

**EXPLANATORY NOTES**  
**to the Balance sheet and to the Profit and Loss Statement**  
**of Mechel PAO for the year 2020**

**1. Brief information on the Company and main areas of its activities**

Mechel PAO (hereinafter referred to as the “Company”) is a public joint stock company incorporated under the laws of the Russian Federation (Certificate of state registration No. 46 issued by RF Federal Taxation Service Interdistrict Tax Inspectorate, blank series 77 No. 011726883). Since its foundation on March 19<sup>th</sup> 2003 till August 19<sup>th</sup> 2005 the official name of the Company was Mechel Steel Group, Open Joint Stock Company, established based on Memorandum of Association dd. March 7<sup>th</sup> 2003. The Company exists and is operating in accordance with the Civil Code of the Russian Federation, Federal Laws “On Joint Stock Companies”, “On Foreign Investments to RF” and other effective legislation of the Russian Federation and the Articles of Association of the Company.

The Company was established based on consolidated majority stakes of the shares of such big enterprises as Southern Kuzbass PAO, Chelyabinsk Metallurgical Plant PAO, Beloretsk Metallurgical Plant AO, Vyartsilya Metal Products Plant AO, Southern Urals Nickel Plant PAO and other entities.

Company’s location: Russian Federation, Moscow

In accordance with its Articles of Association, the Company shall be entitled to perform the following activities:

- Investments into securities;
- business management of coal mining and processing;
- business management of metallurgical production;
- business management of retail and wholesale trade of steel products, coal products and other products;
- supply and sales;
- organization of manufacturing and sales of products, retail and wholesale trade;
- equipment and material procurement and sales management;
- market research, consulting in marketing management;
- consulting in financial management of enterprises, design of accounting systems, production cost accounting programs, budget and management control procedures;
- advising on human resources management;
- advising on efficiency and control planning, organization and assurance;
- providing public relations services;
- providing other services related to enterprise management;
- advising on accounting and taxation, business operations and enterprise management;
- providing assistance and practical help in civil, arbitration or administrative court hearings, in the arbitral court, in the international commercial arbitration court and other bodies established for dispute settlement;
- advising on state registration of title to real estate and transactions therewith;
- providing recommendations and consultations on general issues, preparation of legal documents, company charters and similar documents related to establishment of companies, patents and copyright agreements, preparation of legal acts, powers of attorney, etc.;
- market research, including potential market opportunities, products eligibility, awareness of products and buying habits of consumers for the purposes of products promotion and development of new types of products, including statistical analysis of the results;
- transportation and logistics;
- foreign economic activity;
- comprehensive services in the field of management;
- information and consulting services;
- provision of trademarks for usage under licensing agreements.

From the moment of its foundation the Company is in fact performing the following activities:

- information and consulting services;
- Investments into securities;
- provision of trademarks for usage under licensing agreements.

The average headcount in 2020 was 231 employees vs. 248 employees last year.

The Company does not have any registered subsidiaries in the Russian Federation and in other countries.

As of December 31<sup>st</sup> 2020 the Company has the following Representation offices:

- in Southern Korea;

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- in Japan.

The sole executive body of the Company, in accordance with its Articles of Association, is its Chief Executive Officer.

As of December 31<sup>st</sup> 2020, the Chief Executive Officer of the Company is Mr. Korzhov Oleg Viktorovich.

As of December 31<sup>st</sup> 2020, the following persons are members of the Board of Directors:

Ref. No.	Name	Place of work
1.	Shokhin Alexander Nikolaevich	<ul style="list-style-type: none"> <li>• Independent BD member in Mechel PAO</li> <li>• President of the all-Russian public association “Russian Union of Industrialists and Entrepreneurs”</li> <li>• President of the National Research University "Higher School of Economics"</li> <li>• BD member of TMK PAO, Eurasia Drilling Company Limited, Federal Corporation for SME development AO</li> <li>• Board member of the Chamber of Commerce and Industry of the Russian Federation</li> <li>• Supervisory Board member of Agency for Strategic Initiatives (ASI)</li> <li>• Presidium member of Non-commercial partnership “National Board for Corporate Governance”</li> <li>• Member of State Council of the Russian Federation</li> <li>• Member of the Council of Yandex Foundation for Public Interests</li> <li>• Member of Executive Council of the Russian-German Chamber of Commerce</li> <li>• Trustee of Non-commercial partnership “Russian Council on International Affairs”</li> <li>• BD member of Federal Corporation for SME development AO</li> <li>• President of the all-Russian employers' association “Russian Union of Industrialists and Entrepreneurs”</li> </ul>
2.	Zyuzin Igor Vladimirovich	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors of Mechel PAO</li> <li>• Chairman of the Board of Directors of Mechel Mining AO</li> </ul>
3.	Kotskiy Aleksandr Nikolaevich	<ul style="list-style-type: none"> <li>• Independent BD member in Mechel PAO</li> </ul>
4.	Orischin Alexander Dmitrievich	<ul style="list-style-type: none"> <li>• Independent BD member in Mechel PAO</li> </ul>
5.	Korzhov Oleg Viktorovich	<ul style="list-style-type: none"> <li>• Chief Executive Officer, Chairman of the Management Board and BD member of Mechel PAO</li> <li>• BD member of Mechel Mining AO</li> </ul>
6.	Petrov Georgiy Georgievich	<ul style="list-style-type: none"> <li>• Independent member of the Board of Directors of Mechel PAO</li> <li>• Advisor on international affairs for the president of Chamber of Commerce and Industry of the Russian Federation</li> </ul>

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Ref. No.	Name	Place of work
7.	Malyshev Yuri Nikolayevich	<ul style="list-style-type: none"> <li>• Independent member of the Board of Directors of Mechel PAO;</li> <li>• President of the Federal state budgetary institution “State Geology Museum of the Russian Academy of Sciences named after Vladimir Vernadsky”;</li> <li>• President of the Transregional public institution “The Academy of Mining Sciences”</li> <li>• BD member of Acron PAO</li> <li>• Hon. President and member of the Supreme Mining Council of the Non-profit Partnership “For mining industries of Russia”</li> <li>• Member of the Editorial Board of “The Editors of newspaper “Coal” OOO</li> </ul>
8.	Trigubko Victor Alexandrovich	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of Mechel PAO</li> <li>• Deputy Vice President for Government Relations and Direction Director of Mechel PAO</li> <li>• member of the Management Board of Mechel PAO</li> </ul>
9.	Ipeeva Irina Nikolayevna	<ul style="list-style-type: none"> <li>• Member of the Board of Directors of Mechel PAO</li> <li>• Member of the Management Board of Mechel PAO</li> <li>• Deputy Chief Executive Officer for Legal Affairs and Director of Legal Support Direction of Mechel PAO</li> <li>• Member of the Board of Directors of Mechel Mining AO</li> </ul>

The effective version of the Articles of Association of the Company this year does not provide for the establishment of a Revision Committee.

The stake of the common uncertified shares of Mechel PAO owned, in view of the direct and indirect ownership by Igor V. Zyuzin and his family members exceeds 25%.

The specialized registrar maintaining the Company’s register is *the “Independent Registrar Company R.O.S.T.” (JSC IRC R.O.S.T.)* located at the following address: 18 bldg. 5B, Stromynka Street, Moscow, 107076.

The official auditor approved by resolution of the General Shareholders’ Meeting of the Company (Minutes No. 1 dd. June 30<sup>th</sup> 2020) for the year 2020 is **Energy Consulting JSC** located at the following address: **23 Obrucheva, bld. 3, block XXII, Office 9b, Moscow, Russia, 117630.**

**Energy Consulting JSC** is a member of the self-regulatory organization of auditors – Association “Sodruzhestvo” – and is included into the register of auditors and audit companies of the above mentioned self-regulatory organization of auditors based on respective resolution dd. December 20<sup>th</sup> 2019 under principal number of registration entry (ORN) 11906106131.

**Energy Consulting JSC** is a member of the global network of independent advisory and accounting firms of HLB International, which is confirmed by respective certificate of membership No. OB24018 dd. December 4<sup>th</sup> 2013.

The agreement on the establishment of a consolidated group of Mechel taxpayers from January 1<sup>st</sup> 2013 was registered by Federal Tax Service Inspectorate No.5 on November 29<sup>th</sup> 2012. In accordance with the above mentioned agreement, Mechel PAO was a Responsible participant of the consolidated group.

## 2. The main principles of the Accounting policies

The book accounting statements were generated based on Russian Accounting Standards:

- Federal law “On Book Accounting” No.402-FZ dd. December 6<sup>th</sup> 2011 №402-ФЗ;
- “Regulations on Book Accounting and Reporting in the Russian Federation” approved by Order No. 34n of the RF Ministry of Finance dd. July 29<sup>th</sup> 1998;
- Regulations on book accounting and other by-laws within the system of regulating book accounting and statements at enterprises applied in the Russian Federation;
- Order No. 66n “On the Accounting Forms used by Enterprises” of the RF Ministry of Finance dd. July 2<sup>nd</sup> 2010;

## Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

- Regulation “Accounting Policies of Mechel PAO for the purposes of book and tax accounting in 2019” approved by Company’s order for 2019 No. Пп/М/051 dd. December 27<sup>th</sup> 2018 and generated in accordance with Regulation on book accounting “Accounting Policies of an Enterprise” (PBU 1/2008) approved by order No. 106 of the RF Ministry of Finance dd. October 6<sup>th</sup> 2008 and “Book Accounting of an Enterprise” approved by order No. 43n of the RF Ministry of Finance dd. July 6<sup>th</sup> 1999.

The Accounting Policies of the Company were prepared based on the following requirements to book accounting: completeness, fairness, timeliness, prudence, substance over form, consistency, reasonableness.

Starting from November 1<sup>st</sup> 2016 book accounting is performed based on respective agreement for the performance of book and tax accounting by Shared Services Centre (Mechel BusinessService OOO, hereinafter referred to as SSC).

SSC employees are governed by their job instructions and the agreement for the performance of book and tax accounting. Chief Executive Officer ensures control and reflection of all facts of Company’s operational activities in all accounts and provision of the up-to-date and actionable information within the established timelines.

Book accounting statements of the Company for the accounting period were generated based on going concern principle.

Book accounting statements of the Company was generated based on the rules for maintaining accounting records applicable in the Russian Federation, in thousand rubles, figures without digits – code OKEI 384.

Assets, liabilities and operational activities are estimated in monetary terms for the purposes of book accounting by way of summarizing the actually borne expenses. Other ways of estimation shall be applied in cases provided for by RF legislation, enactments related to book accounting, regulations on the Accounting policies and other RF enactments.

Assets, liabilities and operational activities are estimated by Company in rubles. Bookkeeping entries by accounts in foreign currencies as well as by transactions in foreign currencies shall be made in RF currency in the amounts defined by way of foreign currency recalculation based on the rate of the Central Bank of the Russian Federation effective as of the transaction date. At the same time, the above mentioned entries shall be made in the transaction currency as well.

Assets and liabilities of the Company shall be reflected in the Balance Sheet as long-term or short-term depending on their maturity (repayment) period. Assets and liabilities shall be reflected as short-term, if their maturity (repayment) period does not exceed 12 months after the accounting date. All other assets and liabilities shall be reflected as long-term.

Indicators related to separate assets, liabilities, revenues, expenses and operational transactions shall be reflected in book accounting statements separately, if they are material. An amount is considered material, if the ratio of such amount to the total of the respective data for the accounting period is at least 5%.

Non-current assets shall be reflected in the Balance Sheet of the Company at actual cost of their acquisition and maintenance.

### 2.1. Intangible assets accounting

Intangible assets accounting is performed by Company as per Regulation on Book Accounting PBU 14/2007 “Intangible Assets Accounting” approved by order No. 153n of the RF Ministry of Finance dd. December 27<sup>th</sup> 2007.

The Company accepts for book accounting the intangible assets at the actual cost of their acquisition and maintenance.

Useful life of intangible assets is defined by Company at the moment of accepting them for book accounting. Useful life period is a period in months during which the Company is planning to use an intangible asset in order to gain financial benefits (revenues). The intangible assets for which it is not possible to define their useful life period are considered to be intangible assets with an indefinite useful life period.

Useful life of an intangible asset shall not exceed the duration of the Company. Useful life by trade marks shall be defined based on the validity period of the Certificate of registration of such trade mark.

Straight-line depreciation method shall be applied by Company in respect of intangible assets.

The intangible assets reflected in the Balance Sheet of the Company as of December 31<sup>st</sup> 2020 represent the exclusive rights for the trade marks, non-exclusive rights for using the software and corporate site.

### 2.2. Fixed assets accounting

The fixed assets reflected in the Balance Sheet as of December 31<sup>st</sup> 2020 are represented by machines and equipment, production tools and maintenance accessories and other fixed assets.

Depreciation of fixed assets items is performed by straight-line depreciation method.

