The main positive factor was the growth of prices for both mining and steel segments products on local Russian and export markets.

Amid favorable market conditions EBITDA increased by **85%** in 2Q'2021 compared to 1Q'2021 and amounted to **33.7** bln RUB with EBITDA margin increase to **31%**.

Profit attributable to Mechel PAO's shareholders increased by **203%** and amounted to **23.9** bln RUB in 2Q'2021. An increase in profit compared to the previous quarter was due to a significant growth of gross profit related to increase in prices for both mining and steel segments products.

RUB bln	2Q'21	1Q'21	%	1H'21	1H'20	%
Revenue	108.9	76.0	43%	184.9	131.8	40%
Operating profit	30.4	13.0	134%	43.4	5.7	665%
EBITDA*	33.7	18.2	85%	52.0	22.0	136%
EBITDA margin, %	31%	24%		28%	17%	
Profit attributable to equity shareholders of Mechel PAO	23.9	7.9	203%	31.8	10.2	212%

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

2Q 2021 Production and sales summary



In 2Q'2021 coal mining volumes increased by **12%** compared to 1Q'2021.

Pig iron and steel production went up by **3%** Q-on-Q.

Production (th tonnes)

Product	2Q'21	1Q'21	%	1H'21	1H'20	%
Run-of-mine Coal	2,962	2,642	12%	5,604	8,857	-37%
Pig Iron	796	771	3%	1,568	1,783	-12%
Steel	876	849	3%	1,724	1,803	-4%

Coking coal sales volumes in 2Q'2021 increased by **71%** compared to 1Q'2021.

PCI sales volumes increased by **27%** and Anthracites sales were lower by **3%** Q-on-Q. Steam coal sales (including middlings) decreased in 2Q'2021 by **27%** Q-on-Q.

Overall met coal (Coking coal, PCI and Anthracites) sales to third parties in 2Q'2021 increased by **61%**, compared to 1Q'2021.

Flat and Long products sales in 2Q'2021 increased by **15%** and **22%** respectively Q-on-Q.

Sales (th tonnes)

Product	2Q'21	1Q'21	%	1H'21	1H'20	%
Coking Coal	1,501	876	71%	2,377	3,052	-22%
Steam Coal	716	977	-27%	1,693	1,857	-9%
Long Products	685	564	22%	1,249	1,295	-4%
Flat Products	121	105	15%	226	233	-3%

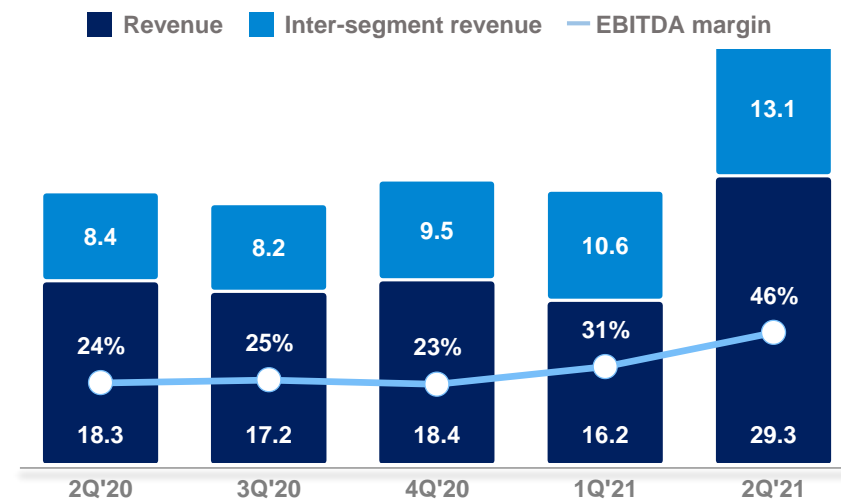
Mining Segment



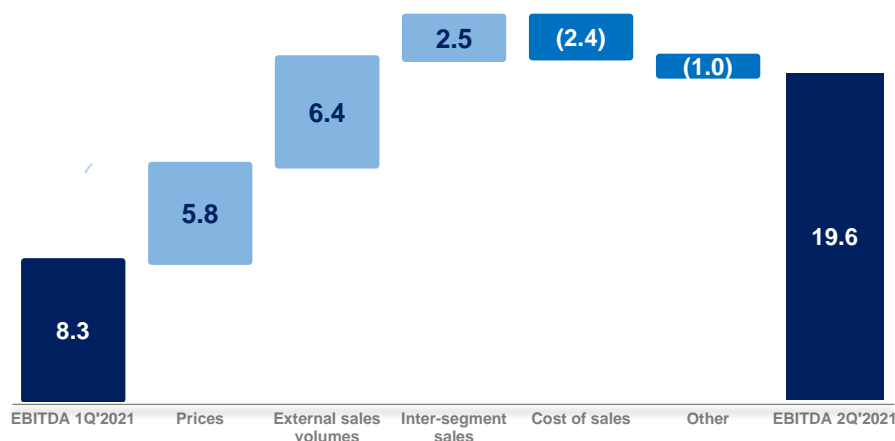
An increase in sales volumes of all types of coking coal, PCI, coke and coking products together with growing prices resulted in **81%** upturn in mining segment revenue to 3rd parties in 2Q'2021 compared to 1Q'2021.

For the same reasons mining segment EBITDA increased by **135%** Q-on-Q and EBITDA margin went up from **31%** to **46%** compared to 1Q'2021.

