

Russian economy. Metallurgy.  
Current situation and prospects.

# Decade results: GROWTH showing



Household incomes (real terms)

x4

Household incomes (dollar terms)

x15

Increase of middle class proportion in Russia

x2

Money stock (nominal terms)

x30

Money stock (real terms)

x7

Money stock increase resulted in investment growth since 2006

Steady growth

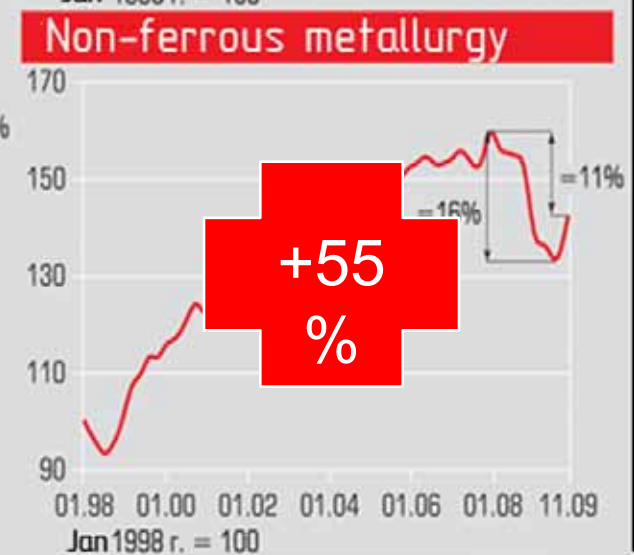
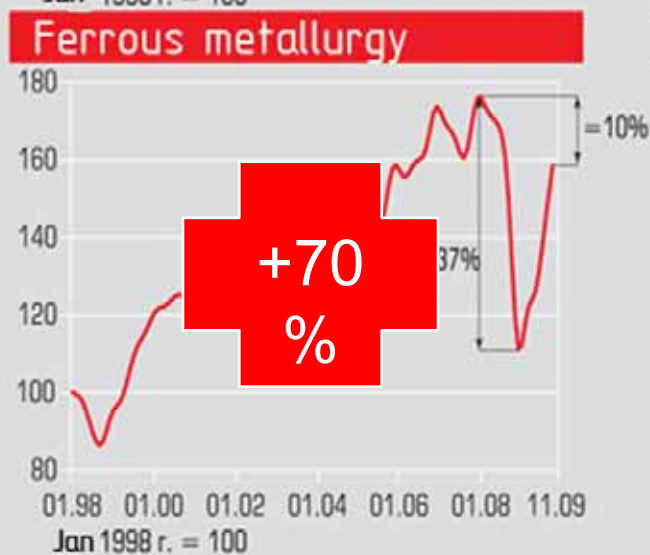
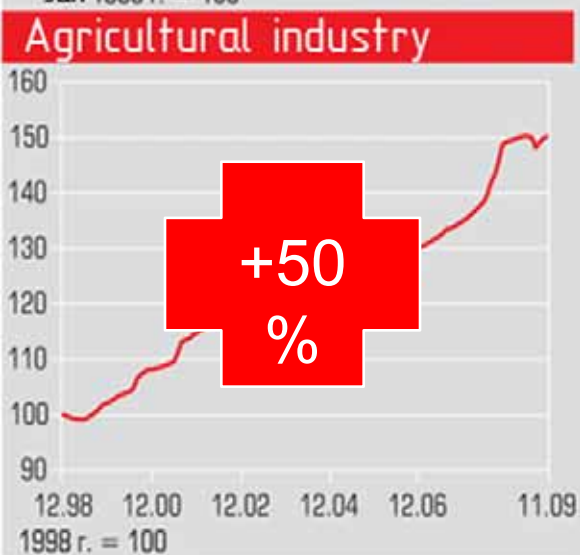
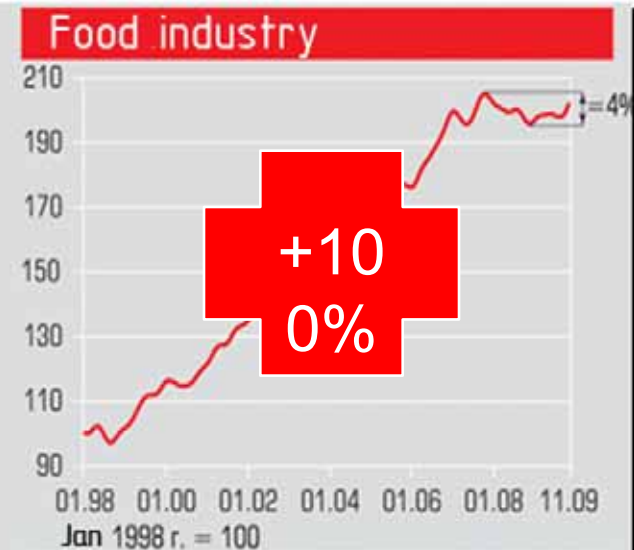
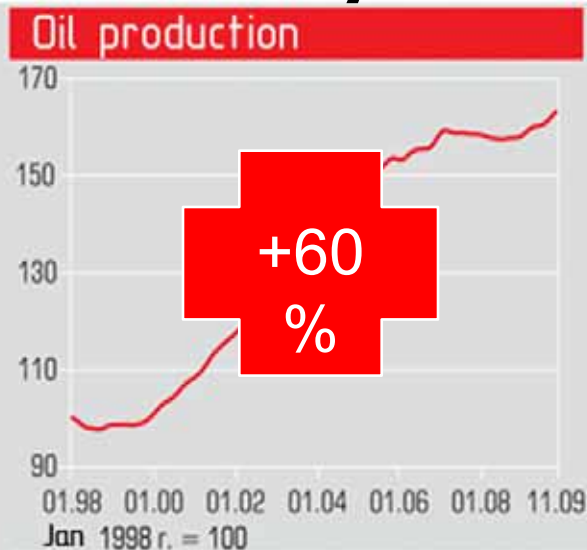
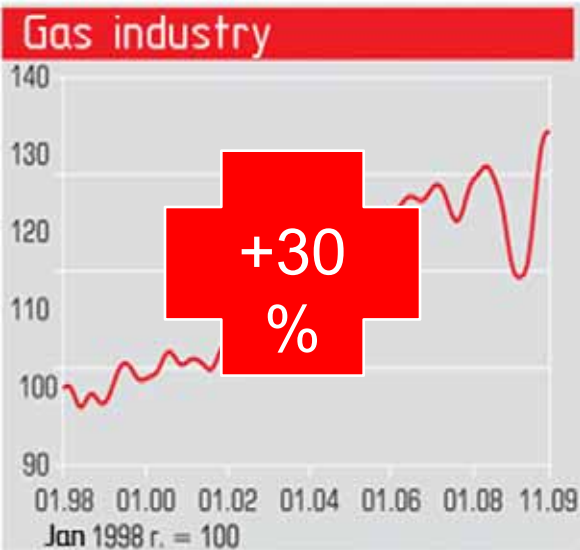
Retail volume (real terms)

