Faculty of World Economy and International Affairs
School of World Economy

GLOBAL BUSINESS MONITOR

INDUSTRIAL AND REGIONAL TRENDS

Issue 2/2025

Contents

HIGHLIGHTS

The activities of the world's largest companies in Q1 2025, despite geopolitical tensions and the unfolding of a trade war initiated by the United States, generally showed positive dynamics. The **Global Performance Index** (GPI) was 68%, demonstrating that more than 2/3 of companies increased their revenue compared to the same period of the previous year. One of the main growth drivers was accelerated purchases in a number of industries made by companies in anticipation of the introduction of import duties announced by the United States. The gap between the results of companies from developed and developing countries is quite high — the GPI was 61% and 76%, respectively. A similar picture was observed in Q1 2024, however, during the year the gap almost leveled out.

Investors' views on the near-term prospects for global business development are pessimistic — the value of the world's largest corporations fell by an average of 4% in Q2 2025 compared to Q1 2025. The main drop in quotes occurred at the beginning of April, when Washington announced the introduction of high tariffs, including up to 145% on goods from China, which in turn announced retaliatory measures. Despite the fact that D. Trump subsequently postponed the introduction of increased tariffs for most countries for 90 days, and in May agreed on a "tariff truce" with China, the value of shares of many companies did not recover after a sharp drop or recovered insignificantly due to the high level of uncertainty in future US policy and its impact on the global economy.

In the global **oil and gas sector**, severe sanctions pressure on Iran and Russia continues. Despite this, Iranian oil supplies to China and Russian supplies to India are at record levels. An important factor determining market and price dynamics has become OPEC+ decisions on accelerated restoration of oil production. The industry was affected during the quarter by the US-China "trade truce", the Iran-Israel conflict, and US-Iran nuclear deal negotiations.

The global **steel industry** remains the epicenter of the trade war — the suspension of increased tariffs announced by D. Trump in early April did not affect the industry's products, and in early June, US duties on steel increased from 25% to 50%. US policy is bearing fruit - leading manufacturers are making large-scale investments in the American steel industry. US restrictions and a record growth in steel exports to the world market from China have provoked a sharp increase and global nature of protectionism in the industry.

In the **food sector**, the transition to natural ingredients is transforming into a new industry standard. This will require a restructuring of supply chains, which is causing concern among manufacturers due to the instability of the quality of natural analogues, potential increase in cost price and a small number of suppliers of natural ingredients. Major manufacturers continue to expand internationally and locally, and are also restructuring to focus on key business areas.

Geopolitical tensions and the trade war still do not stop **pharmaceutical companies** from developed countries in their quest to conquer the Chinese market — European and American manufacturers are intensively cooperating with Chinese partners. The industry is experiencing increased competition in the segment of drugs for obesity and diabetes. A new trend is the transition of pharmaceutical manufacturers to contract manufacturing, which has led to the expansion of capacities and consolidation among leading companies for contract development and manufacturing.

In the **automotive industry**, manufacturers are transforming supply chains, provoked by D. Trump's trade policy. A high-profile event of the quarter was Tesla losing its leading position in the electric car segment in Europe; its main competitor, the Chinese giant BYD, is increasing sales at a high rate, while Tesla's revenue is falling. Chinese automakers continue their overseas expansion, their sales on the domestic market are provided by a new discount war, and technological development is supported by the integration of the IT sector.

The global **semiconductor industry** continues to expand capacity in countries around the world, most intensively in the United States. The technological war does not stop China on its path to sovereignty in semiconductor production. According to analysts, by 2030, China will have 30% of the world's production capacity. However, despite a number of significant technological achievements, China's ability to produce advanced chips by that time is still in question.

Consumer electronics manufacturers have accelerated the process of transferring product assembly to the United States and India, which at the present stage is becoming the largest beneficiary of the duties introduced by D. Trump. In some segments of the industry, there is a change of leaders, which is explained by high competition, weak demand and the intensive development of Asian manufacturers.

The key drivers of the **industrial IT equipment** industry continue to be the AI boom and the expanded construction of data centers. China is focusing its efforts on developing its own production of equipment for the production of chips and has demonstrated a number of achievements in this direction. Manufacturers are vigorously promoting quantum technologies from the research stage to the market entry stage.

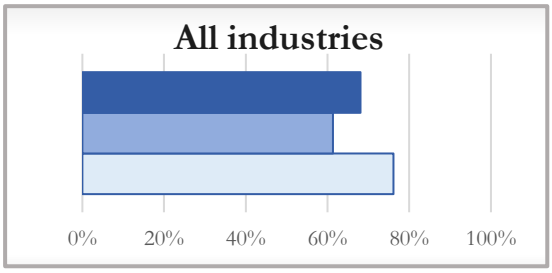
The **platform business** is increasingly seeing a trend towards the development of unmanned technologies, primarily in the robotaxi sector. Companies are deepening their presence in related industries and expanding their industrial and geographical reach through acquisitions and strategic partnerships. New antitrust charges emerged during the quarter, mostly against American platform giants.

In the **software industry**, the contradictions between the US and the European Union are intensifying — states are arguing over AI regulation, corporations are competing in cloud services. Europe is trying to close the gap with the US and China in the field of training AI models and building gigafactories, having published the "AI Continent Action Plan". The development of AI models is making the issue of copyright protection increasingly acute — a number of lawsuits were filed during the quarter on claims by owners of text and video content.

Telecom operators continue to intensively integrate into satellite communications projects, the global competition in the development of which is intensifying. Companies continue to develop AI technologies and implement AI solutions, providing additional sources of income, and also develop security tools due to the increasing frequency of cyber attacks. Consolidation processes in the industry are intensifying and are taking place in almost all regions of the world.

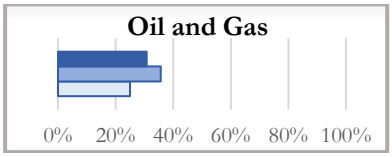
The global **transport and logistics sector** is experiencing the impact of the trade war — spot rates for container shipping are rising, imports to the US are falling, cargo turnover at Chinese ports continues to grow (now in the direction of Europe and the Middle East), and cargo turnover in civil aviation is increasing. The industry continues to expand its fleet, port infrastructure is being intensively developed. US pressure on China is particularly acute in the shipbuilding industry.

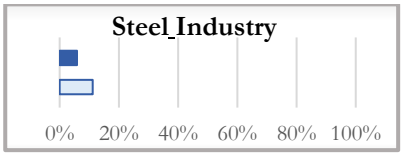
GLOBAL PERFORMANCE INDEX: Q1 2025

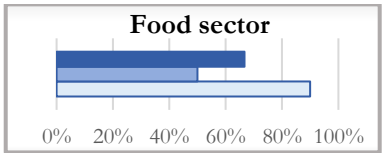


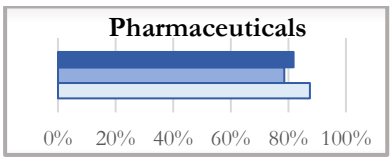
– all companies
– companies from developed countries
– companies from developing countries

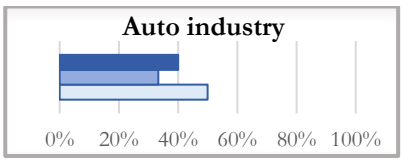
Source: based on financial statements of the companies

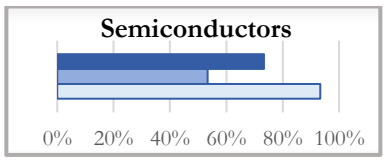


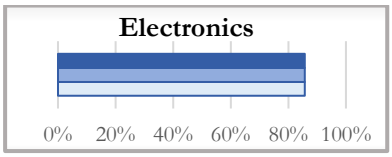


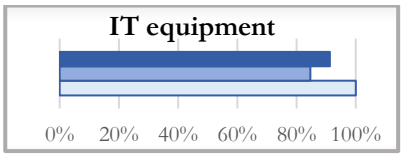


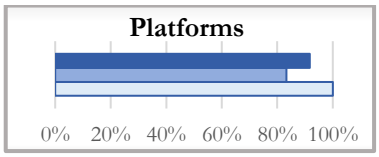


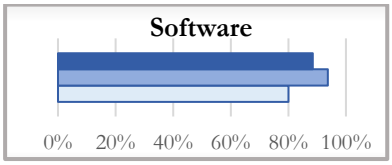


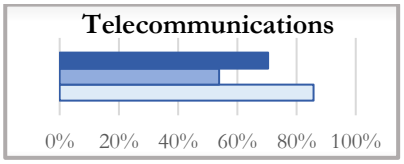


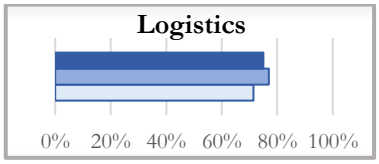












Note. The overall and sectoral global performance indices are based on the financial statements of 285 companies, including 155 companies from developed countries and 130 companies from developing countries. The Global Performance Index is calculated as the share of companies that increased revenue compared to the same period of the previous year, in the total number of companies. The Indices can take a value from 0% to 100%. An Index above 50% indicates positive dynamics, with more than half of the companies managing to increase revenue.

The activities of the world's largest companies in Q1 2025, despite geopolitical tensions and the US-initiated trade war, **generally showed positive dynamics**. The Global Performance Index (GPI) was 68%, showing that more than 2/3 of the companies increased their revenue compared to the same period of the previous year. The gap between the results of developed and developing companies is quite high — GPI was 61% and 76%, respectively. A similar picture was observed in Q1 2024, however, during the year the gap almost leveled out.

Companies from ***developed countries*** outperformed their competitors from developing countries in terms of GPI in only three sectors of the global economy:

- *Oil and gas.* The sector as a whole developed negatively, with less than a third of the companies in the sample increasing their revenue. Manufacturers from developed countries outperformed their competitors from developing countries due to a closer focus on operational efficiency, optimization of activities through the sale of non-core assets, and high gas prices in Europe, which increased 1.6 times year-on-year in Q1 2025 due to the cessation of Russian gas supplies to the European market via Ukraine.
- *Software.* The industry is generally showing good growth rates in the context of the AI boom — the GPI is 88%. The industry is dominated by American software developers, however, their leadership is no longer unconditional — the third result in revenue growth in Q1 2025 was shown by the Chinese Fujian Foxit Software (+20% y/y).
- *Transport and logistics sector*. Ocean carriers continue to benefit from high freight rates, while companies involved in land-based operations continue to experience difficulties. An important role in the dynamics of the sector in Q1 2025 was played by aggressive US trade policy, which increased demand for transportation due to companies' desire to build up stocks before the announced tariffs come into effect. The advantage of developed countries' companies in terms of GPI is insignificant (77% versus 71% for developing countries) and can be explained by their twice as large representation in the sample.

Developing countries' companies performed better in Q1 2025 in the following industries:

- *Iron and Steel industry.* The industry is operating in conditions of weak demand in key markets, including the largest market in China, and is also faced with the global nature of the trend to introduce measures to protect national producers. In Q1 2025, almost all of the largest steel companies reduced their revenue year-on-year (16 out of 17 reporting). The leadership of developing countries' companies is very conditional — only China's HBIS was able to show positive growth due to strategic adjustments to the product range and target markets.
- *Food sector.* Companies from developing countries have significantly outpaced their Western competitors — the GPI was 90% and 50%, respectively. The key reason for this situation is different business models. Companies from developed countries are mainly engaged in processing and distribution, as a result of which, on the one hand, they have less flexibility in managing costs, and on the other, they are limited in their ability to pass on costs to the end consumer. Manufacturers from developing countries take advantage of large local markets and large volumes of raw material
- *Pharmaceutical industry.* The industry continues to demonstrate high positive dynamics — the GPI was 82%. Among the leaders and outsiders of growth are companies from both developed and developing countries. Western manufacturers of

original drugs face competition from generics, which largely determined the superiority achieved by Chinese and Indian companies.

- *Automotive industry.* Q1 2025 was a tense period for the industry due to the uncertainty caused by D. Trump's aggressive and inconsistent trade policy, weak conditions in the largest markets and low demand for electric vehicles in Europe and the USA. The GPI fell below 50%, amounting to 40%. The advantage of manufacturers from developing countries is ensured by the domestic and foreign expansion of Chinese companies, which was well demonstrated in the first quarter by the results of the confrontation between Chinese BYD and American Tesla, whose revenue growth was +36% and –9% y/y, respectively.
- *Semiconductor industry.* The clear leadership of manufacturers from developing countries, whose GPI was 93%, is due to the high growth rates of Chinese companies aimed at achieving technological sovereignty and satisfying high domestic demand. The AI boom and expanded construction of data centers remain the drivers of industry growth. The expectation of the introduction of import duties announced by the United States also had a major impact on revenue growth in the industry, which provoked a wave of early purchases.
- *IT equipment.* Manufacturers in the industry showed some of the highest growth rates (GPI was 91%). The key drivers were the colossal demand for AI servers and data center equipment, as well as for semiconductor manufacturing equipment from China, which is implementing a strategy to ensure technological sovereignty in the semiconductor industry. Revenue growth for manufacturers in Taiwan and China was the highest, as a result of which the GPI of companies from developing countries reached a maximum value of 100%.
- *Platform business.* Companies in this sector continue to demonstrate the highest GPI (92%) among all key sectors of the global economy. Only two companies, the American Match Group and South Korean Kakao, slightly reduced their revenue, which reduced the GPI of companies from developed countries to 83%. The leaders in growth are e-commerce platforms founded in developing countries. They note the growth of the customer base, increased user loyalty and growth of revenue in the fintech segment as success factors.
- *Telecommunications.* The high GPI of telecom operators in developing countries at 86%, on the one hand, is still explained by the higher growth potential in domestic markets. On the other hand, the growth rate of the industry has become higher, which is associated with the effect of implementing AI solutions, integration into satellite communications projects, and optimization of activities by exiting unprofitable segments. It is also worth noting the relative isolation of the industry, which mainly conducts localized business, from the trade war unfolding during the quarter at the initiative of the United States.

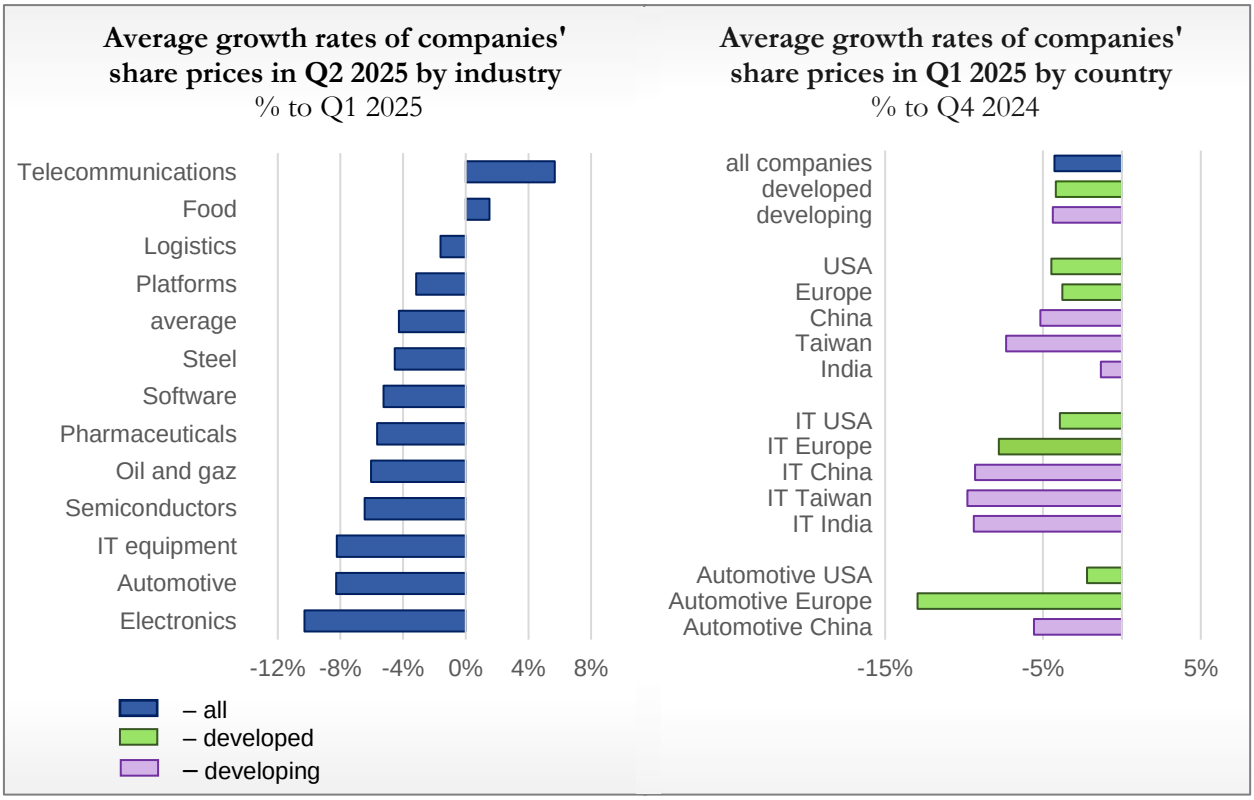
Consumer electronics was the only sector of the global economy in which the balance of power between companies from developed and developing countries was the same in Q1 2025, with the GPI at 86% in both groups. Manufacturers continue to struggle due to

weak demand, increasing sales through AI solutions and integration into data center equipment production chains. A key role in the higher growth rates in the first quarter of the year was played by an increase in electronics shipments by manufacturers in anticipation of higher tariffs from the United States.

More details on the performance of the world's largest companies in Q1 2025 can be found in the sections "Revenue Dynamics of the Largest Companies: Q1 2025" located in the middle of each industry section of the Monitor.

List of companies participating in the calculation of the Global Performance Index and their revenue in Q1 2024 and 2025.

INVESTOR OUTLOOK



In **Q2 2025**, the value of the world's largest corporations **fell by an average of 4%** compared to Q1 of the year. The trade war initiated by the US and geopolitical uncertainty have instilled strong pessimism in investors regarding the near-term prospects for global business development. The main drop in quotes occurred at the beginning of April, when Washington announced the introduction of high tariffs, including up to 145% on goods from China, which in turn announced retaliatory measures — an increase in additional import duties on American products to 125%. Despite the fact that D. Trump subsequently postponed the introduction of increased tariffs for most countries for 90 days, and in May agreed on a "tariff truce" with China, the value of shares of many companies did not recover after a sharp drop or recovered insignificantly due to the high level of uncertainty in future US policy and its impact on the global economy.

Industrial outlook

The current market situation has had the strongest impact on high-tech companies with advanced global supply chains — ***consumer electronics*** manufacturers' quotes fell by an average of 10%, ***automobile*** manufacturers by 8%, ***IT equipment*** manufacturers by 8%, and ***semiconductor*** manufacturers by 6%. The decline was uneven across regions (for more details, see the "Regional Outlook" section below) — Trump's trade policy is billed as a tool for developing national industry and reviving the American economy, which has had a different impact on the quotes of American and non-American companies. Investors' pessimism about the consumer electronics industry is linked to continued weak demand; in the automotive sector, the greatest concerns are about the prospects for European

manufacturers to emerge from the crisis; the decline in IT equipment and semiconductor manufacturers' shares is largely a consequence of the technological confrontation between the United States and China.

Producers of four other sectors of the global economy showed a drop in value below the average level: ***oil and gas*** (–6%), ***pharmaceuticals*** (–6%), ***software*** (–5%) and ***steel*** (–5%). The revenue of oil and gas companies is falling as a result of lower hydrocarbon prices, which directly affects investor expectations; the general industry factor of pressure on pharmaceutical producers was the statements of the US administration about the possible introduction of measures to regulate prices of drugs and the consideration of new tariff barriers; software developers are working in conditions of uncertainty due to the measures introduced by the US to limit the export of American IT giants, primarily those producing semiconductors, and also do not always meet market expectations in the development of AI; steel producers continue to face weak market conditions and increased protectionism.

Negative, but still above average, dynamics were shown by the share quotes of ***platform companies*** (–3%) and representatives of the ***transport and logistics sector*** (–2%). The platform giants from developed countries inspire a certain amount of optimism in investors — their shares have grown by an average of 1%, while the shares of Chinese platforms are depreciating due to limited development opportunities in the field of AI solutions, which is associated with US trade policy. The attractiveness of the largest logistics companies was assessed by investors differently — despite the general uncertainty and geopolitical tension, a number of carriers, mainly maritime operators from developing countries, were able to recover from the fall in early April and increased in value, while the quotes of American companies fell by an average of 11% due to the weakening of the US economy and a decrease in cargo transportation volumes.

The most promising from the investors' point of view were ***telecom operators*** (+6%) and ***food sector*** companies (+1%). Telecom companies conduct localized business, selling communication services mainly within national borders. Their core business is not directly affected by tariffs, so there was no noticeable drop in share prices in April, unlike in other sectors of the global economy. In the food sector, investors positively assessed companies from developing countries (+5%), while their Western competitors decreased in value (–1%). The main reason for some pessimism regarding Western manufacturers is their limited ability to reduce costs and pass on part of the costs to consumers.

Regional outlook

The attractiveness of companies from ***developed and developing countries*** was on average rated equally low by investors — the decrease in value was –4.2% and –4.4%, respectively.

Investors were most pessimistic about ***Taiwanese companies***, whose average share price decline was 7%. This dynamic was caused by the fact that Taiwanese manufacturers in the sample are mainly represented by the IT sector (semiconductors, electronics, IT-

equipment), which suffered the most from US trade policy and its technological confrontation with China.

On average, the value of ***Chinese companies*** fell by 5%. The largest decline in quotes was observed in the Chinese IT sector — shares fell by 9%, including the decline in the consumer electronics industry by 13%, software by 11%. The prospects of Chinese automakers were also negatively assessed, their value in the second quarter of 2025 fell by an average of 6%.

American manufacturers also suffered from their government's initiatives, with their value falling by 4.5%, which is lower than the average decline of 4.3% for the entire sample. However, quotes in high-tech industries in the US fell much less sharply than in other countries: in the auto industry, the decline was only 2%, in the IT sector 4%. The fact that D. Trump announces the development of national production and attracting of investments into American industry as the fundamental goal of his policy was reflected in more favorable investor sentiment. Nevertheless, the value of companies in a number of American industries fell significantly: in the transport and logistics sector, shares fell by an average of 11%, in electronics, which depends on Asian supplies, by 10%, in the oil and gas sector by 10%, in pharmaceuticals by 8%, and in semiconductors by 7%, which reflects expectations of a slowdown in US economic growth and the risks associated with a technological war with China.

The prospects for ***European manufacturers*** are assessed as moderately negative, with an average decline in value of –3.8%. The main contribution to the decline in the quotations of the largest European companies was made by the auto industry, which is in a state of crisis (–13%), and the IT industry (–8%), which is characterized by insufficient innovation level and, as a result, competitiveness compared to other leading countries in the world.

Indian companies (16 in the sample) lost only 1% in value, which is explained by the positive contribution of quotes of two telecom companies (+10% and +12%), one oil and gas (+12%) and one steel producer (+5%). Shares of IT sector players, represented mainly by software developers, fell by an average of 9%. Overall, the investors' assessment reflects the fairly intensive development of the Indian economy at the present stage.

More details on these and other trends can be found in the "Investor View" sections located at the end of each industry section of the Monitor.

Growth rates of Monitor's companies share prices in Q2 2025 vs. Q1 2025

INDUSTRIAL TRENDS AND KEY EVENTS

OIL AND GAS

Key trends and events

Key events in Q2 2025 affecting the global oil market and price dynamics include: OPEC+ decision to increase production, sanctions pressure on Iran and Russia, trade negotiations and conclusion of a "trade truce" between the US and China, Iranian-Israeli conflict, US-Iran negotiations on a nuclear deal.

At the beginning of the second quarter, the global oil market was awaiting further **decisions by OPEC+ on the accelerated recovery of oil production**. The situation was largely provoked by Kazakhstan, which repeatedly violated OPEC+ quotas, causing discontent among other cartel members. Kazakhstan justifies itself by saying that it is unable to control large Western companies, including Exxon Mobil and Chevron, which operate on its territory, and fears a reduction in production at old fields. As a result, OPEC+ began to make decisions on accelerated production increases — in early June, the third such decision was made (the increase for three consecutive months amounted to 411,000 barrels per day (bpd)).

In early July, it became known that eight OPEC+ countries (Russia, Iraq, Saudi Arabia, the UAE, Kazakhstan, Algeria, Oman, and Kuwait) would increase their production quotas in August by 548,000 bpd. The countries explain this adjustment by "the stability of global economic prospects and the current healthy market fundamentals reflected in low oil inventories." The organization expects strong growth in oil demand in the second half of 2025.

The increase in OPEC+ oil production during the quarter was one of the main factors negatively affecting prices.

Sanctions pressure on Russia and Iran continues, as evidenced in the second quarter and the first half of July by the following initiatives by the US and the EU:

- In April, the ***US expanded sanctions against Iran*** as part of its campaign to exert maximum pressure on the country's government (see Issue 1/2025). Sanctions were imposed on Iranian businessman Seyed Asadoollah Emamjomeh, who works in the LNG sector, and companies associated with him. In total, two individuals, 12 legal entities, and one tanker were subject to the new sanctions.
- At the end of May, the ***EU adopted its 17th package of sanctions against Russia***, including sanctions against 189 ships in the shadow fleet that the West associates with the Russian Federation. Tankers included in the list are prohibited from entering EU ports, and European companies are prohibited from conducting any transactions with them. The new sanctions package due to its "relative weakness" was supported by Hungary and Slovakia, which had previously were in opposition.

- In early May, the ***US intensified pressure on Iran by imposing secondary sanctions against its Chinese counterparties*** — another refinery in China was sanctioned, as well as port terminal operators, ships, companies, and individuals caught buying Iranian oil in circumvention of US restrictions.
- On May 7, the European Commission presented a draft ***roadmap for the REPowerEU plan to phase out Russian energy resources by 2027***. Key measures include a complete halt to gas imports from Russia by the end of 2027 and new measures targeting the shadow fleet (see case EC).
- On May 13, the ***US imposed sanctions on 20 companies that, in its view, form a network for delivering Iranian oil to China*** on behalf of the Iranian Armed Forces General Staff and the country's energy company Sepehr Energy.
- At a meeting of G7 officials in late May, a proposal was discussed to ***lower the price cap on Russian*** oil from $60 to $50 per barrel. Later in June, the European Commission proposed that the G7 countries lower the price cap to $45 per barrel, but this was not supported by the US.

Case. The European Commission has presented a roadmap for the REPowerEU plan

The roadmap provides for the gradual removal of Russian oil, gas, and nuclear energy from EU markets and includes measures in the following areas: (1) gas — EU countries must stop all imports by the end of 2027, new contracts with Russian gas suppliers will be banned, and spot contracts (with immediate payment) will be terminated by the end of 2025; (2) Oil — new measures are planned with regard to the shadow fleet; (3) Nuclear energy — it is proposed to restrict new contracts for the supply of uranium, enriched uranium, and other nuclear materials from Russia signed by the Euratom Supply Agency.

Source: neftegaz.ru

- In early July, the ***US imposed new sanctions for participation in Iranian oil trade***. The US Treasury Department added 22 legal entities based in Hong Kong, the United Arab Emirates, and Turkey to the list.
- In mid-July, the ***EU Council approved the 18th package of sanctions against Russia***, which included a floating price cap on oil, its reduction from $60 to $47.6 per barrel, a ban on the sale of petroleum products made from Russian raw materials, and direct sanctions against the Indian Vadinar refinery, in which Rosneft owns a minority stake.

Despite sanctions, Iranian oil supplies to China and Russian oil supplies to India are at record levels.

The market recorded a slight decline in oil supplies from Iran to China in May, attributing this to the impact of sanctions and repairs at independent Chinese refineries. However, from June 1 to 20, imports from Iran to China reached a record level of 1.8 million bpd amid growing demand and the need to replenish strategic reserves ahead of peak summer demand, as well as accelerated deliveries ahead of the conflict in the Middle East. In addition, there has been an increase in Chinese imports from Malaysia, through which oil from Iran and Venezuela subject to sanctions usually flows into China.

