



## **INVESTIGATION 234**

# **ALLEGED DUMPING OF QUENCHED AND TEMPERED STEEL PLATE EXPORTED FROM FINLAND, JAPAN AND SWEDEN**

## **VISIT REPORT - EXPORTER**

# **SSAB EMEA AB**

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN  
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT  
THE FINAL POSITION OF ANTI-DUMPING COMMISSION

**May 2014**

# CONTENTS

<b>CONTENTS.....</b>	<b>2</b>
<b>ABBREVIATIONS.....</b>	<b>4</b>
<b>1 BACKGROUND AND PURPOSE.....</b>	<b>6</b>
1.1 BACKGROUND.....	6
1.2 PURPOSE OF VISIT .....	6
1.3 MEETING DETAILS .....	7
1.4 INVESTIGATION PROCESS AND TIMEFRAMES.....	7
1.5 VISIT REPORT .....	8
<b>2 COMPANY INFORMATION.....</b>	<b>9</b>
2.1 GENERAL.....	9
2.2 CORPORATE, ORGANISATIONAL AND OWNERSHIP STRUCTURE .....	9
2.3 RELATED PARTIES .....	10
2.4 ACCOUNTING STRUCTURE AND DETAILS OF ACCOUNTING SYSTEM .....	10
<b>3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS .....</b>	<b>12</b>
3.1 THE GOODS .....	12
3.2 PRODUCT RANGE AND MANUFACTURING FACILITIES .....	13
3.3 LIKE GOODS – PRELIMINARY ASSESSMENT .....	16
<b>4 VERIFICATION OF SALES TO FINANCIAL STATEMENTS .....</b>	<b>17</b>
4.1 BACKGROUND .....	17
4.2 RECONCILIATION TO FINANCIAL ACCOUNTS.....	17
4.3 CONCLUSION .....	20
<b>5 SALES TO AUSTRALIA .....</b>	<b>21</b>
5.1 GENERAL.....	21
<b>5.2 SALES TO AUSTRALIA.....</b>	<b>21</b>
<b>5.3 VERIFICATION OF EXPORT SALES TO SOURCE DOCUMENTS .....</b>	<b>25</b>
<b>5.4 FORWARD ORDERS .....</b>	<b>25</b>
<b>5.5 THE EXPORTER .....</b>	<b>25</b>
<b>5.6 THE IMPORTER .....</b>	<b>26</b>
<b>5.7 ARM’S LENGTH .....</b>	<b>26</b>
<b>5.8 EXPORT PRICE – PRELIMINARY ASSESSMENT .....</b>	<b>27</b>
<b>6 COST TO MAKE &amp; SELL .....</b>	<b>29</b>
6.1 APPROACH TO VERIFICATION .....	29
6.2 UPWARDS RECONCILIATION OF CTM – COMPLETENESS AND RELEVANCE .....	30
6.3 VERIFICATION OF CTM – ACCURACY.....	34
6.4 BORLANGE CTM .....	39
6.5 SELLING, GENERAL AND ADMINISTRATION (SG&A) EXPENSES .....	40
6.6 BORLANGE - SG&A EXPENSES.....	44
6.7 COSTS TO MAKE AND SELL - CONCLUSION.....	44
<b>7 DOMESTIC SALES.....</b>	<b>46</b>
7.1 GENERAL.....	46
7.2 DOMESTIC SALES PROCESS, PRICING, TERMS AND PAYMENT .....	48
7.3 VERIFICATION OF SALES TO SOURCE DOCUMENTS.....	49
7.4 ARMS LENGTH.....	50
7.5 ORDINARY COURSE OF TRADE .....	50
7.6 DOMESTIC SALES – PRELIMINARY ASSESSMENT.....	51
<b>8 THIRD COUNTRY SALES .....</b>	<b>52</b>

## PUBLIC RECORD

<b>9</b>	<b>ADJUSTMENTS .....</b>	<b>53</b>
9.1	GENERAL.....	53
9.2	ADJUSTMENTS TO THE NORMAL VALUE BASED ON DOMESTIC SALES.....	53
9.3	ADJUSTMENTS – CONCLUSION .....	55
<b>10</b>	<b>NORMAL VALUE.....</b>	<b>56</b>
<b>11</b>	<b>EXPORT PRICE .....</b>	<b>57</b>
11.1	DEDUCTIVE EXPORT PRICE S. 269TAB(1)(c) .....	57
11.2	EXPORT PRICE – 269TAB(1)(A) .....	58
<b>12</b>	<b>DUMPING MARGIN – PRELIMINARY ASSESSMENT .....</b>	<b>59</b>
<b>13</b>	<b>GENERAL COMMENTS .....</b>	<b>60</b>
<b>14</b>	<b>APPENDICES AND ATTACHMENTS .....</b>	<b>61</b>

## ABBREVIATIONS

\$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
The applicant	Bisalloy Steels Pty Ltd (referred to as Bisalloy in this report)
Commission	Anti-Dumping Commission
Commissioner	Commissioner of the Anti-Dumping Commission
■■■■[CONFIDENTIAL TEXT – acronym]	■■■■[CONFIDENTIAL TEXT – meaning of acronym]
CTM	Cost to make
CTMS	Cost to make & sell
■■■■[CONFIDENTIAL TEXT – acronym]	■■■■[CONFIDENTIAL TEXT – meaning of acronym]
■■■■[CONFIDENTIAL TEXT – acronym]	■■■■[CONFIDENTIAL TEXT – meaning of acronym]
■■■■[CONFIDENTIAL TEXT – acronym]	■■■■[CONFIDENTIAL TEXT – meaning of acronym]
EBIT	Earnings before interest and tax
EQR	Exporter questionnaire response
■■■■[CONFIDENTIAL TEXT – acronym]	■■■■[CONFIDENTIAL TEXT – meaning of acronym]
■■■■[CONFIDENTIAL TEXT – acronym]	■■■■[CONFIDENTIAL TEXT – meaning of acronym]
FOB	Free On Board
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
MPa	Mega Pascals
OCOT	Ordinary course of trade
PAD	Preliminary Affirmative Determination
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
■■■■[CONFIDENTIAL TEXT – acronym]	■■■■CONFIDENTIAL TEXT – meaning of acronym]
SG&A	Selling, general and administrative
SSAB AB	SSAB group holding company
SSAB Australia	SSAB Swedish Steel Pty Ltd
SSAB Emea AB	SSAB Emea
SSAB Singapore	SSAB Swedish Steel Pte Ltd
SEF	Statement of Essential Facts
■■■■[CONFIDENTIAL TEXT – acronym]	■■■■[CONFIDENTIAL TEXT – meaning of acronym]

**PUBLIC RECORD**

acronym]	
TMCP	Thermo mechanically controlled process
■[CONFIDENTIAL TEXT – acronym]	■[CONFIDENTIAL TEXT – meaning of acronym]

## 1 BACKGROUND AND PURPOSE

### 1.1 Background

On 20 November 2013, Bisalloy Steels Pty Ltd (Bisalloy) lodged an application requesting that the relevant Minister publish a dumping duty notice in respect of Quenched and Tempered steel plate (Q&T steel plate) exported to Australia from Finland, Japan and Sweden.

On 10 December 2013, Bisalloy provided further information and data in support of its application. As a result, the Anti-Dumping Commission (the Commission) restarted the 20 day period for considering the application.

After consideration of the application, an investigation into the alleged dumping of Q&T steel plate was initiated on 8 January 2014, and public notification was published in *The Australian* on that day.

Anti-Dumping Notice (ADN) No. 2014/01 refers to the initiation of the investigation, and is available at [www.adcommission.gov.au](http://www.adcommission.gov.au).

There have been no previous dumping investigations for Q&T steel plate in Australia.

Following the initiation of the investigation, a search of the Australian Customs and Border Protection Service (ACBPS) import database indicated that SSAB Emea AB (SSAB Emea) exported Q&T steel plate from Sweden to Australia during the period 1 January 2013 to 31 December 2013 (the investigation period).

The Commission notified SSAB Emea of the initiation of the investigation and sought its cooperation with the investigation by providing an exporter questionnaire in respect of Q&T steel plate for SSAB Emea to complete. SSAB Emea completed the exporter questionnaire (**Confidential Attachment GEN 1**), and the non-confidential version of the exporter questionnaire response (EQR) is available on the public record.

### 1.2 Purpose of visit

The purpose of the visit was to verify information submitted in the exporter questionnaire response. Information verified during the visit has been used to make preliminary assessments regarding:

- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

### 1.3 Meeting details

Company	SSAB EMEA AB 613 80 Oxelösund, Sweden
Dates of visit	7 – 12 May 2014

The following were present at various stages of the meetings.

SSAB EMEA AB	Martin Lindqvist – President and Chief Executive Officer - SSAB Group Jonas Bergstrand – Executive Vice President – Legal and Strategy Håkan Folin – Executive Vice President - Chief Financial Officer Pernilla Janze – Vice President - Finance & IT Ulla Granlund – Director – Accounting & Finance Mark Hallquisth – Corporate Legal Counsel Ros-Mari Stockman Koch – Controller Sales Robert Hollerbauer – Sales Director - Western Europe Mats Lindh – Manager – External Logistics Christer Offerman – Product Manager Stefan Rytter – Manager Business Controller - Plate, SEFCA
Consultant - Moulis Legal	Daniel Moulis – Principal Alistair Bridges – Lawyer
Anti-Dumping Commission	Joanne Reid – Director – Special Advisor Rebecca Oliver – Senior Investigator – Operations 4

### 1.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (10 March 2014) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

The Commissioner of the Anti-Dumping Commission (the Commissioner) will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.

- The Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) has granted an extension to the Statement of Essential Facts (SEF) for

## **PUBLIC RECORD**

the investigation, under s.269ZHI of the *Customs Act 1901* (the Act). The SEF is now due to be placed on the public record by 28 July 2014, or such later date as the Parliamentary Secretary allows under s.269ZHI of the Act.

The SEF will set out the material findings of fact on which the Commissioner intends to base its recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commissioner will provide its final report and recommendations to the Parliamentary Secretary.

This final report is now due no later than 10 September 2014, unless an extension to the SEF is approved by the Parliamentary Secretary.

### **1.5 Visit report**

The verification team explained to the company that we would prepare a report of the visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

The verification team explained that, in consultation with the company, it would prepare a non-confidential version of the report, and place this on the investigation's public record.



## 2 COMPANY INFORMATION

### 2.1 General

SSAB AB was formed in 1978 through a merger of three Swedish steel mills located in Borlänge, Lulea and Oxelösund, Sweden. The steel mills at Borlänge and Oxelösund have been in operation since 1872 and 1917 respectively. In 1989 SSAB AB was listed on the Stockholm Stock Exchange.

SSAB AB describes itself as a global leader in value-added, high strength steel, offering niche products developed in close co-operation with its customers. At the verification visit SSAB Emea presented an overview of its company's history, vision and the factors it believes set it and its products apart from other steel producers. This presentation is at **Confidential Attachment GEN 2**.

SSAB AB has a portfolio of trademarked steel products, including the Domex®, Hardox®, Docol®, Weldox®, Prelaq®, Armox® and Toolox® ranges. SSAB provided a detailed presentation highlighting the specifications of relevant Q&T steel plate products and their end use applications. This presentation forms **Confidential Attachment GEN 3**.

### 2.2 Corporate, organisational and ownership structure

SSAB AB, the holding company of the SSAB group, advised that it has three business areas: SSAB Emea AB, SSAB Americas Holding AB and SSAB APAC. Alongside this structure SSAB AB has a large number of Swedish and foreign subsidiaries. A detailed legal and operational structure chart was provided as part of the EQR, refer to **Confidential Attachment GEN 4**.

SSAB AB operates steel mills in Sweden, the United States of America and China. Of interest to the Q&T steel plate investigation is SSAB AB's operations in Sweden, which is carried out by SSAB Emea AB (SSAB Emea). SSAB Emea operates three steel mills in Sweden: a strip mill at Borlänge, a slab mill at Lulea and a plate mill at Oxelösund.

SSAB Emea advised that in 2013 its Borlänge quenching facility came online, producing quenched [REDACTED] **[CONFIDENTIAL TEXT – details of SSAB EMEA production ability]**. SSAB Emea explained that otherwise its production of Q&T steel plate takes place at its Oxelösund mill.

Q&T steel plate is produced at Oxelösund via an integrated process, producing Q&T steel plate from iron ore and coal through to the testing of the final product. SSAB Emea stated that its Oxelösund mill employs approximately [REDACTED] **[CONFIDENTIAL TEXT – number]** people and can produce up to [REDACTED] **[CONFIDENTIAL TEXT – number]** tons of plate steel. SSAB Emea advised that up to [REDACTED] **[CONFIDENTIAL TEXT – number]** of its production at Oxelösund is Q&T steel plate. It produces and sells only a small amount of ordinary plate steel as required by the market. SSAB Emea provided a presentation on its production at Oxelösund. This presentation forms **Confidential Attachment GEN 5**.

## **2.3 Related parties**

In respect of its production of Q&T steel plate, the verification team noted a limited relationship between SSAB AB and SSAB Emea's supplier of [REDACTED] **[CONFIDENTIAL TEXT – raw material]**. This relationship is discussed in more detail in section 6.3.1 of this report.

In relation to its domestic sales, SSAB Emea made sales of like goods in the investigation period to [REDACTED] **[CONFIDENTIAL TEXT – customer/s]**, which are both 100% owned by SSAB AB.

[REDACTED] **[CONFIDENTIAL TEXT – customer operations]**. The SSAB Group gained full ownership of these entities three years ago. SSAB Emea advised that these entities also purchase products from unrelated suppliers. The relationship between SSAB Emea and [REDACTED] **[CONFIDENTIAL TEXT – customer/s]** is further discussed in section 7.1.2.

In respect of its sales to Australia, SSAB Emea primarily makes these sales through SSAB Swedish Steel Pte Ltd, Singapore (SSAB Singapore), [REDACTED] **[CONFIDENTIAL TEXT – details of ownership]**. SSAB Singapore on-sells the goods under consideration to SSAB Swedish Steel Pty Ltd, Australia (SSAB Australia), which is [REDACTED] **[CONFIDENTIAL TEXT – details of ownership]**. SSAB Australia sells the goods to unrelated customers in the Australian market. The relationship between these parties and their respective pricing arrangements are discussed at length in section 5 of this report.

It is noted by the verification team that SSAB APAC Holding AB owns [REDACTED] **[CONFIDENTIAL TEXT – company name and operation]**. However, there does not appear to be any sales of Q&T steel plate made to [REDACTED] **[CONFIDENTIAL TEXT – company name]** by SSAB Australia in the investigation period.

## **2.4 Accounting structure and details of accounting system**

SSAB Emea's financial year is the calendar year 1 January to 31 December.

