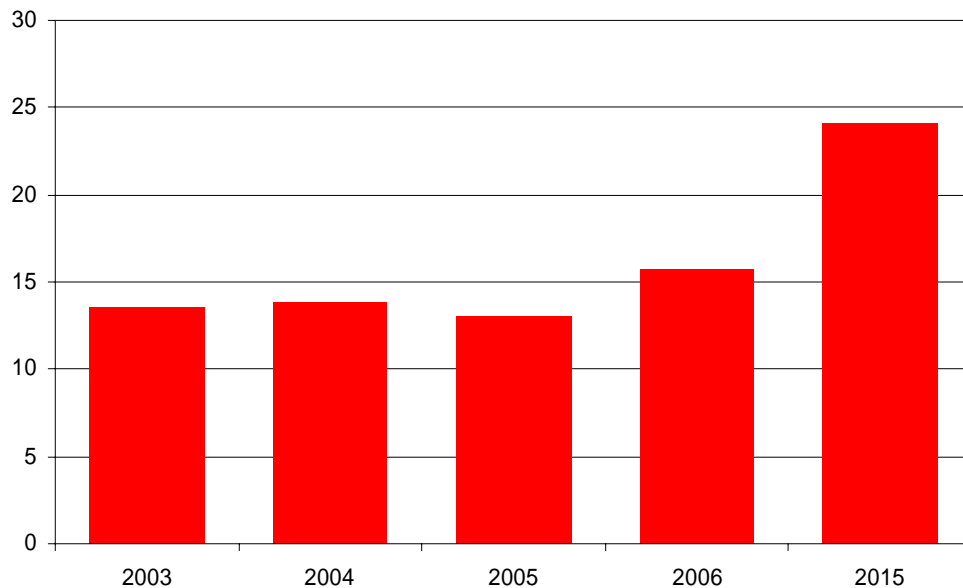


# Russian Metallics Market

Madrid  
September 2007

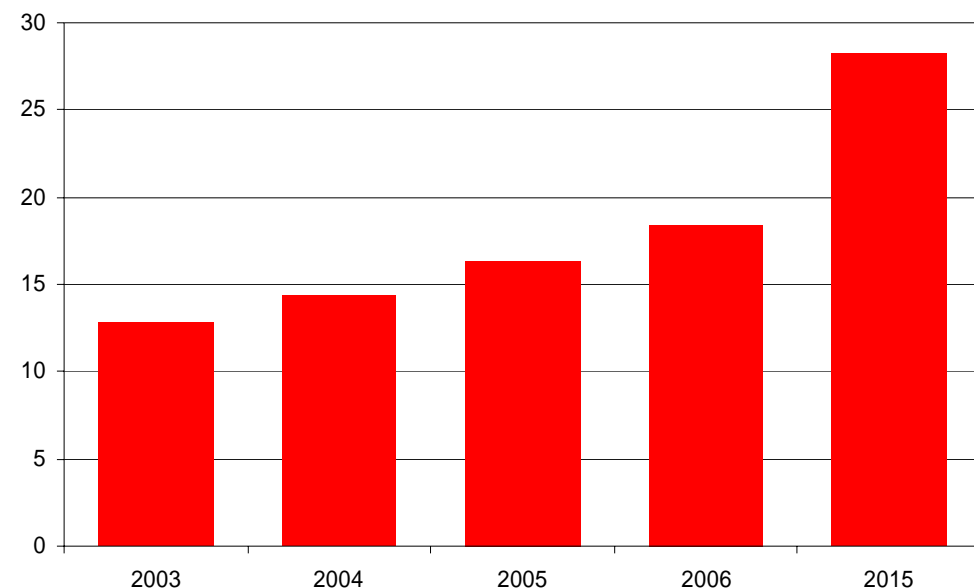
According to the Program of strategic development of metallurgical industry of the Russian Federation till 2015 (approved by the Government in May 2007) consumption of steel products in Russia is expected to increase in 2015 by 53%.

