

**SSAB** **RUUKKI**

2014-01-22

**Creating a more competitive steel company with global reach**

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# **Sverker Martin-Löf**

**Chairman of the Board**

# Presenters

## SSAB



**Sverker Martin-Löf**  
SSAB, Chairman of the Board (2003-)  
Industrivärden, Chairman of the board (2010-)



**Martin Lindqvist**  
President and CEO (2011-)  
EVP SSAB EMEA, EVP  
SSAB Tunnpå, CFO

## Rautaruukki



**Kim Gran**  
Chairman of the Board (2012-)  
Nokian Tyres Plc, President and CEO (2000-)



**Sakari Tamminen**  
President and CEO (2003-)  
Metso Corporation, EVP and CFO, Deputy to President and CEO (1999-2003)

**Creating sustainable value for customers,  
shareholders, employees and society**

# **Martin Lindqvist**

**President & CEO SSAB**

# SSAB and Rautaruukki – More competitive together

- ▶ The combined company will have a global position and product offering within high strength steels, heavy plate, standard strip, and tubular products
- ▶ Value creation through tangible synergies, improved earnings potential and increased flexibility & cost-effectiveness
- ▶ Offer recommended by both Boards of Directors and supported by the main shareholder in SSAB and in Rautaruukki respectively
- ▶ Annual cost synergies of up to SEK 1.4 billion
  - Corresponding to a positive EPS impact of SEK 2 (fully diluted), to be compared with the consensus EPS estimate<sup>1</sup> for the combined company of approximately SEK – 1 in 2013, SEK 1 in 2014 and SEK 3 in 2015

**SSAB is making a share exchange offer to the shareholders of Rautaruukki with a premium of 20 per cent<sup>2</sup>**



1) Calculated out of the combined consensus for SSAB and Rautaruukki

2) Based on the three month volume-weighted average share prices of both SSAB and Rautaruukki

# Agenda

## 1. SSAB and Rautaruukki in brief

2. SSAB and Rautaruukki - a strong industrial logic
3. Exchange offer and preliminary combined financial information
4. Key takeaways

# SSAB in brief

## SSAB EMEA



Sales SEK 20 258m

- **Producer and supplier of high strength steel globally (Q&T, AHSS)**
- **Standard steel products (strip and plate)**

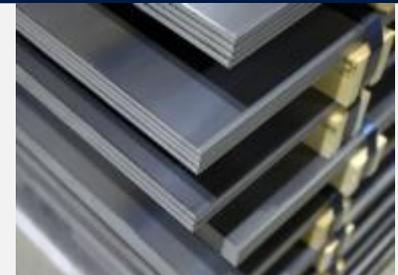
## SSAB AMERICAS



Sales SEK 16 173m

- **Commercial heavy plate in North America**
- **High strength steel (Q&T)**

## SSAB APAC



Sales SEK 2 138m

- **Sales and distribution of high strength steel (Q&T, AHSS)**
- **Kunshan finishing line**

## TIBNOR

SEK 5 961m

- **Distributor of steel in the Nordic and Baltic region**

No. of employees: 8 720

# Rautaruukki in brief

## Ruukki Metals



**Net sales €1 859m**

- Special steel products
- Standard steel products
- Tubes and profiles
- Stainless and aluminum

## Rukki Building Products



**Net sales €452m**

- Residential roofing
- Building components
- Infrastructure construction/ components

## Ruukki Building Systems



**Net sales €288m**

- Nordics
- Russia
- CEE
- Functional building systems

**No. of employees: 8 750**

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**2. SSAB and Rautaruukki – a strong industrial logic**