### 2.3. Inventory accounting

Inventory accounting is performed by Company based on Regulation of book accounting “Inventory Accounting” (PBU 5/01), approved by order No. 44n of the RF Ministry of Finance dd. June 9<sup>th</sup> 2001.

Inventory shall be reflected at actual cash cost. In case of writing off into production and other disposal the actual cash cost of the inventory shall be defined at average cash cost.

### 2.4. Financial investments accounting

## Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Financial investments accounting is performed as per Regulation of book accounting “Financial Investment Accounting” PBU 19/02 approved by order No. 126n of the RF Ministry of Finance dd. December 10<sup>th</sup> 2002.

Financial investments are accepted for book accounting by the Company at their historical value.

The historical value of the financial investments that were contributed to the equity is recognized as the monetary estimation of such investments agreed with the founders of the Company.

In its book accounting statements for 2020 the Company included into financial investments the securities of other enterprises, contributions to equities, acquisitions of stakes in equities of other enterprises, loans provided.

The Company is maintaining the analytical accounting of financial investments by items of such financial investments and by companies into which such investments were made.

In accordance with the Accounting policies, market value (3) calculated by securities market operator as of the latest accounting date of the respective accounting period (as of the last trading day in case, if the day onto which the accounting date falls is a day off, holiday or non-trading day) is applied to the financial investments by which current market value is defined.

Market value is defined based on the prices published by securities market operators based on the following order of priority: Moscow Exchange, Saint Petersburg Exchange.

The financial investment by which current market value is not to be defined are subject to being reflected in the book accounting and in statements as of the accounting date at their historical value.

The historical value of the financial investments that were contributed to the equity is the monetary estimation of such investments agreed by founders of the Company.

The securities by which the current market value is not defined are reflected in book accounting at the moment of their disposal at their historical value as of the moment of their acquisition (based on first-in, first-out costing method).

Other financial investments by which the current market value is not defined are reflected in book accounting at the moment of their disposal at the historical value of each item of financial investments in book accounting.

In case of disposal of the assets accepted for book accounting as the financial investments by which the current market value is defined, their cost is defined by Company based on the recent estimation.

The financial investments by which the current market value is not defined are reflected in the balance as of the end of the accounting year less provision for financial investments impairment, provided that there is a sustainable decrease in their historical value. Impairment test shall be performed on a quarterly basis.

Financial investments in form of loans provided are reflected in the balance at their actual cost, no provision for loans impairment is to be created.

### 2.5. Loans and loans servicing accounting

Loans and credits accounting is performed by Company as per provisions prescribed by Regulation on book accounting “Loans and Credits Accounting” PBU 15/2008 approved by order No. 107n of the RF Ministry of Finance dd. October 6<sup>th</sup> 2008.

The expenses related to the loans received are recognized as the costs related to the period when such costs were paid.

Bond-secured loans are reflected in the accounting as long-term and short-term liabilities.

Secondary placement in the security market by the Company of the bonds that were prematurely bought back under the offer is possible for the purpose of the working capital financing and performance of any types of activities.

Before the moment of the notice of call (claim for payment (repayment) of interest and (or) discount by bonds), the accrued amounts are reflected in the book accounting on account 97 “Deferred expenses”. On the date of claim for payment (repayment) of the accrued interest and (or) discount such interest and (or) discount shall be written off to other expenses. In book accounting the accrued interest and (or) discounts by bonds reflected on account 97 are reflected with the consideration of their maturity date as follows:

- as other non-current assets, if the maturity date of the claim for interest and (or) discount repayment exceeds 12 months after the accounting date;
- as other current assets, if the maturity date of the claim for interest and (or) discount repayment is less than 12 months after the accounting date.

### **3. Intangible assets**

Line 1110 “Intangible assets” of the Balance Sheet of the Company as of December 31<sup>st</sup> 2020 reflects the intangible assets the total residual value of which is 5,151 thousand rubles.

Intangible assets are represented by Trademarks of the Company and by software.

A new corporate site was implemented by Company in 2020, the costs for the new site development amounted to 850 thousand rubles.

Long-term non-exclusive rights for using the software for PC were purchased by Company during the accounting year.

No new trademarks were registered during the accounting year.

#### 4. Fixed assets

Line 1150 of the Balance Sheet of the Company as of December 31<sup>st</sup> 2020 reflects the fixed assets that do not need state registration, are in operation and the total residual value of which is 168 thousand rubles.

Fixed assets accounting is performed by Company as per provisions prescribed by Regulation on book accounting “Fixed Assets Accounting” PBU 6/01 approved by order No. 26n of the RF Ministry of Finance dd. March 30<sup>th</sup> 2001.

The Company accepts for book accounting the fixed assets at their historical value, i.e. in the amount of actual cost for their acquisition, manufacturing, except for VAT and other refundable taxes (but for cases provided for by effective legislation of the Russian Federation).

No assets revaluation was done by the Company either during the accounting period or during the previous accounting periods.

Depreciation charges were accrued without interruptions during the whole period of using the items of the fixed assets.

The Company performs its operations and activities in the premises leased from Finkom-Invest OOO, leases transportation vehicles with the crew, parking lots, working places and the maintenance of the working places is performed by Finkom-Invest OOO.

As of December 31<sup>st</sup> 2020, there are the following effective lease agreements:

- Lease agreement No. FD.219-10 dd. November 1<sup>st</sup> 2010 with Finkom-Invest, the agreement was concluded for an indefinite period; the floorage of the leased building is 2 361,50 sq.m, the residual value is 160 582 thousand rubles, 4 parking lots, the cost is 7 471 thous. rubles, other property, the cost is 20 682 thous. rubles.
- Lease agreement No. FD.21-11 dd. 01.02.2011 with Finkom-Invest, the agreement was concluded for an indefinite period; the floorage of the leased building is 325,75 sq.m, the residual value is 5 212 thous. rubles, other property, the cost is 370 thous. rubles.
- Lease agreement No. FD.138-18/357M-18 dd. 14.09.2018 with Finkom-Invest, the effective period of the agreement is until 31.12.2020; the floorage of the leased building is 758,9 sq.m, the residual value is 96 187 thous. rubles, other property, the cost is 41 634 thous. rubles.
- Transportation vehicles and crew lease agreement No. 288/M-07 dd. 21.11.2007 with Finkom-Invest, the agreement was concluded for an indefinite period; the residual value is 5 117 thous. rubles.
- Non-residential premises lease agreement (Representation office in South Korea) No. MCAG-2018/006/040M-18 with Mechel Carbon AG dd. 12.01.2018, the effective period of the agreement is until 11.01.2021. The floorage of the leased building is 79,75 sq.m. The residual value is 53 770 thous. rubles.
- Non-residential premises lease agreement (Representation office in Japan) No. 352/M-15/MCAG-2015-014 dd. 27.07.2015 with Mechel Carbon AG, the effective period of the agreement is until 31.03.2025. The floorage of the leased building is 27,84 sq.m.
- Non-residential premises lease agreement (detached subdivision in Chelyabinsk) No. 332/M-15/10014395 dd. 03.07.2015 with Chelyabinsk Metallurgical Plant PAO (hereinafter referred to as CMP PAO), the agreement is effective until December 31<sup>st</sup> 2021. The floorage of the leased building is 61,2 sq.m.

The book value of the leased fixed assets as of December 31<sup>st</sup> 2020 is 391 087 thous. rubles.

The Company does not have any real estate items on its balance.

All the fixed assets as of December 31<sup>st</sup> 2020 represent the active part of the fixed assets.

#### 5. Inventory and supplies

The main types of the inventories reflected in line 1211 “Raw materials, materials and other valuables” of the Balance Sheet are blanks of employment record books.

The Company does not have any non-liquid assets that would be reflected in line 1211 “Raw materials, materials and other valuables” of the Balance Sheet.

In view of the above, the Company did not create any inventory reserve as of December 31<sup>st</sup> 2020.

#### 6. Financial investments

In line 1170 “Financial investments” of the Balance Sheet the Company reflects, among the financial investments, the securities, contributions to equities, acquisitions of stakes in equities of other enterprises and loans provided.

Financial investments to the shares of CMP PAO, Izhstal PAO, Urals Stampings Plant PAO, and Southern Urals Nickel Plant PAO are reflected in the book accounting statements as of the end of the accounting year at current market value that, in accordance with the Accounting policies, is the market value (3) calculated by securities market operator as of the latest accounting date of the respective accounting period (December 31<sup>st</sup> 2020).

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The following table contains the information in respect of the long-term financial investments of the Company reflected in line 1170 "Financial investments" of the Balance Sheet (financial investments impairment reserve is not included):

Name	Balance as of December 31 <sup>st</sup> 2019	Accepted	Market value adjustment (Upwards)	Disposed	Market value adjustment (Downwards)	Balance as of December 31 <sup>st</sup> 2020
<b>Total</b>	<b>289,682,334</b>	<b>9,900</b>	<b>7,188,822</b>	<b>(248,436)</b>	<b>(900,135)</b>	<b>295,732,485</b>

For your reference:

\* Information in respect of the amount of the provision for the impairment of financial investments to equity and the quotation results is disclosed in the Explanatory notes to the Balance Sheet and Profit and Loss Statement in sections 3.1 and 10.2.

**As of December 31<sup>st</sup> 2019, provision for the impairment of financial investments in the amount of 28,072,550 thous. rubles was created:**

- 698,590 thous. rubles (Trading House Mechel OOO)
- 10,317,458 thous. rubles (Oriol Resources Ltd);
- 17,049,008 thous. rubles (Daveze Limited);
- 6,078 thous. rubles (Kaslinsky Plant of Art Casting OOO);
- 300 thous. rubles (Management Company Mechel Steel OOO)
- 50 thous. rubles (Management Company Mecheltrans OOO)
- 48 thous. rubles (Mechel Vtormet OOO)
- 53 thous. rubles (Mechel Garant OOO)
- 965 thous. rubles (Vyartsilya Metal Products Plant AO)

**As of December 31<sup>st</sup> 2020, provision for the impairment of financial investments in the amount of 2,236,019 thous. rubles was created by the following companies:**

- 965 thous. rubles (Vyartsilya Metal Products Plant AO)
- 54 thous. rubles (Mechel Garant OOO)
- 2 235 000 thous. rubles (Trading House Mechel OOO)

**As of December 31<sup>st</sup> 2020, the Total amount of the accrued provision for financial investments impairment amounted to 30,308,569 thous. rubles.**

Balance value of the financial investments to quoted shares is as follows:

14,664,761 thous. rubles as of December 31<sup>st</sup> 2019  
20,705,012 thous. rubles as of December 31<sup>st</sup> 2020

Balance value of the financial investments to non-quoted shares (the accrued provision excluded) is as follows:

275,017,573 thous. rubles as of December 31<sup>st</sup> 2019  
275,027,474 thous. rubles as of December 31<sup>st</sup> 2020

Balance value of the financial investments to non-quoted stakes/shares (the accrued provision included) is as follows:

246,945,023 thous. rubles as of December 31<sup>st</sup> 2019  
244,718,905 thous. rubles as of December 31<sup>st</sup> 2020

Dividends were accrued to the Company in 2020 in the amount of 7,601,100 thous. rubles.

## 7. Cash flow

### 7.1. Cash flows by types of activities

In accordance with PBU 23/2011, the Cash Flow statement reflects payments and receipts of the Company.

Cash flows of the Company are classified depending on the type of transactions.

The Cash Flow statement (*aggregated mode*) contains the following data (PBU 23/2011):

- VAT amounts (sub-clause *b* of clause 16 of PBU 23/2011):
  - received as receipts from buyers and customers;
  - paid to suppliers and contractors;
  - paid to the budget;
  - refunded from the budget.
- Cash paid to suppliers of goods/services and received from the buyer as a compensation for such expenses (sub-clause *d* of clause 16 of PBU 23/2011);
- Income (expenses) from foreign currency transactions.
- Cash paid by members of the consolidated group of Income tax taxpayers.

The structure of other receipts from current operations is reflected in the table below:

Cash flows	2020, thous. rub.	2019, thous. rub.
line 4119 “Other income from current operations”, total		
incl. from material types of inflows	948,298	9,766,202
Financial aid from subsidiaries	285,000	9,604,000
Aggregated result by the income tax of the Consolidated Group of Taxpayers	(57,684)	(154,225)

The amount of payments related to wages and salaries reflected in section “Cash Flows from current operations” includes, inter alia, the amounts to be deducted from wages and salaries (the amounts of personal income tax, insurance contributions to state non-budgetary funds, payments under orders of enforcement).

**The flow of the cash invested by the Company to bank deposits is posted to account 55 “Special bank accounts”, sub-account 55.03 “Deposit accounts” and 55.23 “Deposit accounts (in a foreign currency)”.**

According to PBU 23/2011 “Cash Flow statement”, cash equivalents include highly liquid financial investments that may be easily converted into a preliminarily known amount of cash and that are not subject to any material risk of value change. The Company includes into cash equivalents the bank deposits with the maturity not exceeding 3 months under the agreements permitting acceleration of the deposited funds.

