

Mechel PAO  
Form 6-K  
November 27, 2018

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

November 27, 2018

(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.

Edgar Filing: Mechel PAO - Form 6-K

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

---

MECHEL REPORTS THE 9M 2018 FINANCIAL RESULTS

Consolidated revenue – 237.0 bln rubles (+6% compared to 9M 2017)

EBITDA<sup>1</sup> – 60.6 bln rubles (+3% compared to 9M 2017)

Profit attributable to equity shareholders of Mechel PAO – 11.0 bln rubles

Moscow, Russia – November 27, 2018 – Mechel PAO (MOEX: MTLR, NYSE: MTL), a leading Russian mining and steel group, announces financial results for the 9M 2018.

Mechel PAO's Chief Executive Officer Oleg Korzhov commented:

“The Group's nine months 2018 financial result from operating activities demonstrated a small growth year-on-year. The third quarter turned out weaker than the previous one.

“The key factors that impacted the dynamics of our results were the necessary planned repairs at our steelmaking facilities that have been put off in earlier periods due to lack of financing, as well as transport limitations due to railway car shortages. As the markets were favorable, this did not have a major impact on our revenue, but did increase operation costs and as such, brought down EBITDA and profitability.

“Later this year and next year we still have several major repairs ahead of us, necessary for increasing production and further expansion of our product range. In this reporting period, our steelmaking experts mastered and earned certificates for production of rails for speed railways, as well as mastered manufacturing of conductor rails for underground railway systems. We are also working on boosting production of stainless flats, which are much in demand.

“The mining division demonstrated stable levels of coal mining and a growth in iron ore concentrate production at Korshunov Mining Plant. Stripping volumes also demonstrated a marked increase throughout the division. Sales went down due to railcar shortages, coal was partly stored and will be sold in future periods. At the same time, coking coal concentrate sales to third parties demonstrated positive dynamics quarter-on-quarter. The decrease in shipments by third-party railcars was partially compensated by the growth in shipping using our own rolling stock. Later this year and next year we plan to expand our own railcar fleet to reduce our dependency on third-party operators.

“On a separate note, we have reached progress in restructuring our debt by refinancing our 1-billion-dollar pre-export syndicated loan. The unstructured share of our debt portfolio is down to 9%. We continue working on restructuring the remainder of our loans and expect to complete this process next year.”

Consolidated Results For The 9M2018

Mln rubles	9M' 18	9M' 17	%	3Q' 18	2Q' 18	%
Revenue	237,003	222,797	6%	79,965	82,186	-3%

Edgar Filing: Mechel PAO - Form 6-K

from external customers						
Operating profit	47,802	46,415	3%	15,161	19,258	-21%
EBITDA	60,646	59,148	3%	19,206	23,004	-17%
EBITDA, margin	26%	27%		24%	28%	
Profit						
	10,997	11,114	-1%	6,304	1,400	350%
attributable to equity shareholders of Mechel PAO						
Mining Segment						

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

“Escalation of the trade conflict between the United States and China, the drop in yuan exchange rate and introduction of limitations against coal imports in Chinese ports led to a correction in international market spot prices for coking coal early in the third quarter to \$172 per tonne FOB Australia. Later the Chinese government announced an expansion in investment into the country’s railroad infrastructure, which spiked Chinese steel production to record highs and prompted an increase in coking coal consumption. In India steel production levels have also been high. As a result, increased global demand for coking coal coincided with logistical difficulties with coal shipments from major coal exporting states, and by the quarter’s end, spot prices once again topped \$200 per tonne.

“During this period, our facilities continued to implement the program of repairing and upgrading equipment, acquiring new mining machines as well as making up for the lag in preparing reserves for mining. For example, thanks to new equipment and bringing in contractors with their own fleet, stripping volumes at our coal facilities went up in the third quarter by 23% quarter-on-quarter. At Korshunov Mining Plant, stripping went up by 33%, while iron ore concentrate production increased by 17% quarter-on-quarter.

“At the same time, in this reporting period there were difficulties with supplying the division with necessary number of railcars both for transporting run-of-mine coal to washing plants and for shipping ready products to our customers. This hampered our ability to process and sell coal. Some coal remained at our storages and will be sold later when the railcar situation becomes normal.

<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.

Edgar Filing: Mechel PAO - Form 6-K

“The decrease in coal shipments was partially compensated by the growth of coke and iron ore sales, so the slump in revenue was minor. At the same time, the growth of operation costs as stripping and repair works became more intensive had a negative impact on the EBITDA and margin dynamics.”