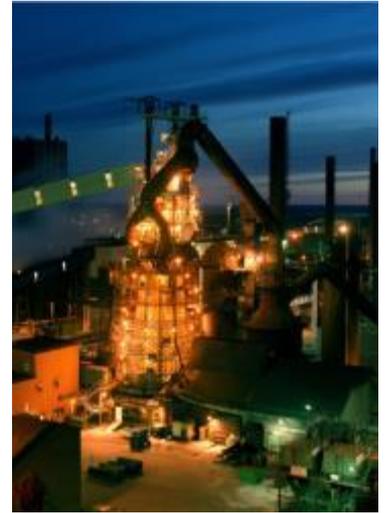
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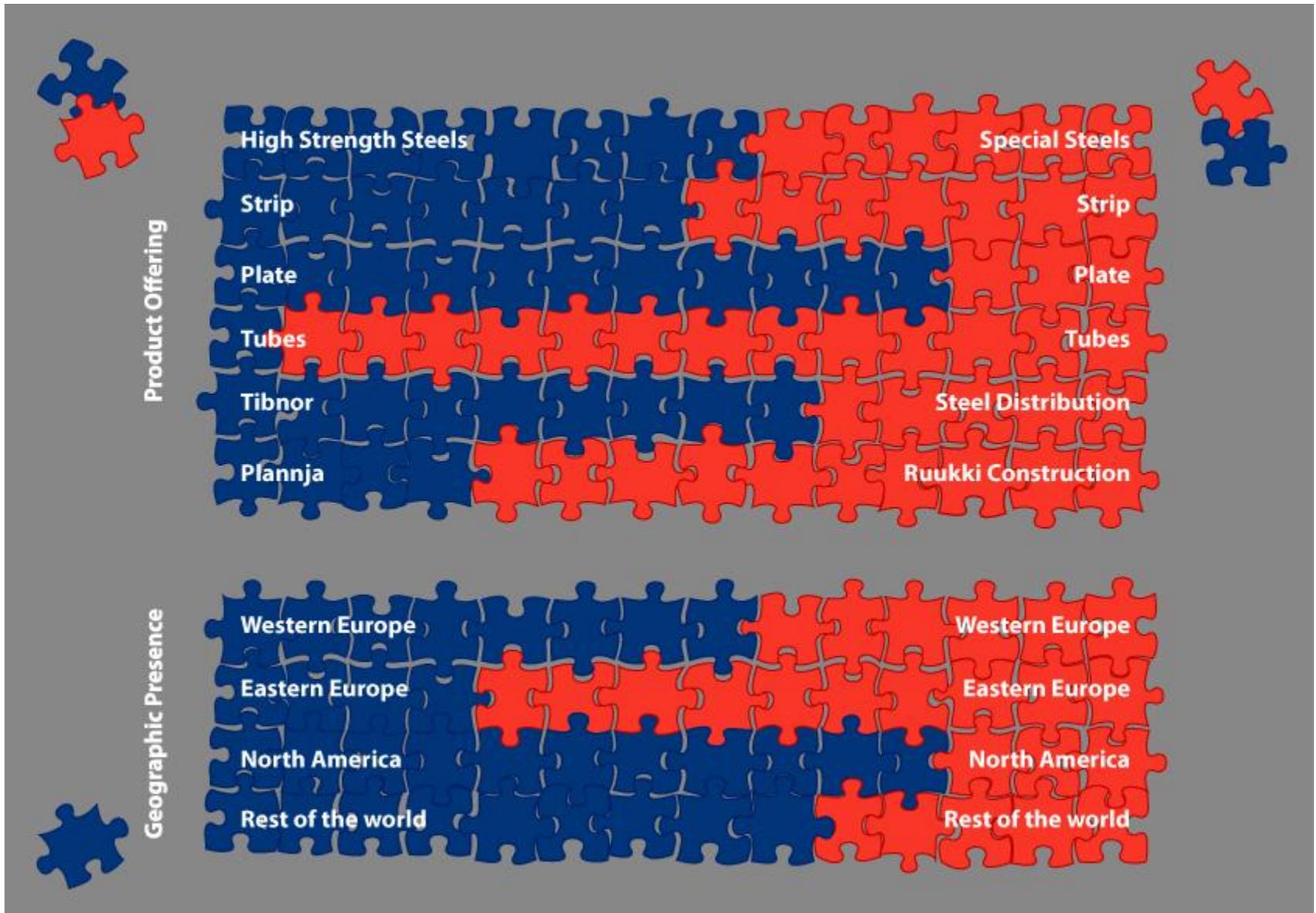
## A combination with a strong industrial logic

