

## SSAB towards industry-leading profitability

**SSAB is holding its Capital Markets Day in Stockholm today, October 1, 2014. SSAB aims to be one of the most profitable steel companies by developing its unique product and service offering within high-strength steels globally, and by improving efficiency in its production, distribution and sales of top-quality steel on the home markets in the Nordic region and USA. Consequent to the combination with the Finnish steelmaker Rautaruukki, SSAB will, over a three-year period, realize synergies reducing the annual cost base by SEK 1.4 billion. In addition to the cost synergies, SSAB expects to reduce net working capital by around SEK 500 million and to avoid overlapping capital expenditure of SEK 1.4 billion.**

“We have every possibility to recapture our position as one of the most profitable steel companies compared to relevant peers. We enjoy an unrivalled global position within high-strength steels, a segment where there is good future growth potential. We are market leader in heavy plate in North America, which is an attractive growing market, and we have a clear plan to increase profitability in our operations in Europe. Our recent combination with Ruukki will enable us to reduce the cost base structurally in Europe with SEK 1.4 billion. Furthermore, the new SSAB will have better capabilities to grow globally within high-strength steel, and to strengthen its offering on the home markets,” says SSAB’s President and CEO Martin Lindqvist.

### **SSAB will reduce the cost base by SEK 1.4 billion**

The combination with Rautaruukki was completed on July 29, 2014 and the new organization structured into five new divisions - SSAB Special Steels, SSAB Europe, SSAB Americas, Tibnor, and Ruukki Construction - has been in place since September. The appendix shows pro forma quarterly figures for the Group and respective divisions from 2013 and onwards. SSAB’s target is to reduce the cost base by SEK 1.4 billion on an annual basis, with full run rate achieved in mid-2017. The synergies are estimated to amount to around SEK 350 million during 2015, around SEK 800 million in 2016, around SEK 1,200 million in 2017 and around SEK 1,400 million in 2018. The synergy assessment is based on current market conditions. If the market improves, synergies could be lower, but in all scenarios SSAB will capture at least SEK 1.0 billion.

In addition to cost synergies, some strategic and maintenance capital expenditure, equating to a value of SEK 1.4 billion, can be avoided. As a result of the combination, SSAB further expects to tie up less working capital, primarily by lowering the inventory levels. The expected working capital reduction is estimated to result in a positive effect on cash flow of around SEK 500 million, with around half of this being freed up during 2015.

One-off costs that will impact the result for the third quarter this year that directly related to completion of the transaction amount to approximately SEK 325 million. These costs consist primarily of transfer tax, adviser costs and financing costs. In addition, SSAB estimates restructuring costs of approximately SEK 550 million will be required to achieve the synergies. Of these costs, approximately SEK 400 million is cash-cost and the remaining

SEK 150 million is non-cash cost due to potential write-downs of assets. Restructuring costs will be impacting the result as the measures are defined.

The balance sheet total of the new company totals SEK 89 billion and net gearing is 51% as at June 30, 2014. The appendix shows the pro forma balance sheet as at June 30, 2014.

SSAB currently owns 95.1% of Rautaruukki Corporation shares. The remaining shares will be acquired through ongoing compulsory redemption proceedings. Since August 1, Rautaruukki has been fully consolidated into SSAB's result.

**Well placed to recapture industry-leading profitability and growth**

During the past few years, the market situation for the steel industry has been challenging. Going forward, there are some factors that indicate a potential improvement from the low levels of recent years. In addition, current market trends such as energy efficiency and material efficiency will result in increased demand for high-strength steel.

The new SSAB gains benefits both through cost synergies and potential to increase sales – resulting from cross selling potential, a stronger product offering and through greater resources for application development.

Looking ahead, there are many possibilities to continue work on developing the new company. This includes increasing the presence in the emerging markets, expanding value-added end-user services and aftermarket operations and increasing capacity in the USA.

SSAB sees good potential to improve profitability and to be one of the most profitable steel companies compared to relevant peers in terms of EBITDA margin.

A live webcast of the presentations will begin at 1 pm CET on October 1. Please see the link below:

<http://www.media-server.com/m/p/uxwo5ufc>

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**For further information, please contact**

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SSAB is a Nordic and US-based steel company. SSAB offers value added products and services developed in close cooperation with its customers to create a stronger, lighter and more sustainable world. SSAB has employees in over 50 countries. SSAB has production facilities in Sweden, Finland and the US. SSAB is listed on the NASDAQ OMX Nordic Exchange in Stockholm and has a secondary listing on the NASDAQ OMX in Helsinki. [www.ssab.com](http://www.ssab.com)

