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SSAB.ST - Q4 2014 SSAB AB Earnings Call

EVENT DATE/TIME: FEBRUARY 10, 2015 / 8:30AM GMT



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## PRESENTATION

**Andreas Koch** - *SSAB AB - Head of IR and Financial Communications*

Good morning everyone and very welcome to SSAB's webcast where we're presenting our results for the fourth quarter and full year 2014.

My name is Andreas Koch, Head of Investor Relations. I'm here with Martin Lindqvist, our CEO, and Hakan Folin, CFO. We'll start with a presentation followed by a Q&A session. And you're able to raise questions on the web or on the phone conference. But now, over to Martin.

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**Martin Lindqvist** - *SSAB AB - President & CEO*

Thank you, Andreas. I will start with some actual figures and then move over to pro forma figures, and Hakan will during his presentation also give you some explanations about the difference between actual and pro forma. But if we start with the actuals for Q4 2014, that is sales of SEK15.2 billion and EBITDA of just north of SEK1 billion and an EBIT of SEK118 million. And we shipped during the quarter 1.6 million tonnes.

The improvement compared to Q4 last year was mainly due to higher prices in Americas and lower costs in Europe. And the lower EBIT versus Q3 2014 was due to lower prices and seasonal slowdown. And if we take a look forward, we have a fairly good stable underlying demand and some mixed signals, of course high import levels to US, but the underlying demand fairly okay and improving, relatively stable demand in Europe, and if anything, moving in any direction maybe some at the horizon small positive signs, of course very dependent on what happens with the macro and the geopolitical situation in Russia, Ukraine, Greece and so on. But underlying demand stable, maybe some positive signs.



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If we then talk about the full year, and these are pro forma numbers, we had a sales of SEK60 billion, an EBITDA of SEK4.4 billion and an EBIT of just above SEK1 billion. We shipped 6.7 million tonnes, and the improvement compared to previous year was mainly due to higher prices and higher efficiency in SSAB Americas and higher volumes and lower costs in SSAB Europe.

We also had the Board meeting yesterday, and the decision at the Board was to propose no dividend payout for 2014. And the main reason for that being 2015 will be a year with fairly big restructuring according to the industrial plan we developed before the acquisition of Ruukki, and we -- I will come back to that, but we have announced the first step, and then closing the galvanizing, color-coating in Borlange and moving those volumes to Hameenlinna. And this is a part of specializing the sites and specializing lines.

If you take a look at the KPIs, I would say a clear recovery in all aspects, sales, EBITDA and EBITDA per ton if you compare 2014 to 2013 and if you compare Q4 this last year compared to Q4 2013.

Some words about our key segments. Heavy transport remains strong in the US. Demand for railcars expected to remain at a high level. When we talk to the railcar builders and they -- we look into their order books, good demand in the Europe for trailers and fairly okay demand in Europe, or slightly more positive demand for tracks. However, of course, a declining market in Russia.

Automotive, strong demand both in Europe and in US or NAFTA, at a high level. Construction machinery, stable demand on a very low level in Europe and in Asia and the lifting segment remains depressed.

Mining is a bit two-folded. We see for new equipments slow demand on all markets, and slow demand on a very low level. On the other hand, higher activity in the aftermarket segment. 2014 was the year where we increased the number of auto spare parts suppliers, and we also increased the volumes via the auto spare part supplier network, so the aftermarket or the service market is obviously performing better than the direct market.

Construction material. Q4 is always a seasonal slowdown and we saw that this year as well. And we are expecting a seasonally better demand in Q1. That will of course be dependent on how much snow and how the winter develops. But typically we see better demand in Q1 compared to Q4. Of course the development in Eastern Europe, in Ukraine, in Russia of course continues to impact the construction material segment.

Steel Service Center, I would say fair underlying demand, and the underlying demand is expected to continue to improve in line with the GDP growth in 2015 and Q1. But we had very high import levels of plates in North America during Q4 and so far in Q1, and also the inventories at the service center level were at the end of last year beginning of this year higher than normal.

Some words about the divisions. SSAB Special Steel, an EBIT of SEK207 million compared to SEK225 million last year. Lower volumes compensated not fully, but compensated by lower costs. Shipments decreased compared to Q4 and Q3. Heavy transport, as said, the best segment or the best development of the segments. And demand from other segments during Q4, I would say, fairly unchanged.

Market prices overall stable, but we had some positive currency effects compared to Q3.

Europe, an EBIT of minus SEK54 million compared to minus SEK402 million. The improvement is due to lower costs and better mix. Shipments, on the same level as Q4 2013, and 10% high versus Q3. And Q3 in Europe is where we have the planned maintenance outages during the summer. Relatively stable demand, slightly improving in automotive and heavy transport during the fourth quarter. We had 7% lower prices compared to Q3, but that was mainly due to mix effects.

Americas, an EBIT of SEK299 million including cost of the planned outage of between -- bit more than SEK175 million, so putting that back, we made roughly SEK0.5 billion in North America in Q4.

Demand from heavy transport remain good, as said, in Q4, and the shipments decreased compared to Q3 and Q4 2014. And that was of course due to the outage we had during Q4. Prices down 1% versus Q3, and, as said, pressure from high imports.



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And some words about the US plate market. When we look forward and when we talk to our customers, we expect that the plate market will grow with about 3% per year for the coming years. That is of course driven by the GDP growth but also by improved construction market.

The market for energy, transportation and railcars expects to be strong in 2015, and that is due to the order books for those customers. But we see some negative effects related to the delayed investments in pipeline projects. And if you take SSAB's sales in North America, it is less than 10% including what goes via service centers, that goes directly to the oil and gas sector. And we have currently fairly limited exposure to big pipeline projects.

Tibnor, seasonally weak quarter, in line with previous year, minus SEK16 million compared to minus SEK17 million. Shipments lower, but compensated by lower costs. So I will say fairly in line profit-wise and sales-wise with 2013.

Ruukki Construction, minus SEK26 million compared to a profit of SEK27 million last year. And that is of course negative effects from currencies and lower volumes mainly in Russia and the depreciation of the Russian ruble.

Demand on most market was somewhat weaker versus one year ago, with Russia and Ukraine in particular experiencing a declining market for obvious reasons.

Some words and some update regarding the synergies. We communicated mid-January or something that we -- the integration of the two Companies is moving along ahead of plan, and we expect the synergies to be captured slightly earlier than we have communicated when we released this combination. And we are currently at a run rate of about SEK300 million, and this is the P&L effect you should expect to see for the coming years, then SEK500 million this year, SEK1 billion next year, and then the full run rate in the P&L from the second half of 2016 corresponding then for the full year to SEK1.4 billion.

What have we done then? Well, what we have done so far and what is in that SEK300 million is lower purchasing cost, new suppliers, new contracts and combining best of both.

