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PRESENTATION

Per Hillström - *SSAB AB - Head of IR*

So, ladies and gentlemen, welcome to this presentation of SSAB First Quarter 2017. With us here today is our CEO, Martin Lindqvist; and also our CFO, Håkan Folin. And we'll have presentations by both these gentlemen. And after that, open up for questions, both from the floor here in Stockholm and also from the phone lines. But we'll come back with the instructions to the phone lines when it's time.

Okay. So please, Martin, begin your presentation.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Thank you, Per. Thank you. Good morning. Let me start with some highlights from the first quarter. I think, all in all, the quarter was quite okay. If we look at -- the big problems we had was the breakdown we had in Q1 -- or Q4 in Oxelösund. That affected us a lot also in Q1. We lost approximately 70K tonne of rolling in Oxelösund.

I think one of the strengths with this company nowadays is that we have a redundant production system. So we were able to produce more in the mills in the U.S. in QL5 and QL6, but also in the quenching lines in Raahe and in

Borlänge. So we could, to some extent, mitigate that. But nevertheless, we lost 70k tonne rolling, and that is, of course, quite expensive.

I think we saw a strong performance also from SSAB Europe. We had high deliveries, and we were running production in the European system in a very good way. We were also running the production system in Oxelösund, once we were up and running after the breakdown in a very good way. The only production problems or problems we had in Q1 was in Mobile. It was 3 years since we had a major outage in Mobile. And looking

back, maybe we waited a bit too long. But now, we have had the outage end of Q1, beginning of Q2. And the mill in Oxelösund -- in Mobile is up and running, and again now, in good speed. So we have -- right now, we have 2 fresh mills in U.S. in Mobile and in Montpelier.

We also saw a strong growth within Automotive. Automotive premium volumes were up 20% quarter -- year-over-year. We also launched a new product. Hardox 500 Tuf was launched during Q1, a very important product for us. And we also gained more support from the Swedish Energy Agency for our HYBRIT project. And as you know, the HYBRIT project is the project we run together with Vattenfall and LKAB to find out a way to produce steel without any carbon dioxide emissions.

Looking at the market, and these are spot prices. We saw prices in North America or U.S. for plates. Spot prices continued to move up during Q1. We saw improving demand, low inventories. And as said, spot prices increased. There is always a lag when we increase prices. There is, first of all, the lead time in the mill, and then there is a lag before you see the effect in the P&L. But prices continued -- started to move up late Q4 and has continued to move up in Q1.

In Europe, prices were up slightly, spot prices in Q1. We saw a stable demand. We saw inventories in balance, and we saw, at the end of Q1 or beginning of Q2, spot prices on the European market leveling off a bit.

If you look at the result in the P&L, the EBIT was up almost SEK 600 million compared to Q4. And as we said when we met last time, higher prices and higher volumes. We had the maintenance outage in Mobile, and we had also higher costs for raw material.

We had an operating cash flow of SEK 876 million and a decent net cash flow, and -- even though we were building a lot of working capital when we increased sales. And we had, at the end of the quarter, a net gearing of 32%. And I will come back to that in how we are in line with our plan to -- with net debt reduction.

Special Steels. Improving demand in several segments -- in many segments from very low levels. We had an increased -- shipments increased with 8% compared to Q1 previous year. But we see from very low levels, improved demand in quite a few segments.

I think, once again, the flexibility in the production system, as you know or might know, SSAB special steels are not only responsible for selling the products produced in Oxelösund, they also sell everything above -- hot rolled above 700 megapascal produced in other mills as well.

We had higher volumes, lower fixed costs compared to Q4. The breakdown, of course, affected us and higher raw material costs.

Europe, I would say, good demand in most segments, if not all segments. Automotive continued at a high level. And as I've said many times before, our 1,700-megapascal material and 1,500-megapascal material, where we can compete with aluminum and even press hardening, we are taking market shares with those programs. So we saw higher volumes, higher prices, higher raw material costs and quite an improvement compared to Q1 last year, but also a decent improvement compared to Q4 last year.

Americas. I would say continued good demand from the Energy segment. We saw higher prices. We saw the Mobile outage, as we talked about. We also saw higher scrap costs, and these typically hit us a bit earlier than these in the P&L due to the lead times and the lag.

Tibnor. Good level of demand in all main market areas, better margins, higher volumes. I would say an impressive development compared to Q1 last year and also better than Q4 last year.

Ruukki Construction, where we see Q1 seasonally being the slowest quarter of all quarters of the year. We saw sales going up. We saw, especially growth, or we saw the growth in building components and roofing systems, and they are the segments in Ruukki Construction that consume the most of the SSAB steel. And EBIT was up. Still a loss, but better than last year, and that was mainly due to higher volumes, but also some spillover effects of the efficiency program. But we have structurally taken down costs in Ruukki Construction overall with EUR 25 million on a yearly basis.

With that, Håkan.

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

Thank you. Good morning, everyone. I will jump straight into the figures and start looking at sales shipments and EBITDA. And if we start with sales, we can see Q1 was clearly above Q1 last year. It's an increase with 21%, where 11% on that coming from higher prices; 4% from increased deliveries; and the remaining 6% is a bit a mix of product mix, FX and some other things.