Russia remains the largest exporter of oil to India, accounting for more than a third of the country's oil market. In May, Russian oil imports to India reached their highest level

in 10 months, amounting to almost 1.8 million bpd. In 2025, India will account for 80% of Russia's seaborne exports of Urals crude oil, with the country's private refineries Reliance Industries Ltd. and Nayara Energy Ltd. purchasing 45% of Russian supplies.

Russia is also increasing cooperation and supplies to other countries. For example, China has proposed increasing Russian oil supplies through Kazakhstan by 2.5 million tons per year, and negotiations are continuing on the participation of Chinese companies in Russian oil and gas production projects. Cooperation with Iran is strengthening — in April, the countries agreed on a contract for the supply of 55 billion cubic meters of gas from Russia to Iran and financial assistance in the construction of a new Iranian nuclear power plant. In addition, Russia has increased oil supplies from the Arctic to Syria.

Despite a number of successes in exports, ***Russia's economy is facing difficulties***. In June, tax revenues from oil and gas production and sales fell by 34% year-on-year to RUB 495 billion, the lowest level in the last 2.5 years. The decline in budget revenues in the first half of 2025 amounted to 17% year-on-year. The main reasons lie not only in the decline in Russian oil prices, but also in the strengthening of the ruble.

The trade war between the US and China, as well as the trade truce reached in May, had the following impact on the oil and gas industry in Q2 2025:

- In March, China stopped purchasing energy resources from the US and June was the fourth consecutive month in which US oil and LNG supplies to China were zero.
- At the end of April, it became known that from October 2025, Chinese oil supertankers and ships operated by Chinese companies will be subject to a fee of $5.2 million when entering US ports, which is 1.5 times higher than the previous fee. The fee for Chinese-built ships operated by companies from other countries will also increase to $1.9 million.
- The sharp drop in prices in the first quarter and early April (see Issue 1/2025) was followed by a rise after the announcement of a “tariff truce” between the US and China.

The 12-day **Iran-Israel conflict in June triggered temporary panic in the market and spikes in hydrocarbon prices**. The main market effects were as follows: the price of Brent crude oil exceeded $80 per barrel for the first time since January; there were disruptions to supplies, partly due to the risk of the Strait of Hormuz being blocked, as a result of which rates for transporting raw oil along this route in supertankers more than doubled; navigation signals in the region were disrupted. After geopolitical tensions eased, the cost of transporting oil from the Middle East to Asia fell, and oil prices returned to pre-conflict levels.

Other key events in the global oil and gas industry in Q2 2025:

- ***Saudi Aramco signed an agreement with Chinese electric vehicle manufacturer BYD*** to jointly develop technologies for new energy vehicles, which is part of Saudi Arabia's strategy of transition to environmentally friendly mobility. The deal was

concluded shortly after American Tesla announced its entry into the Saudi Arabian market.

The company is ***developing cooperation in the US*** in response to Donald Trump's call for Gulf countries to invest in the American economy. Saudi Aramco has signed cooperation agreements with US companies Exxon Mobil, Amazon, and Nvidia totaling approximately $90 billion, and also plans to invest $3.4 billion in its own Motiva refinery in Texas.

- ***Oil and gas companies continue to review their position on investments in renewable energy***, shifting their focus back to traditional extraction business. In Q2 2025, Japanese refineries showed activity in line with this trend: Eneos is cutting back on its hydrogen production plans and increasing its investments in LNG, while Idemitsu Kosan is cutting its investments in decarbonization, particularly in initiatives such as hydrogen, ammonia, and synthetic fuels, by 20% — from 1 trillion yen ($6.9 billion) to approximately 800 billion yen for the period up to 2030.
- ***Lifting of sanctions against Syria.*** In May, the European Union officially lifted economic sanctions against Syria, removing 24 items from the list, including the country's central bank and companies operating in the oil production and cotton processing sectors. At the end of June, Donald Trump signed an executive order lifting the sanctions regime against Syria, which had been in place since 2004, effective July 1. Among other things, the order eases export controls and allows transactions with the Syrian oil company Sytrol and a number of other organizations in the country's energy sector.
- The Trump administration has granted ***Chevron a limited license to continue operating in Venezuela.*** This will allow the company to retain its assets in the country, but not to export oil or expand its operations.
- According to IEA estimates***, investments in the oil sector will decline by 6%*** in 2025 due to low prices and low demand associated with economic uncertainty. This will be the sharpest decline in the last 10 years, excluding the downturn caused by the Covid-19 pandemic.
- ***India*** plans to invest $10 billion in the purchase of 112 of its own oil tankers by 2040 (see case India).
- ***American companies have been reducing the number of oil and gas rigs*** for 11 consecutive weeks (as of early July). The last time this happened was in July 2020, when the COVID-19 pandemic reduced demand for fuel.

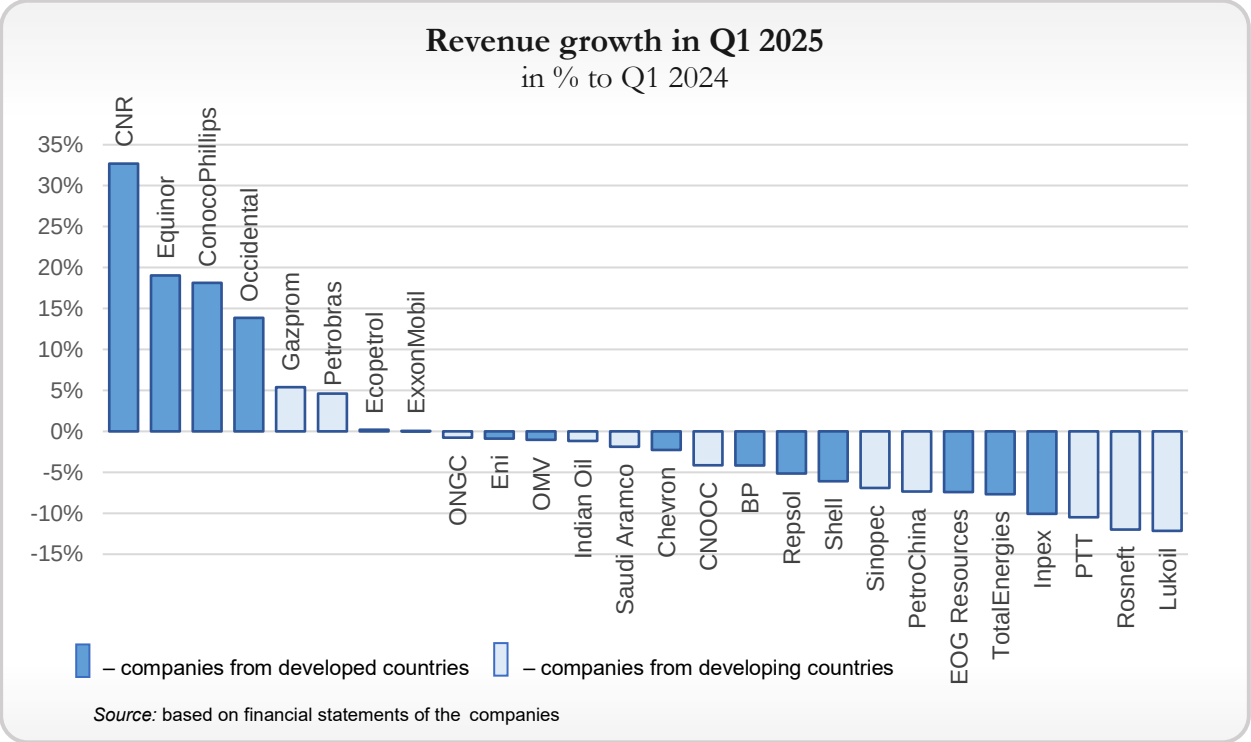
Case. India to spend $10 billion on its own oil tanker fleet

India, the world's third-largest oil importer, is seeking to establish its own fleet to secure supplies of “black gold” and plans to spend $10 billion on the purchase of 112 tankers by 2040. Currently, state-owned oil companies operate an aging fleet, which is mainly chartered by global companies. The first phase of India's plan includes the purchase of 79 vessels, 30 of which will be medium-range vessels.

Source: Bloomberg.com

News Feed: Oil and Gas

Revenue dynamics of the largest companies: Q1 2025



The revenue dynamics of the world's largest oil and gas companies at the beginning of 2025 turned out to be mixed. Despite a decline in revenue for most of the players analyzed (17 out of 26), which was primarily due to lower oil prices compared to Q1 2024, a number of producers showed growth rates above 15%, which had not been observed in the previous two quarters.

The **leader** was Canadian Natural Resources (+33%), which achieved record production volumes in certain segments of its operations, including natural gas production. The company stands out from its competitors thanks to its asset optimization strategy, in particular the integration of the Duvernay project acquired from US-based Chevron, and its focus on operational efficiency, including reducing drilling and injection costs.

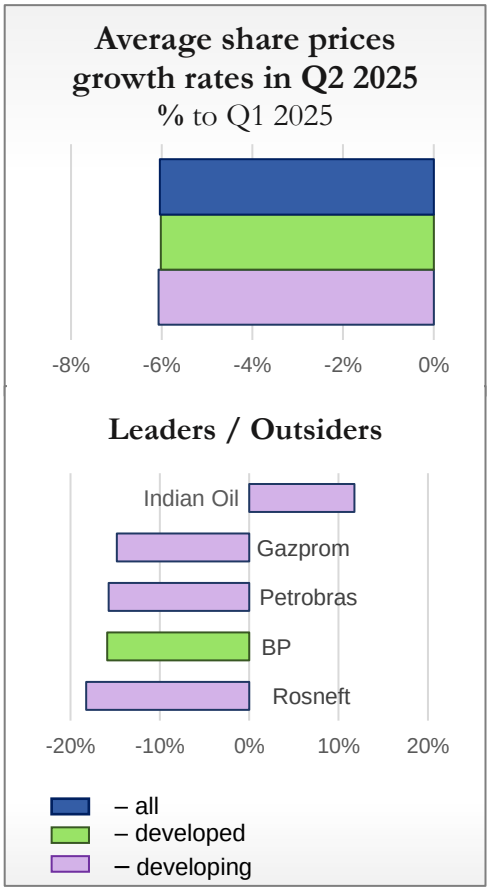
Two other companies also reported high revenue growth: Norway's Equinor (+19%) and the US's ConocoPhillips (+18%). Equinor, a key gas supplier to the EU market, owes its strong financial results to rising gas prices in Europe and increased onshore production in the US. ConocoPhillips cites overall production growth, record drilling productivity at the Eagle Ford well, the sale of non-core assets, and other factors as the main reasons for its growth.

Russian companies Lukoil and Rosneft were the **outsiders** of the quarter, with revenue down 12%. The companies' performance was affected by general market factors — low global oil prices compared to the same quarter last year, new sanctions, high volatility of the ruble exchange rate, and its strengthening during the quarter, which had a negative impact on export revenues. Rosneft CEO Igor Sechin separately highlighted the factor of rising tariffs for natural monopolies and their impact on profit indicators, including EBITDA, which fell by 16%.

Among the least successful companies are Thailand's PTT and Japan's Inpex, whose revenues fell by 10%. Thailand's largest oil and gas company confirms its revenue problems, but its report emphasizes a 20% increase in net profit in Q1 2025 compared to Q1 2024 and more than 100% compared to the previous quarter, which indicates an improvement in the company's operational efficiency. Inpex reported a decline in sales volumes, which, combined with lower oil prices, led to negative dynamics. Thus, the company's revenue in the oil segment fell by 13% with a 8% drop in supply volumes; in the gas segment, revenue and supply volumes fell by 2% and 4%, respectively. At the same time, Inpex notes the positive impact on revenue of the weakening of the yen against the US dollar.

Investors' view: Q2 2025

Investors' expectations regarding the prospects for the oil and gas industry in Q2 2025 were negative — of the 26 companies analyzed, only four saw a slight increase in value compared to the first quarter of the year, with the average decline in share prices across the sample amounting to 6%. The key reasons for investor pessimism are related to falling oil prices and general geopolitical uncertainty, which could trigger an economic downturn.



Indian Oil instilled the most **positive** sentiment among investors, with its shares rising 12%. According to estimates by the International Energy Agency (IEA), demand for oil in India will grow by 1 million barrels per day by 2030, which is more than in any other country in the world. Analysts note continued economic growth in India and high levels of consumption of transport and industrial fuel.

The **sharpest decline** in share prices was seen in Russia's Rosneft (–18%). Other Russian companies also saw significant declines in their share prices, including Gazprom (–15%) and Lukoil (–11%). The overall problem facing the Russian oil sector is the strengthening of the ruble, US sanctions, and falling oil prices. In Q1 2025, Rosneft reported a record decline in production and profits, which, in addition to industry-wide factors, was due to ongoing maintenance work and unfavorable weather conditions. Gazprom's results for the first quarter of the year were mixed: despite an increase in sales, operating profit fell by almost a quarter due to higher operating expenses and exchange rate differences. The situation continues to deteriorate in Q2 2025 (falling gas prices in Europe, Gazprom's long-

term contracts tied to falling oil prices, general geopolitical instability), which does not inspire optimism among investors.

The main reason for the fall in the share price of British BP (–16%) was the decline in oil prices, however, the impact of this factor turned out to be stronger than that of competitors. BP has been struggling for a long time with the general inefficiency of its activities, which arose as a result of the previously adopted policy of "green energy". The company has lagged far behind its competitors, it has announced a reboot, is under pressure from activist investor Elliott Investment Management, is cutting staff, and also risks being absorbed by British competitor Shell.

Due to the fall in oil prices, Brazilian Petrobras shares have significantly depreciated (–16%). Being a state-owned company, the company is under pressure from the government. As the main oil refiner in Brazil, which actually sets wholesale fuel prices in the country, the company fulfills the requirements to reduce prices when oil becomes cheaper. So, during April 2025, the company reduced the prices of diesel fuel for distributors twice.

Key trends and events

The US trade and political games with other countries regarding steel products continue. At the end of the first quarter, D. Trump imposed a 25% duty on steel and aluminum imports from all countries. On April 9, the US President suspended the increased import tariffs, introducing a universal tariff of 10% for 90 days, which, however, did not apply to steel (see Issue 1/2025). The 25% duty remained in force even after the US Court of International Trade ruled in late May to block the US President's decision to impose import duties (the ruling did not cancel duties on cars, steel and aluminum). However, on June 4, D. Trump signed an executive order doubling the tariff on steel and aluminum imported to the United States to 50%. The restrictions should affect all countries except Great Britain, which had previously agreed on this with the US.

Key trends that emerged in the industry during the period of the 25% US tariff include:

- ***Uncertainty and decline in demand for steel*** in the world's largest markets, primarily in the USA, Europe, China; as a result, companies are forecasting a decline in production volumes and an increase in prices.
- ***Foreign investment in the United States is on the rise.*** Japan’s Nippon Steel said in May it planned to invest $14 billion in U.S. Steel, including up to $4 billion in a new steel mill if the U.S. administration approves its purchase of the American manufacturer. As a result, the deal, which was initiated in December 2023 and was repeatedly threatened with failure, was completed on June 18, 2025, with Nippon Steel acquiring U.S. Steel for $15 billion. In late March, Hyundai Steel announced plans to invest $5.8 billion in the United States as part of Hyundai Motor Group’s overall $21 billion investment package, hoping for concessions in tariff negotiations with the United States. The plant for the production of high-quality automotive steel sheets will be built in Louisiana.
- ***Layoffs and production cuts in Canada's steel industry***, which exported about half its output to the United States and is now refocusing on the domestic market.
- ***Attempts by countries to reach an agreement with the US.*** India initiated negotiations on trade agreements with the US, the European Union, the UK, etc., to support steel exports. In May, the UK agreed on a trade agreement with the US — on May 17, the agreement was signed, and in relation to steel, it sets preferential quotas on steel imports from the UK with a duty of 25% instead of the global 50%. The key agreement during this period was certainly reached between the US and China — a preliminary agreement announced on May 12, 2025, includes temporary tax cuts, the abolition of retaliatory measures, and the maintenance of key US tariffs on Chinese goods.

The June increase in steel import duties to 50% has triggered a ***new round of negotiations between the countries and the United States and the introduction of countermeasures.*** Mexico said it would formally request a 50% tariff exemption from the United States; the parties began talks on a tariff quota on steel imports in late June. Canada announced on June 19 that it would introduce a tariff quota that would limit the volume of steel exports from a particular country and change government procurement rules to give priority to domestic producers. Vietnam agreed on a key trade agreement with the United States that would impose a 20% tariff on direct imports to the United States with duty-free access for American goods, while a 40% rate would be imposed on goods produced in third countries and transported to the United States through Vietnamese ports. The European Union agreed with the United States to speed up negotiations, but has begun consultations on an expanded list of countermeasures. If no mutually acceptable solution is found in the negotiations, the European Commission (EC) said that "countermeasures will come into force automatically on 14 July, or even earlier if circumstances so require."

Trump's trade policy has exacerbated concerns that cheap steel flows, primarily from China, will be directed to other markets. As a result, **the trend of introducing protective measures has become as intense as possible**. Thus, India introduced a temporary duty of 12% for 200 days (the measure led to a noticeable decrease in steel imports to the country from China and Japan); Canada launched an anti-dumping investigation into the import of carbon and alloy steel wire from 10 countries (most of them from Southeast Asia); Brazil introduced import quotas on 11 types of steel products and a 25% tariff on volumes above the limits, extended the anti-dumping duties on Chinese stainless steel pipes for 5 years and is launching an investigation into the dumping of hot-rolled steel exports from China and India; the Mexican government promised to close the border to all steel imports from Vietnam, Malaysia and Indonesia due to suspicions of triangulation of Chinese steel. South Korea, Vietnam, Peru, Malaysia and a number of other countries are reviewing or introducing new restrictions. For more details on these and other cases, see “News Feed: Iron and Steel” at the end of the section.

European initiatives to protect the market. Europe is facing the most difficult situation due to US tariffs, and has intensified market protection initiatives to save an already struggling industry (see Issue 4/2024). Since 1 April, the EC has tightened steel import quotas due to dumping concerns caused by the 25% tariffs on steel and aluminium introduced by the US President in March. On 19 March, the EC presented the document "European Steel and Metals Action Plan", which includes replacing the safeguard measures on steel and ensuring sufficient scrap availability until Q3 2025, and the measures on ferroalloys until 18 November. Following D. Trump's increase in tariffs to 50%, producers and the European Steelmakers' Association EUROFER are calling on the EC to redouble its efforts to implement the Plan, ensure competitive energy prices, and accelerate the transition to hydrogen technologies. Thus, the European steel association Eurofer has asked the European Commission to introduce an out-of-quota tariff of 50% as a post-safeguard measure, while reducing duty-free volumes by 50%. In addition, lobbying has intensified for restrictions on scrap exports, which play a key role in Europe’s decarbonization strategy

(recycling allows saving up to 80% of the energy in steelmaking). The issue has been discussed for several years, during which lobbyists have achieved some success (scrap exports were limited by OECD countries). However, against the backdrop of rising prices and uncertainty as a result of the 50% US tariff, EU producers are calling on the European Commission to urgently expand restrictions or duties on scrap exports, paying particular attention to purchases made by Turkey.

Despite the growth of protectionism, **steel exports from China reached a record level in Q2 2025**. Chinese steel supplies to the world market in April – June increased by 11%, exceeding the previous quarterly peak, in the first half of 2025 the growth was 9% y/y. Manufacturers focus on exporting duty-free products and searching for new sales directions, in particular, to Indonesia, the Philippines, and Saudi Arabia.

Analysts are divided on the future of China's steel exports and production. In March, Beijing unveiled plans to restructure its massive steel sector by cutting production. However, market participants (traders, producers, analysts) are skeptical that these plans will be implemented — current steel consumption in China's manufacturing industry has grown to its highest level in six years, and the industry has received domestic policy support, which has led to higher margins in the industry while exports have grown. However, the China Iron and Steel Association forecasts a 4% decline in the country's production this year, and Goldman Sachs analysts believe that China's steel exports will fall by 3% in 2025 before falling sharply in 2026.

Other important trends and events in the global steel industry in Q2 2025:

- ***Global stainless steel production is shifting to China.*** Stainless steel production in China has grown to a record level of 39.44 million tons in 2024 (59% of the world total), with growth of +19.3% y/y in Q4 2024. Analysts expect further growth. Europe is losing out in this process — its share has decreased from 40% to less than 10% over 25 years, European producers are warning of a real risk of losing the stainless steel supply chain in Europe. In addition to China, Indonesia has significantly expanded production; in India consumption is growing and capacity is expanding.
- The transition to green steel continues in various countries and regions of the world, *but* ***economic problems are delaying decarbonization projects***. The situation is most difficult in Europe: ArcelorMittal announced that in Germany, due to the market situation and lack of economic feasibility, it cannot continue investing in low-CO2 steel production, and refused more than €1 billion in state support (see case ArcelorMittal); Sweden's SSAB is delaying the implementation of a project in the Arctic due to grid instability; the largest steelmaker in the Czech Republic, Třinecké Železárny, announced a postponement of the completion date of the largest decarbonization investment in its history to 2030. For more information on decarbonization projects and initiatives in the industry in Q2 2025 in individual countries and regions of the world, see "News Feed: Iron and Steel".

Case. ArcelorMittal has abandoned its "green" plants in Germany

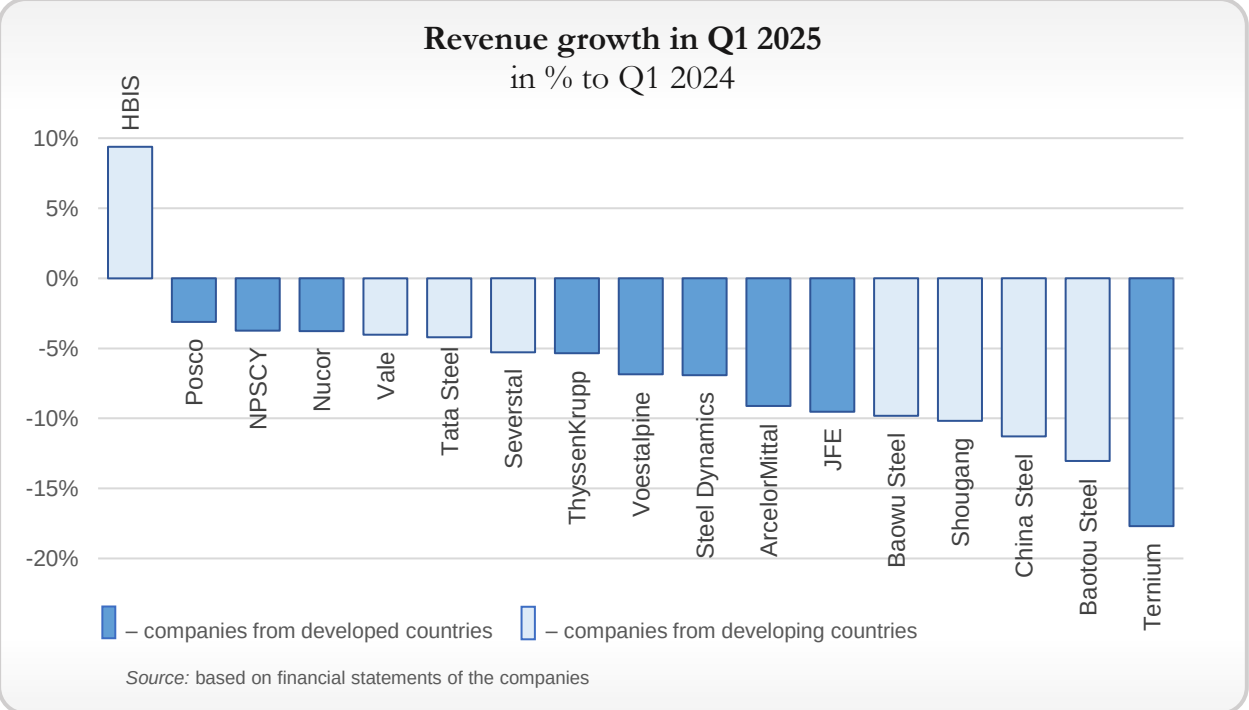
One of the world's largest steelmakers, ArcelorMittal, has announced its decision to abandon plans to convert two of its plants in Germany to carbon-neutral production. The move casts doubt on the prospects for the "green" transformation of heavy industry in the country. The main reasons for this decision were the high cost of electricity in Germany and the uncertainty about the country's future energy balance. The cancellation of the modernization of the German plants in Bremen and Eisenhüttenstadt means that the company will not receive state subsidies of 1.3 billion euros. The German government hoped that these funds would serve as an incentive for the plants to switch to the use of furnaces running on hydrogen fuel, which can be produced using renewable energy sources.

Source: Miranews

- ***Australia has discovered a new*** $6 trillion ***iron ore deposit*** and launched a new mine, backed by major investment from Australia and China. These discoveries and increased investment in Australia's mining sector could reshape global markets, with analysts expecting lower iron ore prices and shifts in global supply chains as Australia strengthens its position as a global leader. However, the Australian government expects iron ore export revenue to decline due to weak demand in major markets, reduced production in China and saturated markets in Brazil and Africa.

News Feed: Iron and Steel

Revenue dynamics of the largest companies: Q1 2025



Source: based on financial statements of the companies

In Q1 2025, the global steel industry continued the negative dynamics that were observed throughout 2024. Of the 17 largest global producers, only one managed to increase revenue, while all the others showed a decline. However, if in 2024, the outsiders were companies from developed countries, then at the beginning of 2025, the largest decline in revenue occurred among companies operating in emerging markets.

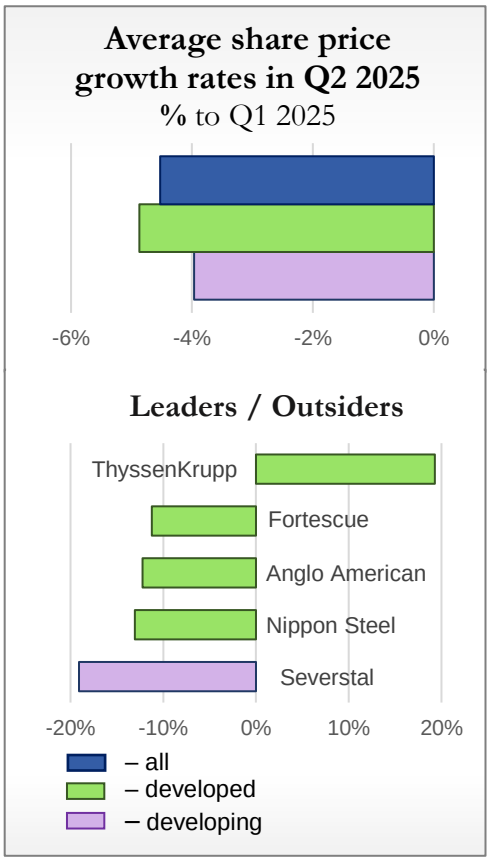
The **leader** of the quarter was Chinese manufacturer HBIS (+9%), which carried out a strategic adjustment of its product range and target markets. The company focused on higher-margin special steel products, especially for the automotive, construction and engineering sectors, which allowed it to insulate itself from the price volatility of standard steel products. HBIS demonstrated impressive growth in net profit (+46%), noting the effect of the cost optimization program, including a reduction in energy consumption and optimization of raw materials, as well as the role of lower prices for key materials (iron ore and coking coal).

The least successful company in Q1 2025 was Ternium from Luxembourg, which operates in the Latin American market (–18%). The **outsiders** with a revenue drop of 10% or more also include three Chinese manufacturers: Inner Mongolia Baotou Steel (–13%), Shougang Group (–10%) and China Baowu Steel Group (–10%), and Taiwan's China Steel (–11%).

Ternium has been declining revenue for the third quarter in a row. The main reason remains the decline in sales in the company's key market of Mexico, however, the dynamics in Brazil have recovered, and the company was able to increase revenue in this country by 9%. The decline in revenue in Mexico was also partially offset by an increase in deliveries to other markets, primarily Argentina (+32%). As a negative factor, the company notes the uncertainty caused by changing US trade policy, which has had a particularly strong impact on the commercial steel market.

