

SSAB

Half-Year Report 2014

Half-Year Report 2014

The quarter

- Sales of SEK 9,323 (8,894) million
- Operating profit/loss of SEK 260 (-115) million
- Profit/loss after financial items of SEK 73 (-273) million
- Earnings per share of SEK 0.41 (-0.44)
- Operating cash flow of SEK 528 (796) million
- After the quarter end, approval from the EU and more than 90% of the shares in Rautaruukki were obtained

Key numbers

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
Sales	9,323	8,894	18,492	17,727	35,787	35,022
Operating profit before depreciation/amortization	816	542	1,398	1,050	1,681	1,333
Operating profit/loss	260	-115	286	-251	-594	-1,131
Profit/loss after financial items	73	-273	-62	-551	-1,239	-1,728
Profit/loss after tax	135	-144	86	-281	-699	-1,066
Earnings per share (SEK)	0.41	-0.44	0.26	-0.87	-2.17	-3.29
Operating cash flow	528	796	253	881	1,328	1,956
Return on equity after tax (%)	-	-	-	-	-3	-4
Net debt/equity ratio (%)	54	54	54	54	54	55
Equity ratio (%)	45	49	45	49	45	48

(In the report, amounts in brackets refer to the corresponding period of last year.)

Comments by the CEO

The positive trend from the first quarter is continuing and we are able to present an operating profit of SEK 260 million for the second quarter of 2014. The operating profit for the second quarter represents an improvement of SEK 234 million compared with the first quarter of 2014, driven primarily by higher prices in Americas and lower production costs in EMEA. Operating cash flow was also positive during the second quarter, at more than SEK 500 million.

The improved demand in North America has continued within several segments and, following the maintenance outage at the plant in Mobile at the beginning of the quarter, we have had full capacity utilization at both of our North American plants. We have also announced two additional price increases during the quarter. The European steel market has continued to recover slowly from low levels. However, shipment volumes for EMEA were slightly lower than in the first quarter, during which the market was driven partially by a small inventory restocking following the winter season. The operations in Asia experienced a weak quarter in terms of earnings, with the market remaining challenging.

We expect our North American operations to continue to develop positively during the second half of 2014, driven by an improved market and positive effects of previous price increases. Demand within EMEA during the second half of the year is expected to be approximately in line with the first half of the year, but we envisage continued uncertainty in Russia and Turkey. Steel prices in EMEA are expected to be stable or slightly weaker, while prices of input goods are demonstrating a downward trend. Customary maintenance outages will be carried out within EMEA during the seasonally weak third quarter. The Asian market remains weak and we do not anticipate any improvement during the second half of the year.

In January this year, SSAB and Rautaruukki announced the ambition to combine. On July 14, approval for the combination was received from the EU Commission. The concessions required by the Commission are in line with what we had anticipated, and will not affect the industrial logic or size of the synergies. The time period for acceptance of the offer by Rautaruukki's shareholders expired on July 22, and we can note that more than 90 percent of Rautaruukki's shareholders have accepted the offer. We will thus be able to complete the combination shortly. Together, we will create an effective and stable steel company enjoying strong positions on our domestic markets and with a clear global leadership within high strength steels. I look forward to creating an even stronger steel company together with all of our employees.

Sales per business area

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
SSAB EMEA	4,635	4,723	9,473	9,296	18,232	18,055
SSAB Americas	4,020	3,508	7,705	6,968	15,119	14,382
SSAB APAC	401	455	817	1,010	1,568	1,761
Tibnor	1,377	1,416	2,718	2,782	5,181	5,245
Other	-1,110	-1,208	-2,221	-2,329	-4,313	-4,421
Total	9,323	8,894	18,492	17,727	35,787	35,022

Operating profit/loss per business area

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
SSAB EMEA	188	56	246	3	-518	-761
SSAB Americas	232	-49	358	38	592	272
SSAB APAC	-14	6	-26	48	-47	27
Tibnor	9	57	31	72	32	73
Depreciation/amortization on surplus values 1)	-125	-206	-249	-407	-523	-681
Other	-30	21	-74	-5	-130	-61
Total	260	-115	286	-251	-594	-1,131

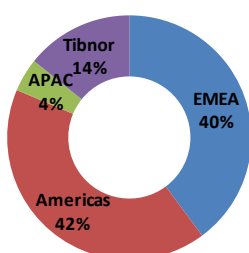
1) Depreciation and amortization on surplus values on intangible and fixed assets related to the acquisition of IPSCO.

Operating margin per business area

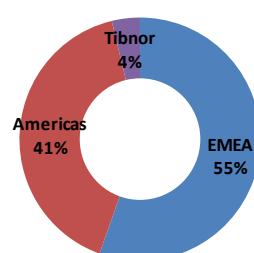
	2014	2013	2014	2013	Jul 13-	2013
%	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
SSAB EMEA	4.1	1.2	2.6	0.0	-2.8	-4.2
SSAB Americas	5.8	-1.4	4.6	0.5	3.9	1.9
SSAB APAC	-3.5	1.3	-3.2	4.8	-3.0	1.5
Tibnor	0.7	4.0	1.1	2.6	0.6	1.4
Total 1)	2.8	-1.3	1.5	-1.4	-1.7	-3.2

1) Includes depreciation and amortization on surplus values on intangible and fixed assets related to the acquisition of IPSCO and Other.

Percentage of external sales 2014



Percentage of EBITDA 2014



The market

According to the World Steel Association, global crude steel production during the first half of the year amounted to 821 (801) million tonnes, an increase of 3% compared with the previous year. Chinese crude steel production also increased by 3%, during the same period, which is in line with the rest of Asia. Production increased by 4% in EU28 and by 2% in North America.

