

# STENA METALL GROUP



## COMMENTS AFTER THE THIRD QUARTER

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- The EBITDA YTD ended at SEK 1,129 million (SEK 1,264 million) and EBT at SEK 380 million (SEK 863 million). The EBT for the previous year includes one off gain amounted to SEK 232 million.
- As a result of all shutdowns in the industry, the Group has been negatively affected by reduced business volumes.
- Stena Metall Group has strengthened the liquidity during the quarter by issuing two bond loans of SEK 800 million each. In addition to this, the Group has also agreed with Handelsbanken and DNB on a revolving green facility of SEK 300 million.



Sorting of electronic components at the department for re-use at the Stena Nordic Recycling Center in Halmstad, Sweden.

## IFRS 16

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

SEK million	Before IFRS 16	Change	Including IFRS 16
<b>INCOME STATEMENT</b>			
Net sales	18,534		18,534
Operating costs	-17,565	160	-17,405
EBITDA	969	160	1,129
Depreciations and amortizations	-501	-141	-642
EBIT	468	19	487
Financial net	-88	-19	-107
<b>PROFIT FOR THE PERIOD</b>	<b>380</b>	<b>0</b>	<b>380</b>
<b>BALANCE SHEET</b>			
Tangible fixed assets	4,745	839	5,584
Other assets	10,330		10,330
<b>TOTAL ASSETS</b>	<b>15,075</b>	<b>839</b>	<b>15,914</b>
Shareholders' equity	6,771		6,771
Interest-bearing long-term liabilities	3,537	644	4,181
Interest-bearing short-term liabilities	1,048	195	1,243
Provisions and other liabilities	3,719		3,719
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>15,075</b>	<b>839</b>	<b>15,914</b>
<b>NET DEBT</b>	<b>60</b>	<b>-839</b>	<b>-779</b>

KEY RATIOS	Third quarter 2019/2020	Third quarter 2018/2019	First nine months 2019/2020	First nine months 2018/2019	Full year 2018/2019
Net sales	5,340	7,021	18,534	21,066	27,391
EBITDA	306	514	1,129	1,264	1,607
EBITDA margin	5.7%	7.3%	6.1%	6.0%	5.9%
Operating profit	92	349	487	754	920
Equity/assets ratio	42.6%	43.5%	42.6%	43.5%	44.3%
Net debt	582	582	779	582	675
Cash flow after investments	413	978	508	1,867	1,578
Average number of employees			3,547	3,488	3,497

The key ratios are defined on page 9.

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

# CHIEF EXECUTIVE OFFICER'S COMMENT

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We have now lived with the effects of Corona pandemic for almost four months and what has been very strange and challenging for all of us is gradually becoming the “new normal”. The outside world remains extremely uncertain and although countries and companies gradually re-open, the restart feels fragile. The general business situation is characterized by great uncertainty and short-term actions.

Stena Metall was relatively quick to take measures such as short-term working, layoffs and various other resource adjustments in all our business units. We have followed (and continue to follow) the guidelines that apply where we operate and so far we have managed to avoid the worst health effects of Covid-19 on our staff. With a focus on the business and what we can influence, we have sought to increase the intensity of our relationships with our customers, business partners and/or prospects throughout this period through all our operations. Activity has been high and although we have of course been negatively affected by reduced business volumes as a result of all the shutdowns, we are still being able to generate a lot of new, creative business in most of our businesses.



Göteborg, July 2020

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Anders Jansson

The Stena Metal Group EBITDA for the third quarter of 19/20 ended at SEK 1,129 million (excluding IFRS 16, SEK 969 million) vs. SEK 1,264 million LY and EBT at SEK 380 million vs. SEK 863 million LY. The EBT result LY includes the sales of Juteskären AB (SEK 265 million) and divesting of Stena Components Molkom (SEK -33 million).

## BUSINESS AREA COMMENTS

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### Recycling

After the third quarter EBITDA ended at SEK 969 million (SEK 1,052 million last year).