In 2020 cash was deposited as per terms and conditions of the General Terms Agreement on Deposit Banking No. 1 dd. March 29<sup>th</sup> 2013 with JSC Coalmetbank for the total amount of 1,696,800 thous. rubles.

As of December 31<sup>st</sup> 2020, the Company does not have any deposits in the above mentioned bank.

### 7. 2. The order and procedure for the accounting of the assets and liabilities in foreign currencies

The accounting of the assets and liabilities expressed in a foreign currency, as well as the order and procedure for the recalculation of the value of such assets and liabilities into the RF rubles (rubles), is performed in accordance with the requirements prescribed by Regulation on book accounting “Accounting of Assets and Liabilities the value of which is expressed in a Foreign currency” (PBU 3/2006) approved by order No. 154n of the RF Ministry of Finance dd. November 27<sup>th</sup> 2006 and the effective 2020 Accounting policies.

The following are the exchange rate differences posted to the account on which the 2020 financial results of the Company are reflected:

1. Foreign exchange gains (aggregated): 4,509,134 thous. rubles
2. Foreign exchange losses (aggregated): 4,262,127 thous. rubles

Foreign currencies to ruble Exchange rate of established by the Central Bank of the Russian Federation as of December 31<sup>th</sup> 2020:

Numeric code	Letter code	Unit	Currency	Exchange rate
840	USD	1	USD dollar	73.8757
978	EUR	1	Euro	90.6824



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156	CNY	10	Chinese yuan	11.2787
826	GBP	1	British pound sterling	100.0425
392	JPY	100	Japanese yen	41.4915
410	KRW	1000	South Korean won	68.0258
756	CHF	1	Swiss franc	83.5131

For the purpose of providing accurate and reliable information in respect of the cash flows and the indicators in the Cash Flow statement, the cash means expressed in a foreign currency are reflected based on the exchange rate established by the Central Bank of the Russian Federation as of the accounting date. As of the end of the year, the effect of exchange rate changes is 51 thous. rubles.

## 8. Accounts receivables and payables

### 8.1. Accounts receivables

Long-term accounts receivables as of December 31<sup>st</sup> 2020 is 2,244,890 thous. rubles, as of December 31<sup>st</sup> 2019 it was 108 thous. rubles.

The main share of the long-term accounts receivables in 2020 accounts for the interest under the loans provided in 2020 and in 2019 – for the advances paid.

Short-term accounts receivables as of December 31<sup>st</sup> 2020 is 11,099,031 thous. rubles, as of December 31<sup>st</sup> 2019 it was 7,995,984 thous. rubles.

The main share of the short-term accounts receivables accounts for the indebtedness of the subsidiaries, buyers and customers.

The detailed information in respect of the accounts receivables and related flows for the period 2019-2020 is reflected in form 5.1 “Accounts receivables and related flows” of the Explanatory Notes to the Balance Sheet and Profit and Loss statement.

As of December 31<sup>st</sup> 2020 there is not any doubtful debt.

### 8.2. Accounts payables

Long-term accounts payables as of December 31<sup>st</sup> 2020, including liabilities under credits and loans, is 276,531,252 thous. rubles, as of December 31<sup>st</sup> 2019 it was 219,290,221 thous. rubles.

The accounts payables increased in 2020 due to the fact that short-term loans were reclassified into long-term loans.

Short-term accounts payables as of December 31<sup>st</sup> 2020, including liabilities under credits and loans, is 11,526,821 thous. rubles, as of December 31<sup>st</sup> 2019 it was 56,880,327 thous. rubles.

Short-term indebtedness decreased in 2020 due to the fact that the short-term indebtedness under loans was reclassified into the long-term one and due to the repayment of the accounts payables.

The detailed information in respect of the accounts payables and related flows for the period 2019-2020 is reflected in form 5.3 “Accounts payables and related flows” of the Explanatory Notes to the Balance Sheet and Profit and Loss statement.

## 9. Income

Revenues accounting in the Company is performed in accordance with the requirements prescribed by Regulation on book accounting “Income of an Enterprise” (PBU 9/99) approved by order No. 32n of the RF Ministry of Finance dd. May 6<sup>th</sup> 1999.

Proceeds from sales of works and services in 2020 reflected in line 2110 “Revenues from sales of goods, products, works and services” of the Profit and Loss statement is 14,307,723 thous. rubles.

The Company performs the following types of ordinary financial and business activities:

- Provision of trademarks for usage under licensing agreements;
- Investments into securities;
- Information and consulting services;
- Provision of rights for using the software.

The following table displays the structure and dynamics of the revenues (VAT not included) by ordinary types of activities in 2019-2020:

Ref. No.	Indicator	2020		2019	
		Revenues (thous. rub.)	Share of the revenue type in the total income (%)	Revenues (thous. rub.)	Share of the revenue type in the total income (%)
1	Revenues from consulting services	24,609	0.17	40,540	0.28

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Ref. No.	Indicator	2020		2019	
		Revenues (thous. rub.)	Share of the revenue type in the total income (%)	Revenues (thous. rub.)	Share of the revenue type in the total income (%)
2	Revenues from licensing agreements	6,400,415	44.73	3,221,808	22.44
3	Dividends payable	7,601,100	53.13	11,083,927	77.19
4	Conversion of securities	267,800	1.87	0	0
5	Other	13,799	0.10	13,493	0.09
	<b>TOTAL</b>	<b>14,307,723</b>	<b>100.00</b>	<b>12,152,347</b>	<b>100.00</b>

The revenues (income) from the provision of information and consulting services is reflected by Company in the book accounting as of the date of signing the statement of acceptance of the services rendered under respective agreements with the customers.

The total cost of the services rendered is a sum of the remuneration, overhead expenses and the value added tax established by the laws of the Russian Federation.

The remuneration is calculated based on the services rendering timelines and hourly rates of the Company employees.

The Company has effective agreements for the provision of information and consulting services with respective companies as of December 31<sup>st</sup> 2020.

The Company has effective licensing agreements for the provision of trademarks for usage under which non-exclusive licenses for using the trade marks of Mechel PAO are provided for remuneration for the validity period of such trade marks registration. Starting from August 1<sup>st</sup> 2020, based on respective estimation performed, the remuneration for the trade marks usage was increased from 1% to 4%.

The date of receiving the revenues (income) from the provision of the trade marks for usage under licensing agreements shall be considered to be the last day of a month.

The date of receiving the revenues (income) from dividends shall be considered to be the date of respective resolution on the dividends distribution.

Other income for 2020 reflected in line 2340 of the P&L statement is **6,828,558 thous. rubles**.

The following table displays the structure of the other income of the Company in 2020:

Ref. No.	Indicator	Other income (2020)	Share of the types of other income in the other income total (%)
1	Exchange rate differences	247,007	3.62
2	Financial aid from subsidiaries	285,000	4.17
3	Revaluation of non-current assets (quoted financial investments)	6,288,687	92.09
4	Other income	7,864	0.12
	<b>TOTAL</b>	<b>6,828,558</b>	<b>100.00</b>

Other income reflected in line 2340 of P&L for 2019 is **11,946,446 thous. rubles**.

The following table displays the structure of other income of the Company in 2019:

Ref. No.	Indicator	Other income (2019)	Share of the types of other income in the other income total (%)
1	Profit of previous years	41,075	0.34
2	Financial aid from subsidiaries	9,604,000	80.39
3	Revaluation of non-current assets (quoted financial investments)	2,225,729	18.63
4	Other income	75,642	0.64
	<b>TOTAL</b>	<b>11,946,446</b>	<b>100.00</b>

The general structure of the Company income in 2020:

Ref. No.	Indicator	Total income (2020)	Share of the types of other income in the other income total (%)
1	Revenues from ordinary types of activities	14,307,723	66.58

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

2	Interest receivable	352,088	1.64
3	Other income	6,828,558	31.78
	<b>TOTAL</b>	<b>21,488,369</b>	<b>100.00</b>

The general structure of the Company income in 2019:

Ref. No.	Indicator	Total income (2019)	Share of the types of other income in the other income total (%)
1	Revenues from ordinary types of activities	14,359,768	53.79
2	Interest receivable	388,819	1.46
3	Other income	11,946,446	44.75
	<b>TOTAL</b>	<b>26,695,033</b>	<b>100.00</b>

### 10. Expenses

Expenses accounting is performed by Company in accordance with the requirements prescribed by Regulation on book accounting "Expenses of an Enterprise" (PBU 10/99) approved by order No. 33n of the RF Ministry of Finance dd. May 6<sup>th</sup> 1999.

The expenses related to provision of the services in respect of which as of the end date of the accounting period no statements of acceptance of the services rendered were signed under respective agreements, remain reflected within work-in-process. General business expenses as of the end of the accounting period shall be written off from credit account 26 "General business expenses" to debit account 90 "Sales".

Account 20 "Main production" is used for the accounting of the expenses by ordinary types of activities of the Company.

The expenses by rendered services by main types of operations in 2020 reflected in line 2120 "Cost of sales" of the Profit and Loss statement amounted to **314,416 thous. rubles**.

The following table displays the cost of sales of the Company by ordinary types of operations in 2019-2020:

Ref. No.	Indicator	Expenses		% of the total	
		2020	2019	2020	2019
1	Wages, salaries and insurance contributions	56,853	73,930	18.08	84.21
2	Business trip expenses	2,589	9,825	0.82	11.20
4	Representation costs	6	56	0.02	0.06
5	Other	5,887	3,981	1.87	4.53
6	Purchase and sale of shares	248,436	0	79.01	0
	Cost of purchase of the Inventory sold	645	0	0.20	0
	<b>TOTAL</b>	<b>314,416</b>	<b>87,792</b>	<b>100.00</b>	<b>100.00</b>

The following table displays the structure of the general business expenses of the Company in 2019-2020:

Ref. No.	Indicator	General business expenses		Share of expenses in the total amount (%)	
		2020	2019	2020	2019
1	Wages and salaries	1,128,779	1,008,912	61.44	60.34
2	Insurance contributions	223,160	200,413	12.15	11.99
3	Auditor's services	134,086	125,815	7.30	7.53
4	Business trip expenses	4,896	21,773	0.26	1.30
5	Administration and management expenses	24,281	26,704	1.32	1.60
6	Leasing of office premises	52,801	51,302	2.87	3.07

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Ref. No.	Indicator	General business expenses		Share of expenses in the total amount (%)	
		2020	2019	2020	2019
7	Administration and management expenses, other	94,838	47,392	5.16	2.83
8	Property protection	35,320	34,794	1.92	2.08
9	Outsourced accounting services	19,518	20,041	1.06	1.20
10	Costs for servicing own securities	21,892	19,742	1.19	1.18
11	Software maintenance costs	19,232	18,747	1.05	1.12
12	Leasing of workplaces	17,312	17,682	0.94	1.06
13	Leasing of motor vehicles	12,103	13,053	0.66	0.78
14	Consultancy services	4,091	12,642	0.22	0.76
15	Costs for servicing purchased securities	10,268	13,051	0.56	0.78
16	VAT included into the cost	5,195	6,728	0.28	0.40
17	Information services	5,583	6,993	0.30	0.42
18	Voluntary medical insurance	4,572	5,618	0.25	0.34
19	Software	1,765	2,715	0.10	0.16
20	Translation services	1,348	2,897	0.07	0.17
21	Representation costs	2,242	2,782	0.12	0.16
22	Legal services	4,520	2,264	0.25	0.14
23	Communication services	1,072	1,361	0.06	0.08
24	Publishing and information disclosure services	546	1,074	0.03	0.06
25	Advertisement	654	631	0.04	0.04
26	Fixed assets depreciation	317	390	0.02	0.02
27	Staff training	343	492	0.02	0.03
28	Other	6,396	5,949	0.36	0.36
	<b>TOTAL</b>	<b>1,837,130</b>	<b>1,671,957</b>	<b>100.00</b>	<b>100.00</b>

Other expenses reflected in line 2350 of the Profit and Loss statement in 2020 amounted to 2,326,981 thous. rubles.

The following table displays the structure of other expenses of the Company in 2019-2020:

Ref. No.	Indicator	Other expenses		Share of other expenses in the total of other expenses (%)	
		2020	2019	2020	2019
1	Provisions for doubtful debts	12,522	163	0.54	0.03
2	Allocations to valuation reserves (provision for the impairment of non-quoted financial assets)	2,236,019	966	96.10	0.16
3	Costs for servicing own securities	5,221	0	0.22	0
4	Fines, penalties by taxes and charges, except for income tax	17,486	4,121	0.75	0.69
5	Banking services	4,661	4,381	0.20	0.73

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Ref. No.	Indicator	Other expenses		Share of other expenses in the total of other expenses (%)	
		2020	2019	2020	2019
6	Other	51,072	328,557	2.19	54.95
7	Exchange rate differences	0	259,685	0	43.44
	<b>TOTAL</b>	<b>2,326,981</b>	<b>597,873</b>	<b>100.00</b>	<b>100.00</b>

Other expenses for 2020 grew as compared to 2019 by 1,729,108 thous. rubles due to the creation of the provision for the impairment of the financial investments not quoted in the securities market.

