EVRAZ plc

FY 2015 financial results conference call
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Speakers:
• Alexander Frolov
• Pavel Tatyanin

MANAGEMENT DISCUSSION
Operator
Hi, everyone. Welcome to the EVRAZ Analyst Call following the results announced today. Please note, we're still waiting for people to join, so the call will start in about five minutes. [Operator Instructions] Thank you. [Operator Instructions]

Hi, everyone. Welcome to the EVRAZ Earnings Call once again following the results this morning. Please note the company are now ready to start. [Operator Instructions] Thank you. I will now hand over to the company. Please go ahead.

Alexander Frolov
Good afternoon, dear ladies and gentlemen. I would like to welcome you to our conference call to discuss financial and operational results for EVRAZ for 2015. I hope you have had an opportunity to download the presentation, which is available on our website, evraz.com, as we will be following it during the call.

Traditionally, before I begin, I would like to remind everyone that the matter discussed on this call will include forward-looking statements that are subject to many factors, risks and uncertainties that are declared in detail on the second page of the presentation. We undertake no obligation to update any forward-looking statements.

I'm joined on this call today by Pavel Tatyanin, our Chief Financial Officer. I will begin with strategic updates and our main highlights. I will then turn the call over to Pavel. He will go through the results in detail and provide an update and the targets for 2016.

Turning to the key themes on slide 5. I would like to say that the year of 2015 was a challenging year, both for the global industry and for EVRAZ. One of the most important points to mention is that despite the market downturn EVRAZ was able to maintain full capacity utilization due to its low-cost position across the industry. Having low-cost operations is critical for EVRAZ, especially in a period of declining steel and raw material prices. Please see the details of our cost base on slide 6. We also maintained our premium product portfolio, helping to mitigate margin deterioration. The group cost-efficiency program and market initiatives helped to achieve an EBITDA margin of 16.4% in 2015, just 1.6 percentage points lower than in 2014. Total EBITDA was $1,438 million, 38.9% lower than in 2014, mainly impacted by weak markets in Russia and North America. I am quite pleased though to see positive free cash flow generation and ongoing progress on net debt reduction.

On slide 7, I would like to draw your attention to [ph] 2015 (08:35). The Lost Time Injury Frequency Rate in 2015 was 2.18 times. The growth of the frequency rate reflects our efforts to improve reporting transparency, which resulted in an increased reporting of minor cases.

On slide 8, I would like to make a point about our continuous focus on previously stated strategy, which allowed us to make notable progress on our objectives during the year. We start with the customer focus. This year we already achieved additional EBITDA of $53 million, as a result of our customer focus initiatives that include expansion of our sales geography, reaching markets in Brazil, Malaysia, and other with railway products. More than that, we improved the product portfolio of 100-meter rails with premium grades and increased production of high-value micro-alloyed pipe grade slabs for tubular customers.

The fundamental part of our strategy is to remain a low-cost producer. We delivered $321 million of cost reductions in 2015. Despite the considerable progress made already, we are pursuing new initiatives which have the potential to make an impact similar to this year's results in 2016. As the result of comprehensive [ph] reviews (09:54), the company's investment program, we are trying to keep CapEx at a relatively low level reducing to $428 million for 2015.

Slide 9 shows our strong position in rails in Russia and North America. In 2015, we have sold 545,000 tonnes of premium rails to Russian Railways, and exported roughly 50,000 tonnes of rails and wheels. As part of our export strategy, the group began selling rails on the overseas markets, including contracts in the Middle East, Southeast Asia, and Latin America. Notably EVRAZ signed a contract to deliver 15,000 tonnes of rail for a high-speed link in Uzbekistan. At the same time EVRAZ remains the main supplier of Russian railroads.

Turning to construction steel on slide 10. Our sales volume of key finished products in Russia declined in 2015. Russian rebar sales fell by 20% year-on-year, due to the slowdown in construction and [ph] lower mortgages (11:01).

