

CHANCES AND CHALLENGES FOR STEEL PROFILES IN CENTRAL EUROPE

Jerzy Bernhard, Chairman of Stalprofil S.A.

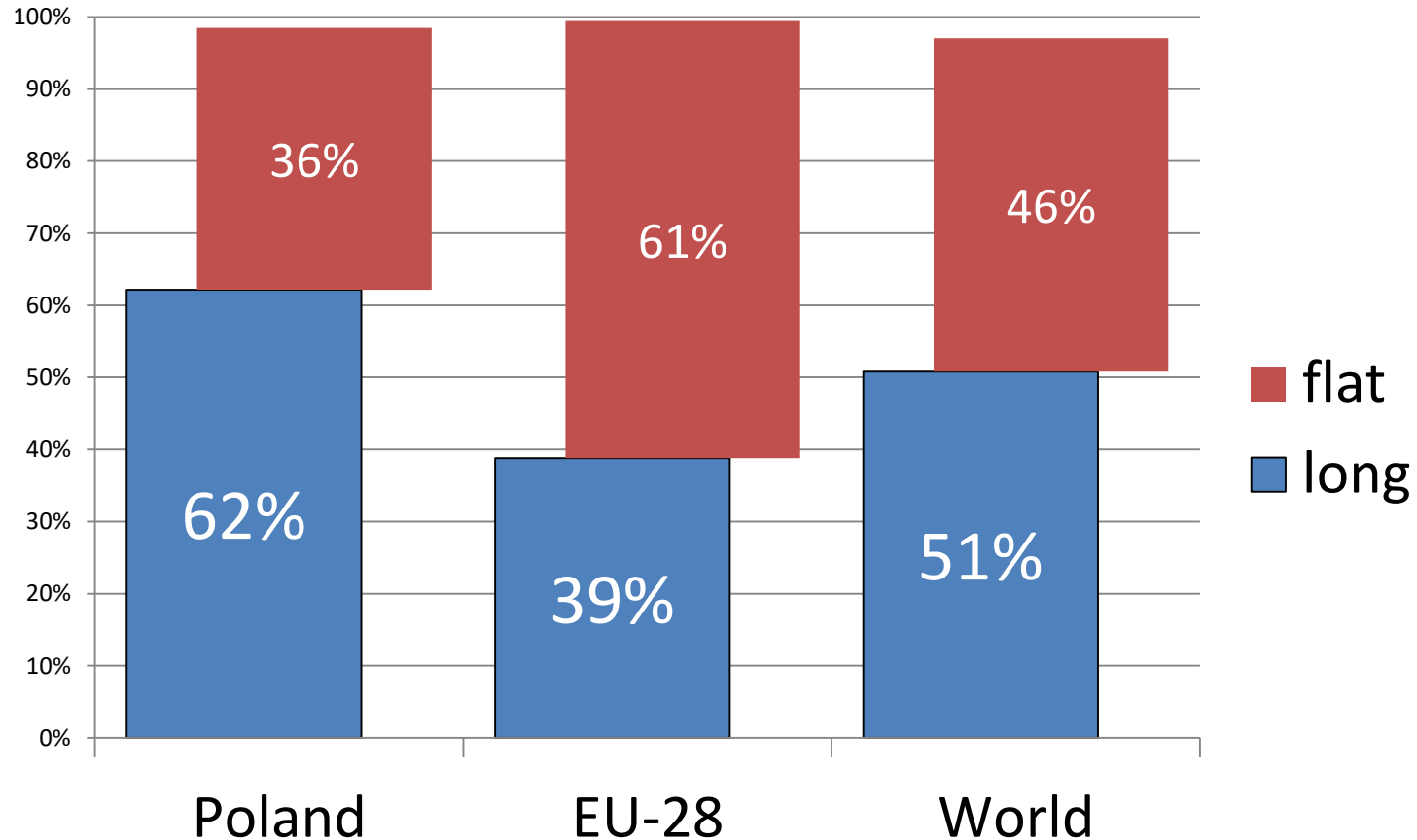
Grupa Kapitałowa Stalprofil S.A.

Stalprofil S.A. Capital Group

Stal Wspólnym Mianownikiem

Steel as a common denominator

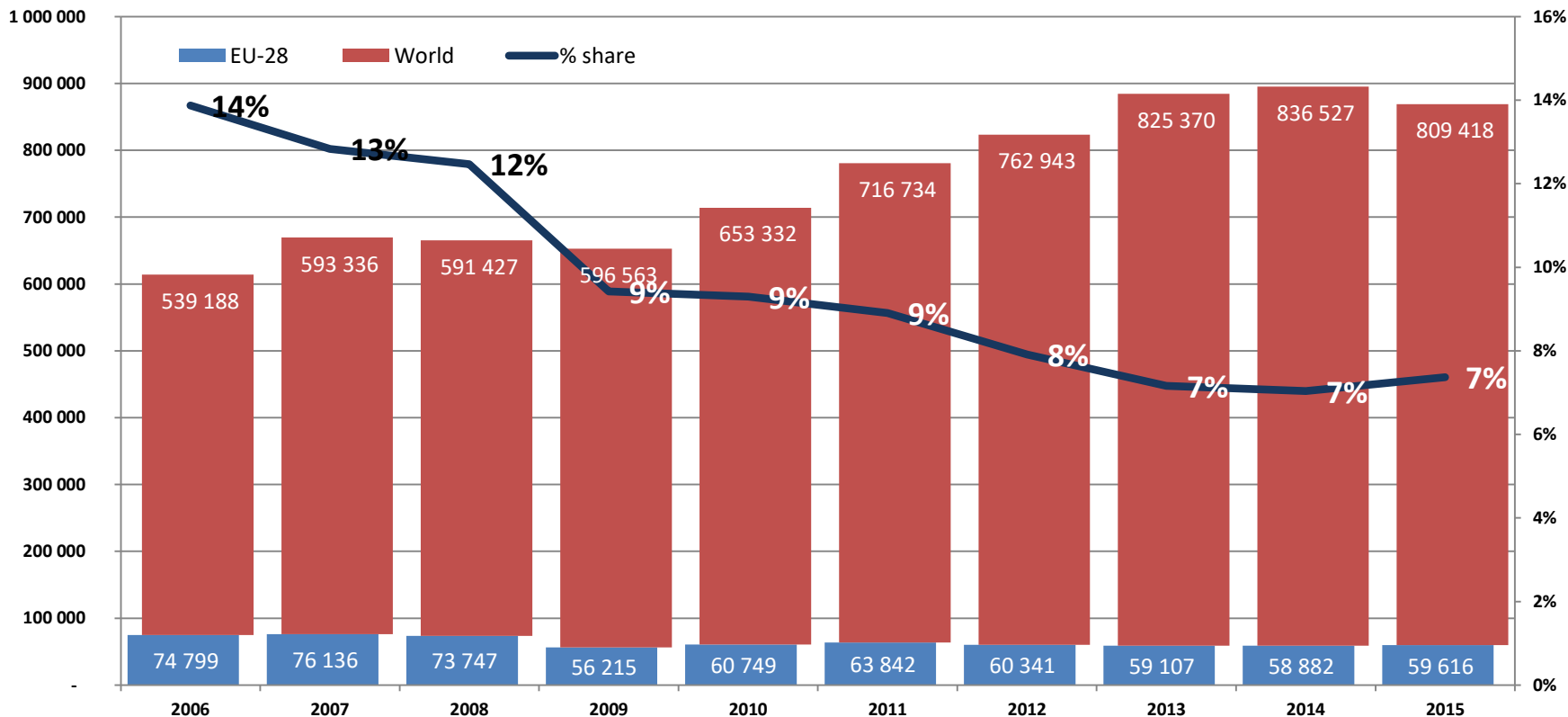
Structure of hot-rolled production on particular markets broken down to long and flat products