*Consumption flat products in Russia, mmt*



Source: Metallcourier, Minpromenergo RF

*Consumption long products in Russia, mmt*

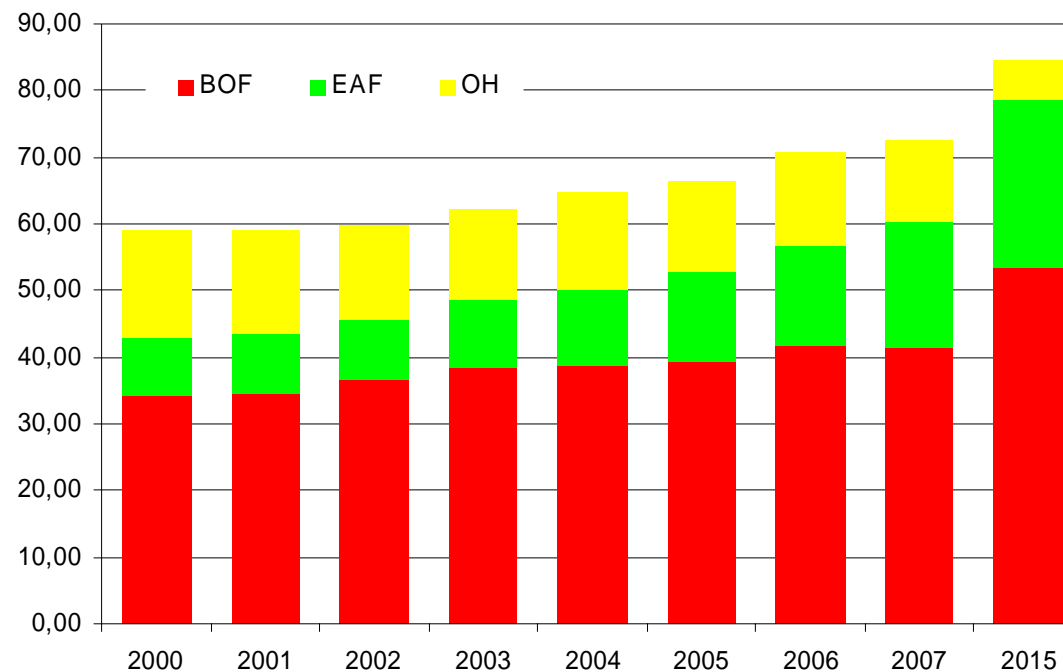


Source: Metallcourier, Minpromenergo RF

Crude steel production in Russia in 2006 was over 70 mln mt. Since 2002 average growth rate of Russian steel production is 3.7%.

EAF production in 2007 will reach 19 mln. Mt. According to the forecast of the Russian Government EAF steel production is expected to increase to 25 mln. Mt. by 2015.

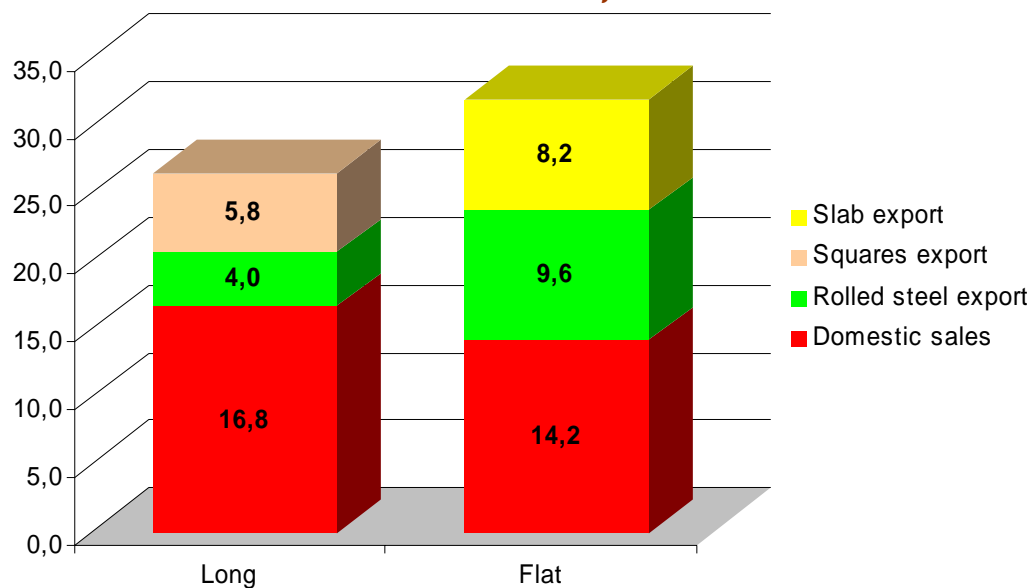
*Steel making by process in Russia, mmt*



Source: IISI, Rosstat

The main items of Russian steel export are slabs and billets. Share of semifinished products is about 50%.

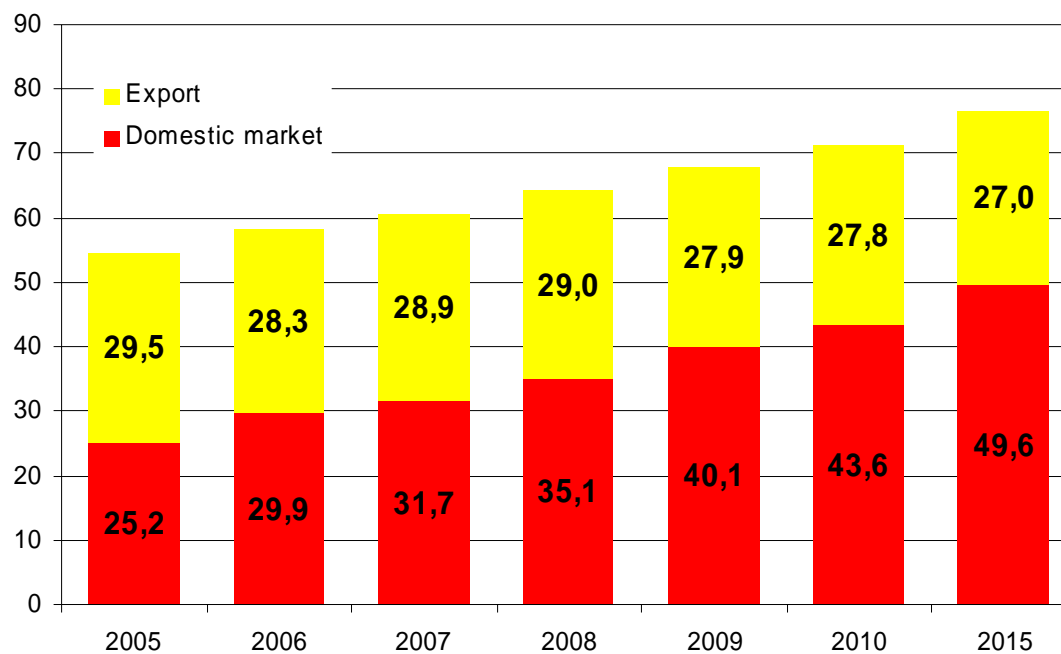
*Structure of rolled steel production and sales 2006, M tons*



Source: Metall-Courier, GTK RF

In 2006 Russia produced 58 mln. mt. of finished steel products. 49% were exported. According to optimistic scenario of the Government forecast In 2015 production of finished steel products is expected to reach 76 mln. Mt. Export tonnage will drop by 2 M t. but its share in total output will change from 50% to 35%. The share of semis in export will also decrease.