The Chinese steel industry continues to operate in an environment of weak domestic demand and pressure in external markets. In Q1 2025, steel production in China increased by 0.6%, while apparent consumption of steel products decreased by 1.3% compared to the same period of the previous year. Given the success of HBIS, which, like all domestic producers, operated with negative dynamics in 2024, the rest of the country's largest steel companies experienced stronger competitive pressure and reduced revenue. The situation in the Chinese market also affected Taiwan's China Steel, which is facing increased competition in the domestic market, to which it supplies about 90% of its output.

Investors' view: Q2 2025



Investors' assessment of the global steel industry's prospects has shifted from relatively neutral, due to optimism in Q1 2025 in relation to the European industry (see Issue 1/2025), to pessimistic. The average decline in share prices of the 21 largest companies in the industry was 5%. The industry-wide factors for the negative dynamics are the uncertainty created by US trade policy and weak market conditions in the world's largest economies.

Germany's ThyssenKrupp remains the **leader**, with its shares up another 19% after an impressive 109% gain in Q1 2025. The main jump occurred at the end of May after the conglomerate announced plans to transform itself into a holding company by spinning off its main divisions and opening them up to outside investors. The main goal of this strategy of spinning off divisions is to simplify the portfolio and improve competitiveness.

Outsiders, having lost more than 10% in value, include Severstal (–19%), Nippon Steel (–13%), and mining companies Anglo American (–12%) and Fortescue Metals Group (–11%).

The problems of the Russian Severstal are industry-wide: a drop in demand and prices for steel under the influence of such factors as the high key rate of the Central Bank of the Russian Federation, a decrease in activity in the country's construction industry, excess capacity, a decrease in export volumes, a slowdown in the global economy and trade barriers. The Russian steel business is going through difficult times, however, Severstal remains the leader of the national industry — analysts note that cyclical business, vertical integration and a successful business model will allow it to emerge from the crisis faster than other companies in the Russian industry.

Nippon Steel shares fell in late March and early April 2025 amid news of Donald Trump's order to review the Japanese company's previously blocked acquisition of U.S. Steel. The possibility that the deal could go through made investors optimistic about U.S. Steel and concerned about Nippon Steel, which would face uncertainty and difficulties during the deal. On June 18, 2025, Nippon Steel closed the acquisition of the U.S. manufacturer, confirming investors' concerns and putting additional downward pressure on the company's shares.

British mining giant Anglo American is experiencing mixed operating results and is undergoing a major business restructuring. The company has begun the process of selling its coal and nickel assets, and in late March 2025 announced a strategy to exit the diamond

business entirely. While these actions are expected to improve EBITDA margins and return on invested capital over the next few years, the size of the company's financial indicators will be more than 20% lower than their volume before the restructuring.

Shares in Australia's Fortescue Metals Group fell in late February 2025 and have failed to recover. Investor pessimism was triggered by the company's publication of financial results for the second half of 2024 and reports of lower profits and a lower-than-expected dividend. The company also said it was revising the timing of some green energy projects due to uncertainty in the Trump administration's policies. Shares in all Australian mining companies fell in late June 2025 after the government published a report predicting a decline in the country's budget revenues from resource and energy exports due to weaker prices for key commodities, including iron ore.

FOOD SECTOR

Key trends and events

Asset restructuring continues in the food sector. Q2 2025 confirmed the resilience of the challenges evident in the industry at the beginning of the year (see Issue 1/2025). Companies continue to face a set of structural challenges that require them to adapt quickly. Political instability and climate change, which has impacted yields in key agricultural regions, has forced industry players to rethink their operating models. In response to these challenges, companies have intensified strategic restructuring processes aimed at optimizing assets and improving operational sustainability.

A vivid illustration of this trend is Nestlé's decision to announce staff cuts at its Czech plant producing plant-based meat substitutes due to falling demand. At the same time, the company is preparing to optimize production of KitKat chocolate in the UK, where the volatility of cocoa bean prices is forcing it to revise production volumes.

The strategic changes are complex: while the leading US packaged food manufacturer Conagra Brands demonstrates a focus on key areas through the sale of the Chef Boyardee brand of canned pasta products for $600 million, Switzerland's Bell Food Group goes further, reducing not only non-core assets, but also its presence in secondary markets in some business areas (see case Bell Food Group). These measures reflect an emerging industry trend: in conditions of increased uncertainty, concentration on the most stable and promising business segments becomes a priority.

Case. Bell Food Group

Swiss food group Bell Food Group, specializing in deli meats and ready meals, continues to optimize its production portfolio. In Q2 2025, its subsidiary Eisberg, which produces perishable vegetable products, announced the sale of three production plants in Romania, Poland and Hungary to the Polish vegetable operator Green Factory. This decision is in line with the group's strategic refocus on strengthening its position in key regions of operation. As the company notes, the main purpose of the transaction is to concentrate resources on business development in the DACH-region (Germany, Austria, Switzerland), where Bell Food Group has the most sustainable competitive advantages.

Source: JustFood

International and local expansion continues. In parallel with the restructuring processes in the food industry, the market expansion of the leading players is accelerating. Companies are implementing growth strategies both through cross-border acquisitions and consolidation in local markets. Changes in regulatory policy and increased geopolitical instability are forcing corporations to act more decisively in their struggle to maintain and expand their market positions.

A striking example of international expansion was the announcement that China's WH Group will acquire the European pet food producer Pupil Foods, which will strengthen the company's presence in the strategically important European market, as well as enter a new market for pet food production (see case China Expansion). Similarly, France's Danone is strengthening its position in the functional food segment by adding probiotic products to its portfolio through the acquisition of Belgium's The Akkermansia Company. Of particular interest is the announcement of the merger of Brazilian meat processing companies Marfrig and BRF. The companies, while losing market share to industry leader JBS, intend to combine resources to improve financial efficiency and strengthen global competitiveness.

Case. China Expansion

Chinese meat processing giant WH Group, which maintains its leadership in the global pork market, is taking a strategic step to diversify its business. In Q2 2025, company's European division Morliny Foods announced a deal to acquire Polish pet food producer Pupil Foods. This transaction reflects the consistent realization of WH Group's strategy to strengthen its position in the European market. As the company's management emphasizes, combining Morliny Foods' competencies in meat processing with Pupil Foods' expertise in the pet-food segment will create significant synergies. Particular attention is paid to the potential of vertical integration to optimize the supply chain and improve operational efficiency. The acquisition of Pupil Foods gives the Chinese corporation access to a fast-growing segment that demonstrates resilience to economic fluctuations.

Source: Yahoo finance

Food industry reform: transition to natural ingredients as a new industry standard.

In Q2 2025, U.S. Secretary of Health Frank Kennedy, Jr. announced a strategic initiative to phase out artificial additives (including synthetic colors and flavors) in snack and confectionery products. The FDA (an agency of the U.S. Department of Health and Human Services) has announced a voluntary phase-out of synthetic ingredients by 2027, and many manufacturers have responded to this trend. While some companies started reducing the amount of synthetic ingredients in their products as early as 10 years ago (see case Nestlé), other major industry players (Heinz, General Mills, Conagra Brands, PepsiCo) have announced plans to reformulate their product lines, which will require not only modernizing production facilities and revising supply chains, but also generally a fairly significant investment in new formula development.

Case. Nestlé

Nestlé USA noted that over the past decade it has been actively removing synthetic colors from its products and working to find alternative solutions in formulations where they are still used. Currently, more than 85% of Nestlé products are free of any artificial ingredients. Marty Thompson, CEO of Nestlé in the US, emphasizes in a statement: "Consumers enjoy a wide variety of foods and beverages in their daily diet. As their dietary preferences and nutritional needs change, we evolve and change with them."
Thus, Nestlé is well positioned to become one of the first companies in the US market to completely eliminate non-natural ingredients from its product line.

Source: fooddrive.com

Many companies have expressed concerns due to the instability of the quality of natural analogs, the potential increase in production costs and the small number of suppliers in the natural ingredients market. In response to this, there is already a growth of niche players — natural colorant producers — who will be able to increase their market share by 3-5 times with the advent of the reform.

Product line transformation: adapting to new consumer trends

In the wake of the natural ingredient movement, food manufacturers have been actively reviewing their product portfolios in an effort to meet changing consumer preferences. In particular, the success of the obesity drug market has led to a revival of the fashion for a healthy lifestyle and weight control. People who have been treated with Ozempic-type products containing GLP-1 antagonists have noticed that instead of the usual cravings for sweets and fat, they are experiencing cravings for protein foods and vegetables. While this trend has not yet affected key players in the fast food and snack market, many manufacturers of "healthy" snacks (e.g. Conagra) have stated that they see additional demand for these types of products.

Nowadays, companies are resorting to various strategies to avoid being among the laggards of the trend and to quickly adapt to changes in consumer taste preferences. As one of such measures, a ***strategy of packaging reformatting*** has been chosen. PepsiCo, for example, is switching to smaller portioned formats, allowing snacks to be positioned as part of a balanced diet. This approach takes into account the psychology of the modern consumer, who seeks conscious consumption. On the other hand, companies such as Danone (see case Danone) and Hershey are focusing on ***enriching the composition of their products*** (adding protein and vitamin complexes), as well as developing new product categories that correspond to the trend for "healthy" snacks.

Case. Danone

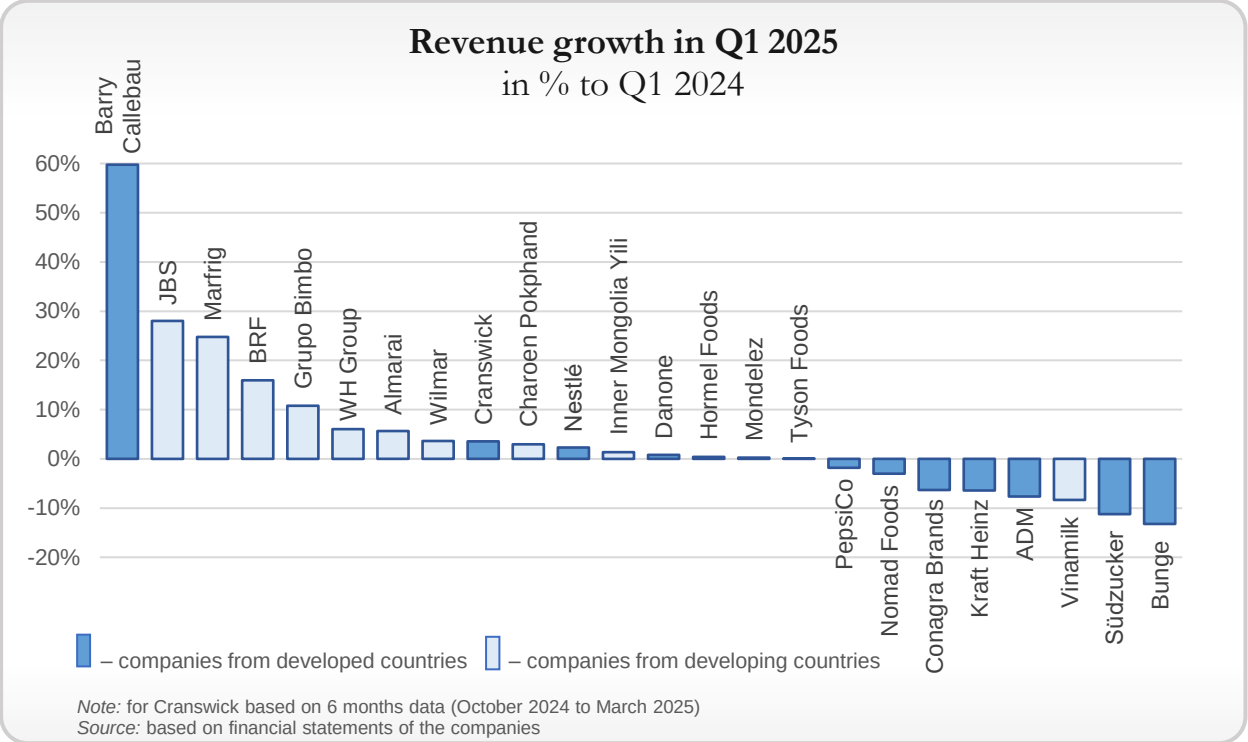
Danone's Greek yogurt brand Oikos is launching a line of protein shakes to gain a foothold in the growing protein drink market. The new shakes will go on sale in the US in 2025 and will be available in two flavors: vanilla and strawberry. The product contains 20g of protein per serving and is aimed at consumers with active lifestyles. This range expansion will allow Danone to compete with brands such as Premier Protein and Fairlife. The company notes that demand for high-protein drinks is growing, especially among those looking for convenient and healthy snacks. The launch of Oikos shakes is part of Danone's strategy to strengthen its position in the healthy eating category.

Source: Reuters

Manufacturers of meat products and protein snacks, for their part, are recording sales growth, reflecting a shift in consumer preferences toward high-protein diets.

News Feed: Food sector

Revenue dynamics of the largest companies: Q1 2025



Note: for Cranswick based on 6 months data (October 2024 to March 2025)
Source: based on financial statements of the companies

Q1 2025 was successful for the majority of key players in the global food sector. Thus, 16 out of 25 companies in the sample showed revenue growth compared to the same period of the previous year with an average increase of +5%. It is noteworthy that the number of companies with positive dynamics includes both emerging and developed countries representatives, which indicates the industry-wide nature of the trend.

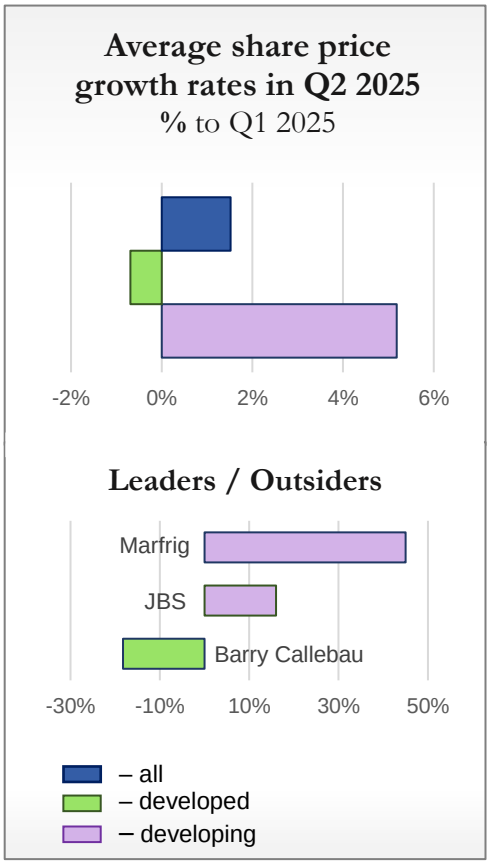
The industry **leaders** were three companies: Barry Callebau (Switzerland), JBS SA (Brazil), Marfrig Global Food (Brazil), which demonstrated growth of +60%, +28% and +25% respectively. Barry Callebaut, which specializes in chocolate, achieved record revenues despite higher global cocoa bean prices and lower physical sales volumes. The growth in performance was driven by an adaptive pricing policy that allowed the company to maintain current contracts and increase revenue volumes. The success of JBS SA, which is the world's largest meat producer, was mainly due to its geographic and protein diversification strategy, and the company attributed the success to the results of its poultry and pork segments in Brazil and the United States. The growth in the performance of Marfrig Global Food, one of the world's leading animal protein producers and the world's largest hamburger maker, was due to the development of joint projects with its subsidiary BRF (Brazil), which led to the expansion of its market reach. According to the company, this growing integration was key to mitigating the recurring and seasonal impacts that characterized Q1 2025.

The industry **outsiders** were Bunge (USA), Südzucker (Germany) and Vinamilk (Vietnam), with revenue declines of 13%, 11% and 8%, respectively. Bunge, which specializes in agricultural products, experienced a decline in financial performance for several reasons: on the one hand, there was a significant drop in global agricultural prices

(especially for grains and vegetable oils), which subsequently led to a decrease in the average price of goods sold; on the other hand, many companies in the agricultural sector faced tensions following the announcement of the imposition of tariffs by US President D. Trump, causing supply chains to be disrupted. In addition, there is a drop in freight yields in Q1 2025, which also had a negative impact on Bunge's financial results. Südzucker, Europe's largest producer of sugar and carbohydrate-containing products, believes that the decline in revenue was caused by falling sugar prices in the EU due to increased imports of similar but cheaper products from other countries (particularly Ukraine). Vinamilk, a leading producer of dairy products, experienced a decline in performance due to increased competitive pressure in both domestic and international markets. In addition to price competition, changes in consumer preferences, including the growing demand for vegan alternatives, to which the company has not yet had time to fully adapt, had a negative impact.

Investors' view: Q2 2025

In Q2 2025, investors were mixed on the valuation of the largest players in the global food sector. While emerging market companies showed a moderate increase in value (+5%), their competitors from developed countries experienced a slight decline (–1%). As a result, the average increase in market capitalization averaged +2% across the sample.



Brazilian producers — Marfrig Global Foods (+45%) and JBS SA (+16%) — were the most **optimistic** for **investors**.

Marfrig shares posted impressive gains after announcing plans to take over Brazilian chicken producer BRF SA. This strategic move will allow Marfrig to fully control BRF, eliminating the need to coordinate decisions with minority shareholders. In addition, the merger will create opportunities to co-sell products under different brands of the same group, which is expected to have a positive impact on revenues. The prospect of Marfrig's possible entry into the US stock market through a partnership with US beef processor National Beef also added to investor optimism.

The key driver of growth in the shares of JBS, the world's largest meat producer, was the authorization to conduct an IPO on the New York Stock Exchange. This event marked the successful completion of the company's multi-year effort — initial plans to enter the U.S. capital market date back to 2016, however, the initiative was then blocked by the

Brazilian Central Bank, which owns 20% of JBS's share capital. In 2025, the regulator took a neutral stance, abstaining from the vote, which allowed the company to receive approval for listing. The news generated significant investor interest, which was immediately reflected in the quotations. The stock saw the biggest growth in late April and early May, when it became known about the upcoming IPO in June 2025. Market reaction demonstrated high expectations from the expansion of the company's presence in the global financial market.

The **outsider** of the quarter with a serious drop in market value is the Swiss Barry Callebaut (–24%), one of the world's largest processors of cocoa beans. The company's shares are declining due to a worsened sales forecast — the company expects a larger drop instead of the previously forecasted moderate decline. Pressure is exerted by sharp volatility in cocoa prices caused by climate problems and structural deficits in West Africa, where about 65% of world production is concentrated. Investors are also concerned about the delayed impact of the company's BC Next Level cost optimization program, which is 12 months behind schedule.

The food industry will face increased pressure in the coming quarters due to two key factors: climate shocks and tightening U.S. trade policies. The greatest challenges lie ahead for companies from developed countries, whose business model, based on processing and distribution, is particularly vulnerable to volatility. The long supply chains that characterize these players pose additional risks, from raw material delays to rising logistics costs. While producers from developing countries can partially compensate for losses by sourcing locally, processors from the EU and North America will face a double blow: shrinking margins due to rising production costs and limited ability to pass on prices to the end consumer.

PHARMACEUTICAL INDUSTRY

Key trends and events

Ongoing trends

West – China: consolidating positions during a period of political instability. In Q2 2025, Western pharmaceutical companies continued to deepen their cooperation with Chinese partners. Industry analysts note that the Chinese pharmaceutical industry has significantly strengthened its influence on global value chains, creating a unique situation where economic expediency prevails over obvious political threats.

Of particular interest is the position of European players, who, anticipating a possible weakening of American companies' positions in the Asian market, have stepped up their efforts to strengthen their own presence in China. However, US Big Pharma is demonstrating its readiness for fierce competition, refusing to give up its positions in the world's largest pharmaceutical market (see case Pfizer).

The key cases of the quarter within this trend were as follows: Swiss company Novartis signed a strategic agreement with Shangai Pharma to promote an ophthalmic drug (it is noteworthy that this therapeutic area is not a priority for the company); French Roche initiated the construction of a new production complex in China worth over $300 million; American PacBio, taking advantage of Illumina's forced withdrawal from the Chinese market due to regulatory restrictions, is taking steps to consolidate the vacant market niche.

Case. Pfizer

The American pharmaceutical company Pfizer has been actively developing cooperation with China for over 30 years, supplying the local market with more than 80 innovative drugs in various therapeutic areas.
In Q2 2025, Pfizer concluded one of the largest deals in its history, signing an agreement with Chinese biotech company 3SBio worth up to $6 billion. The basis of the agreement was a licensing deal for the development of a promising anti-tumor drug. Under the terms of the agreement, 3SBio will conduct research and early-stage clinical trials, while Pfizer will receive exclusive rights to commercialize the drug globally outside of China.
This partnership underscores Pfizer's strategic interest in strengthening its position in the highly competitive oncology segment, where Chinese biotech companies are demonstrating growing potential.

Source: fiercebiotech.com

Novo Nordisk under pressure: other players are intensifying competition in obesity treatment. In Q2 2025, there is a steady downward trend in the market dominance of Ozempic, a drug manufactured by Denmark's Novo Nordisk, which has effectively shaped the segment of therapeutic solutions for diabetes and obesity. As we noted earlier (see Issue 1/2025), the competitive environment continues to be saturated with new entrants (with the exception of Pfizer, which discontinued development of an antidiabetic drug after unsuccessful clinical trials). Both original drug manufacturers and Indian generic companies are active, demonstrating exponential growth in market presence.

For end consumers, this trend has obvious advantages: the expansion of therapeutic alternatives is accompanied by a significant reduction in the financial burden on patients.

As for key market players, Novo Nordisk made a strategic miscalculation in forecasting demand for its flagship product. The resulting shortage of Ozempic created opportunities for Eli Lilly and other competitors to strengthen their positions (see case Ozempic). In response, the company initiated a set of measures to restore its market position: entering into a $2 billion strategic alliance with the American biotechnology company Septerna to develop innovative solutions in the field of obesity and diabetes; obtaining regulatory approvals for the industry's first tablet forms of drugs for diabetes and obesity.

Case. Ozempic

In Q1 2025, sales of Novo Nordisk's flagship drug Ozempic fell by 13% compared to Q4 2024, and analysts predict a further decline. The main reason is an underestimation of market demand, which led to supply shortages and forced patients to look for alternatives.
The situation is exacerbated by growing competition: more affordable and innovative analogues are already available on the market, including Eli Lilly's Mounjaro, which has shown higher efficacy in some clinical trials. In addition, new players are offering drugs with improved safety profiles and fewer side effects, making them attractive to patients.
To regain its leadership, Novo Nordisk is now forced to actively invest in R&D, accelerate the launch of new formulations, and revise its pricing strategy. However, Eli Lilly, on the contrary, is increasing its production capacity and marketing activity in an effort to consolidate its position.

Source: Reuters

New trends

The dawn of contract manufacturing. Faced with the shortening life cycle of original drugs, pharmaceutical companies are forced to rethink traditional approaches to securing competitive advantage. Although the practice of acquiring small players — whether companies with promising molecules but without the resources to commercialize them, or holders of unique production technologies — remains widespread, in Q2 2025, a clear shift to a fundamentally new strategy emerged. An increasing number of manufacturers are beginning to view contract manufacturing as a more economically rational alternative that allows them to optimize costs and accelerate time to market.

This strategic shift has manifested itself in a sharp increase in activity of leading contract development and manufacturing companies (CDMs). For example, Greece's Famar is expanding its production capacity in Germany; the US's Bora Biologics is expanding in San Diego; leading Chinese CDMC WuXi AppTec has sold its German manufacturing asset to Japan's Terumo (a smaller player in the CDM market), shifting its focus to building global manufacturing capacity in Singapore in response to rapidly growing demand for contract manufacturing; South Korea's Samsung Biologics has signed a $518 million contract with an unnamed US pharmaceutical company (see case Samsung Biologics).

Case. Samsung Biologics

Amid growing demand for contract manufacturing, Samsung Biologics is strengthening its position in the global pharmaceutical market. The company announced a new $518 million contract with a US pharmaceutical manufacturer, continuing a series of major deals in Q2 2025.

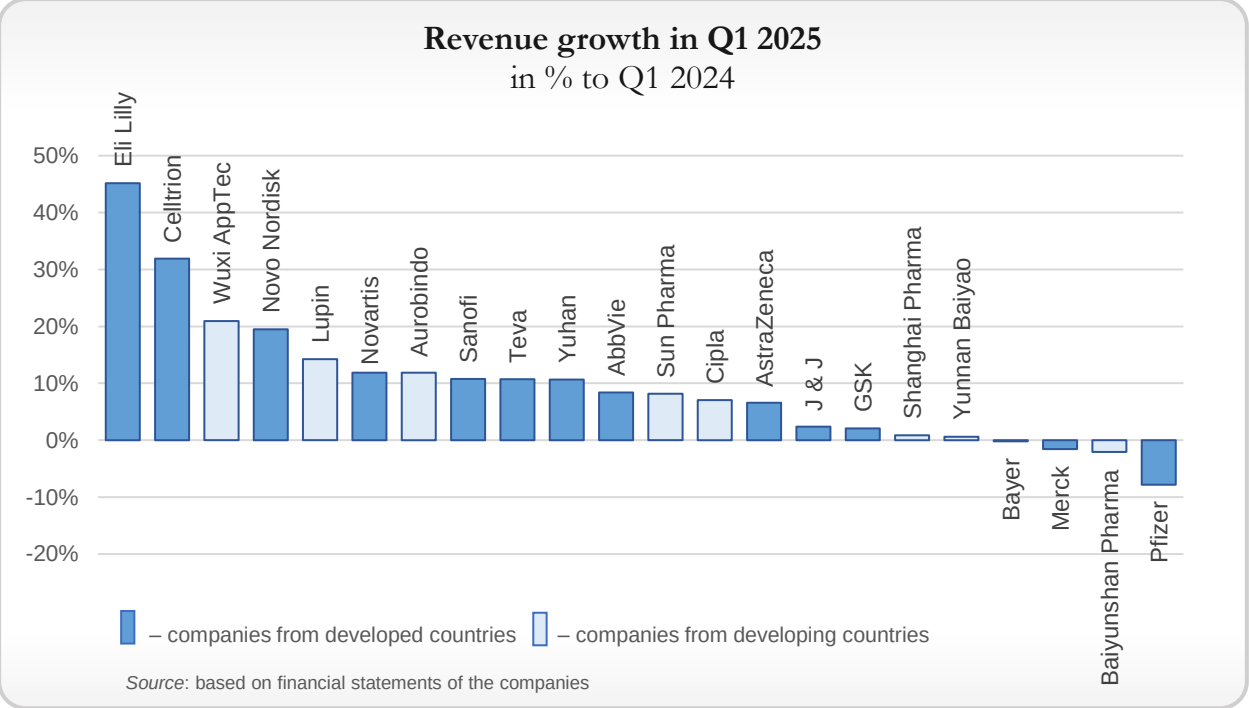
At the same time, Samsung Biologics is considering spinning off its Bioepis division, which specializes in biosimilars, into a separate entity. This move will allow the company to focus on its high-margin CDM-business while strengthening Bioepis' competitiveness in the biosimilar niche.

Source: Fierce Pharma

Large pharmaceutical companies are demonstrating a growing willingness to outsource some stages of development, especially in highly specialized therapeutic areas that are not strategic priorities for them. This trend reflects intensifying competition in narrow niche segments and the search for optimal development models.

News Feed: Pharmaceutical Industry

Revenue dynamics of the largest companies: Q1 2025



The global pharmaceutical industry showed mostly positive dynamics in Q1 2025. The vast majority of companies (80% of the sample) from both developed and developing countries reported revenue growth.

Among the industry **leaders** are US-based Eli Lilly (+45%), South Korea's Celltrion (+32%), and China's WuXi AppTec (+21%). While the first two companies continued the steady growth trend established in the previous year, the Chinese company's results came as a surprise to the market.

Eli Lilly strengthened its position in the obesity drug market, demonstrating exceptional revenue growth. The key drivers were high demand for Mounjaro (+113%) and Zepbound, as well as general market excitement around GLP-1 therapies, fueled by the success of Denmark's Novo Nordisk and its drug Ozempic. However, unlike Novo Nordisk, which faced a supply shortage of its Wegovy drug and achieved only 19% revenue growth, Eli Lilly was able to effectively scale up production of Zepbound, allowing it not only to meet demand but also to surpass its competitor in terms of the number of prescriptions written in the US.