Source: Stalprofil, based on World Steel Association data

EU-28 share in world production of long hot-rolled products decreases gradually

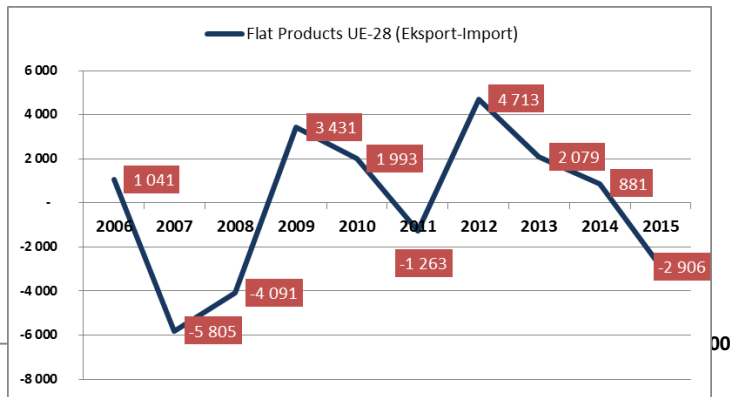
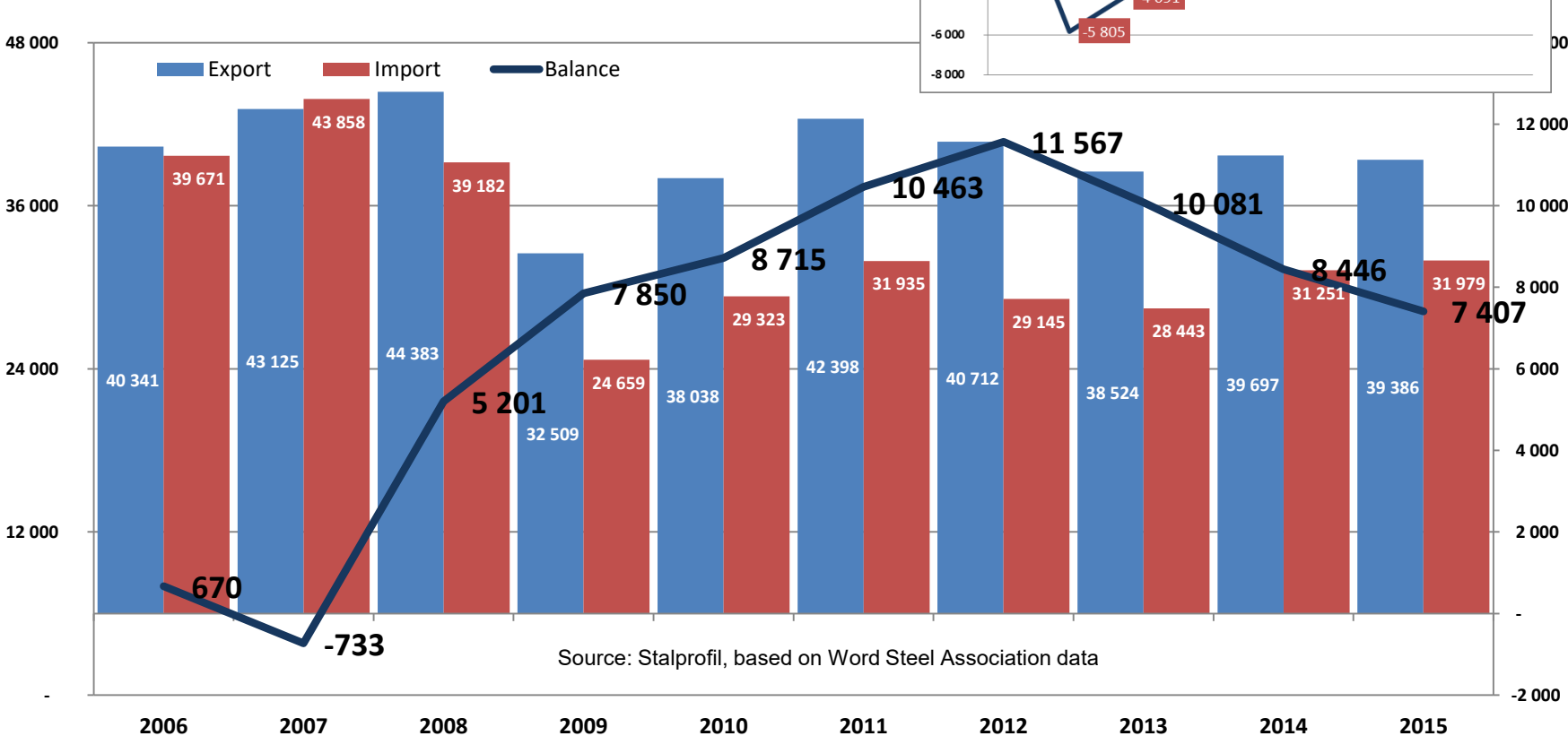
Production of hot-rolled long products



Source: Stalprofil, based on World Steel Association data

EU-28 is a net exporter of long products but the trade balance has been decreasing in the recent years

Export/import of long products in the EU-28



In general the EU does not protect itself from long products imports

5 ANTIDUMPING PROCEDURES
OPENED

ASSORTMENT: hot-rolled plates,
reinforcing bars, seamless pipes

IMPORTED from: Brasil, Iran,
Russia, Ukraine, Serbia,
Belarus, China

10 ANTIDUMPING PROCEDURES
CLOSED

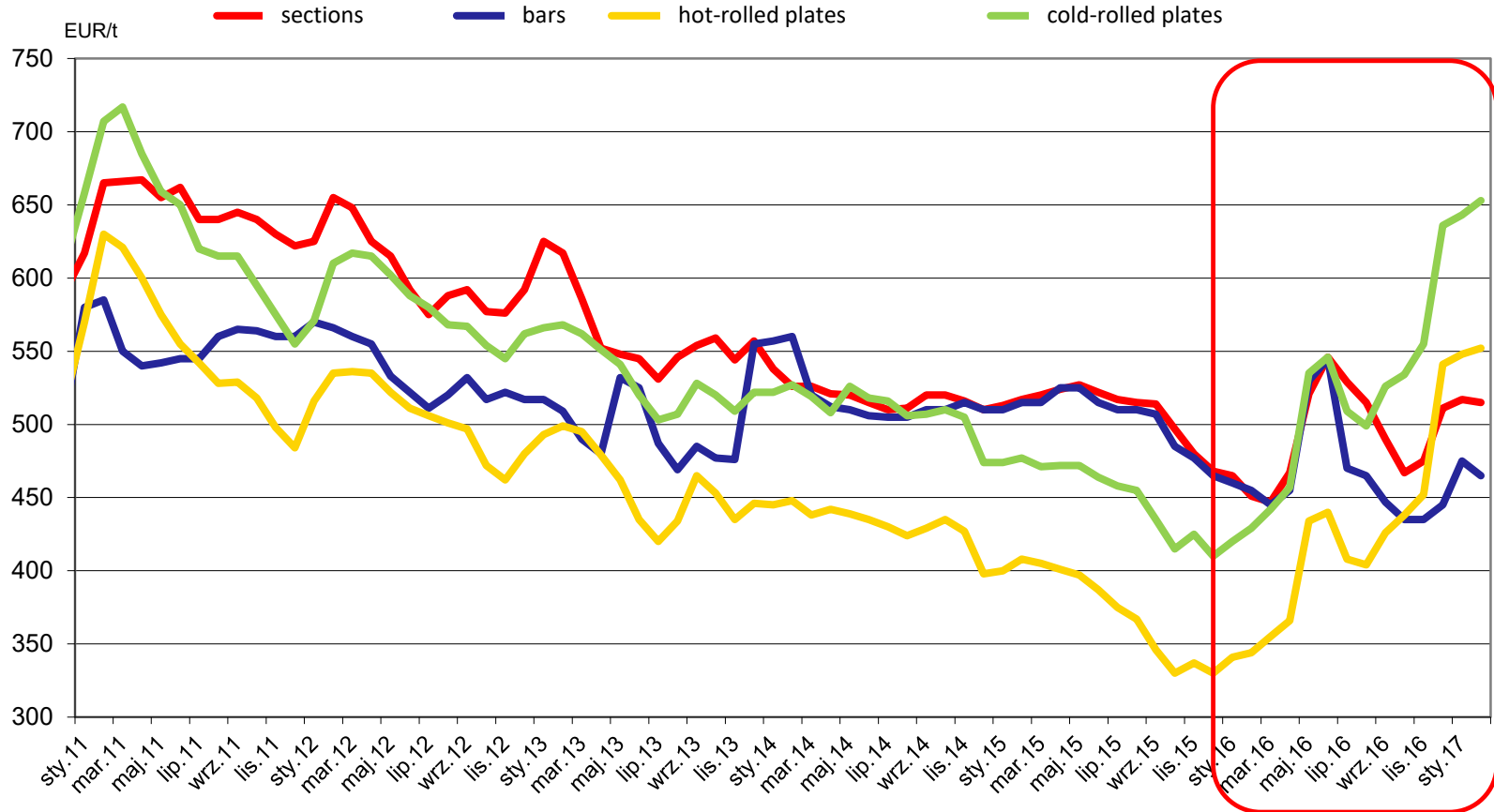
ASSORTMENT: cold-rolled plates, thick
plates, electrotechnical plates, organic
coated plates, seamless pipes, welded
pipes, wire rod, reinforcing bars of higher
durability