In its EQR and during the verification visit SSAB Emea provided the following accounting information;

- SSAB AB Annual Report – 2013 (audited but not yet signed) (**Confidential Attachment GEN 6**),
- SSAB Emea Income Statement 2013 (**Confidential Attachment GEN 7**),
- SSAB Emea Income Statement – Plate - Oxelösund (**Confidential Attachment GEN 8**),
- SSAB Emea Income Statement – Strip – Borlänge (**Confidential Attachment GEN 9**),

## **PUBLIC RECORD**

- SSAB Emea Operational Income Statement – Plate – Oxelösund (**Confidential Attachment GEN 10**), and
- SSAB Emea Operational Income Statement – Strip – Borlänge (**Confidential Attachment GEN 11**).

SSAB Emea advised that it uses accounting software called [REDACTED]. **[CONFIDENTIAL TEXT– name of accounting system]**. This system is used to compile reports from its account ledger to its financial statements. SSAB Emea stated that its sales and purchasing accounts use a different system which is updated daily.

### 3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

#### 3.1 The goods

##### 3.1.1 Description

The goods the subject of the application (the goods) are:

*Flat rolled products of alloyed steel plate commonly referred to as Quenched and Tempered ("Q&T") steel plate (although some Q&T grades may not be tempered), not in coils, not further worked than hot rolled, of widths from 600mm up to and including 3,200mm, thickness between 4.5-110mm (inclusive), and length up to and including 14 metres, presented in any surface condition including but not limited to mill finished, shot blasted, primed (painted) or un-primed (unpainted), lacquered, also presented in any edge condition including but not limited to mill edge, sheared or profiled cut (i.e. by Oxy, Plasma, Laser, etc.), with or without any other minor processing (e.g. drilling).*

*Goods of stainless steel, silicon-electrical steel and high-speed steel, are excluded from the goods covered.*

In support of the goods description, Bisalloy stated that Q&T steel plate comprises grades with typical mechanical properties as follows:

- *High Hardness/Abrasion resistant Q&T steel plate (more commonly referred to as 'Wear' Grade Q&T steel plate) of Brinell hardness (HBW – 10/3000) range 320-640 or equivalent Rockwell C hardness range 34 – 59 or equivalent Vickers hardness range 230-670;*
- *High Strength Q&T steel plate (commonly referred to as 'Structural/High Tensile' Grade Q&T steel plate) of 0.2% Proof Stress of 475-890 MPa (min); and*
- *High Hardness/Impact resistant Armour Grades (more commonly referred to as 'Armour' Grade Q&T steel plate) of hardness up to 640 Brinell (HBW – 10/3000).*

For further details regarding the goods, refer to ADN 2014/1, available on the public record.

##### 3.1.2 Tariff classification

Goods identified as Q&T steel plate are classified to tariff subheading 7225.40.00 in Schedule 3 to the *Customs Tariff Act 1995*. Tariff subheading 7225.40.00 refers to flat-rolled products of other alloy steel, of a width of 600mm or more – other, not further worked than hot-rolled, not in coils. The relevant statistical codes are:

- statistical code 21 - high alloy: quenched and tempered; and
- statistical code 23 - other: quenched and tempered.

Bisalloy also claimed in its application that some imported Q&T steel plate has been incorrectly classified to tariff subheading 7225.40.00, statistical codes 22 and 24. The Commission will seek further clarification on this matter during the course of the investigation.

For tariff subheading 7225.40.00, the general rate of duty is 5% for goods imported from Finland, Japan and Sweden.

## **3.2 Product range and manufacturing facilities**

### **3.2.1 Product range**

SSAB Emea produces two types of steel; ordinary plate steel (in various forms including mild steel and strip material) and branded value added steel products as follows:

- Domex® - high strength steel;
- Hardox® - wear plate;
- Docol® - high strength steel;
- Weldox® - high strength steel;
- Prelaq® - colourful building;
- Armox® - protection plate; and
- Toolox® - tool and machine steel.

### **3.2.2 Manufacturing facilities**

As discussed in section 2.2, SSAB Emea produces Q&T steel plate at its integrated plate mill at Oxelösund and some quenched steel plate at the strip mill at Borlänge.

### **3.2.3 Production process**

During the verification visit, the verification team conducted an inspection of the production facilities at Oxelösund and observed the production process as follows.

**[CONFIDENTIAL DIAGRAM – production flow-chart with products and by-products identified].**

Figure 1 - Diagram of the production process at Oxelösund as provided in SSAB Emea's EQR

### **3.2.4 Goods exported to Australia**

SSAB Emea manufactured the following grades of Q&T steel plate exported to Australia during the investigation period:

[REDACTED]

**[CONFIDENTIAL TEXT – description of grades of exported products]**

SSAB Emea also exported to Australia Q&T steel plate outside the goods description during the investigation period.

SSAB Emea advised that all Q&T steel plate exported to Australia during the investigation period was produced at its Oxelösund mill.

### **3.2.5 Like goods**

SSAB Emea explained that it doesn't produce Q&T steel plate for specific markets. Its Q&T steel plate production goes into inventory and may be sold domestically or to an overseas market including Australia.

SSAB Emea identified in its revised domestic sales spreadsheet (**Confidential Appendix 1**) its sales of Q&T steel plate in Sweden meeting the description of the goods as follows:

[REDACTED]

**[CONFIDENTIAL TEXT – description of grades of “like goods”]**

SSAB Emea provided as part of its EQR specification datasheets for each of the product types identified above (**Confidential Attachment GEN 1**). The verification team noted that within some grades of Q&T steel plate (e.g.

[REDACTED]

**[CONFIDENTIAL TEXT – details of SSAB EMEA product mix].**

The verification team noted that specification datasheet for [REDACTED] **[CONFIDENTIAL TEXT – grade of “like goods”]** indicated that this grade could be delivered quenched or quenched and tempered. SSAB Emea explained that some Q&T steel plate's grades could be achieved through a quenching process or a quenching and tempering process.

In addition to the type, grade and dimensions of the goods the domestic and export sales spreadsheet identified a product configuration ID number (product ID). SSAB Emea explained that the product ID reflected the recipe of the product including its chemical composition, processes of production and the testing undertaken.

The domestic sales spreadsheet (**Confidential Appendix 1**) showed that there was no sales of [REDACTED] **[CONFIDENTIAL TEXT – grade of “like goods”]** Q&T steel plate in Sweden during the investigation period. SSAB Emea advised that the closest grade to the [REDACTED] **[CONFIDENTIAL**

**TEXT – grades of “like goods”**]. The verification team noted from the data specification sheets supplied (part of SSAB Emea’s EQR) showed that [REDACTED] **[CONFIDENTIAL TEXT – grade of “like goods”]** has a Brinell hardness of between [REDACTED] **[CONFIDENTIAL TEXT – range of Brinell hardness]** and a typical yield strength of [REDACTED] **[CONFIDENTIAL TEXT – number]** Mega Pascals (MPa). The [REDACTED] **[CONFIDENTIAL TEXT – grade of “like goods”]** data specification sheet indicated that [REDACTED] **[CONFIDENTIAL TEXT – grade of “like goods”]** has a yield strength between [REDACTED] **[CONFIDENTIAL TEXT – range of yield strength]** MPa and typical Brinell hardness of between [REDACTED] **[CONFIDENTIAL TEXT – range of Brinell hardness]**. The specification sheets also show a similar chemical composition between the grades. The verification team finds that the [REDACTED] **[CONFIDENTIAL TEXT – grades of “like goods”]** grades have similar mechanical properties and can be considered like goods.

### **3.2.6 SSAB Emea’s claims regarding the distinctions between its Q&T steel plate and that of the Australian industry**

During the verification visit and in submissions made to the Commission, SSAB Emea emphasised its view that its Q&T steel plate products are substantially different to the Q&T steel plate produced by the Australian industry. SSAB Emea stated that its products do not directly compete with the Australian industry and therefore could not cause injury to the Australian industry.

SSAB Emea claims that as a fully integrated producer it is able to control the selection of superior quality raw materials as well as control the steel-making and refining processes, resulting in less impurities and uncleanliness in the steel plate input.

SSAB Emea asserts that it employs unique production methods that require lower alloy content in the Q&T steel plate. The reduced alloy content results in less vulnerability to cracking, increased bendability and weldability of the Q&T steel plate.

SSAB Emea further submits that its finished Q&T steel plate is differentiated by the level of customisation offered by SSAB Emea, its protective primer and its specific flatness and surface tolerances.

SSAB Emea concludes that its Q&T steel plate is fundamentally and substantially different to the Q&T steel plate produced by the Australian industry, as a result of differences in the quality of the raw material inputs, the production processes and the advanced and unique features of SSAB Emea’s finished products.

### **3.2.7 Thermo Mechanically Controlled Process (TMCP) plate**

The visit team asked SSAB Emea whether any of the goods under consideration exported to Australia or like goods were identified as TMCP plate. SSAB Emea stated that this was not the case because TMCP is not a quenched or quenched and tempered product. SSAB Emea explained that TMCP is a process whereby the steel plate is heated to a temperature of 1200 degrees and as it cools to certain temperatures passes through a rolling process.

## **PUBLIC RECORD**

SSAB Emea advised that TMCP plate can be produced to thicknesses between 10mm and 20mm and can be delivered as a flat or coiled product.

[REDACTED]  
[CONFIDENTIAL TEXT – comments regarding end-uses of TMCP plate]. SSAB Emea stated that in its opinion the most substitutable Q&T steel plate product would be [REDACTED]. [CONFIDENTIAL TEXT – grade of “like goods”].

[REDACTED]  
CONFIDENTIAL TEXT – information regarding SSAB EMEA’s capacity to produce “TMCP”].

### **3.3 Like goods – preliminary assessment**

The verification team considers that the Q&T steel plate produced and sold domestically by SSAB Emea has characteristics closely resembling those of the goods exported to Australia and are therefore “like goods” in terms of subsection 269T(1) of the Act.



## 4 VERIFICATION OF SALES TO FINANCIAL STATEMENTS

### 4.1 Background

The methodology used to reconcile the domestic and Australian sales data to SSAB Emea's financial accounts resulted in both segments being reconciled simultaneously; therefore this section will cover both reconciliations.

SSAB Emea uses [REDACTED] [CONFIDENTIAL TEXT– name of accounting system] as its accounting system. It has a separate sales ordering system that transfers data daily to the accounting system. A data warehouse is used to extract data from the accounting system. The majority of the reconciliation process was undertaken by SSAB Emea running reports from the data warehouse and projecting them live so that we could observe the filtering being applied to the various reports.

SSAB Emea manufactures steel products at two sites – Borlange and Oxelösund. SSAB Emea advised that the Q&T steel plate product subject to the investigation was all produced at Oxelösund, although we did identify [REDACTED] [CONFIDENTIAL TEXT– degree] domestic sales of like goods produced at the Borlange plant (refer section 4.2.1 for further discussion).

### 4.2 Reconciliation to financial accounts

The verification team matched the total company turnover of all products from Attachment A.6 (Confidential Attachment GEN 1), by value, to the unaudited financial statements for 2013 (Confidential Attachment GEN 6).

SSAB Emea prepared a summary of production volume at the company level that showed that the total sales volume of [REDACTED] [CONFIDENTIAL TEXT– number] tonnes (which reconciles to Attachment A.6) is made up of [CONFIDENTIAL TEXT– number] produced from Oxelösund and [CONFIDENTIAL TEXT – number] produced from Borlange (Confidential Attachment SALES 1). It provided a monthly production report for 2013 for Oxelösund (Confidential Attachment SALES 2) and the total volume from this report reconciled to the [REDACTED] [CONFIDENTIAL TEXT– number] in Confidential Attachment SALES 1. It provided a similar report for Borlange (Confidential Attachment SALES 3) and the total volume from this report reconciled to the [REDACTED] [CONFIDENTIAL TEXT– number] in Confidential Attachment SALES 1.

To verify the total volume and value of all products SSAB Emea prepared a reconciliation that showed it was made up of:

Sales to Sweden ('000T)

[REDACTED] [CONFIDENTIAL TEXT– details of sales made within Sweden]

Sales to Australia ('000T)

[REDACTED] [CONFIDENTIAL TEXT– details of sales to Australia]

Exports to other countries ('000T)

[REDACTED] [CONFIDENTIAL TEXT– details of exports to third countries]

[REDACTED] [CONFIDENTIAL TEXT– details of total sales]

We proceeded to verify the volumes and values for each of the above categories to data from SSAB Emea's systems.

#### **4.2.1 Verification of Q&T steel plate**

SSAB Emea ran a report from the Oxelösund data warehouse for all sales during 2013. SSAB Emea filtered on this dataset using product codes that represent Q&T steel plate products:

[REDACTED] [CONFIDENTIAL TEXT– product codes]. SSAB Emea was asked to provide a list of all the product codes used at Oxelösund so that we could verify that all the appropriate and only the appropriate product codes were used to filter the data. This is at Confidential Attachment GEN 12. Based on the product descriptions and discussions with SSAB Emea we are satisfied that all relevant Q&T steel plate products were selected in the filter.

The verification team verified on the screen that the volume and value of all Q&T steel plate products matched the volume and value reported in Attachment A.6.

To obtain the volume and value of the GUC, SSAB Emea applied further filters for width, thickness and length. We obtained a copy of the program used to apply the filters (**Confidential Attachment SALES 4**).

SSAB Emea also applied a filter for yield strength or hardness. This is because, in SSAB Emea's view, the definition of the goods encompassed not only the paragraph that described width, thickness and length but the paragraphs described in the initiation notice as additional information supplied by the applicant. Those paragraphs referred to 'typical' properties that the goods under investigation have. SSAB Emea interpreted this as meaning that the goods under investigation must have these characteristics. The verification team explained that this was not the intended meaning and the goods are defined only as regards to width, thickness and length.

To test whether the domestic and Australian sales data needed to be amended SSAB Emea was asked to filter on goods that had been excluded from the goods dataset based on yield strength. SSAB Emea was then asked to filter on goods exported to Australia. The resulting transactions were all of products that were outside the thickness range of the goods under consideration.

The verification team then asked SSAB Emea to filter on goods that had been excluded that were sold in the domestic market. A further filter was applied to select goods that were within the width, thickness and length ranges of the goods under consideration. The

goods sold domestically that meet the definition of the goods under investigation were of the following grades:

[REDACTED]

**[CONFIDENTIAL TEXT– identification of grades of Q&T sold within Sweden].**

None of the above grades were exported to Australia during the investigation period. The verification team concluded that although these may be like goods to the goods exported, because there were sufficient domestic sales of the exact models exported to Australia the domestic sales dataset did not need to be amended to include these products that were excluded based on yield strength.

To further test the completeness of the data, the verification team reconciled the volumes and values from the various data warehouse reports to the financial statements. SSAB Emea provided an income statement that separated total revenue into revenue derived from Borlange and revenue derived from Oxelösund (refer to Confidential Attachments GEN 8 and 9). We matched the total revenue from this report to the unaudited financial statements from 2013.

