

STENA METALL GROUP



A waste collection truck from Stena Recycling, stopping to collect paper and corrugated cardboard from the Kallebäck tower in Gothenburg. This newly built apartment block was constructed with steel reinforcement supplied by Stena Stål.

COMMENTS AFTER THE FIRST QUARTER

- Another solid quarter, EBITDA SEK 440 million (last year SEK 460 million).
- A strong quarter with increased margins and better result for Stena Oil.
- Price reductions in ferrous, metals and paper resulted in lower volumes for business area Recycling. Margins are still good but lower volumes has affected the result.
- A firm start of the year for business area Finance.
- Reduced demand from the automotive sector resulted in lower volumes for Stena Stål.



At the Stena Nordic Recycling Center in Halmstad, plastic is recycled from electronic products. These plastic pellets are used as raw material in the manufacture of new products. Recycling plastic reduces oil consumption and carbon dioxide emissions.

IFRS 16

- New leasing standard as of September 1, 2019.
- Hence, depreciation and interest cost instead of leasing cost.
- All operational leases re-classified as financial leases.
- All leases in balance sheet (fixed assets and liabilities).

SEK million	Before IFRS 16	Change	Including IFRS 16
INCOME STATEMENT			
Net sales	6,667		6,667
Operating costs	-6,281	54	-6,227
EBITDA	386	54	440
Depreciations and amortizations	-168	-47	-215
EBIT	218	7	225
Financial net	-19	-7	-26
PROFIT FOR THE PERIOD	199	0	199
BALANCE SHEET			
Tangible fixed assets	4,842	936	5,778
Other assets	9,610		9,610
TOTAL ASSETS	14,452	936	15,388
Shareholders' equity	6,719		6,719
Interest-bearing long-term liabilities	2,142	741	2,883
Interest-bearing short-term liabilities	1,223	195	1,418
Provisions and other liabilities	4,368		4,368
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	14,452	936	15,388
NET DEBT	254	936	1,190

KEY RATIOS	First quarter 2019/2020	First quarter 2018/2019	Full year 2018/2019
Net sales	6,667	7,376	27,391
EBITDA	440 ¹⁾	460	1,607
EBITDA margin	6.6%	6.2%	5.9%
Operating profit	225 ²⁾	281	920
Equity/assets ratio	43.7%	39.4%	44.3%
Net debt	1,190 ³⁾	2,145	675
Cash flow after investments	4	187	1,578
Average number of employees	3,587	3,539	3,497

¹⁾ SEK 54 million affected by IFRS16

²⁾ SEK 7 million affected by IFRS16

³⁾ SEK 936 million affected by IFRS16

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

When we look at the developments during the first three months of the fiscal year, the period has continued to be characterized by great caution and short-term behavior, resulting in reduced volumes and high price volatility. After relatively large drops in price and relatively poor market conditions for ferrous and metal scrap during the autumn, prices have strengthened towards the end of the period. Some waste streams such as recycled paper is at “all-time low” and today we must charge to collect it. In the autumn, a rather exaggerated fear of the business cycle slowed down the development and led to a much weaker market for some operations (Steel, Aluminium), while Stena Recycling saw a drop in volumes.

The Stena Metal Group EBITDA for the first quarter of 19/20 ended at SEK 440 million (excluding IFRS 16, SEK 386 million) vs. SEK 460 million LY and EBT at SEK 199 million vs. SEK 200 million LY.



Göteborg, January 2020

Anders Jansson

BUSINESS AREA COMMENTS

Recycling

After the first quarter EBITDA ended at SEK 338 million (SEK 398 million last year). It has been a challenging start in the first quarter, where we have seen significant price reductions in ferrous, metals and paper. However, we have seen some recovery in ferrous and metal prices during November. The lower prices affect our inbound customers who tend to “sit” on the material in hope of improved prices. Although our margins are still good, we can see a reduction in volumes which affect our result.

Aluminium

We see indications for improved conditions in the market and that alloy prices have reached the bottom. We are trying sales in new markets to improve margins, and so far it looks promising. Productivity is improving and we are reaching the same production volumes as last year with less production shifts.

The EBITDA after Q1 ended at SEK 1 million (SEK 19 million).

BUSINESS AREA COMMENTS, CONT.

Oil

Stena Oil ended the first quarter with an EBITDA of SEK 50 million (SEK 23 million).