IMPORTED from: Russia, Japan,
South Korea, USA, Belarus,
China

Source: Stalprofil, based on HIPH data

EU protective action limited flow of plates from outside causing delivery gaps and more dynamic growth of prices

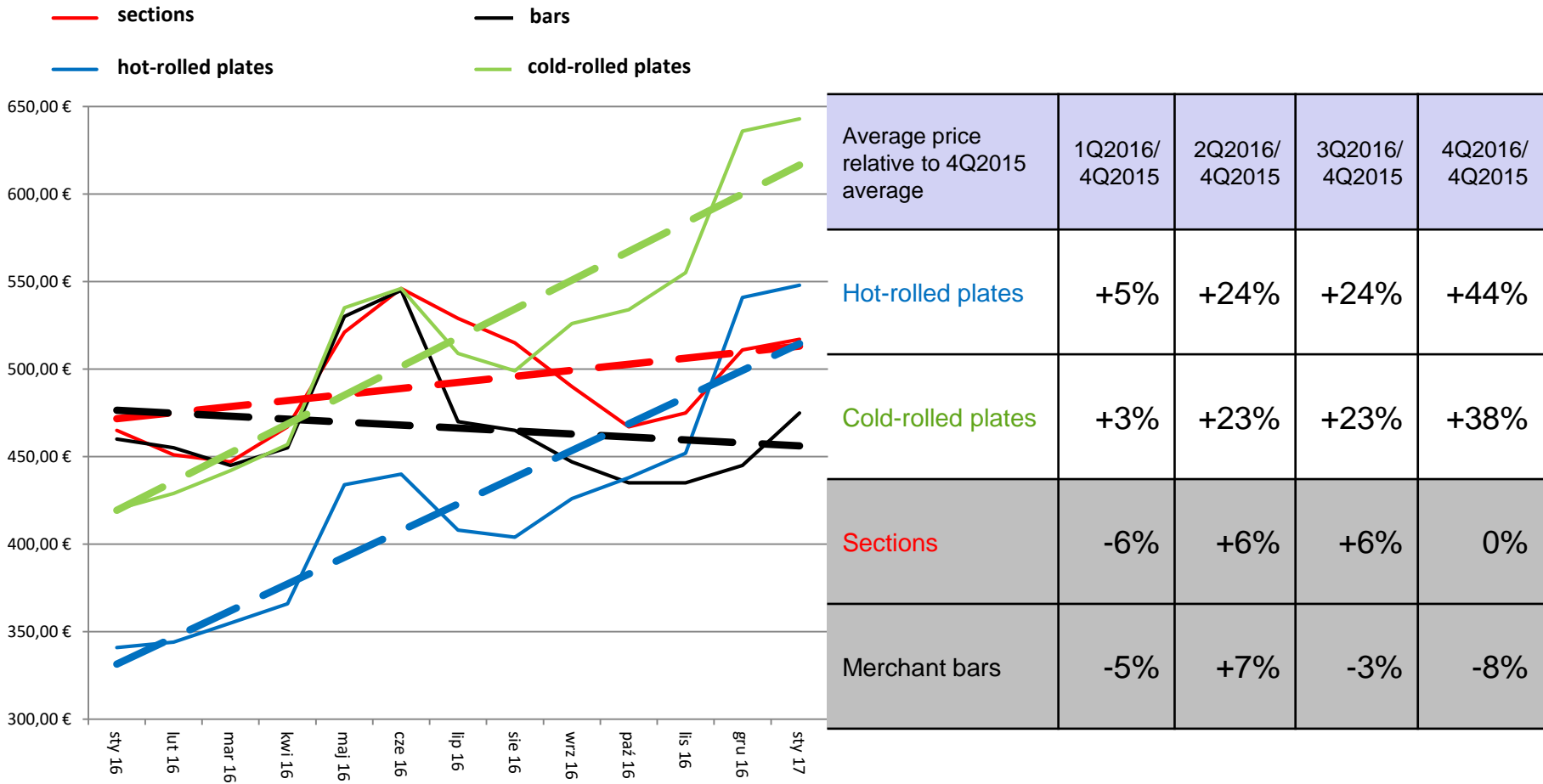
Steel products prices dynamics on the European market during I 2011 - II 2017 period



Source: Stalprofil, based on Steel Business Briefing data

2016 price trends differed between assortments and were not quite good for long products

European prices change for steel products in 2016, according to SBB



Source: Stalprofil, based on Steel Business Briefing data

2016 raw steel production in Poland was 9 million tonnes. Mills produced 8.8 million tonnes of steel products