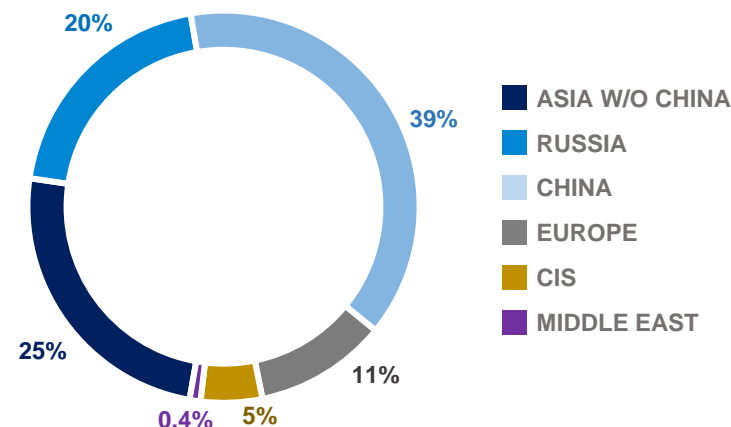
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln



Revenue breakdown by regions (2Q'2021)



Steel Segment



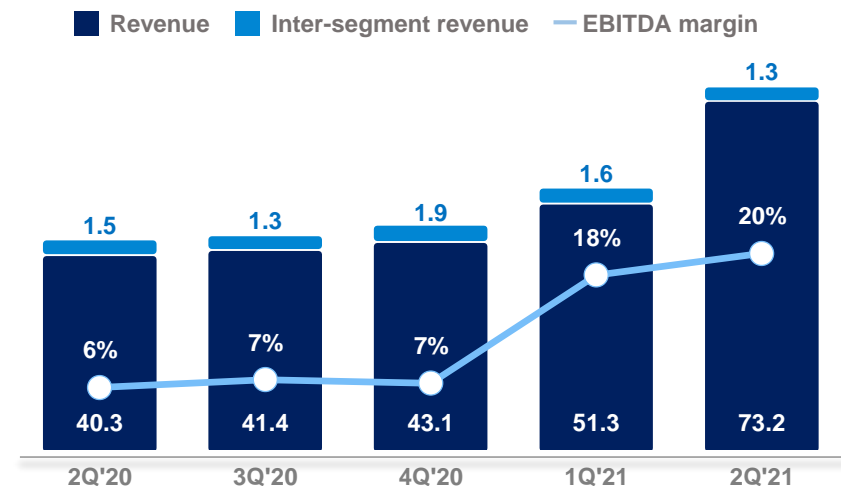
Share of sales to Russia decreased from **61%** to **56%** Q-on-Q. At the same time share of CIS sales increased from **14%** to **19%** compared to 1Q'2021.

Steel segment Revenue to 3rd parties in 2Q'2021 increased by **43%** compared to 1Q'2021 primarily due to significant growth in both prices and sales volumes for almost all types of steel products.

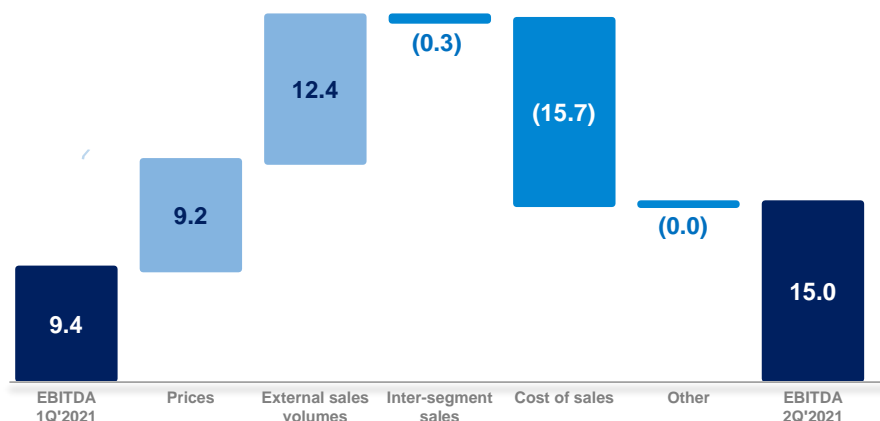
Steel segment EBITDA in 2Q'2021 significantly went up by **59%** compared to 1Q'2021. Effect of growth prices and sales volumes was partly compensated by higher prices for steel-making raw materials (coke, iron ore and ferroalloys, metal scrap).

Segment's EBITDA margin increased Q-on-Q from **18%** to **20%**.

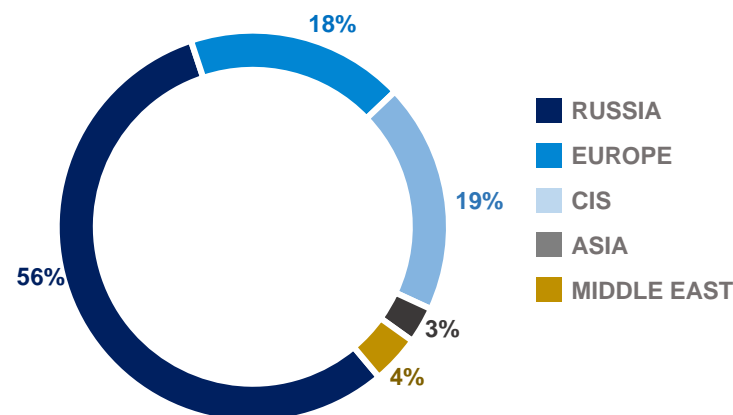
Revenue, EBITDA margin, RUB Bln



EBITDA, RUB Bln



Revenue breakdown by regions (2Q'2021)



Consolidated Revenue and Segment EBITDA Dynamics



An increase in sales volumes of all types of coking coal, PCI, coke and coking products together with growing prices resulted in **81%** upturn in mining segment revenue to 3rd parties in 2Q'2021 compared to 1Q'2021.

