

Weak market conditions impact negatively on SSAB's earnings for the fourth quarter of 2015

SSAB is expected to report lower earnings for the fourth quarter compared to the third quarter of 2015. This is primarily attributable to lower volumes and falling prices in Europe and North America. EBITDA in the fourth quarter of 2015 is expected to be between SEK 50 million and SEK 250 million and the operating loss to be between SEK 900 million and SEK 700 million. Market conditions are expected to improve in Q1 2016.

The outlook in SSAB's report published on October 22 for the period January-September 2015 stated that:

"In North America, the wait-and-see sentiment in demand for heavy plate is expected to continue during the fourth quarter. A continuation of destocking at distributors is also expected. Underlying demand at end-customers is considered to be relatively stable, but also to reflect a certain seasonal downturn towards the end of the quarter.

In Europe, while a certain destocking is expected to take place at distributors and end-customers initially in the fourth quarter, no major change in inventories is anticipated for the quarter as a whole. Demand is considered to be stable, but with a seasonal downturn towards the end of the quarter. Demand for high-strength steels is expected to be unchanged during the fourth quarter. Overall, SSAB's shipment volumes during the fourth quarter are expected to be somewhat higher than during the third quarter.

There will be a maintenance outage in production at Oxelösund in November and this will have an adverse impact of around SEK 100 million on fourth quarter results."

After over two months into the fourth quarter, the development in prices and volumes has been significantly weaker than the estimates stated in the outlook in the report for the third quarter of 2015.

- Volumes for the fourth quarter of 2015 are estimated to be lower than in the third quarter 2015 and significantly lower than in the fourth quarter of last year. Customers in both Europe and the USA have adopted a wait-and-see sentiment, and have chosen to destock against a backdrop of falling prices.
- Market prices of plate and strip have fallen sharply during the fourth quarter. This impacts adversely on the earnings of especially SSAB Europe and SSAB Americas.
- High volumes of imports from Asia and Eastern Europe outside the EU during 2015 have had a serious negative impact on volumes and prices in Europe and North America.

Preliminary earnings estimates for the fourth quarter of 2015 are that EBITDA (excluding items affecting comparability) will be between SEK 50 million and SEK 250 million and that operating loss (excluding items affecting comparability) will be between SEK 900 million and SEK 700 million.

Operating cash flow and net cash flow is estimated to be continuously positive during the fourth quarter.

Outlook for the first quarter of 2016:

In North America, demand is expected to pick up during the first quarter as a result of low inventories at distributors. SSAB Americas has recently announced a price increase for heavy plate. Scrap metal costs are expected to remain low.

In Europe, demand is expected to pick up during the first quarter as distributors and end customers replenish inventories to a certain extent. Market prices of iron ore have fallen sharply during the fourth quarter and this will have a positive impact on earnings for the first quarter of 2016.

Overall SSAB's shipment volumes are expected to increase during the first quarter of 2016 compared with the fourth quarter of 2015.

Synergies and efficiency actions will result in lower costs of approximately of SEK 150 million compared with the fourth quarter of 2015. As previously communicated, SSAB will reduce costs, compared with the 2014 cost level, by around SEK 2 billion with full impact 2017.

As communicated earlier, the results for 2015 will be published on February 12, 2016 at 7.30 am CET.

For further information, please contact

Investor Relations: Andreas Koch, Head of Investor Relations,
andreas.koch@ssab.com, +46 8 454 57 29

Media: Marie Elfstrand, Head of External Communications,
marie.elfstrand@ssab.com, + 46 8 454 57 56

This information is published by SSAB pursuant to the requirements of the Swedish Securities Market Act and the Finnish Securities Market Act. Submitted for publication at 8.00 am CET, December 16, 2015.

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