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Speakers: Martin Lindqvist (President and Chief Executive Officer), Håkan Folin (Chief Financial Officer) and Andreas Koch (Head of Investor Relations)

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ANDREAS KOCH: Good morning everyone, and welcome to SSAB's first quarter 2015 results presentation. My name is Andreas Koch, Head of Investor Relations, and today's presentation will be led by Martin Lindqvist, president and CEO and Håkan Folin, our CFO. The agenda looks like this: Martin will start with the key numbers, followed by the divisional development, Håkan will then dig deeper into the P&L and cash flow statement. And, last, we will have the outlook. And, of course, we'll have the Q&A session.

MARTIN LINDQVIST: Thank you, Andreas. Good morning. During the first quarter, we had sales of SEK 15.5 billion and a EBITDA of SEK 1.5 billion and an EBIT of SEK 564 million. This is an improvement compared to one year ago, Q1 2014; but also compared to Q4 2014, and the profit improvement was driven by lower costs and that we start to see, now, synergies in the P&L. The strongest improvement year over year was in SSAB Europe, and we also, during the quarter, had a fairly good cash flow in spite of building up the inventories of slab in advance of the big relining in Luleå this summer. We have also, during the quarter, completed all the former things regarding the Ruukki transaction.

As said, the sales point SEK 15.5 billion; EBITDA margin of 9.7, or close to 10 per cent; and the EBITDA per tonne now close to SEK 900 per tonne. Shipments, volume -wise, slightly lower compared to Q1 last year.

If we look at the segments, I would say: pretty much as expected. Heavy Transport developed during the quarter fairly okay in Europe and US. Automotive: overall good demand. Construction Machinery: stable at low levels in Europe and the US. Mining: slow demand and low levels in all markets. Energy: wind towers and transmission towers in North America quite okay; low activity in the pipeline sector.

Construction Material: seasonally slow. And then Service Centres very slow during Q1 and if any surprise, maybe a bit slower than expected and this talking(?) phase will take slightly longer than we expected when we released the Q4 report.

If we look into the divisions, Special Steels and Heavy Transport continue to be the segments showing the best development. Demand for most other segments were unchanged at low levels and there was some geographical variations, but overall, fairly slow and fairly stable.

Shipments decreased with 11 per cent compared to Q1, and that was mainly non—branded QT(?) in North America. But it increased compared to Q4 2014 and the profit improvement compared to Q1 was, even though we had lower volumes, due to lower costs.

In Europe we saw continued good demands from Automotive and also stable demand from Energy and Heavy Transport segments. The shipments was up 2 per cent compared to Q1 last year, and 7 per cent up compared to Q4. Prices, including currency effects, were on average 2 per cent higher compared to Q4. Synergies, lower costs and higher volumes explain the difference in EBIT, or the improvement in EBIT compared to one year ago.

America's weak, or if not, non-existing demand from Steel Service Centers due to destocking and high import in Q4, and we also saw in the beginning of Q1, continued high import. Even here, demands from Heavy Transport remain good, and especially from rail cars and tank cars. Shipments decreased compared to Q1 with 4 per cent and compared to Q4, with 2 per cent, and prices in local currencies were down 6 per cent, compared to Q4 2014.

Tibnor: fairly much in line, volumes, with, as I say, the Europe shipments were up 2 per cent. Higher volumes and lower variable costs had a positive impact on the result, and lower margins for Tibnor had a negative impact. So, overall, the same EBIT as one year ago.

Ruukki Construction: As you know, in this sector, we have a very slow Q1 seasonality effect, but we had slightly better, or slightly less losses this year compared to Q1 last year and that is due to the on-going restructuring programme. And Russia and the Ukraine market remained weak during the quarter.

Some updates from the synergies. The synergy programme is running well in line with our plans, and in Q1 we had a P&L effect of SEK 100 million and we are currently at the run-rate end of Q1 of SEK 450 million on an annual basis. And, as I said, we will see the full P&L effect of the SEK 1.4 billion during the second half of 2016 and we will see the full effect in the P&L full year effect 2017.

So, what have we done? Well, we have done part of the easy stuff. We have lower purchasing costs; we have renegotiated purchasing agreements; we're sourcing more internally to Tibnor, then, instead of doing it externally; we are shipping coking coal from Oxelösund to Raahe instead of buying it externally; and we have lower administrative costs.

We have also announced a number of actions with later impact. We will close the galvanizing color-coating line in Borlänge during this year and that will be effecting approximately 230 employees. We have closed the former Ruukki head office and reduced staff functions. That will also bee seen, the effects of that, during 2015. And we are going to consolidate service centres in Tibnor. And we have also initiated synergy programmes in Luleå, Raahe, Hämeenlinna and Oxelösund, and that will also be seen in the P&L before end of 2016.

So, Håkan, some financials.

HÅKAN FOLIN: Thank you Martin. Good morning, everyone. I will go through some more on the key figures, also on our balance sheet and our debt situation, and we will look at the changes in profitability between the quarters and also some words on the raw material development.

Starting, then, with some key figures. As Martin said, we have an increase in sales with approximately SEK 900 million compared to Q1 last year. This was, to a very large extent, driven by the changes in affects(?) where, especially the stronger US Dollar and also, somewhat, the Euro has impacted sales. We have an EBITDA in the quarter of SEK 1.5 billion, which was an improvement of more than SEK 600 million compared to last year, and we had a positive operating cash flow of close to SEK 800 million. And I'll get back with some more details on where that is coming from.

Looking, then, at how the operating profit has changed, starting with Q4 last year and going to Q1 this year, we have an improvement of around SEK 450 million. We see a negative price impact of SEK 175 million, and this is almost exclusively coming from Americas, where we saw prices drop with 6 per cent quarter-on-quarter. We have a positive volume impact coming from both, as I say, the Euro, and as I say, the Special Steels.