And what we see that this is actually the higher sales we have had during this comparison period. If we look at shipments, they were, as said, up 4%. But it was not a great quarter in terms of shipment because you can see we were lower than Q2 last year and basically in line with Q1 and Q2 in '15, but decent quarter in terms of shipments.

From a margin perspective then, well, we had an EBITDA of SEK 1.6 billion, in line with Q2 and Q3 last year, and an EBITDA margin of 10%, which is slightly below those quarters. But then I think it's worth pointing out that we now had the breakdown in Oxelösund. We had the Mobile outage, part of it. So if you adjust for that, I would say, from probability point of view, it was a quite decent quarter.

Finally, then looking at the EBITDA per tonne delivered steel. Also here, lower than Q3 last year, in line with Q2. But if you compare to Q1 last year, we are actually more than double. We were slightly above SEK 400 last year and now we are around SEK 900 per tonne delivered steel.

And if we look then what happened between Q1 and Q1 in terms of profitability development, well, we -- on EBIT level, we were negative Q1 last year or close to SEK 200 million and now then positive SEK 700 million. So, all in all, an improvement of SEK 900 million.

A very large portion is coming from increased price, SEK 1.7 billion. And here it is, it's partly Americas, partly special steels, but it's especially SSAB Europe. And as you remember, we had Q4 '15, the market prices were going down dramatically. So for us, the down point of realized prices were in Q1 '16, and now we are clearly on a much better price level.

Volume also contributed positively, not that much, but around SEK 300 million, and this is Europe and special steels especially. And then we had a negative impact on variable COGS. To a very large portion, this is raw material. Actually, all 3 main of them, iron ore, coking coal and scrap. It's also some impact in variable COGS and also the negative impact in fixed cost from the Oxelösund breakdown from the Mobile outage.

We also have slightly higher fixed costs due to that. In some part of SSAB Europe, we have been going up in shift in the tube mills, for example, and in some of the cut-length plants.

No major change in FX out there, including an absorption. Also, no major change. But again, we are -- that we have capacity utilization roughly overall in the same level as last year means that we are lower in special steel in Americas, given the outage, but we are running SSAB Europe almost all the lines at very high capacity utilization rates.

We start to look sequentially and see what happen from Q4 to Q1. Also, a clear improvement from around SEK 100 million up to SEK 700 million, so SEK 600 million. And also here, prices improving positively, with around SEK 750 million, Europe and also Americas contributing. Special steel actually developing slightly negative or basically 0. The reason for that is, to a very large extent, mix-driven. The most high-end products with the highest price, we produce in Oxelösund, like Armox, Toolox and thick plate. And those grades we have not been able to produce and sell, as we would normally then given the breakdown. And therefore, we haven't seen increased prices in special steel, but we're expecting to do that in the second quarter.

Clear volume improvement coming from special steel and also from SSAB Europe, while America is roughly on the same level. And in variable COGS is, to a very large extent, raw material driven. Slight improvement in fixed cost, basically because we had the large planned maintenance outage in special steels in Q4, which we did not have now in Q1.

And then we actually had quite of big negative impact from FX, mainly due to weaker Swedish kroner than during Q4. And other, to a very large extent, driven by underabsorption or improvement in underabsorption that we're running the mills at the high level.

If we look at cash flow, we had an operating cash flow close to SEK 900 million. We had a net cash flow down here of around SEK 600 million, and this was despite a negative impact of working capital of around SEK 500 million. And we are -- have a lot of focus internally on becoming more efficient in working capital. But during the quarter, we had a 9% increase in sales versus Q4 last year, and then we will see slightly negative development to working capital. The most important thing for us is that we continue to see a positive trend when in terms -- when we compare working capital over sales and that we have seen in the quarter.

If we then go into the balance sheet, we saw in the quarter net debt and also net gearing decrease. This is the same heading as we've had for few quarters because we have a seen a steady development on net debt and gearing during the last year. We have a gearing ratio now with 32%, down 2 percentage points since end of '16 and very much in line with our financial target of 30%.

We also saw net debt decrease somewhat, SEK 900 million. So we're down now at net debt of around SEK 17 billion. And reducing net debt is, as we have talked about before, one of our key priorities for this year. When we announced the refinancing package exactly 1 year ago, there were 3 components. There was a rights issue. There was an agreement with our lenders on prolonged maturities and also new, big RCF. And then we said that, as a company, we will add another SEK 5 billion in debt reduction. So total SEK 10 billion.

We got SEK 4.9 billion from the rights issue net. We have since then released SEK 2.8 billion in net cash flow, so that takes us to SEK 7.7 billion, and it means we have additional SEK 2.3 billion of net cash flow that we need to release in order to get to the SEK 10 billion target. And as said, this is a very strong focus area internally, and we are confident we will deliver on this SEK 10 billion.

Going back more to the balance sheet, looking at the maturity profile, it's fairly balance, I would say, over the coming years. We have SEK 6 billion in maturities, the remaining of '17 and '18, a lot of that being in '17. What we did during the quarter, but effective date was not until 5th of April, if I remember correctly, so Q2, is that we released a new bond, Swedish -- in Swedish krona, bond of SEK 1 billion with a 5-year maturity. So that will add here in 2022. At the same time, we bought back 1.2 billion bonds outstanding in '17 and '19. So when you see this one next time, we will, for sure, have lowered this one, lowered this one and increased this one. So it will be a bit more balanced than what it is today.