- ▶ **Flexible and cost effective** production system to better adapt to changes in market demand
- ▶ Value creation through **tangible synergies**
- ▶ **Accelerated growth in high strength steels**, heavy plate, standard strip, and tubular products – continue the shared strategic direction of both companies
- ▶ Enhanced ability to invest in product development and R&D – **innovation leader**

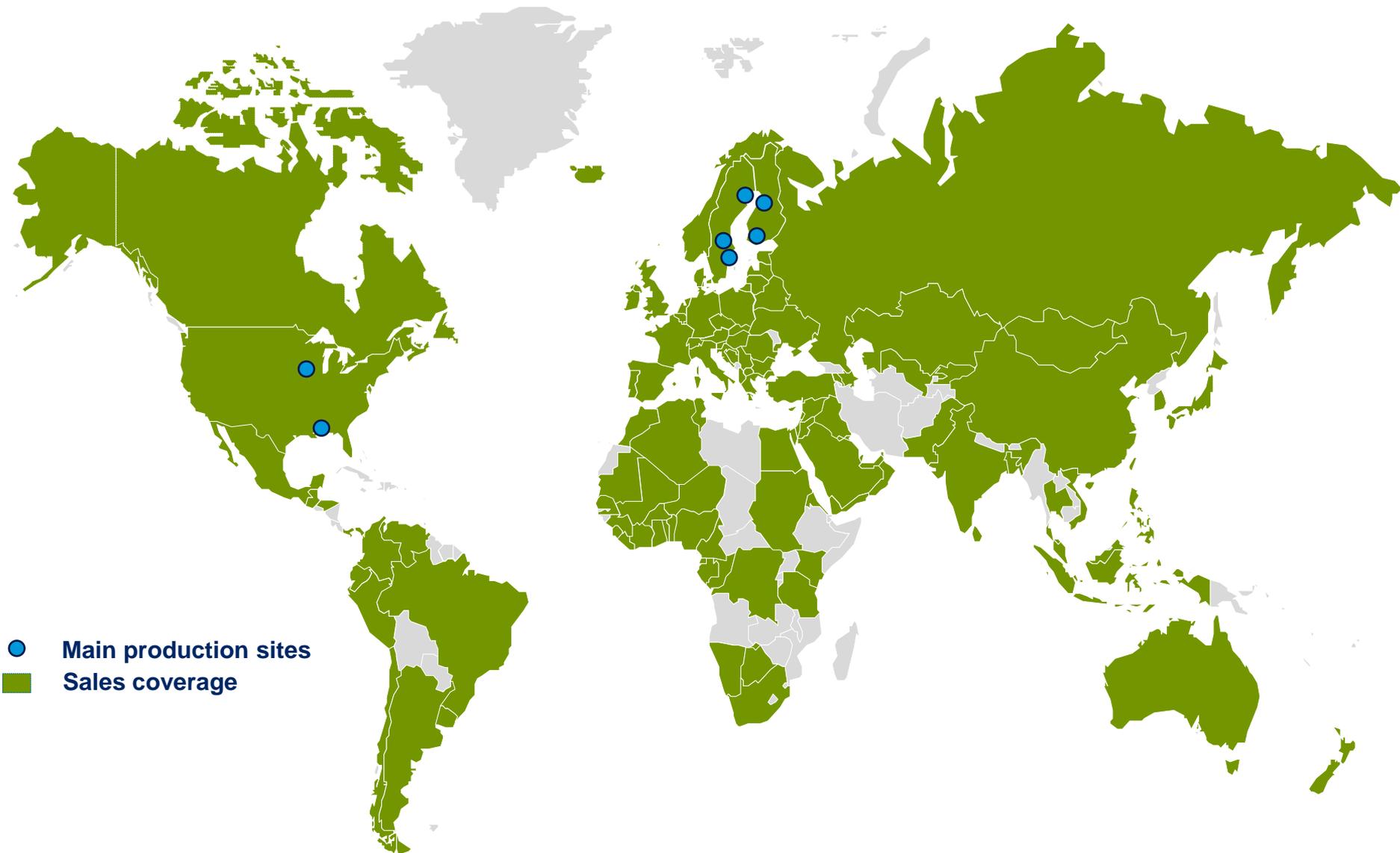
**A more competitive Nordic and US-based steel company**



