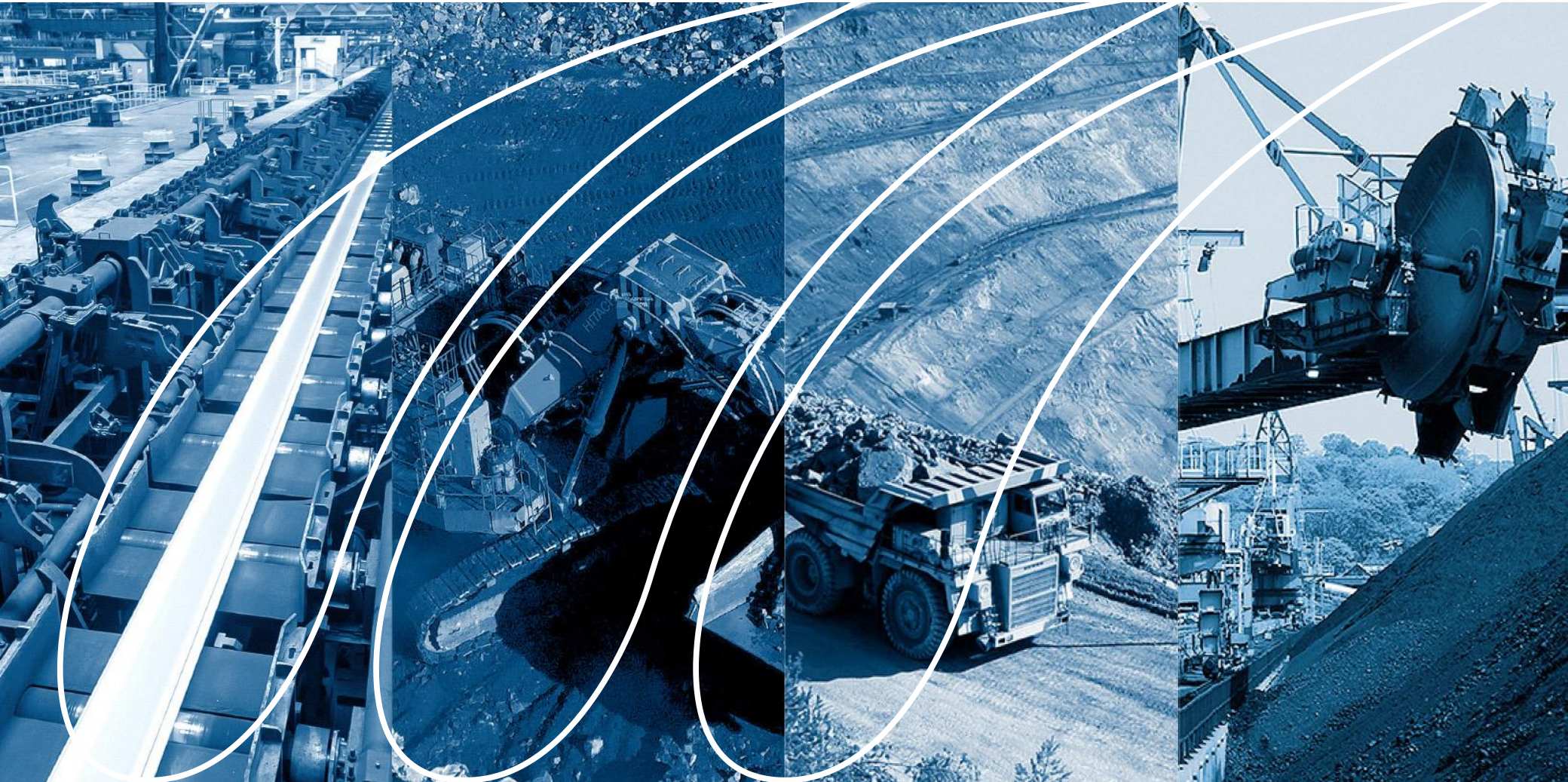


# 1Q 2020 RESULTS PRESENTATION



May 26, 2020



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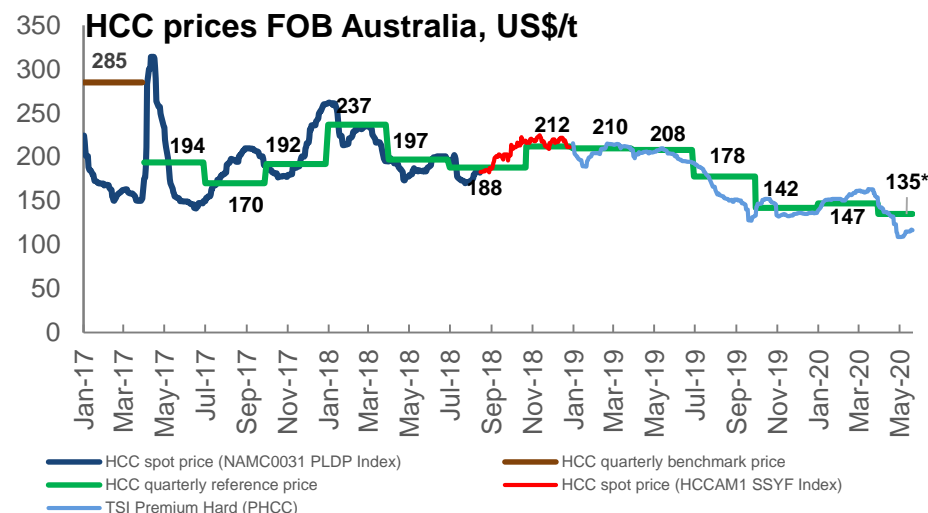
# KEY FINANCIAL RESULTS

Nelli R. Galeeva – Chief Financial Officer

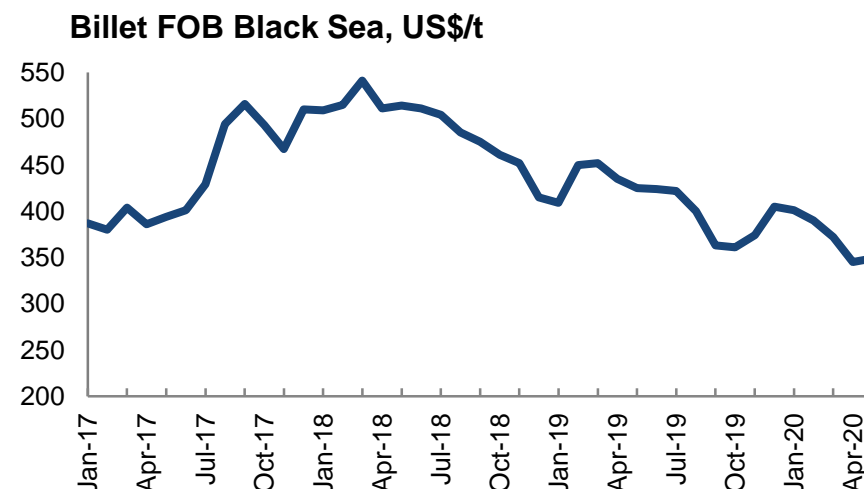


# Key market drivers

- Starting January 2020 Chinese ports resumed processing of imported coal. There were concerns in February that COVID-19 outbreak in China could result in met coal demand decrease that would bring pressure upon prices. But in February-March exporters managed to raise prices amid coal export to China ban in Mongolia and production and transportation difficulties of local Chinese coal producers. By mid-March, coking coal prices reached the highest level since July 2019 - \$164/t FOB Australia. Average spot price of Premium LV HCC in 1Q2020 amounted to \$155/t which was 11% higher than 4Q2019 average level.
- In 2Q 2020 after resuming of coal supplies to China from Mongolia, enforcing a quarantine in India and amid expectations of coal consumption decrease due to suspension of blast furnace operations by some steel producers coal prices started to decline and by end of April fell below \$120/t FOB Australia. In May prices are still under pressure and their repair may be expected when steel demand recovery starts.
- Russian coal market was declining in the beginning of the year following the international coal prices downward trend in 4Q2019 and due to coal surplus in Russia. In January coal prices went down by 9% compared to 4Q2019 with some further decline in February-March. In April-May local prices for coking coal remained relatively stable.
- With COVID-19 outbreak there were concerns regarding possible iron ore demand decline but state support of economy in China together with fast localization of epidemic helped to maintain stable iron ore demand. Supplies also were not affected so iron ore prices remained relatively flat through 1Q2020 and in April-May.
- In the first half of 1Q2020 billet market demonstrated negative dynamics. Billet price gradually decreased from \$408 to \$380 FOB by the mid-February on imported scrap prices decline in Turkey and weak billet demand in MENA countries. In the second half of February demand and prices in MENA region slightly improved but in March business activity curtailed again. Additional pressure on steel consumption came from oil prices drop.
- At the same time scrap deficit on both domestic and international markets amid pandemic outbreak together with high semi-finished steel demand in China and South-East Asia in 2Q2020 may support billet prices in mid-term.