We had an overall negative inbound volume effect compared to May 2019.

We have compensated the decreased volumes with stronger gross margins and reduced costs. The reasons for good margins are: advantageous product mix, strong performance in certain waste streams, an overall good performance in our operations and a strong business focus and acumen. We have also had a good performance in our outbound sales where we have been able to sell almost all materials to good or decent prices and terms. This is also reflected in our strong margins.

### Aluminium

The Swedish market has rapidly declined and many of our customers, especially those delivering to the automotive sector, has been closed during April and parts of May due to the Coronavirus.

We have continued with the sales and deliveries to new markets to compensate some of the erased demand in our home market. Productivity is still improving and we are reaching very high output of ton/manhour and a relative good production cost/ton.

The EBITDA after Q2 ended at SEK 3 million (SEK 49 million).

## BUSINESS AREA COMMENTS, CONT.

### Oil

Stena Oil ended the third quarter with an EBITDA of SEK 149 million (SEK 27 million).

We estimate that the Scandinavian bunker market has grown with approx. 20% since the beginning of this year. The main reason is the IMO 2020 new sulphur directive that heavily increases the demand for low sulphur fuels. We have traded with good margins and volumes during the entire fiscal year.

The demand in the market is still good and the current setup in southern Sweden continues to work well.

### Steel

The EBITDA for Steel after the third quarter ended at SEK 20 million (SEK 50 million).

Customers in the automotive and mechanical industry segment have reduced their demand due to the Coronavirus. This has led to major impact on our sales volumes. For our wholesale business there is a recovery in market activities in May vs April and volumes are, at the moment, stable. Work continues with sales and marketing activities.

### Components

We continue to see an improvement in deviations in production. The consequences of the pandemic has affected our business, sales volumes have decreased the last two months and the activity level in our market has also decreased, i.e. customer meetings, number of offers etc.

The Q3 EBITDA ended at SEK -1 million (SEK -1 million).

### Finance

During the first weeks of our third quarter most financial stock markets fell dramatically due to the worries over the Corona situation and the effects of corporate profits etc. After this, more or less a crash, minus 20-25% in three weeks, many important markets rebounded and the third quarter ends with only a minor decline.

EBITDA YTD SEK -30 million (SEK 81 million).