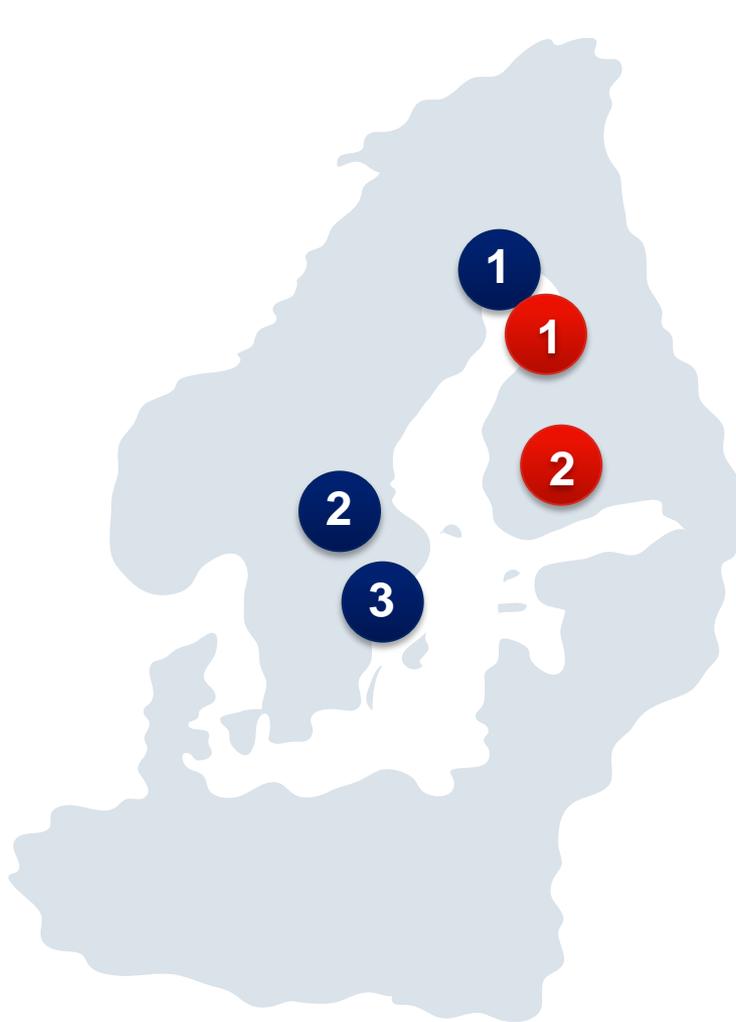
# Complemental strengths and offerings



# Global reach for the combined company



# Broadened steel production base in the Nordics



1



**Luleå**  
Steel-making