We have in-sourced material to Tibnor that previously was bought externally that we can produce ourselves now. We are taking coking coal from Oxelosund to Raahe instead of purchasing externally.

We have also announced some actions with later impact. As said, we will close the galvanizing line and the color-coating line in Borlange and that will affect to start with 210 employees. We have closed or we will close the Ruukki headquarter and reduce staff functions not only in Finland but in the full Group, and we will consolidate service centers in Tibnor and we will continue then to do things during this year according to the initial industrial plan.

Then Hakan, some words about financials.

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### **Hakan Folin** - SSAB AB - EVP and CFO

Thank you, Martin. I will, as usual, go through the key figures, also describe the balance sheet situation. And today I will also spend some time on the Ruukki purchase price allocation which we finalized now during Q4.

Starting with some key figures, during the quarter we had a strong operating cash flow of SEK1.4 billion. And the other figure I would like to highlight is the EBITDA for the full year of 2014 of SEK3.7 billion, where Ruukki contribute with approximately SEK600 million out of this SEK3.7 billion.

Moving then to the result development, starting with Q4 versus Q3. In Q3 we had an operating profit of SEK483 million, and now when we look at Q4 it's SEK118 million, and the change is due to the -- partly due to the contribution of Ruukki, which was slightly negative in Q4, but positive in Q3. And when you add those together, the change is a bit more than SEK200 million.



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We had slightly higher volumes, especially then in the European division since we had the summer outage in Q3. Negative impact of price, partly in Americas, but actually mainly in Europe given the mix effect, and then variable COGS also slightly negative impact where we had positive from the raw material, but on the other hand we had outage in Montpellier, which impacted negatively. And in the other SEK50 million, it's for example foreign exchange, it's Tibnor and fixed cost.

And then talking about -- this is the actual result, of SEK118 million. If you look in the report you can see that pro forma, we say that the EBIT is SEK173 million. And the difference there is, first of all in the actual result we are including now the depreciations on the surplus values from the Ruukki acquisition. That's the major difference between the SEK173 million and the SEK118 million.

If you look on EBITDA level you can see that the difference is much smaller. And then it's also in the pro forma, we have assumed that we have owned Ruukki already since end of 2012, which means that we are using average FX rate for the full year of 2014 while in actual we are only using the five last months of the year, so that's why you get a bit difference between SEK118 million and SEK173 million.

If we then instead turn on and look at Q4 versus Q4, the picture looks fairly different. We had a negative result in Q4 in 2013 of close to SEK300 million. Again here is what Ruukki actually contributed within Q4 2014 since Ruukki was not part of 2013, minus SEK78 million, which is including then the depreciations on the surplus values. Slightly negative volume impact, mainly due to Americas' big positive price impact which is then the plate prices in North America which in Q4 last year they were fairly depressed. They started to tick upwards, which they did continuously basically up until October in 2014 when they started going down somewhat. But, all in all, that impact is close to SEK400 million comparing year over year.

The other big item then between the two quarters is variable COGS. And here it's both production efficiency that has been improved, but it's of course also the lower raw material cost, mainly due to iron ore. And then once again, we had the same items in the other bucket. So, all in all, it's an improvement of a bit more than SEK400 million from Q4 2013 to 2014.

The result that we have shown and talked about so far are excluding items affecting comparability. We had in Q4 quite a few of them. I'm not going to go through all of them here. This is a table from the report, but mention a few of them.

One is the write-down on the goodwill, which is close to SEK300 million. This was goodwill that we had allocated to Ruukki Construction. And given the development in Eastern Europe during the second half of this year we wrote down that goodwill. We also due to the development within Ruukki Construction in Eastern Europe wrote down certain assets there of SEK130 million.

Then the assets held for sale as a consequence of the decision from the European Commission, we signed sales agreement for all of these in December and the sales agreement was somewhat below booked value, so also there we did the write-down now in Q4.

And then the final item is related to Fortaco where we wrote down shares in Fortaco and also shareholder loan to Fortaco. And Fortaco is a company that Ruukki owned partly together with a Finnish company called CapMan. And the development during the second half of the year has not been as expected.

Moving then to cash flow. As mentioned in Q4 we had SEK1.4 billion in operating cash flow. And looking at net cash flow, we had more than SEK700 million. The main driver of this was the earnings -- EBITDA, but also very positive development of working capital, which is to some extent or to large extent due to lower accounts receivable, but actually also higher accounts payable and lower inventory. If you take the full year perspective, the operating cash flow is SEK1.7 billion and net cash flow close to SEK100 million.

Moving then to the balance sheet and the financing situation. If we look year over year, our net debt have increased with close to SEK10 billion, which is mainly due to that we have taken over the Ruukki debt.

Now in Q4 we have also seen the development that part of our loans that are in US dollar have become in SEK, higher valued, and we have also moved the amount we have to pay to the minority shareholders in Ruukki, we did not classify as debt before, we have done that now in Q4, so that has also increased the net debt.



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And out of the Ruukki debt that we took over, we -- out of the total Ruukki debt, we took over everything except SEK54 million, and we did that without any financial covenant. At the end of the year we have a net gearing now of 56%, it was 55% at the year end of 2013, so it has increased with 1 percentage point.

We have liquidity preparedness of 20% when you compare to rolling 12-month sales, and it used to be clearly higher at the end of Q3, and we said it was a bit too high at that time, but now we have repaid one Swedish bond and one Eurobond and now we are at the more reasonable level.

And when we look at the full loan portfolio, the average is 3.9 years and we have an interest term of 1.2 years. In total, now we have cash and backup facilities, the very left-hand graph, of around SEK11 billion. And we did during Q4 now sign a new revolving credit facility of EUR240 million.

The bond, it looks very big for 2015, close to SEK8 billion, it -- almost half of it is commercial paper, so if -- and those we expect to be able to roll. So if you look at the other loans that need to be refinanced, it's a bit more than SEK4 billion, 2016 is clearly lower, 2017 a bit higher again, but, all in all, when we look at this maturity profile we believe that it's a fairly balanced and reasonable profile.

Development during Q4 was we decreased our interest rate and we actually increased average duration, and both of these are to a large extent related to the fact that we repaid, as I said before, the Swedish bond and also the Eurobond, which had then a short maturity time and also higher interest rate.

This is pro forma figures for 2015 on the new SSAB currency flows. And what we see in this picture is that we are short in US dollar. I maybe should explain. This is outflow and this is inflow. And if you look then at US dollar, you can see the outflow is clearly larger than the inflow. So we are short in US dollar of around SEK8 billion.

