



Global steel forum G20

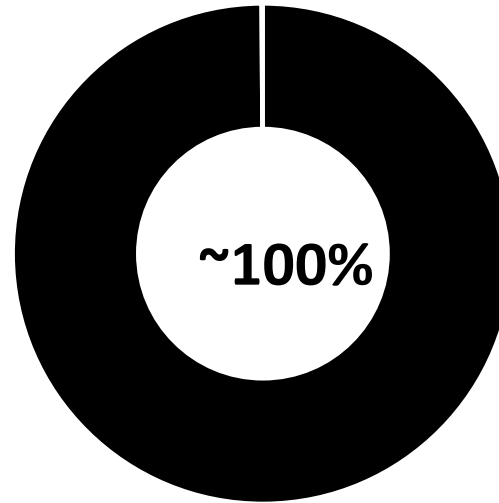


Russian steel industry

Sergey Takhiev

Berlin
21 February 2017

RUSSIAN STEEL INDUSTRY OWNERSHIP STRUCTURE



Privately owned
steel mills in Russia



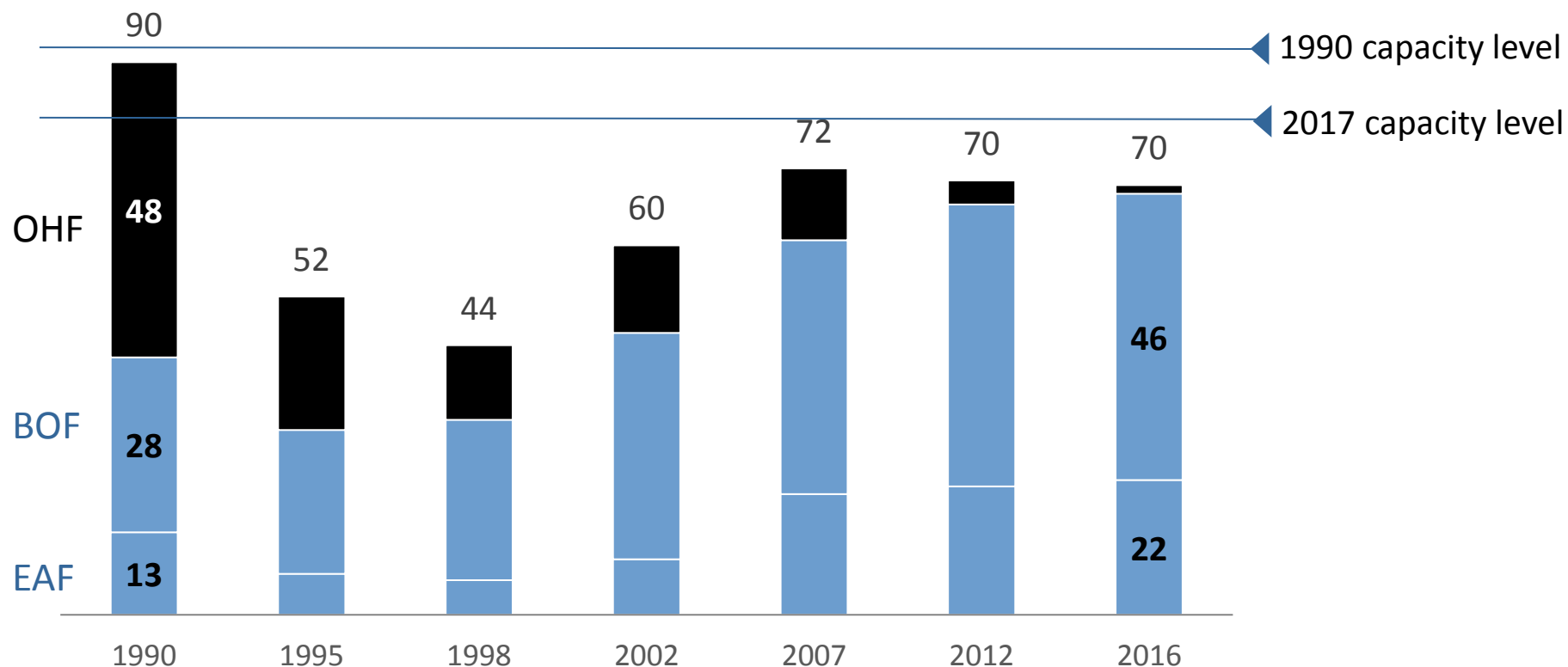
Almost all steelmaking mills in Russia are privately owned