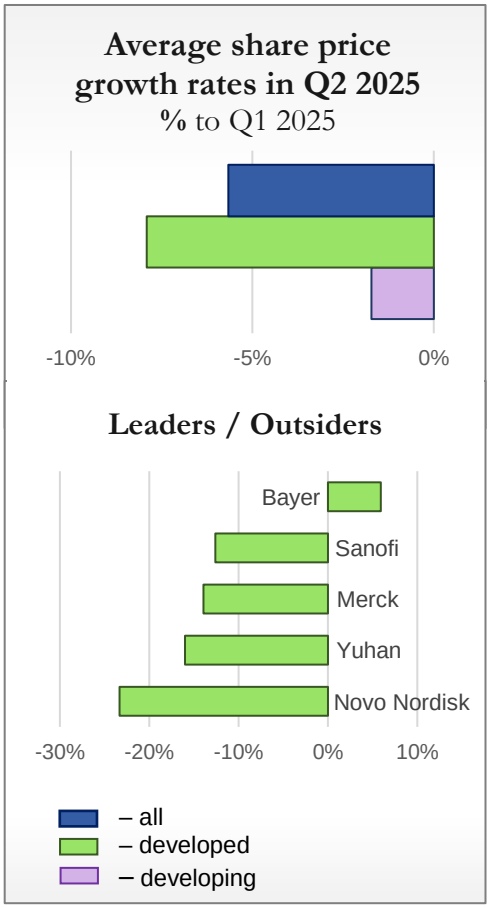
Celltrion maintained steady growth thanks to the successful commercialization of its bio analogues and biosimilars in European markets. Sales of the company's three key drugs increased by 62% compared to the same period last year.

WuXi AppTec showed unexpectedly high results, largely thanks to the success of its chemical division, which specializes in the development of components for anti-obesity drugs and demonstrated 33% growth in the global market. Despite geopolitical challenges, the company managed to strengthen its cooperation with American partners, increasing sales in the US by 28%.

Among the companies that were **less successful** in the first quarter, special attention should be paid to the following players: US-based Pfizer (–8%) and Merck&Co (–2%), as well as China's Baiyunshan Pharma (–2%).

In addition to the continuing decline in sales of anti-COVID drugs, Pfizer has faced lower prices for its products and a decrease in international government procurement volumes. Additional pressure on the company's revenue comes from competition from generics of other manufacturers, which are entering key international markets faster and more aggressively than Pfizer's original drugs. Merck&Co attributed the decline in performance to falling sales in immunology, virology, and vaccines, which was partially offset by growth in key therapeutic areas: cardiology, oncology, and diabetes. The company also noted in its report that, excluding the negative impact of currency fluctuations, quarterly revenue would have grown by 1%. As for the Chinese manufacturer of traditional and Western medicines, as well as active pharmaceutical ingredients (APIs), Baiyunshan Pharma, the decline in its revenue is most likely due to a less competitive product portfolio, which, against the backdrop of heightened political tensions, could have led to a reduction in the number of international contracts compared to stronger national and global players.

Investors' view: Q2 2025



In Q2 2025, the global pharmaceutical sector faced a significant decline in market performance. The average decline in the share price of the largest companies in the industry was 6% compared to the previous quarter, with three-quarters of the companies in the sample showing negative dynamics. The most significant decline was observed among companies from developed countries, averaging 8%, while companies from emerging markets showed a more moderate decline of 2%. A general industry factor putting pressure on the sector was the US administration's statements about the possible introduction of measures to regulate drug prices and consider new tariff barriers. These events had a significant impact on market sentiment and contributed to the overall negative dynamics of the sector.

The German concern Bayer AG (+6%) unexpectedly emerged as the **leader**, having experienced a series of failures last year. Investors changed their minds about the company after Goldman Sachs upgraded its recommendation from “neutral” to “buy.” The bank's analysts noted stabilization in the troubled agricultural division and steady performance in the pharmaceutical division, which together create the conditions for a way out of the protracted crisis.

The most significant declines in value, becoming the quarter's **outsiders**, were demonstrated by Novo Nordisk (–23%), Yuhan Corporation (–16%), Merck&Co (–14%), and Sanofi (–13%).

For Denmark's Novo Nordisk, the reason was not only downwardly revised forecasts for 2025, but also a fundamental error in assessing market demand, which led to an outflow of patients to competing drugs.

Investors' distrust of South Korea's Yuhan was triggered by a report from JP Morgan Chase, which assessed the company's forecasts as overly optimistic (earlier the company had managed to significantly improve its financial results thanks to a licensing agreement with Johnson & Johnson in the US). These concerns led to a reassessment of Yuhan's investment attractiveness by market participants. In particular, analysts drew attention to the potential decline in business margins amid rising research costs and a simultaneous decrease in licensing revenues.

The sharpest decline in American Merck's shares occurred in February 2025 following the publication of its Q4 2024 report, after which the share price failed to recover.

In the report, the company provided its revenue and net earnings per share forecast for 2025, which was significantly below investor expectations. The shares continued to fall after the publication of the report for the first quarter of 2025 — in mid-May, Merck's share price fell by more than 5% as the company lowered its previous annual forecast, citing weak demand in its Life Science and Electronics divisions. In addition, the decline was influenced by problems with sales of key drugs. In particular, sales of the Gardasil vaccine slowed in China, a key market, and new U.S. tariffs have made the situation even more difficult.

French Sanofi lost 13% of its market capitalization after publishing contradictory data on clinical trials of a new drug for former smokers. Analysts say that this serious setback could mean a three-year delay in the original drug development plan.

AUTOMOTIVE INDUSTRY

Key trends and events

Donald Trump's trade policy continues to transform the global automotive industry.

The 25% import duties on cars and auto parts in the US remained in force in Q2 2025 — the US Federal Court of International Trade's decision to block Trump's order to impose import duties does not apply to cars. However, at the end of April, the US president softened his decision — companies subject to increased tariffs are exempt from other duties, including those on steel and aluminum, and will receive compensation of up to 3.75% of the cost of auto parts.

During the quarter, automakers announced new strategies for operating in the US market. In early April, due to high uncertainty, approaches varied widely, from revising price lists upward and suspending production (see Issue 1/2025) to offering discounts. Later, manufacturers focused more on plans to relocate production. Key examples of this trend: Volkswagen promises to make major investments in its development in the US in the hope that Trump will revise tariffs; Japan's Subaru is cutting production in the United States (due to retaliatory measures, it has become more profitable to sell Japanese-built cars on the Canadian market); Nissan, on the contrary, plans to change the production site of the Sentra sedan, moving production from Mexico to the United States, but is cutting production in Japan of a crossover that is popular in the United States; In April, Volvo withdrew the Chinese-built S90 sedan from sale, and at the end of May, it suspended production in the US due to a shortage of components; Mitsubishi has published a new strategy for the US market called Momentum 2030 (see case Mitsubishi).

Case. Mitsubishi will release a new model for the US market every year

Mitsubishi has published a new strategy for the US market called Momentum 2030. It envisages the annual release of a new model on the local market between 2026 and 2030, with the first new model being an electric crossover based on the Nissan Leaf. The strategy involves the electrification of the model range, as well as its renewal and expansion. In addition, Mitsubishi will review its sales model in the US and expand its dealer network.

In 2025, the Japanese brand plans to introduce several new models for the EU market. While Mitsubishi is counting on Nissan's help in North America, the European models will be close technical relatives of Renault.

Source: auto.ru

Support for electric vehicle production continues to decline in the US. After taking office, Donald Trump canceled the decree on the country's transition to electric cars (see Issue 1/2025). This initiative was supplemented in early July by the President's tax reform, which includes the abolition of the current $7,500 tax credit for the purchase of electric cars. The reform was approved by the US Congress, and the tax credit will expire on September 30, 2025.

As a result of the widespread refusal of automakers to switch to electric traction (see Issues 1, 2, 3, and 4/2025) and Donald Trump's policy on electric cars, analysts expect a

sharp decline in the number of new models launched on the US market. While in recent years more than 200 new models have been launched on the US market each year, experts believe that in 2025 this number will not exceed three dozen. For example, Honda no longer plans to develop a large electric crossover for the US, although a new electric car for Europe remains in the pipeline.

The loss of Tesla's leading position in the electric car segment was a major event in the second quarter of 2025. The traditional rivalry between the American manufacturer and Chinese giant BYD is shifting in favor of the latter — in April, BYD sold more electric cars in Europe than Tesla for the first time.

The key reasons for Tesla's failure are its outdated model range and Elon Musk's political statements, including his public conflict with the US president, after which the company's value fell by $150 billion. In Q1 2025, with the European electric car market (excluding hybrids) growing by 28%, Tesla's sales fell by 37%; in April, sales in Sweden plummeted by 81%, in the Netherlands by 74%, in Denmark by 67%, and in France by 59%. Tesla's situation in Europe was so dire that in the first half of 2025, the American manufacturer was overtaken by Germany's VW on the European market (see case Volkswagen).

Case. Volkswagen beats Tesla where it hurts most

The Volkswagen Group sold more electric vehicles in Europe than Tesla in the first six months of 2025. Between January and June, the VW Group delivered 4.41 million vehicles of all energy types to the global market, with electric vehicle sales growing by a staggering 47% and soaring by 89% in Europe. Tesla has not disclosed its European figures, but according to Dataforce, the company sold 76,400 vehicles in Europe between January and the end of May, while VW's main brand alone sold 122,600 electric vehicles during the same period.
However, VW's success is the result of discounts, which are putting pressure on net profits. VW's senior executive director said the company is still making money on its electric vehicles, but the operating margin is below the targeted profitability.

Source: carscoops.com

In Q2 2025, global sales of Tesla electric cars fell by 14%, which was better than analysts' expectations.

Despite the challenges, Tesla is actively developing its technology — the company has opened an innovative Oasis Supercharger charging station, which is powered entirely by a solar power plant and autonomous batteries, and has launched its own robotaxi service (currently available to select users and in a limited area).

Chinese automakers continue their overseas expansion despite all obstacles.

China's superiority and consolidation of its leading position in the global automotive industry is confirmed by new facts. At the New York Auto Show, the results of the World Car of the Year awards were announced, with a Chinese car winning for the first time in history: the BYD Seagull won in the World Urban Car category. BYD also made it into the top 10 foreign automakers, exporting to Japan, for the first time.

International expansion projects of Chinese brands attract special attention in Q2 2025. In search of new markets due to fierce competition in the domestic market on the one hand and restrictions in the EU and the US on the other, BYD is increasing its supplies of hybrids and electric vehicles to Brazil. This has already caused concern among Brazilian authorities and automakers, who are calling for higher tariffs. As part of its European expansion, BYD plans to open a European center in Hungary responsible for sales, maintenance, testing, and development of models localized for Europe (BYD already has an electric bus assembly plant in Hungary, and another plant for the production of electric and hybrid vehicles is currently under construction). Chery, China's fourth-largest automaker, is close to completing a deal to acquire two factories as part of its strategy to enter European markets. The company has confirmed negotiations to start car production in Germany but has not disclosed whether these negotiations involve VW.

The projects of Chinese car manufacturers in Russia deserve attention. GAC plans to start assembling two crossovers and a minivan at the former Hyundai plant in St. Petersburg; Great Wall and the Tula Region government have signed an agreement to build a new car plant, which will be located in the Uzlovaya industrial park next to the Haval car assembly plant and will produce components and transmissions; Chinese premium brand Hongqi has announced the feasibility of organizing car assembly in Russia once it reaches its sales target.

As part of their overseas expansion, **Chinese manufacturers continue to develop their logistics capabilities**. In April, BYD launched the world's largest car carrier, capable of transporting 9,200 vehicles, and in May, it launched a new car carrier capable of transporting up to 7,000 vehicles, increasing its cargo fleet to seven ships. In May, Geely's first own roll-on/roll-off ship, the Jisu Fortune, set sail from China to Europe. The ship can carry more than 5,000 cars.

The leadership and technological development of the Chinese automotive industry is ensured by the intensive integration of IT companies, developments by the automakers themselves, and their suppliers.

At the end of June, Chinese IT conglomerate Xiaomi announced the prices for the Chinese market for its first crossover, the YU7 — the number of orders in the first three minutes exceeded 200,000. A week later, the largest manufacturer of smart cars, Xpeng, began sales of its new battery-powered crossover, the G7, which directly competes with the Xiaomi YU7, receiving 10,000 orders in the first nine minutes. IT giant Huawei, in collaboration with JAC, unveiled the Maextro S800 executive sedan, which garnered 3,600 orders in a week. In addition, JAC and Huawei management plans to expand the Maextro premium brand lineup as soon as possible by adding two more affordable new models.

One of the world's leading battery manufacturers, China's CATL, unveiled in April 2025 a battery for electric cars that can be charged for 520 km in 5 minutes. CATL has thus potentially taken the lead in the global race to create electric vehicle batteries that can be charged in the same time it takes to refuel a car with gasoline, ahead of BYD and Tesla.

In March, BYD unveiled an ultra-fast charging system capable of adding 400 km of range in 5 minutes, while Tesla's most advanced chargers provide about 320 km in 15 minutes. BYD has made another breakthrough in this race by announcing the creation of a new network of ultra-fast charging stations in China (15,000 terminals delivering up to 1 megawatt of power — twice as much as Tesla's latest generation V4 Supercharger). Another initiative by CATL was the creation of a new company, Shanghai Zaofu Intelligent Technology, aimed at developing and commercializing Level 4 autonomous driving and creating robotaxis.

Competition within China is intensifying. The development of the national automotive industry and the interest of foreign manufacturers in China, the world's largest automotive market, inevitably leads to fierce competition in this market. Chinese manufacturers are launching a new discount war, while Western companies are experiencing difficulties but continue to cooperate.

The average discount on electric cars in China reached a record 16.8% in April. In addition to offering discounts, manufacturers are also lowering car prices, jeopardizing their financial stability. As a result, analysts expect the Chinese auto industry to undergo a transformation in the next two years as small players exit the market or are absorbed by large corporations. Under these conditions, Chinese leader BYD is reducing production and scaling back plans to expand capacity, blaming competitors and an unhealthy price war. Unable to withstand the pressure, foreign brands are beginning to leave the Chinese market. For example, a joint venture between American General Motors and Chinese SAIC has begun preparations to exit the market with the Chevrolet brand.

However, despite fierce competition and falling sales, most foreign automakers continue to expand in China. In particular, Toyota plans to deepen cooperation with Chinese partners, both existing (GAC and FAW) and new (including the intelligent startup Momenta, IT giant Huawei, and Xiaomi), while its Lexus brand is starting construction of a new electric vehicle plant in Shanghai, becoming the second foreign automaker after Tesla to have a wholly owned enterprise in China.

Other important events in the global automotive industry in Q2 2025:

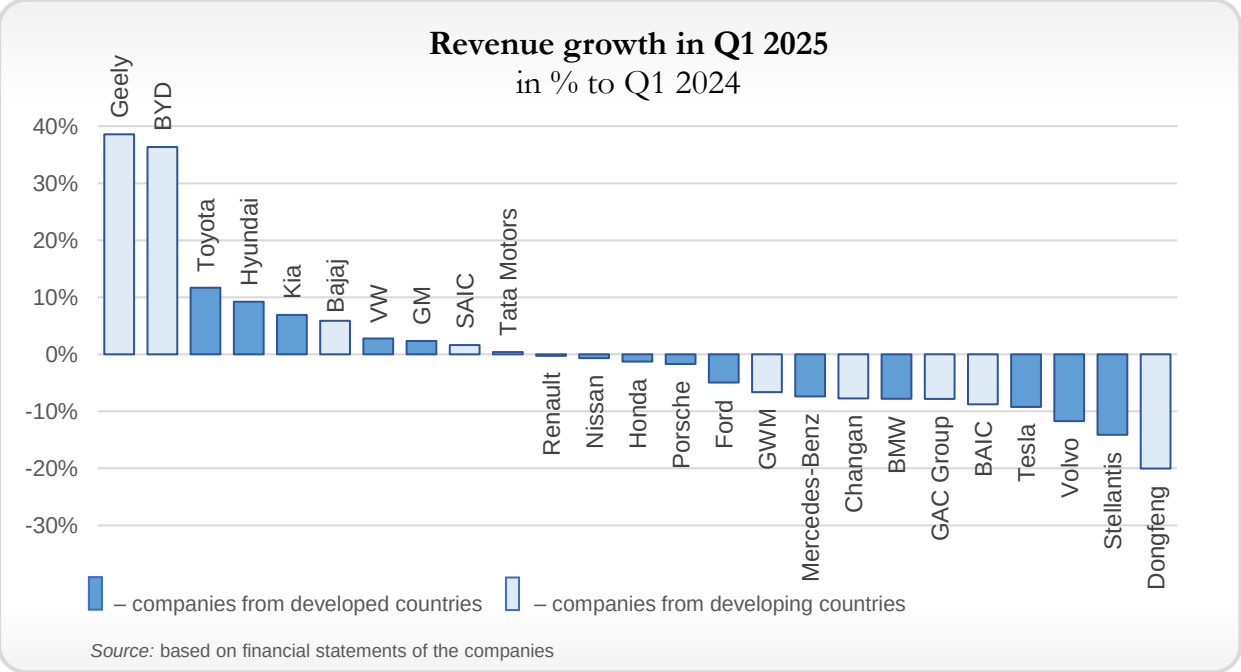
- **Challenges in the European automotive industry continue.** Sweden's Volvo has announced major cost cuts, laying off 3,000 employees and withdrawing its financial forecast for the coming years due to low demand and trade tensions. American Ford will cut 2,900 jobs in Germany by 2032 as a result of falling demand for electric vehicles. Structural problems in the UK automotive industry are evident — car production in the country fell to its worst level in 70 years in April 2025 (excluding several months of lockdown during the Covid-19 pandemic).
- **Japan's auto industry is struggling to cope with difficulties.** Nissan announced record losses for the 2024 fiscal year, which ended in May 2025; the company continues to make large-scale staff cuts worldwide and also plans to reduce production capacity and R&D costs. The joint venture between Honda and Sony,

which is preparing to launch the premium electric car Afeela, announced an operating loss of 52 billion yen for the fiscal year. Mitsubishi is bringing Taiwanese company Foxtron, part of the world's largest contract electronics manufacturer Foxconn, on board to develop its own electric vehicle. Foxtron is also ready to save a Nissan plant from closure by setting up electric vehicle assembly there.

- **A wave of changes in top management** became a distinctive feature of the global automotive industry in Q2 2025. On July 15, 2025, Luca de Meo, head of Renault and creator of the Renaulution strategy, resigned. The top manager changed industries and will now head Kering, the largest player in the luxury sector. There were also changes at Japan's Nissan, which are linked to the company's critical financial situation: Makoto Uchida ceded his position to planning director Ivan Espinoza. Due to financial difficulties, Carlos Tavares stepped down as head of Stellantis in December 2024, and his replacement, Antonio Filosa, former head of Jeep and director of Stellantis' American division, did not appear until the end of May 2025. The former heads of Ferrari and Rolls-Royce joined the board of directors of British McLaren.
- **The development of "flying" machines** continues (see Issue 4/2024). Chinese technology company Kuickwheel, a manufacturer of electric scooters, has unveiled a new amphibious vehicle — the Skyrider X6 flying tricycle, which can stay in the air for about 20 minutes or travel 200 km on the road.

News Feed: Automotive Industry

Revenue dynamics of the largest companies: Q1 2025



Source: based on financial statements of the companies

2025 started off on a less than successful note for global automotive industry leaders: less than half of the largest manufacturers (10 out of 25 analyzed) managed to increase their revenue in Q1 2025 compared to the same period last year. The uncertainty caused by Donald Trump's trade policy and weak conditions in the world's largest markets are the main factors behind this trend.

Chinese companies continue to be the growth **leaders**: Geely (+39%) and BYD (+36%). Geely reports record performance in the new energy vehicle (NEV) segment, with sales of 704,000 units, or 26% of the annual plan, and expansion of export operations, primarily in the Asia-Pacific (+174%) and Latin America (+104%) regions. The company also reports breakthroughs in intelligent driving technologies, which are very close to mass production. BYD continues to show impressive financial results, with revenue growth of 36% in Q1 2025 and net profit increasing by 100%. The main driver was the company's aggressive pricing policy in the Chinese domestic market, where BYD offers high-tech models (smart electric vehicles) at competitive prices, thereby strengthening its leadership position. The company is also increasing its export deliveries, planning to bring their share of sales to 25% by the end of 2025.

Japanese automaker Toyota trails far behind the Chinese leaders (+12%). Despite the positive result, revenue growth in the company's core automotive segment was 8%. At the end of the fiscal year (April 2024 – March 2025), 11 million cars were sold, which is 0.7% lower than in the previous fiscal year.

The **outsider** was China's Dongfeng (–20%), which continues to show a decline in sales after an unsuccessful 2024. Speaking of the Chinese automotive industry, it should be noted that the success of the rapidly growing Geely and BYD is accompanied by a significant drop in revenue for most other manufacturers from the PRC — BAIC (–9%), GAC (–8%), Changan (–8%), and Great Wall Motor (-7%). The Chinese automotive market, particularly the electric vehicle segment, is experiencing overheating. Oversupply and price wars, including those caused by trade barriers in the European and North American markets, have led to increased competition.

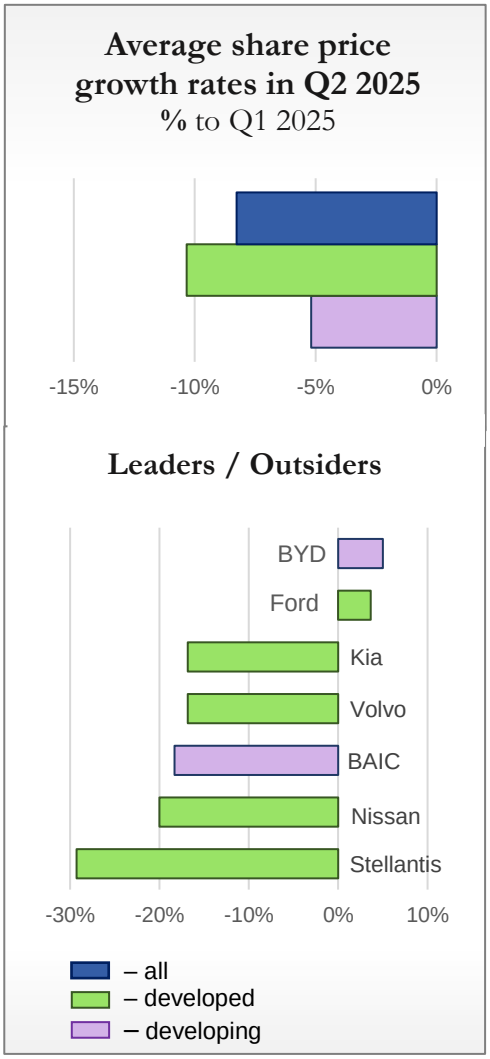
Among Western manufacturers, Stellantis (–14%) and Volvo (–12%) showed the worst performance. Stellantis cut production in North America and said it was working closely with the government on tariffs. The decline in demand for light commercial vehicles in Europe also had a negative impact on the company's operations. Volvo attributes the drop in revenue to a decline in wholesale sales as part of a planned inventory reduction, unfavorable currency effects, and general instability in the global automotive industry.

Against the backdrop of Chinese BYD's success, the 9% drop in revenue and 71% drop in net profit at American Tesla is particularly noteworthy. The company explains this by the need to modernize its production facilities in China, Germany, and the US, as well as by a reduction in the average price of electric vehicles in order to stimulate sales, citing growing uncertainty in supply chains due to changing trade policies. Analysts, however,

additionally note the influence of Elon Musk's personality and his political activities on consumer demand and loyalty, and attribute Tesla's lag in sales behind BYD in Europe for the first time in April 2025 to an outdated model range and expectations for a cheaper version of the new Model Y.

Investors' view: Q2 2025

In Q2 2025, investors' caution in assessing the prospects of the largest automotive producers (see Issue 1/2025) gave way to pessimism — the value of the shares of the main market players (26 companies in the sample) fell by an average of 8%, with only four manufacturers, including three Chinese ones, seeing a slight increase in value. Manufacturers from developed countries showed the worst performance, with their share prices falling by 10%. The decline also affected American manufacturers, whose production is the focus of D. Trump's trade and political efforts. The main industry-wide reason is US tariffs and expectations of an economic downturn amid uncertainty, protectionism, the likelihood of restructuring logistics chains, rising costs, etc.



Against the backdrop of the general downturn, Chinese BYD (+5%) and American Ford (+4%) received the most **positive** investor **ratings**.

BYD shares hit a new all-time high on May 21-23, 2025, on the Hong Kong Stock Exchange. The main reasons for the rapid growth were: (1) increased demand for BYD electric vehicles in China and abroad; (2) successful competition with Tesla in the European market; (3) the positive effect of the start of trading in CATL securities, a close partner in the battery market; (4) state support of technological initiatives. However, just a few days later, the Chinese auto giant lost value after announcing a large-scale price reduction, which caused serious concern among investors about the start of a new price war in the Chinese auto industry. As a result, the growth in BYD's shares turned out to be insignificant.

Ford, like all American manufacturers, lost value in early April 2025 amid Donald Trump's decision to impose 25% tariffs on cars and auto parts manufactured outside the United States. However, strong financial results for Q1 2025 changed investor sentiment — Ford beat revenue and profit forecasts. In addition, at the UBS Auto & Auto Tech conference, the company reported a 16% year-on-year increase in sales in May 2025,

efforts to reduce costs, greater customer focus in shaping its model range, adaptation to regulatory changes, and reallocation of investments.

The Dutch company Stellantis was the quarter's **outsider** (–29%). In two months, March – April 2025, the company lost more than 30% of its value. The main reason was uncertainty due to US tariffs and unsatisfactory financial results for Q1 2025. The company's revenue fell by 14% year-on-year, most significantly in North America. In addition, the automaker withdrew its forecasts for key financial indicators for 2025 amid difficulties in predicting the consequences of the US tariffs.

Three other companies from developed countries also suffered significant losses in value: Japan's Nissan (–20%), Sweden's Volvo (–17%), and South Korea's Kia (–17%). The share prices of all three manufacturers, like those of the vast majority of players in the industry, fell sharply in late March and early April 2025 amid the tariffs imposed by Donald Trump. Investor sentiment has not changed since the decline. Against a backdrop of weak performance and excess production, Nissan is undergoing a major restructuring, including suspending operations at several plants in Japan. Volvo disappointed with weak financial results for Q1 2025, refusing to publish a financial forecast. In addition, the company's sales continue to decline, falling 11%, 12% and 12% year-on-year in April, May and June 2025, respectively. Kia's performance indicators (dividends, ROE) continue to lag behind the sector average, which does not inspire optimism among investors.

Among Chinese manufacturers, BAIC showed the worst performance (–18%), falling into the group of the least promising players in the global automotive industry. In addition to industry-wide factors (US trade policy and the resumption of the price war in the Chinese automotive market), the company posted unsatisfactory results in Q1 2025.

SEMICONDUCTOR INDUSTRY

Key trends and events

The **technological war between the US and China** (see Issue 1/2025) was no less intense in the second quarter than in the first, despite the 90-day truce concluded by the countries in mid-May and the temporary reduction of tariffs.