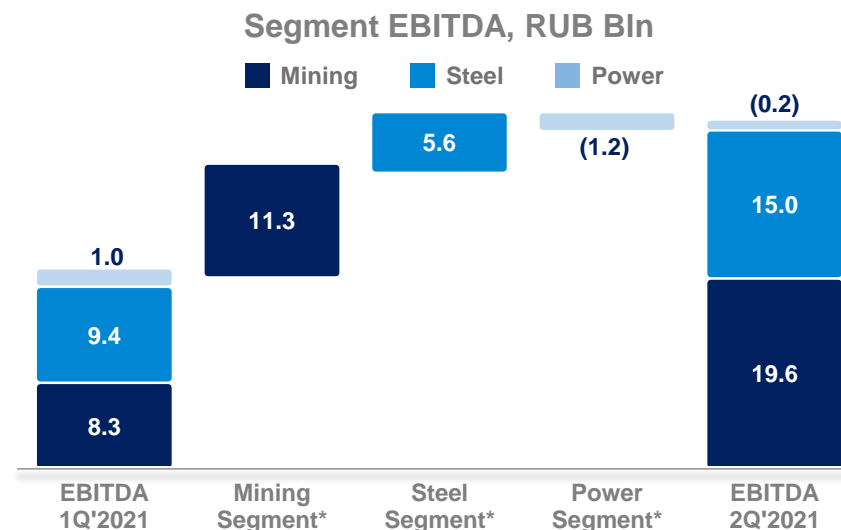
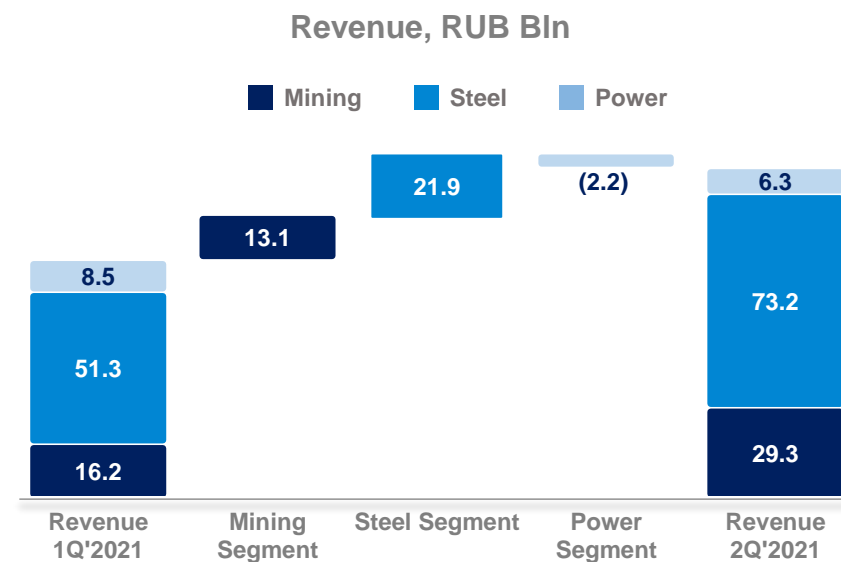
Steel segment Revenue to 3rd parties in 2Q'2021 increased by **43%** compared to 1Q'2021 primarily due to significant growth in both prices and sales volumes for almost all types of steel products.

Power segment Revenue to 3rd parties fell by **26%** in 2Q'2021 compared to 1Q'2021 due to seasonal factors.

Mining segment EBITDA significantly increased by **135%** Q-on-Q as a result of significant growth in coal prices.

Steel segment EBITDA in 2Q'2021 significantly went up by **59%** compared to 1Q'2021. Effect of growth prices and sales volumes was partly compensated by higher prices for steel-making raw materials (coke, iron ore and ferroalloys, metal scrap).

Power segment EBITDA decreased to **(0.2)** bln RUB in 2Q'2021 due to seasonal factors.



*including inter-segment operation
Income tax, deferred tax related to the consolidated group of taxpayers are not allocated to segments as they are managed on the group basis

Cash Flow & Trade Working Capital

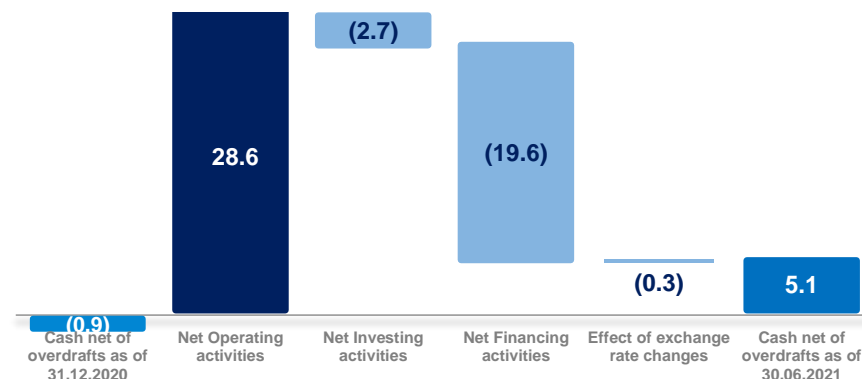


Cash flow from operations covers Group's current expenses, including debt service and lease payments.

As of June 30, 2021, trade working capital was positive at **7.3** bln RUB.

Group's capital expenditures in 2Q'2021 amounted to **2.4** bln RUB, including **0.9** bln RUB of lease payments.