Source: Bloomberg  
\* Current situation



Source: Metal Courier

# 1Q 2020 Financial results summary



- Consolidated Revenue in 1Q2020 amounted to 68.3 bln RUB, a decrease of 9% compared to 1Q2019. This was to a greater extent a result of significant coal prices decline (especially met coal prices) in 1Q2020 compared to 1Q2019. Consolidated Revenue was flat compared to 4Q2019.
- 1Q2020 EBITDA\* went down by 17% compared to 1Q2019 but went up by 36% compared to 4Q2019 and amounted to 12.7 bln RUB with EBITDA margin 19%.
- Loss attributable to equity shareholders of Mechel PAO in 1Q2020 amounted to 36.9 bln RUB, compared to loss amounted to 9.8 bln RUB in 4Q2019 due to growth of foreign exchange loss related to foreign currency-denominated part of our credit portfolio as a result of significant ruble devaluation against US dollar and euro in the reporting period.

RUB mln	1Q' 20	1Q' 19	%	1Q' 20	4Q' 19	%
<b>Revenue</b>	68,332	74,856	-9%	68,332	68,376	0%
<b>Operating profit</b>	7,016	10,837	-35%	7,016	2,560	174%
<b>EBITDA*</b>	12,690	15,322	-17%	12,690	9,361	36%
<b>EBITDA margin, %</b>	19%	20%		19%	14%	
<b>(Loss) / profit attributable to equity shareholders of Mechel PAO</b>	(36,878)	11,336	-425%	(36,878)	(9,765)	278%

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

# 1Q 2020 Production and sales summary



- In 1Q2020 coal mining volumes decreased by 4% compared to 4Q2019.
- 1Q2020 coal mining volumes grew by 47% compared to 1Q2019 as a result of measures implemented to recover production volumes at our mining sites.
- Pig iron and steel production increased by 10% and 2% respectively Q-on-Q after blast furnace #4 and converter #1 at Chelyabinsk Metallurgical Plant were put into operation in March after reconstruction.

- Coking coal sales to third parties in 1Q2020 increased by 5% compared to 4Q2019. Overall sales volumes declined by 8% Q-on-Q as internal coking coal demand was lower during blast furnace #4 repair.
- Other met coal (PCI and anthracites) sales remained flat Q-on-Q. Steam coal sales grew in 1Q2020 by 3% Q-on-Q.
- Flat products sales increased by 11% Q-on-Q. At the same time stainless flat products sales increased 38% as a result of efforts to increase sales of higher value-added products.
- Long products sales added 5% Q-on-Q. Sales of high value-added products such as rails increased by 34%.

## Production (th tonnes)

Product	1Q' 20	1Q' 19	%	1Q' 20	4Q' 19	%
Run-of-mine Coal	5,188	3,520	+47	5,188	5,420	-4
Pig Iron	872	870	0	872	796	+10
Steel	876	930	-6	876	860	+2

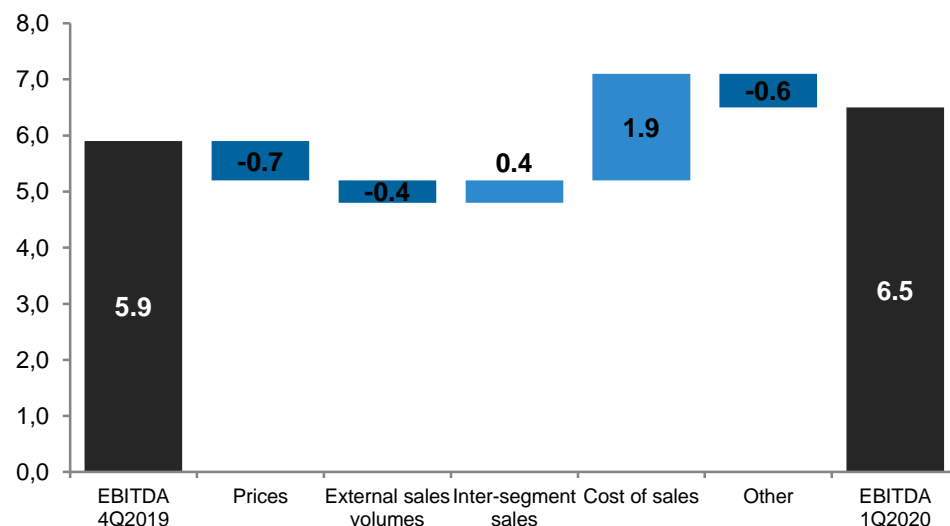
## Sales (th tonnes)

Product	1Q' 20	1Q' 19	%	1Q' 20	4Q' 19	%
Coking Coal	1,684	1,697	-1	1,684	1,830	-8
Steam Coal	1,212	1,333	-9	1,212	1,174	+3
Flat Products	124	115	+7	124	112	+11
Long Products	648	606	+7	648	618	+5

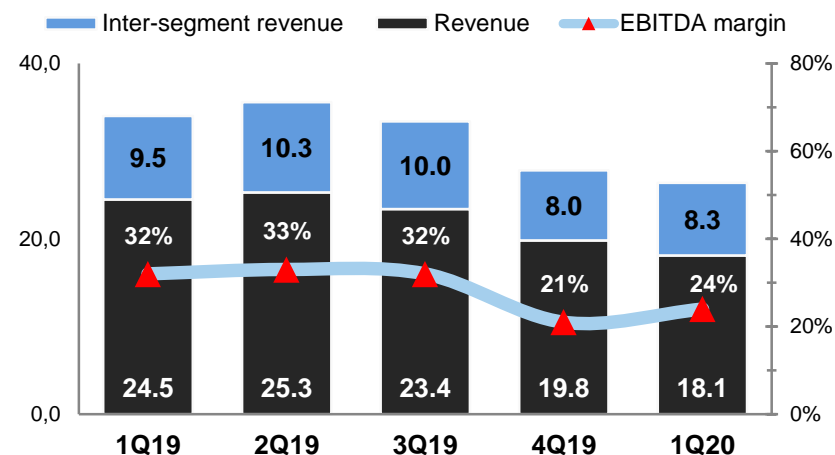
# Mining segment

- Mining segment regional sales structure changed as we increased sales of coking coal to Japan and redirected some volumes of steam coal from China and Vietnam to Russian domestic market. As a result share of China decreased from 17% in 4Q2019 to 9% in 1Q2020, share of Russia increased from 22% to 27% and share of Asia (w/o China) increased by 1%.
- Metallurgical coal market weakness was the major factor of Mining segment. Revenue declined by 9% compared to 4Q2019 and by 26% compared to 1Q 2019.
- Mining segment EBITDA in 1Q2020 went up by 9% compared to 4Q2019 as a result of cost of sales 12% decline Q-on-Q, and amounted to 6.5 bln RUB.