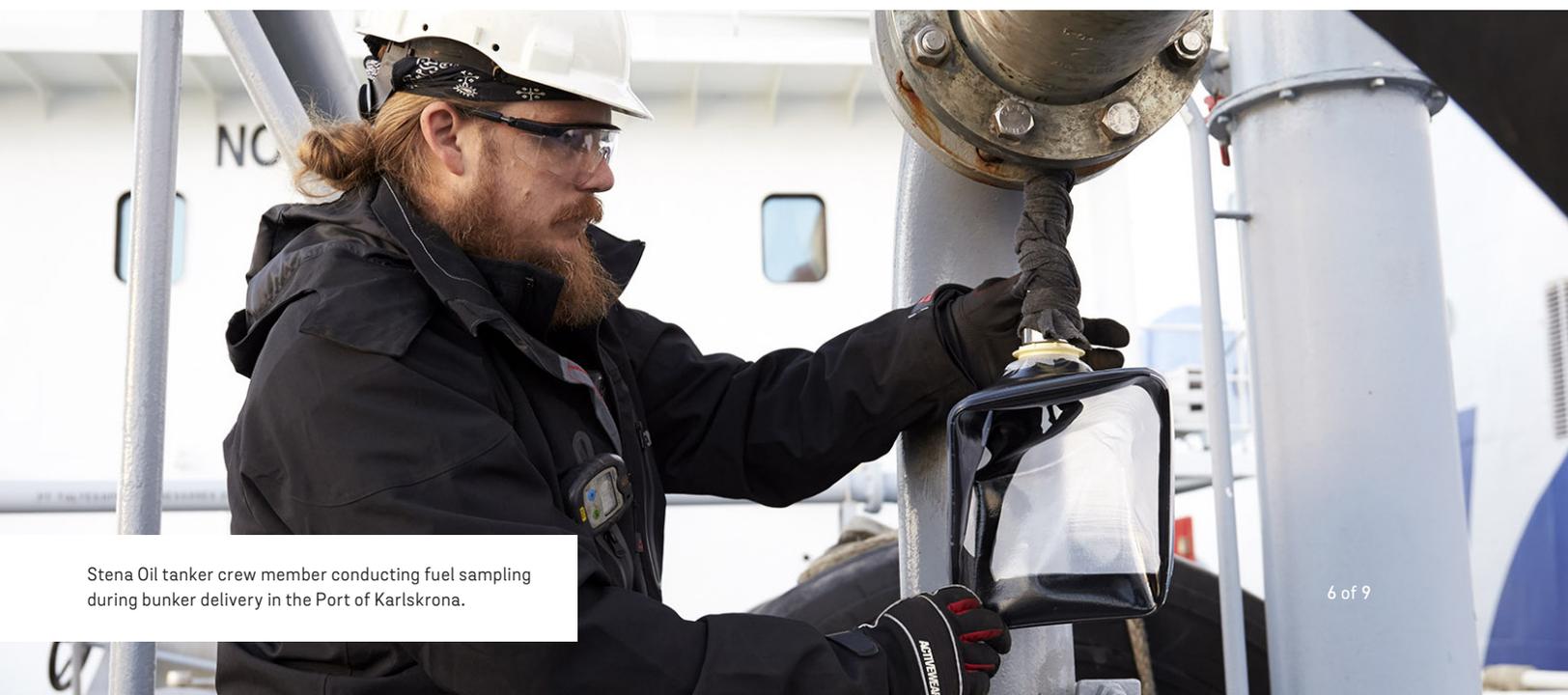
*Note: Figures in parantheses refer to the same period the previous year.*

## EBITDA

SEK million	Third quarter 2019/2020	Third quarter 2018/2019	First nine months 2019/2020	First nine months 2018/2019	Full year 2018/2019
Recycling	344	396	969	1,052	1,321
Aluminium	-3	17	3	49	54
Oil	45	7	149	27	39
Steel	6	18	20	50	51
Components	2	0	-1	-1	-7
Finance	-87	95	-30	81	124
Other	-1	-19	19	6	25
<b>TOTAL</b>	<b>306</b>	<b>514</b>	<b>1,129</b>	<b>1,264</b>	<b>1,607</b>

# INCOME STATEMENT

SEK million	Third quarter 2019/2020	Third quarter 2018/2019	First nine months 2019/2020	First nine months 2018/2019	Full year 2018/2019
Net sales	5,340	7,021	18,534	21,066	27,391
Cost of goods sold	-4,849	-6,491	-17,003	-19,474	-25,348
<b>GROSS PROFIT</b>	<b>491</b>	<b>530</b>	<b>1,531</b>	<b>1,592</b>	<b>2,043</b>
Sales expenses	-107	-102	-307	-316	-435
Administrative expenses	-259	-270	-799	-798	-1,061
Other operating income & expenses	-33	191	62	276	373
<b>OPERATING PROFIT</b>	<b>92</b>	<b>349</b>	<b>487</b>	<b>754</b>	<b>920</b>
Income from investments in associated companies	-	-	-	-	3
Interest net	-37	-41	-117	-118	-148
Other financial income & expenses	0	-3	10	227	229
<b>PROFIT BEFORE TAX</b>	<b>55</b>	<b>305</b>	<b>380</b>	<b>863</b>	<b>1,004</b>
Taxes	-	-	-	-	-161
<b>PROFIT FOR THE PERIOD</b>	<b>55</b>	<b>305</b>	<b>380</b>	<b>863</b>	<b>843</b>
Other comprehensive income	-15	8	-23	9	23
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>40</b>	<b>313</b>	<b>357</b>	<b>872</b>	<b>866</b>
Total comprehensive income for the period is attributable to:					
Parent Company's shareholders	40	313	357	872	866
Non-controlling interests	-	-	-	-	-
Total comprehensive income	40	313	357	872	866



Stena Oil tanker crew member conducting fuel sampling during bunker delivery in the Port of Karlskrona.

