



MECHEL REPORTS THE FY2019 FINANCIAL RESULTS

Consolidated revenue – 296.6 bln rubles (-5% compared to FY2018)

EBITDA* – 53.4 bln rubles (-29% compared to FY2018)

Profit attributable to equity shareholders of Mechel PAO – 2.4 bln rubles

Moscow, Russia – March 19, 2020 – Mechel PAO (MOEX: MTLR, NYSE: MTL), a leading Russian mining and steel group, announces financial results for the FY2019.

Mechel PAO’s Chief Executive Officer Oleg Korzhov commented:

“Consolidated EBITDA for 2019 went down by 29% as compared to 2018. The key factor in that was the decrease in the steel segment’s EBITDA due to steel product output and sales reduction as Chelyabinsk Metallurgical Plant implemented a large-scale facility upgrade. It should be noted that these measures on modernization of our facilities on a short-term horizon will have an undisputedly positive effect on both the output volumes and profitability. For instance, the capacity of the upgraded blast furnace and converter that were put into operation last week will go up 15% following the re-equipment. Moreover, the ecological measures that were part of those repairs will allow to minimize these facilities’ impact on the environment. Further efforts in this direction, which will continue in 2020, will enable us to expand our product range, improve both its quality and environmental characteristics.

“The mining division’s financial results were primarily hit by the negative dynamics of the metallurgical coals market. The decrease in coal mining volumes in the first half of last year, following the overstocking at the end of 2018, also had its impact. At the same time, in 2019 we implemented the program of renewing and restoring our mining equipment and managed to attain high mining levels by the year’s end. The fourth quarter’s results are the highest since 2016. As the division maintains those high levels and continues to improve them, it will be able to yield good results even as the markets remain volatile.

“The cash flow generated by the company enables us to meet our obligations on debt servicing and partly repay our debts. Nevertheless, it will not be enough to keep up with the repayment schedule set by our current loan agreements. We are actively negotiating with our major lenders regarding repayment schedule changes and expect to sign restructuring agreements with banks in the next few months.”

Consolidated Results For The Full Year 2019

| Mln rubles | FY 2019 | FY 2018 | % | 4Q' 19 | 3Q' 19 | % |
|---|----------------|----------------|----------|---------------|---------------|----------|
| Revenue from contracts with external customers | 296,567 | 312,574 | -5% | 68,376 | 74,865 | -9% |
| Operating profit | 31,498 | 49,780 | -37% | 2,560 | 8,179 | -69% |
| EBITDA | 53,428 | 75,667 | -29% | 9,361 | 13,720 | -32% |
| EBITDA, margin | 18% | 24% | | 14% | 18% | |
| Profit / (loss) attributable to equity shareholders of Mechel PAO | 2,409 | 12,628 | -81% | (9,765) | (571) | 1610% |

* EBITDA - Adjusted EBITDA. Please find the calculation of the Adjusted EBITDA and other non-IFRS measures used here and hereafter in Attachment A.

Mechel PAO's Chief Financial Officer Nelli Galeyeva commented:

"Consolidated EBITDA for 2019 totaled 53.4 billion rubles. Profit attributable to equity shareholders of Mechel PAO went down by 10.2 billion rubles year-on-year and reached 2.4 billion rubles in 2019. The dynamics of this indicator was largely due to the gross profit's decrease by 26.1 billion rubles as revenue from sales to third parties decreased while cost of sales went up. The effect was offset by the growth of foreign exchange gains on foreign currency obligations due to the ruble strengthened against US dollar and euro in the reporting period.

"The operating cash flow in 2019 went down by 10.4 billion rubles to 57.7 billion rubles from 68.1 billion rubles as compared to 2018, and slightly decreased to 15.1 billion rubles in 4Q2019 as compared to 15.8 billion rubles in 3Q2019.

"In 2019, the Group's finance costs went down by 3.2 billion rubles or 8% as compared to 2018, which was due to a lower Central Bank of the Russian Federation key interest rate and other floating rates, as well as the Group's efforts on restructuring its debt leverage and decreasing borrowing costs. In 4Q2019, finance costs went down by 0.1 billion rubles to 9.4 billion rubles as compared to 9.5 billion rubles in 3Q2019, which also corresponds to the Central Bank of the Russian Federation key interest rate decrease.