The verification team observed that the total value of sales of Q&T steel plate from the Oxelösund data warehouse report was [REDACTED] **[CONFIDENTIAL TEXT – number]**. The total sales revenue in the income statement was [REDACTED] **[CONFIDENTIAL TEXT – number]** (Confidential Attachment GEN 8). SSAB Emea was asked to demonstrate the difference.

SSAB Emea ran a report from the data warehouse for all sales of ‘ordinary’ steel (that is, steel that is not quenched or tempered). The report showed the value was [REDACTED] **[CONFIDENTIAL TEXT– number]**.

SSAB Emea provided a report from the data warehouse for sales of slabs in 2013 (Confidential Attachment SALES 5). The total value from that report was [REDACTED] **[CONFIDENTIAL TEXT– number]**.

SSAB Emea provided another report showing sales of by-products during 2013 (Confidential Attachment SALES 6). The total value from that report was [REDACTED] **[CONFIDENTIAL TEXT– number]**.

After taking into account the above the remaining difference was [REDACTED] **[CONFIDENTIAL TEXT– number]**. SSAB Emea stated that this would relate to ‘other’ products. Given its size relative to total sales we did not consider it necessary to further investigate this amount.

The total revenue from all sources from Oxelösund reconciled to the revenue of [REDACTED] **[CONFIDENTIAL TEXT– number]** as disclosed in the income statement provided by SSAB Emea.

The Borlange monthly production report (Confidential Attachment SALES 3) showed that the total production volume of [REDACTED] **[CONFIDENTIAL TEXT– number]** was comprised of [REDACTED] **[CONFIDENTIAL TEXT– number]** of [REDACTED] **[CONFIDENTIAL TEXT– internal descriptor]** (a type of ordinary steel, not quenched or tempered), [REDACTED] **[CONFIDENTIAL TEXT– number]** of ‘ordinary’ steel and [REDACTED] **[CONFIDENTIAL TEXT– number]** described

as [REDACTED] [CONFIDENTIAL TEXT– internal descriptor] product. We asked SSAB Emea to demonstrate why this apparent Q&T steel plate product produced by Borlange was not included in the sales data provided for the goods under consideration.

SSAB said that [REDACTED] [CONFIDENTIAL TEXT– details of production capacity] at Borlange. Not all products that go through [REDACTED] [CONFIDENTIAL TEXT– process] are quenched; all rolled product goes through this line. SSAB Emea ran a report from the data warehouse for Borlange that showed all production [REDACTED] [CONFIDENTIAL TEXT– process] during the investigation period. We verified that this matched to the [REDACTED] [CONFIDENTIAL TEXT– number] shown on Confidential Attachment SALES 3. SSAB Emea selected from this dataset grades that are quenched products. All widths, thicknesses and lengths were initially selected. A filter was then applied to show products that would fall within the goods description. This showed around [REDACTED] [CONFIDENTIAL TEXT– number] sold to all markets. A filter was applied for sales to Australia and it showed there were no sales of product produced at Borlange to Australia. A filter was applied for sales to Sweden and it showed [REDACTED] [CONFIDENTIAL TEXT– number] of [REDACTED] [CONFIDENTIAL TEXT– grade of “like goods”] was produced at Borlange and sold in Sweden. SSAB Emea was advised that these sales would need to be added to the domestic sales listing. In addition the cost to make and sell (CTMS) these goods would need to be determined. The domestic sales listing was subsequently updated during the visit to incorporate these sales (Confidential Appendix 1).

#### **4.2.2 Reconciliation of non-Q&T volume**

Having satisfied ourselves of the data produced from the Oxelösund data warehouse the verification team sought to verify the Borlange data to ensure completeness of the data verified, i.e. that the sum of the Oxelösund data and Borlange data reconciled to the total revenue of SSAB Emea.

SSAB Emea ran a report from Borlange’s [REDACTED] [CONFIDENTIAL TEXT– name of database] database (Confidential Attachment SALES 7) that showed the total sales of [REDACTED] [CONFIDENTIAL TEXT– product types] to Australia in 2013. This showed a volume of [REDACTED] [CONFIDENTIAL TEXT– number] and value of [REDACTED] [CONFIDENTIAL TEXT– number], which reconciles to the summary breakdown prepared by SSAB Emea (refer section 4.2.1 above).

Confidential Attachment SALES 7 also contains a separate report from Borlange’s [REDACTED] [CONFIDENTIAL TEXT– name of database] database that shows the total sales of [REDACTED] [CONFIDENTIAL TEXT– product types] to Sweden in 2013. This showed a volume of [REDACTED] [CONFIDENTIAL TEXT– number] and value of [REDACTED] [CONFIDENTIAL TEXT– number], which reconciles to the summary breakdown prepared by SSAB Emea.

### **4.3 Conclusion**

Allowing for the inclusion of an additional [REDACTED] [CONFIDENTIAL TEXT– number] of domestic sales of like goods, the verification team is satisfied that the export and domestic sales data is a complete reflection of the exports of goods under consideration to Australia and like goods sold on the domestic market in Sweden.

## 5 SALES TO AUSTRALIA

### 5.1 General

During the investigation period, SSAB Emea exported the majority of the goods under consideration via its related party, SSAB Singapore. It sold a small quantity of exports of one grade directly to an unrelated party.

SSAB Emea explained that its sales of Q&T steel plate to Australia were for use in the mining and construction businesses.

### 5.2 Sales to Australia

#### 5.2.1 Export sales process

During the investigation period SSAB Emea exported all but a small volume [REDACTED] [CONFIDENTIAL TEXT– number] of the goods to Australia via its related entity, SSAB Singapore.

[REDACTED] [CONFIDENTIAL TEXT – details of order process].

The goods are manufactured or taken from inventory and shipped directly to SSAB Australia. SSAB Emea issues an invoice to SSAB Singapore at the time the goods are dispatched from Oxelösund.

[REDACTED] [CONFIDENTIAL TEXT– explanation of selling process between SSAB SG and SSAB AU].

#### 5.2.2 Pricing

SSAB Emea provided a submission in relation to SSAB's group pricing policy at the visit (dated 6 May 2014 'SSAB group pricing policy' – **Confidential Attachment EXP 1**).

[REDACTED] [CONFIDENTIAL TEXT– explanation of SSAB group pricing policy].

A copy of SSAB Emea's

[REDACTED] [CONFIDENTIAL TEXT– document] was requested. SSAB Emea provided a copy of a presentation that appears to have been prepared in May 2012 (**Confidential Attachment EXP 2**) setting out

[REDACTED] [CONFIDENTIAL TEXT–  
SSAB group pricing policy].

The invoice price between SSAB Singapore and SSAB Australia [CONFIDENTIAL  
TEXT– explanation of price setting by SSAB Singapore]

[REDACTED]  
another from 1 September 2013 that was in place  
through to 31 December 2013 (Confidential Attachment EXP 3).

- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[CONFIDENTIAL TEXT– explanation of price setting by SSAB Singapore and  
mix of products purchased by SSAB  
Australia] [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

The Confidential Attachment EXP 1 submission states that the

[REDACTED] [CONFIDENTIAL  
TEXT– explanation of price setting by SSAB Singapore]. The methodology is said to  
allow SSAB Australia to achieve a reasonable gross margin although the submission  
states that market conditions mean this is not always possible.

SSAB Emea submitted that the export price to Australia should be the price between  
SSAB Singapore and SSAB Australia

[REDACTED]  
[CONFIDENTIAL TEXT– explanation of price setting by SSAB Singapore]. SSAB  
submits that the Commission has evidence that the actual invoiced prices were always  
[REDACTED] [CONFIDENTIAL TEXT– explanation of price  
setting by SSAB Singapore].

The Commission's view on export price is further discussed at section 5.8.

### **5.2.3 Distribution**

Goods are exported to Australia via one of two methods:

- Breakbulk: **[CONFIDENTIAL TEXT– explanation of exportation method and third party logistics providers that assist in break bulk exportation].**

[REDACTED]

- Container: **[CONFIDENTIAL TEXT– explanation of exportation method and third party logistics providers that assist in containerised exportation]**

[REDACTED]

Oxelösund Harbour invoices SSAB Emea monthly for its services. **[CONFIDENTIAL TEXT– details of commercial relationship between SSAB and Oxelösund Harbour].**

[REDACTED]

All other logistics providers similarly issue invoices to SSAB Emea.

To populate the ocean freight rates in the export sales spreadsheet (**Confidential Appendix 2**) for exports of goods in breakbulk, SSAB Emea extracted all the invoices from [REDACTED] **[CONFIDENTIAL TEXT– third party logistics provider]** accounting system during 2013 and divided the total cost by the volume of goods (in tonnes) exported to Australia during the same period. [REDACTED] **[CONFIDENTIAL TEXT– third party logistics provider]** is the [REDACTED] **[CONFIDENTIAL TEXT– number]** freight provider for breakbulk goods. [REDACTED] **[CONFIDENTIAL TEXT– third party logistics provider]** rates per tonne get cheaper as the volume of goods in the shipment increases. SSAB Emea assessed that the most common volume shipped attracted a freight rate of [REDACTED] **[CONFIDENTIAL TEXT– number]** per tonne so this was the rate used in the export sales spreadsheet. [REDACTED] **[CONFIDENTIAL TEXT– number]** logistics provider for this method is [REDACTED] **[CONFIDENTIAL TEXT– third party logistics provider]**. As for the [REDACTED] **[CONFIDENTIAL TEXT– logistic provider documents]**, SSAB Emea calculated the total of all invoices by [REDACTED] **[CONFIDENTIAL TEXT– third party logistics provider]** during the investigation period and divided it by



the volume exported. The total freight costs for goods exported by breakbulk during the investigation period was [REDACTED] **[CONFIDENTIAL TEXT– number]** per tonne.

For exports via container SSAB Emea extracted all the [REDACTED] **[CONFIDENTIAL TEXT– third party logistics provider]** costs that relate to Australian sales by using the order number as a reference. The total cost was divided by the volume of goods shipped to Australia via container.

SSAB Emea obtained the split between goods exported via breakbulk and goods exported by container by running a report from the data warehouse. It was observed this report being run and matched the volumes to the worksheets used by SSAB Emea to calculate the freight costs. A screen shot of the report is at **(Confidential Attachment EXP 5)**.

SSAB Emea provided documents from the logistics providers for each of the Australian sales selected for examination (refer to section 5.3) that supported the methodology set out above. We are satisfied that the freight amounts in the export sales spreadsheet are a reasonable reflection of the cost to freight the goods to Australia.

#### **5.2.4 Handling charges**

Oxelösund Harbour provides SSAB Emea with a worksheet showing its costs for the various types of work it performs for SSAB Emea **(Confidential Attachment EXP 6)**. This worksheet has a column for the labour effort and direct costs associated with breakbulk goods and a separate column for work associated with stuffing containers. The amounts on Oxelösund Harbour's worksheet matched the unit costs used by SSAB Emea in its export sales spreadsheet.

We observed that the Oxelösund Harbour worksheet appeared to have two additional columns that might relate to container stuffing. SSAB Emea advised that these relate to loading and handling for [REDACTED] **[CONFIDENTIAL TEXT– not the GUC]** only.

#### **5.2.5 Currency**

Sales to SSAB Singapore are invoiced in [REDACTED] **[CONFIDENTIAL TEXT– currency]**. The small volume of sales of [REDACTED] **[CONFIDENTIAL TEXT– grade of “like goods”]** was invoiced in [REDACTED] **[CONFIDENTIAL TEXT– currency]**.

#### **5.2.6 Terms of trade**

The goods are sold on [REDACTED] **[CONFIDENTIAL TEXT– terms of trade]** terms from SSAB Singapore.

#### **5.2.7 Payment terms**

Payment terms between SSAB and SSAB Singapore are [REDACTED] **[CONFIDENTIAL TEXT– payment period]**.

#### **5.2.8 Discounts, rebates and allowance**

[REDACTED]



■[CONFIDENTIAL TEXT– details regarding commercial relationship between SSAB EMEA and SSAB SG].

### **5.3 Verification of export sales to source documents**

SSAB Emea provided supporting documentation for two transactions in its exporter questionnaire response. Prior to the visit, we selected an additional 12 export transactions from the Australian sales spread sheet for verification. We requested that SSAB provide the following commercial documents in relation to each selected transaction:

- Purchase order
- Order confirmation
- Commercial invoice
- Proof of payment of invoice
- Inland freight costs
- Packing list
- Bill of lading
- Associated port, handling, free on board (FOB) and clearance charges invoice(s)

These documents were provided and are at **Confidential Attachment EXP 7**.

The verification reconciled the goods description and values of each selected transaction using the purchase orders, commercial invoices and packing lists provided during the verification visit to the export sales spreadsheet (Confidential Appendix 2). There were no discrepancies identified in relation to sales volume or value.

Proof of payment was not provided in relation to the selected export transactions. However given the verification team's view on the non-arms' length relationship between the SSAB entities and the recommendation in relation to the appropriate export price (refer sections 5.7 and 5.8 below) it was not considered necessary to verify whether SSAB Singapore paid SSAB Emea the amount specified on the invoice and within what timeframe.

### **5.4 Forward orders**

As part of its EQR SSAB Emea provided a listing of its forward orders (Confidential Attachment GEN 1). The verification team observed from this listing that SSAB Singapore has ordered ■[CONFIDENTIAL TEXT– number] of Q&T steel plate with expected arrival dates in Australia between ■[CONFIDENTIAL TEXT– time period].

### **5.5 The exporter**

For all export sales during the investigation period, we consider SSAB Emea to be the exporter of GUC because it:

- is the manufacturer of the goods;
- owned the goods at the time prior to export;
- is listed as the supplier on the bill of lading;

- arranges and pays inland transport costs from the place of manufacture to port of export;
- arranges and pays for associated handling costs and other export expenses incurred in moving the goods to the FOB point at the port of export;
- is the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

## **5.6 The importer**

### *Sales to unrelated customer*

In relation to the small volume of sales directly to the customer in Australia we consider the Australian customer to be the importer of the goods. It negotiated directly with SSAB Emea for the purchase of the goods, is named as the consignee on the bill of lading and is the beneficial owner of the goods at the time of importation.

### *Sales via SSAB Singapore*

As discussed, SSAB Emea makes the majority of its export sales to Australia via a related party, SSAB Singapore. SSAB Singapore sells the goods on a consignment basis to another related party, SSAB Australia. SSAB Australia deals directly with SSAB Singapore in relation to its requirements. SSAB Singapore sells to SSAB Australia on

[REDACTED] **[CONFIDENTIAL TEXT– details of terms of sale between SSAB EMEA and SSAB SG]**. For this reason we consider SSAB Singapore to be the importer of Q&T plate steel exported by SSAB Emea during the investigation period.

