

# Weak Ruble Brings Russian Steelmaker Severstal to New Heights

By [The Moscow Times](#)

February 18, 2015



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Russian steelmaker Severstal reported its best core earnings margin in six years in the last quarter of 2014, helped by a weakened ruble that lifted exports and cut its costs, the company said on Wednesday.

Severstal is the first Russian steelmaker to report financials for the final quarter of last year, when the ruble lost 30 percent against the dollar due to weak oil prices and Western sanctions over the Ukraine crisis.

While many Russian companies have been hit by a downturn in the economy, exporters are supported by the 50 percent drop in the ruble since the beginning of last year as their product is now cheaper on dollar-denominated global markets.

Severstal said its margin on earnings before interest, taxes, depreciation and amortization

(EBITDA), a measure of a company's operating profitability, reached the highest level since the third quarter of 2008.

"We were able to significantly further improve our EBITDA margin reaching ... 32.1 percent in the fourth quarter, which are among the highest margins in the industry globally," Alexei Mordashov, Severstal's main owner, told reporters.

Domestic steel consumption will weaken in 2015, but Severstal hopes to compensate for it with higher exports, he added.

Severstal, which reports its accounts in U.S. dollars, said that the depreciating ruble, lower input costs and efficiency improvements at its steel operations in Russia had mitigated the impact of lower selling prices.

Its profitability has also been supported by the decision to sell two U.S. steel plants for \$2.3 billion in September, Russia's fourth-largest steel producer said.

Mordashov, who is also Severstal's chief executive, said he expected the company's EBITDA margin to remain high in 2015 and saw steel output broadly flat with potential for 4-percent growth.

However, the company's bottom line has been hit by non-cash write offs: its fourth-quarter net loss widened to \$795 million from \$45 million in the previous quarter.

Without the non-cash items — a foreign exchange loss and an impairment charge — Severstal would have posted a net profit of \$534 million in the fourth quarter, the company added.

Its shares were up 1.6 percent in Moscow, while global depositary receipts added 1.5 percent in London after showing growth since the start of February.

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