

STENA METALL GROUP



COMMENTS AFTER THE THIRD QUARTER



- Another strong quarter – YTD EBITDA was 1,264 (1,254 last year).
- Business Area Recycling reported a strong quarter with an accumulated YTD EBITDA of MSEK 1,053 (l.y. MSEK 1,035). Volumes ended in line with last year and margins were strong in general.
- Stena Recycling has been named Sweden’s most sustainable brand for 2018. The award is based on interviews with decision makers in large companies. The B2B Sustainable Brand Index study is conducted by SB Insight.
- In December the Stena Metall Group divested Juteskären AB to Stena Rederi AB. Juteskären AB owns the ferry MV Stena Scandinavica. The sale of Juteskären AB reduced the Stena Metall Group’s interest bearing net debt with SEK 777 million.
- In December Stena Metall Group also divested Stena Components in Molkom.

KEY RATIOS	Third quarter 2018/2019	Third quarter 2017/2018	First nine months 2018/2019	First nine months 2017/2018	Full year 2017/2018
Net sales	7,021	6,837	21,066	20,103	26,681
EBITDA	514	459	1,264	1,254	1,657
EBITDA margin	7.3%	6.7%	6.0%	6.2%	6.2%
Operating profit	349	285	754	744	932
Equity/assets ratio	43.5%	39.1%	43.5%	39.1%	39.0%
Net debt	582	2,025	582	2,025	2,244
Cash flow after investments	978	81	1,867	-189	-469
Average number of employees			3,488	3,547	3,527

The key ratios are defined on page 8.

The report is prepared in millions of Swedish kronor (SEK million) unless indicated otherwise.

CHIEF EXECUTIVE OFFICER'S COMMENT

The general business environment is gradually deteriorating. The economy is still good fueled by low interest rates but the growing hesitancy around the economic effect of a growing number of political uncertainties, is pushing short-term behavior in most of our markets. This is definitely slowing down our business flow and increasing general market volatility.

The Chinese import restrictions of scrap, plastics and paper have created a situation where there is an oversupply of material in Europe and the US. This has led to higher discounts on non-ferrous scrap from the LME-prices and lower prices for recovered paper.

The trade war between the US and China is creating a more negative sentiment in the market overall and is also increasing volatility.

Overall, the demand is still quite strong, but an even higher supply is preventing prices from increasing. More challenging times means potentially increasing credit risks. We remain focused on providing our businesses with the necessary risk management support and maintaining our financial discipline.



Göteborg, July 2019

Anders Jansson

The Stena Metal Group EBITDA for the first nine months ended at 1,264 MSEK (1,254 MSEK) and EBT at 863 MSEK (600 MSEK). The EBT result includes the sales of Juteskären AB (265 MSEK) and divesting of Stena Components Molkom (-33 MSEK)

BUSINESS AREA COMMENTS

Recycling

After the third quarter EBITDA was 1,053 MSEK (1,035 MSEK last year). If the first quarter was good and the second more disappointing, the third ended somewhere in-between. Margins were strong and higher than last year for all major waste streams. The inflow of new customers continue to be strong.

Aluminium

Strong margins have compensated lower invoicing during the third quarter. The higher margins are a result of better sales prices and a higher raw material cost efficiency due to improved mixes. Onwards we expect general market conditions to weaken and especially with automotive which is our main sales segment.

The EBITDA after Q3 ended at 49 MSEK (61 MSEK).

Oil

Stena Oil ended the third quarter with an accumulated EBITDA of 27 MSEK (11 MSEK). Competition is still fierce so we avoid spot deals with the lowest margins. Volumes were down in Q3 mainly due to a total refinery stop at Preem who is our main supplier. The Southern Sweden business continues to work well. The logistical setup is very good and the business is delivering a satisfactory profit.

BUSINESS AREA COMMENTS, CONT.

Steel

The EBITDA for Stena Stål after the third quarter ended at 50 MSEK (86 MSEK).

During the third quarter, there was an improvement in volumes and stable prices. So far, the total steel demand on our market is staying on a stable level. In the past months, volumes have increased due to seasonal changes improving market shares for merchant steel, special steel and stainless products. However, we are concerned about the future demand in the building and automotive sector. A reduced steel demand in the automotive sector will probably have a negative impact on all steel products.

Components

Work on bringing back the company to a positive result continues, a dedicated action program is in place. In Nybro we have a positive development on new customer processing but we are still to see the impact on the result.

The Q3 EBITDA ended at -1 MSEK (-6 MSEK).

Finance

EBITDA YTD 81 MSEK (-10 MSEK)

Important stock markets started the quarter sideways in March, up in April and a major correction downwards in May. The reason behind the downturn was the renewed worries about the trade war US/China. The, for Stena Metall, important Swedish stock market fell as an example by around 4% for the quarter as a total. The main reason for the good return in the third quarter was revaluation of our Private Equity funds. Our cautious view of the stock markets in general did also support the result.

Note: Figures in parantheses refer to the same period the previous year.