2 811 thousand tonnes



Hot-rolled plates

1 202 thousand tonnes



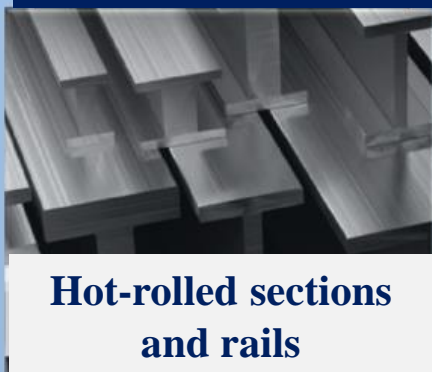
Wire rod

1 626 thousand tonnes



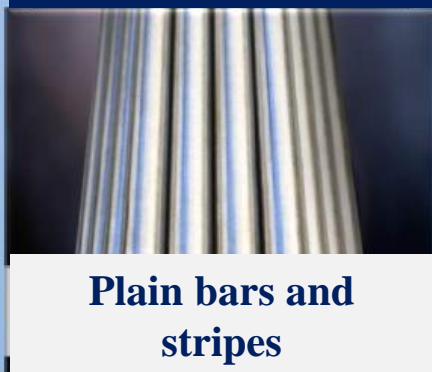
Reinforcing bars

1 638 thousand tonnes



**Hot-rolled sections
and rails**

980 thousand tonnes



**Plain bars and
stripes**

849 thousand tonnes



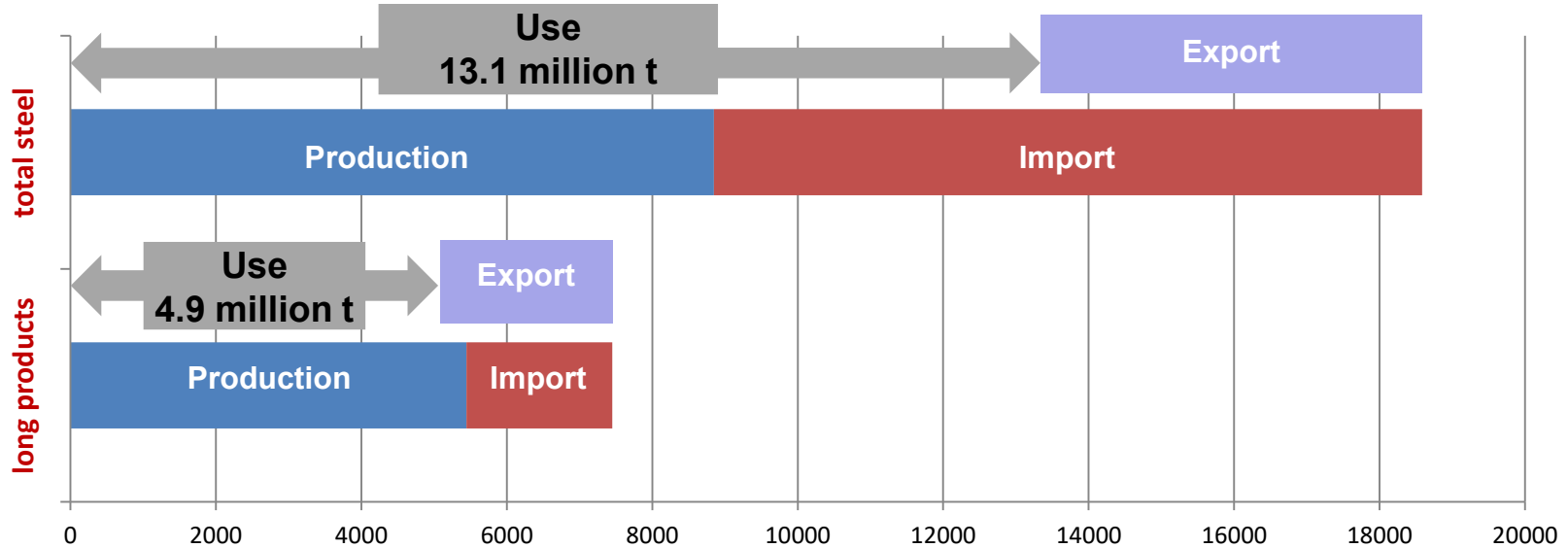
Pipes

Steel products total: 8 848 thousand tonnes

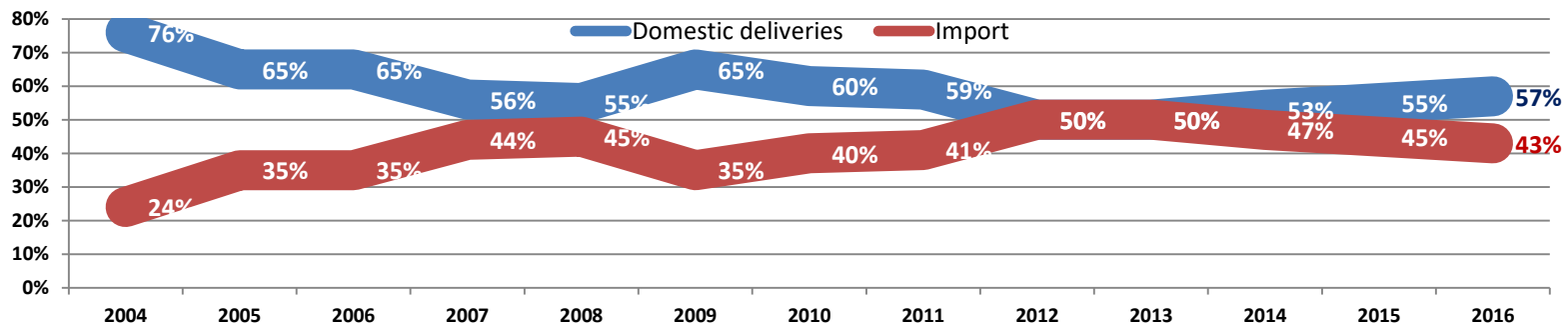
Source: HIPH

2016 domestic steel use increased by 4% to 13.1 million tonnes. Long products use increased by just 1%, to 4.9 million tonnes

2016 total steel and long products use in Poland



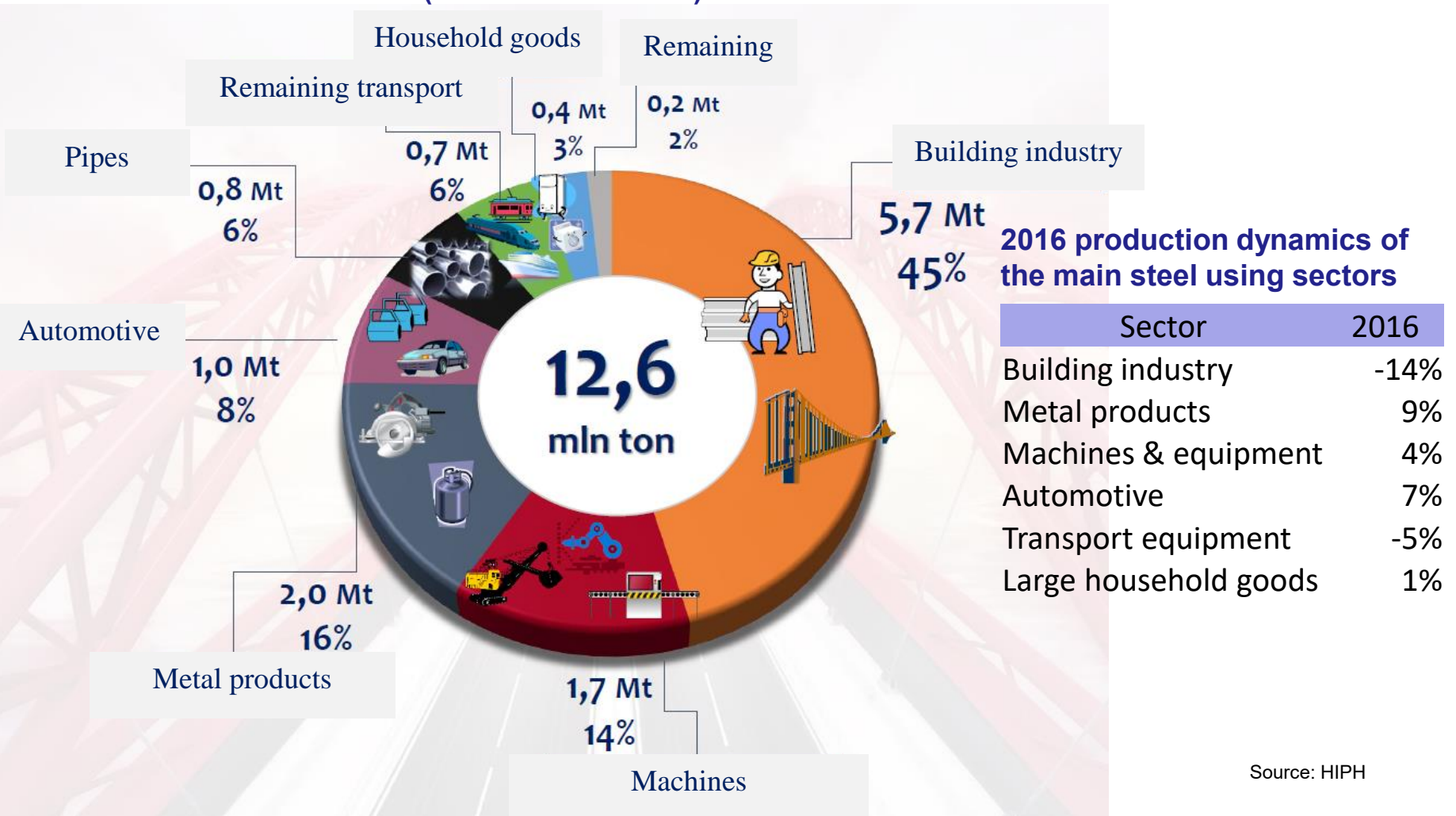
Long products domestic deliveries structure