No funding, subsidizing, tax exemption, credit preferences or any other kind of government support

25 YEARS OF RUSSIAN STEEL RESTRUCTURING

Steel output by process, million metric tonnes



50% of 1990 capacity was shut down (equivalent of 45 m t)

OHF capacities were phased out replaced by modern EAFs and BOFs

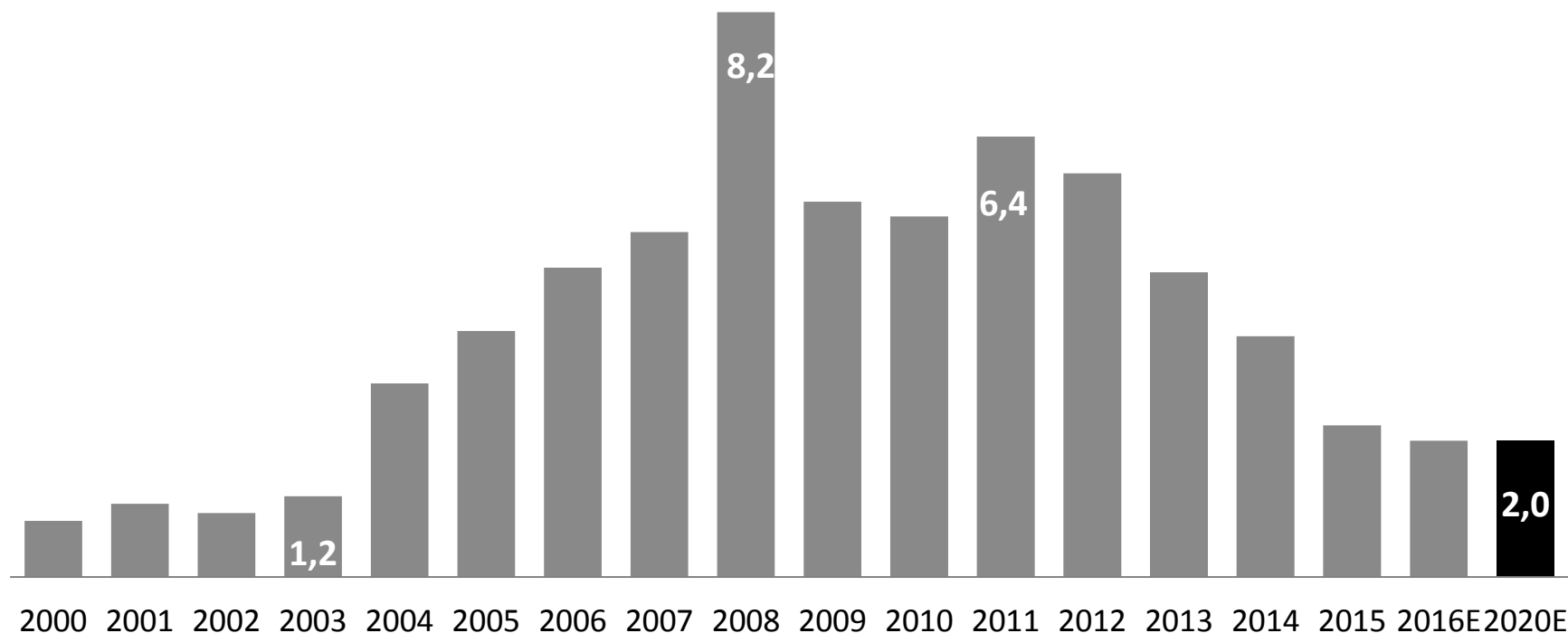