Key initiatives and events in the US:

- D. Trump's plans to impose a 25% tariff on semiconductors have caused a great deal of controversy and resistance from automakers, IT companies, shipbuilders, and even representatives of the crypto industry. In more than 150 public comments on the president's proposal, representatives of major companies have warned that such a decision would disrupt supply chains and lead to higher prices for consumers. Despite this, in early July, D. Trump informed the leaders of Japan and South Korea that import duties of 25% would be imposed on all goods from these countries, including memory chips, from August 1.
- Introducing a new bill, the "Chip Security Act," that would require high-performance AI chip makers, including NVIDIA, to integrate remote shutdown capabilities and location tracking technologies into their products.
- The United States has demanded that companies developing software for designing semiconductors stop supplying to China. The requirement is aimed at hindering the development of Chinese microelectronics and the creation of advanced AI chips. The restrictions affected the largest developers working on the EDA (Electronic Design Automation) model — Cadence, Synopsys and Siemens EDA. However, in early July, the requirement was lifted as a concession within the foreign trade deal with China.
- In the absence of progress in the negotiations in London in early June, the US was ready to introduce stricter restrictions on the supply of equipment to China used to produce semiconductor components, however, these measures were not required. Nevertheless, it later became known about the intention of the American side to revoke special permits for foreign chip makers that allow Samsung, SK Hynix and TSMC to use American equipment at their factories in China without additional licenses.
- In early July, information emerged about US plans to introduce restrictions on the export of advanced AI processors to Malaysia and Thailand, with the aim of stopping their illegal supply to China.
- The Trump administration in May repealed the "New AI Rule" approved by his predecessor (see Issue 1/2025). The rules for the export of AI chips will be modified and presented within two months, with the main goal of lawmakers being to limit access to unfriendly countries without large-scale damage to the American tech sector.

China uses its monopoly on rare earth metals (REM) ***as a countermeasure*** and one of the levers of influence on the global semiconductor industry. In early April, the Chinese authorities announced strict control over the export of seven valuable REMs; their export is possible only with a special license.

The trade war has exposed China's critical dependence on certain types of semiconductors, particularly American automotive chips — in late April, Beijing exempted eight categories of American chips from 125% import tariffs imposed as part of the trade war imposed by Donald Trump.

Technological war doesn't stop China from achieving semiconductor sovereignty.

China has made significant progress in developing its semiconductor industry. According to a forecast by consulting company Yole Group, by 2030 China will have 30% of the world's production capacity, which will exceed the level of Taiwan, however, the country's ability to produce advanced chips by that time is still questionable. Nevertheless, a number of technological achievements are evident — China has begun the world's first mass production of non-binary AI chips (used in smart displays, aviation systems); the country has created the world's first full production cycle of advanced photonic chips; Xiaomi is preparing to introduce its first automotive chip (see case Xiaomi); in May, Huawei Technologies plans to begin mass supplies to the domestic market of the advanced Ascend 910C AI accelerator, which achieves a performance level comparable to the the Nvidia H100 chip, which is banned from supply in China.

Case. Xiaomi to soon introduce its own car chip

Celebrating its fifteenth anniversary, Xiaomi introduced a pair of mobile processors of its own design in May 2025. They are intended for use in smartphones and portable electronics, but the company is also preparing a specialized processor for the automotive segment, as its founder Lei Jun made clear. He did not specify whether this chip will be used in active driver assistance systems, or whether it will be limited to use in the on-board infotainment system. In the coming years, Xiaomi is ready to spend at least $ 7 billion on the development of its own processors.

Source: 3Dnews

China’s achievements are linked to a large-scale and well-thought-out government strategy for developing the industry. In 2024, the country imported a record $31 billion in chip-making equipment. Beijing is currently restructuring its strategy of large-scale government investment to directly address key bottlenecks on the path to full sovereignty — the state “Big Fund” will spend about $47.5 billion, primarily on developing national lithography equipment and software for designing semiconductors.

The US trade policy aimed at developing the national semiconductor industry (see Issue 1/2025) has resulted in massive investments **in the creation and expansion of capacities in the United States**. It is worth noting the additional efforts of D. Trump to develop the industry — he intends to increase tax breaks for semiconductor companies

from 25% to 35% under the Big, Beautiful Bill, provided that factories are built in the United States by 2026.

Large-scale investment projects in the US were announced in Q2 2025 by both US and foreign players: American Texas Instruments plans to invest a record amount (over $60 billion) in seven semiconductor factories, including two new ones in Texas; American Micron Technology is investing $200 billion in chip production in the US, creating 90,000 jobs; the largest US contract semiconductor manufacturer GlobalFoundries announced an investment of $16 billion in production expansion ($13 billion for the development of existing factories, $3 billion for research and development of new technologies); Taiwanese GlobalWafers is ready to invest an additional $4 billion in silicon wafer production in the US.

Market leader Taiwan's TSMC has begun construction of a third facility in Arizona — the company expects to spend at least $165 billion over several years to build six wafer processing facilities and two chip packaging facilities in Arizona. However, the scale of construction in the U.S. is small compared to global ones (see the Trend "Capacity expansion continues in other countries of the world"), and national legislation prohibits the company from offering advanced lithography outside of Taiwan. Analysts believe that it could take TSMC up to ten years to create a full-fledged supply chain in the U.S.

Capacity expansion continues in other countries around the world (see Issue 1/2025).

Taiwan's TSMC is carrying out an unprecedented expansion of its production capacity — currently the company is simultaneously building 24 factories in different countries (15 in Taiwan, 6 in the US, 2 in Japan, 1 in Germany), which will allow it to consolidate its dominance in the industry and become unattainable for competitors. In addition, the company announced its readiness to open a research center in Munich, which will help TSMC's European customers bring AI chips to market faster, and is also in talks to build chip manufacturing facilities in the UAE.

Another Taiwanese manufacturer, Foxconn, will build a semiconductor manufacturing facility in India together with the Indian HCL Group, designed to process up to 20,000 silicon wafers per month (see case Foxconn).

Case. Foxconn to build factory in India that can produce 36 million chips monthly

The Indian Cabinet has approved a new joint venture for semiconductor manufacturing between India's HCL Group and Taiwan's Foxconn, Information Minister Ashwini Vaishnau announced. Investments in the new venture will amount to 37 billion rupees ($435 million), and commercial production will begin in 2027. The new factory is designed to process up to 20,000 silicon wafers per month, which will be able to produce up to 36 million display drivers. There is no information yet on the production of other types of chips. This is already the sixth factory approved as part of the officially announced Indian semiconductor manufacturing program.

Source: 3Dnews

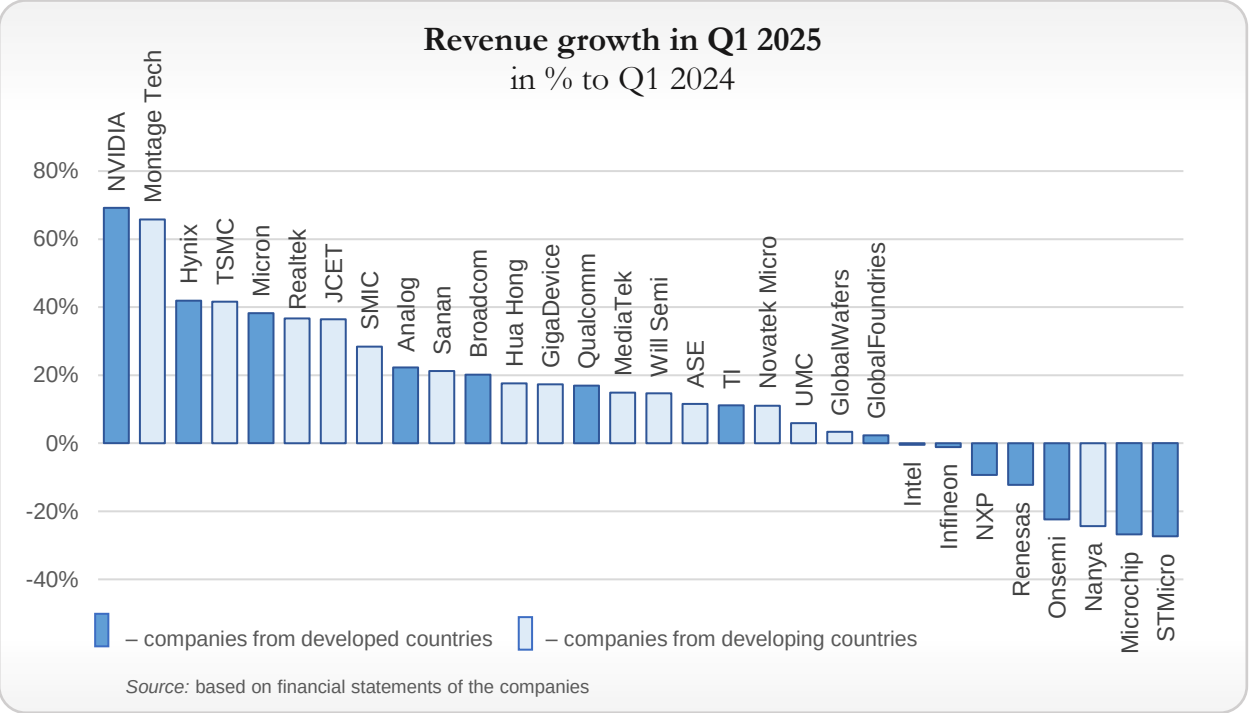
Intel continues to try to get out of the crisis situation it found itself in at the end of 2024 (see Issues 4/2024 and 1/2025). The company announced

another massive staff reduction, continues personnel changes in the top management, and sells some assets. The expectation of Intel's announcements about a new wave of layoffs began in April, at the end of June it became known about the reduction of the staff of the Intel Foundry chip manufacturing division by 10 thousand people, and at the end of July the company announced a 22% reduction in the number of employees by the end of 2025. At the top management level, Intel has replaced the heads of the data center sales department, artificial intelligence and telecommunications, public sector sales, dismissed the chief strategy officer, etc. In May, it became known about Intel's plans to sell the business for the development of telecommunications and network technologies, at the end of June — about the curtailment of production for the automotive industry and the transfer of the marketing division to outsourcing. The company is also reviewing its investments and slowing down the construction of plants. Despite all efforts, experts believe that splitting the company to overcome the crisis is inevitable — in their opinion, splitting the design (chip design) and manufacturing divisions and focusing them on external customers could solve Intel's key problems.

Experts warn of a **personnel shortage** that awaits the global semiconductor industry in the next five years. According to estimates by the international organization SEMI, by 2030 the industry will need about a million additional qualified specialists. The opinion of another industry association, SIA, is that by 2030 the US semiconductor industry will have a personnel shortage of 68 thousand people, in Europe 100 thousand engineers, in the Asia-Pacific region more than 200 thousand. The personnel shortage is already observed in the American industry and this problem will worsen given the expansion of capacities. Companies are looking for ways to solve the problem, for example, South Korean Samsung has begun to offer salaries in the US 1.5–2 times higher than its competitors.

News Feed: Semiconductor Industry

Revenue dynamics of the largest companies: Q1 2025



In early 2025, the world's largest semiconductor manufacturers continued the strong growth that characterizes the industry in 2024. The main drivers remain demand for AI technologies and data center construction. Chinese manufacturers, aiming to achieve technological sovereignty and meet strong domestic demand, are growing at a high pace — their revenue in the first quarter increased by 15% or more. The industry was also greatly influenced by the expectation of new tariffs from the United States, which triggered a wave of early purchases.

The growth **leaders** were American NVIDIA (+69%) and Chinese Montage Technology (+66%). The main contribution to the growth of NVIDIA's revenue was made by the stable demand for AI chips in data centers, sales growth in the gaming and automotive segments, as well as the entry of Blackwell AI chips into mass production. Montage Technology successfully took advantage of the recovery in demand for memory chips and the expansion of its product line, including server solutions and new-generation interface chips, especially noticeable is the growth in sales of the Jindai line, where revenue has almost tripled.

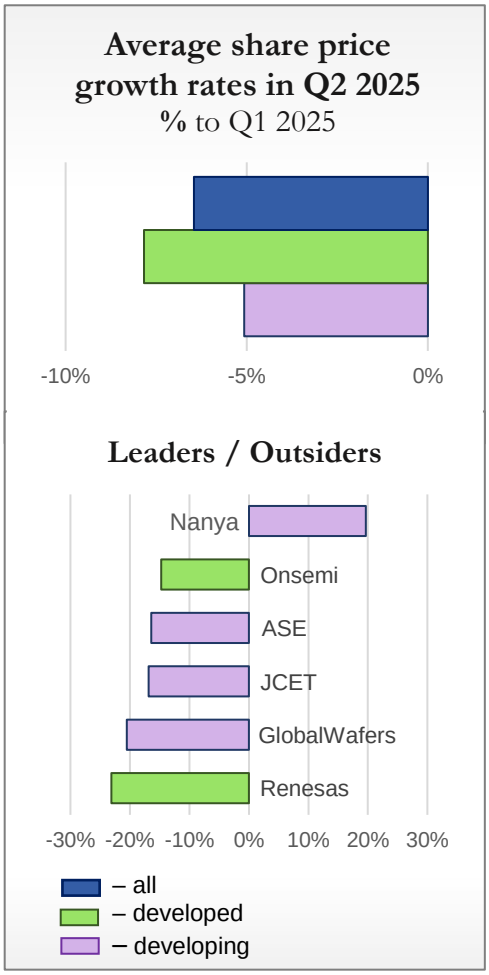
South Korean SK hynix (+42%) and the world's largest manufacturer Taiwanese TSMC (+42%) showed high growth rates. SK hynix's results were influenced by two factors: structural changes in the memory segment and growing interest in HBM memory and modules designed for AI systems. TSMC continues to actively increase production capacity and strengthen its position in high-tech foundry production, especially in the 3-nm and 2-nm process segments.

The **outsiders** of the quarter continued to be manufacturers that face weakening demand for traditional products.

The revenue of the Swiss STMicroelectronics and the American Microchip fell by 27%. Both companies felt a decrease in activity in the automotive and industrial sectors. Taiwan's Nanya Technology reduced its revenue by 24% as a result of the market gradually moving away from DDR4 and DDR3 RAM types, while the transition to DDR5 has not yet brought tangible returns. The results were affected by a decrease in selling prices and insufficient utilization of production capacities. Another company, the American ON Semiconductor (–22%), showed a drop in revenue of more than 20%. The company faced a drop in demand in the automotive and industrial segments and was forced to reduce prices in order to maintain its position in the market.

Investors' view: Q2 2025

The value of the largest players in the global semiconductor industry, which attracted investors' attention in previous quarters amid the AI boom, fell by an average of 6% in Q2 2025. Only 5 companies out of 30 in the sample were able to increase their value. As in most other sectors of the global economy, the fall in value occurred at the beginning of April and was due to the US tariff policy. Regional trends are not visible — in the group of American, Chinese and Taiwanese manufacturers, there are both players who inspired some optimism in investors and obviousoutsiders.



Taiwan's Nanya Technology (+20%) was the growth **leader**. The company's shares made several jumps during the quarter: in April, due to analysts' optimistic forecast for DRAM memory prices and the continuation of a shortage of standard DRAM memory until 2026, as well as a surge in urgent orders from original equipment manufacturers (OEMs) in anticipation of the introduction of US tariffs; on May 13-15, amid a general strengthening of Taiwanese semiconductor manufacturers; in early June, as a result of Nanya Technology's publication of strong financial results.

The **outsiders** of the quarter, having lost 15% or more in value, were Japanese Renesas Electronics (–23%), Taiwanese GlobalWafers (–21%) and ASE Technology (–16%), Chinese JCET (–17%) and American ON Semiconductor (–15%). The shares of these companies, like all industry players, fell in late March — early April 2025 against the backdrop of US tariff policy. After that, their quotes practically did not recover or grew only slightly.

Renesas Electronics disappointed investors with poor financial results in Q1 2025. Analysts are expecting a slow recovery in the company's profitability due to a downturn in the automotive and industrial sectors, increased competition from China, and strategic changes within the company. GlobalWafers, despite a slight increase in revenue in Q1 2025, significantly reduced its profitability, with net profit falling by 59%. The company's profit was affected by a change in the market valuation of its investment in the shares of Germany's Siltronic AG and its global expansion to transform itself from an Asia-focused model to a globalized manufacturing network. The expansion strategy in the long term can bring long-term benefits, but is associated with high risks. At JCET, despite continued good dynamics of financial indicators, earnings per share in Q1 2025 fell below forecasts, and the company has exhausted the factors that ensured its value growth in the second half of 2024. Shares of ASE Technnology and ON Semiconductor fell not only as a result of the US tariff policy. Taiwan's ASE Technnology lost value during March, failing to meet analysts' earnings per share expectations, and the American ON Semiconductor — throughout the first quarter of 2025 against the backdrop of extremely weak results for the fourth quarter of 2024 and the announcement of restructuring plans.

CONSUMER ELECTRONICS

Key trends and events

US trade policy continues to provoke the transformation of supply chains in the industry.

In mid-April, D. Trump, as part of his trade policy, suspended the introduction of increased duties and left global tariffs at the level of the basic duty of 10% for all countries except China, while announcing that an exception would be made for computers, smartphones and a number of other electronic devices and their components. A little later it turned out that for electronics from China, it is not a question of canceling tariffs, but transferring to another basket and applying a 20% duty in connection with fentanyl. Nevertheless, manufacturers breathed a sigh of relief due to the resulting delay in raising prices — China is the main supplier of electronics to the United States, accounting for 90% of imports of game consoles, more than 70% of smartphones, 66% of laptops.

In preparation for higher tariffs, companies suspended deliveries or, conversely, increased their volumes in March and early April. The largest laptop suppliers HP Inc., Dell, Lenovo, Acer and Asus paused shipments of products for the US market from Taiwan, notifying local contract manufacturers. Apple sent five full cargo planes with iPhones and other Indian-assembled Apple devices to the US at the end of March, and in early April it was exploring the option of expanding iPhone production in Brazil. Lenovo and HP increased deliveries to the global PC market — in Q1 2025, according to estimates, growth was 20% and 13%, respectively.

Accelerated deliveries led to ***revenue growth for electronics manufacturers in Q1 2025, however, forecasts for 2025 are rather pessimistic***. Concerns about tariffs imposed by the US led to an increase in deliveries to the global PC market in January-March by 9.4%, and smartphones by 1.5%. As a result, the vast majority of industry players reported revenue growth (see the section “Revenue dynamics of the largest companies: Q1 2025”). The highest growth was shown by contract manufacturers — Indian Dixon and Taiwanese Quanta, Wistron, Foxconn. Chinese Xiaomi showed a record increase thanks to sales of both smartphones and electric vehicles. For manufacturers involved in the production of AI servers — Dell, Wistron, Foxconn — an important role in revenue growth was played by the continued high demand for server equipment in the context of the AI boom.

However, analysts believe that the growth in electronics supplies in Q1 2025 will lead to a decline in subsequent quarters of the year, and US tariffs in general will have a negative impact on the development of the consumer electronics market. Thus, the American research company IDC has worsened the forecast for the growth of global smartphone supplies in 2025 from 2.3% to 0.6%.

Manufacturers have accelerated the transfer of assembly to the United States and India. Apple is implementing a full-fledged manufacturing strategy to reduce dependence

on China. In particular, the company assured investors that most iPhones intended for the U.S. market will be made in India, and almost all other devices — including iPads, Macs, Apple Watches, and AirPods — will be supplied from Vietnam. At the same time, in May, as part of his demand for Apple to manufacture smartphones in the U.S., D. Trump warned the company of tariffs of 25% or more for iPhones released outside the States, and warned against expanding capacities in India.

Taiwanese electronics maker Inventec has announced an investment of up to $85 million to build a manufacturing plant in the US state of Texas, similar decisions were made in February 2025 by other Taiwanese electronics makers including Foxconn, Wistron and Wiwynn, with Wistron announcing an additional $455 million in a new US unit in May (see case Wistron). Pegatron, a key Taiwanese supplier to Apple and Dell, was evaluating a financial plan to build a US plant in June.

Case. Wistron increases U.S. investment to $500 million

In early May, Taiwanese electronics and AI server maker Wistron Corp announced that its board of directors had approved an additional $455 million investment in a U.S. subsidiary. The new investment represents an increase in the company's initial commitment announced on April 2 — Wistron Corp had originally planned to invest $45 million to establish a subsidiary in the United States to support business development and strategic growth in the country.

Source: investing.com

The rise in prices on world markets has become another consequence of American trade policy. Swiss Logitech, a leading manufacturer of computer peripherals, increased prices on some products by up to 25% in May due to new duties on goods from China; Sony increased prices in most regions except the US in mid-April, but in May it said it did not rule out additional price increases and the organization of production on the American market; Samsung in mid-May announced a possible price increase of its smartphones for American consumers by 30-40%.

India will be the biggest beneficiary of the US tariffs, at least in the short term. Apple has announced plans to shift production to India on a large scale (see above), prompting its largest contractor, Taiwan's Foxconn, to spend $1.5 billion to expand its Indian capacity. HP has announced plans to double its Indian manufacturing capacity this year, taking advantage of a government stimulus program to ramp up production of desktop PCs and laptops in the country. HP's contract manufacturer in India is Dixon Technologies, which also makes products for other major brands including Samsung, Panasonic, Motorola and Philips. Dixon shares have risen 168% so far in 2024 (see Annual Issue/2024). LG Electronics announced in May that it would invest $600 million to build a third plant in India and is preparing its Indian subsidiary for an IPO. The Indian government actively supports the ongoing processes — at the end of March 2025, the cabinet of ministers approved the allocation of state subsidies in the amount of 229.2 billion rupees to increase the production of electronic components in the country.

The transfer of production processes to India, however, is not perceived positively in the US — D. Trump's trade policy is aimed at returning production to the country's

territory. It is unrealistic to implement this in practice in a short time, so India has received a short-term, but significant, chance to take a significant place in the industry.

Change of leaders in some industry segments in Q1 2025. The highly competitive situation in the industry, caused by weak demand and intensive development of Asian manufacturers, makes it difficult to maintain leading positions — a change of leaders occurs simultaneously in the markets of several types of consumer electronics.

The ***Chinese smartphone market*** continues to see the triumphant march of national brands. Apple, which lost to Huawei and Xiaomi at the end of 2024, fell to fifth place in Q1 2025. Xiaomi became the leader for the first time in ten years, followed by Huawei, Oppo and Vivo. Apple also lost ground in the ***global smartphone market***, giving way to Samsung, while Xiaomi moved up to third place. Xiaomi overtook Apple in the ***smartwatch and fitness tracker market***, becoming the world market leader in this type of product for the first time since 2021. In the rapidly growing ***OLED monitor*** segment, Samsung remained the leader in the first quarter, while Taiwanese Asus almost caught up with it, reducing the gap to less than 1 percentage point.

In search of new ways of growth, **electronics manufacturers** continue to **diversify into other business areas**, both independently and in collaboration with other IT companies. Key cases for Q2 2025 in diversification and expansion of the business portfolio include:

- Taiwan's Foxconn said it had developed its own AI model, FoxBrain, which is close to world-class in quality; the company will also take part in the construction of an American Nvidia AI factory in Taiwan;
- China's Xiaomi has unveiled its own open-source reasoning AI model, MiMo, and plans to invest 50 billion yuan in developing its own mobile phone chips over the next decade and about 200 billion yuan in research and development of key technologies over the next five years;
- South Korea's Samsung Electronics is close to completing its biggest deal in eight years, buying Germany's FlaktGroup Holding GmbH, a maker of heating, ventilation and air conditioning systems; the company has also teamed up with Google to launch the Ballie home robot (see case Samsung);

Case. Samsung and Google team up to launch Ballie home robot

Samsung and Google have teamed up to launch Ballie, a soccer-ball-shaped home robot that uses Gemini AI to control user's smart home and can project video onto walls. The yellow, ball-shaped robot is designed, according to Samsung, to "bring AI to life as a friend and true companion." Samsung first unveiled Ballie in early 2020, where it made a splash, but the road to the consumer market has been bumpy. The current device is a "brand-new Ballie." One of the biggest changes is that it uses Google's AI models to understand user commands, connect to Google search, and process data from onboard cameras as it navigates your home. With Ballie, both companies are making their first foray into the budding, billion-dollar consumer robotics market.

Source: 3dnews

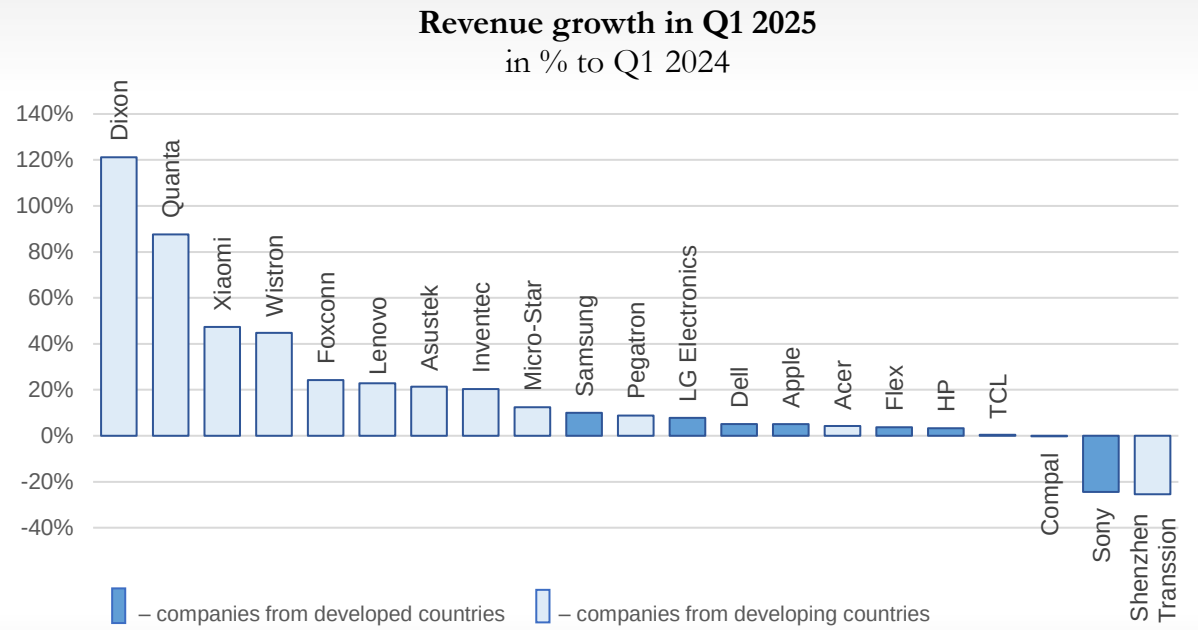
- Electronic components manufacturer LG Innotek, part of South Korea's LG Group, has reached an agreement with American Boston Dynamics to jointly develop a machine vision system for the next-generation Atlas humanoid robots.

Other key events in the global consumer electronics market in Q2 2025:

- ***The Chinese government is encouraging*** major Chinese companies to set up state-backed ***production facilities in Southeast Asia, Europe and the Middle East*** to offset the impact of US tariffs. Display maker BOE Technology and the world's largest PC maker Lenovo are already showing a willingness to expand their presence outside China — BOE is considering investing in Hong Kong-based TPV and exploring investments in European manufacturers, Lenovo has set up a working group on international expansion and plans to establish production in Saudi Arabia in 2026.
- ***Huawei in May unveiled PCs running its HarmonyOS operating system***, which is already used on the company's smartphones and tablets. The result of five years of work, it is a major step in the competition with Apple. The new computers will enable interaction between Huawei devices. The company said it has already developed more than 150 specialized applications for the new PCs and more than 300 applications compatible with the ecosystem.
- ***Apple has faced pressure from regulators in Europe and China.*** The Chinese regulator has suspended the approval process for Apple Intelligence services powered by AI models from China's Alibaba, which is linked to tensions with the United States. The European Commission (EC) has fined Apple and Meta Platforms Inc. (recognized as an extremist organization in Russia and banned) €500 million and €200 million, respectively, for violating the Digital Markets Act. Earlier, in late March, the EC ordered Apple to make its operating systems more open to devices from other brands, including smartwatches and headphones — a decision Apple decided to appeal, filing an appeal to the European General Court in early June.

News Feed: Consumer Electronics

Revenue dynamics of the largest companies: Q1 2025



Source: based on financial statements of the companies

Global consumer electronics manufacturers have had a fairly successful start in 2025, with the vast majority of companies (18 out of 21 analyzed) increasing their revenue in Q1 2025. A key role in this dynamic was played by an increase in electronics supplies by manufacturers in anticipation of higher tariffs from the United States.

The **leader** by a wide margin from other market players remains the Indian Dixon (+121%). The segment of contract manufacturing of electronics and mobile devices is growing at an extremely high rate in the company (+194%) as a result of global brands transferring assembly from China to India. If a year earlier the share of this segment in Dixon's total revenue was 66%, then in Q1 2025 it grew to 90%.