"Interest paid in 4Q2019, including capitalized interest and lease interest, totaled 7.3 billion rubles, which corresponds to the average quarterly value of this indicator. Interest paid in 2019, including capitalized interest and lease interest, totaled 31.2 billion rubles, which is 2.5 billion or 8% less than in 2018 when it totaled 33.7 billion rubles.

"In November 2019, Sberbank transferred to VTB Bank its rights to debt payment on the loan granted to the Group's subsidiaries — Chelyabinsk Metallurgical Plant, Southern Kuzbass Coal Company and Bratsk Ferroalloy Plant — for a total of 49 billion rubles, excluding the interest in arrears penalty of 552 million rubles, which may be called for in 2022 and which Sberbank remains entitled to.

"The Group's net debt excluding fines and penalties on overdue loans and borrowings and options went down by 23 billion rubles as compared to December 31, 2018, and amounted to 400 billion rubles. This was due to the ruble strengthening against US dollar and euro, as well as the repayment of 20.8 billion rubles of debt, which was partly offset by new loans totaling 7.6 billion rubles, as well as increased lease obligations in accordance with IFRS 16 Leases.

"The Net Debt to EBITDA ratio amounted to 7.5 at the end of 2019 as compared to 5.6 at the end of 2018. This figure grew due to EBITDA decrease."

Mining Segment

Revenue from contracts with external customers in 2019 went down by 4% as compared to 2018. This was due to a coal prices decrease at both domestic and international markets, which was partly offset by an increase in sales volumes. Revenue in 4Q2019 went down by 16% quarter-on-quarter both due to lower prices and a decrease in coking coal concentrate sales to third parties as some coal volumes were redirected to intra-group consumption. At the same time, coking coal concentrate sales grew year-on-year.

The division's EBITDA in 2019 went down by 14% year-on-year as prices for coking coal and other metallurgical coals decreased, as well as due to growth of production costs as the volume of explosive and stripping works increased. EBITDA's 44-percent decrease in 4Q2019 quarter-on-quarter was due to negative price dynamics for the division's nearly entire product range, as well as the decrease in sales of coking coal concentrate, steam coal and coke to third parties.

Mechel Mining Management OOO's Chief Executive Officer Igor Khafizov noted:

"Last year we continued with large-scale effort to restore our mining volumes. If we compare the overall 2019 mining results with the previous year's, the growth was minimal. At the same time, coal mining in 4Q2019 reached 5.4 million tonnes, which is the highest quarterly result over the last three years. Southern Kuzbass Coal Company was the key contributor here, as it reached a monthly mining level of 1 million tonnes in October and successfully maintains this level.

"Stripping works at our mining division's coal facilities went up by 19% year-on-year. We managed to attain this due to implementing investment programs on upgrading our equipment and

automobile pool, as well as bringing in contractors. Thanks to those stripping efforts, we expect a stable growth of coal output in mid-term.

“We also managed to dramatically improve results at Korshunov Mining Plant, where iron ore concentrate’s output in 2019 went up by 24% as compared to 2018.

“Despite our success in restoring output, this accounting period also included factors that had a negative impact on our financial dynamics. Last year was characterized by negative price trends on metallurgical coal markets that grew stronger by the year’s end. Considering the growth of costs as high levels of stripping works were conducted, this led to increased production costs of products sold, and that in its turn led to decreased profit margins. Moreover, in 4Q2019 coal sales came under pressure from limitations specific for the winter period and shipping conventions in the direction of Russia’s Far East ports.”

| Mln rubles | FY 2019 | FY 2018 | % | 4Q' 19 | 3Q' 19 | % |
|--|----------------|----------------|----------|---------------|---------------|----------|
| Revenue from contracts with external customers | 92,996 | 96,882 | -4% | 19,768 | 23,425 | -16% |
| Revenue inter-segment | 37,710 | 37,549 | 0% | 7,977 | 10,002 | -20% |
| EBITDA | 39,085 | 45,516 | -14% | 5,921 | 10,590 | -44% |
| EBITDA, margin | 30% | 34% | | 21% | 32% | |

Steel Segment

Revenue from contracts with external customers in 2019 went down by 7% year-on-year, and by 11% in 4Q2019 quarter-on-quarter. This was due to corrections of steel product output and sales as the division’s facilities conducted major repairs of their equipment. Chelyabinsk Metallurgical Plant’s revamping of blast furnace #4 and replacement of converter #1 was the key factor.