Demand in the North American steel market has developed positively during the second quarter and has recovered well following the temporary weakening during the first quarter, which was largely due to the extreme weather conditions. Inventory levels at distributors were stable during the quarter and are believed to be in balance. In Europe, demand on the steel market was relatively stable compared with the first quarter, especially when adjusted for the moderate inventory restocking which took place during the first quarter. Inventory levels in Europe at distributors and end customers are believed to be in balance. Growth in the Asian market continues to be relatively weak, primarily due to the uncertain development in the Chinese economy.

In North America, the increase in market prices for plate which already began during the fourth quarter of last year has continued as a consequence of announced price increases. Imports of plate into North America have continued to increase during the year, but the anticipated negative effect of import volumes on plate prices has not yet materialized. Market prices in Europe, for both strip and plate products, were stable during the first two months of the quarter, but subsequently declined somewhat, driven by falling prices of raw materials, especially iron ore. In China, strip prices increased somewhat during the quarter, while market prices for plate continued on the negative trend which began at the start of the year.

Raw materials

During the second quarter of 2014, a new agreement was signed for deliveries of iron ore. The agreement extends from April 1, 2014 until March 31, 2015, with the price being set quarterly. The price for second quarter deliveries entailed a decrease of 10% in Swedish kronor compared with the first quarter of the year. SSAB's price for iron ore in Swedish kronor was 15% lower during the second quarter than during the second quarter of 2013.

SSAB purchases approximately 60 - 70% of its annual needs for coking coal from Australia, and the remainder from the US. Price agreements for Australian coal are entered into monthly, while most of the US coal is purchased under annual agreements. The price for coking coal during the second quarter was 3% lower in Swedish kronor than in the first quarter. The price paid by SSAB for coking coal during the second quarter was 26% lower in Swedish kronor than during the second quarter of 2013.

The US operations regularly purchase scrap metal as a raw material for their production. Spot prices of scrap metal declined gradually during the quarter. Spot prices at the end of June were 8% lower than at the end of the first quarter of 2014 and unchanged compared with the end of the second quarter of 2013.

Prospects

In North America, the positive demand development we witnessed during the second quarter is expected to continue during the third quarter. Steel prices have risen gradually during the first and second quarters, and are expected to increase during the third quarter as a consequence of the announced price increases. In Europe, a seasonal weakening in demand is anticipated during the third quarter, but in general demand is considered to be stable and prices expected to be stable or slightly decreasing. In both North America and Europe, inventory levels are in balance, and thus we do not anticipate any inventory restocking or destocking. In China, overall demand for steel is expected to develop positively during the coming quarter, but at a lower rate of growth than in previous years.

Customary maintenance outages will be carried out during the summer at the Swedish production plants. No scheduled maintenance outages will be carried out in North America during the third quarter. It is believed that SSAB's shipment volumes in the third quarter will be at approximately the same level as during the second quarter.

The Group

The half year in summary

Shipments and production

SSAB's shipments during the first half of the year were 6% higher than in the first half of last year and amounted to 2,315 (2,185) thousand tonnes. Shipments of high strength steels declined by 7% compared with the first half of last year. All in all, during the first half of the year high strength steels accounted for 34 (39)% of total shipments.

Crude steel production increased by 3% and steel production was up 5% compared with the first half of last year.

Sales

Sales during the first half of the year amounted to SEK 18,492 (17,727) million, an increase of 4%. Compared with the first half of last year, higher volumes accounted for a positive effect of 6 percentage points, while lower prices accounted for a negative effect of 1 percentage point and a weaker mix and currency effects for 1 percentage point.

Earnings

The operating profit/loss during the first half of the year improved by SEK 537 million compared with the first half of last year, and amounted to SEK 286 (-251) million.

Financial items for the first half of the year amounted to SEK -348 (-300) million and earnings after financial items were SEK -62 (-551) million.

Profit/loss after tax and earnings per share

Profit/loss after tax (attributable to the shareholders) for the first half of the year was SEK 83 (-281) million or SEK 0.26 (-0.87) per share. Tax for the first half of the year was SEK 148 (270) million.

Financing and liquidity

The operating cash flow for the first half of the year was SEK 253 (881) million. Cash flow was negatively affected by an increase in working capital, primarily due to increased accounts receivable.

Operating cash flow

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
Operating profit before amortization/depreciation	816	542	1,398	1,050	1,681	1,333
Change in working capital	-43	489	-775	145	449	1,369
Maintenance expenditures	-241	-138	-407	-249	-814	-656
Other	-4	-97	37	-65	12	-90
Operating cash flow	528	796	253	881	1,328	1,956

Net cash flow for the first half of the year was SEK -79 (164) million. Net cash flow was affected by, among other things, strategic capital expenditure payments of SEK 84 (90) million. The net debt increased by SEK 362 million during the first half of the year (primarily due to an increase in the revaluation of liabilities against equity) and, on June 30, amounted to SEK 15,195 million. The net debt/equity ratio was 54%, a reduction of one percentage point compared with the end of 2013.

