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CIS Steel and Raw Materials in the World markets

Development of electrical-furnace steelmaking in Russia as a factor of export flows forming

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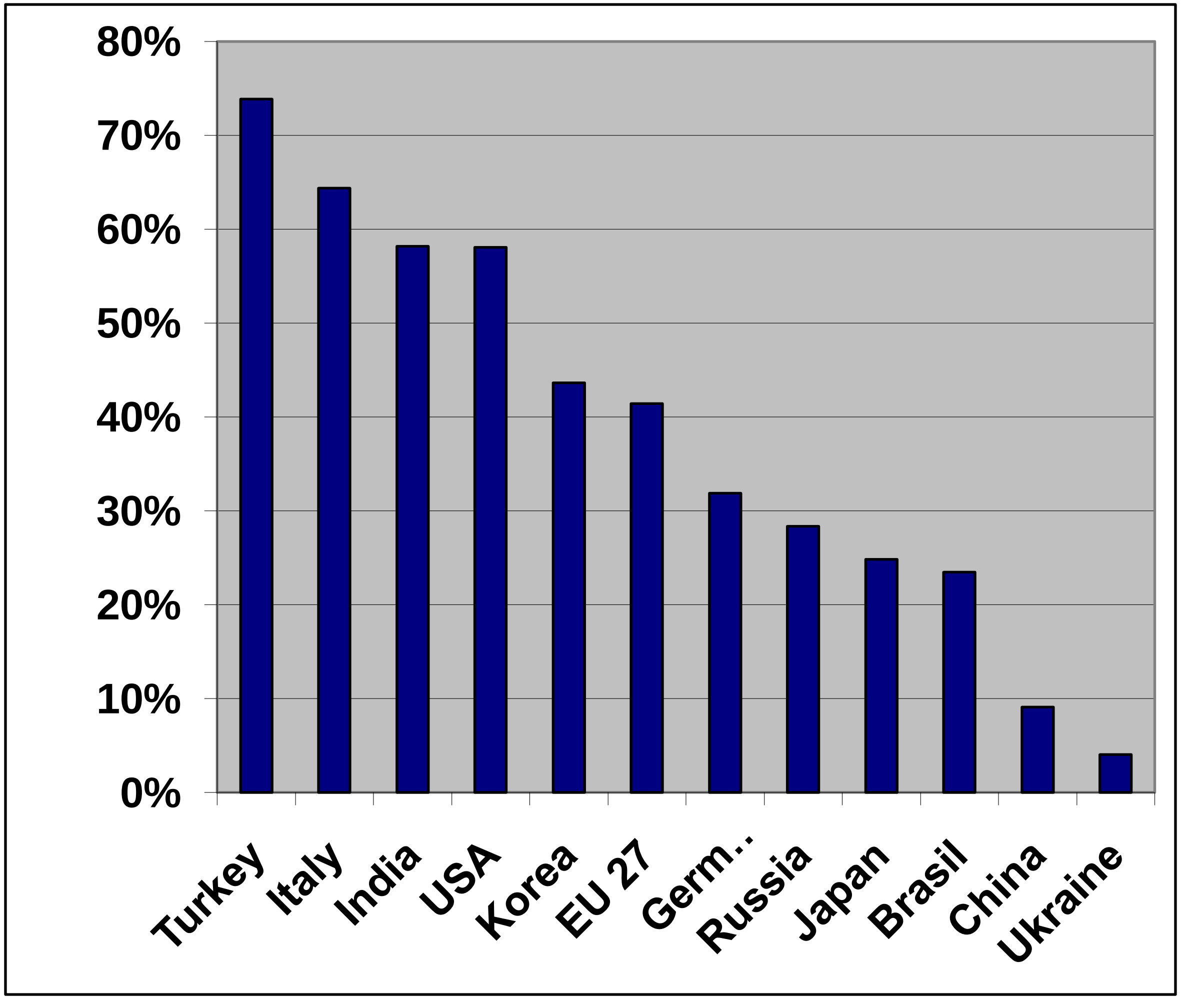
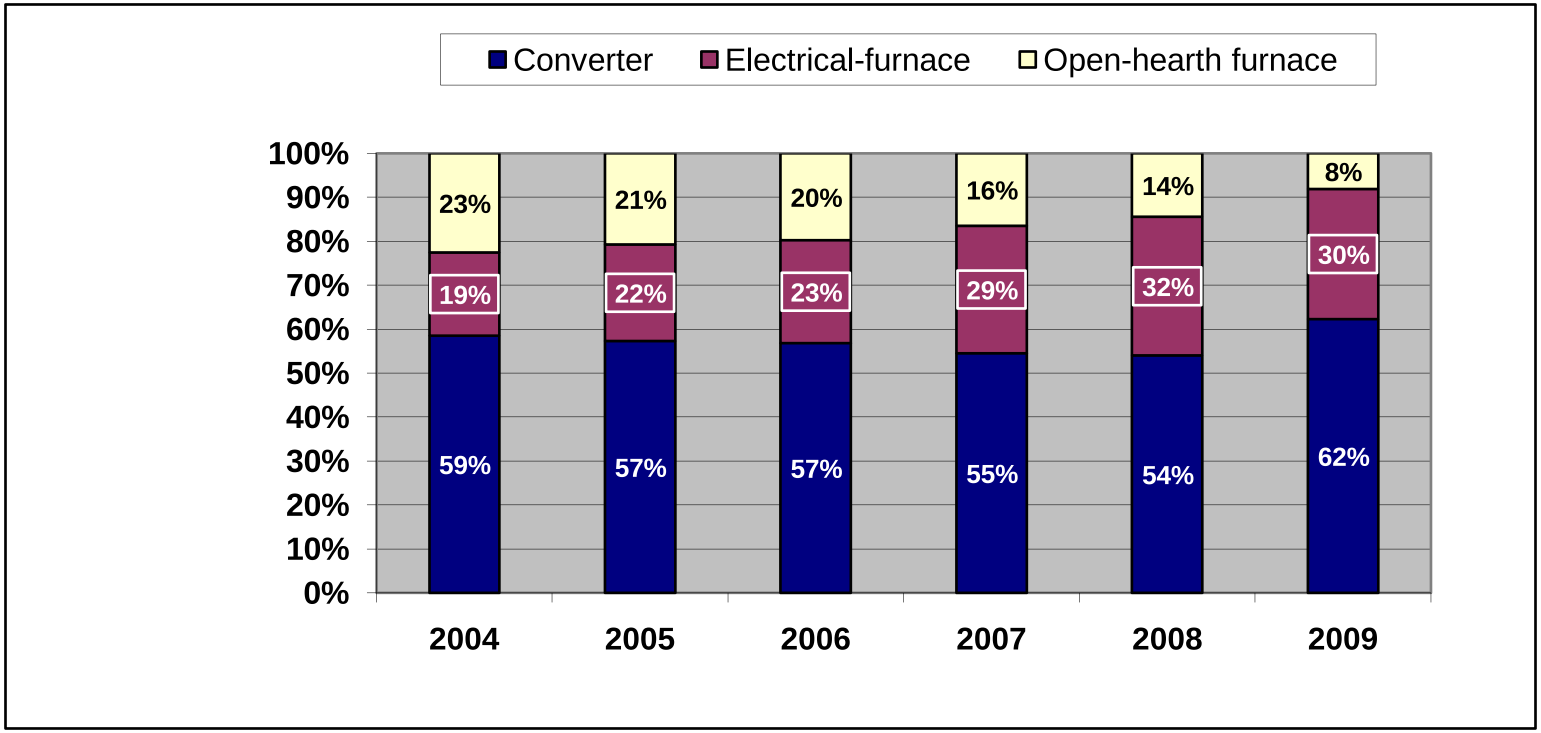
Share of electrical-furnace steelmaking in total steel production, 2008