2



**Borlänge**  
Strip products

3



**Oxelösund**  
Steel-making, heavy plates

1



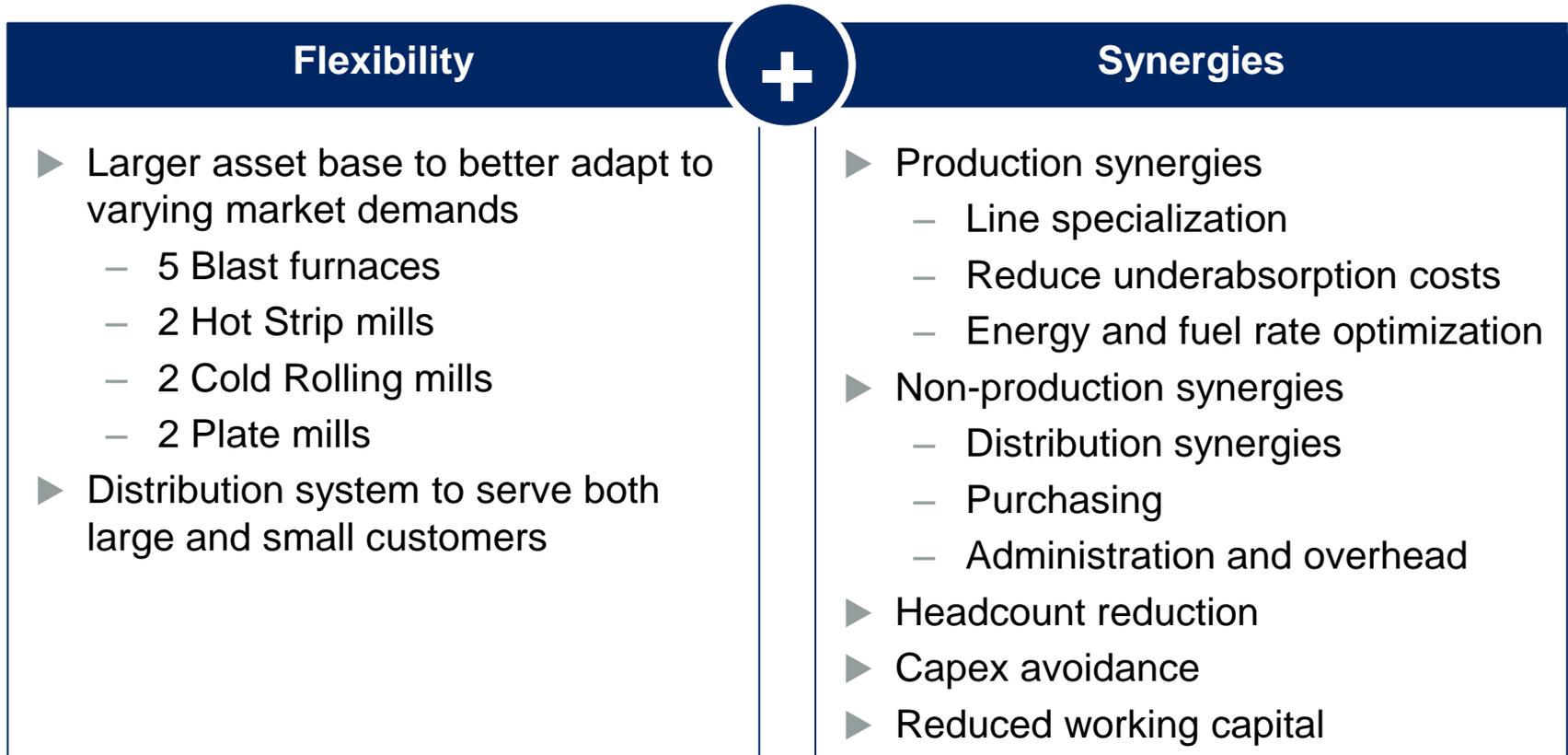
**Raahe**  
Steel-making, heavy plates  
and strip products