Operating cash flow per business area

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
SSAB EMEA	313	982	331	867	488	1,024
SSAB Americas	302	-350	230	-195	977	552
SSAB APAC	-98	87	-162	132	-28	266
Tibnor	53	91	-72	113	-21	164
Other	-42	-14	-74	-36	-88	-50
Operating cash flow	528	796	253	881	1,328	1,956
Financial items	-139	-125	-251	-229	-592	-570
Taxes	-134	-47	3	-139	-141	-283
Cash flow from current operations	255	624	5	513	595	1,103
Strategic capital expenditures in plants and machinery	-46	-37	-84	-90	-145	-151
Acquisitions of shares and operations	-	-4	-	-4	-17	-21
Divested shares and operations	-	69	-	69	19	88
Cash flow before dividend and financing	209	652	-79	488	452	1,019
Dividend to the Parent Company's shareholders	-	-324	-	-324	-	-324
Net cash flow	209	328	-79	164	452	695
Net debt at beginning of period	-15,144	-15,654	-14,833	-15,498	-15,594	-15,498
Net cash flow	209	328	-79	164	452	695
Revaluation of liabilities against equity 1)	-395	-334	-433	-338	-16	79
Currency effects 2)	135	66	150	78	-37	-109
Net debt at end of period	-15,195	-15,594	-15,195	-15,594	-15,195	-14,833

1) Revaluation of hedging of currency risks in foreign operations.

2) Mainly consisting of cash flow effects on derivative instruments and revaluation of other financial liabilities in foreign currency.

As of June 30, the term to maturity on the total loan portfolio averaged 4.3 (4.5) years, with an average fixed interest period of 1.3 (1.0) years. In addition to the Swedish bond totaling SEK 1,500 million which was issued during the first quarter, SSAB also issued a five-year euro-bond totaling EUR 350 million during the second quarter. The euro-bond carries fixed interest and is listed on the Irish exchange. The liquidity has gradually been built up to ensure the refinancing of Rautaruukki's liabilities when the combination is completed.

The Group's liquidity preparedness

	2014	2013
SEK millions	June 30	June 30
Cash and cash equivalents	7,465	2,046
Committed credit facilities, net	7,266	7,447
Liquidity preparedness	14,731	9,493
-as a percentage of annual sales (rolling 12 months)	41%	27%
Less commercial paper	-985	-473
Liquidity preparedness excluding commercial paper	13,746	9,020
- as percentage of annual sales (rolling 12 months)	38%	26%

Return on capital employed/equity

The return on capital employed before tax and return on equity after tax for the most recent twelve-month period were -1% and -3% respectively, while for the full year of 2013 the figures were -2% and -4% respectively.

Equity

With earnings for the first half of the year of SEK 83 million and other comprehensive income (primarily comprising currency translation differences) of SEK 938 million, the shareholders' equity in the Company amounted to SEK 28,149 (28,820) million, corresponding to SEK 86.90 (88.97) per share.

Capital expenditures

Capital expenditures during the first half of the year amounted to SEK 491 (339) million, of which SEK 84 (90) million involved strategic capital expenditures.

Development during the second quarter

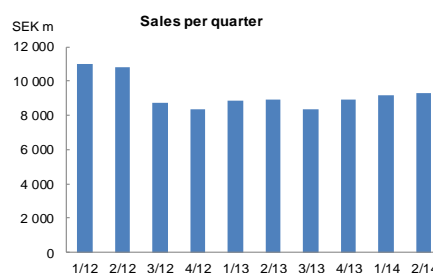
Shipments and production

SSAB's shipments during the second quarter fell by 3% compared with the first quarter of 2014 but were 5% higher than in the second quarter of 2013 and amounted to 1,137 (1,085) thousand tonnes. Shipments of high strength steels were 2% lower than in the first quarter of 2014 and 8% lower than in the second quarter of 2013. All in all, during the second quarter high strength steels accounted for 35 (40)% of total shipments.

Crude steel production increased by 2% compared with the first quarter of 2014 and was 3% higher than in the second quarter of last year. Despite the maintenance outage in Mobile, steel production was unchanged compared with the first quarter of 2014 and 7% higher than in the second quarter of last year.

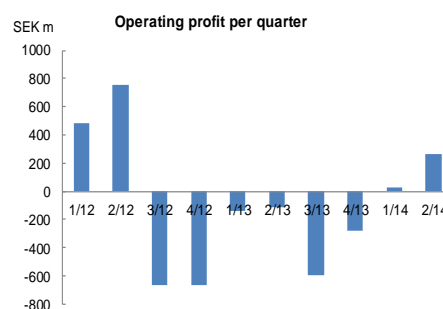
Sales

Sales during the second quarter amounted to SEK 9,323 (8,894) million, an increase of 5% compared with the second quarter of last year. Higher volumes accounted for a positive effect of 5 percentage points and currency effects accounted for a positive effect of 1 percentage point, while lower prices accounted for a negative effect of 1 percentage point, compared with the second quarter of 2013.



Earnings

Operating profit/loss during the second quarter was SEK 260 (-115) million, an improvement of SEK 375 million compared with the second quarter of last year. Lower variable costs (SEK 270 million), positive currency effects (SEK 110 million), lower amortization on surplus values (SEK 80 million), as well as higher volumes and improved capacity utilization (SEK 140 million) were the primary reasons for the improved result. However, earnings were negatively affected by higher fixed costs (SEK 180 million, due to higher maintenance costs because of higher production rate in the second quarter 2014 as well as reduced working hours and wages during 2013.) and the fact that earnings in the second quarter of 2013 included a capital gain on a property sale (SEK 57 million).



Financial items for the second quarter amounted to SEK -187 (-158) million and earnings after financial items amounted to SEK 73 (-273) million.

Profit/loss after tax and earnings per share

Profit/loss after tax (attributable to the shareholders) for the second quarter amounted to SEK 133 (-144) million or SEK 0.41 (-0.44) per share. Tax for the second quarter was SEK 62 (129) million.

Financing and liquidity

The operating cash flow for the second quarter was SEK 528 (796) million. Cash flow was negatively affected by an increase in working capital, largely due to increased inventories ahead of the summer outage in EMEA.