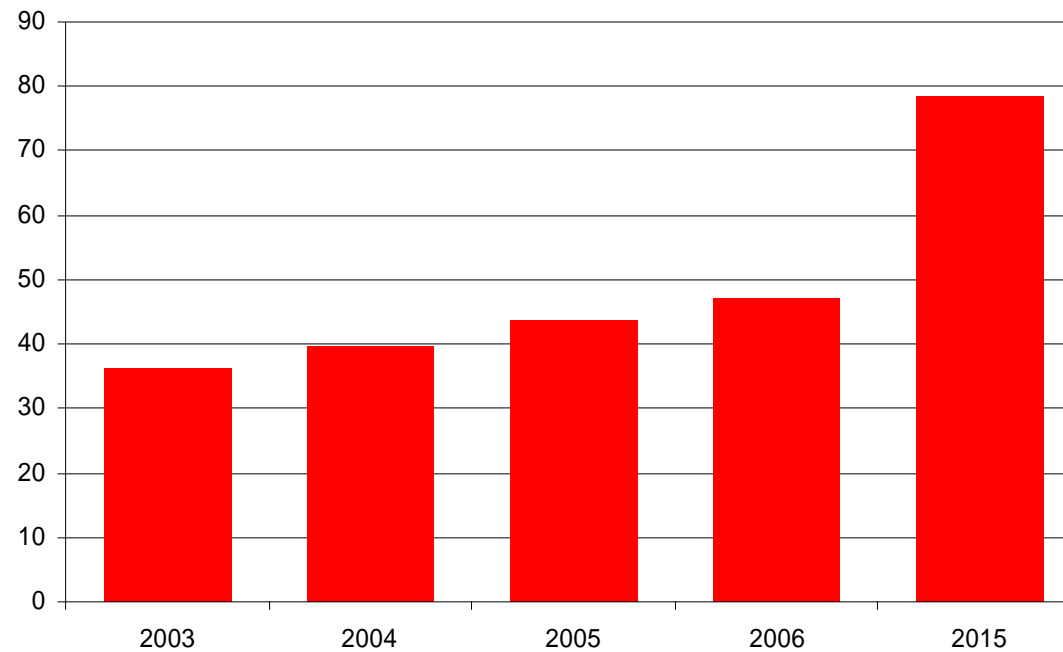
*Russian steel products shipments, mmt*



Source: Minpromenergo RF

In 2006 the share of continuous casting was 67%. By 2015 it will exceed 90%. Home scrap amount shall drop.