What we also have maturing in '17 is commercial paper, around SEK 800 million. We have, in total, SEK 1 billion around in commercial paper. We used to be above SEK 3 billion actually. So we expect that we will renew these ones that we have that are maturing. And if needed then, the commercial paper market is a source for us for further financing.

Finally, then on the balance sheet. Our duration, it went down slightly to 4.9 years from 5.1 years at the end of the year. But as said, with the new bond and the buyback that we did, that will increase during the second quarter. The same thing will actually happen on the fixed interest term, which is now at 0.7 years, but we did swap the whole bond into a fixed rate. So we will also see an increase there, and that's something we're working on now given that it seems like, if interests are moving anywhere, they seem to be moving upwards.

The overall interest rate was slightly above 3%. So no change basically compared to end of last year.

If we move then into raw material here, there's definitely more changes. We have seen in the P&L in Q1 and we will see also in the next quarter increased raw material prices for iron ore and coking coal, especially. This is a new type of graph that we are using from this quarter on. It's our own purchase prices, but it's indexed. So it started from SEK 100 then at the end of '14 -- '15, sorry.

And in this quarter, our coking coal prices -- the purchases prices were up 2%, that's obviously very undramatic. But if we would have added what they were up 1 year ago, they were up 162%. So coking coal have moved enormously. And as most of you probably have followed, we saw a spike in Q4 when it was about SEK 300, then it went down almost down to SEK 150. And then in the last few weeks, there has been this cyclone in Australia, causing railways to breakdown, et cetera, so now it's up around SEK 300 again. At least we don't see any underlying demand that would trigger this, but it's really much about the supply. So we would expect that this peak would come down again during this quarter.

For our pellet prices, prices were 15% higher, our purchase prices, in Q1 than Q4. If we would compare 1 year ago, it's obviously not as dramatic as for coking coal, but they're still up 57% compared 1 year ago. So very strong increase on the raw material side.

We did, during the quarter, sign a new contract with LKAB. It's a 1-year contract, so from 1st of April to end of March 2018. And it's now based on monthly pricing. It used to be quarterly, now it is monthly. And when we move into this contract now, what we have also seen is pellet prices. The premium for pellet have moved up lately, so we will, in Q2, have a higher cost for the pellet premium as well.

Finally then from my side, on the raw materials side on scrap, scrap was quite volatile in Q1. It started upwards, then down and upwards again. And now for April, we have seen it moved down. But if we look what happened, the endpoint basically over the quarters, scrap was up 6 point -- 6%, sorry, versus the end of the year, and it was up 20% versus 1 year ago.

Okay. Outlook.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Thank you, Håkan. So looking into the second quarter then. We expect, in North America, demand for heavy plate to be good, both in steel service centers and end customers. In Europe, we expect the bond to continue to be good. No major changes in inventory levels in Europe. We also expect to see a positive development for the demand of high-strength steel in Q2. And overall, we expect somewhat higher shippings in Q2 compared to Q1. We also expect prices, realized prices, to be higher than in Q1, especially in Americas. However then, mitigated to some extent -- were mitigated by increased raw material costs, and that mainly being in special steel and Europe. And the work started on the maintenance outage in Mobile is finalized in April, and the mill is up and running according to plan.

So my last picture will be something completely different. It will be the 4 finalists in Swedish steel price that we will have in May, and these are 4 good examples of applications where you can have a lot of benefits by using advanced high-strength steels or Q&T. And these are also very good examples of what we work with in our daily life, working together with customers, helping them to reduce weight, increase life length, increase safety, reduce fuel consumption and emissions. So as a last picture before we open up for questions, we would like to share this with you. And you can read more about the 4 finalists on our web page.

So with that, Per, I guess.

Per Hillström - *SSAB AB - Head of IR*

Yes, let's open up for questions now. We can start here on the floor in Stockholm. And if you have more than one question, just please take them one at a time to give the gentleman a chance to answer each. So we will make the process much smoother. So thank you. We start with Olof there, I think.

QUESTIONS AND ANSWERS

Olof Grenmark

Olof Grenmark, ABG. Congratulations on the strong result. First of all, in terms of the Oxelösund's stoppage, your production fell 36% in the quarter year-on-year in special steels, but shipments were up 8%. Did we see any effect from the stoppage in terms of shipments?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

We were running other mills, and we were running QL5 and QL6 full. Of course, if we would have been running Oxelösund, we would have been delivering more, yes. I mean we lost 70k tonne rolling.

Olof Grenmark

Okay. And just to talk figures, you were quoted on an interview prior to this conference, saying that the whole stoppage cost SEK 200 million, and you said SEK 100 million in the fourth quarter. Was it then SEK 100 million EBIT effect -- negative effect, in the first quarter? Or can you straighten that out?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

No. The effect in the first quarter was, if you take underabsorption and costs, costs were approximately SEK 200 million in the second quarter -- in the first quarter.