x2

Production output of agricultural sector

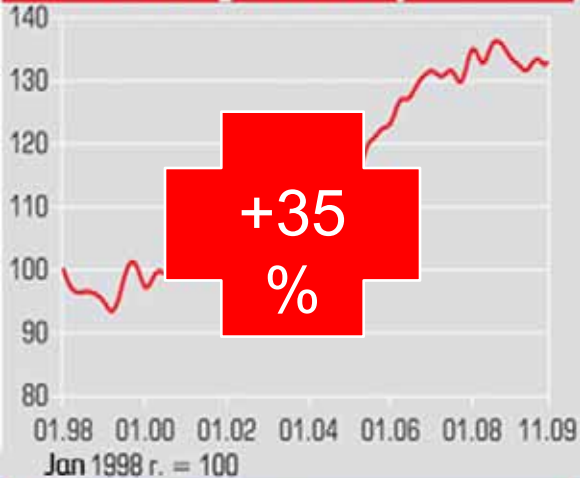
x1,5

# Decade results: sectoral dynamics

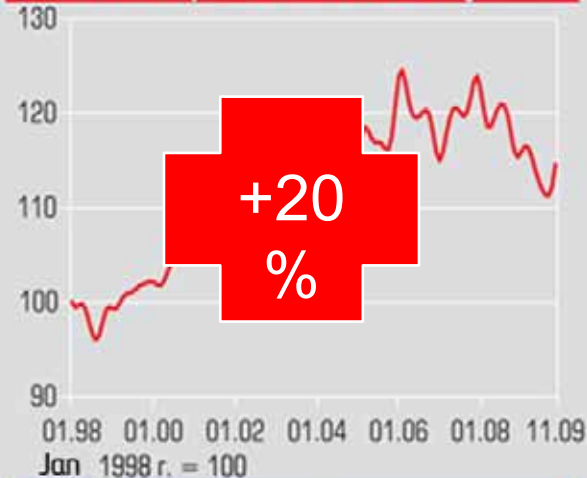


# Decade results: sectoral dynamics

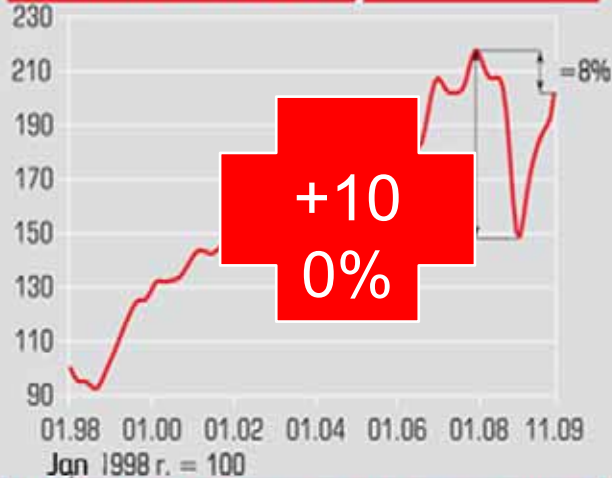
**Oil-refining industry**



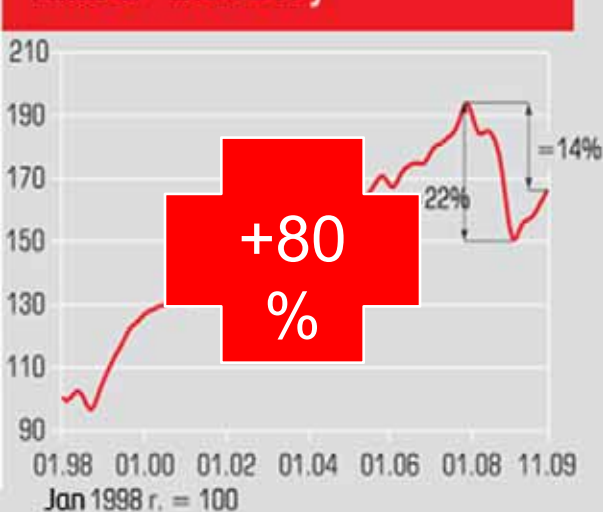
**Electric power industry**



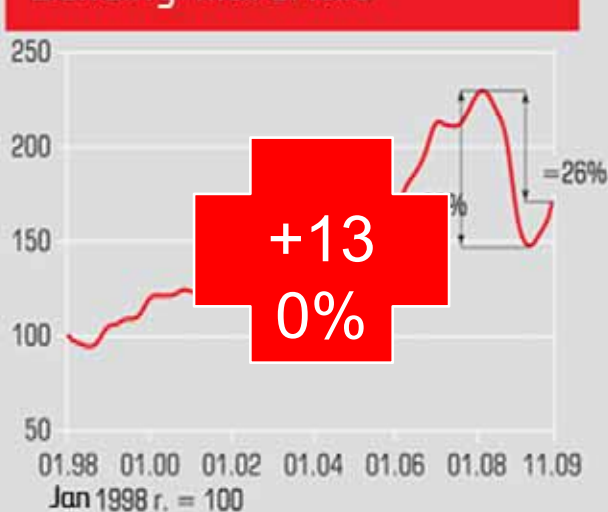
**Chemical industry**



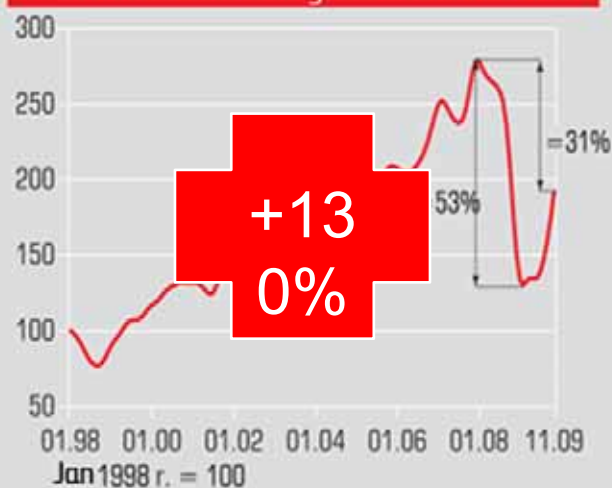
**Timber industry**



**Building materials**



**Machine-building and metal-working industries excluding car construction**





# Industry structure

## 1. Non-suffered from economic crisis

- Food industry (decrease-4 %)
