

# STENA METALL GROUP



# COMMENTS ON THE SECOND QUARTER



- The EBITDA YTD ended at 750 MSEK (795 MSEK) and EBT at 558 MSEK (360 MSEK). The EBT result includes the sale of Juteskären AB (265 MSEK) and divesting of Stena Components Molkom (-33 MSEK).
- For Business Area Recycling volumes ended somewhat lower than last year but margins were stronger in general.
- The sale of Juteskären AB reduced the interest-bearing net debt by 777 MSEK.
- Lower volumes in Steel are mainly due to decline in construction of residential buildings.

| KEY RATIOS                  | Second quarter<br>2018/2019 | Second quarter<br>2017/2018 | First six months<br>2018/2019 | First six months<br>2017/2018 | Full year<br>2017/2018 |
|-----------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|------------------------|
| Net sales                   | <b>6,669</b>                | 6,558                       | 14,045                        | 13,266                        | 26,681                 |
| EBITDA                      | <b>290</b>                  | 331                         | 750                           | 795                           | 1,657                  |
| EBITDA margin               | <b>4.3%</b>                 | 5.0%                        | 5.3%                          | 6.0%                          | 6.2%                   |
| Operating profit            | <b>124</b>                  | 160                         | 405                           | 459                           | 932                    |
| Equity/assets ratio         | <b>42.0%</b>                | 37.7%                       | 42.0%                         | 37.7%                         | 39.0%                  |
| Net debt                    | <b>1,369</b>                | 2,117                       | 1,369                         | 2,117                         | 2,244                  |
| Cash flow after investments | <b>702</b>                  | 138                         | 889                           | -270                          | -469                   |
| Average number of employees | <b>3,515</b>                | 3,538                       | 3,515                         | 3,538                         | 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

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The general business environment remains relatively unchanged. As mentioned in my quarter 1 report, the economy is still quite ok fuelled by low interest rates and decent market development. Even though the hesitancy around the economic effects of a wide array of political uncertainties has enhanced short-term behavior in most of our markets. This is slowing down development both creating instability in our business flow and increasing general market volatility.

As we see more and more challenges for the world's recycling industry to find new solutions for its mixed waste, we can be very grateful that our investment into the Stena Nordic Recycling Center has turned out so well. The ability to improve recycling rates in all types of waste is the key to the future.

The Stena Metal Group EBITDA for the first six months ended at 750 MSEK (795 MSEK) and EBT at 558 MSEK (360 MSEK). The EBT result includes the sales of Juteskären AB (265 MSEK) and divesting of Stena Components Molkom (-33 MSEK).



Göteborg, April 2019

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Anders Jansson

## BUSINESS AREA COMMENTS

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### Recycling

After the second quarter EBITDA was 657 MSEK (685 MSEK last year). Volumes ended somewhat lower than last year but margins were stronger in general. Production costs ended higher than plan. Activities are ongoing to get back on track.

### Aluminium

Strong margins have compensated lower invoicing also during the second quarter. The higher margins are a result of better sales prices and a more efficient cost of raw material by upgrading the use of different raw materials. In January the company were awarded being "Supplier of the year 2018" by the owner of Ljunghäll.

The EBITDA after Q2 ended at 32 MSEK (35 MSEK).

### Oil

Stena Oil ended the second quarter with an accumulated EBITDA of 20 MSEK (1 MSEK). Competition is still fierce, so Stena avoids spot deals with the lowest margins. The new contracts of 2019 with ferry operators and other customers in Southern Sweden are now up and running. The logistical set-up is good and the business is delivering a satisfactory profit.

## BUSINESS AREA COMMENTS, CONT.

### Steel

The EBITDA for Stena Stål after the second quarter ended at 32 MSEK (52 MSEK).

Lower volumes drove the deviation. The loss in volumes are mainly due to a decline in construction of residential buildings. Given the lower volumes, the main focus is on cost savings in both production, wholesale and management.

### Components

Work on restoring profitability at Stena Components continues and a focused action program is in place.

There is a positive development on new customer processing, but yet no improvement on the result.

The accumulated Q2 EBITDA ended at -1 MSEK (-3 MSEK).

### Finance

Financial markets started the quarter with volatility and steep declines. However, at the end most stock exchanges worldwide regained earlier losses and delivered single digit gains.

Finance delivered in Q2 a positive result of 2.2% on engaged capital. EBITDA was -14 MSEK (-17 MSEK).

