

Mechel Reports the 9M 2017 Financial Results

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Consolidated revenue – 222.8 bln rubles (+13% compared to 9M2016)
 EBITDA* - 59.1 bln rubles (+42% compared to 9M2016)
 Net profit, attributable to equity shareholders of Mechel PAO – 11.1 bln rubles

MOSCOW, Nov. 28, 2017 (GLOBE NEWSWIRE) -- Mechel PAO (MOEX:MTLR) (NYSE:MTL), a leading Russian mining and steel group, announces financial results for the 9M 2017.

Mechel PAO's Chief Executive Officer Oleg Korzhov commented:

"The company's financial results for 3Q2017 and 9M2017 were better than both 2Q2017 and 9M2017. The improvement was due to a favorable market situation as well as efforts made by the company to maintain its production volumes, optimize its products range, attract new customers and expand into new markets, increasing internal efficiency and cost control.

"Prices for our coal products remain comfortable both domestically and internationally. The steel product market, which was weak in the first half of this year, went back to normal by mid-year due to growing steel prices and stabilization of costs for raw materials for steelmaking.

"At the same time we worked on optimizing of our steel division's product range and improving operational results of our mining division. The steel division continued to increase production and sales of high value-added products — structural shapes from Chelyabinsk Metallurgical Plant's Universal rolling mill, products from special steels, and new types of products, including those oriented toward international markets.

"Using opportunities offered by favorable market conditions, we actively invested in large-scale repairs, modernization of our equipment and mining fleet. Capital investment in 9M2017 totaled 7.6 billion rubles (including leasing) that is 62% more year-on-year. These investments will enable us to reach our planned goals on production volumes and profit margin."

Consolidated Results For The 9M 2017

Mln rubles	9M'17	9M'16	%	3Q'17	2Q'17	%
Revenue from external customers	222,797	196,350	13 %	73,413	71,970	2 %
Operating profit	46,415	28,761	61 %	15,738	12,588	23 %
EBITDA	59,140	41,571	42 %	18,913	17,421	9 %
<i>EBITDA, margin</i>	27	21	%	26	24	%
Net profit (loss) attributable to equity shareholders of Mechel PAO	11,114	5,543	101 %	6,120	(8,908))

* EBITDA - Adjusted EBITDA. Please find the calculation of the Adjusted EBITDA and other non-IFRS measures used here and hereafter in Attachment A.

Mining Segment

Mechel Mining Management's Chief Executive Officer Pavel Shtark noted:

"The situation in the coal markets in 3Q2017 was more stable than in the first half of this year. Spot

prices for hard coking coal in the global market grew, topping 200 US dollars per tonne by late August and staying at this level nearly until the end of the quarter. High demand from China, which was formed in the wake of high prices for finished products, as well as strikes, force majeure and production problems on some Australian mines, fueled these rates. Average spot prices for premium coking coal in 3Q2017 amounted to 189 dollars per tonne, practically unchanged since the high average price level of 2Q2017, caused by floods in Australia. In the beginning of 4Q2017, spot prices wavered around 180-190 dollars per tonne. A small shortage of premium coals as well as Asian customers' desire to quickly secure coal contracts as shipments from Queensland ports continue to be delayed support these prices.

Nevertheless, several factors such as shortage of rail cars and Port Posiet coal delivery limitations due to floods in the Far East led to a decrease in coal sales and accordingly a decrease in revenue quarter-on-quarter.

By implementing measures aimed at restoring our mining volumes and coal sales, we paid great attention to preparing reserves for future mining, as well as repairs and modernization of equipment for open pits, mines and washing plants. These measures led to an increase in production costs, which brought down EBITDA quarter-on-quarter. At the same time, we expect that launching new machinery that already has partly arrived at the facilities, while the rest is due to arrive until the end of this year and in early 2018, together with additional volumes of stripping works completed, will enable us to demonstrate a stable coal production volumes recovery.

