

## NLMK Sees Q3 Weaker After Q2 Lift

By [The Moscow Times](#)

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Novolipetsk Steel on Monday forecast a weaker third quarter after posting better than expected second-quarter net profit of \$459 million.

The fourth largest steelmaker, controlled by Russia's richest man, Vladimir Lisin, said its earnings before interest, taxation, depreciation and amortization margin likely fell to 30 percent in the July-September period from 36 percent in the second quarter as steel prices dipped.

But analysts said the margin fall was to be expected.

"It will be lower in the third quarter for objective reasons: Sales volumes will be roughly the same, and realized prices fell from June to the start of October," Deutsche Bank analyst Olga Okuneva said.

"Against this backdrop, 30 percent [EBITDA margin] looks very good."

Analysts polled by Reuters expected second-quarter net profit of \$392 million, up from a year-earlier loss of \$49 million.

"Changes in financial performance will reflect the impact of external market factors related to a decrease in steel product prices throughout May-August coupled with relatively stable raw material prices," chief financial officer Galina Aglyamova said in a statement Monday.

Third-quarter revenues are also seen down quarter on quarter.

Novolipetsk, also known as NLMK, said second-quarter EBITDA reached \$774 million, up from \$234 million last year and also ahead of the \$693 million poll forecast.

Sales in the period reached \$2.16 billion, compared with \$1.29 billion a year ago.

Steelmakers in Russia, the world's third-largest producer, are benefiting from their position as leading low-cost producers after suffering through a difficult 2009 when global steel demand declined.

Severstal, Russia's leading producer, last month reported that it also swung to second-quarter net profit of \$192 million from a year-earlier loss.

NLMK, which managed to avoid the pricey international merger and acquisition deals that drove many Russian steel companies to the brink of bankruptcy during the downturn, reduced its debt by \$170 million in the second quarter to \$2.37 billion.

The company also has cash and short-term investments of \$1.42 billion.

It is pushing ahead with an aggressive expansion program that will boost 2012 crude steel capacity at its Russian mills by 40 percent to 17.4 million metric tons.

A key pillar of the program is a new blast furnace at its Lipetsk headquarters, which will add 3.4 million tons of production capacity when complete in mid-2011.

This year's capital investments will total about \$1.8 billion.

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