

## MIRA INFORM REPORT

<b>Report No. :</b>	527720
<b>Report Date :</b>	05.09.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	PAO SEVERSTAL
<b>Formerly Known As :</b>	PAO SEVERSTAL
<b>Registered Office :</b>	Mira Street 30, Vologda Region, 162608 Cherepovets
<b>Country :</b>	Russia
<b>Financials (as on) :</b>	31.12.2017 [subject and its subsidiaries]
<b>Date of Incorporation :</b>	24.09.1993
<b>Com. Reg. No.:</b>	OGRN 1023501236901
<b>Legal Form :</b>	Public Joint Stock Company
<b>Line of Business :</b>	Manufacture of basic iron and steel and of ferro-alloys
<b>No. of Employees :</b>	23,597 [2018]

**RATING & COMMENTS**

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

**MIRA's Rating :** A+

Credit Rating	Explanation	Rating Comments
A+	Low Risk	Business dealings permissible with low risk of default

<b>Status :</b>	Excellent
<b>Payment Behaviour :</b>	Regular
<b>Litigation :</b>	Clear

**NOTES :**

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

**ECGC Country Risk Classification List**

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Russia	A2	A2

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

### **RUSSIA - ECONOMIC OVERVIEW**

Russia has undergone significant changes since the collapse of the Soviet Union, moving from a centrally planned economy towards a more market-based system. Both economic growth and reform have stalled in recent years, however, and Russia remains a predominantly statist economy with a high concentration of wealth in officials' hands. Economic reforms in the 1990s privatized most industry, with notable exceptions in the energy, transportation, banking, and defense-related sectors. The protection of property rights is still weak, and the state continues to interfere in the free operation of the private sector.

Russia is one of the world's leading producers of oil and natural gas, and is also a top exporter of metals such as steel and primary aluminum. Russia is heavily dependent on the movement of world commodity prices as reliance on commodity exports makes it vulnerable to boom and bust cycles that follow the volatile swings in global prices. The economy, which had averaged 7% growth during the 1998-2008 period as oil prices rose rapidly, has seen diminishing growth rates since then due to the exhaustion of Russia's commodity-based growth model.

A combination of falling oil prices, international sanctions, and structural limitations pushed Russia into a deep recession in 2015, with GDP falling by close to 2.8%. The downturn continued through 2016, with GDP contracting another 0.2%, but was reversed in 2017 as world demand picked up. Government support for import substitution has increased recently in an effort to diversify the economy away from extractive industries.

Source : CIA

## SUMMARY

<b>COMPANY NAME</b>	PAO Severstal			
<b>REGISTERED ADDRESS</b>	Street Mira Street 30	Area Vologda Region	Town Cherepovets	PO Box 162608 Cherepovets
<b>TEL/FAX</b>	Verified Phones: (+7 495) 926 7766 / (+7 8202) 530 900 / Fax: (+7 495) 926 7766 / (+7 8202) 530 915			
<b>EMAIL/WEBSITE</b>	Email: severstal@severstal.com / Website: www.severstal.com			
<b>ACTIVITY</b>	NACE 2410 - Manufacture of basic iron and steel and of ferro-alloys;			
<b>PRINCIPAL</b>	Alexey Alexandrovich Mordashov Chairman		Workforce 23,597	
<b>LEGAL INFO</b>	Date Of Est. 24/09/1993	Reg. No. OGRN 1023501236901	Legal Form Public Joint Company	Status Stock Active
<b>SHARE CAPITAL (CONSOLIDATED)</b>	<b>CURRENCY</b> USD	<b>AMOUNT</b> 2,753,000,000		

## IDENTIFICATION

<b>CO. NAME</b>	PAO Severstal		
<b>FORMER NAME</b>	OAO Severstal		
<b>STREET</b>	Mira Street 30		
<b>AREA</b>	Vologda Region		
<b>POSTAL ADDRESS</b>	162608 Cherepovets		
<b>TOWN</b>	Cherepovets		
<b>COUNTRY</b>	Russia		
<b>TELEPHONE</b>	(+7 495) 926 7766 / (+7 8202) 530 900 / (+7 8202) 532 478		
<b>FAX</b>	(+7 495) 926 7766 / (+7 8202) 530 915		
<b>VERIFIED EMAIL</b>	severstal@severstal.com / corporate_secretary@severstal.com		
<b>WEBSITE</b>	www.severstal.com		
<b>BUSINESS HOURS</b>	<b>DAYS</b> Mon-Fri	<b>OFFICE HOURS</b> 09:00-18:00	<b>BREAK TIME</b> 13:00-14:00
<b>REGISTERED ADDRESS</b>	Mira Street 30 Vologda Region 162608 Cherepovets Russia		
<b>CORPORATE ADDRESS</b>	2 Klara Tsetkin Street Moscow 127299 Russia		