## **5.7 Arm's length**

In respect of export sales via SSAB Singapore we do not consider these to be arm's length sales. Notwithstanding SSAB Emea's submission in relation to the group pricing policy the evidence provided indicates that SSAB Singapore effectively operates as the export selling arm of SSAB Emea, that is, they are effectively a single entity engaged in the manufacture and export of Q&T plate steel to Australia.

In addition, information in relation to SSAB Singapore's selling prices to SSAB Australia shows that these sales were made at a loss. Further, the Commission's visit to SSAB Australia found that the goods were sold by SSAB Australia to unrelated companies in Australia at a loss. Subsection 269TAA(2) of the Act states that where:

- goods are exported to Australia other than by the importer and purchased by the importer from the exporter; and
- the Minister is satisfied that the importer, whether directly or through an associate, sells those goods in Australia at a loss,

the Minister may treat those sales as non arms length transactions. We recommend that the Minister should be satisfied that the sales made in Australia were at a loss and therefore regard the transactions between SSAB Emea and SSAB Singapore as non arms' length.

In respect of SSAB Emea's export sales to the unrelated customer in Australia during the investigation period, the verification team found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price

and therefore consider that export sales to the unrelated customer in Australia during the investigation period were arm's length transactions.

## **5.8 Export price – preliminary assessment**

The verification team considers that in relation to goods exported by SSAB Emea to SSAB Singapore:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter;
- the purchases of the goods by the importer were not arms length transactions; and
- the goods were not subsequently sold by the importer (SSAB Singapore) in the condition in which they were imported to a person is not an associate of the importer.

In relation to exports by SSAB Emea via SSAB Singapore, the verification team recommends that the export price be determined under subsection 269TAB(1)(c), being the price that the Parliamentary Secretary determines having regard to all the circumstances of exportation. In this instance it is recommended that the export price is determined using the sales price from SSAB Australia to unrelated parties less the prescribed deductions to arrive at an FOB price from SSAB Emea in Sweden.

The verification team considers that in relation to goods exported by SSAB Emea to the unrelated customer in Australia:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms' length transactions.

The verification team recommends that the export price for these export sales be determined under subsection 269TAB(1)(a), being the invoiced price paid by the importer

## **PUBLIC RECORD**

other than any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

## 6 COST TO MAKE & SELL

### 6.1 Approach to verification

SSAB Emea's CTMS data submitted as part of its EQR reflect the production cost of its mill at Oxelösund. As discussed in section 4.2.1, during the verification visit it became apparent that SSAB Emea's production facility at Borlange also produces quenched products, of which [REDACTED] [CONFIDENTIAL TEXT– number] was identified from the Borlange sales data as being like goods. Following the verification visit, SSAB Emea submitted CTMS spreadsheets in respect of its production at Borlange, **Confidential Appendix 3**. The verification of costs discussed in this report focuses' on the Oxelösund costs, which covers the production of the GUC and [REDACTED] [CONFIDENTIAL TEXT– number] of the like goods. Section 6.4 of this report, discusses the CTMS data submitted following the verification visit in respect of the Borlange strip mill.

SSAB Emea provided at the visit revised CTMS spreadsheets for its domestic production of Q&T steel plate, amending its selling expenses. It is noted that the CTMS data provided shows the same costs for Australian and domestic production. This is because the GUC is not produced for a specific market but is produced and placed in inventory to be sold to either the Swedish, Australian or other overseas market. The revised CTMS spreadsheets form **Confidential Appendix 4**.

SSAB Emea advised that the costs of production that are recorded in its account ledgers that feed into the operational income statement reflect the costs for all goods produced at Oxelösund.

[REDACTED]  
[CONFIDENTIAL TEXT– details of cost accounting].

To allocate the costs reported in the operational income statement to the product types produced, SSAB Emea explained that it utilises an inventory valuation system.

[REDACTED]  
[CONFIDENTIAL TEXT– details of inventory valuation system], refer to **Confidential Attachment CTMS 1**.

[REDACTED] [CONFIDENTIAL TEXT–  
explanation regarding population of CTMS spreadsheets]

Discussed below is the upwards reconciliation of the CTMS spreadsheets from the operational income statement and the inventory valuation system to SSAB's Annual Report for 2013 (at the time of writing this report was audited but not signed), as well as a discussion of the methodology used to populate the CTMS spreadsheets.

## **6.2 Upwards Reconciliation of CTM – Completeness and Relevance**

### **6.2.1 Operational Income Statement**

As discussed in section 4.2.1, the 2013 SSAB Annual Report reconciled to the translated income statement for 2013 (Confidential Attachment GEN 7). This income statement was extracted into two income statements, one for the plate mill at Oxelösund (Confidential Attachment GEN 8) and the other for the strip mill at Borlänge (Confidential Attachment GEN 9). These income statements for Oxelösund and Borlänge together were matched to the translated income statement for 2013. SSAB Emea also provided an operational income statement for Oxelösund. The verification team reconciled this operational income statement to the income statement for Oxelösund (Confidential Attachment GEN 10) and was satisfied that this operational income statement could be traced through the 2013 income statement to the SSAB Annual Report.

SSAB Emea provided two worksheets to explain its CTMS calculations; the 'variable costs worksheet' and 'fixed cost worksheet' (**Confidential Attachment CTMS 2 and 3**).

[REDACTED] [CONFIDENTIAL TEXT– explanation of fixed costs  
and variable costs worksheets].

[REDACTED] [CONFIDENTIAL TEXT– explanation of fixed costs and

**variable costs worksheets]** As discussed in section 5.1, the fixed and variable costs presented in the operational income statement populated the CTMS spreadsheets (Confidential Appendix 4),

[REDACTED]

[CONFIDENTIAL TEXT– explanation regarding population of CTMS spreadsheets]. This link is discussed in more detail in section 6.2.3 of this report.

## **6.2.2 Inventory Valuation System**

As discussed in section 5.1, SSAB Emea explained that it uses the inventory valuation system to allocate its production costs across the product types produced. SSAB Emea explained that the product types are

[REDACTED]

[CONFIDENTIAL TEXT– product types] (refer to **Confidential Attachment CTMS 4**). SSAB Emea acknowledged that there may be some cost differences associated with different grades produced within product types, e.g.

[REDACTED] [CONFIDENTIAL TEXT– product grade compared with product grade] however its accounts did not capture costs at the grade level.

SSAB Emea advised that the inventory valuation system uses process ID centres to allocate the production costs across the product types produced. SSAB Emea provided an inventory valuation report (**Confidential Attachment CTMS 5**) that displays each of the process ID codes and their respective variable and fixed cost components for 2013. The sum of the variable and fixed costs shown in the inventory valuation report was compared to the cost of make and sell in the operational income statement and a variance of less than [REDACTED] [CONFIDENTIAL TEXT– number] was noted. SSAB Emea suggested this variance was likely to be due to month ending variances. The verification team was satisfied that the inventory valuation system as a whole captures the costs to make as recorded the operational income statement.

The verification team noted that inventory valuation report (Confidential Attachment CTMS 5) showed that the following process ID centres did not have either fixed or variable costs assigned to them. SSAB Emea provided the following explanations in respect of these process ID centres:

- 

[REDACTED]

[REDACTED]

[CONFIDENTIAL TEXT– explanation of process ID centres].

SSAB Emea presented **Confidential Attachment CTMS 7**, a pivot of the inventory valuation system for 2013, displaying the unit variable and fixed costs component for each product type. The unit variable and fixed cost has then been adjusted to reflect the variance (of less than [REDACTED][CONFIDENTIAL TEXT– number]) noted above between the costs recorded in the inventory valuation system and the operational income statement. This adjustment was calculated by dividing the difference between the variable and fixed costs in the inventory valuation system and operational income statement by the production volume shown in the inventory valuation pivot (Confidential Attachment CTMS 7). This resulted in an upwards adjustment of [REDACTED][CONFIDENTIAL TEXT– number] per ton to the variable costs and [REDACTED][CONFIDENTIAL TEXT– number] per ton to the fixed costs. The adjusted fixed and variable unit cost by product type was used to populate the CTMS spreadsheet at the product level, as discussed further in section 6.2.3.

It was noted that the total variable and fixed cost for all product types in Confidential Attachment CTMS 7 represents [REDACTED][CONFIDENTIAL TEXT– number] of the total variable and fixed costs shown in the inventory valuation report (Confidential Attachment CTMS 5) which was reconciled to operational income statement. SSAB Emea explained that this is because

[REDACTED]

[CONFIDENTIAL TEXT– details of operation of inventory value system] To reconcile the inventory valuation pivot (Confidential Attachment 7) to the inventory valuation report (Confidential Attachment 5) SSAB Emea provided a reconciliation of the [REDACTED][CONFIDENTIAL TEXT– intermediate products] costs (**Confidential Attachment CTMS 8**).

In Confidential Attachment CTMS 8, SSAB Emea demonstrated the unit cost of [REDACTED][CONFIDENTIAL TEXT– intermediate products] by dividing the total variable and fixed costs associated with the production of [REDACTED][CONFIDENTIAL TEXT– intermediate products] (i.e. process ID centres [REDACTED][CONFIDENTIAL TEXT– process ID centres]) with the addition of [REDACTED][CONFIDENTIAL TEXT– number] of the fixed overheads costs, by the total volume of [REDACTED][CONFIDENTIAL TEXT– intermediate



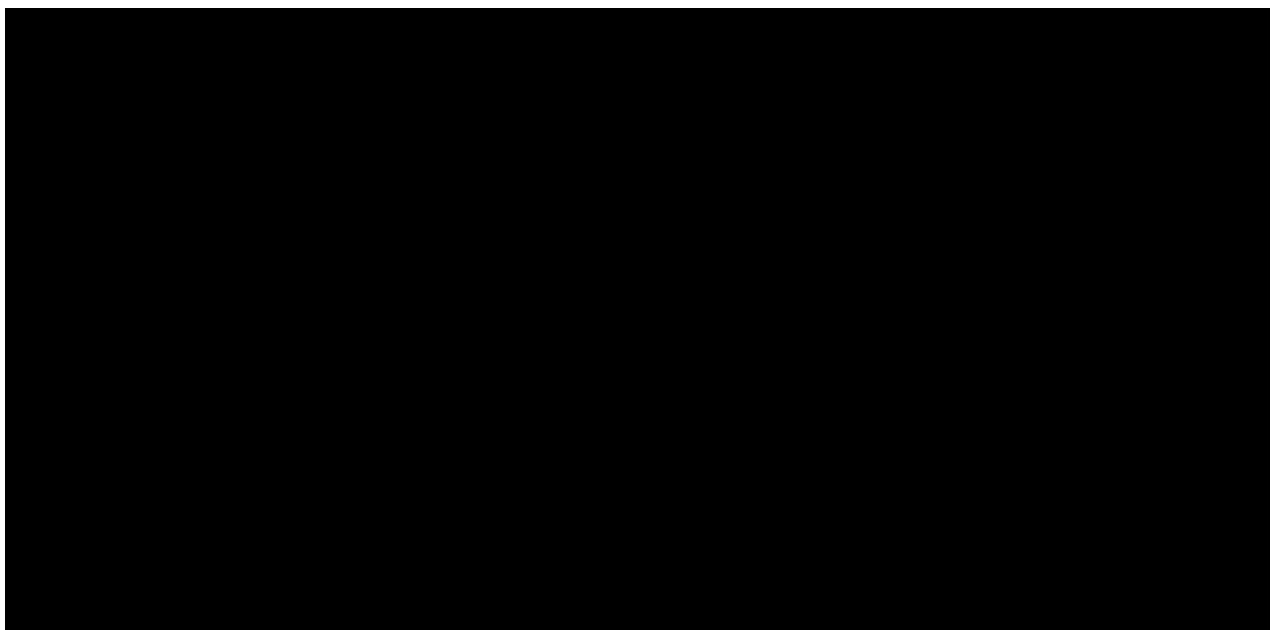
**products]** produced at Oxelösund in 2013 (which was matched to a production report from the inventory valuation system – **Confidential Attachment CTMS 9**) to get a unit cost of production for the [CONFIDENTIAL TEXT– intermediate product]. This unit cost was then multiplied by the volume of [CONFIDENTIAL TEXT– intermediate products] sold externally and transferred (which was reported in the steel mill data warehouse report – **Confidential Attachment CTMS 10**). The addition of the costs for [CONFIDENTIAL TEXT– intermediate products] sold externally and transferred to the plate costs (as reported in the inventory valuation pivot Confidential Attachment CTMS 7) resulted in a variance of [CONFIDENTIAL TEXT– number] compared to the total fixed and variable costs reported in the inventory valuation report (Confidential Attachment CTMS 5). SSAB Emea demonstrated in Confidential Attachment CTMS 8 that this was because

[CONFIDENTIAL TEXT– explanation of variance]. Once the unit [CONFIDENTIAL TEXT– intermediate products] cost was applied to this volume there was less than [CONFIDENTIAL TEXT– number] variance between the costs reported in the inventory valuation report and the inventory valuation pivot.

SSAB Emea was not able to provide any evidence regarding what costs were allocated to each product type beyond the variable and fixed unit costs shown in Confidential Attachment CTMS 7. SSAB Emea could not provide evidence of the process ID centres picked up by each product type or the theoretical hours allocated to each process ID centre.

### **6.2.3 Linking the operational income statement and inventory valuation system to populate the CTMS spreadsheet**

As discussed above, the operational income statement provided at a detailed level the cost of goods sold, including the consumption of raw materials, labour and other items for all goods produced at Oxelösund. The inventory valuation system allocates these costs across the product types produced and reports the total variable and fixed unit costs for each product type.



[REDACTED]

[CONFIDENTIAL TEXT – explanation of calculation of CTMS].

As discussed in detail section 6.7 below, the verification team considers that while the individual cost components of each product type, including the split between fixed and variable costs, may not accurately reflect the costs associated with each Q&T steel plate product, it is satisfied that the full cost of production – from steel making through to finishing – have been captured by the operational income statement and inventory valuation system as described above.

### 6.3 Verification of CTM – accuracy

The verification team selected the following costs reported in the CTMS spreadsheets (Confidential Appendix 4) for quarter two (April to June) for further verification to source documents: iron ore, coke & coal, alloys, direct labour and electricity. These cost elements represent the largest proportion of the total CTM [REDACTED] ([CONFIDENTIAL TEXT– number] collectively).

#### 6.3.1 Iron ore

From SSAB Emea's EQR the visit team noted that iron ore is the largest cost component in the production of Q&T steel plate (accounting for approximately [REDACTED] [CONFIDENTIAL TEXT– number] of the overall production cost). SSAB Emea's EQR stated that it sources its iron ore from [REDACTED] [CONFIDENTIAL TEXT– suppliers]. The visit team noted from its examination of the SSAB 2012 Annual Report, submitted as part of the EQR (Confidential Attachment GEN 1), that

[REDACTED] [CONFIDENTIAL TEXT– suppliers and relationship to SSAB Group].