Source: HIPH

Steel use increased despite its biggest consumer – building industry – suffered 14% decline of production in 2016

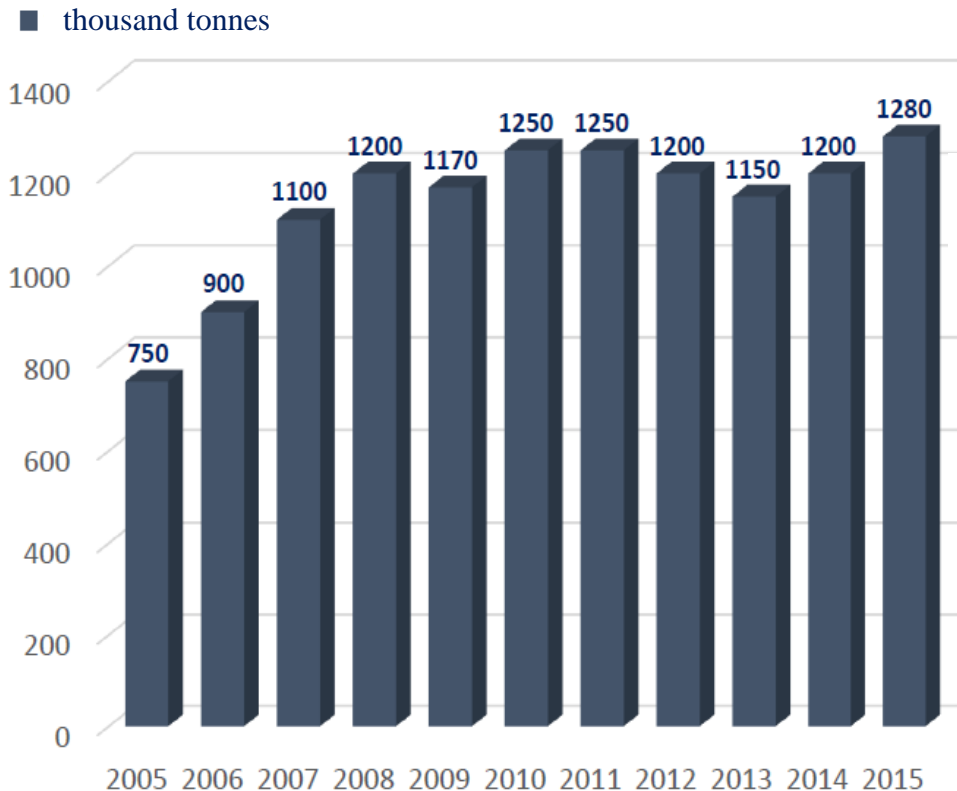
Steel using sectors in Poland
(2015 use structure)



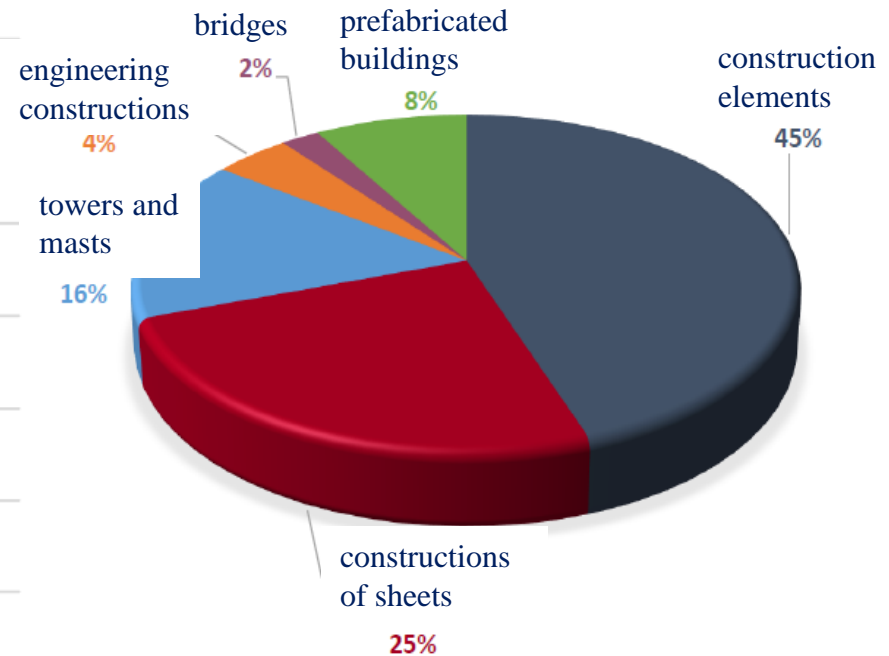
Source: HIPH

Steel constructions producers use significant quantity of long products

Production of steel constructions in Poland



PRODUCTION STRUCTURE IN 2015



Source: HIPH

Long products sales is not an easy task and specific requirements need to be fulfilled

1. Wide range of long products is necessary because of diversity of sections, their size and steel type (eg. Stalprofil continuously offers about 3200 assortments of long products)

2. Large working capital

2. Indispensable wide offer and large amount of long products stock (eg. about 25 mln EUR in Stalprofil at the end of 2016) prolongs rotation of some assortments even up to 120 days and requires large working capital

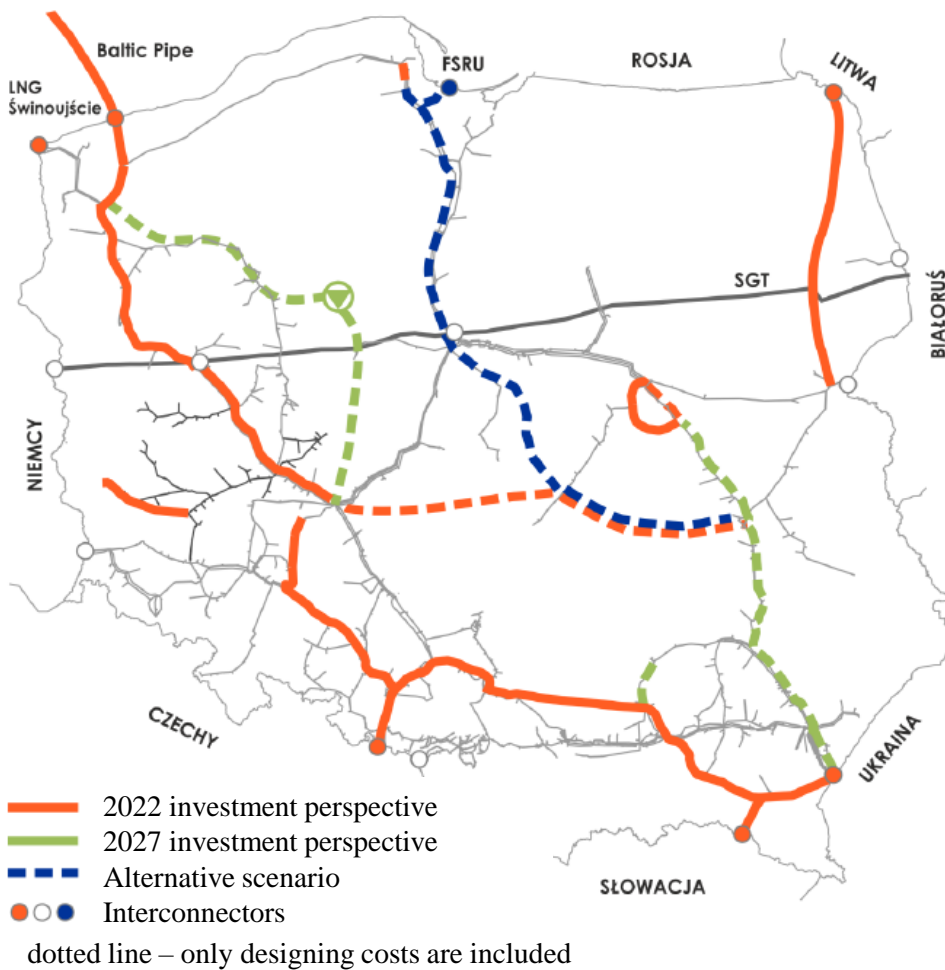
1. Wide assortment

3. Modern logistics

3. Completion of deliveries, often for a specified construction plan, requires cutting to size services and completing very shredded orders. In case of Stalprofil daily average of trucks served is 120 (in/out), average loading for one truck is 8.6 tonnes of 8 assortments, average weight of one assortment is about 1.1 tonnes