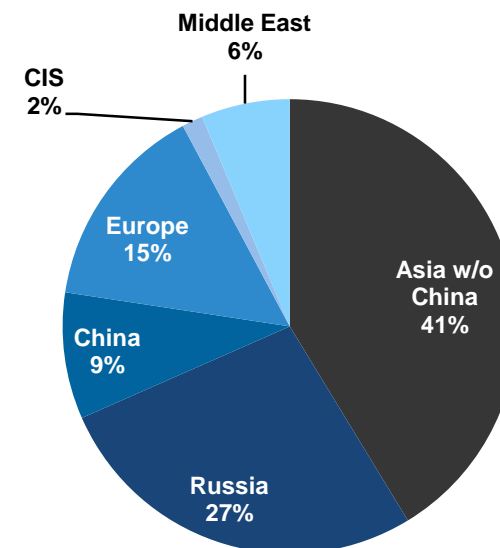
## EBITDA, RUB Bln



## Revenue, EBITDA margin, RUB Bln



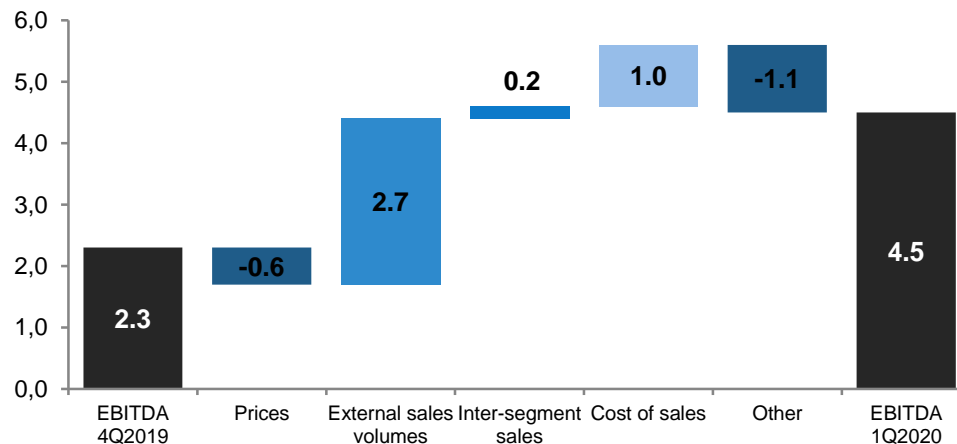
## Revenue breakdown by regions (1Q 2020)



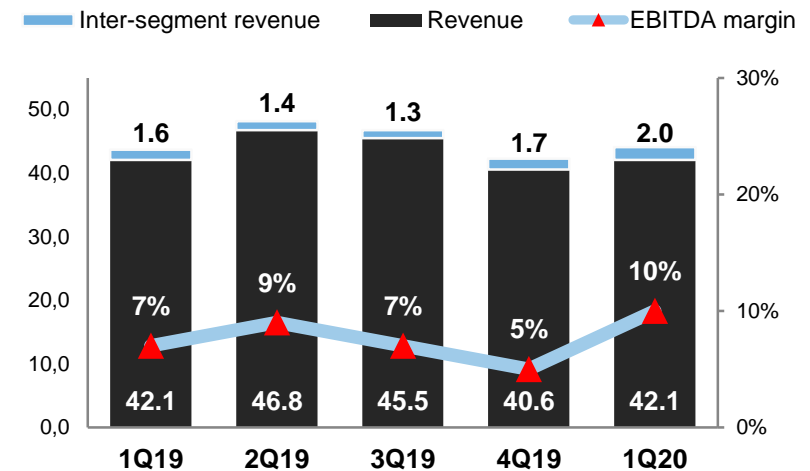
# Steel segment

- In 1Q2020 Revenue increased by 4% compared to 4Q2019 due to growth of sales of rails, flat steel, especially stainless flat products, and wire.
- Revenue in 1Q2020 compared to 1Q2019 was flat.
- EBITDA in 1Q2020 went up by 101% compared to 4Q2019 on higher sales volumes of steel products and costs reduction.
- Segment's EBITDA margin grew Q-on-Q from 5% to 10%.

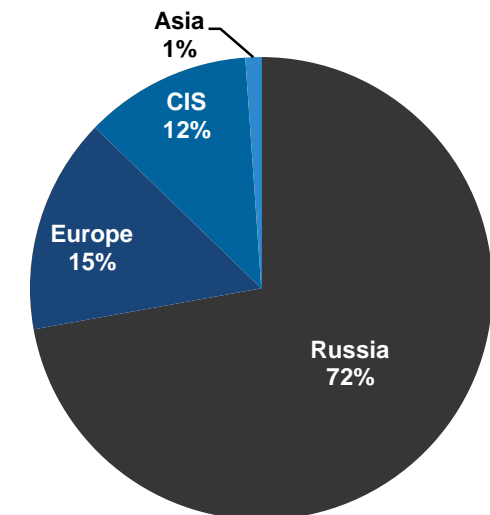
## EBITDA, RUB Bln



## Revenue, EBITDA margin, RUB Bln



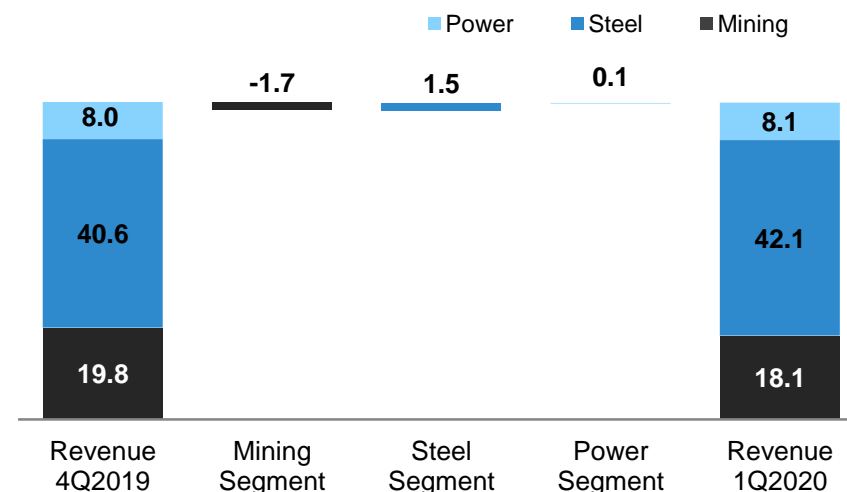
## Revenue breakdown by regions (1Q 2020)



# Consolidated revenue and segment EBITDA dynamics

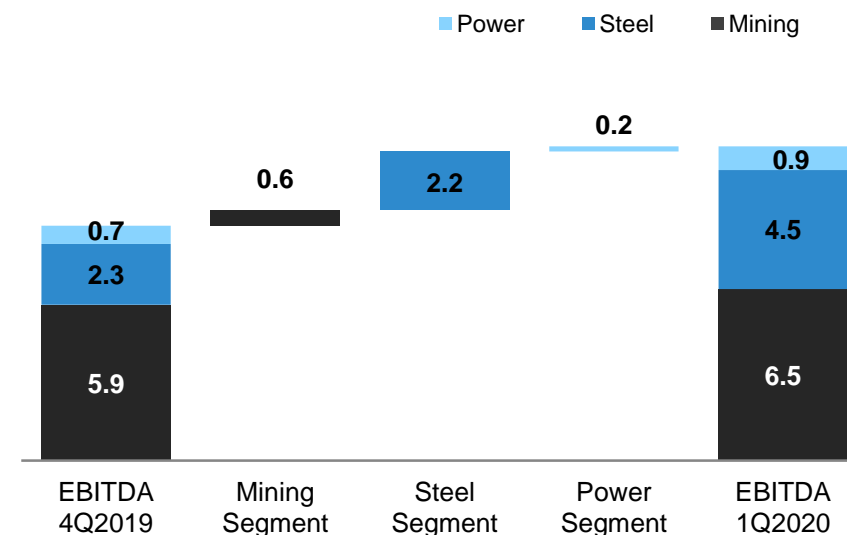
- Mining segment Revenue to 3<sup>rd</sup> parties in 1Q2020 decreased by 9% compared to 4Q2019 on lower coal prices.
- Steel segment Revenue to 3<sup>rd</sup> parties in 1Q2020 grew by 4% compared to 4Q2019 due to increased sales of rails, flat products, including stainless flat, and wire.
- Power segment Revenue to 3<sup>rd</sup> parties remained relatively flat in 1Q2020 compared to 4Q2019.