2



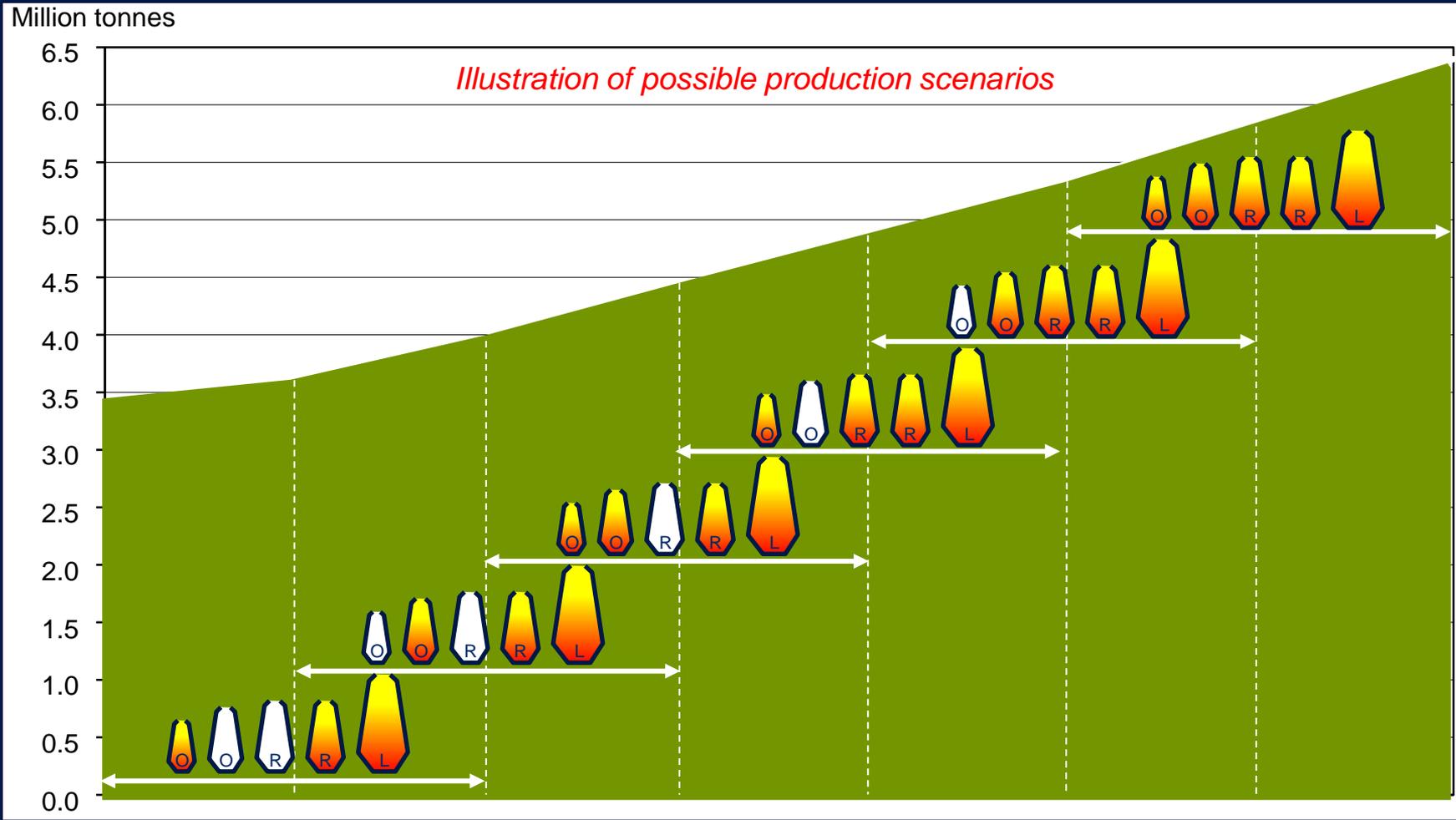
**Hämeenlinna**  
Strip products and tubes