Mln rubles	9M'17		9M'16		3Q'17		2Q'17	
Revenue from external customers	74,685	59,990	24 %	23,166	23,531	-2 %		
Revenue inter-segment	32,974	22,481	47 %	9,706	10,803	-10 %		
EBITDA	47,327	23,979	97 %	12,764	14,607	-13 %		
EBITDA, margin	44	% 29	%	39	% 43	%		

Steel Segment

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

The division's results in 3Q2017 were better than in 2Q2017, as expected. The primary cause was the improvement of prices and a decrease in costs for incoming raw materials. This more than doubled our EBITDA quarter-on-quarter even as revenue remained practically at the same level. The decrease in EBITDA over 9M2017 by a quarter year-on-year was also due to cost dynamics — prices for metallurgical raw materials in this accounting period were markedly higher than last year.

In 3Q2017 we continued to focus on increasing the high value-added products' share in the division's production and sales structure, as well as worked on further expanding the range of our high-margin products and their markets. The division's facilities in this accounting period continued to master new types of products. Chelyabinsk Metallurgical Plant expanded its product range for the European market — certificates of compliance were awarded to two new types of H-beams and two new rail profiles produced at the Universal rolling mill. The welded beam workshop was also launched, which will enable the plant to expand its construction product range. In October and November, we shipped our rails to Belarus and Kazakhstan. Apart from that, Chelyabinsk Metallurgical Plant passed compliance audit for production of reinforcement steel for the European market.

In 3Q2017 we conducted a series of large-scale repairs. At Chelyabinsk Metallurgical Plant, one of its major facilities, blast furnace #1, has undergone planned general overhaul. At Izhstal, a general overhaul was made at the smelting complex producing continuously cast billets from specialty steels.

Mln rubles	9M'17		9M'16		3Q'17		2Q'17	
Revenue from external customers	129,377	118,900	9 %	44,422	42,926	3 %		
Revenue inter-segment	5,413	5,296	2 %	1,673	1,776	-6 %		

EBITDA	12,175	15,845	-23 %	6,101	2,518	142 %
<i>EBITDA, margin</i>	9	% 13	%	13	% 6	%

Power Segment

Mechel-Energy OOO's Chief Executive Officer Petr Pashnin noted:

"The increase in the division's revenue year-on-year was due to an increase in sales, including that of electricity generated by Southern Kuzbass Power Plant due to major repairs having been conducted in 2016, and an increase in electricity supply prices. At the same time, negative dynamics of profit and profit margin results was due to costs growth outstripping the growth of electricity tariffs, as well as an increase in costs of power transmission."

Mln rubles	9M's	17 9M's	16 %	3Q's	17 2Q's	17 %
Revenue from external customers	18,735	17,460	7 %	5,825	5,514	6 %
Revenue inter-segment	11,911	11,423	4 %	3,438	3,835	-10 %
EBITDA	989	2 102	-53 %	23	261	-91 %
<i>EBITDA, margin</i>	3	% 7	%	0	% 3	%

The management of Mechel will host a conference call today at 18:00 p.m. Moscow time (3:00 p.m. London time, 10 a.m. New York time) to review Mechel's financial results and comment on current operations. The call may be accessed via the Internet at <http://www.mechel.com>, under the Investor Relations section.

Alexey Lukashov
 Director of Investor Relations
 Mechel PAO
 Phone: 7-495-221-88-88
 Fax: 7-495-221-88-00
alexey.lukashov@mechel.com

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.

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.

Attachments to the 9M 2017 Financial results 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 net profit (loss) attributable to equity shareholders of Mechel PAO before Depreciation and depletion, 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 accounts receivable, Provision (reversal of provision) for doubtful accounts, Write-off of inventories to net realisable value, Loss (profit) after tax from discontinued operations, net, Net result on the disposal of subsidiaries, Profit (loss) attributable to non-controlling interests, Income tax expense (benefit), Pension service cost and actuarial loss, other related expenses, Other fines and penalties, Gain on write-off of accounts payable 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 interim condensed consolidated statement of profit (loss). 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 interest expenses, depreciation and depletion 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.

