



MECHEL REPORTS THE 2Q AND 1H 2023 FINANCIAL RESULTS

Moscow, Russia – August 29, 2023 – Mechel PAO (MOEX: MTLR), a leading Russian mining and steel group, announces financial results for the 2Q and 1H 2023.

Consolidated Results for the 1H'2023

Mechel PAO's Chief Executive Officer Oleg Korzhov commented:

"The Group's consolidated revenue for 1H2023 amounted to **194.7 billion rubles**, down **22%** year-on-year. EBITDA amounted to **40.0 billion rubles**, demonstrating a **49%** year-on-year decline. EBITDA margin amounted to **21%**. The loss attributable to equity shareholders of Mechel PAO amounted to **3.5 billion rubles**.

"The downward dynamics of our financial indicators compared to the same period last year is primarily due to the peak of demand and price growth for all of the Group's products, which was in the first half of the last year. A lot has changed over the year. Prices have adjusted, some markets have closed, and demand is not always stable. There have also been changes in business taxation laws.

"The economic conditions that emerged last year still require that the company adjust production plans, capital investment programs, optimize sales directions and reconfigure supply chains. The cash flow received in the reporting period was sufficient to finance the investment program and maintain stable operations of our enterprises. In addition, the Group continues to fulfill its loan servicing obligations and reduce its debt. We did not halt implementing environmental projects at both production and transportation enterprises of the Group, including ports.

"In the first six months of 2023, the Group's capital investment in renewal and maintenance of fixed assets increased by **118%** year-on-year and reached to **10.5 billion rubles**.

"Overall, despite the turbulence we observed, Mechel performed quite confidently in the reporting period. Steel output remained stable. The scheduled repairs and maintenance program had a key impact on the quarterly production figures. The price environment on the steel products market was favorable. Against this backdrop, the steel division's financial results demonstrated a moderate year-on-year decline and strong quarter-on-quarter growth.

"The year-on-year decline in the mining division's financial results was more significant due to a decrease in coal output and sales volumes following shortages of railroad infrastructure capacity in Eastern Russia, which became particularly acute in the first quarter of this year. Nevertheless, the division's production and sales indicators have already demonstrated positive dynamics quarter-on-quarter, which led to strong financial results in the second quarter.

"I would like to note separately on the progress of the Sivaglinsky iron ore deposit development project. In the past six months, Yakutia Ore Company, the operator of this deposit, has put in significant efforts, and in the second quarter the first shipment of high-quality ore from the deposit was sent to Chelyabinsk Metallurgical Plant."

Mln rubles	2Q'23	1Q'23	%	1H'23	1H'22	%
Revenue from contracts with external customers	99,727	94,959	5%	194,686	249,154	-22%
Operating profit	15,880	13,112	21%	28,992	69,900	-59%
EBITDA**	22,922	17,075	34%	39,997	79,093	-49%
EBITDA, margin	23%	18%		21%	32%	
(Loss) profit attributable to equity shareholders of Mechel PAO	(2,417)	(1,061)	128%	(3,478)	69,412	-105%

** EBITDA - Adjusted EBITDA. Please find the calculation of the Adjusted EBITDA in Attachment A.

Financial results for the 2Q'2023 vs 1Q'2023

Revenue

The Group's consolidated revenue from sales to third parties in 2Q2023 went up by **5%** and amounted to **99.7 billion rubles** compared to **95.0 billion rubles** in 1Q2023.

EBITDA

Consolidated EBITDA in 2Q2023 went up by **34%** quarter-on-quarter and amounted to **22.9 billion rubles**. Improved market trends in the steel division (including price and sales volume growth) and decreased cost of sales in the mining division had an impact on the Group's financial results.

Profit

Loss attributable to equity shareholders of Mechel PAO in this reporting period amounted to **2.4 billion rubles**, which is by **1.3 billion rubles** more than the 1Q2023 loss that totaled **1.1 billion rubles**. The 2Q2023 loss was due to impairment of goodwill and an increase in foreign exchange losses, resulting in more significant weakening of the ruble against foreign currencies compared to the previous quarter.

Operating cash flow

In 2Q2023 compared to 1Q2023, operating cash flow went up by **3.4 billion rubles** to **17.6 billion rubles**. Cash flow remains sufficient for meeting the Group's operating needs, decreasing its leverage and upgrading our facilities' material and technical base.

Finance costs

In 2Q2023, the Group's finance costs went up to **6.5 billion rubles** from **6.1 billion rubles** in 1Q2023.

Financial results for the 1H'2023 vs 1H'2022

Revenue

In 1H2023, the Group's consolidated revenue went down by **22%** and amounted to **194.7 billion rubles** as compared to **249.2 billion rubles** in 1H2022.