In two years Gaz-System plans to finalise auctions for delivery of about 700 km of steel pipes weighing 300 thousand tonnes

Investment plans for 2018-2027

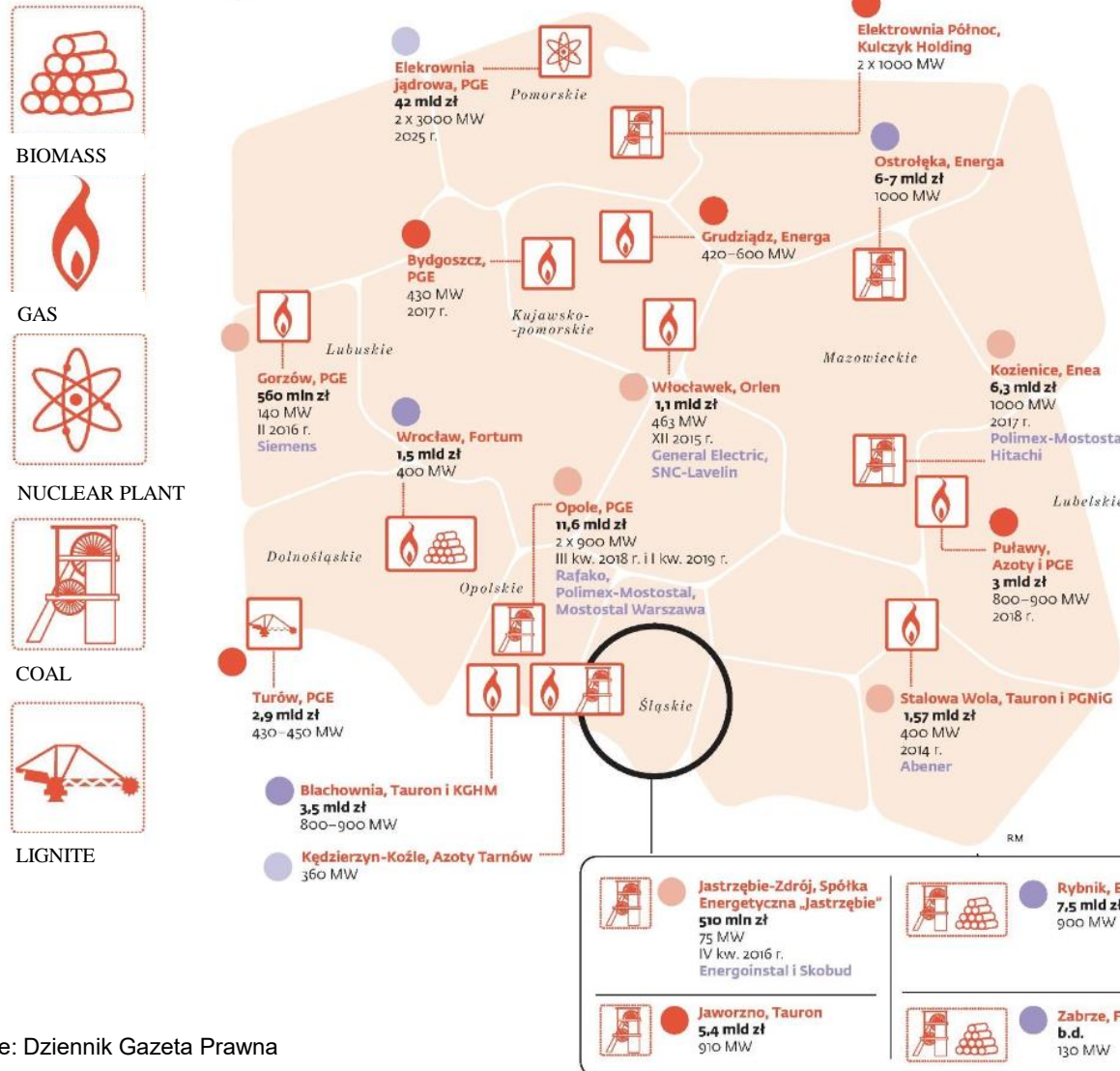


	Inwestycja	Średnica DN [mm]	Długość [km]
INWESTYCJE W PERSPEKTYWIE 2022			
1	Lwówek – Odolanów	1000	1,68
2	Czeszów – Wierzchowice	1000	14
3	Czeszów – Kielczów	1000	33
4	Polkowice – Żary	300	64
5	Zdzieszowice – Wrocław	1000	130
6	Zdzieszowice – Kędzierzyn	1000	19
7	Polska - Czechy	1000	54
8	Tworóg – Kędzierzyn	1000	43
9	Tworóg - Tworzeń	1000	56
10	Pogórska Wola – Tworzeń	1000	1,60
11	Strachocina – Pogórska Wola	1000	98
12	Polska – Słowacja	1000	58
13	Hermanowice – Strachocina	700	72
14	Rembelszczyzna - Mory	700	28
15	Mory – Wola Karczewska	700	91
16	Polska – Litwa	700	357
17	Goleniów – Płoty	700	41
18	Wiczlino – Reszki	700	8
19	Rembelszczyzna – Wola Karczewska*	1000	54
20	Niechorze – Płoty	1000	40
21	Baltic Pipe	900	280
22	Goleniów - Lwówek	1000	1,88
23	Łódź – Wronów*	1000	265
24	Odolanów – Łódź*	1000	1,40
25	Gustorzyn – Łódź*	1000	1,45
26	Reszki – Gustorzyn*	1000	2,50
27	Przyłączenie FSRU		
28	Polska – Ukraina	1000	2
INWESTYCJE W PERSPEKTYWIE 2027			
28	Wola Karczewska – Wronów*	1000	81
29	Rozwadów – Końskowola – Wronów*	700	103
30	Jarostaw – Rozwadów*	700	60
31	Hermanowice – Jarostaw*	700	39
32	Swarzów – Zborów*	700	1,33
33	Damaśławek – Goleniów*	1000	2,50
34	Damaśławek – Mogilno*	1200	50
35	Mogilno – Odolanów*	1000	1,50
36	KPMG Damaśławek		

*projektowanie

Source: OGP Gaz-System S.A.