The division’s EBITDA in 2019 went down by 54% year-on-year. The key factors contributing to this were the decrease in steel output and sales as well as increased production costs as iron ore prices went up. EBITDA for 4Q2019 went down by 26% quarter-on-quarter due to a decrease in sales and the seasonal decline in prices for construction products.

Mechel-Steel Management Company OOO’s Chief Executive Officer Andrey Ponomarev noted:

“The division’s operations in 2019 were characterized by a significant volume of running and major repairs at our production facilities. This inevitably affected our operational results and steel product sales. At the same time, these measures will enable us in the future to improve our equipment’s reliability and product quality, bring down relative costs and our operations’ negative impact on the environment. Last week, Chelyabinsk Metallurgical Plant put into operation its blast furnace #4 and converter #1 after reconstruction. Furthermore, in the end of March at Bratsk Ferroalloy Plant we plan to launch ore thermal furnace # 3. Its reconstruction was performed simultaneously with steelmaking capacities repairs at Chelyabinsk Metallurgical Plant.

“The market situation had less impact on the division’s financial results than sales volumes. Average prices for rebar and hardware which make up half of our shipments, went down by 1-2% year-on-year. At the same time, average rail prices went up by more than 10%, partly due to increased rail export share. Average sale prices for stainless long and flat products, as well as stampings, also demonstrated positive dynamics.

“Despite an overall decrease in production volumes, last year we increased and maintained output of those products whose sales yielded high margins. Thus we more than tripled production of stainless flats year-on-year, increased rail sales by 15% and by 2% — other sections produced by Chelyabinsk Metallurgical Plant’s universal rolling mill.

“In order to maintain stable output on our facilities and to expand our product range, we plan a series of equipment repairs and upgrades for 2020. This includes an upgrade of mills in Chelyabinsk Metallurgical Plant’s rolling workshop #1 to launch production of heat-strengthened rebar of various diameters. We have acquired and are installing equipment for production and repairs of rolls used for output of sections and rails at Chelyabinsk Metallurgical Plant’s universal rolling mill. Izhstal has scheduled measures aimed at expanding the size range for its round-section rolls and increasing output of hot-rolled products with surface treatment. As part of the steel wire rope facility upgrade investment

project, Beloretsk Metallurgical Plant intends to acquire and launch two belt grinding equipment lines and four modern drawing mills.”

| Mln rubles | FY 2019 | FY 2018 | % | 4Q' 19 | 3Q' 19 | % |
|--|----------------|----------------|----------|---------------|---------------|----------|
| Revenue from contracts with external customers | 174,850 | 187,918 | -7% | 40,559 | 45,479 | -11% |
| Revenue inter-segment | 6,107 | 5,865 | 4% | 1,736 | 1,335 | 30% |
| EBITDA | 12,956 | 27,990 | -54% | 2,261 | 3,060 | -26% |
| EBITDA, margin | 7% | 14% | | 5% | 7% | |

Power Segment

Mechel-Energo OOO’s Chief Executive Officer Denis Graf noted:

“The division’s 3% revenue growth in 2019 year-on-year was due to both increase in electricity sales on the bulk market and regulated contracts, and increase in electricity and capacity prices. At the same time, the growth in cost of sales, due to increased prices for raw materials, limited EBITDA’s dynamics, so this indicator remained unchanged year-on-year.

“Improved financial results in 4Q2019 quarter-on-quarter was due to seasonal factors as the heating season set in and electricity consumption increased in the winter period.”

| Mln rubles | FY 2019 | FY 2018 | % | 4Q' 19 | 3Q' 19 | % |
|--|----------------|----------------|----------|---------------|---------------|----------|
| Revenue from contracts with external customers | 28,721 | 27,774 | 3% | 8,050 | 5,960 | 35% |
| Revenue inter-segment | 15,606 | 15,471 | 1% | 4,192 | 3,349 | 25% |
| EBITDA | 1,545 | 1,546 | 0% | 671 | 593 | 13% |
| EBITDA, margin | 3% | 4% | | 5% | 6% | |

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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.

Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Mechel, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements. We refer you to the documents Mechel files from time to time with the U.S. Securities and Exchange Commission, including our Form 20-F. These documents contain and identify important factors, including those contained in the section captioned “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” in our Form 20-F, that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the achievement of anticipated levels of profitability, growth, cost and synergy of our recent acquisitions, the impact of competitive pricing, the ability to obtain necessary regulatory approvals and licenses, the impact of developments in the Russian economic, political and legal environment, volatility in stock markets or in the price of our shares or ADRs, financial risk management and the impact of general business and global economic conditions.