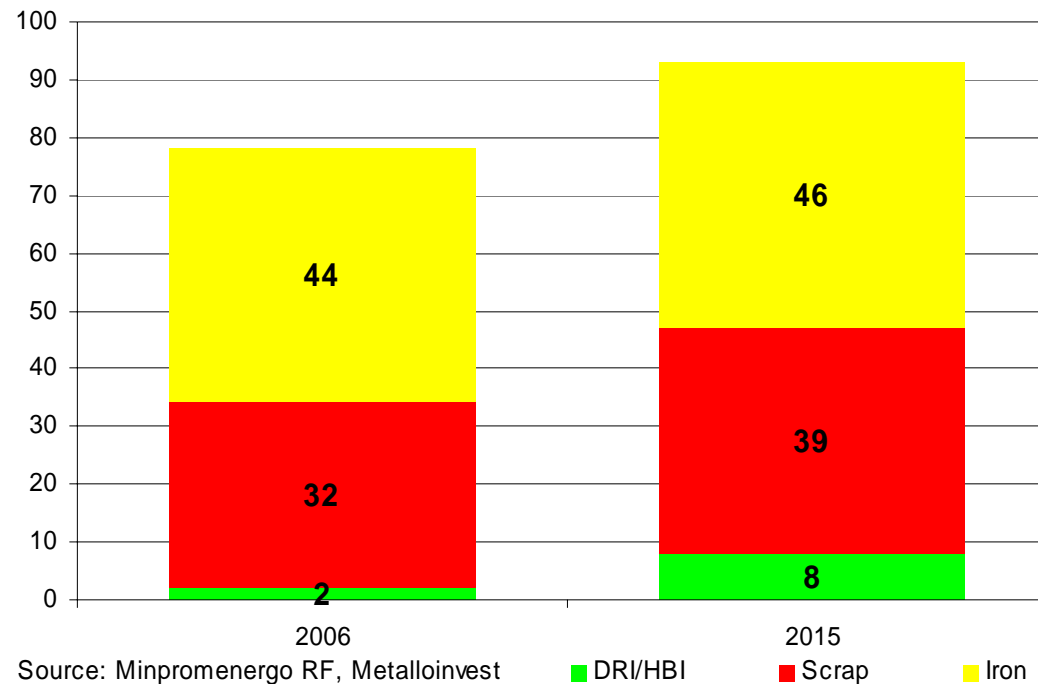
*Continuous casting in Russia, mmt*



Source: Metallcourier, Metalloinvest

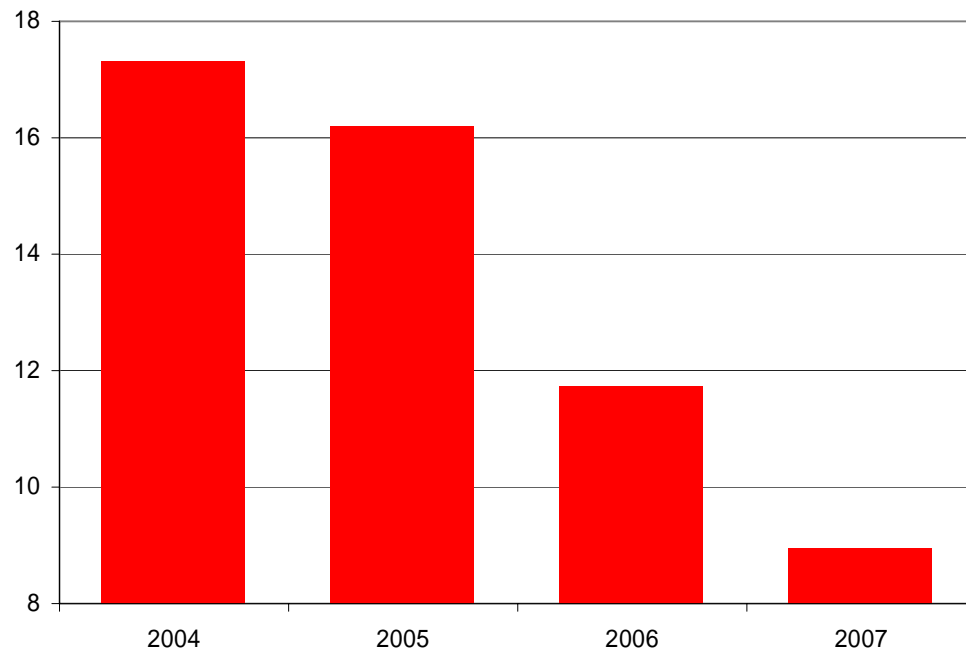
Due to increase of steel production and changes in steel production technology structure (BOF, EAF, OH) the demand for steel making raw materials in Russia will raise. It should be mentioned that scrap collection in Russia during the last 15 years was higher than consumption of steel products.

*Russian charge metallics structure, mmt*



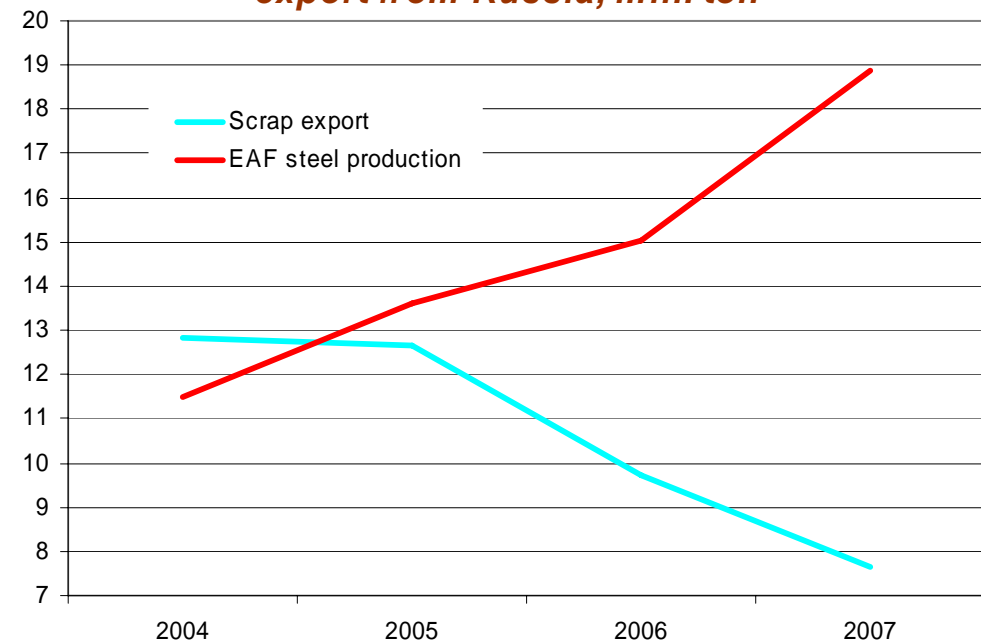
Within the next 3 years export of scrap from Russia will continue to decrease and it will drop to 1-1.5 mln mtpy.