We also have a positive impact of variable COGS. This is related to lower raw material costs, but also that we have been running the production well in the European system, and also, some of the synergies are impacting on variable COGS.

Then, as we were running production at a higher level in Q1 compared to Q4, we do have a positive impact of SEK 150 million from under absorption. You see here, when we compare Q1 to Q4, we actually have a negative impact on currency, with SEK 70 million. Given that we have higher cost of raw material in local currency, and also that we have seen some of the South American currencies, especially the Brazilian Real develop negatively for us.

Then, we have "other". And, in other we have - both Tibnor and Ruukki Construction are in other, impacting positively with SEK 40. So, all in all, the change between the quarters is SEK 450 million.

If we instead, then, compare Q1 to Q1, we had almost zero Q1 last year, SEK 34 million, and here we have a drop in price of around SEK 400 million. This is excluding currency movements and it's mainly coming from, as I say, the(?) Europe. Volumes, basically, low impact and then large impact on variable COGS. And it's the same factors as with Q1 to Q4 but here the raw material impacts are larger, where all three of them, if you say the big one, iron ore, coking coal and scrap were lower now in Q1 than Q1 last year.

Under absorption fairly flat, and then, currency impact of SEK 200 million, positively, which is partly a translation of the result of the American business, but it's also given that sales prices in other currencies than Swedish Krona have impacted positively. Then we have "other", with a negative of SEK 170 million, and here is included the amortization that we do on the purchase price from the Ruukki transaction, which we had now in Q1, which we did not have one year ago, of approximately SEK 50 million. So, all in all, an impact between the quarters of more than SEK 500 million.

Coming back, then, to the cash flow. I've said that we have a positive operating cash flow close to SEK 800 million. This was coming from the operating result of SEK 1.5 billion. Then we had the negative impact on working capital of SEK 436 million and this is especially Accounts Receivable, which were negatively impacting with SEK 600 million. We also had a small negative impact of inventory. However, if you would adjust for the slab build up that we're doing in the quarter, inventories actually decreased compared to end of last year. And if you go all the way down to net cash flow, we had a positive net cash flow of a bit more than SEK 500 million. And, as we have communicated before, we have a synergy target, that we should release SEK 500 million of working capital as a part of the combination with Ruukki and I would say that we are well in line with this plan to release this. And the majority is expected to come during this year, and definitely next year.

Turning, then, to the balance sheet and our debt situation. Despite the positive operating cash flow of SEK 500 million, we had an increase in net debt of almost SEK 1 billion between end of Q4 and end of Q1 and this is because of currency movements, where we have loans in US dollars and Euro, and translating them to SEK, we get an increase in the net debt. However, as we also have equity in US Dollar and Euro, we had a decrease in our gearing from 56 per cent down to 55 per cent.

We continue to have a fairly balanced debt maturity profile, where we have cash and back-up facilities of over SEK 10 billion, and we have maturing and remaining to mature this year, of around SEK 7 billion. Almost half of this, though is commercial paper of around SEK 3 billion. And the remaining maturities we have ideas on how we will refinance that.

Looking forward, we have fairly small amounts maturing in 2016, a bigger chunk in 2017 and then fairly small again in 2018. And also here we see, definitely, that there are good opportunities for us to do this in a good way.

We had lower interest rates in the quarter. They went down from 2.9 at the end of Q4 to 2.8, now, in Q1; and we have, also, increased our duration from 3.9 years up to 4.0 years, so, basically, since we completed the merger with Ruukki, we have quarter-on-quarter increased our duration and at the same time, lowered our interest rates.

Moving, then, to the raw material side, starting with iron ore and coking coal. In US Dollar, we saw both iron ore and coking coal decrease during Q1, and we have on the growth(?) period(?) from the beginning of 2014 where iron ore started on almost 140, and is now down at, well, right now it's 58, but it was actually down even below 50 a few weeks ago. But these are the spot prices for finds(?) and we buy pellets, and our pellet prices decreased with 12 per cent in US Dollar, but actually increased with 1 per cent in SEK compared to Q4.

Coking Coal has, during the same time period, also decreased, but not at all as much as iron ore, and for us in Q1, our purchase prices were down 3 per cent in US Dollar, but actually 13 per cent higher in Swedish Krona. And for our raw material purchases, we are hedging(?) the US Dollar the same length as the contracts; usually it's a quarter, and we have now seen the strengthening of the US Dollar, but we will continue to see that, also, going forward for our purchases.
For scrap: Scrap prices in the US, then, also fell quite sharply during Q1 and they were down 24 per cent compared to the end of Q4 and actually 35 per cent compared to the end of the same period last year. And we saw, especially in February, there was a big drop, but since then, they have been pretty stable. It's important to remember, though, that despite this drop, now in Q1, scrap prices have not at all dropped as much as we have seen iron ore prices drop, and historically, they have been very much correlated, but so far, scrap prices have not followed the iron ore drop, yet.
Finally, then, from my side, some words about the relining that we're doing now in Luleå during the summer. We will start at the beginning of June. It will continue for three months. We will be, and we are currently doing them, replacing these 500,000 tonnes of slabs. So, we started up the small blast furnace in Oxelösund during Q1 and we will continue to run that until the big one in Luleå is up and running again. There will be some extra costs associated to this, on top of the capital expenditures of between SEK 150 and 200 million. This will mainly impact Q3, but somewhat, also, now in Q2. And it will also differ a bit between the divisions, because for Special Steels, which are now running the small blast furnace again, they will actually benefit from this because they will have lower under absorption, while Europe, which will be standing, then, with the big blast furnace for three months, the cost will be a burden on Europe.