EBITDA

Consolidated EBITDA in 1H2023 was **40.0 billion rubles**, which is **39.1 billion rubles** or **49%** less than in 1H2022 (**79.1 billion rubles**). The mining segment had the main impact on the consolidated EBITDA dynamics, with the **71%** decrease year-on-year due to lower market prices for all types of mining products and lower sales volumes. The decrease in the steel segment's EBITDA by **10%** was also due to a decrease in market prices and sales volumes.

Profit

Loss attributable to equity shareholders of Mechel PAO amounted to **3.5 billion rubles**, which is **72.9 billion rubles** less than in 1H2022 (**69.4 billion rubles** profit). The decrease in profit attributable to equity shareholders of Mechel PAO was mainly due to lower operating performance, as well as an increase in foreign exchange losses due to the weakening of the ruble in the first half of 2023, which was partially offset by lower finance costs due to lower floating interest rates on loans against their peak in February-May 2022.

Operating cash flow

In 1H2023 compared to 1H2022, operating cash flow went down by **9%** and amounted to **31.8 billion rubles**.

Finance costs

In 1H2023 the Group's finance costs went down by **4.1 billion rubles** year-on-year and amounted to **12.6 billion rubles** due to lower level of floating interest rates on loans.

Trade working capital

In 1H2023 the Group's trade working capital went up by **7.0 billion rubles** as compared to December 31, 2022 and amounted to **44.5 billion rubles**. The increase in inventories and trade receivables had the greatest impact on the growth of this indicator.

Debt leverage

As of this date, our debt portfolio cost is **9.96%**.

As of June 30, 2023, the Group's net debt excluding fines and penalties on overdue amounts went up **10%** as compared to December 31, 2022, and amounted to **255.1 billion rubles**. This change is

primarily due to the weakening of the ruble against the U.S. dollar, euro and yuan as of June 30, 2023 compared to December 31, 2022.

The Net Debt to EBITDA ratio by the end of 1H2023 amounted to **3.4**, as compared to **2.0** at the end of 2022.

The debt portfolio's structure has changed due to repayment of liabilities, growth of interest rates on loans in foreign currency and weakening of the ruble exchange rate, and currently amounts to **52.8%** in rubles, the rest in foreign currency (**30.9%** in euros, **5.9%** in U.S. dollars and **10.4%** in yuan). The share of Russian state-controlled banks is **82%**.

Mining Segment

MIn rubles	2Q'23	1Q'23	%	1H'23	1H'22	%
Revenue from contracts with external customers	23,049	25,519	-10%	48,568	76,323	-36%
Revenue inter-segment	9,783	8,877	10%	18,660	32,557	-43%
EBITDA	9,130	6,044	51%	15,174	52,410	-71%
EBITDA, margin	28%	18%		23%	48%	

Revenue

Revenue from sales to third parties in the second quarter of 2023 went down by **10%** quarter-on-quarter. This was due to lower prices for coking coal, anthracite and PCI, partially offset by higher prices for coke and steam coal. Total sales volume also went down. In the reporting half-year period compared to the same period last year, revenue from contracts with external customers went down by **36%** on the back of lower prices for all types of the segment's products and lower sales volumes to third-party customers for most types of coal products.

EBITDA

EBITDA grew by **51%** quarter-on-quarter. This indicator's dynamics was largely determined by lower cost of sales. The division's EBITDA lost **71%** year-on-year in the first half of 2023. Lower prices as well as lower sales volumes had a negative impact on the measure.

Steel Segment

MIn rubles	2Q'23	1Q'23	%	1H'23	1H'22	%
Revenue from contracts with external customers	69,095	59,761	16%	128,856	157,680	-18%
Revenue inter-segment	765	2,598	-71%	3,363	3,130	7%
EBITDA	13,413	9,992	34%	23,405	25,989	-10%
EBITDA, margin	19%	16%		18%	16%	

Revenue

In 2Q2023 compared to 1Q2023, revenue from contracts with external customers increased by **16%** due to higher market prices for most of the segment's products and increased sales volumes. Revenues from sales to external customers went down by **18%** year-on-year in the first half of 2023 due to lower prices for main categories of steel products, as well as lower sales volumes for rebar, other long products, wire and ferrosilicon.

EBITDA

EBITDA in 2Q2023 added **34%** quarter-on-quarter on the back of revenue growth. The increase in cost of sales limited this indicator's dynamics. EBITDA in the first half of 2023 went down by **10%** year-on-year. The cost of sales reduction could not compensate for the negative dynamics of prices and sales volumes year-on-year.