# BALANCE SHEET

SEK million	2020-05-31	2019-05-31	2019-08-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	930	963	958
Tangible fixed assets	5,584	4,847	4,960
Financial fixed assets	1,331	1,124	1,114
<b>TOTAL FIXED ASSETS</b>	<b>7,845</b>	<b>6,934</b>	<b>7,032</b>
<b>Current assets</b>			
Inventories	1,335	1,648	1,681
<b>Short-term receivables</b>			
Accounts receivable	2,002	2,527	2,458
Other receivables	1,079	1,297	1,169
<b>TOTAL SHORT-TERM RECEIVABLES</b>	<b>3,081</b>	<b>3,824</b>	<b>3,627</b>
<b>Short-term securities</b>			
Cash and bank	1,159	927	1,028
<b>TOTAL CURRENT ASSETS</b>	<b>8,069</b>	<b>8,094</b>	<b>7,683</b>
<b>TOTAL ASSETS</b>	<b>15,914</b>	<b>15,028</b>	<b>14,715</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>	<b>6,771</b>	<b>6,530</b>	<b>6,524</b>
<b>Long-term liabilities</b>			
Provisions	949	897	959
Interest-bearing long-term liabilities	4,181	3,242	3,142
Other long-term liabilities	2	5	4
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>5,132</b>	<b>4,144</b>	<b>4,105</b>
<b>Current liabilities</b>			
Interest-bearing short-term liabilities	1,243	650	690
Accounts payable	1,189	1,647	1,709
Other liabilities	1,579	2,057	1,687
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,011</b>	<b>4,354</b>	<b>4,086</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>15,914</b>	<b>15,028</b>	<b>14,715</b>