Attachments to the Press Release

Attachment A

Non-IFRS financial measures. This press release includes financial information prepared in accordance with International Financial Reporting Standards, or IFRS, as well as other financial measures referred to as non-IFRS. The non-IFRS financial measures should be considered in addition to, but not as a substitute for the information prepared in accordance with IFRS.

Adjusted EBITDA (EBITDA) represents profit (loss) attributable to equity shareholders of Mechel PAO before Depreciation and amortisation, Foreign exchange (gain) loss, net, Finance costs including fines and penalties on overdue loans and borrowings and lease payments, Finance income, Net result on the disposal of non-current assets, Impairment of goodwill and other non-current assets, net, Write-off of trade and other receivables, Allowance for expected credit losses on financial assets, Provision (reversal of provision) for doubtful accounts, Write-off of inventories to net realisable value, Net result on the disposal of subsidiaries, Profit (loss) attributable to non-controlling interests, Income tax expense (benefit), Effect of pension obligations, Other fines and penalties, Gain on restructuring and forgiveness of trade and other payables and write-off of trade and other payables with expired legal term and Other one-off items. Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of our Revenue. Our adjusted EBITDA may not be similar to EBITDA measures of other companies. Adjusted EBITDA is not a measurement under IFRS and should be considered in addition to, but not as a substitute for the information contained in our consolidated statement of profit (loss) and other comprehensive income. We believe that our adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation, amortisation and impairment of goodwill and other non-current assets are considered operating expenses under IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with non-current assets acquired or constructed in prior periods. Our adjusted EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the metals and mining industry.

Our calculation of Net debt, excluding fines and penalties on overdue amounts** is presented below:

| Mln rubles | 31.12.2019 | 31.12.2018 |
|--|----------------|----------------|
| Current loans and borrowings, excluding interest payable, fines and penalties on overdue amounts | 370,206 | 402,417 |
| Interest payable | 9,014 | 7,749 |
| Non-current loans and borrowings | 7,205 | 6,538 |
| Other non-current financial liabilities | 48,303 | 44,510 |
| Other current financial liabilities | 147 | – |
| less Cash and cash equivalents | (3,509) | (1,803) |
| Net debt, excluding lease liabilities, fines and penalties on overdue amounts | 431,366 | 459,411 |
| Current lease liabilities | 10,353 | 5,880 |
| Non-current lease liabilities | 7,002 | 2,413 |
| Net debt, excluding fines and penalties on overdue amounts | 448,721 | 467,704 |

EBITDA can be reconciled to our consolidated statement of profit (loss) and other comprehensive income as follows:

** Calculations of Net debt could be differ from indicators calculated in accordance with loan agreements upon dependence on definitions in such agreements.

| <i>Mln rubles</i> | Consolidated Results | | Mining Segment *** | | Steel Segment*** | | Power Segment*** | |
|--|----------------------|---------------|--------------------|---------------|------------------|---------------|------------------|----------------|
| | 12m 2019 | 12m 2018 | 12m 2019 | 12m 2018 | 12m 2019 | 12m 2018 | 12m 2019 | 12m 2018 |
| Profit (loss) attributable to equity shareholders of Mechel PAO | 2,409 | 12,628 | 4,253 | 11,304 | 5,938 | 693 | 351 | (2,631) |
| <i>Add:</i> | | | | | | | | |
| Depreciation and amortisation | 15,176 | 13,859 | 8,541 | 7,621 | 6,153 | 5,738 | 482 | 500 |
| Foreign exchange (gain) loss, net | (19,241) | 25,775 | (4,376) | 10,771 | (14,841) | 14,969 | (24) | 37 |
| Finance costs including fines and penalties on overdue loans and borrowings and lease payments | 38,830 | 42,052 | 24,131 | 29,153 | 14,839 | 13,825 | 653 | 581 |
| Finance income | (600) | (34,056) | (911) | (24,458) | (450) | (9,874) | (31) | (1,231) |
| Net result on the disposal of non-current assets, impairment of goodwill and other non-current assets, net, write-off of trade and other receivables, allowance for expected credit losses on financial assets, provision (reversal of provision) for doubtful accounts and write-off of inventories to net realisable value | 4,896 | 10,146 | 5,885 | 4,796 | (1,006) | 1,846 | 18 | 3,504 |
| Net result on the disposal of subsidiaries | - | (3) | - | (3) | - | - | - | - |
| Profit attributable to non-controlling interests | 1,876 | 908 | 701 | 183 | 996 | 637 | 180 | 87 |
| Income tax expense (benefit) | 7,987 | 2,681 | 93 | 5,940 | 503 | (531) | 333 | (83) |
| Effect of pension obligations | 235 | 548 | 184 | 515 | 47 | 30 | 4 | 4 |
| Other fines and penalties | 2,027 | 1,554 | 667 | (15) | 859 | 788 | (419) | 781 |
| Gain on restructuring and forgiveness of trade and other payables and write-off of trade and other payables with expired legal term | (167) | (425) | (83) | (291) | (82) | (131) | (2) | (3) |
| EBITDA | 53,428 | 75,667 | 39,085 | 45,516 | 12,956 | 27,990 | 1,545 | 1,546 |
| <i>EBITDA, margin</i> | <i>18%</i> | <i>24%</i> | <i>30%</i> | <i>34%</i> | <i>7%</i> | <i>14%</i> | <i>3%</i> | <i>4%</i> |

