

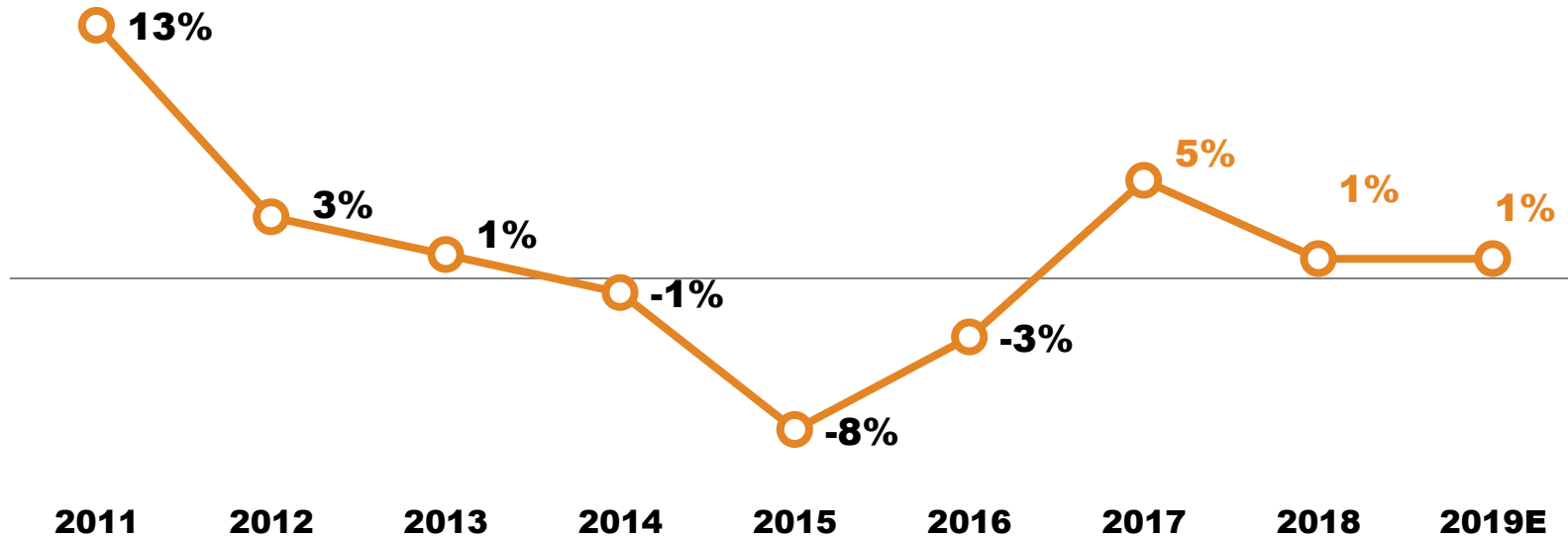


Russian Steel Markets Developments

OECD Steel Committee

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Russian Steel
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Steel demand recovery continues

