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Sanctions Hit Profits at Russian Defense and Technology Giant Rostec

By The Moscow Times

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Western sanctions against Russia drove the profits of one of its largest technology and defense industry conglomerates, Rostec, down 15 percent in 2014, the company said in its annual consolidated financial report released on Wednesday.

Rostec is a massive state-owned corporation run by Sergei Chemezov, a close ally of President Vladimir Putin. Under his leadership, the company has absorbed up to two-thirds of Russia's defense industry, leading some to give Chemezov the unofficial title of "Shadow Defense Industry Minister."

The defense sector was a major target of Western sanctions on Russia imposed over the Ukraine crisis, and Rostec said the measures had hit its financial performance. The company said its consolidated revenue grew by 0.7 percent over 2013 to reach 964.5 billion rubles ($16.9

billion), but that net profit fell by 15 percent to 33.9 billion rubles ($600 million).

Rostec said profits were eroded by a loss in foreign investment and access to foreign markets for its defense industry holdings caused by sanctions.

The EU placed an arms embargo on Russia's entire defense industry last summer. The embargo, along with U.S. sanctions, blocked Rostec-owned companies such as Kalashnikov, the Tula arms plant, Oboronprom, Sozvezdiye and the Radio-electronic Technologies Concern (KRET), from U.S. and European markets.

However, the company saw an increase in Russian government orders for its defense industry firms compared to 2013, offsetting some of the damage done by sanctions.

“The value of state defense orders for the corporation's enterprises increased compared to 2013 by more than 60 percent,” Chemezov was quoted as saying in the Rostec report.

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