

# \$746M Q1 RusAl Profit Tops Analyst Expectations

By [The Moscow Times](#)

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United Company RusAl, the world's largest aluminum maker, said first-quarter profit more than tripled, aided by rising metal prices and a revaluation of long-term power contracts.

Net income climbed to \$746 million from \$247 million a year ago, the company said Thursday in a statement. That's more than the \$570 million median of three analyst forecasts collated by Bloomberg News. Revenue rose 28 percent to \$2.99 billion, helped by a 4 percent increase in aluminum output.

"RusAl's strong industry positions coupled with aluminum price performance continue to support our bullish view on the stock and could result in faster de-leveraging and opening up of dividend potential, despite cost pressures," Goldman Sachs Group Inc. analysts, led by Yulia Chekunayeva, said in a report before the results were published.

The producer, controlled by billionaire Oleg Deripaska, increased the average premium it

charges for aluminum over the London Metal Exchange price by 84 percent in the quarter. That added to the average 15 percent increase in the price of LME aluminum over the period.✘

RusAl on Thursday raised its forecast for average aluminum prices this year to \$2,700 a metric ton and its prediction for demand growth in China, the world's biggest aluminum user. Demand there will reach 19 million tons as consumption grows 15 percent compared with last year, RusAl said. India's demand may grow 16 percent this year, the company said.

Aluminum price gains are being tempered by higher power and rail tariff costs in Russia, home to most of RusAl's smelters. Gains in the ruble, prompted by higher oil prices, are also a concern for future earnings, according to Deutsche Bank.

RusAl is "taking a number of steps to mitigate the impact of escalating tariffs through the negotiation of new long-term electricity supply contracts and the development of our own energy base," said Deripaska, also RusAl's chief executive.

For the first quarter, RusAl's profit was boosted by a one-time gain of \$715 million from the revaluation of the company's power contracts, chief financial officer Yevgeny Kornilov said Thursday on a conference call. New Russian legislation does not recognize power contracts that stretch beyond a year, and this has led to the accounting revaluation, he said.

RusAl's net debt dropped 0.8 percent from three months earlier to \$11.4 billion on March 31, compared with close to \$17 billion in 2008. The producer paid creditors \$860 million in the first quarter.

The lower debt burden helped RusAl cut interest on the remaining obligations. The company sold 15 billion rubles of 10-year bonds, redeemable in 2015, on April 18 at par with an 8.5 percent coupon. RusAl raised the same amount in March in its first offering of ruble debt since 2005, paying an 8.3 percent coupon on the 2018 bonds redeemable in 2014.

The bond sales will save about 1 percentage point in annual interest compared with its dollar debt, Oleg Mukhamedshin, the company's head of capital markets, said in March.

RusAl is also in talks with its 10 biggest international creditor banks on a \$4 billion syndicated loan, and a deal may be completed this month, Mukhamedshin said on the conference call.

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