Net cash flow amounted to SEK 209 (328) million. Net cash flow was affected by, among other things, strategic capital expenditures of SEK 46 (37) million (total capital expenditures amounted to SEK 287 (175) million). The net debt increased by SEK 51 million during the second quarter and, on June 30, amounted to SEK 15,195 million. The net debt/equity ratio was 54 (54)%.

SSAB EMEA

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
Sales	4,635	4,723	9,473	9,296	18,232	18,055
Operating profit/loss	188	56	246	3	-518	-761
Operating cash flow	313	982	331	867	488	1,024
Number of employees at end of period	6,032	6,265	6,032	6,265	6,032	6,054

During the second quarter, demand from several segments was at the same levels as during the first quarter; however, demand from the Service Centers segment declined, in part due to the moderate restocking that took place during the first quarter.

External steel shipments during the second quarter were 12% lower than during the first quarter of 2014 but at the same level as in the second quarter of 2013, and amounted to 472 (474) thousand tonnes. Shipments of high strength steels declined by 3% compared with the first quarter of 2014 and by 4% compared with the second quarter of 2013, and amounted to 213 (223) thousand tonnes. Shipments of high strength steels thereby accounted for 45 (47)% of total shipments.

In local currency, prices of both high strength steels and standard steels were unchanged during the second quarter compared with the first quarter of 2014. Compared with the second quarter of 2013, prices of high strength steels were 4% lower in local currency, while prices of standard steels were 6% lower.

Crude steel production increased by 7% compared with the first quarter of 2014 and by 4% compared with the second quarter of 2013. Steel production was 2% higher than in the first quarter of 2014 and up 7% compared with the second quarter of last year.

Sales declined by 2% compared with the second quarter of 2013 and amounted to SEK 4,635 (4,723) million. Lower prices accounted for a negative effect of 5 percentage points, while currency effects accounted for a positive effect of 2 percentage points and an improved product mix accounted for a positive effect of 1 percentage point. Sales were 4 % lower than in the first quarter of 2014, with lower volumes accounting for a negative effect of 12 percentage points, while an improved product mix accounted for a positive effect of 7 percentage points and currency effects for 1 percentage point.

The operating profit for the quarter was SEK 188 (56) million, an improvement of SEK 132 million compared with the second quarter of 2013. The improved result was primarily attributable to lower operating costs and improved capacity utilization, partially offset by lower prices and higher fixed costs. Operating profit improved by SEK 130 million compared with the first quarter of 2014, primarily due to lower operating costs and improved capacity utilization, partially offset by lower volumes and higher fixed costs.

The operating cash flow during the second quarter was SEK 313 (982) million. Cash flow was primarily affected by a positive operating profit, which was partially offset by an increase in working capital.

Capital expenditure payments during the quarter amounted to SEK 209 (116) million, of which SEK 24 (14) million involved strategic capital expenditures.

SSAB AMERICAS

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
Sales	4,020	3,508	7,705	6,968	15,119	14,382
Operating profit/loss 1)	232	-49	358	38	592	272
Operating cash flow	302	-350	230	-195	977	552
Number of employees at end of period	1,503	1,465	1,503	1,465	1,503	1,488

1) Excluding depreciation and amortization on surplus values on intangible and tangible fixed assets related to the acquisition of IPSCO.

Demand from the Automotive and Service Centers segments strengthened during the quarter, while demand from other segments was relatively stable.

During the second quarter, external shipments of steel were 4% higher than in the first quarter of 2014 and 10% higher than in the second quarter of 2013. Steel shipments amounted to 629 (574) thousand tonnes.

Shipments of high strength steels were unchanged compared with the first quarter of 2014 and 15% lower than in the second quarter of last year. Shipments of high strength steels amounted to 145 (170) thousand tonnes and thereby accounted for 23 (30)% of total shipments.

Compared with the first quarter of 2014, prices of high strength steels were 1% higher in local currency, and prices of standard steels were 5% higher. Compared with the second quarter of 2013, prices of high strength steels were 5% higher in local currencies, while prices of standard steels were 9% higher. The impact of the price increases announced at the end of 2013 and beginning of 2014 was felt during the second quarter.

Crude steel production was 5% lower than in the first quarter but 2% higher than in the second quarter of 2013. Steel production was 2% lower than in the first quarter of 2014 but 6% higher than in the second quarter of 2013.

Sales during the second quarter were 15% higher than in the second quarter of 2013 and amounted to SEK 4,020 (3,508) million. Higher volumes accounted for a positive effect of 10 percentage points and higher prices for 7 percentage points, while a weaker product mix and currency effects accounted for a negative effect of 2 percentage points. Sales increased by 9% compared with the first quarter of 2014, with higher volumes accounting for a positive effect of 4 percentage points, higher prices for 4 percentage points, and currency effects for 3 percentage points, while a weaker product mix accounted for a negative effect of 2 percentage points.

The operating profit/loss improved by SEK 281 million compared with the second quarter of 2013 and amounted to SEK 232 (-49) million. Higher prices, positive currency effects and higher volumes (partially offset by higher fixed costs) were the primary reasons for the improved earnings. Operating profit improved by SEK 106 million compared with the first quarter of 2014, mainly due to higher prices. The maintenance outage in Mobile, USA which was carried out towards the end of the first quarter and at the beginning of the second quarter, had a negative impact on earnings of approximately SEK 150 million, most of which was incurred in the second quarter.

The operating cash flow during the second quarter was SEK 302 (-350) million. Cash flow was positively affected by operating profit, partially offset by somewhat higher working capital.

Capital expenditure payments during the quarter amounted to SEK 69 (47) million, of which SEK 22 (21) million involved strategic capital expenditures.

SSAB APAC

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
Sales	401	455	817	1,010	1,568	1,761
Operating profit/loss	-14	6	-26	48	-47	27
Operating cash flow	-98	87	-162	132	-28	266
Number of employees at end of period	188	210	188	210	188	200

Demand from segments within APAC was approximately at the same levels as in the first quarter.

