

**PAO MECHEL**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT (LOSS)  
AND OTHER COMPREHENSIVE INCOME for the nine months ended September 30, 2020**

*(All amounts are in millions of Russian rubles)*

	<b>Nine months ended September 30,</b>	<b>Nine months ended September 30,</b>
	<b>2020</b>	<b>2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Continuing operations</b>		
Revenue from contracts with customers	196,197	220,113
Cost of sales	(124,805)	(138,330)
<b>Gross profit</b>	<b>71,392</b>	<b>81,783</b>
Selling and distribution expenses	(37,058)	(36,121)
Impairment of goodwill and other non-current assets, net	(3,828)	-
Allowance for expected credit losses on financial assets	(517)	(384)
Taxes other than income taxes	(3,733)	(2,741)
Administrative and other operating expenses	(15,009)	(12,299)
Other operating income	776	549
<b>Total selling, distribution and operating income and (expenses), net</b>	<b>(59,369)</b>	<b>(50,996)</b>
<b>Operating profit</b>	<b>12,023</b>	<b>30,787</b>
Finance income	769	525
Finance costs including fines and penalties on overdue loans and borrowings and lease payments	(19,644)	(25,993)
Foreign exchange (loss) gain, net	(42,649)	15,234
Share of profit of associates, net	11	32
Other income	281	94
Other expenses	(197)	(397)
<b>Total other income and (expense), net</b>	<b>(61,429)</b>	<b>(10,505)</b>
<b>(Loss) profit before tax from continuing operations</b>	<b>(49,406)</b>	<b>20,282</b>
Income tax expense	(7,862)	(2,138)
<b>(Loss) profit for the period from continuing operations</b>	<b>(57,268)</b>	<b>18,144</b>
<b>Discontinued operations</b>		
Profit (loss) after tax for the period from discontinued operations	<b>41,609</b>	<b>(4,717)</b>
<b>(Loss) profit for the period</b>	<b>(15,659)</b>	<b>13,427</b>
<b>Attributable to:</b>		
Equity shareholders of Mechel PAO	(15,763)	12,174
Non-controlling interests	104	1,253
<b>Other comprehensive income</b>		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods, net of income tax</i>	2,615	(1,351)
Exchange differences on translation of foreign operations	2,615	(1,351)
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net of income tax</i>	(9)	(327)

Re-measurement of defined benefit plans	(9)	(327)
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>2,606</b>	<b>(1,678)</b>
<b>Total comprehensive (loss) income for the period, net of tax</b>	<b>(13,053)</b>	<b>11,749</b>
<b>Attributable to:</b>		
Equity shareholders of Mechel PAO	(13,158)	10,502
Non-controlling interests	105	1,247

**INTERIM CONDENSED CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION as of September 30, 2020**

*(All amounts are in millions of Russian rubles)*

	<b>September 30, 2020 (unaudited)</b>	<b>December 31, 2019</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	81,541	179,264
Right-of-use assets	12,917	17,728
Mineral licenses	18,591	31,075
Goodwill and other intangible assets	10,435	13,652
Investments in associates	332	321
Deferred tax assets	359	3,648
Other non-current assets	557	553
Non-current financial assets	257	232
<b>Total non-current assets</b>	<b>124,989</b>	<b>246,473</b>
<b>Current assets</b>		
Inventories	43,047	39,773
Income tax receivables	46	65
Trade and other receivables	16,767	15,340
Other current assets	8,168	6,982
Other current financial assets	430	363
Cash and cash equivalents	3,728	3,509
<b>Total current assets</b>	<b>72,186</b>	<b>66,032</b>
<b>Total assets</b>	<b>197,175</b>	<b>312,505</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Common shares	4,163	4,163
Preferred shares	840	840
Treasury shares	(907)	(63)
Additional paid-in capital	23,410	24,434
Accumulated other comprehensive income (loss)	1,740	(848)
Accumulated deficit	(289,561)	(273,754)
<b>Equity attributable to equity shareholders of Mechel PAO</b>	<b>(260,315)</b>	<b>(245,228)</b>
Non-controlling interests	13,078	11,631
<b>Total equity</b>	<b>(247,237)</b>	<b>(233,597)</b>
<b>Non-current liabilities</b>		
Loans and borrowings	2,646	7,205
Lease liabilities	4,057	7,002
Other non-current financial liabilities	1,931	48,303
Other non-current liabilities	267	105
Pension obligations	5,264	4,933
Provisions	4,247	5,238
Deferred tax liabilities	10,478	13,877
<b>Total non-current liabilities</b>	<b>28,890</b>	<b>86,663</b>

**Current liabilities**

Loans and borrowings, including interest payable, fines and penalties on overdue amounts of RUB 13,355 million and RUB 11,111 million as of September 30, 2020 and December 31, 2019, respectively