- Oil production
- Gas industry
- Agricultural industry

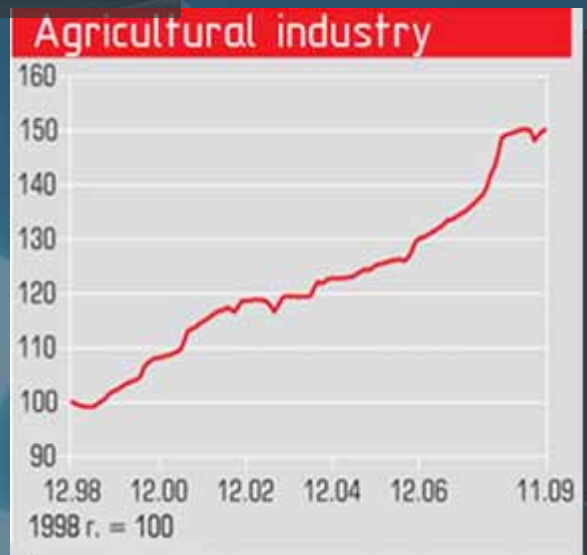
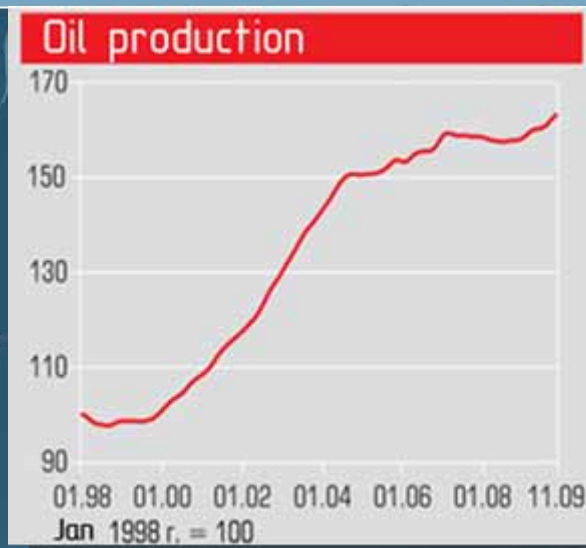
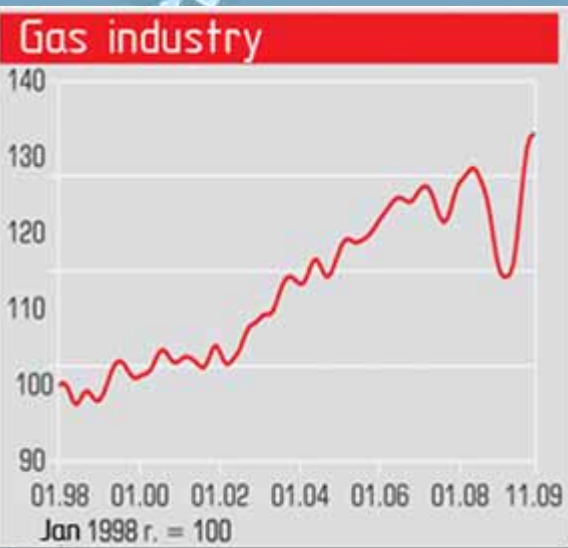
## 2. Process industries: recession - growth

- Ferrous metallurgy (decrease-40 %, increase – up to 10% from the top point)
- Non-ferrous metallurgy (decrease – 15%, increase – up to 10% from the top point)
- Oil- refining industry (decrease-5%)
- Chemical industry (decrease - 32%, increase – up to 11% from the top point)
- Timber industry (decrease - 22%, increase – up to 14% from the top point)
- Building materials production (decrease – 35%, increase – up to 26% from the top point)