Mln rubles	9M' 18	9M' 17%	3Q' 18	2Q' 18%
Revenue	73,316	74,685	-2%	24,916
from external customers	28,460	32,974	-14%	9,415
Revenue	9,415	9,633	-2%	
inter-segment				
EBITDA	36,582	47,336	-23%	11,691
EBITDA, margin	36%	44%		34%
				41%

Steel Segment

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

“As a result of these nine months, the division demonstrated growing revenue and EBITDA, primarily due to this year's improvement in the market situation. The third quarter's results showed negative dynamics compared to the previous quarter. The main reason was the decrease in product sales due to production cuts. Production limitations were due to an increase in current and overhaul repairs aimed at making our equipment operation more reliable and stable. Until this year's end and next year we plan a series of other major repairs as well as measures aimed at expanding our product range. Chelyabinsk Metallurgical Plant will conduct repairs at its blast furnace #4 and replace its converter #1 and other facilities. More works are scheduled at the plant's agglomeration equipment, converters, concasters and rolling mills. It should be noted that this includes measures aimed at improving the plant's safety and ecological friendliness.

“Over these nine months we have increased production of stampings by 60% due to the growth in sales of wagon axles, as the demand from both domestic and CIS rolling-stock manufacturers was high.

“I would also like to note that in the third quarter we have restored rails production volumes at Chelyabinsk Metallurgical Plant's Universal rolling mill, which have slumped in the first half of the year. In the third quarter, we have shipped a total of 90,500 tonnes of rails which is nearly equal to the amount shipped in the first half of the year. The Universal rolling mill also continued to master production of new types of products. The mill began producing new types of shaped rolls, which are due to receive certificates from Russia's Federal Railway Transport Register by the end of this year.”

Mln rubles	9M' 18	9M' 17%	3Q' 18	2Q' 18%
Revenue	143,842	129,377	11%	49,460
from external customers	4,211	5,413	-22%	1,256
Revenue	1,365		-8%	

Edgar Filing: Mechel PAO - Form 6-K

inter-segment						
EBITDA	21,960	12,175	80%	7,476	8,280	-10%
EBITDA, margin	15%	9%		15%	16%	

Power Segment

Mechel-Energo OOO's Chief Executive Officer Pyotr Pashnin noted:

“The third quarter is traditionally a slow one as the heating season is over. Also, this is the time of active preparation for the new fall-winter season and preventive maintenance works on our generating equipment. As a result, the quarter's results demonstrated an expected slump quarter-on-quarter. At the same time, nine months 2018 financial results markedly exceeded those of the same period last year, for example, EBITDA grew by 40%, which is primarily due to an increase in selling prices and the drop in operation costs.”

Mln rubles	9M'	189M'	17%	3Q'	182Q'	18%
Revenue	19,845	18,735	6%	5,589	6,365	-12%
from external customers						
Revenue	11,173	11,911	-6%	3,552	3,584	-1%
inter-segment						
EBITDA	1,380	989	40%	180	463	-61%
EBITDA, margin	4%	3%		2%	5%	

\*\*\*

The management of Mechel will host a conference call today at 6:00 p.m. Moscow time (3:00 p.m. London time, 10:00 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.

Please dial the number below approximately 10 minutes prior to the scheduled time of the call.

Conference Call Phone Numbers:

International: +44 (0) 330 336 9411

US: +1 323-794-2575

Russia: +7 495 646 9190

Conference ID: 2937189

\*\*\*

Alexey Lukashov

Director of Investor Relations

Mechel PAO

Phone: 7-495-221-88-88

Fax: 7-495-221-88-00

[alexey.lukashov@mechel.com](mailto: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 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 loss (gain), 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, Write-off of inventories to net realisable value, Allowance for expected credit losses on financial assets, 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 restructuring and forgiveness of accounts payable and 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) 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.



Edgar Filing: Mechel PAO - Form 6-K

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

Mln rubles	30.09.2018	31.12.2017
Loans and borrowings, excluding interest payable, fines and penalties on overdue amounts	392,831	380,541
Interest payable	7,683	20,420
Non-current loans and borrowings	14,649	17,360
Other non-current financial liabilities	43,344	40,916
Other current financial liabilities	-	734
less Cash and cash equivalents	(2,777)	(2,452)
Net debt, excluding finance lease liabilities, fines and penalties on overdue amounts	455,730	457,519
Current finance lease liabilities	5,818	7,476
Non-current finance lease liabilities	2,631	1,878
Net debt, excluding fines and penalties on overdue amounts	464,179	466,873

EBITDA can be reconciled to our interim condensed 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.