Beam sales dropped by 24% year-on-year and angles and channels sales by 18% due to lower domestic infrastructure investment. It is worth mentioning though that despite a slowdown in the domestic shipments during 2015, we were able to preserve our market shares. Expanding into its international presence in construction steel, EVRAZ has exported 806,000 tonnes of construction steel products in 2015 from its Russian mills, up by 80,000 tonnes from 2014.

Moving to slide 11, we have increased our sales of slabs and billets this year. Cash cost of semi-finished products was $195 per tonne, 29% lower than in 2014 due to operational improvements, volume stability and currency devaluation.

At the same time, we intend to boost our share in the high-grade semi-finished product market both in Russia and overseas.

The next slide describes our leading position in long-diameter pipe in North America and our anticipation of this market. Sales of large-diameter pipes remained strong due to the demand from mid-stream infrastructure companies.

Consumption of large-diameter pipes nearly doubled in 2015 reaching 1.5 million tonnes, up 700 million tonnes (sic) [700,000 tonnes] (12:30) from the year before.

During 2015, we have announced two projects at our Regina steel mill to continue elevating the bar on quality and growing our leadership position in large-diameter pipes. We expect that LDP market continues to remain advantageous for the next three years to five years due to the need of – to develop pipeline infrastructure and the number of projects announced.

Slide 13 describes our coal business. As the largest producer of coking coal in Russia, EVRAZ considers this part of its business to be an important separate value stream, one that brings product diversification and strong client base in Russia and abroad. In 2015, we have sold 10 million tonnes of coking coal in Russia, half of which were external sales, mostly covered by long-term contracts. The decline in Russian sales of coking coal products from 6.2 million in 2014 to 5.2 million in 2015 is mainly attributable to the decreased demand for coking coal from Russian steelmaking companies who have started to use more of their own captive coal supply.

On the export side of things, we increased our sales to Ukraine, Europe, South Korea and Japan from 1.9 million tonnes in 2014 to 2.7 million tonnes in 2015 and managed to keep stable sales to China at 1 million tonnes. Our export sales to top five clients have increased by 44%.

Now, I will hand over this call to Pavel Tatyanin. So, Pavel, please.

Pavel Tatyanin

Thank you, Alexander, and good afternoon, everybody.

To start the presentation, I would like to give a little overview of our results. The group's consolidated revenue decreased by 32.9% to $8,766 million compared to $13,061 million in 2014, primary as a result of falling prices and depressed demand in 2015. However, we managed to cushion the effect of market-challenging conditions by implementing the cost-efficiency program and market initiatives, consequently EBITDA margin is just 1.6 percentage points lower than in 2014. It was 16.4% in 2015 compared to 18% flat in 2014, as our CEO has already mentioned on this call.

Now moving to slide 15. Our free cash flow for this year remain quite strong, just $1 million short of $800 million and allowed us to reduce our debt by a significant amount of $465 million. Net cash flows from operating activities decreased by 17% only, with $329 million coming as a release in net working capital.

Moving to the next slide, slide 16, please. Our usual slide, which outlines our progress in debt reduction. Most important points to mention here I guess are that we're deleveraging and our primary focus we've managed to reduce our net debt in 2014 and 2015 for the total significant amount of almost $1.2 billion. Our net debt has been reduced to $5.3 billion. Net leverage increased to 3.7 times mainly due to our EBITDA decline.

With our continuous focus on debt reduction, we have undertaken several refinancing initiatives during 2015 in various debt markets to proactively extend our short-term debt maturities and reduce the cost of debt. Our weighted average maturity profile improved in 2015, while keeping the cost of debt stable at 6.4%.

The next slide talks about main factors that impacted our overall performance in 2015, which are in fact generally negative steel price trends globally and depressed construction demand in Russia. This impact was partially offset by cost savings and favorable movements in the foreign exchange rates. Despite these factors and our strong initiatives that have resulted in a $321 million of additional savings, our EBITDA declined 38.9% to reach $1.438 billion.