## 3. End products industries – substantial slump

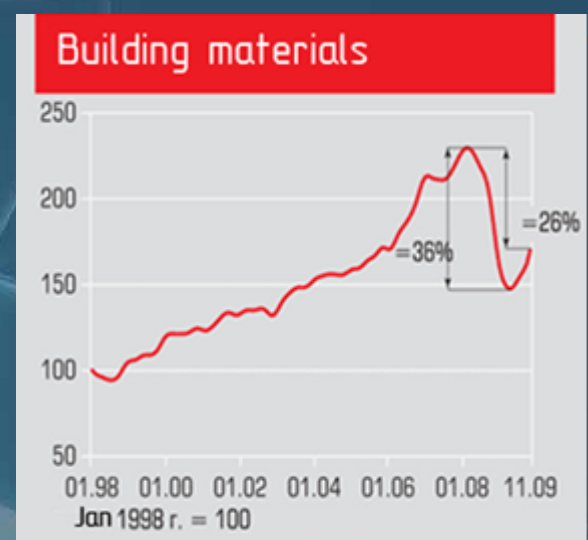
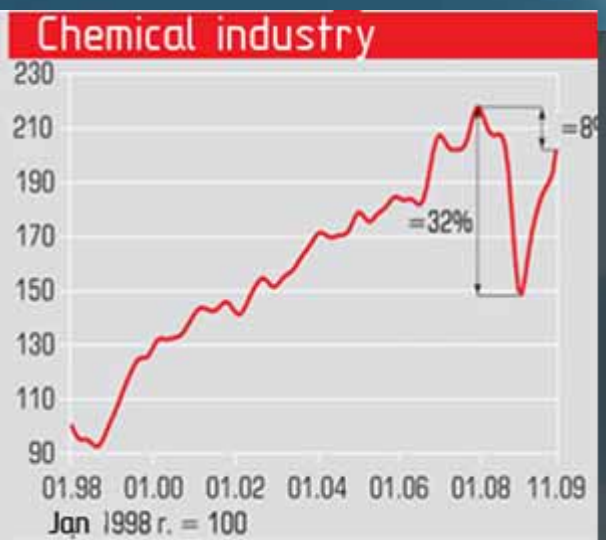
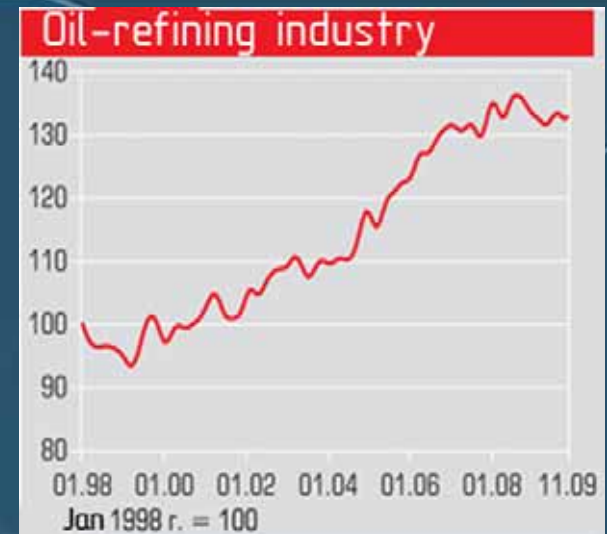
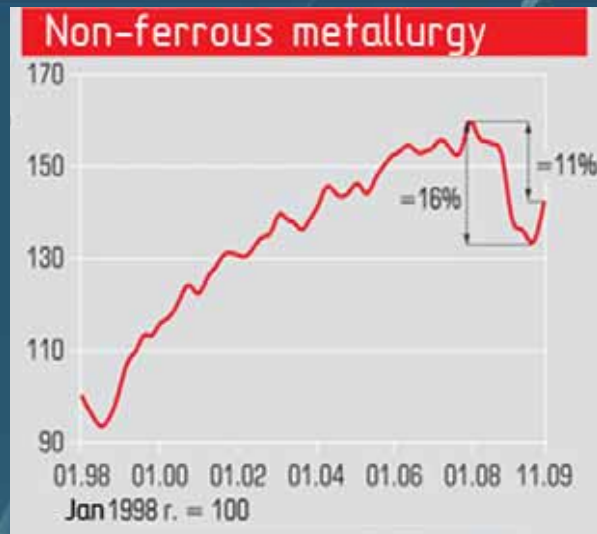
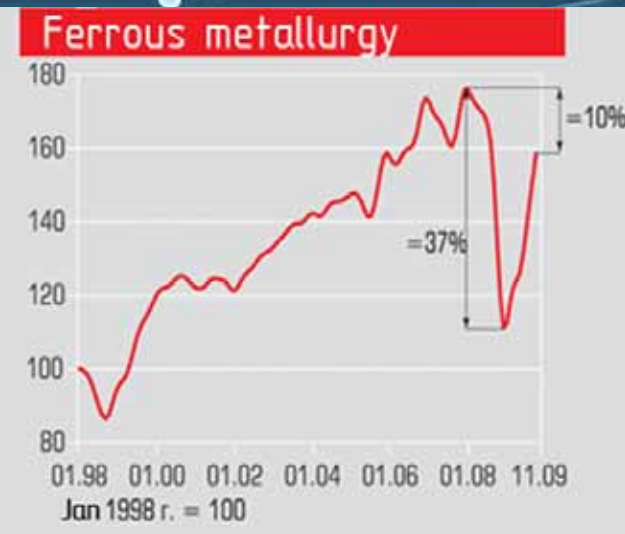
- Machine-building (decrease-53 %, increase – up to 31% from the top point)
- Including car construction industry (decrease-67 %, increase – up to 56% from the top point)
- Light industry (decrease-30 %, increase–up to 19% from the top point)