| <i>Mln rubles</i> | Consolidated Results | | Mining Segment *** | | Steel Segment*** | | Power Segment*** | |
|--|----------------------|---------------|--------------------|---------------|------------------|--------------|------------------|------------|
| | 4q 2019 | 3q 2019 | 4q 2019 | 3q 2019 | 4q 2019 | 3q 2019 | 4q 2019 | 3q 2019 |
| (Loss) profit attributable to equity shareholders of Mechel PAO | (9,765) | (571) | (5,232) | (146) | (96) | (886) | 1,260 | 55 |
| <i>Add:</i> | | | | | | | | |
| Depreciation and amortisation | 3,908 | 4,085 | 2,216 | 2,314 | 1,584 | 1,637 | 108 | 134 |
| Foreign exchange (gain) loss, net | (3,352) | (1,259) | (1,366) | 545 | (1,981) | (1,805) | (5) | 1 |
| Finance costs including fines and penalties on overdue loans and borrowings and lease payments | 9,391 | 9,450 | 5,833 | 5,793 | 3,588 | 3,699 | 164 | 158 |
| Finance income | (66) | (44) | (171) | (129) | (82) | (106) | (7) | (8) |
| Net result on the disposal of non-current assets, impairment of goodwill and other non-current assets, net, write-off of trade and other receivables, allowance for expected credit losses on financial assets, provision (reversal of provision) for doubtful accounts and write-off of inventories to net realisable value | 2,331 | 1,141 | 4,091 | 1,238 | (1,519) | 53 | (240) | (150) |
| Profit attributable to non-controlling interests | 623 | 564 | 68 | 248 | 441 | 188 | 116 | 128 |
| Income tax expense | 5,768 | 51 | 185 | 574 | 4 | 286 | 293 | 118 |
| Effect of pension obligations | 92 | 41 | 63 | 34 | 27 | 6 | 1 | 1 |
| Other fines and penalties | 505 | 285 | 271 | 123 | 332 | 6 | (1,019) | 157 |
| Gain on restructuring and forgiveness of trade and other payables and write-off of trade and other payables with expired legal term | (74) | (23) | (37) | (4) | (37) | (18) | - | (1) |
| EBITDA | 9,361 | 13,720 | 5,921 | 10,590 | 2,261 | 3,060 | 671 | 593 |
| <i>EBITDA, margin</i> | <i>14%</i> | <i>18%</i> | <i>21%</i> | <i>32%</i> | <i>5%</i> | <i>7%</i> | <i>5%</i> | <i>6%</i> |

*** including inter-segment operations

Income tax, deferred tax related to the consolidated group of taxpayers are not allocated to segments as they are managed on the group basis.

