

DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INDUSTRY
STEEL COMMITTEE

DSTI/SU/SC(2006)40
For Official Use

INDIA


DEVELOPMENT IN RUSSIAN STEEL CONSUMPTION

Joint India/OECD/IISI Workshop, New Delhi (India), 16-17 May 2006.

Presentation by Mr. Dmitry Polyakov, Severstal

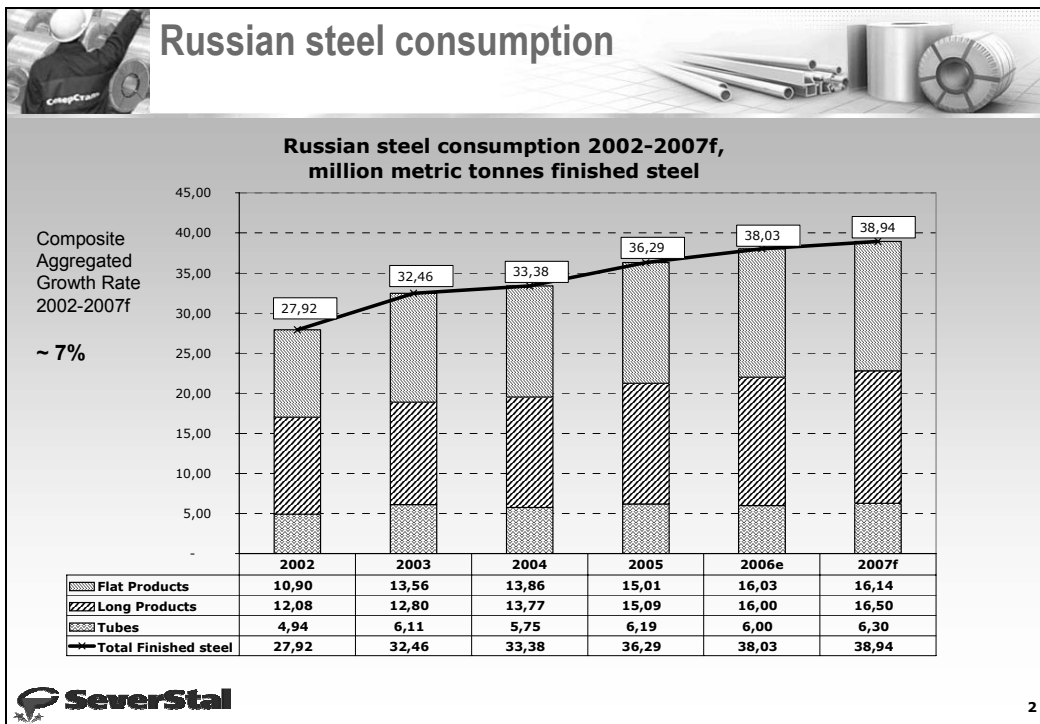
Contact: Wolfgang Hübner, Head of Structural Policy Division and Steel Unit
Tel: +33 1 45 24 91 32 Fax: +33 1 44 30 62 63 E-mail: wolfgang.hubner@oecd.org