And then if you look on the euro bar, you can see that it's other way around, there we are long in euro of around SEK3 billion. And the other big currencies for us is the Canadian dollar, Danish krone, Norwegian krone, and the British pound. All in all, we are long in other currencies than SEK. So if all other currencies go the same, a weaker Swedish kroner is positive for us, but it obviously depends which currency, if it's euro or if it's US dollar that's moving.

The way we work with hedging is that we hedge our purchases in US dollar, the ones that are three months or longer. Then we hedge the purchase contract and we also hedge the corresponding sales in euro. So that gives us a -- we basically can say we lock in the margin in terms of FX for this -- when we buy the raw material.

Now I will spend some time on the Ruukki acquisition, starting discussing the purchase price allocation. The total purchase price at closing then on 29th of July was SEK15 billion. And during Q3 and Q4 when we have done the purchase price allocation exercise we have defined that the fair value of the assets is SEK9.8 billion. And that gives us then the residual of the goodwill of SEK5.2 billion.

And when the fair value of the assets was SEK9.8 billion, it imply that we get -- we have surplus values of SEK1.4 billion. And for the goodwill we will do an annual impairment test just like we have done previously and continue to do with the IPSCO goodwill. So we will do that every Q4. And for the surplus values, these will be depreciated over time. Some of them a shorter time, some of them we actually already have depreciated, like order book and inventory. While other ones then a longer time, 15 years, which is typically related to real estate.

And the depreciation over time for both the Ruukki and the IPSCO amortizations will look like this. So the red bar on this page is the Ruukki amortization and the blue bar is the IPSCO amortization. And what we can see here is that for the coming years, 2015 up until 2018, it will be fairly stable, starting at SEK800 million going up to SEK900 million. And then from 2018 onwards it will be a large decline in this amortization, down to 2022, when we're down on only SEK100 million for the whole year.

Worth mentioning on this page also is that these are -- the assets are denominated in the local currency. So for Ruukki mainly in euro, and for IPSCO in US dollar. And this means that also the amortizations are set in the local currency. So the value in Swedish kroner will vary depending on how the FX is moving them. So for example, for IPSCO, 2015 is expected here that it will be higher than it was in 2014, given the strengthening of the US dollar.



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Continuing then on the Ruukki acquisition theme, we are in progress of divesting the so-called remedy units, the six units that we were forced to divest as a consequence of the decision from the European Commission. As I mentioned before, in terms of the write-downs, we signed sales agreement for all six of them. And so far we have received approval from the European Commission for three of them, that's Plannja Oy in Finland, Tibnor Oy also in Finland, and then our shares in Norsk Stal Tynnplater where we own 50% of the company -- sorry, Norsk Stal in Norway.

We are still waiting for approval for the remaining three assets. We expect that we will get that during February. And these are Naantali service center in Finland, Halmstad service center in Sweden, and then 50% of the shares in Norsk Stal Tynnplater. And in terms of impact, the sales of these assets in 2014 was SEK2.1 billion. And as mentioned then before, we did the write down of SEK123 million in Q4.

Then I would like to say some words about the relining of the blast furnace in Lulea. This is our largest blast furnace. It has a capacity of 2.3 million tonnes. It's now 15 years since it was built, so it's definitely time to do the relining. We will do it this summer and we will have it closed from June until August. The capital expenditure for the relining itself is around SEK700 million. However, at the same time when the blast furnace is closed we will anyway do some other investments which is good timing to do when you don't have production. So, all in all, we will spend around SEK800 million in Lulea this year.

Within Raahe, they have two blast furnaces, and they were relined one in 2010, and one in 2011, which means that within the Group now we have very fresh experience of doing the relining, and that we will of course utilize. What we will also need to do is we need to replace approximately 500,000 tonnes of slabs. And we will do this by starting buildup slab inventory in Lulea. We have also started up the small blast furnace in Oxelosund that has been idle for some time. And we will also build up slabs and ship them from Raahe.

On top of the investment we will have an extra cost for this, for example transport of the slab, startup the blast furnace in Oxelosund. And we have estimated the extra cost will be between SEK100 million to SEK150 million, some of them in Q1, but most of it in Q2 and Q3.

And when the relining is completed, then we will have five blast furnaces, all in good shape. And we can then really fully start utilizing the new production system and go up and down in production in a way that neither former SSAB could do or neither former Ruukki could do, so we can really benefit of the combination then.

Finally from my part some words on the raw material prices, where, in general, we see clearly lower prices year over year. Our iron ore price was 7% lower in Q4 versus Q3, in Swedish kroner, about 29% lower when we compare with Q4 last year. We do have the dual sourcing, both LKAB and also Severstal from Russia. And main part of our pricing is set on a quarterly basis.

For coking coal we saw coking coal prices go down significantly already in 2013. What we see now is that in Swedish kroner they were actually somewhat higher in Q4 than in Q3. In US dollar they were fairly even. But when we look one year back we can see that the prices are still 13% lower.

For scrap then, which is used for our US operation, spot prices did decrease during Q4. They increased somewhat toward the end of the quarter, but, all in all, they were 6% lower at the end of Q3, compared to -- sorry, at the end of Q4 compared to Q3. And when we look one year back, they were actually 20% lower compared to the same period.

And what we see on scrap prices is, as you know, iron ore prices have been going like this, scrap has been fairly stable so far. But right now, we haven't seen the normal uptick that we see in the winter season. And for March buys scrap prices are expected to decrease rather significantly.

Okay, Martin.

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### **Martin Lindqvist** - SSAB AB - President & CEO

Thank you. So to sum it up, North America underlying demand expected to be relatively good during Q1. As said, uncertainty due to import and high inventory levels were slightly higher than normal in the distribution system.



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Europe, underlying demand expected to be stable. If moving in any direction, well, not negatively. In China, demand for steel is expected to stay weak during Q1, and shipments in Q1 will be slightly higher than in Q4.

Then I will show you something beautiful. This is the world's largest mining dump truck, also the winner of Swedish Steel Prize 2014. This is with a loading capacity of 450 tonnes, produced by Belaz, developed by Belaz with the help of SSAB. And of course there is Hardox in the dumper body. But what is interesting with this one as well that axles and chassis and frame is also developed by SSAB Steel. I think it's a huge and fantastic machine, requires a lot of steel as well.

So, to sum it up, when I look forward and see what we're into now with the integration, with the synergies and everything, my conclusion is fairly clear. We should be one of the most profitable steel companies in the world. We have a unique starting point, we're a unique steel company, we have strong market positions globally on quenched and tempered as well as high-strength steel. We have strong market positions in the Nordic region and in North America. We have, as said and discussed here today, a clear plan for the Nordic and Northern European strip business with the synergies. And they are moving according to plan or ahead of plan.

We have a strong starting position in US, and US continues to be an attractive market. So we have a strong starting point and a strong platform for further growth. And by that my clear conviction is that we should be, if you measure it with margins, one of the most profitable steel companies in the world when all this is in place.