Attachment B

CONSOLIDATED STATEMENT OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2019

(All amounts are in millions of Russian rubles, unless stated otherwise)

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|---|---|---|
| Revenue from contracts with customers | 296,567 | 312,574 |
| Cost of sales | (187,857) | (177,756) |
| Gross profit | 108,710 | 134,818 |
| Selling and distribution expenses | (54,320) | (54,988) |
| Impairment of goodwill and other non-current assets, net | (1,804) | (7,222) |
| Allowance for expected credit losses on financial assets | (235) | (940) |
| Taxes other than income taxes | (5,282) | (4,834) |
| Administrative and other operating expenses | (16,316) | (18,765) |
| Other operating income | 745 | 1,711 |
| Total selling, distribution and operating income and (expenses), net | (77,212) | (85,038) |
| Operating profit | 31,498 | 49,780 |
| Finance income | 600 | 34,056 |
| Finance costs including fines and penalties on overdue loans and borrowings and lease payments | (38,830) | (42,052) |
| Foreign exchange gain (loss), net | 19,241 | (25,775) |
| Share of profit of associates, net | 28 | 10 |
| Other income | 239 | 512 |
| Other expenses | (504) | (314) |
| Total other income and (expense), net | (19,226) | (33,563) |
| Profit before tax | 12,272 | 16,217 |
| Income tax expense | (7,987) | (2,681) |
| Profit for the period | 4,285 | 13,536 |
| Attributable to: | | |
| Equity shareholders of Mechel PAO | 2,409 | 12,628 |
| Non-controlling interests | 1,876 | 908 |
| Other comprehensive income | | |
| <i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods, net of income tax:</i> | | |
| Exchange differences on translation of foreign operations | (1,771) | (9) |
| <i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods, net of income tax:</i> | | |
| Re-measurement of defined benefit plans | (867) | 487 |
| Other comprehensive (loss) income for the period, net of tax | (2,638) | 478 |
| Total comprehensive income for the period, net of tax | 1,647 | 14,014 |
| Attributable to: | | |
| Equity shareholders of Mechel PAO | (210) | 13,096 |
| Non-controlling interests | 1,857 | 918 |
| Earnings per share | | |
| Weighted average number of common shares | 416,256,510 | 416,270,745 |
| Earnings per share (Russian rubles per share) attributable to common equity shareholders, basic and diluted | 5.79 | 30.34 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as of December 31, 2019

(All amounts are in millions of Russian rubles)

| | December 31, 2019 | December 31, 2018 |
|---|------------------------------|------------------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 196,992 | 189,879 |
| Mineral licenses | 31,075 | 32,068 |
| Goodwill and other intangible assets | 13,652 | 16,883 |
| Investments in associates | 321 | 293 |
| Deferred tax assets | 3,648 | 5,488 |
| Other non-current assets | 553 | 630 |
| Non-current financial assets | 232 | 244 |
| Total non-current assets | 246,473 | 245,485 |
| Current assets | | |
| Inventories | 39,773 | 43,423 |
| Income tax receivables | 65 | 121 |
| Trade and other receivables | 15,340 | 17,612 |
| Other current assets | 6,982 | 8,673 |
| Other current financial assets | 363 | 508 |
| Cash and cash equivalents | 3,509 | 1,803 |
| Total current assets | 66,032 | 72,140 |
| Total assets | 312,505 | 317,625 |
| Equity and liabilities | | |
| Equity | | |
| Common shares | 4,163 | 4,163 |
| Preferred shares | 840 | 833 |
| Treasury shares | (63) | - |
| Additional paid-in capital | 24,434 | 24,378 |
| Accumulated other comprehensive (loss) income | (848) | 1,771 |
| Accumulated deficit | (273,754) | (274,186) |
| Equity attributable to equity shareholders of Mechel PAO | (245,228) | (243,041) |
| Non-controlling interests | 11,631 | 9,846 |
| Total equity | (233,597) | (233,195) |
| Non-current liabilities | | |
| Loans and borrowings | 7,205 | 6,538 |
| Lease liabilities | 7,002 | 2,413 |
| Other non-current financial liabilities | 48,303 | 44,510 |
| Other non-current liabilities | 105 | 120 |
| Pension obligations | 4,933 | 3,819 |
| Provisions | 5,238 | 3,719 |
| Deferred tax liabilities | 13,877 | 13,506 |
| Total non-current liabilities | 86,663 | 74,625 |
| Current liabilities | | |
| Loans and borrowings, including interest payable, fines and penalties on overdue amounts of RUB 11,111 million and RUB 9,877 million as of December 31, 2019 and 2018, respectively | 381,317 | 412,294 |
| Trade and other payables | 38,391 | 34,800 |
| Lease liabilities | 10,353 | 5,880 |
| Income tax payable | 9,161 | 6,425 |
| Taxes and similar charges payable other than income tax | 9,228 | 6,106 |
| Advances received and other current liabilities | 5,816 | 5,096 |
| Pension obligations | 615 | 772 |
| Provisions | 4,558 | 4,822 |
| Total current liabilities | 459,439 | 476,195 |
| Total liabilities | 546,102 | 550,820 |
| Total equity and liabilities | 312,505 | 317,625 |