## APPENDIX

### Financial data for the SSAB Group pro forma including Rautaruukki

Group	1/13	2/13	3/13	4/13	1/14	2/14	FY 2013
SEK million							
Net sales	14 114	14 557	13 800	14 542	14 598	15 208	57 013
EBITDA	828	954	360	614	833	1 179	2 756
EBITDA margin, %	6%	7%	3%	4%	6%	8%	5%
EBIT	-105	18	-519	-253	-10	321	-859
EBIT margin, %	-1%	0%	-4%	-2%	0%	2%	-2%
Financial items	-208	-247	-227	-238	-305	-259	-920
Profit/loss after financial items	-313	-229	-746	-491	-315	62	-1 779

#### Net Sales by Division per quarter

SEK million	1/13	2/13	3/13	4/13	1/14	2/14	FY 2013
SSAB Special Steels	3 430	3 355	2 819	3 243	3 348	3 477	12 847
SSAB Europe	6 262	6 409	5 796	6 199	6 649	6 568	24 666
SSAB Americas	2 647	2 606	2 873	3 004	2 831	3 152	11 130
Tibnor	2 098	2 157	1 871	1 968	2 055	2 077	8 094
Ruukki Construction	1 229	1 731	1 941	1 730	1 224	1 625	6 631
Other	-1 552	-1 701	-1 500	-1 602	-1 509	-1 691	-6 355
<b>Net Sales</b>	<b>14 114</b>	<b>14 557</b>	<b>13 800</b>	<b>14 542</b>	<b>14 598</b>	<b>15 208</b>	<b>57 013</b>

#### EBITDA by Division per quarter

SEK million	1/13	2/13	3/13	4/13	1/14	2/14	FY 2013
SSAB Special Steels	429	383	-125	364	377	471	1 051
SSAB Europe	318	311	104	-21	364	383	712
SSAB Americas	149	76	209	276	194	299	710
Tibnor	62	89	30	17	51	57	198
Ruukki Construction	-64	96	187	82	-37	74	301
Other	-66	-1	-45	-104	-116	-105	-216
<b>EBITDA</b>	<b>828</b>	<b>954</b>	<b>360</b>	<b>614</b>	<b>833</b>	<b>1 179</b>	<b>2 756</b>

#### EBIT by Division per quarter

SEK million	1/13	2/13	3/13	4/13	1/14	2/14	FY 2013
SSAB Special Steels	292	246	-262	225	242	338	501
SSAB Europe	-62	-78	-280	-402	-16	10	-822
SSAB Americas	33	-40	90	158	74	176	241
Tibnor	39	67	8	-5	29	34	109
Ruukki Construction	-128	39	128	8	-92	1	47
Other	-78	-10	-52	-114	-123	-113	-254
Depreciation/amortization on surplus values*	-201	-206	-151	-123	-124	-125	-681
<b>EBIT</b>	<b>-105</b>	<b>18</b>	<b>-519</b>	<b>-253</b>	<b>-10</b>	<b>321</b>	<b>-859</b>

## Operating cash flow Group

SEK million	1/13	2/13	3/13	4/13	1/14	2/14	FY 2013
EBIT	-105	18	-519	-253	-10	321	-859
Depreciation/amortization	933	936	879	867	843	858	3 615
Change in working capital	-38	335	571	1 001	-1 117	84	1 869
Maintenance expenditures	-215	-340	-347	-425	-250	-397	-1 327
Other	-23	-81	1	44	22	223	-59
<b>Operating cash flow</b>	<b>552</b>	<b>868</b>	<b>585</b>	<b>1 234</b>	<b>-512</b>	<b>1 089</b>	<b>3 239</b>

## Steel shipments

Thousand tonnes	1/13	2/13	3/13	4/13	1/14	2/14	FY 2013
SSAB Special Steels	276	287	243	258	291	295	1 065
SSAB Europe	883	909	817	927	984	952	3 535
SSAB Americas	494	466	530	558	496	522	2 047
<b>Total shipments</b>	<b>1 653</b>	<b>1 662</b>	<b>1 590</b>	<b>1 742</b>	<b>1 772</b>	<b>1 768</b>	<b>6 647</b>

## Balance sheet Group\*\*

SEK million	31 Dec 13	30 Jun 14
Goodwill	23 223	24 141
Other intangible assets	2 485	2 348
Tangible fixed assets	26 071	25 771
Other fixed assets	<u>3 985</u>	<u>3 953</u>
Total fixed assets	55 764	56 213
Inventories	13 739	13 927
Accounts receivable	6 952	8 219
Other current receivables	2 108	2 510
Current investments & cash	<u>2 540</u>	<u>7 779</u>
Total current assets	25 339	32 435
<b>Total assets</b>	<b>81 103</b>	<b>88 648</b>
Total equity	40 478	41 739
Total long-term liabilities	23 541	28 264
Accounts payable	7 064	6 806
Other current liabilities	<u>10 020</u>	<u>11 839</u>
Total current liabilities	17 084	18 645
<b>Total equity and liabilities</b>	<b>81 103</b>	<b>88 648</b>
Net debt	20 735	21 467
Net debt equity ratio	51.2%	51.4%

\*Referring to SSAB Americas

\*\*The purchase price allocation has not been finalized. The total step-up value is included in Goodwill.