So, with that, Andreas.

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## QUESTIONS AND ANSWERS

**Andreas Koch** - SSAB AB - Head of IR and Financial Communications

Yes, we are now entering to Q&A session. And we'll start with the audience followed by the phone and last we'll take questions on the web. Maybe we have some questions in the audience. Oskar, please.

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**Oskar Lindstrom** - Danske Bank - Analyst

Thank you, Andreas. Oskar Lindstrom from Danske Bank. A couple of questions. The first one is, previously you've been able to say a few words about the sort of outlook for pricing in the US several quarters ahead. Can you give us any more details than what you gave in your presentation about the outlook for pricing in the US?

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**Martin Lindqvist** - SSAB AB - President & CEO

Pricing has been, spot prices in the US have been trending down during Q4. And what we see now, as Hakan mentioned, is also raw material prices trending downwards. So it's more where the margin will go. Short term on the spot market I will say end of Q4 the margins were a bit, were smaller because of all this spot prices for plate due to high import among others and strong currency were trending downwards. But what we see now when we look forward into Q1, we also see scrap prices moving in that direction. So my guess would be lower prices and lower raw material costs.

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**Oskar Lindstrom** - Danske Bank - Analyst

So have you been able to lock in prices that -- for your deliveries in the first quarter?



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**Martin Lindqvist** - SSAB AB - President & CEO

We have contract prices, yes.

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**Oskar Lindstrom** - Danske Bank - Analyst

And any words about how those look compared to the fourth quarter?

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**Martin Lindqvist** - SSAB AB - President & CEO

No, but they are following the trend of course. But not to the same, with the same amplitude or what you call it.

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**Oskar Lindstrom** - Danske Bank - Analyst

All right, thank you. One more question.

You mentioned in your presentation that the heavy transport end-use segment is looking slightly better both in Americas and also in Special Steels, if I recall correctly. What is this and how much of that is related to tank cars in North America or are there other heavy transport segments which are pulling that?

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**Martin Lindqvist** - SSAB AB - President & CEO

Tank cars, railcars, tracks, the full segment I would say.

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**Oskar Lindstrom** - Danske Bank - Analyst

All right.

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**Martin Lindqvist** - SSAB AB - President & CEO

But, as said, for tank cars and railcars 2015 looks quite okay.

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**Oskar Lindstrom** - Danske Bank - Analyst

Meaning stable or improving?

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**Martin Lindqvist** - SSAB AB - President & CEO

Yes.

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**Oskar Lindstrom** - Danske Bank - Analyst

Okay. One more --

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**Martin Lindqvist** - SSAB AB - President & CEO

And the order books are still fairly long for those producers and the contracts are, so they will deliver during 2015. How that will look in 2016 is of course too early, but for the start of the year, what we've said Q1 looks good and what we can see for 2015 looks okay.

**Oskar Lindstrom** - Danske Bank - Analyst

Have you had any cancellations so far on your contracts? No, all right. Thank you.

**Andreas Koch** - SSAB AB - Head of IR and Financial Communications

More questions from audience? Christian, please.

**Christian Kopfer** - Nordea - Analyst

Thank you very much. Christian Kopfer from Nordea. Firstly, on shipments, you expect shipments to be slightly up quarter on quarter in Q1. Looking at the business units we typically see shipments in the European units up quarter on quarter, I guess you see that more flat now. Is it a typical reason for that or is it, I mean can you elaborate little bit on that?

**Martin Lindqvist** - SSAB AB - President & CEO

As you say, typically we see a seasonal pattern with a slower Q4 and a slightly better Q1 in European construction and so on. So, overall, we expect shipments to be slightly better in Q1 compared to Q4. We haven't been more explicit than that.

**Christian Kopfer** - Nordea - Analyst

So slightly up in the different units also or you --?

**Martin Lindqvist** - SSAB AB - President & CEO

Overall up, I don't have every single unit, but overall up, yes.

**Christian Kopfer** - Nordea - Analyst

Okay. On the raw materials, and they are being quite heavily down, something to -- could you say something about, I mean the realized price in Q4?

**Martin Lindqvist** - SSAB AB - President & CEO

As you know, we have a quarterly lag and fines prices and iron ore prices have been going down during a big part of 2014. On the other hand, the US dollar has strengthened. So, but we have seen some effects of it during 2014, and then it all depends where the iron ore price will go. But currently I think the fines price is around \$60 or something per tonne, which is obviously much lower compared to a year ago.

And then scrap has been not developing at this year, I mean the correlation between scrap and iron ore is over time very stable, and we haven't seen that. We start to see that effect in our scrap prices coming down, but we haven't seen that correlation up till now.

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**Christian Kopfer** - *Nordea - Analyst*

And for pellets, are those coming down in line with the fines?

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**Martin Lindqvist** - *SSAB AB - President & CEO*

Well, pellets is priced from fines prices and then a defined pellets premium, and we have the same -- the pellets premium we have for one year from 1st of April to end of March, we have the same pellets premium.

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**Christian Kopfer** - *Nordea - Analyst*

Okay. And finally, from me then on the FX, I mean the US dollar has strengthened quite dramatically versus Swedish kroner. Is it possible just to give us a sense how the, your hedges, how that impact I mean in terms of what was the realized US dollar to SEK ratio in Q4 so we can understand how far it is from the spot rate?

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**Hakan Folin** - *SSAB AB - EVP and CFO*

I would say the US dollar strengthened especially in the end of Q4. So, in that sense, when we did the hedging for the raw material buy we did it in Q3. So then we of course had a clearly lower US dollar rate than what you see at the end of Q4, if that helps you.

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**Christian Kopfer** - *Nordea - Analyst*

Okay, fine. Thanks.

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**Andreas Koch** - *SSAB AB - Head of IR and Financial Communications*

Got a question at the front.

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**Andes Ganfors** - *Analyst*

Thanks. [Andes Ganfors]. I understand that special steel is defined as above 700 megapascal, but you have some high-strength steel for automotive that is not included?

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**Martin Lindqvist** - *SSAB AB - President & CEO*

Yes.

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**Andes Ganfors** - *Analyst*

And that is included in euro.

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**Martin Lindqvist** - *SSAB AB - President & CEO*

Euro, yes.

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**Andes Ganfors** - - Analyst

What about the percentage of high-strength steel for -- in Europe?

**Martin Lindqvist** - SSAB AB - President & CEO

I don't know the percentage, but I think we sold to the automotive segment last year approximately 700,000 tonnes. So, it's a fairly decent chunk of business, and then we have some other volumes regarding being high-strength steel, but below 700 megapascal. But in special steel it's hot-rolled volumes above 700 megapascal and abrasive resistant steel Q&T.

