Updated financial information from SSAB

The value of net assets from the acquisition of the Finnish company Rautaruukki has now been confirmed as per the acquisition date of July 29, 2014 and results in goodwill of SEK 5.2 billion.

In conjunction with a review of the asset value for the year-end results, it has been decided to write down certain book values by SEK 1.3 billion. This primarily relates to the partly-owned company Fortaco and goodwill in Ruukki Construction. The write-downs mean a decrease of SEK 0.3 billion in the goodwill arising from the acquisition of Rautaruukki.

Good progress is being made on the work to achieve synergies following the acquisition of Rautaruukki, and to date actions have been carried out equating to annual synergies of SEK 300 million. The original goal was to achieve annual cost synergies of SEK 1.4 billion within three years, of which SEK 350 million was scheduled for 2015. The current assessment is that the cost synergies can be carried out more quickly and that the full annualized effect will be reflected from the second half of 2016 onwards, which is one year faster than announced earlier.

The financial statements for the fourth quarter of 2014 are still being completed, but the preliminary estimate is that the operating result for the fourth quarter will be between SEK 100 million and 150 million (excluding items affecting comparability).

The acquisition analysis of the net assets in Rautaruukki has been completed. Net assets have been confirmed as totaling SEK 9,789 million as at July 29, 2014. The acquisition cost through the share exchange offer amounted to SEK 14,967 million, which results in goodwill of SEK 5,178 million.

In addition to goodwill, the surplus value of the acquisition amounts to SEK 0.8 billion divided into a number of different asset and liability classes. Depreciation periods for these vary depending on asset class. In 2014, depreciation of surplus values had a negative impact amounting to SEK 57 million, of which SEK 23 million was for the third quarter and SEK 34 million for the fourth quarter. In 2015 and 2016, depreciation of the surplus value relating to the acquisition of Rautaruukki is estimated to amount to SEK 210 million per year. More details about surplus values and depreciation will be given in conjunction with the year-end results, which will be published on February 10, 2015.

In conjunction with a review and updated valuations of SSAB's assets for the year-end results, a decision has been made to write down certain book values by around SEK 1.3 billion. This will impact negatively on the pre-tax result for the fourth quarter and will be reported as items affecting comparability. The impact on the operating result will be around SEK 700 million, and the financial items will be impacted by a further SEK 600 million, which mostly relates to shareholder loans to the partly-owned company Fortaco. Other write-downs relate, among other things, to goodwill within the Ruukki Construction business area and to expected capital losses arising from units to be divested as a result of the European Commission's conditions for approval of the combination with Rautaruukki.

The write-downs have no impact on cash flow, but have a negative impact of around 2 percentage points on SSAB's debt/equity ratio, which was 53% as at September 30, 2014.

Only a minor part of the write-downs above are related to achievement of the synergies identified in conjunction with the acquisition of Rautaruukki. Synergy work is actively under way and good progress is being made. Annual cost savings amount to SEK 300 million for actions carried out to date and these will impact the result from the first quarter of 2015 onwards. The goal for 2015 was to achieve cost synergies of SEK 350 million. The current assessment is that it will be possible to carry out the cost synergies more quickly than announced earlier and that SSAB will be able to achieve annualized savings of SEK 1.4 billion from the second half of 2016 onwards, which is one year faster than announced earlier.

The financial statements for the fourth quarter of 2014 are still being completed, but the preliminary estimate (unaudited figures) is that the operating result for the fourth quarter will be between SEK 100 million and 150 million (excluding items affecting comparability, but including depreciation according to the plan of surplus value relating to the acquisitions of Ipsco and Rautaruukki).

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