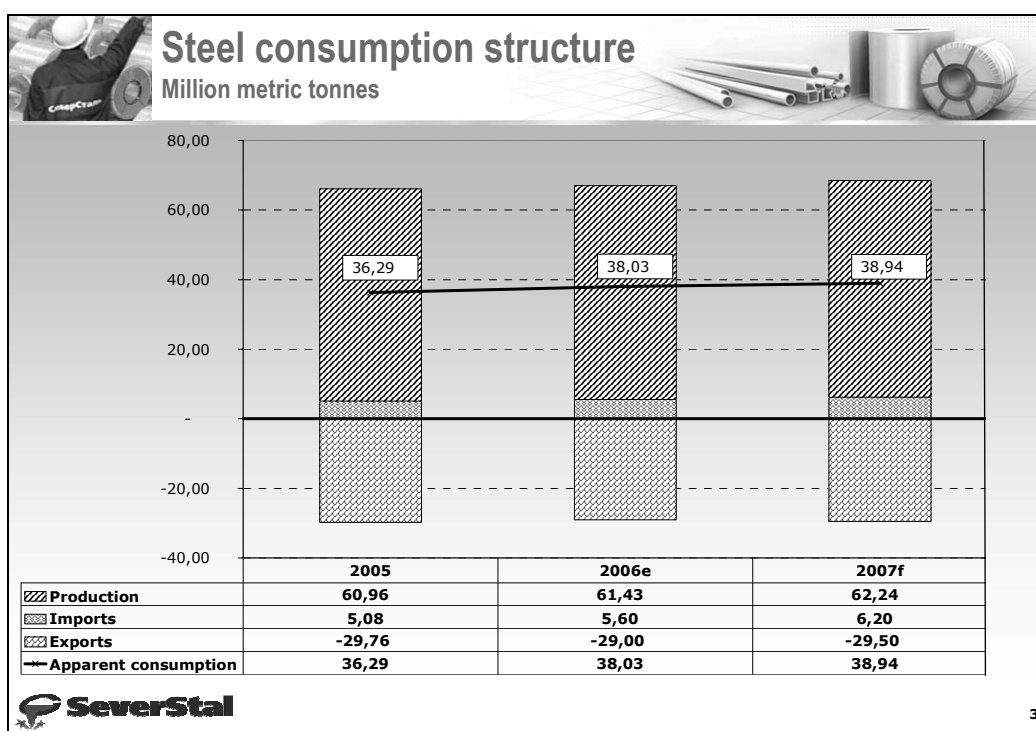
JT03209651



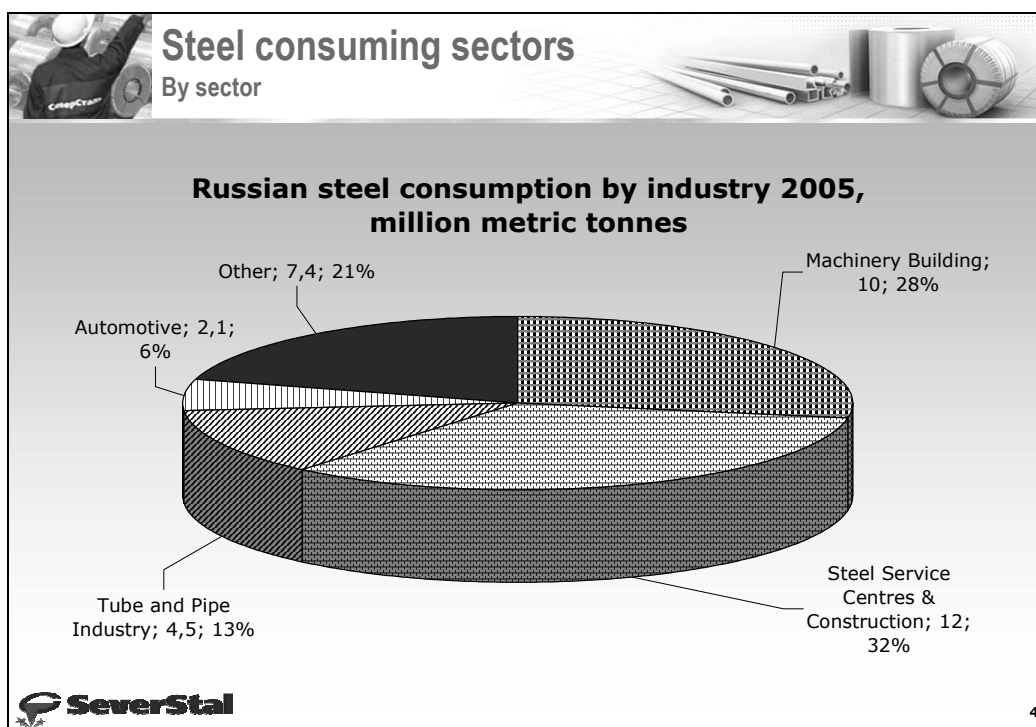
**Developments in Russian steel consumption.
Severstal's point of view.**