And after we have completed, this relining, then, at the end of August, we will have five blast furnaces which will provide us with the full flexibility that we talked about when we announced the merger with Ruukki. Okay?

MARTIN LINDQVIST: You're welcome(?). So, looking forward a bit, then. We start with North America. We expect the market to continue to be negatively impacted by the high import we saw end of Q4 and beginning of Q1. And also, higher inventorial levels at distributors of Steel Service Centers. But the underlying demand, or the real demand is expected to continue to be good in Q2. In Europe, no big changes. The underlying demand is expected to remain stable and we don't see any inventory build-up or inventory reductions, either, to any large extent in Europe. China continued slow and weak during Q2, and the shipments in total we expect to be in line with what we saw in Q1. And if we look at the segments, they are fairly flat with some exceptions. Heavy Transport, we expect that to continue to be a good segment and on a high level in both Europe and the US throughout the year. We expect Automotive to continue to grow. Construction Machinery: stable demand on low levels in Europe. If anything, some small positive signs in North America. And the Chinese market is expected to remain depressed. Mining: no short term improvement expected. And Energy, as it looked like in Q1, I would say. Construction Material: we will definitely see (Inaudible) uptake in Q2, which we typically see every year. And then, Service Centres: We expect the apparent demand to improve towards the end of Q2, and if anything, this will keep(?) it longer than we expected a quarter ago, and we still have higher inventories than normal in the beginning of Q2.

Then, over to something completely different. A week ago we launched our new brand name for structured steels; for steels above 600MPa, and the name of that brand is Strenx Performance Steel, and that will be instead of Domex, Weldox and Optim, but this is not just the change of a brand name. We also launched this together with much better guarantees when it comes to workshop properties like weldability(?), bendability, surface, inner cleanliness and so on. And this has been received very positively on the market. We launched at 9.00 am in Paris, me and Gregoire Parenty last Monday, and we got the first order already 9.20 am. So, I will bore you with a short, short -- very short film before we take your questions and answers.

(50 seconds of background music from film)
(1 second of laughter and chatter)

Okay? You can see it on the web. It's a very nice short movie describing the new brand name Strenx, and with better quality than we saw here today. Sorry for that.

ANDREAS KOCH: Yes, let's continue with the Q&A session and start with questions in the audience here in Stockholm. So, Johannes, maybe, start with your first question?

JOHANNES GRUNSELIUS: Okay. Thanks. It's Johannes Grunselius with Handelsbanken. Could you give some colour on the price environment, Martin, please? And tell us what you think about Q2 there, both in Europe and the US?

MARTIN LINDQVIST: I think what we say is that we -- given the inventories and everything in US, we expect - and we see that on spot prices - continued price pressure. In Europe, I don't really know, but fairly stable, I would say.

JOHANNES GRUNSELIUS: And how would you describe the current price in the US, if you take the plate price minus scrap price? Because there was such a big fall in scrap in February. How's that price compared to sort of the Q1 average, for instance, now?

MARTIN LINDQVIST: It depends. I mean, if you take -- as Håkan showed, the scrap price during March has been fairly stable, but if you look at the correlation -- I mean, one can also point out the correlation between scrap and iron ore is always very, very high, and we haven't really seen that, so my expectation is that scrap prices will continue to move down, and especially now, with the season, as well. And also, given the currency, there is no room for exporting scrap out of the US. My guess would be, without knowing 100 per cent, that scrap export out of the US is fairly limited. I think we should continue to see reduced scrap prices.

CHRISTIAN KOCH: Thanks. Good morning. Christian Koch(?) from Nudea(?). Firstly, on specialty volumes, I saw those 11 per cent down year-over-year, I think, but it was up quarter-on-quarter. Can you elaborate a little bit on it? Is there any trend you see on the demand for Special Steels, now? Or is it a more lumpy(?) business, quarter-on-quarter?

MARTIN LINDQVIST: I'd say, if anything ... I mean, all the segments where we sell the Special Steel have been fairly stable on low levels. And, as I said, if anything, we can see some small signs of improvement. What we saw compared to Q1 last year was to a large extent non-branded Q&T that goes via distributors to some extent, in North America. So, a big part of the volumes was in those products.

CHRISTIAN KOCH: Okay, thanks. You mentioned that you had SEK 150 million in cost absorption, quarter-on-quarter, right? From Q4? How much of that, approximately, was due to that you had higher crude production in the first quarter?

MARTIN LINDQVIST: There was some associated to that. On the other hand, for Special Steels, we also had some extra costs associated with starting up the blast furnace, so, all in all, in Q1 the net impact for Special Steel wasn't that positive.

CHRISTIAN KOCH: Okay. Finally, from me, then: On the US, we have obviously seen import prices coming down a lot, and what's your view on those prices? Would you say that those are fair from a market perspective, or would you say that it starts(?) to be, you know, unfair from -- is it more to say it's more like dumping? Or ... Do you have any view on that?

MARTIN LINDQVIST: I don't want to comment on that, but we have seen prices and volumes coming down during -- import prices and import volumes coming down during Q1.

CHRISTIAN KOCH: Okay, thanks.

ANDREAS KOCH: Okay. Let's take some questions from the conference call.

OPERATOR: I remind you to press 0-1 to ask a question. Our first question comes from Mr Jean Devevey from Exane. Please, go ahead. Your line is open. Please go ahead. Jean Devevey from Exane? Please go ahead.

JEAN DEVEVEY: Can you hear me?
Hello, Jean Baptiste speaking. Can you hear me?

MARTIN LINDQVIST: Now we can hear you, yes.