## **SENIOR PERSONNEL**

<b>MANAGEMENT</b>	<b>NAME</b>	<b>POSITION</b>
	Alexey Alexandrovich Mordashov	Chairman
	Sakari Tamminen	Senior Independent Director, Chairman of the Remuneration and Nomination Committee
	Alexander Auzan	Independent Director, Member of the Health, Safety and Environmental Committee
	Vladimir Mau	Independent Director, Member of the Audit Committee
	Philip Dayer	Independent Director, Chairman of the Health, Safety and Environmental Committee, Member of the Audit Committee, Member of the Remuneration and Nomination Committee
	Alun Bowen	Independent Director, Chairman of the Audit Committee
	Alexander Shevelev	CEO of AO Severstal Management, Member of the Health, Safety and Environmental Committee
	Vladimir Lukin	First Deputy General Director of LLC "Severgroup", Member of the Health, Safety and Environmental Committee
	Andrey Mityukov	Senior Vice President of Human Resources and Business System of LLC "Severgroup"
		Chief Financial Officer of AO Severstal Management
		Member of the Audit Committee
		Member of the Audit Committee

Alexey Kulichenko Member of the Audit Committee

Corporate Secretary

Roman Ivanovich Antonov Investor Relations Manager

Svetlana Viktorovna Guseva

Nikolay Viktorovich Lavrov

Artem Bobulich

**WORKFORCE**

Evgeny Belov		
<b>NO. OF EMPLOYEES</b>		<b>PERIOD</b>
23,597		09.2018
50,000 (Severstal Group)		01.2018

**FINANCIAL SUMMARY**

<b>TURNOVER</b>	<b>31/12/2017</b>	<b>30/06/2018 (QUARTERLY RESULTS)</b>
	USD 7,848,000,000	USD 4,432,000,000
<b>NET PROFIT / (LOSS)</b>	<b>31/12/2017</b>	<b>30/06/2018 (QUARTERLY RESULTS)</b>
	USD 1,355,000,000	USD 1,018,000,000

**NOTES** The following consolidated statements of financial position as at 31/12/2017 applies to subject and its subsidiaries:

31/12/2017 31/12/2016  
(in millions of USD)

Assets		
Current assets:		
Cash and cash equivalents	1,031	1,154
Short-term financial investments	12	19
Trade accounts receivable	598	485
Accounts receivable from related parties	16	22
Restricted financial assets	1	1
Inventories	1,058	867
VAT recoverable	124	78
Income tax recoverable	7	14

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Other current assets	105	86
Assets held for sale	-	82
Total current assets	2,952	2,808
Non-current assets:		
Long-term financial investments	217	231
Investments in associates and joint ventures	65	55
Property, plant and equipment	3,701	3,135
Intangible assets	241	221
Deferred tax assets	24	27
Other non-current assets	9	6
Total non-current assets	4,257	3,675
Total assets	7,209	6,483
Current liabilities:		
Trade accounts payable	549	491
Accounts payable to related parties	18	15
Short-term debt finance	586	673
Income taxes payable	40	21
Other taxes and social security payable	113	95
Dividends payable	6	6
Other current liabilities	358	457
Liabilities related to assets held for sale	-	38
Total current liabilities	1,670	1,796
Non-current liabilities:		
Long-term debt finance	1,507	1,340
Deferred tax liabilities	311	115
Retirement benefit liabilities	78	67
Other non-current liabilities	245	124
Total non-current liabilities	2,141	1,646
Equity:		
Share capital	2,753	2,753
Treasury shares	(206)	(236)
Additional capital	308	296
Translation reserve	(1,679)	(2,246)
Retained earnings	2,195	2,450
Other reserves	12	9
Total equity attributable to shareholders of PAO		
Severstal	3,383	3,026
Non-controlling interests	15	15
Total equity	3,398	3,041
Total equity and liabilities	7,209	6,483

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CONSOLIDATED INCOME STATEMENTS