Revenue, RUB Bln



- Mining segment EBITDA went up by 9% in 1Q2020 compared to 4Q2019 and amounted to 6.5 bln RUB due to lower costs as a result of decreased volumes of blasting and stripping works.
- Steel segment EBITDA increased by 101% and amounted to 4.5 bln RUB influenced by the growth of sales volumes of steel products and costs reduction.
- Power segment EBITDA grew by 37% in 1Q2020 Q-on-Q and amounted 921 mln RUB.

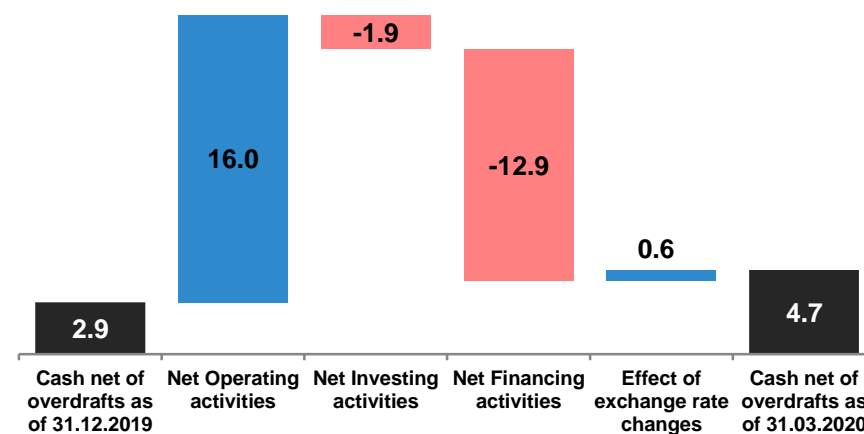
Segment EBITDA, RUB Bln



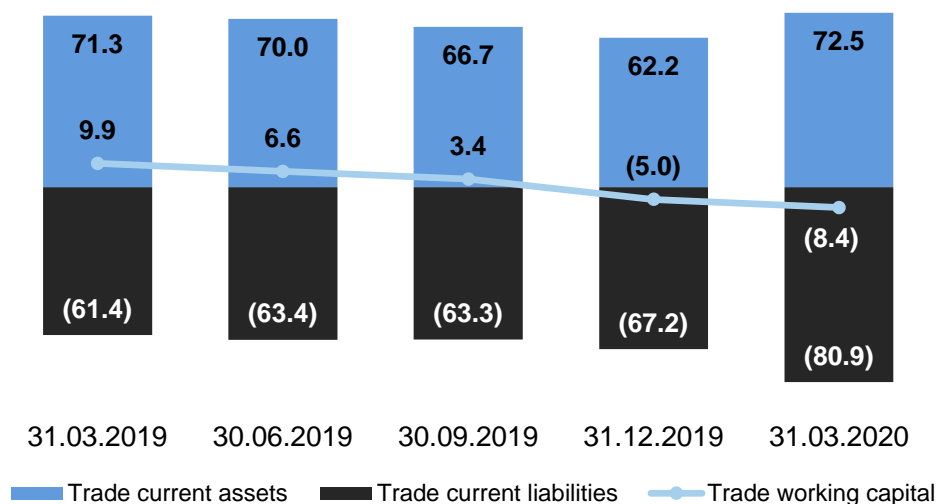
# Cash flow & trade working capital

- Cash flow from operations completely covers Group's current expenses, including debt service and lease payments and allows us to perform debt repayments.
- As of March 31, 2020, trade working capital was negative at -8.4 bln RUB. It declined by 3.4 bln RUB from -5.0 bln RUB as of December 31, 2019, predominantly as a result of customers advance payments growth.
- Group's capital expenditures in 1Q2020 amounted to 2.6 bln RUB, including 0.5 bln RUB of lease payment.