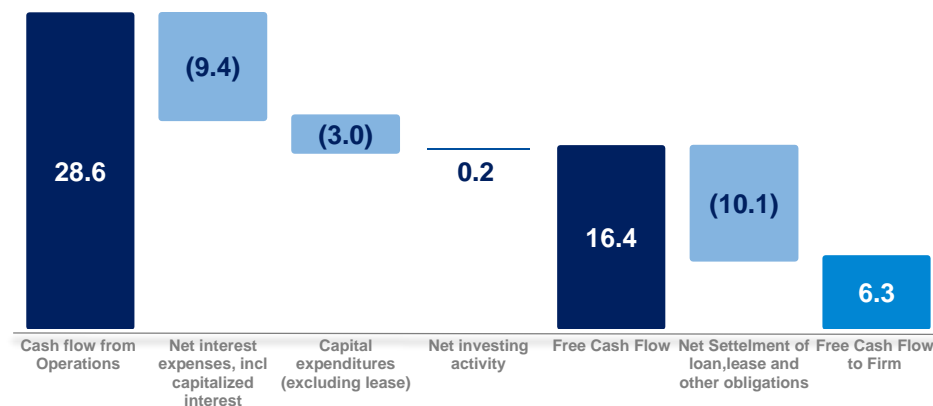
CASH FLOW, RUB Bln



TRADE WORKING CAPITAL MANAGEMENT, RUB Bln



FREE CASH FLOW for 1H'2021, RUB Bln



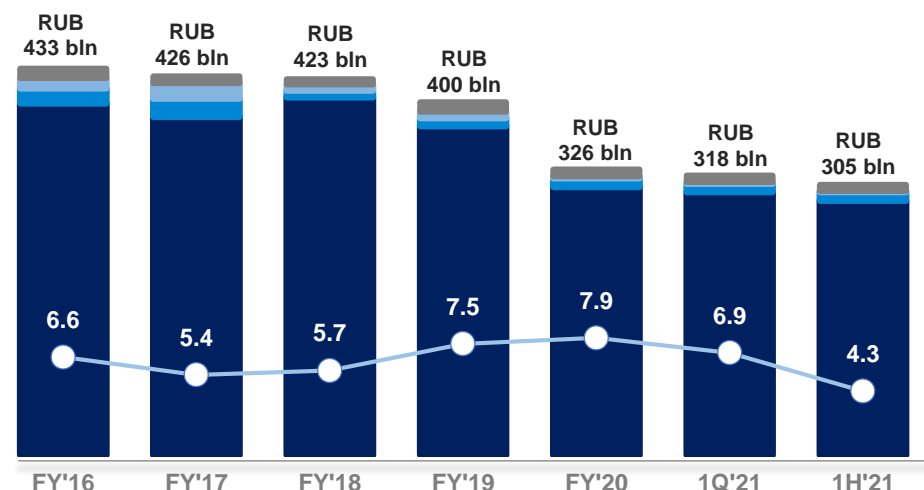
Debt Structure & Net debt / EBITDA Ratio Dynamics

As of August 2021 portion of restructured debt is at a level of **89%**; ruble portion of debt amounts to **55%**; and Russian state-controlled banks hold **88%** of our debt portfolio.

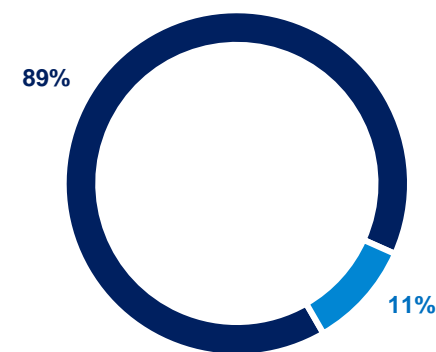
Net leverage significantly decreased to **4.3** as of June 30, 2021, compared to **7.9** as of December 31, 2020, due to EBITDA growth in 1H'2021.

Average interest rate through the debt portfolio as of August 2021 is **6.6%** per annum.

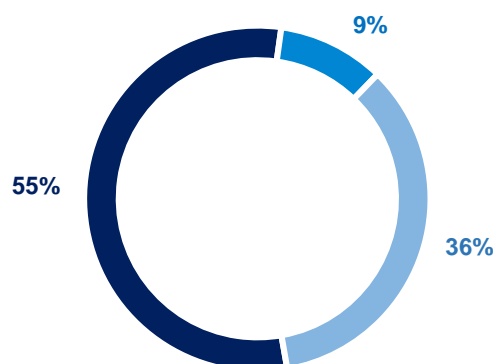
In 2Q'2021 Group's net settlement of debt (including overdrafts) amounted to **5.9** bln RUB.



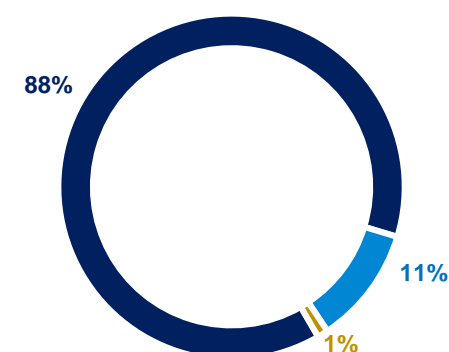
■ Short-term borrowings and current portion of long-term borrowings
 ■ Interest payable
■ Long-term borrowings
 ■ Lease and other financial liabilities
 — Net Debt/EBITDA



