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Novolipetsk Steel Q3 Earnings Slump

By The Moscow Times

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Novolipetsk Steel reported third-quarter earnings that missed analysts' estimates amid a "dramatic drop in prices and softening in demand" in European markets.

Earnings before interest, tax, depreciation and amortization including "roll-back" effects fell 43 percent to $478 million from the previous quarter, the company said Wednesday.

Net income fell 62 percent to $225 million from $587 million in the second quarter, NLMK said. The company's EBITDA margin dropped to 14 percent from 28.1 percent, while revenue increased 12 percent to $3.3 billion.

While pricing in the domestic market will remain "mostly stable," the company said export prices are under pressure due to weaker economic growth and seasonal factors.

In July, NLMK completed the $600 million acquisition of seven rolling mills in Europe and the United States. It previously owned 50 percent of the assets via a joint venture with Duferco Group. Net debt surged 95 percent to $2.9 billion after the company took on extra debt

following the acquisition.

"In the fourth quarter, we expect our operating performance to improve" as new facilities start up at the company's main production site in Lipetsk, chief financial officer Galina Aglyamova said in the statement.

The company reiterated its full-year production forecast in the range of 12 million tons of steel.

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