

Mechel PAO  
Form 6-K  
March 21, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

OF THE SECURITIES EXCHANGE ACT OF 1934

March 21, 2019

(Commission File No. 001-32328)

MECHEL PAO

(Translation of registrant's name into English)

Krasnoarmeyskaya 1,

Moscow 125167

Russian Federation

(Address of registrant's principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

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Form 20-F    Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b) (1): [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b) (7): [ ]

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes    No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):    n/a

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## MECHEL REPORTS THE FY2018 FINANCIAL RESULTS

Consolidated revenue – 312.6 bln rubles (+5% compared to FY2017)

EBITDA<sup>1</sup> – 75.7 bln rubles (-7% compared to FY2017)

Profit attributable to equity shareholders of Mechel PAO – 12.6 bln rubles

Moscow, Russia – March 21, 2019 – Mechel PAO (MOEX: MTLR, NYSE: MTL), a leading Russian mining and steel group, announces financial results for the FY 2018.

Mechel PAO’s Chief Executive Officer Oleg Korzhov commented:

“The Group finished the year 2018 with a year-on-year 5% increase in revenue and 9% increase in profit attributable to equity shareholders of Mechel PAO. EBITDA went down by 7% year-on-year.

“The revenue growth was due to positive price dynamics in steel and steelmaking commodity markets. EBITDA went down year-on-year because of a decline in the mining division’s product sale volumes due to railcar shortages in the second half of 2018 and the corresponding shift in the division’s focus to overcome the underrun of resource preparation for future mining. This decision enabled us to decrease accumulated product stocks and increase stripping works, which will have positive effect in the future. The negative impact of the decline in shipment volumes was partly made up by the favorable market situation, which enabled us to sell metallurgical coal at average prices exceeding levels of 2017.

“I would like to note another important event — by early 2019 we successfully refinanced our one-billion-dollar syndicated loan, which yielded extra finance income to the Group. Also, in 2018 our lenders wrote off 17.5 billion rubles in fines and penalties, which reduced our debt and had a positive impact on our profit for this period, which grew year-on-year even as we take into account the major negative effect from the ruble’s depreciation.”

## Consolidated Results For The Full Year 2018

| Mln rubles  | FY 2018 | FY 2017 | %    | 4Q’ 18 | 3Q’ 18  | %    |
|---|---------|---------|------|--------|---------|------|
| Revenue   | 312,574 | 299,113 | 5%   | 75,571 | 179,965 | -5%  |
| from contracts with external customers            |         |         |      |        |         |      |
| Operating profit                                  | 49,780  | 57,167  | -13% | 1,978  | 15,161  | -87% |
| EBITDA  | 75,667  | 81,106  | -7%  | 15,021 | 19,206  | -22% |
| EBITDA, margin                                    | 24%     | 27%     |      | 20%    | 24%     |      |
| Profit  |         |         |      |        |         |      |
| attributable to equity shareholders of Mechel PAO | 12,628  | 11,557  | 9%   | 1,631  | 6,304   | -74% |

Mechel PAO's Chief Financial Officer Nelli Galeeva commented:

“Consolidated EBITDA in 2018 amounted to 75.7 billion rubles, which is 7% less than in 2017. Profit attributable to equity shareholders of Mechel PAO grew by 9% year-on-year, due to increase in revenue as well as finance income from the write-off of fines and penalties, which resulted from our fulfilling the conditions of our debt's restructuring by Russian state-owned banks, and which totaled 17.5 billion rubles, as well as 13 billion rubles from restructuring the pre-export syndicated loan.

“Our finance expenses went down by 5.6 billion rubles, or 12%, year-on-year due to decrease of the Bank of Russia key interest rate as well as the Group's efforts to restructure debt and decrease debt costs. In 2018, our operating cash flow went up by 4.8 billion rubles to reach 68.1 billion, which is sufficient to ensure the Group's key operational needs and fulfilling our loan obligations in full.

“In mining segment, revenue from sales to third parties in 2018 amounted to 96.9 billion rubles, which is 3% less than in 2017 (100.1 billion rubles). This effect is due to the decrease in coal product sale volumes that was partially made up for by the growth of both global and domestic prices. The division's operating profit's decline by 32% and EBITDA's 26% decrease year-on-year was largely due to the slump in sales volume while production costs went up as we significantly increased stripping volumes necessary to restore and step up production.