The general structure of the Company expenses in 2019-2020 is as follows:

Ref. No.	Indicator	Expenses, total		Share of other expenses in the total of other expenses (%)	
		2020	2019	2020	2019
1	Expenses by ordinary types of activities	314,416	87,792	1.38	0.35
2	Administration and management expenses	1,837,130	1,671,957	8.08	6.76
3	Interest payable	18,263,660	22,372,556	80.31	90.47
4	Other expenses	2,326,981	597,873	10.23	2.42
	<b>TOTAL</b>	<b>22,742,187</b>	<b>24,730,178</b>	<b>100.00</b>	<b>100.00</b>

## 11. Equity and reserves

### 11.1 Authorized capital

The authorized capital of the Company as of December 31<sup>st</sup> 2020 is 5,550,276,600 (Five billion five hundred fifty million two hundred seventy-six thousand six hundred) rubles.

The authorized capital consists of the nominal value of 416,270,745 (Four hundred sixteen million two hundred seventy thousand seven hundred forty-five) ordinary registered shares with the nominal value of ten (10) rubles each and 138,756,915 (One hundred thirty-eight seven hundred fifty-six thousand nine hundred fifteen) privileged registered shares with the nominal value of ten (10) rubles each. The quantity of the placed shares of the Company is 555,027,660 shares, out of them:

- 416,270,745 (Four hundred sixteen million seven hundred fifty thousand seven hundred forty-five) ordinary registered shares;
- 138,756,915 (One hundred thirty-eight million seven hundred fifty-six thousand nine hundred fifteen) privileged registered shares.

Form of shares issuance: uncertified.

The quantity of authorized shares the Company is entitled to place in addition to its placed shares is 81,698,341 (Eighty-one million six hundred ninety-eight thousand three hundred forty-one) ordinary registered share with the nominal value of ten (10) rubles each. Form of shares issuance: uncertified.

The amount of the authorized capital of the Company stated in this section of the Explanatory Notes corresponds to the one stated in the constituent documents.

In accordance with article 75 of the Federal Law "On Joint Stock Companies" No. 208-FZ dd. December 26<sup>th</sup> 1995, due to the fact that the general shareholders' meeting voted in favor of "Further approval (consent to the performance of) major transactions that are at the same time related party transactions", the shareholders who are owners of ordinary shares of Mechel PAO and who did not take part in the voting or who voted against the above mentioned resolution called for the buyback of 10,804,058.00 ordinary shares of Mechel PAO.

The buyback price of the ordinary registered uncertified shares of Mechel PAO (state registration number 1-01-55005-E dd. April 29<sup>th</sup> 2003, international securities identification code (number) (ISIN) RU000A0DKXV5) is 80.57 (eighty and 57/100) rubles per one (1) ordinary registered uncertified share of the Company.

Mechel PAO performed the buyback of its own shares on September 24<sup>th</sup> 2020 in the amount of 870,482,953.06 rubles.

The bought back own ordinary registered uncertified shares of Mechel PAO with state registration number 1-01-55005-E were

sold in October 2020.

### 11.2. Reserves

The Company articles of association provide for the creation of a reserve fund that shall amount to 5% of the authorized capital of the Company.

As of December 31<sup>st</sup> 2020 the reserve fund is completely generated and amounts to 277,514 thous. rubles.

The purpose of the reserve fund of the Company is to cover up for its losses as well as to repay the Company bonds and buyback the Company shares in absence of any other available funds. The reserve fund shall not be used for any other purposes.

No funds were used from the reserve fund in 2020.

### 11.3. Share premium

The share premium of the Company is a surplus gained from selling shares at a price exceeding their face value, it shall be defined as a difference between the amount transferred to the Underwriter's account as payment for the shares (based on the exchange rate as of the date the funds are credited to the Underwriter's account) and the face value of the shares as per Constituent documents.

The shares issued by Company are fully paid as of December 31<sup>st</sup> 2020.

### 11.4. Retained profit (accumulated loss)

By resolution on profit distribution passed by annual general shareholders' meeting and reflected in Minutes No.1 dd. June 30<sup>th</sup> 2020 the retained profit of the previous years shall be distributed as follows:

- 482,874 thous. rubles were spent to pay dividends by placed privileged shares.
- The residual of the retained profit of the previous years in the amount of 1,508,353 thous. rubles remained retained.

In fact, dividends payment was effected in October 2020.

The net assets of the Company as of December 31<sup>st</sup> 2020 amounted to 7,622,783 thous. rubles.

As of December 31<sup>st</sup> 2020 the current assets of the balance sheet amount to 13,586,736 thous. rubles, current liabilities amount to 11,526,821 thous. rubles, i.e. current assets exceed current liabilities by 2,059,915 thous. rubles. In view of this circumstance, the Company management is confident that it will be able to meet its external liabilities in a due and timely manner.

### 12. Earnings/loss per share

In accordance with the accounting data, the net loss of the Company as of December 31<sup>st</sup> 2020 is 1,504,764 thous. rubles.

The average weighted quantity of the ordinary shares as of December 31<sup>st</sup> 2020 amounted to 416,270,745 pieces.

Date	Outstanding ordinary shares (psc.)
December 31 <sup>st</sup> 2019	416,270,745
December 31 <sup>st</sup> 2020	416,270,745
Total as of December 31 <sup>st</sup> 2020	416,270,745

The base loss per share defined as a ratio of the loss after taxes in 2020 to the average weighted quantity of the outstanding ordinary shares in 2020 amounted to 3 rubles 61 kopecks per share as of December 31<sup>st</sup> 2020.

The net profit per share defined as a ratio of the profit demonstrated in the accounting period to the average weighted quantity of the outstanding ordinary shares during the accounting period amounted to 4 rubles 78 kopecks per share as of December 31<sup>st</sup> 2019.

### 13. Loan and loan servicing accounting

#### 13.1 Payments under loan agreements

Funds are provided to the Company under the loan agreements by Mechel Group enterprises to finance its financial and business operations.

Loans were received from the following Mechel Group enterprises in 2020 with the maturity in 2023 and 2030: BMP AO, Korshunov Mining Plant PAO, Urals Stampings Plant PAO, CMP PAO, HC Yakutugol AO, Tomusinsk Open Pit AO, Trade Port Posiet AO. The above mentioned loans were reflected as long-term liabilities.

The total amount of funds received under loan agreements:

in 2020: 51,505,089 thous. rubles

in 2019: 30,106,000 thous. rubles

Repaid liabilities under loans:

in 2020: 49,618,636 thous. rubles

in 2019: 32,387,931 thous. rubles

Indebtedness under short-term loans:

As of December 31<sup>st</sup> 2020: 9,039,788 thous. rubles

As of December 31<sup>st</sup> 2019: 32,575,765 thous. rubles

Indebtedness under long-term loans:

As of December 31<sup>st</sup> 2020

- 198,171,756 thous. rubles
- 44,957 thous. USD, which is equal to 3,321,193 thous. rubles
- 45,012 thous. euro, which is equal to 4,081,811 thous. rubles

As of December 31<sup>st</sup> 2019

- 146,979,698 thous. rubles
- 36,025 thous. USD, which is equal to 2,230,146 thous. rubles
- 45,012 thous. euro, which is equal to 3,121,170 thous. rubles

Expenses related to the interest accrued under loan agreements:

in 2020

- 17,908,205 thous. rubles
- 1,093 thous. USD, which is equal to 80,189 thous. rubles
- 3,286 thous. euro, which is equal to 275,266 thous. rubles.

in 2019

- 18,850,587 thous. rubles
- 1,171 thous. USD, which is equal to 75,515 thous. rubles
- 3,421 thous. euro, which is equal to 246,476 thous. rubles

Interest repaid under loan agreements:

in 2020

- 5,007,809 thous. rubles
- 1,060 thous. USD, which is equal to 79,677 thous. rubles
- 1,704 thous. euro, which is equal to 142,499 thous. rubles

in 2019

- 5 068 260 thous. rubles
- 1,189 thous. USD, which is equal to 76,680 thous. rubles
- 2,568 thous. euro, which is equal to 186,148 thous. rubles

Interest related indebtedness under loan agreements:

As of December 31<sup>st</sup> 2020

- 71,384,868 thous. rubles
- 315 thous. USD, which is equal to 23,281 thous. rubles
- 2 725 thous. euro, which is equal to 247,145 thous. rubles

As of December 31<sup>st</sup> 2019

- 58,422,823 thous. rubles
- 282 thous. USD, which is equal to 17,462 thous. rubles
- 1,143 thous. euro, which is equal to 79,286 thous. rubles

The average interest rate for the money had and used during the accounting period was 8.23% for loans in rubles and 3.95% for loans in foreign currencies.

**13.2 Payments under credit agreements**

## Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

During the accounting period the Company repaid its indebtedness under the Credit agreement No. 2640 with VTB Bank (PJSC) in full scale. No other borrowed funds were raised from any credit institutions in 2020.

Credit agreement No. 2640 with VTB Bank (PJSC) was concluded on December 27<sup>th</sup> 2010.

The borrowed funds under the Credit agreement No. 2640 with VTB Bank (PJSC) dd. December 27<sup>th</sup> 2010 were provided to the Company to replenish its working capital and to finance its current operations, repay its liabilities towards third parties.

Interest accrued under the credit in the accounting period amounted to 1,429,454 thous. rubles. As of December 31<sup>st</sup> 2020, the indebtedness in respect of the interest was repaid in full scale.

Loan issuance fee in the amount of 22,672 thous. rubles belongs to the expenses under the Credit agreement included into other expenses in 2020.

The average interest rate for the money had and used during the accounting period was 6.56 %.

### 13.3. Bonds issuance

1. Certified interest-bearing non-convertible bonds in bearer form (**series 04**) eligible for collective safe custody and secured (hereinafter referred to as the “Bonds”) were issued by Company in 2009. General bond holders’ meeting (GBHM) was held by Company on July 7<sup>th</sup> 2016 for the holders of the bonds of series 04 at which it was resolved to restructure the bonded loan and the representative of the bonds owners was elected. Amendments were made by Company to the Resolution on Securities Issuance and to the prospectus for Securities Issuance on July 28<sup>th</sup> 2016 based on the resolutions made.

Brief characteristics of the issuance:

- State registration number of the securities issue: 4-04-55005-E
- Quantity of placed securities: 5 000 000 pieces
- Original face value: 1,000 rubles
- Amount of issued securities: 5,000,000,000 rubles
- Type of placement: public offering
- Maturity: day 4 369 from the start date of placement as per the amendments introduced into the Resolution on Securities Issuance. Loan repayment shall be effected in installments during the period from August 11<sup>th</sup> 2016 to July 15<sup>th</sup> 2021.
- The interest rate defined by Company for coupons one, two - twelve is 19% per annum.
- The interest rate defined by Company for coupons thirteen – sixteen is 11.25% per annum.
- The interest rate defined by Company for coupons seventeen – twenty-two is 13% per annum.
- The interest rate defined by Company for coupons twenty-three and twenty-four is 8% per annum.
- The interest rate defined by Company for coupons twenty-five, twenty-six, twenty-seven and twenty-eight is 2% per annum.
- The interest rate defined by Company for coupon twenty-nine is 13% per annum.
- The interest rate defined by Company for coupon thirty is 12.5% per annum.
- The interest rate for coupons thirty-one – forty-eight is defined based on the calculation method approved by Resolution on Securities Issuance.

As of December 31<sup>st</sup> 2020, the Company refers a part of the above mentioned loan in the amount of 516,709 thous. rubles and the interest accrued on it to short-term liabilities. Payment of yield by obligations of the Company is effected in monetary non-cash form in Russian rubles.

	Accounting period	
	2020	2019
Outstanding interest as of the beginning of the accounting period	24,458	40,889
Interest accrued during the accounting period	71,306	154,186
Interest paid during the accounting period	87,083	170,617
Outstanding interest as of the end of the accounting period	8,681	24,458

Payment of yield by obligations of the Company was effected in full scale and in time.



## Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

As of December 31<sup>st</sup> 2020 there are 3,444,724 (three million four hundred forty-four thousand seven hundred twenty-four) outstanding bonds with the face value of 150 rubles.

1,555,276 bonds were bought back by the Company.

