

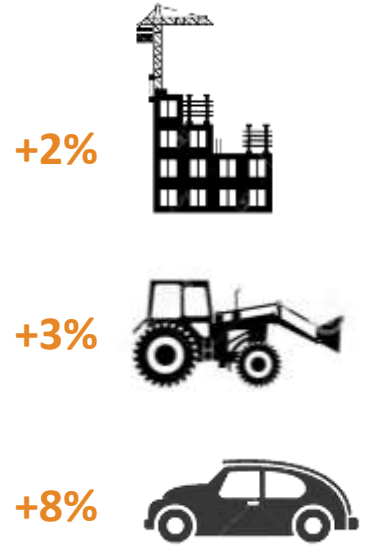
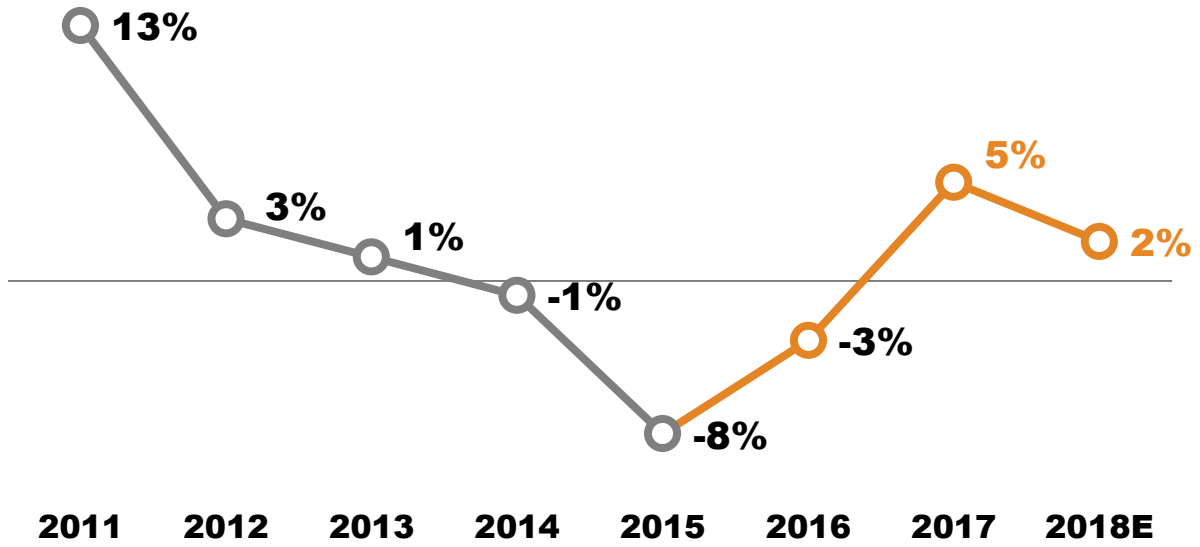