Moving on to the efficiency improvement plan on slide 19. As was already mentioned, we have managed to implement our efficiency savings plan which resulted in a $321 million of savings with the main contributors being improvements in yields and raw material costs at steel mills and mining assets. The fundamental part of EVRAZ strategy is to remain a low-cost producer with streamlined and efficient operations.

Going to the next slide, slide 20, I would like to elaborate on CapEx and our key projects. In 2015, EVRAZ reduced our total capital expenditure to $428 million compared with $654 million in 2014, primarily due to currency fluctuations and the completion of capital-intensive projects. All our ongoing projects are listed on the slide in the table, and we target $375 million to $400 million of capital expenditure for 2016.

On slide 22, we've summed up outlook points for 2016. Generally, our view is such that we see the market quite challenging and we do not anticipate substantial improvement. While taking advantage of the recent market pickup by increasing our exports and have a view that its announced plan for capacity cuts and investment stimulus measures in China prove to be sustainable, this may lead to stabilization in the market and potential positive changes in global trends.

Given the current environment, EVRAZ will remain focused on cost efficiency and product development, which will support our financial stability and enable us to deliver stronger financial results once markets improve. Importantly, EVRAZ continues to expect positive free cash flow and progress towards reducing net debt in absolute terms.

With this, I would like to thank you for listening to our presentation and we're now ready to take our questions. Thank you.

Q&A

Operator

[Operator Instructions] The first question comes from [indiscernible] (19:34). Please go ahead. In that case, we'll take a question from Sergey Donskoy. Please?

<Q - Sergey Donskoy>: Yes. Hi, thank you. I have two questions. First, regarding the – your cost-cutting plans that are illustrated on, I think, page eight of the slide presentation. Could you specify this goal of $321 million to offset for the last year? This was the cost save you achieved net that is after the effects of cost inflation or this was the cost effect before inflation, if you see what I mean?

And a second question, could you explain what was this loss from derivatives not designated as hedging instruments? Last year, I think it negatively affected the company's ability to leverage on the face of it. Thank you.

<A - Pavel Tatyanin>: Okay, this is – okay, Sergey, thank you for your questions. Let me handle your first one to start with. The $321 million was the actual number that we achieved in 2015. The goal was slightly lower than that. I think the goal was about $280 million. So we did outperform our original target for the year. We're using fixed prices and fixed exchange rate to calculate that number because we believe that fundamentally, our management effort shall not take into account the volatility of the short-term macro elements. Therefore, if ruble continues to devalue, the real impact of our savings may be a little lower than that as it goes into our P&L. But the fundamental element such as G&A reduction, for instance, whether it's lower exchange rate or higher exchange rate all leads to a significant improvement of our bottom line. So, yes. So we've basically taken out the inflationary and the foreign exchange elements out of that to take this to a more kind of predictable and less vulnerable methodology.

To address your item two, these are the – our losses on hedging instruments are effectively the losses on the ruble-dollar hedges that we bought as we placed the ruble bonds several years back as we believed that fundamental nature of our business was dollar business. Every time we borrowed in ruble terms, we try to hedge that ruble exposure into the U.S. dollars to also to reduce the average dollar cost of our debt.

So as ruble devalued, the dollar translated value of our principle, of our ruble bonds in particular diminished and – but the fundamental nature of debt was dollar, therefore the corresponding amount of our hedging loss increased and that actually was reflected in our past year's numbers. So the effect is only and exclusively attributable to the accounting treatment of the currency hedges that we bought to hedge our ruble debt exposure.

Okay. With the new bonds replaced in the middle of the year, we accepted different treatment as the bonds were structured in a little different fashion. And we're treating these new hedges that we initiated in the course of July and August slightly different, therefore the impact on that in our P&L is subdued.

<Q - Sergey Donskoy>: Understood. Thank you.

<A - Pavel Tatyanin>: Going forward, we will decide on a case-by-case basis whether we will continue hedging our ruble debt exposure into dollars, and we're not certain about that going forward. Thank you.