Olof Grenmark

So in total, SEK 300 million then from the stoppage as an EBIT effect?

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

Yes, but then you -- we would have -- it's very hard to say. If we would not have -- now we're compensated using other mills, if we would not have had the stoppage, how much more would we have been able to delivery. So this SEK 200 million in Q1 is referring to underabsorption cost and extra transport cost because what we have done, for example, we have produced in Mobile in the U.S. and shipped that to Europe, which we normally, obviously, would not have done and then we get extra transport cost. And then on top of that, if we would have been able to produce, we could have sold some more, how much that is and at what margin, that's hard to quantify, so we haven't said that. So -- but underabsorption cost around SEK 200 million.

Olof Grenmark

In the first quarter, and SEK 100 million in the fourth quarter?

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

Yes.

Johannes Grunselius - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

It's Johannes Grunselius, Handelsbanken. I have 2 questions. My first question is on your comment here that you will have the benefit of higher prices quarter-over-quarter here in the second quarter, but also it will be mitigated by higher input costs. Could you, to some extent, give some color on the sort of net effect of this? Where do you see the biggest delta of those 2 components?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

I would say we will see prices up in U.S. in North America, and we will see the majority of the raw material costs going up in special steel and in Europe. So in the Nordic business, so to say. And the delta, the total delta, we say mitigated then it's plus/minus something. But what we are trying to say is that you shouldn't expect any major margin increases overall. So basically the message is that we should expect sort of a neutral effect on the steel margins or the conversion prices overall or...

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

You will see -- we expect to see higher margin in the U.S., given that all the price increases that we have made, we are not seeing yet in the P&L, and those should come in Q2. While we don't expect now, for now, that scrap would go up in the same magnitude. So that means America has in increased margin, and then we still don't know obviously. But in Europe and special steel, it will be harder for us to offset the raw material cost, and there it might even be a somewhat of a squeeze.

Johannes Grunselius - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

Then my second question is on your comment that shipments will be somewhat higher quarter-over-quarter. I mean going back to what you said here 3 months ago when you reported the fourth quarter, it was also an announcement or guidance of somewhat better shipments quarter-over-quarter.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

I think we saw, yes.

Johannes Grunselius - *Handelsbanken Capital Markets AB, Research Division - Research Analyst*

Yes, but they were up like 6%, 7%. So I was wondering, was there something positive, I mean, in the end of Q1? Or basically what's your definition of somewhat better?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

It's a very broad definition. No, but as I said, we have a fairly decent visibility for the coming quarter due to the order book or the backlog we have, and what was maybe on the margin strong in Q1 was the production levels. We were running production in a very good way in Europe all through the quarter. And after the problems in Oxelösund, when production came back, we were running it also at very good levels. So when you have decent demand and run production in the steel type of industry in a good way, then it's very positive. So -- I mean, you always -- I have been in the industry for -- in the company for more than 18 years, and you always kind of underestimate the effects of stability and production in the process industry and especially steel industry. So that was -- apart from that, I wouldn't say that there were any major, what you call it, disappointments or positive things in Q1.

Ola Södermark - *Swedbank Large Corporates & Institutions, Research Division - Analyst*

Ola Södermark, Swedbank. You're saying that you see several end segments in special steel improving. Is it Mining and Energy just down south? Or which -- anything that's what...

Martin Lindqvist - *SSAB AB - CEO, President and Director*

As we said, several segments. But in -- if you take mining as an example from -- I've said it before, we used to say they were stable on nonexisting levels, and we see them improving from, more or less, nonexisting levels.

Ola Södermark - *Swedbank Large Corporates & Institutions, Research Division - Analyst*

Has it gradually improved during the quarter and a few months we have seen in Q2?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

But -- I think we see that, and I think the growth in special steel last year was a point of proof for that and also the growth in Q1. So we see improving demand, but from very low levels. That's what we see.

Ola Södermark - *Swedbank Large Corporates & Institutions, Research Division - Analyst*

And in special steel, the price mix should improve in the second quarter over the first quarter given that the Oxelösund's back on track?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Yes. As what Håkan said in the beginning, we -- in Oxelösund, we produced the most advanced products, thick pate, the most advanced Hardox grades, Toolox, Armox and those kind of products, where we typically have a higher price. So everything else equal, yes. When Oxelösund is running, we have a better mix than when it's not running.

Hjalmar Ahlberg - *Kepler Cheuvreux, Research Division - Equity Research Analyst*

Hjalmar Ahlberg Kepler, Cheuvreux. Just a question on how the P&L was impacted by -- I mean, you improved the pricing in special steels in Europe instead of (inaudible). Was there some positive impact in Europe from that? Or was it all in, in special steel?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

You can say we saw a positive -- we -- special steel is responsible for all hot-rolled steels above 700 megapascal. So they sell that. And I mean, when we produce full in Mobile in QL5 and QL6, you will see the profit effect of that in special steel. So you could say, in that way, we are transferring a bit of profit from the mills into the operative organization -- or in line with the operative organization. So of course, I mean, special steel could produce then instead in QL5, QL6, QL7, and in raw oil. So everything else equal, you saw then a slight negative effect or you saw the same negative effect in those in Americas and Europe that you saw a positive effect in special steel.

