

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT (LOSS)
AND OTHER COMPREHENSIVE INCOME for the three months ended March 31, 2019**

(All amounts are in millions of Russian rubles)

	Three months ended March 31, 2019 (unaudited)	Three months ended March 31, 2018 (unaudited)
Revenue from contracts with customers	74,856	74,852
Cost of sales	(45,248)	(41,556)
Gross profit	29,608	33,296
Selling and distribution expenses	(13,574)	(14,451)
Loss on write-off of non-current assets	(77)	(132)
Allowance for expected credit losses on financial assets	(120)	(344)
Taxes other than income taxes	(1,137)	(1,267)
Administrative and other operating expenses	(4,096)	(3,959)
Other operating income	233	240
Total selling, distribution and operating income and (expenses), net	(18,771)	(19,913)
Operating profit	10,837	13,383
Finance income	232	93
Finance costs including fines and penalties on overdue loans and borrowings and leases payments	(10,085)	(10,463)
Foreign exchange gain (loss), net	11,979	508
Share of profit (loss) of associates, net	7	18
Other income	55	31
Other expenses	(180)	(29)
Total other income and (expense), net	2,008	(9,842)
Profit before tax	12,845	3,541
Income tax expense	(1,131)	(10)
Profit for the period	11,714	3,531
Attributable to:		
Equity shareholders of Mechel PAO	11,336	3,293
Non-controlling interests	378	238
Other comprehensive income		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of income tax:</i>	(387)	(443)
Exchange differences on translation of foreign operations	(387)	(443)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of income tax:</i>	14	3
Re-measurement of defined benefit plans	14	3
Other comprehensive loss for the period, net of tax	(373)	(440)
Total comprehensive income for the period, net of tax	11,341	3,091
Attributable to:		
Equity shareholders of Mechel PAO	10,963	2,852
Non-controlling interests	378	239

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION as of March 31, 2019**
(All amounts are in millions of Russian rubles)

	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	191,345	189,879
Mineral licenses	31,882	32,068
Goodwill and other intangible assets	16,942	16,883
Investments in associates	307	293
Deferred tax assets	6,582	5,488
Other non-current assets	654	630
Non-current financial assets	179	244
Total non-current assets	247,891	245,485
Current assets		
Inventories	43,603	43,423
Income tax receivables	64	121
Trade and other receivables	20,146	17,612
Other current assets	7,501	8,673
Other current financial assets	257	508
Cash and cash equivalents	2,745	1,803
Total current assets	74,316	72,140
Total assets	322,207	317,625
Equity and liabilities		
Equity		
Common shares	4,163	4,163
Preferred shares	833	833
Additional paid-in capital	24,378	24,378
Accumulated other comprehensive income	1,398	1,771
Accumulated deficit	(263,696)	(274,186)
Equity attributable to equity shareholders of Mechel PAO	(232,924)	(243,041)
Non-controlling interests	10,110	9,846
Total equity	(222,814)	(233,195)
Non-current liabilities		
Loans and borrowings	11,510	6,538
Lease liabilities	6,031	2,413
Other non-current financial liabilities	45,432	44,510
Other non-current liabilities	116	120
Pension obligations	3,723	3,819
Provisions	3,875	3,719
Deferred tax liabilities	13,597	13,506
Total non-current liabilities	84,284	74,625
Current liabilities		
Loans and borrowings, including interest payable, fines and penalties on overdue amounts of RUB 10,198 million and RUB 9,877 million as of March 31, 2019 and December 31, 2018, respectively	392,478	412,294
Trade and other payables	36,267	34,800
Lease liabilities	6,025	5,880
Income tax payable	7,742	6,425
Taxes and similar charges payable other than income tax	7,242	6,106
Advances received	5,194	5,028
Other current liabilities	64	68
Pension obligations	793	772
Provisions	4,932	4,822
Total current liabilities	460,737	476,195
Total liabilities	545,021	550,820
Total equity and liabilities	322,207	317,625

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the three months ended March 31, 2019

(All amounts are in millions of Russian rubles)

	Three months ended March 31, 2019 (unaudited)	Three months ended March 31, 2018 (unaudited)
Cash flows from operating activities		
Profit for the period	11,714	3,531
<i>Adjustments to reconcile profit to net cash provided by operating activities</i>		
Depreciation of property, plant and equipment	3,301	3,086
Amortisation of mineral licenses and other intangible assets	357	391
Foreign exchange (gain) loss, net	(11,979)	(508)
Deferred income tax benefit	(822)	(1,761)
Allowance for expected credit losses on financial assets	120	344
Write-off of trade and other receivables	-	56
Write-off of inventories to net realisable value	291	680
Loss on write-off of non-current assets	77	132
Result from disposal of non-current assets	(67)	29
Gain on restructuring and forgiveness of trade and other payables and write-off of trade and other payables with expired legal term	(55)	(31)
Effect of pension obligations	48	36
Finance income	(232)	(93)
Finance costs including fines and penalties on overdue loans and borrowings and leases payments	10,085	10,463
Provisions for legal claims, taxes and other provisions	1,485	931
Other	75	(68)
<i>Changes in working capital items</i>		
Trade and other receivables	(3,323)	(2,834)
Inventories	(1,850)	(3,120)
Trade and other payables	2,300	2,739
Advances received	224	1,572
Taxes payable and other liabilities	1,935	2,521
Other current assets	851	(122)
Income tax paid	(522)	(1,304)
Net cash provided by operating activities	14,013	16,670
Cash flows from investing activities		
Interest received	49	37
Proceeds from loans issued and other investments	272	5
Proceeds from disposals of property, plant and equipment	145	42
Purchases of property, plant and equipment	(1,082)	(1,013)
Purchases of intangible assets	-	(75)
Interest paid, capitalised	(30)	(132)
Net cash used in investing activities	(646)	(1,136)
Cash flows from financing activities		
Proceeds from loans and borrowings, including proceeds from factoring arrangement of RUB 132 million and RUB 5,303 million for the three months ended March 31, 2019 and 2018, respectively	840	6,539
Repayment of loans and borrowings, including payments from factoring arrangement of RUB 1,694 million and nil for the three months ended March 31, 2019 and 2018, respectively	(4,304)	(12,456)
Dividends paid to non-controlling interests	(6)	(1)
Interest paid, including fines and penalties	(7,632)	(8,515)
Repayment of lease obligations	(515)	(680)
Deferred payments for acquisition of assets	(39)	(187)
Deferred consideration paid for the acquisition of subsidiaries in prior periods	(361)	(1,058)
Net cash used in financing activities	(12,017)	(16,358)
Foreign exchange (gain) loss on cash and cash equivalents, net	(364)	40
Changes in allowance for expected credit losses on cash and cash equivalents	5	-

Net increase (decrease) in cash and cash equivalents	991	(784)
Cash and cash equivalents at beginning of period	1,803	2,452
Cash and cash equivalents, net of overdrafts at beginning of period	380	1,223
Cash and cash equivalents at end of period	2,745	1,277
Cash and cash equivalents, net of overdrafts at end of period	1,371	439

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