2. Certified interest-bearing non-convertible bonds in bearer form (**series 13**) eligible for collective safe custody (hereinafter referred to as the “Bonds”) were issued by Company in 2010. General bond holders’ meeting (GBHM) was held by Company on September 17<sup>th</sup> 2015 for the holders of the bonds of series 13 at which it was resolved to restructure the bonded loan and the representative of the bonds owners was elected. Amendments were made by Company to the Resolution on Securities Issuance and to the prospectus for Securities Issuance on October 20<sup>th</sup> 2015 based on the resolutions made.

Brief characteristics of the issuance:

- State registration number of the securities issue: 4-13-55005-E
- Quantity of placed securities: 5,000,000 pieces
- Face value: 1,000 rubles
- Amount of issued securities: 5,000,000,000 rubles
- Type of placement: public offering
- Maturity: day 3458 from the start date of placement as per the amendments introduced into the Resolution on Securities Issuance. Loan repayment shall be effected in installments during the period from February 28<sup>th</sup> 2017 to February 25<sup>th</sup> 2020.
- The interest rate defined by Company for coupons one, two – ten is 10% per annum.
- The interest rate defined by Company for coupons eleven, twelve, thirteen is 15% per annum.
- The interest rate for coupons fourteen - nineteen is defined based on the calculation method approved by Resolution on Securities Issuance.

The bonded loan received was repaid in full scale by the company on February 25<sup>th</sup> 2020.

Payment of yield by obligations of the Company is effected in monetary non-cash form in Russian rubles.

	Accounting period	
	2020	2019
Outstanding interest as of the beginning of the accounting period	35,597	100,973
Interest accrued during the accounting period	15,801	183,280
Interest paid during the accounting period	51,398	248,656
Outstanding interest as of the end of the accounting period	0	35,597

Payment of yield by obligations of the Company was effected 99.99% and in time. Such incomplete payment of yield by bonds resulted from the accounting of securities on the accounts of unidentified persons or due to the absence of the information on bank details.

Bonds of series 4-13-55005-E were repaid in full scale.

3. Certified interest-bearing non-convertible bonds in bearer form (**series 14**) eligible for collective safe custody (hereinafter referred to as the “Bonds”) were issued by Company in 2010. General bond holders’ meeting (GBHM) was held by Company on September 17<sup>th</sup> 2015 for the holders of the bonds of series 14 at which it was resolved to restructure the bonded loan and the representative of the bonds owners was elected. Amendments were made by Company to the Resolution on Securities Issuance and to the prospectus for Securities Issuance on October 20<sup>th</sup> 2015 based on the resolutions made.

Brief characteristics of the issuance:

- State registration number of the securities issue: 4-14-55005-E
- Quantity of placed securities: 5,000,000 pieces
- Face value: 1,000 rubles
- Amount of issued securities: 5,000,000,000 rubles
- Type of placement: public offering

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

- Maturity: day 3458 from the start date of placement as per the amendments introduced into the Resolution on Securities Issuance. Loan repayment shall be effected in installments during the period from February 28<sup>th</sup> 2017 to February 25<sup>th</sup> 2020.
- The interest rate defined by Company for coupons one, two – ten is 10% rper anum.
- The interest rate defined by Company for coupons eleven, twelve, thirteen is 15% per annum.
- The interest rate for coupons fourteen - nineteen is defined based on the calculation method approved by Resolution on Securities Issuance.

The bonded loan received was repaid in full scale by the company on February 25<sup>th</sup> 2020.

Payment of yield by obligations of the Company is effected in monetary non-cash form in Russian rubles.

	Accounting period	
	2020	2019
Outstanding interest as of the beginning of the accounting period	32,869	93,235
Interest accrued during the accounting period	14,590	169,235
Interest paid during the accounting period	47,459	229,601
Outstanding interest as of the end of the accounting period	0	32,869

Payment of yield by obligations of the Company was effected 99.99% and in time. Such incomplete payment of yield by bonds resulted from the accounting of securities on the accounts of unidentified parsons or due to the absence of the information on bank details.

Bonds of series 4-14-55005-E were repaid in full scale.

4. Certified interest-bearing non-convertible bonds in bearer form (**series 15**) eligible for collective safe custody *with call option based on request of the owners and at Company's discretion* (hereinafter referred to as the “Bonds”) were issued by Company in 2011.

Brief characteristics of the issuance:

- State registration number of the securities issue: 4-15-55005-E
- Quantity of placed securities: 5,000,000 pieces
- Face value: 1,000 rubles
- Amount of issued securities: 5,000,000,000 rubles
- Type of placement: public offering
- Maturity: day 3640 from the start date of the bonds placement
- The interest rate defined by Company for coupons one and two – six is 8.25% per annum.
- The interest rate defined by Company for coupons seven and eight is 13% per annum.
- The interest rate defined by Company for coupons nine – twenty is 8% per annum.

As of December 31<sup>st</sup> 2020, the Company refers the bonded loan received in the amount of 2,098,200 thous. rubles and the interest accrued on it to short-term liabilities. Payment of yield by obligations of the Company is effected in monetary non-cash form in Russian rubles.

	Accounting period	
	2020	2019
Outstanding interest as of the beginning of the accounting period	64,382	63,923
Interest accrued during the accounting period	168,308	167,854
Interest paid during the accounting period	167,394	167,395
Outstanding interest as of the end of the accounting period	65,296	64,382

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Payment of yield by obligations of the Company was effected in full scale and in time.

As of December 31<sup>st</sup> 2020 there are 2,098,200 (two million ninety-eight thousand two hundred) outstanding bonds.

2,901,800 bonds were bought back by the Company.

5. Certified interest-bearing non-convertible bonds in bearer form (**series 16**) eligible for collective safe custody *with call option based on request of the owners and at Company's discretion* (hereinafter referred to as the "Bonds") were issued by Company in 2011.

Brief characteristics of the issuance:

- State registration number of the securities issue: 4-16-55005-E
- Quantity of placed securities: 5,000,000 pieces
- Face value: 1,000 rubles
- Amount of issued securities: 5,000,000,000 rubles
- Type of placement: public offering
- Maturity: day 3640 from the start date of the bonds placement
- The interest rate defined by Company for coupons one and two – six is 8.25% per annum.
- The interest rate defined by Company for coupons seven and eight is 13% per annum.
- The interest rate defined by Company for coupons nine – twenty is 8% per annum.

As of December 31<sup>st</sup> 2020, the Company refers the bonded loan received in the amount of 4,924,879 thous. rubles and the interest accrued on it to short-term liabilities.

Payment of yield by obligations of the Company is effected in monetary non-cash form in Russian rubles.

	Accounting period	
	2020	2019
Outstanding interest as of the beginning of the accounting period	151,118	150,038
Interest accrued during the accounting period	395,051	393,986
Interest paid during the accounting period	392,907	392,906
Outstanding interest as of the end of the accounting period	153,262	151,118

Payment of yield by obligations of the Company was effected in full scale and in time.

As of December 31<sup>st</sup> 2020 there are 4,924,879 (four million nine hundred twenty-four thousand eight hundred seventy-nine) outstanding bonds.

75,121 bonds were bought back by the Company.

6. Certified interest-bearing non-convertible bonds in bearer form (**series 17**) eligible for collective safe custody (hereinafter referred to as the "Bonds") were issued by Company in 2011. General bond holders' meeting (GBHM) was held by Company on June 2<sup>nd</sup> 2016 for the holders of the bonds of series 17 at which it was resolved to restructure the bonded loan and the representative of the bonds owners was elected. Amendments were made by Company to the Resolution on Securities Issuance and to the prospectus for Securities Issuance on June 28<sup>th</sup> 2016 based on the resolutions made.

Brief characteristics of the issuance:

- State registration number of the securities issue: 4-17-55005-E
- Quantity of placed securities: 5,000,000 pieces
- Original face value: 1,000 rubles
- Amount of issued securities: 5,000,000,000 rubles
- Type of placement: public offering
- Maturity: day 3640 from the start date of the bonds placement. As per the amendments introduced into the Resolution on Securities Issuance, loan repayment shall be effected in installments during the period from July 11<sup>th</sup> 2016 to May 27<sup>th</sup> 2021.
- The interest rate defined by Company for coupons one and two – ten is 8.4% per annum.
- The interest rate defined by Company for coupon eleven is 13.5% per annum.

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

- The interest rate defined by Company for coupon twelve is 13% per annum.
- The interest rate for coupons thirteen - twenty is defined based on the calculation method approved by Resolution on Securities Issuance.

As of December 31<sup>st</sup> 2020, the Company refers the bonded loan received in the amount of 500,000 thous. rubles and the interest accrued on it to short-term liabilities. Payment of yield by obligations of the Company is effected in monetary non-cash form in Russian rubles.

	Accounting period	
	2020	2019
Outstanding interest as of the beginning of the accounting period	14,050	23,300
Interest accrued during the accounting period	99,500	213,600
Interest paid during the accounting period	109,350	222,850
Outstanding interest as of the end of the accounting period	4,200	14,050

Payment of yield by obligations of the Company was effected 99.99% and in time. Such incomplete payment of yield by bonds resulted from the accounting of securities on the accounts of unidentified persons or due to the absence of the information on bank details.

As of December 31<sup>st</sup> 2020 there are 5,000,000 (five million) outstanding bonds with the face value of 100 rubles per bond (outstanding debt).

7. Certified interest-bearing non-convertible bonds in bearer form (**series 18**) eligible for collective safe custody (hereinafter referred to as the “Bonds”) were issued by Company in 2011. General bond holders’ meeting (GBHM) was held by Company on June 2<sup>nd</sup> 2016 for the holders of the bonds of series 18 at which it was resolved to restructure the bonded loan and the representative of the bonds owners was elected. Amendments were made by Company to the Resolution on Securities Issuance and to the prospectus for Securities Issuance on June 28<sup>th</sup> 2016 based on the resolutions made.

Brief characteristics of the issuance:

- State registration number of the securities issue: 4-18-55005-E
- Quantity of placed securities: 5,000,000 pieces
- Original face value: 1,000 rubles
- Amount of issued securities: 5,000,000,000 rubles
- Type of placement: public offering
- Maturity: day 3640 from the start date of the bonds placement. As per the amendments introduced into the Resolution on Securities Issuance, loan repayment shall be effected in installments during the period from July 12<sup>th</sup> 2016 to May 27<sup>th</sup> 2021.
- The interest rate defined by Company for coupons one and two – ten is 8.4% per annum.
- The interest rate defined by Company for coupon eleven is 13.5% per annum.
- The interest rate defined by Company for coupon twelve is 13% per annum.
- The interest rate for coupons thirteen - twenty is defined based on the calculation method approved by Resolution on Securities Issuance.

As of December 31<sup>st</sup> 2020, the Company refers the bonded loan received in the amount of 500,000 thous. rubles and the interest accrued on it to short-term liabilities. Payment of yield by obligations of the Company is effected in monetary non-cash form in Russian rubles.

	Accounting period	
	2020	2019
Outstanding interest as of the beginning of the accounting period	14,050	23,300
Interest accrued during the accounting period	99,500	213,600

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Interest paid during the accounting period	109,350	222,850
Outstanding interest as of the end of the accounting period	4,200	14,050

Payment of yield by obligations of the Company was effected 99.99% and in time. Such incomplete payment of yield by bonds resulted from the accounting of securities on the accounts of unidentified persons or due to the absence of the information on bank details.

As of December 31<sup>st</sup> 2020 there are 5,000,000 (five million) outstanding bonds with the face value of 100 rubles per bond.

8. Certified interest-bearing non-convertible bonds in bearer form (**series 19**) eligible for collective safe custody (hereinafter referred to as the “Bonds”) were issued by Company in 2011. General bond holders’ meeting (GBHM) was held by Company on June 2<sup>nd</sup> 2016 for the holders of the bonds of series 19 at which it was resolved to restructure the bonded loan and the representative of the bonds owners was elected. Amendments were made by Company to the Resolution on Securities Issuance and to the prospectus for Securities Issuance on July 21<sup>st</sup> 2016 based on the resolutions made.

Brief characteristics of the issuance:

- State registration number of the securities issue: 4-19-55005-E
- Quantity of placed securities: 5,000,000 pieces
- Original face value: 1,000 rubles
- Amount of issued securities: 5,000,000,000 rubles
- Type of placement: public offering
- Maturity: day 3640 from the start date of the bonds placement. As per the amendments introduced into the Resolution on Securities Issuance, loan repayment shall be effected in installments during the period from August 4<sup>th</sup> 2016 to June 1<sup>st</sup> 2021.
- The interest rate defined by Company for coupons one and two – ten is 8.4% per annum.
- The interest rate defined by Company for coupon eleven is 13.5% per annum.
- The interest rate defined by Company for coupon twelve is 13% per annum.
- The interest rate for coupons thirteen - twenty is defined based on the calculation method approved by Resolution on Securities Issuance.