External shipments of high strength steels fell by 3% compared with the first quarter of 2014 and the second quarter of last year. Shipments of high strength steels amounted to 36 (37) thousand tonnes and accounted for 100 (100)% of total shipments.

Prices of high strength steels in local currency were 4% lower than in the first quarter of 2014 and 7% lower than in the second quarter of 2013.

Sales declined by 12% compared with the second quarter of 2013 and amounted to SEK 401 (455) million. Lower prices accounted for a negative effect of 7 percentage points, a weaker product mix for 4 percentage points, lower volumes accounted for a negative effect of 2 percentage points, while currency effects accounted for a positive effect of 1 percentage point. Sales were 4% lower than in the first quarter of 2014, with lower prices accounting for a negative effect of 3 percentage points, lower volumes for 2 percentage points, and a weaker product mix for 1 percentage point, while currency effects accounted for a positive effect of 2 percentage points.

The operating profit/loss for the quarter was SEK -14 (6) million, which was SEK 20 million weaker than in the second quarter of 2013. The weaker result was primarily due to lower prices. The operating profit/loss was SEK 2 million weaker than in the first quarter of 2014, also due primarily to lower prices.

The operating cash flow during the first quarter was SEK -98 (87) million. Cash flow was negatively affected by higher working capital, primarily due to increased inventories.

Capital expenditure payments during the quarter amounted to SEK 3 (5) million, of which SEK 0 (3) involved strategic capital expenditures.

Tibnor

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
Sales	1,377	1,416	2,718	2,782	5,181	5,245
Operating profit	9	57	31	72	32	73
Operating cash flow	53	91	-72	113	-21	164
Number of employees at end of period	776	786	776	786	776	782

Total shipments during the second quarter were 4% higher than in the first quarter of 2014 but 1% lower than in the second quarter of 2013. Strip products was the product group that developed positively compared with the second quarter of 2013.

Sales fell by 3% compared with the second quarter of 2013 and amounted to SEK 1,377 (1,416) million. Sales were negatively affected by lower prices (3 percentage points) and lower volumes (1 percentage point), while currency effects accounted for a positive effect of 1 percentage points. Compared with the first quarter of 2014, sales increased by 3%. Sales were positively affected by higher volumes (4 percentage points) and currency effects (1 percentage point), while lower prices accounted for a negative effect of 2 percentage points.

The operating profit for the second quarter was SEK 9 (57) million, which was SEK 48 million lower than in the second quarter of 2013. The weaker result was primarily due to the fact that figures for the second quarter of 2013 included a capital gain on a property sale. Operating profit was SEK 13 million lower than in the first quarter of 2014, primarily due to higher costs and lower prices.

The operating cash flow during the second quarter was SEK 53 (91) million. Cash flow was positively affected by earnings and an increase in accounts payable, partially offset by increased inventories.

Risks and uncertainties

For information regarding material risks and uncertainty factors, reference is made to the detailed description in the annual report. No material new or changed risks and uncertainty factors have been identified during the year.

Accounting principles

This quarterly report has been prepared in accordance with IAS 34.

The accounting principles are based on International Financial Reporting Standards as adopted by the EU and consequential references to Chapter 9 of the Annual Accounts Act. The accounts of the Parent Company have been prepared in accordance with RFR 2 and the Annual Accounts Act.

No material changes in accounting principles have taken place since the annual report for 2013.

Events since the end of the reporting period

Rautaruukki

On July 14, 2014, an announcement was made that the EU Commission had approved the combination between SSAB and Rautaruukki. The approval was conditional on a commitment by SSAB to divest one steel service center in Sweden and one in Finland, the wholly owned Finish subsidiaries Tibnor Oy and Plannja Oy as well as SSAB's 50 percent ownership interest in Norsk Stål AS and Norsk Stål Tynnplater AS. These divestments will not affect the previously communicated synergy potential or the industrial logic behind the combination, since certain concessions were already expected.

On July 22, 2014, the period expired for Rautaruukki's shareholders to accept the offer to exchange their existing shares for newly-issued shares in SSAB. Shareholders representing more than 90 percent of the shares in Rautaruukki have accepted the offer and the combination will be completed at the end of July 2014.

As previously announced, the combined company will be organized into five divisions with clear profitability responsibility. The report for the third quarter will, therefore, be reported in accordance with the new structure and it is intended to be able to provide pro forma figures for 2013 prior to release of the quarterly report.

Affirmation

The Board of Directors and the President affirm that the interim report provides a fair and true overview of the operations, financial position and earnings of the Company and the Group, and describes significant risks and uncertainty factors facing the Company and the Group.

Stockholm, July 22, 2014

Sverker Martin-Löf
Chairman of the Board

Sture Bergvall
Director

Anders G Carlberg
Director

Bert Johansson
Director

Jan Johansson
Director

Annika Lundius
Director

Patrick Sjöholm
Director

Matti Sundberg
Director

John Tulloch
Director

Lars Westerberg
Director

Pär Östberg
Director

Martin Lindqvist
President and CEO

Review report

We have reviewed this report for the period 1 January 2014 to 30 June 2014 for SSAB AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, July 22, 2014