	31/12/2017	31/12/2016
	(in millions of USD)	
Revenue		
Revenue - third parties	7,726	5,812
Revenue - related parties	122	104
	7,848	5,916
Cost of sales	(4,735)	(3,573)
Gross profit	3,113	2,343
General and administrative expenses	(286)	(279)
Distribution expenses	(598)	(462)
Other taxes and contributions	(71)	(54)
Share of associates' and joint ventures' gain/(loss)	10	14
Loss on disposal of property, Plant, equipment and intangible assets	(3)	(52)
Net other operating (expenses)/income	(3)	7
Profit from operations	2,162	1,517
Impairment of non-current assets	(3)	(135)
Gain from a bargain purchase	135	-
Net other non-operating (expenses)/income	(421)	12
Profit before financing and taxation	1,873	1,394
Finance income	49	63
Finance costs	(158)	(157)
Loss on remeasurement and disposal of financial instruments	(45)	(66)
Foreign exchange gain/(loss)	45	483
Profit before income tax	1,764	1,717
Income tax expense	(409)	(97)
Profit from continuing operations	1,355	1,620
Profit from discontinued operation	-	-
Profit for the period	1,355	1,620

**FISCAL YEAR-END**

31 December.

## **LEGAL STATUS**

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<b>INCORPORATION REGISTRATION NO.</b>	24/09/1993 <b>C.R. NUMBER</b> OGRN 1023501236901	<b>ISSUED BY</b> Federal Tax Service
<b>OTHER REGISTRATION NO.</b>	INN 3528000597 (Tax Code) / KPP 352801001 / OKPO 186217 (Statistics Code) / OKTMO 19730000001	
<b>SHARE CAPITAL (CONSOLIDATED) BUSINESS HISTORY</b>	<b>AMOUNT</b> 2,753,000,000	<b>CURRENCY</b> USD
<b>LEGAL FORM STATUS SHAREHOLDERS</b>	Severstal began operations on 24 August 1955 and completed the development of an integrated iron and steel mill in Cherepovets during February 1959 when the first steel was rolled. On 24 September 1993, as a part of the Russian privatization programme, Severstal was registered as an Open Joint Stock Company ('OAO') and privatized. Through participating in Severstal's privatization auctions and other purchases, Alexey Mordashov (the 'Majority Shareholder') purchased shares in Severstal such that as at 31 December 2017 he controlled indirectly 77.03% (31 December 2016: 79.18%, 31 December 2015: 79.18%) of Severstal's share capital. In November 2014, Severstal changed its legal form from OAO to PAO (Public Joint Stock Company) following the requirements of the amended Russian Civil Code. Public Joint Stock Company Active	
	<b>NAME</b>	<b>PERCENTAGE</b>
	1. Loranel Limited Karaiskaki 6, City House P.C. 3032 Limassol Cyprus	21.35%
	2. Astroshine Limited Karaiskaki 6, City House P.C. 3032 Limassol Cyprus	16.35%
	3. Pearlgreen Limited Karaiskaki 6, City House P.C. 3032 Limassol Cyprus	15.99%
	4. Unifirm Limited Karaiskaki 6, City House P.C. 3032 Limassol Cyprus	0.01%
	5. Other members of the public and minority shareholders	46.30%

Personal profile on Alexey Alexandrovich  
Mordashov:

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He is a Russian billionaire businessman. He is the main shareholder and chairman of Severstal, a Russian conglomerate with interests in metal, energy and mining companies. In August 2018, it was reported that Mordashov was one of Russia's richest person, with an estimated worth of USD 19.7 billion.

He is the son of parents who were both steel mill workers. He reported that his family used welfare coupons, allowed only 200g of butter and 400g of sausages per month. He graduated with a bachelor's degree from the Leningrad Engineering-Economical Institute, currently known as ENGECON. He later gained an MBA from Northumbria University in Newcastle upon Tyne, England, in 2001. In an address to students at the European University at Saint Petersburg, Mordashov spoke about his decision to study in Leningrad rather than Moscow and the value his undergraduate studies played in his search for employment and eventual career path. Returning to Cherepovets he started his career by joining the same steel plant where his parents had worked.

In 1988 he joined Cherepovetskiy Metallurgical Plant after graduation from Leningrad Engineering-Economical Institut as an economist. By 1992 he became finance director, shortly before the company was privatised. When the plant's elderly director instructed him to acquire shares to keep them out of the hands of an outsider, he formed two investment funds and, by buying up workers' shares, built a major stake in the factory. In 1996 he was appointed as CEO of the company. He went on to build a conglomerate, Severstal, acquiring steel, coal and mining companies.