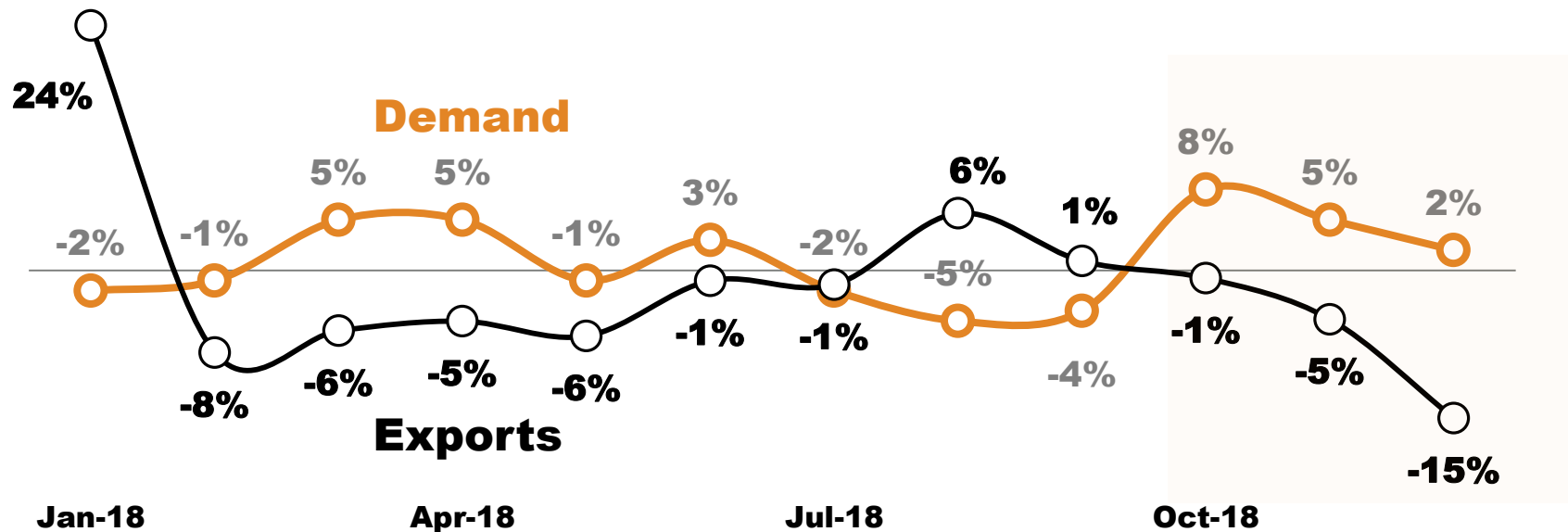


Recovery of investment activity and cost of funding remains affordable

Demand growth (real disposable income stabilization, sustained drop in inflation, credit expansion)

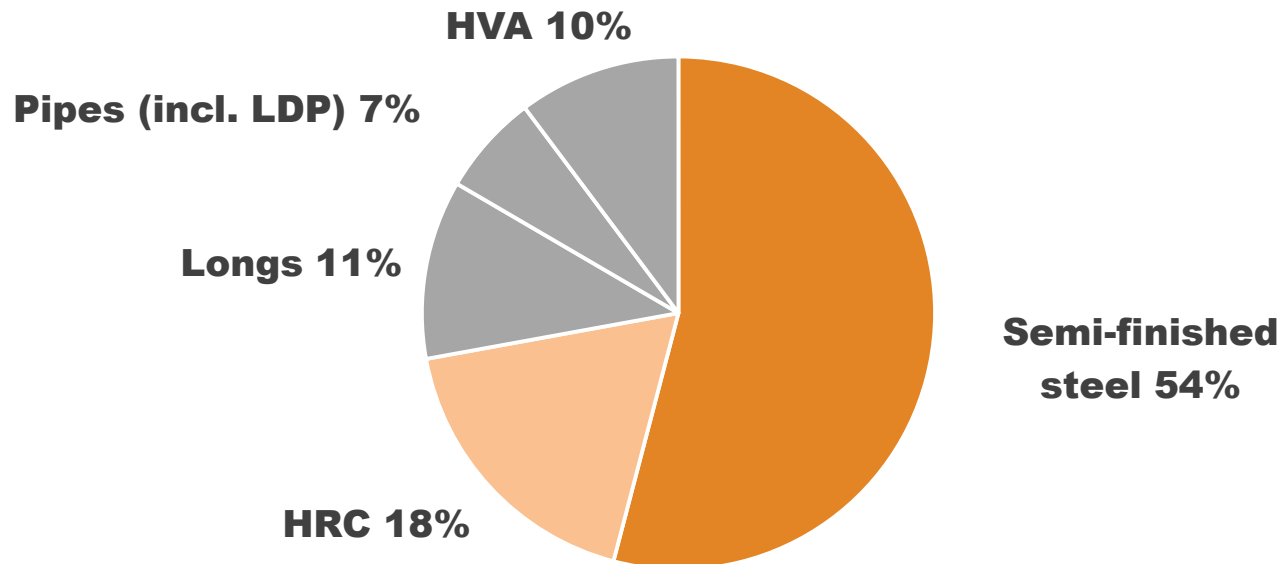
Better dynamics in construction (infrastructure) and automotive

Russian market balance



- Demand recovered in 4Q'18 resulting in lower finished and semi-finished exports
- One the largest producers has maintenance works in 2019-2020 resulting in lower steel output by c. 1 m t pa

Russian exports breakdown



- **HVA flat products constitute only 10% of total exports from Russia**
- **More than 70% is represented by semi-finished products and HRC that is used mainly as a feedstock for re-rolling**