Per Hillström - *SSAB AB - Head of IR*

Okay, should we then open up for questions from the phone line. And please state your name and company before you ask your question. And I will ask the operator, please, to give the instructions.

Operator

(Operator Instructions) We have a question registered from the line of Ioannis Masvoulas from RBC.

Ioannis Masvoulas - *RBC Capital Markets, LLC, Research Division - Associate*

I have 3 questions, actually. First, on SSAB Europe, EBITDA per tonne was up 45% quarter-over-quarter and clearly saw the benefit of high capacity utilization. Is there any other reason that costs were so low in Q1 despite the higher raw material prices? And has there been any change in product mix apart from the higher auto volumes you mentioned? And I'll stop there for the first question.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Yes, we have a seen a mix change. Automotive was growing with 20% compared to Q1 last year, and that is, of course, beneficial. But then it was -- the production outcome was very good. We were running production at good levels, good yield levels. We have a program in SSAB that we call SSAB ONE. It's about continuous improvements to do things slightly better today than we did yesterday, and slightly better next week than we did last week. And by that, gradually improve our way of working, and we saw some positive effects of that in Q1. So I mean, well-managed and stable production, and that is very helpful when it comes to costs and also when it comes to the profitability.

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

And if you will compare -- I'm not sure if I heard you correctly, if you're comparing year-over-year or quarter-over-quarter, but in Q4, there was also maintenance outage in SSAB Europe, which they did not have now in Q1.

Ioannis Masvoulas - *RBC Capital Markets, LLC, Research Division - Associate*

And just the second question on the Q2 guidance, if we look at the -- historically, the Q2 European shipments are usually up quarter-over-quarter, should we expect the seasonality to repeat in 2017?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

No. What we say is that we expect somewhat higher volumes overall in Q2, and that is our guidance. And I think we have, to a large extent, the visibility in that in the order book to be quite firm when we say that.

Ioannis Masvoulas - *RBC Capital Markets, LLC, Research Division - Associate*

Okay. And the last question going back to the Automotive volumes, can you remind us your exposure in terms of volume? And how should we think about all the volume growth going forward? And I think you're celebrating the U.S. as well. Did you see any risks there given the increased protectionism there that seems to be taking place there?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Well, Automotive is still a small part of SSAB and also a small part to steel of SSAB Europe. We see a strong growth in Automotive, mainly because of a number of new products 1,700 and 1,500 megapascal martensitic material that is typically very good or developed for coal forming. So we can compete with aluminum with the same weight, much better energy absorption at a completely different price. And we can also compete with press hardening, the same weight, the same energy absorption, but a more effective price, so to say. So that's why we are growing Automotive. What will be the case in U.S. after the announcement yesterday? I think it's too early to tell. I don't really know, but -- for the Automotive volumes. But overall, I would say everything. We are the biggest plate producer in North America and one of the big steel companies in North America. So everything else equal, what is good for the U.S. steel industry is obviously good for SSAB as well, overall.

Ioannis Masvoulas - *RBC Capital Markets, LLC, Research Division - Associate*

And just a follow-up, so could you possibly give some indication on the total volume that you sell from Europe into the U.S.?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

I don't remember exactly what it was this quarter.

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

No.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Just to clarify, the majority of the volumes we sell in U.S., we produce in the U.S. with the exception of Automotive, but the majority of all the other volumes are produced locally.

Operator

Our next question comes from the line of Seth Rosenfeld from Jefferies.

Seth Rosenfeld - *Jefferies LLC, Research Division - Equity Analyst*

It's Seth Rosenfeld at Jefferies. I have a couple of questions, starting out on your Americas business. I just like to understand a bit better what drove the disappointing level of profitability in Q1. We heard last night from one of your peers, Nucor, they talked about improved metal spreads in North American plate in the course of Q1, further improvement expected into Q2. In your case, was the disappointment purely just due to the materials flow as you were offsetting special steel weakness? Or was there something else there with regards to your scrap purchasing, for example? And then can you just give us a bit more color on what scale of metal spread catch-up we could expect into Q2, assuming the special steel situation is now resolved?

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

I'll start with the first one. On the Americas, I would say we agree with the statement from Nucor that we saw better spread in Q1 than we saw in Q4, and we are expecting, as we said before, to see a better spread also going into Q2. Then one should remember, better for plate, which is only a very small part for Nucor, is coming from an extremely low level in Q4, basically nonexisting orders in Q4. So then we saw a slight improvement in margins in Americas, but then we also had the maintenance outage that offset that. And as Martin pointed out in the beginning, we had some smaller production disruptions in Mobile ahead of the outage as well. But, all in all, yes, we would agree that slightly brighter spreads in Q1, and we expect slightly better spreads in Q2 as well.

Seth Rosenfeld - *Jefferies LLC, Research Division - Equity Analyst*

Okay. And then 1-second question on your outlook for raw materials cost. Just on Slide 22, this is labeled as being the purchase price increases. Does that reflect the realized price on your P&L? Or the purchase price, and then there will be some lag through inventory before that actually hits your P&L? And on top of that, if you can give us a bit more color, I know you've talked in the past about, because of seasonality, you essentially pre-buy coking coal in Q3, ahead of the closing of waterways over the winter. To what extent was that the case this year? And would we see something of a snapback in coal cost going into Q2?