■ Restructured loans
 ■ In restructuring



■ RUB
 ■ USD
 ■ EUR

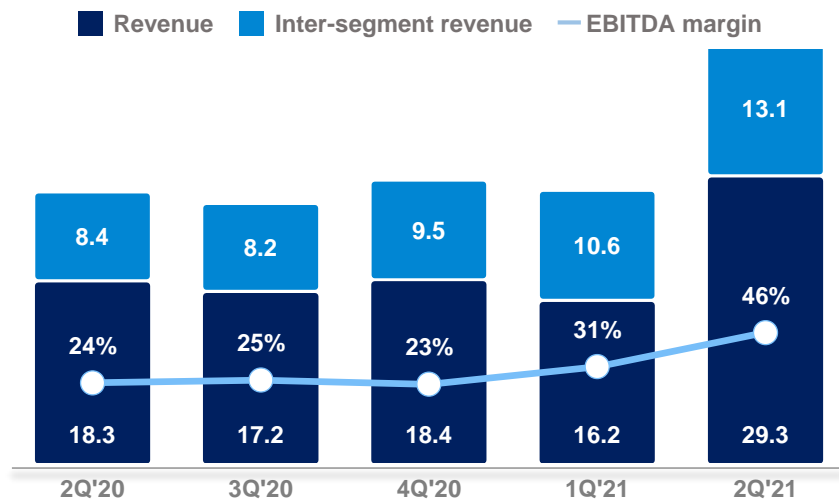


■ Russian state-controlled banks
 ■ ECA
 ■ Other

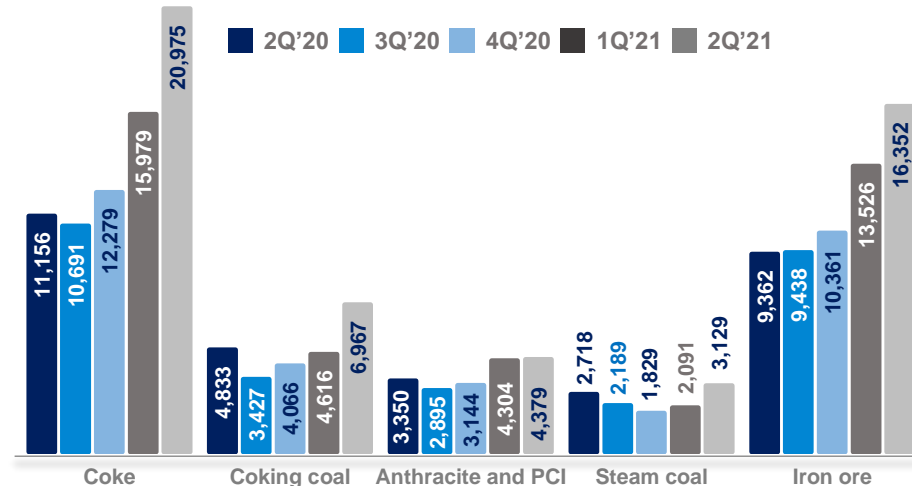


Source: Bloomberg/Gettyimages.com

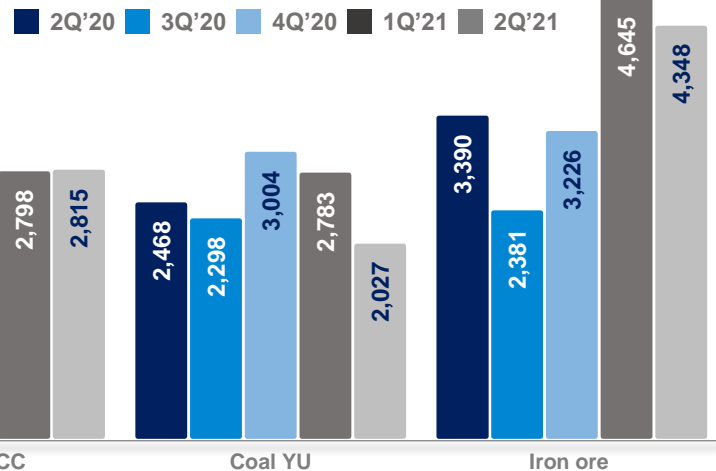
Revenue, EBITDA margin, RUB Bln



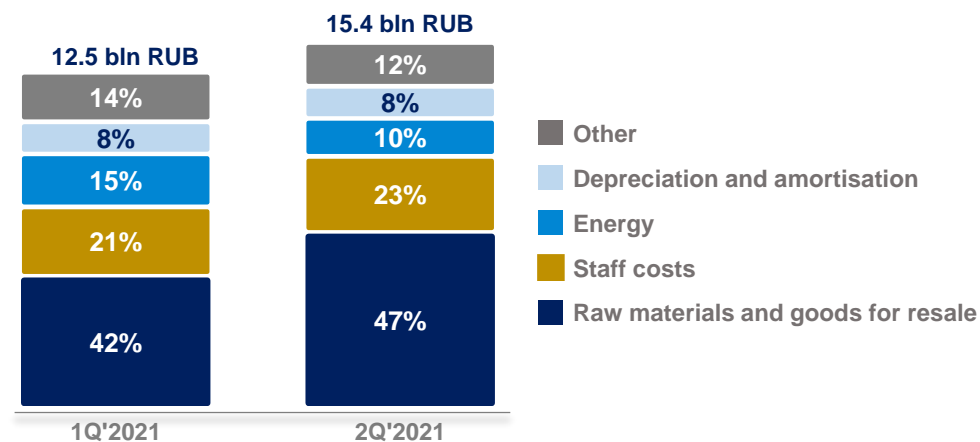
Average sales prices FCA, RUB/tonne