JEAN DEVEVEY: Yes, okay. Sorry for that. (Inaudible), I guess. Yes, a quick question on your viable costs that were down in Q1. Can you expand it a bit further, given that you explain that the raw materials, and that would be the iron ore and the coal prices, were up in Swedish Krona over(?) Q4. Is that the effect of hedging, notably? First question. And then, if we take the bridge on Slide 17, I think, could you please give some cover on synergies impact in Q1 versus Q4 last year? I mean, the real net P&L impact on your earnings? Thanks.

MARTIN LINDQVIST: Okay, if we start with the first question, the effects part is removed from the variable COGS; that part of the effects bucket. So, what you see on the variable COGS is not at all impacted by the effects. And even though prices would have gone up in Swedish Krona now, during Q1, those are our purchase prices, and that's not ... Normally we simplify it and say that we have a quarter of lag or something. So, what you see that we buy in Q1, you normally will see it appear in a subsequent quarter.

On the synergies side, then, if I got your question right, we said we had a net -- we have an impact of SEK 100 million, now, in Q1, and you can find it a little bit everywhere. You find it partly in fixed costs and you find it, partly, also in the variable COGS. So, the positive impact you see in variable COGS contains the synergies, as well.

JEAN DEVEVEY: Okay. So, you say the SEK 100 million net impact in Q1, that's right?

MARTIN LINDQVIST: Yes. (Several inaudible words) impact, and then we had the restructuring costs of SEK 15 million to achieve those, as well.

JEAN DEVEVEY: Okay. So that's SEK 85 million? And how much do you think would be in the viable COGS part; in the SEK 275 million?

MARTIN LINDQVIST: As Martin pointed out, some of the actions are, for example, renegotiated purchasing contracts, so those you will find in the variable part, but definitely not all of the hundred. But, a fair amount of them.

JEAN DEVEVEY: Okay. Okay, thank you for that. And, just coming back on the first question, so you were talking purchase prices. So, should we expect the ... I mean, could you please give an indication on how you see your raw materials P&L impact going into Q2?

MARTIN LINDQVIST: If we take the iron ore, which is on the majority part, we say that, if you simplify it, you can say what we buy in one quarter is hit in the P&L in the coming quarter.

JEAN DEVEVEY: So then, the diurnal(?) costs should be up in Q2? Or Q1? (Inaudible).

MARTIN LINDQVIST: ... one per cent up in SEK and 12 per cent down in US Dollar. So, that's basically what you then would see in Q2, yes.

JEAN DEVEVEY: And the same for coking coal?

MARTIN LINDQVIST: Approximately.

JEAN DEVEVEY: Okay. Thank you for that.

OPERATOR: Our next question comes from Mr Karsten Riek from UBS. Please go ahead.

KARSTEN RIEK: Thank you very much. My questions circle around Europe. You have seen increased average pricing in Europe, which is a bit odd given the price situation we have seen since November in plates and which still continues. So, I'm just wondering whether you have seen some structural changes in your product portfolio which actually could explain it, or whether the time delays were a little longer. That's the first question. The second one ...

MARTIN LINDQVIST: We'll take them one-by-one, then.

KARSTEN RIEK: Okay. That's fine.

MARTIN LINDQVIST: I mean, the price difference is mixing(?) currency.

KARSTEN RIEK: Mixing currency? So, then that was the second question I have: How much of the European division shipments went actually outside Europe?

MARTIN LINDQVIST: That's mainly the automotive business. I don't know how many. That's roughly 300, or a bit more than 300,000 tonnes a year, so ... Ten per cent.

KARSTEN RIEK: Okay. Thank you. The third question I have is: Oxelösund, you said the small blast furnace is ramping up again in order to replace, to some extent, Luleå. What happens to the small blast furnace once Luleå is actually up and running again?

MARTIN LINDQVIST: If the market looks as it looks today, we will idle(?) it.

KARSTEN RIEK: Okay. Fair point. Thank you very much.

OPERATOR: Our next question comes from Mr Oskar Lindström from Danske Bank. Please go ahead.

OSKAR LINDSTRÖM: Yes. Good morning. Two questions remain. Number one, I mean -- how has the slab inventory build-up ahead of the Q3 Luleå relining impacted earnings already? I realise it's SEK 150-200 million, mainly in Q3, but have we had any other, sort of, additional costs or impact that we've seen already in Q1, or that we will see in Q2? That's my first question. And a second question is around ... I mean, we see how your average realised prices have developed. Have there been any mix(?) changes that are significant, or that you can tell us about in the first quarter compared to, well, the fourth quarter and also the first quarter of last year, I guess? So those are my two questions.

MARTIN LINDQVIST: The answer to the first question, I would say, not any impact during Q1. We will start to see costs in Q2 for the relining, but the majority, as I said, will be in Q3. And then, when it comes to mix, we have developed a mix especially in Europe during the first quarter, and that has been by purpose. We have a better mix.

OSKAR LINDSTRÖM: If I may, a follow-up question on that. That improved product mix in your European operations in Q1 ... I mean ,is that something that we should expect to continue going into the rest of the year, and what exactly has it been?

MARTIN LINDQVIST: It has been a lot of different things, but we have not -- overall, we have focussed on improving the mix in Q1 and we will always focus on improving the mix. But how that will look in Q2 and Q3 we have not communicated, but it's -- we saw the effects of that in Q1, and I said that was by purpose. We have worked hard to improve the mix in the European division.

OSKAR LINDSTRÖM: So is -- sorry, just to keep up on that ... I mean, in the past, you know, 2013 and so on, you saw a lot of slabs, sort of marginal markets in Europe. Is that part of the explanation? That you're doing even less of that in Q1, now? Or? Sorry. Yes?