Power Segment

Mln rubles	2Q'23	1Q'23	%	1H'23	1H'22	%
Revenue from contracts with external customers	7,583	9,679	-22%	17,262	15,151	14%
Revenue inter-segment	4,975	5,439	-9%	10,414	8,904	17%
EBITDA	1,224	1,117	10%	2,341	217	979%
EBITDA, margin	10%	7%		8%	1%	

Revenue

The division's revenue in 2Q2023 went down by **22%** quarter-on-quarter, driven primarily by seasonal factors. Compared to the same period last year, revenue for 1H2023 went up by **14%** mainly due to higher unregulated capacity prices on the wholesale electricity and capacity market and higher sales markups compared to the first half of 2022.

EBITDA

The **10%** quarter-on-quarter increase in EBITDA was largely due to lower selling expenses and higher other income. The almost tenfold increase in EBITDA for 1H2023 year-on-year was mainly due to higher prices and other income.

Mechel PAO Consolidated Financial Statements for 1H2023 is available at Company's website – <https://www.mechel.com/shareholders/report/financial-statements/>

Mechel PAO

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Mechel is an international mining and steel company. 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.

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. 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.

Attachments to the Press Release

Attachment A

Non-IFRS financial measures.

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 (loss) profit attributable to equity shareholders of Mechel PAO before Depreciation and amortisation, Foreign exchange loss (gain), net, Finance costs, Finance income, Impairment of goodwill and other non-current assets, net, Net result on the disposal of non-current assets, Allowance for expected credit losses, Provision (reversal of provision) for doubtful accounts, Write-off of trade and other receivables and payables, net, Change in provision for inventories at net realisable value, Net result on the disposal of subsidiaries, (Loss) profit attributable to non-controlling interests, Income tax (benefit) expense, Effect of pension obligations, Other fines and penalties 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 summary interim condensed consolidated statement of profit or 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.

Attachment B
SUMMARY INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND
OTHER COMPREHENSIVE INCOME
for the six months ended June 30, 2023

(All amounts are in millions of Russian rubles, unless stated otherwise)

	Six months ended June 30, 2023 (unaudited)	Six months ended June 30, 2022 (unaudited)
Revenue from contracts with customers	194,686	249,154
Cost of sales	(121,207)	(138,823)
Gross profit	73,479	110,331
Selling and distribution expenses	(29,417)	(29,557)
Impairment of goodwill and other non-current assets, net	(4,067)	(519)
Allowance for expected credit losses	(700)	(501)
Taxes other than income taxes	(2,130)	(1,783)
Administrative and other operating expenses	(9,311)	(9,217)
Other operating income	1,138	1,146
Total selling, distribution and operating income and (expenses), net	(44,487)	(40,431)
Operating profit	28,992	69,900
Finance income	580	1,742
Finance costs	(12,642)	(16,697)
Foreign exchange (losses) gains, net	(24,315)	34,950
Share of profit (loss) of associates, net	35	3
Other income	13	10
Other expenses	(36)	(241)
Total other income and (expenses), net	(36,365)	19,767
(Loss) profit before tax	(7,373)	89,667
Income tax benefit (expense)	3,899	(17,003)
(Loss) profit	(3,474)	72,664
Attributable to:		
Equity shareholders of Mechel PAO	(3,478)	69,412
Non-controlling interests	4	3,252
Other comprehensive income		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods, net of tax:</i>	936	(3,648)
Exchange differences on translation of foreign operations	936	(3,648)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:</i>	(14)	(447)
Net gain on equity instruments designated at fair value through other comprehensive income	7	–
Remeasurement of defined benefit plans	(21)	(447)
Other comprehensive income (loss), net of tax	922	(4,095)
Total comprehensive (loss) income, net of tax	(2,552)	68,569
Attributable to:		
Equity shareholders of Mechel PAO	(2,557)	65,332
Non-controlling interests	5	3,237
Earnings per share		
Weighted average number of common shares	404,776,126	404,776,126
(Loss) earnings per share (Russian rubles per share) attributable to common equity shareholders – basic and diluted	(8.59)	171.48

SUMMARY INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of June 30, 2023

(All amounts are in millions of Russian rubles)

