

# MMK Q1 Down, But Outlook Still High

By [The Moscow Times](#)

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Workers take a break at a Magnitigorsk plant **Denis Grishkin**

Magnitogorsk Iron & Steel Works posted a sharp drop in first-quarter profits, which were hampered by its Turkish steel unit and foreign-exchange losses.

The first-quarter net profit of \$14 million beat analyst expectations. Based on lower steel prices and foreign-exchange losses, analysts had forecast that the company would report a net loss of \$1 million.

The profits were nevertheless a drop-off from the company's net profit of \$134 million the previous fiscal year.

The company, controlled by billionaire Viktor Rashnikov, said Turkish asset MMK Metallurji, which posted an \$18 million EBITDA loss in the first quarter, dented overall profits.

"The loss at MMK Metalurji continued to have a negative effect on net profit for the period," the company said in a statement. "One-off factors affecting net profit for the period included

a foreign-exchange loss of \$89 million."

The company said its revenue rose to \$2.43 billion from \$2.22 billion a year ago.

EBITDA dropped to \$293 million from \$403 million a year ago.

Total debt stood at \$4.25 billion in the first quarter, down by \$170 million from the end of last year.

The company provided a mixed outlook for the second quarter, saying steel prices would likely continue to fall.

"Average prices since the beginning of 2012 rose by 6 to 7 percent. At present, prices are experiencing a correction, which is expected to continue into the middle of Q3 2012," the company said.

At the same time, the company expects its 2012 finished-steel-products output to grow year on year, driven by increased domestic demand and the launch of new products.

"An expected increase in demand for steel in Russia in 2012, the introduction of new products at Magnitogorsk and MMK Metalurji reaching full production capacity will allow MMK Group to increase output of finished steel products compared with 2011," the company said.

MMK shares were up 2.17 percent at close Friday, outperforming the broader MICEX Index, which was up 2.17 percent.

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