Net capacity decrease of 15 m tpa

Productivity improved 2.6x over last 15 years

Source: Worldsteel, Metal Expert, Rosstat

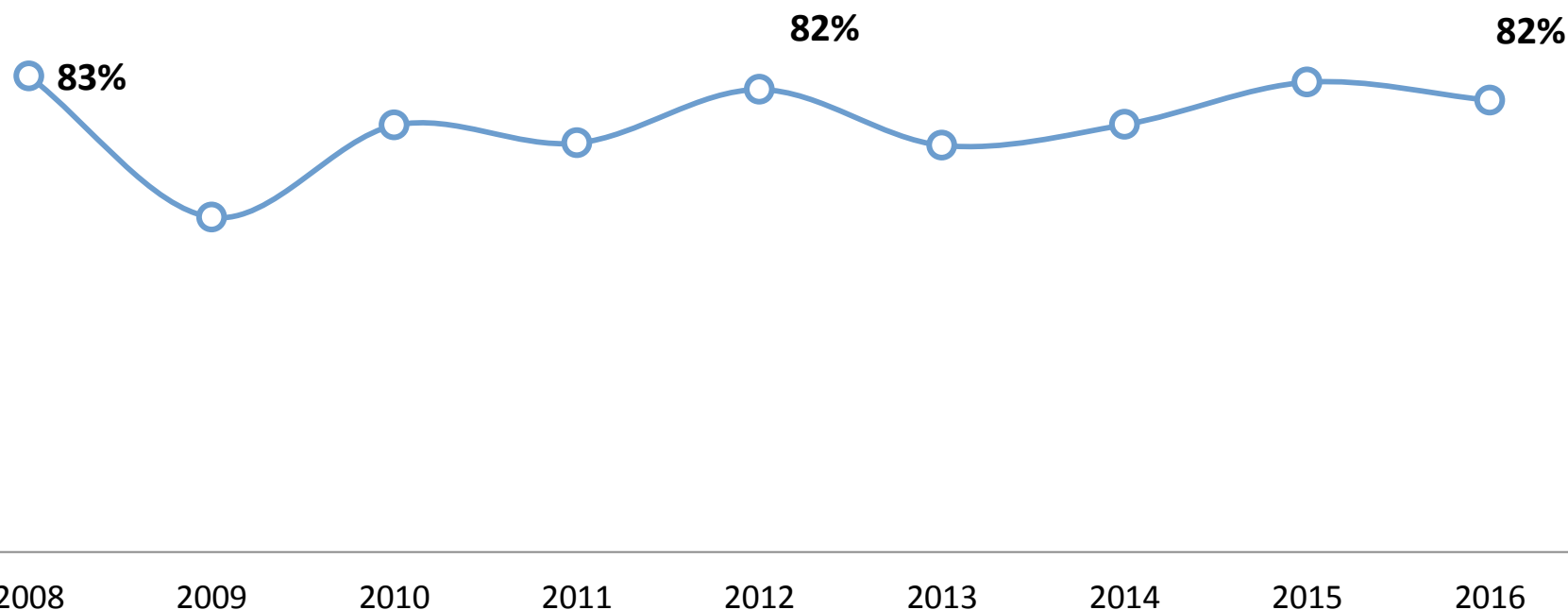
ACTIVE PHASE OF INVESTMENT CYCLE IS OVER

Investments in Russian steel industry, bn \$



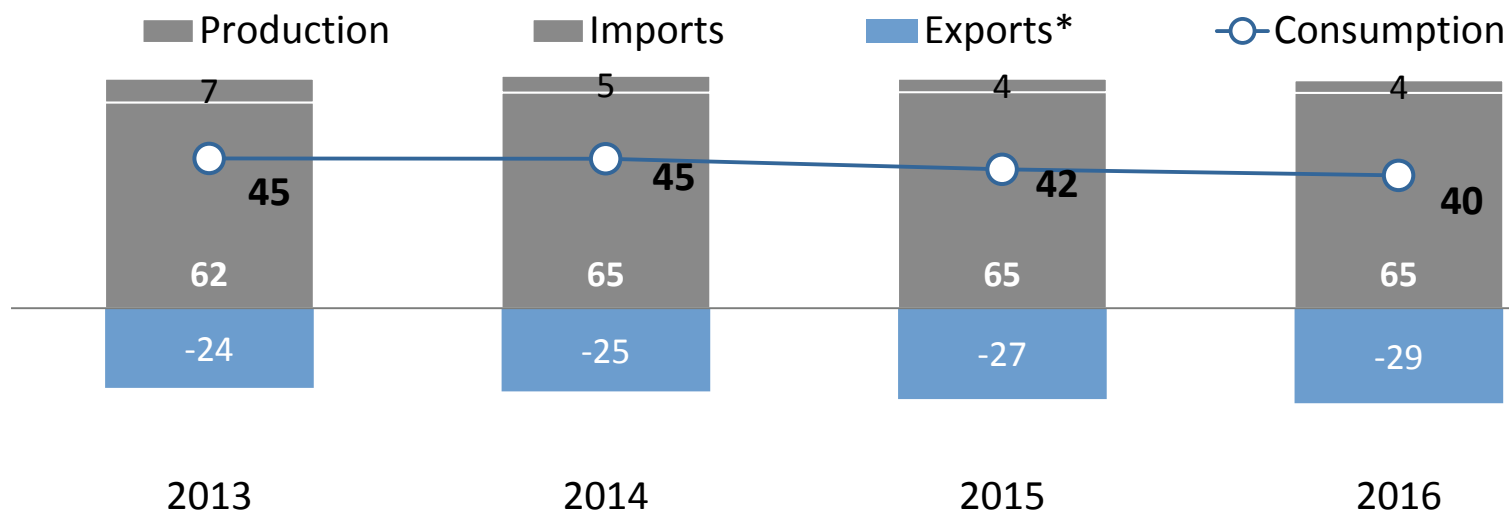
Capex dedicated for maintenance and repairs purposes

