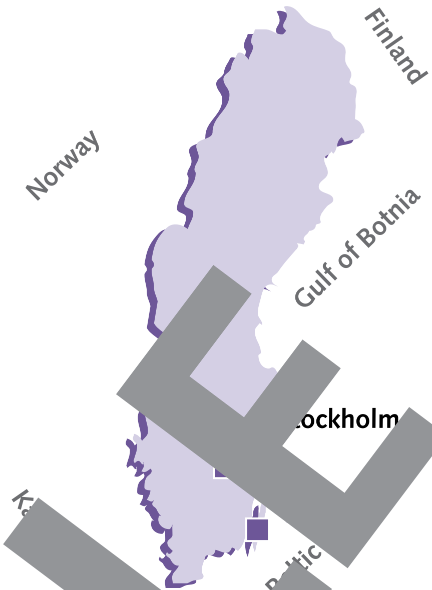
Sweden



Geography

Area	450,295km²
Capital	Stockholm

Demography

Population	9.7m
Density	22 inhab./km²
Urbanisation	84%
Official language	Swedish

Economy

GNI per capita	US$44,660
Currency	krona (SEK)
Per capita cement consumption	229kg

Sweden's cement industry can look forwar[illegible] positiv[illegible] 16 as the country's cement market is set t[illegible]ve its d[illegible]turn beh[illegible] The construction market is expected to co[illegible] cent recovery, much to the benefit of domestic cem[illegible]les.

The Swedish GDP, which had fallen by 0.3 per cent in 2012, improved by 1.3 per cent in 2013. A gr[illegible] rate of 2.1 per cent was achie[illegible] 2014 and is expected to rise to [illegible] cent per annum thereafter. Inflation [illegible] estimated to be at 0.1 per cent in 2014, rising to 1.4 per cent in [illegible]

Civil engineering spe[illegible] to grow in both 2015 an[illegible]6, in p[illegible]ticular when it comes to r[illegible]bridge[illegible] and ports, while energy-relat[illegible] ments are s[illegible] a peak i[illegible]. Roads an[illegible]dges represent so[illegible] per cent [illegible]il enginee[illegible]ditu[illegible]

The n[illegible]et is in a cyclical [illegible]oming fr[illegible] low base and the current level of [illegible]ty is well below the Europe[illegible]

Housebuilding is in [illegible]ly stages of recovery, having seen a jump in housing starts of around 40 per cent in 2013 to almost 30,500. In 2014 the increase moderated to about six per cent, having seen a rise to over 18,000 units during the first half. The number of starts are expected to remain at around the 2014 [illegible] 2015 a[illegible]6. Housing co[illegible]tio[illegible]hed 4[illegible]00 units in 200[illegible] the[illegible]tered double-digit [illegible]lls eac[illegible]ar up [illegible] including 2012.

Cons[illegible]

[illegible]uch of t[illegible] past 25 years, Swedish pe[illegible]a cement consumption was runni[illegible] well below 200kg. It only [illegible]n rising above that level from 2005 [illegible]s but has stayed there since, reaching a peak of 267kg in 2008. It then came off by 23 per cent to 208kg in 2009 before recovering to 225kg the following year. The 250kg reached in 2011 was one of the highest per capita consumption rates seen in recent years. The current per capita estimate for 2014 is 227kg.

Around four per cent of cement is sold in 25kg bags, the rest in bulk.

Production

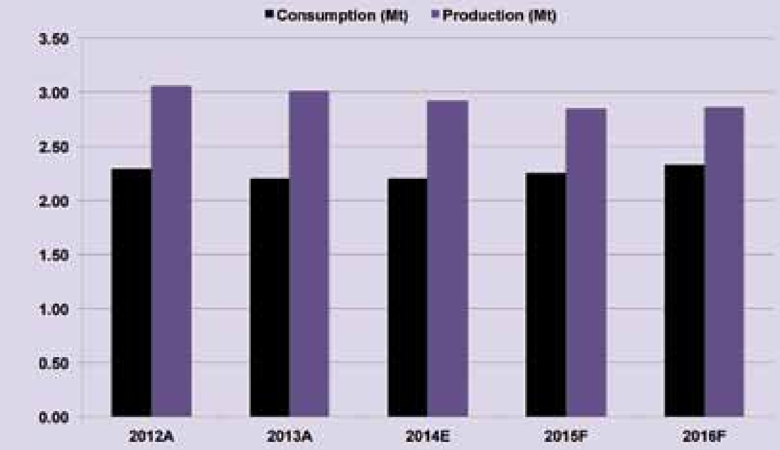
HeidelbergCement's subsidiary Cementa A/B is the only cement producer in Sweden. Cementa has three integrated cement plants, located at Slite, Skövde and Degerhamn, with domestic deliveries amounting to some 1.75Mt. The Slite and Degerhamn works are both on islands in the Baltic Sea, while the Skövde works is inland in southwestern Sweden. Clinker production amounted to 2.6Mt in 2013 and cement production was 2.56Mt.