<Q - Sergey Donskoy>: Okay.

Operator

The next question is from Oleg Petropavlovskiy.

<Q - Oleg Petropavlovskiy>: Yeah. Good evening, gentlemen. Thank you for the presentation. Couple of questions from me. Do you have an estimate for Russian construction demand in 2016? Maybe the one you're using internally just to share, if you can. And my second question is about your targets for cost cutting in 2016. I think you have them same as for the previous year. Maybe you can share what are you going to do with your efforts, maybe you plan some closures or no.

<A - Alexander Frolov>: Okay. It's Alexander Frolov. Starting with your first question, what I would like to say, first of all, is that for our products, let's say, situation is different for, let's say, different type of material.

First of all, we see quite strong demand from Russian Railways. For the rails, I think the volume this year is expected to be higher than last year.

Speaking about construction products I mean like, whatever, rebars, angles, and beams, right now it's not the strongest part of the year because of the seasonality, but anyway, we already now – we see some improvement in the market.

Prices are moving up a little bit and demand is also increasing. It's, I think, driven mostly by positive development in the international markets.

Speaking about our full-year projections, I think that we can always say that we do not expect 2016 to be much more than 2015. At least at this moment, we don't have any better clarity.

Speaking about our cost-cutting initiatives, I think they're mainly based on G&A cuts, I mean on yields improvements and so on. And we do not see or expect any closures this year.

<Q - Oleg Petropavlovskiy>: Thank you very much.

<A - Pavel Tatyanin>: Yeah. This is Pavel. Just to add to that, I mean, as far as the numbers are concerned. As far as our overall target for cost improvement and revenue improvement, we shall be slightly over our 2015 numbers. We expect being between $350 million and $380 million altogether. Cost shall bring around two-thirds of that number and customer revenue focus-related items shall bring the remaining one-third.

<Q - Oleg Petropavlovskiy>: Thank you.

Operator

The next question is from Barry Ehrlich.

<Q - Barry Lee Ehrlich>: Yes, hello. Looking at slide six on slab and washed coking coal costs, can you share what is your actual cost position now or perhaps comment on where you see that moving?

And also, I have a question on liquidity, so slide 17. And here, you've talked about this, of course, in the past but I think I'd like to ask again, can any banks unilaterally accelerate any of the debt coming due in the future or is there any way that the uncommitted facilities can be reduced? Thank you.

<A - Pavel Tatyanin>: Let me start from the last item, which is your liquidity question. As far as the acceleration risk, about 70% of our debt is capital markets debt, which have only incurrence test covenant, and this is – therefore, basically we're only limited as far as the – our ability to grow our total debt.

Unless we are actually using this new debt to refinance the other maturities, about one-third of our debt is bank debt and those facilities continue selection of various maintenance covenants, which range from 4.5 times net debt-to-EBITDA to 5 times. We were and are in no breach of these covenants for now.

Should we believe that there is a material risk of not meeting the covenants by, say, June 30, 2016, we will – we believe we have all possibility to proactively approach our banks. We have already received full comfort from – more than $500 million worth of bank debt holders as far as their view on our covenants.

There is an ongoing discussion with bankers that represent about $750 million worth of our debt which are progressing extremely well. But to the extent that we – there is a deterioration in the bankers' mood towards us and our debt covenants, we have agreed a back stop facility of up to $300 million with a major bank, which is a committed facility and committed line which together with the existing cash on hand that we have, we will use to prepay some of the facilities where covenants may become a potential issue.

As far as the uncommitted lines, most of the uncommitted lines come from our trade finance – trading operations in Switzerland and as well as the United States and Canada. Those facilities despite they're uncommitted by their contractual nature are normally never pulled and where we've been having the same number of banks financing our trading operations in the last 15 years, 18 years and those facilities were never used or pulled in the – during the meltdown of 2008, for instance. So we don't expect those facilities to be reduced or disappear. So we're pretty much relying on that as our additional source of liquidity.