Dmitry Polyakov
Severstal
at the **Joint India/OECD/IISI Workshop on Steel**
16 May 2006 to 17 May 2006
New Delhi, India

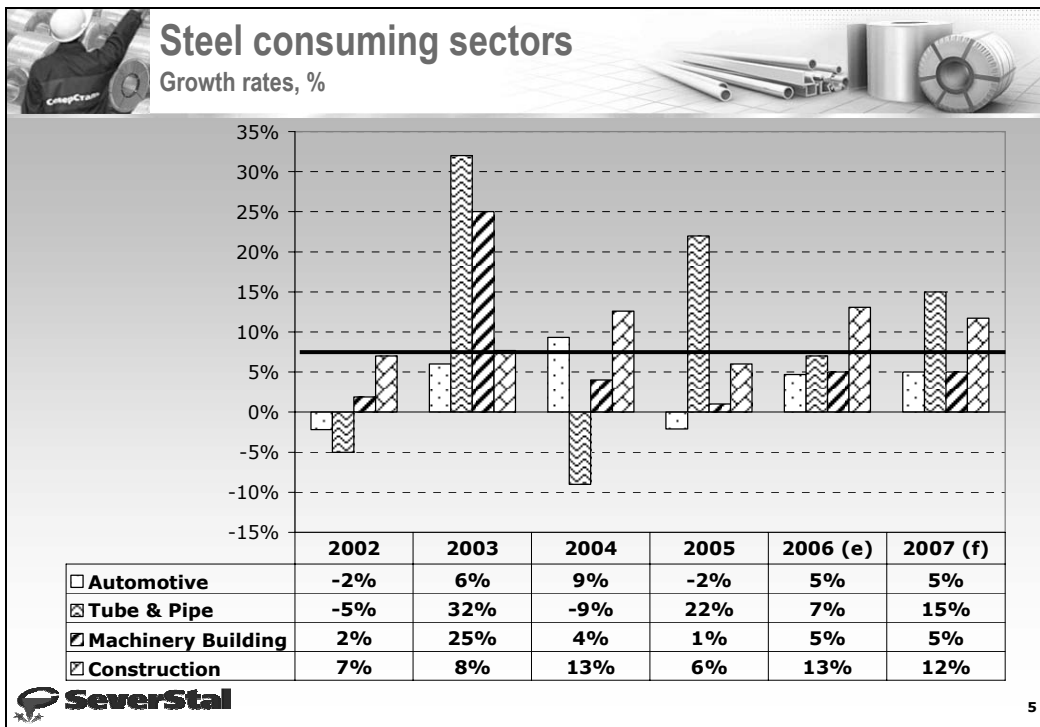




3



4



5

Russia's economic priorities

National projects. "Close" targets (by 2008)

<p>Health</p> <ul style="list-style-type: none"> • 4 times-fold increase in volumes of high-tech medical assistance • Bringing district doctors and medical nurse staff to strength. Providing all necessary equipment 	<p>Education</p> <ul style="list-style-type: none"> • Connecting 50%+ schools to the Internet • Instituting thousands of grants to talented youth, scientists, leading teachers
<p>Housing development</p> <ul style="list-style-type: none"> • Providing targeted assistance to young families and graduates in the country • Securing mass housing construction of new microdistricts in cities 	<p>Agriculture</p> <ul style="list-style-type: none"> • Providing government support to stimulate investment programs in live farming and other agricultural enterprises.