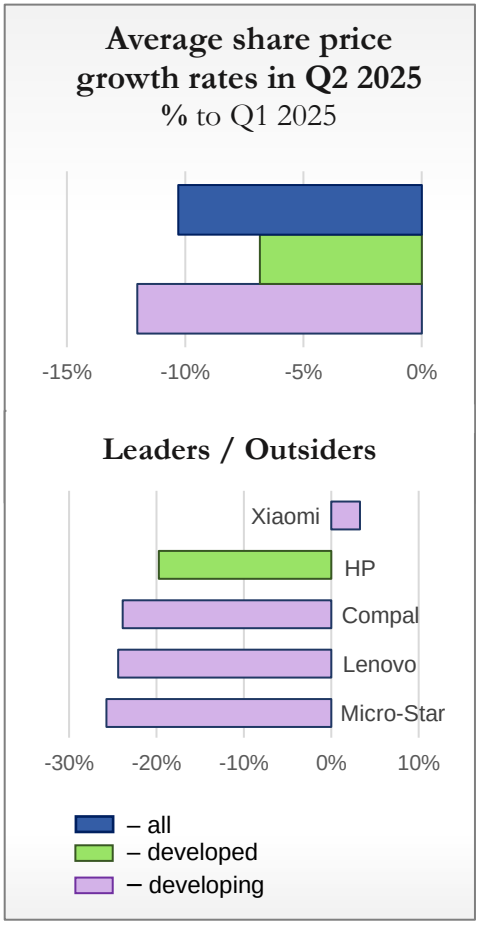
Taiwanese Quanta (+88%) continues to increase its quarterly revenue growth rate. However, its success is driven not only by consumer electronics, but also by rapidly growing demand for servers, especially with AI functions — the company expects revenue in this segment to more than double by the end of 2025. The notebook segment is lagging behind, its share in the company's revenue has fallen to 30%.

Two more manufacturers grew at a high rate in Q1 2025, exceeding the rate of revenue growth in 2024: Chinese Xiaomi (+47%) and Taiwanese Wistron (+45%). Xiaomi achieved the maximum growth (+59%) in the Internet of Things (IoT) segment: as of March 31, 2025, the number of connected IoT devices (excluding smartphones, tablets and laptops) on its AIoT AI platform increased to 943.7 million, which is 20% more than in the previous year. However, growth in the smartphone segment was less impressive for Xiaomi (+9%); despite the growth in orders, the production of electric cars continues to be unprofitable. Wistron, like Quanta, is benefiting from the AI boom. The company is one of the key contract manufacturers of AI servers, including for American NVIDIA and Dell.

The **outsiders** were Chinese Shenzhen Transsion (–25%) and Japanese Sony (–24%). Transsion, which owns the brands Tecno, Infinix, itel, etc., has shown negative revenue dynamics since the second half of 2024, which, however, has not been so rapid so far. The company explains the drop in revenue by a quarter in Q1 2025 by intensified competition, as well as rising component costs and labor costs, which complicates pricing policy. Sony, which has a diversified business, showed the weakest sales (–49%) in the entertainment, technology and services segment, which includes smartphone production.

Investors' view: Q2 2025

The largest consumer electronics manufacturers lost quite a lot of value in Q2 2025, with an average decline of 10% across the sample. The industry has been operating in conditions of low demand for a long time. The US tariff policy has led to even greater uncertainty and risks of restructuring of supply chains, as a result of which the shares of most companies fell in early April 2025, after which they did not recover.



A slight but still **growth** against the backdrop of a general decline was shown by the Chinese Xiaomi (+3%), whose value increased by 71% in the previous quarter (see Issue 1/2025). The company continues to record growth in financial indicators — revenue in Q1 2025 increased by 47% y/y, and net profit doubled, exceeding the average forecast of analysts. The positive mood of investors is largely due to the company's development in the electric vehicle and semiconductor chip segment. Xiaomi brought to market the first YU7 crossover, the number of pre-orders for which exceeded 200 thousand in the first three minutes after the price announcement. In 2025, Xiaomi plans to increase the R&D budget by 30% and more actively implement its own SoC chips in smartphones and IoT devices. The company and analysts expect that control over the semiconductor chain will reduce costs, strengthen protection from global sanctions and accelerate innovation.

The market **outsiders** with a share price drop of 20% or more were four companies: Taiwanese Micro-Star International (–26%) and Compal (–24%), Chinese Lenovo (–24%), and American HP (–20%). The shares of all four companies fell in early April 2025, reacting to the new US trade policy, after which they practically did not recover.

Micro-Star, despite revenue growth, more than halved its operating and net profit in Q1 2025 y/y due to rising selling and administrative expenses. Ineffective management and

market uncertainty put its overall operations and core business (OEM component supply) at risk.

Lenovo shares, after good growth in Q1 2025, fell in early April much more than other manufacturers amid the escalation of the trade war between the US and China. The company's headquarters are located in Beijing and the Chinese government is considered an indirect shareholder. At the same time, the company generates more than a third of its revenue in the US market, and considers American government agencies to be its main client base.

Investor pessimism about contract manufacturer Compal and HP, the second-largest PC maker behind Lenovo, stems from weak financial results. Compal's revenue has been falling since 2021, and HP has raised particular concerns among investors about the company's ability to manage tariff costs and maintain profitability after its latest quarterly report.

INDUSTRIAL IT EQUIPMENT

Key trends and events

The AI boom and the expanded construction of data centers continue to be the industry's main drivers. They provide manufacturers with increased revenue from the supply of server processors, data storage systems, network equipment, including Ethernet switches, and other systems.

American manufacturer of components for servers and data storage systems Supermicro signed a $20 billion agreement with Saudi data center operator DataVolt to accelerate the deployment of green AI data centers. American HPE completed the deal to acquire network equipment manufacturer Juniper Networks, which will allow the company to create the most complete industry set of IT solutions based on cloud technologies and AI, including a modern network stack. American Qualcomm, which officially announced the closure of the server processor production line in 2019, is returning to their production — the company signed a memorandum of understanding with Saudi AI startup Humain, within which the parties intend to "develop and build advanced AI data centers in Saudi Arabia."

Telecom equipment manufacturers, which have been operating in a weak demand environment and have seen revenue decline throughout 2024 (see Issue 1/2025), are improving their prospects through AI and data centers — they are focusing on participating in data center projects and developing new technology solutions, including those using AI.

Nokia announced the release of Autonomous Networks Fabric, a platform for accelerating network automation in a cloud environment with AI support and integrated security; American Cisco will take part in the construction of the largest AI-related data center outside the US in the UAE; Nokia will complement the data centers of the Philippine company Converge ICT Solutions with its Data Center Fabric solution based on AI and automation technologies; Ericsson has teamed up with a consortium of companies to build an AI factory in Sweden, and also signed a memorandum of understanding with Malaysian operator CelcomDigi to create autonomous networks in Malaysia using AI. For more information on these and other AI projects, see “News Feed: Industrial IT Equipment” at the end of the section.

The AI boom is driving strong demand for semiconductor manufacturing equipment, with manufacturers expanding production both within their own borders and abroad.

Vice President of Global Operations K. Rammohan of American Lam Research visited Hanoi (Vietnam) to assess opportunities for diversifying supply chains — the Vietnamese authorities are encouraging Lam Research to invest up to $1 billion in the country's economy in order to organize local production. Japan's Tokyo Electron announced the construction of a new plant worth $681 million, which will produce

equipment for processing silicon wafers. The corporate research institute within the structure of South Korea's LG Electronics began developing equipment for forming hybrid connections for the production of new generations of HBM microcircuits.

A separate line in the field of semiconductor manufacturing equipment should be noted for ***China's achievements and their influence on the industry.*** In 2024, China purchased a record amount of foreign chip manufacturing equipment ($31 billion), while simultaneously developing its own production. In 2025, the country is rebuilding its strategy for ensuring technological sovereignty in the semiconductor industry and focusing on the maximum possible increase in national capacities for the production of the necessary equipment. Thus, the Chinese state "Big Fund" will spend about $47.5 billion, which will primarily go to the development of its own lithographic equipment and software for designing semiconductors. Certain successes have already been achieved — China's Naura became the sixth largest manufacturer of chip manufacturing machines in the world by revenue in 2024; SiCarrier, founded in 2021, with the support of Huawei, developed equipment for the production of 28-nm chips (see case SiCarrier); Huawei has learned to make products on Chinese equipment that are not inferior in their characteristics to foreign 5-nm chips, and is preparing 3-nm technological processes.

Case. SiCarrier, with the support of Huawei, developed equipment for the production of 28-nm chips

The Chinese SiCarrier often appears in the news, and once in the context of the development of equipment for the production of 5-nm chips. In practice, the company's successes are limited to the release of equipment for the production of 28-nm chips, but Chinese customers will also be happy with such achievements in import substitution. SiCarrier, a close partner of Huawei, faces the task of import substitution of a whole range of equipment used in the production of semiconductor components: lithographic systems, control and measuring machines, equipment for etching silicon wafers, various solutions for applying coatings by deposition. An army of Huawei specialists is actively helping SiCarrier achieve its goals.

Source: 3dnews.ru

Manufacturers are vigorously advancing quantum technologies from the research stage to the market entry stage. In Q2 2025, information about achievements in quantum computing appeared in different regions of the world.

US. IBM continues to lead the way in quantum computing. In April, the company announced that it had deployed one of its most powerful quantum computers, called Aachen, in Germany. IBM also announced plans to build the world’s first large-scale, fault-tolerant quantum computer by 2029. The computer, called IBM Quantum Starling, will be built in a new data center in New York State and will perform 20,000 times more operations than existing quantum computers. Overall, IBM plans to invest $150 billion in the US over the next five years, including $30 billion in R&D in servers and quantum computers.

Microsoft unveiled Majorana 1, the world’s first quantum processor with a topological core, which the company said represented a “transformational leap toward practical quantum computing.” Cisco Systems unveiled a prototype networking chip for quantum data centers that could help cut the time it takes to bring quantum computing to practical use to five to 10 years from the decades previously expected. Quantum computer

developer IonQ agreed to buy British rival Oxford Ionics for $1.075 billion, with the combined entity aiming to develop the world's most powerful quantum computers.

Europe. In early July, the European Commission presented the EU strategy for quantum technologies, which aims to ensure the EU's global leadership in this area by 2030.

China is ready to mass-produce sovereign 1,000-qubit quantum computers — startup QuantumCTek unveiled a fully-developed module in China in June, and the system can be scaled up to control 5,000 qubits, and with significant upgrades, up to 10,000 qubits.

Australia. Australian startup Diraq has published an article in the journal Nature Communications, in which it has for the first time substantiated the possibility of producing quantum processors from silicon based on electron spin qubits.

The technological war against China continues. The US uses various instruments of pressure on China in an effort to achieve global dominance.

In April, the Chairman of the US Federal Communications Commission (FCC) B. Carr called on Europe to choose between American and Chinese communications technologies, referring to the Starlink satellite system, and suggested that European Nokia and Ericsson should move most of their production to the US. In mid-July, it became known that the FCC plans to prohibit foreign companies from using Chinese technologies and equipment when laying underwater cables to America. In the US, approval of a project to build a data center in the UAE is being delayed — the American side is trying to impose additional security obligations on UAE representatives, in particular, proposing to refuse to use Chinese equipment in any projects implemented in the UAE, as well as to prohibit specialists from China from working on the territory of the planned data center.

Other key events in the IT equipment industry in Q2 2025:

- ***Nokia will lead the EU project "Unmanned Vehicles for Civil Security and Surveillance"*** (PROACTIF), which involves 42 European technology companies from 13 countries. The consortium aims to increase Europe's competitiveness in unmanned mission technologies, as well as to increase the cost-effectiveness and efficiency of unmanned surveillance and monitoring of critical infrastructure. The consortium expects to generate approximately €90 million in revenue by 2035, create 50 products and more than 15 new industry patents, ensuring leadership in this field.
- ***Ericsson*** continues to implement its ***plan to expand manufacturing and engineering capabilities in India***, launched in 2022. In late June, the company announced the global exports release of the first antenna model made in India, with international shipments to begin in July.
- The issue of energy consumption is quite acute in the industry. ***Companies are making efforts to ensure energy efficiency***, since the rapid implementation of AI leads to a rapid increase in the load on data centers, which provokes an increase in energy consumption. Thus, Japanese Fujitsu, American Supermicro and Japanese

Nidec announced a joint effort to reduce the energy consumption of data centers (see case Fujitsu).

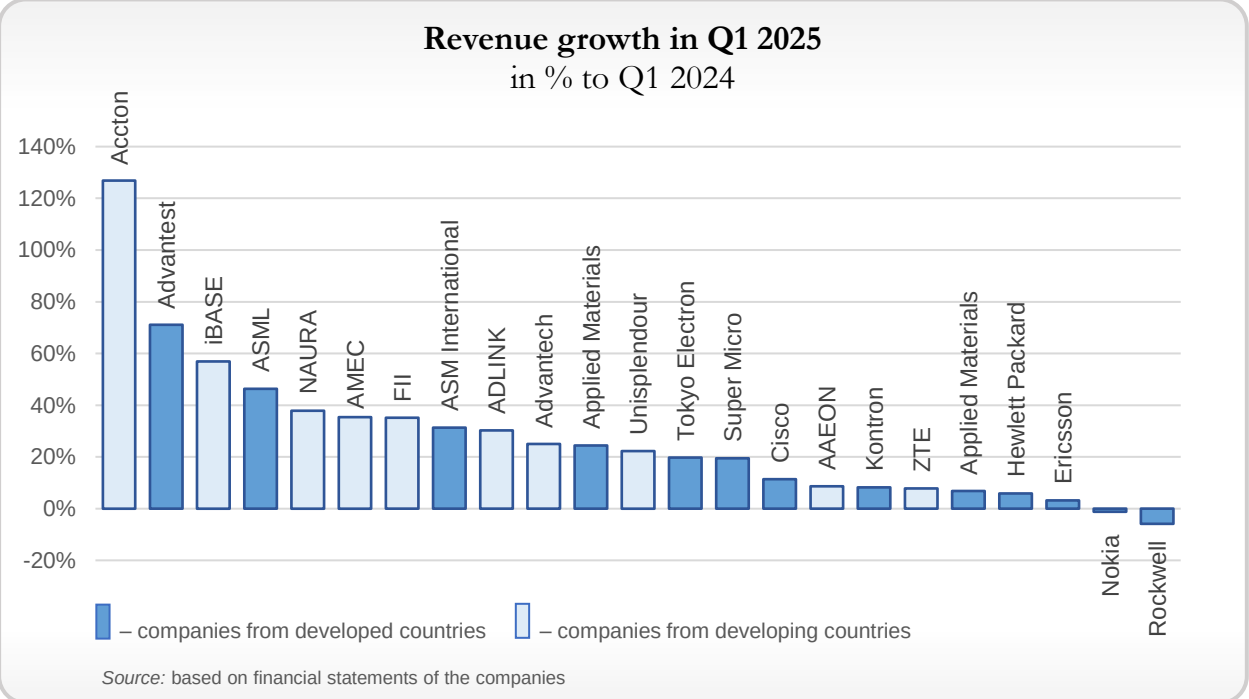
Case. Fujitsu, Supermicro and Nidec to jointly improve the energy efficiency of AI data centers

Fujitsu, Supermicro and Nidec announced the creation of a platform that will help data center operators improve the power usage efficiency (PUE). As part of the new project, the partners will combine Fujitsu's liquid cooling monitoring and management software, Supermicro's high-performance GPU servers and Nidec's highly efficient liquid cooling system. In particular, Supermicro will provide high-performance, high-density server complexes optimized for liquid cooling: such devices will reduce power consumption and reduce noise levels due to the absence of fans.

Source: servernews.ru

News Feed: Industrial IT equipment

Revenue dynamics of the largest companies: Q1 2025



Source: based on financial statements of the companies

Industrial IT equipment manufacturers demonstrated high positive growth rates in Q1 2025 — 21 out of 23 companies in the sample increased their revenue. The key growth drivers continue to be high demand for AI servers and data center equipment, as well as huge demand for semiconductor manufacturing equipment from China, which is implementing a strategy to ensure technological sovereignty in the semiconductor industry. An additional contribution to the first quarter results was made by the trade war initiated by the United States, which provoked accelerated purchases of IT equipment. In regional terms, the highest growth rates were seen in the revenue of manufacturers from developing countries — Taiwan and China

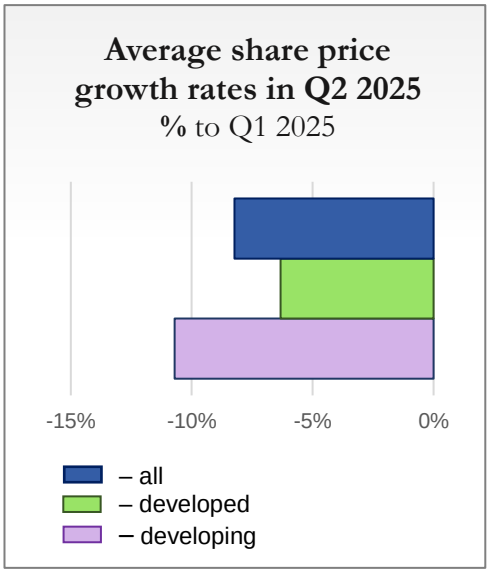
The **leader** was Taiwan's Accton Technology (+127%). The company produces network equipment used in data centers, develops and manufactures hardware for accelerating artificial intelligence, and supplies Ethernet switching solutions, the demand for which is growing due to the global expansion of data centers and cloud infrastructure.

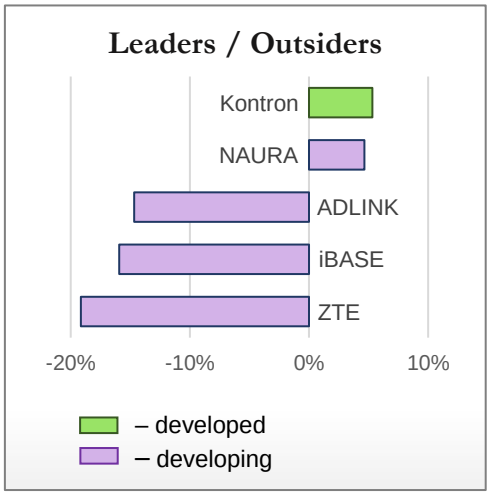
Revenue growth of over 50% was demonstrated by two companies: Japanese Advantest (+71%) and Taiwanese iBASE Technology (+57%). Advantest's main source of revenue is the semiconductor and component testing segment, while revenue growth was also driven by high demand for AI chips and high-bandwidth memory (HBM), which is used in processing data for artificial intelligence. iBASE Technology's sales growth is associated with the development and release of new products that meet the needs of various industries, including the Internet of Things (IoT) and industrial computing. An important marketing contribution to the company's activities was made by receiving the IoT Edge Computing Excellence Award in November 2024, as recognition that iBASE Technology's products help advance the adoption of IoT by providing solutions for real-time computing, analytics, AI, and machine learning on edge devices.

The **outsider** of the quarter was the American Rockwell Automation (–6%), specializing in industrial automation. Organic sales decreased by 4% (sales excluding acquisitions and the currency factor), and the unfavorable impact of exchange rates was 2%. However, the company exceeded expectations for sales, profit, and earnings per share due to its focus on cost management and achieving good performance in the e-commerce and warehouse automation segments.

Investors' view: Q2 2025

The quotes of the world's largest manufacturers of industrial IT equipment fell by an average of 8% in Q2 2025. Of the 23 companies in the sample, only three managed to maintain or slightly increase their value. Investors are the least optimistic about companies from developing countries — Taiwanese and Chinese manufacturers of various types of equipment (industrial computers, servers, network equipment, equipment for the production of semiconductors, etc.). The main reason for the negative industry dynamics is the restrictions and challenges associated with the US tariff policy — the shares of the overwhelming majority of companies fell in early April 2025, after which they showed different recovery dynamics.





German industrial automation specialist Kontron (+5%) and Chinese semiconductor equipment manufacturer NAURA Technology (+5%) showed **minor growth** amid the overall decline. Kontron shares showed good growth in early May after the company published its financial results for Q1 2025, which exceeded analysts' forecasts — EBITDA and net profit grew by 36% and 23% y/y, respectively. The key driver of the growth in the value of NAURA Technology, one of the few companies whose quotes barely reacted to D. Trump's announcement of tariffs in early April, is the growing demand for chip manufacturing equipment in China. In addition, the company has made a number of technological breakthroughs in the field of new etching and sputtering products, and is actively investing in research and development in order to reduce the gap with world leaders.

The market **outsiders**, with share prices falling by 15% or more, were three companies from developing countries: the Chinese manufacturer of telecommunications equipment ZTE Corporation (–19%) and the Taiwanese manufacturers of industrial computers iBASE Technology (–16%) and ADLINK (–15%).

ZTE shares showed a sharp decline in the second half of Q1 2025 amid weak financial results for 2024, obtained in the context of sanctions and low demand for telecommunications equipment. Investor sentiment was also negatively affected by a new investigation initiated by the United States in late March 2025 against several Chinese telecommunications companies, including ZTE, which the American regulator suspected of circumventing restrictions on activities in the United States. Having reached the bottom on April 8, ZTE shares have hardly recovered. Shares of Taiwanese manufacturers iBASE Technology and ADLINK also failed to recover after a sharp decline in early April 2025, while ADLINK quotes continued their downward movement in late May – June.

Key trends and events

The trend towards **developing driverless technologies**, primarily in the robotaxi sector, has become increasingly evident among platform companies. In April – June 2025, Baidu, Amazon, and Uber entered into new partnerships with other IT companies, announced plans to enter new markets, and outlined the stages of launching driverless taxis in the near future.

In May 2025, China's Baidu announced its intention to bring its Apollo Go robotaxi service to the European market, in particular through a partnership with Switzerland's PostAuto, which is owned by the national postal service. Apollo Go is also considering the Turkish market and the UAE capital Dubai as strategic areas for expansion. At the moment, the company only carries out its services in mainland China and Hong Kong.

It is important to note that in Dubai, the initiative to distribute driverless cars comes from the state, which has attracted not only China's Baidu, which plans to launch 100 self-driving cars by the end of 2025, but also the American Uber Technologies in collaboration with China's WeRide, which announced plans in early April to launch about 50 cars by the middle of this year.

Government involvement in the launch of driverless transport is also increasing in other countries. For example, the UK government and Transport of London have announced a partnership with Uber Technologies and the British startup Wayve to launch pilot projects of driverless cars in London in the spring of 2026. The Trump administration, in turn, announced a relaxation of safety requirements and a simplified procedure for reporting road incidents, which should speed up the spread of driverless transport in the United States.

The US robotaxi market is seeing increased competition among platform companies, with e-commerce platform Amazon announcing it is ramping up production of its self-driving technology startup Zoox, and Uber entering into new strategic partnerships with US-based safe self-driving vehicle solutions developer May Mobility to maintain its competitive edge in the market.

Platform businesses are deepening their presence in related industries and **expanding their reach across industries and geographies.**

To achieve these goals, in April – June 2025, the ***strategy of mergers and acquisitions*** was used, among other things. Thus, Uber entered into an agreement to purchase 85% of the shares of the Turkish delivery service Trendyol GO to strengthen its position in the Turkish market; Russia's Yandex acquired the Boxberry delivery service to expand its logistics network and the Domiland developer platform to enter a new industry market; China's Tencent is in talks to purchase China's largest online audio platform Ximalaya,

which will strengthen the company's competitive position in the streaming services market in China.

Some platforms have ***expanded strategic partnerships***. Uber announced an agreement with Brazilian food delivery service iFood, which allows the companies to offer their services in the Brazilian market through each other's apps, and Amazon will now use the services of the American logistics company FedEx to deliver large packages to homes (see case Amazon).

Case. Amazon to work with FedEx

Amazon is expanding its logistics capabilities by signing a deal with FedEx to deliver packages in the US. The move comes after UPS announced plans to reduce its work with Amazon, focusing on more profitable corporate clients (see Issue 1/2025). Details of the deal are not disclosed, but it will allow Amazon to diversify its supply chain and reduce its dependence on several logistics companies.

Source: Reuters

Partnerships are also being made with companies from other industries. For example, Amazon has signed a deal with Saudi Aramco, the Saudi state oil company, to focus on digital transformation and emissions reduction, and Google has created a new division to partner with film company Range Media Partners (see case Google).

Case. Google creates new film division

Alphabet-owned Google has created a new film and TV division to find projects to finance and produce. The company has entered into a multi-year partnership with Range Media Partners, a talent search and production company. The creation of the entire division is a response to the current geopolitical situation, which has increased production costs in the film industry. The company plans to increase awareness and sales of its AI products for film production.

Source: Reuters

Separately, Amazon's progress in ***satellite communications*** is a major step for the e-commerce platform to diversify its business. The company launched its first batch of 23 satellites, kicking off the tech giant's plan to compete with SpaceX's Starlink system, which can provide internet service anywhere on Earth.

To expand their presence in domestic and foreign markets, platform companies ***continue to invest heavily***. The most striking example is the American Amazon, which announced its intention to invest $4 billion in cloud infrastructure in Chile and $10 billion in cloud and AI technologies in the United States, as well as invest about $53.4 billion in expanding its logistics infrastructure in the UK and $4 billion to expand delivery in rural areas of the United States.

Q2 2025 is also rich in new **antitrust cases**, which platform companies continue to face quite frequently (see Annual Issue/2024). Alphabet's Google is accused of using its dominant position in the online advertising market; corresponding lawsuits have been filed in the UK and the US. The US Federal Trade Commission has also accused Meta (recognized as extremist and banned in Russia) of monopoly power, citing its acquisition of Instagram and WhatsApp in 2012 and 2014, respectively. The European Commission also has questions about the American Meta and in April 2025 accused the company of

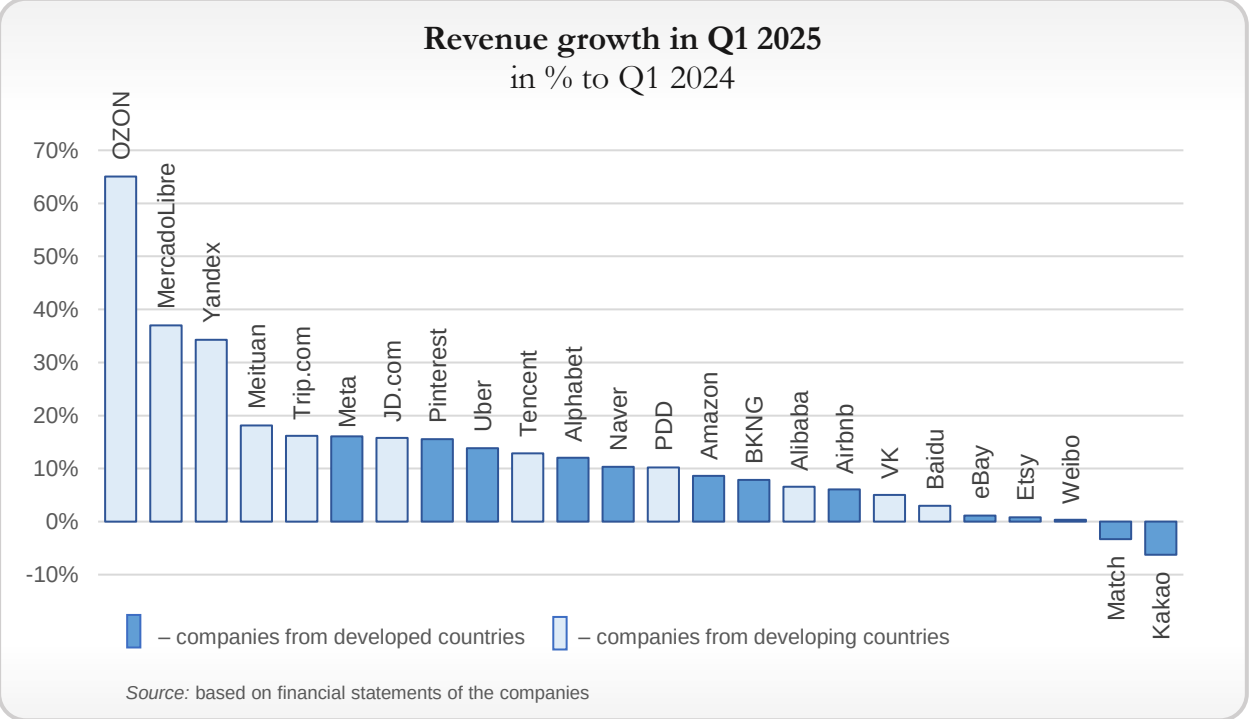
violating the Digital Markets Act, namely, failure to comply with the rules for processing and using users' personal data. Similar accusations against Meta were also brought by the Nigerian antitrust authority.