*Scrap export from CIS, mln. ton*



Source: CRU

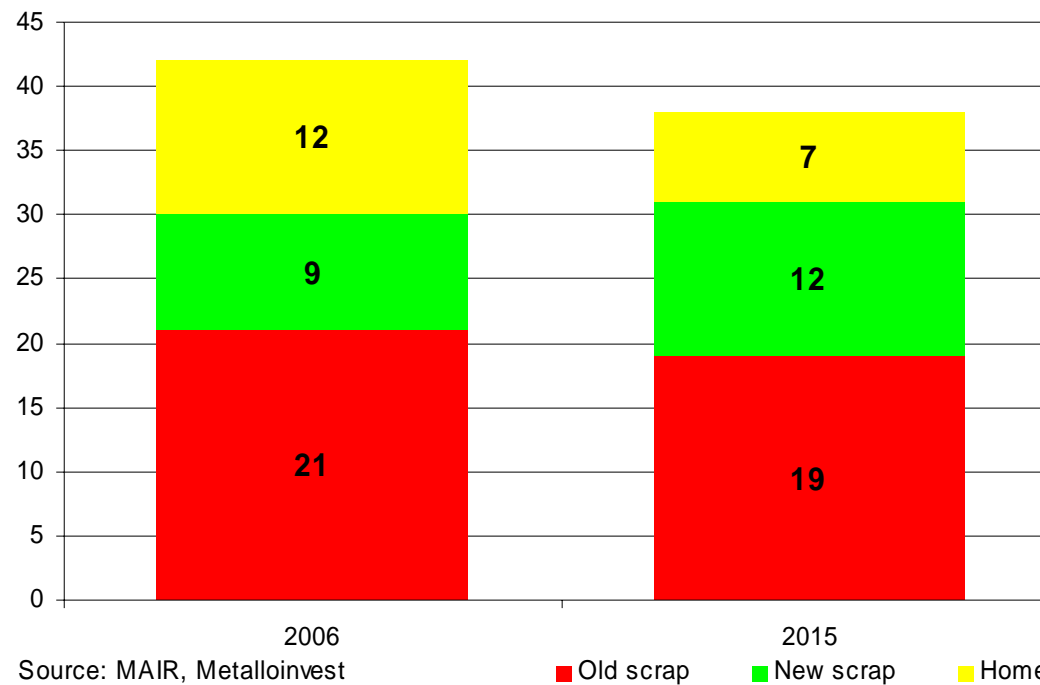
*Russian EAF steel production and scrap export from Russia, mln. ton*



Source: Rosstat, CRU

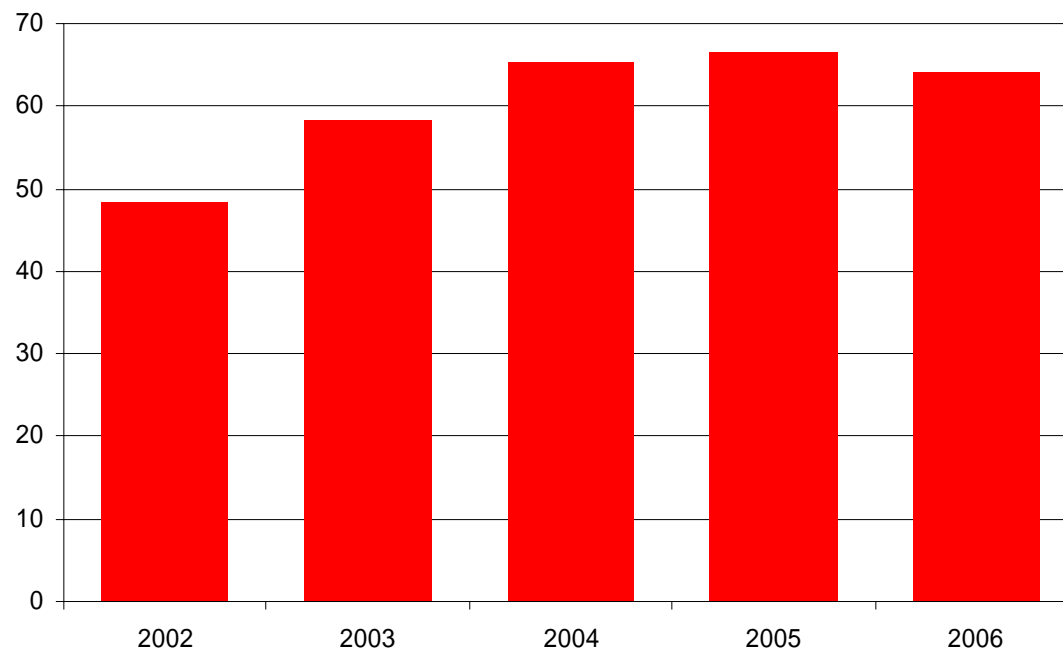
Due to changes in Russian steel industry the structure of scrap origin by source will change. Certain increase in industrial scrap will not compensate decrease of home scrap generation and obsolete scrap collection.

*Russian scrap resources, mmt*



**There is no reason to expect that the volume of the global scrap market will increase in the nearest few years. Unless China turns into exporter of scrap.**