Given this relationship the visit team requested a copy of the contract for the supply of iron ore between [REDACTED] [CONFIDENTIAL TEXT– suppliers] and SSAB Emea applicable to the investigation period. SSAB Emea provided an extract of this contract for

the period 1 April 2013 to 31 March 2014 (**Confidential Attachment CTMS 11**). The contract outlined the pricing mechanism for the iron ore supplied to SSAB Emea, which the verification team noted is

[REDACTED]

[**CONFIDENTIAL TEXT**– explanation of contractual pricing mechanism].

The verification team

[REDACTED]  
[**CONFIDENTIAL TEXT**– details of contact between SSAB EMEA and suppliers], but considers that the price paid by SSAB Emea for its iron ore largely reflects a world price for iron ore pellets, based on its analysis of published iron ore prices.

The verification team compared SSAB Emea's quarterly iron ore prices as presented in the CTMS spreadsheet (Confidential Appendix 4) to the Platts SBB published monthly contract prices for iron ore pellets from Brazil (at FOB terms, and a composition of dmtu 65% Fe) and China (ex-works North East China, dmtu 65% Fe). The verification team noted that

[REDACTED]

[**CONFIDENTIAL TEXT**– details of variation in price charged by suppliers in comparison to external prices].

As discussed in section 5.2.1, the operational income statement for Oxelösund was summarised in Table 1 – Confidential Attachment CTMS 2 (these cost lines are reflected in the CTMS spreadsheets). The verification team selected the second quarter for further verification.

The iron ore costs identified in Table 1 – Confidential Attachment CTMS 2 reflect the cost of the iron ore consumed in each quarter. SSAB Emea explained that its purchases of iron ore go into inventory and therefore there is no direct link between the iron ore purchases for each quarter and the cost of consumption of the iron ore in the same quarter. SSAB Emea provided monthly inventory reports for the blast furnace for each month of the quarter (**Confidential Attachment CTMS 12**).

[REDACTED]

[**CONFIDENTIAL TEXT**– calculation of per tonne iron ore cost].

SSAB Emea provided a journal entry for its iron ore purchases (**Confidential Attachment CTMS 13**) as well as a detailed journal entry identifying the purchases paid for in the

second quarter of 2013 (**Confidential Attachment CTMS 14**).

[REDACTED]

[CONFIDENTIAL TEXT – calculation of unit price of iron ore]. This is a variance of [REDACTED] [CONFIDENTIAL TEXT – number] compared to the calculated unit consumption cost above. SSAB advised that this variance is due to the inventory value (**Confidential Attachment CTMS 12**) for iron ore including transportation and handling costs whereas the journal entry (**Confidential Attachment CTMS 14**) does not include these costs.

SSAB Emea also provided its inventory valuation ledgers for each month of quarter 2 (**Confidential Attachment CTMS 15**). The inventory valuation ledger was matched to the inventory reports for the blast furnace (**Confidential Attachment CTMS 12**) by the quantity of the closing balance of iron ore for each month. The closing balance iron ore value for quarter 2 as shown in **Confidential Attachment CTMS 15** (i.e. total closing balance iron ore value divided by the closing balance quantity for the 3 months) was [REDACTED] [CONFIDENTIAL TEXT – number] per ton. This is a variance of [REDACTED] [CONFIDENTIAL TEXT – number] compared to the unit consumption cost. SSAB Emea advised that the inventory valued price included delivery, which would account for the higher valuation cost.

The verification team selected two purchases of iron ore from the journal entry of iron ore purchases (**Confidential Attachment CTMS 13**). SSAB Emea provided invoices and mill certificates in respect of the selected purchases (**Confidential Attachment CTMS 16**). The verification team matched the invoice value exclusive of VAT in [REDACTED] [CONFIDENTIAL TEXT– currency] shown on the invoices to the journal entry (**Confidential Attachment CTMS 13**). The journal entry of iron ore purchases converted the [REDACTED] [CONFIDENTIAL TEXT– currency] invoice value to [REDACTED] [CONFIDENTIAL TEXT– currency]. This [REDACTED] [CONFIDENTIAL TEXT– currency] invoice value was then matched to the detailed journal entry of iron ore purchases (**Confidential Attachment CTMS 14**) for the selected invoices. As discussed above, the detailed journal entry included invoice quantity; however the verification team was not able to match the quantity shown on the selected invoices to the reported quantity in the detailed journal entry for selected transactions. SSAB advised that this is because of

[REDACTED]

[CONFIDENTIAL TEXT – details of invoices]. SSAB Emea provided proof of payment for the two selected invoices (**Confidential Attachment CTMS 17**). The verification team noted that both of the selected invoices were included on the same payment along with a number of other invoices and the total amount paid was shown in a bank statement.

### 6.3.2 Coal and coke

[REDACTED]

[CONFIDENTIAL TEXT– details of purchase process for coking coal].

The coal and coke line in the CTMS spreadsheet is made up of a number of different cost lines in the operational income statement, including coking coal, PCI coal and carbonised coal. SSAB Emea provided the coking coal consumption ledger for quarter 2 (**Confidential Attachment CTMS 19**). This ledger showed the total consumption cost of coking coal for quarter 2. This was matched to the coking coal line of Table 1 – Confidential Attachment CTMS 2 for quarter 2. The sum of this coking coal cost and other coal and coke material cost lines equals the coal and coke line in the CTMS spreadsheet. The coking coal ledger (Confidential Attachment CTMS 19) broke down the coking coal consumed to coal types based on the mine they were sourced from. The verification team selected coking coal sourced from [REDACTED] [CONFIDENTIAL TEXT– entity] for further verification.

SSAB Emea provided inventory reports for its coke oven for each month of quarter 2 (**Confidential Attachment CTMS 20**). The inventory reports showed the quantity of coking coal consumed by product type (i.e. mine source). SSAB Emea also provided [REDACTED] [CONFIDENTIAL TEXT– document] for its coal consumption from January to June 2013 (**Confidential Attachment CTMS 21**). The verification team was able to match for each month the reported [REDACTED] [CONFIDENTIAL TEXT– entity] coking coal quantity consumed in the inventory report for the coke oven (Confidential Attachment CTMS 20) to the amount reported [REDACTED] [CONFIDENTIAL TEXT– entity] for invoicing (Confidential Attachment CTMS 21), noting a small variance of less than [REDACTED] [CONFIDENTIAL TEXT– number] for the month of June 2013.

SSAB Emea provided the invoices from [REDACTED] [CONFIDENTIAL TEXT– entity] for the supply of coking coal for each month of quarter 2 (**Confidential Attachment CTMS 22**). Each invoice identified the quantity of coking coal from [REDACTED] [CONFIDENTIAL TEXT– entity] invoiced. The verification team matched this quantity to the monthly report to the [REDACTED] [CONFIDENTIAL TEXT – entity] (Confidential Attachment CTMS 21). The amount shown in the [REDACTED] [CONFIDENTIAL TEXT– documents] was in [REDACTED] [CONFIDENTIAL TEXT– currency]. Adding in the handling charges and interest shown on the invoices and applying a yearly average exchange rate [CONFIDENTIAL TEXT– currency] to [REDACTED] [CONFIDENTIAL TEXT– currency] of [REDACTED] [CONFIDENTIAL TEXT– number], the verification team summed the 3 invoices for the supply of [REDACTED] [CONFIDENTIAL TEXT– entity] coking coal to a total of [REDACTED] [CONFIDENTIAL TEXT– number]. This was compared to the coking coal consumption ledger (Confidential Attachment CTMS 19), which displayed the consumption of [REDACTED] [CONFIDENTIAL TEXT– entity] coking coal to be at a cost of

■■■■■[CONFIDENTIAL TEXT– number], a variance of ■■■■[CONFIDENTIAL TEXT – number] to the invoices supplied.

SSAB Emea also supplied the valuation ledger for coal for each month of quarter 2 (**Confidential Attachment CTMS 23**). The valuation ledger was tied to the inventory report for the coke oven (Confidential Attachment CTMS 20) by the closing balance of ■■■■[CONFIDENTIAL TEXT– entity] coking coal. The weighted average valuation for the three months of quarter 2 of coking coal from ■■■■[CONFIDENTIAL TEXT– entity] was ■■■■[CONFIDENTIAL TEXT– number] per ton. This is a ■■■■[CONFIDENTIAL TEXT– number] variance compared to the consumption cost for ■■■■[CONFIDENTIAL TEXT– entity] coking coal reported in the consumption ledger of ■■■■[CONFIDENTIAL TEXT – number] per ton (i.e. the total consumption cost reported in Confidential Attachment CTMS 19 divided by the quantity of ■■■■[CONFIDENTIAL TEXT– entity] coal consumed as reported in the inventory reports (Confidential Attachment CTMS 20)).

### **6.3.3 Alloys**

The alloy costs identified in Table 1 – Confidential Attachment CTMS 2 (which as discussed in section 6.2.3 was used to populate the CTMS spreadsheets) reflects the cost of the various alloys consumed in each quarter. SSAB Emea explained that its purchases of various alloys go into inventory and therefore there is no direct link between the alloy purchases for each quarter and the cost of consumption of that alloy in the same quarter.

SSAB Emea supplied its alloys consumption ledger for quarter 2 of 2013 (**Confidential Attachment CTMS 24**). The alloy consumption ledger showed the total consumption cost of all alloys for quarter 2. This was matched to the alloy cost line of Table 1 – Confidential Attachment CTMS 2 for quarter 2. The verification team observed that the alloy consumption ledger identified the individual consumption costs for approximately ■■■■[CONFIDENTIAL TEXT – number] different alloys. The verification team selected the alloy ■■■■[CONFIDENTIAL TEXT – alloy] for further verification.

SSAB Emea provided a purchase journal in respect of its purchases of ■■■■[CONFIDENTIAL TEXT – alloy] during quarter 2 (**Confidential Attachment CTMS 25**). The verification team selected one of these purchases and SSAB Emea provided its respective invoice (**Confidential Attachment CTMS 26**). The verification team matched this invoice by value to the purchases journal.

### **6.3.4 Direct Labour**

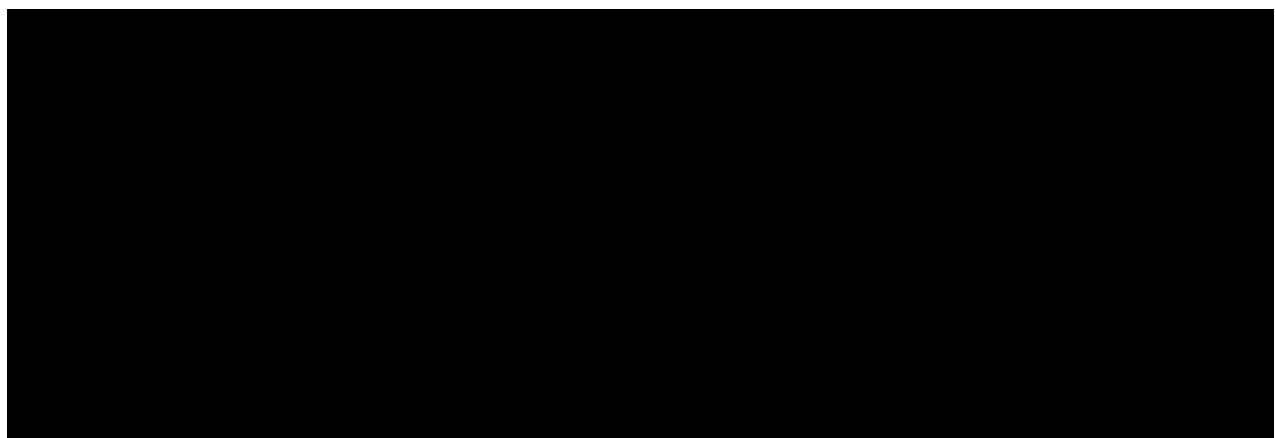
To verify direct labour costs reported in the CTMS spreadsheet, SSAB Emea provided a labour cost report for 2013 (**Confidential Attachment CTMS 27**). The total cost for 2013 for direct labour in this report was tied to the total direct labour cost reported in the fixed cost CTMS worksheet (Table 1 – Confidential Attachment CTMS 3), feeding into the CTMS spreadsheet (Confidential Appendix 4).

The verification team examined the labour cost report (Confidential Attachment CTMS 27) and noted various cost components which SSAB Emea provided further detail on, for example, base wages, overtime, holiday leave and pensions.

### 6.3.5 Electricity

To verify its electricity costs SSAB provided a ledger of its electricity consumption cost for quarter 2 (**Confidential Attachment CTMS 28**). The total consumption of cost of electricity reported in this ledger (inclusive of tax) was tied to the 'electric power' cost line of Table 1 – Confidential Attachment CTMS 2, which as discussed in section 6.2.3, was used to populate the CTMS spreadsheets.

To verify this cost downwards SSAB Emea provided its external electricity supply purchases ledger for quarter 2 (**Confidential Attachment CTMS 29**). The total of this purchases ledger matched the electricity consumption ledger, exclusive of tax (Confidential Attachment CTMS 28). The verification team selected 2 invoice lines from the purchases ledger (Confidential Attachment CTMS 28), for further verification. SSAB supplied the respective invoices and the verification team matched these to the purchases ledger (**Confidential Attachment CTMS 30**).



[CONFIDENTIAL TEXT – details of internally produced electricity]

### 6.4 Borlange CTM

As noted in section 6.1, during the upwards verification of sales it became apparent that [CONFIDENTIAL TEXT – number] [CONFIDENTIAL TEXT – grade of Q&T steel], considered to be like goods, were produced at SSAB Emea's strip mill at Borlange. SSAB Emea submitted a CTMS spreadsheet – Borlange (Confidential Appendix 3) and associated worksheets in respect of this production following the verification visit. These worksheets and methodology used to calculate the production costs of the [CONFIDENTIAL TEXT – grade of Q&T steel] produced at Borlange are discussed in detail below.

Using the same methodology that was used to populate the CTMS spreadsheets reflecting the production cost of Oxelösund (Confidential Appendix 4), SSAB Emea provided an extract of the operational income statement for Borlange (Confidential Attachment GEN 11). This operational income statement was tied to the income statement for Borlange (Confidential Attachment GEN 9), which as discussed in section 6.2.1 was, together with the income statement for Oxelösund, tied to the income statement 2013 for the SSAB group (Confidential Attachment GEN 7). SSAB Emea summarised the fixed and variable costs detailed in the operational income statement into a table in the CTMS worksheets for fixed and variable costs - Borlange (**Confidential**



**Attachment CTMS 32 and 33**), which was used to populate the cost fields in the CTMS spreadsheet – Borlange (Confidential Appendix 3).

