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## Bulletin:

# Ratings On Swedish Steelmaker SSAB Unaffected By Its Acquisition Of Finnish Steelmaker Rautaruukki

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LONDON (Standard & Poor's) Jan. 22, 2014--Standard & Poor's Ratings Services said today that its ratings on Swedish steelmaker SSAB AB (BB/Negative/B) are unaffected by the company's acquisition of the Finish steelmaker Rautaruukki Oyj (Ruukki; not rated) through a shares exchange.

In our view, the main driver behind the acquisition is to enable SSAB to unlock significant synergies within the combined entity. SSAB plans to achieve this by better utilizing the combined entity's blast furnaces capacity in the Nordic region; eliminating overlaps and enhancing the business' leadership in the region, and so on. SSAB estimates that the available synergies amount to Swedish krona (SEK) 1.4 billion and the company anticipates that they will take up to three years to fully materialize. (In 2012, the combined entity had pro forma EBITDA of SEK3 billion.)

At this stage, we believe that the impact of the consolidation on SSAB's business risk profile will be modestly positive. This takes into account the industry consolidation that will be required to deal with overcapacity in Europe and ensure that the new combined entity benefits from the resultant enhanced product diversification and geographical outreach, balanced by the execution risk that we see over the short term.

On the other hand, we consider that the financial impact of the acquisition

will be somewhat negative over the near term. Even though the transaction will be executed through a shares exchange, SSAB's leverage will increase when it takes on Ruukki's debt (as of Sept. 30, 2013, SSAB's reported net debt was SEK15 billion and Ruukki's net debt was SEK6.6 billion). This, combined with our current muted outlook for the European steel industry in 2014, leads us to believe that the transaction will not improve the combined entity's credit metrics until the full positive impact of the synergies is felt in 2017.

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