# Non-suffered from economic crisis industries

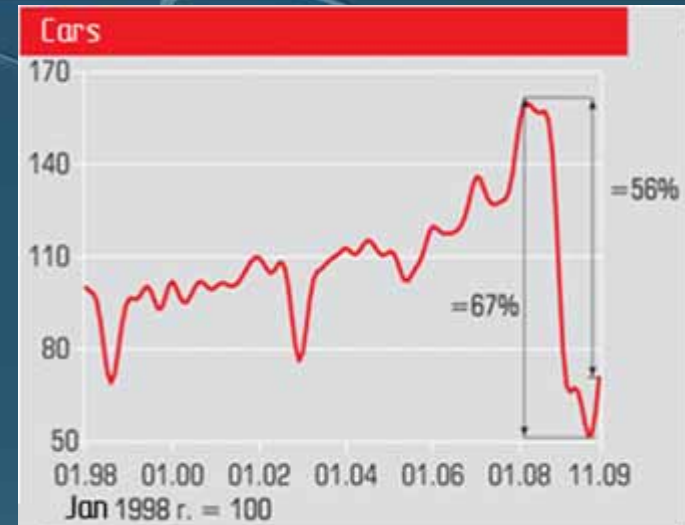
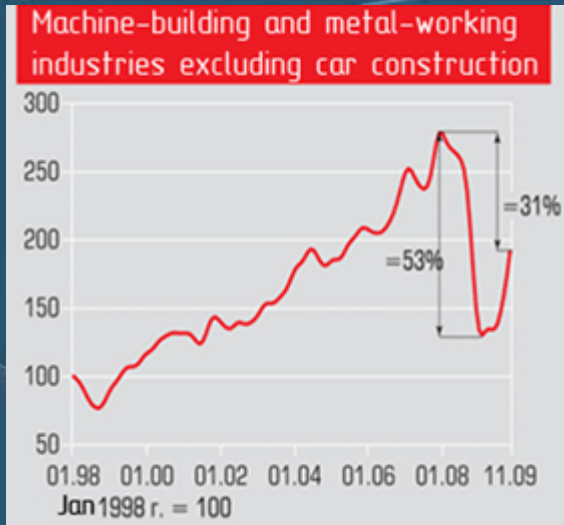




# Process industries: recession - growth



# End products industries – substantial slump







# Results of crisis

- The main negative factor is the return move up to material branch
- Recession of GDP - 9%,
- Shortening of industrial production- 12%
- Shortening of the block of manufacturing sectors — 17%

A cluster of several interlocking puzzle pieces in the top left corner, rendered in a light blue, semi-transparent style.

# Positive trends

- GDP and industry have demonstrated the increasing in the second half-year 2009
- The increasing of construction projects, salary, real income of the population has become in the second quarter of 2009
- The decrease of retail turnover has stopped
- The increasing of private savings has been outlined

# Structure and Dynamics of GDP

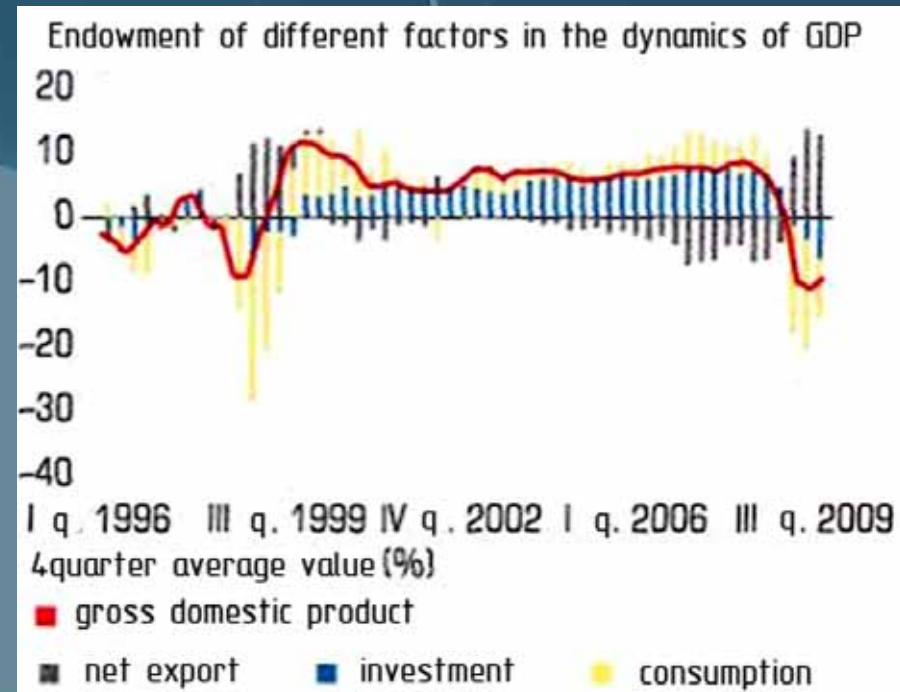
- Export demand is the main dynamics of industry within crisis:
- Increasing has begun since April 2009: owing to branches on 50 % and more;
- Those oriented on export demand – ferrous and non-ferrous metallurgy, chemistry, gas, coal-mining industry
- The trend to the import reconstruction- since the third quarter of 2009.