SeverStal

6




Russian economy

Developments and Severstal moves




Industry	Major developments	Severstal moves
Automotive	It is expected that in 2006 monthly sales of Russian and foreign cars will come to be equal, so that the production of Russian cars will continue to decline. Foreign automakers will further "localise" their production up to stamping operations.	As the localisation increases, Severstal should be ready to supply high-quality material for all the foreign operations. Main focus here – increasing the quality of the material on the grounds of exports for other stamping facilities located internationally.
Tube and Pipe industry	Federal program of gasification provides for renovation of 12 000 km of gas lines in 2006 and even more in 2007. In the mainlines sector, the construction of mainline Eastern Siberia – Pacific Ocean, 4 th stage of Baltic Pipeline System, Northern Europe gas mainline; will increase yearly demand for tubes by double-digit figures in next two years. The main increase will be in demand for API 5L material.	One of the main strategic focus is the specialisation in low alloy HR band for mainline pipes. In 2005 more than 10 new products were launched.
Machinery Building	Main development here – the growth in both quantitative and qualitative terms. The product range is widening in a great extent.	In this sector Severstal works on niche steel grades and dimensions. The big efforts are applied in Mill 5000 reconstruction for shipbuilding and heavy machinery.
Steel Service Centres and Construction	The federal program on housing development, stimulating mortgage programs for citizen, investments stimulating programs are expected to yield the good results in terms of consumption in this sector.	Severstal cannot reach the end user. Bearing that in mind, Severstal co-operates with ZAO Trading House Severstal Invest, a member of the Shareholder Group, which operates a chain of regional centers in 23 of the largest cities of Russia. During 2005, the amount of steel distributed through TD Severstal Invest increased substantially to more than 700 thousand tonnes in frames of cooperative program on penetration of domestic market between Severstal Russia and TD Severstal Invest. Due attention is paid to Russian market protection from unfair imports from N.I.S. countries


7



Severstal

Domestic market in brief.



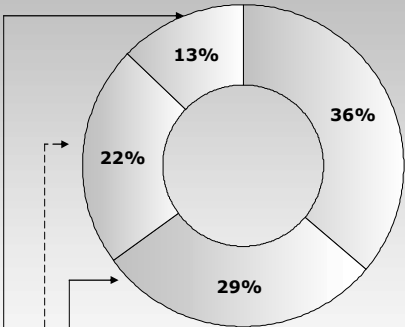
- ❖ The company gives high priority to the domestic steel market, where it adopts tailored approach, serving various market segments.
- ❖ At the time being Severstal's sales strategy aims at becoming the key partner of steel-consuming enterprises. It strives to make the valuable market offering to its customers taking into account their business specificity.
- ❖ In "Regional Distribution" segment JSC Severstal has tight trade relations with ZAO Severstal-Invest. The latter is the steel trading company of Severstal group and possesses the wide network of steel warehouses and service centres in 23 largest cities of Russia. In 2005 sales through Severstal-Invest made 700 000 tonnes (+46% to 2004).

Severstal's market share in industry consumption in domestic market, 2005*	
Automotive	33%
Tube and pipemakers	34%
Machinery building	30%
Steel Service Centres & Construction	16%


* in Severstal product range

Domestic supplies, 2005

5,4 mln. tonnes



- Regional distribution
- Machinery building
- Tube- and pipemaking
- Automotive


8



Product portfolio


2006 and on...

In 2005 JSC Severstal has put into commercial operation the series of products:


- Reinforced bars A400-A500
- Pipes of small diameter from new mill 21-89
- Products of hot-dipped galvanising line SeverGal (HDG for automotive industry, including material for exposed parts)
- Colour-coated products

Beside that Severstal continues working on contemporary high-quality products in terms of increasing both quality and tonnage:

- Steel products from IF-steel
- Steel products acc. to API 5L and its analogues.
- Products from high-strength wearproof hot rolled steel grades
- High-strength steels for automotive sector




9



Conclusions

2006 in brief

- **Russian steel consumption - 38 mln. tonnes**
- **Russian steel production – 61.5 mln. tonnes**
- **Russian steel exports – 29 mln. tonnes**
- **Main Russian steel consuming industries:**
 - **Steel Service Centres & Construction – 12 mln. tonnes (+13% in 2006)**
 - **Machinery Building – 10 mln. tonnes (+5% in 2006)**
 - **Tube & Pipe – 4.5 mln tonnes (+7% in 2006)**
 - **Automotive – 2.1 mln. tonnes (+5% in 2006)**
- **Severstal priorities:**
 - **Low alloy HR sheet**
 - **Autosheet**
 - **HSLA Rebars and other products for construction**
 - **Niche products on Mill 5000 (Plate, HR sheet for large-diameter pipes)**



10