Kallanish Steel Weekly

SAMPLE

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This week:

Metinvest reduces further ore, steel output as war continues

Metinvest has suspended production at its Southern, Ingulets iron ore mining and processing plants from 1 July due to the Russian invasion of Ukraine.

Output at Northern GOK will also be suspended from mid-July. Only Central GOK will continue to operate, but at decreased capacity, the company notes.

Metinvest will also reduce operations at its Kametstal steelworks to one blast furnace, due to logistical factors, rising production costs and falling product prices.

“The reducing of production is a forced measure, which the group has postponed as much as possible since 24 February [when Russia invaded Ukraine] due to its own reserves,” the company says. “Of course, the main factor is the continuation of the Russian invasion of Ukraine. But the situation in the country's economy also remains difficult and tends to deteriorate due to a number of destabilising factors that do not allow our companies to fully operate and plan their activities more than a month in advance.”

According to the steelmaker, this situation has no precedent. “The average capacity utilisation of the GOKs undergoing stoppages in June was already low, only 30%,” it says. “At the same time, a sharp reversal of prices in the market in mid-June made deliveries unprofitable. Therefore, it was no longer possible to further reduce the load.”

Exacerbating the situation are high steel production costs, which are constantly rising due to increasing prices for energy, including natural gas, and raw materials, as well as lack of demand in Ukraine, which is down by two thirds since February.

“Also, stocks of metal products are accumulating along the entire supply chain; our finished products have been waiting in line at the border with the EU for months,” it says. “External factors that negatively affect the industry are the significant drop in world prices for iron and steel, reduced demand for metal products and consumption of iron ore due to reduced production of metal products at European enterprises.”

ZAPORIZHSTAL

Ukrainian flat steel producer Zaporizhstal, partially owned by Metinvest, decreased crude steel production in January-June, the company says. The mill is now the largest coils producer in Ukraine, after the Russian invasion severely damaged and brought to a complete halt activities at the group’s plants in the Mariupol area (Azovstal and Illyich).

Zaporizhstal produced 922,300 tonnes, down by 46.4% on-year. Pig iron output also decreased by 51.9% to 1.13 million tonnes, while rolled steel production fell 53.4% to 839,400t.

In June alone, the plant reduced steel production by 21.2% on-year to 69,600t and pig iron output fell 43% to 146,900t. Rolled steel production was less by 50.2% to 146,900t.

Owing to Russia’s invasion of Ukraine, the plant produced just 157,500t of pig iron in May, down almost 52.6% on-year, 131,700t of crude steel, down almost 60%, and 121,200t of finished products, down 56.8%.

According to Zaporizhstal, the decline in production in June compared to the same period last year is associated with a shortage of raw materials and logistical problems caused by the invasion.

Since April, the plant has been operating at an average of 50% of its capacity, it adds.

Earlier, Zaporizhstal said it is considering cutting production due to significant logistical problems. It had plans to increase capacity utilisation to 75% in August with the launch of the third blast furnace.

At the end of March, the mill partially resumed output at its cold-rolling operations, after previously putting all units in hot conservation mode due to the intensification of fighting following the Russian invasion. April consequently saw Zaporizhstal working at around 50% capacity utilisation.

Last year, Zaporizhstal produced 4.5 million tonnes of pig iron, 3.8mt of crude and 3.2mt of finished steel, all roughly flat on-year.

In this weeks Issue:

KORE INDEX

Index	58%	62%	65%
W-o-w % Change	-0.35%	6.82%	6.14%
01 Jul	108.30	119.55	135.03
30 Jun	116.03	125.17	142.84
29 Jun	117.45	126.24	143.94
28 Jun	117.18	126.52	144.20
27 Jun	117.66	125.91	143.67
Average	**115.32**	**124.68**	**141.94**
24 Jun	114.48	117.27	135.22
23 Jun	113.34	116.59	135.25
22 Jun	117.26	116.27	125.48
21 Jun	115.32	117.23	136.88
20 Jun	118.26	116.23	135.83
Average	**115.73**	**116.72**	**133.73**

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FUTURE IN EU

Metinvest Group could be considering building a new plant in Bulgaria, where the enterprise already has a re-rolling mill.

"The raw materials for the new plants can be supplied from enterprises in Kryvyi Rih, Ukraine," the group's chief executive, Yuri Ryzhenkov, said in an interview with the European Business Association. “However, in order to do this, we need to be sure that we will be able to supply iron ore from Ukraine to these countries, which is possible, but not guaranteed. We are considering different scenarios and technology strategies.”

According to Ryzhenkov, the company's plan to build a large hot strip mill in Italy in the next 3-4 years has been made more "The proposed construction was connected, among other things, with the supply of slab from Azovstal," he explained. "Now, it is more difficult, because you need to look for synergy with the assets that the company has."

In April, the group continued to export 40,000 tonnes of billet from Ukraine to its Bulgaria-based subsidiary Promet Steel.

Promet Steel produces around 400,000-500,000 t/year of long products. They include a wide range of profile sizes from ordinary and special steel grades. Since 2010, it has been part of the Metinvest Group.