On item one, which is our current cash cost of the semi-finished and coal and iron ore, we're not disclosing that at the moment, but the numbers that we're seeing now are lower than the average numbers for 2015 that are presented on slide six.

<Q - Barry Lee Ehrlich>: Okay. Thank you.

Operator

The next question is from Neri Tollardo.

<Q - Neri Tollardo>: Yes. Thank you very much. I'm Neri Tollardo from Morgan Stanley. Couple of questions from my side. First, on the long steel market domestically, are you seeing any signs or any willingness of players to consolidate the market? We know it's very fragmented where – with little pricing power.
And the second question is on CapEx, if you could share with us your CapEx plans for 2016 and maybe longer term as well. And maybe just a follow-up on the cash cost, could you maybe disclose what the stop cash cost was in the second half of the year? Thank you.

<A - Alexander Frolov>: Cash cost?

<A - Pavel Tatyanin>: I will take the cash cost one.

<A - Alexander Frolov>: Okay. Alexander Frolov. Starting from the long steel market consolidation, we don't see any sign, let's say, of major improvements there. [indiscernible] (33:17) that this market is fragmented. In fact, [indiscernible] (33:21) and again, it all depends on the development of the market.
For the time being, as I mentioned, market is improving so it doesn't – fragmentation does not create any problem. But at the same time when market goes down, it, of course, makes impact on profitability. So I think that it will all depend on the demand. If demand stays, I would say – and not even say strong, but reasonable, then I don't think that fragmentation has been [indiscernible] (34:00).

Speaking about our capital expenditure plans, for 2016, we are mostly focused on our large-diameter pipe projects in North America, which I have already mentioned. We're also going to invest in further extractioning of [ph] VÍTKOVICE STEEL (34:26) plant and the rest is maintenance, which we're trying to keep at lowest possible level. So nothing major would happen in 2016 on capital expenditure side.

Then, Pavel, are you ready to...

<A - Pavel Tatyanin>: Yes. I guess as far as cash cost of iron ore and coal is concerned, we had very similar numbers as we're quoting for the full year 2015 reported for the first half of 2015, so very little half-on-half change from that perspective.

As far as semi-finished is concerned, the second half is probably between $175 and $185.

<Q - Neri Tollardo>: Thank you. Sir, if I could just follow up on topics, would you then expect topics to be roughly flat year-on-year?

<A - Pavel Tatyanin>: Yeah. This is Pavel again. I guess as we mentioned, we had our capital expenditure for 2015 about $430 million, slightly under that. We're guiding for a range of $375 million to $400 million for full year 2016, of which mainly about 75% being maintenance CapEx and the balance being the development CapEx or largely concentrate around the new large-diameter pipe mill in Regina as well as the upgrade of our steel mill in Regina as well.

<Q - Neri Tollardo>: Perfect. Thank you very much.

Operator

The next question is from [ph] Ekseny Mishankinov (36:05).
<Q>: Hi. Thank you for the presentation. Wanted to talk about short-term debt, do you plan to primarily repay it and what portion do you plan to refinance, if any?

<A - Pavel Tatyanin>: Well, this is Pavel again. Thank you for this. So I propose we go to page 17. As of end of last year, we had $708 million worth of debt maturing in the course of 2016. About $200 million of which is short-term revolving trade finance-related debt which contractually, as I mentioned, by nature is short term but we keep rolling this into a year – on a year-by-year basis. So we don't plan to redeem or reduce this facility.

So, with that, we were left with basically $0.5 billion of debt that matures in the course of the year, the dominant part of which being the ruble bonds and the related ruble-dollar swaps all come due late May 2016. We plan to redeem the respective ruble bonds from our cash and our cash flows and we plan to unwind our [indiscernible] (37:29) related swaps accordingly. And we are not planning any refinancing of our 2015 debt as our cash on hand as well as our available liquidity allows us to fully meet all our 2016 redemption as well as the significant part, if it not, the majority of the 2017.
<Q>: Got it. Thanks.

Operator

The next question is from [ph] Alex Collins (37:53).

