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Russian Steelmaker MMK Reports Highest Earnings in 5 Years

By The Moscow Times

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Employees work at a factory of Russian steel maker MMK.

Russian steelmaker MMK reported its highest core earnings since 2009 on Thursday, helped by a weaker ruble, which cut its costs in dollar-terms in 2014 and is expected to reduce them further in 2015.

MMK, controlled by businessman Viktor Rashnikov, joins other Russian exporters who have benefited from a 43-percent decline in the ruble against the dollar in 2014, dragged lower by weak oil prices and Western sanctions over Ukraine crisis.

MMK's 2014 earnings before interest, taxation, depreciation and amortization (EBITDA) rose 31 percent to $1.6 billion, the highest level since 2009. Its depreciation costs fell 23 percent.

"Decreasing depreciation and capex (capital expenditures) support the group's profitability ... It is expected that depreciation costs in dollar terms will continue to decrease in 2015," MMK

said in a presentation of its financial results.

However, its bottom line was hit by the ruble decline: MMK posted a fourth-quarter net loss of $150 million due to a non-cash foreign exchange loss of $394 million.

Its fourth-quarter EBITDA fell 25 percent to $392 million, outperforming analysts' estimates in a Reuters poll.

Its 2014 revenue fell 3 percent to $8 billion due to lower steel prices, hurt by the continuing global capacity glut and decrease in prices for iron ore, a raw material for steel production.

MMK also added that it expected to increase first-quarter sales by 3-4 percent, quarter-on-quarter, as the lag between domestic and export prices improved the attractiveness of export sales in January-March.

The ruble price on the domestic market has been growing since November 2014 and has now reached export parity level, MMK said, adding that its 2015 capital expenditures were expected to decline to $400 million from $500 million in 2014.

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