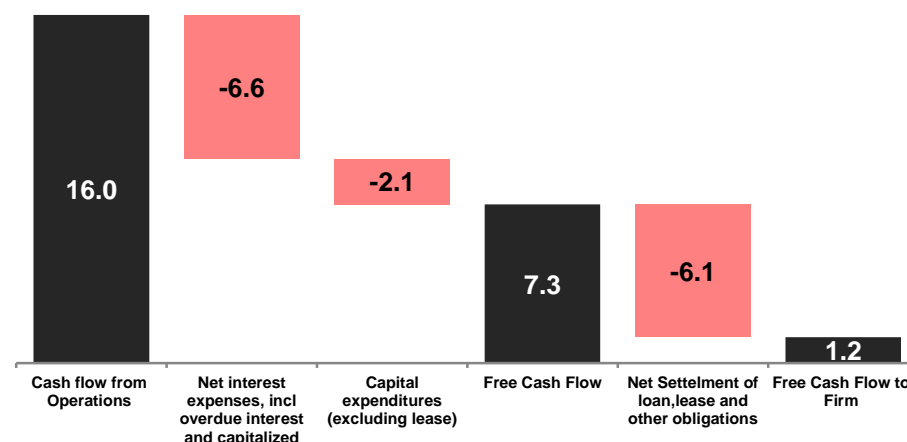
## CASH FLOW, RUB Bln



## Trade working capital management, RUB Bln



## FREE CASH FLOW for 1Q 2020, RUB Bln



# Debt structure & net debt / EBITDA ratio dynamics

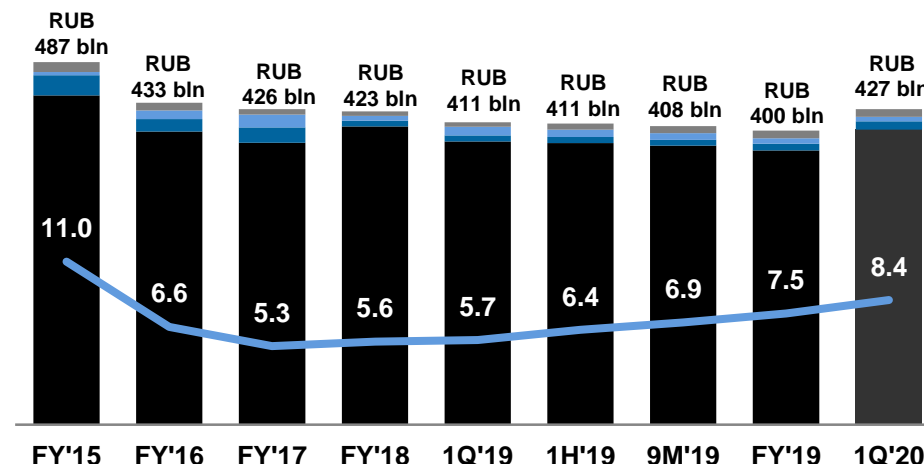
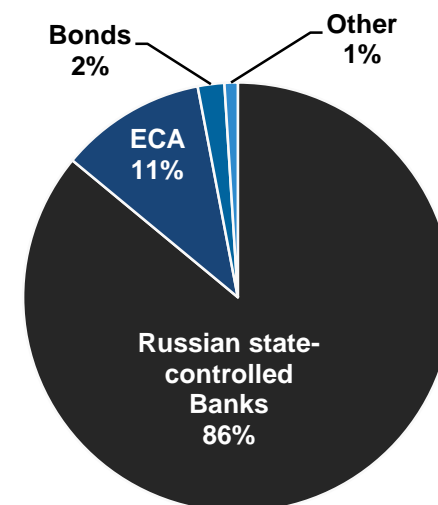
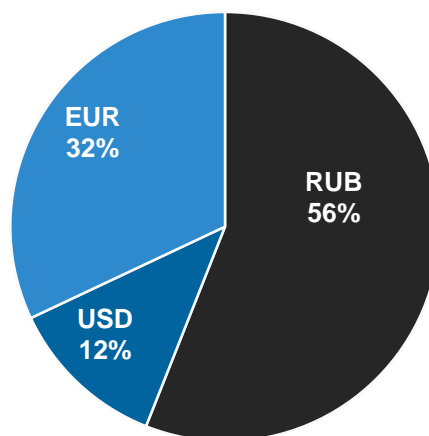
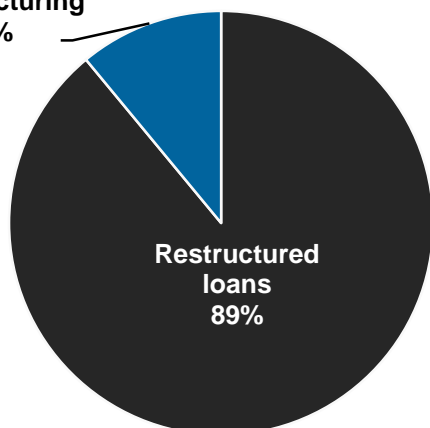
As at 31.03.2020:

- Ruble portion of debt amounted to 61%; and Russian state-controlled banks held 90% of our debt portfolio.
- Net leverage increased to 8.4 on debt growth by 27 bln RUB (as a result of significant ruble devaluation against US dollar and euro in 1Q 2020) and lower EBITDA.
- Average interest rate through the debt portfolio was 7.0% per annum; average paid interest rate amounts to 6.8% per annum.
- In 1Q2020 Group repaid 5.7 bln RUB of debt principal.

As at May 2020:

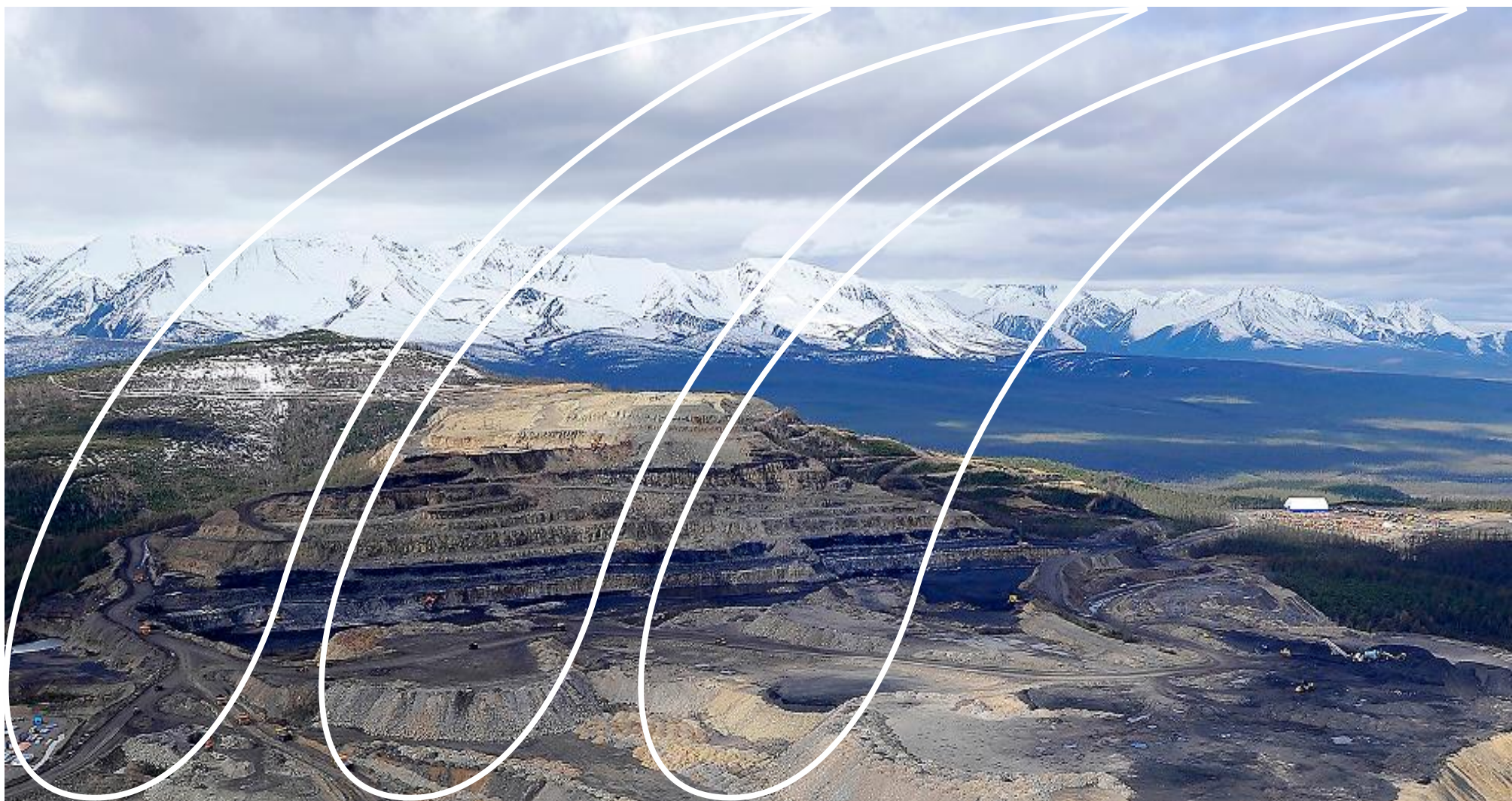
- Portion of restructured debt is at a level of 89%; ruble portion of debt amounts to 56%; and Russian state-controlled banks hold 86% of our debt portfolio.
- Average interest rate through the debt portfolio is 6.4% per annum; average paid interest rate amounts to 6.3% per annum.

In restructuring  
11%



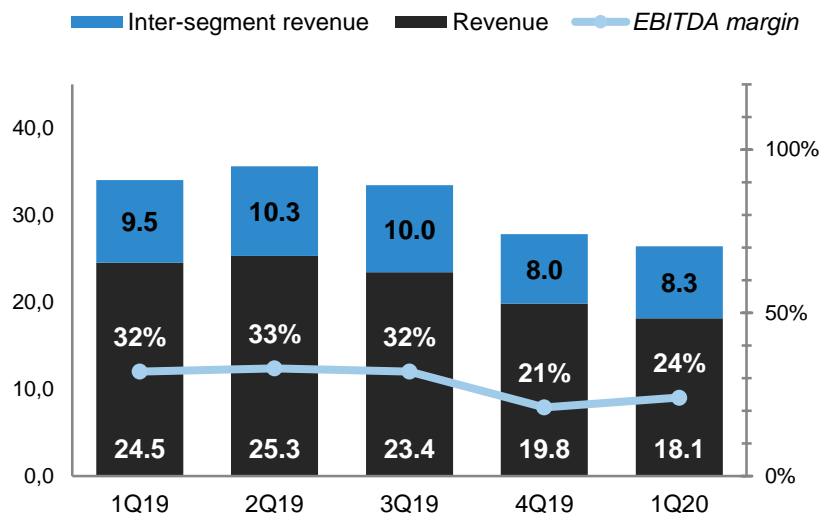
■ Lease and other financial liabilities  
 ■ Long-term borrowings  
 ■ Interest payable  
 ■ Short-term borrowings and current portion of long-term borrowings  
 ■ Net Debt\*/EBITDA