Plans of investments in energy are huge and 1 MW of additional power requires about 35 tonnes of steel



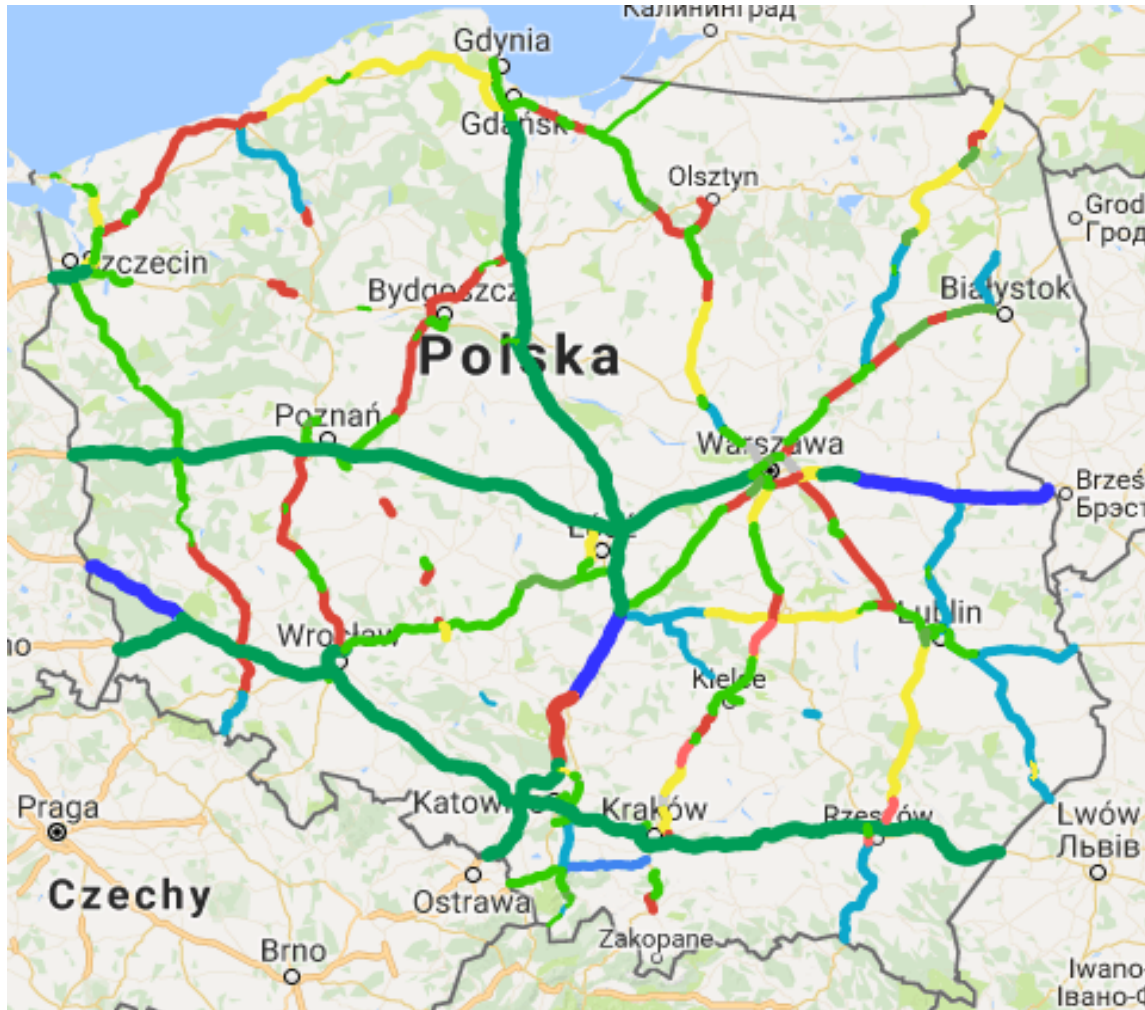
As the largest investments until 2020 there should be running power units with a total capacity of approx. 6000 MW.

Approx. 210 thousand tonnes of steel will be used for their construction.

Source: Dziennik Gazeta Prawna

Plan for roads and motorways construction assumes spending above 77 billion PLN on investments in 2017-2020

Current execution of express roads and motorways construction plan



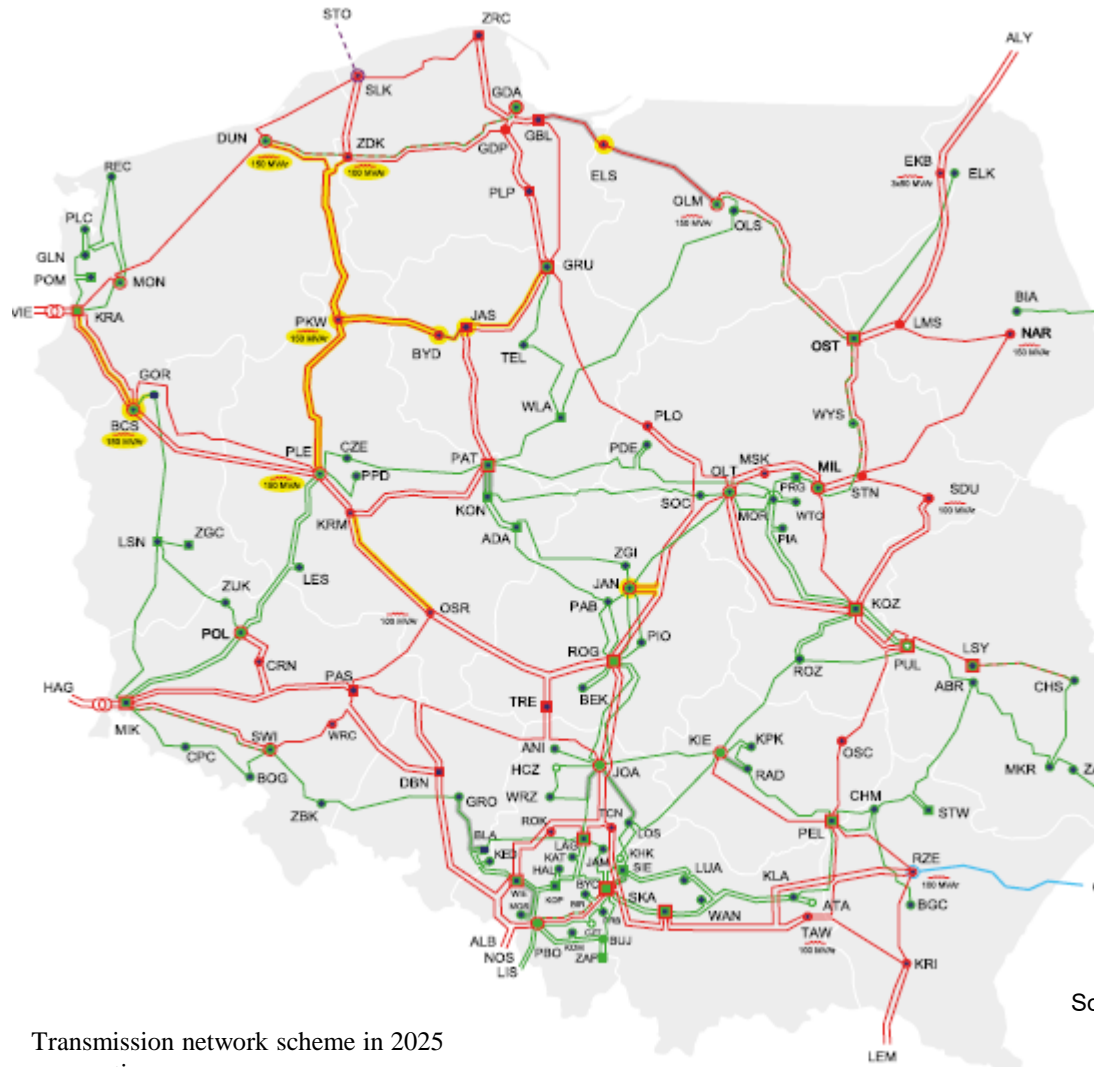
According to GDDKiA report on construction of roads currently 1300 km of roads is in construction and 700 km is being auctioned.

LEGEND

- existing
- in construction (since signing a deal with an executor)
- auctions
- planned

Source: rynekinfrastruktury.pl, wnp.pl, wrut.pl

Transmission System Development Plan amounts to 13.2 billion PLN until 2025



Until 2018 Polskie Sieci Elektroenergetyczne plans to construct, and also modernize, 3,2 thousand km of transmission lines. Projects worth of 7,5 billion PLN have been already contracted for the coming years.