Russian Steel Markets Developments

OECD Steel Committee

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Russian Steel
March 2018

Steel demand recovery continues



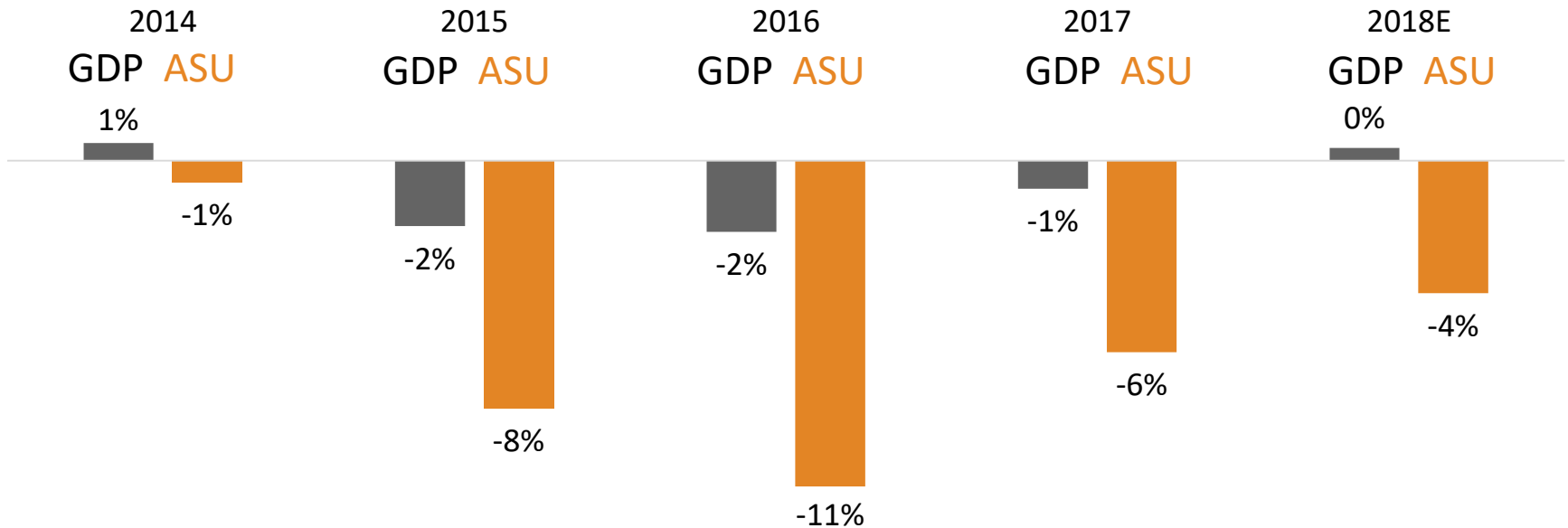
Recovery of investment activity and cost of funding decline	Demand growth (real disposable income stabilization, sustained drop in inflation)	Import spare parts price growth is easing paving the way for better dynamics in machinery and automotive
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Source: Russian steel, companies data

Pent-up demand to drive demand further



Dynamics to the 2013 base levels



Cumulated decrease in ASU exceeded by 5x drop in GDP in 2017

Pent up demand should support steel demand recovery in 2018 and onwards

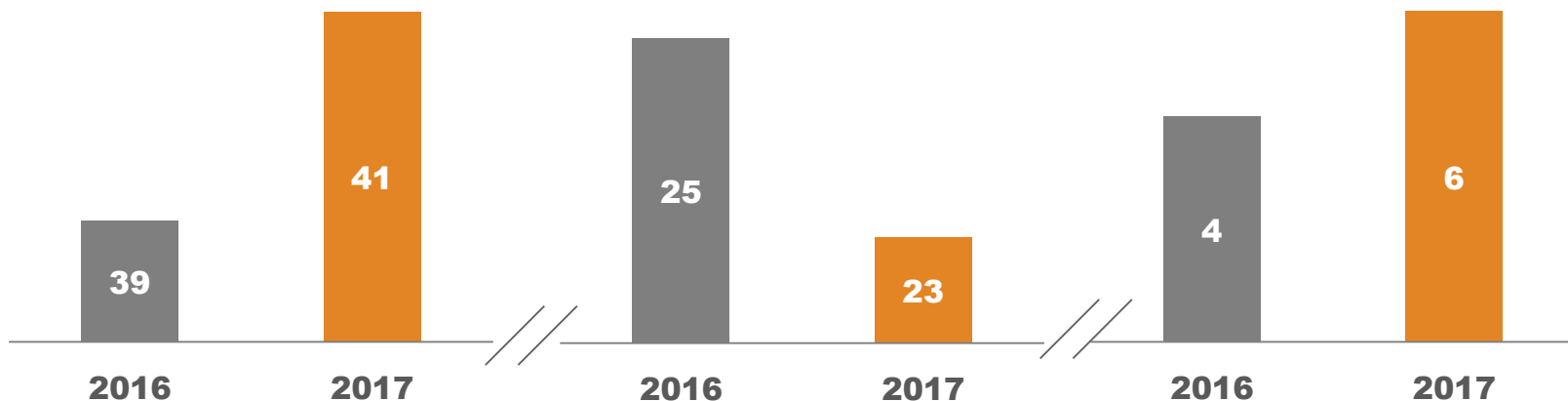
Solid fundamentals for further consumption growth