Stena Oil has during the entire quarter traded with good margins and volumes on all grades. The strategy of being the first mover to store & deliver 0,5% sulphur fuel has so far been a success. The southern Swedish business continues to work very well. The logistical set-up is very good and the business is delivering a satisfactory profit.

Steel

The EBITDA for Steel after the first quarter ended at SEK 8 million (SEK 31 million).

A reduced demand from the automotive sector has resulted in lower volumes for some steel products. In a longer perspective a reduced steel demand from the automotive sector will probably have a negative impact on all steel products. Volumes for wholesale are still good and the challenge is to increase them, without losing margins on existing business.

Components

The productivity is gradually improving, the delivery precision is increasing and the production deviations are decreasing which are good signs. However, orders are still too low in a declining market and actions are taken to reduce costs to compensate.

The Q1 EBITDA ended at SEK 1 million (SEK 0 million).

Finance

Purchasing Managers Index (ISM), picked up above 50 after a period below this important level. This combined with the de-escalation of trade tension between China and the US further sustained the bullish trend in most equity markets. For instance the Swedish OMXS30 index gained almost 10%. The first quarter's result has been rather strong with a reported EBITDA of SEK 34 million (SEK -30 million).

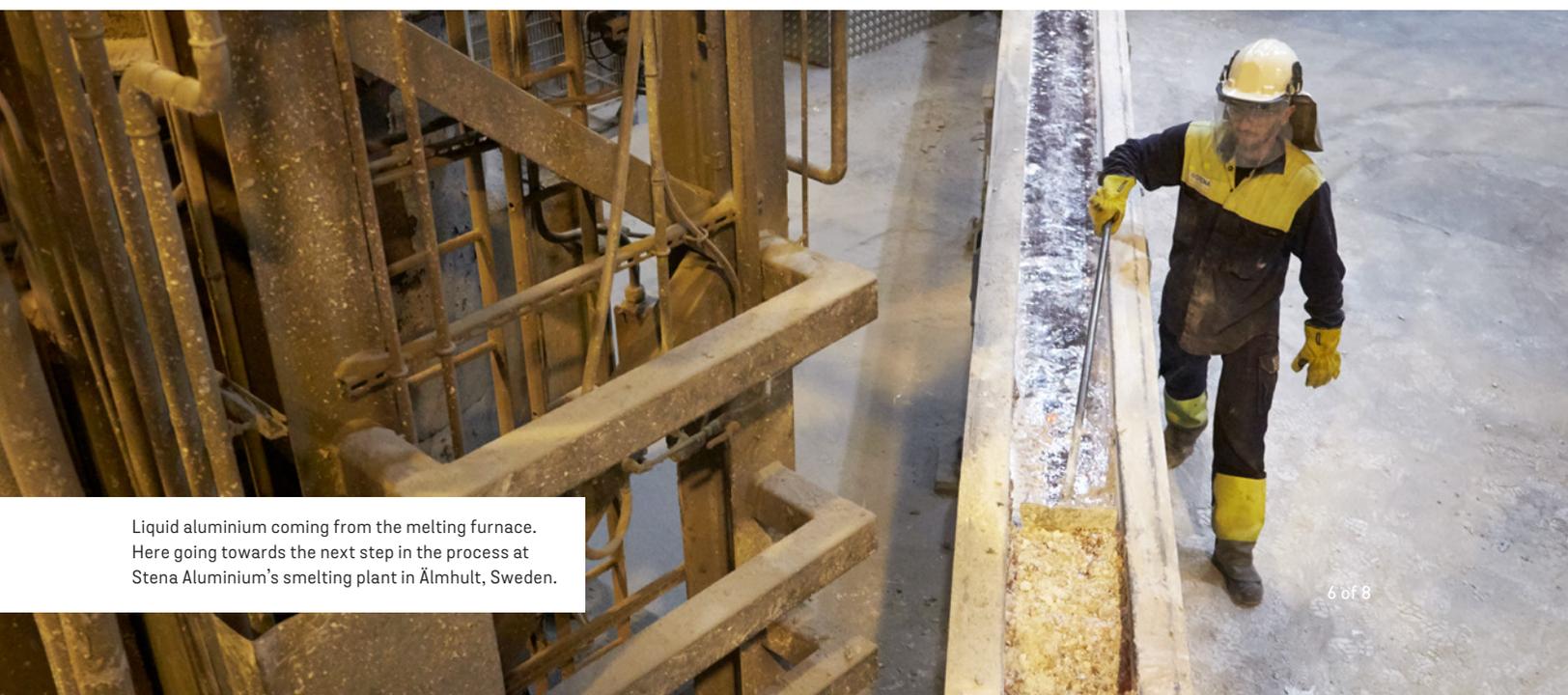
Note: Figures in parantheses refer to the same period the previous year.

