

PAO MECHEL

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT (LOSS)
AND OTHER COMPREHENSIVE INCOME for the three months ended March 31, 2020**

(All amounts are in millions of Russian rubles)

	Three months ended March 31, 2020 (unaudited)	Three months ended March 31, 2019 (unaudited)
Revenue from contracts with customers	68,332	74,856
Cost of sales	(41,758)	(45,248)
Gross profit	26,574	29,608
Selling and distribution expenses	(13,099)	(13,574)
Impairment of goodwill and other non-current assets, net	(85)	-
Allowance for expected credit losses on financial assets	(375)	(120)
Taxes other than income taxes	(1,477)	(1,137)
Administrative and other operating expenses	(4,731)	(4,173)
Other operating income	209	233
Total selling, distribution and operating income and (expenses), net	(19,558)	(18,771)
Operating profit	7,016	10,837
Finance income	353	232
Finance costs including fines and penalties on overdue loans and borrowings and lease payments	(8,949)	(10,085)
Foreign exchange (loss) gain, net	(34,884)	11,979
Share of profit of associates, net	-	7
Other income	169	55
Other expenses	(64)	(180)
Total other income and (expense), net	(43,375)	2,008
(Loss) profit before tax	(36,359)	12,845
Income tax expense	(713)	(1,131)
(Loss) profit for the period	(37,072)	11,714
Attributable to:		
Equity shareholders of Mechel PAO	(36,878)	11,336
Non-controlling interests	(194)	378
Other comprehensive income		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods, net of income tax:</i>	2,576	(387)
Exchange differences on translation of foreign operations	2,576	(387)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of income tax:</i>	94	14
Re-measurement of defined benefit plans	94	14
Other comprehensive income (loss) for the period, net of tax	2,670	(373)
Total comprehensive (loss) income for the period, net of tax	(34,402)	11,341
Attributable to:		
Equity shareholders of Mechel PAO	(34,211)	10,963
Non-controlling interests	(191)	378

**INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION as of March 31, 2020**

(All amounts are in millions of Russian rubles)

	March 31, 2020 (unaudited)	December 31, 2019
Assets		
Non-current assets		
Property, plant and equipment	178,819	179,264
Right-of-use assets	15,796	17,728
Mineral licenses	30,847	31,075
Goodwill and other intangible assets	13,762	13,652
Investments in associates	323	321
Deferred tax assets	3,476	3,648
Other non-current assets	561	553
Non-current financial assets	192	232
Total non-current assets	243,776	246,473
Current assets		
Inventories	42,714	39,773
Income tax receivables	64	65
Trade and other receivables	22,168	15,340
Other current assets	7,538	6,982
Other current financial assets	412	363
Cash and cash equivalents	6,816	3,509
Total current assets	79,712	66,032
Total assets	323,488	312,505
Equity and liabilities		
Equity		
Common shares	4,163	4,163
Preferred shares	840	840
Treasury shares	(63)	(63)
Additional paid-in capital	24,434	24,434
Accumulated other comprehensive income (loss)	1,819	(848)
Accumulated deficit	(310,632)	(273,754)
Equity attributable to equity shareholders of Mechel PAO	(279,439)	(245,228)
Non-controlling interests	11,441	11,631
Total equity	(267,998)	(233,597)
Non-current liabilities		
Loans and borrowings	6,094	7,205
Lease liabilities	5,938	7,002
Other non-current financial liabilities	51,173	48,303
Other non-current liabilities	272	105
Pension obligations	5,076	4,933
Provisions	4,832	5,238
Deferred tax liabilities	13,799	13,877
Total non-current liabilities	87,184	86,663

Current liabilities

Loans and borrowings, including interest payable, fines and penalties on overdue amounts of RUB 14,069 million and RUB 11,111 million as of March 31, 2020 and December 31, 2019, respectively

	412,343	381,317
Trade and other payables	42,156	38,244
Lease liabilities	10,143	10,353
Income tax payable	9,947	9,161
Taxes and similar charges payable other than income tax	12,442	9,228
Advances received and other current liabilities	11,058	5,816
Other current financial liabilities	297	147
Pension obligations	613	615
Provisions	5,303	4,558
Total current liabilities	504,302	459,439
Total liabilities	591,486	546,102
Total equity and liabilities	323,488	312,505

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended March 31, 2020

(All amounts are in millions of Russian rubles)

	Three months ended March 31, 2020 (unaudited)	Three months ended March 31, 2019 (unaudited)
Cash flows from operating activities		
(Loss) profit for the period	(37,072)	11,714
<i>Adjustments to reconcile (loss) profit to net cash provided by operating activities</i>		
Depreciation of property, plant and equipment and right-of-use assets, amortisation of mineral licenses and other intangible assets	3,992	3,658
Foreign exchange loss (gain), net	34,884	(11,979)
Deferred income tax benefit	-	(822)
Changes in allowance for expected credit losses and write-off of trade and other receivables and payables, net	346	65
Write-off of inventories to net realisable value	376	291
Impairment of goodwill and other non-current assets, net and loss on write-off of non-current assets	154	10
Finance income	(353)	(232)
Finance costs including fines and penalties on overdue loans and borrowings and lease payments	8,949	10,085
Provisions for legal claims, taxes and other provisions	387	1,485
Other	30	123
<i>Changes in working capital items</i>		
Trade and other receivables	(4,188)	(3,323)
Inventories	(2,060)	(1,850)
Trade and other payables	2,329	2,300
Advances received	4,584	224
Taxes payable and other liabilities	3,830	1,935
Other assets	(101)	851
Income tax paid	(128)	(522)
Net cash provided by operating activities	15,959	14,013
Cash flows from investing activities		
Interest received	11	49
Proceeds from loans issued and other investments	39	272
Proceeds from disposals of property, plant and equipment	4	145
Purchases of property, plant and equipment	(1,901)	(1,082)
Interest paid, capitalised	(41)	(30)
Net cash used in investing activities	(1,888)	(646)

Cash flows from financing activities

Proceeds from loans and borrowings, including proceeds from factoring arrangement of RUB 98 million and RUB 132 million for the three months ended March 31, 2020 and 2019, respectively	5,098	840
Repayment of loans and borrowings, including payments from factoring arrangement of nil and RUB 1,694 million for the three months ended March 31, 2020 and 2019, respectively	(10,752)	(4,304)
Dividends paid to non-controlling interests	(2)	(6)
Interest paid, including fines and penalties	(6,584)	(7,632)
Repayment of lease liabilities	(479)	(515)
Effect of sale and leaseback transactions	(11)	-
Deferred payments for acquisition of assets	(205)	(39)
Deferred consideration paid for the acquisition of subsidiaries in prior periods	-	(361)
Net cash used in financing activities	(12,935)	(12,017)
Foreign exchange loss (gain) on cash and cash equivalents, net	645	(364)
Changes in allowance for expected credit losses on cash and cash equivalents	5	5
Net increase in cash and cash equivalents	1,786	991
Cash and cash equivalents at beginning of period	3,509	1,803
Cash and cash equivalents, net of overdrafts at beginning of period	2,867	380
Cash and cash equivalents at end of period	6,816	2,745
Cash and cash equivalents, net of overdrafts at end of period	4,653	1,371

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.