

# PJSC Mechel Reports 1Q2020 Operational Results

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MOSCOW, May 26, 2020 - Mechel PAO (MOEX: MTLR, NYSE: MTL), one of the leading Russian mining and metals companies, announces 1Q2020 operational results.

Mechel PAO's Chief Executive Officer Oleg Korzhov commented on 1Q2020 operational results.

"Mechel is on the federal list of Russia's key systemic companies because our facilities' uninterrupted operations is critically important to maintain stability in the regions where the Group is present as well as the country's economy as a whole. As such, our work continues during the new coronavirus pandemic. All recommended safety measures are in force at our production sites, while most of our office staff is working from home.

"Today we can safely say that the spread of COVID-19 in 1Q2020 had no significant impact on our production and sales. In the mining division that was largely due to our proactive work on extending annual contracts with our Asian customers throughout 2019. We also shifted supply schedules for long-term contracts and redistributed sales geography for certain products where needed. We shipped off volumes planned for 1Q2020 through our sales network. We expect that sales performance targets for the second quarter will also be met. For several accounting periods, prices have maintained fairly high volatility. At the same time, in May we have noted a trend for stronger global prices for our key product - coking coal concentrate - which we consider a positive market factor.

"Despite the pandemic, the steel division's sales remained stable in 1Q2020. We foresee a negative impact on sales in 2Q2020. April-May is the traditional time for a spike in demand from construction and steel sales companies, but with ubiquitous restrictive measures in place, we have seen no expected sales increase in early second quarter.

"The overall mining volumes (-4%) went down in 1Q2020 due to a temporary halt in mining at Neryungrinsky Open Pit in January introduced to decrease coal stocks that have accumulated due to conventions concerning ports Posiet and Vanino.

"Coking coal concentrate sales to third parties went up by 5% primarily due to increased shipments to Japan (+51% quarter-on-quarter) in order to fulfill the company's long-term contract obligations. Overall coking coal concentrate sales went down by 8% as Mechel's Chelyabinsk facilities had less need for raw materials.

"In 1Q2020, Southern Kuzbass Coal Company increased output of both anthracite and PCI. As a result, we increased anthracite sales by 14%, with sales to third parties up by 20%, largely due to increased exports to Asia. PCI sales went down by 8% due to accumulation of a large cargo shipment at Ust-Luga port by early 4Q2019, which was then shipped to European clients.

"Thermal coal sales to third parties remained at the previous quarter's level. We partially redirected sales from Asia (China and Vietnam) to the domestic market due to a more favorable market situation.

"The 10-percent decrease in iron ore concentrate sales quarter-on-quarter was due to technical difficulties with processing Korshunov Mining Plant's ore, as much of it came with extra humidity. This problem was resolved in this accounting period.

"The increase in intra-Group demand for coke had an impact on coke sales to third parties (-20% quarter-on-quarter). Following market trends, we redirected coke sales from Asia Pacific to Turkey and

Serbia.

"In this accounting period we increased output of pig iron and steel by 10% and 2% accordingly following completion of expansive repairs at Chelyabinsk Metallurgical Plant's blast-furnace and oxygen converter workshops.

"Sales of long rolls went up overall by 5% quarter-on-quarter, with priority given to manufacturing and sales of high-margin products. Thus, sales of Chelyabinsk Metallurgical Plant's rails went up by 34% (doubling sales to Russian Railways), sales of Chelyabinsk Metallurgical Plant's sections - by 3%, while sales of long rolls made of Izhstal's stainless steel increased by 12%.

"Sales of rolled flats went up by 11% quarter-on-quarter. With stainless steel flats the increase was 38% due to Mechel's consistent strategy of increasing the company's share in this high-margin product segment.

"The 6-percent increase in hardware sales quarter-on-quarter was due to a spike in sales of Mechel Nemunas's wire, as well as expanding sales of Beloretsk Metallurgical Plant's wire ropes through Mechel Service's network.

"The 51-percent spike in sales of forged longs quarter-on-quarter was due to both stable demand in Europe as well as the slump in Chinese supplies to the European market due to quarantine measures in that country. The minor slump in stampings sales (-2%) was due to a weaker demand for railroad axles on the domestic market.

"The 19-percent slump in ferrosilicon sales quarter-on-quarter was due to our forming a major export batch for our Asian partners, which was shipped after this accounting period's end. At the same time we increased ferrosilicon sales on the domestic market as some of our ferrosilicon was freed for sale by decreased needs at Chelyabinsk Metallurgical Plant, which conducted an expansive repair program mentioned earlier.

"Electricity generation in 1Q2020 generally remained the same quarter-on-quarter and year-on-year. The 7-percent increase in heat production quarter-on-quarter was due to lower temperatures in this accounting period."

#### Production and sales for 2019

##### Production:

Product Name	1Q2020, thousand tonnes	1Q2019, thousand tonnes	%	1Q2020, thousand
Run-of-Mine Coal	5,188	3,520	+47	5,188
Pig Iron	872	870	0	872
Steel	876	930	-6	876
Electric power generation (thousand kWh)	884,354	897,722	-1	884,354
Heat power generation (Gcal)	1,836,563	2,020,629	-9	1,836,563

##### Sales:

Product Name	1Q2020, thousand tonnes	1Q2019, thousand tonnes	%	1Q2020, thousand tonnes	1Q2019, thousand tonnes	%
Coking coal concentrate	1,684	1,697	-1	1,684	1,697	-1
Including coking coal concentrate supplied to third parties	1,048	1,023	+2	1,048	1,023	+2
PCI	445	261	+71	445	261	+71
Including PCI supplied to third parties	445	261	+71	445	261	+71
Anthracites	268	158	+69	268	158	+69
Including anthracites supplied to third parties	212	130	+63	212	130	+63
Thermal coal	1,212	1,333	-9	1,212	1,333	-9
Including thermal coal supplied to third parties	947	1,187	-20	947	1,187	-20
Iron ore concentrate	572	612	-7	572	612	-7
Including iron ore concentrate supplied to third parties	7	149	-95	7	149	-95
Coke	623	652	-4	623	652	-4
Including coke supplied to third parties	198	231	-14	198	231	-14
Ferrosilicon	13	17	-25	13	17	-25
Long rolls	648	606	+7	648	606	+7
Flat rolls	124	115	+7	124	115	+7
Hardware	133	142	-6	133	142	-6
Forgings	12	12	+6	12	12	+6
Stampings	23	29	-22	23	29	-22

Universal rolling mill:

	1Q2020, thousand tonnes	1Q2019, thousand tonnes	%	1Q2020, thousand tonnes	4Q2019, thousand tonnes	%
Sales of rails	116	31	+276	116	87	+33
Sales of sections	76	73	+3	76	74	+3

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Mechel is an international mining and steel company. Its products are marketed in Europe, Asia, North and South America, Africa. Mechel unites producers of coal, iron ore concentrate, steel, rolled products, ferroalloys, heat and electric power. All of its enterprises work in a single production chain, from raw materials to high value-added products.

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