EBITDA

SEK million	Third quarter 2018/2019	Third quarter 2017/2018	First nine months 2018/2019	First nine months 2017/2018	Full year 2017/2018
Recycling	396	350	1,053	1,035	1,306
Aluminium	17	26	49	61	83
Electronics recycling	N/A	8	N/A	6	-70
Oil	7	10	27	11	25
Steel	18	34	50	86	98
Components	0	-3	-1	-6	-9
Trading	0	-1	-1	0	-2
Finance	95	7	81	-10	30
Other	-19	28	6	71	196
TOTAL	514	459	1,264	1,254	1,657

INCOME STATEMENT

SEK million	Third quarter 2018/2019	Third quarter 2017/2018	First nine months 2018/2019	First nine months 2017/2018	Full year 2017/2018
Net sales	7,021	6,837	21,066	20,103	26,681
Cost of goods sold	-6,491	-6,254	-19,474	-18,501	-24,643
GROSS PROFIT	530	583	1,592	1,602	2,038
Sales expenses	-102	-126	-316	-325	-432
Administrative expenses	-270	-254	-798	-739	-972
Other operating income & expenses	191	82	276	206	298
OPERATING PROFIT	349	285	754	744	932
Income from investments in associated companies	-	-	-	-	-3
Interest net	-41	-44	-118	-136	-183
Other financial income & expenses	-3	-1	227	-8	-3
PROFIT BEFORE TAX	305	240	863	600	743
Taxes	-	-	-	-	-158
PROFIT FOR THE PERIOD	305	240	863	600	585
Other comprehensive income	8	12	9	40	78
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	313	252	872	640	663
Total comprehensive income for the period is attributable to:					
Parent Company's shareholders	313	252	872	640	663
Non-controlling interests	-	-	-	-	-
Total comprehensive income	313	252	872	640	663



Together with ABB and Combitech, Stena Recycling has built a pilot for automatic, robotic recycling. Here, Hitomi Lorentzon and Hans Qvirist from Stena Recycling discuss the joint solution with Johan Gunnarson, Combitech and Martin Björnalm, ABB.

BALANCE SHEET

SEK million	2019-05-31	2018-05-31	2018-08-31
ASSETS			
Fixed assets			
Intangible fixed assets	963	975	1,002
Tangible fixed assets	4,847	5,314	5,487
Financial fixed assets	1,124	1,012	1,067
TOTAL FIXED ASSETS	6,934	7,301	7,556
Current assets			
Inventories	1,648	1,599	1,781
Short-term receivables			
Accounts receivable	2,527	2,638	2,537
Other receivables	1,297	1,364	1,272
TOTAL SHORT-TERM RECEIVABLES	3,824	4,002	3,809
Short-term securities			
Cash and bank	927	1,261	1,308
TOTAL CURRENT ASSETS	8,094	7,325	7,151
TOTAL ASSETS	15,028	14,626	14,707
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	6,530	5,713	5,737
Long-term liabilities			
Provisions	897	1,072	1,071
Interest-bearing long-term liabilities	3,242	3,194	3,892
Other long-term liabilities	5	16	22
TOTAL LONG-TERM LIABILITIES	4,144	4,282	4,985
Current liabilities			
Interest-bearing short-term liabilities	650	1,017	548
Accounts payable	1,647	1,765	1,802
Other liabilities	2,057	1,849	1,635
TOTAL CURRENT LIABILITIES	4,354	4,631	3,985
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	15,028	14,626	14,707

STATEMENT OF CASH FLOWS

SEK million	Third quarter 2018/2019	Third quarter 2017/2018	First nine months 2018/2019	First nine months 2017/2018	Full year 2017/2018
Operating activities					
Profit before tax	305	240	863	600	743
Reversal of amortization/depreciation fixed assets	165	174	510	510	725
Adjustments for other non-cash items	-112	-34	-356	-128	-156
Taxes paid	-7	-18	-25	-40	-29
Changes in working capital	554	-149	378	-505	-696
CASH FLOW FROM OPERATING ACTIVITIES	905	213	1,370	437	587
Investing activities					
Acquisition and sale of subsidiaries	0	0	727	-1	-56
Acquisition of tangible fixed assets	-175	-151	-470	-482	-804
Acquisition securities, net	192	-10	174	-199	-251
Other changes from investing activities	56	29	66	56	55
CASH FLOW FROM INVESTING ACTIVITIES	73	-132	497	-626	-1,056
CASH FLOW AFTER INVESTMENTS	978	81	1,867	-189	-469
Financing activities					
Changes in loans from credit institutions	-54	-348	-346	-177	-112
Share dividend	0	0	-79	-62	-62
CASH FLOW FROM FINANCING ACTIVITIES	-54	-348	-425	-239	-174
CASH FLOW FOR THE PERIOD	924	-267	1,442	-428	-643
Cash and bank beginning of period	769	728	253	879	879
Translation difference in cash and bank	2	2	0	12	17
CASH AND BANK END OF PERIOD	1,695	463	1,695	463	253

DEFINITIONS

Net sales	Fair value of what has been or will be received for goods and services sold in the Group's operations
EBITDA	Profit before financial income and expenses, taxes, depreciation and amortization
EBITDA margin	EBITDA expressed as a percentage of net sales
Operating profit	Profit before financial income and expenses and taxes (EBIT)
Equity/assets ratio	Shareholders' equity expressed as a percentage of total assets
Net debt	Interest-bearing liabilities including provision for pensions minus cash and bank, short-term and long-term securities
Average number of employees	The Group's paid hours in relation to the normal number of working hours for the period

Last April Stena Recycling held a seminar on plastic for customers and partners. Invited guests participated in the panel together with experts from Stena Recycling.

HOW CAN PLASTIC BECOME CIRCULAR, PANEL DISCUSSION

Anja Hoffman, Advisor & CEO Sentio Lab
Andreas Malmberg, CEO Trioplast Industries AB
Martin Leander, Head of Commodities Stena Recycling AB
Fredrik Benson, Vice President Elkretsen
Pär Häkansson, Business Area Manager Electronics Stena Recycling AB
Anders Breitholtz, Founder & CEO Material Challenge Lab

It starts here.

STENA
RECYCLING

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