Decrease of investments-30%

## Result:

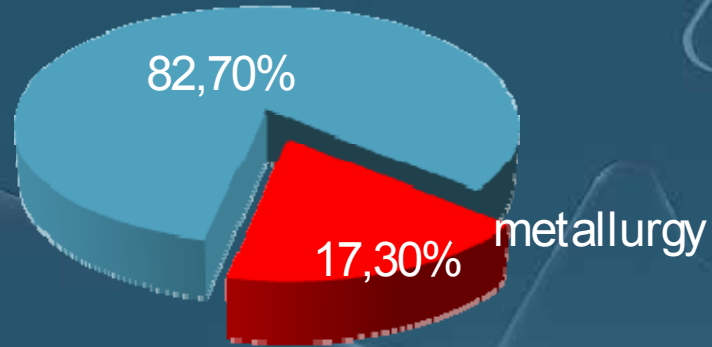
Raising of GDP in the 3-d quarter 2009

Growth of GDP in the 4-th quarter 2009

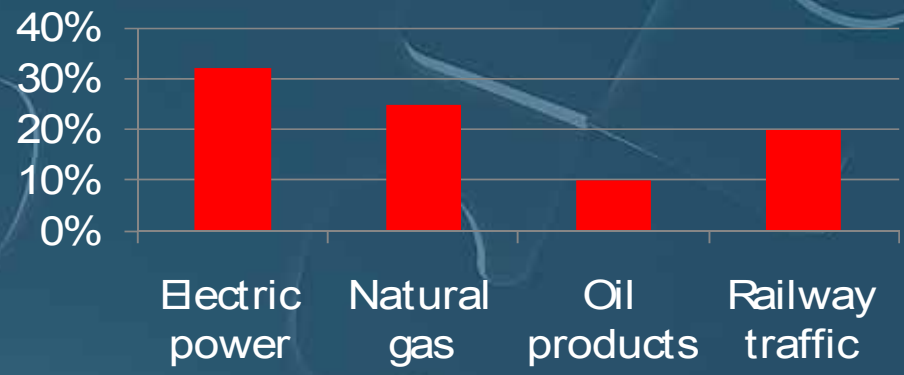


# Metallurgy in the Economics of Russia

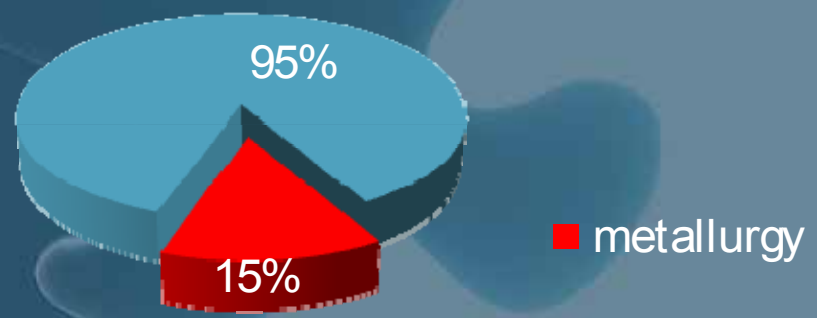
The dole of metallurgy in the industrial production



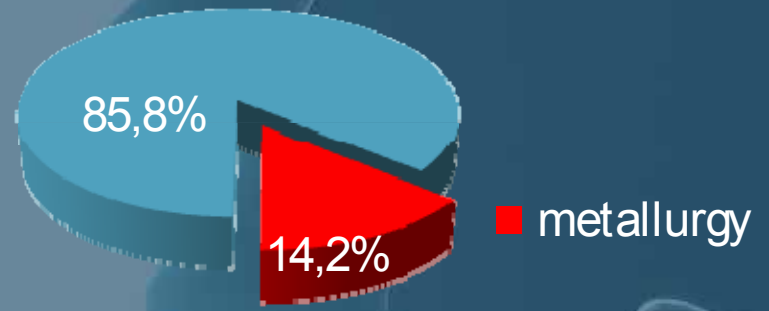
Metallurgy as products and services consumer