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized public accountant

Consolidated income statement

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
Sales	9,323	8,894	18,492	17,727	35,787	35,022
Cost of goods sold	-8,344	-8,370	-16,785	-16,619	-33,456	-33,290
Gross profit	979	524	1,707	1,108	2,331	1,732
Selling and administrative expenses	-840	-772	-1,594	-1,459	-3,074	-2,939
Other operating income and expenses 1)	114	120	160	88	132	60
Affiliated companies, profit after tax	7	13	13	12	17	16
Operating profit/loss	260	-115	286	-251	-594	-1,131
Financial income	21	11	35	27	70	62
Financial expenses	-208	-169	-383	-327	-715	-659
Profit/loss for the period after financial items	73	-273	-62	-551	-1,239	-1,728
Tax	62	129	148	270	540	662
Profit/loss for the period after tax	135	-144	86	-281	-699	-1,066
Of which attributable to:						
- Parent Company's shareholders	133	-144	83	-281	-702	-1,066
- Non-controlling interest	2	-	3	-	3	0

Key numbers	2014	2013	2014	2013	Jul 13-	2013
	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
Operating margin (%)	3	-1	2	-1	-2	-3
Return on capital employed before tax (%)	-	-	-	-	-1	-2
Return on equity after tax (%)	-	-	-	-	-3	-4
Earnings per share (SEK) 2)	0.41	-0.44	0.26	-0.87	-2.17	-3.29
Equity per share (SEK)	86.90	88.97	86.90	88.97	86.90	83.74
Equity ratio (%)	45	49	45	49	45	48
Net debt/equity ratio (%)	54	54	54	54	54	55
Average number of shares during the period (millions)	323.9	323.9	323.9	323.9	323.9	323.9
Number of shares at end of period (millions)	323.9	323.9	323.9	323.9	323.9	323.9
Number of employees at end of period	8,702	8,882	8,702	8,882	8,702	8,712

1) The results for the quarter include primarily currency effects on operating receivables/liabilities of SEK 69 (2) million. The results for 2013 also include a capital gain of SEK 57 million on a property sale.

2) There are no outstanding share instruments, and thus no dilution is relevant.

Consolidated statement of comprehensive income

SEK millions	2014 Q 2	2013 Q 2	2014 Qs 1-2	2013 Qs 1-2	Jul 13- Jun 14	2013 Full year
Profit/loss for the period after tax	135	-144	86	-281	-699	-1,066
<i>Other comprehensive income</i>						
<u>Items that may be subsequently reclassified to the income statement:</u>						
Translation differences for the period	1,200	973	1,300	957	92	-251
Cash flow hedges	-49	-40	-31	-38	-64	-71
Hedging of currency risks in foreign operations 1)	-395	-334	-433	-338	-16	79
Share in other comprehensive income of affiliated companies and joint ventures	2	1	5	-7	-4	-16
Tax attributable to items that may be subsequently reclassified to the income statement	97	81	101	82	17	-2
Total items that may be subsequently reclassified to the income statement	855	681	942	656	25	-261
<u>Items that will not be reclassified to the income statement:</u>						
Remeasurements of the net defined benefit liability	-	-	-4	-	7	11
Tax attributable to items that will not be reclassified to the income statement	-	-	0	-	-3	-3
Total items that will not be reclassified to the income statement	-	-	-4	-	4	8
Total other comprehensive income for the period, net after tax	855	681	938	656	29	-253
Total comprehensive income for the period	990	537	1,024	375	-670	-1,319
Of which attributable to:						
- Parent Company's shareholders	989	537	1,023	375	-671	-1,319
- Non-controlling interest	1	-	1	-	1	0

1) Hedging is structured such that the net debt/equity ratio is unchanged in the event of changed exchange rates

Consolidated statement of changes in equity

SEK millions	Equity attributable to the Parent Company's shareholders					Holdings without controlling influence	Total equity
	Share capital	Other contributed funds	Reserves	Retained earnings	Total equity		
Equity, December 31, 2012	2,851	9,944	-3,128	19,102	28,769	-	28,769
<u>Changes Jan 1 - Jun 31, 2013</u>							
Comprehensive income for the period			656	-281	375	-	375
Dividend				-324	-324	-	-324
Equity, June 30, 2013	2,851	9,944	-2,472	18,497	28,820	-	28,820
<u>Changes Jul 1 - Dec 31, 2013</u>							
Comprehensive income for the period			-917	-777	-1,694	-	-1,694
Non-controlling interest resulting from business acquisitions					-	23	23
Equity, December 31, 2013	2,851	9,944	-3,389	17,720	27,126	23	27,149
<u>Changes Jan 1-Jun 30, 2014</u>							
Comprehensive income for the period			944	79	1,023	1	1,024
Equity, June 30, 2014	2,851	9,944	-2,445	17,799	28,149	24	28,173

There are 323,934,775 shares with a quotient value of SEK 8.80.

Consolidated balance sheet

SEK millions	30 Jun 2014	30 Jun 2013	31 Dec 2013
Assets			
Goodwill	18,511	18,467	17,762
Other intangible assets	2,030	2,451	2,149
Tangible fixed assets	16,300	17,226	16,467
Participations in affiliated companies	297	316	284
Financial assets 1)	1,074	1,874	1,599
Deferred tax receivables 2)	938	832	653
Total fixed assets	39,150	41,166	38,914
Inventories	9,062	9,018	8,783
Accounts receivable	5,578	5,545	4,785
Current tax receivables	234	376	334
Other current receivables 1)	1,533	725	996
Cash and cash equivalents	7,465	2,046	2,124
Total current assets	23,872	17,710	17,022
Total assets	63,022	58,876	55,936
Equity and liabilities			
Equity for shareholders in the Company	28,149	28,820	27,126
Non-controlling interest	24	-	23
Total equity	28,173	28,820	27,149
Deferred tax liabilities	2,891	3,558	2,969
Other long-term provisions	279	275	254
Deferred income 2)	388	468	376
Long-term interest-bearing liabilities	21,021	18,037	16,093
Total long-term liabilities	24,579	22,338	19,692
Short-term interest-bearing liabilities	3,446	1,287	2,568
Current tax liabilities	177	170	118
Accounts payable	4,498	4,118	4,578
Other current liabilities	2,149	2,143	1,831
Total current liabilities	10,270	7,718	9,095
Total equity and liabilities	63,022	58,876	55,936
Pledged assets	2,492	2,226	2,262
Contingent liabilities	639	621	599

1) Financial assets include long-term bank deposits (escrow agreement) in the amount of USD 150 (270) million. Other current receivables comprise short-term bank deposits (escrow agreement) in the amount of USD 120 (0) million.