MARTIN LINDQVIST: Yes.

OSKAR LINDSTRÖM: Okay, very good. So, how much of slabs have you sold externally in Q1?

MARTIN LINDQVIST: That might be a very limited number, because, as I said, we are building up the slabs inventories now to meet the relining of the blast furnace in Luleå.

OSKAR LINDSTRÖM: All right. Thank you very much.

OPERATOR: Our next question comes from Mr James Jurry from Credit Suisse. Please go ahead.

JAMES JURRY: Thanks very much for my question. Can we talk about the synergies for a second? You're at about SEK 400 million a year now. Guidance was for SEK 1.4 billion, but I think that included Luleå(?) losses. What's the scope or the potential to increase the synergy target, especially given the fact that by this time next year, or mid-next year, you're expected to have 530 fewer employees?

MARTIN LINDQVIST: But we are, as said during the presentation, well in line with the plans we have and we will be able to reach the 1.4 in hard cost synergies mid-next year.

JAMES JURRY: So, that's before 2017?

MARTIN LINDQVIST: Sorry?

(Overspeaking)

... full year impact, but we will have a full run-rate, second half, so all this will be realised mid-next year, and then to get the full 1.4 in the P&L, you need to see the full year, and that will be 2017, but the run-rate will be there after June next year. The full run-rate.

JAMES JURRY: Okay, okay. Understood. Just one little follow-up question: Can you just talk to the debt maturity profile? You've got SEK 7 billion maturing this year, you've got about SEK 10 billion in liquidity. You know, we're a quarter of the way through the year. Are you confident of rolling that over successfully?

MARTIN LINDQVIST: Yes. And as mentioned in the presentation, around -- of this SEK 7 billion, SEK 3 billion is commercial paper, so in terms of long-term financing, it's clearly less than the SEK 7 billion you mention. So, the short answer is yes.

JAMES JURRY: Okay. Thanks.

OPERATOR: Our next question is from Ms Seedar Ekblom from Bank of America. Please go ahead.

SEEDAR EKBLOM: Thanks very much. Two questions: Can you please comment on the trade(?) cases in the US? Do you have any perspective there? Will you say anything? And then, secondly, Ruukki Construction: while, obviously, there's a bit of seasonality in Q1, which we can appreciate, and there are some turn-around initiatives at that business, it's still making losses at the EBITDA level. Could you talk about what kind of time frames you're looking at to stay committed to that asset, or what you would need to see to potentially divest that asset, or consider other options? Thank you.

MARTIN LINDQVIST: Well, two simple answers, then. On the first question, I don't have any comments. On the second question, I said before that this is a part of the portfolio we have today. It's not the most core part. That is our two home markets: the Nordic region and North America for more standardised products, and then globally, advanced high-strength steels and Q&T and that is what we always will stay committed to.

But having said that, I mean, we own Ruukki Construction and we will continue to do the turnaround and continue to develop that until we decide to do something else. So, no real comments there, either.

SEEDAR EKBLOM: Okay. So, you don't have any internal targets on how long you will -- I mean it could be three years, it could be five years ... I mean, is there a time frame on the turnaround story? Just to try and understand, you know? Because, obviously, you guys have often said, "We're committed to the turn-around", and I get that, but I just wanted to maybe have a better understanding of, you know, what is a reasonable time frame to assume a turn-around.

MARTIN LINDQVIST: Well, to be extremely boring, of course we have internal ideas, but what you got was the external answer.

SEEDAR EKBLOM: Okay. Thank you.

OPERATOR: Our next question comes from Mr Bastian Synagowitz from Deutsche Bank. Please go ahead.

BASTIAN SYNAGOWITZ: Yes, good morning, gentlemen. I still have a couple of questions, and my first one is, again, on the ES(?) business. I was quite amazed by your US margin, which has been stable quarter-over-quarter on a Krona per tonne basis and was spread between spot prices and scrap as obviously down about USD 100 over the past five months. So, I guess, one of the reasons, behind the (Inaudible) is that we had not even seen the peak in your margins in Q3 and Q4 last year, given that you have longer lead times. Could you please clarify a little bit how much of the margin drop has been reflected in your P&L already but then compensated by a fix(?)? And how much incremental margin decline should we still expect in Q2, assuming stable US prices from here? And then, my second question is whether there are any effects from your product mix to the worse or to the better, which we should have in mind going into the next quarters? And then, my last question is on your synergies. I think on one of the slides I've read that you had some synergies from shipping coal from Oxelösund to Raahe and I'm not quite sure why this would give you any benefit. So maybe you can explain that. Thank you.

HÅKAN FOLIN: On the first question, on the US prices, we have not seen -- in our P&L, you can say we have not seen the fall as you can see on the spot market, given, of course, that we have contracts with our customers that are not based on spot pricing. On the other hand, we are not in the full impact of the decline of scrap in the P&L, either.

MARTIN LINDQVIST: And if you talk about the mix, I mean, what has not been -- and we talked about that, the apparent demand from Steel Service Centers ... I mean, direct customers and the big OAMs(?), they have been very stable, and ordering material in Q1, so you have, of course, a mix effect, as well. Because, on average, I would say that they are slightly higher quality products to OAMs, on average, compared to Steel Service Centers. So, there is a positive mix effect in that sense, as well.

BASTIAN SYNAGOWITZ: Okay. Maybe just to follow-up on that briefly: In the European business and in the Special Steel business, was the mix changed at all, going into Q2?