**Andes Ganfors** - - Analyst

Yes, yes, okay. Thank you.

**Johannes Grunselius** - Handelsbanken - Analyst

Hello, it's Johannes Grunselius, Handelsbanken. First question is on investments. I know you talked about that in the CMD for instance in the third quarter. Can you just remind us about the CapEx level, has this changed 2015-2016 what you expect now?

**Hakan Folin** - SSAB AB - EVP and CFO

We said in the Capital Markets Day that we believe RNC will be between SEK1.6 billion and SEK1.8 billion, and then with the relining of the blast furnace in Lulea, which is obviously a significant investment for us, that doesn't happen that often, 2015 will be in the upper range of that or even slightly above that.

**Johannes Grunselius** - Handelsbanken - Analyst

Okay. Then I was thinking about if you could give us some color on how you expect the mix will progress here in Q1 and also perhaps in 2015. How do you view end clients or end demand for your real flagship products, in other words, quenched and tempered.

**Martin Lindqvist** - SSAB AB - President & CEO

Well, as said, what we see for Q1 is fairly stable markets with some, maybe some positive signs then, and within heavy transport which typically takes then the higher end products and then automotive also being strong which takes even though it's colder also the higher grades.

**Johannes Grunselius** - Handelsbanken - Analyst

Obviously, the heavy trucks segment was very positive for you in the fourth quarter. Should we expect that to continue in Q1 or should even the momentum be even better quarter-on-quarter or how should we view it, or has it peaked?

**Martin Lindqvist** - SSAB AB - President & CEO

I don't really know, to be honest, because I don't have that crystal ball, but what we see is a continued decent demand.



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**Andreas Koch** - SSAB AB - Head of IR and Financial Communications

Julian.

**Julian Beer** - SEB - Analyst

Good morning. It's Julian Beer from SEB. For the US business we're reading that some commentators saying that mills lead times have fallen below four weeks compared to 12 weeks at the end of the summer. How much of that do you think is reflected to a cancellation of pipeline orders and what do you think the triggers would be for a prolongation of the lead times from here?

**Martin Lindqvist** - SSAB AB - President & CEO

I am not sure because as said during the presentation, we are not selling so much to pipeline orders that is typically import go in that way. So to be honest, I don't really know. But I realize that on the market lead times are shorter now on average compared to last summer. But I don't have very clear insight in the pipeline projects.

**Julian Beer** - SEB - Analyst

So that doesn't affect your volumes, but could affect the market pricing?

**Martin Lindqvist** - SSAB AB - President & CEO

Well, I guess it has affected the market pricing and it could, I mean, what you call it, secondary effects into our volumes of course if -- but, as said, our direct business to that segment is approximately 8%.

**Hakan Folin** - SSAB AB - EVP and CFO

Another reason, I would add, why the lead times are going down is because we talked about scrap prices expecting to go down rather significantly and Martin mentioned service center sitting on high inventories, there is no point for them to buy today when they believe that scrap will go down and then they think that the prices will go down. So I think we're seeing service centers sitting on the sideline just wait -- in a wait-and-see mode, and then of course you get the lead time impact on the mills.

**Martin Lindqvist** - SSAB AB - President & CEO

But we don't see any huge difference in our business.

**Julian Beer** - SEB - Analyst

Okay. One thing that we have seen, as you correctly predicted for us earlier in the year, was that Russian imports of plating coils fell dramatically in January, unfortunately imports from Korea picked up. But if that Russian material isn't going to the States, is it coming into Europe and how is that affecting the plate market in Europe?

**Martin Lindqvist** - SSAB AB - President & CEO

We haven't seen that much of it yet, you never know in the future. We have seen some quality rerollers in -- Russian-owned rerollers in Europe buying cheap Russian slabs but not to a huge extent. We are not that active on the standard plate market in Europe. We are, I mean due to our cost



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position and the closeness to the Nordic market we are mainly in the Nordic market. So we don't compete on standard plate in Western Europe or Southern Europe.

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**Julian Beer** - *SEB - Analyst*

And then finally from me again on the theme of Russia, just how much did your business fall in Ruukki Construction in Russia? And what's the risk of further write-downs in that business unit?

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**Martin Lindqvist** - *SSAB AB - President & CEO*

Well volume-wise didn't fall so much, it was more a currency effect and then of course problems to get projects financed. But volume-wise, it didn't fall that much. But with the depreciation of the Russian ruble going down 50% or more, that of course affected the profitability when we calculated into Swedish kronas. But volume-wise, not the huge drop, of course drops but not a huge drop, not as you could expect. And this is local business where we source -- mainly source locally and produce locally and sell locally.

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**Julian Beer** - *SEB - Analyst*

So the risk of further write-down would be linked to any further depreciation of the ruble?

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**Martin Lindqvist** - *SSAB AB - President & CEO*

Well and market of course, but with this write-downs we did right now or the goodwill, we feel that the booked value are okay and not that high.

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**Julian Beer** - *SEB - Analyst*

Thank you.

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**Andreas Koch** - *SSAB AB - Head of IR and Financial Communications*

Okay. Let us take some questions over the phone. Operator, please.

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**Operator**

(Operator Instructions) Carsten Riek, UBS.

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**Carsten Riek** - *UBS - Analyst*

Two questions from my side, actually three. The first one is on the closure of the galvanizing and color-coating lines in Borlange. In my opinion a good first step, but the question around this is what happens to your cold-rolling and hot-rolling capacity in Borlange then because it looks like you have to actually substitute those volumes. Is there enough demand or do you expect that you also at some point have to cut capacities here?

Second --

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**Martin Lindqvist** - SSAB AB - President & CEO

Yes, if we take them one by one, what we are aiming to do and what we have started to do is to specialize sites to get longer sequence length to get up the utilization rate to get better yield and better productivity. And that this is the first step in moving color coated and galvanizing volumes from Borlange to get up the rates in Hameenlinna and to become more cost effective and this is the first step and then further actions will follow.

**Carsten Riek** - UBS - Analyst

Okay, perfect. Thank you. The second one is on the outlook statement for 2015. You gave some outlook statement for the first quarter but haven't really heard that much about 2015 as a whole. Any kind of EBIT target for 2015, and if it's just on a qualitative side better or worse than 2014? And also on the cash flow for 2015, is it fair to assume given that 2015 will be the year of restructuring that your 2015 free cash flow is likely to be worse than 2014?

**Martin Lindqvist** - SSAB AB - President & CEO

First of all we never give any -- that -- we don't give that kind of guidance. We try to describe the market as we see it for the coming quarter. And then when it comes to cash flow, you should not expect it to be materially worse than 2014.