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

## EBITDA

| SEK million           | Second quarter<br>2018/2019 | Second quarter<br>2017/2018 | First six months<br>2018/2019 | First six months<br>2017/2018 | Full year<br>2017/2018 |
|-----------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|------------------------|
| Recycling             | 259                         | 293                         | 657                           | 685                           | 1,306                  |
| Aluminium             | 13                          | 16                          | 32                            | 35                            | 83                     |
| Electronics recycling | -                           | 1                           | -                             | -2                            | -70                    |
| Oil                   | -3                          | -3                          | 20                            | 1                             | 25                     |
| Steel                 | 1                           | 16                          | 32                            | 52                            | 98                     |
| Components            | -1                          | -1                          | -1                            | -3                            | -9                     |
| Trading               | -1                          | 1                           | -1                            | 1                             | -2                     |
| Finance               | 16                          | -19                         | -14                           | -17                           | 30                     |
| Other                 | 6                           | 27                          | 25                            | 43                            | 196                    |
| <b>TOTAL</b>          | <b>290</b>                  | <b>331</b>                  | <b>750</b>                    | <b>795</b>                    | <b>1,657</b>           |

# INCOME STATEMENT

| SEK million   | Second quarter<br>2018/2019 | Second quarter<br>2017/2018 | First six months<br>2018/2019 | First six months<br>2017/2018 | Full year<br>2017/2018 |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|------------------------|
| Net sales   | 6,669                       | 6,558                       | 14,045                        | 13,266                        | 26,681                 |
| Cost of goods sold  | -6,239                      | -6,109                      | -12,983                       | -12,247                       | -24,643                |
| <b>GROSS PROFIT</b>   | <b>430</b>                  | <b>449</b>                  | <b>1,062</b>                  | <b>1,019</b>                  | <b>2,038</b>           |
| Sales expenses  | -110                        | -95                         | -214                          | -199                          | -432                   |
| Administrative expenses                                       | -255                        | -255                        | -528                          | -485                          | -972                   |
| Other operating income & expenses                             | 59                          | 61                          | 85                            | 124                           | 298                    |
| <b>OPERATING PROFIT</b>                                       | <b>124</b>                  | <b>160</b>                  | <b>405</b>                    | <b>459</b>                    | <b>932</b>             |
| Income from investments in associated companies               | -                           | -                           | -                             | -                             | -3                     |
| Interest net  | -31                         | -46                         | -77                           | -92                           | -183                   |
| Other financial income & expenses                             | 265                         | 2                           | 230                           | -7                            | -3                     |
| <b>PROFIT BEFORE TAX</b>                                      | <b>358</b>                  | <b>116</b>                  | <b>558</b>                    | <b>360</b>                    | <b>743</b>             |
| Taxes   | -                           | -                           | -                             | -                             | -158                   |
| <b>PROFIT FOR THE PERIOD</b>                                  | <b>358</b>                  | <b>116</b>                  | <b>558</b>                    | <b>360</b>                    | <b>585</b>             |
| Other comprehensive income                                    | 1                           | 22                          | 1                             | 28                            | 78                     |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>              | <b>359</b>                  | <b>138</b>                  | <b>559</b>                    | <b>388</b>                    | <b>663</b>             |
| Total comprehensive income for the period is attributable to: |                             |                             |                               |                               |                        |
| Parent Company's shareholders                                 | 359                         | 138                         | 559                           | 388                           | 663                    |
| Non-controlling interests                                     | -                           | -                           | -                             | -                             | -                      |
| <b>Total comprehensive income</b>                             | <b>359</b>                  | <b>138</b>                  | <b>559</b>                    | <b>388</b>                    | <b>663</b>             |



In January Stena Aluminium was named "Best Supplier of the Year 2018" by the owner of Ljunghäll. Ola Manestam, Marketing Manager, Stena Aluminium, Thomas Lavesson, Production Planner, Stena Aluminium, Catrin Loman, Purchasing Manager, Ljunghäll, Tony Lidberg, Sales, Stena Aluminium, Anette Lund, Sales Support, Stena Aluminium and Fredrik Pettersson, CEO, Stena Aluminium were present.