The verification team observed that total fixed costs of production reported in the operational income statement for Borlange (Confidential Attachment GEN 11) compared to the total fixed costs shown in the CTMS fixed cost worksheet – Borlange (Confidential Attachment CTMS 33) varied by less than [CONFIDENTIAL TEXT – number]. Similarly, a variance of [CONFIDENTIAL TEXT – number] was observed in relation to variable costs (excluding the stock change inventory averaging) reported in the operational income statement Borlange and the CTMS variable worksheet – Borlange (Confidential Attachment CTMS 32).

SSAB Emea provided an extract of its inventory valuation system displaying on a unit basis the fixed and variable cost components for [CONFIDENTIAL TEXT – product type] produced at Borlange (Confidential Attachment CTMS 34). The verification team noted that compared to the costs of [CONFIDENTIAL TEXT – product type] produced at Oxelösund, as reported in the inventory valuation pivot for Oxelösund (Confidential Attachment CTMS 7), the reported cost to produce [CONFIDENTIAL TEXT – product type] at the Borlange strip mill was [CONFIDENTIAL TEXT – number] less. SSAB Emea acknowledged that the costs for production of

[CONFIDENTIAL TEXT – details of cost differences between mills].

To link its inventory valuation system and operational income statement, SSAB Emea calculated the percentage of costs represented by the like goods (i.e. [CONFIDENTIAL TEXT – number] [CONFIDENTIAL TEXT – product type]). This was calculated by multiplying the unit cost (fixed and variable) reported by the inventory valuation system (Confidential Attachment CTMS 34) by the volume of like goods (i.e. [CONFIDENTIAL TEXT – number]) and dividing this by the total fixed and variable costs shown in the variable and fixed cost worksheets (Confidential Attachment CTMS 32 and 33). This percentage was then applied back to the total fixed and variable costs in the operational income statement, to arrive at the total fixed and variable costs represented by the [CONFIDENTIAL TEXT – number] [CONFIDENTIAL TEXT – product type].

The individual cost lines of the CTMS spreadsheet – Borlange (Confidential Appendix 3), e.g. iron ore or direct labour, were populated by applying the percentage each cost component represented of the total CTM (e.g. iron ore represents [CONFIDENTIAL TEXT – number] of the total variable cost for the Borlange) to total cost attributed to the like goods described above. These totals were then divided by the volume of like goods to arrive at the unit CTM as reported in the inventory valuation system.

## **6.5 Selling, general and administration (SG&A) expenses**

SSAB Emea's revised CTMS spreadsheets (Confidential Appendix 4) attributed its SG&A expenses to three areas: royalty fee, selling expenses (domestic sales only) and administration costs.



### 6.5.1 Royalty Fee

SSAB Emea advised that all its steel trademarks, e.g.

[REDACTED] **[CONFIDENTIAL TEXT– details of branding arrangements]**. The sale of any branded product

[REDACTED] **[CONFIDENTIAL TEXT – details of products covered by branding arrangements]** incurs a royalty fee of

[REDACTED] **[CONFIDENTIAL TEXT – details of branding arrangements]**.

SSAB Emea reported in the CTMS spreadsheet a unit royalty fee of

[REDACTED] **[CONFIDENTIAL TEXT– number]** per ton. SSAB Emea explained that this cost was calculated by dividing the trademark cost for the SSAB Emea group as reported in the 2013 Income Statement (Confidential Attachment GEN 7) by the volume of branded steel products sold by SSAB Emea in 2013.

The verification team identified in the 2013 Income Statement the trademark cost line and matched this to the trademark cost used in SSAB Emea's royalty fee calculation. SSAB Emea demonstrated the volume of branded steel products sold using a collation of monthly sales reports for 2013 (**Confidential Attachment CTMS 35**). From this sales report collation SSAB Emea identified the volume of niche (i.e. branded) products sold from the plate mill at Oxelösund and prime (i.e. branded) products from the strip mill at Borlänge. The verification team observed that the total volume of all products (branded and non-branded) from Oxelösund and Borlänge displayed in the sales report matched the volume of all products produced reported in the 'Turnover Spreadsheet – A.6' (Confidential Attachment GEN 1) which, as discussed in Section 4, was reconciled to audited accounts.

### 6.5.2 Selling expenses

As noted in section 6.1, at the verification visit SSAB Emea supplied an amended CTMS spreadsheet, revising its selling expense calculation (Confidential Appendix 4). Just prior to the conclusion of the verification visit SSAB Emea submitted another revision of its selling expense calculation (**Confidential Attachment CTMS 36**). This second revision of the selling expense attempted to isolate the domestic selling expenses of Sweden from the selling costs which relate to all SSAB Emea's external sales across Europe (excluding the sales made through a SSAB subsidiary in Europe).

[REDACTED] **[CONFIDENTIAL TEXT– discussion of local market]**.

SSAB Emea's [REDACTED] of its selling expense calculation reflected in Confidential Appendix 4,

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[REDACTED]. This 'pure' selling expense was then divided by the total external sales for SSAB Emea as reported in the operational income statement to arrive at a selling expense of [REDACTED] % of sales revenue. The verification team noted [REDACTED]

[CONFIDENTIAL TEXT – calculation of selling expense].

SSAB Emea's [REDACTED] of the selling expense calculation (Confidential Attachment CTMS 36) attributed at a more detailed level the fixed selling expenses allocated to the Swedish domestic market.

[REDACTED]

[CONFIDENTIAL TEXT – calculation of selling expense].

In regards to the allocations of the fixed selling expenses, SSAB Emea provided the following explanations regarding its methodology in allocating some of these fixed expenses to its domestic sales;

[REDACTED]

In addition to the selling expenses identified in the [REDACTED], SSAB Emea included in its selling expense calculation (Confidential Attachment CTMS 36) costs for the [REDACTED]. SSAB Emea explained that the [REDACTED]

[REDACTED]

[CONFIDENTIAL TEXT– detailed explanation of revisions to selling cost calculation].

SSAB Emea provided screen shots from its [CONFIDENTIAL TEXT– accounting system] accounting system showing the Borlange cost centres for the management expense for 2013 (**Confidential Attachment CTMS 38**). SSAB Emea also provided an extract of its accounts for Borlange, described as the ‘full income statement strip’ (**Confidential Attachment CTMS 39**), this income statement extract was tied to the operational income statement Borlange (**Confidential Attachment GEN 11**) by the earnings before interest and tax (EBIT) amount. SSAB Emea explained that this full income statement was then filtered for costs only relating to the [CONFIDENTIAL TEXT– selling expense] this filtered extract of the full income statement Borlange forms **Confidential Attachment CTMS 40**. The verification team was able to match the filtered extract of the income statement to the screen shots for the [CONFIDENTIAL TEXT– selling expense]. The verification team is satisfied that the [CONFIDENTIAL TEXT– selling expense] can be traced to the operational income statement for Borlange. The verification team notes however that SSAB Emea was not able to present evidence showing that this expense was not included in the Oxelösund accounts.

Amendments to the selling expense worksheet – Confidential Attachment CTMS 36

The verification team noted an error in the selling expense worksheet (**Confidential Attachment CTMS 36**), in that the fixed selling expenses were allocated to the volume of like goods not the volume of all domestic sales and then to the like goods within this allocation, the spreadsheet was amended to correct this error.

Similarly, the verification team noted an error in the calculation of the [CONFIDENTIAL TEXT– selling expense]. SSAB Emea explained in email correspondence (**Confidential Attachment CTMS 41**) that the [CONFIDENTIAL TEXT– selling expense] was divided by the total SSAB Emea volume. However, the selling expense worksheet allocated [CONFIDENTIAL TEXT– selling expense] based on the [CONFIDENTIAL TEXT– basis of allocation]. The verification team has amended the spreadsheet so that [CONFIDENTIAL TEXT– selling expense] is divided by the total SSAB Emea plate volume to create a unit expense of [CONFIDENTIAL TEXT– number] per ton.

As noted above, the ratio for the standard allocation of the selling expense to the like goods of [CONFIDENTIAL TEXT– number] is the comparison of the Oxelösund’s external sales divided by the sales of like goods. This external sales figure does not included the sales made to

[CONFIDENTIAL TEXT – customers]. The verification team notes comments made by SSAB Emea that sales to [CONFIDENTIAL TEXT– customers] were undertaken in a similar manner to sales made to non-related domestic customers (see domestic sales discussion section 7.1.2) and therefore considers that the sales to [CONFIDENTIAL TEXT DELETED – customers] should be included in the selling expense calculation. The inclusion of the [CONFIDENTIAL TEXT– customers] sales revises the ratio of the standard allocation of the selling expense to the like goods down from [CONFIDENTIAL TEXT– numbers].

Following the revision of the selling expense calculations, SSAB Emea's selling expense for Oxelösund is revised downwards to [CONFIDENTIAL TEXT– number] per ton, on average [CONFIDENTIAL TEXT– number] of the sales revenue of the like goods.

### **6.5.3 Administration expense**

SSAB Emea advised that its administration expense was calculated in the same manner as the other fixed costs reported in the CTMS spreadsheets such as direct labour and manufacturing overheads. Refer to section 6.2 for further discussion of this methodology.

The verification team traced total administration expense shown in Table 2 – Confidential Attachment CTMS 3, to the operational income statement for Oxelösund (Confidential Attachment GEN 10). SSAB Emea calculated that administration costs represented [CONFIDENTIAL TEXT– number] of the total fixed costs incurred by SSAB Emea in 2013. This percentage was then applied to the share of fixed costs calculated by the inventory valuation system for each product type based on the volume of that product sold to Australia and Sweden in the investigation period. This resulted in an administration expense of between [CONFIDENTIAL TEXT – numbers] per ton depending on product.

## **6.6 Borlange - SG&A expenses**

SSAB Emea submitted the SG&A expenses in respect of Borlange as part of its CTMS spreadsheet – Borlange (Confidential Appendix 3). These SG&A expenses reflect the same methodology as was applied to the Oxelösund SG&A expenses, calculating a cost per ton expense for the royalty fee, selling and administration expense.

The royalty fee is the same for Borlange as Oxelösund. See section 6.5.1 for the calculation of this expense. The administration expense was calculated in the same manner as other fixed costs for Borlange (refer to section 6.4).

The selling expense was calculated using the same methodology as the first selling expense calculation for Oxelösund (refer to section 6.5.2). That is, the selling expense shown in the income statement for Borlange (Confidential Attachment GEN 9) minus the income and costs relating to distribution, divided by the external sales made by Borlange to arrive at a selling expense of [CONFIDENTIAL TEXT– number] of sales revenue. To get a per ton cost SSAB Emea divided the pure selling expense (i.e. without distribution) by the total [CONFIDENTIAL TEXT– product type] sold by Borlange, to arrive at a selling expense of [CONFIDENTIAL TEXT– number] per ton.

## **6.7 Costs to make and sell - conclusion**

The verification team is satisfied that all of the costs of production for all products produced at Oxelösund in the investigation period have been captured in the data presented at the visit and reflected in the CTMS spreadsheets (Confidential Appendix 4). The verification team have been able to trace the total CTM from the operational income statement for Oxelösund (Confidential Attachment GEN 10) to the income statement Oxelösund (Confidential Attachment GEN 7) to the income statement SSAB AB (Confidential Attachment GEN 7), which has been tied to the SSAB AB financial report for

2013 (Confidential Attachment GEN 6). The verification team are further satisfied that the total variable and fixed costs reported by the inventory valuation system can be reconciled (with a minor variance) to the variable and fixed costs as reported in the operational income statement for Oxelösund and Borlänge.

The verification team notes that the allocation of fixed and variable costs to the Q&T steel plate by the inventory valuation system is unable to be fully verified due to a lack of information about the cost centres attributed to each product. Further the cost lines e.g. iron ore, reported in the CTMS spreadsheets reflect the proportion of the total cost each cost represents for all products produced and may not accurately reflect the costs of Q&T steel plate.

Article 2.1.1 of the *WTO Anti-Dumping Agreement and Agreement on Subsidies and Countervailing Measures*, states 'that costs shall normally be calculated on the basis of records kept by the exporter or producer under investigation, provided that such records are in accordance with the generally accepted accounting principles of the exporting country and reasonably reflect the costs associated with the production and sale of the goods under consideration'. The verification team notes that SSAB Emea's accounts are audited in line with the generally accepted accounting principles of Sweden (refer to Confidential Attachment GEN 6). The verification team considers the inventory valuation system reflects the records kept by SSAB Emea in relation to the cost of product types produced.

It is important to highlight that while the verification team considers the individual cost components of each product type, including the split between fixed and variable costs, may not accurately reflect the costs associated with each product, it is satisfied that the full cost of production for each product – from steel making through to finishing – have been captured by the process used by SSAB Emea. That is, the visit team is satisfied the total CTM for each product has been captured, and considers that the costing methodology used in allocating individual cost elements reasonably reflects the costs associated with the production of the goods.

Accordingly the verification team considers that SSAB Emea costs to make and sell data is a reasonably complete, relevant and accurate reflection of the actual costs to make and sell Q&T steel plate during the period from 1 January 2013 to 31 December 2013.

The verification team considers sufficient CTMS information was obtained and verified for assessing whether domestic sales were in the ordinary course of trade (OCOT) and determining constructed normal values, noting that normal values have been determined based on domestic sales in accordance with s. 269TAC(1).

## 7 DOMESTIC SALES

### 7.1 General

SSAB Emea emphasised that it considers its domestic market to be

[REDACTED]  
[REDACTED] **[CONFIDENTIAL TEXT– SSAB EMEA’s views on domestic market]**. SSAB Emea acknowledged the visit team’s explanation that Sweden was considered the domestic market for the purpose of the anti-dumping investigation.

As discussed in section 4.2.1, during the upwards verification of the sales data the verification team identified [REDACTED] **[CONFIDENTIAL TEXT– number]** [REDACTED] **[CONFIDENTIAL TEXT– grade of “like goods”]** produced at Borlange that meets the definition of like goods and should have been included in the domestic sales listing. Following the verification visit SSAB Emea submitted a revised domestic sales listing, which forms **Confidential Appendix 1**.

The verification of the domestic sales data to audited financial statements is discussed in section 4 of this report.

#### 7.1.1 Levels of trade

In its revised domestic sales listing, SSAB Emea identified [REDACTED] **[CONFIDENTIAL TEXT– number]** categories of domestic customers:

[REDACTED]  
**[CONFIDENTIAL TEXT– levels of trade of domestic customers]**.

SSAB Emea stated that prices were

[REDACTED]  
[REDACTED] **[CONFIDENTIAL TEXT– details of price negotiation]**.

The verification team noted that SSAB Emea’s largest domestic customer, [REDACTED] **[CONFIDENTIAL TEXT– customers and level of trade]**, purchased approximately [REDACTED] **[CONFIDENTIAL TEXT– number]** of the sales volume in the investigation period and received prices that were on average [REDACTED] **[CONFIDENTIAL TEXT– different]** than other customers. SSAB Emea explained that prices to [REDACTED] **[CONFIDENTIAL TEXT– details of negotiation with customers]**. SSAB Emea provided an extract of its pricing contract with [REDACTED] **[CONFIDENTIAL TEXT– customers]** (**Confidential Attachment DOM 1**). The verification team observed from the selected sales documentation (discussed below in section 7.3), that this pricing contract was applied to the selected sales.

