

PAO MECHEL

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT (LOSS)
AND OTHER COMPREHENSIVE INCOME for the nine months ended September 30, 2019**

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

	Nine months ended September 30, 2019 (unaudited)	Nine months ended September 30, 2018 (unaudited)
Revenue from contracts with customers	228,191	237,003
Cost of sales	<u>(141,795)</u>	<u>(131,757)</u>
Gross profit	86,396	105,246
Selling and distribution expenses	(41,596)	(41,939)
Allowance for expected credit losses on financial assets	(384)	(806)
Taxes other than income taxes	(3,311)	(3,685)
Administrative and other operating expenses	(12,744)	(11,951)
Other operating income	577	937
Total selling, distribution and operating income and (expenses), net	(57,458)	(57,444)
Operating profit	28,938	47,802
Finance income	534	20,561
Finance costs including fines and penalties on overdue loans and borrowings and lease payments	(29,439)	(31,729)
Foreign exchange gain (loss), net	15,889	(18,604)
Share of profit (loss) of associates, net	32	38
Other income	94	401
Other expenses	(402)	(351)
Total other income and (expense), net	(13,292)	(29,684)
Profit before tax	15,646	18,118
Income tax expense	(2,219)	(6,188)
Profit for the period	13,427	11,930
Attributable to:		
Equity shareholders of Mechel PAO	12,174	10,997
Non-controlling interests	1,253	933
Other comprehensive income		
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods, net of income tax:</i>	<i>(1,351)</i>	<i>79</i>
Exchange differences on translation of foreign operations	(1,351)	79
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net of income tax:</i>	<i>(327)</i>	<i>(5)</i>
Re-measurement of defined benefit plans	(327)	(5)
Other comprehensive (loss) income for the period, net of tax	(1,678)	74
Total comprehensive income for the period, net of tax	11,749	12,004
Attributable to:		
Equity shareholders of Mechel PAO	10,502	11,071
Non-controlling interests	1,247	933

Earnings per share

Weighted average number of common shares	416,270,745	416,270,745
Basic and diluted, profit for the period attributable to common equity shareholders of Mechel PAO (Russian rubles per share)	29.25	26.42

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION as of September 30, 2019**

(All amounts are in millions of Russian rubles)

	September 30, 2019 (unaudited)	December 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	196,342	189,879
Mineral licenses	31,299	32,068
Goodwill and other intangible assets	16,819	16,883
Investments in associates	324	293
Deferred tax assets	8,393	5,488
Other non-current assets	581	630
Non-current financial assets	232	244
Total non-current assets	253,990	245,485
Current assets		
Inventories	40,462	43,423
Income tax receivables	43	121
Trade and other receivables	19,027	17,612
Other current assets	7,153	8,673
Other current financial assets	345	508
Cash and cash equivalents	2,947	1,803
Total current assets	69,977	72,140
Total assets	323,967	317,625
Equity and liabilities		
Equity		
Common shares	4,163	4,163
Preferred shares	833	833
Additional paid-in capital	24,378	24,378
Accumulated other comprehensive income	99	1,771
Accumulated deficit	(263,989)	(274,186)
Equity attributable to equity shareholders of Mechel PAO	(234,516)	(243,041)
Non-controlling interests	11,021	9,846
Total equity	(223,495)	(233,195)
Non-current liabilities		
Loans and borrowings	8,763	6,538
Lease liabilities	7,473	2,413
Other non-current financial liabilities	47,336	44,510
Other non-current liabilities	108	120
Pension obligations	4,176	3,819
Provisions	4,656	3,719
Deferred tax liabilities	14,205	13,506
Total non-current liabilities	86,717	74,625

Current liabilities

Loans and borrowings, including interest payable, fines and penalties on overdue amounts of RUB 10,385 million and RUB 9,877 million as of September 30, 2019 and December 31, 2018, respectively

	386,893	412,294
Trade and other payables	37,084	34,800
Lease liabilities	9,805	5,880
Income tax payable	8,508	6,425
Taxes and similar charges payable other than income tax	8,490	6,106
Advances received and other current liabilities	4,351	5,096
Pension obligations	793	772
Provisions	4,821	4,822
Total current liabilities	460,745	476,195
Total liabilities	547,462	550,820
Total equity and liabilities	323,967	317,625

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended September 30, 2019

(All amounts are in millions of Russian rubles)

	Nine months ended September 30, 2019 (unaudited)	Nine months ended September 30, 2018 (unaudited)
Cash flows from operating activities		
Profit for the period	13,427	11,930
<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	11,268	10,159
Foreign exchange (gain) loss, net	(15,889)	18,604
Deferred income tax (benefit) expense	(2,146)	2,234
Changes in allowance for expected credit losses and write-off of trade and other receivables and payables, net	264	454
Write-off of inventories to net realisable value	1,663	1,107
Impairment of goodwill and other non-current assets and loss on write-off of non-current assets	615	307
Finance income	(534)	(20,561)
Finance costs including fines and penalties on overdue loans and borrowings and lease payments	29,439	31,729
Provisions for legal claims, taxes and other provisions	2,922	1,956
Other	16	59
<i>Changes in working capital items</i>		
Trade and other receivables	(2,490)	(41)
Inventories	(1,706)	(4,236)
Trade and other payables	3,393	43
Advances received	(822)	1,868
Taxes payable and other liabilities	4,025	1,269
Other current assets	1,200	(41)
Income tax paid	(2,068)	(3,062)
Net cash provided by operating activities	42,577	53,778
Cash flows from investing activities		
Interest received	67	142
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	140
Purchases of property, plant and equipment	(4,499)	(3,321)
Purchases of intangible assets	-	(150)
Interest paid, capitalised	(194)	(310)
Net cash used in investing activities	(4,085)	(3,487)

Cash flows from financing activities

Proceeds from loans and borrowings, including proceeds from factoring arrangement of RUB 478 million and RUB 1,959 million for the nine months ended September 30, 2019 and 2018, respectively	7,008	67,228
Repayment of loans and borrowings, including payments of factoring arrangement of RUB 2,066 million and RUB 37 million for the nine months ended September 30, 2019 and 2018, respectively	(16,511)	(83,904)
Repayment of other current financial liabilities	-	(442)
Dividends paid to shareholders of Mechel PAO	(1,515)	(1,386)
Dividends paid to non-controlling interests	(7)	(7)
Interest paid, including fines and penalties	(23,724)	(25,302)
Repayment of lease obligations	(1,615)	(2,172)
Effect of sale and leaseback transactions	243	-
Deferred payments for acquisition of assets	(213)	(540)
Deferred consideration paid for the acquisition of subsidiaries in prior periods	(361)	(3,340)
Net cash used in financing activities	(36,695)	(49,865)
Foreign exchange (gain) loss on cash and cash equivalents, net	(592)	364
Changes in allowance for expected credit losses on cash and cash equivalents	4	(32)
Net increase in cash and cash equivalents	1,209	758
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	2,947	2,777
Cash and cash equivalents, net of overdrafts at end of period	1,589	1,981

There were certain reclassifications to conform with the current period presentation. These interim condensed consolidated financial statements were prepared by Mechel PAO in accordance with IFRS and have not been audited by the independent auditor. If these interim condensed consolidated financial statements are audited in the future, the audit could reveal differences in our consolidated financial results and we cannot assure that any such differences would not be material.