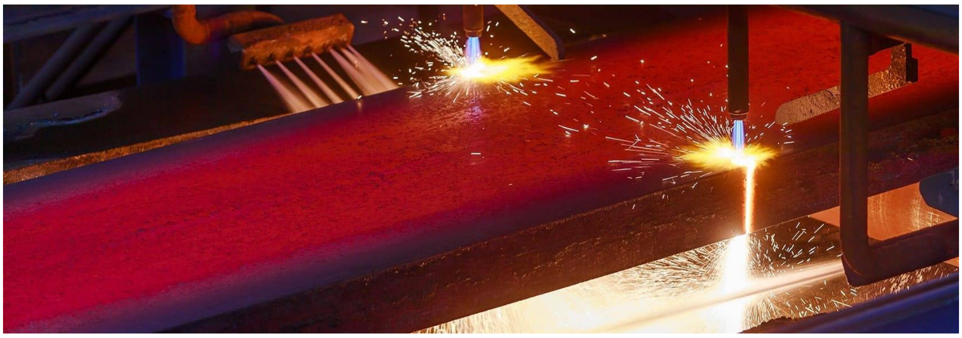
16 wrz 2019

Metinvest announces financial results for the first six months of 2019

Metinvest B.V., the parent company of a vertically integrated group of steel and mining companies (jointly referred to as “Metinvest” or “the Group”), announced its unaudited IFRS interim condensed consolidated financial statements for the six months ended 30 June 2019.



Due to rounding, numbers presented throughout this release may not add up precisely to the totals provided and percentages may not precisely reflect absolute figures.

Summary - financial results	6M19	6M18	Change, y-o-y	
			US$ mn	%
Income statement highlights				
Revenues	5,818	6,179	-361	-6%
Adjusted EBITDA[1]	890	1,335	-445	-33%
Margin	15%	22%		-7 pp
Net profit	408	668	-260	-39%
Margin	7%	11%		-4 pp
Cash flow highlights				
Net cash from operations	570	457	113	25%
Net cash used in investing activities	-529	-97	-432	>100%
Net cash used in financing activities	-40	-240	200	-83%

Summary - financial results	30.06.2019	31.12.2018	Change, YTD	
			US$ mn	%
Total debt[2]	2,753	2,743	10	0%
Cash and cash equivalents	279	280	-1	0%
Net debt[3]	2,474	2,463	11	0%
Net debt/EBITDA	1,2x	1,0x		0,2x

Summary - production results	6M19	6M18	Change, y-o-y	
			kt	%
Crude steel	**3,923**	**3,794**	**129**	**3%**
Azovstal	2,053	2,181	-128	-6%
Ilyich Steel	1,870	1,613	257	16%
Iron ore concentrate	**14,454**	**13,987**	**467**	**3%**
Northern GOK	6,078	5,729	349	6%
Ingulets GOK	6,254	6,231	23	0%
Central GOK	2,122	2,026	96	5%
Coking coal concentrate	**1,404**	**1,340**	**64**	**5%**
United Coal	1,404	1,340	64	5%

Notes:

1. Adjusted EBITDA is calculated as earnings before income tax, finance income and costs, depreciation and amortization, impairment and devaluation of property, plant and equipment, foreign-exchange gains and losses, the share of results of associates and other expenses that the management considers non-core, plus the share of EBITDA of joint ventures. We will refer to adjusted EBITDA as EBITDA throughout this release.

2. Total debt is calculated as the sum of bank loans, bonds, trade finance, lease liabilities and deferred consideration.

3. Net debt is calculated as total debt less cash and cash equivalents.

4. EBITDA for the last 12 months

Operational highlights

- In June, Azovstal completed the major overhaul of blast furnace (BF) no. 3 and construction of the pulverised coal injection (PCI) unit.

- In January, the Group acquired 23.71% in Southern Coke, a Ukrainian producer of metallurgical coke with annual coke production capacity of some 600 kt, for a cash consideration of US$30 mn.

- In August, the Group acquired 49.37% in Dnipro Coke, a Ukrainian producer of metallurgical coke with annual coke production capacity of some 700 kt, for a cash consideration of US$11 mn.