The verification team observed from the revised domestic sales listing that prices

[REDACTED] [CONFIDENTIAL TEXT– observations regarding price trend to particular level of trade]. However, when the sales to [REDACTED] [CONFIDENTIAL TEXT– customers] were excluded from this analysis prices to original equipment manufacturers were higher on average. The verification team considers that it is the volumes purchased by [REDACTED] [CONFIDENTIAL TEXT– customer] that appears to be driving prices rather than the distribution channel.

### 7.1.2 Sales to related parties

In its revised domestic sales listing, SSAB Emea identified related customers as follows:

[REDACTED] [CONFIDENTIAL TEXT– customers and levels of trade]. Direct sales to [REDACTED] [CONFIDENTIAL TEXT– customers] accounted for [REDACTED] [CONFIDENTIAL TEXT DELETED – number] of the sales volume of like goods in the investigation period. SSAB Emea stated that [REDACTED] [CONFIDENTIAL TEXT– customers] it also purchases from other suppliers. SSAB Emea described [REDACTED] [CONFIDENTIAL TEXT– customers]. In its EQR, SSAB Emea stated that prices to

[REDACTED] [CONFIDENTIAL  
TEXT– details of price setting for customers]. SSAB Emea’s revised domestic sales  
listing identified [REDACTED] [CONFIDENTIAL  
TEXT– commercial arrangements] [CONFIDENTIAL TEXT– customers] related  
parties. SSAB Emea explained that [REDACTED] [CONFIDENTIAL TEXT–  
commercial arrangements] was applied to the invoice price and the net invoice value  
shown in the domestic sales listing [REDACTED] [CONFIDENTIAL  
TEXT– commercial arrangements].

During the verification of the domestic sales to source documents, it became apparent that two of the eight selected sales to unrelated parties were made

[CONFIDENTIAL TEXT– commercial arrangements].

SSAB Emea identified in the revised domestic sales spreadsheet (Confidential Appendix 3) sales made through [REDACTED] [CONFIDENTIAL TEXT– entity]. Only a small number of sales were identified, accounting for [REDACTED] [CONFIDENTIAL TEXT– number] tonnes. The visit team was later advised by SSAB Emea that there were other sales in the domestic sales listing that were through [REDACTED] [CONFIDENTIAL TEXT– entity] but that it would be difficult to identify these sales (refer to email correspondence which forms **Confidential Attachment DOM 4**).

The verification team's analysis of the domestic sales listing indicated that the weighted average selling price of Q&T steel plate to



[REDACTED] [CONFIDENTIAL  
TEXT– commercial arrangements].

The verification team considers that given prices to related

[REDACTED] [CONFIDENTIAL– commercial arrangements], the price is not influenced by the relationship between the parties. In respect of the sales to unrelated parties through [CONFIDENTIAL TEXT– entity] the verification team notes that prices for this small sample were marginally lower, but this varied significantly when compared by grades, as would be expected by sales influenced by market considerations and not the association of a related party. Therefore the verification team finds that the sales to related [REDACTED] [CONFIDENTIAL TEXT – commercial arrangements] are arms-length transactions.

## **7.2 Domestic sales process, pricing, terms and payment**

### **7.2.1 General**

SSAB Emea explained that the sales process for Q&T steel plate to its domestic customers is as follows:

- 

[REDACTED] [CONFIDENTIAL TEXT – details of sales  
process to domestic customers]

SSAB Emea advised that it has a strong focus on its customers and their end users for its Q&T steel plate products. SSAB Emea stated that it invests strongly in its domestic sales force,

[REDACTED] [CONFIDENTIAL TEXT – activities of  
domestic sales team].

### **7.2.2 Delivery terms**

The revised domestic sales spreadsheet indicated that domestic sales of like goods were made

[REDACTED] [CONFIDENTIAL TEXT– delivery terms]. SSAB Emea



stated that

[CONFIDENTIAL TEXT– details of delivery terms].

### 7.2.3 Payment terms

The revised domestic sales spreadsheet indicated that domestic sales of the like goods were made with the following payment terms:

[CONFIDENTIAL TEXT – payment terms] The verification team observes that [CONFIDENTIAL TEXT– number] of the domestic sales have credit terms of [CONFIDENTIAL TEXT– credit period].

## 7.3 Verification of sales to source documents

Prior to the visit, the verification team selected 10 domestic sales of Q&T steel plate from the domestic sales spreadsheet and requested that SSAB Emea provide source documents in relation to each selected invoice.

For each selected invoice, SSAB Emea provided copies of the following documents at the visit:

- order form;
- commercial invoice;
- dispatch advice;
- inland transport invoice; and
- proof of payment.

The verification team was able to match, with the exception of some discrepancies discussed below, the sales information in the source documents to the data contained in the revised domestic sales listing. The source documents, including proof of payment, for the selected sales is at **Confidential Attachment DOM 2**.

Two of the selected sales were paid after their agreed terms of payment date.

The verification team observed from the domestic sales listing that there were a number of sales with a zero quantity. These were found to be credit adjustments that in most instances were cancelled out by each other. The verification team selected the largest of these credit notes, which accounted for [CONFIDENTIAL TEXT– number] of the total value of the credit/debit notes, as part of the ten selected sales. From the source documents provided (Confidential Attachment DOM 2) it appears that this credit note relates [CONFIDENTIAL TEXT– commercially sensitive information that cannot be summarised]. The verification team excluded this credit note and observes that the remaining credit notes with zero quantity account for only [CONFIDENTIAL TEXT– number] of the total net invoice value of the total domestic sales listing. Because these remaining credit notes could not be directly linked to an invoice in the domestic sales listing and because they account for such a small percentage of the domestic sales value, the verification team has excluded all credit notes with a zero quantity from its dumping calculation.

### **7.3.1 Inland transport**

SSAB Emea explained that it uses a number of transport providers using [REDACTED] **[CONFIDENTIAL TEXT– forms of transport]** to deliver the goods to its domestic customers. SSAB Emea advised that it uses a freight calculation system known as [REDACTED] **[CONFIDENTIAL TEXT– system]** [REDACTED] **[CONFIDENTIAL TEXT– operation of system]**. SSAB Emea stated that the [REDACTED] **[CONFIDENTIAL TEXT– system]** estimation may overstate the freight cost where the freight forwarder has been able to bundle deliveries.

SSAB Emea advised that [REDACTED] **[CONFIDENTIAL TEXT– system]** estimation for transport cost feeds into SSAB Emea's data warehouse, which been used to populate the inland transport cost in the domestic sales spreadsheet.

SSAB Emea was able to supply the inland transport invoice for the delivery in relation to [REDACTED] **[CONFIDENTIAL TEXT– number]** of the selected sales. These invoices form part of Confidential Attachment DOM 2. The verification team compared the estimated transport cost reported by [REDACTED] **[CONFIDENTIAL TEXT– system]** and the five invoices supplied and found an overall the invoices supplied showed a [REDACTED] **[CONFIDENTIAL TEXT– number]** higher transport cost compared to the [REDACTED] **[CONFIDENTIAL TEXT– system]** estimation. This analysis forms **Confidential Attachment DOM 3**.

The domestic sales listing indicated that all sales were delivered, however one of the selected sales was in fact collected by the customer. For this sale a small transportation cost of [REDACTED] **[CONFIDENTIAL TEXT– number]** was identified in the domestic sales spreadsheet.

## **7.4 Arms length**

In respect of domestic sales during the investigation period, we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

We therefore consider that all domestic sales during the investigation period were arm's length transactions.

## **7.5 Ordinary course of trade**

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods and are unrecoverable within a reasonable period, they are taken not to have been paid in the OCOT.

As noted in section 6 of this report, SSAB Emea provided its CTMS data on a yearly basis. Therefore the verification team was only able to conduct a recoverability test by

comparing the unit selling price (less inland transport) to the corresponding weighted average CTMS of each model of Q&T steel plate for the whole of the investigation period.

The verification team undertook this test for each of the [REDACTED] [CONFIDENTIAL TEXT– number] product

types;

[REDACTED] [CONFIDENTIAL TEXT– product types] individually and where the volume of unrecoverable sales exceeded 20%, the unrecoverable sales for those product types were deemed not to be made in the ordinary course of trade. Only the [REDACTED] [CONFIDENTIAL TEXT– product type] produced at [REDACTED] [CONFIDENTIAL TEXT – mill] product had unrecoverable sales exceeding 20%.

## **7.6 Domestic sales – preliminary assessment**

The verification team found a sufficient volume of Q&T steel plate sales in the domestic market that were arm's length transactions and sold at prices that were in the OCOT. The price paid for the goods in those domestic sales was established satisfactorily.

Based on the information provided and the verification processes conducted on site, the verification team are satisfied that prices paid in respect of SSAB Emea's domestic sales of Q&T steel plate are suitable for assessing normal value under section 269TAC(1).

The dumping margin spreadsheet including the domestic sales listing, OCOT tests and sufficiency tests are at **Confidential Appendix 5**.

## **8 THIRD COUNTRY SALES**

In its EQR, SSAB Emea provided a summary its Q&T steel plate sales to third countries.

As the verification team considers that it was in possession of sufficient verified information from the EQR and visit to calculate normal values for Q&T steel plate using domestic sales or a construction method, the verification team did not undertake detailed verification of the third country data.

## 9 ADJUSTMENTS

### 9.1 General

To ensure that the normal value was comparable to the deductive export price, determined under subsection 269 TAB(1)(c) of the Act, certain adjustments were made.

As the verification team recommends that export price should be calculated based on SSAB Australia's sales to unrelated customers in the Australian market, deductions have been made to the price paid by unrelated Australian customers to bring it to an FOB export price at SSAB Emea. These deductions are discussed in section 11 of this report.

At the verification visit, SSAB Emea provided a submission outlining its claims regarding adjustments to the normal value, these claims are addressed below and the submission forms **Confidential Attachment ADJ 1**.

### 9.2 Adjustments to the normal value based on domestic sales

#### 9.2.1 Domestic inland freight

The verification team considers a downward adjustment for domestic inland freight expense is required to ensure fair comparison to the deductive export price. The deductive export price is an FOB price. In the domestic sales spreadsheet (Confidential Appendix 1), the cost of freight was identified for each transaction (refer to section 7.3.1 of this report).

The Oxelösund mill is located next to the harbour and therefore a comparable FOB export sale does not incur any inland freight charges.

#### 9.2.2 Domestic selling expenses adjustment

SSAB Emea submitted that SSAB Singapore is effectively the sales administration department for Australian sales. SSAB Emea stated that it does not incur any selling costs when goods are exported to Australia; rather its role is limited to that of a production platform.

[REDACTED]

[CONFIDENTIAL TEXT– details of role of SSAB SG].

The verification team considers that SSAB Emea does not incur selling expense in relation to its exports sales to Australia, although it does incur administration and general expenses. The verification team further finds that any selling effort and respective expense in relation to sales to Australia is undertaken by SSAB Singapore. Therefore the verification team considers a downward adjustment for the domestic selling expenses is required to ensure fair comparison to export the deductive export price. As discussed in sections 6.5.2 and 6.6 of this reports, the verification team verified SSAB Emea's selling expense calculation of [REDACTED] [CONFIDENTIAL TEXT– number] per ton for Oxelösund and [REDACTED] [CONFIDENTIAL TEXT– number] of sales revenue for Borlange.

### **9.2.3 Export selling expense adjustment**

As discussed in section 9.2.3, the verification team considers that any selling effort and respective expenses in relation to sales to Australia is undertaken by SSAB Singapore. The verification team understands SSAB Singapore's role in the sales to SSAB Australia includes [REDACTED]

[REDACTED] **[CONFIDENTIAL TEXT– details of role of SSAB SG in sales to Australia]**  
(refer to **Confidential Attachment ADJ 2**).

The verification team considers that this selling effort is undertaken prior to the FOB point in sales transactions made to Australia, and therefore the deductive export price (which works back to an FOB value) does not deduct this expense. Instead an upwards adjustment for SSAB Singapore's selling expenses in the normal value calculation is required to ensure fair comparison to the deductive export price.

SSAB Singapore's Audit Financial Report for 2013, indicates that SSAB Singapore's SG&A expense is [REDACTED] **[CONFIDENTIAL TEXT– number]** of sales revenue (**Confidential Attachment ADJ 3** and Confidential Attachment ADJ 1). The verification team notes that this calculation includes administration and general expenses however the verification team considers it reasonable to include these expenses as the role of SSAB Singapore in respect of its sales to Australia, described above, includes items that would fall in the administration and general expense categories. This [REDACTED] **[CONFIDENTIAL TEXT– number]** SG&A expense has been applied to the domestic invoice value and adjusted upwards for the normal value.

### **9.2.4 Export handling and loading expenses**

The verification team considers an upwards adjustment to the normal value is required for export handling and loading expenses.

The adjustment was based on a weighted average export handling and loading charge of [REDACTED] **[CONFIDENTIAL TEXT– number]** per ton, reflecting the loading charges relating to bulk and containerised shipping costs incurred. The verification of this cost is detailed in section 5.2.4.

### **9.2.5 Credit cost adjustment**

The verification team observes that [REDACTED] **[CONFIDENTIAL TEXT– number]** of SSAB Emea's domestic sales have credit terms of [REDACTED] **[CONFIDENTIAL TEXT– period]**. Of SSAB Australia's sales, used as the basis of the deductive export price, [REDACTED] **[CONFIDENTIAL TEXT– number]** have credit terms of [REDACTED] **[CONFIDENTIAL TEXT– period]**.

SSAB Emea supplied an extract of its accounts demonstrating its borrowing rate from [REDACTED] **[CONFIDENTIAL TEXT– entity]**, which over the investigation period was an average of [REDACTED] **[CONFIDENTIAL TEXT– number]** (**Confidential Attachment ADJ 4**).

The verification team has applied a credit cost adjustment based on the borrowing rate of [REDACTED] [CONFIDENTIAL TEXT– number] to the domestic and deductive export sales to align them to cash terms.

### **9.3 Adjustments – Conclusion**

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with s. 269TAC(8) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and the deductive export prices:

Domestic inland freight	<b>Deduct</b> the actual cost of inland freight where applicable.
Domestic selling adjustment	<b>Deduct</b> an amount for domestic selling expenses
Export selling adjustment	<b>Add</b> an amount for SSAB Singapore's SG&A
Export handling and loading expenses	<b>Add</b> a weighted average cost for containerised and break bulk hand and loading expenses
Credit cost adjustment	<b>Deduct</b> to get domestic sales to get to cash credit terms

## **10 NORMAL VALUE**

The verification team found sufficient volumes of domestic sales of Q&T steel plate by SSAB Emea that were arm's length transactions and at prices that were in OCOT. Therefore, we are satisfied that prices paid in respect of domestic sales of Q&T steel plate steel are suitable for assessing normal values under s. 269TAC(1) of the Act.