American Uber and Booking have faced accusations. Taxi-ordering service Uber has been sued by the US Federal Trade Commission for charging subscription fees without user confirmation, while Swiss authorities are trying to force accommodation booking service Booking to reduce hotel fees by almost a quarter. Both companies consider the accusations unfounded and their practices to be in line with the law.

Ongoing trends include the **AI race in China**, which began in January 2025 with the entry of DeepSeek (see Issue 1/2025). In late April, Baidu released two new AI models, Ernie 4.5 Turbo and Ernie X1 Turbo, while platform giant Alibaba announced a new model, Qwen 3. This demonstrates the growing competition among Chinese generative models, which continue to prove that local developers can create high-quality, feature-rich products at a lower cost than their American competitors.

News Feed: Platform Business

Revenue dynamics of the largest companies: Q1 2025



Source: based on financial statements of the companies

The world's largest platform companies continue to grow rapidly. 22 of the 24 companies under consideration increased their revenue in Q1 2025 compared to the same period last year, with the highest growth rates remaining in the e-commerce segment.

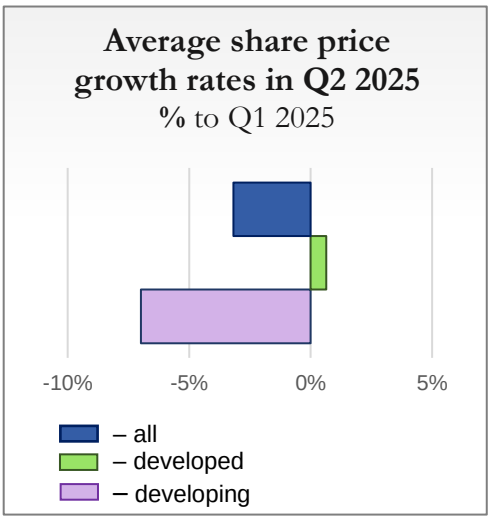
The **leaders**, as throughout 2024, are companies from developing countries. The highest revenue growth was observed at the e-commerce platforms of the Russian OZON (+65%) and the Uruguayan MercadoLibre (+37%). Both companies note the growth of the customer base and the increase in user loyalty, as well as the role of the fintech segment in ensuring high positive dynamics. Thus, the revenue of fintech segment at OZON grew by 167% in the first quarter of 2025. In addition to the above factors, it is worth noting that the Argentine market was especially successful for MercadoLibre, where a 126% increase in sales was recorded over the period under review.

The Russian Yandex (+34%) with its diversified platform business is also among the leaders. The company continues to increase its share of the Russian search market by integrating generative technologies and thereby improving the user experience. Yandex's revenue growth was also facilitated by the Plus and Entertainment Services segment (+58%) and e-commerce (+60%). The company attributes the revenue growth in the latter area to the integration of fintech services into it.

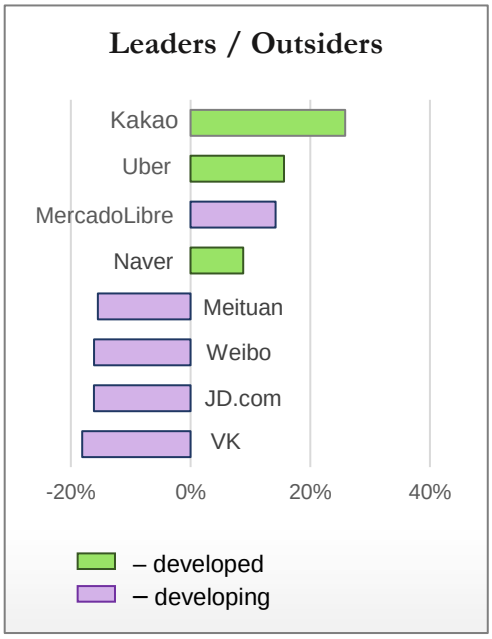
The **outsiders** of Q1 2025 were social networks — South Korean Kakao (–6%) and American Match Group (–3%). The negative dynamics of Kakao's indicators is associated with the content segment (–16%), where revenue decreased the most in the media (–21%). The company attributes this decline to the high base of Q1 2024, a weak advertising market and low investments by client companies in the development of their social networks. The revenue of the American company Match Group, which offers dating services, decreased due to a decrease in sales of paid subscriptions (–5%).

Investors' view: Q2 2025

In Q2 2025, the market assessed platform companies rather pessimistically — only 8 out of 24 platforms demonstrated positive dynamics of share price, and the average increase in the sample was –3%. At the same time, in terms of average increase in share price, investors' attitude towards companies from developed countries is more optimistic (+1%) than towards platforms from developing countries (–7%).



The **leaders** in terms of share price growth were South Korean Kakao (+26%), American Uber (+16%), Uruguayan MercadoLibre (+14%) and South Korean Naver (+9%). The main period of growth in Kakao and Naver shares occurred in June 2025 and was a reaction to



the promises of the newly elected President of the Republic Lee Jae-myung about large-scale government investments in the development of AI technologies in the country. The driver of the positive market valuation of the American taxi ordering platform Uber was a number of strategic partnerships in the markets of the USA, Great Britain, Turkey and Brazil. Most of the agreements were concluded in the direction of developing unmanned transport and robotaxis (see the section "Key trends and events"). The share price of the Uruguayan e-commerce platform, which is actively developing the fintech segment, was mainly influenced by the financial results in Q1 2025, in particular, revenue growth of +37% compared to the same period of the previous year (see the section “Revenue dynamics of the largest companies: Q1 2025”).

The **outsiders** in investors' assessments were companies from developing countries — Russian VK (–18%) and Chinese JD.com (–16%), Weibo (–16%) and Meituan (–15.5%).

Investors' skepticism towards VK was the result of the publication of the 2024 financial statements and announcements of plans for an additional issue. The main drop in the value of shares of the Russian company, which owns a social network and is developing towards a diversified business model, occurred at the beginning of Q2 2025, when it became known that the net annual loss had more than doubled over the previous year.

The fall in Chinese companies’ stock prices was mainly driven by US trade policy, which limits the export capacity of key US chipmaker Nvidia. These chips are used by Chinese platform companies and software giants that have been participating in the AI race since early 2025 (see Issue 1/2025). In addition, JD.com and Meituan lost share value in April 2025 amid a conflict between the companies — JD.com accused Meituan of creating obstacles to the development of the new food delivery service JD Takeaway, launched in February of this year, which negatively affected investor expectations for both companies. Weibo's market valuation is aggravated by weak financial statements compared to other domestic players in the industry.

SOFTWARE

Key trends and events

Tensions between the EU and the US are growing, affecting all levels of digital interaction: countries argue over AI regulation, corporations compete in cloud services, and users face the consequences of these contradictions.

The policy of D. Trump and his administration, which was the focus of Issue 1/2025, continued to influence the market in Q2 2025. Thus, in the EU, a trend is emerging towards the transition from American to national cloud technologies as a response from users to geopolitical uncertainty. It is worth noting that a mass transition is not yet happening, but more and more companies are turning to local cloud solution providers for advice, and European politicians are calling for the exclusion of American companies from government contracts.

The European Union announced steps to reduce the gap with the US and China in training AI models and building gigafactories back in early 2025 (see Issue 1/2025). In April, the AI Continent Action Plan was published, which outlines specific actions to develop infrastructure, with a separate section devoted to legislative regulation. At present, the European AI Law insists on the transparency of algorithms, risk reduction, and copyright compliance, which is interpreted ambiguously by market players and criticized by the US — the American diplomatic mission sent a letter to the European Commission, claiming that this law discriminates against American companies.

It is interesting that the American Microsoft is on the EU side, claiming that if D. Trump tries to restrict European users' access to the company's products, it will sue him. Microsoft has long been in the EC's sights and is trying to do everything to maintain its presence in the region (see case Microsoft).

Case. Microsoft is ready to sell Office without Teams on the European market

The American company Microsoft is ready to sell its Office product without the built-in Teams service at a reduced price, demonstrating a desire to settle the antitrust case. The investigation began back in 2020 after a complaint from a competitor of Teams, the corporate messenger Slack, which is currently owned by the American Salesforce. As part of the settlement of the case, Microsoft promises to open access to some functions of its products to competitors, as well as work on compatibility with the services of other companies. Such concessions, according to the company, should fully satisfy competitors, but the European Commission has not yet given an official response.

Source: Interfax

The rapid development of AI technologies had raised the issue of **copyright** from the very beginning. In April-June 2025, a number of lawsuits were filed by owners of text and video content, accusing tech giants of violating their copyrights when training AI models. The American company Anthropic won a lawsuit filed by publishers, who accused the company of illegally training their models based on books. The court decision stated that

purchased and scanned books can be used legally, however, the use of pirated content is not recognized by the court as fair and remains the subject of a separate trial. Three days after this event, another case was won by the platform company Meta (recognized as extremist and banned in Russia), which, like many platforms, develops software solutions with artificial intelligence. Meta trained AI models based on an online library containing copyrighted materials, without the permission of the copyright holders.

The issue of copyright worries not only authors, but also entire corporations. The British BBC has threatened to sue the American startup Perplexity, which, according to the corporation, trained an AI model using the television company's materials. It is worth noting that in the UK, back in February, major newspapers ran a massive advertising campaign calling for copyright protection against training AI models, and in the US, a similar campaign began in April after OpenAI and Google asked the authorities for permission to train their models on protected copyright legal materials.

While some software developers are suing, others are trying to make money by protecting copyrights. For example, the American Adobe has created software that allows graphic authors to add markings to image files, including those with a ban on training AI using their images. It is worth clarifying that for the markings to work correctly, Adobe still has to agree with AI developers on the use of their standard.

In early 2025, some tech giants **were cutting staff** to optimize costs and reallocate resources (see Issue 1/2025). This trend has continued. It is important to note that many companies in the industry are considering cutting staff to free up additional resources for the AI development. Another reason for layoffs is the successful implementation of artificial intelligence in operational activities. In May, the American CrowdStrike announced plans to lay off 500 employees, which is approximately 5% of the company's global staff. The layoffs will be part of a "strategic plan to develop activities to improve efficiency." The most striking case of layoffs since the beginning of this year was the American Microsoft, which in mid-May announced plans to cut 6.8 thousand people (3% of employees) in order to optimize the management structure. The layoffs mainly affected product specialists and developers, and in June the company announced further optimization of the number of personnel in the sales area. Microsoft is also cutting staff at its Chinese company Wicresoft, which has sparked rumors of its exit from the Chinese market (see case Wicresoft).

Case. Wicresoft layoffs: restructuring or Microsoft's exit from China

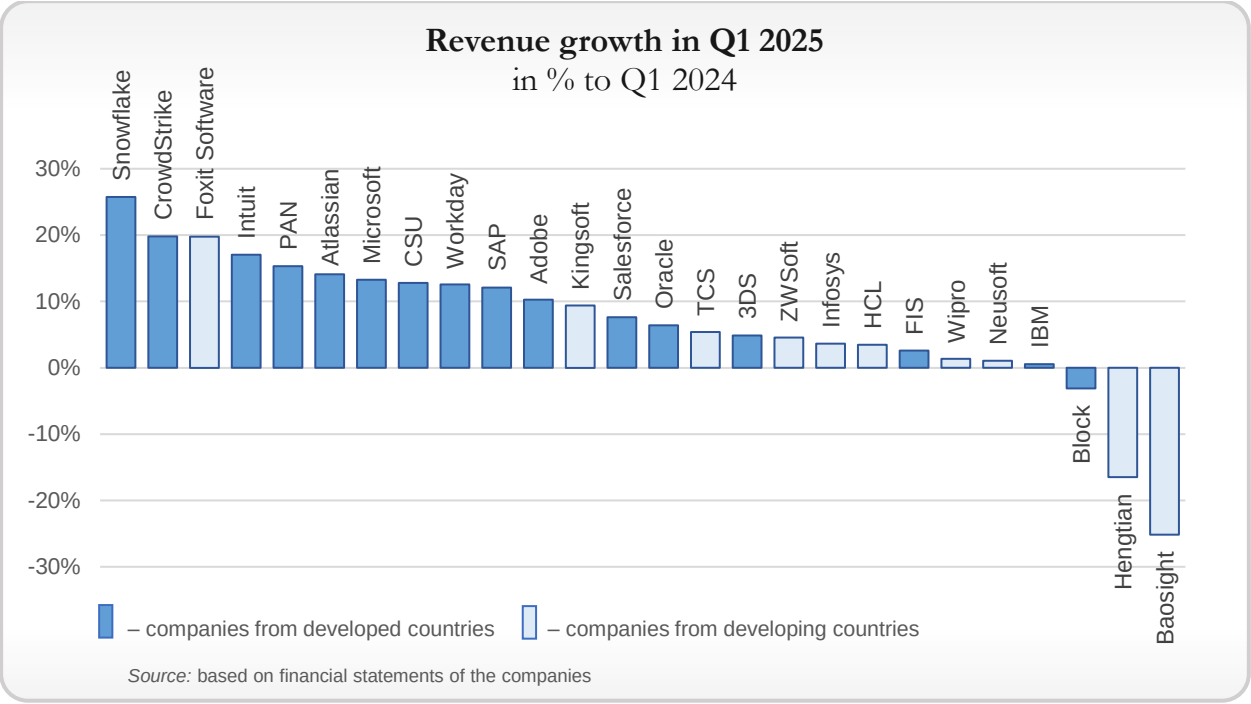
Microsoft is still supporting its products in China through the Wicresoft joint venture, although the US has already pushed Chinese companies to switch to local software. In April, it was reported that the American technology giant was winding down operations in China, cutting about 2,000 employees. Earlier, Microsoft, moving some projects abroad, closed its Shanghai lab specializing in the Internet of Things and AI. And although there are prerequisites for a partial exit from the market, there have been no official statements from the company yet, and Chinese media, citing Microsoft, deny rumors of its departure, calling it only a restructuring.

Source: 3D News

In May 2025, the focus was on the **contradictions faced by the OpenAI startup and its largest investor, Microsoft**. The startup was initially registered as a non-profit organization, with Microsoft, as a key investor, laying claim to 20% of OpenAI's revenue until 2030, and also having access to developments and technologies. Due to the fact that the non-profit organization cannot attract funds in the required volumes, a decision was made to restructure, which implied a transition to a commercial form of business. To implement this initiative, the startup needed to obtain approval from Microsoft, which initiated negotiations, within the framework of which, in particular, the companies decided to revise the terms of previous agreements. Microsoft is not interested in losing access to intellectual property after 2030, for which the technology giant is even ready to sacrifice part of its share in revenue and reduce it to 10%. And OpenAI, according to experts, wants to continue to use investors' funds, but to develop separately and independently, which creates tension between the companies. No final decisions have been made yet, but while in May it seemed that the companies would be unable to reach an agreement and would be forced to terminate their cooperation, by the end of June the relationship had begun to improve, as evidenced by the statement of OpenAI CEO Sam Altman following a conversation with the head of Microsoft: “Obviously, any deep partnership implies points of tension, and we have them. But overall, it has been wonderfully useful for both companies so far.”

News Feed: Software

Revenue dynamics of the largest companies: Q1 2025



Source: based on financial statements of the companies

In Q1 2025, global players in the software market demonstrated positive revenue dynamics — only 3 companies out of 26 closed the quarter with a figure lower than for the same period a year earlier.

American Snowflake (+26%) and CrowdStrike Holdings (+20%) retain their **leading positions**. Snowflake achieved growth due to its focus on artificial intelligence and machine learning, as well as strategic partnerships concluded in 2024 (see Issue 4/2024), which strengthened the company's position in the data management sector. The company notes that it acquired 451 new clients in Q1 2025. CrowdStrike Holdings' revenue growth continues to be driven by high demand for cybersecurity products, as well as the constant expansion of the portfolio of services offered to the market, including those with AI functions. In addition, the company emphasizes the importance of integration with software purchased from the largest American manufacturer of graphics processors and IT solutions NVIDIA, and a new strategic partnership with Microsoft.

For the first time since 2024, the Chinese developer Fujian Foxit Software Development (+20%) became a leader in revenue growth. The company offers on the market an analogue of Adobe's PDF editor; in Q1 2025, it quickly implemented the DeepSeek AI model in its local version of the editor, which ensured good revenue dynamics.

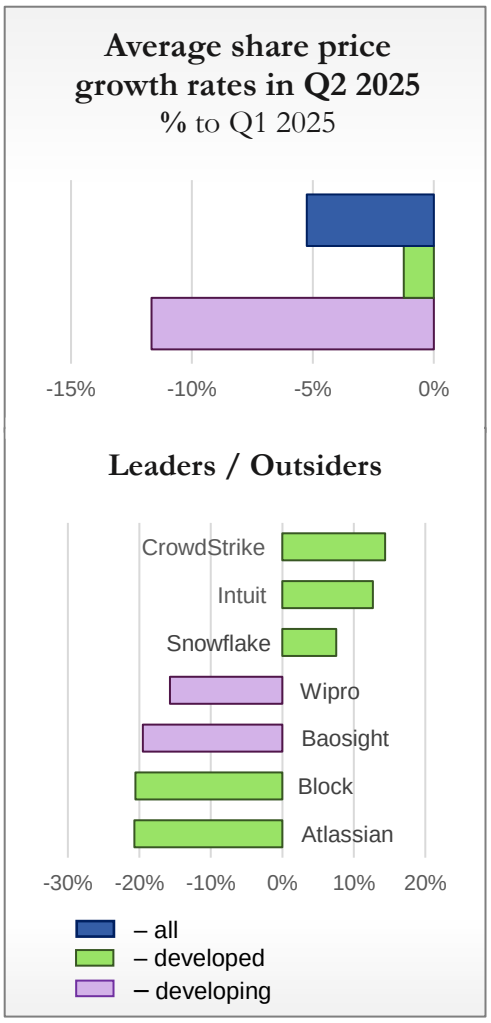
The **outsiders** in Q1 2025 were China's Shanghai Baosight Software (–25%) and Insigma Hengtian Software (–16%). Both companies note high competition in the software solutions market in China, and analysts point to a general increase in the share of accounts receivable in the work of Chinese software manufacturers with clients. Shanghai Baosight Software, which produces industrial software primarily for the steel industry, attributes the cooling demand for steel to the key reason for the decline in revenue.

Among the lagging companies, we can note the American Block (–3%), which specializes in software for payments, banking services and business management. The company attributes the negative revenue dynamics to macroeconomic factors and a decrease in consumer demand due to the season of filing tax returns and processing tax deductions in the USA.

Investors' view: Q2 2025

Most of the largest players in the global software market lost value in Q2 2025 — 17 out of 26 companies demonstrated negative growth in quotes compared to the previous quarter. With an average decline of 5% across the entire sample, companies from developed countries practically did not lose their share value due to the positive assessment of American developers by investors. It is worth noting that among the companies from developing countries, there is not a single one that the market would evaluate positively over the period under review — quotes of Indian and Chinese developers fell by 12% on

average. The key reasons for the negative dynamics include (1) D. Trump's trade policy, which limits the export of American technology giants, in particular, semiconductor manufacturers, which introduces uncertainty into the activities of developers in other developed countries and undermines the development of companies in emerging markets; and (2) the first measurable results of the development and use of artificial intelligence, which do not always coincide with market expectations.



The **leaders** in share price growth in Q2 2025 were the American CrowdStrike Holdings (+14%), Intuit (+13%) and Snowflake (+8%). The market's interest in these companies is explained by several reasons: (1) success in the field of artificial intelligence, namely the implementation of generative technologies in their products; (2) steady growth in operating results published in quarterly reports; (3) the conclusion of strategic partnerships. It is worth noting that CrowdStrike Holdings is a confident leader, whose share price has been steadily growing throughout Q2 2025, while the other two companies experienced negative fluctuations, which were smoothed out by investors' reaction to quarterly reports.

The **outsiders** with the sharpest decline in share price over the period under review include American Atlassian (–21%), Block (–21%), Chinese Shanghai Baosight Software (–20%) and Indian Wipro (–16%). The reason for this situation for all four companies was weak financial results. And, as in Q1 2025 (see Issue 1/2025), American developers demonstrated growth in financial indicators, which turned out to be lower than forecasts, and in the case of Indian Wipro, investors responded to the company's public statements about potential weak results and slowing demand. Chinese Baosight ended both 2024 and Q1 2025 with negative net profit dynamics (–11.3% and –24.6% y/y, respectively) and unsatisfactory forecasts, which negatively affected its value.

TELECOMMUNICATIONS SECTOR

Key trends and events

The intensive development of satellite communications with the participation of telecom operators continues — new players are joining the race, forming a competitive market.

Europe. Germany's Deutsche Telekom joined the SpaceRISE consortium in June, which includes SES, Eutelsat and Hispasat, to build the IRIS2 multi-orbit constellation of 290 communications satellites with EU support. The British and French governments announced a €1.5 billion investment in Eutelsat, the world's second-largest constellation of low-Earth orbit satellites, to reduce Europe's dependence on American Starlink for satellite internet. The European Commission approved the purchase of Intelsat by Luxembourg satellite operator SES, creating one of the world's largest satellite players.

America. Competitors Starlink and AST SpaceMobile are actively expanding and cooperating with telecom operators in different countries and regions. During the second quarter of 2025, Starlink received a license from India to provide satellite communications services; together with T-Mobile, it is launching the T-Satellite service, which allows exchanging SMS, MMS, picture messages and short audio clips; launched the 250th batch of Internet satellites into orbit. AST SpaceMobile has applied to the US Federal Communications Commission for permission to deploy 243 giant cellular satellites in Earth orbit; reported a satellite video call in Japan, made together with the mobile operator Rakuten Mobile; teamed up with India's Vodafone Idea to connect a D2D satellite; together with Britain's Vodafone, it is creating a joint venture SatCo with headquarters in Luxembourg. IT giant Amazon has launched the first 27 satellites in its Kuiper low-orbit communications satellite constellation into orbit using rival SpaceX's Falcon 9 rocket.

Australia. The country's second-largest telecoms company Optus, which partners with Starlink, has joined a consortium to launch and operate a new low-Earth orbit satellite; Australian telecoms operator TPG Telecom sent its first direct-to-smartphone message using the Lynk network of low-Earth orbit satellites.

The **active integration of telecommunications companies into AI technologies and the implementation of AI solutions** continues.

Telecom operators, operating in a mature industry with low growth rates, are increasingly using AI as a source of revenue. According to consulting company STL Partners, which tracks the use of AI among telecom operators, as of May 2025, the number of telecom projects in the field of generative AI increased tenfold compared to the same period last year. About half of the projects are aimed at developing solutions for clients, primarily corporate ones, while the rest are focused on improving internal business processes.

Among the most notable AI initiatives of the second quarter, we would like to highlight the following: Germany's Deutsche Telekom has connected the IBM Concert AI solution to speed up protection against vulnerabilities and improve the efficiency of its IT systems, it has also signed a new agreement with Google Cloud on AI integration and is joining forces with Nvidia to create the world's first industrial AI cloud for European manufacturers; Korea's SK Group has announced a partnership with Amazon Web Services, within the framework of which it will work on the creation of a new AI zone in South Korea; Britain's Vodafone Business and the American software company ServiceNow are joining forces to automate services based on AI; France's Orange has signed an agreement with the American Nvidia to develop AI solutions; Norway's Telenor and the startup Plaato are teaming up to create a brewing complex with artificial intelligence (see case Telenor). For more information on these and other AI cases, see "News Feed: Telecommunications Sector" at the end of the section

Case. Telenor and Plaato team up to create AI brewing suite

Telenor IoT has signed a collaboration agreement with startup Plaato, which aims to transform the brewing industry and other fermentation-based industries with AI. Plaato produces industrial software and sensor products in Europe and the US, and has about 300 customers in 35 countries. The idea is that brewers can view production process data on a single platform and improve performance, including through benchmarking with competitors.

Source: telecoms.com

Consolidation processes in the telecommunications industry are observed in most regions of the world. Low growth rates in the industry are pushing companies towards consolidation — despite resistance from regulators, acquisitions continue in different countries and regions of the world.

United States. T-Mobile has received approval from the Justice Department's antitrust division to buy UScellular, the fifth-largest wireless carrier in the U.S., for $4.4 billion. The company also closed on the acquisition of fiber-optic platform Lumos and is in the process of finalizing the purchase of fiber-optic company Metronet, both deals in a joint venture with private equity firms. Charter Communications and Cox Communications have agreed to merge to create an industry leader in mobile and broadband services. The Federal Communications Commission has given Verizon the go-ahead to buy telecom and media company Frontier Communications.

Europe. Norway's Telenor announced it would acquire GlobalConnect's consumer business for NOK 6 billion to strengthen its position in the fibre market. Spain's Telefónica is exploring the possibility of acquiring domestic rival Vodafone Spain. In the UK, the merger of telecoms companies Vodafone and Three has been completed, creating the country's largest telecoms company by subscribers. Telecom Italia is exploring a possible merger with French rival Iliad, citing consolidation as necessary for the sustainability of Italy's telecoms sector.

In Latin America, a number of deals by Spain's Telefónica (see "Other Q2 2025 Events" at the end of this section) are leading to consolidation and raising regulatory

objections. In Argentina, for example, the antitrust authority CNDC formally objected to the sale of Telefónica's local business to rival Telecom Argentina (the $1.25 billion deal was signed in February 2025).

In Australia, leading telecoms company Vocus Group has cleared regulatory hurdles to complete its A$5.25 billion acquisition of operator TPG Telecom Enterprise.

There is a **lot of activity in the area of submarine internet cables**, driven by the high demand for data transmission. The UK's EXA Infrastructure is building a new high-capacity fibre optic route from London to Frankfurt, Amsterdam and Brussels, which the company claims is the first new submarine cable in the North Sea corridor in 25 years; Indian telecom operator Bharti Airtel has commissioned the Pearls section of the 2Aftica submarine cable (see case Bharti Airtel); and US IT giant Google has announced plans to build a new cable system connecting the US and Spain.

Case. Bharti Airtel connects Mumbai to the Global Network

Indian telecom operator Bharti Airtel has commissioned the Pearls section of the 2Africa submarine cable, providing a new connection for India to the global network. The Pearls segment with a landing station in Mumbai will add 100 Tbps to the country's Internet bandwidth. Airtel's project directly connects India to Africa, Europe, and the Middle East. The increased bandwidth provides new opportunities for Indian businesses, which have long relied on old submarine cables with low bandwidth and reliability, as well as inefficient routing with high latency.

Source: servernews.ru

With damages on the rise, the ***issue of ensuring the safety of submarine cables*** has become increasingly pressing. A group of European operators and cable companies, including Alcatel Submarine Networks, GlobalConnect, NKT, Orange, Proximus, Sparkle, Telefónica, Telenor and Vodafone, have signed an open letter to decision-makers in the EU, UK and NATO calling for closer cooperation in this area.

Telecom operators are rapidly developing security tools due to the increase in cyberattacks. On April 19, South Korean mobile operator SK Telecom discovered malware in its system that allowed attackers to steal a large amount of subscriber data. South Korean authorities launched an investigation, and SK Telecom announced free SIM card replacements for 25 million of its customers. In response to the increase in hacker attacks, operators are rapidly implementing security tools. For example, American network service provider Lumen launched Lumen Defender Plus, a cybersecurity solution that automatically intercepts and neutralizes online threats before they reach enterprise networks; French telecom group Orange has partnered with Finnish cybersecurity company F-Secure to improve its customer protection against cyberthreats and fraud; and leading telecom operators around the world are looking at quantum technologies both to ensure the security of their networks and operations, and to create post-quantum security solutions for corporate clients or consumers.