The dole of metallurgy in the GDP



The dole of metallurgy in export





# Metallurgy: the Role of RF in the World



## Production of Steel, mln t.

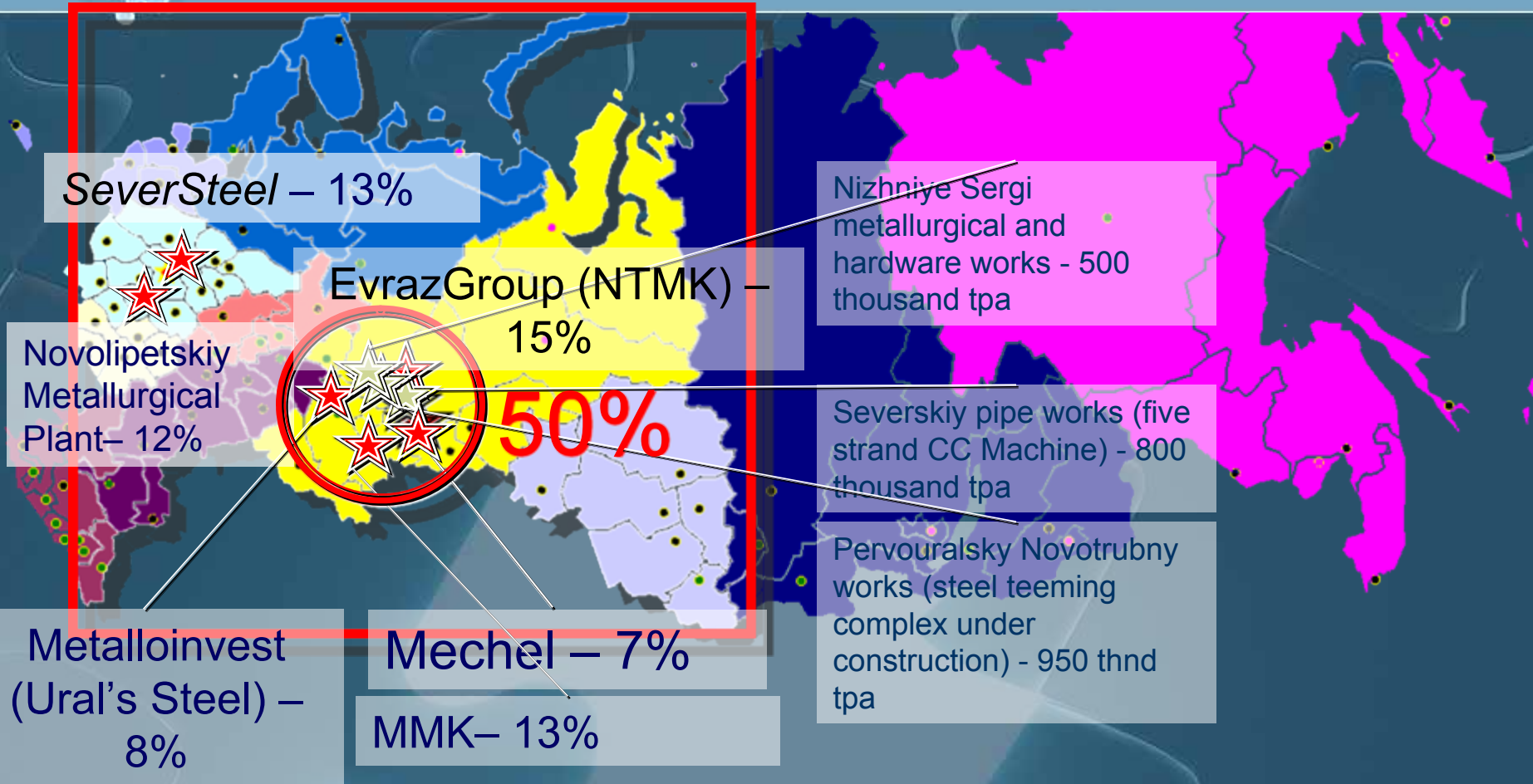
Country	January- November 2009	January- November 2008	difference % 11 month	difference % 4 month
1 China	518,177	462,450	12,1	0,1
2 Japan	78,584	111,255	-29,4	-43,1
3 <b>Russia</b>	<b>54,360</b>	<b>65,200</b>	<b>-16,6</b>	<b>-31,5</b>
4 USA	52,587	87,433	-39,9	-53,1
5 India	51,682	50,467	2,4	-1,6
Total 66 countries	<b>1 090,435</b>	<b>1 222,396</b>	<b>-10,8</b>	<b>-22,7</b>

# Metallurgy producers in 2009

Producer	Operating revenue in 2009 (mln dollars)	Dole in Total
EvrazGroup (NTMK)	3869,20	14,85%
Magnitogorskiy Metallurgical Plant (MMK)	3274,57	12,57%
Metalloinvest (Ural's Steel)	1909,97	7,33%
Mechel	1838,47	7,06%
SeverSteel	3367,97	12,93%
Novolipetskiy Metallurgical Plant	3181,27	12,21%
United metallurgical company	2354,67	9,04%
Oil	1111,07	4,28%

# Production structure.

## Russia, 2009





# Metallurgy: influence of the crisis

Index	Comparison with the similar period 2008, %
Index of metallurgical production and production of ready metal products in January-October 2009	80,8
Index of metallurgical and ready metal production in October 2009, including metallurgical production	80,7
Index of metallurgical and ready metal production in October 2009, including metallurgical production	98,4
The level of metallurgical production	99,9
Export of metallurgical production	70
Import of metallurgical production	96
Import of metallurgical production	60



Metallurgical products prices (USD/t)

Products	Summer 2008	June 2009	Autumn 2009	Present
Scrap steel	700	230	320	320
Cold-rolled coil	1300		680	680
Hot-rolled coil	1200	430	580-620	600

# Volume of Production

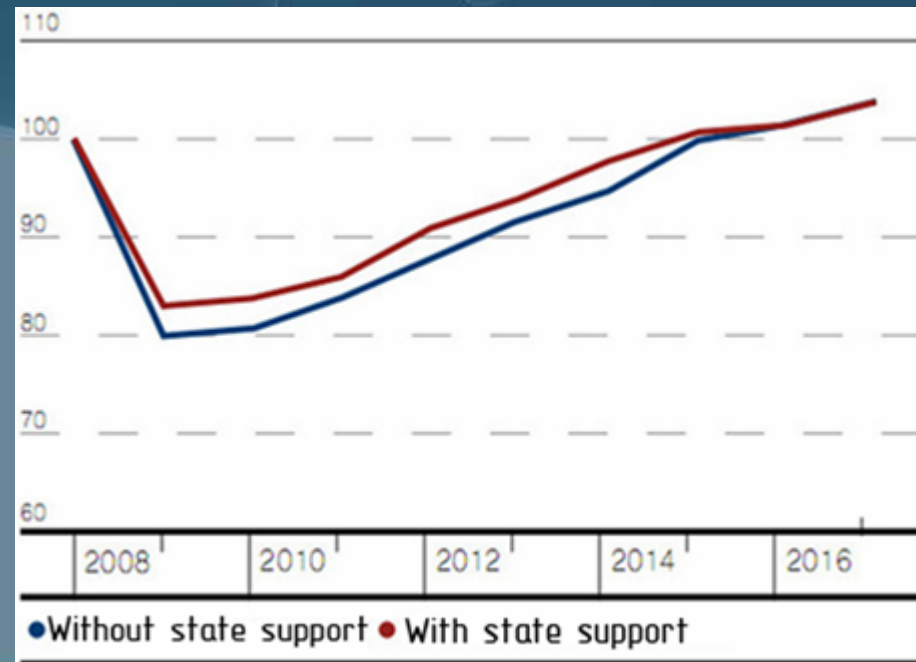


	January	February	March	April	May	June	July	August	September	2009 to 2008, %
Steel (mln t.)	3,9	4,3	4,6	4,4	4,6	4,8	5,3	5,6	5,3	75,2
Mill product (mln t.)	3,5	3,8	3,9	3,7	4,0	4,1	4,5	4,8	4,7	79,2
Steel pipes (thnd t.)	371	443	581	502	471	526	551	601	635	74,3

In November 2009 the volume of steel production has reached 6 million tons.  
 Maximum peak in Mart 2008 -6,7 million tons.