In 2004, Mordashov started investing in US steel companies, purchasing companies in Dearborn, MI and Columbus, MS. The acquisition included the Rouge Plant in Dearborn. He received a loan from the United States Department of Energy to renovate and refurbish the manufacturing plants in Dearborn. The value of the loan, over \$370 million, was revoked in 2012, after growing political tensions between the US and Russia.

Between 2004 and 2014, Mordashov and Severstal invested up to \$3 billion in both the Dearborn and Columbus plants. In 2011 he sold a number of US assets in Ohio, Maryland and West Virginia to the Renco Group, owned by industrialist Ira Rennert. By 2014 all of Severstal's US investments had been sold for a total of \$2.3 billion.

His company Severstal planned a multibillion-dollar project in joint venture with POSCO in eastern India. After ten years of not getting environmental and land clearances, his company opted out in 2008.

In 2011, Mordashov purchased 25% of the shares in steam turbine manufacturer, Power Machines, from Siemens. In 2013, with partner Yuri Kovalchuk, Mordashov bought 50% of Tele2 Russia, the country's 4th largest mobile phone operator.

In 2012, Mordashov consolidated Severstal's gold mining assets into one company, Nord Gold N.V. The company was listed on the London Stock Exchange. In 2013, Nord Gold was awarded a license to embark on gold exploration in Siberia. In 2017 Mordashov announced plans to delist Nordgold from the London Stock Exchange (LSE) citing unfair valuation as the reason. The LSE requires that companies have at least 25% as free float, while Mordashov owns 91% of the company.

Mordashov was elected as chairman of the World Steel Association in October 2012. In 2011, he was the only Russian participant in a meeting of Bilderberg Club at St Moritz, Switzerland.

## **OPERATION**

### **BANKERS**

1. PAO VTB Bank  
Leninskaya Sloboda Street 26  
Moscow  
Russia  
Telephone: (+7 800) 200 2326  
Acc. No.: 40702810171000000008

2. PAO Sberbank  
Vavilova Street 19  
117997 Moscow  
Russia  
Telephone: (+7 495) 957 5731  
Fax : (+7 495) 747 4758

3. AO Raiffeisenbank  
Troitskaya Street 17/1  
Moscow 129090  
Russia  
Tel: (+7 495) 721 9900  
Fax: (+7 495) 721 9901

4. AO KB Citibank  
Bolshaya Nikitskaya Street 15  
Moscow 125009  
Telephone: (+7 495) 775 7575  
Fax : (+7 495) 775 7575  
SWIFT: CITIRUMX

5. AO Gazprombank  
Nametkina Street 16, Block 1  
Moscow 117420  
Russia  
Tel: (+7 495) 913 7474  
SWIFT: GAZPRUMM

Subject previously had an account with:

Metkombank OAO  
2/3 Klary Tsetkin  
Moscow  
Russia

**AUDITORS**

Joint Stock Company KPMG  
18/1, Olympiysky prospect, room 3035  
Moscow 129110  
Russia

Registered by the Moscow Registration Chamber on 25 May 1992,  
Registration No. 011.585.

Included in the Unified State Register of Legal Entities on 13 August  
2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the  
Ministry for Taxes and Duties of the Russian Federation, Registration  
No. 1027700125628, Certificate series 77 No. 005721432.

**ACTIVITY CODE (NACE)  
LINE OF BUSINESS**

2410 - Manufacture of basic iron and steel and of ferro-alloys;  
Manufacturers of iron ore pellets, iron ore concentrates, crushed  
stones, ferrite strontium powder, coking and steam coal, coking coal  
concentrates as well as hot and cold-rolled flat products, galvanized  
and color coated products, and long-steel applications; reinforcement

bars, and angle and channel iron; diameter and header pipes for pipeline construction projects; and metalware products, such as low-carbon and high-carbon wire rods, nails, steel fiber, wire mesh, cold-drawn steel products, steel ropes, nettings, and fastenings.

In addition, subject offers services and goods for customers concerned with repair and manufacture of power equipment, mechanical treatment, diagnostics, geodetic work, and other applications; and manufactures and repairs mechanical implements for metallurgical production, as well as offers maintenance, construction, and assembling services for industrial and civilian structures. Further, the company purchases, processes, and sells ferrous steel scrap; operates a stevedoring company for transshipment and storage of ferrous metals and containerized cargo; provides telecommunications and related services, centralized provision of IT services, system integration in the field of infrastructure, creation of information security systems, and implementation and support of corporate-wide applications; and wire products for machine builders, machine-tool constructors, and instrument-makers. Additionally, it produces liquid oxygen and provides air transport services.