<sup>1</sup> EBITDA - Adjusted EBITDA. Please find the calculation of the Adjusted EBITDA and other non-IFRS measures used here and hereafter in Attachment A.

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“The favorable global trend of growing prices for our steel segment’s products continued its positive impact on the division’s results. This trend led to a 9% increase in revenue from third-party sales in this reporting period. In 2018 the segment profit attributable to equity shareholders of Mechel PAO amounted to 693 million rubles, as compared to 2017 recorded loss of 4.5 billion rubles.”

## Mining Segment

Mechel Mining Management OOO’s Chief Executive Officer Pavel Shtark noted:

“In the past year, the division focused on overcome the underrun of resource preparation for mining in order to restore our production and sales volumes. Stripping works on all the Group’s coal-mining assets went up by 25% year-on-year and more than by one and a half at Korshunov Mining Plant. We achieved this due to the technical upgrade program as well as bringing in contractors.

“Several of the division’s assets corrected their plans and decreased mining in late 2018 and early 2019 due to massive accumulated undistributed stock as a consequence of limitations in railcars supply. On one hand, it led to a decline in mining, but on the other enabled us to unload storages and optimize production and equipment repair costs, which are traditionally high in winter due to extremely low temperatures.

“This year the division’s assets will continue to renew their mining fleet. The contractors we have brought in to work at our assets also increase the number of machines involved in mining works. Considering the major work we have done last year to prepare reserves for mining, we expect our output to grow this year. The persistently high prices on the mining division’s products will also help us improve our financial results.”

| Mln rubles                             | FY 2018 | FY 2017 | %    | 4Q’ 18 | 3Q’ 18 | %    |
|--|---------|---------|------|--------|--------|------|
| Revenue                                | 96,882  | 100,129 | -3%  | 23,566 | 24,916 | -5%  |
| from contracts with external customers |         |         |      |        |        |      |
| Revenue                                | 37,549  | 42,286  | -11% | 9,089  | 9,415  | -3%  |
| inter-segment                          |         |         |      |        |        |      |
| EBITDA                                 | 45,516  | 61,425  | -26% | 8,934  | 11,691 | -24% |
| EBITDA, margin                         | 34%     | 43%     |      | 27%    | 34%    |      |

## Steel Segment

Mechel-Steel Management Company OOO’s Chief Executive Officer Andrey Ponomarev noted:

“In 2018, market situation helped us significantly improve the division’s financial results as compared to 2017. At the same time, in this reporting period there were factors that capped the dynamics of our results. Last year’s extensive repair program led to a compelled decline in steel product sales. Still, we redirected output to favor more high value-added products.

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“This year, planned repairs and overhauls at the division’s facilities will continue. Also, we are launching new production lines and upgrading current ones which will enable us to expand our product range. Beloretsk Metallurgical Plant continues to master production of new types of multi-strand wire ropes, including polymer-coated ones. Izhstal is expanding the range of its circular-section long products, increasing production of hot-rolled steel with surface finishing, as well as working on a new assortment of low-tonnage castings. Chelyabinsk Metallurgical Plant is planning to upgrade its rolling mills to produce heat-hardened rebar, and to launch a series of measures to improve the plant’s ecological safety.”

| Mln rubles                             | FY 2018 | FY 2017 | %    | 4Q' 18 | 3Q' 18 | %    |
|--|---------|---------|------|--------|--------|------|
| Revenue                                | 187,918 | 172,760 | 9%   | 44,076 | 49,460 | -11% |
| from contracts with external customers |         |         |      |        |        |      |
| Revenue                                | 5,865   | 7,622   | -23% | 1,654  | 1,256  | 32%  |
| inter-segment                          |         |         |      |        |        |      |
| EBITDA                                 | 27,990  | 18,817  | 49%  | 6,030  | 7,476  | -19% |
| EBITDA, margin                         | 14%     | 10%     |      | 13%    | 15%    |      |

Power Segment

Mechel Energo OOO’s Chief Executive Officer Petr Pashnin noted:

“The six-percent growth in the division’s sales revenue year-on-year was due to an increase in electricity sales on both the wholesale and retail markets. The growth of prices on the capacity market also had a positive impact on our revenue. At the same time, the scaling up in expenses on materials and higher transmission costs

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led to an increase in production costs which reflected in the decline of EBITDA and EBITDA margin year-on-year.”