MARTIN LINDQVIST: I mean, as I said, we see some small positive signs in some segments in Special Steel, but I would say, no. No really. Not going into Q2. What we -- part of the volumes, or volumes we lost during Q1 was what we call non-branded Q&T that typically goes to Steel Service Centers in Nafta(?), so, of course, when a parent(?) demand comes back from Steel Service Centers, that will have a slight impact on the mix.

BASTIAN SYNAGOWITZ: Okay. And then, just to clarify again on your US margin: Maybe you can remind us again what is your, kind of, precise (Inaudible) how you realise yourself, physically, in the P&L, and then, secondly, what's your, basically, hedging(?) duration? Is it the same three months which you would have for the raw material? For example, in Europe as well, or you don't hedge at all, so what's the mechanics we have to keep in mind here? Because it's obviously very difficult to work out your sequential margin progression, given all the moving parts.

HÅKAN FOLIN: In the US, we don't ... I'm not sure, really, what you meant: if you meant hedging prices or hedging the scraps costs, but the answer would, anyway, be that we don't hedge, either on the price side or on the scrap cost. We turn around the scrap fairly fast, so if there's a quarter lag, usually on the iron ore, you see the scrap impact curve going in during a month or a month and a half, basically. And then, on the contract side, for full prices ... Well, as Martin mentioned, we have changed. On the service end they were selling more at spot prices, while at the end user, we are selling more at the contract prices, which are, then, typically in the range of three months. And now, this quarter, we have been selling more to the end user side than we've been selling to the Steel Service Center.

BASTIAN SYNAGOWITZ: So, what's your average hedge(?) duration in the US business, roughly speaking? Is it three months, or?

HÅKAN FOLIN: I don't have an exact figure.

BASTIAN SYNAGOWITZ: Well, then, it sounds like it's pretty close to the three month number, and that means that we actually have been seeing a large part of your margin, obviously, of the spot margin compression in your numbers already, effectively. Is that fair? Is that what you see in your controlling numbers?

HÅKAN FOLIN: I would say it's certainly not longer than three months. It's rather shorter than three months.

BASTIAN SYNAGOWITZ: Which means, then, we probably have seen pretty much all of that. Which, obviously, means your margin will not actually decline that much from here, is what I guess the conclusion would be.

HÅKAN FOLIN: That's true(?), your conclusion. On the other hand: you have the continued CPC*(?) plate prices going down during Q1, as well, on the spot market.

BASTIAN SYNAGOWITZ: Yes, I know that's true. But yes, I guess, not that much. Okay, now. Perfect. And then, just on the last question regarding the synergies. So, why would these basically shipments of coal from Oxelösund to Raahe give you any benefit? I'm not quite clear about that.

MARTIN LINDQVIST: Well, before Ruukki used to buy coking coal on the external market, but now, since we can do this internally, instead, we saved that extra cost.

BASTIAN SYNAGOWITZ: Okay, so Oxelösund simply buys the coal cheaper, or ...?

MARTIN LINDQVIST: No. Oxelösund produces the coking coal and then they can send that to Raahe because Oxelösund has excess coking capacity.

BASTIAN SYNAGOWITZ: Okay, got it. So, it's producing, probably, the coke, I guess?

MARTIN LINDQVIST: Yes.

BASTIAN SYNAGOWITZ: Okay. Perfect. I'll follow up on that later on, maybe. Okay?

OPERATOR: Our next question comes from Mr Yoannis Masvoulas from RBC. Please go ahead.

YOANNIS MASVOULAS: Hello guys, this is Yoannis Masvoulas from RBS. One question on your guidance. You guided the flag(?) shipments in Q2, but Special Steel shipments are usually up in Q2, so should we expect some decline in America for the shipments due to high inventories, or is the Q1 European shipment figure not sustainable in Q2? Thank you.

MARTIN LINDQVIST: The only thing we guide for is overall for the full group, and then we expect shipments to be in line with Q1. And then, as you point out, there will be some divisions increasing volumes and some divisions decreasing volumes. But, overall, we will have stable volumes compared to Q1.

YOANNIS MASVOULAS: Okay. Thank you. Second question on Ruukki Construction. Definitely good EBITDA progress in the quarter, some SEK 20 million up year on year. Do you think you can accelerate the turn-around in in the coming quarters in the seasonally strong period or should we assume that the Q1 progress on a year on year basis will continue for the rest of the year?

MARTIN LINDQVIST: We are in the middle of that restructuring programme, and it's, of course, a lot of internal measures and things we do. But, we also see the effects of the Russian market and the Ukrainian market, and we see the effect of the Russian Rouble, and so on. So, ...

I mean, the restructuring programme runs according to plan, and it will continue to deliver positive effects.

YOANNIS MASVOULAS: Could you give any guidance whether you will have some acceleration in the gains, versus Q1, or ...

MARTIN LINDQVIST: No, no, no.

YOANNIS MASVOULAS: Okay, fine. And just a last question on Americas: Assuming plate invoice(?) in the US stay at current levels, and given that underlying demands continue to improve in the coming months, the thing that US plate prices in the spot market could stabilise even if scrap continues to remain weak or decline further?

MARTIN LINDQVIST: As we say, it will all depend on the import. But import levels have come down and they are still higher than normal, or at -- most, at least, during Q1, but they continue to come down. So that will be the combination of import levels, currency and a lot of other things. So, I think it's hard to have a very strong opinion about that. The important part is the margin over(?) scrap. And if prices have a pressure downwards selling price, my expectation is that we will see lower scrap costs as well.

YOANNIS MASVOULAS: Okay, but in terms of, then, shipments. If exports do start to decline in what we've seen in recent days, you should start taking some market share back, which means, due to a difference in the Americas, should actually be better, quarter on quarter.

MARTIN LINDQVIST: If that's the case, oh yes.

YOANNIS MASVOULAS: Okay, thank you.