Debt management

- In January, international rating agency S&P changed its outlook on Metinvest's long-term corporate credit to 'positive', affirming its 'B-' rating. In April, Fitch upgraded the Group's long-term foreign currency issuer default rating to 'B+', one notch above Ukraine's country ceiling, the outlook 'stable'.

- In July, after the reporting period, the Group secured a nine-year buyer credit facility of EUR34.4 mn for the reconstruction of hot strip mill (HSM) 1700 at Ilyich Steel. The facility is covered by an Austrian export guarantee issued by Oesterreichische Kontrollbank Aktiengesellschaft (OeKB), while ODDO BHF Aktiengesellschaft acted as the sole lender.

Commenting on the results, Yuriy Ryzhenkov, Chief Executive Officer of Metinvest, said:

"In the first half of 2019, Metinvest continued to make solid progress on its long-term objectives, focusing foremost on improving its operations.

Sustainability is a priority in our work and a major rationale for our long-term investments. We have multiple projects under way aimed at reducing our impact on the world in which we live. We are committed to making our communities cleaner and more comfortable as part of a broader push to position Ukraine at the forefront of the fight against global climate change. As such, in the first half of 2019, we expanded our direct spending on ecological efforts by 16% year-on-year to US$163 million.

Assessing our operational performance, I am pleased to say that our assets delivered decent production results in the first half, with the output of iron ore concentrate up by 3% year-on-year, of coking coal up by 5% year-on-year and of crude steel up by 3% year-on-year. Launching Ilyich Steel's new continuous casting machine allowed the Group to improve the metal product mix in favour of higher value-added goods.

At the same time, production of coke and hot metal was affected to some extent by coal supply interruptions, as Russia restricted deliveries to the Group. However, we were well prepared for this development, as we had put in place sufficient coal stocks, diversified our seaborne coal supplies and acquired a stake in the Pokrovske coal business in Ukraine, securing an additional local source.

The Group is well on track to upgrade its assets in line with the Technological Strategy 2030, increasing CAPEX by 15% year-on-year to US$482 million in the first half of 2019. This sustained investment is important to achieving our strategic objectives. Amid several major projects to improve the quality and efficiency of production, enhance workplace safety and reduce environmental impact, the Group completed the major overhaul of blast furnace no. 3 at Azovstal and is now moving on to blast furnace no. 6. At Ilyich Steel, we are on the final stage of the reconstruction of the hot strip mill 1700, which is expected to be completed in the coming months and will help the Group to unlock additional margins on higher volumes of better quality hot-rolled coils.

In the first half of 2019, Metinvest's financial performance was affected by weak global pricing for steel, which impacted the top and bottom lines. Meanwhile, the vertical integration of the Group's business once again proved to be one of Metinvest's competitive advantages. Elevated iron ore prices amid global supply constraints, primarily due to the aftermath of the Brumadinho dam disaster in Brazil in January 2019, led to a shift in the Group's EBITDA generation to the Mining segment, which contributed 86% of EBITDA during the reporting period.

Turning to recent developments in Ukraine, the country witnessed smooth presidential and parliamentary elections this year, signalling the strength of its democratic institutions. We are optimistic about the economy and hope to see an acceleration from the robust 4.6% year-on-year GDP expansion recorded in the second quarter of 2019, which in turn would drive greater steel consumption.

Looking forward, despite the uncertain global macro picture, we believe that Ukraine's growing economy can escape the contagion. Whatever the case, we will continue to do our best to deliver sustainable results and make our business more resilient to external shocks and economic cycles."

READ THE FULL RELEASE (PDF)

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METINVEST GROUP is a vertically integrated group of steel and mining companies that manages every link of the value chain, from mining and processing iron ore and coal to making and selling semi-finished and finished steel products. It comprises steel and mining production facilities located in Ukraine, Europe and the US, as well as a sales network covering all key global markets. The Group is structured into two operating segments, Metallurgical and Mining, and its strategic vision is to become a leading vertically integrated steel producer in Europe, delivering sustainable growth and profitability resilient to business cycles and providing investors with returns above the industry benchmarks. For the six months ended 30 June 2019, the Group reported revenues of US$5.8 bn and an EBITDA margin of 15%.

METINVEST HOLDING LLC is the management company of Metinvest Group.