Metinvest's units in the US and Europe, which until recently operated as part of the group's vertically integrated business, are operating as stand-alone businesses with new external suppliers and customers.

Global Overview

Americas:

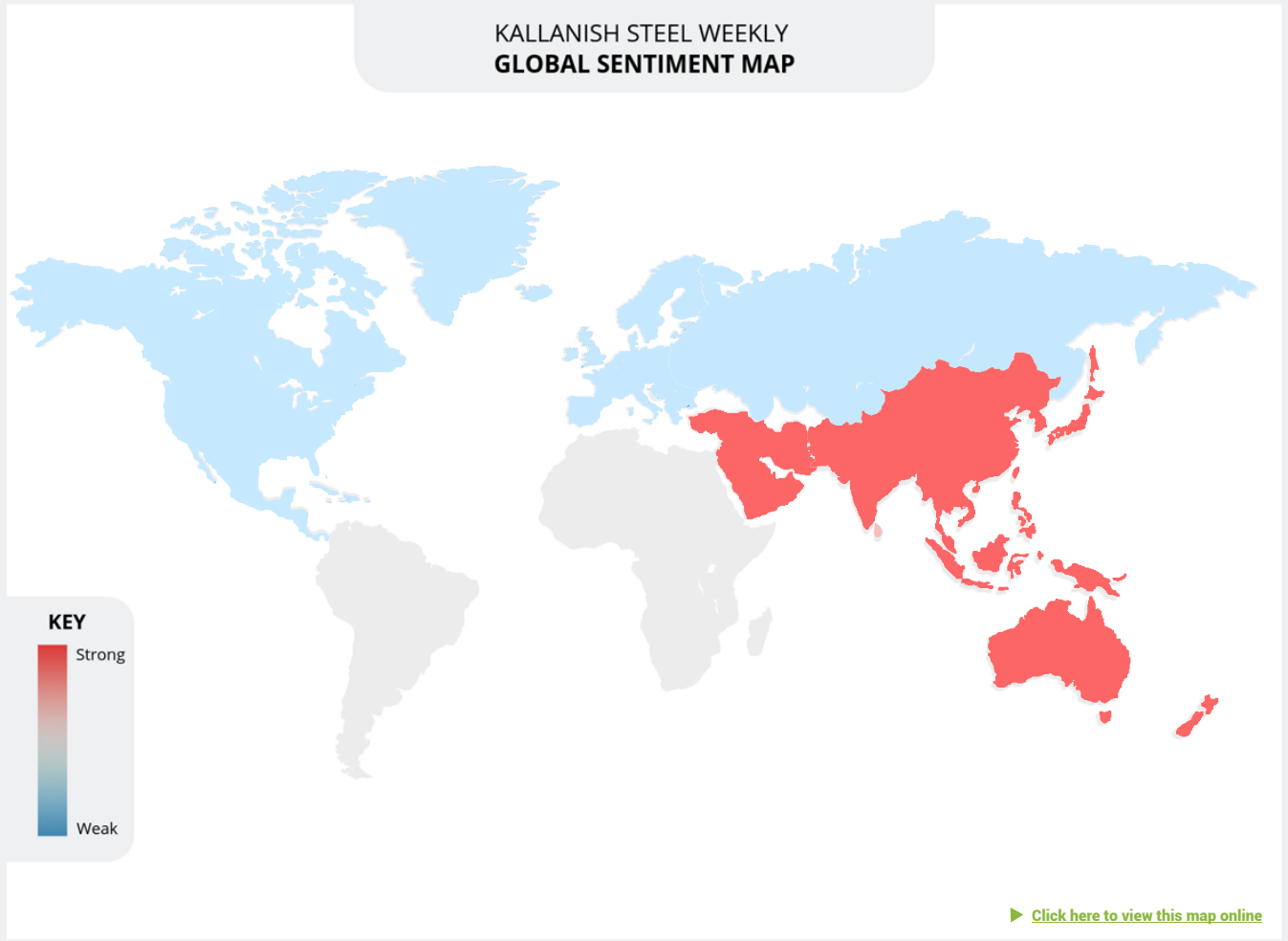
- US sheet prices down
- US scrap prices seen falling in July again
- Biden promises infrastructure investments

Europe:

- Coil prices in Italy continue price descent
- Scrap levels in EU remain under pressure
- Bottom of EU plate prices has not been reached yet

Asia:

- Chinese HRC, rebar prices up
- Iron ore corrects again
- ASEAN billet prices bottoms



India:

- Shredded scrap bulk sellers back out after price surge in India
- Indian HRC plunge amid stiff competition
- Indian billet offers surge on rising scrap prices

CIS:

- Pig iron drop continues amid lack of sales

Middle East:

- Turkish scrap participants debate sustainability of rebound
- Turkish rebar sentiment improves, further hike expected
- Saudi rebar prices come down

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Word of the week

High Speed Steel

High speed steel refers to a range of metal-cutting tool steels that retain their hardness at red heat. Key properties include high working hardness, wear resistance and toughness, good compressive strength and an ability to perform at temperatures up to 5000C without losing hardness. The main use of high-speed steels is for the manufacture of cutting tools such as drills, milling cutters, gear cutters, saw blades etc.

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