CAPACITY UTILIZATION REMAINS STABLE



Capacity utilization is well below 100%: loading is based on overall market environment

PROJECTED STEEL DEMAND

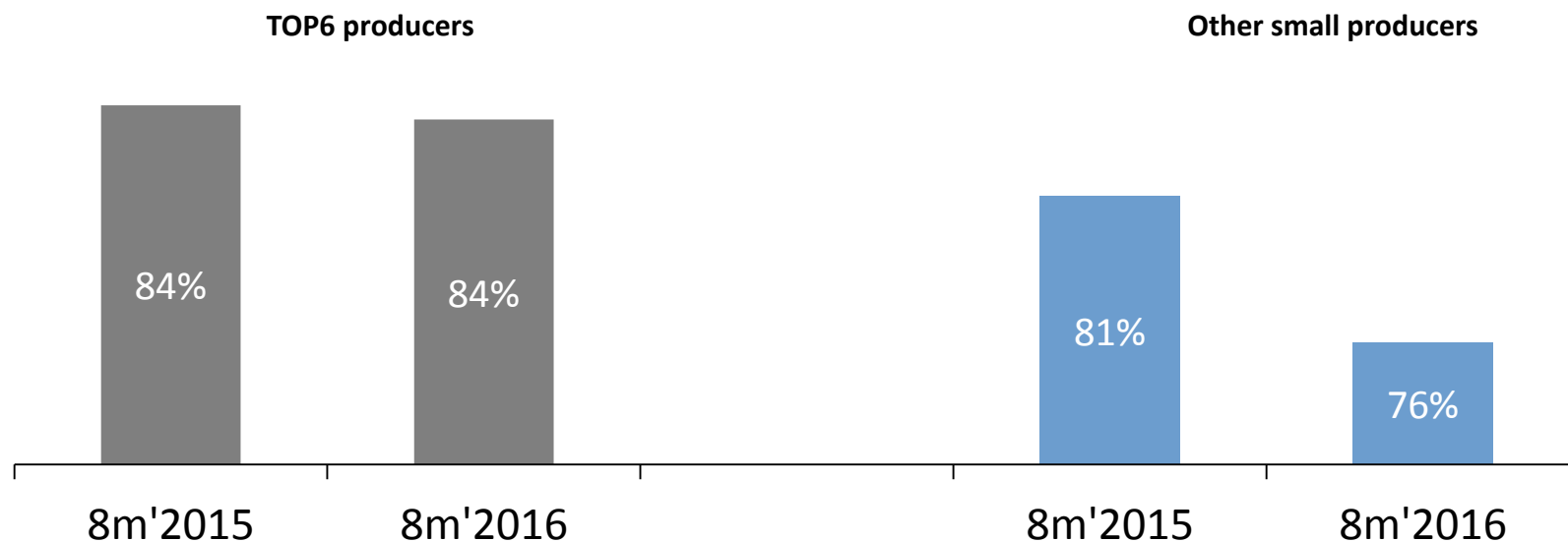


*exports include semi-finished products

Source: Metal Expert, Ministry of industry and Trade, working papers

SMALL PLAYERS HEADING TO POSSIBLE CLOSURES

Capacity utilization

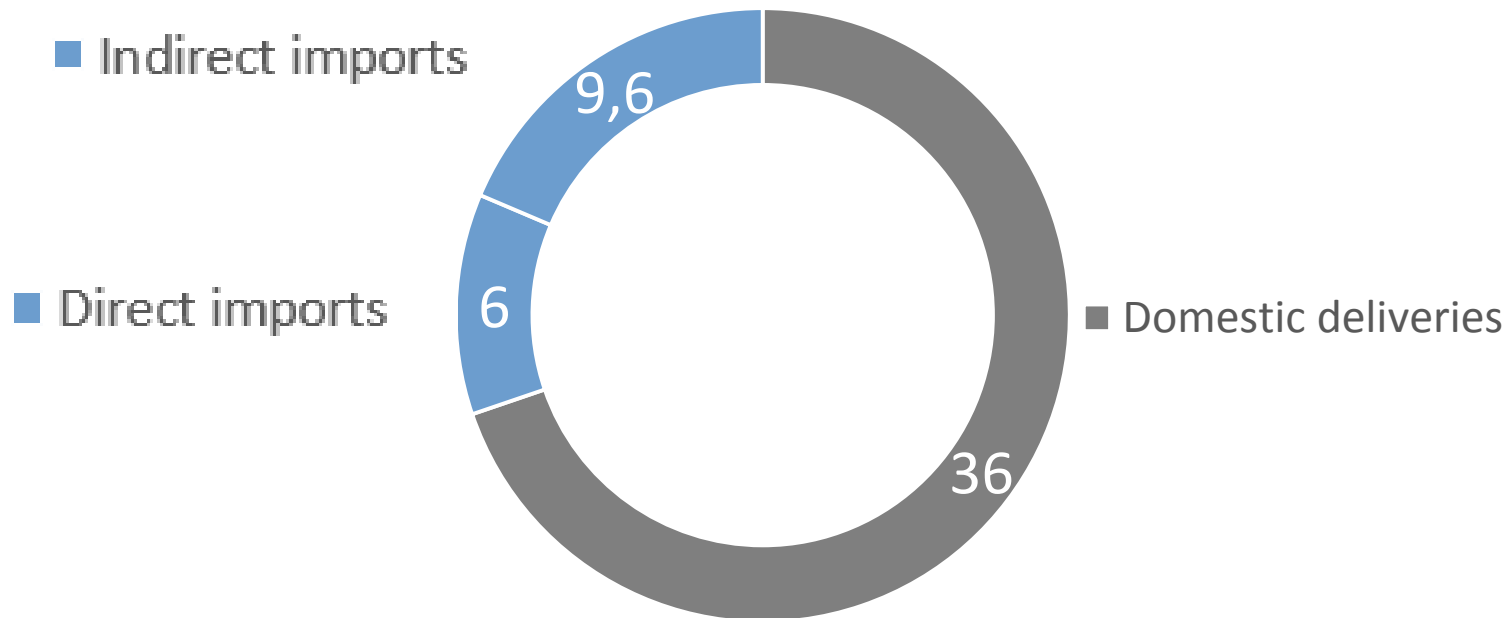


- **Assuming continued capacity curbing of minor outdated mills (~6 mln tpa) and recovery of the Real Steel Use to 2013 levels almost 80% of internally produced steel will be consumed domestically by 2025**