Adjusted net profit (loss) represents net profit (loss) attributable to equity shareholders of Mechel PAO before Impairment of goodwill and other non-current assets, Loss (profit) after tax from discontinued operations, net, Net result on the disposal of subsidiaries, Effect on loss attributable to non-controlling interests, Foreign exchange (gain) loss, net, Pension service cost and actuarial loss, other related expenses, Other fines and penalties, Gain on write-off of accounts payable with expired legal term and Other one-off items. Our adjusted net profit (loss) may not be similar to adjusted net profit (loss) measures of other companies. Adjusted net profit (loss) is not a measurement under IFRS and should be considered in addition to, but not as a substitute for, the information contained in our interim condensed consolidated statement of profit (loss). We believe that our adjusted net profit (loss) provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations. While impairment of goodwill and other non-current assets is considered operating expenses under IFRS, these expenses represent the non-cash current period allocation of costs associated with assets acquired or constructed in prior periods. Our adjusted net profit (loss) calculation is 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.

Our calculations of Net debt, excluding fines and penalties on overdue amounts** and trade working capital are presented below:

Mln rubles	30.09.2017
Interest-bearing loans and borrowings, excluding interest payable, fines and penalties on overdue amounts	381,994
Interest payable	18,949
Non-current interest-bearing loans and borrowings	16,961
Other non-current financial liabilities	39,280
Other current financial liabilities	620
less Cash and cash equivalents	(2,239)
Net debt, excluding finance lease liabilities, fines and penalties on overdue amounts	455,565
Finance lease liabilities, current portion	7,756
Finance lease liabilities, non-current portion	512
Net debt, excluding fines and penalties on overdue amounts	463,833
Mln rubles	30.09.2017
Trade and other receivables	19,385
Inventories	36,547

Other current assets	8,202
Income tax receivables	510
Trade current assets	64,644
Trade and other payables	34,756
Advances received	3,473
Provisions and other current liabilities	2,792
Tax and similar charges payable other than income tax	8,578
Income tax payable	4,177
Trade current liabilities	53,776
Trade working capital	10,868

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

EBITDA can be reconciled to our interim condensed consolidated statement of profit (loss) as follows:

	Consolidated
<i>Mln rubles</i>	9m 2017
Net profit (loss) attributable to equity shareholders of Mechel PAO	11,114
<i>Add:</i>	
Depreciation and depletion	11,041
Foreign exchange (gain) loss, net	(3,601)
Finance costs including fines and penalties on overdue loans and borrowings and finance leases payments	36,273
Finance income	(493)
Net result on the disposal of non-current assets, impairment of goodwill and other non-current assets, write-off of accounts receivables, provision (reversal of provision) for doubtful accounts and write-off of inventories to net realisable value	799
Loss (profit) after tax from discontinued operations, net	-
Net result on the disposal of subsidiaries	(474)
Profit (loss) attributable to non-controlling interests	848
Income tax expense (benefit)	2,806
Pension service cost and actuarial loss, other related expenses	96
Other fines and penalties	892
Gain on write-off of accounts payable with expired legal term	(161)
Other one-off items	-
EBITDA	59,140
<i>EBITDA, margin</i>	27 %
<i>Mln rubles</i>	9m 2017
Net profit (loss) attributable to equity shareholders of Mechel PAO	11,114
<i>Add:</i>	
Impairment of goodwill and other non-current assets	-
Loss (profit) after tax from discontinued operations, net	-
Net result on the disposal of subsidiaries	(474)
Effect on loss attributable to non-controlling interests	-
Foreign exchange (gain) loss, net	(3,601)
Pension service cost and actuarial loss, other related expenses	96
Other fines and penalties	892
Gain on write-off of accounts payable with expired legal term	(161)
Other one-off items	-
Adjusted net profit (loss), net of income tax	7,866
Operating profit	46,415

Add:

Impairment of goodwill and other non-current assets	-
Write-off of property, plant and equipment	152
Pension service cost and actuarial loss, other related expenses	96
Other fines and penalties	892
Other one-off items	-
Adjusted operating profit	47,555
*** including inter-segment operations	