As of December 31<sup>st</sup> 2020, the Company refers the bonded loan received in the amount of 500,000 thous. rubles and the interest accrued on it to short-term liabilities. Payment of yield by obligations of the Company is effected in monetary non-cash form in Russian rubles.

	Accounting period	
	2020	2019
Outstanding interest as of the beginning of the accounting period	11,950	19,650
Interest accrued during the accounting period	101,000	215,150
Interest paid during the accounting period	109,350	222,850
Outstanding interest as of the end of the accounting period	3,600	11,950

Payment of yield by obligations of the Company was effected 99.99% and in time. Such incomplete payment of yield by bonds resulted from the accounting of securities on the accounts of unidentified persons or due to the absence of the information on bank details.

As of December 31<sup>st</sup> 2020 there are 5,000,000 (five million) outstanding bonds with the face value of 100 rubles per bond.

#### 14. Information by Segments

Information by segments is represented in accordance with Regulation on Book Accounting “Information by Segments” approved by order No. 143n of the RF Ministry of Finance dd. November 8<sup>th</sup> 2010.

The Company has an accountable segment generating more than 55% of its revenues – investments to securities resulting in related yields in form of dividends. More detailed information in respect of the types of income can be found in section “Income” of this Explanatory Notes. Section “Information on Related Parties” contains the information related to the group structure, transaction amounts and balances on outstanding accounts.

**15. Income tax**

**15.1. Income tax accounting as per PBU 18/02 “Income Tax Accounting”**

Income tax accounting is performed as per Regulation on Book Accounting “Income Tax Accounting” (PBU 18/02) approved by order No. 114n of the RF Ministry of Finance dd. November 19<sup>th</sup> 2002.

The table below displays the information on the differences generating the taxable base for corporate income tax in 2020 as per book and tax accounting data:

Ref. No.	Indicator	Amount (thous. rub.)	Adjustment amounts (rp.3x20%)			
			Permanent tax expenses	Permanent tax revenues	Deferred tax assets	Deferred tax liabilities
1	2	3	5	6	7	8
1	<b>Book profit (loss) before tax</b>	-1,253,818	x	x	x	x
1.1	Accrued dividends	7,601,100				
1.2	Book profit (loss) before tax less dividends	-8,854,918				
1.3	Contingent expense (+), contingent income (-), 20%	-1,770,984	x	x	x	x
2	<b>Permanent differences, total</b>	<b>6,822,908</b>	x	x	x	x
	including:	x	x	x	x	x
2.2	Expenses not taken into account for tax purposes, total	-1,414,756	-282,951	x	x	x
	out of them:	x	x	x	x	x
2.2.1	Revaluation of financial investments (decrease in the cost of shares)	-900,135	-180,027	x	x	x
2.2.2	Interest on debt obligations, except for those used for investments to intangible assets	-7,043	-1,409	x	x	x
2.2.3	Other expenses not taken into account for income tax purposes	-507,578	-101,515	x	x	x
2.3	Income taken into account for the purpose of book accounting but not taken into account for tax purposes, total	7,579,576	x	1,515,915	x	x
	out of them:	x	x	x	x	x
2.3.1.	Revaluation of financial investments (increase in the cost of shares)	7,188,822	x	1,437,764	x	X
2.3.2	Financial aid from subsidiaries	285,000	x	57,000	x	X
2.3.3	other income	105,754	x	21,151	x	x
3	<b>Temporary differences, total</b>	<b>-1,183,663</b>	x	x	x	x
	including:	x	x	x	x	x
3.1	deductible temporary difference	2,369,539	x	x	473,907	x
	out of them:	x	x	x	x	x
3.2	taxable temporary difference	3,553,202	x	x	x	-710,640
	<b>TOTAL</b>	<b>-</b>	<b>-282,951</b>	<b>1,515,915</b>	<b>473,907</b>	<b>-710,640</b>
	Income tax as per tax statement	-	x	x	x	x

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

The table below displays the information on the differences generating the taxable base for corporate income tax in the accounting year as per book and tax accounting data by dividends at the rate of 0%:

Ref. No.	Indicator	Amount (thous. rub.)	Adjustment amounts (rp.3 x 0 %)			
			Permanent tax expenses	Permanent tax revenues	Deferred tax assets	Deferred tax liabilities
1	2	3	5	6	7	8
<b>1</b>	<b>Book profit (loss)</b>	<b>7,601,100</b>	x	x	x	x
1a	Contingent expense (+), contingent income (-), rp.3*0%	0	x	x	x	x
<b>2</b>	<b>Permanent differences, total</b>	x	x	x	x	x
	including	x	x	x	x	x
2.2	Expenses not taken into account for tax purposes, total	x	x	x	x	x
	out of them	x	x	x	x	x
2.2.1	Provision for the impairment of investments into securities	x	x	x	x	x
2.2.2	Revaluation of financial investments (decrease in the cost of shares)	x	x	x	x	x
2.2.3	Expenses related to the insurance of the financial liabilities of the management and directors	x	x	x	x	x
2.2.4	Other expenses not taken into account for income tax purposes	x	x	x	x	x
2.3	Income taken into account for the purpose of book accounting but not taken into account for tax purposes, total	x	x	x	x	x
2.3.1.	Revaluation of financial investments (increase in the cost of shares)	x	x	x	x	x
2.3.2.	Other income	x	x	x	x	x
<b>3</b>	<b>Temporary differences, total</b>	<b>1,520,220</b>	x	x	x	x
	including	x	x	x	x	x
3.1	deductible temporary difference	1,520,220	x	x	x	x
	out of them	x	x	x	x	x
		x	x	x	x	x
3.2	taxable temporary difference	x	x	x	x	x
	<b>TOTAL</b>	<b>1,520,220</b>	x	x	x	x
	Income tax as per tax statement	-	x	x	x	x

**Deferred tax assets and liabilities in 2020**

Types of assets and liabilities	Balance as of December 31 <sup>st</sup> 2018		Turnover in 2019		Balance as of December 31 <sup>st</sup> 2019	
	Debit	Credit	Debit	Credit	Debit	Credit
<b>Deferred tax assets – account 09</b>	<b>9,311,102</b>	-	<b>505,687</b>	<b>771,514</b>	<b>9,045,275</b>	-
Intangible assets	39	-	2	11	30	-
Fixed assets	8	-	9	4	13	-
Losses of previous years	9,310,359	-	58,040	771,491	8,596,908	-
Provision for doubtful debts	31	-	433	8	456	-
Financial investments	665	-	447,203	-	447,868	-
<b>Deferred tax liabilities – account 77</b>	-	<b>95,362</b>	<b>77,777</b>	<b>48,684</b>	-	<b>66,269</b>
Intangible assets	-	426	205	362	-	583
Fixed assets	-	62	40	-	-	22
Deferred expenses	-	80,418	77,091	47,848	-	51,175
Provisions for doubtful debts	-	441	441	474	-	474
Financial investments	-	14,015	-	-	-	14,015

Deferred assets and liabilities appeared in 2020 due to the fact that the calculation methods applied by book and tax accounting to calculate the expenses differ from each other, namely:

**The list of various rules applied for the recognition of expenses and revenues in 2020**

Types of expenses in respect of which there are differences in accounting	Book accounting	Tax accounting
Depreciation calculation method	Straight-line method	Straight-line method and calculation of the wear and tear allowance
Deferred expenses	Accumulated coupon yield in BA is charged on a monthly basis to account 97 and written off on the day of ACY payment	In TA ACY is charged and written off on a monthly basis to the financial result
Financial investments	Revaluation of the shares of CMP PAO, Izhstal PAO, Urals Stampings Plant PAO and Southern Urals Nickel Plant PAO quoted in the formal securities market	No revaluation of shares is performed in TA

**16. Information on related parties as of December 31<sup>st</sup> 2020**

The information contained in the list of affiliated persons may be disclosed in accordance with the RF law on securities.

Web-page address: <https://www.mechel.ru/shareholders/disclosure/mechel/>

Parties are considered related, if it is possible for one of them to control another one, if it is under general control or may significantly influence financial and operational decisions made by another party. Not only legal form but also nature of interactions and relations of the parties is considered to identify related parties. The related parties of Mechel PAO are its subsidiaries and dependent companies, key management personnel and other legal entities and physical persons that may influence or take part in the decision making of Mechel PAO due to their participation in its equity and (or) other circumstances.



Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Revenues and other income from related parties in 2020						
	Indebtedness as of December 31 <sup>st</sup> 2019		Cost of rendered services (VAT included), including dividends received	Payment	Indebtedness as of December 31 <sup>st</sup> 2020	
	Accounts receivables	Accounts payables			Accounts receivables	Accounts payables
Mechel Carbon AG	492	-	-	492	-	-
Mechel Trading AG	-	-	4	4	-	-
BFP OOO	4,118	-	115,406	102,180	17,344	-
BMP AO	20,165	-	598,515	514,247	104,433	-
Vzryvprom of Southern Kuzbass AO	156	-	580	620	116	-
Vyartsiliy Metal Products Plant AO	2,049	-	51,703	45,085	8,667	-
Izhstal PAO	17,041	-	446,970	388,265	75,746	-
Kaslinsky Plant of Art Casting OOO	30	-	-	30	-	-
Korshunov Mining Plant PAO	11,129	-	389,483	335,152	65,460	-
Kuzbass Power Sales Plant PAO	739	-	94,450	94,645	544	-
Mechel Business Service OOO	5,155,058	-	4,220,000	58	9,375,000	-
Mechel Infotekh OOO	38	-	-	38	-	-
Mechel Engineering OOO	14,833	-	32,411	24,397	22,847	-
Mechel Coke OOO	24,193	-	649,219	567,544	105,868	-
MC Mechel Mining OOO	7,138	-	7,147	10,727	3,558	-
Mechel Materials OOO	5,718	-	510,813	454,923	61,608	-
Mechel Swervice OOO	41	-	669	575	135	-
MC Mechel Steel OOO	12,797	-	17,417	23,569	6,645	-
Mecheltrans Avto OOO	788	-	18,270	16,122	2,936	-
Mecheltrans OOO	750,899	-	3,288,557	4,029,814	9,642	-
MC Mecheltrans OOO	6	-	2,325	1,610	721	-
Mecheltrans Vostok OOO	910	-	-	910	-	-
MECHEL ENERGO OOO	9,093	-	192,372	163,203	38,262	-
Moscoke AO	4,823	-	270,846	233,729	41,940	-
Port Kambarka AO	18	-	267	281	4	-
Port Mechel Temryuk OOO	1,135	-	16,183	12,119	5,199	-
Pugachyovsky Open Pit OOO	1,044	-	22,741	15,621	8,164	-
Tomusinsk Open Pit OOO	6,761	-	60,536	61,599	5,698	-
Trade Port Posiet AO	1,348	-	77,655	69,093	9,910	-
Urals Stampings Plant PAO	14,968	-	227,148	213,229	28,887	-

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Revenues and other income from related parties in 2020						
	Indebtedness as of December 31 <sup>st</sup> 2019		Cost of rendered services (VAT included), including dividends received	Payment	Indebtedness as of December 31 <sup>st</sup> 2020	
	Accounts receivables	Accounts payables			Accounts receivables	Accounts payables
Finkom Invest OOO	-	-	782	782	-	-
CMP PAO (KPP 997550001)	95,031	-	3,022,717	2,707,404	410,344	-
Southern Kuzbass Power Plant OAO	4,410	-	78,202	41,980	40,632	-
Southern Kuzbass PAO	33,407	-	578,167	529,455	82,119	-
Ekos Plus OOO	-	-	4,800	3,400	1,400	-
Elgaugol OOO	355	-	-	355	-	-
HC Yakutugol AO	10,410	-	392,244	339,690	62,964	-
<b>Total</b>	<b>6,211,139</b>	<b>-</b>	<b>15,388,599</b>	<b>11,002,947</b>	<b>10,596,793</b>	<b>-</b>

Revenues and other income from related parties in 2019						
	Indebtedness as of December 31 <sup>st</sup> 2018		Cost of rendered services (VAT included), including dividends received	Payment	Indebtedness as of December 31 <sup>st</sup> 2019	
	Accounts receivables	Accounts payables			Accounts receivables	Accounts payables
Mechel Carbon AG		-	492		492	
BFP OOO	248,141	-	610,883	854,906	4,118	
BMP AO	21,712	-	260,138	261,685	20,165	
Vzryvprom of Southern Kuzbass AO		-	580	424	156	
Vyartsiliy Metal Products Plant AO	2,329	-	27,658	27,938	2,049	
Izhstal PAO	23,025	-	238,503	244,487	17,041	
Kaslinsky Plant of Art Casting OOO		-	30		30	
Korshunov Mining Plant PAO	14,548	-	188,466	191,885	11,129	
Kuzbass Power Sales Plant PAO	-	23	24,992	24,230	739	-
Mechel Business Service OOO	-	-	5,155,084	26	5,155,058	-
Mechel Infotekh OOO	-	-	70	32	38	-
Mechel Engineering OOO	638	-	17,626	3,431	14,833	-
Mechel Coke OOO	30,233	-	332,689	338,729	24,193	-
MC Mechel Mining OOO	82	-	13,969	6,913	7,138	-
Mechel Materials OOO	4,715	-	1,972,698	1,971,695	5,718	-
Мечел-Ремсервис OOO	-	-	40	40	-	-
Mechel Swervice OOO	16	-	229	204	41	-
MC Mechel Steel OOO	5,263	-	24,575	17,041	12,797	-