APPARENT VS TRUE STEEL USE

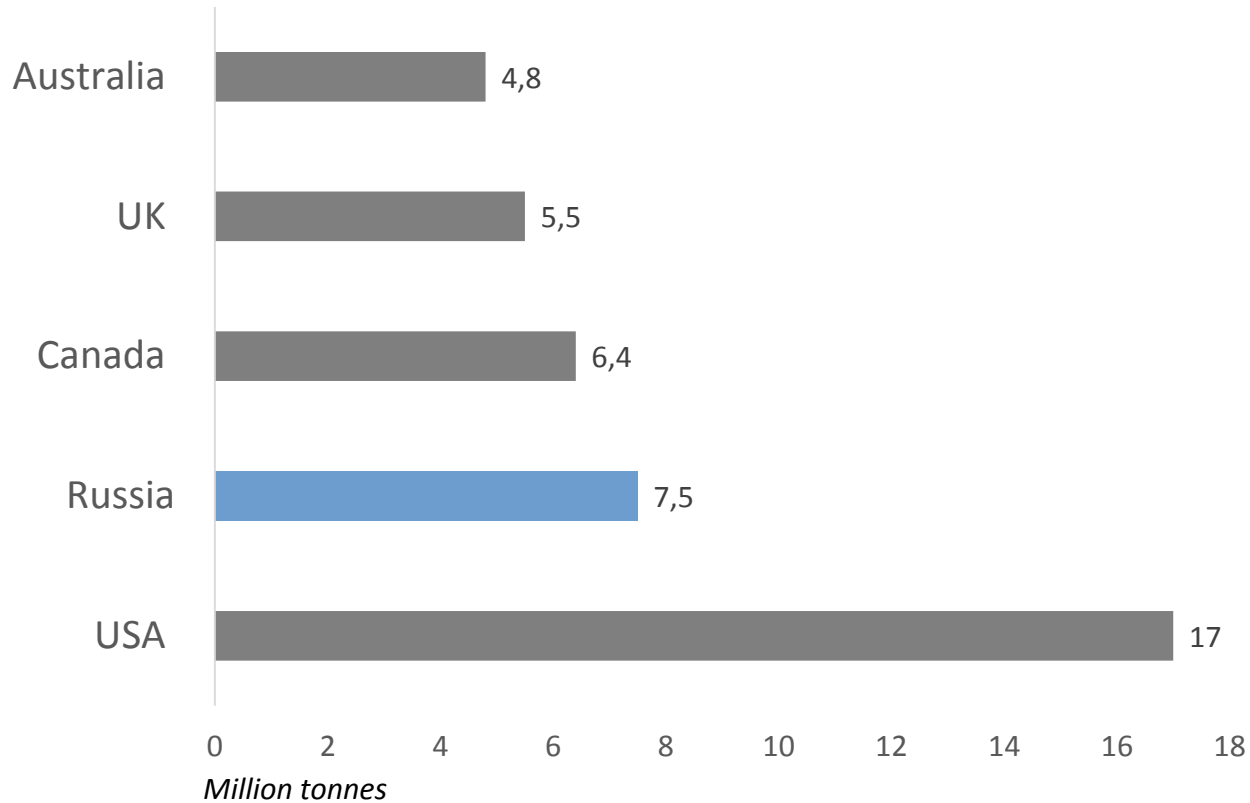
Russian Steel Consumption, 2012-2016 average

MLN MT



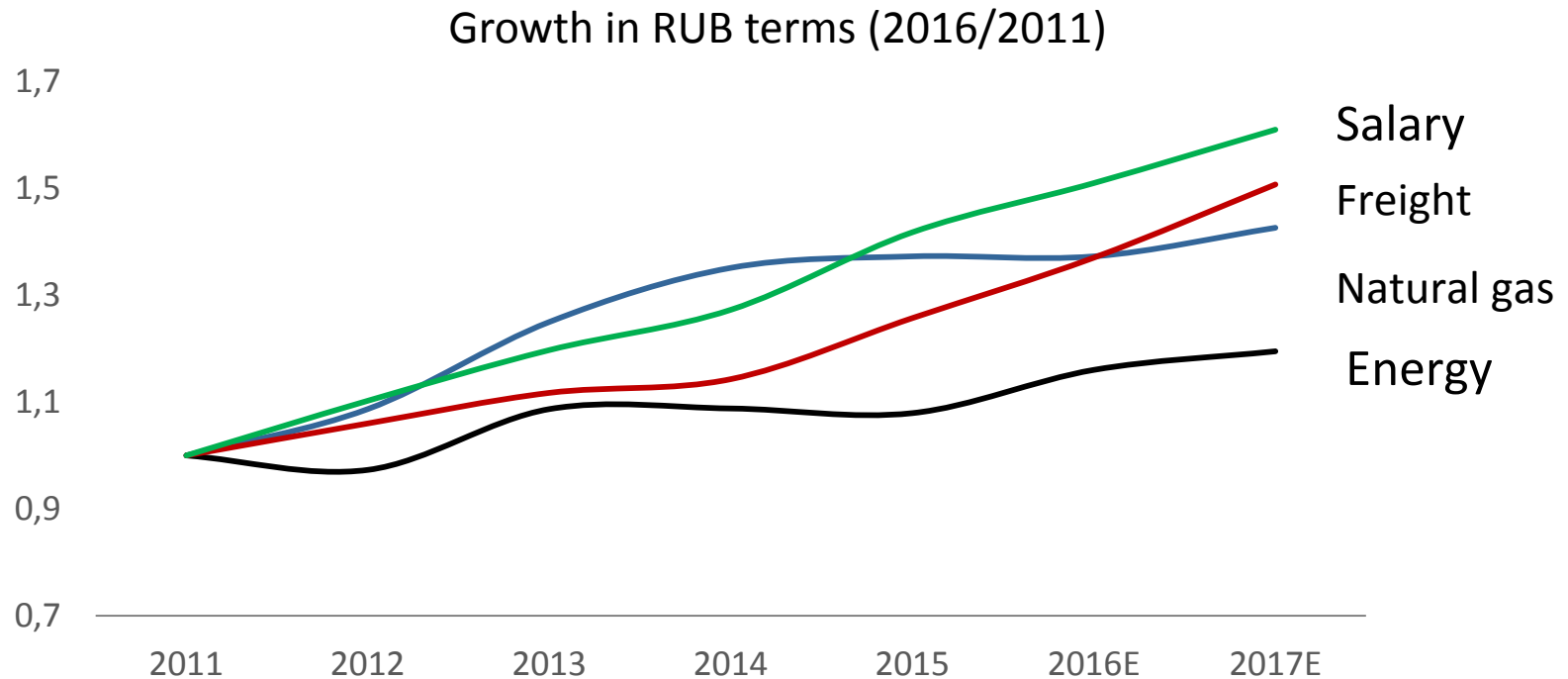
- **Direct and indirect steel imports account to 30% of True Steel Use**
- **c. 52 mln mt – average true steel consumption in Russia in 2012-2016**