<Q>: Hey, guys. Thanks for the presentation. I have two questions. My first question, you saw quite a large working capital inflow in H2. I was wondering if you could give us some more detail on how that was achieved and I guess give us the expectations for working capital going forward into 2016. And we also noticed in your presentation and recent reports that you're thinking of moving into more ruble debt and we just wanted to understand the logic behind that. Thanks.

<A - Pavel Tatyanin>: Okay. It's Pavel again. And I think as far as working capital at least, it was a combination of better collection of receivables, although receivables were never too much of a problem for us as our bad debt ratios and amounts were quite small historically and have been quite small and were quite small in 2015 as well. Lower inventory values, low receivable values on the back of overall decline in revenue and the decline in the cost of sales were the kind of the key factors that allowed us to release significant amount of capital otherwise employed in the working capital.

I guess one – the other thing worth mentioning item was that we're able to extend our overall payables as we are trying to work proactively with our key suppliers to absorb, to get better terms for our business. In the current environment of the Russian economy, we think that we have some additional market power which allows us to extract sometimes slightly better terms from our key suppliers.

As far as the ruble debt is concerned, I guess we have historically been driven in the selection of the – of the immediate selection of the instruments by a consideration such as duration and cost. The actual selection of instrument has been a secondary item for us to the extent that [ph] our (40:09) maturity profile was maintained or improved. We moved quite substantially in progress to improving our overall maturity profile. We return to where we were in 2013 as far as the average maturities achieving that without any significant change in the average cost of debt, it stood at 6.4% as I mentioned.

With that said, we believe that the current market environment suggests that we are seeing certain – certain delays in our ability to pass on the volatility of the exchange rate to our customers in a short-term period which means that we would like to see – we're seeing a little more ruble exposure on the revenue side which doesn't have any corresponding element in our liabilities, only 4% of our liabilities, 4%, 5% of our liabilities are ruble-denominated, and we would like to grow that number. We don't have a specific target. But I think as far as, yeah, new ruble-denominated borrowings are concerned, we'll see more of that. And it's very unlikely we will use hedging and instruments to cover that ruble exposure. So as we're borrowing rubles, we'll remain that uncovered.

Operator

[Operator Instructions] The next question comes from Sergey Donskoy.

<Q - Sergey Donskoy>: Yes. Thank you. I have one follow-up, it's kind of a question about maybe your longer-term outlook. The question is this, you produce more crude steel than Severstal, and your mining operations are as extensive or perhaps even bigger. At the same time, your CapEx remains on an ongoing basis a fraction of what – let's say maybe a fraction, but it remains below what your peer is spending. And my question is this. Taking a long-term view, if I assume that your CapEx remains at this level and your maintenance CapEx remained at the current level, is there any chance or risk that you will have to consider to reduce your steel-making capacity? Thank you.

<A - Alexander Frolov>: So as an example, we don't think that there is an – immediate risks of that. What we should not forget about that it is that for example, if you speak about steelmaking, then there is some sort of cyclicality, for instance [ph] since that it won't be in our (43:12) blast furnaces.

You don't have to spend a lot of money every year, but every let's say 15 years, you should spend substantial amount of money. We don't have any sort of this event coming over the next year or two. But again in future there could be some one-off increases in our CapEx due to these sort of separations which are not repeatable every year, but should be done in order to maintain volume.

<Q - Sergey Donskoy>: Understood. Thank you.

Operator

The next question is from George Buzhenitsa.

<Q - George Buzhenitsa>: Yeah. Good evening, gentlemen. Thank you for the opportunity to ask questions. I have two questions on your less-developed assets if I may call them like that. First one is on the deposit in – the Mezhegey deposit. Can you please maybe update us on the progress of that deposit? As far as I understand from your press release that asset is – should reach 1.5 million tonnes of production at the end of 2016. Are there any plans beyond that? And if so, how are you planning to finance those, that project and also in terms of economics of that – of the sales of that coal from Mezhegey. Can you please specify what's the current – I don't know – EBITDA per tonne or what are the current [indiscernible] (44:54) making on the sales of that coal?