**Carsten Riek** - UBS - Analyst

Okay, perfect. Last question is on the goodwill. I believe you added another SEK5.2 billion in goodwill to the balance sheet. We have now 29% of your balance sheet is goodwill or about 60% of the equity. Given the market conditions right now, if it doesn't really improve, what -- how long can you resist any write-downs?

**Martin Lindqvist** - SSAB AB - President & CEO

We check that every year so -- and we did some write-downs of goodwill in Ruukki Construction this year -- last year, so we check that every year.

**Carsten Riek** - UBS - Analyst

Okay. So 12 months, we won't see massive ones at least?

**Martin Lindqvist** - SSAB AB - President & CEO

Well, if nothing extremely special happens.

**Carsten Riek** - UBS - Analyst

Okay, no, that's fair. Thank you very much.

**Operator**

Jean-Baptiste Devevey, Exane BNP Paribas.



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**Jean-Baptiste Devevey** - *Exane BNP Paribas - Analyst*

I had a question on the US and the impact from the lower oil and gas prices. Would you expect any negative impact on the mix side? I appreciate that oil and gas related end markets are not a huge share of your sales. I think you said a bit less than 10%. But are there some margin impact that should lead to some margin conversion in the US, given what we see in oil prices right now?

**Martin Lindqvist** - *SSAB AB - President & CEO*

Well, I think you can look at it in two ways. Of course lower energy prices will also be positive for the North American economy and drive quality reindustrialization and higher production rates and so on in US. So mid-term I would say it's probably also very positive, but short-term of course it effects the steel demand. And as said, for us it's somewhere between -- just above 8% or 8% directly to that sector. But the secondary effects could of course be plate producers being more exposed with or trying to find business somewhere else. So I think it's hard to predict exactly what -- where this will end up. But I would say overtime, I guess, for the US economy and the steel consumption, this is fairly positive.

**Jean-Baptiste Devevey** - *Exane BNP Paribas - Analyst*

Okay, understood. Thanks. And then second question on Lulea, the SEK100 million to SEK150 million additional cost impact that you mentioned, is that a net impact or I mean is that the full cost impact, I mean taking also into account the fact that you will have, I assume, lower cost at Lulea given the demand -- I mean the investment operations there?

**Hakan Folin** - *SSAB AB - EVP and CFO*

It's the actual cost we will have associated with the impact -- sorry, with the relining. If we then after the relining is done we might have lower production cost, that's not included in the SEK100 million to SEK150 million.

**Jean-Baptiste Devevey** - *Exane BNP Paribas - Analyst*

Okay, understood thank you.

**Operator**

Bastian Synagowitz, Deutsche Bank.

**Bastian Synagowitz** - *Deutsche Bank - Analyst*

I had three questions. So my first question is on the US business. Could you clarify once again how the actual costs related to the maintenance has been, and also let us know whether this number is just the direct cost or whether this does include any impact from the loss in shipment volumes related to the maintenance work in the fourth quarter. That's my first one, maybe I'll stop here.

**Hakan Folin** - *SSAB AB - EVP and CFO*

The cost that we said was SEK175 million, and those are the actual cost for the outage. So if you would take the total P&L impact, which you are alluding to, then due to lost shipments, yes, then it will be bit higher.



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**Bastian Synagowitz** - Deutsche Bank - Analyst

Could you give us just a rough picture of how that would have looked like, just considering the volume loss and lack of fixed cost dilution would not have happened?

**Hakan Folin** - SSAB AB - EVP and CFO

Fixed cost dilution is not that big because we don't -- we have very, very low fixed cost based in US. It's more in terms of the potential lost volumes than you would look into.

**Bastian Synagowitz** - Deutsche Bank - Analyst

Yes, and how much has that been roughly, could you say?

**Hakan Folin** - SSAB AB - EVP and CFO

We haven't really quantified that exactly.

**Bastian Synagowitz** - Deutsche Bank - Analyst

Okay, good. But then my second question is following up again on FX, and so I guess that clearly turns into a big tailwind for you after having been the headwind in the last few years. Hakan, I guess what you told us was that you hedge on a three-month forward basis, which means that in the fourth quarter we've really only seeing the 5% to 6% of the FX movements in your number so far. But then since then already the kroner has depreciated another 20% against the dollar. So that means that we are still due to see the major benefit of the weaker krone in your numbers, is that correct? So just in rough proportions, is the 20% depreciation number also what you see in the hedging duration?

**Hakan Folin** - SSAB AB - EVP and CFO

You are right about, and as I said before, that we hedge Q4 before Q4 started. And that's really when you saw the big swing in the SEK and the US dollar development. So your assumption is right, that going forward you will see a different rate -- a higher rate between Swedish kroner and US dollar.

**Bastian Synagowitz** - Deutsche Bank - Analyst

Okay, so basically, so I look at your margin, it's roughly SEK1,000 in the fourth quarter, stripping out obviously the maintenance work. Now if I go basically FX adjusted we get just roughly SEK200 only from the FX side and then whatever the spot market and price -- cost spreads will do from there.

**Hakan Folin** - SSAB AB - EVP and CFO

If you're talking about the translation of the result in US, if I understood the question correctly, then yes, that assumption would be right.

**Bastian Synagowitz** - Deutsche Bank - Analyst

Okay, very helpful. Now, my last question is on the cash flow and balance sheet, and here I didn't really get my head around it. So you had a really strong free cash flow in the fourth quarter, I think that was roughly SEK700 million. Yet your net debt went up by SEK1.8 billion, part of that was



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obviously the inclusion of the Ruukki minorities. But then there was probably some further FX from its conversion. I saw there were two items in the financing cash flow totaling up to SEK2 billion. And that seems to explain a large part of the difference. Can you give us a bit more color on these two items, please, I didn't really understand what was in there?

**Hakan Folin** - SSAB AB - EVP and CFO

Not sure exactly which two items you are referring to, but what did happen during Q4 is that we did move then, as I said, the minority from -- we moved it into the net debt. So that was one item.

Another item that happened was, when we did the write down of the shareholder loan to Fortaco, that was a loan we had to Fortaco and that impacted net debt positively. When we took away that from the balance sheet it also had a negative impact on net debt. So therefore net debt increased.

**Bastian Synagowitz** - Deutsche Bank - Analyst

Okay, but then the write on probably would not be a net -- would obviously would not be a change in your cash flow. So the cash flow items I was referring to was basically the change in financial investments of SEK1.7 billion, and then other financing activities of roughly minus SEK400 million which you booked in the fourth quarter, and those were much higher than in any of the quarters before, and hence I wanted to know what that is.

**Hakan Folin** - SSAB AB - EVP and CFO

Let me look into it specifically. But I think that's actually a re-classification between lines, if I'm not mistaken.

**Bastian Synagowitz** - Deutsche Bank - Analyst

Okay. All right, Thank you. Any follow-up on that would be great. Thanks so much.