| Mln rubles                             | FY 2018 | FY 2017 | %    | 4Q' 18 | 3Q' 18 | %   |
|--|---------|---------|------|--------|--------|-----|
| Revenue                                | 27,774  | 26,224  | 6%   | 7,929  | 5,589  | 42% |
| from contracts with external customers |         |         |      |        |        |     |
| Revenue                                | 15,471  | 16,338  | -5%  | 4,298  | 3,552  | 21% |
| inter-segment                          |         |         |      |        |        |     |
| EBITDA                                 | 1,546   | 2,308   | -33% | 166    | 180    | -8% |
| EBITDA, margin                         | 4%      | 5%      |      | 1%     | 2%     |     |

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Alexey Lukashov

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Mechel is an international mining and steel company. Its products are marketed in Europe, Asia, North and South America, Africa. Mechel unites producers of coal, iron ore concentrate, steel, rolled products, ferroalloys, heat and electric power. All of its enterprises work in a single production chain, from raw materials to high value-added products.

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Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Mechel, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements. We refer you to the documents Mechel files from time to time with the U.S. Securities and Exchange Commission, including our Form 20-F. These documents contain and identify important factors, including those contained in the section captioned “Risk

Factors” and “Cautionary Note Regarding Forward-Looking Statements” in our Form 20-F, that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the achievement of anticipated levels of profitability, growth, cost and synergy of our recent acquisitions, the impact of competitive pricing, the ability to obtain necessary regulatory approvals and licenses, the impact of developments in the Russian economic, political and legal environment, volatility in stock markets or in the price of our shares or ADRs, financial risk management and the impact of general business and global economic conditions.

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Attachments to the FY 2018 Earnings Press Release

Attachment A

Non-IFRS financial measures. This press release includes financial information prepared in accordance with International Financial Reporting Standards, or IFRS, as well as other financial measures referred to as non-IFRS. The non-IFRS financial measures should be considered in addition to, but not as a substitute for the information prepared in accordance with IFRS.

Adjusted EBITDA (EBITDA) represents profit (loss) attributable to equity shareholders of Mechel PAO before Depreciation and amortisation, Foreign exchange (gain) loss, net, Finance costs including fines and penalties on overdue loans and borrowings and finance lease payments, Finance income, Net result on the disposal of non-current assets, Impairment of goodwill and other non-current assets, Write-off of trade and other receivables, Allowance for expected credit losses on financial assets, Provision (reversal of provision) for doubtful accounts, Write-off of inventories to net realisable value, Net result on the disposal of subsidiaries, Profit (loss) attributable to non-controlling interests, Income tax expense (benefit), Effect of pension obligations, Other fines and penalties, Gain on restructuring and forgiveness of trade and other payables and write-off of trade and other payables with expired legal term and Other one-off items. Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of our Revenue. Our adjusted EBITDA may not be similar to EBITDA measures of other companies. Adjusted EBITDA is not a measurement under IFRS and should be considered in addition to, but not as a substitute for the information contained in our consolidated statement of profit (loss) and other comprehensive income. We believe that our adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation, amortisation and impairment of goodwill and other non-current assets are considered operating expenses under IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with non-current assets acquired or constructed in prior periods. Our adjusted EBITDA calculation is commonly used as one of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the metals and mining industry.



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Our calculation of Net debt, excluding fines and penalties on overdue amounts\*\*2 is presented below:

| Mln rubles   | 31.12.2018 | 31.12.2017 |
|--|------------|------------|
| Loans and borrowings, excluding interest payable, fines and penalties on overdue amounts | 402,417    | 380,541    |
| Interest payable   | 7,749      | 20,420     |
| Non-current loans and borrowings   | 6,538      | 17,360     |
| Other non-current financial liabilities  | 44,510     | 40,916     |
| Other current financial liabilities  | -          | 734        |
| less Cash and cash equivalents   | (1,803)    | (2,452)    |
| Net debt, excluding finance lease liabilities, fines and penalties on overdue amounts    | 459,411    | 457,519    |
| Current finance lease liabilities  | 5,880      | 7,476      |
| Non-current finance lease liabilities  | 2,413      | 1,878      |
| Net debt, excluding fines and penalties on overdue amounts                               | 467,704    | 466,873    |

EBITDA can be reconciled to our consolidated statement of profit (loss) and other comprehensive income as follows:

\*\*2 Calculations of Net debt could be differ from indicators calculated in accordance with loan agreements upon dependence on definitions in such agreements.