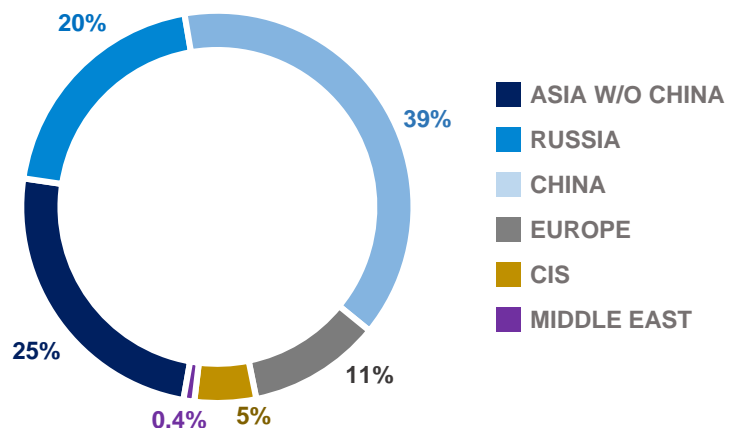
Cash costs, RUB/tonne



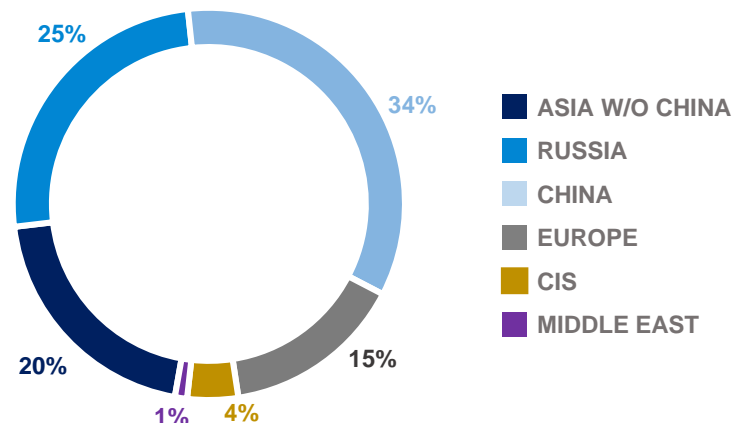
COS structure



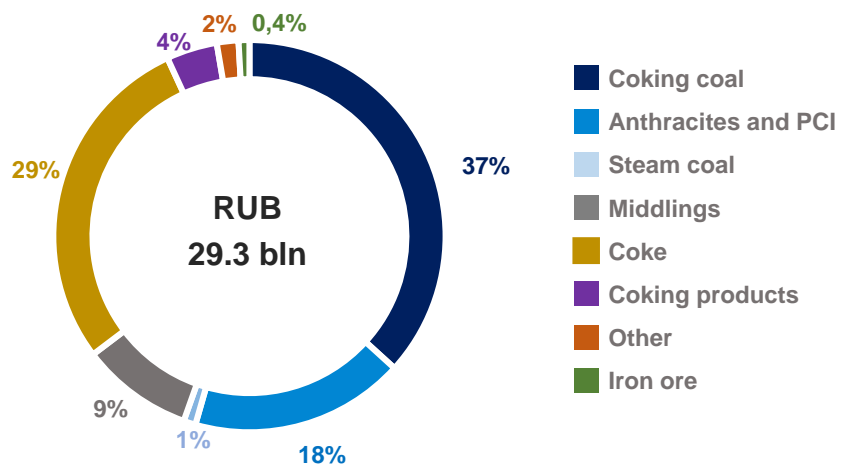
Revenue breakdown by regions (2Q'2021)



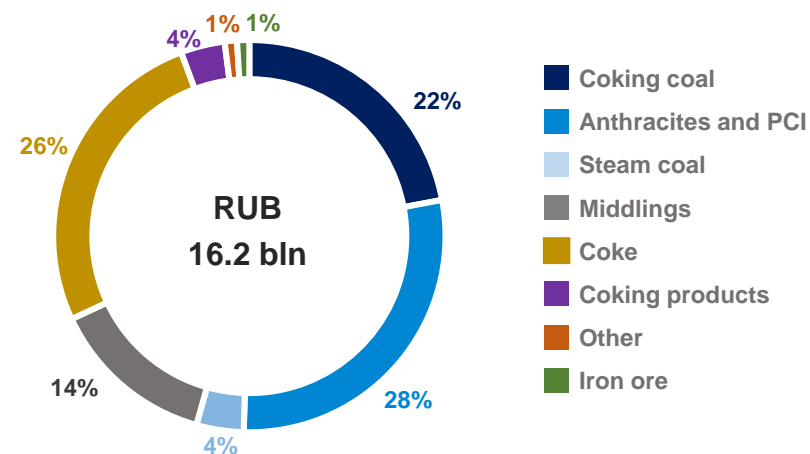
Revenue breakdown by regions (1Q'2021)



Revenue breakdown by products (2Q'2021)



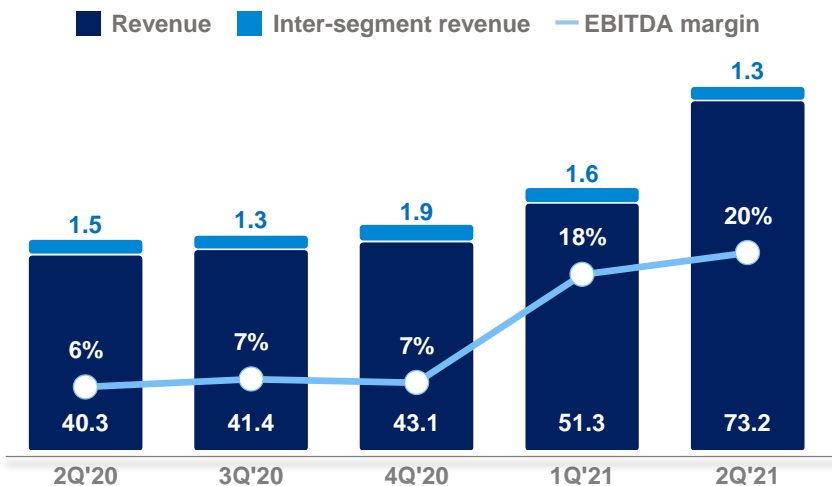
Revenue breakdown by products (1Q'2021)