Consolidated

Mln rubles

3q 2017

Net profit (loss) attributable to equity shareholders of Mechel PAO	6,120
<i>Add:</i>	
Depreciation and depletion	3,813
Foreign exchange (gain) loss, net	(1,797)
Finance costs including fines and penalties on overdue loans and borrowings and finance leases payments	12,177
Finance income	(51)
Net result on the disposal of non-current assets, impairment of goodwill and other non-current assets, write-off of accounts receivables, provision (reversal of provision) for doubtful accounts and write-off of inventories to net realisable value	(454)
Net result on the disposal of subsidiaries	(478)
Profit (loss) attributable to non-controlling interests	160
Income tax (benefit) expense	(821)
Pension service cost and actuarial loss, other related expenses	32
Other fines and penalties	293
Gain on write-off of accounts payable with expired legal term	(81)
Other one-off items	-
EBITDA	18,913
<i>EBITDA, margin</i>	26 %

Mln rubles

3q 2017

Net profit (loss) attributable to equity shareholders of Mechel PAO	6,120
<i>Add:</i>	
Impairment of goodwill and other non-current assets	-
Net result on the disposal of subsidiaries	(478)
Effect on loss attributable to non-controlling interests	-
Foreign exchange (gain) loss, net	(1,797)
Pension service cost and actuarial loss, other related expenses	32
Other fines and penalties	293
Gain on write-off of accounts payable with expired legal term	(81)
Other one-off items	-
Adjusted net profit (loss), net of income tax	4,089
Operating profit (loss)	15,738
<i>Add:</i>	
Impairment of goodwill and other non-current assets	-
Write-off of property, plant and equipment	4
Pension service cost and actuarial loss, other related expenses	32
Other fines and penalties	293
Other one-off items	-
Adjusted operating profit (loss)	16,067
*** including inter-segment operations	

Attachment B

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT (LOSS)
AND OTHER COMPREHENSIVE INCOME (LOSS)**
(All amounts are in millions of Russian rubles)

	9 months 2017* (unaudited)
Continuing operations	
Revenue	222,797
Cost of sales	(121,009)
Gross profit	101,788
Selling and distribution expenses	(40,858)
Write-off of property, plant and equipment	(152)
Impairment of goodwill and other non-current assets	-
Provision for doubtful accounts	(316)
Taxes other than income tax	(3,671)
Administrative and other operating expenses	(11,190)
Other operating income	814
Total selling, distribution and operating income and (expenses), net	(55,373)
Operating profit	46,415
Finance income	493
Finance costs, including fines and penalties on overdue loans and borrowings and finance lease payments of RUB 785 million, RUB 5,254 million for the 9 months ended September 30, 2017 and 2016, respectively	(36,273)
Foreign exchange gain (loss), net	3,601
Share of profit of associates, net of provision	14
Other income	648
Other expenses	(130)
Total other income and (expense), net	(31,647)
Profit before tax from continuing operations	14,768
Income tax expense	(2,806)
Profit for the period from continuing operations	11,962
Discontinued operations	
Loss after tax for the period from discontinued operations, net	-
Profit for the period	11,962
Attributable to:	
Equity shareholders of Mechel PAO	11,114
Non-controlling interests	848
Other comprehensive income	
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:</i>	<i>179</i>
Exchange differences on translation of foreign operations	179
Other comprehensive income for the period, net of tax	179
Total comprehensive income for the period, net of tax	12,141
Attributable to:	
Equity shareholders of Mechel PAO	11,293
Non-controlling interests	848

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts are in millions of Russian rubles)