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|   | Consolidated Results |          | Mining Segment *** |          | Steel Segment*** |          | Power Segment*** |          |
|---|----------------------|----------|--------------------|----------|------------------|----------|------------------|----------|
|   | 12m 2018             | 12m 2017 | 12m 2018           | 12m 2017 | 12m 2018         | 12m 2017 | 12m 2018         | 12m 2017 |
| Mln rubles  |                      |          |                    |          |                  |          |                  |          |
| Profit (loss) attributable to equity shareholders of Mechel PAO   | 12,628               | 11,557   | 11,304             | 16,801   | 693              | (4,533)  | (2,631)          | 39       |
| Add:  |                      |          |                    |          |                  |          |                  |          |
| Depreciation and amortisation   | 13,859               | 14,227   | 7,621              | 7,979    | 5,738            | 5,800    | 500              | 448      |
| Foreign exchange loss (gain), net   | 25,775               | (4,237)  | 10,771             | (4,379)  | 14,969           | 144      | 37               | (2)      |
| Finance costs including fines and penalties on overdue loans and borrowings and finance leases payments   | 42,052               | 47,610   | 29,153             | 34,546   | 13,825           | 14,136   | 581              | 880      |
| Finance income  | (34,056)             | (633)    | (24,458)           | (1,810)  | (9,874)          | (717)    | (1,231)          | (57)     |
| Net result on the disposal of non-current assets, impairment of goodwill and other non-current assets, write-off of trade and other receivables, allowance for expected credit losses on financial assets, provision (reversal of provision) for doubtful accounts and write-off of inventories to net realisable value | 10,146               | 7,334    | 4,796              | 4,443    | 1,846            | 2,406    | 3,504            | 486      |
| Net result on the disposal of subsidiaries  | (3)                  | (470)    | (3)                | (470)    | -                | -        | -                | -        |
| Profit attributable to non-controlling interests  | 908                  | 1,013    | 183                | 407      | 637              | 417      | 87               | 189      |
| Income tax expense (benefit)  | 2,681                | 3,150    | 5,940              | 3,410    | (531)            | 203      | (83)             | 229      |
| Effect of pension obligations   | 548                  | (33)     | 515                | (58)     | 30               | 22       | 4                | 3        |
| Other fines and penalties   | 1,554                | 2,551    | (15)               | 941      | 788              | 1,512    | 781              | 98       |
| Gain on restructuring and forgiveness of trade and other payables and write-off of trade and other payables with expired legal term   | (425)                | (963)    | (291)              | (385)    | (131)            | (573)    | (3)              | (5)      |
| EBITDA  | 75,667               | 81,106   | 45,516             | 61,425   | 27,990           | 18,817   | 1,546            | 2,308    |
| EBITDA, margin  | 24%                  | 27%      | 34%                | 43%      | 14%              | 10%      | 4%               | 5%       |

|   | Consolidated Results |          | Mining Segment *** |          | Steel Segment*** |         | Power Segment*** |         |
|---|----------------------|----------|--------------------|----------|------------------|---------|------------------|---------|
|   | 4q 2018              | 3q 2018  | 4q 2018            | 3q 2018  | 4q 2018          | 3q 2018 | 4q 2018          | 3q 2018 |
| Mln rubles  |                      |          |                    |          |                  |         |                  |         |
| Profit (loss) attributable to equity shareholders of Mechel PAO   | 1,631                | 6,304    | 918                | 9,102    | 75               | (1,055) | (2,996)          | (278)   |
| Add:  |                      |          |                    |          |                  |         |                  |         |
| Depreciation and amortisation   | 3,700                | 3,168    | 1,919              | 1,786    | 1,651            | 1,262   | 130              | 120     |
| Foreign exchange loss (gain), net   | 7,171                | 7,024    | (696)              | 3,675    | 7,845            | 3,353   | 23               | (4)     |
| Finance costs including fines and penalties on overdue loans and borrowings and finance leases payments   | 10,323               | 10,284   | 6,447              | 6,839    | 4,093            | 3,695   | 169              | 131     |
| Finance income  | (13,495)             | (12,698) | (5,368)            | (12,920) | (8,065)          | (148)   | (448)            | (12)    |
| Net result on the disposal of non-current assets, impairment of goodwill and other non-current assets, write-off of trade and other receivables, allowance for expected credit losses on financial assets, provision (reversal of provision) for doubtful accounts and write-off of inventories to net realisable value | 7,889                | 721      | 3,929              | 391      | 1,192            | 142     | 2,768            | 188     |