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

What you see on that slide is our purchase prices, although index as we said, but its our purchase price. And then yes, there is a lag until you see it in the P&L. We simplify and say that iron ore is likely less than a quarter. And for coking coal, it's slightly more than a quarter. But then you're obviously right that we have this for the Northern mills, not for Oxelösund. But for Raahe and for Luleå, we have that we buy more in Q2 and Q3 to build up the stock ahead of the winter, and then we don't buy so much in Q4 and Q1. I wouldn't call it a snap maybe, but yes, we will see increased coking coal cost going forward as well, yes.

Operator

Our next question comes from the line of Bastian Synagowitz from Deutsche Bank.

Bastian Synagowitz - *Deutsche Bank AG, Research Division - Research Analyst*

It's Bastian from Deutsche. I've got 3 questions left, please. Firstly, if we look at the revenue per tonne in special steel, it has gone up significantly, even though prices used to be a bit more stable here. So I was just wondering whether there was a big shift in product mix or what else has been driving this. That would be my first question, please.

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

What happened for special steels during Q1, since they were running the metallurgy at full speed, but, as we talked about, not running the rolling, there was a surplus of slabs produced in Oxelösund, which has been shipped to Borlänge, and that's actually one reason. And we write that in percentage, how much that was as well during the quarter. But that's the reason why you get the revenue per tonne a bit wrong. If you do it that way, you need to deduct those other sales. Obviously, on group level, we deduct it, but it shows up in special steel.

Bastian Synagowitz - *Deutsche Bank AG, Research Division - Research Analyst*

Okay, okay, got it. Then secondly, I'm trying -- I'm just trying to reconcile that your margin trend in the U.S. and also in the Europe. So starting with Europe, where your margins have won by a [net] of $40 versus Q4. As Johannes pointed out already, could you please help us to quantify how much financial tailwind roughly there was from still having this low-cost coal inventory, which you bought in late Q3 and early Q4, please? And this is the main reason why you feel that the second quarter margins could be squeezed because coal is really catching a little bit up with market trends.

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

I would say for second quarter, it's not only coal, it's also iron ore, where both underlying iron ore fine price have gone up. But I said also, we will have a higher pellets premium in the second quarter than we had in Q1. So it's both those factors. Then, overall, the development for SSAB Europe's result, it's quite many aspects there. It is the increased prices, of course, that we looked at. It's also clearly increased shipment, and we don't have the -- we do not have the outages in the European division in Q1 that we had in Q4. So it's coming from a bit of everything, but definitely also from better margins, yes.

Bastian Synagowitz - *Deutsche Bank AG, Research Division - Research Analyst*

Could you just help us to quantify roughly how much of the very strong margin expenditure has been driven by coal? I mean, is this like $5 to $10 roughly, because surely there must have been a benefit if everyone else is buying it to $85? And obviously, you have probably bought much earlier around $200 or so.

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

Yes, yes, there is -- I mean, this year, it can go up and it can go down. And this year, you can say we were lucky. It's not a strategy, but it's just pure luck because we've always done it this way. But to be honest, I wouldn't know if I would compare it to the other ones because yes, there was a peak at 280, but I don't think that there were so many that actually bought at those price levels. So I would say in this quarter, we had a relative advantage compared to some competitors, but I wouldn't be able to quantify that because I don't know what they have been buying it, what type of level.

Bastian Synagowitz - *Deutsche Bank AG, Research Division - Research Analyst*

Okay, okay. And then just lastly, getting back on your U.S. margins, which were up just $10 if we're X-ing out the SEK 160 million maintenance impact. Why was this? Because even if we net out scraps, the margin expansion should have been much more significant and typically, the U.S. product cycle is much shorter and quicker compared to the European business. So we've been seeing a big margin step-up in Europe, which has usually a longer leg. And in the U.S., where the cycle tends to be quicker, we haven't been seeing this. We could see it in some of your peers already, but I still don't get really why we didn't see it in your Q1 numbers at this point?

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

I think it's a bit also what I tried to explain before. It's partly because we haven't been running production all that well in the U.S. You had outage costs, yes. On top of that, which we don't quantify, is how much we lose on the margin of the products we're not able to produce and not sell. So you have those factors you need to address as well. And then not a big factor, but as Martin pointed out, we have been running more products in Americas for special steel, and those sales is down by special steel and the result is also shown in special steel. So there are a number of factors combining for that. But I said before, we expect better spread in Americas during the second quarter.

Bastian Synagowitz - *Deutsche Bank AG, Research Division - Research Analyst*

Okay, maybe just one last quick follow-up. You said you're going to hit the SEK 10 billion net debt reduction target. I guess you should definitely be on the road to that. I just wanted to confirm, you plan to do this without M&A still at this point? So this is just pure organic net debt reduction getting to the SEK 10 billion?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

What we have said is that we will, regardless of what extra measures we take, we will meet the SEK 10 billion target, and I think we are on a very good way to reach that. So we are, regardless if we sell anything or not, we will meet the target.

Operator

Our next question comes from the line of Alessandro Abate from Berenberg.