The Group comprises the following segments:

- Severstal Resources – this segment comprises three iron ore complexes, Karelsky Okatysh and Olcon in northwest Russia, LLC Metal-group in western Russia and a coal mining complex, Vorkutaugol in northwest Russia.

- Severstal Russian Steel – this segment consists primarily of the Group's steel production and high-grade automotive galvanizing facilities in Cherepovets; rolling mill 5000 and large-diameter pipe mill in Kolpino, all in northwest Russia; metalware plant located in Russia; a ferrous scrap metal recycling business operating in northwest and central Russia, as well as various supporting functions for trading, maintenance and transportation, located in Europe. The segment also included Redaelli Tecna S.p.A. and PJSC Dneprometiz, a metalware plants, which were located in Italy and Ukraine, and were disposed in April and October 2017, respectively  
Worldwide.

Worldwide.

Owned premises comprising administrative offices, a manufacturing complex with integrated storage facilities located at the heading address as well as group's corporate office located in Moscow at 2 Klara Tsetkin Street  
Moscow 127299, Russia.

Severstal owns major industrial facilities in Russia, Ukraine, Kazakhstan, France, and Italy, as well as in several African countries.

**IMPORT FROM  
EXPORT TO  
FACILITIES**

**RELATED COMPANIES**

**Subsidiaries**

1. Severstal TPZ-Sheksna LLC  
Russia
2. AO Severstal Steel Solutions  
Russia
3. AO Severstal LPM Balakovo  
Russia
4. JSC Domnaremont  
Russia
5. Severstal-Proekt LLC  
Russia
6. Aircompany Severstal Ltd  
Russia
7. Severstal Export GmbH  
Switzerland
8. SIA Severstal Distribution  
Latvia
9. AS Latvijas Metals  
Latvia
10. Severstal Distribution Sp zoo  
Poland
11. ZAO Severstal Distribution  
Belarus
12. Severstal Distribution LLC  
Ukraine
13. AO Neva-Metall  
Russia
14. Baracom Limited  
Cyprus
15. Upcroft Limited  
Cyprus
16. CJSC Vtorchermet  
Russia

- 17.JSC Arhangelski Vtormet  
Russia
- 18.AO Severstal Distribution  
Russia
- 19.PPTK-1 LLC  
Russia
- 20.AO Izhora Pipe Mill  
Russia
- 21.JSC Severstal-Metiz  
Russia
- 22.PJSC Dneprometiz  
Russia
- 23.Redaeli Tecna SpA  
Italy
- 24.Unifence LLC  
Russia
- 25.Lybica Holding BV  
The Netherlands
- 26.Lybica Capital BV  
The Netherlands
- 27.Abigrove Limited  
Cyprus
- Associates
- 28.JSC Air Liquide Severstal  
Russia
- 29.Iron Mineral Beneficiation Services  
(Proprietary) Ltd  
South Africa
- Joint Ventures
- 30.Rutgers Severtar LLC  
Russia
- 31.Todlem SL

- Spain
32. Severstal-Gonvarri-Kaluga LLC  
Russia
33. Gestcamp-Severstal-Kaluga LLC  
Russia
34. Gestcamp Severstal Vsevolozhsk LLC  
Russia
- Severstal Resources Segment
- Subsidiaries
35. AO Karelsky Okatysh  
Russia
36. AO Olcon  
Russia
37. Severstal Liberia Iron Ore Ltd  
Liberia
38. AO Vorkutaugol  
Russia
39. SPB Giprosakht Limited  
Russia
40. Mining Holding Company LLC  
Russia

## **PAYMENT RECORDS**

### **CREDIT OPINION**

We consider it is acceptable to deal with subject for LARGE amounts.

## **SPECIAL REMARKS**

### **INTERVIEWED COMMENTS**

Evgeny Belov (Investor Relations Manager).  
You enquired on: PJSC Severstal. Please note that this name applies  
to an English translation of the subject's name. Subject's correct  
registered name is as per heading.

**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 71.19
UK Pound	1	INR 91.46
Euro	1	INR 82.49
RUB	1	INR 1.05

**Note** : Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

Analysis Done by :	PRA
Report Prepared by :	SYL

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)