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|   |         |        |       |        |       |       |       |     |
|---|---------|--------|-------|--------|-------|-------|-------|-----|
| Net result on the disposal of subsidiaries  | (3)     | 310    | -     | -      | (3)   | 310   | -     | -   |
| Profit (loss) attributable to non-controlling interests   | (25)    | 346    | (42)  | 140    | 53    | 193   | (37)  | 13  |
| Income tax (benefit) expense  | (3,507) | 3,723  | 1,395 | 2,773  | (966) | (388) | (192) | 17  |
| Effect of pension obligations   | 440     | 37     | 427   | 29     | 12    | 6     | 1     | 1   |
| Other fines and penalties   | 952     | 293    | 35    | 114    | 168   | 173   | 749   | 5   |
| Gain on restructuring and forgiveness of trade and other payables and write-off of trade and other payables with expired legal term | (55)    | (306)  | (30)  | (238)  | (25)  | (67)  | (1)   | (1) |
| EBITDA  | 15,021  | 19,206 | 8,934 | 11,691 | 6,030 | 7,476 | 166   | 180 |
| EBITDA, margin  | 20%     | 24%    | 27%   | 34%    | 13%   | 15%   | 1%    | 2%  |

\*\*\* including inter-segment operations

Income tax, deferred tax related to the consolidated group of taxpayers and certain other assets and liabilities are not allocated to segments as they are managed on the group basis.

## Attachment B

CONSOLIDATED STATEMENT OF PROFIT (LOSS) AND  
OTHER COMPREHENSIVE INCOME  
for the year ended December 31, 2018

| (All amounts are in millions of Russian rubles, unless stated otherwise)   | Year ended December<br>31,<br>2018 | Year ended<br>December 31,<br>2017 |
|--|------------------------------------|------------------------------------|
| Revenue from contracts with customers  | 312,574                            | 299,113                            |
| Cost of sales  | (177,756)                          | (160,356)                          |
| Gross profit   | 134,818                            | 138,757                            |
| Selling and distribution expenses  | (54,988)                           | (55,686)                           |
| Loss on write-off of non-current assets  | (859)                              | (321)                              |
| Impairment of goodwill and other non-current assets  | (7,222)                            | (6,081)                            |
| Allowance for expected credit losses on financial assets   | (940)                              | (332)                              |
| Taxes other than income taxes  | (4,834)                            | (4,967)                            |
| Administrative and other operating expenses  | (17,906)                           | (15,590)                           |
| Other operating income   | 1,711                              | 1,387                              |
| Total selling, distribution and operating income and (expenses), net   | (85,038)                           | (81,590)                           |
| Operating profit   | 49,780                             | 57,167                             |
| Finance income   | 34,056                             | 633                                |
| Finance costs including fines and penalties on overdue loans and borrowings and finance leases payments                | (42,052)                           | (47,610)                           |
| Foreign exchange gain (loss), net  | (25,775)                           | 4,237                              |
| Share of profit (loss) of associates, net  | 10                                 | 18                                 |
| Other income   | 512                                | 1,495                              |
| Other expenses   | (314)                              | (220)                              |
| Total other income and (expense), net  | (33,563)                           | (41,447)                           |
| Profit before tax  | 16,217                             | 15,720                             |
| Income tax expense   | (2,681)                            | (3,150)                            |
| Profit for the period  | 13,536                             | 12,570                             |
| Attributable to:   |                                    |                                    |
| Equity shareholders of Mechel PAO  | 12,628                             | 11,557                             |
| Non-controlling interests  | 908                                | 1,013                              |
| Other comprehensive income   |                                    |                                    |
| Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods, net of income tax: |                                    |                                    |
| Exchange differences on translation of foreign operations  | (9)                                | 313                                |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of income tax:          |                                    |                                    |
| Re-measurement of defined benefit plans  | 487                                | 145                                |
|  | 487                                | 145                                |