OPERATOR: Our next question is from Robert Reddin from ABG. Please go ahead.

ROBERT REDDIN: Yes, hi. I think most of my questions have been answered, but you did say, then, that the contract length was typically three months in the US, but you didn't -- did you have a split between (Inaudible) contract and spot sales in the US? For the lag effect from the -- because I mean, the spot prices have fallen, what, 25 per cent or so, year-to-date, and your prices went down(?) 6 or so.

MARTIN LINDQVIST: The average contract length, overall in Americas, is less than a quarter. But if you take the direct business and the business with the bigger OAMs, it's typically a quarter. If you take the Steel Service Center business, that is more typically -- call it spot prices, than ... So, there is something between, on average, shorter than three months.

ROBERT REDDIN: Okay, cool. And you wouldn't want to say, right, what your contract price change was Q2 versus Q1?

MARTIN LINDQVIST: I don't have that, off the top off my head.

ROBERT REDDIN: Oh, all right. And a second question would be on the capacity (Inaudible). I presume it was high, now, in Q1, because you're over producing to get the slab inventory to have something on when Luleå closes down, but ... And the SEK 150 - 200 million in costs that you've guided to, is that, sort of, a net figure for the positives of overproduction in Q1 and Q2, and the negative in Q3, or is it just a negative in Q3?

HÅKAN FOLIN: No, that's the net impact. And as I said before, the impact in Q1 was fairly limited, but the SEK 150 - 200 million is the net impact of both the positives of the "overproduction" as you call it, and also, then, the negative that we will be standing(?) in Luleå for three months' time.

ROBERT REDDIN: Okay. Thanks very much. No further(?) questions.

OPERATOR: Our next question comes from Mr Oskar Lindström from Danske Bank. Please go ahead.

OSKAR LINDSTRÖM: Yes, hi. Thanks for taking another question from me. I was thinking a little bit around the US rail car market, which there was a lot of focus on at the end of last year, due to the oil(?) price decline. I see your report; you say it's fairly stable, but could you provide a little more colour on that? I mean, what do you see for that market for the rest of the year? You know, to what extent has the railcar market been impacted by imports or these very loyal types of customers? Yeah, so in general, do you have any more comments on that market and its outlook?

MARTIN LINDQVIST: We expect that market to stay fairly stable during this year and it's not about, maybe, loyal customers, but it's about the quality of the steel that goes to railcars and tank cars and pressure vessels. So, you need a certain quality, and that is typically not a quality we see for imported material.

OSKAR LINDSTRÖM: Okay. So, I mean, this is not an area where you're feeling ... You're actually feeling, perhaps, less price pressure here than you are in other markets, or the service centre market?

MARTIN LINDQVIST: Of course, the prices are ... We see the prices. They're moving, as well. But as I've said, these are not typically standard qualities or qualities that are exported from Asia or elsewhere. These are other qualities. These are normalised plates, these are other types of plates and other types of qualities.

OSKAR LINDSTRÖM: All right. Thank you very much.

OPERATOR. I remind you to press 0-1 if you'd like to ask a question.

We have no further questions on the telephone.

ANDREAS KOCH: There are some last questions in the audience. Julian Beard(?), please. Go ahead.

JULIAN BEARD: Thank you very much. It's Julian Beard from SCB(?). On Americas, ship volumes were very poor in the first quarter and they were as bad as the dark days of Q2 2013. And you are telling us that the drop off was due, principally, to very weak demand from the service centre, and what demand there was, (Inaudible) being supplied by the import market. You are saying that you expect destocking to come to an end which may lead to recovery in domestic prices. Why shouldn't we expect a reacceleration of imports, if those domestic prices recover?

MARTIN LINDQVIST: I think, first of all, when we entered into Q1, we saw high inventories at Steel Service Centers, and then, (Inaudible) the prices coming gradually down, they have not been buying, they are sweating out the inventory, so to say. And maybe it may take a bit longer than we expected when we released the Q4 report. So, that's one reason. And we have, due to that, been standing still during Q1, due to low order intake from Steel Service Centers. It has been low, or in some areas, from time to time, non-existing. And the capacity utilisation, as you know, in the North American steel industry has been extremely low in Q1.

Now, if you look at the external figures, you see that capacity utilisation is gradually ramping up. Not with any massive steps, but it's gradually ramping up, and you also see the import coming down and prices being adjusted. So, we expect that the destocking will be over some time during Q2 and then we will see normalised volumes. And then, what happened with prices? Well, that's a balance. And what happens with trade actions, that's also something will affect this. And currencies.

JULIAN BEARD: Okay. But it seems, on plate, to me, that most of the imports are coming from private companies in countries like Korea and whathaveyou, which couldn't really be accused of being nationally supported in terms of the focus of most of the American targets. What, I guess, I'm concerned about is that we've seen a big pick up in imports supplied to the service centres, and the Service Centers may have got used to having 30 per cent of their suppliers from the importers and that could have been a structural change in the market. How can you respond to that?

MARTIN LINDQVIST: Well, by being the most cost-effective producer, and having the best landed cost in North America, which we have. So, that is our way of responding to it. And, over time -- there is no possibility to compete landed costs over time. A quarter or two you can do that, if you have a different calculation, but over time, being the most cost effective producer, landed cost is the target. And we are there, and we will continue to be there.

JULIAN BEARD: And that little bit of dollar weakness would help, as well, I guess? Just finally, from me, on the under absorption side: So, to fully understand, you're saying that the benefits of under absorption in Q1 and Q2 will be fully taken back in Q3, and on top of that, there will be SEK 150 million of cash costs?