And the second question is on Timir deposit. Is there any update on the Timir project in terms of financing, in terms of the progress of the feasibility study, et cetera? Thank you.

<A - Alexander Frolov>: Hello? Okay. Starting from Mezhegey question. I think that capital expenditures there are mostly complete. Right now, we are mining with annualized speed of 500,000 tonnes a year. We may go for let's say [ph] fill (45:32) the expansion up to 1.5 million tonnes per year, which we have mentioned, then it would not require any major CapEx, but it will depend on the market situation and demand from the clients for this coal, because right now this coal is all which is sold in Russia, with relatively high margin, I would not be able to give you the debt numbers. So, again, if for example overseas markets would improve in the future, then we would consider to increase the volumes there.

Speaking about Timir, I think on feasibility side of things, we understand quite well what should be done there, we understand the technology, we understand the CapEx, where we have [ph] regulated (46:32) approvals for construction.

The two major issues we have are transportation cost and we are trying to work on that with Russian Railways. And of course, the second thing is linked to the transportation cost, that is obtaining of finance. We are also quite well advanced in that, but frankly speaking before transportation this is the result we don't want, let's say to bring this project to where [ph] the nature kind of embargoed (47:11) because we don't want the project to be rejected. So this is like that. We still believe that this is good deposit. It's well-positioned to sell our steel plant in Novokuznetsk. But on the other hand under current market conditions, we are not sort of pushing the button, we prefer to wait and see how the situation will develop once the global iron ore markets come back.

Operator

The next we have a follow-up question from Oleg Petropavlovskiy.

<Q - Oleg Petropavlovskiy>: Good evening. One final, thank you for letting me ask another question. Could you please share maybe some guidance in terms of crude steel for – crude steel production for 2016. And what are your expectations on product mix this year? What share of semi-finished products do you expect?

<A - Pavel Tatyanin>: I – we do not expect any major changes in terms of mix, semi-finished and finished. I will say it will probably remain similar to 2015. For sure, are not more semi-finished, probably a little less.

Talking about crude steel forecast, I think that our mills remain fully loaded. So, you know that last year we have deconsolidated Highveld Steel, and it made an impact on the total growth production was the growth that was the major contribution to the difference, then with an exception of South African operations or in all other places, we expect steel production similar to 2015.

<Q - Oleg Petropavlovskiy>: Okay. Thank you.

Operator

[indiscernible] (49:29)?
<Q>: I don't have a follow-up question, I've asked my question earlier. Thank you.

Operator

No problem. So we have one from Neri Tollardo.
<Q - Neri Tollardo>: Yes. Just maybe a little bit of color from your side. So obviously we've seen this surge in export prices by $50 per tonne to $60 per tonne and in fact what was a week. Have you already started selling significant tonnages at those prices at the Far East? And if yes, what are your customers saying, do they see it as sustainable or they sort of holding back waiting for prices to normalize? Thank you.

<A - Alexander Frolov>: Well, I would say that we have done of course some sales over the last week. We are not in a rush selling. We are just trying to respond on the demand from our clients. And I think that was [ph] the equity will rise (50:26) depending on the stock levels and demands ahead. Some of them prefer to hold, some of them prefer to have some hedging. So we have been able to again to sell at significantly higher prices than we could have done at let's say a few weeks before. Again, it's our regular tonnage. I don't think that we are materially changing our normal speed of selling.

<Q - Neri Tollardo>: Okay. Thank you.

Operator

Barry Ehrlich?
<Q - Barry Lee Ehrlich>: I asked my questions already. Thank you.

Operator

Perfect. Perfect. We have no further questions on the line. Well. Okay. If there are no further questions, we would like to thank everyone for the call, and just finish it.

Pavel Tatyanin

Thank you very much indeed, enjoy the rest of your day and the rest of the week. Thank you very much.

Alexander Frolov

Thank you.