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|   |             |             |
|---|-------------|-------------|
| Other comprehensive income for the period, net of tax   | 478         | 458         |
| Total comprehensive income (loss) for the period, net of tax                                      | 14,014      | 13,028      |
| Attributable to:  |             |             |
| Equity shareholders of Mechel PAO   | 13,096      | 12,012      |
| Non-controlling interests   | 918         | 1,016       |
| Earnings per share  |             |             |
| Weighted average number of common shares  | 416,270,745 | 416,270,745 |
| Basic and diluted, profit for the period attributable to common equity shareholders of Mechel PAO | 30.34       | 27.76       |

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION as of December 31, 2018  
(All amounts are in millions of Russian rubles)

|  | December 31,<br>2018 | December 31,<br>2017 |
|--|----------------------|----------------------|
| Assets   |                      |                      |
| Non-current assets                                       |                      |                      |
| Property, plant and equipment                            | 189,879              | 197,875              |
| Mineral licenses   | 32,068               | 33,240               |
| Goodwill and other intangible assets                     | 16,883               | 19,211               |
| Investments in associates                                | 293                  | 283                  |
| Deferred tax assets                                      | 5,488                | 96                   |
| Other non-current assets                                 | 630                  | 758                  |
| Non-current financial assets                             | 244                  | 202                  |
| Total non-current assets                                 | 245,485              | 251,665              |
| Current assets   |                      |                      |
| Inventories  | 43,423               | 37,990               |
| Income tax receivables                                   | 121                  | 107                  |
| Trade and other receivables                              | 17,612               | 18,762               |
| Other current assets                                     | 8,673                | 7,589                |
| Other current financial assets                           | 508                  | 562                  |
| Cash and cash equivalents                                | 1,803                | 2,452                |
| Total current assets                                     | 72,140               | 67,462               |
| Total assets   | 317,625              | 319,127              |
| 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                   | 1,771                | 1,303                |
| Accumulated deficit                                      | (274,186)            | (283,743)            |
| Equity attributable to equity shareholders of Mechel PAO | (243,041)            | (253,066)            |
| Non-controlling interests                                | 9,846                | 8,933                |
| Total equity   | (233,195)            | (244,133)            |
| Non-current liabilities                                  |                      |                      |
| Loans and borrowings                                     | 6,538                | 17,360               |
| Finance lease liabilities                                | 2,413                | 1,878                |
| Other non-current financial liabilities                  | 44,510               | 40,916               |
| Other non-current liabilities                            | 120                  | 138                  |
| Pension obligations                                      | 3,819                | 3,512                |
| Provisions   | 3,719                | 3,814                |
| Deferred tax liabilities                                 | 13,506               | 11,494               |
| Total non-current liabilities                            | 74,625               | 79,112               |

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Current liabilities

|   |         |         |
|---|---------|---------|
| Loans and borrowings, including interest payable, fines and penalties on overdue amounts of RUB 9,877 million and RUB 41,992 million as of December 31, 2018 and 2017, respectively | 412,294 | 422,533 |
| Trade and other payables  | 34,800  | 33,469  |
| Finance lease liabilities   | 5,880   | 7,476   |
| Income tax payable  | 6,425   | 4,578   |
| Taxes and similar charges payable other than income tax   | 6,106   | 6,696   |
| Advances received   | 5,028   | 4,385   |
| Other current financial liabilities   | -       | 734     |
| Other current liabilities   | 68      | 69      |
| Pension obligations   | 772     | 849     |

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|                              |         |         |
|------------------------------|---------|---------|
| Provisions                   | 4,822   | 3,359   |
| Total current liabilities    | 476,195 | 484,148 |
| <br>                         |         |         |
| Total liabilities            | 550,820 | 563,260 |
| Total equity and liabilities | 317,625 | 319,127 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2018

(All amounts are in millions of Russian rubles)