In using domestic sales as the basis for normal values, the verification teams considers that certain adjustments, in accordance with s. 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in section 9 of this report.

Detailed normal value calculations with adjustments are at Confidential Appendix 5.



## 11 EXPORT PRICE

### 11.1 Deductive export price s. 269TAB(1)(c)

The verification team found that in relation to goods exported by SSAB Emea to SSAB Singapore, the purchases of the goods by the importer, SSAB Singapore were not arm's length transactions and recommends that the export price be determined under subsection 269TAB(1)(c), being the price that the Parliamentary Secretary determines having regard to all the circumstances of exportation.

In this instance the verification team recommends that the export price is determined using the sales price from SSAB Australia to unrelated parties less the prescribed deductions to arrive at an FOB price from SSAB Emea in Sweden.

The following prescribed deductions have been made to the sales price from SSAB Australia to unrelated parties to derive an FOB price:

- Ocean freight – based on the weighted average ocean freight cost identified in SSAB Emea's export sales spreadsheet (Confidential Appendix 2);
- Marine Insurance – SSAB Emea provided its marine insurance certificate and policy showing its insurance premium rate of [REDACTED] [CONFIDENTIAL TEXT– number] (Confidential Attachment EXP 8);
- Importation costs – based on information provided at the importer visit to SSAB Australia;
- Import duty – the import duty rate for Sweden is 5%;
- Inland transport – based on information provided at the importer visit to SSAB Australia;
- SSAB Australia's SG&A expense – information was gathered during the importer visit to SSAB Australia regarding its SG&A expense. Following the verification visit to SSAB Emea, SSAB Australia submitted a revised SG&A expense calculation isolating expenses related to the goods under consideration. This revised SG&A calculation is at Confidential Attachment EXP 9.

The verification team observes from the revised SG&A expense calculation for SSAB Australia (Confidential Attachment EXP 9) that the goods under consideration represent [REDACTED] [CONFIDENTIAL TEXT– number] of sales revenue. The calculation allocates [REDACTED] [CONFIDENTIAL TEXT– number] of the SG&A expense to the goods not under consideration [REDACTED] [CONFIDENTIAL TEXT– number] of sales revenue.

The verification team does not consider the reallocation of SG&A expenses as proposed in the revised SG&A calculation to be reasonable, based on the above analysis and given that the basis of the reallocation was not clear. The verification team acknowledges that SSAB Australia offered to have someone explain the

recalculations. However, as this revised SG&A expense calculation was submitted to the Commission three months after the importer verification visit to SSAB Australia, the Commission had to consider the timeliness of completing the investigation. For these reasons, the verification team considers that the original SG&A expense for SSAB Australia as determined by the importer visit team of [REDACTED] **[CONFIDENTIAL TEXT– number]** should be used to calculate the SSAB Australia sales price at an FOB point.

- Profit – a reasonable profit as determined by the case management team based on comparable verified data obtained from importer visits.
- Credit terms – adjusted credit terms under s 269TAC(8) to cash terms to ensure a fair comparison with the normal values (see discussion section 9.2.5).

The deductive export price calculations form **Confidential Appendix 6**.

## **11.2 Export price – 269TAB(1)(a)**

The verification team finds that in relation to goods exported by SSAB Emea to the unrelated customer in Australia, the transactions were arms' length and recommends that the export price for these export sales be determined under subsection 269TAB(1)(a), being the invoiced price paid by the importer other than any part of that price that represents a charge in respect of the transport of the goods after exportation or in respect of any other matter arising after exportation.

## **12 DUMPING MARGIN – PRELIMINARY ASSESSMENT**

The verification team compared the weighted average export prices over the whole of the investigation with the weighted average corresponding normal values over the whole of that period, in accordance with subsection 269TACB(2)(a) of the Act.

The weighted average combined product dumping margin, for Q&T steel plate exported to Australia by SSAB Emea is 34%.

Details of the dumping margin calculations are at Confidential Appendix 5.

### 13 General comments

During the visit SSAB Emea provided a submission requesting the Minister to publish a notice under section 269TAF(4) notifying that the rate of exchange between the [CONFIDENTIAL TEXT– currency] [CONFIDENTIAL TEXT– currency] has undergone a sustained movement.

SSAB Emea's submission provided graphs supporting its claim that there was a 'severe and significant movement' from 23 April to 19 June, from SEK 6.83 to SEK 5.99. SSAB Emea stated its opinion about section 269TAF(4) as follows:

*The provision is based on the idea that exporters should be allowed a period of time in which to revise their export prices in cases where an exchange rate fluctuation has occurred. The period of the "fluctuation" is not made clear, however if there is a "fluctuation" then the authorities shall allow exporters a period – we would call it a "grace period" - of 60 days to adjust their prices. Whether they do or do not is not to the point. Rather the point is that if the fluctuation occurs, the framers of the ADA accepted that the exporters may not be able to respond to it and indeed should not have to respond to it for a period of 60 days.*

SSAB Emea requests the rate of exchange in force on 23 April 2013 is used as the rate for the following 60 day period.

The verification team considers that given the relationships between the SSAB entities currency movements are not a relevant consideration in price setting. For example, SSAB Singapore's selling price to SSAB Australia are determined by [CONFIDENTIAL TEXT– details of price setting] and therefore it is not relevant to allow a 60 day period to adjust for currency movements. Moreover, the verification team notes that it has recommended using a deductive export price methodology, which renders allowing an adjustment for currency movements unnecessary.

SSAB Emea's submission forms **Confidential Attachment COMMENTS 1**.

## 14 APPENDICES AND ATTACHMENTS

<b>Confidential Appendix 1</b>	Revised domestic sales spreadsheet
<b>Confidential Appendix 2</b>	Export sales spreadsheet
<b>Confidential Appendix 3</b>	Borlange CTMS spreadsheet
<b>Confidential Appendix 4</b>	Revised CTMS spreadsheet – Oxelösund
<b>Confidential Appendix 5</b>	Dumping margin calculations
<b>Confidential Appendix 6</b>	Deductive export price calculations
<b>Confidential Appendix 7</b>	Sales listing – SSAB Singapore to SSAB Australia
<b>Confidential Appendix 8</b>	Analysis of domestic selling prices to related parties
<b>Confidential Appendix 9</b>	Analysis of iron ore prices
<b>Confidential Attachment GEN 1</b>	SSAB Emea exporter questionnaire response
<b>Confidential Attachment GEN 2</b>	Company background presentation
<b>Confidential Attachment GEN 3</b>	Q&T steel plate product presentation
<b>Confidential Attachment GEN 4</b>	Legal and organisational structure
<b>Confidential Attachment GEN 5</b>	Overview of Oxelösund production facility
<b>Confidential Attachment GEN 6</b>	SSAB AB Annual Report 2013
<b>Confidential Attachment GEN 7</b>	SSAB AB Income Statement 2013
<b>Confidential Attachment GEN 8</b>	Income Statement – Oxelösund
<b>Confidential Attachment GEN 9</b>	Income Statement – Borlange
<b>Confidential Attachment GEN 10</b>	Operational Income Statement – Oxelösund
<b>Confidential Attachment GEN 11</b>	Operational Income Statement – Borlange
<b>Confidential Attachment GEN 12</b>	Listing of all product codes
<b>Confidential Attachment SALES 1</b>	Production volume reconciliation

**PUBLIC RECORD**

<b>Confidential Attachment SALES 2</b>	Monthly production report summary for 2013 - Oxelösund
<b>Confidential Attachment SALES 3</b>	Monthly production report summary for 2013 – Borlange
<b>Confidential Attachment SALES 4</b>	Computer programme used to filter for GUC
<b>Confidential Attachment SALES 5</b>	Data warehouse report for the sale of slabs
<b>Confidential Attachment SALES 6</b>	Data warehouse report for the sale of by-products
<b>Confidential Attachment SALES 7</b>	<div style="background-color: black; width: 100px; height: 1em; display: inline-block;"></div> <b>[CONFIDENTIAL TEXT – system name]</b> report for sales <div style="background-color: black; width: 80px; height: 1em; display: inline-block;"></div> <b>[CONFIDENTIAL TEXT DELETED – product types]</b>
<b>Confidential Attachment EXP 1</b>	Submission – SSAB group pricing policy
<b>Confidential Attachment EXP 2</b>	<div style="background-color: black; width: 300px; height: 30px; display: inline-block;"></div> <b>[CONFIDENTIAL TEXT – SSAB Group pricing documents]</b>
<b>Confidential Attachment EXP 3</b>	<div style="background-color: black; width: 300px; height: 20px; display: inline-block;"></div> <b>[CONFIDENTIAL TEXT– internal documents between SSAB companies]</b>
<b>Confidential Attachment EXP 4</b>	Submission – Further information re: SSAB SG sales
<b>Confidential Attachment EXP 5</b>	Screenshot of break bulk v's containerised goods
<b>Confidential Attachment EXP 6</b>	SSAB Emea loading and handling expense calculation
<b>Confidential Attachment EXP 7</b>	Source documents for selected sales
<b>Confidential Attachment EXP 8</b>	Revised SG&A expense calculation SSAB Australia
<b>Confidential Attachment EXP 9</b>	Marine insurance certificate and policy
<b>Confidential Attachment CTMS 1</b>	Inventory valuation system - process ID centre list

**PUBLIC RECORD**

<b>Confidential Attachment CTMS 2</b>	CTMS worksheet variable costs – Oxelösund
<b>Confidential Attachment CTMS 3</b>	CTMS worksheet fixed costs – Oxelösund
<b>Confidential Attachment CTMS 4</b>	Inventory valuation pivot with descriptions of product codes
<b>Confidential Attachment CTMS 5</b>	Inventory valuation report for 2013
<b>Confidential Attachment CTMS 6</b>	Explanation of the allocation of fixed costs for the tempering lines [CONFIDENTIAL TEXT– internal descriptors]
<b>Confidential Attachment CTMS 7</b>	Inventory valuation pivot by product type
<b>Confidential Attachment CTMS 8</b>	Reconciliation of [CONFIDENTIAL TEXT – intermediate products]
<b>Confidential Attachment CTMS 9</b>	Production report from inventory valuation system for 2013
<b>Confidential Attachment CTMS 10</b>	Steel mill data ware house production report
<b>Confidential Attachment CTMS 11</b>	Contract with [CONFIDENTIAL TEXT– suppliers of raw materials]
<b>Confidential Attachment CTMS 12</b>	Monthly inventory report for blast furnace for quarter 2
<b>Confidential Attachment CTMS 13</b>	Journal entry for iron ore purchases
<b>Confidential Attachment CTMS 14</b>	Detailed journal entry for iron ore purchases
<b>Confidential Attachment CTMS 15</b>	Inventory valuation ledger – iron ore – quarter 2
<b>Confidential Attachment CTMS 16</b>	Invoices for selected iron ore purchases
<b>Confidential Attachment CTMS 17</b>	Proof of payment for selected iron ore purchases
<b>Confidential Attachment CTMS 18</b>	Overview of coal purchasing arrangement
<b>Confidential Attachment CTMS 19</b>	Coking coal consumption ledger
<b>Confidential Attachment CTMS 20</b>	Monthly inventory report for coke oven for quarter 2

**PUBLIC RECORD**

<b>Confidential Attachment CTMS 21</b>	Summary of monthly reports to [REDACTED] <b>[CONFIDENTIAL TEXT– entity]</b> for coal consumption
<b>Confidential Attachment CTMS 22</b>	Invoices for coking coal for quarter 2
<b>Confidential Attachment CTMS 23</b>	Valuation ledger for coking coal for quarter 2
<b>Confidential Attachment CTMS 24</b>	Alloy consumption ledger for quarter 2
<b>Confidential Attachment CTMS 25</b>	Purchase journal for [REDACTED] <b>[CONFIDENTIAL TEXT– alloy]</b>
<b>Confidential Attachment CTMS 26</b>	Invoice for selected purchase of [REDACTED] <b>[CONFIDENTIAL TEXT– alloy]</b>
<b>Confidential Attachment CTMS 27</b>	Labour cost report for 2013
<b>Confidential Attachment CTMS 28</b>	Ledger for electricity consumption cost
<b>Confidential Attachment CTMS 29</b>	Electricity external supply purchases journal
<b>Confidential Attachment CTMS 30</b>	Invoices for selected electricity purchases
<b>Confidential Attachment CTMS 31</b>	Production report for external and internal supply of electricity
<b>Confidential Attachment CTMS 32</b>	CTMS worksheets – Borlange –variable costs
<b>Confidential Attachment CTMS 33</b>	CTMS worksheets – Borlange – fixed costs
<b>Confidential Attachment CTMS 34</b>	Inventory valuation extract for Borlange produced [REDACTED] <b>[CONFIDENTIAL TEXT– product type]</b>
<b>Confidential Attachment CTMS 35</b>	Monthly sales reports for SSAB Emea for 2013
<b>Confidential Attachment CTMS 36</b>	Second revision of selling expense calculation
<b>Confidential Attachment CTMS 37</b>	Selling expense worksheet – Borlange
<b>Confidential Attachment CTMS 38</b>	Screen shots showing cost centres for the Emea <b>[CONFIDENTIAL TEXT– selling expense]</b> [REDACTED]
<b>Confidential Attachment CTMS 39</b>	Full income statement strip



**PUBLIC RECORD**

<b>Confidential Attachment CTMS 40</b>	Filtered extract of the full income statement strip
<b>Confidential Attachment CTMS 41</b>	Email correspondence re: [REDACTED] [CONFIDENTIAL TEXT– selling expense]
<b>Confidential Attachment DOM 1</b>	Pricing contract with [REDACTED] [CONFIDENTIAL TEXT– customers]
<b>Confidential Attachment DOM 2</b>	Source documents for selected sales
<b>Confidential Attachment DOM 3</b>	Domestic transport comparison [REDACTED] [CONFIDENTIAL TEXT– system] to actual invoices
<b>Confidential Attachment DOM 4</b>	Email correspondence re: unidentified sales through [REDACTED] [CONFIDENTIAL TEXT – entity]
<b>Confidential Attachment ADJ 1</b>	Submission – Adjustments
<b>Confidential Attachment ADJ 2</b>	Email outlining SSAB Singapore’s role in relation to sales to Australia
<b>Confidential Attachment ADJ 3</b>	SSAB Singapore’s annual report 2013
<b>Confidential Attachment ADJ 4</b>	Borrowing rate from [REDACTED] [CONFIDENTIAL TEXT– entity]
<b>Confidential Attachment COMMENTS 1</b>	Submission – Sustained currency movement