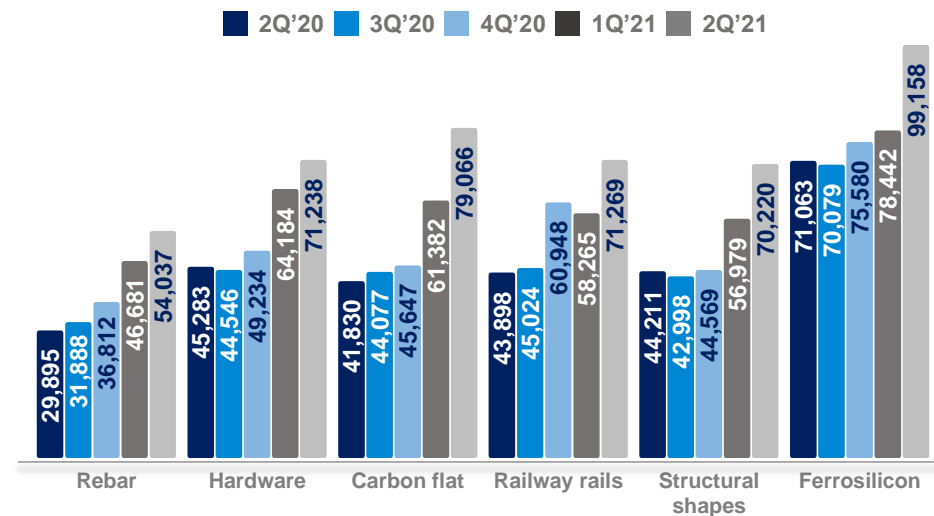
Steel segment



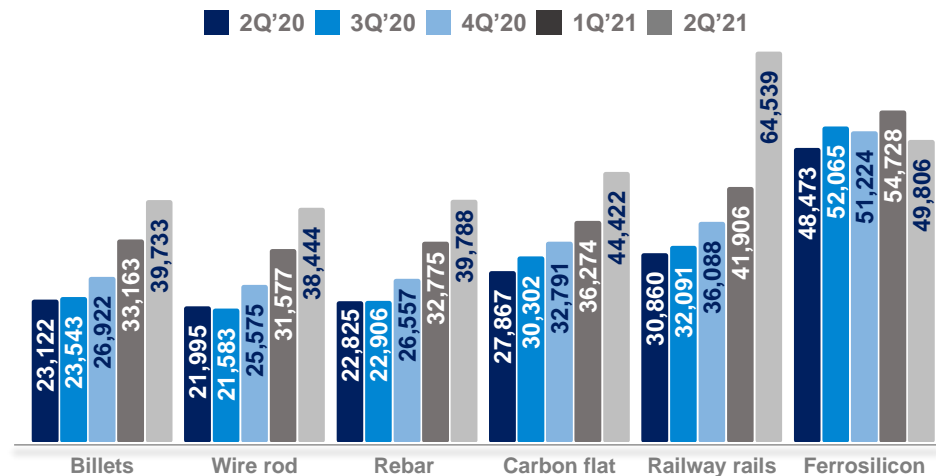
Revenue, EBITDA margin, RUB Bln



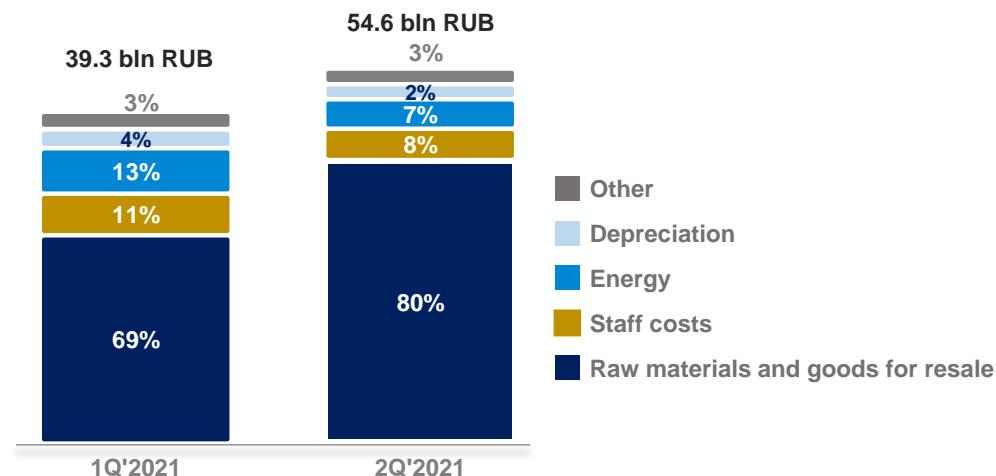
Average sales prices FCA, RUB/tonne



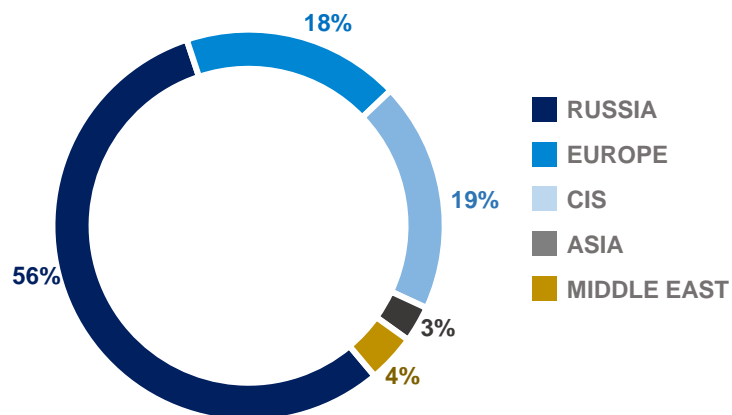
Cash costs, RUB/tonne



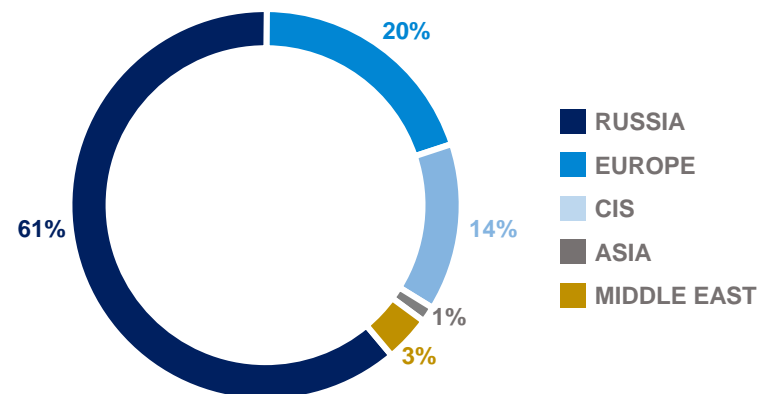
COS structure



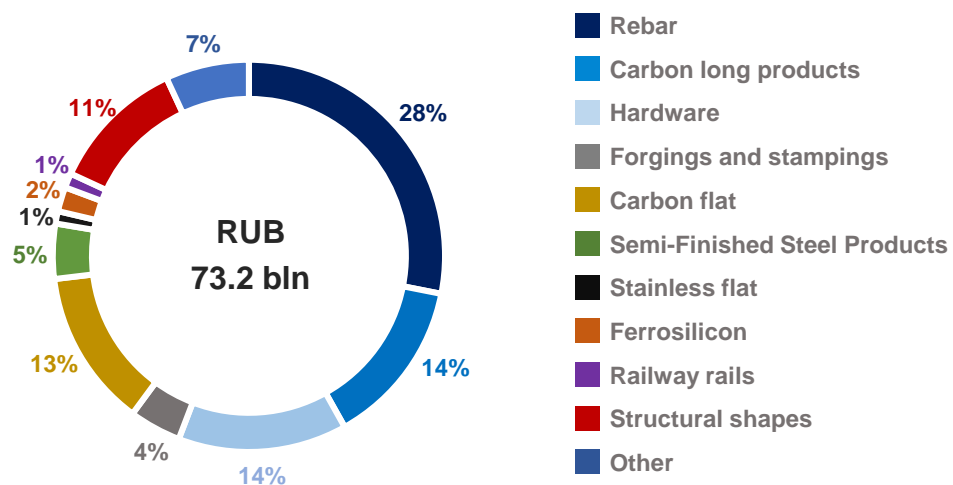
Revenue breakdown by regions (2Q'2021)



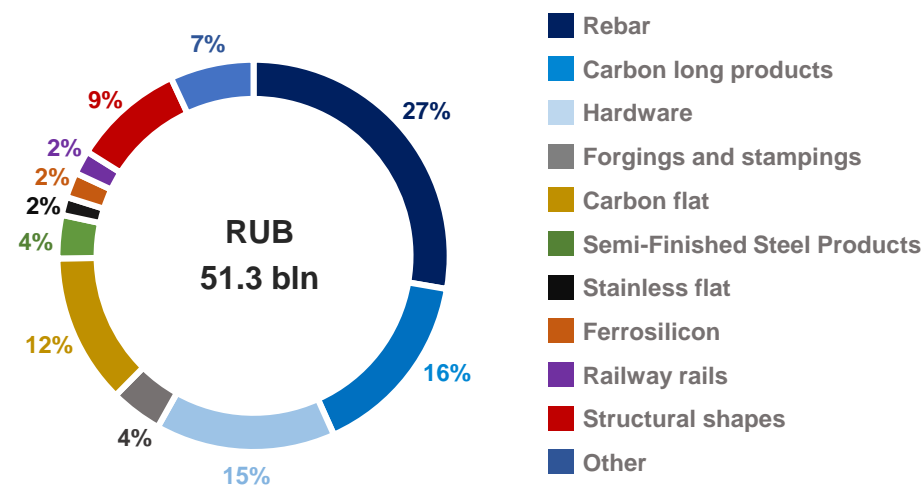
Revenue breakdown by regions (1Q'2021)