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Revenues and other income from related parties in 2019						
	Indebtedness as of December 31 <sup>st</sup> 2018		Cost of rendered services (VAT included), including dividends received	Payment	Indebtedness as of December 31 <sup>st</sup> 2019	
	Accounts receivables	Accounts payables			Accounts receivables	Accounts payables
Mecheltrans Avto OOO	828	-	8,563	8,603	788	-
Mecheltrans OOO	199,248	-	3,626,651	3,075,000	750,899	-
MC Mecheltrans OOO	197	-	745	936	6	-
Mechel Tsentr Private Security Company OOO	-	-	283	283	-	-
Mecheltrans Vostok OOO	1,143	-	16,200	16,433	910	-
MECHEL ENERGO OOO	10,346	-	85,811	87,064	9,093	-
Moscoke AO	10,063	-	109,810	115,050	4,823	-
Port Kambarka AO	14	-	184	180	18	-
Port Mechel Temryuk OOO	912	-	11,587	11,364	1,135	-
Pugachyovsky Open Pit OOO	1,147	-	11,161	11,264	1,044	-
Tomusinsk Open Pit OOO	665	-	31,495	25,399	6,761	-
Trade Port Posiet AO	1,768	-	31,041	31,461	1,348	-
Urals Stampings Plant PAO	16,447	-	189,717	191,196	14,968	-
CMP PAO (KPP 997550001)	106,736	-	1,303,835	1,315,540	95,031	-
Southern Kuzbass Power Plant OAO	4,003	-	41,112	40,705	4,410	-
Southern Kuzbass PAO	29,088	-	408,854	404,535	33,407	-
Ekos Plus OOO	-	-	10,900	10,900	-	-
Elgaugol OOO	349	-	1,419	1,413	355	-
HC Yakutugol AO	38,574	-	283,787	311,951	10,410	-
<b>Total</b>	<b>772,228</b>	<b>23</b>	<b>15,041,877</b>	<b>9,602,943</b>	<b>6,211,139</b>	<b>-</b>

Purchasing from related parties in 2020

Name	As of December 31 <sup>st</sup> 2019	Flow in 2020			As of December 31 <sup>st</sup> 2020
	Accounts payables	Purchases (VAT included)	Repaid	Exchange rate difference	Accounts payables
Mechel Tsentr Private Security Company OOO	4,529	42,384	45,532	-	1,381
CMP PAO	94	1,867	1,862	-	99
Mechel Carbon AG	134	1,891	1,874	12	163
BMP AO	6	14	20	-	-
Mechel Business Service OOO	2,864	34,576	34,572	-	2,868

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Name	As of December 31 <sup>st</sup> 2019	Flow in 2020			As of December 31 <sup>st</sup> 2020
	Accounts payables	Purchases (VAT included)	Repaid	Exchange rate difference	Accounts payables
Mechel Engineering	-	-	-	-	-
Mechel Infotekh OOO	1,595	19,415	19,857	-	1,153
Finkom Invest OOO	10,517	104,879	106,663	-	8,733
<b>Total</b>	<b>19,739</b>	<b>205,026</b>	<b>210,380</b>	<b>12</b>	<b>14,397</b>

**Purchasing from related parties in 2019**

Name	As of December 31 <sup>st</sup> 2018	Flow in 2019			As of December 31 <sup>st</sup> 2019
	Accounts payables	Purchases (VAT included)	Repaid	Exchange rate difference	Accounts payables
Mechel Tsentr Private Security Company OOO	4,053	41,753	41,277	-	4,529
CMP PAO	131	2,130	2,167	-	94
Mechel Carbon AG	6,287	1,688	21,170	13,329	134
Oriel Resources Ltd	-	50	50	-	-
BMP AO	-	33	27	-	6
Mechel Business Service OOO	2,740	34,688	34,564	-	2,864
Mechel Engineering	-	83	83	-	-
Mechel Infotekh OOO	1,054	14,184	13,643	-	1,595
Finkom Invest OOO	10,355	105,827	105,665	-	10,517
Romantika SP OOO	-	311	311	-	-
Mechel Trading AG	6,135	-	6,135	-	-
<b>Total</b>	<b>30,755</b>	<b>200,747</b>	<b>225,092</b>	<b>13,329</b>	<b>19,739</b>

**Contributions into the property and authorized capital of related parties in 2020**

Name	As of December 31 <sup>st</sup> 2019	Flow in 2020		As of December 31 <sup>st</sup> 2020
	Accounts payable	Appeared	Repaid	Accounts payable
Mechel Steel OOO	427	-	0	427
Trading House Mechel OOO	1,082	-	896	187
<b>TOTAL</b>	<b>1,509</b>	<b>-</b>	<b>896</b>	<b>614</b>

**Contributions into the property and authorized capital of related parties in 2019**

Name	As of December 31 <sup>st</sup> 2018	Flow in 2019г.		As of December 31 <sup>st</sup> 2019
	Accounts payable	Appeared	Repaid	Accounts payable
Mechel Steel OOO	474	-	47	427
Trading House Mechel OOO	2,255	-	1,173	1,082

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

<b>TOTAL</b>	<b>2,729</b>	<b>-</b>	<b>1,220</b>	<b>1,509</b>
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**Funds received from related parties under loan agreements in 2020**

Name	As of December 31 <sup>st</sup> 2019	Repaid	Received	Exchange rate difference	As of December 31 <sup>st</sup> 2020
BMP AO	12,300	-	1,000,000	-	1,012,300
Southern Urals Nickel Plant PAO	3,359,852	217,309	-	-	3,142,543
Korshunov Mining Plant PAO	12,059,661	-	6,309,500	-	18,369,161
Tomusinsk Open Pit	-	-	750,000	-	750,000
Tomusinskoye Energoupravleniye OOO	44,300	-	-	-	44,300
Trade Port Posiet OOO	154,234	70,185	330,000	-	414,049
Urals Stampings Plant PAO	16,504,354	120,000	3,742,500	-	20,126,854
Chelyabinsk Branch of Urals Stampings Plant PAO	244,600	-	-	-	244,600
CMP PAO	69,797,710	5,375,591	37,784,089	960,641	103,166,849
Southern Kuzbass PAO	34,816,205	8,019,200	-	-	26,797,005
Mechel Carbon AG	2,230,146	159,475	-	439,248	2,509,919
Mechel Trading AG	932,414	83,800	-	-37,340	811,274
HC Yakutugol AO	30,251,434	3,736,756	1,589,000	-	28,103,678
Finkom Invest OOO	100,942	18,714	-	-	82,228
<b>Total</b>	<b>170,508,152</b>	<b>17,801,030</b>	<b>51,505,089</b>	<b>1,362,549</b>	<b>205,574,760</b>

**Funds received from related parties under loan agreements in 2019**

Name	As of December 31 <sup>st</sup> 2018	Repaid	Received	Exchange rate difference	As of December 31 <sup>st</sup> 2019
BMP AO	2,764,200	2,985,700	233,800	-	12,300
Southern Urals Nickel Plant PAO	3,466,969	107,117	-	-	3,359,852
Korshunov Mining Plant PAO	9,999,661	-	2,060,000	-	12,059,661
Mechel Service OOO	-	246,600	246,600	-	-
Mecheltrans OOO	-	500,000	500,000	-	-
Tomusinskoye Energoupravleniye OOO	-	-	44,300	-	44,300
Trade Port Posiet OOO	-	14,766	169,000	-	154,234
Urals Stampings Plant PAO	14,818,454	5,233,000	6,918,900	-	16,504,354
Chelyabinsk Branch of Urals Stampings Plant PAO	244,600	-	-	-	244,600
CMP PAO	62,406,383	6,060,700	13,847,000	-394,973	69,797,710
Southern Kuzbass PAO	33,523,105	559,200	1,852,300	-	34,816,205
Mechel Carbon AG	2,752,615	230,273	-	-292,196	2,230,146

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Name	As of December 31 <sup>st</sup> 2018	Repaid	Received	Exchange rate difference	As of December 31 <sup>st</sup> 2019
Mechel Trading AG	1,060,814	128,400			932,414
HC Yakutugol AO	35,946,890	9,929,556	4,234,100		30,251,434
Finkom Invest OOO	112,572	11,630			100,942
<b>Total</b>	<b>167,096,263</b>	<b>26,006,942</b>	<b>30,106,000</b>	<b>- 687,169</b>	<b>170,508,152</b>

**Interest accrued under the loans received in 2020**

Name	As of December 31 <sup>st</sup> 2019	Repaid	Received	Exchange rate difference	As of December 31 <sup>st</sup> 2020
Beloretsk Metallurgical Plant AO	342,746	-	18,887	-	361,633
Southern Urals Nickel Plant PAO	1,193,554	-	164,612	-	1,358,166
Korshunov Mining Plant PAO	4,531,874	-	762,199	-	5,294,073
Tomusinsk Open Pit	-	-	30,937	-	30,937
Tomusinskoye Energoupravleniye OOO	1,950	-	2,186	-	4,136
Trade Port Posiet OOO	13,145	-	17,674	-	30,819
Urals Stampings Plant PAO	4,045,588	147,727	1,717,630		5,615,491
Chelyabinsk Branch of Urals Stampings Plant PAO	125,212	-	22,142	-	147,354
CMP PAO	18,453,552	2,270,779	7,307,394	35,092	23,525,259
Southern Kuzbass PAO	17,447,076	-	3,136,486	-	20,583,562
Mechel Carbon AG	17,462	79,677	71,609	5,527	14,921
Mechel Trading AG	29,412	57,201	73,239	-221	45,229
HC Yakutugol AO	11,944,331	-	2,430,488	-	14,374,819
Finkom Invest OOO	25,195	-	4,460	-	29,655
<b>Total</b>	<b>58,171,097</b>	<b>2,555,384</b>	<b>15,759,943</b>	<b>40,398</b>	<b>71,416,054</b>

**Interest accrued under the loans received in 2019**

Name	As of December 31 <sup>st</sup> 2018	Repaid	Received	Exchange rate difference	As of December 31 <sup>st</sup> 2019
Beloretsk Metallurgical Plant AO	248,097	164,800	259,449	-	342,746
Southern Urals Nickel Plant PAO	902,834	-	290,720	-	1,193,554
Korshunov Mining Plant PAO	3,609,246	-	922,628	-	4,531,874
Mechel Service OOO	0	1,030	1,030	-	-
Mecheltrans OOO	-	1,167	1,167	-	-
Tomusinskoye Energoupravleniye OOO	-	-	1,950	-	1,950

Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Name	As of December 31 <sup>st</sup> 2018	Repaid	Received	Exchange rate difference	As of December 31 <sup>st</sup> 2019
Trade Port Posiet OOO	-	-	13,145	-	13,145
Urals Stampings Plant PAO	2,714,102	301,539	1,633,025		4,045,588
Chelyabinsk Branch of Urals Stampings Plant PAO	95,616	-	29,596	-	125,212
CMP PAO	13,340,129	1,660,624	6,838,722	-64,675	18,453,552
Southern Kuzbass PAO	13,605,877	-	3,841,199	-	17,447,076
Mechel Carbon AG	20,814	76,680	75,515	-2,187	17,462
Mechel Trading AG	34,329	136,611	131,694	-	29,412
HC Yakutugol AO	8,530,558	-	3,413,773	-	11,944,331
Finkom Invest OOO	17,119	-	8,076	-	25,195
<b>Total</b>	<b>43,118,721</b>	<b>2,342,451</b>	<b>17,461,689</b>	<b>-66,862</b>	<b>58,171,097</b>

Funds provided to related parties under loan agreements in 2020

Name	As of December 31 <sup>st</sup> 2019	Provided	Repaid/ settled	Exchange rate difference	As of December 31 <sup>st</sup> 2020
Mechel Service Global B.V.	420,967	-	-	129,566	550,533
SKYBLOCK LIMITED	6,120,062	-	195,079	1,194,119	7,119,102
<b>TOTAL:</b>	<b>6,541,029</b>	<b>-</b>	<b>195,079</b>	<b>1,323,685</b>	<b>7,669,635</b>

Funds provided to related parties under loan agreements in 2019

Name	As of December 31 <sup>st</sup> 2018	Provided	Repaid/ settled	Exchange rate difference	As of December 31 <sup>st</sup> 2019
Mechel Service Global B.V.	1,152,177	-	626,219	-104,991	420,967
SKYBLOCK LIMITED	7,743,614	-	822,083	-801,469	6,120,062
<b>TOTAL:</b>	<b>8,895,791</b>	<b>-</b>	<b>1,448,302</b>	<b>-906,460</b>	<b>6,541,029</b>

Interest accrued under the loans provided in 2020

Name	As of December 31 <sup>st</sup> 2019	Accrued	Repaid/ settled	Exchange rate difference	As of December 31 <sup>st</sup> 2020
Mechel Service Global B.V.	157,828	18,738	-	50,103	226,669
SKYBLOCK LIMITED	1,408,936	333,168		276,116	2,018,220
<b>TOTAL:</b>	<b>1,566,764</b>	<b>351,906</b>	<b>-</b>	<b>326,219</b>	<b>2,244,889</b>

**Interest accrued under the loans provided in 2019**

Name	As of December 31 <sup>st</sup> 2018	Accrued	Repaid/ settled	Exchange rate difference	As of December 31 <sup>st</sup> 2019
Mechel Service Global B.V.	154,032	24,468		-20,672	157,828
SKYBLOCK LIMITED	1,281,648	364,311	91,732	-145,291	1,408,936
<b>TOTAL:</b>	<b>1,435,680</b>	<b>388,799</b>	<b>91,732</b>	<b>165,963</b>	<b>1,566,764</b>

Remuneration in the total amount of 233,572 thous. rubles was paid by Company in 2020 to the members of the Board of Directors of the Company in accordance with the Regulations “On remuneration to the members of the Board of Directors of Mechel Public Joint Stock Company and compensation of their expenses related to the performance of their functions of the members of the Board of Directors”.