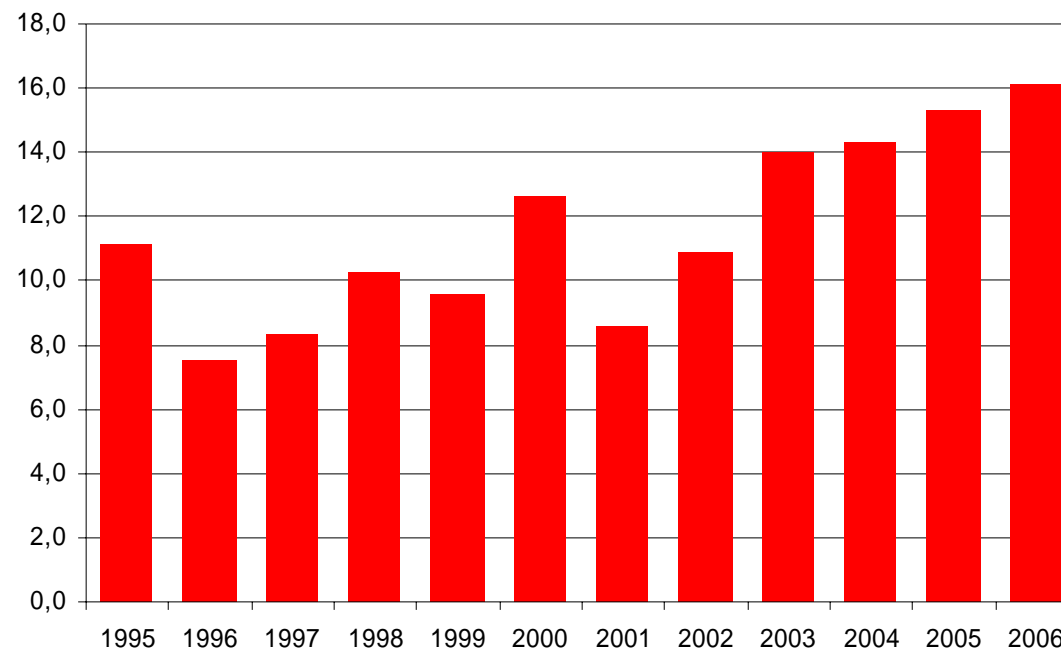
*Scrap international market, mmt*



Source: UN

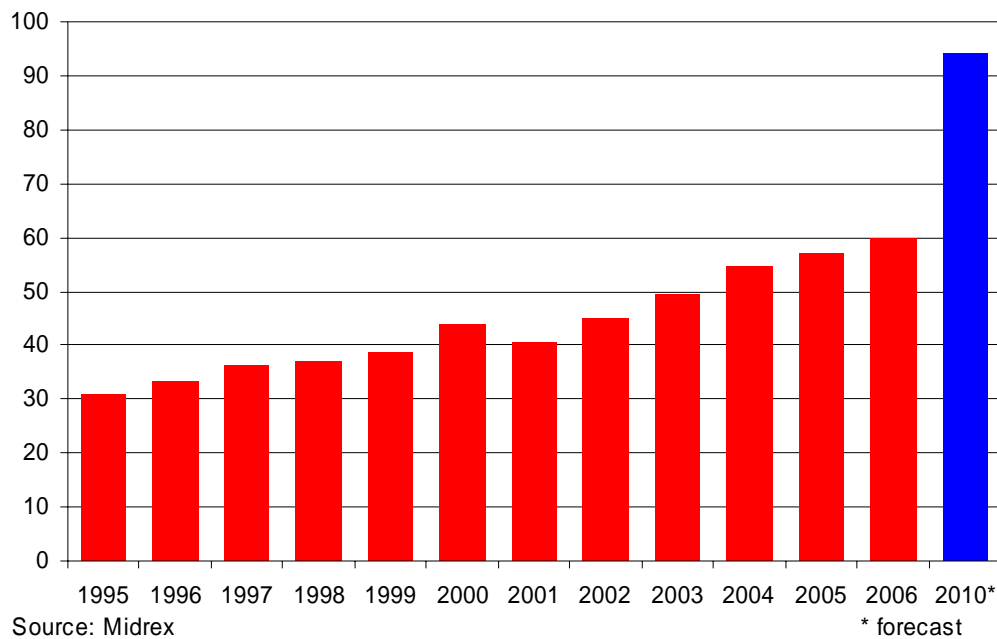
According to the UN statistics international pig iron trade has been growing during the last 5 years. According Russian official forecast pig iron production in Russia is not going to increase. By 2015 pig iron output in Russia is expected to drop by 2-3%.

*Pig iron international market, mmt*

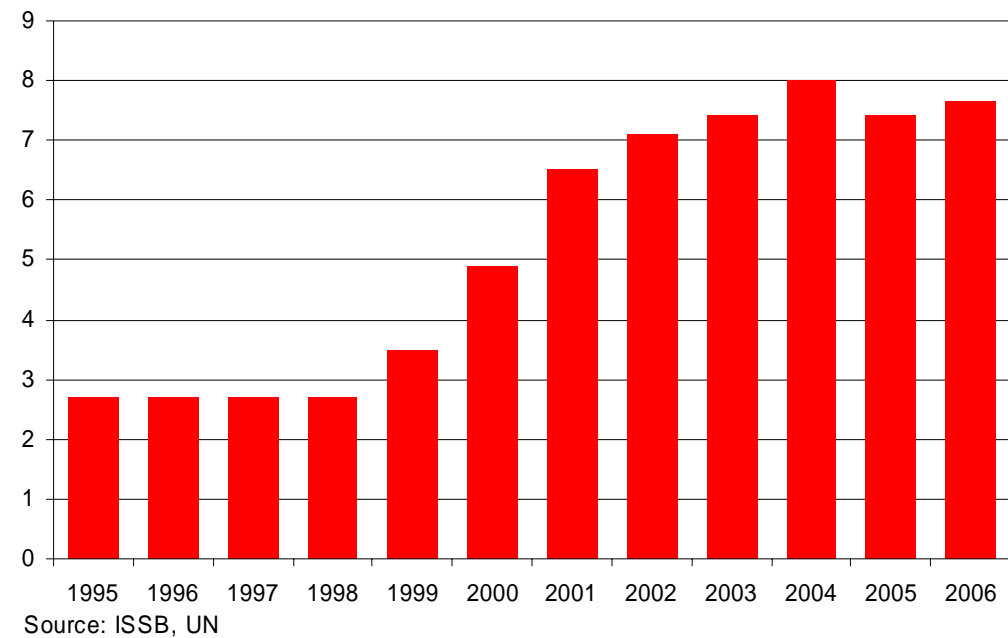


After a relatively long period of stagnation DRI/HBI production now is booming. During the next 4 years global HBI/DRI production will grow by 60%. Only relatively small amount of additional material will be supplied to the market. The most part will be used for steelmaking on the spot.