Revenue breakdown by products (2Q'2021)



Revenue breakdown by products (1Q'2021)



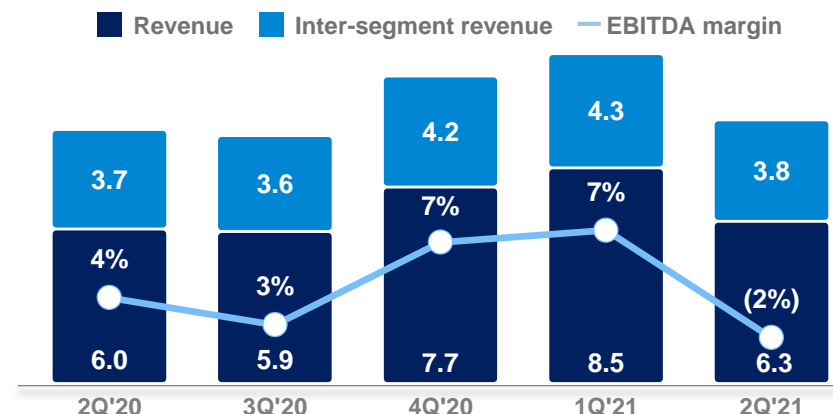
Power segment



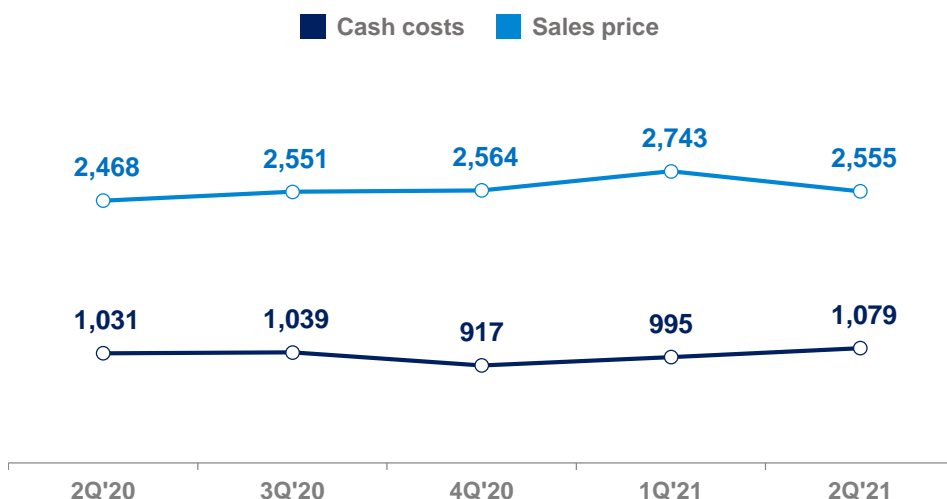
Power segment Revenue to 3rd parties fell by **26%** in 2Q'2021 compared to 1Q'2021 due to seasonal factors.

As a result of the abovementioned reason Power segment EBITDA decreased to **(0.2)** bln RUB in 2Q'2021.

Revenue, EBITDA margin, RUB Bln



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



COS structure