# State policy

- Within the framework of investment projects support: approved state guarantees for 1,6 billion dollars to take 3,3 billion dollars credits (Evraz-Group, MMK, Mechel, Rusal, Norilsk Nickel, UGMK, Metallinvest)
- Special protective and anti-dumping investigations: including import duty three-fourfold increase (from 5 to 15-20%) for 46 steel tubes types
- Anticipated results – balanced high-performance development of metallurgical industry, raised industry contribution to the process of GDP and living standards increase.






# Metallurgy development forecast by 2020

Regulatory document: **Development strategy of Russian metallurgical industry till the year 2020.**  
Ministry of Industry and Trade of the Russian Federation, December 2009

## **Main objective:**

- industry rapid innovation renewal,
- increase in its economic efficiency,
- ecological safety,
- resource and energy saving,
- production competitive ability,
- import substitution and raw materials provision.

# Forecast: prices



Production, USD/t.	2005	2006	2007	2008	2009	2010	2011	2012	2013
Hot-rolled products (world prices)	<b>507</b>	<b>532</b>	<b>600</b>	<b>899</b>	<b>492</b>	<b>545</b>	<b>625</b>	<b>676</b>	<b>732</b>
Reinforcement (world prices)	<b>413</b>	<b>465</b>	<b>543</b>	<b>817</b>	<b>468</b>	<b>506</b>	<b>562</b>	<b>597</b>	<b>634</b>
Billets (world prices)	<b>349</b>	<b>388</b>	<b>501</b>	<b>780</b>	<b>412</b>	<b>448</b>	<b>501</b>	<b>535</b>	<b>570</b>
Slabs (world prices)	<b>400</b>	<b>408</b>	<b>498</b>	<b>779</b>	<b>399</b>	<b>442</b>	<b>507</b>	<b>549</b>	<b>595</b>



# Forecast: production volume

2005	2006	2007	2008	2009	2010	2011	2015	2020	2020 in % to 2007
<b><i>Finished rolled steel, mln. t.</i></b>									
54.7	58.2	59.6	56.6	46	50	54	67.5	75	125.8%
<b><i>Flat products, mln. t.</i></b>									
23.9	24.9	25.4	23.1	19.5	22	24	32.2	38	149.6%
<b><i>Long products, mln. t.</i></b>									
30.7	33.3	34.2	32.9	26.5	28	30	35.3	37	108.2%
<b><i>Steel pipes, mln. t.</i></b>									
6.7	7.9	8.7	7.8	5.3	6.4	8.2	11.5	13.4	154.0%



# Forecast: production methods

2011	2015	2020
Electric furnace production		
32.4%	33.9%	39%
Converter production		
58.7%	61.6%	61%
CC Machine		
82%	87%	98%

# Forecast: production resource intensity.

1. Steel consumption decrease for 1 t of rolled products—to 1,09 t

2011	2015	2020
2. Decrease in energy consumption of metallurgical conversion		
11%	18%	21%
2. Decrease in energy consumption of mining conversion		
9%	14%	19%
4. Workers dismissal, thousand people		
120	155	245





# Forecast: ecological compatibility and quality of production. Target indexes.

- Ecological compatibility:

Current emission standards implementation on all enterprises by 2011

- Quality:

increase in share of added value production of ferrous metallurgy to **40-45%**,

non-ferrous metallurgy – to **42%** by 2020



# Investment activity

Equipment wear of Russian leading metallurgical enterprises accounts to 50%

## Volume of investment in industry development

Planned 2008	7.6 billion dollars
Actual 2008	6.6 billion dollars
2009	8.3 billion dollars
1 <sup>st</sup> stage: 2009-2011	15 billion dollars
2 <sup>nd</sup> stage: 2012-2015	25.5 billion dollars
3 <sup>rd</sup> stage: 2016-2020	35 billion dollars

Main resource – enterprises' own capital

# Investment activity

Company	Project
MMK	<ul style="list-style-type: none"> <li>• Production complexes of cold-rolled mill products, coated rolled products and equipment including cold-rolling mill «2000» and continuous hot galvanizing unit</li> <li>• Pressing production center</li> <li>• Plate iron production complex including working mill «5000»</li> <li>• Two slab CCM replacement</li> </ul>
ChTPZ	<ul style="list-style-type: none"> <li>• Tube-welding mill for tubes diameter 1420 mm</li> <li>• Production of cast steel billets in arc-furnace complex for tube production</li> </ul>
Mechel	<ul style="list-style-type: none"> <li>• Rail and structural steel mill for 100m rails</li> <li>• Section CC machine</li> </ul>
Chusovoy metallurgical works	<ul style="list-style-type: none"> <li>• Arc-furnace shop capacity - 850-900 thousand tons of conticast billets</li> <li>• Rolling mill capacity – up to 700 thousand tons of finished rolled products</li> </ul>
Ashinskiy metallurgical works	<ul style="list-style-type: none"> <li>• Arc-furnace shop #2</li> <li>• Bell-type furnace in flat-rolling shop #3</li> </ul>
United metallurgical company	<ul style="list-style-type: none"> <li>• Flat-rolling complex</li> <li>• Mill «5000»</li> </ul>
Novolipetsk metallurgical works	<ul style="list-style-type: none"> <li>• Electric steel production modernization</li> <li>• Hot-rolling mill modernization and construction of reversing mill</li> </ul>



**THANK YOU FOR YOUR  
ATTENTION!**