# Flexibility and synergies will create a more competitive Nordic production system



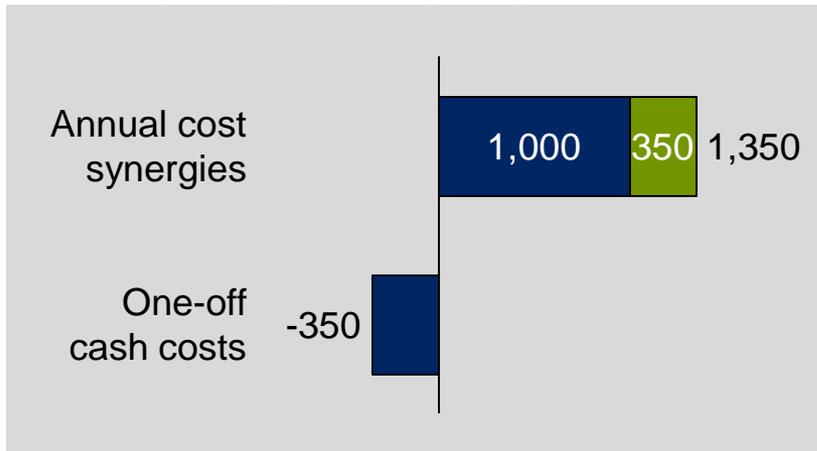
# Increased flexibility in the Nordic blast furnaces production system to better meet changes in market demand

Nordic Slab Production / from 3.5 – 6.5 million tonnes



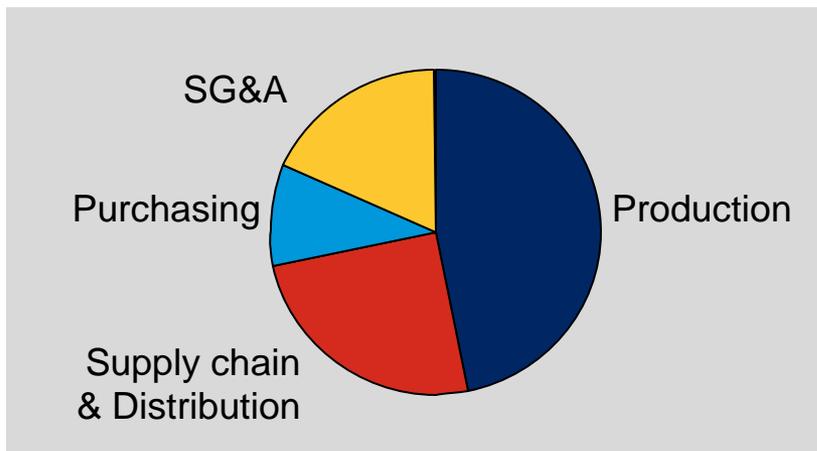
# Expected annual synergies up to SEK 1.4 billion (EUR 150m) from a more efficient steel production system in the Nordic region

## Summary of expected synergies, SEK million



- ▶ Annual cost synergies of up to SEK 1.4 billion (EUR 150m) are expected (SEK 2 per share post-tax in the combined company). This corresponds to ~3% of the total cost base in the combined European system
  - Estimated reduction in headcount, mainly in Sweden and in Finland, is approximately 5% of the total headcount in the combined company
  - One-off costs for achieving the synergies are expected to amount to SEK 350m (EUR 40m)

## Source of expected synergies, %



- ▶ Out of the total annual synergies, SEK 0.35 billion (EUR 40m) will be achieved in periods of low market demand
- ▶ In addition to cost synergies, there is a potential to avoid overlapping investments and to reduce net working capital
- ▶ Full synergy capture is expected within three years

# Future organization of the combined company

The plan is to organize the combined company in a model with clear profit and loss responsibilities

Quenched and  
Tempered Steels



**Melker Jernberg**  
(Sweden)

European Flat  
Carbon Steels



**Olavi Huhtala**  
(Finland)

American Flat  
Carbon Steels



**Charles Schmitt**  
(USA)

Nordic Steel  
Distribution



**Mikael Nyquist**  
(Sweden)

Construction  
Products and Systems



**Marko Somerma**  
(Finland)

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# Exchange offer with value creation for all shareholders