EBITDA

SEK million	First quarter 2019/2020	First quarter 2018/2019	Full year 2018/2019
Recycling	338	398	1,321
Aluminium	1	19	54
Oil	50	23	39
Steel	8	31	51
Components	1	-	-7
Finance	34	-30	124
Other	8	19	25
TOTAL	440	460	1,607

INCOME STATEMENT

SEK million	First quarter 2019/2020	First quarter 2018/2019	Full year 2018/2019
Net sales	6,667	7,376	27,391
Cost of goods sold	-6,149	-6,744	-25,348
GROSS PROFIT	518	632	2,043
Sales expenses	-101	-104	-435
Administrative expenses	-264	-273	-1 061
Other operating income & expenses	72	26	373
OPERATING PROFIT	225	281	920
Income from investments in associated companies	-	-	3
Interest net	-42	-46	-148
Other financial income & expenses	16	-35	229
PROFIT BEFORE TAX	199	200	1,004
Taxes	-	-	-161
PROFIT FOR THE PERIOD	199	200	843
Other comprehensive income	-4	-	23
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	195	200	866
Total comprehensive income for the period is attributable to:			
Parent Company's shareholders	195	200	866
Non-controlling interests	-	-	-
Total comprehensive income	195	200	866



Liquid aluminium coming from the melting furnace. Here going towards the next step in the process at Stena Aluminium's smelting plant in Älmhult, Sweden.

BALANCE SHEET

SEK million	2019-11-30	2018-11-30	2019-08-31
ASSETS			
Fixed assets			
Intangible fixed assets	943	976	958
Tangible fixed assets	5,778	5,404	4,960
Financial fixed assets	1,312	1,061	1,114
TOTAL FIXED ASSETS	8,033	7,441	7,032
Current assets			
Inventories	1,478	1,964	1,681
Short-term receivables			
Accounts receivable	2,625	2,869	2,458
Other receivables	1,123	1,319	1,169
TOTAL SHORT-TERM RECEIVABLES	3,748	4,188	3,627
Short-term securities			
Cash and bank	1,247	1,190	1,028
TOTAL CURRENT ASSETS	7,355	7,643	7,683
TOTAL ASSETS	15,388	15,084	14,715
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	6,719	5,937	6,524
Long-term liabilities			
Provisions	972	1,051	959
Interest-bearing long-term liabilities	2,883	3,392	3,142
Other long-term liabilities	3	10	4
TOTAL LONG-TERM LIABILITIES	3,858	4,453	4,105
Current liabilities			
Interest-bearing short-term liabilities	1,418	886	690
Accounts payable	1,711	1,837	1,709
Other liabilities	1,682	1,971	1,687
TOTAL CURRENT LIABILITIES	4,811	4,694	4,086
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	15,388	15,084	14,715

STATEMENT OF CASH FLOWS

SEK million	First quarter 2019/2020	First quarter 2018/2019	Full year 2018/2019
Operating activities			
Profit before tax	199	200	1,004
Reversal of amortization/depreciation fixed assets	215	179	688
Adjustments for other non-cash items	19	47	-279
Taxes paid	-12	-6	-30
Changes in working capital	78	-206	208
CASH FLOW FROM OPERATING ACTIVITIES	499	214	1,591
Investing activities			
Acquisition and sale of subsidiaries	16	-	727
Acquisition of tangible fixed assets	-101	-128	-771
Acquisition securities, net	-421	87	-21
Other changes from investing activities	11	14	52
CASH FLOW FROM INVESTING ACTIVITIES	-495	-27	-13
CASH FLOW AFTER INVESTMENTS	4	187	1,578
Financing activities			
Changes in loans from credit institutions	-467	-135	-405
Share dividend	-	-	-79
CASH FLOW FROM FINANCING ACTIVITIES	-467	-135	-484
CASH FLOW FOR THE PERIOD	-463	52	1,094
Cash and bank beginning of period	1,347	253	253
Translation difference in cash and bank	-2	-4	0
CASH AND BANK END OF PERIOD	882	301	1,347

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



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Parts of an oil rig being disassembled at Stena Recycling's facility in Stavanger, Norway.