MARTIN LINDQVIST: Well, the under absorption that was shown on the bridge was not ... You are relating to the slab build-up ahead of Luleå relining. The under absorption which we saw on the bridge before was not only because of that. It was because, in general, we were running production at a higher level in Q1 compared to Q4. So, what I'm saying is -- and *net*(?) in Q1: it was basically a close to zero sum game, because we had some additional start up costs in Oxelösund when bringing that blast furnace online. But what I am saying, in total, is that, yes, the positive under absorption you get in Oxelösund and potentially a little bit in Raahe by running those blast furnaces at a slightly higher level; that will be taken out by that we're standing in Luleå for three months, and the net impact is this SEK 150 - 200 million. It's not only under absorption; actually, it's some extra costs, as well, associated with it.

JULIAN BEARD: Yes. But, given that you're saying that underlying markets are flat in Europe overall, your seasonal ramp-up in Q1 and Q2, unless there's some great improvement as you're going into Q3, you'd normally be under producing in Q3, as well, seasonally, would you not?

MARTIN LINDQVIST: Yes. Seasonally, yes. What we said about the underlying market in Q1 in Europe was that it was stable, yes, but we also said that it normalised after a very slow year end. December was very slow, so, in that sense, we were running production up because the market improved greatly, but because it came back to, I'd say, normal, stable, although fairly low level, now in Q1.
This is, of course, within Europe, slightly better the further north you go.

JULIAN BEARD: And then, Q2: Would you expect under absorption gains to be upwards(?) of Q1?

MARTIN LINDQVIST: Well, if you take the ... If you isolate the blast furnace part, well, you will have the small blast furnace in Oxelösund running the whole quarter. On the other hand, we will be standing with the big blast furnace in Luleå for one full month. So, maybe up slightly, but not a huge impact

JULIAN BEARD: And seasonally?

MARTIN LINDQVIST: Well, as we said, you know, shipment's fairly flat in Q2, which would then reflect in the production level, as well.

JULIAN BEARD: Thank you very much.

ANDREAS KOCH: Okay? I think we have some questions on the web?

OPERATOR: Yes. We actually have quite a many questions from the web, but actually, some of these have already been answered, so I won't repeat those. But the first one comes from Rita Schutz(?), India Investec(?): Can you please divide the size of all the grade(?) steels for (Inaudible), Europe by 2020, 2025? And how do you see the demand/suply situation and competitiveness of your product (Inaudible) versus aluminium(?) alloy?

MARTIN LINDQVIST: No, I can't divide it by 2020, 2025. And compared to -- what's the question?

OPERATOR: Aluminium.

MARTIN LINDQVIST: Aluminium? Well, we have some steel grades within automotive where we can compete and outperform aluminium. We can be on par when it comes to energy absorption and weight, and we can produce and sell it to much more cost effective compared to aluminium. So, we have examples where we have been able to take market share for safety details from aluminium with Ducal(?) 1700 and Ducal 1800, (Inaudible) cold formed.

ANDREAS KOCH: So, basically, we're not supplying any standard material to the automotive markers?

MARTIN LINDQVIST: No.

OPERATOR: Okay. And then, the next question comes from Frederick Werner, (Inaudible) Sweden: How do you see then Swedish and Finland markets for the rest of 2015 and what new competition can you see regarding heavy plates in Sweden and Finland in the markets after the merging?

MARTIN LINDQVIST: Well, as said, we expect overall stable volumes in Q2, and that is the guidance we give. And of course, if you divide the Nordic region, Sweden is slightly stronger than Finland and Norway right now, and for Q2, as well. And when it comes to new competition on plate, there has always been competition on standard plates in Europe and in the Nordic region, and we are, in the European perspective, a fairly small producer of standard plates, and we see standard plates in the Nordic region, which is not a big market, but from other suppliers as well. And that has not changed.

OPERATOR: Okay. And then the last question is from Gustav Hanse(?), from Parador Securities(?): How are you expecting price levels to develop for Q2, and could you please elaborate a little bit on the price increases in Europe you saw for Q1, and you said that we should see SEK 150 or 200 million in increased costs for the relining. Just to clarify, so that's on top of capital expenditure?

MARTIN LINDQVIST: I'll take the last question first. The answer is yes. It's on top of the CapEx cost that will impact the P&L Q2, Q3. On the first question, on the price levels, I think we commented that already, actually.

OPERATOR: Okay. That was all. Thank you.

ANDREAS KOCH: Okay. There are no further questions? We'd like to, then ... Okay. Well, one last question here from Johannes.

JOHANNES GRUNSELIUS: Yes, it's Johannes Grunselius again, Handelsbanken. Just a question on CapEx. Can you give us any sort of guidance here for the current year? Luleå's impacting it? And also what you look for 20016, please.

MARTIN LINDQVIST: We said that -- excuse me. (Several inaudible words) that we believe as a combined company, we will have a maintenance CapEx of SEK 1.6 - 1.8 billion, yearly basis. But then, at the same time, we said that this year, given that we have the big Luleå relining, which is, of course, a major investment for us, we will be in the higher range, or even slightly above that range, but going forward, on an average, we will be within SEK 1.6 - 1.8 billion in replacement and compliance CapEx. And then, on top of that, we will then have strategic CapEx, but that's very much depending on interesting projects we will find.

JOHANNES GRUNSELIUS: But, if you add the strategic CapEx on top of those numbers, what do you arrive at, do you think, for this year and next year?

MARTIN LINDQVIST: For this year, we have the PCI coal injection in Raahe, which is also, when you look in the report, that's the main part of the strategic CapEx, and that's a fairly big investment. But that's so far the only big one that we have decided and communicated on.

Well, thank you for your participation, and please feel free to pass on any further question to our team. Thank you. Take care.