\*excluding GPB option on Elga, fines and penalties

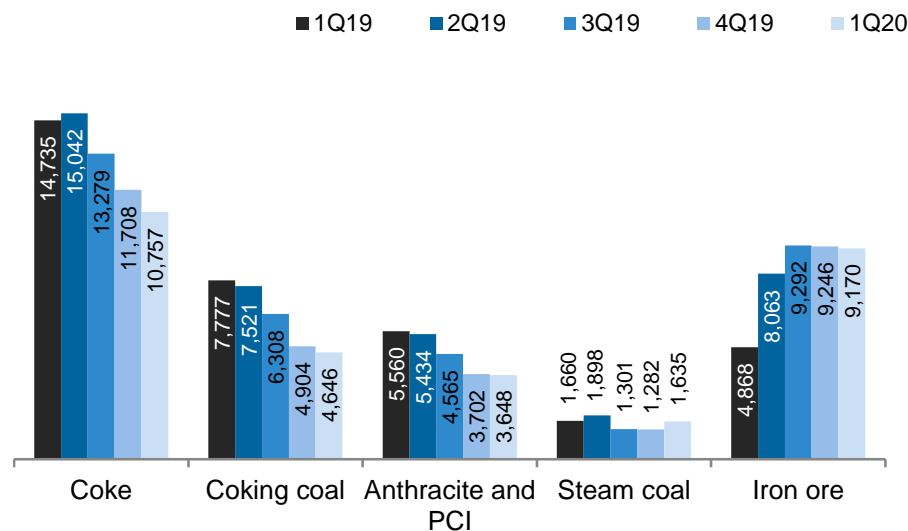


# Mining segment

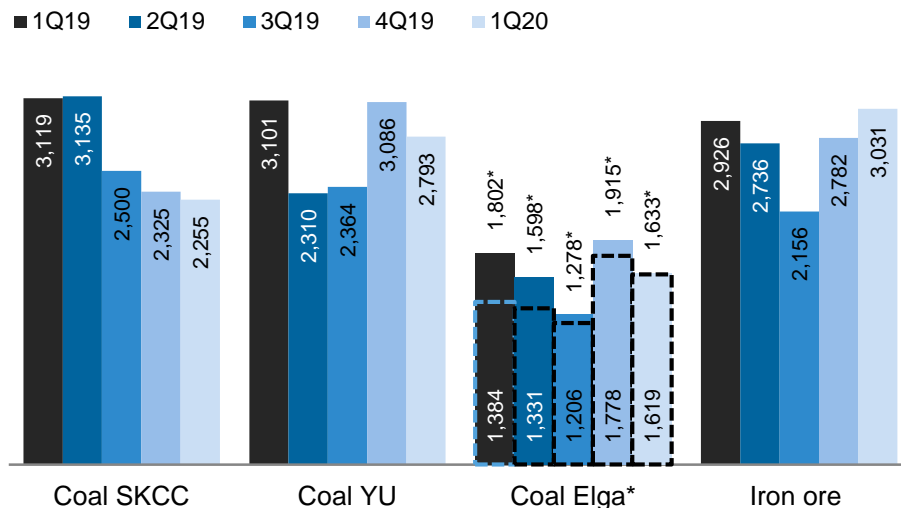
## Revenue, EBITDA margin, RUB Bln



## Average sales prices FCA, RUB/tonne



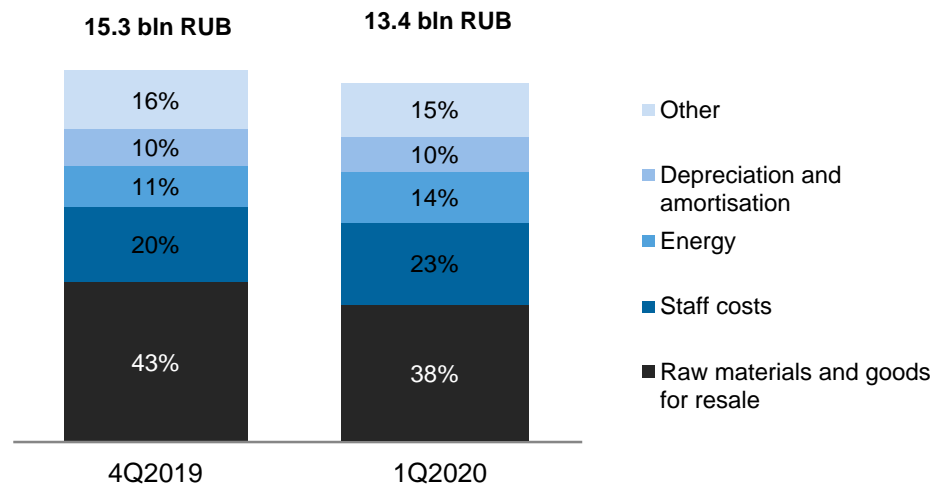
## Cash costs, RUB/tonne



Coking coal concentrate produced on Elga

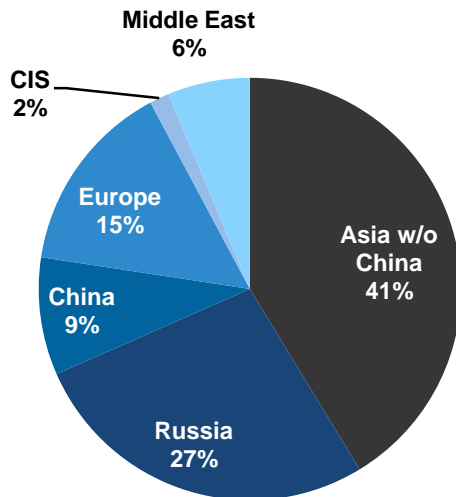
\* Coking coal concentrate produced on Elga and Southern Kuzbass Coal Company washing facilities