Remuneration to the key management personnel in 2020 amounted to 110,627 thous. rubles.

Suretyships in the amount of 326,073,277 thous. rubles were provided by Company as of December 31<sup>st</sup> 2020, **including the suretyships provided exceeding 5% in aggregate:**

Debtor's name	Name of Suretyship agreement	Validity period of the Suretyship agreement	Name of the Debtor's agreement	Validity period of the Debtor's agreement	Current indebtedness as of December 31 <sup>st</sup> 2020 (thous. rubles)
Chelyabinsk Metallurgical Plant PAO	Suretyship agreement No. w/o number dd. July 12 <sup>th</sup> 2018	March 6 <sup>th</sup> 2033	w/o number dd. July 12 <sup>th</sup> 2018	March 6 <sup>th</sup> 2027	81,611,300
Chelyabinsk Metallurgical Plant PAO	Suretyship agreement No. w/o number dd. July 12 <sup>th</sup> 2018	March 6 <sup>th</sup> 2033	w/o number dd. July 12 <sup>th</sup> 2018	March 6 <sup>th</sup> 2027	59,596,125
HC Yakutugol AO	Suretyship agreement No. 84-85/13-B-II-2 dd. June 18 <sup>th</sup> 2013	March 31 <sup>st</sup> 2033	85/13-B dd. April 26 <sup>th</sup> 2013	March 20 <sup>th</sup> 2027	24,354,911
Coal Company Southern Kuzbass PAO	Suretyship agreement No. 84-85/13-B-II-2 dd. June 18 <sup>th</sup> 2013	March 31 <sup>st</sup> 2033	85/13-B dd. April 26 <sup>th</sup> 2013	April 20 <sup>th</sup> 2022	30,916,390

The suretyships provided by the Company exceed the currency of the balance sheet. The Company believes that failure by third parties to fulfill their debt repayment obligations is unlikely and therefore qualifies the sureties provided as contingent liabilities.

**17. Estimated liabilities**

An estimated vacation pay liability is created by Company as per its Accounting policies.

The estimated vacation pay liability as of December 31<sup>st</sup> 2019 amounted to 67,986 thous. rubles, with the consideration of unused vacations for previous periods the estimated vacation pay liability as of December 31<sup>st</sup> 2020 amounted 99,146 thous. rubles. The above mentioned amounts include the insurance contributions accrued.



Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

Indicator	Balance as of December 31 <sup>st</sup> 2019 (thous. rubles)	Recognized (thous. rubles)	Repaid (thous. rubles)	Written off as surplus (thous. rubles)	Balance as of December 31 <sup>st</sup> 2019 (thous. rubles)
<b>Estimated liabilities, total</b>	<b>67,986</b>	<b>104,503</b>	<b>73,343</b>		<b>99,146</b>
including:					
Vacation pay liabilities	67,986	104,503	73,343		99,146
Other liabilities	-	-	-	-	-

### 18. Discontinued operations

There is no information related to discontinued operations. The Company will continue to perform the types of operations provided for by Articles of Association of the Company.

### 19. Events after the accounting date

No resolutions on the reorganization of the Company were passed after the accounting date.

No resolutions on the issue of shares and other securities were passed.

Major transactions related to the acquisition and (or) disposal of fixed assets and financial investments and other non-current assets were performed.

Liabilities under bonded loans of series 4-15-55005-E and 4-16-55005-E were fulfilled by Company in full scale on February 9<sup>th</sup> 2021 in the amount of RUB 2,098,200,000 and RUB 4,924,879,000, respectively. Intragroup loans were used to finance the above mentioned payments:

Contractor	Agreement No. and date	Loan amount (rubles)	Maturity date
CMP PAO	100-21-0000-00100049/007/M-21 dd. January 28 <sup>th</sup> 2021	4,000,000,000.00	September 1 <sup>st</sup> 2031
CMP PAO	100-21-0000-00100052/008/M-21 dd. January 27 <sup>th</sup> 2021	5,000,000,000.00	September 5 <sup>th</sup> 2031

Intragroup loans in the amount of 1,284,176 thous. rubles were also used by Company to finance its current assets both under effective and under newly signed agreements:

Contractor	Agreement No. and date	Loan amount (rubles)	Maturity date
HC Yakutugol AO	055/M-20/420/M-20 dd. November 3 <sup>rd</sup> 2020	653,000,000.00	16.07.2030
Urals Stampings Plant PAO	184/003/M-21 dd. February 2 <sup>nd</sup> 2021	26,100,000.00	30.09.2031
BMP AO	43548Д-029/M-21 dd. February 8 <sup>th</sup> 2021	605,076,000.00	18.09.2031

The Company is a party to several court litigations that have been in progress as of the date of signing these statements. Since disclosure of the information in respect of such contingent liabilities in the scope provided for by PBU 8/2010 "Estimated liabilities, contingent liabilities and contingent assets" may bring harm to the Company in the process of mitigating the consequences of the underlying liabilities, the Company does not disclose this information as per clause 28 of PBU 8/2010.

### 20. Business risks

#### 20.1 Industry related risks

Possible deterioration in the industry specific for the Company operations may adversely affect the operations of the Company and fulfillment by the Company of its liabilities under securities: Russian securities market is completely dependent on the global economic environment.

In the event of any negative circumstances, the Company is going to analyze the risks and make respective decisions in each particular case.

Risks related to possible changes in the prices for raw materials and services used by Company for its operations (separately in the domestic and external markets) and their effect upon the Company operations and performance of its liabilities under securities:

The Company does not purchase raw materials and services to be used for its operations, so the risks related to possible changes in the prices for raw materials and services do not have any impact upon the Company and its operations and upon performance of its liabilities under securities.

## **20.2 Financial risks**

The Company is exposed to financial risks related to a growth in the interest rates under its financial liabilities as well as to the currency exchange rate risks related to ruble exchange rate fluctuations. The debt portfolio of the Company consists of the bonded loans nominated in RF rubles as well as of the loans nominated in rubles and in foreign currencies. The credit agreement with VTB Bank (PJSC) was early repaid by Company on October 2<sup>nd</sup> 2020. The interest rates by servicing of the public debt of the Company depend on the Key rate of the Bank of Russia. The Key rate was decreased by the Bank of Russia in 2020 6.25% to 4.25%, which resulted in the reduction of the interest related expenses by servicing the Company's liabilities in 2020.

The general growth in the market interest rates (including that resulting from a growth in the Key rate of the Bank of Russia) may result in the risk of the Company debt servicing getting more expensive for the financial liabilities with a floating interest rate (the ruble bonds of the Company with a fixed rate are not exposed to such risk). Growing expenses related to the servicing of credits may adversely affect the Company's solvency and liquidity.

MosPrime Rate fluctuations do not influence the amounts of the Company payments under its financial liabilities.

The Company may face the currency risk related to a growth in foreign currencies to ruble exchange rates because it has liabilities under loans in foreign currencies. Foreign currencies to ruble exchange rates fluctuations may influence the balance sheet item of the Company as well.

The Company faces inflation risks that may adversely affect its operational results. If prices start growing faster, it may result in growing ruble expenses, including payment of wages and salaries, lease payments and payments for electric power because such payments are sensitive to the general prices grows in Russia, and therefore it may become a reason for a decrease in the profitability indicators, thus influencing adversely the financial results of the Company operations. At that, the recent decisions of the Bank of Russia are aimed at mitigating such risk and controlling the inflation level.

The outbreak of the novel coronavirus (COVID-19) that developed into a global pandemic at the beginning of 2020 and resulted in the quarantine and social distance measures being introduced in many countries and in business disturbance is a significant risk producing an adverse effect upon the general economic conditions in the country, financial markets and business activities of the companies. The above mentioned events together with other factors resulted in a high volatility of the financial markets and economy-wide uncertainty.

The Company management performed the analysis of the current economic situation, potential volatility of revenues and expenses, industrial economic factors, interest rates and future business strategy of the Company as of the accounting date for the purpose of estimation of the potential influence of the pandemic upon the Company's operations. The Company will continue to perform its current obligations and liabilities and the management does not expect any significant difficulties in respect of the renewal or restructuring of the credit lines, violation of any restrictive conditions (covenants) under the credits, sufficiency of cash flows to ensure the Company's solvency, both during the period of COVID-19 restrictive measures and upon its termination.

All the above listed financial risks may have the most influence upon the revenues from sales, expenses as well as upon the financial items of the balance sheet, namely upon the indebtedness under loans and the funds on the accounts of the Company. Should any or several of the above mentioned risks occur, the Company will take all necessary measures to mitigate the adverse consequences of such risks. The measures will be defined individually for on each particular case depending on the circumstances. It cannot be guaranteed by the Company that the measures aimed at the mitigation of the adverse consequences will be able to improve the situation completely because the above described factors are beyond the Company's control.

## **20.3 Influence of the pandemic upon the Company's operations**

When estimating the Company's ability to remain going concern, the management takes into consideration the actual and potential influence of the pandemic upon the Company's operations within the estimation of the reasonableness of applying the going concern assumption. A wide range of factors related to the current adversity was analyzed by the management, including the expected impact upon the profit and liquidity for the possibility of applying the going concern assumption. When estimating the Company's ability to remain going concern, the management took into consideration all the available information in respect of the future received after the accounting period, including the information on the measures taken by state bodies and by banks for the purpose of providing aid and support to the companies that suffered from COVID-19.

The management performed assessment of the actual and potential influence of the pandemic upon the Company's ability to remain going concern based on the experience acquired during the first and the second waves of the pandemic, namely the following:

## Explanatory Notes to Profit and Loss Statement of Mechel PAO for 2020

- The Company will be able to continue its operations even if its employees will not be able to be physically present at their work places; home office regime is arranged for all employees;
- The company does not display any decrease in the revenues in 2020 vs. 2019, dividend reduction is fully compensated for by growing revenues from licensing agreements in respect of the trade marks; the revenues growth will continue in 2021 because agreements with licensees after the royalty rates increase came into force only in HY 2 of 2020;
- Revision of the terms and conditions of the licensing agreements in respect of the trade marks, royalty rate increase from 1% to 4% will have a positive effect upon the company's cash flows;
- Debt covenants are unlikely to be violated as a result of any adverse effect upon the financial indicators because the Company does not have any debt obligations under credit agreements with credit institutions;
- It is planned to repay the liabilities under the bonded loans issued by Mechel PAO in accordance with the effective payment schedules;
- We do not expect any significant disruptions in the chain of supplies, the operational expenses increase as compared to 2020 is expected not to exceed the inflation level in the country;
- The Company does not have any insurance policies that would cover the losses resulting from the pandemic; at the same time we insure the directors' and officers' liability for the misconduct resulting in losses, standard coverage is provided under such insurance agreements, and such agreements do not have any special clauses in respect of COVID-19;
- We do not expect any impact of the state support measures upon the future cash flows of the company.

Chief Executive Officer

Korzhov O.V.

Head of the Department for the  
Provision of Financial and HR Services

Volkova A.A.

Mechel Business Service OOO

*Power of Attorney No. 005M-20 dd.  
February 14<sup>th</sup> 2020*

February 26<sup>th</sup> 2021