The Slite works on Gotland is HeidelbergCement's largest Nordic works and has a cement capacity of 2.5Mta. In 2013 it produced 5.5 per cent less clinker at 1.98Mt but 1.1 per cent more cement at 1.85Mt. The Swedish and other European markets are supplied by ship from Slite and Cementa operates a fleet of three, self-discharging,

The Swedish cement production base

Company	*Capacity (Mta)*	*Plants*
Scancem (HeidelbergCement)	3.40	3 plants

Swedish market has started recovery



	2012A	2013A	2014E	2015F	2016F
Consumption (Mt)	2.29	2.20	2.20	2.25	[illegible]
Change (%)	*-3.0*	*-4.0*	*0*	*+4.7*	*+3.6*
Production (Mt)	3.06	3.01	2.92	2.85	2.86
Exports (Mt)	1.22	1.28	1.20	[illegible]	1.05
Imports (Mt)	0.45	0.47	0.48	[illegible]	0.52

Source: ICR Research

coastal bulk cement tankers that serve its 16 Swedish marine terminals as well as other Nordic terminals. For overseas exports, transshipment into larger vessels has to take place offshore because of size restrictions on vessels that car[illegible] be accommodated at the plant's o[illegible] harbour.

The Slite works burns 64 per cent fossil fuels and 22 per cent biomass, with the remainder being made u[illegible]rious other alternative fuels.

The Skövde works has [illegible]emen[illegible] capacity of 0.6Mta and invest[illegible] has allowed an increased use of alte[illegible] fuels, which in [illegible]ounted t[illegible] per cent. The [illegible]vde plant is the co[illegible] pany's swing [illegible]ducer, prim[illegible]ply-ing local mar[illegible] and when requ[illegible]enables [illegible] mum production at the more eff[illegible]t Slite plant, which also has [illegible]ver transport costs as it serves [illegible] main conurbations by water. Skövde produced 0.44Mt of cement in 2013, a 9.8 per cent decline.

The Degerhamn works on the isle of Öland has a cement capacity of around 0.3Mta. It produces special cements of various kinds, mainly for use by the civil engineering [illegible] Degerhamn work[illegible]oduced[illegible]t during 2013, a [illegible]6 per c[illegible]

Expo[illegible]

Total ex[illegible] rea[illegible]28Mt in 2013, [illegible]ared w[illegible]the 20[illegible]k of 1.96Mt. O[illegible]link[illegible]xports amounted to [illegible]Mt, w[illegible] being the largest r[illegible]

Ce[illegible] exports accounted for 0.82Mt. [illegible]Lithuania and Denmark [illegible]istorically the main export mar-[illegible]ed by Ghana and the United [illegible]ates.

All exports are handled by the Slite works, other than of special cements, [illegible]ich go from Degerhamn.

Imports

European statistics show a 3.6 per cent increase in Swedish cement imports to 0.47Mt in 2013.

Cemex A/B is the largest importer of bulk cement into Sweden and operates terminals at Surte (near Gothenburg), Landskrona (in the south) and Västerås (west of Stockholm). The supplies have been coming from the Cemex plants at Rüdersdorf east of Berlin and from the Cemex works in Latvia. Thomas Cement, a subsidiary of the Thomas Concrete group, started importing cement to Oxelösund in 2010, with cement coming from Akménes in Lithuania and slag and fly ash from northern Germany.

The white cement sold by Cemex is imported from Çimsa in Turkey and some is re-exported to Norway. Cementa still draws its supplies of white cement from Aalborg Portland, though the two compete in the Danish and Norwegian grey cement markets. At the peak of demand in 2007 and 2008, Cementa did import modest amounts of clinker.

Prices

The ex-works list price for standard grey cem[illegible]t is around €80, with a premium fo[illegible] depôt supply in the region of [illegible] dependin[illegible] on location. There are [illegible]me disc[illegible] that may reach up to [illegible]

[illegible]ement retails at about €7/25[illegible]ag, but special offers can see this [illegible]low as €44.77.

[illegible]look

[illegible]omestic cement consumption reached a peak of 2.51Mt in 2008, a level that does not look likely to be exceeded in the short term. Swedish consumption should receive a boost in 2015 from the combination of continued good demand for cement from the civil engineering industry, and some recovery in commercial building activity and in housebuilding.

The overall production volume will depend on the sometimes volatile exports, notably the current uncertainty surrounding Russia. The recovery in the USA should give a boost to demand for higher-value low-alkali cements. ■

IN SUMMARY

3 plants
3.4Mta cement capacity

- Low-alkali cement helps exports
- A major coastal plant ensures economic domestic transport
- Domestic consumption at healthy levels