Legenda

- 750 kV network
- 400 kV network
- 220 kV network
- 400 kV network, temporarily functioning at 220 kV
- ● ● distributive stations
- ■ ■ stations at power plants

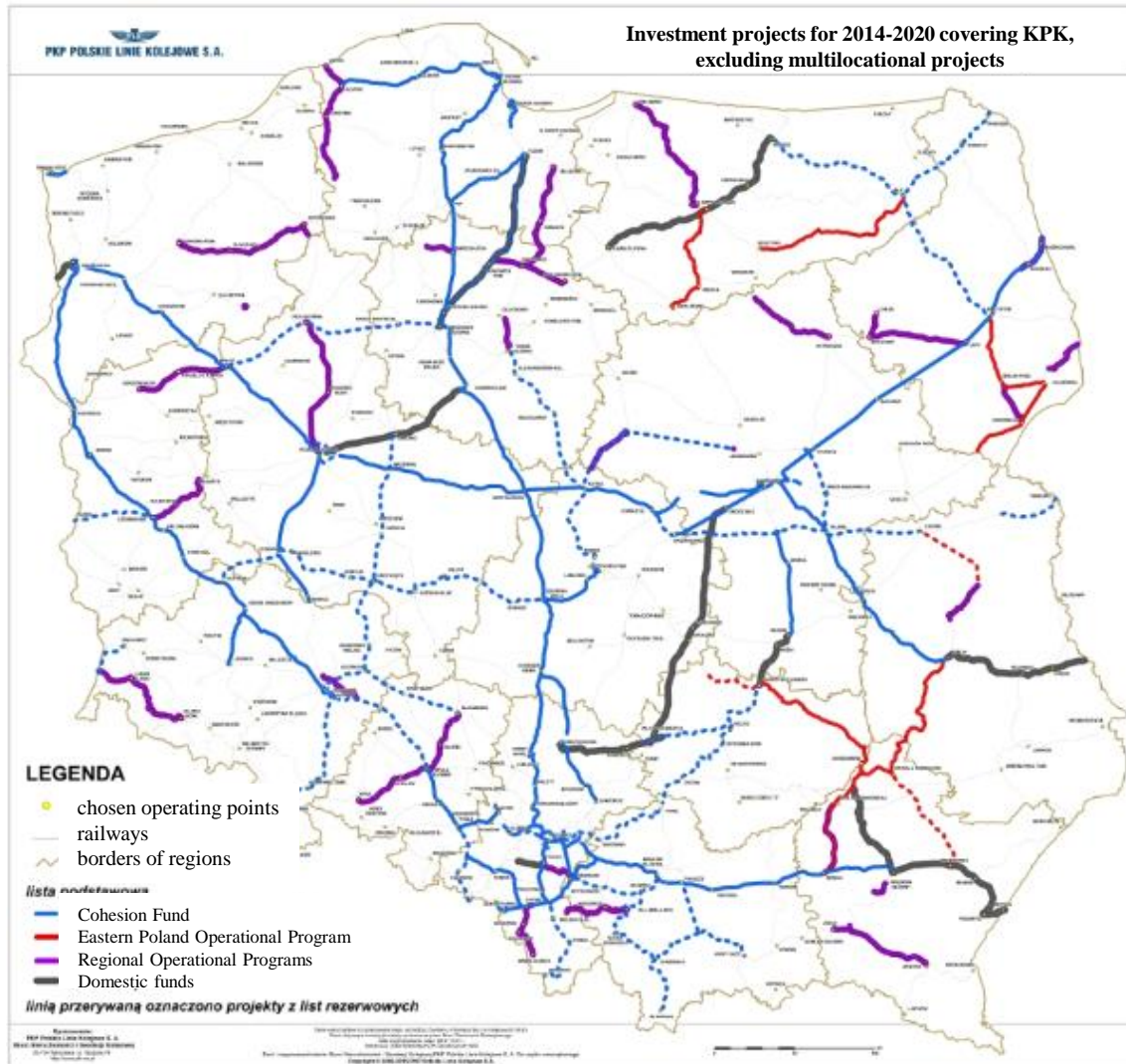
Transmission network development requirements for 2021-2025

- new network investment
- new investment in existing station
- network modernization

Source: PSE, rynekinfrastruktury.pl, MG Nowy Przemysł

Transmission network scheme in 2025 perspective

PKP PLK plans to invest above 66 billion PLN in railroad infrastructure in 2014-2023



There are big delays in execution of railroad investment plans.

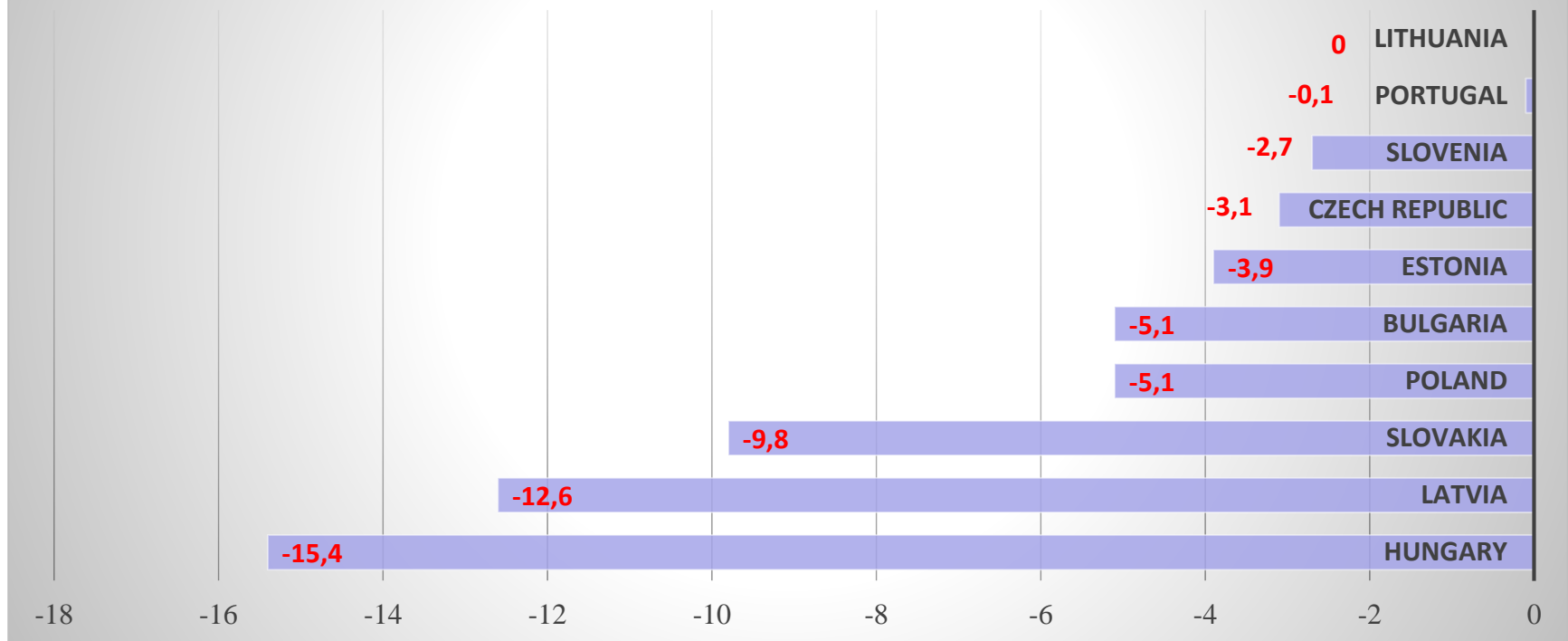
In 2016 the total value of auctions announced by PKP PLK reached 27 billion PLN, but the value of signed contracts exceeded 7 billion PLN.

For 2017 PKP PLK plans to announce auctions worth 12 billion PLN.

Source: Rynek-kolejowy.pl, MG Nowy Przemysł

Almost whole Central and Eastern Europe suffered low investment. 181.4 billion euro of EU funds for the region may aid

EU countries with steady or negative 2016/2015 nominal investment value; % change



Source: Rzeczpospolita

Thank you for attention

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