Alessandro Abate - *Berenberg, Research Division - Head of Metals and Mining*

Congratulations on the impressive set of results. I just have 2 questions left. The first one, Martin, if you can be a little bit more specific. I didn't capture yet perfectly what the upside of your sales to Automotive industry was in Q1 versus Q4 and Q1 last year? And the second one, if you can give us a little bit more details related to the demand for Line 5 and mining business in the U.S., considering the Europeans were coming quite strongly on the recovery for the Mining segment.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Sorry, Alessandro, I didn't quite catch the first question. If you could repeat that again, please.

Alessandro Abate - *Berenberg, Research Division - Head of Metals and Mining*

Yes. So I did not capture perfectly what the upside of your sales to the Automotive business was into Q1 compared to Q1 last year and Q4 last year as well in terms of percentage out of your total (inaudible). And what kind of program and expectation you might be having until year-end? And the second question is related to...

Martin Lindqvist - *SSAB AB - CEO, President and Director*

We take them once at a time because of my poor memory, but sorry for that. But the growth for Automotive was 20% and the total volumes for Automotive in Q1, I can't really remember, but it's not -- it's -- in total, it's a bit more than for Europe, a bit more than 10% or something. So it's not huge in the big scheme of things, but it is an important area for us to grow and one of the strategic key growth areas we have. So not -- on group level, enormous volumes, but profitwise and very important volumes.

Alessandro Abate - *Berenberg, Research Division - Head of Metals and Mining*

Martin, what is your target until year-end? Basically, the exit run rate of the total plus steel shipment to the Automotive by year-end?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

I think we will discuss that a bit during our Capital Markets Day in June. So I'll wait until that time, we will open up a bit and talk about targets and ambitions going forward.

Alessandro Abate - *Berenberg, Research Division - Head of Metals and Mining*

And the question related to the U.S. market's energy money?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

There seems to be a positive sentiment in the U.S. market when it comes to Energy and Mining. So going forward and -- so it's probably and hopefully moving in the right direction.

Operator

Our next question comes from the line of Carsten Riek from UBS.

Carsten Riek - *UBS Investment Bank, Research Division - Executive Director, Head of European Steel Research, and Equity Analyst, European Steel Research*

Most of my questions have been answered. Just one follow-up on the European performance because I'm still trying to reconcile it, and I struggle because if you say 15% higher iron ore, 2% higher coking coal cost across the board, so I would guess it happens to Europe as well. But the cost per tonne decreased by 5%. That means you must have had lower cost elsewhere of more than 10%, 15% in order to make it to that result. So I'm just trying -- is that something which we can assume going forward as well to happen at that level? So the COGS per tonne is rather a clear one here? Or were then some one-offs in there, which could explain the big move even if I deduct the SEK 100 million of outage costs you had during the fourth quarter? So -- because I'm still struggling with this number.

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

I think you have deducted out the costs, which is good, but also -- it also means when we don't have outages and if you look at it per tonne, we obviously will have a much better fixed cost absorption per tonne when we are running production basically at full level compared to when we are not running production at full level. So I would say there was no -- there was not anything very strange in Q1. But on top of -- as Martin said before, we were running production at the very high and stable level. And then typically, we don't need as much maintenance costs, we get better Energy usage, better yield levels, et cetera. So running production the way SSAB Europe did now in Q1, that basically gives much better cost per tonne.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

And that caused the whole idea behind the combination with Ruukki to specialize lines, get up sequence length, get better yield levels and so on. And I mean, as you know, in this industry, when you are covered to fix cost, you have better margins on the marginal tonnes, so to say.

Carsten Riek - *UBS Investment Bank, Research Division - Executive Director, Head of European Steel Research, and Equity Analyst, European Steel Research*

Could you remind me about -- you could put a percentage number or an absolute number -- about the fixed cost you have in the European business?

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

I don't have that from the top of my head, we will have to check that.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

But you also need to remember the majority of the synergies amounting to a bit more than SEK 2 billion, and also a lot of the other cost and efficiency measures due to the combination is seen in Europe. So the cost level, the structural cost level in Europe is clearly lower than it was before the combination.

Carsten Riek - *UBS Investment Bank, Research Division - Executive Director, Head of European Steel Research, and Equity Analyst, European Steel Research*

Okay, okay. If you could get back to me on the fixed cost, that would be very helpful, because it makes my life easier to, going forward, get that right.

Operator

Our next question comes from the line of Christian Kopfer from Nordea Markets.

Christian Kopfer - *Nordea Markets, Research Division - Senior Analyst of Materials*

Just -- almost all questions have been answered for me as well. But just one follow-up on deliveries or shipments here in Q1, it was a very positive surprise. Just to understand that a little bit more, if I look at the calendar days in Q1, it was lower than in Q4, but number of working days were, if I remember correctly, 5%, 6% higher in Q4. Was that a good driver for the higher shipments in Q1, 7% higher shipments?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

That is part of it, of course, because when we have more shipping days, we can ship more. But it was underlying demand, but especially in Tibnor, we are very dependent on number of shipping days, but also in Europe. So that is, of course, helpful when we have more shipping days.