**Hakan Folin** - SSAB AB - EVP and CFO

Sure.

**Operator**

Jeff Largey, Macquarie Capital.

**Jeff Largey** - Macquarie Capital - Analyst

A couple of questions from my side. The first is I just wanted to clarify on some of your comments towards the US business. Are you saying that your order books for the first quarter are essentially filled, and so the potential risk to pricing that we see from say the sharp fall in scrap prices here in February, that's more a risk to pricing in 2Q, or is it something that could even kind of start to impact the back half of the first quarter, or could accelerate the sort of pressure on pricing in the back half of the first quarter?



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**Martin Lindqvist** - SSAB AB - President & CEO

We actually didn't say anything about the order books in US.

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**Jeff Largey** - Macquarie Capital - Analyst

Okay, but -- then maybe can I ask? Are you saying that your order books are full, or are they -- can you give a sense of how the order books look for the first quarter?

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**Martin Lindqvist** - SSAB AB - President & CEO

They look as expected. And this time they are not really full with the lead times we have. But they look more or less as we expect them to look.

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**Jeff Largey** - Macquarie Capital - Analyst

Okay. Just a second question in terms of looking out or -- excuse me, looking at the dividend. I mean, can you give us some framework as to, as you look out over the course of this next year, like are there certain metrics that you feel need to be met to propose a dividend? I mean, is it not only what you see in the P&L, but certain levels in the balance sheet, for example?

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**Martin Lindqvist** - SSAB AB - President & CEO

No, but we have a dividend policy. We will come out with new financial targets in the annual report as we talked about during the Capital Markets Day. But we have a dividend policy that we follow. But 2015 will be a year with restructuring. And we have, as said, announced the first restructuring. There will be also a lot of redundancies and so on. And then the Board decided to propose a zero dividend for 2014 due to that.

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**Jeff Largey** - Macquarie Capital - Analyst

Okay, great. Well, then we'll, I guess we'll look forward to more color over the course of the year.

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**Martin Lindqvist** - SSAB AB - President & CEO

Yes, so it doesn't say anything about our belief of the future, or the free cash flow expectations we have for 2015.

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**Jeff Largey** - Macquarie Capital - Analyst

Okay, thank you.

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**Operator**

Cedar Ekblom, Bank of America Merrill Lynch.

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**Cedar Ekblom** - Bank of America Merrill Lynch - Analyst

Thanks very much. Two quick follow-up questions. On the US you mentioned that your direct exposure to energy is only about 10%, but can you talk more about how you could see plate prices across the board being depressed even in non-energy markets as volumes that were previously



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directed to energy now find their way into the spot market. Just trying to understand the extent to which you might not have a direct exposure to energy but which small -- falling energy CapEx in the US can actually impact other markets there? And --

**Martin Lindqvist** - *SSAB AB - President & CEO*

If we start with that one, I would say the most important metric in that aspect is plate import to US and to North America. It has been on a high level during Q4 and it has continued during January on a high level. Even though we saw Russian volumes going away, they were met by Korean volumes. So how that will look for 2015 will be very dependent on the import volumes of not only plate but for strip as well, but the import volumes to US, and what measures, if any, the US government or someone else will take against that.

**Cedar Ekblom** - *Bank of America Merrill Lynch - Analyst*

In terms of domestic production have you seen any tonnes yet that were being sold on a contract basis by domestic producers into the energy end markets being displaced into the distributor markets? I understand that imports go into the distributor market, but what I'm trying to understand is does they actually risk that domestic tonnes which no longer are not demanded by energy end users get into the distribution markets as well. Because we're seeing that in strip products, I understand. I wonder if we're seeing it in plates yet.

**Martin Lindqvist** - *SSAB AB - President & CEO*

Typically plate import goes to, as you say, distribution or service center markets, and also to pipeline projects. That is the typical pattern for plate import into NAFTA or to US.

**Cedar Ekblom** - *Bank of America Merrill Lynch - Analyst*

Okay, okay I'll leave that one. And then the other question, can you just explain from an accounting process, for my knowledge, why have you recorded a surplus value on the Ruukki acquisition rather than that number going into goodwill, or why was there a surplus value recorded? Has it got to do with the timing between coming up with a fair value assessment and then a later value assessment of these assets, just don't understand why that value is there?

**Hakan Folin** - *SSAB AB - EVP and CFO*

What you do when you have done a purchase of a company, you look into what you actually paid, and in this case then it was the SEK15 billion, and you look into what is the asset value on the balance sheet of that company. And then you say, okay, we paid now in the sense, in this case more than what the book value was, then you go through asset class by asset class to see is there for this type of machine, or for this real estate actually a different value, either high or lower than what it says in the books. For example, take a real estate and say, well, in the books it's worth 100, but if we ask for a market value it's a 150. Then you record that 50 difference as a surplus value and you do that for all the asset classes you have. And then in the end you come up with the fair value of the assets. And the goodwill is then the remaining, the residual between the fair value of the assets up to your purchase price.

**Cedar Ekblom** - *Bank of America Merrill Lynch - Analyst*

Okay, so when you add up those numbers in that chart that you've given, you get a SEK15 billion purchase price, and then you add up the goodwill, the fair value of assets of SEK9.8 billion, does that SEK9.8 billion include SEK1.4 billion of surplus values or is that on top of SEK1.4 billion?



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**Hakan Folin** - SSAB AB - EVP and CFO

No, that includes.

**Cedar Ekblom** - Bank of America Merrill Lynch - Analyst

Okay, is that what you meant?

**Hakan Folin** - SSAB AB - EVP and CFO

The fair value is the SEK9.8 billion and the surplus value is how much higher the fair value is than the book value.

**Cedar Ekblom** - Bank of America Merrill Lynch - Analyst

The book value, okay, fine. That makes sense. I understand that. And then just one final question, in the synergies slide, you mentioned that one of the synergies or savings, you are able to capture was selling or transporting coal from Oxelosund to Raahe. I mean that's a one-off I assume, right?

**Martin Lindqvist** - SSAB AB - President & CEO

No, it's, we produce coking coal that was previously bought on the open market.

**Cedar Ekblom** - Bank of America Merrill Lynch - Analyst

You produced it yourself?

**Martin Lindqvist** - SSAB AB - President & CEO

In our coke oven batteries.

**Cedar Ekblom** - Bank of America Merrill Lynch - Analyst

Okay, the coke batteries, fine. Okay. That's fine. Okay.

**Martin Lindqvist** - SSAB AB - President & CEO

So it's not the one-off.

**Cedar Ekblom** - Bank of America Merrill Lynch - Analyst

Yes, okay, I understand, perfect. That makes sense. Thanks very much for the color.

**Operator**

James Gurry, Credit Suisse.