*World DRI/HBI production, mmt*

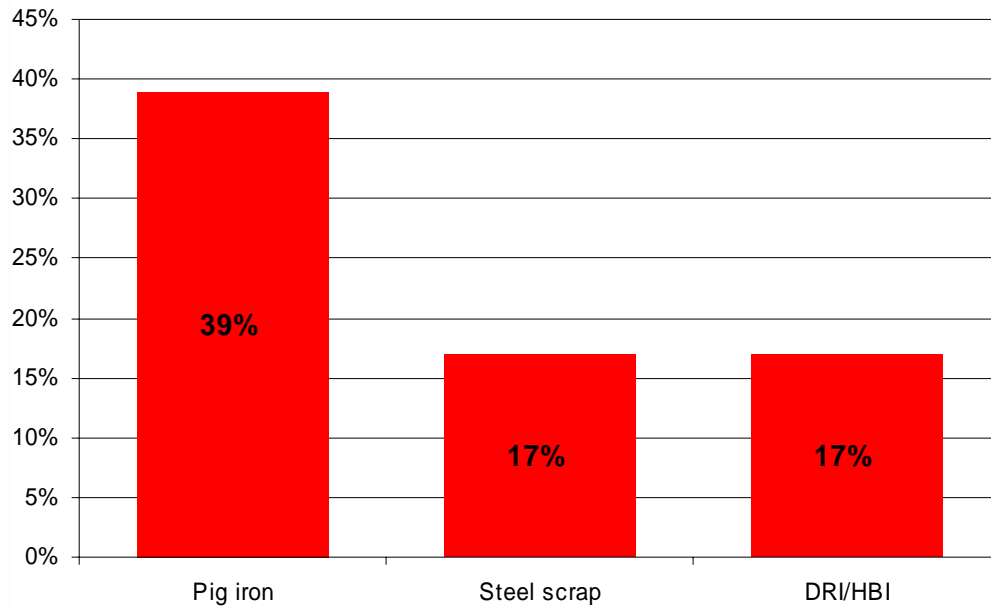


*DRI/HBI international market, mmt*



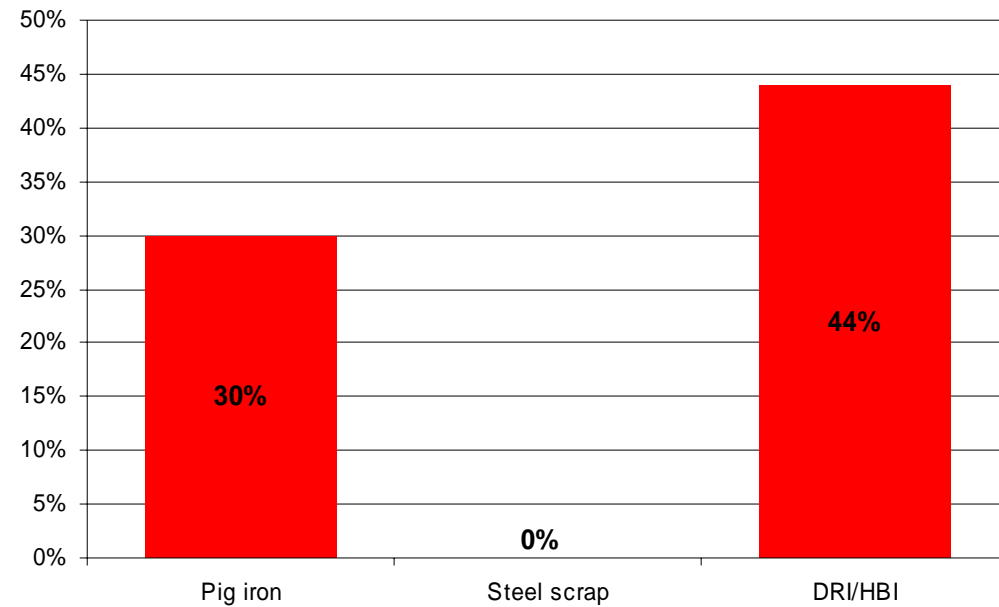
After 2010 Russia will stop massive export of steel scrap

*Russia on international metallics markets, 2006*



Source: UN

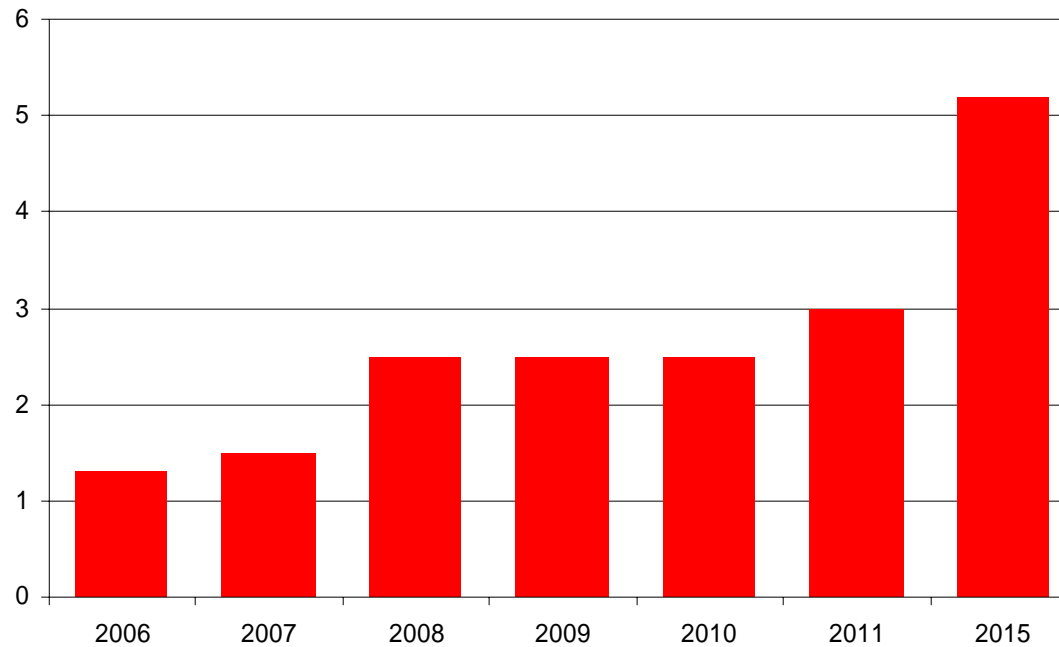
*Russia on international metallics markets, 2015*