# BALANCE SHEET

| SEK million                                       | 2019-02-28    | 2018-02-28    | 2018-08-31    |
|---|---------------|---------------|---------------|
| <b>ASSETS</b>                                     |               |               |               |
| <b>Fixed assets</b>                               |               |               |               |
| Intangible fixed assets                           | 971           | 973           | 1,002         |
| Tangible fixed assets                             | 4,811         | 5,308         | 5,487         |
| Financial fixed assets                            | 1,248         | 1,024         | 1,067         |
| <b>TOTAL FIXED ASSETS</b>                         | <b>7,030</b>  | <b>7,305</b>  | <b>7,556</b>  |
| <b>Current assets</b>                             |               |               |               |
| <b>Inventories</b>                                | 1,856         | 1,488         | 1,781         |
| <b>Short-term receivables</b>                     |               |               |               |
| Accounts receivable                               | 2,703         | 2,603         | 2,537         |
| Other receivables                                 | 1,325         | 1,120         | 1,272         |
| <b>TOTAL SHORT-TERM RECEIVABLES</b>               | <b>4,028</b>  | <b>3,723</b>  | <b>3,809</b>  |
| <b>Short-term securities</b>                      | 1,131         | 1,243         | 1,308         |
| Cash and bank                                     | 769           | 728           | 253           |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>7,784</b>  | <b>7,182</b>  | <b>7,151</b>  |
| <b>TOTAL ASSETS</b>                               | <b>14,814</b> | <b>14,487</b> | <b>14,707</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |               |               |               |
| <b>SHAREHOLDERS' EQUITY</b>                       | <b>6,217</b>  | <b>5,461</b>  | <b>5,737</b>  |
| <b>Long-term liabilities</b>                      |               |               |               |
| Provisions  | 950           | 1,057         | 1,071         |
| Interest-bearing long-term liabilities            | 3,342         | 3,454         | 3,892         |
| Other long-term liabilities                       | 9             | 19            | 22            |
| <b>TOTAL LONG-TERM LIABILITIES</b>                | <b>4,301</b>  | <b>4,530</b>  | <b>4,985</b>  |
| <b>Current liabilities</b>                        |               |               |               |
| Interest-bearing short-term liabilities           | 730           | 1,102         | 548           |
| Accounts payable                                  | 1,803         | 1,676         | 1,802         |
| Other liabilities                                 | 1,763         | 1,718         | 1,635         |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>4,296</b>  | <b>4,496</b>  | <b>3,985</b>  |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> | <b>14,814</b> | <b>14,487</b> | <b>14,707</b> |

# STATEMENT OF CASH FLOWS

| SEK million  | Second quarter<br>2018/2019 | Second quarter<br>2017/2018 | First six months<br>2018/2019 | First six months<br>2017/2018 | Full year<br>2017/2018 |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|------------------------|
| <b>Operating activities</b>                        |                             |                             |                               |                               |                        |
| Profit before tax                                  | 358                         | 116                         | 558                           | 360                           | 743                    |
| Reversal of amortization/depreciation fixed assets | 166                         | 171                         | 345                           | 336                           | 725                    |
| Adjustments for other non-cash items               | -291                        | -20                         | -244                          | -94                           | -156                   |
| Taxes paid   | -12                         | -16                         | -18                           | -22                           | -29                    |
| Changes in working capital                         | 30                          | 149                         | -176                          | -356                          | -696                   |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>         | <b>251</b>                  | <b>400</b>                  | <b>465</b>                    | <b>224</b>                    | <b>587</b>             |
| <b>Investing activities</b>                        |                             |                             |                               |                               |                        |
| Acquisition and sale of subsidiaries               | 727                         | -1                          | 727                           | -1                            | -56                    |
| Acquisition of tangible fixed assets               | -167                        | -202                        | -295                          | -331                          | -804                   |
| Acquisition securities, net                        | -105                        | -73                         | -18                           | -189                          | -251                   |
| Other changes from investing activities            | -4                          | 14                          | 10                            | 27                            | 55                     |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>         | <b>451</b>                  | <b>-262</b>                 | <b>424</b>                    | <b>-494</b>                   | <b>-1 056</b>          |
| <b>CASH FLOW AFTER INVESTMENTS</b>                 | <b>702</b>                  | <b>138</b>                  | <b>889</b>                    | <b>-270</b>                   | <b>-469</b>            |
| <b>Financing activities</b>                        |                             |                             |                               |                               |                        |
| Changes in loans from credit institutions          | -157                        | 20                          | -292                          | 171                           | -112                   |
| Share dividend                                     | -79                         | -62                         | -79                           | -62                           | -62                    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>         | <b>-236</b>                 | <b>-42</b>                  | <b>-371</b>                   | <b>109</b>                    | <b>-174</b>            |
| <b>CASH FLOW FOR THE PERIOD</b>                    | <b>466</b>                  | <b>96</b>                   | <b>518</b>                    | <b>-161</b>                   | <b>-643</b>            |
| Cash and bank beginning of period                  | 301                         | 627                         | 253                           | 879                           | 879                    |
| Translation difference in cash and bank            | 2                           | 5                           | -2                            | 10                            | 17                     |
| <b>CASH AND BANK END OF PERIOD</b>                 | <b>769</b>                  | <b>728</b>                  | <b>769</b>                    | <b>728</b>                    | <b>253</b>             |

# DEFINITIONS

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



## CONTACT

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