2) Of the Deferred tax receivable, SEK 388 (467) million constitutes a valuation of the future tax credits regarding investments in Alabama, USA. Since the credits have not yet been booked as income, a corresponding liability has been booked as a Non-current non-interest-bearing liability.

Valuation of financial assets and liabilities

Financial assets and liabilities in the balance sheet are valued based on their classification at acquisition value or fair value. Both interest rate derivatives and currency derivatives are valued at fair value. In the balance sheet item "Other current receivables" derivatives are valued at a total of SEK 82 (105) million and in the balance sheet item "Other current liabilities" derivatives are valued at a total of SEK 185 (100) million.

Other financial assets and liabilities in the balance sheet are reported at acquisition value. In the case of valuation at fair value, the loans at fixed interest reported in the balance sheet item "Non-current interest-bearing liabilities" would exceed the reported amount by SEK 253 million; however, since the loans will be held until maturity, this does not affect the reported value.

Assessment of fair value of financial instruments

The classification shall take place hierarchically on three different levels based on the input data used in valuing instruments. On level 1, listed prices on an active market are used, e.g. stock exchange prices. On level 2, observable market data regarding assets and liabilities other than listed prices are used, e.g. interest rates and return curves. On level 3, the fair value is determined based on a valuation technique which is based on assumptions which are not based on prices or observable data.

The fair value valuation of the financial assets in SSAB is based on data in accordance with level 2. Own credit risk is not taken into account since the impact is marginal.

Cash flow

	2014	2013	2014	2013	Jul 13-	2013
SEK millions	Q 2	Q 2	Qs 1-2	Qs 1-2	Jun 14	Full year
Operating profit/loss	260	-115	286	-251	-594	-1,131
Adjustments for depreciation and impairment	556	657	1,112	1,301	2,275	2,464
Adjustment for other non-cash items	5	-95	15	-68	-31	-114
Received and paid interest	-139	-125	-251	-229	-592	-570
Tax paid	-134	-47	3	-139	-141	-283
Change in working capital	-43	489	-775	145	449	1,369
Cash flow from operating activities	505	764	390	759	1,366	1,735
Capital expenditure payments in plants and machinery	-287	-175	-491	-339	-959	-807
Acquisitions, shares and operations	-	-4	-	-4	-17	-21
Divested shares and operations	-	69	-	69	19	88
Other investing activities	-10	-1	21	4	41	24
Cash flow from investing activities	-297	-111	-470	-270	-916	-716
Dividend	-	-324	-	-324	-	-324
Change in loans	3,815	-496	5,435	-426	5,175	-686
Change in financial investments	644	-5	-57	-755	-60	-758
Other financing activities	65	36	-2	18	-102	-82
Cash flow from financing activities	4,524	-789	5,376	-1,487	5,013	-1,850
Cash flow for the period	4,732	-136	5,296	-998	5,463	-831
Cash and cash equivalents at beginning of period	2,689	2,119	2,124	3,004	2,046	3,004
Exchange rate difference in cash and cash equivalents	44	63	45	40	-44	-49
Cash and cash equivalents at end of period	7,465	2,046	7,465	2,046	7,465	2,124

The business areas' sales, earnings and return on capital employed

	Sales				Sales, external		Operating profit/loss		Return on capital employed (%) 3)	
	2014	2013	Change		2014	2013	2014	2013	Jul 13- Jun 14	2013 Full year
SEK millions	Qs 1-2	Qs 1-2	in %	in % 2)	Qs 1-2	Qs 1-2	Qs 1-2	Qs 1-2		
SSAB EMEA	9,473	9,296	2%	3%	7,367	7,075	246	3	-4	-5
SSAB Americas	7,705	6,968	11%	12%	7,675	6,941	358	38	8	4
SSAB APAC	817	1,010	-19%	-19%	817	1,010	-26	48	-3	3
Tibnor	2,718	2,782	-2%	-3%	2,633	2,701	31	72	3	5
Amortization on surplus values 1)							-249	-407		
Other	-2,221	-2,329					-74	-5	-	-
Total	18,492	17,727	4%	5%	18,492	17,727	286	-251	-1	-2

1) Depreciation and amortization on surplus values on intangible and tangible assets related to the acquisition of IPSCO.

2) Adjusted for changes in exchange rates.

3) SSAB Americas' return is calculated excluding surplus values. Inclusive of surplus values, the returns are 0 (1)%.