- ▶ 0.4752 newly issued SSAB class A shares and 1.2131 newly issued SSAB class B shares are being offered for each Rautaruukki share
- ▶ The total value of the offer amounts to SEK 10.1 billion (EUR 1.1 billion)
- ▶ The exchange offer corresponds to a premium of 20% compared to three-month volume-weighted share prices of both SSAB and Rautaruukki
- ▶ Value-accretive for all owners – expected annual synergies post-tax amounts to approximately SEK 2 per share in the combined company



# Key conditions for the exchange offer

- ▶ Acceptance from more than 90% of Rautaruukki's shareholders
  - The main shareholder in Rautaruukki, Solidium, has expressed its full support for the offer (40% of votes in Rautaruukki), and has undertaken to accept the exchange offer
- ▶ The AGM of SSAB must pass the resolutions necessary to implement the combination and the exchange offer
  - The main shareholder in SSAB, Industrivärden, has stated its full support for the offer (23% of votes in SSAB) and has undertaken to vote in favor of the resolutions necessary to implement the combination and the exchange offer
- ▶ The transaction is subject to regulatory competition approval in the European Union, and in a limited number of other jurisdictions
- ▶ The combined company will have a primary listing on NASDAQ OMX Stockholm and will apply for a secondary listing on NASDAQ OMX Helsinki
- ▶ The Group headquarters will be in Stockholm



## Pro-forma ownership (2013-12-31)

Owner	% Capital	% Votes
Industrivärden	10.5%	17.5%
Solidium	16.8%	10.0%
LKAB	2.2%	3.7%
Swedbank Robur fonder	2.5%	3.4%
Handelsbanken fonder	2.0%	2.8%
Other shareholders	65.9%	62.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Current SSAB shareholders</i>	<i>58.0%</i>	<i>75.0%</i>
<i>Current Rautaruukki shareholders</i>	<i>42.0%</i>	<i>25.0%</i>

**Industrivärden intends to remain as a long-term main owner of the combined company**

# Financials in the combined company - Solid balance sheet with potential for earnings improvement

SEK million	Jan-Sep, 2013			Full year 2012		
	Combined company	SSAB	Rauta-ruukki	Combined company	SSAB	Rauta-ruukki
<b>Sales</b>	<b>41 680</b>	<b>26 102</b>	<b>15 578</b>	<b>63 259</b>	<b>38 923</b>	<b>24 336</b>
<b>EBITDA</b>	<b>2 157</b>	<b>1 049</b>	<b>1 108</b>	<b>2 968</b>	<b>2 491</b>	<b>477</b>
EBITDA margin	5%	4%	7%	5%	6%	2%
<b>EBIT</b>	<b>-595</b>	<b>-849</b>	<b>254</b>	<b>-977</b>	<b>-96</b>	<b>-881</b>
EBIT margin	-1%	-3%	2%	-2%	0%	-4%
<b>Operating cash flow</b>	<b>2 280</b>	<b>1 381</b>	<b>898</b>	<b>6 424</b>	<b>4 929</b>	<b>1 494</b>
<b>Steel shipments (thousand tonnes)</b>	<b>4 603</b>	<b>3 255</b>	<b>1 348</b>	<b>5 993</b>	<b>4 184</b>	<b>1 809</b>
<b>Employees</b>	<b>17 468</b>	<b>8723</b>	<b>8 745</b>			
<b>Net debt</b>	<b>21 905</b>	<b>14 968</b>	<b>6 565</b>			
<b>Net debt / Equity</b>	<b>59%</b>	<b>55%</b>	<b>74%</b>			

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# Creating a more competitive steel company with global reach

- ▶ Value creation to all shareholders through tangible cost synergies and improved earnings potential
- ▶ Increased flexibility, cost-effectiveness and improved capital efficiency
- ▶ Strengthened customer offering – innovation leader, broader product range and increased geographic presence
- ▶ Active move to create a more competitive steel company
- ▶ Secure long term competitiveness in an industry vital to Finland and Sweden
  - Secure an important export industry
  - Safeguard job opportunities in the long run

**Together we can move faster towards the vision to create a stronger, lighter and more sustainable world**



**SSAB RUUKKI**