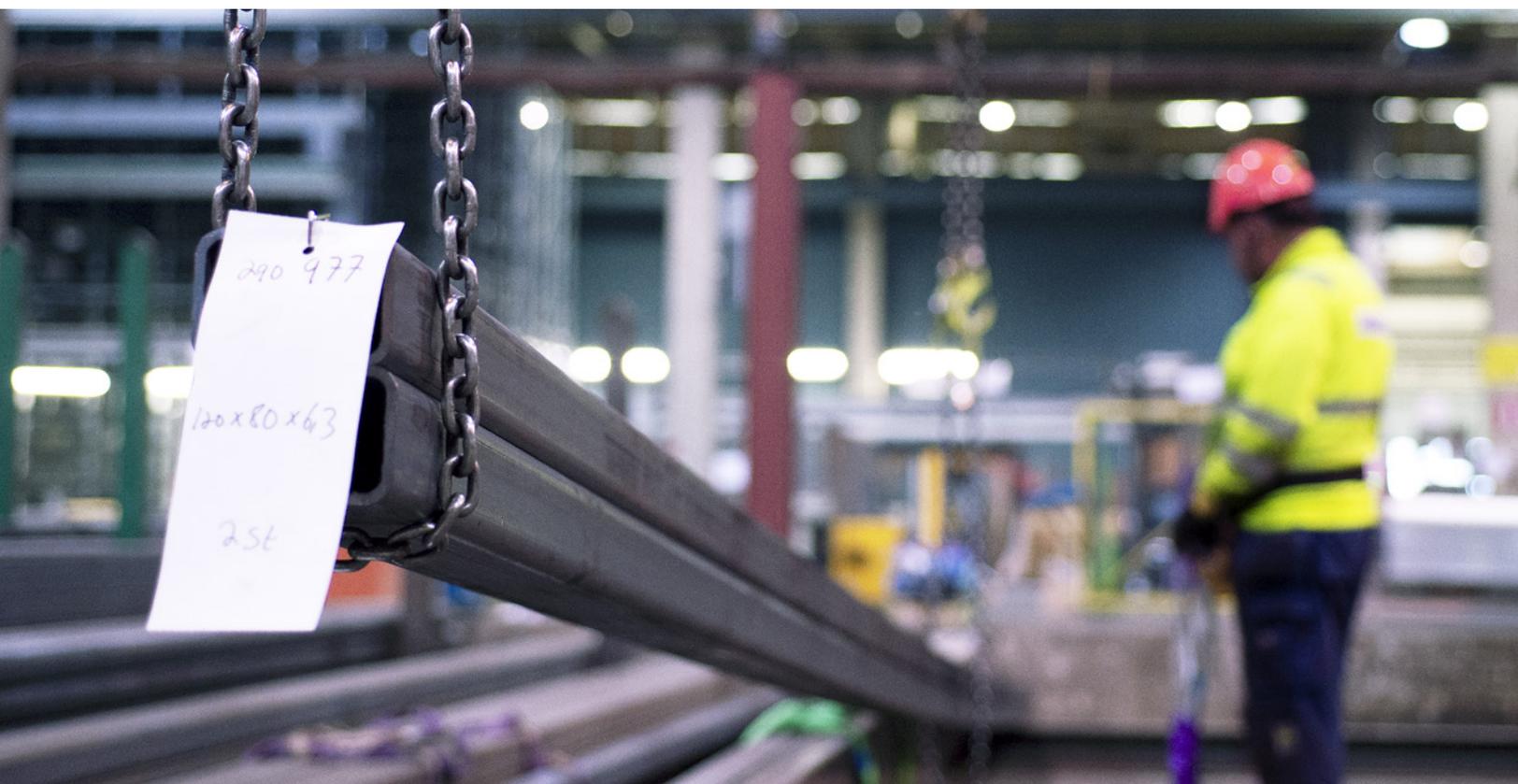
# STATEMENT OF CASH FLOWS

SEK million	Third quarter 2019/2020	Third quarter 2018/2019	First nine months 2019/2020	First nine months 2018/2019	Full year 2018/2019
<b>Operating activities</b>					
Profit before tax	55	305	380	863	1,004
Reversal of amortization/depreciation fixed assets	214	165	642	510	688
Adjustments for other non-cash items	-104	-112	-72	-356	-279
Taxes paid	-21	-7	-47	-25	-30
Changes in working capital	437	554	305	378	208
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>581</b>	<b>905</b>	<b>1,208</b>	<b>1,370</b>	<b>1,591</b>
<b>Investing activities</b>					
Acquisition and sale of subsidiaries	0	0	4	727	727
Acquisition of tangible fixed assets	-139	-175	-337	-470	-771
Acquisition securities, net	-20	192	-346	174	-21
Other changes from investing activities	-9	56	-21	66	52
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-168</b>	<b>73</b>	<b>-700</b>	<b>497</b>	<b>-13</b>
<b>CASH FLOW AFTER INVESTMENTS</b>	<b>413</b>	<b>978</b>	<b>508</b>	<b>1,867</b>	<b>1,578</b>
<b>Financing activities</b>					
Changes in loans from credit institutions	1,262	-54	752	-346	-405
Share dividend	0	0	-110	-79	-79
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>1,262</b>	<b>-54</b>	<b>642</b>	<b>-425</b>	<b>-484</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>1,675</b>	<b>924</b>	<b>1,150</b>	<b>1,442</b>	<b>1,094</b>
Cash and bank beginning of period	821	769	1,347	253	253
Translation difference in cash and bank	-2	2	-3	0	0
<b>CASH AND BANK END OF PERIOD</b>	<b>2,494</b>	<b>1,695</b>	<b>2,494</b>	<b>1,695</b>	<b>1,347</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



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