Russian market balance

+5% in steel demand, mt

Net exports down, m t

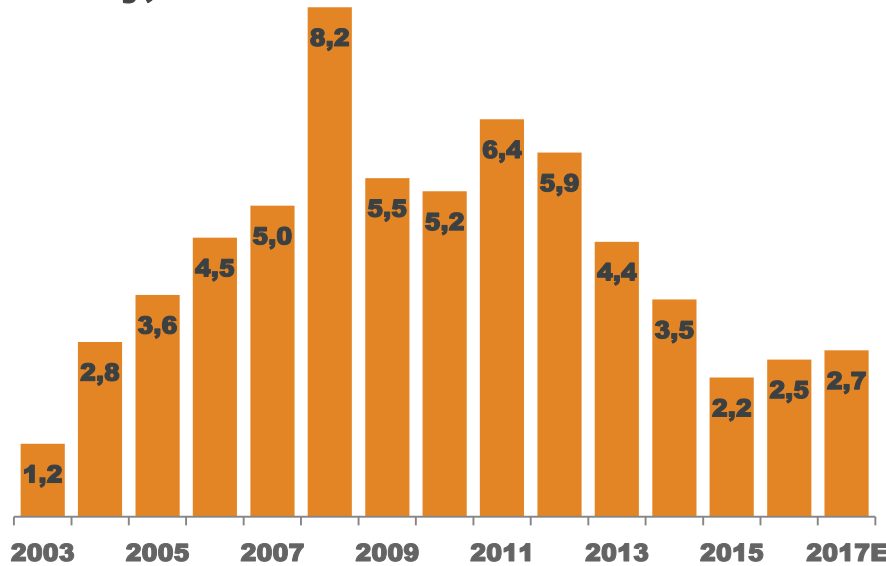
Imports, m t



- **Demand recovered in 2017 (but still 6% below 2013 levels)**
- **Net exports are down on stronger demand yoy and spike in imports**

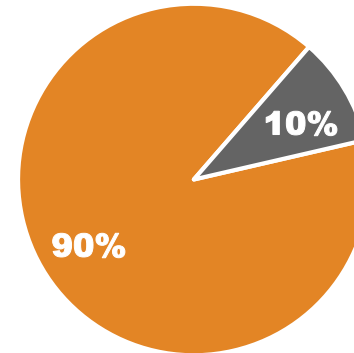
What is next?

Investments in Russian steel industry, \$ bn



Projects split between steelmaking and downstream

Downstream



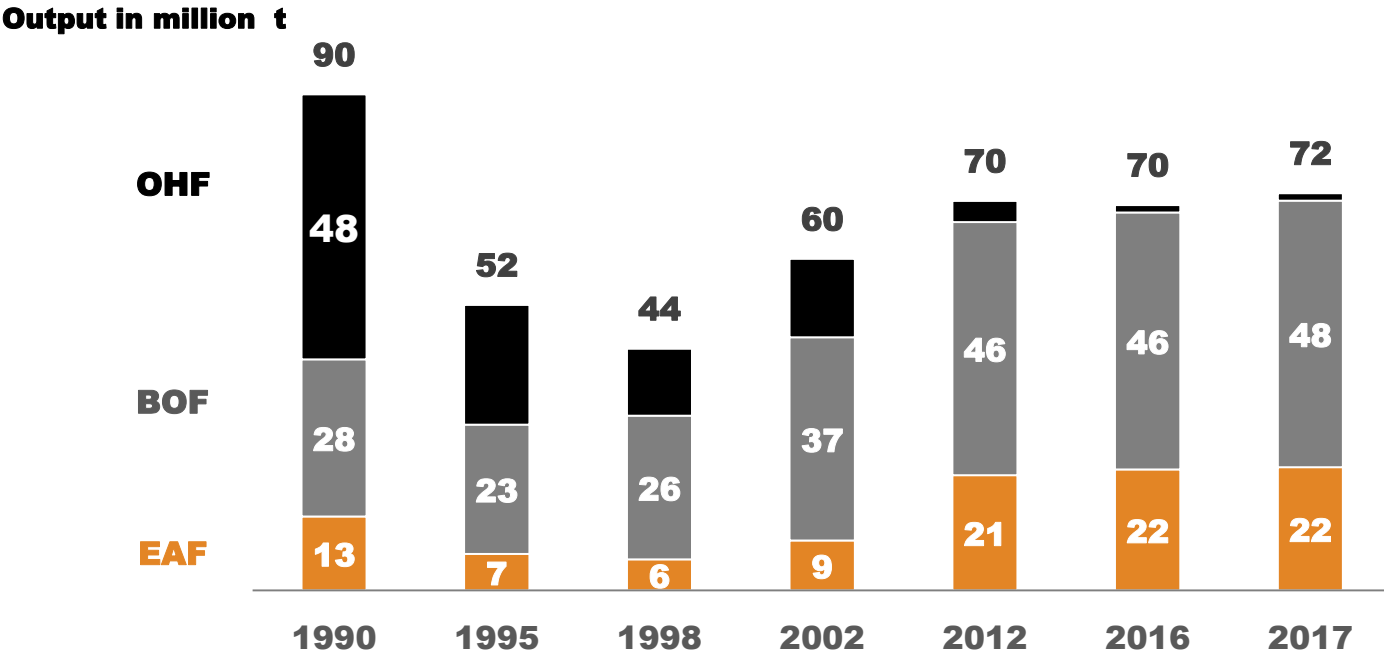
Hot end operations incl. modernization of existing