	September (unaudited)
Assets	
Current assets	
Cash and cash equivalents	2,239

Trade and other receivables	19,385
Inventories	36,547
Income tax receivables	510
Other current financial assets	37
Other current assets	8,202
Total current assets	66,920
Non-current assets	
Property, plant and equipment	200,697
Mineral licenses	34,788
Non-current financial assets	227
Investments in associates	277
Deferred tax assets	250
Goodwill	18,336
Other non-current assets	788
Total non-current assets	255,363
Total assets	322,283
Equity and liabilities	
Current liabilities	
Interest-bearing loans and borrowings, including interest payable, fines and penalties on overdue amounts of RUB 40,410 million and RUB 38,594 million as of September 30, 2017 and December 31, 2016, respectively	422,404
Trade and other payables	34,756
Advances received	3,473
Provisions	2,711
Pension obligations	990
Finance lease liabilities	7,756
Income tax payable	4,177
Taxes and similar charges payable other than income tax	8,578
Other current financial liabilities	620
Other current liabilities	81
Total current liabilities	485,546
Non-current liabilities	
Interest-bearing loans and borrowings	16,961
Provisions	3,962
Pension obligations	3,625
Finance lease liabilities	512
Deferred tax liabilities	13,465
Other non-current liabilities	143
Other non-current financial liabilities	39,731
Income tax payable	-
Total non-current liabilities	78,399
Total liabilities	563,945
Equity	
Common shares	4,163
Preferred shares	833
Additional paid-in capital	27,960
Accumulated other comprehensive income	1,030
Accumulated deficit	(284,186)
Equity attributable to equity shareholders of Mechel PAO	(250,200)
Non-controlling interests	8,538
Total equity	(241,662)
Total equity and liabilities	322,283

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts are in millions of Russian rubles)

	9 months 2017* (unaudited)
Cash flows from operating activities	
Profit for the period	11,962
Less loss after tax for the period from discontinued operations, net	-
Profit for the period from continuing operations	11,962
<i>Adjustments to reconcile income from continuing operations to net cash provided by operating activities:</i>	
Depreciation	9,743
Depletion and amortization	1,298
Foreign exchange (gain) loss, net	(3,601)
Deferred tax (income) expense	(1,562)
Provision for doubtful accounts	316
Write-off of accounts receivable	48
Write-off of inventories to net realisable value	292
Revision in estimated cash flows from rehabilitation provision	(59)
Write-off of property, plant and equipment	152
Impairment of goodwill and other non-current assets	-
(Gain) loss on disposal of non-current assets	(9)
Loss (gain) on sale of investments	4
Gain on write-off of accounts payable with expired legal term	(161)
Pension service cost and actuarial loss, other related expenses	96
Finance income	(493)
Finance costs, including fines and penalties on overdue loans and borrowings and finance lease payments	36,273
Gain on royalty and other proceeds associated with disposal of Bluestone	(481)
Other	213
<i>Changes in working capital items:</i>	
Trade and other receivables	(708)
Inventories	(2,448)
Trade and other payables	(3,680)
Advances received	(318)
Taxes payable and other liabilities	3,156
Other current assets	(1,369)
Income tax paid	(3,202)
Net operating cash flows from discontinued operations	-
Net cash provided by operating activities	45,462
Cash flows from investing activities	
Loans issued and other investments	(5)
Interest received	129
Proceeds from disposal of subsidiaries	82
Royalty and other proceeds associated with disposal of Bluestone	481
Purchases of available for sale securities	-
Proceeds from loans issued and other investments	144
Proceeds from disposals of property, plant and equipment	275
Purchases of property, plant and equipment	(4,250)
Interest paid, capitalized	(411)
Net cash used in investing activities	(3,555)
Cash flows from financing activities	

Proceeds from loans and borrowings	16,809
Repayment of loans and borrowings	(28,366)
Dividends paid to shareholders of Mechel PAO	(856)
Dividends paid to non-controlling interests	(118)
Interest paid, including fines and penalties	(24,640)
Proceeds from sales of 49% stakes in Elga coal complex, with put-option granted	-
Repayment of obligations under finance lease	(2,712)
Deferred payments for acquisition of assets	(272)
Deferred consideration paid for the acquisition of subsidiaries in prior periods	(2,430)
Net cash used in financing activities	(42,585)
Effect of exchange rate changes on cash and cash equivalents	(415)
Net decrease in cash and cash equivalents	(1,093)
Cash and cash equivalents at beginning of period	1,689
Cash and cash equivalents net of overdrafts at beginning of period	1,453
Cash and cash equivalents at end of period	2,239
Cash and cash equivalents net of overdrafts at end of period	360

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

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