|   | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 |
|---|------------------------------------|------------------------------------|
| Cash flows from operating activities  |                                    |                                    |
| Profit for the period   | 13,536                             | 12,570                             |
| Adjustments to reconcile profit to net cash provided by operating activities:   |                                    |                                    |
| Depreciation of property, plant and equipment   | 12,454                             | 12,555                             |
| Amortisation of mineral licenses and other intangible assets  | 1,405                              | 1,672                              |
| Foreign exchange (gain) loss, net   | 25,775                             | (4,237)                            |
| Deferred income tax (benefit) expense   | (2,596)                            | (3,401)                            |
| Allowance for expected credit losses on financial assets  | 940                                | 332                                |
| Write-off of trade and other receivables  | 2                                  | 109                                |
| Write-off of inventories to net realisable value  | 1,162                              | 470                                |
| Revision in estimated cash flows of rehabilitation provision  | (38)                               | -                                  |
| Loss on write-off of non-current assets   | 859                                | 321                                |
| Impairment of goodwill and other non-current assets   | 7,222                              | 6,081                              |
| Net result from disposal of non-current assets  | (128)                              | 21                                 |
| Gain on sale of investments   | -                                  | (2)                                |
| Gain on restructuring and forgiveness of trade and other payables and write-off of trade and other payables with expired legal term | (425)                              | (963)                              |
| Effect of pension obligations   | 548                                | (33)                               |
| Finance income  | (34,056)                           | (633)                              |
| Finance costs including fines and penalties on overdue loans and borrowings and finance leases payments                             | 42,052                             | 47,610                             |
| Gain on royalty and other proceeds associated with disposal of Bluestone  | (3)                                | (474)                              |
| Provisions for legal claims, taxes and other provisions   | 4,940                              | 4,222                              |
| Other   | 68                                 | 281                                |
| <br>  |                                    |                                    |
| Changes in working capital items:   |                                    |                                    |
| Trade and other receivables   | 1,354                              | (318)                              |
| Inventories   | (7,858)                            | (4,508)                            |
| Trade and other payables  | 4,150                              | (3,435)                            |
| Advances received   | 485                                | 625                                |
| Taxes payable and other liabilities   | 683                                | (158)                              |
| Other current assets  | (851)                              | (895)                              |
| <br>  |                                    |                                    |
| Income tax paid   | (3,562)                            | (4,530)                            |

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|  |         |         |
|--|---------|---------|
| Net cash provided by operating activities                        | 68,118  | 63,282  |
| Cash flows from investing activities                             |         |         |
| Loans issued and other investments                               | -       | (525)   |
| Interest received  | 188     | 165     |
| Royalty and other proceeds associated with disposal of Bluestone | 3       | 474     |
| Proceeds from disposal of subsidiaries, net of cash disposed     | -       | 94      |
| Proceeds from loans issued and other investments                 | 9       | 144     |
| Proceeds from disposals of property, plant and equipment         | 215     | 328     |
| Purchases of property, plant and equipment                       | (5,472) | (6,460) |
| Purchases of intangible assets                                   | (150)   | (771)   |
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|  |          |          |
|--|----------|----------|
| Interest paid, capitalized   | (440)    | (587)    |
| Net cash used in investing activities  | (5,647)  | (7,138)  |
| Cash flows from financing activities   |          |          |
| Proceeds from loans and borrowings, including proceeds from factoring arrangement of RUB 918 million and RUB 272 million for the periods ended December 31, 2018 and 2017, respectively  | 76,504   | 23,200   |
| Repayment of loans and borrowings, including payments from factoring arrangement of RUB 435 million and RUB 1,123 million for the periods ended December 31, 2018 and 2017, respectively | (97,269) | (35,033) |
| Repayment of other current financial liabilities   | (442)    | -        |
| Dividends paid to shareholders of Mechel PAO   | (1,386)  | (856)    |
| Dividends paid to non-controlling interests  | (8)      | (122)    |
| Interest paid, including fines and penalties   | (33,308) | (31,948) |
| Acquisition of non-controlling interests in subsidiaries   | -        | (3,358)  |
| Repayment of obligations under finance lease   | (2,780)  | (3,513)  |
| Deferred payments for acquisition of assets  | (629)    | (455)    |
| Deferred consideration paid for the acquisition of subsidiaries in prior periods   | (3,968)  | (3,652)  |
| Net cash used in financing activities  | (63,286) | (55,737) |
| Foreign exchange loss (gain) on cash and cash equivalents, net   | 63       | (637)    |
| Allowance for expected credit losses on cash and cash equivalents  | (91)     | -        |
| Net decrease in cash and cash equivalents  | (843)    | (230)    |
| Cash and cash equivalents at beginning of period   | 2,452    | 1,689    |
| Cash and cash equivalents, net of overdrafts at beginning of period  | 1,223    | 1,453    |
| Cash and cash equivalents at end of period   | 1,803    | 2,452    |
| Cash and cash equivalents, net of overdrafts at end of period  | 380      | 1,223    |

There were certain reclassifications to conform with the current period presentation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

Mechel PAO

By: Oleg V. Korzhov

Name: Oleg V. Korzhov  
Title: CEO

Date: March 21, 2019