Region	Total steel production	Electrical-furnace steel
	bln tn	bln tn
Turkey	27	20
Italy	31	20
India	55	32
USA	91	53
Korea	54	23
EU 27	198	82
Germany	46	15
Russia	71	20
Japan	119	30
Brasil	34	8
China	501	46
Ukraine	37	2



Steel Production in Russia



Type of Process	Steel Production, bln. tn					
	2004	2005	2006	2007	2008	2009
Total:	***68***	***68***	***73***	***76***	***72***	***62***
Converter	40	39	42	41	39	39
Electrical-furnace	13	15	17	22	23	18
Open-hearth furnace	15	14	15	12	10	5

Commissioning of productive capacities will be more than 6 bln tn till 2012

	Works	Equipment	Capacities '000 tn	Year
Group CHTPZ	Pervouralsk Tube Rolling Plant	EAF and continuous caster	**1000**	**2010**
Severstal	Balakovsky Steel Plant	EAF, Continuous caster, Rolling meel	**1000**	**2011**
NLMK	Kalugsky Electric Steel Plant	EAF, Continuous caster, Rolling meel	**1200**	**2012**
Maxi invest	Kovrov Steel Works	EAF, Continuous caster, Rolling meel	**1200**	**2012**
Ural Mining and Metallurgical Company	Tumensky Electric Steel Plant	EAF, Continuous caster, Rolling meel	**550**	**2010**
	Volgsky Steel Works	EAF, Continuous caster, Rolling meel	**110**	**2011**
	Abinsky Steel Works & Novoros Metal Co	Rolling meel	**500**	**2010**
MECHEL	Rostov Metallurgical Works	Rolling meel	**550**	**2011**

6110

Key factors of a company's decision making for balance: production volume and output distribution by directions

- Regional consumption change
- Imbalance of crude steel and finished steel products
- Scrap supplies security for electrometallurgy
- Affiliation to a holding
  - -- availability of foreign assets
  - -- strategy of assortment development
  - -- sales policy
- Prices of products in product portfolio
- Scrap cost
- Transportation tariffs for supplies to regional markets
- Limitations against import

PIPE BILLET

- Electrical-furnace
- Converter
- Open-hearth furnace

	Capacities	2009			2010			
		Production		Export	Capasity Changing ' 000 tn			
	' 000 tn			' 000 tn	not in use	decommissioning	production	
Volgsky TW	960	520		0	260		700	
Seversky TW	950	590			0		950	
Oskolsky ESW	*500*	370	60%	330	130		370	100%
Pervouralsky Novotrubny Works	950	0		0	0		950	
Uralskaya Steel		380		40		-380	0	
NTMK		450	36%	0		-450	0	0%
CHMK		60				-60		
Chelyabinsky TW		90	4%	0		-90	0	
		2460		**370**	**390**	**-980**	**2970**	

Additional export of billet from NTMK and Uralskya Steel is 890' 000 tn

SECTIONS and REBAR

	Productive capacities		2009 Production		2009 Export	2010… 2012 Expected change of volumes ' 000 tn			2010… 2012 Expected directions of shipments	2010… 2012 volume ' 000 tn
	' 000 tn	%	' 000 tn	%	' 000 tn	facilities not in use	production	%		
Nizhnie Sergy SW	1000		*982*		*210*	0	1000		add. Export	200
Berezovsky MP	240		*140*		*20*	0	240			
Magnitogorsk SW	1400		*715*		*238*	700	700		add. Export	200
Severstal	1450	53%	*532*	45%	*54*	950	500		add. Export	100
Yartsevo MP	220		*174*		*0*	0	220			
Amurmetal	600		*106*		*86*	400	200			
Oskol MP	240		*170*		*0*	240	0	70%	Billet for Exp	170
Rostov Metallurgical Works	**550**					0	550		Export	250
Abinsky Steel Works	**500**					0	500			
Kalugsky Electric Steel Plant	**1200**					0	1200			
Tumensky Electric Steel Plant	**650**					0	650			
Balakovsky Steel Plant	**1000**					0	1000		Export	200
Kovrov Steel Works	**1200**					0	1200			
Volgsky Steel Works	**110**					0	110			
Chelyabinsky MP	1400	47%	1370	55%	*550*	0	1400	30%	add. Export	300
ZSMK	3200		2110		*860*	1100	2100		add. Export	500
	9750		**6299**		**2018**	**3390**	**11570**			**1920**
	plus 5210 new									

- Additional export of **rebar and sections** is **1 '750' 000 tn**
- Additional export of **billet** is **170' 000 tn**
- Overcapacities **(3' 390' 000 tn)** could provide the semi-product's export