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2019

(All amounts are in millions of Russian rubles)

| | Year ended December 31, 2019 | Year ended December 31, 2018 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit for the period | 4,285 | 13,536 |
| <i>Adjustments to reconcile profit to net cash provided by operating activities</i> | | |
| Depreciation of property, plant and equipment and amortisation of mineral licenses and other intangible assets | 15,176 | 13,859 |
| Foreign exchange (gain) loss, net | (19,241) | 25,775 |
| Deferred income tax expense (benefit) | 2,288 | (2,596) |
| Changes in allowance for expected credit losses and write-off of trade and other receivables and payables, net | 73 | 517 |
| Write-off of inventories to net realisable value | 1,763 | 1,162 |
| Impairment of goodwill and other non-current assets, net and loss on write-off of non-current assets | 2,880 | 7,953 |
| Finance income | (600) | (34,056) |
| Finance costs including fines and penalties on overdue loans and borrowings and lease payments | 38,830 | 42,052 |
| Provisions for legal claims, taxes and other provisions | 3,630 | 4,940 |
| Other | 198 | 575 |
| <i>Changes in working capital items</i> | | |
| Trade and other receivables | 1,546 | 1,354 |
| Inventories | (1,511) | (7,858) |
| Trade and other payables | 4,037 | 4,150 |
| Advances received | 650 | 485 |
| Taxes payable and other liabilities | 5,151 | 683 |
| Other assets | 1,238 | (851) |
| Income tax paid | (2,735) | (3,562) |
| Net cash provided by operating activities | 57,658 | 68,118 |
| Cash flows from investing activities | | |
| Interest received | 76 | 188 |
| Royalty and other proceeds associated with disposal of subsidiaries | 17 | 3 |
| Proceeds from loans issued and other investments | 313 | 9 |
| Proceeds from disposals of property, plant and equipment | 211 | 215 |
| Purchases of property, plant and equipment | (6,282) | (5,472) |
| Purchases of intangible assets | - | (150) |
| Interest paid, capitalised | (256) | (440) |
| Net cash used in investing activities | (5,921) | (5,647) |
| Cash flows from financing activities | | |
| Proceeds from loans and borrowings, including proceeds from factoring arrangement of RUB 214 million and RUB 918 million for the periods ended December 31, 2019 and 2018, respectively | 7,599 | 76,504 |
| Repayment of loans and borrowings, including payments from factoring arrangement of RUB 2,222 million and RUB 435 million for the periods ended December 31, 2019 and 2018, respectively | (20,772) | (97,269) |
| Repayment of other current financial liabilities | - | (442) |
| Dividends paid to shareholders of Mechel PAO | (1,515) | (1,386) |
| Dividends paid to non-controlling interests | (16) | (8) |
| Interest paid, including fines and penalties | (30,923) | (33,308) |
| Repayment of lease liabilities | (2,276) | (2,780) |
| Effect of sale and leaseback transactions | 248 | - |
| Deferred payments for acquisition of assets | (341) | (629) |
| Deferred consideration paid for the acquisition of subsidiaries in prior periods | (361) | (3,968) |
| Net cash used in financing activities | (48,357) | (63,286) |

| | | |
|--|--------------|--------------|
| Foreign exchange (gain) loss on cash and cash equivalents, net | (891) | 63 |
| Changes in allowance for expected credit losses on cash and cash equivalents | (2) | (91) |
| Net increase (decrease) in cash and cash equivalents | 2,487 | (843) |
| Cash and cash equivalents at beginning of period | 1,803 | 2,452 |
| Cash and cash equivalents, net of overdrafts at beginning of period | 380 | 1,223 |
| Cash and cash equivalents at end of period | 3,509 | 1,803 |
| Cash and cash equivalents, net of overdrafts at end of period | 2,867 | 380 |

There were certain reclassifications to conform with the current period presentation.