## COS structure

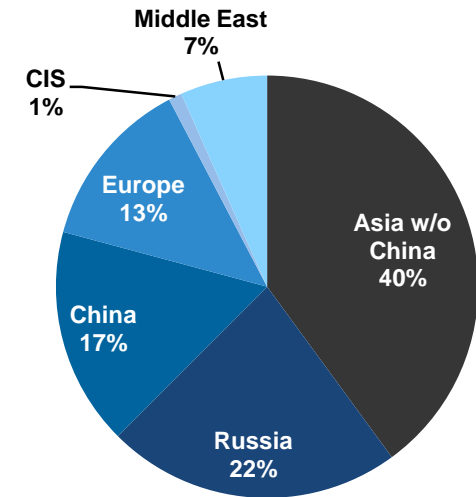


# Mining segment

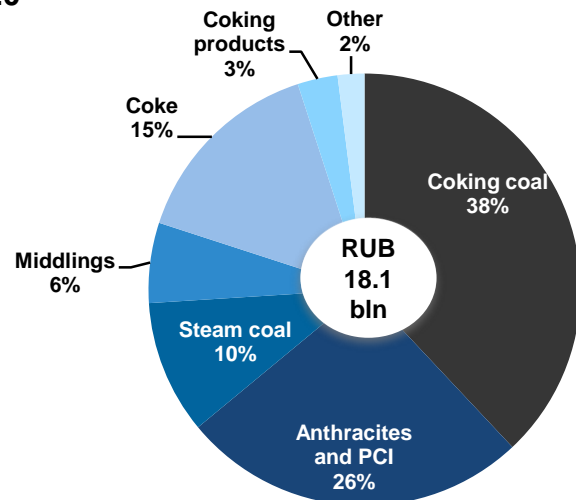
Revenue breakdown by regions  
1Q 2020



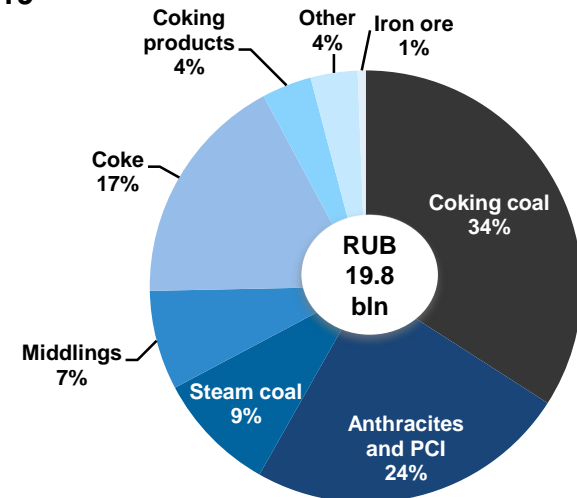
Revenue breakdown by regions  
4Q 2019



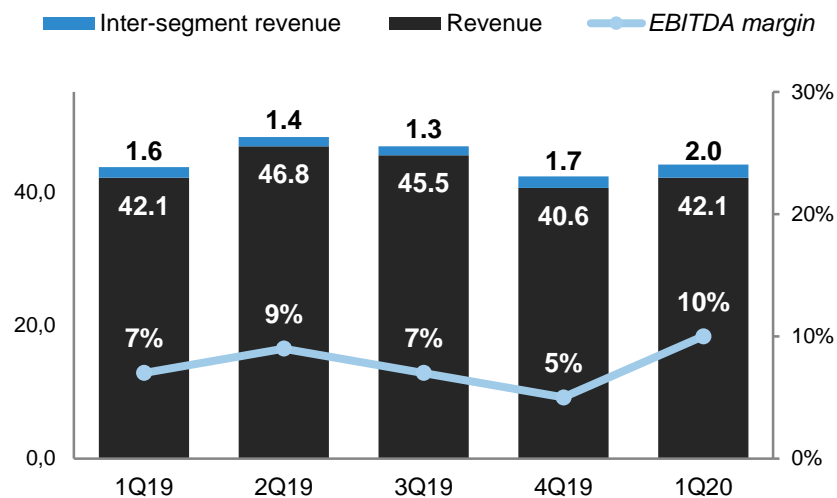
Revenue breakdown by products  
1Q 2020



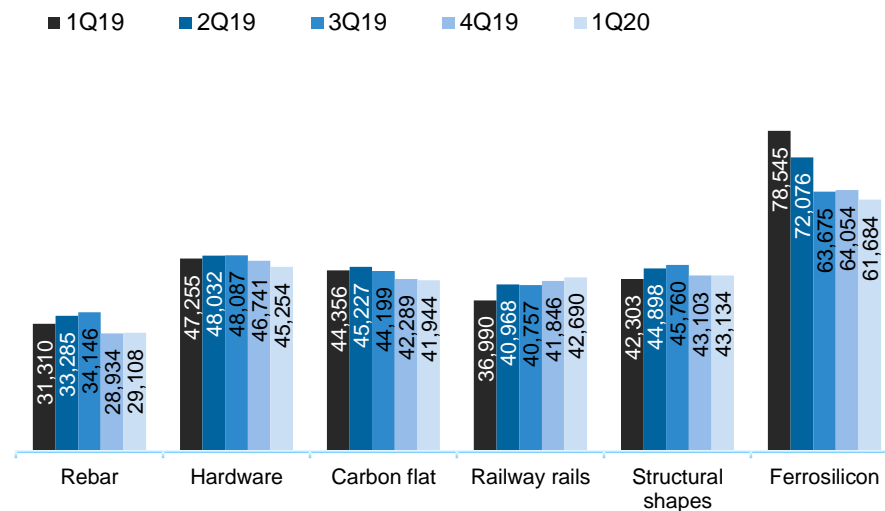
Revenue breakdown by products  
4Q 2019



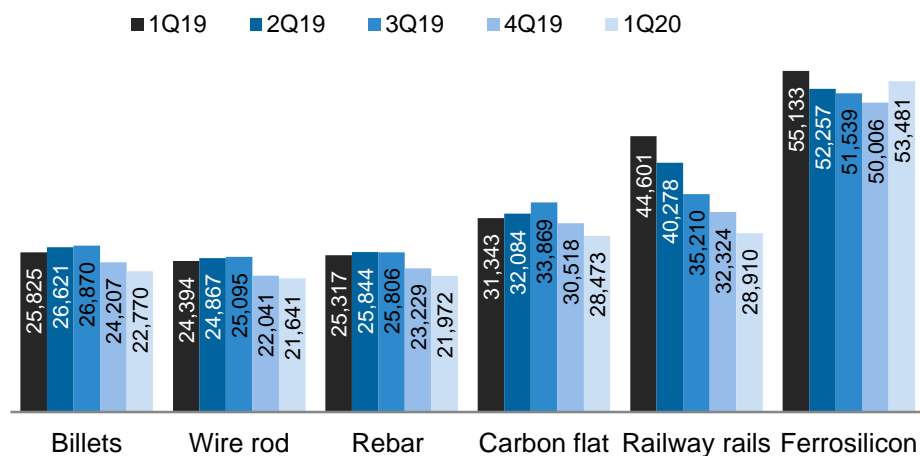
## Revenue, EBITDA margin, RUB Bln



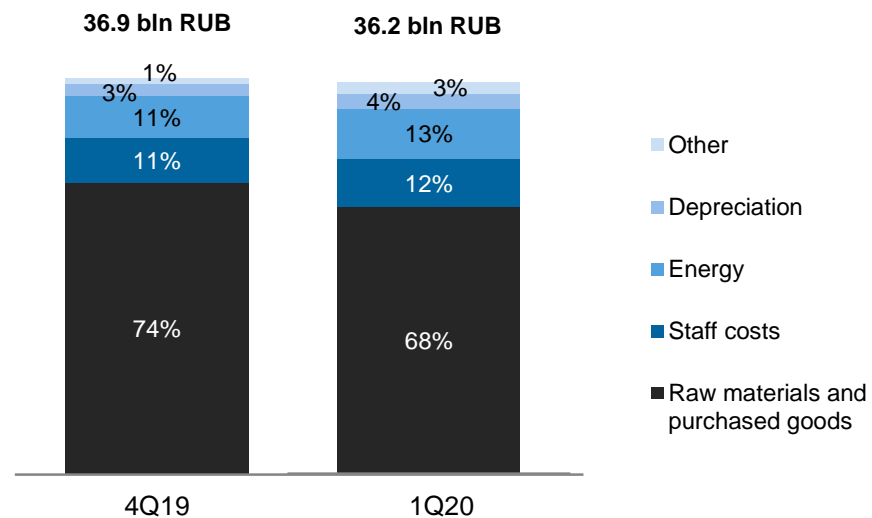
## Average sales prices FCA, RUB/tonne



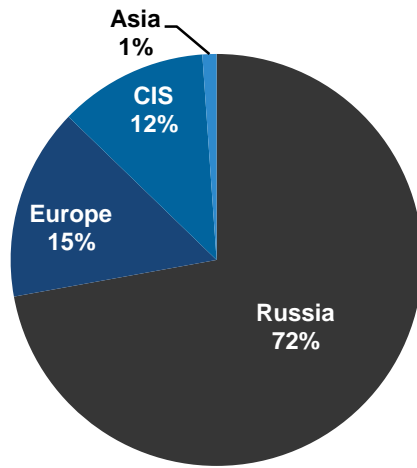
## Cash costs, RUB/tonne



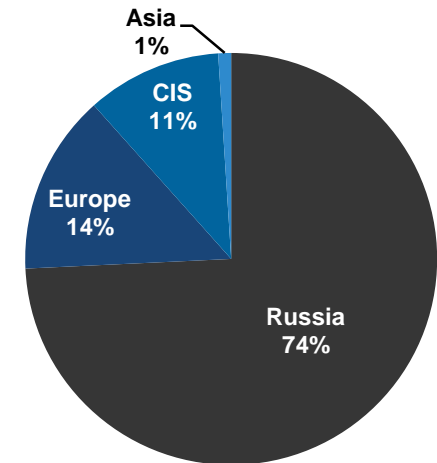
## COS structure



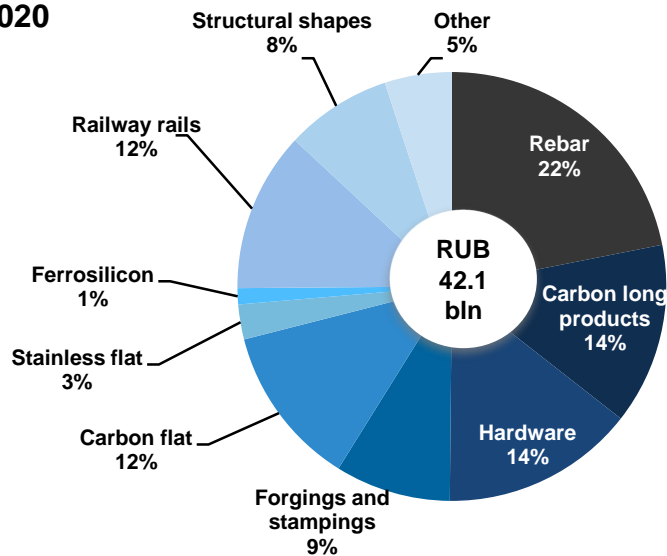