Analysts note a trend of **telecom operators exiting the television and content space.** Norway's Telenor is selling its 50% stake in the Allente television company, a joint venture

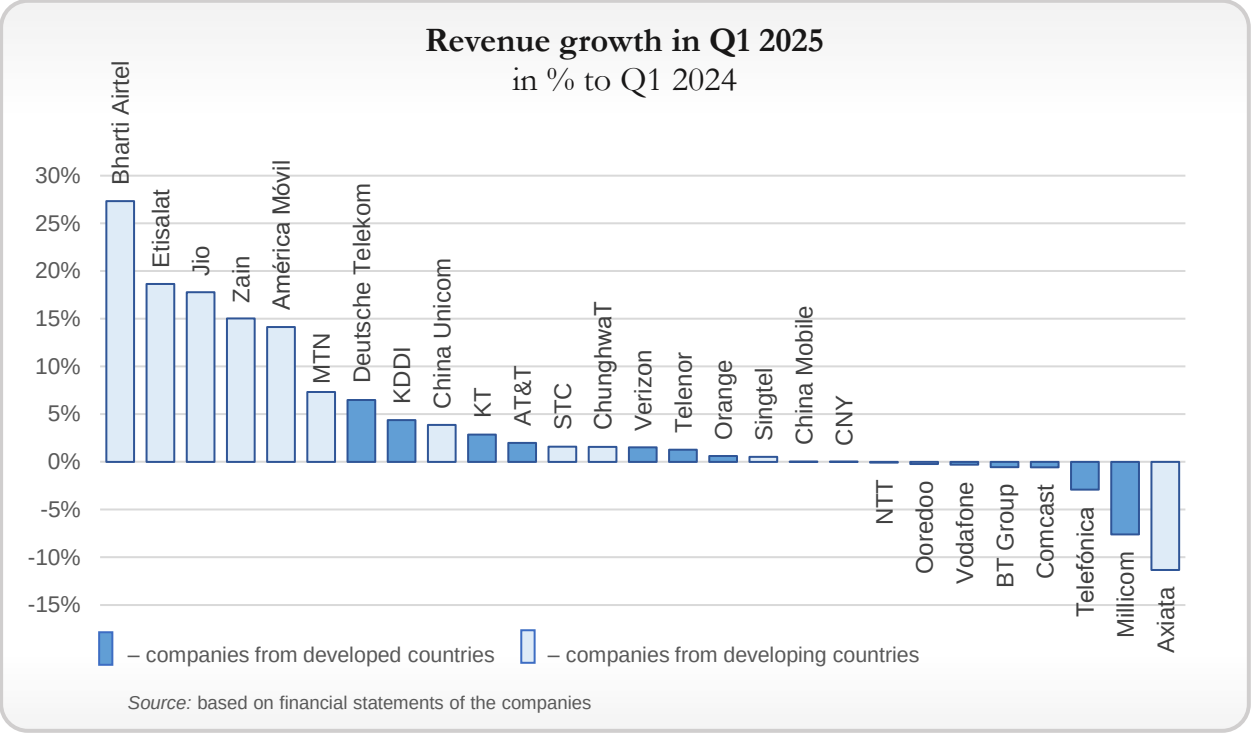
with Swedish media and entertainment company Viaplay. The deal is worth $100 million. Earlier, in February 2025, Swedish telecom Telia concluded a $600 million deal to sell its television and media business. In early July, American operator AT&T completed the sale of a 70% stake in DirecTV for $7.6 billion, exiting the satellite television segment in order to focus on developing key business areas, including wireless communications and fiber optic technologies.

Other Q2 2025 events:

- ***Spanish Telefónica continues to implement its strategy of reducing its presence in Latin America.*** The company plans to focus on four main markets (Brazil, Great Britain, Germany and Spain), the new strategy will be presented in the second half of the year. During the second quarter of 2025, it became known about the sale of problematic operations in Peru to the regional investor Integra for a nominal fee of 900 thousand euros, the sale of 100% of the business in Ecuador to Millicom Spain for 330 million euros, the beginning of the process of selling the same company a division in Uruguay for 400 million dollars, in addition, Telefónica is exploring the possibility of exiting the Chilean market.
- ***The telecom industry is relatively insulated from the global trade war.*** In early April, when the vast majority of stocks fell, the value of telecom operators was relatively unaffected (see Investor Outlook: Q2 2025). However, we should expect an indirect impact on the industry through reduced customer spending on telecom services, increased equipment costs, and a likely slowdown in 5G deployment.
- Countries ***report progress on 6G***. Spain announced achievements in research as part of the Enable-6G project to develop sixth-generation networks, which ended on May 21, 2025. Samsung and South Korean operator KT Corporation signed a memorandum of understanding to jointly research and develop technologies aimed at improving 6G signal quality. The United Kingdom joined the 6G-LEADER project, funded by the European Commission, aimed at developing 6G networks based on AI and machine learning. On July 24, 2025, Chinese operator China Mobile announced the launch of the world's first small-scale experimental 6G network.

News Feed: Telecommunications Sector

Revenue dynamics of the largest companies: Q1 2025



Source: based on financial statements of the companies

Almost three quarters of the world's largest telecom operators (19 companies out of 27 analyzed) increased their revenue in Q1 2025 compared to the same period last year. The pace of industry development has become significantly higher — if the maximum revenue growth in Q1 2024 was +3% y/y, then in Q1 2025 it reached +27%, and a third of the companies in the sample showed rates higher than +3%. The most intensive growth is demonstrated by companies in developing countries. Western operators are developing weakly or with negative dynamics — out of eight players that reduced their revenue, six operate in developed countries. The main driver of industry growth at the present stage is the introduction of AI solutions, integration into satellite communications projects, and exit from unprofitable or non-core areas of activity. It should also be noted that the industry is relatively isolated from the trade war unfolding in 2025 at the initiative of the United States.

The growth **leaders** remain telecom operators from developing countries — India, the UAE, Kuwait and Mexico. The key factors for success are focus on the mobile segment and expansion of the customer base. The highest growth rates were shown by two Indian companies Bharti Airtel (+27%) and Jio (+18%), as well as the UAE operator Etisalat (+19%). Bharti Airtel's success is explained by the strong growth dynamics of India, the recovery of revenue growth in Africa in the reporting currency and the purchase of Indus Towers in August 2024. Etisalat increased its revenue by consolidating the results of e& PPF Telecom — in October 2024, Etisalat acquired a majority stake in the telecommunications assets of PPF Group in Serbia, Bulgaria, Hungary and Slovakia. In the domestic market of the UAE, there was an increase in revenue from mobile communications as a result of the expansion of the customer base and service packages offered, as well as an increase in revenue from international and subscriber roaming, which helped offset the decline in revenue from device sales. Jio's revenue growth, in turn, was

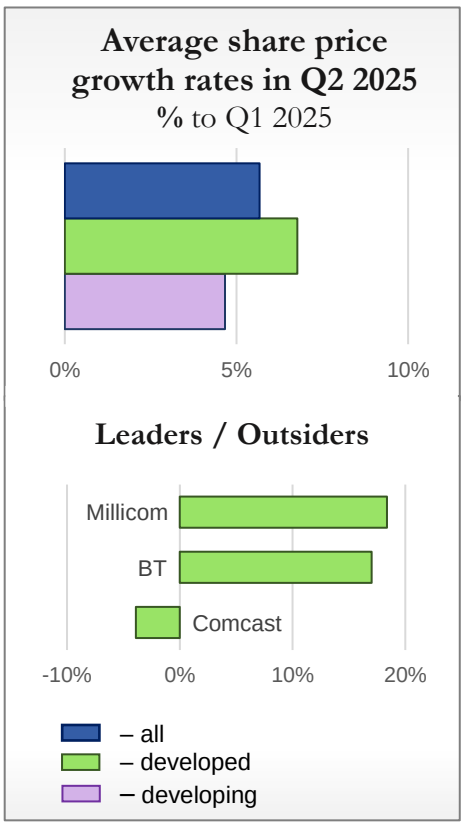
driven by higher mobile tariffs, improved subscriber structure due to the expansion of home connections and growth of digital services.

The list of the top 5 leaders in revenue growth is completed by Kuwait's Zain (+15%) and Mexico's América Móvil (+14%). Zain's revenue growth is primarily due to its successful operations in Sudan (+112%), where the company's customer base expanded by 20% thanks to continuous network development, as well as significant growth in Iraq and Saudi Arabia. América Móvil's revenue increased due to stable growth in postpaid and wireless revenues amid weakening economic activity in Mexico.

The **outsiders** of the quarter were Malaysian Axiata (–11%), Luxembourg Millicom (–8%) and Spanish Telefónica (–3%). A common negative factor for the three companies was exchange rate fluctuations. Thus, Axiata's revenue decreased as a result of the strengthening of the Malaysian ringgit; excluding this factor, revenue fell by only 2.3% due to a decrease in the share of digital telecommunications operations in Bangladesh, infrastructure operations (Link Net) in Indonesia and digital operations of ADA. The negative revenue growth of Millicom, which operates in the Latin American markets, is primarily due to the absence of large B2B projects implemented in Q1 2024, as well as a decrease in exchange rates in Bolivia, Colombia and Paraguay. Telefónica also emphasizes in the report the negative impact of exchange rate fluctuations on revenue; in addition, the operator is actively selling assets in Latin America.

Investors' view: Q2 2025

The global telecoms sector has been the only one of the key sectors of the global economy that has seen investors take a favorable view amid the overall downturn and geopolitical tensions. Telecoms companies operate localized businesses, selling communications services mostly within national borders, so their core business is not directly affected by tariffs. Shares in the vast majority of industries fell after Trump's tariff announcements in early April, but telecoms operators have been relatively unscathed.



The average increase in the share price of the largest players in the industry was +6% compared to the previous quarter, while the quotes of operators from both developed and developing countries increased by 7% and 5%, respectively. The value fell for only 3 of the 27 companies in the sample. In fairness, it should be noted that the food sector also showed positive share growth, however, it was provided by companies from developing countries, while the quotes of Western manufacturers decreased on average.

The fall in stock prices in early April 2025, which was typical for all the world's largest companies, certainly also occurred in the telecommunications sector, but it was minimal — operator quotes quickly returned to the trends that had been laid down before.

The **leaders** of growth were Luxembourg-based Millicom International (+18%), which operates in Latin American markets, and the British BT (+17%). Millicom announced the conclusion of a definitive agreement to acquire Telefónica Móviles del Uruguay S.A. for $440 million, which will expand its presence in Uruguay and the continent. The company's performance for Q1 2025 generally coincided with market expectations, in addition, according to analysts, Millicom is trading below its fair value, which also contributed to the positive dynamics of quotations. BT's share price has been rising steadily since new CEO E Kirkby took over in February 2024. BT's transformation, which has included job cuts, the sale of non-core assets and a focus on its home market in the UK, is paying off, with the company and analysts forecasting stable profits in the 2025/26 financial year (ending March 2026).

The operators that lost value depreciated by less than 4%. The **outsider** of the favorable quarter for the industry was the American Comcast (–3.9%). The company's shares were generally characterized by very high volatility in Q1 – Q2 2025. Operational efficiency and strategic initiatives, such as the launch of new products and expansion in business services and streaming, contribute to the sustainability of the company's financial results, however, the decline in the number of broadband subscribers (by 199 thousand in the first quarter of the year) highlights the problems in the competitive market and affects the overall sentiment of investors.

TRANSPORT AND LOGISTICS

Key trends and events

In Q2 2025, US trade policy continues to influence the global transport and logistics sector:

- **Spot rates rise.** Following the 90-day "ceasefire" agreement between the US and China reached during talks in Switzerland on May 12, spot rates for containerized imports to the US from China have risen sharply, which analysts attribute to pent-up demand and a desire to build up reserves. Rates for shipping from Asia to Europe have also increased, with rates growing at an accelerated pace on routes to the Mediterranean. However, experts predict a drop in demand and a sharp decline in rates in the second half of 2025, which began to happen in late June – early July. Further market dynamics will be determined by decisions by the US Federal Court of International Trade regarding US import duties, as well as decisions on fees for Chinese ships calling at US ports.
- ***A reduction in container imports to the US*** as a result of higher duties and a sharp drop in imports from China (in May, the decline was 29% y/y). The growth of imports from other countries also slowed.
- ***The trend of growth in cargo turnover at Chinese ports continues*** due to the redirection of export flows to other countries and regions — in April, growth was 4.8%, in May 4.4%. Uncertainty in trade with the United States led to growth in Chinese exports to the EU, the Middle East, and India.
- ***Growth in cargo turnover of global civil aviation***, which analysts explain by a number of factors (growth in industrial production and trade, falling prices for aviation fuel), including the ban on duty-free imports from China and Hong Kong (see Issue 1/2025), which, according to experts, simulated advance purchases.

Conflicts in the Red Sea and the Middle East led to the following events in global logistics in Q2 2025:

- In May, the situation in the Red Sea stabilized after the US administration announced a ceasefire with the Houthis, in connection with which the Suez Canal Authority announced the introduction of a 15% fee on passage through the canal for vessels with a net tonnage exceeding 130 thousand tons. The discount is intended to encourage ships to return from the route bypassing Africa.
- Attacks resumed in early July, leading to a sharp rise in the cost of insuring ships passing through the Red Sea.
- Escalation of the conflict in the Middle East, US involvement in strikes on Iran and the possible closure of the Strait of Hormuz, through which about 20% of the world's oil passes, have increased instability in global logistics. Shipping lines began to adjust routes, airlines cancelled flights, and insurance companies began to revise tariffs. On

June 24, 2025, Iran and Israel, with US mediation, agreed to a peaceful settlement of the conflict, which eased tensions in the market.

The industry continues to expand its container fleet. Over the past five years (since the start of the pandemic), the total capacity of the global container fleet has grown by 36%. Over the past two years (since May 2023), growth has been 20%, mainly on the Asia – Europe routes due to the crisis in the Red Sea. Latin America and India/Middle East are also dynamic market segments. According to Alphaliner, the total capacity exceeded 32 million TEU in May 2025. The largest shipping operators are the Swiss MSC (6.7 million TEU), which broke the world record in April (its fleet amounted to 900 vessels), Maersk (4.6 million TEU) and the French CMA CGM (4 million TEU).

Currently, analysts are recording increased activity in placing orders for new ships. Thus, in April 2025, 65 container ships with a total capacity of over 650 thousand TEU were ordered, which is almost twice the average monthly figure for the previous six months.

Port infrastructure is developing at an accelerated pace — large-scale investment projects for the expansion, modernization and development of ports are being implemented on all continents.

One of the world's largest port operators, DP World (UAE), will invest $2.5 billion in the development of logistics infrastructure in 2025, launching projects in India, South America and Europe. Terminal operator Eurogate and the management company of the Port of Hamburg HPA announced the "Western Expansion of the Port of Hamburg" project, investments in which will amount to 1.1 billion euros. French shipping group CMA CGM signed an agreement with Vietnamese Saigon Newport Corporation to develop and implement a new deep-water terminal project in Haiphong (northern Vietnam), investments will amount to about $600 million. In addition, CMA CGM announced that it has accumulated a controlling stake of 51% of the shares of Brazilian Santos Brasil, whose portfolio includes the largest container terminal in South America in the port of Santos. South Korean carrier HMM announced investments in port infrastructure development in the amount of $590 million, and the world's largest maritime operator MSC continues to pursue a deal to purchase Hutchison's terminal assets outside of China, which could give the operator 15% of the world's container terminal market in the future. For more information on these and other projects in the field of port infrastructure, see "News Feed: Transport and Logistics" at the end of the section.

The standoff between the US and China in the global shipbuilding industry is gaining momentum. The introduction of additional charges for entry into US ports for Chinese-built vessels (see Issue 1/2025) is bearing fruit. Thus, tanker operator DHT Holdings announced the sale of the last two Chinese-built vessels in its fleet, and South Korean shipbuilding corporation Hanwha Ocean intends to liquidate the joint venture of the recently acquired Singapore shipyard Dyna-Mac with the Chinese group

China Merchants (see case Hanwha Ocean). In the first half of 2025, Chinese shipyards received the majority of orders for new vessels (51% of contracts), however, this is 70% lower than their share in 2024.

Case. Hanwha Ocean tries to distance itself from China

South Korean shipbuilding corporation Hanwha Ocean is trying to distance itself from China in the context of US policy to limit Chinese dominance in the global shipbuilding industry. Hanwha Ocean intends to liquidate the joint venture of the recently acquired Singapore shipyard Dyna-Mac with China Merchants. The joint venture was created in 2020 with a specialization in offshore shipbuilding.

Source: infranews

On April 30, 2025, an updated version of the SHIPS for America Act, aimed at developing shipping and shipbuilding in the country, was introduced to the US Congress. One of the proposed changes is new sources of revenue, in particular, fines related to the investigation of China's dominance in the industry — fines for tonnage tax now apply not only to ships under the Chinese flag, but also to ships owned by companies that conduct significant business with the Chinese state-owned shipbuilding corporation China State Shipbuilding Corporation (CSSC). In early June, the US Congress passed three bills creating preferences for American companies in maritime logistics and containing restrictions on interactions with Chinese companies, as well as state-owned companies from Russia, Iran and North Korea.

China, in turn, is consolidating its industry: CSSC has received permission to take over China Shipbuilding Industry Company, which will create the world's largest shipbuilding giant (see case China).

Case. China to create world's largest shipbuilding company

Two Chinese shipbuilding giants, China State Shipbuilding Corporation and China Shipbuilding Industry Corporation, have received approval from the Shanghai Stock Exchange for a merger, which was filed last year. The deal is valued at 115.2 billion yuan ($16 billion). The combined shipbuilding company will become the largest in the world, with assets of about 400 billion yuan and annual revenue of about 130 billion yuan. It is noted that this merger continues the process of consolidation of Chinese shipbuilding. Additional approvals from Chinese regulatory authorities are required to close the deal.

Source: portnews

Other significant industry **trends and events** in Q2 2025:

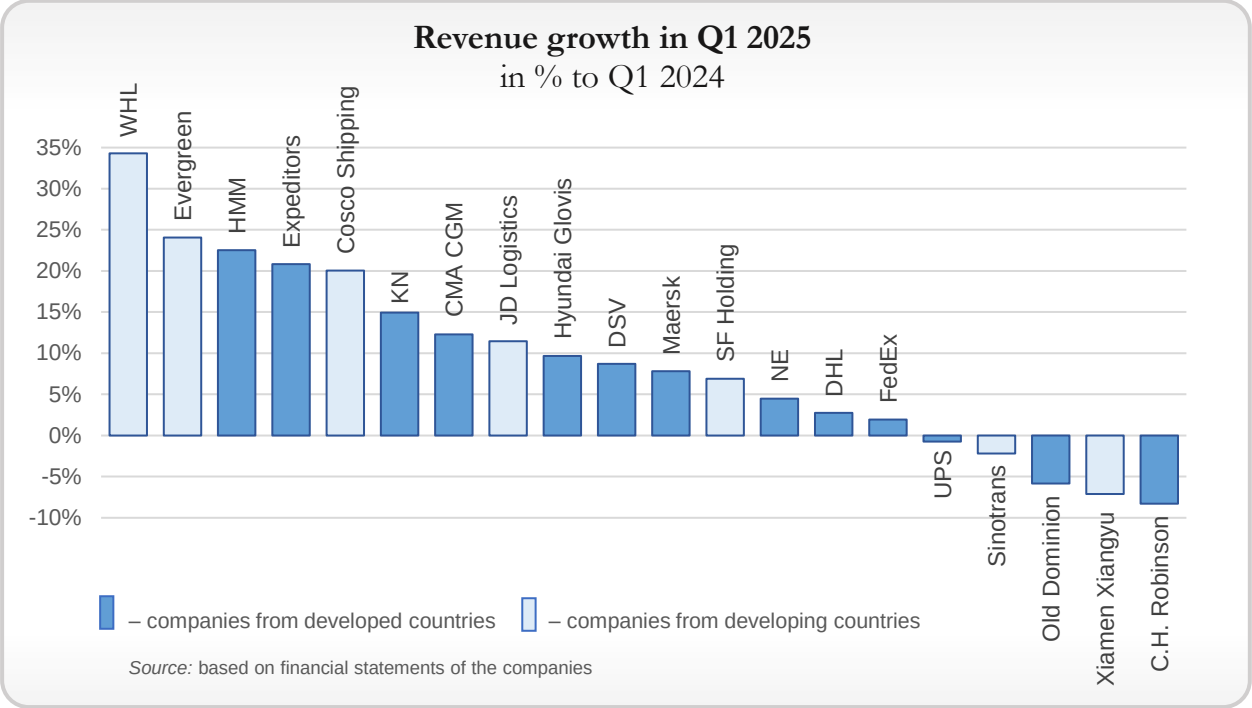
- ***Green logistics projects.*** The biggest initiatives of the quarter: the hull of what will become the world's largest battery-powered vessel has been launched at the Australian shipyard Incat; Hong Kong's Seacon Shipping has ordered a small container ship with an electric propulsion system (the world's first electric vessel for not only transportation but also training); HD Hyundai and Maersk signed a memorandum of understanding to cooperate on decarbonization solutions for ships; China's Ningbo-Zhoushan Port and the ports of Hamburg and Wilhelmshaven in Germany, as well as the Port of Valencia in Spain, agreed to build green shipping corridors to promote low-carbon cooperation between China and Europe in the port

sector; India and the Netherlands agreed to build a green and digital shipping corridor between the Port of Rotterdam and Indian ports.

- ***Implementation and development of IT technologies***. During the quarter, a number of initiatives in the field of technological development and/or integration of operators into the IT industry were launched. Japanese shipping company MOL signed an agreement with Turkish energy company Kinetics to create an autonomous offshore floating data center (DPC) with its own power plant. France's CMA CGM announced a strategic partnership with domestic IT company Mistral AI and will invest $110 million over five years to develop customized AI solutions. DHL will deploy 1,000 additional robots across its facilities worldwide after signing a strategic memorandum of understanding with Boston Dynamics, a global leader in advanced robotics.
- ***India has launched a major shipbuilding development programme***, which includes the creation of eight new shipbuilding and ship repair clusters on both coasts of the country. The ambitious project is being implemented as part of the Atmanirbhar Bharat (Self-Reliant India) strategy — the country plans to increase its share of the global shipbuilding market from less than 1% currently to 7% by 2030 and to 69% by 2047.
- The Singapore Strait, through which about 30% of global trade flows pass***, has become an epicentre of criminal activity***. In the first half of 2025, 90 cases of piracy and armed robbery were recorded — 50% more than in the same period in 2024.
- ***Massive job cuts announced in ground logistics.*** German postal and logistics company DHL Group has announced a cost-cutting plan that includes cutting 8,000 jobs in Germany in 2025 and saving more than €1 billion in annual costs by 2027. US-based UPS will cut around 20,000 jobs, or nearly 4% of its workforce, and close 73 buildings, expected to cut costs by around $3.5 billion.

News Feed: Transport and Logistics

Revenue dynamics of the largest companies: Q1 2025



The largest players in the global transport and logistics sector have started 2025 quite successfully — three quarters or 15 out of 20 analyzed carriers were able to increase revenue in Q1 2025 compared to the same period of the previous year (for comparison: in Q1 2024, only half of the companies showed positive growth). The key factor in such industry dynamics remains high freight rates in the sea transportation segment, caused by high demand and the desire to create reserves in the face of uncertainty associated with US trade policy. However, analysts expect a slowdown in the industry's development in the second half of 2025.

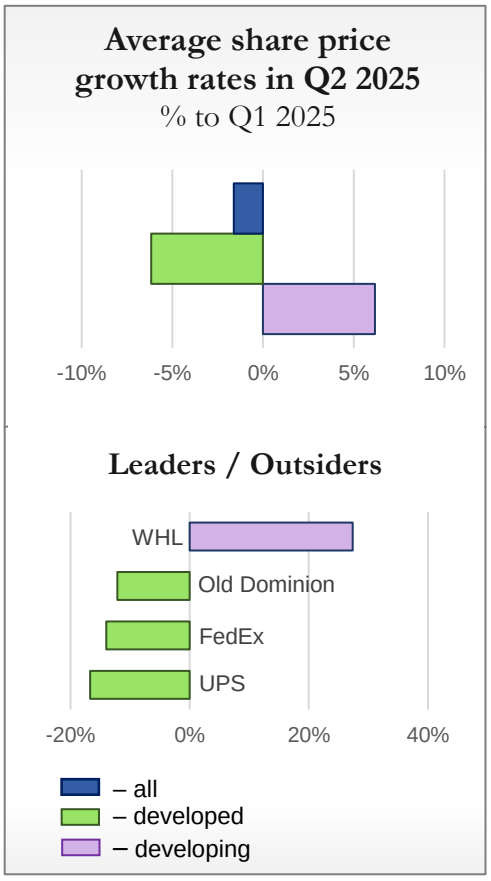
The growth **leaders** in Q1 2025 remain Taiwanese shipping operators Wan Hai Lines (+34%) and Evergreen Marine (+23%). At the beginning of the quarter, container import volumes to the US reached record levels in anticipation of the tariffs announced by D. Trump (see Issue 1/2025), analysts also note stable demand on routes within the Asian region, despite the fall in freight rates on them, which in total increased the companies' revenues.

Two other market players showed growth rates above 20%: South Korean HMM (+23%) and American Expeditors International (+21%). The reasons for the growth also include the rush demand for transportation caused by D. Trump’s tariffs. Expeditors International’s air cargo tonnage grew by 9%, sea container transportation by 8% y/y, which, given high freight rates, gave a large increase in revenue. Expeditors CEO Daniel Wall described the situation as follows: “While we have often shown good results in conditions of maximum market unpredictability, I am not sure that any of us have ever faced anything like this: the non-stop, rapidly changing set of rules and regulations that has affected our industry in recent days.”

The **outsiders** of Q1 2025 were land carriers — American C.H. Robinson (–8%) and Old Dominion Freight Line (–6%), as well as Chinese Xiamen Xiangyu (–7%). The industry-wide problems of American companies consist of weak performance of the North American land transportation segment, primarily cargo. The sale of the European land transportation division Europe Surface had an additional negative effect on C.H. Robinson's revenue. Despite the drop in revenue, the dynamics of the financial indicators of Chinese Xiamen Xiangyu began to improve — the rate of revenue decline slowed (in 2024, it amounted to –20%), and net profit in Q1 2025 increased by 25% due to the rejection of low-margin transactions in metal trading.

Investors' view: Q2 2025

The attractiveness of the largest representatives of the global transport and logistics sector in the second quarter of 2025 was assessed by investors in different directions. Despite the general uncertainty and geopolitical tension, as well as the fall in value in early April as a result of D. Trump's tariff policy, a number of carriers, mainly sea operators from developing countries, were able to recover and increased in value. The average drop in the value of shares of companies in the sample was 2%. The main contribution to this dynamic was made by American carriers (5 in the sample), whose quotes fell by an average of 11%. Companies from developed countries lost about 6% of their value, while Chinese and Taiwanese carriers, on the contrary, were able to inspire investors and grew by an average of 6%.



The **leader** in growth was Taiwanese shipping company Wan Hai Lines (+27%). The main jump occurred in mid-May 2025 after the carrier announced financial results for Q1 2025, which significantly exceeded analysts' expectations. The company has consistently shown high rates of profit growth over the past few years, and the overall growth of the Taiwanese stock market also played a certain role in the dynamics of the shares due to active purchases in the non-tech sector, including by foreign institutional investors.

The first quarter's **outsiders** continued their negative dynamics, remaining in the last places in terms of attractiveness to investors in the second quarter as well. These are the American UPS, FedEx and Old Dominion Freight Line, which lost 17%, 14% and 12%, respectively, in the second quarter of 2025. The value of the companies fell during January – March (see Issue 1/2025) and after another decline in early April due to

D. Trump's tariff policy, they practically did not recover, stopping at the achieved low level. Old Dominion shares showed the greatest volatility in the second quarter. Thus, on April 23, 2025, the shares rose by 9% after the company reported first-quarter financial results, which were negative, but exceeded expert expectations. However, 30 minutes later, the shares lost almost all of their gains, which reflects a broader trend in the American logistics sector, which has faced difficulties due to fluctuations in fuel prices, labor problems and changes in the demand structure.

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