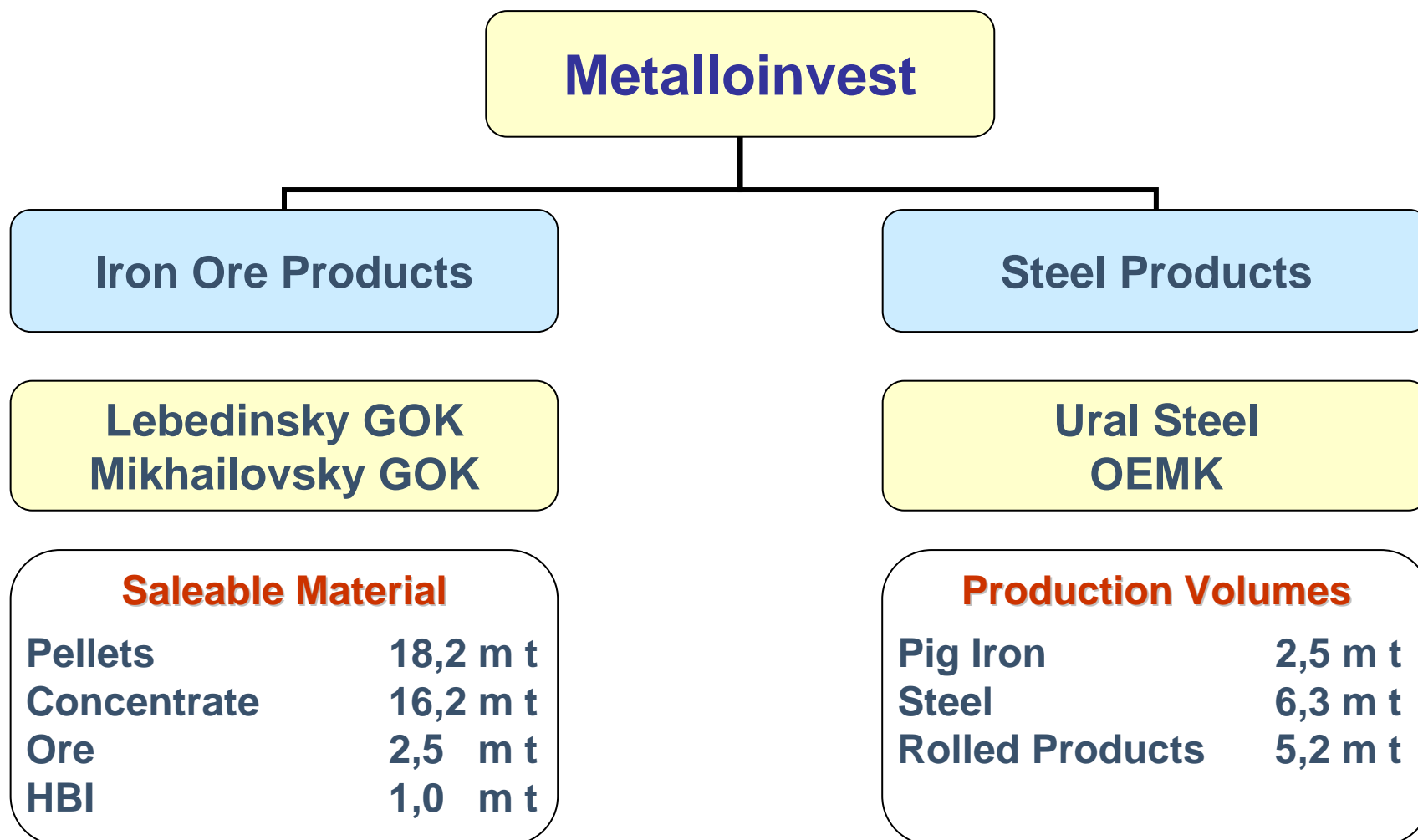
Source: Metalloinvest

**By 2015 Metalloinvest will supply to the world market 5 mln. Tpy of HBI.**

*Metalloinvest merchant DRI/HBI shipments, mmt*



Source: Metalloinvest



- To increase the share of higher value added products (HBI) in the sales mix
- To save production costs
- To improve product quality
- To unify management technologies and processes
- To introduce advanced technical and solutions
- To realize efficient energy saving program

**The principal strategic target of the Iron Ore Division**  
is to increase the production of  
HBI by 2015 to **8 mtpa**

## Iron Ore Division Development Strategy



Estimated HBI production