Revenue breakdown by regions  
1Q 2020



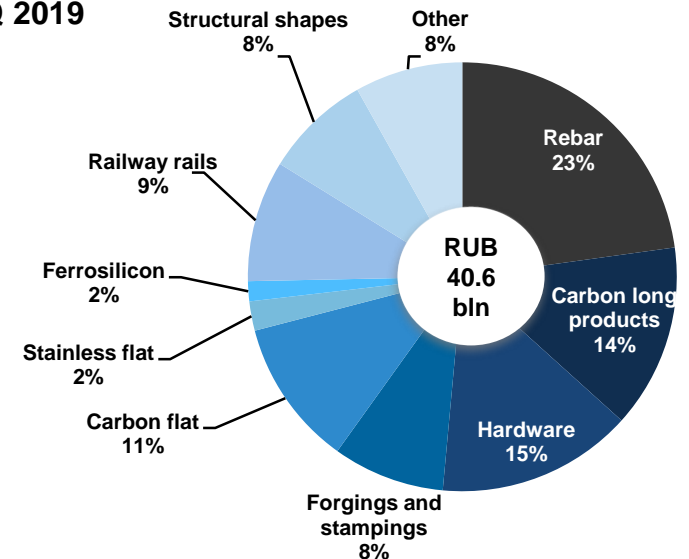
Revenue breakdown by regions  
4Q 2019



Revenue breakdown by products  
1Q 2020



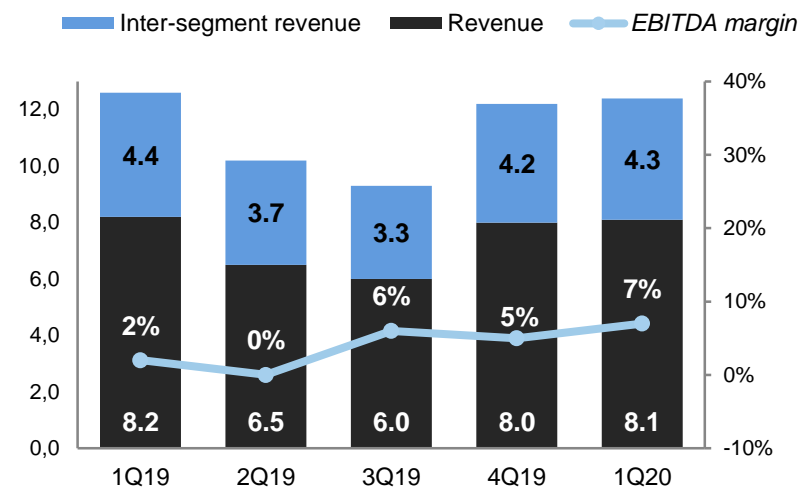
Revenue breakdown by products  
4Q 2019



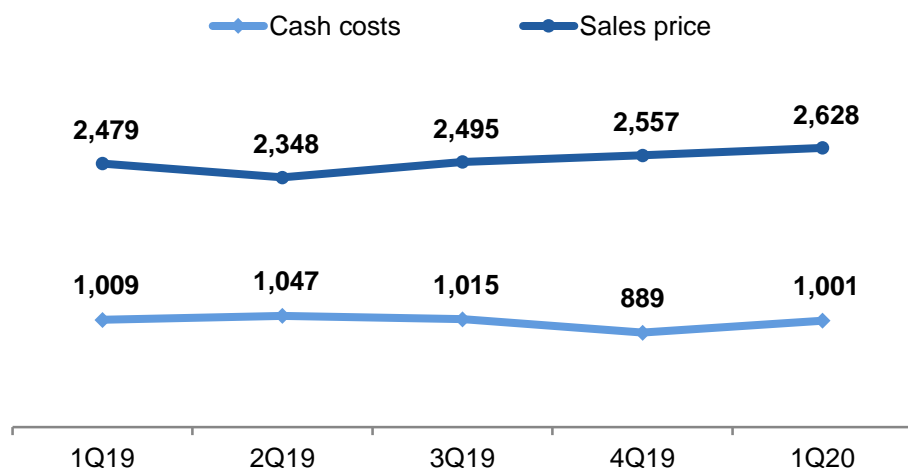
# Power segment

- Power segment Revenue in 1Q2020 remained relatively stable compared to the same period last year and to 4Q2019.
- Power segment EBITDA grew by 37% in 1Q2020 Q-on-Q and amounted 921 mln RUB.

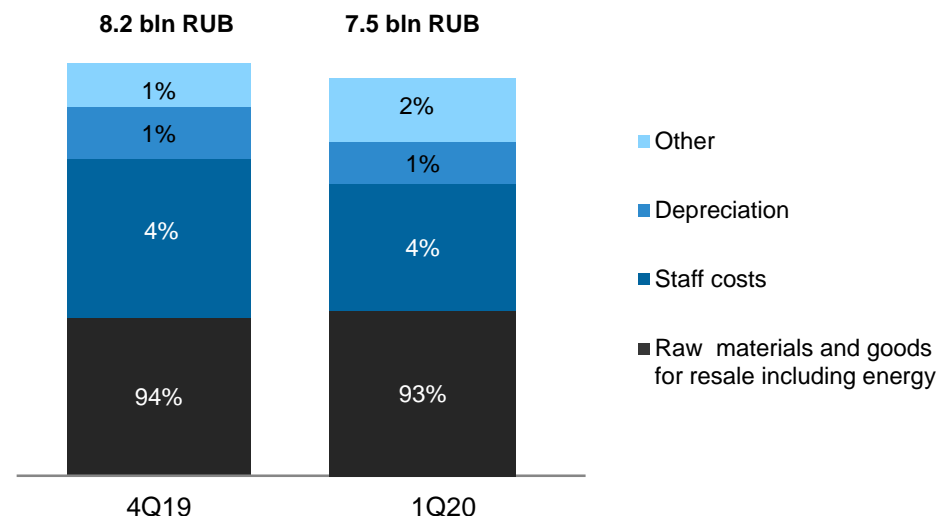
## Revenue, EBITDA margin, RUB Bln



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



## COS structure



Mechel is a global mining and metals company