The Group's results per quarter

SEK millions	1/12	2/12	3/12	4/12	1/13	2/13	3/13	4/13	1/14	2/14
Sales	11,023	10,816	8,730	8,354	8,833	8,894	8,375	8,920	9,169	9,323
Operating expenses	-9,922	-9,439	-8,730	-8,374	-8,324	-8,365	-8,375	-8,642	-8,593	-8,513
Depreciation	-629	-643	-668	-646	-644	-657	-596	-566	-556	-556
Affiliated companies	7	21	3	1	-1	13	-2	6	6	7
Financial items	-150	-146	-124	-177	-142	-158	-143	-154	-161	-188
Profit/loss after financial items	329	609	-789	-842	-278	-273	-741	-436	-135	73

Sales per quarter and business area

SEK millions	1/12	2/12	3/12	4/12	1/13	2/13	3/13	4/13	1/14	2/14
SSAB EMEA	5,780	5,400	4,549	4,529	4,573	4,723	4,165	4,594	4,838	4,635
SSAB Americas	4,609	4,657	3,669	3,238	3,460	3,508	3,639	3,775	3,685	4,020
SSAB APAC	585	661	513	559	555	455	394	357	416	401
Tibnor	1,771	1,636	1,266	1,288	1,366	1,416	1,161	1,302	1,341	1,377
Other	-1,722	-1,538	-1,267	-1,260	-1,121	-1,208	-984	-1,108	-1,111	-1,110
Sales	11,023	10,816	8,730	8,354	8,833	8,894	8,375	8,920	9,169	9,323

Operating profit/loss per quarter and business area

SEK millions	1/12	2/12	3/12	4/12	1/13	2/13	3/13	4/13	1/14	2/14
SSAB EMEA	-124	383	-644	-545	-53	56	-475	-289	58	188
SSAB Americas	670	537	251	110	87	-49	53	181	126	232
SSAB APAC	65	40	16	46	42	6	-9	-12	-12	-14
Tibnor	105	67	-26	-42	15	57	-6	7	22	9
Amortization on surplus values 1)	-197	-225	-218	-221	-201	-206	-151	-123	-124	-125
Other	-40	-47	-44	-13	-26	21	-10	-46	-44	-30
Operating profit/loss	479	755	-665	-665	-136	-115	-598	-282	26	260

1) Depreciation and amortization on surplus values on intangible and tangible assets related to the acquisition of IPSCO.

The Parent Company's income statement

SEK millions	2014 Q 2	2013 Q 2	2014 Qs 1-2	2013 Qs 1-2	Jul 13- Jun 14	2013 Full year
Gross profit	0	0	0	0	0	0
Administrative expenses	-84	-50	-145	-103	-226	-184
Other operating income/expenses	58	69	76	92	106	122
Operating profit/loss	-26	19	-69	-11	-120	-62
Financial items 1)	601	-97	501	-114	427	-188
Profit/loss after financial items	575	-78	432	-125	307	-250
Appropriations	-	-	-	-	346	346
Tax	38	18	69	43	43	17
Profit/loss after tax	613	-60	501	-82	696	113

1) During the quarter, the parent company restructured the foreign financing operations by dividing the operations into a USD-based company and a euro-based company, while the old finance company was liquidated. This has resulted in a net positive profit in the parent company of SEK 745 million.

The Parent Company's statement of comprehensive income

SEK millions	2014 Q 2	2013 Q 2	2014 Qs 1-2	2013 Qs 1-2	Jul 13- Jun 14	2013 Full year
Profit/loss after tax	613	-60	501	-82	696	113
<i>Other comprehensive income</i>						
<u>Items that may be reclassified to the income statement</u>						
Hedging of currency risks in foreign operations	-395	-334	-433	-338	-16	79
Cash flow hedges	-2	-3	-4	3	6	13
Tax attributable to other comprehensive income	87	73	96	73	4	-19
Total items that will be reclassified to the income statement	-310	-264	-341	-262	-6	73
Other comprehensive income, net after tax	-310	-264	-341	-262	-6	73
Total comprehensive income for the year	303	-324	160	-344	690	186

The Parent Company's balance sheet

SEK millions	30 Jun 2014	30 Jun 2013	31 Dec 2013
Assets			
Fixed assets	41,308	39,380	39,331
Other current assets	11,830	10,232	10,960
Cash and cash equivalents	6,706	103	50
Total assets	59,844	49,715	50,341
Equity and liabilities			
Restricted equity	3,753	3,753	3,753
Unrestricted equity	27,325	26,635	27,165
Total equity	31,078	30,388	30,918
Untaxed reserves	43	175	43
Long-term liabilities and provisions	19,252	16,196	14,335
Current liabilities and provisions	9,471	2,956	5,045
Total equity and liabilities	59,844	49,715	50,341

Production and shipments

Thousand tonnes	1/12	2/12	3/12	4/12	1/13	2/13	3/13	4/13	1/14	2/14
Crude steel production										
- SSAB EMEA	832	867	551	713	744	805	732	813	778	835
- SSAB Americas	624	609	540	517	610	584	632	647	625	595
-Total	1,456	1,476	1,091	1,230	1,354	1,389	1,364	1,460	1,403	1,430
Steel production 1)										
- SSAB EMEA	638	664	466	491	624	625	559	611	659	671
- SSAB Americas	591	571	516	487	574	541	590	626	583	572
-Total	1,229	1,235	982	978	1,198	1,166	1,149	1,237	1,242	1,243
Steel shipments										
- SSAB EMEA	511	437	378	373	469	474	407	482	537	472
- SSAB Americas	622	626	540	530	587	574	628	657	604	629
- SSAB APAC	41	46	38	42	44	37	35	33	37	36
-Total	1,174	1,109	956	945	1,100	1,085	1,070	1,172	1,178	1,137
of which high strength steels										
- SSAB EMEA	227	215	186	172	200	223	186	194	219	213
- SSAB Americas	193	154	143	135	179	170	166	157	145	145
- SSAB APAC	39	45	36	40	42	37	34	31	36	36
- Total high strength steels	459	414	365	347	421	430	386	382	400	394

1) Including subcontract rolling.

Note:

This report has been published in Swedish and English. In the event of differences between the English translation and the Swedish original, the Swedish Report shall prevail.

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Report for the third quarter 2014:

The report for the third quarter of 2014 will be published on October 27, 2014.

SSAB

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