(blue)	**Electrical-furnace**
(pink)	**Converter**

Electrical-furnace	
Converter	

WIRE ROD

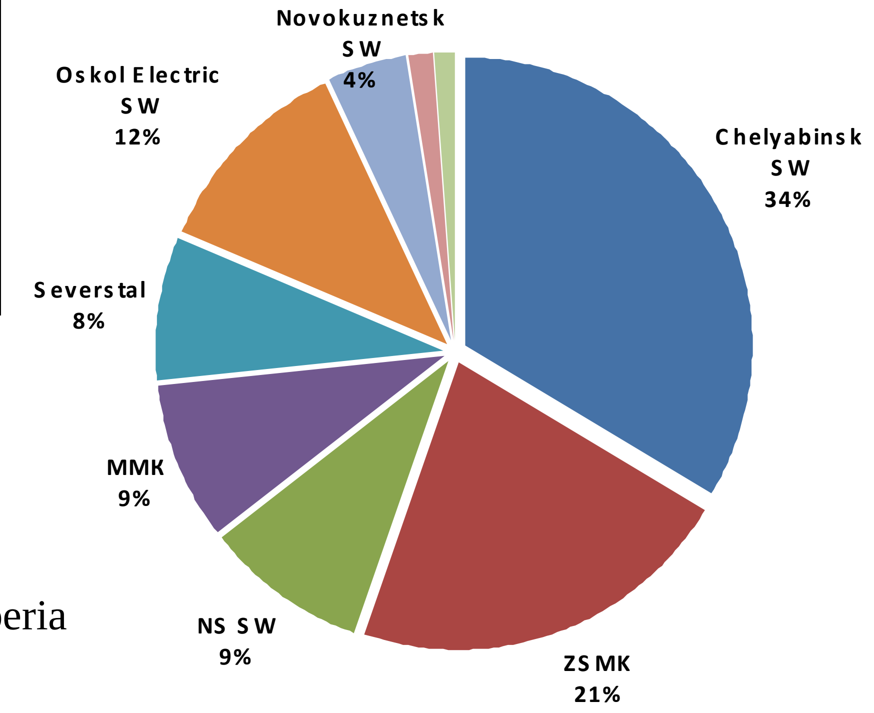
	Productive capacities		2009			2010…2012		
			Production		Export	Expected change of volumes ' 000 tn		
	' 000 tn	%	' 000 tn	%	' 000 tn	facilities not in use	production	
Berezovsky SP	1000	57%	*256*	36%	*27*	400	360	40%
Magnitogorsk SW	800		*207*		*23*	500	300	
Severstal	800		*367*		*20*	400	400	
Chelyabinsky SP	430	43%	385	64%	*179*	0	430	60%
Beloretsk SP	550		542		*252*	0	550	
ZSMK	1000		560		*421*	400	600	
	4580		**2317**	**0%**	**922**	**1700**	**2640**	**0%**

• There is Potential for export increasing to **1’ 700’ 000 tn** of wire rod due rolling capacity utilization
•Wire Rod export from Moldova SW in 2009 is **102’ 000 tn**
•Wire Rod export from Byelorussia SW in 2009 is **146’ 000 tn**
•Wire Rod export from ArcelorMittal Steel Kriviy Rih in 2009 is **1’ 031’ 000 tn**

Long Product Delivery in South Federal District

	Volumes, '000 tn	railway tariff, $/tn	
		2010	2004
Total	**670**		
Chelyabinsk SW	220	46	31
ZSMK	140	73	49
NS SW	60	47	31
MMK	58	45	30
Severstal	52	39	26
Oskol Electric SW	76	25	17
Novokuznetsk SW	29	73	49
Gurievsky SW	10	71	48
Chusovsky SW	7	47	31
Import	***87***	***17***	***11***

New plants are expected in 2010...2011		
Abinsky Steel Works & Novoros Metal Co	500	10
Rostov Metallurgical Works	550	13



- Tariff increasing on 50% from 2004 to 2010
- 78% of steel products is delivered from Ural and Siberia
- More than 50 $ per tn is saved due to railway tariff

RESUME

- **Development of electric steel production will continue in Russia**

- **In 2010...2012 new electric steel capacities of 6 mln tonnes will be commissioned**

- **EFS products will be competitive in Russian regional markets**

- **Structure of steel product suppliers to Russian regions will be changed**

- **Export of Russian steel products is expected to increase**

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Metal Expert Consulting

- Customized study on the steel and row material markets

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