Christian Kopfer - *Nordea Markets, Research Division - Senior Analyst of Materials*

Right. And if I look in Q2, where number of shipping days, should I expect that to come down as number of working days come down? Would that also have an impact on shipments when you do them?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Yes.

Carsten Riek - *UBS Investment Bank, Research Division - Executive Director, Head of European Steel Research, and Equity Analyst, European Steel Research*

Right, right, right. But overall, you still expect total shipments in Q2 to be higher?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Yes, yes.

Operator

(Operator Instructions) Our next question comes from the line of Oskar Lindstrom from Danske Bank.

Oskar Lindstrom - *Danske Bank Markets Equity Research - Research Analyst*

I have 3 questions, I'll take them in sequence. The first one is on the cost of the outages in Q1. So you said Oxelösund, you lost 70,000 tonnes. And just to be clear if that is only Q1 or if you mean that, that was the loss over Q2 -- Q1 and Q4 together? And then you lost SEK 200 million in direct costs in Q1, if I understood you correctly. And what were the similar figures for Mobile, i.e., how much production loss to the production problems that you had prior to the outage and then the outage and the direct costs?

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

In Oxelösund, the 70,000 -- approximately 70,000 tonnes was -- were in Q1. And then those figures you mentioned, roughly SEK 200 million is the underabsorption cost and the extra transportation cost. If we take Mobile, we have said that underabsorption and direct cost for the outage in Q1 was around SEK 160 million, if I remember correctly the figure. On top of that, we haven't quantified -- we said before we had some smaller production disruptions. We haven't quantified exactly what those meant, but it was more that we were not able to run production as we wanted to. Then exactly what that meant, we haven't really -- we haven't quantified that.

Oskar Lindstrom - *Danske Bank Markets Equity Research - Research Analyst*

And volumes lost in Mobile due to the production problems and outage?

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

Yes, due to the outage, I think we were down 10 days in March. So you can say we lost 1/3 of a month in terms of production there.

Oskar Lindstrom - *Danske Bank Markets Equity Research - Research Analyst*

Okay. And what will be the impact from Mobile in Q2?

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

In terms of money, it will be more in money-wise. We said SEK 230 million in underabsorption and direct cost. And in terms of days of production, it's roughly the same between Q1 and Q2.

Oskar Lindstrom - *Danske Bank Markets Equity Research - Research Analyst*

Okay. And -- fine. So my second question is, I mean you mentioned here several times, and I think that's important, the sort of that, that you had -- a large part of the good results in Q1 now was due to very good sort of production and process stability. Could you quantify sort of what the normal sort of swing between a quarter with good production stability is and one where it's below average? How much of an impact would you say that, that could typically have, plus/minus? And how exceptionally good was Q1? Was it like yes, this is the way it should be, and we had lot of problems before. Or was it like, wow, this was a dream quarter, everything is just sunny side up every time.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

No, it wasn't. It was a good quarter. And the difference between a good quarter and a very bad quarter could be very big. It depends what happens. So it's all impossible to quantify. I think we were running production in a good way with -- and -- but one big reason for that is, once again, the specialization of the mills. So when you get up sequent length, you get to down reactions, you get up yields and those -- all those effects are very positive, and we are running a program with continuous improvements to focus on that yield levels. We measure that every week in all sites and all machines. So it was a good quarter. Was it exceptional and will never happen again? Well, I hope not, because I think it was a good quarter, but not exceptional.

Oskar Lindstrom - *Danske Bank Markets Equity Research - Research Analyst*

But you can understand why it was so good, and you feel that that's sort of a result of actions that you have taken rather than just being very lucky?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Well, it's probably some part luck. It's always some part luck. But I think the organization -- I've done nothing, to be honest. So the organization has been -- the line organization has been running the mills in a very professional way.

Oskar Lindstrom - *Danske Bank Markets Equity Research - Research Analyst*

Okay. And then the third question, I mean, you managed to produce a lot of the high-strength steel that you normally produce in Oxelösund out of Europe and Americas as far as I understood. And how did sort of customers accept that? I mean -- because I understand that they normally sort of want the Oxelösund-produced steel. And if they accepted it, I mean, will you produce more sort of high-strength steel from the other 2 divisions in the future as well?

Martin Lindqvist - *SSAB AB - CEO, President and Director*

To be honest, we have produced, yes, more in the lines where we have been investing and where we have qualify the products. But we have also put some customers in problems. We have had delays and we have emptied stocks, and so on so. I mean -- and thick plate and the most advanced Hardox plates, we could not deliver, that we have delays and so on so. So you should -- we have not been able to produce everything. And then they're probably some extent customers that understood the problem we had and realized that we were trying as hard as possible to mitigate that, but maybe, to some extent, went for good-enough material. So it's a combination of a lot of things.

Operator

There are no further questions at this time. Please go ahead, speakers.

Per Hillström - *SSAB AB - Head of IR*

Yes, do we have final questions from the floor here? No? No. Then we conclude this, and thank you for your interest, all the questions.

Martin Lindqvist - *SSAB AB - CEO, President and Director*

Thank you very much.

Per Hillström - *SSAB AB - Head of IR*

And have a nice weekend.

Håkan Folin - *SSAB AB - CFO, Head of Global Business Services and EVP*

Thank you.