

Liberty Ostrava a.s.

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Liberty Ostrava to extend the period of reduced production

Ostrava, 22 October 2019 – The Liberty Ostrava steel mill has extended reduced production to another period of time as the circumstances which led to introducing temporary reduction of production by 20 % still prevail.

“Prices of steel across the European markets are still unstable. Political uncertainty, high prices of raw material, and a big amount of unfair steel imports from countries outside of the EU for prices that have not been influenced by carbon tax or other environmental tariffs make the situation even worse. This pushes the prices below the production costs of European producers which is a situation we experienced for the last time during the crisis year of 2008. So far, the level playing field has not been established for all steelmakers selling steel on the European market. That is why we have to extend the reduced production mode for another period of time,” said Ashok Patil, CEO of Liberty Ostrava.

As a result of reduced production employees of the Ostrava mill have already used up most of their annual holiday. The company will have to resort to legal provisions concerning obstacles on the employer’s side (Article 209 of the Labour Code). A certain part of employees from downstream will be receiving lower salaries as well as taking more holidays during the period of reduced production. Intensive repair activities will be taking place during the period of reduced production.

“We are closely monitoring the situation on the market. We are ready to bring production back to the original level as soon as the situation allows it,” says Patil.

Facts about development on the steel market:

1. The import of steel to the EU keeps growing. The deficit of the business balance of steel has annually increased from 9,9 Mt (2017) to 16,9 Mt (2018). Trade balance was still equally matched in 2015, though. Overall import of steel increased year on year by 13% to 39.2 million tonnes. This equals the full annual production of 15 large steel mills (similar in size to the integrated steel mills in the Czech Republic). On 1st July 2019 the EU quotas on import of steel were further increased by another 5% despite the market situation being already difficult and weakening of the EU economies.
2. The overall use of steel in the EU in 2018 was 164 Mt. That means that imported steel holds a quarter of the market share – one in four ton used in Europe was produced without the need to adhere to ecological limits and curb CO₂ production. Logically, the production costs of such steel are much lower and the environmental impact is much higher at the same time.
3. 65 % of the overall import to the European Union comes from 5 countries only – Turkey, Russia, South Korea, India, and China. The vast majority of imported steel comes from Turkey. Imports from this country have increased from 1.5 million tonnes in 2009 to 6.2 Mt in 2018. This means four times in 10 years.
4. In the last year and a half, the price of emission allowances has grown by more than 260 %. Producers from non-EU countries importing steel to EU markets do not have to adhere to emission limits. Neither are they participants of any schemes aiming at reducing CO₂ emissions.

Liberty Ostrava a.s. is an integrated steel business with a production capacity of 3.6 million tonnes of steel. At present it annually produces c. 2.2 million tonnes of steel, which is mainly used in construction, machinery and oil & gas industries. The company is a domestic leader in the manufacture of road barriers and tubes. In addition to the Czech market, it supplies its products to more than 40 countries around the world. Together with its subsidiaries, the company has 6,300 employees. The 2018 average monthly income was CZK 39,180. As a result of the above-standard greening, the company manufactures its products with a minimum possible environmental footprint. It is part of Liberty Steel, a global steel and mining business. Liberty Steel is part of the GFG Alliance, a

global group of energy, mining, metals, engineering, logistics, and financial services businesses, headquartered in London, with a presence in around 30 countries worldwide. The Alliance has a global workforce of around 30,000 people and a turnover exceeding US\$ 20 billion.