Capex focus shifted to modernization and downstream development

New areas of development:

- **Downstream projects to meet domestic demand**
- **Digitalization**
- **Sales channels (e. g. online sales platforms and warehouses)**

Market drove capacity modernization and rationalization



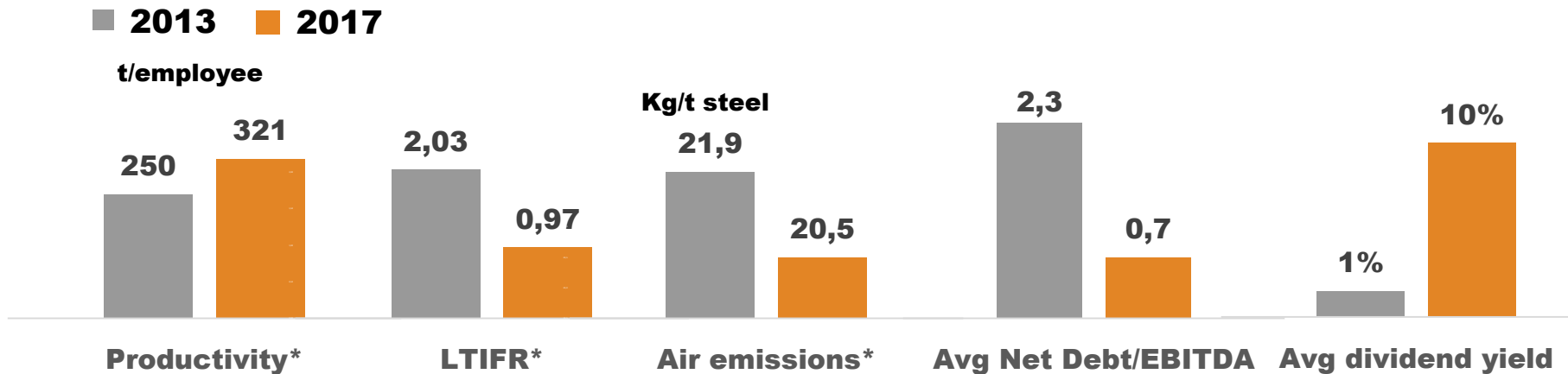
50% of 1990 capacity was shut down (equivalent of over 47 m t) on poor economics and sustainability factors

OHF capacities were phased out replaced by modern EAFs and BOFs

20% of net effective capacity decrease with capacity rationalization on the way (extra 0.5 m t of OHF will be shut down in 2018)

Source: Russian steel, Rosstat, Worldsteel

Russian majors target productivity and efficient capital allocation




c. 75% of Russian steel output is represented by 4 producers are public companies. They stated and report progress on:

- ✓ **Efficiency: productivity of equipment and employees and digital tools**
- ✓ **Sustainability: modernization and rise of ESG investing**
- ✓ **Decrease in debt load**
- ✓ **Growth in shareholders' returns**

Concluding remarks

- **Russian economy continues to recover, with ASU outpacing GDP recovery pace**
- **Steel consumption is expected to grow over the next several years on better fundamentals and pent-up demand of 15 m t.**
- **Shift in investment focus on maintenance, eco-friendly & energy effective decisions, improved operational efficiency (incl. digitalization), product quality**
- **Stated and tracked goals of major producers: productivity, sustainability**



Thank you for your attention!