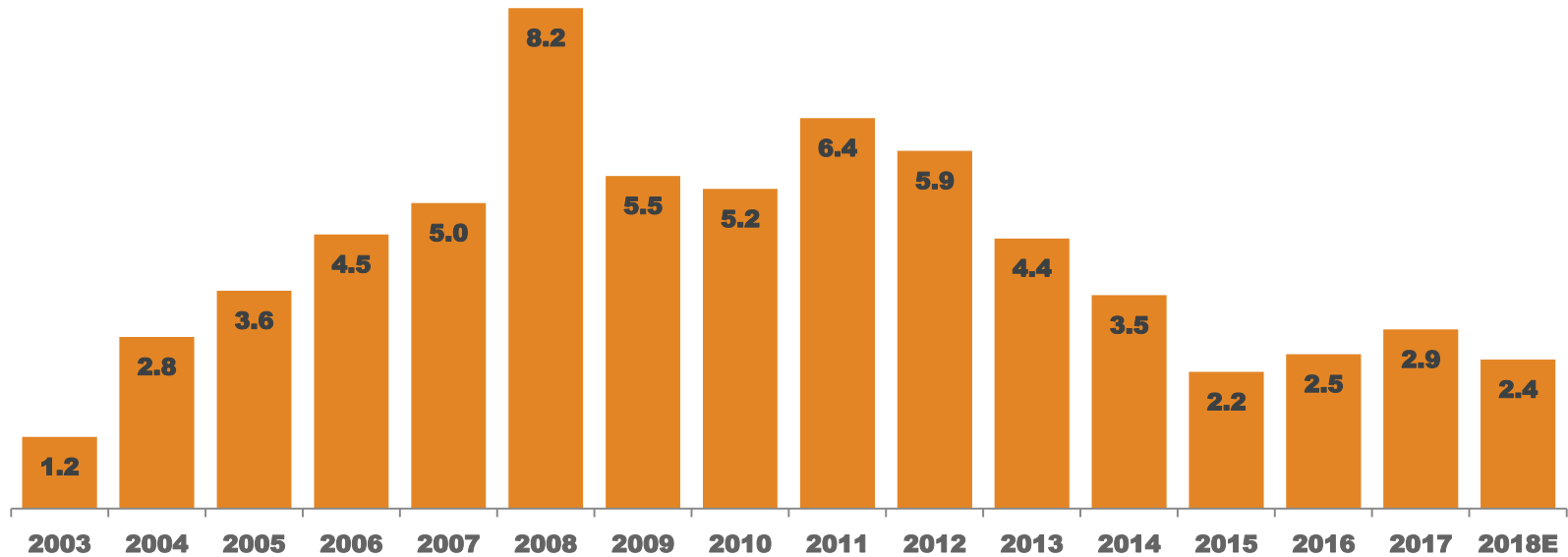
Planned Infrastructure Investments



PLAN	SECTOR	IMPLEMENTATION
To increase volumes of completed housing construction to 120m sq pa vs 80m sq pa currently	Real Estate	Renovation program in Moscow and its possible spreading to other regions; Ministry of Construction to propose instruments to reduce regulation burden.
To modernize roads and double expenditure on road construction	Transportation	296 projects including bridges (river Lena bridge, Volga bridge in Nizhny Novgorod, etc.)
To lower mortgage rates below 8% by 2024	Real Estate	Currently c.9.4%
To grow capacity of BAM, Trans-Siberian 1.5x to 180mt in six years	Transportation	Estimated capex of RUB 550 bn (\$8 bn)
Rail road projects	Transportation	104 projects including high-speed railroad Moscow-Kazan and Ekaterinburg – Chelyabinsk
To expand capacity of the Northern Sea Route traffic	Transportation	Estimated capex of RUB 580 bn (\$8.5 bn)
Expand network of regional airports	Transportation	155 sites identified incl. Chelyabinsk. Stavropol, Voronezh, Orenburg, etc, RUB 270 bn (\$4 bn)

- **Current capex proposal to the government related to infrastructure spending is c. RUB 6.8 trn (~\$100bn)**

Investments in Russian steel industry, \$ bn




Capex focus shifted to modernization and downstream development

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

Domestic demand to pick up on new infrastructure projects with large investments

Concluding remarks

- **Russian economy continues to recover**
- **Steel consumption is expected to grow over the next several years on better fundamentals and pent-up demand**
- **Further infrastructure investments expected**
- **Shift in investment focus on maintenance, eco-friendly & energy effective decisions, improved operational efficiency (incl. digitalization), product quality**



Thank you for your attention!