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FOREX Gain Helps Russian Steelmaker MMK Swing Back to Profit

By The Moscow Times

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Russian steelmaker MMK reported net profit of $159 million for the second quarter on Friday, outperforming analysts' expectations for profit of $108 million.

The company was able to swing back to profit in the second quarter thanks to a foreign exchange gain of $86 million, increased output and higher steel prices, a company spokesman said.

A year earlier MMK, controlled by Russian businessman Viktor Rashnikov, posted a net loss of $155 million. In the first quarter the company had a $79 million net loss.

Its earnings before interest, taxation, depreciation and amortization, or EBITDA, increased to $399 million for the second quarter compared to $291 million a year earlier and analysts' forecast for $385 million.

The company said its core earnings were improved thanks to an increase in sales, an improved production structure, a recovery in steel prices in Russia and a decline in global iron ore prices.

MMK's revenue increased 2 percent year-on-year to $2.2 billion due to a rise in steel prices on the domestic market and higher sales volumes.

In July, the company said its second-quarter crude steel production rose 6.3 percent quarter-on-quarter to 3.4 million tones.

"MMK Group's financial results for Q3 2014 will be affected by a marginal reduction of output volumes at the main production site and by a decrease in global iron ore indices,"
the company said, referring to two factors that could potentially offset each other.

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