Loans and borrowings, including interest payable, fines and penalties on overdue amounts of RUB 13,355 million and RUB 11,111 million as of September 30, 2020 and December 31, 2019, respectively	326,177	381,317
Trade and other payables	44,269	38,244
Lease liabilities	8,075	10,353
Income tax payable	10,072	9,161
Taxes and similar charges payable other than income tax	13,155	9,228
Advances received and other current liabilities	5,391	5,816
Other current financial liabilities	318	147
Pension obligations	621	615
Provisions	7,444	4,558
<b>Total current liabilities</b>	<b>415,522</b>	<b>459,439</b>
<b>Total liabilities</b>	<b>444,412</b>	<b>546,102</b>
<b>Total equity and liabilities</b>	<b>197,175</b>	<b>312,505</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the nine months ended September 30, 2020**

*(All amounts are in millions of Russian rubles)*

	<b>Nine months ended September 30, 2020</b>	<b>Nine months ended September 30, 2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flows from operating activities</b>		
(Loss) profit for the period from continuing operations	(57,268)	18,144
Profit (loss) after tax for the period from discontinued operations	41,609	(4,717)
<b>(Loss) profit for the period</b>	<b>(15,659)</b>	<b>13,427</b>
<i>Adjustments to reconcile profit to net cash provided by operating activities</i>		
Depreciation and amortisation	10,813	11,268
Foreign exchange loss (gain), net	44,026	(15,889)
Deferred income tax expense (benefit)	6,348	(2,146)
Changes in allowance for expected credit losses and write-off of trade and other receivables and payables, net	444	264
Write-off of inventories to net realisable value	814	1,663
Impairment of goodwill and other non-current assets, net and loss on write-off of non-current assets	4,073	615
Finance income	(769)	(534)
Finance costs including fines and penalties on overdue loans and borrowings and lease payments	21,352	29,439
Provisions for legal claims, taxes and other provisions	3,050	2,922
Gain on sale of the discontinued operations	(45,580)	-
Other	154	16
<i>Changes in working capital items</i>		
Trade and other receivables	(828)	(2,490)
Inventories	(3,988)	(1,706)
Trade and other payables	1,220	3,393
Advances received	(646)	(822)
Taxes payable and other liabilities	5,964	4,025
Other assets	(943)	1,200
Income tax paid	(855)	(2,068)
<b>Net cash provided by operating activities</b>	<b>28,990</b>	<b>42,577</b>
<b>Cash flows from investing activities</b>		
Interest received	21	67
Royalty and other proceeds associated with disposal of subsidiaries	-	17
Proceeds from loans issued and other investments	39	313
Proceeds from disposal of the discontinued operations, net of cash disposed	88,979	-
Proceeds from disposals of property, plant and equipment	40	211
Purchases of property, plant and equipment	(3,694)	(4,499)
Interest paid, capitalised	(49)	(194)
<b>Net cash provided by (used in) investing activities</b>	<b>85,336</b>	<b>(4,085)</b>

**Cash flows from financing activities**

Proceeds from loans and borrowings, including proceeds from factoring arrangement of RUB 33 million and RUB 478 million for the nine months ended September 30, 2020 and 2019, respectively	19,115	7,008
Repayment of loans and borrowings, including payments from factoring arrangement of RUB 168 million and RUB 2,066 million for the nine months ended September 30, 2020, and 2019, respectively	(113,125)	(16,511)
Repurchase of common shares	(844)	-
Proceeds from sale of non-controlling interest in subsidiaries	104	-
Dividends paid to shareholders of Mechel PAO	-	(1,515)
Dividends paid to non-controlling interests	(3)	(7)
Interest paid, including fines and penalties	(18,592)	(23,724)
Repayment of lease liabilities	(1,813)	(1,615)
Effect of sale and leaseback transactions	510	243
Deferred payments for acquisition of assets	(477)	(213)
Deferred consideration paid for the acquisition of subsidiaries in prior periods	-	(361)
<b>Net cash used in financing activities</b>	<b>(115,125)</b>	<b>(36,695)</b>
Foreign exchange loss (gain) on cash and cash equivalents, net	354	(592)
Changes in allowance for expected credit losses on cash and cash equivalents	(25)	4
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(470)</b>	<b>1,209</b>
Cash and cash equivalents at beginning of period	3,509	1,803
<b>Cash and cash equivalents, net of overdrafts at beginning of period</b>	<b>2,867</b>	<b>380</b>
Cash and cash equivalents at end of period	3,728	2,947
<b>Cash and cash equivalents, net of overdrafts at end of period</b>	<b>2,397</b>	<b>1,589</b>

*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.*