TRUE STEEL USE RANKING



- **Russia is one of the world's largest (#2) importers of steel containing goods in 2014**

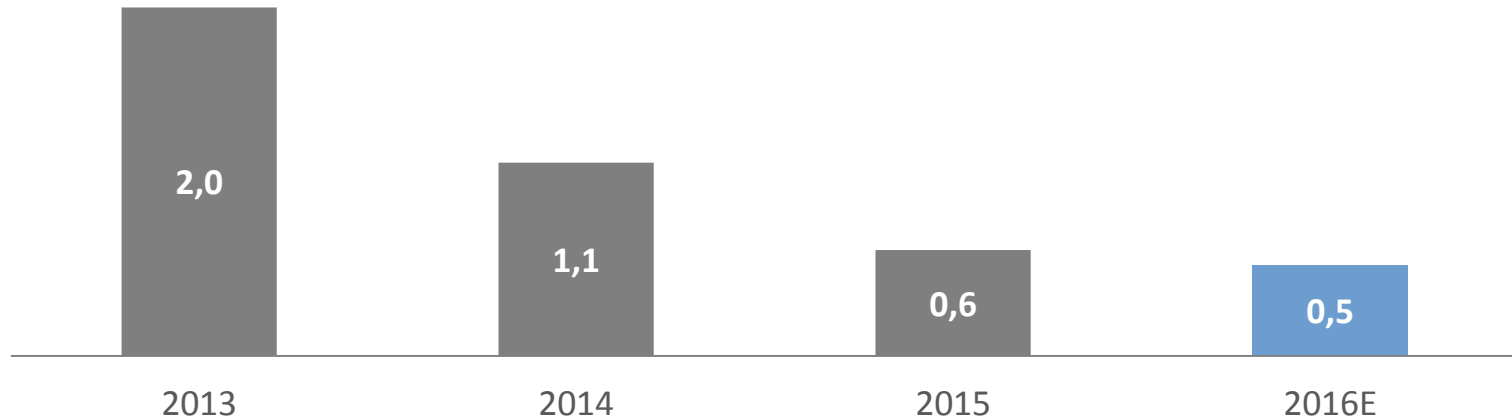
COST INFLATION



- **Some of major cost items increased by 50%**
- **While domestic HRC EXW price improved by 40% over the same period**

COMPANIES MANAGE TO DECREASE DEBT

Median, Russian public steel companies



- **Russian steelmaking majors consistently improve its leverage**
- **Two companies have investment grades from global rating agencies (Fitch and S&P) which is above sovereign rating**