	June 30, 2023 (unaudited)	December 31, 2022
Assets		
Non-current assets		
Property, plant and equipment.....	87,359	79,246
Right-of-use assets.....	26,854	20,820
Mineral licenses.....	16,717	16,895
Goodwill and other intangible assets.....	7,145	10,601
Other non-current assets.....	4,634	4,825
Investments in associates.....	374	339
Non-current financial assets.....	362	402
Deferred tax assets.....	3,990	1,077
Total non-current assets.....	147,435	134,205
Current assets		
Inventories.....	65,707	60,271
Income tax receivables.....	311	117
Other current assets.....	10,200	10,852
Trade and other receivables.....	25,416	23,912
Other current financial assets.....	88	56
Cash and cash equivalents.....	21,115	23,700
Total current assets.....	122,837	118,908
Total assets.....	270,272	253,113
Equity and liabilities		
Equity		
Common shares.....	4,163	4,163
Preferred shares.....	840	840
Treasury shares.....	(907)	(907)
Additional paid-in capital.....	23,532	23,532
Accumulated other comprehensive income.....	3,314	2,393
Accumulated deficit.....	(133,244)	(129,766)
Equity attributable to equity shareholders of Mechel PAO.....	(102,302)	(99,745)
Non-controlling interests.....	17,492	17,489
Total equity.....	(84,810)	(82,256)
Non-current liabilities		
Loans and borrowings.....	86	85
Lease liabilities.....	12,691	10,291
Other non-current financial liabilities.....	613	38
Other non-current liabilities.....	56	63
Pension liabilities.....	3,284	2,947
Provisions.....	4,970	5,048
Deferred tax liabilities.....	6,071	8,286
Total non-current liabilities.....	27,771	26,758
Current liabilities		
Loans and borrowings.....	257,329	240,737
Lease liabilities.....	12,252	9,514
Trade and other payables.....	29,224	26,117
Other current financial liabilities.....	164	209
Income tax payable.....	3,720	8,652
Taxes and similar charges payable other than income tax.....	8,656	7,493
Advances received.....	11,499	11,552
Other current liabilities.....	75	89
Pension liabilities.....	483	547
Provisions.....	3,909	3,701
Total current liabilities.....	327,311	308,611
Total liabilities.....	355,082	335,369
Total equity and liabilities.....	270,272	253,113

SUMMARY INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended June 30, 2023

(All amounts are in millions of Russian rubles)

	Six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)
Cash flows from operating activities		
(Loss) profit	(3,474)	72,664
<i>Adjustments to reconcile profit to net cash provided by operating activities</i>		
Depreciation and amortisation	7,243	6,824
Foreign exchange losses (gains), net	24,315	(34,950)
Deferred income tax (benefit) expense	(5,077)	10,765
Allowance for expected credit losses	700	501
Gain on restructuring, forgiveness of and write-off of trade and other payables	(38)	(56)
Write-off of inventories to net realisable value	871	2,403
Impairment of goodwill and other non-current assets, net and loss on write-off of non-current assets	4,069	546
Finance income.....	(580)	(1,742)
Finance costs.....	12,642	16,697
Movements in provisions and probable tax risks.....	(1,905)	721
Other.....	(93)	(168)
<i>Changes in working capital items</i>		
Trade and other receivables	(217)	(11,927)
Inventories	(5,681)	(9,557)
Trade and other payables	1,061	(8,472)
Advances received.....	(160)	(5,610)
Taxes payable and other liabilities	3,932	3,006
Other assets.....	711	(442)
Income tax paid.....	(6,557)	(6,226)
Net cash provided by operating activities	31,762	34,977

	Six months ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
Cash flows from investing activities		
Interest received.....	298	583
Proceeds from loans issued and other investments.....	11	175
Cash disposed of due to disposal of subsidiary	-	(43)
Proceeds from disposals of property, plant and equipment.....	86	124
Purchases of property, plant and equipment and intangible assets	(10,543)	(4,847)
Net cash used in investing activities.....	(10,148)	(4,008)
Cash flows from financing activities		
Proceeds from loans and borrowings.....	-	8,485
Repayment of loans and borrowings.....	(12,728)	(18,030)
Dividends paid to non-controlling interests.....	-	(2)
Interest paid, including fines and penalties.....	(9,238)	(14,013)
Payment of principal portion of lease liabilities.....	(3,013)	(1,793)
Repayment and proceeds from other financial liabilities, net	(54)	(1,907)
Net cash used in financing activities.....	(25,033)	(27,260)
Foreign exchange gains (losses) on cash and cash equivalents, net	802	(2,127)
Changes in allowance for expected credit losses on cash and cash equivalents.	32	(111)
Net (decrease) increase in cash and cash equivalents.....	(2,585)	1,471
Cash and cash equivalents at beginning of period.....	23,700	17,701
Cash and cash equivalents, net of overdrafts at beginning of period.....	23,700	17,701
Cash and cash equivalents at end of period	21,115	19,172
Cash and cash equivalents, net of overdrafts at end of period	21,115	19,172

There were certain reclassifications to conform with the current period presentation. These summary interim condensed consolidated financial statements were prepared by Mechel PAO and have not been audited by the independent auditor. If these summary 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.