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**James Gurry** - *Credit Suisse - Analyst*

Just two quick questions. Just on the earnings reconciliations, you can see the negative contribution from Rautaruukki. Shouldn't we see some sort of synergy benefit there given that you've already booked, perhaps it's an annualized figure of SEK300 million. Shouldn't we already see perhaps SEK75 million of the synergy benefiting into the earnings at this stage?

And also can you explain your expected net debt progression during the year? Do we expect it to go up significantly in the first half of the year then fall down in the second half of the year?

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**Martin Lindqvist** - *SSAB AB - President & CEO*

First of all, we have seen very limited effects of the synergies in 2014 including Q4, and then when it comes to net debt, we are not giving any cash flow prognosis, but we are not expecting the net gearing to increase over time.

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**James Gurry** - *Credit Suisse - Analyst*

Or just a little follow-up then, I perhaps missed what you said about the refinancings that are due this year and next year, but you are quite confident that you can traverse that hurdle easily?

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**Martin Lindqvist** - *SSAB AB - President & CEO*

We are convinced that we can fix that, yes.

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**James Gurry** - *Credit Suisse - Analyst*

Okay, thanks.

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**Operator**

[Janus Massalouis], RBC.

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**Janus Massalouis** - *RBC - Analyst*

Two questions if I may. First on working capital. You had a strong working capital release of SEK800 million in Q4. And should we expect additional working capital release in 2015 in line with previous guidance? And that's the first question.

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**Hakan Folin** - *SSAB AB - EVP and CFO*

For working capital, in line with previous guidance, I assume you mean that what we said at the Capital Markets Day where we said we aim to release around SEK500 million.

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**Janus Massalouis** - *RBC - Analyst*

That's right.



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**Hakan Folin** - SSAB AB - EVP and CFO

And, yes, we still expect to be able to do that. What we -- and if we take the whole year, 2015, what we do see in the first quarter and the second quarter is that given the relining of the blast furnace in Lulea we will have an inventory buildup of slab, but obviously when the relining is done, going into Q3, Q4, that working capital will be released again.

**Janus Massalouis** - RBC - Analyst

Okay, thank you. And the second question on the restructuring costs of SEK550 million. Given that you have accelerated your cost savings program, should we expect that to mostly take place in 2015?

**Hakan Folin** - SSAB AB - EVP and CFO

I think it's fair to assume that, yes, in the same way as we have accelerated the impact of the synergies we will also see the cost come a little bit sooner, so more in 2015 than we previously expected.

**Janus Massalouis** - RBC - Analyst

Thank you.

**Operator**

Robert Redin, ABG Sundal Collier.

**Robert Redin** - ABG Sundal Collier - Analyst

Hi, I was wondering about those imports into the US pressuring your margins. Is there any, do you have any sort of outlook for that? Will that problem just continue because I mean plate prices in the US although they've fallen a lot, they're still way higher than they are in the rest of the world in US dollar. So there are any sort of pending trade cases being talked about in the industry or what's your outlook for that import pressure?

**Martin Lindqvist** - SSAB AB - President & CEO

I think it's very hard to give a clear answer on that. Of course there are discussions of trade cases in North America where the import, how that will continue, I can't give you a clear answer on that. I mean, we were in Q4 on very high levels and then with trade cases against Russian coils and coil plates and what will happen in -- we are not very active in those discussions.

**Robert Redin** - ABG Sundal Collier - Analyst

Okay. And I was also thinking about FX. So we have this 2014 update but -- and then after -- basically after that then the US dollar has strengthened versus SEK by a lot, but also in year-on-year terms you have iron ore prices and coal which is lot to the US dollar outflow being down a lot. So will you venture to sort of help us out with maybe some type of net FX impact in 2015 given current FX rates say on EBIT.



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**Hakan Folin** - SSAB AB - EVP and CFO

No, we don't give that guidance either. But we have in the report, we have a sensitivity analysis depending on how the Swedish kroner develops against a basket of currencies, basically our currencies that we showed here today. But, as said before, it obviously depends which currency is becoming stronger and weaker.

**Robert Redin** - ABG Sundal Collier - Analyst

Okay, but the net outflow you said was SEK8 billion in 2014, then the US dollar strengthened by 20%, 25%, so that's, net outflow for all else equals is then 10% something or, 10ish.

**Hakan Folin** - SSAB AB - EVP and CFO

You could argue that way, you can also argue that part of it will still have hedged for the next year and we also - it also depends on the profitability we have in the US business, so it's not that -- and at the same time the raw material prices have come down which means we will buy them for less US dollars, so it's a bit too easy to only add a 20%, there is lot of other variables in that equation.

**Robert Redin** - ABG Sundal Collier - Analyst

Okay. I was just thinking if you could have had something because it's a big more but, okay, cool.

And just a final question. Tax rate, do you have any guidance for that for 2015?

**Hakan Folin** - SSAB AB - EVP and CFO

In general we have the 22% tax in Sweden, it's 20% in Finland and our tax, actual tax rate depends a lot on where we actually earn money. So I would say it's actually well around 20%, but depending on where we earn the money.

**Robert Redin** - ABG Sundal Collier - Analyst

Okay, cool, thanks. That was my question.

**Andreas Koch** - SSAB AB - Head of IR and Financial Communications

Okay, I think we have one additional question here in the audience.

**Andes Ganfors** - - Analyst

Andes Ganfors again. Coming back to the galvanizing line that you are going to close in Borlange, from the top of my head I think there are -- you produce some 300,000 tonnes of galvanized and that is about half the volume from the cold-rolling line roughly. Does that mean that you are moving the cold-rolling as such from Borlange to Raahe as well or you would stay with the cold-rolling in Borlange --

**Martin Lindqvist** - SSAB AB - President & CEO

Yes.



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**Andes Ganfors** - - *Analyst*

And only transfer the galvanizing?

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**Martin Lindqvist** - *SSAB AB - President & CEO*

And color-coating, color-coating.

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**Andes Ganfors** - - *Analyst*

Yes. Okay, then the question is what about the capacity for galvanizing in Raahe. Do you have to invest a lot of money or --

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**Martin Lindqvist** - *SSAB AB - President & CEO*

No.

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**Andes Ganfors** - - *Analyst*

-- you have that surplus of a capacity already?

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**Martin Lindqvist** - *SSAB AB - President & CEO*

Yes.

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**Andes Ganfors** - - *Analyst*

No major investments. Okay, thank you.

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**Andreas Koch** - *SSAB AB - Head of IR and Financial Communications*

Okay, I don't think we have any questions on line now. So then I think we quit for today. Thank you all for participating. See you next quarter.

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**Martin Lindqvist** - *SSAB AB - President & CEO*

Thank you.

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**Hakan Folin** - *SSAB AB - EVP and CFO*

Thank you.

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