---

Edgar Filing: Mechel PAO - Form 6-K

Mln rubles	Consolidated Results		Mining Segment ***		Steel Segment***		Power Segment***	
	9m		9m		9m		9m	
	9m 2018	2017	9m 2018	2017	2018	2017	2018	2017
Profit (loss) attributable to equity shareholders of Mechel PAO	10,997	11,114	10,385	16,873	618	(3,825)	365	(582)
Add:								
Depreciation and amortisation	10,159	11,041	5,702	6,262	4,088	4,446	369	333
Foreign exchange loss (gain), net	18,604	(3,601)	11,467	(3,664)	7,124	64	13	(1)
Finance costs including fines and penalties on overdue loans and borrowings and finance leases payments	31,729	36,273	22,707	26,452	9,732	10,683	414	664
Finance income	(20,561)	(493)	(19,090)	(1,403)	(1,808)	(572)	(783)	(44)
Net result on the disposal of non-current assets, impairment of goodwill and other non-current assets, write-off of accounts receivable and write-off of inventories to net realisable value, allowance for expected credit losses on financial assets	2,257	807	867	517	651	(15)	739	307
Net result on the disposal of subsidiaries	-	(474)	(3)	(474)	3	-	-	-
Profit attributable to non-controlling interests	933	848	224	386	585	381	124	80
Income tax expense	6,188	2,806	4,545	1,889	435	831	109	85
Pension service cost and actuarial loss, other related expenses	108	96	88	76	18	17	2	3
Other fines and penalties	602	892	(49)	476	620	269	31	147
Gain on restructuring and forgiveness of accounts payable and write-off of accounts payable with expired legal term	(370)	(161)	(261)	(54)	(106)	(104)	(3)	(3)
EBITDA	60,646	59,148	36,582	47,336	21,960	12,175	1,380	989
EBITDA, margin	26%	27%	36%	44%	15%	9%	4%	3%

Mln rubles	Consolidated Results		Mining Segment ***		Steel Segment***		Power Segment***	
	2q		2q		3q		2q	
	3q 2018	2018	3q 2018	2018	2018	2018	2018	2018
Profit (loss) attributable to equity shareholders of Mechel PAO	6,304	1,400	9,102	1,013	(1,055)	(370)	(278)	676
Add:								
Depreciation and amortisation	3,168	3,514	1,786	1,946	1,262	1,452	120	116
Foreign exchange loss (gain), net	7,024	12,088	3,675	8,289	3,353	3,783	(4)	16
Finance costs including fines and penalties on overdue loans and borrowings and finance leases payments	10,284	10,982	6,839	8,167	3,695	3,057	131	123
Finance income	(12,698)	(7,770)	(12,920)	(5,822)	(148)	(1,553)	(12)	(760)
Net result on the disposal of non-current assets, impairment of goodwill and other non-current assets,	721	295	391	111	142	74	188	113

Edgar Filing: Mechel PAO - Form 6-K

write-off of accounts receivable and write-off of inventories to net realisable value, allowance for expected credit losses on financial assets								
Net result on the disposal of subsidiaries	310	(310)	-	(3)	310	(307)	-	-
Profit attributable to non-controlling interests	346	349	140	56	193	221	13	73
Income tax expense (benefit)	3,723	2,455	2,773	893	(388)	1,686	17	99
Pension service cost and actuarial loss, other related expenses	37	35	29	30	6	5	1	-
Other fines and penalties	293	(1)	114	(255)	173	248	5	7
Gain on restructuring and forgiveness of accounts payable and write-off of accounts payable with expired legal term	(306)	(33)	(238)	(17)	(67)	(16)	(1)	-
EBITDA	19,206	23,004	11,691	14,408	7,476	8,280	180	463
EBITDA, margin	24%	28%	34%	41%	15%	16%	2%	5%
*** including inter-segment operations								

---

## Attachment B

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT (LOSS) AND  
OTHER COMPREHENSIVE INCOME

for the nine months ended September 30, 2018

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

	Nine months ended September 30, 2018 (unaudited)	Nine months ended September 30, 2017 (unaudited)
Revenue	237,003	222,797
Cost of sales	(131,757)	(121,009)
Gross profit	105,246	101,788
Selling and distribution expenses	(41,939)	(40,858)
Loss on write-off of non-current assets	(243)	(152)
Allowance for expected credit losses on financial assets	(806)	(355)
Taxes other than income taxes	(3,685)	(3,671)